

Reg. No. :

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CMBE 61

B.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2025.

Sixth Semester

Commerce — Core

SPECIAL ACCOUNTS

(For those who joined in July 2021 and 2022 only)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. What does the term "minority interest" refer to in a consolidated balance sheet?
 - (a) Interest paid by the subsidiary on loans
 - (b) The portion of subsidiary equity not owned by the parent company
 - (c) Total liabilities of the subsidiary
 - (d) Profits retained by the subsidiary

2. How are contingent liabilities of a subsidiary treated in the consolidated financial statements?
- (a) Ignored completely
 - (b) Recognized in the consolidated balance sheet
 - (c) Disclosed in the notes to the consolidated financial statements
 - (d) Deducted from retained earnings
3. Within how many years must a banking company dispose of any non-banking assets acquired in satisfaction of a claim?
- (a) 1 year
 - (b) 3 years
 - (c) 5 years
 - (d) 7 years
4. Under what condition can a banking company pay dividends to its shareholders?
- (a) When it has sufficient profits
 - (b) Only after meeting the statutory reserve requirements
 - (c) At the discretion of the board
 - (d) When its CRR is below the minimum requirement
5. Which type of insurance provides coverage for damage to assets like homes and vehicles?
- (a) Life Insurance
 - (b) General Insurance
 - (c) Health Insurance
 - (d) Term Insurance

6. In the balance sheet of an insurance company, "Reserve for Unexpired Risk" appears under
- (a) assets
 - (b) liabilities
 - (c) revenue
 - (d) shareholders' equity
7. Which of the following is a purpose of creating the development reserve?
- (a) Financing new projects
 - (b) Payment of salaries
 - (c) Meeting short-term liabilities
 - (d) Providing for depreciation
8. "Clear Profit" refers to
- (a) profit before taxes
 - (b) profit after depreciation, taxes, and all other statutory deductions
 - (c) gross revenue
 - (d) profit from asset sales
9. Which section of the cash flow statement shows cash flows from operating activities?
- (a) Section A
 - (b) Section B
 - (c) Section C
 - (d) None of the above

10. Which of the following is not a purpose of accounting standards?

- (a) To provide consistency in financial reporting
- (b) To facilitate the comparison of financial statements
- (c) To generate more profit for companies
- (d) To standardize accounting policies and principles

PART B — (5 × 5 = 25 marks)

Answer ALL questions by choosing (a) or (b).

Each answer should not exceed 250 words.

11. (a) "Group accounts are of great practical value to the users of accounting information". Explain.

Or

- (b) "Consolidated final accounts are not necessary". Explain.

12. (a) The trial balance of Vijaya Bank Ltd as on 30th June 2022 shows the following balances.

	Rs.
Interest and discount	45,40,000
Rebate on bills discounted 1.7.2021	4,750
Bills discounted and purchased	3,37,400
The unexpired discount as on 30.06.2022 to be	5,560

Draft necessary adjusting journal entries and calculate the amount of interest and discounted to be credited to profit and loss account.

Or

- (b) Write a short note on contingent liabilities (Schedule 12).

13. (a) The life assurance fund of Kanthan life assurance company Ltd. shows a balance of Rs. 76,87,500 on 31.03.2023. It was later observed that the following had not been taken into account:

- (i) Dividend from investment Rs. 3,50,000
- (ii) Income Tax on the above Rs. 32,000
- (iii) Bonus utilized in reduction of premium Rs. 4,85,000
- (iv) Claims covered under reinsurance Rs. 3,25,000
- (v) Claims intimated but not yet admitted by the company Rs. 8,07,000.

Ascertain the balance of life Assurance fund as from the above information.

Or

- (b) State the different types of bonus.

14. (a) The Govind Electricity Company decided to replace some parts of its plant by an improved plant. The plant to be replaced was built in 2023 for Rs.54,00,000. It is estimated that it would now cost Rs. 80,00,000 to build a new plant of the same size and capacity. The cost of the new plant as per the improved design was Rs. 1,70,00,000 and in addition material belonging to the old plant valued at Rs.5,50,000 was used in the construction of the new plant. The balance of the old plant was sold for Rs.3,00,000. Compute the amount to be capitalised.

Or

- (b) Discuss the disposal of surplus under various conditions.

15. (a) Describe the areas covered under AS-1.

Or

- (b) Mention and explain the various methods of inflation accounting.

PART C — (5 × 8 = 40 marks)

Answer ALL questions by choosing (a) or (b).

Each answer should not exceed 600 words.

16. (a) The Balance Sheets of A Ltd. and B Ltd as at 31st December, 2023 are as follows :

Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
Share capital (in shares of Rs. 10 each)	2,00,000	1,00,000	Sundry assets	1,32,500	1,38,200

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Liabilities	A Ltd. Rs.	B Ltd. Rs.	Assets	A Ltd. Rs.	B Ltd. Rs.
General reserve	18,000	20,000	Goodwill	—	20,000
Profit & Loss a/c	24,500	23,000	Shares in B Ltd. at cost	1,40,000	—
Creditors	30,000	15,200			
	<u>2,72,500</u>	<u>1,58,200</u>		<u>2,72,500</u>	<u>1,58,200</u>

In the case of 'B' Ltd., profit for the year ended 31st December 2023 Rs. 12,000 and transfer to reserve is Rs. 5,000. The holding of A Ltd. in B Ltd. is 90% acquired on 30th June 2023. Draft a consolidated Balance Sheet of A Ltd and its subsidiary.

Or

- (b) Explain the steps involved in preparation of consolidated balance sheet.

17. (a) From the following information relating to Lakshmi Bank Ltd., prepare the Profit & Loss A/c for the year ended 31st December, 2023.

	Rs.
Rent received	72,000
Exchange and commission	32,800
Interest on fixed deposits	11,00,000
Interest on savings bank A/cs	2,72,000

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	Rs.
Interest on overdrafts	2,16,000
Discount on bills discounted	7,80,000
Interest on current accounts	1,68,000
Interest on cash credits	8,92,000
Depreciation on bank property	20,000
Salaries and allowances	2,18,800
Sundry charges	4,000
Postage	5,600
Printing	8,000
Director's & Auditor's fees	16,800
Law charges	3,600
Locker rent	1,400
Transfer fees	2,800
Interest on loans	10,36,000

Or

- (b) Discuss the important provisions relating to final accounts of a banking company.

18. (a) Distinguish between life insurance and general insurance.

Or

- (b) From the following balances of Venkateshwara General Insurance Company Ltd. as on 31st March, prepare (i) Fire revenue a/c (ii) Marine revenue a/c and (iii) Profit and loss a/c.

Particulars	Rs.
Survey expenses (Fire)	10,000
Additional reserve (opening)	50,000
Commission paid (Marine)	1,08,000
Commission paid (Fire)	90,000
Claim paid and outstanding (Marine)	3,80,000
Claim paid and outstanding (Fire)	1,80,000
Fire fund (Opening)	2,50,000
Marine fund (Opening)	8,20,000
Bad debts recovered	1,200
Share transfer fees	800
Director fees	5,000
Auditor's fees	1,200
Bad debts (Marine)	12,000
Bad debts (Fire)	5,000
Commission earned on reinsurance ceded (marine)	60,000
Commission earned on reinsurance ceded (Fire)	30,000
Management expenses (Fire)	1,45,000
Management expenses (Marine)	4,00,000
Marine Premium less reinsurance	10,80,000
Fire premium less reinsurance	6,00,000
Profit on sale of land	60,000
Miscellaneous receipt	5,000

Difference in exchange (cr)	300
Interest, dividend, rent received	14,000
Depreciation	35,000

In addition to usual reserve additional reserve in case of fire insurance is to be increased by 5% of net premium.

19. (a) Narrate the important accounting terms and provisions relating to electricity supply companies.

Or

- (b) From the following details of an electricity supply company, maintaining accounts under Double Account System, calculate the following:

(i) Capital Base; (ii) Reasonable return; (iii) Clear Profit; and (iv) Amounts available for dividends and contribution to tariff and dividend control reserve and consumers' rebate reserve.

	Rs.	Rs.
Sale of energy	7,30,000	
Meter rents	30,000	
Transfer fees	750	
Cost of generation	4,40,000	
Distribution and selling expenses		40,000
Rent, Rates and Taxes	15,000	
Audit fees	1,200	

	Rs.	Rs.
Intangibles written off	4,500	
Management expenses	13,000	
Depreciation	48,000	
Interest on loan of State Electricity Board		2,500
Contingency Reserve Investment Income		2,500
Interest on Security deposit	500	
Interest from Bank	400	
Contribution to provident fund		35,000

No tax is payable for the year.

Original cost of fixed assets Rs. 24,00,000; Contributions by consumers for acquisition of such fixed assets Rs. 1,20,000; Cost of Intangibles Rs. 80,000, Contingency Reserve Investments Rs. 60,000. Stores: Opening Rs. 50,000 and Closing Rs. 70,000; Cash and Bank balances: Openings Rs. 60,000 and Closing Rs. 40,000.

Depreciation upto the beginning of the year Rs. 4,35,000; Intangibles written off upto the beginning of the year Rs. 35,000; Security Deposit of customers held in cash Rs. 15,000; Tariff and Dividend Control Reserve at the beginning of the year Rs. 90,000; Development Reserve at the beginning of the year: Rs. 1,30,000. Amount carried forward for distribution to consumers Rs. 20,000; loan from State Electricity Board Rs. 60,000. There is no addition to Plant & Machinery Transfer to Contingency Reserve Rs. 7,000. Assume RBI Rate at 8%.

20. (a) The following details are taken from the Balance sheet of Vel Ltd.

Particulars	As on 31.3.22	As on 31.3.23
Inventories	1,00,000	1,50,000
Book debts	50,000	75,000
Cash at bank	40,000	45,000
Advances to suppliers of materials	35,000	80,000
Trade creditors	80,000	70,000

During the year 2022-2023 material prices rise by 30% and those of finished goods by 20%. Calculate the monetary working capital adjustment (MWCA) to be made under CCA system.

Or

- (b) Briefly explain the advantages and disadvantages of current cost accounting method.