325

***Roll No.* ....**

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

Total number of questions : 6 ***Total number of printed pages : 10***

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

2. All working notes should be shown distinctly.

PART–A

1. (*a*) What are the disclosure requirements with regard to "Related Party Disclosures"–(AS–18) ?

(*5 marks*)

(*b*) From the following information, calculate the value of goodwill by–(*i*) 3 years' purchase of actual average profit; and (*ii*) 10 years' purchase of superprofit :

– Average capital employed ₹ 21,00,000.

– Net trading profits of past four years : ₹ 3,40,000; ₹ 3,75,000; ₹ 4,00,000 and ₹ 4,60,000.

– Normal rate of return of similar type of business is 15%.

– Net profit of last two years includes the income from non-trading investments ₹ 15,000 per annum.

– The fair remuneration of the owner is ₹ 75,000 per annum.

(*5 marks*)

(*c*) Anjali Ltd. issued 12,000, 13% debentures of ₹ 100 each at a discount of 6% on 1st July, 2017. The debentures are repayable in three equal instalments of ₹ 4,00,000 each on the 30th June every year. Books of accounts of the company are closed on 31st March every year.

You are required to show the Discount on Issue of Debentures Account over the period.

(*5 marks*)

(*d*) S Ltd. issed 5,000, 14% debentures of ₹ 100 each on 1st April, 2016 at a discount of 5% repayable at a premium of 10% after 5 years out of the profits of the company. On 1st April, 2021, balance in the Debenture Redemption Reserve Account stood at ₹ 1,70,000.

You are required to give journal entries in the books of the company both at the time of issue and redemption of debentures.

(*5 marks*)

(*e*) Distinguish between amalgamation in the nature of merger and amalgamation in the nature of purchase.

(*5 marks*)

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

2. (*a*) What do you understand by Economic Value Added ? Explain the corrective action to improve Economic Value Added.

(*3 marks*)

(*b*) Veena Ltd. forfeited 300 equity shares of ₹ 100 each ₹ 80 per share (including premium) being called up, which were issued at a premium of 10%. Shareholder of 300 shares had paid only ₹ 50 per share (including premium). Out of these forfeited shares 200 shares were subsequently re-issued by the company at ₹ 80 called-up for ₹ 50 per share.
Give necessary Journal Entries with regard to forfeiture and re-issue of shares.

(*3 marks*)

(*c*) What do you mean by Capital Redamption Reserve ? How it can be utilised as per Companies Act, 2013 and presentation in financial statements ?

(*3 marks*)

(*d*) On 1st July, 2020 a company purchased its own 1,000 9% Debentures of ₹ 100 each for ₹ 88,360. You are required to give necessary Journal Entries if :

(*i*) These 9% debentures are cancelled immediately.

(*ii*) These 9% debentures, purchased by the company, are kept as investment.

(*3 marks*)

(*e*) What are the main sources of issue fully paid-up bonus shares as per Companies Act, 2013 ?

(*3 marks*)

OR (Alternative question to Q. No. 2)

2A. (*i*) Ankit Ltd. having three whole-time directors in the Board, the others being part time directors, earned profit year ending March 31, 2021 was ₹ 13,50,000 after taking into consideration the following :

Particulars	₹
Depreciation provided in the books	5,00,000
Depreciation allowable under Schedule II of Companies Act, 2013	4,00,000
Provision for Income-Tax	1,30,000
Directors fees	15,000
Subsidy from Government	4,20,000

Calculate the maximum remuneration payable to the whole-time directors assuming that the remuneration payable to the whole-time directors is to be calculated on net profit remaining after payment of remuneration to part-time directors and that the remuneration to part-time directors is to be calculated on the net profit remaining after payment of remuneration to whole-time directors.

(*5 marks*)

(*ii*) Aarvi Ltd. 20,000 shares which were underwritten as follows :

X : 12,000 shares; Y : 5,000 shares and Z : 3,000 shares. The underwriters made applications for firm underwriting as under :

X : 1,600 shares; Y : 600 shares and Z : 2,000 shares. The total subscription excluding firm underwriting (including marked applications) were 10,000 shares.

The marked applications were X : 2,000 shares; Y : 4,000 shares and Z : 1,000 shares.

Prepare a statement showing the net liability of underwriters.

(*5 marks*)

(*iii*) Shiva Ltd. purchased 4,000 equity shares of Chandu Ltd. on 1st October, 2018. From the following information of Chandu Ltd., calculate minority shareholder's interest :

	31st March, 2018 ₹	**31st March, 2019** ₹
5,000 equity shares of ₹ 100 each	5,00,000	5,00,000
General Reserve	20,000	20,000
Profit and Loss A/c	5,000	35,000
Discount on issue of Debentures	10,000	10,000

On 1st April, 2018 Land & Building and Plant & Machinery of Chandu Ltd. were ₹ 2,00,000 and ₹ 5,00,000 respectively. On the date of acquisition Shiva Ltd. revalued Land & Building at ₹ 2,20,000 and Plant & Machinery at ₹ 4,55,000.

(*5 marks*)

3. (*a*) A Company was incorporated on 1st August, 2018 to acquire the business of Shri Kumar from 1st April, 2018. The accounts for the year ended 31st March, 2019 disclosed the following :

(*i*) There was a gross profit ₹ 2,40,000.

(*ii*) Total sales for the year ending 31st March, 2019 were ₹ 9,03,180 and sales for April to July, 2018 were ₹ 3,76,325.

(*iii*) The expenses debited to Profit and Loss account included Directors fees ₹ 15,000, Bad debts ₹ 1,550, Advertising ₹ 12,000, Salaries and General expenses ₹ 36,000, Formation expenses ₹ 5,000, Donation to a political party given by the company ₹ 8,000.

(*iv*) Bad debts ₹ 350 related to sales effected after 1st September, 2018.

Prepare a statement showing the amount of Profit prior to and post incorporation.

(*5 marks*)

(*b*) Raj Ltd. went into voluntary liquidation on 10th May, 2019. Certain creditors could not receive payment out of realisation of assets and out of the contributions from the contributories of the 'A' list. The following details of share transfers are made available to you :

Shareholders	**No. of shares transferred**	**Date of transfer**	**Proportionate unpaid debts (Creditors) (₹)**
P	2,000	20th April, 2018	6,000
Q	2,400	15th May, 2018	10,000
R	3,000	18th September, 2018	18,400
S	1,600	24th December, 2018	21,000
T	1,000	12th March, 2019	22,000

All the shares were ₹ 10 each, ₹ 6 paid-up.

You are to determine the amount realisable from various persons listed above.

(*5 marks*)

(*c*) Beta Ltd. had issued 10,000 Redeemable Preference Shares of ₹ 100 each fully called, due for redemption at a premium of 10%. The following balances appeared in the books of the company :

	₹
Redeemable Preference Share Capital	10,00,000
Call in Arrears (Redeemable Preference Shares)	20,000
General Reserve	6,00,000
Securities Premium	80,000
Foreign Project Reserve	4,00,000

It is ascertained that :

Calls–in–arrears are on account of final call on 1,000 shares held by four members whose whereabout are not known. ₹ 1,00,000 of the Foreign Project Reserve is free for distribution as dividends. Balance of General Reserve and Securities Premium is to be utilized for the purpose of redemption and the shortfall is to be made by issue of Equity Shares of ₹ 10 each at par. The redemption of preference shares is duly carried out. You are required to give necessary journal entries.

(*5 marks*)

4. (*a*) The following Balance Sheets of Moon Ltd. and Star Ltd. as at 31st March, 2019 are supplied :

Particulars	Moon Ltd. (₹)	Star Ltd. (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders' Funds		
(*a*) Share Capital		
Equity shares of ₹ 100 each	5,00,000	2,00,000
(*b*) Reserves and Surplus		
General Reserve	1,00,000	–
Statement of Profit & Loss	80,000	(1,00,000)
(2) Non-current Liabilities		
6% Debentures	–	1,00,000
(3) Current Liabilities		
Creditors	75,000	45,000
Total	7,55,000	2,45,000
II. ASSETS		
(1) Non-Currents Assets		
(*a*) Tangible Fixed Assets		
Fixed Assets	3,50,000	1,50,000
(*b*) Non-current Investments		
6% Debentures in Star Ltd. (Acquired at Par)	60,000	—
1,500 Equity shares in Star Ltd. (at cost)	1,20,000	–
(2) Currents Assets		
Stock	90,000	40,000
Debtors	60,000	30,000
Cash at Bank	75,000	25,000
Total	7,55,000	2,45,000

Additional information :

(*i*) Moon Ltd. acquired 1,500 equity shares in Star Ltd. on 1st August, 2018.

(*ii*) The statement of Profit and Loss of Star Ltd. showed a debit of ₹ 1,50,000 on 1st April, 2018.

(*iii*) On 3rd June, 2018 goods of Star Ltd. costing ₹ 6,000 were destroyed by fire against which insurers paid ₹ 2,000.

(*iv*) Creditors of Star Ltd. on 31st March, 2019 indude ₹ 20,000 for goods supplied by Moon Ltd. on which the later company made profit of ₹ 2,000. One-half of these goods were still in its stock on 31st March, 2019.

Prepare the consolidated Balance Sheet as at 31st March, 2019 in the books of Moon Ltd. Show your working clearly.

(*8 marks*)

(*b*) The Balance Sheet of Nangu Ltd. as at 31st March, 2021 is as follows :

Balance Sheet of Nangu Ltd. as at 31st March, 2021

Particulars	**(₹)**
I. EQUITY AND LIABILITIES	
(1) Shareholders' Funds	
(*a*) Share Capital	
Equity shares of ₹ 100 each	2,00,000
(*b*) Reserves and Surplus	
Statement of Profit and Loss (Debit)	(97,000)
(2) Non-Current Liabilities	
6% Debentures	1,00,000
(3) Current Liabilities	
Trade creditors	50,000
Accrued Interest on Debentures	12,000
Total	2,65,000

II. ASSETS	
(1) Non-Current Assets	
(a) Tangible Fixed Assets	
Plant and Machinery	2,00,000
(2) Current Assets	
Stock–in–trade	50,000
Debtors	10,000
Cash at Bank	5,000
Total	2,65,000

The following scheme of re-construction was approved by the court :

– The shares were sub-divided into shares of ₹ 5 each and 90% of shares were surrendered.

– The total claim of debentureholders were reduced to ₹ 49,000 and in consideration of this they were also allotted out of the surrendered shares amounting to ₹ 25,000.

– The creditors agreed to reduce their claim to ₹ 20,000, 1/3 of (reduction) which was satisfied by issue of equity shares out of these surrendered shares.

– The shares surrendered but not re-issued were cancelled.

– Bad-debts to the extent of 10% of the total debtors would be provided for.

– The balance of Capital Reduction Account is to be applied for writing-off the losses and the balance if any is to be used in writing down the amount of Plant & Machinery and stock-in-trade proportionately.

You are required to give the necessary Journal Entries and draft the Balance Sheet of Nangu Ltd. after reconstruction.

(*7 marks*)

PART–B

5. (*a*) Explain the different techniques used in review of internal control system.

(*b*) What do you mean by verification of assets ? Explain the techniques of verification.

(*c*) "Audit is essential whether it is a sole trader's business or a partnership or a limited company or government corporation." Analyse the statement in the light of advantages of an independent audit.

(*5 marks each*)

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

6. (*a*) As per Section 138 of Companies Act, 2013 explain internal audit and also state the class of Companies shall be required to appoint an internal auditor.

(*b*) What are the points considered while reviewing the quality management system of a manufacturing organisation ?

(*c*) What are the objectives of efficiency audit ? Explain the advantages of efficiency audit.

(*5 marks each*)

OR (Alternative question to Q. No. 6)

6A. (*i*) What are the factors to be considered while determining sample size in audit sampling ?

(*ii*) Describe the objectives of review of sales and distribution policies and programs.

(*iii*) How does the compliance audit carry out ? Explain its stepwise approach.

(*5 marks each*)

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