Bangabasi College

Test Examination - 2015

B.Com.(Hons.)-Part II

Paper - 1

Sub: Auditing AND Financial Accounting II

Section A - Auditing 1 50 Marks 1

Group - A

Answer any four questions : 4x5=20

1. Discuss the objectives of Auditing.

2. What is Audit Note Book ?

3. What is Internet Audit ?

4. What is Auditing in Depth ?

5. What is Audit Report ?

6. What is Cost Audit ?

7. What is Management Audit ?

8. What is Envisonment Audit ?

Group - B

Answer any three questions : 3x10=30

9. Discuss the steps to be taken before Communicant of a new Audit.

10. What are the difference between Internal Control and Internal Check.

11. Discuss the Duties and Liabilities of an Auditor.

12. Discuss the special features of Bank Audit.

13. Discuss the special features of Audit of Education Institutions.

14. Discuss the distination between Investigation and Auditing .

Section B - Financial Accounting II [50 Marks]

GROUP- A

Answer the following question 5

1. Discuss the salient features of Accounting Standard in India.

GROUP- B

Answer any TWO questions 2x71/2 =15

2. Sambhu Bros, sells its products under hire purchase method. The following information was available on the date noted below:

		Rs.
2014, Jan 1	Stock out on hire purchase	90,000
	Shop Stock balance	11,250
Instalments due (customers still paying)		6,750
2014, Dec. 31	Stock out on hire purchase	1,03,000
	Shop Stock balance	15,750
	Instalments due (customers still paying)	11,250

It is ascertained that cash of Rs. 1,80,000 has been received during the year and gross profit is reckoned at 25% of selling price. Prepare the Accounts under Stock and Debtors Method for the year ending on 31st December, 2014.

3. On 1st January, 2005 ENP Ltd. issued Rs.5,00,000, 16% debentures at 6% discount repayable after 5 years at par. The company reserved the right to redeem to the extent of Rs.50,000 in any year by purchase in the open market. The interest was payable half-yearly on June 30 and December 31 and the same was duly paid. On December 31, 2005, the company purchased Rs.50,000 debentures at a cost of Rs.48,500. Pass necessary journal entries up to December 31, 2005.

4. Sun Ltd. invited applications from public for 1,00,000 equity shares of Rs. 10 each at a premium of Rs.5 per share. The entire issue was underwritten by the underwriters. A,B,C, and D to the extent of 30%, 30%, 20% and 20% respectively with the provision of firm underwriting of 3000, 2000, 1000 and 1000 shares

respectively. The underwriters were entitled to the maximum commission permitted by law.

The company received applications for 70,000 shares from Public out of which applications for 19000, 10,000, 21000 and 8,000 shares were marked in favour of A,B,C and D respectively.

Calculate the liability of each of the underwriters. Also ascertain the underwriting commission payable to the different underwriters.

5. The following is the summarized Balance Sheet of Jumbo Ltd as on 31st March, 2006:

LIABILITIES	Rs.	ASSETS	RS.
Share Capitals:			
5000 Equity Shares of Rs.100 each	5,00,000	Fixed Assets	9,00,000
3000 8% Redeemable Preference		Investments	2,00,000
Shares of Rs.100 each, Rs.80 called		Current Assets:	
up per share	2,40,000	Stock	1,00,000
4000 9% Redeemable Preference		Sundry Debtors	2,00,000
Shares of Rs. 100 each	4,00,000	Cash at Bank	3,00,000
Capital Reserve	1,00,000		
General Reserve	1,00,000		
Securities Premium	60,000		
Profit and Loss Account	2,00,000		
Sundry Creditors	1,00,000		
	17,00,000		17,00,000

On 1.4.06 the company redeemed the Preference Shares at a premium of 10%. In order to pay off the Preferenee shareholders, the company sold the investments realizing Rs.2,10,000 and also issued 2,000 7% Preference Shares o Rs.100 each which are fully subscribed in cash. Show the Journal Entries and also prepare a Balance Sheet of the Company after the completion of transactions whicl took place on 1.4.2006. Assume that minimum use of General Reserve was made.

6. Moon & Lal Ltd. has Rs.11 ,20,000 in Equity Share Capital consisting of 80,000 shares of Rs.10 each, fully paid, and 40,000 shares of Rs.10 each, of which Rs.8 paid per share. It has Rs.40,000 in Capital Reserve; Rs.40,000 in Securities Premium; Rs.1,40,000 in Capital Redemption Reserve Account; Rs.3,00,000 in General Reserve.

By way of bonus dividend the partly paid-up shares are converted into fully paid-up shares and the holders of fully paid-up shares are also allotted fully paid-up bonus shares in the same ratio. Pass the entries showing separately the two types of bonus issues as mentioned above with the minimum reduction in free reserves.

7. What are the legal provisions for Buy back of Equity Shares?

8. From the following details relating to Delhi Branch for the year ended March,31st, 1997, Prepare the Branch Account in the books of Head Office. Show your workings clearly.

		Rs.
Stock on 1.4. 1996		25,000
Debtors on 1.4. 1996		10,000
Furniture on 1.4.1996		6,000
Petty Cash on 1.4. 1996 .		1,000
Insurance Prepaid on 1.4.1996		300
Salaries Outstanding on 1.4.1996		4,000
Goods sent to Branch during 1996-97		2,00,000
Cash Sales during the year		2,70,000
Total Sales		3,50,000
Cash received from Debtors		65,000
Cash paid by Debtors direct to H.O.		5,000
Goods return by Branch		2,000
Goods return by Debtors		1,000
Cash sent to Branch for Expenses :		
Rent(Rs.800p.m.)	9,000	
Salary (Rs.4,000 p.m.)	48,000	
Petty Cash	2000	
Insurance (up to June, 1997)	1200	
		60,800
Petty Cash Expenses		2,200
Discount allowed to Debtors		500
Stock on 31.3.1997		15,000

Depreciation on Furniture @10% p.a.
Goods costing Rs.2,500 were damaged in transit and a sum of Rs.2,000 was recovered from the Insurance Company in full settlement of the claim.

9. HCL grants 1,250 options on 1st April,2002 at Rs.80 when the market price is Rs.200 and the face value is Rs.10. The vesting period is 3 years. The maximum exercise period is one year. 450 unvested options lapse on 1st May, 2004, 800 options are exercised on 31st August,2005.
Pass necessary journal entries to record the above transactions and also show Deferred Employee Compensation Expense Account and Employee Stock Options Outstanding Account and state how these accounts will be shown in the Balance Sheet.

GROUP- C

Answer any ONE question 1x 15 = 15

10. The following was the extract from the balance sheet of A, B and C (who were in partnership sharing profits and losses in the ratio of 4 : 4 : 2) as a date when the partnership was dissolved :

Liabilities	Rs	Rs.
Capital Accounts:		
A	24,000	
B	18,000	
C	18,000	
		60,000
nk Overdraft (Secured on Stock)		10,000
dry Creditors (There is a contingent liability s. 2,500 in respect of a bill receivable discounted, aturity date being February 26, 2007)		25.000
		95.000

The assets realized as follows :

	Stock	Other Assets
	Rs.	Rs.
31.01.07	5,000	13,000
28.02.07	14,000	12,000
31.03.07		20,000
30.04.07		22,000

11. The discounted bill was duly met at maturity. It was decided to distribute the cash as and when realized on the basis of priority.

Prepare a statement showing the distribution following the maximum loss basis.

The Orange Ltd. issued a prospectus offering 2,00,000 equity shares of Rs.10 each on the following terms :

On Application : Re. 1 per share

On allotment (including premium) : Rs.Bper share

On 1st Call (3 months after allotment) : Rs.4 per share

On 2nd Call (3 months after 1st call) : Rs.4 per share

Subscription were received for 3,17,000 shares on 23rd April,2008 and the allotment made on 30th April, was as under :

	Shares Allotted
1. Allotments in full (2 applicants paid in full on allotment in respect of 4,000 shares each)	38,000
2. Allotments of 2/3rd of shares applied for	1,60,000
3. Allotments of 1/4th of shares applied for	2,000

Cash amounting to Rs.31,000, being application money received with applications for 31,000 shares upon which no allotment were made was returned to applicants. The amounts due were received with the exception of the allotment on 100 shares (allotted in 2 3rd ratio). On his subsequent failure to 1st Call, his shares wer forfeited. These shares were

re-issued after the final call of Rs.9 per share. The Company had adopted Table A as its Articles.
Give journal entries, including cash transactions. Assume the company paid the interest due from it in cash.

12. Bubbles Ltd. Has three operating departments. The details of operations of each Department during 1998 had been as follows:

	Dept. I	Dept. II	Dept. III
	Rs.	Rs.	Rs.
Sales to customers	4,00,000	6,00,000	8,00,000
Purchase from outsiders	3,00,000	4,00,000	5,00,000
Opening Stock (out of local purchases)	80,000	1,00,000	1,20,000
Transfer to Dept. III	1,35,000		
Closing Stock	50,000	50,000	1,00,000

Common Expenses:

Selling Commission	Rs. 36,000
Depreciation	Rs. 45,000
Administration Expenses	Rs. 1,60,000
Interest on Capital	Rs. 90,000

Stock of Dept. III includes 20% transfers from Dept I. Prepare Departmental Profit and Loss A/c and ascertain net profit of the company after considering the following details:

	Dept. I	Dept. II	Dept. III
Fixed Assets installed (Rs.)	3,60,000	2,00,000	1,60,000
Capital Employed (Rs.) -	2,00,000	3,00,000	3,00,000
Administration expenses to be shared	4/10	3/10	3/10

Dept. I transfer supplies to Dept. III at normal selling prices less 10%.

GROUP- D

Answer the following question

From the following Trial Balance and other particulars of Alfa Company Limited prepare Profit Profit and Loss Appropriation Account for the year ended 31st March,2004 and a Balance Sheet and Loss Account and the as on that date.

Debit	Rs.	Credit	Rs.
Cash In Hand	1,60,000	Equity Share Capital	1,40,00,000
Cash at Bank	16,00,000	(14,00,000 shares of	
5% Investment	20,00,000	Rs.10 each)	
(Market value Rs.19,20,000)		Redeemable Preference	
Stock In Trade	24,00,000	Shares	6,00,000
Sundry Debtors	13,20,000	General Reserve	6,80,000
Bills Receivable	80,000	Capital Redemption	
Establishment Charges	24,00,000	Reserve	3,20,000
Advertisement	40,000	Interest on Investment	1,00,000
General Expenses	5,40,000	Securities Premium	4,00,000
Travelling Allowance	28,000	Gross Profit	1,04,00,000
Rates and Taxes	24,000	Commission	60,000
Insurance	68,000	Sundry Creditors	2,60,000
Advance payment of Income Tax	20,00,000	Bills payable	60,000
Preference Shares Redemption	6,60,000	Unpaid Dividend	40,000
Income Tax Paid under Dispute	12,00,000	Profit and Loss Account	2,60,000
	(31.3.04)	Outstanding Expenses:	
Land & building	40,00,000	Advertisement	20,000
Plant & Machinery	80,00,000	General Expenses	60,000
Truck & Van	2,00,000	Provision for taxation	8,00,000
Furniture	4,00,000		
Discount	60,000		
Depreciation	8,60,000		
Director's fees	20,000		
	2.80.60.000		2.80.60.000

Additional Information:

1. Provision is to be made for Income Tax at 60% of the Profit.
2. Managing Director is entitled to a remuneration of 5% of the annual net profit.
3. The Preference a Shares were redeemed on 1.4.2003 at a Premium of 10% but the same has not been given effect to any other account except debiting the amount in the Preference Shares Redemption A/c.

4. Provide 7% dividend on Equity Share Capital.

5. Depreciation was provided up to 31.3.2004 as per Income Tax Rules : Land and Building Rs.2,00,000, plant and machinery Rs.6,00,000; Truck and Van Rs.20,000 and Furniture Rs.40,000.

6. Income Tax Demand for the year ending 31.3.2002 Rs.6,00,000 has not been provided for against which an appeal is pending.

7. Sundry debtors include Rs.1,30,000 due for a period exceeding six months and other realizable items are considered good.

8. Establishment Charges include Rs.1,00,000 towards payment made to Managing Director.

9. 25% of the Profit after adjusting to Provisions for Income Tax under dispute should be transferred to General Reserve.