

**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) In a Financial Statement where does Cost of Materials Consumed appear?
- (A) "Expenses" in Statement of Profit and Loss  
(B) "Shareholders' Fund" in Balance Sheet  
(C) "Other Non-Current Assets" in Balance Sheet Assets side  
(D) None of the above
- (ii) Section \_\_\_\_ of The Companies Act,2013 relates to Issue of Sweat Equity Shares
- (A) 54  
(B) 52  
(C) 53  
(D) 68
- (iii) A company may buy-back its shares or other specified securities out of which of the following?
- (A) Proceeds of an earlier issue of same kind of shares  
(B) securities premium account  
(C) the proceeds of any shares or other specified securities like employees' stock option  
(D) Both (B) and (C)
- (iv) A / an \_\_\_\_\_ has voting rights.
- (A) Debenture holder  
(B) Preference Shareholder  
(C) Equity Shareholder  
(D) Creditor
- (v) \_\_\_\_\_ means the issue of new debentures in the place of old ones.
- (A) Follow on public offer  
(B) Rollover  
(C) Right Issue  
(D) Buy-back of shares
- (vi) CERC stands for
- (A) Central Electricity Regulatory Commission  
(B) Central Electricity Regulation Commission  
(C) Central Electricity Regulatory Committee  
(D) Central Electricity Regulation Committee

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(b) Match the following: [4×1=4]

	Column A		Column B
1.	Share Surrender	A.	Accelerated Power Development and Reforms Programme
2.	Section 52	B.	Issue and Redemption of Preference Shares
3.	Section 55	C.	voluntary return of shares
4.	Electricity Companies	D.	Application of share premium account

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

- (i) In case of Electricity Companies depreciation shall be allowed upto maximum of 90% of the historical cost of the asset.
- (ii) There are two types of Underwriting Agreements: (a) Conditional and (b) Firm
- (iii) Debenture carries a fixed rate of dividend.
- (iv) The sum which is still to be paid by the Company to the shareholders for a share is known as calls in arrears.

**PART – II**

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

2. (a) Following is the Summarized Balance Sheet (Draft) of OS Ltd. as on 30<sup>th</sup> September 2021:

Equity & Liabilities	₹	Assets	₹
Stare Capital: Issued and Fully Paid		Fixed Assets	15,00,000
5,000 Equity Shares of Rs.100 each fully paid	5,00,000	Investments:	
6 % Redeemable Preference Shares of Rs.100 (Calls in Arrears on 200 Shares)	4,95,000	(Own Debentures of Nominal of ₹1,00,000)	95,000
Reserves and Surplus:		Other Securities	
Share Premium	1,00,000	Current Assets:	1,00,000
Capital Reserve	1,00,000	Stock	2,00,000
General Reserve	2,00,000	Debtors	1,01,000
Profit and Loss A/c	3,00,000	Cash at Bank	6,00,000
10 % Debentures	2,00,000		
Sundry Creditors	7,00,000		
<b>Total</b>	<b>25,96,000</b>	<b>Total</b>	<b>25,96,000</b>

On the basis of the above date, the following were due for redemption:

- 1. 5,000, 6% Redeemable Preference Shares at a Premium of ₹25 per Share.
- 2. 2,000, 10% Redeemable Debentures at a premium of 10%.

Redemption was made on that date or subsequently thus:

- (a) For the half year ending 30th September (i.e. above B/s date), the Debenture Interest and Preference Dividend were paid out of the Profits of the Company.
- (b) On an offer made to the 10% Debenture Holders, the outsiders agreed to take new 12% Debentures at par in exchange of old Debentures, the Company also decided to assume the New Debentures.
- (c) A Fresh Issue of 1,000 Equity Shares of ₹100 each were made at a Premium of ₹50 per Share and subscribed in full. All Money due were received forthwith.
- (d) Redemption of all Preference Shares were made on the above date. Assume that Securities Premium A/c is usable for providing the Premium on redemption of Preference Shares.

Show all Journal Entries in relation to the above transactions. [8]

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- (b) PP Limited has set up its business in a designated backward area, which entitles the company to receive from the Government of India a subsidy of 20% of the cost of investment. Having fulfilled all the conditions under the scheme, the company on its investment of Rs.100 crore in capital assets, received ₹20 crore from the Government in January 2022 (accounting period being 2021-2022). The company wants to treat this receipt as an item of revenue and thereby reduce the losses on Profit and Loss Account for the year ended 31st March, 2022. What will be the accounting treatment as per relevant Accounting Standard, discuss whether this action is justified or not. [4]

3. (a) Calculate cash flows from Financing Activities From the following information:

	April 1,2021 ₹	March 31,2022 ₹
Long-term Loans	4,00,000	5,00,000

During the year, the company repaid a loan of Rs.2,00,000. [4]

- (b) Following is an extract from Trial Balance of NBP Bank Ltd. as at 31<sup>st</sup> March, 2022:

Particulars	Dr. ₹	Cr. ₹
Bills Discounted	51,50,000	
Rebate on bills discounted not yet due, March 31,2021		30,501
Discount received		1,45,500

An analysis of the bills discounted as shown above shows the following:

Date of Bill	Amount ₹	Period months	Rate of discount % p.a.
31.01. 2022	7,50,000	4	12
17.02. 2022	6,00,000	3	10
06.03. 2022	4,00,000	4	11
16.03. 2022	2,00,000	2	10

Find out the amount of discount received to be credited to Profit and Loss Account and pass appropriate Journal Entries for the same. How the relevant items will appear in the Bank's Balance Sheet? [8]

4. Following Trial Balance of H Ltd. has been extracted, after preparation of Profit & Loss Account as on 31.0.2022.

Debit balances	₹	Credit balances	₹
Plant & Machinery	1,60,000	Equity Share (₹10 each)	1,90,000
Furniture & Fixture	34,000	Reserves	30,000
Investments	60,000	Profit & Loss A/c (01-04-21)	66,000
Inventory	16,000	15% Loans	60,000

Debtors	80,000	Creditors	46,000
Cash & Bank	36,000	Bills Payable	16,000
Advance to suppliers	24,000	Outstanding wages	6,000
Advance tax	36,000	Profit for the year	58,000
Patent	30,000	Provision for tax (21-22)	25,000
Prepaid expenses	6,000	Provision for tax (20-21)	20,700
Bills receivables	15,000		
Proposed dividend	18,000		
Dividend distribution tax	2,700		
	5,17,700		5,17,700

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Prepare the Balance Sheet of H Ltd as per Schedule III as at 31-03-2022 after taking into account the following:

- Advance tax includes ₹15,000 for 2020-21. Tax for the year 2020-21 is assessed at ₹18,000.
- Transfer 5% of net profit to Reserve
- 30% of Investments represent Short-Term Investments. [12]

5. Write short note (any three): [3×4=12]

- (a) Share application money pending allotment
- (b) Right Issue of Shares;
- (c) Geographical Segments as per AS 17
- (d) Main features of the Electricity Act, 2003

### 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) \_\_\_\_\_ System Audit is the most comprehensive type of audit which examines suitability and effectiveness of the system as a whole.
  - (a) Quantity
  - (b) Quality
  - (c) Preliminary
  - (d) Sequential
- (ii) Cost Audit is covered under
  - (a) Section 204
  - (b) Section 148
  - (c) Section 144
  - (d) Section 177
- (iii) Cost Auditor is required to submit the cost audit report in :
  - (a) CRA -4
  - (b) CRA-2
  - (c) CRA-3
  - (d) CRA-1
- (iv) Secretarial Audit is applicable to the public sector company having the turnover of-
  - (a) 50 crore
  - (b) 100 crore
  - (c) 200 crore
  - (d) 250 crore
- (v) Audit of debenture is covered under section-
  - (a) Section 70
  - (b) Section 71
  - (c) Section 72
  - (d) Section 73
- (vi) The \_\_\_\_\_ is also expected to provide the resources needed and select staff members to accompany the auditors.
  - (a) Client
  - (b) Internal Auditor
  - (c) Auditor
  - (d) Auditee

(b) Match the following: [5×1=5]

	Column A		Column B
1.	The authority for Government Audit.	A.	Materiality in planning and performing an Audit
2.	GRA 7 Challan	B.	Unqualified opinion
3.	SA 320	C.	Comptroller & Auditor General of India.
4.	True and fair audit report	D.	Excise Duty

(c) State True or False for the following : [5×1=5]

- (i) External Auditors are appointed by the shareholder of the Company.
- (ii) The concept of true and fair is a fundamental concept in auditing.
- (iii) An audit report is the end product of auditing.
- (iv) As per ICAI (CA) auditor need to retain the working paper for a period of 5 years.

**PART – II**

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

- 7. (a) Enumerate any five basic elements of Internal Control.. [7]  
(b) List the differences between audit and investigation [5]
- 8. (a) Discuss the powers of the Audit Committee? [8]  
(b) State the certain services which are not to be rendered by the Auditor of a company. [4]
- 9. (a) Write down the eligibility criteria for appointment of a cost auditor? [10]  
(b) List the features of Consolidated Financial Statement [CFS] [2]
- 10. Write short notes on ( any three) [3×4=12]
  - (a) Audit of hospital
  - (b) Differences between Statutory Audit and Internal Audit
  - (c) Joint audit
  - (d) Audit of Inventories