

Auditing & Costing

October 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) Explain Basic Principles of Auditing. **10**
(b) How would you vouch the followings ? **8**

1. (i) Interest Received on Investments.

2. (ii) Cash Purchases of Stationery.

Q.2 (a) What are the various techniques of Auditing ? **8**

(b) Explain in detail the provisions of the Companies Act, 1956, regarding appointment of an Auditor. **8**

Q.3 (a) Discuss the disclosure requirements of "SHARE CAPITAL" as per schedule VI of the Companies Act, 1956. **8**

(b) What are the contents of Good Audit Report ? **8**

Q.4 (a) Define and explain the term "Auditing". **8**

(b) Scrutinise and give your comments as an Auditor on the following Ledger Account. In the Books of M/s. GEC International. **8**

CEG International Account.

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
1-7-2004	To Balance b/fd.	10,000	31-7-2004	By Bank	10,000
1-8-2004	To Sales	10,000	1-8-2004	By Bills Receivables	11,000
1-8-2004	To Debit Note (Rate Difference)	2,000	1-8-2004	By Credit Note (Spoiled Goods)	1,000
2-9-2004	To Sales	15,000			

4-9-2004	To Bills Receivables	11,000	4-9-2004	By Bills Receivables	11,250
4-9-2004	To Interest	220	20-9-2004	By Bank	14,250
4-9-2004	To Noting Charges	30	20-9-2004	By Discount	750
15-09-2004	To Sales	20,000	30-9-2004	By Bank	17,500
			30-9-2004	By Bed debts	2,500
	Total	<u>68,250</u>	Total	<u>68,250</u>	

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

(a) Internal check.

(b) Secret Reserves

(c) Contingent Liability

(d) Audit in Computer Environment

(e) Valuation of Closing Stock.

(f) Importance of Internal Audit.

Section II – (Costing).

Q.6 M/s AB & Associates, a partnership firm comprising of partners A and B, undertook a contract to build a Bridge for Rs. 20,00,000 and commenced the work on 1-10-2003. **20**

The following is the Trial Balance of firm as on 30-9-2004 :—

Particulars	Debit (Rs.)	Particulars	Credit (Rs.)
Plant & Machinery	2,50,000	Capitals : A	1,20,000
Office Buildings	3,00,000	B	80,000
Materials Purchased	4,20,000	Advanced From Contractee	6,00,000
Wages	1,40,000	Bank Overdraft	1,40,000

Sub-contracting Charges	80,000	Outstanding Wages	10,000
Interest	10,000	Creditors	1,50,000
Office Overheads	50,000	Loans	1,50,000
Total	<u>12,50,000</u>	Total	<u>12,50,000</u>

Additional Information :

1. Materials worth Rs. 4,00,000 were sent to site.
2. Out standing sub-contracting charges Rs. 20,000 at the year end.
3. Allocate 50% of Office overheads and 100% wages to contract.
4. Plant and Machinery were used for the whole year on contract and provide depreciation @ 10%. p.a.
5. Partner A was entitled to salary of Rs. 20,000 for site supervision for the year. Provide the same in Account
6. Contractee pays 75% of the work certified.
7. Partner A & B share profit and Losses in the ratio of 6 : 4 respectively.
8. At the end of the year, work uncertified valued at Rs. 10,000 and materials at site Rs. 20,000. Prepare Contract Account.

Profit and Loss Account for the year ended 30-09-2004 and Balance sheet as on that date.

Q.7 Tea Estate Ltd. manufactures flavored Tea which passes through three processes. The following particular are available for the year ended 30-06-2003:-

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Particulars	Process I	Process II	Process III
Raw Material (kg)	10000	4600	1500
Cost of Raw Materials Per kg (Rs.)	5	6	8
Direct Wages (Rs.)	24,000	18,000	12,250
Direct Expenses (Rs.)	15,200	10,736	8,590
Factory Expenses (Rs.)	20,960	6,000	4,255
Normal Loss (%)	4%	8%	5%
Weight Loss (%)	6%	2%	NIL
Scrap Value Per kg (Rs.)	1.80	2.50	4
Output Transferred			
to next Process	60%	50%	NIL
Output Sold	40%	50%	80%
Selling Price of Output Per kg	14	16	17
Transferred to Finished Stock	NIL	NIL	20%

% of normal Loss and % of weight loss are based on total input in the process.

Prepare Process Account and Profit and Loss Account.

Q.8 (a) The XL Ltd. furnish the following information :**10**

	Ist Period	IInd Period
Sales	2000000	3000000
Profit	200000	400000

From the above, calculate the followings:

1. P/V Ratio
2. Fixed Expenses.
3. BEP
4. Sales to Earn Profit Rs. 5,00,000
5. Profit when sales are Rs. 15,00,000

(b) From the following information, calculate labour variances:- **5**

Standard for 100 units

500 Labour Hours

Rate Rs. 24/- Per Hour

Actual production

1000 units were produced.

Total wages paid Rs. 1, 30,000 for 5200 Hours.

Rate Rs. 24/- Per Hour

Q.9 (a) From the following particulars prepare cost sheet showing various elements of cost:-: **10**

Opening Stock of Raw Materials	Rs. 1, 10,000
Purchases of Raw Material	Rs. 8, 25,000
Carriage Outwards	Rs.28,500
Direct Wages	Rs.4, 21,400
Direct Power	Rs.25,840
Technical Directors Salary	Rs.40,590
Factory Rent, Rates & Insurance	Rs.10,140
Sale of Factory Scraps	Rs.1,460
Depreciation on Factory Buildings	Rs.75,200
Closing Work in Progress	Rs. 1, 20,260

Factory Stationary	Rs.12,340
Opening Stock of Finished Goods	Rs.45,280
Opening Stock of Raw Materials	Rs.36,920
Fees to Brand Ambassador	Rs. 2, 00,000
Stationery and Printing	Rs.12,200
Staff Salaries	Rs. 6, 30,000
Trade Discount	Rs. 1, 20,000
Office Rent	Rs.60,000
Free Sample Expenses	Rs.20,320
Closing Stock of Finished Goods	Rs.50,240
Sales are made to earn profit @ 10% on Cost Price	

(b) From the following, prepare Reconciliation Statement of M/S XYZ and Company as on 30-6-2004: **5**

1. Net profit as per Financial Accounts Rs. 40,340.
2. Income Tax Provision made Rs. 30,000.
3. Material Purchases of 5,000 units were recorded in cost at standard cost Rs. 24/- per unit whereas in Finance it was recorded at actual cost Rs. 22/- per unit.
4. Old Bad debts recovered Rs. 20,500.
5. Loss on sale of furniture was Rs. 4,120.

Q.10 Write short notes on any three : **15**

(a) Classification of Costs.

(b) Material Purchases Requisition.

(c) Labour Idle Time.

(d) Advantages of Job Order Costing.

