

DE-102

December-2018

B.B.A., Sem.-III

CC-205 : Company Accounts

Time : 2:30 Hours]

[Max. Marks : 70

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

1. (a) The Balance-Sheet of XYZ Ltd. as on 31-12-2017 is as follows :

Liabilities	₹	Assets	₹
32,000 equity shares of ₹ 100 each, ₹ 90 per share paid up	28,80,000	Land & Building	18,00,000
Profit & Loss A/c.	16,20,000	Plant & Machinery	9,00,000
8% Debentures	4,50,000	Stock	1,80,000
Sundry Creditors	4,50,000	Sundry Debtors	7,20,000
		Cash & Bank Balance	18,00,000
	54,00,000		54,00,000

At the Annual General Meeting, the directors resolved :

- (1) To pay dividend at 10% (ignore taxation).
- (2) To declare a bonus so as to make partly paid shares fully paid up and then issue one bonus share for every five shares held at 10% premium.
- (3) To repay debentures at 5% premium.

Pass necessary Journal Entries to record the above resolution.

OR

- (i) ABC Ltd. decides to purchase 25,000 equity shares of ₹ 10 each. The company had a balance of ₹ 3,00,000 in its General Reserve and Bank Balance of ₹ 5,00,000.

In order to buy-back the shares, company issued 10,000 8% redeemable preference shares of ₹ 10 each, which were fully subscribed and paid up. The company bought all the shares at ₹ 15 per share.

Make journal entries in the books of the company for buy-back of shares.

(ii) Write Journal entries in the books of the company :

- (1) The share capital of a company consists of 20,000 equity shares of ₹ 100 each. The company decided to sub-divide the share into equity shares of ₹ 10 each and 10% preference shares of ₹ 10 each in the ratio of 3 : 2.
- (2) The company has issued 1000 equity shares of ₹ 10 each in exchange of equity stock of ₹ 9,700.
- (3) The company decided to issue equity stock in exchange of 8000 equity shares of ₹ 100 each at the rate of ₹ 95 for each share.
- (4) The authorized capital of a company was ₹ 10,00,000 consisting of 10,000 shares of ₹ 100 each and it was increased to ₹ 15,00,000.

(b) Do as directed : (any four)

- (1) _____ reserve can be applied only for issuing fully paid up Bonus shares.
 - (a) Capital Redemption Reserve
 - (b) General Reserve
 - (c) Profit & Loss A/c. (Cr. Bal.)
 - (d) Capital Reserve
- (2) Right shares means such shares which are issued to present share-holders to whom they are firstly offered. State true or false.
- (3) When shares of bigger denomination are converted into shares of smaller denomination, it is _____ of shares. Fill in the blank. (consolidation / sub-division)
- (4) If the shares are buy-back at a discount, the amount of discount is credited to
 - (a) Capital Redemption Reserve Account
 - (b) Capital Reserve Account
 - (c) General Reserve Account
 - (d) Investment Allowance Reserve
- (5) Because of buy-back of shares, there is a reduction in the paid up share capital. State true or false.
- (6) Expand : ESOP.

2. (a) Following is the Trial Balance of Sheetal Ltd. as on 31-3-2018 :

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Debit Balance	₹	Credit Balance	₹
Land & Building	36,00,000	Equity Share Capital	39,00,000
Plant & Machinery	30,00,000	10% Preference Share Capital	12,00,000
Furniture	6,00,000	Share Forfeiture A/c	30,000
Cash & Bank	1,44,000	General Reserve	3,60,000
Calls in arrears	15,000	Capital Reserve	1,65,000
Bad-Debts	45,000	Security Premium	54,000
P.F. Contribution	18,000	Provident Fund	2,10,000
Office Expenses	2,40,000	10% Debentures	6,00,000
Salary & Wages	1,80,000	Sales	55,50,000
Director's Fees	75,000	Creditors	9,00,000
M.D. Remuneration	4,50,000	Reserve for Bad Debts	24,000
Interest on Debentures	30,000	Income from Investment	27,000
Advertisement Expenses	45,000	Public Deposit	1,80,000
Audit Fees	48,000	Profit & Loss A/c. (1-4-2017)	2,40,000
Investments	4,20,000	Bills Payable	60,000
Pre-paid Income-tax	1,50,000		
Debtors	15,00,000		
Bills Receivable	90,000		
Stock (1-4-2017)	1,50,000		
Purchases	27,00,000		
	1,35,00,000		1,35,00,000

After considering the following information, prepare Vertical Final Accounts as per latest format of Companies Act.

- (1) The closing stock on 31-3-2018 was ₹ 2,25,000.
- (2) Provide depreciation on fixed assets at 10%.

- (3) Provide 5% reserve for bad-debts on debtors.
- (4) The directors of the company recommended dividend on preference share capital and 10% on equity share capital.
- (5) Transfer ₹ 50,000 to General Reserve.
- (6) Make provision for taxation at 50% of net profits.

OR

- (i) Prepare a Vertical Balance-Sheet as per latest format of Companies Act using imaginary figures. 7
 - (ii) Write a note on 'Contingent Liabilities', with its treatment and illustrations. 7
- (b) Do as directed : (any **four**) 4
- (1) For preparing final accounts, preliminary expenses written off is shown in :
 - (a) General Reserve Account
 - (b) Balance-Sheet
 - (c) Share Capital
 - (d) Income Statement
 - (2) Unclaimed dividend is shown in company balance-sheet as other current liabilities. State true or false.
 - (3) In Balance-Sheet the amount of calls-in-arrears is _____ from share-capital. (added/deducted)
 - (4) Pre-paid income tax is shown as

(a) Asset	(b) Liability
(c) Income	(d) Expenditure
 - (5) Outstanding/unpaid debenture interest is a _____ liability. (secured / unsecured)
 - (6) If the rate of gross profit on sale is 20% and cost of sale is ₹ 1,60,000, then total sales will be _____.

(a) ₹ 1,00,000	(b) ₹ 2,00,000
(c) ₹ 2,50,000	(d) ₹ 8,00,000

3. (a) The following are the balance-sheets of two companies X Ltd. and Y Ltd. on 31-3-2018 :

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X Ltd.

Liability	₹	Assets	₹
Share Capital (1,50,000 equity shares of ₹ 10 each)	15,00,000	Machinery	3,60,000
6% Debentures	2,10,000	Building	6,45,000
Bank Overdraft	30,000	Stock	4,50,000
Sundry Creditors	3,60,000	Sundry Debtors	3,00,000
Bills Payable	90,000	–B.D.R.	<u>15,000</u>
		Profit & Loss A/c.	4,50,000
	21,90,000		21,90,000

Y Ltd.

Liability	₹	Assets	₹
Share Capital (4,50,000 shares of ₹ 10 each)	45,00,000	Goodwill	3,00,000
Profit & Loss A/c.	3,00,000	Machinery	10,50,000
Dividend Equilisation Fund	1,86,000	Building	13,50,000
Reserve Fund	3,00,000	Stock	20,46,000
7% Debentures	10,50,000	Furnitures	3,00,000
Sundry Creditors	1,80,000	Debtors	10,50,000
Bills Payable	18,000	Bank Balance	4,38,000
	65,34,000		65,34,000

The two companies decided to amalgamate as on 1-4-2018 and a new company called XY Ltd. was formed with an authorized capital of ₹ 9,00,000 in shares of ₹ 10 each.

New company took over all assets and liabilities of X Ltd. and Y Ltd. at their book values and the following terms for purchase of business were agreed upon :

X Ltd. :

- (1) The consideration was three shares of ₹ 10 each fully paid in the new company in exchange for every five shares of X Ltd.
- (2) The debenture-holders of X Ltd. were to be allotted such debentures in the new company bearing interest at 5% as would bring them the same amount of interest.
- (3) ₹ 6,000 to be paid in cash.

Y Ltd. :

- (1) The consideration was six shares of ₹ 10 each fully paid in the new company in exchange for every five shares in Y Ltd.
- (2) The debenture-holders of Y Ltd. were to be allotted such debentures in the new company bearing interest at 5% as would bring them the same amount of interest.
- (3) ₹ 6 in cash for every 5 shares in Y Ltd. Costs of liquidation of X Ltd. ₹ 800 and ₹ 2,000 for Y Ltd. are to be paid by the new company.

XY Ltd. issued the remaining shares to the public at a premium of 10% which were fully paid.

You are required to write Journal Entries in the books of XY Ltd. (new company)

OR

- (i) Distinguish between Amalgamation in nature of purchase and in nature of merger. 7
- (ii) Akshay Ltd. sells its business to Bhanu Ltd. as on 31-12-2017 on which date its balance-sheet was as under : 7

Liability	₹	Assets	₹
Paid up share capital (1000 shares of ₹ 100 each)	1,00,000	Freehold Property	75,000
Debentures	50,000	Goodwill	25,000
Reserve Fund	25,000	Plant & Tools	41,500
Profit & Loss A/c.	10,000	Stock	17,500
Creditors	15,000	Bills Receivable	2,250
		Debtors	13,750
		Cash at Bank	25,000
	2,00,000		2,00,000

Bhanu Ltd. agreed to take over the assets (exclusive of cash at bank and goodwill) at 10% less than book-value, to pay ₹ 37,500 for goodwill and to take over the debentures.

Purchase consideration was to be discharged by the allotment to Akshay Ltd. of 750 shares of ₹ 100 each at a premium of ₹ 10 per share and balance in cash-costs of liquidation amounted to ₹ 4,000.

Calculate Goodwill / Capital Reserve of Akshay Ltd.

(B) Do as directed : (any **three**)

- (1) Purchase consideration (-) Net Assets = _____ (Goodwill / Capital Reserve) 3
- (2) While calculating purchase price, new values fixed for assets are considered. State true or false.
- (3) In amalgamation of two companies :
- (a) Both companies lose their existence
 - (b) Both companies continue
 - (c) Any one company continues
- (4) When liquidation expense is paid and borne by seller company, then it is debited to :
- (a) Bank Account
 - (b) Realisation Account
 - (c) Goodwill Account
 - (d) Capital Reserve Account
- (5) Accounting Standard _____ applies to Amalgamation and Absorption. (3-14-10)

4. (a) Write a note on benefits and limitations of Human Resource Accounting. 14

OR

- (i) Discuss the meaning and significance of Environment Accounting. 7
- (ii) Write a note on : 'Current Purchasing power Method' of Inflation Accounting. 7

(b) Do as directed : (any three)

- (1) Human Resources are treated as assets as legal ownership is with the employers. (State true or false)
- (2) Current cost accounting is a method of _____ accounting.
(Human Resource / Inflation)
- (3) Waste management costs are environment costs. (State true or false)
- (4) Forensic Accounting detects _____ frauds. (Financial / Non-financial)
- (5) Inflation accounting is with reference to price-rise. (State true or false)
