

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) What are the disclosure requirements under AS-11?
- (b) What is segment expense?
- (c) X Ltd. decides to redeem 650 nos. Redeemable Preference shares of ₹ 100 each. It is decided to issue 100 nos. 12% preference shares of ₹ 100 each at and 2000 nos. equity shares of ₹ 10 each for that purpose. Pass Journal entry for transfer to Capital Redemption Reserve Account.
- (d) State whether remuneration paid to Key Management Personnel or Non-Executive Directors or Board of Directors, a related party transaction or not?
- (e) In the context of relevant Accounting Standards, give your comment on the following matter for the financial year ending 31st March, 2015:
“Increase in pension liability on account of wage revision in 2014-15 is being provided for in 5 installments commencing from that year. The remaining liability of ₹ 300 lakhs as redetermined in actuarial valuation will be provided for in the next 2 years”.

II. State whether the following statements are True (or) False:

[5×1=5]

- (a) Issue of debentures as a collateral security means issue of debentures as a main security, that is, a security in addition to the prime security.
- (b) Debenture carries a fixed rate of dividend.
- (c) 'Unmarked' applications are those applications which bear the stamp of an underwriter.
- (d) The sum which is still to be paid to the Company for a share is known as calls in arrears.
- (e) One of the conditions for issue of sweat equity shares is — not less than one year has, at the date of such issue, elapsed since the date on which the company had commenced business.

III. State whether the following statements are True or False (any five):

[5×1=5]

- (a) In case of Government Company auditor is appointed by the CAG within 182 Days from the commencement of Financial Year.
- (b) The auditor report shall be signed only by the person appointed as an auditor of the company.
- (c) All notices of the general meeting shall be forwarded to the auditor of the company.
- (d) Cost Records are to be maintained as per Form CRA-1.
- (e) Secretarial Audit report is given as per the Form MR-3.
- (f) Secretarial Audit Report is attached with the Board report.

IV. Fill in the blanks (any five):

[5×1=5]

- (a) Cost Audit is mandatory only when specific order is issued by the _____.
- (b) Cost Audit report is submitted to the Central Government within _____ days.
- (c) Punishment for contravention of section 139 is _____.
- (d) Secretarial Audit is covered under Section _____ of the companies Act 2013.
- (e) Cost Audit is covered under Section _____ of the companies Act 2013
- (f) Cost Records are to be maintained in form _____.

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Section-B

V. Answer any two questions from the following:

[2×10=20]

(a) (i) Goods purchased on 24.02.2015 of US \$ 1,000 for which payment made on 05.06.2015. Exchange Rate on 24.02.2015 ₹61.60 per US \$, on 31.03.2015 ₹62.00 per US \$ and on 05.06.2015 ₹62.50 per US \$. State the Accounting Treatment at the date of transaction, reporting date and settlement date as per AS-11. **[5]**

(ii) Manoj Ltd. has taken the assets on lease from PQR Ltd. The following information is given as under:

Lease Term	= 4 years
Fair Value at the inception of lease	= ₹ 16,00,000
Lease Rent	= ₹ 5,00,000 p.a. at the end of the year
Guaranteed Residual Value	= ₹ 1,00,000
Expected Residual Value	= ₹ 2,00,000
Implicit Interest Rate	= 15%

Work out Unearned Finance Income. (Discount factors Yr. 1 – 0.8696, 2 – 0.7561, 3 – 0.6575 and Yr. 4 – 0.5718). **[5]**

(b) Shyama Limited has given the following information for the preparation of cash flow statement for the year 2013-14

Particulars	₹ in 000
Net profit before tax	50,000
Dividend (including dividend tax) paid	17,070
Provision for income tax	10,000
Income tax paid during the year	8,496
Loss on sale of assets (net)	80
Book value of the assets sold	370
Depreciation charged during the year	40,000
Amortisation of capital grant	12
Profit on sale of investments	200
Cost of investment sold	55,530
Interest received on investments	5,012
Interest expenses	20,000
Interest paid during the year	21,040
Increase in Current Assets (excluding Cash & Bank balance)	77,500
Decrease in Current Liabilities	34,650
Purchase of Fixed Assets	29,120
Purchase of investment	7,700
Expenditure on construction work in progress	69,480
Receipt of grant for capital projects	28
Proceeds from issue of share capital	51,960
Proceeds from issue of Debentures	41,150
Opening Cash and Bank balance	10,006
Closing Cash and Bank balance	13,976

You are required to prepare the Cash Flow Statement for the year 2013-14 in accordance with AS-3. **[10]**

(c)(i) Given below is the information regarding five different segments of M/s. Varun Ltd.

(₹ in lakhs)

Segments	P	Q	R	S	T	Total

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Segmental Revenue	100	300	200	100	300	1,000
Segment Result	40	(60)	90	10	(30)	50
Segment Assets	45	55	140	20	40	300

As a Cost Accountant of the concerned company, the company management wants to know from you which company needs to be reported. [6]

(ii) Write a note on Prohibition on Issue of Shares at Discount. [4]

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

(a) (i) On January 1, 2004 Vardhaman Ltd. allotted 20,000, 9% Debentures of ₹100 each at par, the total amount having been received along with applications.

- (1) On 1st Feb., 2005 the Company purchased in the open market 2,000 of its own debentures @ ₹102 each and cancelled them immediately.
- (2) On 1st January, 2008 the Company redeemed at par debentures for ₹3,00,000 by draw of a lot.
- (3) On 1st June, 2010 the Company purchased debentures of the face value of ₹2,00,000 for ₹1,97,800 in the open market, held them as investments for one year and then cancelled them.
- (4) Finally, as per resolution of the Board of Directors, the remaining debentures were redeemed at a premium of 3% on 1st Feb., 2014 when Securities Premium Account in the company's ledger showed a balance of ₹50,000.

Pass journal entries for the above mentioned transactions ignoring debentures redemption reserve, debenture-interest and interest on own debentures. [12]

(ii) Write a note on Marine Insurance. [3]

(b) (i) From the following figures appearing in the books of Fire Insurance division of a General Insurance Company, show the amount of claim as it would appear in the Revenue Account for the year ended 31st March, 2014 :

Particulars	Direct Business	Re-Insurance
	₹	₹
Claim paid during the year	46,70,000	7,00,000
Claim Payable — 1st April, 2013	7,63,000	87,000
31st March, 2014	8,12,000	53,000
Claims received	—	2,30,000
Claims Receivable — 1st April, 2013	—	66,000
31st March, 2014	—	1,13,000
Expenses of Management	2,30,000	—
(includes ₹35,000 Surveyor's fee and ₹ 45,000 Legal expenses for settlement of claims)		

[9]

(ii) Following items appear in the Trial Balance of M Ltd. as at 31st March, 2015:

Particulars	Amount (₹)
60,000 Equity Shares of ₹ 10 each	6,00,000
Capital Redemption Reserve	45,000
Plant Revaluation Reserve	15,000
Securities Premium Account	52,500
General Reserve	1,50,000
Profit & Loss Account	75,000

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Capital Reserve (including ₹ 37,500 being Profit on Sale of Machinery)	1,12,500
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The company decided to issue bonus shares to its shareholders at the rate of one share for every four shares held.

Required: Pass the necessary journal entries. It is desired that there should be minimum reduction in free reserves. **[6]**

Section - C

VII. Answer any four Questions from the following: [4×10=40]

- (a) (i) Which Rules govern maintenance of cost accounting records and cost audit as per Section 148 of the Companies Act, 2013?
(ii) What is the procedure to be followed for fixing the remuneration of a cost auditor? **[5×2=10]**
- (b) (i) What do you mean by Qualified Audit Report and Piecemeal Opinion?
(ii) Write short notes on Qualification of Company Auditor under section 141 of the Companies Act 2013. **[5×2=10]**
- (c) (i) Distinguish between Statutory and Internal Audit.
(ii) While carrying an audit of a Bank what are the special factors considered by you? **[5×2=10]**
- (d) (i) What are the various principles governing an Audit?
(ii) Write short note on the concept of Materiality in Audit. **[5×2=10]**
- (e) (i) Precautions to be taken care of while carrying on audit of divisible profits and dividends.
(ii) Mention the special steps involved in conducting the audit of college? **[5×2=10]**