

# C. U. SHAH UNIVERSITY

## Winter Examination-2021

**Subject Name : Company Accounts - I**

**Subject Code : 4CO03COA1**

**Branch: B.Com (English)**

**Semester: 3**

**Date: 17/12/2021**

**Time: 02:30 To 05:30**

**Marks: 70**

**Instructions:**

- (1) Use of Programmable calculator & any other electronic instrument is prohibited.
- (2) Instructions written on main answer book are strictly to be obeyed.
- (3) Draw neat diagrams and figures (if necessary) at right places.
- (4) Assume suitable data if needed.

**Q-1 Attempt the following questions: (14)**

- a) Which of the following items does not appear under the head "Reserves and Surplus" in the balance sheet? 1  
 (A) General Reserve (B) Proposed Dividend  
 (C) Securities Premium (D) Sinking fund
- b) Corporate dividend tax is computed on 1  
 (A) Proposed dividend (B) Profit after tax  
 (C) Provision of income tax (D) Income from business operation
- c) When the shares are redeemed out of profits, a sum equal to nominal amount of shares redeemed is to be – 1  
 (A) Transferred to Capital Redemption Reserve A/c  
 (B) Transferred to General Reserve A/c  
 (C) Transferred to Development Rebate Reserve A/c  
 (D) None of the above.
- d) When redeemable preference shares are to be redeemed and they are not fully paid, then 1  
 (A) the amount so far received on them can be returned  
 (B) They can be redeemed at the discretion of directors,  
 (C) they cannot be redeemed  
 (D) None of the above.
- e) Trial Balance of Drashti Ltd. For the year ending 31-3-2016 shows the following 1

Particulars	Debit	Credit
6% Bank Loan Account	-	3,00,000
Interest on Bank Loan Account	6,000	-

Which amount of interest is required to be debited in the Profit & Loss account for the year ending 31-3-2016?

- (A) Rs. 6,000 (C) Rs. 18,000 (B) Rs. 12,000 (D) Rs. 24,000



- f) Under Section 55 of the Companies Act, 2013 Redeemable Preference shares can be redeemed: 1  
 (A) Out of amount received from issue of shares.  
 (B) Out of credit balance of P & L A/c.  
 (C) Out of Revenue Reserves.  
 (D) Out of any one of above (A), (B) and (C)
- g) Varsha Limited wants to redeem its 6,000 Redeemable Preference Shares of Rs. 100 each, Rs. 90 paid up at a premium of 10%; There are following balances in the books 1  
 (A) Share premium A/c Rs. 10,000 (B) Bank A/c Rs. 1,00,000  
 (C) P & L Account (Cr.) Rs. 1,00,000  
 How many shares of Rs. 100 each would be required to be issued at a premium of 10% by the company; so that the above mentioned pref. shares can be redeemed?  
 (A) 5,000 shares (B) 4,000 shares (C) 3,000 shares (D) 6,000 shares
- h) Which of the following balances can be utilised for redemption of redeemable Preference Shares? 1  
 (A) General Reserve (B) Credit Balance of Profit and Loss A/c  
 (C) Any one or both of the above (D) None of the above.
- i) The Rajan Ltd. Issued 1,200 equity shares of Rs. 50 at a premium of 10%, in order to redeem 1,000 Redeemable preference shares of Rs. 100 each at premium of 10%. The amount to be transferred to Capital Reserve A/c will be – 1  
 (A) Rs. 50,000 (B) Rs. 44,000 (C) Rs. 40,000 (D) Rs. 34,000
- j) After implementing the scheme of internal capital reduction, the company is 1  
 (A) Continued (B) Dissolved  
 (C) Purchased by other company (D) Merged to another company
- k) The most important reason for capital reduction is – 1  
 (A) The low price of goodwill shown in balance sheet  
 (B) Excessive amount of depreciation on fixed assets.  
 (C) Over capitalization  
 (D) Under capitalization
- l) On debenture of issue price of Rs. 90 (Face value Rs. 100) maximum amount of underwriting commission allowable is 1  
 (A) Rs. 2.25 (B) Rs. 2.50 (C) Rs. 1.80 (D) Rs. 4.50
- m) What will be share underwriters considered from the view point of company? 1  
 (A) Third parties (B) Promoters (C) Regulators (D) None of the above
- n) A company has Issued 30,000 equity shares. Whole issue is underwritten By H 50%, A 30% and R 20%. Applications were received for 24,000 shares. 1  
 Determine the liability of Underwriter H.  
 (A) 2,000 shares (B) 3,000 shares (C) 1,000 shares (D) 4,000



shares

**Attempt any four questions from Q-2 to Q-8**

**Q-2 Attempt all questions (14)**

- (A) Explain the advantages of underwriting. 5  
(B) State the provisions for underwriting commission under The Companies' Act, 2013. 5  
(C) Discuss the types of underwriting agreements. 4

**Q-3 Attempt all questions (14)**

- (A) Give the specimen of capital reduction A/c. 7  
(B) Give the reasons for reducing capital. 7

**Q-4 Attempt all questions (14)**

- (A) Give the provisions of Companies' Act, 2013 for redemption of redeemable preference shares. 7  
(B) Give specimen of balance sheet as per schedule-III of Companies Act, 2013. 7

**Q-5 Attempt all questions (14)**

- (A) The following is the extract of Trial Balance of Radha Limited as on 31-3-2016 :

Particulars	Rs.
Equity Share Capital (2,000 Shares of Rs. 100 each)	2,00,000
Redeemable Preference Share Capital (1,000 Shares of Rs. 100 each, Rs. 75 paid-up)	75,000
General Reserve	60,000
Securities Premium	25,000
Bank Balance 2,00,000	2,00,000

The company decides to redeem the preference shares at 5% premium after complying with legal provisions. Write necessary entries for the issue of new shares and capital redeemed.

- (B) Rachna Ltd. wants to redeem 30,000 12% Red. preference shares of Rs. 10 each Rs. 8 called up at 10% premium. 7

The ledger accounts show the following balances:

Securities Premium Rs. 15,000  
Profit and Loss A/c (Credit) Rs. 21,000

The directors redeem the shares by making minimum fresh issue of equity shares of Rs. 10 each at 5% premium.

Give Journal Entries in the books of Company.

**Q-6 Attempt all questions (14)**

- (A) Jaihind Ltd. resolved to issue 1,60,000 equity shares of Rs. 100 each at 20% premium, out of which 50% shares were taken up by Directors and the remaining shares were issued to the public. The entire issue was underwritten as follows :

A - 40,000 shares (Firm underwriting 8,000 shares)  
B - 24,000 shares (Firm underwriting 4,000 shares)  
C - 16,000 shares (Firm underwriting 4,000 shares)

Applications were received for 72,000 shares in which the marked applications including firm underwriting were as follows :

A - 28,000 shares      B - 11,200 shares      C - 12,800 shares

Determine the liability of all the underwriters of the benefit of firm



- underwriting is to be given to the individual underwriters and also calculate the commission of each underwriter as per Companies Act.
- (B) The Maheshwari Ltd. issued 50,000 shares of Rs. 10 each. M/s. Dharampal and Sons entered into an underwriting agreement for underwriting the whole of the issue at a commission of 4% on shares. Applications were received for 46,000 shares from the public and remaining shares were taken up by the underwriters. Cash was received on all the shares.
- Pass Journal entries in the books of the Company.

Q-7

(14)

The assets and liabilities of the Maruti Motors Ltd., are given below:

Particulars	Rs.
<b>Liabilities:</b>	
Rs. 10,000 Equity Shares of Rs. 100 each fully paid	10,00,00
5,000 Preference Shares of Rs. 100 each, Rs. 90 per share paid up	0
	4,50,000
5,000 6% Debentures of Rs. 100 each	5,00,000
Creditors 2,50,000	2,50,000
Unpaid Dividend 40,000	40,000
	<b><u>22,40,00</u></b>
<b>Assets:</b>	<b><u>0</u></b>
Goodwill	
Land & building less depreciation	3,00,000
Machinery	2,00,000
Furniture	1,50,000
Debtors	50,000
Bills Receivable	10,00,00
Stock	0
Profit & Loss A/c (Debit balance)	1,00,000
	2,45,000
	1,95,000
	<b><u>22,40,00</u></b>
	<b><u>0</u></b>

The following scheme was approved by the resolution of shareholders and sanctioned by the tribunal:

- Each equity share of Rs. 100 to be sub-divided into 10 fully paid shares of Rs. 10 each.
  - The new equity share to be reduced to Rs. 5 each.
  - Preference shares to be reduced to Rs. 55 each.
  - The debit balance of Profit & Loss Account to be extinguished and Rs. 80,000 to be written off Goodwill.
  - Assets to be revalued and reduced by following amounts:  
Building Rs. 40,000, Bills Receivable Rs. 20,000, Machinery Rs. 1,25,000, Stock Rs. 80,000, Furniture Rs. 25,000  
Bad debts reserve to be created at 5% on Sundry Debtors.
- Draft journal entries and give the Balance Sheet of the company after reconstruction.



From the following particulars furnished by Pioneer Ltd., prepare Balance Sheet as at 31st March, 2015 as required by Schedule III of the Act, 2013 :

Particulars	Debit Rs.	Credit Rs.
Equity Capital (Face value of Rs. 100)	-	10,00,000
Calls in arrears	1,000	-
Land	2,00,000	-
Building	3,50,000	-
Plant and Machinery	5,25,000	-
Furniture	50,000	-
General Reserve	-	2,10,000
Loan from State Financial Corporation	-	1,50,000
Inventory:		
Finished Goods		
2,00,000	2,50,000	-
Raw Materials		
50,000		

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Provision for Taxation	-	68,000
Trade receivables	2,00,000	-
Advances (short term)	42,700	-
Proposed Dividend	-	60,000
Corporate Dividend Tax	-	12,000
Profit and Loss Account	-	86,700
Cash Balance	30,000	-
Cash at Bank	2,47,000	-
Loans (Unsecured)	-	1,21,000
Trade payables (For Goods and Expenses)	-	1,88,000
	<b>18,95,700</b>	<b>18,95,700</b>

The following additional information is also provided :

- (1) 2,000 equity shares were issued for consideration other than cash.
- (2) Trade receivables of Rs. 52,000 are due for more than six months.
- (3) The cost of assets: Building Rs. 4,00,000, Plant and Machinery Rs. 7,00,000, Furniture Rs. 62,500
- (4) The balance of Rs. 1,50,000 in the loan account with State Finance Corporation is inclusive of Rs. 7,500 for interest accrued but not due. The loan is secured by hypothecation of the Plant and Machinery.

