

## THIRD SEMESTER B.Com. DEGREE EXAMINATION, NOVEMBER 2014

(U.G.—CCSS)

Core Course

BC 3B 04—CORPORATE ACCOUNTING

(2010 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

## Part A

*This section consists of three bunches of questions carrying equal weightage.*

*Each bunch has four questions.*

*Answer all twelve questions.*

## I. Fill in the blanks :

- 1 Dividends are usually paid on \_\_\_\_\_ capital.
- 2 Accumulated losses in the vendor company should be transferred to \_\_\_\_\_ Account.
- 3 Internal reconstruction is generally resorted to write off the \_\_\_\_\_.
- 4 \_\_\_\_\_ is the consideration received from the insured by the insurance company as per the contract of insurance.

## II. Choose the correct answer from the following :

## 5 Right shares are those shares which are :

- (a) Issued to the directors of the company.
- (b) First offered to the existing shareholders.
- (c) Issued by a newly formed company.
- (d) Issued by purchasing company to the vendor company.

## 6 Amount set aside to meet losses due to bad debt is a :

- (a) Reserve.
- (b) Provision.
- (c) Asset.
- (d) Liability.

## 7 \_\_\_\_\_ of shares means cancellation of shares.

- (a) Allotment.
- (b) Re-allotment.
- (c) Forfeiture.
- (d) Private placement.

Turn over

The excess of credits over debits in the revenue account relating to the life insurance business is known as :

- (a) Life Insurance Fund.                      (b) Provision for Unexpired Risk.  
(c) General Reserve.                          (d) Statutory Reserve.

State whether the following statements are True or False :

A company can redeem its preference shares.

A banking company cannot grant loans to any of its directors.

When two or more companies go into liquidation and a new company is formed to take over their businesses, then it is called absorption.

Non-performing assets means assets which cease to generate income for the bank.

(12 × ¼ = 3 weightage)

### Part B

Answer all nine questions in one or two sentences each. Each question carries a weightage of 1.

What are calls in arrears ?

What is Net Asset method ?

What do you understand by buyback of shares ?

What is meant by 'money at call and short notice' ?

Give a short note on preliminary expenses.

Give journal entries in the books of a company when it reissues forfeited shares.

Give journal entry for reducing the paid up value of shares in the case of internal reconstruction.

Pass journal entry to record the business purchase in the books of the purchasing company.

What journal entry should be passed for transferring the credit balance left in the Forfeited Shares Account to Capital Reserve Account ?

(9 × 1 = 9 weightage)

### Part C

Answer any five questions not exceeding one page each. Each question carries a weightage of 2.

The authorised capital of a limited company is Rs. 3,00,000 divided into 30,000 equity shares of Rs. 10 each. The company issued 20,000 shares to the public, payable Rs. 2 on application, Rs. 3 on allotment, Rs. 3 on first call and Rs. 2 on final call. All the shares have been subscribed and the amounts duly received. Pass the necessary journal entries.

Prepare Trading and Profit and Loss account for the year ended 31<sup>st</sup> March, 2013, and a balance sheet as on that date after taking into consideration the following adjustments :

- On 31<sup>st</sup> March, 2013, outstanding manufacturing wages and outstanding salaries stood at Rs. 945 and Rs. 600 respectively. On the same date, stock was valued at Rs. 62,420 and loose tools at Rs. 5,000.
- Provide for interest on bank loan for six months. *bl*
- Depreciation on plant and machinery is to be provided at 15 %, while on office furniture it is to be at 10 %. *PRL*
- Write off one-third of balance of preliminary expenses. *PRL*
- Make a provision for income tax at 50 %. *PRL*
- The directors recommended a maiden (first) dividend at 15 % for the year ending 31<sup>st</sup> March, 2013, after a transfer of 5% of net profits to general reserve.

30. Following are the balances of Green Valley Bank Ltd. for the years ended on March 31, 2012 and 2013 :

	2012 (Rs.)	2013 (Rs.)
Interest on loans	50,000	40,000
Interest on cash credit	1,00,000	35,000
Interest on overdraft	25,000	15,000
Commission received	2,500	1,000
Rent	20,000	15,000
Interest on fixed deposits	1,50,000	1,25,000
Discount on bills discounted	50,000	45,000
Law charges	15,000	1,000
Brokerage received	15,000	14,000
Interest on savings and bank deposits	40,000	35,000
Insurance	9,000	8,000
Printing and stationery	2,000	1,500
Auditor's fees	1,000	1,000
Directors' fees	2,000	1,500
Rebate on bills discounted	20,000	14,500
Salaries	25,000	24,500
Postage expenses	500	500
Interest on investments	3,50,000	3,00,000
Interest on balance with RBI.	50,000	4,000

Prepare Profit and Loss Account of Green Valley Bank Ltd. from the above particulars.

Turn over

The following particulars are extracted from the books of Crystal Assurance Company Ltd. as on March 31, 2013.

	Rs.
	(In Lakhs)
Premium on direct business	
(Including first year premium Rs. 600 Lakh)	2,400
Reinsurance premium ceded	500
Reinsurance premium accepted	350
⑤ Claims paid	1,350
⑤ Surrenders	250
Commission on direct business	100
Commission on reinsurance ceded	40
Commission on reinsurance accepted	30
Considerations for annuities granted	80
⑤ Annuities paid	64
Interest, Dividend and rent	
(After deduction of income tax at source Rs. 4 lakh)	46
Reinsurance claims received	24
Registration and renewal fees	4
Salaries and allowances	30
Managerial remuneration	6
General expenses	4
Depreciation on fixed assets	6
Profit on sale of investments	10

Prepare the revenue account of the company for the year ended March 31, 2013, after adjusting the following :—

- (a) Premium outstanding Rs. 40 lakh.
- (b) Claims outstanding Rs. 8 lakh.
- (c) Reinsurance claims receivable Rs. 24 lakh.
- (d) Commission on direct business owing Rs. 6 lakh.

(2 x 4 = 8 weightage)

- 23 West Coast Ltd. redeemed 1000, 10 % debentures of Rs. 100 each which were issued at par by converting them into 12 % debentures of Rs. 100 each issued at 25 % premium. Pass journal entries in the books of the company.
- 24 P Ltd. holds the business of Q Ltd. for which P Ltd. pays Rs. 2,00,000 in equity shares of Rs. 10 each, Rs. 1,50,000 in 12% debentures of P Ltd. and Rs. 1,75,000 in cash. Creditors for Rs. 75,000 and employees' security deposit Rs. 15,000 are also assumed by P Ltd. Compute purchase consideration.
- 25 From the following information, compute the amount of claim to be debited in the revenue account :
- Claims paid during the year Rs. 16,00,000. *add*
  - Claims outstanding at the beginning of the year Rs. 80,000 *add*
  - Reinsurance claim Rs. 90,000. *add*
  - Expenses on claim Rs. 15,000. *add*
  - Claim intimated and accepted but not paid at the end of the year Rs. 60,000. *add*
  - Claim intimated but not accepted at the end of the year Rs. 45,000. *add*
- 26 The following extract from the balance sheet of Moon Ltd. as at 31-12-2012, is given to you :

	Rs.
Share Capital :	
10,000 Equity shares of Rs. 10 each ...	1,00,000
10,000, 8 % preference shares of Rs. 10 each ...	1,00,000
Capital Reserve ...	50,000
General Reserve ...	30,000
Profit and Loss Account ...	85,000

The company exercises its option to redeem the preference shares on 1<sup>st</sup> January, 2013. Give journal entries to record the redemption.

- 27 Explain Non-Performing Assets.
- 28 Write short notes on the following :
- Rebate on Bills Discounted.
  - Reinsurance.

(5 × 2 = 10 weightage)

Turn over .

## Part D

Answer any two questions.

Each question carries a weightage of 4

Surugan Manufacturing Co. Ltd. was registered with an authorised capital of Rs. 5,00,000 divided into shares of Rs. 10 each, of which 20,000 shares had been issued and fully paid. The following is the trial balance extracted on March 31, 2013 :

Particulars	Debit (Rs.)	Credit (Rs.)
Stock (April 1, 2012)	93,210	
Purchase and sales	3,59,105	5,84,950
Returns	6,340	4,925
Manufacturing wages	54,870	
Sundry manufacturing expenses	9,620	
Carriage inwards	2,455	
18 % bank loan (Secured) B		25,000
Interest on bank loan B p/c B	2,250	
Office salaries and expenses p/c	8,935	
Auditor's fees p/c	4,300	
Directors' remuneration p/c	13,125	
Preliminary expenses p/c	3,000	
Freehold premises HU	82,105	
Plant and machinery BU	64,200	
Furniture HU	2,500	
Loose tools HU	6,250	
Debtors and creditors HU	52,700	31,110
Cash in hand HU	9,765	
Cash at bank BU	48,430	
Advance payment of tax p/c	42,145	
Profit and loss account on April 1, 2012		19,820
Share capital HU		2,00,000
	<u>8,65,305</u>	<u>8,65,305</u>

25/02/18  
28/02/18