

## **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) Benefits paid ` 1,00,000  
 Contributions ` 1,30,000  
 Fair market value of plan assets  
     At the end of the year ` 6,00,000  
     At the beginning of the year ` 4,00,000  
 Calculate the actual return on pension plan assets.
- (b) What are the conditions which must be satisfied for an amalgamation in the nature of merger as per AS - 14.
- (c) R Ltd., was incorporated on August 1<sup>st</sup> 2012. It had acquired a running business of Shiva & Co., with effect from 1<sup>st</sup> April 2012. During 2012-13 the total sales were ` 36,00,000. The sales per month in the first half year were half of what they were in the later half year. Calculate the sales ratio.
- (d) Calculate the effective capital from the following

	(` In crores)
Paid up capital	18,000
Reserves & Surplus	7,200
Security premium	1,200
Long term loans	6,000
Investments	3,600
Preliminary exp. Written off	3,000

(e) State the types of lease to which AS - 19 are not applicable.

2. Match the following: [5 × 1 = 5]

	Column 'A'		Column 'B'
1.	Preliminary expenses	A	Premium on issue of shares
2.	Tax paid	B	Deferred Revenue expenditure
3.	Capital Profit	C	Dividend unpaid
4.	Contingent Liability	D	Revenue expenditure
5.	Current Liability	E	Notes to account

3. Answer the following [5 × 2 = 10]

- (a) What do you understand by Audit Programme?  
 (b) What is test checking?  
 (c) Define Operational Audit  
 (d) Write any two differences between Audit and Investigation.  
 (e) What is Statutory Report?

**Section B**

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

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4. (a) S Ltd., has received a grant of 8 crores from the government for setting up a factory at a backward area. Out of this grant the company distributed ` 2 crores as dividend. S Ltd., also received land free of cost from the state government but it has not recorded it at all in the books as no money has been spent. In the light of AS-12 examine whether the treatment of both the grant is correct. [6]
- (b) R Ltd., furnished the following particulars on 1-1-2011 from which you are asked to ascertain the basic EPS. R Ltd issued 2,00,000 equity shares of ` 10 each fully paid is ` 20,00,000. Issue of right shares among existing shareholders one for one of ` 25 each on 1-7-2012. On 31-12-2011 the basic reported EPS was ` 2.50 and the market price of the share prior to right issue was ` 40. Net profit after tax for 2011 is ` 2,50,000 and 2012 is ` 3,00,000. [9]
5. (a) H Ltd., had ` 10,00,000, 8% debentures of ` 100 each as on 31-3-2013. The company purchased in the open market following debentures for immediate cancellation.  
On 1-7-2013 = 1,000 debentures @ ` 97 (cum interest)  
On 29-2-2014 = 1,800 debentures @ ` 99 (Ex. Interest)  
Debentures interest due date is 30<sup>th</sup> September and 31<sup>st</sup> March.  
Give journal entries in the books of the company for the year ended 31<sup>st</sup> March 2014. [8]
- (b) B Ltd., borrowed US \$ 2,00,000 on 31-12-2013 which will be repaid as on 30-6-2014. The company prepares its financial statements ending on 31-3-2014. Rate of exchange between reporting currency (Rupees) and foreign currency (US \$) on different dates are as follows:

31-12-2013	1 US \$ = ` 64.00
31-3-2014	1 US \$ = ` 64.50
30-6-2014	1 US \$ = ` 65.75

State the aspects to be noted while preparing the financial statement due to the applicable AS. How should the difference in exchange rates be treated. [7]

6. (a) Write about business segment and geographical segment as per AS 17 . [5]
- (b) The following in the B/s of M Ltd., as on 31-3-2013.

Liabilities	`	Assets	`
2,000 Equity shares of ` 100 each ` 75 paid up	1,50,000	Land & Buildings	4,00,000
6,000 Equity shares of ` 100 each ` 60 paid up	3,60,000	Plants & Machinery	3,80,000
2,000, 10% pre-share of ` 100 each fully paid up	2,00,000	Stock	1,10,000
10% debentures	2,00,000	Sundry debtors	2,20,000
Int. accrued on debentures	10,000	Cash bank	60,000
Sundry creditors	4,90,000	P & L A/c	2,40,000
	<b>14,10,000</b>		<b>14,10,000</b>

On that date the company went into voluntary liquidation. The dividends on pre-share were in arrears for the last two years. Sundry creditors includes a loan of ` 90,000 on mortgage of Land and Buildings. The assets realized were as under:

Land and Buildings ` 3,40,000; Plant & Machinery ` 3,60,000; Stock ` 1,20,000; Sundry Debtors ` 1,60,000. Interest accrued on loan on mortgage of buildings up to the date of payment amounted to ` 10,000. The expenses of liquidation amounted to ` 4,600. The liquidator is entitled to a remunerations of 3% on all the assets realized except cash at bank and 2% on the amount distributed among Equity Share holders.

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Preferential creditors included in sundry creditors amounted to ₹ 30,000. All payments were made on 30-6-2013. Prepare Liquidators final statement. [10]

7. (a) The Balance Sheet of A Ltd & B Ltd as at 31-03-2013 are as follows:

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Equity shares of ₹ 10 each.	5,40,000	4,03,300	Buildings	2,10,000	1,60,000
General Reserve	1,01,000	65,000	Debtors	2,86,900	1,72,900
P and L A/c	66,000	43,500	Stock	91,500	82,500
Sundry Creditors	44,400	58,200	Goodwill	50,000	35,000
			Cash at Bank	98,000	1,09,590
			Preliminary Exp.	15,000	10,010
	7,51,400	5,70,000		7,51,400	5,70,000

Goodwill of A Ltd. and B Ltd. are to be valued at ₹ 75,000 and ₹ 50,000 respectively. Buildings of A Ltd and B Ltd are revalued at ₹ 1,95,000 and ₹ 1,75,000. Stock of B Ltd has been shown at 10% above its cost. It was decided that A Ltd absorb B Ltd by taking over its entire business by issue of shares at intrinsic value. Calculate purchase consideration. [6]

- (b) Following is the Balance Sheet of ABC Company as on 31-12-2013:

Liabilities	₹	Assets	₹
25,000 Preference Shares of ₹ 10 each	2,50,000	Patents	1,70,900
25,000 Equity Shares of ₹ 10 each	2,50,000	Debtors	56,000
Current liabilities	76,000	Stock	1,34,000
		Cash in hand	100
		P & L A/c	2,15,000
	5,76,000		5,76,000

Following scheme of reconstruction was implemented. That both the Preference shares and Equity shares be reduced to an equal number of fully paid shares of ₹ 5 each. That the amount so available be utilized to write off P & L A/c, to depreciate the value of stock by 10%, to provide for bad debts on debtors at 10% and to reduce the value of patents by the balance amount.

Write the journal entries for the above transactions and Balance Sheet after reconstruction. [9]

### Section C

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

8. (a) How to conduct verification for Plant & Machinery and Investments. [8]  
 (b) Write a note on teeming & lading. [7]
9. (a) Distinguish between qualified report and adverse report. [7]  
 (b) Why internal check is necessary for a company. [8]
10. (a) What are the powers & duties of company auditor? [7]  
 (b) What are the differences between Statutory Audit and Internal Audit? [8]