

20. (a) Explain the salient features of double account system.

Or

- (b) Explain the steps in the preparation of consolidated balance sheet.
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M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2023.

Third Semester

Commerce – Core

ADVANCED CORPORATE ACCOUNTING

(For those who joined in July 2021 – 2022)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Any gain on revaluation of the assets at the time of internal reconstruction will be credited to _____.
 - (a) Capital Reserve a/c
 - (b) Capital Reduction a/c
 - (c) Share Capital a/c
 - (d) General Reserve a/c



2. Pooling of interests method is used to account for Amalgamation in the nature of _____.
 (a) Purchase (b) Sale
 (c) Merger (d) None of the above
3. Under Assets – Backing method, the values of equity share is calculated under the presumption that the company would be _____.
 (a) Liquidated
 (b) Continued
 (c) Liquidated or continued
 (d) None of the above
4. The Liquidator's final statement of a/c is prepared _____.
 (a) Only in case of creditors voluntary winding up
 (b) Only in case of members voluntary winding up
 (c) Only in case of compulsory voluntary winding up by the court
 (d) Whatever may be the mode of winding up
5. A Non banking asset is _____.
 (a) An investment
 (b) An item of office appliances
 (c) Any assets acquired from the debtor in satisfaction of claim
 (d) Money at call and short notice

6. Demand draft and telegraphic transfers are shown in the bank a/c under the head _____.
 (a) Contingent liabilities
 (b) Bills Payable
 (c) Loans and advances
 (d) Borrowing in India
7. A valuation of Balance sheet is prepared by _____.
 (a) Joint Stock Company
 (b) Banking Company
 (c) Life Insurance Company
 (d) General Insurance Company
8. Insurance business in India is now regulated by the provisions of _____.
 (a) The Insurance Act 1938
 (b) The IRDA Act 1999
 (c) The Banking Regulation Act 1949
 (d) The Indian Companies Act 1956
9. Original cost of an asset Rs. 50,000 Present cost of replacement Rs. 6,50,000 Amount spent on replacement Rs. 7,60,00. The amount chargeable to revenue under double a/c system will be _____.
 (a) Rs. 50,000 (b) Rs. 6,00,000
 (c) Rs. 6,50,000 (d) Rs. 7,60,000



10. The profit of the subsidiary company made after the date of purchase of shares by the holding company are treated as _____.

- (a) Capital (b) Revenue
(c) Earned (d) Accumulated

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

11. (a) The following is the Balance Sheet of Weak & Co. as on 31.03.2019.

Liabilities	Rs.	Assets	Rs.
1,00,000 equity shares of Rs. 10 each	10,00,000	Land 1,00,000	1,00,000
Sundry Creditors	1,73,000	Plant and Machinery	2,30,000
		Furniture and Fittings	68,000
		Stock	1,50,000
		Debtors	70,000
		Cash at bank	5,000
		Profit and loss a/c	5,50,000
	<u>11,73,000</u>		<u>11,73,000</u>

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Scheme of Capital Reduction was:

- The equity shares to be reduced to Rs. 4 per share.
- Plant and Machinery to be written down to Rs. 1,50,000.
- Stock to be revalued at Rs. 1,40,000.
- The provision on debtors for doubtful debts to be created Rs. 2,000.
- Land to be revalued at Rs. 1,42,000.

Pass Journal entries and prepare the reconstruction account.

Or

(b) Pass journal entries for the following

- Conversion of equity stock of Rs. 1,00,000 into 10,000 equity shares of Rs. 10 each.
- Cancellation of unpaid amount of Rs. 1,00,000 in respect of 50,000 equity shares of Rs. 10 each Rs. 8 called up.
- Sub division of 5,000 equity shares of Rs. 1,000 each into 50,000 equity shares of 100 each.
- Conversion of fully paid equity share capital of Rs. 5,00,000 into stock.
- Consolidation of 10% 2000 performance share of Rs. 100 each into 10% 2,000 preference share of Rs. 1,000 each.

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12. (a) On 31st December 2016 the Balance Sheet of a limited company disclosed the following position:

Liabilities	Rs.	Assets	Rs.
Issued capital :			
Shares of Rs. 10 each	8,00,000	Fixed Assets	10,00,000
Reserves	1,80,000	Current assets	4,00,000
Profit and Loss a/c	40,000	Goodwill	80,000
10% Debentures	2,00,000		
Current liabilities	2,60,000		
	<u>14,80,000</u>		<u>14,80,000</u>

On 31st December 2016 the fixed assets were independently valued at Rs. 7,00,000 and goodwill at Rs. 1,00,000. Net profit for the three years:

2014 – Rs. 1,03,200

2015 – Rs. 1,04,000

2016 – Rs. 1,03,300

Of these 20% as placed to reserve. This proportion was considered reasonable in the industry in which the company is engaged. Fair investment return may be taken at 10%.

Compute company's share value by

(i) Assets method and

(ii) Yield method.

Or

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- (b) The Ultra Optimist went into liquidation. Its assets realized Rs. 3,50,000 excluding amount realized by sale of securities held by the secured creditors.

	Rs.
Share Capital : 1000 shares of Rs. 100 each	1,00,000
Secured Creditors (Securities realized Rs. 40,000)	35,000
Preferential Creditors	6,000
Unsecured Creditors	1,40,000
Debentures having floating charge	2,50,000
Liquidation Expenses	5,000
Liquidator's Remuneration	7,500

Prepare liquidator's final statement of account.

13. (a) On 31st March 2013 a bank held the following bills discounted by it earlier. Date of bills Terms of bills Discounted Amount of bills 2013 months @% p.a.

(i) January 17 4 17 7,30,000

(ii) February 7 3 18 14,60,000

(iii) March 9 3 17.5 3,64,000

You are required to calculate the rebate on bills discounted. Also show the necessary journal entry for the rebate.

Or

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- (b) From the following particulars, prepare a Profit and Loss Account of Maruthi Bank Ltd., for the year ended 31.03.2014.

	Rs.
Interest on loans	350
Interest on fixed deposits	320
Rebate on bills discounted	60
Commission charged to customers	12
Establishment expenses	66
Discount on bills discounted	250
Interest on current accounts	65
Printing and advertisements	5
Interest on cash credits	250
Rent and taxes	20
Interest on overdrafts	35
Directors' and Auditor's fees	4
Interest on saving bank accounts	85
Postage and telegrams	3
Sundry charges	1

14. (a) What are the financial statement of insurance companies?

Or

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- (b) Getwell Life Assurance Co. Ltd. got its valuation made once in every three years. The life assurance fund on 31st March, 2015 amounted to Rs. 83,84,000 before providing for Rs. 64,000 for the shareholders dividend for the year 2011-15. Its actuarial valuation on 31st March, 2015 disclosed net liability of '80,80,000 under the triennium ending 31st March, 2015. Prepare statement showing the amount non available as bonus to Policyholders.

15. (a) How replacement of an asset is written under double accounting system?

Or

- (b) The following is the Balance sheet of S Ltd. as on 31st March, 2010.

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed Assets	2,90,000
Equity shares of Rs. 10 each	2,70,000	Investment	2,75,000
General Reserve		Profit and Loss A/c	3,60,000
Current liabilities	85,000	Current Asset	1,30,000
		Preliminary Expenses	20,000
	<u>7,15,000</u>		<u>7,15,000</u>

H Ltd. acquired 25,000 shares in S Ltd. on 31st March, 2010 at a cost of Rs. 2,75,000. fixed assets were revalued at Rs. 3,28,000. find minority interest.

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PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b) .

16. (a) What are the alteration of share capital?

Or

(b) The following is the balance sheet of X Ltd.

	Rs.		Rs.
20,000 10% Pref. shares of Rs. 10 each	2,00,000	Goodwill	50,000
2,000 equity shares of Rs. 100 each	2,00,000	Other Fixed Assets	1,80,000
Creditors	30,000	Stock	50,000
		Debtors	60,000
		P/L a/c	90,000
	<u>4,30,000</u>		<u>4,30,000</u>

The following resolutions were passed and the scheme was duly approved h' the court:

- Equity shares of Rs. 100 each be reduced to fully paid up shares of Rs. 50 each.
- 10% Pref. shares of Rs. 10 each be reduced to 10% Pref. shares of Rs. 6 each fully paid up.
- Goodwill and debit balance of Profit and Loss ale fully written off.
- The balance of the amount be used to write off other fixed assets.

Give journal entries and revised Balance Sheet of the company. Also prepare Capital Reduction Account.

17. (a) What is purchase consideration? Types.

Or

(b) Balance Sheet of Asok Limited as on 31st March. 2013

Liabilities	Rs.	Assets	Rs.
Share capital :		Fixed Assets :	
1,000, 6% Preference shares of Rs. 100 each fully paid	1,00,000	Machinery	1,90,000
2,000 Equity shares of Rs. 100 each fully paid	2,00,000	Furniture	10,000
2,000 Equity shares of Rs. 100 each, '75 paid	1,50,000	Current Assets :	
Loan-bank (secured on stock)	1,00,000	Stock	1,20,000
Current Liabilities and Provisions :		Debtors	2,40,000
Creditors	3,50,000	Cash at bank	50,000
Income tax payable	10,000	Profit and loss A/c	3,00,000
	<u>9,10,000</u>		<u>9,10,000</u>



The company went into liquidation on 1st April, 2013. The assets were realised as follows:

	Rs.
Machinery 1,66,000	1,66,000
Furniture 8,000	8,000
Stock 1,10,000	1,10,000
Debtors 2,30,000	2,30,000
Liquidation expenses amounted to	4,000

The liquidators are entitled to a commission at 2% on amount paid to unsecured creditors excluding preferential creditors. Calls on partly paid shares were made but the amounts due on 200 shares were found to be irrecoverable. Prepare Liquidators Statement of Account.

18. (a) The following are the Trial Balance of Indian bank Ltd as on 31.03.2020

	Debit Rs.	Credit Rs.
Share capital 25,000 equity shares of Rs. 20 each	-	5,00,000
Reserve fund	-	2,00,000
Loans and advances	23,85,000	-
Promises	60,000	-
Reserve Fund investment	2,00,000	-
Investment in Government security	1,60,000	-
Current and other deposits	-	20,80,000
Salaries	60,000	-

	Debit Rs.	Credit Rs.
General expenses	32,000	-
Rent, Rates and Taxes	3,000	-
Directors fees	20,000	-
Profit and Loss Account as on 1.1.2020	-	35,000
Interest and discounts	-	3,12,000
Money at call and short notice	80,000	-
Income tax paid	26,000	-
Bills discounted	36,000	-
Interim dividend paid	25,000	-
Cash in hand with RBI	40,000	-
	<u>31,27,000</u>	<u>31,27,000</u>

- (i) Interest accrued on Investment Rs. 22,000.
- (ii) The market value of Government securities is Rs. 1,50,000 and provision is to made.
- (iii) Authorised capital 50,000 shares of Rs. 20 each.

Prepare profit and loss account and balance sheet as on 31.03.2020.

Or

- (b) What are the legal restrictions imposed on banking companies?



19. (a) Best Life Insurance Co. Ltd. had a paid up capital of '10,00,000 divided into 1,00,000 shares of '10 each. Its net liability on all contracts in force as on 31st March, 2014 was Rs. 96,00,000 and on 31st March 2013 this liability was '84,00,000. The company has paid and interim bonus of Rs. 2,60,000 and 20% of the surplus is to be allocated to shareholders, 20% to reserves and balance carried forward. The following figures are extracted from the books of the company for the year ended 31st March, 2014.

Particulars	Rs.
Premium less re-insurance premium	57,20,000
Interest, dividend and rent Fees	28,00,000
Fees	16,000
Income – tax	4,40,000
Management expenses	7,00,000
Annuities	50,000
Commission	2,20,000
Surrenders	3,20,000
Surplus on revolution of reversions	20,000
Re-insurance irrecoverable	16,000
Claims less re-insurance claims	34,00,000
Consideration for annuities granted	1,60,000

Prepare Revenue Account.

Or

- (b) Zaldi Pay Insurance Co. Ltd. Has furnished the following information for preparation of Revenue Account for fire insurance business for the year ended 31st March. 2015.

	Rs.
Claims admitted but not paid	42,376
Commission paid	50,000
Commission on reinsurance received	12,000
Share transfer fees	12,000
Expenses of Management	5,000
Bad Debts	78,000
Claims Paid	2,500
Profit and Loss Account Appropriation	15,000
Premiums Received (less Reinsurance)	10,000
Reserve for Unexpired Risks as on 1.4.2014	5,52,000
Claims Outstanding as on 1.4.2014	2,30,000
Dividend on Share Capital	27,000

The following further information has also to be considered:

- Premiums outstanding at the end of the year is '40,000
- It is the policy of the company of maintain 50% of premium towards reserve for unexpired risks.

