INTERMEDIATE EXAMINATION

June 2016

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.

SECTION – A

Answer all *the following questions.*

1. Answer the following questions: 2×5=10

(a) NR Limited developed a know-how by incurring expenditure of ₹ 35 lakhs. The know-how was used by the company from 1st April, 2009. The useful life of the asset is 10 years from the year of commencement of its use. The company has not amortised the asset till 31st March, 2016. Pass journal entry to give effect to the value of know-how as per Accounting Standard (AS)-26 for the year ended 31st March, 2016.

(b) Aarti Limited took over assets of ₹ 35,46,000 and liabilities of ₹ 4,85,000 of Jatin Enterprises at an agreed value of ₹ 33,65,000. Give the necessary journal entry to record the purchase of business in the books of Aarti Limited.

(c) State the maximum limit of managerial remuneration payable by a company earning adequate profits if the company has only three part-time directors and three whole time directors.

(d) Net profit for the year 2014-15 ₹ 25,00,000 and 2015-16 ₹ 75,00,000. No. of equity shares outstanding until 31st Dec., 2015: 20,00,000. Bonus issue on 1st January, 2016 was one equity share for each equity share outstanding on 31st Dec., 2015.

Calculate Basic Earnings per Share.

(e) Unsecured creditors are ₹ 3,16,000 out of which preferential creditors are for ₹ 28,800. Amount available for both is ₹ 3,02,000. Liquidator's remuneration is payable @ 3% on the amount distributed to unsecured creditors (excluding preferential creditors). Calculate the liquidator's remuneration and amount distributed to unsecured creditors.

2. Match the following items in Column 'A' with items shown in Column 'B'. 1×5=5

Column 'A'		Column 'B'	
1.	Treatment of Voluntary Retirement Scheme Payments	A.	Capital Reserve
2.	Balance of Forfeited Shares A/c	B.	Amalgamation
3.	Interest and Dividend Received	C.	AS-26
4.	Pooling of Interest Method	D.	AS-15
5.	Recognition of an Intangible Asset	E.	Investing Activities of Cash Flow

3. Answer *any two* questions: 5×2=10

(a) What is Statutory Audit?

(b) What is Test Checking?

(c) What do you understand by Audit Evidence?

(d) What are basic features of Continuous Audit?

(e) Define Secretarial Audit.

SECTION – B

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

4. (a) Following balances are provided by the Meenakshi Ltd. for the year ended 31st March. 2015 and 2016:

Particulars	31.03.2015 ₹	31.03.2016 ₹
Equity Share Capital	120,00,000	140,00,000
General Reserve	74,00,000	89,00,000
Profit & Loss A/c	42,00,000	60,00,000
11% Debentures	100,00,000	60,00,000
Goodwill	20,00,000	16,00,000
Land & Building	140,00,000	130,00,000
Plant & Machinery	120,00,000	132,00,000
Investment (Non trading)	48,00,000	44,00,000
Creditors	37,00,000	43,00,000
Provision for tax	25,50,000	38,40,000
Proposed Dividend	18,00,000	25,20,000
Stock	80,00,000	77,00,000
Debtors	57,60,000	83,00,000
Cash at Bank	17,60,000	18,60,000
Prepaid Expenses	3,00,000	2,20,000

Additional Information:

(i) Investment were sold during the year for ₹ 7,00,000.

(ii) During the year an old machine costing ₹ 16,00,000 was sold for ₹ 7,20,000. Its written down value was ₹ 9,00,000.

(iii) Depreciation charged on plant and machinery @20% on the opening balance.

(iv) There was no purchase or sell of land and building during the year.

(v) Provision for tax made during the year was ₹ 32,20,000.

(vi) During the year premium on redemption of debentures ₹ 4,00,000 was written-off.

You are required to prepare a statement showing the net cash flow from the operating activities. 9

(b) X Ltd. has leased equipment over its useful life that costs ₹ 7,46,55,100 for a three year lease period. After the lease term the asset would revert to the Lessor. You are informed that:

(i) The estimated unguaranteed residual value would be ₹ 1 lakh only.

(ii) The annual lease payments have been structured in such a way that the sum of their present values together with that of the residual value of the asset will equal the cost thereof.

(iii) Implicit interest rate is 10%.

You are required to ascertain the annual lease payment and the unearned finance income. P. V. factor @10% for years 1 to 3 are 0.909, 0.826 and 0.751 respectively. 6

5. (a) The following balances were shown in the Balance Sheet of Anukula Limited as at 31st March, 2015:

	₹
8,00,000 Equity Shares of ₹ 10 each fully paid up	80,00,000
50,000, 8% Preference Shares of ₹ 100 each ₹ 80 paid up	40,00,000
Capital Reserve	35,00,000
General Reserve	80,00,000
Securities Premium	70,00,000
Profit & Loss Account	52,00,000
12% Debentures	10,00,000
Non-Current Investment at cost	65,00,000
Cash and Bank	92,00,000

Additional Information:

(i) The company passed a resolution to buy-back 20% of its equity capital @ ₹ 35 per share. For this purpose, it sold its investments of ₹ 30 lakhs for ₹ 28 lakhs.

(ii) The company redeemed the preference shares at a premium of 25%.

(iii) Included in its investments were 'Investments in own debentures' costing ₹ 10 lakhs (face value ₹ 11.50 lakhs). These debentures were cancelled.

You are required to pass necessary journal entries in the books of the company for above. 10

(b) Write a short note on the sources of Buy Back of Shares. 5

6. (a) The Partners of Sewda Enterprises decided to convert the partnership firm into a Private Limited Company, Patel (P) Limited with effect from 1st January, 2015. However, company could be incorporated only on 1st June, 2015. The business was continued on behalf of the company and the

consideration of ₹ 60,00,000 was settled on that day along with interest @18% per annum. The company availed loan of ₹ 90,00,000 @15% per annum on 1st June, 2015 to pay purchase consideration and for working capital. The company closed its accounts for the first time on 31st, March, 2016 and presents you the following summarised profit and loss statement:

Particulars	₹	₹
Sales Revenue		198,00,000
Cost of goods sold	118,80,000	
Discount to dealers	4,62,000	
Directors' remuneration	6,00,000	
Salaries	9,00,000	
Rent	13,50,000	
Interest	15,75,000	
Depreciation	3,00,000	
Office expenses	10,50,000	
Sales promotion expenses	3,30,000	
Preliminary Expenses (to be written off in first year itself)	1,50,000	185,97,000
Profit		12,03,000

Sales from June, 2015 to December, 2015 were 2.5 times of the average sales of pre-incorporation period, which further increased to 3.5 times in January to March, 2016. The company recruited additional work force to expand the business. The salaries from July, 2015 doubled. The company also acquired additional showroom at monthly rent of ₹1,00,000 from July, 2015.

You are required to prepare a profit and loss statement showing apportionment of cost and revenue between pre-incorporation and post-incorporation period. 10

(b) The fair value of plan assets at the beginning and at the end of the year was ₹ 3,800 and ₹ 4,300 respectively. The employer's contribution to the plan during the year was ₹ 300. Benefit payments to retirees were ₹ 400.

Calculate the actual return to the plan assets. 5

7. (a) The Balance Sheets ZEET Ltd. and ASTAR Ltd. as on 31st March, 2015 were as follows:

Liabilities	ZEET Ltd.	ASTAR Ltd.
Equity Share Capital (fully paid shares of ₹ 20 each)	30,000	12,000
Securities Premium	6,000	----
General Reserve	19,000	7,020
Profit and Loss Account	5,740	1,650
12% Debentures	----	2,000
Bills Payable	240	----
Sundry Creditors	5,820	2,330
	66,800	**25,000**
Assets		
Land & Buildings	12,000	----
Plant and Machinery	28,000	10,000
Furniture & Fixtures	4,608	3,400
Stock	15,724	8,082
Debtors	4,240	2,040
Cash at Bank	2,228	1,218
Bills Receivable	----	160
Cost of Issue of Debentures	----	100
	66,800	**25,000**

All the bills receivable held by ASTAR Ltd. were ZEET Ltd.'s acceptances.

On 1st April, 2016 ZEET Ltd. took over ASTAR Ltd. in an amalgamation in the nature of merger. It was agreed that in discharge of consideration for the business ZEET Ltd. would allot three fully paid equity shares of ₹ 20 each at par for every two shares held in ASTAR Ltd. It was also agreed that 12% debentures in ASTAR Ltd. would be converted into 13% debentures in ZEET Ltd. of the same amount and denomination. Expenses of amalgamation amounting to ₹ 2,00,000 were borne by ZEET Ltd.

Pass necessary journal entries in the books of ZEET Ltd. 10

(b) State the criteria of Reportable Segment as per AS-17. 5

SECTION – C

Answer any two *questions from Q. No. 8, 9 and 10*

8. (a) State the objectives of cost audit from the point of view of Government. 7

   (b) Discuss briefly the scope of Audit Committee in public limited company. 8

9. (a) What is Audit Programme? State its advantages. 8

   (b) Distinguish between clean audit report and qualified audit report. 7

10. (a) What is Secret Reserve? How it may be created? How it is verified by an Auditor? 8

    (b) What are the special considerations to be kept in the mind during vouching? 7
