

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom(CS) DEGREE EXAMINATION MAY 2024  
(Fifth Semester)

Branch – CORPORATE SECRETARYSHIP

CORPORATE ACCOUNTING - II

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(5 x 1 = 5)

- Liability of partly paid shares will be shown as a \_\_\_\_\_ liability.  
(a) Other liabilities and provisions                      b) Interest suspense, Interest  
c) Contingent liabilities                                      d) None of the above
- Indicate the correct answer from the choices given below:  
Survey Expenses for fire insurance claims must be .  
(a) Added to management expenses                      b) Shown as a separate item in Revenue A/c  
c) Added to claims    d) None of the above
- Original cost of an asset is Rs.1,00,000. Present cost of its replacement is Rs.1,30,000. The amount spent in its replacement is Rs.1,52,000. The amount to be capitalized will be  
a) Rs.22,000                      b) Rs.1,52,000                      c) Rs.1,30,000                      d) Rs.52,000
- Branch not keeping the full system of accounting is also known as \_\_\_\_\_  
a. Foreign branch    b. Dependent branch  
c. Independent branch    d. None of the above
- The cost of salvaged stock must be  
a. credited to trading account                                      b. debited to salvaged stock account  
c. debited to insurance standing charges account                      d. both a and b

SECTION – B (15 Marks)

Answer ALL questions

ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

6. (a) From the following information relating to Adarsh Bank Ltd., prepare Profit and Loss Account for the year ended 31<sup>st</sup> March, 2021 along with the necessary schedules:

Items	Amount for the year ended 31-3-2021 ₹ (in '000)	Items	Amount for the year ended 31-3-2021 ₹ (in '000)
Interest/discount on advances/bills	31,628	Advertisement and publicity	87
Income on investments	11,810	Depreciation on Bank's property	292
Interest on balances with Reserve Bank of India	4,243	Directors' fees, allowances and expenses	7
Commission, exchange and brokerage	2,907	Auditors' fees and expenses	41
Profit on sale of investments	114	Law charges	22
Interest on deposit	31,404	Postage, telegrams, telephones, etc	312
Interest on RBI borrowings	3,362	Repairs and maintenance	91
Payment to and provisions for employees	9,717	Insurance	915
Rent, taxes and lighting	955	Other expenditure	884
Printing and stationery	213	Balance of profit and loss account b/f	1,524

Cont...

Q.no 6(a) Cont...

Following adjustments are to be made:

- Make a provision for income-tax (including surcharge) @25%.
- Every year, the bank transfers 25% of profit to statutory reserve and 5% of profit to revenue reserve.
- Dividend amounting to ₹ 2,00,000 for the year ended 31<sup>st</sup> March, 2021 is proposed by the Board of Directors.

(OR)

6(b) From the books of accounts of New Bank Ltd., as on 31<sup>st</sup> March, 2021 the following particulars regarding loans and advances given by the bank in India are available

i	Loans to corporate sector fully secured (excluding banks including companies in which director or interested)	10,00,000
ii	Loan to vijay bank limited – fully secured	3,00,000
iii	Debts due by officers (excluding directors – fully secured)	2,00,000
iv	Loans to non-corporate sectors – fully secured	9,00,000
v	Loans to Nagrik Bank Ltd – fully secured	4,00,000
vi	Debts due by Manogka, a director of the bank – fully secured	1,00,000
vii	Debts considered good which are unsecured	5,00,000
viii	Debts due by companies in which the directors are interested, fully secured	6,00,000
ix	Maximum amount of debts at any time during the year	15,00,000
x	Doubtful debts	50,000
xi	Provision for bad and doubtful debts	75,000
xii	Maximum amount of debts due by officers and directors at any time during the year	5,00,000

You are required to show how the items are statutorily required to be entered in the balance sheet of the bank.

7 a. From the following trial balance of long life insurance company, prepare the revenue account and balance sheet. The statements need to be in the prescribed format

	Amount in lakhs		Amount in Lakhs
Debit Balance:		Credit Balance – Life insurance	
Income Tax on interests, dividend and rent	30	Fund –	
Income Tax paid	25	Opening Balances	5,500
Claims paid ( Net of Reinsurance)		Premium less insurances	2,000
By Death	250	Outstanding claims ( Net of Reinsurances)Opening Balance	
By Maturity	170	By Debt	110
Property at cost		By Maturity	75
(Additions of Rs.80 lakhs)	600	Considerations for Annuities	
Furniture and Office Equipment at cost	50	Granted	100
Annuities	150	Registration fees	5
Stationary	8	Interest, dividend, and rents	250
Cash at Bank	396	Contingencies Reserve	200
Cash in Hand	4	Provision for Taxation	50
Surrenders ( Net of Reinsurances)	5	Property depreciation	35
Commission	80	Furniture and office equipment	5
Expenses of Management	400	Depreciation	
Sundry Debtors	12	Sundry Creditors	30
Loans on policies	350		
Deposits with RBI	30		
Investment in Equity Shares of companies	5,800		
	<b>8,360</b>		<b>8,360</b>

Cont...

Q.no 7(a) Cont...

Other information

1. Premium less insurances includes Rs.8 Crores First year's premium, Rs.11 Crores renewal premium and Rs.1 Cr Single Premium.
2. Premium outstanding at the end of the year Rs.250 lakhs.
3. Commission on outstanding premium Rs.7.5 lakhs
4. Claims less insurances outstanding at the end of the year are Rs.50 lakhs (by death) and Rs.30 lakhs (by maturity)
5. Depreciation to be provided Rs.10 lakhs on property and Rs.1.6 lakhs and Furniture and office equipment.
6. Income Tax provision to be made for Rs.20 lakhs.
7. Expenses of Rs.3 Lakhs and Rs.10 Lakhs are prepaid and outstanding respectively, at the end of the year.
8. Accrued interest, dividend and rent are Rs.25 Lakhs.

**OR**

7. b) After the valuation on March 31, 2021 in the books of Life Assurance company Ltd., the actuary's certificate disclosed the net liability on policies and annuities at Rs.50,40,000. From the following information prepare the revenue account and ascertain profit and loss made by the company. It was further decided by the directors to transfer the sum of Rs.1,00,000 to the investment fluctuation fund which stood at Rs.2,00,000 on that date to right down investment from Rs.49,00,000 to Rs.46,00,000 if the valuation revealed a surplus.

Bonus in Cash	1,00,000	Expenses of Management	2,50,000
Bonus in reduction of Premium	10,000	Commission	1,00,000
Surrenders	2,00,000	Annuities	8,00,000
Premiums	35,00,000	Consideration for Annuities granted	12,00,000
Interest, Dividend, Rent ( net)	12,00,000	Life Assurance fund on 1.4.2020	40,00,000
Claims	22,00,000	Interim Bonus paid for the Valuation Period	1,50,000

As a result of valuation it was decided that a revisionary bonus of Rs.150 per Rs.10,000 be granted and the company gave the policy holders the option to get bonus in cash @Rs.60 per Rs.10,000. The total business in force was Rs.9 Crores. One third of the Policy holders in value decided to get the bonus in cash. Draft the journal entries for the above decisions, giving effect to utilization of the surplus ; show how much the policy holders can get by way of share in profit (ignore taxation)

- 8.a. What is meant by double entry system? State the difference between double entry system and double account system.

**(OR)**

- 8.b The Indian Gas company rebuilt their works with double the capacity at the cost of Rs.8,00,000. The cost of the part of old works was Rs.3,50,000. In working the new works, old material of Rs.15,000 was reused and material worth Rs.25,000 was sold away. The costs of labour and materials are 50% higher now than when the old works were built. You are required to make necessary calculations and give journal entries.

- 9.a A Madras Head office has a Branch at Salem to which goods are invoiced at Cost plus 20%. From the following particulars prepare Branch a/c in the Head office Books.

Goods sent to Branch	Rs. 2,11,872
Total Sales	2,06,400
Cash Sales	1,10,400
Cash received from Branch Debtors	88,000
Branch Debtors on 1.1.96	24,000
Branch Stock on 1.1.96	7,680
Branch Stock on 31.12.1996	13,440

**(OR)**

Cont...

- 9 b. The proprietor of large retail store wished to ascertain approximately the net profit of the X, Y and Z departments separately for the three months ended 31<sup>st</sup> March 1996. It is found impracticable actually to take stock on that date, but an adequate system for departmental accounting is in use, and the normal rates of gross profit for the three departments concerned are respectively 40%, 30% and 20% on turnover before charging the direct expenses. The indirect expenses are charged in proportion to departmental turnover.

The following are the figures for the departments:

	X	Y	Z
	Rs.	Rs.	Rs.
Opening Stock (1-1-1996)	10,000	14,000	7,000
Purchases	12,000	13,500	9,700
Sales	20,000	18,000	16,000
Direct Expenses	2,000	1,500	700

The Total indirect expenses for the period (including those relating to other departments) were Rs.5,400 on the total turnover of Rs.1,08,000. Prepare a statement showing the approximate net profit, making a stock reserve of 10% for each department on the estimated value on 31.3.96.

- 10.(a) A fire occurred on 15<sup>th</sup> December 1999 in the premises of D Co.Ltd., From the following figures calculate the amount of claim to be lodged with the insurance company for loss of stock:

	Rs.
Stock at cost as on 1 <sup>st</sup> April 1998	2,00,000
Stock at cost as on 1st April 1999	3,00,000
Purchases for the year ended 31 <sup>st</sup> March 1999	4,00,000
Purchases from 1 <sup>st</sup> April, 1999 to 15 <sup>th</sup> December 1999	8,80,000
Sales for the year ended 31 <sup>st</sup> March 1999	6,00,000
Sales from 1 <sup>st</sup> April 1999 to December 15, 1999	10,50,000

During the accounting year 1999 – 2000, cost of purchases rose by 10% above the previous year's levels while selling price went up by 5%. The value of stock salvaged was Rs.20,000.

OR

- 10.b) A fire occurred on the premises of a businessman on 30<sup>th</sup> September 1999 destroying the greater part of the stock. No stock records have been maintained. The following information was ascertained from his book, which were not involved in the fire:-

	Rs.
Value of Stock on 1 <sup>st</sup> April 1999	1,25,000
Purchases from 1 <sup>st</sup> April 1999 to 30 <sup>th</sup> September 1999	4,55,000
Sales for the above period	5,66,000
Purchases during the year ended 31 <sup>st</sup> March 1997	22,00,000
Purchases during the year ended 31st March 1998	17,50,000
Purchases during the year ended 31st March 1999	15,00,000
Sales during the year ended 31 <sup>st</sup> March 1997	25,00,000
Sales during the year ended 31 <sup>st</sup> March 1998	16,00,000
Sales during the year ended 31 <sup>st</sup> March 1999	19,00,000
Gross profit for the year ended 31 <sup>st</sup> March 1997	7,50,000
Gross profit for the year ended 31 <sup>st</sup> March 1998	3,20,000
Gross profit for the year ended 31 <sup>st</sup> March 1999	1,90,000
Value of the stock saved from fire	25,000

Prepare a statement showing the amount to be claimed from the insurance company, mentioning any further factors which you consider should be taken in to consideration when preparing the claim.

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**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 6 = 30)

11.A. On December 31<sup>st</sup> 2016, the following balances stood in the books of Asian Bank Ltd., after preparation of its profit & loss account.

	Rs. (in '000)
Share Capital Issued and Subscribed	4,000
Reserve fund (under Section 17)	6,200
Fixed Deposit	42,600
Savings Bank Deposit	19,000
Current Account	23,200
Money at call and short notice	1,800
Investment	25,000
Profit & Loss Account (Cr) 1 <sup>st</sup> Jan 2016	1,350
Dividend for 2016	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
Unclaimed Dividend	60
Rebate on Bills discounted	50
Short loans (borrowing from other banks)	4,750
Furniture	1,164
Other Asset	336
Net Profit for 2016	1,550

Prepare Balance sheet of the Bank as on 31<sup>st</sup> December 2016

OR

11.b. From the following balances of Saraswathy bank ltd., as on 31<sup>st</sup> December 2015, prepare balance sheet in the prescribed form.

	Rs. (in '000)
Paid Up Share Capital ( Shares of Rs.100 each fully paid)	2,000
Bill Discounted	1,800
Reserve Fund	770
Cash Credit	2,000
Over Draft	800
Unclaimed Dividends	10
Loans	4,600
Current Deposits	3,800
Furniture	40
Profit & Loss Account (Cr)	220
Stamps and Stationary	10
Cash in Hand	500
Cash with Reserve Bank	1,300
Branch Adjustments (Dr)	170
Investments	950
Loans (Cr)	1,200
Recurring Deposits	1,000
Fixed Deposits	2,000
Cash Certificates	1,000
Contingency Reserve	170

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## Adjustment

- (a) Rebate on Bill discounted Rs.10,000  
 (b) Provide Rs.18,000 for Doubtful Debts  
 (c) Banks acceptances on behalf of Customers were Rs.6,50,000

12.a. Prepare from the following Life Insurance Revenue Account and Balance Sheet as on 31.03.2017.

Claims by death	16,890	Outstanding interest on Advances (31.3.2017)	1,944
Agents salary and allowances	6,420	Bonus paid with claims	2,700
Surrender value paid	2,810	Endowment assurance matured	24,415
Actuarial expenses	1,520	Annuities Paid	1,350
Premiums	94,836	Interest Revenue	19,060
Commission to Agents	8,900	Rent, Rates & Taxes	5,475
Salaries	13,500	General Charges	1,860
Medical fees	1,200	Fees Received	172
Travelling expenses	1,800	Bonus paid in cash	2,825
Directors fees	900	Advertisement	726
Agents balances	750	Consideration for Annuities	12,853
Claim expenses	1,432	Printing & Stationary	650
Premium outstanding (1.4.2016)	2,134	Claims O/S (1.4. 2016)	2,376
Premium outstanding (31.3.2017)	3,143	Claims O/S (31.3.2017)	3,735
Investment	1,46,700	Loans on Policies	38,300
Share Capital	2,00,000	Loans on Mortgages	2,90,560
Sundry Creditors	9,200	Freehold premises	1,22,600
Life Assurance Fund (01.04.2016)	3,53,672	Furniture & fittings	64,100
Reserve Fund	1,46,000	Cash on hand & Deposits	76,300

## OR

12.b. From the following particulars relating to 'Z' insurance Co.,Ltd., Prepare fire revenue account for the year ending 31.03.2015

	(Rs. In '000)		(Rs. In '000)
Claim Paid	4,80,000	Premium Received	12,00,000
Claims outstanding on 1.4.2014	40,000	Re insurance premium paid	1,20,000
Claims intimated but not accepted and paid on 31.3.2015	10,000	Commission	2,00,000
Claims intimated and accepted but not paid on 31.3.2015	60,000	Commission on Reinsurance ceded	10,000
Commission on Reinsurance accepted	5,000	Provision for unexpired risk on 1.4.2014	4,00,000
Expenses of Management	3,05,000	Additional provision for unexpired risk on 1.4.2014	20,000
Bonus in Reduction of Premium	12,000		

You are required to provide for additional reserve for unexpired risk at 1% of net premium in addition to the opening balance.

Cont...

13.a. City Electricity Limited earned a profit of Rs.8,45,000 during the year ended 31<sup>st</sup> March 2014 after debenture interest @7 ½ % on Rs.2,50,000. With the help of figures given below, show the disposal of profit.

	Rs.
Original cost of Fixed Asset	1,00,00,000
Formation and other Expenses	5,00,000
Monthly average of Current Asset (Net)	25,00,000
Reserve Fund (Represented by 4% Govt. Securities)	10,00,000
Contingencies Reserve Fund Investment	2,50,000
Loan from Electricity Board	15,00,000
Total Depreciation written off to date	20,00,000
Tariff and dividend control reserve	50,000
Security Deposit received from Customers	2,00,000

Assume Bank rate to be 6%

OR

13.b. From the following information and details relating to the year ended 31<sup>st</sup> March 2021 and bearing in mind the provisions of electricity ( supply) act 1948, indicated disposal of profits of X Electricity Corporation Ltd.,

	Rs.		Rs.
Net Profit before charging debenture interest	35,00,100	Tariff and Dividends Control Reserve	8,40,000
Fixed Asset	4,20,00,000	Security Deposit from Customer	4,84,000
Depreciation written off on fixed asset	98,00,000	Customers contribution to main lines	3,20,000
Loan from Electricity Board	1,20,00,000	Preliminary Expenses	1,40,000
6% investment of the reserve fund (F.V.Rs.90,00,000)	90,00,000	Average of Current Asset / Excluding customer's balance of Rs.6,20,000	23,70,000
6% investment of the contingencies reserve	76,00,000	Development Reserve	4,40,000
		10% Debenture interest paid in the year	7,50,000

The Reserve Bank of India rate on the relevant date was 8%

14.a. A head office at Bhopal invoices goods to its branch at Indore at cost, and the branch sales to goods not only for cash but on credit also. The expenses of the branch are paid by the head office. From the following particulars relating to the branch opened on 1.1.1996, prepare the necessary accounts under stock and debtor system in the head office books.

	Rs.		Rs.
Goods sent to branch at cost	5,000	Credit sales	5,200
Goods returned by the branch at cost	300	Discount allowed to customers	180
Expenses paid by the Head office	1,000	Cash Sales	250
Remittance from Branch	4,200	Branch stock ( 31.12.1996)	1,700
Receipts from the Debtors not paid by branch	300	Branch Debtors ( 31.12.1996)	770

OR

14.b. A Bombay head office sent goods to Madras Branch at 25% profit over cost. From the following details prepare the necessary ledger accounts in the books of head office under stock debtors system.

	Rs.
Opening Stock of goods at branch at invoice price	20,000
Goods sent to branch at invoice price	90,000
Loss of goods in transit at invoice price	6,000
Pilferage at branch at the cost of the branch	1,200
Closing stock at branch at its cost to branch	16,000
Sales at Branch	1,05,000
Salaries and Wages at Branch	6,000
Other expenses of Branch	3,000

Cont...

Madras Branch received Rs.4,000 from the insurance company in settlement of the claim for the loss of goods in transit.

15.a. The following accounts stood in the books of business house on 1<sup>st</sup> April 1999.

	Rs.
Building ( Depreciation Provided Rs.40,000) at cost	2,00,000
Machinery ( Depreciation Provided Rs.80,000) at cost	3,00,000
Furniture at cost	10,000

On December 31, 1999 a fire destroyed the entire premises including machinery. The insurance company admitted the following claims:-

	Rs.
Building	2,10,000
Machinery	2,00,000
Furniture	6,000
Stock damaged	30,000
Stock destroyed	40,000
Loss of Profit	50,000

Depreciation on Building was written off at 5% per annum and that on machinery at 10% P.A. The amount claimed for stock damaged and stock destroyed were Rs.50,000 and Rs.45,000 respectively. The claim admitted for loss of profits was for 5 months. Journalize.

**OR**

15.b. Due to a fire in the godown of a company on 30<sup>th</sup> September 1997, the entire stock was burnt except some stock costing of Rs.70,000. The books were, however, saved.

From the information available, it was found that-

- (i) The company's average gross profit was 25% on sales
- (ii) The stock on 31<sup>st</sup> March, 1997 valued at 10% above cost was Rs.2,20,000
- (iii) The Purchases and sales from 1<sup>st</sup> April, 1997 upto the date of fire were Rs. 3,00,000 and Rs.6,80,000 respectively
- (iv) The wages for the period amounted to Rs.1,44,000.
- (v) The company got the stock insured for Rs.1,20,000.
- (vi) The policy had an average clause.

You are required to prepare a statement showing the amount of stock lost by fire and the amount of claim to be lodged with the insurance company.

Z-Z-Z END