325

Roll No.....................................

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*) Explain the conditions for an amalgamation in the nature of merger.

(*b*) What are the disclosure requirements with regard to 'Significant Accounting Policies' ?

(*c*) Balance Sheet as on March 31, 2016 of M/s Rajvansh Ltd. :

	Note No.	₹
I **EQUITY & LIABILITIES**		
(1) Shareholder's Fund		
(*a*) Share Capital	1	2,99,500
(*b*) Reserves & Surpluses	2	48,000
(2) Current Liabilities	3	1,72,500
TOTAL		5,20,000
II **ASSETS**		
(1) Non-Current Assets		3,00,000
(2) Current Assets (including Bank Balance of ₹ 1,00,000)		2,20,000
TOTAL		5,20,000

Note 1 : Share Capital :

2,000 Equity Shares of ₹ 100 each		2,00,000
1,000 9% Redeemable Preference Shares of ₹ 100 each	1,00,000	
Less : Calls in Arrears ₹ 20 per share	500	99,500
Total		2,99,500

Note 2 : Reserves & Surpluses :

General Reserve	30,000
Securities Premium	18,000
Total	48,000

Note 3 : Current Liabilities :

Suppliers	1,22,500
Bills Payable	50,000
Total	1,72,500

The Directors forfeited the Preference Shares for non-payment of calls after giving notice to the shareholders and thereafter redeemed the Preference Shares at a premium of 10%. For the purpose, the company made a fresh issue of Equity Shares of ₹ 100 each at a premium of 5% for such amount as was necessary, after taking into account the utilisation of available sources to the maximum extent. All the shares were subscribed and money received in full.

Pass necessary Journal entries for the above transactions.

(*d*) ABC Ltd. had ₹ 10,00,000, 6% Debentures of ₹ 100 each as on 31st March, 2015. The company purchased in the open market following debentures for immediate cancellation :

On 01-07-2015 — 1,000 Debentures @ ₹ 97/(cum-interest)

On 29-02-2016 — 1,800 Debentures @ ₹ 99/(ex-interest)

Debenture interest due dates are 30th September and 31st March. i.e. twice in a year. Provide journal entries in the books of the company for the year ended 31st March, 2016.

(*e*) M Limited issued 30,00,000 equity shares of ₹ 10 each at par. Out of these 12,00,000 shares were issued to the promoters and the balance offered to the public were underwritten by three Underwriters A, B and C in the Ratio of 2 : 3 : 4 with a firm underwriting of 60,000, 50,000 and 70,000 shares respectively. Total subscription received 15,38,000 shares including marked applications and excluding the firm underwriting. Marked applications were as followed :

A 3,00,000

B 3,50,000

C 5,00,000

Unmarked and surplus applications are to be distributed in the gross liability ratio. Ascertain the liability of each Underwriter.

(*5 marks each*)

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

2. (*a*) On 1st April, 2014 Kapil Ltd. had made an issue of 2,000, 6% debentures of ₹ 100 each. The Company during the year 2015-16 purchased for cancellation 500 of these debentures. The company paid ₹ 95 per debenture for 400 debentures and ₹ 98 per debenture for the rest. The expenses on purchase amounted to ₹ 200. Pass journal entries in the books of the company.

(*b*) A Ltd. forfeited 360 shares of ₹ 10 each, ₹ 8 called-up, issued at a premium of ₹ 2 per share to Sanjay for non-payment of allotment money of ₹ 5 per share (including premium). Out of these, 320 shares were re-issued to Amit ₹ 8 called up for ₹ 10 per share fully paid up. Pass necessary journal entries.

(*c*) Write a short note on valuation of shares based on Price Earning Ratio.

(*d*) On March 31, 2016; the Balance Sheet of Better Feel Ltd. was as follows :

		Note No.	₹
I	**EQUITY & LIABILITIES**		
	(1) Shareholder's Fund		
	(*a*) Share Capital	1	5,00,000
	(*b*) Reserves & Surplus	2	1,10,000
	(2) Non-Current Liabilities 5% Debentures		1,00,000
	(3) Current Liabilities		1,30,000
	TOTAL		8,40,000

II	**ASSETS**	
	(1) Non-Current Assets	
	(*a*) Tangible Assets	6,00,000
	(*b*) Intangible Assets — Goodwill	40,000
	(2) Current Assets	2,00,000
	TOTAL	8,40,000

Note 1 : Share Capital :

Equity Share Capital (Shares of ₹ 100 each)	4,00,000
Preference Share Capital (Shares of ₹ 10 each)	1,00,000
Total	5,00,000

Note 2 : Reserve & Surplus :

Profit & Loss Account	50,000
General Reserve	40,000
Securities Premium	20,000
Total	1,10,000

On the above date, Fixed Assets were independently valued at ₹ 3,50,000 and the goodwill at ₹ 50,000.

Find the Intrinsic Value of Equity Shares.

(*e*) Explain the disclosure requirement as per Schedule III of the Companies Act 2013, with regard to 'Reserves and Surpluses'.

(*3 marks each*)

OR (Alternative question to Q. No. 2)

2A. (*i*) Your Company intends to buy back its own shares. What are the restrictions on buy back of own shares under the Companies Act, 2013 ?

(*5 marks*)

(*ii*) Delhi Chemicals Ltd. was registered with an authorised capital of ₹ 15,00,000; consisting of 1,50,000 Equity shares of ₹ 10 each. The company issued a prospectus inviting applications for 60,000 shares at a premium of ₹ 2 per share, payable as under :

On application	— ₹ 2
On allotment	— ₹ 5 (including Premium)
On first & final call	— ₹ 5

Applications were received for 80,000 shares. Letters of regret were sent with the refund orders to the applicants of 12,000 shares. Pro rata allotment was made on the balance. Excess money received on applications were utilised towards the allotment money.

Pass the necessary entries in the Journal of the company and also prepare the required note of 'Share Capital' in accordance with the provisions of Schedule-III of Companies Act, 2013.

(*5 marks*)

(*iii*) X Ltd. was incorporated on 1st July, 2015 to acquire a running business of Barsha & Co. with effect from 1st April, 2015. During the year 2015-16, the total sales were ₹ 36,00,000 of which ₹ 7,20,000 were for the first six months. The Gross profit of the company was ₹ 5,86,000. The expenses debited to the profit and loss account included :

(*a*) Directors fee ₹ 50,000

(*b*) Bad debts ₹ 7,200

(*c*) Advertising ₹ 36,000 (under a contract amounting to ₹ 3,000 per month)

(*d*) Salaries and General Expenses ₹ 2,40,000

(*e*) Preliminary Expenses written off ₹ 10,000.

Prepare a Statement showing pre-incorporation and post-incorporation profit for the year ended 31st March, 2016.

(*5 marks*)

3. (*a*) The following are the summarised Balance Sheets of X Ltd. and Y Ltd. as at 31-03-2016 :

Particulars	**X Ltd.**	**Y Ltd.**
Share Capital : Equity Shares ₹ 10 each (fully paid up)	10,00,000	6,00,000
Securities Premium	3,00,000	—
General Reserve	1,80,000	2,50,000
Profit and Loss Account	2,00,000	1,60,000
8% Debentures	5,00,000	—
Unsecured Loans	—	3,00,000
Sundry Creditors	2,60,000	1,70,000
	24,40,000	14,80,000
Building	9,00,000	4,50,000
Plant and Machinery	5,00,000	3,80,000
Investment (5,000 shares of Y Ltd.)	80,000	—
Stock	5,20,000	3,50,000
Sundry Debtors	4,10,000	2,60,000
Cash at bank	30,000	40,000
	24,40,000	14,80,000

The companies agree on a scheme of amalgamation on the following terms :

(*i*) A new company is to be formed by the name XY Ltd. with the face value of ₹ 10 each.

(*ii*) XY Ltd. to take over all assets and liabilities of the existing companies.

(*iii*) For the purpose of amalgamation, the shares of the existing companies are to be valued as under :

X Ltd. ₹ 18 per share

Y Ltd. ₹ 20 per share.

(*iv*) A Contingent Liability of X Ltd. of ₹ 60,000 is to be treated as actual liability.

(*v*) The shareholders of X Ltd. and Y Ltd. are to be paid by issuing sufficient number of shares of XY Ltd. at a Premium of ₹ 5 per share.

You are required to calculate the Purchase consideration (Number of shares to be issued to X Ltd. and Y Ltd.)

(*5 marks*)

(*b*) Z Ltd. proposed to purchase the business carried on by M/s Ajay & Co. Goodwill for this purpose is agreed to be valued at three year's purchase of the weighted average profits of the past four years. The appropriate weights to be used are :

Year	**Weight**
2012-13	1
2013-14	2
2014-15	3
2015-16	4

The profits for these years are : 2012-13 – ₹ 60,600; 2013-14 – ₹ 74,400; 2014-15 – ₹ 60,000 and 2015-16 – ₹ 84,000.

On a scrutiny of the accounts the following matters are revealed :

(*i*) On 1st December, 2014 a major repair was carried out in respect of the plant incurring ₹ 20,000 which was charged to revenue. The said sum is agreed to be capitalised for goodwill calculation subject to the adjustment of depreciation of 10% p.a. on reducing balance method.

(*ii*) The closing stock for the year 2013-14 was overvalued by ₹ 14,000.

(*iii*) To cover management cost an annual charge of ₹ 25,000 should be made for the purpose of goodwill valuation.

Compute the value of goodwill of the firm.

(*5 marks*)

(*c*) On June 30, 2016; following balances stood in the books of SP Ltd. :

7% Second Mortgage Debentures of ₹ 100 each	4,00,000
Income received on Sinking Fund Investments	14,500
Discount on issue of Debentures	25,000
Sinking Fund	3,65,500
Sinking Fund Investments :	
(*a*) ₹ 2,00,000 5% State Development Loans	1,90,000
(*b*) ₹ 1,80,000 6% National Defence Bonds	2,00,000

On the same day, the Investments were sold as follows :

(*a*) the 5% State Development Loans at 90% and

(*b*) 6% National Defence Bonds at par.

On July 1, 2016, all the Debentures were redeemed at a premium of 2.5%. Annual contribution for redemption was ₹ 50,000. Ignore Interest.

Prepare 7% Mortgage Debentures, Sinking Fund & Sinking Fund Investment Accounts.

(*5 marks*)

4. (*a*) From the following balance sheets of a holding company (H Ltd.) and its subsidiary (S Ltd.) on 31-3-2016, prepare a consolidated balance sheet :

Liabilities	**H Ltd. ₹**	**S Ltd. ₹**	**Assets**	**H Ltd. ₹**	**S Ltd. ₹**
Share Capital (₹ 10)	5,00,000	2,00,000	Goodwill	30,000	10,000
General Reserve	80,000	60,000	Machinery	3,00,000	1,50,000
Profit & Loss A/c	90,000	70,000	Stock	80,000	50,000
Sundry creditors	50,000	40,000	Debtors	1,20,000	1,60,000
Outstanding			Cash at bank	20,000	10,000
Expenses	20,000	10,000	Investments :		
			16,000 shares		
			in S Ltd.	1,90,000	—
Total	7,40,000	3,80,000	Total	7,40,000	3,80,000

When control was acquired, S Ltd. had ₹ 40,000 in general reserve and ₹ 30,000 in profit and loss account. Immediately on purchase of shares, H Ltd. received ₹ 16,000 as dividend from S Ltd. which was credited to profit and loss account. Debtors of H Ltd. include ₹ 20,000 due from S Ltd. whereas creditors S Ltd. include ₹ 15,000 due to H Ltd. the difference being accounted for by a cheque-in-transit.

(*8 marks*)

(*b*) ZED Ltd. has the following position as on March 31, 2016 :

		₹	₹
I	**EQUITY & LIABILITIES**		
	(1) Shareholder's Fund		
	(*a*) Share Capital		
	1,00,000 Equity Shares of ₹ 10 each fully paid	10,00,000	
	(*b*) Reserves & Surpluses		
	Profit & Loss Account	(5,00,000)	5,00,000
	(2) Non-Current Liabilities		
	4,000 10% Debenures of ₹ 100 each		4,00,000
	(3) Current Liabilities		
	Interest on 10% Debentures	40,000	
	Sundry Creditors	1,60,000	2,00,000
	TOTAL LIABILITIES		11,00,000
II	**ASSETS**		
	(1) Non-Current Assets		
	(*i*) Tangible Assets	9,00,000	
	(*ii*) Intangible Assets — Goodwill	2,00,000	11,00,000
	TOTAL ASSETS		11,00,000

On the above date the Company has decided to reconstruct and the following resolutions are passed :

(*i*) The equity shares are to be subdivided into shares of ₹ 1 each and after subdivision each shareholder shall surrender 60% of his holding, which shall be immediately cancelled by the company.

(*ii*) Debenture holders will reduce their claims by ₹ 1,40,000 and are settled by issue of 12% Debentures of ₹ 100 each.

(*iii*) Creditors claims are to be reduced to ₹ 1,00,000 and are settled by issue of Equity shares of ₹ 1 each.

(*iv*) Goodwill and Profit & Loss account debit balances are to be written off fully.

Pass the necessary Journal entries to record the above and also prepare Balance Sheet of the company after reconstruction.

(*7 marks*)

PART–B

5. (*a*) As per SA 200, explain any *five* basic principles governing an audit ?

(*b*) Distinguish between Audit and Investigation.

(*c*) What constitute 'True and Fair' is not defined under any law. In order to show a true and fair view what is to be ensured by an auditor ?

(*5 marks each*)

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

6. (*a*) What are the disqualifications as per the Companies Act, 2013 for appointment of auditor ?

(*b*) Write short notes on techniques of internal control system.

(*c*) Explain the need of audit working papers.

(*5 marks each*)

OR (Alternative question to Q. No. 6)

6A. (*i*) What steps are to be involved in verification of assets ?

(*5 marks*)

(*ii*) Explain the relationship between Internal Auditor and Statutory Auditor.

(*5 marks*)

(*iii*) With respect to up keep and custody of inventory after its purchase, certain controls are required for its security. Comment.

(*5 marks*)

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