

Paper 12- Company Accounts & Audit

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Full Marks: 100

Time allowed: 3 hours

The figures in the margin on the right side indicate full marks.

This question paper has two sections.

Both the sections are to be answered subject to instructions given against each.

Section – A

Question no. 1 is compulsory

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

[6x1=6]

- (i) Provision is created for
- (a) Unknown Liability
 - (b) Known Liability
 - (c) Creation of secret reserve
 - (d) None
- (ii) If a company has contingent liability it appears in the
- (a) Balance Sheet
 - (b) Director's Report
 - (c) Notes to accounts
 - (d) Chair man's Report
- (iii) Which of the following is not a financial statement
- (a) P & L A/c
 - (b) Balance Sheet
 - (c) Fund Flow Statement
 - (d) Trail Balance
- (iv) Declaration of dividend is covered under section _____ of Companies Act,2013.
- (a) 122
 - (b) 123
 - (c) 124
 - (d) 125
- (v) Sundry Creditors for Goods or Services, and acceptances should be disclosed as part of _____.
- (a) Trade payable
 - (b) Trade receivable
 - (c) Non-current investments
 - (d) None of the above.
- (vi) Cash receipts from disposal of fixed assets is a/an
- (a) Operating Activity
 - (b) Investing Activity

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- (c) Financing Activity
(d) None of the above

(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Section 54	A.	Issue of Debentures
2.	Section 68	B.	Issue and redemption of Preference Shares
3.	Section 55	C.	Sweat Equity Shares
4.	Section 71	D.	Power of company to purchase its own security

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

[4×1=4]

- (i) A company limited by shares shall issue any preference shares which are irredeemable.
(ii) Schedule III deals only with presentation and disclosure requirements.
(iii) Interest income in case of a Finance Company is treated as a part of revenue from Operation.
(iv) Non-performing assets bear a little amount of risk like normal risk and they do not create any trouble regarding their realization.

Answer any three questions out of the following four questions

[3×12=36]

2. (a) On January 1, 2004 Vardhaman Ltd. allotted 20,000, 9% Debentures of ₹ 100 each at par, the total amount having been received along with applications.
- (1) On 1st Feb., 2005 the Company purchased in the open market 2,000 of its own debentures @ ₹ 102 each and cancelled them immediately.
(2) On 1st January, 2008 the Company redeemed at par debentures for ₹ 3,00,000 by draw of a lot.
(3) On 1st June, 2010 the Company purchased debentures of the face value of ₹ 2,00,000 for ₹ 1,97,800 in the open market, held them as investments for one year and then cancelled them.
(4) Finally, as per resolution of the Board of Directors, the remaining debentures were redeemed at a premium of 3% on 1st Feb., 2014 when Securities Premium Account in the company's ledger showed a balance of ₹ 50,000.

Pass journal entries for the above mentioned transactions ignoring debentures redemption reserve, debenture-interest and interest on own debentures. **[10]**

(b) During the year 2013-14, Purvi Limited received a grant from the Government of India amounting to ₹35 lakh towards purchase of a piece of land for ₹140 lakh.

You are required to show the accounting treatment of the above transaction in the books of Purvi Limited, as per AS-12. **[2]**

3. (a) New Life insurance Ltd. provides the following information:

	(Amount in ₹ Lakh)
Balance of Life Assurance Fund as on 1st April, 2015	1,004
Interim bonus paid in the valuation period	160
Balance of Revenue Amount for the year ended 31st March 2016	1,400

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Net liability as per Actuarial Valuation as on 31st March 2016	980
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You are required to prepare:

- (i) Valuation Balance Sheet and
- (ii) Profit Distributions Statement- for the year ended 31st March, 2016. **[3+4=7]**

(b) In Calculate Rebate on Bills discounted as on 31 December, 2011 from the following data and show journal entries:

	Date of Bill	₹	Period	Rate of Discount
(i)	15.10.2015	80,000	5 months	8%
(ii)	10.11.2015	30,000	4 months	7%
(iii)	25.11.2015	40,000	4 months	7%
(iv)	20.12.2015	60,000	3 months	9%

[5]

4. A Ltd. was formed on 01.04.2012 with an authorized capital of 6,00,000 in shares of ₹10 each. Of these 52,000 shares had been issued and subscribed but there were calls-in arrear on 100 shares. From the following Trial Balance as on 31.03.2013 prepare Profit and Loss A/c and Balance Sheet.

Cash at Bank	1,05,500	-
Share Capital	-	5,19,750
Plant	40,000	-
Sale of Silver	-	17,950
Mines	2,20,000	-
Promotion Interest on Deposit upto Dec 31 st	6,000	-
Interest on Deposit upto Dec 31 st	-	3,900
Dividend on Investment	-	3,200
Royalty paid	10,000	-
Trucks & Wagons	17,000	-
Wages	74,220	-
Advertising	5,000	-
Carriage on plant	1,800	-
Furniture & Buildings	20,900	-
Administrative Expenses	28,000	-
Repairs to Factory Plant	900	-
Coal & oil	6,500	-
Cash	530	-
Investment in Shares	80,000	-
Brokerage on above shares	1,000	-
6% F.D. in Bank 01.04.2012	89,000	-
	7,06,350	7,06,350

[7]

Depreciate Plant & railway wagons by 10%, Furniture & Buildings by 5%. Write off one-third of the promotion expenses. Value of Silver as on 31.03.2013 was ₹15,000. The directors forfeited on December 10th 2012 100 shares of which only ₹7.50 had been paid.

5. Write short note (any three): **[3×4=12]**

- (a) Types of Cash Flow;
- (b) Issue of Sweat Equity Shares;
- (c) Central Electricity Regulatory Commission (CERC);
- (d) Comparison between Ind AS 21 and AS 11.

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Section – B

Question no. 6 is compulsory

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

[6x1=6]

- (i) The purpose of internal audit is to protect the
(A) Assets
(B) Audit staff
(C) Accountant
(D) Management
- (ii) Proving the truth means vouching of _____.
(A) Payment
(B) Expenses
(C) Assets
(D) Liabilities
- (iii) Form for maintenance of Cost Records by the Company is _____.
(A) CRA-1
(B) CRA-2
(C) CRA-3
(D) CRA-4
- (iv) The meetings of Audit committee should be _____ in a year.
(A) 4
(B) 5
(C) 3
(D) 2
- (v) An audit report is the _____ product of audit.
(A) Main
(B) Final
(C) Semi final
(D) None of the above
- (vi) Statutory Auditor can be removed by the _____.
(A) Shareholders
(B) Audit committee
(C) BOD
(D) None of the above.

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(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Statutory Audit	A.	Final Audit
2.	Annual Audit	B.	Comptroller & Auditor General of India
3.	Functional classification of Audit	C.	Tax Audit
4.	The authority for Government Audit	D.	External & Internal Audit

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

[4×1=4]

- (i) Should reporting in Audit report comply with the requirements as made by statutes?
- (ii) An audit work reflects the work done by the management.
- (iii) The concept of true or fair is a fundamental concept in auditing.
- (iv) An auditor is not insurer.

Answer any three questions out of the following four questions

[3×12=36]

7. (a) Differentiate between Accounting and auditing.
(b) State the advantages of conducting Audit of Sole proprietors. [9+3 = 12]
8. (a) 'Auditor not to render certain services'. Comment.
(b) Discuss about the manner in which rotation of Auditors may be done by the company on expiry of their term. [6+6 = 12]
9. (a) How should an auditor verify the issue of Bonus shares of a Company?
(b) Write a note on 'Adverse Report'. [8+4 = 12]
10. Write short note (any three): [3×4 = 12]
- (a) Auditor's report on revised accounts of Companies before circulation to shareholders.
 - (b) Auditor's duty on redemption on debenture
 - (c) Audit of Bills payable for banks
 - (d) First Auditor