

## **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.**

**(i)(a) Choose the correct answer from the given four alternatives:**

**[6x1=6]**

- (i) Cost of Materials Consumed comes under  
(A) "Expenses" in Statement of Profit and Loss  
(B) "Shareholders' Fund" in Balance Sheet  
(C) "Other Non-Current Assets" in Balance Sheet Assets side  
(D) None of the above
- (ii) Section \_\_\_\_ of The Companies Ac,2013 relates to Issue of Sweat Equity Shares  
(A) 54  
(B) 52  
(C) 53  
(D) None of the above
- (iii) A company may buy-back its shares or other specified securities out of which of the following?  
(A) free reserves  
(B) securities premium account  
(C) the proceeds of any shares or other specified securities like employees' stock option  
(D) All of the above
- (iv) A / an \_\_\_\_\_ has voting rights.  
(A) Debenture holder  
(B) Preference Shareholder  
(C) Equity Shareholder  
(D) None of the above
- (v) \_\_\_\_\_ means the issue of new debentures in the place of old ones.  
(A) Follow on public offer  
(B) Rollover  
(C) Right Issue  
(D) None of the above
- (vi) CERC stands for  
(A) Central Electricity Regulatory Commission  
(B) Central Electricity Regulation Commission  
(C) Central Electricity Regulatory Committee  
(D) None of the above

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(b) Match the following:

[4×1=4]

	Column 'A'		Column 'B'
1.	Share Surrender	A.	Accelerated Power Development and Reforms Programme
2.	Section 52	B.	Prohibition for Buy-Back
3.	Section 70	C.	voluntary return of shares
4.	Electricity Companies	D.	Application of share premium account

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

[4×1=4]

- (i) In case of Electricity Companies depreciation shall be allowed upto maximum of 70% of the historical cost of the asset.
- (ii) There are four types of Underwriting Agreements.
- (iii) Debenture carries a fixed rate of dividend.
- (iv) The sum which is still to be paid by the Company to the shareholders for a share is known as calls in arrears.

Answer any three questions out of the following four questions

[3×12=36]

2. (a) The summarized Balance Sheet (draft) of Om Shanti Ltd. As on 30<sup>th</sup> September was as under-

Equity & Liabilities	₹	Assets	₹
Stare Capital: Issued and Fully Paid		Fixed Assets	15,00,000
5,000 Equity Shares of ₹ 100 each fully paid	5,00,000	Investments:	95,000
6 % Redeemable Preference Shares of ₹ 100		(Own Debentures of Nominal of	
(Calls in Arrears on 200 Shares)	4,95,000	₹1,00,000)	
Reserves and Surplus:		Other Securities	1,00,000
Share Premium	1,00,000	Current Assets:	
Capital Reserve	1,00,000	Stock	2,00,000
General Reserve	2,00,000	Debtors	1,01,000
Profit and Loss A/c	3,00,000	Cash at Bank	6,00,000
10 % Debentures	2,00,000		
Sundry Creditors	7,00,000		
Total	25,96,000	Total	25,96,000

On the above date, the following were due for redemption:

- 1. 5,000, 6% Redeemable Preference Shares at a Premium of ₹ 25 per Share.
- 2. 2,000, 10% Redeemable Debentures at a premium of 10%.

The Redemption was made on that date or subsequently thus:

- (a) For the half year ending 30<sup>th</sup> September (i.e. above B/s date), the Debenture Interest and Preference Dividend were paid out of the Profits of the Company.
- (b) On an offer made to the 10% Debenture Holders, the outsiders agreed to take new 12% Debentures at par in exchange of old Debentures, the Company also decided to assume the New Debentures.
- (c) A Fresh Issue of 1,000 Equity Shares of ₹ 100 each were made at a Premium of ₹ 50 per Share and subscribed in full. All Money due were received forthwith.
- (d) Redemption of all Preference Shares were made on the above date. Assume that

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Securities Premium A/c is usable for providing the Premium on redemption of Preference Shares.

You are required to show all Journal Entries for the above transactions.

[8]

- (b) Ding-Dong Limited has set up its business in a designated backward area, which entitles the company to receive from the Government of India a subsidy of 20% of the cost of investment. Having fulfilled all the conditions under the scheme, the company on its investment of ₹100 crore in capital assets, received ₹20 crore from the Government in January 2018 (accounting period being 2017-2018). The company wants to treat this receipt as an item of revenue and thereby reduce the losses on profit and loss account for the year ended 31<sup>st</sup> March, 2018. Keeping in view the relevant Accounting Standard, discuss whether this action is justified or not.

[4]

3. (a) From the following information, calculate cash flows from financing activities:

	April 1, 2016 ₹	March 31, 2017 ₹
Long-term Loans	4,00,000	5,00,000

During the year, the company repaid a loan of ₹ 2,00,000.

[4]

- (b) Following is an extract from Trial Balance of Dhanyabaad Bank Ltd. as at 31<sup>st</sup> March, 2017:

Particulars	Dr. (₹)	Cr. (₹)
Bills Discounted	51,50,000	
Rebate on bills discounted not yet due, March 31, 2016		30,501
Discount received		1,45,500

An analysis of the bills discounted as shown above shows the following:

Date of Bill	Amount (₹)	Period months	Rate of discount % p.a.
31.01.2017	7,50,000	4	12
17.02.2017	6,00,000	3	10
06.03.2017	4,00,000	4	11
16.03.2017	2,00,000	2	10

Find out the amount of discount received to be credited to Profit and Loss Account and pass appropriate Journal Entries for the same. How the relevant items will appear in the Bank's Balance Sheet?

[8]

4. Following is the Trial Balance of Hero Ltd after preparation of Profit & Loss Account as on 31.03.2017.

Debit balances	₹	Credit balances	₹
Plant & Machinery	1,60,000	Equity Share (₹10 each)	1,90,000
Furniture & Fixture	34,000	Reserves	30,000
Investments	60,000	Profit & Loss A/c (01-04-16)	66,000
Inventory	16,000	15% Loans	60,000
Debtors	80,000	Creditors	46,000
Cash & Bank	36,000	Bills Payable	16,000
Advance to suppliers	24,000	Outstanding wages	6,000

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Advance tax	36,000	Profit for the year	58,000
Patent	30,000	Provision for tax (16-17)	25,000
Prepaid expenses	6,000	Provision for tax (15-16)	20,700
Bills receivables	15,000		
Proposed dividend	18,000		
Dividend distribution tax	2,700		
	5,17,700		5,17,700

Draw up the Balance Sheet of Hero Ltd as per Schedule III as at 31-03-2017 after taking into account the following:

- Advance tax includes 15,000 for 2015-16. Tax for the year 2015-16 is assessed at 18,000.
  - Transfer 5% of net profit to reserve
  - 30% of Investments represent short-term investments.
- [12]**

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

**[3×4=12]**

- (a) Right Issue of Shares;
- (b) Share application money pending allotment
- (c) Main features of the Electricity Act, 2003
- (d) Geographical Segments as per AS 17

### **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) The most comprehensive type of audit is the ..... system audit, which examines suitability and effectiveness of the system as a whole.
- (a) Quantity
  - (b) Quality
  - (c) Preliminary
  - (d) Sequential
- (ii) Cost Audit is covered under
- (a) Section 204
  - (b) Section 148
  - (c) Section 139
  - (d) None of the above
- (iii) Cost Auditor is required to submit the cost audit report in :
- (a) CRA -1
  - (b) CRA-2
  - (c) CRA-3
  - (d) CRA-4
- (iv) Secretarial Audit is applicable to the public sector company having the turnover of-

- (a) 100 crore
- (b) 200 crore
- (c) 250 crore
- (d) 300 crore

(v) Audit of debenture is covered under section-

- (a) Section 70
- (b) Section 71
- (c) Section 72
- (d) Section 73

(vi) The ..... is also expected to provide the resources needed and select staff members to accompany the auditors.

- (a) Auditor
- (b) Client
- (c) Internal auditor
- (d) Auditee

(b) Match the following:

[5×1=5]

	Column 'A'		Column 'B'
1.	The authority for Government Audit.	A.	Forming an opinion and reporting on financial statements.
2.	GRA 7 Challan	B.	Unqualified opinion
3.	SA 700	C.	Comptroller & Auditor General of India.
4.	True and fair audit report	D.	Excise Duty

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

[5×1=5]

- (i) There is no difference between statutory and external audit.
- (ii) The concept of true and fair is a fundamental concept in auditing.
- (iii) As per ICAI (CA) auditor need to retain the working paper for a period of 5 years.
- (iv) An audit report is the end product of auditing.

Answer any three questions out of the following four questions

[3×12=36]

7. (a) Compare audit and investigation. [7]  
(b) List any five basic elements of Internal Control. [5]
8. (a) List down the certain services which are not to be rendered by the Auditor of a company. [8]  
(b) What are the powers of the Audit Committee? [4]
9. (a) What are eligibility criteria for appointment as a cost auditor? [10]  
(b) Discuss the features of Consolidated Financial statement [CFS]. [2]
10. Write short notes on( any three) [3×4=12]  
(a) Joint audit  
(b) Audit of Inventories

- (c)** Audit of hospital
- (d)** Differences between Statutory Audit and Internal Audit