

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 an objective of a Bank's book-keeping system?
(a) to keep up-to-date detailed ledgers
(b) to balance the trial balance every day
(c) to keep all control accounts in agreement with the detailed ledgers
(d) All of the above
- (ii)** A non-cancellable lease is a lease that is cancellable only:
(a) upon the occurrence of some remote contingency
(b) with the permission of the lessor
(c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor
(d) All of the above
- (iii)** As per AS-17, the revenue of the reportable segment must have at least the following percentage of total revenue of the enterprise:
(a) 60%
(b) 75%
(c) 80%
(d) 90%
- (iv)** Short-Term Borrowings will include all Loans within a period of _____ months from the date of the loan.
(a) 6
(b) 12
(c) 24
(d) 36
- (v)** On redemption of Debentures, the amount lying in the Debenture Redemption Reserve, which is no longer necessary to be retained, should be transferred to
(a) Revaluation Reserve
(b) Securities Premium A/c
(c) Capital Reserve
(d) General Reserve
- (vi)** In case of Electricity Company, balance of Security Deposit a/c at the end of the accounting period should be disclosed as a _____ in the Balance Sheet.

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- (a) Non-current asset
- (b) Non-current liability
- (c) Current asset
- (d) Current liability

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

	Column 'A'		Column 'B'
1.	Section 68	A.	Rollover
2.	Section 55	B.	Power of company to purchase its own securities.
3.	Issue of new debentures in the place of old ones.	C.	Guaranteed Residual Value (GRV)
4.	AS 19	D.	Issue and redemption of preference shares

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

- (i) Bonus paid in the end along with the policy amount is called Reversionary Bonus.
- (ii) Related party transactions means a transfer of resource or obligations between related parties against a price.
- (iii) Unmarked applications are those applications which bear the stamp of an underwriter.
- (iv) Interest income in case of a Finance Company is not treated as a part of revenue from Operation.

2. (a) XYZ Ltd. has the following capital structure on of 31st March 2015

Particulars	₹ in Crores
a. Equity Share capital (Shares of ₹ 10 each)	300
b. Reserves:	
General reserve	270
Security Premium	100
Profit and Loss A/c	50
Export Reserve (Statutory Reserve)	80
c. Loan Funds	800

The shareholders have on recommendation of Board of Directors approved vide special resolution at their meeting on 10th April 2015 a proposal to buy back maximum permissible equity shares considering the huge cash surplus following A/c of one of its divisions.

The market price was hovering in the range of ₹25 and in order to induce existing shareholders to offer their shares for buy back, it was decided to offer a price of 20% above market.

Advice the company on maximum number of shares that can be bought back and record journal entries for the same assuming the buy back has been completed in full within the next 3 months. If borrowed funds were ₹1200 crores, and 1500 crores respectively would your answer change?

[8]

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(b) Information relating to five segments of X Ltd. is as under: (₹ in lakhs)

Segments	P	Q	R	S	T	Total
Segment Revenue	150	450	300	150	450	1500
Segment Result	60	(90)	135	15	(45)	75
Segment Assets	67.5	82.5	210	30	60	450

As a cost accountant of this company management wishes to know from you which company need to be reported as per AS -17. [4]

3. (a) T Ltd. gives you the following information for the year ended 31st March, 2019:

- Tax paid during the year amounts to ₹ 225,000.
- Closing inventory was higher than opening inventory by ₹75,000.
- Cost of goods sold was 75% of sales.
- Sales for the year ₹72,00,000. The company sold goods for cash only.
- Closing Trade payables exceed Opening Trade payables by ₹ 1,50,000.
- Amounts paid to Trade payables during the year ₹ 53,25,000.
- Administrative and Selling expenses paid ₹ 5,40,000.
- One new machinery was acquired during the year for ₹ 9,00,000.
- Dividend paid during the year ₹ 1,80,000.
- Cash in hand and of bank at the end ₹ 105,000.
- Cash in hand and at bank at the beginning ₹ 75,000.

Prepare Cash Flow Statement as per Accounting Standard 3. [6]

(b) From the following information calculate Depreciation and Advance against Depreciation as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

Date of Commercial Operation of COD=1st April 2010

Approved opening Capital cost as on 1st April 2010= 3,75,000

Weighted Average Rate of Depreciation : 3.5%

Details of allowed Additional Capital Expenditure. Repayment of Loan and Weighted Average Rate of Interest on Loan is as follows:

	1 st year	2 nd year	3 rd year	4 th year
Additional Capital Expenditure (Allowed)	25,000	7,500	5,000	5,000
Repayment of Loan	20,000	25,000	25,000	27,500
Weighted Average Rate of Interest on Loan	7.4	7.5	7.6	7.5

[6]

4. XYZ Ltd. have authorised capital of ₹50 lakhs divided into 5,00,000 equity shares of ₹10 each. Their books show the following balances as on 31st March, 2019:

	₹
Opening Stock	7,60,000
Discounts & Rebates	5,000
Carriage Inwards	32,500

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Patterns	5,00,000
Rates, Taxes and Insurance	27,500
Furniture & Fixtures	1,50,000
Purchases	6,16,250
Wages	11,68,000
Freehold Land	12,50,000
Plant & Machinery	4,00,000
Engineering Tools	1,50,000
Goodwill	3,75,000
Sundry Debtors	2,42,000
Bills Receivables	1,34,500
Advertisement	22,500
Commission & Brokerage	32,000
Business Expenses	42,000
Bank Current Account	20,000
Cash in Hand	8,000
Debenture Interest Paid	10,000
Interest on Bank Overdraft	45,500
Preliminary Expenses	15,000
Calls in Arrear @ 2 per share	10,000
Equity Share Capital (2,00,000 shares of ₹10 each)	20,00,000
8% Debentures(repayable after 10 years)	5,00,000
Bank Overdraft	7,57,000
Sundry Creditors(for goods)	2,40,500
Sales	26,16,650
Rent(Cr.)	45,000
Transfer Fees received	10,000
Profit & Loss A/c(Cr.)	67,000
Repairs to Building	31,000
Bad Debts	12,750

1. The stock (valued at cost or market value, whichever is lower) as on 31st March, 2019 was ₹ 708000.
2. Outstanding liabilities for wages ₹ 32,000 and business expenses ₹12,000.
3. Dividend declared @ 12% on paid up capital.
4. Depreciation: Plant and Machinery @ 5%, Engineering Tools @ 20%, Patterns @ 10% and Furniture & Fixtures @10%.
5. Provide 5% on debtors as doubtful debts after writing off ₹9000 as bad debts. Write off preliminary expenses fully.
6. Create Debenture Redemption Reserve @ 10% of Debentures.
7. Transfer to General Reserve @ 2.5 %.
8. Provide for Income Tax @ 30 %. Dividend Distribution Tax Rate @ 20%.

Required: Prepare a Statement of Profit & Loss for the year ended 31st March 2019. **[12]**

5. Write short note (any three):

[3×4=12]

- (a) Disclosure requirements under AS-11
- (b) Issue of Sweat Equity Shares
- (c) Re-insurance
- (d) Money received against Share Warrants

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) Statutory Auditor is appointed by the shareholder in the
 - (a) General Meeting
 - (b) Statutory Meeting
 - (c) EGM
 - (d) Board Meeting
- (ii) A Cost Auditor submits his report to
 - (a) Board of Directors
 - (b) Government
 - (c) Shareholders
 - (d) Statutory Auditor
- (iii) An audit committee should have _____ directors.
 - (a) 3
 - (b) 2
 - (c) 1
 - (d) 4
- (iv) Any fraud to involve an amount of _____ is to be reported to the Central government.
 - (a) 5 crore or above
 - (b) 100 crore or above
 - (c) 1 crore or above
 - (d) 10 crore or above
- (v) Form for Secretarial Audit Report is-
 - (a) MR-2
 - (b) MR-3
 - (c) MR-4
 - (d) MR-5
- (vi) Preventive Controls is a type of _____
 - (a) Internal Control
 - (b) Detective Control
 - (c) Verification
 - (d) None of the above

(b) Match the following:

[4x1=4]

	Column 'A'		Column 'B'
1.	Analysis of significant ratios and trends	A.	Power of company to Purchase its Own Securities.
2.	SA 300	B.	Verification
3.	Section 68 of the Co. Act 2013	C.	Permanent Audit File
4.	Proving the Truth	D.	Audit Planning

(C) Say True or False for the following question:

[4x1=4]

- (i) Cut off procedures are generally applied to trading transactions.
- (ii) The primary objective of the audit is for detecting frauds and error in the books of accounts and financial records of the clients business.
- (iii) If the debentures are issued as collateral security to the banks or creditors then auditor needs to ensure that such issue is approved by debenture trustee.
- (iv) Company Secretaries are eligible to conduct Cost Audit having valid certificate of practice.

7. (a) What is an 'Audit Engagement Letter'? What are the points to be covered in every audit engagement letter? **[2+6=8]**

(b) What are the techniques for evaluation of Internal control system? **[4]**

8. (a) Discuss the procedure for appointment of first auditor of a company. **[4]**

(b) Discuss the duty of an auditor to report certain matters in the audit report u/s 143(3). **[8]**

9. (a) The Companies Act, 2013 has introduced provision regarding rotation of auditors. Is the provision of rotation of auditors applicable to cost auditors also? **[6]**

(b) Under what circumstances should an auditor express an adverse opinion or disclaimer of opinion? **[6]**

10. Write short notes (Any three)

(3x4=12)

- (a) Declaration of dividend by a company u/s 123.
- (b) Features of Inventories that have impact on related audit procedures.
- (c) Audit of Co-operative Society
- (d) Audit of Issue of Bonus Shares.