

Seat No. : \_\_\_\_\_

# NE-115

November-2013

BBA Semester-III

Company Account

Time : 3 Hours]

[Max. Marks : 70

- Instructions :** (1) Figures to the right indicate marks.  
(2) Show necessary calculations as part of your answers.

1. (A) Explain the Securities and Exchange Board of India's guidelines for the issue of bonus shares. 7

OR

The Balance Sheet of India Incorporation Limited as at 31-3-2013 was as under : 7

Liabilities	₹	Assets	₹
Share Capital :		Building	4,00,000
Authorised	12,00,000	Stock	4,80,000
Issued : 80,000 shares of ₹ 10 each	8,00,000	Debtors	4,00,000
Profit & Loss Account	4,80,000	Bank Balance	8,00,000
5% Debentures	5,20,000		
Creditors	2,80,000		
	<b>20,80,000</b>		<b>20,80,000</b>

At the Annual General Meeting, it was agreed :

- (1) to pay a dividend in cash of 10% free of tax (Rate of deduction of income-tax is 20%).
- (2) to issue one bonus share for every four old shares held.

(3) to give existing shareholders the option to purchase one share of ₹ 10 each at ₹ 15 per share, for every four shares held prior to the Bonus distribution. All the shareholders exercised their option.

(4) to repay the debentures at a premium of 10%.

Pass necessary Journal Entries and prepare the Balance Sheet after above transactions are completed.

(B) (1) Explain the concept of Employees Stock Purchase Scheme. 2

(2) Discuss the legal provisions for buyback of shares. 5

**OR**

Write Journal Entries in following cases :

(1) Misti Limited converted its 60 equity shares of ₹ 100 each into equity stock of ₹ 6,300. 2

(2) Manya Limited issued an Equity Stock of ₹ 5,700 for every 60 Equity Shares of ₹ 100 each fully paid up. 2

(3) Explain the terms sub-division of shares and consolidation of shares. 3

2. (A) Following balances are given in the Balance Sheet of a company as on 31-3-2012 : 7

Particulars	Debit ₹	Credit ₹
Provision for taxation (1-4-2011)	–	60,000
Income Tax paid (Previous year)	42,000	–
Income Tax paid in advance	45,000	–

Other information : Liability of Income-tax was decided at ₹ 50,000 for the year 2011-12. Net profit of year 2012-13 was ₹ 1,00,000, on which provision for taxation is to be made at 50%.

Show how the relevant items will appear in the financial statements.

(B) Prepare a Vertical Balance Sheet of a company as per Companies Act with imaginary figures. 7

**OR**

The following balances are extracted from the books of Ananya Limited as on 31-3-2013 :

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Debit Balances	₹	Credit Balances	₹
Land & Building	5,20,000	Share Capital : 15,000 equity shares of ₹ 100 each	15,00,000
Stock (31-3-13)	6,80,000	8% Preference shares of ₹ 100 each	5,00,000
Cash	66,000	Mortgage Loan	2,80,000
Goodwill	4,00,000		
Investments	4,34,000	10% Debentures (to be redeemed on 31-3-14)	2,00,000
Plant & Machinery	9,00,000	Fixed Deposits	70,000
Debtors	2,36,000	General Reserve	3,20,000
Bills Receivables	60,000	Security Premium	20,000
Loose Tools	28,000	Profit & Loss Appropriation A/c (1-4-12)	62,000
Salaries	1,60,000	Gross Profit	7,60,000
Contribution to Provident Fund	36,000	Provident Fund	80,000
Debenture Interest	10,000	Outstanding Expenses	22,000
Insurance	16,000	Unclaimed Dividend	20,000
Rents & Rates	80,000	Interest accrued but not due on loan	6,000
Furniture	1,00,000	Creditors	2,00,000
Audit Fees	20,000	Interest on Investment	20,000
Repairs	26,000		
Motor	96,000		
Discount on Debentures	20,000		
Goods in transit	40,000		
Custom Deposits	46,000		
Postage & Telegrams	8,000		
Directors Fees	40,000		
Underwriting Commission	30,000		
Carriage Inward	8,000		
	<b>40,60,000</b>		<b>40,60,000</b>

**Other information :**

- (1) Provide depreciation on Plant & Machinery at 10%, Furniture and motor at 5%.
- (2) Provide 5% bad debts reserve on debtors.

- (3) Provision for income-tax is to be made for ₹ 75,000.
- (4) Interest due on investments ₹ 15,000.
- (5) Write off 1/5 of underwriting commission.
- (6) Transfer ₹ 70,000 to general reserve.
- (7) Directors recommended 5% dividend on equity share capital.

Prepare Final Accounts of the company in vertical form.

3. The following were the Balance Sheets of Moon Ltd. and Light Ltd. as on 31-3-2012 : 14

Liabilities	Moon Ltd.	Light Ltd.	Assets	Moon Ltd.	Light Ltd.
	₹	₹		₹	₹
Paid up Capital :			Goodwill	3,00,000	—
Equity Shares of ₹ 100 each fully paid	30,00,000	15,00,000	Land & Building	9,00,000	3,00,000
6% Preference Shares of ₹ 100 each fully paid	15,00,000	—	Plant & Machinery	18,00,000	9,00,000
General Reserve	—	3,60,000	Investments	3,00,000	60,000
Bank Loan	4,50,000	—	Stock	7,50,000	4,50,000
10% Debentures	6,00,000	—	Debtors	9,00,000	6,00,000
Workers' Accident Compensation Fund	—	2,40,000	Cash & Bank	5,10,000	90,000
Creditors	4,50,000	3,00,000	Preliminary expenses	90,000	—
	<b>60,00,000</b>	<b>24,00,000</b>	Profit & Loss A/c.	4,50,000	—
				<b>60,00,000</b>	<b>24,00,000</b>

On the above date both the companies decided to amalgamate and form a new company Moon-Light Ltd. with an authorized capital of ₹ 75,00,000 divided into 60,000 equity shares and 15,000 10% Preference Shares of ₹ 100 each. Assets and liabilities of both the companies are to be taken over except investments of Moon Ltd. and cash balance of ₹ 30,000 of Light Ltd.

The market value of fixed assets of both the companies to be taken at 20% more than the book value.

Payment terms are as under :

- (1) Equity shareholders of both the companies will be given 6 fully paid equity shares of Moon-Light Ltd. for every 5 equity shares held by them at a premium of 10%.
- (2) The preference shareholders of Moon Ltd. will be given 4 fully paid preference shares of Moon-Light Ltd. for every 5 preference shares are held by them and ₹ 1,50,000 cash.

- (3) The Debentureholders of Moon Ltd. will be given 12% Debentures of ₹ 100 each Moon Light Ltd. at a discount of 10% to discharge their liability at 8% premium.
- (4) ₹ 42,000 cash to Moon Ltd.

Moon Light Ltd. issued the remaining equity shares to the public at a premium of ₹ 20 per share, which were fully paid up. Preliminary expenses amounted to ₹ 30,000.

Pass necessary Journal Entries in the books of Moon-Light Ltd. and prepare its Balance Sheet.

**OR**

Sima Ltd. has agreed to acquire goodwill and other assets (except investments) of Rima Ltd. on 31-3-12. The Balance Sheet of Rima Ltd. on that day is as under :

Liabilities	₹	Assets	₹
Equity Share Capital (₹ 10 each)	3,60,000	Goodwill	45,000
General Reserve	56,250	Land & Building	1,80,000
P & L A/c.	40,500	Machinery	1,80,000
8% Debentures	1,35,000	Investments	67,500
Creditors	83,250	Stock	90,000
Provision for Taxation	45,000	Debtors	1,12,500
		Bank	45,000
	<b>7,20,000</b>		<b>7,20,000</b>

Sima Ltd. absorbed Rima Ltd. on following conditions :

Sima Ltd. will

- (1) Discharge the old debentures at 8% premium by issue of 16% new debentures at 10% discount.
- (2) Issue 3 equity shares of Sima Ltd. at market price of ₹ 11 for 2 equity shares of Rima Ltd.
- (3) Pay ₹ 2 in cash for every share of Rima Ltd.
- (4) Pay absorption expenses of ₹ 9,000.
- (5) Rima Ltd. sells the investments for ₹ 72,000. 1/3 of the shares received from Sima Ltd. are sold for ₹ 10.50 each. Tax liabilities are determined at ₹ 54,000.

Sima Ltd. values land and building 25% more and machinery 20% below the book value. Stock at ₹ 78,750 and debtors subject to 5% provisions for doubtful debts.

Prepare in the books of Rima Ltd.

- (1) Realisation A/c.
- (2) Bank A/c.
- (3) Shareholders A/c. and pass Journal entries in the books of Sima Ltd.

4. (A) Write a note on any **one** of the following : 5
- (1) Current Purchasing Power Method
  - (2) Current Cost Accounting Method

- (B) Explain the meaning and advantages of Human Resource Accounting. 5

**OR**

Explain Historical Cost and Replacement Cost Method of valuing human resources in brief.

- (C) Explain the meaning and significance of Environmental Accounting. 4

**OR**

Discuss the meaning and role of Forensic Accountant.

5. Do as directed : 14

- (1) On sanction of bonus, amount is credited to

- (a) Preference Share Capital A/c.
- (b) Capital Reserve
- (c) Bonus to Shareholders A/c.
- (d) None

- (2) While issuing Bonus Shares, \_\_\_\_\_ should permit the issue.

- (a) Articles of Association
- (b) Memorandum of Association
- (c) Prospectus
- (d) None

- (3) Every buyback of shares shall be completed within 10 months. (True/False)

- (4) Conversion of shares of small denomination into shares of large denomination is called \_\_\_\_\_.

(sub-division of shares, consolidation of shares)

- (5) For preparing Final Accounts, Preliminary expenses not written off is shown in \_\_\_\_\_. (Balance Sheet, General Reserve A/c.)

- (6) The Asset which is shown under Fixed Asset is \_\_\_\_\_.

- (a) Loose tools
- (b) Vehicles
- (c) Stock
- (d) Investments

- (7) Bills payable is shown under current liabilities in Balance Sheet. (True/False)
- (8) Pooling of Interest is a method of \_\_\_\_\_.  
(providing depreciation, accounting for amalgamation)
- (9) Accounting Standard \_\_\_\_\_ relates to Amalgamation Accounts. (12, 14)
- (10) \_\_\_\_\_ is the excess of net assets over purchase price.  
(Goodwill, Capital Reserve)
- (11) \_\_\_\_\_ is a measurement of value of people.  
(Human Resource Accounting, Environmental Accounting)
- (12) Environmental Clearance is required for all the new projects. (True/False)
- (13) Forensic Accountant must possess :
- |                          |                         |
|--------------------------|-------------------------|
| (a) Analytical skills    | (b) Presentation skills |
| (c) Investigative skills | (d) All of the above    |
- (14) Under \_\_\_\_\_ method historical accounting data are adjusted on the basis of General Price Index.  
[Current Purchasing Power (CPP), Current Cost Accounting (CCA)]

@geniusguruzi