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) X Ltd., decides to redeem 650, 15% preference shares of ₹ 100 each at 10% premium. It has General Reserve of ₹ 45,500 and securities premium of ₹ 1,000. The new equity shares of ₹ 10 each are to be issued at 25% premium for the purpose of redemption of preference shares. calculate the minimum number of equity shares to be issued by X Ltd.

(b) Delhi Company, incorporated on 1st April, 2013, took over running business form 1st January, 2013. The company prepares its first final accounts on 31st December 2013. From the following information, you are required to calculate the sale ratio of pre-incorporation and post-incorporation periods.

(i) Sales of January, 2013 to December, 2013 ₹ 4,80,000.

(ii) The sales for the month of January twice of the average sales; for the month of February equal to average sales, sales for fourth months May to August – ¼ of the average of each month; and sales for October and November three times the average sales.

(c) Write a short note as define contribution plan.

(d) What is the meaning of cash & cash equalent?

(e) Green India Ltd. has five segments namely T,P,R,S & U. The total assets of the company are ₹ 22 cores, segment T has ₹ 4 cores., segment P has ₹ 6 crores., segment R has ₹ 3 crores, S has ₹ 5.5 crores and U ₹ 3.5 crores, defereed tax assets included in the assets each segments are T- ₹ 1.50 crores; P- ₹ 1.29 crores; R- ₹ 1.10 crores; S- ₹ 2.25 crores & U- ₹1.35 crores. The accountant contended that all the five segments are reportable segments. Comments?

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

1.	Long term liability	A.	Preliminary expenses
2.	Fictitious asset	B.	Historical cost
3.	Unearned income	C.	Debenture
4.	Asset required	D.	Liability
5.	Accumulated depreciation	E.	Asset

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

(a) Write a short note on tax audit.
(b) Differences between auditing & Accounting.
(c) Define audit sampling.
(d) Write a short note on statutory report.
(e) Briefly explain audit programs.

Section – B

Answer any three of the following **15 x 3 = 45**

4.(a) KG Limited furnishes the following summarized Balance sheet ass at 31st March, 2013

Liabilities	(₹ In lakhs)	Assets	(₹ In lakhs)
Equity share capital	1,200	Machinery	1,800
(fully paid up shares of ₹ 10 each)		Furniture	226
Securities premium	175	Investment	74
General reserve	265	Inventory	600
Capital redemption reserve	200	Trade receivables	260
Profit & los A/c	170	Cash at bank	740
12% debnetures	750		
Trade payables	745		
Other current liabilities	195		
	3,700		3,700

On 1st April, 2013, 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 ₹ 75 lakhs.
On 5th April, 2013 the company achieved the target of buy back. On 30th April, 2013 the company issued one fully paid up equity share of ₹ 10 by way of bonus for every four equity shares held by the equity share holders.
You are required to:
(i) Pass necessary journal entries for the above transactions.
(ii) Prepare balance sheet of KG Limited after bonus issue of the shares. **10**

(b) Viva Ltd. received a specific grant of ₹ 30 lakhs for acquiring the plant of ₹ 150 lakhs during 2007-08 having useful life of 10 years. The grant received was credited to deferred income in the balance sheet. During 210-11, due to non-compliance of conditions laid down for the grant, the company had to refund the whole grant to the Government. Balance in the deferred income on that date was ₹ 21 lakhs and written down value of plant was ₹ 105 lakhs.

(i) What should be the treatment of the refund of the grant and the effect on cost of the fixed asset and the amount of depreciation to be charged during the year 2010-11 in profit and loss account?

(ii) What should be the treatment of the refund, if grant was deducted from the cost of the plant during 2007-08 assuming plant account showed the balance of ₹ 84 lakhs as on 1.4.2010? **5**

5.(a) On 1st April, 2012 in MK Ltd.'s ledger 9% debentures appeared with a opening balance of ₹ 50,00,000 divided into 50,000 fully paid debentures of ₹ 100 each issued at par.
Interest on debentures was paid half-yearly on 30th September and 31st March every year.
On 31.5.2012, the company purchased 8,00 debentures of its own @ ₹98 (ex-interest) per debenture.
On 31.12.2012 it cancelled 5,000 debentures out of 8,000 debentures acquired on 31.5.2012.
On 31.1.2013 it resold 2,000 of its own debentures in the market @ ₹101 (ex-interest) per debenture
You are required to prepare:
(i) Own debentures account;
(ii) Interest on debentures account; and
(iii) Interest on own debentures account. **8**

(b) Write about finance lease and operating lease. **7**

6. (a) The summarized Balance Sheet of Full Stop Limited as on 31st March 2013, being the date of voluntary winding up is as under:

Liabilities	₹	Assets	₹
Share capital:		Land & building	5,20,000
5,000, 10% Cumulative		Plant & machinery	7,80,000
Preference shares of ₹ 100		Inventory in trade	3,25,000
Each fully paid up	5,00,000	Book debts	10,25,000
Equity share capital:		Profit & loss account	5,50,000
5,000 equity shares of ₹ 100			
Each ₹ 60 per share called And paid up	3,00,000		
5,000 equity shares of ₹100 Each ₹50 per share called up and paid up	2,50,000		
Securities premium	7,50,000		
10% debentures	2,10,000		
Preferential creditors	1,05,000		
Bank overdraft	4,85,000		
Trade creditors	6,00,000		
	32,00,000		32,00,000

Preference dividend is in arrears for three years. By 31-03-2013, the assets realized were as follows:

	₹
Land & building	6,20,000
Inventory in trade	3,10,000
Plant & machinery	7,10,000
Book debts	6,60,000

Expenses of liquidation are ₹ 86,000. The remuneration of the liquidator is 2% of the realization of assets. Income tax payable on liquidation is ₹ 67,000. Assuming that the final payments were made on 31-03-2013, prepare the liquidator's statement of account. **9**

(b) Gemini Ltd. came up with public issue of 30,00,000 equity shares of ₹10 each at ₹15 per share. A,B and C took underwriting of the issue in 3:2:1 ratio.
Applications were received for 27,00,000 shares.

The marked applications were received as under:

A	8,00,000 shares
B	7,00,000 shares
C	60,00,00 shares

Commission payable to underwriters is at 5% on the face value of shares.
(i) Compute the liability of each underwriter as regards the numbers of shares to be taken up.
(ii) Pass journal entries in the books of Gemini Ltd. to record the transactions relating to underwriters. **6**

7. (a) The balance sheet of bad luck Co. Ltd. As at 31.03.2015 is:

Liabilities	₹	Assets	₹
1,00,000 equity shares of ₹ 10 each	10,00,000	Goodwill	2,00,000
Fully paid-up		Other Assets	9,00,000

10% 4,000 debentures of ₹ 100 each	4,00,000	Profit & loss A/c	5,00,000
Interest on debentures	40,000		
Sundry creditors	16,00,000		16,00,000

For the purpose of reconstruction of the company, necessary resolutions are passed on the following lines:

(i) The equity shares are to be sub-divided into shares of ₹ 1 each and each shareholder shall surrender 60% of his holding.

(ii) Out of the surrendered shares, 60,000 shares will be converted to 8% preference shares of ₹ 10 each.

(iii) Debentures holders will reduce their total claims by ₹ 1,40,000 and in considerations, the debenture holders are to get the entire preference share capital converted from shares surrendered.

(iv) Creditors claims are to be reduced to the extent of ₹ 1,00,000 and in consideration they are to receive equity shares of Rs. 1 each amounting to ₹ 40,000 from the shares surrendered.

(v) Goodwill and profit and loss A/c (Dr.) are to be written – off completely.

(vi) The remaining surrendered shares shall be cancelled.

You are required to give the journal entries. **6**

(b) The following were the summarized balance sheets of P Ltd. and V Ltd. as at 31st March 2012:

Liabilities	**P Ltd. (₹ in lakhs)**	**V Ltd. (₹ in lakhs)**
Equity share capital (Fully paid shares of ₹10 each)	15,000	6,00
Securities premium	3,000	6,000
Foreign project reserve	-	-
General Reserve	9,500	3,200
Profit and loss account	2,870	825
12% Debentures	-	1,000
Trade payables	1,200	463
Provisions	1,830	702
	33,400	12,500

Assets	**P Ltd. (₹ in lakhs)**	**V Ltd. (₹ in lakhs)**
Land and Buildings	6,000	-
Plant and Machienry	14,000	5,000
Furniture, fixtures and fittings	2,304	1,700
Inventory	7,862	4,041
Trade receivables	2,120	1,100
Cash at bank	1,114	609
Cost of issue of debentures	-	50
	33,400	12,500

All the bills receivable held by V Ltd. were P Ltd's acceptances.

On 1st April 2012, took over V Ltd. in an amalgamation in the nature of merger. It was agreed that in discharge of consideration for the business P ltd. would allot three fully paid equity shares of Rs. 10 each at par for every two shares held in V Ltd. it was also agreed that 12% debentures in V Ltd. would be converted into 13% debentures in P Ltd. of the same amount and denomination.

Details of trade receivables and trade payables as under:

	P Ltd (₹ in lakhs)	V Ltd. (₹ in lakhs)
Trade payables	120	-
Bills payable	1,080	463
Creditors	1,200	463
Trade receivables		
Trade receivables	2,210	1,020
Bills receivable	-	80
	2,210	1,100

Expenses of amalgamation amounting to ₹ 1 lakhs were borne by P Ltd.
You are required to:
(i) Pass journal entries in the books of P Ltd. and
(ii) Prepare P Ltd.'s balance sheet immediately after the merger. **9**

Section – C

Answer any two Questions

8. (a) What are the differences between internal control, internal check and internal audit? **9**
(b) Write about audit risk. **6**

9. (a) What is the procedure of audit of commercial account? **8**
(b) What is the role of cost auditor in the company? **7**

10. (a) What is India's response to auditors needs? **7**
(b) How audit is conducted for inter corporate laws and investments? **8**