

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2008 – 2009 & thereafter)**

**SUBJECT CODE : CM/MC/AC64**  
**B.Com. DEGREE EXAMINATION APRIL 2012**  
**COMMERCE**  
**SIXTH SEMESTER**

**COURSE : MAJOR CORE**  
**PAPER : ADVANCED CORPORATE ACCOUNTING**  
**TIME : 3 HOURS** **MAX. MARKS : 100**

**SECTION – A**

**ANSWER ALL QUESTIONS:**

**( 10 x 3 = 30 )**

1. Write a note on pooling of interest method.
2. Why do companies prefer internal reconstruction to external reconstruction?
3. How do you calculate cost of control under holding company accounts?
4. What is double Insurance and re-insurance?
5. Explain Rebate on bills discounted.
6. Ram Ltd., is absorbed by Lakshman Ltd. the consideration being: a payment of Rs. 20 per share in cash and exchange of 4 fully paid Rs. 10 shares in Lakshman Ltd., at a market price of Rs. 15 per share for every Rs. 50 share in Raman Ltd., which were 40,000 in number. You are required to calculate purchase consideration.
7. 'X' Co Ltd., has 50,000 equity shares of Rs. 5 each fully paid, the company decided to consolidate the equity shares of Rs. 5 each into shares of Rs, 10 each. Journalise the alteration.
8. P Ltd. acquired 65% shares of Q Ltd. on 1.10.2010. P & L a/c in the books of Q Ltd. showed a debit balance of Rs. 40,000 on 1.4.2010. The balance sheet of Q Ltd., showed P & a/c balance of Rs. 1,20,000. Calculate capital profit, revenue profit and ratio of share holding between P Ltd., and minority shareholders.
9. Compute the net premium to be credited to Revenue a/c from the following data:-

Premium received during the year ended 31.3.2010	Rs. 16,00,000
Re-insurance premium accepted	Rs. 5,40,000
Re-insurance premium ceded	Rs. 6,20,000
Bonus in reduction of premium (not yet adjusted)	Rs. 20,000
10. On 31.12.2010, people bank Ltd., has the following bills in its port folio. All the bills are discounted at 5%.

<b>Amount in Rs.</b>	<b>Due date</b>
5,00,000	31.1.2011
4,00,000	30.4.2011
3,00,000	3.3.2011

Calculate the rebate on bills discounted assuming accounts are closed on 31<sup>st</sup> December.

## SECTION – B

ANSWER ANY FIVE QUESTIONS:

( 5 x 8 = 40 )

11. From the following information, determine the amount of provision for bad and doubtful debts to be made in the profit and loss account of Saraswathi Bank.

(Rs. in thousands)

Assets:	
Standard	6,00,000
Sub-standard	3,00,000
Doubtful (unsecured)	50,000
Doubtful (secured):	
for one year	60,000
for 2 to 3 years	80,000
more than 3 years	2,00,000
Loss Assets	1,50,000

12. S Ltd., has the capital of Rs. 3,00,000 in shares of Rs. 10 each out of which H Ltd. purchased 80% at Rs. 3,80,000. The profits of S Ltd. at the time of purchase of shares by H Ltd., were Rs. 1,20,000. The S Ltd., decided to make a bonus issue out of the pre-acquisition profits of one share of Rs. 10 each fully paid for every three shares held. Calculate the cost of control for H Ltd. before the issue of bonus shares and after the issue of bonus shares.

13. The business of Madurai Traders Ltd., is purchased by Chennai Traders Ltd. The purchase consideration is discharged as follows:-

- (i) A payment of cash at Rs. 20 for every share in Madurai Traders Ltd.
- (ii) A further payment in cash of Rs. 55 each for every debenture in Madurai Traders Ltd.
- (iii) An exchange of 3 shares of Chennai Traders Ltd. of Rs. 10 each (quoted in the market at Rs. 20) for every share in the Madurai Traders Ltd. The Balance Sheet of Madurai Traders Ltd. stood as follows at the date of purchase.

Liabilities	Rs.	Assets	Rs.
Share Capital:		Buildings	15,000
800 shares of Rs. 50 each	40,000	Machinery	20,000
120 8% debentures of Rs. 50 each	6,000	Furniture	1,000
Capital Redemption Reserve	4,000	Stock	10,000
Creditors	4,200	Debtors	9,000
Profit & Loss A/C	1,000	Cash	200
	55,200		55,200

Give Journal entries in the books Madurai Traders Ltd.

14. Give journal entries for the following transactions in connection with internal reconstruction of a company:-

- (i) 30,000 equity shares of Rs. 10 each fully paid reduced to shares of Rs. 5 each fully paid.
- (ii) 300 9% debentures of Rs. 1,000 each converted into 1,500 12% debentures of Rs. 100 each.

- (iii) The debit balance of profit & loss account of Rs. 1,50,000 and the preliminary expenses of Rs. 30,000 were written off.
- (iv) The value of Plant, Machinery and Stock were written down by Rs. 60,000 and Rs. 30,000 respectively.

## 15. Balance sheets as at 31.12.2010.

Liabilities	H	S	Assets	H	S
	Rs.	Rs.		Rs.	Rs.
Equity Shares of Rs. 10 each	10,00,000	5,00,000	Sundry assets	16,00,000	10,00,000
Reserve	5,00,000	-	50,000 shares in S Ltd.	6,00,000	-
Profit & Loss a/c	4,00,000	1,80,000			
Creditors	3,00,000	3,20,000			
	22,00,000	10,00,000		22,00,000	10,00,000

Shares of S Ltd. were purchased by H Ltd., on 30<sup>th</sup> June 2010. On 1<sup>st</sup> January 2010 the balance sheet of S Ltd. showed a loss of Rs. 3,00,000. Prepare the consolidated balance sheet.

16. Bharat Life Assurance Company gets its valuation made once in every two years. Its life assurance fund on 31<sup>st</sup> December, 2004 stood at Rs. 45,65,000 before providing for Rs. 45,000 being the shareholders dividend for 2004. Its actual valuation on 31<sup>st</sup> December, 2004 disclosed a net liability of Rs. 32,20,000. An interim bonus of Rs. 80,000 was paid to the policy-holders during the previous two years.
- Prepare a statement showing the amount now available as bonus to policy-holders.

17. On December 31, 2007 the books of the Good Luck Insurance Co. Ltd. contained the following particulars in respect of the fire insurance:

	Rs.		Rs.
Reserve for unexpired risk on Dec. 31, 2006	5,00,000	Re-insurance recoveries	20,000
Additional reserve on Dec. 31, 2006	1,00,000	Premiums	11,20,000
Claims paid	6,40,000	Interest and dividend	64,520
Expenses of Management (including Rs. 30,000 legal expenses paid in connection with claims)	2,80,000	Income tax on above	6,520
Re-insurance premium	75,000	Profit on sale of investments	11,000
		Commission	1,52,000
		Estimated liability in respect of outstanding claims	
		On Dec. 31, 2006	65,000
		On Dec. 31, 2007	90,000

Prepare the fire insurance revenue account for the year 2007 reserving 50 per cent of the premiums for unexpired risks and keeping an additional reserve of Rs. 1,00,000.

## SECTION – C

## ANSWER ANY TWO QUESTIONS:

( 2 x 15 = 30 )

18. The following are the Balance Sheets of Raman Ltd. and Soman Ltd. as on 31.03.2010.

Liabilities	Raman Ltd.	Soman Ltd.	Assets	Raman Ltd.	Soman Ltd.
Equity shares of Rs. 10 each	15,00,000	6,00,000	Fixed assets	16,03,500	4,49,500
Securities premium	1,50,000	15,000	Current assets	9,28,930	3,70,600
Profit & Loss a/c	1,89,360	-	Miscellaneous Expenditure	10,000	-
General Reserve	4,70,000	-	Profit & Loss a/c	-	96,530
8% debentures	-	2,00,000			
Creditors	2,33,070	1,01,630			
	<u>25,42,430</u>	<u>9,16,630</u>		<u>25,42,430</u>	<u>9,16,630</u>

Bhiman Ltd., was formed to take over the business of Raman Ltd., and Soman Ltd., for the agreed purchase consideration of Rs. 19,50,000 and Rs. 4,80,000 respectively, which is payable in the form of Rs. 100 shares at par. Soman Ltd.'s debentures are to be converted into 10% debentures of Bhiman Ltd. Amalgamation Expenses of Rs. 15,000 are to be borne by the Transfree Company.

Close the books of the transferor companies and give journal and Balance Sheet in the transferee company's books. Assume the amalgamation is in the nature of merger.

19. On 31<sup>st</sup> December, 2008, the Balance Sheet of the Failure company stood as under:-

Liabilities	Rs.	Assets	Rs.
Authorised Capital:		Land & Buildings	1,80,000
10,000 shares of Rs. 100 each	10,00,000	Machinery	3,00,000
Paid up Capital:		Furniture	10,000
8,000 shares of Rs. 100 each	8,00,000	Stock	90,000
Loan from Apex Ltd.	2,00,000	Debtors	80,000
Creditors	2,00,000	Goodwill	50,000
		Cash	10,000
		Profit & Loss a/c	4,80,000
	<u>12,00,000</u>		<u>12,00,000</u>

After carrying out the necessary formalities the following scheme has been agreed upon by the persons concerned:

- Rs. 100 shares are to be reduced to Rs. 50 each.
- 2000 shares which are unissued, are now to be issued as fully paid. (ie at Rs.50 each) to Apex Ltd., in full settlement of their loan.
- The creditors accept Rs. 1,50,000 in fully paid debentures in full settlement of their debts.
- The amount thus rendered available is to be utilized towards writing off goodwill, profit & loss a/c entirely and the balance to be used for writing down the Machinery account.

Give journal entries to carry out the above scheme and prepare the balance sheet of the company after completion of the scheme.

20. The following are the Balance Sheets of H Ltd. and S Ltd., on 31.12.2010.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
	Rs.	Rs.		Rs.	Rs.
Share Capital:					
Shares of Rs. 10 each	6,00,000	2,50,000	Goodwill	30,000	20,000
General Reserve	1,60,000	95,000	Fixed assets	5,80,000	2,00,000
Profit for the year	2,20,000	1,20,000	Stock	1,60,000	80,000
Bills payable	20,000	-	Investments in 15,000 shares of S Ltd.	2,00,000	-
Sundry Creditors	1,00,000	35,000	Bills receivable	-	15,000
			Sundry debtors	80,000	1,15,000
			Cash in hand	50,000	70,000
	11,00,000	5,00,000		11,00,000	5,00,000

- H Ltd. acquired the shares of S Ltd. on 1.9.2010.
  - Bills payable of H Ltd. was wholly in favour of S Ltd.
  - Debtors of S Ltd. include Rs. 15,000 owed by H Ltd.
  - Stock of H Ltd., includes Rs. 10,000 worth of goods bought from S Ltd., on which later company has made a profit of 25% on cost.
- Prepare the consolidated Balance Sheet.

21. The following is the Trial Balance of Shrti Nidhi Bank Ltd. as on 31.12.2010.

Debit Balances	Rs.	Credit Balances	Rs.
Bank O/D, loans and cash credits	4,00,000	Share Capital	1,50,000
Bank Premises	60,000	Reserve Fund	3,00,000
Government bonds	3,00,000	Investment Fluctuation Fund	20,000
Other government securities	2,00,000	Current accounts	6,00,000
Money at call and short notice	70,000	Profit & Loss A/C on 1.1.2010	25,000
Bills discounted	73,000	Interest discount etc.	1,70,000
Shares	17,000	Deposits and Savings bank accounts	3,55,000
Cash in hand	1,10,000		
Cash at bank	3,00,000		
Income tax paid	9,000		
Salaries and other expenses	73,500		
Interim dividend paid	7,500		
	16,20,000		16,20,000

Additional Information:

- (i) The bills discounted mature at an average date of February 19, 2011 (including days of grace). All bills are discounted at 10% per annum.
- (ii) The market value of investments in government securities was Rs. 4,75,000. Increase investment fluctuation fund with the necessary amount.
- (iii) Bank added premises during the year for Rs. 10,000. Provide 5% depreciation on the opening balance.
- (iv) Interest accrued on investment was Rs. 750.
- (v) Provision for taxation 1.1.2010 was Rs. 10,000. It is to be increased to Rs. 30,000

Prepare final accounts in the statutory form.

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