

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.

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

[6×1=6]

- (i) Related party Disclosure is covered under
(A) AS 16
(B) AS 17
(C) AS 18
(D) AS 19
- (ii) Which of the following items is not a part of cash flow from operating activities?
(A) Payments to Creditors
(B) Purchase of furniture for office use
(C) Payment of rent of factory premises
(D) None of the above
- (iii) Transfer to capital redemption reserve account is allowed from which of these profits?
(A) Workmen's compensation fund
(B) Dividend equalisation fund
(C) Insurance fund
(D) All of the above
- (iv) A _____ holder cannot have voting rights.
(A) Debenture
(B) Preference Share
(C) Equity Share
(D) Both (B) and (C)
- (v) Which of the following is/are the main feature/s of Electricity Act 2003
(A) Ombudsman scheme for consumers' grievance redressal;
(B) Metering of all electricity supplied is obligatory;
(C) There is stricter provisions relating to theft of electricity made;
(D) All of the above
- (vi) When the same risk and the same subject matter is insured with more than one insurer that insurance is called _____.
(A) Double Insurance
(B) Re-insurance
(C) Insured
(D) None of the above

(b) Match the following items in Column 'A' with items shown in Column 'B':

1×4=4

	Column 'A'		Column 'B'
1.	Geographical Segment	A.	Insurance Company
2.	Bonus	B.	AS 16
3.	Government Grants	C.	AS 17
4.	Interest on Borrowings	D.	AS 12

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

1x4=4

- (i) 'Un-Marked' applications are those applications which bear the stamp of an underwriter.
- (ii) Interest received by a finance company is a part of cash flow from operating activities.
- (iii) Schedule III Part II deals with Balance Sheet of a Company.
- (iv) IPO is made when company seeks to raise capital via public investment but FPO is a subsequent public contribution.

Answer any three questions out of the following four questions

[3×12=36]

2. (a) Prithvi Ltd. issued 20,000 Shares which are underwritten as follows:

Mr. A — 12,000; Mr. B — 5,000 and Mr. C — 3,000 Shares.

- The Underwriters made applications for firm underwriting as under:
Mr. A — 1,600 Shares; Mr. B — 600 Shares; and Mr. C — 2,000 Shares.
- The total subscriptions excluding Firm Underwriting but including marked applications were for 10,000 Shares.
- The marked applications were: Mr. A — 2,000 Shares; Mr. B — 4,000 Shares and Mr. C — 1,000 Shares.

Show the allocation of liability of the underwriter.

[4]

(b) Following details are given for Sumangal Ltd. for the year ended 31st March, 2017:

(₹ in lakhs)

Sales:		
Food Products	22,600	
Plastic and Packing	2,500	
Health and Scientific	1,380	
Others	648	27,128
Expenses:		
Food Products	13,340	
Plastic and Packing	1,700	
Health and Scientific	888	
Others	800	16,728
Other Items:		
General corporate Expenses		2,248
Income from investments		728
Interest expenses		260
Identifiable assets:		
Food Products	29,280	
Plastic and Packing	5,280	
Health and Scientific	4,200	
Others	2,660	41,420
General Corporate Assets		2,888

Other Information:

- Inter-segment sales are as below:

(₹ in lakhs)

Food Products	220
Plastic and Packing	288
Health and Scientific	84
Others	28

- Operating profit includes ₹132 lakhs on inter-segment sales.

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- Information about inter-segment expenses are not available.

You are required to prepare a statement showing financial information about Sumangal Ltd.'s operations in different industry segments. [8]

3. (a) From the following Summary Cash Account of Bhakti Ltd. prepare Cash Flow Statement for the year ended 31st March, 2017 in accordance with AS 3 (Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.03.2017

Particulars	₹ '000	Particulars	₹ '000
Balance on 1.4.2015	125	Payment to Suppliers	5,000
Issue of Equity Shares	750	Purchase of Fixed Assets	525
Receipts from Customers	7,025	Overhead expense	500
Sale of Fixed Assets	275	Wages and Salaries	250
Dividend Received	12.5	Taxation	625
		Interest paid on Debentures	12.5
		Dividend	125
		Repayment of Bank Loan	750
		Balance on 31.3.2015	400
	8,187.5		8,187.5

[7]

- (b) The books of a bank include a loan of ₹5,00,000 advanced on 30.09.2016, interest changeable @ 16% p.a. compounded quarterly. The security for the loan being 7,000 shares of ₹100 each in a public limited company valued @ ₹90 each. There is no repayment till 31.12.2017. On 31.12.2017, the value of shares declined to ₹85 per share. How would you classify the loan as secured or unsecured in the Balance Sheet? [5]

4. From the following information, prepare the relevant Notes to Accounts:

	₹ lakhs
Sundry Creditors	40.00
Bills Payables	20.00
Bank Overdraft	12.00
Unpaid Dividend	5.00
Outstanding Expenses	5.00
Calls-in-Advance	3.00
Provision for Tax	160.00

[6]

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(b) From the following information, prepare the relevant Notes to Accounts:

	₹ lakhs
Trade Investments	
300 lakhs Shares of Y Ltd. of ₹10 each, ₹8 paid up	2400.00
6 Lakhs, 14% Debentures of ₹100 each, ₹80 paid up	480.00
Other Investments	40.00
Discount/Loss on Issue of Debentures	2.00
Amalgamation Adjustments A/c	4.00

[6]

5. Write short note (any three):

[3×4=12]

(a) Main Characteristics of a Bank's Book-Keeping System;

(b) Borrowing Cost as per 16;

(c) Issue of Sweat Equity Shares (Section 54);

(d) Reasons for preparation of Cash Flows.

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) Proving the truth means vouching of _____.

- (A) Payment
- (B) Expenses
- (C) Assets
- (D) Liabilities

(ii) In case there is an Audit Committee the Cost Auditor is appointed by the

- (A) Audit Committee
- (B) BOD
- (C) BOD on recommendation of Audit Committee
- (D) None of the above

(iii) Internal Check is a valuable part of the _____ control.

- (A) Internal
- (B) External
- (C) Both (a) and (b)
- (D) None of the above

(iv) CAATS stands for

- (A) Cornwall Air Ambulance Trust
- (B) Children Air Ambulance Trust
- (C) Center for alternatives to Animal Testing
- (D) Computer Assisted Auditing Techniques

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(v) The most comprehensive type of audit is the _____system audit, which examines suitability and effectiveness of the system as a whole.

- (A) Quantity
- (B) Quality
- (C) Preliminary
- (D) Sequential

(vi) Cost Audit is covered under

- (A) Section 204
- (B) Section 148
- (C) Section 139
- (D) None of the above

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Government Company	A.	Unqualified Opinion.
2.	Detailed of audit work to be performed	B.	Audit Programme
3.	Maximum term of Individual Auditor	C.	A company which is a subsidiary of Government Company
4.	True and Fair Audit Report	D.	1 term of 5 years

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

[4×1=4]

- (i) An audit report should have a proper title.
- (ii) Auditor has right to disclose the client information to a third party.
- (iii) An in depth examination to detect a suspected fraud is termed as Investigation.
- (iv) Before submission of the report to the Board the Audit Committee have the power to review the Financial Statement.

Answer any three questions out of the following four questions

[3×12=36]

7. (a) Discuss – Surprise Checks.

(b) List the essentials of Internal Control.

[7+5=12]

8. (a) Discuss the qualifications and disqualifications of auditors under section 141 of the Companies Act 2013?

[8]

(b) List the functions of Audit Committee.

[4]

9. (a) Discuss the procedure of Appointment of a Cost Auditor?

[4]

(b) Discuss the features of a qualified report.

[8]

10. Write short note (any three):

[3×4 = 12]

(a) Branch Audit;

(b) Information Systems Audit;

(c) Audit of Bills payable for banks;

(d) Differences between Qualified report and Adverse report.