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K19P 1139

Reg. No. :

Name :

III Semester M.Com Degree (CBSS-Reg./Suppl./Imp)

Examination, October - 2019

(2014 Admission Onwards)

COM3C12 : CORPORATE ACCOUNTING

Time : 3 Hours

Max. Marks : 60

SECTION - A

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

1. a) What is Purchase Consideration?
b) Explain the different methods for the computation of purchase consideration.
c) Given below are the extracts from the Balance Sheet of Axis Ltd as at 31.03.2019

Particulars	Amount
Equity share capital (100 each)	7,50,000
11% Preference share capital (100 each)	2,00,000
Reserves and surplus	3,30,000
10% Debentures (100 each)	30,000
Current Liabilities	1,90,000
Fixed Assets	7,00,000
Current Assets	8,00,000

Compute Purchase consideration

2. a) What is Deficiency account?
b) What is the order of payment at the time of the liquidation of a company.
c) Kaveri Ltd went into liquidation on 31.12.2018 Prepare Liquidator's final statement of account presented to the Tribunal by the liquidator from the Following information.

P.T.O.



Preferential Creditors	20,000
Unsecured creditors	3,00,000
8% Debentures	4,00,000
7% Preference Share Capital	3,00,000
(60,000 shares of ₹10 each)	6,00,000
Liquidation expenses	4,000
Secured creditors	3,20,000
(securities realised ₹2,40,000)	
Equity share capital	8,00,000
(80,000 shares of ₹10 each)	

Liquidator is entitled to get remuneration of 2% of all assets realised including assets held as security with secured creditors and 3% on the amount paid to unsecured creditors, including Preferential Creditors. Sundry assets realised amounted to ₹10,00,000.

3. a) What is capital account under double account system?
 b) State the limitation of double account system.
 c) From the following particulars prepare capital account and General Balance sheet as on 31st March 2019 on double account system.

Authorised capital	30,00,000	Subscribed Capital	26,00,000
11% Debentures	4,00,000	Creditors	1,60,000
Reserves	1,50,000	Trade Debtors	3,80,000
Cash in hand	3,50,000	Investment	1,50,000
Stock	2,40,000		

Expenditure on 31st March 2018:

Land - ₹1,20,000; Furniture - ₹13,50,000; Machinery ₹4,00,000;
 Building - ₹1,30,000

Expenditure during the year ended 31.03.2019 was ₹2,50,000; ₹2,50,000 and ₹1,00,000 respectively on the last three items and a Renewal Fund of ₹2,50,000 had been created. The balancing item of ₹1,60,000 may be taken as profit of the company.



4. a) What is external reconstruction?
 b) What are the different ways of alteration of share capital?
 c) The following is the Balance Sheet of Sick Ltd as on 31.12.2019

Liabilities	Amount	Assets	Amount
Share Capital:		Goodwill	22,500
3,000 5% Preference shares of 100 each	3,00,000	Land and Building	3,00,000
6000 Equity Shares of 100 each	6,00,000	Machinery	4,50,000
6% Debentures	1,50,000	Stock	65,000
Bank Loan	1,50,000	Debtors	70,000
Sundry Creditors	75,000	Cash at bank	7,500
		Surplus (negative balance)	3,60,000
	12,75,000		12,75,000

On the above date, the company adopted the following scheme of reconstruction:

- The Preference shares are to be reduced to fully paid shares of ₹75 each and Equity shares are to be reduced to shares of ₹ 40 each fully paid.
- The debenture holders took stock over and debtors in full satisfaction of their claims.
- The fictitious and intangible assets are to be eliminated.
- The Land and Building are to be appreciated by 30% and Machinery to be depreciated by 1/3%.
- Reconstruction expenses amounted to be ₹ 4500

Give journal entries incorporating the above scheme of reconstruction and prepare the reconstructed Balance sheet.



5. a) What is Consolidated Balance sheet?
- b) While preparing a Consolidated Balance sheet ,how would you treat contingent liabilities and unrealised profits?
- c) H Ltd. acquires all the shares in S Ltd. on 31.03.2019 and liabilities and assets of the two companies on 31st March 2019 were as follows.

Liabilities	H Ltd	S Ltd	Assets	H Ltd	S Ltd
Share Capital: (Shares of ₹ 10 each)	50,000	30,000	Sundry Assets	65,000	70,000
General Reserve ON 1.04.2018	20,000	15,000	Shares in S Ltd.	50,000	
Surplus account	25,000	10,000			
Trade Creditors	20,000	15 000			
	1,15,000	70,000		115,000	70,000

Surplus of S Ltd. had a credit balance of ₹3000 on 01.04.2018. Prepare a Consolidated Balance Sheet as on 31.03.2019

6. a) What is Valuation Balance sheet?
- b) What is the difference between Life Insurance and General insurance?
- c) The Life Fund of a life insurance company was ₹86,48,000 as on 31.03.2019: The interim bonus paid during the valuation period was ₹1,48,000. The periodical actuarial valuation determined the net liability of ₹74,25,000. Surplus brought forward from the previous valuation was ₹8,52,000. The directors of the company proposed to carry forward ₹9,31,000 and to divide the balance between shareholders and policyholders.
- Prepare valuation Balance sheet
 - Net profit For the valuation period
 - The distribution of shareholders



SECTION - B

Answer any **Two** questions in this section. Each question carries **12** marks.

7. a) Following Trial Balance was extracted from the books of Alliance Life Insurance Corporation as on 31.03.2019

Particulars	Dr ('000)	Cr (000)
Paid up share capital (50,00,000 shares of ₹10 each)		50,000
Life Assurance Fund (01.04.2018)		1486.150
Bonus to policy holders	15,750	
Premium received		80,750
Claims Paid	98,500	
Commission paid	4,650	
Management Expenses	16,150	
Mortgages in India	2,46,100	
Interest and Dividend received		56,350
Agent's balances	4,650	
Freehold premises	20,000	
Investments	1,1,52,500	
Loan on Company's policies	86,800	
Cash on deposits	13,500	
Cash in hand	3,650	
Surrenders	3,500	
Dividend paid	7,500	
	16,73,250	16,73,250

You are required to prepare the Revenue Account for the year ended 31.03.2019 and its balance sheet as on that date after considering the following additional information.

- Claims admitted but not paid ₹ 45,00,000
- Management Expenses due ₹ 1,00,000
- Interest accrued ? ₹ 96,50,000
- Premium outstanding ₹ 50,00,000
- Bonus utilised in reduction of premium ₹10,00,000
- Claims covered under reinsurance ₹11,50,000

OR

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- b) Following information was extracted from the books of a limited company on 31st December 2012 on which date a winding up order was made:

Cash in hand	5,000
Stock in trade (estimated to produce ₹ 15,000)	20,000
Fixture and fittings (estimated to produce ₹2,100)	3,000
Plant and Machinery (estimated to produce ₹15,600)	15,000
Freehold land and Building (estimated to produce ₹45,000)	30,000
Book debts (estimated to produce ₹5,200)	6,200
Unsecured Creditors	70,000
Preferential Creditors	2,000
Creditors fully paid (value of securities ₹11,000)	9,000
Creditors partly secured (value of securities ₹6,000)	10,000
Bank overdraft, secured by a second charge on all the asset of the company	8,000
10% Debentures secured by floating charge on all the assets of the company (interest paid to date)	50,000
Equity share capital 6000 shares of ₹10 each	60,000
11% Preference Share capital 6500 shares of ₹10 each (Calls in arrear on equity shares)	65,000
(estimated to produce 1,000)	2,500

Prepare Statement of Affairs regards creditors and contributories.



8. a) The financial position of two companies Gana Ltd and Kokila Ltd as on 31.03.2019

Liabilities	Gana Ltd.	Kokila Ltd	Assets	Gana Ltd	Kokia Ltd
Equity Share Capital(10 each)	10,00,000	3,00,000	Goodwill	50,000	25,000
9% Preference share capital	1,00,000	-	Building	3,00,000	1,00,000
10% Preference share capital		1,00,000	Machinery	5,00,000	1,50,000
General Reserve	1,00,000	80,000	Stock	2,50,000	1,75,000
Retirement Gratuity Fund	50,000	20,000	Debtors	2,00,000	1,00,000
Sundry Creditors	1,30,000	80,000	Cash at bank	50,000	20,000
			Preliminary expenses	30,000	10,000
	13,80,000	5,80,000		13,80,000	5,80,000

Gana Ltd absorbs Kokila Ltd. on the following terms.

- 10% preference shareholders are to be paid at 10% premium by issue of 9% Preference shares of Gana Ltd.
- Goodwill of Gana Ltd. is valued at ₹ 50,000, buildings are valued at 1,50,000 and machinery at ₹ 1,60,000.
- Stock to be taken over at 10% less book value and reserve for bad and doubtful debts to be created at 7.5%.
- Equity shareholders of Kokiola Ltd will be issued equity shares of Gana Ltd. at 5% premium.

Prepare necessary journal entries and ledger accounts in the books of Kokila Ltd.

OR

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- b) From the ledger balances given below prepare Consolidated Balance sheet as on 31.03 .2019

Liabilities	A Ltd	B Ltd	Assets	A Ltd	B Ltd
Share Capital:	10,00,000	2,00,000	Sundry Assets	8,00,000	1,20,000
Shares of 10 each			Stock	6,10,000	2,40,000
General Reserve	1,00,000	60,000	Debtors	1,30,000	1,70,000
Surplus account	4,00,000	1,20,000	Bills Receivable	10,000	
Trade Creditors	2,00,000	30,000	Shares in SLtd.		
Bills payable			Rs.15000 at cost	1,50,000	
	17,00,000	5,30,000		17,00,000	5,30,000

- All the profits of S Ltd. Has been earned since the shares were acquired by H Ltd. But there was already the Reserve of ₹60,000 at that date.
- The Bills accepted by S Ltd ₹ 10,000 are in favour of H Ltd.
- Sundry assets of S are undervalued by ₹ 20,000
- The stock of H Ltd includes ₹ 50,000 bought from S Ltd at a Profit to the latter of 25% on cost.