

**(FOR THE CANDIDATES ADMITTED
DURING THE ACADEMIC YEAR 2020 ONLY)**

(NO OF PAGES: 2)

20 UBP 409

REG.NO

**NGM COLLEGE (AUTONOMOUS) POLLACHI
END-OF-SEMESTER EXAMINATIONS: JULY-2022**

**B.COM -BPS
IV SEMESTER**

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

PART III

HIGHER CORPORATE ACCOUNTING

SECTION – A (10 X1 = 10 MARKS)

**ANSWER THE FOLLOWING QUESTIONS (K1)
MULTIPLE CHOICE QUESTIONS**

1. Pooling of interests method is used to account for amalgamations in the nature of _____.
(a) Purchase (b) Sales (c) Merger (d) Intercompany holding
2. Alteration of share capital is effected by a company if it is authorized by the
(a) Memorandum of association (b) Articles of association
(c) Shareholders (d) Board of directors
3. Every banking company is required to close its accounts on _____.
(a) 31st December (b) 31st March
(c) 30th June (d) 30th September
4. In Life Insurance, the policy amount is payable
(a) after the death of the assured
(b) after the expiry of the policy period
(c) on death of the insured or on expiry of policy period whichever is earlier
(d) only when the insured has incurred loss
5. Minority Interest is shown on the _____ of consolidated Balance sheet.
(a) Assets side (b) Liabilities side
(c) Cost of control (d) Goodwill

ANSWER THE FOLLOWING IN ONE OR TWO SENTENCES (K2)

6. Construct types of accounting for amalgamation as per Ind. AS 14.
7. Explain Internal reconstruction.
8. Interpret about “Standard Assets”.
9. Explain Re insurance?
10. Explain capital profit or pre-acquisition profit?

SECTION – B (5 X 4 = 20 MARKS)

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

11. a). Assess the various methods of calculating purchase consideration.
(OR)
b). Compare amalgamation with external reconstruction.

(CONTD.....2)

12. a). X Co. Ltd. has the following shares as a part of its share capital
 10,000 8% preference shares of Rs.100 each fully paid
 50,000 equity shares of Rs.5 each fully paid
 20,000 equity shares of Rs.10 each, Rs.8 called up and paid up.

The company has decided to alter the share capital as follows:

1. To sub-divide the preference shares into shares of Rs.10 each
2. To consolidate the equity shares of Rs.5 each into shares of Rs.10 each
3. To convert the partly paid up equity shares into fully paid up shares of Rs.8 each, with necessary legal sanctions.

Journalise the alteration.

(OR)

- b). ABC Company 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:

1. To write off the debit balances of P&L of Rs.2,10,000.
2. To reduce the value of Plant & Machinery by Rs.90,000 and goodwill by Rs.40,000.
3. 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.

Show journal entries to record the share capital reduction.

13. a). On 31st December 1998, Pandian Bank Ltd. has the following Bills:

Date 1998	Amount (Rs.)	Term in Months	Discounted @ % p.a.
November, 11	50,000	4	6
November, 16	60,000	3	5
November, 7	40,000	4	5.5

Calculate the rebate on bills discounted and give necessary journal entry, assuming accounts are closed on the date

(OR)

- b). From the following details relating to a Banking Company, find out the profit balance carried over to the Balance sheet.

	Rs.
Interest earned	5,25,000
Other Incomes	2,20,440
Interest expended	1,25,000
Operating expenses	1,83,686
Profit brought forward from the previous year	1,00,640
Transfer to the Statutory Reserve at 25%	

14. a). The life fund of a Life Insurance Company on 31. 3.2006 showed a balance of Rs. 54,00,000. However, the following items were not taken into account while preparing the Revenue a/c for 2005-06. Compute the correct Life Assurance Fund.

	Rs.
i) Interest and dividends accrued on investments	20,000
ii) Income tax deducted at a source on the above	6,000
iii) Reinsurance claims recoverable	7,000
iv) Commission due on reinsurance premium paid	10,000
v) Bonus in reduction of premiums	3,000

(OR)

(CONTD.....3)

b). Calculate the net claim to be debited to Revenue a/c of Insurance Company:

Claims paid for the year ended 31.3.06	Rs.5,75,000
Claims Outstanding on 1.4.05	Rs.55,000
Claims Outstanding on 31.3.06	Rs.98,000
Claims Covered Under Reinsurance	Rs.28,000

15. a). X Ltd. purchased 60% shares of Y Ltd. on 1.1.2002 when the balance on their P&L A/c and General reserve were Rs.1,50,000 and Rs. 1,60,000 respectively. On 31.12.2002, the Balance sheet of Y Ltd. showed P&L A/c balance of Rs.4,00,000 and General reserve Rs.3,00,000 . Calculate capital profits and Revenue profits.

(OR)

b). P Ltd. acquired 65% shares of Q Ltd. on 1.10.2002. P&L A/c in the books of Q Ltd. showed a debit balance of Rs.40,000 on 1.4.2002. On 31.3.2003, the Balance sheet of Q Ltd. showed P&L A/c balance of Rs.1,20,000. Calculate Capital profits and Revenue profits.

SECTION - C

(4 X 10 = 40 MARKS)

ANSWER ANY FOUR OUT OF SIX QUESTIONS.

(16TH QUESTION IS COMPULSORY AND ANSWER ANY THREE

QUESTIONS FROM Q.NO: 17 TO 21)

(K4) OR (K5)

16. Determine the successive steps to be taken for making out a scheme of reconstruction.

17. The following are the abridged balance sheets of P Ltd. 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			
	15,000	6,700		15,000	6,700

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

- P Ltd. will issue 3,50,000 equity shares of Rs.10 each at par to the equity shareholders of S Ltd.
- P Ltd. will issue 11,000 10% Preference shares 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 purchase.

18. The following is the Balance Sheet of United Industries Ltd. on 31st Dec 2015.

Liabilities	Rs.	Assets	Rs.
6,000 6% Preference shares of Rs.100 each	6,00,000	Goodwill	45,000
12,000 Equity shares of Rs.100 each	12,00,000	Land & Building	6,00,000

(CONTD.....4)

8% Debentures	3,00,000	Plant & Machinery	9,00,000
Bank overdraft	3,00,000	Stock	1,30,000
Sundry creditors	1,50,000	Debtors	1,40,000
		Cash	15,000
		Profit & Loss A/c	7,00,000
		Preliminary expenses	20,000
	25,50,000		25,50,000

On the above date, the company adopted the following scheme of reconstruction:

1. The equity shares are to be reduced to shares of Rs.40 each fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each.
2. The debenture holders took over stock and debtors in full satisfaction of their claims.
3. The Land & Building to be appreciated by 30% and Plant & Machinery to be depreciated by 30%.
4. The fictitious and intangible assets are to be eliminated.
5. Expenses of reconstruction amounted to Rs.5,000.

Give journal entries incorporated the above scheme of reconstruction and prepare the reconstructed Balance Sheet.

19. From the following, you are required to prepare the Profit and 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

	Rs. in Thousands	Rs. in Thousands
Share 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 Govt. 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 banks property	13	
Printing	3	
Advertisement	1	
Stationary	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 31.12.1980.

Acceptances and Endorsements on behalf of customers amounting to Rs.4,00,000

- c. Provide Rs.60,000 for taxes.

(CONTD.....5)

20. From the following particulars relating to 'Z' Insurance Co. Ltd., Prepare Fire Revenue A/c for the year ending 31.03.2005.

	Rs. in (000)		Rs. in (000)
Claims paid	4,80,000	Premium received	12,00,000
Claims outstanding on 1.4.04	40,000	Reinsurance premium paid	1,20,000
Claim intimated but not accepted & paid on 31.3.05	10,000	Commission	2,00,000
Claim intimated and accepted but not paid on 31.3.05	60,000	Commission on reinsurance ceded	10,000
Commission on reinsurance accepted	5,000	Provision for unexpired risk on 1.4.04	4,00,000
Expenses of management	3,05,000	Additional Provision for unexpired risk on 1.4.04	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.

21. From the following Balance Sheet relating to H Ltd., and S Ltd., Construct consolidated Balance Sheet.

Liabilities	H. Ltd (Rs.)	S. Ltd (Rs.)	Assets	H. Ltd (Rs.)	S. Ltd (Rs.)
Share capital (Re.10 each)	10,00,000	2,00,000	Sundry fixed assets	8,00,000	1,20,000
P& L 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	-
	17,00,000	5,30,000		17,00,000	5,30,000

- All profit in 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 were accepted in favor of H Ltd.
- The stock of H Ltd includes goods worth Rs.50,000 purchased from S Ltd. at a profit of 25% on cost.