

Paper 12- Company Accounts & Audit

Paper 12- Company Accounts & Audit

Postal Test Paper_P12_Intermediate_Syllabus 2016_Set 1

Full Marks: 100

Time allowed: 3 hours

Section-A

I. Answer all the following questions:

[5 × 2 = 10]

- (a) During the year 2013-14 P Ltd., received a grant from the government of India amounting to ₹30 lakhs towards purchase of a piece of land for ₹60 lakhs. Show the Accounting treatment as per AS-12
- (b) Mr. A purchased 1000, 6% debentures of 100 each on 31st January 2014 at ₹95 each. Interest payable on 30th June and 31st December. The price quoted is cum interest. Journalise the transaction.
- (c) Define Integral Foreign Operation.
- (d) Discuss the constitution of Central Electricity Regulatory Commission.
- (e) X Co. Ltd. buys back its own 2,00,000 equity shares of ₹ 10 each at par. The company has sufficient profits otherwise available for dividend besides general reserve. No fresh issue of shares is made for this purpose. The shares are fully paid up. Journalise the transactions.

II. Fill in the blanks:

[5×1=5]

- (a) Register of Members is one of the _____ Books maintained by a company.
- (b) _____ is that part of the authorized capital which is offered to the public for subscription is called issued capital.
- (c) The application money to be refunded shall be credited only to the bank account from which the _____ was remitted.
- (d) _____ costs are interest and other costs that an entity incurs in connection with the borrowing of funds.
- (e) _____ currency is a currency other than the functional currency of the entity.

III. State whether the following statements are True or False (any five):

[5×1=5]

- (a) Internal Check and Internal Audit are one and the same.
- (b) Audit committee is only luxury to the company.
- (c) Internal auditor of a company cannot be its Cost Auditor.
- (d) A Body Corporate can become Auditor of the company.
- (e) An audit committee shall have minimum 5 directors.
- (f) Cooling period of Individual Auditor is 2 consecutive terms of 5.

IV. Fill in the blanks (any five):

[5×1=5]

- (a) Internal Check is a valuable part of the _____ control.
- (b) Proving the truth means vouching of _____.
- (c) Cut off procedures are generally applied to _____ transactions.
- (d) (d)The Internal Auditor is appointed by the _____.
- (e) Vouching is said to be the essence of _____.
- (f) (f)Cost Audit is conducted by the _____ in practice.

Section-B

Postal Test Paper_P12_Intermediate_Syllabus 2016_Set 1

V. Answer any two questions from the following:

[2×10=20]

(a) (i) A Company is planning to raise funds by making rights issue of equity shares to finance its expansion. The existing equity share capital of the company is ₹ 50,00,000. The market value of its share is ₹ 42. The company offers to its shareholders the right to buy 2 shares at ₹ 11 each for every 5 shares held. You are required to calculate:

- (i) Theoretical market price after rights issue;
- (ii) The value of rights; and
- (iii) Percentage increase in share capital.

[8]

(ii) Write a short note on Surrender of Shares.

[2]

(b) P Ltd., provides you the following information as on 31.3.2015:

	In crores (₹)
Equity share of ₹ 10 each fully paid	330
10% redeemable pre-shares of ₹ 100 each fully paid	70
Security premium	90
General reserve	240
Profit & Loss Account	20
Infrastructure development reserve	100
Capital redemption reserve	50
Plant revaluation reserve	30
Secured loan	1,000
Current liabilities	200

The company has offered buy back price of ₹ 30 per equity share calculate the maximum permissible number of equity shares that can be bought back.

[10]

(c) In Calculate Rebate on Bills discounted as on 31 December, 2011 from the following data and show journal entries:

	Date of Bill	₹	Period	Rate of Discount
(i)	15.10.2011	50,000	5 months	8%
(ii)	10.11.2011	30,000	4 months	7%
(iii)	25.11.2011	40,000	4 months	7%
(iv)	20.12.2011	60,000	3 months	9%

[10]

VI. Answer any one question from the following:

[15×1=15]

(a) (i) Sumangal Ltd. finds on 31st December, 2014 that it is short of funds with which to implement its branch expansion programme. On 1st January, 2014, it had a bank balance of ₹1,80,000 in its current account. From the following information, prepare a statement of Cash Flow to show how the overdraft of ₹48,750 at 31st December, 2015 has arisen:

Figures as per Balance Sheet

Postal Test Paper_P12_Intermediate_Syllabus 2016_Set 1

(as on 31st December)

	2013 (₹)	2014 (₹)
Fixed Assets	7,50,000	11,00,000
Stock and stores	1,90,000	3,00,000
Debtors	3,80,000	3,65,000
Bank Balance/(Overdraft)	1,70,000	(58,750)
Trade Creditors	2,70,000	3,50,000
Share Capital (in shares of ₹10 each)	2,50,000	3,00,000
Bills Receivable	87,500	95,000

The profit for the year ended 31st December, 2014 before charging depreciation and taxation amounted to ₹2,50,000. The 5,000 shares were issued on 1st January, 2014 at a premium of ₹5 per share. ₹1,37,500 was paid in March 2014 by way of income tax including tax on distribution of dividend. Dividend was paid as follows for 2014 (final) on the capital on 31-12-2013 @ 10% less tax 25%. For 2014 (interim) 5% on capital on 31st March, 2014 free of tax.

[10]

(ii) Write a note on Cash and Cash equivalents as per Ind AS – 7.

[5]

(b)(i) From the following information Calculate Depreciation and Advance against Depreciation as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

- Date of Commercial Operation of COD = 1st April 2010
- Approved opening Capital cost as on 1st April 2010 = 1,50,000
- Weighted Average Rate of Depreciation: 3.5%
- Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of Interest on Loan is as follows:

	1st year	2nd year	3rd year	4th year
Additional Capital Expenditure (Allowed)	10,000	3,000	2,000	2,000
Repayment of Loan	8,000	10,000	10,000	11,000
Weighted Average Rate of Interest on Loan	7.4	7.5	7.6	7.5

[15]

Section - C

VII. Answer any four Questions from the following:

[4×10=40]

(a) (i) State the distinction between Internal Audit, Internal Control & Internal Check.

(ii) Critically examine that "Audit working papers are the property of the Auditor".

[5×2=10]

(b) (i) Is the opening of bank accounts authorized by the Board of Directors (BOD)?

(ii) Are collections of branch offices and sales offices deposited in special bank accounts subject to withdrawal only by the head office?

[5×2=10]

(c) (i) Distinguish between Permanent & Current Audit file.

(ii) Critically comment on "Proving the Truth".

[5×2=10]

(d) (i) Discuss the disadvantages of Audit programme and means to overcome such disadvantages.

(ii) Discuss the procedure of appointment of the first auditor of a company.

[5×2=10]

- (e) (i) Discuss the basic elements of the Auditor's Report.
(ii) Why Central Government permission is required, when the auditor is to be removed before the expiry of their term? **[5×2=10]**