

S.No. 634

08PCM10/
08PCZ09

(For the candidates admitted from 2008–2009 onwards)

M.Com./M.Com. (CA) DEGREE EXAMINATION,
NOVEMBER 2017.

Third Semester

ADVANCED CORPORATE ACCOUNTING

Time : Three hours

Maximum : 75 marks

PART A — (5 × 5 = 25 marks)

Answer ALL questions.

All questions carry equal marks.

1. (a) Explain 'Pro-rata' allotment of shares.

Or

- (b) Rahim Ltd. has Rs. 10,00,000 8% debenture outstanding on 1.1.2006. The company has been redeeming every year on January 1st Rs. 1,00,000 debentures by drawings by lot, at par. Give necessary journal entries:
- If the redemption is out of profits
 - If the redemption is out of capital.

2. (a) Determine the maximum remuneration of the part time directors and manager of Blueprint Co. Ltd.

Before charging any such remuneration the profits and loss A/c showed a credit balance of Rs. 6,60,000 for the year ended 31.3.2003 after taking into account the following matters:

	Rs.
Capital expenditure	1,50,000
Subsidy received from Govt.	1,20,000
Special depreciation *	20,000
Multiple shift allowance	30,000
Bonus to foreign technicians	90,000
Provision for taxation	8,00,000
Compensation paid	20,000
Ex-gratia to an employee	10,000
Loss on sale of fixed assets	20,000
Profit on sale of Investment	60,000

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- (b) A company carried forward a balance of Rs. 1,20,000 in the profit and loss A/c from the year ended 31st March 2006. During the year 2007 it made a further profit before tax of Rs. 8,00,000. It was decided that following provisions and transfer be carried out:

- (i) Divided equalisation account Rs. 30,000
- (ii) Provision for taxation Rs. 2,20,000
- (iii) General reserve Rs. 1,05,000
- (iv) Development reserve Rs. 1,10,000
- (v) Dividend at 9% on preference shares of Rs. 5,00,000
- (vi) Dividend at 15% on 1,00,000 equity shares of Rs. 10 each fully paid.

You are required to give profit and loss appropriation a/c and give journal entries for payment of dividend.

3. (a) S Ltd was taken over by R Ltd. The following position was mutually agreed upon

	'S' Ltd	'R' Ltd
No of shares	60,000	90,000
Face value of shares (Rs)	100	10
Net assets (Rs)	3,60,00,000	72,00,000

Ascertain Intrinsic values of the shares, ratio of exchange of shares and No. shares to be issued.

Or

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- (b) X Ltd. is negotiating to sell its business to Y Ltd. Its assets are agreed to be worth Rs. 4,00,000. Its share capital consists of 10,000 equity shares of Rs. 10 each and it has reserves of Rs. 50,000. Workmen's compensation fund amounts to Rs. 25,000 (estimated liability 10,000) and provident fund Rs. 20,000.

Employees security deposits amount to Rs. 10,000. Trade creditors amounted to Rs. 80,000.

Ascertain the purchase consideration, if it is paid 75% in Rs. 10 equity shares of the transferee company and the balance in cash.

4. (a) From the data relating to a company (in voluntary liquidation), you are asked to prepare liquidator's final statement of account.
- (i) Cash with liquidator (after all assets are realised and secured creditors and debentureholders are paid) is Rs. 6,73,800
 - (ii) Preferential creditors to be paid Rs. 30,000
 - (iii) Other unsecured creditors Rs. 2,15,000
 - (iv) 4,000 6% preference shares of Rs. 100 each fully paid

- (v) 2,000 equity shares of Rs. 100 each, Rs. 75 per share paid up
- (vi) 6,000 equity shares of Rs. 100 each Rs. 60 per share paid up
- (vii) Liquidator's remuneration 2% on preferential and other unsecured creditors
- (viii) Preference dividends were in arrears for 2 years.

Or

- (b) On 30.6.2013 2/3rd of the shares of 'S' Ltd (with a total capital of Rs. 12,00,000) were acquired by 'H' Ltd. The balance sheet of 'S' Ltd. Showed a debit balance of Rs. 6,00,000 on 1.1.2013 and a credit balance of Rs. 3,60,000 on 31.12.2013. The investment made by 'H' Ltd in 'S' Ltd's shares in Rs. 9,00,000. Calculate the cost of control.

5. (a) Write short notes on:
- (i) Statutory reserve
 - (ii) Bills for collection.

Or

- (b) The revenue account of a life insurance company showed the life fund at Rs. 73,17,000 on 31.3.2006 before taking into account the following items:

	Rs.
(i) Claims intimated but not admitted	98,250
(ii) Bonus utilised in reduction of premium	13,500
(iii) Interest accrued on investments	29,750
(iv) Outstanding premium	27,000
(v) Claims covered under reinsurance	40,500
(vi) Provision for taxation	31,500

Pass journal entries giving effect to the above adjustments and show the adjusted life fund.

PART B — (5 × 10 = 50 marks)

Answer ALL questions.

All questions carry equal marks.

6. (a) Explain the various types of debentures which may be issued by a company.

Or

- (b) Anu Ltd., invited applications for 10,000 shares of Rs. 100 each at a discount of 6% payable as follows:
 on application Rs. 30
 on allotment Rs. 24
 on first and final call Rs. 40

Applications were received for 9,500 shares and all these were accepted. All moneys due were received except the final call on 250 shares which were forfeited. 150 of the forfeited shares were reissued at Rs. 80 per share as fully paid.

Assuming that all requirements of the law have been complied with, pass journal entries in the books of the company and also prepare the balance sheet.

7. (a) The following trial balance of Naveen Ltd. as on 31st December 2006 is given to you.

Debits	Rs.	Credits	Rs.
Stock (1.1.2006)	80,000	8,000 equity shares of Rs. 100 each	8,00,000
		paid	75
Bank	17,600	6% Debentures	2,00,000
Patents	60,000		
Calls-in-arrears	20,000	Sundry creditors	1,00,000
Return inwards	30,000	General reserve	80,000
Purchases	7,72,000	Sales	10,00,000
Wages	1,08,000	Returns outward	20,000
Insurance prepaid	400	Profit and loss A/c	12,000
		(Cr)	
Bills receivable	30,000		
Sundry debtors	80,000		
Discount on issue of debentures	10,000		
Plant and Machinery	4,00,000		

Debits	Rs.	Credits	Rs.
Land and Building	3,00,000		
Insurance	4,000		
General expenses	40,000		
Establishment Expenses	60,000		
	<u>20,12,000</u>		<u>20,12,000</u>

Additional information

- (i) The value of stock on 31st December 2006 was Rs. 74,000
- (ii) Outstanding wages Rs. 10,000
- (iii) A provision 5% is to be credited on sundry debtors for doubtful debts
- (iv) Depreciation: patents @ 10% and plant and machinery @ 7.5% and on land and building @ 4%

You are required to prepare statement of profit and loss for the year ended 31st December 2006 and Balance sheet as on that date.

Or

- (b) The following balances were extracted from the books of Charan Ltd for the year ended December 31, 2006.

	Rs.
Buildings	6,00,000
Furniture	60,000
Motor vehicles	60,000
Equity shares of companies	4,00,000

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	Rs.
Stock-in-trade at cost	4,00,000
Sundry debtors, unsecured considered goods	2,80,000
Cash at bank	1,72,000
Advance against construction of building	1,30,000
Share capital: 10000 equity shares Rs. 10 each	10,00,000
Sundry creditors	3,50,000
Profit and loss A/c (Cr)	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 statement of profit and loss of the company for the year ended December 31, 2006, and a balance sheet as on that date after considering the following adjustments.

- (i) Provide 10% depreciation per annum on fixed assets.
- (ii) Stock has been revalued Rs. 3,60,000. This has not yet been considered
- (iii) Debts more than 6 months are Rs. 80,000
- (iv) Ignore tax provision.

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8. (a) Abdul Ltd. having a capital of Rs. 10,00,000 divided into 10,000 shares of Rs. 100 each (Rs. 75 paid up) and a reserve fund of Rs. 2,50,000 was absorbed by national timber Ltd. Having a capital of Rs. 40,00,000 divided into 40,000 shares of Rs. 100 each (Rs. 60 paid up) and reserve fund of Rs. 16,00,000 on the terms that for every four shares in Abdul Ltd.; National timber Ltd. was to give five shares partly paid as its original ones.

Prepare ledger accounts to close the books of Abdul Ltd.

Or

- (b) The following are the Balance Sheets of Raman Ltd and soman Ltd as on 31.3.2014

Liabilities	Raman Ltd (Rs.)	Soman Ltd (Rs.)	Assets	Raman Ltd (Rs.)	Soman Ltd (Rs.)
Share capital (10 each)	15,00,000	6,00,000	Fixed assets	16,03,500	4,49,500
Premium	1,50,000	15,000	Current assets	9,28,930	3,70,600
P and L A/C	1,89,360	-	Miscellaneous expenditure	10,000	-
General reserve	4,70,000	-	P and L A/C	-	96,530
8% Debenture	-	2,00,000			
Creditors	2,33,070	1,01,630			
	<u>25,42,430</u>	<u>9,16,630</u>		<u>25,42,430</u>	<u>9,16,630</u>

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Bhiman Ltd., was formed to take over the business of Raman Ltd., and Soman Ltd., for the agreed purchase consideration of Rs. 19,50,000 and Rs. 4,80,000 respectively, which is payable in the form of Rs. 100 shares at par. Soman Ltd's debenture are to be converted into 10% debentures of Bhiman Ltd. Amalgamation expenses of Rs. 15,000 are to be borne by the transferee company.

Close the books of the transferor companies and give Journal and Balance sheet in the transferee companies books.

Assume that the amalgamation is in the nature of merger.

9. (a) The Ramanna Co. Ltd went into voluntary liquidation as on 31st March 2008 when its financial position was as follows:

Liabilities	Rs.	Assets	Rs.
7% preference share capital of Rs. 100 each	1,00,000	Good will	10,000
10000 equity shares of Rs. 10 each 7.50 paid	75,000	Buildings	1,85,000
		Plant and Machinery	1,58,000
		Sundry debtors	86,000
40,000 equity shares of Rs. 10 each, Rs. 5 paid	2,00,000	Stock	1,01,000
Mortgage loan on building and plant and machinery	1,50,000	Cash	56,400
Sundry creditors	54,000	Profit and loss	16,600
Bills payable	16,500A/c		
Bank OD secured on stock	10,000		
Out standing salaries	7,500		
	<u>6,13,000</u>		<u>6,13,000</u>

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The Assets realised as follows:

Building and plant and machinery Rs. 3,00,000 ; sundry debtors Rs. 70,000 and stock Rs. 48,000;

Liquidation expenses Rs. 2,500 and the liquidators remuneration was fixed at Rs. 5,000.

Prepare the liquidator's final statement of account.

Or

(b) Balance sheet on 31.12.2010

Liabilities	Y Ltd	Z Ltd	Assets	Y Ltd	Z Ltd
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Share capital	20,000	10,000	Fixed assets	20,000	10,000
General reserve	5,000	3,000	Current assets	13,000	12,000
P and L A/C	3,000	2,000	Shares in 'Z' Ltd	10,000	
10 % debentures	10,000	5,000			
Sundry creditors	5,000	2,000			
	<u>43,000</u>	<u>22,000</u>		<u>43,000</u>	<u>22,000</u>

Y Ltd., acquires 3/4 of the share capital of Z Ltd., on 31.12.2010. When the balance sheets of the two companies are as above.

You are required to prepare the consolidated balance sheet as on 31.12.2010.

10. (a) Distinguish between life insurance and general insurance.

Or

(b) The following is the trial balance of Big bank Ltd., a son 31.12.2007

	Debit	Credit
	Rs.	Rs.
Share capital: 7500 shares of 100 each	-	7,50,000
Loans and advances	80,20,000	-
Bank premises	5,32,500	-
Government securities	15,30,000	-
General reserve	-	4,50,000
Deposits	-	96,46,000
Interest and discounts	-	8,00,000
Interest on deposits and borrowings	2,00,000	-
Balance with other banks	1,00,500	-
Money at call short notice	85,500	-
General expenses	82,500	-
Rent, rate and taxes	6,900	-
Directors fees	4,200	-
Auditors fees	1,200	-
Bills discounted	90,000	-
Furniture (Dep upto 1.1.2007 Rs. 20,000)	80,000	-
Borrowings from other banks	-	1,05,000
Salaries and allowances	85,500	-

	Debit	Credit
Computer	35,000	-
Profit and loss A/C (1.1.2007)	-	37,500
Miscellaneous income	-	300
Commission	-	10,000
Interim dividend	30,000	-
Cash in hand and with RBI	9,15,000	-
	<u>1,17,98,800</u>	<u>1,17,98,800</u>

Considering the following information furnished, prepare profit and loss account for the year ending 31.12.2007 and balance sheet as on that date in the proper form

- (i) Bills worth Rs. 50,000 were received for collection
- (ii) Interest accrued on investment Rs. 12,000
- (iii) Rebate on bills discounted Rs. 15,000
- (iv) Debts amounting to Rs. 65,000 were doubtful and provision is to be made for the same
- (v) Depreciation to be charged at 10% on the original cost of the furniture.