

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 2015
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 is meant by NPA?
2. Write a note on Intrinsic Value of shares.
3. Mention the different kinds of alteration of share capital.
4. What do you mean by managerial remuneration?
5. What is minority interest?
6. 5,000 Equity shares of Rs.10 each are reduced to fully paid shares of Rs.6 each. Pass the necessary Journal entry.
7. Calculate the net claim to be debited to Revenue a/c of an Insurance Company.

Claims paid for the year ended 31.3.06	Rs. 5, 75,000
Claims outstanding on 1.4.05	Rs. 55,000
Claims outstanding on 31.3.06	Rs. 98,000
Claims covered under reinsurance	Rs. 28,000
8. Calculate the amount of goodwill on the basis of three years purchase of the last five years' average profits. The profits for the last five years are:
I year – Rs. 4,800, II year – Rs. 7,200, III year – Rs. 10,000, IV year – Rs. 3,000,
V year – Rs. 5,000
9. A company had an issued share capital of Rs.20, 00,000 in Rs.10 equity shares. It had share premium of Rs.1, 50,000, capital redemption reserve account of Rs. 75,000, and undistributed profit of Rs. 80, 80,000. It was decided that fully paid-up bonus shares of Rs.10 each be issued at the rate of one share for every four existing shares and that this resolution be carried out by using the minimum amount of undistributed profits. You are required to give journal entries.
10. H Ltd. purchased 75% of shares in S Ltd. on 1-7-01. On 31-12-01 the Balance sheet of S Ltd. showed Reserve Fund balance on 1-1-01 Rs. 40,000, Profit earned during 2001 Rs. 60,000 and Preliminary expenses unwritten off Rs. 20,000. Calculate Capital profits and Revenue profits.

SECTION – B**ANSWER ANY FIVE QUESTIONS:****(5 x 8 = 40)**

11. A company carried forward a balance of Rs.30, 000 in the profit and loss account from the year ended 31st March, 2000. During the year 2001 it made a further profit of Rs.3, 00,000. It was decided that following decisions be carried out –
- Provision for taxation Rs.1,50,000
 - dividend equalization account Rs.20,000
 - dividend on 8% preference shares of Rs. 2,00,000
 - dividend at 15% on 30,000 equity shares of Rs.10 each fully paid
 - general reserve Rs.35,000
 - corporate dividend tax @12% on the dividend.

You are required to give working note on Reserves and Surplus and give Journal entries for payment of dividend.

12. 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.	Assets	Rs.
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 & buildings	1,62,000
Creditors	62,000	Plant & machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit & loss A/c	50,000
	6,85,000		6,85,000

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

- To write off the goodwill account
- To write off the debit balance of the profit & loss account
- To reduce the book values of the assets by the following amounts:
Land & buildings Rs. 42,000, Plant & machinery Rs. 67,000, Stock Rs. 33,600
- 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.

13. The summarized Balance sheet of H Ltd. and S Ltd. as on 31st Dec., 1992 are given below:

Liabilities	H Ltd. (Rs)	S Ltd. (Rs)	Assets	H Ltd. (Rs)	S Ltd. (Rs)
Share capital:	5,00,000	1,00,000	Sundry assets	5,00,000	1,70,000
Shares of Rs10 each	80,000	30,000	8,000 shares in	1,40,000	-
Reserves	60,000	40,000	S Ltd.		
Profit & Loss A/c					
	6,40,000	1,70,000		6,40,000	1,70,000

S Ltd. had the reserve of Rs. 30,000 when H Ltd. acquired the shares in S Ltd. but the profit & loss account balance of S Ltd. was fully earned after the purchase of shares. S Ltd. decided to issue bonus shares out of the post acquisition profit in the ratio of 2 shares for every 5 shares held. Calculate the cost of control before the issue of bonus shares and after the issue of bonus shares.

14. From the following particulars, prepare a Profit & Loss A/c of New bank Ltd., for the year ended 31.12.1996.

Rs. (in '000)		Rs. (in '000)	
Interest on loans	260	Interest on cash credits	225
Interest on fixed deposits	280	Rent and taxes	20
Rebate on bills discounted	50	Interest on overdrafts	56
Commission charged to customers	9	Directors' and Auditors fees	4
Establishment expenses	56	Interest on savings bank accounts	70
Discount on bills discounted	200	Postage and telegrams	2
Interest on current accounts	45	Sundry charges	2
Printing and advertisements	3		

15. Average capital employed in Kaushik Ltd. is Rs. 35, 00,000 whereas net trading profits before tax for the last three years have been Rs. 14, 75,000; Rs.14, 55,000 and Rs. 15, 25,000. In these three years, the managing director was paid a salary of Rs.10, 000 p.m. But now he would be paid a salary of Rs.12, 000 p.m. Normal rate of return expected in the industry in which Kaushik Ltd. is engaged is 18%. Rate of tax is 50%. Calculate goodwill on the basis of three years' purchase of the super profits.
16. 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 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 balance sheet given below prepare a consolidated balance sheet of X Co. Ltd. and its subsidiary Y Co. Ltd. The interest of the minority shareholders of Y Co. Ltd. are to be shown in the consolidated balance sheet.

Balance sheet of X Co. Ltd and Y Co. Ltd. as on 31-12-2000

Liabilities	X	Y	Assets	X	Y
Share capital: 2,00,000 shares of Rs. 80 each	1,60,00,000		Land & building	1,52,00,000	
20,000 shares of Rs. 80 each		16,00,000	Plant & machinery	22,40,000	3,20,000
General reserve	80,00,000		Shares in Y Co. Ltd.		
Creditors	48,00,000	3,20,000	18,000 shares of Rs.80 each	28,80,000	
Profit & loss appropriation A/c	16,00,000	24,00,000	Stock	48,00,000	8,00,000
			Debtors	32,00,000	11,20,000
			Cash at bank	20,80,000	20,80,000
	3,04,00,000	43,20,000		3,04,00,000	43,20,000

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x20 = 40)

18. From the following Balance sheet relating to H Ltd. and S Ltd. Prepare a consolidated Balance sheet.

Balance sheet as on 31-12-1992

Liabilities	X	Y	Assets	X	Y
Share capital (shares of Rs. 10 each)	10,00,000	2,00,000	Sundry fixed assets	8,00,000	1,20,000
Profit & loss A/c	4,00,000	1,20,000	Stock	6,10,000	2,40,000
Reserves	1,00,000	60,000	Debtors	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. at cost (15,000 shares)	1,50,000	
	17,00,000	5,30,000		17,00,000	5,30,000

Additional information:

- All profits of S Ltd. have been earned after the shares were acquired by H Ltd. But there was already a reserve of Rs. 60,000 on that date.
- All the bills payable of S Ltd. were accepted in favour of H Ltd.
- The stock of H Ltd. includes Rs.50, 000 purchased from S Ltd. The profit added was 25% on cost.

19. Prepare from the following a Life Insurance revenue A/c and Balance sheet as on 31-3-2006.

Rs. (in '000)		Rs. (in '000)	
Claims by death	16,890	Outstanding interest on	
Agents salaries & Allowances	6,420	Advances (31.3.2006)	1,944
Surrender values paid	2,810	Bonus paid with claims	2,700
Actuarial expenses	1,520	Endowment assurance matured	24,415
Premiums	94,836	Annuities paid	1,350
Commission to Agents	8,900	Interest revenue	19,060
Salaries	13,500	Rent, rates & Taxes	5,475
Medical fees	1,200	General charges	1,860
Travelling expenses	1,800	Fees received	172
Director's fees	900	Bonus paid in cash	2,825
Agents balances	750	Advertisement	726
Claim expenses	1,432	Consideration for annuities granted	12,853
Premium outstanding (1.4.2005)	2,134	Printing & stationery	650
Premium outstanding (31.12.2006)	3,143	Claims O/S (1.4.05)	2,376
Investments	1,46,700	Claims O/S (31.3.06)	3,735
Share capital	2,00,000	Loans on policies	38,300
Sundry creditors	9,200	Loans on mortgages	2,90,560
Life Assurance Fund (1.4.05)	3,53,672	Freehold premises	1,22,600
Reserve fund	1,46,000	Furniture & fittings	64,100
		Cash on hand & deposits	76,300

20. The following are the Balance sheets of X Ltd. and Y Ltd. as on 31.3.2004.

Liabilities	X	Y	Assets	X	Y
5,000 8% pref. shares of Rs.100 each	5,00,000		Goodwill	-	15,000
1,50,000 Equity shares of Rs.10 each	15,00,000		Buildings	7,40,000	-
40,000 Equity shares of Rs.10 each	-	4,00,000	Machinery	16,38,000	-
Capital Reserve	4,60,000	-	Furniture	27,000	50,000
General Reserve	3,50,000	1,00,000	Patents	60,000	-
Profit & loss A/c	80,000	15,000	Motor vehicles	-	70,500
Creditors	70,000	25,000	Stock	4,05,000	2,60,000
			Debtors	80,000	1,29,000
			Bank	10,000	15,500
	29,60,000	5,40,000		29,60,000	5,40,000

A new company 'Z' Ltd. was formed to take over the business of X Ltd. and Y Ltd. on the following terms:

- (a) Z Ltd. to allot 5,000 10% fully paid preference shares of Rs.100 each and 2,00,000 fully paid equity shares of Rs.10 each to satisfy the claim of Preference and Equity share holders of X Ltd. respectively.
- (b) Z Ltd. to allot 44,000 fully paid equity shares of Rs.10 each to be distributed to Y Ltd. shareholders.
- (c) Mr. 'Z' who mooted the scheme of amalgamation is to be allotted 500 fully paid Equity shares of Rs.10 each in consideration of his services.
- (d) Expenses of Liquidator of Y Ltd. Rs.3, 000 to be borne by Z Ltd.
- (e) Z Ltd. made a public issue of 20,000 Equity shares of Rs.10 each for cash at 20% premium. Preliminary expenses of Z Ltd. amounted to Rs.8, 500. Assuming that the amalgamation is the nature of merger, you are required to show
 - (1) Computation of Purchase consideration;
 - (2) Ledger Accounts to close the books of X Ltd. and
 - (3) Journal and Balance sheet in the books of Z Ltd.

21. Under the articles of a Private Limited company dealing in wines and tobacco, you as auditor, have to fix annually the fair value of the shares. At 31st Dec. 1998, the company's position was as follows:

Liabilities	X	Assets	X
1,000 8% pref. shares of Rs.100 each fully paid up	1,00,000	Building at cost	80,000
4,000 Equity shares of Rs.100 each, fully paid	4,00,000	Furniture at cost	3,000
Reserve fund	1,50,000	Stock in trade (at market value)	4,50,000
Profit & loss A/c:		4% Govt. Securities at cost	
Balance on 1.1.98 - 80,000		(Face value Rs.4,00,000)	3,80,000
Profit for 1998 - <u>4,30,000</u>	5,10,000	Book Debts 3,00,000	
Provision against:		Less: Provisions <u>20,000</u>	2,80,000
Buildings 10,000		Cash & Bank balances	60,000
Investments <u>45,000</u>	55,000	Preliminary expenses	10,000
Creditors	48,000		
	12,63,000		12,63,000

You are given the following information:

- (1) The company's prospects for 1999 are equally good.
- (2) The Buildings are now worth Rs.3, 50,000.
- (3) Public Companies doing similar business show a profit earning capacity of 15%.
- (4) Profits for the past 3 years have shown an increase of Rs.50, 000 annually.
- (5) Provide for Income tax @50% and Good will is to be valued at 3 years purchase of super profits. Calculate the fair value of shares as on 31st Dec 1998.
