

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

**SUBJECT CODE : CM/SC/AC64**

**B.Com. DEGREE EXAMINATION APRIL 2008**

**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. What do you understand by 'Minority Interest'?
2. What is Re-insurance.
3. How will you treat the Bonus shares issued by subsidiary company while preparing consolidated Balance Sheet?
4. Distinguish between Internal Reconstruction and External Reconstruction.
5. Differentiate between amalgamation in the nature of merger and purchase.
6. Net Assets and number of shares are Rs.9,00,000, Rs.18,00,000, 5,000 & 80,000 for companies A & B respectively. Find out number of shares to be issued by 'B' Co to & 'A' Co on the basis of Intrinsic Value.
7. The subsidiary company 'S' accepted Rs.30,000 bills payable out of which Rs.25,000 were in favour of the holding company 'H' . the Holding Companies Balance Sheet shows Bills Receivable of Rs.70,000 which included bills from 'S' Rs.15,000. show how these items would appear in the consolidated Balance Sheet.
8. A Ltd is absorbed by B Ltd, the consideration being, the takeover of liabilities, the payment of cost of absorption Rs.10,000, the payment of debentures of Rs,5,00,000 and payment of Rs.15 per share in cash and allotment of 5 equity shares of Rs.10 each fully paid for every four shares in A Ltd. The number of shares of 'A' Ltd are 2 lakhs of Rs.10 each fully paid. Compute the amount of purchase consideration.
9. X Ltd is having 1,00,000 shares of Rs.10 each fully paid. After the formalities these are sub-divided into shares of Rs.1 each. Pass the necessary journal entry.
10. Compute the net premium to be credited to Revenue A/c from the following  
Rs.

Premium received during the year ended 31.3.06	16,00,000
Reinsurance Premium Paid	5,40,000
Reinsurance Premium received	6,20,000
Bonus in reduction of Premium (not yet adjusted)	20,000

## SECTION - B

ANSWER ANY FIVE QUESTIONS:

( 5 x 8 = 40 )

11. The following is the Balance Sheet of United Industries Ltd. on 31
- <sup>st</sup>
- Dec.98

Liabilities	Rs.	Assets	Rs.
Share capital:		Goodwill	45,000
6,000 6% preference shares		Land & Buildings	6,00,000
of Rs.100 each	6,00,000	Plant & Machinery	9,00,000
12,000 equity shares of		Stock	1,30,000
Rs.100 each	12,00,000	Debtors	1,40,000
8% Debentures	3,00,000	Cash	15,000
Bank overdraft	3,00,000	Profit & Loss A/c	7,00,000
Sundry creditors	1,50,000	Preliminary expenses	20,000
	<u>25,50,000</u>		<u>25,50,000</u>

On the above data, the company adopted the following scheme of reconstruction:

- i) The equity shares are to be reduced to shares of Rs.40 each fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each.
- ii) The debentureholders took over stock and debtors in full satisfaction of their claims.
- iii) The Land & Buildings to be appreciated by 30% and Plant & Machinery to be depreciated by 30%.
- iv) The fictitious and intangible assets are to be eliminated
- v) Expenses of reconstruction amounted to Rs.5,000.

Give journal entries incorporating the above scheme of reconstruction.

12. A Life Assurance Fund has been ascertained without adjusting the following. You are required to calculate the correct Life Assurance Fund.

	Rs.
Life Assurance fund, as ascertained	56,70,000
Premiums outstanding	2,30,000
Claims outstanding	1,80,000
Claims covered under reinsurance	20,000
Claims of last year paid during this year	5,000
Bonus paid in cash	14,000
Bonus utilised in reduction of premium	16,000
Interest and dividend accrued	7,500
Income tax thereon	800

13. The following is the balance sheet of D Ltd. on 31/12/05.

Liabilities	Rs.	Assets	Rs.
Capital: 4000 shares	4,00,000	Buildings	1,70,000
of Rs.100 each			
General Reserve	74,000	Buildings	4,00,000

		<b>CM/SC/AC64</b>	
Profit & Loss A/c	5,600	Investments	50,600
5% Debentures	2,50,000	Stock	80,700
Creditors	1,28,700	Debtors	1,40,500
		Cash at Bank	16,500
	8,58,300		8,58,300

D Ltd was absorbed by N Ltd on the above mentioned date on the following terms & conditions:

- a) N Ltd to assume all liabilities and the acquire all assets except investments which were sold by D Ltd for Rs.45,500.
  - b) Discharge the debentures at a discount of 5% by the issue of 7% debentures in N Ltd.
  - c) Issue of two shares of Rs.60 each in N Ltd at Rs.65 per share and also to pay Rs.2 in cash to the shareholders of D Ltd in exchange for one share in D Ltd.
- Show the Realisation Account.

14. A public limited company passed the necessary resolutions for the reduction of its share capital by Rs.5,00,000 for the purposes enumerated hereunder. a) to write off the debit balance of profit & loss account of Rs.2,10,000 b) to reduce the value of machinery by Rs.90,000 and goodwill by Rs.40,000. c) To reduce the value of investments to market value by writing off Rs.80,000.
- The reduction was made by converting 50,000 preference shares of Rs.20 each fully paid to the same no. of preference shares of Rs.15 each fully paid and by converting 50,000 ordinary shares of Rs.20 each into Rs.15 each.
- Give journal entries in relation to the reduction of share capital.

15. Consolidate the following Balance Sheets.

	H	S		H	S
	Rs.	Rs.		Rs.	Rs.
Capital			Sundry Assets	8,850	15,100
Rs.10 share	14,000	10,000			
Creditors	3,500	1,900	Shares in 'S' Ltd.		-
			900 shares	11,250	
Profit & Loss A/C	2,600	3,200		20,100	15,100
	20,100	15,100			

On the date of acquisition of shares by H Ltd in S LTd, the credit balance of S Ltd in the profit & Loss account was Rs.2,200.

16. From the following particulars, Prepare Profit & Loss account of Safety Bank for the year ended 31/12/06.

	Rs.		Rs.
Interest & Discount	32,00,000	Commission	1,00,000
Interest on Loans	24,90,000	Auditors Fees	35,000
Discount on bills Discounted	14,90,000	Rent & Taxes	2,00,000
Sundry Charges	1,00,000	Director's fees	15,000
Interest on Overdrafts	16,00,000	Bad debts	3,00,000
Interest on Cash Credits	23,20,000		
Payment to employees	5,00,000		

Provide for Income tax at 50% of Net Profit.

17. On 31.3.2002 the books of Popular Insurance Co. Ltd contained the following information in respect of Fire Insurance.

	Rs.
Reserve for unexpired risks on 1.4.2001	2,00,000
Additional Reserve on 1.4.2001	40,000
Claims paid	2,40,000
Outstanding claims on 31.3.2002	36,000
Outstanding claims on 1.4.2001	26,000
Re-insurance premia paid	30,000
Re-insurance premia recovered	8,000
Interest & dividends	21,800
Profit on sale of investments	8,400
Commission	60,800
Premium	4,84,000

Prepare Fire Insurance Revenue Account for the year ending 31.3.2002.

### SECTION – C

**ANSWER ANY TWO QUESTIONS:**

**( 15 x 2 = 30 )**

18. The following were the balance sheets of H Ltd & S Ltd as at 31/3/2003.

	H Ltd	S Ltd		H Ltd	S Ltd
	Rs.	Rs.		Rs.	Rs.
Equity Shares of Rs.100 each	20,00,000	1,50,000	Buildings	5,00,000	-
General Reserve	1,00,000	50,000	Machinery	14,95,000	1,75,000
Profit & class A/C			Stock	1,50,000	1,40,000
Bal. On 1/4/2002	1,50,000	80,000	Debtors	1,40,000	1,30,000
Profit for 2002-03	1,60,000	1,00,000	Cash	25,000	10,000
Creditors	1,20,000	90,000			

Bank overdraft	1,00,000	-	1200 shares of S Ltd.	3,60,000	-
Bills payable	40,000	-	Bills Receivable	-	15,000
	<u>26,70,000</u>	<u>4,70,000</u>		<u>26,70,000</u>	<u>4,70,000</u>

Consider the following information and prepare consolidated Balance sheet as at 31.03.2003.

- 1) The shares of S Ltd were acquired by H Ltd on 1<sup>st</sup> October 2002.
- 2) Bills Receivable held by S Ltd are all accepted by H Ltd.
- 3) The credits of H Ltd include Rs.20,000 out of Rs.40,000 purchase made from S Ltd on 1.12.02 on which the latter company made a profit of Rs.10,000.
- 4) Stock of H Ltd includes Rs.16,000 at cost purchased from S Ltd, that is part of Rs.40,000 purchase.

19. From the following balances of Saraswati Bank Ltd as on 31/12/2004 prepare its Balance Sheet in the prescribed form.

	Rs.		Rs.
Paid up Share capital	20,00,000	Bills Discounted	18,00,000
Reserve Fund	7,70,000	Cash Credits	20,00,000
Unclaimed Dividends	10,000	Overdrafts	8,00,000
Current Deposits	38,00,000	Loans	46,00,000
Profit & Loss A/C (Cr)	2,20,000	Furniture	40,000
Stamps & Stationary	10,000	Cash in hand	5,00,000
Branch Adjustments (Dr)	1,70,000	Cash with RBI	13,00,000
Investments	9,50,000	Loans (Cr)	12,00,000

Recurring Deposits 10,00,000, Fixed Deposits 20,00,000, Cash certificates 10,00,000  
Contingency Reserve 1,70,000.

- Adjustments: a) Rebate on bills Discounted Rs.10,000.  
b) Provide Rs.80,000 for Doubtful Debts.  
c) Bank's acceptances on behalf of customers were Rs.6,50,000.

20. Ajanta Ltd Agreed to acquire the business of Elora Ltd as on 31/12/2007. The Balance sheet of Elora Ltd as on that date was as under:

Liabilities	Rs.	Assets	Rs.
1000, 6% preference shares of Rs.100 each	1,00,000	Land & Buildings	2,00,000
20,000 Equity Shares	2,00,000	Machinery	1,00,000
Reserve	50,000	Stock	2,00,000
7% debentures	1,00,000	Debtors	50,000
Creditors	1,50,000	Cash	35,000
	<u>6,00,000</u>	Profit & Loss A/C	15,000
			<u>6,00,000</u>

The consideration payable by Ajanta Limited was agreed as under:

- 1) The preference shareholders of Elora Ltd were to be allotted 8% preference shares of Rs.1,10,000.
- 2) Equity share holders to be allotted six equity shares of Rs.10 each issued at a premium of 10% and Rs.3 cash against every Five Shares held
- 3) 7% Debenture holders of Elora Ltd to be paid by 9% Debentures at 8% premium

While arriving at the agreed valuation, the directors of Ajanta Ltd value land & building of Rs.2,50,000, Stock Rs.2,20,000 and provided 5% on debtors for doubtful debts.

Close the books of Elora Ltd and give journal entries in the books of Ajanta Ltd.

21. The balance sheet of National Industries as at 31/12/2005 was as follows:

Liabilities	Rs.	Assets	Rs.
2000, preference shares of Rs.100 each	2,00,000	Goodwill	15,000
4,000 Equity Shares	4,00,000	Freehold property	3,00,000
5% Debentures	1,00,000	Plant & Machinery	2,00,000
Bank overdraft	50,000	Stock	50,000
Creditors	1,00,000	Debtors	40,000
		Profit & Loss A/C	2,45,000
	8,50,000		8,50,000

The company gets the following scheme of reduction approved by the court.

- a) the preference shares to be reduced to Rs.75 per share, fully paid up and equity shares to Rs.37.50
- b) The debenture holders took over the stock in trade and books debts in full satisfaction of the amount due to them.
- c) The good will account to be eliminated.
- d) The value of freehold properties to be increased by Rs.50,000.
- e) The plant & Machinery to be depreciated by 50%.

Give the journal entries for the above and prepare the revised balance sheet.

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