

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2008 – 2009)**

**SUBJECT CODE : CM/MC/AC64**

**B.Com. DEGREE EXAMINATION APRIL 2011**  
**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. How are fractional shares dealt with if the number of shares to be issued by purchasing company is in fraction?
2. What do you understand by 'consolidation' and subdivision of shares?
3. Distinguish between 'Capital Profits' and 'Revenue Profits' in the context of 'Holding company Accounts'
4. Explain the meaning of Double Insurance
5. What do you understand by 'Non Performing Assets'?
6. S Ltd was taken over by R Ltd. The following position was mutually agreed upon:

	<u>S Ltd</u>	<u>R Ltd</u>
No of Equity Shares	60,000	90,000
Face value of share	Rs.100	Rs.10
Net Assets	Rs.3,60,00,000	Rs.72,00,000.

As certain the intrinsic value of shares and ratio of exchange of shares.

7. Suguna Co. Ltd., has been suffering heavy losses in the past. So it has decided to go for reconstruction scheme by reducing 22,000 equity shares of Rs.100 each into Rs.50 each so as to write off accumulated losses of Rs.10,70,000. Give journal entries to record the above transaction.
8. On 1.7.2009, X Ltd, acquired 60% shares of Y Ltd (with a total Capital Rs.5,00,00) for Rs.3,80,000. The balance sheet of Y Ltd, showed P& L a/c balance on 1.1.2009. Rs.1,20,000 and profit for the year 2009 was Rs.1,00,000. Ascertain the value of goodwill or capital reserve.
9. Calculate the net claim to be debited to revenue a/c of an insurance company.

Claims paid for the year ended 31.03.2009	Rs.5,75,000
Claims outstanding on 1.4.2008	Rs. 55,000
Claims outstanding on 31.03.2009	Rs. 98,000
Claims covered under reinsurance	Rs. 28,000
10. From the following advances made by lucky Bank Ltd., you are required to compute the amount of provision to be shown in P&L a/c: -  
Standard Assets Rs.8000 Lakhs; sub standard Assets Rs.650 Lakhs Doubtful Assets (more than 3 years) Rs.100 lakhs; Loss Assets Rs.250 lakhs.

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

11. Following is the balance sheet of samy Ltd as on 31.03.2009 .

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
Share Capital:-			
8% preference shares of Rs.100 each	3,75,000	Fixed Assets	16,25,000
Equity shares of Rs.10 each	7,50,000	Investments	3,00,000
General reserve	4,50,000	Current Assets	2,50,000
7% debentures	3,50,000		
Current Liabilities	<u>2,50,000</u>		
	<u>21,75,000</u>		<u>21,75,000</u>

Calculate purchase consideration under Net payment method on the basis of the following:-

Romy Ltd, agreed to takeover the business of samy Ltd,

- (i) Romy Ltd, agrees to discharge 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.,
- (ii) Preference shares are discharged at a premium of 10% by issuing 10% preference shares of Rs.100 each in Romy Ltd.,
- (iii) For every 2 equity shares in Samy Ltd, 3 equity shares of Rs.10 each in Romy Ltd will be issued in addition to cash payment of Rs.3 per equity share in samy Ltd.,

12. The balance sheet of gloomy Ltd., was as follows on 30.06.2009

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
4000 Equity shares of Rs.100 each fully paid	4,00,000	Good will	60,000
6% debentures	2,00,000	Land & Buildings	1,00,000
Sundry creditors	2,50,000	Plant & Machinery	4,00,000
		Stock	90,000
		Sundry Debtors	60,000
		Preliminary Exp	10,000
		Profit & Loss A/C	<u>1,30,000</u>
	<u>8,50,000</u>		<u>8,50,000</u>

In order to reconstruct the company, wiping off fictitious and intangible assets and writing down plant & machinery to its proper figure of Rs.3,00,000, the shares were reduced to Rs.20 each. Court's approval was obtained. Draft the necessary journal entries and show the balance sheet after the scheme is put through.

13. Balance sheets as at 31.12.2009.

<u>Liabilities</u>	<u>H Ltd</u>	<u>S Ltd</u>	<u>Assets</u>	<u>H Ltd</u>	<u>S Ltd</u>
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Share Capital					
Re 1 each	10,000	5,000	Sundry assets	16,000	10,000
Reserve	5,000	---	Investments (5000		
P&L a/c	4,000	1,800	shares in S Ltd)	6,000	---
Creditors	3,000	3,200			
	<u>22,000</u>	<u>10,000</u>		<u>22,000</u>	<u>10,000</u>

Shares of S Ltd were purchased by H Ltd, on 30<sup>th</sup> June 2009. On 1<sup>st</sup> January 2009 the balance sheet of S Ltd, showed a loss of Rs.3000. Prepare the consolidated balance sheet.

14. On 1<sup>st</sup> April 2008, S Ltd, had a subscribed share capital of Rs.5,00,000 divided into 50,000 fully paid equity shares of Rs.10 each. It had accumulated capital and revenue profits to the tune of Rs.3,90,000 by that date when H Ltd acquired 80% of its shares for Rs.9,00,000. The profit earned by S Ltd amounted to Rs.2,60,000 for the year ended 31<sup>st</sup> March 2009 on which date S Ltd issued by way of bonus, one fully paid equity shares of Rs.10 for every five equity shares held out of its pre-acquisition profits.  
Calculate as on 31.03.2009 minority interest & capital reserve or goodwill just before the issue of bonus shares.

15. The balance sheet of Nipun Ltd, on 31<sup>st</sup> March 2009 was as follows:-

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
		Goodwill	90,000
8% preference shares of Rs.10 each	50,000	Land & Buildings	1,40,000
Equity shares of Rs.10 each	2,50,000	Machinery	37,500
General reserve	20,000	Furniture	15,000
6% debentures (Rs.100 Each)	20,000	Preliminary Expenses	1,000
Bank o/d	28,500	Profit & Loss a/c	1,25,000
Creditors	<u>40,000</u>		
	<u>4,08,500</u>		<u>4,08,500</u>

The capital reduction scheme, approved by the court is as under:-

- (i) Holders of 6% debenture of Rs.100 are to be given 8% debentures of Rs.50 and preference shares of Rs.10 each of equal amount, for the remaining amount of Rs.50 per debenture.
- (ii) The value of all preference shares including the preference shares given to debentures holders as shown above, is to be reduced to Rs.6 and the dividend rate is to be increased upto 9%.
- (iii) The value of equity share is to be reduced to Rs.2 each.
- (iv) The existing equity share holders are to purchase additional equity shares of Rs.1,00,000 for cash to pay off the bank o/d.
- (v) All fictitious and intangible assets are to be written off and machinery and furniture are to be written off in proportion of book values, with the help of general reserve and capital reduction a/c.

Pass necessary journal entries in the books of the company to record the above transactions. Prepare the company's balance sheet after such changes.

16. (a) On 31.03.2009 a bank held the following bills, discounted by it earlier:-

<u>Date of Bill</u> <u>2009</u>	<u>Term of Bill</u> <u>(month)</u>	<u>Discounted</u> <u>@ % p.a</u>	<u>Amount of bill</u> <u>Rs.</u>
(i) January 17	4	17	7,30,000
(ii) February 7	3	18	14,60,000
(iii) March 9	3	17.5	3,64,000

You are required to calculate the rebate on bills discounted. Also show the necessary journal entry for the rebate.

- (b) The trial balance of the Nedungadi Bank Ltd., as on 30<sup>th</sup> June, 2009 shows the following balances.

Interest and discount	Rs.45,40,600
Rebate on bills discounted (1.7.2008)	4,750
Bills discounted and Purchased	3,37,400

The unexpired discount as on 30.06.2009 is estimated to be Rs.5,560. Draft necessary adjusting entries and calculate the amount of interest and discount to be credited to P&L a/c.

17. From the following information relating to Lakshmi Bank Ltd., Prepare the Profit & Loss a/c for the year ended 31<sup>st</sup> December 2009.

	Rs.		Rs.
Rent received	72,000	Salaries & allowances	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

### SECTION – C

**ANSWER ANY TWO QUESTIONS:**

**( 2 x 15 = 30 )**

18. The following is the balance sheet of X co Ltd, as on 30<sup>th</sup> June 2009.

Liabilities	Rs.	Assets	Rs.
Share capital:		Goodwill	35,000
2,000 Shares of Rs.10 each	2,00,000	Land & Buildings	85,000
Reserves	20,000	Plant & Machinery	1,60,000
5% debentures	1,00,000	Stock	55,000
Loan from A (a director)	40,000	Sundry debtors	65,000
Sundry Creditors	80,000	Cash at Bank	34,000
		Discount on debentures	6,000
	<u>4,40,000</u>		<u>4,40,000</u>

The business of the company is taken over by Y Co. Ltd, as on that date on the following terms:-

- (i) 'Y' Co. to take over all assets except cash, to value the assets at book value less 10% except goodwill which is to be valued at 4 years purchase of the excess of average (5 years) profits over 8% of the combined amount of the share capital and reserves.
- (ii) 'Y' Co. Ltd, to take over trade liabilities at a discount of 5%
- (iii) The purchase consideration was to discharged in cash to the extent of Rs.1,50,000 and the balance in fully paid equity shares of Rs.10 each valued at Rs.12.50 per share. The average of the 5 years profits was Rs.30,100. The expenses of absorption Rs.4000 were paid by X Co. Ltd. pass journal entries in the books of X co Ltd, to close the above transaction and prepare the necessary ledger accounts.

19. The following balance sheets is presented to you. A Ltd acquired the shares on 1.4.2009. The P&L a/c of B Ltd showed a debit balance of Rs.75,000 on 1.1.2009. Trade Creditors of B Ltd, include Rs.10,000 for goods supplied by A Ltd, on which A Ltd made a profit of Rs.1000, Half of the goods were still in stock on 31.12.2009.

Balance Sheet as at 31.12.2009

<u>Liabilities</u>	<u>A Ltd</u> Rs.	<u>B Ltd</u> Rs.	<u>Assets</u>	<u>A Ltd</u> Rs.	<u>B Ltd</u> Rs.
Shares capital:-			Fixed assets	1,75,000	75,000
Shares of Rs.50 each	2,50,000	1,00,000	Stock in trade	75,000	20,000
General Reserve	50,000	--	Debtors	30,000	15,000
Profit & Loss A/C	40,000	--	Shares in B Ltd		
6% debentures	--	50,000	1500 at Rs.40	60,000	--
Trade creditors	37,500	22,500	Cash at bank	37,500	12,500
			Profit & Loss a/c	---	50,000
	<u>3,77,500</u>	<u>1,72,500</u>		<u>3,77,500</u>	<u>1,72,500</u>

Prepare the consolidated Balance Sheet.

20. The following balances are extracted from the books of seema Insurance company as on

	Rs.		Rs.
31.03.2009.			
Claims paid:		Audit Fees	13,000
Fire	1,00,000	Directors fees	36,000
Marine	87,000	Interest and dividend on	
Premium less reinsurance		Investment	63,000
Paid during the year		Reserve for unexpired risk	
Fire	3,74,000	On 1.4.2008:- Fire	2,10,000
Marine	2,97,000	Marine	2,40,000
Commission on re-insurance		Additional Reserve	
Ceded:- Fire	13,000	Fire	60,000
Commission :-		Marine	10,000
Fire	62,000	Claims outstanding:-	
Marine	51,000	Fire	24,000
Expenses of Management		Marine	11,000
Fire	86,000	Premium outstanding	
Marine	51,000	On:1.4.2008:- Fire	26,000
Depreciation on assets	36,000	Marine	17,000
Loss on sale of Investment	8,000		

Additional Information:-

- Premium outstanding on 31.03.2009:- Fire Rs.30,000  
Marine Rs.15,000
- Claims Outstanding on 31.03.2009:- Fire Rs.46,000  
Marine Rs.17,000.

Out of the above, fire claims amounting to Rs.11,000 was covered by re-insurance.

- Reserve for unexpired insurance to be maintained at 50% and 100% of the net premium of fire and marine respectively.
- Additional reserve for fire to be kept at 20% of net premium and for marine Rs.10,000.
- Interest accrued on investments Rs.13,000.

Prepare Revenue account and P&L a/c for the year ended 31.03.2009.

21. From the following you are required to prepare the P&L a/c and the Balance Sheet of Chennai Bank Ltd, as on 31.12.2009.

Trial Balance as on 31.12.2009 (Rs. In Lakhs)

<u>Debit Balances</u>	<u>Rs.</u>	<u>Issued Credit Balances</u>	<u>Rs.</u>
Money at call & short notice	800	Capital	
Cash on hand	650	20,00,000 Shares of Rs.100 each	2,000
Cash at bank	950	Reserve fund	700
Investment in Govt. securities	900	Deposits	2,500
Secured loan	1,500	Borrowings from SBI	500
Cash credit	500	Interest and discount	800
Premises less depreciation	580	Rent	60
Furniture less depreciation	120	Commission & brokerage	70
Rent	5		
Interest paid on deposits	300		
Salary and allowances paid to staff	150		
Interest paid on borrowings	50		
Audit and Director's fees	18		
Non- Banking assets	80		
Printing and other operating exp.	27		
	<u>6,630</u>		<u>6,630</u>

Adjustments:-

- (a) Provide Rs.20 Lakhs for Doubtful Debts.
- (b) Provide Rs.10 Lakhs on bills discounted but not matured on 31.3.2009
- (c) Acceptances and endorsements on behalf of customers amounting to Rs.400 Lakhs
- (d) Provide Rs.60 lakhs for Taxes.

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