Reg. No. :

Code No.: 7462 Sub. Code : PK CM 31

M.Com (CBCS) DEGREE EXAMINATION, NOVEMBER 2020.

Third Semester

Commerce-Core

ADVANCED CORPORATE ACCOUNTING

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — $(10 \times 1 = 10 \text{ marks})$

Answer ALL questions.

Choose the correct answer :

- 1. Alteration of share capital is effected by a company if it is authorized by the
 - (a) Memorandum of Association
 - (b) Articles of Association
 - (c) Shareholders
 - (d) Board of Directors

- 2. The method of accounting used to record amalgamations in the nature of merger is called _____ method.
 - (a) Pooling of interest (b) Sale
 - (c) purchase (d) None of these
- 3. List A in statement of affairs gives the list of
 - (a) Assets specifically pledged
 - (b) Assets not specifically pledged
 - (c) Preferential creditors
 - (d) Unsecured creditors
- 4. For calculating the value of equity share by intrinsic value method, it is essential to know
 - (a) Normal rate of return
 - (b) Expected rate of return
 - (c) Net Assets
 - (d) None of the above
- 5. An asset which does not generate income to the banker is termed as
 - (a) Performing assets
 - (b) Fixed asset
 - (c) Non-performing assets
 - (d) Current asset

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- 6. Demand drafts and Telegraphic transfers are shown in the Bank accounts under the head
 - (a) Contingent Liabilities
 - (b) Bills payable
 - (c) Loans and Advances
 - (d) Borrowings in India
- 7. In general insurance the policy amount is payable
 - (a) After the death of the insured
 - (b) After the expiry of the policy period
 - (c) Only when the loss occurs or the liability arises
 - (d) Only when the insured has attained a certain age
- 8. Insurance business in India is now regulated by the provision of
 - (a) The Insurance Act 1938
 - (b) The IRDA Act 1949
 - (c) The Banking Regulations Act 1949
 - (d) The Indian Companies Act 1956
- 9. A company in which more than 50% of shares are held by another company is termed as
 - (a) Holding company
 - (b) Subsidiary company
 - (c) Govt. company
 - (d) Public company

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- 10. Under double account system shares forfeited account is shown in
 - (a) Credit side Revenue A/c
 - (b) Credit side net Revenue A/c
 - (c) Credit side Capital A/c
 - (d) Liabilities side of General Balance sheet

PART B — $(5 \times 5 = 25 \text{ marks})$

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

Each answer should not exceed 250 words.

11. (a) What are the procedure for reducing share capital?

Or

- (b) Ramana Ltd., agrees to purchase the business of Krishnan Ltd., on the following terms:
 - (i) For each of the 10000 shares of Rs.10 each in Krishnan Ltd. 2 shares in Raman Ltd. of Rs.10 each will be issued at an agreed value of Rs.12 per share. In addition Rs.4 per share cash also will be paid.
 - 8% Debentures worth Rs.80,000 will be issued to settle the Rs.60,000 9% debentures in Krishnan Ltd.

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- (iii) Rs. 10000 will be paid towards expenses of winding up. Calculate the purchase consideration.
- 12. (a) Explain the various methods of valuation of Goodwill.

 \mathbf{Or}

(b) The following particulars relate to a limited company which went into voluntary liquidation:

Preferential creditors	Rs.25,000
Unsecured creditors	Rs.58,000
6% debentures	Rs.30,000

The assets realized Rs.80000. The expenses of liquidation amounted to Rs. 1500 and the liquidator's remuneration was agreed at $21\frac{1}{2}\%$ on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors. Show the liquidator's final statement of account.

13. (a) Explain the provisions relating to final accounts of a banking company.

Or

(b) On 1.1.2017, the rebate on bills discounted account of a bank showed a credit balance of Rs.1,00,000. On 31.12.2017, the discount account showed a credit balance of

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Rs.15,00,000 before adjusting unexpired discount. The bills discounted outstanding on 31.12.2017 were Rs.2 crores with average maturity date of January 31, 2018 and they were all discounted at 12% p.a.

Write adjustment entries and relevant ledger accounts to record these items and also show how these items will appear in the final accounts of the bank.

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

 \mathbf{Or}

- (b) The Life fund of a Life Insurance company on 31.3.2016 showed a balance of Rs.54,00,000. However, the following items were not taken into account while preparing the Revenue A/c for 2015-16.
 - (i) Interest and dividends accrued on investments Rs.20,000
 - (ii) Income tax deducted at source on the above Rs.6,000
 - (iii) Reinsurance claims recoverable Rs.7,000
 - (iv) Commission due on reinsurance premium paid Rs.10,000
 - (v) Bonus in reduction of premiums Rs.3,000

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15. (a) What are the advantages of Double Account System.

Or

(b) The Chennai municipal corporation replaces part of its existing electricity main with larger mains at the cost of Rs.50,00,000. The original cost of laying the old electricity mains was Rs.12,00,000 and the present cost of laying those electric mains would be two times the original cost. Rs.11,00,000 was realized by the sale of old materials and old materials of Rs.5,00,000 were used in the replacement and included in the cost given above.

Show the allocation of expenses between revenue and capital along with Replacement Account.

PART C — $(5 \times 8 = 40 \text{ marks})$

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

Each answer should not exceed 600 words.

16. (a) Following a series of losses, XYZ Co. Ltd., resolved to reduce its capital to 50000 fully paid Rs.5 shares and to eliminate securities premium account. The company's Balance Sheet prior to implementation of the scheme was :

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Liabilities Share Capital: 50,000 fully	Rs.	Assets Goodwill Land & Building	Rs. 1,00,000 1,62,000
paid Shares of Rs.10 each	5,00,000		
Securities Premium	50,000	Land & Machinery	2,07,000
Creditors	62,000	Stock	92,000
Bank overdraft	73,000	Debtors	74,000
	6,85,000	Profit & Loss A/c	50,000 6,85,000

It was resolved to apply the sum available under the scheme:

To write off the good will account

To write off the debit balance of the Profit & Loss Account

To reduce the book values of the assets by the following amounts:

Land & Building	Rs.42,000
Plant & Machinery	Rs.67,000
Stock	Rs.33,600

(i) To provide a bad debit reserve of 10% of the book value of debtors.

Prepare the revised balance sheet after its implementation.

Or

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Liabilities	M	N
Share capital Rs.25 each	75,000	50,000
P & L A/c	7,500	2,500
Creditors	3,500	3,500
Depreciation fund	-	2,500
	86,000	58,500
Assets	Μ	Ν
Goodwill	30,000	-
Fixed assets	31,500	38,800
Stock	15,000	12,000
Debtors	8,000	5,200
Bank	1,500	2,500
	86 000	58500

(b) M Ltd., and N Ltd. agreed to amalgamate on the basis of the following Balance Sheet as on 31.3.2017.

> The assets and liabilities are to be taken over by a new company formed called P Ltd., at book values. P Ltd 's capital is Rs.2,00,000 divided into 10000 equity shares of Rs.10 each and 10,000, 9% preference shares of Rs.10 each.

> P Ltd., issued the equity shares equally to the vendor companies and preference shares were issued for any balance of purchase price.

Prepare Balance sheet, if the amalgamation is in the nature of purchase.

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Liabilities	Rs.	Assets	Rs.
20,000		Land &	1,68,000
shares of	2,00,000	Buildings	
Rs.10each			
Profit and	40.000	Plant &	1,20,000
loss a/c	40,000	machinery	
Debentures	20 000	Furniture	10,000
	30,000	& fitting	
Trade	40.000	5% (tax	
creditors	40,000	free) Govt.	40,000
Provision		Bonds	
for	18,000		
taxation			
Proposed	30.000	Stock	4,000
dividend	30,000		
		Book	12,000
		debts	
		Cash	4,000
	3,58,000		3,58,000

17. (a) The Balance sheet of James company limited as on 31^{st} December 2015 was as follows:

The net profits of the company after charging depreciation and taxes were as follows: 2011-Rs.34,000; 2012-Rs.38,000; 2013-Rs.36,000; 2014-Rs.40,000; 2015-Rs.38,000;

On 31st December 2015 Land and Building were revalued at Rs.1,90,000; Plant & Machinery at Rs.1,42,000; and Furniture and Fittings at Rs.8,000.

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10% represents a fair commercial rate of return on investment in the company.

Calculate the value of goodwill basing it at five years purchase of the average super profits for that last five years.

\mathbf{Or}

(b) The following particulars relate to a limited company which went into voluntary liquidation:

Preferential creditors	Rs.35,000
Unsecured creditors	Rs.58,000
12% debentures	Rs.40,000

The assets realized Rs.90000. The expenses of liquidation amounted to Rs.3000 and the liquidator's remuneration was agreed at $2\frac{1}{2}$ % on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors. Show the liquidators final statement of account.

18. (a) The following figures are extracted from the books of Bheema Bank Ltd. as on 31.12.2011.

	Rs.
Interest and discount received	36,95,738
Commission, exchange and	2,00,000
brokerage	
Directors fees and allowances	55,000
Postage and telegrams	62,313

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Stationery	17,625
Preliminary expenses	15,000
Interest paid on deposits	20,32,542
Rent received	55,000
Salaries and allowances	1,75,000
Rent and taxes paid	87,973
Profit on sale of investments	2,00,000
Depreciation on building	27,375
Audit fees	5,000

Additional information:

- A customer to whom a sum of Rs.10,00,000 has been advanced has become insolvent. It is expected that only 50% can be recovered from his private estate.
- (ii) For the remaining debts, a provision of Rs.1,50,000 was necessary.
- (iii) Rebate on bills discounted as on 31.12.2010 Rs.12,000 and as on 31.12.2011. Rs.10,000.
- (iv) Provide Rs. 650000 for taxation.
- (v) Write off all preliminary expenses.

Prepare Profit and Loss A/c in accordance with the law.

Or

(b) What are the item appear in the Profit and Loss account of the banking company?

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19. (a) From the following balance extracted from the books of the L.I.C. as at 31.3.2006 prepare Revenue A/c for the year ending 31.3.2006 in the prescribed form:

	(Rs.in '000)
Claims by death	3,30,000
Claim by maturity	2,15,000
Agents & Canvasser's allowance	26,500
Salaries	44.200
Travelling expenses	1,200
Directors fees	8,700
Auditors fees	1,000
Medical fees	52,000
Commission	2,18,000
Rent	2,800
Law charges	200
Advertising	4,300
Bank charges	1,500
General charges	2,000
Surrenders	47,500
Life Assurance fund(1.4.05)	63,31,000
Premiums	20,65,000
Bonus in reduction of premiums	1,000
Income tax on interest and dividends	5,700
Printing and stationary	13,900
Postage & telegrams	14,300
Receipt stamps	2,300

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Reinsurance premiums	40,950
Interest & Dividends(Gross)	2,72,000
Policy renewal fees	9,600
Assignments fees	540
Endowment fees	690
Transfer fees	1,400

Provide Rs. 1500 thousands for depreciation of furnished and Rs. 220000 thousands for depreciation on investments.

 \mathbf{Or}

(b) From the following particulars relating to Z Insurance Co. Ltd., prepare Fire Revenue A/c for the year ending 31.3.2015.

	(Rs. In' 000)
Claim paid	4,80,000
Claims outstanding on	40,000
1.4.2014	
Claims intimated but not	10,000
accepted & paid on	
31.3.2015	
Claims intimated and	60,000
accepted but not paid on	
31.3.2015	
Commission on reinsurance	5,000
accepted	
Expenses of management	3,05,000
Bonus in reduction of	12,000
premium	
Premium received	12,00,000

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Reinsurance premium paid	1,20,000
Commission	2,00,000
Commission on reinsurance	10,000
ceded	
Provisions for unexpired	4,00,000
risk on1.4.2014	
Additional provision for	20,000
unexpired risk on 1.4.2014	

You are required to provide for additional reserve for unexpired risk at 1% of the net premium in addition to the opening balance.

20. (a) The Balance sheet of C Ltd. D Ltd. as at 31st December 2016 are as follows:

Liabilities	C Ltd.	D Ltd.	Assets	C ltd.	D Ltd.
Share capital (in shares of Rs.10 each	200000	100000	Sundry assets	132500	138200
General reserve	18000	20000	Goodwill	-	20000
P& L a/c	24500	23000	Shares in D Ltd at cost	140000	-
Creditors	30000	15200			
	272500	158200		272500	158200

In the case of D Ltd. profit for the year ended 31st December 2016 is Rs.12,000 and transfer to reserve is Rs. 5,000. The holding of C ltd. in D Ltd. is 90% acquired on 30th June 2016. Draft a consolidated Balance Sheet of C Ltd and its subsidy.

 \mathbf{Or}

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 (b) City Electricity Ltd. earned a profit of Rs. 845000 during the year ended 31st March 2014 after debenture interest at 7½% on Rs. 250000. With the help of the figures given below show the disposal of profits:

Original cost of fixed assets	1,00,00,000		
Formation and other expenses	5,00,000		
Monthly average of current assets (net)	25,00,000		
Reserve fund (represented by 4% Govt. securities)	10,00,000		
Contingencies Reserve funds investments	2,50,000		
Loan from Electricity board	15,00,000		
Total depreciation written off to date	20,00,000		
Tariff and dividend control reserve	50,000		
Security deposits received from customers	2,00,000		
Assume Bank Rate to be 6%			

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