

**FOR THE CANDIDATES ADMITTED  
DURING THE ACADEMIC YEAR 2024 ONLY**

**No.of Pages: 8**

**24UCF408**

**N.G.M.COLLEGE (AUTONOMOUS): POLLACHI  
END-OF-SEMESTER EXAMINATIONS: APRIL 2026**

**B.Com -FINANCE  
SEMESTER: IV**

**MAXIMUM MARKS: 75  
TIME: 3 HOURS**

**PART - III  
CORPORATE ACCOUNTING II**

**SECTION – A (10 X 1 = 10 MARKS)**

**ANSWER THE FOLLOWING QUESTIONS.**

**MULTIPLE CHOICE QUESTIONS.**

**K1**

1. External reconstruction is treated under AS-14 as: \_\_\_\_\_
  - a) Amalgamation in the nature of purchase
  - b) Internal reconstruction
  - c) Amalgamation in the nature of merger
  - d) Absorption only
2. Which of the following is the main objective of internal reconstruction?
  - a) Expansion of business
  - b) Acquisition of another company
  - c) Writing off accumulated losses and overvalued assets
  - d) Increasing share capital
3. Rebate on Bills Discounted shown in the Balance Sheet of a banking company represents: \_\_\_\_\_
  - a) An asset
  - b) A liability
  - c) An income
  - d) A contingent liability
4. In Life Insurance accounts, bonus to policyholders is treated as: \_\_\_\_\_
  - a) Capital expenditure
  - b) Operating expense
  - c) Appropriation of surplus
  - d) Liability
5. Revaluation of subsidiary's assets at the time of acquisition affects: \_\_\_\_\_
  - a) Capital reserve or goodwill
  - b) Consolidated profit only
  - c) Minority interest only
  - d) Share capital

**ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES.**

**K2**

6. Define purchase consideration.
7. Relate the meaning of internal reconstruction
8. Explain the meaning the rebate on bills discounted
9. Define Marine Insurance
10. Define Minority Interest?

**SECTION – B**

**(5 X 5 = 25 MARKS)**

**ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. K3**

11. a) Ram Ltd., agrees to purchase the business of Thilagam Ltd., on the following terms:
  - i) For each of the 10000 shares of Rs.10 each in Krishnan Ltd. 2 shares in Raman Ltd., of Rs.10 each will be issued at an agreed value of Rs,12 per share. In addition, Rs.4 per share cash also will be paid.
  - (ii) 8% debentures worth Rs.80000 will be issued to settle the Rs.60000 9% debentures in Krishnan Ltd., (c) Rs.10000 will be paid towards expenses of winding up.Calculate the purchase consideration.

**(OR)**

11 b) The following is the Balance Sheet of R Co. Ltd. as at 31st March 1989:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Share Capital	1,20,000	Goodwill	10,000
12,000 shares of ₹10 each	2,000	Plant and Machinery	90,000
Profit Prior to Incorporation	36,000	Furniture and Fixtures	15,000
Bank Overdraft	30,000	Stock	40,000
Sundry Creditors		Sundry Debtors	22,000
		Profit and Loss A/c	11,000
<b>Total</b>	<b>1,88,000</b>	<b>Total</b>	<b>1,88,000</b>

12. a) The following scheme of reconstruction was approved by Royal Ltd. The shareholders to receive in lieu of their present holding of 50,000 shares of Rs.10 each the following;
- Fully paid ordinary shares equal to 2/5 of their holdings.
  - 5% preference shares to the extent of 1/5 of the above ordinary shares,
  - Rs.60,000, 6% debentures
  - The Goodwill which stood at Rs.3,00,000 was written down to Rs.1,50,00
  - Plant and machinery were written down by Rs.20,000 and Rs.30,000 respectively.
- Pass the journal entries.

(OR)

b) The following is the Balance sheet of VPM Ltd. as on 31.12.2005.

Liabilities	Rs.	Assets	Rs.
1,00,000 equity shares of Rs. 10 each	10,00,000	Fixed Assets	10,50,000
1,00,000 7% preference shares of Rs. 10 each	10,00,000	Good will	1,50,000
Creditors	2,00,000	Investments	2,00,000
		Debtors	2,50,000
		Profit and Loss A/c	5,50,000
<b>Total</b>	<b>22,00,000</b>	<b>Total</b>	<b>22,00,000</b>

The Board of directors passed the following resolutions.

- Equity Share Capital would be reduced by Rs. 4.
- Preference Shares reduced by Rs. 3.

It was further resolved that the amount so available would be used for writing off goodwill and debit balance of P & L a/c. Pass Journal entries and the revised balance sheet.

13. a) Explain the following terms:
- Claims
  - Annuity
  - Surrender value of policy
  - Life assurance fund
  - Reinsurance

(OR)

b) A life assurance company prepaid its revenue a/c for the year ended 31.3.2016 and ascertained its life assurance fund to be Rs. 28,35,000. It was found later that the following has been omitted from the accounts:

- Interest accrued on investment Rs 39,000
- Income tax liable to be deducted there on is established to be Rs. 10,500

- ii) Outstanding premium Rs.32,800
- iii) Bonus utilized for reduction of premium Rs. 6,750
- iv) Claims intimated but not admitted Rs.17,400
- v) Claims covered under reinsurance Rs.6,500. What is the true life assurance fund?

14. a) Calculate the rebate on bills discounted

Date of bill	Term of bill (months)	Discounted @% p.a	Amount of bill
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 show the necessary journal entry for the rebate.

(OR)

14 b) Explain the following terms:

- 1. Statutory Reserve
- 2. Cash Reserve Ratio (CRR)
- 3. Statutory Liquidity Ratio (SLR)
- 4. Non – Banking Assets

15. a) The following is the Balance sheet of S Ltd. as on 31<sup>st</sup> March, 2012.

BALANCE SHEET of S LTD. as on 31<sup>st</sup> March, 2012

Liabilities	Amount	Assets	Amount
Equity Shares @ Rs. 10	2,70,000	Fixed Assets	2,90,000
General Reserve Profit & Loss A/c	3,60,000	Investment	2,75,000
Current Liabilities	8,50,000	Current Assets	1,30,000
Preliminary Expenses	20,000		
Total	7,15,000	Total	7,15,000

H Ltd. acquired 25,000 shares in S Ltd. on 31<sup>st</sup> March, 2012 at a cost of Rs.75, 000. Fixed assets were revalued at Rs 3, 28,000. Calculate minority interest.

(OR)

15b) Define the term holding company. Explain the consolidation process with hypothetical example.

### SECTION – C

(5 X 8 = 40 MARKS)

**ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS. K4 & K5**

16. a) Alpha Ltd and Beta Ltd were amalgamated on 1<sup>st</sup> April 2021.

A new company Gamma Ltd. was formed to take over the business of the existing companies.

The Balance Sheets of Alpha Ltd and Beta Ltd as on 31st March 2021 are given below:

Balance Sheets

Liabilities	Alpha Ltd (Rs.)	Beta Ltd (Rs.)	Assets	Alpha Ltd (Rs.)	Beta Ltd (Rs.)
Share Capital			Fixed Assets	1,200	1,000
Equity Shares of ₹100 each	1,000	800	Loans and Advances	880	565
15% Preference Shares of ₹100 each	400	300			
Reserve and Surplus					
Revaluation Reserve	100	80			
General Reserve	200	150			
Profit & Loss A/c	80	60			
Secured Loan					
12% Debentures of ₹100 each	96	80			
Current Liabilities & Provisions	204	95			
<b>Total</b>	<b>2,080</b>	<b>1,565</b>	<b>Total</b>	<b>2,080</b>	<b>1,565</b>

Other Information

1. The 12% debentures of Alpha Ltd and Beta Ltd are discharged by Gamma Ltd by issuing an adequate number of 16% debentures of ₹100 each, so that the debenture holders continue to receive the same amount of interest.
2. The preference shareholders of Alpha Ltd and Beta Ltd are issued the same number of 15% preference shares of ₹100 each in Gamma Ltd.
3. Gamma Ltd issued 1.5 equity shares for every equity share of Alpha Ltd and 1 equity share for every equity share of Beta Ltd. The face value of shares issued by Gamma Ltd is ₹100 each.

Required to Prepare the Balance Sheet of Gamma Ltd as on 1st April 2021.

(OR)

b) The balance sheet of X Ltd and Y Ltd as on 31.3.1917 are given below.

Liabilities	A Ltd	B Ltd	Assets	A Ltd	B Ltd
Equity capital Rs.100 each	4,00,000	3,60,000	Premises	1,20,000	-
Genera Reserve	75,000	-	Goodwill	-	1,20,000
P & L a/c	38,000	-	Debtors	80,000	1,60,000
Creditors	72,000	1,20,000	Stock	3,00,000	90,000
			Bank	85,000	75,000
			P & L a/c	-	35,000
<b>Total</b>	<b>5,85,000</b>	<b>4,80,000</b>	<b>Total</b>	<b>5,85,000</b>	<b>4,80,000</b>

A new company, XY Ltd was formed to take over the two businesses in entirety on the following terms :

- i) X Ltd. Premises to be revalued at Rs. 1,50,000. Debtors to be taken over at 90% and stock at Rs. 3,15,000.
- ii) Y Ltd. Goodwill to be taken over at Rs. 16,000. Debtors to be taken over at Rs.1,50,000 and stock at 75,000.

It was decided that the purchase consideration of both X and Y Ltd was discharged by the equity shares of Rs.10 of XY Ltd. Calculate Purchase consideration and prepare the Balance Sheet of XY Ltd.

17. a) Explain the steps in internal reconstruction of companies.

(OR)

b) Balance Sheet as on 31st Dec. 2012

Liabilities	Rs	Assets	Rs
Equity 400000 @ 5	20,00,000	Local works	20,00,000
Pref. Capital 300000 @ 5	15,00,000	Upcountry	10,00,000
10% A Debentures (secured by local works)	1,00,000	Investment of work comp	
9% B Debentures	2,50,000	Fund	35,000
(Secured by upcountry work)		Stock	1,15,000
Workmen comp. Fund	35,000	Debtors	50,000
Local 25,000 & Upcountry 10,000		Preliminary Exp	12,500
Bank Overdraft	7,50,000	Profit & Loss A/c	16,22,500
Creditor	2,00,000		
Total	48,35,000	Total	48,35,000

The following format of reconstruction was approved by all parties concerned:

- The equity shares were reduced to 25 paise per share.
  - The preference Share was reduced to Rs. 3.75 per share and the rate of dividend was reduced to 9%.
  - The debenture holders waived Rs. 42000 being interest due to them (included in creditors).
  - Director agreed to refund Rs. 50,000 fees which they had received. This amount was refunded by them in cash.
  - The B Debenture holders formed new company Ltd. to take over the upcountry works at Rs 500000. The price was settled by surrender of B Debentures and allotment of 25000 equity of Rs 10 Each as fully paid in New Co Ltd.
  - Investment was valued at Rs. 25000, stock at Rs. 25000, stock at Rs 50,000 and Debtors at Rs 40000. There was no actual liability to upcountry works employees. The assets were to be written down as above the fictitious assets were to be wiped off. Necessary reserves were to be retained and the balance available was to be written off the book value of local works.
- Prepare the necessary journal entries and Balance sheet Reddu Ltd. after giving effect of the above scheme.

18. a) The following balances from part of the trial balance of the Excel's Assurance Co. Ltd as on 31<sup>st</sup> March 2012.

Amount of life Assurance Fund at the beginning of the year Rs. 14,70,562; claims by death Rs. 76,980; claims by maturity Rs. 56,420; premiums, Rs. 2,10,572, Expenses of management Rs. 19,890; commission Rs. 26541; consideration for annuities granted Rs. 10,712; interests, dividends and rent Rs. 52461; Income tax paid on profit Rs. 3,060; surrenders Rs.21,860; annuities Rs 29,420; bonus paid in cash, Rs. 9,450; bonus paid in reduction of premium Rs. 2,500; preliminary expenses balance Rs. 600; claims admitted but not paid Rs. 2380; capital paid up Rs. 14,00,000; government securities Rs. 24,90,890; sundry fixed assets Rs. 4,19,110.

Prepare revenue account and the balance sheet after taking into account the following:-

- a) claims covered under reinsurance, Rs. 10,000.
- b) Further claims intimated, Rs. 8,000.
- c) Further bonus utilised in reduction of premium, Rs. 1,500
- d) Interest accrued Rs. 15,400;
- e) Premiums outstanding Rs. 7,400

(OR)

b) Following were the balance extracted from the trial balance of the Southern Life Insurance Co. Ltd. at 31<sup>st</sup> March 2011:

Particulars	Rs. 000s	Particulars	Rs. 000s
Balance of account at the beginning of the year	2,000,000	Claims admitted but not paid	6,000
Govt. Securities	1,000,000	Surrenders	20,000
Profit on realization of assets	2,000	Single premiums	80,000
Investment fluctuation account	10,000	Consideration for annuities granted	50,000
Claims under policies by death	60,000	Interest, dividends and rent received	70,000
Claims under policies by maturity	100,000	Depreciation on furniture	3,000
Loans on mortgages	560,000	Administrative expenses	36,000
Loans on policies	300,000	Salaries	30,000
Freehold property and furniture	103,000	Auditor's fees	1,500
Sundry creditors	2,000	Director's fees	300
Outstanding premiums	24,000	Legal expenses	1,000
Commission paid	24,000	Advertising	1,400
Interest accrued not due	3,000	Printing, stationery and others	10,800
Premium (other than single)	200,000	Cash at bank	168,400
		Provision for depreciation	3,000

Prepare a Revenue Account and Balance sheet.

19. a) The following is the trial Balance of Vijay bank Ltd as on 31<sup>st</sup> March, 2012.

Particulars	Amount	Particulars	Amount
Cash in hand and RBI	75,000	Share capital	3,00,000
Investment in Govt of India Bond	1,94,370	Security Deposit of employees	15,000
Other investment	1,55,630	Saving bank Account	7,420
Gold	15,130	Current account	97,000
Interest accrued on investments	24,620	Fixed Deposit	23,050
Silver	2,000	Securities premium	90,000
Building	65,000	Statutory reserve	1,40,000
Furniture	5,000	Borrowings from banks	77,230
Money at call and short notice	26,000	P & L A/c Balance	6,500
Advances	2,00,000	Bills for collection	43,500
Bills receivable being bills for collection	43,500	Interest	72,000
Bills discounted and purchased	12,500	Commission & Brokerage	25,300
Interest paid	7,950	Discount on bill discounted	42,000
Auditor fees	5,000	Rent	600
Loss on sale of furniture	1,000	Profit on Bullion	1,200
Director fees	1,200	Misc. Income	2,700
Salaries	21,200		
Postage	50		
Managing director's remuneration	12,000		
Loss on sale of Investment	30,000		
Deposit with other banks	35,000		
Branch adjustment	11,350		
	9,43,500		9,43,500

You are required to prepare a Profit and Loss A/c and balance sheet on 31<sup>st</sup> March 2012 by taking into account the following:

1. Provide for rebate on bills discounted Rs 4,500
2. Charge depreciation @ 5 % on building and 20% on furniture.
3. A provision for doubtful debts to the extent of Rs 12,500 is required.
4. Claims for bonus by employees are Rs 5000 is pending for award of arbitration.
5. Transfer 25% of the current year's profit to the statutory reserve.
6. Directors declared the dividend of 12%
7. A scrutiny of account ledger reveals that there are accounts overdrawn to the extent of Rs 42,000 and the credit balance is Rs 1, 39,000.

(OR)

19 b) Explain the classification of advances and classification of investments.

20. a) The Balance sheet of C Ltd and D Ltd. As at 31 st December 2016 are as follows.

Liabilities	C Ltd	D Ltd	Assets	C Ltd	D Ltd
Share Capital(at Rs.10 each)	2,00,000	1,00,000	Sundry assets	1,32,500	1,38,200
General reserve	18,000	20,000	Goodwill	-	20,000
Creditors	30,000	15,200	Shares in 'D'Ltd at cost	1,40,000	-
P&L A/c	24,500	23,000			
	2,72,500	1,58,200		2,72,500	1,58,200

In the case of D Ltd ., profit for the year ended 31 st December 2016 is Rs.12,000 and transfer to reserve is Rs.5,000. The holding of C Ltd in D ltd is 90% acquired on 30 th June 2016. Prepare a consolidated Balance sheet from the following Balance sheets.

(OR)

b) Big Ltd. holds all the shares of Medium Ltd. Medium Ltd. holds all the shares in Small Ltd. and would be known as medium division and small division. Their balance sheet on 30<sup>th</sup> June 2011, are given below:

<i>Particulars</i>	<i>Big Ltd.</i>	<i>Medium Ltd.</i>	<i>Small Ltd.</i>
<i>Liabilities and Capital</i>			
Equity shares @ 10	1,00,00,000	50,00,000	25,00,000
Reserve	80,00,000	20,00,000	15,00,000
Profit and Loss A/c	20,00,000	10,00,000	10,00,000
Unsecured Loans	1,00,00,000	20,00,000	30,00,000
Current Liabilities	60,00,000	20,00,000	20,00,000
<i>Total Assets</i>	<i>3,60,00,000</i>	<i>1,20,00,000</i>	<i>1,00,00,000</i>
Fixed Assets	75,00,000	30,00,000	20,00,000
Investment in Medium Ltd.	70,00,000		
Investment in Small Ltd.	30,00,000		
Investment in Giant Ltd.	70,00,000	50,00,000	30,00,000
Current Assets, Loan & Advances	1,45,00,000	10,00,000	50,00,000
Total	3,60,00,000	1,20,00,000	1,00,00,000

The share capital of Giant Ltd. on 30 June 2011 is Rs 1, 50, 00,000 divided into 15, 00,000 equity shares of Rs 10 each. Of these 5,00,000 shares are held by Big Ltd., 4,00,000 shares by medium Ltd and 3,00,000 shares by small ltd. The balance sheet of Giant Ltd as at 30 June 2011 is as follows:

<i>Liabilities</i>	<i>Rs</i>	<i>Assets</i>	<i>Rs.</i>
Shares Capital	1,50,000	Fixed Assets	2,00,00,000
Reserve	1,00,00,000	Investment	50,00,000
Profit and Loss A/c	50,00,000	Current Assets, loan and Advances	3,50,00,000
Secured Loan	1,00,00,000		
Other liabilities	2,00,00,000		
Total	6,00,00,000	Total	6,00,00,000

Show journal entries in the books of Big Ltd and the consolidated Balance Sheet with its subsidiary Giant Ltd. as on 1 July, 2011.

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