

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) What are the disclosure requirements under AS-12?
- (b) What is reportable segment?
- (c) State whether remuneration paid to Key Management Personnel or Non-Executive Directors or Board of Directors, a related party transaction or not?
- (d) In the context of relevant Accounting Standards, give your comment on the following matter for the financial year ending 31st March, 2017:
"Increase in pension liability on account of wage revision in 2016-17 is being provided for in 5 installments commencing from that year. The remaining liability of ₹ 300 lakhs as redetermined in actuarial valuation will be provided for in the next 2 years".
- (e) List the main features of Current Liabilities .

II. Fill in the blanks:

[5×1=5]

- (a) Where debentures are issued by a company, then company shall create a _____ account out of the profits of the company.
- (b) Bonus paid at the end along with the policy amount to the policy holders is called _____.
- (c) In the case of a _____ insurance business claim will arise either on death or maturity of policy.
- (d) In relation to an Electricity Company the amount of Security Deposit = Load × Load Factor of the category in which the consumer falls × _____ × Current tariff.
- (e) _____ applications are those applications which bear the stamp of an underwriter

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

[5×1=5]

- (a) The auditor report shall be signed only by the person appointed as an auditor of the company.
- (b) All notices of the general meeting shall be forwarded to the auditor of the company.
- (c) Cost Records are to be maintained as per Form CRA-1.
- (d) Secretarial Audit report is given as per the Form MR-3.
- (e) Secretarial Audit Report is attached with the Board report.

IV. Fill in the blanks:

[5×1=5]

- (a) Proving the truth means vouching of _____.
- (b) Cut off procedures are generally applied to _____ transactions.
- (c) The Internal Auditor is appointed by the _____.
- (d) Audit is derived from Latin word _____.
- (e) Cost Audit is conducted by the _____ in practice.

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Section-B

V. Answer any two questions from the following:

[2×10=20]

(a) Amit purchased a computer for ₹44,000 and leased out it to Sumit for four years on leases basis, after the lease period, value of the computer was estimated to be ₹3,000; which he realized after selling it in the second hand market. Lease amount payable at the beginning of each year is ₹ 22,000; ₹ 13,640; ₹ 6,820 & ₹ 3,410. Depreciation was charged @ 40% p.a. You are required to pass the necessary journal entries in the books of both Amit and Sumit. [10]

(b) Shyama Limited has given the following information for the preparation of cash flow statement for the year 2016-17

| Particulars | ₹ in 000 |
|--|----------|
| Net profit before tax | 50,000 |
| Dividend (including dividend tax) paid | 17,070 |
| Provision for income tax | 10,000 |
| Income tax paid during the year | 8,496 |
| Loss on sale of assets (net) | 80 |
| Book value of the assets sold | 370 |
| Depreciation charged during the year | 40,000 |
| Amortisation of capital grant | 12 |
| Profit on sale of investments | 200 |
| Cost of investment sold | 55,530 |
| Interest received on investments | 5,012 |
| Interest expenses | 20,000 |
| Interest paid during the year | 21,040 |
| Increase in Current Assets (excluding Cash & Bank balance) | 77,500 |
| Decrease in Current Liabilities | 34,650 |
| Purchase of Fixed Assets | 29,120 |
| Purchase of investment | 7,700 |
| Expenditure on construction work in progress | 69,480 |
| Receipt of grant for capital projects | 28 |
| Proceeds from issue of share capital | 51,960 |
| Proceeds from issue of Debentures | 41,150 |
| Opening Cash and Bank balance | 10,006 |
| Closing Cash and Bank balance | 13,976 |

You are required to prepare the Cash Flow Statement for the year 2016-17 in accordance with AS-3. [10]

(c)(i) Given below is the information regarding five different segments of M/s. Varun Ltd.

(₹ in lakhs)

| Segments | P | Q | R | S | T | Total |
|-------------------|-----|------|-----|-----|------|-------|
| Segmental Revenue | 100 | 300 | 200 | 100 | 300 | 1,000 |
| Segment Result | 40 | (60) | 90 | 10 | (30) | 50 |
| Segment Assets | 45 | 55 | 140 | 20 | 40 | 300 |

As a Cost Accountant of the concerned company, the company management wants to know from you which company needs to be reported. [6]

(ii) Write a note on Prohibition on Issue of Shares at Discount. [4]

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VI. Answer any one question from the following:

[15×1=15]

(a) Atlanta Ltd issued a prospectus inviting applications for 2,000 shares of ₹ 10 each at a premium of ₹ 2 per share, payable as follows:

On Application ₹ 2, On Allotment ₹ 5 (including premium)

On First Call ₹ 3, On Second & Final Call ₹ 2

Applications were received for 3,000 shares and pro-rata allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment.

Rohit, to whom 40 shares allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Bhagat, the holder of 60 shares failed to pay the two calls and on his such failure, his shares were forfeited. Of the shares forfeited, 80 shares were sold to Keshav credited as fully paid for ₹ 9 per share, the whole of Rohit's shares being included.

Required: Give Journal Entries to record the above transactions (including cash transactions).

[15]

(b) (i) Prepare the Fire Insurance Revenue A/c as per IRDA regulations for the year ended 31st March, 2018 from the following details:

| Particulars | ₹ |
|---|-----------|
| Claims paid | 4,90,000 |
| Legal expenses regarding claims | 10,000 |
| Premiums received | 13,00,000 |
| Re-insurance premium paid | 1,00,000 |
| Commission | 3,00,000 |
| Expenses of management | 2,00,000 |
| Provision against unexpired risk on 1 st April, 2017 | 5,50,000 |
| Claims unpaid on 1 st April, 2017 | 50,000 |
| Claims unpaid on 31 st March, 2018 | 80,000 |

Create Reserve for Unexpired Risk @ 50%.

[10]

(ii) Following items appear in the Trial Balance of M Ltd. as at 31st March, 2018:

| Particulars | Amount (₹) |
|---|------------|
| 60,000 Equity Shares of ₹ 10 each | 6,00,000 |
| Capital Redemption Reserve | 45,000 |
| Plant Revaluation Reserve | 15,000 |
| Securities Premium Account | 52,500 |
| General Reserve | 1,50,000 |
| Profit & Loss Account | 75,000 |
| Capital Reserve (including ₹ 37,500 being Profit on Sale of Machinery) | 1,12,500 |

The company decided to issue bonus shares to its shareholders at the rate of one share for every four shares held.

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Required: Pass the necessary journal entries. It is desired that there should be minimum reduction in free reserves. **[5]**

Section - C

VII. Answer any four Questions from the following: **[4×10=40]**

- (a) (i)** Which Rules govern maintenance of cost accounting records and cost audit as per Companies Act, 2013?
(ii) List the differences between Audit Report and Audit Certificate. **[5×2=10]**
- (b) (i)** List the advantages of Balance Sheet Audit.
(ii) While carrying an audit of a Bank what are the special factors considered by you? **[5×2=10]**
- (c) (i)** What are the various principles governing an Audit?
(ii) Discuss the Advantages and disadvantages of Joint Audit. **[5×2=10]**
- (d) (i)** Discuss the duties of an Auditor on Redemption of debentures.
(ii) Mention the special steps involved in conducting the audit of college? **[5×2=10]**
- (e) (i)** What do you mean by Qualified Audit Report and Piecemeal Opinion?
(ii) Discuss eligibility, qualifications and disqualifications of auditors [Section 141]. **[5×2=10]**