

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) A company issued 15,000 fully paid up shares at Rs. 100 each for purchases of the following assets :

Land and Building	Rs. 7,00,000
Plant	Rs. 3,50,000
Stock-in-trade	Rs. 4,50,000

Pass the necessary journal entries.

4

- (b) Chotala company forfeits 100 shares of Rs. 10 each issued at Rs. 9 per share on account of non-payment of final call of Rs. 4 per share by the shareholder. 4
- (c) Arnav Television Network issues 10% debenture of Rs. 100 to be repaid at Rs. 110. Pass the journal entry and show how it will appear in the Balance Sheet. 4
- (d) Write the mathematical equations to find out the number of new shares to be issued on the redemption of Preference Shares. 4

OR

- (e) Vraj Company received applications for 18,000 shares against 10,000 shares of Rs. 10 each, offered for subscription. No allotment is made for 3,000 shares. The rest were allotted on pro-rata basis. Money payable is : Rs. 3 on application, Rs. 4 on allotment and rest balance as and when called.

A holder of 80 shares failed to pay the allotment money and his shares were subsequently forfeited. Find out the money which the shareholder did not pay on allotment. 4

(f) A company offered 5000 shares of Rs. 10 each at a discount of 10% to the public for subscription. Money was payable as follows.

Rs. 4 on application, Rs. 3 on allotment, balance as and when called up. Applications were received for 4000 shares. The final call has not yet been made. All applicants duly paid application and allotment moneys.

During the year the company made a net profit of Rs. 15,000. It decided to write off the discount of Rs. 2,000 out of the profit for the year.

Prepare bank account. 4

(g) A company forfeits 100 shares of Rs. 10 each fully called up on which a shareholder has failed to pay the allotment money of Rs. 2 per share and call money of Rs. 3 per share. Pass journal entry for forfeiture. 4

(h) A debenture of Rs. 100 is issued for Rs. 95 but is payable at Rs. 105. Pass journal entry. 4

2. (a) From the following particulars of the Life Insurance Company for the year ended 31st March 2016, you are required to prepare Valuation Balance Sheet as on 31st March 2016 and Distribution Statement as on that date.

Life insurance fund as on 31st March, 2016 (in lakhs) Rs. 3,800

Net liability as per valuation (in lakhs) Rs. 3,000

Interim Bonus paid (in lakhs) Rs. 500

4

(b) The following information is extracted from the books of Modern Electricity Company.

Net profit before charging debenture interest 67,50,150

10% debenture interest paid during the year 11,25,000

Capital base arrived at by the company 3,10,89,000

Reasonable return calculated by the company 40,68,450

You are required to indicate the surplus of the company. 4

(c) Taj hotel is a five star hotel in Mumbai. It has 600 rooms. Of these rooms, 30 rooms are used for operational purposes and 10 rooms are occupied by the departmental heads. On 2nd January, 2017, 400 rooms were occupied by the guests. Compute the room occupancy rate. 4

(d) What are the heads of revenue and expenditure in the hotel ? 4

OR

(e) A five star hotel has 350 rooms available for letting out. On a particular day 300 rooms are occupied by 350 guests. Calculate double occupancy rate. 4

(f) Indian Insurance Co. Ltd. furnishes you with the following information :

(i) On 31st March 2016, it has reserve for unexpired risks to the tune of Rs. 40 crores. It comprised Rs. 15 crores in respect of marine insurance business Rs. 20 crores in respect of fire insurance business and Rs. 5 crores in respect of miscellaneous insurance business.

(ii) It is the practice of Indian Insurance Co. Ltd. to create reserves at 100% of net premium income in respect of marine insurance policies and at 50% of net premium income in respect of fire and miscellaneous income policies.

(iii) During 2016-17, the following business is conducted :

	Rs. in Crores		
	Marine	Fire	Miscellaneous
Premia collected from :			
(a) Insured in respect of policies issued	18	43	15
(b) Other insurance companies in respect of risks undertaken	7	5	4
Premia paid/payable to other insurance companies on business ceded	6.7	4.3	4

Indian Insurance Co. wants you to show in columnar form 'Unexpired Risks Reserve' A/c for 2016-17. 4

(g) Prepare the proforma of Statement of Share and Loan Capital for Electricity companies. 4

(h) The reasonable return as per the table of Surplus is Rs. 40,68,450. While the surplus is Rs. 15,56,700. Prepare the statement showing disposal of Surplus of the company. 4

3. (a) Give detailed format of the horizontal balance sheet as per Schedule VI, Part I. 16

OR

- (b) New Indian Life Insurance Co. Ltd. provides you the following information :

Particulars	Direct	Reinsurance	Reinsurance
	Business	Accepted	Ceded
	Rs.	Rs.	Rs.
Claims by Death paid	10,80,000	5,40,000	—
Claims Payable on 1-4-15	1,00,000	50,000	—
Claims Payable on 31-3-16	2,00,000	1,00,000	—
Claims Received	—	—	2,70,000
Claims Receivable on 1-4-15	—	—	20,000
Claims Receivable on 31-3-16	—	—	50,000
Expenses in connection with settlement of claims			
– Survey's Charges	12,000	6,000	—
– Legal Expenses	8,000	4,000	—
Claim by Maturity	6,00,000	3,00,000	1,50,000
Annuity and Pensions	3,00,000	1,50,000	75,000
Total Claims in India	80%	80%	80%

How will you show the above items in the Revenue A/c for the year ended 31st March, 2016 ? 16

4. (a) A Ltd. has equity shares of Rs. 10 each. In a similar company, the market value of equity shares of the same denomination is Rs. 25 per share on the basis of average dividend declared of 20%, without any major fluctuations from year to year. In the case of A Ltd. the dividend rate has been fluctuating from year to year. The current ratio of A Ltd. is better than that of the company referred to above. You are required to calculate the normal rate of return expected from A Ltd. provided, instability in dividend rate in case of A is 2% and better current ratio is 1%. 4

(b) Chandan Ltd. takes over the business of Bhavana Ltd. at the following values :

Fixed Assets	Rs. 3,00,000
Current Assets	Rs. 1,00,000
12% Debentures	Rs. 50,000
Current Liabilities	Rs. 1,00,000

Calculate the amount of purchase consideration. 4

(c) An amalgamation scheme provided for taking over of the business of Jai Ltd. and Kiran Ltd. by a new company Jaikiran Ltd. formed for the purpose. All shareholders of both the companies agreed as per the scheme. However, five shareholders of Jai Ltd. holding 100 shares in all (of Rs. 10 each fully paid up) did not agree as per scheme. As per the Court directive, these dissenting shareholders were paid Rs. 1,500. Pass the necessary journal entries. 4

(d) Following are the information of 2 companies for the year ended 31st March 2016 :

	Company Amita	Company Sunita
Equity share of Rs. 10 each	8,00,000	10,00,000
10% Preference Shares of Rs. 10 each	6,00,000	4,00,000
Profit after tax	3,00,000	3,00,000

Assume market expectation is 18% and 80% of the profits are distributed. What is the rate you would pay for the equity shares of each company if you are buying a small lot ? 4

OR

(e) Haren Ltd. has 1,000, 10% Cumulative Preference Shares of Rs. 100 each. At a class meeting of Cumulative Preference Shareholders, it was decided that the rate of dividend be reduced to 9%. In such a case, what journal entry has to be passed ? 4

(f) How to deal with the surrender of shares ? 4

(g) Following particulars relate to Krishna Company :

	Rs.
Total Assets	18,50,000
External Liabilities	2,50,000
Share Capital :	Rs.
14% Preference Shares of Rs. 10 each fully paid	5,00,000
40,000 Equity Shares of Rs. 10 each fully paid	4,00,000
60,000 Equity Shares of Rs. 10 each, Rs. 7.50 paid	4,50,000
Calculate value of each category of equity shares of Krishna Company based on a deemed liquidation.	
	4

(h) Following is the balance sheet of Asmit Ltd. :

Liabilities	Rs.	Assets	Rs.
Share Capital (Rs. 10)	1,00,000	Sundry Assets	2,50,000
Debentures	50,000		
General Reserve	50,000		
Creditors	50,000		
	2,50,000		2,50,000

Asmit Ltd. is to be taken over by Buta Singh Ltd. Each share of Asmit Ltd. has a market value of Rs. 15, while that of Buta Singh Ltd. has a market value of Rs. 30 (face value of which is Rs. 10). The purchase consideration is to be satisfied in the form of shares to be issued by Buta Singh Ltd. Ascertain the amount of purchase consideration.

4

5. (a) On 31st March, 2016, the balance sheets of Raja Ltd. and its subsidiary Praja Ltd. stood as under :

	Raja Ltd. Rs.	Praja Ltd. Rs.		Raja Ltd. Rs.	Praja Ltd. Rs.
Equity Share Capital	8,00,000	2,00,000	Fixed Assets	5,50,000	1,00,000
General Reserve	1,50,000	70,000	75% Share in		
Profit & Loss A/c	90,000	55,000	Praja Ltd. (at cost)	2,80,000	—

	Raja Ltd. Rs.	Praja Ltd. Rs.		Raja Ltd. Rs.	Praja Ltd. Rs.
Creditors	1,20,000	80,000	Stock	1,05,000	1,77,000
			Other Current Assets	2,25,000	1,28,000
	<u>11,60,000</u>	<u>4,05,000</u>		<u>11,60,000</u>	<u>4,05,000</u>

Draw a consolidated Balance Sheet after considering the following information as at 31st March, 2016. Do requisite working :

- (i) Raja Ltd. acquired the shares on 31st July, 2015.
- (ii) Praja Ltd. earned a profit of Rs. 45,000 for the year ended 31st March, 2016.
- (iii) In January 2016, Praja Ltd. sold to Raja Ltd. goods costing Rs. 15,000 for Rs. 20,000. On 31st March 2016, half of these goods were lying unsold in the godowns of Raja Ltd.

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OR

- (b) From the following particulars prepare the Balance sheet of Navlakha Bank Ltd. as on 31st March, 2016 :

Particulars	Dr. Rs.	Cr. Rs.
Share Capital	—	10,00,000
Reserve Fund	—	16,00,000
Fixed Deposit	—	40,00,000
Saving Bank Deposit	—	60,00,000
Current A/c	—	2,20,00,000
Money at call and short notice in India	2,00,000	—
Bills discounted and purchased in India	9,00,000	—
Investment at cost :		
Central and State Govt. Securities	1,00,00,000	—
Debentures	4,00,000	—

Particulars	Dr. Rs.	Cr. Rs.
Bullion	24,00,000	—
Reserve for Building	—	10,00,000
Premises at Cost	1,00,00,000	—
Addition to Premises	20,00,000	—
Depreciation Fund on Premises		80,00,000
Cash with R.B.I.	34,00,000	—
Cash with S.B.I.	12,00,000	—
Unclaimed Dividends	—	24,000
Unexpired Discounts	—	50,000
Loans, advances, overdrafts and cash credit in India	1,00,00,000	—
Branch adjustment	57,94,000	—
Silver	2,00,000	—
Advance Payment of Tax	1,10,000	—
Interest accrued on Investments	2,60,000	—
Non-banking assets acquired	70,000	—
Borrowing from Bank of India	—	2,50,000
Bills Payable	—	20,00,000
Profit & Loss A/c including Rs. 2,10,000 for the year	—	4,10,000
Dividend Fluctuation Fund	—	6,00,000
	4,69,34,000	4,69,34,000

The bank had bills for collection for its constituents Rs. 3,00,000 and acceptances Rs. 4,00,000.

There was a claim of Rs. 2,00,000 against the bank but not acknowledged as debt. The liabilities for bills rediscounted was Rs. 32,000. Liability for forward exchange contract was Rs. 20,00,000. The Directors decided to reserve Rs. 2,000 for unexpired discounts and transfer reserve for building to depreciation fund.

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