

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 2016
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. State the difference between Amalgamation and Absorption.
2. Explain the term 'Capital reduction'.
3. Define Holding Company.
4. What is meant by Life insurance?
5. What is rebate on bills discounted?
6. M Ltd was takeover by N Ltd. the following position was mutually agreed upon:

	M Ltd	N Ltd
No. of shares	60,000	90,000
Face value of shares	100	10
Net assets	3, 60, 00,000	72, 00,000

Ascertain intrinsic values of the shares and No. of shares to be issued.

7. Mohan 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 per share to Rs.60 share fully paid up by cancelling the unpaid amount. Give journal entries.
8. P Ltd. acquired 65% shares of Q Ltd. on 1.4.2012. P&L a/c in the books of Q Ltd. showed a debit balance of Rs. 40,000 on 1.4.2012. On 31.3.2013, the Balance sheet of Q Ltd. showed P&L a/c balance of Rs. 1, 20,000. Calculate capital profits and revenue profits.
9. Calculate the net claim to be debited to Revenue a/c of an insurance company:

	Rs.
Claims paid for the year ended 31.3.16	5, 75,000
Claims outstanding on 1.4.15	55,000
Claims outstanding on 31.3.16	98,000
Claims covered under reinsurance	28,000

10. On 31.12.15 Baroda Bank Ltd. has the following bills in its portfolio. All the bills are discounted at 5%.

Amount in Rs.	Due date
50,000	31.1.16
40,000	30.4.16
30,000	3.3.16

Calculate rebate on bills discounted, assuming accounts are closed on 31st December.

SECTION B

ANSWER ANY FIVE QUESTIONS

5 x 8 = 40

11. Following is the Balance Sheet of K Ltd. as on 31.12.12:

Liabilities	Rs.	Assets	Rs.
2,000 shares of Rs. 10 each fully paid	20,000	Goodwill	4,000
Profit & Loss a/c	7,000	Fixed assets	16,500
Debentures	10,000	Current assets	19,500
creditors	3,000		
	40,000		40,000

R Ltd. agreed to take over the assets of K. Ltd. (exclusive of one fixed assets of Rs. 4,000 and cash Rs. 1,000 included in current assets) at 10% more than the book values. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2,000 shares of Rs. 10 each at the market value of Rs. 15 each and the balance in cash. Liquidation expenses came to Rs. 400.

K Ltd. sold the fixed assets of Rs. 4,000 and realized the book value. It paid off its debentures and liquidation expenses. You are required to give journal entries in the books of K Ltd.

12. Mohan Ltd. passed resolution and got court permission for the reduction of its share capital by Rs. 5, 00,000 for the purposes mentioned as under:

- To write off the debit balances of P&L a/c of Rs. 2, 10,000.
- To reduce the value of plant & machinery by Rs. 90,000 and goodwill by Rs. 40,000
- To reduce the value of investments by Rs. 80,000.

The reduction was made by converting 50,000 preference shares of Rs. 20 each fully paid to the same number of preference shares of Rs.15 each fully paid and by converting 50,000 equity shares of Rs. 20 each on which Rs. 15 is paid up into 50,000 equity shares of Rs. 10 each fully paid up.

Pass journal entries to record the share capital reduction.

13. From the following particulars relating to 'Z' Insurance Co. Ltd., prepare Fire Revenue A/c for the year ending 31.3.2015.

	(Rs. In '000')		(Rs. In '000')
Claims paid	4,80,000	Premium received	12,00,000
Claims outstanding on 1.4.14	40,000	Reinsurance premium paid	1,20,000
Claims intimated but not accepted & paid on 31.3.15	10,000	Commission	2,00,000
Claims intimated and accepted but not paid on 31.3.15	60,000	Commission on reinsurance ceded	10,000
Commission on reinsurance accepted	5,000	Provision for unexpired risk on 1.4.14	4,00,000
Expenses of management	3,05,000	Additional provision for unexpired risk on 1.4.14	20,000
Bonus in reduction of premium	12,000		

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

14. Life fund of a life Insurance company was Rs.86, 48,000 as on 31.3.2006. the interim bonus paid during the inter-valuation period was Rs.1,48,000. The periodical actuarial valuation determined the net liability at Rs.74, 25,000. Surplus brought forward from the previous valuation was Rs.8, 50,000. The directors of the company proposed to carry forward Rs.9, 31,000 and to divide the balance between the shareholders and the policy holders in the ratio of 1:10.

Show (a) the valuation Balance Sheet
 (b) the net profit for the valuation period
 (c) the distribution of the surplus.

15. X Ltd has a capital of Rs. 2,00,000 in shares of Rs. 10 each, out of which Y Ltd. purchased 70% of the shares at Rs. 2,25,000. On the date of purchase of shares, X Ltd. had a Reserve of Rs. 1,00,000. X Ltd. earned Rs. 60,000 after the purchase of shares by Y Ltd. X Ltd. decided to issue Bonus shares out of Capital profits in the ratio of 2 shares for every 5 shares held. Calculate the Cost of Control before and after the issue of Bonus shares.

16. Suresh Ltd's Balance sheet showed the following position on 31st March 2014.

Liabilities	Rs.	Assets	Rs.
10,000 equity shares 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
	<u>17,00,000</u>		<u>17,00,000</u>

Rajesh 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 realized Rs. 90,000. After meeting Rs. 20,000 expenses of liquidation, all the remaining cash was paid to the creditors in full settlement. Give journal entries in the books of selling company.

17. From the following particulars, prepare a profit and loss A/c of Old Bank Ltd., for the year ended 31.12.2015.

	Rs. (in '000)		Rs. (in '000)
Interest on loans	260	Interest on cash credits	225
Interest on fixed assets	280	Rent and taxes	20
Rebate on bills discounted	50	Interest on overdraft	56
Commission charged to customers	9	Directors' and Auditor's 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		

ANSWER ANY TWO QUESTIONS

2 x 15 = 30

18. The balance sheet of Humble Ltd. as on 31st December 2010 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital: 3,000 cumulative 7% pref. shares of Rs. 100 each fully paid.	3,00,000	Fixed assets (including Goodwill Rs. 40,000)	10,00,000
6,000 equity shares of Rs. 100 each fully paid.	6,00,000	Investment	15,000
General reserve	80,000	Stock	1,50,000
Securities premium	10,000	Sundry debtors	1,85,000
Current liabilities	4,00,000	Bank	40,000
Contingent liabilities (4 years dividend on pref. shares)			
	13,90,000		13,90,000

The directors proposed the following scheme of reconstruction.

- The preference shares are to be exchanged for 3,000, 8% debentures of Rs. 100 each.
- The dividend arrears are to be settled by issue of 6,000 6% preference shares of Rs. 100 each and 600 equity shares of Rs. 60 each.
- Equity shares are to be reduced by Rs. 40 each. These shareholders are also to subscribe for cash one (new) equity share for every 10 shares held.
- Goodwill is to be written off and the fixed assets be reduced by Rs. 80,000.
- Stock to be increased by Rs. 4,000. Debtors to be written down by Rs. 12,000 and investments to be written down to their market value Rs. 13,000.

Pass journal entries to give effect to the scheme and prepare balance sheet after the scheme was carried out on 31.12.2010.

19. From the following Balance sheet relating to H Ltd. and S Ltd. prepare a Consolidated Balance sheet.

Balance Sheet as on 31.12.2015

Liabilities	H Ltd. (Rs.)	S Ltd. (Rs.)	Assets	H Ltd. (Rs.)	S Ltd. (Rs.)
Share capital (Rs. 10 each)	10,00,000	2,00,000	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	
	<u>17,00,000</u>	<u>5,30,000</u>		<u>17,00,000</u>	<u>5,30,000</u>

- 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. was accepted in favour of H Ltd.
- The stocks of H Ltd. includes Rs. 50,000 purchased from S Ltd. The profit added was 25% on Cost.

20. The Cosco Co Ltd and the Modus Co Ltd decided to amalgamate and form a new company Cosmos Co Ltd. which took over the combined concerns as on 31st December 2012. After negotiations, the assets of the two companies were agreed to be as shown in the following balance sheet:

The Cosco Co Ltd.

Liabilities	Rs.	Assets	Rs.
Issued Capital : 1,00,000 Ordinary shares of Rs. 10 each fully paid	10,00,000	Land and Buildings	5,00,000
Sundry Creditors	80,000	Machinery	2,00,000
Profit and Loss (Undistributed balance)	50,000	Patents	1,10,000
		Stocks	1,50,000
		Sundry Debtors	1,20,000
		Cash at Bank	50,000
	11,30,000		11,30,000

The Modus Co Ltd.

Liabilities	Rs.	Assets	Rs.
Issued Capital : 50,000 Ordinary shares of Rs. 10 each	5,00,000	Land and Buildings	3,00,000
Sundry Creditors	50,000	Machinery	2,50,000
Reserve Fund	50,000	Goodwill	50,000
Profit and Loss (Undistributed balance)	50,000	Stocks	20,000
		Sundry Debtors	20,000
		Cash at Bank	10,000
	6,50,000		6,50,000

Show how the amount payable to each company is arrived at and prepare the amalgamated balance sheet of the new company, assuming that amalgamation is in the nature of merger.

21. On 31st December 2015. The following balances stood in the books of Asian Bank Ltd., after preparation of its profit & loss Account. You are required to prepare the Balance sheet.

	(Rs. In '000')
Share capital: Issued and subscribed	4,000
Reserve fund	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 & loss A/c (cr) 1 st January 2015	1,350
Dividend for 2014	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 2015	1,550
