

INTERMEDIATE EXAMINATION

June 2023

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.

Where 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 No. 2, 3, 4 and 5.

1. (a) Choose the correct alternatives:

1×6=6

(i) Find out the correct sequence from the following:

(I) Pro rata Allotment

(II) Share offered for subscription through IPO

(III) Over subscription of Shares

(IV) Allotment due and received.

(A) (II) , (I) , (III) , (IV)

(B) (III) , (II), (IV), (I)

(C) (II), (III), (IV), (I)

(D) (II), (III), (I), (IV)

(ii) Which of the following items is shown under the Head “ Current Assets” while preparing the Balance Sheet of a Company?

(A) Trade Investment

(B) Underwriting Commission

(C) Inventories

(D) Livestocks

(iii) Which of the following Acts is/are replaced by the Electricity Act, 2003?

- (A) The Indian Electricity Act, 1910
- (B) The Electricity (Supply) Act, 1948
- (C) The Electricity Regulatory Commission Act, 1998
- (D) All of the above

(iv) Which of the following is not a part of the Profit and Loss A/c prepared by a Banking company?

- (A) Income
- (B) Expenditure
- (C) Profit/Loss
- (D) Deferred revenue expenditure

(v) The term Guaranteed Residual Value is defined in_____.

- (A) AS 19
- (B) AS 18
- (C) AS 17
- (D) AS 16

(vi) In case of life insurance business, Bonus may be of

- (A) One type
- (B) Two types
- (C) Three types
- (D) Four types

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

1×4=4

	Column A		Column B
1.	Primary reportable segments	(A)	Capital redemption reserve
2.	Issue of Bonus shares	(B)	Trade Receivables
3.	Profit on forfeiture and reissue of shares	(C)	Capital reserve
4.	Current Assets	(D)	AS 17

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

1×4=4

- (i) Buyback of shares must be authorized by a special resolution in the Annual General Meeting of the company only.
- (ii) Shareholder's fund are also known as Net Worth.
- (iii) Restriction on business of Banking Company is covered under section 8 of the Banking Regulation Act, 1949.
- (iv) Surrender value of Life policy is usually nil until at least three annual premiums are paid.

2. (a) R Ltd. has subscribed capital of ₹ 100 lakhs divided into 1,00,000 equity shares of ₹ 100 each fully called up.

The company has taken the following decisions:

- (i) 2,000 equity shares on which ₹ 50 per share have been received are to be forfeited for non-payment of ₹ 20 (first call) and ₹ 30 (final call).
- (ii) 4,000 equity shares of ₹ 70 per share paid-up are to be forfeited for non-payment of final call;
- (iii) All the 6,000 shares were re-issued @ ₹ 90 per share.
- (iv) A rights issue to be made in the ratio of 2 shares for every 5 shares held at a premium of ₹ 50 per share.

Pass journal entries in the books of the company.

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- (b) An enterprise operates through eight segments, namely, P, Q, R, S, T, U, V and W. The relevant information about these segments is given in the following table (amounts in ₹ '000):

	P	Q	R	S	T	U	V	W	Total (Segment)
1. Segment Revenue									
(a) External Sales	—	1326	74	50	26	250	100	174	2000
Inter Segment Sales	500	300	150	26	—	—	24	—	1000
2. Segment Results Profit/(Loss)	30	(540)	90	(30)	48	(30)	30	42	
3. Segment Assets	30	10	10	120	6	10	10	4	200

Identify the reportable segments as per AS 17. Assume that the management has not identified any segment to be reportable as per their discretion.

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3. (a) The following is the summarized income statement of PQR Ltd. for the year ended on 31.03.2022.

Particulars		₹	₹
Sales		3,25,400	
Add: Equity in XYZ Ltd.'s earnings		<u>12,000</u>	
			3,37,400
Expenses:			
Cost of goods sold		1,78,600	
Salaries		68,800	
Depreciation		14,900	
Insurance		1,000	
Research and development		2,500	
Patent amortization		1,800	
Interest		21,300	
Bad debts		4,100	
Income tax:			
Current	13,200		
Deferred	<u>3,100</u>	<u>16,300</u>	
Total expenses			<u>3,09,300</u>
Net income			<u>28,100</u>

Additional information:

- 70% of gross revenue from sales were on credit.
- Merchandise purchases amounting to ₹ 1,84,000 were on credit.
- Salaries payable totalled ₹ 3,200 at the end of year.
- Amortization of premium on bonds payable was ₹ 2,700.
- No dividends were received from the other company.
- PQR Company declared cash dividend of ₹ 8,000.
- Changes in Current Assets and Current Liabilities were as follows:

Increase / (Decrease)	₹
Cash	1,000
Marketable securities	3,200
Accounts receivable	(14,300)
Allowance for bad debt	(3,800)
Inventory	5,400
Prepaid Insurance	1,400
Accounts payable (for merchandise)	11,300
Salaries payable	(4,100)
Dividends payable	(6,000)

Prepare a statement showing the amount of Cash Flow from operations.

- (b) The Life insurance fund of Pixel Life Insurance Co. Ltd. was ₹ 51,00,000 on 31st March, 2022. Its actuarial valuation on 31st March, 2022 disclosed a net liability of ₹ 43,20,000. An interim bonus of ₹ 60,000 was paid to the policyholders during the previous two years. It is now proposed to carry forward ₹ 1,65,000 and to divide the balance between the policyholders and the shareholders. Show (a) the net profit for the two-year period, and (b) the distribution of the profits. 4

4. H Ltd. was registered with an authorized capital of ₹ 20,00,000 divided into shares of ₹ 10 each, of which 80,000 shares have been issued as fully paid. The following is the Trial Balance drafted on 31.03.2023.

Debit balances	₹	Credit balances	₹
Stock in trade on 01.04.22	3,72,840	Purchase returns	19,700
Purchases	14,36,420	Sales	23,39,800
Sales return	25,360	18% Bank loan (Secured)	1,00,000
Manufacturing wages	2,19,480	Balance of Profit and Loss (Cr.)	77,280
Sundry manufacturing expenses	38,480	Share capital (₹ 10)	8,00,000
Carriage inwards	9,820	Creditors	1,24,440
Interest on bank loan	9,000		
Office salaries and expenses	35,740		
Auditor's fees	17,200		
Director's remuneration	64,500		
Freehold premises	3,28,420		
Plant and Machinery	2,56,800		
Furniture	10,000		
Patents	40,000		
Debtors	2,10,800		
Cash in hand	39,060		
Cash at bank	1,78,720		
Advance tax	1,68,580		
	34,61,220		34,61,220

You are required to prepare Statement of Profit and Loss for the year ending 31st March, 2023 and Balance Sheet as at that date after taking into consideration the following information (Notes to Accounts should form part of your answer):

- Closing stock as at 31.03.2023 is ₹ 2,49,680.
- Outstanding manufacturing wages ₹ 3,780 and outstanding office salaries ₹ 2,400
- Depreciate plant and machinery @ 15%, furniture @ 10%.
- Make a provision for income tax @ 33%.
- The Directors recommended a dividend @ 15% after transfer of 5% of the net profit to General Reserve.

5. Write Short Notes (*any three*):

4×3=12

- (a) Borrowing Cost as per AS-16
- (b) Conditions for issuing fully paid-up Bonus shares
- (c) Central Electricity Regulatory Commission (CERC)
- (d) Schedule III disclosure requirement for Trade Payables

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 four alternatives given:**

1×6=6

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

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

(ii) Which of the following is included in the Permanent Audit File?

- (A) Extracts of important matters in the minutes of board meeting
- (B) Current year's audit programme
- (C) Copies of management letters
- (D) Analysis of significant ratios and trends

(iii) _____ is a continuous critical review of financial and operating activities by a staff member of the auditor.

- (A) Internal Check
- (B) Internal Control
- (C) Internal Audit
- (D) None of the above

(iv) In case of audit of a Government body, the scope and audit programmes are set by

- (A) The Comptroller and Auditor General of India (CAG)
- (B) The Companies Act, 2013
- (C) Both of (A) and (B)
- (D) The Board of Directors

(v) Secretarial audit is covered under _____ of the Companies Act, 2013.

(A) Section 204

(B) Section 148

(C) Section 139

(D) Section 141

(vi) A person who is indebted to the company for an amount _____ is not eligible for appointment as Cost Auditor of a Company.

(A) ₹ 50,000

(B) ₹ 75,000

(C) ₹ 1,00,000

(D) ₹ 5,00,000

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

1×4=4

Column A		Column B	
1	Maintenance of Cost Records	A	Remuneration of Auditors
2	Section 142 of the Companies Act	B	Forming an opinion and reporting on Financial Statement
3	SA 700	C	Ind AS-19
4	Employee includes Whole Time Directors	D	CRA I

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

1×4=4

(i) As per Section 138 of Companies Act, 2013, only a Chartered Accountant or a Cost Accountant can be an internal auditor.

(ii) Interim audit is an audit conducted between two annual audits.

(iii) Audit committee formation is mandatory for public company having ₹ 100 crore or more paid-up share capital.

(iv) SA 299 stand for 'Responsibility of Joint Auditor' as issued by ICAI.

7. (a) Discuss the advantages of a well-organized audit programme. 6

(b) Discuss the various techniques for evaluating the internal control system of an organisation. 6

8. (a) Explain briefly powers of Audit Committee. 6

(b) Discuss the method for removing an Auditor appointed under Section 139 from his office before expiry of his term. 6

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9. (a) Discuss the relevant provisions of Companies Act, 2013 and Company Rules with regards to remuneration of a Cost Auditor. 4
- (b) Distinguish between Audit Report and Audit Certificate. 8
10. Write short notes (*any three*) 4×3=12
- (a) Auditor's duty regarding unclaimed dividend
- (b) Physical verification of inventory and Auditor's duty thereon
- (c) Audit of a hospital
- (d) Auditor's duty regarding the audit of alteration of share capital

SUGGESTED ANSWERS TO QUESTIONS
SECTION A

1. (a)

- (i) (D)
- (ii) (C)
- (iii) (D)
- (iv) (D)
- (v) (A)
- (vi) (C)

1. (b)

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

1. (c)

- (i) False
- (ii) True
- (iii) True
- (iv) False

2. (a)

Journal

Particulars		Dr. (Rs.)	Cr. (Rs.)
Equity Share Capital A/c	Dr.	2,00,000	
To Calls in Arrear A/c			1,00,000
To Forfeited Shares A/c			1,00,000
Equity Share Capital A/c	Dr.	4,00,000	
To Calls in Arrear A/c			1,20,000
To Forfeited Shares A/c			2,80,000
Bank A/c	Dr.	5,40,000	
Forfeited Shares A/c	Dr.	60,000	
To Equity Share Capital A/c			6,00,000
Forfeited Shares A/c	Dr.	3,20,000	
To Capital Reserve A/c			3,20,000
Bank A/c	Dr.	60,00,000	
To Equity Share Capital A/c			40,00,000
To Securities Premium A/c			20,00,000

2. (b)

The reportable segments are P, Q, R, S and U.

Alternatively, Segment V or W can also be selected instead of U.

3. (a)

Cash Flow from Operation = ₹ 51,700

3. (b)

Net profit and its distribution:

	(Rs.)
Net Profit	8,40,000
Distribution of the profits:-	
Amount proposed to be carried forward	1,65,000
Share of policy holders	6,41,250
Share of Share holders	33,750

4.

Profit before tax = ₹ 3,34,640

Profit after tax = ₹ 2,24,209

Total of Balance Sheet as on 31-03-2023(Assets/ Liabilities side) = ₹ 14,42,540

5. (a)

Borrowing Cost as per AS-16:

Borrowing costs are interests and other costs incurred by an enterprise in connection with the borrowing of funds. The standard is applied in accounting for borrowing costs which include:

1. Interest and commitment charges on bank borrowing and other short term borrowings;
2. Amortization of discounts/premium relating to borrowings;
3. Amortization of ancillary cost incurred in connection with arrangement of borrowings;
4. Finance charges for assets acquired under finance lease or other similar arrangement.
5. Exchange difference in foreign currency borrowing to the extent it relates to interest element

5. (b)

The conditions are as follows:

- (i) A company can issue bonus shares if its Articles expressly authorise to do so.
- (ii) A resolution is required to be passed by the Board of Directors recommending its decision to issue bonus shares.
- (iii) A resolution is required to be passed by the members in the general meeting to approve the Board's resolution recommending the issue of bonus shares.

Members' resolution —

- Must have an intention to capitalize the profits or reserves, and
 - Must mention the amount of profits or reserves to be capitalized.
- (iv) The company has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it.
 - (v) The Company has not defaulted in respect of payment of statutory dues of the employees such as contribution to provident fund, gratuity and bonus.
 - (vi) The partly-paid shares, if any, outstanding on the date of allotment are made fully paid-up.
 - (vii) A Company must comply with Prescribed Conditions.

The bonus shares shall not be issued in lieu of dividend.

5. (c)

Central Electricity Regulatory Commission (CERC):

Meaning:

The Central Electricity Regulatory Commission shall be a body corporate, having perpetual succession and a common seal with power to acquire, hold and dispose of properly, both movable and immovable, and to contract and shall, by the said name, sue or be sued.

Constitution: The Central Commission shall consist of the following Members namely:

- (i) A Chairperson and 3 Members
- (ii) The Chairperson of the Authority who shall be the Member, ex-officio.

Appointment:

The Chairperson and Members of the Central Commission shall be appointed by the Central Government on the recommendation of the Selection Committee.

Functions: The functions of the Central Commission include regulating the tariff of generating companies, the inter-state transmission of electricity, to issue licenses, to levy fees, to fix trading margin etc.

5. (d)

Schedule III disclosure requirement for Trade Payables

It shall be classified as–

Total outstanding dues of micro enterprises and small enterprises; and

Total outstanding dues of creditors other than microenterprises and small enterprises.”

Liability for Capital Goods Purchases:

Amount due towards purchase is disclosed under “Other Current Liabilities” with a suitable description.

Liability under Contractual Obligations: Liability towards employees, Leases or other Contractual Liabilities should not be included under Trade Payables. Only “Commercial Dues” can be included under Trade Payables.

The following details relating to Micro, Small and Medium Enterprises shall be disclosed in the notes:

- a. The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
- b. The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
- c. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
- d. The amount of interest accrued and remaining unpaid at the end of each accounting year; and
- e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

SECTION B

6. (a)

- (i) (C)
- (ii) (D)
- (iii) (C)
- (iv) (C)
- (v) (A)
- (vi) (D)

6. (b)

- 1. D
- 2. A
- 3. B
- 4. C

6. (c)

- (i) True
- (ii) False
- (iii) True
- (iv) True

7. (a)

The main advantages of an well-organised audit programme are enumerated below:

- (i) It serves as a ready check list of audit procedures to be performed.
- (ii) The audit work can be properly allocated to the audit assistants or the article clerks.
- (iii) The auditor may easily know the extent of work done at any point of time. Thus, the progress of work done can be under the supervision and control of the auditor.
- (iv) Audit programme would not only be useful for the audit assistants in carrying the audit work but for the principal too as he would be in a position to account for the individual responsibilities.
- (v) A uniformity of the work can be attained as the same programme would be followed from time to time.
- (vi) It is a useful basis for planning the programme for the following year it is useful in selection of team members & delegation of responsibilities to them.
- (vii) It may be used as evidence by the auditor in the event when any charge is brought against him.
- (viii) It is useful in selection of Team members and delegation of responsibilities to them.
- (ix) The auditor can prove that there has no negligence on his part and he exercised reasonable care and skill while performing the task.

7. (b)

The techniques are as follows –

- i. Narrative Record: It is a complete and exhaustive description of the system. It is appropriate in circumstances where a formal control system is lacking, like in the case of small businesses. Gaps in the control system are difficult to identify using a narrative record.
- ii. Check List: It is a series of instructions that a member of the audit staff is required to follow. They have to be signed/ initialed by the audit assistant as proof for having followed the instructions given. A specific statement is required for every weakness area.
- iii. Flow Chart: It is a pictorial representation of the internal control system depicting its various elements such as operations, processes and controls, which help in giving a concise and comprehensive view of the organization's working to the auditor. A complete flow chart would depict the process of raising documents, personnel involved in doing so, the flow of documents through various departments, maintenance of records, flow of goods and consideration, and dealing with results. The internal control evaluation process becomes easier through a flow chart as a broad picture of all the controls involved can be gauged in a glimpse.
- iv. Internal Control Questionnaire: This is the most widely used method for collecting information regarding the internal control system and involves asking questions to various people at different levels in the organization. The questionnaire is in a pre-designed format to ensure collection of complete and all relevant information. The questions are formed in a manner that would facilitate obtaining full information through answers in "Yes" or "No".

8. (a)

Powers of Audit Committee:

The powers of the Audit Committee are enumerated below:

- Audit Committee has the power to call for comments of the Auditor about Internal Control Systems and the scope of the Audit including its observation.

- Before submission of the report to the Board the Audit Committee have the power to review the Financial Statement.
- Power to discuss any issues with the Statutory & Internal Auditor and the management of the company in relation to matter contained in the Financial Statement.
- Power to investigate into any matter under the perview of Audit Committee
- Auditors of the company and key managerial personnel shall have a right to be heard into the meeting.
- Composition of Audit Committee is to be disclosed in Board's Report.
- In case recommendation of the Audit Committee Is not accepted by the Board. the Board shall disclose in Board's report along with reasons.

8. (b)

The auditor appointed under section 139 may be removed from his office before the expiry of the term only by a special resolution of the company, after obtaining the previous approval of the Central Government in that behalf in the manner prescribed in rule 7 of chapter X under the act

Rule 7: Removal of Auditor before expiry of his term

- (1) The application to the Central Government for the removal of the auditor shall be made in e Form ADT-2 and shall be accompanied with fees as provided for the purpose under the Companies(Registration Offices and Fees) Rules, 2014.
 - (2) The application shall be made to the Central Government within thirty days of the resolution passed by the Board
 - (3) The company shall hold the general meeting within sixty days of receipt of approval of the Central Government for passing the special resolution.
- Provided that before taking any action under this sub-section, the auditor concerned shall be given a reasonable opportunity of being heard

9. (a)

Rule 14 of the Companies (Audit and Auditors) Rules, 2014 has laid down the procedure of appointment and fixing the remuneration of a cost auditor. It states as follows:

- (i) For the purpose of sub-section (3) of section 148, in the case of companies which are required to constitute an audit committee, the Board shall appoint an individual, who is a cost accountant in practice, or a firm of cost accountants in practice, as cost auditor on the recommendations of the Audit committee, which shall also recommend remuneration for such cost auditor;
- (ii) The remuneration recommended by the Audit Committee under (i) shall be considered and approved by the Board of Directors and ratified subsequently by the shareholders;
- (iii) In the case of other companies which are not required to constitute an audit committee, the Board shall appoint an individual who is a cost accountant in practice or a firm of cost accountants in practice as cost auditor and the remuneration of such cost auditor shall be ratified by shareholders subsequently.

9. (b)

Auditor's Report	Auditor's Certificate
An audit report is a document written in a standard format through which the auditor expresses his opinion regarding the reliability and correctness of an entity's financial statements.	An auditor's certificate is a written confirmation of the accuracy of the facts stated therein.
It is an expression of opinion about the financial statements.	It is a confirmation of correctness and accuracy about some matters.
The report is based on assumptions and estimations	The certificate is based on actual figures and facts.
The scope of the report is large.	Its scope is limited.
In audit report, there is a scope of giving	No scope of constructive advice exists in the

constructive advice to the company.	case of the certificate.
Audit report is based on facts, assumptions and estimations.	Audit certificate is based on actual figures.
Audit report is an opinion by the auditor and does not guarantee the accuracy of the financial statements	Audit certificate is a formal statement by the auditors which guarantee the accuracy of the facts stated therein.
The report is submitted to the appointing authority only after the audit is complete.	Certificates are issued as and when required.
As a report is merely an opinion, if it is not correct, the auditor may not be held responsible, unless he is found to be negligent to his duty.	In case of the wrong certificate, the auditor will be held responsible.
Audit report has to be presented in prescribed format.	Audit certificate is not required to be presented in any standard format.

10. (a)

The auditor should adopt the following audit procedure.

- i. The auditor should collect a statement or list containing every detail regarding the unpaid dividend.
- ii. The auditor shall conduct an enquiry to identify whether there was any fault on the part of the company and if so, what action has been taken against the company.
- iii. The auditor shall verify the statement provided by the management in this respect with other supporting documents and shall determine whether the dividend amount has been accurately calculated.
- iv. The auditor shall also verify whether the unpaid dividend has been transferred to a separate account namely Unpaid Dividend Account within seven days from the expiry of 30 days allowed for declaration and payment of dividend.
- v. The auditor shall also verify whether the company has published the details of unpaid dividend in its own website and also in other website(s) approved by the government for this purpose.
- vi. Any payment of previously unpaid dividend must be verified by the auditor to see that the same has been paid to the rightful owner.
- vii. In case any amount of dividend is remaining unpaid for more than seven years, the auditor shall verify whether the same along with the interest accrued thereon has been transferred by the company to IEPF.
- viii. The auditor shall also verify whether all the shares in respect of which unpaid dividend has been transferred to IEPF, have also been transferred to such fund.

10. (b)

Physical verification of inventories is the responsibility of the management of the entity. However, where the inventories are material and the auditor is placing reliance upon the physical count by the management, it may be appropriate for the auditor to attend the inventory taking. The extent of auditor's attendance at inventory taking would depend upon his assessment of the efficacy of relevant internal control procedures, and the results of his examination of the inventory records maintained by the entity and of the analytical review procedures.

According to SA-501 'Audit Evidence-Specific Considerations for Selected Items', the management ordinarily establishes procedures under which inventory is physically counted at least once a year to serve as a basis for the preparation of the financial statements and, if applicable, to ascertain the reliability of the entity's perpetual inventory system.

Attendance at physical inventory counting involves:

- (i) Inspecting the inventory to ascertain its existence and evaluate its condition, and performing test counts.
- (ii) Observing compliance with management's instructions and the performance of procedures for recording and controlling the results of the physical inventory count, and
- (iii) Obtaining audit evidence as to the reliability of management's count procedures.

10. (c)

The following points are to be considered necessary for conducting an audit of Hospital.

- i. Check the letter of appointment to ascertain the scope of responsibilities.
- ii. Study the Charter or Trust Deed under which the hospital has been set up and take a special note of the provisions affecting the accounts.
- iii. Examine, evaluate and verify the system of internal check, internal control and determine the nature, timing and the extent of the audit procedures.
- iv. Vouch the entries in the Patient's Bill Register with a copies of bill issued. Test check the selected bills to see that these have been correctly prepared taking into consideration the period of stay of each patient as recorded in the Attendance Schedule.
- v. Vouch the collection from patients with copies of bills and entries in Bills Register. Arrears of dues should be properly carried forward and where these are deemed to be irrecoverable, they should be written off under due authorizations.
- vi. Interest and/ or dividend income should be vouched with reference to the Investment Register and Interest and Dividend warrants.
- vii. In case of legacies and donations which are received for specific purposes, it should be ensured that any income there from is not utilized for any other purposes.
- viii. Where receipts of subscription show a significant deviations from budgeted figures, it should be thoroughly inquired into and the matter be brought to the notice of the trustees or the Managing Committee.
- ix. Government grants or grants from local bodies should be verifies with the reference to the correspondence with the concerned authorities.
- x. Clear distinction should be made between the items of capital and revenue nature.
- xi. The capital expenditure should be incurred under proper authorization by a valid resolution of the trustees or the Managing Committee.
- xii. Verify the system of internal check as regards purchases and issue of stores, medicines etc.
- xiii. Examine that the appointment of the staff, payment of salaries etc. are duly authorized.
- xiv. Physically verify the investments, fixed assets and inventories.
- xv. Check that adequate depreciation has been provided on all the depreciable assets.

10. (d)

The duties of the auditor are as follows:

- i. Confirm that alteration was authorised 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. Verify that alteration had been effected in copies of Memorandum, Articles, etc.
- iv. Obtain the reasons for which the memorandum of the company is altered.
- v. Check whether there is any change in the voting percentage of shareholders due to consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares.
- vi. To confirm that the alter share capital's denomination should be more than R1.
- vii. Verify that proper accounting entries have been passed. Register of members may also be checked to see that the necessary alteration have been effected therein.