

Reg. No. :

Code No. : 5528

Sub. Code : PKCM 31

M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2021.

Third Semester

COMMERCE - CORE

ADVANCED CORPORATE ACCOUNTING

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answers :

1. Any decrease in the value of assets, at the time of internal reconstruction, will be changed to
 - (a) Goodwill a/c
 - (b) Capital reduction a/c
 - (c) Revaluation a/c
 - (d) Share capital a/c

2. Excess purchase consideration paid to the transferor company and debited to goodwill account under the purchase method of accounting for amalgamation should be written off within a period of
- (a) 2 years (b) 8 years
(c) 20 years (d) 5 years
3. Goodwill is shown in company's balance sheet under the head
- (a) Fixed assets
(b) Investments
(c) Miscellaneous expenditure
(d) Current assets
4. A contribution is a
- (a) unsecured creditor
(b) preferential creditor
(c) shareholder
(d) debenture holder
5. The percentage of profit to be transferred to statements reserve by the banking company is
- (a) 25% (b) 15%
(c) 20% (d) 10%

6. A non-banking asset is
- (a) an investment
 - (b) an item of office applications
 - (c) any asset acquired from the debtors in satisfaction of claim
 - (d) money at call and short notice
7. Claim paid by life insurance companies is shown in
- (a) schedule 1
 - (b) schedule 2
 - (c) schedule 3
 - (d) schedule 4
8. The commission paid by the re-insures is known as
- (a) commission on direct business
 - (b) commission on reinsurance ceded
 - (c) commission on reinsurance accepted
 - (d) commission on indirect business
9. Under double account system, shares forfeited account is shown in
- (a) credit side of revenue A/c
 - (b) credit side of net revenue A/c
 - (c) credit side of capital A/c
 - (d) liabilities side of general balance sheet

10. Bonus shares issued out of post acquisition profits will
- (a) have no effect on CBS
 - (b) decrease the revenue profits
 - (c) decrease the total of assets side of CBS
 - (d) increase the goodwill to the extent of the holding company's share of the bonus

PART B — ($5 \times 5 = 25$ marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Sri Ltd has an issued capital of Rs. 5,00,000 in 50,000 shares of Rs. 10 each on which Rs. 8 per share has been called up. The company now decides to reduce the share capital to share of Rs. 8 each fully paid by canceling the unpaid amount of Rs. 2 per share. Pass journal entry.

Or

- (b) Write a note on 'Purchase consideration'.

12. (a) A firm earned net profits during the last three years as follows.

I year 36,000 II year 40,000 III year 44,000

The capital investment of the firm is Rs. 1,00,000.

A fair return on the capital, having regard to the risk involved, is 10%. Calculate the value of goodwill on the basis of 3 years. Purchase of super profit.

Or

- (b) State the various modes of liquidating a company.

13. (a) On 31st March 2019, Bharat commercial bank Ltd., Finds its advances classified as follows.

Rs.

Standard assets	14,91,300
Sub-Standard assets	92,800
Doubtful assets (secured)	
: doubtful for one year	25,660
: doubtful for one year to 3 years	15,640
: doubtful for 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) What are the legal restrictions imposed on banking companies?

14. (a) Compute the net premium to be credited to revenue A/c from the following data :

Rs.

Premium received during the year ended 31.3.2016	16,00,000
Reinsurance premium paid	5,40,000
Reinsurance premium received	6,20,000
Bonus in reduction of premium (not yet adjusted)	20,000

Or

- (b) Explain the types of insurance.

15. (a) X Ltd purchased 60% shares of Y Ltd on 1.1.2020 when the balance on their P and L a/c and general reserve were Rs. 15,00,000 and Rs. 1,60,000 respectively. On 31.12.2020 the balance sheet of Y Ltd., showed P and L a/c balance of Rs. 4,00,000 and general reserve Rs. 3,00,000. Calculate capital profits and revenue profits.

Or

- (b) A water supply company had to replace a quarter of its mains and lay auxiliary mains for the remaining length. The total cost of the old mains is Rs. 1,00,00,000. The cost of auxiliary mains is Rs. 9,00,000 and that of the new mains has gone up by 30%. Amount spent on replacement is Rs. 3,50,000. Journalise show your workings.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Raman Ltd., and Sivan Ltd., have agreed to amalgamate. A new company, Sivaram Ltd has been formed to take over the running concerns as on 31.12.2015. The following balance sheets show the position of the companies amalgamating.

Liabilities	Raman Ltd Rs.	Sivan Ltd Rs.	Assets	Raman Ltd Rs.	Sivan Ltd Rs.
Share capital			Goodwill	—	6,000
Rs. 10 each	20,000	50,000			
General reserve	16,000	—	Plant	14,000	20,000
Capital reserve	—	4,000	Furniture	8,000	12,000
P and L a/c	4,000	—	Stock	16,000	8,000
Loan from bank	10,000	16,000	Sundry debtors	10,000	17,000
Creditors	10,000	6,000	Cash at bank	12,000	7,000
			P and L a/c	—	6,000
	<u>60,000</u>	<u>76,000</u>		<u>60,000</u>	<u>76,000</u>

Sivaram Ltd., took over all the assets and liabilities of both the transferor companies at book values except cash at bank, creditors and the goodwill of Sivan Ltd., which was considered worthless.

The purchase consideration was agreed at Rs. 60,000 for Raman Ltd and Rs. 40,000 for Sivan Ltd fully paid equity shares of Rs. 10 each were issued to settle the purchase price for both the companies.

Cash at bank of both the companies was exactly sufficient to settle their creditors at 10% discount and pay the liquidation expenses.

You are required to give important ledger accounts to close the books of the transferor companies and the journal and balance sheet in the books of the transferee company, assuming that the amalgamation in the nature of purchase.

Or

- (b) Distinguish between amalgamation and absorption.

17. (a) The following is the balance sheet of Mr. Chauhan as on 30th Sep 2018.

Liabilities	Rs.	Assets	Rs.
Capital	1,64,000	Land and buildings	36,000
General reserve	40,000	Plant	54,000
Creditors	38,040	Investments	30,000
		Stock	26,850
		Bank	75,990
		Debtors	19,200
	<hr/>		<hr/>
	2,42,040		2,42,040
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Following were the net profits for the years ended.

	Rs.
30 th September 2016	32,280
30 th September 2017	36,870
30 th September 2018	43,350

The above amounts include income from investments Rs. 1,800 each year.

You are required to value the goodwill of the above business at 2 years purchase of the average super profit for 3 years, taking its account the fact that the standard rate of return on capital employed in such type of business is 10% assume that each years. Profit is immediately with drawn in full by Mr. Chauhan.

Or

- (b) A company went into voluntary on 31.3.2018 when to following balance sheet was prepared.

Liabilities	Rs.	Assets	Rs.
Authorised capital :		Goodwill	6,960
4,000 shares of Rs. 10 each	40,000	Freehold property	5,000
Issued capital :		Machinery	7,480
3,000 shares of Rs. 10 each	30,000	Stock	11,710
Unsecured creditors	15,432	Debtors	9,244
Partly secured creditors		Cash	100
	5,836		
Preferential creditors		Profit and loss a/c	11,816
	810		
Bank overdraft (unsecured)			
	232		
	<u>52,310</u>		<u>52,310</u>

The liquidator realized the assets as follows.
Freehold property which was used in the first instance to pay the partly secured creditors pro-rato Rs. 3,600, machinery Rs. 5,000, stock Rs. 6,200, debtors Rs. 8,700, cash Rs. 100.

The expenses of liquidation amounted to Rs. 100 and the liquidator's remuneration was agreed at 2.5% on the amount realized including cash and 2% on the amount paid to unsecured creditors.

Prepare the liquidator's final statement of account.

18. (a) From the following information prepare the profit and loss account of ABC bank Ltd., for the year ended on 31st March 2012 in the prescribed form.

	Rs.
Interest on ban	2,59,000
Interest on fixed deposits	2,75,000
Rebate on bills discounted required	49,000
Commission	8,200
Establishment	54,000
Discount on bills discounted	1,95,000

	Rs.
Interest on cash credit	2,23,000
Interest on current account	42,000
Rent and taxes	18,000
Interest on overdraft	1,54,000
Director's fees	3,000
Auditor's fees	1,200
Interest on savings bank deposits	68,000
Postage and telegrams	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 dividend of Rs. 20,000 for the shareholders.

Or

- (b) Explain in detail the legal provisions relating to the final accounts of a banking company.

19. (a) The life fund of a life insurance company on 31.3.2016 showed a balance of Rs. 54,00,000. However, the following items were not taken into account while preparing the revenue a/c for 2015-16. Ascertain the correct life fund balance.

Rs.

(i) Interest and dividends accrued on investments	20,000
(ii) Income tax deducted at 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

- (b) Difference between life insurance and general insurance.
20. (a) The XYZ electricity company decided to replace some parts of its plant by an improved plant. The plant to be replaced was built in 2013 for Rs. 54,00,000. It is estimated that it would now cost Rs. 80,00,000 to build a new plant of the same size and capacity. The cost

of the new plant as per the improved design was Rs. 1,70,00,000 and in addition, material belonging to the old plant value at Rs. 5,50,000 was used in the construction of the new plant. The balance of the old plant was sold for Rs. 3,00,000. Compute the amount to be capitalized. Also pass the journal entries and replacement account.

Or

- (b) Explain the salient features of double account system.
