

Roll No. ....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 12

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

2. All working notes shall be shown distinctly.

## PART-A

1. (a) What are the conditions to be complied by the company to issue bonus shares ?  
(5 marks)
- (b) Enumerate the conditions that must be satisfied in order to buy-back of shares according to section 68(2) of the Companies Act, 2013.  
(5 marks)
- (c) What are the requirements to be complied with by a company to declare dividend out of free reserves in the event of inadequacy or absence of profit at the end of the year ?  
(5 marks)
- (d) On 1st November, 2013 S Ltd. issued 10,000, 8% Debentures of ₹ 100 each. These debentures were redeemable at 20% premium on 31st October, 2018 by the way of either converting into 8% Preference Shares of ₹ 100 each at 30% premium or to be paid in cash. Upto 31st October, 2018 the holders of 7,865 debentures had exercise their option for 8% Preference Shares and remaining were paid in cash. You are required to :
- (i) Find out the nominal value of preference shares issued to debenture-holders.  
(ii) Give necessary journal entries.

(5 marks)

: 2 :

- (e) In a liquidation which commenced on 11th November, 2017, certain creditors could not receive payments out of the realisation of assets and out of the contribution from 'A' list contributories.

The following are the details of certain transfer which took place in 2016 and 2017 :

Shareholders	Number of Shares Transferred	Date of Transfer	Proportionate unpaid debts (₹)
C	2,500	1st September, 2016	5,000
P	1,500	1st January, 2017	9,000
D	2,000	1st April, 2017	12,000
B	700	1st August, 2017	13,500
S	300	15th September, 2017	14,500

All the shares were ₹ 10 each, ₹ 5 paid up.

Ignoring expenses of and remuneration to liquidators, show the amount to be realised from various persons listed above.

(5 marks)

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

2. (a) What corrective action to be taken by the companies to improve Economic Value Added ?

(3 marks)

- (b) Mention the costs that are not included in the cost of internally generated intangible assets.

(3 marks)

: 3 :

(c) The following information has been obtained from Guru Ltd. for the year ending 31st March, 2018 :

(1) Authorised, Issued and Subscribed Capital :

200 Lakh Equity Shares of ₹ 10 each, out of which 100 lakh shares were issued as fully paid-up, 48 Lakh shares were ₹ 8 each called-up and paid-up and 1.50 Lakh shares were ₹ 8 called-up but calls-in-arrear thereon of ₹ 3 Lakh.

(2) Following are balances of some accounts :

- Capital Reserve ₹ 150 Lakh
- General Reserve ₹ 40 Lakh
- Securities Premium ₹ 130 Lakh
- Statement of Profit and Loss (Dr.) ₹ 115 Lakh
- Forfeited Shares ₹ 2 Lakh

You are required to prepare relevant notes to the accounts for the year ended 31st March, 2018 as per Schedule III of the Companies Act, 2013.

(3 marks)

(d) What are the disclosure requirements for each class of asset according to AS-28 (Impairment of Asset).

(3 marks)

: 4 :

- (e) The manager of Grapes Ltd. is entitled to a salary of ₹ 1 (one) Lakh per month and also to a commission of 2% on profits after taxation and his salary but before charging his commission on profits. The Statement of Profit and Loss of the company for the year ended 31st March, 2018 was as follows :

Particulars	(₹ in Lakh)
<b>I. Gross Profit</b>	560
<b>II. Expenses</b>	
Employees Benefit Expenses	110
Depreciation (including Development Reserve of ₹ 15 Lakh)	55
Cost of Finance	22
Other Expenses	60
<b>Total Expenses</b>	247
<b>Profit Before Tax (I-II)</b>	313
Note 1. Employees Benefit Expenses :	
	(₹ in Lakh)
Salaries and Wages (excluding Manager's Salary of ₹ 12 Lakh)	95
Manager's Salary paid	12
Directors Fees	3
	110

Note 2. Corporate Tax Rate is 30%.

You are required to calculate the total remuneration payable to manager under Section 197 of the Companies Act, 2013.

(3 marks)

: 5 :

**OR (Alternative question to Q. No. 2)**

- 2A. (i)** The promoters of Shiva Ltd. took over on behalf of the company, a running business with effect from 1st April, 2017. The company got incorporated on 1st August, 2017. The annual accounts were made upto 31st March, 2018, which revealed that the sales for the whole year totalled ₹ 2,400 lakhs out of which sales till 31st July, 2017 were for ₹ 600 lakhs. Gross Profit ratio was 20%.

The expenses from 1st April, 2017 till 31st March, 2018 were as follows :

<b>Particulars</b>	<b>₹ in Lakhs</b>
Salaries	75
Rent, Rates and Insurance	30
Sundry office expenses	72
Travellers commission	20
Discount allowed	16
Bad debts	8
Director's fee	30
Tax audit fee	16
Depreciation on tangible assets	15
Debentures interest	14

Prepare a statement showing the calculation of profits for pre-incorporation and post-incorporation periods.

(5 marks)

- (ii) Udyog Ltd. furnishes the following summarised Balance Sheet as at 31st March, 2018 :

	Note No.	₹ in lakh
<b>I. EQUITY &amp; LIABILITIES</b>		
(1) Shareholders' Funds :		
(a) Share Capital	1	2,400
(b) Reserves & Surplus	2	1,620
(2) Non-Current Liabilities :		
12% Debentures		1,500
(3) Current Liabilities	3	1,880
<b>Total</b>		<b>7,400</b>
<b>II. ASSETS</b>		
(1) Non-Current Assets :		
Fixed Assets		4,052
(2) Current Assets	4	3,348
<b>Total</b>		<b>7,400</b>
<b>Note 1 : Share Capital :</b>		
240 Lakh fully paid Equity Shares ₹ 10 each		2,400
<b>Note 2 : Reserve &amp; Surplus :</b>		
Security Premium		350
General Reserve		530
Capital Redemption Reserve		400
Profit and Loss Account		340
		1,620
<b>Note 3 : Current Liabilities :</b>		
Trade Payables		1,490
Other Current Liabilities		390
		1,880
<b>Note 4 : Current Assets :</b>		
Current Investments		148
Inventories		1,200
Trade Receivables		520
Cash and Bank		1,480
		3,348

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**Additional Information :**

- (i) On 1st April, 2018, the company announced buy-back of 25% of its equity shares @ ₹ 15 per share. For this purpose it sold all its current investments for ₹ 150 lakh.
- (ii) On 10th April, 2018, the company achieved the target of buy-back.
- (iii) On 30th April, 2018, the company issued one fully paid up equity shares of ₹ 10 each by way of bonus for every four equity shares held by capitalisation of reserves.

You are required to prepare Balance Sheet after bonus issue as per Schedule III of Companies Act, 2013.

(5 marks)

- (iii) Pina Ltd. issued to public 2,00,00,000 equity shares of ₹ 10 each at 25% premium which was payable ₹ 6 per share on application and the balance on allotment. The issue was underwritten by Poova Underwriters Ltd. for a maximum commission as per section 40(6) read with rule 13 of the Companies Act, 2013. The public subscribed for 1,45,00,000 equity shares and the rest had to be taken up by the Poova Underwriters Ltd. At the end of the year these shares were quoted in the share market at ₹ 10.15 per share.

You are required to prepare the necessary ledger accounts in the books of underwriter.

(5 marks)

3. (a) Toly Ltd. proposed to purchase the business carried on by Sonu on 31st March, 2018. For the purpose of valuation of goodwill the weights to be used and book profits for past four years were as follows :

Year	Weight	Profit (₹)
2014-15	1	70,40,000
2015-16	2	95,50,000
2016-17	3	68,30,000
2017-18	4	1,04,20,000

On the scrutiny of the accounts the following matters were revealed :

- (1) On 1st December, 2016 a major repair was made in respect of plant incurring ₹ 25,20,000 and was charged to Profit and Loss Account. The said sum is agreed to be capitalized for the purpose of calculation of goodwill subject to adjustment of yearly depreciation @ 10% per annum on reducing balance method.
- (2) The closing stock for the year 2015-16 was overvalued by ₹ 8,60,000.
- (3) To cover management cost an annual charge of ₹ 17,50,000 was not made.
- (4) Average capital employed in the Sonu's business was ₹ 4,50,00,000 and normal rate of returns on similar business is 12%.

You are required to calculate the value of the goodwill of Sonu's business on the basis of 5 years purchase of superprofit.

(5 marks)

- (b) Mudgal Ltd. offered 400 Lakh equity shares of ₹ 10 each to the public. The amount was payable as to ₹ 4 on application. ₹ 5 (including premium) on allotment and ₹ 3 on call. The issue was subscribed to the extent of (two and one-fourth)  $2\frac{1}{4}$  times. Applications for below 100 shares (for 200 Lakh shares in total) were rejected. An applicant for 200 Lakh shares was allotted 80 Lakh shares. The remaining shares were allotted on pro-rata basis to other applicants. The excess amount received on applications to the extent of allotment dues was retained. Shareholders holding 16 Lakh shares out of pro-rata issue failed to pay the allotment money and call money. Their shares were forfeited. 10 Lakh equity shares were re-issued at ₹ 9 per share fully paid.

Show the journal entries including cash transactions.

(5 marks)



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- (c) A liquidator is entitled to receive remuneration at 2% on the assets realized, 3% on the amount distributed to preferential creditors and 3% on the payment made to unsecured creditors.

The assets were realised for ₹ 50,00,000 against which payment was made as follows :

Particulars	(₹)
Liquidation Expenses	50,000
Secured Creditors	20,00,000
Preferential Creditors	1,50,000
Amount due to Unsecured Creditors	30,00,000

You are required to calculate the total remuneration payable to liquidator.

(5 marks)

4. (a) Pine International Ltd. was wound up on 31-3-18 and its summarised Balance Sheet as on that date was as follows :

	Note No.	₹
<b>I. EQUITY &amp; LIABILITIES</b>		
(1) Shareholders' Funds :		
(a) Share Capital	1	12,00,000
(b) Reserves & Surplus	2	5,64,000
(2) Current Liabilities	3	4,86,000
<b>Total</b>		<b>22,50,000</b>
<b>II. ASSETS</b>		
(1) Non-Current Assets : Fixed Assets		9,64,000
(2) Current Assets	4	12,86,000
<b>Total</b>		<b>22,50,000</b>
<b>Note 1 : Share Capital :</b>		
1,20,000 Equity Shares ₹ 10 each fully paid up		12,00,000
		12,00,000

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<b>Note 2 : Reserve and Surplus :</b>		
Profit prior to incorporation		42,000
Contingency Reserve		2,70,000
Profit and Loss Account		2,52,000
		<u>5,64,000</u>
<b>Note 3 : Current Liabilities :</b>		
Sundry Creditors		2,26,000
Bills Payable		40,000
Provision for Income Tax		2,20,000
		<u>4,86,000</u>
<b>Note 4 : Current Assets :</b>		
Inventories		7,75,000
Cash at Bank		3,29,000
Sundry Debtors	1,60,000	
Less : Provision for Bad & Doubtful debt	<u>8,000</u>	1,52,000
Bills Receivable		30,000
		<u>12,86,000</u>

Apple Ltd. took over the following assets at the value shown below :

Fixed Assets	₹ 12,80,000
Inventories	₹ 7,70,000
Bills Receivables	₹ 30,000

Purchase consideration was settled by Apple Ltd. as under :

- (i) ₹ 5,10,000 of the consideration was satisfied by the allotment of fully paid 10% preference shares of ₹ 100 each.
- (ii) The balance was settled by issuing equity shares of ₹ 10 each, ₹ 8 per share paid up. Sundry Debtors realised ₹ 1,50,000. Bills payable was settled for ₹ 38,000. Income-tax authorities fixed the taxation liability at ₹ 2,22,000. Sundry creditors were finally settled with cash remaining after paying liquidation expenses of ₹ 8,000.

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You are required to :

- (i) Calculate the number of equity shares and preference shares to be allotted by Apple Ltd. in discharge of purchase consideration.
- (ii) Prepare the realisation account, cash at bank account, Equity Shareholder's account and Apple Ltd. account in the books of Pine International Ltd.

(8 marks)

- (b) The Balance Sheets of H Ltd. and S Ltd. as on 31st March, 2018 are given below :

(₹ in Lakh)

	H Ltd. (₹)	S Ltd. (₹)
<b>I. EQUITY AND LIABILITIES</b>		
(1) Shareholders' Funds :		
(a) Share Capital :		
Equity Shares of ₹ 100 each fully paid	2,500	800
(b) Reserves and Surplus :		
General Reserve	600	250
Profits	300	200
(2) Current Liabilities :		
Trade Payables	450	330
<b>Total</b>	<b>3,850</b>	<b>1,580</b>
<b>II. ASSETS</b>		
(1) Non-Current Assets :		
(a) Tangible Assets :		
Land and Building	1,670	720
Plant and Machinery	440	289
(b) Long-term Investment (6,00,000 Shares in S Ltd.)	980	—
(2) Current Assets	760	571
<b>Total</b>	<b>3,850</b>	<b>1,580</b>

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H Ltd. acquired the shares in S Ltd. on 31st March, 2017. On that date General Reserve and Profits of S Ltd. stood at ₹ 150 Lakh and ₹ 120 Lakh respectively. Land and Building (Book Value ₹ 800 Lakh) and Plant and Machinery (Book Value ₹ 340 Lakh) of S Ltd. were revalued at ₹ 980 Lakh and ₹ 310 Lakh respectively, book value of remaining assets were unchanged.

You are required to prepare Consolidated Balance Sheet by ignoring Note to Accounts.

(7 marks)

**PART-B**

5. (a) What are the objectives of Management Information system review ?  
 (b) Which companies are excluded from CARO 2015 ?  
 (c) Explain the main points that should be considered by auditor in verification of Assets and Liabilities.

(5 marks each)

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

6. (a) What is the procedure of issuing auditing standards ?  
 (b) What do you mean by propriety audit ? What main aspects to be verified by auditor under this audit ?  
 (c) Though internal controls may be well designed, yet certain limitations are inherent in all internal control system. What are included in these limitations ?

(5 marks each)

**OR (Alternative question to Q. No. 6)**

- 6A. (i) What are the duties of auditor if he notices fraud during the course of audit ?  
 (ii) Explain commonly used methods to be used by auditor in selection of audit sample.  
 (iii) What are the objectives of review of Manufacturing operations ?

(5 marks each)

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