PART – A

1. (a) Write the meaning of 'issue of shares at premium' emphasising upon the purposes for which securities premium can be utilised.

(b) X Ltd. borrowed ₹25,00,000 from a scheduled bank at an annual interest rate of 12% and deposited 14% debentures of the face value of ₹40,00,000 as collateral security. Pass the journal entries regarding the issue of debentures as collateral security and also show the above items in the company's balance sheet.

(c) Explain the statutory rates of managerial remuneration as per the provisions of the Companies Act, 1956.

(d) What is meant by ‘economic value added’ (EVA)? How is it calculated?

(e) Explain the difference between 'pooling of interests method' and 'purchase method' of accounting for amalgamation.

(5 marks each)

2. (a) Y Ltd. forfeited 1,000 equity shares of ₹10 each, ₹7 called-up, issued at a premium of 20% (to be paid at the time of allotment) for non-payment of allotment money of ₹4 per share (including premium) and first call of ₹2 per share. Out of these, 600 shares were re-issued as fully paid-up for ₹8.50 per share.

Pass the journal entries for forfeiture and re-issue of shares.
(b) On 10th April, 2012, Zenith Ltd. issued 12,500, 12% debentures of ₹100 each at ₹98. Holders of these debentures have an option to convert their holdings into 14% preference shares of ₹100 each at a premium of ₹25 per share at any time within three years. On 31st March, 2013, holders of 2,500 debentures notified their intention to exercise the option.

Show the journal entries relating to the issue and conversion of debentures in the books of the company.

(c) Distinguish between 'provision' and 'reserve'.

(d) Write a short note on 'types of restructuring'.

(e) State the objectives of the Accounting Standards Board.

(3 marks each)

OR (Alternate question to Q.No. 2)

2A. (i) State the conditions for issue of bonus shares.

(ii) Prepare a summarised form of statement of profit and loss account of a company as per the revised Schedule VI of the Companies Act, 1956.

(iii) Write a note on 'super profit method' of valuation of goodwill.

(5 marks each)

3. (a) A company incorporated on 1st January, 2013 issued a prospectus inviting applications for 5,00,000 equity shares of ₹10 each. The whole issue was fully underwritten by four underwriters:

Underwriter – A : 2,00,000 shares
Underwriter – B : 1,50,000 shares
Underwriter – C : 1,00,000 shares
Underwriter – D : 50,000 shares
Applications were received for 4,50,000 shares of which marked applications were as follows:

- Underwriter – A : 2,20,000
- Underwriter – B : 90,000
- Underwriter – C : 1,10,000
- Underwriter – D : 10,000

Find out the liability of each underwriter individually.

(b) Gaurav holds 5,000 equity shares in Real Ltd. The nominal and paid-up capital of the company is as follows:

- 20,000 equity shares of ₹1 each
- 10,000, 5% preference shares of ₹1 each (non-participative in further profits).

It is ascertained that:

(i) The normal profit of such a company is ₹5,000; and
(ii) The normal rate of return by way of dividend on the paid-up value of equity share capital for the type of business carried out by the company is 8%.

Gaurav requests you to value the yield price for his shareholding based upon the above information.

(c) Following is the balance sheet of BX Ltd. as on 31st March, 2013:

\[\begin{array}{ccc}
\text{I} & \text{Equity and Liabilities} & ₹ \\
\hline
\text{(i) Shareholders' Fund} & & \\
\text{(a) Share capital} & & \\
\quad 12\% \text{ preference shares of ₹100 each fully paid-up} & 15,00,000 & \\
\quad \text{Equity shares of ₹10 each fully called-up and paid-up} & 35,00,000 & 50,00,000 \\
\text{(b) Reserves and Surplus} & & \\
\quad \text{General reserve} & 11,00,000 & \\
\quad \text{Securities premium} & 9,00,000 & 20,00,000 \\
\text{(ii) Non-Current Liabilities} & & \\
\quad \text{13\% Debentures} & 25,00,000 & \\
\text{(iii) Current Liabilities} & & \\
\quad \text{15,00,000} & \\
\text{TOTAL} & 1,10,00,000 & \\
\end{array}\]
II Assets

(i) Non-Current Assets
   (a) Fixed Assets 55,00,000
   (b) Investments 25,00,000 80,00,000
(ii) Current Assets

TOTAL 1,10,00,000

PQR Ltd. agreed to takeover the assets and liabilities of BX Ltd. on the following terms and conditions:

(i) Discharge 13% debentures at a premium of 10% by issuing 14% debentures of PQR Ltd.
(ii) Revalue — fixed assets at 10% above the book value; investments at par value; current assets at a discount of 10%; and current liabilities at book value.

You are required to calculate the purchase consideration as per the net assets method.

(5 marks)

4. (a) Z Ltd. went into voluntary liquidation on 31st December, 2012. Balance sheet of the company as on that date stood as follows:

I Equity and Liabilities

(i) Share capital
   20,000, 10% Cumulative preference shares of ₹100 each, fully paid-up 20,00,000
   10,000 Equity shares of ₹100 each, ₹75 paid-up 7,50,000
   30,000 Equity shares of ₹100 each, ₹60 paid-up 18,00,000 45,50,000

(ii) Reserves and surplus
   Profit and loss account (11,25,000)

(iii) Non-current Liabilities
   15% Debentures secured by a floating charge 10,00,000

(iv) Current liabilities
   Trade payables 12,75,000
   Outstanding interest on debentures 1,50,000 14,25,000

TOTAL 58,50,000
II Assets

(i) Non-current assets
- Land and building  10,00,000
- Plant and machinery  25,00,000
- Furniture and fixtures  4,00,000  39,00,000

(ii) Current assets
- Stock  5,50,000
- Trade receivables  11,00,000
- Cash and bank balance  3,00,000  19,50,000

TOTAL  58,50,000

Other information:
(i) Preference share dividend are in arrears for the last two years.
(ii) Trade payables include preferential creditors of ₹1,52,000.
(iii) The assets were sold and realised as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and building</td>
<td>12,00,000</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>20,00,000</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Stock</td>
<td>6,00,000</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>8,00,000</td>
</tr>
</tbody>
</table>

(iv) Expenses of liquidation were ₹1,09,000.
(v) Liquidator is entitled to receive commission of 3% on assets realised except cash.
(vi) Preference shareholders have right to dividend at the time of liquidation.
(vii) The final payment including those on debentures is made on 30th June, 2013.

You are required to prepare liquidator’s final statement of account.  

(8 marks)
(b) H Ltd. acquired 4,000 shares on 30\textsuperscript{th} June, 2012 in S Ltd. H Ltd. received 10\% dividend for the year 2011 and it is credited in profit and loss account of H Ltd.

Following are the balance sheets of H Ltd. and S Ltd. as on 31\textsuperscript{st} December, 2012:

<table>
<thead>
<tr>
<th></th>
<th>H Ltd. (₹)</th>
<th>S Ltd. (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Equity and Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity share capital of ₹10 each</td>
<td>60,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Reserves and surplus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General reserve (1.1.2012)</td>
<td>12,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Profit/loss (as on 1.1.2012)</td>
<td>4,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Profit for the year ended 31.12.2012</td>
<td>30,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>10,000</td>
<td>8,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,16,000</td>
<td>96,000</td>
</tr>
</tbody>
</table>

|                      |            |            |
| **II. Assets**       |            |            |
| Non-current assets   |            |            |
| Fixed assets         | 44,000     | 60,000     |
| Investment           |            |            |
| Investment in S Ltd. | 52,000     | —          |
| Current assets       | 20,000     | 36,000     |
| **Total**            | 1,16,000   | 96,000     |

You are required to prepare consolidated balance sheet for H Ltd. as on 31\textsuperscript{st} December, 2012 from the above information.

(7 marks)
PART – B

5. (a) "Auditor assesses the reliability and sufficiency of information as well as relevancy of financial information." Explain.

(b) Write the qualifications and disqualifications of a statutory auditor.

(c) Distinguish between 'statutory audit' and 'internal audit'.

(5 marks each)

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

6. (a) Distinguish between 'audit' and 'investigation'.

(b) Explain the term 'special audit'. In what circumstances, special audit is conducted?

(c) Explain the 'preventive control techniques' of internal control system.

(5 marks each)

OR (Alternate question to Q.No. 6)

6A. (i) Distinguish between 'vouching' and 'verification'.

(ii) State the general guidelines for preparing audit working papers.

(iii) What is 'internal control'? How is it different from internal audit?

(5 marks each)