

INTERMEDIATE EXAMINATION

December 2019

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.

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 alternative:

1×6=6

(i) At present, a company can issue preference shares which are

- (A) irredeemable.
- (B) redeemable after the expiry of 20 years from the date of issue.
- (C) redeemable before the expiry of 20 years from the date of issue.
- (D) redeemable after the expiry of 25 years from the date of issue.

(ii) In case of purchase of assets under instalment payment system, instalments due after 12 months from the reporting date are shown as

- (A) Current liability
- (B) Current assets
- (C) Non-current liability
- (D) Non-current assets

(iii) Bonus paid at the end along with the policy amount to the policy holders is called

- (A) Production bonus
- (B) Reversionary bonus
- (C) Gratuitous bonus
- (D) Maturity bonus

(iv) In relation to an Electricity Company the amount of security deposit = Load $\times$ Load factor of the category in which the customer falls $\times$ Current tariff $\times$ _____.

- (A) Billing cycle + 45 days
- (B) Billing cycle + 30 days
- (C) Billing cycle + 15 days
- (D) Billing cycle + 20 days

(v) In case of a Banking Company General Ledger does not contain

- (A) Control Accounts of all personal ledger
- (B) Assets Accounts
- (C) Contra Accounts
- (D) Revenue Accounts

(vi) Losses of theft are covered by _____ insurance policies.

- (A) Burglary
- (B) Fire
- (C) Marine
- (D) None of the above

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

	Column A		Column B
(1)	Contribution on actuarial basis for Gratuity benefits	(A)	AS 17
(2)	Buyback of equity shares	(B)	AS 15
(3)	Capitalization of borrowing costs	(C)	Securities Premium A/c
(4)	Geographical segment	(D)	AS 16

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

1 $\times$ 4=4

- (i) Rollover must be with the written consent of the debenture holders.
- (ii) In case of Forfeiture of Shares, a shareholder is not able to pay the further calls and returns his shares to the company for cancellation voluntarily.
- (iii) Cash comprises cash in hand and foreign currency balances.
- (iv) Minimum aggregate value of Paid-up Capital and Reserve in case of a Banking Company incorporated outside India not having place(s) of business in the city of Mumbai or Kolkata or both should be ₹ 15 lakhs.

2. (a) Moti Ltd. invited applications for issuing 10,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 2 per share. The amount was payable as follows:

On Application	— ₹ 5 (including Premium)
One Allotment	— ₹ 4
On First and Final call	— ₹ 3

Applications for 15,00,000 shares were received. Applications for 3,00,000 shares were rejected and *pro rata* allotment was made to remaining applicants. Excess application money was utilised towards sum due on allotment. Giri who has applied for 24,000 shares failed to pay the allotment and call money. His shares were forfeited. Out of the forfeited shares, 10,000 shares were reissued for ₹ 8 per share fully paid up. Pass necessary Journal entries in the books of Moti Ltd. 8

- (b) K Ltd. purchased goods from a US Company for US \$ 50000 on 10.02.2019 and settled the due on 30.06.2019. K Ltd. closes the books of accounts on 31st March. Exchange rates were as follows:

Date	Rate
10.02.2019	47.40
31.03.2019	46.00
30.06.2019	47.80

Calculate the exchange loss / gain on the reporting date and on the settlement date and comment on their treatment as per AS 11. 4

3. (a) The following figures have been extracted from the books of M Limited for the year ended on 31.03.2019. You are required to prepare a Cash Flow Statement.

- (i) Net profit, before adjusting income tax but after taking into account the following items, was ₹ 10 lakhs.

- Depreciation on Assets ₹ 2,50,000.
- Discount on issue of Debentures written off ₹ 15,000.
- Interest on Debentures paid ₹ 1,75,000.
- Book value of investment ₹ 1,50,000 (Sold for ₹ 1,60,000).
- Interest received on investments ₹ 30,000.

- (ii) Income tax paid during the year ₹ 4,80,000.

- (iii) 7,500 10% preference shares of ₹ 100 each were redeemed on 31.03.2019 at a premium of 5%. Further the company issued 25,000 equity shares of ₹ 10 each at a premium of 20% on 02.04.2018. Dividend on preference shares were paid at the time of redemption.

- (iv) Dividends paid for the year 2017-18 ₹ 2,50,000 and interim dividend paid ₹ 1,50,000 for the year 2018-19.

(v) Land was purchased on 02.04.2018 for ₹ 1,20,000 for which the company issued 10,000 equity shares of ₹ 10 each at a premium of 20% to the land owner as consideration.

(vi) Current assets and liabilities were as follows:

Particulars	31.03.2018 (₹)	31.03.2019 (₹)
Stock	6,00,000	6,59,000
Sundry Debtors	1,04,000	1,06,550
Cash in hand	98,150	17,650
Bills Receivable	25,000	20,000
Bills Payable	22,500	20,000
Sundry Creditors	83,000	85,650
Out standing expenses	37,500	40,900

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(b) The books of a Bank include a loan of ₹ 5,00,000 advanced on 30.09.2017, interest chargeable @ 16% p.a. compounded quarterly. The security for the loan being 7,000 shares of ₹ 100 each in a public limited company valued @ ₹ 90 each. There is no repayment till 31.12.2018. On 31.12.2018, the value of shares declined to ₹ 85 per shares. How would you classify the loan as secured or unsecured in the Balance Sheet?

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4. The following is the trial balance of Beta Ltd. as on 31.03.2019:

Dr.			Cr.
Particulars	₹	Particulars	₹
Stock in trade on 01.04.18	1,50,000	Purchase returns	20,000
Purchases	4,90,000	Sales	6,80,000
Salaries	60,000	Discount received	6,000
Freight, Carriage etc.	1,900	Balance of Profit and Loss (Cr.)	12,000
Furniture	34,000	Share capital (₹ 10)	2,00,000
Contribution to P.F.	10,000	Trade payables	49,000
Rent and Rates	8,000	General reserve	31,000
Stationary	3,800		
Repairs	4,000		
Insurance	6,000		
Misc. expenses	300		
Staff welfare expenses	5,000		
Plant and machinery	58,000		
Cash at bank	92,400		
Patents	9,600		
Trade receivables	65,000		
	9,98,000		9,98,000

You are required to prepare Statement of Profit and Loss for the year ending 31st March, 2019 and Balance Sheet as at that date after taking into consideration the following information:

- (i) Closing stock as at 31.03.2019 is ₹ 1,76,000.
- (ii) Make a provision for income tax @ 40%.
- (iii) Depreciate plant and machinery @ 15%, furniture @ 10% and patents @ 5%.
- (iv) Outstanding rent ₹ 1,600 and outstanding salaries ₹ 1,800.
- (v) The directors recommended a dividend @ 15% after transfer to General Reserve ₹ 4,000.
- (vi) Dividend Distribution Tax payable at an effective rate of 20.36%.
- (vii) Trade receivables of ₹ 5,000 are due for more than 6 months. Provide ₹ 1020 for doubtful debts.
- (viii) The authorized capital of the company is ₹ 4,00,000 divided 40,000 equity shares of ₹ 10 each of which 20,000 shares have been issued and fully paid up. 2,000 shares were, however, issued for consideration other than Cash. 12

5. Write short notes (any three):

4×3=12

- (a) Rules for identification of Reportable Segments
- (b) Issue of shares at a premium
- (c) Accounting of depreciation by an Electricity company
- (d) Disclosure requirement under Schedule III with respect to Trade Receivables

Section B (Audit)

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

6. (a) Identify the correct alternative in each of the following cases:

1×6=6

- (i) Section 146 of the Companies Act, 2013 deals with
 - (A) Auditor not to render certain services
 - (B) Auditor to sign Audit Reports
 - (C) Auditor to attend general meeting
 - (D) Punishment for contravention

Please Turn Over

- (ii) Which of the following is not included in the Current Audit File?
- (A) Memorandum and Articles of Association
 - (B) Current year's audit programme
 - (C) Internal Control Questionnaire
 - (D) Copies of budget
- (iii) Which of the following is not an external audit evidence?
- (A) Quotations
 - (B) Confirmation from debtors
 - (C) Goods Received Note
 - (D) Confirmation from bankers
- (iv) The _____ shall act as the secretary of the Audit Committee.
- (A) Auditor
 - (B) Managing Director
 - (C) Comptroller and Auditor General
 - (D) Company Secretary
- (v) Cost Auditor is appointed by
- (A) Audit Committee
 - (B) Board of Directors
 - (C) Board of Directors on recommendation from Audit Committee
 - (D) None of the above
- (vi) Remuneration of Auditors is covered under the following section of Companies Act, 2013:
- (A) Section 142
 - (B) Section 148
 - (C) Section 139
 - (D) Section 143

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

	Column A		Column B
(1)	Section 144 of the Companies Act	(A)	Fundamental Accounting Assumption
(2)	Reporting of fraud by Auditor to Central Government	(B)	External and Internal Audit
(3)	Functional Classification of Audit	(C)	Form ADT-4
(4)	Going Concern	(D)	Auditors not to render certain services

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

- (i) An audit work reflects the work done by the Management.
- (ii) "Branch Office" in relation to a Company means any establishment described as such by the Company.
- (iii) Cooling period of the individual auditor is 2 consecutive terms of 5 years.
- (iv) There is no difference between Statutory and External audit.

7. (a) Discuss the basic principles of governing an audit as per SA 200. 6

- (b) "The existence of a good internal check system reduces to a great extent the work of the auditor but does not reduce his liability."— Discuss. 6

8. (a) Discuss the provisions relating to 'Punishment for Contravention' under section 147 of the companies Act 2013. 6

- (b) List down the certain services which are not to be rendered by the Auditor of a Company. 6

9. (a) With reference to the Companies (Cost records and Audit) Rules 2014, as amended, discuss provisions relating to maintenance of cost accounting records and cost audit. 6

- (b) Discuss briefly some of the situations calling for qualifications in Audit Report. 6

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

- (a) Branch Audit
- (b) Information Systems Audit
- (c) Audit of Municipalities and Panchayats (Local Bodies)
- (d) Audit of interest on debentures