

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MCom (CS) DEGREE EXAMINATION MAY 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. Which of the following is not shown under the heading 'Share Capital' in a Balance Sheet?
(a) Subscribed Capital (b) Issued Capital
(c) Reserve Capital (d) Authorised Capital
2. Which of the following cannot be used for the purpose of creation of capital redemption reserve account?
(a) Profit & Loss A/c (credit balance) (b) General Reserve A/c
(c) Dividend Equalization Reserve A/c (d) Unclaimed Dividends A/c
3. When two or more existing companies combine together to form a new company, it is termed as
(a) Amalgamation (b) Absorption
(c) External reconstruction (d) Internal reconstruction
4. What is the percentage of profit to be transferred to statements reserve by the banking company?
(a) 25% (b) 15 %
(c) 20% (d) 10%
5. State the percentage of profit of life business to be distributed to policy holder?
(a) 25% (b) 95 %
(c) 50% (d) 40%

SECTION - B (15 Marks)

Answer ALL Questions

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

6. a) Ashok Ltd. invited application for 15,000 shares of Rs.100/- each. The share amount was payable as under – Rs.20/- on Application Rs.30/- on Allotment Rs.20/- on First Call & Rs.30/- on Final Call. Applications were received for 10,000 shares. Applications were accepted by the directors. All moneys were called and duly received. Show the necessary journal entries.

Or

- b) Rashid Ltd. Has Rs.10, 00,000 8% debentures outstanding on 1.1.96. The company has been redeeming every year on January 1st Rs.1, 00,000 debenture by drawing by lot, at par. Produce the necessary journal entries:

- a) If the redemption is out of profit
- b) If the redemption is out of capital

7. a) A Limited Company issued on 1st July 2000, 10,000 redeemable preference shares of Rs.10 each. Such shares are redeemable at a premium of 10%. Two-fifths of this issue was redeemed out of profits on 10th January 2004. On 20th January 2004, the Company issued 20,000 equity shares of Rs.10 each at a premium of Rs.4 per share. Out of the proceeds of such issue, the balance of Redeemable Preference Shares was redeemed.

Show journal entries to record these transactions in the books of the company.

Or

Cont...

b) A company incorporated on 1st April to acquire the running business of partnership firm from 1st January. Accounting year ends on 31st December. Determine the Sales Ratio of pre-incorporation and post-incorporation periods from the following information:

1. Sales for the whole year (Jan. to Dec.) Rs.720,000
2. Sales for January, June and July twice the average.
3. Sales for August 1.5 times of the average.
4. Sales for March and September 1/2 of the average.

8. a) Strong Ltd takes over Weak Ltd. In pursuance of a scheme of amalgamation and it was agreed that the shareholders of Weak Ltd must be issued shares in Strong Ltd. and the exchange is to be determined on the basis of the intrinsic values of the shares of the two companies concerned. The capital of Weak Ltd. comprises 1,00,000 equity shares of Rs.10 each. The intrinsic values were, strong Ltd, Rs.40 and Weak Ltd. Rs.25. In allotment fractional shares are aggregate to 500. The market value of the shares of Strong Ltd was Rs.60. You required to prepare the purchase consideration payable to Weak Ltd.

Or

b) Bee Ltd. has 60,000 equity shares Rs.100 each, Rs.80 per share called up. Now the company decides to pay off Rs.20 per share of the paid up capital and the same time to reduce the Rs.100 share to Rs.60 share fully paid up by cancelling the unpaid amount. Show the journal entries.

9. a) The Trail Balance of the Nedungadi Bank Ltd., as on 30th June 1984 shows the following balances.

	Rs.
Interest and discount	45,40,600
Rebate on bill discounted (01.07.83)	4,750
Bills discounted and purchased	3,37,400

The unexpired discount as on 30.06.84 is estimated to be Rs.5560. Produce the necessary adjusting entries and calculate the amount of interest and discounted to be credited to Profit and Loss Account.

Or

b) As on 31st December 1985, the books of the Hercules bank, include among others, the following balances

	Rs.
Rebate on bills discounted (1.1.85)	3,20,000
Discount received	46,00,000
Bills Discounted and Purchased	3,15,47,000

Throughout 1985, the bank's rate for discounting has been 18%

On investigation and analysis, the average due date for the bills discounted and purchased is calculated as 14th February, 1986.

Show the calculation of the amount to be credited to the banks Profit and Loss account under earned for the year 1985.

10. a) The life fund of a life insurance company on 31.03.2006 showed a balance of Rs.54,00,000. However, the following items were not taken into account while preparing the revenue A/c for 2005-06:

	Rs.
Interest and dividends accrued on investments	20,000
Income Tax deducted at source on the above	6,000
Reinsurance Claims recoverable	7,000
Commission due on reinsurance premium paid	10,000
Bonus in reduction of premiums	3,000

Prepare the True Life Fund of Life Insurance Co. as on 31.03.2006.

Or

Cont...

b) A life Assurance Company prepared its Revenue A/c for the year ended 31.03.2006 and ascertained its Life Assurance fund to be Rs.28,35,000. It was found later that the following had been omitted from the accounts:

	Rs.
Interest accrued on investments ; Income tax liable to be deducted thereon is estimated to be Rs.10,500	39,000
Outstanding premiums	32,800
Bonus utilized for reduction of premium	6,750
Claims intimated but not admitted	17,400
Claims covered under reinsurance	6,500

Show the true Life Assurance Fund.

SECTION -C (30 Marks)

Answer ALL questions

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

11. a) A company with an authorized capital of Rs.25,00,000 issued a prospectus inviting applications for 1,00,000 shares of Rs.10 each and stating that 10,000 shares will be issued in addition as fully paid to vendors in part payments of purchase money. The terms of payment being Rs.5 per share on application; Rs.2.50 per share on allotment; and Rs.2.50 per on first and final call.

The capital offered was over-subscribed by 10,000 shares. The amount due on allotment was received in full. Only Rs.2, 00,000 were received against first and final call.

The purchase money of Rs.1, 50,000 was paid in full. Construct the necessary journal entries in the books of the company.

Or

- b) A ltd invited application for 10000 shares of Rs. 100 each at a discount of 5% payable as follows:

On application	Rs.25
On allotment	Rs.34
On first & Final Call	Rs.36

Applications were received for 9,000 shares and all of these were accepted. All moneys due were received except the first and final call on 100 shares which were forfeited. Of the forfeited shares, 50 shares were reissued at the rate Rs.90 as fully paid. Show necessary journal entries in the books of the company.

12. a) The Balance sheet of Producers Ltd., as at 31st December, 1974 is as follows:

Liabilities	Rs.	Assets	Rs.
Share capital:		Fixed assets:	
500 redeemable preference shares of Rs.100 each fully paid	50,000	Land & buildings	1,00,000
9,000 equity shares of Rs.10 each fully paid	90,000	plant	30,000
Reserves and surp		Furniture	2,000
Share premium	10,000	current Assets:	
General reserve	20,000	Stock	30,000
Profit & loss A/c	25,000	Debtors	15,000
Current liabilities	30,000	Investments	28,000
		Bank	20,000
	<u>2,25,000</u>		<u>2,25,000</u>

Cont...

The company decided to redeem its preference shares at a premium of 5 percent, on 31st jan, 1975. A fresh issue of 1,000 equity shares of Rs.10 each was made at Rs. 12 per share, payable in full on 31st jan, 1975. These were fully subscribed and all moneys were duly collected. All the investments were sold realizing Rs.27,000. The Directors wish that only a minimum reduction should be made in the revenue reserves. You are required to give the journal entries, including those relating to cash to record the above transactions.

Or

- b) Krishna Ltd. This had Rs.50, 00,000 10% debenture outstanding, made the following purchases in the open market for immediate cancellation:

1.4.1997 – 1000 debenture of Rs. 100 each at Rs.99

1.9.1997 – 2000 debenture of Rs.100 each at Rs.97

You are required to give the journal entries for the purchase and cancellation of the debentures.

a) If the above purchases rates are “Ex – interest”

b) If the above purchase rates are “cum-interest”

Assume that interest is payable every year on 30th June and 31st December.

13. a) The moon Co.ltd and the rising star Co.ltd, have agreed to amalgamate. A new company, sunshine Co ltd has been formed to take over the combined concern as on 31st December. After negotiations, the assets of the two companies have been agreed as shown in the following balance sheets:

The Moon Co. Ltd.

Liabilities	Rs.	Assets	Rs.
Issued capital:		Land and Buildings	500000
100000 Equity Shares of Rs. 10 each fully paid up	10 00 000	Machinery and Plant	200000
Sundry Creditors	80000	Patents	110000
Profit and Loss Account	50000	Stock	150000
		sundry Debtors	120000
		Cash in bank	50000
	11 30 000		11 30 000

The Rising Star Co. Ltd.

Liabilities	Rs.	Assets	Rs.
Issued capital:		Land and Buildings	300000
50000 Equity Shares of Rs. 10 each fully paid up	500000	Machinery and Plant	250000
Sundry Creditors	50000	Goodwill	50000
Reserve fund	50000	Stock	20000
Profit and Loss Account	50000	sundry Debtors	20000
		Cash at bank	10000
	650000		650000

Show how the amount payable to each company is arrived at and prepare the amalgamation Balance sheet of the new company.

Or

Cont...

b) Balance Sheet of Boopa Ltd. as on 31st March, 2009.

Liabilities	Amount	Assets	Amount
80000 Equity shares of Rs.10 each	800000	Good Will	200000
5000 8% Preference Shares of Rs.100 each	500000	Other Fixed Address	900000
4000 9% Debentures of Rs.100 each	400000	Current Assets	700000
Sundry Creditors	300000	Profit and Loss Account	200000
	2000000		2000000

Following scheme of reconstruction has been passed and approved by the court on 1.4.2009:

(i) The equity shares are to be reduced to shares of Rs. 6 each fully paid 8% Preference shares are to be reduced to 10% Preference shares of Rs. 80 each fully paid. Number of shares to remain the same.

(ii) 9% debentures are to be reduced to 10% debentures of Rs. 80 each fully paid.

(iii) The amount so available will used to write off loss and goodwill first and there after fixed assets to the extent possible.

You are required to give journal entries and Balance Sheet in the books of Boopa Ltd.

14. a) From the following balances extracted from the books of Tushar Bank Ltd., Akola, prepare the Profit and Loss Account for the year ended 31st March 2015.

Particulars	Rs.
Current accounts	1,60,00,000
Savings Accounts	60,00,000
Fixed and time deposits	19,00,000
Acceptances	4,00,000
Unclaimed dividend	60,000
Dividend 2013-2014	1,00,000
Profit and Loss A/c (Credit) on 1-4-2015	4,20,000
Reserve fund	7,00,000
Share Capital: 20,000 shares of Rs. 50 each.	10,00,000
Interest and discount received	15,00,000
Interest paid	4,00,000
Borrowings from other banks	14,00,000
Money at call	6,00,000
Investments (Market value Rs. 62,00,000)	60,00,000
Premises (After depreciation upto 31-3-2014 Rs. 2,00,000)	24,00,000
Sundry creditors	60,000
Bills payable	16,00,000
Bills for collection	2,80,000
Salaries	1,60,000
Rent and taxes	40,000
Audit fee	4,000
Printing	10,000
General expenses	6,000
Cash in hand	1,20,000
Cash with R.B.I.	30,00,000
Cash with other banks	26,00,000
Bills discounted and purchased	12,00,000
Loans, overdrafts and cash credits	1,40,00,000

Adjustments :

1) Authorised share capital is Rs. 20,00,000 divided into 40,000 shares of Rs. 50 each.

2) Rebate on bills discounted amounted to Rs. 10,000.

3) Create a provision for taxation Rs. 2,00,000.

4) Provision for bad and doubtful debts is required to be made at Rs. 60,000.

5) Provide 5% depreciation on the original amount of premises

Or

Cont...

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 overdraft	56
Commission charged to customers	9	Directors and auditor's fees	4
Establishment expenses	56	Interest on saving bank account	70
Discount on bills discounted	200	Postages and telegrams	2
Printing and advertisements	3	Sundry charges	2

15. a) The under mentioned balances form part of the Trial Balance of the All People's Assurance Co. Ltd., as on 31st March, 2012:

Amount of Life Assurance Fund at the beginning of the year, Rs. 14,70,562 thousand; claims by death Rs. 76,980 thousand; claims by maturity, Rs. 56,420 thousand; premiums, Rs. 2,10,572 thousand; expenses or management, Rs. 19,890 thousand; commission, Rs. 26,541 thousand; consideration for annuities granted Rs. 10,712 thousand; interests, dividends and rents, Rs. 52,461 thousand; income tax paid on profits Rs. 3,060 thousand; surrenders, Rs. 21,860 thousand; annuities, Rs. 29,420 thousand; bonus paid in cash, Rs. 9,450 thousand; bonus paid in reduction of premiums, Rs. 2,500 thousand; preliminary expenses balance, Rs. 600 thousand; claims admitted but not paid at the end of year, Rs. 10,034 thousand; annuities due but not paid, Rs. 2,380 thousand; capital paid up, Rs. 14,00,000 thousand; Government securities, Rs. 24,90,890 thousand; Sundry Fixed Assets, Rs. 4,19,110 thousand.

Prepare Revenue Account and the Balance Sheet after taking into account the following:

- Claims covered under reinsurance, Rs. 10,000 thousand – By death
- Further Claims intimated, Rs. 8,000 thousand - By death
- Further bonus utilized in reduction of premium, Rs. 1,500 thousand
- Interest Accrued, Rs. 15,400 thousand;
- Premium Outstanding, Rs. 7,400 thousand.

(Or)

b) The following balances have been extracted from the books of South India Marine Insurance Co. Ltd. on 31st December 2006:

	Rs.
Premium less reinsurance	98,61,000
Commission on direct business	4,40,000
Commission on Reinsurance ceded	52,000
Commission on Reinsurance Accepted	38,000
Depreciation	64,000
Loss on sale of investment	1,00,000
Claims paid less reinsurance	50,40,000
Directors Remuneration	3,00,000
Interest on Dividend (net) not relating to any fund	2,75,000
Reserve for unexpired risks 1.1.2006	78,00,000
Additional Reserve 1.1.2006	7,80,000
Claims Outstanding 1.1.2006	3,78,000
Claims Outstanding 31.12.2006	4,58,000
Tax Deducted on interest and dividends	80,000
Salary	6,40,000
Rent and Taxes	58,000
Postage, Stationary and Telegram	86,000
Profit and loss appropriation account 1.1.2006	19,50,000
Provision for taxation to be made for 2006	6,08,000
Investment reserve to be increased by	1,50,000

Reserve for unexpired risks to be maintained @ 100% of the net premium income. Additional reserve of 10% on the said premium is also to be maintained. Draw up revenue account and the profit and loss account, profit and loss appropriation account for the year ended 31st December 2006.

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