

B.Com. (A & F) DEGREE EXAMINATION APRIL 2019
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 a note on Internal Reconstruction.
3. What is Absorption?
4. State the meaning of General Insurance.
5. Write a short note on Liquidation.
6. From the following particulars of ABC Ltd., calculate the managerial remuneration assuming there are two whole time directors; a part time director and manager:
(a) Net profit before provision for income tax and Managerial remuneration but after depreciation Rs.8,70,410
(b) Depreciation provided in the books Rs.3,10,000
(c) Depreciation allowable under schedule XIV Rs.2,60,000.
7. Redemption of 10,000 Preference shares of Rs.100 each was carried out of reserves and out of the issue of 4,000 shares of Rs.100 each @ Rs.95. What is the amount of Capital redemption reserve account that is required?
8. Marshall Ltd., has share capital of Rs.5,00,000 divided into 5,000 shares of Rs.100 each, fully paid. Show the entries under each of the following conditions:
(i) When Marshall Ltd., resolves to sub-divide the shares into 50,000 shares of Rs.10 each fully paid.
(ii) When Marshall Ltd., resolves to convert its 5,000 shares of Rs.100 each into 5,00,000 worth of stock.
9. Calculate the net claim to be debited to Revenue a/c of an Insurance Company:
Claims paid for the year ended 31.3.2018 Rs.5,75,000
Claims Outstanding on 1.4.2017 Rs.55,000
Claims Outstanding on 31.3.2018 Rs.98,000
Claims covered under reinsurance Rs.28,000
10. 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 ½ % on the amounts realized (including securities with creditors)

Section B

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

11. The accounts of the Moses Ltd. showed an amount of Rs.3,00,000 to the credit of Profit & Loss account on 31.3.2018. out of which the directors decided to place Rs.60,000 to general reserve and Rs.42,000 to debenture redemption fund. At the annual general meeting held on 15.6.2018, it was decided to place Rs.20,000 to a development reserve and to pay a bonus of 2½ % of the profit to the directors as additional remuneration.

The payment of the half-yearly dividends on Rs.5,00,000 6% cumulative preference shares on September 30, 2017 and March 31, 2018 was confirmed and a dividend @ 10% was declared on the equity share capital of the face value of Rs.6,00,000. The balance of Profit & Loss Account is to be carried forward to next year.

Show how these items would appear in the balance sheet. Prepare the appropriate Notes to Accounts

(Note: Dividend tax at 17 % is charged though surcharge is ignored because it changes from year to year)

12. On 30th June 2018, the balance sheet of Sandhya Ltd., stood as follows:

| Liabilities | Rs. | Assets | Rs. |
|--------------------------------|-----------|---------------|-----------|
| Equity Share capital | 10,00,000 | Sundry assets | 14,00,000 |
| Redeemable Pref. Share Capital | 4,00,000 | Bank | 5,00,000 |
| P&L A/c | 3,00,000 | | |
| Sundry creditors | 2,00,000 | | |
| | 19,00,000 | | 19,00,000 |

On the above date, the preference shares had to be redeemed. For this purpose, 2,000 equity shares of Rs.100 each were issued at Rs.110. The company also issued 8% debentures totaling Rs.3,00,000. The shares and debentures were immediately subscribed and paid for. The preference shares were duly redeemed. Give journal entries and the balance sheet after redemption.

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. | Assets | Rs. |
|--|----------|-------------------|----------|
| Share capital: 50,000 fully paid shares of Rs. 10 each | 5,00,000 | Goodwill | 1,00,000 |
| Securities 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 |
| | 6,85,000 | Debtors | 74,000 |
| | | Profit & Loss A/c | 50,000 |
| | | | 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 A/c
- 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.

14. From the following information relating to Lakshmi Bank Ltd., prepare the Profit & Loss A/c for the year ended 31st December 2018.

| | 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/c s | 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 |

15. The Ashok Company Ltd. went into voluntary liquidation on 31.12.2018. 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 & Machinery stood at Rs.20,000; Cash in hand was Rs.1,000. The liquidator realized Plant & Machinery for Rs.15,000 and the other assets realized Rs.10,000. The liquidation expenses amounted to Rs.1,000 and the liquidator's remuneration was fixed at 4% of the amount realized including cash balance and 2% of the amount distributed to unsecured creditors including preferential creditors.
Prepare liquidator's final statement of account showing the dividend paid to unsecured creditors.
16. 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
(b) the net profit for the valuation period
(c) the distribution of the surplus.
17. Give Journal entries in the books of A Co Ltd., if
(a) It purchased assets of Rs.5,00,000 and agreed to pay the price by issuing 9% debentures of Rs.100 each at Premium of 25%.
(b) It purchased assets of Rs.3,00,000 and acquired liabilities of Rs.30,000. It issued 8% debentures of Rs.100 each at a discount of 10% to satisfy the net purchase price.
(c) It Purchased assets and liabilities of a firm for Rs.4,00,000. The assets acquired were valued at Rs.6,00,000 and the liabilities taken over were Rs.2,40,000. The purchased price is to be satisfied by issue of 10% debentures of Rs.100 each at par.

Section C

Answer Any TWO questions.

(2 x 20 = 40)

18. The following balances were extracted from the books of chandra Limited for the year ended December 31, 2018

| | Rs. |
|--|-----------|
| Buildings | 6,00,000 |
| Furniture | 60,000 |
| Motor vehicles | 60,000 |
| Equity shares of companies | 4,00,000 |
| Stock in trade at cost | 4,00,000 |
| Sundry debtors, unsecured considered good | 2,80,000 |
| Cash at bank | 1,72,000 |
| Advance against construction of building | 1,30,000 |
| Share capital: 10,000 equity shares of Rs.100 each | 10,00,000 |
| Sundry creditors | 3,50,000 |
| Profit & Loss A/c (Credit) | 20,000 |
| Gross profit | 10,00,000 |
| Dividend received on investments | 10,000 |
| Salaries and wages | 2,20,000 |
| Directors' fees | 8,000 |
| Electricity charges | 25,000 |
| Rates, taxes and insurance | 10,000 |
| Auditors' fees | 15,000 |

Prepare the Profit & Loss Account of the company for the year ended December 31, 2018 and a Balance sheet as on that date after considering the following adjustments.

- Provide 10% depreciation per annum on Fixed Assets
- Stock has been revalued Rs.3,60,000. This has not yet been considered.
- Debts more than 6 months are Rs.80,000.
- Ignore tax provision.

19. The following was the balance sheet of Brite Ltd. as on 31.3.2018.

| Liabilities | Rs. | Assets | Rs. |
|--|-----------|----------------------|-----------|
| 7,500 ordinary shares of Rs.100 each | 7,50,000 | Fixed assets | 7,80,000 |
| 2,000 15% Preference shares of Rs.100 each | 2,00,000 | Debenture redemption | |
| General Reserve | 6,30,000 | Fund investments | 88,500 |
| P & L A/c | 50,000 | Stock | 6,00,000 |
| Debenture Redemption fund | 88,480 | Debtors | 2,60,700 |
| 12% Debentures | 1,00,000 | Cash at bank | 3,00,800 |
| Sundry Creditors | 2,11,520 | | |
| | 20,30,000 | | 20,30,000 |

On this date, the company redeemed at a premium of 5% all of its preference shares and Debentures. For the purpose, it sold all the investments for Rs.90,000 and allotted to its equity shareholders 1,500 equity shares of Rs.100 each at par, the entire amount being received immediately. After redemption of preference shares and debentures, the company issued one fully paid bonus share of Rs.100 for every three shares held. Show Journal entries for the above and prepare the balance sheet thereafter.

20. Following is the Balance sheet of K Ltd. as on 31.12.2018.

| 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 |
| Debenture | 10,000 | Current assets | 19,500 |
| Creditors | 3,000 | | |
| | 40,000 | | 40,000 |

R Limited agreed to take over the assets of K Ltd. (exclusive of one fixed asset 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 asset 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. and R Ltd.

21. From the following, you are required to prepare the Profit & Loss Account and the Balance sheet of Madras Bank Ltd., as on 31-12-1980 according to Banking regulation Act 1949.

Trial Balance as on 31-12-1980

| | Debit (Rs. in Thousands) | Credit (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' fees | 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:

- Provide Rs.20, 000 for doubtful debts.
- Provide Rs.10, 000 on bills discounted but not matured on 31-12-1980
- Acceptances and endorsements on behalf of customers amounting to Rs.4, 00,000.
- Provide Rs.60, 000 for taxes.
