

- (iv) Trade Creditors have consented for 25% of remission of liability, on a condition that 25% of the net liability after remission is paid forthwith and the balance is paid within one year.
- (v) Investments are to be taken over by Bank in full settlement of the Overdraft balance.
- (vi) Preference Shareholders have agreed to give up their right for the two years dividend and accept 12 fully paid Equity Shares of ₹ 5 each fully paid preference share.

Required :

- (I) Pass necessary Journal Entries recording the above transactions.
- (II) Draw up fresh Balance Sheet after giving effect to the scheme of Reconstruction.

Roll No.

BBA-305(N)

B. B. A. (Third Semester)
EXAMINATION, Dec., 2017

(New Course)

Paper Fifth

COMPANY ACCOUNTS*Time : Three Hours]**[Maximum Marks : 70*

Note : Attempt *five* questions in all. Question No. 1 in Section A is compulsory which carries 30 marks. Attempt *four* more questions selecting *two* questions each from Section B and Section C. All questions in Section B and Section C carry 10 marks each.

Inst. : The candidates are required to answer only in serial order. If there are many parts of a question, answer them in continuation.

Section—A**(Short Answer Type Questions)**

Note : Answer all the following questions. Each question carries 3 marks.

1. (A) Define a company as per Companies Act, 2013 and give its types.

- (B) What are the characteristics of a Joint Stock Company ?
- (C) Explain sinking fund method of redemption of debentures.
- (D) What are the advantages of amalgamation of companies ?
- (E) What are the Company law provisions relating to issue of shares at discount ?
- (F) Explain Receiver's Receipts and Payments Account.
- (G) How can a company be liquidated ?
- (H) What are the journal entries made in the books of purchasing company in case of amalgamation of company ?
- (I) What are the functions of liquidator of a company ?
- (J) Give journal entries relating to issue and forfeiture of shares when shares are issued at premium and at discount.

Section—B

(Long Answer Type Questions)

Note : Attempt any two questions. Each question carries 10 marks.

2. What are the Company law provisions relating to redemption of preference shares ? Give the journal entries which are made in the books of a company to give effect to redemption of preference shares.

Assets	₹
Goodwill	20,000
Land and Buildings	1,60,000
Plant and Machinery	1,20,000
Investments	24,000
Stock	54,000
Debtors	1,18,000
Cash in Hand	6,000
Profit & Loss Account	1,42,800
Total	6,44,800

Note : Dividend on Preference Shares has not been declared for ₹ 2 years.

No Provision has been made for Sales Tax Liability of ₹ 9,000.

The following Scheme of Reconstruction has been approved :

- (i) Uncalled Capital is to be called up in full and Equity shares are to be reduced to ₹ 5 per share.
- (ii) Sales Tax liability of ₹ 9,000 is to be paid immediately.
- (iii) Land and Buildings are to be shown in the Balance Sheet at full Market Value of ₹ 2,20,000 and Goodwill is to be written-off.

	₹
Investment at Cost	4,000
Stock	10,000
Sundry Debtors	14,000
Bank Balance	26,000
₹	54,000

9. The summarised Assets and Liabilities position of Garuthman Ltd. as on 1st April was as follows :

Liabilities	₹
Authorised Capital :	
80000 Equity Shares of ₹ 10 each	8,00,000
2000 9% Preference Shares of ₹ 100 each	2,00,000
Issued and Paid up Capital :	
40000 Equity Shares of ₹ 10 each (₹ 7.50 paid up)	3,00,000
2000, 9% Preference Shares of ₹ 100 each fully paid	2,00,000
Unsecured Loans	80,000
Trade Creditors	48,000
Bank Overdraft	16,800
Total	6,44,800

3. What do you mean by internal reconstruction of a company ? Explain the provisions of Accounting Standard 14 relating to amalgamation of companies.
4. Shagoon India Ltd. issued for public subscription 40000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share payable as under :

On Application ₹ 2 per share

On Allotment ₹ 5 per share (including premium)

On First Call ₹ 2 per share

On Second Call ₹ 3 per share

Applications were received for 60000 shares. Allotment was made pro-rata to the applications for 48000 shares, the remaining 12000 applications being refused. Money over-paid on application was applied towards sum due on allotment.

A, to whom, 1600 shares were allotted, failed to pay the allotment money. B, to whom 2000 shares were allotted, failed to pay the two calls. These shares were subsequently forfeited after the second call was made. Pass journal entries in the books of Shagoon India Ltd. to record the above transactions including the Bank entry and prepare Balance Sheet of the company just after issue of shares is completed.

5. What do you mean by final accounts of a company ? Give pro forma of statement of Profit & Loss and Balance Sheet of a company as per Schedule III of the Companies Act, 2013.

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Or

The Bharat Ltd. having Cloth Business authorized capital of ₹ 2,00,000 divided into 2000 equity shares of ₹ 100 each (out of which 1000 shares were subscribed). The Book of this company showed the following balances as on 31st March, 2017.

	₹
Opening Stock of Raw Materials	30,000
Opening Stock of Manufactured Goods	16,000
Purchases of Raw Materials	88,000
Sales	1,83,700
Purchases Returns	1,000
Sales Returns	2,400
Manufacturing Wages	32,000
Carriage Inward	1,000
Factory Expenses	14,000
Advance Payment of Income-tax	4,000
Discount allowed (Dr.)	2,000
Discount received (Cr.)	1,000
Office Salary	5,500
Bad Debts	1,500
Office Expenses	1,000
Staff Providend Fund Contribution	500
Directors' fees	1,200
Interest paid on Debentures	1,200

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[9]

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Balance Sheet of Y Limited (as at 31st March, 2017)

	₹
Authorised and Issued Share Capital :	
20000 shares of ₹ 10 each	2,00,000
General Reserve	1,00,000
Profit & Loss A/c	20,000
Sundry Creditors	60,000
	₹ 3,80,000

	₹
Freehold Property	1,90,000
Plant and Machinery	28,000
Shares in Z Ltd. at Cost :	
1800 Shares of ₹ 20 each	36,000
Stock	60,000
Sundry Debtors	40,000
Bank Balance	26,000
	₹ 3,80,000

Balance Sheet of Z Limited (as at 31st March, 2017)

	₹
Authorised and Issued Share Capital :	
2000 shares of ₹ 10 each	20,000
Profit & Loss A/c	30,000
Sundry Creditors	4,000
	₹ 54,000

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P. T. O.

[8]

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On that date, the Company went into Voluntary Liquidation. The dividends on Preference Shares were in arrears for the last 2 years. Sundry Creditors include a Loan of ₹ 90,000 on Mortgage of Land and Buildings. The Assets realised were :

- (a) Land and Buildings ₹ 3,40,000
- (b) Plant and Machinery ₹ 3,60,000,
- (c) Stock ₹ 1,20,000 and
- (d) Sundry Debtors ₹ 1,60,000

Interest accrued on Loan on Mortgage of Building upto the date of payment amounted to ₹ 10,000. The Expenses of Liquidation amounted to ₹ 4,600. The Liquidator is entitled to remuneration of 3% on all the assets realised (except Cash at Bank) and 2% on the amounts distributed among Equity Shareholders. Preferential Creditors included in Sundry Creditors amount ₹ 30,000. All payments were made on 30th June (3 months from Balance Sheet date).

Prepare the Liquidator's Final Statement of Account.

8. On 1-4-2016 Y Limited acquired 1800 shares of ₹ 10 each in Z Limited at a cost of ₹ 36,000. At the date of acquisition Z Limited had a credit balance of ₹ 24,000 in its Profit & Loss Account. From the following Balance Sheets, prepare a Consolidated Balance Sheet of Y Ltd. and its Subsidiary Z Ltd. as at 31-3-2017 :

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Interest and Dividend on Investment	480
Profit & Loss Account balance as on 1st April, 2016	2,630
Paid-up Capital	1,00,000
Reserve Fund	17,000
Employees' Provident Fund	3,000
Goodwill	15,000
Machinery	25,000
Livestock	5,000
Land and Building	37,000
8% Debentures (Mortgaged on Land and Building)	30,000
Sundry Debtors	45,000
Sundry Creditors	16,000
Bills Receivable	4,000
Bills payable	5,490
Cash in Hand	3,000
Cash at Bank	8,000
3% G. P. Notes	3,000
Shares in Joint Stock Company	100
100 Equity Shares of ₹ 100 each ₹ 50 per share paid	5,000
Office Furniture	5,000
Preliminary Expenses	5,000

Prepare Final Accounts of this Company as required by the Companies Act, 2013 (Schedule III) after taking into account the following adjustments :

- (i) The stock on hand as on 31st March, 2017 valued at cost consisted of raw material worth ₹ 24,000; and manufactured goods worth ₹ 14,380.
- (ii) Interest on Debentures is paid for 6 months upto 30th September, 2016.
- (iii) Write-off one-half preliminary expenses.
- (iv) Provide depreciation 10% on Machinery, 5% on Land and Building and 6% on Office Furniture.
- (v) Reserve ₹ 1,350 for doubtful debts.
- (vi) The directors have proposed dividend at 12% (free of tax) on paid-up Capital after making provision for taxation ₹ 4,000 and after transferring to Reserve Fund ₹ 2,000 out of the profits.

Section—C

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

6. Define Holding Company and Subsidiary Company. What are the various calculations which are made for preparing consolidated Balance Sheet of holding company and its subsidiary company ? Explain.
7. How are Statement of Affairs and Deficiency Account prepared by the liquidator of a company at the time of liquidation of a company ? Explain.

Or

The following is the Balance Sheet of "Feel Shy" Limited as at 31st March, 2017 :

Equity and Liabilities	₹
Share Capital :	
2000 Equity Shares of ₹ 100, ₹ 75 Paid up	1,50,000
6000 Equity Shares of ₹ 100, ₹ 60 Paid up	3,60,000
2000 10% Pref. Share of ₹ 100, fully paid up	2,00,000
10% Debentures (Floating Charge on all assets)	2,00,000
Int. accrued on Deb. (also secured as above)	10,000
Sundry Creditors	4,90,000
Total	14,10,000

Assets	₹
Fixed Assets :	
Land and Building	4,00,000
Plant and Machineries	3,80,000
Current Assets :	
Stock at Cost	1,10,000
Sundry Debtors	2,20,000
Cash at Bank	60,000
Profit & Loss A/c	2,40,000
Total	14,10,000