

PTP_Intermediate_Syllabus 2012_Dec2014_Set 2

Paper – 12: Company Accounts and Audit

Full Marks: 100

Time Allowed: 3 Hours

This paper contains 4 questions. All questions are compulsory, subject to instruction provided against each question. All workings must form part of your answer.

Assumptions, if any, must be clearly indicated.

1. Answer all questions:

[2×10=20]

- (a) Vikas sold 1,500, 10% debentures (face value ₹ 100 each) of Shiva Limited at ₹ 125 cum-interest on 01.12.2013. The interest is payable on 31st March and 30th September every year. Find out the actual amount received by Vikas (excluding interest) on account of sale of investment.
- (b) Journalise the following transaction:
FD Ltd. issued 4,000 shares of ₹100 each credited as fully paid to the promoters for their services.
- (c) What is meant by Cash equivalent?
- (d) State the disclosure requirement under revised schedule VI of the following items:
 - Debit balance of Profit & Loss account;
 - Unsecured Bank loan.
- (e) Mukta Ltd. in the past three year spent ₹ 45,00,000 to develop a Drug to treat Cancer, which was charged to Profit and Loss Account since they did not meet AS-8 criteria for capitalization. In the current year approval of the concerned Govt. Authority has been received. The Company wishes to capitalize ₹ 45,00,000 and disclose it as a prior period item. Is it correct? Give reason for your views.
- (f) A company follows a policy of refunding money to the dissatisfied customers if they claim within thirty days from the date of purchase and return the goods. It appears from the past experience that in a month only 0.30% of the customers claim refunds. The company sold goods amounting to ₹50 lacs during the last month of the financial year. Is there any contingency?
- (g) List the steps involved in internal control.
- (h) What we understand by the term 'Qualified Audit Report'?
- (i) State the meaning of Detailed audit.
- (j) List the use of Interim Audit.

2. (Answer any 2 questions)

- (a) Amit purchased a computer for ₹44,000 and leased out it to Sumit for four years on leases basis, after the lease period , value of the computer was estimated to be ₹ 3,000; which she

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realized after selling it in the second hand market. Lease amount payable at the beginning of each year is ₹ 22,000; ₹13,640; ₹6,820 & ₹3,410. Depreciation was charged @ 40% p.a. You are required to pass the necessary journal entries in the books of Sumit. **[8]**

(b) (i) Best Wishes Ltd. has got the license to manufacture particular medicines for 10 years at a license fee of ₹ 400 lakhs, given below is the pattern of expected production and expected operating cash inflow.

Year	Production in bottles (₹In thousands)	Net operating cash flow (₹ in lakhs)
1	600	1,800
2	1,200	3,600
3	1,300	4,600
4	1,600	6,400
5	1,600	6,400
6	1,600	6,400
7	1,600	6,400
8	1,600	6,400
9	1,600	6,400
10	1,600	6,400

Net operating cash flow has increased for third year because of better inventory management and handling method. Suggest the amortization method. **[6]**

(ii) What should be disclosed for defined contribution pension plans? **[2]**

(c) (i) From the following information compute diluted earnings per share.

Net profit for the year 2013	₹12,00,000
Weighted average number of equity shares outstanding during year 2013	5,00,000 shares
Average fair value of one equity share during the year 2013	₹20
Weighted average number of shares under option during the year 2013	1,00,000 shares
Exercise price per share under option during the year 2013	₹15

[4]

(ii) State the disclosure requirement as per AS – 11. **[4]**

3. (Answer any 2 questions)

(a) (i) Emerald Ltd. agreed to absorb Ruby Ltd. on 31st March 2012, whose Balance Sheet stood as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Share Capital: 1,60,000 shares of ₹ 100 each fully paid	1,60,00,000	Fixed Assets	1,40,00,000
Reserve and Surplus:		Current Assets, Loans &	

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		Advances:	
General Reserve	20,00,000	Stock in Trade	20,00,000
Secured Loan	-	Sundry Creditors	40,00,000
Unsecured Loan	-		
Current Liabilities and Provisions:			
Sundry Creditors	20,00,000		
	2,00,00,000		2,00,00,000

The consideration was agreed to be paid as follows :

- i. A payment in cash of ₹ 50 per share in Ruby Ltd. and
- ii. The issue of shares of ₹ 100 each in Emerald Ltd., on the basis of 2 Equity Shares (valued at ₹ 150) and one 10% Cumulative Preference Share (valued at ₹ 100) for every five shares held in Ruby Ltd.

It was agreed that Emerald Ltd. will pay in cash for fractional shares equivalent at agreed value of shares in Ruby Ltd. i.e., ₹ 650 for five shares of ₹ 500 paid.

The whole of the Share capital consists of shareholdings in exact multiple of five except the following holding:

Uma	232	
Sunil	152	
Ritam	144	
Vinit	56	
Other individuals	<u>16</u>	(sixteen members holding one share each)
	<u>600</u>	

Prepare a statement showing the purchase consideration receivable by above shareholders in shares and cash. **[10]**

(ii) From the following particulars of Pintop Ltd. you are required to calculate the Managerial Remuneration in the following situations:

- There is only one Whole Time Director.
- There are two Whole Time Directors.
- There are two Whole Time Directors, a part time Director and a Manager.

Particulars	₹
Net Profit before Income Tax and Managerial Remuneration, but after	8,70,410
Depreciation and Provision for Repairs	
Depreciation provided in the Books	3,10,000
Provision for Repairs for Machinery during the year	25,000
Depreciation Allowable under Schedule XIV	2,60,000
Actual Expenditure incurred on Repairs during the year	15,000

[6]

(b) (i) OMR Limited recently made a public issue in respect of which the following information is available:

- No. of partly convertible debentures issued 4,00,000; face value and issue price ₹100 per debenture.
- Convertible portion per debenture 60%, date of conversion on expiry of 6 months from the date of closing of issue.
- Date of closure of subscription lists 1.5.2013, date of allotment 1.6.2013, rate of interest on debenture 15% payable from the date of allotment, value of equity share for the purpose of conversion ₹ 60 (Face Value ₹ 10).

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- Underwriting Commission 2.5 %.
- No. of debentures applied for 3,00,000.
- Interest payable on debentures half-yearly on 30th September and 31st March.
- Write relevant journal entries for all transactions arising out of the above during the year ended 31st March, 2014 (including cash and bank entries). [8]

(ii) Discuss the three types of Cash Flows in the context of AS - 3. [5]

(iii) Explain Negative Goodwill in case of amalgamation in the nature of purchase. [3]

(c) (i) List the conditions to be fulfilled to attract the Pooling of Interest method in the case of Mergers and Acquisition? [6]

(ii) Following details are given for Prithvi Ltd. for the year ended 31st March, 2014:

(₹ in lakhs)		
Sales:		
Food Products	11,300	
Plastic and Packing	1,250	
Health and Scientific	690	
Others	324	13,564
Expenses:		
Food Products	6,670	
Plastic and Packing	850	
Health and Scientific	444	
Others	400	8,364
Other Items:		
General corporate Expenses		1,124
Income from investments		364
Interest expenses		130
Identifiable assets:		
Food Products	14,640	
Plastic and Packing	2,640	
Health and Scientific	2,100	
Others	1,330	20,670
General Corporate Assets		1,444
Other Information:		

- Inter-segment sales are as below:

(₹ in lakhs)	
Food Products	110
Plastic and Packing	144
Health and Scientific	42
Others	14

- Operating profit includes ₹66 lakhs on inter-segment sales.
- Information about inter-segment expenses are not available.

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

4. (Answer any 2 questions)

- (a) (i)** State the areas of operation that are involved in an internal audit. **[5]**
- (ii)** List the disadvantages of Joint Audit. **[3]**
- (iii)** Describe 'Voucher' and 'Vouching'. **[4]**
- (iv)** Discuss cut off procedure. Explain its significance in the context of Auditing. **[4]**
- (b) (i)** Discuss Missing Vouchers. **[6]**
- (ii)** Discuss 'Expenditure Audit' in relation to the Government Audit. **[6]**
- (iii)** State the procedure for removal of statutory auditor before the expiry of his term as per Companies Act, 2013. **[4]**
- (c) (i)** Whether an Auditor opinion in a financial statement is persuasive or a conclusive in nature? **[2]**
- (ii)** Discuss the significance of audit working papers. **[5]**
- (iii)** Barish Ltd. is holding 75% of Equity Shares of Akash Ltd. and prepares the financial statement applying AS - 21, As an auditor how would you verify the cost of control and the minority interest as stated in the Consolidated Financial Statement. **[9]**