

**PSG COLLEGE OF ARTS & SCIENCE**  
(AUTONOMOUS)  
**BCom (CS) DEGREE EXAMINATION MAY 2017**  
(Fifth Semester)

**Branch -CORPORATE SECRETARYSHIP**

**CORPORATE ACCOUNTING - II**

Time: Three Hours

Maximum: 75 Marks

SECTION - A (10 X 2 = 20) \_

Answer all the Questions

Each question carries equal marks

I. Write short answers:.

- a. What is a banking company?
- b. What do you mean by cash reserve?
- c. What is meant by Non-Performing Assets?
- d. What is Insurance?
- e. What is meant by reinsurance?
- f. What is double account system?
- g. What do you understand by branch accounting?
- h. What is meant by independent branch?
- i. What is average clause?
- j. What is salvage value?

SECTION - B (5 X 5 = 25)

Answer all the Questions

Each question carries equal marks

2. a) The Trial Balance of the National Bank Ltd., as on 30<sup>th</sup> June 2016 shows the following balances.

	Rs.
Interest and discount	45,40,600
Rebate on bills discounted( 1.7.2015)	4,750
Bills discounted and purchased	3,37,400

The unexpired discount as on 30.06.2016 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.

Or

b) From the following particulars, prepare a profit and loss A/c of New Bank Ltd. for the year ended 31.12.2016

	Rs.		Rs.
Interest on loan -	2,60,000	Interest on cash credits	2,25,000
Interest on fixed deposits	2,80,000	Rent and taxes.	20,000
Rebate on bills discounted	50,000	Interest on overdrafts	56,000
Commission charged to customers	9,000	Directors' and Auditor's fees	4,000
Establishment expenses	56,000	Interest on savings bank accounts	70,000
Discount on bills discounted	2,00,000	Postage and telegrams	2,000
Interest on current accounts	45,000	Sundry charges	2,000
Printing and advertisements	3,000		

3. a) The Life fund of a Life Insurance Company on 31.3.2015 showed a balance of Rs.54,00,000. However, the following items were not taken into account while preparing the Revenue A/c for 2014-2015:

	Rs.
i) Interest and dividends accrued on investments	20,000
ii) Income tax deducted at source on the above	6,000
iii) Reinsurance claims recoverable	7,000
iv) Commission due on reinsurance premium paid	10,000
v) Bonus in reduction of premiums	3,000

Or

b) A Life Insurance Company gets its valuation made once in every two years. Its Life Assurance fund on 31.3.2016 amounted to Rs.63,84,000 before providing Rs.64,000 for the shareholders' dividend for the year 2015-2016. Its actuarial valuation due on 31.3.2016 disclosed a net liability of Rs.60,80,000 under assurance annuity contracts. An interim bonus of Rs.80,000 was paid to the policy holders during the two years ending 31.03.2016. Prepare a statement showing the amount now available as bonus to policy holders.

4. a) The pioneer Gas Co. rebuilt and re-equipped part of their works at a cost of Rs. 15,00,000. The part of the old works thus superseded cost Rs.9,00,000. Rs.60,000 is realized by the sale of old materials and old materials valued Rs.2,000 are used in the reconstruction and included in the cost of Rs. 15,00,000 mentioned above.

The cost of labour and materials is 20% higher now than when the old works were constructed. Give Journal entries and prepare the necessary ledger accounts.

Or

b) An electricity company earned a profit of Rs. 18,50,000 during 2014-15. The capital base was Rs. 1,50,00,000 after deducting the Electricity Board loan of Rs.50,00,000. Besides the company had a reserve of Rs. 10,00,000 invested in 5% Govt. Securities. Calculate Reasonable Return and amount refundable to consumers. (Assume RBI Rate as 8%).

5. a) From the following particulars prepare a branch account showing the profit or loss at the.

Branch.	Rs.
Opening Stock at the branch	15,000
Goods sent to the branch	45,000
Sales	60,000
Salaries	5,000
Other expenses	2,000

Closing stock could not be ascertained but it is known that the branch usually sells at cost plus 20%. The branch manager is entitled to a commission of 5% on the profit of the branch before charging such commission.

Or

b) What are the advantages of Departmental Accounting?

6. a) A fire occurred in the premises of Mr. Alagu on 15<sup>th</sup> August 2015. A large part of the stock was destroyed and Rs.7,500 was realized for the salvage. For the period from 1<sup>st</sup> January 2015 to 15<sup>th</sup> August 2015, the following information is available:

- i) Purchases amounted to Rs.42,500
- ii) Sales amounted to Rs.45,000
- iii) Stock on hand on 1<sup>st</sup> January 2015 was Rs.20,000 at cost price.
- iv) Goods costing Rs.2,500 were taken by Alagu for his personal use.

The previous accounts reveal that the rate of Gross profit was 3 3<sup>1</sup>/<sub>3</sub> % on sale.

The insurance policy was for Rs.25,000 and included an average clause.

----- Prepare the statement of claim to be made in the insurance company:-----

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Or

- b) A fire occurred on the premises of Mr.Praveen on 30<sup>th</sup> June 2015, destroying the greater part of his stock. No stock records have been maintained. The following information was ascertained from his books which were not involved in the fire:

Accounting year	Sales Rs.	Gross Profit Rs.
2012	12,50,000	3,75,000
2013	8,00,000	1,60,000
2014	9,50,000	95,000
2015	2,83,000	?
Value of Stock on 1.1.2015		Rs.75,000
Purchases from 1.1.2015 to 30.6.2015		Rs.2,60,000
Value of stock salvaged		Rs. 10,000

Prepare a statement showing the amount to be claimed from the insurance company.

SECTION r- C (3 X 10 = 30)

Answer any Three Questions

Each question carries equal marks

7. From the following information relating to Lakshmi Bank Ltd., prepare the Profit & Loss A/c for the year ended 31<sup>st</sup> Dec ,2015.

	Rs.
Rent received	72,000
Exchange and commission	32,800
Interest on fixed deposits	11,00,000
Interest on savings bank A/c's	2,72,000
Interest on overdrafts	2,16,000
Discount on bills discounted ,	7,80,000
Interest on current accounts .	1,68,000
Interest on cash credits	8,92,000
Depreciation on bank property	20,000
Salaries and allowances	2,18,000
Postage	5,600
Sundry charges	4,000
Director's & Auditor's fees	16,800
Printing	8,000
Law charges	3,600
Locker rent	1,400
Transfer fees	2,800
Interest on loans	10,36,000

8. The books of Jai Prakash Insurance Co. Ltd. contain the following information in respect of fire insurance as on 31.3.2016. (Rs. in '000)

Provision for unexpired risks (1.4.15)	80,000
Estimated liability in respect of outstanding claims:	
On 1.4.2015	10,000
On 31.3.2016	15,000
Medical expenses regarding .claims	1,000
Claims paid *	70,000
Reinsurance premium	14,500
Reinsurance recoveries	1,500
Premiums	1,90,000

Commission on direct business	25,000	
Commission on reinsurance ceded	3,000	
Commission on reinsurance accepted	1,000	
Refund of double taxation	600	
Management expenses	55,000	
Interest & Dividends		8,000 '
Legal expenses regarding claims	1,500	
Profit on sale of investments	1,750	
Additional reserve on 31.3.2015	60,000	

Additional reserve is to be increased by 10% of the net premium income. Prepare revenue A/c keeping the reserve for unexpired risks at 50% of premium income.

The following are the balances as at 31.3.2014 in the books of Southern Railway Co. Ltd. Make out the receipts and expenditure on capital account for the year 2014 and the general balance sheet as at 31.12.2014

	Rs.
Traffic accounts due from other railways	1,31,900
Expenditure on lines open for traffic	2,88,000
Expenditure on working stock	96,000
Expenditure on motor boats	48,000
Expenditure on docks, harbours and wharves	45,000
Subscription to other companies	30,000
Preference shares paid up as at 31.12.2014	2,55,000
Ordinary shares paid up as at 1.1.2014	2,40,000
Ordinary shares issued in 2014 and paid up	60,000
Premium on shares as at 1.1.2014	16,500
Premium on shares received in 2014	6,600
Debentures	99,000
Net revenue account, balance at credit	860
Renewal reserve account	7,500
Sundry creditors	3,750
Cash at bank	4,110
Cash on deposit in bank	13,500
Investment	8,700
Spares stock	7,500
Sundry debtors	16,500

10. The following purchases were made by a business house having three departments.

Dept. A - 1,000 units  
 Dept. B - 2,000 units at a total cost of Rs. 1,00,000  
 Dept. C - 2,400 units

Stocks on 1<sup>st</sup> January were:

Dept. A - 120 units  
 Dept. B - 80 units  
 Dept. C - 152 units

Sales were:

Dept. A - 1020 units at Rs.20 each  
 Dept. B - 1920 units at Rs.22.50 each  
 Dept. C - 2496 units at Rs.25 each

The rate of gross profit is same in each case. Prepare Departmental trading account:

CONTINUATION SHEET

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Title of the Paper

..... Code No. J±ZY.£?..\_\_\_\_\_ Semester No.....JL

11. A fire occurred in the business premises of Raghavan on 19.7.2014. From the following particulars ascertain the loss of stock and prepare a claim for insurance.

	Rs.
Stock on 1.1.2013 ,	36,720
Stock on 31.12.2013	• 32,400
Sales for 2013	2,16,000
Purchases for 2013	1,46,400
Purchases from 1.1.2014 to 19.7.2014	1,76,400
Sales from 1.1.2014 to 19.7.2014	1,80,000

The stocks were always valued at 90% of cost. The stock saved from fire was worth Rs.21,600  
The amount of the policy was Rs.75,600. There was an average clause in the policy. .