

Reg. No. : .....

Code No. : 5550

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M.Com. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2019.

Third Semester

Commerce — Core

ADVANCED CORPORATE ACCOUNTING

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. The capital reduction scheme can be implemented only after getting permission from
  - (a) Central Govt.
  - (b) Controller of Capital issues
  - (c) Shareholders
  - (d) The competent court



2. Accounting standards for Amalgamation is  
(a) AS-8 (b) AS-20  
(c) AS-14 (d) AS-3
3. A contributory is a  
(a) Unsecured creditor  
(b) Preferential creditor  
(c) Share holder  
(d) Debenture holder
4. Under Net Assets method the value of a share depends on the amount that would be available to  
(a) Preference Shareholders  
(b) Equity shareholders  
(c) Creditors  
(d) Debenture holders
5. Bank in India are under the general supervision of the \_\_\_\_\_.  
(a) RBI (b) Central Govt.  
(c) State Govt. (d) All the above
6. Schedule 13 relates to \_\_\_\_\_.  
(a) Profit earned (b) Interest earned  
(c) Dividend earned (d) None of these

7. In life insurance the policy amount is payable  
(a) After the death of the insured  
(b) After the expiry of the policy period  
(c) On the death of insured or on expiry of policy whichever is earlier  
(d) Only when the insured has attained a certain age
8. A valuation of Balance sheet is prepared by  
(a) Joint Stock company  
(b) Banking company  
(c) Life Insurance company  
(d) General Insurance company
9. The excess price paid by a holding company to acquire controlling interest in the subsidiary company is transferred to  
(a) Capital reserve (b) Goodwill A/c  
(c) Revenue reserve (d) None of these
10. Receipts and Expenditure on capital account is also known as \_\_\_\_\_.  
(a) Capital A/c (b) Fixed assets A/c  
(c) Investment A/c (d) None of these



PART B — (5 × 5 = 25 marks)

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

11. (a) Difference between Internat construction and External construction.

Or

- (b) The following are the liabilities and assets of Amrita Ltd :

Liabilities	Rs.	Assets	Rs.
Share capital	60,000	Goodwill	28,000
Debentures	10,000	Land and Building	16,000
Sundry creditors	6,000	Land and Machinery	28,000
General reserve	4,000	Stock	16,000
Profit and Loss A/c	20,000	Debtors	8,000
		Cash	2,000
		Preliminary expenses	2,000
	<u>1,00,000</u>		<u>1,00,000</u>

Bangalore Ltd takes over the business of Amrita Ltd. the value agreed for various assets are : Goodwill Rs. 22,000, Land and Building Rs. 25,000, Plant and Machinery Rs. 24,000, Stock Rs. 13,000 and Debtors Rs. 8,000. Bangalore Ltd does not take over cash but agrees to assume the liability of sundry creditors at Rs. 5,000. Calculate the Purchase Consideration.

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12. (a) A firm earned net profits during the last three years as follows :

I Year Rs. 36,000

II Year Rs. 40,000

III Year Rs. 44,000

The capital investment of the firm is Rs. 1,00,000.

A fair return on the capital, having regard to the risk involved is 10%.

Calculate the value of Goodwill on the basis of 3 years purchase of super profit.

Or

- (b) Explain the factors affecting the valuation of shares.

13. (a) Describe the legal provisions relating to the final accounts of a Banking Company.

Or

- (b) From the following particulars, prepare a Profit and Loss A/c of New bank Ltd., for the year ended 31.12.2016.

	Rs. (in '000)
Interest on loans	260
Interest on fixed deposits	280
Rebate on bills discounted	50
Commission charged to customers	9

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	Rs. (in '000)
Establishment expenses	56
Discount on bills discounted	200
Interest on current accounts	45
Printing and advertisements	3
Interest on cash credits	225
Rent and taxes	20
Interest on overdrafts	56
Directors and Auditors fees	4
Interest on savings bank accounts	70
Postage and telegrams	2
Sundry charges	2

14. (a) Explain different types of Life Insurance.

Or

(b) A Life Insurance company gets its valuation made once in every two years. Its Life Assurance fund on 31.3.2016 amounted to Rs. 63,84,000 before providing Rs. 64,000 for the shareholders dividend for the year 2015-16. Its actuarial valuation due on 31.3.2016 disclosed a net liability of Rs. 60,80,000 under assurance annuity contracts. An interim bonus of Rs. 80,000 was paid to the policy holders during the two years ending 31.3.2016. Prepare a statement showing the amount now available as bonus to policy holders.

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15. (a) What are the steps involved in preparation of consolidated Balance Sheet?

Or

(b) The Poiner Gas Co. rebuild and re-equipped part of their works at a cost of Rs. 15,00,000. The part of the old works thus superseded cost Rs. 9,00,000, Rs. 60,000 is realised by the sale of old materials and old materials valued Rs. 2,000 are used in the reconstruction and included in the cost of Rs. 15,00,000 mentioned above.

The cost of labour and materials is 20% higher now than when the old works were constructed. Prepare necessary ledger accounts.

PART C — (5 × 8 = 40 marks)

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

16. (a) The Balance Sheet of Gloomy Ltd. was as follows on 30<sup>th</sup> June 2017.

Liabilities	Rs.	Assets	Rs.
4000 shares of Rs. 100 each fully paid	4,00,000	Goodwill	60,000
6% debentures	2,00,000	Land and Building	1,00,000
Sundry creditors	2,50,000	Plant and Machinery	4,00,000
		Stock	90,000

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Liabilities	Rs.	Assets	Rs.
		Sundry debtors	60,000
		Preliminary expenses	10,000
		P & L a/c	1,30,000
	<u>8,50,000</u>		<u>8,50,000</u>

In order to reconstruct the company, wiping off fictitious and intangible assets and writing down Plant and Machinery to its proper figure of Rs. 3,00,000 the shares were reduced to Rs. 20 each. Courts approval was obtained. Draft the necessary journal entries and show the balance sheet after the scheme is put through.

Or

- (b) X Ltd. and Y Ltd. agree to amalgamate as from 31<sup>st</sup> December 2103 on which date their respective Balance Sheet were as follows :

Liabilities	X Rs.	Y Rs.	Assets	X Rs.	Y Rs.
Shares of Re. 1 each	80,000	25,000	Cash in hand	100	50
Sundry Creditors	3,000	1000	Cash at bank	3,400	450
Reserves	7,500	4000	Sundry debtors	22,500	6,000
Profit and Loss A/c	2,500	1000	Plant	12,000	4500
			Stock	15,000	7,000
			Premises	30,000	10,000
			Patents	10,000	3,000
	<u>93,000</u>	<u>31,000</u>		<u>93,000</u>	<u>31,000</u>

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Draw up the Balance Sheet of the new company XY Ltd. which was incorporated to take over the amalgamated concerns and state the number of shares in the new company which will be allotted to the shareholders of the old companies. (Assume the same face value).

17. (a) Average capital employed in Kausik Ltd. is Rs. 35,00,000 whereas net trading profits before tax for the last three years have been Rs. 14,75,000; Rs. 14,55,000 and Rs. 15,25,000. In these three years the managing director was paid a salary of Rs. 10,000 p.m. But now he would be paid a salary of Rs. 12,000 p.m. Normal rate of return expected in the industry in which Kausik Ltd is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years purchase of the super profits.

Or

- (b) The following particulars relating to a company which went into voluntary liquidation. Prepare Liquidators Final Statement of Account. At the time allow 2% remuneration to Liquidator on the amount realised and 3% on the amount distributed to unsecured creditors.

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	Rs.
Unsecured creditors	2,80,000
Preferential creditors	20,000
Debentures	1,90,000
Share capital	2,00,000
Assets realised as follows :	
Cash in hand	21,500
Land and Buildings	1,30,000
Plant and Machinery	1,80,000
Furniture	20,000

18. (a) What are the items appear in the balance sheet of the banking company?

Or

(b) From the following particulars prepare the profit and loss account of Chennai Bank Ltd for the year ending 31<sup>st</sup> March, 1992.

	Rs.
Interest on deposits	3,200
Commission (Cr.)	100
Interest on loans	2,490
Sundry charges (Dr.)	100
Rent and taxes	200

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	Rs.
Establishment	500
Discount on bills discounted	1,490
Interest on overdrafts	1,600
Interest on cash credits	2,320
Auditors fees	35
Directors fees	16
Bad debts to be written off	300

19. (a) The following figures relate to Life Insurance corporation for the year ended 31.3.2006 prepare the Revenue A/c.

	(Rs. '000)
Claims	39
Management expenses	14
Directors fess	4
Audit fees	3
Medical expenses	5
Agents commission	5
Depreciation	4

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	(Rs. '000)
Bonus in reduction of premium	1.5
Consideration for annuities granted	16.5
Surrenders	9
Premium received	151
Life fund (1.4.95)	1,150
Interest received	40
Rent received	10
Claims cancelled	.5
Annuities	1.5

Note :

- (i) Premium outstanding Rs. 9 Thousand
- (ii) Claims outstanding Rs. 3 Thousand.

Or

- (b) Prepare Revenue Account of the Marine Insurance company Ltd. as at 31<sup>st</sup> March 2016 from the following information :

	Rs. ('000)
Reserve for unexpired Risk (1-4-2015)	496.6
Additional reserve (1-4-2015)	49.66
Premium less reinsurance	720
Claims outstanding (1-4-2015)	160

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	Rs. ('000)
Claims paid	470
Commission	35
Expenses of management	54
Audit fees	10
Directors sitting fees	3.4
Depreciation	5
General charges	12

Outstanding claims due on 31<sup>st</sup> March 2016 was Rs. 60 ('000). Additional reserve is to be maintained at 10% on Net premiums.

20. (a) On 31<sup>st</sup> March 1996 the balance sheets of *H Ltd.* and its subsidiary *S Ltd.* stood as follows :

Liabilities	C Ltd. Rs.	D Ltd. Rs.	Assets	C Ltd. Rs.	D Ltd. Rs.
Equity Share capital	8,00,000	2,00,000	Fixed Assets	5,50,000	1,00,000
General reserve	1,50,000	70,000	75% shares in S Ltd (at cost)	2,80,000	
P & L a/c	90,000	55,000	Stock	1,05,000	1,77,000
Creditors	1,20,000	80,000	Current assets	2,25,000	1,28,000
	<u>11,60,000</u>	<u>4,05,000</u>		<u>11,60,000</u>	<u>4,05,000</u>

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Draw a consolidated Balance sheet as at 31<sup>st</sup> March, 1996 after taking into consideration the following information :

- (i) *H Ltd.* acquired the shares on 31<sup>st</sup> July 1995
- (ii) *S Ltd.* earned profit of Rs. 45,000 for the year ended 31<sup>st</sup> March 1996.
- (iii) In January 1996 *S Ltd.* sold to *H Ltd.* goods costing Rs. 15,000 for Rs. 20,000. On 31<sup>st</sup> March 1996 half of these goods were lying as unsold in the godown of *H Ltd.*

Or

- (b) *H Electricity Co.* earned a profit of Rs. 8,49,250 after paying Rs. 30,000 @ 6% as debentures interest for the year ended 31.3.2014. The following further information is supplied to you :

	Rs.
Fixed Assets	1,80,00,000
Depreciation written off	50,00,000
Loan from Electricity board	40,00,000
Reserve fund investment at Par (4%)	10,00,000
Contingencies Reserve investment at par (4%)	7,50,000

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	Rs.
Tariff and Dividends control reserve	1,00,000
Security deposits of customers	1,50,000
Customers contribution to assets	50,000
Preliminary expenses	40,000
Monthly average of current assets, including amount due from customers Rs. 250000	7,60,000
Development reserve	2,50,000
Show the disposal of the profits.	

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