

M.Com. 2nd Semester

**CORPORATE FINANCIAL ACCOUNTING AND
AUDITING**

Paper—MC-201

Time Allowed—Three Hours] [Maximum Marks—100

SECTION—A

Note :— Attempt any **TEN** questions. Answer to each question should be in upto ten lines. Each question carries **2** marks.

1. What do you mean by Intangible Assets ?
2. Explain the meaning of Nominal Share Capital.
3. What is meant by Super Profits ?
4. Distinguish between Secured Loan and Unsecured Loan.
5. What is the need for Valuation of Shares ?
6. How is Book Value of the share determined ?
7. What do you understand by Proprietary Audit ?
8. Explain the difference between Internal Audit and External Audit.
9. What are the liabilities of Cost Auditor ?

10. Discuss the meaning of Management Audit.
11. What do you understand by the concept 'True and Fair View' ?
12. What is Qualified Audit Report ?

SECTION—B

Note :— Attempt any **TWO** questions. Answer to each question should be in about **5** pages. Each question carries **20** marks.

1. What is meant by divisible profits ? Explain the provisions of the Companies Act regarding divisible profits. When can dividend be paid out of capital profits ?
2. What is the need for valuation of goodwill ? Discuss various methods for valuation of goodwill. Which method is more suitable for amalgamation situations ?
3. Balance Sheet of XYZ Ltd. as on 31st March, 2015 was as follows :—

Liabilities	Rs.
Share Capital	
4000, 10% Preference shares of Rs. 100 each.	4,00,000
1,00,000 Equity shares of Rs. 10 each.	10,00,000
General Reserve	5,00,000
Profit and Loss A/c	7,00,000
Balance on 1.4.2014	3,20,000
Profit for 2014-15	
(before transfer to reserve)	17,20,000
	20,40,000
Creditors	1,92,000
Total	48,32,000

Assets	Rs.
Building	5,80,000
Furniture	32,000
Stock (Market Value)	15,00,000
Investment at cost	13,40,000
Market Value Rs. 18,00,000	
Debtors	11,60,000
Bank	2,00,000
Preliminary Expenses	20,000
Total	48,32,000

Additional Information :

Company's prospects for next year are good. Buildings are now worth Rs. 37,00,000. Profit for the last three years have shown an annual increase of Rs. 2,00,000. The annual transfer to reserve is 25% of net profit. Normal rate of return expected is 15%. Ascertain the value of shares under intrinsic value, yield value and fair value methods.

4. Following is the Trial Balance of AB Ltd. as on 30th June 2015 :

Debit Balances	Rs.
Purchases	24,500
Opening Stock	7,500
Debtors	3,750
Salaries & Wages	6,450
Bad Debts	480
Dividend Paid	900
General Expenses	2,200
Furniture	2,900
Cash at Bank	1,620
Total	50,300

Credit Balances	Rs.
Share Capital	10,000
1,000 shares of Rs. 10 each	
Sales	35,000
Profit & Loss Account on 30/06/2014	1,500
Creditors	1,750
Reserves	1,550
Discount	500
Total	50,300

Prepare Final Accounts of the company after taking into account the following adjustments :

- Stock on 30/06/2015 was valued at Rs. 8,200.
- Depreciate furniture @ 10%.
- Create a provision for bad debts @ 5% on debtors.
- Provide Managing Director's remuneration @ 10% of the net profit available for dividend purpose. Assume tax rate at 30%.
- Dividend Proposed by Board of Directors @ 10% on paid up capital.

SECTION—C

Note :— Attempt any **TWO** questions. Answer to each question should be in about five pages. Each question carries **20** marks.

- Who can become a Statutory Auditor ? Discuss the duties and liabilities of Statutory Auditor.

2. Discuss the objectives of Cost Audit. What considerations, a cost auditor should keep in mind while qualifying his audit report ?
3. Examine the rationale of Management Audit. Discuss the process of conducting Management Audit.
4. What are the aspects which you would focus upon while conducting audit of the Finance function ?