PG DEPARTMENT OF COMMERCE (CA)

QUESTION BANK

COURSE: M.Com (CA) **SEMESTER:** I

SUBJECT CODE: 19PCC101 **SUBJECT:** ADVANCED CORPORATE ACCOUNTING

K1 LEVEL

Multiple Choice Questions

1. Accounting for Intangible Assets is related to ___________.

   a) AS-10 b) AS-12 c) AS-24 **d) AS-26**

2. Accounting standards in India are issued by ___________.

   a) Central Government b) State Government

   c) The institute of Chartered Accountants of India d) Reserve Bank of India

3. Accounting for Fixed Assets is related to ___________.

   a) AS-10 b) AS-12 c) AS-24 d) AS-26

4. Disclosure of accounting policies is related to ___________.

   a) AS-1 b) AS-2 c) AS-3 d) AS-4

5. Accounting for Investments is related to___________.

   a) AS-1 b) AS-12 **c) AS-13** d) AS-14

6. Accounting for revenue recognition is related to ___________.

   a) AS-8 **b) AS-9** c) AS-23 d) AS-10

7. ___________ is concerned with accounting for amalgamation.

   a) AS-10 b) AS-12 **c) AS-14** d) AS-16

8. 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

9. Amalgamation is done for ___________.

   a) Eliminating competition b) Dominating the market

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

10. Company which is amalgamated into another company is called ___________.

    a) Transferor company b) Transferee Company

    c) Purchasing company d) Holding company

11. ___________ is the company into which a company is amalgamated.

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

c) Subsidiary company c) Holding company

12. Purchase consideration is payable ___________.

a) Creditors **b) Shareholders** c) Debenture holders d) All of these

13. ___________ 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

14. 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

15. 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

16. Amalgamation adjustment account is opened in the books of Transferee Company to incorporate ___________.

a) The assets o transferor company

b) The statutory reserves of Transferor Company

c) The liabilities of transferor company

d) The statutory reserves of Transferee Company

17. Loss on realisation is transferred to ___________.

a) Transferee Company Account b) Transferor Company Account

c) Shareholders Account d) Creditors Account

18. ___________ is a statutory reserve.

a) General Reserve **b) Export Profit Reserve**

c) Dividend Equalization Reserve d) Capital Reserve

19. Liquidation expenses paid by the transferee company are debited to ___________.

a) Liquidation Expense Account b) Liquidators Account

c) Preliminary Expenses Account **d) Goodwill Account**

20. Under purchase method, the excess of net assets over purchase consideration is ____.

a) Debited to Goodwill Account b) Credited to Goodwill Account

c) Credited to Capital Reserve Account d) Debited to Capital Reserve Account

21. X Ltd takes over Y Ltd and agrees to discharge debenture holders of Y Ltd at a premium of 5%. The premium should be debited to ___________.

    a) Realisation Account b) Shareholders Account

    c) P&L Account d) None of these

22. Which of the following is not a statutory reserve?

    a) General reserve b) Development rebate reserve

    c) Investment allowance reserve d) Workmen compensation fund

23. Realisation Account is a ___________.

    a) Real Account b) Personal Account **c) Nominal Account** d) Suspense Account

24. ___________ is not transferred to realisation account

    a) Goodwill **b) Fictitious asset** c) Trademark d) All of these

25. Trade liabilities include ___________.

    a) Creditors b) Debentures c) Bank overdraft d) All of these

26. Purchase consideration includes ___________.

    a) Cash b) Shares c) Debentures **d) All of these**

27. 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**

28. Internal reconstruction is done due to ___________.

    a) Accumulated losses b) Shortage of working capital

    c) Large amount of fictitious assets **d) All of these**

29. In ___________, the company does not loss its identity

    a) Amalgamation b) External reconstruction

    c) Absorption **d) Internal reconstruction**

30. As per ____ it is the statutory obligation of companies to prepare their final accounts.

    a) Sec 210 b) Sec 211 c) Sec 212 d) Sec 214.

31. The Balance sheet of Companies are prepare in the form ___________.

    a) Part I of Schedule V **b) Part I of Schedule VI**

    c) Part II of Schedule V d) Part II of Schedule VI

32. The Profit and Loss Account of companies is prepared in the form ___________.

    a) Part I of Schedule V b) Part I of Schedule VI

c) Part II of Schedule V **d) Part II of Schedule VI**

33. The dividend declared between two annual general meeting is called ___________.

a) Proposed Dividend b) Final Dividend

c) Interim Dividend d) None of these

34. The net profit available for dividend distribution is called ___________.

a) Net Profit b) Surplus **c) Divisible Profit** d) Capital Profit

35. Dividend in the form of shares is called ___________.

a) Interim Dividend **b) Scrip Dividend** c) Final Dividend d) None of these

36. ___________is the dividend declared in the annual general meeting of shareholders.

a) Proposed Dividend **b) Final Dividend** c) Interim Dividend d) None of these

37. The dividend recommended by the Board of Directors is called___________.

a) Proposed Dividend b) Final Dividend c) Interim Dividend d) None of these

38. Unclaimed dividend is shown in the balance sheet under the head ___________.

a) Reserves and Surplus **b) Current Liabilities**

c) Loans and Advances d) Current Assets

39. ___________is a charge against profit of the company

a) Provision b) Reserves d) Surplus d) All of these

40. CDT stands for___________.

a) Company Direct Tax **b) Corporate Dividend Tax**

c) Combined Direct Tax d) None of these

41. An item which may or may not be the liability of the company due to happening of certain event is___________.

a) Current Liability b) Fixed Liability

c) Contingent Liability d) None of these

42. Advance tax paid is shown in the balance sheet under the head___________.

a) Current Liabilities **b) Loans and Advances**

c) Fixed Assets d) None of these

43. Preliminary expenses not written off are shown in the balance sheet under the head___________.

a) Current Assets b) Investments

c) Current Liabilities **d) Miscellaneous Expenditure**

44. If rate of proposed dividend is less than 10% of paid up capital, the rate of profit transferred to reserve shall be___________.

a) 10% b) 2.5% c) 5% **d) Nil**

45. Preparation of consolidated Balance Sheet of Holding Co. and its subsidiary company as per___________.

a) As 11 b) AS – 22 **c) AS 21** d) AS – 23

46. The share of outsiders in the Net Assets in subsidiary company is known as under___.

a) Outsiders liability b) Assets

c) Subsidiary company's liability **d) Minority Interest**

47. Pre-acquisition profit in subsidiary company is considered as ___________.

a) Revenue profit **b) Capital profit** c) Goodwill d) None of the above

48. Excess of cost of investment over paid up value of the shares is considered as ______.

a) Goodwill b) Capital Reserve c) Minority Interest d) None of the above

49. Excess of paid up value of the shares over cost of investment is considered as ______.

a) Goodwill **b) Capital Reserve** c) Minority Interest d) None of the above

50. Profit earned before acquisition of share is treated as ___________.

a) Capital profit b) Revenue profit c) General Reserve d) Revaluation Loss

51. Profit earned after acquisition of share is treated as ___________.

a) Capital profit **b) Revenue profit** c) General Reserve d) Revaluation Loss

52. Preparation of consolidated statement as per AS 21 is ___________.

a) Optional **b) Mandatory for listed Companies**

c) Mandatory for Pvt. Ltd. d) Companies Ltd. partnership firm

53. Holding Company share in capital profits of subsidiary company is adjusted in _____.

a) Cost of control b) Shown on Assets side of Balance sheet

c) Revenue profit d) None of the above

54. Holding Company share in revenue profits of subsidiary company is adjusted in ____.

a) Cost of control b) Shown on Assets side of Balance sheet

c) Profit and loss account d) None of the above

55. Unrealised profit on goods sold and included in stock is deducted from ___________.

a) Capital Profit **b) Revenue Profit** c) Fixed Assets d) Minority interest

56. Face value debentures of subsidiary company held by Holding Company is deducted from ___________.

a) Debentures **b) Cost of control**

c) Minority interest d) Debentures in consolidated balance sheet

57. Minority Interest includes ___________.

a) Share in share capital b) Share in Capital profit

c) Share in Revenue profit **d) All of the above**

58. The Time interval between the date of acquisition of shares in subsidiary company and date of Balance Sheet of Holding Company is known as ___________.

a) Pre-acquisition period **b) Post-acquisition period**

c) Pre-commencement period d) Pre-incorporation period.

59. Pre-acquisition dividend received by Holding company is credited to ___________.

a) Profit & loss A/c b) Capital profit **c) Investment A/c** d) None of the above

60. Post Acquisition dividend received by Holding Company is debited to ___________.

a) Bank A/c **b) Profit & loss A/c** c) Dividend A/c d) Investment A/c

61. Which Exchange rate will be considered for conversion of share capital of subsidiary company?

a) Opening Rate b) Closing rate

c) Average Rate **d) Rate of which date share acquired (actual)**

62. ___________ is called a factory of credit.

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

63. 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

64. CRR stands for ___________.

a) Current Reserve Ratio b) Capital Reserve Ratio

c) Cash Reserve Ratio d) Capital Redemption Ratio

65. SLR stands for ___________.

a) Savings Level Ratio **b) Statutory Liquidity Ratio**

c) Standard Liquidity Ratio d) None of these

66. 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

67. ___________ of profit is transferred to statutory reserves.

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

68. Banks show the provision for income tax under the head ___________.

a) Contingent liabilities b) Deposits

c) Other liabilities and provisions d) Borrowings

69. Rebate on bills discounted is ___________.

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

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

70. NPA stands for ___________.

    a) Non- Performing Assets b) Normal Performing Assets

    c) National Performing Asset d) None of these

71. Schedule 1 is concerned with ___________.

    a) Cash and balance with RBI **b) Capital**

    c) Reserves and Surplus d) Investments

72. ___________ is shown under Schedule 15.

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

73. Acceptance, endorsements and other obligations come under the head___________.

    a) Provisions and Contingencies **b) Contingent liabilities**

    c) Deposits d) Borrowings

74. Assets are NPAs for a period not exceeding 12 months are called ___________.

    a) Standard Assets **b) Substandard Assets**

    c) Doubtful Assets d) Loss Assets

75. Assets are NPAs for a period exceeding 12 months are called ___________.

    a) Standard Assets b) Substandard Assets

    c) Doubtful Assets d) Loss Assets

76. ___________ 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

77. The agreement of insurance is called as ___________.

    a) Policy b) Premium c) Annuity d) None of these

78. The consideration in insurance for covering the risk is called ___________.

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

79. ___________ is the party who undertakes the risk in insurance.

    a) Insurer b) Assurer c) Underwriter **d) All of these**

80. The party whose risk is covered in insurance is known as ___________.

    a) Insurer **b) Insured** c) Underwriter d) None of these

81. 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**

82. General Insurance includes ___________.

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

83. LIC was nationalized in ___________.

a) 1935 b) 1950 **c) 1956** d) 1964

84. Insurance business in India is regulated by ___________.

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

85. 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

86. ___________ is the amount payable to the insured on the happening of event.

a) Premium b) Annuity **c) Claim** d) Policy

87. An annual payment which an insurer guarantees to pay for lump sum money received in the beginning is called ___________.

a) Premium **b) Annuity** c) Claim d) Policy

88. The amount given to the policyholder due to his inability of paying further premium is called ___________.

a) Annuity b) Bonus **c) Surrender value** d) Claim

89. ___________ is an agreement between two insurance companies whereby one transfers a part of risk to other.

a) Reinsurance b) Sub insurance c) Shared Policy d) None of these

90. Revenue Account is also called ___________.

a) Shareholders' Account **b) Policyholders' Account**

c) Creditors' Account d) None of these

91. Valuation balance sheet is prepared by ___________ business.

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

92. The commission earned by insurance companies from others for giving them business under reinsurance is called ___________.

a) Commission on reinsurance accepted b) Agents' commission

c) Commission on reinsurance ceded d) None of these

93. The commission given by insurance companies to others for receiving business under reinsurance is called ___________.

a) Commission on reinsurance accepted b) Agents' commission

c) Commission on reinsurance ceded d) None of these

94. Profit and Loss Account of General Insurance Companies are prepared in _______.

a) Form A-PL b) Form B-RA **c) Form B-PL** d) Form B-BS

95. The principle of subrogation is applicable to___________.

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

96. Inflation accounting is also known as ___________.

a) Accounting for Price Level Changes b) Decision Accounting

c) Standard Accounting d) Historical Accounting

97. In the Historical accounting system, cost represents ___________.

a) Replacement Cost b) Current Cost c) Imputed Cost **d) Original Cost**

98. A ___________ is used to reflect the changes in purchasing power of money as a whole

a) General Price Index b) Special price index

c) Monetary value d) Discount factor

99. When there is change in the value of rupee it is said to be change in ___________.

a) Over all price level b) **General price level**

c) Individual price level d) None of the above

100. Under Current Purchasing Price (CPP) accounting all assets are revalued on the basis of the _______and as such value of individual assets is not taken into account.

a) Special Price index b) **General Price Index**

c) General Purchasing power d) None of the above

Level - K2

1. Define Accounting Standard.

Accounting Standards are the policy documents issued by the recognised expert accountancy body relating to various aspects of measurement, treatment and disclosure of accounting transactions and events.

2. Why is Accounting Standard important?

Accounting Standard is important to bring about uniformity in financial reporting and to ensure consistency and comparability in the data published by companies.

3. Amalgamation – Explain.

When two or more existing companies combine together to form a new company, it is amalgamation. All the combining companies are liquidated. A new company is floated to take over their business.

4. Point out the types of amalgamation.
   - Amalgamation in the nature of merger
   - Amalgamation in the nature of purchase

5. Define Purchase Consideration.

   Consideration for the amalgamation means the aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company.

6. Differentiate the Transferor Company and Transferee Company.

   Transferor Company means the company which is amalgamated into another company, while Transferee Company means the company into which a transferor company is amalgamated.

7. List out the various methods of calculating purchase consideration.
   - Lumpsum Method
   - Net Payment Method
   - Net Assets Method
   - Intrinsic Value Method

8. How will you calculate the purchase consideration under net assets method?

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

   Net assets = Agreed value of assets taken over – Agreed value of liabilities taken over.

9. Explain the term Absorption.

   When one existing company takes over the business of one or more existing companies, it is absorption. The companies whose business is taken over are liquidated. No new company is formed.

10. Write a note on External Reconstruction.

When an existing company is liquidated and a new company is formed with the same shareholders to take over its business, it is external reconstruction.

11. Give the meaning of cost of materials consumed.

It is the cost of materials and other material consumed in manufacturing the goods. It is, operating inventory of materials + purchases + carriage inwards + other expenses incurred on purchase of materials – closing inventory of materials.

12. Name any two items that appear under employees benefit expenses.

- ✓ Wages and salaries
- ✓ Bonus and gratuity paid

13. How will you deal with preliminary expenses in final accounts of companies?

These expenses are incurred at the time of formation of a company. In case, theses expenses are given in the balance sheet, they should be written off by showing them in the Notes of Accounts on Depreciation and Amortisation Expenses which appear in the Statement of Profit and Loss.

14. State any two items that appear under finance costs.

- ✓ Interest on Overdraft
- ✓ Interest on Term Loans

15. What do you understand by current liabilities?

Liabilities that are to be repaid within 12 months from the date of balance sheet are categorised as current liabilities. It includes short term borrowings, trade payables, other current liabilities and short term provisions.

16. Give some examples for intangible assets.

Goodwill

Copyrights

Patents

Trademarks

17. Define the term Dividend.

It is the distribution of divisible profits of the company among its shareholders. It is paid on the basis of number of shares held by them and the rights attached to the various classes of shares.

18. What is the maximum rate of managerial remuneration in case of a public limited company?

The total managerial remuneration payable by a public company or a private company which is subsidiary of a public company to its directors and its manager in respect of any financial year shall not exceed 11% of the net profits of that company.

19. List out the sources of dividend.

- Dividend out of current year or previous year or out of both
- Dividend out of Revenue reserves
- Dividend out of Capital profits
- Payment of interest out of Capital

20. Explain the term interim dividend.

The dividend declared by the Board of Directors before the preparation of financial statements is known as interim dividend.

21. Define Holding Company.

Sec 4 (4) of the Companies Act says "A company shall be deemed to be the holding company of another, if, but only if, that other is its subsidiary".

22. List the advantages of holding company.

- ✓ Holding company need not to be invest entire amount in the share capital in subsidiary company still enjoy controlling power in such company.
- ✓ Subsidiary company maintained their separate identity.
- ✓ It would be possible to carry forward losses for income tax purposes.

23. Give the meaning of Subsidiary Company.

A subsidiary company is one which is controlled by another company.

24. Tell about 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.

25. Distinguish between Capital Profit and Revenue Profit in the context of holding company accounts.

All the accumulated profits of the subsidiary company on the date of purchase of shares by the holding company are called capital profit, while profits earned by a subsidiary company after the date of acquisition of shares by the holding company are called revenue profits.

26. Specify the treatment for Revenue profit.

The revenue profits have to be divided in the ratio of shares held by the holding company and the minority in the subsidiary, generally known as holding minority ratio. The minority share is added in computing minority interest. The holding company’s share is added to the holding company’s profit and loss account in the consolidated balance sheet.

27. Write a note on Minority Interest.

Minority interest means the claim of outside shareholders in the subsidiary company. It has to be assessed and shown as liability in the consolidated balance sheet.

28. State the meaning of Consolidated Balance Sheet.

Consolidated balance sheet is the balance sheet of both holding company and its subsidiary or subsidiaries which is prepared in order to show the assets and liabilities in a consolidated form.

29. Describe about Provision for unrealised profit in stock.

The problem of unrealized profit arises in those cases where the holding and subsidiary companies have sold goods to each other at the profits and goods still remain unsold on the date of consolidated balance sheet to which the goods are sold. While preparing the consolidated balance sheet, unrealized profit has to be eliminated from the consolidated balance sheet.

30. Explain the term Pre-acquisition Profit.

Profits earned by subsidiary company on the date of acquisition of shares by the holding company are termed as pre-acquisition.

31. Define Banking.

According to Sec. 5 of the 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, and Order or otherwise.

32. Rebate on Bills Discounted- Explain.

Rebate on Bills Discounted is the unearned amount of discount received for those bills that will mature after the date of closing the final accounts.

33. State the Statutory Reserves requirement under banking companies.

According to section 17 of the banking Regulation Act, 1949, every banking company incorporated in India shall create a reserve and transfer to it at least 25% of its annual profit before any dividend is declared.

34. Describe the word Money at Call and Short Notice.

The deposits made by bank with other banks are withdrawal only after giving a notice is called money at call and short notice.

35. Write short note on Contingent liabilities in respect of Banking Company Final Accounts.

Contingent liabilities are not liabilities of a bank on the date of a balance sheet, but can become liabilities at a future date. The Contingent liabilities are shown under Schedule12 as a footnote to the balance sheet of a bank.

36. Classify the advances of a Bank.

- Standard Asset
- Sub-standard
- Doubtful Asset
- Loss Asset

37. What do you mean by Inter-office Adjustment?

Branch banking system involves transactions between the head office and its branches and also inter-branch transactions. While preparing final accounts, some branch transactions might go unrecorded in head office books due to non-receipt of advice. Such entries are recorded in the balance sheet under the sub-heading Branch Adjustment.

38. State the different items shown under "Other income" of Banking Company Final Accounts.
    - Commission, exchange and brokerage
    - Profit on sale of investments, Less: Loss on sale of investments
    - Profit on revaluation of investments. Less: Loss on revaluation of investments
    - Income earned by way of dividends
    - Miscellaneous income

39. Explain Non-Performing Assets.

    Non-performing Assets (NPA) means a credit facility in respect of which the interest and/or installments has remained past due for a specified period. Thus, a credit facility that ceases to generate income for the bank is termed as Non-performing Asset.

40. Give the meaning of Non-Banking Assets.

    The case in which the customer to whom a bank sanctioned loan against some security and if he fails to repay the same, the bank decides to acquire such property kept as security to satisfy its claim. Such property or assets termed as 'Non-Banking Assets'.

41. Clarify the word 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.

42. Who is insurer?

    Insurer is one party agrees to provide protection against loss or damage in the form of promise to pay for such loss to other party known as 'insured' in consideration for a fixed sum of money known as 'premium'.

43. What is meant by Annuity?

    The insurance company agrees to pay a fixed sum of money at regular intervals of time to the policy holder during a specified period in return for a lump sum paid in advance known as annuities.

44. Explain the meaning of Surrender Value.

It is the amount which is life insurance company agrees to pay when policy holder discontinue to pay further premium and surrender the policy.

45. Write a note on Re-insurance.

Re-insurance is the transfer of part of risk by the insurance company on another insurance company. When the insurance company finds it difficult to carry risk involves huge amount, it makes an arrangement for reinsurance by giving away a part of its business to another company (known as accepting company or re-insurance) and receives commission from accepting company.

46. Double Insurance – Elucidate.

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

47. Why is provision for unexpired risk created?

If the estimated cost of claims and expenses resulting from claims exceeds the unearned premium reserve, then an unexpired risk reserve should be created equal to this excess. This is essentially a provision for an expected loss.

48. Examine the term Claims.

Claims is the amount payable by an insurer against the policy either on maturity (known as claim by maturity) or on the death of the policy holder (known as claim by death).

49. Define inflation Accounting.

Inflation accounting is a system for accounting which purports to record, as a built-in mechanism, all economic events in terms of current cost.

50. Write the formula for determining conversion factor under CPP method.

$$\text{Conversion Factor} = \frac{\text{Index on the date of conversion}}{\text{Index on the date the item arose}}$$

Level - K3

1. Distinguish between Amalgamation, Absorption and External Reconstruction with suitable examples.
2. 'A' Ltd. and 'B' Ltd. whose businesses are of similar nature, decided to amalgamate and new company called 'C' Ltd. is formed to take over their assets and liabilities. The following are their Balance Sheets. Ascertain purchase price.

Balance Sheets as at 31.12.2018

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
	Rs.	Rs.		Rs.	Rs.
Share Capital: 7,500 shares of Rs.10 each	75,000	-	Goodwill	30,000	20,000
4,550 shares of Rs.10 each	-	45,500	Freehold Premises	10,000	-
Sundry creditors	3,300	2,000	Plant & Machinery	18,300	13,450
Reserves	4,200	-	Stock	16,000	11,550
Profit & Loss A/c	800	4,500	Sundry debtors	7,500	6,000
			Cash	1,500	1,000
	83,300	**52,000**		**83,300**	**52,000**

3. S Ltd. was takeover by R Ltd. the following position was mutually agreed upon:

	S Ltd.	R Ltd.
No. of Shares	60,000	90,000
Face value of Shares	100	10
Net assets	3,60,00,000	72,00,000

Ascertain intrinsic values of the shares, ratio of exchange of shares and No. of shares to be issued.

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

   Calculate the purchase consideration.

5. Following is the balance sheet of Samy Ltd., as on 31.3.2018

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 valued at 10% above book value, the investments at par, current assets at 10% discount and current liabilities at book value.

6. How will you deal with provision for tax in final accounts of companies?
7. Give the format of statement of profit and loss account as per Revised Schedule VI.
8. From the following balances, prepare the balance sheet of a company in the prescribed format. Goodwill Rs.1,50,000; Investments Rs.2,00,000; Share capital Rs.5,00,000; Reserves Rs.1,10,000; Securities Premium Rs.15,000; Preliminary Expenses Rs.10,000; Profit & Loss A\C(Cr) Rs.25,000; Debentures Rs.2,50,000; Other fixed assets Rs.4,70,000; Stock Rs.80,000; Debtors Rs.60,000; Bank balance Rs.30,000; Unsecured Loan Rs.65,000; Sundry Creditors Rs.35,000.
9. The following ledger balances were extracted from the books of Varun Ltd. as on 31.3.2018:

   Land & Building Rs.2,00,000; 12% Debentures Rs.2,00,000; Share Capital Rs.10,00,000 (Equity shares of Rs.10 each fully paid); Plant & Machinery Rs.8,00,000; Goodwill Rs.2,00,000; Investments in shares of Raja Ltd. Rs.2,00,000; General reserve Rs.1,95,000; Stock in trade Rs.1,00,000; Bills receivable Rs.50,000; Debtors Rs.1,50,000; Creditors Rs.1,00,000; Bank loan (Unsecured) Rs.1,00,000; Provision for tax Rs.50,000; Proposed Dividend Rs.55,000.

   Prepare balance Sheet of the company as per Revised Schedule VI, Part I of the Companies Act.

10. Describe the points to be followed for the preparation of Consolidated Balance sheet of a holding company and its subsidiaries.
11. A Ltd acquires all the shares of B Ltd, on 31-3-2018. On which date the balance sheet of the two companies are as follows:-

Liabilities	A Ltd (Rs.)	B Ltd (Rs.)	Assets	A Ltd (Rs.)	B Ltd (Rs.)
Share Capital:- Share of Rs.10 each fully paid	2,50,000	1,00,000	Sundry assets	2,35,000	1,30,000
Reserves	50,000	-	100% Shares in B Ltd	1,05,000	-
Creditors	40,000	30,000			
	3,40,000	**1,30,000**		**3,40,000**	**1,30,000**

Prepare a consolidated balance sheet as on 31-12-2018.

12. A Ltd acquires all the shares of B Ltd, on 31-3-2018. On which date the balance sheet of two companies where as under:-

	H Ltd (Rs.)	S Ltd (Rs.)
Liabilities		
Share capital:- Shares of Rs.10 each	5,00,000	2,00,000
Reserves	1,00,000	-
Creditors	80,000	60,000
	6,80,000	**2,60,000**
Assets		
Sundry assets	4,70,000	2,60,000
100% shares in B Ltd at cost	2,10,000	-
	6,80,000	**2,60,000**

Prepare a consolidated balance sheet as on 31-12-2018.

13. From the balance sheet given below prepare a consolidate balance sheet as on 30th June, 2018.

	H Ltd (Rs.)	S Ltd (Rs.)		H Ltd (Rs.)	S Ltd (Rs.)
Liabilities:-			**Assets:-**		

Share capital Share of Rs.10 each	20,00,000	10,00,000	Land and Building	20,00,000	7,00,000
Creditors	7,50,000	50,000	Debtors	5,00,000	5,00,000
Bills payable	7,50,000	1,50,000	Investment in 1,00,000 shares of Rs.10 each in S Ltd.	10,00,000	-
	35,00,000	**12,00,000**		**35,00,000**	**12,00,000**

14. S Ltd has a capital of Rs.2,00,000 in shares of Rs.100 each, out of which H Ltd purchased 75% of the shares at Rs.2,40,000. The profit of S Ltd at the time of purchase of shares by H Ltd where Rs.1,10,000. S Ltd decided to make a bonus issue out of pre-acquisition profit of one share for every five shares held.

    Calculate cost of control

    a) Before the issue of bonus shares

    b) After the issue of bonus shares

15. S Ltd has a capital of Rs.3,00,000 in shares of Rs.10 each, out of which H Ltd purchased 80% at Rs.3,80,000. The profit of S Ltd at the time of purchase of shares by H Ltd were Rs.1,20,000. S Ltd decided to make bonus issue out of pre-acquisition profit of one share of Rs.10 each fully paid for every 3 shares held.

    Calculate cost of control for H Ltd, before the issue of bonus shares and after the issue of bonus shares.

16. On 31st march, 2018 a bank held the following bills, discounted by it earlier:

Date of Bill	Term in months	Discounted @ % p.a.	Bill Amount (Rs.)
January-17	4	17	7,30,000
February-7	3	18	14,60,000
March-9	3	17.5	3,64,000

    You are required to calculate the rebate on bills discounted. Also show the necessary journal entry for the rebate.

17. The following is an extract from the trial balance of a bank as at 31st March, 2018:

    Particular Rs. Rs.

Bills discounted 51,50,000

Rebate on bills discounted not yet due, April 1, 2017 30,501

Discount received 1,45,500

An analysis of the bills discounted as shown above shows the following:

Date of Bill	Amount (Rs.)	Term in Months	Discounted @ % p.a.
January 13	7,50,000	4	12
February 17	6,00,000	3	10
March 6	4,00,000	4	11
March 16	2,00,000	2	10

Find out the amount of discount received to be credited to Profit & Loss Account and pass appropriate journal entries for the same. How the relevant items will appear in the Bank's balance sheet?

18. Explain in detail the legal provisions relating to the final accounts of Banking Company.

19. On 31st March 2019, Bharat commercial bank ltd., finds its advances classified as follows:

Assetss	Rs.
Standard assets	14,91,300
Sub-standard assets	92,800
Doubtful assets (secured)	
: doubtful for one year	25,660
: doubtful for one to 3 years	15,640
: doubtful for more than 3years	5,580
Loss assets	10,350

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

20. For the following advance made by Lucky Bank Ltd., you are required to compute the amount of provision to be shown in profit and loss of account.

Assets	Rs. In Lakhs
Standard assets	8,000
Sub-standard assets	650
Doubtful assets (more than 3 years)	100
Loss assets	250

21. While closing its books of accounts, a commercial bank has its advances classified as follows.

Assets	Rs. In Lakhs
Standard assets	16,000
Sub-standard assets	1,300
Doubtful assets :	
Upto one year	700
1 - to 3 years	400
More than 3years	200
Loss assets	500

You are required to calculate the amount of provisions to be made by the bank, assuming that all the doubtful assets are secured.

22. A Life Assurance Company prepared its Revenue a/c for the year ended 31-3-2018 and ascertained its Life Assurance fund to be Rs.28, 35,000. It was found later that the following has been omitted from the accounts:
    a) Interest accrued on investment Rs.39,000;
       Income tax liable to be deducted thereon is estimated to be Rs.10,500.
    b) Outstanding premiums Rs.32,800.
    c) Bonus utilized for reduction of premium Rs.6,750.
    d) Claims intimated but not admitted Rs. 17,400.
    e) Claims covered under reinsurance Rs.6,500.
       What is the true Life Assurance fund?
23. The life fund of Life Insurance Company on 31-3-2018 showed a balance of Rs.54,00,000. However, the following items were not taken into account while preparing the revenue account for 2017-2018:
    a) Interest and dividends accrued on investments Rs.20,000
    b) Income tax deducted at source on the above Rs.6,000
    c) Re-insurance claims recoverable Rs.7,000
    d) Commission due on reinsurance premium paid Rs.10,000
    e) Bonus in reduction of premiums Rs.3,000
24. The revenue account of a Life Insurance Company showed the life fund at Rs.73,17,000 on 31.3.2018 before taking into account the following items:

a) Claims intimated but not admitted Rs.98,250
b) Bonus utilized in reduction of premium Rs.13,500
c) Interest accrued on investments Rs.29,750
d) Outstanding premiums Rs.27,000
e) Claims covered under re-insurance Rs.40,500
f) Provision for taxation Rs.31,500

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

25. 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 31-3-2010.

Intimated in	**Admitted in**	**Paid in**	**Rs.**
2008-09	2008-09	2009-10	45,000
2009-10	2009-10	2010-11	30,000
2007-08	2008-09	2008-09	15,000
2007-08	2008-09	2009-10	36,000
2009-10	2010-11	2010-11	24,000
2009-10	2009-10	2009-10	3,06,000

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

26. Prepare, in the proper statutory form, the revenue a/c of Jai Hind Life Assurance Co. Ltd., for the year ended 31st March 2018 form the following figures.

	Rs.(in'000)		**Rs.(in'000)**
Claims by death	76,140	Expenses of management	31,920
Claims by maturity	30,110	Commission	9,574
Premiums	7,05,690	Interest, dividend and rent	97,840
Transfer fees	129	Income tax thereon	35,710
Consideration for annuities granted	82,127	Surrenders	13,140
Annuities paid	53,461	Bonus in reduction of premium	980
Bonus paid in cash	2,416	Dividend paid to shareholders	5,500
		Life assurance fund	15,21,000

		(1.4.2011)	

27. Discuss the limitations of historical accounts.

Level - K4

1. To whom does 'AS-3' cash flow statement apply?
2. On 31st March, 2018, the balance sheet of X Ltd., stood as follows:

Liabilities	Rs.	Assets	Rs.
Share Capital: 1,50,000 equity shares of Rs.10 fully paid	15,00,000	Plant & Machinery	16,10,000
Share Premium	1,50,000	Furniture & Fixtures	1,94,400
General Reserve	6,25,500	Stock	7,05,500
Profit & Loss A/c	1,85,300	Debtors	1,98,440
Creditors	3,60,740	Cash at Bank	1,13,200
	28,21,540		**28,21,540**

On this date, X Ltd., took over the business of Y Ltd., for Rs.6,60,000 payable in the form of its fully paid equity shares of Rs.10 each at par, shareholders of Y Ltd., getting 110 shares of X Ltd., for every 100 shares held in Y Ltd. The scheme of amalgamation also provided that 3,000 11% debentures of Y Ltd., would be converted into equal number of 12% debentures of X Ltd., of Rs.100 each. The balance sheet of Y Ltd., on the date of amalgamation was as follows:

Liabilities	Rs.	Assets	Rs.
Share Capital: 60,000 equity shares of Rs.10 each fully paid	6,00,000	Machinery	5,50,000
Capital Reserve	13,000	Furniture	1,35,200
Foreign Project Reserve	9,700	Stock	3,15,800
General Reserve	75,350	Debtors	1,29,300
Profit & Loss A/c	24,130	Cash at Bank	74,360
3,000 11% Debentures of Rs.10 each	3,00,000		
Creditors	1,82,480		
	12,04,660		**12,04,660**

You are required to

i) Pass journal entries in the books of X Ltd., assuming that the amalgamation is in the nature of merger; and

ii) Prepare realisation account and equity shareholders A/c in Y Ltd.'s ledger.

3. The following is the Balance Sheet of X Ltd. as on 31.3.2018.

Liabilities	Rs.	Assets	Rs.
Share Capital: 2,00,000 shares of Rs.10 each	20,00,000	Land & Buildings	10,00,000
General Reserve	2,50,000	Plant & Machinery	15,00,000
Dividend equalisation reserve	2,00,000	Furniture	25,000
Profit & Loss A/c	51,000	Stock	6,00,000
12% Debentures	10,00,000	Work-in-progress	3,00,000
Sundry creditors	3,00,000	Sundry debtors	2,50,000
		Cash at Bank	1,26,000
	38,01,000		**38,01,000**

The company was 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 sundry creditors and a payment of Rs.7 in cash and one share of Rs.5 in A Ltd. at a market value of Rs.8 per share for every share in X Ltd. The cost of liquidation of Rs.15,000 is to be met by the purchasing company.

Close the books of X Ltd., and pass journal entries in the books of A Ltd.

4. Alpha Ltd., and Beta Ltd., were amalgamated on 1st April 2018. A new company Gamma Ltd., was formed to take over the business of the existing companies. The Balance sheets of Alpha Ltd., and Beta Ltd., as on 31st March 2018 are given below:

Liabilities	Alpha Ltd (Rs.)	Beta Ltd (Rs.)	Assets	Alpha Ltd (Rs.)	Beta Ltd (Rs.)
Share Capital:Equity shares of Rs.100 each		800	Fixed Assets	1,200	1,000
15% Pref. Shares of Rs.100 each	400	300	Current Assets, Loans and Advances	880	565

Reserves and Surplus: Revaluation Reserve	100				
General Reserve	200	150			
P & L a/c	80	60			
Secured Loan: 12% Debentures of Rs. 100 each	96	80			
Current liabilities & Provisions	204	95			
	2,080	**1,565**		**2,080**	**1,565**

a) 12% Debentures of Alpha Ltd., and Beta Ltd are discharged by Gamma Ltd., by issuing adequate number of 16% debentures of Rs.100 each to ensure that they continue to receive the same amount of interest.

b) Preference shareholders of Alpha Ltd., and Beta Ltd., have received same number of 15% Preference shares of Rs.100 each of Gamma Ltd.,

c) Gamma Ltd., has issued 1.5 equity shares for each equity share of Alpha Ltd., and 1 equity share for each equity share of Beta Ltd., The face value of shares issued by Gamma Ltd., is Rs.100 each.

Prepare the Balance Sheet of Gamma Ltd as on 1st April 2018 after the algamation has been carried out using the Pooling of Interest Method.

5. Moon and Star Co. Ltd. is a company with an authorised capital of Rs.5,00,000 dividend into 5,000 equity shares of Rs.100 each on 31.12.2017 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.2017.

Trial balance of Moon &S tar Co. Ltd.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit& Loss a/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.18)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing director	15,700
Rent	6,000	Share capital	2,50,000
General expenses	8,950		
Printing	2,400		

Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		**6,60,270**

You are required prepare statement of profit & loss for the year ended 31.12.2017 and a balance sheet as on that date. The following further information is given:

a) Closing stock was valued at Rs.1,91,500.

b) Depreciation on plant at 15% and on furniture at 10% should be provided.

c) A tax provision of Rs.8000 is considered necessary.

d) The directors declared interim dividend on 15.8.17 for 6 months ending June 30,2017 @ 6%.

e) Provide for corporate dividend tax @ 17%.

6. A Ltd. was registered with an authorised capital of Rs.6,00,000 in equity shares of Rs.10 each. The following is its trial balances on 31st March 2018.

Trial Balance of 'A' Ltd.

	Debit Balance	**Credit Balance**
	Rs.	**Rs.**
Goodwill	25,000	-
Cash	750	-
Bank	39,900	-
Purchases	1,85,000	-
Preliminary expenses	5,000	-
Share capital	-	4,00,000
12% debentures	-	3,00,000
P&L A/c(Cr)	-	26,250
Calls-in-arrears	7,500	-
Premises	3,00,000	-
Plant & machinery	3,30,000	-
Interim dividend	39,250	-
Sales	-	4,15,000
Stock(1.4.17)	75,000	-
Furniture & fixtures	7,200	-

Sundry debtors	87,000	-
Wages	84,865	-
General expenses	6,835	-
Freight and carriage	13,115	-
Salaries	14,500	-
Directors' fees	5,725	-
Bad debts	2,110	-
Debenture interest paid	18,000	-
Bills payable	-	37,000
Sundry creditors	-	40,000
General reserve	-	25,000
Provision for bad debts	-	3,500
Total	**12,46,750**	**12,46,750**

Prepare statement of P &L and Balance sheet in proper form after making the following adjustments:

(a) Depreciate plant & machinery by 15%.
(b) Write off preliminary expenses.
(c) Provide for 6 months interest on debentures.
(d) Leave bad and doubtful debts provision at 5% on sundry debtors.
(e) Provide for income tax at 50%.
(f) Stock on 31.3.18 was Rs.95,000.
(g) Provide for corporate dividend tax @17%.

7. The Auto parts manufacturing Co. Ltd., was registered with an authorised capital of Rs.7,50,000 dividend into 3,000 6% cumulative preference shares of Rs.100 each and 4,500 equity shares of Rs.100 each. The following are the balances taken as on 31.12.2018.

	Rs.		**Rs.**
Stock on 1.1.2018	2,41,500	Share capital: 3,000 6% cumulative preference shares of Rs.100 each	3,00,000
Delivery expenses	1,02,000	3,000 equity shares (Rs.75 called up)	2,25,000
General expenses	21,000	General reserve	82,725
Bills receivable	6,000	P& La/c (Cr)	58,500
Investments: 6,000 shares of Rs.10 each in Sunrise Co. Ltd.	60,000	Sales	9,18,600

Preference dividend half year 30.6.2018	9,000	5% debentures	2,10,000
Bank balance	97,500	Trade creditors	1,25,520
Goodwill	1,00,000	Provision for taxation	8,800
Trade debtors	1,67,500		
Freehold properties at cost	3,90,000		
Salaries	1,03,500		
Rent&Rates	38,250		
Furniture at cost	75,000		
Purchases	4,76,500		
Freight&carriage inwards	3,750		
Debenture interest(half year)	5250		
Final dividend for 2017	20,250		
Cash in hand	12,145		
	19,29,145		**19,29,145**

Prepare statement of P&L for the year ended 31.12.2018 and balance sheet at the date after taking the following into account:

(a) Closing stock Rs.2,15,000.

(b) Depreciation: 2 $^{1}/_{2}$% on freehold property and 6% furniture.

(c) Bills receivable for Rs.2,500 maturing after 31.12.2018 has been discounted with bank.

(d) Directors proposed to pay second half year's dividend on pref. shares.

(e) 10% dividend on equity shares is proposed.

(f) Provide 5% towards reserve for doubtful debts on trade debtors.

(g) Provide for corporate dividend tax.

8. The Silver Ore Co. Ltd. was formed on 1.4.2017 with an authorised capital of Rs.6,00,000 in shares of Rs.10 each of these 52,000 shares had been issued and subscribed but there were calls in arrears on 100 shares. From the following trial balance as on March 31, 2018, prepare statement of P&L and the balance sheet.

	Rs.		**Rs.**
Cash at bank	1,05,500	Share capital	5,19,750
Plant	40,000	Sale of silver	1,79,500

Mines	2,20,000	Interest on F.D up to Dec.31	3,900
Promotion expenses	6,000	Dividend on investment	3,200
Advertising	5,000		
Cartage on plant	1,800		
Furniture & Buildings	20,900		
Administrative expenses	28,000		
Repairs to plant	900		
Coal and oil	6,500		
Royalties paid	10,000		
Railway track & wagons	17,000		
Wages of miners	74,220		
Cash	530		
Investment- shares of tin mines	80,000		
Brokerage on above	1,000		
6% F.D. in Syndicate Bank	89,000		
	7,06,350		**7,06,350**

Adjustments:

(a) Depreciate Plant and Railways by 10%; Furniture & Building by 5%.

(b) Write off a third of the promotion expenses.

(c) Value of Silver Ore on March 31, 2018 Rs.15,000.

(d) The directors forfeited on Dec.20, 2017, 100 shares on which only Rs.7.50 had been paid.

9. "Consolidated final Accounts are useful but not Statutory" - Elucidate.

10. Balance sheet as on 31st March, 2018 are as follows:-

	H Ltd (Rs.)	S Ltd (Rs.)
Liabilities:-		
Share capital @ Re.1 fully paid	12,000	5,000
Reserves	5,000	1,000
Profit & Loss account	2,000	1,000
Sundry liabilities	7,500	1,000
	26,500	**8,000**
Assets:-		

Sundry assets	20,000	8,000
Investment: 5,000 shares in S Ltd	6,500	-
	26,500	**8,000**

Shares were acquired by H Ltd on 30th September, 2017. S Ltd transfer Rs.500 profit to reserve on 31st March, 2018. Prepare consolidated balance sheet.

11. From the following balance sheets given below prepare a consolidated balance sheet of A Ltd, and its subsidiary company B Ltd.

	A Ltd (Rs.)	B Ltd (Rs.)
Liabilities:-		
Share capital: Shares of Rs.10 each	25,00,000	6,00,000
General reserve	3,60,000	1,20,000
Profit and loss account	2,40,000	1,80,000
Trade creditors	3,50,000	1,00,000
	34,50,000	**10,00,000**
Assets:-		
Land and building	6,40,000	2,00,000
Furniture	12,60,000	3,40,000
Machinery	1,40,000	60,000
40,000 shares in B Ltd.	5,00,000	-
Stock in hand	4,10,000	2,50,000
Debtors	3,80,000	1,00,000
Bank balances	1,20,000	50,000
	34,50,000	**10,00,000**

As the date of acquisition of A Ltd of its holding of 40,000 shares in B Ltd, later the company had undistributed profit and reserves amounting to Rs.1,00,000, none of which had been distributed since then.

12. H Ltd acquainted 8,000 equity shares of S Ltd on1-4-2018. The following are the balance sheets of two companies as at 31-3-2019.

	H Ltd (Rs.)	S Ltd (Rs.)
Liabilities:-		
Equity shares of Rs.100 each	20,00,000	10,00,000
General Reserve (1-4-2018)	4,00,000	2,00,000
Profit and loss account (1-4-2018)	1,00,000	60,000

Profit for the year (2018 to 2019)	2,00,000	80,000
Sundry creditors	1,00,000	1,00,000
Bills payable	30,000	10,000
	28,30,000	**14,50,000**
Assets:-		
Land and building	5,00,000	3,00,000
Plant and Machinery	5,00,000	6,00,000
Stock	1,50,000	1,00,000
Sundry debtors	1,00,000	1,20,000
Investment in shares of S Ltd at cost	10,00,000	-
Bills receivable	80,000	10,000
Cash in balances	5,00,000	3,20,000
	28,30,000	**14,50,000**

Additional Informations:

1. Bills receivable of H Ltd include Rs.10,000 accepted by S Ltd.
2. Sundry debtors of H Ltd include Rs.50,000 due from S Ltd.
3. Stock of S Ltd includes goods purchased from H Ltd for Rs.60,000 which were invoiced by H Ltd at a profit of 25% on cost. Prepare consolidated balance sheet.

13. The balance sheets of H Ltd and S Ltd on 31-3-2018 are given below.

Liabilities	**H Ltd (Rs.)**	**S Ltd (Rs.)**	**Assets**	**H Ltd (Rs.)**	**S Ltd (Rs.)**
Share capital: Equity shares of Rs.100 each	10,00,000	4,00,000	Land & Building	3,10,000	1,60,000
10% Preference shares	-	1,00,000	Machinery : less 10% depreciation	2,70,000	1,35,000
General reserve	1,00,000	50,000	3,000 shares in S Ltd	4,50,000	-
Profit and loss a/c on 1.4.2017			Stock	2,20,000	1,50,000
Profit for year 2017-18	40,000	30,000	Debtors	1,55,000	90,000

Creditors	2,00,000	80,000	Cash	85,000	1,95,000
	14,90,000	**7,30,000**		**14,90,000**	**7,30,000**

H Ltd acquired 3,000 equity shares in S Ltd on 1st October, 2017. As on the date of acquisition, H Ltd found that the value of land and building and machinery of S Ltd should be Rs.1,50,000 and Rs.1,92,500 respectively. Prepare the consolidated balance sheet of H Ltd and its subsidiary S Ltd as on 31-03-2018 taking into consideration the facts that assets are to be taken at their proper values.

14. Draft Balance Sheet of Banking Company in prescribed form as per Schedule III of Banking Companies Act and explain the schedules.

15. From the following particulars, prepare a Profit & Loss account of New bank Ltd., for the year ended 31-12-2018.

	Rs. (in'000)		**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	Directors & Auditor's fees	4
Establishment expenses	56	Interest on savings bank accounts	70
Discount on bills discounted	200	Sundry charges	2
Interest on current accounts	45	Postage and telegrams	2
Printing and advertisements	3		

16. From the following information, prepare profit & loss account of Swedish bank ltd, for the year ended 31stDecember 2018.

	Rs. (in'000)		**Rs. (in'000)**
Interest on fixed deposits	430	Transfer fees	2

Interest on loans	650	Provident fund contribution	12
Discount on bills discounted	415	Local committee fees and allowances	10
Interest on overdrafts	210	Audit fees	12
Interest on cash credits	410	Printing & stationery	4
Interest on savings bank deposits	125	Loss on sale of government securities	5
Salaries and allowances	140	Loss on sale of furniture	2
Rent, taxes, insurance and lighting	40	Postage and telegrams	2
Locker rent	5	Depreciation	10
Repairs to bank property	2	Advertisement	4
Commission, exchange and brokerage	24	Legal charges	3
Director's fees and allowances	25		

Additional information:

1. Rebate on bills discounted on 31st December 2017 Rs.19,000
2. Rebate on bills discounted on 31st December 2018 Rs. 26,000
3. Bad debts to be written off Rs.40,000
4. Provide for taxation Rs.50,000

17. From the following particulars of XY Bank Ltd., prepare a balance sheet as on 31-3-2018 in the revised format.

	Rs. (in'000)		**Rs. (in'000)**
Authorised capital	4,000	Telegraphic transfers payable	800
Subscribed capital	2,000	Bank drafts payable	1,200
Investments	7,000	Short loans	40
Bills discounted	15,000	Rebate on bills discounted	10
Profit and Loss A/c(Cr)	850	Acceptances for customers	5,000
Endorsement on bills for collection	100	Loans and advances	10,000

Liability of customers for acceptances	5,000	Cash credit	10,000
Money at call and short notice	9,000	Overdraft	1,000
Cash in hand	2,000	Bills purchased	1,000
Cash with RBI	4,000	Current and deposit accounts	56,000
Statutory reserve	3,000	Investment fluctuation fund	100
Cash with State Bank of India	4,000	Bills for collection	100
Letters of credit issued	500	Buildings	1,000

18. From the following, you are required to prepare profit & loss account and balance sheet of madras bank Ltd., as on 31-12-2018 according to baking regulation Act 1949.

	Rs.(in'000)	**Rs.(in'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	-	2,500
Cash at bank	950	-
Borrowings from SBI	-	500
Investments in Government 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 staff	150	-
Interest paid on borrowings	50	-
Audit fees	10	-

Directors' fees	8	-
Non-banking assets	80	-
Deprecation on bank's property	13	-
Printing	3	-
Advertisement	1	-
Stationery	5	-
Postage and telegrams	2	-
Other expenses	3	-
	6,630	**6,630**

Adjustments:

1. Provide Rs.20,000 for doubtful debts.
2. Provide Rs.10,000 on bills discounted but not matured on 31-12-2018.
3. Acceptances and endorsements on behalf of customers amounting to Rs.4,00,000.
4. Provide Rs.60,000 for taxes.

19. The following balances are abstracted from the books New Bharat Life Insurance Company Ltd., as on 31.3.2018.

	Rs.(in'000)		**Rs.(in'000)**
Life assurance fund (1.4.2017)	15,00,000	Claims paid during the year	64,900
Premiums	4,96,000	Annuities	2,050
Consideration for annuities granted	15,000	Bonus in reduction of premiums	1,600
Interest and dividends	1,00,000	Medical fees	2,400
Fines for revival of policies	750	Surrenders	4,000
Reinsurance premium	20,750	Commission	18,650
Claims outstanding (1.4.2017)	4,500	Management expenses	22,000
		Income tax on dividends	8,500

Prepare revenue account after making the following adjustments:

i) Outstanding balances: Rs.('000)

Claims 14,000

Premium 4,600

ii) Further bonus for premium 2,400

iii) Claims under reinsurance 8,000

20. From the following balances extracted from the books of the LIC as at 31-3-2018, prepare a revenue account for the year ending 31.3.2018 in the prescribed form:

	Rs.(in‘000)		**Rs.(in‘000)**
Claims by death	3,30,000	Life Assurance fund(1.4.17)	63,31,000
Claims by maturity	2,15,000	Premiums	20,65,000
Agents & canvasser’s allowance	26,500	Bonus in reduction of premiums	1,000
Salaries	44,200	Income tax on interest & dividends	5,700
Traveling expenses	1,200	Printing and stationery	13,900
Director’s fees	8,700	Postage and telegrams	14,300
Auditor’s fees	1,000	Receipt stamps	2,300
Medical fees	52,000	Re-insurance premiums	40,950
Commission	2,18,000	Interest and dividend (Gross)	2,72,000
Rent	2,800	Policy renewal fees	9,600
Law charges	200	Assignment fees	540
Advertising	4,300	Endowment fees	690
Bank charges	1,500	Transfer fees	1,400
General charges	2,000	Surrenders	47,500

Provide Rs.1,500 thousands for depreciation of furniture and Rs.2,20,000 thousands for depreciation on investments.

21. Prepare from the following a life insurance revenue account and balance sheet as on 31.3.2018.

	Rs.(in’000)		**Rs.(in‘000)**
Claims by death	16,890	Outstanding interest on advances (31.3.2018)	1,944
Agent’s salaries & allowances	6,420	Bonus paid with claims	2,700
Surrender values paid	2,810	Endowment assurances matured	24,415

Actuarial expenses	1,520	Annuities paid	1,350
Premiums	94,836	Rent, Rates & Taxes	5,475
Commission to agents	8,900	Interest revenue	19,060
Salaries	13,500	General charges	1,860
Medical fees	1,200	Fees received	172
Traveling expenses	1,800	Bonus paid in cash	2,825
Director's fees	900	Advertisement	726
Agents balances	750	Consideration for annuities granted	12,853
Claim expenses	1,432	Printing and Stationery	650
Premium outstanding (1.4.2017)	2,134	Claims O/S (1.4.2017)	2,376
Premium outstanding (31.3.2018)	3,143	Claims O/S(31.3.2018)	3,735
Investments	1,46,700	Loans on policies	38,300
Share capital	2,00,000	Loans on mortgages	2,90,560
Sundry creditors	9,200	Freehold premises	1,22,600
Life assurance fund (1.4.2017)	3,53,672	Furniture and fittings	64,100
Reserve fund	1,46,000	Cash on hand and deposits	76,300

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

	Direct business	**Re-insurance**
	Rs.(in'000)	**Rs.(in'000)**
Claims paid during 2017-18	4,670	700
Claims payable- 1-4-2017	763	87
31-3-2018	812	53
Claims received	-	230
Claims receivable- 1-4-2017	-	65

31-3-2018	-	113
Expenses of management (Includes Rs.35 thousands surveyor's fees and Rs.45 thousands legal expenses for settlement of claims)	230	-

23. From the following particulars relating to Z insurance company Ltd., prepare fire revenue account for the year ending 31.3.2018:

	Rs.(in'000)
Claims paid	4,80,000
Claims outstanding on 1-4-2017	40,000
Claims intimated but not accepted and paid on 31.3.2018	10,000
Claim intimated and accepted but not paid on 31.3.2018	60,000
Commission on reinsurance accepted	5,000
Expenses of management	3,05,000
Bonus in reduction of premium	12,000
Premium received	12,00,000
Reinsurance premium paid	1,20,000
Commission	2,00,000
Commission on reinsurance ceded	10,000
Provision for unexpired risk on 1.4.2017	4,00,000
Additional provision for unexpired risk on 1.4.2017	20,000

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

24. From the following balances of United General Insurance Co. Ltd. as on 31.3.2018 prepare:
a) Fire revenue account b) Marine revenue account c) Profit & Loss account

	Rs.('000)		**Rs.('000)**
Provision for unexpired risk on 1-4-2017:		Interest, dividends etc.,	28
Fire	500	Difference in exchange (Cr)	0.6

Marine	1,640	Miscellaneous receipts	10
Additional reserve on 1-4-2017:		Profit on sale of land	120
Fire	100	Premium received:	
Bad debts:		Fire	1,200
Fire	10	Marine	2,160
Marine	24	Expenses of management:	
Auditor's fees	2.4	Fire	290
Director's fees	10	Marine	800
Share transfer fees	1.6	Commission earned on reinsurance ceded:	
Bad debts recovered	2.4	Fire	60
Claims paid & outstanding:		Marine	120
Fire	380		
Marine	760		
Commission paid :			
Fire	180		
Marine	216		
Depreciation	70		

Provision for unexpired risk is to be kept @50% of the premium for fire and @100% for marine department, additional reserve in case of fire insurance is to be increased by 5% of the net premium.

25. Describe different methods of inflation accounting.

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