

Paper 12- Company Accounts & Audit

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Full Marks: 100

Time allowed: 3 hours

Section – A (Company Accounts)

Answer Question No. 1 and any three from Question Nos. 2,3,4 and 5.

(i)(a) Choose the correct answer from the given four alternatives:

[6x1=6]

- (i) The part of the called up capital which is offered and is actually paid by the members is known as _____.
- (A) Authorised Capital
 - (B) Paid-up Capital
 - (C) Calls-in arrear
 - (D) None of the above
- (ii) Which of the following is not a part of financial statement
- (A) Contingent Liabilities
 - (B) Balance Sheet
 - (C) Profit and Loss Account
 - (D) Both (A) and (C)
- (iii) Allotment of Securities by Company is covered under section ____ of Companies Act,2013
- (A) Sec 71
 - (B) Sec 70
 - (C) Sec 39
 - (D) Sec 33
- (iv) Investment made in 14% Debenture of Mitra Ltd. should be disclosed as part of _____.
- (A) Non-Current Investments
 - (B) Trade Receivables
 - (C) Long term borrowings
 - (D) None of the above
- (v) Cash receipts from sale of land by a H Ltd. is a/an
- (A) Operating Activity
 - (B) Investing Activity
 - (C) Financing Activity
 - (D) None of the above
- (vi) Which of the following is not a part of Inventories:
- (A) Raw materials;
 - (B) Work In Progress;
 - (C) Finished Goods;
 - (D) None of the above.

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(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Section 39	A.	Issue of Debentures
2.	Section 52	B.	Issue of Application Forms for Securities
3.	Section 33	C.	Allotment of Securities by Company
4.	Section 71	D.	Application of Premium Account

(c) State whether the following statements are True (or) False.

[4×1=4]

- (i) A bonus share is a free share issued without any consideration to an existing shareholder in the ratio of number of shares already held.
- (ii) A company can directly or indirectly purchase its own shares or other specified securities through any of subsidiary company;
- (iii) If a shareholder fails to pay calls, the company, if empowered by its articles, may forfeit the shares.
- (iv) Preference Shares carries a fixed rate of interest.

Answer any three questions out of the following four questions

[3×12=36]

2. (a) Vyash Ltd. issued at par 4,00,000 Equity shares of ₹10 each payable ₹2.50 on application; ₹ 3 on allotment; ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Ms. Gupta who held 40,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 4,000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Ms. Gupta. Interest should be received @ 10% p.a. on calls-in-arrears and interest should be paid @ 12% p.a. on calls in Advance (as per Articles of the company).

You are required to prepare journal entries to record these transactions.

[8]

- (b) Tip-Top Ltd. borrowed US \$ 6,00,000 on 31.12.2015 which will be repaid (settled) as on 30.6.2016. The company prepares its financial statements ending on 31.3.2016.

Rate of exchange between reporting currency (Rupee) and foreign currency (US \$) on different dates are as under:

31.12.2015	1 US \$ = ₹ 64.00
31.03.2016	1 US \$ = ₹ 64.50
30.06.2016	1 US \$ = ₹ 64.75

State the aspects to be noted while preparing the financial statements due to the applicable AS. How should the difference in exchange rates be treated?

[4]

3. (a) Calculate depreciation upto 2013-14 as per 2009 regulations from the following information of Ujjwal Power Generation Project

Date of commercial operation/Work Completed Date	11-Jan-1996
Beginning of Current year	1-Apr-2011
Useful life	35 years

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		(Figures in ₹ Crores)
1.	Capital Cost at beginning of the year 2011-12	222.00
2.	Additional Capitalisation during the year: 2012-13	10.56
	2013-14	29.44
3.	Value of Freehold Land	12.00
4.	Depreciation recovered up to 2009-10	48.60
5.	Depreciation recovered in 2010-11	5.40

Note: Capital Cost and Accumulated Depreciation at the beginning of the year are as per tariff order FY 2011-12. [6]

- (b) From the following figures of Well Life assurance Co. Ltd. prepare a Valuation Balance Sheet and Profit Distribution Statement for the year ended 31st March 2016. Also pass necessary journal entries to record the above transactions with narrations:

Particulars	₹ (in lakhs)
Balance of Life Assurance Fund as on 1.4.2015	334.30
Interim bonus paid in the valuation period	50.00
Balance of Revenue Account for the year ended 31.3.2016	480.00
Net Liability as per valuer's Certificates as on 31.3.2016	330.00

The company declares a revesionary bonus of ₹185 per ₹1,000 and gave the policyholders an option to take bonus in cash ₹105 per ₹1,000. Total business conducted by the company was ₹1,200 lakhs. The company issued profit policy only, 3/5 th of the policyholders in value opted for cash bonus. [6]

4. From the following particulars furnished by First Class Ltd., prepare the Balance Sheet as on 31st March 2016 as required by Part I, Schedule III of the Companies Act, 2013

Particulars		Debit ₹	Credit ₹
Equity Share Capital (Face value of ₹ 100 each) Call in Arrears		5,000	50,00,000
Land & Building		27,50,000	
Plant & Machinery		26,25,000	
Furniture		2,50,000	
General Reserve			10,50,000
Loan from State Financial Corporation			7,50,000
Inventory:			
Raw Materials	3,00,843		
Finished Goods	10,00,000	13,00,843	
Provision for Taxation			6,40,000
Trade receivables		10,00,000	
Short term Advances		2,13,500	
Profit & Loss Account			4,84,343
Cash in Hand		1,50,000	
Cash at Bank		12,35,000	
Unsecured Loan			6,05,000
Trade payables (for Goods and Expenses)			8,00,000
Loans & advances from related parties			2,00,000

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The following additional information is also provided:

- (i) 10,000 Equity shares were issued for consideration other than cash.
- (ii) Trade receivables of ₹ 2,60,000 are due for more than 6 months.
- (iii) The cost of the Assets were: Building ₹ 30,00,000, Plant & Machinery ₹ 35,00,000 and Furniture ₹ 3,12,500
- (iv) The balance of ₹7,50,000 in the Loan Account with State Finance Corporation is inclusive of ₹37,500 for Interest Accrued but not Due. The loan is secured by hypothecation of Plant & Machinery.
- (v) Balance at Bank includes ₹10,000 with Omega Bank Ltd., which is not a Scheduled Bank.
- (vi) Transfer ₹ 20,000 to general reserve is proposed by Board of directors.
- (vii) Board of directors has declared and paid dividend of 5% on the paid up capital.[12]

5. Write short note (any three):

[3×4=12]

- (a) Differences between Shares and Debentures;
- (b) Reportable Segments;
- (c) Cash and Cash Equivalent;
- (d) Surrender Value of a Life Insurance Policy.

Section – B (Auditing)

Answer Question No. 6 and any three from Question Nos. 7,8,9 and 10.

6. (a) Choose the correct answer from the given four alternatives:

[6×1=6]

- (i) An audit committee should have _____ directors.
 - (A) 3
 - (B) 2
 - (C) 1
 - (D) 4
- (ii) Appointment of auditor for government company is done by
 - (A) BOD
 - (B) Audit committee
 - (C) Managing Director
 - (D) CAG
- (iii) An in depth examination to detect a suspected fraud is termed as _____.
 - (A) Cost Audit
 - (B) Bank Audit
 - (C) Investigation
 - (D) None of the above
- (iv) _____ Audit is conducted at the end of the accounting year, after the books of accounts have been closed.
 - (A) Interim
 - (B) Annual
 - (C) Investigation
 - (D) None of the above

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(v) Form CRA - _____ is related to appointment of Cost Auditor.

- (A) 1
- (B) 2
- (C) 3
- (D) 4

(vi) Each of the three parties involved in an audit _____ plays a role that contributes to its success.

- (A) the client, the auditor, and the auditee
- (B) the client, the auditor, and the audite
- (C) the client, the moderator, and the auditee
- (D) the client, the auditor, and the auditee

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Functional Classification of Audit	A.	Disclaimer of Opinion
2.	Unable to form an overall conclusion on Financial Statement	B.	Comptroller and Auditor General of India
3.	Audit Report with reservations	C.	External and Internal Audit
4.	The authority for Govt. Audit	D.	Qualified Audit Report

(c) State whether the following statements are True (or) False.

[4×1=4]

- (i) Internal audit, in its initial stages, was developed as a branch of Operationa auditing.
- (ii) An auditor is not insurer.
- (iii) The first auditor of a company is appointed by the shareholders of the company at the general meeting.
- (iv) Balance sheet audit is generally synonymous with statutory audit.

Answer any three questions out of the following four questions

[3×12=36]

- 7. (a) Compare external and internal audit. [7]
(b) Discuss 'Government Audit'. [5]
- 8. (a) Discuss the Punishment under section 147 of the Companies Act,2013. [8]
(b) Discuss – ' appointment and tenure of First Auditor of a Company'. [4]
- 9. (a) Procedure of fixing Remuneration of a Cost Auditor – discuss. [5]
(b) Discuss the purposes to issue an Audit certificate. [7]

10. Write short note (any three):

[3×4=12]

- (a) Joint Audit and its advantages;
- (b) Features of inventories that have an impact on the related audit procedures;
- (c) Audit of Municipalities and Panchayats (Local Bodies);
- (d) Interest on Debentures and its audit: