

Paper 12- Company Accounts & Audit

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Full Marks: 100

Time allowed: 3 hours

Section – A Accounts of Joint Stock Company

PART – I

Answer Question Number 1. All parts of this question are compulsory.

1. (a) Choose the correct answer from the given four alternatives: [6× 1]= 6
- (i) Which of the following does not allow any amount to be transferred to the Capital Redemption Reserve Account ?
 - (a) Securities premium account
 - (b) Forfeited shares account
 - (c) Profit on sale of Machinery
 - (d) Both a and b
 - (ii) In the Cash Flow Statement of PQ Ltd., a finance company, interest received on loans will appear under _____.
 - (a) Cash Flow from Operating Activities
 - (b) Cash Flow from Investing Activities
 - (c) Cash Flow from Financing Activities
 - (d) Cash and Cash Equivalent
 - (iii) Which of the following is not a criterion for selecting a reportable segment under AS17?
 - (a) 10% or more of aggregate revenue of all segment
 - (b) 10% or more of aggregate assets of all segment
 - (c) 10% or more of aggregate liabilities of all segment
 - (d) Both a and b
 - (iv) In case of an Insurance Company the register of claims contains which of the following data?
 - (a) The data of claim
 - (b) The name and address of claimant
 - (c) Date of discharging the claim
 - (d) All of the above
 - (v) _____ is a currency other than the functional currency of the entity, which the entity operates.
 - (a) Reporting Currency
 - (b) Foreign Currency
 - (c) Closing Rate
 - (d) None of the above
 - (vi) Instalment of principal amount of long-term loan payable within next 12 months is shown under Balance Sheet of a company under the heading _____.
 - (a) Non-current liabilities
 - (b) Current Assets
 - (c) Non-current Assets
 - (d) Current Liabilities

(b) Match the following items in Column 'A' with items shown in Column 'B': 1×4=4

	Column 'A'		Column 'B'
1.	Central Electricity Regulatory Commission	A.	Issues to directors or Employees
2.	AS 12	B.	No voting right
3.	Debentures	C.	Accounting for Government Grants
4.	Sweat Equity Shares	D.	One Chairperson and 3 members

(c) State whether the following statements are True or False: 1×4=4

- (i) As per Section 63 (1), a company may issue fully paid up bonus shares of its free Reserves.
- (ii) A shareholder will receive dividend whether a company makes a profit or not.
- (iii) The maximum number of shares to be bought back is determined by Resource test.
- (iv) A company has to create DRR in case of issue of debentures with maturity of more than 18 months.

PART – II

Answer any three questions out of the following four questions

[3×12=36]

2. (a) AV Ltd. is a manufacturing Company. It has issued 1,00,000 Equity Shares of ₹10 each at par. The entire issue was underwritten as follows:
 A – 60,000 Shares (Firm underwriting 8,000 Shares)
 B – 30,000 Shares (Firm Underwriting 10,000 Shares)
 C – 10,000 Shares (Firm Underwriting 2,000 Shares)
 The Total Applications including Firm Underwriting were for 80,000 Shares. The marked Applications were as follows –
 A – 20,000 Shares
 B – 14,000 Shares and
 C – 6,000
 The underwriting contract provides that credit for Unmarked Applications to be given to the Underwriters in Proportion to the Shares underwritten. Compute the liability of each Underwriter. [7]
- (b) PV Ltd. received a Government Grant of ₹1,200 Lakhs for acquisition of a Machinery costing ₹6,000 Lakhs, on 01.04.2020. The grant was credited to the cost of asset. The life of the Machinery is 5 years. The Machinery is depreciated at 20% on WDV basis. The company had to refund the grant in May 2022 due to non-fulfillment of certain conditions. How you would treat the refund of Grant in the books of Account? [5]

3. (a) The cash flow statement of L Ltd. extracted below for the year ended 31st March 2021:

Particulars	Amount (₹)	Amount (₹)
Net profit		1,60,00,000
Add: Sale of investment		1,75,00,000
Depreciation of Assets		27,00,000
Issue of preference shares		22,50,000
Loan raised		11,25,000
Decrease in stock		30,00,000
		4,25,75,000

Less: Purchase of Fixed Assets	1,62,50,000	
Decrease in Creditors	15,00,000	
Increase in Debtors	20,00,000	
Exchange gain	20,00,000	
Profit on sale of investments	30,00,000	
Redemption of debentures	14,25,000	
Dividend paid	3,50,000	
Interest paid	2,36,250	2,67,61,250
Add: Opening Cash and Cash equivalent		1,58,13,750
Closing Cash and Cash equivalent		21,35,250
		1,79,49,000

Redraft and reconstruct the cash flow statement of L Ltd. in proper order for the year ended 31st March, 2021 in accordance with AS-3 using indirect method. [8]

- (b) Calculate Return on Equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 on the basis of data provides below:

1. Date of Commercial Operation of COD = 1st April 2017
2. Approved Opening Capital Cost as on 1st April 2017 = ₹ 15,00,000
3. Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average

Rate of Interest on Loan is as Follows

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

[4]

4. RS Ltd provides to you the following Ledger Balances after preparing its Profit and Loss Account for the year ended 31st March 2021.

Credit Balances	₹	Debit Balances	₹
Equity Share Capital, fully paid Shares of ₹10 each	70,00,000	Calls in Arrears	7,000
General Reserve	15,49,100	Land	14,00,000
Loan from State Finance Corporation	10,50,000	Buildings	20,50,000
Secured by hypothecation of P & M(repayable within 1 yr ₹ 2.00,000)		Plant & Machinery	36,75,000
Loans: Unsecured (Long Term)	8,47,000	Furniture & Fixtures	3,50,000
Sundry Creditors for Goods & Expenses (Payable within 6 months)	14,00,000	Stocks: Finished Goods	14,00,000
Profit & Loss Account	10,98,300	Raw Materials	3,50,000
Provision for Taxation	3,25,500	Sundry Debtors	14,00,000
		Advances: Short-Term	2,98,900
		Cash in Hand	2,10,000
		Balances with Banks	17,29,000
		Patents & Trade Marks	4,00,000
Total	1,32,69,900	Total	1,32,69,900

Additional information:

- (i) 4,20,000 fully paid Equity Shares were allotted as consideration for Land Buildings.
- (ii) Cost of Building ₹ 28,00,000
- (iii) Cost of Plant & Machinery ₹ 49,00,000
- (iv) Cost of Furniture & Fixtures ₹ 4,37,500

- (v) Sundry Debtors for ₹3,80,000 are due for more than 6 months.
 - (vi) The amount of Balances with Bank includes ₹18,000 with a Bank which is not a Scheduled Bank, and the deposits of ₹5 Lakhs are for a period of 9 months.
 - (vii) Unsecured Loan includes ₹2,00,000 from a Bank and ₹1,00,000 from Related Parties. You prepare the Balance Sheet of the Company as on 31st March 2021, as required under the Companies Act. [12]
5. Write short note (any three): [3×4=12]
- (a) Issue of Shares at a premium;
 - (b) Types of Cash Flow;
 - (c) Discloser requirement as per AS 15
 - (d) Distinguish between Life and Non-Life Insurance.

Section – B (Auditing)

PART – I

Answer Question Number 6. All parts of this question are compulsory.

6. (a) Choose the correct answer from the given four alternatives: [6×1=6]
- (i) Statutory Auditors can be removed by the _____.
 - (a) Creditors
 - (b) Debenture Holders
 - (c) Suppliers
 - (d) Shareholders
 - (ii) Audit is a fact-finding process that compares actual results with.....
 - (a) Specified standards and plans
 - (b) Expected results
 - (c) Premature results
 - (d) Preliminary results.
 - (iii) Form for maintenance of Cost Records by the Company _____.
 - (a) CRA-4
 - (b) CRA-2
 - (c) CRA-3
 - (d) CRA-1
 - (iv) SA 210 stands for _____.
 - (a) Quality control for an audit of financial statement.
 - (b) Agreeing the terms of Audit engagements
 - (c) Audit Documentation
 - (d) Audit Sampling
 - (v) Objective of an Audit is to formulate an overall opinion on _____.
 - (a) Financial statement
 - (b) Cost statement
 - (c) Books of accounts
 - (d) none of these
 - (vi) Which of the following is / are method to obtain Audit Evidence
 - (a) Observation
 - (b) Computation
 - (c) Analytical Review
 - (d) All of the above

(B) Match the following: **[4×1=4]**

Column 'A'		Column 'B'
SA 230	A.	Does not agree with affirmation made by the management in the books.
Objective of an audit	B.	Audit Engagement
Scope of work	C.	Audit documentation
Negative report	D.	Opinion on Financial Statement

(C) State True or False for the following question: **[4×1=4]**

- (i) An Audit report is the end product of the auditing and concluding part of the audit process.
- (ii) Co-operative banks are not governed by the Co-operative Societies Act, 1912.
- (iii) Cost Auditors has to follow the Cost Auditing Standards while calculating Cost Audit.
- (iv) Secretarial Audit Report is attached with the Board report.

PART – II

Answer any three questions out of the following four questions **[3×12=36]**

7. (a) List the main factors to be considered for determining materiality of an item. **[6]**
 (b) What are the objects of verification of assets and liabilities. **[6]**
8. (a) What are the criteria the eligibility, qualifications and disqualifications of auditors as per Section 141 of the Companies Act, 2013. **[10]**
 (b) Remuneration of an auditor discuss. **[2]**
9. (a) What are the significant difference between Audit Report and Audit Certificate. **[8]**
 (b) Discuss the procedure for appointment of cost auditor under the Companies Act 2013? **[4]**
10. Write short notes (any three) **[3×4 = 12]**
 - (a) Audit of alteration of Capital as per Section 61
 - (b) Inventory Audit
 - (c) Audit of Service Industry
 - (d) Branch Audit