

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-20 and thereafter)

M.Com. DEGREE EXAMINATION NOVEMBER 2023
COMMERCE
THIRD SEMESTER

COURSE : CORE
PAPER : ADVANCED CORPORATE ACCOUNTING
SUBJECT CODE : 19CM/PC/AC34
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION – A

ANSWER ANY SIX QUESTIONS: (6x10=60)

1. Differentiate Amalgamation, Absorption and External Reconstruction.
2. Explain the steps to be followed in detail when same set of books of accounts are continued on acquisition of a running business.
3. From the data relating to a company (in voluntary liquidation), you are asked to prepare liquidator's final statement of account.
 - (i) Cash with liquidator (after all assets are realized and secured creditors and Debenture holders are paid) is Rs.6,73,800.
 - (ii) Preferential creditors to be paid Rs.30,000.
 - (iii) Other unsecured creditors Rs.2,15,000.
 - (iv) 4,000 6%Preference shares of Rs.100 each fully paid.
 - (v) 2,000 equity shares of Rs.100 each, 75 per share paid up.
 - (vi) 6,000 equity shares of Rs.100 each, Rs.60 per share paid up.
 - (vii) Liquidator's remuneration 2% on preferential and other unsecured creditors.
 - (viii) Preference dividends were in arrears for 2 years.
4. "Strong Ltd" was formed with a nominal capital of Rs.15,00,000 consisting of 1,00,000 equity shares of Rs.10 each and 5,000 9%Preference shares of Rs.100 each to acquire on 1st July 2018, the business of A. Weak.

Weak's Balance Sheet as on 30.6.2018 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital A/c		Land and Buildings	4,00,000
A. Weak	7,82,900	Plant & Machinery	2,40,000
Trade creditors	1,65,800	Stock	1,59,600
Overdraft at New Bank Ltd.	89,500	Debtors	2,38,600
	10,38,200		10,38,200

The company took over all assets and assumed all the liabilities and the consideration was fixed at Rs.11,00,000. In computing this figure Land and Buildings were valued at Rs.6,00,000, Plant & Machinery at Rs. 2,00,000, Stock at Rs.1,50,000 and debtors at book value subject to an allowance of 5% to cover doubtful debts.

The transfer of the bank overdraft to the company was agreed by New bank Ltd., on condition that debentures for Rs.1,00,000 were issued to bank as collateral security.

The purchase price was settled by the issue at par to 'Weak' of Rs.30,000 equity shares and 2,500 preference shares, the balance being paid in cash. Underwriters Ltd. agreed to subscribe for Rs.70,000 equity shares in Strong Ltd. at par and these were issued fully paid for cash on 1st July 2018. Strong Ltd., paid the formation expenses of Rs.18,750. You are required to prepare Journal entries, in the books of Strong Ltd.

5. The Balance Sheets of X Ltd. and Y Ltd., as on 31.3.2022 were as follows:

Liabilities	X Ltd. Rs.	Y Ltd. Rs.	Assets	X Ltd. Rs.	Y Ltd. Rs.
Share capital (Rs.10 each)	10,00,000	2,50,000	Goodwill	1,00,000	50,000
General Reserve on 1.4.21	2,00,000	80,000	Buildings	2,00,000	1,00,000
Sundry Creditors	2,00,000	1,00,000	Machinery	5,00,000	2,00,000
Bills payable	50,000	30,000	Stock	2,00,000	1,00,000
P&L A/c on 1.4.21	60,000	60,000	Debtors	3,40,000	70,000
Profit for the year 21-22	1,50,000	50,000	Investments	2,40,000	---
			Bills receivable	30,000	30,000
			Cash at Bank	50,000	20,000
	16,60,000	5,70,000		16,60,000	5,70,000

- (i) X Ltd. acquired 15,000 shares of Y Ltd, for Rs, 1,90,000 on 1.4.2021
(ii) Sundry debtors of X Ltd. Include Rs. 30,000 due from Y Ltd.
(iii) Bills receivable of Y Ltd. Include Rs. 10,000 due from X Ltd.
(iv) The stock of Y Ltd includes goods purchased from X Ltd at Rs. 10,000 which includes profit charged by X Ltd at 25% on cost.

Calculate capital profits, revenue profits, cost of control, minority interest and provision for unrealized profit.

6. Prepare the Profit and Loss Account for the year ended 31.12.2022 of Kasinathan Bank Ltd., from the following particulars.

	(Rs. In '000)
● Interest on loans	250
● Interest on savings accounts	150
● Interest on cash credits	160
● Interest on fixed deposits	190
● Interest on overdrafts	50
● Amounts charged against current accounts	20
● Rebate on bills discounted	19
● Salaries and allowances	120
● Discounts	40
● Rent, tax, insurance etc.	5
● Dearness allowance	35
● Commission, brokerage and exchange	15
● Managing director's salary	15
● Contribution to provident fund	10

7. As on 31st December 2018, the books of the Hercules bank, include among others, the following balances

Rebate on bills discounted (1.1.2018)	Rs. 3,20,000
Discount Received	Rs. 46,00,000
Bills discounted and purchased	Rs. 3,15,47,000

Throughout 2018, 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, 2019.

Show the calculation of the amount to be credited to the banks Profit and Loss A/c under discount earned for the year 2018. Also, Show the journal entries required to adjust the above mentioned accounts.

8. Life fund of a life assurance company was Rs.86,48,000 as on 31-3-2018. The interim bonus paid during the valuation period was Rs.1,48,000. The periodical actuarial valuation determined the net liability at Rs.74,25,000. Surplus brought forward from the previous valuation was Rs.8,50,000. The directors of the company proposed to carry forward Rs.9,31,000 and to divide the balance between the shareholders and the policy holders in the ratio of 1:10.

Show:

- the valuation Balance sheet
- the net profit for the valuation period
- the distribution of the surplus

SECTION – B

ANSWER ANY TWO QUESTIONS:

(2x20=40)

- Explain Briefly
 - Composite dividend
 - Capital dividend
 - Cost of control
 - Minority Interest
- What are the various modes of winding up a company? Explain.
- From the following particulars of XY Bank Ltd., prepare a Balance Sheet as on 31.3.2018 in the revised format.

	Rs. In '000
Share capital: Issued and subscribed	4,000
Reserve fund (under section 17)	6,200
Fixed deposits	42,600
Savings bank deposits	19,000
Current accounts	23,200
Money at call and short notice	1,800
Investments	25,000
Profit and Loss account (cr.) 1st Jan 2018	1,350
Dividend for 2017	400
Premises	2,950
Cash in hand	380
Cash with RBI	10,000
Cash with other banks	6,000
Bills discounted and purchased	3,800
Loans, cash credits and over drafts	51,000
Bills payable	70
Unclaimed dividend	60
Rebate on bills discounted	50
Short loans (borrowing from other banks)	4,750
Furniture	1,164
Other assets	336
Net Profit for 2018	1,550

12. The Books of Jai Prakash Insurance C Ltd contain the following information in respect of fire insurance as on 31.3.2016.

	Rs.(in thousands)		Rs. (in thousands)
Provisions for unexpired risks (1.4.15)	80,000	Refund of double taxation	600
Estimated liability in respect of outstanding claims:		Management expenses	55,000
On 1.4.15	10,000		
On 31.3.16	15,000		
Medical expenses regarding claims	1,000	Interest & Dividends	8,000
Claims paid	70,000	Legal expenses regarding claims	1,500
Reinsurance premium	14,500	Profit on sale of investments	1,750
Reinsurance recoveries	1,500	Additional reserves on 31.3.15	60,000
Commission on reinsurance ceded	3,000	Commission on reinsurance accepted	1,000
Commission on direct business	25,000	Premiums	1,90,000

Additional reserve is to be increased by 10% of the net premium income.

Prepare revenue Account keeping the reserve for unexpired risks at 50% of premium income.
