

2018

**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.***First Half***(Advanced Accounting)*

[Marks : 50]

Answer Q. No. 1 and any two from the rest.

## 1. Balance Sheet as at 31.3.2018 :

Sources of Fund	A Ltd. Rs.	B Ltd. Rs.
<i>Equity &amp; Liabilities</i>		
Shareholders' Fund		
Share Capital	8,00,000	3,00,000
(Equity shares of Rs. 100 each)		

(Turn Over)

Sources of Fund	A Ltd. Rs.	B Ltd. Rs.
General Reserve	1,40,000	60,000
Profit & Loss Account	90,000	40,000
<i>Current Liabilities</i>		
Sundry Creditors	85,000	50,000
Loan from A Ltd.	—	40,000
Bills Payable	45,000	15,000
	<u>11,60,000</u>	<u>5,05,000</u>
<i>Application of Fund</i>	<i>A Ltd.</i>	<i>B Ltd.</i>
	<i>Rs.</i>	<i>Rs.</i>
<i>Non-current assets :</i>		
Building & Machinery	6,00,000	2,70,000
<i>Investments :</i>		
Investment in B Ltd. (2,400 shares)	2,92,000	—
<i>Current Assets :</i>		
Stock	1,00,000	1,40,000
Debtors	90,000	83,000
Loan to B Ltd.	50,000	—
Cash & Bank	28,000	12,000
	<u>11,60,000</u>	<u>5,05,000</u>

Other information :

- (a) A Ltd. acquired the shares in B Ltd. on 1.10.2017 on which date B Ltd. had Rs. 20,000 in General Reserve and Rs. 10,000 (Dr.) in its Profit & Loss Account.
- (b) Building and Machinery of B Ltd. which stood at Rs. 3,00,000 in 1.4.2017 were revalued on the date of acquisition (1.10.2017) for Rs. 3,80,000. However, the effect of this revaluation has not yet been shown in the books of B Ltd.
- (c) Creditors of B Ltd. include Rs. 20,000 for goods purchased from A Ltd. on credit on which A Ltd. charged a profit of Rs. 4000. Half of the above goods purchased remained in the stock of B Ltd. as on 31.3.2018.
- (d) There is a cash-in-transit of Rs. 10,000 as on 31.3.2018 from B Ltd. to A Ltd. relating to partial loan repayment.
- (e) Both A Ltd. and B Ltd. decided to make a proposed dividend of 5%.

Prepare consolidated balance sheet of A Ltd. and its subsidiary B Ltd. as at 31.3.2018.

Or

1. (a) Write the significance of the following :

- (i) Capital Employed,
- (ii) Intrinsic value of shares,
- (iii) Yield value of shares.

(b) Below is given the Balance Sheet of Sun Ltd. as at 31.12.2017.

Sources of Fund	₹
<i>Non-current Liabilities :</i>	
Share Capital :	₹
Equity Shares of ₹ 10 each	2,00,000
Less : Calls in arrear (₹ 2 for final call)	<u>5,000</u>
	1,95,000
6% preference shares of ₹ 10 each	1,00,000
Less : Calls in arrear (₹ 2 for final call)	<u>1,000</u>
	99,000
General Reserve	80,000
Profit and Loss Account	16,000
<i>Current Liabilities :</i>	
Bank Loan	60,000
Sundry Creditors	1,55,000
Bills Payable	30,000
	<u>6,35,000</u>

Application of Fund	₹
<i>Non-current Assets :</i>	
Goodwill	20,000
Machinery	1,10,000
Land and Building	1,20,000
Furniture and Fixtures	60,000
Vehicles	80,000
Investment	80,000
<i>Current Assets :</i>	
Stock in trade	55,000
Sundry Debtors	90,000
Cash at Bank	10,000
Misc. Expenditure : Preliminary Expenses	10,000
	<u>6,35,000</u>

Additional Information :

- (i) For the purpose of valuation of shares, Goodwill is to be considered on the basis of 2 years' purchase of the super profit based on average profit of last 4 years.

Profit are as follows :

2014 ₹ 80,000 ; 2015 ₹ 90,000 ; 2016 ₹ 1,05,000 ;  
2017 ₹ 1,10,000.

- (ii) In a similar business, normal return on capital employed is 15%.
- (iii) Fixed assets are worth 30% above their actual book value. Stock is overvalued by ₹ 5,000. Debtors are to be reduced by ₹ 1,000. All trade investments are to be valued at 10% below cost.
- (iv) Of the investments, 10% is trade and the balance non-trade. Trade investments were purchased on 1.1.2017. Entire non-trade investments were acquired on 1.1.2016. A uniform rate of dividend of 10% is earned on all investments.

The following further information is relevant :

In 2015, a new machinery costing ₹ 10,000 was purchased but wrongly charged to revenue, no rectification has yet been made for above.

You are required to value each fully paid and partly paid equity share. (Depreciation is charged on Machinery @ 10% on reducing system. Ignore taxation and dividend. (2+2+2)+14

2. (a) Distinguish between compulsory and voluntary liquidation.
- (b) The following is the Balance Sheet of M/S Unfortunate Ltd. as on 31st December, 2017

Sources of Fund	Amount (₹)
<i>Non-current Liabilities :</i>	
4,000, 6% preference shares of ₹ 100 each fully paid up	4,00,000
2000 Equity shares of ₹ 100 each ₹ 75 per share paid up	1,50,000
6,000 Equity shares of ₹ 100 each ₹ 60 per share paid up	3,60,000
5% Debentures (having a floating charge on all assets)	2,00,000
Interest outstanding on debentures (also secured as above)	10,000
<i>Current Liabilities :</i>	
Creditors	2,90,000
	<u>14,10,000</u>

Application of Fund	Amount (₹)
<b>Non-current Assets :</b>	
Land and Building	2,00,000
Plant and Machinery	5,00,000
Patents	80,000
<b>Current Assets :</b>	
Stock at cost	1,10,000
Sundry debtors	2,20,000
Cash at Bank	60,000
<b>Miscellaneous Exp.</b>	
Profit and Loss A/c	2,40,000
	<u>14,10,000</u>

On that date the company went into voluntary liquidation. The dividend on preference shares were in arrears for two years. Creditors include a loan of ₹ 1,00,000 on mortgage of land and building. The assets realised were as under :

	₹
Land and Building	2,40,000
Plant and Machinery	4,00,000
Patents	60,000
Stock	1,20,000
Sundry debtors	1,60,000

The expenses of liquidation amounted to ₹ 21,800. The liquidator is entitled to a commission of 3% on all assets realised (except cash at bank) and commission of 2% on amounts distributed among unsecured creditors. Preferential creditors amount to ₹ 30,000 included in sundry creditors. All payments were made on 30th June, 2018.

Prepare Liquidator's Final Statement of Account.

4+11

3. The following were the balances disclosed by the trial balance of the Indian Life Insurance Society as on 31.3.2018 :

	₹
Balance of Life Assurance fund on 1. 4. 2017	20,00,000
Government Securities	10,00,000
Profit on realisation of asset	2,000
Investment fluctuation Account	10,000
Claims under policies by death	60,000
Claims under policies at maturity	5,60,000
Loans on mortgage	3,00,000
Loans on policies	83,000
Freehold Property	23,600

₹

Agent's balances owing (Dr.)	2,000
Commission paid	24,000
Outstanding Premium	24,000
Interest accrued	3,000
Premium (other than single)	2,00,000
Claims admitted but not paid	6,000
Surrenders	20,000
Single premium	80,000
Consideration for annuities granted	50,000
Interest, Dividend and Rent received	70,000
Depreciation of fixed assets	3,000
Administrative expenses	5,000
Salaries	20,000
Auditor's fees	5,000
Directors fees	15,000
Legal expenses	3,000
Printing, Stationery	6,000
Cash at bank	1,68,400
Provision for depreciation of fixed asset	3,000

Prepare a Revenue Account and Balance Sheet of Indian Life Insurance Society. Show all the relevant schedules.

4. Prepare Revenue Account, Net Revenue Account and the General Balance Sheet under the double account system from the following trial balance as on 31.12.2017 of Bijlee Ltd.

Depreciation to be provided on opening balance of Building  $2\frac{1}{2}\%$ , Machinery 9%, Mains 5%, Transformer, Motor etc. 10%, Meters and Electrical instruments 15%, Advertising has been pre-paid by ₹ 5,000 and provision of 5% to be made for doubtful debts.

Trial Balance  
as at 31.12.2017

As on 1.4.2016 Amount (₹)		Dr. (₹)	Cr. (₹)
	Capital Nominal : 300000 shares of ₹ 10 each ; subscribed		
6,00,000	150000 shares of ₹ 5 paid		7,50,000
4,50,000	6% Debentures		4,50,000
30,000	Depreciation Fund		30,000
	Calls in arrears	30,000	
2,79,000	Freehold land	2,79,000	2,79,000

As on 1.4.2016 Amount (₹)		Dr. (₹)	Cr. (₹)
1,20,000	Building	1,50,000	1,50,000
1,80,000	Machinery at station	3,00,000	3,00,000
1,50,000	Mains	2,40,000	2,40,000
30,000	Transformer, Motor etc.	60,000	
15,000	Meters	45,000	
9,000	Electrical Instrument	12,000	
48,000	General Stores (Cables, lamps etc.) in stock	70,500	
7,500	Office Furniture	7,500	
	Coal and Fuel oil	49,500	
	Oil, waste and		
	Engine from stores	30,000	
	Coal, oil etc. in stock	3,000	
	Wages at station	75,000	
	Repairs and Replacements	30,000	
	Rates and Taxes	9,000	
	Salaries of Secretary, Manager etc.	60,000	
	Director's fees	15,000	

As on 1.4.2016 Amount (₹)		Dr. (₹)	Cr. (₹)
	Stationery Printing and Advertising	18,000	
	Incidental expenses	3,000	
	Law charges	6,000	
	Sales-by meters		2,62,500
	-by contracts		1,50,000
	Meter rent		9,000
	Sundry creditors		30,000
	Sundry debtors	90,000	
	Cash in hand and at Bank	99,000	
		16,81,500	16,81,500

5. (a) Write short notes :

- Objectives of Merger,
- Brand Accounting.

(b) Explain the terms :

- Marine Insurance.
- Average clause.

(4+4)+(4+3)

**Second Half***(Auditing)*

[Marks : 50]

Answer Q. No. 6 and any *two* from the rest.

6. Answer any *four* questions : 4×5
- (a) What is 'Auditing'? State the objectives of Auditing. 2+3
- (b) What is 'Periodical Audit'? Distinguish between Periodical Audit and Continuous Audit. 2+3
- (c) Discuss the concept of independence of auditor.
- (d) State the importance of Management Audit.
- (e) Distinguish between Internal Check and Internal Control.
- (f) Explain the different types of sampling risks in respect of compliance procedures and substantive procedures.

- (g) Write a brief note on audit in depth.
- (h) What do you mean by 'Social Audit'? State the areas of Environmental Audit in Indian context. 2+3
7. (a) Explain the matters which an auditor should consider before commencing the financial audit of a company.
- (b) Explain the statutory rights and duties of a company auditor. 7+8
8. (a) Briefly state the contents of Cost Audit Report.
- (b) State the circumstances in which a Cost Accountant may be disqualified. 7+8
9. Write short notes on :
- (a) Tax Audit.
- (b) Efficiency Audit.
- (c) Human Resource Audit. 5+5+5



10. (a) Explain the different types of sampling risk in respect of compliance procedure and substantive procedures.
- (b) What do you know about 'Computer-assisted Audit Techniques' ?

9+6