

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 2017
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 Amalgamation, Absorption and Reconstruction.
2. Distinguish between Internal and External reconstruction.
3. Define a Holding Company.
4. What is Re-insurance?
5. Explain the meaning of Non Performing Assets.
6. Guha Ltd. was formed to acquire the businesses of Bharath Ltd. and Sarath Ltd. Sarath Ltd. had a share capital of Rs.5,00,000, General reserve of Rs.2,00,000. It accepted a purchase consideration of Rs.6,35,000. Bharath Ltd.'s capital was Rs.16,00,000 and Reserves Rs.7,00,000 and the agreed upon purchase price was Rs.22,30,000. Determine the reserves to be shown in the books of Guha Ltd. if the amalgamation is in the nature of merger.
7. Bee Ltd. has 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.
8. On 1.7.01, X Ltd., acquired 60 % of shares of Y Ltd. (with a total capital of Rs.5,00,000) for Rs.3,80,000. The balance sheet of Y Ltd., showed P&L a/c balance on 1.1.01. Rs.1,20,000 and Profit for the year 2001 Rs.1,00,000. Calculate the value of goodwill or Capital Reserve.
9. A Life Insurance Company prepared its Revenue A/c for the year ended 31-3-2006 and ascertained its life assurance fund to be Rs.22,34,400. It has found later that the following had been omitted from the accounts.

	Rs.
(a) Interest accrued on investments	32,000
Income tax liable to be deducted estimated to be Rs.10,000	
(b) Outstanding Premiums	31,400
(c) Bonus utilized for reduction of premium	6,600
(d) Claims initiated but not admitted	15,200
(e) Claims covered under reinsurance	5,300

What is the true life assurance fund?
10. The following accounts are extracted from the Trial Balance of Rajasthan Bank on 31.3.2008.

	Dr. (Rs)	Cr. (Rs)
Interest and Discount	-	17,42,000
Rebate on bills discounted	-	12,500
Bills discounted and purchased	5,12,000	-

It is ascertained that proportionate discount not yet earned on the balance of bills discounted which will mature in 2008-09 amounts to Rs.22,700. Pass the necessary adjustment entries.

SECTION B

ANSWER ANY FIVE QUESTIONS

5 x 8 = 40

11. M Ltd. and N Ltd. agreed to amalgamate on the basis of the following balance sheets as on 31.3.97.

Liabilities	M (Rs.)	N (Rs.)	Assets	M (Rs.)	N (Rs.)
Share capital: Rs. 25 each	75,000	50,000	Goodwill	30,000	-
Profit & Loss a/c	7,500	2,500	Fixed assets	31,500	38,800
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 is 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.

12. In order to reconstruct the Balance sheet, Robert Ltd. passed the following resolutions:

- The share capital of the company consisting of 1,000 ordinary shares of Rs.100 each to be converted into 10,000 shares of Rs.10 each.
- The shareholders to surrender 60% of their shares after such conversion.
- The amount available should be utilized to write off machinery of Rs.10,000, stock Rs.5,000 and the balance available to write off the debit balance in Profit & Loss account.

You are required to pass the necessary journal entries.

13. 'S' Ltd. has a capital of Rs. 2,00,000 in shares of Rs. 100 each out of which H Ltd. purchased 75% of the shares at Rs. 2,40,000. The profit of 'S' Ltd. at the time of purchase of shares by H Ltd. were Rs. 1,10,000. S Ltd. decided to make a bonus issue out of pre acquisition profit of one share for every five shares held.

Calculate the cost of control of acquiring shares of 'S' Ltd.

- Before the issue of bonus shares
- After the issue of bonus shares.

14. Life fund of a life assurance company was Rs.86,48,000 as on 31-3-2006. The interim bonus paid during the intervaluation 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

- the net profit for the valuation period
- the distribution of the surplus.

15. As on 31st December 2015, the books of the Hercules bank, include among others, the following balances

Rebate on bills discounted (1.1.2015)	Rs.3,20,000
Discount received	Rs.46,00,000
Bills discounted and purchased	Rs.3,15,47,000

Throughout 2015, the bank's rate for discounting has been 18%.

On investigation and analysis, the average due date for the bills discounted and purchased is calculated as 14th February 2016.

Show the calculation of the amount to be credited to the banks profit and Loss A/c under discount earned for the year 2015. Show also the journal entries required to adjust the above mentioned accounts.

16. The following is the Balance sheet of Nav Bharath Ltd. company on 31.12.1999:

Liabilities	X	Assets	X
7,500 preference shares of Rs.100 each	7,50,000	Patents	8,50,000
5,000 Equity shares of Rs.100 each fully paid	5,00,000	Leasehold premises	1,30,800
Sundry creditors	30,000	Machinery	42,200
Bank overdraft	20,000	Debtors	76,500
		Stock -in-trade	55,000
		Discount on issue of shares	18,000
		Preliminary expenses	12,000
		P&L Account	1,15,000
		Cash in hand	500
	13,00,000		13,00,000

The company suffered heavy losses. The following scheme of reconstruction was adopted: (a) The preference shares be reduced to an equal number of fully paid shares of Rs.50 each; (b) The equity shares be reduced to an equal number of shares of Rs.25 each. The amount available be used to write off Rs.30,800 on leasehold premises, Rs.15,000 on stock, 20% off on machinery and sundry debtors and the balance available (after writing off discount on issue of shares, preliminary expenses and profit and loss account completely) off patents. Journalise the transactions and prepare the Balance sheet after the reconstruction has been carried out.

17. From the following information relating to Lakshmi Bank Ltd., prepare the Profit & Loss A/c for the year ended 31st December 2016.

	Rs.		Rs.
Rent received	72,000	Salaries and allowances	2,18,800
Exchange and commission	32,800	Postage	5,600
Interest on fixed deposits	11,00,000	Sundry charges	4,000
Interest on savings bank A/cs	2,72,000	Director's & Auditor's fees	16,800
Interest on overdrafts	2,16,000	Printing	8,000
Discount on bills discounted	7,80,000	Law charges	3,600
Interest on current accounts	1,68,000	Locker rent	1,400
Interest on cash credits	8,92,000	Transfer fees	2,800
Depreciation on bank property	20,000	Interest on loans	10,36,000

SECTION C

ANSWER ANY TWO QUESTIONS

2 x 15 = 30

18. 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:

- 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.
- Z Ltd. to allot 44,000 fully paid equity shares of Rs.10 each to be distributed to Y Ltd. shareholders.
- 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.
- Expenses of Liquidator of Y Ltd. Rs.3,000 to be borne by Z Ltd.
- 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.

19. The following are the Balance sheets of H Ltd. and its subsidiary S Ltd. as on 31.3.2015

Liabilities	X	Y	Assets	X	Y
Share capital			Machinery	3,00,000	1,00,000
Rs. 10 each fully paid	6,00,000	2,00,000	Furniture	70,000	45,000
General Reserves	1,50,000	70,000	70% shares in S Ltd. at cost	2,60,000	-
Profit & loss A/c	70,000	50,000	Stock	1,75,000	1,89,000
Creditors	90,000	60,000	Debtors	55,000	30,000
			Cash at bank	50,000	10,000
			Preliminary expenses	-	6,000
	9,10,000	3,80,000		9,10,000	3,80,000

H Ltd. acquired the shares of S Ltd. on 30th June 2014. On 1st April 14, S Ltd.'s general reserve and Profit & Loss account stood at Rs.60,000 and 20,000 respectively. No part of the preliminary expenses was written off in the year ended 31.3.15. Prepare consolidated Balance sheet of H Ltd. and its subsidiary S Ltd. as on 31.3.15, giving all your working notes separately.

20. From the following prepare 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)	13,53,672	Freehold premises	1,22,600
Reserve fund	1,46,000	Furniture & fittings	64,100
		Cash on hand & deposits	76,300

21. From the following, you are required to prepare the Profit & Loss Account and the Balance sheet of Madras Bank Ltd., as on 31-12-2010 according to Banking regulation Act 1949.

Trial Balance as on 31-12-2010

	Rs. in Thousands	Rs. in Thousands
Issued capital: 20,000 shares of Rs.100 each	-	2,000
Money at call and short notice	800	--
Reserve fund	-	700
Cash in hand	650	-
Deposits	-	2,500
Cash at bank	950	-
Borrowings from SBI	-	500
Investments in Government securities	900	-
Secured loans	1,500	-
Cash credits	500	-
Premises less depreciation	580	-
Furniture less depreciation	120	-
Rent	5	60
Interest and discount	-	800
Commission and brokerage	-	70
Interest paid on deposits	300	-
Salary and allowances paid to staff	150	-
Interest paid on borrowings	50	-
Audit fees	10	-
Directors' fee	8	-

Non-banking assets	80	-
Depreciation on bank's property	13	-
Printing	3	-
Advertisements	1	-
Stationery	5	-
Postage and telegrams	2	-
Other expenses	3	-
	6,630	6,630

Adjustments:

- (a) Provide Rs.20, 000 for doubtful debts.
- (b) Provide Rs.10, 000 on bills discounted but not matured on 31-12-2010.
- (c) Acceptances and endorsements on behalf of customers amounting to Rs.4, 00,000.
- (d) Provide Rs.60, 000 for taxes.
