

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

## **B.Com-Finance**

**MAXIMUM MARKS: 70**

## **IV SEMESTER**

## TIME: 3 HOURS

## **PART III**

# **CORPORATE ACCOUNTING-II**

**SECTION – A (10 X1 = 10 MARKS)**

## **ANSWER THE FOLLOWING QUESTIONS MULTIPLE CHOICE QUESTIONS**

(K1)

**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

| <b>Date of Bill 1998</b> | <b>Amount (Rs.)</b> | <b>Period</b> | <b>Rate of Discount</b> |
|--------------------------|---------------------|---------------|-------------------------|
| 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<br>Rs. | Assets         | S Ltd<br>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 assets | 200000       |
| Profit for 2015-16             | 50000        |                |              |
| Creditors                      | 100000       |                |              |
|                                | 1000000      |                | 1000000      |

**(OR)**

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

**(CONT'D .... 4)**

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 1<sup>st</sup> 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 31<sup>st</sup> March, 2016 are given hereunder:

| Particulars                           | Blue Ltd.Rs. | Star Ltd.Rs. |
|---------------------------------------|--------------|--------------|
| <b>I Equity and Liability</b>         |              |              |
| 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         |
| <b>II Assets</b>                      |              |              |
| Non-Current Assets                    |              |              |
| Fixed assets                          | 2400         | 2000         |
| Current Assets                        | 1760         | 1130         |
| <b>Total Assets</b>                   | <b>4160</b>  | <b>3130</b>  |

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 1<sup>st</sup> 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.              |
|--------------------------|----------|------------------|-------------------|-----|------------------|
| <b>Capital Accounts:</b> |          |                  | Cash at Bank      |     | 50,000           |
| Laurel                   | 7,00,000 |                  |                   |     |                  |
| Hardy                    | 5,00,000 | 12,00,000        |                   |     |                  |
| 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         |
|                          |          | <b>15,00,000</b> |                   |     | <b>15,00,000</b> |

(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:

- a. Land and Building and Plant & Machinery to be taken at Rs. 5,00,000, and Rs. 2,70,000 respectively
- b. 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
- c. A provision for doubtful debts was also to be made @ 2.5 on Debtors
- d. There was a claim for Bills discounted amounted to Rs. 5,000, which was taken by the company
- e. 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 31<sup>st</sup> 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

- i. The equity shares to be reduced to Rs. 4 per share
- ii. Plant and Machinery to be written down to Rs. 150000
- iii/ Stock to be revalued at Rs. 140000
- iv. The provision on debtors for doubtful debts to be created Rs. 2000
- v. 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 31<sup>st</sup> 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 1<sup>st</sup> January 2016 and liabilities and assets of the two companies on 31<sup>st</sup> March 2016 were as follows:

| Liabilities         | H Ltd<br>Rs. | S Ltd<br>Rs. | Assets                    | H Ltd<br>Rs. | S Ltd<br>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 1<sup>st</sup> April, 2015. Prepare a consolidated Balance Sheet as on 31<sup>st</sup> March 2016.