

BCOM 2003

B.Com. DEGREE EXAMINATION, JANUARY 2022.

Second Year

Commerce

CORPORATE ACCOUNTING

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE out of Eight questions.

1. Define Corporate Accounting. Explain Nature and Significance of Corporate accounting.
2. The directors of Logu Ltd., forfeited 2000 shares Rs. 10 each for non-payment of final call of Rs. 2.50. Rs. 1,800 of these shares were reissued for Rs. 6 per share fully paid up. Give the necessary journal entries.
3. The profits of Mr. T Ltd. For the last five years were as follows.

	Rs.
2014	15,000
2015	18,000
2016	22,000
2017	25,000
2018	27,000

Compute the Value of goodwill of Mr. T Ltd. On the basis of 4 years purchase of weighted average profit after assigning weights 1,2,3,4 and 5 serially to the profits.

4. From the data relating to a company (in voluntary liquidation), you are asked to prepare liquidators statement of account.
- (a) Cash with liquidator (after all assets are realized and secured creditors and debenture holders are paid) is Rs. 6,73,800
 - (b) Preferential creditors to be paid Rs.30,000
 - (c) Other secured creditors Rs.2,15,000
 - (d) 4,000 6% preference shares of Rs.100 each fully paid
 - (e) 2,000 equity shares of Rs. 100 each, Rs.75 per share paid up
 - (f) 6,000 equity shares of Ps. 100 each, Rs.60 per share paid up
 - (g) liquidator's remuneration 2% on preferential and other unsecured creditors
 - (h) Preference dividends were in arrears for 2 years.

5. What is meant by acquisition of business? Explain the methods of computing purchase consideration on acquisition of business.
6. From the following balance sheet of holding company and subsidiary company prepare consolidated balance sheet as on 31st Dec 2004.

Liabilities	Holding Company	Subsidiary Company	Assets	Holding Company	Subsidiary Company
Share Capital (in shares of Rs. 10 each)	20,000	10,000	Assets Investments shares of subsidiary company	20,000	15,000
Creditors	10,000	5,000		10,000	–
	<u>30,000</u>	<u>15,000</u>		<u>30,000</u>	<u>15,000</u>

7. Real Life assurance company prepare its revenue account for the year ended 31st March, 2016 and ascertained its Life assurance found to be Rs. 28,35,000 was found later that the following had been omitted from the accounts:
- Interest accrued on investments Rs. 39,000.
 - Income tax liable to be deducted there on is estimated to be Rs. 10,500.
 - Outstanding premiums Rs. 32,800.
 - Bonus utilised for reduction of premium Rs. 6,750

(e) Claims intimated but not admitted
Rs. 17,400

(f) Claims covered under re-insurance Rs. 6,500.

Prepare the corrected Life assurance fund.

8. Chennai Bank Ltd. Held the following bills on
31st March, 2004.

Date of Bill	Amount Rs.	Term (months)	Discount p.a.
9 th Feb	50,000	4	18
17 th Feb	60,000	3	15
6 th March	40,000	4	16.5

Calculate the rebate on bills discounted and given
necessary journal entries.

PART B — (4 × 15 = 60 marks)

Answer any FOUR out of Six questions.

9. Define Shares and Explain its Types.
10. Define goodwill. What are the different methods of
calculation of goodwill?

11. Karman limited was liquidated on 31.12.1996.
Their balance sheet was as follows.

Liabilities	Rs.	Assets	Rs.
Share capital	1,00,000	Land and buildings	60,000
8% Debentures	1,00,000	Plant and machinery	60,000
Mortgage loan		Stock	60,000
(secured on land		Cash in hand	5,000
and buildings)	50,000	Debtors	70,000
Sundry creditors	80,000	Profit and	
		loss account	75,000
	<u>3,30,000</u>		<u>3,30,000</u>

Assets realized as follows:

- (a) Land and buildings Rs. 55,000
- (b) Stock Rs. 20,000
- (c) Plant and Machinery Rs. 25,000

- (d) Half of the debtors were bad and the balance realized 60% of book value
- (e) Liquidator was entitled to a commission of 3% on amount realized other than cash and 2% of the amount paid to unsecured creditors.
- (f) Preferential creditors amounted to Rs. 10,000 (included in sundry creditors)
- (g) Liquidation expense amounted to Rs. 970 Prepare liquidator's final statement of accounts.

12. A business of Madurai Traders limited is purchased by Madras Traders Limited The purchase consideration is discharged as follows

- (a) A payment of cash at Rs. 20 for every share in the Madurai Trader Ltd..
- (b) A further payment in cash of Rs. 55 each For every debenture in the Madurai Traders Ltd.,
- (c) An exchange of 3 shares in Madras Traders Ltd.. of Rs. 10 each (quoted in the market at Rs. 20) for every share in the Madurai Traders Ltd., The Balance of Madutai Traders Ltd. stood as follows at the date of purchase.

Liabilities	Rs.	Assets	Rs.
800 shares of Rs. 50 each	40,000	Building	15,000
8% debentures Rs. 50 each	6,000	Machinery	20,000
Capital redemption reserve account	4,000	Furniture	1,000
Creditors	4,200	Stock	10,000
Profit and loss account	1,000	Debtors	9,000
		Cash	200
	<u>55,200</u>		<u>55,200</u>

Give Journal entries in the books of both the companies.

13. Following figures are extracted from the books of the New Bank Ltd. as on 31st March, 2012

	Rs. (000)
Interest and discount received	3,695
Interest paid on deposits	2,032
Issued and Subscribed Capital	1,000
Statutory Reserve under Sec. 17	800
Commission- Exchange & Brokerage	200
Rent Received	55
Profit on sale of investments	200

	Rs. (000)
Audit Fees	5
Payment to employees	200
Directors' Fees and Allowances	30
Rent and Taxes Paid	100
Postage and telegrams	50
Depreciation on Bank's properties	30
Stationery, etc.	50
Advertisement and publicity	15

The further information is given:

- (a) A customer to whom a sum of Rs. 10,00,000 has been advanced has become insolvent and it is expected only 50% can be recovered from his. Interest due at 18% on his debt has not been provided in the books.
- (b) There were also other for which a provision of Rs. 1,50,000 was found necessary by the auditors.

- (c) Rebate on bills discounted as on 1st April, 2011 Rs. 12,000. Rebate on bills discounted as on 31st March 2012 Rs. 16,000
- (d) Provide Rs. 6,50,000 for income tax.
- (e) The Directors desire to declare 10% dividend.
Prepare Profit and Loss Account in accordance with the Law. Make necessary assumptions.

14. From the following balances of Hi-Fi General Insurance Company Ltd., as on 31st March 2012, Prepare (a) Fire Revenue Account (b) Marine Revenue Account and (c) Profit and Loss Account.

	Rs. (000)		Rs. (000)
Survey Expenses (fire)	10,000	Commission earned on	
Additional Reserve Opening (fire)	50,000	reinsurance ceded	
Commission paid: Marine	1,08,000	Marine	60,000
Fire	90,000	Fire	30,000
Commission paid & Outstanding		Management Expenses:	
Marine	3,80,000	Fire	1,45,000
Fire	1,80,000	Marine	4,00,000

	Rs. (000)		Rs. (000)
Fire Fund — Opening	2,50,000	Marine Premium Less	
Marine Fund- Opening	8,20,000	Reinsurance	10,80,000
Bad Debts recovered (General)	1,200	Fire Premium Less	
Share transfer fees (General)	800	Reinsurance	60,00,000
Directors Fees (General)	5,000	Profit on sale of land (General)	60,000
Auditors fees (General)	1,200	Misc, receipts (General)	5,000
Bad debts Marine	12,000	Difference in exchange (Cr.)	
Fire	5,000	(General)	300
		Interest, dividends etc. received (General)	14,000
		Depreciation (General)	35,000

In addition to usual reserve, additional reserve in case of fire insurance is to be increased by 5% of net premium.