MCOM 1001

M.Com. DEGREE EXAMINATION, JANUARY 2021.

First Year — Non-Semester

Commerce

CORPORATE ACCOUNTING

Time : Three hours　　　　　Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. What is accounting standards? What are the needs for accounting standards?

2. Determine the maximum remuneration available to directors and managers of Blue print company Ltd, (manufacturing Company) u/s 309 and 387 of the companies act, 1956 from the following particulars

   Before charging any such remuneration the profit and loss a/c showed a credit balance of Rs.6,60,000 for the year ended 31.03.2004. After taking to account the following matters.

	Rs.
Capital expenditure	1,50,000
Subsidy received from Govt.	1,20,000
Special depreciation	20,000
Multiple shift allowance	30,000
Bonus to foreign technicians	90,000
Provision for taxation	8,00,000
Compensation paid to injured workman	20,000
Ex-gratia to an employee (without liability)	10,000
Loss on sale of fixed asset (w.d.v. 37,000)	20,000
Profit on sale of investment	60,000
Provision for doubtful debts	25,000
Preliminary expenses written off	10,000
Director's fees	15,000

3. A Ltd co was registered on 1.1.2002 to buy the business of Govind Ltd from 1.10.2001 and obtained its certificates of incorporation on 1.02.2002.

   The account of the company for the period ended 30.09.2002 disclose the profit Rs.67,540 after charging the following expense. Salary Rs.15,180 (there were 5 employees in the pre incorporation period and 7 in post incorporation)

Wages Rs.5,280 (there were 4 workers in the pre incorporation period at Rs.80 per month per worker and 6 workers in the post incorporation period at Rs.100 per month per worker)

Sales Rs.2,40,000 of which Rs.40,000 related to pre incorporation period. Director's fees Rs.8,000

You are required to calculate the profit separately for pre and post incorporation periods.

4. From the following information calculate the value of goodwill on the basis of 3 years purchase of super profit.

   (a) Average capital employed in the business is Rs.20,00,000

   (b) Rate of interest expected from capital having regard to the risk involved is 10%.

   (c) Net trading profits of the firm for the past 3 years were Rs.3,50,400; Rs.2,80,300 and Rs.3,10,100.

   (d) Fair remuneration to partners for their services is Rs.48,000 per annum.

   (e) Sundry assets of the firm are Rs.23,50,400 and current liabilities are Rs.95,110.

5. On 01.01.1990, the rebate on bills discounted account of a bank showed a credit balance of Rs.1,00,000. On 31.12.1990, the discount a/c showed a credit balance of Rs.15,00,000 before adjusting unexpired discount. The bills discounted outstanding on 31.12.90 were Rs. 2 crores with average maturity date of January 31, 1991 and they were all discounted at 12% p.a.

   Write adjustments entries and relevant ledger accounts to record these items and also show how these items will appear in the final accounts of the bank.

6. The directors of a company prepared a scheme of construction as follows:
   (a) To forfeit 3,000 equity shares of Rs.10 each on which Rs.3 per share call money is not paid.
   (b) To reduce the remaining 9,000 equity shares of Rs.10. Each by Rs.3 per share.
   (c) To reissue the forfeited shares at Rs.5 per share.
   (d) To make use of provision for taxation available Rs.4,000.
   (e) To reduce the assets as follows:
       Goodwill Rs.10,000 to all.
       Machinery from Rs.15,000 to Rs.10,000.
       Stock Rs.30,000 to Rs.15,000.
       Debtors from Rs.20,000 to Rs. 10,000
       Pass the journal entries to record the above transaction.

7. What is purchase consideration? Explain various methods of its purchase consideration.

8. Define goodwill. What are the different methods of calculation of goodwill?

PART B — ($5 \times 12 = 60$ marks)

Answer any FIVE questions.

9. Following is the Balance Sheet of K Ltd as on 31.12.1980

Liabilities	Rs	Assets	Rs
2,000 shares of Rs.10 each fully paid	20,000	Goodwill	4,000
Profit and loss a/c	7,000	Fixed asset	16,500
Debentures	10,000	Current assets	19,500
Creditors	3,000		
	40,000		40,000

R Ltd agreed to take over the assets of K Ltd (Exclusive of one fixed asset of Rs.4,000 and cash Rs.1,000 included in current asset) at 10% more than the book value. It is agreed to take over creditors also. The purchase price was to be discharged by the issue of 2,000 shares of Rs.10 each of the market price of Rs.15 each in the balance in cash. Liquidation expenses came to Rs.400. K Ltd sold the fixed assets of Rs.4,000 and realized the book value it paid of its debentures and liquidation expenses. You are required to give journal entries in the book of K Ltd and R Ltd.

10. On 31st December 1998. The balance sheet of a limited company disclosed the following position :

Liabilities	Rs.	Assets	Rs.
Authorized		Fixed asset	10,00,000
capital in Rs.10		Current	
shares	8,00,000	assets	4,00,000
Profit and loss a/c	40,000	Goodwill	80,000
Reserves	1,80,000		
5% Debentures	2,00,000		
Current liabilities	2,60,000		
	14,80,000		14,80,000

On 31st Dec. 1998 the fixed assets were independently valued at Rs.7,00,000 and the goodwill at Rs.1,00,000. Net profits for the three years were : 1996 - Rs.1,03,200; 1997- Rs.1,04,000; and 1998 - Rs.1,03,300 of which 20% was placed to reserve, these proportions being considered reasonable in the industry in which the company is engaged and where a fair return on investment may be taken at 10%. Compute the value of the companies share by (a) the net assets method and (b) the yield method.

11. From the data relating to a company (in voluntary liquidation), you are asked to prepare the liquidators final statement of account.

(a) Cash with liquidatory (after all assets are realized and secured creditors and debentures holders are paid) is Rs.6,73,800.

(b) Preferential creditors to be paid Rs.30,000.

(c) Other unsecured 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 Rs.100 each, Rs.60 per share paid up.

(g) Liquidator's remuneration 2% on preferential and other unsecured creditors.

(h) Preference dividend were in arrears for 2 years.

12. On 31st December 2013 the following balance stood in the books of Asian bank Ltd after preparation of its profit and loss A/c.

	Rs. ('000)
Share capital:	
Issued and subscribed	4,000
Reserve fund under Sec 17	6,200
Fixed deposits	42,600
Savings bank deposits	19,000
Currents accounts	23,200
Money at call and short notice	1,800
Investments	25,000
Profit and loss account (Cr) 1st Jan 2013	1,350
Dividend for 2012	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 assets	336
Net profit 2013	1,550

Prepare balance sheet of the bank on 31st December 2013.

13. Moon & Star Co. Ltd. is a company with an authorised capital of Rs.5,00,000 divided into 5,000 equity shares of Rs.100 each on 31.12.1985 of which 2,500 shares were fully called up .The following are the balance extracted from the ledger as on 31.12.1985.

Trial balance of Moon & Star Co. Ltd.

Debit	Rs.	Credit	Rs.
Opening Stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit and Loss	6,220
Discount allowed	4,200	Creditors	35,200
		Reserves	25,000
Insurance (upto 31.3.86)	6,720	Loan from Managing director	15,700
Salaries	18,500	Share capital	2,50,000
Rent	6,000		
General Expenses	8,950		
Printing	2,400		
Advertisement	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		

Debit	Rs.	Credit	Rs.
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
Total	6,60,270	Total	6,60,270

You are required to prepare statement of Profit and loss for the year ended 31.12.1985 and a balance sheet as on that date. The following further information is given:

(a) Closing stock was valued at Rs.1,91,500

(b) Depreciation on plant at 15% and on furniture at 10% should be provided.

(c) A tax provision of Rs.8,000 is considered necessary.

(d) The directors declared an interim dividend on 15.8.85 for 6 months ending June 30,1985 @ 6%.

(e) Provide for corporate dividend tax @ 17%.

14. A firm earned net profit during the last 3 years as follows:

	Rs.
1st year	36,000
2nd year	40,000
3rd year	44,000

The capital investment of the firm is Rs.1,00,000.

A fair return on the capital, having regard to the risk involved, is 10%.

Calculate the value goodwill on the basis of 3 years purchase of super profit.

15. Describe 'provisions' 'contingent liabilities' and 'contingent assets' under AS-29 and their treatment in financial statements.

16. The following balances are abstracted from the books of New Bharat life insurance Co. Ltd as on 31.03.2006

	Rs.		Rs.
Life assurance fund (01.04.2005)	15,00,000	Claims paid during the year	64,900
Premium	4,96,000	Annuities	2,050
Consideration for annuities granted	15,000	Bonus in reduction of premiums	1,600
Interest and dividend	1,00,000	Medical fees	2,400
Fines for revival of policies	750	Surrenders	4,000
Reinsurance premium	20,750	Commission	18,650
Claims Outstanding (01.04.2005)	4,500	Management expenses	22,000
		Income tax on dividends	8,500

Prepare revenue A/c after making the following adjustments :

	Rs.
Outstanding balances:	
Claims	14,000
Premiums	4,600
Further bonus for premium	2,400
Claim under reinsurance	8,000