

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom(CS) DEGREE EXAMINATION DECEMBER 2018
(Fifth Semester)

Branch - CORPORATE SECRETARYSHIP

CORPORATE ACCOUNTING - II

Time : Three Hours

Maximum : 75 Marks

SECTION-A (20 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (10x2 = 20)

- 1 What is rebate on bills discounted?
- 2 What is cash reserve?
- 3 What is reinsurance?
- 4 What do you understand by reserve for unexpired risks?
- 5 Write short notes on contingency reserve.
- 6 What are the special features of double accounting system?
- 7 What is invoice price method?
- 8 What are the types of branches?
- 9 What is average clause?
- 10 Give the meaning of loss of net profit.

SECTION - B (25 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 5 = 25)

- 11 a From the following particulars, prepare profit and loss account of Safety Bank for the year ended 31st March 2015.

| | Rs.('000) | | ! Rs.CO00) |
|----------------------|-----------|------------------------------|------------|
| Interest on deposits | 3200 | Discount on bills discounted | 1490 |
| Commission (Cr.) | 100 | Interest on overdrafts | 1600 |
| Interest on Loans | 2490 | Interest on cash credits | 2320 |
| Sundry Charges (Dr.) | 100 | Auditor's fees | 35 |
| Rent and Taxes | 200 | Directors Fees | 16 |
| Payment to Employees | 500 | Bad Debts to be written off | 300 |
| | | qamounted to | |

OR

- b Given below is an extract from the Trial Balance of a Bank as on March 31,2014.

| | Dr.Rs.(000) | Cr.Rs.(000) |
|---|-------------|-------------|
| Bills discounted | 1264 | |
| Rebate on bills discounted 1 April 2013 | | 8 |
| Discount received | | 85 |

An analysis of the bills as shown above show the following

| Amount Rs. | Due date 2014 | Rate of discount % p.a. |
|------------|---------------|-------------------------|
| 1,40,000 | June 4 | 5 |
| 4,36,000 | June 10 | 4.5 |
| 2,82,000 | June 24 | 6 |
| 3,80,000 | July 5 | 4 |

Show with the aid o working, how the relevant items will appear in the Bank's Balance sheet as at 31st March 2014 and in the Bank's P&L A/c for the period to 31st March 2014.

- 12 a Mr.Mistaken, Chief Accountant of Life Insurance Corporation of India, , after hard work shows the fund as on 31st March 2016 at Rs.59,00,000. Auditors while auditing, observe that the following have not been taken

12 a Cont...

- a. Interest on securities Rs. 1,16,000; Income tax deducted Rs.22,000.
- b. Bonus utilized in reduction of premium Rs.20,000.
- c. Claims covered under reinsurance Rs.60,000.
- d. Claims intimated but not admitted by a party amounting to Rs.2,50,000.
- e. In the figure of Mr.Mistaken correct? Recompute the fund as on 31st March 2015

OR

- b A Life insurance company disclosed a fund of Rs.20,00,000 on 31st March 2013 before taking the following into consideration:
- a. A claim of Rs. 10,000 was intimated and admitted but not paid during the year.
 - b. A claim of Rs.6,000 outstanding in the books for 8 years is written back.
 - c. Interest on securities accrued Rs.800 but not received during the year.
 - d. Rent of the own building occupied Rs.2,000.
 - e. Premium of Rs.600 is payable under reinsurance.
 - f. Reinsurance recoveries Rs.26,000.
 - g. Bonus utilized in reduction of premium Rs. 10,000.
 - h. Agents commission to paid Rs.8,000.
- Recompute the fund after making the adjustments.

- 13 a Delhi branch, whose had Office is in Bombay, has sent the following Trial Balance as on 31 December 2015.

| | Rs. | | Rs. |
|--------------------------|-------|---------------------|-------|
| Stock (1-1-2015) | 240 | Head Office Account | 3,148 |
| Total Debtors | 1,280 | Sales | 3,500 |
| Houses and Cars | 560 | Creditors | 84 |
| Wages | 100 | | |
| Rent | 500 | | |
| Miscellaneous Expenses | 400 | | |
| Cash in hand | 156 | | |
| Goods received from H.O. | 3,496 | | |
| | 6,732 | | 6,732 |

Closing Stock Rs.1968. Incorporate the above trial balance in the Head Office book and prepare Branch Trading and Profit and Loss Account and Branch Account.

OR

- b The following trial balance was extracted from the books of Kanpur branch:

| | Rs. | | Rs. |
|------------------|----------|---------------------|----------|
| Opening Stock | 21,800 | Head Office Account | 21,000 |
| Purchase | 42,300 | Creditors | 5,600 |
| Wages | 10,200 | Discount | 300 |
| Salaries | 6,300 | Sales | 81,000 |
| General Expenses | 8,300 | | |
| Debtors | 18,200 | | |
| Cash at Bank | 800 | | |
| | 1,07,900 | | 1,07,900 |

The Closing Stock was Rs. 19,700 the branch account (In Head Office Books) stood at a debt of Rs.26,500. Goods sent by the head office, Rs. 1,000 has not yet reached the branch. The head office expenses chargeable to the branch were Rs.3,100. Depreciation of Branch Assets whose account are kept in Head Office Book was Rs.3,600. Prepare the Branch account.

- 14 a From the following particulars prepare a branch account showing the profit or loss at the branch.
- | | |
|-----------------------------|--------|
| | Rs. |
| Opening Stock at the branch | 15,000 |
| Goods sent to the branch | 45,000 |
| Sales | 60,000 |
| Salaries | 5,000 |
| Other expenses | 2,000 |

a Cont...

Closing Stock could not be ascertained but it is known that the branch usually sell at cost plus 20%. The branch manager is entitled to a commission of 5% on the profit of the branch before charging such commission.

OR

b The following purchases were made by a business house having three departments.

Rs. A - 1,000 units

Rs. B - 2,000 units

Rs. C - 2,400 units

At a total cost of Rs. 1,00,000

Stocks on 1st January were:

Rs. A - 120 units

Rs. B - 80 units

Rs. C - 152 units

Sales were:

Rs. A - 1020 units at Rs.20 each

Rs. B - 1920 units at Rs.22.50 each

Rs. C - 2496 units at Rs.25 each.

The rate of gross profit is same in each case. Prepare Department trading accounts.

15 a A fire occurred in the premises of Mr.Dheenadayalan on 15th August 2015. A large part of the stock was destroyed and Rs.7,500 was realized for the salvage. For the period from 1st January 2015 to 15th August 2015, the following information is available.

i) Purchase amounted to Rs.42,500.

ii) Sale amounted to Rs.45,000.

iii) Stock on hand on 1st January 2015 was Rs.20,000 at cost price.

iv) Goods costing Rs.2,500 were taken by Dheenadayalan for his personal use.

The previous accounts reveal that the rate of gross profit was 33 J^% on sale.

The insurance policy was for Rs.25,000 and included an average clause.

Prepare the statement of claim to be made on the insurance company.

OR

b A fire occurred in the business premises of Raghavan on 19.7.2016. From the following particulars ascertain the loss of stock and prepare a claim for insurance.

| | |
|-------------------------------------|----------|
| | Rs. |
| Stock on 1.1.2015 | 36,720 |
| Stock on 31.12.2015 | 32,400 |
| Sales for 2015 | 2,16,000 |
| Purchase for 2015 | 1,46,400 |
| Purchase from 1.1.2016 to 19.7.2016 | 1,76,400 |
| Sales from 1.1.2016 to 19.7.2016 | 1,80,000 |

The stocks were always valued at 90% of cost. The stock saved from fire was worth Rs.21,600. The amount of the policy was Rs.75,600. There was an average clause in the policy.

SECTION - C (30 Marks)

Answer any THREE Questions

ALL Questions Carry EQUAL Marks (3 x 10 = 30)

16 The following balances have been extracted from the books of Bharact Bank Ltd, as on 31st December 2015. Prepare the relevant Profit & Loss A/c.

| | | | |
|-------------------|-----------|--------------------------|----------|
| | Rs. | | Rs. |
| Paid up capital | 10,00,000 | Commission and Exchange | 1,02,225 |
| Profit & Loss A/c | 40,323 | Investment Reserves | 35,000 |
| Current Account | 34,12,604 | Branch Adjustments fflrl | ^ 804 |

16 Cont...

| | | | |
|---|-----------|-----------------------------|-----------|
| Fixed Deposits | 38,95,554 | Cost & Telegram | 1,153 |
| Savings bank deposits | 25,68,000 | Printing & Stationery | 3,390 |
| Director fees | 4,980 | Rent, Taxes and Premium | 8,500 |
| Auditors fees | 1,000 | | |
| Furniture (Cost Rs.50,000) | 37,280 | Provident Fund Contribution | 10,000 |
| Stamps in hand | 189 | Salaries | 42,150 |
| Land & Building (Cost of Rs.3,00,000) | 2,05,000 | Unexpired Insurance | 437 |
| Deposits with Reserve Bank of India | 4,00,000 | Statutory Reserve Fund | 65,000 |
| Book Debts: Cash Credits, Overdrafts, etc. | 70,00,000 | Legal Expenses | 1,650 |
| Bills discounted | 14,00,520 | Cash in Hand | 4,16,324 |
| Interest and discounts | 2,10,223 | Deposits with other banks | 12,05,125 |
| | | Investments | 8,78,125 |
| | | Reserve Fund | 2,00,000 |
| | | Contingency Reserve | 50,000 |

- i. The authorized capital of the bank is Rs.20,00,000 divided into 20,000 shares of Rs.100 each. All the shares have been subscribed but only half the face value has been called up.
- ii. The bank has accepted on behalf of customers, bills worth Rs.2,00,000 against securities of the value of Rs.3,00,000 lodged with the bank.
- iii. Description is to be written off Rs.8,000 from Land & Buildings and Rs.3,500 from furniture.
- iv. The market value of the investments on 31.12.2015 was Rs.8,40,000. The investments are written down to this figure.
- v. Create provision for taxation Rs. 1,10,000.

17 From the following information, prepare Revenue account of a Fire Insurance Company for the year ending December 31.2015.

| | Rs. | | Rs. |
|---|----------|---|--------|
| Reserved for unexpired risks on December 31,2014 | 6,00,000 | Claims outstanding on 31.12.2015 | 30,000 |
| Additional reserve for unexpired risks on December 31,2014 1,00,000 | | Claims recoverable under reinsurance | 10,000 |
| Premium received | 4,50,000 | Commission paid to agents | 50,000 |
| Interests, Dividends and Rent (Gross) | 80,000 | Commission to agents j (Outstanding on 31.12.2015) ! 6,000 | |
| Income Tax deducted there from | 10,000 | Expenses of Management (including Rs.5,000 legal expenses paid in connection with claims) | 80,000 |
| Sundry Income | 2,000 | Sundry Expenses | 5,000 |
| Claims paid during the year | 4,00,000 | Commission on reinsurance ceded ! 5,000 | |
| Claims outstanding 31.12.2014 | 25,000 | | |

Keep the reserve for unexpired risks equal to 50% of the premium and increase the additional reserve by Rs.20,000.

Cont...

18 From the following balances a on December 31,2013, appearing in the ledger of the Electric Light and Power Co.Ltd. You are required to prepare Revenue account and capital account.

| | Rs. | | Rs. |
|---|--------|---|--------|
| Equity Share | 54,900 | Stores on hand | 700 |
| Debenture | 20,000 | Cash | 300 |
| Land as on 31.12.2012 | 15,000 | Cost of generating electricity | 3,000 |
| Lands purchased during 2013 | 500 | Cost of distributing electricity | 600 |
| Machinery on 31.12.2012 | 60,000 | Rent, Rates and Taxes | 400 |
| Machinery purchased during 2013 | 500 | Management Expenses | 1,200 |
| Mains including cost of laying 31.12.2012 | 20,000 | Depreciation | 2,000 |
| Spent on Mans during 2013 | 5,100 | Sale of current | 13,200 |
| Sundry Creditors | 100 | Rent of meters | 300 |
| Depreciation Fund | 25,000 | Interest on debentures | 1,000 |
| Sundry Debtors from current supplied | 4,000 | Dividends | 2,000 |
| Other Debtors | 50 | Balance of Net Revenue Account 31.12.2012 | 2,850 |

19 A firm had two department, cloth and readymade garments. The garments were made by the firm itself out of cloth supplied by the cloth department at its usual selling price. From the following figures, prepare department trading and profit and loss account for the year ended 31-3-2015.

| | Cloth Dept. Rs. | Readymade Dept. Rs. |
|--------------------------------------|--------------------|------------------------|
| Opening Stock 1-4-2014 | 3,00,000 | 50,000 |
| Purchase | 20,00,000 | 15,000 |
| Sales | 22,00,000 | 4,50,000 |
| Transfer to readymade garments Dept. | 3,00,000 | - |
| Expenses - manufacturing | - | 60,000 |
| Expenses - Selling | 20,000 | 6,000 |
| Stock 31-3-2015 | 2,00,000 | 60,000 |

The stock in the readymade garments department may be considered as consisting of 75% cloth and 25% other expenses. The cloth department earned gross profit @ 15% in 2013-2014. General expenses of the business as a whole came to Rs. 1,10,000.

20 On 15.6.2017, the premises of a concern were destroyed by fire; but sufficient records were saved from which the following particulars were obtained:

| | Rs. |
|-------------------------------------|----------|
| Stock on 1.1.2016 | 36,750 |
| Stock on 31.12.2016 | 39,800 |
| Sales for 2016 | 1,99,000 |
| Purchase for 2016 | 2,43,500 |
| Purchase from 1.1.2017 to 19.7.2017 | 81,000 |
| Sales from 1.1.2017 to 19.7.2017 | 1,15,600 |

On valuing stock on 31.12.2016, Rs.1,150 had been written off against stock which was a poor selling line, having cost Rs.3,450. A portion of these goods was sold in March 1990 at a loss of Rs.100 on their original cost of Rs. 1,725. The remainder of this stock was now estimated to be worth 80% of the original cost. Subject to the above explanation, gross profit had remained at an uniform rate throughout. The stock salvaged