

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2011-12)**

**SUBJECT CODE: 11CM/PC/CA34**

**M.Com. DEGREE EXAMINATION NOVEMBER 2012**  
**COMMERCE**  
**THIRD SEMESTER**

**COURSE : CORE**  
**PAPER : CORPORATE ACCOUNTING AND RESTRUCTURE**  
**TIME : 3 HOURS** **MAX. MARKS: 100**

**SECTION – A**

**ANSWER ALL QUESTIONS: (10X2=20)**

1. What is contingent liability?
2. Define purchase consideration as per AS 14.
3. Explain Minority Interest.
4. Explain the utility of valuation balance sheet.
5. Explain the term “annuity”.
6. Find out the amount of capital reserve when capital reduction a/c shows a balance of Rs.5,00,000, accumulated losses amounting to Rs.3,00,000, the preliminary expenses Rs.1,00,000 and the plant to be written down by Rs.40,000.
7. A Ltd declares a dividend of 25% on its shares of Rs.100 each, Rs.80 paid up. Calculate the amount of dividend per share.
8. Compute the amount to be appropriated out of premium for Reserve for unexpired risk from the following information relating to marine insurance.  
Premium received during the year ended 31-3-2010 Rs. 9,00,000. Reinsurance premium paid Rs.50,000 Outstanding premium Rs.1,50,000.
9. Find out goodwill at 5 years purchase of 4 years average profits  
I year Rs.2000 II year Rs.4000 III year Rs.6000 IV year Rs.8,000
10. On Oct 31,2007. R Bank discounted a bill of Rs.20,000@12% p.a. and the bill has on that date exactly four months to run including the days of grace. Calculate the amount of Rebate on bills discounted assuming the accounts are closed on 31<sup>st</sup> December 2007.

**SECTION – B**

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

11. Calculate managerial remuneration from the following particulars of C.Ltd. due to the managing director of the company at the rate of 5% of the profits. Also determine excess remuneration if any paid to the M.D.

| <b>Particulars</b>   | <b>Rs.</b> |
|--|------------|
| Net profit   | 3,20,000   |
| Net profit is calculated after deducting the following:                              |            |
| a. Depreciation  | 54,000     |
| b. Bonus   | 24,400     |
| c. Preliminary expenses  | 16,000     |
| d. Tax provision   | 4,96,000   |
| e. Director's fees   | 12,800     |
| f. Profit on sale of fixed asset ( original cost of Rs.32,000 and<br>WDV Rs. 17,600) | 24,800     |
| Provision for doubtful debts   | 14,400     |
| Scientific research expenditure on setting up new machinery                          | 32,000     |
| Managing director's remuneration paid  | 48,000     |
| Other information:   |            |
| (i) Depreciation allowable under income tax rules                                    | 60,000     |
| (ii) Bonus liability as per payment of Bonus Act 1965                                | 28,800     |

12. The following scheme of reconstruction is required for B Ltd.

Write off one half of the subscribed capital by reducing each Rs.100 share of both equity and preference share to Rs.50 per share, for wiping out goodwill, the debit balance of the P/L Account, revising Land and Building Account down by Rs.15000, Plant and Machinery A/C less by Rs.10,000 and to reserve the balance for bad debts.

| <b>Liabilities</b>                     | <b>Rs.</b>      | <b>Assets</b>          | <b>Rs.</b>      |
|--|-----------------|------------------------|-----------------|
| 2000 Preference shares of Rs. 100 each | 2,00,000        | Goodwill               | 1,00,000        |
| 3000 Equity shares of Rs.100 each      | 3,00,000        | Land and building      | 1,10,000        |
| Sundry creditors                       | 1,00,000        | Plant and<br>machinery | 90,000          |
|  |                 | Stock                  | 80,000          |
|  |                 | Debtors                | 90,000          |
|  |                 | Cash                   | 10,000          |
|  |                 | Profit and Loss A/C    | 1,20,000        |
|  | <u>6,00,000</u> |                        | <u>6,00,000</u> |

Pass journal entries and prepare the revised balance sheet of the company.

13. On 31 March 2008 , Bharat commercial Bank Ltd. Finds its advances classified as follows.

|                                    | <b>Rs.</b> |
|------------------------------------|------------|
| Standard assets                    | 14,91,300  |
| Sub-standards assets               | 92,800     |
| Doubtful assets                    |            |
| Doubtful upto one year             | 25,660     |
| Doubtful for one to three years    | 15,640     |
| Doubtful for more than three years | 6,580      |
| Loss assets                        | 10,350     |

Calculate the amount of provision to be made by the bank against the above mentioned advances.

14. A life insurance company disclosed a fund of Rs.20,00,000 and the balance sheet total of Rs. 45,00,000 on 31.3.2006 taking into consideration:
- A claim of Rs.10,000 intimated and admitted but not paid during the year.
  - A claim of Rs. 6,000 outstanding in the books for 8 years and written back.
  - Interest on securities accrued Rs.800 but not received during the year.
  - Premium of Rs.600 payable under reinsurance.
  - Reinsurance claims recoveries Rs.26,000.
  - Bonus utilized in reduction of premium Rs.10,000.
  - Agents commission to be paid Rs.8,000.
- Recalculate the Life Assurance Fund after incorporating the omissions.
15. Life fund of a life insurance company was Rs.86,48,000 as on 31.3.2006. The interim bonus paid during the inter-valuation period was Rs.1,48,000. The periodical actuarial valuation determined the net liability to be 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 policy holders in the ratio of 1:10.  
Show a) Valuation Balance sheet  
b) The net profit for the valuation period  
c) The distribution of surplus
16. The following is the balance sheet of R Ltd. as on 31.3.2008

| <b>Liabilities</b>                | <b>Rs.</b>      | <b>Assets</b>                  | <b>Rs.</b>      |
|-----------------------------------|-----------------|--------------------------------|-----------------|
| Equity share capital (Rs.10 each) | 3,00,000        | Fixed assets less depreciation | 3,75,000        |
| General reserve                   | 2,25,000        | Investments- non trading       | 1,50,000        |
| Profit and Loss Account           | 75,000          | Current assets                 | 2,25,000        |
| Current Liabilities               | 1,50,000        |                                |                 |
|                                   | <u>7,50,000</u> |                                | <u>7,50,000</u> |

The net profits for the years 2006, 2007 and 2008 are respectively Rs.1,12,500, 1,08,500 and 1,12,500. Goodwill may be taken as 3 years purchase of average super profits of trading on the basis of 10% normal profit on closing capital employed. The current assets are valued at Rs.3,22,500 at that time. Ascertain the Goodwill of the company.

17. On December 31 2005 , the balance sheet of a company disclosed the following position.

| <b>Liabilities</b>              | <b>Rs.</b>      | <b>Assets</b>  | <b>Rs.</b>      |
|---------------------------------|-----------------|----------------|-----------------|
| Issued capital in Rs. 10 shares | 4,00,000        | Fixed assets   | 5,00,000        |
| Reserves                        | 90,000          | Current assets | 2,00,000        |
| Profit and loss a/c             | 20,000          | Goodwill       | 40,000          |
| 5% Debentures                   | 1,00,000        |                |                 |
| Current liabilities             | 1,30,000        |                |                 |
|                                 | <u>7,40,000</u> |                | <u>7,40,000</u> |

On December 31,2005 the fixed assets were independently valued at Rs. 3,50,000 and goodwill at Rs.50,000. The net profits for the three years were 2003 - Rs.51,600: 2004 - Rs.52,000 and 2005 - Rs.51,650 of which 20% was placed to reserve, this proportion being reasonable in the industry to which the company belongs and where fair investment return may be taken as 10%. Compute the value of the company's share by (a) Net Asset Method (b) The Yield Method

## SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x20 = 40)

18. From the following information prepare the profit and loss account and the balance sheet of ABC Bank Ltd for the year ended 31<sup>st</sup> March 2002 in the prescribed form.

Trial balance as on 31<sup>st</sup> March 2002

|                                     | Rs. in '000 | Rs. in '000 |
|-------------------------------------|-------------|-------------|
| 20,000 Equity shares of Rs.100 each | -           | 2,000       |
| Money at call and short notice      | 800         | -           |
| Reserve fund                        | -           | 700         |
| Cash in hand                        | 650         | -           |
| Deposits                            |             | 2,500       |
| Cash at bank                        | 950         |             |
| Borrowings from SBI                 |             | 500         |
| Investment in govt. securities      | 900         |             |
| Secured loan                        | 1,500       |             |
| Cash credit                         | 500         |             |
| Premises less depreciation          | 580         |             |
| Furniture less depreciation         | 120         |             |
| Rent                                | 5           | 60          |
| Interest and discount               |             | 800         |
| Commission and brokerage            |             | 70          |
| Interest paid on deposits           | 300         |             |
| Salary and allowances paid to staff | 150         |             |
| Interest paid on borrowing          | 50          |             |
| Audit fees                          | 10          |             |
| Director's fees                     | 8           |             |
| Non- banking asset                  | 80          |             |
| Depreciation on bank's property     | 13          |             |
| Printing                            | 3           |             |
| Advertisement                       | 1           |             |
| Stationery                          | 5           |             |
| Postage and telegram                | 2           |             |
| Other expenses                      | 3           |             |
|                                     | 6630        | 6630        |

- (a) Provide Rs.20,000 for doubtful debts.  
 (b) Provide Rs. 10,000 on bills discounted but not matured on 31<sup>st</sup> march 2002.  
 (c) Acceptance and endorsement on behalf of customers Rs.4,00,000.  
 (d) Provide Rs.60,000 for taxes.

19. Given below is the balance sheet of M fire insurance company LTd as on 31.3.2006

|                                   | (Rs. In<br>'000) |                               | (Rs. In<br>'000) |
|-----------------------------------|------------------|-------------------------------|------------------|
| Claims paid                       | 1,14,315         | Reserve for unexpired risk    | 2,47,495         |
| Commission to agent               | 60,590           | Claims outstanding (1.4.2005) | 5,085            |
| Expenses of management            | 1,99,696         | Premium income                | 4,03,932         |
| Depreciation                      | 15,419           | Interest , dividend and rent  | 34,692           |
| Loss on sale of investment        | 23,169           | Share capital                 | 2,50,000         |
| Income tax on interest &<br>rent  | 10,625           | Investment reserve            | 24,690           |
| Agents balance                    | 54,792           | P/L A/c balance               | 33,581           |
| Investment in Govt Bonds          | 3,86,921         | Provision for tax             | 43,618           |
| Interest accrued on<br>investment | 6,028            | Sundry creditors              | 4,919            |
| Outstanding premium               | 4,019            |                               |                  |
| Advances and Deposits             | 12,122           |                               |                  |
| Cash and bank balance             | 65,650           |                               |                  |
| Furniture and motor car           | 94,666           |                               |                  |
|                                   | 10,48,012        |                               | 10,48,012        |

You are required to prepare Revenue A/c , P/L A/C and balance sheet as on 2006 having regard to the following.

The authorized capital has been issued and subscribed.

Reserve for unexpired risk is 50%.

Claims outstanding as on 31.3.2006 amounted to Rs.3,137 thousands.

Provide Rs.20,000 towards taxation.

20. From the following balance sheets relating to H Ltd and S Ltd. Prepare a consolidated balance sheet.

| Liabilities                                | H Ltd<br>Rs. | S Ltd<br>Rs. | Assets                                     | H Ltd Rs. | S Ltd<br>Rs. |
|--|--------------|--------------|--|-----------|--------------|
| Share capital<br>(shares of<br>Rs.10 each) | 10,00,000    | 2,00,000     | Sundry fixed assets                        | 8,00,000  | 1,20,000     |
| Profit and<br>Loss A/C                     | 4,00,000     | 1,20,000     | Stock                                      | 6,10,000  | 2,40,000     |
| Reserves                                   | 1,00,000     | 60,000       | Debtors                                    | 1,30,000  | 1,70,000     |
| Creditors                                  | 2,00,000     | 1,20,000     | Bills receivable                           | 10,000    | ---          |
| Bills payable                              | ---          | 30,000       | Shares in S Ltd at<br>cost (15,000 shares) | 1,50,000  | ---          |
|  | 17,00,000    | 5,30,000     |  | 17,00,000 | 5,30,000     |

All profits of S Ltd have been earned after the shares were acquired by H Ltd. But there was already a reserve of Rs.60,000 on that date.

All bills payable of S Ltd were accepted in favour of H Ltd.

The stock of H Ltd includes Rs.50,000 purchased from S Ltd. The profit added was 25% on cost.

21. The following are the balance sheets of Sun Ltd and Star Ltd.

Balance sheet as on 31-3-2004

| <b>Liabilities</b>             | <b>Sun Ltd<br/>Rs.</b> | <b>Star<br/>Ltd Rs.</b> | <b>Assets</b> | <b>Sun Ltd<br/>Rs.</b> | <b>Star<br/>Ltd Rs.</b> |
|--------------------------------|------------------------|-------------------------|---------------|------------------------|-------------------------|
| Equity shares of<br>Rs.10 each | 4,00,000               | 2,00,000                | Fixed assets  | 5,00,000               | 3,00,000                |
| Reserves                       | 1,60,000               | 1,60,000                | Stock         | 80,000                 | 40,000                  |
| Creditors                      | 60,000                 | 50,000                  | Trade Debtors | 30,000                 | 50,000                  |
|                                |                        |                         | Bank          | 10,000                 | 20,000                  |
|                                | <u>6,20,000</u>        | <u>4,10,000</u>         |               | <u>6,20,000</u>        | <u>4,10,000</u>         |

Sun Ltd. Agreed to absorb the business of Star Ltd. for an agreed price of Rs.5,00,000 payable in fully paid equity shares of Rs.10 each of Sun Ltd at a premium of Rs. 10 per share.

While computing the consideration the directors of Sun Ltd valued fixed assets of Star Ltd at Rs. 2,50,000 and stock at Rs. 45,000.

You are required to prepare important ledger accounts in the books of Star Ltd and give journal entries and balance sheet in the books of Sun Ltd assuming that the amalgamation is in the nature of purchase.

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