

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2024  
(Third Semester)

Branch – COMMERCE (BUSINESS ANALYTICS)

**CORPORATE ACCOUNTING**

Time: Three Hours

Maximum: 50 Marks

**SECTION-A (5 Marks)**

Answer ALL questions

ALL questions carry EQUAL marks (5 x 1 = 5)

1. Carriage outwards is shown in the statement of profit & loss under \_\_\_\_\_.  
i) Employees benefit expenses      ii) Other expenses  
iii) Finance costs                      iv) Depreciation & Amortisation expenses
2. Goodwill is shown in company's balance sheet under the head \_\_\_\_\_.  
i) Fixed assets                              ii) Investments  
iii) Miscellaneous expenses              iv) Current assets
3. Pooling of interests method is used to account for Amalgamation in the nature of \_\_\_\_\_.  
i) Purchase                                  ii) Sale  
iii) Merger                                      iv) Others
4. The term "Minority Interest" represents \_\_\_\_\_.  
i) The shareholders holding 50% of shares in subsidiary Co.  
ii) The interest of the outsiders in the Subsidiary Co.  
iii) The company which holds more than 51% in subsidiary Co.  
iv) None of the above
5. Rebate on bills discount is \_\_\_\_\_.  
i) an accrued income                      ii) an item of income  
iii) a liability                                      iv) income received in advances

**SECTION - B (15 Marks)**

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 3 = 15)

6. a) Explain the term "Cost of Material Consumed"  
[OR]  
b) Amplify the remuneration payable to different categories of managerial personnel.
7. a) Calculate the amount of goodwill on the basis of three years purchase of the last five years' average profits. The profits for the last five years are:

	Rs.
I	5,500
II	8,200
III	11,300
IV	4,500
V	5,000

[OR]

- b) The profits of L&T Ltd. for the last 5 years were as follows:

	Rs.
2016	20,000
2017	23,000
2018	20,000
2019	31,000
2020	22,000

Compute the value of goodwill of L&T Ltd. On the basis of 4 years purchase of weighted average profit after assigning weights 1,2,3,4 and 5 serially to the profits.

Cont...

8. a) Following is the Balance Sheet of Samy Ltd. as on 31.3.2014.

Liabilities	Rs.	Assets	Rs.
<i>Share Capital:</i>		Fixed Assets	16,25,000
8% Preference Shares of Rs.100 each	3,75,000	Investments	3,00,000
Equity shares of Rs.10 each	7,50,000	Currents Assets	2,50,000
General Reserve	4,50,000		
7% Debentures	3,50,000		
Current Liabilities	2,50,000		
	<u>21,75,000</u>		<u>21,75,000</u>

Romy Ltd. agreed to takeover the business of Samy Ltd.

Calculate purchase consideration under Net Payments method on the basis of the following:

- Romy Ltd. agrees to discharge the 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.
- Preference shares are discharged at a premium of 10% by issuing 10% Preference shares of Rs.100 each in Romy Ltd.
- For every 2 Equity shares in Samy Ltd. 3 Equity shares of Rs.10 each in Romy Ltd. will be issued in addition to cash payment of Rs.3 per equity share in Samy Ltd.

[OR]

b) Following is the Balance Sheet of Samy Ltd. as on 31.3.2014.

Liabilities	Rs.	Assets	Rs.
<i>Share Capital:</i>		Fixed Assets	16,25,000
8% Preference Shares of Rs.100 each	3,75,000	Investments	3,00,000
Equity shares of Rs.10 each	7,50,000	Currents Assets	2,50,000
General Reserve	4,50,000		
7% Debentures	3,50,000		
Current Liabilities	2,50,000		
	<u>21,75,000</u>		<u>21,75,000</u>

Romy Ltd. agreed to takeover the business of Samy Ltd.

Calculate purchase consideration under Net Assets method on the basis of the following:

- Romy Ltd. agreed to discharge 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.
- Fixed assets are to be valued at 10% above book value, the investments at par, current assets at 10% discount and current liabilities at book value.

9. a) On 31<sup>st</sup> March, 2018 the balance sheets of H Ltd. and its subsidiary S Ltd. stood as follows:

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Equity share capital	800000	200000	Fixed assets	550000	100000
General reserve	150000	70000	75% shares in S Ltd. (at cost)	280000	----
Profit & Loss A/c	90000	55000	Stock	105000	177000
Creditors	120000	80000	Other current assets	225000	128000
	<u>11,60,000</u>	<u>4,05,000</u>		<u>11,60,000</u>	<u>4,05,000</u>

Draw a consolidated Balance Sheet as at 31<sup>st</sup> March, 2018 after taking into consideration the following information:

i) H Ltd. acquired the shares on 31<sup>st</sup> July, 2017.

ii) S Ltd. earned profit of Rs.45,000 for the year ended 31<sup>st</sup> March, 2018 [OR]

(iii) In January 2018 H Ltd. sold to S Ltd. goods costing Rs.15,000 for Rs.20,000. On 31<sup>st</sup> March, 2018 half of these goods were lying as unsold in the godown of H Ltd.

b) Explain the items which are contained in consolidated Balance Sheet.

10. a) The Trial balance of the Nedungadi Bank Ltd., as on 30<sup>th</sup> June 2014 shows the following balances

Insert and discount	45,40,600
Rebate on bills discount (1.7.2013)	4,750
Bills discount and purchased	3,37,400

The unexpired discount as on 30.6.2014 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.

Cont...

[OR]

b) On 31<sup>st</sup> March, 2018 a bank held the following bills, discounted by it earlier:

Date of Bill 2018	Term of bill (Months)	Discounted @%p.a	Amount of bill Rs.
January, 17	4	17	7,30,000
February, 7	3	18	14,60,000
March, 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.

**SECTION -C (30 Marks)**

Answer any Three questions

ALL questions carry EQUAL Marks

(3 x 10 = 30)

11. Moon and Star Co. Ltd. is a company with an authorised capital of Rs.500000 divided in to 5000 equity shares of Rs.100 each on 31.12.2015 of which 2500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2015.

**Trial Balance of Moon and Star Co. Ltd.**

	Rs.		Rs.
Opening stock	50000	Sales	325000
Purchases	200000	Discount received	3150
Wages	70000	Profit & Loss A/c	6220
Discount allowed	4200	Creditors	35200
Insurance (upto 31.3.2016)	6720	Reserves	25000
Salaries	18500	Loan from MD	15700
Rent	6000	Share capital	250000
General expenses	8950		
Printing	2400		
Advertisements	3800		
Bonus	10500		
Debtors	38700		
Plant	180500		
Furniture	17100		
Bank	34700		
Bad debts	3200		
Calls-in-arrear	5000		
	<u>6,60,270</u>		<u>6,60,270</u>

You are required to prepare Statement of Profit & Loss for the year ended 31.12.2015 and a balance sheet as on that date. The following further information is given:

- Closing stock was valued at Rs.1,91,500.
- Depreciation on plant at 15% and on furniture at 10% should be provided.
- A tax provision of Rs.8,000 is considered necessary.
- The directors declared an interim dividend on 15.8.2015 for 6 months ending June 30, 2015 @6%.

12. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.

- Average capital employed in the business is Rs.20,00,000.
- Rate of interest expected from capital having regard to the risk involved is 10%.
- Net trading profits of the firm for the past three years were Rs.3,50,400; Rs.2,80,300 and Rs.3,10,100.
- Fair remuneration to the partners for their services is Rs.48,000 per annum.
- Sundry assets of the firm are Rs.23,50,400 and current liabilities are Rs.95,110.

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13. Following is the Balance Sheet of Samy Ltd. as on 31.3.2014.

Liabilities	Rs.	Assets	Rs.
<i>Share Capital:</i>		Fixed Assets	16,25,000
8% Preference Shares of Rs.100 each	3,75,000	Investments	3,00,000
Equity shares of Rs.10 each	7,50,000	Currents Assets	2,50,000
General Reserve	4,50,000		
7% Debentures	3,50,000		
Current Liabilities	2,50,000		
	<u>21,75,000</u>		<u>21,75,000</u>

Romy Ltd. agreed to takeover the business of Samy Ltd.

Calculate purchase consideration under Net Payments method on the basis of the following:

- iv) Romy Ltd. agrees to discharge the 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.
- v) Preference shares are discharged at a premium of 10% by issuing 10% Preference shares of Rs.100 each in Romy Ltd.
- vi) For every 2 Equity shares in Samy Ltd. 3 Equity shares of Rs.10 each in Romy Ltd. will be issued in addition to cash payment of Rs.3 per equity share in Samy Ltd.
14. Amplify the procedure for the preparation of consolidated Balance Sheet under the Holding company.
15. From the following information prepare the Profit & Loss A/c of ABC Bank Ltd. for the year ended on 31<sup>st</sup> March, 2020 in the prescribed form.

Interest on loan	259000
Interest on fixed deposits	275000
Rebate on bills discounted required	49000
Commission	8200
Establishment	54000
Discount on bills discounted	195000
Interest on cash credit	223000
Interest on current account	42000
Rent and taxes	18000
Interest on overdraft	154000
Director's fees	3000
Auditor's fees	1200
Interest on savings bank deposits	68000
Postage and telegrams	1400
Printing and stationery	2900
Sundry charges	1700

Bad debts to be written off amounted to Rs.40,000. Provision for taxation may be made @ 55%.

Balance of profit from last year was Rs.1,20,000. The directors have recommended a dividend of Rs.20,000 for the shareholders.

Z-Z-Z            END