

2016

DDE

M.Com. Part-II Examination

COMMERCE

PAPER—VII

Full Marks : 100

Time : 4 Hours

The figures in the 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.

(Turn Over)

1. Balance Sheet as at 31.3.2016 :

	H Ltd. Rs.	S Ltd. Rs.		H Ltd. Rs.	S Ltd. Rs.
Equity Share Capital (Rs. 10 each)	7,00,000	3,00,000	Fixed Assets Investment in S Ltd. (20,000 shares)	5,60,000	3,40,000
General Reserves	90,000	50,000	Stock	2,60,000	—
Profit & Loss A/c	1,20,000	80,000	Debtors	80,000	50,000
Creditors	60,000	30,000	Cash & Bank	50,000	40,000
	9,70,000	4,60,000		20,000	30,000
				9,70,000	4,60,000

Other information :

- H Ltd. acquired the shares in S Ltd. on 1.4.2015 ;
- On 1.4.2015 General Reserves and Profit and Loss A/c balances of S Ltd. stood at Rs. 30,000 and Rs. 50,000 respectively ;
- In the month of July 2015, S Ltd. declared and paid dividend @ 10% from its Profit and Loss A/c for the year 2013-2014. H Ltd. credited the dividend received from S Ltd. in its Profit & Loss A/c ;

- Fixed assets of S Ltd. were revalued on the date of acquisition by H Ltd. at Rs. 4,80,000 (Book value of Fixed Assets of S Ltd. on 1.4.2015 was Rs. 4,00,000) ;
- The effect of this revaluation of fixed assets has not been yet recorded in the books of S Ltd. ;
- Both the companies have decided to make a proposed dividend @ 10%.

Prepare a consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31.3.2016. 20

Or

- Explain the term capital profit or pre-acquisition profit and minority interest in accounting of holding company.
- Explain the term capital employed in valuation of goodwill.
- Write the yield basis of valuation of shares.
- Write the major differences in valuation of shares between asset backing and yield basis of valuation.
- Write the needs of valuation of shares.

6+3+4+3+4

2. The Balance Sheet of Sound Ltd. as at 31.3.2016 is given below :

Liabilities and Capital	Amount (₹)
Shareholders Fund :	
Share Capital :	
6,000 Equity Shares	
of ₹ 100 fully paid	6,00,000
Profit and Loss Account	50,000
Current Liabilities and Provisions :	
Bankoverdraft	10,000
Creditors	60,000
Provision for taxation	1,10,000
Proposed dividend	60,000
	<u>8,90,000</u>
Assets :	
Non-current Assets :	
Building	1,50,000
Machineries	2,20,000
Current Assets :	
Stock	3,00,000
Sundry Debtors	1,60,000
Bank	60,000
	<u>8,90,000</u>

The net profit of the company, after deducting usual working expenses but before providing for taxation, were as under :

Year	₹
2013-14	2,00,000
2014-15	2,40,000
2015-16	2,20,000

On 31st March, 2016, Building was revalued at ₹ 2,00,000 and Machineries ₹ 2,50,000. Sundry debtors on the same date, included ₹ 10,000 as irrecoverable. Having regard to nature of the business, a 10% return on net tangible capital invested is considered reasonable.

You are required to value the company's share both on ex-dividend and cum-dividend basis. Valuation of goodwill may be based on three years purchase of annual super-profit. Depreciation on Building @ 2%, Machineries @ 10% p.a. the Income tax rate is to be assumed at 50%. All workings should form part of your answer.

3. Balance Sheet of XYZ Ltd. as at 31st December 2015 on which date the company goes into liquidation

Liabilities :	Rs.	Rs.
20,000 preference shares of Rs. 10 each fully paid	2,00,000	
10,000 equity shares of Rs. 10 each, fully called	1,00,000	
Less : Calls-in-arrear (2000 shares @ Re. 1 each)	<u>2,000</u>	98,000
20,000 equity shares of Rs. 10 each, paid upto Rs. 5 each	1,00,000	
40,000 equity shares of Rs. 10 each, paid upto Rs. 3 each	<u>1,20,000</u>	5,18,000
Secured loan from IDBI Bank (Against pledge of fixed assets)	80,000	
Unsecured creditors	2,00,000	
	<u>7,98,000</u>	
Assets		
Fixed Assets	3,00,000	
Stock	1,80,000	
Debtors	2,00,000	
Cash & Bank	20,000	
Profit & Loss A/c (Dr.)	98,000	
	<u>7,98,000</u>	

The assets are realised as follows :

Fixed assets	Rs.	70,000
Stock	Rs.	1,10,000
Debtors	Rs.	50,000

The liquidator is to get a remuneration of Rs. 4000. Expenses on realisation amounted to Rs. 12,000.

Show the liquidator's final statement of account.

15

4. The following trial balance was extracted from the books of the New Bharat Life Assurance Co. Ltd. as on 31.3.2016

	Dr.	Cr.
	₹	₹
Paid-up share capital :		
10,000 shares of ₹ 10 each	—	1,00,000
Life Assurance fund		
as on 01.04.2015	—	29,72,300
Dividends paid	15,000	—
Bonus to Policy holders	31,500	—
Premium received	—	1,61,500
Claims paid	1,97,000	—
Commission paid	9,300	—
Management expenses	32,300	—
Mortgages in India	4,92,200	—

	Dr.	Cr.
	₹	₹
Interest and Dividends received	—	1,12,700
Agents' balances	9,300	—
Freehold Premises	40,000	—
Investments	23,05,000	—
Loan on Company's Policies	1,73,600	—
Cash on deposit	27,000	—
Cash in hand and on Current Account	7,300	—
Surrenders	7,000	—
	<u>33,46,500</u>	<u>33,46,500</u>

You are required to prepare company's Revenue Account for the year ended 31st March, 2016 and its Balance Sheet as on that date, following new rules of insurance company's book-keeping and the following matters into consideration :

- (₹)
- (i) Claims admitted but not paid 9,300
 - (ii) Management expenses due 200
 - (iii) Interest accrued 19,300
 - (iv) Premium Outstanding 12,000

7+8

5. (a) Write the contents of Deposit schedule (schedule-3) and Advance schedule (Schedule-9) of the Banking Company's Act.

(b) Write notes on :

- (i) Capital Base ;
- (ii) Reasonable Return ; and
- (iii) Disposal of surplus rules of an Electricity Company.

6+9

Second Half

(Auditing)

[Marks : 50]

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

6. Answer any four of the following questions : 4×5

- (a) State the factors to be considered for the effectiveness of internal check system.
- (b) Mention the different types of audit evidences that are used while auditing different organisations.
- (c) Explain briefly the responsibilities of an auditor for the adoption of sampling technique in auditing.
- (d) State the reasons for undertaking Propriety Audit.
- (e) Write a note on 'Environmental Audit'.

- (f) State the important effects of 'Tax Audit'.
- (g) State the objectives of management audit.
- (h) Can cost audit be called an "efficiency audit"? If so, why?
- 7. State briefly the duties of a company auditor regarding :**
- (a) Statutory Report ;
- (b) Voluntary Liquidation of company. $7\frac{1}{2} \times 2$
- 8. (a) Define Cost Audit. State the importance of Cost Audit.**
- (b) Briefly state the contents of a Cost Audit Report. $(3+5)+7$
- 9. (a) Write about 'Computer-Assisted Audit Techniques'.**
- (b) State the circumstances of Special Audit as directed by the Central Government. $8+7$
- 10. Write short notes on :**
- (a) Audit Risk ;
- (b) Social Audit ; and
- (c) Auditing in Depth. 5×3