

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) Which of the following is an intangible asset?
(a) Trade Marks
(b) Goodwill
(c) Copy Right
(d) All of the above
- (ii) IASB stands for
(a) International Accounting Standard Board
(b) Indian Accounting Standard Board
(c) Institution of Accounting School Board
(d) None of the above
- (iii) Debtors is
(a) Included in Fixed Assets
(b) A part of Trade receivable
(c) A part of Current Assets
(d) Both (b) and (c)
- (iv) Which of the following is/ are the Source/s for fully paid-up bonus shares
(a) Free Reserves
(b) Securities Premium Account;
(c) Capital Redemption Reserve Account
(d) All of the above
- (v) Which of the following is/are test/s to Determination of quantum for buy-back:
(a) Share outstanding test
(b) Resource test
(c) Debt-Equity Ratio test
(d) All of the above.
- (vi) When a share is issued at a value greater than its face value it is said to be issued at _____.
(a) Par
(b) Premium
(c) Discount
(d) None of the above.

MTP_ Intermediate_ Syllabus2016_ Dec2017_ Set 2

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	AS 18	A.	Accounting for the Changes in Foreign Exchange Rates
2.	AS 17	B.	Related Party Disclosures
3.	AS 12	C.	Accounting for Government Grants
4.	AS 11	D.	Segment Reporting

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

[4×1=4]

- (i) There are three types of Underwriting Agreements.
- (ii) A Company cannot buy-back its shares from any person through a negotiated deals whether on or off the stock exchange.
- (iii) Interest income in case of a Finance Company is treated as a part of revenue from Operation.
- (iv) ODRC stands for Optimised Depreciated Replaced Cost.

Answer any three questions out of the following four questions

[3×12=36]

2. (a) Alpha Ltd issued a prospectus inviting applications for 2,000 shares of ₹ 10 each at a premium of ₹ 2 per share, payable as follows:

On Application ₹ 2, On Allotment ₹ 5 (including premium)
On First Call ₹ 3, On Second & Final Call ₹ 2

Applications were received for 3,000 shares and pro rata allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment.

Mohit, to whom 40 shares allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Jagat, the holder of 60 shares failed to pay the two calls and on his such failure, his shares were forfeited. Of the shares forfeited, 80 shares were sold to Rishav credited as fully paid for ₹ 9 per share, the whole of Mohit's shares being included.

Required: Give Journal Entries to record the above transactions (including cash transactions)

[10]

(b) Brief the disclosure requirements as per AS – 11 .

[2]

3. (a) From the following Summary Cash Account of X Ltd. prepare Cash Flow Statement for the year ended 31st March, 2017 in accordance with AS 3 (Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.3.2017

Particulars	Amount ₹ '000	Particulars	Amount ₹ '000
Balance on 1.4.2016	400	Payment to Suppliers	2,600
Issue of Equity Shares	1,000	Purchase of Fixed Assets	1,200
Receipts from Customers	4,500	Overhead expense	200
Sale of Fixed Assets	200	Wages and Salaries	600

MTP_ Intermediate_ Syllabus2016_ Dec2017_ Set 2

		Taxation	450
		Dividend	100
		Repayment of Bank Loan	800
		Balance on 31.3.2017	150
	6,100		6,100

[7]

- (b) The books of a bank include a loan of ₹5,00,000 advanced on 30.09.2012, interest changeable @ 16% p.a. compounded quarterly. The security for the loan being 7,000 shares of ₹100 each in a public limited company valued @ ₹90 each. There is no repayment till 31.12.2013. On 31.12.2013, the value of shares declined to ₹ 80 per share. How would you classify the loan as secured or unsecured in the Balance Sheet? **[5]**

4. (a) From the following information, prepare the relevant Notes to Accounts:

₹ lakhs

Sundry Creditors	40.00
Bills Payables	20.00
Bank Overdraft	10.00
Unpaid Dividend	3.00
Outstanding Expenses	3.00
Calls-in-Advance	2.00
Provision for Tax	200.00

[6]

- (b) From the following information, prepare the relevant Notes to Accounts:

₹ lakhs

Trade Investments	
200 lakhs Shares of Y Ltd. of ₹10 each, ₹8 paid up	1600.00
4 Lakhs, 14% Debentures of ₹100 each, ₹80 paid up	320
Other Investments	26
Discount/Loss on Issue of Debentures	2
Amalgamation Adjustments A/c	4

5. Write short note (any three):

[3×4=12]

- (a) Scope of IND AS-20 — Accounting for Government Grants and Disclosure of Government Assistance;
- (b) Issue of Shares at Premium;
- (c) Reasons for preparation of Cash Flow Statement.
- (d) ZERO Bank has followed the policies for retirement benefits as under:
- (i) Contribution to pension fund is made based on actuarial valuation at the yearend in respect of employees who have opted for pension scheme.
 - (ii) Contribution to the gratuity fund is made based on actuarial valuation at the year end.
 - (iii) Leave encashment is accounted for on —PAY-AS-YOU-G" method.
- Comment whether the policy is in accordance with AS-15.

Section – B

Question no. 6 is compulsory

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

[6x1=6]

- (i) The most comprehensive type of audit is the _____system audit, which examines suitability and effectiveness of the system as a whole.
- (a) Quantity
 - (b) Quality
 - (c) Preliminary
 - (d) Sequential
- (ii) Each of the three parties involved in an audit _____ plays a role that contributes to its success.
- (a) the client, the auditor, and the auditeer
 - (b) the client, the auditor, and the audite
 - (c) the client, the moderator, and the auditee
 - (d) the client, the auditor, and the auditee
- (iii) SA 300 stands for _____.
- (a) Quality control for an audit of financial Statements
 - (b) Agreeing the terms of Audit engagements.
 - (c) Audit Planning
 - (d) Responsibility of Joint Auditor
- (iv) Internal Check is a valuable part of the _____ control.
- (a) Internal
 - (b) External
 - (c) Bothe (a) and (b)
 - (d) None of the above
- (v) Remuneration of auditors is covered under Section _____ of Companies Act, 2013.
- (a) Section 142
 - (b) Section 148
 - (c) Section 139
 - (d) None of the above
- (vi) CAATS stands for
- (a) Cornwall Air Ambulance Trust
 - (b) Children Air Ambulance Trust
 - (c) Center for alternatives to Animal Testing
 - (d) Computer Assisted Auditing Technique

MTP_ Intermediate_ Syllabus2016_ Dec2017_ Set 2

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Government Company	A.	Unqualified Opinion.
2.	Detailed of audit work to be performed	B.	Audit Programme
3.	Maximum term of Individual Auditor	C.	A company which is a subsidiary of Government Company
4.	True and Fair Audit Report	D.	1 term of 5 years

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

[4×1=4]

- (i) An audit report should have a proper title.
- (ii) Auditor has right to disclose the client information to a third party.
- (iii) An in depth examination to detect a suspected fraud is termed as Investigation.
- (iv) "Debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.

Answer any three questions out of the following four questions

[3×12=36]

7. (a) Voluntary Audit or Private Audit – discuss.

(b) List the objectives of Internal Control.

[5+7=12]

8. (a) Mr. Raghav, who is a chartered accountant, wants to conduct the audit of Ram-Shyam Limited. State the disqualifications that would make him ineligible for the post.

(b) "Auditors to attend general meeting" — Comment.

[9+3=12]

9. (a) Is rotation applicable to a Cost Auditor?

(b) "Statutory Auditor vs. Internal Auditor" — Discuss.

[5+7=12]

10. Write short note (any three):

[3×4=12]

- (a) Interim Audit;
- (b) Utilisation of Investor Education and Protection Fund;
- (c) Internal Audit as a management tool;
- (d) Cut off procedures.