

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2022
(Fifth Semester)

Branch – COMMERCE (COST & MANAGEMENT ACCOUNTING)

HIGHER CORPORATE ACCOUNTING

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (10 x 1 = 10)

- When purchasing company pay purchase consideration, it will be debited to ____.
(i) Business purchase account (ii) Liquidator of vendor company's account
(iii) Asset account (iv) Purchasing Company account
- Net Assets minus Capital Reserve is ____.
(i) Business purchase account (ii) Liquidator of vendor company's account
(iii) Asset account (iv) Purchasing Company account
- What is the name of the account which shows Profit & Loss appropriation under double account system?
(i) Income & Expenditure A/c (ii) Income Statement
(iii) Revenue A/c (iv) Net Revenue A/c
- When an asset is replaced, any amount realized on sale of old materials will be credited to ____.
(i) Net Revenue A/c (ii) Revenue A/c
(iii) Assets A/c (iv) Replacement A/c
- The final account of banking company is prepared according to provisions of ____.
(i) Company A/c (ii) Banking Regulation A/c
(iii) Banking Insolvency A/c (iv) Other
- In Bank Final Account balance with banks other than RBI is recorded in ____.
(i) Schedule No. 7 (ii) Schedule No. 6
(iii) Schedule No. 8 (iv) None
- Who is regulating the insurance business in India?
(i) SEBI (ii) RBI
(iii) IRDA (iv) Government of India
- Which of the following are the statutory books of insurance companies?
(i) Register of policies (ii) The register of Claims
(iii) The register of licensed insurance Agent (iv) All of the above
- In cinema halls, composite cost unit is ____.
(i) Seat per show (ii) Cost of screening
(iii) Salary of Staff (iv) Rent of cinema hall
- Which of the following book is maintained in a hotel?
(i) Guest Weekly Bill (ii) Visitors' Tabular Ledger
(iii) City Ledger (iv) All of the above

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SECTION - B (35 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 7 = 35)

- 11 a Following is the balance sheet of Sam Ltd., 31.3.2021.

Liability	Rs.	Assets	Rs.
Share Capital:		Fixed Assets	16,25,000
8% Preference Shares of		Investment	3,00,000
Rs.100 each	3,75,000	Current Assets	2,50,000
Equity Shares of Rs.10 each	7,50,000		
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>

Calculate purchase consideration under Net Payment Method on the following basis:

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

OR

- b Kumar Ltd., has an issued capital of Rs.5,00,000 in 50,000 shares of Rs.10 each on which Rs.8 per share has been called up. The company now decides to reduce the share capital to share of Rs.8 each fully paid by cancelling the unpaid amount of Rs.2 per share. Pass Journal Entry.
- 12 a The Chennai Municipal corporation replaces part of its existing water mains with larger mains at the cost of Rs.75,00,000. The original cost of laying the old mains was Rs.15,00,000 and the present cost of laying those mains would be three times the original cost Rs.1,25,000 was realized by the sale of old materials and old materials of Rs.3,75,000 were used in the replacement and included in the cost given above.

Show the allocation of expenses between revenue and capital along with Replacement Account

OR

- b An electricity company laid down a main at a cost of Rs.5,00,000. Some years later, the company laid down an auxiliary main for one-fifth of the length of the old main at a cost of Rs.1,50,000 and also replaced the rest of the length of the old main at a cost of Rs.6,00,000, the cost of materials and labour having gone up by 15%. Sale of old materials realized Rs.8,000. Old materials valued at Rs.10,000 were used in renewal and those valued at Rs.5,000 were used in the construction of the auxiliary main. Show how you would apportion the above expenditure between capital and revenue.

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- 13 a On 31st March, 2021 a bank held the following bills, discounted by it earlier:

Date	Term of Bill	Discount @% p.a	Amount Rs.
17.1.2021	4 Months	17	7,30,000
7.2.2021	3 Months	18	14,60,000
9.3.2021	3 Months	17.5	3,64,000

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

OR

- b The following figures are extracted from the books of Krishna Bank Ltd., as on 31.12.2020.

Interest and discount received	36,95,738	Rent received	55,000
Commission, exchange and brokerage	2,00,000	Salaries and allowances	1,75,000
Directors' fees and allowances	55,000	Rent and Taxes paid	87,973
Postage and telegrams	62,313	Profit on sale of investments	2,00,000
Stationary	17,625	Depreciation on building	27,375
Preliminary expenses	15,000	Audit fees	5,000
Interest paid on deposits	20,32,542		

Additional Information:

- 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 is private estate.
 - For the remaining debts, a provision of Rs.1,50,000 was necessary.
 - Rebate on bills discounted as on 31.12.2019 Rs.12,000 and on 31.12.2020 Rs.16,000.
 - Provide Rs.6,50,000 for taxation.
 - Write off all preliminary expenses.
- Prepare Profit & Loss A/c in accordance with the law.
- 14 a The Revenue account of a Life Insurance Company showed the life fund at Rs.73,17,000 on 31.3.2019 before taking into account the following items:

Claims intimated but not admitted	98,250
Bonus utilised in reduction of premium	13,500
Interest accrued on investment	29,750
Outstanding premiums	27,000
Claims covered under re insurance	40,500
Provision for taxation	31,500

Find out Correct Life Assurance Fund.

OR

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- b The following balances are abstracted from the books of Sri Life Insurance Co. Ltd., as on 31.3.2018.

Particulars	Rs.('000)	Particulars	Rs.('000)
Life Assurance Fund (1.4.2017)	15,00,000	Annuities	2,050
Premiums	4,96,000	Bonus in reduction of premiums	1,600
Consideration for annuities granted	15,000	Medical fees	2,400
Interest & Dividends	1,00,000	Surrenders	4,000
Fines for revival of policies	750	Commission	18,600
Reinsurance premium	20,750	Management expenses	22,000
Claims outstanding (1.4.2017)	4,500	Income tax on dividends	8,500
Claims paid during the year	64,900		

Prepare Revenue A/c after making the following adjustment:

- Outstanding Balances: Claims Rs.14,000; Premiums Rs.4,600
- Further Bonus for premium Rs.2,400
- Claim under reinsurance Rs.8,000

- 15 a Explain the necessary books of accounts for Educational Institutions.

OR

- b Bring out the common resident complaints in nursing homes.

SECTION - C (30 Marks)

Answer any **THREE** Questions

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

- 16 X Ltd., and Y Ltd., agreed to amalgamate on the basis of the following Balance Sheet as on 31.3.2021.

Liabilities	X Ltd., Rs.	Y Ltd., Rs.	Assets	X Ltd., Rs.	Y Ltd., Rs.
Share Capital Rs.25 each	75,000	50,000	Goodwill	30,000	
P & L A/c	7,500	2,500	Fixed Assets	31,500	38,800
Creditors	3,500	3,500	Stock	15,000	12,000
Depreciation fund		2,500	Debtors	8,000	5,200
			Bank	1,500	2,500
Total	86,000	58,500	Total	86,000	58,500

The assets and liabilities are to be taken over by a new company formed called P Ltd., at book values. P Ltd's capital is Rs.2,00,000 divided into 10,000 equity shares of Rs.10 each and 10,000. 9% preference shares of Rs.10 each. P Ltd., issued the equity shares equally to the vendor companies and preference shares were issued for any balance of purchase price. Pass journal entries in the books of P Ltd., and Prepare its Balance Sheet, if the amalgamation is in the nature of purchase.

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- 17 The following are the balances on 31.3.2020 in the books of the Kalpana Power and Light Company Ltd.,

Particulars	Rs.	Rs.
Lands on 31.3.2019	1,20,000	
Lands expended during 2019-20	4,000	
Machinery on 31.3.2019	4,80,000	
Machinery expended during 2019-20	4,000	
Mains including cost of laying	1,60,000	
Mains expended during 2019-20	40,800	
Equity shares		4,39,200
Debentures		1,60,000
Sundry Creditors		800
Depreciation Fund A/c		2,00,000
Sundry debtors for current supplied	32,000	
Other debtors	400	
Cash	4,000	
Cost of generation of electricity	28,000	
Cost of distribution of electricity	4,000	
Rent rates and taxes	4,000	
Management expenses	9,600	
Depreciation	16,000	
Sale of current		1,04,000
Rent of Meters		4,000
Interest on debentures	8,000	
Interim dividend	16,000	
Net Revenue A/c Balance on 31.3.2019		22,800
Total	9,30,800	9,30,800

Prepare Revenue A/c, Net Revenue A/c, Capital A/c and General Balance Sheet.

- 18 On 31st December 2019. The following balances stood in the books of Saroja Bank Ltd., after preparation of its profit and loss account.

Particulars	Rs.('000)
Share Capital (Issued & Subscribed)	4,000
Reserve fund (US17)	6,200
Fixed deposits	42,600
Savings bank deposits	19,000
Current account	23,200
Money at call and short notice	1,800
Investment	25,000
Profit and Loss A/c (Cr.) 1.4.2019	1,350
Dividend for 2018	400
Premises	2,950
Cash in hand	380
Cash with RBI	10,000
Cash with other banks	6,000
Bills discounted and purchased	3,800
Loans, cash credits and over drafts	51,000
Bills payable	70

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Unclaimed dividend	60
Rebate on bills discounted	50
Short loans (borrowings from other banks)	4,750
Furniture	1,164
Other assets	336
Net Profit for 2019	1550

Prepare Balance Sheet of the Saroja Bank as on 31st December 2019

- 19 The following balances were extracted from the books of Kannan Life Assurance Co. Ltd., as on 31.3.2018.

Debit Balances	Rs.('000)	Credit Balances	Rs.('000)
Mortgages	1,400	O/S Claims (1.4.2017)	22
Building	145	Premiums	3,394
Loans	155	Consideration for annuities granted	420
Investments	1,200	Interest & Dividend Life Assurance Fund (1.4.2017)	100
Surrenders	25		950
Annuities	12		
Claims by death	700		
Claims by maturity	1,000		
Agents balances	5		
Deposit with RBI	30		
Outstanding premiums	35		
Commission	54		
Cash at Bank	50		
Expenses of management	63		
Bonus in reduction of premiums	5		
Interest accrued but not received	7		
	4,886		4,886

You are required to prepare the Revenue A/c for the year ended 31.3.2018 and Balance Sheet as on that date after taking into account the following adjustments.

	Rs.('000)
Premiums outstanding	4.5
Interest accruing but not due	3.7
Claims admitted but not paid	3.2
Surrender claims not paid	1.1
Further bonus utilised in reduction of premium	2

- 20 Highlight the Advantages and Disadvantages of Visitors Ledger maintained in the Hotel Industry.

Z-Z-Z

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