

## **Paper 12- Company Accounts & Audit**

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Full Marks: 100

Time allowed: 3 hours

**Section-A**

**I. Answer all the following questions: [5 × 2 = 10]**

- (a) List the disclosure requirements of AS 16.
- (b) Mr. A purchased 1000, 6% debentures of 100 each on 31<sup>st</sup> January 2014 at ₹95 each. Interest payable on 30<sup>th</sup> June and 31<sup>st</sup> December. The price quoted is cum interest. Journalise the transaction.
- (c) What is Cash Flow from Investing Activities?
- (d) Discuss the constitution of Central Electricity Regulatory Commission.
- (e) 1600 sweat equity shares of ₹100 allotted to employees at par in consideration of technical know-how. Journalise.

**II. Fill in the blanks: [5×1=5]**

- (a) Register of Members is one of the \_\_\_\_\_ Books maintained by a company.
- (b) \_\_\_\_\_ is that part of the authorized capital which is offered to the public for subscription is called issued capital.
- (c) The application money to be refunded shall be credited only to the bank account from which the \_\_\_\_\_ was remitted.
- (d) \_\_\_\_\_ costs are interest and other costs that an entity incurs in connection with the borrowing of funds.
- (e) \_\_\_\_\_ currency is a currency other than the functional currency of the entity.

**III. State whether the following statements are True or False: [5×1=5]**

- (a) Internal Check and Internal Audit are one and the same.
- (b) Audit committee is only luxury to the company.
- (c) Internal auditor of a company cannot be its Cost Auditor.
- (d) A Body Corporate can become Auditor of the company.
- (e) An audit committee shall have minimum 5 directors.

**IV. Fill in the blanks: [5×1=5]**

- (a) Cost Audit is mandatory only when specific order is issued by the \_\_\_\_\_.
- (b) Cost Audit report is submitted to the Central Government within \_\_\_\_\_ days.
- (c) Secretarial Audit is covered under Section \_\_\_\_\_ of the companies Act 2013.
- (d) Cost Audit is covered under Section \_\_\_\_\_ of the companies Act 2013
- (e) Cost Records are to be maintained in form \_\_\_\_\_.

**Section-B**

**V. Answer any two questions from the following: [2×10=20]**

(a) Agni Ltd., provides you the following information as on 31.3.2018:

	In crores (₹)
Equity share of ₹ 10 each fully paid	330

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10% Redeemable Pref. Shares of ₹ 100 each fully paid	70
Security premium	90
General reserve	240
Profit & Loss Account	20
Infrastructure development reserve	100
Capital redemption reserve	50
Plant revaluation reserve	30
Secured loan	1,000
Current liabilities	200

The company has offered buy back price of ₹ 30 per equity share calculate the maximum permissible number of equity shares that can be bought back. **[10]**

**(b)** Following is an extract from Trial Balance of Dhanyabaad Bank Ltd. as at 31<sup>st</sup> March, 2017:

Particulars	Dr. (₹)	Cr. (₹)
Bills Discounted	51,50,000	
Rebate on bills discounted not yet due, March 31, 2016		30,501
Discount received		1,45,500

An analysis of the bills discounted as shown above shows the following:

Date of Bill	Amount (₹)	Period months	Rate of discount % p.a.
31.01.2017	7,50,000	4	12
17.02.2017	6,00,000	3	10
06.03.2017	4,00,000	4	11
16.03.2017	2,00,000	2	10

Find out the amount of discount received to be credited to Profit and Loss Account and pass appropriate Journal Entries for the same. How the relevant items will appear in the Bank's Balance Sheet? **[10]**

**(c) (i)** A Company is planning to raise funds by making rights issue of equity shares to finance its expansion. The existing equity share capital of the company is ₹ 50,00,000. The market value of its share is ₹ 42. The company offers to its shareholders the right to buy 2 shares at ₹ 11 each for every 5 shares held. You are required to calculate:

- (i) Theoretical market price after rights issue;
- (ii) The value of rights; and
- (iii) Percentage increase in share capital.

**[8]**

**(ii)** Write a short note on Bonus Shares.

**[2]**

**VI. Answer any one question from the following:**

**[15×1=15]**

**(a) (i)** Sumangal Ltd. finds on 31<sup>st</sup> December, 2017 that it is short of funds with which to implement its branch expansion programme. On 1<sup>st</sup> January, 2017, it had a bank balance of ₹1,80,000 in its current account. From the following information, prepare a statement of Cash Flow to show how the overdraft of ₹48,750 at 31<sup>st</sup> December, 2018 has arisen:

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Figures as per Balance Sheet  
(as on 31<sup>st</sup> December)

	2016 (₹)	2017 (₹)
Fixed Assets	7,50,000	11,00,000
Stock and stores	1,90,000	3,00,000
Debtors	3,80,000	3,65,000
Bank Balance/(Overdraft)	1,70,000	(58,750)
Trade Creditors	2,70,000	3,50,000
Share Capital (in shares of ₹10 each)	2,50,000	3,00,000
Bills Receivable	87,500	95,000

The profit for the year ended 31<sup>st</sup> December, 2017 before charging depreciation and taxation amounted to ₹2,50,000. The 5,000 shares were issued on 1<sup>st</sup> January, 2017 at a premium of ₹5 per share. ₹1,37,500 was paid in March 2017 by way of income tax including tax on distribution of dividend. Dividend was paid as follows for 2017 (final) on the capital on 31-12-2016 @ 10% less tax 25%. For 2017 (interim) 5% on capital on 31<sup>st</sup> March, 2017 free of tax.

**[10]**

(ii) From the following information, prepare the relevant Notes to Accounts:

	₹ lakhs
Sundry Creditors	40.00
Bills Payables	20.00
Bank Overdraft	12.00
Unpaid Dividend	5.00
Outstanding Expenses	5.00
Calls-in-Advance	3.00
Provision for Tax	160.00

**[5]**

(b) From the following information Calculate Depreciation and Advance against Depreciation as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

- Date of Commercial Operation of COD = 1st April 2010
- Approved opening Capital cost as on 1st April 2010 = 1,50,000
- Weighted Average Rate of Depreciation: 3.5%
- Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of Interest on Loan is as follows:

	1st year	2nd year	3rd year	4th year
Additional Capital Expenditure (Allowed)	10,000	3,000	2,000	2,000
Repayment of Loan	8,000	10,000	10,000	11,000
Weighted Average Rate of Interest on Loan	7.4	7.5	7.6	7.5

**[15]**

### Section - C

VII. Answer any four Questions from the following:

**[4×10=40]**

- (a) (i) State the distinction between Internal Audit, Internal Control & Internal Check.  
(ii) Discuss "audit of Property, Plant and Equipment".

**[5×2=10]**

- (b) (i)** Discuss the features of inventories that have an impact on the related audit procedures.
- (ii)** "Social audit is the way of measuring, understanding, reporting and improving an organization's performance towards meeting its social and ethical objectives". Discuss. **[5×2=10]**
- (c) (i)** Distinguish between Permanent & Current Audit file.
- (ii)** Remuneration of Cost Auditor — Discuss. **[5×2=10]**
- (d) (i)** Discuss the basic elements of the Auditor's Report.
- (ii)** Discuss different types of internal control systems with example. **[5×2=10]**
- (e) (i)** Discuss the disadvantages of Audit programme and means to overcome such disadvantages.
- (ii)** Discuss the procedure of appointment of the first auditor of a company. **[5×2=10]**