

Paper 12- Company Accounts & Audit

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Full Marks: 100

Time allowed: 3 hours

Section – A (Company Accounts)

Answer Question No. 1 and any three from Question Nos. 2,3,4 and 5.

1. (a) Choose the correct answer from the given four alternatives:

[6×1=6]

- (i) Segment Reporting is covered under
(A) AS 16
(B) AS 17
(C) AS 18
(D) AS 19
- (ii) Balance of Interest Accrued on Security Deposit A/c of an Electricity company should be shown
(A) under Current Liability.
(B) under Non-current Liability.
(C) under Current Asset.
(D) under Non-current Asset.
- (iii) Which of the following items is not a part of cash flow from operating activities?
(A) Collection from customers
(B) Payment of outstanding wages
(C) Payment to suppliers of machinery
(D) Advances to foreign suppliers for raw materials
- (iv) Provision is created for
(A) Unknown Liability
(B) Known Liability
(C) Creation of secret reserve
(D) None
- (v) Transfer to capital redemption reserve account is not allowed from this profit:
(A) General reserve
(B) Reserve fund
(C) Dividend equalisation fund
(D) Forfeited shares account
- (vi) Which of the following is not a mandatory financial statement of a General Insurance Company as per IRDA regulations?
(A) Revenue Account
(B) Profit and Loss Account
(C) Balance Sheet
(D) Fund Flow Statement

(b) Match the following items in Column 'A' with items shown in Column 'B':

1×4=4

	Column 'A'		Column 'B'
1.	Government Grants	A.	Capital Redemption Reserve
2.	Redemption of Debentures	B.	AS 15
3.	Un-guaranteed Residual Value (GRV)	C.	AS 12
4.	Defined benefit plans	D.	AS 19

MTP_ Intermediate_ Syllabus2016_ June2018_ Set 2

(c) State whether the following statements are True or False:

1x4=4

- (i) Except as provided in section 54, a company shall not issue shares at a premium.
- (ii) 'Marked' applications are those applications which bear the stamp of an underwriter.
- (iii) Interest received by a finance company is a part of cash flow from investing activities.
- (iv) Schedule III deals only with presentation and disclosure requirements.

Answer any three questions out of the following four questions

[3×12=36]

2. (a) 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
Number of Shares	500	1,500	7,000	3,000	1,000	4,000

Calculate the liability of the individual underwriters.

[8]

- (b) Information relating to five segments of V Ltd. is as under:

(₹ in lakhs)

Segments	A	B	C	D	E	Total
Segment 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 this company management wishes to know from you which company need to be reported.

[4]

3. (a) From the following ledger balances calculate interest earned and interest expected as per Schedule 13 and 15 respectively (Figure being in thousand of ₹)

Particulars	Amount	Particulars	Amount
Interest on Term Loans	1,540	Discount on Bills Discounted	200
Interest on Fixed Deposits	1,000	Interest and Dividend on Investments	840
Interest on Recurring Deposits	500	Interest accrued on Investments	40
Interest on Saving Bank Deposits	600	Interest on balances with RBI	100

MTP_ Intermediate_ Syllabus2016_ June2018_ Set 2

Interest on Cash Credits	1,820	Interest on Money at call	50
Interest on Borrowings	620	Interest on overdrafts	750

Additional Information:

(i) Interest on NPA is as follows:

Particulars	Earned ₹000	Collected ₹000
Term Loans	750	250
Cash Credits	820	400
Overdrafts	450	100

(ii) Rebate on Bills Discounted: Opening Balance ₹75, Closing Balance ₹125. **[7]**

(b) From the following information calculate Cash flow from Operating Activities:

Particulars	Closing	Opening
Trade Payables	1,65,000	40,000
Intangible Assets (Goodwill)	21,000	10,000
Inventories	1,69,000	54,000
Trade Receivables	3,76,000	4,06,000

During the year, the business of Y Ltd. was purchased for ₹60,000 payable in fully paid equity shares of ₹10 each at 20% premium. The assets included Inventories ₹15,000. Trade Receivables ₹10,000 and machine ₹30,000. Trade payables of ₹15,000 were also taken over. Net Profit before tax for the year was ₹7,98,000. Tax paid during the year ₹10,000. **[5]**

4. A Ltd. was formed on 01.04.2012 with an authorized capital of 6,00,000 in shares of ₹10 each. Of these 52,000 shares had been issued and subscribed but there were calls-in arrears on 100 shares. From the following Trial Balance as on 31.03.2013 prepare Profit and Loss A/c and Balance Sheet.

Cash at Bank	1,05,500	-
Share Capital	-	5,19,750
Plant	40,000	-
Sale of Silver	-	17,950
Mines	2,20,000	-
Promotion Interest on Deposit upto Dec 31 st	6,000	-
Interest on Deposit upto Dec 31 st	-	3,900
Dividend on Investment	-	3,200
Royalty paid	10,000	-
Trucks & Wagons	17,000	-
Wages	74,220	-
Advertising	5,000	-
Carriage on plant	1,800	-
Furniture & Buildings	20,900	-
Administrative Expenses	28,000	-
Repairs to Factory Plant	900	-
Coal & oil	6,500	-
Cash	530	-

MTP_ Intermediate_ Syllabus2016_ June2018_ Set 2

Investment in Shares	80,000	-
Brokerage on above shares	1,000	-
6% F.D. in Bank 01.04.2012	89,000	-
	7,06,350	7,06,350

[12]

Depreciate Plant & railway wagons by 10%, Furniture & Buildings by 5%. Write off one-third of the promotion expenses. Value of Silver as on 31.03.2013 was ₹15,000. The directors forfeited on December 10th 2012 100 shares of which only ₹7.50 had been paid.

5. Write short note (any three):

[3×4=12]

- (a) Central Electricity Regulatory Commission (CERC);
- (b) Treatment of Service Line Cum Development Charges;
- (c) Disclosure requirement as per AS 11;
- (d) Advantages of buy-back.

Section – B (Auditing)

Answer Question No. 6 and any three from Question Nos. 7,8,9 and 10.

6. (a) Choose the correct answer from the given four alternatives:

[6×1=6]

- (i) The most comprehensive type of audit is the _____ system audit, which examines suitability and effectiveness of the system as a whole.
 - (A) Quantity
 - (B) Quality
 - (C) Preliminary
 - (D) Sequential
- (ii) Each of the three parties involved in an audit _____ plays a role that contributes to its success.
 - (A) the client, the auditor, and the auditee
 - (B) the client, the auditor, and the audite
 - (C) the client, the moderator, and the auditee
 - (D) the client, the auditor, and the auditee
- (iii) SA 300 stands for _____.
 - (A) Quality control for an audit of financial Statements
 - (B) Agreeing the terms of Audit engagements.
 - (C) Audit Planning
 - (D) Responsibility of Joint Auditor
- (iv) Internal Check is a valuable part of the _____ control.
 - (A) Internal
 - (B) External
 - (C) Bothe (a) and (b)
 - (D) None of the above
- (v) Remuneration of auditors is covered under Section _____ of Companies Act, 2013.

MTP_ Intermediate_ Syllabus2016_ June2018_ Set 2

- (A) Section 142
- (B) Section 148
- (C) Section 139
- (D) None of the above

(vi) CAATS stands for

- (A) Cornwall Air Ambulance Trust
- (B) Children Air Ambulance Trust
- (C) Center for alternatives to Animal Testing
- (D) Computer Assisted Auditing Technique

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Government Company	A.	Unqualified Opinion.
2.	Detailed of audit work to be performed	B.	Audit Programme
3.	Maximum term of Individual Auditor	C.	A company which is a subsidiary of Government Company
4.	True and Fair Audit Report	D.	1 term of 5 years

(c) State whether the following statements are True (or) False.

[4×1=4]

- (i) An audit report should have a proper title.
- (ii) Auditor has right to disclose the client information to a third party.
- (iii) An in depth examination to detect a suspected fraud is termed as Investigation.
- (iv) "Debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.

Answer any three questions out of the following four questions

[3×12=36]

7. (a) State the advantages of continuous audit.

(b) How would you determine the materiality of an item, while conducting audit.

[5+7 = 12]

8. (a) Who are the persons not qualified for appointment as an Auditor of a company under section 141 of the Companies Act 2013? [7]

(b) Mention the services that an Auditor cannot render u/s 144 of the Companies Act 2013. [5]

9. (a) Is Rotation applicable to cost auditor? [5]

(b) Discuss the features of a qualified report. [7]

10. Write short note (any three):

[3×4=12]

(a) Joint Audit and its advantages;

- (b)** Features of inventories that have an impact on the related audit procedures;
- (c)** Types of Banking institutions prevailing in India;
- (d)** Audit of Re-issue of forfeited shares.