

B.B.A. (Part-II) Semester-III Examination

BBA/303

COMPANY ACCOUNTS

Time : Three Hours]

[Maximum Marks : 80

Note :— (1) There are **THREE** Sections (A, B and C).

(2) Section A—20 marks, Section B—20 marks, Section C—40 marks.

(3) All questions are compulsory.

(4) Section B and Section C comprise of short and long questions respectively, attempt one each from respective unit having internal choice from the same unit.

(5) Show necessary working notes wherever necessary.

SECTION—A (MCQ)

Choose an appropriate option :

1. When shares are forfeited, Share Capital Account is :
(a) Debited (b) Credited
(c) Adjusted (d) None of these
2. The Capital with which the company is Registered is called :
(a) Issue Capital (b) Subscribed Capital
(c) Authorised Capital (d) Called up Capital
3. The maximum rate of premium at which shares can be issued is :
(a) 5% (b) 10%
(c) 20% (d) There is no limit
4. A company can not issue :
(a) Redeemable Equity Shares (b) Redeemable Preference Shares
(c) Redeemable Debentures (d) Fully Convertible Debentures
5. A Debenture holder gets :
(a) Dividend (b) Ownership of company
(c) Interest at fixed rate (d) None of these
6. Non-convertible debentures refer to :
(a) Short term fund (b) Owner's capital
(c) Loan capital (d) None of these
7. Debenture holders are :
(a) Creditors (b) Owners
(c) Customers of the company (d) None of these

8. Premium on redemption of debentures account is :
- (a) A Real A/c (b) A Nominal A/c Income
(c) A Personal A/c (d) A Nominal A/c Expenditure
9. Securities Premium A/c is shown on the liability side of the Balance Sheet under the head :
- (a) Share Capital (b) Reserves and Surplus
(c) Current Liabilities (d) Secured Loan
10. Dividends are usually paid on :
- (a) Authorised Capital (b) Issued Capital
(c) Paidup Capital (d) None of these
11. Goodwill is shown in Asset side of the Company's Balance Sheet under the head :
- (a) Fixed Asset (b) Current Asset
(c) Investment (d) None of these
12. The Amount set aside to meet the loss of bad debts is a :
- (a) Reserve (b) Liability
(c) Provision (d) Expenses
13. On Amalgamation, Fictitious Assets of Vendor Company are transferred to _____ A/c.
- (a) Partners Capital (b) Profit & Loss
(c) Shareholder (d) Sundry Creditors
14. On Amalgamation, Assets and Liabilities of Vendor Company are transferred to _____ Account.
- (a) Realisation (b) Partner's Capital
(c) Shareholder (d) None of these
15. In Amalgamation of two companies :
- (a) Both companies lose their existence
(b) Both companies continue
(c) Any one company continues
(d) None of these
16. Net Assets Minus Capital Reserve is :
- (a) Purchase consideration (b) Total Assets
(c) Goodwill (d) None of these
17. When one of the existing companies takes over business of another company or companies it is known as :
- (a) Amalgamation (b) Absorption
(c) Internal Reconstruction (d) External Reconstruction

18. If market price of the share to be given for purchase consideration at the time of the absorption _____ is to be determined.
- (a) Fair value (b) Face value
(c) Intrinsic value (d) Yield value
19. Purchase consideration is payable by :
- (a) Share (b) Debenture
(c) Cash (d) Any one of the above or all of the above
20. GND Co. Ltd. purchase consideration is Rs. 1,23,450 and Net Assets Rs. 45,680 then :
- (a) Goodwill Rs. 77,770 (b) Capital Reserve Rs. 77,770
(c) Goodwill Rs. 1,69,130 (d) Capital Reserve Rs. 1,69,130

1×20=20

SECTION—B

1. Baba Company issued 5000 shares of Rs. 50 each at a premium of Rs. 5 per share payable as follows :
- On Application Rs. 10 per share
On Allotment Rs. 15 per share (including premium)
On First Call Rs. 10 per share
On Final Call Rs. 20 per share
- All the shares are subscribed and amount received in full. Pass Journal Entries. 4

OR

Distinguish between Authorised Capital and Issued Capital. 4

2. A company issued 5000, 13% Debentures of Rs. 100 each at a discount of 10% payable Rs. 25 on application, Rs. 40 on allotment and Rs. 25 on final call. The debentures were fully subscribed and the money due duly received. Pass Journal Entries in the Books of Company. 4

OR

Raja Company Ltd. purchased assets of the Book value of Rs. 2,00,000 from Prakash Company Ltd. and agreed to make payment of purchase consideration by issuing 2,000, 10% debentures of Rs. 100 each. Record the necessary journal entries. 4

3. From the following information given below prepare Profit and Loss Appropriation Account of AB Company Ltd. for the year ended 31st March, 2015 :

	Rs.
Balance of P & L A/c (2013-14)	19,400
Net Profit for the year 2014-15	20,000
Interim dividend paid	5,000
Proposed dividend for 2014-15	18,000

4

OR

Prepare Balance Sheet of Tushar Traders using the following data as on 31st March, 2017 :

	Rs.
Land	1,22,000
Machinery	70,000
Furniture	50,000
Issued and Paid Share Capital	3,10,000
Calls in Arrears	30,000
Forfeited Shares A/c	10,000
Closing Stock	1,30,000
General Reserve (31-3-2016)	1,50,000
General Reserve (Provision 2016-17)	20,000
Investment	30,000
Patent	30,000
Creditors	1,90,000
Bills Payable	20,000
Dividend Fund	19,000
Cash in hand	1,08,000
Preliminary Expenses	10,000
12% Debentures	8,000
Prepaid Rent	2,000
Outstanding Salary	5,000
Debtors	1,50,000
Authorised Share Capital	5,00,000

4

4. What are methods used for computation of Purchase Consideration "

4

OR

The following is the Balance Sheet of Alfa Co. Ltd. as on 31st March, 2018 :

Liabilities	Rs.	Assets	Rs.
Capital		Land and Building	1,00,000
12,000 Shares of Rs. 10	1,20,000	Plant & Machinery	40,000
Creditors	40,000	Stock in Trade	15,000
Bank Overdraft	16,000	Debtors	20,000
		Profit & Loss	1,000
	<u>1,76,000</u>		<u>1,76,000</u>

The company went into liquidation and the assets were sold to the Delta Co. Ltd. for Rs. 1,47,000 payable as to Rs. 57,000 in cash (which is sufficient to discharge the creditors and Bank overdraft and to pay the cost of winding up Rs. 1,000) and as to Rs. 90,000 by the allotment of 12,000 Equity Shares of Rs. 10 each of Delta Co. Ltd, Rs. 7.50 paid to the shareholders of the Alfa Co. Ltd.

Prepare Realisation A/c. 4

5. Shyam Co. decided to absorb Sunder Co. Ltd. on the condition that it will pay to Sunder Co. purchase consideration equal to Net Worth of Sunder Co.

Balance Sheet of Sunder Co.

Liabilities	Rs.	Assets	Rs.
Share Capital		Land and Building	55,000
1250 Shares of Rs. 100 each	1,25,000	Plant	80,000
Reserves	15,000	Furniture	12,000
12% Debentures	25,000	Stock	25,000
Creditors	45,000	Debtors	42,000
P & L A/c	5,500	Cash at Bank	1,000
		Cash in hand	500
	<u>2,15,500</u>		<u>2,15,500</u>

Find out amount of purchase consideration. 4

OR

What is Absorption ? Explain objectives of absorption. 4

SECTION—C

1. The Fancy Ltd. issued 4,000 Equity Shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows :

- On Application Rs. 2
- On Allotment Rs. 6 (including premium)
- On 1st Call Rs. 2
- On Final Call Rs. 2

6,000 Shares were applied for and allotment was made on prorata basis. Mr. Bobby who held 120 shares failed to pay 1st Call and 2nd Call and these shares were forfeited. Out of these forfeited shares, 100 shares were reissued as fully paid up for Rs. 9 per share.

Pass Journal Entries. 8

OR

Define a Company. What are the characteristics of a Joint Stock Company ? 8

2. Vijay Enterprises Limited issues of 2,000, 9% debentures of Rs. 100 each. You are asked to give Journal entries on issue if :
- (1) The debentures are issued at Par and redeemable at Par.
 - (2) They are issued at a discount of 5% but redeemable at Par.
 - (3) They are issued at a premium of 5% but redeemable at Par.
 - (4) They are issued at a discount of 10% but redeemable at a premium of 5%.
 - (5) They are issued at Par but redeemable at 10% premium. 8

OR

What are the different methods of redemption of Debentures ? 8

3. Prepare Trading A/c and Profit & Loss A/c of HMF Ltd. for the year ended 31st March, 2016 :

	Rs.
(A) Debit Balances	
Stock (1 st April) Wheat	95,000
Flour	1,60,000
Rates and taxes	25,000
Insurance	57,000
Miscellaneous Expenses	2,50,000
Wages and Salaries	4,30,000
Provident Fund Contribution	50,000
Staff Welfare Expenses	1,00,000
Book Debts	3,21,000
Advance Tax	1,96,000
Wheat Purchases	40,50,000
Power and Fuel	75,000
Stores Consumed	2,20,000
Directors Fees	2,000
Managing Director's Remuneration	80,000
(B) Credit Balances	
Sale of Flour	55,50,000
Rent	4,000
Unclaimed Dividend	9,000
Provision for RDD	10,000

Adjustment :

	Rs.
(1) Closing Stock—Wheat	1,49,000
Flour	2,17,000
(2) Outstanding Exps.	
Wages & Salaries	56,000
Miscellaneous Exps.	20,000
Rates and Taxes	5,000
(3) Insurance prepaid	7,000
(4) Make a provision for RDD @ 5% on Book debts.	8

OR

From the following prepare Balance Sheet of X Ltd. as on 31st March, 2017 :

	Rs.
Goodwill	3,75,000
Plant & Machinery	7,50,000
Authorised Capital	50,00,000
Land	12,50,000
Furniture	1,50,000
Issued and Paid up Capital	20,00,000
Patents	3,75,000
Loose Tools	1,50,000
Stock in Trade	7,08,000
Debtors	2,66,000
Redemption Reserve	50,000
P & L Appropriation A/c (Cr.)	8,610
4% Debentures	5,00,000
Cash in hand	8,000
Cash at Bank	20,000
Bills Receivable	1,34,500
Preliminary Exps.	5,000
Bank Overdraft	7,57,000
Creditors	2,40,500
Calls-in-arrears	10,000

Adjustment :

- (1) Depreciate—Machinery 5%. Furniture 10%, Patents 10% and Loose tools Rs. 30,000.
 - (2) Rs. 21,500 are Bad and Maintain provision for doubtful debts 2% on debtors.
 - (3) Provide for Income Tax Reserve Rs. 2,40,000.
 - (4) Provide for dividend @ 10% on paid-up capital.
 - (5) Outstanding wages Rs. 50,000.
 - (6) Outstanding interest on debentures Rs. 10,000 for 6 months. 8
4. E Ltd. and F Ltd. agreed to amalgamate by transferring their undertaking to a New Company EF Ltd.; on the date of transfer Balance Sheets of Both Co.s are as under :

Liabilities	E Ltd.	F Ltd.	Assets	E Ltd.	F Ltd.
	Rs.	Rs.		Rs.	Rs.
Authorised & Issued Capital of Rs. 10 each	75,000	25,000	Sundry Assets	60,000	31,000
18% Debentures		3,000	Freehold Property	3,000	—
Reserves		2,000	Debtors	18,000	5,000
Mortgage loan (Secured on Freehold Property)	5,000		Investment	13,000	3,000
Creditors	4,000	10,000	Bank	10,000	2,000
P & L A/c	20,000	1,000			
	<u>1,04,000</u>	<u>41,000</u>		<u>1,04,000</u>	<u>41,000</u>

- (1) The purchase consideration consists of the assumption of the liabilities of both companies.
 - (2) The discharge of the debentures in F Ltd. by the issue of Rs. 3,500, 18.5% debentures in EF Ltd.
 - (3) Issue at a premium of Rs. 5 per share of ordinary shares of Rs. 10 each in EF Ltd.
- For the purpose of transfer the assets are to be revalued as :

	E Ltd.	F Ltd.
	Rs.	Rs.
Sundry Assets	65,000	35,000
Freehold Property	5,000	—
Debtors	17,100	4,500
Investment	14,900	4,000
Goodwill	11,000	4,000

Prepare Realisation A/c, EF Ltd A/c, Equity Shareholders A/c in the Books of E Ltd.

OR

Define Amalgamation in the Nature of Merger and in the Nature of Purchase. 8

5. On 31st March, 2018 the Balance Sheet of Vikas Co. Ltd. was as follows :

Liabilities	Amt.	Assets	Amt.
1,00,000 Equity Shares of		Goodwill	50,000
Rs. 10 each fully paid	10,00,000	Land and Building	3,00,000
Reserve	3,70,000	Plant	6,70,000
Profit & Loss A/c	30,000	Stock	4,50,000
12% Debentures	1,50,000	Sundry Debtors	2,50,000
Trade Creditors	2,10,000	Cash at Bank	30,000
		Preliminary Expenses	10,000
	<u>17,60,000</u>		<u>17,60,000</u>

On the above date Vikrant Co. Ltd. absorbed the Vikas Co. Ltd. by purchasing its entire business. However, the cash at Bank and Liability of Debentures were excluded from the agreement of purchase of business. The purchase consideration payable to Vikas Co. Ltd. was agreed to be Rs. 16,20,000 which was paid as follows :

- (i) 1,00,000 Equity shares of Rs. 10 each at the premium of Rs. 5 per share.
- (ii) Balance in cash.

The Vikrant Co. Ltd. from its own funds.

You are required to prepare : (i) Realisation Account, (ii) Shareholders' Account in the books of Vikas Co. Ltd.

8

OR

The Nagpur Co. Ltd. agreed to acquire the business of Amravati Co. Ltd. as on 31st March, 2017. The summarised Balance Sheet of Amravati Co. Ltd. as on that date was as follows :

Balance Sheet

Liabilities	Amt.	Assets	Amt.
Equity Share Capital :		Goodwill	1,00,000
60,000 Shares of Rs. 10 each		Land, Building and Plant	6,40,000
fully paid	6,00,000	Stock in Trade	1,68,000
General Reserve	1,70,000	Sundry Debtors	36,000
Profit & Loss A/c	1,10,000	Cash at Bank	56,000
5% Debentures	1,00,000		
Sundry Creditors	20,000		
	<u>10,00,000</u>		<u>10,00,000</u>

The consideration payable by Nagpur Co. Ltd. was agreed as follows :

- (1) A cash payment of 2.50 for every share of Rs. 10 in Amravati Co. Ltd.
- (2) The issue of 90,000 equity shares of 10 each fully paid in Nagpur Co. Ltd. having market value of Rs. 15 per share.
- (3) 5% Debentures of Amravati Co. Ltd. are to be paid at 20% premium by issuing 6% debentures of Nagpur Co. Ltd.

When computing the agreed consideration the directors of Nagpur Co. Ltd. valued the Land, Building and Plant Rs. 12,00,000, the Stock in Trade at Rs. 1,42,000 and all the Debtors at their face value subject to an allowance of 5% to cover doubtful debts. The cost of liquidation of Amravati Co. Ltd. came to Rs. 5,000.

Pass Journal Entries in the books of Amravati Company.

8