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) Transfer to capital redemption reserve account is not allowed from which of these profits?
(a) Securities premium account
(b) Forfeited shares account
(c) Profit prior to incorporation
(d) All of the above

(ii) While preparing Cash Flow Statement of Amlan Ltd., a finance company, interest received on loans should be shown as
(a) Cash Flow from Operating Activities
(b) Cash Flow from Investing Activities
(c) Cash Flow from Financing Activities
(d) Cash and Cash Equivalent

(iii) Which of the following is not a criterion for selecting a reportable segment under AS 17?
(a) 10% or more of aggregate revenue of all segment
(b) 10% or more of aggregate assets of all segment
(c) 10% or more of aggregate liabilities of all segment
(d) 10% or more of aggregate profit or loss of all segment (higher of the two)

(iv) Which of the following is a principle of insurance?
(a) Principle of indemnity
(b) Insurable interest
(c) Principle of uberrimae fidei
(d) All of the above

(v) _____ _____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

(vi) Instalment of principal amount of long−term loan payable within next 12 months is shown under Balance Sheet of a company under the heading
(a) Non-current Assets
(b) Non-current liabilities
(c) Current Assets
(d) Current Liabilities

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

	Column 'A'		Column 'B'
1.	Service Line Development Charges	**A.**	Issues to directors or Employees

2.	AS 18	**B.**	No voting right
3.	Debentures	**C.**	Related Party Disclosure
4.	Sweat Equity Shares	**D.**	Electricity Company

(c) State whether the following statements are True or False: 1x4=4

(i) A company has to create DRR in case of issue of debentures with maturity of more than 18 months.
(ii) A shareholder will receive dividend whether a company makes a profit or not.
(iii) The maximum number of shares to be bought back is determined by Resource test.
(iv) Issue of fully paid up bonus shares increases the total shareholders fund.

Answer any three questions out of the following four questions [3×12=36]

2. (a) Lakshmi Ltd. issued 1,00,000 Equity Shares of ₹10 each at par. The entire issue was underwritten as fallowes:

A – 60,000 Shares (Firm underwriting 8,000 Shares)
B – 30,000 Shares (Firm Underwriting 10,000 Shares)
C – 10,000 Shares (Firm Underwriting 2,000 Shares)

The Total Applications including Firm Underwriting were for 80,000 Shares. The marked Applications were as follows –

A – 20,000 Shares
B – 14,000 Shares and
C – 6,000

The underwriting contract provides that credit for Unmarked Applications to be given to the Underwriters in Proportion to the Shares underwritten. Determine the liability of each Underwriter. **[7]**

(b) On 1st April 2015, Radhe Ltd. received a Government Grant of ₹1,200 Lakhs for acquisition of a Machinery costing ₹6,000 Lakhs. The grant was credited to the cost of asset. The life of the Machinery is 5 years. The Machinery is depreciated at 20% on WDV basis. The company had to refund the grant in May 2018 due to non-fulfillment of certain conditions. How you would deal with the refund of Grant? **[5]**

3. (a) The following relevant items of cash flow statement of Lily Ltd. Prepared for the year 31st March, 2018:

Particulars	Amount (₹)	Amount (₹)
Net profit		1,60,00,000
Add: Sale of investment		1,75,00,000
Depreciation of Assets		27,00,000
Issue of preference shares		22,50,000
Loan raised		11,25,000
Decrease in stock		30,00,000
		4,25,75,000

Less: Purchase of Fixed Assets	1,62,50,000	
Decrease in Creditors	15,00,000	
Increase in Debtors	20,00,000	
Exchange gain	20,00,000	
Profit on sale of investments	30,00,000	
Redemption of debentures	14,25,000	
Dividend paid	3,50,000	
Interest paid	2,36,250	2,67,61,250
		1,58,13,750
Add: Opening Cash and Cash equivalent		21,35,250
Closing Cash and Cash equivalent		1,79,49,000

You are required to redraft and reconstruct the cash flow statement of Lily Ltd. in proper order for the year ended 31st March, 2017 in accordance with AS-3 using indirect method. **[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

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. On 31st March, Bose and Sen Ltd provides to you the following Ledger Balances after preparing its Profit and Loss Account for the year ended 31st March:

Credit Balances	₹	Debit Balances	₹
Equity Share Capital, fully paid Shares of ₹ 10 each	70,00,000	Calls in Arrears	7,000
General Reserve	15,49,100	Land	14,00,000
Loan from State Finance Corporation	10.50,000	Buildings	20,50,000
Secured by hypothecation of P & M (repayable within 1 yr ₹ 2.00,000)		Plant & Machinery	36,75,000
Loans: Unsecured (Long Term)	8,47,000	Furniture & Fixtures	3,50,000
Sundry Creditors for Goods & Expenses (Payable within 6 months)	14,00,000	Stocks: Finished Goods	14,00,000
Profit & Loss Account	10,98,300	Raw Materials	3,50,000
Provision for Taxation	3,25,500	Sundry Debtors	14,00,000
		Advances: Short-Term	2,98,900

		Cash in Hand	2,10,000
		Balances with Banks	17,29,000
		Patents & Trade Marks	4,00,000
Total	1,32,69,900	Total	1,32,69,900

The following additional information is also provided:

(i) 4,20,000 fully paid Equity Shares were allotted as consideration for Land & Buildings.
(ii) Cost of Building ₹ 28,00,000
(iii) Cost of Plant & Machinery ₹ 49,00,000
(iv) Cost of Furniture & Fixtures ₹ 4,37,500
(v) Sundry Debtors for ₹ 3,80,000 are due for more than 6 months.
(vi) The amount of Balances with Bank includes ₹ 18,000 with a Bank which is not a Scheduled Bank, and the deposits of ₹ 5 Lakhs are for a period of 9 months.
(vii) Unsecured Loan includes ₹ 2,00,000 from a Bank and ₹ 1,00,000 from Related Parties.

You are required to prepare the Balance Sheet of the Company as on 31st March, as required under the Companies Act. **[12]**

5. Write short note (any three): [3×4=12]

(a) Differences between Shares and Debentures;
(b) Types of Cash Flow;
(c) Related Party as per AS 18;
(d) Distinguish between Life and Non-Life Insurance.

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) Appointment of first auditor for government company is done by
(a) BOD
(b) Audit committee
(c) Managing Director
(d) CAG.

(ii) Audit is a fact-finding process that compares actual results with.....
(a) Specified standards and plans
(b) Expected results
(c) Premature results
(d) Preliminary results.

(iii) Form for maintainence of Cost Records by the Company.
(a) CRA-1
(b) CRA-2
(c) CRA-3
(d) CRA-4

(iv) SA 530 stands for

(a) Quality control for an audit of financial statement.
(b) Agreeing the terms of Audit engagements
(c) Audit Documentation
(d) Audit Sampling

(v) Objective of an Audit is to formulate an overall opinion on
(a) Cost statement
(b) Financial statement
(c) Books of accounts
(d) none of these

(vi) CAATS stands for –
(a) Cornwall Air Ambulance Trust
(b) Children Air Ambulance Trust
(c) Center for Alternative to Animal Testing
(d) Computer Assisted Auditing Technique

(B) Match the following: **[4×1=4]**

	Column 'A'		Column 'B'
1.	SA 210	**A.**	Does not agree with affirmation made by the management in the books.
2.	Objective of an audit	**B.**	Audit Engagement
3.	Scope of work	**C.**	Agreeing the terms of Audit Engagement.
4.	Negative report	**D.**	Opinion on Financial Statement

(C) Say True or False for the following question: **[4×1=4]**

(i) In an audit report the Membership number of the Chartered Accountants is irrelevant.
(ii) Co-operative banks are not governed by the Co-operative Socities Act,1912 .
(iii) Cost Auditors has to follow the Cost Auditing Standards while calculating Cost Audit.
(iv) Secretarial Audit Report is attached with the Board report.

Answer any three questions out of the following four questions **[3×12=36]**

7. (a) State the factors to be considered for determining materiality of an item. **[6]**
(b) Describe the objects of verification of assets and liabilities. **[6]**

8. (a) Discuss the disqualifications of auditors as per Section 141 of the Companies Act,2013. **[10]**
(b) Discuss the remuneration of an auditor. **[2]**

9. (a) Which company have to undergo Secretarial Audit ? **[4]**

(b) Distinguish between Audit Report and Audit Certificate. **[8]**

10. Write short notes (any three) **[3X4 = 12]**
(a) Branch Audit
(b) Audit of contigent liabilities
(c) Audit of educational institution
(d) Share transfer audit.