RR–3406 Seat No.________

Second Year B. B. A. Examination

April / May – 2003

Company Accounts

Time : **3** Hours] [Total Marks : **70**

Instructions : (1) Figures to the **right** indicate marks.

(2) Show **calculations** wherever necessary.

1 (a) *Fashionfare Ltd.* was formed with an authorised share capital of 1000 equity shares of Rs.100 each. The shares are offered to the public as under : **7**

Application money per share Rs.25
Allotment call per share Rs.20
First call per share Rs.25
Final call per share Rs.30

Amit, who was allotted 60 shares has paid only for application money.
Ajay, held 20 shares. He did not pay first and final calls.
Dharam held 10 shares. He paid all calls except final call.
After giving suitable notice, the Board of Directors, forfeited all shares for which calls were in arrears and subsequently re-issued the same to Rahul at a discount of 10%.
Write up the journal entries for the above transactions.

OR

(a) *Jeevanjyot Limited* had an authorised capital of Rs.20,000 shares of Rs.100 each, out of which 15,000 shares were issued to the public for subscription. The terms of issue were that Rs.20 per share was payable on application; Rs. 20 per share on allottment; Rs.30 per share on first call and the balance of Rs.30 per share on second call. **7**

Applications were received for 15,000 shares, all the amounts were duly received except the followings :

From *Shanker* holding 15 shares on which the allottment money and money on first and second calls were in arrears.

From *Vishnu*, holding 10 shares on which the first and second calls were in arrears.

From *Brahma*, holding 5 shares, on which the second call money was in arrears.

The Directors forfeited these shares and re-issued the same to *Ganesh* on the following terms; who paid the whole amount due from him;

Shanker's shares were issued at Rs.90.00 per share, *Vishnu's* shares were issued at Rs.70.00 per share, *Brahma's* shares were issued at Rs.50.00 per share.

Give journal entries to record the above transactions.

(b) On 31-3-2003, the following balances stood in the books of *X* Ltd : **7**

	Rs.
10% Debentures	7,50,000
Debenture Redemption Fund	7,00,000
Debenture Redemption Fund Investment	7,00,000
Bank Balance	1,50,000

To redeem the debentures, the above investment was sold at Rs.95 on 31-3-2003.

The debentures were paid immediately after the sale of investment.

Prepare Debenture Redemption Fund Account and Debenture Redemption Fund Investment Account.

OR

(b) (i) A company issued debentures of the face value of Rs.5,00,000 at a discount of 3% on 1-1-95. The debentures were repayable by annual drawing of Rs.1,00,000. Show the discount on debenture account for the period of duration of debentures. **4**

(ii) Write a note on : Debenture Redemption Fund. **3**

2 (a) The following is the Balance Sheet of *George Company Limited* as on 31-3-2003 : **10**

Liabilities	Rs.	Assets	Rs.
5000, 7.5% Redeemable preference shares of Rs.100 each.	5,00,000	Land and Building	8,00,000
		Plant and Machinery	6,00,000
		Furniture	1,00,000
1,00,000 equity shares of Rs.10 each	10,00,000	Investment of cost (Market value Rs.2,80,000)	3,00,000
Share premium	1,00,000		
General Reserve	7,50,000	Stock	4,70,000
Profit & Loss A/c.	2,00,000	Debtors	2,00,000
Current Liabilities	3,50,000	Bills Receivable	2,00,000
		Cash at Bank	1,75,000
		Cash in Hand	55,000
	29,00,000		**29,00,000**

On 1-4-2003 it was decided to redeem the preference shares at a premium of 5%. To Finance the redemption, all the investments were sold at market price. 10,000 equity shares of Rs.10 each at Rs.9 for share and 1000 6% debentures of Rs.100 each at par were issued.
On 15-4-2003, the company made a bonus issue of 1 equity share of Rs.10 each for every two shares held on that date. It was also decided to use general reserve as minimum as possible.
Pass necessary Journal Entries and redraft Balance Sheet.

OR

2 (a) (i) The authorized capital of a company is Rs.12,00,000 divided into 12,000 equity shares of Rs.100 each. Out of which 8,000 shares have been subscribed. The company has undisposed off balances : **6**

(i) Rs.2,30,000 ((Cr.) in the profit and loss account)
(ii) Rs.2,85,000 in General Reserve.

The company has decided in general meeting to capitalize the necessary parts of the above balances by issuing 1000 fully paid up equity shares at par as bonus at the rate of one fully paid share for every eight shares held. The balance of profit and loss account is first to be exhausted and then the general reserve is to be drawn upon. Give journal entries to give effect to the above transactions.

(ii) What is a bonus share ? Discuss the sources from which bonus shares can be issued by a company. **4**

(b) The following is the Balance Sheet of *ABC* Ltd. as on 31-3-2003 : **11**

Liabilities	**Rs.**	**Assets**	**Rs.**
Equity share capital	20,00,000	Goodwill	2,50,000
10% Pref. share capital	7,50,000	Building	15,00,000
Reserves & Surplus	10,00,000	Furniture	1,25,000
15% Debentures	10,00,000	Machinery :	
Creditors	5,00,000	C.P. 20,00,000	
Bills payable	25,000	– Dep. 2,50,000	17,50,000
Provisions for taxation	5,00,000	Shares of	
Workmen's compensation		subsidiary co.	2,50,000
Fund	50,000	10% Non-Trading	
Workmen's saving A/c.	1,00,000	Invt. (Face value	
Workmen's Profit sharing		Rs.2,50,000)	3,00,000
Fund	75,000	Stock	4,50,000
		Debtors	8,00,000
		Prepaid Exps.	2,00,000
		Exps. on issue of	
		shares & Debentures	3,75,000
	60,00,000		**60,00,000**

Additional Information :

(i) The present market value of the building is Rs.22,50,000 while remaining assets are to be taken at their book values.

(ii) The expected rate of return on capital employed is 10%.

(iii) The provision for taxation, equal to 50% of profit, is created for this year. (Provisions for taxation is shown in the above Balance sheet)

(iv) The profit of the company before tax for last three years is increasing every year by Rs.2,25,000.

Value of the goodwill is to be calculated at 3 years purchase price of the weighted average super profit of last 3 years. (Appropriate weights to be used are; 1, 2 and 3)

OR

(b) The Balance Sheet of *XYZ Limited* as on 31-3-2003 was as under : **11**

Liabilities	Rs.	Assets	Rs.
50,000 Equity shares of Rs.10 each, Rs.7.50 paid up	3,75,000	Goodwill	1,00,000
		Patent	50,000
50,000 Equity shares of Rs.10 each, Rs.5 paid up	2,50,000	Building	90,000
		Machinery	1,20,000
8% Pref. share capital	1,25,000	Stock	3,00,000
Reserves & Surplus	1,25,000	Other Current Assets	4,32,500
Current Liabilities	2,25,000	Preliminary Expenses	7,500
	11,00,000		**11,00,000**

You are asked to ascertain the fair value of the Equity share of the company, after taking into account the following information :

(i) Building has been valued at Rs.1,17,500

(ii) Goodwill of the company has been valued at Rs.1,37,500

(iii) Divisible profits (before tax) of the company, for the last three years were Rs.1,80,000, Rs.1,65,000 and Rs.1,95,000.

(iv) Expected Rate of Return is 10%

(v) Rate of tax 50%

(vi) The dividend on preference shares for one year is outstanding

(vii) Use simple average method.

3 (a) The following balances have been extracted from the books of *Shantanam Ltd.* as on 31st March 1999 :

Particulars	Amount Rs.
Plant and Machinery	1,00,000
Motor Car	15,000
Furniture & Fixtures	20,000
Sundry Debtors (including Rs.1,00,000 over six months)	7,00,000
Advance Payments	40,000
Preliminary Expenses	10,000
Advance Payment of Income Tax	3,00,000
Interim dividends	60,000

Sundry creditors	4,15,000
Unsecured loan	3,00,000
Bank Overdraft	1,00,000
Profit & Loss appropriation A/c (Dr) as on 1-4-1998	2,00,000
Share premium	3,60,000
Share capital	6,00,000
Misc. receipts	1,20,000
Purchases	14,00,000
Op. stock of goods	3,00,000
Office Administration expenses	4,00,000
Salaries and Wages	2,00,000
Selling & Distribution expenses	1,50,000
Sales	20,00,000

The following further information is given :

(i) Closing stock of goods at cost is Rs.11,00,000

(ii) Depreciation is to be charged on the W.D.V. @10% on plant and machinery and furniture and fixtures and 20% on motor car. There were no additions or disposals during the year.

(iii) The entire authorised capital which consists of equity shares of Rs.100 each has been issued and subscribed. The share capital is paid up to the extent of 30% and there are no calls in arrears.

(iv) The unsecured loan was taken on 1-1-99 @18% interest p.a. Interest is payable half yearly and necessary provisions are to be made in accounts.

(v) Office administration exps. include auditors fee Rs.5000 and directors fees Rs.3000.

(vi) Provisions for taxation Rs.3,50,000.

(vii) Preliminary expenses are to be written off.

Prepare final accounts of the company.

OR

(a) (i) From the following information, you are required to prepare : **8**

1. Bad debts A/c.
2. Provisions for Bad debts A/c.
3. Profit & Loss A/c. for two years.

1 April 2000	:	Provision for bad debts	Rs.3,600
		Bad debts	Rs.1,960
		Debtors	Rs.40,000

Additional Information :

(a) Further bad debts Rs.200

(b) Make provisions for bad debts at 5% on debtors.

31st March 2001 : Bad debts Rs.3,700
Debtors Rs.60,000

Additional Information :

(d) Make provision for bad debts @ 5% on debtors.

(ii) Give the proforma of vertical Balance Sheet with imaginary figures. **6**

(b) Write on any **one** of the following : **7**

(i) Define Social Accounting. Discuss its significance.

(ii) What is Human Resource Accounting ? Do you think that it should be disclosed in final accounts ? Why ?

4 The following are the summarized Balance Sheets of *LMN Ltd.* : **14**

Liabilities	31-3-02	31-3-03	Assets	31-3-02	31-3-03
Equity share cap.	8,00,000	10,00,000	Fixed Assets	15,00,000	17,50,000
10% Pref. share capital	2,00,000	5,00,000	Investment	1,00,000	2,00,000
Profit & Loss A/c.	5,00,000	5,00,000	Stock	2,50,000	3,00,000
10% Debentures	5,00,000	5,00,000	Debtors	4,00,000	5,25,000
Creditors	2,00,000	3,25,000	Bills Receivable	1,00,000	1,00,000
Bills Payabale	50,000	25,000	Cash on hand	50,000	1,25,000
Bank Overdraft	1,50,000	1,50,000			
	24,00,000	**30,00,000**		**24,00,000**	**30,00,000**

Additional Information :

	31-3-02	***31-3-03***
Total Sales (Ratio of credit-cash sales is 4 : 1)	28,12,500	31,25,000
Gross Profit	10,62,500	12,50,000
EBIT	5,00,000	7,50,000

Stock as on 1-4-01 Rs.3,75,000
Rate of tax is 50%
No. of days = 360.

From the above particulars, calculate the following ratios for both the years :

(i) Net Profit Ratio
(ii) Stock Turnover Ratio
(iii) Debtors Ratio
(iv) Liquid Ratio.

(v) Operating Ratio
(vi) Return on Capital Employed
(vii) Return on Share Holder's funds.

OR

(a) Write a note on :
Limitations of Ratio Analysis. **6**

(b) Given below is the P & L A/c. of *OPQ* Ltd. for the year ending on 31-3-03 : **8**

		Rs.
Total Sales		6,00,000
Less : Cost of goods sold		
Opening Stock	70,000	
+ Purchases	3,80,000	
	4,50,000	
– Closing stock	– 70,000	– 3,80,000
Gross Profit		2,20,000
Less : Operating Expenses		– 40,000
EBIT		1,80,000
Less : Int. on Debentures		– 30,000
PBT		1,50,000
Less : Tax - 50%		– 75,000
PAT		75,000
Less : Pref. share. Divi.		– 25,000
Profit for equity share holders		**50,000**

You are required to prepare common size P & L A/c.