325

Roll No. ....

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

Total number of questions : 6 ***Total number of printed pages : 11***

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

2. All working notes shall be shown distinctly.

PART–A

1. (*a*) Describe the disclosure requirements as per AS-27 by a joint venture in relation to :

(*i*) Contingent liabilities

(*ii*) Capital commitments.

(*5 marks*)

(*b*) What are the fundamental characteristics of Corporate Financial Reporting ?

(*5 marks*)

(*c*) Classify the following activities as (*i*) Operating activities (*ii*) Investing activities (*iii*) Financing activities (*iv*) Cash & cash equivalents :

(1) Royalty received

(2) Brokerage paid on purchase of shares

(3) Buy back of own shares for cash

(4) Marketable securities having maturity period of 3 months

(5) Short-term deposits having maturity period of 4 months

(*5 marks*)

(*d*) Mahaveer Ltd. secured an overdraft of ₹ 10,00,000 from the bank by issuing 12,000, 10% debentures of ₹ 100 each as collateral security. Pass the necessary journal entries to record the above transactions and prepare the extract of Balance Sheet of Mahaveer Ltd.

(*5 marks*)

(*e*) The Balance Sheet of Veena Ltd. as on 31st March, 2018 is as follows :

Particulars	₹
I. Equity and Liabilities	
(1) Shareholders' Funds :	
(*a*) Share capital	4,20,000
(*b*) Reserves and Surplus	92,000
(2) Current Liabilities :	
Trade Payables	18,000
Total	5,30,000
II. Assets :	
(1) Fixed Assets :	
(*a*) Tangible Assets	3,75,000
(*b*) Non-current Investments	25,000
(2) Current Assets :	
(*a*) Trade Receivables	55,000
(*b*) Cash and Cash equivalents (bank)	75,000
Total	5,30,000

The share capital of the company consists of 22,000 equity shares of ₹ 10 each and 2,000 preference shares of ₹ 100 each. Reserves and Surplus represent surplus in Statement of profit and loss. In order to facilitate the redemption of preference shares at a premium of 10%, the company decided :

(*i*) To sell all the investments for ₹ 30,000

(*ii*) To finance part of redemption from company funds, subject to leaving a bank balance of ₹ 50,000.

(*iii*) To issue minimum number of equity shares of ₹ 10 each at ₹ 15 per share to raise the balance of funds required.

You are required to pass necessary journal entries including bank entries to record above transactions. Narrations not necessary.

(*5 marks*)

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

2. (*a*) From the following information relating to a listed company, calculate value of a share :

(*i*)	Equity Share Capital (equity shares of ₹ 10 each)	₹ 10,00,000
(*ii*)	10% Preference Share Capital	₹ 5,00,000
(*iii*)	Profit earned before tax	₹ 4,10,000
(*iv*)	Tax Rate	30%
(*v*)	Price earnings ratio	25

(*3 marks*)

(*b*) What do you mean by 'Firm Underwriting' ? How is it treated while computing the net liability of the underwriters ?

(*3 marks*)

(*c*) List any *three* items each to be included and not to be included in preliminary expenses.

(*3 marks*)

(*d*) Write a short note on shareholder's value added.

(*3 marks*)

(*e*) The following is the draft Profit & Loss A/c of Anjali Ltd. for the year ended 31st March, 2018 :

Particulars	**(₹)**	**Particulars**	**(₹)**
To Administrative and marketing expenditure	7,60,600	By Balance b/d	5,70,500
To Directors fees	1,11,000	By Gross profit for the year	35,55,700
To Interest on debentures	52,500	By Revenue grants received from Govt.	3,10,000
To Depreciation on fixed assets	4,75,650		
To Managerial Remuneration	2,22,350		
To Provision for taxation	9,90,900		
To General Reserve	3,00,000		
To Proposed Dividend	7,50,000		
To Balance c/d	7,73,200		
Total	44,36,200	Total	44,36,200

Depreciation on Fixed assets as per Schedule II of the Companies Act, 2013 was ₹ 5,10,600.

You are required to calculate the maximum managerial remuneration payable as per the Companies Act, 2013.

(*3 marks*)

OR (Alternative question to Q. No. 2)

2A. (*i*) The position of Badluck Ltd. on its liquidation is as under :

7,500, 9% Preference shares of ₹ 100 each fully paid up

1,00,000, Equity shares of ₹ 10 each fully paid up

50,000 Equity shares of ₹ 5 each, ₹ 3 paid up

Calls received in advance ₹ 20,000. Preference dividends are in arrears for two years. Amount left with the liquidator after discharging all liabilities is ₹ 11,80,000. Articles of Association of the company provides for payment of preference dividend arrears in priority to return of equity capital.

You are required to prepare the Liquidator's Final Statement of Account and ascertain amount payable per share to equity shareholders.

(*ii*) Give the disclosures that required to be made in the explanatory statement annexed to the notice for special resolution to be passed by shareholders of a company for approving scheme of Employee Stock Option.

(*iii*) From the following particulars, calculate the fair value of an equity share :

(1) Share capital :

50,000, 10% Preference shares of ₹ 100 each fully paid up

5,00,000 Equity shares of ₹ 10 each fully paid up

(2) External liabilities ₹ 7,50,000

(3) Reserves and Surplus ₹ 5,00,000

(4) The average normal profit after tax (PAT) earned per year in the last three years ₹ 8,80,000

(5) The normal profit earned by the identical type of companies is 11% of the value of their shares.

(*5 marks each*)

3. (*a*) Due to inadequacy of profits during the year ended 31st March, 2018, Meenu Ltd. proposes to declare 12.50% dividend out of free reserves. From the following particulars, find out, can the company declare & pay dividend @ 12.50% on equity shares according to the Companies (Declaration and Payment of Dividend) Rules, 2014 :

	₹
10,000, 10% Preferences Shares fully paid up	10,00,000
10,00,000 Equity Shares of ₹ 10 each fully paid up	1,00,00,000
General Reserves as on 31st March, 2017	28,00,000
Capital Reserves as on 31st March, 2017	5,00,000
Net Profit for the year ended 31st March, 2018	2,50,000
Average rate of dividend declared for the last three years	15%

(*5 marks*)

(*b*) Fortune Ltd. had 4000, 12% Debentures of ₹ 100 each as on 1st April, 2018. As per terms of the issue, the company purchased the following debenture in the open market for immediate cancellation :

1st May, 2018	800	Debentures at cum-interest	₹ 98 each
1st January, 2019	1600	Debentures at cum-interest	₹ 100.25 each
1st March, 2019	400	Debentures at ex-interest	₹ 98.50 each

The company closes its books on 31st March each year. Assuming that debenture interest was payable half-yearly on 30th September and 31st March, show the following accounts in the books of company :

(*i*) 12% Debentures A/c

(*ii*) Debenture Interest A/c

(*iii*) Profit on Redemption of Debenture A/c.

(*5 marks*)

(*c*) Following is the extract of the Balance Sheet of Prasann Ltd. (an unlisted company) as on 31st March, 2018 :

PARTICULARS	₹
Authorised Capital :	
12,000 10% Preference shares of ₹ 100 each	12,00,000
2,00,000 Equity shares of ₹ 10 each	20,00,000
	32,00,000
Issued, subscribed and paid up Capital :	
12,000 10% Preference shares of ₹ 100 each fully paid up	12,00,000
1,20,000 Equity shares of ₹ 10 each ₹ 8 paid up	9,60,000
Reserves and Surplus :	
Securities Premium (Collected otherwise than in Cash)	50,000
Capital Redemption Reserve	75,000
General Reserve	2,25,000
Profit & Loss (Surplus)	3,50,000

On 1st April, 2018, the company made final call @ ₹ 2 per share on 1,20,000 equity shares. The call money was received by 20th April, 2018. Thereafter, the company decided to capitalize its reserves by way of bonus issue at the rate of one share for every three shares held. It was decided that there should be the minimum reduction in the balance of profit and loss (Surplus).

Show necessary journal entries in the books of the company and prepare the extract of the Balance Sheet as on 30th April, 2018 after bonus issue.

(*5 marks*)

4. (*a*) A Ltd. takes over the business of B Ltd. for ₹ 15,00,000 on 1st April, 2018 on which date the Balance Sheet of B Ltd. stands as follows :

PARTICULARS	₹
I. EQUITY & LIABILITIES	
(1) Shareholders' Fund :	
(*a*) Share Capital (Equity shares of ₹ 10 each)	18,00,000
(*b*) Reserves & Surplus (debit balance in Profit & Loss Statement)	(1,50,000)
(2) Current Liabilities	3,50,000
Total	**20,00,000**
II. ASSETS	
(1) Non-Current Assets : Fixed Assets-Tangible	12,50,000
(2) Current Assets :	
(*a*) Stock	4,80,000
(*b*) Bills receivables	2,10,000
(*c*) Cash and Cash equivalents	60,000
Total	**20,00,000**

The acquirer company values tangible assets at ₹ 11,00,000. The consideration is to be discharged by a cash payment of ₹ 2,00,000 and allotment of sufficient number of fully paid equity shares in A Ltd. of the face value of ₹ 10 each at ₹ 13 each. Expenses of winding up ₹ 20,000 are to be borne by A Ltd.

You are required to prepare necessary ledger accounts and pass necessary journal entries in the books of B Ltd.

(*8 marks*)

(*b*) The following are the Balance Sheets of H Ltd. and its subsidiary S Ltd. at 31st March, 2018 :

PARTICULARS	Note No.	H Ltd. (₹)	S Ltd. (₹)
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds :			
(*a*) Share Capital (equity shares of ₹ 10 each)		5,00,000	2,00,000
(*b*) Reserves and Surplus		1,00,000	50,000
(2) Current Liabilities :			
Trade Payables		80,000	60,000
	Total	**6,80,000**	**3,10,000**
II. ASSETS			
(1) Non-Current Assets :			
(*a*) Fixed Assets—Tangible		3,00,000	1,00,000
(*b*) Non-current investment (12000 equity shares in S Ltd. acquired on 31st March, 2018 at cost)		1,80,000	
(2) Current Assets		2,00,000	2,10,000
	Total	**6,80,000**	**3,10,000**

On 31st March, 2018 S Ltd. revalued its fixed assets at ₹ 1,50,000 and current assets of ₹ 1,60,000. Trade payables of H Ltd. includes ₹ 20,000 due to S Ltd. Prepare the consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31st March, 2018 with Notes to Accounts and working notes.

(*7 marks*)

PART–B

5. (*a*) What do you mean by CAG Audit ? Which organizations are subject to CAG Audit in India ?

(*b*) Explain the following terms in relation to auditing :

(*i*) Adverse opinion

(*ii*) Audit committee

(*iii*) Audit Risk

(*iv*) Independence

(*v*) Mistatement.

(*c*) UT & Co. an independent audit firm, intends to modify its opinion in the auditor's report. Explain when it is necessary to modify the opinion in light of SA 705 ?

(*5 marks each*)

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

6. (*a*) Internal audit is concerned with an evaluation of both internal control as well as the quality of actual performance. In view of the above statement, explain the scope of internal audit.

(*b*) ''The review of personnel policies is related with the review of the functions of Human Resource Department''. Explain.

(*c*) Explain any *five* predetermined control objectives to be evaluated by internal auditor while accessing organization's internal control.

(*5 marks each*)

OR (Alternative question to Q. No. 6)

6A. (*i*) Enumerate any *five* points that should be considered at the time of audit planning and audit engagement.

(*ii*) Explain the manner of rotation of auditors by the companies on expiry of their terms as prescribed under Companies Act, (Audit and Auditors) Rules, 2014.

(*iii*) Write any *five* objectives of review control over purchasing operations.

(*5 marks each*)

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