

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

SUBJECT CODE : 11CM/MC/AA64

B.Com. DEGREE EXAMINATION APRIL 2014
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. What is Amalgamation?
2. Differentiate internal reconstruction from External reconstruction.
3. Explain the term Re-insurance.
4. What do you mean by non-performing assets?
5. Define Holding Company.
6. From the following information, find out the amount of provision to be shown in the Profit & Loss Account of a Lucky bank Ltd.
Standard assets: 8,000 Lakhs, Sub-standard Assets: 650 Lakhs, Doubtful assets (More than 3 years)100 Lakhs ,Loss Assets:250 Lakhs.
7. Compute commission expenses to be derived in a life insurance company.
Commission on direct business Rs.93,000
Commission on reinsurance accepted Rs.40,000
Commission on reinsurance ceded Rs.50,000
8. K Ltd. purchased 60% shares of M Ltd.on 1-1-03 when the balance in their P& L A/c and general reserve were Rs.1,50,000 and Rs.1,60,000 respectively. On 31-12-03 the balance sheet of M Ltd. showed P&L a/c balance of Rs.4,00,000 and general reserve Rs.3,00,000. Calculate capital profit and revenue profits.
9. A Ltd. agrees to purchase the business of B Ltd., on the following terms:
For each of the 20,000 shares of Rs.10 each in B Ltd 2 shares in A Ltd of Rs.10 each will be issued at an agreed value of Rs.14 per share. Calculate purchase consideration.
10. A company having 5, 00,000 8% preference shares of Rs.10 each decides to consolidate the shares into shares of Rs.100 each, make a necessary journal entry for this transaction.

SECTION B**ANSWER ANY FIVE QUESTIONS****5 x 8 = 40**

11. Raman Ltd agrees to purchase the business of Krishnan Ltd., on the following terms
- For each of the 20,000 shares of Rs.10 each in Krishna Ltd, 2 shares in Raman Ltd. of Rs.10 each will be issued at an agreed value of Rs.20 per share. In addition Rs 10 per share cash also will be paid.
 - 8% Debentures worth Rs.1,80,000 will be issued to settle Rs1,60,000 9% debentures in Krishnan Ltd.
 - Rs.20, 000 will be paid towards expenses of winding up.
- Calculate the purchase consideration.

12. From the following particulars relating to Z insurance co Ltd., prepare Fire revenue A/c for the year ending 31.3.2005

	Rs. (in, 000)		Rs. (in, 000)
Claims paid	4,80,000	Premium received	12,00,000
Claims outstanding on 1.4.04	40,000	Reinsurance premium paid	1,20,000
Claims intimated but not accepted & paid on 31.3.05	10,000	Commission	2,00,000
Claims intimated and accepted but not paid on 31.3.05	60,000	Commission on reinsurance ceded	10,000
Commission on reinsurance accepted	5,000	Provision for unexpired risk on 1.4.04	4,00,000
Expenses of management	3,05,000	Additional provision for unexpired risk on 1.4.04	20,000
Bonus in reduction of premium	12,000		

You are required to provide for additional reserve for unexpired risk at 1% of the net premium in addition to the opening balance.

13. From the following information prepare the Profit and Loss Account of ABC Bank Ltd. for the year ended 31st March 2002 in the prescribed form:

	Rs.
Interest on loan	2,59,000
Interest on fixed deposits	2,75,000
Rebate on bills discounted required	49,000
Commission	8,200
Establishment	54,000
Discount on bills discounted	1,95,000
Interest on cash credit	2,23,000
Interest on current account	42,000
Rent and taxes	18,000
Interest on overdraft	1,54,000
Director's fees	3,000
Auditor's fees	1,200
Interest on savings bank deposits	68,000
Postage and telegrams	1,400
Printing and stationery	2,900
Sundry charges	1,700

Bad debts to be written off amounted to Rs. 40,000. Provision for taxation may be made @ 55%.

Balance of profit from last year was Rs. 1,20,000. The directors have recommended a dividend of Rs. 20,000 for the share holders.

14. A. The life fund of a Life insurance company on 31.03.2006 showed a balance of Rs.28,35,000. However, the following items were not taken into account while preparing the Revenue A/c for 2005-06. Ascertain the correct life fund.

	Rs.
a. Interest and dividends accrued on investment	39,000.
b. Income tax deducted at source on the above	10,500.
c. Outstanding Premium	32,800
d. Bonus in reduction of premiums	6,750
e. Claims intimated but not admitted	17,400
f. Claims covered under reinsurance	6,500

B. On 31st Dec 1998 a bank held the following bills, discounted by it earlier.

Date of bill 1998	Term of bill (months)	Discounted @ % p.a	Amount of bill
Nov 11	4	6	50,000
Nov 16	3	5	60,000
Nov 7	4	5.5	40,000

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

15. Following a series of losses, ABC Co. Ltd., resolved to reduce its capital to 50,000 fully paid Rs. 5 shares and to eliminate its Share Premium Account. The company's Balance Sheet prior to implementation of the scheme was:

Balance Sheet			
<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share capital – 50,000 fully paid shares of Rs. 10 each	5,00,000	Goodwill	1,00,000
Share Premium A/c	50,000	Land and buildings	1,62,000
Creditors	62,000	Plant and machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit and Loss A/c	50,000
	6,85,000		6,85,000

It was resolved to apply the sum available under the scheme:

- (a) To write off the Goodwill Account.
- (b) To write off the debit balance of the Profit and Loss Account.
- (c) To reduce the book values of the assets by the following amounts:

	Rs.
Land and buildings	42,000
Plant and machinery	67,000
Stock	33,600

- (d) To provide a bad debt reserve of 10% of the book value of debtors.

Show the Journal entries to give effect to the scheme and prepare the revised Balance Sheet after its implementation.

16. The Balance Sheet of C Ltd. and D Ltd. as at 31st December 2003 are as follows

Liabilities	C Ltd	D Ltd	Assets	C Ltd	D Ltd
Equity capital of Rs.10 each	2,00,000	1,00,000	Sundry Asset	1,32,500	1,38,200
General Reserve	18,000	20,000	Goodwill	-----	20,000
Profit and Loss 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 31st December 2003 is Rs.12,000 and transfer to reserve in Rs.5,000. The holding of C Ltd. in D Ltd. is 90% acquired on 30th June 2003. Prepare the consolidation Balance sheet.

17. A Life Insurance Company gets its valuation made once in every two years. Its Life Assurance fund on 31.03.06 amounted to Rs. 63, 84,000 before providing Rs. 64,000 for the shareholders' dividend for the year 2005-06. Its actuarial valuation due on 31.3.06 disclosed a net liability of Rs. 60,80,000 under assurance annuity contracts. An interim bonus of Rs.80,000 was paid to the policy holders during the two years ending 31.3.2006. Prepare a statement showing the amount now available as bonus to policy holders.

SECTION C

ANSWER ANY TWO QUESTIONS

2 x 15 = 30

18. The following are the abridged balance sheets of P Ltd. and S Ltd. as on 31st March 2012.

Liabilities	P Ltd (in Rs'000)	S Ltd(in Rs'000)	Assets	P Ltd (in Rs'000)	S Ltd(in Rs'000)
Equity capital of Rs.10 each	8,000	3,000	Fixed Asset	11,000	4,730
10% Preference share of Rs.100 each	----	1,000	Current Asset	4,000	1,970
General Reserve	4,610	980			
Statutory Reserve	390	125			
Profit and Loss A/c	563	355			
12% Debentures	-----	250			
Current Liabilities	1,437	990			
	15,000	6,700		15,000	6,700

On 1st April 1999, P Ltd take over S Ltd. on the following terms:

- (i) P Ltd will issue 3, 50,000 equity shares of Rs.10 each at par to the equity shareholders of S Ltd.
- (ii) P Ltd will issue 11,000 10% Preference shares of Rs.100 each at par to the preference shareholders of S Ltd.
- (iii) The debentures of S Ltd will be converted into an equal number of 12.5% debentures of the same denomination.

You are informed that the statutory reserves of S Ltd. are to be maintained for two more years. You are required to show the balance sheet of P Ltd. immediately after the above mentioned scheme of amalgamation has been implemented assuming that the amalgamation is in the nature of merger.

19. On 31st December 2006. The following balance stood in the books of Asian Bank Ltd., after preparation of its profit and Loss Account.

	Rs. (in '000)
<i>Share capital:</i>	
Issued and subscribed	4,000
Reserve fund (under section 17)	6,200
Fixed deposits	42,600
Savings bank deposits	19,000
Current accounts	23,200
Money at call and short notice	1,800
Investments	25,000
Profit and Loss Account (cr) 1 st Jan 2006	1,350
Dividend for 2005	400
Premises	2,950
Cash in hand	380
Cash with RBI	10,000
Cash with other banks	6,000
Bills discounted and purchased	3,800
Loans, cash credits and over drafts	51,000
Bills payable	70
Unclaimed dividend	60
Rebate on bills discounted	50
Short loans (borrowing from other banks)	4,750
Furniture	1,164
Other assets	336
Net Profit for 2006	1,550

Prepare balance sheet of the bank as on 31st December 2006.

20. Paradise Ltd., which had experienced trading difficulties, decided to reorganize its finance. On March 31, 2008, the Trial Balance extracted from the books of the company showed the following position:

Trial Balance

	Dr. Rs.	Cr. Rs.
Share capital. Authorised and Issued:		
1,500, 6% cumulative preference shares of Rs. 100 each		1,50,000
2,000 Equity shares of Rs. 100 each		2,00,000
Capital Reserve		36,000
Profit and Loss A/c	1,10,375	
Goodwill at cost	50,000	
Trade creditors		42,500
Debtors	30,200	
Bank overdraft		51,000
Leasehold property, provision for depreciation		30,000
Leasehold property at cost	80,000	
Plant and Machinery at cost	2,10,000	
Plant and machinery, provision for depreciation		57,500
Stock –in-Trade	79,175	
Preliminary expenses	7,250	
	5,67,000	5,67,000

The approval of the Court was obtained for the following scheme for reduction of Capital:

- a. The preference shares to be reduced to Rs. 75 per share.
- b. The Equity Shares to be reduced to Rs. 12.50.
- c. One Rs. 12.50 equity share to be issued for each Rs. 100 of gross preference dividend arrears: the preference share dividend had not been paid for three years.
- d. The balance in Capital Reserve Account to be utilised.
- e. Plant and machinery to be written down to Rs. 75,000.
- f. The Profit and Loss Account balance and all intangible assets to be written off.

You are required:

- (1) To show the Journal entries necessary to record the above transactions in the Company's books.
- (2) To prepare the Balance Sheet of the Company, after completion of the scheme.

21. You are given the following Balance sheets of H. Ltd. as on December 31, 2008:

Balance Sheet

	<i>H. Ltd.</i>	<i>S. Ltd.</i>		<i>H. Ltd.</i>	<i>S. Ltd.</i>
	Rs.	Rs.		Rs.	Rs.
Capital (shares of Rs.100)	5,00,000	2,00,000	Goodwill	40,000	30,000
General Reserve			Land and Buildings	2,00,000	1,30,000
(Jan 1 ,2008)	1,00,000	60,000	Plant and machinery	1,60,000	90,000
Profit and Loss A/c	1,40,000	90,000	Debtors	20,000	75,000
Bills payable	---	40,000	Stock	1,00,000	90,000
Creditors	80,000	50,000	1,500 shares in		
			S. Ltd. at cost	2,40,000	---
			Bank	60,000	25,000
	8,20,000	4,40,000		8,20,000	4,40,000

The Profit and Loss Account of S. Ltd., showed a credit balance of Rs. 50,000 on January 1, 2008. A dividend of 15% was paid in October, 2008, for the year 2007. This dividend was credited to the Profit and Loss Account of H. Ltd. H. Ltd. acquired the shares in S Ltd. on July 1, 2008. The bills payable of S. Ltd. were all issued in favour of H. Ltd. which got the bills discounted.

Included in the creditors of S. Ltd. is Rs. 20,000 for goods supplied by H. Ltd. included in the stock of S. Ltd. are goods of the value of Rs. 8,000 which were supplied by H. Ltd. at a profit of 33-1/3% on cost. In arriving at the value of S. Ltd. shares, the plant and machinery which then stood in the books at Rs. 1, 00,000 was revalued at Rs. 1,50,000. The new value was not incorporated in the books. No change in these assets have been made since. Prepare consolidation Balance Sheet as on December 31, 2008. Show details of workings.
