



**M.Com.DEGREE EXAMINATION – COMMERCE**

**FIRST SEMESTER – NOVEMBER 2018**

**CO 1803– ADVANCED CORPORATE ACCOUNTING**

Date: 25-10-2018  
Time: 01:00-04:00

Dept. No.

Max. : 100 Marks

**Part-A**

**Answer ALL questions**

**(10x2=20)**

1. What is Amalgamation?
2. What is Human Resource Accounting?
3. What is Responsibility Accounting?
4. What is Internal Reconstruction?
5. What is Disposal of Surplus?
6. Write note on Double Insurance.
7. What is Inflation Accounting?
8. What is Double Accounting System?
9. What is Clear Profit?
10. Define Liquidation.

**Part-B**

**Answer any FIVE questions**

**(5x8=40)**

11. Who are Preferential Creditors?
12. What is Pooling of Interest Method? Explain its features and significance.
13. Explain the merits and demerits of Inflation Accounting?
14. Kaveri Ltd., was incorporated on 1.5.96 to take over the running business of M/s.Saveri Bros. with effect from 1.1.96. From the following details for the year ended 31.12.96, prepare a statement showing profit and loss made during pre and post incorporations periods:

Particulars	Rs.	Particulars	Rs.
Gross profit	3,00,000	Underwriting commission	20,000
Salaries	48,000	Insurance premium paid for the year ending 31.3.97	12,000
Advertising	6,000	Interest on loan s taken (including Rs.2000 on loan taken after incorporation)	14,000
Carriage outwards	16,000		
Depreciation	18,000		
Provision for doubtful debts	6,000		

The following data is also available:

1. Average monthly sales during the first four months of the year was twice the average monthly sales during each of the remaining months.
2. 20% of the underwriting commission is to be written off.
3. Commission to partners was paid for their work before incorporation.
4. Salaries includes salary paid to a director of the company Rs.6,000.

15. The following particulars relate to a limited company which went into involuntary liquidation:

Particulars	Rs.
Preferential creditors	25,000
Unsecured creditors	58,000
6% debentures	30,000

The assets realised Rs.80,000. The expenses of liquidation amounted to Rs.1,500 and the liquidators remuneration was agreed at 2 ½ % on the amount realised and 2% on the amount paid to unsecured creditors including preferential creditors.

Show the liquidator's final statement of accounts.

16. From the following information relating to Lakshmi Bank Ltd., prepare the Profit & Loss A/c for the year ended 31<sup>st</sup> December 1987.

Particulars	Rs.	Particulars	Rs.
Rent received	72,000	Salaries and allowances	2,18,800
Exchange and commission	32,800	Postage	5,600
Interest on fixed deposit	11,00,000	Sundry charges	4,600
Interest on Savings Bank	2,72,000	Director's & Auditor's fees	16,800
Interest on overdrafts	2,16,000	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

17. The following balances are abstracted from the books of New Bharath Life Insurance Co. Ltd., as on 31.03.2006

Particulars	Rs.	Particulars	Rs.
Life Assurance Fund (1.4.2005)	15,00,000	Claims paid during the year	64,900
Premiums	4,96,000	Annuities	2,050
Consideration for annuities granted	15,000	Bonus in reduction of premium	1,600
Interest & Dividends	1,00,000	Medical fees	2,400
Fines for revival of policies	750	Surrenders	4,000
Reinsurance premium	20,750	Commission	18,650
Claims Outstanding (1.4.2005)	4,500	Management expenses	22,000
		Income tax on dividends	8,500

Prepare revenue a/c after making the following adjustments:

Particulars	Rs.
1. Outstanding balances:	
Claims	14,000
Premiums	4,600
2. Further bonus for premium	2,400
3. Claim under reinsurance	8,000

18. An electricity company laid down a main at cost of Rs.24,00,000. Some years later, the company laid down an auxiliary main for one-fourth of the length of the old main at the cost of Rs.9,00,000. It also replaced the rest of the length of the old main at the cost of Rs.27,00,000. The cost of labour and materials has gone up by 15%. Sale of old material realised Rs.60,000. Old materials valued at Rs.60,000 were used in the renewal and old materials valued at Rs.90,000 were used in the auxiliary main.

Give the journal entries for recording the above transactions. Show the Capital Expenditure and Revenue expenditure.

### Part-C

Answer any TWO questions

(2x20=40)

19. Explain the merits and demerits of Human Resources Accounting & Social Responsibility Accounting.

20. The following is the Trail balance of Big Bank Ltd., as on 31.12.1987

Particulars	Debit Rs.	Credit Rs.
Share capital : 7,500 shares of Rs.100 each	-	7,50,000
Loans and advances	80,20,000	-
Bank premises	5,32,500	-
Government securities	15,30,000	-
General reserves	-	4,50,000
Deposits	-	96,46,000
Interest and discounts	-	8,00,000
Interest on deposits and borrowings	2,00,000	-
Balance with other banks	1,00,500	-
Money at call and short notice	85,500	-
General expenses	82,500	-
Rents, rates and taxes	6,900	-
Director's fees	4,200	-
Auditors, fees	1,200	-
Bills discounted	90,000	-
Furniture ( Depn. Upto 1.1.87 Rs.20,000 )	80,000	-
Borrowings from other banks	-	1,05,000
Salaries and allowances	85,500	-
Computer	35,000	-
Profit & Loss A/c 1.1.87	-	37,500
Miscellaneous income	-	300
Commission	-	10,000
Interim dividend	30,000	-
Cash in hand and with RBI	9,15,000	-
	1,17,98,800	1,17,98,800

Considering the following information furnished, prepare Profit and Loss Account for the year ending 3.12.87 and balance sheet as on that date in the proper form.

- Bills worth Rs.50,000 were received for collection.
- Interest accrued on investment Rs.12,000.
- Rebate on bills discounted Rs.15,000.
- Debts amounting to Rs.65,000 were doubtful provisions is to be made for the same.
- Depreciation to be charged at 10% on the original cost of the furniture.

21. Moon and Star Co. Ltd., is a company with an authorised capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.2003 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2003.

Trial balance for Moon and Star Co. Ltd.,			
Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit and Loss A/c	6,220
Discount Allowed	4,200	Creditors	35,200
Insurance (upto 31.3.04)	6,720	Reserves	25,000
Salaries	18,500	Loans from managing director	15,700
Rent	6,000	Share capital	2,50,000

General expense	8,950		
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Profit and Loss account for the year ended 31.12.2003 and a balance sheet as on that date. The following further information is given:

1. Closing stock was valued at Rs.1,91,500
2. Depreciation on plant at 15% and on furniture at 10% should be provided.
3. A tax provision of Rs.8,000 is considered necessary.
4. The directors declared an interim dividend on 15.08.03 for 6 months ending June 30, 2003 @ 6%.

22. The balance sheets of J Co. Ltd., and H Co, Ltd., as on 31.3.2004 were as follows:

Liabilities	J Ltd Rs.	H Ltd Rs.	Assets	J Ltd. Rs	H Ltd. Rs.
Share Capital : Rs. 100 each Rs. 10 each	5,00,000 -	- 4,00,000	Goodwill	40,000	-
Capital reserve	1,00,000	-	Fixed Assets	4,00,000	8,00,000
General reserve	35,000	4,00,000	Cash at bank	-	1,00,000
Secured loan	-	2,50,000	Other current assets	4,50,000	3,30,000
Unsecured loan	1,00,000	-			
Sundry creditors	1,55,000	1,80,000			
	8,90,000	12,30,000		8,90,000	12,30,000

It was proposed that J Co. Ltd., should be taken over by H Ltd., the following arrangements were accepted by both the companies.

- a. Goodwill of J Ltd., is considered worthless.
- b. Arrears of depreciation in J Co. Ltd., amounted to Rs.20,000.
- c. The holder of every 2 shares of J Ltd., was to receive:
  1. As fully paid, at par, 10 shares in H Ltd.,
  2. So much cash is necessary to adjust the rights of the shareholders of both the companies in accordance with the intrinsic values of the shares as per their balance sheets after the adjustments mentioned above.

You are required to :

1. Determine the purchase consideration.
2. Show the balance sheet of H Co. Ltd., after the absorption, if the amalgamation is in the nature of purchase.

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