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 D.K.M. COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1

SEMESTER EXAMINATIONS

 APRIL - 2016 CCO4A

ADVANCED CORPORATE ACCOUNTING

**Time : 3 hours Max. Marks : 75**

**Section – A (10 x 2 = 20)**

**Answer ALL the questions.**

1. What do you mean by super profit?
2. State any two methods of computation of Goodwill.
3. Define Holding company.
4. What is ‘Minority Interest’?
5. What is ‘Statutory Reserve’?
6. Give a specimen of schedule 13 prepared in bank profit and loss account.
7. What is Re - insurance?
8. Write a note on reserve for unexpired risk.
9. Define Inflation accounting.
10. Write short notes on ‘Current purchasing power method’.

**Section – B ( 5 x 5 = 25 )**

**Answer any Five of the following questions.**

1. From the following information calculate the value of goodwill on the basis of 3 years purchase of super

 profit.

1. Average capital employed in the business is Rs.20,00,000.
2. Expected rate if return 10%.
3. Net trading profits of the firm for the past three years were Rs.3,50,400; Rs.2,80,300 and Rs.3,10,100.
4. Fair remuneration to the partners for their services is Rs.48,000 p.a.
5. Assets Rs.23,50,400 and liabilities Rs.95,110.
6. X Ltd has 10,000 equity shares of Rs.10 each, Rs.8 paid and 1,00,000, 6% preference shares of Rs.10

 each fully paid. The company has a practice of transferring 20% of the profit to general reserve every

 year. The expected profit (based on past years performance) before tax is Rs.2,00,000. The rate of tax

 is 50%.

Calculate the value of equity share under yield method, it may be assumed that the normal rate of dividend is 20%.

1. Prepare a consolidated balance sheet from the following Balance Sheets.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | H Ltd. Rs. | S Ltd. Rs. | Assets | H Ltd. Rs. | S Ltd. Rs. |
| Capital: Re.1 SharesCreditors P & L A/c | 1,400 350 260 | 1,000 190 320 | Sundry assetsShare in ‘S’ Ltd. 900 shares at cost |  8851,125 | 1,510 |
|  | 2,010 | 1,510 |  | 2,010 | 1,510 |

 On the date of acquisition of shares by H Ltd., in S Ltd., the credit balance on latter’s Profit and Loss account was Rs.220. No dividends have been declared since that date.

1. From the following summarised balance sheets of H Ltd., and S Ltd., as on 31.12.94, prepare a

 consolidated balance sheet of the two companies.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | H Ltd.Rs. | S Ltd.Rs. | Assets | H Ltd.Rs. | S Ltd.Rs. |
| Capital: |  |  | Fixed Assets | 18,10,000 | 15,75,000 |
| Shares of Rs.10 eachReservesCreditors | 25,00,000 7,50,000 2,25,000 | 12,50,000 5,00,000 2,00,000 | Investments (1,00,000 Shares in ‘S’ Ltd.)Current assets | 11,00,000 5,65,000 | - 3,75,000 |
|  | 34,75,000 | 19,50,000 |  | 34,75,000 | 19,50,000 |

 . H Ltd., purchased the shared in S Ltd., on 1st January 1994, when reserves in S Ltd., stood at

 Rs.3,00,000 and in H Ltd., at Rs.4,50,000.

1. On 31st Dec 1998, Pandian Bank Ltd., has the following bills.

|  |  |  |  |
| --- | --- | --- | --- |
| Date 1998 | Amount Rs. | Term in months | Discounting @ % P.A. |
| Nov. 11 | 50,000 | 4 | 6 |
| Nov. 16 | 60,000 | 3 | 5 |
| Nov. 7 | 40,000 | 4 | 5.5 |

 Calculate the rebate on bills discounted and give necessary journal entry, assuming accounts are

 closed on the date.

1. From the following particulars, prepare the profit and loss account of Chennai Bank Ltd., for the year

 ending 31st March 1992.

|  |  |
| --- | --- |
|  | Rs. |
| Interest on deposits | 32,00,000 |
| Commission (cr) |  1,00,000 |
| Interest on loans | 24,90,000 |
| Sundry charges (dr) |  1,00,000 |
| Rent and taxes |  2,00,000 |
| Establishment  |  5,00,000 |
| Discount on bills discounted  | 14,90,000 |
| Interest on overdrafts | 16,00,000 |
| Interest on cash credits | 23,20,000 |
| Auditor’s fees |  35,000 |
| Director’s fees |  16,000 |
| Bad debts written off |  3,00,000 |

1. From the following particulars, prepare the fire revenue account for 2005 – 2006.

|  |  |
| --- | --- |
|  | Rs. |
| Claims paid | 2,35,000 |
| Legal expenses regarding claims |  5,000 |
| Premium received  |  6,00,000 |
| Reinsurance premium |  60,000 |
| Commission |  1,00,000 |
| Expenses of management  |  1,50,000 |
| Provision against unexpired risk on 1.4.2005 |  2,60,000 |
| Claims unpaid on 1.4.2005 |  20,000 |
| Claims unpaid on 31.3.2006 |  35,000 |

1. List out the merits of ‘Current Cost Accounting’.

**Section – C ( 3 x 10 = 30 )**

**Answer ALL the questions.**

1. (a) From following Balance Sheet, you are required to value the equity shares.

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
| 2000 6% Preference share of Rs.100 each | 2,00,000 | Assets at Book value | 6,00,000 |
| 30000 equity shares of Rs.10 each | 3,00,000 |  |  |
| Current liabilities  | 1,00,000 |  |  |
|  | 6,00,000 |  | 6,00,000 |

 The market value of 50% of the assets is considered as 10% more than the book values and that

 remaining 50% at 5% less than the book values. There was a liability of Rs.5,000 which remained

 unrecorded. Assume preference shares have no priority as to the repayment of capital or dividend.

(Or)

 (b) The following are the summarised balance sheets of X Co. Ltd., and Y Co. Ltd., as on

 31st December 1972.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Liabilities | X Co. Ltd.Rs. | Y Co. Ltd.Rs. | Assets | X Co. Ltd.Rs. | Y Co. Ltd.Rs. |
| Paid up capital in shares of Rs.10 each General reserveProfit & Loss A/cSundry creditors | 10,00,000 4,00,000 3,00,000 1,00,000 | 3,00,0001,25,0001,75,000 70,000 | Freehold premisesPlant & MachineryFurnitureDebtorsStockInvestment in 20,000 shares in Y Co. Ltd. at cost Cash balance | 4,50,0003,50,000 80,0003,00,0003,20,0002,60,000 40,000 | 1,20,0001,60,000 30,000 1,70,000 1,60,000- 30,000 |
|  | 18,00,000 | 6,70,000 |  |  18,00,000 | 6,70,000 |

You are required to prepare consolidated balance sheets as on 31.12.1972.

1. X Ltd., acquired the shares of Y Co. Ltd., on 1.1.1972 when the balance on their profit & loss a/c and general reserve were Rs.75,000 and Rs.80,000 respectively .
2. Stock of Rs.1,60,000 held by Y Ltd., consists of Rs.60,000 goods purchased from

 X Ltd., who has charged profit at 25% on cost.

1. (a) The following figures relate to Life Insurance Corporation for the year ended 31.03.2006.

 Prepare the Revenue A/c.

|  |  |
| --- | --- |
|  | Rs.  |
| Claims |  39,000 |
| Management expenses |  14,000 |
| Director’s fees |  4,000 |
| Audit fees |  3,000 |
| Medical expenses |  500 |
| Agent’s commission |  5,000 |
| Depreciation |  4,000 |
| Bonus in reduction of premium |  1,500 |
| Consideration for annuities granted  |  16,500 |
| Surrenders |  9,000 |
| Premium received  |  1,51,000 |
| Life fund (1.4.95) | 11,50,000 |
| Interest received |  40,000 |
| Rent received  |  10,000 |
| Claims cancelled |  500 |
| Annuities |  1,500 |

1. Premium outstanding Rs.9,000.
2. Claims outstanding Rs.3,000.

(Or)

 (b) The following balance extracted from the books of Oriental general insurance company.

 Prepare revenue A/c of fire and marine business for the year ending 31.3.05.

|  |  |
| --- | --- |
|  | Rs.  |
| Funds on 1.4.2004: |  |
| Fire | 3,10,000 |
| Marine  | 8,40,000 |
| Premiums: |  |
| Fire  | 5,56,400 |
| Marine  | 8,82,200 |
| Due to reinsurers: |  |
| Fire |  4,400 |
| Marine  |  20,200 |
| Claims paid and outstanding: |  |
| Fire  | 2,61,500 |
| Marine  | 1,02,000 |
| Commission: |  |
| Fire  |  21,000 |
| Marine  |  54,000 |
| Expenses of management: |  |
| Fire  |  42,000 |
| Marine |  73,000 |

 It was further noticed that premiums were outstanding:

 Fire Rs.1,400 and Marine Rs.1,600. Provision is to be made for unexpired risk on the fire

 and marine at 40% and 100% of the premium received respectively.

1. (a) Give the specimen balance sheet of a banking company.

 (Or)

 (b) Explain the limitations of historical accounting.

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