

**K20P 1139**

Reg. No. :

Name :

III Semester M.Com. Degree (CBSS – Reg./Suppl./Imp.)**Examination, October 2020****(2014 Admission Onwards)****COM3C12 – CORPORATE ACCOUNTING**

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part **a)**, **3** marks for Part **b)** and **5** marks for Part **c)** :

1. a) What is Purchase Consideration ?
- b) Explain the conditions for “Pooling of interest” method of Amalgamation.
- c) Given below are the balance sheets of Major Ltd. and Minor Ltd. as on 31-3-2018. Minor Ltd. was merged with Major Ltd. as on 1-4-2018 :

	Major Ltd.	Minor Ltd.		Major Ltd.	Minor Ltd.
	Rs.	Rs.		Rs.	Rs.
Share capital :			Sundry fixed		
Equity shares of Rs. 10	5,00,000	3,00,000	assets	6,00,000	4,00,000
Reserves and surplus	3,00,000	1,75,000	Non trade		
Export profit reserve	80,000	40,000	investments	1,50,000	1,00,000
12% debentures	1,20,000	1,25,000	Current assets :		
Trade creditors	1,00,000	60,000	Stock	2,00,000	1,50,000
Provision for taxation	1,00,000	50,000	Debtors	2,00,000	1,00,000
Proposed dividend	1,20,000	60,000	Bank balance	1,50,000	60,000
			Preliminary		
			expenses	20,000	—
	13,20,000	8,10,000		13,20,000	8,10,000

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Other information : (i) Major Ltd., would issue sufficient number of debentures at par to the debenture holders of Minor Ltd. (ii) For every share of Minor Ltd., Major Ltd. would issue one share at a premium of Rs. 2 per share. Prepare the revised balance sheet of Major Ltd. after merger assuming it to be in the nature of purchase.

2. a) Who is a contributory ?
- b) Explain the different methods of liquidation.
- c) AB Ltd. went into liquidation with the following liabilities :

Secured creditors Rs. 40,000 (securities realised Rs. 50,000)

Preferential creditors Rs. 1,200

Unsecured creditors Rs. 61,000

Liquidation expenses Rs. 500

The liquidator is entitled to a remuneration of 3% on the amounts realised (including securities in the hands of secured creditors) and 1.5% on the amount distributed to the unsecured creditors. The various assets (excluding the securities in the hands of the secured creditors) realised Rs. 52,000. Prepare the liquidator's statement of account showing the payment made to unsecured creditors.

3. a) What is Double Account System ?
- b) Distinguish between Double Account System and Single Account System.
- c) From the following details relating to an electricity undertaking you are required to prepare Capital Account and General Balance Sheet as at 31st March 2018 under the Double Account System :

Authorised Capital : 8,000 shares of Rs. 100 each. Issued capital : 4,000 shares of Rs. 100 each fully paid (out of which 500 shares were issued during the year). 13% Debentures Rs. 2,00,000; Trade Creditors Rs. 50,000, Reserve Fund Rs. 1,00,000, Trade debtors Rs. 90,000 and Cash at Bank Rs. 50,000. Reserve Fund Investments (Cost) Rs. 1,00,000; Market value Rs. 1,10,000, Stock Rs. 60,000.

Fixed assets – spent up to 31-3-2017; Machinery Rs. 3,00,000; Buildings Rs. 2,00,000;

Additions during the year Machinery Rs. 60,000, Buildings Rs. 10,000.

Depreciation Fund : Machinery Rs. 70,000; Buildings Rs. 10,000.

Profit and Loss Account Rs. 40,000.



4. a) What is consolidated balance sheet ?
- b) What is Minority Interest and how it is calculated ?
- c) From the following prepare a consolidated balance sheet of X Ltd . and its subsidiary Y Ltd. :

Balance Sheet of X Co. Ltd. and Y Co. Ltd. as on 31-3-2018

	X Ltd.	Y Ltd.		X Ltd.	Y Ltd.
	Rs.	Rs.		Rs.	Rs.
Issued capital :			Land and buildings	15,20,000	—
Shares of			Plant and machinery	2,24,000	32,000
Rs. 80 each	16,00,000	1,60,000	Shares in Y Ltd.		
Reserves	8,00,000	—	(1,800 shares of		
P and L A/c	1,60,000	2,40,000	Rs. 80 each)	2,88,000	—
Sundry creditors	4,80,000	32,000	Current assets	10,08,000	4,00,000
	30,40,000	4,32,000		30,40,000	4,32,000

5. a) What is the treatment of Bonus in reduction of premium in Life Insurance Business ?
- b) Explain Reserve for unexpired risks in the context of General Insurance Business.
- c) A life insurance company disclosed a fund of Rs. 40,00,000 and the balance sheet total of Rs. 90,00,000 on 31-3-2019 before taking the following into consideration :
 - i) A claim of Rs. 20,000 was intimated and admitted but not paid during the year.
 - ii) A claim of Rs.12,000 outstanding in the books for 8 years is written back.
 - iii) Interest on securities accrued Rs. 1,600 but not received during the year.
 - iv) Rent of own buildings occupied Rs. 4,000.
 - v) Premium of Rs. 1,200 is payable under re-insurance.
 - vi) Re-insurance recoveries Rs. 52,000.
 - vii) Bonus utilised in reduction of premium Rs. 20,000.
 - viii) Agents commission to be paid Rs. 16,000. Calculate revised value of the Life Insurance Fund after adjusting the above omissions.



6. a) What is Capital Reduction ?
- b) Distinguish between Internal Reconstruction and External Reconstruction.
- c) Following are the liabilities and assets of A Ltd. as on 31-3-2019 :

Liabilities	Rs.	Assets	Rs.
Share capital : 3,000 5% Preference		Goodwill	22,500
shares of Rs. 100 each	3,00,000	Land and Buildings	3,00,000
6,000 Equity shares of Rs. 100 each	6,00,000	Machinery	4,50,000
6% Debentures	1,50,000	Stock	65,000
Bank overdraft	1,50,000	Debtors	70,000
Creditors	75,000	Cash	7,500
		Surplus A/c	3,60,000
	12,75,000		12,75,000

On the above date, the company adopted the following :

- The Preference shares are to be reduced to fully paid shares of Rs. 75 each and Equity shares are to be reduced to shares of Rs. 40 each fully paid.
- The debenture holders took over stock and debtors in full satisfaction of their claims.
- The fictitious and intangible assets are to be eliminated.
- The land and buildings to be appreciated by 30% and Machinery to be depreciated by 33%.
- The expenses of reconstruction amounted to Rs. 4,500.

Pass Journal Entries.

(4×9=36)



SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks :

7. a) The Green Ltd. is absorbed by the Yellow Ltd. Given below are the Balance Sheets of the companies taken after revaluation of their assets on a uniform basis :

	Green Ltd. Rs.	Yellow Ltd. Rs.		Green Ltd. Rs.	Yellow Ltd. Rs.
Authorised capital :			Sundry assets	17,83,500	44,00,000
Shares of Rs. 10 each	<u>10,00,000</u>	<u>60,00,000</u>	Cash at bank	20,000	1,30,000
Paid up capital :			Preliminary expenses		
9,000 shares of Rs. 100 each, Rs. 80 paid up	7,20,000	—	(not written off)	15,000	—
40,000 shares of Rs. 100 each, Rs. 60 paid up	—	24,00,000	Discount on issue of shares (not written off)	—	20,000
Reserve fund	6,50,000	13,00,000			
Profit and Loss A/c	2,78,500	6,40,000			
Creditors	1,40,000	2,10,000			
Bills payable	30,000	—			
	18,18,500	45,50,000		18,18,500	45,50,000

The holder of every three shares in the Green Ltd. was to receive five shares in the Yellow Ltd. plus as much cash as is necessary to adjust the rights of share holders of both the companies in accordance with the intrinsic values of the shares as per respective Balance Sheets. Journalise the above transactions in the books of Yellow Ltd. and prepare the balance sheet of Yellow Ltd. giving effect to the above scheme of absorption.

OR



- b) From the balance sheets and information given below prepare consolidated balance sheet :

Balance Sheet as at 31-3-2018

	H Ltd.	S Ltd.		H Ltd.	S Ltd.
	Rs.	Rs.		Rs.	Rs.
Share capital :			Fixed assets	4,00,000	60,000
Shares of Rs. 10			Stock	3,00,000	1,20,000
each fully paid	5,00,000	1,00,000	Debtors	75,000	85,000
Profit and loss	2,00,000	60,000	Bills receivable	20,000	—
Reserves	60,000	40,000	Shares in S Ltd.		
Bills payable	—	15,000	7,500 at cost	75,000	—
Creditors	1,10,000	60,000	Preliminary expenses	—	10,000
	8,70,000	2,75,000		8,70,000	2,75,000

Additional Information :

- The Bills accepted by S Ltd. are all in favour of H Ltd.
- The Stock of H Ltd. includes Rs. 25,000 bought from S Ltd. at a profit to the latter of 20% on sales.
- All the profit of S Ltd. has been earned since the shares were acquired by H Ltd. But there was already a reserve of Rs. 40,000 at that date.

8. a) On January 31st 2018 a compulsory order for winding up was made against X Co. Ltd., the following particulars being disclosed.

Book Value Estimated to Produce

	Rs.	Rs.
Cash in hand	100	100
Debtors	4,000	3,600
Land and Buildings	60,000	48,000
Furniture and fixtures	20,000	20,000
Unsecured creditors	20,000	
Debentures :		
Secured on land and buildings	42,000	
Secured on floating charge	10,000	
Preferential creditors	6,000	
Share capital (3,200 shares of Rs. 100 each)	3,20,000	

Estimated liability for bills discounted was Rs. 6,000 estimated to rank at Rs. 6,000. Other contingent liabilities were Rs. 12,000 estimated to rank at Rs. 12,000. The company was formed on the first day of January 2013 and has made losses of Rs. 3,13,900. Prepare statement of affairs and Deficiency Account.

OR



- b) Prepare a Revenue Account in respect of Fire Business from the following details for the year 2019-20 :

	Rs.
Reserve for unexpired risks on 1-4-2019 @ 50%	1,80,000
Additional reserve	36,000
Estimated liability for claims intimated on 1-4-2019	31,000
Estimated liability for claims intimated on 31-3-2020	42,000
Claims paid	3,65,000
Legal expenses	6,000
Re-insurance Recoveries	32,000
Medical expenses	4,000
Bad debts	800
Premium recovered	4,86,000
Premiums on re-insurance accepted	32,000
Premiums on re-insurance ceded	43,000
Commission on direct business	48,600
Commission on re-insurance accepted	1,600
Commission on re-insurance ceded	2,150
Expenses of management	90,000
Interest, dividends and rent	24,000
Profit on sale of investment	3,000
Create Reserve on 31-3-2020 to the same extent as on 1-4-2019.	

(2×12=24)