27079

INTERMEDIATE EXAMINATION
December 2022

P–12(CAA)
Syllabus 2016

Company Accounts and Audit

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.
Wherever considered necessary, suitable assumptions may be made and clearly indicated in the answer.
All workings must form part of the relevant Answers.
The Question Paper has two sections, A and B. Both sections are to be answered as per instructions given against each.

Section A (Company Accounts)

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

1. (a) Choose the correct alternatives: 1×6=6

(i) ABC Ltd. forfeited 1000 shares of ₹ 10 each for non-payment of Final Call of ₹ 4 each. After the reissue of these shares ₹ 1,500 were transferred to Capital Reserve. Shares were reissued for

(A) ₹ 6,000

(B) ₹ 4,500

(C) ₹ 5,500

(D) ₹ 1,500

(ii) Which of the following is/are sources for issue of Bonus Shares by a Company?

(A) Free Reserves

(B) Securities Premium Account

(C) Capital Redemption Reserves Account

(D) All of the above

(iii) A Company may issue Preference Shares for a period exceeding 20 years

(A) for Petrochemical Industries

(B) for Infrastructure Projects

(C) for Power Sector

(D) None of the above

(iv) Increase in Bank Overdraft is

(A) increase in Cash and Cash equivalents

(B) decrease in Cash and Cash equivalents

(C) inflow from Financial activities

(D) outflow from Financial activities

(v) In case of Electricity Company while calculating depreciation for the purpose of tariff as per Regulation 21, the salvage value of the Assets shall be considered as

(A) 5%

(B) 10%

(C) 15%

(D) None of the above

(vi) General Ledger of a Banking Company does not contain which of the following?

(A) Control Accounts of all Personal Ledger

(B) Assets Account

(C) Contra Account

(D) Balance Sheet

(b) Match the following items in Column A with items shown in Column B : 1×4=4

COLUMN A		COLUMN B	
1	Translation of Financial Statements	A	Sinking Fund
2	Underwriting of Issue of Shares	B	AS 11
3	Guaranteed Residual Value	C	Marked and Unmarked applications
4	Redemption of Debentures	D	AS 19

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

(i) Rollover must be with the written consent of the Debenture Holders.

(ii) Interest Income in case of a financial company is treated as a part of Revenue from Operations.

(iii) Balance of Interest accrued on Security Deposit A/c of an Electricity Company should be shown under the head Non-Current Liabilities.

(iv) Segment reporting is covered under AS 17.

2. (a) M Ltd., incorporated on April 1, 2021, issued a prospectus inviting applications for 500000 equity shares of ₹ 10 each. The issue was fully underwritten by A, B, C and D as follows:

A – 200000; B – 150000; C – 100000; and D – 50000.

The applications were received for 450000 shares of which marked applications were as follows:

A – 220000; B – 90000; C – 110000; and D – 10000.

Unmarked applications are apportioned in the ratio of 'Gross Liability'.
Underwriters' commission: 4% of the issue price.

Required:

(i) Determine the underwriters' liability in shares;

(ii) Determine the underwriters' liability in amount. 4+4=8

(b) Calculate the amount of borrowing cost to be capitalized as per AS 16 based on the following information:

Particulars	₹
Expenditure incurred till 31.03.2021	5,00,000
Interest cost capitalized for the financial year 2020-21 @ 13%	26,000
Amount borrowed till 31.03.2021	2,00,000
Assets transferred to construction during 2021-22	1,00,000
Cash payment during 2021-22	75,000
Progress payment received	3,50,000
New borrowing during 2021-22 @ 13%	2,00,000

4

3. (a) From the following information prepare Cash Flow Statement : 9

Balance Sheet

as at 31.03.2022 and 31.03.2021

	Particulars	Note No.	31.03.2022 (₹)	31.03.2021 (₹)
1	EQUITY AND LIABILITIES			
	Shareholder's Funds :			
	Share Capital		1,00,000	80,000
	Reserve and Surplus	1	6,400	6,000
	Non-Current Liabilities			
	Long Term Borrowings	2	14,000	12,000
	Current Liabilities			
	Short term Borrowings	3	13,600	25,000
	Trade Payables		31,600	34,000
	Short Term Provisions (Provision for Tax)		8,400	6,000
	Other Current Liabilities	4	2,000	—
	TOTAL		1,76,000	1,63,000
2	ASSETS			
	Non-current Assets			
	Fixed Assets	5	50,000	60,000
	Current Assets			
	Inventories		70,000	60,000
	Trade Receivables		48,000	40,000
	Cash & Cash Equivalents		7,000	2,400
	Prepaid Expenses		1,000	600
	TOTAL		1,76,000	1,63,000

		₹ 31.03.2022	₹ 31.03.2021
Notes:- 1	Reserve & Surplus:		
	General Reserve	4,000	4,000
	Profit & Loss Balance	2,400	2,000
		6,400	6,000
2	Long Term Borrowings:		
	15% Debentures	14,000	12,000
3	Short Term Borrowings:		
	Cash Credit	13,600	25,000
4	Other Current Liabilities:		
	Dividend payable	2,000	—
5	Fixed Assets	80,000	82,000
	Less:- Accumulated Depreciation	30,000	22,000
		50,000	60,000

Additional Information:

(I) Proposed Dividend 10,600 10,000

(II) Provision for tax ₹ 9,400

(III) Fixed assets sold for ₹ 10,000, whose cost was ₹ 20,000 and accumulated depreciation till the date of sale is ₹ 6,000

An Interim Dividend paid during the year ₹ 9,000.

(b) Calculate rebate on bills discounted as on 31st March, 2022 and pass journal entry. 3

Date of bill	Amount (₹)	Period	Rate of discount
15.1.2022	1,00,000	5 months	9%
10.2.2022	60,000	4 months	8%
25.2.2022	80,000	4 months	8%
20.3.2022	1,20,000	3 months	10%

4. The following is the Trial Balance of X Ltd. as on 31.03.2022.

Particulars	**₹**	**Particulars**	**₹**
Stock in trade on 01.04.21	6,00,000	Purchase returns	80,000
Purchases	19,60,000	Sales	27,20,000
Salaries	2,40,000	Discount received	24,000
Freight, carriage etc.	7,600	Balance of Profit and Loss (Cr.)	1,20,000
Furniture	1,36,000	Share capital (₹ 10)	8,00,000
Contribution to P. F.	40,000	Trade payables	1,96,000
Rent and Rates	32,000	General reserve	1,24,000
Stationary	15,200		
Repairs	16,000		
Insurance	24,000		
Misc. expenses	1,200		
Interim dividend paid	72,000		
Staff welfare expenses	20,000		
Plant and machinery	2,32,000		
Cash at bank	3,69,600		
Patents	38,400		
Trade receivables	2,60,000		
	40,64,000		40,64,000

You are required to prepare Statement of Profit and Loss for the year ending 31st March, 2022 and Balance Sheet as at that date after taking into consideration the following information (Notes to Accounts should form part of your answer):

(i) Closing stock as at 31.03.2022 is ₹ 7,04,000.

(ii) Make a provision for income tax @40%.

(iii) Depreciate plant and machinery @ 15%, furniture @ 10% and patents @ 5%.

(iv) Outstanding rent ₹ 6,400 and outstanding salaries ₹ 7,200.

(v) The directors recommended a dividend @15% after transfer to General Reserve ₹ 16,000.

(vi) Provide ₹ 4,080 for doubtful debts.

(vii) The authorized capital of the company is ₹ 16,00,000 divided into 160000 equity shares of ₹ 10 each of which 80000 shares have been issued and fully paid up. 12

5. Write short notes (*any three*): 4×3=12

(a) Identification of Reportable Segments as per AS 17

(b) Issue of shares at a premium

(c) Valuation Balance Sheet

(d) Different types of Cash Flows in a Cash Flow Statement

Section B (Audit)

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

6. (a) Choose the correct alternatives: 1×6=6

(i) Check list contains the instruction to be followed by the
- (A) Internal Auditor
- (B) External Auditor
- (C) Audit Committee
- (D) Audit Assistants

(ii) Permanent Audit file contains
- (A) Copies of Management Letter
- (B) Audit Programme
- (C) Analysis of transactions and balances
- (D) Analysis of Significant ratios and trends

(iii) Which of the following is not an audit risk?
- (A) Inherent Risk
- (B) Detection Risk
- (C) Control Risk
- (D) Credit Risk

(iv) Cost Audit report is submitted to Board of Directors in format
- (A) CRA 1
- (B) CRA 2
- (C) CRA 3
- (D) CRA 4

(v) Remuneration of Auditor is covered under following section of Companies Act, 2013:
- (A) Section 142
- (B) Section 148
- (C) Section 139
- (D) None of the above

(vi) The first Auditor of a Government Company is appointed by CAG within _____ days.

(A) 15 days

(B) 30 days

(C) 45 days

(D) 60 days

(b) Match the following items in Column A with items in Column B: 1×4 =4

	Column A		Column B
1.	Reporting of deposits accepted by the company	A.	Audit Documentation
2.	SA 610	B.	Section 145 of the Companies Act, 2013
3.	Auditor's right to sign the Audit report	C.	Using the work of internal auditor
4.	SA 230	D.	CARO 2020

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

(i) First Auditor of the company is appointed by the Board of Directors within 45 days from the date of first AGM.

(ii) An Audit Programme is a detailed plan of Auditing.

(iii) The branch auditor shall prepare report on the accounts of the Branch examined by him and send it to Audit Committee .

(iv) Maintenance of Cost Accounting Standards is mandatory as per Sec 143 of the Companies Act, 2013.

7. (a) State the contents of an Audit Engagement Letter. 6

(b) Discuss an auditor's duty in relation to the internal check system of the client organization. 6

8. (a) Explain briefly the need for audit evidence. 6

(b) State briefly the significance of scope paragraph in Audit Report. 6

9. (a) Discuss – 'Cost Audit Report'. 5

(b) Discuss the features of a Qualified Report. 7

10. Write short notes (*any three*): 4×3 =12

(a) Responsibility of Joint Auditors

(b) Features of inventory having impact on related audit procedure

(c) Auditor's duty regarding audit of income and expenditure of a co-operative society

(d) Auditor's duty regarding the audit of issue of bonus shares

SUGGESTED ANSWERS TO QUESTIONS

Section – A

Answer Question no 1 and any three out of Question No 2, 3, 4, 5

1. (a) **1X6 = 6 Marks**

Choose the correct alternatives:-

(i) (C)

(ii) (D)

(iii) (B)

(iv) (C)

(v) (B)

(vi) (D)

1. (b) **1X4 =4 Marks**

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

1. (c) **1X4 = 4 Marks**

(i) TRUE.

(ii) TRUE.

(iii) TRUE.

(iv) TRUE.

2. (a) **4+4 =8 Marks**

(i) Liability in shares :

A - Nil

B - 22,500

C – Nil

D - 27,500

(ii) Liability in amount (Rs.) :

A - (80,000)

B - 1,65,000

C - (40,000)

D - 2,55,000

2. (b) **4 Marks**

Borrowing cost to be capitalized = ₹ 42,845

3. (a) **9 Marks**

CASH FLOW STATEMENT
For the year ended 31st March 2022

	Rs
NET CASH FROM OPERATING ACTIVITIES	20,800
NET CASH USED IN INVESTING ACTIVITIES	(8,000)
NET CASH USED IN FINANCIAL ACTIVITIES	(8,200)
Net increase in Cash & Cash equivalents	4,600
Add: Cash and Cash Equivalents in the beginning of the period	2.400
Cash and Cash Equivalents at the end of the Period	7,000

3. (b) **3 Marks**

Rebate on Bills Discounted = ₹ 7243.29

Journal Entry:

Interest and Discount A/c………………Dr. ₹ 7243.29

To Rebate on Bills Discounted A/c ₹ 7243.29

4 . **12 Marks**

X Ltd.

Balance Sheetas on 31st March, 2022

Particulars	**As on 31.3.22**
EQUITY AND LIABILITIES	
Shareholders' funds :	1274400
Current liabilities :	411200
Total	1685600
ASSETS	
Non-current assets :	356080
Current assets :	1329520
Total	1685600

Statement of Profit and Loss

For the year ended 31st March, 2022

Particulars	31.3.22
Total revenue (A)	**2744000**
Total expenses (B)	**2240000**
Profit before tax (A ~B)	504000
Less: Provision for taxation @ 40%	201600
Profit after tax	302400

Write Short notes any THREE

5. (a) **4X3 =12 Marks**

A business segment or geographical segment should be identified as a reportable segment if:

a) its revenue from sales to external customers and from transactions with other segments is 10 per cent or more of the total revenue, external and internal, of all segments; or

b) its segment result, whether profit or loss, is 10 per cent or more of -

(i) The combined result of all segments in profit, or

(ii) The combined result of all segments in loss, whichever is greater in absolute amount; or

c) Its segment assets are 10 per cent or more of the total assets of all segments.

A business segment or a geographical segment which is not a reportable segment may be designated as a reportable segment despite its size at the discretion of the management of the enterprise. If that segment is not designated as a reportable segment, it should be included as an unallocated reconciling item.

If total external revenue attributable to reportable segments constitutes less than 75 per cent of the total enterprise revenue, additional segments should be identified as reportable segments, even if they do not meet the 10 per cent, until at least 75 per cent of total enterprise revenue is included in reportable segments.

5. (b)

A company may issue shares at a premium, i.e., at a value greater than its face value. The power to issue shares at a premium need not be given in the Articles of Association. Premium so received shall be credited to a separate account called Securities Premium Account.

Section 52 of the Companies Act, 2013 gives the purposes for which share premium account may be applied by the company. These are:

1 For the issue of fully paid bonus shares to the members of the company;
2 For writing off preliminary expenses of the company;
3 For writing off the expenses of the commission paid or discount allowed on any issue of shares or debentures of the company; and
4 For providing premium payable on the redemption of any redeemable preference shares or debentures of the company.
5 For the purchase of its own shares or other securities u/s 68.

5. (c)

The balance in the life assurance fund cannot be taken as the profit made by the life insurance business. For the purpose of ascertaining the profit, the insurance company should calculate its net liability on all outstanding policies. This calculation is done by experts called actuaries and is a highly complicated mathematical process. Prior to nationalization, insurance companies were having this computation once in three years. Since nationalization,

L.I.C. is having such valuation once every two years. For calculating net liability, the actuaries calculate the present value of future liability on all the policies in force as well as present value of future premium to be received on policies in force. The excess of the present value of future liability over the present value on future premium is called the net liability.

It is by comparing the life insurance fund and net liability in respect of policies, that profit in respect of life insurance business can be ascertained. If the life insurance fund is more than the net liability, the difference represents the profit. On the other hand, the excess of net liability over the life assurance fund represents the loss for the inter-valuation period.

According to Section 28 of the Life Insurance Corporation Act, 1956, 95% of the profit of life business must be distributed to the policyholders by way of "Bonus" on with-profit policies and the remaining 5% has to be utilized for such purposes as the Government may determine. The profit or loss of life insurance business is ascertained by preparing a statement called 'Valuation Balance Sheet' which is reproduced below.

Valuation Balance Sheet as on **……………..**

To Net liability as per actuary's valuation	By Life Assurance Fund as per Balance Sheet
To Surplus (Net Profit)	Deficiency (Net loss)

5. (d)

Cash Flow Statement explains cash movements under three different heads, namely

1 Cash flow from operating activities;

2 Cash flow from investing activities;

3 Cash flow from financing activities.

Sum of these three types of cash flow reflects net increase or decrease of cash and cash equivalents. Operating activities are the principal revenue - producing activities of the enterprise and other activities that are not investing and financing. Operating activities include all transactions that are not defined as investing or financing. Operating activities generally involve producing and delivering goods and providing services.

Investment activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the owners' capital (including preference share capital in the case of a company) and borrowings of the enterprise.

SECTION – B

Answer Question no 6 and any three out of Question No 7, 8, 9, 10

6. (a) **1X6 = 6 Marks**

Choose the correct alternatives:-

(i) (D)

(ii) (D)

(iii) (D)

(iv) (C)

(v) (A)

(vi) (D)

6. (b) **1X4 =4 Marks**

1 D

2 C

3 B

4 A

6. (c) **1X4 =4 Marks**

i) FALSE.

ii) TRUE.

iii) FALSE.

iv) FALSE.

[Answer any THREE from Question Nos. 7 to 10]

7. (a) **6 Marks**

Although the form and content of the engagement letter differs from client to client but in general, the following references should be made in audit engagement letter:

(i) The objective and the scope of the engagement.

(ii) Management's responsibility for the financial statements.

(iii) The existence of inherent limitations of audit and resulting material misstatements that may remain undiscovered,

(iv) The need for use of services of internal auditors and/ or other experts that may arise during the course of the engagement.

(v) The requirement of management confirmation letter as regards representations made by them concerning audit.

(vi) Restriction of the auditor's liability, if any.

(vii) Basis for computation of audit fees and billing arrangements.

(viii) The form of reports or other communication of results of the engagement.

(ix) Validity of report

(x) Limits on submission of report to other authorities

7. (b) **6 Marks**

In the case of a big concern where there is a good internal check system the auditor may, to a great extent, presume the accuracy of the accounting. But he must not be negligent. He should apply a few test checks, i.e., he should check a few transactions here and there at random or check fully the accounts for a few months, and carry out a thorough check of the whole of a certain class of transactions taking place during that particular period, e.g., cash sales, or cash received or credit purchases during that period. In selecting certain transactions are representative and true specimens the auditor should see that such sample transactions are representative and true specimens of such entries throughout the year.

If he finds that there is no mistake and there is nothing to arouse his suspicion, he may presume that the accounts are correct. It must be remembered that in such a case, the auditor is not relieved of his responsibility. Therefore, it would be better for him to probe the matter thoroughly if there is the slightest suspicion. If later on, it is found that a fraud had been committed which the auditor failed to detect as he had not checked all the transactions, he would be held liable. The existence of a good internal check system reduces to a great extent the work of the auditor but does not reduce his liability. To what extent an auditor should depend upon the internal check system will depend upon his tact, skill, experience and judgment.

8. (a) **6 Marks**

Need for Audit Evidence

Audit evidence provides the auditor a reasonable assurance in respect of the assertions made by the management While obtaining evidence through substantive procedures, the different assertions made by the management can be as follows:

(a) Existence - that an asset or a liability exists at a given date;

(b) Rights and Obligations - that an asset is a right of the entity and a liability is an obligation of the entity at a given date;

(c) Occurrence -that a transaction or event took place which pertains to the entity during the relevant period;

(d) Valuation - that an asset or liability is recorded at an appropriate carrying value;

(e) Measurement -that a transaction is recorded in the proper amount and revenue or expense is allocated to the proper period;

(f) Presentation and Disclosure - an item is disclosed, classified and described in accordance with recognized accounting policies and practices and relevant statutory requirements, if any.

While obtaining evidence through compliance procedures, the different assertions made by the management can be as follows:

(i) Existence -that the internal controls exist;

(ii) Effectiveness - that the internal controls are operating effectively;

(iii) Continuity - that the internal controls have been so operated throughout the period of intended reliance.

8. (b) **6 Marks**

Significance of Scope Paragraph:

a) The Scope Paragraph' seeks to inform the Users about the practices and procedures followed in the conduct of audit by the Auditor.

b) In the Scope Paragraph, the Auditor states that the audit was planned and performed in accordance with Auditing Standards generally accepted in India, and also that the audit provides a reasonable basis for his opinion.

c) The significance of the Scope Paragraph lies in the fact that the Auditor intends to convey to the readers of his report, about the scope of audit by highlighting the nature and progress of audit The test check approach of audit adopted by the Auditor in performing his audit work as also the significant aspect of evaluation of accounting principles and accounting estimates is also clarified

d) The basic objective of auditing that the Auditor provides only "reasonable assurance" is emphasized in the Scope Paragraph. Thus, this paragraph signifies the inherent limitations of audit.

9. (a) **5 Marks**

Cost Audit Report-

As per sub-rule (4) of Rule 6 of the companies (Cost Records and Audit) Rules 2014 as amended, a Cost Auditor is required to submit the Cost Audit Report along with his or its reservations or qualifications or observations or suggestions, if any, in form CRA -3 to Board of Directors of the company within a period of one hundred and eighty days from the closure of the financial year to which the report relates.

Form for filling Cost Audit Report with the Central Government

As per sub-rule (6) of Rule 6 of the companies (Cost Records and Audit) Rules 2014 as amended, every company to whom cost auditor submits his or its report shall, within a period thirty days from the date of receipt of a copy of the cost audit report, furnish the Central Government with such report along with full information and explanation on every reservation or qualification contained therein, in form CRA-4 along with fees specified in the Companies (Registration Offices and Fees) Rules, 2014.

It is to be noted that the cost audit report is required to be filed in XBRL format.

9. (b) **7 Marks**

A Qualified Audit Report is one where an Auditor gives an opinion on the truth and fairness of Financial Statements, subject to certain reservations.

The Auditor's Reservation is generally stated as: "Subject to the above, we report that the Balance Sheet shows a true and fair view."

The features of a Qualified Report are –

Clarity: The Auditor must express the nature of qualification, in a clear and unambiguous manner.

Explanation: Where the Auditor answers any of the statutory affirmations in the negative or with a qualification, his Report shall state the reasons for such answer. Placement: All qualifications should be contained in the Auditor's Report. When there are Notes, which are subject matter of a qualification, the same should preferably he annexed to the Auditors' Report. However, a reference to the Notes to Accounts in the Auditors' Report does not automatically become a qualification.

Subject to: The words "subject to" are essential to state any qualification. The qualification should be preceded by words such as "Subject to" or "Except that" to make it clear that he is making an exception.

Nature of Qualification: Vague statements, the effect of which on accounts cannot be ascertained, like, 'the debtors balances are subject to confirmation', 'no provision for taxation has been made in view of the loss during the year', etc. should be avoided.

Violation of Law: Where the Company has committed an irregularity resulting in a breach of law, the Auditor should bring the same to the notice of the shareholders by properly qualifying his report.

Quantification: The Auditors should quantify, wherever possible, the effect of these qualifications on the Financial Statements if the same is material. Where the effect of qualification cannot be accurately quantified, the Auditor may reflect the effect on the basis of Management estimates, after carrying out necessary audit tests on such estimates.

Write short notes any THREE

10. (a) **4X3 = 12 Marks**

In respect of audit work divided among the joint auditors, each joint auditor is responsible only for the work allocated to him, whether or not he has prepared a separate report on the work performed by him. On the other hand, all the joint auditors are jointly and severally responsible:

(i) In respect of the audit work which is not divided among the joint auditors and is carried out by all of them; in respect of decisions taken by all the joint auditors concerning the nature, timing or extent of the audit procedures to be performed by any of the joint auditors. It may, however, be clarified that all the joint auditors are responsible only in respect of the appropriateness of the decisions concerning the nature,

(ii) timing or extent of the audit procedures agreed upon among them; proper execution of these audit procedures is the separate and specific responsibility of the joint auditor concerned;

(iii) in respect of matters which are brought to the notice of the joint auditors by any one of them and on which there is an agreement among the joint auditors;

(iv) for examining that the financial statements of the entity comply with the disclosure requirements of the relevant statute; and

(v) For ensuring that the audit report complies with the requirements of the relevant statute.

10. (b)

The following features of inventories have an impact on the related audit procedures:

(i) By their very nature, inventories normally turn over rapidly.

(ii) Inventories are susceptible to obsolescence and spoilage. Further, some of the items of inventory may be slow-moving while others may follow a seasonal pattern of movement.

(iii) Inventories are normally movable in nature, although there may be some instances of immovable inventories also, e.g., in the case of an entity dealing in real-estate.

(iv) All the items of inventory may not be located at one place but may be held at different locations such as factories and warehouses, or with third parties such as selling agents.

(v) The individual items of inventory may not be significant in value, but taken together, they normally constitute a significant proportion of total assets and current assets of manufacturing, trading and certain service entities.

(vi) Physical condition (e.g., stage of completion of work-in-process in certain industries) and existence of certain items of inventories may be difficult to determine.

(vii) Valuation of inventories may involve varying degrees of estimation, including expert opinions, e.g., in the case of jewellery

10. (c)

Audit of income:

The auditor should carefully vouch the receipt of cash. Cash receipts on account of share capital should be vouched with the Register of Members. Cash received against sales should be vouched with the cash memos and invoices issued to customers as also Sales Account. Receipt of cash in respect of payment of interest and repayment of loans advanced by the society should be vouched with the loan agreements. Cash received from members towards construction of houses or their maintenance, should be vouched with the Register of Members, demands made by the society from time to time, and money receipts.

Audit of Expenditure:

(i) The auditor should vouch all expenditure with reference to authorisation from the Managing Committee, particularly in the case of large capital expenditure, as also the bills received from individual parties, the money receipts obtained from them, and entries in the Bank Pass Book along with counter-foils of cheques.

(ii) He should vouch the payment of loans from the loan agreements entered into with borrower members.

(iii) He should vouch establishment expenses with reference to the resolutions of the Managing Committee, agreements with the persons concerned, and money receipts obtained from them.

10. (d)

The duties of the auditor are as follows:

(i) Confirm that issue of Bonus Share was authorized by articles.

(ii) Verify the minutes of the Board meeting and ordinary resolution passed in the general meeting in which the approval of members is obtained.

(iii) Check that the company has issue fully paid-up bonus shares to its members only.

(iv) Confirm that the issue of bonus shares shall not be made by capitalising reserves created by the revaluation of assets.

(v) Check whether the company has made any default in payment of interest or principal in respect of fixed deposits or debt securities issued by it.

(vi) Check whether the company has made any default in payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus.

(vii) Whether the partly paid-up shares are made fully paid-up.

(viii) Check whether the bonus shares shall not be issued in lieu of dividend.