

INTERMEDIATE EXAMINATION

December 2017

P-12(CAA)
Syllabus 2012

Company Accounts and Audit

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

Answer all bits of a question at one place. Open a new page for answer to a new question.

Section-A

Answer *all* the following questions.

1. Answer the following questions:

2×5=10

- (a) ANJASHAL Ltd. purchased Fixed Assets costing ₹ 480 lakh on 01.04.2016 and the same was fully financed by foreign currency loan (US Dollars) payable in three annual equal installments. Exchange rates were 1 US Dollar = ₹ 64.00 and ₹ 65.10 as on 01.04.2016 and 31.03.2017 respectively. First installment was paid on 31.03.2017.

What will be Loss / Gain for the financial year 2016-17 as per AS-11?

- (b) ABICAN Ltd. has three segments namely A, B and C. The total assets of the Company are:

Segment A =	₹ 1.0 Crore
Segment B =	₹ 3.5 Crore
Segment C =	₹ 6.0 Crore
	<u>₹ 10.5 Crore</u>

Find out which are the reportable segments as per AS-17.

- (c) What are the components of Financial Statement?
- (d) ANISHUA Ltd. provides the following information regarding Defined Benefit Pension Plan for the year 2016-17.

Particulars	Amount (₹)
Fair market value of Plan Assets as on 01.04.2016	8,00,000
Fair market value of Plan Assets as on 31.03.2017	11,40,000
Employer Contribution	2,80,000
Benefit payment to retirees	2,00,000

Calculate the Actual Return on Plan Assets for the year 2016-17 as per AS-15.

- (e) Give any two points of distinction between Reserve Capital and Capital Reserve.

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2. Match the following items shown in **Column "A"** with items in **Column "B"**:

1×5=5

Column "A"	Column "B"
1. Earning per Share	A. AS-19
2. Accrual	B. AS-29
3. Accounting for leases	C. AS-20
4. Reliability	D. Fundamental Accounting Assumptions
5. Recognition of principles of contingent liabilities	E. Free from material error and biases

3. Answer *any two* questions:

5×2=10

- What is meant by Audit Programme?
- What is meant by Internal Control and Internal Check?
- State the basic features of continuous audit. (any five)
- Explain the meaning of the term "Subsequent events" as used in the SA 560 (Revised).
- What is meant by Auditing in depth?

Section-B

Answer *any three* questions from Q No. 4, 5, 6 and 7.

15×3=45

4. (a) The following is the Balance Sheet of COWIJ limited as on 31st March 2017:

Liabilities	₹	Assets	₹
50,000 Equity Shares of ₹ 10 each, ₹ 8 per share called up and paid up	4,00,000	Fixed Assets	6,00,000
5,000, 13% Redeemable Preference Shares of ₹ 100 each	5,00,000	Investments [Face Value ₹ 1,25,000]	2,00,000
Securities Premium	98,000	Inventories	2,00,000
General Reserve	90,000	Trade Receivables	2,00,000
Profit & Loss A/c	1,12,000	Cash at Bank	3,00,000
Trade Payables	3,00,000		
	15,00,000		15,00,000

The Company resolved:

- (i) To convert the partly paid-up equity shares into fully paid-up on 1st April, 2017 without requiring the shareholders to pay for the same.
- (ii) To redeem the preference shares on 30th April at a premium of 7½% and for this purpose to issue 3,000 12% preference shares of ₹ 100 each at a premium of 10% payable in full on application.

The resolutions were carried into effect. For the purpose of the above redemption, on 29th April, the company sold its fixed assets having book value of ₹ 3,00,000 for ₹ 3,82,500 and all the investments @ 208%. On 31st May, all payments were made on redemption except to holders of 200 shares who could not be traced.

On 30th June, the Directors issued fully paid bonus shares to the then shareholders at the rate of 3 for 5 held at a premium of 5%.

Required: Pass necessary Journal Entries in the books of the company to record the above transactions. 10

- (b) What are the disclosure requirements of reportable segment as per AS-17? 5

5. (a) The summarized Balance Sheet of SRISHTI Ltd. as on 31st March, 2017 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Shares (₹ 10)	30,00,000	Goodwill	5,00,000
Export Profit Reserves	8,50,000	Tangible Fixed Assets	30,00,000
General Reserves	50,000	Inventories	10,40,000
Profit and Loss Account	5,50,000	Trade Receivables	1,80,000
9% Debentures	5,00,000	Cash and Bank	2,80,000
Trade Payables	1,00,000	Preliminary Expenses	50,000
	50,50,000		50,50,000

On 1.04.2017, ANU Ltd. agreed to absorb the business of SRISHTI Ltd. on the following terms:

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- (i) To issue 4,50,000 Equity Shares of ₹ 10 each @ 15 per share.
- (ii) To make Cash payment equivalent to ₹ 2.50 for every share in SRISHTI Ltd.
- (iii) To issue such an amount of fully paid 8% Debentures in ANU Ltd. at 96% as is sufficient to discharge 9% Debentures in SRISHTI Ltd. at a Premium of 20%.
- (iv) To take over the Tangible Fixed Assets at 100% more than the book value, Inventories at ₹ 7,10,000 and Trade Receivables at their face value subject to a provision of 5% for doubtful Debts.
- (v) To reimburse Liquidation cost of SRISHTI Ltd. to the extent of ₹ 50,000. The actual cost of liquidation of SRISHTI Ltd. was ₹ 75,000.
- (vi) Statutory Reserves are to be maintained for 1 more year.

You are required to:

- (I) Prepare Realisation Account, Purchasing Company's Account, Shareholders Account and Debenture Account, and
- (II) Press Journal Entries in the books of Purchasing Company regarding acquisition of business.

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(b) State under which had these accounts should be classified in Balance Sheet as per Schedule III of the Companies Act:

- (i) Short-term provisions
- (ii) Deferred tax liabilities (Net)
- (iii) Money received against share warrants
- (iv) Capital work-in-progress
- (v) Cash and Cash equivalents

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6. (a) ZIL Ltd. floated a public issue of 37500 equity shares having face value of ₹ 10 each at par. Vineet, Vikash and Vikram has taken underwriting of the issue in equal share with firm underwriting of 6250, 5000 and 5000 shares respectively. Applications were received for 36500 shares out of which the marked applications were as under:

Vineet : 6150 shares, Vikash : 5000 shares, Vikram : 3750 shares

Credit of unmarked applications is to be given to underwriters equally.

The agreed underwriting commission was 5%. Total amount payable on application and allotment was ₹ 5 and balance in calls.

You are required to show:

- (i) Liability of each underwriter in shares and amount both,
- (ii) Commission due to underwriters,
- (iii) Net cash paid/ received from underwriters.

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- (b) SAKET Ltd. recently made a public issue in respect of which the following information is available;

- No. of partly convertible debentures issued 1,00,000; face value and issue price of ₹ 100 per debenture.
- Convertible portion per debenture; 80%, date of conversion-on expiry of 7 months from the date of closing of issue.
- Date of closure of subscription list 01.06.16, date of allotment: 01.07.16, rate of interest on debentures; 10% p.a. payable from the date of allotment. Value of equity share for the purpose of conversion ₹ 40 (Face value ₹ 10).
- Underwriting commission 3%.
- No. of debentures applied for 75000.
- Interest payable on debentures— half yearly on 30.09.16 and 31.03.17.

You are required to pass necessary journal entries as on 31st March, 2017.

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7. (a) Write about finance lease and operating lease.

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(b) The following relevant items of cash flow statement of EZAZ Ltd. prepared for the year 31st March, 2017:

Particulars		Amount (₹)	Amount (₹)
Net profit			1,50,00,000
Add:	Sale of investment		1,75,00,000
	Depreciation of Assets		27,50,000
	Issue of preference shares		22,50,000
	Loan raised		11,25,000
	Decrease in stock		30,00,000
			4,16,25,000
Less:	Purchase of Fixed Assets	1,62,50,000	
	Decrease in Creditors	15,00,000	
	Decrease in Debtors	20,00,000	
	Exchange gain	20,00,000	
	Profit on sale of investments	30,00,000	
	Redemption of debentures	14,25,000	
	Dividend paid	3,50,000	
	Interest paid	2,36,250	2,67,61,250
			1,48,63,750
Add:	Opening Cash and Cash equivalent		30,85,250
Closing Cash and Cash equivalent			1,79,49,000

You are required to redraft and reconstruct the cash flow statement of EZAZ Ltd. in proper order for the year ended 31st March, 2017 in accordance with AS-3 using indirect method. 8

Section-CAnswer *any two* questions from Q No. 8, 9 and 10.

15×2=30

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|------------|-----|---|----|
| 8. | (a) | How will you vouch the Sale of Investments? | 7 |
| | (b) | How will you verify Inventories? | 8 |
| 9. | (a) | Distinguish between Audit of a Company and Audit of a Firm. | 7 |
| | (b) | Briefly mention the provisions relating to Cost Audit. | 8 |
| 10. | (a) | Mention the special steps involved in the audit of an Educational Institutions. | 10 |
| | (b) | What are the responsibilities of Joint Auditor? | 5 |
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