

B.Com. (A & F) DEGREE EXAMINATION APRIL 2018
ACCOUNTING AND FINANCE
SIXTH SEMESTER

COURSE : MAJOR – CORE
PAPER : ADVANCED CORPORATE ACCOUNTING
TIME : 3 HOURS **MAX. MARKS: 100**

Section A

Answer ALL the questions. **(10 x 2 = 20)**

1. What do you mean by 'Capital Redemption Reserve'?
2. Write any four differences between 'Share and Debenture'.
3. What is Liquidators Final Statement of Account?
4. A company having free reserves of Rs.60,000 wants to redeem Rs. 200,000 Preference Shares. Calculate the face value of fresh issue of shares of Rs.10 each to be made at a premium of 10%.
5. Mention any two forms of Reduction of Capital.
6. Compute Liquidator's Remuneration from the information given below:

Secured creditors	: Rs.60,000 (Securities realized Rs.80,000)
Other assets realized	: Rs.75,000
Liquidator's remuneration	: 2.5% on the amounts realized (Including Securities with Creditors)
7. Calculate the amount of Net Current Assets of a life insurance company with the help of the following information:

Cash and Bank balance	Rs. 34,300
Advances and other assets	Rs. 99,300
Current Liabilities	Rs. 40,000
Provisions	Rs. 38,000
8. What is meant by "Amalgamation and External Reconstruction"?
9. From the information given below, you are required to calculate the amount of provision for tax created by Nanda Bank Ltd:

Interest earned	Rs.15,64,000
Other incomes	Rs 16,400
Interest expended	Rs.7,70,000
Operating expenses	Rs.1,64,400
Bad debts	Rs.80,000
Provision for tax to be made	55%
10. Raman Ltd. agrees to purchase the business of Krishna Ltd, on the following terms:
 - a) For each of the 10,000 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.12 per share. In addition, Rs.4 per share cash will also be paid.
 - b) 8% Debentures worth Rs. 80,000 will be issued to settle the Rs.60,000, 9% Debentures in Krishna Ltd.
 - c) Rs. 10,000 will be paid towards expenses of Winding up. Calculate the purchase consideration.

Section B

Answer Any FIVE questions. **(5 x 8 = 40)**

11. The Balance Sheet of Exchange Ltd. As on 31-3-2015 was as follows:

Liabilities	Rs.	Assets	Rs.
Share Capital: 50000 Equity Shares of Rs.10 each, fully paid	5,00,000	Sundry Assets	9,20,000
4,000 Redeemable Preference Shares of Rs.100 each fully paid	4,00,000	Bank Balance	6,00,000
Profit and Loss A/c	5,20,000		
Creditors	1,00,000		
Total	15,20,000	Total	15,20,000

On the above date, the preference shares were redeemed at a premium of 10%. You are required to pass journal entries and give the amended Balance sheet.

12. ABC company Ltd. Passed resolution and got court permission for the reduction of its share capital by Rs.500,000 for the purposes mentioned as under:

- 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 Investment 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. A Ltd is to be liquidated. Their summarized balance sheet as on 30th sept 2012 appears as under:

	Amount (Rs.)
LIABILITIES	
5,00,000 equity shares of 100 each	50,00,000
Secured debentures (on land and building)	20,00,000
Unsecured Loans	40,00,000
Trade Creditors	70,00,000
TOTAL	1,80,00,000
ASSETS	
Land and buildings	10,00,000
Other fixed assets	40,00,000
Current assets	90,00,000
Profit and loss account	40,00,000
TOTAL	1,80,00,000
Contingent liabilities are:	
For bills discounted	2,00,000
For excise duty demands	3,00,000

On investigation it is found that the contingent liabilities are certain to devolve and that the assets are likely to be realized as follows:

	AMOUNT
Land and buildings	22,00,000
Other fixed assets	36,00,000
Current assets	70,00,000

Taking the above into account, prepare the statement of affairs.

14. From the following information prepare the profit /loss a/c of ABC BANK Ltd for the year ended on 31.03.92 in the prescribed form.

	Rs.
Interest on loan	2,59,000
Interest on fixed deposit	2,75,000
Rebate on bill discount 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 a/c	42,000
Rent and tax	18,000
Interest on o/d	1,54,000
Directors fees	3,000
Auditor fees	1,200
Interest on saving bank deposit	68,000
Postage and telegram	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 divided of Rs.20,000 for the share holders.

15. The Ashok company Ltd. Went into voluntary liquidation on 31.12.2014 when the statement of affairs was as below:

Unsecured creditors stood at Rs. 40,000 including Rs. 5,000 preferential claims. Secured creditors secured on plant and machinery stood at Rs. 2,00,000; cash in hand was Rs. 1000.

The liquidator realized Plant and Machinery for Rs. 15,000 and the other assets realized Rs. 10,000. The liquidation expenses amounted to Rs. 1000. The liquidator's remuneration was fixed at 4% of the amount realized including cash balance and 25 of the amount distributed to unsecured creditors including preferential creditors.

Prepare liquidators final statement of account showing the dividend paid to unsecured creditors.

16. From the following particulars relating to 'Z' Insurance Co.Ltd., prepare Fire Revenue Account for the year ending 31-3-2005:

Particulars	Rs. in '000'	Particulars	Rs.in '000'
Claim paid	4,80,000	Premium Received	12,00,000
Claims Outstanding on 1.4.2004	40,000	Reinsurance premium paid	1,20,000
Claim intimated but not accepted and paid on 31.3.2005	10,000	Commission	2,00,000
Claims intimated and accepted but not paid on 31.3.2005	60,000	Commission on reinsurance ceded	10,000
Commission on reinsurance accepted	5,000	Provision for an expired risk on 1.4.2004	4,00,000
Expenses of Management	3,05,000	Additional provision for unexpired risk on 1.4.2004	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.

17. Rama Ltd. issued 8% Debentures of Rs.300,000 in earlier year on which interest is payable half yearly on 31st March and 30th September. The Company has power to purchase its own debentures in the open market for cancellation thereof. The following purchases were made during the financial year 2012-13 and cancellation made on 31st March 2013:
- On 1st April Rs.50,000 nominal value debentures purchased for Rs. 49,450, ex-interest.
 - On 1st September, Rs.30,000 nominal value debentures purchased for Rs.30,250 cum interest
- Show the journal entries for the transactions held in the year 2012-13.

Section C

Answer Any TWO questions.

(2 x 20 = 40)

18. The following is the summarized Balance sheet of Anand Ltd. As on 31st March 2015.

Liabilities	Rs.	Assets	Rs.
Share Capital: 1,500 Cumulative Preference Shares of Rs.100 each	1,50,000	Fixed Assets: Property (at cost) 1,10,000 Less: Depreciation 20,000 ----- Machinery (at cost) 2,20,000 Less: Depreciation 40,000 -----	90,000 1,80,000
2,000 Equity Shares of Rs.10 each	2,00,000	Goodwill	17,000
6% Debentures	50,000	Patents	22,000
Debenture Interest Outstanding	3,000	Current Assets:	
		Stock	15,000
		Debtors	31,200
		Preliminary Expenses	32,000
		Profit and Loss a/c	85,800
Share Premium	50,000		
Creditors	20,000		
Total	4,73,000	Total	4,73,000

The following scheme of Capital reduction was duly sanctioned by court:

- Equity shares to be reduced by Rs.90 each.
- Preference shares to be reduced to Rs.90 each.
- The debenture holders to waive their right over outstanding interest.
- All credit balances not being the outside liabilities and all debit balances not being the amounts receivables as well as the tangible assets are to be written off.
- Any balance available is to be utilized in writing down the fixed assets in proportion to their written down values. You are required to give journal entries and balance sheet after the reduction.

19. The following is the Trail balance of Shri Nidhi Bank Ltd as on 31.12.2015

	Debit	Credit
Authorized capital	-	5,00,000
Unissued capital	2,00,000	-
Uncalled capital	1,50,000	-
Reserve Fund	-	3,00,000
Investment fluctuation fund	-	20,000
Bank O.D., loans & Cash credits	4,00,000	-
Bank premises	60,000	-
Government Bonds	3,00,000	-
Other government securities	2,00,000	-
Current accounts	-	6,00,000
P&L A/c on 1.1.1986	-	25,000
Money at call and short notice	70,000	-
Bills discounted	73,000	-
Shares	17,000	-
Cash in Hand	1,10,000	-
Cash at bank	3,00,000	-
Income tax paid	9,000	-
Salaries and other expenses	73,500	-
Interest discount etc	-	1,70,000
Interim dividend paid	7,500	-
Deposits and savings bank a/c	-	3,55,000
Total	19,70,000	19,70,000

Additional information:

- 1) The bills discounted mature at an average date of 19th February, 2016 (including days of grace). All bills are discounted at 10% per annum.
 - 2) The market value of investment in government securities was Rs.4,75,000 . Increase investment fluctuation fund with the necessary amount.
 - 3) Bank added premises during the year for Rs.10000. Provide 5% depreciation on the opening balance.
 - 4) Interest accrued on investment was Rs.750.
 - 5) Provision for taxation 1.1.2016 was Rs.10,000. it is to be increased to Rs. 30,000.
- Prepare Final Accounts in the Statutory form.

20. The following are the abridged balance sheets of PLtd. And S.Ltd as on 31st March 2015.

Liabilities	P Ltd	S Ltd	Assets	P Ltd	S Ltd
Equity Share Capital of Rs.10 each	8,000	3,000	Fixed Assets	11,000	4,730
10% Preference Share Capital of Rs.100 each	---	1,000	Current Assets	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			
Total	15,000	6,700	Total	15,000	6,700

On 1st April 2015, P ltd. takes over S ltd. On the following terms:

- P ltd. will issue 350,000 equity shares of Rs.10 each at par to the Equity Shareholders of S ltd.
- P ltd. will issue 11,000 10% Preference share of Rs.100 each at par to the Preference Shareholders of S ltd.
- 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; and
- The amalgamation is in the nature of purchase.

21. The summarized balance sheet of FULL STOP ltd. as on 31st march 2013, being the date of voluntary winding up is as under:

LIABILITIES	AMOUNT	ASSETS	AMOUNT
SHARE CAPITAL:			
5,000 Cumulative Preference shares of Rs.100 each fully paid up	5,00,000	Land and building	5,20,000
EQUITY SHARE CAPITAL:		Plant and machinery	7,80,000
5,000 Equity shares of 100 each	3,00,000	Inventory in trade	3,25,000
Rs. 60 per share called up and paid up		Book debts	10,25,000
5000 Equity shares of Rs. 100 each		Profit and loss a/c	5,50,000
Rs 50 called up and paid up	2,50,000		
Securities premium	7,50,000		
10% debentures	2,10,000		
Preferential creditors	1,05,000		
Bank over draft	4,85,000		
Trade creditors	6,00,000		
	32,00,000		32,00,000

Preferential dividends is in arrears for three years. By 31-3-2013, the assets realized were as follows

	Rs
Land and building	6,20,000
Inventory in trade	3,10,000
Plant and machinery	7,10,000
Book debts	6,60,000

Expenses of liquidation are Rs 86,000. The remuneration of the liquidator is 2% of the realization of assets. Income tax payable on liquidation is Rs.67,000. Assuming that the final payments were made on 31-03-2013. Prepare the Liquidator's statement of accounts.
