HIGHER CORPORATE ACCOUNTING-17UCO409

K1 LEVEL QUESTIONS

UNIT –-I

1. ______is concerned with accounting for amalgamation.

a) AS – 10 b) AS – 12 **c) AS – 14** d) AS – 16.

2. In ______ a new company is formed to take over the business of two or more existing companies which go into liquidation.

a)Amalgamation b) External reconstruction c)Absorption d) Internal reconstruction

3. Amalgamation is done for ____.

a) Eliminating competition b) Dominating the market

c) Enjoying the benefits of large scale operation **d) All of these**

4. Company which is amalgamated into another company is called ______.

a) Transferor company b)Transferee Company

c)Purchasing company d)Holding company

5.______is the company into which a company is amalgamated.

a)Transferor company **b) Transferee Company**

c) Subsidiary company d)Holding company

6. Purchase consideration is payable to ______.

a) Creditors **b)Shareholders**

c) Debenture holders d) All of these

7. In _______, a new company is formed to take over the business of an existing company which goes into liquidation.

a) Amalgamation **b)External reconstruction**

c) Absorption d)Internal reconstruction

8. The purchase of an existing company which goes into liquidation by another existing company is known as _____.

a)Amalgamation b) External reconstruction

c) **Absorption** d) Internal reconstruction

9. Pooling of interest method is used in the case of _______.

a) Amalgamation in the nature of purchases b)External reconstruction
c) Amalgamation in the nature of merger d)Internal reconstruction

10. Amalgamation adjustment account is opened in the books of Transferee Company to Incorporate ______.

a) The assets of transferor company **b) The statutory reserves of Transferor Company**

c) The liabilities of transferor company d) The statutory reserves of Transferee Company.

UNIT II

1. In______ an existing company's financial structure is reorganized without liquidating the existing company and forming a new company.

a) Amalgamation b)External reconstruction
c) Absorption d) **Internal reconstruction**

2. Internal reconstruction is done due to ______.
a) Accumulated losses b)Shortage of working capital
c)Large amount of fictitious assets d) **All of these**

3. In ______, the company does not loss its identity.

a)Amalgamation b)External reconstruction
c)Absorption d)**Internal reconstruction**

4. Internal reconstruction can be _____.
a)Alteration of share capital b)Reduction of share capital

c) Re-organization of capital **d)All of these**

5. Capital of a company can be reduced by ______.

a) Authorization of Articles b) Passing of a special resolution

c) Confirmation of court **d)All of these**

6. Capital Reduction Account is a ______.

a) Nominal Account b) Permanent Account
c)**Temporary Account** d)None of these

7. The balance in Capital Reduction Account is transferred to ______.

a) General Reserve b) Profit and loss Account
c) **Capital Reserve** d) Goodwill Account

8. In case of subdivision of share capital, the amount of share capital_____.

a)Increases b)Decreases
c)Does not change d)None of these

9. In case of subdivision of share capital, the total number of shares ____.

a) Increases b) Decreases
c) Does not change d) None of these

10. In internal reconstruction, the existing company will be _____.

a) Amalgamated b) Absorbed
c) Liquidated **d) None of these**

UNIT III

1. ______is called a factory of credit.

a) Company b)Firm **c)Bank** d) None of these

2. Banking companies are governed in India by _____.

a) Banking Regulation Act b) Indian Companies Act

c) Reserve Bank of India Act d)All of these

3. The P&L A/c of Banking Companies are prepared as per ____of Banking Regulation Act.

a) Form A of Schedule III **b)Form B of Schedule III**

c)Form A of Schedule VI d)Form B of Schedule VI

4.______of profit is transferred to statutory reserves.

a) 10% b) 20% **c)25%** d)30%

5. Banks show the provision for income tax under the head _____.

a) Contingent liabilities b) Deposits
c) Other liabilities and provisions d) Borrowings

6. Rebate on bills discounted is ______.

a) An income accrued but not received b) A liability

c) An expense **d)Income received in advance**

7. NPA stands for______.

a) Non- Performing Assets b) Normal Performing Assets

c) National Performing Asset d) None of these

8. Schedule 1 is concerned with ______.

a) Cash and balance with RBI **b) Capital**
c)Reserves and Surplus d) Investments

9.______ is shown under Schedule 15.

a) Interest earned b) Profit
c) Interest Expended d) Appropriations

10. Acceptance, endorsements and other obligations come under the head ______.

a) Provisions and Contingencies **b) Contingent liabilities**
c) Deposits d) Borrowings

UNIT IV

1. ______is a form of agreement between two parties in which one party agrees to make good for loss of another. a) Contract **b) Insurance** c) Banking d)Mutual fund

2. The agreement of insurance is called as _____.
a) Policy b)Premium c)Annuity d) None of these

3. The consideration in insurance for covering the risk is called _____.

a) Claim **b)Premium** c)Annuity d)None of these

4._____is the party who undertakes the risk in insurance.
a) Insurer b) Assurer c) Underwriter **d) All of these**

5. The party whose risk is covered in insurance is known as _______.
a) Insurer **b) Insured** c) Underwriter d) None of these

6. In _____, the insurer agrees to pay a certain sum of money to the policyholder either on

his death or a certain age, whichever is less.
a) Fire Insurance b) Marine Insurance
c) Burglary Insurance **d) Life Insurance**

7. General Insurance includes _____.

a) Fire Insurance b) Marine Insurance
c) Burglary Insurance **d) All of these**

8. LIC was nationalized in _____.
a) 1935 b) 1950 **c) 1956** d) 1964

9. Insurance business in India is regulated by _____.

a) LIC **b) IRDA** c) RBI d) SEBI

10. Under ______, the sum assured is given to the beneficiary only on death of policyholder.
a) Whole Life Policy b) Endowment Policy
c) Annuity d) None of these

UNIT –V

1. A holding company is one which holds more than ____.

a)10% of 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 shares are held by another company is termed as____.
a)Holding company b)**subsidiary company**
c)Government Company d)Private Company

3. Profits earned by a subsidiary company up to the date of acquisition of shares by the holding company are called____.

a)Revenue Profit b)**Capital Profit** c)Revaluation Profit d)Realisation Profit

4. Profits made by a subsidiary company after the date of purchase of shares by the holding company are known as______.

a)**Revenue Profit** b)Capital Profit c)Revaluation Profit d)Realisation Profit

5. The term Minority Interest represents____.

a)The shareholders holding 50% of shares in subsidiary co.
b)**The interest of the outsiders in the subsidiary co.**
c)The company which holds more than 51% in subsidiary co.
d)None of these

6. The profit included in the closing stock on the date of consolidated balance sheet____.

a)**Unrealised profit** b)Realised profit c)Revaluation Profit d)Realisation Profit

7. Unrealised profit included in stock is _____.

a)Deducted from stock in combined Balance sheet
b)**Deducted from stock and P&L a/c balance in combined Balance sheet**
c)Shown separately in assets side of combined Balance sheet
d)Shown separately in liabilities side of combined Balance sheet

8. Any profit or loss on revaluation of assets and outside liabilities is _____.

a) Treated as Revenue profit/loss
b) Ignore in combined Balance sheet
c) **Treated as capital profit/loss**
d) Shown separately in liabilities side of combined Balance sheet

9. Bonus shares issued out of post-acquisition profit will ______.

a) Have no effect on combined Balance sheet
b) **Decrease the Revenue profit**
c) Decrease the total of assets side of combined Balance sheet
d) Increase the total of liabilities side of combined Balance sheet

10. Minority interest is shown on the ____side of balance sheet.

a) Assets b)**Liabilities** c)Reserves d)None of these

HIGHER CORPORATE ACCOUNTING-17UCO409

K2 LEVEL QUESTIONS

UNIT –-I

1. Define Amalgamation.

   An amalgamation defines as, two or more companies are combined into one by merger or by one taking over the other.

2. Recall the mean by amalgamation in the nature of merger?

   In amalgamation in the nature of merger there is genuine pooling of:

   a)Assets and liabilities of the amalgamating companies,

   b)Shareholders' interest,

   Also the business of the transferor company is intended to be carried on by the transferee company.

3. What is meant by amalgamation in the nature of purchase?

   In amalgamation in the nature of purchase, one company acquires the business of another company.

4. Define purchase consideration.

   Purchase Consideration can be defined as the aggregate of the shares and securities issued and the payment made in form of cash or other assets by the transferee company to the shareholders of the transferor company.

5. What do you mean by net worth method of purchase consideration?

   Net Worth or Net Assets Method means the net asset value is calculated by deducting all the liabilities taken over by the transferee company from the entire asset taken by the transferee company. The value of the assets and liabilities is not that appear in the balance sheet but it is that which is decided between the two companies.

6. What is mean by Lump sum method?

   The purchase price to be paid to shareholders may be mentioned in the agreement directly. The lump sum is to be taken as purchase consideration, eliminating the need to compute it.

7. What do you mean by Net payment method?

Net payment method is purchase consideration is calculated by adding all the payments made by the transferee company to the shareholders of the transferor company. Payment can be in the form of cash, shares or debentures.

8. What is mean by Net assets method?

Net Assets taken over by the purchasing company is deemed as the purchase consideration under the net assets methods.

9. What is intrinsic value method?

Intrinsic value method refers to the purchase consideration is ascertained on the basis of the ratio in which the shares of the purchasing company are exchanged with those of the selling company.

10. What is mean by absorption?

When one existing company takes over the business of one or more existing companies, it is Absorption.

UNIT –-II

1. Recall the meaning of internal reconstruction?

It is an arrangement made by the companies whereby the claims of shareholders, debenture holders, creditors and other liabilities are altered / reduced, so that the accumulated loss are written off, asset are valued at its fair.

2. What is Capital Reduction account?

Capital reduction is the process of decreasing a company's shareholder equity through share cancellations.

3. What do you mean by surrender of shares?

Surrender of shares means Voluntary return of shares by a member to the company.

4. What do you mean by Alteration of shares capital?

Alteration of shares capital means Increase or decrease in (or rearrangement of) the authorized share capital of a firm, as permitted in its articles of association.

5. Define Reconstruction.

When a company's balance sheet shows huge accumulated losses, heavy fictitious and intangible assets or is in financial difficulties or is to over capitalized, and then the process of reconstruction is restored. Reconstruction may be internal and external.

6. What do you mean by external reconstruction?

External reconstruction means one company is liquidated and another new company is formed.

7. What is mean by Acquisition?

An acquisition is where one company takes control of another by purchasing its assets or the majority of its shares.

8. What do you mean by sub-division of shares?

Share subdivision is where the shares in an existing share class are each subdivided into two or more new shares.

9. What is mean by Cancellation of unissued shares?

The shares which are not yet issued by the company are cancelled without any reduction in the paid up capital.

10. What do you mean by consolidation of shares capital?

The existing shares of lower denomination are combined to form shares of higher denomination.

UNIT – III

1. What do you mean by rebate on bills discounted?

This is the unearned amount of discount received for those bills that will mature after the date of closing the final accounts.

2. What is statutory reserve?

A statutory reserve is a minimum amount certain institutions, such as financial institutions and insurers, must maintain as liquid funds.

3. What is mean by Non-performing Assets?

A non-performing asset (NPA) refers to a classification for loans or advances that are in default or are in arrears on scheduled payments of principal or interest.

4. What is mean by Non-banking Assets?

Non-banking assets are those acquired by the banks in settlement of their debts. When a borrower express his inabiity to repay the loan in cash, and instead offers to the bank an asset including an asset given as collateral security like property to the bank to purchase in settlement of their dues, such assets when purchased by the banks.

5. What is a Documentary bill?

These bills are supported by documents such as bill of lading, insurance policy etc.

6. Define Banking Companies.

Banking Regulation Act, 1949, a banking company means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawn by Cheque, Draft, Order, or otherwise.

7. Recall the meaning of advances.

Advances appear on the asset side of the bank balance sheet under schedule 9 and it include loans, cash credits, bank overdrafts and bills discounted and purchased.

8. What is Cash credit?

Cash credit is a facility to withdraw money from a current bank account without having credit balance but limited to the extent of borrowing limit which is fixed by the commercial bank.

9. What do you mean by Contingent liabilities?

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event.

10. What is a Doubtful asset?

With effect from 31.03.2001, an asset is to be classified as doubtful. If it has remained NPA for a period exceeding 18 months. These assets are so weak that their collection or liquidation in full is considered highly improbable.

UNIT – IV

1. What do you mean by ‘Life Assurance Fund’?

A Life Insurance company maintains a life assurance fund which represents the excess of revenue income over revenue expenditure relating to the life insurance business. The fund is available to meet the aggregate liability on all Life policies.

2. What is meant by ‘Annuity’?

An annuity is a financial contract written by an insurance company that provides for a series of guaranteed payments, either for a specific period of time or for the lifetime of one or more individuals.

3. What do you mean by Surrender value?

Surrender value is the amount of money that a policyholder or annuity holder would get from the insurance company in case they voluntarily terminate the policy before its maturity date or the insured event occurs.

4. Recall the meaning of Reversionary bonus.

Reversionary bonus is a sum added to the amount of an insurance policy payable at the maturation of the policy or the death of the person insured.

5. What is meant by Bonus?

Bonus refers to the share of profit which a policyholder gets from the Insurance company. In case of Life Insurance, 95% of the profit of insurance company is distributed among the policy holders as Bonus.

6. What do you mean by Double Insurance?

Taking more than one policy on the same subject matter with two or more insurance companies is called Double Insurance.

7. Recall the meaning of Claim.

Claim can be made by policyholders any time during the one year when the policy is in force. Claim should be based on occurrence of “specified loss” against which policy is taken.

8. What is mean by commission?

The insurance company pays commission to its agents. The rates of commission are specified separately for principal agents and others. The commission payable to agents is the commission on direct business.

9. What is mean by Reserve for unexpired risk?

It is peculiar to general insurance business. It represents the income received in advance by the insurance company as premium.

10. What is a premium?

Premium shall be recognized as income over the contract period of risk, whichever is appropriate. Premium received in advance, which represents premium income not relating to the current accounting period shall be disclosed separately in the financial statement.

UNIT – V

1. What do you mean by Subsidiary company?

The subsidiary company is the company that is controlled by the holding or parent company.

2. Define a Holding company.

A holding company is any company which holds more than half of the equity share capital of other companies or controls the composition of the board of directors of other companies.

3. What is mean by Post acquisition profits?

Post-acquisition profits are profits made and included in the retained earnings of the subsidiary company since acquisition. They are included in group reserves.

4. What do you mean by Pre acquisition profits?

Pre-acquisition profits are the reserves which exist in a subsidiary company at the date when it is acquired. These are included in the goodwill calculation.

5. Recall the meaning of Minority Interest.

Minority interest represents a percentage of ownership in a company by less than 50% of the outstanding shares with a voting right.

6. What is a cost of control?

The cost of control is the ‘penalty’ or ‘excess’ paid by the holding company to acquire ‘controlling interest’ in the subsidiary company.

7. What do you mean by composite dividend?

Dividend paid by the subsidiary company may be partly out of capital profits and partly out of revenue profits.

8. What is a Consolidated Balance sheet?

A consolidated balance sheet presents the assets and liabilities of a parent company and all its subsidiaries on a single document, with no distinctions on which items belong to which companies.

9. Define Goodwill.

Goodwill is an intangible asset associated with the purchase of one company by another.

10. What is mean by unrealised profit?

An "unrealized profit" occurs when an asset is purchased and then rises in value, but hasn't been sold.

HIGHER CORPORATE ACCOUNTING-17UCO409

K3 LEVEL QUESTIONS

UNIT –-I

1. Explain the various methods of calculating purchase consideration?

2. Following is the Balance Sheet of K Ltd. as on 31.12.2017

Liabilities	**Rs.**	**Assets**	**Rs.**
2,000 shares of Rs.10 each fully paid	20,000	Goodwill	4,000
Profit & Loss a/c	7,000	Fixed assets	16,500
Debentures	10,000	Current assets	19,500
Creditors	3,000		
	40,000		**40,000**

R Ltd. agreed to take over the assets of K Ltd. (exclusive of one fixed assets of Rs.4,000 and cash Rs.1,000 included in current assets) at 10% more than the book value. It agreed to take over creditors also. The purchase price was to be discharged by the issue of 2,000 shares of Rs.10 each at the market value of Rs.15 each and the balance in cash. Liquidation expenses came to Rs.400.

K Ltd. sold the fixed assets of Rs.4,000 and realized the book value. It paid off its debentures and liquidation expenses.

Give Journal Entries in the books of R Ltd.

3. Following is the Balance Sheet of Samy Ltd. as on 31.03.2014

Liabilities	**Rs.**	**Assets**	**Rs.**
Share Capital: 8% Preference Shares of Rs.100 each	3,75,000	Fixed Assets	16,25,000
Equity Shares of Rs.10 each	7,50,000	Investments	3,00,000
General Reserve	4,50,000	Current Assets	2,50,000
7% Debentures	3,50,000		
Current liabilities	2,50,000		
	21,75,000		**21,75,000**

Romy Ltd. agreed to take over the business of Samy Ltd.

Calculate purchase consideration under Net Assets Method on the basis of the following:

i. Romy Ltd. agreed to discharge 7% debentures at a premium of 10% by issuing 9% debentures of Romy Ltd.

ii. Fixed Assets are to be valued at 10% above book value, the investments at par, current assets at 10% discount and current liabilities at book value.

4. Distinguish between Amalgamation and Absorption.

5. Raman Ltd., agrees to purchase the business of Krishnan Ltd., on the following terms:
i) For each of the 10000 shares of Rs. 10 each in Krishnan Ltd., 2 shares in Raman Ltd., of Rs10 each will be issued at an agreed value of Rs. 12 per share. In addition, Rs. 4 per share in cash will also be paid.
ii) 8% Debentures worth Rs. 80,000 will be issued to settle Rs. 60,000 9% debentures in Krishnan Ltd.
iii) Rs. 10,000 will be paid towards expenses of winding up.
Calculate the purchase consideration.

UNIT –-II

1. ABC Company Ltd. passed resolution and got Court permission for the reduction of its share capital by Rs.5,00,000 for the purposes mentioned as under:
To write off the debit balances of P&L A/c of Rs.2,10,000.
To reduce the value of Plant & Machinery by Rs. 90,000 and goodwill by Rs. 40,000.
To reduce the value of investments by Rs. 80,000.
The reduction was made by converting 50,000 preference shares of Rs.20 each fully paid to the same number of preference shares of Rs.15 each fully paid and by converting 50,000 equity shares of Rs.20 each on which Rs.15 is paid up into 50,000 equity shares of Rs.10 each fully paid up.
Pass journal entries to record the share capital reduction.

2. The following is the Balance Sheet of United Industries Ltd. on 31st Dec. 98

Liabilities	Rs.	Assets	Rs.
Share capital: 6,000 6% preference shares of Rs.100 each	6,00,000	Goodwill	45,000
12,000 equity shares of		Land & Building	6,00,000

Rs.100 each	12,00,000		
8% Debentures	3,00,000	Plant & Machinery	9,00,000
Bank Overdraft	3,00,000	Stock	1,30,000
Sundry creditors	1,50,000	Debtors	1,40,000
		Cash	15,000
		Profit & Loss A/c	7,00,000
		Preliminary expenses	20,000
	25,50,000		**25,50,000**

On the above date, the company adopted the following reconstruction:

(i) The equity shares are to be reduced to shares of Rs.40 each fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each.

(ii) The debenture holders took over stock and debtors in full satisfaction of their claims.

(iii) The Land & Buildings to be appreciated by 30% and Plant & Machinery to be depreciated by 30%.

(iv) The fictitious and intangible assets are to be eliminated.

(v) Expenses of reconstruction amounted to Rs.5,000.

Give journal entries of reconstruction.

3. A Co. Ltd., has the following shares as a part of its share capital:

10,000 8% Preference Shares of Rs.100 each fully paid.

50,000 Equity shares of Rs.5 each fully paid

20,000 Equity shares of Rs.10 each, Rs. 8 called up and paid up.

The company has decided to alter the share capital as follows:

i. To sub-divide the preference shares into shares of Rs.10 each.
ii. To consolidate the equity shares of Rs.5 each into shares of Rs.10 each.
iii. To convert the partly paid up equity shares into fully paid up shares of Rs.8 each, with necessary legal sanctions. Journalise the alterations.

4. Marshall Ltd., has share capital of Rs. 5,00,000 divided into 5,000 shares of Rs. 100 each, fully paid. Show the entries under each of the following conditions :

i) When Marshall Ltd. resolves to sub-divide the shares into 50,000 shares of Rs. 10 each fully paid

ii) When Marshall Ltd, resolves to convert its 5,000 shares of Rs. 100 each into Rs. 5,00,000 worth of stock.

5. Bee Ltd has 60,000 equity shares of Rs. 100 each, Rs. 80 per share called up. Now the company decides to pay off Rs. 20 per share of the paid up capital and at the same time to reduce Rs. 100 share to Rs. 60 share fully paid up by cancelling the unpaid amount. Give Journal entries.

UNIT –-III

1. The Trial Balance of the Nedungadi Bank Ltd., as on 30th June 1984 shows the following balances.

Particulars	**Rs.**
Interest and discount	45,40,600
Rebate on bills discounted (1.7.83)	4,750
Bills discounted and purchased	3,37,400

The unexpired discount as on 30.6.84 is estimated to be Rs.5,560. Draft necessary adjusting entries and calculate the amount of interest and discount to be credited to Profit and Loss Account.

2. From the following particulars, prepare a Profit and Loss A/c of New bank Ltd., for the year ended 31.12.1996.

Particulars	**Rs. (in '000)**	**Particulars**	**Rs. (in '000)**
Interest on loans	260	Interest on cash credits	225
Interest on fixed deposits	280	Rent and taxes	20
Rebate on bills discounted	50	Interest on overdrafts	56
Commission charged to customers	9	Director's and Auditor's fees	4
Establishment expenses	56	Interest on savings bank accounts	70
Discount on bills discounted	200	Postage and telegrams	2
Interest on current accounts	45	Sundry charges	2
Printing & Advertisement	3		

3. Draft the Profit and Loss account of Banking Company in prescribed form as per Schedule III of Banking Companies Act.

4. On 31st march 1998, Bharat commercial bank Ltd., finds its advances classified as follows:

Particulars	(Rs.)
Standard assets	14,91,300
Sub- standard assets	92,800
Doubtful assets (secured):	
Doubtful for one year	25,660
Doubtful for one year to 3 years	15,640
Doubtful for more than year 3 years	6,580
Loss assets	10,350

Calculate the amount of provision to be made by the bank against the above mentioned advances.

5. Draft the Balance sheet of Banking Company in prescribed form as per Schedule III of Banking Companies Act.

UNIT –-IV

1. A Life Assurance Company prepared its Revenue A/c for the year ended 31.3.2006 and ascertained its Life Assurance fund to be Rs. 28,35,000. It was found later that the following had been omitted from the accounts:
   i. Interest accrued on investments Rs.39,000;
   ii. Income tax liable to be deducted thereon is estimated to be Rs.10,500.
   iii. Outstanding premiums Rs.32,800.
   iv. Bonus utilized for reduction of premium Rs.6,750.
   v. Claims intimated but not admitted Rs.17,400.
   vi. Claims covered under reinsurance Rs.6,500.

   What is the true Life Assurance Fund?

2. From the following, you are required to calculate the loss on account of claims to be shown in the Revenue Account for the year ending 31.3.2006.

Intimated in	*Admitted in*	*Paid in*	*Rs.*
2004-05	2004-05	2005-06	45,000
2005-06	2005-06	2006-07	30,000
2003-04	2004-05	2004-05	15,000
2003-04	2004-05	2005-06	36,000
2005-06	2006-07	2006-07	24,000
2005-06	2005-06	2005-06	3,06,000

Claim on account of reinsurance was Rs.75,000.

3. From the following figures appearing in the books of Fire Insurance division of a General company, show the amount of claim as it would appear in revenue a/c, by preparing schedule 2, claims incurred.

	Direct Business Rs.('000)	***Re – insurance Rs.('000)***
Claims paid during 2005-06	4,670	700
Claims payable 01-04-2005	763	87
31-03-2006	812	53
Claims received	-	230
Claims received 01-04-2005	-	65
31-03-2006	-	113
Expenses of Management (Includes Rs.35 Thousand Surveyor's fees and Rs.45 Thousand legal expenses for settlement of claims)	230	-

4. The Life fund of a Life Insurance Company on 31.3.2009 showed a balance of Rs. 54,00,000. However the following items were not taken into account while preparing the Revenue A/c for 2008-09. Ascertain the correct life fund balance.

Particulars	**Rs.**
Interest and dividends accrued on investments	20,000
Income tax deducted at source on the above	6,000
Reinsurance claims recoverable	7,000
Commission due on reinsurance premium paid	10,000
Bonus in reduction of premium	3,000

5. The Revenue account of a Life Insurance Company showed the life fund at Rs. 73,17,000 on 31.03.2006 before taking into account the following items:

Particulars	**Rs.**
Claims intimated but not admitted	98,250
Bonus utilized in reduction of premium	13,500
Interest accrued on investment	29,750
Outstanding premiums	27,000
Claims covered under re insurance	40,500
Provision for taxation	31,500

Pass journal entries giving effect to the above adjustments and show the adjusted life fund.

UNIT —V

1. The Balance Sheets of C Ltd. and D Ltd. as at 31st December, 2017 are as follows:

Liabilities	C Ltd. Rs.	D Ltd. Rs.	Assets	C Ltd. Rs.	D Ltd. Rs.
Share Capital (in shares of Rs.10 each)	2,00,000	1,00,000	Sundry assets	1,32,500	1,38,200
General reserve	18,000	20,000	Goodwill	-	20,000
Profit & Loss A/c	24,500	23,000	Shares in D Ltd. at cost	1,40,000	-
Creditors	30,000	15,200			
	2,72,500	**1,58,200**		**2,72,500**	**1,58,200**

In the case of 'D' Ltd., profit for the year ended 31st December 2017 is Rs. 12,000 and transfer to reserve is Rs. 5,000. The holding of C Ltd., in D Ltd., is 90% acquired on 30th June 2017.

Ascertain capital profits and revenue profits.

2. Draft a method of ascertaining cost of control.

3. X Ltd. Purchased 60% shares of Y Ltd. on 1-1-02 when the balance on their P&L a/c and General reserve were Rs.1,50,000 and Rs.1,60,000 respectively. On 31-12-02, the balancesheet of Y Ltd. showed P&L a/c balance of Rs.4,00,000 and General reserve Rs.3,00,000. Calculate Capital profits and Revenue profits.

4. Calculate minority interest from the balance sheet of Mumbai Ltd.

Liabilities	Rs	Assets	Rs
Share capital: 7,00,000 share of Rs.2 each	14,00,000	Sundry assets	10,00,000
General reserve as on 1-1-97	6,00,000	Plant and machinery	7,00,000
Creditors	3,00,000	Other assets	1,50,000
P&L a/c as on 31-12-97	2,00,000	Investments(80% of share)	6,50,000
	25,00,000		**25,00,000**

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

5. H Ltd. acquired 3,000 equity shares in S Ltd on 1.04.1987. On 31.12.87 the Balance sheet of S Ltd. was as follows:

Liabilities	Rs	Assets	Rs

Share capital: 4,000 equity share of Rs.100 each	4,00,000	Sundry assets	10,00,000
General reserve as on 1-1-87	80,000	Plant and machinery	7,00,000
Creditors	60,000	Other assets	1,50,000
P&L a/c balance on 1-1-87 20,000 Profit for 1987 80,000	1,00,000	Investments(80% of share)	6,50,000
	25,00,000		**25,00,000**

HIGHER CORPORATE ACCOUNTING-17UCO409

K4 LEVEL QUESTIONS

UNIT –-I

1. Discuss the need and importance of amalgamation of companies.

2. X Ltd and Y Ltd agree to amalgamate as from 31st Dec 2012 on which date their respective balance sheets were as follows:

Liabilities	**X Ltd. Rs.**	**Y Ltd. Rs.**	**Assets**	**X Ltd. Rs.**	**Y Ltd. Rs.**
Share capital: Shares of Re.1 each	80,000	25,000	Cash	100	50
Creditors	3,000	1,000	Bank	3,400	450
Reserves	7,500	4,000	Debtors	22,000	6,000
P & L A/c	2,500	1,000	Plant	12,000	4,500
			Stock	15,000	7,000
			Premises	30,000	10,000
			Patents	10,000	3,000
	93,000	**31,000**		**93,000**	**31,000**

Estimate the balance sheet of the new company XY Ltd. Which was incorporated to take over the amalgamated concerns and state the number of share in the new company which will be allotted to the shareholders of the old companies?

3. A Ltd. and B Ltd. agreed to amalgamate and form a new company, C Ltd. which takes over all assets and liabilities of the two companies.

In the case of A Ltd. the assets and liabilities are to be taken over at book values for shares in C Ltd. at the rate of 5 shares in C Ltd. at 10% premium (Rs.11 per share) for every four shares of A Ltd.

In the case of B Ltd.:

(i) The debentures of B Ltd. would be paid off by the issue of an equal number of 4% debentures in C Ltd. at a discount of 10%.

(ii) The holders of 6% preference shares of B Ltd. would be allotted four 7% preference shares of Rs.100 each in C Ltd. for every five preference shares in B Ltd.

(iii) The equity shareholders would be allotted sufficient shares in C Ltd. to cover the balance on their accounts after adjusting asset values by reducing Plant and Machinery by 10% and providing 5% on sundry debtors.

The summarized Balance Sheets of the two companies just prior to amalgamation were as follows:

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Equity capital: Shares of Rs. 10 each	4,00,000	5,00,000	Plant and Machinery	8,00,000	8,00,000
6% Pref. Capital: Shares of Rs. 100 each	--	3,00,000	Stock	65,000	60,000
4% Debentures	--	2,00,000	Debtors	95,000	50,000
P & L A/c	5,00,000	--	P & L A/c	--	1,40,000
Contingency reserve	50,000	--	Bank	65,000	40,000
Creditors	75,000	90,000			
	10,25,000	**10,90,000**		**10,25,000**	**10,90,000**

You are required to

(i) Calculate the purchase consideration for A Ltd. and B Ltd.

(ii) Show journal entries in the books of B Ltd.

(iii) Prepare Balance Sheet of C Ltd.

4. P Ltd., and Q Ltd., proposes to amalgamate. Their balance sheets as on 31-3-2015, were as follows:

Liabilities	**P Ltd Rs.**	**Q Ltd Rs.**	**Assets**	**P Ltd Rs.**	**Q Ltd Rs.**
Equity share capital	4,00,000	1,50,000	Fixed assets	3,30,000	1,00,000
General Reserve	1,80,000	15,000	Investments (Face values Rs.80,000)	72,000	-
Profit and loss Account	60,000	23,000	Stock	1,60,000	40,500
Creditors	1,04,500	24,500	Debtors	93,500	50,000
			Cash	89,000	22,000
	7,44,500	**2,12,500**		**7,44,500**	**2,12,500**

Profit after tax (Rs.)	P Ltd (Rs.)	Q Ltd. (Rs.)
2015	1,23,000	41,500
2014	1,09,500	31,400
2013	99,000	27,000

Goodwill may be taken at 4 years purchase of average super profits of 3 years from trading on the basis of 10% normal trading profit on closing capital invested. B Ltd is formed for the purpose of amalgamation of both companies. Prepare balance sheet of B Ltd., as on 31-3-2015.

5. Blue Ltd. And Star Ltd. Whose balance sheets on 1st January, 2011 are given below decided to amalgamate under the name of Blue Star Ltd. Which was floated for the purpose with an authorized capital of 20,000 shares of Rs.100 each.

Balanced Sheet of Blue Ltd. and Star Ltd. as on 1st Jan.2011

Liabilities	Blue Ltd. Rs.	Star Ltd. Rs.	Assets	Blue Ltd. Rs.	Star Ltd. Rs.
Shares of 10 each fully paid	5,00,000	10,00,000	Land and	3,00,000	4,00,000
Sundry creditors	50,000	80,000	Buildings	2,00,000	3,00,000
6% debentures	50,000		Plant & Machinery	50,000	50,000
P&L A/c	50,000		Goodwill	20,000	1,00,000
			Stock	20,000	1,20,000
			Sundry debtors	60,000	-
			Cash at bank	-	50,000
			P&L A/c	-	50,000
			Patents	-	10,000
	6,50,000	**10,80,000**		**6,50,000**	**10,80,000**

Blue Star Ltd took over all assets except cash at bank but considered goodwill of Star Ltd., as valueless. It also agreed to take over trade creditors. It agreed to issue fully paid shares to the liquidators of the two companies. Give journal entries in the books of the two companies to close their books.

UNIT –-II

1. Following a series of losses, XYZ Co. Ltd, resolved to reduce its capital to 50,000 fully paid Rs.5 shares and to eliminate share premium account. The company's balance sheet prior to implementation of the scheme was:

Liabilities	Rs.	Assets	Rs.
Share Capital: 50,000 fully paid shares of Rs.10 each	5,00,000	Goodwill	1,00,000
Securities premium a/c	50,000	Land and building	1,62,000
Creditors	62,000	Plant and machinery	2,07,000
Bank overdraft	73,000	Stock	92,000
		Debtors	74,000
		P&L A/c	50,000
	6,85,000		**6,85,000**

It was resolved to apply the sum available under the scheme.

(i) To write off the goodwill account.

(ii) To write off the debit balance of the profit and loss account.

(iii) To reduce the book values of the assets by the following amounts.

Land and buildings - Rs 42,000
Plant and machinery - Rs.67,000
Stock - Rs.33,600

(iv) To provide a bad debts reserve of 10% of the book value of debtors.

Show the journal entries to give effect to the scheme and prepare the revised balance sheet after its implementation.

2. Differentiate between Internal Reconstruction and External Reconstruction.

3. The summarized balance sheet of Ambrose Co Ltd. As at 31st Dec 2015 was as follows:

Liabilities	Rs.	Assets	Rs.
Authorized & Issued Capital: 2,00,000 equity shares of Rs. 10 each fully paid	20,00,000	Land & Buildings	15,00,000

10,000 6% Preference Shares of Rs. 100 each fully paid	10,00,000	Plant & Machinery	10,00,000
Bank Overdraft	7,00,000	Goodwill	2,00,000
Sundry Creditors (Note: The Cumulative Preference Dividend is in arrear for three years)	5,00,000	Patents & Trade Marks	1,00,000
		Stock	4,00,000
		Sundry Debtors	3,00,000
		Preliminary Expenses	1,00,000
		Profit & Loss A/c	6,00,000
	42,00,000		**42,00,000**

A scheme of Capital Reduction was approved on the following terms:

a) The preference shareholders agree that their shares be reduced fully paid shares of Rs. 50 each and to accept equity shares of Rs. 5 each fully paid in lieu of the dividend arrears.

b) The equity shareholders agree that their shares be reduced to a fully paid value of Rs. 5 each.

c) The authorized capital of the company is to remain at Rs. 30,00,000 divided into 4,00,000 equity shares of Rs. 5 each and 20,000 6% cumulative preference shares of Rs. 50 each.

d) All the intangible and fictitious assets are eliminated and bad debts of Rs. 50,000 and obsolete stock of Rs. 80,000 are to be written off.

Give necessary Journal Entries to record the capital reduction and draw up revised balance sheet.

4. The following is the Balance sheet of United Industries Ltd. On 31.12.98.

Liabilities	Rs.	Assets	Rs.
Shares capital : 6,000 6% preference shares of Rs.100 each	6,00,000	Goodwill	45,000
12,000 Equity shares of	12,00,000	Land & Building	6,00,000

Rs.100 each			
8% Debentures	3,00,000	Plant & Machinery	9,00,000
Bank overdraft	3,00,000	Stock	1,30,000
Sundry creditors	1,50,000	Debtors	1,40,000
		Cash	15,000
		Profit & Loss a/c	7,00,000
		Preliminary Expenses	20,000
	25,50,000		**25,50,000**

On the above date, the company adopted the following scheme of reconstruction:

i. The equity shares are to be reduced to shares of Rs.40 each fully paid and the preference shares to be reduced to fully paid shares of Rs.75 each.

ii. The debenture holders took over stock and debtors in full satisfaction of their claims.

iii. The Land and Buildings to be appreciated by 30% and Plant & Machinery to be depreciated by 30%.

iv. The fictitious and intangible assets are to be eliminated.

v. Expenses of reconstruction amounted to Rs.5,000.

Give journal entries incorporating the above scheme of reconstruction and prepare the reconstructed Balance Sheet.

5. Kala Ltd's Balance Sheet showed the following position on 31.03.1995.

Liabilities	Rs.	Assets	Rs.
10,000 equity shares of Rs.100 each	10,00,000	Fixed assets	8,00,000
Capital reserve	2,00,000	Current assets	4,00,000
Bank loan	2,00,000	Cash at bank	2,00,000
Trade creditors	3,00,000	Profit & loss a/c	3,00,000
	17,00,000		**17,00,000**

Mala Ltd. Was incorporated to take the fixed assets and 60% of the current assets at an agreed value of Rs. 9,00,000 to be paid as to Rs. 7,40,000 in equity shares of Rs. 10 each and the balance in 9% debentures. The debentures were accepted by bank in settlement of loan. Remaining current assets realised Rs.90,000. After meeting Rs.20,000 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 initial Balance Sheet of Mala Ltd., If the amalgamation is in the nature of purchase.

UNIT --III

1. On 31st December 1986. The following balances stood in the books of Axis Bank Ltd., after preparation of its Profit and Loss Account.

Particulars	**Rs. (in '000)**	**Particulars**	**Rs. (in '000)**
Share capital: Issued and subscribed	4,000	Bills discounted and purchased	3,800
Reserve fund (Section 17)	6,200	loans, cash credits and over drafts	51,000
Fixed deposits	42,600	Bills payable	70
Savings bank deposits	19,000	Unclaimed dividend	60
Current accounts	23,200	Rebate on bills discounted	50
Money at call and short notice	1,800	Short loans (borrowing from other banks)	4,750
Investments	25,000	Furniture	1,164
Profit and Loss Account (cr)1st Jan 1986	1,350	Other assets	336
Dividend for 1985	400	Net profit for 1986	1,550
Premises	2,950		
Cash in hand	380		
Cash with RBI	10,000		
Cash with other banks	6,000		

Prepare Balance Sheet of the Bank as on 31st December 1986.

2. From the following, you are required to prepare the Profit and Loss Account and the Balance Sheet of Madras Bank Ltd., as on 31.12.1980.

Trial Balance as on 31.12.1980

	Rs. ('000')	**Rs. ('000')**
Issued capital : 20,000 shares of Rs.100 each	-	2,000
Money at call and short notice	800	-
Reserve fund	-	700
Cash in hand	650	-
Deposits	-	2500
Cash at bank	950	-

Borrowings from SBI	-	500
Investments in Govt securities	900	-
Secured loans	1,500	-
Cash credits	500	-
Premises less depreciation	580	-
Furniture less depreciation	120	-
Rent	5	60
Interest and discount	-	800
Commission & Brokerage	-	70
Interest paid on deposits	300	-
Salary and allowances paid to staffs	150	-
Interest paid on borrowings	50	-
Audit fees	10	-
Directors fees	8	-
Non–banking assets	80	-
Depreciation on bank's property	13	-
Printing	3	-
Advertisement	1	-
Stationery	5	-
Postage and telegrams	2	-
Other expenses	3	-
	6,630	**6,630**

Adjustments:

a) Provide Rs. 20,000 for doubtful debts.

b) Provide Rs.10,000 on bills discounted but not matured on 31.12.1980.

c) Acceptance and endorsements on behalf of customers amounting to Rs.4,00,000.

d) Provide Rs.60,000 for taxes.

3. Prepare the Format of Balance sheet of Banking Companies (Form B Sixth Schedule).

4. From the following details, prepare profit and loss account of the Bharat Bank Ltd., for the year ended December 31st 2010.

Particulars	**Rs.**	**Particulars**	**Rs.**
Interest paid on deposits and borrowings	2,40,000	Interest and discount	7,48,000
Rent Received	36,000	Net profit on sale of investment	36,000
Salaries, allowances, bonus and providen	2,10,000	Commission, exchange and	1,20,000

fund		brokerage	
Legal charges	12,000	Audit fees	5,000
Directors and local committee members fees	2,400	Printing and stationery	6,400
Miscellaneous Expenditure	12,000	Telephone, stamp postage and telegram	44,000
Advertising	9,000	Insurance and lighting	7,400
Bad debts	34,500	Rent paid	48,000

Opening balances of unexpired discount and reserve for bad and doubtful debts were Rs. 48,000 and Rs. 24,000 respectively. Closing balances required on these amounts are Rs. 54,000 and Rs. 36,000 respectively. Provide 60% taxation on current profits.
The Chairman and managing director has been paid a salary of Rs. 2,400 p.m and has been provided free quarters and a motor car perquisites valued at Rs. 6,000 p.a.

5. The following figures are extracted from the books of Bheema bank Ltd. as on 31-12-2015.

Particulars	**Rs.**
Interest and discount received	36,95,738
Commission, exchange and brokerage	2,00,000
Directors' fee and allowances	55,000
Postage and telegrams	62,313
Stationery	17,625
Preliminary expenses	15,000
Interest paid on deposits	20,32,542
Rent received	55,000
Salaries and allowances	1,75,000
Rent and taxes paid	87,973
Profit on sale of investments	2,00,000
Depreciation on building	27375
Audit fees	5,000

Additional information:

(1) A customer to whom a sum of Rs.10,00,000 has been advanced has become insolvent. It is expected that only 50% can be recovered from his private estate.
(2) For the remaining debts, a provision of Rs.1,50,000 was necessary.
(3) Rebate on bills discounted as on 31-12-2015 Rs.12,000 and on 31-12-2016 Rs.16,000.
(4) Provide Rs.6,50,000 for taxation.
(5) Write off all preliminary expenses.

Prepare Profit and Loss account in accordance with the law.

UNIT –-IV

1. Given below is the Trial balance Bangalore Fire Insurance Co. Ltd as on 31st March 2006.

Particulars	**Rs('000')**	**Particulars**	**Rs('000')**
Claims paid	114315	Interest Govt., bond	386921
Commission to agent	60590	Interest accrued on investment	6028
Expenses of management	1999696	Outstanding premium	4019
Depreciation	15419	Advance and deposit	12122
Loss on sale of investment	23169	Cash and bank balance	65650
Income tax on interest, dividend and rent	10625	Furniture and motor car	94666
Agent balance	54792	Reserve for unexpired	247495
Interest, dividend and rent	34692	Claims outstanding (1.4.2005)	5085
Investment reserve	24690	Premium income	403932
Profit and loss balance(1.4.2005)	33581	Share capital	250000
Provision for taxes	43618	Sundry creditors	4919

You are required to prepare the revenue account and profit and loss account and balance sheet as on 31.3.2006 having regard to the followings:

1) The entire authorized capital has been issued and subscribed.

2) Reserve for unexpired risk at 50%.

3) Claims outstanding as on 31.3.2006 amounted to Rs.31,37,000.

4) Provisions Rs.2,00,00,000 towards taxation.

2. Prepare from the following a Life Insurance Revenue A/c and Balance Sheet as on 31.3.2006.

Particulars	Rs	Particulars	Rs.
Claims by death	16,890	Outstanding interest on Advances 31.3.2006	1,944
Agent's Salaries and Allowances	6,420	Bonus paid with claims	2,700
Surrender value paid	2,810	Endowment assurance matured	24,415
Actuarial Expenses	1,520	Annuities paid	1,350
Premiums	94,836	Interest revenue	19,060
Commission to Agents	8,900	Rent, Rate and Taxes	5,475
Salaries	13,500	General Charges	1,860
Medial Fees	1,200	Fees Received	172

Travelling Expenses	1,800	Bonus paid in Cash	2,825
Director's Fees	900	Advertisement	726
Agents balance	750	Consideration for annuities	12,853
Claim expenses	1,432	Printing and Stationery	650
Premium Outstanding (1.4.2005)	2,134	Claims O/S (1.4.05)	2,376
Premium Outstanding (31.3.2006)	3,143	Claims O/S (31.3.06)	3,735
Investments	1,46,700	Loans on policies	38,300
Share Capital	2,00,000	Loan on mortgages	2,90,560
Sundry Creditors	9,200	Freehold premises	1,22,600
Life Assurance Fund	3,53,672	Furniture and /Fittings	64,100
Reserve Fund	1,46,000	Cash on hand and Deposits	76,300

3. The young India Life Assurance Limited had a paid up capital of Rs.25000 shares of Rs.10 each. Its net liability on all contracts in force as on 31-3-2012 was Rs.22,50,000 and on 31-3-2011 this liability was Rs.20,00,000. From the following figures extracted from its books for the year ended 31-3-2012 prepare revenue account. The company has paid an interim bonus of Rs.1,10,000 and 20% of the surplus is to be allocated to shareholders, 10% to the catastrophe reserve and the balance being carried forward.

Particulars	**Rs.**	**Particulars**	**Rs.**
Life fund	24,50,000	Commission	54,000
Premium less reinsurance premiums	13,80,000	Surrenders	85,000
Interest, dividend and rents	7,50,000	Surplus on revaluation of reversions	4,000
Fines and fees	4,000	Re-assurances irrecoverable	1,000
Income tax	1,18,000	Claims less reinsurance claims	8,90,000
Management expenses	1,75,000	Consideration for annuities granted	45,000
Annuities paid	10,000		

4. From the following particulars relating to 'Z' Insurance Co. Ltd., prepare Fire Revenue A/c for the year ending 31-3-2015.

Particulars	**₹ ('000)**	**Particulars**	**₹ ('000)**
Claims paid	4,80,000	Premium received	12,00,000
Claim outstanding on 1-4-14	40,000	Reinsurance premium paid	1,20,000
Claims intimated but not	10,000	Claims intimated and accepted	

accepted & Paid on 31-3-15		but not paid on 31-3-15	60,000
Commission	2,00,000	Commission on reinsurance ceded	10,000
Commission on reinsurance accepted	5,000	Provision for unexpired risk on 1-4-14	4,00,000
Expenses of management	3,05,000	Additional provision for unexpired risk on 1-4-14	20,000
Bonus in reduction of premium	12,000		

You are required to provide for additional reserve for unexpired risk at 1% of the net premium in addition to the opening balance.

5. From the following particulars prepare the fire revenue account for 2014-15.

Particulars	**Rs.'000**	**Particulars**	**Rs.'000**
Claims paid	270	Expenses of management	210
Legal expenses regarding claims	6	provision for unexpired risk on 1.4.2014	330
Premiums received	740	Additional reserve on 1.4.014	140
Reinsurance premiums	50	Claims unpaid on 1.1.2014	25
Reinsurance claims	2	Claims unpaid on 31.3.2015	35
Commission	110		
Reinsurance commission ceded	3		

Increase the additional reserve on 31.3.2015 by 10% on the net premium.

UNIT –-V

1. From the following Balance Sheet relating to H Ltd. and S Ltd. Prepare a Consolidated Balance Sheet.

Balance Sheet as on 31.12.1992

Liabilities	**H Ltd**	**S Ltd**	**Assets**	**H Ltd**	**S Ltd**
Share Capital (Shares of Rs. 10 each)	10,00,000	2,00,000	Sundry fixed Assets	8,00,000	1,20,000
Profit & Loss A/c	4,00,000	1,20,000	Stock	6,10,000	2,40,000
Reserves	1,00,000	60,000	Debtors	1,30,000	1,70,000
Creditors	2,00,000	1,20,000	Bills Receivables	10,000	-
Bills Payable		30,000	Shares in S Ltd at cost (15,000 shares)	1,50,000	-
	17,00,000	**5,30,000**		**17,00,000**	**5,30,000**

(a) All profits of S Ltd. have been earned after the shares were acquired by H Ltd. But there was already a reserve of Rs. 60,000 on that date.
(b) All the bills payable of S Ltd. was accepted in favour of H Ltd.
(c) The stock of H Ltd. includes Rs. 50,000 purchased from S Ltd. The profit added was 25 % on cost.

2. The summarized balance sheets of H Ltd., and S Ltd., as on 31st Dec., 2015 are given below:

Liabilities	**H Ltd Rs.**	**S Ltd. Rs.**	**Assets**	**H Ltd Rs.**	**S Ltd. Rs.**
Share capital (Shares of Rs.10 each)	5,00,000	1,00,000	Sundry assets	5,00,000	1,70,000
General Reserve	80,000	30,000	8,000 shares in S Ltd.,	1,40,000	-
Profit and Loss a/c	60,000	40,000			
	6,40,000	**1,70,000**		**6,40,000**	**1,70,000**

S Ltd., had the reserve of Rs.30,000 when H Ltd., acquired the shares in S Ltd., but the profit and loss account balance of S Ltd., was fully earned after the purchase of shares.
S Ltd., decided to issue bonus shares out of the post-acquisition profit in the ratio of 2 shares for every 5 shares held.
Calculate the cost of control before the issue of bonus shares and after the issue of bonus shares.

3. The following are the Balance Sheets of H Ltd and its subsidiary S Ltd. as on 31.03.95.

Liabilities	**H Ltd. Rs.**	**S Ltd. Rs.**	**Assets**	**H Ltd. Rs.**	**S Ltd. Rs.**
Share capital Rs.10 each fully paid	6,00,000	2,00,000	Machinery	3,00,000	1,00,000
Profit & Loss A/c	70,000	50,000	Furniture	70,000	45,000
General Reserves	1,50,000	70,000	70 % shares in S Ltd. at cost	2,60,000	-
Creditors	90,000	60,000	Stock	1,75,000	1,89,000
			Debtors	55,000	30,000
			Cash at bank	50,000	10,000

			Preliminary Expenses	-	6,000
	9,10,000	**3,80,000**		**9,10,000**	**3,80,000**

H Ltd. acquired the shares of S Ltd. on 30.06.1994. on 1.04.1994, S Ltd's General Reserve and Profit & Loss account stood at Rs. 60,000 and 20,000 respectively. No part of the preliminary expenses was written off in the year ended 31.03.95.

Prepare consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as on 31.03.95, giving all your working notes separately.

4. From the balance sheets given below, prepare consolidated balance sheet of Union Ltd. and its subsidiary 'State Ltd.

Balance sheets as on 30.6.1990

Liabilities	**Union Ltd (Rs)**	**State Ltd (Rs)**	**Assets**	**Union Ltd (Rs)**	**State Ltd (Rs)**
Share capital (Rs10 each)	1,40,000	40,000	Land and Buildings	90,000	30,000
General Reserve	30,000	9,000	Plant	45,000	16,000
Profit & Loss A/c	15,000	12,000	Stock	16,000	5,000
Creditors	30,000	8,000	Debtors	20,000	8,000
			Investment:3000 Shares in State Ltd.	37,000	---
			Bank	7,000	10,000
Total	2,15,000	69,000	Total	2,15,000	69,000

At the date of acquisition of holding of 3,000 shares in State Ltd. The later company had undistributed profits and reserves amounting to Rs. 4,000 and Rs.6,000 respectively. The creditors of State Ltd. include Rs. 4,000 for goods supplied by Union Ltd. on which Union Ltd. made a profit of Rs.1, 000. Half of the goods were still in stock on 30.6.1990.

5. H Ltd. And S Ltd had the following balance sheets as on 31.12.2017.

Liabilities	**H Ltd. Rs.**	**S Ltd. Rs.**	**Assets**	**H Ltd. Rs.**	**S Ltd. Rs.**
Shares Capital of 10 each	60,000	15,000	Buildings	36,000	12,500
General reserve	12,500	3,000	Machinery	15,000	5,000
Sundry creditors	7,500	2,500	1000 shares in S	12,500	---
P&L A/c	6,000	4,500	Stock	9,000	1,500

			Debtors	11,000	3,500
			Bank	2,500	2,500
	86,000	**25,000**		**86,000**	**25,000**

On the date of acquisition of shares in S, it had undistributed profit and reserve of Rs.2,500. Prepare consolidated balance sheet.