



**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) Which of the following is/are long term source/s of finance?  
(A) Issue of Shares  
(B) Debentures  
(C) Loans  
(D) All of the above
- (ii) When a shareholder fails to pay calls, the company, if empowered by its articles, may \_\_\_\_\_ the shares.  
(A) Forfeit  
(B) Surrender  
(C) Buy-back  
(D) None of the above
- (iii) \_\_\_\_\_ implies bank balance and other risk-free short term investments, and advances which are readily encashable.  
(A) Cash  
(B) Cash Equivalent  
(C) Cash Flow  
(D) None of the above
- (iv) A/an \_\_\_\_\_ holder has voting right.  
(A) Debenture  
(B) Preference Share  
(C) Equity Share  
(D) Both (A) and (B)
- (v) General Ledger of a Banking Company contains \_\_\_\_\_  
(A) Control Accounts of all personal ledgers  
(B) Profit and Loss Account  
(C) Contra Accounts  
(D) All of the above

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- (vi) \_\_\_\_\_ is the currency of the primary economic environment in which the entity operates.
- (A) Reporting Currency  
(B) Foreign Currency  
(C) Closing Rate  
(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.	Government Grant	A.	Segment assets are 10 per cent or more of the total assets of all segments
2.	AS 15	B.	Qualifying assets
3.	AS 16	C.	Post-employment benefits
4.	Reportable Segment	D.	Assistance by government

(c) State whether the following statements are True or False: [1×4=4]

- (i) A operating lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset.
- (ii) Segment result is Segment Expense less Segment Revenue.
- (iii) Bonus is the share of profit which is payable by the insurance company to the policy holders.
- (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) On 01.01.2018 Bharti Ltd. had 4,000, 10% Debentures of ₹ 100 each. On 01.06.2018 the company purchased 800 Own Debentures at ₹ 97 cum-interest in the open market. Interest on debentures is payable on 30th June and 31st December each year.

Required: Give the necessary journal entries assuming —

Own Debentures purchased were retained as investments till 31.12.2018 and were cancelled on the same date.

[The company follows English Calendar Year.] [6]

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- (b) MM Ltd. has eight segments A, B, C, D, E, F, G and H. The following information is available in relation to

(₹ in Lakhs)

Particulars	A	B	C	D	E	F	G	H	Total
Segment Revenue									
• External Sales	Nil	1,020	60	40	60	200	80	140	1,600
• Inter-Segment Sales	400	240	120	20	Nil	Nil	20	Nil	800
Total Revenue	400	1,260	180	60	60	200	100	140	2,400
Segment Result - Profit (Loss)	20	(360)	60	(20)	32	(20)	20	28	(240)
Segment Assets	90	282	30	66	18	30	30	54	600

Identify which of the above constitute Reportable Segments, if you were informed that A, B, C and E were the Reported Segments in the last financial year.

[6]

3. (a) From the Balance Sheet of K Ltd as given below ascertain the cash flow from operating activity:

Liabilities	31.03.2017	31.03.2018	Assets	31.03.2017	31.03.2018
Share Capital	500	500	Land & Building	300	300
9% Debentures	200	160	Machinery	164	180
Sundry Creditors	230	216	Stock in Trade	200	228
Profit and Loss A/c	40	54	Sundry Debtors	170	162
Depreciation Fund	80	88	Cash and Bank Balances	382	300
Contingency Reserve	140	110	Pre-Paid Expenses	4	6
Outstanding Expenses	30	48			
Total	1,220	1,176	Total	1,220	1,176

- One old Machinery which has Original Cost of ₹30,000 was sold for ₹10,000. The Accumulated Depreciation in respect of the said Machinery amounts to ₹16,000. One new Machinery was acquired for ₹46,000.
- 9% Debentures were redeemed at a discount of 4% on their Face Value. (Redemption was made at the beginning of the year).
- Dividend at 12% was declared and paid in Cash.
- Income Tax Liability of ₹30,000 paid was debited in Contingency Reserve.

[8]

- (b) 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

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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

[4]

4. ABC Limited has an authorized capital of ₹ 5,00,000 divided into 5000 equity shares of ₹ 100 each. On 31.03.2018, 2500 shares were fully called up.

The following are the balance extracted from the ledger of the company as on 31.03.2018:

	₹		₹
Inventory	50,000	Advertisement	3,800
Sales	4,50,000	Bonus	10,500
Purchases	3,25,000	Accounts receivable	38,700
Productive wages	70,000	Accounts payable	35,200
Discount allowed	4,200	Plant and Machinery	80,500
Discount received	3,150	Furniture	17,100
Insurance (year up to 30.06.2018)	6,720	Cash at bank	1,30,000
Salaries	18,500	Cash in hand	4,700
Rent	6,000	Reserves	25,000
General expenses	8,950	Loan from Managing Director	15,700
Profit and Loss a/c (cr.)	6,220	Bad debts	3,200
Printing and Stationary	2,400	Calls in arrears	5,000
		Share capital	2,50,000

Also the following information are given:

- Closing inventory is ₹91,500;
- Depreciation to be charged on plant and furniture at 15% and 10% respectively;
- Outstanding liabilities—wages at ₹5,200, salaries at ₹1,200 and rent at ₹600;
- Salesman are entitled to a commission of 1% on sales;
- ₹4,000 are to be transferred to General reserves;
- Dividend on paid up share capital is to be provided @ 5%.

You are required to prepare Profit and Loss Statement for the year ended 31.03.2018 and the Balance Sheet as on that date in accordance with the Companies Act, 2013 in the Vertical Form along with the Notes on Accounts. [12]

**5. Write short note (any three):**

[3×4=12]

- Follow on public offer (FPO)
- Types of Cash Flow;
- Rebate on Bills Discounted;
- Business segment as per AS 17.

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## 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:

[6x1=6]

(i) A cost auditor submits his report to –

- (A) Government
- (B) Shareholders
- (C) Statutory Auditor
- (D) Board of Directors

(ii) Appointment of auditor for government company is done by

- (A) BOD
- (B) Audit committee
- (C) Managing Director
- (D) CAG

(iii) Form for maintenance of Cost Records by the Company is \_\_\_\_\_.

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

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

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

(iv) An audit report is the \_\_\_\_\_ product of audit.

- (A) Main
- (B) Final
- (C) Semi final
- (D) None of the above

(v) Statutory Auditor can be removed by the \_\_\_\_\_

- (A) Shareholders
- (B) Audit committee
- (C) BOD
- (D) None of the above.



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- (vi) Remuneration of auditors is covered under Section \_\_\_\_\_ of Companies Act, 2013.
- (A) Section 142  
(B) Section 148  
(C) Section 139  
(D) None of the above

**(b) Match the following:**

	Column 'A'		Column 'B'
1.	Statutory Audit	A.	Final Audit
2.	Annual Audit	B.	Audit programme
3.	Functional Classification of Audit	C.	Tax Audit
4.	Detailed of audit work to be performed	D.	External and Internal Audit

[4×1=4]

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

[4×1=4]

- (i) Joint auditors shall not be jointly and severally responsible in respect of undivided work.  
(ii) An audit work reflects the work done by the management.  
(iii) The concept of true and 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) "Internal audit involves five areas of operations"—Discuss. [5]  
(b) State the differences between Audit and Investigation. [7]
8. (a) Discuss the manner in which rotation of Auditors may be done by the company on expiry of their term. [7]  
(b) Auditor not to Render Certain Services [Section 144]. [5]
9. (a) Discuss — Cost Audit Report. [5]  
(b) List the main contents of an Audit Certificate. [7]
10. **Write short note (any three):** [3×4 = 12]  
(a) Benefits of Joint Audit;  
(b) Audit of Municipalities and Panchayats;  
(c) Audit of Re-issue of forfeited shares;  
(d) Auditing and Assurance Standards Relating to Audit of Fixed Assets.