

Paper 12- Company Accounts & Audit

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Full Marks: 100

Time allowed: 3 hours

Section – A

I. Answer all the following questions.

1. Answer the following questions:

[5x2=10]

- (i) Income from Operating Activities is ₹70 lakhs;
Fixed Asset sold for ₹100 lakhs;
Machinery Sold for ₹130 lakhs;
Income from Financing Activities is ₹20 lakhs, compute the net effect on Cash Flow.
- (ii) The Following data apply to a company's defined benefit pension plan for the year:

Particulars	Amount (₹)
Fair market value of plan assets (beginning of year)	4,00,000
Fair market value of plan assets	5,70,000
Employer Contribution	1,40,000
Benefit Paid	1,00,000

Calculate the actual return on plan assets.

- (iii) The share capital of M Ltd. consists of 1,00,000 equity shares of ₹10 each, and 25,000 preference shares of ₹100 each, fully called up. Besides, its securities premium account shows a balance of ₹40,000 and general reserve of ₹7,00,000. The company decides to buy-back 30,000 equity shares of ₹12 each. For this purpose, it utilises the securities premium in full and general reserve to the extent necessary.

Pass the necessary journal entries only showing the effects on the securities premium account and the general reserve account.

- (iv) Aarti Limited took over assets of ₹35,46,000 and liabilities of ₹4,85,000 of Jatin Enterprises at an agreed value of ₹33,65,000. Give the necessary journal entry to record the purchase of business in the books of Aarti Limited.
- (v) PROMET LTD. follows a policy of refunding money to the dissatisfied customers if they claim within 15 days from the date of purchase and return the goods. It appears from the past experience that in a month only 0.2% of the customers claims refunds. The company sold goods amounting to ₹ 30 Lakh during the March, 2016. State how the matter will have to deal with in the accounts for the year 2015-16.

2. Matching the following:

[5x1=5]

	Column 'A'		Column 'B'
1.	Provision for Restructuring cost	A.	AS - 15
2.	Diluted Potential equity share	B.	Investing Activities of Cash Flow

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3.	Amalgamation in the nature of merger	C.	AS-20
4.	Interest and Dividend Received	D.	AS-29
5.	Treatment of Voluntary Retirement Scheme Payments	E.	Pooling of Interest Method

3. Answer the following questions:

[5x2=10]

- (i) List the uses of Interim Audit.
- (ii) What do you understand by test checking in Audit Work?
- (iii) What are the advantages of Social Audit?
- (iv) What do you understand by Audit Evidence?
- (v) Vouch foreign travelling expenditure of a Director and list any two issues.

Section - B

II. Answer any three questions out of the following:

[3x15=45]

4. (a) OM Ltd. had ₹20,00,000, 8% Debentures of ₹100 each as on 31st March, 2016. The company purchased Debentures in the Open Market following immediate cancellation:

On 01.07.2016: 2,000 Debentures at ₹97 (cum-interest).

On 29.02.2016: 3,600 Debentures at ₹99 (ex-interest).

Debenture Interest due dates are 30th September and 31st March.

Give Journal Entries in the books of the Company for the year ended 31st March, 2017.

[10]

- (b) As at the end of a financial year, on 31st March, Vidisha Ltd. has 5,000 Shares of Face Value ₹10 each. The Stock Options outstanding at that date are for 1,000 Shares. Net Loss for the year is ₹90,000. Fair Value of the Shares on the date of grant and the Exercise Price are ₹8.10 and ₹ 6 per Share respectively. Compute the Basic and Diluted EPS.

[5]

5. (a) The BBK Co. Ltd. resolved by a special resolution to buy – back 1,50,000 of its equity shares of the face value of ₹10 each on which ₹8 has been paid up. The general reserve balance of the company stood at ₹40,00,000 and no fresh issue of shares was made.

Journalize the transactions.

[6]

- (b) From the following information, prepare a Cash Flow Statement:

Balance Sheet As at ...

Particulars	Note	31.03.2015 ₹	31.03.2014 ₹
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital		12,50,000	10,00,000

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(b) Reserves and Surplus	1	4,90,000	4,00,000
(2) Non-Current Liabilities (Long Term Loan)		4,00,000	5,00,000
(3) Current Liabilities			
Trade Payables		4,00,000	5,00,000
Short-term Provisions (Provision for tax)		60,000	50,000
Total		26,00,000	24,50,000
II. ASSETS			
(1) Non-Current Assets			
Tangible Fixed Assets	2	13,00,000	11,50,000
Non-Current Investments		50,000	1,00,000
(2) Current Assets			
Inventories		2,80,000	3,00,000
Trade Receivables		4,20,000	4,00,000
Cash & Cash Equivalents		5,50,000	5,00,000
Total		26,00,000	24,50,000

Note 1: Reserves and Surplus

Particulars	31.03.2015 ₹	31.03.2014 ₹
Profit and Loss A/c	4,80,000	4,00,000
Capital Reserve	10,000	—
	4,90,000	4,00,000

Note 2: tangible Fixed Assets

Particulars	31.03.2015 ₹	31.03.2014 ₹
Land & Building	3,80,000	4,00,000
Machinery	9,20,000	7,50,000
	13,00,000	11,50,000

Additional Information:

- (1) Depreciation written off on land and building ₹ 20,000.
- (2) The company sold some investment at a profit of ₹ 10,000, which was credited to Capital Reserve.
- (3) Income-tax provided during the year ₹ 55,000.
- (4) During the year the company purchased a machinery for ₹ 2,25,000. They paid ₹ 1,25,000 in cash and issued 10,000 equity shares of ₹ 10 each at par.

You are required to prepare a Cash Flow Statement for the year ended 31st March, 2015 by using indirect method. [9]

6. (a) M Ltd. has the following business/geographical segments.

Examine which of these are reportable Segments under AS - 17.

(Information in ₹000's)

Segments	Revenue	Profit/ (Loss)	Assets
A	9,600	1,750	4,100
B	300	180	450
C	100	70	450

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[7]

(b) The following particulars of SQL Ltd. which went into voluntary liquidation, You are required to prepare the Liquidator's Final Statement of Account.

- (5) Cash with liquidators (after all assets are realized and secured Creditors and Debenture holders are paid) is ₹ 3,75,000.
- (6) Preferential creditors to be paid ₹ 17,500.
- (7) Other unsecured creditors ₹ 1,15,000 to be paid.
- (8) 2,500,10% preference shares of ₹ 100 each fully paid up to be paid.
- (9) 1,500 equity shares of ₹ 100 each, ₹ 75 per shares paid up to be paid as calculated.
- (10) 3,500 equity shares of ₹ 100 each, ₹ 60 per shares paid up to be paid as calculated.
- (11) Liquidator's remuneration is 2% on payments to preferential and other unsecured creditors.

[8]

7. M & N have been carrying on same business independently. Due to competition in the market, they decided to amalgamate and form a new company called MN Ltd. following is the Balance Sheet of M & N as at 31st March:

(in ₹)

Liabilities	M	N	Assets	M	N
Capital	7,75,000	8,85,000	Plant & Machinery	4,85,000	6,14,000
Current liabilities	6,23,500	5,57,600	Building	7,50,000	6,40,000
			Current Assets	1,63,500	1,58,600
	13,98,500	14,12,600		13,98,500	14,12,600

Following are the additional information:

- (i) Liabilities of M include ₹ 50,000 due to N for purchases made. N made a profit of 20% on sale to M.
- (ii) M has goods purchased from N, cost to N being ₹ 10,000. This is included in the Current Assets of M as on 31st March.
- (iii) The assets of M and N are revalued as under:

Particulars	M	N
Plant & Machinery	5,25,000	6,75,000
Building	7,75,000	6,48,000

(iv) The Purchase Consideration is to be discharged as under:

- Issue 24,000 Equity Shares of ₹ 25 each fully paid, up in proportion of the profitability in the preceding 2 years, which are given below:

Particulars	M	N
1 st Year	2,62,800	2,75,125
2 nd Year	2,12,200	2,49,875
Total	4,75,000	5,25,000

- Issue 12% Preference Shares of ₹ 10 each at par, to provide Income equivalent to 8% Return on Capital Employed in the business as on 31st March, after revaluation of assets of M & N respectively.

You are required to:

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- A. Compute the amount of Equity and Preference Shares issued to M & N.
B. Prepare the Balance Sheet of MN Ltd immediately after amalgamation. **[15]**

Section – C

III. Answer any two questions out of the following: [2×15=30]

8. (a) What is Audit Programme? State its advantages. **[8]**
(b) Distinguish between clean audit report and qualified audit report. **[7]**
9. (a) Discuss the position of an auditor in case he chooses to rely upon the certificates from the management in respect of closing stock, cash in hand etc. List the circumstances under which he will be justified in accepting and relying upon the certificates. **[9]**
(b) The responsibilities of joint auditors are joint and several — Discuss. **[6]**
10. (a) What are the essential features of a good Internal Audit Report? **[10]**
(b) Write a note on — Audit of Abridged Financial Statement. **[5]**