

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015-16 and thereafter)
COURSE CODE: 15CM/MC/CO65

B.Com. (A&F) DEGREE EXAMINATION, APRIL 2021
ACCOUNTING AND FINANCE

COURSE : MAJOR – CORE

PAPER : ADVANCED CORPORATE ACCOUNTING

TIME : 90 MINUTES

MAX. MARKS: 50

SECTION-A

ANSWER ALL QUESTIONS

(3x2=6)

1. P Ltd., issued 3,000 9% Debentures of Rs. 100 each. Give appropriate journal entries in the books of the company, if the Debentures were issued as follows:
(a) Issued at par, redeemable at a premium of 10%.
(b) Issued at a discount of 5%, repayable at premium of 10%.
2. X Ltd. agreed to absorb Y Ltd. by issuing 4 equity shares of Rs.10 each for every 5 equity shares of Y Ltd. (Equity share capital of Y Ltd. Rs.20,00,000 of Rs.10 each). In addition they agreed to settle 1,000, 8% Debentures of Rs. 100 each in Y Ltd. at 20% premium by issuing their debentures of Rs. 100 each. Cost of liquidation paid by X Ltd. was Rs.2,300. They agreed to pay cash of Rs.2 per share. Creditors of Y Ltd. Rs.23,000 were issued 2,300 equity shares of Rs.10 each in X Ltd. Calculate purchase consideration.
3. Write a note on Reserve for Unexpired Risk.

SECTION-B

ANSWER ANY THREE QUESTIONS

(3x8=24)

4. The Balance Sheet of Drew Limited as on 31st December 2018 was as follows:

Liabilities	Rs	Assets	Rs
20,000 8% Preference shares of Rs.10 each	2,00,000	Patents	30,000
40,000 equity shares of Rs.10 each	4,00,000	Goodwill	40,000
7% Debentures	1,00,000	Land and Buildings	1,76,000
Interest due on debentures	6,000	Plant and Machinery	1,72,000
Bank overdraft	1,18,000	Investments	60,000
Creditors	1,70,000	Stock	1,40,000
		Debtors	2,02,000
		P/L a/c	1,74,000
	9,94,000		9,94,000

A scheme of capital reduction involving the following was proposed:

- a. The preference shares are to be reduced by Rs.2 and the equity shares by Rs.7.50 each. The preference shareholders waive 2/3 of the dividend and receive equity shares of Rs.2.50 for the balance. Preference dividend is in arrears for three years.
- b. The investments are sold for Rs.80,000.

- c. The debenture holders agreed to take Rs.50,000 cash in satisfaction of 75% of their claims (including interest).
- d. A contingent liability of Rs.5,000 was paid.
- e. Creditors agreed to take equity shares in satisfaction of their claims. All intangible assets and accumulated losses to be written off.

Pass necessary journal entries and draw up the Capital Reduction Account.

5. Eros Ltd. went into voluntary liquidation. The following were the details on 31st March 2014

Liabilities	Rs	Assets	Rs
2,000 Equity shares of Rs.100 each Rs.75 paid up per share	1,50,000	Land and Buildings	5,00,000
6,000 Equity shares of Rs.100 each Rs.60 paid up per share	3,60,000	Plant and Machinery	3,80,000
3,000 10% Preference shares of Rs.100 each fully paid up	3,00,000	Stock	1,10,000
10% Debentures having floating charge	2,00,000	Debtors	2,20,000
Interest on Debentures	10,000	Cash	60,000
Sundry Creditors	5,10,000	Profit and Loss a/c	2,50,000
	15,20,000		15,20,000

The assets realized as follows: Land and Buildings Rs.4,40,000, Plant Rs.3,60,000, Stock Rs.1,20,000, Debtors Rs.1,20,000. The expenses of liquidation was Rs.3,600. Sundry Creditors include a loan of Rs.90,000 on mortgage of Land and Buildings. The liquidator is entitled to remuneration of 3% on assets realized (except cash) and 2% on amount distributed to equity shareholders. Preferential creditors included in sundry creditors amount to Rs.40,000. All payments were made on 30th June 2014. Prepare the Liquidator's Final Statement of Account.

6. The following figures are extracted from the books of Navi Mumbai Bank Ltd. as on 31st March 2017:

	Rs		Rs
Interest and discount received	40,60,000	Profit on sale of investments	1,90,000
Interest paid on deposits	24,04,000	Postage	40,000
Issued and subscribed capital	10,00,000	Audit fees	8,000
Reserves	7,00,000	Preliminary expenses	10,000
Commission, exchange and brokerage	1,80,000	Depreciation	1,25,000
Rent (Cr)	60,000	General charges recovered	25,000
Salaries and allowances	2,10,000	Investments	2,00,000
Directors fees	24,000	Interest on cash credits	50,000
Printing	48,000	Amount charged against Current a/c	20,000

The following further information is given:

- a. A provision for doubtful debts of Rs. 50,000 is necessary.
- b. Rebate on bills discounted as on 31st March 2016 Rs.10,000 and on 31st March 2017 Rs.15,000.
- c. Provide Rs.5,00,000 for income tax.
- d. A property acquired in satisfaction of claim of Rs.35,000 was sold for Rs.27,000. The loss is unadjusted in the books.

e. A dividend of 15% was proposed.

7. On 31st March 2018, A Ltd. had a Debenture Redemption Fund of Rs.5,00,000. Debenture Redemption Investments Rs.5,90,000 (5% Govt. Loan). The company had a bank balance of Rs.1,62,000. The investments were sold for 84% net for the purpose of redeeming Rs.5,00,000 worth of 7% debentures to be redeemed at par. The annual investment was Rs.32,500. Give the ledger accounts relating to redemption.

SECTION-C

ANSWER ANY ONE QUESTION:

(1x20=20)

9.8. Following are the Balance Sheets of Jain Ltd. and Gupta Ltd. as on 31st March, 2011.

10.

Balance Sheet of Jain Ltd.

Liabilities	Rs.`	Assets	Rs.`
5,000 Shares of 10 each	50,000	Buildings	15,000
General Reserve	19,000	Machinery	55,000
Profit and Loss A/c	1,000	Stock	8,000
Sundry Creditors	15,000	Debtors	7,000
Employee's Provident Fund	1,500	Cash	1,500
	86,500		86,500

Balance Sheet of Gupta Ltd.

Liabilities	Rs.`	Assets	Rs.`
1,500 Shares of 20 each	30,000	Machine	25,000
Sundry Creditors	4,000	Stock	4,000
		Debtors	5,000
		Less : Provision for Bad Debts	<u>500</u>
		Cash	500
	34,000		34,000

11.

The two companies agree to amalgamate and form a new company called Malhotra Ltd. which takes over the assets and liabilities of both the companies.

12.

The assets of Jain Ltd. are taken over at a reduced valuation of 5 per cent with the exception of Buildings and Cash which are taken at book values. The assets of Gupta Ltd. are taken over at book values with the exception that provision for bad debts is no longer to be continued.

13.

Both companies are to receive 10 per cent of the book value of fixed assets of their respective business as Goodwill. The entire purchase price is to be paid by Malhotra Ltd. in fully paid shares of 10 each. Give ledger accounts to close the books of Jain Ltd. and show the Opening Balance Sheet of Malhotra Ltd.

9. The following is the Trial Balance of New India Life Insurance Company as on 31.3.2016

Debit Balances	Rs. ('000)	Credit Balances	Rs. ('000)
Commission	12,300	Share capital (3,00,00,000 shares of	
Management expenses	50,300	Rs.10 each	3,00,000
Claims by death	2,70,000	Life Assurance Fund (1.4.2015)	32,38,200
Claims by maturity	2,30,000	Claims outstanding (1.4.2015)	25,000
Bonus in reduction of premium	45,500	Premium less reinsurance	6,50,100
Land	50,000	Outstanding commission	2,000
Mortgages in India	6,50,000	Policy renewal fees	1,500
Investments	27,65,000	Interest and Dividends	3,00,000
Loan on Company's policies	3,15,000	Premium Deposits	10,000
Outstanding premium	20,000		
Surrenders	8,300		
Dividend paid	20,000		
Cash at Bank	34,000		
Cash in hand	23,400		
Agents Balances	23,000		
Preliminary expenses	10,000		
	45,26,600		45,26,600

The following additional information is to be considered:

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|----|---|
| | Rs. (000) |
| a. | Claims outstanding at the end of the
year 20,000 |
| b. | Interest accrued but not received
19,000 |
| c. | Further bonus in reduction of premium
8,500 |
| d. | Claims covered under reinsurance
12,000 |
| e. | Surrenders adjusted loans on policies
9,000 |
