

**B.Com. DEGREE (C.B.C.S.) EXAMINATION, MARCH 2023****(2021 Admissions Regular, 2020 Admissions Supplementary / Improvement, 2019 & 2018 Admissions Supplementary)****SEMESTER IV - CORE COURSE (COMMERCE)****(For B.Com. Finance and Taxation & Capital Market)****CO4B12B18 - CORPORATE ACCOUNTS II****Time : 3 Hours****Maximum Marks : 80****Part A****I. Answer any Ten questions. Each question carries 2 marks****(10x2=20)**

1. Explain consideration for annuity granted and How will you disclose it in financial statement of insurance company?
2. Describe the meaning of Catastrophe Reserve.
3. What is bonus in reduction of premium in life insurance? Give journal entry.
4. Mention 2 differences between life insurance and general insurance.
5. Explain Rebate on Bills Discounted.
6. Explain Reverse Repo Rate.
7. Discuss about Capital Reduction.
8. Explain the Net Asset Method of calculating Purchase Consideration.
9. Explain Liquidator's Final Statement of Account.
10. Explain the treatment of director's fees while calculating preferential creditors.
11. Explain the treatment for wages and salaries of employees while calculating preferential creditors.
12. Calculate the liquidator's remuneration when cash available for distribution among unsecured creditors is Rs.88,000 and the unsecured creditors are Rs.89,000. Liquidator's remuneration is 10% of the amount distributed among unsecured creditors.

**Part B****II. Answer any Six questions. Each question carries 5 marks****(6x5=30)**

13. Explain the following terms a) Commission b) Interim bonus c) Bonus in reduction of premium d) Premium deficiency e) Co-insurance
14. Following are the figures related to Super Life Insurance Company Ltd for the year ending 31.3.2018. Prepare Revenue account.

	Rs ('000)		Rs ('000)
Claims	39,000	Management Expenses	14,000
Bonus in reduction of premium	1,500	Premium received	1,51,000
Director's fees	7,000	Life Fund (1.4.2017)	11,50,000
Agent's commission	5,000	Annuities	1,500

Premium outstanding Rs 9,00,000.

15. Explain Non Performing Assets?

16. The following is an extract from the Trial Balance of Dreams Bank Ltd as on 31/3/2018.

	Debit	Credit
Bills discounted and purchased	50,00,000	
Rebate on bills discounted (1/4/2017)		20,057
Discount received		1,50,000

The following unexpired bills are included in the Bills Discounted as shown above:

Date of bill	Amount	Period	Discount rate
10.01.2018	3,00,000	4 months	12% p.a
15.02.2018	4,00,000	3 months	10% p.a
20.03.2018	5,00,000	2 months	10% p.a

Calculate rebate on bills discounted as on 31.3.2018. Find out the amount of discount to be credited to profit and loss account. Pass appropriate journal entries. How will the relevant items appear in the balance sheet?

17. The following is the extract of ERTEAF bank Ltd as on 31.3.2018.

Trial Balance

Particulars	Debit	Credit
Bills Discounted	51,50,000	
Rebate on bills discounted (1/4/2017)		30,500
Discount Received		1,45,500

An analysis of the bills discounted as mention above shows the following

Date of bill	Amount	Period	Rate of discount
13.01.2018	7,50,000	4 months	18%
17.02.2018	6,00,000	3 months	18%
06.03.2018	4,00,000	4 months	16%
16.03.2018	2,00,000	2 months	15%

Calculate the amount of discount to be credited to profit and loss a/c. Pass journal entries for the same. Show also how these items appear in the balance sheet.

18. Following scheme of reconstruction has been approved for Black and White Ltd.

The shareholders to receive in lieu of their present holdings of Rs 50,000 shares of Rs 10 each the following

- Fully paid up Equity shares equal to 2/5th of their holdings.
- 10% Preference shares fully paid, to the extent of 1/5th of the above new Equity shares.
- Rs 60,000 14% secured debentures.

An issue of Rs 50,000, 12% first debentures was made and allotted, payment for the same has been received in cash.

Writeoff Goodwill to the extent of Rs 1,50,000.

Plant and Machinery which stood at Rs 1,00,000 was written down to Rs 75,000.

Freehold and leasehold premises which stood at Rs 1,75,000 were written down to Rs 1,50,000.

Give journal entries in the books of the company necessitated by the above reconstruction.

19. The following is the balance sheet of Hi Tech Ltd as on 31/3/2018.

Liabilities	Amount	Assets	Amount
14,000 Equity shares of Rs 100 each fully paid	14,00,000	Sundry assets	18,00,000
General Reserve	10,000	Discount on issue of shares	10,000
10% Debenture	2,00,000	Preliminary expense	30,000
Sundry Creditors	2,00,000	Profit and loss a/c	60,000
Bank overdraft	50,000		
Bills Payable	40,000		
	19,00,000		19,00,000

Best Ltd agreed to take over the business of HiTech Ltd. Calculate purchase consideration under Net Asset Method. The market value of 75% of the sundry assets is estimated to be 12% more than the book value and that of the remaining 25% at 8% less than the book value. The liabilities are taken over at book values. There is an unrecorded liability of Rs 25,000.

20. Explain who is a liquidator. List down the duties of a liquidator.

21. XYZ Ltd went into liquidation on 31.12.2020. Prepare Liquidator's final statement of Account from the following

Preferential creditors	10,000
Unsecured creditors	1,50,000
12% Debentures	2,00,000
7% Preference share capital (shares of Rs10 each)	3,00,000
Liquidation expenses	2,000
Secured creditors (Securities realized Rs2,00,000)	1,60,000
Equity share capital (40,000 shares of Rs10 each)	4,00,000

Liquidator is entitled to get a remuneration of 2% on all assets realized and 3% on the amount paid to unsecured creditors. Sundry assets realized amounted to Rs 4,40,000.

### Part C

III. Answer any Two questions. Each question carries 15 marks

(2x15=30)

22. The following is the Balance Sheet of Rajesh Ltd as on 31.12.2020.

Liabilities	Amount	Asset	Amount
12% preference share of Rs 100 each	1,00,000	Fixed asset	15,00,000
Equity share of Rs 10 each	7,00,000	Current Assets	35,00,000
8% Debentures	3,00,000	Surplus a/c	3,00,000
Current liabilities	39,00,000	(Negative balance)	
Provision for tax	3,00,000		
	53,00,000		53,00,000

The following scheme of reorganisation is sanctioned.

- Fixed assets are to be written down by 33 1/3%
- Current assets are to be revalued at Rs 27,00,000.
- Preference shareholders decide to forgo their right to arrears of dividend, which were in arrear for three years.
- The taxation liability is settled at Rs 4,00,000.
- One of the creditors of the company to whom the company owes Rs 25,00,000 decides to forgo 50% of his claim. He allotted 1,00,000 equity share of Rs 5 each in part satisfaction of the balance of his claim.
- The rate of interest on debentures is increased to 11%. The debenture holders surrender their existing debentures of Rs 100 each and exchange the same for fresh debentures of Rs 75 each.
- All existing shares are reduced to Rs 5 each.
- All preference shares are reduced to Rs 75 each.

Pass journal entries and show the balance sheet of the company after reconstruction.

23. Explain in detail the methods of amalgamation.

24. Hari Ltd and Krishnan Ltd agree to amalgamate as from 31/12/2018 to form Harikrishnan Ltd with an authorised capital of Rs 10,00,000 divided into shares of Rs 10 each. The balance sheet of the companies were as follows.

Particulars	Hari Ltd	Krishnan Ltd
<b>I. EQUITY AND LIABILITIES</b>		
1. Shareholders funds:		
share capital	3,00,000	2,00,000
Reserve and surplus		
General Reserve :		
Hari Ltd                      1,00,000		
Less: Preliminary expenses      20,000	80,000	10,000
Surplus a/c:		
Krishnan Ltd                      30,000		
Less: Discount on issue of shares 20,000		
2. Non current Liabilities		
Long term borrowings (9% debenture)	1,00,000	-----
3. Current liabilities		
Trade payables (creditors)	50,000	10,000
<b>TOTAL</b>	<b>5,30,000</b>	<b>2,20,000</b>
<b>II ASSETS</b>		
1. Non current assets		
Fixed assets		
Tangible - land and building	4,00,000	2,10,000
Intangible assets (goodwill)	1,00,000	
2. Current assets		
cash and cash equivalent	30,000	10,000
<b>TOTAL</b>	<b>5,30,000</b>	<b>2,20,000</b>

The new company took over the assets and liabilities of both the companies, the consideration being Rs 4,00,000 in fully paid shares to Hari Ltd and Rs 2,00,000 in fully paid shares to Krishnan Ltd. The formation expenses Rs 3000 which was met by Harikrishnan Ltd and was subsequently written off against capital reserve. Harikrishnan Ltd issued 10% debentures of Rs 1,00,000 to the existing debentureholders to Hari Ltd. The authorised capital of the new company is Rs 10,00,000 divided into shares of Rs 10.

- Show Realisation a/c and shareholders a/c
- Show opening entries and opening balance sheet of Harikrishnan Ltd.

Treat the deal as amalgamation in the nature of purchase.

25. (1) Give the order of payment followed by a liquidator for settling various claims when a company is liquidated.

(2) Calculate the liquidator's remuneration from the following information:

Assets realized: Rs 18,90,000 including cash balance: Rs 90,000

Liquidator's remuneration: 2% on the assets realized.

(3) Calculate the liquidator's remuneration when cash available for distribution among unsecured creditors is Rs.1,00,000 and the unsecured creditors are Rs.60,000. Also, liquidator's remuneration is 10% of the amount distributed among the unsecured creditors.

(4) From the following particulars relating to Alpe Ltd which was liquidated on 31.12.2018, calculate the amount of preferential creditors and unsecured creditors.

Trade creditors	1,42,200
Provident fund for workers	11,000
Gas bill O/S for gas supplied	420
Salary of clerk for 6 months	30,000
Director's fees for 4 months	8,000
Income tax due for 2016-17	10,000