

**2017**

**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.*

**First Half**

**(Advanced Accounting)**

**[Marks : 50]**

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

- 1. The following are the balance of H. Ltd. and S. Ltd. as on 31.03.2017.**

*(Turn Over)*



Sources of Fund	H. Ltd. ₹	S. Ltd. ₹
<b>Equities &amp; Liabilities</b>		
Shareholder's Fund :	10,00,000	7,00,000
Share Capital (₹ 100 each)		
General Reserve	2,00,000	3,00,000
Profit and Loss A/c	3,00,000	3,00,000
Current Liabilities	3,00,000	9,00,000
	<u>20,00,000</u>	<u>22,00,000</u>

Application of Fund	H. Ltd. ₹	S. Ltd. ₹
Non-Current Assets	8,00,000	9,00,000
Investment in S. Ltd.	5,00,000	—
Current Assets	7,00,000	13,00,000
	<u>20,00,000</u>	<u>22,00,000</u>

The following further information is furnished :

- (a) H. Ltd. acquired 3,000 shares in S. Ltd. on 01.04.2016 when the Reserve and Surplus position of S. Ltd. was as under :

General Reserve	₹ 5,00,000
Profit and Loss A/c (Credit balance)	₹ 2,00,000

- (b) On 01.10.2016, S. Ltd. issued 2 shares for every 5 shares held, as bonus shares at a face value of ₹ 100 per share. No entry is made in the books H. Ltd. for the receipt of these bonus shares.

- (c) On 30.06.2016, S. Ltd. declared a dividend, out of pre-acquisition profit and H. Ltd. credited the receipt of dividend to its Profit and Loss Account.

- (d) S. Ltd. owed H. Ltd. ₹ 1,20,000 for Purchase of Stock from H. Ltd. The entire Stock is held by S. Ltd. on 31.03.2017. H. Ltd. made a profit of 20% on cost.

Prepare consolidated Balance sheet of H. Ltd. along with its subsidiary S. Ltd. as on 31.03.2017. 20

Or

- (a) Explain the Super Profit method in valuation of goodwill.
- (b) The Balance Sheet of No Such Co. Ltd. as on 31.03.2017 was as under :

Sources of Fund	Amount (₹)
<b>Equity &amp; Liabilities</b>	
<b>Shareholders Fund :</b>	
Equity Share capital of ₹ 10 each.	2,00,000
Equity Share capital of ₹ 5 each	1,00,000
General Reserve	40,000
Profit and Loss A/c	10,000



**Non-current Liabilities :**

Gratuity Fund	15,000
Workmen Provident Fund	5,000
Depreciation Fund	10,000

**Current Liabilities :**

Trade creditors	25,000
Liabilities for expenses	5,000
Bank Overdraft	30,000
	<u>4,40,000</u>

**Application of Fund** **Amount (₹)****Non-Current Assets :**

Goodwill	30,000
Fixed Assets	1,00,000
Investment	50,000

(10% Tax free G. P. Notes)

**Current Assets :**

Stock	1,00,000
Debtors	1,00,000
Cash	55,000
Prepaid Expenses	2,000

**Miscellaneous Expenditure :**

Preliminary Expenses	3,000
	<u>4,40,000</u>

**Additional Information :**

A Share holder holding 400 Shares of ₹ 10 each and

300 Shares of ₹ 5 each, Dividends paid for the last 3 years were 12%, 11% and 12%. Normal expectation is 10%. Fixed assets are worth ₹ 80,000. Goodwill is to be calculated on the basis of 4 years purchase of average super profit of last 3 years. Debtors are considered good except for ₹ 3,000. Liabilities for expenses are no longer required. On the other hand there is a claim for bonus amounting to ₹ 10,000 and it is likely to be paid. Profit for 3 years after taxation were ₹ 35,000, ₹ 48,000 and ₹ 46,000.

Find out the Intrinsic value, Market value and Fair value of the above two types of Shares. 5+15

2. (a) Write the reason behind compulsory liquidation.

(b) The Balance Sheet of Sona Ltd. as on 31.03.2017 was as follows :

<u>Sources of Fund :</u>	<u>Amount (₹)</u>
<b><u>Equities and Liabilities :</u></b>	
Shareholders Fund :	
1,000, 6% Preference Shares of ₹100 each	1,00,000
2,000 Equity Shares of ₹ 100 each	2,00,000
3,000 Equity Shares of ₹ 100	
each ₹ 50 paid.	1,50,000



Non-Current liabilities :

6% Debentures (floating 1,00,000 charge  
on all assets) 1,00,000

Other Loans :

(Mortgage in land and building) 1,00,000

Current Liabilities :

Sundry Creditors 90,000

Income Tax 10,000

7,50,000

Application of Fund :

Amount (₹)

Non-Current Assets :

Land and Building 2,00,000

Plant and Machinery 2,20,000

Current Assets :

Stock 1,00,000

Debtors 1,00,000

Cash at Bank 30,000

Miscellaneous Expenses :

Profit and Loss A/c 1,00,000

7,50,000

The Company went into liquidation on 1st April, 2017.

The Preference dividends were in arrear for three years.  
The arrears are payable on liquidation.

The assets were realised as follows :

	(₹)
Land and Building	2,40,000
Plant and Machinery	1,80,000
Stock	70,000
Debtors	60,000

The expenses on liquidation amounted to ₹ 8,000.

The liquidator is entitled to a commission at 2% on all assets realised and 3% on amount distributed to unsecured creditors.

All payments were done on 30.09.2017.

Prepare Liquidator's Statement of Account. 3+12

3. (a) Write the relationship between loss of stock insurance and loss of profit insurance. Explain the term re-insurance.

(b) From the following details, find out the claim under Loss of Profit Policy :



Indemnity period— 6 months. Policy value ₹ 25,000.  
Date of fire 1st April, 2017.

Dislocation upto 1st August, 2017

	(₹)
Sales for 2016 accounting year	1,20,000
Net Profit for 2016 accounting year	13,000
Standing Charges for 2016 accounting year (all insured)	17,000
Sales from 01.04.2016 to 31.03.2017	1,60,000
Sales from 01.04.2016 to 01.08.2017	20,000
Sales from 01.04.2016 to 01.08.2016	50,000

There is a clear 10% upward trend in business.

(3+2)+10

4. (a) Write the strategies behind Merger and Takeover.
- (b) Explain the term 'Purchase Consideration'.
- (c) Distinguish between.
- Amalgamation and Absorption.
  - External Reconstruction and Internal Reconstruction.
  - Merger and Takeover. 8+2+(2+2+1)
5. (a) Define Double Accounting System. State the essential features of Double Accounting System.

- (b) A water supply concern is considering to replace a quarter of the mains and to lay an auxilliary mains for the remaining length to ensure uninterrupted water supply in the locality. The total cost of the original main was ₹ 12,00,000. The cost of new main (a quarter) is estimated at ₹ 7,00,000. The auxilliary main costs ₹ 1,80,000.

It is reported that the cost of laying a main has gone up by 40%.

Parts of old main realised ₹ 20,000. Parts of old main costing ₹ 35,000 were used in the laying of new main.

Show journal entries of the above with necessary workings. (2+5)+8

### 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
- Briefly state the feature of an EDP System. 5
  - State the usefulness of audit sampling. 5
  - State the main purposes of Efficiency Audit. 5



- (d) Can an auditor of a company be described as an 'Independent Auditor'? 5
- (e) Explain in brief the functions of audit committee of a company. 5
- (f) State the benefits of Management Audit. 5
- (g) Write a note on "Social Audit". 5
- (h) Write short note on Audit Evidence. 5
7. What are the various purposes served by the Cost Audit? State briefly important rules regarding 'Cost Audit Report' under the Cost Audit Report Rules, 1968. 7+8
8. State the basic objectives of Propriety Audit. What are its advantages? 8+7
9. What are the different types of error that is to be checked by an auditor? Distinguish between errors and frauds. 8+7
10. Write short notes on : 3×5
- (a) Financial Audit ;
  - (b) Environmental Audit ; and
  - (c) Evolution of Auditing.