

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2023
(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. Identify where the gain on sale of fixed assets is shown in the statement of profit and loss as?
(i) Other income (ii) Revenue from operations
(iii) Any of the above (iv) None of the above
2. Which types of asset is Goodwill?
(i) Tangible asset (ii) intangible asset
(iii) Fictitious asset (iv) None of the above
3. Mention which of the following accounting standard is applicable for Amalgamation?
(i) AS-8 (ii) AS-20 (iii) AS-14 (iv) AS-3
4. A company in which more than 50% of shares are held by another company in termed as
(i) Holding company (ii) Subsidiary company
(iii) Govt. company (iv) Public company
5. When does the Banking company required to close its accounts?
(i) 31st March (ii) 31st December
(iii) 30th June (iv) 30th September

SECTION - B (15 Marks)

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

6. a) Explain the contents of Statement of Profit and Loss Account.

[OR]

- b) Narrate 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	4,800
II	7,200
III	10,000
IV	3,000
V	5,000

[OR]

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

	Rs.
2016	15,000
2017	18,000
2018	22,000
2019	25,000
2020	27,000

Calculate the value of goodwill of Thiyyagaraja 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) 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 value of Purchase Consideration.

[OR]

- b) Following is the Balance Sheet of Samy Ltd. as on 31.3.2022.

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		
	21,75,000		21,75,000

Romy Ltd. agreed to take over 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) H Ltd., acquired 3000 equity shares on 1st April 2021. On 31st December 2021 the balance sheet of S Ltd., was as follows

Liabilities	Amount	Assets	Amount
Share 4000 equity shares of Rs. 100 each	4,00,000	Sundry Assets	6,40,000
General Reserve on 1.1.22	80,000		
Profit & Loss A/c			
Balance on 1.1.22	20,000		
Profit for 2022	80,000		
	-----> 1,00,000		
Sundry Creditors	60,000		
	6,40,000		6,40,000

Ascertain capital profit and Revenue profit.

[OR]

- b) Calculate minority interest from the Balance Sheet of Mumbai Ltd.,

Balance Sheet of Mumbai Ltd., as on 31-12-2022

Liabilities	Amount	Assets	Amount
Share 700,000 shares of Rs. 2 each	14,00,000	Sundry Assets	10,00,000
General Reserve on 1.1.22	6,00,000	Machinery	7,00,000
Creditors	3,00,000	Other Assets	1,50,000
Profit & Loss A/c		Investment (80% of Shares)	6,50,000
Balance on 1.12.22	2,00,000		
	25,00,000		25,00,000

Madras Ltd., acquired 80% of shares at Rs. 6,50,000.

10. a) On 31st March 2018, Bharath Commercial Bank Ltd., finds its advances classified as follows

	Rs.
Standard Assets	14,91,300
Sub-standard assets	92,800
Doubtful assets (Secured)	25,660
Doubtful for one year	15,640
Doubtful for one year to 3 years	6,580
Doubtful for more than 3 years	10,350
Loss assets	

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

[OR]

- b) On 31st 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. The Silver Ore Co. Ltd. was formed on 1.4.2017 with an authorized capital of Rs.6,00,000 in shares of Rs.10 each of these 52,000 shares had been issued and subscribed but there were calls in arrears on 100 shares. From the following trial balance as on March 31, 2018, prepare statement of Profit & Loss and the Balance Sheet.

	Rs.		Rs.
Cash at bank	1,05,500	Share capital	5,19,750
Plant	40,000	Sale of silver	1,79,500
Mines	2,20,000	Interest on F.D.	
Promotion expenses	6,000	upto Dec. 31	3,900
Advertising	5,000	Dividend on Investment	3,200
Cartage on Plant	1,800		
Furniture & Buildings	20,900		
Administrative expenses	28,000		
Repairs to plant	900		
Coal and oil	6,500		
Royalties paid	10,000		
Railway track & wagons	17,000		
Wages of miners	74,220		
Cash	530		
Investment – shares of tin mines	80,000		
Brokerage on above	1,000		
6% F.D. in Syndicate Bank	89,000		
	7,06,350		7,06,350

Adjustments:

- i) Depreciate Plant and Railways by 10%; Furniture & Buildings by 5%.
- ii) Write off a third of the promotion expenses.
- iii) Value of Silver Ore on March 31, 2018 Rs. 15,000.
- iv) The directors forfeited on Dec.20, 2017, 100 shares on which only Rs. 7.50 had been paid.

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.
13. Sun Ltd. And Shine Ltd. Agreed to amalgamate. Sun Shine Ltd formed on 31st December 2022

Sun Ltd

Liabilities	Rs.	Assets	Rs.
<i>Issued Capital:</i>		Land & Building	3,00,000
50,000 shares of Rs 10 each fully	5,00,000	P/M	2,50,000
Sun Creditors	50,000	Goodwill	50,000
Reserve fund	50,000	Stock	20,000
P/La/c	50,000	Sun Creditors	20,000
		Cash at Bank	10,000
	6,50,000		6,50,000

Shine Ltd

Liabilities	Rs.	Assets	Rs.
<i>Issued Capital:</i>		Land & Building	5,00,000
1,00,000 shares of Rs 10 each	10,00,000	P/M	2,00,000
Sun Creditors	80,000	Patents	1,10,000
P/La/c	50,000	Stocks	1,50,000
		Sun Debtors	1,20,000
		Cash at Bank	50,000
	11,30,000		11,30,000

The assets and liabilities are taken over by Sunshine Ltd

Show how the amount payable to each company is arrived and Prepare the balance sheet of new company.

- i) Amalgamation is in the nature of merger.

14. The Balance Sheet of C Ltd., and D Ltd., as at 31st December 2021 are as follows:

Liabilities	C Ltd.,	D Ltd.,	Assets	C Ltd.,	D Ltd.,
<i>Share Capital:</i> (in shares of Rs 10 each)	2,00,000	1,00,000	Sundry Assets	1,32,500	1,38,200
General Reserve	18,000	20,000	Goodwill	-	20,000
Profit & Loss A/c	24,500	23,000	Shares in D. Ltd., at cost	1,40,000	-
Creditors	30,000	15,200			
	2,72,500	1,58,200		2,72,500	1,58,200

In case of 'D' Ltd., profit for the year ended 31st December 2021 is Rs. 12,000 and transfer to reserve is Rs. 5,000. The holding of C Ltd., in D Ltd., is 90% acquired on 30th June 2021 Draft a consolidated Balance Sheet of "C" Ltd., and its subsidiary.

15. From the following information relating to Lakshmi Bank Ltd., prepare the Profit & Loss A/c for the year ended 31st December, 2017.

Rent received	72000	Salaries and allowances	218800
Exchange and commission	32800	Postage	5600
Interest on Fixed deposits	1100000	Sundry charges	4000
Interest on savings bank A/c	272000	Director's & Auditor's fees	16800
Interest on overdrafts	216000	Printing	8000
Discount on bills discounted	780000	Law charges	3600
Interest on current accounts	168000	Locker rent	1400
Interest on cash credits	892000	Transfer fees	2800
Depreciation on bank property	20000	Interest on loans	1036000