

Auditing & Costing

April 2006

Time: 3 Hours

Marks: 100

NB:

1. Question Nos. **1** and **6** are **compulsory** and answer any **two** from the remaining from **each** section.
2. Figures to the **right** indicate **full** marks.
3. Working should be part of answer.
4. Answer both the sections in the **same** answer-book.

Section I-(Auditing)

Q.1 (a) What do you mean by Vouching? 10

How would you vouch the followings?

1. (i) Cash Sales

2. (ii) Travelling Expenses

(b) Distinguish between Auditing and Investigation. 8

Q.2 (a) What is test checking? Discuss its advantages and disadvantages. 8

(b) What are the objectives of verification? 8

Q.3 (a) Explain the terms "Internal Control", "Internal Check" and "Internal Audit". 8

(b) What are the rights of a Company Auditor? 8

Q.4 (a) Discuss the procedure for Removal of a Company Auditor. 8

(b) Scrutinise and comment on the following Ledger Accounts. In the Books of ADD Ltd. 8

Plant and Machinery A/c.

Dr.

Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
01-01-2005	To Balance b/fd.	12,50,000	31-03-2005	By Sale of Machinery A/c.	3,00,000
01-06-2005	To Bank A/c.	6,50,000	31-10-2005	By Asset Discarded A/c.	1,50,000
01-07-2005	To Bank A/c. (Installation)	50,000	31-12-2005	By Balance c/fd.	15,00,000
		19,50,000			19,50,000

Provision for Depreciation on Plant and Machinery A/c.

Dr.			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.
31-03-2005	To sale of Machinery A/c	2,40,000	01-01-2005	By Balance b/fd.	6,30,000
31-10-2005	To Asset Discarded A/c	1,45,000	31-12-2005	By P & L A/c.	1,22,500
31-12-2005	To Balance c/fd.	3,67,500			
		7,52,500			7,52,500

Q.5 Write short notes on any four of the followings:- 16

(a) Errors of Principle

(b) Auditing in Computer Environment.

(c) Appointment of an Auditor in Casual Vacancy.

(d) Audit in Depth.

(e) Qualified Audit Report.

(f) Concept of True and Fair View.

Section II – (Cost Accounting)

Q.6 20

Details	Process A	Process B	Process C
	Rs.	Rs.	Rs.
Indirect Material	1,00,000	18,750	16,550
Direct Wages	56,250	35,000	44,900
Direct Expenses	51,250	6,875	11,500
Value of Opening Stock per Unit	25	31	40
Scrap Value per Unit	13.50	11.25	21.00
	Units	Units	Units
Output	9,750	9,625	8,000
<u>Stock of Process Output:</u>			
01-01-2005	1,500	1,375	2,000
31-12-2005	1,250	2,000	1,000
Percentage of Wastage	2	5	10

10,000 units of Direct Material were introduced in Process A at the rate of Rs. 5 per unit. The percentage of wastage is computed on the number of units entering the process concerned. From the above information of 'DE' Enterprises prepare :

- (1) Process Accounts,
 - (2) Process Stock Accounts,
 - (3) Normal Loss Account,
 - (4) Abnormal Loss Account,
 - (5) Abnormal Gain Account.
- Value closing stock at the respective Process Cost.

Q.7 (a) Calculate material and labour variances from the following data: 6

For 5 units of Product A, the Standard Data are

Material = 40 kg. @ Rs. 25 per kg.

Labour = 100 hours @ Rs. 2.50 per hour.

Actual data are :

Actual Production = 1000 Units.

Material = 7,840 kg. @ Rs. 27 per kg.

Labour = 19,800 hours @ Rs. 2.60 per hour.

(b) From the following data compute

1. P/V Ratio
2. B.E.P. in Rupees and in Unit.
3. Number of Units to be sold to earn a profit of Rs. 7,50,000.

Sales Price..... Rs. 20 per Unit

Direct Material..... Rs. 5 per Unit

Direct Wages..... Rs. 6 per Unit

Variable Administrative Overheads.....Rs. 3 per Unit

Fixed Factory Overhead.....Rs. 6,40,000 per year

Fixed Administrative Overheads.....Rs. 1,52,000 per year

Q.8 From the books of accounts of M/s. Avdhoot Enterprises, the following details have been extracted for the Quarter Ending December 31, 2005:- 15

Particulars	Rs.
Stock of Materials â€” Opening	2,70,000
Stock of Materials â€” Closing	3,00,000
Purchases of Materials	12,48,000
Direct Wages	3,57,600
Direct Expenses	1,20,000
Indirect Wages	24,000
Salaries to Administrative Staff	60,000
Carriage Inwards	48,000
Carriage Outwards	37,500
Manager's Salary	72,000
General Charges	37,200
Legal charges for Criminal Suit	20,000
Commission on sales	28,000
Fuel	96,000
Electricity charges (Factory)	72,000
Directors' Fees	36,000
Repairs to Plant and Machinery	63,000
Rent, Rates and Taxes â€” Factory	18,000
Rent, Rates and 'Faxes â€” Office	9,600
Depreciation on Plant and Machinery	45,000
Depreciation on Furniture	3,600
Salesmen's Salaries	50,000
Audit Fees	18,000

1. The Manager's time is shared between the factory and the office in the ratio of 20:80.
2. Carriage outwards include Rs. 7,500 being carriage inwards on Plant and Machinery.
3. Selling Price is the 120% of the cost price.

From the above details prepare detailed cost sheet for the quarter ending 31-12-2005 and ascertain sales.

Q.9 S. V. Construction Ltd. have obtained a contract for construction of a Building. The value of the contract is Rs. 45,00,000. The work commenced on 1st July, 2004 and completed on 31st December, 2005. The following information relates to this contract: 15

Particulars	31-12-2005 (RS.)	31-12-2004 (RS.)
Material Issued	13,50,000	3,75,000
Direct Wages	10,35,000	4,70,000
Direct Expenses	1,00,000	45,000
Indirect Expenses	27,000	6,000
Plant Issued	----	63,000
Sub contract charges	60,000	15,000
Work Certified (cumulative)	45,00,000	10,00,000
Work Uncertified	----	35,000

The above plant was specially issued for the contract. The residual value of the plant at the end of the project was estimated to be Rs. 3,000.

The contractee has agreed to pay 90% of the work certified. The accounts are closed on 31st December, every year. Prepare "â€"

- (1) Contract Account and
 - (2) contractee Account for two years 2004 and 2005.
- Show the relevant items in Balance Sheet as on 31-12-2004.

Q.10 (a) Explain the different Overhead Cost Variances. 8

(b) What is Break-Even-Point ? What are the advantages and limitations of Break-Even Point ? 7