

Paper 12- Company Accounts & Audit

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Full Marks: 100

Time allowed: 3 hours

Section – A

Question no. 1 is compulsory

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

[6x1=6]

- (i) Short-Term Borrowings will include all Loans within a period of ____ months from the date of the loan.
(A) 6
(B) 12
(C) 24
(D) 3
- (ii) If a company has contingent liability it appears in the
(A) Balance Sheet
(B) Director's Report
(C) Notes to accounts
(D) Chair man's Report
- (iii) Which of the following is not a financial statement
(A) P & L A/c
(B) Balance Sheet
(C) Fund Flow Statement
(D) Trail Balance
- (iv) Declaration of dividend is covered under section
(A) Sec 122
(B) Sec 123
(C) Sec 124
(D) Sec 125
- (v) Bank overdraft should be disclosed as part of _____.
(A) Cash and Cash Equivalents
(B) Trade Receivables
(C) Trade Payables
(D) None of the above
- (vi) Cash receipts from sale of goods is a/an
(A) Operating Activity
(B) Investing Activity
(C) Financing Activity
(D) None of the above

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(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Section 39	A.	Prohibition for Buy-Back
2.	Section 53	B.	Issue and redemption of Preference Shares
3.	Section 55	C.	Prohibition on Issue of Shares at Discount
4.	Section 70	D.	Allotment of Securities by Company

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

[4×1=4]

- (i) A company may buy-back its shares or other specified securities from out of its securities premium account.
- (ii) Register of Directors is not a Statutory Book.
- (iii) An issuance of stock following a company's Initial Public Offer is called a Follow on Public Offer.
- (iv) A bonus share is a free share issued by accepting a consideration to an existing shareholder in the ratio of number of shares held by that shareholder.

Answer any three questions out of the following four questions:

[3×12=36]

- 2. (a)** OM Ltd. had ₹20,00,000, 8% Debentures of ₹100 each as on 31st March, 2016. The company purchased Debentures in the Open Market following immediate cancellation:

On 01.07.2016: 2,000 Debentures at ₹97 (cum-interest).

On 29.02.2016: 3,600 Debentures at ₹99 (ex- interest).

Debenture Interest due dates are 30th September and 31st March.

Give Journal Entries in the books of the Company for the year ended 31st March, 2017. **[10]**

- (b)** Ashirvad Ltd. has two associates, Bhakti Ltd. and Chitra Ltd, and owns 25% of voting power of Bhakti Ltd. and 30% of voting power of Chitra Ltd. Would Bhakti Ltd. is considered a related party in the financial statements of Chitra Ltd.? **[2]**

- 3. (a)** The life insurance fund of Upkar Life Insurance Co. Ltd. was ₹ 68,00,000 on 31st March, 2015. Its actuarial valuation on 31st March, 2015 disclosed a net liability of ₹ 57,60,000. An interim bonus of ₹ 80,000 was paid to the policyholders during the previous two years. It is now proposed to carry forward ₹ 2,20,000 and to divide the balance between the policyholders and the shareholders. Show (a) the Valuation Balance Sheet, (b) the net profit for the two-year period, and (c) the distribution of the profits. **[6]**

(b) The following details are extracted from the Books of Mega Power Generation Ltd.

- Date of Commercial Operation/Work Completed date : 28th January', 1998
- Beginning of Current Year : 1st April, 2013
- Useful Life : 35 years

Particulars	(Amount in ₹ crores)
Capital Cost at beginning of the year 2013-14	33,000
Additional Capitalisation during the year:	

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2013-14	00.00
2014-15	51.70
2015-16	43.76
Value of Freehold Land	17.84
Depreciation recovered upto 2011-12	72.25
Depreciation recovered in 2012-13	8.05

Note: Capital Cost and Accumulated Depreciation at the beginning of the year as per Tariff order, Financial Year 2013-14.

You are required to calculate:

(i) Average Capital Cost

Annual Depreciation for the year 2013-14, 2014-15 and 2015-16 as per Tariff Regulations-2009. **[6]**

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	-
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) Types of Cash Flows;
- (b) Issue of Sweat Equity Shares;
- (c) Main features of Electricity Act, 2003;
- (d) Finance Lease.

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Section – B

Question no. 6 is compulsory

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

[6x1=6]

- (i) First auditor of the company is appointed by the BOD within
(A) 15 days
(B) 30 days
(C) 45 days
(D) 60 days
- (ii) Proving the truth means vouching of _____.
(A) Payment
(B) Expenses
(C) Assets
(D) Liabilities
- (iii) Form for Secretarial Audit Report is
(A) MR-2
(B) MR-3
(C) MR-4
(D) MR-5
- (iv) The meetings of Audit committee should be _____ in a year.
(A) 4
(B) 5
(C) 3
(D) 2
- (v) An audit report is the _____ product of audit.
(A) Main
(B) Final
(C) Semi final
(D) None of the above
- (vi) Cost Auditor is appointed by the
(A) Audit Committee
(B) BOD
(C) BOD on recommendation Audit Committee
(D) None of the above

(b) Match the following:

[4x1=4]

	Column 'A'		Column 'B'
1.	Section 61 of the Co. Act 2013	A.	Final Audit
2.	Annual Audit	B.	Comptroller and Auditor General of India
3.	Functional Classification of Audit	C.	Alteration of Share Capital
4.	The authority for Govt. Audit	D.	External and Internal Audit

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

[4×1=4]

- (i)** Cost Accounting Standards is mandatory as per section 143 of the companies Act 2013.
- (ii)** Audit report reflects the work done by the employees.
- (iii)** The concept of true or fair is a fundamental concept in auditing.
- (iv)** Statutory Auditor is appointed by the shareholder in the general meeting.

Answer any three questions out of the following four questions

[3×12=36]

- 7. (a)** State the Advantages of Statutory Audit.
(b) Discuss the differences between a checklist and internal control questionnaire. **[8+4=12]**

- 8. (a)** Discuss the eligibility, qualifications and disqualifications of auditors as per Section 141 of the Companies Act, 2013.
(b) List the functions of an Audit Committee. **[8+4=12]**

- 9. (a)** 'Remuneration of a Cost Auditor' — Discuss.
(b) List the features of a Qualified Audit Report. **[4+8=12]**

- 10. Write short note (any three):** **[3×4 = 12]**
 - (a)** Advantages of Joint Audit;
 - (b)** Auditor's duty on redemption on debenture;
 - (c)** Audit of Bills payable for banks;
 - (d)** First Auditor.