



PRESIDENCY UNIVERSITY  
BENGALURU

SCHOOL OF LAW

MID TERM EXAMINATION

Even Semester: 2018-19

Course Code: BCL 105

Course Name: Advanced Accounting

Programme & Sem: B.Com.,LLB.(Hons.) & IV Sem

Date: 29 March 2019

Time: 2 Hours

Max Marks: 60

Weightage: 30%

**Instructions:**

(i) Give working notes wherever necessary.

**Part A**

Answer **all** the Questions. **Each** question carries **five** marks. (4Qx5M=20)

1. Define Purchase Consideration. Mention types of Purchase Consideration.
2. What is reconstruction of business? Mention its types.
3. What is amalgamation of accounting? Types of amalgamation.
4. Mention the schedules of 13 to 16 in banking companies' accounts.

**Part B**

Answer **all** the Questions. **Each** question carries **eight** marks. (3Qx8M=24)

5. The following is the balance sheet of R Ltd. as on 31.3.2018

Liabilities	Amount	Assets	Amount
14,000 equity shares of Rs. 100 each fully paid	14,00,000	Sundry assets	18,00,000
General Reserve	10,000	Discount on issue of debentures	10,000
10% debentures	2,00,000	Preliminary expenses	30,000
Sundry creditors	2,00,000	P & L a/c	60,000
Bank overdraft	50,000		
Bills payable	40,000		
	19,00,000		19,00,000

A Ltd. agreed to take over the business of R Ltd. calculate purchase consideration under net assets method on the basis of the following:

The market value of 75% of the sundry assets is estimated to be 12% more than the book value and that of the remaining 25% at 8% less than the book value. The liabilities are taken over at book values. There is an unrecorded liability of Rs. 25,000.

6. B Ltd. takes over the business of A Ltd. at the following values:

Fixed assets Rs. 3,00,000

Current assets Rs. 1,00,000

Debentures Rs. 50,000

Current liabilities Rs. 1,00,000

Calculate the amount of purchase consideration.

7. Explain the schedules from 1 to 12 of banking company's regulation act, 1949.

### Part C

Answer the Question. **Each** question carries **sixteen** marks.

(1Qx16M=16)

8. The balance sheet of a company as on 31<sup>st</sup> March, 2018 was as under:  
Balance sheet as on 31.03.2018

Liabilities	Amount	Assets	Amount
30,000 equity shares of Rs. 10 each	3,00,000	Goodwill	50,000
8% cumulative preference shares of Rs. 100 each	2,00,000	Plant	3,00,000
Securities premium	90,000	Loose tools	10,000
Unsecured loans (from directors)	50,000	Debtors	2,50,000
Sundry creditors	3,00,000	Stock	1,50,000
Outstanding expenses (including directors' remuneration of Rs. 20,000)	70,000	Cash	10,000
		Bank	35,000
		Preliminary expenses	5,000
		Profit and loss account	2,00,000
	10,10,000		10,10,000

The following scheme of reconstruction has been agreed upon and approved by the court.

- (i) Equity shares to be converted into share of Rs. 2 each and equity shareholders agreed to surrender 90% of their holdings.
  - (ii) Preference shareholders agreed to forego arrears of preference dividend for three years in lieu thereof the rate of dividend to be increased to 9%.
  - (iii) Directors agreed to forego their loan and remuneration.
  - (iv) Creditors agreed to reduce their claims by 1/5<sup>th</sup> in consideration of their getting new shares worth Rs. 35,000.
  - (v) Assets are valued as under: Plant Rs. 2,60,000; Loose tools Rs. 2,000; Debtors Rs. 2,35,000; and Stock Rs. 1,30,000.
  - (vi) Reconstruction expenses amount to Rs. 10,000.
  - (vii) To provide working capital, existing shareholders subscribed for 50,000 equity shares of Rs. 2 each.
- Pass necessary journal entries.



- vii. Under pooling of interest method the difference between the purchase consideration and share capital of the transferee company should be adjusted to:
- a. General reserve  
b. Amalgamation adjustment account
- c. Goodwill or capital reserve  
d. None of the above
- viii. Under purchase method the difference between the purchase consideration and share capital of the transferee company should be adjusted to:
- a. General reserve  
b. Amalgamation adjustment account
- c. Goodwill or capital reserve  
d. None of the above
- ix. For amalgamation in the nature of merger, the shareholders holding at least \_\_\_\_\_ or more of the equity shares of the transferor company becomes the equity shareholders of the transferee company.
- a. 51%  
b. 90%
- c. 99%  
d. 100%
- x. AS – 14 is not applicable if when transferee company acquires transferor company and transferor company:
- a. Ceases to exist  
b. Separate entity is Continue to exist
- c. Applied in all cases  
d. None of the above

### Part B

Answer **all** the Questions. **Each** question carries **ten** marks. (3Qx10M=30M)

2. The life fund of a Life Assurance Company was ₹ 86,48,000 on 1 December, 2018. The interim bonus paid during the intervaluation period was ₹ 1,48,000. The periodical actuarial valuation determined the net liability at ₹ 74,25,000. Surplus brought forward from the previous valuation was ₹ 850000. The directors of the company proposed to carry forward ₹9,31,000 and to divide the balance between the shareholders and the policy holders in the ratio of 1:10. Show:
- a. The valuation balance sheet.  
b. The net profit for the valuation period.  
c. The distribution of surplus.
3. Explain the consolidated financial statement of holding company.
4. From the following particulars of the Life Insurance Company for the year ended 31.03.2016. You are required to prepare valuation balance sheet as on 31.03.2016 and Distribution Statement as on that date:

	Rs. Lakhs
Life insurance fund as on 31.03.2016	3,800
Net liability as per valuation	3,000
Interim bonus paid	500

### Part C

Answer **both** the Questions. **Each** question carries **fifteen** marks. (2Qx15M=30M)

5. The life insurance fund of Hindustan Life Insurance co. Ltd. was ₹ 34,00,000 on 31.3.2018. Its actuarial valuation on 21.3.2018 disclosed a net liability of ₹ 28,80,000. An interim bonus of ₹ 40,000 was paid to the policy holders during the previous tow years. It is now proposed to carry forward ₹ 1,10,000 and to divide the balance between the policy holders and the shareholders. Show:
- a. The valuation balance sheet.  
b. The net profit for the two year period.  
c. The distribution of the profits.
6. The following are the balance sheets of H Ltd. and its subsidiary S Ltd. as on 31.12.2018

Liabilities	H Ltd.	S Ltd.	Assets	H Ltd.	S Ltd.
Share capital (₹ 10 each)	20,000	10,000	Fixed assets	30,000	15,000
General Reserve	10,000	5,000	Current assets	35,000	25,000
P&L a/c as on 1.1.2018	5,000	4,000	800 shares in S Ltd	10,000	
Profit for the year	10,000	6,000			
12% debentures	20,000	10,000			
Sundry creditors	10,000	5,000			
	75,000	40,000		75,000	40,000

H Ltd. acquired shares in S Ltd. on 1.7.2018. S Ltd. has a balance of ₹ 4,000 in general reserve on 1.1.2018. On account of fire, goods costing ₹ 2,000 of S Ltd., were destroyed in March 2018. The loss had been charged to the profit and loss account for the year. You are required to prepare a consolidated balance sheet.