

MCOM 1001

M.Com. DEGREE EXAMINATION, DECEMBER 2021.

Non-Semester/First Year

Commerce

CORPORATE ACCOUNTING

Time : Three hours

Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. Give the importance and scope of corporate accounting.
2. A firm which was carrying on business from 1st January, 2018 get itself incorporated as a company on 1st May 2018. The first accounts are drawn upto 30th September, 2018. The gross profit for the period is Rs.56,000. The general expenses are Rs.14,220, directors fee Rs.12,000 pa.; formation expenses Rs.1500. Rent upto 30th June is Rs.12,000 pa., after which it is increased to Rs.3000 per annum. Salary of the manager, who upon incorporation of the company was made a director, is Rs.6000 pa. his remuneration thereafter is included in the above figure of fee to directors.

Give profit and loss account showing pre- and post-incorporation profits. The net sales are Rs.8,20,000. The monthly average of which, for the first four months of 2018 is half of that of the remaining period, the company earned a uniform profit. Interest and tax may be ignored.

3. Write a note on Goodwill, Average profit, Super profit.
4. From the following information find out Goodwill
 - (a) as per annuity method
 - (b) as per 4 years purchase of super profit, and
 - (c) as per capitalization of super profit method. Net profit for 4 years I year Rs.30,000; II year Rs.40,000; III year Rs.50,000; IV year Rs.60,000. The profit includes non-recurring profits on an average basis of Rs.3000.
5. Calculate purchase consideration from the following given balance sheet:

Liabilities	Rs.	Assets	Rs.
Share Capital	3,00,000	Goodwill	80,000
6% Debentures	1,00,000	Land and Building	1,00,000
Sundry Creditors	50,000	Plant	70,000
General Reserve	35,000	Stock	80,000
Profit and Loss Account	15,000	Debtors	60,000

	Cash	75,000
	Preliminary Expenses	20,000
	Discount on Shares A/c	15,000
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	5,00,000	5,00,000

The transferee company takes over the business of transferor company on the following terms and valuation:

The values placed on the various assets are:

Goodwill	60,000
Land and Buildings	1,20,000
Plant	60,000
Stock	75,000
Debtors	55,000

Cash not taken over

Creditors to be satisfied at Rs.40,000

6. Explain the methods of valuing goodwill
7. Give the format for final statements of Banking Company.
8. Mention the numerous kinds of books maintained by the insurance company.

PART B — (5 × 12 = 60 marks)

Answer any FIVE questions

9. Ram runs a chemist shop. His net assets on 31st December 2019 amount to Rs.20,00,000. After paying a rent of Rs.20,000 a year and salary of Rs.20,000 to the chemist, he earns a profit of Rs.1,50,000. His landlord, who happens to be an expert chemist, is interested in purchasing the shop 12% is considered to be reasonable return on capital employed. What can ram expect as payment for goodwill?

10. The following are the summarized balance sheets of V Ltd and P Ltd as at 31st March, 2019

Particulars	Note No	Amount as at 31 st March, 2019	
		V Ltd	P Ltd
I. Equity and Liabilities			
(1) Shareholders funds			
(a) Share Capital		10,00,000	25,00,000
(b) Reserves and Surplus		3,40,000	7,75,000
(2) Non-current liabilities			
(a) long term borrowings	1		10,00,000
(3) Current liabilities			
(a) Trade payables	2	1,80,000	5,15,000
Total		15,20,000	47,90,000

II. Assets

(1) Non-current assets

(a) Fixed assets

(i) Tangible assets 8,00,000 29,50,000

(b) Non-current investments 3 95,000

(2) Current assets

(a) Inventories 4,00,000 11,60,000

(b) Trade receivables 4 1,70,000 5,70,000

(c) Cash and cash 5 55,000 1,10,000
equivalents

Total 15,20,000 47,90,000

Notes:

V Ltd P Ltd

1 Long —term Borrowings12% — 10,00,000
Debentures of Rs.100 each, fully
paid

2 Trade payables Total of list of credit 1,80,000 4,90,000
suppliers
Bills payable 25,000
1,80,000 5,15,000

3 Non-current Investments1000 12% 95,000 Not
Debentures of P Ltd. Acquired at Rs.95 applicable
each

4 Trade Receivables Total of list of credit 1,30,000 5,20,000
customers bill receivable
Bills Receivables 40,000 50,000
1,70,000 5,70,000

5 Cash and cash equivalents Balance 55,000 1,10,000
with bank

P Ltd. acquires the entire business of V Ltd. for Rs.14,00,000 to be satisfied by allotment of equity shares at par. All the acceptances of P Ltd. are in the favour of V Ltd. and which are included in the figure of Rs.40,000 in V Ltd. balance sheet. Trade receivables appearing in the balance sheet of V Ltd. include Rs.10,000 due from P Ltd.

You are required to :

- (a) Prepare realization account and equity shareholders account in the books of V Ltd.
- (b) Pass journal entries in the books of P Ltd. and redraft P Ltd. balance sheet immediately after amalgamation assuming
 - (i) it is an amalgamation in the nature of purchase and
 - (ii) it is an amalgamation in the nature of merger.

11. The following balance appeared in the books of the Hindustan fire and General Insurance Company Limited on 31st March 2019.

Re-insurance	5	Commission	1520
Reserve for as		Claims	2210
On 1.4.2018	8	Loss	9000
Expenses of	1	Claims 1.4.2018	2810
Premium received	7		

You are required to prepare revenue account for the year ended 31st March,2019, after the following information into consideration

- (a) provide for unexpired risks at 50% of the premium;
- (b) create additional reserve for Rs.75,000;
- (c) Premiums outstanding at the end of the year were Rs.1,50,000;
- (d) on 31st March,2019, the claims outstanding were Rs.3,37,000.

12. Critically analyse the role of educational framework in support of implementation of financial reporting standards.
13. The ultra optimist Ltd. went into liquidation. Its assets realized Rs.3,50,000 excluding amount realized by sale of securities held by the secured creditors. The following was the position:
- Share capital 1000 shares of Rs.100 each
Rs.1,00,000
- Secured creditors (securities realized Rs.40,000)
Rs.35,000
- Preferential creditors Rs.6000
- Unsecured creditors Rs.1,40,000
- Debentures having a floating charge on the assets of the company Rs.2,50,000
- Liquidation expenses Rs.5000
- Liquidator's remuneration Rs.7500
- Prepare the liquidator's final statement of account.
14. Arun Mills Ltd. Proposed to purchase the business carried on by Amar Ltd. Goodwill for this purpose is agreed to be valued at three years purchase of the weighted average profits of the past four years. The appropriate weights to be used are:

2005	1
2006	2
2007	3
2008	4
The profits for these years are	Rs.
2005	30,300
2006	31,200
2007	36,000
2008	45,000

On a scrutiny of the accounts, the following matters are revealed:

- (a) On 1st September, 2006, major repair was made in respect of the plant incurring Rs.9000, which amount was charged to revenue. The said sum is agreed to be capitalized for goodwill calculation subject to adjustment of depreciation of 10% on diminishing balance method.
- (b) The closing stock of 2006 was over-valued by Rs.3,600.
- (c) To cover management cost, an annual charge of Rs.7,200 should be made for the purpose of goodwill valuation.

Compute the value of goodwill of the firm

15. International Financial Reporting Standards are different from I.A.S. How Explain?
 16. What is meant by consolidated balance sheet? How is it prepared?
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