

M.Com. DEGREE EXAMINATION NOVEMBER 2008
COMMERCE
FIRST SEMESTER

COURSE : **CORE**
PAPER : **CORPORATE ACCOUNTING**
TIME : **3 HOURS**

MAX. MARKS : 100

SECTION – A

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

1. Write a note on amalgamation in the nature of merger.
2. Explain the yield method of valuation of shares by giving an example.
3. The following particulars are available in respect of the business carried on by a trader:-
 - a) Profit earned for the years : 1998-99 – RS.50,000; 1999-00 Rs.60,000; 2000-01 – Rs.55,000. b) Normal rate of return 10%, c) Average capital employed Rs.3,00,000 d) Present value of annuity of one rupee for 5 years at 10% is Rs.3.78. e) The profits included non-recurring profits on an average basis of Rs.3,000.

You are required to calculate the value of goodwill:

(i) As per five years purchase of super-profits; (ii) As per capitalization of super-profit; and (iii) As per Annuity Method.

4. Govardhan Ltd. went into voluntary liquidation. The following are the details:- Assets Realised Rs.40,500; Liquidator Remuneration Rs.5,000 Unsecured creditors (including Rs.500 preferential creditors) Rs.20,500; preference share capital (2000 shares of Rs.10 each) Rs.20,000; Equity share capital: 1000 shares of Rs.10 each, Rs.9 called and paid up Rs.9,000, 2000 shares of Rs.10 each, Rs.5 called and paid up Rs.10,000.

You are required to prepare the liquidator's final statement of account.

5. The following is the Balance sheet of S Ltd. as on 31.3.2001.

Liabilities		Assets	
13% cum. preference shares of Rs.100 each	1,00,000	Fixed Assets	15,00,000
Eq. Shares of Rs.10 each	7,00,000	Current Assets	35,00,000
8% debentures	3,00,000	Profit & loss A/c	3,00,000
Current liabilities	39,00,000		
Provision for Taxation	3,00,000		
	<u>53,00,000</u>		<u>53,00,000</u>

The following scheme of reorganization is sanctioned:-

- a) Fixed assets are to be written down by 33 1/3%.

- b) Current assets are to be revalued at Rs.27,00,000
- c) Preference share holders decide to forego their right to arrears of dividend which are in arrears for three years.
- d) The taxation liability of the company is settled at Rs.4,00,000 and the same is paid immediately.
- e) One of the creditors of the company, to whom the company owes Rs.25,00,000, decides to forego 50% of his claim. He is allotted 1,00,000 equity shares of Rs.5 each in part satisfaction of the balance sheet of his claims.
- f) The rate of interest on debentures is increased to 11%. The debenture-holders surrender their debentures of Rs.100 each and exchange the same for fresh debentures of Rs.75 each.
- g) The existing equity and preference shares are reduced to Rs.5 and Rs.75 each respectively.

Pass necessary journal entries and show the new Balance sheet of the company.

6. The balance sheet of H Ltd. and S Ltd on 31.12.2001 were as follows:-

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Equity shares of Rs.50 each	2,50,000	1,00,000	1500 shares in S Ltd. acquired on 30.6.2001	2,50,000	--
General Reserve	1,00,000	50,000	Other Assets	4,00,000	3,50,000
P&L a/c (before appropriation to reserve)	2,00,000	1,50,000			
Liabilities	<u>1,00,000</u>	<u>50,000</u>			
	<u>6,50,000</u>	<u>3,50,000</u>		<u>6,50,000</u>	<u>3,50,000</u>

Profit & Loss A/c of S Ltd. on 1.1.2001 showed credit balance of Rs.1,00,000. S.Ltd. proposed, declared and paid a final dividend of 20% in July, 2001 for the year 2000. H Ltd. credited the dividend received from S Ltd. to its P&L A/c.

Prepare consolidated Balance sheet of H Ltd. and its subsidiary S Ltd. on 31.12.2001.

7. From the following information find out the amount of provisions required to be made in the P & L A/C of a commercial bank for the year ended 31.3.2003.
 - i) Packing credit outstanding from food processors Rs.60 lakhs against which the bank holds securing worth Rs.15 lakhs. 40% of the above advance is covered by ECGC. The above advance has remained doubtful for more than 3 years.
 - ii) Other advances:-
Assets classification:- standard Rs.3,000 lakhs; sub-standard Rs.2,200 lakhs Doubtful:- for one year Rs.900 lakhs, for two years 600 lakhs, for 3 years 400 lakhs, for more than 3 years Rs.300 lakhs and loss assets Rs.600 lakhs.

8. From the following figures of Live Well Life Assurance Co. Ltd. prepare a valuation Balance sheet and profit distribution statement for the year ended 31.3.2001, also necessary journal entries to record the above transactions.

	Rs. In lakhs
Balance of Life Assurance Fund as on 1.4.2000	167.15
Interim Bonus paid for the valuation period	25.00
Balance of Revenue Account for the year ended 31.3.2001	240.00
Net liability as per valuer's certificate as on 31.3.2001	165.00

The company declared as reversionary Bonus of Rs.185 per Rs.1,000 and gave the policy holders an option to take bonus in cash Rs.105 per Rs.1,000. Total business conducted by the company was Rs.600 lakhs. The company issued with profit policy only. 3/5 of the policy holders in value opted for cash bonus.

SECTION – B

ANSWER ANY THREE QUESTIONS:

(3 x 20 = 60)

9. The Trial Balance of X Ltd., have an authorized capital of Rs.8,00,000 as at 31.12.2001 was as under:-

TRIAL BALANCE OF X LTD.

Land & Building (cost Rs. Rs.3,00,000)	2,50,000	Share Capital (shares Rs.100)	5,00,000
Plant & Machinery (cost Rs.4,00,000)	3,00,000	Securities premium	50,000
Live stock	20,000	Gross profit earned during 2001	1,30,000
Sundry debtors	60,000	General Reserve	2,00,000
Stock as at 31.12.2001	50,000	6% debentures	1,00,000
Salaries	19,000	Sundry Creditors	30,000
Directors' fees	10,000	Profit and Loss Account	10,000
General Expenses	15,000		
Cash at bank	6,400		
Cash in hand	600		
Bill receivable	20,000		
Discount on issue of debentures	4,000		
Investment (4% Govt. securities face value Rs.1,00,000 purchased on 1.1.2001)	95,000		
Investment in Equity shares (10,000 shares of Rs.25 each, 20 paid up)	1,70,000		
	<u>10,20,000</u>		<u>10,20,000</u>

Additional information:-

- a) Of the debtors, Rs.10,000 were outstanding for more than six months but are considered good except a debt of Rs.5,000 doubtful to be provided.
- b) A provision of Rs.25,000 is to be made for Income tax.

- c) Interest on debentures issued and on investment in Govt. securities should be taken into account.
- d) Auditor's fee Rs.3,000 should be provided for, included in general expenses is six months insurance Rs.1500 paid for the year ended 30.6.2002.
- e) Depreciation is to be provided for @6% on original cost of machinery and 2% on the original cost of Land & Buildings.
- f) Provide for a dividend of 5% on shares. Ignore corporate dividend tax.

Prepare Profit & Loss Account, Profit & Loss Appropriation Account and the Balance sheet as on 31.12.2001.

10. M/s. BM Ltd. agreed to acquire the goodwill and assets other than cash of M/s.BN Ltd. as on 31.3.2006. The summarized balance sheet on that date was as follows:-

Liabilities		Assets	
Share capital:-		Good will	50,000
30,000 shares of Rs.10 each	3,00,000	Land & Building	1,00,000
General Reserve	1,00,000	Plant & Machinery	2,20,000
Profit & Loss A/C	40,000	Stock in Trade	80,000
12% debentures	50,000	Sundry debtors	30,000
Creditors	20,000	Cash at bank	30,000
	<u>5,10,000</u>		<u>5,10,000</u>

The consideration payable by M/s.BM Ltd. was agreed as follows:-

- i) A cash payment of Rs.3.50 for each shares of Rs.10 in BN Ltd.
- ii) The issue of 45,000 Rs.10 fully paid shares of BM Ltd. having an agreed value of Rs.12.50 per share.
- iii) The issue of such an amount of 14% debentures of BM Ltd. at 4% discount as is sufficient to discharge the 12% debentures at a premium of 20%.

When computing the agreed consideration, the management of M/s. BM Ltd. valued the Land & Building at Rs.1,68,000, Plant & Machinery at Rs.4,50,000, stock in trade at Rs.70,000 and debtors at their face value subject to an allowance of 4% to cover doubtful debts. Prepare Realisation A/c., BM Ltd. A/c., Equity shares holders A/c and Bank A/c in the books of M/s.BN Ltd. and draft opening journal entries in the books of M/s.BM Ltd.

11. H Ltd. acquired 2,000 equity shares of Rs.100 each in S Ltd. on 31.3.2000. The summarized Balance sheet of the two companies as on 31.3.2001 were as follows:-

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Eq. Share capital Rs.100	8,00,000	2,50,000	Fixed Assets	7,00,000	2,50,000
Reserves	3,00,000	50,000	Current Assets	4,00,000	2,00,000
Profit & Loss A/c	1,00,000	1,00,000	2000 shares in S Ltd. at cost	3,00,000	---
Creditors	2,00,000	50,000			
	<u>14,00,000</u>	<u>4,50,000</u>		<u>14,00,000</u>	<u>4,50,000</u>

S Ltd., had a credit balance of Rs.50,000 in the Reserve and Rs.20,000 in Profit & Loss a/c when H Ltd. acquired shares in S Ltd. S Ltd. issued bonus shares in the ratio of one for every five shares held out of the profit earned during 2000-2001. This is not shown in the above Balance sheet of S Ltd. Prepare a consolidated Balance sheet of H Ltd. and subsidiary on 31.3.2001.

12. From the following balances, prepare Balance sheet of Kolkata Bank Ltd. for the year ended 31.3.2002.

	Rs. in lakhs
Equity share capital	20.00
Statutory reserve	10.00
Appropriation to statutory reserve	4.00
P & L A/c balance	14.00
Capital Reserve	4.00
Demand deposits	24.00
Savings Bank deposits	28.00
Term deposits	20.00
Borrowings from RBI	24.00
Borrowing from other Banks (secured Rs.52.00)	105.40
Bills payable and provisions	30.00
Inter-office adjustment (Cr)	14.00
Cash in hand	14.00
Balance with RBI	25.40
Money at call & short notice	45.00
Investment in Govt. securities	28.00
Investment in shares	25.00
Gold	20.00
Cash credit	35.00
Overdrafts	30.00
Term loans	50.00
premises	25.00

The authorized capital of the bank is Rs.50,00,000 dividend in 5,00,000 shares of the face value of Rs.10 each. Investment in shares included 1,00,000 shares in Jay Auto @ Rs.4 per share where as the face value of the share is Rs.10. The bank has bills for collection to the extent of Rs.10,00,000.

13. From the following balances extracted from the books of perfect General Insurance Company Ltd. as on 31.3.2003, you are required to prepare Revenue A/c in respect of Fire and Marine Insurance Business for the year ended 31.3.2003 and P & L A/c for the same period.

	Rs.		Rs.
Director fees	80,000	Interest received	19,000
Dividend received	1,00,000	Fixed Assets (1.4.2002)	90,000
Provision for Taxation (1.4.2002)	85,000	Income tax paid during the year	60,000
		Fire	Marine
		Rs.	Rs.
Outstanding claim on 1.4.2002		28,000	7,000
Claims paid		1,00,000	80,000
Reserve for unexpired risk 1.4.2002		2,00,000	1,40,000

	CM/PC/CA14	
Premium received	4,50,000	3,30,000
Agent's commission	40,000	20,000
Expenses of Management	60,000	45,000
Re-insurance premium (Dr)	25,000	15,000

The following additional points are also to be taken into account:

- a) Depreciation on Fixed Assets to be provided at 10% p.a.
- b) Interest accrued on investments Rs.10,000
- c) Closing provision for taxation on 31.3.2003 to be maintained at Rs.1,24,128.
- d) Claims outstanding on 31.3.2003 were Fire Insurance Rs.10,000; Marine Insurance Rs.15,000.
- e) Premium outstanding on 31.3.2003 were Fire Insurance Rs.30,000; Marine Insurance Rs.20,000.
- f) Reserve for unexpired risk to be maintained at 50% and 100% of net premiums in respect of Fire and Marine Insurance respectively.
- g) Expenses of Management due on 31.3.2003 were Rs.10,000 for Fire Insurance and Rs.5,000 in respect of Marine Insurance.

× × × × × × ×