ST. PHILOMENA'S COLLEGE (AUTONOMOUS), MYSORE			
PG DEPARTMENT OF COMMERCE			
QUESTION BANK (Revised LOCF - 2021)			
FIRST YEAR- FIRST SEMESTER (2021 Batch)			
QP Code:83121 COURSE TITLE (PAPER TITLE): CORPORATE ACCOUNTING			
UNIT	**Sl. No**	**QUESTIONS**	**MARKS**
1	1.	Explain the term share.	5
1	2.	Explain the term allotment of shares.	5
1	3.	State the different types of share capital of a company.	5
1	4.	Briefly explain the term calls in arrears	5
1	5.	Briefly explain the call-in advance.	5
1	6.	Briefly explain the term under subscription of shares.	5
1	7.	Briefly explain the over subscription of shares.	5
1	8.	How is the excess application money dealt with in the cases of over- subscription of shares?	5
1	9.	Briefly explain the pro-rata allotment of shares.	5
1	10.	Can the forfeited shares be re-issued at a discount?	5
1	11.	Briefly explain the term debentures.	5
1	12.	Mention and explain briefly the various kinds of debentures issued by a public limited company.	5
1	13.	Briefly explain the redemption of debentures.	5
1	14.	Briefly explain the role of sinking fund in redemption of dentures.	5
1	15.	X Ltd. redeemed Rs. 1,00,000 10% debentures on 31st March, 2018 out of profits. Journalize the transactions.	5
1	16.	Bharath Ltd. issued 50,000 15% Debentures of Rs. 1,000 each at 1,000 per debenture. The debenture is redeemable in five annual instalments. Pass appropriate journal entries for the Year 1 and Year 2.	5
1	17.	Murari Ltd redeemed Rs.100000 10% debenture on 31.03.2019 out of profits. Journalize the transactions.	5
1	18.	Sri Ram Ltd issued 50000 15% debenture of 1000 each per debenture, Thedebenture is redeemable at 5 annual instalments. Pass journal entries for 2 years.	5
1	19.	Raghav Ltd has 1000000 8% debenture outstanding on 01.01.2019. The company is redeeming debenture every year. On 1st January 2020 of Rs100000 debenture were redeemed by drawing a lot at par. Pass the journal entries if redeem is out of profit and out of capital.	5
1	20.	Briefly explain the term preference shares.	5
1	21.	Briefly explain the capital redemption reserve account.	5

1	22.	Briefly explain the term Goodwill.	5
1	23.	Briefly explain the term amalgamation in general sense	5
1	24.	Briefly explain the term amalgamation in legal sense.	5
1	25.	Briefly explain purchase consideration.	5
1	26.	Briefly explain the term absorption in general sense.	5
1	27.	Briefly explain the term external reconstruction.	5
1	28.	How do you calculate purchase consideration in the case of external reconstruction?	5
1	29.	Mention and briefly explain the type of amalgamation followed in case of external reconstruction.	5
1	30.	Briefly explain the term internal reconstruction.	5
1	31.	Briefly explain the term liquidation of the company.	5
1	32.	Briefly explain the modes of winding up of the company.	5
2	33.	Explain the following • Holding Company • Subsidiary Company • Sub Subsidiary Company	5
2	34.	Write a note on • Minority Interest • Majority Interest • Cost of Control	5
2	35.	Briefly explain the following • Pre-Acquisition Profit • Post- Acquisition profit • Pre-Acquisition Reserve • Post- Acquisition Reserve	5
2	36.	Briefly explain the term money at call and short notice.	5
2	37.	Briefly explain the inter -office adjustments.	5
2	38.	Write a short note on loans.	5
2	39.	Explain the term rebate on bills discounted.	5
2	40.	Write a note on • Re-insurance premium • Premium Deposits	5
2	41.	Write a note on • Reversion • Reversionary Bonus	5
2	42.	Briefly explain the term General Insurance.	5
3	43.	Briefly explain the scope of Management Accounting.	5
3	44.	Briefly explain the Nature of Management Accounting.	5
3	45.	Briefly explain the term management accounting? Explain by giving examples.	5

3	46.	Explain the need for the financial analysis.	5
3	47.	How does the use of ratios help in financial analysis?	5
3	48.	Briefly explain the Funds Flow Statement and its managerial uses.	5
3	49.	Briefly explain the meaning, importance and objectives of the Funds Flow Statement.	5
3	50.	Define the term 'Cash Flow'. Explain the objective of cash flow analysis.	5
3	51.	How does the statement of cash flows differ from the funds flow statement?	5
4	52.	Define Human Resource Accounting? Mention the objectives of Human Resource Accounting.	5
4	53.	Write a note on Value Added Accounting.	5
4	54.	Write a note on Current Cost Accounting.	5
4	55.	Briefly explain the need of Hospital Accounting.	5
4	56.	Write a note on Current purchasing Power	5
4	57.	Write a note on Retail Accounting.	5
4	58.	Write a note on Hotel Accounting.	5
4	59.	Briefly explain the concept of Computerized Accounting.	5
1	60.	Explain the conditions under which shares can be issued at a discount.	10
1	61.	How should the premium on shares be dealt with?	10
1	62.	Define forfeiture of shares. When can shares be forfeited?	10
1	63.	How do you deal with forfeited shares account before and after reissue of such shares?	10
1	64.	Explain the issue of shares at a premium.	10
1	65.	Explain the issue of shares at a discount.	10
1	66.	Explain the entries that are passed in regard to share capital transactions.	10
1	67.	Distinguish between under subscription and oversubscription of shares.	10
1	68.	Distinguish between calls in arrears and calls in advance.	10
1	69.	The National Trading Co. Ltd. with a Registered Capital of Rs. 1,00,000 issued 5,000 Equity Shares of Rs. 10 each, payable at Rs. 2 on application, Rs. 2 on allotment, Rs. 3 on first call and Rs. 3 on final call. All the shares were subscribed and the money was duly received except in the first call on 500 shares and in the final call on 1,000 shares. Record the above transactions in the form of journal entries, ledger accounts and the Balance Sheet.	10
1	70.	The Bangalore Canning Co. Ltd. issued a prospectus inviting applications for 1,00,000 Equity Shares of Rs. 10 each payable at to Rs. 2 on application, Rs.3 on allotment, Rs.3 on first call and Rs. 2 on final call. Applications for 1,20,000 shares were received. The directors allotted the applications as follows: • For applicants of 8,000 shares full allotment. • For applicants of 30,000 shares 20,000 shares.	10

<table>
<tr><td></td><td></td><td>
For applicants of 10,000 shares Nil
All the calls were duly made and received.
Record the above transactions in the form of journal entries.</td><td></td></tr>
<tr><td>1</td><td>71.</td><td>X Ltd issued 1,00,000 equity shares of Rs. 10 each and 1,000of 10% preference shares of Rs. 100 each payable as follows:
<table>
<tr><th>Particulars</th><th>Equity Shares
Rs</th><th>Preference shares
Rs</th></tr>
<tr><td>On application</td><td>2.00</td><td>20.00</td></tr>
<tr><td>On allotment</td><td>3.00</td><td>30.00</td></tr>
<tr><td>On first call</td><td>3.00</td><td>20.00</td></tr>
<tr><td>On final call</td><td>2.00</td><td>30.00</td></tr>
</table>
All the shares offered were subscribed by the public and cash duly received on all the instalments.
Pass the necessary journal entries.</td><td>10</td></tr>
<tr><td>1</td><td>72.</td><td>Ajanta Ltd. issued 20,000 shares of Rs. 10 each payable as follows:
Rs. 2 on application
Rs. 3 on allotment
Rs. 2 on first call
Rs. 3 on final call
All the shares were applied for and allotted, and all the sums were duly received. Pass the journal entries assuming that application account and allotment account are combined.</td><td>10</td></tr>
<tr><td>1</td><td>73.</td><td>The Aruna Mills Ltd. with a Registered Capital of Rs. 5,00,000 in shares of Rs. 10 each, issued 20,000 of such shares; payable at Re. 1 per share on application, Rs. 2 per share on allotment and Rs. 3 shares on first call. All the money payable on allotment were duly received but on the first call being made, one shareholder paid the entire balance on his holding of 300 shares and five shareholders with a total holding of 1,000 shares failed to pay the first call on their shares Record the above transactions in the form of journal entriesand draw up the Company’s Balance Sheet.</td><td>10</td></tr>
<tr><td>1</td><td>74.</td><td>Suguna Mills Ltd. issued 10,000 Equity Shares of Rs. 10 each at a premium of Rs. 2 per share payable at Rs. 2 on application, Rs. 5 on allotment (including premium) and Rs. 5 on first and final call. The shares were all subscribed, and the money received except the first and final call on 1,000 shares. Record the above transactions in the form of journal entries, Ledger Accounts and the Balance Sheet.</td><td>10</td></tr>
<tr><td>1</td><td>75.</td><td>B’ Ltd. issued 20,000 shares of Rs. 10 each, payable at Rs. 3 on application, Rs. 4 on allotment and Rs. 3 on call. Applications were received for 36,000 shares. Allotment was made by the company as follows:
Applications for 6,000 shares were rejected., and their application money was refunded.</td><td></td></tr>
</table>

		• Applications for 30,000 shares were allotted 20,000 shares on pro-rata basis, and the excess application money received from these applicants was adjusted towards the allotment money due on their shares. • The allotment money and the call money were paid by all the shareholders. Pass the Journal Entries in the Books of the Company.	
1	76.	The Directors of a company with a nominal and subscribed capital of 10,000 Preference shares of Rs. 20 each and 20,000 Equity Shares of Rs. 20 each both of which were fully called up, forfeit 500 Preference Shares of A on which he failed to pay first and final call of Rs. 5 per share each. They also forfeit 1,000 Equity Shares of B who failed to pay Rs. 5 per share on allotment, Rs. 5 per share on first call and Rs. 5 per share of final call. Pass the Journal entries as to forfeiture and show the capital in the Balance Sheet.	
1	77.	XL Co. Ltd. issued 2,00,000 shares of Rs. 10 each at a premium of Rs. 3 each, payable at Rs. 2 on application, Rs. 6 on allotment (including premium), Rs. 3 on first call and the balance on final call. Applications were received for 2,25,000 shares. The directors decided to make a pro-rata allotment to all the applicants. The excess application money was to be adjusted towards allotment. All the money were duly received exceptfrom Mr. Das who failed to pay the first call and also the final call on 1,000 shares and Mr. Ravi who failed to pay the final call on 2,000 shares. All these shares were forfeited and re-issued at Rs. 9.50. Passthe Journal Entries and Prepare the Balance Sheet.	
1	78.	Write notes on • Premium on issue of debentures • Premium on redemption of debentures • Discount on issue of debentures • Loss on issue of debentures	
1	79.	Explain the "debentures issued as collateral security for a loan"? Give the accounting treatment of issue of debentures as a collateral security.	10
1	80.	Explain the procedure for the redemption of debentures by means of sinking fund.	10
1	81.	State the different ways in which debentures may be redeemed.	10
1	82.	The Sound Co. Ltd. issued 10,000 debentures of Rs. 100 each for subscription. The debenture money was payable as follows: • Rs. 30 on application, • Rs. 40 on allotment, • Rs. 20 on first call and • Rs. 10 on second call. A person who holds 200 debentures failed to pay the amount due at the time of allotment. He, however, pays this amount with the first call money. Another person who is holding 400 debentures has paid all the calls in advance at the time of	10

		allotment. Record the journal entries in the books of the company including the entries for cash transactions.	
1	83.	Jones Co. Ltd. issued 2,000 8% debentures of Rs. 100 each at a discount of 6%. The debentures are repayable by annual drawings at the end of each year, from the first year onwards at the rate of Rs. 40,000 per year. You are required to ascertain the discount amount to be written off each year under (a) fluctuating instalment method and (b) fixed instalment method	10
1	84.	Keshav company Ltd issued 2000 8% debenture of Rs.100 each at a discount of 6% the debenture is repayable by annual drawings at the end of each year starting from first year at a rate of 40000 p.a you are required to ascertain the discount amount to be return of each year under fluctuating and fixed instalment method.	10
1	85.	State the provisions of Companies Act regarding the redemption of preference shares.	10
1	86.	Explain the divisible profits available for redemption of preference shares.	10
1	87.	State the various profits and reserves not available for redemption of preference shares.	
1	88.	State and explain the various factors that affect the valuation of Goodwill.	10
1	89.	Explain various methods of Valuation of Good will.	10
1	90.	Care Co. Ltd had issued 50,000 redeemable preference shares of Rs. 10 each, Rs. 8 was paid. In order to redeem these shares, now being redeemable, the company issued for cash 30,000 Equity shares of Rs. 10 each at a premium of Rs. 2 per share. Out of the cash proceeds, the redeemable preference shares were paid, and the balance was met out of the Reserve Fund which stood at Rs. 2,50,000. Pass the journal entries in the books of the company.	10
1	91.	Aruna mills ltd proposed to purchase the business carried by Ama Ltd, The goodwill for this purpose was agreed to be valued at 3 years purchase if the weighted averages profits for the 4 years with the appropriate rates to be used are for 2010 (1) 2011 (2) 2012 (3) 2013(4). Profits for these years are for 2010 Rs.30300 ,2011 Rs.31200, 2012 Rs.36000,2013 Rs.45000 on scrutiny of the account the following matters are revealed • On 01.09.20210, major repairs was made in respect of plant and machinery incurring Rs. 9000 which amountsto be transferred to revenue of the said sum which isagreed to be the capital for goodwill. • The calculation subjects to drop of 10% of diminishing balance method. • The closing stock of 2011 was overvalued by 3600 • To cover management cost annual charge of 7200 should be made for purpose of goodwill valuation Compute the value of goodwill of the firm.	10

1	92.	How is purchase consideration calculated in Amalgamation?	10
1	93.	Explain two methods of Amalgamation.	10
1	94.	A Ltd. is absorbed by B Ltd., the consideration being the takeover of the liabilities; the payment cost of absorption is Rs. 17,000 as a part of purchase consideration; the payment of debentures of Rs. 1,00,000 at a premium of 10% in 9% debentures issued at par; and the payment of Rs. 16 per share in cash and the allotment of one 14% preference share of Rs. 10 each fully paid and 6 equity shares of Rs. 10 each fully paid for every 4 equity shares. The number of shares in A Ltd. of the vendor company is 2,00,000 of Rs. 10 each fully paid. Calculate the purchase consideration as per As-14.	10
1	95.	State the incorporate entries to be passed in the books of the purchasing company.	10
1	96.	Distinguish between absorption and external reconstruction	10
1	97.	Distinguish between • Internal reconstruction and amalgamation • Internal reconstruction and absorption • Internal reconstruction and external reconstruction	10
1	98.	Explain the following • Reduction of capital • Capital reduction account • Reconstruction account	10
1	99.	Explain the preferential creditors under the Indian Companies Act.	10
1	100.	Explain the meaning of Liquidator's Statement of Account? How is it prepared?	10
2	101.	Explain the term inter-company debt. Give Examples.	10
2	102.	Explain the meaning of Consolidated Balance Sheet and how is it prepared.	10
2	103.	How do you treat the following items? • Minority Interest • Various items of majority interest • Cost of Control • Unrealized profit included in stock of goods purchased by the company from another company.	10
2	104.	How do you treat the following in the final accounts of the banking company? • Travelers' cheques • Reserve for Doubtful debts • Interest on doubtful debts	10
2	105.	How do you treat the following items? • Provision for taxation • Circular notes • Bank drafts	10
2	106.	Mention and explain the special features of the final accounts prepared by	10

		Electricity companies.	
2	107.	How is depreciation provided under the Electricity Supply Act?	10
2	108.	Explain the term Capital Base in the case of Electricity company.	10
2	109.	Explain the Reasonable return in the case of Electricity company.	10
2	110.	Briefly explain the clear profit in the case of electricity company? How is it computed?	10
2	111.	Write notes on • Contingencies Reserve • Development reserve • Tariffs and Dividends Control Reserve • General Reserve • Consumers Rebate reserve	10
2	112.	How does a Life Assurance Company ascertain its profits or losses?	10
2	113.	Explain the Valuation of Balance Sheet. How is it prepared?	10
2	114.	Why is it necessary to calculate the profitability ratios in relation to sales? Illustrate your answer.	10
2	115.	Write Notes on • Annuities • Actuarial Valuation	10
2	116.	How is profit or loss determined in general insurance?	10
2	117.	Explain the concept of Double Account System? How does it differ from the single account system?	10
2	118.	Mention and explain the advantages and disadvantages of the Double Account System.	10
2	119.	How do you deal with the following under the double account system? • Repairs and Renewals • Replacement of permanent assets • Extensions and additions to fixed assets • Depreciation of fixed assets	10
2	120.	The Pioneer Gas Company rebuild and re-equipped a part of their works at a cost of Rs. 7,50,000. The part of the old works thus superseded cost byRs. 4,50,000. Rs. 30,000 is realized by the sale of old materials and old materials valued Rs. 1,000 are used in the reconstruction and included in the cost of Rs. 7,50,000 above mentioned. The cost of Labour and materials is 20% higher now than when the old works were constructed. Pass the journal entries for recording the above transactions in the books of the company showing what amount should be charged to capital and stating reasons for your decision.	10
2	121.	A Life Assurance Co. prepared its Reserveand its Revenue Account at the end of 31-3-2017. The fund as shown therein was Rs. 25,00,000. The company had not	10

<table>
<tr><td></td><td></td><td>taken into account the following.
<table>
<tr><td>1. Bonus used in reduction of premium</td><td>50,000.00</td></tr>
<tr><td>2. Claims intimated but not admitted</td><td>20,000.00</td></tr>
<tr><td>3. Annuities outstanding</td><td>25,000.00</td></tr>
<tr><td>4. Surrender values adjusted against loans on policies</td><td>10,000.00</td></tr>
<tr><td>5. Re-assurance premium</td><td>5,000.00</td></tr>
<tr><td>6. Claims covered under re-insurance</td><td>8,000.00</td></tr>
</table>
Pass the journal entries for the above and show the fund after making the adjustments.</td><td></td></tr>
<tr><td>3</td><td>122.</td><td>Explain the ratios which you, as an analyst, will focus your attention to in the following cases:

A bank is approached by a company for a loan of Rs. 50 lakhs for working-capital purposes.
A company requests a financial institution to grant a 10-year loan of Rs. 5 crores.

Mention the financial ratios of a company you would most likely refer to in each of the following situations? Give reasons.</td><td>10</td></tr>
<tr><td>3</td><td>123.</td><td>Explain the benefits of management accounting in the business sector and service sector.</td><td>10</td></tr>
<tr><td>3</td><td>124.</td><td>Explain the functions of a management accountant? Elaborate each one of them.</td><td>10</td></tr>
<tr><td>3</td><td>125.</td><td>Explain the limitations of management accounting</td><td>10</td></tr>
<tr><td>3</td><td>126.</td><td>Explain the causes for Change in Working Capital.</td><td>10</td></tr>
<tr><td>3</td><td>127.</td><td>“Funds flow statement represents a stock to flow linkage”, Justify.</td><td>10</td></tr>
<tr><td>3</td><td>128.</td><td>Following is the balance sheet of A limited
<table>
<tr><th>Liabilities</th><th>Rs</th><th>Assets</th><th>Rs</th></tr>
<tr><td>Equity sharescapital (Rs 10)</td><td>4,00,000</td><td>Freehold premises</td><td>4,00,000</td></tr>
<tr><td>10% pref. share capital</td><td>3,00,000</td><td>Plant and machinery</td><td>3,00,000</td></tr>
<tr><td>Reserve fund</td><td>1,00,000</td><td>Furniture</td><td>80,000</td></tr>
<tr><td>Profit & loss</td><td>50,000</td><td>Stock</td><td>2,00,000</td></tr>
<tr><td>15% debenture</td><td>2,00,000</td><td>Debtors</td><td>1,50,000</td></tr>
<tr><td>Bank overdraft</td><td>20,000</td><td>Bill’s receivable</td><td>40,000</td></tr>
<tr><td>Creditors</td><td>1,10,000</td><td>Marketable securities</td><td>30,000</td></tr>
<tr><td>Bills payable</td><td>30,000</td><td>Cash balance</td><td>10,000</td></tr>
<tr><td>Tax provision</td><td>40,000</td><td>Prepaid expenses</td><td>30,000</td></tr>
<tr><td></td><td></td><td>Preliminary expenses</td><td>10,000</td></tr>
<tr><td>Total</td><td>12,50,000</td><td></td><td>12,50,000</td></tr>
</table>
Total sales during the year are Rs 20,00,000 and Net profit after tax is Rs 2,00,000.
You are required to compute:
a) Current ratio
b) Acid test ratio
c) Proprietary ratio
d) Debt equity ratio
e) Fixed asset turnover ratio</td><td>10</td></tr>
<tr><td>3</td><td>129.</td><td>A company is considering investment in a project, the cost of which is 4,00,000.</td><td></td></tr>
</table>

<table>
<tr><td></td><td></td><td>
The project has an expected life of 5 years and 0 salvage value. The company uses straight line method of depreciation, the tax rate is 30%, the estimated earnings before depreciation and before tax from the project are:
<table>
<tr><th>Year</th><th>Earnings before depreciation & tax (Rs)</th><th>PV factor@10%</th></tr>
<tr><td>1</td><td>60,000</td><td>0.909</td></tr>
<tr><td>2</td><td>70,000</td><td>0.826</td></tr>
<tr><td>3</td><td>1,00,000</td><td>0.751</td></tr>
<tr><td>4</td><td>80,000</td><td>0.683</td></tr>
<tr><td>5</td><td>50,000</td><td>0.621</td></tr>
</table>
Calculate Net present value.
</td><td></td></tr>
<tr><td>3</td><td>130.</td><td>
From the following Balance Sheet of a Company, you are required to prepare
1) a statement showing changes in working capital
2) a statement of sources and applications of the funds.
Balance Sheet
<table>
<tr><th>Particulars</th><th>Jan.2019</th><th>Jan.2020</th></tr>
<tr><td>Cash</td><td>40,000</td><td>44,400</td></tr>
<tr><td>Account Receivable</td><td>10,000</td><td>20,700</td></tr>
<tr><td>Inventories</td><td>15,000</td><td>15,000</td></tr>
<tr><td>Land</td><td>4,000</td><td>4,000</td></tr>
<tr><td>Building</td><td>20,000</td><td>16,000</td></tr>
<tr><td>Equipment</td><td>15,000</td><td>17,000</td></tr>
<tr><td>Accumulated Depreciation</td><td>-5000</td><td>-2,800</td></tr>
<tr><td>Patents</td><td>1,000</td><td>900</td></tr>
<tr><td>Total assets</td><td>1,00,000</td><td>1,15,200</td></tr>
<tr><td>Current Liabilities</td><td>30000</td><td>32,000</td></tr>
<tr><td>Bonds Payable</td><td>22,000</td><td>22,000</td></tr>
<tr><td>Bonds Payable Discount</td><td>-2,000</td><td>-1,800</td></tr>
<tr><td>Capital Stock</td><td>35,000</td><td>43,500</td></tr>
<tr><td>Retained Earnings</td><td>15,000</td><td>19,500</td></tr>
<tr><td>Total Labilities</td><td>1,00,000</td><td>1,15,200</td></tr>
</table>
Additional Information:
a. Income for the period is Rs.10,000
b. A building costs Rs.4000 and which had a book value of Rs.1000 was sold for Rs. 1400.
c. The depreciation charge for the period was Rs. 800.
d. There was Rs. 5000 issue of common stock.
e. Cash Dividend Rs. 2000 and a Rs. 3500 stock dividends were declared.
</td><td>10</td></tr>
<tr><td>3</td><td>131.</td><td>Explain the procedure in preparing a cash flow statement.</td><td>10</td></tr>
<tr><td>4</td><td>132.</td><td>Explain the Valuation of Human Resource Accounting Methods.</td><td>10</td></tr>
<tr><td>4</td><td>133.</td><td>Mention and Explain the approaches of Inflation Accounting.</td><td>10</td></tr>
<tr><td>4</td><td>134.</td><td>Explain the Computerized Accounting concept with reference to Hospital accounting</td><td>10</td></tr>
<tr><td>4</td><td>135.</td><td>Explain the Computerized Accounting concept with reference to Hotel accounting.</td><td>10</td></tr>
<tr><td>4</td><td>136.</td><td>Explain the Computerized Accounting concept with reference to Retail accounting.</td><td>10</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
</table>

1	137.	**Given below are the Balance Sheets of two companies as on 31.12.2011**.	15

Liabilities	**Ram Ltd. Rs.**	**Kumar Ltd Rs.**	**Assets**	**Ram Ltd. Rs.**	**Kumar Ltd Rs.**
Shares of Rs. 10 Each fully paid-up	15,00,000	3,90,000	Goodwill	1,50,000	50,000
Securities Premium	4,500	_	Freehold Property	4,00,000	1,80,000
General reserve	1,00,000	_	Machinery	3,50,000	1,00,000
Profit and Loss A/c	1,65,650	_	Stock	6,82,000	1,62,000
8% Debentures	3,50,000	70,000	Debtors	2,58,500	95,000
Development Rebate Reserve	27,850	57,000	Bank	3,37,500	_
Sundry Creditors	30,000	2,00,000	Profit and Loss A/c	_	1,36,000
Bank Overdraft	_	6,000.00			
	21,78,000	**7,23,000**		**21,78,000**	**7,23,000**

The two companies decided to amalgamate their business as on the date of Balance Sheet and a new company called Ram Kumar Limited was formed with an authorized capital Rs. 25,00,000 in share of Rs. 10 each. The terms of Amalgamation were:

Ram Limited:

1. 6 shares of Rs. 10 each fully paid in the new company in exchange for every 5 shares in Ram Ltd. and Rs. 10,000 in cash.

2.The debenture holders were to be allotted such debentures in new company bearing interest at 7% p.a. as would bring the same amount of interest.

Kumar Limited:

1. One share of Rs. 10 each fully paid in the new company in exchange for every 3 shares of Kumar Ltd. and Rs. 5,000 in cash.

2. The debenture holders were to be allotted such debentures in the New Company bearing interest at 7% as would bring the same amount of interest.

The new company took over all the assets and liabilities of the two companies.

Development Rebate Reserve is to be maintained for 2 more years.

Record the entries in the books of Ram Ltd. to give effect to the above arrangements. Also draw the opening journal entries and Balance Sheet after amalgamation in the books of transferee company, under amalgamation in the nature of purchase (purchase method).

<table>
<tr><td>1</td><td>138.</td><td>
Weak Ltd. is absorbed by Strong Ltd., the consideration being the assumption of liabilities, the discharge of the debenture debt at a premium of 5% by the issue of 5% debentures in the Strong Ltd. and a payment in cash of Rs. 30 per share and the exchange of three Rs. 10 shares in Strong Ltd. at an agreed value of Rs. 15 per share for every share in Weak Ltd.
<table>
<tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr>
<tr><td>Share Capital:</td><td></td><td>Goodwill</td><td>2,50,000</td></tr>
<tr><td>60,000 Rs. 50 shares fully paid</td><td>30,00,000</td><td>Land and Building</td><td>7,65,000</td></tr>
<tr><td>5% Debentures</td><td>15,00,000</td><td>Plant and Building</td><td>22,00,000</td></tr>
<tr><td>Sundry Creditors</td><td>2,00,000</td><td>Patents</td><td>50,000</td></tr>
<tr><td>workmen's Profit-sharing Fund</td><td>1,00,000</td><td>Patterns</td><td>25,000</td></tr>
<tr><td>Accident Compensation Fund</td><td>50,000</td><td>Investments of Accident Compensation Fund</td><td>50,000</td></tr>
<tr><td>General Reserve Account</td><td>3,20,000</td><td>Stock</td><td>10,60,000</td></tr>
<tr><td>Profit and Loss A/c</td><td>30,000</td><td>Sundry Debtors</td><td>4,50,000</td></tr>
<tr><td></td><td></td><td>Bank</td><td>3,50,000</td></tr>
<tr><td></td><td>52,00,000</td><td></td><td>52,00,000</td></tr>
</table>
Pass journal entries to close the books of Weak Ltd. an also the opening entries in the books of Strong Ltd. assuming that:
a. The absorption is in the nature of merger and
b. the absorption is in the nature of purchase.
</td><td>15</td></tr>
<tr><td>1</td><td>139.</td><td>
The Old Ltd., having proved unsuccessful resolves by special resolution to wind up for the purpose of reconstruction and sale to a new company called the New Ltd. The Balance Sheet of the Old Ltd. at the date of confirmatory resolution was as follows:
<table>
<tr><th>Liabilities</th><th>Rs.</th><th>Assets</th><th>Rs.</th></tr>
<tr><td>Capital</td><td></td><td>Land and Building</td><td>4,50,000</td></tr>
<tr><td>1,00,000 Equity shares of Rs. 10 each fully paid</td><td>10,00,000</td><td>Machinery and Plant</td><td>2,40,000</td></tr>
<tr><td>Sundry Creditors</td><td>30,000</td><td>Sundry Debtors</td><td>1,00,000</td></tr>
<tr><td>Bills Payable</td><td>20,000</td><td>Stock</td><td>50,000</td></tr>
<tr><td></td><td></td><td>Cash at Bank</td><td>10,000</td></tr>
<tr><td></td><td></td><td>Profit and Loss A/c</td><td>2,00,000</td></tr>
<tr><td>Total</td><td>10,50,000</td><td>Total</td><td>10,50,000</td></tr>
</table>
The scheme of reconstruction, assented to by all parties, was as follows:
1. The New Ltd. was to take over all the assets of the Old Ltd. but not the liabilities.
</td><td>15</td></tr>
</table>

<table>
<tr>
<td></td>
<td></td>
<td>
2. The capital of the New Ltd. was to be Rs. 15,00,000 in 1,50,000 equity shares of Rs. 10 each.
3. The New Ltd. was to purchase the goodwill, business and assets of the Old Ltd. for a sum of Rs. 8,00,000, payable at Rs. 7,00,000 by the issue of Rs. 1,40,000 equity shares of Rs. 10 each with Rs. 5 per share credited as paid up and as to Rs. 1,00,000 in cash.
4. The members of the New Ltd. were to pay the balance of Rs. 5 per share due upon the shares issued to them at Rs. 2-50 on application and the balance on allotment. The expenses of reconstruction amounted to Rs. 5,000. There were no disagreement of shareholders and all calls were dully paid. No further shares were issued beyond those forming part of the purchase consideration for the transfer of the business.
Pass theJournal Entries to close the books of the Old Ltd. and show the opening Balance Sheet of the New Ltd.
</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>140.</td>
<td>
The capital of the Disappointed Ltd. was as follows:
(a) 1,000 preference shares of Rs. 100 each fully paid.
(b) 4,000 Equity Shares of Rs. 100 each fully paid.
(c) 3,000 Equity Shares of Rs. 100 each Rs. 80 paid.
Under the articles of the company, the preference shares have priority over the equity shares in regard to repayment of capital.
The creditors were Rs. 2,54,900 of which Rs. 10,900 were preferential and Rs. 54,000 fully secured.
The assets realized Rs. 3,74,000 including Rs. 64,000 sold on behalf of the fully secured creditors.
The cost of liquidation amounted to Rs. 12,000 and the liquidator's remuneration was fixed at 5 percent on the amount realized (excluding the security of creditors) and 3% on the amount distributed to unsecured creditors excluding preferential creditors.
The liquidator made a call of Rs. 15 per share on the partly paid equity shares which was duly paid except by one member holding 2,000 shares.
Prepare Liquidator's Final Statement of Account.
</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>141.</td>
<td>
The following are the balances extracted from Bhadra Electricity Supply Company as on 31st March, 2018. Prepare a Revenue and Net Revenue Accounts, Capital Account and Balance Sheet of the company:
<table>
<tr><th>Particular</th><th>Rs.</th></tr>
<tr><td>Power purchased</td><td>5,66,614</td></tr>
<tr><td>Distribution expenses</td><td>93,316</td></tr>
<tr><td>Rates and taxes</td><td>30</td></tr>
<tr><td>Establishment charges</td><td>60,814</td></tr>
<tr><td>Management expenses</td><td>35,460</td></tr>
<tr><td>Sale of electricity</td><td>8,38,868</td></tr>
</table>
</td>
<td>15</td>
</tr>
</table>

Meter Rent	55,092
Depreciation	37,516
Income-Tax	36,488
Repairs	1,052
Contribution towards Contingency Reserve	6,286
Interest paid and accrued	12,178
Plant and Machinery	11,19,936
Public lighting	1,63,330
General Equipment	30,734
Capital - paid up	7,10,000
Bills Payable	1,792
Sundry creditors consumers	5,272
Sundry creditors -others	238
Consumer's security Deposit	3,75,132
Depreciation Reserve Balance as on 1.4.2013	2,57,570
Contingency Reserve Balance as on 1.4.2013	13,804
Service advance	15,914
Unpaid wages	36
Income Tax Reserve	36,488
Interest Payable	23,810
Stores in hand	97,704
Sundry Debtors for supply of electricity	78,438
Advances to staff	20.09
Cash at Bank	14,668
Cash in hand	2,984

4 | 142. | A Co. Ltd. purchased shares of B Co. Ltd. and C Co. Ltd. on 1st January and 1st July, 2019. The Balance Sheets of all the companies on 31st December, 2019 are given below: | 15

Liabilities	A Co. Ltd. Rs	B Co. Ltd. Rs	C Co. Ltd. Rs
Share Capital:			
Equity shares of Rs.10 each	2,00,000	80,000	1,20,000
8% Preference Shares of Rs.10 each	_	30,000	_
General Reserves	10,000.	_	4,000
Profit and Loss A/c Balance as on 1-1-2013	20,000	10,000	_
Current Year's Profit	15,000.	8,000.00	16,000
Trade Creditors	40,000	10,000.	6,000
Loan from A Co. Ltd.	_	4,000.00	_
Bills Payable	_	_	4,000
Total	**2,85,000**	**1,42,000**	**1,50,000**
Assets			
Fixed Assets	40,000	42,000	65,000
Investments in Subsidiaries			
5,000 Equity Shares in B Co. Ltd.	70,000	_	_
2,000 Preference Shares of B Co. Ltd.	25,000	_	_
8,000 Equity Shares in C Co. Ltd.	84,000.	_	_

Loan to B Co. Ltd.	4,000	_	_
Current Assets:			
Stock	30,000	25,000	28,000
Debtors	21,000	30,000	20,000
Bills Receivable from C Co. Ltd.	2,000	_	_
Bank	9,000	45,000	37,000.
Total	**2,85,000**	**1,42,000**	**1,50,000**

Prepare Consolidated Balance Sheet as at 31st December, 2011 taking into account the following particulars: -

(a) Dividends for the 2010 in respect of preference Shares of B Co. Ltd. were accrued to the date of acquisition of shares of A Co. Ltd., the same not being paid in 2013.

(b) The fixed assets of C Co. Ltd., include plant purchased in September, 2011 from A Co. Ltd. for Rs. 2,600. The cost of the same to A Co. Ltd. who are plant manufacturers was Rs. 2,000 and credit for the profit was taken by the company.

(c) B Co. Ltd. held at 31st December, 2011, stocks of Rs. 5,000 purchased from A Co. Ltd. who invoiced the goods at cost plus 25 per cent.

(d) The loan to B Co. Ltd., was made on 1st April, 2011 and it carried interest at 6 per cent. Neither was any interest paid nor any provision made for the same.

Taxation to be ignored.

******

MODEL QUESTION PAPER FOR M. Com

QP Code:		
ST. PHILOMENA'S COLLEGE (AUTONOMOUS), MYSORE		
FIRST SEMESTER – COURSE M. COM FINAL EXAMINATION		
Subject: Corporate Accounting		
Title: Corporate Accounting		
Time: 3 hours		**Max Marks: 70**
PART-A		
	Answer any FIVE of the following:	**5x5=25**
1	State the different types of share capital of a company.	
2	Bharath Ltd. issued 50,000 15% Debentures of Rs. 1,000 each at 1,000 per debenture. The debenture is redeemable in five annual instalments. Pass appropriate journal entries in year 1 and year 2.	
3	Briefly explain the scope of Management Accounting	
4	Write a note on Value Added Accounting.	

5 Write a note on Current Cost Accounting.

6 How does the use of ratios help in financial analysis?

7 Briefly explain the Funds Flow Statement and its managerial uses.

8 Raghav Ltd has 1000000 8% debenture outstanding 1/1/19 the company redeeming debenture every year. On 1st Jan of Rs100000 debenture were redeemed by drawing a lot at par. Give journal entries if redeem is out of profit and out of capital.

PART-B

Answer any THREE of the following: **3x10= 30**

9 Explain the procedure of preparing a cash flow statement.

10 Explain the Valuation of Human Resource Accounting Methods.

11 A company is considering investment in a project, the cost of which is 4,00,000. The project has an expected life of 5 years and 0 salvage value. The company uses straight line method of depreciation, the tax rate is 30%, the estimated earnings before depreciation and before tax from the project are:

Year	Earnings before depreciation & tax (Rs)	PV factor@10%
1	60,000	0.909
2	70,000	0.826
3	1,00,000	0.751
4	80,000	0.683
5	50,000	0.621

Calculate Net present value.

12 A Life Assurance Co. prepared its Reserve its Revenue Account at the end of 31-3-2014. The fund as shown therein was Rs. 25,00,000. The company had not taken into account the following.

1. Bonus used in reduction of premium	50,000.00
2. Claims intimated but not admitted	20,000.00
3. Annuities outstanding	25,000.00
4. Surrender values adjusted against loans on policies	10,000.00
5. Re-assurance premium	5,000.00
6. Claims covered under re-insurance	8,000.00

Pass journal entries for the above and show the fund after making the adjustments.

13 The Pioneer Gas Company rebuild and re-equip a part of their works at a cost of Rs. 7,50,000. The part of the old works thus superseded cost Rs. 4,50,000. Rs. 30,000 is realized by the sale of old materials and old materials valued Rs. 1,000 are used in the reconstruction and included in the cost of Rs. 7,50,000 above mentioned. The cost of Labour and materials is 20% higher now than when the old works were constructed. Pass the journal entries for recording the above transactions in the books of the company showing what amount should be charged to capital and stating reasons for your decision.

PART-C

CASE STUDY-COMPULSORY

14 **The capital of the Disappointed Ltd. was as follows:** **1x15=15**

(a) 1,000 preference shares of Rs. 100 each fully paid.

	(b) 4,000 Equity Shares of Rs. 100 each fully paid. (c) 3,000 Equity Shares of Rs. 100 each Rs. 80 paid. Under the articles of the company, the preference shares have priority over the equity shares in regard to repayment of capital. The creditors were Rs. 2,54,900 of which Rs. 10,900 were preferential and Rs. 54,000 fully secured. The assets realized Rs. 3,74,000 including Rs. 64,000 sold on behalf of the fully secured creditors. The cost of liquidation amounted to Rs. 12,000 and the liquidator's remuneration was fixed at 5 percent on the amount realized (excluding the security of creditors) and 3% on the amount distributed to unsecured creditors excluding preferential creditors. The liquidator made a call of Rs. 15 per share on the partly paid equity shares which was duly paid except by one member holding 2,000 shares. Prepare Liquidator's Final Statement of Account.	