

**B.Com(A&F) DEGREE EXAMINATION, APRIL 2020**  
**II Year IV Semester**  
**Advanced Corporate Accounting**

**Time : 3 Hours**

**Max.marks :75**

**Section A** (10 × 2 = 20) Marks

Answer any **TEN** questions

1. Write a note on purchase consideration.
2. What is statutory reserve? How is it created?
3. What is 'Reinsurance'?
4. Who are preferential creditors?
5. Write a short note on 'Minority Interest'.
6. Lal Ltd. agree to absorb the Business of Mal Ltd. The purchase consideration was as under: For every 4 10% preference shares of Rs. 10 each in Mal Ltd. 7 Equity shares of Rs. 10 each in Lal Ltd. as Rs. 8 paid up. There were 60,000 10% preference shares in Mal. Ltd. find out purchase consideration.
7. From the following advances made by Lucky Bank Ltd. you are required to compute the amount of provision to be shown in P&L A/c :  
Standard Assets- 8,00,000; sub-standard Assets- 6,50,000;  
Doubtful Assets - (More than 3 years) 1,00,000; Loss Assets- 2,50,000.
8. From the following particulars relating to the Punjab Bank Ltd. ascertain the profit balance carried over to the balance sheet:

Net profit for the year	1,28,000
Profit brought forward from the previous year	1,20,000
Transfer to Statutory Reserve	25%
Transfer to other reserves	10%
Transfer to proposed dividend	20,000
9. Compute commission expenses to be derived in schedule 2 of a life insurance company:

Commission on direct business	93,000
Commission on reinsurance accepted	40,000
Commission on reinsurance ceded	50,000
10. A subsidiary company has a capital of Rs. 5,00,000 in shares of Rs. 100 each out of which the holding company acquired 80% of the shares at Rs. 6,00,000. The profits of the subsidiary Co. on the date of acquisition of shares by the holding Co. were Rs. 3,00,000. Calculate the value of goodwill or capital reserve.
11. Compare the amount to be appropriated out of premium for Reserve for Unexpired Risk from the following information relating to Marine insurance.

Premium received during the year ended 31.03.06	9,00,000
Reinsurance premium paid	50,000
Outstanding premium	1,50,000
12. Compute liquidators remuneration from the information given below:  
Secured creditors : Rs. 60,000 (securities realised Rs. 80,000.)  
Other assets realised : Rs. 75,000  
Liquidator's remuneration : 2.5% on the amount realised (including securities with creditor)

**Section B** ( $5 \times 5 = 25$ ) MarksAnswer any **FIVE** questions

13. Following is the Balance sheet of K Ltd. as on 31.12.1980

Liabilities	Rs	Assets	Rs
2,000 shares of Rs.10 each fully paid	20,000	Goodwill	4,000
Profit & loss A/c	7,000	Fixed assets	16,500
Debentures	10,000	Current assets	19,500
Creditors	3,000		
	40,000		40,000

R Ltd agreed to take over the assets of K Ltd. (exclusive of one fixed assets of Rs. 4,000 and cash Rs. 1,000 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 2,000 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 Ltd. sold the fixed assets of Rs. 4,000 and realised the book value. It paid off its debentures and liquidation expenses. You are required to give journal entries in the books of R Ltd.

14. On 31st March, 1998 a bank held the following bills, discounted by it earlier:

Date of Bill 1998	Term of bill (months)	Discounted @ % P.a.	Amount of bill Rs.
January, 17	4	17	7,30,000
February, 7	3	18	14,60,000
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.

15. The Life fund of a Life Insurance Company on 31.3.2006 showed a balance of Rs. 54,00,000. However, the following items were not taken into account while preparing the Revenue A/c for 2005-06:

Interest and dividends accrued on investments	20,000
Income tax deducted at source on the above	6,000
Reinsurance claims recoverable	7,000
Commission due on Reinsurance premium paid	10,000
Bonus in reduction of premium	3,000

16. The following Balance Sheets are given as on 30.6.87

Liabilities	M Co	S Co	Assets	M Co	S Co
Share capital	1,20,000	30,000	Shares in S Co. 2,000 shares	25,000	-
12,000 shares			Machinery	30,000	10,000
3,000 shares			Building	72,000	25,000
Creditors	15,000	5,000	Stock	18,000	3,000
Reserve	25,000	6,000	Debtors	22,000	7,000
Profit & loss A/c	12,000	9,000	Bank	5,000	5,000
	1,72,000	50,000		1,72,000	50,000

At the date of acquisition by M Co., S Co. had undistributed profits amounting to Rs.5,000, none of which has been distributed since the date of acquisition.

Prepare Consolidated Balance Sheet.

17. A liquidator is entitled to receive remuneration @ 2% of the assets realised and 3% on the amount distributed among the unsecured creditors. The assets realised Rs. 70,00,000 against which payment was made as follows:

Liquidation expenses	Rs. 50,000
Preferential creditors	Rs. 1,50,000
Secured creditors	Rs. 40,00,000
Unsecured creditors	Rs. 30,00,000

Calculate the total remuneration payable to the liquidator.

18. Explain the various methods of calculating purchase consideration?
19. Distinguish between 'Capital profits' and 'Revenue profit' in the context of 'Holding Company'.

**Section C** ( $2 \times 15 = 30$ ) Marks

Answer any **TWO** questions

20. The following are the Balance Sheets of H Ltd. and its subsidiary S Ltd. as on 31.3.95

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share capital Rs. 10 each fully paid	6,00,000	2,00,000	Machinery	3,00,000	1,00,000
General Reserve	1,50,000	70,000	Furniture	70,000	45,000
Profit & Loss A/c	70,000	50,000	70% Shares in S Ltd. at cost	2,60,000	-
Creditors	90,000	60,000	Stock	1,75,000	1,89,000
			Debtors	55,000	30,000
			Cash at bank	50,000	10,000
			Preliminary expenses	-	6,000
	9,10,000	3,80,000		9,10,000	3,80,000

H Ltd. acquired the shares of S Ltd. on 30th June 1994. On 1st April 94, S Ltd General reserve and Profit & Loss account stood at Rs. 60,000 and 20,000 respectively. No part of the preliminary expenses was written off in the year ended 31.3.95.

Prepare consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.3.95, giving all your working notes separately.

21. From the following balances of Saraswathi Bank Ltd. as on 31st December 1995, prepare its balance sheet in the prescribed form.

Particulars	(Rs. in 000)
Paid up share capital (shares of Rs. 100 each fully paid)	2,000
Bills discounted	1,800
Reserve fund	770
Cash credit	2,000
Overdrafts	800
Unclaimed dividend	10
Loans	4,600
Current deposits	3,800
Furniture	40
Profit & Loss A/c(Cr)	220
Stamps and Stationary	10
Cash in hand	500
Cash with Reserve bank	1,300
Branch adjustment (Dr)	170
Investment	950
Loans (Cr)	1,200
Recurring deposits	1,000
Fixed deposits	2,000
Cash certificates	1,000
Contingency reserves	170

## Adjustments

- (a) Rebate on bills discounted Rs. 10,000
- (b) Provide Rs. 80,000 for doubtful debts
- (c) Banks acceptances on behalf of customers were Rs. 6,50,000.

22. Prepare a Revenue A/c in respect of Fire Business from the following details for the year 2004- 05 :

Particulars	Rs.
Reserve for unexpired risk on 1.4.04 @ 50%	1,80,000
Additional reserve	36,000
Claim on 1.4.04	31,000
Claim on 31.3.05	42,000
Claims paid	3,65,000
Legal expenses	6,000
Medical expenses	4,000
Re- insurance recoveries	32,000
Bad debts	800
Premium received	4,86,000
Premium on re-insurance accepted	32,000
Premium on re-insurance ceded	43,000
Commission on direct business	48,600
Commission on re-insurance accepted	1600
Commission on re-insurance ceded	21500
Expenses of management	90,000
Interest, dividend and rent	24,000
Profit on sale of investment	3,000

Create reserve on 31st March 2005 to the same extent as on 1st April, 2004.

23. A company went into voluntary liquidation on 30.4.96. The position of the company on that date was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital 5,000 shares of Rs. 100 each Rs. 80 paid up	4,00,000	Machinery	80,000
Loans (secured by machinery)	1,00,000	Other fixed assets	2,60,000
Unsecured creditors (including preferential creditors Rs.10000 )	2,00,000	Stocks	1,05,000
		Debtors	1,00,000
		Bills receivables	40,000
		Cash	5,000
		Profit & Loss A/c	1,10,000
	7,00,000		7,00,000

Machinery was realised by the secured creditors for Rs. 1,20,000. Other fixed assets realised Rs. 40,000; debtors Rs. 20,000; and stock Rs. 10,000; Bills receivables was wholly dishonoured. The liquidators is entitled to a fixed remuneration of Rs. 1,000, plus 2% of the amount paid to unsecured creditors. Liquidation expenses amounted to Rs. 1,000. Prepare liquidators statement of account.