

B.Com. (Part—II) Semester—III Examination
COMMERCE
(Company Accounts)

Time : Three Hours]

[Maximum Marks : 80

- N.B. :—** (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, **ONE** each from respective unit, having internal choice from the same unit.
(5) Show necessary working notes wherever necessary.

SECTION—A

Choose an appropriate option.

1. Discount on issue of shares is a :
(a) Capital loss (b) Revenue loss
(c) Deferred revenue expenditure (d) Direct expenses
2. When the shares are issued at premium to purchase the Fixed Assets, _____ should be credited.
(a) Share Capital A/c (b) Share A/c
(c) Asset A/c (d) Share Allotment A/c
3. The profit on reissue of Forfeited Shares is transferred to :
(a) Capital Reserve (b) Capital Redemption Reserve
(c) General Reserve (d) Profit and Loss A/c
4. If a Share of Rs. 100 on which Rs. 80 has been called and Rs. 50 has been received, is forfeited, Share Capital A/c in this case will be debited with :
(a) Rs. 80 (b) Rs. 5
(c) Rs. 2 (d) Rs. 10
5. Preference dividend is to be paid before :
(a) Payment of debenture interest (b) Payment of income tax
(c) Distribution of equity dividend (d) All the above
6. Interest on debentures is normally payable :
(a) Quarterly (b) Half yearly
(c) Annually (d) Once in four months
7. Which one of the following is an example of Intangible Assets ?
(a) Discount on Issue of Debenture (b) Copyright
(c) Investment (d) Preliminary expenses
8. If profit is Rs. 22,000 and rate of commission is 10% on the profit after charging such commission is :
(a) Rs. 2,200 (b) Rs. 2,000
(c) Rs. 2,444 (d) None of these

9. Advertising expenses is dividend in ratio while calculating pre-incorporated profit :
- (a) Sales ratio
 - (b) Time ratio
 - (c) Purchase ratio
 - (d) Adjustment time ratio
10. Preliminary expenses is dividend in ratio while calculation of pre-incorporation profit :
- (a) Time ratio
 - (b) Sales ratio
 - (c) Prior side
 - (d) After side (post)
11. Bad debts recovered which was written off before purchase of business should be :
- (a) Dividend in time ratio
 - (b) Dividend in sale ratio
 - (c) Posted in pre-incorporation period
 - (d) Posted in post-incorporation period
12. Gross Profit is to be apportioned between pre and post incorporation periods in :
- (a) Time ratio
 - (b) Sales ratio
 - (c) Adjustment time ratio
 - (d) None of the above
13. The cost of liquidation of the Vendor Company agreed to be paid by the Purchasing Company is debited to _____ in the books of the latter company.
- (a) Goodwill A/c
 - (b) Capital Reserve A/c
 - (c) Goodwill and Capital A/c
 - (d) None of the above
14. When two or more companies go into liquidation and new company is formed then it is known as :
- (a) Absorption
 - (b) Amalgamation
 - (c) External Reconstruction
 - (d) Internal Reconstruction
15. The price payable by a company for business acquired is known as :
- (a) Purchase Consideration
 - (b) Net Asset
 - (c) Net Worth
 - (d) Lump Sum
16. If expenses are to be borne by the purchasing company _____ is debited.
- (a) Purchasing Co. A/c
 - (b) Preference Shareholder A/c
 - (c) Profit and Loss A/c
 - (d) Equity Shareholders A/c
17. MMP Co. Ltd.'s 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
18. Purchase consideration is payable in :
- (a) Shares
 - (b) Debentures
 - (c) Cash
 - (d) Any one of the above or all of the above

19. M. Ltd. acquired the business of N. Ltd. whose Net Assets as per the Balance Sheet work out to Rs. 50,000. M. Ltd. agreed to pay Rs. 35,000 to Equity Shareholders, Rs. 25,000 to Preference Shareholders and Rs. 20,000 to Debenture holders, the purchase consideration agreed to be paid is :
- (a) Rs. 80,000 (b) Rs. 60,000
(c) Rs. 50,000 (d) Rs. 70,000
20. When existing company takes over the business of one or more existing companies it is called :
- (a) Amalgamation (b) Absorption
(c) Reconstruction (d) None of the above 1×20=20

SECTION—B

1. Explain the methods of Issue Share. 4

OR

Shanti Company Ltd. issued 75,000 Shares of Rs. 10 each, payable as follows :

On Application Rs. 2 per share
On Allotment Rs. 3 per share
On First Call Rs. 2.50 per share
On Final Call Rs. 2.50 per share.

All the shares are subscribed and amount received in full.

Prepare the Share Capital Account. 4

2. From the following information prepare 'Manufacturing Account' of Bajaj Co. Ltd. for the year ended on 31st March, 2018 :

	Rs.	Rs.
Opening Stock :		
Material	25,000	
Work-in progress	22,500	
Finished goods	<u>2,500</u>	50,000
Purchases		70,000
Wages and Salary		20,000
Salary and Wages		12,500
Factory Rent		10,500
Carriage Inward		21,000
Sales		1,20,000
Closing Stock :		
Material	14,000	
Work-in Progress	15,000	
Finished Goods	<u>30,100</u>	59,100

OR

Prepare proforma of Profit and Loss Account under the Companies Act. 4

3. Sarthak Co. Ltd. was incorporated on 1st May, 2018. The company purchased the running business of Ashay Co. Ltd. on 1st January, 2018. There is a net profit of the year Rs. 49,70,000. Calculate the profit prior to incorporation and after incorporation of the company on the time base methods. 4

OR

<http://www.sgbauonline.com/> has taken over the running business of M/s Ideal Co. with effect from 1st January, 2018. However the company received the certificate to commence the business on 1st April, 2018. Following is the Profit and Loss Account of the company :

Profit and Loss Account
Year ended 31st December, 2018

Particulars	Rs.	Particulars	Rs.
Salaries	47,000	Gross Profit	1,40,000
Rent	4,000	Transfer Fees of Shares	800
Advertisement	9,000		
Sales Commission	1,000		
Bad Debts	2,500		
Debenture interest	5,000		
Audit Fees	3,500		
Interest to Vendor	1,500		
Preliminary Exp. written off	1,000		
Net Profit	66,300		
	1,40,800		1,40,800

The Sales Ratio of calculation. Sales during the period prior to Incorporation Rs. 25,000 and Sales during the period after incorporation Rs. 35,000.

Prepare statement showing the Profit and Loss Account.

4

4. Prashik Co. Ltd. and Aaditya Co. Ltd. have agreed to Amalgamation. The new company Prashik Aaditya Co. Ltd. has been formed to take over the business of Prashik and Aaditya Co. Ltd. The Balance Sheet of both companies were as under :

Prashik and Aaditya Book in Balance Sheet
31st March, 2018

Liabilities	Prashik Co. (Rs.)	Aaditya Co. (Rs.)	Assets	Prashik Co. (Rs.)	Aaditya Co. (Rs.)
Share Capital	4,00,000	3,00,000	Goodwill	17,000	—
10% Debentures	85,000	65,000	Building	3,00,000	1,75,000
General Reserve	12,000	8,000	Machinery	2,00,000	1,25,000
Employees P.F.	14,000	9,000	Furniture	20,000	10,000
Creditors	99,000	65,000	Stocks	55,000	51,000
Tax Provision	7,000	4,500	Debtors	70,500	85,500
P & L A/c	61,000	3,600	Bills Receivable	7,000	4,500
			Bank	3,000	4,100
			Preliminary Exp.	5,500	—
	6,78,000	4,55,100		6,78,000	4,55,100

Prepare to Prashik and Aaditya Co. Ltd. as a purchase consideration.

4

OR

Following is the Balance Sheet of Shanti Co. Ltd. :

Balance Sheet of Shanti Co. Ltd.

Liabilities	Rs.	Assets	Rs.
Equity Share Capital		Land and Building	9,500
2,500 Shares – per share		Machinery	9,000
Rs. 10 each	25,000	Stock	7,500
Sundry Creditors	4,100	Cash in hand	1,100
		Profit and Loss A/c	2,000
	29,100		29,100

Kanti Co. Ltd. was formed to take over Shanti Company. The purchase consideration is decided to be paid by using the Equity Shares of Rs. 10 each. Find out the amount of Purchase Consideration and give the Journal Entries in the books of Kanta Co. Ltd. 4

5. Explain the difference between Amalgamation and Absorption. 4

OR

(A) 8% Debentures 75,000

(B) 'A' Company Ltd. should issue debentures to the debenture holders of 'B' Company Ltd. to repay the amount at a premium of 8%.

Prepare Debenture Holders Account. 4

SECTION—C

1. The West Maharashtra Industrial Ltd. was established on authorised Capital 30,00,000 divided into 30,000 Shares of Rs. 100 each. The company decided to issue 25,000 Shares for Public Subscription and to call amount on Shares as under :

On Application Rs. 20 per share

On Allotment Rs. 30 per share

On First Call Rs. 30 per share

On Final Call Rs. 20 per share

Applications were received for 30,000 Shares. The Directors of the company rejected application of 5,000 Shares and other application money was fully refunded to the respective applicants. The remaining applicants got full allotment as per their request.

The company made all the calls on Shares in due course :

(a) A Nilesh holding 1,500 Shares did not pay on allotment, First and Final Call.

(b) A Nitin Shareholder did not pay First and Final Call on his 1,700 Shares.

(c) A Manik Shareholder to whom 300 Shares were allotted paid First and Final Call in advance along with allotment.

All other Shareholders made payment on call in time.

Prepare the West Maharashtra Industrial Ltd. book and Pass Journal entries. 8

OR

A Company has issued 1200 Equity Shares of Rs. 10 each to the Public and called the amount thereon as under :

- With Application Rs. 2.50 per share
- (including Premium of Rs. 2.00)
- On Allotment Rs. 4.50 per share
- On Final Call Rs. 5.00 per share

Mr. Raj Pawar has purchased 130 Shares. He failed to pay on Final Call and therefore his Shares were, forfeited. These forfeited shares were re-issued to Mr. Ravindra Raut at an agreed price of Rs. 10.50 per share.

Prepare and pass the necessary Journal entries.

8

2. From the following balances, prepare Trading Account and Profit and Loss Account of Mr. Sarthak for the year ended 31st March, 2018 :

Opening Stock	32,000
Purchasing	70,000
Wages	2,700
Salary	3,400
Octroi	900
Repairs	1,800
Traveling Exp.	1,400
Interest Received	1,600
Carriage Inward	900
Carriage Outward	100
Depreciation	3,000
Office Expenses	1,600
Purchase Return	3,100
Sale Return	2,100
Sales	1,10,000
Bad Debt	900
Insurance	4,500
Share Transfer Fees	800

Adjustment :

- (i) Closing Stock Rs. 33,800.
- (ii) Outstanding Salary Rs. 700.
- (iii) Prepaid Wages Rs. 700.
- (iv) Prepaid Insurance Rs. 400.

8

OR

Prepare Manufacturing Account and Profit and Loss Account of Pranav Co. Ltd. for the year ended 31st December, 2017 from the information given below :

Opening Stock :

Raw Material	1,24,450
Finished Goods	97,440
Material Purchase	8,22,780
Carriage on Purchase	31,490
Wages	2,88,960
Fuel	26,250
Salaries	28,550
Sales	14,97,950
Director Fees	14,000
Local Taxes and Insurance	7,000
Office Expenses	6,000
General Expenses	31,000
Debenture Interest Paid	9,000
Discount Allowed	26,000
Audit Fees	11,700
Preliminary Expenses	70,000
Bank Charges	3,700
Travelling of Salesman	75,000
Rent Received	3,500

Adjustment :

(i) Closing Stock :

Raw Material	1,15,460
Finished Goods	1,23,050

(ii) Outstanding Salaries 4,000

(iii) Insurance Paid in Advance 3,500

(iv) Outstanding interest on Debenture 9,000

(v) 1/4 of Preliminary expenses are to be written off.

8

3. The Promoter Trading of a proposed company New Wave Ltd. purchased a running business on 1st January, 2018 from M/s Mukta Modern. The New Wave Ltd. was incorporated on 1st May, 2018.

Additional information :

- (a) Sales upto 30th April, 2018 were Rs. 3,00,000 out of total sales of Rs. 15,00,000 during the year.
- (b) Purchases upto 30th April, 2018 were Rs. 3,00,000 out of total purchase of Rs. 9,00,000 during the year.
- (c) Interest paid to vendor Rs. 12,000 vendor on 1st January, 2018 @ 10% on Rs. 1,20,000 being purchase consideration.

Prepare calculation of Time Ratio, Sales Ratio.

8

OR

The Ashay Co. Ltd. was incorporated on 1st April, 2017 to take over the business of Sarthak & Sons 1st January, 2017. The following is the Profit and Loss Account of the Sarthak Co. Ltd. for the year ended 31st March, 2017 :

Particulars	Rs.	Particulars	Rs.
Director Fees	30,000	Gross Profit	8,40,000
Administrative Expenses	1,80,000	Rent Received	8,000
Selling Expenses	3,60,000		
Audit Fees	10,000		
Preliminary Expenses	30,000		
Salaries	90,000		
Interest on Loan	15,000		
Discount on Sales	10,000		
Net Profit	1,23,000		
	8,48,000		8,48,000

You are required to prepare a statement showing the profit earned prior to and after incorporation and state how the profit earned during the respective periods be dealt with in the account.

Total sales during the year ended 31st December, 2017 were Rs. 4,00,000 out of which sales of Rs. 1,20,000 were during pre-incorporation period and the rest during Post-Incorporation period.

8

4. <http://www.sgbauonline.com/> Shankar Co. Ltd. and Shambhu Co. Ltd. decided to amalgamate and to form a new company 'Shankarshambhu' Co. Ltd. to purchase their business. The new company took over the business of the existing companies on 31st March, 2018 at the values of Assets and Liabilities as shown in the following Balance Sheet :

**Shankar and Shambhu Co. Ltd. in the
Balance Sheet**

Liabilities	Shankar Co. Ltd. (Rs.)	Shambhu Co. Ltd. (Rs.)	Assets	Shankar Co. Ltd. (Rs.)	Shambhu Co. Ltd. (Rs.)
Issue Capital :			Premises	3,00,000	5,00,000
Equity Shares of			Plant & Machinery	2,50,000	2,00,000
Rs. 10 each	5,00,000	10,00,000	Furniture	10,000	10,000
Sundry Creditors	50,000	80,000	Goodwill	50,000	—
Reserve Fund	50,000	—	Stock	10,000	1,40,000
P & L A/c	50,000	50,000	Debtors	20,000	1,20,000
			Patents	—	1,10,000
			Bank Balance	10,000	50,000
	6,50,000	11,30,000		6,50,000	11,30,000

The authorised Capital of 'Shankarshambhu' Co. Ltd. was divided into 2,00,000 Equity Shares of Rs. 10 each and the required Shares were given to 'Shankar' Co. Ltd. and 'Shambhu' Co. Ltd. as purchase consideration.

Give Journal entries for the purchase business of 'Shankar' Co. Ltd. and 'Shambhu' Co. Ltd. and Opening Balance Sheet of 'Shankarshambhu' Co. Ltd. 8

OR

Samta Company and Mamta Company decided to amalgamate by forming a new company – Samta and Mamta Company Ltd. and to sell their business to this new company. At the time of amalgamation their financial status was as under :

Balance Sheet of Samta Company

Liabilities	Rs.	Assets	Rs.
Share Capital :		Building	1,00,000
20,000 Shares of Rs. 10 each	2,00,000	Machinery	40,000
Employees Provident Fund	10,000	Stock	30,000
Creditors	6,000	Debtors	24,000
Insurance Fund	10,000	Bank	10,000
		Cash	22,000
	2,26,000		2,26,000

Liabilities	Rs.	Assets	Rs.
Share Capital :		Building	60,000
10,000 Shares of Rs. 10 each	1,00,000	Machinery	50,000
Employees Provident Fund	6,000	Goodwill	10,000
Creditors	4,000	Stock	4,000
General Fund	10,000	Debtors	4,000
P & L A/c	10,000	Bank	2,000
	1,30,000		1,30,000

The scheme of amalgamation was duly executed. The new company took over the Assets and Liabilities of the existing company at book value and paid the purchase consideration in the form of its Equity Share of Rs. 10 each and per share valued price Samta and Mamta Company Ltd.

8

5. Jay Company's Balance Sheet as on 31st March, 2018 was as follows :

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Share Capital :		Goodwill	15,500
15,000 Shares of Rs. 10 each	1,50,000	Land & Building	85,000
Sundry Creditors	54,000	Plant & Machinery	40,000
		Stock	27,000
		Debtors	22,500
		Profit & Loss A/c	14,000
	2,04,000		2,04,000

A meeting of Shareholders and Creditors resolved as follows :

- That the company be taken into voluntary liquidation and a new company be formed with a nominal Capital of Rs. 2,00,000 divided into shares of Rs. 10 each, to take over Jay Company <https://www.sgbauonline.com>
- That the item of Goodwill be fully written off and Machinery be valued at 20% less in the books of the new company.
- That 15,000 Shares of Rs. 10 each be issued to the Shareholders in Jay Company at Rs. 7.50 per share paid up. The Shareholders to pay the balance of Rs. 2.50 per share in cash.
- The Creditors of the company to be satisfied by the payment to them of half the amount in cash and by the issue of 6% Debentures as to the other half.

Prepare Journal entries in the books of New Company.

8

OR

Balance Sheet of 'Sujata' Co. Ltd.

Liabilities	Rs.	Assets	Rs.
Share Capital	10,00,000	Sundry Assets	13,50,000
Sundry Creditors	2,50,000		
Profit & Loss A/c	1,00,000		
	13,50,000		13,50,000

Balance Sheet of 'Seema' Co. Ltd.

Liabilities	Rs.	Assets	Rs.
Share Capital	5,00,000	Sundry Assets	6,00,000
Sundry Creditors	2,00,000	Profit and Loss A/c	1,00,000
	7,00,000		7,00,000

'Sujata' Co. Ltd. acquired the Sundry Assets and Creditors of 'Seema' Co. Ltd. and for this purpose the Sundry Assets of 'Seema' Co. Ltd. are valued at Rs. 5,00,000. Equity Shares of Rs. 100 each are issued by 'Sujata' Co. Ltd. for the purchase consideration.

Prepare Realisation on Account, in the books of 'Seema' Co. Ltd. and Balance Sheet of 'Sujata' Co. Ltd. after absorption of 'Seema' Co. Ltd.

8