

**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 2013**

**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 'Purchase Consideration'.
2. What are the ways by which internal reconstruction can be made?
3. How do you calculate Cost of Control?
4. What is meant by "Re – insurance"?
5. Explain the meaning of "Non-Performing Assets".
6. X Ltd. agreed to absorb Y Ltd. by paying Rs. 10,00,000 to the shareholders. In addition they agreed to settle 1,000, 8% Debentures of Rs. 100 each in Y Ltd. at 20% premium by issuing their debentures of Rs. 100 each at 96%. Ascertain the face value and actual issue value of debentures to be issued.
7. A company has a paid up share capital of Rs. 6,40,000 divided into equity shares of Rs. 10 each, Rs. 8 per share paid up. The Profit & Loss Account shows a debit balance of Rs. 1,50,000. The company decides to reduce paid up share capital to Rs. 6 per share paid up. Pass the appropriate journal entries.
8. H Ltd. purchased 75% of shares in S Ltd. on 1.7.2011. On 31.12.2011 the Balance Sheet of S Ltd. showed Reserve Fund balance on 1.1.2011 Rs. 40,000. Profit earned during 2011 Rs. 60,000 and Preliminary expenses unwritten off Rs. 20,000. Calculate Capital Profit & Revenue Profits.
9. Calculate the net claim to be debited to Revenue A/C of an Insurance Company

	<b>Rs.</b>
Claims paid for the year ended 31.3.2012	5,75,000
Claims Outstanding on 1.4.2011	55,000
Claims Outstanding on 31.3.2012	98,000
Claims covered under reinsurance	28,000

10. From the following particulars relating to the Punjab Bank Ltd. ascertain the Profit balance carried over to the Balance Sheet:

	<b>Rs.</b>
Net Profit for the year	1,28,000
Profit brought forward from the previous year	1,20,000
Transfer to Statutory Reserve	25%
Transfer to Other Reserve	10%
Transfer to Proposed Dividend	20,000

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

11. ABC Ltd. is absorbed by XYZ Ltd. the consideration being:
- (1) The taking over of the trade liabilities of Rs. 40,000
  - (2) The payment of cost of absorption of Rs. 15,000
  - (3) The repayment of 'B' debentures of ABC Ltd. of Rs. 2,00,000 at par
  - (4) The discharge of 'A' debentures of Rs. 3,00,000 in the vendor co. at a premium of 10% by the issue of 8% debentures in XYZ Ltd. at par
  - (5) A payment of Rs. 20 per share in cash and the exchange of 4 fully paid Rs.10 shares in XYZ Ltd. at a market price of Rs.15 per share for every Rs. 50 share in ABC Ltd. which were 40,000 in number.
- You are required to find out the purchase consideration.
12. The paid-up capital of Sun Ltd. amounted to Rs. 2,50,000 consisting of 25,000 equity shares of Rs. 10 each. Due to losses incurred by the company continuously the directors of the company prepared a scheme for reconstruction which was duly approved by the court. The terms of reconstruction were as follows:
- (1) In lieu of their present holdings, the shareholders are to receive:
    - (a) Fully paid equity share capital to 2/5<sup>th</sup> of their holding
    - (b) 5% Preference shares fully paid-up to the extent of 20% of the above new equity shares.
    - (c) 3,000, 6% second debentures of Rs. 10 each
  - (2) An issue of 2,500, 5% first debentures of Rs. 10 each was made and fully subscribed in cash.
  - (3) The assets were reduced as follows:
    - (a) Goodwill from Rs. 1,50,000 to Rs. 75,000
    - (b) Machinery from Rs. 50,000 to Rs. 37,500
    - (c) Leasehold premises from Rs. 75,000 to Rs. 62,500
- Show the journal entries to give effect to the above scheme of reconstruction.
13. 'S' Ltd. has a capital of Rs. 2,00,000 in shares of Rs. 100 each out of which H Ltd. purchased 75% of the shares at Rs. 2,40,000. The profits of S Ltd. at the time of purchase of shares by H Ltd. were Rs. 1,10,000. S Ltd. decided to make a bonus issue out of pre acquisition profit of one share for every five shares held. Calculate the cost of control of acquiring shares of S Ltd.,
- (a) Before the issue of bonus shares ;
  - (b) After the issue of bonus shares.
14. The following balances are extracted from the books of AB Life Insurance Corporation :
- |                                     |                 |
|-------------------------------------|-----------------|
| Life insurance fund as on 31.3.2006 | Rs. 1,600 Lakhs |
| Net Liabilities as per valuation    | Rs. 1,200 Lakhs |
| Interim bonus paid                  | Rs. 150 Lakhs   |
- You are required to show : (a) the valuation Balance Sheet as on 31.3.2006 & (b) The distribution statement.

15. From the following balances prepare the P & L A/C of Canara Bank, in the revised format:

	Rs.
Interest received	5,42,260
Interest on deposits	1,60,520
Discount received	2,43,760
General expenses	1,82,420
Commission received	44,240
Bad debts	1,28,710

Note : Rebate on bills discounted Rs. 64,380

16. The following is the balance sheet of X Ltd:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share Capital (50,000 shares of 10 each)	5,00,000	Intangible Assets	50,000
Debentures	1,00,000	Fixed Assets	4,20,000
Creditors	50,000	Current Assets	1,10,000
		Profit & Loss A/C	70,000
	<u>6,50,000</u>		<u>6,50,000</u>

Y Ltd. agreed to absorb the above company on the following terms:

- (a) The assets of X Ltd. are to be considered as worth Rs.5,00,000.
- (b) The purchase price is to be paid one quarter in cash and the balance in shares which are issued at market price.
- (c) Y Ltd. agreed to take over all assets and liabilities.
- (d) Liquidation expenses amounted to Rs 300 agreed to be paid by X Ltd.
- (e) Market value of share of Rs. 10 each of Y Ltd. is Rs. 12 each, You are required to show:
  - (i) purchase consideration
  - (ii) ledger accounts in the books of X Ltd.

17. Star Ltd. had the following Balance Sheet as on 31.12.2011:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
6% Preference shares of Rs. 100 each	2,00,000	Goodwill	60,000
Equity shares of Rs. 100 each	4,00,000	Fixed Assets	3,00,000
Debenture	1,00,000	Stock	1,50,000
Sundry Creditors	1,50,000	Debtors	60,000
		Discount on Debentures	10,000
		Bank	1,000
		Profit & Loss A/C	2,69,000
	8,50,000		8,50,000

The following Reconstruction scheme was approved:

1. Preference shares be reduced to 8% Preference shares of Rs. 60 each
2. Equity shares to be reduced by Rs. 80 each
3. The amount thus made available to be utilized to write off Fictitious assets including Goodwill and Rs. 50,000 from fixed assets.

Give entries for the Reconstruction and the Final Balance Sheet.

## SECTION – C

ANSWER ANY TWO QUESTIONS:

( 2 x 15 = 30 )

18. The following are the Balance Sheets of H Ltd. and its subsidiary S Ltd. as on 31.3.2010:

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Share capital : Rs. 10 each fully paid	6,00,000	2,00,000	Plant & Machinery	3,00,000	1,00,000
General Reserve	1,50,000	70,000	Furniture	70,000	45,000
Profit & Loss A/c	70,000	50,000	70% shares in S Ltd. at cost	2,60,000	-
Creditors	90,000	60,000	Stock	1,75,000	1,89,000
			Debtors	55,000	30,000
			Cash at Bank	50,000	10,000
			Preliminary Expenses	-	6,000
	9,10,000	3,80,000		9,10,000	3,80,000

H Ltd. acquired the shares of S Ltd. on 30<sup>th</sup> June 2009. On 1<sup>st</sup> April 2009, S Ltd.'s general reserve and Profit & Loss account stood at Rs. 60,000 & 20,000 respectively. No part of the preliminary expenses was written off in the year ended 31.3.2010. Prepare consolidated balance sheet of H Ltd. and its subsidiary S Ltd. as on 31.3.2010, giving all your working notes separately.

19. From the following particulars, prepare a Profit & Loss A/c of New bank Ltd. for the year ended 31.12.2011:

	Rs. in '000
Interest on loans	260
Interest on fixed deposits	280
Interest on cash credits	225
Interest on current accounts	45
Interest on overdrafts	56
Interest on savings bank accounts	70
Rebate on bills discounted	50
Commission charged to customers	9
Establishment expenses	56
Discount on bills discounted	200
Printing and advertisements	3
Rent and taxes	20
Directors' and Auditor's fees	4
Postage and telegrams	2
Sundry charges	2

20. A Ltd. and B Ltd. agreed to amalgamate and form a new company, C Ltd. which takes over all assets and liabilities of the two companies:

In the case of A Ltd. the assets and liabilities are to be taken over at book values for shares in C Ltd. at the rate of 5 shares in C Ltd. at 10% premium (Rs. 11 per share) for every four shares of A Ltd.

In the case of B Ltd. :

- (i) The debentures of B Ltd. would be paid off by the issue of an equal number of 4% debentures in C Ltd. at a discount of 10%
- (ii) The holders of 6% preference shares of B Ltd. would be allotted four 7% preference shares of Rs. 100 each in C Ltd. for every five preference shares in B Ltd.
- (iii) The equity shareholders would be allotted sufficient shares in C Ltd. to cover the balance on their accounts after adjusting asset values by reducing Plant & Machinery by 10% and providing 5% on sundry debtors.

The summarized Balance Sheet of the two companies just prior to amalgamation were as follows:

<b>Liabilities</b>	<b>A Ltd. Rs.</b>	<b>B Ltd. Rs.</b>	<b>Assets</b>	<b>A Ltd. Rs.</b>	<b>B Ltd. Rs.</b>
Equity capital :			Plant &		
Shares of Rs.10 each	4,00,000	5,00,000	Machinery	8,00,000	8,00,000
6% Pref. Capital :			Stock	65,000	60,000
Shares of Rs.100 each	-	3,00,000	Debtors	95,000	50,000
4% Debentures	-	2,00,000	P & L A/C	-	1,40,000
P & L A/C	5,00,000	-	Bank	65,000	40,000
Contingency reserve	50,000	-			
Creditors	75,000	90,000			
	10,25,000	10,90,000		10,25,000	10,90,000

You are required to :

- (i) Calculate the purchase consideration for A Ltd. and B Ltd.
- (ii) Prepare necessary ledger account in the books of B Ltd.
- (iii) Prepare Balance Sheet of C Ltd.

21. Prepare from the following a Life Insurance revenue A/c and Balance Sheet as on 31.3.2006:

<b>Particulars</b>	<b>Rs. ('000)</b>	<b>Particulars</b>	<b>Rs. ('000)</b>
Claims by death	16,890	Outstanding interest on Advances (31.3.2006)	1,944
Agent's salaries & Allowances	6,420	Bonus paid with claims	2,700
Surrender values paid	2,810	Endowment assurance matured	24,415
Actuarial expenses	1,520	Annuities paid	1,350
Premiums	94,836	Interest revenue	19,060
Commission to Agents	8,900	Rent, Rates & Taxes	5,475
Salaries	13,500	General charges	1,860
Medical fees	1,200	Fees received	172
Travelling expenses	1,800	Bonus paid in cash	2,825
Director's fees	900	Advertisement	726
Agents balances	750	Consideration for annuities granted	12,853
Claim expenses	1,432	Printing & Stationery	650
Premium Outstanding (1.4.2005)	2,134	Claims O/S (1.4.05)	2,376
Premium Outstanding (31.3.2006)	3,143	Claims O/S (31.3.06)	3,735
Investments	1,46,700	Loans on Policies	38,300
Share capital	2,00,000	Loans on mortgages	2,90,560
Life Assurance fund (1.4.2005)	3,53,672	Freehold premises	1,22,600
Reserve Fund	1,46,000	Furniture & fittings	64,100
		Cash on hand & deposits	76,300

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