

Paper 12- Company Accounts & Audit

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Full Marks: 100

Time allowed: 3 hours

Section A

I. Answer all the following questions.

[5 × 2 = 10]

- (a) State the disclosure requirement under revised schedule III of the following items:
- Goodwill
 - 14% Debenture
- (b) Discuss the types of Cash Flows.
- (c) List any two differences between Shares and Debentures.
- (d) List any two profits from where transfer to Capital Redemption Reserve Account is allowed.
- (e) H Ltd. sells machinery, WDV of which was ₹ 400 lakhs for ₹ 500 lakhs to B Ltd. The same machinery was leased back to H Ltd. by B Ltd. for 10 years resulting in finance lease. What should be the treatment of profit in the books of seller lessee (H Ltd.)?

II. Fill in the blanks:

[5×1=5]

- (a) For a finance company interest income is of Cash Flow from _____ .
- (b) Investing and financing transactions that _____ require the use of cash or cash equivalents shall be excluded from a statement of cash flows.
- (c) Income from dividend and interest is a part of _____ .
- (d) _____ are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.
- (e) Segment result is _____ less segment expense.

III. State whether the following statements are True or False:

[5×1=5]

- (a) Final dividend is declared in the general meeting.
- (b) Internal Auditor can be removed by the Board.
- (c) Where a company has a branch office, the accounts of that office be audited by auditor appointed at EGM.
- (d) An auditor is not insurer.
- (e) There is no difference between Statutory and external audit.

IV. Fill in the blanks:

[5×1=5]

- (a) Auditing is done with the principal set in _____ .
- (b) Remuneration of auditors is covered under Section _____ of Companies Act, 2013.
- (c) An audit report is the _____ product of audit.
- (d) _____ audit is conducted at the end of the accounting year.
- (e) _____ audit is conducted between two annual audits.

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Section-B

V. Answer any two questions from the following:

[2×10=20]

- (a) (i) As on 1st April, 2014, the fair value of plan assets was ₹ 2,00,000 in respect of a pension plan of Sagar Limited. The plan paid out benefits of ₹ 25,000 and received inward contributions of ₹ 55,000. On 31st March, 2015, the fair value of plan assets was ₹ 3,00,000 and actuarial losses on the Defined Benefit Obligations for the year 2014-15 were ₹ 30,000. On 1st April, 2014, the company made the following estimates, based on its market studies, understanding and prevailing prices:

Interest and Dividend income, after tax payable by the fund 11.25% p.a. Realised and unrealised gains on plan assets (after tax) 3% p.a. Fund administrative costs 4% p.a. Calculate Net Actual gains/losses for the year 2014-15. [5]

- (ii) 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:

1. Date of Commercial Operation of COD = 1st April 2010
2. Approved Opening Capital Cost as on 1st April 2010 = ₹ 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

[5]

- (b) Following details are given for Lily Ltd. for the year ended 31st March, 2014: (₹ in lakh)

Particulars	Amount (₹)	Amount (₹)
Sales:		
Sports accessories	11,300	
Packaging Materials	1,250	
Health and Fitness Equipments	690	
Others	324	13,564
Expenses:		
Sports accessories	6,670	
Packaging Materials	850	
Health and Fitness Equipments	444	
Others	400	8,364
Other Items:		
General Corporate Expenses		1,124
Income from investments		264
Interest Expenses		130
Identifiable Assets:		
Sports accessories	14,640	
Packaging Materials	2,640	
Health and Fitness Equipments	2,100	
Others	1,330	20,710
General Corporate Assets:		1,444
Other Information:		
(a) Inter-segment sales are as below:		
Sports accessories		110
Packaging Materials		144
Health and Fitness Equipments		42
Others		14

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

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

(c) (i) OM Ltd purchase the assets of ₹ 10,80,000 from SHANTI Ltd. The consideration was payable in fully paid equity shares of ₹ 100 each.

Required: Show the necessary journal entries in books of OM Ltd. assuming that —

- a) Such shares are issued at par
- b) Such shares are issued at premium of 20%. **[7]**

(ii) List any two advantages of buy-back of shares. **[3]**

VI. Answer any one question from the following: **[15×1=15]**

(a) (i) Dox Ltd. issued 20,000 shares which were underwritten as :

Ram : 12,000 shares, Raghu : 5,000 shares and Ravi: 3,000 shares.

The underwriters made applications for firm underwriting as follows:

Ram: 1,600 shares; Raghu: 600 shares; Ravi: 2,000 shares. The total subscriptions excluding firm underwriting (including marked applications) were 10,000 shares.

The marked applications were: Ram: 2,000 shares; Raghu: 4,000 shares; Ravi: 1,000 shares.

Show the net liability of underwriters (number of shares). **[6]**

(ii) On 31 March, 2017 Money Bank Ltd. had a balance of ₹18 crores in "rebate on bill discounted" account. During the year ended 31st March, 2018, Money Bank Ltd. discounted bills of exchange of ₹8,000 crores charging interest at 18% p.a., the average period of discount being for 73 days. Of these, bills of exchange of ₹ 1,200 crores were due for realization from the acceptor/customers after 31st March, 2018, the average period outstanding after 31st March, 2018 being 36.5 days.

Money Bank Ltd. asks you to pass journal entries and show the ledger accounts pertaining to:

- (i) Discounting of Bills of Exchange; and
- (ii) Rebate on bill Discounted. **[9]**

(b) The following information has been extracted from the books of account of Hi-Ho Ltd. as at 31st March, 2018:

	Dr. (₹ '000)	Cr. (₹ '000)
Administration Expenses	480	
Cash at Bank and on Hand	228	
Cash Received on Sale of Fittings		10
Long Term Loan		70
Investments	200	
Depreciation on Fixtures, Fittings, Tools and Equipment (1st April, 2017)		260
Distribution Costs	102	
Factory Closure Costs	60	
Fixtures, Fittings, Tools and Equipment at Cost	680	
Profit & Loss Account (at 1st April, 2017)		80
Purchase of Equipment	120	
Purchases of Goods for Resale	1710	
Sales (net of Excise Duty)		3,000

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Share Capital (1,00,000 shares of ₹ 10 each fully paid)		1,000
Stock (at 1st April, 2017)	140	
Trade Creditors		80
Trade Debtors	780	
	4,500	4,500

Additional Information:

- (1) The stock at 31st March, 2018 (valued at the lower of cost or net realizable value) was estimated to be worth ₹ 2,00,000.
- (2) Fixtures, fittings, tools and equipment all related to administration. Depreciation is charged at a rate of 20% per annum on cost. A full year's depreciation is charged in the year of acquisition, but no depreciation is charged in the year of disposal.
- (3) During the year to 31st March, 2018, the Company purchased equipment of ₹ 1,20,000. It also sold some fittings (which had originally cost ₹ 60,000) for ₹ 10,000 and for which depreciation of ₹ 30,000 had been set aside.
- (4) The average Income tax for the Company is 50%. Factory closure cost is to be presumed as an allowable expenditure for Income tax purpose.
- (5) The company proposes to pay a dividend of 20% per Equity Share.

Prepare Hi-Ho Ltd.'s Profit and Loss Account for the year to 31st March, 2018.

[15]

Section - C

VII. Answer any four Questions from the following:

[4×10=40]

- (a) (i) Write short notes on Branch and Joint Audit.
(ii) What are the factors to be considered while carrying on audit of Share and Debentures? [5×2=10]
- (b) (i) What are the eligibility criteria for appointment as a cost auditor?
(ii) Write short notes on audit of Local Bodies. [5×2=10]
- (c) (i) Write short note on the concept of Materiality in Audit.
(ii) "Accounting is a necessity but Auditing is a Luxury"-Comment. [5×2=10]
- (d) (i) State the differences between Statutory Audit & Government Audit.
(ii) What are the advantages accrue out of audit in a sole proprietorship and partnership firm? [5×2=10]
- (e) (i) What consideration should an auditor bear in mind when he is drafting a certificate for a special purpose?
(ii) Distinguish between Qualified Report & Adverse Report. [5×2=10]