

Reg. No. :

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M.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2024.

Second Semester

Commerce –Core

CORPORATE ACCOUNTING

(For those who joined in July 2023 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (15 × 1 = 15 marks)

Answer ALL questions.

Choose the correct answer :

1. Premium on issue of shares can be used for
 - (a) Distribution of dividend
 - (b) Writing of capital losses
 - (c) Transferring to General reserve
 - (d) Paying fees to directors

2. Gain on sale of fixed assets is shown in the statement of profit and loss as
- (a) Other income
 - (b) Revenue from operations
 - (c) Any of the above
 - (d) None of the above
3. Managerial remuneration is often aligned with:
- (a) Shareholder interests
 - (b) Employee satisfaction
 - (c) Regulatory requirements
 - (d) None of the above
4. A valuation of Balance sheet is prepared by
- (a) Joint stock company
 - (b) Banking company
 - (c) Life Insurance company
 - (d) General Insurance company
5. Insurance business in India is now regulated by the provisions of:
- (a) The Insurance Act 1938
 - (b) The IRDA Act 1999
 - (c) The Banking Regulations Act 1949
 - (d) The Indian Companies Act 1956.

6. The company in which more than 50% of shares are held by another company is termed as
- (a) Holding company
 - (b) subsidiary company
 - (c) Govt. company
 - (d) Public company
7. Which party purchases marine insurance for goods being transported?
- (a) Ship owners
 - (b) Cargo owners
 - (c) Freight forwarders
 - (d) Port authorities
8. The excess of the share in equity or net assets of the subsidiary over and above the price paid for the investment is shown as
- (a) capital reserve
 - (b) cost of control
 - (c) revenue reserve
 - (d) none of the above.
9. Which of the following is NOT a advantage of a holding company structure?
- (a) Tax advantages
 - (b) Simplified management structure
 - (c) Risk diversification
 - (d) Reduced regulatory requirements

10. Inflation accounting is also known as
(a) Accounting for price level changes
(b) Decision Accounting
(c) Standard accounting
(d) Historical accounting
11. Measurement of the value of human resource is based on the
(a) stock concept in accounting
(b) future profit concept
(c) ownership concept of an asset
(d) none of these
12. What is forensic accounting primarily concerned with?
(a) Preparing financial statements
(b) Auditing internal controls
(c) Investigating financial fraud and misconduct
(d) Providing tax advice
13. Fixed assets are shown in Balance sheet at
(a) Their original cost
(b) Original cost less depreciation
(c) Cash receipts alone
(d) Cash payments alone.

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14. Extraordinary items are dealt in under which accounting standard?
(a) AS-5 (b) AS-2
(c) AS-1 (d) AS-10
15. How does accounting for CSR expenditures impact the financial performance of a company?
(a) Increases revenue
(b) Reduces expenses
(c) Has no impact on financial performance
(d) Reduces net income

PART B — (5 × 4 = 20 marks)

Answer ALL questions by choosing (a) or (b).

16. (a) MTL Ltd invited applications for 20,000 shares of Rs.100 each payable:
Rs.25 on application
Rs. 35 on allotment
Rs. 40 on call
25,000 shares were applied for. The directors accepted applications for 20,000 shares and rejected the remaining applications. All moneys due were fully received. Give journal entries and show the balance sheet of the company.

Or

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- (b) Determine the maximum remuneration payable to the part time director and manager of B Ltd. (a manufacturing company) under section 309 and 387 of the Companies Act, 1956 from the following particulars:

Before charging any such remuneration, the Profit and Loss Account showed a credit balance of Rs.23,10,000 for the year ended 31st March 1987 after taking into account for the following matters:

| | Rs. |
|--|-----------|
| (i) Capital Expenditure | 5,25,000 |
| (ii) Subsidy received from Government | 4,20,000 |
| (iii) Special Depreciation | 70,000 |
| (iv) Multiple shift allowance | 1,05,000 |
| (v) Bonus to foreign technicians | 3,15,000 |
| (vi) Provision for taxation | 28,00,000 |
| (vii) Compensation paid to injured workman | 70,000 |
| (viii) Ex-gratia to an employee | 35,000 |
| (ix) Loss on sale of fixed assets | 70,000 |
| (x) Profit on sale of investment | 2,10,000 |

Company is providing depreciation as per section 350 of the Companies Act 1956.

17. (a) The life assurance fund of an Insurance company on 31.3.2016 showed a balance of Rs.87,76,500. It was found later that the following were not taken into account:

| | Rs. |
|--|----------|
| Dividend from investment | 4,80,000 |
| Income tax on above | 48,000 |
| Bonus in reduction of premium | 8,77,000 |
| Claims covered under reinsurance | 4,23,000 |
| Claims intimated but not accepted by company | 7,62,000 |

Ascertain the correct balance of fund.

Or

- (b) Bharath life Assurance company gets its valuation made once in every two years. Its life assurance fund on 31.3.17 stood at Rs.45,65,000 before providing for Rs.45,000 being the shareholders dividend for 2016-2017. Its actuarial valuation on 31.3.2017 disclosed a net liability of Rs. 32,20,000. An interim bonus of Rs. 80,000 was paid to the policyholders during the previous two years.

Prepare a statement showing the amount now available as bonus to policy holders.

18. (a) X Ltd purchased 60 % shares of Y Ltd on 1.1.20 when the balance on their profit and loss account and General reserve were Rs.1,50,000 and Rs.1,60,000 respectively. On 31.12.20, the balance sheet of Y Ltd showed Profit and Loss Account balance of Rs.4,00,000 and General reserve Rs.3,00,000. Calculate capital profits and revenue profits.

Or

- (b) Calculate minority interest from the Balance sheet of Mumbai Ltd.

Balance sheet of Mumbai Ltd as on 31.12.2017

| Liabilities | Rs. | Assets | Rs. |
|---|------------------|--------------------------------|------------------|
| Share Capital: 7,00,000 shares of Rs.2 each | 14,00,000 | Sundry Assets | 10,00,000 |
| General reserve as on 1-1-17 | 6,00,000 | Other assets | 1,50,000 |
| Creditors | 3,00,000 | Investments (80% of shares) | 6,50,000 |
| Profit and Loss account as on 31.12.17 | 2,00,000 | Plant and machinery | 7,00,000 |
| | <u>25,00,000</u> | | <u>25,00,000</u> |

Madras Ltd acquired 80% of the shares at Rs.6,50,000.

19. (a) The following information is given to you regarding X Ltd for the financial year ended 31.3.2017.

| | 1.4.2016 | 31.3.2017 |
|----------------------|----------|-----------|
| | (Rs.) | (Rs.) |
| Monetary Assets | 80,000 | 80,000 |
| Monetary liabilities | 1,00,000 | 1,00,000 |
| Retail price index | 200 | 300 |

Ascertain gain or loss on monetary items.

Or

- (b) Why do we need social responsibility accounting?

20. (a) Jeevan Ltd earned a net profit after tax of Rs.90,00,000 during the year ended 31.3.2006.

The company's equity capital is 10,000 shares of Rs.10 each

The company's has also issued 5,000 20% convertible debentures of Rs.20 each convertible into shares at par.

Compute Basic EPS and Diluted EPS as per AS -20 assuming Income tax Rate at 30%.

Or

- (b) Explain the objectives of financial reporting.

PART C — (5 × 8 = 40 marks)

Answer ALL questions by choosing (a) or (b).

21. (a) A ltd issued 10,000 equity shares of Rs. 10 each payable as under:

Rs.2 on application

Rs. 5 on allotment

Rs.3 on first and final call

The public applied for 8,000 shares which are allotted. All the money due on shares was received except the first and final call on 100 shares. These shares were forfeited and reissued at Rs.8 per share. Show the journal entries in the books of the company.

Or

- (b) Prepare a Balance sheet as at 31st March 2000 from the following information of ABC ltd as required under the companies Act 1956:

| Particulars | Rs. | Particulars | Rs. |
|-------------|-----------|---------------------|-----------|
| Term loan | 10,00,000 | Loss for the year | 3,58,000 |
| Creditors | 11,45,000 | Sundry debtors | 12,25,000 |
| Advances | 3,72,000 | Loan from directors | 2,00,000 |

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| Particulars | Rs. | Particulars | Rs. |
|--------------------------|-----------|------------------------------|-----------|
| Cash and Bank balances | 2,75,000 | Provision for doubtful debts | 20,200 |
| Staff advances | 55,000 | stock | 4,00,000 |
| Provision for tax | 1,70,000 | Fixed assets (W.D.V) | 51,50,000 |
| Securities premium | 4,75,000 | Finished goods | 7,50,000 |
| Loose tools | 50,000 | | |
| Investments | 2,25,200 | | |
| General reserve | 20,50,000 | | |
| Capital work in progress | 2,00,000 | | |

Additional Information:

- (i) Share capital consist of
 (1) 30,000 equity shares of Rs.100 each fully paid up
 (2) 10,000 – 10% Pref. shares of Rs. 100 each fully paid up
 (ii) Term loan is secured
 (iii) Depreciation on assets : Rs.5,00,000

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22. (a) From the following particulars, prepare the fire revenue account for 2016-17.

| | Rs.in 000 |
|--|-----------|
| Claims paid | 235 |
| Legal expenses regarding claims | 5 |
| Premium received | 600 |
| Reinsurance premium | 60 |
| Commission | 100 |
| Expenses for management | 150 |
| Provision against unexpired risk on 1.4.2016 | 260 |
| Claims unpaid on 1.4.2016 | 20 |
| Claims unpaid on 31.3.2017 | 35 |

Or

(b) The following figures relate to Life Insurance corporation for the year ended 31.3.2017. Prepare the Revenue Account.

| Particulars | Rs. '000 | Particulars | Rs. '000 |
|-------------------------------|----------|-------------------------------------|----------|
| Claims | 39 | Consideration for annuities granted | 16.5 |
| Management Expenses | 14 | Surrenders | 6 |
| Director's fees | 4 | Premium received | 151 |
| Audit fees | 3 | Life fund (1.4.16) | 1150 |
| Medical expenses | .5 | Interest received | 40 |
| Agents' commission | 5 | Rent received | 10 |
| Depreciation | 4 | Claims cancelled | .5 |
| Bonus in reduction of premium | 1.5 | Annuities | 1.5 |

(i) Premium outstanding Rs. 9 thousand

(ii) Claims outstanding Rs.3 thousand

23. (a) From the Balance sheets given below prepare consolidated Balance sheet.

Balance sheets as at 31st December 2021

| Liabilities | H Ltd | S Ltd | Assets | H Ltd | S Ltd |
|-------------------------|-----------------|-----------------|-------------------------------|-----------------|-----------------|
| | Rs. | Rs. | | Rs. | Rs. |
| Shares of Rs.10 each | 5,00,000 | 1,00,000 | Fixed assets | 4,00,000 | 60,000 |
| Profit and loss account | 2,00,000 | 60,000 | Stock | 3,00,000 | 1,20,000 |
| Reserves | 60,000 | 30,000 | Debtors | 75,000 | 85,000 |
| Bills payable | - | 15,000 | Bills receivable | 20,000 | - |
| Creditors | 1,10,000 | 60,000 | Shares in S Ltd 7,500 at cost | 75,000 | - |
| | <u>8,70,000</u> | <u>2,65,000</u> | | <u>8,70,000</u> | <u>2,65,000</u> |

Other information :

- (i) The bills accepted by S ltd are all in favour of H Ltd
- (ii) The stock of H ltd includes Rs.25,000 bought from S ltd at a profit to latter of 20% on sales.
- (iii) All the profits of S ltd has been earned since the shares were acquired by H Ltd, but there was already the reserve of Rs.30,000 at that date.

Or

- (b) The following are the summarised Balance sheets of Imperial Co. Ltd and Colonial Co. Ltd as on 31st December 2012.

| Liabilities | Imperial | Colonial | Assets | Imperial | Colonial |
|---|------------------|-----------------|---------------------------------------|------------------|-----------------|
| | Co.Ltd | Co.Ltd | | Co.Ltd | Co.Ltd |
| | Rs. | Rs. | | Rs. | Rs. |
| Paid up capital in shares of Rs.10 each | 10,00,000 | 3,00,000 | Freehold premises | 4,50,000 | 1,20,000 |
| General reserve | 4,00,000 | 1,25,000 | Plant and Machinery | 3,50,000 | 1,60,000 |
| Profit and Loss Account | 3,00,000 | 1,75,000 | Furniture | 80,000 | 30,000 |
| Sundry creditors | 1,00,000 | 70,000 | Debtors | 3,00,000 | 1,70,000 |
| | | | Stock | 3,20,000 | 1,60,000 |
| | | | Investment in colonial co ltd at cost | 2,60,000 | - |
| | | | Cash balance | 40,000 | 30,000 |
| | <u>18,00,000</u> | <u>6,70,000</u> | | <u>18,00,000</u> | <u>6,70,000</u> |

You are required to prepare consolidated balance sheet as on 31.12.2012 showing in detail necessary adjustments and taking into consideration the following information.

- (i) Imperial Co. Ltd acquired the shares of Colonial Co. Ltd on 1.1.2012 when the balance on their profit and loss account and general reserve were Rs. 75,000 and Rs.80,000 respectively.
- (ii) Stock of Rs.1,60,000 held by Colonial Co.Ltd consists of Rs.60,000 goods purchased from Imperial Co. Ltd who has charged profit at 25% on cost.

24. (a) Explain the various cost based methods of valuing human resources.

Or

(b) What is Forensic Accounting? And Explain How its used?

25. (a) Explain the main features of accounting for fixed assets under AS-10.

Or

(b) What activities should be included by companies in their corporate social responsibility?