

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 8

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

2. All working notes should be shown distinctly.

PART – A

1. (a) State how would you present 'cash and cash equivalents' under the current assets in the balance sheet as per Schedule III of the Companies Act, 2013.
- (b) Explain amortisation period in relation to intangible assets. When this period needs to be reviewed and changed ?
- (c) Board of directors of Mahua Ltd. wants to attach Directors' report to the balance sheet to be presented at the annual general meeting and seeks your help in preparing the same. Enumerate any ten matters on which information is required to be given in such report.
- (d) Moon Ltd. issued 5,000 debentures of ₹100 each at a discount of 10%. The expenses on issue amounted to ₹20,000. The company wants to redeem the debentures at the rate of ₹1,00,000 each year commencing with the end of fifth year. How much discount and expenses should be written off in each year ?
- (e) Following is the extract of balance sheet of Sunrise Ltd. as on 31st March, 2015 :

₹

Issued and subscribed capital :

40,000, 10% Preference shares of ₹10 each fully paid 4,00,000

1,80,000 Equity shares of ₹10 each, ₹7.50 paid-up 13,50,000

Reserves and surplus :

Capital reserve 1,60,000

General reserve 2,00,000

Securities premium 40,000

Surplus 3,20,000

The company made the final call of ₹2.50 per share from equity shareholders and duly received it. Thereafter, it was decided to capitalise its reserves by issuing bonus shares at the rate of 1 share for every 3 shares held. Capital reserve includes ₹80,000 being profit on exchange of machinery.

Pass journal entries with necessary assumptions.

(5 marks each)

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

2. (a) A company purchased 200, 12% debentures of ₹100 each at ₹97 on *cum* interest basis on 1st July, 2015 for immediate cancellation. Interest is payable on 30th September and 31st March each year. Pass journal entries in the books of the company.
- (b) State the functions of National Financial Reporting Authority to provide for matters relating to accounting and auditing standards.
- (c) What are the provisions regarding creation and adequacy of debenture redemption reserve (DRR) in each of the following cases :
- All India public financial institutions regulated by Reserve Bank of India and banking company.
 - Non-banking financial institutions registered with the Reserve Bank of India.
 - Other companies including manufacturing and infrastructure companies.
- (d) State the purposes for which balance in securities premium account can be utilised.
- (e) State how would you present short-term loans and advances under current assets in the balance sheet of a company as per Schedule III of the Companies Act, 2013 ?

*(3 marks each)**OR (Alternate question to Q.No. 2)*

- 2A. (i) From the following information, calculate the value of shares of ₹10 —
- On dividend basis; and
 - On return on capital employed basis.

<i>Year</i>	<i>Capital employed</i> (₹)	<i>Profit</i> (₹)	<i>Dividend</i>	<i>Weight</i>
2011	10,00,000	80,000	12%	1
2012	16,00,000	1,60,000	14%	2
2013	20,00,000	2,20,000	16%	3
2014	25,00,000	3,75,000	18%	4

The market expectation being 10%. Use weighted average for calculation.

(5 marks)

- (ii) Vibgyor Ltd. is unaware of the manner and details of presentation of long-term loans and advances to be given in the balance sheet as per Schedule III of the Companies Act, 2013. Advise the company with the contents and manner of its disclosure.

(5 marks)

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(iii) Following balances appeared in the books of Bahubali Ltd. as on 1st April, 2014 :

14% Debentures	₹15,00,000
Balance of sinking fund	₹12,00,000
Sinking fund investment	₹12,00,000

Following further information is provided :

- Sinking fund investment is represented by 10%, ₹13,00,000 secured government bonds.
- Annual contribution to sinking fund is ₹2,40,000 on 31st March each year.
- Balance at bank on 31st March, 2015 is ₹6,00,000 before receipt of interest.
- Investment was sold at 90% on 31st March, 2015.
- Debentures were redeemed at 10% premium on 31st March, 2015.

Prepare necessary ledger accounts for the year ended 31st March, 2015.

(5 marks)

3. (a) Extract of ledger balances of Kalpana Ltd. as on 31st March, 2015 includes the following :

	₹
2,000, 12% Preference shares of ₹100 each, fully paid	2,00,000
Surplus	40,000
Securities premium	12,000

Under the terms of issue, the preference shares are redeemable on 31st March, 2015 at a premium of 10%. The directors desire to make a minimum fresh issue of equity shares of ₹10 each at a premium of 5% for redemption purpose.

You are required to ascertain the amount of fresh issue to be made and pass necessary journal entries in the books of the company.

(5 marks)

(b) Following are the details of various outstanding liabilities of Inefficient Ltd. which went into liquidation on 1st April, 2015 :

(i) Government taxes payable :

2013-14 : ₹22,000

2014-15 : ₹21,000

(ii) Electricity and water charges payable to government on 31st March, 2015 : ₹20,000

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- (iii) Wages of Staff 'A' for 5 months @ ₹4,000 per month
- (iv) Wages of Staff 'B' for 4 months @ ₹6,000 per month
- (v) Accrued holiday remuneration of Staff 'C' : ₹21,000
- (vi) Compensation payable to Staff 'D' under the Employees' Compensation Act, 1923 : ₹25,000
- (vii) Provident fund and gratuity payable to Staff 'E' : ₹30,000

Calculate the amount of preferential creditors.

(5 marks)

- (c) Balance sheet of Zupiter Ltd. as on 31st March, 2015 is as under :

<i>Particulars</i>	<i>₹</i>
<i>I. EQUITY AND LIABILITIES</i>	
(1) <i>Shareholders' funds</i>	
Equity share capital	10,00,000
(2) <i>Non-current liabilities</i>	
Long-term debts	15,00,000
(3) <i>Current liabilities</i>	
(a) Trade payables	52,000
(b) Bank overdraft	1,21,000
TOTAL	<u>26,73,000</u>
<i>II. ASSETS</i>	
(1) <i>Non-current assets</i>	
Fixed assets	25,00,000
(2) <i>Current assets</i>	
(a) Inventories	64,440
(b) Trade receivables	1,07,325
(c) Cash and bank	1,235
TOTAL	<u>26,73,000</u>

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Statement of Profit and Loss

<i>Particulars</i>	₹
Sales	15,62,000
Less : Operating expenses	9,48,000
EBIT	<u>6,14,000</u>
Less : Tax	2,45,600
Net operating profit after tax	<u>3,68,400</u>

The average rate of return of similar type of companies is 20% and risk-free rate of return is 15%. Rate of interest charged by bank is 18% and tax rate is 40%.

Calculate economic value added (EVA).

(5 marks)

4. (a) Prepare the consolidated balance sheet from the following balance sheets of Happy Ltd. and Joy Ltd. as on 31st March, 2015 :

<i>Particulars</i>	<i>Happy Ltd.</i>	<i>Joy Ltd.</i>
	(₹)	(₹)
I. EQUITY AND LIABILITIES		
(1) <i>Shareholders' funds</i>		
(a) Share capital		
Equity shares of ₹10 each	4,00,000	1,50,000
(b) Reserves and surplus		
General reserve	2,10,000	13,000
Surplus	1,50,000	80,000
(2) <i>Current liabilities</i>		
Trade payables	40,000	59,450
TOTAL	<u>8,00,000</u>	<u>3,02,450</u>
II. ASSETS		
(1) <i>Non-current assets</i>		
Fixed assets	3,96,000	1,45,000
(2) <i>Current assets</i>		
(a) Inventories	1,02,000	62,050
(b) Trade receivables	97,000	82,200
(c) Investments (<i>in shares of Joy Ltd.</i>)	1,80,000	—
(d) Cash and bank	25,000	13,200
TOTAL	<u>8,00,000</u>	<u>3,02,450</u>

Following additional information is also given :

- (i) Happy Ltd. acquired shares of Joy Ltd. on 1st April, 2014 when Joy Ltd. had surplus of ₹66,000 and general reserve of ₹9,000.
- (ii) Trade payables of Happy Ltd. included a sum of ₹24,000 payable to Joy Ltd. for purchases made from Joy Ltd. on which it charged a profit of ₹6,000.
- (iii) Joy Ltd. declared and paid interim dividend @ 8% on 2nd June, 2014.
- (iv) Inventories of ₹1,02,000 of Happy Ltd. included unsold goods purchased from Joy Ltd. at a cost of ₹18,000.

(8 marks)

- (b) Alpha Ltd. decided to wind-up with effect from 31st March, 2015 and was to be taken over by Gama Ltd. on the basis of following balance sheet of Alpha Ltd. as on that date :

<i>Particulars</i>	<i>₹</i>
I. EQUITY AND LIABILITIES	
(1) <i>Shareholders' funds</i>	
(a) Share capital	
1,20,000 shares of ₹10 each fully paid	12,00,000
(b) Reserves and surplus	
Profit prior to incorporation	42,000
Surplus	5,22,000
(2) <i>Current liabilities</i>	
(a) Trade payables	2,26,000
(b) Bills payable	40,000
(c) Provision for income-tax	2,20,000
TOTAL	<u><u>22,50,000</u></u>
II. ASSETS	
(1) <i>Non-current assets</i>	
Fixed assets	9,64,000
(2) <i>Current assets</i>	
(a) Inventories	7,75,000
(b) Trade receivables	1,52,000
(c) Bills receivables	30,000
(d) Cash and bank	3,29,000
TOTAL	<u><u>22,50,000</u></u>

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Gama Ltd. took over the assets at following values :

- Fixed assets : ₹12,80,000, Inventories : ₹7,70,000; Bills receivable: ₹30,000.
- Trade receivables realised ₹1,40,000.
- Bills payables and income-tax liabilities were settled at ₹30,000 and ₹2,22,000 respectively. Trade payables were finally settled with the cash remaining after meeting liquidation expenses of ₹20,000.
- Purchase consideration was satisfied by Gama Ltd. as : ₹5,10,000 by allotment of fully paid 10% preference shares of ₹100 each and the balance in equity shares of ₹10 each at ₹8 per share paid-up.

You are required to prepare necessary accounts in the books of Alpha Ltd.

(7 marks)

PART – B

5. (a) Mention the areas in which all the joint auditors are jointly and severally responsible.
- (b) What is the process of issuing audit standards by Auditing and Assurance Standards Board (AASB) ?
- (c) Differentiate between 'internal audit' and 'statutory audit'.

(5 marks each)

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

6. (a) Despite numerous benefits, internal audit has got some limitations. Discuss.
- (b) Distinguish between 'internal control system' and 'internal check system.'
- (c) What are the objectives of review of management information system (MIS) of an organisation ?

(5 marks each)

OR (Alternative question to Q. No. 6)

- 6A.** (i) Explain the objectives of investigation and also list out business situations where investigation may be considered necessary.
- (ii) Explain the provisions of section 139(1) of the Companies Act, 2013 regarding appointment of auditors.
- (iii) What are the important points to be considered while reviewing the 'process of taking insurance during transit' ?

(5 marks each)

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