

B.B.A. (Part-III) Examination
COMPANY ACCOUNTS

Time : Three Hours]

[Maximum Marks : 80

Note :—(1) **ALL** questions are compulsory.

(2) All questions carry equal marks.

1. (a) “Y” company issued 12,000 equity shares of ₹ 100 each at a discount of 10%. It has met all the legal requirements for the issue of shares at a discount. The share amount was payable along with the application. Applications were received for all the shares.

Show the above in Balance Sheet.

4

- (b) Delta Ltd. issued 3,000 shares of ₹ 10 each to promoters for their services and issued 2,000 shares of ₹ 10 each to underwriters for their underwriting services.

Pass the journal entries in the books of the company.

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- (c) Excel Ltd. redeemed 6,000, 14% Debentures of ₹ 100 each which were issued at par by converting them into equity shares of ₹ 10 each. Pass the journal entries assuming that :

(1) Such shares are issued at par

(2) Such shares are issued at 20% premium

(3) Such shares are issued at 20% discount.

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- (d) “J” Ltd. has 6,000, 9% Preference Shares of ₹ 100 each. The company decides to redeem these shares partly out of the profit and partly out of the proceeds of a new issue of 2,500, 10% preference shares of ₹ 100 each. The Profit and Loss Account of the company has a credit balance of ₹ 4,29,500.

Pass the necessary entries in the books of the company to show the redemption.

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OR

- (e) A limited company issued 15,000 shares of ₹ 10 each payable as follows : ₹ 2 on application, ₹ 3 on allotment, ₹ 3 on first call and ₹ 2 on final call.

Applications are received for 10,000 shares. All these shares were allotted. All the calls were made except the final. All the moneys due on the shares were received except the first call on 500 shares.

Prepare Bank A/c.

4

- (f) Quick Ltd. forfeited 300 shares of ₹ 10 each fully called up for non payment of final call of ₹ 4 per share. These shares were subsequently reissued by the company for ₹ 12 per share as fully paid up.

Pass journal entries in the books of the company. 4

- (g) "J" Ltd. issued 10,000, 15% Debentures of ₹ 100 each at a premium of ₹ 10 redeemable at par after 5 years. The amount payable on application is ₹ 60 (including premium) and balance on allotment. Debentures were fully subscribed and all moneys due were received.

Show the Balance Sheet. 4

- (h) What are the provisions of Companies Act 1956 regarding redemption of Preference Shares ? 4

2. (a) An Electric Co. replaced its old mains costing ₹ 5,00,000 by new mains costing ₹ 8,67,000. During replacement old wires of ₹ 25,000 were used; scrap of old wires realised ₹ 70,000 and old wires of ₹ 5,000 were in balance.

Prepare replacement account. 4

- (b) Ratnakar Electricity Supply Co. Ltd. which adopts the Double Account System rebuilt and re-equipped a power station and the connecting lines during the year 2015. For this purpose they purchased materials worth ₹ 10,85,000 and used stores worth ₹ 4,90,000 from their existing stocks. The cost of labour came to ₹ 5,22,000. The estimated supervisory overheads attributed to this project were ₹ 13,000. The station was erected in 2017 at the cost of ₹ 5,00,000 and the index of costs in this line stood in 2015 @ 385 taking 2017 as the base year. Discarded materials from the old station fetched ₹ 12,000.

Calculate the amount to be capitalised and the amount to be charged to Revenue. 4

- (c) Pass the journal entries in the books of Accident Insurance Company :

(1) Commission due to agents not yet paid ₹ 4,000.

(2) Claim recoverable under reinsurance ₹ 12,000. 4

- (d) A Three Star Hotel in Mumbai has 330 rooms in all, out of which 26 rooms are used for operational purpose and 4 rooms are used by the departmental managers. If 240 rooms are occupied by the guests on a particular day calculate the room occupancy rate. 4

OR

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- (e) From the following prepare Revenue Account in statutory form of Life Insurance Company for the year ended 31st March 2017.

	(₹)
Claim by a death paid	1,42,000
Claim by maturity paid	70,200
Premiums	14,12,100
Considerations for annuities granted	1,64,000
Annuities paid	1,06,900
Bonus paid in cash	4,800
Expenses of Management	63,800
Commission	19,140
Interest, Dividends, Rent (Net)	1,95,700
Income-tax deducted at source	12,400
Surrenders	26,300
Bonus in reduction of premium	1,800
Dividends paid to shareholders	9,000
Amount of Life Assurance Fund at the beginning of the year	30,45,000
Outstanding death claims at the beginning of the year	22,000
Outstanding death claims at the end of the year	16,000
	4

- (f) The Directors of Anupam Electric Co. Limited decide to replace their existing machinery by one with double capacity and power. The old machinery was obtained at a cost of ₹ 20,00,000 but its cost has by now increased by 75%. The new machinery would cost ₹ 90,00,000 and the old machinery would realise ₹ 10,00,000. Allocate the cost ₹ 90,00,000 between capital and revenue and journalise the transactions in the Company's Books.

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- (g) From the following find out the amount of premium for the year ended 31st March, 2017 of marine insurance company :

Premium	Direct Business	Reinsurance
Received	92,00,000	14,40,000
Receivable 1-4-2016	3,72,000	54,000
31-3-2017	5,24,000	51,000
Paid	—	9,20,000
Payable 1-4-2016	—	56,250
31-3-2017	—	93,000

4

- (h) A 5 Star Hotel in Mumbai has 350 rooms out of which 250 rooms are single bedrooms and 100 rooms are double bedrooms. On 15 Oct. 2017 180 single bedrooms and 60 double bedrooms are occupied by the guests. Calculate the bed occupancy rate for the day. 4
3. (a) Company has Fixed Assets of ₹ 40,000 and profit before depreciation and tax provision ₹ 90,000 and tax provision is to be made at 50%. Depreciation is to be provided at 5% p.a. and income tax limit of depreciation is ₹ 1,800. Calculate net profit. 4
- (b) M/s Amar Traders is insured under a loss of profit policy. Their short sale was ₹ 3,90,000 and lower percentage of profit was 7%. Find out the amount of claim. 4
- (c) Sharda Co. Ltd. Net Profit was ₹ 2,56,000 and sale for the same period was ₹ 9,15,000. Fully insured standing charges were ₹ 18,500. Find out gross profit. 4
- (d) Show the following in Profit and Loss A/c and Balance Sheet :

Trial Balance
as on 31st March, 2017

Particulars	Amount	Amount
10% Investment (30 th Sept. 2017)	3,00,000	
Interest on Investment		7,500

4

OR

- (e) Fire occurred in the premises of Business on 30th April, 2017 which destroyed most of the stock; however stock worth ₹ 9,540 was salvaged.

For the year ended 31st March, 2017 turnover was ₹ 1,20,000 and Gross Profit ₹ 33,600 and Stock ₹ 50,000.

Transactions for the month of April, 2017 :

Purchase	1,00,000
Debtors 1-4-17	15,000
Debtors 30-4-17	60,000
Paid to Debtors	1,22,000

You are required to submit the claim for insurance for loss of Stock. 4

- (f) Amount of Policy ₹ 8,000

Estimated stock on the date of fire 13,449

Value of Salvaged stock 10,000

Find out the amount of claim for Stock loss by Average Clause Method. 4

- (g) Trial Balance of M.S. Limited (having an authorised capital of ₹ 8,00,000) at 31st Dec. 2017 was as under :

Trial Balance

Particulars	Amount	Amount
Land and Building (Cost ₹ 3,00,000)	2,50,000	
Plant and Machinery (Cost ₹ 4,00,000)	3,00,000	
6% Debentures (issued on 30 June 2017)		1,00,000
Interest on Debentures	3,000	
Debtors	60,000	
Investment (4% Government Security)	95,000	

Additional Information :

(i) Depreciation 10% on land and building on cost price.

(ii) Market value on investment on the date of Balance Sheet ₹ 93,000.

(iii) Of the debtors ₹ 10,000 were outstanding for more than six months. All debts are unsecured and considered good except a debt of ₹ 5,000 doubtful.

Show the above items in Balance Sheet of a company. 4

- (h) Explain Indemnity Period. 4

4. The Balance Sheet of a limited company as on 31st March 2017 was as follows :

	Rs.		Rs.
Authorised Capital		Goodwill	2,55,000
3,000 Pref. Shares of ₹ 100 each	3,00,000	Land and Building	39,240
3,000 Equity Share of ₹ 100 each	3,00,000	Plant and Machinery	12,600
Paid up Capital 2,250 Pref. Shares	<u>2,25,000</u>	Sundry Debtors	22,950
of ₹ 100 each fully paid	2,25,000	Stock	16,500
1,500 Equity Shares of ₹ 100 each		Cash	150
fully paid	1,50,000	Discount on Issue of Shares	5,400
Sundry Creditors	9,000	Preliminary Exps.	3,660
Bank Overdraft	6,000	Profit & Loss A/c	34,500
	<u>3,90,000</u>		<u>3,90,000</u>

The company suffered huge losses and was not getting on well. It was therefore decided to reconstruct the company and the following scheme of reconstruction was adopted :

- (1) The pref. shares be reduced to an equal number of fully paid shares of ₹ 50 each.
- (2) The equity shares be reduced to an equal number of shares of ₹ 25 each.
- (3) The amount available be used to write off preliminary expenses, Profit and Loss Account and discount on issue of shares completely and to write off ₹ 9,240 of Land and Building, ₹ 4,500 of Stock and 20% of Plant and Machinery and Sundry Debtors. The balance available be used to write off goodwill.

Journalise the above transactions and prepare the Balance Sheet after the reconstruction has been carried out. 16

OR

The following information relates to the business of a company :

- (i) Average capital employed in the business ₹ 6,20,000.
- (ii) Net trading profit for the past three years after taxation were ₹ 1,07,600, ₹ 90,700 and ₹ 1,12,500.
- (iii) Reasonable return expected in the same type of business is 10%.
- (iv) Fair remuneration to the partners for their services is ₹ 13,600 per annum.

Calculate the value of goodwill :

- (a) On the basis of five year's purchase of the annual average super profits.
- (b) On the basis of capitalisation of the annual average super profits at the reasonable return of 10% and
- (c) On the basis of an annuity of super profits taking the present value of annuity of one rupee for five years at 10% interest is ₹ 3.78. 16

5. Prepare Consolidated Balance Sheet in the books of H Co. Ltd. from the following Balance Sheet of H Co. Ltd. and S Co. Ltd. :

Balance Sheet of 'H' Company

as on 31st March, 2017

Liabilities	Amount	Assets	Amount
Preference Share Capital	1,00,000	Goodwill	20,000
Equity Share Capital	11,00,000	Machinery	6,00,000
Reserve	4,00,000	Furniture	1,00,000
Profit and Loss A/c	2,00,000	Investment	
Creditors	3,00,000	1600 Shares in "S" Company	3,20,000
		Other Asset	10,60,000
	<u>21,00,000</u>		<u>21,00,000</u>

Balance Sheet of 'S' Company

as on 31st March, 2017

Liabilities	Amount	Assets	Amount
Preference Share Capital	40,000	Goodwill	10,000
Equity Share Capital	2,00,000	Machinery	1,80,000
Reserve	1,50,000	Furniture	34,000
Profit and Loss A/c	50,000	Other Assets	3,46,000
Creditors	1,00,000	Discount on Issue of Share	10,000
Proposed dividend	40,000		
	<u>5,80,000</u>		<u>5,80,000</u>

Additional Information :

- (1) On the date of acquisition of shares by "H" Co., Reserve and Profit and Loss Account of "S" Company stood at ₹ 50,000 and ₹ 30,000 respectively.
- (2) Machinery (book value 2,00,000) of "S" Co. was revalued at ₹ 3,00,000 by "H" Co.
- (3) Furniture (book value ₹ 40,000) of "S" Co. was revalued at ₹ 30,000 by "H" Co.
- (4) S Company made a bonus issue during the year out of pre-acquisition profits for ₹ 40,000 not recorded in the books.
- (5) Included in creditors of "S" Co. is ₹ 20,000 for goods supplied by "H" Co. Also included in the stock of S Co. are goods to the value of ₹ 8,000 which were supplied by H Co. at a profit of 25% on sales. 16

OR

Mention the principal books of Account maintained by a Bank. 16