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PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2025
(Fifth Semester)

Common to Branches – **COMMERCE/ COMMERCE (CA)/ e-COMMERCE/ COMMERCE (A&F)/ COMMERCE (RM)/ COMMERCE (FS)/ COMMERCE (FT)/ COMMERCE (BPS)/ COMMERCE(B&I)**

CORPORATE ACCOUNTING – II

Time: Three Hours | Maximum: 75 Marks

SECTION-A (10 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (10 × 1 = 10)

Module No	Question No	Question	K Level	CO
1	1	Which of the following Accounting Standard (AS) deals with Amalgamation? a) AS – 8 b) AS – 20 c) AS – 14 d) AS - 16	K1	CO1
	2	Which of the following is not included in purchase consideration? a) Cash paid to shareholders b) Shares issued to shareholders c) Payments to creditors d) Debentures issued to shareholders	K2	CO1
2	3	Identify the term when the existing company is liquidated and a new company is formed is referred to as a) Internal Reconstruction b) External Reconstruction c) Absorption d) Sick company	K1	CO2
	4	After writing off all the accumulated losses, the balance in the capital reduction A/c has to be transferred to a) Share Capital A/c b) Goodwill A/c c) Capital Reserve A/c d) General Reserve A/c	K2	CO2
3	5	Which of the following is NOT a type of slip used in banking transactions? a) Deposit slip b) Currency conversion slip c) Withdrawal slip d) Application slip for loan	K1	CO3
	6	Provision for Income tax is shown in the Bank Account under the head a) Borrowings b) Contingent Liabilities c) Operating expenses d) Other Liabilities	K2	CO3
4	7	State the percentage of net premium income that is to be kept aside as Reserve for Unexpired Risks in Fire Insurance business as per IRDA regulations. a) 25% b) 50% c) 40% d) 100%	K1	CO4
	8	What is the term used for the excess of net assets over net liabilities in life insurance business, as determined by actuarial valuation? a) Net Surplus b) Policyholders' Fund c) General Reserve d) Life Fund	K2	CO4
5	9	Find out the term 'Minority Interest' represent a) Shareholders holding 50% shares b) Interest of Holding company c) Interest of outsiders in subsidiary company d) Company holds more than 51% shares in subsidiary company	K1	CO5
	10	State how outstanding inter-company bills between holding and subsidiary should be shown in the consolidated balance sheet a) Treated as contingent liability b) Shown under Bills Receivable and Bills Payable separately c) Shown under investments d) Eliminated as inter-company owings	K2	CO5

Cont...

SECTION-B (35 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** marks (5 × 7 = 35)

<table>
<tr><th>Module No</th><th>Question No</th><th>Question</th><th>K Level</th><th>CO</th></tr>
<tr><td rowspan="3">1</td><td>11 a)</td><td>T Ltd., agrees to purchase the business of Q Ltd. on the following terms: i) For each of the 20,000 shares of Rs.10 each in Q Ltd., 2 shares in T 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. ii) 8% Debentures worth Rs.80,000 will be issued to settle the Rs.60,000, 9% debentures in Q Ltd. iii) Rs.10,000 will be paid towards expenses of winding up. Calculate Purchase Consideration.</td><td rowspan="3">K3</td><td rowspan="3">CO1</td></tr>
<tr><td colspan="2">OR</td></tr>
<tr><td>11 b)</td><td>X Ltd. is negotiating to sell its business to Y Ltd. Its assets are agreed to be worth Rs.40,00,000. Its share capital consists of 10,000 equity shares of Rs.10 each and it has reserves of Rs.50,000. Workmen's compensation fund amounts to Rs.25,000 (estimated liability Rs.10,000) and provident fund Rs.20,000. Employees security deposits amount to Rs.10,000. Trade creditors amounted to Rs.80,000. Calculate Purchase consideration, if it is paid 75% in Rs.10 equity shares of the Transferee company and the balance in cash.</td></tr>
<tr><td rowspan="3">2</td><td>12 a)</td><td>Describe the procedure to be followed for reducing share capital.</td><td rowspan="3">K2</td><td rowspan="3">CO2</td></tr>
<tr><td colspan="2">OR</td></tr>
<tr><td>12 b)</td><td>The share capital of Z Ltd. consisted of the following: i) 20,000 6% preference shares of Rs.100 each and ii) 1,00,000 equity shares of Rs.10 each. The shares were fully paid. The company had accumulated losses totaling Rs.7,00,000 besides preliminary expenses Rs.40,000. It was also ascertained that fixed assets which stood in the books at Rs.14,00,000 were overvalued to the extent of Rs.8,00,000. The following scheme was adopted to write off the losses and reduce the assets. A) 6% Preference shares were to be converted into 7% Preference shares of Rs.60 each. B) Equity Shares were to be reduced to Rs.2 each. Journalise.</td></tr>
<tr><td rowspan="3">3</td><td>13 a)</td><td>On 31st March, 2024 a bank held the following bills, discounted by it earlier:
<table>
<tr><th>Date of bill (2024)</th><th>Term of bill (month)</th><th>Discounted @ % p.a.</th><th>Amount of bill Rs.</th></tr>
<tr><td>January, 15</td><td>5</td><td>8</td><td>25,000</td></tr>
<tr><td>February, 10</td><td>4</td><td>7</td><td>15,000</td></tr>
<tr><td>February, 25</td><td>4</td><td>7</td><td>20,000</td></tr>
<tr><td>March, 20</td><td>3</td><td>9</td><td>30,000</td></tr>
</table>
You are required to calculate the rebate on bills discounted. Also show necessary entry for rebate.</td><td rowspan="3">K3</td><td rowspan="3">CO3</td></tr>
<tr><td colspan="2">OR</td></tr>
<tr><td>13 b)</td><td>From the following particulars find out the provision to be shown in Profit & Loss A/c assuming that all the doubtful assets are secured.
<table>
<tr><th></th><th>Rs. in lakhs</th></tr>
<tr><td>Standard</td><td>Rs. 48,000</td></tr>
<tr><td>Substandard</td><td>Rs.2,400</td></tr>
<tr><td>Doubtful:</td><td></td></tr>
<tr><td>For one year</td><td>Rs. 1,600</td></tr>
<tr><td>For three years</td><td>Rs. 1,200</td></tr>
<tr><td>For more than 3 years</td><td>Rs. 800</td></tr>
<tr><td>Loss Assets</td><td>Rs. 1,800</td></tr>
</table></td></tr>
<tr><td rowspan="3">4</td><td>14 a)</td><td>Calculate the amount of 'Benefits paid' of a Life Insurance Company for the year ending 31.3.2025.
<table>
<tr><td>Claims Paid</td><td>Rs. 1,97,000</td></tr>
<tr><td>Claims Outstanding (1.4.2024)</td><td>Rs. 7,000</td></tr>
<tr><td>Claims Outstanding (31.3.2025)</td><td>Rs. 10,000</td></tr>
<tr><td>Annuities paid</td><td>Rs. 17,000</td></tr>
<tr><td>Claims covered under re-insurance</td><td>Rs. 80,000</td></tr>
</table></td><td rowspan="3">K3</td><td rowspan="3">CO4</td></tr>
<tr><td colspan="2">OR</td></tr>
<tr><td>14 b)</td><td>A Life Insurance Company gets its valuation made once in every three years. Its Life assurance fund on 31.3.2025 stood at Rs.41,92,000 before providing for Rs.32,000 being the shareholders dividend for 2024-2025. Its actuarial valuation on 31.3.2025 disclosed a net liability of Rs.40,40,000. An interim bonus of Rs.40,000 was paid to the policy holders during the period ending 31.3.2025. Prepare a statement showing the amount now available as bonus to the policy holders.</td></tr>
</table>

5

15 a) S Ltd. has a capital of Rs.15,00,000 in shares of Rs.100 each. Out of this H Ltd. purchased 75% shares at Rs.17,50,000. The profit of S Ltd. at the time of purchase of shares by H Ltd were Rs.7,50,000. S Ltd decided to make a bonus issue out of capital profits of one share of Rs.100 each fully paid for every three shares held. Calculate cost of control after the issue of bonus shares.

OR

15 b) Consolidate the following Balance sheets:

Liabilities	H	S	Assets	H	S
Capital Re.1 shares	1,400	1,000	Shares in S Ltd 900 shares at cost	1,125	-
Creditors	350	190	Sundry Assets	885	1,510
P&L A/c	260	320			
	2,010	**1,510**		**2,010**	**1,510**

When H Ltd acquired the shares in S Ltd., the Profit & loss A/c of the later had a credit balance of Rs.220.

K3 CO5

SECTION -C (30 Marks)

Answer **ANY THREE** questions

ALL questions carry **EQUAL** Marks (3 × 10 = 30)

1

16 The balance sheet of 'D' Ltd. Is as follows:

K5 CO1

Liabilities	Rs.	Assets	Rs.
2500 6.5% preference shares of Rs.20 each fully paid	50,000	Patents	24,000
3000 equity shares of Rs.20 each fully paid	60,000	Land & Building	60,000
5% Debentures	10,000	Cash	500
Interest on debentures due	2,000	Debtors	12,500
Sundry Creditors	8,000	Stock	18,000
		P & L A/c	15,000
	1,30,000		**1,30,000**

The following terms were agreed upon:

- i. X Ltd to be formed to take over the business.
- ii. One share of Rs.10 fully paid in the new company to be issued for every three equity shares in the old company.
- iii. Three shares of Rs.10 each fully paid in the new company to be issued for every five preference shares in the old company.
- iv. Debenture holders to be paid in full by X Ltd.
- v. The creditors to receive 80% of the sums due to them in fully paid shares of Rs.10 in the new company in full settlement.
- vi. Patents and P&L A/c to be written off.
- vii. Arrears of preference dividend to be cleared by issuing one Rs.10 fully paid preference share in X Ltd for every 20 held and any balance available by the scheme to be used in writing down buildings. Show necessary journal entries and the Balance sheet of X Ltd.

2

17 Following is the Balance sheet of Z ltd as on 31st March, 2025.

K5 CO2

Liabilities	R	Assets	R
3,000 5% Pref. shares of R100 each	3,00,000	Goodwill	22,500
6,000 equity shares of R100 each	6,00,000	Land	3,00,000
6% Debentures	1,50,000	Machinery	4,50,000
Bank overdraft	1,50,000	Stock	65,000
Creditors	75,000	Debtors	70,000
		Cash	7,500
		P & L A/c	3,50,000
		Preliminary expenses	10,000
	12,75,000		**12,75,000**

On the above date, the company adopted the following scheme of reconstruction:

- i. 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.
- ii. The debenture holders took over stock and debtors in full satisfaction of their claims.
- iii. The fictitious and intangible assets are to be eliminated.
- iv. The land to be appreciated by 30% and machinery to be depreciated by $33^{1/3}$ %.
- v. Expenses of reconstruction amounted to R 2,500. Give Journal entries incorporating the above scheme of reconstruction and prepare the reconstructed balance sheet.

3

18 Prepare Profit & Loss A/c and Balance sheet of SBI for the period ended on 31st March, 2025. K5 CO3

	Rs. ('000)		Rs. ('000)
Reserve fund	1,200	Interest earned	550
Bad debts written off	128	Balance with RBI	2030
General expenses	182	Endorsements & guarantees (constituent Liabilities)	575
Current Accounts	20,245	Balance with foreign correspondents	1,206
Interest paid	160	Bills for collection	1,500
Deposit Accounts	6,920	Borrowings from banks	6,482
P&L A/c brought forward	229	Cash credits & overdrafts	15,457
Bills receivable	1,500	Investments	9,882
Discounts	244	Bills discounted	6,228
Endorsements & guarantees	575	Premises	2,217
Commission	45	Share capital	2,000
Cash	225		

i) Rebate on bills discounted to be provided Rs.64,000

ii) Bank has paid an interim dividend of Rs.2,00,000 during the year.

4

19 Prepare revenue account of marine insurance company Ltd. As at 31st March 2025 from the following information: K5 CO4

	Rs. in '000
Reserve for unexpired risk (1-4-2024)	496.6
Additional reserve (1-4-2024)	49.66
Premium less reinsurance	720
Claims outstanding (1-4-2024)	160
Claims Paid	470
Commission	35
Expenses of management	54
Audit fees	10
Directors fees	3.4
Depreciation	5
General charges	12

Outstanding claims due on 31st March 2025 was Rs ('000) 60. Additional reserve is to be maintained at 10% on net premium.

5

20 The balance sheet of X Ltd and Y Ltd. As on 31-3-2025 were as follows: K5 CO5

Liabilities	X Ltd	Y Ltd	Assets	X Ltd	Y Ltd
Share capital (Rs.10 each)	10,00,000	2,50,000	Goodwill	1,00,000	50,000
General reserve (1-4-2024)	2,00,000	80,000	Building	2,00,000	1,00,000
Creditors	2,00,000	1,00,000	Machinery	5,00,000	2,00,000
Bills payable	50,000	30,000	Stock	2,00,000	1,00,000
P&L A/c 1-4-2024	60,000	60,000	Debtors	3,40,000	70,000
Profit for the yr 2024-25	1,50,000	50,000	Investments	2,40,000	_
			Bills receivable	30,000	30,000
			Cash at bank	50,000	20,000
	16,60,000	**5,70,000**		**16,60,000**	**5,70,000**

a) X ltd purchased 15,000 shares of Y Ltd. for Rs.1,90,000 on 1-4-2024.

b) Debtors of X Ltd include Rs.30,000 due from Y Ltd.

c) Bills receivable of Y Ltd. include Rs.10,000 due from X Ltd.

d) The stock of Y Ltd. includes goods purchased from X ltd. at Rs.10,000 which include profit charged by X Ltd. at 25% on cost. Prepare consolidated balance sheet of X Ltd and its subsidiary Y Ltd as on 31-3-2025.

Z-Z-Z END