

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) State the disclosure requirement under revised schedule III of the following items:
- Debit balance of Profit & Loss account.
 - Unsecured Bank loan.
- (b) State the types of lease to which AS-19 are not applicable.
- (c) List any two differences between Shares and Debentures.
- (d) List any two profits from where transfer to Capital Redemption Reserve Account is allowed.
- (e) H Ltd. sells machinery, WDV of which was ₹ 400 lakhs for ₹ 500 lakhs to B Ltd. The same machinery was leased back to H Ltd. by B Ltd. for 10 years resulting in finance lease. What should be the treatment of profit in the books of seller lessee (H Ltd.)?

II. Fill in the blanks:

[5×1=5]

- (i) For a finance company interest income is of Cash Flow from _____.
- (ii) Investing and financing transactions that _____ require the use of cash or cash equivalents shall be excluded from a statement of cash flows.
- (iii) Income from dividend and interest is a part of _____.
- (iv) _____ are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.
- (v) Segment result is _____ less segment expense.

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

[5×1=5]

- (a) Final dividend is declared in the general meeting.
- (b) Internal Auditor can be removed by the Board.
- (c) Where a company has a branch office, the accounts of that office be audited by auditor appointed at EGM.
- (d) Statutory Auditor is appointed by the shareholder in the general meeting.
- (e) An auditor is not insurer.
- (f) There is no difference between Statutory and external audit.

IV. Fill in the blanks (any five):

[5×1=5]

- (a) Auditing is done with the principal set in _____.
- (b) An in depth examination to detect a suspected fraud is termed as _____.
- (c) An audit in which auditor review the performance of entity is termed as _____.
- (d) _____ audit is conducted at the end of the accounting year.
- (e) _____ audit is conducted between two annual audits.
- (f) An audit report is the _____ product of every audit.

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Section-B

V. Answer any two questions from the following:

[2×10=20]

- (a) (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 Actual gains/losses for the year 2014-15. [5]

- (ii) Write a note on " Operating Segments" as per Indian Accounting Standard 108. [5]

(b) Following details are given for Lily Ltd. for the year ended 31st March, 2014: (₹ in lakh)

| Particulars | Amount (₹) | Amount (₹) |
|---|---------------|------------|
| Sales: | | |
| Sports accessories | 11,300 | |
| Packaging Materials | 1,250 | |
| Health and Fitness Equipments | 690 | |
| Others | 324 | 13,564 |
| Expenses: | | |
| Sports accessories | 6,670 | |
| Packaging Materials | 850 | |
| Health and Fitness Equipments | 444 | |
| Others | 400 | 8,364 |
| Other Items: | | |
| General Corporate Expenses | | 1,124 |
| Income from investments | | 264 |
| Interest Expenses | | 130 |
| Identifiable Assets: | | |
| Sports accessories | 14,640 | |
| Packaging Materials | 2,640 | |
| Health and Fitness Equipments | 2,100 | |
| Others | 1,330 | 20,710 |
| General Corporate Assets: | | 1,444 |
| Other Information: | | |
| (a) Inter-segment sales are as below: | | |
| Sports accessories | | 110 |
| Packaging Materials | | 144 |
| Health and Fitness Equipments | | 42 |
| Others | | 14 |
| (b) Operating profit includes ₹66 lakhs on inter-segment sales. | | |
| (c) Information about inter-segment expenses are not available. | | |

You are required to prepare a statement showing financial information about Lily Ltd.'s operations in different industry segments. [10]

- (c) (i) B Ltd purchase the assets of ₹ 10,80,000 from C Ltd. The consideration was payable in fully paid equity shares of ₹ 100 each.

Required: Show the necessary journal entries in books of B Ltd. assuming that —

- a) Such shares are issued at par

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b) Such shares are issued at premium of 20%. [7]

(ii) List any two advantages of buy-back of shares. [3]

VI. Answer any one question from the following: [15×1=15]

(a) (i) Seth Co. Ltd. issued 20,000 shares which were underwritten as :
Ram : 12,000 shares, Raghu : 5,000 shares and Ravi: 3,000 shares.
The underwriters made applications for firm underwriting as follows:
Ram: 1,600 shares; Raghu: 600 shares; Ravi: 2,000 shares. The total subscriptions excluding firm underwriting (including marked applications) were 10,000 shares.
The marked applications were: Ram: 2,000 shares; Raghu: 4,000 shares; Ravi: 1,000 shares.
Show the net liability of underwriters (number of shares). [6]

(ii) On 31 March, 2011 Victory Bank Ltd. had a balance of ₹18 crores in "rebate on bill discounted" account. During the year ended 31st March, 2012, Victory Bank Ltd. discounted bills of exchange of ₹ 8,000 crores charging interest at 18% p.a., the average period of discount being for 73 days. Of these, bills of exchange of ₹ 1,200 crores were due for realization from the acceptor/customers after 31st March, 2012, the average period outstanding after 31st March, 2012 being 36.5 days.

Victory 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. [9]

(b) Priyanka Industries Ltd. has an authorised capital ₹ 2,00,000 divided into shares of ₹ 100 each. Of these, 600 shares were issued as fully paid for payment of machinery purchased from Z Ltd. 800 shares were subscribed for by the public and during the first year ₹ 50 per share was called up payable ₹ 20 on application, ₹ 10 on allotment, ₹ 10 on the first call and ₹ 10 on second call.

The amounts received in respect of these shares were as follows:-

| | |
|---------------|-----------------------|
| On 600 Shares | Full amount called up |
| On 125 Shares | ₹ 40 Per Share |
| On 50 Shares | ₹ 30 Per Share |
| On 25 Shares | ₹ 20 Per Share |

The directors forfeited the 75 shares, on which less than ₹ 40 per share had been paid.

Required: Give Journal Entries recording the above transactions (including cash transactions) and show how Share Capital would appear in the Balance Sheet of the Company, in accordance Schedule III to the Companies Act. [15]

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

(a) (i) Write short notes on Social Audit & Environmental Audit.
(ii) Differentiate between External and Internal Audit. [5×2=10]

(b) (i) Critically examine that "Audit working papers are the property of the Auditor".
(ii) Distinguish between Permanent & Current Audit file. [5×2=10]

(c) (i) Distinguish between Test checking & Statistical sampling.
(ii) What do you mean by Audit Evidence? List down the need for Audit Evidence. [5×2=10]

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- (d) (i) What do you mean by Internal check and do discuss the auditor duty in regard to Internal Check System?
(ii) Discuss the contents of Audit note book. **[5×2=10]**
- (e) (i) Distinguish between Explanatory Notes & Qualificatory Notes.
(ii) Explain the matters that do and do not affect the auditor's opinion. **[5×2=10]**