

Reg. No. : .....

Code No. : 5534

Sub. Code : ZKCM 31

M.Com. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2022

Third Semester

Commerce – Core

ADVANCED CORPORATE ACCOUNTING

(For those who joined in July 2021 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Alteration of share capital is effected by a company if it is authorised by the
  - (a) Memorandum of Association
  - (b) Articles of Association
  - (c) Shareholders
  - (d) Board of directors

2. Accounting standard for Amalgamation is  
(a) AS - 8 (b) AS - 20  
(c) AS - 14 (d) AS - 3
3. Goodwill is  
(a) tangible asset (b) intangible asset  
(c) fictitious asset (d) current asset
4. List 'E' in statement of affairs gives the list of  
(a) Preferential creditors  
(b) Debentures holders  
(c) Unsecured creditors  
(d) Secured creditors
5. Every banking company is required to close its accounts on  
(a) 31<sup>st</sup> March (b) 31<sup>st</sup> December  
(c) 30<sup>th</sup> June (d) 30<sup>th</sup> September
6. Letter of credit and Endorsement are shown in the Bank account under the head  
(a) Bill payable  
(b) bills for collections  
(c) other assets  
(d) Contingent liabilities

7. Insurance business in India is now regulated by the provisions of  
(a) The IRDA Act 1999  
(b) The insurance Act 1938  
(c) The Banking regulations Act 1949  
(d) The Indian companies Act 1956
8. The commission received from the re-insured is called  
(a) Commission on reinsurance accepted  
(b) Commission on reinsurance ceded  
(c) Commission on direct Business  
(d) Commission on indirect business
9. A holding company is one which holds more than  
(a) 50% of share capital of subsidiary company  
(b) 2/3<sup>rd</sup> share capital of subsidiary company  
(c) 75% of share capital of Government company  
(d) 100% share of the subsidiary company

10. Under double account system, interest on debentures is shown in
- Revenue A/c
  - Capital A/c
  - Net Revenue A/c
  - General Balance sheet

PART B — (5 × 5 = 25 marks)

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

11. (a) Ratan Ltd having a share capital of Rs. 3,00,000 divided into 3,000 shares of Rs. 100 each resolves to sub-divide the shares into 30,000 shares of Rs. 10 each pass the necessary journal entry.

Or

- (b) Explain the types of Amalgamation.
12. (a) Calculate the amount of goodwill on the basis of three years purchase of the last five years average profits. The profits for the last five years are:

	Rs.
I year	4,800
II Year	7,200
III Year	10,000
IV Year	3,000
V Year	5,000

Or

- (b) The following is the Balance sheet of NSC Ltd as on 31<sup>st</sup> Dec 2018

Liabilities	Amount	Assets	Amount
4,000 10% Pref.		Sundry assets	
shares of Rs.100 each	4,00,000	at book value	12,00,000
60,000 Equity shares of Rs. 10 each	6,00,000		
Bills payable	50,000		
Creditors	1,50,000		
	<u>12,00,000</u>		<u>12,00,000</u>

The market value of 60% of the assets is estimated to be 15% more than the book value and that of the remaining 40% at 10% less than the book value. There is an unrecorded liability of Rs.10,000.

Find the value of each equity share (it is to be assumed that preference shares have no prior claims as to payment of dividend or to repayment of capital).

13. (a) What is Rebate on Bills discounted?

Or

- (b) KP Bank Ltd discounted a bill of the face value of Rs.4,00,000 for Rs.3,90,000 on Jan 23, 2001. of the discount, Rs.1,600 was for the year 2001-02. Pass Journal entries at the time of discounting the bill, closing of accounts on 31.3.01 and opening entry for the next year 2001-02.

14. (a) Compute commission expenses to be derived in schedule 2 of a life insurance company:

Rs.

Commission on direct business	93,000
Commission on reinsurance accepted	40,000
Commission on reinsurance ceded	50,000

Or

- (b) Compute the amount to be appropriated out of premium for Reserve for unexpired risk from the following information relating to Marine Insurance :

Rs.

Premium received during the year ended 31.3.2016	9,00,000
Reinsurance premium paid	50,000
Outstanding Premium	1,50,000

15. (a) The Poiner Gas Co rebuilt and re-equipped part of their works at a cost of Rs. 15,00,000. The part of the old works thus superseded cost Rs. 9,00,000, Rs. 60,000 is realised by the sale of old materials and old materials valued Rs. 2,000 are used in the reconstruction and included in the cost of Rs. 15,00,000 mentioned above.

The cost of labour and materials is 20% higher now than when the old works were constructed. Give journal entries and prepare the necessary ledger accounts.

Or

- (b) P Ltd acquired 65% shares of Q Ltd on 1.10.2012 P & L a/c in the books of Q Ltd showed a debit balance of Rs. 40,000 on 1.4.2012. On 31.3.2013, the balance sheet of Q Ltd showed P & L a/C balance of Rs. 1,20,000. Calculate capital profits and Revenue profits.

PART C — (5 × 8 = 40 marks)

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

16. (a) Distinguish between Internal reconstruction and External reconstruction.

Or

- (b) M Ltd., and N Ltd., agreed to amalgamate on the basis of the following Balance Sheet as on 31.3.2020.

Liabilities	M Ltd. Rs.	N Ltd. Rs.	Assets	M Ltd. Rs.	N Ltd. Rs.
Share capital (in shares of Rs. 25 each)	75,000	50,000	Goodwill	30,000	-
Profit and Loss A/c	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
	<u>86,000</u>	<u>58,500</u>		<u>86,000</u>	<u>58,500</u>

The assets and liabilities are to be taken over by a new company formed called P Ltd., at book values. P Ltd.'s capital is Rs.2,00,000 divided into 10,000 equity shares of Rs.10 each and 10,000 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 book of P Ltd., and prepare its balance sheet, if the amalgamation in the nature of purchase.

17. (a) Amarnath runs a cosmetic store. His net assets on 31<sup>st</sup> December 2018 amounted to Rs. 2,50,000. After paying rent of Rs.2,500 a year and a salary of Rs.12,000 to his manager, he earns a profit of Rs.75,000. His landlord is interest in acquiring the business. 15% is considered to be reasonable return on capital employed. Calculate the value of goodwill by capitalizing super profits.

Or

- (b) The following particulars relate to a limited company which went into voluntary liquidation:

	Rs.
Preferential Creditors	25,000
Unsecured Creditors	58,000
6% debentures	30,000

The assets realised Rs.80,000. The expenses of liquidation amounted to Rs.1,500 and the liquidator's remuneration was agreed at  $2\frac{1}{2}\%$  on the amount realised and 2% on the amount paid to unsecured creditors including preferential creditors.

Show the liquidator's final statement of account.



18. (a) From the following information relating to Lakshmi Bank Limited, prepare the Profit and Loss A/c for the year ended 31<sup>st</sup> December 2017.

	Rs.
Rent received	72,000
Exchange and commission	32,800
Interest on Fixed deposit	11,00,000
Interest on Saving Bank a/c	2,72,000
Interest on overdrafts	2,16,000
Discount on bills discounted	7,80,000
Interest on current accounts	1,68,000
Interest on cash credits	8,92,000
Depreciation on Bank property	20,000
Salaries and allowances	2,18,800
Postage	5,600
Sundry charges	4,000
Directors and Auditor's fees	16,800
Printing	8,000
Law charges	3,600
Locker rent	1,400
Transfer fees	2,800
Interest on loans	10,36,000

Or

- (b) Write short notes on
- Rebate on Bills discounted
  - NPA
  - Standard Assets

19. (a) What are the schedules prepared to finalise life insurance accounts?

Or

- (b) A Life insurance Company gets its valuation made once in every two years. Its Life Assurance fund on 31.3.2016 amounted to Rs. 63,84,000 before providing Rs. 64,000 for the shareholders' dividend for the year 2015-16. Its actuarial valuation due on 31.3.2016 disclosed a net liability of Rs. 60,80,000 under assurance annuity contracts. An interim bonus of Rs. 80,000 was paid to the policy holders during the two years ending 31.3.2016.

Prepare a statement the amount now available as bonus to policy holders.

20. (a) Brief explain the methods of consolidating the Balance sheets of a holding company and its subsidiaries.

Or

- (b) City Electricity Ltd., earned a profit of Rs. 8,45,000 during the year ended 31<sup>st</sup> March 2014 after debenture interest @  $7\frac{1}{2}\%$  on Rs. 2,50,000. With the help of the figures given below, show the disposal of profits.

	Rs.
Original cost of fixed assets	1,00,00,000
Formations and other expenses	5,00,000
Monthly average of current assets (net)	25,00,000
Reserve fund (represented by 4% Govt. Securities)	10,00,000
Contingencies Reserve fund	
Investments	2,50,000
Loan from Electricity Board	15,00,000
Total depreciation written off to date	20,00,000
Tariff and dividend control reserve	50,000
Security deposits received from customers	2,00,000
Assume Bank rate to be 6%.	

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