

2013

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. The Balance Sheets of H. Ltd. and S Ltd. are as follows on 31.12.2012.

<i>Liabilities</i>	<i>H Ltd.</i>	<i>S Ltd.</i>
	(₹)	(₹)
Share Capital (₹ 10 each)	60,000	50,000
General Reserves	10,000	18,000
Profit & Loss A/c	6,000	5,000
Creditors	3,000	1,000
Proposed Dividend	—	5,000
	79,000	79,000

(Turn Over)

Assets	H Ltd.	S Ltd.
	(₹)	(₹)
Fixed Assets	22,000	45,000
Investment in S. Ltd. (4,000 shares of ₹ 11)	44,000	—
Others Assets	13,000	34,000
	79,000	79,000

**Additional Information :**

When the shares were purchased General Reserve and Profit & loss Account stood at ₹ 15,000 and ₹ 8,000 respectively. Dividends have been paid 10% every year after acquisition of shares, first dividend being paid out of pre-acquisition profit. Shares were purchased on 01.01.2012. On the acquisition date Bonus dividend has been declared out of pre-acquisition profit @ 1 fully paid share for 5 held and no effect has been given to the above accounts. H Ltd. has credited all dividends received to Profit & Loss Account. When the shares were purchased agreed valuation of fixed asset in S Ltd. was ₹ 54,000; no effect has been given thereto in accounts.

Depreciation has been charged @ 10% p.a. on book value, there being no addition or sales since then.

Draft a consolidated Balance Sheet as at 31.12.2012. Detail workings must be shown.

20

Or

1. (a) State the importance of valuation of goodwill. What do you mean by fair value of a share? How is it ascertained.

(b) Balance Sheet of Mayfair Ltd. as at 31-12-2013.

Liabilities	₹	Assets	₹
Equity Share Capital ₹ 10 each fully paid	5,00,000	Goodwill at cost	30,000
Equity Share Capital ₹ 10 each but paid upto ₹ 6 each	1,80,000	Land and Building	2,40,000
10% Pref. Sh. Capital ₹ 100 each fully paid	2,00,000	Plant and Machinery	5,80,000
General Reserve	90,000	8% Govt. Bonds (face value ₹ 50,000)	52,000
P & L A/c	80,000	Stock	2,10,000
Workers' Compensa- tion Fund	60,000	Debtors	1,90,000
Employees' Provident Fund	70,000	Cash & Bank	88,000
12% Debentures	1,50,000		
Creditors	60,000		
	13,10,000		13,10,000

(a) Sundry assets are revalued as follows : Land & Building — ₹ 4,00,000, Plant and Machinery — ₹ 5,50,000, 8% Govt. Bonds — ₹ 60,000, Debtors — subject to a provision for bad debts at 10%.

(b) Average net profits before tax (based on last 3 year's profit) — ₹ 4,00,000.

(c) Assume corporate tax rate at 30%.

- (d) Normal rate of return on capital employed is 10%.  
 (e) Market rate of dividend on equity shares is 12%.  
 (f) Goodwill is to be valued at 3 year's purchase of super profits, if any.

Determine the fair values of each type of equity shares.  
 (2+3)+15

2. (a) Balance Sheet Black Ltd. as at 31.3.2013 :

Liabilities	₹	Assets	₹
<i>Equity Share Capital</i>		Land and Building	2,00,000
2,000 Eq. shares of ₹ 100 each fully paid	2,00,000	Plant and Machinery	2,50,000
4,000 Eq. shares of ₹ 100 each paid		Stock	1,60,000
up to ₹ 50 each	2,00,000	Debtors	80,000
10% Pref. Share of ₹ 100 each fully paid	1,50,000	Cash at Bank	60,000
Reserves & Surplus :	NIL	Miscellaneous	
Secured Loans :		Expenses & Losses not written off :	
8% Debentures (Floating charge on all assets)	1,00,000	Profit and Loss A/c	1,00,000
Others	1,00,000	Discount on issue of shares	40,000
(Mortgage on Building)			
<i>General Liabilities :</i>			
Sundry Creditors	1,20,000		
Provision for Income Tax	20,000		
	8,90,000		8,90,000

The company sent into liquidation on 1.4.2013  
 Sundry asset are realised as follows :

Land & Building — ₹ 2,40,000; Plant & Machinery —  
 ₹ 1,60,000; Stock — ₹ 1,00,000, Debtors ₹ 60,000.

Preference dividend is in arrear for 2 years and are  
 payable on liquidation.

The expenses on liquidation amounted to ₹ 12,000.  
 The liquidator is to receive a commission of 2% on  
 the amount realised from assets except cash and  
 bank and also a commission of 2% on amounts  
 distributed to unsecured creditors.

All payments are made on 30.06.2013

Prepare liquidators Statement of Account.

- (b) Write any three rights of an official liquidator.

12+3

3. (a) What is a loss of profit policy? What do you mean  
 by standard turnover?

- (b) From the following information, find the claim under  
 the loss of profit policy :

Fire occurred on 1.1.2013

Period of dislocation — 3 months

Indemnity period — 9 month

Policy value — ₹ 50,000

Sales in 2020 — ₹ 1,20,000

in 2011 — ₹ 1,44,000

in 2012 — ₹ 1,72,800

(Contd.)

Net Profit in 2012 —	₹ 18,000
Standing charges in 2012 — (all insured)	₹ 7,920
Sales from 1.1.2012 to 31.3.2012 —	₹ 45,000
Sales for 1.1.2013 to 31.3.2013 —	₹ 14,000
	4+11

4. (a) Distinguish between Amalgamation and Absorption.  
 (b) H Ltd. and G Ltd. propose the amalgamate. Their Balance Sheets as on 31.12.2012 were :

Liabilities	H. Ltd. ₹	G. Ltd. ₹	Assets	H. Ltd. ₹	G. Ltd. ₹
Share Capital : Equity Shares of ₹ 10 each	5,00,000	2,00,000	Fixed Assets (Less Deprecia tion)	4,00,000	1,00,000
Reserve and Surplus :			Investment (Face value ₹ 1,00,000; 6% tax free . G. P. Notes)	1,00,000	—
General Reserve	2,00,000	20,000	Current Assets :		
Profit & Loss A/c	1,00,000	30,000	Stock	2,00,000	1,30,000
Current Liabilities :			Debtors	1,70,000	60,000
Creditors	1,00,000	50,000	Cash and Bank Balances	30,000	10,000
	9,00,000	3,00,000		9,00,000	3,00,000

## Net Profit (after taxation)

	H Ltd. (₹)	G Ltd. (₹)
2010	1,30,000	45,000
2011	1,25,000	40,000
2012	1,50,000	56,000

Goodwill may be taken as 4 years' purchase of average super profit trading on the basis of 15% normal trading profit on closing capital invested. The stock of H Ltd. and G Ltd. are to be taken at ₹ 2,04,000 and ₹ 1,42,000 respectively for the purpose of amalgamation. X Ltd. is formed for the purpose of amalgamation of both the companies.

Advise upon capitalisation of X Ltd. and Suggest a scheme of exchange of shares for that purpose.

3+12

5. (a) Explain the following terms in respect of accounts of banking business :
- Non Performing Asset (NPA);
  - Statutory Reserve;
  - Rebate on bills discounted.
- (b) Write in detail the schedule contents of schedule 13 (on Interest earned), Schedule 14 (on other income), Schedule 15 (on Interest expended) and Schedule 16 (on operating expenses) related to profit and Loss Account of banking business.

(3+2+2)+8

**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 'Propriety Audit'? Can Cost Audit be called Propriety Audit? 5
  - (b) What are the features of an EDP System? 5
  - (c) Distinguish between 'Test checking' and 'Internal Checking'. 5
  - (d) Explain the term 'Social Audit'. 5
  - (e) Define auditing and explain its basic concept. 5
  - (f) Even though a person is a Cost Accountant, he may be disqualified for appointment as a Cost Auditor. State the reasons for such disqualification. 5
  - (g) What are audit committees and what are their functions? 5

(h) State the areas of tax audit as per the Income Tax Act, 1961. 5

2. Explain 'Evidence in Auditing'. Highlight the significance of auditors independence and state the needs for dispersal of professional opportunities of the auditors. 5+(5+5)
3. (a) Briefly state the contents of Cost audit Report including the annexure thereto as prescribed by the Cost Audit Report Rules. 10
  - (b) Define Cost Audit and state its features. 5
4. (a) Explain the different types of sampling risk in respect of compliance procedure and substantive procedures. 9
  - (b) What do you know about 'Computer-assisted Audit Techniques'? 6

**5. Write short notes on:**

- (i) Evolution of Auditing. 5
  - (ii) Features of management audit. 5
  - (iii) Major influences on auditing. 5
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