

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.

Answer:

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- (i) — (d)
- (ii) — (a)
- (iii) — (d)
- (iv) — (d)
- (v) — (d)
- (vi) — (b)

(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

Answer:

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

(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:

- (i) False;
- (ii) True;
- (iii) True;
- (iv) True.

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

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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]

Answer:

Journals

Particulars	L.F.	Dr.	Cr.
		Amount ₹	Amount ₹
Bank A/c To Share Application A/c [Being the application money received on 3,000 shares]	Dr.	6,000	6,000
Share Application A/c To Share Capital A/c To Bank A/c To Share Allotment A/c (2,000@ ₹0.40) [Being the transfer and refund of application money received on 3,000 shares]	Dr.	6,000	4,000 1,200 800
Share Allotment A/c To Share Capital A/c To Securities Premium A/c [Being the allotment money due]	Dr.	10,000	6,000 4,000
Bank A/c Calls in Arrear A/c To Share Allotment A/c [Being the remaining allotment money received on 1,960 shares]**	Dr. Dr.	9,016 184	9,200
Share First Call A/c To Share Capital A/c [Being the first call money due]	Dr.	6,000	6,000
Bank A/c Calls in Arrear A/c To Share First Call A/c [Being the first call money received on 1,900 shares @ ₹ 3 per share]**	Dr. Dr.	5,700 300	6,000
Share Capital A/c (40 × ₹8) Securities Premium A/c To Calls in Arrear A/c (184 +120) To Forfeited Share A/c [Being 40 shares forfeited for non-payment of full allotment money and the first call money]	Dr. Dr.	320 80	304 96
Share Second & Final Call A/c To Share Capital A/c [Being the second and final call due on 1,960 share]	Dr.	3,920	3,920

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Bank A/c	Dr.	3,800	
Calls in Arrear A/c	Dr.	120	
To Share Second and Final Call A/c			3,920
[Being the second and final call received on 1,900 shares]			
Share Capital A/c	Dr.	600	
To Calls in Arrear A/c			300
To Forfeited Shares A/c			300
[Being 60 shares forfeited for non-payment on the first call and final call]			
Bank A/c	Dr.	720	
Forfeited Shares A/c	Dr.	80	
To Share Capital A/c			800
[Being the reissued of 80 shares @ ₹ 9 as fully paid up]			
Forfeited Shares A/c	Dr.	216	
To Capital Reserve A/c			216
[Being the transfer of profit on re-issue]			
[On 40 @ ₹(2.40 - 1.00) = 56			
On 40 @ ₹(5.00 - 1.00) = 160			
		<u>216</u>]	

Working Notes:

(i)	Calculation of the amount due but not paid on allotment in Case of Mohit	₹	
	Total No. of shares applied by Mohit (40 × 2,400/2,000)		48
	Total money sent on application by Mohit (48 × ₹ 2)		96
	Excess application money [₹ 96 – (40 × ₹ 2)]		16
	Total amount due on allotment (40 × ₹ 5)		200
	Amount due but not paid on allotment (₹ 200 – ₹ 16)		184
(ii)	Calculation of allotment money received later on		
	Total allotment money due (2,000 × ₹ 5)		10,000
	Less: (a) Already received	₹ 800	
	(b) Not received (as per note 1)	₹ 184	
			984
			9,016

(iii) Since the question is silent as to the utilization of ₹ 16 (received from Mohit) between share capital and securities premium, it has been assumed that the entire excess of ₹ 16 is exclusively for share capital and hence credited to Forfeited Shares Account in full.

**Alternative Calculation —

Ratio of allotment = 2,000:2,400 = 5:6

Advance per share = $(6 \times 2 - 5 \times 2) / 5 = ₹ 0.40$

∴ due on allotment = ₹ 5 - 0.40 = ₹ 4.60

Unpaid money or calls in arrear —	allot	Call-1	Call-2
Mohit (40) @ 4.60	184	120	-
Jagat (60)	-	180	120
	184	300	120

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

[2]

Answer:

Disclosure under AS -11: An enterprise should disclose:

- a) The amount of exchange difference included in the net profit or loss for the period.
- b) The amount of exchange difference adjusted in the carrying amount of fixed assets during the accounting period.
- c) The amount of exchange difference in respect of forward contracts to be recognized in the profit/ loss for one or more subsequent accounting period.
- d) Foreign currency risk management policy.

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
		Taxation	450
		Dividend	100
		Repayment of Bank Loan	800
		Balance on 31.3.2017	<u>150</u>
	<u>6,100</u>		<u>6,100</u>

[7]

Answer:

X Ltd.

Cash Flow Statement for the year ended 31st March, 2017 (Using the direct method)

Particulars	₹ '000	₹ '000
Cash flows from operating activities		
Cash receipts from customers	4,500	
Cash payment to suppliers	(2,600)	
Cash paid to employees	(600)	
Cash payments for overheads	(200)	
Cash generated from operations	1,100	
Income tax paid	(450)	
Net cash from operating activities		650
Cash flows from investing activities		
Payment for purchase of fixed assets	(1,200)	
Proceeds from sale of fixed assets	200	
Net cash used in investing activities		(1,000)
Cash flows from financing activities		
Proceeds from issuance of equity shares	1,000	
Bank loan repaid	(800)	
Dividend paid	(100)	
Net cash from financing activities		100
Net increase in cash		(250)

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Answer:

3. Trade Payables

Sundry Creditors	40.00
Bills Payables	20.00
	60.00

4. Other Current Liabilities

Bank Overdraft	10.00
Unpaid Dividend	3.00
Outstanding Expenses	3.00
Calls-in-Advance	2.00
	18.00

5. Short – term Provision

Provision for Tax	200
	200

(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

[6]

Answer:

8. Non- current Investments

Particulars	(₹ in lacs)	(₹ in lacs)
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	320.00	1920.00
Other Investments		26.00
		1946.00

9. Other Non-current Assets

Particulars	(₹ in lacs)
Discount/Loss on Issue of Debentures	2.00
Amalgamation Adjustments A/c	4.00
	6.00

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5. Write short note (any three):

[3×4=12]

- (a) Central Electricity Regulatory Commission (CERC);
- (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-GO” method.
Comment whether the policy is in accordance with AS-15.

Answer:

(a) Central Electricity Regulatory Commission (CERC):

Meaning: The Central Electricity Regulatory Commission shall be a body corporate, having perpetual succession and a common seal with power to acquire, hold and dispose of property, both movable and immovable, and to contract and shall, by the said name, sue or be sued.

Constitution: The Central Commission shall consist of the following Members namely:

- (i) A chairperson and 3 Members
- (ii) The Chairperson of the Authority who shall be the Member, ex-officio.

Appointment: The Chairperson and Members of the Central Commission shall be appointed by the Central Government on the recommendation of the Selection Committee.

Functions: The functions of the Central Commission include regulating the tariff of generating companies, the inter-state transmission of electricity, to issue licenses, to levy fees, to fix trading margin etc.

(b) Issue of Shares at Premium

A company may issue shares at a premium, i.e., at a value greater than its face value. The power to issue shares at a premium need not be given in the Articles of Association. Premium so received shall be credited to a separate account called Securities Premium Account.

Section 52 of the Companies Act, 2013 gives the purposes for which share premium account may be applied by the company. These are:

- (i) For the issue of fully paid bonus shares to the members of the company;
- (ii) For writing off preliminary expenses of the company;
- (iii) For writing off the expenses of the commission paid or discount allowed on any issue of shares or debentures of the company; and
- (iv) For providing premium payable on the redemption of any redeemable preference shares or debentures of the company.
- (v) For the purchase of its own shares or other securities u/s 68.

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(c) Reasons for preparation of Cash Flow Statement:

Cash Flow Statement is considered to be a summarized statement showing sources of Cash Inflows and application of cash outflows of an enterprise during a particular period of time. It is prepared on the basis of the published data as disclosed by the Financial Statement of two different financial periods. It is an essential tool for managerial decision-making. Cash Flow reports the management Net Cash Flow (i.e. cash inflow less cash outflow or vice versa) from each activity of the enterprise as well as of the overall business of the enterprise. The management of the enterprise gets a picture of movement of cash resources from the Cash Flow Statement and can assess the stronger and weaker area of movement of cash for different activities of the business for drawing up the future planning.

(d)

- (i) As the contribution to Pension Fund is made on actuarial basis every year, therefore the policy is as per AS-15, which is based on actuarial basis of accounting.
- (ii) As the contribution is being made on annual basis to gratuity fund on actuarial basis, the policy is in accordance with AS-15.
- (iii) As regard leave encashment, which is accounted for on PAY-AS-YOU-GO basis, it is not in accordance with AS-15. It should be accounted for on accrual basis.

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.

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- (a) Internal
- (b) External
- (c) Both (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

Answer:

- (i) — (b)
- (ii) — (d)
- (iii) — (c)
- (iv) — (a)
- (v) — (a)
- (vi) — (d)

(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

Answer:

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

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

[4×1=4]

- (i) An audit report should have a proper title.

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- (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:

- (i) True;
- (ii) False;
- (iii) True;
- (iv) True.

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]

Answer:

(a) Voluntary Audit or Private Audit

"Though audit is not necessary for each form of ownership, yet they go for audit".

"Audit of accounts may not be compulsory, yet one may get the books of accounts audited for various reasons".

Audit refers to the process of examination of books and records together with the evidence relating to an entity, whether it is required by law or not, for the purpose of formation of opinion with regard to true and fair view disclosed by Financial Statements.

Broadly there are two classifications of audits:

- (i) Statutory Audit
- (ii) Voluntary Audit or Private Audit

(A) Statutory audits are mandatory in nature.

(B) Voluntary audits are non-statutory audits i.e. not compelled by law. There is no statutory requirement for audits of sole trader, partnership firm (except for a statutory tax audit u/s 44AB required as per the Income Tax Act, 1961, e.g. when such an entity exceeds the turnover of certain limit). The sole proprietors and partnership firms may get their accounts audited voluntarily on their own because of certain advantages.

(b) Objectives of Internal Control Each organization must have a system of internal control in place for achieving the preset goals. Other than accomplishing the desired goals and objectives of the organization, this system plays a very important role in any organization. The main objectives of internal control are enumerated below:

- (i) Compliance:** To have compliance with law and the accounting practices generally accepted and followed in the country. The accounting process also needs to be in compliance with these.

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- (ii) **Reliance:** To increase the reliance on the internal systems, people and accounting practices followed by the organization, so that the chances of frauds are reduced.
- (iii) **Safeguarding:** To safeguard the organization's accounts, employees and assets by formation of fool-proof policies, rules and regulations.
- (iv) **Security:** To provide security to customers, employees and property of the organization. Physical security systems like security guards, locks and anti-theft devices are used for providing protection.
- (v) **Increased efficiency:** To assist in human resource and performance management, and to keep proper control over business activities to achieve maximum levels of efficiency.
- (vi) **Evaluation:** To evaluate the accounting system for proper authorization of transactions.
- (vii) **Review and correction:** To review the working of the business, locate weak points in operations and to take corrective measures for proper working.
- (viii) **Authorization:** To provide proper authority for purchase, sale, valuation, verification and possession of assets.
- (ix) **Delegation:** To provide for division of duties among the employees where all staff members work cohesively.
- (x) **Accurate planning:** To ensure that the auditors and the accountants of the organization make all the financial reports correctly and to ensure that financial planning is done accurately.
- (xi) **Conformity with accounting principles:** To conform to the basic accounting concepts, and principles that was governing an organization.
- (xii) **Resource utilization:** To ensure that all the resources: Man, Material, Money and Machines of the organization are optimally used.
- (xiii) **Safeguarding of resources:** To protect the resources of the organization against mismanagement or fraud and to ensure that the company's activities are in accordance with laws and regulations.
- (xiv) **Setting future Corporate Goals:** An efficient system of internal control helps the organization in goal setting. However, the organization should have certain policies, rules and regulations in place to achieve the preset goals.

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]

Answer:

(a) Appointment of Mr. Raghav as an Auditor.

The following persons shall not be eligible for appointment as an auditor of a company, namely:—

- (a) a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008;
- (b) an officer or employee of the company;

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- (c) a person who is a partner, or who is in the employment, of an officer or employee of the company;
- (d) a person who, or his relative or partner—
 - (i) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company.
 - (ii) Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;
 - (iii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or
 - (iv) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;
- (e) a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;
- (f) a person whose relative is a director or is in the employment of the company as a director or key managerial personnel;
- (g) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;
- (h) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
- (i) any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as provided in section 144.

If Mr. Raghav possess any of the above disqualifications he would not be eligible for the post of an auditor in Ram-Shyam Ltd.

- (b) All notices of, and other communications relating to, any general meeting shall be forwarded to the auditor of the company, and the auditor shall, unless otherwise exempted by the company, attend either by himself or through his authorised representative, who shall also be qualified to be an auditor, any general meeting and shall have right to be heard at such meeting on any part of the business which concerns him as the auditor.

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

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

[5+7 = 12]

Answer:

(a) Rotation of a Cost Auditor

The provisions for maintenance of cost accounting records and cost audit are governed by Section 148 of the Companies Act, 2013. The provisions of Section 148 clearly states

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that no person appointed under Section 139 as an auditor of the company shall be appointed for conducting audit of cost records of the company. Section 148 also provides that qualifications, disqualifications, rights, duties and obligations applicable to auditors (financial) shall apply to a cost auditor appointed under this section. The eligibility, qualifications and disqualifications are provided in Section 141 of the Act and powers and duties are provided in Section 143. Section 143(14) specifically states that the provisions of Section 143 shall mutatis mutandis apply to a cost auditor appointed under Section 148. There are no other provisions governing the appointment of a cost auditor.

Section 139(3) of the Act, applicable to appointment of auditors (financial), and Rule 6 of Companies (Audit and Auditors) Rules, 2014 deals with the provision of rotation of auditors and these provisions are applicable only to appointment of auditors (financial). The Act does not provide for rotation in case of appointment of cost auditors and the same is not applicable to a cost auditor. It may, however, be noted that though there is no statutory provision for rotation of cost auditors, individual companies may do so as a part of their policy, as is the practice with Public Sector Undertakings.

- (b) Statutory Audit is the act of checking books of accounts as per the provision of Companies Act, whereas Internal Audit is conducted by the either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board of the Company to detect weakness in internal control system and for their improvement. However both of these types of audit check books of accounts, detect frauds & errors however they differ from each other which is reproduced below;

	Basis	Statutory Audit	Internal Audit
1	Appointing Authority	Statutory Auditor is appointed by the shareholder in the general meeting.	Internal Auditor is appointed by the Board.
2	Scope of the work	The scope of work is defined in the Companies Act.	The scope of work includes the adherence of management policies and procedures and identifies the weakness in the internal control.
3	Removal of Auditor	Statutory Auditor can be removed by the shareholders.	Internal Auditor can be removed by the Board.
4	Remuneration	It is fixed by the shareholders.	It is fixed by the board
5	Audit Report	It is submitted to the appointing Authority.	It is submitted to the Board as a suggestion to improve weakness in the internal control.

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.

Answer:

(a) Interim Audit

Meaning and concept: Interim audit is an audit conducted between two annual audits. It may be conducted for a specific period, such as a quarter or half year, with an interim object of declaration of interim dividend or valuation of shares on a certain date, in case of mergers.

It is carried out by professionals, but has no legal status as the figures may be altered subsequently.

It is useful for:

- i. Early detection and rectification of errors & frauds,
- ii. Publishing of interim results in some cases,
- iii. Timely completion of records and final audit,
- iv. Moral checks on employees.

(b) Utilisation of Investor Education and Protection Fund

The Fund shall be utilised for—

- (a) education, awareness and protection;
- (b) the refund in respect of unclaimed dividends, matured deposits, matured debentures, the application money due for refund and interest thereon; promotion of investors'
- (c) distribution of any disgorged amount among eligible and identifiable applicants for shares or debentures, shareholders, debenture-holders or depositors who have suffered losses due to wrong actions by any person, in accordance with the orders made by the Court which had ordered disgorgement;
- (d) reimbursement of legal expenses incurred in pursuing class action suits under sections 37 and 245 by members, debenture-holders or depositors as may be sanctioned by the Tribunal; and
- (e) any other purpose incidental thereto, in accordance with such rules as may be prescribed:

Provided that the person whose amounts referred to in clauses (a) to (d) of sub – section (2) of section 205C transferred to Investor Education and Protection Fund, after the expiry of the period of seven years as per provisions of the Companies Act, shall be entitled to get refund out of the Fund in respect of such claims in accordance with rules made under this section.

(c) Internal audit is an important management tool for the following reasons:

- (i) Internal audit ensures compliance of Companies (Auditors Report) Order, 2016.
- (ii) It ensures compliance of accounting standards and policies.

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- (iii) It ensures reliability of MIS through internal audit's independent appraisal and review.
- (iv) It looks into the standard of efficiency of business operation.
- (v) It can evaluate various problems independently and suggest improvement.
- (vi) This system makes the internal control system effective.
- (vii) It ensures the adequacy, reliability, accuracy and understandability of financial and operational data.
- (viii) It performs as an integral part of 'Management by system'.
- (ix) It can add valuable assistance to management in acquiring new business, promoting new products and expansion or diversification of business etc.

(d) Cut off procedures:

- i) Definition: Periods usually coincide with calendar months, which lead to the need for specific demarcation between transactions forming the part of one period from those included in the following period. Thus, cut-off procedures are adopted to allocate revenues and costs to the proper accounting period.
- ii) Areas of concern: Close attention should be paid to the accounts payable and accounts receivable functions. These two functions are the most susceptible to recording of transactions in the wrong accounting period.
- iii) Cut-off points: Serially numbered documents like invoice for sales or purchase bills are allocated to the respective accounting periods by establishing cut-off points based on the serial numbers.
- iv) Importance: Cut-off procedures require detailed testing by the auditor so as to ensure proper accounting of assets and liabilities, which may arise without the corresponding physical delivery of goods taking place.
- v) Example: The purchase procedure involves a number of steps, like issuing purchase requisitions, inviting quotations, selecting sellers and defining the terms of purchase, entering agreement, receipt of goods, storage of goods, payment, etc. All the documents and vouchers that substantiate the proof of authentication of these transactions are serially numbered. It is the auditor's duty to examine the cut-off points and ensure that the transaction has been recorded in the period in which the title in goods is transferred, irrespective of the period of physical delivery of goods and to ensure compliance of the Indian Accounting Standards and the relevant Statute.