

M.Com. HPP (AAA) Semester-4 Examination

CC-16

Financial Accounting & Auditing-II

Time : 2-30 Hours]

April-2023

[Max. Marks : 70

Q.1

Two companies R Ltd. and M Ltd. have decided to amalgamate their businesses. Their Balance Sheets as on 31-3-2023 were as follows:

Liabilities	R Ltd. ₹	M Ltd. ₹	Assets	R Ltd. ₹	M Ltd. ₹
Equity Share Capital (of ₹100 each)	8,00,000	4,00,000	Land & Building	8,00,000	4,00,000
Preference Share capital (of ₹100 each)	4,00,000	2,00,000	Plant and Machinery	7,00,000	3,00,000
10% Debentures	2,00,000	1,00,000	Furniture	3,00,000	2,00,000
Profit & Loss A/c	6,00,000	3,00,000	Investments	2,00,000	2,00,000
General Reserve	3,00,000	2,00,000	Stock	3,00,000	2,00,000
Statutory Reserve	2,00,000	1,00,000	Debtors	3,00,000	1,50,000
Creditors	2,00,000	1,00,000	Bills Receivable	1,00,000	-
Bills Payable	1,50,000	50,000	Cash	3,00,000	50,000
Other Liabilities	1,50,000	50,000			
	30,00,000	15,00,000		30,00,000	15,00,000

Additional information:

- 10% Debenture holders of both the companies will be given 12.5% debentures of new company K Ltd., where they will not have any interest loss.
 - Preference shareholders of both the companies will be given identical number of 12% Preference Share of K Ltd. at a price of ₹120 per share having face value of ₹100 per share.
 - Equity shareholders of both the companies will be given 9 equity shares of K Ltd. for each equity share. These shares will be given at market price, which is ₹25 and face value is ₹10 per share.
 - K Ltd. will issue 10,000 additional equity shares at market price.
 - Amalgamation expenses will be ₹1,50,000.
 - Statutory Reserve is to be maintained for two years.
- Pass necessary Journal Entries in the books of K Ltd. (new company).

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OR

Q.1

(A) Anna Ltd. takes over Banna Ltd. carrying on similar business. The share capital of Banna Ltd. consists of 6,000 fully paid equity shares of ₹500 each and 1,300 debentures of ₹500 each. Anna Ltd. agrees to discharge the purchase consideration as follows:

- (i) ₹ 90 in cash for each share in Banna Ltd.
- (ii) 4 shares of ₹100 each fully paid (quoted in the market at ₹140) for each share in Banna Ltd.
- (iii) One debenture of ₹500 each in exchange of every debenture of Banna Ltd. 7

(B) Explain Pooling of interest method of Amalgamation. 7

Q.2

Bharat Ltd. acquired 900 shares in Gujarat Ltd. on 1.1.2022. The following are the Balance Sheets of two companies as on 31.12.2022.

Liabilities	Bharat ₹	Gujarat ₹	Assets	Bharat ₹	Gujarat ₹
Share Capital			Land-Building	1,00,000	75,000
Shares of ₹10 each	2,00,000	1,00,000	Stock	40,000	60,000
Reserves	30,000	20,000	Shares in Gujarat Ltd.	1,10,000	-
Profit and Loss Account	20,000	15,000	Debtors	30,000	20,000
Creditors	30,000	20,000			
	2,80,000	1,55,000		2,80,000	1,55,000

On 1.1.2022 the Profit & Loss A/c and Reserves of Gujarat Ltd. showed credit balances of ₹12,000 and ₹5,000 respectively included in the Debtors of Bharat Ltd. is ₹5,000 due from Gujarat Ltd.

From the above information, prepare a Consolidated Balance Sheet as on 31.12.2022.

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OR

Q.2

Giving imaginary figures, prepare necessary statements under section 212 of the companies Act to be attached to the annual accounts of a holding company. 14

Q.3

(A) Write a note on Government Audit. 7

(B) Explain EDP Audit. 7

OR

Q.3

(A) Write a note on Central Processing Unit. 7

(B) Explain duties and powers of Comptroller and Auditor General of India (CAG). 7

Q.4

(A) What is Cost Audit? Explain objectives of Cost Audit. 7

(B) Distinguish between Management Audit and Statutory Audit. 7

OR

Q.4

(A) Explain Advantages of Cost Audit. 7

(B) Explain Propriety Audit. 7

Q.5 Select the appropriate alternative: (Attempt any Seven out of given) 14

(1) What is the maximum number of cost audit that cost auditor can undertake?

- (A) 20 Companies
- (B) 10 Companies
- (C) 50 Companies
- (D) None of the above

(2) Cost Auditor is appointed by _____.

- (A) The Board of Directors
- (B) The Central Government
- (C) The Shareholders in General Meeting
- (D) None of the above

(3) Cost Audit was first time introduced in India in the year of _____.

- (A) 1965
- (B) 1974
- (C) 1991
- (D) None of the above

(4) Cost Auditor submits his report within prescribed time limits to _____.

- (A) The Central Government with a copy to the company
- (B) The Shareholders

- (C) The Board of Directors
 (D) None of the above
- (5)** Which of the following is not component of Management Audit?
 (A) Internal Audit
 (B) Efficiency Audit
 (C) Propriety Audit
 (D) None of the above
- (6)** What is the meaning of "Profit not dealt with" as per Section 212 of the Companies Act?
 (A) Profit of Subsidiary Company
 (B) Amount of dividend received by holding company from Subsidiary Company
 (C) Share of holding company in undistributed profit of Subsidiary Company
 (D) None of the above
- (7)** Unrealised profit in stock -
 (A) Add in stock
 (B) Add in profit / loss
 (C) Subtract from stock
 (D) None of the above
- (8)** Holding Company means -
 (A) A company controls board of directors of other company
 (B) A company acquires more than 50% equity shares of other company.
 (C) Both (A) and (B)
 (D) None of these
- (9)** The excess of Purchase Consideration Over Net Assets is -
 (A) Capital Reserve
 (B) Goodwill
 (C) Revenue Loss
 (D) General Reserve
- (10)** Which one of the following Reserve of the transferor company should be included in the Financial Statements of the transferee company?
 (A) General Reserve
 (B) Statutory Reserve
 (C) Capital Reserve
 (D) Dividend Equalisation Fund

NOI-5

(11) Interim Dividend is -

- (A) Shown on Liabilities side in Consolidated Balance Sheet
- (B) Not shown in Consolidated Balance Sheet
- (C) Shown on Assets side in Consolidated Balance Sheet
- (D) None of the above

(12) According to AS-14, purchase consideration is payable to -

- (A) Debenture holders
- (B) Shareholders
- (C) Creditors
- (D) Shareholders and Debenture holders

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