

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



B.Com.DEGREE EXAMINATION –COMMERCE

SIXTH SEMESTER – APRIL 2018

CO 6606– ADV. CORPORATE ACCOUNTS

Date: 03-05-2018

Dept. No.

Max. : 100 Marks

Time: 01:00-04:00

SECTION A

ANSWER ALL THE QUESTIONS

(10X2=20 marks)

1. What is insurance?
2. What is Reinsurance?
3. What is Rebate on bills discounted ?
4. Explain the meaning of NPA
5. What is Minority Interest?
6. What is cost of control?
7. What is double account system?
8. What types of accounts are included in the final accounts of Electricity company?
9. What is purchase consideration?
10. What is Merger?

SECTION B

Answer any FOUR questions in this section:

(4x10=40 marks)

11. A) What are the different types of Insurance?

B) The Revenue account of a Life Insurance Company showed the life fund at Rs.73,17,000 on 31.3.2006 before taking into account the following items:

		Rs.
a.	Claims intimated but not admitted	98,250
b.	Bonus utilized in reduction of premium	13,500
c.	Interest accrued on investments	29,750
d.	Outstanding premiums	27,000
E	Claims covered under re insurance	40,500
f	Provision for taxations	31,500

Pass journal entries giving effect to the above adjustments and show the adjusted life fund.

12) A) Explain how the assets are classified for provisioning ?

B) The Trial Balance of the Nedungadi Bank Ltd., as on 30th June 1984 shows the following balances

	Rs.
Interest and discount	45,40,600
Rebate on bills discounted (1.7.83)	4,750
Bills discounted and purchased	3,37,400

The unexpired discount as on 30.6.84 is estimated to be Rs. 5,560. Draft necessary adjusting entries and calculate the amount of interest and discount to be credited to profit and loss account.

13) On 31stMarch , 1996 the balance sheet of H Ltd and it 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			
Profit and loss account	90,000	55,000	75% Shares in S ltd. (at cost)	2,80,000	--
Sundry creditors	1,20,000	80,000	Other current assets	2,25,000	128,000
			Stock	1,05,000	1,77,000
	<u>11,60,000</u>	<u>4,05,000</u>		<u>11,60,000</u>	<u>4,05,000</u>

H Ltd acquired of the shares on 31.7.95. S Ltd earned profit of Rs. 45,000 for the year ended 31st March, 1996 Calculate the cost of control or goodwill.

14) A) Explain Disposal of Surplus.

B) The Bangalore Municipal corporation replaces part of its existing water mains with larger mains at the cost of Rs. 75,00,000. The original cost of laying the old mains was Rs. 15,00,000 and the present cost of laying those mains would be three times the original cost. Rs. 1,25,000 was realized by the sale of old materials and old materials of Rs. 3,75,000 were used in the replacement and included in the cost given above. Show the allocation of expenses between revenue and capital.

15) Ganguly Ltd was formed with an authorized capital of Rs. 12,00,000 divided into equity shares of Rs. 10 each to acquire the business of A and B whose balance sheet on the date of acquisition was as follows:

liabilities	Rs.	Assets	Rs.
Capital	6,00,000	Freehold premises	7,00,000
General reserve	4,00,000	Stock	2,00,000
Sundry creditors	2,00,000	Sundry debtors	
		1,60,000	1,50,000
		Less: provision for bad debts 10,000	
		-----	1,50,000
	<u>12,00,000</u>	----	<u>12,00,000</u>
		Cash at bank	

The purchase consideration was agreed upon at Rs. 14,00,000 to be paid in Rs. 12,00,000 fully paid equity shares at Rs.11 and the balance in cash. Prepare the Balance sheet.

16) Don Allot Ltd was formed to take over the assets and liabilities of Shi Laxman and to acquire the adjacent premises. The Balance sheet of Shri.Laxman on 31st December 1998 was as follows.

Liabilities	Rs.	Assets	Rs.
Trade creditors	8,000	Cash in hand	2,000
Capital	1,60,000	Cash at bank	12,000
		Book debts	18,000
		Stock	78,000
		Furniture	10,000
		Land & buildings	48,000
	<u>1,68,000</u>		<u>1,68,000</u>

The purchase consideration was agreed at Rs. 2,00,000 and was to be paid as under:

- 5,600 equity shares of Rs. 20 each, fully paid
- Rs. 68,000 in 6% preference shares of Rs. 100 each issued at par.
- Rs. 20,000 in cash

All the assets and liabilities were valued as per above balance sheet except the book debts which were subject to a bad debts provision of 5%

The company raised further capital by issue of 15,000 equity shares of Rs. 20 each

The adjoining premises were purchased for Rs. 1,00,000 and additional stock of Rs. Rs. 1,40,000 was obtained from open market

Record the above transactions in the books of Don Allot Ltd through journal entries .

17) Explain the following terms:

- Amalgamation,
- Absorption,
- External Reconstruction.
- Intrinsic Value of shares.

SECTION C

Answer any TWO questions in this section:

(2x20=40 marks)

18) The following Trial Balance was extracted from the books of the New Bharat Life Assurance Co Ltd. As on 31st March 1989

	Dr. [Rs.]	Cr. [Rs.]
Paid up share capital --- 10000 shares of Rs. 10 each	--	1,00,000
Life Assurance fund as on 1-4-1988	--	29,72,300
Dividends paid	15,000	--
Bonus to policy holders	31,500	--
Premium received	--	1,61,500
Claims paid	1,97,000	--
Commission paid	9,300	--
Management expenses	32,300	--
Mortgages in India	4,92,200	--
Interest and dividend received	---	1,12,700
Agents' balances	9,300	--
Freehold premises	40,000	--
Investments	23,05,000	--
Loan on company's policies	1,73,600	--
Cash on deposit	27,000	--
Cash in hand and on current account	7,300	--
surrenders	7,000	--
	<u>33,46,500</u>	<u>33,46,500</u>

You are required to prepare the company's Revenue account for the year ended 31st March 1989 and its balance sheet as on that date after taking the following matters into consideration

	Rs.
Claims admitted but not paid	9,300
Management expenses due	200
Interest accrued	19,300
Premium outstanding	12,000

19) On 31st December 1986, the following balances stood in the books of Asian Bank Ltd., after preparation of its profit and loss account

	Rs. ('000)
Share capital:	
Issued and subscribed	4,000
Reserve fund (under section 17)	6,200
Fixed deposits	42,600
Savings bank deposits	19,000
Current accounts	23,200
Money at call and short notice	1,800
Investments	25,000
Profit and loss account[cr] 1-1-1986	1,350
Dividend for 1985	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
Loans, cash credits and over drafts	51,000
Bills payable	70
Unclaimed dividend	60
Rebate on bills discounted	50
Furniture	4,750
Other assets	1,164
Net profit for 1986	336
	1,550

Prepare balance sheet of the bank as on 31st December 1986.

20) The following are the Balance sheet of H ltd and its subsidiary S ltd as on 31.3.1995

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

H ltd acquired the shares of S ltd on 30th June 1994. On 1st April 94, S ltd's 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.

21) The following is the balance sheet of S Ltd which is absorbed by K Ltd.

Liabilities	Rs.	Assets	Rs.
Share capital : Rs. 10 each fully paid	6,00,000	Fixed Assets:	
Preference Share capital (100 each)	2,00,000	Machinery	3,40,000
Current Liabilities	1,00,000	Buildings	1,60,000
10% Debentures	3,00,000	Current Assets:	
		Stock	4,00,000
		Debtors	2,00,000
		Profit & Loss A/C	1,00,000
	<u>12,00,000</u>		<u>12,00,000</u>

K Ltd takes over S Ltd on the following terms:

- 1) Take the fixed assets at 10% depreciation, Stock at Rs.3,00,000 and debtors after a provision of 25%.
 - 2) Debentures are to be settled by issuing them 9% debentures in K Ltd. Current liabilities will be taken over at book values.
 - 3) The consideration will be discharged by issue of 10,000 equity shares of Ts.10 each in K Ltd at an agreed value of Rs.15 per share and the balance in cash.
 - 4) Expenses of liquidation of Rs.20,000 will be reimbursed by K Ltd.
- You are required to give journal entries in both books assuming that it is in the nature of purchase.
