

**FOR THE CANDIDATES ADMITTED
DURING THE ACADEMIC YEAR 2021 ONLY)**

21UCF409

REG.NO

**NGM COLLEGE (AUTONOMOUS) POLLACHI
END-OF-SEMESTER EXAMINATIONS: MAY-2023**

**B.Com-Finance
IV SEMESTER**

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

PART III

CORPORATE ACCOUNTING-II

SECTION – A

(10 X1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS

MULTIPLE CHOICE QUESTIONS

(K1)

1. Accounting standard for Amalgamation is _____
a. AS – 8 b. AS - 20 c. AS - 14 d. AS – 3
2. For a company to carry out capital reduction, permission is required from _____
a. The Central Government b. Company Law Board
c. Controller of Capital Issues d. The Competent Court
3. Rebate on bills discounted for a banking company is a/an _____
a. Expense b. Income c. Liability d. Loss
4. A Valuation of Balance Sheet is prepared by: _____
a. Joint Stock Company b. Banking Company
c. General Insurance Company d. Life Insurance Company
5. The excess of the share in equity or net assets of the subsidiary over and above the price paid for the investment is shown as _____
a. Capital reserve b. Cost of control
c. Revenue reserve d. Minority interest

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES

(K2)

6. Explain ‘purchase consideration’.
7. Construct Internal Reconstruction..
8. State the meaning of ‘Capital Adequacy Ratio’.
9. Translate the meaning of Actuarial Valuation..
10. Interpret ‘Minority Interest’..

SECTION – B**(5 X 4 = 20 MARKS)****ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. (K3)**

11. a. X Ltd. is acquired by Y Ltd., the consideration being the takeover of liabilities;
- (i) The payment of cost of acquisition as a part of purchase consideration not exceeding Rs. 20,000 (actual cost Rs. 17,000);
 - (ii) The payment of the debentures Rs. 1,00,000 at a premium of 10% in 9% debentures issued at par; and
 - (iii) The payment of Rs. 16 per share in cash and allotment of one 14% preference share of Rs. 10 each and 6 equity shares of Rs. 10 each fully paid for every 4 shares in X Ltd.
- The number of shares of the vendor company (X Ltd.) is 2, 00,000 of Rs. 10 each fully paid.
- Calculate purchase consideration as per AS-14.

(OR)

- b. What are the different methods of calculating Purchase Consideration?
12. a. ABC Company Ltd. passed resolution and got court permission for the reduction of its share capital by Rs. 500000 for the purposes mentioned as under:
- i. To write off the debit balances of P & L a/c of Rs. 210000
 - ii. To reduce the value of Plant & Machinery by Rs. 90000 and goodwill by Rs. 40000
 - iii. To reduce the value of investments by Rs 80000
- The reduction was made by converting 50000 preference shares of Rs. 20 each fully paid to the same number of preference shares of Rs. 15 each fully paid and by converting 50000 equity shares of Rs. 20 each on which Rs. 15 is paid up into 50000 equity shares of Rs. 10 each fully paid.
- Pass journal entries to record the share capital reduction.
- (OR)**
- b. S 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 share fully paid up by cancelling the unpaid amount. Give journal entries.

13. a. Calculate Rebate on Bills discounted from the following information. On 31.03.1998, a bank held the following bills, discounted by it earlier

Date of Bill	1998	Amount (Rs.)	Period	Rate of Discount
January, 17		7,30,000	4 Months	17%
February, 7		14,60,000	3 Months	18%
March, 9		3,64,000	3 Months	17.5%

(OR)

b. From the following particulars, prepare P&L A/c of Safety Bank for the year ended 31.3.2016.

Particulars	(Rs. 000)	Particulars	(Rs. 000)
Interest on Deposits	3,200	Discount on Bills Discounted	1,490
Commission (Cr)	100	Interest on Overdrafts	1,600
Interest on Loan	2,490	Interest on Cash Credits	2,320
Sundry charges (Dr.)	100	Auditor's Fees	35
Rent and Taxes	200	Director's Fees	16
Payment to Employees	500	Bad Debts to be written off amounted to	300

14. a. The Life Insurance Fund of Hindustan Life Insurance Co. Ltd., was Rs. 41,92,000 on 31.3.2012. Its actuarial valuation on 31.3.2012 disclosed a net liability of Rs. 40, 40,000. A Dividend of Rs. 32,000 was paid to policy holders for the 2011-2012. An Interim bonus of Rs. 40,000 was paid to shareholders during the year ending 31.03.2012.

Show: (a) the Valuation Balance Sheet, (b) Net Profit

(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 to the Revenue Account for the year ended 31.03.2014:

	Direct Business (Rs.)	Re-insurance (Rs.)
Claims paid during the year	46,70,000	7,00,000
Claims payable: 1.4.2013	7,63,000	87,000
31.3.2014	8,12,000	53,000
Claims received	-	2,30,000
Claims receivable: 1.4.2013	-	65,000
31.3.2014	-	1,13,000
Expenses of Management	2,30,000	

(including Rs. 35,000 Surveyor's fees & Rs. 45,000 Legal expenses for settlement of claims)

15. a. H Ltd. acquired 40000 shares of S Ltd. on October 1, 2015 at Rs. 780000. H ltd. valued the machinery at Rs. 225000 and current assets at Rs. 275000. Calculate Minority interest.

Balance Sheet of S Ltd. as on March 31, 2016

Liabilities	S Ltd Rs.	Assets	S Ltd Rs.
Shares of Rs. 10 each	500000	Land	500000
General Reserve as on 1-4-2015	200000	Machinery	300000
P & L a/c 150000		Current	200000
Profit for 2015-16 <u>50000</u>	200000	assets	
Creditors	100000		
	1000000		1000000

(OR)

- b. Examine the steps involved in preparation of Consolidated Balance Sheet.

(CONTD 4)

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. Blue Ltd. and Star Ltd. were amalgamated on and from 1st April, 2016. A new company called yellow Star Ltd. was formed to take over the business of the above said companies. Balance sheets of Blue Ltd. and Star Ltd. as on 31st March, 2016 are given hereunder:

Particulars	Blue Ltd.Rs.	Star Ltd.Rs.
I Equity and Liability		
i. Shareholders' Funds		
Share Capital		
15% Preference shares of Rs. 100 each	800	600
Equity Shares of Rs. 100 each	2000	1600
Reserves and Surplus		
Revaluation Reserve	200	160
General Reserve	400	300
Surplus Account	160	120
ii. Non-Current Liabilities		
12% Debentures of Rs. 100 each	192	160
ii. Current Liabilities	408	190
Total Equity and Liabilities	4160	3130
II Assets		
Non-Current Assets		
Fixed assets	2400	2000
Current Assets	1760	1130
Total Assets	4160	3130

Additional information:

- Preference shareholders of Blue Ltd. and Star Ltd. have received same number of 15% preference shares of Rs.100 each in the new company.
 - 12% Debentures of Blue Ltd. and Star Ltd are discharged by the new company by issuing adequate number of 16% debentures of Rs. 100 each to ensure that they continue to receive the same amount of interest.
 - Yellow Star Ltd. has issued 1.5 equity shares for each equity share of Blue Ltd. and 1 equity share for each equity share of Star Ltd.
- The face value of shares issued by Yellow Star Ltd. is Rs. 100 each.

You are required to prepare the Balance sheet of Yellow Star Ltd. as on 1st April, 2016 after the amalgamation has been carried out using the 'Pooling of interest method'.

17. The following is the balance sheet of M/S Laurel and Hardy as on 31.12.2018.

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital Accounts:			Cash at Bank		50,000
Laurel	7,00,000	12,00,000			
Hardy	5,00,000				
Bills Payable		80,000	Bills Receivable		50,000
Sundry Credits		2,20,000	Sundry Debtors		3,00,000
			Stock		3,00,000
			Furniture		1,00,000
			Plant & Machinery		3,00,000
			Land & Building		4,00,000
		15,00,000			15,00,000

(CONTD ...5)

On 1.1.2019, the above business was purchased by Nick Ltd., for Rs. 14,00,000, to be paid by the issue of equity shares of Rs. 10 each, credited at Rs. 5 paid, upon the following terms:

- Land and Building and Plant & Machinery to be taken at Rs. 5,00,000, and Rs. 2,70,000 respectively
- The company did not take over the furniture, which was disposable at Rs. 70,000 and also did not take over Bills payables, which were taken over by Laurel at an agreed value of Rs. 70,000
- A provision for doubtful debts was also to be made @2.5 on Debtors
- There was a claim for Bills discounted amounted to Rs. 5,000, which was taken by the company
- The Company did not take over a workers claim amounted to Rs. 6,000 due to accident

Pass Journal Entries in the books of Nick Ltd., assuming that the same set of books is continued.

18. Following are the liabilities and assets of Weak Co. Ltd. as on 31st March, 2018

Liabilities	Rs.	Assets	Rs.
100000 Equity shares of Rs. 10 each	1000000	Land	100000
Sundry Creditors	173000	Plant & Machinery	230000
		Furniture & Fittings	68000
		Stock	150000
		Debtors	70000
		Cash at Bank	5000
		Surplus a/c	550000
	1173000		1173000

The approval of the court was obtained for the following scheme of reduction of capital

- The equity shares to be reduced to Rs. 4 per share
- Plant and Machinery to be written down to Rs. 150000
- Stock to be revalued at Rs. 140000
- The provision on debtors for doubtful debts to be created Rs. 2000
- Land to be revalued at Rs. 142000

Pass journal entries to give effect to the above arrangement and also prepare Reconstruction account.

19. Prepare the Balance Sheet of Bharath Bank Ltd. As at 31.03.2016 from the following particulars:

Particulars	(Rs. '000)	Particulars	(Rs. '000)
Paid up Capital	1,000	Customer's Liability for Acceptances & Endorsements	200
Authorized Capital	5,000	Furniture and Fixtures	100
Money at call and short notice	500	Land & Buildings	1,700
Investments	3,000	Loans	800
Acceptances & Endorsements for customers	200	Cash Credits	300
Bills Discounted and purchased	400	Current Accounts	2,500
Bills Payable	500	Fixed Deposits	1,400
Savings Bank accounts	1,000	Profit for the year	400
		Cash in hand and with RBI	1,000

The Statutory Reserve is equal to paid up capital. The profit for the year is arrived at before making adjustment for unexpired discount of Rs. 5,000 on bills discounted during the year not matured on 31.03.2016. Investments include 5,000 shares of the face value of Rs. 100 each on which Rs. 50 is paid up. Claims against the Bank not acknowledged as debts amounted to Rs. 50,000.

20. Following were the balances extracted from the Trial Balance of the Indian Life Assurance Society at 31st March, 2018

Particulars	Rs.'000	Particulars	Rs.'000
Balance of account at the beginning of the year	2000000	Claims admitted but not paid	6000
Government Securities	1000000	Surrenders	20000
Profit on realization of assets	2000	Single premiums	80000
Investment Fluctuation a/c	10000	Consideration for annuities	50000
Claims under policies by death	60000	Interest, dividends and rent received	70000
Claims under policies by maturity	100000	Depreciation on furniture	3000
Loans on mortgages	560000	Administrative expenses	36000
Loans on policies	300000	Salaries	3000
Freehold property and furniture	103000	Auditors' fees	1500
Agents' Balances owing	3600	Directors' fees	300
Sundry Creditors	2000	Legal expenses	1000
Outstanding premiums	24000	Advertising	1400
Commission paid	24000	Printing and stationery	10800
Interest accrued but not due	3000	Cash at bank	168400
Premiums (other than single)	200000	Provision for depreciation	3000

Prepare a Revenue account and Balance sheet.

21. H Ltd acquired all the shares of S Ltd. on 1st January 2016 and liabilities and assets of the two companies on 31st March 2016 were as follows:

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share capital	50000	30000	Sundry assets	65000	70000
Reserve on 1-4-2015	20000	15000	Shares in S Ltd., at cost	50000	—
Surplus a/c	25000	10000			
Sundry creditors	20000	15000			
	115000	70000		115000	70000

The surplus account of S Ltd. had a credit balance of Rs. 3000 on 1st April, 2015. Prepare a consolidated Balance Sheet as on 31st March 2016.