

M.Com. (HPP) Sem-4 (A.A.A.) Examination

CC-16

Financial Accounting & Auditing-2

Time : 2-00 Hours]

October 2021

[Max. Marks : 50

Section 1 (Attempt any 2)

Q1. Max Ltd. takes over Tom Ltd. on 1-4-2020. Following is the Balance Sheet of the companies immediately before such absorption. (20)

Liabilities	Max (₹)	Tom (₹)	Assets	Max (₹)	Tom (₹)
Equity Share Capital (₹ 10 each)	2,00,000	1,20,000	Land and Building	2,53,000	1,44,000
10% Preference Share Capital (₹ 100 Each)	88,000	68,000	Investments	28,000	20,000
General Reserve	20,000	10,000	Current Assets	1,15,000	1,00,000
Export Reserve	12,000	8,000			
Investment Allowance Reserve	-	4,000			
Profit and Loss Ac	30,000	20,000			
12% Debentures (₹ 100 Each)	20,000	14,000			
Current Liabilities	26,000	20,000			
Total	3,96,000	2,64,000	Total	3,96,000	2,64,000

Max Ltd. discharges the Purchase Consideration as under:

1. Issued 14,000 equity shares of ₹ 10 each at par to the equity shareholders of Tom Ltd.
2. Issued 680, 14% Preference Shares of ₹ 100 each at 10% Premium to discharge the preference shareholders of Tom Ltd.
3. Debentures of Tom Ltd. will be converted into equivalent numbers of Debentures of Max Ltd.

You are required to pass Journal Entries in the books of Max Ltd and Prepare its new Balance Sheet after Absorption of Tom Ltd in the nature of purchase.

Q2. Shell Ltd acquired 33,000 Shares of ₹ 100 each out of 44,000 Shares of Port Ltd on 1-1-2017. The Profit of Port Ltd for the last four years were: (20)

Year	Profit (in ₹)
2017	5,50,000
2018	6,60,000
2019	4,95,000
2020	6,16,000

There was a credit balance of ₹ 3,30,000 of Profit and Loss Account and General Reserve of ₹ 1,10,000 on 1-1-2017 in the books of Port Ltd. Port Ltd has declared dividend at 10%, 12.5%, 9% and 10% respectively for these years. The financial year of Port Ltd ends on 31st December.

How will you show in the annual accounts of Shell Ltd on 31-3-2021 the profit of Port Ltd "Profit Dealt with" and "Profit Not dealt with" in accordance with section 212 of the Companies Act.

- Q3. A) Explain EDP Audit. (10)
 Q3. B) Explain Duties of comptroller and Auditor General of India (CAG) (10)
- Q4. A) State the difference between Financial Audi and Cost Audit (10)
 Q4. B) Explain techniques of Management Audit in brief. (10)

Section 2

Multiple Choice Question (Attempt Any 5) (10)

- If the ABC Limited is taken over by an existing company XYZ Limited
 - it is called absorption
 - it is called amalgamation
 - it is called external reconstruction
 - it is called internal reconstruction
- Which of the asset given below is not taken under the Net assets method of calculating purchase consideration is
 - Loose Tools
 - Bills Receivables
 - Machinery
 - Share issue Expenses
- When two existing companies closes its business and combines to form a new company then it is known as ____
 - Amalgamation
 - Absorption
 - Reconstruction
 - None of the above
- When one company hold more than ____ % of equity shares of other company and controls the management of such company it is known as Holding Company.
 - 70%
 - 60%
 - 50%
 - 40%
- Any balance of Reserves representing accumulated Profit or Profit existing in the books of Subsidiary company on the date of acquisition of its share by Holding company is treated as ____ Profit.
 - Capital
 - Super
 - Average
 - Revenue
- Cost audit is the audit of Financial accounts and statements aimed at ascertaining the true and fair view of the final accounts.
 - True
 - False
- According to section 233 B of Companies Act the cost auditor has to submit his audit report to the State Government in prescribed form and within prescribed time limit.
 - True
 - False

8. _____ audit is the verification of cost accounts and check on the adherence to cost accounting plan
- a. Statutory
 - b. Management
 - c. Cost
 - d. None of the above
9. Give full form of EDP.
- a. Electronic Data Processing
 - b. Election Data Program
 - c. Electric Development Program
 - a) Electronic development Project
10. Memory storage unit is a part of _____?
- a) Input Unit
 - b) Output Unit
 - c) CPU
 - d) None of the above

-----End-----