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Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 10

- NOTE :** 1. Answer **ALL** Questions.
2. All working notes should be shown distinctly.

PART-A

1. (a) What do you mean by accounting standards ? Discuss its objectives.
(b) Explain the minimum disclosure of notes and explanatory statement that should be made in interim financial report as per AS-25.
(c) Explain the objectives and different kinds of corporate restructuring.
(d) What do you mean by Security Premium Accounts ? How it can be utilized as per Section 52 (2) of Companies Act, 2013 and presentation in financial statement.
(e) Explain the issue of Sweet Equity Shares and their limitation and restrictions.

(5 marks each)

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

2. (a) What is Employee Stock Option plan ? Explain the importance of such plans in the modern time.
(b) Explain the disclosure requirements as per Schedule III of the Companies Act 2013 with regard to "Share Capital".
(c) Vanities Ltd. has an issue 1,000, 12% Redeemable Preference Shares of ₹ 100 each, repayable at a premium of 10%. These shares are to be redeemed out of the accumulated reserves, which are more than the necessary sum required for redemption. Show the necessary entries in the books of the company, assuming that the premium on redemption of shares has to be written off against the company's Securities Premium Reserves.

: 2 :

- (d) X Ltd. made an issue of 10,000 12% debentures of ₹ 100 each, payable as follows :

₹ 25 on Application

₹ 25 on Application

₹ 50 on First and Final Call.

Applications were received for 12,000 debentures and the directors allotted 10,000 debentures rejecting an application for 2,000 debentures. The money received on application for 2,000 debentures rejected was duly refunded. All the calls were made and the moneys duly received.

Show the necessary Cash Book and Journal Entries to record the above transactions.

- (e) Explain the rules of revenue recognition as per AS-9.

(3 marks each)

OR (Alternative question to Q. No. 2)

- 2A. (i) A liquidator of a company is entitled to a remuneration at 2% on assets realised and 3% on amount distributed to Preferential Creditors and 3% on payment made to unsecured creditors. The assets were realised for ₹ 25,00,000 against which payment was made as follows :

Liquidation Expenses	₹ 25,000
Secured Creditors	₹ 10,00,000
Preferential Creditors	₹ 75,000

The amount due to unsecured creditors was ₹ 15,00,000. You are asked to calculate the total remuneration payable to liquidator.

(5 marks)

: 3 :

- (ii) From the following figures calculate the value of a share of ₹ 10 on (1) dividend basis, and (2) return on capital employed basis. The market expectation is 12% :

Year Ended 31st March	Capital Employed (₹)	Profit (₹)	Dividend (%)
2014	5,00,000	80,000	12
2015	8,00,000	1,60,000	15
2016	10,00,000	2,20,000	18
2017	15,00,000	3,75,000	20

(5 marks)

- (iii) What informations are included in the note related to non-current investment as per schedule VI of Companies Act, 2013.

(5 marks)

3. (a) The following particulars are available of ABC Ltd. :

- (i) Capital :

45,000, 6% preference shares of ₹ 10 each, fully paid; 45,000, equity shares of ₹ 10 each fully paid up.

- (ii) External liabilities ₹ 75,000.

- (iii) Reserves and surplus ₹ 35,000.

- (iv) Average profit after taxation, earned every year by the company ₹ 85,050.

- (v) The normal profit earned on the market value of equity shares, fully paid, on the same type of company is 9%.

- (vi) Company transfers every year ₹ 10,000 to reserves.

Calculate the fair value of share assuming that out of the total assets, assets worth ₹ 3,500 are fictitious.

(5 marks)

: 4 :

- (b) W Ltd., registered with a capital of ₹ 10,00,000 in equity shares of ₹ 10 each, acquired the business of M/s A and B, the Balance Sheet of whom at the date of acquisition was as follows :

Liabilities	Amount ₹	Assets	Amount ₹
Capital		Land & Building	50,000
A—70000		Plant & Machinery	40,000
B— <u>70000</u>	1,40,000	Furniture & Fixture	2,000
Reserves	14,000	Sundry Debtors	48,000
Sundry Creditors	30,000	Bill Receivable	13,000
Bill Payable	16,000	Stock	18,000
		Cash at Bank	29,000
	2,00,000		2,00,000

The assets and liabilities were subject to the following revaluation :

Plant and Machinery to be depreciated by 10%

Furniture and Fittings to be depreciated by 15%

Land and Buildings to be appreciated by 20%

A provision to be made for bad debts on debtors @ 2-1/2%

Goodwill of the firm was valued at ₹ 24,000.

: 5 :

The consideration was to be discharged as follows :

- (i) Allotment of 10,000 equity shares of ₹ 10 each at ₹ 12 each.
- (ii) Allotment of 500, 14% Debentures of ₹ 100 each at a discount of 10%.
- (iii) Balance in cash.

The cost of acquisition of the business amounted to ₹ 5,000.

You are required to show the journal entries in the books of the company W Ltd.

(5 marks)

- (c) From the following particulars of R Ltd. calculate the managerial remuneration in the following cases :
- (a) There's only one whole time director.
 - (b) There are two whole time directors.
 - (c) There are two whole time directors, one part time director and manager.

₹

Net profit before provision for income tax and managerial remuneration but after depreciation and provision for repair	85,00,000
Depreciation provided in the books	30,00,000
Provision for repair of machinery during the year	2,50,000
Depreciation allowable under Schedule II of Companies Act, 2013	24,00,000
Actual Expenditure incurred on repair during the year	1,50,000

(5 marks)

4. (a) The following are the Profit & Loss Account of H Ltd. and S Ltd. for the year ended 31st March, 2017 :

	H Ltd. ₹	S Ltd. ₹		H Ltd. ₹	S Ltd. ₹
To Opening Stock	1,00,000	—	By Sales	8,00,000	6,50,000
To Purchases	5,00,000	4,00,000	By closing stock (₹ 1,50,000 + ₹ 1,00,000)	1,50,000	1,00,000
To Productive Wages	1,50,000	1,00,000			
To Gross Profit c/d	2,00,000	2,50,000			
	9,50,000	7,50,000		9,50,000	7,50,000
To Sundry Expenses	75,000	1,00,000	By Gross Profit b/d	2,00,000	2,50,000
To Debenture Interest	—	6,000	By Debenture Interest	3,000	—
To Provision for Taxation	60,000	70,000			
To Profit c/d	68,000	74,000			
	2,03,000	2,50,000		2,03,000	2,50,000
To Preference Dividend	—	3,000	To Profit b/d	68,000	74,000
To Proposed Dividend	20,000	20,000			
To Tax on distributed Profit @ 15%	3,000	3,450			
To Balance c/d	45,000	47,550			
	68,000	74,000		68,000	74,000

You are also given the following additional information :

- (1) H Ltd. holds 1500 equity shares of ₹ 100 each in S Ltd. whose capital consists of 2,000 equity shares of ₹ 100 each and 6% 500 cumulative preferences shares of ₹ 100 each. S Ltd. has also issued 6% Debentures of ₹ 1,00,000 out of which H Ltd. holds ₹ 50,000.

: 7 :

- (2) The shares in S Ltd. were acquired by H Ltd. on 1st July 2016 but the debentures were acquired on 1st April 2016. S Ltd. was incorporated on 1st April, 2016.
- (3) During the year S Ltd. sold to H Ltd. goods costing ₹ 50,000 at the selling price of ₹ 75,000. One fourth of the goods manufactured remained unsold on 31st March, 2017. The goods were valued at cost to the holding company for closing stock purposes.

Prepare a consolidated profit and Loss Account, showing separately the working notes.

(7 marks)

- (b) U Ltd. suffered continuous losses. Its balance sheet as on 31-3-2016 was as follows :

Particulars	Amounts
	(₹)
I. Equity and Liabilities :	
(1) Shareholder Fund	
(a) Share Capital	
Authorised, issued and subscribed capital :	
30,000 equity shares of ₹ 10 each fully paid up	3,00,000
2000, 8% cumulative preference shares of ₹ 100 each fully paid	2,00,000
(b) Reserve and Surplus :	
(i) P & L Account	(2,00,000)
(ii) Securities Premium	90,000

: 8 :

(2) Non-current liabilities :		
(a) Long-term borrowings unsecured loan		
(from director)		50,000
(3) Current Liabilities :		
(a) Trade Payables		
Sundry Creditors		3,00,000
Outstanding Exps. (including directors remuneration		
of ₹ 20,000)		70,000
	Total	8,10,000
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II. Assets :		
(1) Non-current assets :		
(a) Fixed Assets		
(i) Tangible		
Plant		3,00,000
Loose Tools		10,000
(ii) Intangible Assets Goodwill		50,000
(b) Other non-current assets preliminary expenses		5,000
(2) Current Assets :		
(a) Inventories		1,50,000
(b) Trade Receivable : Debtors		2,50,000
(c) Cash and cash equivalents :		
Cash		10,000
Bank		35,000
	Total	8,10,000
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Note :—Dividends on preference shares are in arrears for three years.

The following scheme of reconstruction has been agreed upon and duly approved by the court on April 1, 2016.

- (A) Equity shares to be converted into 1,50,000 shares of ₹ 2 each.
- (B) Equity shareholders to surrender 90% of their holding to the company.
- (C) Preference shareholders forego arrears of dividend and in lieu thereof the rate of 8% to be increased to 9% in future.
- (D) Sundry creditors agree to reduce their claims by one-fifth in consideration of their getting shares of ₹ 35,000 of the surrendered equity shares.
- (E) Directors forego their loan and remuneration.
- (F) Assets are worth : Plant ₹ 2,60,000, loose tools ₹ 2,000, debtors ₹ 2,35,000 and stock ₹ 1,30,000.
- (G) Expenses of reconstruction amounted ₹ 10,000.
- (H) Any surplus remaining after meeting the losses and expenses should be utilised in further reducing the value of plant.
- (I) To provide working capital, all existing members to subscribe 50,000 equity shares.

Give journal entries to implement the above scheme.

(8 marks)

PART-B

5. (a) What is the importance of having the accounts audited by an independent auditor.
- (b) What is the propriety audit ? What are the objectives and scope of propriety audit.
- (c) What services are prohibited to be rendered by an auditor appointed under Companies Act, 2013.

(5 marks each)

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

6. (a) Write a short note on compliance audit.
- (b) What are the importance matters which an auditor should ensure to ascertain and establish true and fair view.
- (c) Explain the term “Secretarial Audit”. In what circumstances secretarial audit is done ?

(5 marks each)

OR (Alternative question to Q. No. 6)

- 6A. (i) What are the points to be considered while carrying out the internal control review of recruitment function.
- (ii) Write short notes on responsibilities of Joint Auditor.
- (iii) Managing Director of Alpha Ltd. himself wants to appoint Mr. R a practicing chartered accountant, as first auditor of the company. Comment on the proposed action of the managing director.

(5 marks)

(5 marks)

(5 marks)

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