



K15P 0201

Reg. No. :

Name :

Third Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.)

Examination, November 2015

(2014 Admn.)

COMMERCE

COM 3 C12 : Corporate Accounting

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any 4** questions. **Each** question carries **1** mark for Part **(a)**, **3** marks for Part **(b)** and **5** marks for Part **(c)**.

1. a) What do you mean by acquisition of business.
b) What are the different forms of acquisition of business.
c) The 'A' bank with a capital of ₹ 2,00,00,000 in 50,000 shares of ₹ 400 each (₹ 70 is paid up) and a reserve of ₹ 30,00,000 and whose share were quoted as ₹ 240, was taken over by the 'B' bank, whose capital was ₹ 6,00,00,000 in 1,00,000 shares of ₹ 600 each (₹ 200 paid up) and a reserve of ₹ 80,00,000 and whose shares were quoted at ₹ 740. On the basis that one share in the purchasing bank was given the three shares in the vendor bank. What entries are to be made in the purchasing banks books and how will its share capital and reserve their stand ?
2. a) What do you mean by insurance policy ?
b) What is reinsurance claim ? How is it treated in the final accounts of a life insurance company ?
c) A life insurance Co. prepared its Revenue Account at the end of 31-3-2014. The fund as shown there in was ₹ 25,00,000. The Co. had not taken in to account the following :

	₹
1) Bonus used in reduction of premium	50,000
2) Claims intimated but not admitted	20,000
3) Annuities outstanding	25,000
4) Surrender values adjusted against loans on policies	10,000
5) Reinsurance premium	5,000
6) Claims covered under reinsurance	8,000

Show the life insurance fund after making the adjustment.

P.T.O.



3. a) What is liquidation ?
- b) Distinguish between liquidation and winding up.
- c) The position of P Ltd. in liquidation is as follows. Issued share capital 1000 6% Pref. shares of ₹ 100 each fully paid (arrears of dividends of one year) and it is payable on liquidation.

1000 equity shares of ₹ 50 each fully paid.

1000 equity shares of ₹ 40 each, ₹ 30 paid.

Calls in arrears ₹ 4,000 and calls in advance ₹ 6,000.

Cash left after making payments of the creditors, but before making any call was ₹ 1,16,000.

You are required to prepare liquidator's final statement of accounts.

4. a) State the meaning of internal reconstruction.
- b) What are the objectives of internal reconstruction ?
- c) Ganesh Ltd. passed necessary resolution and received sanction of the court for the reduction of its share capital by ₹ 2,50,000 for the purposes enumerated here under

a) To write off the debit balance of P and L A/c ₹ 1,00,000.

b) To reduce the value of plant and machinery by ₹ 45,000 and of goodwill by ₹ 20,000.

c) To reduce the value of investment to market value by writing off ₹ 40,000.

The reduction was made by converting 25,000 preference shares of ₹ 20 each fully paid to the same number of preference shares of ₹ 15 each fully paid and by converting 25,000 equity shares of ₹ 20 each ₹ 15 paid up into 25,000 equity shares of ₹ 10 each fully paid. Write necessary journal entries in relation to the reduction of share capital.

5. a) What is double account system ?
- b) Distinguish between double account system and double entry system.
- c) Briefly explain the final accounts under double account system.



6. a) What is amalgamation ?
 b) Distinguish between net payment method and net asset methods of the calculation of purchase consideration.
 c) A Ltd. takes over B Ltd. for ₹ 1,00,000 payable in shares of ₹ 10. The balance sheet are as follows :

Balance Sheet					
Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share Capital (₹ 10)	2,00,000	80,000	Fixed asset	50,000	20,000
Creditors	40,000	20,000	Stock	60,000	30,000
			Other current asset	1,30,000	50,000
	2,40,000	1,00,000		2,40,000	1,00,000

Stock of A Ltd. include ₹ 10,000 purchased form B Ltd. on which B Ltd. made 20% profit on selling price. B Ltd. stock includes ₹ 6,000 purchased from A Ltd. on which A Ltd.

Made 20% profit on cost. Sundry creditors of A Ltd., includes ₹ 5,000 due to B Ltd.

Profit the balance sheet of A Ltd. after absorption.

(4×9=36)

SECTION – B

Answer the **two** questions in this Section, **each** carries **12** marks.

7. a) A Ltd., holds 80% of the equity share capital of B Ltd., which was acquired on December 31, 2012, when the latter company had a credit balance of profit and loss account of ₹ 15,000 and general reserve of ₹ 20,000, stocks held by A Ltd., include ₹ 5,000 for goods supplied by B Ltd. at a profit of 20% on selling price. From the following balance sheet prepare a consolidated balance sheet at December 31st, 2014.

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share capital (equity			Freehold properties	2,30,000	20,000
shares of ₹ 10 each)	5,00,000	1,00,000	Furniture	15,500	3,000
Capital reserve	1,00,000	–	Investments 8000		
General reserve	1,20,000	30,000	shares of B Ltd.	1,20,000	–



P and L A/c	40,000	10,000	Stocks	4,14,000	1,23,000
Creditors	1,49,700	36,000	Debtors	87,000	37,400
Bills payable	21,300	1,000	Cash	64,500	-
Bank overdraft	-	6,400			
	9,31,000	1,83,400		9,31,000	1,83,400

OR

b) Explain the preferential creditors as given under the Indian Companies Act, 1956.

8. The Balance Sheet of Babu Ltd., as on 31-12-2014 was as follows :

Share capital (8000 pref. shares of ₹ 10 each	80,000	Land and building	25,000
12000 equity share of ₹ 10 each	1,20,000	Other fixed asset	2,00,000
Bank loan	4,00,000	Stock	5,25,000
8% debenture	1,00,000	Debtors	1,00,000
Interest outstanding on debenture	8,000	Profit and loss A/c	58,000
Creditors	2,00,000		
	9,08,000		9,08,000

The company went into liquidation on that date. Prepare liquidator's final statement of account after taking into account the following.

- 1) Liquidation expenses and liquidator's remuneration amounted to ₹ 3,000 and ₹ 10,000 respectively.
- 2) Bank loan was secured by a pledge of stock.
- 3) Debentures and interest thereon are secured by a floating charge on all assets.
- 4) Fixed assets were realised at book values and current assets at 80% of book value.

OR

What do you mean by Consolidated Balance Sheet. Explain the points to be remembered in its preparation of consolidated Balance Sheet.

(2×12=24)