

INTERMEDIATE EXAMINATION
December 2018

P-12(CAA)
Syllabus 2016

Time Allowed: 3 Hours

Company Accounts and Audit

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Where considered necessary, suitable assumptions should 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 instruction 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) Which of the following reserves cannot be used for the purpose of issuing bonus shares?
- (A) Revaluation Reserve
 - (B) Dividend Equalization Reserve
 - (C) Capital Redemption Reserve
 - (D) General Reserve
- (ii) In Case of Life Insurance Business, Bonus may be of
- (A) One type
 - (B) Two types
 - (C) Three types
 - (D) None of the above
- (iii) 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

Please Turn Over

(iv) Which of the following is not a condition of buy-back of securities?

- (A) Both fully and partly paid-up securities can be bought back.
- (B) Buy-back must be authorised by the Articles of Association.
- (C) Buy-back must be authorised by passing a special resolution in general meeting.
- (D) Buy-back should be completed within 1 year from the date of passing of special resolution.

(v) A banking company is required to maintain _____ provision on unsecured portion of doubtful advances.

- (A) 25%
- (B) 40%
- (C) 50%
- (D) 100%

(vi) Which of the following is correct?

- (A) Debenture carries a fixed rate of dividend.
- (B) A company limited by shares may issue irredeemable preference shares.
- (C) Unmarked applications are those applications that bear the stamp of the underwriter.
- (D) Except as provided in Section 54, a company shall not issue shares at a discount.

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

1×4=4

	Column 'A'		Column 'B'
(i)	Functional Currency	(a)	Electricity Company (iii)
(ii)	Surrender Value	(b)	AS 19 (iv)
(iii)	Service Line Development Charges	(c)	AS 11 (i)
(iv)	Contingent Rent	(d)	Insurance Company (ii)
		(e)	No match found

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

1×4=4

- (i) The profit on forfeiture and re-issue of equity shares are credited to Capital Redemption Reserve. ✓
- (ii) As per Companies Act 2013, companies are not permitted to buy back their own shares out of securities premium. ✓

- (iii) Bonus is the share of profit which is payable by the insurance company to the policyholders. ↵
- (iv) Interest on loan is included in 'other operating expenses' under the Statement of Profit and Loss. ↵

2. (a) Following is the extract of the Balance Sheet of Xeta Ltd. as at 31st March, 2017:

<i>Authorised Capital:</i>	
50,000 12% Preference shares of ₹ 10 each	5,00,000
4,00,000 Equity shares of ₹ 10 each	<u>40,00,000</u>
	<u>45,00,000</u>
<i>Issued and Subscribed Capital:</i>	
24,000 12% Preference shares of ₹ 10 each fully paid	2,40,000
2,70,000 Equity shares of ₹ 10 each, ₹ 8 paid up	21,60,000
<i>Reserves and Surplus:</i>	
General Reserve	3,60,000
Securities Premium	1,00,000
Profit and Loss Account	6,00,000

On 1st April, 2017, the Company has made final call @ 2 each on 2,70,000 Equity shares. The call money was received by 20th April, 2017. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company and prepare the extract of the Balance sheet as on 30th April, 2017 after bonus issue. 7

(b) An enterprise operates through six segments, namely, A, B, C, D, E and F. The relevant information about these segments are given in the following table (amounts in ₹.'000):

	A	B	C	D	E	F	Total(segment)
1. Segment Revenue							
(a) External Sales	–	550	250	150	50	50	1050
(b) Inter Segment Sales	100	100	50	200	–	50	500
2. Segment Results-Profit/ (Loss)	(90)	25	(5)	(15)	5	10	–
3. Segment Assets	30	50	10	20	10	5	

Identify the reportable segments under (i) segment revenue criterion, (ii) segment result criterion and (iii) segment asset criterion as per AS17. 5

3. (a) Following are the summarized Balance Sheets of Beta Ltd.

Liabilities	31.03.17 ₹	31.03.18 ₹	Assets	31.03.17 ₹	31.03.18 ₹
Equity Share Capital (₹ 10)	4,00,000	5,00,000	Land & Building	4,00,000	3,80,000
General Reserve	1,00,000	1,20,000	Plant and Machinery	3,00,000	3,38,000
Profit & Loss (Cr.)	61,000	61,200	Inventory	2,00,000	1,48,000
Bank Loan	1,40,000	—	Trade Receivable	1,60,000	1,28,400
Trade Payable	3,00,000	2,70,400	Cash in hand	1,000	1,200
Provision for Taxation	60,000	70,000	Cash at Bank	—	16,000
			Goodwill	—	10,000
	10,61,000	10,21,600		10,61,000	10,21,600

Additional Information:

- Dividend paid during the year ₹ 46,000.
- Net profit for the year ₹ 1,32,200.
- Depreciation written-off on building ₹ 20,000 and on machinery ₹ 28,000.
- Income tax paid during the year ₹ 56,000.
- The following assets of another company were purchased for a consideration of ₹ 1,00,000 and paid in shares.
Assets were: Inventory ₹ 40,000 and Machinery ₹ 50,000.
- Further machinery was purchased for ₹ 50,000 during the year. There was a sale of Machinery.

You are required to prepare a Cash Flow Statement as per AS 3.

9

(b) From the following information calculate return on equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulation 2004: 3

- Date of commercial operation of COD = 01.04.2014
- Approved opening capital cost as on 01.04.2014 = ₹ 30,00,000
- Details of allowed additional capital expenditure:

Year	1	2	3	4
Additional Capital Expenditure (₹)	2,00,000	60,000	40,000	20,000

4. The following is the Trial Balance of Omega Limited as on 31.03.2018:

(Figures in ₹. '000)

	Debit		Credit
Land at cost <i>B/S</i>	220	Equity Capital (Shares of ₹ 10 each) <i>B/S</i>	300
Plant and Machinery at cost <i>B/S</i>	770	10% Debentures <i>B/S</i>	200
Trade Receivables <i>B/S</i>	96	General Reserve <i>B/S</i>	130
Inventories (31.03.18) <i>B/S</i>	86	Profit & Loss A/c <i>B/S</i>	72
Bank <i>B/S</i>	20	Securities Premium <i>B/S</i>	40
Adjusted Purchases <i>P/L</i>	320	Sales <i>P/L</i>	700
Factory Expenses <i>P/L</i>	60	Trade Payables <i>B/S</i>	52
Administration Expenses <i>P/L</i>	30	Provision for Depreciation	172
Selling Expenses <i>P/L</i>	30	Suspense Account	4
Debenture Interest <i>P/L</i>	20		
Interim Dividend Paid <i>P/L</i>	18		
	1,670		1,670

Additional Information:

- (i) The Authorised Share Capital of the Company is 40,000 shares of ₹ 10 each. *B/S*
- (ii) The Company on the advice of independent valuer wish to revalue the land at ₹ 3,60,000. *T*
- (iii) Declared final dividend @ 10% (over Interim Dividend of ₹ 18,000). *P/L appropriation*
- (iv) Suspense account of ₹ 4,000 represents cash received for the sale of some of the machinery on 01.04.2017. The cost of the machinery was ₹ 10,000 and the accumulated depreciation thereon being ₹ 8,000.
- (v) Depreciation is to be provided on plant and machinery at 10% on cost. ✓

You are required to prepare Omega Limited's Profit and Loss Statement for the year ended 31.03.2018 and the Balance Sheet as on that date in accordance with the Companies Act, 2013 in the Vertical Form along with the Notes on Accounts. Ignore previous years' figures and taxation. 12

5. Write short notes on (any three):

4×3=12

- (a) Related Party as per AS 18
- (b) Re-insurance
- (c) Forfeiture of Shares vis-à-vis reissue of Forfeited Shares
- (d) Schedule III disclosure requirement in respect of cash and cash equivalents.

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Section-B
(Auditing)

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) Internal Auditor is appointed by

- (A) Audit Committee
- (B) Shareholders in General Meeting
- (C) Extraordinary General Meeting
- (D) Board of Directors

(ii) Cost Audit Report is submitted to Board of Directors in Form No.

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

(iii) Check list contains the instruction to be followed by the

- (A) Internal Auditor
- (B) External Auditor
- (C) Audit Assistants
- (D) Employee of the organisation

(iv) Form for Secretarial Audit Report is

- (A) MR-2
- (B) MR-3
- (C) MR-4
- (D) MR-5

- (v) Permanent Audit file contains
- (A) copies of management letters.
 - (B) audit programme.
 - (C) analysis of transaction and balances.
 - (D) analysis of significant ratios and trends.
- (vi) Audit of debenture is covered under section
- (A) 70
 - (B) 71
 - (C) 72
 - (D) 73

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

	Column 'A'		Column 'B'
(i)	The authority for Government Audit	(a)	Audit Programme 2
(ii)	Details of Audit work to be performed	(b)	Comptroller and Auditor General
(iii)	Removal of Statutory Company Auditor	(c)	Audit Note Book X
(iv)	Details about Name and Organisation Structure	(d)	Section 140 3
		(e)	No match found

- (c) State whether the following statements are *True* or *False*: 1×4=4
- (i) The Branch Auditor shall prepare report on the Accounts of the Branch examined by him and send it to Audit Committee. *F*
 - (ii) Maintenance of Cost Accounting Standards is mandatory as per Section 143 of Companies Act. *F*
 - (iii) Routine checking is a substitute of vouching. *F*
 - (iv) Casual vacancy in the office of Cost Auditor is filled by Board of Directors. *T*

7. (a) Discuss the method of obtaining Audit Evidences. 6
- (b) Distinguish between Internal Control and Internal Check. 6
8. (a) Discuss the functions and power of the Audit Committee. 6
- (b) Discuss the procedure for appointment for first Auditor of the Company and his tenure. 6

Please Turn Over

9. (a) Discuss the relevant provisions of Companies (Cost Records and Audit) Rules 2014 on applicability of Cost Audit to different sectors. 6

(b) What is a qualified Audit Report? Discuss the circumstances when an Auditor shall qualify his report. 2+4=6

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

(a) Auditor's duty regarding unclaimed dividend

(b) Physical verification of Inventory and Auditor's responsibility thereof

(c) Audit of Co-operative Society

(d) Difference between Statutory Audit and Internal Audit
