

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com.DEGREE EXAMINATION –CORPORATE SECRETARYSHIP

FOURTH SEMESTER – APRIL 2018

16UBC4ES01– ADVANCED CORPORATE ACCOUNTING

Date: 25-04-2018

Dept. No.

Max. : 100 Marks

Time: 09:00-12:00

SECTION A

Answer ALL the questions:

(10X 2 = 20 MARKS)

1. State the meaning and significance of super profits.
2. Name and narrate the two methods of amalgamation.
3. What is revenue account in insurance companies?
4. Write a short note on valuation balance sheet.
5. Why and when list H is prepared?
6. **COMPUTE THE VALUE PER EQUITY SHARE, UNDER NET ASSETS METHOD**, from the following particulars:
 - a. Total assets at book value Rs.50,00,000, their market value being Rs.49,80,000.
 - b. Total outside liabilities Rs.19,00,000.
 - c. Equity capital Rs.20,00,000, each share Rs.10.
7. Ram Ltd agrees to purchase the business of Krish Ltd, on the following terms:
 - a. For each of the 10,000 shares of Rs.10 each in Krish Ltd, 2 shares in Ram Ltd, of Rs.10 each will be issued at an agreed value of Rs.12 per share.
 - b. In addition, Rs.4 per share cash also will be paid.
 - c. 8% debentures worth Rs.80,000 will be issued to settle the Rs.60,000, 9% debentures in Krish Ltd.
 - d. Rs.10,000 will be paid towards expenses of winding up.

CALCULATE THE PURCHASE CONSIDERATION.

8. On 1st October 2017, People's Bank discounted a bill of Rs.20,000 @ 12% p.a. and the bill has on that date exactly 4 months to run, considering the days of grace also. Accounts are closed on 31st December.

FIND OUT THE REBATE AND JOURNALISE.

9. You are required to **COMPUTE THE AMOUNT OF PROVISIONS** to be shown in profit and loss account, for the following advances made by Bharath Bank Limited (amount in Rs. Lakhs):
 - a. Standard assets 8,000;
 - b. Sub-standard assets 650;
 - c. Doubtful debts (More than three years, fully secured) 100 and
 - d. Loss assets 250.

10. From the following details, **ASCERTAIN UNSECURED CREDITORS** to be shown in statement of affairs:

Details	Rs.
Creditors for goods	80,000
Bills payable	8,000
Bank overdraft	26,000
Loan on the security of machinery	40,000
Estimated realizable value of machinery	32,000
Contingent liabilities (10% estimated to rank)	87,000

SECTION B

Answer any **FOUR** questions:

(4 x 10 = 40 Marks)

11. Explain with suitable examples the various lists and atleast one content thereof, relating to liquidation of companies.
12. Explain the provisions of Accounting Standard-14 (AS-14) for amalgamation.
13. The Balance Sheet of X Ltd., as on 31-03-2018 is as follows:

Liabilities	Rs.	Assets	Rs.
Preference share capital	50,000	Goodwill	10,000
Equity share capital (Rs.10)	100,000	Fixed assets	180,000
Reserves	90,000	Investment in Government Bond	20,000
Tax provisions	10,000	Current assets	100,000
Debentures	50,000	Preliminary expenses	10,000
Creditors	25,000	Discount on debentures	5,000
Total	325,000	Total	325,000

The average profit of the company (after deducting interest on debentures and taxes) is Rs.30,000. The market value of the machinery included in fixed assets is Rs.5,000 more. Expected rate of return is 10%.

EVALUATE THE GOODWILL of the company at 5 times of the super profit.

14. Rai Ltd and Bai Ltd agreed upon amalgamation. The balance sheets of both the companies, were as follows:

Liabilities	Rai Ltd Rs.	Bai Ltd Rs.	Assets	Rai Ltd Rs.	Bai Ltd Rs.
Capital (Rs.10)	30,000	24,000	Furniture	9,000	6,300
Reserves	-	1,500	Debtors	14,400	18,000
P&L A/c	-	3,600	Bank	18,360	12,240
Creditors	12,900	7,440	P&L A/c	1,140	-
Total	42,900	36,540	Total	42,900	36,540

The assets of Rai Ltd are to be taken over at book values, except furniture which is to be written down by Rs.3,060; BaiLtd's assets are taken over at book values, except debtors, which are to be considered worth Rs.9,900.

The share capital of the combined company is to be 2400 preference shares of Rs.10 each fully paid and ordinary shares of Rs.5 each fully paid. The allocation of shares is equal except that the surplus capital of Rai Ltd is to be satisfied by preference shares.

SHOW THE BALANCE SHEET OF THE NEW COMPANY.

15. The Life Fund of LIC on 31-03-2018 showed a balance of Rs.54,00,000. However, the following items were not taken into account while preparing the revenue account for 2017-18.
 - a. Interest accrued on investments Rs.20,000

- b. Income tax deducted at source on the above Rs.6,000
- c. Reinsurance claims recoverable Rs.7,000
- d. Commission due on reinsurance premium paid Rs.10,000
- e. Bonus in reduction of premium Rs.3,000

FIND OUT THE TRUE LIFE FUND.

16. On 31st March 2018, a bank held the following bills, discounted by it earlier:

Date of Bill, 2018	Term (Months)	Rate of discount @ % p.a.	Amount of Bill (Rs.)
a. Jan 17	4	17	7,30,000
b. Feb 07	3	18	14,60,000
c. March 09	3	17.5	3,64,000

You are required to **CALCULATE THE REBATE** on bills discounted. Also make a journal entry for rebate.

17. Y company's balance sheet on 01-03-2018, on which date, it got liquidated.

Liabilities	Rs.	Assets	Rs.
Equity share (Rs.10)	5,00,000	Building	1,50,000
Debentures (secured by floating charge)	2,00,000	Machinery	2,10,000
Bank overdraft	30,000	Stock	95,000
Creditors	40,000	Debtors	75,000
Provision for bad debts	10,000	Calls in arrears	1,00,000
		Cash in hand	10,000
		P&L A/c	1,40,000
Total	7,80,000	Total	7,80,000

Values on revaluation: Machinery Rs.1,50,000; Building Rs.1,20,000; Stock Rs.80,000; Debtors good Rs.70,000; Calls in arrears are expected to realize 90%. Bank overdraft is secured against buildings. Preferential creditors for taxes Rs.6,000, included in creditors. Miscellaneous expenses outstanding Rs.2,000, not included in creditors above.

PREPARE A STATEMENT OF AFFAIRS, to be submitted at the meeting of creditors.

SECTION C

Answer any **TWO** questions only:

(2 x 20 Marks = 40 Marks)

18. Distinguish between pooling of interest method and purchase method of accounting for amalgamation, with detailed explanations and examples.

19. The balance sheet of Gani Ltd as on 31-03-2018 was as under:

Liabilities	Rs.	Assets	Rs.
Equity share (Rs.100)	2,00,000	Land	1,25,000
General reserves	50,000	Machinery	75,000
P&L A/c	25,000	Investments	45,000
Creditors	45,000	Debtors	50,000
Provision for tax	20,000	Stock	37,500
Provident fund	17,500	Cash in hand	25,000
Total	3,57,500	Total	3,57,500

Additional information:

- a. Market value of investments Rs.37,500;
- b. Land and Machinery are valued at Rs.1,37,500 and Rs.55,000 respectively;
- c. Bad debts Rs.2,500;
- d. Goodwill Rs.25,000;
- e. Normal rate of return 15% and
- f. Expected rate of return 18%.

CALCULATE THE FAIR VALUE OF EQUITY SHARES, of the company.

20. On 31st December 2017, the following balances stood in the books of Oriental Bank Ltd., after the preparation of P&L A/c:

Particulars	Rs. in '000
Share capital	4,000
Reserve fund (under section 17)	6,200
Fixed deposits	42,600
SB Account deposits	19,000
Current account deposits	23,200
Money at call	1,800
Investments	25,000
P&L A/c (Credit) on 01 Jan 2017	1,350
Dividend for 2016	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
Loan, cash credit and overdraft	51,000
Unclaimed dividend	60
Bills Payable	70
Rebate on bills discounted	50
Short loans (borrowing from other banks)	4,750
Furniture	1,164
Other assets	336
Net Profit 2017	1,550

PREPARE BALANCE SHEET OF THE BANK, as on 31-12-2017.

21. On January 31, 2018, a compulsory order for winding up was made against Z Company Ltd., the following particulars being disclosed:

Details	Book Value (Rs.)	Estimated to produce (Rs.)
Cash in hand	100	100
Debtors	4000	3,600
Buildings	.60,000	48,000
Furniture	20,000	20,000
Unsecured creditors	20,000	-
Debenture secured on building	42,000	-
Debentures secured on floating charge	10,000	-
Preferential creditors	6,000	-
Share capital	3,20,000	-

- Estimated liability for bills discounted was Rs.6,000, estimated to rank Rs.6,000;
- Other contingent liabilities were Rs.12,000; estimated to rank at Rs.12,000;
- The company was formed on 01-01-2013 and has made losses of Rs.3,13,900.

PREPARE A STATEMENT OF AFFAIRS AND A DEFICIENCY ACCOUNT.
