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Roll No.…………………

Time allowed : 3 hours | *Maximum marks : 100*

Total number of questions : 8 | *Total number of printed pages : 8*

***NOTE** : All working notes should be shown distinctly.*

PART – A

(Answer Question No.1 which is compulsory and any two of the rest from this part.)

1. (a) State, with reasons in brief, whether the following statements are true or false :

(i) Marking of applications is necessary when the entire issue of shares or debentures is underwritten by a number of underwriters.

(ii) In a consolidated balance sheet, contingent liability in respect of a transaction between holding and subsidiary companies is not shown as a foot note.

(iii) As a prudence, the entire free reserves should not be utilised for the purpose of buy-back.

(iv) Dividend can be declared by a company after providing only for current year's depreciation.

(v) No dividend is paid on calls-in-advance.

(2 marks each)

(b) Write the most appropriate answer from the given options in respect of the following :

(i) Loss suffered between the date of acquisition of business and the date of incorporation should be debited to —

(a) Goodwill account

(b) Statement of profit and loss

(c) Capital reserve account

(d) Capital reduction account.

(ii) The percentage of net profits payable by a public company or a private company which is a subsidiary of a public company as the total managerial remuneration to its directors or whole-time directors or manager is limited to —

(a) 10%

(b) 11%

(c) 12½%

(d) 5%.

(iii) As per Accounting Standard (AS) – 14, purchase consideration will include the payments that are payable to —

(a) Shareholders
(b) Debentureholders
(c) Creditors
(d) Bank.

(iv) Sinking fund for the redemption of debentures is an instance of —

(a) Reserve
(b) Provision
(c) Reserve fund
(d) Reserves and surplus.

(v) Discount allowed on the re-issue of shares cannot exceed —

(a) 10% of the paid-up capital
(b) 10% of the capital re-issued
(c) 10% of the amount received on forfeited shares
(d) The amount not received on forfeited shares.

(1 mark each)

(c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

(i) The collateral security implies __________ security given for a loan.
(ii) Preliminary expenses refer to those expenses incidental to the creation and __________ of a company.
(iii) Accumulated losses of the subsidiary company upto the date of acquisition of shares by the holding company are called ___________.
(iv) Accounting Standard (AS) – 20 is related with ___________.
(v) Excess of net assets over purchase consideration is called ___________.

(1 mark each)

2. (a) A company offered 10,000 shares of ₹10 each payable as follows :

On application ₹3, on allotment ₹2, on 1st call ₹3 and on 2nd call ₹2. Public has applied for 13,000 shares. Shares were allotted on *pro rata* basis to the applicants of 12,000 shares. All the shareholders have paid the amount upto allotment except Mohan, the allottee of 240 shares. His shares were forfeited. First call was then made. Forfeited shares were re-issued @ ₹9 per share, ₹8 called-up.

You are required to pass necessary journal entries and prepare the cash book.

(7 marks)

(b) Gems Ltd. has 10,000 equity shares of ₹10 each, ₹8 paid and 1,00,000, 6% preference shares of ₹10 each fully paid. The company has a practice of transferring 20% of the profit to general reserve every year. The expected profit (based on past years' performance) before tax is ₹2,00,000 and rate of tax is 50%. It may be assumed that normal rate of dividend is 20%.

You are required to calculate the value of equity shares.

(4 marks)

(c) Mention the SEBI guidelines regarding issue of bonus shares.

(4 marks)

3. (a) A company, incorporated on 1^{st} May, 2013 acquired a business as a going concern with effect from 1^{st} January, 2013. The first accounts were drawn upto 30^{th} September, 2013.

The gross profit is ₹22,40,000. The general expenses are ₹5,68,800; directors' remuneration was ₹40,000 per month; formation expenses amounted to ₹60,000 and rent which till 30^{th} June, 2013 was ₹4,000 per month was increased to ₹1,20,000 per annum from 1^{st} July, 2013.

The manager of the earlier firm whose salary was ₹20,000 per month was made the director upon incorporation and his remuneration thereafter is included in the above figure of directors' remuneration.

Prepare a statement of profit and loss for the period. Also find out the profit available for dividends and the profit prior to incorporation.

(10 marks)

(b) Diamond Ltd. invited applications from public for 1,00,000 equity shares of ₹10 each at a premium of ₹5 per share. The entire issue was underwritten by the underwriters A, B, C and D to the extent of 30%, 30%, 20% and 20% respectively with the provision of firm underwriting of 3,000, 2,000, 1,000 and 1,000 shares respectively.

The company received applications for 70,000 shares from public, out of which, applications for 19,000, 10,000, 21,000 and 8,000 shares were marked in favour of A, B, C and D respectively.

Calculate the liability of each one of the underwriters. Also ascertain the underwriting commission if, the underwriters were entitled to the maximum commission permitted by law.

(5 marks)

4. (a) A Ltd. acquired 2,000 equity shares of ₹100 each in B Ltd. on 31st December, 2012. A summarised balance sheet of the two companies, A Ltd. and B Ltd., as on 31st December, 2013 was as follows :

				A Ltd. (₹)	*B Ltd.* (₹)
I	*EQUITY AND LIABILITIES*				
	(1)	Shareholders' funds			
		(a)	Shares of ₹100 each	8,00,000	2,50,000
		(b)	Reserves and surplus		
			General reserve	3,00,000	50,000
			Surplus	1,00,000	1,00,000
	(2)	Current Liabilities			
		Trade payables		2,00,000	50,000
			TOTAL	14,00,000	4,50,000
II	*ASSETS*				
	(1)	Non-current assets			
		(a)	Fixed assets	7,00,000	2,50,000
		(b)	2,000 shares in B Ltd. *(at cost)*	3,00,000	—
	(2)	Current assets		4,00,000	2,00,000
			TOTAL	14,00,000	4,50,000

When A Ltd. acquired shares, B Ltd. had a credit balance of ₹50,000 in the general reserve and ₹20,000 as surplus in the statement of profit and loss. B Ltd. issued bonus shares in the ratio one for every five shares held out of the profit earned during the year 2013. This is not shown in the above balance sheet of B Ltd.

Prepare a consolidated balance sheet of A Ltd. and its subsidiary B Ltd. on 31st December, 2013.

(7 marks)

(b) Mention the conditions to be satisfied for buy-back of shares according to section 68(2) of the Companies Act, 2013 and the sources of funds for making buy-back of shares.

(5 marks)

(c) Write a short note on 'lien on shares'.

(3 marks)

PART — B

(Answer Question No.5 which is compulsory and any two of the rest from this part.)

5. (a) State, with reasons in brief, whether the following statements are true or false :

(i) Absorption costing system creates the problem of apportionment and allocation of fixed cost to various products.

(ii) The ABC plan is based upon segregation of materials for selection control.

(iii) Time booking is necessary for the purpose of recording attendance and for calculating wages.

(iv) Fixed budgets are budgets of fixed assets.

(v) If a limiting factor cannot be got over by any means, then the whole budget involving all functions will have to be built around that factor.

(2 marks each)

(b) Write the most appropriate answer from the given options in respect of the following :

(i) Work certified on a specific date is the work approved by the —

(a) Contractee

(b) Contractor

(c) Contractee or his nominee

(d) Public works department.

(ii) To maximise profit, resources should be mobilised towards that product which yields the maximum —

(a) Profit

(b) Utilisation

(c) Contribution

(d) Flexibility.

(iii) The most common basis of apportionment of overheads expenses of insurance and depreciation of plants, machinery and equipments is —

(a) Direct labour hours

(b) Machine hours

(c) Capital values

(d) Weight and volume.

(iv) Economic order quantity (EOQ) is calculated from the formula where 'A' denotes annual consumption, 'B' denotes buying cost per unit and 'C' denotes carrying cost per unit —

(a) $\sqrt{\frac{A \times B}{2 \times C}}$

(b) $\sqrt{\frac{2 \times A \times B}{C}}$

(c) $\sqrt{\frac{2 \times A \times C}{B}}$

(d) $\sqrt{\frac{2 \times B \times C}{A}}$

(v) If in a certain period, factory overheads are ₹22,500 and normal working hours of machine are 5,000, the machine hour rate will be —

(a) ₹400

(b) ₹4.50

(c) ₹17,500

(d) ₹27,500.

(1 mark each)

(c) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

(i) The break-even point ______________ when selling price is increased.

(ii) ______________ is an operating and financial plan of a business enterprise.

(iii) Debt collection period ratio is infact, inter-related with and dependent upon the ______________.

(iv) Indirect labour is included in ______________.

(v) Primary packing expenses are included in ______________.

(1 mark each)

6. (a) "Danger or safety level can be fixed either from a preventive or corrective point of view." Comment.

(3 marks)

(b) Comment on the relative profitability of the following two products :

Particulars	*Production Cost/Unit*	
	Product-A	*Product-B*
	(₹)	*(₹)*
Materials	200	150
Wages	100	200
Fixed overheads	350	100
Variable overheads	150	200
Profit	200	350
Total	1,000	1,000
Output per week *(units)*	200	100

(5 marks)

(c) A company has three production departments and two service departments. The summary of distribution of overheads is as under :

Production Department	₹	*Service Department*	₹
X	9,000	R	700
Y	6,000	N	900
Z	3,000		

Expenses of service departments are charged on the basis of following percentages :

	X	Y	Z	R	N
R	20%	40%	30%	—	10%
N	40%	20%	20%	20%	—

Apportion the expenses of service departments by repeated distribution method.

(7 marks)

7. (a) "The control period need not be the same as the budget period." Comment.

(3 marks)

(b) From the following average figures of previous quarter, prepare a manufacturing overheads budget for the quarter ended on 31st March, 2014. The budgeted output during this quarter is 4,000 units :

	₹
Fixed overheads	20,000
Variable overheads (varying @ ₹5 per unit)	10,000
Semi-variable overheads (40% fixed and 60% varying @ ₹3 per unit).	10,000

(4 marks)

(c) The following particulars are taken from the records of a company engaged in manufacturing of two products, A and B, from a certain material :

Particulars	*Product-A (per unit) (₹)*	*Product-B (per unit) (₹)*
Sales	2,500	5,000
Material cost (₹50 per kg.)	500	1,250
Direct labour (₹30 per hour)	750	1,500
Variable overheads	250	500
Total fixed overheads ₹10,00,000.		

Comment on the profitability of each product when —

(i) Total sales in value is limited.

(ii) Raw material is in short supply.

(iii) Production capacity is the limiting factor.

(iv) Total availability of raw material is 20,000 kgs. and maximum sales potential of each product is 1,000 units.

Also find the product mix to yield maximum profits.

(8 marks)

8. (a) "Escalation clause safeguards the interests of both the contractor and the contractee." Comment.

(4 marks)

(b) Define 'predetermined overheads rate'. Why is it preferred over actual overheads rate ?

(3 marks)

(c) From the following particulars, prepare balance sheet of Shine Ltd. :

Current ratio	2
Working capital	₹4,00,000
Capital block to current assets	3:2
Fixed assets to turnover *(based on sales)*	1:3
Sales – cash/credit	1:2
Stock velocity	2 months
Creditors' velocity	2 months
Debtors' velocity	3 months
Capital block to net profit	10% of turnover
Reserves	2.5% of turnover
Debentures/share capital	1:2
Gross profit ratio	25% on sales.

(8 marks)

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