

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

SUBJECT CODE: 11CM/MC/AA64

B.Com. DEGREE EXAMINATION APRIL 2015
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. Write a note on a) Amalgamation b) Absorption c) External Reconstruction.
2. What is internal reconstruction?
3. What is minority interest?
4. Explain reinsurance.
5. What is rebate on bills discounted?
6. A Ltd. agrees to take over the business of B Ltd. on the following terms: The shareholders of B Ltd. are to be paid Rs.25 in cash and the offer of four shares of Rs.10 each in A Ltd for every share of B Ltd. B Ltd. has 50,000 equity shares outstanding. Costs of liquidation Rs.25, 000 are to be borne by A Ltd.
7. Give Journal entries for the following transactions in connection with internal reconstruction:
 - i) 30,000 equity shares of Rs.10 each fully paid reduced to shares of Rs.5 each fully paid.
 - ii) The value of Plant and Machinery and stock were written down by Rs.60, 000 and Rs.30, 000 respectively.
8. A subsidiary company has a capital of Rs.5, 00,000 in shares of Rs.100 each out of which the holding company acquired 80% of the shares at Rs.6, 00,000. The profits of the subsidiary company on the date of acquisition of shares by the holding company were Rs.3, 00,000. Calculate the value of the Goodwill or capital reserve.
9. Calculate the net claim to be debited to Revenue a/c of an Insurance Company

	Rs.
Claims paid during the year ended 31.3.13	5, 75,000
Claims outstanding on 1.4.12	55,000
Claims outstanding on 31.3.13	98,000
Claims covered under reinsurance	28,000
10. From the following calculate the amount due to the policy holders:

	Rs.
Life and Assurance Fund as on 31.3.13	60, 00,000
Net liability as per Actuary's valuation	57, 00,000
Interim Bonus paid	1, 50,000

SECTION B

ANSWER ANY FIVE QUESTIONS

5 x 8 = 40

11. You are given the balance sheet of Anand Ltd. as on March 31, 2012:

Liabilities		Rs.
10,000 Equity shares of Rs.10 each fully paid		1, 00,000
General reserve		3, 00,000
Profit and Loss account		1, 00,000
Trade creditors		1, 50,000
Provision for taxation		1, 20,000
Proposed dividend		80,000
	Total	<u>8, 50,000</u>
Assets		Rs.
Fixed Assets		4, 00,000
Investments		1, 00,000
Current Assets		2, 50,000
Preliminary Expenses		60,000
Share Issue Expenses		40,000
	Total	<u>8, 50,000</u>

On the date of balance sheet the company was taken over by Harsha Ltd. on the following terms:

1. Fixed assets are revalued at Rs. 5, 60,000.
2. Investments have only a market value of Rs. 80,000.
3. Current assets are agreed at Rs.3, 00,000 for the purpose of absorption.
4. Harsha Ltd. agrees to pay the tax liability which is estimated at Rs. 1, 30,000.
5. Dividends are to be paid before absorption by Anand Ltd.

You are required to compute the purchase consideration.

12. Kala Ltd's Balance sheet showed the following position on 31st March 2014.

Liabilities	Rs.	Assets	Rs.
10,000 equity share 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
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	17,00,000		17,00,000

Mala Ltd was incorporated to take the fixed assets and 60% of the current assets 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 bank in settlement of loan. Remaining current assets realised Rs.90, 000. After meeting Rs.20, 000 expenses of liquidation, all the remaining cash was paid to the creditors in full settlement. Show the Journal entries and prepare the Balance sheet in the books of Mala Ltd.

13. Following a series of losses, XYZ Co. Ltd., resolved to reduce its capital to 50,000 fully paid Rs. 5 shares and to eliminate share premium account. The company's Balance sheet prior to implementation of the scheme was:

Liabilities	Rs.
Share capital:	
50,000 fully paid shares of Rs.10 each	5, 00,000
Securities premium A/c	50,000
Creditors	62,000
Bank overdraft	73,000
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Total	6, 85,000
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Assets	Rs.
Goodwill	1, 00,000
Land and Buildings	1, 62,000
Plant and Machinery	2, 07,000
Stock	92,000
Debtors	74,000
Profit and Loss A/c	50,000
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Total	6, 85,000
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It was resolved to apply the sum available under the scheme:

- (i) To write off the goodwill account
- (ii) To write off the debit balance of the profit and Loss account.
- (iii) To reduce the book values of the assets by the following amounts:

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

- (iv) To provide a bad debts 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.

14. Consolidate the following balance sheets.

	H	S		H	S
	Rs.	Rs.		Rs.	Rs.
Capital Re 1 shares	1,400	1,000	900 shares in S	1,200	- -
Creditors	--	500	Sundry assets	200	1,800
Profit & Loss a/c	--	300			
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	1,400	1,800		1,400	1,800

When H Ltd acquired the shares in S Ltd., S had a credit balance of profit and loss account of Rs.200.

15. From the following particulars relating to Sky Insurance Co. Ltd., prepare Fire Revenue A/c for the year ending 31.3.2014.

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Claims paid	4, 80,000
Claims outstanding on 1.4.13	40,000
Claims intimated but not accepted & paid on 31.3.14	70,000
Commission on reinsurance accepted	5,000
Management expenses	3, 05,000
Bonus in reduction of premium	12,000
Premium received	12, 00,000
Reinsurance premium paid	1, 20,000
Commission	2, 00,000
Commission on reinsurance ceded	10,000
Provision for unexpired risk on 1.4.13	4, 00,000
Additional provision for unexpired risk on 1.4.13	20,000

Provide for additional reserve for unexpired risk at 1 % of the net premium in addition to the opening balance.

16. The Life Fund of a Life Insurance Company on 31.3.2014 showed a balance of Rs.54, 00,000. However the following items were not taken into account while preparing the Revenue A/c for 2013-14. Compute the Life fund.

	Rs.
a. Interest and dividends accrued on investments	20,000
b. Income tax deducted at source on the above	6,000
c. Reinsurance claims recoverable	7,000
d. Commission due on reinsurance premium paid	10,000
e. Bonus in reduction of premiums	3,000

17. From the following details relating to the New Bank Limited, find out the net profit earned by the bank for the year 31st March 2014:

	Rs.
Interest earned	37, 01,738
Other incomes	4, 55,000
Interest expended	20, 37,452
Operating expenses	4, 80,286
Provision and contingencies	13, 00,000
Profit brought forward from the previous year	NIL
Transfer to statutory reserve	67,800
Transfer to other reserves	NIL
Transfer to proposed dividend	1, 00,000
Balance carried over to Balance sheet	1, 71,200

SECTION C

ANSWER ANY TWO QUESTIONS

2 x 15 = 30

18. The following is the Balance sheet of X Ltd as on 31.3.2014

Liabilities	Rs.	Assets	Rs.
Share capital		Land & Buildings	10, 00,000
2, 00,000 shares of Rs.10 each	20, 00,000	Plant & Machinery	15, 00,000
General reserve	2, 50,000	Furniture	25,000
Dividend equalisation reserve	2, 00,000	Stock	6, 00,000
Profit & Loss a/c	51,000	Work-in-Progress	3, 00,000
12% Debentures	10, 00,000	Debtors	2, 50,000
Creditors	3, 00,000	Cash at Bank	1, 26,000
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	38, 01,000		38, 01,000

The company was absorbed by A Ltd on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5% taking over the liability in respect of creditors and payment of Rs.7 in cash and one share of Rs.5 in A Ltd at the market value of Rs.8 per share for every share in X Ltd. The cost of liquidation of Rs.15,000 is to be met by the purchasing company.

Close the books of X Ltd.

19. From the following Balance sheets, prepare a consolidated balance sheet of Moti Ltd and its subsidiary company Choti Ltd. The interest of the minority shareholders is to be shown as a separate item. Shares were acquired on 1st Jan 2014.

Balance sheet of Moti Ltd as on 30th June 2014

	Rs.		Rs.
Share capital:		Fixed assets	1, 40,000
15,000 shares of Rs.10 each	1, 50,000	Current assets	58,000
General reserve	20,000	Investment:	
Profit and loss A/c	30,000	2,000 shares of Rs.10	
Creditors	25,000	each in Choti Ltd	27,000
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	2, 25,000		2, 25,000

Balance sheet of Choti Ltd as on 30th June 2014

	Rs.		Rs.
Share capital		Fixed assets	40,000
3,000 shares of Rs.10 each	30,000	Current assets	10,000
Profit and loss a/c			
Balance on 1st July 2013	4,500		
Add net profit for year	6,000		
Sundry creditors	9,500		
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	50,000		50,000

20. From the following details, prepare the Revenue A/c, Profit & Loss A/c of Sun Shine Insurance Co. Ltd. carrying on Marine Insurance business, for the year ended 31.3.2013

Furniture & Fixtures (Cost Rs.12,600)	8,400
Expenses of management	2, 20,000
Foreign taxes & Insurance	12,300
Outstanding premium	21,200
Donations paid	8,600

Claims less re-insurance	10, 60,000
Commission paid	62,400
Share capital	15, 00,000
Balance of Marine fund (1.4.12)	7, 60,000
P & L A/c (Cr.)	2, 40,000
Interest received	60,000
Premium less reinsurance	12, 40,000
Interest & Dividends	1, 80,000
Transfer fees received	600

Outstanding claims on 31.3.2013 were Rs. 1, 40,000. Depreciation on furniture to be provided at 20 % per annum.

21. On 31.3.2014 the following balances stood in the books of New Indian Bank Ltd after preparing Profit & Loss a/c

	Rs. '000.
Share capital	3,500
Reserve fund	2,450
Fixed deposit accounts	6,650
Savings deposit accounts	21,000
Current accounts	56,000
Money at call and short notice	2,100
Investments (at cost)	21,000
Profit and Loss account (cr.) 1.4.2013	1,470
Dividends for 2013	350
Land & Buildings(after depreciation upto 31-3-2014)	7,445
Cash in hand	420
Cash with RBI	10,500
Cash with other banks	9,100
Borrowing from other banks	4,400
Bills discounted and purchased	4,200
Bills payable	5,600
Unclaimed dividend	210
Bills for collection	980
Loans, Overdrafts& Cash credit	49,000
Creditors	210
Acceptance on behalf of customers	1,400
Net profit for 2013-2014	1,680

The net profit is after deducting provisions for bad debts Rs.2,10,000, tax provision Rs.7,00,000 and rebate on bills discounted Rs.35,000 Prepare the balance sheet of bank as on 31.3.2014
