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HKAM 31

M.Com./M.Com WITH COMPUTER APPLICATION
(CBCS) DEGREE EXAMINATION, NOVEMBER 2016.

Third Semester

ADVANCED CORPORATE ACCOUNTING

(For those who joined in July 2012-2015)

Time : Three hours

Maximum : 75 marks

SECTION A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Super Profit, while calculating good will, stands for
- (a) Profit earned - normal profit
 - (b) Current year profit- previous year profit
 - (c) Profit earned - average profit
 - (d) Gross profit - net profit

Medical fees	2,400
Surrenders	4,000
Commission	18,650
Management expenses	22,000
Income tax on dividends	8,500

Prepare revenue account after making the following adjustments

- (i) Outstanding balance claims 14,000
- (ii) Premiums 4,600
- (iii) Claim under reinsurance 8,000.

20. (a) An electricity company laid down a main at a cost of Rs. 5 lakhs. Some years later, the company laid down an auxiliary main for one-fifth of the length of the old main at a cost of Rs. 1.5 lakhs and also replaced the rest of the length of the old main at a cost of Rs. 6 lakhs. The cost of material and labour having gone up by 15% sale of old material realized Rs. 8 thousand. Old materials valued at Rs. 10 thousands were used in the renewal and those valued at Rs. 5 thousands were used in the construction of auxiliary main. Give Journal entries for recording the above transactions showing the appropriation between capital and revenue.

Or

- (b) Give the format for 'Receipts and Expenditure on Capital a/c'.



2. The capital reduction can be implemented only after getting permission from
- (a) Share holders
 - (b) Competent court
 - (c) Central Government
 - (d) Controller of Capital Issue
3. Minority interest represents those who
- (a) owns 50% in subsidiary company
 - (b) are the outsiders of subsidiary company
 - (c) owns 51% in subsidiary company
 - (d) are the outsiders of holding company
4. Any profit or loss on revaluation of assets and outside liabilities is
- (a) Revenue profit
 - (b) Ignored in Consolidated B/S
 - (c) Adjusted in asset a/c in Consolidated B/S
 - (d) Shown as liability Consolidated B/S
5. Every bank is expected to close their books of accounts on _____ every year
- (a) 31st December (b) 30th June
 - (c) 31st October (d) 31st March

6. DD and TT are shown in the bank accounts under the head
- (a) Contingent liabilities
 - (b) Borrowings in India
 - (c) Bills payable
 - (d) Loans and advances
7. The financial statements of insurance companies has _____ schedules
- (a) 20 (b) 10
 - (c) 18 (d) 15
8. Commission received from the re-insurer is called
- (a) Commission on reinsurance accepted
 - (b) Commission on direct business
 - (c) Commission on reinsurance ceded
 - (d) Commission on other business
9. Under double account system, interest on debentures is shown in
- (a) Capital a/c
 - (b) Revenue a/c
 - (c) Net revenue a/c
 - (d) General balance sheet



10. The original cost is Rs.25 lakhs. Present cost of replacement Rs.32.5 lakhs. The amount spent on its replacement is 38 lakhs. The amount chargeable to revenue will be

- (a) 32.5 lakhs (b) 130 lakhs
(c) 38 lakhs (d) 25 lakhs

SECTION B — (5 × 5 = 25 marks)

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

11. (a) Calculate the amount of goodwill on the basis of three years purchase of average profits of previous five years. The profit for previous five years are: Rs. 48,000, 72,000, 1,00,000, 30,000, 50,000 respectively.

Or

- (b) Discuss the meaning and treatment for consolidation and sub-division.

12. (a) H Ltd acquired 80% of the shares in S Ltd on 01-04-2014 on which date S Ltd had Rs. 20,000 credit balance in its profit and loss account. The following position was revealed on 31.03.2015.

	H Ltd	S Ltd
Profit for the year 2015-16	2,00,000	80,000
P & L Balance on 31.03.2016	1,20,000	70,000

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S Ltd had not paid any dividend during the years 2014-15 and 2015-16.

Prepare consolidated profit and loss account for the year ended 31-03-2016.

Or

- (b) P Ltd acquired 65% of G Ltd on 01-10-2012. P & L a/c in the books of G Ltd showed a debit balance of Rs. 40,000 01-04-2013, the balance sheet of G Ltd showed P & L a/c balance of Rs. 1,20,000. Calculate capital profits and revenue profits.

13. (a) What are non-banking assets?

Or

- (b) Calculate the rebate on bills discounted as on 31.03.2016.

Date of bill	Amount	Period	Rate of discount
15-01-2016	25,000	5 months	8%
10-02-2016	15,000	4 months	7%
25-02-2016	20,000	4 months	7%
20-03-2016	30,000	3 months	8%

14. (a) Write a note on reserve for unexpired risk.

Or

- (b) Explain reversionary bonus.

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15. (a) Enumerate different statements/accounts opened under double account system.

Or

- (b) The pioneer Electricity company rebuilt a part of their works at a cost of Rs. 15 lakhs. The part of the old works thus superseded cost Rs. 9 lakhs. Rs. 60 thousand is realized by the sale of old materials and old materials valued Rs. 2 thousands are used in the reconstruction and included in the cost of Rs. 15 lakhs mentioned above. The cost of labour and materials is 20% higher now than when the old works were constructed. Find the amount to be charged to revenue and capitalized.

SECTION C — (5 × 8 = 40 marks)

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

16. (a) Explain the factors affecting good will and capitalization method of finding it.

Or

- (b) Spring Ltd is absorbed by Sports Ltd. Compute purchase consideration as under:
- The taking over of the trade liabilities of Rs. 40,000
 - The payment of cost of absorption of Rs. 15,000

- (iii) The repayment of B debentures of Spring Ltd of Rs. 2,00,000 at par.

- (iv) The discharge of A debentures of Rs. 3,00,000 in the Vendor co at a premium of 10% by the issue of 8% debentures in Sports Ltd at par.

- (v) A payment of Rs. 20 per share in cash and the exchange of 4 fully paid Rs. 10 share of Sports Ltd at a market price of Rs. 15 per share for every Rs. 50 share in Spring Ltd which were 40,000 in number.

17. (a) Prepare consolidated balance sheet from the following balance sheets:

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
	Rs.	Rs.		Rs.	Rs.
Capital Re.1			Sundry assets	885	1,510
shares	1,400	1,000	Shares in		
Creditors	350	190	S Ltd		
P & L a/c	260	320	(900 shares at cost)	1,125	—
	<u>2,010</u>	<u>1,510</u>		<u>2,010</u>	<u>1,510</u>

On the date of acquisition of shares by H Ltd in S Ltd, the credit balance on latter's profit and loss account was Rs. 220. No dividends have been declared since that date.

Or



(b) Consolidate the following balance sheets.

Liabilities	M Ltd Rs.	N Ltd Rs.	Assets	M Ltd Rs.	N Ltd Rs.
Capital			900 shares		
Re l share	1,400	1,000	in S Ltd		
Creditors	-	500	at cost	1,200	-
P & La/c	-	300	Sundry		
			assets	200	1,800
	<u>1,400</u>	<u>1,800</u>		<u>1,400</u>	<u>1,800</u>

When H Ltd acquired the shares of S, the profit and loss account of latter had a credit balance of Rs 200.

18. (a) As on 31st December, 2015, the books of the H. Bank, include among others the following balances

Rebate on bills discounted 1.1.2015	3,20,000
Discount received	46,00,000
Bills discounted and purchased	3,15,47,000

Throughtout 2015, the bank's rate for discounting has been 18%.

On investigation and analysis the average due date for the bills discounted and purchased is calculated as 14th February 2016

Show the calculation of the amount to be credited to the banks profit and loss account under discount earned for the yew 2015 Show also the Journal entries required to adjust the above mentioned accounts.

Or

- (b) Make essays on
(i) Rebate on bills discounted
(ii) Standard assets

19. (a) Describe the process of preparing valuation balance sheet.

Or

- (b) The following balances are abstracted from the books of NB insurance Co Ltd as on

31.3.2016	Rs. (000s)
Life assurance fund 1.4.2015	15,00,000
Premium	4,96,000
Consideration for annuities granted	10,000
Interest and discounts	1,00,000
Fines for revival of Policies	750
Reinsurance premium	2,0750
Claims outstanding (1.4.2015)	4,500
Claims paid during the year	64,900
Annuities	2,000
Bonus in reduction of premium	1,600

