

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 7

NOTE : 1. Answer **ALL** Questions.

2. All working notes should be shown distinctly.

PART – A

1. (a) State the conditions which are required to be satisfied by a company for the purpose of buy-back of shares.
- (b) State the circumstances under which a liquidator would have to make a call on partly-paid shares (B List of Contributories).
- (c) What are the different circumstances under which valuation of shares become necessary ?
- (d) What are the conditions to be satisfied in case of amalgamation in the nature of merger as per Accounting Standard (AS) – 14 ?
- (e) What is 'cost of control' in the context of preparing consolidated balance sheet ?
- (5 marks each)

Attempt all parts of either Q.No. 2 or Q.No. 2A

2. (a) Distinguish between 'securities premium' and 'share premium'.
- (b) Distinguish between 'cum-interest' and 'ex-interest' quotations.
- (c) Distinguish between 'financial lease' and 'operating lease'.
- (d) State the legal requirement relating to transfer of profit to reserve prior to declaration and payment of dividend.
- (e) Write a short note on corporate financial reporting.
- (3 marks each)

OR (Alternate question to Q.No. 2)

- 2A. (i) Jeevan Ltd. earned a net profit after tax of ₹90,00,000 during the year ended 31st March, 2012. The company's equity capital is 10,000 shares of ₹10 each. The company has also issued 5,000, 20% convertible debentures of ₹20 each, convertible into shares at par.
- Compute the basic EPS and diluted EPS as per AS–20, assuming income tax rate at 30%.
- (5 marks)

- (ii) The paid-up capital of Apsara Ltd. consisted of 5,00,000 equity shares of ₹10 each and 50,000, 8% preference shares of ₹100 each. The statement of profit and loss of the company for the year ended 31st March, 2014 showed net profit before tax of ₹20,00,000. The net profit brought forward from previous year's balance sheet amounted to ₹6,00,000. The company makes a provision of 40% for income tax. Following appropriations were proposed by the company :

- (a) To pay dividend on preference shares.
 (b) To pay final dividend @ ₹1.50 per share to equity shareholders.
 (c) To transfer minimum amount to general reserve.

How will the above appropriations be dealt with in the balance sheet of the company as on 31st March, 2014 ? Provide corporate dividend tax at the rate of 17%.

(5 marks)

- (iii) The average net profit of a business as adjusted for valuation of goodwill amounted to ₹2,35,000. The net tangible assets employed were of the value of ₹14,50,000. But upon valuation, they amounted to ₹15,00,000. Assuming that 10% represented a fair commercial return, calculate the amount of goodwill by capitalising super profits.

(5 marks)

3. (a) The following particulars are extracted from the statement of profit and loss of S.S. Ltd. for the year ended 31st March, 2014 :

	₹
(i) Gross profit	40,00,000
(ii) Profit on sale of machinery (cost ₹8,00,000 and written down value ₹4,00,000)	4,50,000
(iii) Subsidy from the Government	1,00,000
(iv) Salaries and wages	1,50,000
(v) Repairs to fixed assets	50,000
(vi) General expenses	40,000
(vii) Compensation for breach of contract	25,000
(viii) Depreciation	2,40,000
(ix) Loss on sale of investment	35,000
(x) Expenditure on scientific research (cost of setting-up a new laboratory)	2,50,000
(xi) Debenture interest	75,000
(xii) Interest on unsecured loans	15,000
(xiii) Provisions for income tax	16,00,000
(xiv) Proposed dividends	10,00,000
(xv) Net profit	10,70,000

: 3 :

Calculate the overall managerial remuneration under section 198 of the Companies Act, 1956.

(5 marks)

- (b) PQR Ltd. was incorporated on 1st May, 2011 to takeover the business of Kapil & Co, from 1st January, 2011. The following particulars are extracted from the statement of profit and loss of PQR Ltd. for the year ended 31st December, 2011 :

	₹
(i) Gross profit	10,64,000
(ii) Interest on investment	36,000
(iii) Rent and taxes	90,000
(iv) Salaries including manager's salary of ₹85,000	3,31,000
(v) Carriage outwards	14,000
(vi) Printing and stationery	18,000
(vii) Interest on debentures	25,000
(viii) Sales commission	30,800
(ix) Bad debts (related to sales)	91,000
(x) Underwriting commission	26,000
(xi) Preliminary expenses	28,000
(xii) Audit fees	45,000
(xiii) Loss on sale of investment	11,200
(xiv) Net profit	3,90,000

Prepare a statement showing allocation of pre-incorporation and post-incorporation profits after considering the following information :

- Gross profit ratio was constant throughout the year.
- Sales for January and October were 1½ times the average monthly sales while sales for December were twice the average monthly sales.
- Bad debts are shown after adjusting a recovery of ₹7,000 of bad debts for a sale made in July, 2008.
- Manager's salary increased by ₹2,000 per month from 1st May, 2011.
- All investments were sold in April, 2011.

(5 marks)

- (c) Favorite Ltd. issued ₹15,00,000, 10% debentures on 1st October, 2012 and interest is payable on 30th June and 31st December. Pass journal entries to record debentures interest for accounting years ended on 31st March, 2013 and 31st March, 2014.

(5 marks)

4. (a) The balance sheets of Chanderma Ltd. and its subsidiary Tara Ltd. as on 31st March, 2014 are as follows :

	<i>Chanderma Ltd.</i>		<i>Tara Ltd.</i>	
	₹	₹	₹	₹
<i>I EQUITY AND LIABILITIES</i>				
(1) Shareholders' funds :				
(a) Share capital-authorized, issued, subscribed and paid-up :				
Preference share capital	10,00,000			
Equity share capital of ₹100 each as fully paid-up	<u>50,00,000</u>	60,00,000	<u>15,00,000</u>	15,00,000
(b) Reserves and surplus :				
General reserve	34,00,000		60,000	
Surplus	<u>36,00,000</u>	70,00,000	<u>10,80,000</u>	11,40,000
(2) Current liabilities :				
(a) Trade payables	10,00,000		4,41,500	
(b) Bills payable	—	10,00,000	2,41,500	6,83,000
		<u>1,40,00,000</u>	<u>2,41,500</u>	<u>6,83,000</u>
<i>II ASSETS</i>				
(1) Non-current assets :				
(a) Fixed assets :				
Land	35,60,000		7,00,000	
Properties	37,60,000		4,00,000	
Plant and machines	<u>14,00,000</u>	87,20,000	<u>9,13,000</u>	20,13,000
(b) Long-term investment :				
12,000 shares of Tara Ltd. on 1 st April, 2013		18,00,000		—
(2) Current assets :				
(a) Inventories	13,60,000		5,06,000	
(b) Trade receivables and cash	<u>21,20,000</u>	34,80,000	<u>8,04,000</u>	13,10,000
		<u>1,40,00,000</u>	<u>8,04,000</u>	<u>33,23,000</u>

: 5 :

The other information are :

- (i) Surplus of Chanderma Ltd. includes dividend of 10% received from Tara Ltd.
- (ii) On 1st April, 2013 surplus of Tara Ltd. stood at ₹7,75,000 and general reserve at ₹30,000. Chanderma Ltd. revalued plant and machinery of Tara Ltd. at the time of purchase of shares by ₹2,00,000 more than its book value.
- (iii) Inventory of Chanderma Ltd. includes ₹80,000 of inventory at cost purchased from Tara Ltd. Further, trade receivables of Tara Ltd. include ₹2,40,000 for the sale to Chanderma Ltd. on which Tara Ltd. makes a profit of ₹60,000.
- (iv) Tara Ltd. made a bonus issue during the year out of pre-acquisition profits for ₹6,00,000. This is not recorded in the books.

Prepare consolidated balance sheet.

(8 marks)

- (b) On 31st March, 2014 the following balances stood in the books of a company :

	₹
8% First mortgage debentures	10,00,000
Debenture redemption fund	10,65,400
Debenture redemption fund investments :	
₹3,50,000, 6% Haryana Electricity Board Bonds	3,56,300
₹4,00,000, 5% Punjab Water Board Loan	3,20,340
₹3,00,000, 8% Rajasthan Govt. Loan	3,08,550
₹80,000, 7% Gurgaon Gramin Bank Loan	80,210

On the same day investments were sold as follows :

6% Haryana Electricity Board Bond	at par
5% Punjab Water Board Loan	at ₹91
8% Rajasthan Govt. Loan	at ₹109
7% Gurgaon Gramin Bank Loan	at ₹103

On 31st March, 2014 debentures were redeemed at a premium of 5%.

You are required to prepare important accounts in the books of company.

(7 marks)

PART – B

5. (a) What constitutes a 'true and fair view' in an auditor's judgment in a particular circumstance ?
- (b) Explain the role of internal audit in corporate governance and internal control.
- (c) Explain the different approaches used in statistical sampling during an audit.

(5 marks each)

Attempt all parts of either Q.No. 6 or Q.No. 6A

6. (a) What does SA 230 (Revised) say about utility, ownership, custody and retention of working papers ?
- (b) In a medium size trading organisation, the accountant was given additional responsibility of making recoveries from receivables. On one occasion, an insurance claim of ₹75,000 was received. He credited the same to the account of a debtor and misappropriated the cash which he had recovered from the said receivable. Pinpoint the weaknesses in the internal control which led to this situation.
- (c) In case of government companies, Comptroller and Auditor General of India has a right to issue direction to auditors and do supplementary audit. Explain.

(5 marks each)

OR (Alternate question to Q.No. 6)

- 6A. (i) Director (Finance) of KK Ltd. informed their newly appointed statutory auditor that they have sound internal control system implemented by a renowned professional firm and he is satisfied with its effectiveness and functioning. Therefore, the statutory auditor should concentrate on verifying only the routine books and financial statements.

As an auditor, how would you react to the situation.

(5 marks)

: 7 :

(ii) Prepare a sample audit programme for auditing the receipt of fees from the students of a government college.

(5 marks)

(iii) Explain the requirement of cost audit in brief.

(5 marks)

—————0—————