

**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:**

**[6x1=6]**

- (i) Transfer to capital redemption reserve account is allowed from these profits.  
(A) Workmen's compensation fund  
(B) Workmen's accident fund  
(C) Voluntary debenture redemption account  
(D) All of the above
- (ii) At the time of cancellation of own debentures \_\_\_\_\_ A/c is Credited.  
(A) Profit & Loss  
(B) Own Debentures  
(C) CRR  
(D) None of the above
- (iii) Which of the following is not a part of financial statement  
(A) Notes to Accounts  
(B) Balance Sheet  
(C) Fund Flow Statement  
(D) Trail Balance
- (iv) Audit of Debentures is covered under section  
(A) Sec 71  
(B) Sec 70  
(C) Sec 39  
(D) Sec 133
- (v) 14% Debentures of ₹10 each should be disclosed as part of \_\_\_\_\_  
(A) Cash and Cash Equivalents  
(B) Trade Receivables  
(C) Long term borrowings  
(D) None of the above
- (vi) Cash receipts from sale of land by a trader of land is a/an  
(A) Operating Activity  
(B) Investing Activity  
(C) Financing Activity  
(D) None of the above

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**(b) Match the following:**

**[4×1=4]**

	Column 'A'		Column 'B'
1.	Section 68	A.	Prohibition for Buy-Back
2.	Section 55	B.	Issue of Application Forms for Securities
3.	Section 33	C.	Buy back of shares
4.	Section 70	D.	Issue and Redemption of Preference Shares

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

**[4×1=4]**

- (i) "Free Reserves" mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend.
- (ii) Rollover means the issue of new debentures in exchange of old ones.
- (iii) Under writing commissions are paid only in cash.
- (iv) Debenture carries a fixed rate of dividend.

**Answer any three questions out of the following four questions:**

**[3×12=36]**

2. (a) X Ltd. issued 10,000 Equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable : ₹ 3 on application (including premium of ₹ 1); ₹ 4 on allotment (including the balance of premium) and the balance in a call. Public subscribed for 12,000 shares. Excess application money was refunded. One shareholder Mr. A holding 50 shares paid the call money along with allotment. Another Mr. B failed to pay allotment & call on 30 shares.

These shares were forfeited after the call and 25 of those were reissued at ₹ 9 each.

Pass Journals Entries.

**[7]**

- (b) On 1<sup>st</sup> April 2014, Sundaram Ltd. received a Government Grant of ₹600 Lakhs for acquisition of a Machinery costing ₹3,000 Lakhs. The Grant was credited to the cost of the Asset. The life of the Machinery is 5 years. The Machinery is depreciated at 20% on WDV basis. The Company had to refund the Grant in May 2017 due to non-fulfillment of certain conditions. How you would deal with the refund of Grant?

**[5]**

3. (a) From the following information Calculate Return on Equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004:

1. Date of Commercial Operation of COD = 1st April 2010
2. Approved Opening Capital Cost as on 1st April 2010 = ₹ 15,00,000
3. Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of Interest on Loan is as Follows

	1st year	2nd year	3rd year	4th year
Additional Capital Expenditure (Allowed)	1,00,000	30,000	20,000	10,000

**[5]**

- (b) ABC Ltd. presents you the following information for the year ended 31<sup>st</sup> March, 2017:

Particulars	₹
Net Profit before tax provision	36,000
Dividend paid	10,202
Income Tax paid	5,100
Book value of Assets sold	222

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Loss on sale of Asset	48
Depreciation debited in P& L Account	24,000
Capital grant received - amortised in P&L A/c	10
Book value of investment sold	33,318
Profit on sale of investment	120
Interest income from investment credited in P&L A/c	3,000
Interest expenditure debited in P&L A/c	12,000
Interest actually paid (Financing activity)	13,042
Increase in Working Capital excluding cash and Bank Balance	67,290
Purchase of Fixed Assets	22,092
Expenditure on construction work	41,688
Grant received for Capital project	18
Long-term borrowing from Banks	55,866
Provision for Income tax debited in P&L A/c	6,000
Cash and Bank Balance on 01.04.2016	6,000
Cash and Bank Balance on 01.04.2017	8,000

You are required to prepare a Cash flow statement as per AS 3 (Revised).

**[7]**

4. Upkar Ltd. provides the following Trial Balance as on 31st March 2016:

Particulars	Dr. Balance (₹)	Cr. Balance (₹)
Equity Share Capital 300000 shares of ₹ 10 each fully paid		30,00,000
12% Bank Loan		2,00,000
Furniture	2,25,000	
Machinery	7,50,000	
Building	12,50,000	
Non-current Investment	2,00,000	
Sales		48,00,000
Sales Return	4,00,000	
Interest Received on Investment		47,000
Interest on Bank Loan	20,000	
Purchase	33,20,000	
Purchase Returns		420,000
Opening Stock	2,00,000	
Discount	6,250	
Carriage on Goods Sold	1,39,000	
Rent and Taxes	60,000	
Trade Receivables	12,00,000	
Trade Payables		80,000
Advertisement	1,20,000	
Bad Debt	10,000	
Salaries	4,00,750	
Audit Fees	27,000	
Contribution of P.F.	87,000	
Cash at Bank and in hand	1,32,000	
Total	85,47,000	85,47,000

Additional Information:

- (i) Closing Stock as on 31st March 2016 was ₹ 2,12,500
- (ii) Depreciation Rates: Furniture 10%; Machinery 20% and Building 10%
- (iii) Outstanding salaries as on 31st March 2016 was ₹ 62,250
- (iv) Trade receivables include a sum of ₹ 25,000 due from Mr. B. Reddy and trade payables include ₹ 15,000 due to him.
- (v) Create a provision for doubtful debt @ 5% on trade receivables.
- (vi) Provide for income tax ₹ 80,000.

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Prepare a Statement of Profit and Loss for the year ended on 31st March 2016 and a Balance Sheet as on that date. [12]

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

- (a) Geographical Segment as per AS 17;
- (b) Forfeiture of Shares vis-à-vis reissue of Forfeited Shares;
- (c) Main Characteristics of a Bank's Book-Keeping System;
- (d) Finance Lease.

## 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) Audit Procedures to obtain audit evidences include
  - (A) Compliance Procedure
  - (B) Substantive Procedure
  - (C) Both (A) and (B)
  - (D) Neither (A) nor (B)
- (ii) A Cost Auditor submits his report to
  - (A) Board of Directors
  - (B) Government
  - (C) Shareholders
  - (D) Statutory Auditor
- (iii) The first Auditor of a Company shall be appointed by the Board of Directors within
  - (A) 30 days from the date of registration.
  - (B) 90 days from the date of registration.
  - (C) 30 days from the date of first AGM.
  - (D) 1 year from the date of registration.
- (iv) The purpose of internal audit is to protect the
  - (A) Assets
  - (B) Audit staff
  - (C) Accountant
  - (D) Management
- (v) Proving the truth means vouching of \_\_\_\_\_.
  - (A) Payment
  - (B) Expenses
  - (C) Assets
  - (D) Liabilities
- (vi) Form for maintenance of Cost Records by the Company is \_\_\_\_\_.
  - (A) CRA-1
  - (B) CRA-2
  - (C) CRA-3
  - (D) CRA-4

**(b) Match the following:** [4×1=4]

	Column 'A'		Column 'B'
1.	Statutory Audit	A.	Disclaimer of Opinion

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2.	Unable to form an overall conclusion on Financial Statement	B.	Comptroller and Auditor General of India
3.	Audit Report with reservations	C.	Tax 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) Audit report should comply with the requirements made by statutes.
- (ii) An audit work reflects the work done by the management.
- (iii) The first auditor of a company is appointed by the shareholders of the company at the general meeting.
- (iv) A company auditor can render actuarial services to his client.

**Answer any three questions out of the following four questions**

**[3×12=36]**

7. (a) Define 'Audit Engagement Letter'. What are the general contents of an audit engagement letter? **[2+5=7]**
- (b) 'Internal audit involves five areas of operations'—Discuss. **[5]**
8. (a) Discuss — "Functions and powers of Audit Committee".
- (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.