

Paper 12- Company Accounts & Audit

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Full Marks: 100

Time allowed: 3 hours

The figures in the margin on the right side indicate full marks.

This question paper has two sections.

Both the sections are to be answered subject to instructions given against each.

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) Franchises
 - (c) Accounts Receivables
 - (d) Secret Profit
- (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) Inventory is
- (a) Included in Fixed Assets
 - (b) An investment
 - (c) A part of Current Assets
 - (d) An intangible
- (iv) Which of the following is/are the source/s of bonus issue of shares?
- (a) Free Reserves;
 - (b) Securities Premium Account;
 - (c) Capital Redemption Reserve Account;
 - (d) All of the above.
- (v) When a shareholder fails to pay calls, the company, if empowered by its articles, may _____
- (a) Surrender the shares
 - (b) forfeit the shares
 - (c) Reissue the shares
 - (d) All of the above
- (vi) Which of the following is/are the advantage/s of buy-back:
- (a) Free reserves which are utilized for buy-back instead of dividend enhance the value of the company's shares and improve earnings per share;
 - (b) Surplus cash may be utilized by the company for buy-back and avoid the payment of dividend tax;

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- (c) Buy-back may be used as a weapon to frustrate any hostile take-over of the company by undesirable persons;
- (d) All of the above.

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	AS 16	A.	Employee Benefits
2.	AS 19	B.	Borrowing Costs
3.	AS 12	C.	Accounting for Government Grants
4.	AS 15	D.	Accounting for Leases

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

[4×1=4]

- (i) When the same risk and the same subject matter is insured with more than one insurer the same is called reinsurance. (True)
- (ii) Part I of Schedule III is related to preparation of Profit and Loss Statement. (False)
- (iii) A company cannot buy-back its shares from any person through a negotiated deal whether on or off the stock.
- (iv) ODRC represents Optimised Depreciated Replaced Cost.

Answer any three questions out of the following four questions

[3×12=36]

2. (a) Kumbh Ltd. issued 40,000 Shares which are underwritten as follows:

- Mr. A — 24,000; Mr. B — 10,000 and Mr. C — 6,000 Shares.
- The Underwriters made applications for firm underwriting as under:
Mr. A — 3,200 Shares; Mr. B — 1,200 Shares; and Mr. C — 4,000 Shares.
 - The total subscriptions excluding Firm Underwriting but including marked applications were for 20,000 Shares.
 - The marked applications were: Mr. A — 4,000 Shares; Mr. B — 8,000 Shares and Mr. C — 2,000 Shares.
 - Show the allocation of liability of the underwriters.

[7]

(b) Given below is the information regarding five different segments of M/s. Varun Ltd.

(₹ in lakhs)

Segments	P	Q	R	S	T	Total
Segmental Revenue	100	300	200	100	300	1,000
Segment Result	40	(60)	90	10	(30)	50
Segment Assets	45	55	140	20	40	300

As a Cost Accountant of the concerned company, the company management wants to know from you which company needs to be reported.

[5]

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3. (a) Khush Raho Life Insurance Co. Ltd. provides you the following information:

Particulars	Direct Business ₹	Re-Insurance ₹
Commission Paid	1,11,000	10,000
Commission Payable on 1.4.2015	2,000	1,000
Commission Payable on 31.3.2016	1,000	3,000
Commission Received		14,000
Commission Receivable on 1.4.2015		2,000
Commission Receivable on 31.03.2015		3,000

How will you show the various figures in respect of Commission on Re-Insurance ceded in the Revenue Account for the year ended 31st March, 2016.

[6]

(b) From the following information Calculate Return on Equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004:

- A. Date of Commercial Operation of COD = 1st April 2010
- B. Approved Opening Capital Cost as on 1st April 2010 = ₹ 15,00,000
- C. Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of Interest on Loan is as Follows

	1 st Year	2 nd Year	3 rd Year	4 th Year
Additional Capital Expenditure (Allowed)	1,00,000	30,000	20,000	10,000

[6]

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

Closing Stock of Materials	40.00
Closing Stock of WIP	200.00
Closing Stock of Finished Goods	400.00
Loose Tools	12.00
Stores & Spares	8.00
Sundry Debtors	80.00
Provision for Doubtful Debts	7.00
Bills Receivables	20.00
Cash Balance	4.00
Bank Balance	16.00
Cheques/Drafts on hand	4.00
Prepaid Expenses	2.00
Interest accrued on Investments	2.00

[6]

(ii) The following items appear in the Trial Balance of Nupur Ltd. as at 31st March, 2015:

Particulars	₹
1. Revenue from Operations	24,00,000
2. Other Income	1,00,000

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3. Expenses other than Interest	3,80,000
4. General Reserve (as on 1st April, 2014)	1,30,000

5. Profit and Loss Account (as on 1.4.2014) ₹3,28,000. The recommendation of the company's Board of Directors include equity dividend of 15% (Including Interim Dividend of ₹ 80,000). Transfer to Debenture Redemption Reserve @ 50% of Debentures and Transfer to General Reserve @ 5%. (Assume Corporate Tax 30% and Dividend Distribution Tax @ 20%).
6. 12%, 10,000 Debentures of ₹ 100 each fully paid up
7. 14%, 5,000 Preference Shares of ₹ 100 each fully paid up
8. 6,000 Equity Shares of ₹ 100 each
9. 8,000 Equity Shares ₹ 100 each, ₹ 25 paid up

Required: Show the Profit and Loss.

[6]

5. Write short note (any three):

[3×4=12]

- (a) Finance lease;
- (b) Follow on public offer (FPO);
- (c) A Ltd. purchased fixed assets costing ₹ 7,500 lakhs on 1.1.15 and the same was fully financed by foreign currency loan (U.S. Dollars) payable in three annual equal installments. Exchange rates were 1 Dollar = ₹ 62.50 and ₹ 65.00 as on 1.1.15 and 31.12.15 respectively. First installment was paid on 31.12.15. The entire difference in foreign exchange has been capitalized.
You are required to state, how these transactions would be accounted for.
- (d) Reasons for preparation of Cash Flow Statement.

Section – B

Question no. 6 is compulsory

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

[6×1=6]

- (i) The _____ is also expected to provide the resources needed and select staff members to accompany the auditors.
 - (b) Auditor
 - (c) Client
 - (d) Internal auditor
 - (e) Auditee
- (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 auditee
 - (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 230 stands for _____.
 - (a) Quality control for an audit of financial Statements

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- (b) Agreeing the terms of Audit engagements.
- (c) Audit Documentation
- (d) Responsibility of Joint Auditor

(iv) Permanent Audit file contains _____.

- (a) Copies of management letters
- (b) Audit Programme
- (c) Analysis of transaction and balances
- (d) Analysis of significant ratios and trends

(v) Internal Control Questionnaire contains the questions need to be followed by the _____

- (a) Employer of the organisation
- (b) Employee of the organisation
- (c) Auditor of the entity
- (d) Banker to the organisation

(vi) Secretarial Audit is covered under Section_____ of Companies Act,2013.

- (a) 204
- (b) 148
- (c) 139
- (d) None of the above

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Independent Directors	A.	Unqualified Opinion.
2.	Maximum term of Firm as Auditor	B.	2 Consecutive terms of 5 years
3.	Maximum term of Individual Auditor	C.	Audit Committee
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) "Branch office", in relation to a company, means any establishment described as such by the company.
- (ii) Internal Auditor can be removed by the Board.
- (iii) Final dividend is declared in the general meeting.
- (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) State the advantages of continuous audit.
(b) How would you determine the materiality of an item, while conducting audit.

[5+7 = 12]

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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) Should an auditor sign his audit report? **[9+3 = 12]**
9. (a) Is rotation applicable to a Cost Auditor?
(b) Discuss how you would conduct audit of inventories. **[5+7 = 12]**
- 10. Write short note (any three): **[3×4 = 12]****
- (a) Information Systems Audit
 - (b) Utilisation of Investor Education and Protection Fund
 - (c) Internal Audit as a management tool
 - (d) Surprise Check