

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

**B.Com. DEGREE EXAMINATION – COMMERCE**

**SIXTH SEMESTER – APRIL 2010**

**CO 6606 - ADV. CORPORATE ACCOUNTS**

Date & Time: 20/04/2010 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

**PART – A**

**ANSWER ALL THE QUESTIONS**

**(10 X 2 = 20 marks)**

- 1) What is reinsurance?
- 2) Explain the meaning of non-performing assets.
- 3) Write a short note on minority interest.
- 4) What is meant by double account system?
- 5) Write a note on purchase consideration.
- 6) What is surrender of Insurance?
- 7) A life assurance co. prepared its revenue account for the year ending 31.03.02 and ascertained its life assurance fund to be Rs. 45,80,200. It was found later that following had been omitted from accounts.

Rs.

a) Interest accrued on investments	21,500
b) Income tax on the above	5,800
c) Outstanding premium	14,900
d) Bonus utilized in reduction of Premium	2,540
e) Claims intimated but not admitted	9,850
f) Claims covered under Reinsurance	3,420

Find out the true life assurance fund.

- 8) From the following information find out the amount of provisions to be shown in the profit and loss account of a commercial bank.

Assets	Rs. in lakhs
a) standard	5,000
b) sub – standard	4,000
c) doubtful –	
♦ for one year	800
♦ for three years	600
♦ for more than three years	200
d) loss assets	1,000

- 9) R. ltd acquired 60% of shares in K ltd on 1.1.2000 on which date K ltd. Had Rs.30000 credit balance in its p&L a/c. the following position was revealed on 31.12.2001.

	R	K
o Profit for 2001	1,90,000	65,000
o P and L a/c as on 31.12.2000	1,75,000	90,000

K ltd had not paid any dividend in the years 2000 and 2001. You are required to prepare consolidated p and L account for the year ended 31.12.2001.

- 10) The following are the balances of A ltd. and B ltd as on 31.3.09. A ltd agrees to take over B ltd. Find out the ratio of exchange of shares on the basis of the intrinsic value.

	A	B
a) Share capital (rs. 10 each)	2,00,000	90,000
b) Debentures	1,75,000	-----
c) Current liab.	1,25,000	70,000
d) Reserves	2,50,000	50,000
e) P and L a/c	1,50,000	40,000
f) Fixed assets	6,00,000	1,50,000
g) Current assets	3,00,000	1,00,000

**PART – B**

**ANSWER ANY FIVE QUESTIONS ONLY**

**(5X8=40 marks)**

- 11) What are the advantages and disadvantages of the double account system?
- 12) Differentiate between life insurance and general insurance.
- 13) Explain the various methods of calculation of purchase consideration.

- 14) The directors of a company decided to replace the old machinery with a new one. The old machinery was obtained at the cost of Rs.75,000 but the cost in the mean time has increased by 50% in the aggregate. The new machinery is estimated to cost Rs.1,50,000 and the old machinery would realize Rs.30,000 only. You are required to allocate the cost of Rs.1,50,000 between capital and revenue expenditure and to give necessary journal entries for recording the above in the books of the company.
- 15) H, Electricity Co earned a profit of RS.8,49,250 after paying Rs.30,000 @ 6% as debenture interest for the year ended 31/03/2009. The following further information is supplied to you.

	Rs.
Fixed Assets	1,80,00,000
Depreciation written off	50,00,000
Loan from Electricity Board	40,00,000
Reserve Fund Investment at par 4%	10,00,000
Contingency Reserve Investment at par 4%	7,50,000
Tariff Dividend control Reserve	1,00,000
Security deposits of customers	1,50,000
Customer's contribution to assets	50,000
Preliminary Expenses	40,000
Monthly Average of current of assets including amount due from customers Rs.2,50,000	7,60,000
Development Reserve	2,50,000

Show the disposal of Profit assuming Bank Rate @ 50%.

- 16) From the following particulars of a Bank find out the closing rebate and pass necessary entries for the year ending 31.03.2002

Date of Bill	Term of Bill	Discounted Rate	Amount of Bill
26.12.01	4 months	14%	2,86,000
12.01.02	4 months 14 DAYS	15.5%	3,12,000
15.02.02	5 months	15%	1,98,000
05.03.02	5 months	16.2%	4,19,000
24.03.02	3 months	16%	2,56,000

- 17) A Ltd and B Ltd have agreed to amalgamate. A new co. AB Ltd. Has been formed to take over the combined concern as on 31<sup>st</sup> march 2000. After negotiations the assets of the two companies have been agreed as shown in the following balance sheets.

Liabilities	A	B	Assets	A	B
Issued capital					
Shares of Rs 10 each	10,00,000	5,00,000	Land and buildings	5,00,000	3,00,000
Sundry creditors	80,000	50,000	plant and machinery	2,00,000	2,50,000
Reserve fund	---	50,000	goodwill	-----	50,000
Profit and loss acct.	50,000	50,000	stock	1,50,000	20,000
			Debtors	1,20,000	20,000
			Bank	50,000	10,000
			Patents	1,10,000	----
	-----	-----		-----	-----
	11,30,000	6,50,000		11,30,000	6,50,000
	-----	-----		-----	-----

Show how the amount payable to each company is arrived at and prepare the amalgamated balance sheet of the company.

- 18) Life Fund of Life Insurance Company was Rs.86,48,000 as on 31/03/09. The interim Bonus paid during the year was Rs.1,48,000. The periodical actual valuation determined the net liability Rs.74,25,000. The dividend payable to share holders Rs.1,00,000. The director of the company proposed to carry forward Rs.1,21,000 and divide the balance between the share holders and policy holders in the ratio of 1:4. Show the (i) The valuation balance sheet (ii) The distribution of surplus. (P.T.O) -2-

**PART- C**

**ANSWER ANY TWO QUESTIONS**

**(2 X 20 = 40 marks)**

19. From the following Trial balance of National Life Assurance Co. Ltd., prepare Revenue A/c and Balance Sheet as on 31.3.2006.

Debit Balance	Rs.('000)	Credit Balance	Rs.('000)
Claims by death	76,980	Life Assurance fund (1.4.05)	14,70,562
Claims by Maturity	36,420	Premiums	2,10,572
Expenses of management	19,890	Consideration for annuities granted	10,620
Commission	26,541	Interest, Dividends & Rents	52,461
Dividend paid	20,000	Fines	92
Income tax on interest etc.	3,060	Annuities due but not paid	22,380
Surrenders	21,860	Share capital:40,00,000 Shares of Rs.100 each	4,00,000
Annuities	29,420	Claims admitted but not paid	80,034
Bonus paid in cash	9,450		
Bonus in reduction of premium	2,500		
Preliminary expenses	200		
Stamps on hand	400		
Govt. securities	8,70,890		
Furniture	20,000		
Mortgages	3,09,110		
Loans on Company's policies	2,00,000		
Freehold premises	3,00,000		
Leasehold premises	2,00,000		
House property	1,00,000		
	22,46,721		22,46,721

Additional Information:

	Rs.('000)
(i) Management expenses due	600
(ii) Premium Outstanding	7,400
(iii) Reinsurance premium	6,000
(iv) Interest accrued	15,400
(v) Surrenders adjusted against loans	5,000
(vi) Further bonus utilised in reduction of premium	1,500
(vii) Further claim intimated	8,000
(viii) Claim covered under reinsurance	10,000

20. Following is the balance sheet of W ltd and S ltd as on 31.3.97.

LIABILITIES	W	S	ASSETS	W	S
Sh.Cap. Rs 10 each.	10,00,000	4,00,000	goodwill	60,000	20,000
General reserve	1,50,000	-----	machinery	7,00,000	2,70,000
Profit and loss account	1,42,000	60,000	stock	1,80,000	90,000
Creditors	1,20,000	80,000	debtors	2,60,000	1,20,000
Bills payable	20,000	-----	bank	40,000	25,000
			Investment in 24,000		
			Shares of S ltd.	1,92,000	-----
			Bills receivable	-----	15,000
	-----	-----		-----	-----
	14,32,000	5,40,000		14,32,000	5,40,000
	-----	-----		-----	-----

Additional information;

- W ltd acquired the shares in S ltd, on 1<sup>st</sup> October 1996, profit and loss account in the book of S ltd, showed a debit balance of Rs 20,000 on 1.4.96.
- Bills payable in w ltd represented bill issued in favour of S ltd which got discounted for Rs 5,000
- Included in the stock of S ltd are the goods to the value of 20,000 which are supplied at cost of 25% on cost. Prepare a consolidated balance sheet.

21. The following is the Trial Balance of Big Bank Ltd., as on 31.12.1987.

	Debit Rs.	Credit Rs.
Share capital: 7,500 shares of Rs.100 each	–	7,50,000
Loans and advances	80,20,000	–
Bank premises	5,32,500	–
Government securities	15,30,000	–
General reserve	–	4,50,000
Deposits	–	96,46,000
Interest and discounts	–	8,00,000
Interest on deposits and borrowings	2,00,000	–
Balance with other banks	1,00,500	–
Money at call and short notice	85,500	–
General expenses	82,500	–
Rent, rates and taxes	6,900	–
Director's fees	4,200	–
Auditor's fees	1,200	–
Bills discounted	90,000	–
Furniture (Depn. upto 1.1.87 Rs.20,000)	80,000	–
Borrowings from other banks	–	1,05,000
Salaries and allowances	85,500	–
Computer	35,000	–
Profit & Loss A/c 1.1.87	–	37,500
Miscellaneous income	–	300
Commission	–	10,000
Interim dividend	30,000	–
Cash in hand and with RBI	9,15,000	–
	1,17,98,800	1,17,98,800

Considering the following information furnished, prepare Profit and Loss Account for the year ending 31.12.87 and balance sheet as on that date in the proper form.

- Bills worth Rs.50,000 were received for collection
- Interest accrued on investment Rs.12,000
- Rebate on bills discounted Rs.15,000
- Debts amounting to Rs.65,000 were doubtful and provision is to be made for the same.
- Depreciation to be charged at 10% on the original cost of the furniture.

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