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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 should be shown distinctly.

PART–A

1. (*a*) How will you present 'Trade Receivables' by way of note in Schedule III of Companies Act, 2013 ?

(*b*) What are the advantages of "Economic Value Added Analysis" ?

(*c*) Differentiate between "Bonus Issue" and "Right Issue" to existing shareholders ?

(*d*) What are the objectives of Accounting Standards Board ?

(*e*) The following balances appeared in the books of R Ltd. on April 1, 2017 :

(1) 12% Debentures ₹ 8,00,000.

(2) Sinking fund ₹ 7,00,000.

(3) Sinking fund investment ₹ 7,00,000 represented by 10% ₹ 7,50,000 secured bonds of Government of India.

Annual contribution to the sinking fund was ₹ 1,20,000 made on 31st March each year. On 31st March, 2018, balance at bank was ₹ 3,50,000 before receipt of interest. The company sold investments at 90% for redemption of debentures at a premium of 10% on the above date.

You are required to prepare the following accounts for the year ended 31st March, 2018 :

(*i*) Sinking Fund Account

(*ii*) Sinking Fund Investment Account

(*iii*) Bank Account.

(*5 marks each*)

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

2. (*a*) Profit of S Ltd. before remuneration of Managing Director was ₹ 20,10,000 for the year ended on 31st March, 2018. The said profit has been calculated considering the following figures :

	₹
Capital Expenditure	8,25,000
Depreciation as per section 123 read with schedule II of Companies Act, 2013	70,000
Bonus to technicians	3,15,000
Compensation paid to workman	70,000
Loss on sale of fixed assets	70,000
Subsidy from Government	4,20,000
Multiple shift allowance	1,05,000
Provision for taxation	28,00,000
Ex-gratia payment to an employee	35,000
Profit on sale of building	2,10,000

Determine the maximum remuneration payable to Managing Director of S Ltd. from the above information.

(*3 marks*)

(*b*) The following information provided by Peeru Ltd. for the year ending 31st March, 2018 :

	₹
Closing Inventories of Materials	40,00,000
Closing Work-in-progress	20,00,000
Closing Inventory of Finished Goods	50,00,000
Sundry Debtors	80,00,000
Provision for bad and doubtful debts	8,00,000
Bills Receivables	20,00,000
Loose and Tools	10,00,000
Stores and Spares	5,00,000
Prepaid Expenses	4,00,000

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*)

(*c*) Mithu Ltd. forfeited 1,000 equity shares of ₹ 10 each, which were originally issued at a premium of 20 percent to Guna. On these shares ₹ 9 per share called up (other than premium). Guna failed to pay allotment money ₹ 5 (including premium) and also the first call of ₹ 2 per share. Out of these forfeited shares 700 shares were re-issued to Naku as fully paid-up for ₹ 8 per share. Give journal entries for forfeiture and re-issue of shares.

(*3 marks*)

(*d*) What is "Internal Reconstruction" ? State the methods of internal reconstruction.

(*3 marks*)

(*e*) Distinguish between liability and provision.

(*3 marks*)

OR (Alternative question to Q. No. 2)

2A. (*i*) A Ltd. holds 75% shares in its subsidiary B Ltd. From the following information calculate minority interest at the end of each year :

- Share capital of B Ltd. was ₹ 10,00,000 (₹ 10 each share) and reserves ₹ 2,00,000 on the date of acquisition on 31st March, 2014.
- Fully paid bonus shares were issued by B Ltd. on 31st March, 2015 in the ratio of 2 bonus shares for every 5 shares held.
- Profit and Loss of B Ltd. for the various years are as follows :
  31st March, 2015 : ₹ 3,00,000
  31st March, 2016 : ₹ (1,00,000) Loss
  31st March, 2017 : ₹ 2,00,000
  31st March, 2018 : ₹ 2,50,000 (including profit of ₹ 50,000 on revaluation of assets)

(*5 marks*)

(*ii*) On 1st July, 2017 a company issued 50,000, 9% debentures of ₹ 100 each at a discount of 10%. The debentures were redeemable by five annual drawings of ₹ 10,00,000 on 31st March each year. Calculate the amount of discount on debentures to be written off at the end of the each year on 31st March.

(*5 marks*)

(*iii*) The final accounts of P Ltd. as on 31st March, 2018 revealed the following significant information :

— Share Capital (Fully paid up)

Equity share capital — 1,00,000 shares of ₹ 10 each

12% Preference share capital — 20,000 shares of ₹ 50 each

— Reserves and surplus — ₹ 1,50,000

— Preliminary Expenses — ₹ 30,000

— The valuation of assets revealed that the assets as per accounts are undervalued by ₹ 2,50,000.

— The average pre-tax profits of past three years was ₹ 5,00,000. Tax applicable to company is 30%.

— It is anticipated that due to favourable market condition, pre-tax profit will increase by 20%.

— Equity shareholders expect a return at 15%.

You are required to calculate fair value of equity share of P Limited.

(*5 marks*)

3. (*a*) Chandu Ltd. has issued 1,00,000 redeemable preference shares of ₹ 100 each, on which fully amount was called, are due for redemption at a premium of 20 percent. The following balances are appearing in the books of the company :

	₹
9% Redeemable Preference Shares of ₹ 100 each	1,00,00,000
Calls-in-Arrears (on above Red. Preference Shares)	2,00,000
General Reserve	60,00,000
Securities Premium	18,00,000
Development Rebate Reserve	40,00,000

It is ascertained that calls-in-arrears are on account of final call on 10,000 shares held by four members whose whereabout could not be known. ₹ 10,00,000 of the Development Rebate Reserve is free for distribution as dividend. Balance of General Reserve and Securities Premium are to be utilised for the purpose of redemption and the shortfall, if any, is to be made good by issue of equity shares of ₹ 10 each at 25% premium. The redemption of preference shares was duly carried out. You are required to give the necessary journal entries in the books of the company.

(*5 marks*)

(*b*) Prakash Processors Ltd. went into voluntary liquidation on 31st December, 2016 when the following Balance Sheet was prepared :

	Amount ₹
I. Equity & Liabilities	
(1) **Shareholders' Funds :**	
(*a*) **Share Capital :**	
4,000, 12.5% cumulative preference shares of ₹ 100 each, fully paid	4,00,000
2,500 equity shares of ₹ 100 each, ₹ 75 paid	1,87,500
7,500 equity shares of ₹ 100 each, ₹ 60 paid	4,50,000
(*b*) **Reserves & Surplus** (P/L A/c Dr. Balance)	(2,81,250)
(2) **Non-current Liabilities :**	
15% Debentures secured by a floating charge	2,50,000
Interest outstanding on Debentures	37,500

(3) **Current Liabilities :**		
Trade Payables		4,18,750
	Total	14,62,500
II. Assets		
(1) **Non-Current Assets :**		
(*a*) **Tangible Fixed Assets :**		
Land and Building		2,50,000
Machinery and Plant		6,25,000
(*b*) **Intangible Fixed Assets :**		
Patents		1,00,000
(2) **Current Assets :**		
Stock		1,37,500
Trade receivables		2,75,000
Cash at Bank		75,000
	Total	14,62,500

Preference Shares dividend were in arrears for 2 years and the Trade Payable included preferential creditors of ₹ 38,000.

The assets realized as follows :

Land and Building ₹ 3,00,000; Machinery and Plant ₹ 5,00,000; Patents ₹ 75,000; Stock ₹ 1,50,000; Trade receivables ₹ 2,00,000.

The expenses of liquidation amounted to ₹ 27,250. The liquidator is entitled to a commission of 3% on assets realised except cash. Assuming the final payments including those of debentures is made on 30th June, 2017, prepare the Liquidator's Statement of Account.

(*5 marks*)

(*c*) Choti Ltd. is absorbed by Moti Ltd. The following are the Balance Sheets of both the companies as on 31st March, 2018 :

	Choti Ltd.		Moti Ltd.	
	₹	₹	₹	₹
I. EQUITY & LIABILITIES				
(1) Shareholders' Funds				
(*a*) Share Capital :				
Equity Share Capital of ₹ 100 each, fully paid up		5,00,000		50,00,000
(*b*) Reserves & Surplus :				
General Reserve	9,50,000		19,00,000	
Statement of Profit & Loss	2,00,000	11,50,000	5,00,000	24,00,000
(2) Current Liabilities :				
Sundry Creditors		2,00,000		1,80,000
TOTAL		**18,50,000**		**75,80,000**
II. ASSETS				
(1) Non-Current Assets :				
Tangible Assets		10,00,000		50,00,000
(2) Current Assets		8,50,000		25,80,000
TOTAL		**18,50,000**		**75,80,000**

It was mutually decided by companies that holder of every three shares of Choti Ltd. will be given six shares of Moti Ltd. plus as much cash as is necessary to adjust the rights of shareholders of both the companies, in accordance with the intrinsic value of shares as per respective balance sheets. Calculate amount of purchase consideration and show, how it will be discharged.

(*5 marks*)

4. (*a*) Strong Ltd. acquired 32,00,000 equity shares of Weak Ltd. on 31st March, 2018. Following are the Balance Sheets of both the companies as on that date :

	Strong Ltd. (₹ in lakh)	**Weak Ltd.** (₹ in lakh)
I. EQUITY & LIABILITIES		
(1) Shareholders' Funds :		
(*a*) Share Capital :		
Equity Shares of ₹ 10 each	1,000	400
(*b*) Reserves & Surplus :		
General Reserve	480	340
Statement of Profit & Loss	114.40	72
(2) Non-Current Liabilities :		
Bank Loan	160	—
(3) Current Liabilities :		
Bills Payable (including ₹ 8 lakh to Strong Limited)	—	16.80
Sundry Creditors	94.40	18
Total	**1848.80**	**846.80**

II.	**ASSETS**		
	(1) Non-Current Assets :		
	(*a*) Tangible Fixed Assets :		
	Land & Building	300	360
	Plant & Machinery	480	318.80
	(*b*) Non-Current Investments :		
	Investment in shares of Weak Ltd.	680	—
	(2) Current Assets :		
	Stock	240	72
	Sundry Debtors	88	80
	Bills Receivable (including ₹ 6 lakh from Weak Ltd.)	31.60	—
	Cash and Cash Equivalents	29.20	16
	Total	**1848.80**	**846.80**

You are supplied the following additional information :

(*i*) Weak Ltd. made a bonus issue on 31st March, 2018 (after above Balance Sheet) of one equity share for every four shares held by its shareholders.

(*ii*) The directors of both companies, have decided to revalue the Land and Building and Plant and Machinery of Weak Ltd. at ₹ 400 lakh and ₹ 298.80 lakh respectively.

(*iii*) Sundry creditors of Strong Ltd. are included ₹ 24 lakh due from Weak Ltd.

Prepare the consolidated Balance Sheet as at 31st March, 2018 in the books of Strong Ltd. Show your working clearly.

(*8 marks*)

(*b*) The following is the Balance Sheet of AB Ltd. as on 31st March, 2018 :

Particulars		Amount ₹
I. EQUITY & LIABILITIES		
(1) **Shareholders' Funds :**		
(*a*) **Share Capital :**		
1,500, 8% pref. shares of ₹ 100 each		1,50,000
4,000 equity shares of ₹ 100 each		4,00,000
(*b*) **Reserves & Surplus :**		
General reserve		50,000
(2) **Non-current Liabilities :**		
8% Debentures		1,50,000
Interest accrued		8,000
(3) **Current Liabilities :**		
Trade Payables		2,20,000
	Total	9,78,000
II. ASSETS		
(1) **Non-Current Assets :**		
(*a*) **Tangible Assets :**		
Plant	2,25,000	
Less : Depreciation	35,000	1,90,000
Machinery	4,50,000	
Less : Depreciation	70,000	3,80,000

(*b*) **Intangible Assets :**	
Computer Software	1,17,000
Patents	1,22,000
(2) **Current Assets :**	
Inventories	20,000
Trade Receivables	31,200
Cash & cash-equivalents	85,800
(3) **Other Current Assets :**	
Unamortised Preliminary expenses	32,000
Total	9,78,000

It was decided to reconstruct the company on the basis of the following scheme :

(*i*) Equity shares to be reduced by ₹ 90 each.

(*ii*) Preference shares to be reduced by ₹ 10 each.

(*iii*) The Debenture holders to waive their outstanding interest.

(*iv*) One equity share, ₹ 10 fully paid will be issued for every ₹ 40 of preference share dividend, which was in arrear for last two years.

(*v*) General Reserve and all intangible and fictitious assets to be written off.

(*vi*) Two Non-current tangible assets to be reduced proportionally by the balance available.

Give journal entries to show the above scheme of Capital Reduction.

(*7 marks*)

PART–B

5. (*a*) What are the reporting requirements of fraud detected while performing duties as auditor under section 143(12) of Companies Act, 2013 ?

(*b*) What are the advantages of "Efficiency Audit" ?

(*c*) "Test checking reduce the volume of the work considerably but not reduce the liability of the auditor." Explain and write the advantages and disadvantages of test checking.

(*5 marks each*)

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

6. (*a*) Explain the need of audit sampling in an audit of financial statements.

(*b*) The form and contents of audit documentation depends upon certain factors. Discuss.

(*c*) Explain objectives of "Internal Control System".

(*5 marks each*)

OR (Alternative question to Q. No. 6)

6A. (*i*) "Internal audit has become an important tool in modern time." Why ?

(*ii*) Explain the term "Segregation of Duties" in the context of Purchase Control Review.

(*iii*) Write a short note on tolerable error.

(*5 marks each*)

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