



**Paper 12- Company Accounts & Audit**

**Paper 12- Company Accounts & Audit**

**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.**

**(i) (a) Choose the correct answer from the given four alternatives:**

**[6x1=6]**

- (i) Which of the following is not a long term source of finance?  
(A) Issue of shares  
(B) Debentures  
(C) Loans  
(D) Debtors
- (ii) As per Section \_\_\_\_\_ of The Companies Ac.2013 no shares can be issued at a discount  
(A) 53  
(B) 39  
(C) 63  
(D) 73
- (iii) As per Section 52 of the Companies Act, 2013 share premium account may be applied to which of the following?  
(A) Issue of fully paid bonus shares to the members of the company  
(B) For writing off preliminary expenses of the company  
(C) For writing off the expenses of the commission paid or discount allowed on any issue of shares or debentures of the company  
(D) All of the above
- (iv) Which of the following is a Non-current Asset?  
(A) Long term Loans & Advances  
(B) Trade Receivables  
(C) Cash & Cash Equivalents  
(D) Inventories
- (v) The Electricity Act,2003 replaces which of the following existing legislations?  
(A) The Indian Electricity Act, 1910  
(B) The Electricity Regulatory Commissions Act, 1998  
(C) Companies Act,2013  
(D) Both (A) and (B)
- (vi) Issue of Preference Shares is a \_\_\_\_\_ Activity.  
(A) Operating  
(B) Financing  
(C) Investing  
(D) None of the above

## MTP\_ Intermediate\_Syllabus 2016\_June 2019\_Set1

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Marked Application	A.	Issue of Application form for Securities
2.	Section 68	B.	Sweat Equity Shares
3.	Section 54	C.	Purchase of Own Securities by a Company
4.	Section 33	D.	Those applications which bear the stamp of an underwriter

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

[4×1=4]

- (i) Escrow account means an account in which money is held until consideration for buy-back of shares is paid to the shareholders.
- (ii) Liability of the members of a company is limited to the extent of the face value of shares held by them.
- (iii) Statutory books are those which a limited company is under statutory obligation to maintain at its registered office.
- (iv) Preference Shares carries a fixed rate of interest.

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]

## MTP\_ Intermediate\_Syllabus 2016\_June 2019\_Set1

(b) You are given the following information in respect of a Manufacturer Lessor.

Explain how it will be treated as per AS -19?

- (i) Fair Value of the asset at the inception of lease = ₹11,20,000,
- (ii) Present Value of MLP accruing to the Lessor, discounted at a commercial rate of interest = ₹10,00,000,
- (iii) Cost of Leased Asset at the commencement of the lease = ₹8,32,000,
- (iv) Present Value of URV = ₹24,000,
- (v) Initial Direct Costs (Sales Commission) = ₹36,000,
- (vi) Gross Investment in the Lease = ₹11,92,000,
- (vii) Lease Term = 36 months.

[8]

3. (a) The Revenue Account of a life insurance company shows the life assurance fund on 31st March, 2017 at ₹47,00,000 before taking into account the following items:

- (i) Claims covered under re-insurance ₹7,000.
- (ii) Bonus utilized in reduction of life insurance premium ₹2,000.
- (iii) Interest accrued on securities ₹5,500.
- (iv) Outstanding premium ₹3,000.
- (v) Claims intimated but not admitted ₹22,000.

What is the life assurance fund after taking into account the above omissions?

[5]

(b) On 31st March, 2016 Hi-Fi Bank Ltd. had a balance of ₹72 crores in Rebate on Bill Discounted Account. During the year ended 31st March, 2017, ABC Bank Ltd. discounted bills of exchange of ₹32,000 crores charging interest at 18% p.a., the average period of discount being for 73 days. Of these, bills of exchange of ₹4,800 crores were due for realization from the acceptor/customers after 31st March, 2017, the average period outstanding after 31st March, 2017 being 36.5 days.

Hi-Fi Bank Ltd. asks you to pass journal entries and show the ledger accounts pertaining to:

- (i) Discounting of Bills of Exchange; and
- (ii) Rebate on bill Discounted.

[7]

4. ABC Ltd. provides the following Trial Balance as on 31st March 2017:

Particulars	Dr. Balances (₹)	Cr. Balances (₹)
Equity Share Capital: 350000 shares of ₹ 10 each fully paid		35,00,000
10% Debentures		3,00,000
Motor Van	4,00,000	
Machinery	20,00,000	
Land and Building	12,00,000	
12% Long Term Govt. Securities	2,00,000	
Sales		60,00,000
Sales Return	3,00,000	

## MTP\_ Intermediate\_Syllabus 2016\_June 2019\_Set1

Interest on Debenture	22,500	
Purchase	36,00,000	
Purchase Returns		4,00,000
Opening Stock	3,00,000	
Discount	7,500	
Carriage Outward	1,50,000	
Rent and Rates	50,000	
Income from Govt. Securities		24,000
Trade Receivables	10,00,000	
Trade Payables		3,00,000
Advertisement	1,50,000	
Bad Debt	20,000	
Salaries	6,72,000	
Misc. Expenditure	30,000	
Contribution to P.F. and Gratuity Funds	2,00,000	
Cash at Bank and in hand	2,22,000	
Total	1,05,24,000	1,04,24,000

Additional Information:

- Closing Stock as on 31st March 2017 was ₹ 3,50,000.
- Depreciation Rates: Motor Vehicle 10%, Machinery 20% and Land & Building 5%.
- Misc. expenditure includes ₹ 20,000 as audit fees.
- Interest on debenture is payable quarterly and the last quarter's interest is yet to be paid.
- Trade receivables include a sum of ₹ 25,000 due from Mr. X who has become insolvent and only 25 paise in a rupee is expected to be recoverable from him.
- Create a provision for doubtful debt @ 2% on trade receivables.
- Provide for income tax ₹ 1,50,000.

Prepare a Statement of Profit and Loss for the year ended on 31st March 2017 and a Balance Sheet as on that date. **[12]**

**5. Write short note (any three):**

**[3×4=12]**

- Money received against Share Warrants;
- Reasons for preparation of Cash Flow Statement;
- Central Electricity Regulatory Commission (CERC);
- Disclosure under AS -11.

# MTP\_ Intermediate\_ Syllabus 2016\_ June 2019\_ Set1

## 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:

[6x1=6]

- (i) Audit is a fact-finding process that compares actual results with\_\_\_\_\_.
- (A) Specified standards and plans
  - (B) Expected results
  - (C) Premature results
  - (D) Preliminary results
- (ii) \_\_\_\_\_ is a continuous critical review of financial and operating activities by a staff member of the auditor.
- (A) Internal Check
  - (B) Internal Control
  - (C) Internal Audit
  - (D) None of the above
- (iii) Preventive Controls is a type of \_\_\_\_\_.
- (A) Internal Control
  - (B) Detective Control
  - (C) Verification
  - (D) None of the above
- (iv) Which of the following is/are technique of Verification?
- (A) Inspection
  - (B) Observation
  - (C) Confirmation
  - (D) All of the above
- (v) The purpose of Internal audit is to detect the error in the;
- (A) Accounting records
  - (B) Employees records
  - (C) Bank records
  - (D) None of the above
- (vi) Form CRA - \_\_\_\_\_ is related to Cost Audit Report.
- (A) 1
  - (B) 2
  - (C) 3
  - (D) 4

# MTP\_ Intermediate\_Syllabus 2016\_June 2019\_Set1

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Sec 148 of the Companies Act,2013	A.	Comptroller and Auditor General of India
2.	Section 144 of the Companies Act,2013	B.	Remuneration of Auditors
3.	Section 142 of the Companies Act,2013	C.	Auditors not to render certain services
4.	The authority for Govt. Audit	D.	Cost Audit

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

[4×1=4]

- (i) An audit report do not require a proper title.
- (ii) Flow Chart is a pictorial representation of the internal control system depicting its various elements.
- (iii) Audit Report reflects the work done by the Shareholders.
- (iv) Partial audit is a non statutory audit.

Answer any three questions out of the following four questions

[3×12=36]

7. (a) List the basic principles governing an audit.

[7]

(b) "Social audit is the way of measuring, understanding, reporting and improving an organization's performance towards meeting its social and ethical objectives". Discuss.

[5]

8. (a) Discuss eligibility, qualifications and disqualifications of auditors [section 141].

[10]

(b) What is unqualified opinion.

[2]

9. (a) List the differences between Audit Report and Audit Certificate.

[7]

(b) Remuneration of Cost Auditor — Discuss.

[5]

10. Write short note (any three):

[3×4=12]

- (a) Advantages and disadvantages of Joint Audit;
- (b) Auditor's duty on Redemption of debentures;
- (c) Features of inventories that have an impact on the related audit procedures;
- (d) Types of Banking institutions prevailing in India.