

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) M Ltd. had a cash balance of ₹1,50,000 as on 30.09.2015. On 15.10.2015, M Ltd. Used the cash balance to purchase a short-term bank deposit with a maturity of three months. How should this be shown in the statement of cash flow to be prepared for the quarter ended 31.12.2015?
- (b) Write a note on Re-insurance.
- (c) B Ltd purchase the assets of ₹ 21,60,000 from C Ltd. The consideration was payable in fully paid equity shares of ₹ 100 each. Journalise.
- (d) Please identify the related parties in respect of all the enterprises mentioned under AS-18, if —
Momo Limited holds 51% of Yummy Limited
Yummy Limited holds 51% of Top Limited
Tasty Limited holds 49% of Top Limited
- (e) List the disclosure requirements as per AS 11.

II. Fill in the blanks:

[5×1=5]

- (a) Issue of Bonus Share decreases the _____.
- (b) _____ share is permissible from the existing security holders on a proportionate basis through the tender offer.
- (c) At the time of cancellation of own debentures _____ A/c is Credited.
- (d) There are _____ types of Underwriting Agreements.
- (e) A company is a distinct legal person existing _____ of its members.

III. State whether the following statements are True or False:

[5×1=5]

- (a) In big corporate more than one persons or firm of Chartered Accountants are appointed as a Joint Auditor for conducting the audit of the company
- (b) Auditor has right to disclose the client information to a third party.
- (c) The concept of true or fair is a fundamental concept in auditing.
- (d) The auditor examines in depth the implementation of the quality system.
- (e) An Audit Note Book is a detailed plan of the auditing.

IV. Fill in the blanks:

[5×1=5]

- (a) Audit programme acts as a _____ of audit procedures to be performed.
- (b) SA 530 stands for _____.
- (c) _____ Audit file contains analysis of significant ratios and trends.
- (d) The assets protection is possible through _____ Audit.
- (e) _____ Audit is an independent appraisal activity.

Section-B

V. Answer any two questions from the following:

[2×10=20]

(a)(i) From the following Summary Cash Account of X Ltd. prepare Cash Flow Statement for the year ended 31st March, 2015 in accordance with AS 3 (Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.03.2015

Particulars	₹ '000	Particulars	₹ '000
Balance on 1.4.2015	125	Payment to Suppliers	5,000
Issue of Equity Shares	750	Purchase of Fixed Assets	500
Receipts from Customers	7,000	Overhead expense	500
Sale of Fixed Assets	250	Wages and Salaries	250
		Taxation	625
		Dividend	125
		Repayment of Bank Loan	750
		Balance on 31.3.2015	375
	<u>8,125</u>		<u>8,125</u>

[7]

(ii) List the disclosure requirements as per AS 15.

[3]

(b) From the following information find out the amount of provisions required to be made in the Profit & Loss Account of a commercial bank for the year ended 31st March, 2018:

(i) Packing credit outstanding from Food Processors ₹ 90 lacs against which the bank holds securities worth ₹ 22.50 lacs. 50% of the above advance is covered by ECGC. The above advance has remained doubtful for more than 3 years.

(ii) Other advances :

Assets classification	₹ in lacs
Standard	4500
Sub-standard	3300
Doubtful :	
For one year	1350
For two years	900
For three years	600
For more than 3 years	450
Loss assets	900

[10]

(c)(i) The Revenue Account of a life insurance company shows the life assurance fund on 31st March, 2013 at ₹ 62,21,310 before taking into account the following items:

- (i) Claims covered under re-insurance ₹ 12,000.
- (ii) Bonus utilized in reduction of life insurance premium ₹ 4,500.
- (iii) Interest accrued on securities ₹ 8,260.
- (iv) Outstanding premium ₹ 5,410.

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(v) Claims intimated but not admitted ₹ 26,500.

What is the life assurance fund after taking into account the above omissions? **[4]**

(ii) Calculate depreciation upto 2013-14 as per 2009 regulations from the following information of XYZ Power generation Project

Date of commercial operation/Work Completed Date 11-Jan-1996

Beginning of Current year 1-Apr-2011

Useful life 35 years

		(Figures in ₹ Crores)
1.	Capital Cost at beginning of the year 2011-12	222.00
2.	Additional Capitalisation during the year: 2012-13	10.56
	2013-14	29.44
3.	Value of Freehold Land	12.00
4.	Depreciation recovered up to 2009-10	48.60
5.	Depreciation recovered in 2010-11	5.40

Note: Capital Cost and Accumulated Depreciation at the beginning of the year are as per tariff order FY 2011-12. **[6]**

VI. Answer any one question from the following:

[15×1=15]

(a) Give journal entries for the following:

- (i) PK Ltd. forfeited 10,000 equity shares of ₹ 10 each for nonpayment of first call of ₹ 2 and final call of ₹ 3 per share. These shares were reissued at a discount of ₹ 3.50 per share.
- (ii) KP Ltd. forfeited 20,000 equity shares of ₹15 each (including ₹ 5 per share as premium), for non-payment of final call of ₹ 3 per share. Out of these 10,000 shares were reissued at a discount of ₹ 4 per share.
- (iii) KP Ltd. forfeited 15,000 equity shares of ₹15 each (including ₹ 5 per share as premium), for non-payment of allotment money ₹ 8 (including premium money) and first & final call of ₹ 5 per share. Out of these 10,000 shares were reissued at ₹ 14 per share. **[15]**

(b) (i) A Ltd. with a Capital of ₹ 10 Lakhs divided into Equity Shares of ₹ 10 each places its entire issue on the market and the whole issue has been underwritten as follows

Name of Underwriter	S	P	G	M	N	SA
Number of Shares	30,000	35,000	10,000	15,000	2,000	8,000

All marked forms are to go in relief of the liabilities of the underwriter whose name they bear. The share underwritten "Firm" are also to be set off against the liabilities of the underwriters. The application received in Marked Forms is as follows:

Name of Underwriter	S	P	G	M	N	SA
Number of Shares	25,000	23,500	5,500	1,000	1,000	2,000

Applications for 20,000 Equity Shares are received on Unmarked Forms. In addition, there is a Firm Underwriting by the Underwriters as under

Name of Underwriter	S	P	G	M	N	SA
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Number of Shares	500	1,500	7,000	3,000	1,000	4,000
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Calculate the liability of the individual underwriters.

[9]

- (ii) The Notes to account of M Ltd. for the year 2016-2017, include:

"Interest on bridge loan from banks and financial institutions and on debentures specially obtained for the company's fertiliser project amounting to ₹1,80,80,000 has been capitalised during the year, which include approximately ₹1,70,33,465 capitalised in respect of the utilisation of loan and debenture money for the said purpose".

Ascertain the amount of revenue expenditure.

[6]

Section - C

VII. Answer any four Questions from the following:

[4×10=40]

- (a) (i) Write short notes on Social Audit & Environmental Audit.
(ii) Auditor not to Render Certain Services [Section 144] — discuss. [5×2=10]
- (b) (i) Critically examine that "Audit working papers are the property of the Auditor".
(ii) Discuss the benefits of Joint Audit. [5×2=10]
- (c) (i) Distinguish between Test checking & Statistical sampling.
(ii) What do you mean by Audit Evidence? List down the need for Audit Evidence. [5×2=10]
- (d) (i) What do you mean by Internal check and do discuss the auditor duty in regard to Internal Check System?
(ii) Discuss the contents of Audit note book. [5×2=10]
- (e) (i) Distinguish between Explanatory Notes & Qualificatory Notes.
(ii) Explain the matters that do and do not affect the auditor's opinion. [5×2=10]