



ஸ்ரீ-ல-ஸ்ரீ காசிவாசி சுவாமிநாத சுவாமிகள் கலைக் கல்லூரி  
தருப்பனந்தாள் - 612504

**S.K.S.S ARTS COLLEGE, THIRUPPANANDAL - 612504**



## QUESTION BANK

*Title of the Paper*

# CORPORATE ACCOUNTING

Course: III B.Com & III B.Com (CA)

Sub. Code: 16CCCM9 & 16CCCA9

Semester: V

*Prepared by*

**Mr.S.SURESH, M.Com., M.Phil.,**  
**Assistant Professor**  
**Department of Commerce**

## CORE COURSE - IX- CORPOATE ACCOUNTING

### **UNIT – I**

Company accounts- introduction-legal provisions regarding issue of shares, applications, allotments, calls, calls-in-arrears, calls-in-advance, issue of shares at premium – issue of shares at discount- forfeiture of shares, re- issue – accounting entries.

### **UNIT – II**

Issue and redemption of debentures - methods of redemption of debentures - Installment-cum-interest and Ex-interest- redemption by conversion, sinking fund, insurance policy. Redemption of preference shares- implications of section 80 and 80 A of the Companies Act.

### **UNIT – III**

Amalgamation- purchase consideration- accounting treatment- pooling of interest method and purchase method, Absorption, external and internal reconstruction of companies.

### **UNIT – IV**

Accounting of Holding company - legal requirements relating to presentation of accounts- Consolidation of balance sheet (excluding chain holding).

### **UNIT – V**

Final accounts of banking companies (new format) and Insurance companies (new format).

**Theory; 25% Problems; 75%**

THIRUPPANANDAL

EDUCATION IS WEALTH

## UNIT – I

### CHOOSE THE CORRECT ANSWER

1. Share allotment is
  - A) Personal A/c
  - B) Real A/c
  - C) Impersonal A/c
  - D) Nominal A/c
2. Share application A/c is a
  - A) Personal A/c
  - B) Real A/c
  - C) Nominal A/c
  - D) Impersonal A/c
3. The minimum share application money is
  - A) 5% of the face value of shares
  - B) 10% of the issue price of shares
  - C) Rs.1 per share
  - D) 15% of the face value of shares
4. Premium received on issue of shares A/c is shown on
  - A) Assets side of B/S
  - B) Liabilities side of B/S
  - C) Credit side of P/L A/c
  - D) Debit side of P/L A/c
5. The rate of discount on shares cannot exceed
  - A) 3%
  - B) 6%
  - C) 5%
  - D) 10%
6. Discount on issue of shares A/c shown on
  - A) Assets side of B/S
  - B) Liabilities side of B/S
  - C) Credit side of P&L A/c
  - D) Debit side of P&L A/c
7. Discount on issue of shares is a
  - A) Revenue loss
  - B) Capital loss
  - C) Deferred revenue expenditure
  - D) All of the above
8. When shares are forfeited, the share capital A/c is debited by
  - A) Paid-up-capital
  - B) Called-up-amount
  - C) Calls-in-arrear
  - D) Nominal value of such shares

9. The profit of re-issue of forfeited shares is transferred to  
A) General reserve  
B) Capital redemption reserve  
C) Capital reserve  
D) Profit and Loss A/c
10. The difference between subscribed capital and called up capital is called  
A) Un called capital  
B) Calls-in-arrear  
C) Paid-up-capital  
D) Calls-in-advance

**Answers:** 1.A 2.A 3.A 4.B 5.D 6.A 7.B 8.B 9.C 10.A

**SHORT QUESTIONS (2 MARKS)**

11. Define Company.  
12. What is Shares?  
13. What is pro-rata allotment of shares?  
14. What is forfeiture of shares?  
15. Define Stock.  
16. Write the meaning of calls-in-arrears.  
17. What do you mean by issue of shares at premium?  
18. What is Authorized capital?  
19. What is called- up- capital?  
20. What is meant by over subscription?

**PARAGRAPH QUESTIONS (5 MARKS)**

21. Sree Valli Ltd issued 1,00,000 shares of Rs.10 each to the public. Full amount is payable in a single installment. All the shares were taken up by the public. Pass journal entries in the books of the company if (a) The shares are issued at par (b) The shares are issued at a premium of 10% (c) The shares are issued at a discount of 10%.
22. Sri Vishnu Ltd invited applications for 50,000 shares of Rs.10 each, payable as; On application-Rs.5, On allotment-Rs.5. The entire issue was applied for and the amount was received in full. Pass journal entries in the books of the company.
23. Jaya Sri Ltd invited applications for 10,000 shares of Rs.100 each, payable as follows: On application-Rs.40, On allotment-Rs.60. Applications were received for 15,000 shares. The directors made pro-rata allotment. Excess application money was adjusted towards allotment. All the money due on allotment was received. Make the necessary journal entries in the books of Jaya Sri Ltd.
24. Mr. Babu is a shareholder in Joy Solutions Ltd, holding 2,000 shares of Rs.10 each. He had paid the application money of Rs.2, and allotment money of Rs.3. He failed to pay the first call of Rs.2, and the final call of Rs.3. Hence, the directors forfeited the shares held by Babu. Give the journal entry for forfeitures.
25. Mr. Raja was holding 5,000 shares of Rs.10 each of Japan Electronics Ltd. The shares were issued at par and he had paid Rs.3 On application and Rs.3 On allotment. On his failure to pay the call money of Rs.4 per share, the directors forfeited the shares. The shares were then reissued by the company to Raman at Rs.9 per share. Pass journal entries.



26. Hafeez Ltd issued 2,000 shares of Rs.100 each at a premium of 10% payable as follows: On application-Rs.25, On allotment-Rs.35 (Including premium), On first call-Rs.20 and On final call-Rs.30. 1,800 shares were applied for and allotted. All the money was received with the exception of first and final calls on 200 shares held by Raghu. These shares were forfeited. Give journal entries.

27. Rameez Ltd invited applications for 2,000 shares of Rs.100 each at a discount of 10% payable as follows: On application-Rs.25, On allotment-Rs.30, On first and final call-Rs.35. Whole of the issue was subscribed and paid for except the final call on 300 shares which were forfeited by the company after giving due notice. Pass the journal entry for forfeitures.

28. Briefly explain, the kinds of shares.

29. Briefly explain, the different types of companies.

30. Define Prospectus. What are the main contents of Prospectus?

### **ESSAY TYPE QUESTIONS (10 MARKS)**

31. Sri Muruga Ltd invited applications for 10,000 equity shares of Rs.10 each, payable as; On application-Rs.1, On allotment-Rs.2, On first call -Rs.3, On second call-Rs.4. the issue is fully subscribed. All the installments were duly received. Give journal entries in the books of Sri Muruga Ltd.

32. Siva Ltd issued 1,00,000 equity shares of Rs.10 each and 50,000, 12% preference shares of Rs.100 each. The amount was payable as under; On application-Rs.2, On allotment-Rs.3, On call -Rs.5, The issue was fully subscribed and cash was received in full. Pass necessary journal entries.

33. Sri Lakshmi Ltd issued 1,00,000 equity shares of Rs.10 each, at a premium of Rs.5 per share. The amount was payable as follows; On application-Rs.3, On allotment-Rs.7 (Including premium), On first call-Rs.5. The issue was fully subscribed. All the installments were duly received. Give journal entries and balance sheet in the books of Sri Lakshmi Ltd.

34. Roja Ltd issued 1,00,000 equity shares of Rs.10 each, at a discount of Rs.1 per share. The amount was payable as follows; On application- Rs.2, On allotment- Rs.3 (with adjustment for discount), On first call-Rs.4. The issue was fully subscribed. All the installments were duly received. Pass journal entries and balance sheet in the books of Roja Ltd.

35. A Ltd issued 10,000 equity shares of Rs.10 each payable as under: On application-Rs.2, On allotment-Rs.5, On first and final call-Rs.3. 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. Pass journal entries in the books of the company.

36. S Ltd issued 10,000 equity shares of Rs.10 each payable as under: On application-Rs.3, On allotment-Rs.3, On first and final call-Rs.4. The company received 13,000 applications from the public. Applications for 1,500 shares were rejected and the excess application money received on the other 1,500 shares was adjusted towards allotment.

All the amounts due on the shares were received except the call money on 500 shares which were forfeited after due notice. Later 400 of the forfeited shares were reissued at Rs.8 per share. Pass necessary journal entries.

37. Moon Ltd issued 10,000 shares of Rs.100 each at a premium of Rs.10 per share, payable as; On application-Rs.20, On allotment-Rs.40, On first call-Rs.25, On final call-Rs.25. All the shares were applied for and allotted. Anand, to whom 1,000 shares were allotted, paid the whole of the sum due along with allotment. All sums were received. Pass journal entries.

38. Velavan Pharma Ltd made an issue of 1,000 shares of Rs.100 each, payable as follows; On application-Rs.20, On allotment-Rs.40, On call-Rs.40. All the shares were subscribed for by the public. All the amounts due were received except the final call on 100 shares. The shares were forfeited and reissued at Rs.70 per share. Pass journal entries for issue of shares.

39. Bharati Ltd issued 2,00,000 shares of Rs.10 each, terms of payment being, On application-Rs.3, On allotment-Rs.3, On first and final call-Rs.4. The company received applications for 2,80,000 shares. Pro-rata allotment was made on the applications for 2,50,000 shares. An applicant who was allotted 2,000 shares did not pay allotment and call money. His shares were forfeited. Give journal entries for issue of shares.

40. Blue Lotus Ltd issued a prospectus inviting applications for 1,000 shares of Rs.20 each, at a premium of Rs.4 per share, payable as follows; On application-Rs.4, On allotment-Rs.10 (Including premium), On first call-Rs.6, On final call-Rs.4. Applications were received for 1500 shares and Pro-rata allotment was made on applications for 1,200 shares. Excess application money is used for further installments. Arun who took 20 shares has paid application money only. Bharati, the holder of 30 shares has failed to pay the two calls. All these shares were forfeited after the second call. The forfeited shares were sold to Banu as fully paid for Rs.18 per share. Give journal entries for forfeiture and reissue of shares.

## UNIT – II

### CHOOSE THE CORRECT ANSWER

1. Redeemable preference shares can be redeemed out of
  - A) Amount realized on sale of investments
  - B) Divisible profit otherwise available for dividend
  - C) Proceeds of fresh issue of shares
  - D) Both (B) and (C)
2. Capital redemption reserve is created
  - A) Out of share forfeiture A/c
  - B) To meet legal requirements
  - C) Out of securities premium A/c
  - D) Voluntarily
3. Transfer to capital redemption reserves can be made from
  - A) Capital reserve
  - B) Forfeited shares
  - C) General reserve
  - D) Securities premium

4. Capital redemption reserve A/c can be used for
  - A) Writing off past losses
  - B) Issuing fully paid bonus shares
  - C) Declaring dividends
  - D) Declaring bonus to employees
  
5. The premium on redemption of preference shares can be provided out of
  - A) Securities premium
  - B) Insurance fund
  - C) Forfeited shares A/c
  - D) Depreciation reserve
  
6. Debenture holders are the
  - A) Customers of the company
  - B) Creditors of the company
  - C) Owners of the company
  - D) None of the above
  
7. According to companies (Amendment) act 1999, the premium on issue of debentures Should be credited to
  - A) Share premium A/c
  - B) Debenture premium A/c
  - C) Securities premium A/c
  - D) None of the above
  
8. Interest on debentures is normally payable
  - A) Half- Yearly
  - B) Quarterly
  - C) Annually
  - D) Monthly
  
9. Profit on cancellation of own debentures is transferred to
  - A) Profit and loss A/c
  - B) Dividend equalization A/c
  - C) Capital reserve
  - D) None of the above
  
10. After redemption of debentures, the balance in the sinking fund A/c is transferred to
  - A) Secret reserve
  - B) General reserve
  - C) Capital reserve
  - D) Profit and Loss A/c

**Answers:** 1.D 2.B 3.C 4.B 5.A 6.B 7.B 8.A 9.C 10.B

### SHORT QUESTIONS (2 MARKS)

11. What is Capital redemption reserve?
12. What is preference shares?
13. What is meant by Redemption of preference shares?
14. What is debentures?
15. What is meant by Redemption of debentures?



16. What is cumulative preference share?
17. What is meant by Non- cumulative preference shares?
18. What is meant by Registered debenture?
19. Mention the two main stages for accounting for debentures.
20. What is Own debentures?

### PARAGRAPH QUESTIONS (5 MARKS)

21. The following particulars have been taken from the Balance sheet of Swetha Ltd as on 31<sup>st</sup> March 2016.

Share capital;	Rs
2,00,000 Equity shares of Rs.10 each	20,00,000
30,000, 10% Preference shares of Rs.100 each	30,00,000
Capital reserve	25,00,000
Securities premium	4,00,000
General reserve	27,00,000
Profit and Loss A/c	9,00,000

Pass journal entries for redemption of preference shares.

22. The balance sheet of Grand Guru Ltd as on 30<sup>th</sup> June 2016 was as under:

Liabilities	Rs.	Assets	Rs.
Equity share capital	6,00,000	Sundry assets	10,00,000
Redeemable preference Share capital	5,00,000	Bank	8,20,000
Profit and Loss A/c	6,20,000		
Sundry creditors	1,00,000		
	<b>18,20,000</b>		<b>18,20,000</b>

On the above date, the preference shares were redeemed at a premium of 10%.

Pass journal entries and give the amended balance sheet.

23. Anand Ltd has 10,000 Redeemable preference shares of Rs.100 each, as part of its share capital. The shares become due for redemption. The company decided that the whole amount will be redeemed out of a fresh issue of equal amount of equity shares of Rs.10 each. Pass journal entries in the books of the company.
24. Pass journal entries for the following issues of debentures.
  1. Issue of 1,000, 10% debentures of Rs.100 each at par,
  2. Issue of 1,000, 10% debentures of Rs.100 each at a premium of 10%,
  3. Issue of 1,000, 10% debentures of Rs.100 each at a discount of 10%.
25. Madhavi Ltd has Rs.25,00,000 10% debentures outstanding on 1<sup>st</sup> April 2016. The company has been redeeming on 1<sup>st</sup> April every year Rs.5,00,000 debentures, by drawings by lot at par. Pass journal entries; (i) if redemption is out of profits (ii) if redemption out of capital.



26. A company wishes to redeem its preference shares amounting to Rs.10,00,000 at a premium of 5% . For this purpose, it issued 50,000 equity shares of Rs.10 each at a premium of 5%. The company has a balance of Rs.5,00,000 in General reserve and Rs.10,00,000 in Profit and Loss A/c. Pass journal entries to record the transactions.
27. Yellow Ltd made the following issues of debentures.
1. 12% debentures of Rs.10,00,000 for cash at 90%, repayable at 110%,
  2. 1100, 12% debentures of Rs.100 each to Mr.Kannan who has supplied machinery costing Rs.1,00,000,
  3. 9,000, 12% debentures of Rs.100 each as a collateral security for a bank loan of Rs.6,00,000. Give journalise the transactions.
28. Briefly explain, the types of debentures.
29. List out the various methods of redemption of debentures.
30. Explain the conditions for the issue of redeemable preference shares

### ESSAY TYPE QUESTIONS (10 MARKS)

31. Bagawan cements Ltd has issued 10,000 redeemable preference shares of Rs.100 each, Rs.80 paid. In order to redeem the shares, the company issued for cash 60,000 equity shares of Rs.10 each at a premium of Rs.2 per share. Balance required for redemption was met out of reserve fund, which stood at Rs.5,00,000. The redemption was duly carried out. Pass journal entries in the books of the company.
32. The Balance sheet of Bright Watches Ltd as on 31<sup>st</sup> March 2016 was as follows:

Liabilities	Rs.	Assets	Rs.
Equity shares of Rs.100 each	5,00,000	Fixed Assets	8,00,000
10% RPS of Rs.100 each	3,00,000	Investments	1,00,000
Profit and Loss A/c	3,00,000	Bank	2,00,000
12% Debentures	3,00,000	Other Current Assets	5,00,000
Sundry creditors	2,00,000		
	<b>16,00,000</b>		<b>16,00,000</b>

The debentures and preference shares were due for redemption on 31<sup>st</sup> March 2016. The company arranged for the following:

- i) It issued 2,000 Equity shares at a premium of 10%,
- ii) It sold the investments for Rs.90,000,
- iii) It arranged a bank overdraft to the extent necessary.

The redemption of debentures and preference shares was carried out. Give journal entries and prepare the balance sheet after redemption.

33. Sri Madhav Ltd in a series of operations;
- Issues at par 20,000 redeemable preference shares of Rs.10 each, redeemable at a premium of 5%,
  - Redeems 10,000 of the redeemable preference shares out of the profits of the company,
  - Redeems the balance of the preference shares out of fresh issue of 20,000 equity shares of Rs.10 each, issued at a premium of Rs.1 per share.

34. The Balance sheet of Vivek pharma Ltd as on 31<sup>st</sup> March 2016 was as follows:

Liabilities	Rs.	Assets	Rs.
Share capital		Fixed Assets	17,20,000
8,000 equity shares of Rs.100 each	8,00,000	Bank	2,80,000
8,000 10% Redeemable preference shares of Rs. 50 each, Rs.25 paid up	2,00,000		
4,000 9% Redeemable Preference shares of Rs. 100 each, fully paid	4,00,000		
Reserves & Surplus;			
Capital reserve	1,60,000		
Securities premium	40,000		
Dividend equalization reserve	2,20,000		
Current liabilities	1,80,000		
	<b>20,00,000</b>		<b>20,00,000</b>

On the above date, the company decided to redeem the preference shares at a premium of 5%. To enable the redemption to be carried out, the company decided to issue sufficient number of new equity shares at discount of 10%. The discount on issue of shares is subsequently written off out of securities premium.

Pass necessary Journal entries and Prepare the balance sheet after redemption.

35. Surya Ltd issued 20,000, 11% Debentures of Rs.100 each on 1<sup>st</sup> January 2012 at a discount of 10% redeemable at a premium of 5% in equal annual drawings in 4 year out of profits. Give journal entries for issue and redemption of the debentures.
36. Jaya Vinayaga Ltd issued 1,000, 9% debentures of Rs.100 each .Pass journal entries If the debentures were issued as follows:
- Issued at par, redeemable at par,
  - Issued at a premium of 10%, redeemable at par,
  - Issued at discount of 5%, redeemable at par,
  - Issued at par, redeemable at a premium of 10%,
  - Issued at a discount of 5%, redeemable at a premium of 10%.

Also show how the items will appear in the balance sheet.

37. Swarna Ltd issued 6% debentures of Rs.5,00,000 on 1<sup>st</sup> January 2013. The debentures should be redeemed after 3 years at 10%. A Sinking fund was created to provide cash for redemption on the due date. The amount allocated for redemption of debentures is invested in 6% government securities. Sinking fund investment were sold at Rs.3,60,000. The debentures were redeemed on the due date. As per the Sinking fund tables, Rs.0.3141098 at 6% compound interest will grow to Rs.1 in 3 years. Prepare the ledger accounts for all the three years.
38. Briefly explain the types of preference shares.
39. Give the specimen Journal entries for redemption of preference shares.
40. Explain the provisions of the Companies Act,2013 regarding redemption of preference shares.

### UNIT – III

#### CHOOSE THE CORRECT ANSWER

1. Accounting standard for amalgamation is
- A) AS-8
  - B) AS-20
  - C) AS-14
  - D) AS-3
2. Pooling of interests method is used to account for amalgamation in the nature of
- A) Purchase
  - B) Sale
  - C) Merger
  - D) None of the above
3. Purchase consideration as per AS-14 should include cash and securities agreed to be given by the transferee company to transferor company's.
- A) Share holders
  - B) Share holders & debenture holders
  - C) Creditors, debenture holders and share holders
  - D) None of the above
4. Expenses of liquidation of transferor company may be shown as "Re imbursement" in transferor company 's book, if the expenses are agreed to be paid by
- A) Transferor company
  - B) Transferee company
  - C) Both the companies
  - D) Neither company
5. Alteration of share capital is effected by a company if it is authorized by the
- A) Memorandum of association
  - B) Article's of association
  - C) Share holders
  - D) Board of directors



6. The capital reduction scheme can be implemented only after getting permission from
- A) Central Govt.
  - B) Controller of capital issues
  - C) Share holders
  - D) The competent court
7. After writing off of all accumulated losses, the balance in capital reduction A/c , if any should be transferred to
- A) Share capital A/c
  - B) Capital reserve A/c
  - C) General reserve A/c
  - D) Goodwill A/c
8. Any gain on revaluation of the assets at the time of internal reconstruction will be credited to
- A) Capital reserve A/c
  - B) Capital reduction A/c
  - C) Share capital A/c
  - D) General reserve A/c
9. In the scheme of reorganisation, amount of shares surrendered by share holders is transferred to
- A) Capital reserve A/c
  - B) General reserve A/c
  - C) Surrendered shares A/c
  - D) Capital reduction A/c
10. Any decrease in the value of assets, at the time of internal reconstruction, will be charged to
- A) Good will A/c
  - B) Capital reduction A/c
  - C) Revaluation A/c
  - D) Share capital A/c

**Answers:** 1.C 2.C 3.A 4.B 5.B 6.D 7.B 8.B 9.C 10.B

**SHORT QUESTIONS (2 MARKS)**

- 11. What is purchase consideration?
- 12. What do you mean by Trade liabilities?
- 13. What is Amalgamation?
- 14. What is Absorption?
- 15. What is merger of companies?
- 16. List out the types of reconstruction.
- 17. What do you mean by External reconstruction?
- 18. What do you mean by Internal reconstruction?
- 19. What is meant by Alteration of share capital?
- 20. What do you mean by Intercompany Owings?

**PARAGRAPH QUESTIONS (5 MARKS)**

21. The following is the Balance sheet of Light Ltd as on 30<sup>th</sup> June 2016 was as follows:

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
10,000 Equity shares of Rs.10 each	1,00,000	Fixed Assets	4,00,000
General reserve	3,00,000	Investments	1,00,000
Profit and Loss A/c	1,00,000	Current Assets	2,50,000
Trade creditors	1,50,000	Preliminary expenses	60,000
Provision for tax	1,20,000	Share issue expenses	40,000
Proposed dividend	80,000		
	<b>8,50,000</b>		<b>8,50,000</b>

On the date of the balance sheet, the company was taken over by the Bright Ltd on the following terms.

1. Fixed assets are revalued at Rs.5,60,000,
2. The market value of the investments is only Rs.80,000,
3. Current assets are valued at Rs.3,20,000 for the purpose of absorption,
4. Bright Ltd agrees to pay a tax liability which amounts to Rs.1,30,000,
5. Dividends are to be paid before the absorption of Light Ltd.

Compute purchase consideration payable by Bright Ltd.

22. A Ltd and B Ltd have agreed to amalgamate. A new company AB Ltd has been formed to take over the combined concern as on 31<sup>st</sup> March 2016 After negotiations, the value of assets and liabilities of the two companies have been agreed as shown in the following Balance sheets.

<b>Liabilities</b>	<b>A Ltd Rs.</b>	<b>B Ltd Rs.</b>	<b>Assets</b>	<b>A Ltd Rs.</b>	<b>B Ltd Rs.</b>
<b>Issued capital:</b>			Land&Buildings	5,00,000	3,00,000
Shares of Rs.10 each,	10,00,000	5,00,000	Plant&Machinery	2,00,000	2,50,000
Sundry creditors	80,000	50,000	Goodwill	-----	50,000
Reserve fund	-----	50,000	Stock	1,50,000	20,000
Profit and Loss A/c	50,000	50,000	Sundry debtors	1,20,000	20,000
			Cash at Bank	50,000	10,000
			Patents	1,10,000	-----
	<b>11,30,000</b>	<b>6,50,000</b>		<b>11,30,000</b>	<b>6,50,000</b>

Calculate the purchase consideration payable to A Ltd and B Ltd.

23. A Ltd agrees to take over B Ltd. on the following terms;

- 1) The share holders of B Ltd are to be paid Rs.25 in cash and issued 4 shares of Rs.10 each in A Ltd. For every share of B Ltd. B Ltd has 50,000 equity shares.
- 2) 5,000 debentures of Rs.100 each of B Ltd. are to be redeemed at a premium of 10%.
- 3) Expenses of liquidation of Rs.25,000 are to be borne by A Ltd.

Calculate purchase consideration.

24. The following is the Balance sheet of Useless Ltd as on 31-12-2015;

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share capital Rs.10 each	1, 00,000	Fixed Assets	50,000
Sundry creditors	50,000	Current Assets	30,000
		Profit and Loss A/c	50,000
		Goodwill	20,000
	<b>1,50,000</b>		<b>1,50,000</b>

Reduce Rs.7 per share and write off losses. Give journal entries and balance sheet.

25. The paid up capital of Toy Ltd. amounted to Rs.2,50,000 consisting of 25,000 equity shares of Rs.10 each. Due to losses incurred by the company continuously, the directors of the company prepared a scheme for reconstruction which was duly approved by the court. The terms of reconstruction were as follows:

- 1) In lieu of their present holdings, the shareholders are to receive:
  - A) Fully paid equity shares equal to  $\frac{2}{5}$ <sup>th</sup> of their holding,
  - B) 5% preference shares fully paid-up to the extent of 20% of the above new equity shares,
  - C) 3,000, 6% second debentures of Rs.10 each.
- 2) An issue of 2,500,5% first debentures of Rs.10 each was made and fully subscribed in cash.
- 3) The assets were reduced as follows:
  - A) Goodwill from Rs.1,50,000 to Rs.75,000,
  - B) Machinery from Rs.50,000 to Rs.37,500,
  - C) Leasehold premises from Rs.75,000 to 62,500.

Show the Journal entries to give effect to the above scheme of reconstruction.

26. FAT Ltd suffered a serious of losses. It resolved to reduce equity shares by Rs.5 each and eliminate the securities premium account. The following is the Balance sheet of FAT Ltd, as on 31-03-2016;

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
50,000 Equity shares of Rs.10 each	5,00,000	Goodwill	50,000
Securities Premium	50,000	Land & Building	1,62,000
Sundry creditors	62,000	Plant & Machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		Profit and Loss A/c	1,00,000
	<b>6,85,000</b>		<b>6,85,000</b>

The company resolved to apply the sum available;

- 1.To write off goodwill account,
- 2.To write off the debit balance of profit and loss A/c,
- 3.To reduce the book value of assets by the following amounts; Land & Building Rs.42,000, Plant & Machinery Rs.67,000, Stock Rs.33,600.
4. To make a provision of 10% for Bad debts.

Pass journal entries for reconstruction.



27. The share capital of Jindal Ltd is composed of
- 1) 6,00,000 11% preference shares of Rs.10 each fully paid,
  - 2) 90,000 Equity shares of Rs.100 each fully paid.
- The company resolved to alter its share capital as follows;
- 1) To consolidate the preference shares into shares of Rs.100 each,
  - 2) To convert the equity shares into shares of Rs.10 each.
- Pass journal entries for recording the alterations.
28. What are the various methods of purchase consideration?
29. Briefly bring out the methods of accounting for amalgamation.
30. Explain the various provisions of capital reduction as given in the Companies Act,2013.

### ESSAY TYPE QUESTIONS (10 MARKS)

31. The following is the Balance sheet of Prabha Ltd as on 31-03-2016.

Liabilities	Rs.	Assets	Rs.
<b>Share capital:</b>		Fixed Assets	15,25,000
9% preference shares of Rs.100 each	3,75,000	Investments	2,00,000
Equity shares of Rs.10 each	6,50,000	Current Assets	4,00,000
General reserve	4,50,000		
11% Debentures	4,50,000		
Current Liabilities	2,00,000		
	<b>21,25,000</b>		<b>21,25,000</b>

Chandra Ltd agreed to take over the business of Prabha Ltd,

- A) Calculate purchase consideration under Net assets method on the basis of the following;
- i) Chandra Ltd agreed to discharge 11% debentures of Prabha Ltd at a premium of 10% by issuing 10% debentures,
  - ii) Fixed assets are to be valued at 10% above the book value, and the investments at book value.
  - iii) Current assets are to be taken at a discount of 10% and the current liabilities at book value.
- B) Calculate purchase consideration under the Net payment method on the basis of the following;
- i) Chandra Ltd agreed to discharge 11% debentures of Prabha Ltd at a premium of 10% by issuing 10% debentures.
  - ii) Preference shares are discharged at a premium of 10% by the issue of 10% preference shares of Rs.100 each in Chandra Ltd.
  - iii) In addition to a cash payment of Rs.3 per equity shares in Prabha Ltd, 3 equity shares of Rs.10 each in Chandra Ltd. will be issued for every 2 shares in Prabha Ltd.

32. Following is the Balance sheet of Lotus Ltd as on 31<sup>st</sup> March 2016,

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share Capital	2,50,000	Land & Buildings	3,00,000
Reserves	1,00,000	Furniture	2,00,000
Bank loan	2,00,000	Stock	1,00,000
Creditors	1,50,000	Debtors	50,000
		Profit and Loss A/c	50,000
	<b>7,00,000</b>		<b>7,00,000</b>

Lotus Ltd was absorbed by Mani Ltd on a purchase consideration of Rs.6,00,000 payable Rs.4,00,000 in cash and 20,000 shares of Rs.10 each. Liquidation expenses were Rs.10,000. Give journal entries in the books of Lotus Ltd.

33. The following is the Balance sheet of X Ltd as on 31<sup>st</sup> March 2016

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
12,000 Shares of Rs.10 each fully paid up	1,20,000	Land & Buildings	90,000
Sundry creditors	30,000	Machinery	50,000
Bank overdraft	28,000	Stock	17,000
		Sundry debtors	20,000
		Profit and Loss A/c	1,000
	<b>1,78,000</b>		<b>1,78,000</b>

The company went into voluntary liquidation and the assets were sold to Y Ltd for Rs.1,50,000 payable as to Rs.60,000 in cash (which sufficed to discharge Creditors and Bank overdraft and pay the winding up expenses of Rs.2000) and as to Rs.90,000 by the allotment of 12,000 shares of Rs.10 each of Y Ltd ,Rs.7.50 per share paid up, to the shareholders of X Ltd.

Pass journal entries and balance sheet in the books of Y Ltd.

34. The Balance sheet of A Ltd and B Ltd stood as follows as on 31<sup>st</sup> March 2016.

<b>Liabilities</b>	<b>A Ltd Rs.</b>	<b>B Ltd Rs.</b>	<b>Assets</b>	<b>A Ltd Rs.</b>	<b>B Ltd Rs.</b>
<b>Share Capital;</b>			Furniture	80,000	60,000
Shares of Rs.10 each	7,50,000	6,00,000	Machinery	5,00,000	-----
General reserve	3,25,000	-----	Debtors	1,02,000	1,15,000
Profit and Loss A/c	85,000	-----	Stock	4,55,000	4,15,000
Creditors	1,60,000	1,30,000	Cash at Bank	1,83,000	40,000
			Profit and Loss A/c	-----	1,00,000
	<b>13,20,000</b>	<b>7,30,000</b>		<b>13,20,000</b>	<b>7,30,000</b>

On the date, A Ltd took over the business of B Ltd for Rs.5,00,000 payable in the form of equity shares of Rs.10 each at par. Show important ledger accounts in the books of B Ltd . Show the journal entries in the books of A Ltd and prepare the balance sheet of A Ltd immediately after absorption.

35. Aravind Ltd agreed to absorb the business of Govind Ltd as on 30<sup>th</sup> June 2016. The Balance sheet of Govind Ltd as on that date is as follows;

Liabilities	Rs.	Assets	Rs.
Equity Capital		Goodwill	60,000
Shares of Rs.10 each	3,00,000	Plant & Machinery	2,00,000
General reserve	80,000	Land & Buildings	1,20,000
Profit & Loss A/c	60,000	Stock	80,000
Debentures	50,000	Sundry debtors	30,000
Sundry creditors	10,000	Bank	10,000
	<b>5,00,000</b>		<b>5,00,000</b>

The consideration was as follows;

1. A cash payment of Rs.4 for every share in Govind Ltd,
2. The issue of 1 share of Rs.10 each at market value of Rs.12.50 in Aravind Ltd for every share in Govind Ltd,
3. The issue of 1,100 debentures of Rs.50 each in X Ltd. To enable Govind Ltd to discharge its debentures at a premium of 10%,
4. The expenses of liquidation Rs.4000 is to be met by Govind Ltd.

Give important ledger accounts in the books of Govind Ltd. Pass journal entries in the books of Aravind Ltd.

36. The following is the Balance sheet of B Ltd as on 31<sup>st</sup> March 2016.

Liabilities	Rs.	Assets	Rs.
<b>Share Capital;</b>		Land & Building	10,00,000
2,00,000 Equity shares of Rs.10 each fully paid up	20,00,000	Plant & machinery	15,00,000
General reserve	2,50,000	Furniture & fittings	25,000
Dividend equalisation reserve	2,00,000	Stock	6,00,000
Profit & Loss appropriation A/c	51,000	Work in progress	3,00,000
12% Debentures	10,00,000	Cast at Bank	1,26,000
Sundry creditors	3,00,000	Sundry debtors	2,50,000
	<b>38,01,000</b>		<b>38,01,000</b>

The company is absorbed by A Ltd on the above date. The consideration for the absorption is the discharge of the debentures at a premium of 5%, taking over the liability in respect of the sundry creditors and a payment of Rs.7 in cash and 1 share of Rs.5 in A Ltd. At the market value of Rs.8 per shares for every share in B Ltd. The cost of liquidation of Rs.15,000 is to be met by the purchasing company. Show the ledger accounts in the books of B Ltd. Pass journal entries in the books of A Ltd.

37. A Ltd and B Ltd have agreed to amalgamate. The new company AB Ltd, has been formed to take over the combined concern as on 31<sup>st</sup> March 2016. After negotiations, the value of assets and liabilities of the two companies have been agreed as shown in the following Balance sheets;



Liabilities	A Ltd Rs.	B Ltd Rs.	Assets	A Ltd Rs.	B Ltd Rs.
Issued Capital:			Land & Buildings	5,00,000	3,00,000
Shares of Rs.10 each	10,00,000	5,00,000	Plant & Machinery	2,00,000	2,50,000
Reserve fund	-----	50,000	Goodwill	-----	50,000
Profit and Loss A/c	50,000	50,000	Patents	1,10,000	-----
Creditors	80,000	50,000	Stock	1,50,000	20,000
			Sundry debtors	1,20,000	20,000
			Cash at Bank	50,000	10,000
	<b>11,30,000</b>	<b>6,50,000</b>		<b>11,30,000</b>	<b>6,50,000</b>

Prepare the Balance sheet of AB Ltd assuming that,

1. The amalgamation is in the nature of merger, and
2. The entire purchase consideration is paid by the issue of equity shares of Rs.100 each in AB Ltd.

38. The following is the Balance sheet of Weak Ltd as on 31-03-2016

Liabilities	Rs.	Assets	Rs.
1,00,000 Equity Shares of Rs.10 each	10,00,000	Land & Buildings	1,00,000
Sundry creditors	1,73,000	Plant & machinery	2,30,000
		Furniture & fittings	68,000
		Stock	1,50,000
		Debtors	70,000
		Cash at Bank	5,000
		Profit & Loss A/c	5,50,000
	<b>11,73,000</b>		<b>11,73,000</b>

The approval of the court was obtained for the following scheme of reduction of capital;

1. The equity shares to be reduced to Rs.4 per share,
2. Plant & Machinery to written down to Rs.1,50,000,
3. Stock to be revalued at Rs.1,40,000,
4. The provision on debtors for doubtful debts to created, Rs.2,000,
5. Land & Buildings to be revalued at Rs.1,42,000. Pass journal entries to give effect to the above arrangements and also prepare balance sheet after reconstruction.

39. The Balance sheet of Shyam Ltd as on 31<sup>st</sup> March 2016 was as follows:

Liabilities	Rs.	Assets	Rs.
<b>Share Capital:</b>		Fixed Assets	5,00,000
50,000 Equity shares of Rs.10 each	5,00,000	Stock	2,00,000
Capital reserve	1,00,000	Bank	1,00,000
7% Debentures	1,00,000	Profit and Loss A/c	2,00,000
Creditors	3,00,000		
	<b>10,00,000</b>		<b>10,00,000</b>

Vimal Ltd was incorporated to take over the fixed assets and 60% of the stock at an agreed value of 4,00,000. The purchase consideration is to be paid as follows:

Rs.3,00,000 in equity shares of Rs.10 each and the balance in 9% debentures. The debenture holders of Shyam Ltd. Accepted the 9% debentures in settlement of their claims. The remaining stock realized Rs.60,000. After meeting Rs.10,000 expenses of liquidation, all the remaining cash was paid to the creditors in full settlement.

Give journal entries in the books of both the companies and prepare the balance sheet of Vimal Ltd. if the amalgamation in the nature of purchase.

40. The following is the Balance sheet of Bharat Ltd as on 31<sup>st</sup> March 2016,

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
<b>Share capital;</b>		Leasehold premises	1,30,800
Authorized Share capital		Plant & machinery	42,200
10,000 Equity shares of		Patents (At cost)	8,50,000
Rs.100 each	<u>10,00,000</u>	Stock-in-trade	55,000
10,000 Preference		Cash in hand	500
shares of Rs.100 each	<u>10,00,000</u>	Sundry debtors	76,500
Subscribed share capital		Preliminary expenses	12,000
7,500 Preference		Discount on issue of	
shares of Rs.100 each,		shares	18,000
fully paid	7,50,000	Profit & Loss A/c	1,15,000
5,000 Equity shares of			
Rs.100 each	5,00,000		
Sundry creditors	30,000		
Bank Overdraft	20,000		
	<b>13,00,000</b>		<b>13,00,000</b>

The company suffered losses and was not getting on well. The following scheme of reconstruction was adopted;

1. The preference shares reduced to an equal number of fully paid shares of Rs.50 each,
2. The equity shares be reduced to an equal number of shares of Rs.25 each,
3. The amount available be used to write off Rs.30,800 off the Lease hold premises, Rs.15,000 off stock, 20% off Plant & machinery and Sundry debtors and the balance available off Patents.

Journalise the transactions and prepare the balance sheet after the reconstruction has been carried out.

## UNIT – IV

### CHOOSE THE CORRECT ANSWER

1. A Holding company is one which holds more than
  - A) 2/3 rd share capital of subsidiary company
  - B) 50% of share capital of subsidiary company
  - C) 75% of share capital of Government company
  - D) None of the above
2. A company in which more than 50% of the shares held by another company is termed as
  - A) Holding company
  - B) Subsidiary company
  - C) Government company
  - D) Public company
3. Profit earned by a subsidiary company up to the date of acquisition of shares by the Holding company are called
  - A) Revenue profits
  - B) Capital profits
  - C) Revaluation profits
  - D) Realisation profits
4. The term ' Minority interest ' represents
  - A) The share holding 50% of shares in subsidiary company
  - B) The interest of the out siders in the subsidiary company
  - C) The company which holds more than 51% in subsidiary company
  - D) None of the above
5. Un realised profit included in stock is
  - A) Deducted from stock in combined balance sheet
  - B) Deducted from Profit & Loss A/c balance in combined balance sheet liabilities sides
  - C) Deducted from stock and Profit & Loss A/c balance in combined balance sheet
  - D) Shown separately in assets side of combined balance sheet
6. Dividend received by a financial company is shown in the statement of Profit & loss as
  - A) Other income
  - B) Revenue from operations
  - C) Any of the above
  - D) None of the above
7. Payment of wages and salaries is shown in the statement of Profit & loss under
  - A) Employees benefit expenses
  - B) Other expenses
  - C) Finance costs
  - D) None of the above
8. Preliminary expenses written off is shown in the statement of Profit & loss under
  - A) Employees benefit expenses
  - B) Other expenses
  - C) Finance costs
  - D) Depreciation and amortization expenses



9. Dividend is paid on  
 A) Authorized capital  
 B) Issued capital  
 C) Called up capital  
 D) Paid up capital
10. Securities premium is shown in the Balance sheet of a company under  
 A) Share capital  
 B) Reserves and surplus  
 C) Long term borrowings  
 D) None of the above

**Answers:** 1.B 2.B 3.B 4.B 5.C 6.B 7.A 8.D 9.D 10.B

**SHORT QUESTIONS (2 MARKS)**

11. Define Holding company.
12. Define Subsidiary company.
13. Give any three advantages of Holding companies.
14. State the meaning of mutual obligation.
15. What is capital profit?
16. What is Revenue profit?
17. What is cost of control?
18. Give the meaning of minority interest.
19. What is meant by unrealized profit?
20. What is Consolidated Balance Sheet?

**PARAGRAPH QUESTIONS (5 MARKS)**

21. Ganesh Ltd purchased 60% shares of Muruga Ltd. on 1<sup>st</sup> January 2014 when the balance in their Profit & Loss A/c and General reserve were Rs.1,50,000 and Rs.1,60,000 respectively. On 31<sup>st</sup> December 2014, The Balance sheet of Y Ltd. showed Profit & loss A/c balance of Rs.4,00,000 and General reserve of Rs.3,00,000. Calculate Capital profits and Revenue profits.
22. On 31<sup>st</sup> March 2016, The Balance sheet of H and its subsidiary S stood as follows:

<b>Liabilities</b>	<b>H Ltd Rs.</b>	<b>S Ltd Rs.</b>	<b>Assets</b>	<b>H Ltd Rs.</b>	<b>S Ltd Rs.</b>
Equity share capital	8,00,000	2,00,000	Fixed Assets	5,50,000	1,00,000
General reserve	1,50,000	70,000	75% Shares in		
Profit and Loss A/c	90,000	55,000	S Ltd (At cost)	2,80,000	-----
Creditors	1,20,000	80,000	Stock	1,05,000	1,77,000
			Current Assets	2,25,000	1,28,000
	<b>11,60,000</b>	<b>4,05,000</b>		<b>11,60,000</b>	<b>4,05,000</b>

Draw a consolidated balance sheet as at 31<sup>st</sup> March, 2016 after taking into consideration of the following information:

- 1) H Ltd acquired the shares on 31<sup>st</sup> July 2015,
  - 2) S Ltd earned a profit of Rs.45,000 for the year ended 31<sup>st</sup> March 2016,
  - 3) In January 2016, S Ltd sold to H Ltd. goods costing Rs.15,000 for Rs.20,000.
- On 31<sup>st</sup> March 2016, half of these goods were lying unsold in the godown of H Ltd.

23. A subsidiary company has a capital of Rs.5,00,000 in shares of Rs.100 each out of which the holding company acquired 80% of the shares at Rs.6,00,000. The profits of the subsidiary company. On the date of acquisition of shares by the holding company. were Rs.3,00,000. Calculate the value of goodwill or capital reserve.
24. A Ltd acquired 6,000 equity shares in B Ltd. (Total No.of.shares 8,000) of Rs.10 each at Rs.1,30,000 on 01-04-2015. The balance sheet of B Ltd. on 01-01-2015 showed a reserve of Rs.10,000 and Profit & loss A/c a credit balance of Rs.45,000. During the year 2015, B Ltd. made a profit of Rs.20,000. Calculate cost of control.
25. On 30-06-2016 2/3<sup>rd</sup> of the shares of S Ltd (with a total capital of Rs.12,00,000) were acquired by H Ltd. The balance sheet of S Ltd. showed a debit balance of Rs.6,00,000 on 01-01-2016 and a credit balance of Rs.3,60,000 on 31-12-2016. The investment made by H Ltd in S Ltd 's shares is Rs.9,00,000. Calculate the cost of control or capital reserve.
26. S Ltd has a capital of Rs.15,00,000 in shares of Rs.100 each out this H Ltd. purchased 75% shares at Rs.17,50,000. The profit of S Ltd at the time of purchase of shares by H Ltd. were Rs.7,50,000. S Ltd decided to make a bonus issue out of capital profits of 1 share of Rs.100 each fully paid for every 3 shares held. Calculate the cost of control after the issue of bonus shares.
27. Stock of Rs.3,20,000 held by H Ltd consists of Rs.1,20,000 goods purchased from S Ltd who has charged profit on sale of 20%. H Ltd acquired 80% of shares of S Ltd. Calculate the amount of unrealised profit included in stock.
28. How do you calculate the cost of control.
29. Give the form of statement of Profit and Loss A/c of a company as prescribed in Part-II of Schedule- III.
30. Give the Balance sheet of a company as per the form prescribed in Part-I of Schedule- III.

### ESSAY TYPE QUESTIONS (10 MARKS)

31. The following are the Balance sheet as on 31<sup>st</sup> March 2016.

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
<b>Share capital;</b>			Sundry Assets	3,60,000	3,90,000
Shares of Rs.10 each, fully paid	5,00,000	3,00,000	100% Shares in S Ltd (Acquired on 31-03-2016)	3,40,000	-----
Reserves	1,00,000	50,000	Preliminary expenses	-----	10,000
Creditors	1,00,000	50,000			
	<b>7,00,000</b>	<b>4,00,000</b>		<b>7,00,000</b>	<b>4,00,000</b>

Prepare a Consolidated Balance Sheet as at 31<sup>st</sup> March 2016.

32. The following are the Balance sheet as on 31<sup>st</sup> March 2016.

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
<b>Share capital:</b>			Sundry Assets	7,18,000	4,00,000
Shares of Rs.10 each, fully paid	6,00,000	3,00,000	60% Shares in S Ltd (Acquired On 31-03-2016)	1,62,000	-----
Reserves	2,00,000	60,000	Preliminary expenses	-----	-
Creditors	80,000	50,000			10,000
	<b>8,80,000</b>	<b>4,10,000</b>		<b>8,80,000</b>	<b>4,10,000</b>

Prepare a Consolidated Balance Sheet as at 31<sup>st</sup> March 2016.

33. Balance sheet as on 31<sup>st</sup> March 2016.

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share capital:			Sundry Assets	88,500	1,51,000
Shares of Rs.10 each, fully paid	1,40,000	1,00,000	9,000 Shares in S Ltd (At cost)	1,12,500	-----
Profit & Loss A/c	26,000	32,000			-
Creditors	35,000	19,000			
	<b>2,01,000</b>	<b>1,51,000</b>		<b>2,01,000</b>	<b>1,51,000</b>

On the date of acquisition of shares by H Ltd, the credit balance in Profit & loss A/c of S Ltd was Rs.22,000. No dividend was declared since that date.

34. The Balance sheet of A Ltd and B Ltd as on 31<sup>st</sup> December 2015 were as under;

Liabilities	A Ltd Rs.	B Ltd Rs.	Assets	A Ltd Rs.	B Ltd Rs.
<b>Share capital:</b>			Land & Buildings	2,00,000	90,000
Shares of Rs.100 each,	5,00,000	-----	Stock	90,000	30,000
Shares of Rs.10 each,	-----	1,00,000	Sundry debtors	40,000	30,000
Creditors	20,000	30,000	Bills receivable	5,000	-----
Bills payable	-----	5,000	Bank	1,15,000	25,000
General reserve	10,000	40,000	7,500 Shares in B Ltd	80,000	-----
	<b>5,30,000</b>	<b>1,75,000</b>		<b>5,30,000</b>	<b>1,75,000</b>

A Ltd acquired the shares on 01-01-2015, when B Ltd had Rs.10,000 in General reserve. All the Bills receivables of A Ltd are drawn on B Ltd. Prepare a Consolidated Balance Sheet.



35. The Summarized Balance sheet of H Ltd and S Ltd as on 31<sup>st</sup> March 2016 was as follows;

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
<b>Share capital;</b>			Goodwill	70,000	60,000
Equity shares of Rs.100 each	9,00,000	4,00,000	Machinery	3,30,000	1,80,000
15% Preference Share capital	3,00,000	40,000	Land & Buildings	6,00,000	2,60,000
General reserve as at 01-04-2015	2,00,000	1,20,000	3,000 Shares in S Ltd (At cost)	4, 80,000	-----
Profit & Loss A/c	2,80,000	1,80,000	Stock	2,00,000	1,80,000
Bills payable	-----	40,000	Debtors	40,000	1,50,000
Creditors	1,60,000	1,00,000	Bank	1,20,000	40,000
			Preliminary expenses	-----	10,000
	<b>18,40,000</b>	<b>8,80,000</b>		<b>18,40,000</b>	<b>8,80,000</b>

**Additional Information;**

1. The Profit & loss A/c of showed a credit balance of Rs.1,06,000 on 1<sup>st</sup> April 2015.
2. H Ltd acquired the shares in S Ltd on 30<sup>th</sup> September 2015
3. A dividend of 15% was paid on both types of shares in October 2015, for the year ended 31<sup>st</sup> March 2015. The dividend received by H Ltd was credited to its Profit & Loss A/c.
4. S Ltd a bonus issue of equity shares of Rs.40,000 out of post-acquisition profits. It has not yet been recorded in the books of account. Prepare the Consolidated Balance Sheet of H Ltd and S Ltd.

36. Balance sheet as on 31<sup>st</sup> March 2016.

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share Capital:			Sundry Assets	3,00,000	1,00,000
Shares of Rs.10 each, fully paid	5,00,000	2,00,000	60% Shares in S Ltd (At cost)	1,62,400	-----
General reserve	1,00,000	50,000	Current Assts	2,77,600	2,39,000
Profit & Loss A/c	60,000	35,000	Preliminary expenses	-----	6000
Creditors	80,000	60,000			
	<b>7,40,000</b>	<b>3,45,000</b>		<b>7,40,000</b>	<b>3,45,000</b>

H Ltd acquired the shares on 1<sup>st</sup> April 2015 on which date General reserve and Profit and Loss A/c of S Ltd. showed balances of Rs.40,000 and Rs.8,000 respectively. No part of preliminary expenses was written off during the year ending 31<sup>st</sup> March 2016. Prepare the Consolidated Balance Sheet of H Ltd and its subsidiary of S Ltd as at 31<sup>st</sup> March 2016.

37. On 31<sup>st</sup> March 2016, the Balance sheet of H Ltd and its subsidiary S Ltd stood as follows:

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Equity share capital	8,00,000	2,00,000	Fixed Assets	5,50,000	1,00,000
General reserve	1,50,000	70,000	75% Shares in		
Profit & Loss A/c	90,000	55,000	S Ltd (At cost)	2,80,000	-----
Creditors	1,20,000	80,000	Stock	1,05,000	1,77,000
			Other Current Assts	2,25,000	1,28,000
	<b>11,60,000</b>	<b>4,05,000</b>		<b>11,60,000</b>	<b>4,05,000</b>

Draw a consolidated balance sheet as at 31<sup>st</sup> March 2016, after taking into consideration of the following information:

- H Ltd acquired the shares on 31<sup>st</sup> July 2015,
- S Ltd earned a profit of Rs.45,000 for the year ended 31<sup>st</sup> March 2016,
- In January 2016, S Ltd sold to H Ltd. goods costing Rs.15,000 for Rs.20,000. On 31<sup>st</sup> March 2016, half of these goods were lying unsold in the godown of H Ltd.

38. From the Balance sheet and information given below,

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share capital:			Fixed Assets	4,00,000	60,000
Shares of Rs.10 each, fully paid	5,00,000	1,00,000	Stock	3,00,000	1,20,000
Profit & Loss A/c	2,00,000	60,000	Sundry debtors	75,000	85,000
Reserves	60,000	30,000	Bills receivable	20,000	-----
Creditors	1,10,000	60,000	7500 Shares in S Ltd (At cost)	75,000	-----
Bills payable	-----	15,000			
	<b>8,70,000</b>	<b>2,65,000</b>		<b>8,70,000</b>	<b>2,65,000</b>

- The bills accepted by S Ltd are all in favour of H Ltd,
- The stock of H Ltd includes Rs.25,000 bought from S Ltd at a profit to later of 20% on sales,
- All the profits of S Ltd has been earned after the shares were acquired by H Ltd. But there was already a reserve of Rs.30,000 on that date.

Prepare a Consolidated Balance Sheet.

39. The Balance sheets of H Ltd and S Ltd as at 31<sup>st</sup> March 2016, were as under:

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share capital:			Sundry Assets	8,000	1,200
Shares of Rs.10 each,	10,000	2,000	Stock	6,100	2,400
Profit & Loss A/c	4,000	1,200	Sundry debtors	1,300	1,700
Reserve fund	1,000	600	Bills rechivable	100	-----
Creditors	2,000	1,200	150 Shares in S Ltd (At cost)	1,500	-----
Bills payable	-----	300			
	<b>17,000</b>	<b>5,300</b>		<b>17,000</b>	<b>5,300</b>

1. S Ltd earned all the profits only after the above 150 shares were acquired by H Ltd,
2. On the date of acquisition of these 150 shares by H Ltd, S Ltd has reserves of Rs.600,
3. Bills payable of S Ltd are in favour of H Ltd which had discounted Rs.200 of them,
4. Sundry assets of S Ltd are undervalued by Rs.200,
5. Stock of H Ltd includes goods of Rs.500 purchased from S Ltd at a profit of 25% on the cost to company.

Prepare a Consolidated Balance Sheet.

40. The summarized the Balance sheet of H Ltd and S Ltd, On 31<sup>st</sup> March 2016, was as follows:

Liabilities	H Ltd Rs.	S Ltd Rs.	Assets	H Ltd Rs.	S Ltd Rs.
Share Capital: Shares of Rs.100 each fully paid	6,00,000	2,00,000	Fixed Assets 1,400 Shares in S Ltd (At cost)	4,00,000 3,00,000	2,00,000 -----
General reserve	2,00,000	60,000	Stock	1.00.000	1.20,000
Profit prior to incorporation	-----	20,000	Bank	1.00.000	1.00.000
Profit & Loss A/c	1,00,000	1,00,000			
Creditors	-----	40,000			
	9,00,000	4,20,000		9,00,000	4,20,000

**Additional information:**

1. S Ltd had a credit balance of Rs.60,000 in reserves when H Ltd, acquired the shares in S Ltd.
2. S Ltd issued bonus shares in the ratio of 2 shares for every 5 shares held, out of the post acquisition profits.

Calculate cost of control before the issue of bonus shares and after the issue of bonus shares.

**UNIT – V**

**CHOOSE THE CORRECT ANSWER**

1. Every Banking company is required to close its accounts on
  - A) 31<sup>st</sup> December
  - B) 31<sup>st</sup> March
  - C) 30<sup>th</sup> June
  - D) 30<sup>th</sup> September
2. The percentage of profit to be transferred to statements of reserve by the Banking Company is
  - A) 25%
  - B) 15%
  - C) 20%
  - D) 10%



3. An assets which does not generate income to the Banker is termed as
- A) Performing assets
  - B) Fixed assets
  - C) Non-Performing assets
  - D) Current assets
4. A Non-Banking assets is
- A) An investment
  - B) An item of office expenses
  - C) Any asset acquired from the debtors in satisfaction of claim
  - D) Money at call short notice
5. Provision for Income tax is shown in the Bank accounts under the heads
- A) Borrowings
  - B) Other liabilities
  - C) Operating expenses
  - D) Contingent liabilities
6. Letter of credit and endorsement are shown in the Bank accounts under the heads
- A) Bills payable
  - B) Contingent liabilities
  - C) Bills for collection
  - D) Other assets
7. Insurance business in India is now regulated by the provisions of
- A) The Insurance Act, 1938
  - B) The IRDA Act, 1999
  - C) The Banking Regulation Act, 1949
  - D) The Companies Act, 2013
8. Claims paid by Life insurance companies is shown in
- A) Schedule-1
  - B) Schedule-2
  - C) Schedule-3
  - D) Schedule-4
9. A Valuation of Balance Sheet is prepared by
- A) Joint stock company
  - B) Banking company
  - C) Life insurance company
  - D) General insurance company
10. The percentage of profit of Life insurance business to be distributed to policyholders is
- A) 95%
  - B) 100%
  - C) 50%
  - D) 40%

**Answers:** 1.B 2.A 3.C 4.C 5.B 6.B 7.B 8.D 9.C 10.A

### SHORT QUESTIONS (2 MARKS)

11. What is meant by Endowment policy?
12. What is Rebate on bills discounted?
13. Define Banking companies.
14. What is meant by Re-insurance?
15. What is Valuation of Balance Sheet?
16. What is general insurance?
17. What is Reserve for unexpired risk?
18. What is meant by Life insurance?
19. Write the meaning for single premium.
20. What is Life assurance fund?

### PARAGRAPH QUESTIONS (5 MARKS)

21. From the following particulars, Prepare profit & loss A/c of Dhanalakshmi Bank for the year ended 31st March 2016.

	Rs.
Interest earned	37,00,000
Other income	4,55,000
Interest expended	20,00,000
Operating expenses	4,75,000
Provisions & contingencies	3,00,000
Transfer to proposed dividend	1,00,000

22. Compute the Net premium to be shown in the Revenue A/c of a Life insurance company.

	Rs.
Premium received during the year 2015-2016	18,00,000
Accrued premium	1,00,000
Reinsurance premium received	5,00,000
Reinsurance premium paid	2,00,000
Bonus in reduction of premium (Not yet adjusted)	3,00,000

23. The following were the revenue items of a life office for the year ended 31<sup>st</sup> March 2016;

	Rs.
Premiums	20,15,000
Surrenders	97,500
Interest, dividend and rent (Net)	6,50,000
Bonus in cash	58,500
Bonus in reduction of premium	2,600
Expenses of management	1,30,000
Claims	13,97,500
Commission	65,000
Annuities	5,33,000
Consideration for annuities granted	7,15,000
Life Assurance fund on 1 <sup>st</sup> April 2015	25,00,000

At the valuation on 31<sup>st</sup> March 2016, the actuary's certificate disclosed the net liability on policies and annuities at Rs.28,80,900.

Prepare Revenue A/c and ascertain the profit or Loss made by the company.

24. Calculate the amount of Benefits paid to be recorded in schedule-4 of the Revenue A/c of a Life insurance company.

	Rs.
Claims paid	2,59,000
Claims out standing at the end of the year	36,000
Claims out standing at the beginning of the year	23,000
Reinsurance recoveries	18,000
Annuities paid	32,000
Surrenders paid	14,000

25. From the following particulars, prepare the fire Revenue A/c for 2015-2016.

	Rs.
Claims paid	2,35,000
Legal expenses	5,000
Premium received	6,00,000
Reinsurance premium paid	60,000
Commission	1,00,000
Expenses of management	1,50,000
Provision against unexpired risk on 01-04-2015	2,60,000
Claims unpaid on 01-04-2015	20,000
Claims unpaid on 31-03-2016	35,000

26. A Life insurance company gets its valuation made once in every two years. Its life assurance fund on 31<sup>st</sup> March 2016, amounted to Rs.41,92,000 before providing Rs.32,000 for the shareholder's dividend for the year 2015-2016. Its actuarial valuation on 31<sup>st</sup> March 2016 disclosed a net liability of Rs.40,40,000 under assurance annuity contracts. An interim bonus of Rs.40,000 was paid to the policyholders during the two years ending 31<sup>st</sup> March 2016.
27. The life fund of a Life assurance company was Rs.86,48,000 as on 31<sup>st</sup> March 2016. The interim bonus paid during the inter calculation period was Rs.1,48,000. The periodical actuarial valuation determined the net liability at Rs.74,25,000. Surplus brought forward from the previous valuation was Rs.8,50,000. The directors of the company proposed to carry forward Rs.9,31,000 and to divide the balance between the shareholders and the policyholders in the ratio of 1:10 Show (a) The valuation balance sheet (b) The net profit for the valuation period and (c) The distribution of the surplus.
28. Explain the, classification of Bank advances.
29. What are the main features of a Bank accounting systems?
30. Explain the, types of general insurance.



### ESSAY TYPE QUESTIONS (10 MARKS)

31. From the following particulars, Prepare Profit & Loss A/c of Guru Bank Ltd for the year ended 31<sup>st</sup> March 2016;

	Rs. '000'
Interest on fixed deposits	2,800
Interest on savings deposits	450
Commission (Cr)	90
Lockers rent	10
Interest on loans	2,490
Sundry charges (Dr)	100
Rent & Taxes	200
Payment to employees	500
Discount on Bills discounted	1,490
Interest on overdrafts	1,600
Interest on cash credits	2,320
Auditor's fees	35
Director's fees	15
Bad debts to be written off	300

32. From the following information you are required to Prepare the Profit & Loss A/c of the Bajaj Bank for the year ended 31<sup>st</sup> March 2016 under the provisions of the Banking Regulation Act.

	Rs.
Interest on loans	5,18,000
Interest on cash credits	4,46,000
Interest on overdrafts	1,08,000
Discount on Bills discounted	3,90,000
Commission, Exchange & Brokerage	16,400
Lockers rent	1,400
Transfer fees	700
Interest on fixed deposits	5,54,000
Interest on savings deposits	2,20,000
Rent, taxes & lighting	36,000
Auditor's fees	2,400
Postage & Telephones	2,800
Sundry charges (Dr)	2,000
Advertisement & publicity	1,400
Directors fees	6,000
Printing & stationery	500
Law charges	1,400
Payment to employees	1,08,000
Depreciation on Bank's property	10,000

**Supplementary information:**

1. Rebate on Bills discounted Rs.98,000,
2. Provide for Bad debts Rs.58,000.

33. Prepare the Balance Sheet of Bagavan Bank Ltd as on 31st March 2016 from the following particulars;

	Rs. '000'
Authorized Capital	5,000
Paid up Capital	1,000
Fixed deposits	1,400
Savings Bank accounts	1,000
Current accounts	2,500
Bills payable	500
Cash in hand & with RBI	1000
Money at call short notice	500
Investments	3,000
Acceptances & Endorsements for customers	200
Loans	800
Cash credits	300
Bills discounted	400
Furniture & Fittings	100
Land & Buildings	1,700
Profit for the year	400

Statutory Reserve is equal to paid up capital. The profit for the year is arrived at before making adjustment for unexpired discount of Rs.5,000 on 31st March 2016. Investments include 5,000 shares of the face value of Rs.100 each on which Rs.50 is paid up. Claims against the bank not acknowledged as debts amounted to Rs.50,000.

34. From the following balances of Saraswathi Bank Ltd as on 31st March 2016, Prepare the Balance Sheet in the prescribed form.

	Rs. '000'
Paid up share capital	2,000
Bills discounted	1,800
Reserve fund (U/s 17)	770
Cash credits	2000
Over drafts	800
Unclaimed dividends	10
Loans	4,600
Current deposits	3,800
Furniture	40
Profit & Loss A/c (Cr)	220
Cash in hand	500
Cash with RBI	1,300
Branch adjustments (Dr)	170
Investments	950
Loans (Cr)	1,200
Recurring deposits	1,000
Fixed deposits	2,000
Cash certificates	1,000
Contingency reserve	170
Stamps & Stationery	10

**Adjustments;**

- 1.Rebate on Bills discounted Rs.10,000
2. Provide Rs.80,000 for Doubtful debts.
3. Bank acceptances on behalf of customers were Rs.6,50,000.

35. From the following ledger balances of Jupiter Bank Ltd as on 31<sup>st</sup> March 2016, Prepare the Profit & Loss A/c and Balance Sheet.

	Rs. '000'
Fixed deposits	325
Savings deposits	1,770
Current accounts	3,875
Money at call short notice	240
Governments securities	900
Shares in companies	650
Interest on fixed deposits	100
Interest on savings accounts	30
Payment to employees	40
Rent, taxes & Lighting	10
General expenses	5
Dividend for 2015-2016	25
Premises	600
Cash in hand	75
Cash at Reserve Bank	705
Cash at other Banks	520
Borrowed from other Banks	280
Share capital;	
5,000 Equity shares of Rs.100 each, Rs.50 paid	250
Statutory reserve	150
Profit & Loss A/c (Cr) (On 01-04-2015)	130
Bills payable	300
Bank drafts	200
Travellers cheques	100
Unclaimed dividends	5
Sundry creditors	25
Bills for collections	70
Acceptances on behalf on customers	100
Non-Banking assets	120
Bills discounted & purchased	245
Loans, overdrafts & cash Credits	3,500
Interest on advances	280
Discount on Bills discounted	45
Commission (Cr)	30

**Additional information;**

1. Rebate on Bills discounted Rs.15,000,
2. Allow 5% Depreciation on premises.
3. Provide Rs.25,000 for Doubtful debts.



36. From the following particulars, prepare Revenue A/c of the fire insurance business for the year ended 31-03-2016.

	Rs.
Reserve for unexpired risk (01-04-2015)	2,50,000
Commission paid	90,000
Bad debts	5,000
Premium received	6,00,000
Survey expenses regarding claims	10,000
Profit on sale of investments	4,000
Additional reserve (01-04-2015)	50,000
Claims paid	1,80,000
Commission on reinsurance ceded	30,000
Management expenses	1,45,000
Interest & Dividend received	20,000
Other income	1,000

In addition to usual reserves, additional reserve is to be increased by 5% of net premium.

37. Prepare Revenue A/c of Mano marine insurance & co Ltd for the year ended 31<sup>st</sup> March 2016.

	Rs.
Reserve for unexpired risk (01-04-2015)	5,00,000
Additional reserve (01-04-2015)	50,000
Premiums less reinsurance	5,50,000
Interest, dividend and rent ( Gross)	50,000
Profit on sale of investments	40,000
Commission paid	50,000
Commission on reinsurance received	12,000
Claims outstanding (01-04-2015)	25,000
Claims paid	1,00,000
Management expenses	60,000
Depreciation	12,000
Bad debts	6,000
Other income	20,000

**Additional information;**

1. Claims admitted but not paid (31-03-2016) Rs.36,000
2. Premiums outstanding at the end Rs.50,000
3. Additional reserve at 10% of net premium is to be maintained.

38. What is Insurance? and its types – Explain.

39. Explain the differences between life insurance and general insurance.

40. Draft Balance Sheet of a Banking company as per schedule- III of Banking Companies Act.

\*\*\*\*\*