



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.com. DEGREE EXAMINATION – COMMERCE

SIXTH SEMESTER – NOVEMBER 2013

CO 6606 – ADVANCED CORPORATE ACCOUNTING

Date : 12/11/2013
Time : 1:00 - 4:00

Dept. No.

Max. : 100 Marks

PART – A

Answer **ALL** questions:

(10x2=20 marks)

1. Explain the meaning of 'surrender value'
2. Write a note on 'Non-Banking Assets'.
3. What do you understand by 'capital profits'?
4. Mention any two limitations of double account system.
5. What is purchase consideration?
6. Describe the advances usually made by banks and shown under schedule 9.
7. PRB bank Ltd. discounted a bill of the face value of ` 4,00,000 for ` 3,90,000 on January 23, 2011. Of the discount, ` 1600 was for the year 2011-12. Pass journal entries at the time of discounting the bill. Closing of accounts on 31.03.2011 and opening entry for the next year 2011-12.
8. Calculate the net claim to be debited to Revenue account of an Insurance company:-

Claim paid for the year ended 31.03.2006	5,75,000
Claim outstanding on 01.04.2005	55,000
Claim outstanding on 31.03.2006	98,000
Claim covered under reinsurance	28,000

9. H Ltd. Purchased 75% shares of S Ltd on 01.07.2011. On 31.12.2011 the balance sheet of S Ltd showed Reserve fund balance 01.01.2011 ` 40,000. Profit earned during 2011 Rs. 60,000 and preliminary expenses unwritten of ` 20,000. Calculate capital profits and Revenue profits.
10. B Ltd agreed to absorb A Ltd upon the following terms:- shares of A Ltd are to be considered as worth ` 12 each (of which shareholders are to be paid one quarter in cash and balance in ` 100 shares of B Ltd, which are to be issued at 25% premium. Total shares were: 10,000 in B Ltd. and 20,000 in A Ltd. Ascertain the number of shares to be issued by B Ltd.

PART – B

Answer any **FIVE** questions:

(5 x 8 = 40 marks)

11. Explain briefly various provisions of accounting standard for amalgamation (As 14).
12. What is 'Reserve for unexpired risk'? why is it created? Describe its treatment in the final accounts of a General Insurance company.

13. Explain the salient features of double account system.

14. On 31st December 2008 Pandiyan Bank Ltd had the following balances. Find out the amount of provision to be made in the profit & loss a/c

Assets:-	` . in lakhs.
Standard	8,000
Substandard	6,000
Doubtful:-	
For one year	1,000
For Three years	1,600
For more than Three years	400
Loss assets	1,200

15. A life Assurance fund has been ascertained without adjusting the following. You are required to calculate the correct Life Assurance fund.

Life Assurance fund, as ascertained	56,70,000
Premium outstanding	2,30,000
Claim outstanding	1,80,000
Claims covered under reinsurance	20,000
Claims of last year paid during this year	5,000
Bonus paid in cash	14,000
Bonus utilised in reduction of premium	16,000
Interest and dividend accrued	7,500
Income tax thereon	800

16. On 1st April 2008 S Ltd had a subscribed share capital of ` .5,00,000 divided into 50,000 fully paid equity shares of ` .10 each. It had accumulated capital and revenue profits to the tune of ` .3,90,000 by that date when H Ltd acquired 80% of the shares for ` .9,00,000. The profit earned by S Ltd amounted to ` .2,60,000 for the year ended 31st March 2009 on which date S Ltd issued by way of bonus, one fully paid equity share of ` .10 for every 5 equity shares held out of its pre-acquisition profits.

Calculate as on 31.03.2009 cost of control and minority interest just before the issue of bonus shares.

17. The following are the summarised balance sheet of Amar Ltd and Samar Ltd as on 31st March 2004.

Liabilities	Amar Ltd	Samar Ltd	Assets	Amar Ltd	Samar Ltd
Issued share capital	8,00,000	6,00,000	Good will	-	1,20,000
Profit & loss A/c	1,40,000	-	Fixed assets	6,00,000	2,40,000
Creditors	80,000	2,40,000	Current assets	4,20,000	2,80,000
			Profit & loss A/c	-	2,00,000
	10,20,000	8,40,000		10,20,000	8,40,000

Amar Ltd agreed to take over the business of Samar Ltd as on the date of balance sheet. After due negotiations it was determined that the shares of Amar Ltd are worth ₹ 5 each.

You are required to make necessary journal entries in the books of Amar Ltd and draw up its balance sheet immediately after the take over.

18. The Chennai corporation replaces part of its existing water mains with larger mains at the cost of ₹ 75,00,000. The original cost of laying the old mains was ₹ 15,00,000 and the present cost of laying those mains would be three times the original cost.

₹ 1,25,000 was realized by the sale of old materials and old materials of ₹ 3,75,000 were used in the replacement and included in the cost given above.

Give journal entries to record the above and show the allocation of expenses between revenue and capital along with Replacement account.

PART - C

Answer any TWO questions:

(2x20=40 marks)

19. The following are the balance sheets of Ping Ltd., and its subsidiary Pong Ltd as on 31.03.2010.

Liabilities	Ping Ltd	Pong Ltd	Assets	Ping Ltd	Pong Ltd
	₹	₹		₹	₹
			Goodwill	60,000	20,000
Share capital (shares of ₹ 10 each)	10,00,000	4,00,000	Machinery	7,00,000	2,70,000
General reserve	1,50,000	-	Stock	1,80,000	90,000
Profit & loss a/c	1,42,000	60,000	Debtors	2,60,000	1,20,000
Creditors	1,20,000	80,000	Cash at bank	40,000	25,000
Bills payable	20,000	-	Bills receivable	-	15,000
			Investment (2400 shares of Pong Ltd at cost)	1,92,000	-
	14,32,000	5,40,000		14,32,000	5,40,000

Prepare consolidated Balance sheet as on 31.03.2010 after taking the following information into consideration.

- (a) Ping Ltd acquired the shares in Pong Ltd on 01.10.2009. Profit & Loss A/c in the books of Pong Ltd showed a debit balance of ₹ 20,000 on 1st April 2009.
- (b) The bills payable in Ping Ltd. represented bills issued in favour of Pong Ltd. Which company got bills of ₹ 5000 discounted.
- (c) Included in the stock of Pong Ltd are goods of the value of ₹ 20,000 which were supplied at cost plus 25% by Ping Ltd.

20. The following is the trial balance of Shri Nidhi Bank Ltd., as on 31.12.2006.

Particulars	Debit	Credit
	₹	₹
Authorized share capital	-	5,00,000
Unissued share capital	2,00,000	-
Un called capital	1,50,000	-
Reserve fund	-	3,00,000
Investment fluctuation fund	-	20,000

Bank overdraft, loans and cash credit	4,00,000	–
Bank premises	60,000	–
Government Bonds	3,00,000	–
Other Government securities	2,00,000	–
Current accounts	–	6,00,000
Profit & loss A/c on 01.01.2006	–	25,000
Money at call and short notice	70,000	–
Bills discounted	73,000	–
Shares	17,000	–
Cash in hand	1,10,000	–
Cash at bank	3,00,000	–
Income tax paid	9,000	–
Salaries other expenses	73,500	–
Interest, discounts etc	–	1,70,000
Interim dividend paid	7,500	–
Deposits and savings bank accounts	–	3,55,000
	19,70,000	19,70,000

Additional Information:-

- (i) The bills discounted mature at an average date of February 19,2007 (including days of grace). All bills discounted at 10% p.a.
 - (ii) The market value of Investments in government securities was ₹. 4,75,000 increase investment fluctuation fund with necessary amount.
 - (iii) Bank added premises during the year for ₹. 10,000 provide 10% depreciation on the opening balance
 - (iv) Interest accrued on investment was ₹. 750
 - (v) Provision for taxation 01.01.2006 was ₹. 10,000 It is to be increased to ₹. 30,000.
- Prepare final accounts in the statutory form

21. ABC co. Ltd., is absorbed by XYZ co. Ltd the consideration being the assumption of liabilities, the discharge of debentures at a premium of 5% by issue of 7% debentures in XYZ co. Ltd. A payment of cash of ₹. 40 per share and the exchange of 8 shares of ₹. 10 each in XYZ co. Ltd. At an agreed value of ₹. 11 per share for every share in ABC co. Ltd. and the reimbursement of liquidation expenses of ₹. 5000. Balance sheet of ABC. Co. Ltd on the date of absorption was as follows.

Liabilities	₹.	Assets	₹.
Authorized and subscribed		Goodwill	1,00,000
Capital 10,000 shares of		Land & Buildings	2,50,000
₹. 100 each fully paid	10,00,000	Plant & machinery	3,40,000
5% debentures	5,00,000	Patents	75,000

Sundry creditors	35,000	Stock	3,45,000
Staff pension fund	1,00,000	Debtors	1,80,000
Accident compensation fund (Expected liability ` . 10,000)	50,000	Accident compensation Fund investment	30,000
General Reserve	1,50,000	Cash and bank	5,60,000
Profit & loss a/c	45,000		
	<u>18,80,000</u>		<u>18,80,000</u>

Show the journal entries to close the books of ABC co. Ltd., and to record the transactions in the books of XYZ co. Ltd., assuming that amalgamation in the nature of merger.

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