

2014

DDE

M.Com. Part-II Examination

COMMERCE

PAPER—VII

Full Marks : 100

Time : 4 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Write the answer question of each Half in separate books

First Half

(Advanced Accounting)

[Marks. : 50]

Answer Q. No. 1 and any two from the rest.

1. From the following Balance Sheets and additional information, prepare the Consolidated Balance Sheet of the group as on 31.12.2013.

(Turn Over)

Balance Sheet of H. Ltd and S. Ltd.
as on 31.12.2013

Liabilities	H. Ltd. (Rs.)	S. Ltd. (Rs.)	Assets	H. Ltd. (Rs.)	S. Ltd. (Rs.)
Share Capital (Rs.10 each)	4,00,000	5,00,000	Investments Shares in S Ltd.	4,50,000	—
Profit & Loss A/c	1,60,000	1,00,000	Fixed Assets	—	3,00,000
Sundry Creditors	50,000	90,000	Cash	10,000	20,000
Bills Payable	10,000	15,000	Bills Receivable	10,000	8,000
			Other Assets	1,50,000	3,77,000
	6,20,000	7,05,000		6,20,000	7,05,000

Additional Information :

(i) Net Profit for 2013 (included above) :

H Ltd. Rs. 40,000., S Ltd. Rs. 80,000

In 2013, S Ltd. Credited Rs. 4,000 to Profit & Loss Account in settlement of a claim for loss of stock (Cost Rs. 5,000 included in the opening stock of the year) by fine on 31st March, 2013.

(ii) The following points were not considered in making of the accounts :

(a) Rs. 500 per month expenses was incurred by H Ltd. on behalf of S Ltd. It was by mistake debited to Profit & Loss Account of H Ltd. And nothing has been done in the accounts of S Ltd.

(b) Dividend Proposed for 2013 — 10%.

(iii) On 30th April, 2013, H Ltd. acquired 32,000 shares for Rs. 4,50,000. On the same day Bonus Shares @ one for every four held were received 10% dividend has also been received on the same day from S Ltd. The dividend has been credited to Profit & Loss Account. 20

Or

1. (a) Write the needs of Valuation of shares.

(b) The Balance Sheet of a Company on 31.03.2014 was as follows :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Paid Up Capital :		Goodwill	20,000
1000, 6% Pref. Shares of Rs. 100 each fully paid	1,00,000	Land & Building	1,00,000
2000 Equity Shares of Rs. 100 each fully paid	2,00,000	Machinery	2,00,000
3000 Equity Shares of Rs. 100 each Rs. 50 per share paid	1,50,000	Stock	2,50,000
Reserve	50,000	Debtors	50,000
Profit & Loss A/c	70,000	Cash at Bank	70,000
5% Debentures	10,000	Preliminary Expenses	10,000
Sundry Creditors	1,20,000		
	7,00,000		7,00,000

The revaluation of assets was as follows :

	Rs.
Land and Buildings	1,50,000
Machinery	1,80,000

Normal return on Capital employed for valuation of Goodwill is 10%. Average Profits for the last 3 years was Rs. 65,000. The basis of valuation of Goodwill is 3 years' purchase of Super-Profits. Preference Share Dividend was Rs. 6,000 in arrear which was included in Sundry

Creditors. Similar Companies are paying 12% Dividend on Equity Shares. In last three years the company had paid dividend @ 12%, 14% and 13% respectively. Find out the Fair values of each type of Equity Shares. Ignore Tax.

4+16

2. (a) Write any five motives of Merger and Takeover.

(b) The Balance Sheet of X Ltd. and Y Ltd. as at 31.12.2013 are given below :

Liabilities	X Ltd. (Rs.)	Y Ltd. (Rs.)	Assets	X Ltd. (Rs.)	Y Ltd. (Rs.)
Authorised and Issued Share Capital :			Premises	1,20,000	—
Equity Shares of Rs. 100 each	4,00,000	3,60,000	Goodwill	—	1,20,000
General Reserve	75,000	—	Sundry Debtors	80,000	1,60,000
Profit & Loss A/c	38,000	—	Stock in trade	3,00,000	90,000
Sundry Creditors	72,000	1,20,000	Bank	85,000	75,000
			Profit & Loss A/c	—	35,000
	5,85,000	4,80,000		5,85,000	4,80,000

A new company XY Ltd. was formed to take over the two businesses entirely on the following understanding :

(a) X Ltd. : Premises to be revalued at Rs. 1,50,000, Sundry Debtors taken over at 90% and Stock at Rs. 3,15,000.

(b) Y Ltd. : Goodwill to be taken over at Rs. 1,60,000, Debtors to be taken at Rs. 1,50,000 and Stock at Rs. 75,000.

It was decided that the capital of XY Ltd. would consist of both Preference and equity shares of the face value of Rs. 10 each. Preference Shares would be of the order of Rs. 4,00,000 and the balance would be in equity shares. Both companies would

be issued shares of both the types in equal number, except that the surplus capital of X Ltd. would be discharged fully in Preference Shares.

Indicate the number of Shares to be issued to each of the absorbed companies and also how the shares of XY Ltd. would be distributed to the shareholders of X Ltd. and Y Ltd.

5+10

3. (a) An electricity station had to be replaced by a new one. The new station cost Rs. 8,00,000, whereas the old one had cost only Rs. 2,00,000, materials forming 3/7 ths of the total expenditure and labour accounting for the rest. Prices of materials have doubled and wage rates gone up by 250% since the old station was built. Materials worth Rs. 38,000 were used, in the new station and sale proceeds of the materials were Rs. 11,000. These materials were obtained by pulling down the old station. Pass the Journal entries and show the total amount to be capitalised and written off.

(b) On 31st March, 2014 a bank held the following bills discounted by it earlier :

Date of Bill 2014	Term of bill (months)	Discounted @ % p.a.	Amount of bill (Rs.)
(i) January, 27	4	15	4,50,000
(ii) February, 18	3	16	5,60,000
(iii) March, 22	3	10	3,20,000

You are required to calculate the Rebate on Bills discounted. Also show the necessary journal entry for the rebate.

(c) Distinguish between double entry and double accounting system.

8+5+2

4. The following Trial Balance was extracted from the books of the New Bharat Life Assurance Co. Ltd. as on 31.3.2014.

	Dr (Rs.)	Cr. (Rs.)
Paid up Share Capital 10,000 Shares of Rs. 10 each		1,00,000
Life Assurance Fund as on 01.04.2013		29,72,300
Dividends Paid	15,000	
Bonus to Policyholders	31,500	
Premium received		1,61,500
Claims paid	1,97,000	
Commission paid	9,300	
Management expenses	32,300	
Mortgages in India	4,92,200	
Interest and dividends received		1,12,700
Agents' balances	9,300	
Freehold premises	40,000	
Investments	23,05,000	
Loans on Company's policies	1,73,600	
Cash on deposit	27,000	
Cash in hand and on current account	7,300	
Surrender	7,000	
	33,46,500	33,46,500

You are required to prepare the company's Revenue Account for the year ended 31.3.2014 and its Balance Sheet as on that date after taking the following matters into consideration :

	Rs.
Claims admitted but not paid	9,300
Management expenses due	200
Interest accrued	19,300
Premium outstanding	12,000

15

5. (a) The following is the Balance Sheet of X Ltd. as on 31.3.2014 :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Authorised and Subscribed Capital : 20,000, 14% Redeem- able Pref. Shares of Rs. 10 each	2,00,000	Land and Building	1,90,000
10,000 Equity Shares of Rs. 10 each, Rs. 9 paid	90,000	Plant and Machinery	1,20,000
10,000 Equity Shares of Rs. 10 each, Rs. 5 paid	50,000	Patents	10,000
14% Mortgage Deben- tures (holding a floa- ting charge on all the assets of the company)	1,00,000	Investments	40,000
Interest outstanding on the Debentures	14,000	Stock	45,000
Loan Secured by hypo- thecation of Stock	40,000	Sundry Debtors	90,000
Trade Creditors	72,000	Cash at Bank	35,000
Creditors for Salaries and Wages	15,000	Profit & Loss A/c	65,500
Liability for Workmen's compensation	2,000		
Owing to Government for telephone and purchases	2,500		
Owing to Government for taxes	10,000		
	5,95,500		5,95,500

The company went into voluntary liquidation on 01.4.2014 and a liquidator was appointed with a remuneration of 2% of the assets realised with exception of cash and 2% of the amount distributed among unsecured creditors other than preferential creditors. The dividend of preference shares was not paid for 2013-14. Stock realised Rs. 30,000 and the other assets excluding cash realised Rs. 4,00,000. All assets were realised and payments made on 30.9.2014. Prepare the Liquidator's Final Statement of Account, assuming the expenses of liquidation were Rs. 5,610.

- (b) Write the major reasons of Compulsory liquidation of a company.

10+5

Second Half**(Auditing)****[Marks : 50]****Answer Q. No. 1 and any two from the rest.**

1. Answer any four of the following : 5×4
- (a) What do you mean by 'Statutory Audit'? Where is this audit applicable? 3+2
- (b) What is vouching? Are routine checking and vouching complementary to each other? 3+2
- (c) What is 'Audit-in-depth'? Distinguish between report and certificate. $2\frac{1}{2} \times 2$
- (d) Mention the matters to be considered while preparing an audit programme. 5
- (e) Write a brief note on 'Environmental Audit'. 5
- (f) State the benefits of management audit. 5
- (g) Under what circumstances, can a special auditor be appointed by the Central Government? 5
- (h) Discuss the concept of 'true and fair view' in the context of auditor's report. 5

2. Under section 227(1A) of the Companies Act, discuss briefly the following matters that are required to be looked into by a company under :

- (i) Loans and advances made.
- (ii) Investments sold at less than cost price.
- (iii) Personal expenses.

5+5+5

3. (a) What do you understand by Professional qualification of a company auditor ?

(b) Who can be the auditor of a company according to the Companies Act ?

(c) State, in brief, disclosure requirements of 'Profit & Loss Account' as per Schedule VI.

3+6+6

4. (a) Define 'Management Audit'. State the limitations of this audit. Is it a statutory audit ?

(b) State the contents of a Management Audit Report.

(2+5+2)+6

5. Write short notes on:

5×3

(i) New dimensions of auditing.

(ii) Performance Audit.

(iii) Tax Audit.