

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**COURSE CODE: 19CM/PC/AC34****M.COM DEGREE EXAMINATION – NOVEMBER 2021****COMMERCE – SHIFT II****COURSE : MAJOR – CORE****PAPER : ADVANCED CORPORATE ACCOUNTING****TIME : 3 HOURS****MAX. MARKS: 100****SECTION – A****Answer any THREE questions:****(3x20 =60)**

1. (a) H Ltd. acquired 3,200 equity shares of S Ltd. of Rs.100 each on 31st March 2010. The balance sheets of the two companies as on that date were as under:

Liabilities	H.Ltd (Rs)	S.Ltd (Rs)	Assets	H.Ltd (Rs)	S.Ltd (Rs)
Equity shares of			Land & Buildings	3,00,000	3,60,000
Rs 100 each	10,00,000	4,00,000	Plant & Machinery	3,80,000	2,18,800
Capital Reserve	—	2,40,000	Investment in S Ltd.	6,80,000	—
General Reserve	3,80,000	—	Stock	2,40,000	75,000
Profit & Loss A/c	1,14,400	75,000	Sundry Debtors	88,000	80,000
Bank Overdraft	1,60,000	—	Bills Receivable		
Bills Payable			(including		
(including			Rs 6,000 from S Ltd.)	31,600	—
Rs 8,000 to H Ltd.)	—	16,800	Cash & Bank	29,000	16,000
Sundry Creditors	94,200	18,000			
	17,48,600	7,49,800		17,48,600	7,49,800

Following additional information is available:

- (i) S Ltd. has made a bonus issue on 31st March, 2010 of the one equity share for every two shares held by its shareholders. This issue has not yet been taken into account.
- (ii) Land and buildings of S Ltd. are undervalued by Rs 40,000 and plant and machinery Ltd. overvalued by Rs 20,000. Values of these assets have to be adjusted accordingly.

Calculate the holding minority ratio, bonus issue, capital profits, revenue profits, cost of control and minority interest. **(15 marks)**

- (b) Pong Ltd. purchased 70% of Ping Ltd. on 1/8/2019. The Profit and Loss account of Ping Ltd. showed a debit balance of Rs.1,20,000 at the beginning of the financial year. On 31/03/2020, the balance sheet of Ping Ltd. showed a credit balance of Rs.90,000. Calculate capital profits and revenue profits. **(5 marks)**

2. (a) The following trial balance was extracted from the books of New India Assurance Ltd. as on 31.3.2015:

	Debit Rs.	Credit Rs.
Paid up capital:		1,00,000
Life Fund on 1.4.2014		29,72,300
Dividend paid	15,000	

Bonus in reduction of premium	31,500	
Premium less reinsurance premium		1,61,500
Claims	1,97,000	
Outstanding claims (1.4.2014)		7,000
Commission	9,300	
Management expenses	32,300	
Mortgages in India	4,92,200	
Interest, dividend, rent		1,12,700
Agents balances	9,300	
Freehold premises	40,000	
Investments	23,05,000	
Loans on policies	1,73,600	
Cash on deposit	27,000	
Cash on current account	7,300	
Surrenders	7,000	
Medical stores	7,000	
Consideration for annuities granted		10,000
Annuity	10,000	
	33,63,500	33,63,500

Prepare Revenue Account for the year ended 31.3.2015. Claims at end of year Rs.2,000.
Reinsurance claims Rs.34,000. **(12 marks)**

- (b) Asia Life Assurance Company got its valuation done every three years. Its Life Assurance Fund on 31.03.2018 was Rs.90,23,500 before providing for dividend of Rs.60,000. The net liability by actuarial valuation was Rs.84,23,600. Interim bonus paid to shareholders was Rs.1,50,000. It is now proposed to carry forward Rs.75,000 and divide the balance between the policy holders and shareholders in the ratio of eight and two respectively. Prepare statement showing amount available to policy holders. **(8 marks)**

3. (a) Calculate the deficiency per equity share if Equity share capital was 14,000 shares of Rs.9 each fully paid Rs.1,26,000, Equity share capital 5,000 shares of Rs.10 each, Rs.8 paid up Rs.40,000. Amount available for equity share holders Rs.95,500. **(4 marks)**

(b) Following is the balance sheet of X Ltd. as on 31st March 2010:

Liabilities	Rs.	Assets	Rs.
Share Capital:		Land and Buildings	2,00,000
3,000 6% Preference shares of Rs.100 each	3,00,000	Plant and Machinery	5,00,000
1,000 Equity shares of Rs.100 each	1,00,000	Patents	80,000
		Stock at cost	1,10,000
5% debentures having floating charge on all assets	2,00,000	Sundry Debtors	2,20,000
Creditors	7,10,000	Cash at bank	60,000
Bank Overdraft (unsecured)	1,00,000	Profit and Loss account	2,40,000
	14,10,000		14,10,000

On that date, the company went into liquidation.

- Creditors include a loan of Rs.1,10,000 with mortgage on Land and Building.

- The assets realised as under:
Land and Buildings Rs.2,60,000, Plant and Machinery Rs.4,20,000, Patents Rs.70,000, stock Rs.1,20,000 and sundry debtors Rs.1,70,000.
- The expenses of liquidation amounted to Rs.22,900.
- The liquidator is entitled to a commission of 3% on all assets realised and a commission of 2% on amount distributed among unsecured creditors.
- Preferential creditors amount to Rs.30,000.
- Debenture interest was paid up to 31st March 2010.
All payments were made on 30th September 2010.
Prepare the liquidator's final statement of account. **(16 marks)**

4. (a) "Group accounts are of great practical value to the users of accounting information." Elucidate. **(15 marks)**
(b) Give the conditions to be satisfied for an amalgamation to be a merger. **(5 marks)**

SECTION – B

Answer any ONE question: **(1 x 40 = 40).**

5. (a) B Ltd agreed to acquire the goodwill and assets other than cash of N Ltd. as on 31.3.2010. The summarized balance sheet on that date was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital 30,000 shares of Rs.10 each	3,00,000	Goodwill	50,000
General Reserve	1,00,000	Land and Building	1,00,000
Profit and Loss a/c	40,000	Plant and Machinery	2,20,000
12% Debentures	50,000	Stock	80,000
Creditors	20,000	Debtors	30,000
	20,000	Cash at bank	30,000
	5,10,000		5,10,000

Debentures were taken over, but Creditors of N Ltd. were not taken over and was to be paid off by cash.

The purchase consideration was agreed as follows:

- A cash payment of Rs.3.50 for each share of Rs.10 in N Ltd.
- The issue of 45,000 Rs.10 fully paid shares of B Ltd. having an agreed value of Rs.12.50 per share.
- The issue of such amount of 14% debentures of B Ltd as is sufficient to discharge the 12% debentures at a premium of 20%.

Prepare Realisation Account. **(10 marks)**

- (b) South Asia Motors Ltd. absorbed the business of West Asia Motors as on 31st March 2015. Their balance sheets on that date were as under:

	West Asia	South Asia		West Asia	South Asia
Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Share Capital Rs.10 each	6,00,000	6,00,000	Buildings	14,40,000	11,60,000
Reserves and	3,60,000	5,40,000	Machinery	1,60,000	1,80,000

Surplus					
Debtors	9,60,000	8,00,000	Debtors	5,60,000	60,000
Creditors	4,80,000	2,02,000	Investments		2,00,000
			Goodwill		4,48,000
			Inventory	2,00,000	80,000
			Cash	40,000	14,000
	24,00,000	21,42,000		24,00,000	21,42,000

Buildings of West Asia was revalued at Rs.18,40,000 and Goodwill Rs.4,40,000. All assets and liabilities (except Creditors) were taken over by South Asia Ltd. Shares of both companies are to be valued on intrinsic basis and ratio of shares determined.

Absorption expenses of Rs.24,000 are to be paid by South Asia Ltd.

Give journal entries and balance sheet after absorption in the books of South Asia Ltd.

(30 marks)

6.

(a) Following is an extract from the Trial Balance of a Bank as at 31st March, 2010

	Rs.	Rs.
Bills discounted	62,78,000	
Rebate on bills discounted (April 1, 2009)		44,500
Discount Received		1,95,500

An analysis of the bills discounted as shown above shows the following:

Date of Bills	Amount (Rupees)	Term in Months	Discounted @ % p.a.
January 25	7,50,000	4	12
February 12	6,00,000	3	10
March 3	4,00,000	4	11
March 15	2,00,000	2	10

Find out the amount of discount received to be credited to Profit and Loss Account and pass appropriate Journal Entries for the same. Also show the relevant items in the Bank's Balance Sheet.

(10 marks)

(b) From the following Trial Balance of Excellent Bank Ltd., prepare the B/S and P & L A/c making all the necessary provisions. You are required to provide the following: Provision for taxation 4,00,000, Transfer to Dividend Equalisation Fund 1,00,000, Provision of Dividend @ 10%

Trial Balance as on 31.3.2010

	(Rs '000)		(Rs '000)
Compulsory Deposit by Income Tax Payers	3,120	Cash in Hand	638
Current Deposits	35,500	Cash with Banks	6,669
Saving Bank Deposits	25,520	Bills for Collection	22,100
Fixed and Time Deposits	36,180	Liabilities for Customers' Acceptance	1,168
Sundry Creditors A/c	1,455	Investment in Govt. Securities	45,200
Debts due to Banks secured by Investments	12,200	Investment in Shares	4,700
Bills Receivable	22,100	Interest Accrued on Investments	875
		Loans	43,800

Customer's Liability for acceptance	1,168	Bills purchased and discounted	33,100
		Furniture Fixtures and Equipment	500
Rebate on Bills Discounted	15	Depreciation	500
Branch Adjustment (Cr.)	6,555	Interest paid	1,100
Reserve Fund	8,000	Exchange and Commission paid	200
Dividend Equalisation Fund	1,500	Salaries	2,400
Capital 2,00,000 shares of		Directors fees	200
Rs 100 each, Rs 50 per share		Printing and Stationery	300
paid up	10,000	Miscellaneous Expenses	300
Interest and Discount Received	6,800	Land and Building	3,300
Exchange and Commission (Cr)	1,700	Money at Call and Short Notice	2,200
General Charges Recovered	55	Property acquired in satisfaction	
P & L A/c Balance as on 1-4-2009	852	of claims	350

Current accounts included Rs 88,00,000 (debit balance) being overdrafts. One of the accounts Rs 95,000 including Rs 7,000 as interest for 2009-10 is doubtful. During the year, property acquired in 2007 in satisfaction of defaulted debt of Rs 35,000 was sold for Rs 29,000. The amount of Rs 29,000 was credited to the account, no further adjustments having been made.

(30 marks)
