

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

MCom (CS) DEGREE EXAMINATION DECEMBER 2022  
(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 If a share of ₹ 10, on which ₹ 8 has been called and ₹ 5 has been received is forfeited, share capital a/c in this case which will be debited with:  
(i) ₹ 2 (ii) ₹ 5  
(iii) ₹ 8 (iv) ₹ 10
- 2 Profit prior to incorporation should be credited to:  
(i) Goodwill a/c (ii) Revenue Reserve a/c  
(iii) Capital Reserve a/c (iv) None of the above
- 3 Which Accounting standard used for Amalgamations?  
(i) AS-8 (ii) AS-14  
(iii) AS-20 (iv) AS-3
- 4 Provision for income tax is shown in the bank accounts under the head:  
(i) Borrowings (ii) Operating expenses  
(iii) Other liabilities (iv) Contingent Liabilities
- 5 Claims paid by insurance companies is shown in:  
(i) Schedule 1 (ii) Schedule 2  
(iii) Schedule 3 (iv) Schedule 4

**SECTION - B (15 Marks)**

Answer ALL Questions

ALL questions carry EQUAL marks (5 x 3 = 15)

- 6 a Pallav Ltd. has a share capital of ₹50,000 equity shares of ₹100 each. Market value is ₹250 per share. The company decides to make a right issue to the existing shareholders in proportion of one new right share of ₹ 100 at a premium of ₹ 30 per share. Calculate the value of right issue.  
OR  
b Ram Ltd. purchased assets of ₹8,00,000 from Anil Bros. It issued equity shares of ₹100 each fully paid up in satisfaction of their claim. Make journal entries to record these transactions.
- 7 a Marshall Ltd. has share capital of ₹5,00,000 divided into 5,000 shares of ₹100 each, fully paid. Show the entries under each of the following conditions:  
(i) When Marshall Ltd. resolves to sub-divide the shares into 50,000 shares of ₹10 each fully paid.  
(ii) When Marshall Ltd., resolves to convert its 5,000 shares of ₹100 each into ₹5,00,000 worth of stock.  
OR  
b A company was incorporated on 1-2-98 to purchase the business of Abdul Kalam & Sons, as from 1st November 1997.

Cont...

7 b Cont...

There were 10 employees before incorporation but 5 more were appointed on 1-2-98. You are required to ascertain the weighted time ratio for dividing salaries between the pre and post incorporation periods, assuming that the accounts are finalised on 31st October.

8 a Compare the pooling of interest method and purchase method.

OR

b Lee Ltd. agreed to absorb Bee Ltd. by paying Rs. 10,00,000 to the shareholders. In addition they agreed to settle 1,000 8% Debentures of Rs. 100 each in Bee Ltd. at 20% Premium by issuing their own debentures of Rs. 100 each at 96%. Ascertain the face value and actual issue value of debentures to be issued.

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

Date of Bill 2018	Terms of bill (month)	Discounted @ % p.a.	Amount of bill
January, 17	4	17	7,30,000
February, 7	3	18	14,60,000
June, 7	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.

OR

b On 31.12.96 Popular Bank Ltd. has the following bills in its portfolio. All the bills are discounted @5%.

Amount in ₹	Due date
50,000	31.01.1997
40,000	30.04.1997
30,000	03.03.1997

Calculate rebate on bills discounted, assuming accounts are closed on 31<sup>st</sup> December.

10 a Compute commission expenses to be derived in schedule 2 of a life insurance company:

Commission on direct business- ₹93,000

Commission on reinsurance accepted- ₹40,000

Commission on reinsurance ceded- ₹50,000

OR

b The following information given below; you are required to find out the amount to be appropriated for reserve for unexpired risk in fire insurance:

Premium received during the year ended 31.03.06- ₹12,00,000

Reinsurance premiums- ₹3,00,000

Bonus in reduction of Premium- ₹50,000

(not yet adjusted in premiums)

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL marks (5 x 6 = 30)

11 a Ambassadors Ltd. issued 2,000 shares of ₹100 each at a premium of 10% payable as follows:

₹ 25 on application, ₹35 on allotment (including premium), ₹20 on first call, ₹30 on final call.

1,800 shares were applied for and allotted. All the money was received with the exception of first and final calls on 200 shares held by Raghu. These shares were forfeited. Give journal entries and prepare balance sheet.

OR

Cont...

- 11 b Super star Limited issued a prospectus inviting applications for 50,000 equity share of ₹ 10 each, payable ₹ 5 on application (including ₹ 2 as premium) ₹ 4 on allotment and the balance towards first and final call. Applications were received for 65,000 shares. Application money received on 5,000 shares was refunded with letters of regret and allotments were made pro rata to the applicants of 60,000 shares. Money overpaid on applications including premium was adjusted on account of sums due on allotment. Mr. Satish to whom 700 shares were allotted failed to pay the allotment money and his shares were forfeited by the directors on his subsequent failure to pay the call money. All the forfeited shares were subsequently sold to Mr. Jagan credited as fully paid for ₹ 9 per share. You are required to set out the journal entries and the relevant entries in the cash book.
- 12 a Pankajam Mills Ltd., was incorporated on 31st July 1977 to purchase the business of Hemalatha & Co., as on 1st April 1977. The books of accounts disclosed the following on 31st March 1978.
- (1) Sales for the year ₹ 32,10,400 (1st April to 31st July '77 ₹ 8,02,600; 1st July '77 to 31st March 1978 ₹ 24,07,800).
  - (2) Gross profit for the year ₹ 4,12,800; Managing Directors' salary ₹ 12,000; Preliminary expenses written off ₹ 18,000. Company Secretary's salary ₹ 58,000.
  - (3) Bad debts written off ₹ 14,890 (prior to 31st July ₹ 4,020, after 31st July ₹ 10,870)
  - (4) Depreciation on machinery ₹ 25,200; general expenses ₹ 51,000; Advertising ₹ 7,400; Interest on debentures ₹ 20,000.
- You are required to prepare a statement apportioning properly the net profit of the company as between
- (a) Profits available for distribution; (b) Profits prior to incorporation.

OR

- b The following is the summarised balance sheet of Reckless Co. Ltd. as at 31st March, 2007.

Liabilities	₹	Assets	₹
5000 equity shares of ₹100 each	5,00,000	Sundry assets	2,02,800
		Profit and Loss a/c	2,97,200
	<b>5,00,000</b>		<b>5,00,000</b>

The company has decided that the worst is over and hence it adopts a scheme of reconstruction, reducing all its equity shares into an equal number of fully paid equity shares of ₹10 each.

Pass journal entries and prepare the balance sheet immediately after the reconstruction.

- 13 a Ram Ltd. and Shyam Ltd., have agreed to amalgamate. A new company Rajesh Ltd., has been formed to take over the combined concern as on 31<sup>st</sup> December 1998. After negotiations, the assets of two companies have been agreed upon as shown below:

Balance Sheet as on 31-12-98

Liabilities	Ram Ltd.	Shyam Ltd.	Assets	Ram Ltd.	Shyam Ltd.
Share Capital:			Land & Buildings	5,00,000	3,00,000
Shares of ₹10 each	10,00,000	5,00,000	Plant & Machinery	2,00,000	2,50,000
Reserve Fund	-	50,000	Goodwill	-	50,000
P&L A/c	50,000	50,000	Furniture	1,10,000	-
Creditors	80,000	50,000	Stock	1,50,000	20,000
			Debtors	1,20,000	20,000
			Bank	50,000	10,000
	<b>11,30,000</b>	<b>6,50,000</b>		<b>11,30,000</b>	<b>6,50,000</b>

Prepare the balance sheet of Rajesh Ltd., assuming

- a) The entire purchase price is paid off in the form of equity shares of ₹100 each in Rajesh Ltd.
- b) The amalgamation in the nature of merger

OR

Cont...

- 13 b Spring Field Ltd. is absorbed by Sports Field Ltd., the consideration being:  
 The taking over of the trade liabilities of Rs. 40,000;  
 The payment of cost of absorption of Rs. 15,000;  
 The repayment of 'B' debentures of Spring Field Ltd. of Rs. 2,00,000 at par,  
 The discharge of 'A' debentures of Rs. 3,00,000 in the Vendor Co. at a premium of 10% by the issue of 8% debentures in Sports Field Ltd. at par,  
 A payment of Rs. 20 per share in cash and the exchange of 4 fully paid Rs. 10 shares in Sports Field Ltd. at a market price of Rs. 15 per share for every Rs. 50 shares in Spring Field Ltd. which were 40,000 in number. You are required to find out the purchase consideration.
- 14 a From the following you are required to prepare profit and loss account and the balance sheet of Canara Bank Ltd., as on 31.12.2021 according to Banking Regulations Act, 1949. Trial Balance as on 31.12.2021

	Rs. In thousands	Rs. In thousands
<b>Issued capital:</b>		
20,000 shares of Rs. 100 each	-	2,000
Money at call and short notice	800	-
Reserve fund	-	700
Cash in hand	650	-
Deposits	-	2,500
Cash at bank	950	-
Borrowing from SBI	-	500
Investments in govt securities	900	-
Secured loans	1,500	-
Cash credits	500	-
Premises less depreciation	580	-
Furniture less depreciation	120	-
Rent	5	60
Interest and discount	-	800
Commission and brokerage	-	70
Interest paid on deposits	300	-
Salary and allowances paid to staff	150	-
Interest paid on borrowings	50	-
Audit fees	10	-
Director's fees	8	-
Non- banking assets	80	-
Depreciation on bank's property	13	-
Printing	3	-
Advertisement	1	-
Stationery	5	-
Postage and telegrams	2	-
Other expenses	3	-
	<b>6630</b>	<b>6630</b>

OR

- b From the following particulars, prepare a profit and loss A/c of New bank Ltd., for the year ended 31.12.1996

	Rs. (in '000)		Rs. (in '000)
Interest on loans	260	Interest on cash credits	225
Interest on fixed deposits	280	Rent and taxes	20
Rebate on bills discounted	50	Interest on over drafts	56
Commission charged to customers	9	Directors and Auditors' fees	4
Establishment expenses	56	Interest on saving bank account	70
Discounted on bills discounted	200	Postage and Telegrams	2
Interest on current accounts	45	Sundry charges	2
Printing and advertisements	3		

Cont...

- 15 a From the following balances extracted from the books of L.I.C at 31.03.21. Prepare a Revenue account for the year ending 31.03.2021 in the prescribed form.

	Rs. (in '000)		Rs. (in '000)
Claims by death	3,30,000	Life Assurance fund(01.4.20)	63,31,000
Claims by maturity	2,15,000	Premiums	20,65,000
Agents & canvasser's allowance	26,500	Bonus in reduction of premiums	1,000
Salaries	44,200	Income tax on interest and dividends	5,700
Travelling expenses	1,200	Printing and stationery	13,900
Director's fees	8,700	Postage & telegrams	14,300
Auditor fees	1,000	Receipt stamps	2,300
Medical fees	52,000	Reinsurance premiums	40,950
Commission	2,18,000	Interest & dividend (gross)	2,72,000
Rent	2,800	Policy renewal fees	9,600
Law charges	200	Assignment fees	540
Advertising	4,300	Endowment fees	690
Bank charges	1,500	Transfer fees	1,400
General charges	2,000		
Surrenders	47,500		

Provide Rs. 1,500 thousands for depreciation of furniture and Rs. 2,20,000 Thousands for depreciation on investments.

OR

- b From the following balances of Asian General Insurance Company Ltd. on 31<sup>st</sup> March 2006, prepare,

(a) Fire revenue A/c      (b) Marine revenue A/c      (c) Profit & Loss A/c

	(Rs. '000)
Bonus in reduction of premium (Fire)	2,000
Additional reserve on 1.4.2005 (Fire)	50,000
Commission on reinsurance accepted (Fire)	10,000
Commission on reinsurance ceded (Fire)	30,000
(Marine)	60,000
Management expenses: Fire	1,45,000
Marine	4,00,000
Premium less reinsurance: Fire	6,00,000
Marine	10,80,000
Profit on sale of land	60,000
Miscellaneous receipts	5,300
Interest, dividend received	14,000
Depreciation	35,000
Commission paid: Fire	90,000
Marine	1,08,000
Claims paid and outstanding (Marine)	3,80,000
Claims outstanding (Fire)	10,000
Claims paid (Fire)	1,80,000
Marine fund (1.4.2005)	8,20,000
Fire fund (1.4.2005)	2,50,000
Bad debts recovered	1,200
Share transfer Fees	800
Director's fees	5000
Auditor's fees	1,200
Bad debts: Fire	5,000
Marine	12,000

Z-Z-Z

END