Roll No..................

BBA-304

B.B.A. (Semester Third) Examination 2011

Paper: Fourth

Company Accounts

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

[Minimum Marks: **26**

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

1. What do you understand by forfeiture of shares? Give journal entries for forfeiture and reissue of shares.

OR

X Ltd issued 20000 equity shares of ₹10 each payable as under:

On Application ₹ 2; on allotment ₹ 3; on first call ₹ 2; and on final call ₹ 3.

The public applied for 15000 equity shares which were allotted. The directors did not make the final call. All moneys, called on shares, were received expect the first call on 500 shares. There shares were forfeited and then reissued as ₹ 7 paid at the rate of ₹ 5 per share. Give journal entries and Balance Sheet of the company.

2. How are debentures paid? What is sinking fund? How and why sinking fund Account is prepared?

OR

The Balance sheet of Ram and Krishna on 31st March, 2009 was as follows:

Liabilities		Amount	Asset	Amount
Capital		5,00,000	Building	220650
Ram	300000		Machinery	1 28000
Krishna	200000		Stock	1 07600
Creditors		3,70,00	Debtors	42500
			Bill Relievable	10 750
			Cash	27500
		5 37000		5 37000

In order to purchase and run this business a company is formed with an authorized capital of ₹1000000. This capital is divided in equity shares of ₹ 10 each. The company has purchased all the assets and liabilities except cash and bills receivable for ₹ 500000. This price is paid by ₹ 400000 fully paid equity shares and balance in cash. Remaining capital was purchased and paid by public. Pass necessary Journal entries in the books of the company.

3. What are the different basis for allocations of the following expenses for ascertaining of Prior and Post incorporation profits? Explain with illustrations.

OR

How is the liability of the list 'B' contributors determined? Who are the Preferential creditors? Explain.

4. The following Balance Sheet represented the position of a Company, when it went into liquidation on 31st March. 2009:

Liabilities		Amount	Assets	Amount
		₹		₹
Share Capital:			Goodwill	20,000
Authorized:			Plant & Machinery	21,700
10,000 Shares of ₹10 each		1,00,000	Stock-in-trade	37,800
Issued, Subscribed, Called and Paid-up :			Sundry Debtors	25,150
4,940 Shares of ₹ 10 each fully paid		49,400	Cash at Bank	150
Bank Overdraft (Unsecured)		1,950	Profit & Loss A/c	51,850
Sundry Creditors:	₹			
Preferential	5,500			
Unsecured	99,800	1,05,300		
		1,56,650		1,56,650

The liquidator, whose remuneration was agreed at $2\frac{1}{2}\%$ on the amount realized and 1% on the amount distributed to the unsecured creditors, realized the assets as follows: Plant and Machinery ₹ 22,300; Stock-in-trade ₹ 31,700; Sundry debtors ₹ 19,050; Cash ₹ 150. A first and final dividend was distributed to creditors after paying expenses of the liquidation, which amounted to ₹ 570. You are required to prepare the Liquidator's Final Statement of Account, showing the amount of dividend in a rupee.

5. The Auto Parts Manufacturing Co. Ltd. was registered with an authorized capital of ₹ 1000000 divided into shares of ₹ 10 each of which 40000 shares had been issued and fully paid. The following is the trial Balance extracted on 31st March, 2009:

Particulars	Debit Balance	Credit Balance
	₹	₹
Stock (1st April, 2008)	1,86,420	—
Purchases and Sales	7,18,210	11,69,900
Returns	12,680	9,850
Manufacturing Wages	1,09,740	—
Sunday 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	—
Director's 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 at Bank	96,860	—
Advance Payment of Tax	84,290	—
Profit and Loss A/c on 1st April, 2008	—	38,640
Share Capital	—	4,00,000
	17,30,610	17,30,610

You are required to prepare Trading and profit & Loss Account for year ended 31st March, 2009 and a Balance Sheet as at that data after taking into consideration the following adjustments:

(i) On 31st March, 2009 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 of ₹ 10,000.

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

(iii) Depreciation on Plant and Machinery is to be provided @ 15% while on office furniture it is to be @ 10%

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

(v) Make a provision for Income Tax at 50%

(vi) The directors recommended a dividend @ 15% for the year ending 31st March. 2009. Assume 13.068% dividend tax rate.

6. Explain in detail the procedure of "amalgamation in the nature of merger and 'amalgamation' in the nature of purchase' according to Accounting standard (AS)-14

7. What do you understand from reconstruction? Distinguish between internal and external reconstruction. When is it necessary?

8. What are the various methods of valuation of shares? Describe and illustrate the net assets method of valuing shares?

OR

Calculate the value of equity shares and preference shares: 8000, 4% pref. Shares of ₹ 100, each full, paid up 800000 10,000 equity shares of ₹ 100 each, ₹ 80 paid up 800000

expected Profit before tax	500000
Income-tax Rate	50%
Transfer to General Reserve	20%
Normal earning Rate	10%

9. What do you understand by super profit method of valuing goodwill? What are the different? Methods of calculating goodwill bared on super profit?

OR

The net profit of a company after making provision for taxation for the last five years are ₹ 40000, ₹ 42000, ₹ 45000, ₹ 496000 and ₹ 47000 respectively. The capital employed in the business is ₹ 400000 on which the expected reasonable rate of return is 10%. It is expected that the company will be able to maintain its super profit for the next five years:

(a) Calculate the value of goodwill of business on the basis of an annuity of super profits; taking the present value of an annuity of one rupee for five years at 10% interest as ₹ 3.78.

(b) How would your answer differ if the goodwill is calculated by capitalizing the excess of the annual average distributable profit over the reasonable return on capital employed on the basis of the same return of 10%?

(c) Calculate goodwill on five years purchase of super profit.

10. Write the short notes:

(i) Revenue Account.

(ii) Non banking Assets.