

THIRD SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2015

(CUCBCSS—UG)

Core Course

BCM 3B 04—CORPORATE ACCOUNTING

**COMMERCE
FACTORY**

Maximum : 30 Marks

Time : Three Hours

Part A

*Answer all questions.
Each question carries 1 mark.*

I. Choose the correct answer :**1 Assets acquired in satisfaction of claims :**

- | | |
|-----------------------|-------------------------|
| (a) Banking assets. | (b) Acquired assets. |
| (c) Purchased assets. | (d) Non banking assets. |

2 Unexpired discount :

- | | |
|------------------------|---------------------------------|
| (a) Prepaid discount. | (b) Outstanding discount. |
| (c) Unearned discount. | (d) Rebate on bills discounted. |

3 The outright sale of a policy by the insured to the insurance company before maturity of the policy.

- | | |
|--------------------------|---------------------|
| (a) Surrender of policy. | (b) Sale of policy. |
| (c) Reversion. | (d) Bonus. |

4 The insurance policy which matures only on death of the insured :

- | | |
|-------------------------|----------------------------|
| (a) Endowment policy. | (b) Whole life policy. |
| (c) With profit policy. | (d) Without profit policy. |

5 Unclaimed dividend is shown on the liabilities side of the Balance Sheet :

- | |
|---|
| (a) Reserves and Surplus. |
| (b) Long term borrowings. |
| (c) Current liabilities and provisions. |
| (d) Share capital. |

II. Fill in the blanks :**6 A policy which matures after the expiry of a particular period is called _____.****7 In life insurance companies investments come under schedule number _____.****Turn over**

- 8 CRR represents _____.
- 9 Liability for partly paid investment is _____.
- 10 When an existing company takes over the business of one or more existing companies, it is called _____.

(10 × 1 = 10 marks)

Part B

Answer any **eight** questions from the following.
Each question carries 2 marks.

- 11 What is the journal entry to be passed by the purchasing company for making payment of liquidation expenses of the vendor company in the case of amalgamation in the nature of purchase ?
- 12 What is external reconstruction?
- 13 What is intrinsic value method ?
- 14 What is the journal entry for the following scheme of capital reduction ? 50,000 equity shares of Rs. 100 each fully paid have been reduced to an equal number of fully paid up shares of Rs. 10 each.
- 15 What are performing assets ?
- 16 What is money at call and short notice ?
- 17 Define insurance.
- 18 What is valuation Balance Sheet ?
- 19 What is Capital Redemption Reserve ?
- 20 Mention the sources from where buy back can be made ?

(8 × 2 = 16 marks)

Part C

Answer any **six** questions from the following.
Each question carries 4 marks.

- 1 On 31st March 2011, the Life Assurance fund of an insurance company stood at Rs. 1,48,60,000. Its net liability as per actual valuation as on that date was Rs. 86,00,000. A dividend of Rs. 8,00,000 was payable to the share holders for the year 2010-11. But an interim bonus of Rs. 4,50,000 was paid to the policy holders during the two year period ending 31st March 2011. Prepare Statement showing the amount now available as bonus to the policy holders.

2 Explain the different Classification of debentures.

3 Calculate Rebate on bills discounted as on 31-3-2010.

Date of the bill	Amount Rs.	Period of bill	Rate of Discount
20-01-2010	80,000	5 months	16 %
10-02-2010	40,000	4 months	18 %
15-03-2010	60,000	2 months	15 %

- 24 State the difference between amalgamation in the nature of merger and amalgamation in the nature of purchase.
- 25 What is a share ? What are the different classes of shares ?
- 26 Y Ltd. Issued 2,000 shares of Rs. 10 each at a premium of Rs. 2 per share. The amount was payable as Rs. 3 on application, Rs. 4 on allotment (incl. premium) and the balance on first and final call. All shares were subscribed and money duly received. Show the journal entries.
- 27 S Ltd. invited applications for 5,000 shares of Rs. 100 each at a premium of 5 % payable as Rs. 25 on application, Rs. 45 on allotment (incl. premium) and Rs. 35 on first and final call. The applications received for 4,000 shares and all of these shares were accepted. All money dues were received except the call on 100 shares which were forfeited. Of these 50 shares were reissued @ Rs. 90 as fully paid. Pass journal entries.
- 28 State the difference between amalgamation in the nature of merger and amalgamation in the nature of purchase.

6 × 4 = 24 marks

Part D

Answer any **two** questions from the following.
Each question carries 15 marks

- 29 What is Purchase Consideration ? Explain different methods of calculating purchase consideration in the case of amalgamation.
- 30 Following is the Balance Sheet of G Ltd. as on 31-3-2010

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share capital		Goodwill	22500
3,000,5% preference shares of Rs. 100 each	3,00,000	Land and Building	3,00,000
6000 Equity shares of Rs. 100 each	6,00,000	Machinery	4,50,000
6 % Debentures	1,50,000	Stock	55,000
Bank overdraft	1,50,000	Debtors	70,000
Creditors	75,000	Cash	7,500
		Profit and Loss Account	3,50,000
		Preliminary expenses	10,000
	12,75,000		12,75,000

On the above date, the company adopted following scheme of reconstruction:

- (i) The preference shares are to be reduced to fully paid shares of Rs. 75 each and Equity shares are to be reduced to shares of Rs. 40 each fully paid up.
- (ii) The debenture holders took over the stock and debtors in full satisfaction of their claims.
- (iii) The fictitious and intangible assets are to be eliminated.
- (iv) The land and buildings to be appreciated by 30 % and machinery to be depreciated by 33 1/3 %.
- (v) Expenses of reconstruction amounted to Rs. 4,500.
- (vi) Give journal entries incorporating the above scheme of reconstruction and prepare the reconstructed Balance Sheet.

31 The following is the summarized Balance sheet of A Ltd as on 31st March 2012.

<i>Liabilities</i>	Rs.	<i>Assets</i>	Rs.
Share Capital		Fixed Assets	
40000 equity shares of Rs. 10 each	4,00,000	Land and Building	2,00,000
Reserves and Surplus		Plant and Machinery	1,00,000
Capital Reserve Account	1,80,000	Furniture	80,000
Profit and Loss Account	60,000	Investments	
Secured Loan		Current Assets	
10 % Debentures	2,00,000	Stock	40,000
Current liabilities and		Sundry Debtors	60,000
Provisions		Bank	3,00,000
Sundry creditors	20,000	Cash	80000
	8,60,000		8,60,000

On 1st April 2012 B. Ltd took over the business of A Ltd as per the following terms :

- (a) Debentures are to be discharged at a premium of 5 % in B Ltd.
- (b) Creditors are to be paid off by B Ltd.
- (c) B Ltd. will issue 5 equity shares of Rs. 10 each at a market value of Rs. 11 for every 4 equity shares of A Ltd.
- (d) Cost of liquidation Rs. 10,000 is to be paid by B Ltd.

Close the books of A Ltd. and pass opening entries in the books of B Ltd. assuming that the amalgamation in the nature of merger.

(2 × 15 = 30 marks)

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BCM 3B 04—CORPORATE ACCOUNTING

(Multiple Choice Questions for SDE Candidates)

Time : 15 Minutes

Total No. of Questions : 20

Maximum : 20 Marks

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

BCM 3B 04—CORPORATE ACCOUNTING
(Multiple Choice Questions for SDE Candidates)

1. Dividend declared in between two annual general meeting is called _____.
 - (A) Unclaimed dividend.
 - (B) Interim dividend.
 - (C) Proposed dividend.
 - (D) Scrip dividend.
2. Advance payment of tax is a _____.
 - (A) Prepaid expense.
 - (B) General reserve.
 - (C) Interim dividend.
 - (D) Provision for taxation.
3. Which of the following represents source of fund in the balance sheet of a company ?
 - (A) Secured loan.
 - (B) Share capital.
 - (C) Reserves and surplus.
 - (D) All of these.
4. Which of the following reserve does not appear in the balance sheet of a company ?
 - (A) Secret reserve.
 - (B) General reserve.
 - (C) Capital reserve.
 - (D) Specific reserve.
5. Unclaimed dividend is shown on the liability side of the balance sheet of a company as _____.
 - (A) Share capital.
 - (B) Current liabilities.
 - (C) Reserves and surplus.
 - (D) Non-current liability.
6. Accounting for amalgamation is given in _____.
 - (A) AS 14.
 - (B) AS 16.
 - (C) AS 20.
 - (D) None of these.
7. Which of the following is considered as an asset while calculating purchase consideration ?
 - (A) Goodwill.
 - (B) Patent.
 - (C) Trademark.
 - (D) All of these.
8. Which of the following a/c is debited when statutory reserve of the transferor company is taken over by the transferee company ?
 - (A) Goodwill a/c.
 - (B) Amalgamation adjustment a/c.
 - (C) Capital reserve a/c.
 - (D) Statutory reserve.

9. While preparing the transferee company's financial statement under amalgamation in the nature of merger, the assets and liabilities taken over from the transferor company should be incorporated at _____.
- (A) Cost. (B) Book value.
(C) Revised value. (D) None.
10. While preparing the transferee company's financial statement under amalgamation in the nature of purchase, the assets and liabilities taken over from the transferor company should be incorporated at _____.
- (A) Cost. (B) Book value.
(C) Revised value. (D) None.
11. Which of the following is not shown on the liability side of a balance sheet of a company ?
- (A) Authorized capital. (B) Issued capital.
(C) Paid up capital. (D) Reserve capital.
12. Conversion of physical shares into electronic securities is called _____.
- (A) Dematerialization. (B) Price rigging.
(C) Re-materialization. (D) None of these.
13. The minimum share application money is _____.
- (A) Re.1 /share. (B) 5% of the face value of share.
(C) 10% of the issue price of share. (D) None of these.
14. The rate of discount on issue of shares should not exceed _____ % of the nominal value of shares.
- (A) 10. (B) 2.
(C) 4. (D) 5.
15. After completing _____ years a company can issue shares at discount.
- (A) 2. (B) 3.
(C) 1. (D) 4.

16. _____ profit means profit which would otherwise be available for distribution of dividend.
- (A) Capital. (B) Gross.
(C) Net. (D) Divisible.
17. The nominal value of preference shares to be redeemed can be provided out of _____.
- (A) General reserve. (B) Capital reserve.
(C) CRR. (D) Securities premium.
18. Under the scheme of buyback of shares, the company in order to perform its obligations, is required to open an _____ account.
- (A) Fixed deposit. (B) Escrow deposit.
(C) Savings deposit. (D) Current deposit.
19. Debenture holders are _____ of the company.
- (A) Owners. (B) Creditors.
(C) Both. (D) None of these.
20. Profit on sale of sinking fund investment is credited to _____.
- (A) General reserve. (B) Capital reserve.
(C) Sinking fund. (D) None of these.