

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted from the academic year 2004-05)

SUBJECT CODE : CM/SC/AC64

B.Com. DEGREE EXAMINATION APRIL 2007
COMMERCE
SIXTH SEMESTER

COURSE : SPECIALIZATION – 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' as per AS-14.
2. Distinguish between Internal Reconstruction and External Reconstruction.
3. What is Non-Performing Asset?
4. Give the meaning of 'Subsidiary Company'.
5. What is a 'Valuation Balance Sheet'?
6. Compute the amount to be appropriated out of premium for Reserve for Unexpired Risk from the following relating to Fire Insurance business.

Premium Received (during the year 31.3.01)	-	9,00,000
Reinsurance Premium Paid	-	50,000
Outstanding Premium	-	1,50,000
7. S Ltd has in stock goods worth Rs.10,000 supplied by its parent company H Ltd on which the later made a profit of 20% on cost. The controlling interest of H Ltd in S Ltd is 80%. The stock should be shown in consolidated Balance Sheet at
a) Rs.10,000 b) Rs.5,000 c) 8,400 d) Rs.7,500
8. For the advances made by Lucky Bank Ltd, you are requested to compute the amount of provision to be shown in P/L a/c
Standard asset Rs.8,000 lakhs ; Substandard assets Rs.650, Doubleful asset (More Than 3 years Rs.100 lakhs, Loss Assets Rs.250 lakhs.
9. B Ltd agreed to absorb A Ltd upon the following terms:
Shares of A Ltd are to be considered as worth Rs.12 each of which share holders are to be paid one quarter is cash and the balance in Rs.100 shares of B Ltd which are to be issued at 25% premium. Total shares were 10,000 in B Ltd and 20,000 in A Ltd. Ascertain the number of shares to be issued by B Ltd.

10. In order to eliminate the accelerated loss of Rs 45,000 from the Balance Sheet of a company, it has decided to convert its 15000, 7% preference shares of Rs.10 each into 6% preference shares of Rs.10 each, Rs.6 paid up. Show journal entries in the books of the company.

SECTION - B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. S Ltd has a capital of Rs.75,00,000 in shares of Rs.100 each out of which H Ltd purchased 60% shares at Rs.70,00,000. The profits of S Ltd at the time of purchase of shares by H Ltd were Rs.40,00,000. S Ltd, decided to make a bonus issue out of pre-acquisition profits of one share of Rs.100 each fully paid for every three shares held. Calculate the cost of control of acquiring shares of S Ltd before and after the issue of bonus shares.

12. The Balance sheet of N Ltd as at 31 March 2006 was as follows:

	Rs.		Rs.
2000 Preference		Goodwill	- 15,000
Shares of Rs.100 each - 2,00,000			
4000 Equity		Freehold properties	- 2,00,000
Shares of Rs.100 each - 4,00,000		Plant & Machinery	- 3,00,000
5% Mortgage Debenture - 1,00,000		Stock in trade	- 50,000
Bank over draft - 50,000		Debtors	- 40,000
Creditors - 1,00,000		P/L A/C	- 2,45,000
	8,50,000		8,50,000

The company got the following scheme of capital reduction:

- (i) The preference shares to be reduced to Rs.75 per share, fully paid up and the equity shares to Rs.37.50.
 - (ii) The debenture holders took over the stock and the book debts in full satisfaction of the amount due to them.
 - (iii) Goodwill Account to be eliminated
 - (iv) Freehold properties to be depreciated by 50%
 - (v) Value of Plant and Machinery to be increased by Rs.50,000
- Give journal entries for the above and prepare revised Balance Sheet.
13. Bharat Life Insurance company gets its valuation made once in every 2 years. It's Life Fund on 31st March 2002 stood at Rs.45,65,000 before providing for Rs.45,000 being the share holders dividend for 2002. Its actual valuation on 31st March 2002 disclosed a let liability of Rs.32,20,000. An interim bonus of Rs.80,000 was paid to the policy holders during the previous 2 years.
- Prepare a statement showing the amount now available as bonus to policy holders as per LIC Act.

14. The revenue account of a Life Insurance corporation showed a balance of Rs.4,75,000 at the end of March 2001 before considering the following:
- (i) Bonus utilized in reduction of premium Rs.45,000
 - (ii) Outstanding premium Rs.1,00,000
 - (iii) Interest accrued on investments less income tax Rs.25,000
 - (iv) claims covered under reinsurance Rs.5,000
- Incorporating the adjustments recompute the balance of Life Assurance Fund.

15. Given below is an extract from the trial balance of a bank as on 31st March 2006.

Bills discounted		Rs.12,64,000
Rebate on bills discounted (or unexpired discount on April 1 st 2005)		Rs. 8,000
Discount Received		Rs. 85,000

An analysis of bills discounted as shown above shows the following.

Amount (Rs.)	Due date	Rate of discount
1,40,000	June 4, 2006	5%
4,36,000	June 10, 2006	4.5%
2,82,000	June 24, 2006	6%
3,80,000	July 5, 2006	4%

Find out the discount to be transferred to profit and loss account,

16. K Ltd had the following Balance Sheet as on 31st March 2005.

Liabilities	Rs.	Assets	Rs.
10,000 Equity Shares of Rs.100 each	10,00,000	Fixed Assets	8,00,000
Capital Reserve	2,00,000	Current Assets	4,00,000
Bank Loan	2,00,000	Cash at bank	2,00,000
Trade Creditors	3,00,000	Profit loss A/C	3,00,000
	<u>17,00,000</u>		<u>17,00,000</u>

External Reconstruction was proposed. Hence M Ltd was incorporated to take the fixed assets and 60% of the current asset at an agreed value of Rs.9,00,000 to be paid as to Rs.7,40,000 in equity shares of Rs.10 each and the balance in 9% debentures. The debentures were accepted by the bank in settlement of the loan.

Give journal entries in the books of M Ltd and the initial balance sheet of M Ltd if amalgamation is in the nature of purchase as per Rs.14.

17. Prepare Profit and Loss A/C for the year ending 21 March 2006 of "v" Bank Ltd from the following particulars.

	(Rs'000)		(Rs'000)
Interest on Loan	250	Discount on bills discounted	40
Interest on Saving A/C	150	Rent & Taxes	5
Interest on Cash Credit	160	Commission, Exchange and Brokerage	15
Interest on Fixed Deposit	190	Audit fees	10
Interest on over draft	70	Director's fees	20
Payment to employers	150		

SECTION - C

ANSWER ANY TWO QUESTIONS:

(15 x 2 = 30)

18. The following ledger balances of ABC Bank Ltd are furnished below. Prepare Final A/Cs of the Bank.

	(Rs'000)		(Rs'000)
Statutory Reserve	1,200	Commission	45
Bad debts written off	128	Cash	225
Operating Expenses	182	Interest earned	550
Current Account	20,245	Balance with RBI	2,030
Interest paid	160	Balance with foreign bank	1,206
Deposit Accounts	6,920	Borrowing from Banks	6,482
P/L bal b/f	229	Cash credit & over drafts	15,457
Bills for Collection	1,500	Investments	9,882
Discount	244	Bills Discounted	6,228
Endorsement & Guarantees	575	Premises	2,217
		Share Capital	2,000

The following further information is furnished.

- (i) Rebate on bills discounted to be provided Rs.64,000
- (ii) The bank had paid a dividend of Rs.2,00,000 during the year.

19. From the Balance Sheets and information given below prepare consolidated balance sheet.

Balance Sheet as on 31st March 2005.

	H	S		H	S
Share Capital (Rs.10 fully paid)	10,00,000	2,00,000	Sunday Asset	8,00,000	1,20,000
Profit & Loss A/c	4,00,000	1,20,000	Stock	6,10,000	2,40,000
Reserve	1,00,000	60,000	Debtor	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 15000 at cost	<u>1,50,000</u>	<u>-</u>
	<u>17,00,000</u>	<u>5,30,000</u>		<u>17,00,000</u>	<u>5,30,000</u>

- (i) All profits of S Ltd has been earned since the shares were required by H, but there was already a reserve of Rs.60,000 at that date.
(ii) The bills accepted by S Ltd Rs.10,000 are in favour of H Ltd.
(iii) Sundry assets of S are undervalued by Rs.20,000
(iv) The stock of H includes Rs.50,000 bought from S at a profit to the latter of 25% on cost.

20. S Ltd agrees to absorb the business of V Ltd on the basis of the following balance sheet as on 31st March 1998.

	Rs.		Rs.
40,000 shares of Rs.50 each, Rs.30 called and paid up	12,00,000	Land & Building	5,00,000
Reserves		Machinery	1,00,000
Profit & Loss A/C	1,20,000	Stock	6,00,000
Creditors	1,50,000	Investment	20,000
		S.Dr 4,60,000	
		Loss <u>20,000</u>	4,40,000
		P B D	
		Cash at bank	<u>60,000</u>
	<u>17,20,000</u>		<u>17,20,000</u>

S Ltd took over all the assets and liabilities of V Ltd subject to the retention of Rs.30,000 cash to provide for costs of liquidation and to satisfy any dissenting share holders.

The consideration for the sale is the allotment of one share of Rs.100 (Rs.50 paid up) in S Ltd for every 2 shares in V Ltd. The market value of the Rs.50 paid up share of S Ltd on that date was Rs.70 per share.

The liquidator of v Ltd has paid, out of Rs.30,000 retained, the cost of liquidation of Rs.20,000 and dissenting share holders of 200 shares at Rs.32.5 per share, totaling Rs.6,500.

Prepare ledger accounts in the books of V Ltd.

21. From the following details, prepare the Revenue A/C, P/L A/C and Balance Sheet of Marine Insurance Company Ltd for the year ended 31.3.1990.

	Rs.		Rs.
Agents balance (Dr)	1,46,400	Share Capital	15,00,000
Interest accrued but not due	8,200	Balance of Marine Fund (1.1.89)	7,60,000
Fixture & Furniture (cost 12,600)	8,400	Unclaimed dividend	2,400
Stock of Stationary	2,500	P/L A/C (or)	2,40,000
Expenses of Management	2,20,000	Sundry Creditor	12,600
Foreign taxes & insurance	12,300	Due to reinsures	60,000
Out standing premium	21,200	Premium less reinsurance	12,40,000
Donation paid	8,600	Interest & Dividend	2,40,000
Advance income tax paid	62,000	Transfer fees recorded	600
S. Debtors	9,200		
Government of India	9,20,000		
Securities			
Debentures of Public bodies	1,80,000		
Shares in limited companies	3,60,000		
State Govt. securities	8,80,000		
Claims less Reinsurance	10,60,000		
Commission Paid	62,400		
Cash and bank balances	94,400		

Outstanding claims on 31.3.1990 were Rs.1,40,000. Depreciation on furniture to be provided at 20% per annum.

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