

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: [5 × 2 = 10]

- (a) During the year 2013-14 P Ltd., received a grant from the government of India amounting to ₹ 30 lakhs towards purchase of a piece of land for ₹ 60 lakhs. Show the Accounting treatment as per AS-12
- (b) What are the issues with which Accounting Standards deal?
- (c) Mr. A purchased 1000, 6% debentures of ₹ 100 each on 31st January 2012 at ₹ 95 each. Interest payable on 30th June and 31st December. The price quoted is cum interest. Journalise the transaction.
- (d) What we understand by the term obligation.
- (e) Define Integral Foreign Operation.

2. Match the following: [5 × 1 = 5]

	Column 'A'		Column 'B'
1.	AS 2	A	Construction Contract
2.	AS 6	B	Accounting for fixed assets
3.	AS 7	C	Valuation of Inventory
4.	AS 9	D	Depreciation Accounting
5.	AS 10	E	Revenue Recognition

3. Answer the following [5 × 2 = 10]

- (a) What is vouching?
- (b) State any three components of Audit Risk.
- (c) Explain the duty of auditor in respect of issue of debentures as co-lateral security?
- (d) What do you understand by Audit evidence?
- (e) What is secret reserve?

Section B

II. Answer any three of the following [3 × 15 = 45]

- 4. (a) A Ltd., purchased fixed assets costing 6000 lakhs on 1-4-12. This was financed by foreign currency loan of US dollars. Payable in three annual equal installments. Exchange rate were 1 dollar = ₹ 40 and ₹ 45 as on 1-4-12 and 31-3-2013 respectively 1st installment was paid on 31-3-13. A Ltd. provides depreciation on fixed assets @ 20% on WDV basis. State how these transaction would be accounted for. [7]
- (b) R Ltd., had 12,00,000 equity shares as 1st April 2013. The company earned a profit of ₹ 30,00,000 during the year 2013-14. The average fair value per share during 2013-14 was ₹ 25. The company has given share option to its employee's of 2,00,000 equity share at option price of ₹ 15. Calculate basic EPS and diluted EPS. [8]
- 5. (a) P Ltd., provides you the following information as on 31/3/2013.

	In crores (₹)
Equity share of ₹ 10 each fully paid	330
10% redeemable pre-shares of ₹ 100 each fully paid	70
Security premium	90
General reserve	240
Profit & Loss Account	20
Infrastructure development reserve	100
Capital redemption reserve	50
Plant revaluation reserve	30
Secured loan	1000
Current liabilities	200

The company has offered buy back price of ₹ 30 per equity share calculate the maximum permissible number of equity shares that can be bought back. [8]

- (b) C Ltd., issued 10000 shares of ₹ 100 each at a premium of ₹ 15 each. 90% of the issue was underwritten by Mr. A at a commission of 1% on the nominal face value. Applications were received for 8000 shares and allotment was fully made. All money due from allottees was received in one installment. The Accounts with A were settled. Show the journal entries to record the transactions. [7]

6. (a) Lessee Ltd., took a machine on lease from lessor Ltd. The fair value being ₹ 7,00,000. The economic life of the machine as well as the lease time is 3 years. At the end of each year lessee Ltd., pays ₹ 3,00,000. The lessee has guaranteed a residual value of ₹ 22000 on expiry of the lease to the lessor. However lessor Ltd., estimate that the residual value of the machinery will be only 15000. The implicit rate of return is 15% p.a and the present value factor at 15% are 0.869, 0.756 and 0.657 at the end of 1st, 2nd and 3rd year respectively.

Calculate the value of machinery to be considered by lessee Ltd., and the finance charges in each year. [9]

- (b) Following is the data regarding six segments of Z Ltd.,

Particulars	₹ In lakhs)					
	A	B	C	D	E	F
Segment revenue	150	310	40	30	10	30
Segment result	25	(95)	5	5	(5)	15
Segment asset	20	40	15	10	10	5

The finance director is of the view that it is sufficient that segment A and B alone be reported. Advise [6]

7. (a) X Ltd., went into voluntary liquidation when its position was as under.
- 6,000, 10% preference shares of ₹ 100 each ₹ 50 paid up.
 - Class A 500 equity shares of ₹ 100 each fully paid up.
 - Class B 2,000 equity shares of ₹ 75 each ₹ 50 paid up
 - Class C 1,000 equity shares of ₹ 50 each ₹ 25 paid up.
 - Unsecured creditors ₹ 99,000

- (vi) Liquidators remuneration ` 1,000
- (vii) The assets were realized for ` 3,95,000.

Prepare liquidators final statement of account. [5]

(b) The Balance sheet of X limited as on 31/3/2013 were as follows:

Liabilities	Amount (₹)	Assets	Amounts (₹)
Full paid equity share of `100 each	10,00,000	Fixed Assets	3,50,000
15% debentures	3,00,000	Stock	2,53,000
Accrued interest	45,000	Debtors	2,30,000
Creditors	52,000	Bank	20,000
Provision for tax	36,000	P & L Account	5,80,000
	14,33,000		14,33,000

It was decided to reconstruct the company for which necessary resolution was passed and sanctions were obtained. Each share be sub-divided into 10 fully paid equity shares of ` 10 each. After sub-division each share holder shall surrender to the company 50% of his holding. Out of the share surrender 10,000 share of ` 10 each shall be converted into 10% preference shares of ` 10 equal fully paid.

The claims of debentures holders shall be reduced by 50% in consideration of the reduction the debenture holder shall receive preference shares of `1,00,000 which are converted out of shares surrendered.

Creditors claims shall be reduced by 25% remaining amount to be settled by the issue of equity shares of ` 10 each out of shares surrendered. Balance of P&L A/c to be written off. The shares surrender and not re issued shall be cancelled pass the necessary entries and B/s after reconstruction [10]

Section C

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

- 8. (a) What is the procedure for vouching of cash sales? [7]
 (b) What are the objectives of internal control? [8]
- 9. (a) What is the procedure for appointment of an auditor of a company as per the Companies Act, 2013? [9]
 (b) Explain the services that are not to be rendered by the auditor u/s. 144 of the Companies Act, 2013. [6]
- 10. (a) Write about audit of divisible profit. [9]
 (b) What is the procedure of audit from incomplete record? [6]

