



K17P 1383

Reg. No. : .....

Name : .....

**Third Semester M.Com. Degree (Reg./Suppl./Imp.)**  
**Examination, November 2017**  
**(2014 Admn. Onwards)**  
**COM3C 12 : CORPORATE ACCOUNTING**

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (a), **3** marks for Part (b) and **5** marks for Part (c).

1. a) Define purchase consideration.  
b) Distinguish between pooling of interest method and purchase method.  
c) A company resolved the following :
  - i) To reduce its 40,000, 13% Preference shares of Rs. 10 each to an equal number of 15% Preference shares of Rs. 8 each.
  - ii) To reduce 50,000 equity shares of Rs. 10 each to an equal number of shares of Rs. 6 each.
  - iii) To reduce 13% debentures of Rs. 5,00,000 to 15% debentures of Rs. 4,00,000.
  - iv) To write off Goodwill Rs. 80,000, Plant Rs. 1,00,000, Machinery Rs. 70,000, Stock Rs. 20,000 and P & L debit balance Rs. 1,00,000.

Give Journal Entries.

2. a) Who is a contributory ?  
b) Explain preferential creditors.  
c) A Ltd., went into voluntary liquidation. The following are the details :

	Rs.
Assets realized	40,000
Liquidators remuneration	5,000
Unsecured creditors	20,000

P.T.O.





Preference share capital is Rs. 20,000 (2,000 shares of Rs. 10 each). Equity share capital consists of

- a) 1,000 shares of Rs. 10 each, Rs. 9 called and paid up Rs. 9,000
- b) 2,000 shares of Rs. 10 each, Rs. 5 called and paid up Rs. 10,000

You are required to prepare the Liquidators Statement of A/c.

3. a) Write a note on capital account under Double Account System.
  - b) Distinguish between Single Account System and Double Account System.
  - c) Bharath Gas Company rebuilt and re-equipped part of their works at a cost of Rs. 5,00,000. The part of the old work thus superseded cost Rs. 3,00,000. The capacity of new works is double the capacity of the old works. Rs. 20,000 was realized by the sale of old materials and old materials worth Rs. 10,000 were used in the construction of the new works and included in the total cost of Rs. 5,00,000 mentioned above. The cost of materials and labour are 25% higher than when the old works were built. Journalise the transactions.
4. a) What is bargain purchase price ?
  - b) How will you deal with pre-acquisition profits and post-acquisition profits on consolidation ?
  - c) X Ltd., acquires 4,000 shares of Rs. 10 each at Rs. 15 per share in Y Ltd., on 1<sup>st</sup> October, 2016. The issued share capital of Y Ltd. consists of 5,000 shares of Rs. 10 each. In 2017 Y Ltd., declares a dividend of 20% on its paid up capital for the year ending 31<sup>st</sup> December, 2016. The Profit and Loss Account of Y Ltd., shows the following position :
 

Profit and Loss Account (Balance on 1 <sup>st</sup> January, 2016)	30,000
Profit for the year 2016	24,000

Explain the treatment of this dividend in the books of X Ltd., if post acquisition profits are first used.
5. a) What is reserve for unexpired risk ?
  - b) What is 'bonus' in life insurance ?
  - c) The Life Assurance Fund of Navajivan Assurance Co. Ltd., stood at Rs. 33,00,800 on 31-3-2016. Net liability as per Actuary's valuation was determined to be Rs. 26,50,800. The company had distributed interim bonus of Rs. 80,000 to its policy holders during the last two years. The company proposes to carry forward Rs. 1,50,000, the balance is to be distributed in between policy holders and shareholders. Show the distribution of profit.





6. a) Define subsidiary company.  
b) Explain the salient features of Double Account System.  
c) On 1<sup>st</sup> April, 2015, S Ltd., had a subscribed share capital of Rs. 5,00,000 divided into 50,000 fully paid equity shares of Rs. 10 each. It had accumulated capital and revenue profits to the tune of Rs. 3,90,000 by that date when H Ltd., acquired 80% of its shares for Rs. 9,00,000. The profit earned by S Ltd., amounted to Rs. 2,60,000 for the year ended 31<sup>st</sup> March, 2016 on which date S Ltd., issued by way of bonus, one fully paid equity shares of Rs. 10 for every five equity shares held out of its pre-acquisition profits.

Calculate as on 31<sup>st</sup> March 2016 cost of control just before issue of bonus shares and immediately after issue of bonus shares.

### SECTION – B

Answer the **two** questions in this Section. **Each** question carries **12** marks.

7. a) From the following particulars you are required to prepare Fire Revenue Account for the year ending on 31<sup>st</sup> March 2014.

Claims paid	4,80,000
Reserve for unexpired risk on 1 <sup>st</sup> April, 2013	4,00,000
Additional reserve unexpired risk	20,000
Claims outstanding on 1 <sup>st</sup> April, 2013	40,000
Claims intimated but not accepted on 31 <sup>st</sup> March 2014	10,000
Claims intimated accepted but not paid on 31 <sup>st</sup> March 2014	60,000
Premium received	12,12,000
Reinsurance premium paid	1,20,000
Commission	2,00,000
Commission on reinsurance ceded	10,000
Commission on reinsurance accepted	5,000
Expenses of management	3,17,000
Reinsurance recoveries of claims	8,000
Sundry expenses regarding claims	5,000
Depreciation of furniture	6,000



Loss on sale of motor car	5,000
Bad debts	3,000
Refund of double taxation	5,000
Interest and dividends	6,000
Income tax deducted thereon	1,000
Legal expenses regarding claims	3,000
Profit on sale of investments	2,000
Rent of staff quarters deducted from salaries	2,000

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

OR

- b) Following information was extracted from the books of a Limited Company on 31<sup>st</sup> December, 2015 :

	Rs.
Equity share capital – 20,000 equity shares of Rs. 10 each, Rs. 5 paid up	1,00,000
8% Preference share capital 25,000 shares of Rs. 10 each fully paid	2,50,000
9% First mortgage debentures secured by a floating charge on all assets	1,50,000
Fully secured creditors (value of securities Rs. 35,000)	30,000
Partly secured creditors (value of securities Rs. 10,000)	20,000
Preferential creditors	6,000
Bills payable	90,000
Unsecured creditors	80,000
Bank overdraft	10,000
Bills receivable in hand	15,000
Bills discounted (a bill for Rs. 10,000 estimated to be bad)	40,000
Investment (estimated to produce Rs. 35,000) deposited with secured creditors	50,000
G P Notes (estimated to produce Rs. 10,000) deposited with Partly secured creditors	15,000





Trade receivable :

Good	10,000	
Doubtful (estimated to produce 50 Paise in the Rupee)	7,000	
Bad	<u>6,000</u>	23,000
Land and Buildings (estimated to produce Rs. 1,00,000)		1,30,000
Stock in trade (estimated to produce Rs. 40,000)		45,000
Machinery (estimated to produce Rs. 2,000)		5,000
Cash in hand		100

Prepare a statement of affairs as regards creditors and contributories.

8. a) H Ltd., acquired 15,000 shares in S Ltd., for Rs. 1,55,000 on 1<sup>st</sup> July 2015. The statements of financial position on 31<sup>st</sup> March, 2016 were as follows :

Particulars	Note No.	Amount	
		H. Ltd.	S Ltd.
<b>I. Equity and Liabilities</b>			
Share capital	1	9,00,000	2,50,000
Reserves and surplus	2	2,40,000	65,000
1) Non-Current liabilities			
Long term borrowings		3,00,000	—
2) Current liabilities			
Trade payables	3	90,000	50,000
		<b>15,30,000</b>	<b>3,65,000</b>
<b>II. Assets</b>			
1) Non-Current assets			
Fixed assets	4	11,00,000	2,20,000
Non-current investments	5	1,55,000	—
2) Current assets			
Inventories		1,00,000	50,000
Trade receivables	6	85,000	55,000
Cash and cash equivalents		90,000	40,000
		<b>15,30,000</b>	<b>3,65,000</b>



## Notes :

	H Ltd.	S Ltd.
1) Share capital :		
Issued, subscribed and paid up		
Fully paid equity shares of Rs. 10	9,00,000	2,50,000
	<b>9,00,000</b>	<b>2,50,000</b>
2) Reserves and surplus		
General reserve	1,60,000	40,000
Surplus	80,000	25,000
	<b>2,40,000</b>	<b>65,000</b>
3) Trade payables		
Trade payables	50,000	30,000
Bills payable	40,000	20,000
	<b>90,000</b>	<b>50,000</b>
4) Fixed assets		
Machinery	10,00,000	1,50,000
Furniture	1,00,000	70,000
	<b>11,00,000</b>	<b>2,20,000</b>
5) Non-current investments		
15,000 equity shares of Rs. 10 each at cost	1,55,000	
	<b>1,55,000</b>	
6) Trade receivables		
Trade receivables	60,000	35,000
Bills receivables	25,000	20,000
	<b>85,000</b>	<b>55,000</b>

The following additional information is provided :

- General reserve appearing in the statement of S Ltd., has remained unchanged since 31-3-2015.
- Profit earned by S Ltd., for the year ended 31-3-2016 amounted to Rs. 20,000.





- c) On 1-2-2016, H Ltd., sold to S Ltd. goods costing Rs. 8,000 for Rs. 10,000. 25% of these goods remained unsold with S Ltd. on 31-3-2016. Trade payables of S Ltd., include Rs. 4,000 due to H Ltd., on account of these goods.
- d) Out of S Ltd., acceptances, Rs. 15,000 are those which have been accepted in favor of H Ltd. Out of these, H Ltd. had endorsed by 31-3-2016 Rs. 8,000 worth of bills receivable in favor of its creditors.

Prepare a consolidated statement of financial position as on 31-3-2016.

OR

- b) Given below are the Balance Sheets of X Ltd., and Y Ltd., as at 31-3-2015 at which date Y Ltd., was taken over by X Ltd., on the basis of their respective values of shares :

Particulars	Note No.	X. Ltd.	Y Ltd.
<b>I. Equity and Liabilities :</b>			
1) Shareholder's Fund			
a) Shares capital	1	5,00,000	10,00,000
b) Reserves and surplus	2	24,50,000	4,00,000
2) Non current liabilities :			
a) Long term borrowings			
12% Debenture of Rs. 100 each		2,20,000	1,10,000
3) Current Liabilities			
a) Trade payables		1,60,000	55,000
		<b>33,30,000</b>	<b>15,65,000</b>
<b>II. Assets:</b>			
1) Noncurrent assets			
a) Fixed assets			
Tangible assets		22,00,000	10,00,000
b) Non-current investments	3	3,25,000	5,00,000
2) Current assets			
		8,05,000	65,000
		<b>33,30,000</b>	<b>15,65,000</b>



**Notes to Accounts :**

	X Ltd. Rs.	Y Ltd. Rs.
1) Share capital :		
Issued subscribed and paidup		
Equity shares of Rs. 10 each	5,00,000	10,00,000
	<b>5,00,000</b>	<b>10,00,000</b>
2) Reserves and surplus		
General reserve	24,50,000	4,00,000
	<b>24,50,000</b>	<b>4,00,000</b>
3) Non-current investments		
25,000 Equity shares of Y Ltd.	3,25,000	
25,000 Equity shares of Z Ltd.		5,00,000
	<b>3,25,000</b>	<b>5,00,000</b>

Investments of Y Ltd., are considered worth Rs. 6,00,000.

Give Journal Entries in the books of X Ltd., and prepare the Balance Sheet of X Ltd., after absorption.