

(FOR THE CANDIDATES ADMITTED

DURING THE ACADEMIC YEAR 2024 ONLY)

24PCC101

REG.NO

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI
END-OF-SEMESTER EXAMINATIONS : NOVEMBER-2024

COURSE NAME: M.Com.- CA

MAXIMUM MARKS: 75

SEMESTER: I

TIME : 3 HOURS

HIGHER CORPORATE ACCOUNTING

SECTION – A

(10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

MULTIPLE CHOICE QUESTIONS.

K1

1. As per the Dividend and Transfer to Reserve Rules, 1975, what is the maximum percentage of profits that can be transferred to reserves before declaring dividends?
a) 2% b) 10% c) 20% d) 30%
2. In an amalgamation in the nature of purchase, the transferee company records assets and liabilities at:_____.
a) Fair value b) Historical cost c) Book value d) Agreed consideration
3. Goodwill is recorded when the cost of control is:_____.
a) Positive b) Negative c) Zero d) Equal to the market value of shares
4. According to the RBI guidelines, banks need to maintain provisions for standard assets at a minimum rate of:_____.
a) 0.25% b) 0.40% c) 1.00% d) 1.50%
5. Marine insurance covers:_____.
a) Loss or damage to property by fire
b) Goods, ships, and freight against loss during transport by sea
c) Only damages to ships during transport
d) Losses due to accidents on highways

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES.

K2

6. Define divisible profit.
7. What do you mean by internal reconstruction?
8. Explain the minority interest.
9. Write the definition of a Non-Performing Asset (NPA) in a banking company.
10. What is inflation accounting?

SECTION – B

(5 X 5 = 25 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

K3

11. a) A Company has fixed assets of Rs. 2,00,000 and profit after depreciation @ 5 % p.a is Rs. 80,000 and the income tax limit for depreciation is Rs. 8,000. Calculate
a) 5% of the Net Profit as commission to manager.
b) Tax provision at 50 %

(OR)

(CONTD.....2)

- b) JK Ltd. earned a net profit of Rs. 1,50,00,000 for the financial year. The company intends to declare a dividend of Rs. 60,00,000 to its shareholders. The company is required to transfer 10% of its profit to reserves according to the Transfer of Reserves Rules, 1975. Calculate the amount to be transferred to reserves, the maximum dividend that can be declared, and explain if the company's dividend declaration complies with the legal provisions.

12. a) Explain the types of Amalgamation.

(OR)

- b) What is purchase consideration? Explain the methods for calculating the amount of purchase price.

13. a) From the following, prepare consolidated balance sheet of H Ltd. and its subsidiary S Ltd. using Minority Interest model.

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share Capital: Shares of Rs.10 Each	5,00,000	3,00,000	Sundry Assets	4,00,000	3,20,000
Other Liabilities	1,40,000	20,000	Investments in Shares of S Ltd: 24,000 Shares of Rs. 10 Each	2,40,000	—
	6,40,000	3,20,000		6,40,000	3,20,000

(OR)

- b) The paid-up capital of Toy Ltd. amounted to Rs. 2,50,000 consisting of 25,000 equity shares of Rs.10 each. Due to losses incurred by the company continuously, the directors of the company prepared a scheme for reconstruction which was duly approved by the court. The terms of reconstruction were as under:
- (i) In lieu of their present holdings, the shareholders are to receive:
- (a) Fully paid equity shares equal to 2/5th of their holding.
- (b) 5% preference shares fully paid-up to the extent of 20% of the above new equity shares.
- (c) 3,000 6% second debentures of Rs. 10 each.
- (ii) An issue of 2,500 5% first debentures of ` 10 each was made and fully subscribed in cash.
- (iii) The assets were reduced as follows:
- (a) Goodwill from Rs.1,50,000 to Rs.75,000.
- (b) Machinery from Rs.50,000 to Rs.37,500.
- (c) Leasehold premises from Rs.75,000 to Rs. 62,500.

Show the journal entries to give effect to the above scheme of reconstruction.

(CONTD.....3)

14. a) On 31st March 2013 a bank held the following bills discounted by it earlier.

Date of bills 2023	Terms of bills - Months	Discounted - @ % pa	Amount of bills
i) January 17	4	17	7,30,000
ii) February 7	3	18	14,60,000
iii) March 9	3	17.5	3,64,000

You are required to calculate the rebate on bills discounted. Also show the necessary journal entry for the rebate.

(OR)

b) From the following information find out the amount of provisions to be shown in the Profit and Loss Account of a Commercial Bank.

Assets	(Rs. in lakhs)
Standard	4,000
Sub-standard	2,000
Doubtful one year	900
Doubtful three years	400
Doubtful more than three years	300
Loss on Assets	500

15. a) Best Life Insurance Co. Ltd. had a paid up capital of Rs.10,00,000 divided into 1,00,000 shares of Rs.10 each. Its net liability on all contracts in force as on 31st March, 2014 was Rs. 96,00,000 and on 31st March 2013 this liability was Rs.84,00,000. The company has paid an interim bonus of Rs.2,60,000 and 20% of the surplus is to be allocated to shareholders, 20% to reserves and balance carried forward. The following figures are extracted from the books of the company for the year ended 31st March, 2014.

Particulars		Particulars	
Premium less re – insurance premium	57,20,000	Commission	2,20,000
Interest, dividend and rent Fees	28,00,000	Surrenders	3,20,000
Fees	16,000	Surplus on revaluation of reversions	20,000
Income – tax	4,40,000	Re-insurance irrecoverable	16,000
Management expenses	7,00,000	Claims less re-insurance claims	34,00,000
Annuities	50,000	Consideration for annuities granted	1,60,000

Prepare Revenue Account

(OR)

(CONTD.....4)

b) Getwell Life Assurance Co. Ltd. got its valuation made once in every three years. The life assurance fund on 31st March, 2015 amounted to Rs.83,84,000 before providing for Rs.64,000 for the shareholder's dividend for the year 2014-15. Its actuarial valuation on 31st March, 2015 disclosed net liability of Rs.80,80,000 under the triennium ending 31st March, 2015. Prepare statement showing the amount now available as bonus to policyholders.

SECTION – C**(5 X 8 = 40 MARKS)****ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. K4 & K5**

16. a) Preparation of P&L A/c and balance sheet

The following is the trial balance of Vijay Ltd. as on 31 March 2024:

Particulars	Rs.	Particulars	Rs.
Stock as on 1 April 2010	7,50,000	Purchase Returns	1,00,000
Purchase	24,50,000	Sales	34,00,000
Wages	3,00,000	Discount	30,000
Carriage Inwards	9,500	Profit & Loss Account	1,59,000
Furniture	1,70,000	Share Capital	10,00,000
Salaries	75,000	Sundry Creditors	1,75,000
Rent	40,000	General Reserve	1,55,000
Sundry Trade Expenses	60,500	Bills Payable	70,000
Dividend Paid for 2009–10	90,000		
Corporate Dividend Tax Paid	9,000		
Sundry Debtors	2,85,000		
Plant & Machinery	2,90,000		
Cash at Bank	4,62,000		
Patents	48,000		
Bills Receivable	50,000		
	50,89,000		50,89,000

Prepare the profit and loss account for the year ended 31 March 2024 and balance sheet as on that date after considering the following adjustments:

- Stock as on 31 March 2024 was valued at Rs.8,81,000
- Make a provision for income tax as 35%
- Depreciate plant and machinery at 15%; furniture at 10% and patents at 5%
- On 31 March 2024, outstanding rent amount to Rs.8,000
- The Board recommends payment of dividend @15% p.a. Then transfer the minimum amount required to general reserve. Also make a provision for corporate dividend tax @10% of the amount proposed to be distributed.
- Provide Rs.3,100 for doubtful debts
- Provide Rs.52,000 for managerial remuneration

(OR)

- b) Explain the methods of depreciation accounting as per AS6. How does it affect the financial position of a company?

(CONTD.....5)

17. a) The balance sheet of ABC Ltd. as at 31 March 2024 is as follows:

Liabilities		Assets	
Equity Share Capital	5,00,000	Building	2,00,000
10% Preference Share Capital	1,50,000	Plant & Machinery	3,00,000
12% Debentures	1,00,000	Furniture	70,000
Reserve Fund	40,000	Investment (MV Rs.80,000)	90,000
Securities Premium	30,000	Stock	75,000
Profit & Loss A/c	10,000	Debtors	2,80,000
Workmen Compensation Fund	45,000	Bills Receivable	25,000
Bills Payable	25,000	Cash in Hand	15,000
Creditors	1,70,000	Cash at Bank	85,000
Provident Fund	80,000	Goodwill	20,000
Provision for Tax	20,000	Preliminary Expenses	10,000
	11,70,000		11,70,000

XYZ Ltd. intends to take over the business on the following terms and valuation:

(i) Building at Rs. 1,70,000; plant & machinery at Rs. 2,50,000; furniture at Rs. 15,000; stock at Rs. 1,00,000; debtors subject to a provision of 10% for doubtful debts; goodwill found to be nil

(ii) There was a liability of Rs.15,000 against workmen compensation fund

(iii) Actual tax liability is Rs. 25,000

(iv) Realization expenses estimated at Rs10,000 to be borne by XYZ Ltd.

(v) Preference shareholders are to be paid in cash

Balance to be paid in equity shares of XYZ Ltd. of Rs. 10 shares

(OR)

b) The following are the balance sheets of AB Ltd. & CD Ltd. as on 31 March 2024:

Balance Sheet of AB Ltd.

Liabilities		Assets	
Share Capital:		Fixed Assets	14,00,000
8,000 Shares of ` 100 Each	8,00,000	Investments	10,00,000
General Reserve	10,00,000	Current Assets	12,00,000
Profit & Loss Account	6,00,000		
Debentures	7,00,000		
Current Liabilities	5,00,000		
	36,00,000		36,00,000

Balance Sheet of CD Ltd.

Liabilities		Assets	
Share Capital:		Fixed Assets	6,00,000
3,600 Shares of ` 100 Each	3,60,000	Current Assets	4,00,000
General Reserve	2,00,000		
Profit & Loss Account	1,60,000		
Current Liabilities			
Creditors	2,00,000		
Bills Payable	80,000		
	10,00,000		10,00,000

AB Ltd. agrees to take over CD Ltd. Find out the ratio of exchange of shares on the basis of bookvalue.

(CONTD.....6)

18. a) On 31st March, 2012, the balance sheets of Major Ltd. and its subsidiary Minor Ltd. stood as follows:

<i>Liabilities:</i>	<i>Major Ltd. (Rs.)</i>	<i>Minor Ltd. (Rs.)</i>
Equity share capital	8,00,000	2,00,000
General reserves	1,50,000	70,000
Profit and loss account	90,000	55,000
Creditors	1,20,000	80,000
	<u>11,60,000</u>	<u>4,05,000</u>
<i>Assets:</i>		
Fixed assets	5,50,000	1,00,000
75% Shares in Minor Ltd. (at cost)	2,80,000	—
Stock	1,05,000	1,77,000
Other current assets	2,25,000	1,28,000
	<u>11,60,000</u>	<u>4,05,000</u>

Draw a consolidated balance sheet as at 31st March, 2012 after taking to consideration the following information:

- Major Ltd. acquired the shares on 31st July, 2011.
- Minor Ltd. earned a profit of Rs. 45,000 for the year ended 31st March, 2012.
- In January, 2012, Minor Ltd. sold to Major Ltd. goods costing Rs. 15,000 for Rs. 20,000. On 31st March, 2012, half of these goods were lying as unsold in the godowns on Major Ltd.

(OR)

b) H Ltd. acquired 60% of the shares of S Ltd. The following are the balance sheets of both companies as of 31st March 2024. The subsidiary company declared a dividend of Rs. 2,00,000 out of the current year's profits. Prepare a consolidated balance sheet.

Balance Sheet of Holding Company (H Ltd.) as on 31st March 2024:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital	35,00,000	Fixed Assets	45,00,000
Reserves and Surplus	12,00,000	Investment in Subsidiary	25,00,000
Creditors	8,00,000	Current Assets	10,00,000
Total Liabilities	55,00,000	Total Assets	55,00,000

Balance Sheet of Subsidiary Company (S Ltd.) as on 31st March 2024:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital	18,00,000	Fixed Assets	22,00,000
General Reserve	8,00,000	Current Assets	10,00,000
Creditors	6,00,000		
Total Liabilities	32,00,000	Total Assets	32,00,000

Additional Information:

- H Ltd. purchased its shareholding in S Ltd. at Rs. 22,00,000.
- Dividend declared is Rs. 2,00,000 from current profits.
- Profit and loss account of S Ltd. shows a balance of Rs. 5,00,000 at the year-end.

Required: Prepare a consolidated balance sheet after considering the dividend distribution.

(CONTD.....7)

(7)

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19. a) From the following particulars, prepare a Profit and Loss Account of Maruthi Bank Ltd., for the year ended 31.03.2014.

	Rs. in '000'		Rs. in '000'
Interest on loans	350	Interest on cash credits	250
Interest on fixed deposits	320	Rent and taxes	20
Rebate on bills discounted	60	Interest on overdrafts	35
Commission charged to customers	12	Directors' and Auditor's fees	4
Establishment expenses	66	Interest on saving bank accounts	85
Discount on bills discounted	250	Postage and telegrams	3
Interest on current accounts	65	Sundry charges	1
Printing and advertisements	5		

(OR)

b) On 31st March 2014 the following balances stood in the books of Asian Bank Ltd. after preparation of its profit and Loss Account:

	Rs. ('000)
Share Capital: Issued and subscribed	4,000
Reserve fund (under section 17)	6,200
Fixed deposits	42,600
Savings bank deposits	19,000
Current accounts	23,200
Money at calls and short notice	1,800
Investments	25,000
Profit and Loss Account (cr) 1 st April 2010	1,350
Dividend for 2010-2011	400
Premises	2,950
Cash in hand	380
Cash with RBI	10,000
Cash with other banks	6,000
Bills discounted and purchased	3,800
Loans, cash credits and over drafts	51,000
Bills payable	70
Unclaimed dividend	60
Rebate on bills discounted	50
Short loans (borrowing from other banks)	4,750
Furniture	1,164
Other assets	336
Net Profit for 2013-2014	1,550

Prepare balance sheet of the bank as on 31st March 2014.

(CONTD....8)

20 a) The following balance appeared in the books of the Happy Mutual Life Assurance Society Ltd. As on 31st March, 2012:

Dr. Particulars	Rs.in Lakhs	Cr. Particulars	Rs.in Lakhs
Claims less re-insurance paid during the year:		Life Assurance Fund at the beginning of the year	50,000
By Death	2,200	Premiums less re-assurances	
By Maturity	1,500		15,000
Annuities	6	Claims less re-assurances outstanding at the beginning of the year:	
Furniture and Office Equipment at cost (including Rs.40 Lakhs bought during the year)	250	By Death	900
		By Maturity	600
Printing and stationery	77	Credit balances pending adjustment	60
Cash with Bank in Current Account	1,350	Consideration for annuities granted	2
Cash and Stamps in Hand	30	Interests, dividends and Rents	1,800
Surrenders less re-assurances	40	Registration and other fees	2
Commission	250	Sundry deposits	100
Expenses of Management	3,100	Taxation provision	300
Sundry deposits with Electricity Companies, etc.	1	Premium deposits	1,500
Advance Payment of Income-tax	50	Sundry creditors	350
Sundry Debtors	50	Contingency reserve	150
Agents Balances	100	Furniture and office equipment depreciation account	40
Income-tax	450	Building depreciation account	300
Income tax on interest, dividends and rents	500		
Loans and Mortgages	150		
Loans on Policies	3,250		
Investments (Rs. 250 Lakhs deposited with the RBI)	52,000		
House Property at cost	5,400		
(Including Rs . 85 Lakhs deposited with the RBI)			
	70,754		70,754

From the foregoing balances and the following information, prepare Balance Sheet of the Happy Mutual Life Assurance Society Ltd. As on 31st March, 2012 and its Revenue Account for the year ended on that date:

- (1) Claims less re-assurances outstanding at the end of the year By Death: Rs. 600 lakhs; By Maturity: Rs. 400 lakhs.
- (2) Expenses outstanding Rs.60 lakhs and prepaid Rs.15 lakhs.
- (3) Provide Rs. 45 lakhs for depreciation on building; Rs.15 lakhs for depreciation on furniture and office equipment and Rs.110 lakhs for taxation.
- (4) Premiums outstanding Rs . 2,028 lakhs; Commission thereon Rs.65 lakhs.

(OR)

- b) Describe the different methods of Inflation Accounting.
