

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
MCom (CS) DEGREE EXAMINATION MAY 2023
(First Semester)
Branch – CORPORATE SECRETARYSHIP
ADVANCED CORPORATE ACCOUNTING - I

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(5 x 1 = 5)

1. Total capital of the company is divided into units of small denominations; each one is called _____.
(i) Stock (ii) Share
(iii) Index (iv) Dividend
2. _____ means issuing shares at price above its par value i.e face value.
(i) Issue of share at par (ii) Issue of share at discount
(iii) Issue of share at premium (iv) Issue of share at premium
3. ESOP stands for _____.
(i) Employees Share Option Plan (ii) Employees Stock Option Process
(iii) Employees Stock Option Plan (iv) Employees Share Owner Plan
4. _____ is the type of underwriting.
(i) Complete underwriting (ii) Partial underwriting
(iii) Joint Underwriting (iv) All of the above
5. _____ method is an easy approach to determine the cost by deducting profit from the sales price.
(i) Standard costing (ii) Absorption costing
(iii) Retail Costing (iv) All of the above

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

- 6 a. A Limited Company issued 25,000 Ordinary Shares of Rs. 25 each payable Rs. 5 on application, Rs. 10 on allotment and Rs. 5 each on subsequent calls, 20,000 shares were fully- subscribed and moneys duly received. You are required to give journal entries, Cash Book and Balance Sheet of the company.

OR

- b X Ltd. makes an issue of 20,000 Equity Shares of Rs.10 each at Rs. 11 on 1st March payable as follows: Rs. 2 on Application, Rs. 3 on allotment, Rs. 6 on First and Final Call (3 months after allotment) Applications were received for 26,000 shares. The Directors made the allotment in fill to the Application demanding 10 or more shares and returned money to the applicants for 6,000 shares. One shareholder who was allotted 40 shares paid the first and final call money along-with allotment money and an another shareholder who was allotted 60 shares did not pay allotment interest money but paid along-with first and final call money. The Directors decided to change and allow interest, as the case may be, on calls-n-advance and calls-in-arrears.

- 7 a. The following are the liabilities and assets of Jay Ram Ltd as on 31st March 2015

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
10000 Equity shares of Rs.10 each fully paid	100000	Goodwill	25000
1000 7% Preference shares of Rs.100 each fully paid	100000	Other Fixed assets	104000
Sundry creditors	50000	Current assets	95000
	250000	Profit and loss A/c	26000
			250000

It was decided that equity shares of Rs.10 each be reduced to shares of Rs.7 each and 7% preference shares of Rs.100 each be reduced to 8% preference shares of Rs.75 each. The number of shares in each case is to remain the same. It was decided that the amount so available be used for writing of the debit balance in P&L A/c, goodwill A/c and with the balance for writing down the fixed assts. Journalise the transactions and prepare the balance sheet after reconstruction.

OR

Cont...

b. A company has equity share capital of Rs.1000000 consisting 10000 shares of RS.100 each. It is resolved

- To subdivide the shares into shares of Rs.10 each
- To ask their shareholders to surrender 50% of their shares
- To issue 60% of the surrendered shares to 15% debenture holders of Rs.400000 in full settlement of their claims
- To cancel the unissued surrendered shares.

Give entries in the books of the company.

8 a. Raman Ltd., agrees to purchase the business of Krishnan Ltd., on the following terms:

- For each of the 10,000 shares of Rs. 10 each in Krishnan Ltd. 2 shares in Raman Ltd. of Rs. 10 each will be issued at an agreed value of Rs. 12 per share. In addition, Rs. 4 per share cash also will be paid.
 - 8% Debentures worth Rs. 80,000 will be issued to settle the Rs. 60,000 9% debentures in Krishnan Ltd.
 - Rs. 10,000 will be paid towards expenses of winding up.
- Calculate the purchase consideration.

OR

b. In the case of A Ltd. The assets and liabilities are to be taken over at book values for shares in C Ltd. At the rate of 5 shares in C Ltd. at 10% premium (Rs. 11 per share) for every four shares of A Ltd. In the case of B Ltd.:

- The debentures of B Ltd. would be paid off by the issue of an equal number of 4% debentures in C Ltd. at the discount of 10%
- The holders of 6% preference shares of B Ltd. would be allocated four 7% preference shares of Rs. 100 each in C Ltd. for every five preference shares in B Ltd.
- The equity shareholders would be allotted sufficient shares in C Ltd. to cover the balance on their accounts after adjusting asset values by reducing plant and machinery by 10% and providing 5% on sundry debtors.

The summarised balance sheets of the two companies just prior to amalgamation were as follows:

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Equity Share capital: Share of Rs. 10 each	400000	500000	Plant and Machinery	800000	800000
6% preference share capital: Share of Rs. 100 each	-	300000	Stock	65000	60000
4% debentures	-	200000	Debtors	95000	50000
P&L contingencies	500000	-	P&L Account	-	140000
Reserve	50000	-	Bank	65000	40000
Creditors	75000	90000			
	1025000	1090000		1025000	1090000

You are required to

- Calculate the purchase consideration for a ltd and b ltd.
- Show journal entries in the books of b ltd.
- Prepare balance sheet of c ltd.

9 a. On 31st March 1998, Bharat Commercial Bank Ltd., finds its advances classified as follows:

Particulars	Amount
Standard Assets	14,91,300
Sub-standard Assets	92,800
Doubtful Assets (secured):	
Doubtful for one year	25,600
Doubtful for 1-3 years	15,640
Doubtful for more than 3 years	6,580
Loss Asset	10,350

Calculate the amount of provision to be made by the bank against the above mentioned advance.

OR

Cont...

- 9 b. On 31st March, 1998 a bank held the following bills, discounted by it earlier:

Date of Bill 1998	Term of bills (MTHS)	Discount @ % p.a.	Amount of Bill
Jan 17	4	17	7,30,000
Feb 7	3	18	14,60,000
Mar 9	3	17.5	3,64,000

You are required to calculate the rebate on bills discounted. Also show the necessary journal entry for the rebate.

- 10 a. A Life Assurance Company prepared its Revenue A/c for the year ended 31.3.2006 and ascertained its Life Assurance fund to be Rs. 28,35,000. It was found later that the following had been omitted from the accounts:

- Interest accrued on investments Rs. 39,000; Income tax liable to be deducted thereon is estimated to be Rs. 10,500
- Outstanding premiums Rs. 32,800.
- Bonus utilised for reduction of premium Rs. 6,750.
- Claims intimated but not admitted Rs. 17,400
- Claims covered under reinsurance Rs. 6,500.

What is the true Life Assurance Fund?

OR

- b. The Life fund of a Life Insurance Company on 31.3.2006 showed a balance of Rs.54,00,000. However, the following items were not taken into account while preparing the Revenue A/c for 2005-06:

Interest and dividends accrued on investments	20000
Income tax deducted at source on the above	6000
Reinsurance claims recoverable	7000
Commission due on reinsurance premium paid	10000
Bonus in reduction of premiums	3000

SECTION -C (30 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

- 11 a. A company issued 10,000 equity shares of Rs. 10 each at a premium of Rs. 3 on allotment per share payable Rs. 5 on application, Rs. 5 (including premium) on call and the balance on call. All the shares offered were applied for and allotted. All the moneys due on allotment were received except on 200 shares. Call was made. All the amount due thereon was received except on 300 shares. Directors forfeited 200 shares on which both allotment and call money was not received. Pass the necessary journal entries to record the above and also show how this will appear in the Balance Sheet of the company.

OR

- b. Fine Chemicals Ltd. has an authorised capital of Rs. 5,00,000 divided into 5,000 Equity shares of Rs. 100 each. Its subscribed capital is Rs. 3,20,000 being 4,000 shares of Rs. 100 each, Rs. 80 per share paid up. Out of the General Reserve, it decided to:

- Declare a dividend of Rs. 20 per share;
- Utilise such dividend for making partly paid up shares as fully paid-up; and
- Issue 1,000 bonus shares fully paid up in the ratio of 1 bonus share to 4 existing shares.

Pass the journal entries with proper narration in the books of the company.

- 12 a. Following are the extracts from the draft Balance Sheet of Bakya Ltd. as on 30-3-2002:

Authorised capital: 400000 equity shares of rs 10 each	4000000
Issued and subscribed capital: 100000 equity shares of rs 10 each fully paidup	1000000
Reserve fund	200000
P&L Acc	160000

A resolution was passed declaring the issue of bonus of 20% on equity shares to be provided as to Rs. 1,20,000 out of Profit & Loss A/c and Rs. 80,000 out of Reserve fund. The bonus is to be satisfied by issuing fully paid equity shares. You are required to set out Journal entries to give effect to the resolution and show how they would affect the Balance Sheet.

OR

- 12 b. A Ltd. invited applications for 10,000 shares of Rs. 100 each at a discount of 5% payable as follows:

On application Rs. 25 On allotment Rs. 34 On first & final call Rs.36

Applications were received for 9,000 shares and all were accepted. All moneys due were received except the first and final call on 100 shares which forfeited. Of the forfeited shares, 50 shares were reissued at the rate of Rs. 90 as fully paid. Show necessary journal entries in the books of the company.

- 13 a. The following is the balance sheet of x ltd as on 31.3.1996

Liabilities	Rs	Asset	Rs
Share Capital: 200000 shares of Rs. 10 each	20,00,000	Land & Buildings	10,00,000
General Reserve	2,50,000	Plant & Machinery	15,00,000
Dividend equalisation Reserve	2,00,000	Furniture	25,000
P&L ac	51,000	Stock	6,00,000
12% debentures	10,00,000	WIP	3,00,000
Sundry Creditors	3,00,000	Sundry Debtors	2,50,000
		Cash at Bank	1,26,000
	38,01,000		38,01,000

The company was absorbed by a ltd on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5% taking over the liability in respect of sundry creditors and a payment of Rs 7 in cash and one share of rs 5 in a ltd at the market value of rs 8 per share for every share in x ltd. the cost of liquidation of rs 15,000 is to be met by the purchasing company. Close the books of x ltd and pass journal entries in the books of a ltd.

OR

- b. Alpha ltd and beta ltd were amalgamated on 1st april 2001. A new company gamma ltd was formed to takeover the business of the existing companies. The balance sheets of alpha ltd and beta ltd as on 31st march 2001 are given below.

Liabilities	Alpha Ltd.	Beta Ltd.	Assets	Alpha Ltd.	Beta Ltd.
Share Capital: Equity share of Rs.100 each	1000	800	Fixed Assets, Current Asset	1200	1000
15% Pref. Shares of Rs.100 each	400	300	Loans & Advances	880	565
Reserves & Surplus: Revaluation Reserve	100	80			
General Reserve	200	150			
P&L	80	60			
Secured Loan: 12% debentures of Rs.100 each	96	80			
Current liabilities & provision	204	95			
	2080	1565		2080	1565

Other Information:

- 12% Debentures of Alpha Ltd. and Beta Ltd. are discharged by Gamma Ltd. by issuing adequate number of 16% Debentures of Rs. 100 each to ensure that they continue to receive the same amount of interest.
- Preference shareholders of Alpha Ltd. and Beta Ltd. have received same number of 15% Preference shares of Rs. 100 each of Gamma Ltd. Gamma Ltd. has issued 1.5 equity shares for each equity share of Alpha Ltd. and 1 equity share for each equity share of Beta Ltd. The face value of shares issued by Gamma Ltd. is Rs. 100 each.

Required:

Prepare the Balance Sheet of Gamma Ltd. as on 1st April 2001 after the Amalgamation has been carried out using the 'Pooling of Interest method'.

- 14 a. The Trial Balance of the Nedungadi Bank Ltd., as on 30th June 1984 shows the following balances.

Interest and discount	45,40,600
Rebate on bills discounted (1/7/83)	4,750
Bills discounted & 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.

OR

- b. The following figures are extracted from the books of Bheema Bank Ltd. as on 31.12.1987.

Interest & discount received	3695738
Commission, exchange and brokerage	200000
Directors fees and allowances	55000
Postage and telegram	62313
stationery	17625
Preliminary expenses	15000
Interest paid on deposits	2032542
Rent received	55000
Salary and allowance	175000
Rent and taxes paid	87973
Profit on sale of investment	200000
Depreciation on building	27375
Audit fees	5000

Additional information:

- (1) A customer to whom a sum of Rs. 10,00,000 has been advanced has become insolvent. It is expected that only 50% can be recovered from his private estate.
- (2) For the remaining debts, a provision of Rs. 1,50,000 was necessary.
- (3) Rebate on bills discounted as on 31.12.86 Rs. 12,000 and on 31.12.1987 216,000.
- (4) Provide Rs. 6,50,000 for taxation
- (5) Write off all preliminary expenses.

Prepare Profit & Loss A/c in accordance with the law.

- 15 a. From the following, you are required to calculate the loss on account of claims to be shown in the Revenue Account for the year ending 31.3.2006

Intimated in	Admitted in	Paid in	Rs.
2004-05	2004-05	2005-06	45000
2005-06	2005-06	2006-07	30000
2003-04	2004-05	2004-05	15000
2003-04	2004-05	2005-06	36000
2005-06	2006-07	2006-07	24000
2005-06	2005-06	2005-06	306000

Claim on account of reinsurance was Rs. 75,000

OR

- b. The following balances are abstracted from the books of New Bharat Life Insurance Co. Ltd., as on 31.3.2006.

	rs		rs
Life assurance fund (1.4.2005)	1500000	Claims paid during the year	64900
Premiums	496000	Annuities	2050
Consideration for annuities granted	15000	Bonus in reduction of premiums	1600
Interest & dividends	100000	Medical fees	2400
Fines for revival of policies	750	Surrenders	4000
Reinsurance premium	20750	Commission	18650
Claims outstanding (1.4.2005)	4500	Management expenses	22000
		Income tax on dividends	8500

Prepare revenue a/c after making the following adjustments:

Outstanding balances:	Claims	14000
	Premiums	4600
Further bonus for premiums		2400
Claim under reinsurance		8000