

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

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

**M.Com. DEGREE EXAMINATION NOVEMBER 2013**  
**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 do you mean by share capital?
2. Write a short note on reduction of share capital.
3. Define Holding company.
4. What is re-insurance
5. What is yield value of share?
6. D Ltd earned profit after tax of Rs.10,00,000 in 20012-02 and it wanted to pay a dividend of 18% on its capital of Rs.30,00,000. What will be the balance left in the profit and loss A/c .
7. R Ltd having a share capital of Rs.3,00,000 divided into 3,000 shares of Rs.100 each, resolve to sub-divide the shares into 30,000 shares of Rs.10 each. Pass necessary journal entry.
8. X Ltd purchased 60% shares of Y Ltd on 1.1.02 when the balance on their P&L a/c and General reserve were Rs.1,50,000 and 1,60,000 respectively. On 31.12.02 the balance sheet of Y Ltd. Showed P&L a/c balance of Rs.4,00,000 and general reserve Rs.3,00,000. Calculate Capital profits and revenue profits.
9. For the following advances made by L Bank Ltd, you are required to compute the amount of provision to be shown in P&L A/c.  
Standard asset 8,000 Lakhs; sub-standard asset 650 Lakhs; Doubtful asset (More than 3 years)100 Lakhs; Loss Assets 250 Lakhs.
10. Normal profit –Rs.20,000  
Average Profit-Rs.30,000  
Normal rate -10%  
Calculate goodwill under capitalization method.

**ANSWER ANY FIVE QUESTIONS:**

**(5 x 8 = 40)**

11. R Ltd agrees to purchase the business of M Ltd. On the following terms
- (a) For each of the 10,000 shares of Rs.10 each in M Ltd. 2 shares in R Ltd of Rs.10 each will be issued at an agreed value of Rs.12 per share. In addition Rs. 4 per share cash also will be paid
  - (b) 8% Debentures worth Rs.80, 000 will be issued to settle the Rs.60,000 9% debentures in R Ltd.
  - (c) Rs.10,000 will be paid towards expenses of winding up.
- Calculate the purchase consideration.

12. The profits of T Ltd for the last 5 year were as follows

1994- Rs.15,000

1995- Rs.18,000

1996- Rs.22,000

1997- Rs.25,000

1998- Rs.27,000

Compute the value of goodwill of T Ltd. On the basis of 4 years purchase of weighted average profit after assigning weights 1,2,3,4 and 5 respectively to the profits

13. The Trial balance of the New bank Ltd, as on 30<sup>th</sup> June 1984 shows the following balances

Interest and discount                      Rs. 45,40,600

Rebate on bills discounted (1.7.83)-Rs. 4,750

Bills discounted and purchased -    Rs.3,37,400

The unexpired risk as on 30.6.84 is estimated to be Rs.5,560. Draft necessary adjusting entries and calculate the amount of interest and discount to be credited to profit and loss A/c .

14. The Life fund of a Life insurance company on 31.3.2006 showed a balance of Rs.54, 00,000. However the following items were not taken into account while preparing the revenue A/c for 2005-06. Ascertain the correct life fund balance.

(a) Interest and dividends accrued on investment -    Rs.20,000

(b) Income tax deducted at source on the above -    Rs.6,000

(c) Reinsurance claims recoverable -                      Rs.7,000

(d) Commission due on reinsurance premium paid-    Rs.10,000

(e) Bonus in reduction of premiums-                      Rs.3,000

15. H Ltd acquired 3,000 equity shares in S Ltd on 1.4.1987. on 31.12.87 the balance sheet of S Ltd was as follows

Liabilities	Asset
Share capital	Sundry asset                      6,40,000
4,000 Equity shares of Rs.100 each                      4,00,000	
General reserve 1.1.87                      80,000	
P& L A/c	
Balance on 1.1.87    20,000	
Profit for 1987 <u>80,000</u> 1,00,000	
Creditors                                      60,000	
<u>6,40,000</u>	<u>6,40,000</u>

Ascertain capital profits and revenue profit.

16. Bee Ltd has 60,000 equity shares of Rs.100 each, Rs.80 per share called up. Now the company decides to pay off Rs.20 per share of the paid up capital and at the same time to reduce the Rs.100 share to Rs.60 share fully paid up by cancelling the unpaid amount. Give journal entries.

17. From the following information calculate the value per equity share

5,000 8% preference shares of Rs.100each	Rs.5,00,000
75,000 Equity shares of Rs10 each Rs. 8 paidup	Rs.6,00,000
Expected profit per year before tax	Rs2,80,000
Rate of Tax	50%
Transfer to general reserves every year	20%
Normal rate of earnings	10%

### SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x20 = 40)

18. On 31<sup>st</sup> Dec 1998 . The balance sheet of A company disclosed the following position

Liabilities		Assets	
Share capital	8,00,000	Fixed assets	10,00,000
P & L A/c	40,000	Current asset	4,00,000
Reserves	1,80,000	Goodwill	80,000
5% Debentures	2,00,000		
Current liabilities	2,60,000		
	14,80,000		14,80,000

On Dec 31 1998 the fixed assets were independently valued at Rs.7,00,000 and the goodwill at Rs.1,00,000. The net profit for the three years were : 1996-Rs.1,03,200;1997-Rs.1,04,000 and 1998–Rs.1,03,300 of which 20%was placed to reserve , this proportion being considerable reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of the company's share by (a) the net asset method and (b) the yield value method

19. From the following particulars ,prepare the Profit and loss A/c of chennai bank Ltd for the year ending 31 March 1992.

	(Rs.in 000)
Interest on deposit	3,200
Commission (Cr)	100
Interest on loan	2,490
Sundry charges	100
Rent and taxes	200
Establishment	500
Discount on bills discounted	1,490
Interest on overdraft	1,600
Interest on cash credit	2,320
Auditors fees	35
Director fees	16
Bad debts to be written off	300

20. The balance sheets of C Ltd and D Ltd as at 31<sup>st</sup> Dec 2006 are as follows

Liabilities	C Ltd	D Ltd	Assets	C Ltd	D Ltd
Share capital(in Shares of Rs.10 each)	2,00,000	1,00,000	Sundry assets	1,32,500	1,38,200
General reserve	18,000	20,000	Goodwill	---	20,000
P&L A/c	24,500	23,000	Shares in D Ltd at cost	1,40,000	----
Creditors	30,000	15,200			
	2,72,500	1,58,200		2,72,500	1,58,200

In the case of D Ltd profit for the year ended 31<sup>st</sup> Dec 2006 is Rs.12,000 and transfer to reserve is Rs.5,000. The holding of C Ltd in D Ltd is 90% acquired on 30<sup>th</sup> June 2006. Draft a consolidated balance sheet of C Ltd and its subsidiary.

21. M Ltd and N Ltd agreed to amalgamate on the basis of the following balance sheet as on 31.3.1997.

Liabilities	M Ltd	N Ltd	Assets	M Ltd	N Ltd
Share capital(in Shares of Rs.25 each)	75,000	50,000	Fixed assets	31,500	38,800
P&L A/c	7,500	2,500	Goodwill	30,000	---
Creditors	3,500	3,500	Stock	15,000	12,000
Depreciation fund	---	2,500	Debtors	8,000	5,200
			Bank	1,500	2,500
	86,000	58,500		86,000	58,500

The assets and liabilities are to be taken over by a new company formed called P Ltd at book values. P Ltd's capital, Rs.2,00,000 divided into 10,000 equity shares of Rs.10 each and 10,000, 9% preference shares of Rs.10 each.

P Ltd issued the equity shares equally to the vendor companies and preference shares were issued for any balance of purchase price.

Pass journal entries in the books of P Ltd and prepare its balance sheet, if the amalgamation is in the nature of purchase.

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