

INTERMEDIATE EXAMINATION

June 2015

P-12(CAA)
Syllabus 2012

Company Accounts and Audit

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

This paper contains four questions. All questions are compulsory, subject to instruction provided against each question.

All workings must form part of your answer.

Assumptions, if any, must be clearly indicated.

1. Answer all questions: 2×10=20
- (a) Neel Limited issued 10,000 debentures of ₹ 10 each redeemable at the end of 10 years, but reserves the right to redeem earlier from the end of 3rd year. The company decides at the end of 5th year to redeem 2,000 debentures out of its profits. Pass necessary journal entries in the books of Neel Limited on redemption of debentures.
- (b) Explain when the research and development cost of a project can be deferred to future period as per AS-26.
- (c) State the cases in which AS-29 does not get applicable.
- (d) Net profit for the year 2013-14 is ₹ 25 lakhs and for the year 2014-15 is ₹ 75 lakhs. Number of equity shares outstanding until 31st December, 2014 is 20 lakhs. Bonus issue was made on 1st January, 2015 @ one equity share for each equity share outstanding as on 31st December, 2014. Calculate Basic Earnings per share for the year 2014-15 as per AS-20.
- (e) Rukmani Limited purchased a plant for US \$ 2,50,000 on 1st March, 2015, payable after three months. Company entered into a forward contract for three months @ ₹ 54.10 per dollar. Exchange rate per dollar on 1st March, 2015 was ₹ 53.74. Compute amount of profit or loss on forward contract as per AS-11. How will you recognise the same in the books of the company?
- (f) What do the term 'Potential Equity Shares' signify?
- (g) What do you understand by Information Security Audit?
- (h) What is continuous Audit?
- (i) What do you understand by test checking in Audit Work?
- (j) What is vouching?

Please Turn Over

2. Answer any two questions :

8×2=16

(a) Makkhu Limited leased a machine to Gunu Limited on the following terms:

(i) Fair value of the machine	₹ 72 lakhs
(ii) Lease term	5 years
(iii) Lease rental per annum	₹ 12 lakhs
(iv) Guaranteed residual value	₹ 2.40 lakhs
(v) Expected residual value	₹ 4.50 lakhs
(vi) Internal rate of return	15%

Discounted rates at 15% for ₹ 1, 1st year to 5th year are 0.8696, 0.7561, 0.6575, 0.5718 and 0.4972 respectively.

Ascertain Unearned Finance Income.

8

(b) (i) As on 1st April, 2014, the fair value of plan assets was ₹ 2,00,000 in respect of a pension plan of Sagar Limited. The plan paid out benefits of ₹ 25,000 and received inward contributions of ₹ 55,000. On 31st March, 2015, the fair value of plan assets was ₹ 3,00,000 and actuarial losses on the Defined Benefit Obligations for the year 2014-15 were ₹ 30,000. On 1st April, 2014, the company made the following estimates, based on its market studies, understanding and prevailing prices:

Interest and Dividend income, after tax payable by the fund 11.25% p.a. Realised and unrealised gains on plan assets (after tax) 3% p.a. Fund administrative costs 4% p.a. Calculate Net Actuarial gains/losses for the year 2014-15.

5

(ii) Patta Ltd. purchased a piece of Land for ₹ 25,00,000 for which it received a grant from the State Government amounting to ₹ 6,00,000.

How will you treat Government grant in the accounts as per AS-12? Also pass the necessary journal entries of the above in the books of the company.

3

(c) (i) STF Ltd. with a turnover of ₹ 200 Cr. and an annual special advertising budget on TV channels of ₹ 5 Cr. had taken up the marketing of a new product. It was assumed that the company would have a turnover of ₹ 30 Cr. from the new product. The Company had debited to its Profit & Loss Account the total expenditure of ₹ 5 Cr. incurred on special advertisement for the new product.

As per AS-26, discuss whether the accounting treatment given by the Company is correct.

4

(ii) Net profit for the year 2014: ₹ 6,00,000

Weighted average number of equity share outstandings during the year 2014: 2,50,000

Average fair value of one equity share during the year 2014: ₹ 20

Weighted average number of shares under option during the year 2014: 50,000

Exercise price for shares under option during the year 2014: ₹ 15

Calculate Basic & Diluted Earnings per share for the year 2014.

4

