2014

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

To de la constante de la const

(Advanced Accounting)

[Marks.: 50]

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

1. From the following Balance Sheets and additional information, prepare the Consolidated Balance Sheet of the group as on 31.12.2013.

Balance Sheet of H. Ltd and S. Ltd. as on 31.12.2013

		The second secon	The same of the sa		
Liabilities	H. Ltd. (Rs.)	S. Ltd. (Rs.)	Assets	H. Ltd. (Rs.)	S. Ltd. (Rs.)
Share Capital (Rs.10 each)	4.00,000	5,00,000	Investments Shares in S Ltd.	4,50,000	
Profit & Loss A/c Sundry Creditors Bills Payable	1,60,000 50,000 10,000	90,000		10,000 10,000 1,50,000	3,00,000 20,000 8,000 3,77,000
	6,20,000	7,05,000		6,20,000	7,05,000

Additional Information:

(i) Net Profit for 2013 (included above):
H Ltd. Rs. 40,000., S Ltd. Rs. 80,000

In 2013, S Ltd. Credited Rs. 4,000 to Profit & Loss Account in settlement of a claim for loss of stock (Cost Rs. 5,000 included in the opening stock of the year) by fine on 31st March, 2013.

- (ii) The following points were not considered in making of the accounts:
 - (a) Rs. 500 per month expenses was incurred by H Ltd. on behalf of S Ltd. It was by mistake debited to Profit & Loss Account of H Ltd. And nothing has been done in the accounts of S Ltd.
 - (b) Dividend Proposed for 2013 10%.
- (iii) On 30th April, 2013, H Ltd. acquired 32,000 shares for Rs. 4,50,000. On the same day Bonus Shares
 @ one for every four held were received 10% dividend has also been received on the same day from S Ltd. The dividend has been credited to Profit & Loss Account.

01

- 1. (a) Write the needs of Valuation of shares.
 - (b) The Balance Sheet of a Company on 31.03.2014 was as follows:

Liabilities	Amount	Assets	Amount
mayoni ali bhara	(Rs.)	THE BUY THE BLOKEN	(Rs.)
Paid Up Capital :	-1-1-1	Goodwill	20,000
1000, 6% Pref. Shares		Land & Building	1,00,000
of Rs. 100 each		Machinery	2,00,000
fully paid	1,00,000	Stock	2,50,000
2000 Equity Shares		Debtors	50,000
of Rs. 100 each	Premises	Cash at Bank	70,000
fully paid	2,00,000	Preliminary Expenses	10,000
3000 Equity Shares	au white	a proneprin of the pa	The State of
of Rs. 100 each	Di Li Natisi	interiors were oftniss	
Rs. 50 per share	oles and	War barren Ares rase about	
paid	1,50,000	The Late of the Control of the Contr	TOTAL STATE
Reserve	50,000	non Se r Jose Champile	Sundry See
Profit & Loss A/c	70,000		disease b
5% Debentures	10,000	5.85.000 4.00.000	
Sundry Creditors	1,20,000		
owings singlished of	his workship)	ons part page display on	40 CF-134
understanding	7,00,000	no relations con the	7,00,000
		The second secon	

The revaluation of assets was as follows

Rs.

Land and Buildings

1,50,000

Machinery

1,80,000

Normal return on Capital employed for valuation of Goodwill is 10%. Average Profits for the last 3 years was Rs. 65,000. The basis of valuation of Goodwill is 3 years' purchase of Super-Profits. Preference Share Dividend was Rs. 6,000 in arrear which was included in Sundry

Creditors. Similar Companies are paying 12% Dividend on Equity Shares. In last three years the company had paid dividend @ 12%, 14% and 13% respectively. Find out the Fair values of each type of Equity Shares. Ignore Tax.

4+16

2. (a) Write any five motives of Merger and Takeover.

(b) The Balance Sheet of X Ltd. and Y Ltd. as at 31.12.2013 are given below:

Liabilities	X Ltd. (Rs.)	Y Ltd. (Rs.)	Assets	X Ltd. (Rs.)	Y Ltd. (Rs.)
Authorised and	Barrie	in dage.	Premises	1,20,000	. वर्डी रिक
Issued Share	(A)		Goodwill	- 100	1,20,000
Capital ;	STATE OF THE		Sundry Debtors	80,000	1,60,000
Equity Shares			Stock in trade	3,00,000	90,000
of Rs. 100 each	4,00,000	3,60,000	Bank	85,000	75,000
General Reserve	75,000		Profit & Loss A/c		35,000
Profit & Loss A/c	38,000	_	WELDWAY I TO		
Sundry Creditors	72,000	1,20,000	nan as	NA Jeon	& Phone
	5,85,000	4,80,000	10,000	5,85,000	4,80,000

A new company XY Ltd. was formed to take over the two businesses entirely on the following understanding:

- (a) X Ltd.: Premises to be revalued at Rs. 1,50,000, Sundry Debtors taken over at 90% and Stock at Rs. 3,15,000.
- (b) Y Ltd.: Goodwill to be taken over at Rs. 1,60,000, Debtors to be taken at Rs. 1,50,000 and Stock at Rs. 75,000.

It was decided that the capital of XY Ltd. would consist of both Preference and equity shares of the face value of Rs. 10 each. Preference Shares would be of the order of Rs. 4,00,000 and the balance would be in equity shares. Both companies would

(Continued)

be issued shares of both the types in equal number, except that the surplus capital of X ltd. would be discharged fully in Preference Shares.

Indicate the number of Shares to be issued to each of the absorbed companies and also how the shares of XY Ltd. would be distributed to the shareholders of X Ltd. and Y Ltd. 5+10

- 3. (a) An electricity station had to be replaced by a new one. The new station cost Rs. 8,00,000, whereas the old one had cost only Rs. 2,00,000, materials forming 3/7 ths of the total expenditure and labour accounting for the rest. Prices of materials have doubled and wage rates gone up by 250% since the old station was built. Materials worth Rs. 38,000 were used in the new station and sale proceeds of the materials were Rs. 11,000. These materials were obtained by pulling down the old station. Pass the Journal entries and show the total amount to be capitalised and written off.
 - (b) On 31st March, 2014 a bank held the following bills discounted by it earlier:

Date of Bill 2014	Term of bill (months)	Discounted @ % p.a.	Amount of bill (Rs.)
(i) January, 27	4 4	15	4,50,000
(ii) February, 18	o ada surde	16	5,60,000
(iii) March, 22	er takeng the	the state and	3,20,000

You are required to calculate the Rebate on Bills discounted. Also show the necessary journal entry for the rebate.

(c) Distinguish between double entry and double accounting system.

8+5+2

4. The following Trial Balance was extracted from the books of the New Bharat Life Assurance Co. Ltd. as on 31.3.2014.

aber of super 1 to be reserved to work	Dr	Cr.
sounds and well dem pas as assention	(Rs.)	(Rs.)
Paid up Share Capital	LEADY AND EA	
10,000 Shares of Rs. 10 each	Dural Property	1,00,000
Life Assurance Fund	Se il Arriginisticat	Charles ave
as on 01.04.2013	moitals were	29,72,300
Dividends Paid	15,000	AND THE RESERVE
Bonus to Policyholders	31,500	
Premium received	Last and to our	1,61,500
Claims paid	1,97,000	71,000
Commission paid	9,300	U.20,0
Management expenses	32,300	The Lake
Mortgages in India	4,92,200	4.40 200
Interest and dividends received	SAUL FOOL 1	1,12,700
Agents' balances	9,300	MICO.
Freehold premises with all the blank of the	40,000	one .
Investments	23,05,000	Mo
Loans on Company's policies	1,73,600	Carlo Division
Cash on deposit	27,000	The second second
Cash in hand and on	or for havene	DOITH
current account	7,300	HE PET Shell
Surrender	7,000	sektoáros.
The second secon	33,46,500	33,46,500

You are required to prepare the company's Revenue Account for the year ended 31.3.2014 and its Balance Sheet as on that date after taking the following matters into consideration:

A	no studest-end established between	Rs.
(Claims admitted but not paid	9,300
	Management expenses due	200
	interest accrued	19,300
	Premium outstanding	12,000

15

(Continued)

5. (a) The following is the Balance Sheet of X Ltd. as on

Subscribed Capital: 20,000, 14% Redeemable Pref. Shares of Rs. 10 each 10,000 Equity Shares of Rs. 10 each Cash at Bank 1,20,000	Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Subscribed Capital: 20,000, 14% Redeemable Pref. Shares of Rs. 10 each 10,000 Equity Shares of Rs. 10 each, Rs. 9 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Plant and Machinery Patents Investments Stock Sundry Debtors Cash at Bank Profit & Loss A/c 10,000 40,000 72,000 11,00,000 11,00,000 12,000 14,000 15,000 15,000 15,000 15,000 15,000 10,000	Authorised and		Land and Building	1,90,000
20,000, 14% Redeemable Pref. Shares of Rs. 10 each 10,000 Equity Shares of Rs. 10 each, Rs. 9 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Company 2,500 Patents Investments 40,000 40,000 Stock Sundry Debtors Cash at Bank Profit & Loss A/c 65,50		or invitable		1,20,000
able Pref. Shares of Rs. 10 each 10,000 Equity Shares of Rs. 10 each, Rs. 9 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Of Rs. 10 each Stock Sundry Debtors Cash at Bank Profit & Loss A/c 1,00,000 14,000 1,00,000 14,000 72,000 2,000 2,000 2,500 Owing to Government for telephone and purchases Owing to Government		town be b	The latest and the la	10,000
of Rs. 10 each 10,000 Equity Shares of Rs. 10 each, Rs. 9 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government 2,00,000 Stock Sundry Debtors Cash at Bank Profit & Loss A/c 50,000 1,00,000 1,00,000 14,000 72,000 40,000 72,000 2,000 2,000 2,500 Owing to Government for telephone and purchases Owing to Government		Latter and	Investments	40,000
10,000 Equity Shares of Rs. 10 each, Rs. 9 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Sundry Debtors Cash at Bank Profit & Loss A/c 50,000 1,00,000 1,00,000 14,000 40,000 72,000 2,000 2,000 2,500 Owing to Government for telephone and purchases Owing to Government		2.00.000	THE STREET WAS A STREET OF THE STREET	45,000
of Rs. 10 each, Rs. 9 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Of Rs. 10 each, Profit & Loss A/c Cash at Bank Profit & Loss A/c Cash at Bank Profit & Loss A/c 65,50			Sundry Debtors	90,000
Rs. 9 paid 10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government 90,000 Profit & Loss A/c 65,56		- white		35,000
10,000 Equity Shares of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government 50,000 1,00,000 1,00,000 14,000 72,000 72,000 2,000 2,000 2,000 2,500 Owing to Government		90,000	the state of the s	65,500
of Rs. 10 each, Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government 50,000 1,00,000 1,00,000 40,000 72,000 2,000 2,000 2,000 2,000 2,500 Owing to Government	The second of th	TOTAL SELECT	wittenesses tourse Ale	
Rs. 5 paid 14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government 50,000 1,00,000 1,00,000 40,000 72,000 2,000 2,000 2,000 2,000 2,500 Owing to Government	4	standar dina	THE PERSON NAMED IN COLUMN	-
14% Mortgage Debentures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government 1,00,000 14,000 40,000 72,000 72,000 2,000 2,000 2,000 2,000	and the second s	50,000		V
tures (holding a floating charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Owing to Government Owing to Government				100
ting charge on all the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government		MOT IN ST	PERSONAL PROPERTY AND PROPERTY.	
the assets of the company) Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government 1,00,000 14,000 40,000 72,000 72,000 2,000 2,000 2,000				
Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Owing to Government Owing to Government		- 5		74 47
Interest outstanding on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Owing to Government Owing to Government	company)	1.00,000		
on the Debentures Loan Secured by hypothecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Owing to Government Owing to Government			and the second	
Loan Secured by hypothecation of Stock Trade Creditors 72,000 Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government Owing to Government Owing to Government Owing to Government	The state of the s	14,000	OF STREET, STR	
thecation of Stock Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government	Loan Secured by hypo-	rumnie.		
Trade Creditors Creditors for Salaries and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government 2,000 2,000 2,000		40,000		
Creditors for Salaries and Wages 15,000 Liability for Workmen's compensation 2,000 Owing to Government for telephone and purchases 2,500 Owing to Government			Day or was the last of the las	
and Wages Liability for Workmen's compensation Owing to Government for telephone and purchases Owing to Government				
Liability for Workmen's compensation 2,000 Owing to Government for telephone and purchases 2,500 Owing to Government		15,000		
compensation 2,000 Owing to Government for telephone and purchases 2,500 Owing to Government		EL COL ALL		
Owing to Government for telephone and purchases 2,500 Owing to Government		2,000		
for telephone and purchases 2,500 Owing to Government		THE PERSON	tion, can a special at	0.000
purchases 2,500 Owing to Government			has been made on the	
Owing to Government		2,500		
				1 2 2
		10,000		
5,95,500 5,95,5		5,95,500		5,95,500

C/15/DDE/M.Com./Part-II/7

(Turn Over)

The company went into voluntary liquidation on 01.4.2014 and a liquidator was appointed with a remuneration of 2% of the assets realised with exception of cash and 2% of the amount distributed among unsecured creditors other than preferential creditors. The dividend of preference shares was not paid for 2013-14. Stock realised Rs. 30,000 and the other assets excluding cash realised Rs. 4,00,000. All assets were realised and payments made on 30.9.2014. Prepare the Liquidator's Final Statement of Account, assuming the expenses of liquidation were Rs. 5,610.

(b) Write the major reasons of Compulsory liquidation of a company.

10+5

Second Half (Auditing)

[Marks : 50]

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

	Ans	swer any four of the following:	5×4
	(a)	What do you meant by 'Statutory Audit? Wher	e is this
io.	* ***	audit applicable?	3+2
	(b)	What is vouching? Are routine checking and vo	ouching
		complementary to each other?	3+2
	(c)	What is 'Audit-in-depth'? Distinguish between	
		and certificate.	$2\frac{1}{2}\times2$
	(d)	Mention the matters to be considered while pr	eparing
	auto	an audit programme.	5
	(e)	Write a brief note on Environmental Audit'.	5
	(f)	State the benefits of management audit.	5
	(g)	Under what circumstances, can a special aud	ditor be
		appointed by the Central Government?	5
	(h)	Discuss the concept of 'true and fair view'	in the
		context of auditor's report.	114) 5
			1

- 2. Under section 227(1A) of the Companies Act, discuss briefly the following matters that are required to be looked into by a company under:
 - (i) Loans and advances made.
 - (ii) Investments sold at less than cost price.
 - (iii) Personal expenses.

5+5+5

- 3. (a) What do you understand by Professional qualification of a company auditor?
 - (b) Who can be the auditor of a company according to the Companies Act?
 - (c) State, in brief, disclosure requirements of 'Profit & Loss Account' as per Schedule VI.

3+6+6

4. (a) Define 'Management Audit'. State the limitations of this audit. Is it a statutory audit?

ention for matters to be considered while preparing

- (b) State the contents of a Management Audit Report.
- 5. Write short notes on: *** The short more points

5x3

- (i) New dimensions of auditing.
- (ii) Performance Audit. 10 Japoneso par supposed life
- (iii) Tax Audit. Jugar a politica to trainer