



**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

**B.Com. DEGREE EXAMINATION – COMMERCE**

**SIXTH SEMESTER – APRIL 2013**

**CO 6606 - ADVANCED CORPORATE ACCOUNTING**

Date: 30/04/2013  
Time: 1:00 - 4:00

Dept. No.

Max. : 100 Marks

**SECTION A**

**Answer all the questions**

**(10\*2=20marks)**

- 1) What is Purchase Consideration as per AS 14?
- 2) What is Rebate on bills discounted? How is it dealt in a Bank's Final statements?
- 3) List the methods for the calculation of Purchase Consideration
- 4) Raman Ltd agrees to purchase the business of Krishnan Ltd on the following terms:
  - For each of the 10000 shares of Rs.10 each in Krishnan Ltd, 2 shares in Raman Ltd of Rs.10 each will be issued at an agreed value of Rs.12 per share. In addition, Rs.4 per share cash also will be paid.
  - 8 % debentures worth Rs.80,000 will be issued to settle the Rs.60000 9 % debentures in Krishnan Ltd. Calculate Purchase consideration.
- 5) What does schedule 14 of the Insurance Company Accounts deals with? List any two items which are covered by the said schedule.
- 6) What is Surrender value?
- 7) What is Reserve for unexpired risk?
- 8) From the following particulars calculate the total amount at the disposal of the company.  
Amount of reasonable return Rs 46,13,000  
Clear profit Rs 56,00,000
- 9) The following are the balances of the Sun Co.ltd the Moon Co.ltd. prepared on 31<sup>st</sup> December 1986. On the 1<sup>st</sup> of January 1986, the Sun Co. Ltd took over Moon Co.ltd, when the latter had a credit balance of Rs. 35,000 in its profit and loss account.

Liabilities	Sun co.	Moon co.	Assets	Sun co.	Moon co.
Equity share capital Rs. 10 each	3,00,000	2,00,000	Sundry assets	2,20,000	4,00,000
General reserve	1,50,000	1,00,000	Investments (shares in Moon Ltd)	3,60,000	
P & L a/c	1,00,000	80,000			
Creditors	30,000	20,000			
	5,80,000	4,00,000		5,80,000	4,00,000

Indicate the capital and revenue natured profits.

10) Compute the reasonable return from the following information given below

Capital Base	Rs.34, 00 ,000
Loan from Electricity Board	Rs. 30,00, 000
Development Reserve	Rs. 10,00,000
10% Debentures	Rs 8,00,000
Reserve Fund investment (6%)	Rs 60,00,000

Assume the bank rate is 8%

**SECTION B**

**Answer any FIVE**

**(5\*8=40marks)**

11) Distinguish between Pooling of Interests Method and Purchase Method.

12) Mention the Provisions relating to “Disposal of Surplus”.

13) Explain the concept of  
 i) Reinsurance  
 ii) Double Insurance

14) The Moon Co. Ltd. and the Rising star Co. Ltd. have agreed to amalgamate. A new company Sunshine co was formed to take over the combined concern as on 31.12.2001. The two companies have been agreed at as follows:

Moon Ltd Balance Sheet

Liabilities	Rs.	Assets	Rs.
Issued Capital 1,00,000 ordinary shares of Rs.10 each fully paid up	10,00,000	Land and Buildings	5,00,000
Sundry Creditors	80,000	Machinery and plant	2,00,000
Profit and loss (undistributed balance)	50,000	Patents	1,10,000
		Stocks	1,50,000
		Sundry debtors	1,20,000
		Cash at bank	50,000
<b>Total</b>	<b>11,30,000</b>	<b>Total</b>	<b>11,30,000</b>

Rising Star Ltd

Liabilities	Rs.	Assets	Rs.
Issued Capital 50,000 ordinary shares of Rs.10 each fully paid up	5,00,000	Land and Buildings	3,00,000
Sundry Creditors	50,000	Machinery and plant	2,50,000
Profit and loss (undistributed balance)	50,000	Goodwill	50,000
Reserve Fund	50,000	Stocks	20,000
		Sundry debtors	20,000
		Cash at bank	10,000
<b>Total</b>	<b>6,50,000</b>	<b>Total</b>	<b>6,50,000</b>

Show how the amount payable to each company is arrived at and prepare the malgamated balance sheet.

15) On 31<sup>st</sup> Dec 1998, ICICI Bank Ltd has the following bills

Date 1998	Amount	Term in months	Discount % pa
Nov 11	50,000	4	6
Nov 16	60,000	3	5
Nov 7	40,000	4	5.5

Calculate the rebate on bills discounted and give the necessary accounting entries assuming accounts are closed on the said date.

16) From the figures stated below prepare a Revenue account and a valuation balance sheet as on 31.3.2006 showing surplus for policy holders:

Life Assurance Fund (opening)	4000
Premiums	2500
Interest, dividends and rents	1500
Consideration for annuities granted	100
Claims paid	300
Surplus on revaluation of reversions purchased	8
Bonus in reduction of premium	5
Surrenders	100
Commissions	50
Net liability on policies in force on 31.03.06	5653

17) H Ltd acquired the shares of S Ltd on 1-1-96. On the date the profit and loss account of S Ltd had a credit balance of Rs.1000 and in reserve Rs. 3000.

Prepare a consolidated balance sheet from the following.

BALANCE SHEET AS ON 31-12-96

LIABILITIES	RS	RS	ASSET	RS	RS
Share capital(Rs. 10 each)	100000	50000	Sundry asset	60000	63000
Reserve	10000	5000	Investment- 4000 shares in s ltd	65000	-
Profit and loss account	10000	4000			
Sundry creditors	5000	4000			
	125000	63000		125000	63000

- 18) The XYZ Electricity Company decided to replace some parts of its plant by an improved plant. The plant to be replaced was built in 2003 for Rs 54, 00,000. It is estimated that it would now cost Rs 80,00,000 to build a new plant of the same size and capacity. The cost of the new plant as per the improved design was Rs1,70,00,000 and in addition, material belonging to the old plant valued at Rs 5,50,000 was used in the construction of the new plant. The balance of the old plant was sold for Rs 3,00,000. Compute the amount to be Capitalised. Also pass the necessary journal entries and Replacement Account.

**SECTION C**

**Answer any TWO**

**(2\*20=40marks)**

- 19) The Pig iron Co. Ltd. agrees to absorb the business of the Iron Ore Co. Ltd. as on 30.6.2002 and to take over the assets and liabilities at their balance sheet values, in exchange for which it is to issue 12 shares of Rs. 10 each, for every share of Rs. 100 each, in the Iron Ore Co. Ltd. The expenses of absorption Rs.10,000 will be paid by the Pig Iron Co Ltd. The balance sheets of the two companies were as follows:  
The Iron Ore Co. Ltd

Liabilities	Rs.	Assets	Rs.
Issued Capital 5,000 ordinary shares of Rs.100 each fully paid up	5,00,000	Land and Buildings	3,00,000
Contingency fund	10,000	Machinery and plant	2,00,000
Bills Payable	42,000	Stocks	25,000
Sundry Creditors	58,000	Sundry debtors 55,000 Less Reserve For doubtful Debts 5,000	50,000
		Cash at bank	35,000
<b>Total</b>	<b>6,10,000</b>	<b>Total</b>	<b>6,10,000</b>

Pig iron Co. Ltd.

Liabilities	Rs.	Assets	Rs.
Issued Capital 1,00,000 ordinary shares of Rs.10 each fully paid up	10,00,000	Land and Buildings	5,00,000
Reserve	60,000	Machinery and plant	3,00,000
Sundry Creditors	1,20,000	Goodwill	1,00,000
		Stocks	60,000
		Sundry debtors	1,20,000
		Cash at bank	1,00,000
<b>Total</b>	<b>11,80,000</b>	<b>Total</b>	<b>11,80,000</b>

Show the journal entries in the books of the company that is being absorbed and the opening balance sheet of the Pig Iron Co. Ltd assuming that amalgamation in the nature of merger.

20) The following balances have been extracted from the books of Bharath Commercial Bank Ltd., as on 31<sup>st</sup> December 1986. Prepare the relevant Profit and Loss Account and Balance Sheet.

	(Rs. In thousands)
Paid up capital – Rs. 100 shares	500
Reserve fund	200
Interest, discount, etc.	410
Commission	60
Postage and telegrams	6
Rent and Insurance	12
Director's fees	4
Depreciation	7.5
General charges recovered	15
Auditor's fees	5
Law charges	2
Other expenditure	18
Deposits	490
Current accounts	155
Cash in hand	65
Cash with other banks	85
Traveller's cheques	12
Furniture etc.	50
Loans and overdrafts	600
Rebate on bills discounted 1.1.86	25
Investments	375
Owing from foreign correspondents	25
Bills discounted	80
Pension fund	15
Rebate on bills discounted on 31.12.86	20
Profit and Loss Account (Cr.)	24
Salaries and allowances	80
Premises	511.5

**Adjustments:**

- Write off bad debts Rs. 12,000 and provide for doubtful debts Rs. 7,500.
- Provide for taxation Rs. 18,000.
- The liability of the bank for acceptances on behalf of customers is Rs. 5,00,000.
- Traveller's cheque paid Rs. 2,000.
- There is a liability on bill of exchange rediscounted Rs. 50,000.

21) 'C' Ltd acquired 20000 shares of Rs. 10 each in D Ltd on 1.9.94. The balance sheets of both the companies were as under on 31.12.94.

**BALANCE SHEET AS ON 31-12-96**

LIABILITIES	RS	RS	ASSET	RS	RS
Share capital(Rs. 10 each)	500000	250000	Sundry asset	450000	465000
Reserve	200000	150000	Stock	75000	100000
Creditors	300000	300000	Debtors	150000	200000
Bills payable	50000	40000	Shares in D ltd	325000	-
Bank loan	-	50000	Bills receivable	75000	50000
Profit and loss account	50000	40000	cash	25000	15000
	<b>1100000</b>	<b>830000</b>		<b>1100000</b>	<b>830000</b>

On 1<sup>st</sup>Jan 1994 profit and loss account of D ltd showed a debit balance of Rs 50000 D ltd made a transfer of Rs 30000 to reserves on 31<sup>st</sup> Dec 94.

Creditors of C ltd includes 50000 for goods supplied by D Ltd on credit, stock of Rs. 40000 in C ltd represent unsold goods purchased from D Ltd who charged profit on sale of 20%.

Bills payable of D ltd included Rs30000 accepted in favour of C ltd. bills receivable of C Ltd included Rs 25000 received from D Ltd.

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