Roll No. ....

BBA–304(O)

B. B. A. (Third Semester) EXAMINATION, Dec., 2013

(Old Course)

Paper Fourth

COMPANY ACCOUNTS

Time : Three Hours] [*Maximum Marks : 75*

Note : Attempt all the *five* questions. All questions carry equal marks.

1. The Auto Parts Manufacturing Co. Ltd., was registered with an authorized capital of ₹ 10,00,000 divided into shares of ₹ 10 each, of which 40000 shares had been issued and fully paid. The following is the Trial Balance extracted on 31-12-2007 :

Particulars	Dr. ₹	Cr. ₹
Stock	1,86,420	—
Purchases and Sales	7,18,210	11,69,900
Returns	12,680	9,850
Manufacturing Wages	1,09,740	—
Sundry Manufacturing Expenses	19,240	—
Carriage inwards	4,910	—

18% Bank Loan (Secured)	—	50,000
Interest on Bank Loan	4,500	—
Office Salaries and Expenses	17,870	—
Auditor's Fees	8,600	—
Directors' Remuneration	26,250	—
Preliminary Expenses	6,000	—
Freehold Premises	1,64,210	—
Plant and Machinery	1,28,400	—
Furniture	5,000	—
Loose Tools	12,500	—
Debtors and Creditors	1,05,400	62,220
Cash in Hand	19,530	—
Cash in Bank	96,860	—
Advance Payment of Tax	84,290	—
Profit & Loss A/c on 1-1-2007	—	38,640
Share Capital	—	4,00,000
	17,30,610	17,30,610

You are required to prepare Trading and Profit & Loss Account for the year ended 31-12-2007 and a Balance Sheet as at that date after taking into consideration the following adjustments :

(i) On 31-12-2007 outstanding manufacturing wages and outstanding office salaries stood at ₹ 1,890 and ₹ 1,200 respectively. On the same date, stock was valued at ₹ 1,24,840 and loose tools at ₹ 10,000.

(ii) Provide for interest on bank loan for 6 months.

(iii) Depreciation on Plant and Machinery is to be provided at 15% while on Office Furniture it is to be @ 10%.

(iv) Write-off one-third of balance of preliminary expenses.

(v) Make a provision of corporate income-tax @ 50%. Ignore corporate dividend tax.

(vi) The directors recommended a maiden (first) dividend @ 15% for the year ending 31-12-2007 after a transfer of 5% of net profits to General Reserve.

2. Pass the necessary journal entries in the books of B Ltd. in the following cases :

(a) 2000, 7% Debentures of ₹ 100 each have been issued at par and are redeemable at par.

(b) 2000, 7% Debentures of ₹ 100 each are issued at par and are redeemable at 4% premium.

(c) 2000, 7% Debentures of ₹ 100 each have been issued at 5% discount and are redeemable at par.

(d) 2000, 7% Debentures of ₹ 100 each are issued at 5% discount and are redeemable at $2\frac{1}{2}$% premium.

(e) 2000, 7% Debentures of ₹ 100 each are issued at 4% premium and are repayable at par.

Or

Distinguish between shares and debentures. What are the journal entries made in the books of the company for redemption of debentures under Debenture Redemption Fund method.

3. Mona Ltd. has been merged with Sona Ltd. on 1st April, 2013. The Balance Sheets of both the companies as on 31st March, 2013 are as follows :

Liabilities	Sona Ltd. (₹)	Mona Ltd. (₹)
Share Capital :		
Authorised :		
Equity shares of ₹ 10 each	30,00,000	10,00,000
Issued & Subscribed :		
Equity shares of ₹ 10 each	15,00,000	4,00,000
Reserves & Surplus :		
General Reserve	3,00,000	1,00,000
Profit & Loss	40,000	24,000
Workmen Compensation Fund	24,000	20,000
Current Liabilities & Provisions :		
(A) Current Liabilities :		
Creditors	1,16,000	60,000
(B) Provisions :		
Staff Providend Fund	20,000	8,000
Provision for Taxation	24,000	10,000
₹	20,24,000	6,22,000

Assets	Sona Ltd. (₹)	Mona Ltd. (₹)
Fixed Assets :		
Goodwill	4,00,000	1,20,000
Plant and Machinery	6,24,000	2,00,000
Current Assets, Loans & Advances :		
(A) Current Assets :		
Stock-in-trade	5,30,000	1,60,000
Debtors	4,42,000	1,12,000
Cash at Bank	28,000	16,000
(B) Loans & Advances :		
Prepaid Insurance	—	2,000
Income-tax refund claim	—	12,000
Misc. Expenditure	—	—
₹	20,24,000	6,22,000

The terms and conditions of merger are as follows :

(i) Sona Ltd. takes over all the assets and liabilities of Mona Ltd. at their book value.

(ii) The purchase consideration was agreed at ₹ 6,72,000 to be satisfied in fully paid equity shares of Sona Ltd. of ₹10 each.

You are required to close the some necessary ledger accounts in the books of Mona Ltd. Pass the necessary journal entries and prepare a Balance Sheet after the merger in the books of Sona Ltd.

Or

Distinguish between amalgamation, absorption and reconstruction of companies. What are the journal entries made in the books of the company in case of internal reconstruction of the company ?

4. The Chaudhary Electricity Co. Ltd. decides to replace its old plant with a modern and large capacity plant. The plant was installed in 2008 at the cost of ₹ 60 lakh. The components of material, labour and overheads was in the ratio of 5 : 3 : 2. It is ascertained that the cost of material and labour have gone up by 40% and 80% respectively.

The proportion of overheads to total costs is expected to remain the same as before. The cost of new plant as per improved designs is ₹ 150 lakh and in addition, material of a value of ₹ 6 lakh recovered from the old plant has been used in the construction of the new plant. The old plant was scrapped and sold for ₹ 18,75,000. The accounts of the company are maintained under Double Account System. Indicate how much amount would be capitalized and how much amount would be charged to Revenue Account. Give journal entries and prepare Ledger Accounts.

Or

What do you mean by Final Accounts of a Banking Company ? Give pro forma of Balance Sheet of a bank.

5. Sun Ltd. acquired 3000 equity shares in Moon Ltd. on 1st Oct, 2012. On 31-3-2012 balance sheet of Moon Ltd. was as under :

Liabilities :		₹
Share Capital :		
6% Cumulative shares of ₹ 100 each		1,00,000
Equity shares of ₹ 100 each		5,00,000
General Reserve		1,50,000
Profit & Loss A/c :	₹	
Balance on 1-4-2011	30,000	
Profit for 2011-12	90,000	1,20,000
Trade Creditors		80,000
		₹ 9,50,000

Assets :		₹
Land & Building at cost		2,50,0000
Machinery :		
Balance on 1-4-2011	2,50,000	
Less : Depreciation	25,000	2,25,000
Stock at Cost		1,40,000
Sundry Debtors		1,10,000
Cash and Bank Balance		1,85,000
Preliminary Expenses		40,000
		₹ 9,50,000

As on the date of acquisition the Sun Ltd. found Land and Building overvalued by ₹ 20,000 and the value of the machinery was to be ₹ 3,00,000. In preparing the consolidated Balance Sheet it decided to use the proper values of assets and to eliminate preliminary expenses. Ascertain capital profit, revenue profit and minority interest.

Or

Write short notes on any *two* of the following :

(i) Settlement of insurance claims in case of loss of stock policy and loss of profit policy.

(ii) Methods of valuation of goodwill

(iii) Methods of valuation of shares

(iv) Computation of pre and post incorporation profits

(v) Redemption of preference shares

(vi) Issue of shares at premium and at discount