

## **Paper 12- Company Accounts & Audit**

**Paper 12- Company Accounts & Audit**

Full Marks: 100

Time allowed: 3 hours

**Section-A**

**I. Answer all the following questions. [5 × 2 = 10]**

- (a) M Ltd. had a cash balance of ₹1,50,000 as on 30.09.2015. On 15.10.2015, M Ltd. Used the cash balance to purchase a short-term bank deposit with a maturity of three months. How should this be shown in the statement of cash flow to be prepared for the quarter ended 31.12.2015?
- (b) Write a note on Re-insurance.
- (c) When a non-cancellable lease becomes cancellable as per IND AS-17?
- (d) B Ltd purchase the assets of ₹ 21,60,000 from C Ltd. The consideration was payable in fully paid equity shares of ₹ 100 each.
- (e) Following information relates to Utkal Ltd. State under which heads these items will appear in the Balance Sheet as per Schedule III ?
- 2,00,000 8% Preference Share of ₹100 each.
  - Investment of ₹45,00,000 in 40,000 12% Debenture of ₹100 each of Amrit Ltd.

**II. Fill in the blanks: [5×1=5]**

- (a) Issue of Bonus Share decreases the \_\_\_\_\_.
- (b) \_\_\_\_\_ share is permissible from the existing security holders on a proportionate basis through the tender offer.
- (c) At the time of cancellation of own debentures \_\_\_\_\_ A/c is Credited.
- (d) There are \_\_\_\_\_ types of Underwriting Agreements.
- (e) A company is a distinct legal person existing \_\_\_\_\_ of its members.

**III. State whether the following statements are True or False (any five): [5×1=5]**

- (a) If the debentures are issued as collateral security to the banks or creditors then auditor needs to ensure that such issue is approved by debenture trustee.
- (b) "Debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.
- (c) In big corporate more than one persons or firm of Chartered Accountants are appointed as a Joint Auditor for conducting the audit of the company
- (d) Auditor has right to disclose the client information to a third party.
- (e) The concept of true or fair is a fundamental concept in auditing.
- (f) The auditor examines in depth the implementation of the quality system.

**IV. Fill in the blanks (any five): [5×1=5]**

- (a) Where debentures are issued by a company, then company shall create a \_\_\_\_\_ account out of the profits of the company.
- (b) Splitting of shares shall be authorised by \_\_\_\_\_.
- (c) A company may issue debentures with an option to convert such debentures into \_\_\_\_\_.
- (d) Statutory Auditor is appointed by the shareholder in the \_\_\_\_\_ meeting.

## Postal Test Paper\_P12\_Intermediate\_Syllabus 2016\_Set 4

---

- (e) Final dividend is declared in the \_\_\_\_\_.
- (f) For protecting the interest of debenture holders the company is bound to form \_\_\_\_\_.

### Section-B

**V. Answer any two questions from the following:**

**[2×10=20]**

- (a)(i)** From the following Summary Cash Account of X Ltd. prepare Cash Flow Statement for the year ended 31st March, 2015 in accordance with AS 3 (Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.03.2015

Particulars	₹ '000	Particulars	₹ '000
Balance on 1.4.2015	125	Payment to Suppliers	5,000
Issue of Equity Shares	750	Purchase of Fixed Assets	500
Receipts from Customers	7,000	Overhead expense	500
Sale of Fixed Assets	250	Wages and Salaries	250
		Taxation	625
		Dividend	125
		Repayment of Bank Loan	750
		Balance on 31.3.2015	375
	8,125		8,125

**[7]**

- (ii)** The XYZ Company Ltd. took over assets of ₹ 460 Lakh and liabilities of ₹ 60 Lakh of PQR Company Ltd. for the purchase consideration of ₹ 440 Lakh. The XYZ Company Ltd. paid the purchase consideration issuing debentures of ₹ 100 each at 10% premium. Give journal entries in the books of the XYZ Company Ltd.

**[3]**

- (b)** From the following information find out the amount of provisions required to be made in the Profit & Loss Account of a commercial bank for the year ended 31st March, 2013:

- (i) Packing credit outstanding from Food Processors ₹ 90 lacs against which the bank holds securities worth ₹ 22.50 lacs. 50% of the above advance is covered by ECGC. The above advance has remained doubtful for more than 3 years.

- (ii) Other advances :

Assets classification	₹ in lacs
Standard	4500
Sub-standard	3300
Doubtful :	
For one year	1350
For two years	900
For three years	600
For more than 3 years	450
Loss assets	900

**[10]**

## Postal Test Paper\_P12\_Intermediate\_Syllabus 2016\_Set 4

(c) The trial balance of Fastest Electric Supply Ltd. for the year ended 31<sup>st</sup> March, 2014 is as below:

	(₹'000)	
Particulars	Dr.	Cr.
Share Capital:		
Equity Shares of ₹10 each		500,00
12% Preference Shares of ₹100 each		150,00
Patents and trade mark	25,04	
15% Debentures		247,00
16% term loan		153,00
Land (additions during the year 20,50)	12,450	
Building (additions during the year 50,80)	351,34	
Plant & Machinery	570,58	
Mains	45,24	
Meters	31,50	
Electrical Instruments	15,30	
Office Rurniture	24,50	
Capital Reserve		40,20
Contingency Reserves		120,30
General Reserve		10,00
Transformers	164,40	
Opening Balance of Profit & Loss Account		3,50
Profit for the year 2013-14 subject to adjustments		50,00
Stock in hand	120,50	
Sundry Debtors	62,46	
Contingency reserve Investments:		
SBI Bonds – 2020	100,10	
Other Investments	20,00	
Cash & bank	32,54	
Public Lamps	30,40	
Depreciation Fund		258,16
Sundry Creditors		65,24
Proposed dividend		121,00
	1718,40	1718,40

During 2013-14 1,00,000, 12% Preference Shares were redeemed at a premium of 10%. Calculate the amount of Share Capital, Reserves and Surplus and Tangible Assets to be recognised in the balance sheet as on 31<sup>st</sup> March,2013.

Adjustments:

- (i) Transfer to Contingency Reserve ₹1,70,000 & to General Reserve ₹2,00,000;
- (ii) Loss on Contingency Reserve Investment ₹10,000;
- (iii) Make a Provision for debts considered doubtful of ₹1,014,000.

**[10]**

**VI. Answer any one question from the following:**

**[15×1=15]**

(a) (i) A Ltd. with a Capital of ₹ 10 Lakhs divided into Equity Shares of ₹ 10 each places its entire issue on the market and the whole issue has been underwritten as follows

Name of Underwriter	S	P	G	M	N	SA
Number of Shares	30,000	35,000	10,000	15,000	2,000	8,000

All marked forms are to go in relief of the liabilities of the underwriter whose name they bear. The share underwritten "Firm" are also to be set off against the liabilities of the underwriters. The application received in Marked Forms is as follows:

## Postal Test Paper\_P12\_Intermediate\_Syllabus 2016\_Set 4

Name of Underwriter	S	P	G	M	N	SA
Number of Shares	25,000	23,500	5,500	1,000	1,000	2,000

Applications for 20,000 Equity Shares are received on Unmarked Forms. In addition, there is a Firm Underwriting by the Underwriters as under

Name of Underwriter	S	P	G	M	N	SA
Number of Shares	500	1,500	7,000	3,000	1,000	4,000

Calculate the liability of the individual underwriters.

**[9]**

(ii) H Ltd. sold machinery having WDV of ₹ 400 Lakhs to B Ltd. for ₹ 500 Lakhs and the same machinery was leased back by B Ltd. to H Ltd. The Lease back is operating lease. Comment if –

- a) Sale price of ₹ 500 lakhs is equal to fair value
- b) Fair value is ₹ 450 lakhs and sale price is ₹ 380 lakhs
- c) Fair value is ₹ 460 lakhs and sale price is ₹ 500 lakhs.

**[6]**

(b) Give journal entries for the following:

- (i) PK Ltd. forfeited 10,000 equity shares of ₹ 10 each for nonpayment of first call of ₹ 2 and final call of ₹ 3 per share. These shares were reissued at a discount of ₹ 3.50 per share.
- (ii) KP Ltd. forfeited 20,000 equity shares of ₹15 each (including ₹ 5 per share as premium), for non-payment of final call of ₹ 3 per share. Out of these 10,000 shares were reissued at a discount of ₹ 4 per share.
- (iii) KP Ltd. forfeited 15,000 equity shares of ₹15 each (including ₹ 5 per share as premium), for non-payment of allotment money ₹ 8 (including premium money) and first & final call of ₹ 5 per share. Out of these 10,000 shares were reissued at ₹ 14 per share.

**[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]**