B. Com Examination October 2008
Auditing & Costing October 2008

Time: 3 Hours Marks: 100
NB:
Question Nos. 1 and 6 are compulsory and answer any two from the remaining fromeach section.
Figures to the right indicate full marks.
Working notes should form part of answer.
Answer both the sections in the same answer-book.

Section I-(Auditing)
Q.1 (a) What are the advantages and disadvantages of Auditing? Explain. 10
(b) Discuss the different techniques of Audit. 8
Q.2 (a) What are the qualifications and disqualifications of a Company Auditor? 8
(b) Explain the meaning and objectives of verification. 8
Q.3 (a) State the disclosure requirements relating to "Fixed Assets" as per Schedule-VI of the Companies Act, 1956. 8
(b) What do you mean by Test check? What are its advantages and disadvantages? 8
Q.4 (a) Explain basic principles of Auditing. 8
(b) Scrutinise and comments on the following account appearing in the books of Kalakar Ltd. 8
Preliminary Expenses A/c
Date Particulars Amount Date Particulars Amount
10-01-07 To Bank A/c (paid to Raj Printers) 10,000 31-03-07 By Profit and Loss A/c 79,300
15-01-07 To Bank A/c (Natwarlal & Co. Solicitors) 26,500 31-03-07 By Balance C/d 3,17,200
25-01-07 To Equity Share capital
(Ramanlal, Promoter) 1,00,000
30-01-07 To Equity Share capital
(Rajesh, Promoter) 2,60,000
Total 3,96,500 Total 3,96,000

Q.5 Write short notes on any four of the followings:- 16
(a) Clean Audit Report.
(b) Casual Vacancy.
(c) Audit in Computer Environment.
(d) Vouching of Cash Sales.
(e) Audit Certificate.
(f) Internal Check.
Section II - (Costing).
Q.6 Deepali Ltd. submits the following information in respect of its product which passes through three consecutive process viz U, P and A for the month ended 29th February, 2008: 20
Particulars U Process P Process A Process
Quantitative Information
Basic Raw Material at Rs. 15.00 per k.g. (Kgs.) 60,000 - -
Output during the month (Kgs.) 46,500 31,000 19,000
Stock of Process Output
On 01-02-2008 (Kgs.) 6,000 5,000 4,000
On 29-02-2008 (Kgs.) 7,500 6,000 3,000

Other Additional Information
Process Material (Rs.) 2,55,000 5,40,000 4,50,000
Direct Labour (Rs.) 1,45,000 1,05,000 90,000
Machine Overheads 80% of 150% of 40% of
Direct Other Process
Labour Factory Material
Overheads
Other Factory Overheads (Rs.) 1,68,000 2,25,000 97,000
Normal Loss (%) 20% 30% 40%
Value of Opening Stock per kg. (Rs.) 29 70 145
Scrap Value Per Kg. (Rs.) 12 14 16

The Percentage of normal loss is computed on the number of units entering in the process concerned. Closing stock is to be valued at the respective cost of each process during the month. You are required to prepare:

(a) Process Accounts
(b) Process Stock Accounts
(c) Normal Loss Account
(d) Abnormal Loss Account
(e)) Abnormal Gain Account.
Q.7 M/s. ABC Enterprises secured a contract for Rs. 45,00,000 and as per the Contract Agreement, the contractee would pay 90% of the work certified immediately upon the Architects Certificate and the balance would paid on completion of the contract. The work was commenced on 01-04-2006. The Actual Expenditure upto 31st March, 2007 and Estimated Expenditure upto,30th September, 2007 are as follows: 15
Particulars Actual
Expenditure Upto
31-03-2007
Rs. Estimated
Expenditure Upto
30-09-2007
Rs.
Direct Materials 10,50,000 9,25,000
Indirect Materials 1,77,500 2,37,500
Direct Wages 2,60,820 2,49,180
Sub-Contract Charges 31,030 16,470
Architect Fees 57,500 90,000
Administrative Overheads 2,14,390 1,37,110
Hiring Charges for Equipments 1,45,610 79,390
Closing Materials at site 1,29,000 -
Certified Work (Cummulative) 22,50,000 45,00,000
Uncertified Work 56,250 -

A Special Machinery Costing Rs. 4,00,000 Was purchased for use on the contract. Its estimated scrap value at the end of the contract would be Rs. 40,000.

It was decided that the profit to be taken credit for the year ended 31-03-2007 should be that proportion of the estimated net profit to be realised on the completion of the contract which the cash received for the year bears to the contract price.Prepare Contract Account for the year ended 31-03-2007 and Estimated Contract Account.

Q.8 Following is the Summarised Trading and Profit and Loss account of Sheetal Industries for the year ended 31-03-2006. 15
Particulars Rs. Particulars Rs.
To Opening Stock of Raw Materials 9,000 By Sales (12000 Units) 4,80,000
To Purchases of Raw Materials 2,10,000 By Closing Stock
To Carriage Inwards 5,000 Finished Goods (3000 Units) 66,000
To Wages 75,400 Raw Materials 24,000
To Factory Expenses By Interest on Securities 17,000
Paid 52,400 By Profit on Sale of Assets 1,20,000
Add: Outstanding 2,200 54,600
To Administration Overheads 52,500
To Selling and Distribution Overheads 96,000
To Goodwill Written-off 12,500
To Interest on Loans 1,500
To Dividend 2,500
To Income Tax 5,000
To Net Profit 1,83,000
Total 7,07,000 Total 7,07,000

A standard unit was manufactured during the year. The cost accounting records showed the following:
(a) Materials consumed @ Rs. 10 per unit produced
(b) Direct Wages @ Rs. 6 per unit produced.
(c) Factory Overheads were absorbed @ 25% of Prime Cost.
(d) Administration Overheads were absorbed @ Rs. 5 per unit produced.
(e) Selling and Distribution Overheads, were absorbed @ Rs. 7 per unit sold
You are required to prepare the detailed cost statement for the year ended 31-03-2006 and a statement of reconciliation.
Q.9 (a) From the following, calculate Labour cost variance Labour Rate variance and Labour efficiency variance: variance : 9 Type of Workers Standared Actual
No. of Workers No. of Hours Rate per Hour (Rs.) No. of Workers No. of Hours Rate per Hour (Rs.)
Skilled 30 50 4.00 25 50 4.50
Semi Skilled 20 30 3.00 30 30 3.00
Unskilled 10 20 2.00 10 15 2.50

(b) From the following records of Disha Ltd. Calculate. 6
(i) Break-Even Point in Rupees.
(ii) Sales required to earn profit of Rs. 72,000.
(iii) Profit when sales are Rs. 4,75,000.
Rs.
Fixed Cost 2,40,000
Variable Cost Per Unit 8.00
Selling Price Per Unit 20.00

Q.10 Write short notes on any three : 15
(a) Features of Marginal Costing. (b) Margin of Safety. (c) Significance of Variance Analysis. (d) Classification of Cost of Function Basis.

(e) Need for Reconciliation for Cost and Financial Records.