

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2023-24)

M.COM. DEGREE EXAMINATION - NOVEMBER 2024
COMMERCE
THIRD SEMESTER

COURSE : CORE
PAPER : ADVANCED CORPORATE ACCOUNTING
SUBJECT CODE : 23CM/PC/AC34
TIME : 3 HOURS **MAX.MARKS:100**

SECTION A																																																																			
Q.NO.	Answer all the Questions:	(4x5=20)	CO KL																																																																
1	What is a Holding company? How is minority interest computed?		2 1																																																																
2	What are the methods of calculating purchase consideration?		2 1																																																																
3	Write short notes on a) Statutory liquid ratio b) Non performing assets		3 2																																																																
4	State the salient features of liquidation.		5 2																																																																
SECTION B																																																																			
Q.NO.	Answer the following:	(4x10=40)	CO KL																																																																
5	<p>PQ Ltd, decided to absorb RS Ltd, as on 31.12.2022. The summarised Balance Sheet of RS Ltd, as on that date is as follows;</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">LIABILITIES</th> <th style="text-align: right;">Rs.</th> <th style="text-align: left;">ASSETS</th> <th style="text-align: right;">Rs.</th> </tr> </thead> <tbody> <tr> <td>Share capital</td> <td></td> <td>Fixed Assets</td> <td style="text-align: right;">8,80,000</td> </tr> <tr> <td>5,000 equity shares of Rs.100 each</td> <td style="text-align: right;">5,00,000</td> <td>Current Assets</td> <td style="text-align: right;">1,20,000</td> </tr> <tr> <td>P & L A/c</td> <td style="text-align: right;">3,70,000</td> <td></td> <td></td> </tr> <tr> <td>5% Debentures</td> <td style="text-align: right;">1,00,000</td> <td></td> <td></td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">30,000</td> <td></td> <td></td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">10,00,000</td> <td></td> <td style="text-align: right;">10,00,000</td> </tr> </tbody> </table> <p>PQ Ltd, agreed to take over the current assets at book values and the fixed assets at Rs.9,65,000. Rs.50,000 was to be paid for goodwill. The purchase price was to be paid as to Rs.2,55,000 in cash and the balance in shares of PQ Ltd, at Rs.10 each. The expenses of absorption were Rs.5,000.</p> <p>You are required to prepare the ledger accounts to close the books of RS Ltd.</p> <p align="center">(OR)</p> <p>From the following information relating to Lakshmi Bank Ltd., prepare the Profit & Loss a/c for the year ended 31st December 2020. (Amount in Rupees)</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Rent received</td> <td style="text-align: right;">72,000</td> <td>Salaries & allowance</td> <td style="text-align: right;">2,18,800</td> </tr> <tr> <td>Exchange and Commission</td> <td style="text-align: right;">32,000</td> <td>Postage</td> <td style="text-align: right;">5,600</td> </tr> <tr> <td>Interest on fixed deposits</td> <td style="text-align: right;">11,00,000</td> <td>Sundry Charges</td> <td style="text-align: right;">4,000</td> </tr> <tr> <td>Interest on savings bank a/c</td> <td style="text-align: right;">2, 72,000</td> <td>Director's Auditors Fees</td> <td style="text-align: right;">16,800</td> </tr> <tr> <td>Interest on Overdrafts</td> <td style="text-align: right;">2,16,000</td> <td>Printing</td> <td style="text-align: right;">8,000</td> </tr> <tr> <td>Discount on bills discounted</td> <td style="text-align: right;">7,80,000</td> <td>Law charges</td> <td style="text-align: right;">3,600</td> </tr> <tr> <td>Interest on current accounts</td> <td style="text-align: right;">1,68,000</td> <td>Locker rent</td> <td style="text-align: right;">1,400</td> </tr> <tr> <td>Interest on Cash credits</td> <td style="text-align: right;">8,92,000</td> <td>Transfer fees</td> <td style="text-align: right;">2,800</td> </tr> <tr> <td>Depreciation on bank property</td> <td style="text-align: right;">20,000</td> <td>Interest on loans</td> <td style="text-align: right;">10,36,000</td> </tr> </tbody> </table>	LIABILITIES	Rs.	ASSETS	Rs.	Share capital		Fixed Assets	8,80,000	5,000 equity shares of Rs.100 each	5,00,000	Current Assets	1,20,000	P & L A/c	3,70,000			5% Debentures	1,00,000			Creditors	30,000			TOTAL	10,00,000		10,00,000	Rent received	72,000	Salaries & allowance	2,18,800	Exchange and Commission	32,000	Postage	5,600	Interest on fixed deposits	11,00,000	Sundry Charges	4,000	Interest on savings bank a/c	2, 72,000	Director's Auditors Fees	16,800	Interest on Overdrafts	2,16,000	Printing	8,000	Discount on bills discounted	7,80,000	Law charges	3,600	Interest on current accounts	1,68,000	Locker rent	1,400	Interest on Cash credits	8,92,000	Transfer fees	2,800	Depreciation on bank property	20,000	Interest on loans	10,36,000	1	3
LIABILITIES	Rs.	ASSETS	Rs.																																																																
Share capital		Fixed Assets	8,80,000																																																																
5,000 equity shares of Rs.100 each	5,00,000	Current Assets	1,20,000																																																																
P & L A/c	3,70,000																																																																		
5% Debentures	1,00,000																																																																		
Creditors	30,000																																																																		
TOTAL	10,00,000		10,00,000																																																																
Rent received	72,000	Salaries & allowance	2,18,800																																																																
Exchange and Commission	32,000	Postage	5,600																																																																
Interest on fixed deposits	11,00,000	Sundry Charges	4,000																																																																
Interest on savings bank a/c	2, 72,000	Director's Auditors Fees	16,800																																																																
Interest on Overdrafts	2,16,000	Printing	8,000																																																																
Discount on bills discounted	7,80,000	Law charges	3,600																																																																
Interest on current accounts	1,68,000	Locker rent	1,400																																																																
Interest on Cash credits	8,92,000	Transfer fees	2,800																																																																
Depreciation on bank property	20,000	Interest on loans	10,36,000																																																																
			3 3																																																																

6	<p>On December 31, 2023 the books of the Good Luck Insurance Co. Ltd. contained the following particulars in respect of the fire insurance:</p> <table border="1" data-bbox="300 409 1339 1144"> <thead> <tr> <th></th> <th>Rs.</th> <th></th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>Reserve for unexpired risk on Dec. 31, 2022</td> <td>5,00,000</td> <td>Re-insurance recoveries</td> <td>20,000</td> </tr> <tr> <td>Additional reserve on Dec. 31, 2022</td> <td>1,00,000</td> <td>Premiums</td> <td>11,20,000</td> </tr> <tr> <td>Claims paid</td> <td>6,40,000</td> <td>Interest and dividend</td> <td>64,520</td> </tr> <tr> <td>Expenses of Management (including Rs.30,000 legal expenses paid in connection with claims)</td> <td>2,80,000</td> <td>Income tax on above</td> <td>6,520</td> </tr> <tr> <td>Re-insurance premium</td> <td>75,000</td> <td>Profit on sale of investments</td> <td>11,000</td> </tr> <tr> <td></td> <td></td> <td>Commission</td> <td>1,52,000</td> </tr> <tr> <td></td> <td></td> <td>Estimated liability in respect of outstanding claims</td> <td></td> </tr> <tr> <td></td> <td></td> <td> On Dec. 31, 2022</td> <td>65,000</td> </tr> <tr> <td></td> <td></td> <td> On Dec. 31, 2023</td> <td>90,000</td> </tr> </tbody> </table> <p>Prepare the fire insurance revenue account for the year 2023 reserving 50 per cent of the premiums for unexpired risks and keeping an additional reserve of Rs.1,00,000.</p> <p style="text-align: center;">(OR)</p> <p>The following particulars are related to a limited company which has gone into liquidation. You are required to prepare Liquidator's Final Account allowing for the remuneration at 2% on the amount realized on assets and 2% on the amounts distributed to unsecured creditors other than preferential creditors.</p> <table data-bbox="357 1438 1331 1627"> <tr> <td>Unsecured Creditors</td> <td>Rs. 2,40,000</td> <td>Preferential Creditors</td> <td>Rs. 70,000</td> </tr> <tr> <td>Debentures</td> <td>Rs. 75,000</td> <td></td> <td></td> </tr> <tr> <td colspan="4">The assets realized the following:</td> </tr> <tr> <td>Cash in Hand</td> <td>Rs. 20,000</td> <td>Land & Buildings</td> <td>Rs.1,30,000</td> </tr> <tr> <td>Plant & Machinery</td> <td>Rs. 1,10,000</td> <td>Furniture & Fittings</td> <td>Rs. 7,500</td> </tr> </table> <p>The liquidation expenses amounted to Rs. 2,000. A call of Rs 2 per share on the partly paid 10000 equity shares was made and duly paid except in case of one shareholder owning 500 shares.</p>		Rs.		Rs.	Reserve for unexpired risk on Dec. 31, 2022	5,00,000	Re-insurance recoveries	20,000	Additional reserve on Dec. 31, 2022	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, 2022	65,000			On Dec. 31, 2023	90,000	Unsecured Creditors	Rs. 2,40,000	Preferential Creditors	Rs. 70,000	Debentures	Rs. 75,000			The assets realized the following:				Cash in Hand	Rs. 20,000	Land & Buildings	Rs.1,30,000	Plant & Machinery	Rs. 1,10,000	Furniture & Fittings	Rs. 7,500	4	3
	Rs.		Rs.																																																												
Reserve for unexpired risk on Dec. 31, 2022	5,00,000	Re-insurance recoveries	20,000																																																												
Additional reserve on Dec. 31, 2022	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, 2022	65,000																																																												
		On Dec. 31, 2023	90,000																																																												
Unsecured Creditors	Rs. 2,40,000	Preferential Creditors	Rs. 70,000																																																												
Debentures	Rs. 75,000																																																														
The assets realized the following:																																																															
Cash in Hand	Rs. 20,000	Land & Buildings	Rs.1,30,000																																																												
Plant & Machinery	Rs. 1,10,000	Furniture & Fittings	Rs. 7,500																																																												
		5	3																																																												

The CSK Co Ltd.					
Liabilities	Rs.		Assets	Rs.	
Issued Capital :			Land and Buildings	5,00,000	
1,00,000 Ordinary shares of Rs.10 each fully paid	10,00,000		Machinery and Plant	2,00,000	
Sundry Creditors	80,000		Patents	1,10,000	
Profit and Loss (Undistributed balance)	50,000		Stocks	1,50,000	
			Sundry Debtors	1,20,000	
			Cash at Bank	50,000	
	11,30,000			11,30,000	

The MDU Co Ltd.					
Liabilities	Rs.		Assets	Rs.	
Issued Capital :			Land and Buildings	3,00,000	
50,000 Ordinary shares of Rs.10 each	5,00,000		Machinery and Plant	2,50,000	
Sundry Creditors	50,000		Goodwill	50,000	
Reserve Fund	50,000		Stocks	20,000	
Profit and Loss (Undistributed balance)	50,000		Sundry Debtors	20,000	
			Cash at Bank	10,000	
	6,50,000			6,50,000	

Show how the amount payable to each company is arrived at and prepare the amalgamated balance sheet of the new company.

SECTION C

Answer all the questions:

(2x20=40)

CO

KL

9

R Ltd. acquired 3,200 ordinary shares of Rs. 100 each in S Ltd. on 31st December 2020. Their summarized balance sheets as on that date were as follows:

Liabilities	R Ltd. (Rs.)	S Ltd. (Rs.)	Assets	R Ltd. (Rs.)	S Ltd. (Rs.)
Share Capital :			Land & Buildings	3,00,000	3,60,000
10,000 Ordinary Shares of Rs. 100 each	10,00,000	---	Plant & Machinery	4,80,000	2,18,800
4,000 Shares of Rs. 100 each	---	4,00,000	Investments in S Ltd at cost	6,80,000	---
Capital Reserve	---	2,40,000	Stocks	2,40,000	72,000
General Reserve	4,80,000	---	Debtors	88,000	80,000
Profit & Loss A/c	1,14,400	72,000	Bills Receivable (incl. Rs 6,000 from S Ltd.)	31,600	---
Bank Overdraft	1,60,000	---	Cash at Bank	29,000	16,000
Bills Payable (incl. Rs 8,000 to R Ltd.)	---	16,800			
Creditors	94,200	18,000			
	<u>18,48,600</u>	<u>7,46,800</u>		<u>18,48,600</u>	<u>7,46,800</u>

	<p>You are supplied the following information :</p> <p>(a) S Ltd has made a bonus issue on 31 December 2020 of one ordinary share for every two shares held by its shareholders. Effect has yet to be given in the accounts for the issue.</p> <p>(b) The directors are advised that Land & Buildings of S Ltd are undervalued by Rs.40,000, and Plant & Machinery of S Ltd are overvalued by Rs.20,000. These assets have to be adjusted accordingly.</p> <p>(c) Sundry creditors of R Ltd include Rs.24,000 due to S Ltd.</p> <p>You are required to prepare the consolidated balance sheet as on 31 December 2020.</p> <p style="text-align: center;">(OR)</p> <p>From the following details, prepare Liquidator's Statement of Affairs for 31.12.2005, and Deficiency Account : (Amount in Rupees)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Book Value</th> <th style="width: 20%; text-align: center;">Estimated to produce</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td style="text-align: center;">100</td> <td style="text-align: center;">100</td> </tr> <tr> <td>Debtors</td> <td style="text-align: center;">4,000</td> <td style="text-align: center;">3,600</td> </tr> <tr> <td>Buildings</td> <td style="text-align: center;">60,000</td> <td style="text-align: center;">48,000</td> </tr> <tr> <td>Furniture</td> <td style="text-align: center;">20,000</td> <td style="text-align: center;">20,000</td> </tr> <tr> <td>Unsecured creditors</td> <td style="text-align: center;">20,000</td> <td></td> </tr> <tr> <td>Debentures secured on Buildings</td> <td style="text-align: center;">42,000</td> <td></td> </tr> <tr> <td>Debentures having floating charge</td> <td style="text-align: center;">10,000</td> <td></td> </tr> <tr> <td>Preferential creditors</td> <td style="text-align: center;">6,000</td> <td></td> </tr> <tr> <td>Share capital</td> <td style="text-align: center;">3,20,000</td> <td></td> </tr> </tbody> </table> <p>Liability for bills discounted Rs.18,000 expected to rake in Rs. 18,000. The company suffered losses of Rs.3,13,900.</p>		Book Value	Estimated to produce	Cash	100	100	Debtors	4,000	3,600	Buildings	60,000	48,000	Furniture	20,000	20,000	Unsecured creditors	20,000		Debentures secured on Buildings	42,000		Debentures having floating charge	10,000		Preferential creditors	6,000		Share capital	3,20,000		5	5																		
	Book Value	Estimated to produce																																																	
Cash	100	100																																																	
Debtors	4,000	3,600																																																	
Buildings	60,000	48,000																																																	
Furniture	20,000	20,000																																																	
Unsecured creditors	20,000																																																		
Debentures secured on Buildings	42,000																																																		
Debentures having floating charge	10,000																																																		
Preferential creditors	6,000																																																		
Share capital	3,20,000																																																		
10	<p>The Balance Sheet of Sol Ltd. and Luna Ltd. as on 21.12.2021 are given below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Liabilities</th> <th style="width: 10%;">Sol Ltd. (Rs.)</th> <th style="width: 10%;">Luna Ltd (Rs.)</th> <th style="width: 20%;">Assets</th> <th style="width: 10%;">Sol Ltd.(Rs.)</th> <th style="width: 15%;">Luna Ltd (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Equity Share Capital (Rs.10)</td> <td style="text-align: center;">5,00,000</td> <td style="text-align: center;">4,00,000</td> <td>Fixed Assets</td> <td style="text-align: center;">8,00,000</td> <td style="text-align: center;">6,00,000</td> </tr> <tr> <td>6% Preference Share Capital (Rs. 100)</td> <td style="text-align: center;">5,00,000</td> <td style="text-align: center;">1,00,000</td> <td>Investments (5,000 Equity Shares of Luna Ltd.)</td> <td style="text-align: center;">60,000</td> <td style="text-align: center;">---</td> </tr> <tr> <td>Reserve</td> <td style="text-align: center;">1,40,000</td> <td style="text-align: center;">1,00,000</td> <td>Current Assets</td> <td style="text-align: center;">5,00,000</td> <td style="text-align: center;">2,00,000</td> </tr> <tr> <td>7% Debentures (Rs. 100)</td> <td style="text-align: center;">---</td> <td style="text-align: center;">1,00,000</td> <td>Loan to Luna Ltd.</td> <td style="text-align: center;">30,000</td> <td style="text-align: center;">---</td> </tr> <tr> <td>Loan from Sol Ltd.</td> <td style="text-align: center;">---</td> <td style="text-align: center;">30,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Other Liabilities</td> <td style="text-align: center;">2,50,000</td> <td style="text-align: center;">70,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>13,90,000</u></td> <td style="text-align: center;"><u>8,00,000</u></td> <td></td> <td style="text-align: center;"><u>13,90,000</u></td> <td style="text-align: center;"><u>8,00,000</u></td> </tr> </tbody> </table>	Liabilities	Sol Ltd. (Rs.)	Luna Ltd (Rs.)	Assets	Sol Ltd.(Rs.)	Luna Ltd (Rs.)	Equity Share Capital (Rs.10)	5,00,000	4,00,000	Fixed Assets	8,00,000	6,00,000	6% Preference Share Capital (Rs. 100)	5,00,000	1,00,000	Investments (5,000 Equity Shares of Luna Ltd.)	60,000	---	Reserve	1,40,000	1,00,000	Current Assets	5,00,000	2,00,000	7% Debentures (Rs. 100)	---	1,00,000	Loan to Luna Ltd.	30,000	---	Loan from Sol Ltd.	---	30,000				Other Liabilities	2,50,000	70,000					<u>13,90,000</u>	<u>8,00,000</u>		<u>13,90,000</u>	<u>8,00,000</u>	1	5
Liabilities	Sol Ltd. (Rs.)	Luna Ltd (Rs.)	Assets	Sol Ltd.(Rs.)	Luna Ltd (Rs.)																																														
Equity Share Capital (Rs.10)	5,00,000	4,00,000	Fixed Assets	8,00,000	6,00,000																																														
6% Preference Share Capital (Rs. 100)	5,00,000	1,00,000	Investments (5,000 Equity Shares of Luna Ltd.)	60,000	---																																														
Reserve	1,40,000	1,00,000	Current Assets	5,00,000	2,00,000																																														
7% Debentures (Rs. 100)	---	1,00,000	Loan to Luna Ltd.	30,000	---																																														
Loan from Sol Ltd.	---	30,000																																																	
Other Liabilities	2,50,000	70,000																																																	
	<u>13,90,000</u>	<u>8,00,000</u>		<u>13,90,000</u>	<u>8,00,000</u>																																														

Sol Ltd decides to take over Luna Ltd. on the following terms :

- (a) Sol Ltd. will issue 7 equity shares of Rs. 10 at a premium of 20% and Rs. 5 cash for 5 equity shares of Luna Ltd. surrendered
- (b) Preference shareholders of Luna Ltd. are to be given one 6% preference share of Rs. 100 in Sol Ltd. for every share held. These shares are to be issued at a premium of 5%
- (c) 7% debentures of Luna Ltd. are to be redeemed at 8% premium by issue of 7% Debentures of Sol Ltd. at 10% discount
- (d) Liquidation expenses amounting to Rs. 10,000 are to be paid by Sol Ltd.
- (e) Sol Ltd. revalues the fixed assets of Luna Ltd. at Rs. 8,00,000 on take over.

You are required to close the books of Luna Ltd., pass journal entries in the books of Sol Ltd., and prepare the balance sheet of Sol Ltd. after the takeover.

(OR)

In the books of the New Bank Ltd., the following balances stood as on 31st March 2020, after preparing the Profit and Loss Account.

Particulars	Rs. (‘000)	Particulars	Rs. (‘000)
Share Capital	35,00	Cash credit	4,00,00
Reserve Fund	24,50	Term Loan	90,00
Fixed deposit accounts	66,50	Cash with other banks	91,00
Savings bank accounts	2,10,00	Borrowings from other	44,00
Current accounts	5,60,00	banks	42,00
Money at call on short notice	21,00	Bills discounted and purchased	2,10
Investments (at cost)	2,10,00	Sundry creditors	56,00
Profit & Loss A/c (cr)1.4.2019	14,70	Bills payable	2,10
Dividends for 2019	3,50	Unclaimed dividend	9,80
Land and Buildings (after depreciation upto 31.3.2020)	74,45	Bills for collection Acceptance on behalf of customers	14,00
Cash in hand	4,20	Net Profit for 2019-20	16,80
Cash with RBI	1,05,00		

The net profit is after deducting provisions for bad debts Rs. 2,10,000, tax provision Rs. 7,00,000, and rebate on bills discounted Rs. 35,000. Prepare the Balance Sheet of the bank as on 31.3.2020.

3

5
