



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

THIRD SEMESTER – NOVEMBER 2022

17/18UCO3MC01 – COMPANY ACCOUNTS

Date: 22-11-2022

Dept. No.

Max. : 100 Marks

Time: 09:00 AM - 12:00 NOON

PART – A

Answer ALL questions

(10 x 2 = 20)

1. Who is an underwriter?
2. What is Capital redemption reserve?
3. Write a short note on Debentures.
4. What is Purchase consideration?
5. State the different methods adopted in valuation of shares.
6. List out any two expenses which are divided in time ratio.
7. Faizal Ltd., was registered on 01.07.2021 to acquire the running business of Mohammed & Co., with effect from 01.01.2021. The Profit & Loss account of the company was prepared on 31-12-2021. Calculate time ratio.
8. Goodwill is to be valued at 3 years purchase of five years' average profits. The Profits for the last 5 years of the firm were: 2016 – Rs. 2,400; 2017 – Rs. 3,000; 2018 – Rs. 3,400; 2019 – Rs. 3,200; 2020 – Rs. 4,000. Calculate the amount of Goodwill.
9. Ahmed Ltd. issued 1,000, 6% Debentures of Rs. 100 each at Par. Pass Journal entry.
10. ITC Ltd., with a share capital of 10,000 equity shares of Rs.100 each fully paid carries out by, proper resolution, a sub-division into shares of Rs.10 each. Show the necessary journal entry to give effect to the above resolution.

PART-B

Answer any FOUR questions:

(4 x 10 = 40)

11. Distinction between Reserve Capital and Capital Reserve.
12. Illustrate the different methods adopted for calculating Purchase Consideration.
13. Manoj. Ltd., issued 1,50,000 equity shares. The whole of the issue was underwritten as follows:
X – 50%; Y – 25%; and Z – 25%

Applications for the 1,20,000 shares were received in all, out of which applications for 30,000 shares had the stamp of X, those for 15,000 shares that of Y and those for 30,000 shares that of Z. The remaining applications for 45,000 shares did not bear any stamp.

Determine the Net liability of the underwriters.

14. The summarised balance sheet of Good Luck Ltd on 31st Dec 2021 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital:		Sundry assets	19,60,000
4,000 9% Redeemable Preference shares of Rs.100each fully paid	4,00,000	Cash at bank	8,40,000
16,000 equity shares of Rs. 100 each fully paid	16,00,000		
Profit & loss A/c	5,20,000		
Creditors	2,80,000		
	28,00,000		28,00,000

On the above date, the preference shares were redeemed at a premium of 10%. Pass necessary journal entries and give the amended balance sheet.

15. On 1st January 2022, Gavin Ltd. purchased all the assets and liabilities of Mohan but did not take over vendors debtors of Rs. 57,500. It undertook the responsibility of collecting them and out of this realization pay vendors creditors of Rs. 40,000. Company gets commission for the service @ 5% on amount paid and 10% on amount realized. Company realized such a debt of Rs. 1,000 which was previously declared as bad debts. Company has also to pay the contingent liability of Rs. 2,000 on account of a claim against the vendor for damages. Realization from debtors amounted to Rs. 55,000 and out of this amount of Rs. 38,000 was paid to creditors in full settlement of their account. Pass the journal entries in the books of purchasing company.
16. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.
- Average capital employed in the business is Rs.20,00,000.
 - Rate of interest expected from capital having regard to the risk involved is 10%
 - Net trading profits of the firm for the past three years were Rs. 3,50,400; Rs.2,80,300 and Rs. 3,10,100.
 - Fair remuneration to the partners for their services is Rs.48,000 per annum.
 - Sundry assets of the firm are Rs.23,50,400 and current liabilities are Rs.95,110.

17. The following is the Balance Sheet of Stong.Ltd., on 31-3-2022.

Liabilities	Rs.	Assets	Rs.
20,000 equity shares of Rs. 100 each	2,00,000	Patents	40,000
500 10% Redeemable Preference shares of Rs.100 each	50,000	Buildings	2,00,000
Creditors	3,30,000	Machinery	1,30,000
8% Debentures	1,00,000	Stock	80,000
Outstanding Expenses	20,000	Debtors	55,000
	7,00,000	Profit & loss A/c	1,95,000
			7,00,000

With a view to reconstruct the company, it is proposed :

To reduce Equity share paid up amount by Rs.9 each.

To reduce 10% Preference shares by Rs. 40 each.

To reduce 8% debentures by 10%.

To reduce Trade creditors' claim by one third.
 To reduce Machinery by Rs.60,000.
 To reduce Inventory by Rs.10,000.
 To provide Rs.15,000 for bad debts.
 To write off all the intangible assets.
 Pass Journal entries to give effect to the above scheme.

PART-C

Answer any TWO questions

(2 x 20 = 40)

18. Tata Ltd. issued 40,000 shares of Rs.10 each at a premium of Rs.2 per share. The shares were payable Rs.2 on Application, Rs.5 on Allotment (including premium) and Rs.5 on First & Final Call.

All the shares were applied for and allotted. All moneys were received with the exception of the first and final call on 1,000 shares which were forfeited. 400 of these shares were reissued as fully paid at Rs.8 per share.

Give the necessary journal entries and prepare the balance sheet of the company.

19. From the following particulars, ascertain Profit prior to and after incorporation.

- a. Time Ratio – 3 : 5
- b. Sales Ratio – 4 : 6
- c. Gross Profit – Rs. 10,00,000

Expenses debited to Profit & Loss A/c were :	
Salaries	96,000
General Expenses	12,000
Discount on Sales	40,000
Advertisement	50,000
Preliminary expenses	70,000
Rent and Rates	15,000
Printing and stationery	65,000
Incomes credited to profit & Loss A/c were:	
Rent received	18,000
Interest received	50,000

20. Rameez Ltd. has a nominal Capital of Rs. 6,00,000 divided into shares of Rs. 10 each. The following Trial Balance is extracted from the books of the company on 31.12. 2021.

Debit	Rs.	Credit	Rs.
Call in arrear	7,500	6% debenture	3,00,000
Premises (Rs. 60000 added on 1.7.21)	3,60,000	Profit & loss A/c (1.1.2021)	14,500
Machinery	3,00,000	Creditors	50,000
Interim dividend paid	7,500	General reserve	25,000
Purchases	1,85,000	Share capital Call up	4,60,000
Preliminary expenses	5,000	Bills payable	38,000
Freight	13,100	Sales	4,15,000
Director's fees	5,740	Provision for bad debts	3,500
Bad debts	2,110		
4% Govt. securities	60,000		
Stock (1.1.2021)	75,000		
Furniture	7,200		
Sundry debtors	87,000		
Goodwill	25,000		
Cash	750		
Bank	39,900		
Wages	84,800		
General expenses	16,900		
Salaries	14,500		
Debenture interest	9,000		
	13,06,000		13,06,000

Prepare final accounts of the company for the year ending 31.12.2021 in the prescribed form after taking into account the following adjustment.

- i. Depreciate machinery by 10% and furniture by 5%
- ii. Write off preliminary expenses
- iii. Provide 5% for bad debts on sundry debtors
- iv. Transfer Rs. 10,000 to general reserve
- v. Provide for income tax Rs. 25,000
- vi. Stock on 31.12.2021 was Rs. 1,01,000

21. On 31st Dec. 2020 the balance sheet of a limited company disclosed the following position.

Liabilities	Amount	Assets	Amount
Issued capital: Shares of Rs.10 each	8,00,000	Fixed assets	10,00,000
Profit & Loss A/c	40,000	Current assets	4,00,000
Reserves	1,80,000	Goodwill	80,000
5% Debentures	2,00,000		
Current Liabilities	2,60,000		
	14,80,000		14,80,000

On Dec. 31, 2020, the fixed assets were independently valued at Rs.7,00,000 and the goodwill at Rs.1,00,000. The net profits for the three years were:

2018- Rs. 1,03,200; 2019- Rs. 1,04,000; and 2020 - Rs.1,03,300 of which 20% was placed to reserve, this proportion being considered reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of the company's share by

- (a) Net assets method.
- (b) Yield method.

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