Paper 12- Company Accounts & Audit

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Full Marks: 100 **Time allowed: 3 hours**

Section – A

1. Answer the following questions **5 x 2 = 10**

(a) Explain when the research development cost of a project can be defused to future period as per AS-26.

(b) A company with an issued and subscribed capital of ₹10,00,000 in 1,00,000 shares of face value ₹10 each of which ₹ 8 per share is paid up has accumulated a reserve of ₹3,00,000. Out of this reserve ₹2,00,000 is intended to be utilized in declaring a bonus at the rate of 25% on the paid up capital so that the shares may become dully paid.
Show the necessary journal entries.

(c) KP Ltd. forfeited 20,000 equity shares of ₹ 15 each (including ₹ 5 per share as premium), for nonpayment of final call of ₹ 3 per share. Out of these 10,000 shares were reissued at a discount of ₹ 4 per share.

(d) Write a short note on sweet equity shares.

(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.

2. Matching the following **5 x 1 = 5**

1.	Result of Transaction	A.	AS – 9
2.	Charged against profit	B.	Current Liability
3.	Bank over draft	C.	Event
4.	Revenue recognition	D.	AS – 29
5.	Provision & contingents	E.	Depreciation

3. Answer the following question: **5 x 2 = 10**

(a) What is test checking?
(b) Define vouching.
(c) Write a short notes on cut-off procedure.
(d) What is continuous audit?
(e) What is secret reserve?

Section – B

Answer any Three Questions

4. (a) Beekay Ltd. purchased fixed assets costing ₹5,000 lakh on 01.04.2012 payable in foreign currency (US$) on 05.04.2013. Exchange rate of 1US$=₹ 50.000 and ₹ 54.98 as on 01.04.2012 and 31.03.2013 respectively.
The company also obtained a soft loan of US$ 1 lakh on 01.04.2012 payable in three annual equal installments. First installment was due on 01.05.2013.

You are required to state, how these transactions would be accounted for in the books of accounts ending 31st March, 2013. **7**

(b) Rama Limited issued 8% debentures of ₹ 3,00,000 in earlier year on which interest is payable half yearly on 31st March and 30th September. The company has power to purchase its own debentures in the open market for cancellation thereof. The following purchases were made during the financial year 2012-12-13 and cancellation made on 31st March, 2013:

(i) On 1st April, ₹ 50,000 nominal value debentures purchased for ₹ 49,450, ex-interest.

(ii)On 1st September, ₹ 30,000 nominal value debentures purchased for ₹ 30,250 cum interest.

Show the journal entries for the transactions held in the year 2012-13. **8**

5. (a) In April, 2010, A limited 18,00,000 Equity shares of ₹ 10 each, ₹ 5 per share was called up on that date which was paid by all the shareholders. The remaining ₹5 was called up on 1-9-2010. All the shareholders (except one having 3,60,000 shares) paid the sum in September 2010. The net profit for the year ended 31-3-2011 is ₹ 33 lakhs after dividend on preference shares and dividend distribution tax of ₹ 6.60 lakhs.

Compute the basic EPS for the year ended 31st March, 2011 as per AS 20. **9**

(b) On 1st April, 2012, a company offered 100 shares to each of its 500 employees at ₹ 50 per share. The employees are given a year to accept the offer. The shares issued under the plan shall be subject to lock-in on transfer for three years from the grant date. The market price of shares of the company on the grant date is ₹ 60 per share. Due to post-vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at ₹ 56 per share.

On 31st March, 2013, 400 employees accepted the offer and paid ₹ 50 per share purchased Nominal value of each share is ₹ 10.

Record the issue of share in the books of the company under the aforesaid plan. **6**

6. (a) 'X' Ltd. issued 1,00,000 equity shares of ₹ 10 each at par. The entire issue was underwritten as follows:

A – 60,000 shares (Firm underwriting 8,000 shares)

B – 30,000 shares (Firm underwriting 10,000 shares)

C – 10,000 shares (Firm underwriting 2,000 shares)

The total applications including firm underwriting were for 80,000 shares.

The marked applications were as follows:

A – 20,000 shares; B- 14,000 shares, C- 6,000 shares.

The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten. Determine the liability of each underwriter. **6**

(b) M/s. ABC Limited has gone into liquidation on 25th June, 2012. Certain creditors could not receive payments out of realization of assets and contributions from A list contributories. The following are the details of certain transfer which took place in the year ended 31st March, 2012

Share holders	No. of shares transferred	Date of ceasing to be a member	Creditors remaining unpaid and outstanding on the date of transfer (₹)
P	4,000	10-5-2011	9,000
Q	3,000	22-7-2011	12,000
R	2,400	15-9-2011	13,500
S	1,600	14-12-2011	14,000
T	1,000	09-03-2012	14,200

All the shares are of ₹ 10 each, ₹ 18 8 per share paid up. Show the amount to be realized from the persons listed above. Ignore remuneration to liquidator and other expenses. **9**

7.(a) Given below are the summarized balance sheets of Vasudha Ltd. and Vaishali Ltd as at 31st March, 2013.

Liabilities	Vasudha Ltd.	Vaishali Ltd.	Assets	Vasudha Ltd.	Vaishali
Issued Share capital			Factory Building	2,10,000	1,60,000
Equity shares of ₹ 10 each	5,40,000	40,03,000	Trade receivables	2,86,900	1,72,900
General Reserves	86,000	54,990	Inventory	91,500	82,500
Profit & Loss A/c	66,000	43,500	Goodwill	50,000	35,000
Trade payables	44,400	58,200	Cash at Bank	98,000	1,09,590
	7,36,400	5,59,990		7,36,400	5,59,990

Goodwill of the companies Vasudha Ltd. and Vaishali Ltd. is to be valued at ₹ 75,000 and ₹ 50,000 respectively. Factory Building of Vasudha Ltd is worth ₹ 1,95,000 and of Vaishali Ltd ₹ 1,75,000. Inventory of Vaishal8i has been shown at 10% above of its cost.
It is decided that Vasudha Ltd will absorb Vaishali Ltd. by taking over its entire business by issue of shares at the intrinsic value.
You are required to draft the balance sheet of the Vasudha Ltd after putting through the scheme assuming that the assets & liabilities of Vaishali Ltd. were incorporated in Vasudha ltd at fair value and assets and liabilities of Vasudha Ltd. have been carried at carrying values only. **8**

(b) The summarized Balance sheet of X Limited as on 31st March 2013, was as follows:

Liabilities	**(₹)**	**Assets**	**(₹)**
Authorised and subscribed capital	10,00,000	Fixed Assets:	
10,000 equity shares of Rs. 100 each		Machineries	3,50,000
Fully paid		Current Assets:	
Unsecured loans:		Inventory	2,53,000
15% Debentures	3,00,000	Trade receivables	2,30,000
Accrued interest	45,000	Bank	20,000
Current Liabilities:		Profit & loss A/c	5,80,000
Trade payables	52,000		
Provision for income tax	36,000		
	14,33,000		**14,33,000**

It was decided to reconstruct the company for which necessary resolution was passed and sanctions were obtained from the appropriate authorities. Accordingly, it was decided that:

(i) Reach share be sub-divided into 10 fully paid up equity share of ₹ 10 each.
(ii) After sub-division, each shareholder shall surrender to the company 50% of his holding for the purpose of reissue to debenture holders and trade payables as necessary.
(iii) Out of shares surrendered 10,000 shares of ₹ 10 each shall be converted into 10% preference shares of ₹ 10 each fully paid up.
(iv) The claims of the debentures holders shall be reduced by 50%. In consideration of the reduction, the debentures holder shall receive preference shares of ₹ 1,00,000 which are converted out of shares surrendered.
(v) Trade payables claim shall be reduced by 25%. Remaining trade payables are to be settled by the issue of equity shares of Rs. 10 each of out of shares surrendered.
(vi) The shares surrendered and not re-issued shall be cancelled

Pass Journal entries giving effect to the above and the resultant Balance Sheet.
7

Section – C

Answer any two Questions

8. (a) What are the techniques for evaluation of internal control system. **8**
(b) Write about audit of educational institution. **7**

9. (a) How auditor was appointed what are his power & duties? **9**
(b) As an auditor how will you verify loose tools appearing in the financial statement of the company? **6**

10. (a) What is the importance of audit report? **8**
(b) What are the objectives of verification of assets & liabilities? **7**