325

Roll No…………………

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

Total number of questions : 6 | *Total number of printed pages : 8*

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

2. All working notes should be shown distinctly.

PART – A

1. (a) Enumerate disclosure requirements in the financial statements in respect of impairment of assets.

(b) On 1st January, 2016, Tulip Ltd. offered 100 shares of ₹10 each to each of its 500 employees at ₹30 per share. The employees were given time up to 31st March, 2016 to accept the offer. The shares issued under ESOP shall be subject to lock-in-period of two years from the grant date. Other details provided are as under :

(i) The market price of shares of the company on the grant date is ₹50 per share.

(ii) Due to post vesting restriction on transfer of shares, the fair market value of shares is estimated at ₹40 per share.

(iii) On 31st March, 2016, 400 employees accepted the offer and paid ₹30 per share.

You are required to pass necessary journal entries to record the allotment of shares in the books of the company.

(c) State the conditions to be fulfilled for issue of bonus shares by a company.

(d) Mars Ltd. obtained an overdraft of ₹5,00,000 on 31st March, 2016 from a bank by issuing and securing 6,000, 12% debentures of ₹100 each as collateral security. Show necessary journal entries and the entry in the balance sheet as on 31st March, 2016.

(e) From the following information in respect of Sun Ltd., prepare value added statement and its distribution for the period ended 31st March, 2016 :

	₹ (in lakh)
Gross sales	1,250
Discount allowed	50
Depreciation on plant and machinery	70
Dividend to equity shareholders	40
Raw material consumed	780
Salary and wages	160
Interest on term loan	60
Retained profit for the year	30
Office expenses	30

Rate of income-tax be assumed @ 30%.

(5 marks each)

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

2. (a) Jupiter Ltd. issued 10,000 equity shares at ₹20 per share for cash and 20,000 equity shares to suppliers of plant costing ₹4,50,000. Assuming face value of shares at ₹10 each, show the resultant disclosure in the notes to accounts attached to balance sheet as per Schedule III of the Companies Act, 2013.

(b) Josh Ltd. issued 2,000, 10% debentures of ₹100 each at a discount of 10%. These debentures are redeemable at a premium of 10% after 8 years.

You are required to —

(i) Show journal entries on issue of debentures.

(ii) Compute the loss on issue of debentures to be accounted over the period.

(c) What is meant by 'B-List Contributories' ? State their liability in the case of winding-up of a company.

(d) Distinguish between 'equity shares' and 'preference shares'.

(e) Compute the amount of goodwill based on 3 years' purchase of super profit from the following :

Future maintainable profit after tax	:	₹15,00,000
Normal pre-tax rate of return	:	20%
Capital employed	:	₹60,00,000
Tax rate	:	30%

(3 marks each)

OR (Alternate question to Q.No. 2)

2A. (i) Beta Ltd. has following balances as on 1st April, 2015 :

	₹
15% Debentures	8,00,000
Sinking fund *(represented by 10% bonds, face value : ₹7,20,000)*	6,00,000
Bank balance	3,28,000

Other information —

- — Annual contribution to sinking fund ₹1,28,000 and interest on investments are credited on 31st March each year.
- — On 31st March, 2016, the company paid-off the debentures by selling the investment at 80%.
- — Debentures were redeemed at 10% premium.

Prepare necessary ledger accounts for the year 2015-16. Payment of interest on debentures shall be ignored.

(5 marks)

(ii) Orchid Ltd. holds 80% shares in its subsidiary Tulip Ltd. From the following information calculate minority interest at the end of each year :

- — Share capital of Tulip Ltd. was ₹10,00,000 (₹10 each) and reserves ₹2,00,000 on the date of acquisition on 31st March, 2012.
- — Fully paid bonus shares were issued by Tulip Ltd. on 31st March, 2013 in the ratio of 2 bonus shares for every 5 shares held.
- — Profit and loss of Tulip Ltd. for the various years are :

		Profit/Loss (₹)
31st March, 2013	:	3,00,000
31st March, 2014	:	(1,00,000) *(loss)*
31st March, 2015	:	2,00,000
31st March, 2016	:	2,50,000 *(including profit of ₹50,000 on revaluation of assets)*

(5 marks)

(iii) Lily Ltd., having sufficient balance to the credit of general reserve and ₹1,00,000 balance in securities premium account, decides to :

- — Redeem 5,000, 10% redeemable preference shares of ₹100 each fully paid-up at a premium of 5%; and
- — Capital redemption reserve arising as a result of redemption be utilised in allotting the un-issued shares of the company as fully paid equity shares of ₹10 each by way of bonus to its members.

Show journal entries for redemption of preference shares and issue of bonus shares.

(5 marks)

3. (a) Metal Ltd. issued 1,25,000 shares of ₹10 each to public. The issue was underwritten by Gold, Silver, Bronze and Copper as under :

Gold 30%, Silver 25%, Bronze 25% and Copper 20%.

The issue was firm underwritten by the underwriters as under :

Gold : 4,000 shares; Silver : 6,000 shares; Bronze : Nil; Copper : 15,000 shares.

Public subscription excluding firm underwriting but including marked applications were 90,000 shares. The applications were marked as under :

Gold	:	24,000 shares
Silver	:	20,000 shares
Bronze	:	12,000 shares
Copper	:	24,000 shares

Ascertain the liability of each underwriter, assuming firm underwriting shares be treated as un-marked applications.

(5 marks)

(b) Following are the details of various balances relating to Strong Ltd. which went into liquidation on 31st March, 2016 :

— Liquidator realised ₹5,25,000 from sale of assets and paid-off ₹1,50,000 to secured creditors leaving a balance of ₹3,75,000 with him

— Preferential creditors ₹17,500

— Unsecured creditors ₹1,15,000

— 2,500, 10% Preference shares of ₹100 each fully paid

— 3,500 Equity shares of ₹100 each, ₹60 paid-up

— 1,500 Equity Shares of ₹100 each, ₹75 paid-up

Liquidator is entitled to 2.5% remuneration on payments to preferential and other unsecured creditors.

Prepare liquidator's final statement of account.

(5 marks)

(c) Corporate restructuring is carried out to make a company more effective. Discuss.

(5 marks)

4. (a) Tanu Ltd. and Manu Ltd. carrying on business of similar nature agreed to amalgamate. A new company TM Ltd. is to be formed to which assets and liabilities of the existing companies, with certain exceptions, are to be transferred. On 31st March, 2016, the balance sheets of the two companies were as under :

Particulars	*Tanu Ltd.* (₹)	*Manu Ltd.* (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	3,00,000	1,60,000
(b) Reserves and surplus	2,00,000	40,000
(2) Non-current liabilities		
(a) 6% Debentures	—	1,20,000
(3) Current liabilities		
(a) Trade payables	1,50,000	64,000
TOTAL	6,50,000	3,84,000
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
Freehold property	2,10,000	1,20,000
Plant and machinery	50,000	30,000
(2) Current assets		
(a) Inventories	1,40,000	1,56,000
(b) Trade receivables	1,64,000	42,000
(c) Cash and cash equivalents	86,000	36,000
TOTAL	6,50,000	3,84,000

Assets and liabilities are to be taken at book value with the following exceptions :

— Goodwill of Tanu Ltd. and Manu Ltd. is to be valued at ₹1,60,000 and ₹60,000 respectively.

— Value of freehold property is to be taken at 120% of the book value in case of both the companies.

— Debentures of Manu Ltd. are to be discharged by issue of 5% debentures of TM Ltd. of such value that earnings of debentureholders are maintained at same level after amalgamation.

— Trade receivables of Manu Ltd. were realised fully and the trade payables of Manu Ltd. were paid ₹60,000 in full and final settlement of their claims.

You are required to —

(i) Compute the basis on which shares in TM Ltd. will be issued to the shareholders of existing companies, assuming nominal value of each share in TM Ltd. is ₹10.

(ii) Prepare balance sheet of TM Ltd. as on 1st April, 2016.

(8 marks)

(b) From the following details related to Best Ltd., compute the value of each equity share on the basis of productivity :

Year ended 31st March	*Average net worth (₹)*	*Adjusted taxed profit (₹)*
2013	16,60,000	1,60,000
2014	22,20,000	2,20,000
2015	22,44,000	2,40,000

Best Ltd. has ₹10,00,000 equity share capital of the face value of ₹100 per share and ₹3,00,000, 10% preference share capital with face value of ₹100 per share. The company has investments worth ₹3,00,000 (market value) on the valuation date, the yield in respect of which has been excluded in arriving at adjusted taxed profit. It is usual in similar type of companies to set aside 25% of the taxed profit for rehabilitation and replacement purposes.

On the valuation date, the net worth (excluding investments) amounts to ₹24,00,000. The normal rate of return expected is 10%. The company paid dividend consistently within a range of 10% to 12% on equity shares over the previous five years and expects to maintain it.

(7 marks)

PART – B

5. (a) "Audit is advantageous even to those enterprises and organisations where it is not compulsory." Discuss.

(b) As an auditor of a company, how will you instruct and guide your assistants about special considerations to be borne in mind in the course of vouching ?

(c) Directors of Secure Ltd. are of the opinion that section 138 of the Companies Act, 2013 regarding appointment of internal auditor is not applicable to them. State the provisions of the section regarding requirement for appointment of internal auditor.

(5 marks each)

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

6. (a) You are the auditor of a company covered under the Companies (Auditor's Report) Order, 2015. Describe the matters you will cover in your report in respect of :

(i) Inventory

(ii) Maintenance of cost records.

(b) What do you mean by 'materiality' in auditing ? As an auditor of a company, how will you comply with materiality concept in auditing ?

(c) An auditor is required to maintain audit working papers in shape of permanent audit file and current audit file. List out any ten documents finding place in the current audit file.

(5 marks each)

OR (Alternate question to Q.No. 6)

6A. (i) Distinguish between 'internal check' and 'internal audit'.

(5 marks)

(ii) List out five factors that influence the reliability of audit evidence as per SA 500.

(5 marks)

(iii) An auditor appointed under the Companies Act, 2013 shall provide only such other services as are approved by the Board of directors or audit committee but shall not include some services. Specify the services which cannot be rendered by an auditor of a company.

(5 marks)

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