

# INTERMEDIATE EXAMINATION

December 2015

P-12(CAA)  
Syllabus 2012

## Company Accounts and Audit

Time Allowed: 3 Hours

Full Marks: 100

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

*This paper contains four questions. All questions are compulsory, subject to instruction provided against each question.*

*All workings must form part of the answers.*

*Assumptions, if any, must be clearly indicated.*

1. Answer all questions:

2×10=20

- (a) Shiva Limited has received a grant of ₹ 15 crores from the Government for setting up a manufacturing unit in a backward area. Out of this grant, the company distributed ₹ 4 crores as dividend. Also, Shiva Limited received land free of cost from the State Government but it has not recorded it at all in the books as no money has been spent. In the light of AS-12 examine, whether the treatment of both the grants is correct.
- (b) GANGOTRI LTD. reports the following information regarding Pension Plan assets.

	(₹)
Fair market value of Plan Assets as on 31.03.2015	17,00,000
Fair market value of Plan Assets as on 01.04.2014	16,00,000
Benefit payments to Retirees	1,80,000
Employer contribution	1,50,000

Calculate the Actual Return on Plan Assets as per AS-15.

- (c) State the classification of amalgamation according to AS-14.
- (d) Mahi Ltd. taken a loan of ₹ 15,00,000 from the SBI by issuing 25000, 12% Debentures of ₹ 100 each as collateral security. Pass the necessary journal entries in the books of company.
- (e) The following particulars are available from the books of RYMIT LTD.:

	(₹)
Net profit before provision for Income Tax and Managerial remuneration but after Depreciation	98,00,000
Depreciation provided in the Books	30,00,000
Depreciation allowable under Schedule II of the Companies Act 2013	25,00,000

You are required to calculate the Managerial remuneration if there is one Whole-time Director.

- (f) On 1st June, 2015 Suku Ltd. purchased 250 of its own 12% debentures from the open market at ₹ 97 (cum-interest) each for immediate cancellation. Face value of each debenture is ₹ 100. Debenture interest is payable on 30th June and 31st December every year. Pass necessary journal entry to record the above transaction.
- (g) Discuss the reporting considerations of the principal auditor under SA600.
- (h) State the auditor's duties in respect of issue of redeemable debentures.
- (i) What is the main objective of the tax audit?
- (j) What is meant by Audit programme and Audit Note Book?

Please Turn Over

2. Answer any two questions [out of (a), (b) and (c)]:

8×2=16

(a) (i) What are disclosure requirements under AS-11?

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(ii) What are the characteristics of a Liability?

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(b) (i) Following information is provided by Gudu Ltd.:

(A) Net profit for 2013-2014 ₹ 21,00,000

Net profit for 2014-2015 ₹ 28,00,000

(B) Nos. of shares outstanding prior to Right Issue: 500000 shares as on 1.4.2014

(C) Right Issue: one new share for 5 outstanding i.e. 100000 new shares

(D) Right price: ₹ 18

(E) Last date of right option: 1st June, 2014

(F) Fair value prior to the right option on 1st June, 2014: ₹ 25 per equity share

You are required to calculate earnings per share.

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(ii) Following information is provided by Peena Limited:

Date	Particulars	No. of Equity Shares
1st April, 2014	Balance at the beginning of the year	3000
1st July, 2014	Issue of shares for cash	900
31st March, 2015	Buy back of shares	800

You are required to calculate weighted average number of shares.

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(c) Classify the following into either Operating or Financial Lease (briefly give your reasoning):

1. Lessee has option to purchase the asset at lower than fair value, at the end of lease term. It is certain that the lessee will exercise the option.
2. Economic life of the asset is 7 years, lease term is 6 years, but asset is not acquired at the end of lease term.
3. Economic life of the asset is 6 years, lease term is 2 years, but the asset is of special nature and has been procured only for use of the lessee.
4. Present value of minimum lease payment = X. Fair value of the asset = Y.

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3. Answer any two questions [out of (a), (b) and (c)]:

16×2=32

(a) (i) On 31st March 2015, following was the Balance Sheet of FCS Limited:

Liabilities	₹ (in lakhs)	Assets	₹ (in lakhs)
Equity Share Capital (₹ 10)	2,400	Machinery	3,600
Securities Premium	350	Furniture	452
General Reserve	930	Investments (Face Value ₹ 200 lakhs)	148
Profit and Loss Account	340	Current Assets	2,460
Current Liabilities	2,640		
	<b>6,660</b>		<b>6,660</b>

On 1st April 2015 the company announced the buy-back of 25% of its equity shares @ 15 per share. For this purpose, it sold all of its investments for ₹ 150 Lakhs and issued 2,00,000, 14% preferences shares of ₹ 100 each at par, the entire amount being payable with application.

The issue was fully subscribed. The company achieved the target of buy-back. Later the company issued one fully paid up equity share of ₹ 10 by way of bonus shares for every four equity shares held by the equity shareholders.

**Required:** Show journal entries for all transactions including cash transactions.

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- (ii) Information relating to five segments of TNT Ltd. are as under: (₹ in lakh)

Segments	A	B	C	D	E	Total
Segment Revenue	200	600	400	200	600	2000
Segment Result	80	(120)	180	20	(60)	100
Segment Assets	90	110	280	40	80	600

Prepare a statement showing segmental revenue, profits and assets which company need to report. 6

- (b) (i) The following particulars relate to Manish Limited Company which has gone into voluntary liquidation. You are required to prepare the Liquidator's Statement of Account allowing for his remuneration @  $2\frac{1}{2}\%$  on all assets realized excluding call money received and 2% on the amount paid to unsecured creditors including preferential creditors.

Share capital issued:

25000 Preference shares of ₹ 100 each fully paid up.

125000 Equity shares of ₹ 10 each fully paid up.

75000 Equity shares of ₹ 10 each, ₹ 8 paid up.

Assets realized ₹ 50,00,000 excluding the amount realized by sale of securities held by partly secured creditors.

Other information:

	(₹)
Preferential creditors	1,25,000
Unsecured creditors	45,00,000
Partly secured creditors (Assets realized ₹ 8,00,000)	8,75,000
Debenture holders having floating charge on all assets of the company	15,00,000
Expenses of liquidation	25,000

A call of ₹ 2 per share on the partly paid equity shares was duly received except in case of one shareholder owning 2500 shares.

Also calculate the percentage of amount paid to the unsecured creditors to the total unsecured creditors. 10

- (ii) Sonic Ltd. incorporated on 1st June, 2015 issued a prospectus inviting applications for 10,00,000 equity shares of ₹ 10 each. The whole issue was fully underwritten by four underwriters:

	S	T	U	V
Underwriter	4,00,000 shares	3,00,000 shares	2,00,000 shares	1,00,000 shares

Applications were received for 9,00,000 shares of which marked applications were as follows:

	S	T	U	V
Underwriter	4,40,000 shares	1,80,000 shares	2,20,000 shares	20,000 shares

Find out the liability of each underwriter individually.

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Please Turn Over

- (c) (i) Following are the summarized Balance Sheets of Poova Limited and Pouru Limited as at 31st March, 2015:

(₹ in lakhs)

Liabilities	Poova Ltd.	Pouru Ltd.	Assets	Poova Ltd.	Pouru Ltd.
Share capital:			Goodwill	40	—
Equity shares of ₹ 100 each	3,000	2,000	Other fixed assets	3,200	1,520
9% Preference shares of ₹ 100 each	1,000	800	Trade receivables	1,250	880
General reserve	250	340	Inventory	660	1,360
Profit and loss account	—	30	Cash at bank	52	260
12% Debentures of ₹ 100 each	1,000	400	Own debenture (₹ 100 each) (Nominal value ₹ 40,00,000)	38	—
Trade payables	810	450	Discount on issue of debentures	6	—
			Profit and loss account	814	—
	<b>6,060</b>	<b>4,020</b>		<b>6,060</b>	<b>4,020</b>

On 1.4.2015, Poova Ltd. adopted the following scheme of reconstruction:

- Each equity share shall be sub-divided into 10 equity shares of ₹ 10 each fully paid up. 50% of the equity share capital would be sacrificed to the Company.
- Preference dividends are in arrear for 3 years. Preference shareholders agreed to waive 90% of the dividend claim and accept payment for the balance.
- Own debentures of ₹ 25,00,000 were sold at ₹ 98 per debenture cum-interest and remaining own debentures were cancelled.
- Debenture holders of ₹ 4-8 crores agreed to accept one machinery of book value of ₹ 5 crores in full settlement.
- Trade payables, trade receivables and inventory were valued at ₹ 7 crores; ₹ 11 crores and ₹ 5.90 crores respectively. The goodwill, discount on issue of debentures and Profit and Loss (Dr.) are to be written off.
- The Company paid ₹ 4 lakhs as penalty to avoid capital commitments of ₹ 30 lakhs.

On 2.4.2015 a scheme of absorption was adopted. Poova Ltd. would take over Pouru Ltd. The purchase consideration was fixed as below:

- Equity shareholders of Pouru Ltd. will be given 50 equity shares of ₹ 10 each fully paid up, in exchange for every 5 shares held in Pouru Ltd.
- Issue of 9% preference shares of ₹ 100 each in the ratio of 4 preference shares of Poova Ltd. for every 5 preference shares held in Pouru Ltd.
- Issue of one 12% debenture of ₹ 100 each of Poova Ltd. for every 12% debentures in Pouru Ltd.

You are required to give Journal entries in the books of Poova Ltd.

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- Guddu Ltd. incorporated on 1st July, 2014 and received the certificate to commence business on 1st August, 2014. It had acquired a running business of Guddu Stores from 1st April, 2014. Sales for the year ending 31st March, 2015 was ₹ 40 lakhs. Sales per month for first six months was one-half of the monthly sales for last six months of the year. Calculate time ratio and sales ratio to ascertain prior to and after incorporation profit/loss of the Guddu Ltd.

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4. Answer *any two* questions [out of (a), (b) and (c)]: 16×2=32
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|-----|---|---|
| (a) | (i) Distinguish between internal audit and internal check.  | 7 |
|     | (ii) State the main objects of verification of assets and liabilities.                                | 5 |
|     | (iii) Write a note on duties of a Company auditor.  | 4 |
| (b) | (i) As an auditor of a company, how will you audit of re-issue of forfeited shares?                   | 4 |
|     | (ii) State the objectives and functions of the Auditing and Assurance Standard Board (AASB).          | 4 |
|     | (iii) Distinguish between audit report and audit certificate.   | 8 |
| (c) | (i) What are the matters to be specially considered while conducting the audit of a Partnership firm? | 8 |
|     | (ii) Briefly mention the provisions relating to Cost Audit.   | 8 |
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