

CARMEL COLLEGE OF ARTS, SCIENCE AND COMMERCE

M.Com (Semester –II) Examination, July 2021

COC220: Advanced Corporate Accounting (OA-18 A)

Duration: 2 Hours

Max. Marks: 40

Instructions: 1) This paper consists of **six** questions

2) Question No.1 consists of **5 compulsory** questions of **2 marks** each

3) Answer **any 3** questions from Question **2,3,4,5 & 6**

4) The scanned copy of the answer sheets should be uploaded before 1:00 p.m. on the day of the exam

5) Figures to the **right** indicate **marks**.

Q1) Answer the following questions

(5x2=10)

- a. In the event of inadequacy of profit, state any two conditions to be fulfilled by the company as per Sec 123 (1) for declaring dividend.
- b. From the following information, calculate the income to be recognised in case of a banking company.

	Performing Assets		Non-Performing Assets	
	Interest earned	Interest received	Interest earned	Interest received
Cash credit	1,570	1,236	200	140
Term loan	780	598	340	270
Bills purchased and discounted	800	430	400	180

- c. The revenue account of a life insurance company shows the life assurance fund on 31st March, 2021 at Rs. 1,55,53,275 before taking into account the following items:
- (i) Claims covered under re-insurance Rs. 30,000. (ii) Bonus utilized in reduction of life insurance premium Rs. 11,250. (iii) Interest accrued on securities Rs. 20,650. (iv) Outstanding premium Rs. 13,525. (v) Claims intimated but not admitted Rs. 66,250. What is the life assurance fund after taking into account the above omissions?
- d. State the methods of internal reconstruction generally followed by companies?
- e. X Ltd. went into liquidation on 31st March, 2021. Following are the details regarding share capital of the company:-
- i. 45,000 Equity shares of Rs. 100 each, Rs. 80 paid up,
- ii. 1,20,000 Equity shares of Rs. 50 each, Rs. 25 paid up.

Surplus available with the liquidator after payment of all the liabilities is Rs. 8,72,727. Distribute this surplus money among different categories of shareholders.

- Q2)** On 31/03/2021, Dexoben Ltd. provides to you the following ledger balances after preparing the Profit and Loss A/c for the year ended 31/03/2021. **10**

Credit Balances	Amount (Rs.)
Equity Share capital, fully paid Rs. 10 each	70,00,000
General Reserve	15,49,000
Loan from State Finance Corporation, secured by hypothecation of Plant (repayable within one year Rs. 2,00,000)	10,50,000
Long term unsecured loan	8,47,000
Sundry creditors	14,00,000
Profit and Loss A/c Balance (Surplus)	11,91,400
Provision for taxation	3,25,000
	1,33,63,000
Debit Balances	
Calls in arrear (on 2,800 shares @ Rs. 2.50 per share)	7,000
Land	14,00,000
Building	20,50,000
Plant	36,75,000
Furniture	3,50,000
Stock of finished goods	14,00,000
Raw materials	3,50,000
Sundry Debtors	14,00,000
Advances: Short term	2,98,900
Cash in hand	2,10,000
Balances with banks	17,29,000
Interim dividend paid	93,100
Patents	4,00,000
	1,33,63,000

Additional Information:

- 4,20,000 fully paid equity shares were allotted as a consideration for land and building.
- Cost of building: Rs. 28,00,000, Cost of plant: Rs. 49,00,000, Cost of Furniture: Rs.4,37,500.
- The amount of balances with the banks included Rs. 18,000 which is not a scheduled bank.
- Unsecured loan includes Rs. 1,00,000 from related parties.

You are required to prepare Balance Sheet of the company as on 31/03/2021 as required under Schedule III of the Companies Act, 2013.

Q3) Following are the Balance Sheets of H Ltd. and S Ltd. as on 31/03/2021.

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Particulars	H Ltd. (Rs.)	S Ltd. (Rs.)
I. Equity and liabilities		
1. Shareholder's funds		
(a) Share capital		
Equity Share Capital (Rs.100 each)	3,00,000	2,00,000
10% Preference Shares of Rs.100 each	2,00,000	-
(b) Reserves and surplus		
General reserve	80,000	-
Surplus/Negative balance in the Profit and Loss a/c	1,70,000	(20,000)
2. Non -current liabilities		
Long Term Borrowings:		
6% Debentures	-	2,00,000
3. Current liabilities		
(a) Creditors	90,000	40,000
(b) Bills payable (All accepted in favour of S Ltd.)	30,000	-
Total	8,70,000	4,20,000
II. Assets		
1. Non Current Assets		
(a) Fixed Assets		
Building	3,50,000	-
Machinery	90,000	2,80,000
(b) Non-Current Investments		
6% Debentures in S Ltd. acquired at par on 01/04/2020	1,00,000	-
1,500 Equity Shares in S Ltd. acquired on 01/10/2020	1,20,000	
2. Current assets		
(a) Inventories	1,60,000	80,000
(b) Debtors	50,000	40,000
(c) Bills receivable (All accepted by H Ltd.)	-	20,000
Total	8,70,000	4,20,000

Note: Contingent liabilities of S Ltd. for bills discounted Rs. 35,000.

Additional information:

- On 01/04/2020, S Ltd. had a negative surplus of Rs. 80,000.
- On 15/09/2020, stock of S Ltd. costing Rs. 20,000 was destroyed by fire and insurance company paid only Rs. 4,000.
- Stock of S Ltd. included goods of Rs. 15,000 supplied by H Ltd. which sells goods at a profit of 25% on cost.

You are required to prepare a consolidated Balance Sheet with the above information.

- Q4)** WS Ltd. agreed to acquire the business, except cash of QA Ltd. as on 31/03/2021. **10**
The Balance Sheet of QA Ltd. as on that date was as follows:

Particulars	Amount (Rs.)
I. Equity and liabilities	
1. Shareholder's funds	
(a) Share capital	
30,000 Equity Shares of Rs. 10 each	3,00,000
(b) Reserves and surplus	
General reserve	40,000
Surplus balance in the Profit and Loss a/c	1,00,000
2. Non-current liabilities	
Long Term Borrowings:	
8% Debentures	50,000
3. Current liabilities	
Trade payable	20,000
Total	5,10,000
II. Assets	
1. Non-Current Assets	
Building	2,20,000
Machinery	1,00,000
Goodwill	50,000
2. Current assets	
(a) Stock	80,000
(b) Debtors	30,000
(c) Cash at bank	30,000
Total	5,10,000

WS Ltd. agreed to pay the following consideration :

- For each equity share in QA Ltd. Rs. 5 in cash.
- Issue of 60,000 equity shares of Rs. 10 each in WS Ltd. at the market value of Rs. 15 per share.
- Issue such an amount of 10% debentures of WS Ltd. at 4% discount as is sufficient to discharge the 8% debentures of QA Ltd. at a premium of 20%. The face value of debentures of WS Ltd. is Rs. 100.
- The management of WS Ltd. valued building at Rs. 3,50,000, machinery at Rs. 3,00,000, stock at Rs. 70,000 and debtors at their face value subject to an allowance of 4% to cover doubtful debts.
- The liquidation expenses amounted to Rs. 30,000 but were not agreed to be reimbursed.

Prepare Realisation A/c and Equity Shareholders A/c in the books of QA Ltd. and pass necessary journal entries in the books of WS Ltd.

- Q5)** a. What are the restrictions imposed by the Banking Regulations Act, 1949 on payment of dividend in case of banking companies? **05**
- b. Explain the following terms: **05**
- Reinsurance
 - Commission on re-insurance ceded/ accepted

- Q6)** Who are preferential creditors as per Section 326 of the Companies Act, 2013? Explain briefly the lists which should accompany the Statement of Affairs, in case of a winding up by Court. **10**

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