

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BCom DEGREE EXAMINATION DECEMBER 2019
(Third Semester)

Branch - **COMMERCE (BUSINESS ANALYTICS)**

CORPORATE ACCOUNTING

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** marks (10x1 = 10)

- 1 Profit prior to incorporation belongs to
(i) The company (ii) The vender
(iii) Both the company and the vendor (iv) None of the above
- 2 Goods purchased for reselling is shown in the statement of profit and loss as.
(i) Cost of Materials consumed (ii) Purchase of stock in trade
(iii) Changes in inventories (iv) None of these
- 3 Accounting standard for amalgamation is
(i) AS-8 (ii) AS-20 (iii)AS-14 (iv) AS-3
- 4 The method of accounting used to record amalgamations in the nature of merger is called _____ method.
(i) Net assets (ii) Lumpsum (iii) Net payment (iv) Pooling of interest
- 5 Good will is shown in company's balance sheet under the head
(i) Fixed assets (ii) Investments (iii)Miscellaneous Expenditure (iv) Current assets
- 6 A contributing is a
(i) Unsecured Creditor (ii) Preferential Creditor
(iii) Shareholder (iv)Debenture holder
- 7 A company in which more than 50% of shares are held by another company is termed as
(i) Holding Company (ii) Subsidiary Company
(iii) Govt. Company (iv) Public Company
- 8 Profits earned by a subsidiary company up to the date of acquisition of shares by the holding company are called
(i) Revenue Profits (ii) Capital Profits
(iii)Revaluation Profits (iv)Realisation Profits
- 9 The heading other assets does not include
(i) Stationary and stamps (ii)Interest accrued (iii) Gold (iv) Silver
- 10 Claims paid by life insurance companies is shown in
(i) Schedule 1 (ii) Schedule 2 (iii) Schedule 3 (iv) Schedule 4

SECTION - B (35 Marks)

Answer **ALL** Questions

ALL Questions Carry **EQUAL** Marks (5x7 = 35)

- 11 a S & R C., Ltd. was incorporated on July 1, 1992 to purchase the business of Nisha Bros., as on 1.4.92 Certificate of commencement of business was received on 1.8.92. The accounts for the year ended 31.3.93 disclosed net profits of Rs..80,000 after charging the following:
i) Director's salary - Rs. 10,000.
ii) Salaries - Rs.20,000 (4 employees) in pre incorporation period and six employees in post incorporation period).
iii) Wages - Rs. 10,200 (5 workers at Rs.80 per month in pre incorporation period and 10 workers at Rs.100 per month in post incorporation period). The sales were Rs.3,00,000 of which Rs.75,000 were in pre incorporation period, calculate profit earned in the pre and post incorporation periods.

OR

- b A company has fixed assets of Rs.2,00,000 and profit after depreciation 5% p.a. Rs.80,000 and the Income tax limit for depreciation is Rs.8,000.

- 12 a The company B takes over the business of company A. The value agreed for various assets is Goodwill Rs.22,000, Land and Buildings Rs.25,000 plant and Machinery Rs.24,000, stock Rs. 13,000, Debtors Rs.8,000. B company does not take over cash but agree to assume the liability of sundry creditors at Rs.5,000. Calculate purchase Consideration under Net asset method.

OR

- b The shares capital of Gandhilar Ltd. consisted of the following:
- 10,000 6% preference shares of Rs. 100 each and
 - 50,000 equity shares of Rs.10 each
- The shares were fully paid. The company had accumulated losses totaling Rs.3,50,000 besides preliminary expenses Rs.20,000. It was also ascertained that fixed assets which stood in the books at Rs. 14,00,000 were over - valued to the extent of Rs.4,00,000. The following scheme was adopted to write off the losses and reduce the assets.
- 6% preference shares were to be converted into 7% preference shares of Rs.60 each.
 - Equity shares to be reduced to Rs.2 each. Give Journal Entries.
- 13 a The following particulars are available in respect of the business carried on by Vasu:
- Capital employed Rs.50,000.
 - Trading Results - 2004 profit Rs.12,200; 2005 profit Rs.15,000; 2006 Loss Rs.2,000; 2007 profit Rs.21,000.
 - Market rate of interest on investment 8%.
 - Rate of risk return on capital invested in business 2%.
 - Remuneration from alternative employment of the proprietor (if not engaged in business) Rs.3,600 p.a

You are required to compute the value of goodwill on the basis of 3 years' purchase of super profits of the business calculated on the average profits of the last four years.

OR

- b The Ultra optimist went into liquidation. Its assets realized Rs.3,50,000 excluding amount realized by sale of securities held by the secured creditors.

	Rs.
Share Capital: 1000 shares of Rs.100 each	1,00,000
Secured Creditors (Securities realized Rs.40,000)	35,000
Preferential Creditors	6,000
Unsecured Creditors	1,40,000
Debentures having floating charge	2,50,000
Liquidation expenses	5,000
Liquidator's Remuneration	7,500

Prepare liquidator's final statement of account.

- 14 a BALANCE SHEET as on 31st March 2008

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Shares of Re.1 fully paid	24,000	10,000	Fixed assets	25,000	15,000
			Current assets	17,000	5,000
Reserve	10,000	2,000	Investments 10,000 shares of S Ltd.	13,000	
Profit & Losses a/c	4,000	2,000			
S. Creditors	17,000	6,000			
	55,000	20,000		55,000	20,000

Shares were acquired by H Ltd. on 30th September 2007. S Ltd transferred Rs. 1,000 from profits to reserve on 31st March 2008. Prepare the Consolidate Balance sheets.

OR

14 Cont...

b From the following Balance sheet of H Ltd. and S Ltd. Prepare Consolidated Balance Sheet.

Liabilities	H Ltd. Rs.	S Ltd. Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Shares of Rs.10 each	5,00,000	2,00,000	Assets	5,60,000	2,60,000
Reserve fund	1,00,000	-	60% shares in S Ltd. (at cost)	1,20,000	
Creditors	80,000	60,000			
	6,80,000	2,60,000		6,80,000	2,60,000

15 a Prepare profit and loss a/c for the year ended 31st March 2003 of New Bank Ltd from the following particulars.

	Rs.		Rs.
Interest on Loan	250	Discount on Bills discounted	40
Interest on Savings a/c	150	Rent, taxes, insurance	5
Interest on Cash Credit	160	Commission, change and brokerage	15
Interest on fixed deposit	190	Audit fees	10
Payment to Employees	150	Directors fees	20
Interest on overdraft	70		

OR

b From the following balance of National Insurance Company as on 31.03.2008 prepare a marine revenue account.

	Rs.		Rs.
Maring fund opening	16,40,000	Premium received	21,60,000
Legal Charges	2,400	Expenses of Management	8,00,000
Communication	10,000	Commission, earned on re-insurance ceded	1,20,000
Printing & Stationary	24,000		
Claims paid & Outstanding	7,60,000		
Commission paid	2,16,000		

SECTION - C (30 Marks!)

Answer any **THREE** Questions

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

16 The following is the Trial Balance of Adharsh & Co., Ltd as on 31.03.2003 with the authorized capital of 72,000 shares @ Rs. 10 each

	Debit	Credit
Cash in hand	900	
Cash at bank	3,55,980	
P/L a/c balance	-	17,400
Creditors	-	60,000
Debentures	-	3,60,000
Share Capital (called up)	-	5,52,000
Bills payable	-	45,600
Sales	-	4,98,000
Reserve for bad debts	-	4,200
General Reserve	-	30,000
Callls in arrear	9,000	
Wages	92,760	
Land and Building	3,60,000	
Plant and Machinery	4,32,000	
General Expenses	20,280	
Salaries	17,400	
Interim divided paid	9,000	
Furniture	40,000	

16 Cont...

Adjustments:

- i) Outstanding wages Rs.6,000; Salaries Rs.3,000.
 - ii) General expenses include prepaid insurance @Rs.300
 - iii) Provide depreciation on land and Buildings, plant and Machinery and Furniture 5% 10% and 20% respectively.
 - iv) Stock on 31.3.2003 amounted to Rs. 1,40,000
 - v) Outstanding interest on debenture Rs. 18,000
 - vi) Final dividend paid Rs.21,000
- Prepare Final Accounts.

17 The summarized balance sheets of Gery Ltd. and Reny Ltd. as on March 31 were as follows:

Liabilities	Gery Ltd Rs.	Reny Ltd Rs.	Assets	Gery Ltd Rs.	Reny Ltd. Rs.
Issued Capital- Shares of Rs.10 each	4,00,000	3,00,000	Good will	.	60,000
Creditors	40,000	1,20,000	Fixed assets Less depreciation	3,00,000	1,20,000
Profit & Loss a/c	70,000	.	Current assets	2,10,000	1,40,000
			P & L a/c	.	1,00,000
	5,10,000	4,20,000		5,10,000	4,20,000

Gery Ltd. resolved to take over the business of Rey Ltd. with effect from April 1. The shareholders of the latter company agreed to accept shares in the former compaijy on the basis that the shares of Gery. Ltd. were worth Rs.12 each and shares to Reny Ltd. were work Rs. 5 each. The purchasing company took over the fixed assets and of Reny Ltd. together with the current assets were not required to pay the liabilities.

Assuming the necessary formalities were carried out, make entries in the books of Gery Ltd., and draw up its Balance sheet immediately after the merger.

18 On 31.12.2007 the Balance sheet to Bee Ltd, showed the following.

Liabilities	Rs.	Assets	Rs.
40,000 Equity shares of Rs. 10 each	4,00,000	Fixed Assets	5,00,000
Reserves	90,000	Current Assets	2,00,000
Profit & Loss a/c	20,000	Goodwill	40,000
5% debentures	1,00,000		
Current liabilities	1,30,000		
	7,40,000		7,40,000

On 31.12.2007 the fixed assets were independently valued at Rs.3,50,000 and good will at Rs.50,000. The net profit for the three years were: 2005-Rs.51,600; 2006 - Rs.,52,000; 2007-Rs.62,000 of which 20% was placed to reserve. Fair investment return may be taken at 9% Calculate the value of shares by

- i) Net assets method and ii) Yield method

The summarized balance s|heets of H. Ltd. and S Ltd as on 31.12.200⁷, were as follows.

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd. Rs.	S Ltd. Rs.
Equity shares of Rs.100 each	2,50,000	1,00,000	Plant	1,20,000	54,700
Capital Reserve	.	60,000	Land	75,000	90,000
General Reserve	1,20,000	.	Investment in S Ltd	1,70,000	.
Profit & Loss a/c	28,600	18,000	Stock	70,000	18,000
Bank overdraft	50,000	.	Debtors	21,000	20,000
Bills payable (including Rs.1500 to H.Ltd)	.	4,200	Amount owing by S Ltd	1,000	
Creditors	23,550	.	Bank	7,250	4,000
Creditors:			Bills Receivable (including Rs. 1,500 from S.Ltd	7,900	
H Ltd	.	500			
Other		4,000			

19 Cont...

H Ltd acquired 800 equity shares of Rs.100 each in S Ltd on 1.04.2004. Prepare a consolidated balance sheet as on 31.12.2004 show your workings.

- i) Sundry creditors of H.Ltd include Rs.6,000 due to S Ltd.
- ii) The directors are advised that the land of S Ltd. are undervalued by Rs. 10,000 and its plant over valued by Rs.5,000.
- iii) A Cheque for Rs.500 sent H Ltd. by S Ltd on 31.12.2004 was not received by the former until 3.1.2005.

20 The following ledger balances of of Andhra Bank as at 31st March 2008 given below. Prepare profit and Loss a/c and Balance sheet as per requirements of law.

	Rs.
Statutory reserve	1,20,000
Bad Debts written off	12,800
Operating Expenses	18,200
Current Accounts	20,24,500
Interest paid	16,000
Deposit paid	6,92,000
Profit and Losses a/c brought forward	22,900
Bills Receivable for customers	1,50,000
Discount	24,400
Endorsement and guarantee	57,500
Commission	4,500
Cash	22,500
Interest earned	55,000
Balance with Reserve Bank	2,03,000
Balance with foreign Bank	1,20,600
Bills for collection	1,50,000
Borrowings from Banks	6,48,200
Cash credit and over draft	15,45,700
Investments	9,88,200
Bills Discounted	6,22,800
Premises	2,21,700
Share Capital	2,00,000

The following further information furnished:

- i) Rebate on bills discounted to be provided of Rs.6,400
- ii) The bank had paid an in term dividend of Rs.20,000 during the year.

Z-Z-Z

END