

Reg. No. :

Name :

Fourth Semester B.Com. Degree Examination, May 2021

First Degree Programme under CBCSS

Core Course

CO 1443/CC 1444 – CORPORATE ACCOUNTING

(Common for Commerce/Commerce with Computer Application)

(2019 Admission Regular)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer **all** questions in **one** or **two** sentences each. Each carries **1** mark.

1. What is Statutory Liquidity Ratio?
2. What are Ind ASs?
3. What is the meaning of surrender value?
4. State the meaning of divisible profit.
5. What is capital reduction account?
6. Distinguish between called up and paid up capital.
7. What do you mean by Diluted EPS?

8. What is capital adequacy ratio?
9. Distinguish between IFRS adoptions and IFRS convergence.
10. What you mean by Re - insurance?

(10 × 1 = 10 Marks)

SECTION – B

Answer any **eight** questions in not exceeding a paragraph. Each question carries 2 marks

11. What is potential equity share? Give example.
12. State the two basic objectives of ASB.
13. What are standard and substandard assets?
14. Calculate Basic Earnings Per Share.

Net profit for the year 2018 : Rs. 20,00,000, 2019 : Rs. 80,00,000

No. of Equity Shares outstanding until 30th September 2019 : 25,00,000

Bonus issue 1st October 2019 was 2 equity shares for each equity share outstanding at 30th September 2019.

15. What is profit prior to incorporation?
16. What do you mean by financial elements?
17. List any four schedules to be attached to the Balance Sheet of Banking Companies.

18. From the following particulars of Life Insurance Company for the year ended 31.03.2020, you are required to prepare valuation balance sheet and distribution statement as on that date.

	Rs. (Lakhs)
Life Insurance Fund as on 31.03.2020	3,800
Net Liability as per valuation	3,000
Interim Bonus paid	500

19. Write a note on IRDA.
20. From the following information prepare Surplus account as part of note to accounts for 'Reserves and Surplus'.

Net Profit for the year Rs. 5,00,000 ; Balance of Statement of Profit and Loss of previous year Rs. 1,00,000 ; 10% Preference Share Capital Rs. 1,50,000; Equity Share Capital Rs. 2,00,000; The Board of Directors have proposed 15% dividend on equity shares. Transfer to General Reserve Rs.25,000

21. Distinguish between depreciation and amortisation.
22. Write a note on (a) EBIT (b) EPS
23. Define life insurance.
24. State the legal requirements for reduction of share capital.
25. Following is an extract from a company balance sheet

Liabilities	Rs.
13% Debentures of Rs. 100 each	1,00,000
Creditors	50,000

Under the scheme of internal reconstruction, the debenture holders agree to accept new 15% debentures of Rs.70,000 in full satisfaction of their claims while creditors agree to reduce their claims by Rs. 20,000. Give necessary Journal entries.

26. What do you mean by 'Note to Account'?

(8 × 2 = 16 Marks)

SECTION – C

Answer any **six** questions in about **120** words each. Each question carries **4** marks.

27. Distinguish between term life policy and endowment policy.
28. In respect of the following transactions of UCO Bank Ltd. you are required to calculate rebate on bills discounted and pass necessary journal entries in respect of the year ended 31-12-2018. The following bills are discounted at 5%.

Discounted on	Term	Amount
23.12.2018	3 months	40,000
19.09.2018	4 months	1,50,000
20.10.2018	3 months	3,00,000
30.11.2018	5 months	50,000

29. Explain the functions of Accounting Standards Board of India.
30. A company resolved the following:
- (a) To reduce its 40,000, 13% Preference shares of Rs. 10 each to an equal number of 15% Preference shares of Rs. 8 each.
 - (b) To reduce 50,000 equity shares of Rs. 10 each to an equal number of shares of Rs. 6 each
 - (c) To reduce 13% Debentures of Rs. 5,00,000 to 15% Debentures of Rs. 4,00,000
 - (d) To write off Goodwill Rs. 80,000, Plant Rs. 1,00,000, machinery Rs. 70,000, stock Rs. 20,000 and P&L A/c debit balance Rs. 1,00,000
Give Journal entries.
31. Explain the computation of profit available to equity shareholders.
32. On 31st March, 2019, the books of Safe Insurance Company Ltd. contained the following particulars in respect of fire insurance.

	Amount (Rs)		Amount (Rs)
Reserve for unexpired risks on March 31,2018	5,00,000	Expenses of Management	2,80,000
Additional reserve for unexpired Risks on March 2018	1,00,000	Interest and dividend	64,250
Premiums	11,20,000	Income Tax on the above	6,520

	Amount (Rs)		Amount (Rs)
Claims paid	6,40,000	Profit on sale of Investment	11,000
Estimated Liability in Respect of outstanding claims :		Commission Paid	1,52,000
On March 31, 2018	65,000		
On March 31, 2019	90,000		

On 31st March, 2019 provide Rs. 5,60,000 as unexpired risk reserve and Rs. 75,000 as additional reserve.

You are required to prepare the Fire Insurance Revenue account as per the regulations of IRDA for the year ended 31st March, 2019.

33. What is slip system? Explain the advantages of slip system of posting.
34. Write the proforma of Statement of Profit and Loss as per Schedule III of Companies Act, 2013.
35. What is internal reconstruction? What are its objectives?
36. A company incorporated on 1st April 2019 took over a running business from 1st January 2019. The company prepared its first final account on 31st December 2019.

From the following information you are required to calculate Sales Ratio of pre incorporation and post incorporation period.

Sales from January 2019 to December 2019 Rs. 3,60,000

Sales for the month of January- twice the average sales, for the month of February- equal to the average sales, for 4 months from May to August- 1/4th of the average sales of each month and sales for October and November three times the average sales.

37. Write the difference between life insurance and general insurance.
38. Explain the special features of bank accounting.

(6 × 4 = 24 Marks)

SECTION – D

Answer any **two** questions in not exceeding 4 pages each. Each question carries 15 marks.

39. Define Accounting Standards. Explain the objectives, advantages and disadvantages of accounting standards.

40. The following are the balance of Vasava Ltd. as on 31st March, 2019

Debit Balances		Credit Balances	
Stock (1.4.2018)	75,000	Sales	3,50,000
Purchases	2,45,000	Profit & Loss A/c (31.03.18)	15,030
Wages	50,000	Share capital (10,000 Equity Shares of Rs.10)	1,00,000
Furniture and fittings	17,000	Sundry creditors	17,500
Salaries	7,500	Reserve fund	15,500
Rent	4,950	Discount received	5,000
Sundry Expenses	7,050		
Dividend paid	9,000		
Debtors	37,500		
Machinery	29,000		
Cash in Hand	10,200		
Cash at Bank	6,000		
Patents and Trade mark	4,830		

Adjustments:

- (a) Stock on 31.03.2015 was worth 82,000;
- (b) Depreciate fixed assets at 10%;
- (c) Provision for income tax at the rate 50%.

Prepare statement of Profit and Loss for the year ended 31.03.2019. Balance sheet as on that date in the prescribed form.

41. Saran Limited was incorporated on August 1, 2018. It had acquired a running business of Savan & Co. with effect from April 1, 2018. During the year 2018-19, the total sales were Rs. 36,00,000. The sales per month in the first half year were half of what they were in the later half year. Ascertain pre-incorporation and post-incorporation profit for the year ended 31st March, 2019 from the following information.

The Gross profit of the company Rs.5,40,000.

- (a) Depreciation Rs.1,08,000
- (b) Audit fees Rs.15,000

- (c) Directors fees Rs. 62,000
- (d) Office expenses Rs.78,000
- (e) Salaries Rs. 50,000
- (f) Selling expenses Rs.72,000
- (g) Interest to vendors upto August 31, 2018 Rs. 5000

42. The following are the figures extracted from the books of Victory Bank Limited, as on 31.3.2018 (Figures in Rs.)

Interest and discount received	37,05,738	Commission, exchange and brokerage	1,90,000
Interest paid on deposits	20,37,452	Rent received	65,000
Issued and subscribed capital	10,00,000	Profit on sale of investments	2,00,000
Salaries and allowances	2,00,000	Depreciation on bank's properties	30,000
Director's fees and allowances	30,000	Stationery expenses	40,000
Rent and taxes paid	90,000	Preliminary expenses	25,000
Postage and telegrams	60,286	Auditor's fees	5,000
Statutory reserve fund	8,00,000		

Other information:

- (a) Transfer 25% of Profit to Statutory Reserve.
- (b) Provide 6,50,000 for doubtful debts.
- (c) Rebate on bills discounted on 31.3.2017 was 12,000 and on 31.3.2018 was 16,000.
- (d) Provide 6,50,000 for Income tax.
- (e) The directors desire to declare 10% dividends.

Prepare the Profit and Loss Account of Victory Bank Ltd for the year ended on 31.3.2018.

43. The following balances are extracted from the books of a life insurance business as on 31st March 2020.

Particulars	Rs.
Life assurance fund as on 1.04.2019	5,06,000
Premiums	90,000

Reinsurance Premium paid	2,075
Fines for revival of policies	15
Consideration for annuities granted	1,500
Management expenses	21,000
Income Tax	850
Commission	18,650
Claims	40,000
Interest and dividend etc	20,000
Surrenders	3,250
Medical fees	1,505
Annuities	1,955
Bonus in cash	600

Prepare the Revenue account for the year 2019-20 after making the following adjustments:

- Claims Payable Rs.9,250
- Interest accrued on investment Rs.2,695
- Medical fees outstanding Rs.375
- Outstanding premium Rs.3,750
- Commission payable Rs.750
- A claims of Rs. 500 included in the above claims payable is to be written off as it ten years old and is not likely to arise.
- The managing director is to be paid at the rate of 5% on the net increase of LAF during the year before providing such commission.

44. Briefly explain the methods in which internal reconstruction can be carried out.

(2 × 15 = 30 Marks)