

B.Com. (PA) Degree Examinations - Even Semester 2021

II Year IV Semester

Advanced Corporate Accounting

Max Marks: 25

Answer any Five questions (5 * 5 = 25)

1. Ram Ltd., agrees to purchase the business of Kannan Ltd on the following terms:
 - a. For each of the 10,000 shares of Rs.10 each in Kannan Ltd 2 shares in Ram Ltd of Rs.10 each will be issued at an agreed value of Rs.12 per share.
 - b. Ram Ltd also agrees to pay cash of Rs.4 per share
 - c. 9% debentures worth Rs.80,000 will be issued to settle the 9% Debentures in Kannan Ltd worth Rs.60,000
 - d. Rs.10,000 will be paid towards expenses of winding up

Calculate the purchase consideration.
2. Rajesh Ltd., resolved to reduce its capital to 50,000 fully paid Rs.5 per share. The following was the balance sheet of the company prior to implementation of the scheme.

Liabilities	Rs	Assets	Rs.
50,000 shares of Rs.10 each	5,00,000	Goodwill	1,00,000
Share premium	62,000	Land & Buildings	1,62,000
Creditors	62,000	Plant	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		P & L a/c	50,000
	6,85,000		6,85,000

It was resolved to apply the sum available under the scheme

- a. To write off the goodwill account
 - b. To write off the debit balance of P&L a/c
 - c. To reduce the books value of assets: Land and buildings by Rs.42,000
Plant by Rs.17,000, Stock by Rs.33,600 and Debtors by 10%
- Show necessary journal entries to give effect to the above scheme

3. From the following Balance sheet relating to H Ltd and S Ltd Prepare cost of control and Minority interest.

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Shares of Rs.10 each fully paid	10,00,000	2,00,000	Fixed assets	8,00,000	1,20,000
Reserves	1,00,000	60,000	Stock	6,10,000	2,40,000
P & L a/c	4,00,000	1,20,000	Debtors	1,30,000	1,70,000
Sundry creditors	2,00,000	1,20,000	Bills receivable	10,000	--
Bills payable	---	30,000	Shares in S Ltd at cost (15,000 shares)	1,50,000	--
	17,00,000	5,30,000		17,00,000	5,30,000

- All profits of S ltd have been earned after the shares were acquired by H Ltd but there was already a reserve of Rs.60,000 on that date.
- All bills payable of S Ltd was accepted in favour of H Ltd.
- The stock of H Ltd includes Rs.50,000 purchased from S Ltd the profit added was 25% on cost.

- On 31st March 1998, Bharat Commercial Bank Ltd., finds the advance classified as follows:

Standard assets	14,91,300
Sub-standard assets	92,800
Doubtful assets (secured)	
Doubtful for one year	25,660
Doubtful for one year to 3 years	15,640
Doubtful for more than 3 years	10,350
Loss assets	10,350

Calculate the amount of provision to be made by the bank against the above mentioned advances.

- A Life Assurance company prepared its Revenue account for the year ended 31.03.2006 and ascertained its Life Assurance Fund to be Rs.28,35,000. It was found later that the following had been omitted from the accounts:

Interest accrued on investments	39,000
Income tax liable to be deducted thereon is estimated to be Rs.10,500	
Outstanding premiums	32,800
Bonus utilized for reduction of premium	6,750
Claims intimated but not admitted	17,400
Claims covered under reinsurance	6,500

What is the true Life Assurance Fund?

6. Briefly explain the different methods of calculating purchase consideration
7. Write short notes of the following:
 - a. Life Assurance Fund
 - b. Double Insurance Fund
 - c. Money at call notice