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(FOR THE CANDIDATES ADMITTED **24 UPA 409**

DURING THE ACADEMIC YEAR 2024 -2025 ONLY) **REG.NO. :**

N.G.M.COLLEGE (AUTONOMOUS): POLLACHI

END-OF-SEMESTER EXAMINATIONS: MAY 2026

B.COM (PA) **MAXIMUM MARKS: 75**

SEMESTER- IV **TIME : 3 HOURS**

PART - III

HIGHER CORPORATE ACCOUNTING

SECTION – A **(10 X 1 = 10 MARKS)**

ANSWER THE FOLLOWING QUESTIONS.

1. Pooling of interest method is used to account for amalgamation in the nature of ____

(a) Purchase (b) Sale (c) Merger (d) None of these

2. After writing off accumulated losses, the balance in capital reduction account , if any should be transferred to _________

(a) share capital a/c (b) capital reserve a/c (c) general reserve a/c (d) good will a/c

3. Provision for income tax is shown in the Bank accounts under the head _____

(a) Borrowings (b) Other liabilities (c) Operating expenses (d) Contingent liabilities

4. In general insurance, the policy amount is payable _____

(a) After the death of the insured (b) After the expiry of the policy period (c) Only when the loss occurs or the liability arises (d) Only when the insured has attained a certain age

5. Profit earned by a subsidiary company up to the date of acquisition of shares by the holding company are called _____

(a) Revenue profits (b) Capital profits (c) Revaluation profit (d) Realization profit

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES **(K2)**

6. What is absorption?

7. Interpret external reconstruction

8. Define statutory reserve .

9. Explain Reinsurance .

10. What do you mean by revenue profit?

SECTION – B **(5 X 5 = 25 MARKS)**

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

11. a) What is purchase consideration? Explain its methods

(OR)

b) X Limited is negotiating to sell its business to Y Limited. Its assets are agreed to be worth Rs.40,00,000. Its share capital consists of 10000 equity shares of Rs.10 each and it has reserve of Rs.50,000. Workmen's compensation fund amounts to Rs.25,000 (estimated liability Rs.10,000) and Provident fund Rs.20,000. Employee's security deposits amount to Rs.10,000. Trade creditors amounted to Rs.10,000. Calculate the purchase consideration.

12. a) ABC company limited passed resolution and got court permission for the reduction of its share capital by Rs.5,00,000 for the purposes mentioned as under:
1. To write off the debit balance of profit and loss account of Rs.2,10,000 2. To reduce the value of plant and machinery by Rs.90,000 and goodwill by Rs. 40,000 3. To reduce the value of investments by Rs.80,000. The reduction was made by converting 50,000 preference shares of Rs.20 each fully paid to the same number of preference shares of Rs.15 each fully paid by converting 50000 equity shares of Rs.20 each on which Rs.15 is paid up in to 50000 equity shares of Rs.10 each fully paid up. Show journal entries to record the capital reduction.

(OR)

b) Compare amalgamation and external reconstruction.

13. a) Calculate Rebate on Bills discounted as on 31.3.2012

Date of Bill	Rs	Period	Rate of discount
15.1.2012	25000	5 months	8%
10.2.2012	15,000	4 months	7%
25.2.2012	20,000	4 months	7%
20.3.2012	30,000	3 months	9%

(OR)

b) From the following information, find out the amount of provision to be shown in the profit and loss account of a commercial bank.

Assets	Rs.in lakhs
Standard assets	8000
Sub standard assets	6000
Doubtful: For one year	1000
For 3 years	1600
More than 3 years	400
Loss assets	1200

14. a) The Life Assurance Fund of an Insurance company on 31.3.2016 showed a balance of Rs.87,76,500. It was found later that the following were not taken into account.

Particulars	Rs.
Dividend from investments	4,80,000
Income tax on above	48,000
Bonus in reduction of premium	8,77,500
Claims covered under reinsurance	4,23,000
Claims intimated but not accepted by company	7,62,000

Calculate the correct balance of fund.

(OR)

b) Bharath Life Assurance company gets its valuation made once in every two years . Its life assurance fund on 31.3.2016 stood at Rs.45,65,000 before providing for Rs.45,000 being the shareholder’s dividend for 2015-2016 . Its actuarial valuation on 31.3.2016 disclosed a net liability of Rs.32,20,000. An interim bonus of Rs.80,000 was paid to the policyholders during the previous two years. Sketch a statement showing the amount now available as bonus to policy holders.

15. a) A subsidiary company has a capital of Rs.5,00,000 shares of Rs.100 each out of which the holding company acquire 80% of shares at Rs.6,00,000. The profits of the subsidiary company on the date of purchase of shares by the holding company were Rs.3,00,000. Calculate the value of goodwill or capital reserve.

(OR)

b) Calculate minority interest from the Balance Sheet of Mumbai Limited as on 31.12.2007

Liabilities	Rs.	Assets	Rs.
7,80,000 shares of Rs.2 each	14,00,000	Sundry assets	10,00,000

General reserve on 1.1.2007	6,00,000	Plant and machinery	7,00,000
Creditors	3,00,000	Other assets	1,50,000
Profit and loss a/c as on 31.12.07	2,00,000	Investments(80% of shares)	6,50,000
	25,00,000		**25,00,000**

Madurai Limited acquired 80% of the shares at Rs.6,50,000.

SECTION – C (5 X 8 = 40 MARKS)

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

(K4 (Or) K5)

16. a) The following is the Balance Sheet of K Limited as on 31.12.2010

Liabilities	Rs.	Assets	Rs.
2000 shares of Rs.10 each	20,000	Goodwill	4000
Profit and loss account	7,000	Fixed assets	16,500
Debentures	10,000	Current assets	19,500
Creditors	3000		
	40,000		**40,000**

R Limited agreed to take over the assets of K Limited (exclusive of one fixed asset of Rs.4000 and cash Rs.1000 included in current assets) at 10% more than the book values. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2000 shares of Rs.10 each at the market value of Rs.15 each and the balance in cash. Liquidation expenses came to Rs.400. K Limited sold the fixed asset of Rs.4000 and realized the book value. It paid off its debentures and liquidation expenses. Prepare necessary journal entries in the books of K Limited and R Limited.

(OR)

b) M Limited and N Limited agreed to amalgamate on the basis of the following Balance Sheet as on 31.03.2007.

Liabilities	M Rs.	N Rs.	Assets	M Rs.	N Rs.
Share capital Rs.25 each	75,000	50,000	Good will	30,000	-
Profit and loss a/c	7,500	2,500	Fixed assets	31,500	38,800
Creditors	3,500	3,500	Stock	15,000	12,000
Depreciation fund	-	2,500	Debentures	8,000	5,200
			Bank	1,500	2,500
	86,000	**58,500**		**86,000**	**58,500**

The assets and liabilities are to be taken over by a new company formed called P Limited at book values. P Limited's capital is Rs.2,00,000 divided into 10,000 equity shares of Rs.10 each and 10,000, 9% preference shares of Rs.10 each. P Limited issued the equity shares equally to the vendor companies and preference shares were issued for any balance of purchase price. Prepare journal entries in the books of P Limited and prepare its Balance Sheet, if the amalgamation is in the nature of purchase.

17. a) The Balance Sheet of G Limited was as follows on 30th June 2008.

Liabilities	Rs.	Assets	Rs.
4000 shares of Rs.100 each	4,00,000	Goodwill	60,000
6% debentures	2,00,000	Land and Building	1,00,000
Sundry creditors	2,50,000	Plant and Machinery	4,00,000
		Stock	90,000
		Sundry debtors	60,000
		Preliminary expenses	10,000
		Profit and loss a/c	1,30,000

	8,50,000		**8,50,000**

In order to reconstruct the company wiping off fictitious and intangible assets and writing down plant and machinery to its proper figure of Rs.3,00,000, the shares were reduced to Rs.20 each. Court's approval was obtained. Prepare the necessary journal entries and show the Balance sheet.

(OR)

b) **Balance Sheet of X Limited**

Liabilities	Rs.	Assets	Rs.
10,000 equity shares of Rs.10 each	1,00,000	Good will	10,000
10000,7% preference shares of Rs.10 each	1,00,000	Other fixed assets	90,000
		Stock in trade	25,000
		Debtors	30,000
		Profit and loss a/c	45,000
	2,00,000		**2,00,000**

It was resolved that equity share capital of Rs.10 each be reduced to fully paid 7.5% shares of Rs.6 each and 7% preference shares of Rs.10 each be reduced to fully paid preference shares of Rs.7 each. Number of shares in each case remained the same. It was further resolved that amount so available be used for writing off the debit balance of profit and loss account and goodwill account and other fixed assets to the extent possible. There were arrears of preference dividend for the last three years and it was decided that they can be cancelled. Show the journal entries and prepare the revised balance sheet.

18. a) From the following information, relating to Indian Bank Limited, prepare profit and loss account for the year ending 31.3.2004 along with necessary schedules in the revised format.

Particulars	Rs.'000
Interest, discount earned	31,628
Income on investments	11,810
Interest received on balance with RBI	4,243
Commission, exchange and brokerage	2,907
Profit on sale of investments	114
Interest on RBI loan paid	31,404
Interest on employees	3,362
Salaries to employees	9,717
Rent, taxes and lighting	1,168
Depreciation on Bank property	379
Director's fees	7
Auditor's fees	41
Law charges	22
Postage, telegram , telephone etc.	403
Other expenditure	1,799
Balance of profit B/D from last year	1,000

Adjustments: 1. Make a provision for Income Tax @51.75% on profit. 2. Transfer 25% of profit to statutory reserve and 5% to revenue reserve 3. Transfer to proposed dividend Rs.2,00,000.

(OR)

b) Outline Balance Sheet of a Banking Company in prescribed form as per Schedule III of Banking Companies Act and give various schedules.

19. a) On 31.3.2014, the books of National Insurance Co. disclosed the following particulars in respect of fire insurance.

Particulars	Rs.'000
Reserve for unexpired risk on 31.03.2013	600
Additional reserve for unexpired risk on 31.03.2013	100
Premiums received	450
Interest, dividend and rent (gross)	80
Income tax deducted there from	10
Sundry income	2
Claims paid during 2013-2014	400
Claims outstanding on 31.03.2013	25
Claims outstanding on 31.03.2014	30
Claims recoverable under reinsurance	10
Commission to agents	50
Outstanding commission to agents on 31.03.2014	6
Expenses of management (including Rs.5000 legal expenses paid in connection with claims)	80
Sundry expenses	5
Commission on reinsurance ceded	5

Keep a reserve for unexpired risk equal to 50% of the premiums and increase the additional reserve by Rs.'000(20). Prepare revenue account.

(OR)

b) Prepare in the proper statutory form the Revenue account of Super Insurance Company Limited for the year ended 31.03.2016 from the following figures.

Particulars	Rs.'000
Claims by death	76,140
Claims by maturity	30,110
First premium	2,50,000
Renewal premium	3,55,000
Single premium	1,00,000
Transfer fees	129
Consideration for annuities granted less reassurance	82127
Annuities paid	53461
Bonus paid in cash	2416
Expenses of management	31920
Commission	9574
Interest, dividend and rents	97840
Income tax on interests, dividend etc	35710
Surrenders	13140
Bonus in reduction of premium	980
Dividend paid to shareholders	5500
Amount of life insurance fund at the beginning of the year	15,21,000

20. a) From the Balance Sheets and information given below, prepare a consolidated Balance Sheet.

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share capital (Rs.10)	100000	20000	Sundry Assets	80,000	12,000
Profit and loss a/c	40000	12000	Stock in trade	61,000	24,000
Reserve	10000	6000	Debtors	13000	17000
Creditors	20000	12000	Bills Receivable	1000	-
Bills payable	-	3000	Shares in S Ltd. 1500 shares at cost	15000	-
	170000	**53000**		**170000**	**53000**

Additional Information: 1. All Profits of S Limited have been earned since the shares were acquired by H Limited but the reserve of Rs.6000 was already there at the time.

2. Bills accepted by S Limited are all in favour of H Limited which has discounted Rs.2000 of them. 3. Sundry assets of S Limited undervalued by Rs.2000 4. The stock in trade of H Limited includes Rs.5000 bought from S Limited at a profit to the latter of 25% on cost.

(OR)

b) From the Balance Sheets given below, prepare consolidated Balance Sheet of Union Limited and its subsidiary State Limited.

Balance Sheet as on 30.06.2000

Liabilities	Union Ltd. Rs.	State Ltd. Rs.	Assets	Union Ltd Rs.	State Ltd Rs.
Share capital (Rs.10)	140000	40000	Land and Building	90000	30000
Profit and loss a/c	15000	12000	Plant	45000	16000
Reserve	30000	9000	Stock	16000	5000
Creditors	30000	8000	Debtors	20000	8000
			Bank	7000	10000
			Investment : 3000 shares in state limited	37000	-
	215000	**69000**		**215000**	**69000**

At the date of acquisition of holding of 3000 shares in State Limited the latter company had undistributed profits and reserve amounting to Rs.4000 and Rs.6000 respectively. The creditors of State Limited include Rs.4000 for goods supplied by Union Limited on which Union Limited made a profit of Rs.1000. Half of the goods were still in stock on 30.6.2000.

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