

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.
 3. Name of the company is used only for illustration purpose.

PART-I

1. Explain the following :
 - (a) Parameters those are to be kept in mind during the time of raising and drafting the Audit queries.
 - (b) State the advantages of subdivision of Ledger.
 - (c) Features of International Financial Reporting Standards.

(5 marks each)

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

2. (a) During the course of the meeting of Board of directors' of Yana Ltd., it has been decided to forfeit the 500 shares held by Aasha on account of non-payment of the call amount of ₹ 4 per share. It has been informed that the face value and the called up value per share is ₹ 10. Based on the resolution passed in the meeting of Board of directors, shares of Aasha have been forfeited. In turn, 300 forfeited shares are reissued at the rate of ₹ 9 per share. You are required to pass the journal entries in the books of Yana Ltd.

(3 marks)

: 2 :

- (b) Aarvi Ltd. has availed a loan of ₹ 150 lakh from Bank of India and issued to the Bank of India as collateral security – 2,50,000 debentures bearing interest rate of 9%, and of the face value of ₹ 100 each.

From the above information, you are required to :

- (1) Pass the necessary journal entries in the books of Aarvi Ltd.; and
- (2) Show the presentation of the position in the Aarvi Ltd.'s Balance Sheet, as per Schedule III of the Companies Act, 2013.

(3 marks)

- (c) What are the salient features of Ind AS-103 on “Business Combination” ?

(3 marks)

- (d) Elaborate the guidelines provided by SEBI with respect to creation of Debenture Redemption Reserve.

(3 marks)

- (e) The following information is extracted from the Balance Sheet of Chika Ltd. as at 31st March, 2019 :

Name of Account	Amount (₹ in lakh)
Term Loans	250
Capital Redemption Reserve	210
Unpaid Dividends	21
Securities Premium Reserve	115
Deferred Tax Liabilities	65
Interest Received in Advance	10
Statement of Profit and Loss (Debit)	118
Loans repayable on demand	32
9% Debentures	400

: 3 :

You are required to make the presentation of above information in the Relevant notes to the accounts for the year ended as at 31st March, 2019 as per Schedule III of the Companies Act, 2013. The Relevant notes should be related to :

- (1) Reserves and surplus
- (2) Non-current liabilities, and
- (3) Current liabilities.

(3 marks)

OR (Alternate question to Q. No. 2)

- 2A.** (i) The following balances were shown in the Balance Sheet of Geeta Ltd. as at 31st March, 2019 :

Particulars	Amount (₹ in lakh)
500 lakh Equity Shares of ₹ 10 each fully paid up	5,000
50 lakh, 8% Preference Shares of ₹ 10 each ₹ 8 paid up	400
Capital Reserve	1,950
General Reserve	2,500
Securities Premium Reserve	4,000
Surplus	210
12% Debentures	1,800
Non-Current Investments at cost	3,200
Cash and Bank	2,800

: 4 :

Additional Information :

- (1) The company passed a resolution in the Board of directors' meeting, to buy-back 20% of its equity share capital at ₹ 45 per share. For this purpose, it sold its investments of ₹ 2,200 lakh for ₹ 2,500 lakh.
- (2) Included in its investments were "Investments in own debentures" costing ₹ 150 lakh (face value ₹ 180 lakh). These debentures were cancelled as per Board of directors' meeting's resolution.

You are required to pass necessary journal entries in the books of Geeta Ltd.

(5 marks)

- (ii) From the following information, work out the Economic Value Added by Vije Ltd. :

Particulars	Amount (₹ in lakh)
Shareholders' Fund	4,200
Long-term Debt	1,800
Trade Payables	750
Net Operating Profit before Interest and Tax	2,150

The average rate of return expected by shareholders' from similar types of companies is 20%. Risk free rate is 10%, and corporate tax rate applicable for Vije Ltd. is 30%.

(5 marks)

: 5 :

- (iii) Beta Ltd. is a subsidiary of Alpha Ltd. The following is the Balance Sheet of Beta Limited as at 31st March, 2019 :

Particulars	Amount (₹ in lakh)
<i>EQUITY AND LIABILITIES</i>	
1. Shareholders' Funds	
(a) Share Capital : Equity Shares of ₹ 10 each	300
(b) Reserves and Surplus (Statement of Profit and Loss)	250
2. Non-current Liabilities : 8% Debentures	200
3. Current Liabilities	160
<i>Total Equity and Liabilities</i>	<i>910</i>
<i>Assets</i>	
1. Non-current Assets :	
Tangible Assets :	
Land and Building	270
Plant and Machinery	350
2. Current Assets	290
<i>Total Assets</i>	<i>910</i>

On 1st April, 2018, Alpha Ltd. acquired 24 lakh equity shares of Beta Ltd. at a cost of ₹ 460 lakh. On that date, Statement of Profit and Loss of Beta Ltd. showed a credit balance of ₹ 180 lakh and Land & Building was revalued by Alpha Ltd., at 20% above book value of ₹ 300 lakh (but no such adjustments are shown in the books of Beta Ltd.).

You are required to calculate :

- (1) Cost of Control, and
- (2) Minority Interest.

(5 marks)

3. (a) Aman Ltd. issued to the public 16,000, 10% Debentures of ₹ 100 each at a discount of 2%. The amount payable by applicants is as ₹ 50 per debenture along with application and balance amount at the time of allotment. The issue was fully underwritten by Gama Ltd. for commission at the rate of 1% of nominal value of the debentures underwritten. The whole of the issue was subscribed by the members of the public at large. The company paid underwriting commission in the form of 10% Debentures of ₹ 100 each.

Pass the necessary journal entries in the books of Aman Ltd. for the above mentioned transactions.

(5 marks)

- (b) Following balances are provided by Nakul Ltd. for the year ended on 31st March, 2018 and on 31st March, 2019 :

Particulars	Amount (₹ in lakh)	
	31 st March, 2018	31 st March, 2019
Equity Share Capital	500	560
General Reserves	310	365
Surplus	165	222
8% Debentures	350	200
Goodwill	60	47
Land & Building	430	387
Plant & Machinery	300	330
Investment (Trading)	48	53
Trade Payables	105	122
Provision for tax	78	98
Outstanding Expenses	18	13
Inventories	165	153
Trade Receivables	171	206
Cash at Bank	52	63
Prepaid Expenses	7	5

: 7 :

Additional Information :

- (1) During the year, an old machine costing ₹ 45 lakh was sold for ₹ 21 lakh. It's written down value was ₹ 29 lakh.
- (2) Depreciation charged on plant and machinery @ 15% on the opening balance.
- (3) There were no purchases or sales of land and building during the year.
- (4) Provision for tax made during the year was ₹ 96 lakh.
- (5) During the year, premium on redemption of debentures was written-off as ₹ 15 lakh.

From the above mentioned information, you are required to prepare a Statement showing the Net Cash Flow from the Operating Activities.

(5 marks)

- (c) What are the responsibilities of the Trustees of the International Financial Reporting Standards (IFRS) Foundation ?

(5 marks)

4. (a) From the following Balance Sheets of Viva Ltd. and Jiyu Ltd., prepare the Consolidated Balance Sheet in the books of Viva Ltd. Viva Ltd. acquired the shares of Jiyu Ltd. as on 1st October, 2018.

Balance Sheet as at 31st March, 2019 :

Particulars	Amount (₹)	
	Viva Ltd.	Jiyu Ltd.
Share Capital	30,00,000	6,00,000
General Reserve	4,00,000	—
Profit and Loss account	6,00,000	2,10,000
Sundry creditors	5,00,000	1,90,000
Land and Building	24,00,000	4,00,000
Plant and Machinery	4,00,000	4,00,000
Current Assets	11,60,000	2,00,000
Investments (5,400 shares of ₹ 100 each of Jiyu Ltd.)	5,40,000	—

The profit and loss account of Jiyu Ltd. had a credit balance of ₹ 90,000 on 1st April, 2018.

(8 marks)

: 8 :

- (b) Prepare a Value Added Statement for the year ended on 31st March, 2019 and also Reconciliation of Total value added with Profit before Taxes, from the Profit and Loss Statement of Fungi Ltd. :

Particulars	Amount (₹ in '000)	
Income :		
Sales	24,400	
Other Income	<u>508</u>	24,908
Expenditure :		
Operating cost	21,250	
GST	1,110	
Interest on Bank Overdraft	75	
Interest on 9% Debentures	<u>1,200</u>	<u>23,635</u>
Profit before Depreciation		1,273
Depreciation		<u>405</u>
Profit before Tax		868
Provision for tax		<u>320</u>
Profit after Tax		548
Proposed dividend		<u>48</u>
Retained profit		500

The following additional information is provided to you :

- (1) Sales represent net sales after adjusting discounts and returns.
- (2) Operating cost includes ₹ 82,50,000 as wages, salaries and other benefits to the employees.
- (3) Bank overdraft is for the temporary period only.

(7 marks)

: 9 :

PART-II

5. (a) Following data are provided by Mahi Ltd. :

Particulars	Product-Kau (₹)	Product-Vau (₹)
Direct material @ ₹ 25 per kg.	250	200
Direct labour @ ₹ 48 per hour	240	168
Selling Price	900	667
Variable overheads charged @ ₹ 30 per hour		

Raka, Managing Director, would like to decide which product to manufacture in the following circumstances :

(1) If the monsoon is not up to the mark, in such circumstances the scarcity of raw material is expected for both products.

(2) On account of e-marketing the sales volume may be a constraint.

You are required to assist him in decision making, by considering both the situations in isolation.

- (b) What are the disclosure requirements as per Ind AS 102 ?
- (c) From the following information, you are required to calculate the Value per Equity Share as on 1st April, 2020 of Udhami Limited :
- 50,00,000 Equity Shares of ₹ 10 each fully paid-up.
 20,00,000 Equity Shares of ₹ 10 each, ₹ 6 paid-up
 1,50,000, 9% Debentures of ₹ 100 each.
 Expected profit (before interest and tax) for the year ended on 31st March, 2020 : ₹ 228 lakh.
 Expected rate of corporate tax : 31.20%
 Normal rate of return on equity shares in the industry, to which the company belongs to is 15%.
- (d) Explain the applicability of Cost Audit as per Rule 4 of the Companies Act, 2013.

(5 marks each)

: 10 :

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

6. (a) The following details are provided by Trupti Engineering Ltd. with respect to their product, named as Prima :

Level of activity (Units)	1,000	2,000
Cost per unit (₹)		
Direct materials	4.00	4.00
Direct labour	3.00	3.00
Production overheads	3.50	2.50
Selling overheads	1.00	0.50
Total	11.50	10.00

You are required to compute the total fixed cost of Trupti Engineering Ltd. and also variable cost per unit of the product Prima.

(5 marks)

- (b) Explain the components of the total risk of a security. Provide necessary examples for each component of risks.

(5 marks)

- (c) What do you understand by Shareholder Value Added (SVA) ? What are the benefits of adopting SVA ?

(5 marks)

- (d) You have applied for the position of Assistant Company Secretary in Sashvati Ltd. As part of the pre-interview scanning, the following information has been provided to you :

Sales	₹ 1,825 lakh
Net Worth to Sales	90%
Current Liabilities to Net Worth	20%
Total Debt to Net Worth	50%
Receivables average collection period	44 Days
Inventory Turnover (Based on Cost of Goods Sold)	4.839 Times
Number of days in a year	365
Ratio of inventory, receivables and cash & bank balance in current assets	3 : 2 : 1

Cash sales are 1/4th of credit sales

: 11 :

As part of scanning exercise, you are required to calculate and inform to the interviewer, following values :

- (1) Non-current debt (as per the Companies Act, 2013),
- (2) Receivables,
- (3) Current assets, and
- (4) Cost of goods sold.

(5 marks)

OR (Alternate question to Q. No. 6)

- 6A.** (i) Roma Ltd. has to choose one of the machines from two mutually exclusive machines. Two proposals are : Machine Rani and Machine Prince. The required amount of cash outlays for Machine Rani is ₹ 8,35,000; while for Machine Prince is ₹ 9,00,000. The current rate of yield on Government of India's bond is 7%, and the management is of the opinion to use the same as discount rate. The expected net cash inflows by deployment of both the machines are as under :

	Amount (₹)	
Year end	Machine Rani	Machine Prince
1	3,60,000	4,05,000
2	3,50,000	3,60,000
3	2,50,000	3,50,000

You have to advise the management with respect to selection of either Machine Rani or Machine Prince. The Present value interest factor for the year 1, 2 and 3 are 0.9346, 0.8734 and 0.8163 respectively, for 7% discount rate.

(5 marks)

- (ii) The following information is provided by Muni Ltd. :

Sales Budget for the year 1st April, 2019 to 31st March, 2020		
Quarter	Product-Pixel (units)	Product-Quita (units)
1 st Quarter	25,000	23,000
2 nd Quarter	30,000	25,000
3 rd Quarter	40,000	32,000
4 th Quarter	48,000	40,000

: 12 :

The additional information is provided with respect to inventory management as under :

- (1) Expected stock position as on 1st April, 2019 : Product Pixel and Quita as 25% and 80% of expected sales of 1st Quarter of the next financial year respectively.
- (2) Expected stock position at the end of 1st, 2nd and 3rd Quarter will be 25% of next Quarter's sales for both the products — Pixel and Quita.
- (3) Expected stock position as on 31st March, 2020 will be : Product Pixel — 28,000 units and Product Quita — 15,000 units.

You are required to prepare Quarter-wise Production Budget for the year 2019-20, for both the products separately.

(5 marks)

- (iii) What are the essential steps to be taken to have an effective management reporting system in the firm ?

(5 marks)

- (iv) Calculate the Weighted Average Cost of Capital of Makkhu Ltd. from the following information :

Particulars	Amount in ₹
4,00,000 Equity Shares of ₹ 10 each fully paid-up	40,00,000
80,000, 9% Preference Shares of ₹ 10 each fully paid-up	8,00,000
Retained Earnings	32,00,000
20,000, 8% Debentures of ₹ 100 each	20,00,000
Market price of Equity shares	45
Average Earning per share of last three years	9
Corporate Income tax rate applicable to Makkhu Ltd.	30%

Cost of Equity can be considered as Cost of Retained Earnings.

(5 marks)