

## PART – A

Answer **ALL** the Questions:

**(10x2=20)**

1. What is Re-insurance?
2. Calculate the claim to be debited to Revenue a/c of Insurance Company:  
Claims paid for the year ended 31-03-2003 – Rs.5,75,000  
Claims outstanding on 1-04-2002 – Rs.55,000  
Claims outstanding on 31-03-2003 – Rs.98,000  
Claims covered under re-insurance – Rs.28,000.
3. What is meant by NPA?
4. What is Rebate on Bills Discounted?
5. P Ltd. Acquired 65% of shares of Q Ltd. On 1-10-2012. P&L a/c in the books of Q Ltd. showed a debit balance of Rs.40,000 on 1-04-12. On 31-03-13, the Balance Sheet of Q Ltd. showed P&L a/c balance of Rs.1,20,000. Calculate capital profits and revenue profits.
6. On 1-07-11, X Ltd. Acquired 60% shares of Y Ltd. (with a total capital of Rs.5,00,000) for Rs.3, 80,000. The balance sheet of Y Ltd., showed P&L a/c balance on 1-01-11 – Rs.1,20,000 and profit for the year 2011 Rs. 1,00,000. Calculate the value of goodwill or capital reserve.
7. What is liquidation of a company?
8. Enumerate the liabilities included in Statement of Affairs submitted by a company for the purpose of liquidation.
9. Define Amalgamation.
10. What do you understand by Intrinsic Value of Calculating Purchase Consideration?

## PART – B

Answer any **FOUR** questions:

**(4x10=40)**

11. A Life Insurance Company gets its valuation made once in every two years. Its Life Assurance Fund on 31-03-2015 amounted to Rs.63,84,000 before providing Rs.64,000 for the shareholder's dividend for the year 2014-15. Its actuarial valuation due on 31-03-2015 disclosed a net liability of Rs.60,80,000 under assurance annuity contracts. An interim bonus of Rs.80,000 was paid to the policy holders during the two years ending 31-03-2015. Prepare a statement showing the amount now available as bonus to policy holders.
12. From the following information relating to Lakshmi bank Ltd., prepare the P&L a/c for the year ending 31<sup>st</sup> Dec.2014.

	Rs.		Rs.
Rent Received	72,000	Salaries and allowances	2,18,800
Exchange and commission	32,800	Postage	5,600
Interest on fixed deposits	11,00,000	Sundry charges	4,000
Interest on overdrafts	2,16,000	Director's & Auditor's fees	16,800
Interest on savings bank a/c	2,72,000	Printing	8,000
Discount on bills discounted	7,80,000	Law charges	3,600
Interest on current accounts	1,68,000	Locker rent	1,400
Interest on cash credits	8,92,000	Transfer fees	2,800
Depreciation on bank property	20,000	Interest on loans	10,36,000

13. a) On 1.1.90, the rebate on bills discounted account of a bank showed a credit balance of Rs.1,00,000. On 31.12.90, the discount account showed a credit balance of Rs.15,00,000 before adjusting unexpired discount. The bills discounted outstanding on 31.12.90 were Rs.2 crores with average maturity date of January 31,1991 and they were all discounted at 12% p.a. Write adjustment entries and relevant ledger accounts to record these items and also show how these items will appear in the final accounts of the bank.

b) On 31<sup>st</sup> March 1998, Bharat Commercial Bank Ltd., finds its advances classified as follows:

	( Rs.)
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	6,580
Loss assets	10,350

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

14. On 1<sup>st</sup> April 2014, S Ltd., had a subscribed capital of Rs.5,00,000 divided into 50,000 fully paid equity shares of Rs.10 each. It had accumulated capital and revenue profits to the tune of Rs.3,90,000 by that date when H Ltd., acquired 80% of its shares for Rs.9,00,000. The profit earned by S Ltd., amounted to Rs. 2,60,000 for the year ended 31<sup>st</sup> March 2015 on which date S Ltd. issued by way of bonus, one fully paid equity shares of Rs.10 for every five equity shares held out of its pre-acquisition profits. Calculate as on 31-03-2015 the cost of control and minority interest just before the bonus issue of bonus shares.

15. The following particulars relate to a limited company which went into voluntary liquidation: Preferential creditors – Rs.25,000; Unsecured Creditors – Rs.58,000; 6% Debentures – Rs. 30,000. The assets realized Rs.80,000. The expenses of liquidation amounted to Rs.1,500 and the liquidator's remuneration was agreed at 2 ½% on the amount realized and 2% on the amount paid to unsecured creditors including preferential creditors. Show the liquidator's final statement of account.

16. Who are preferential creditors? What are the preferential payments with regard to company liquidation?

17. Explain the various methods of calculating Purchase Consideration.

**PART – C**

Answer any **TWO** questions:

(2 x 20 = 40)

18. Given below is the trial balance of Mysore Fire Insurance Co. Ltd. as on 31-12-2014

	Rs.		Rs.
Claims paid	1,14,315	Reserve for unexpired risk	2,47,495
Commission to agents	60,590	Claims outstanding (1.1.14)	5,085
Expenses of management	1,99,696	Premium Income	4,03,932
Depreciation	15,419	Interest, Dividend & Rent	34,692
Loss on sale of investment	23,169	Share capital	2,50,000
Income tax on interest, dividend & Rent	10,625	Investment reserve	24,690
Agents balances	54,792	P & L A/c balances(1.1.14)	33,581
Investment in Govt. bonds	3,86,921	Provision for taxes	43,618
Interest accrued on investment	6,028	Sundry creditors	4,919
Outstanding premium	4,019		
Advances & Deposits	12,122		
Cash & Bank balances	65,650		
Furniture & Motor car	94,666		
	10,48,012		10,48,012

You are required to prepare the revenue A/c, P & L A/c and balance sheet as on 31.12.2014 having regard to the following:

- (i) The entire authorized capital has been issued and subscribed.
- (ii) Reserve for unexpired risks at 50%.
- (iii) Claims outstanding as on 31.12.14 amounted to Rs.3, 137.
- (iv) Provide Rs.20, 000 towards taxation.

19. The following is the trial balance extracted from the books of Town Bank Ltd.

<b>Debit balances</b>	<b>Rs.</b>	<b>Credit balances</b>	<b>Rs.</b>
Balances with banks	46,350	Share capital	3,00,000
Investment in Government bonds	1,94,370	Security deposit of employees	15,000
Other investments	1,55,630	SB Accounts	7,420
Gold bullion	15,130	Current accounts	97,000
Interest accrued on investments	24,620	Fixed deposits	1,13,050
Silver	2,000	Reserve fund	1,40,000
Constituent's liability for acceptances, etc.	56,500	Borrowings from banks	77,230
Building	65,000	Profits and Loss A/c	6,500
Furniture	5,000	Bills for collection	43,500
Money at call	26,000	Acceptance and endorsements	56,500
Loans	2,00,000	Interest	72,000
Bills Discounted	12,500	Commission	25,300
Interest	7,950	Discounts	42,000
Bills for collection	43,500	Rent	600
Audit fees	5,000	Profit on bullion	1,200

Loss on sale of furniture	1,000	Miscellaneous Income	2,700
Directors' fees	1,200	Accumulated depreciation on building	20,000
Salaries	21,200		
Postage	50		
Managing director's remuneration	12,000		
Loss on sale of investments	30,000		
Cash in hand	25,000		
Cash with RBI	50,000		
Branch adjustments A/c	20,000		
	<b>10,20,000</b>		<b>10,20,000</b>

You are required to prepare the Profit and Loss Account and balance sheet after taking into consideration the following.

- (i) Bad debts Rs.500
- (ii) Rebate on bills 1,000
- (iii) Current year's depreciation on building Rs.2,000
- (iv) Some current accounts are over drawn to the extent of Rs.25,000 and total of credit balances is Rs.1,22,000.

20. On 31<sup>st</sup> March, 2015 the balance sheets of H Ltd. And its subsidiary S Ltd. stood as follows:

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Equity share capital	8,00,000	2,00,000	Fixed Assets	5,50,000	1,00,000
General Reserve	1,50,000	70,000	75% shares in S Ltd.(at cost)	2,80,000	
Profit & Loss A/c	90,000	55,000	Stock	1,05,000	1,77,000
Creditors	1,20,000	80,000	Other current assets	2,25,000	1,28,000
	11,60,000	4,05,000		11,60,000	4,05,000

Draw a consolidated balance sheet as at 31<sup>st</sup> March 2015 after taking into consideration on the following information:

- (i) H Ltd. acquired the shares on 31<sup>st</sup> July, 2014.
- (ii) S Ltd. Earned profit of Rs.45, 000 for the year ended 31<sup>st</sup> March, 2015.
- (iii) In January 2015 S Ltd. sold to H Ltd. Goods costing Rs.15, 000 for Rs.20, 000. On 31<sup>st</sup> March, 2015 half of these goods were lying as unsold in the godown of H Ltd. Show the working notes.

21. On 31<sup>st</sup> March 1999, Thin Ltd., was absorbed by Thick Ltd., the latter taking over all the assets and liabilities of the former at book values. The consideration for the business was fixed at Rs.4,00,000 to be discharged by the transferee company in the form of its fully paid equity shares of Rs.10 each, to be distributed among the shareholders of the transferor company, each shareholder getting two shares for every share held in the transferor company. The balance sheets of the two companies as on 31st March, 1999.

<b>Liabilities</b>	<b>Thick Ltd. (Rs.)</b>	<b>Thin Ltd. (Rs.)</b>	<b>Assets</b>	<b>Thick Ltd. (Rs.)</b>	<b>Thin Ltd. (Rs.)</b>
Share Capital: Authorised	<u>15,00,000</u>	<u>5,00,000</u>	Good will	2,00,000	60,000
Issued & Subscribed Eq. Shares of Rs. 10 each fully paid	9,00,000	2,00,000	Plant & Machinery	4,12,000	1,00,000
General Reserve	1,80,000	50,000	Furniture	80,000	30,000
Profit & Loss A/c	20,502	12,900	Stock in trade	2,65,500	60,000
Workman's Compensation Fund	12,000	9,000	Sundry Debtors	2,21,200	46,000
Sundry Creditors	58,567	30,456	Prepaid Insurance	-	700
Staff Provident Fund	10,200	4,000	Income Tax refund claim	-	6,000
Provision for Tax	12,300	5,000	Cash in hand	869	356
			Cash at Bank	14,000	8,300
	<b>11,93,569</b>	<b>3,11,356</b>		<b>11,93,569</b>	<b>3,11,356</b>

Amalgamations expenses amounting to Rs.1,000 were paid by Thick Ltd.,

You are required to:-

- (i) Prepare realization account and equity shareholders account in the books of Thin Ltd.
- (ii) Pass the necessary Journal entries in the books of Thick Ltd., and
- (iii) Prepare the balance sheet of Thick Ltd., after the amalgamation in the nature of merger.

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