

(FOR THE CANDIDATES ADMITTED
IN THE ACADEMIC YEAR 2020 ONLY)

20UCF409

REG.NO.

**N.G.M.COLLEGE (AUTONOMOUS): POLLACHI
END-OF-SEMESTER EXAMINATIONS: JULY 2022**

**B.COM (FINANCE)
SEMESTER: IV**

**MAXIMUM MARKS: 70
TIME: 3 HOURS**

**PART – III
CORPORATE ACCOUNTING II
SECTION - A (10 X 1 = 10 MARKS)**

ANSWER THE FOLLOWING QUESTIONS.

MULTIPLE CHOICE QUESTIONS.

(K1)

- Pooling of interests method is used to account for amalgamation in the nature of _____.
(a) Purchase (b) Sales (c) Merger (d) Absorption
- _____ reconstruction refers to the reduction of capital to cancel any paid up capital.
(a) External (b) Internal (c) Amalgamation (d) Absorption
- An asset which does not generate income to the banker is termed as _____.
(a) Performing Asset (b) Fixed Assets (c) Non Performing Assets (d) Current Assets
- A valuation balance sheet is prepared by _____.
(a) Joint Stock Company (b) Banking Company
(c) Life Insurance Company (d) General Insurance Company
- A company in which more than 50% of shares are held by another company is termed as _____.
(a) Holding Company (b) Subsidiary Company
(c) Govt. Company (d) Public Company

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES

(K2)

- Define Amalgamation.
- Explain internal reconstruction
- What is Rebate on Bills Discounted?
- Write a note on Reinsurance?
- What do you mean by a Holding Company?

SECTION – B

(5 X 4 = 20 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. (K3)

- a) Raman Ltd. agrees to purchase the business of Krishnan Ltd. on the following terms:
 - For each of the 10000 shares of Rs. 10 each in Krishnan 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 also will be paid.
 - 8% Debentures worth Rs. 80000 will be issued to settle the Rs. 60000 9% debentures in Krishnan Ltd.
 - Rs. 10000 will be paid towards expenses of winding up
 Calculate the Purchase Consideration.

(OR)

b) The following is the Balance Sheet of X Ltd. as on 31.03.1996

Liabilities	Rs.	Assets	Rs.
Share Capital 200000 shares of Rs. 10 each	20,00,000	Land & Buildings	10,00,000
General Reserve	2,50,000	Plant & Machinery	15,00,000
Dividend Equalization Reserve	2,00,000	Furniture	25,000
Profit and Loss Account	51,000	Stock	6,00,000
12% Debentures	10,00,000	Work-in-Progress	3,00,000
Sundry Creditors	3,00,000	Sundry Debtors	2,50,000
		Cash at Bank	1,26,000
	38,01,000		38,01,000

(CONTD...2)

The company was absorbed by A Ltd. on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5%, taking over the liability in respect of sundry creditors and a payment of Rs. 7 in cash and one share of Rs. 5 in A Ltd. at the market value of Rs. 8 per share for every share in X Ltd., The cost of liquidation of Rs. 15000 is to be met by the purchasing company. From the above details, calculate purchase consideration.

12. a) 'X' Co. Ltd. has the following shares as a part of its share capital.

10000 8% preference shares of Rs. 100 each fully paid

50000 equity shares of Rs. 5 each fully paid

20000 equity shares of Rs. 10 each, Rs. 8 called and paid up

The company has decided to alter the share capital as follows

(i) To sub-divide the preference shares into shares of Rs. 10 each

(ii) To consolidate the equity shares of Rs. 5 each into shares of Rs. 10 each

(iii) To convert the partly paid up equity shares into fully paid up shares of Rs. 8 each with necessary legal sanctions.

Journalize the alterations.

(OR)

b) Bee Ltd., has 60000 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 fully paid up by cancelling the unpaid amount. Give Journal entries.

13. a) On 31st March 1998, Bharat Commercial Bank Ltd, finds its advances classified as follows.

Particulars	Rs.
Standard Assets	14,91,300
Sub-standard assets	92,800
Doubtful Assets (Secured)	
Doubtful Assets – One year	25,600
Doubtful Assets – 1 to 3 years	15,640
Doubtful Assets – More than 3 years	6,580
Loss Assets	10,350

Calculate the amount of provision to be made by the bank against the above mentioned advances.

(OR)

b) On 31st March 1998 a bank held the following bills, discounted by it earlier.

Date of Bill 1998	Term of Bill (Months)	Discounted @ % p.a.	Amount of Bill (Rs.)
January 17	4	17	7,30,000
February 7	3	18	14,60,000
March 9	3	17.5	3,64,000

You are required to calculate the rebate on bills discounted.

14. a) A life assurance company prepared its Revenue Account for the year ended 31.3.2006 and ascertained its Life Assurance fund to be Rs. 28,35,000. It was found later that the following had been omitted from the accounts.

(i) Interest accrued on investments Rs. 39,000. Income tax liable to be deducted thereon is estimated to be Rs. 10,500

(ii) Outstanding premium Rs. 32,800

(iii) Bonus utilized for reduction of premium Rs. 6,750

(iv) Claims intimated but not admitted Rs. 17,400

(v) Claims covered under reinsurance Rs. 6,500

What is the true Life Assurance Fund?

(OR)

b) From the following figures appearing in the books of Fire Insurance division of a General insurance company, show the amount of claim as it would appear in revenue account, by preparing schedule 2, claims incurred.

(CONTD...3)

Particulars	Rs.	Rs.
Claims paid during 2005-06	4,670	700
Claims payable 1.4.2005	763	87
Claims payable – 31.3.2006	812	53
Claims received	-	230
Claims receivable – 1.4.2005	-	65
Claims receivable – 31.3.2006	-	113
Expenses of Management (includes Rs. 35 Thousand surveyor's fees and Rs. 45 thousand legal expenses for settlement of claims)	230	

15. a) On 31st March 1996 the balance sheet of H Ltd. and its subsidiary S Ltd. stood as follows.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Equity Share Capital	8,00,000	2,00,000	Fixed Assets	5,50,000	1,00,000
General Reserve	1,50,000	70,000	75% Shares in S Ltd. (at Cost)	2,80,000	-
Profit and Loss Account	90,000	55,000	Stock	1,05,000	1,77,000
Creditors	1,20,000	80,000	Other Current Assets	2,25,000	1,28,000
	11,60,000	4,05,000		11,60,000	4,05,000

Draw a consolidated balance sheet as at 31st March 1996 after taking into consideration the following information.

(i) H Ltd. acquired the shares on 31st July 1995

(ii) S Ltd. earned a profit of Rs.45000 for the year ended 31st March 1996

(iii) In January 1996 S Ltd. sold to H Ltd. goods costing Rs. 15000 for Rs. 20000. On 31st March 1996 of these goods were lying as unsold in the godown of H Ltd.

Calculate minority interest from the above information.

(OR)

b) The Balance sheets of C Ltd. and D Ltd. as at 31st December 1986 are as follows:

Liabilities	C Ltd.	D Ltd.	Assets	C Ltd.	D Ltd.
Share Capital (in shares of Rs. 10 each)	2,00,000	1,00,000	Sundry Assets	1,32,500	1,38,200
General Reserve	18,000	20,000	Goodwill	-	20,000
Profit and Loss Account	24,500	23,000	Shares in D Ltd at cost	1,40,000	-
Creditors	30,000	15,200			
	2,72,500	1,58,200		2,72,500	1,58,200

In the same of 'D' Ltd., profit for the year ended 31st December 1986 is Rs. 12000 and transfer to reserve is Rs. 5000. The holding of 'C' Ltd in D Ltd. is 90% acquired on 30th June 1986. Calculate goodwill.

SECTION - C

(4 X 10 = 40 MARKS)

ANSWER ANY FOUR OUT OF SIX QUESTIONS. (K4 (Or) K5)

(16th QUESTION IS COMPULSORY AND ANSWER ANY THREE QUESTIONS

(FROM Qn. No : 17 to 21)

16. Alpha Ltd. and Beta Ltd. were amalgamated on 1st April 2001. A New company Gamma Ltd. was formed to take over the business of the existing companies. The Balance sheets of Alpha Ltd. and Beta Ltd. as on 31st March, 2001 are given below.

(CONTD...4)

	Alpha	Beta	Assets	Alpha	Beta
Share Capital Equity shares of Rs. 100 each	1,000	800	Fixed Assets	1,200	1,000
15% Preference shares of Rs., 100 each	400	300	Current Assets, Loans and Advances	880	565
Reserves & Surplus:					
Revaluation Reserve	100	80			
General Reserve	200	150			
Profit & Loss Account	80	60			
Secured Loan					
12% Debentures of Rs. 100 each	96	80			
Current Liabilities & Provisions	204	95			
	2,080	1,565		2,080	1,565

Other Information:

- (i) 12% Debentures of Alpha Ltd. and Beta Ltd. are discharged by Gamma Ltd by issuing adequate number of 16% Debentures of Rs. 100 each to ensure that they continue to receive the same amount of interest.
- (ii) Preference shareholders of Alpha Ltd. and Beta Ltd. have received same number of 15% preference shares of Rs. 100 each of Gamma Ltd.
- (iii) Gamma Ltd. has issued 1.5 equity shares for each equity shares of Alpha Ltd and 1 equity share for each equity shares of Beta Ltd. The face value of shares issued by Gamma Ltd. is Rs. 100 each.

17. The following is the summarized balance sheet os Anant Ltd. as on31st March 1998.

Liabilities	Rs.	Assets	Rs.	
Share capital		Fixed Assets		
1500 8% cumulative preference shares of Rs. 100 each	1,50,000	Property (at cost)	1,10,000	
2000 equity shares of Rs.10 each	2,00,000	Less: Depreciation	20,000	90,000
6% Debentures	50,000	Machinery (at cost)	2,20,000	
Debenture interest outstanding	3,000	Less: Depreciation	40,000	1,80,000
Securities premium	50,000	Goodwill		17,000
Creditors	20,000	Patents		22,000
		Current Assets		
		Stock		15,000
		Debtors		31,200
		Preliminary Expenses		32,000
		Profit & Loss Account		85,800
	4,73,000			4,73,000

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

- (i) Equity shares to be reduced by Rs. 90 each.
- (ii) Preference shares to be reduced to Rs. 90 each.
- (iii) The debenture holders to waive their right over outstanding interest.
- (iv) One new equity share paid-up to the extent of 50% only to be issued for each of Rs. 100 of gross preference dividend, which has not been declared since April 1996.
- (v) All credit balances not being the outside liabilities and all debit balances not being the amounts receivable as well as the intangible assets are to be written off.
- (vi) Any balances 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.

(CONTD...5)

18. From the following particulars, prepare a profit and loss account of New Bank Ltd. for the year ended 31.12.1996

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

19. The following balances are abstracted from the books of New Bharat Life Insurance Co. Ltd. as on 31.3.2006

Particulars	Rs. ('000)
Life insurance (1.4.2005)	15,00,000
Premiums	4,96,000
Consideration for annuities granted	15,000
Interest & Dividends	1,00,000
Fines for revival of policies	750
Reinsurance premium	20,750
Claims outstanding (1.4.2005)	4,500
Claims paid during the year	64,900
Annuities	2,050
Bonus in reduction of premiums	1,600
Medical fees	2,400
Surrenders	4,000
Commission	18,650
Management expenses	22,000
Income tax on Dividends	8,500

Prepare revenue account after making the following adjustments.

Particulars	Rs. ('000)
i. Outstanding balances	
Claims	14,000
Premiums	4,600
ii. Further bonus for premium	2,400
iii. Claim under reinsurance	8,000

20. The following balance sheets are presented to you.

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share Capital			Fixed assets	1,75,000	75,000
Shares of Rs., 50 each	2,50,000	1,00,000	Stock in trade	45,000	20,000
General Reserve	50,000	-	Debtors	30,000	15,000
Profit and Loss Account	40,000	-	6% Debentures in B Ltd. Acquired at par	30,000	-
6% Debentures	-	50,000	Shares in B Ltd. 1500 at Rs. 40	60,000	-
Trade Creditors	37,500	22,500	Cash at Bank	37,500	12,500
			Profit & Loss Account	-	50,000
	3,77,500	1,72,500		3,77,500	1,72,500

A Ltd. acquired the shares on 1.4.89. The profit and loss account of B Ltd. showed a debit balance of Rs. 75000 on 1.1.89. Trade creditors of B Ltd. include Rs. 10000 for goods supplied by A Ltd. on which A Ltd. made a profit of Rs. 1000. Half of the goods were still in stock on 31.12.1989.

21. M Ltd. and N Ltd. agreed to amalgamate on the basis of the following balance sheets as on 31.3.1997

Liabilities	M	N	Assets	M	N
Share Capital Rs. 25 each	75,000	50,000	Goodwill	30,000	-
Profit and Loss Account	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. capital is Rs. 200000 divided into 10000 equity shares of Rs. 10 each and 10000 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.
