Auditing & Costing
October 2008

Time: 3 Hours

Marks: 100

NB:
1. Question Nos. 1 and 6 are compulsory and answer any two from the remaining fromeach section.
2. Figures to the right indicate full marks.
3. Working notes should form part of answer.
4. 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	Standard			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.

Particulars	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.
Posted by Kishore S Peshori at 5:19 AM No comments:

March 2008

Auditing & Costing
March 2008

Time: 3 Hours

Marks: 100

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2. Figures to the right indicate full marks.
3. Working notes should form part of answer.
4. Answer both the sections in the same answer-book.

Section I-(Auditing)

Q.1 (a) What are the Principles of Auditing ? Discuss briefly. (10)
(b) How would you vouch the followings ? (8)
(i) Salaries to Staff
(ii) Loan Taken.

Q.2 (a) Explain the provisions of the Companies Act, 1956 relating to appointment of an auditor of company. (8)
(b) State the various types of Audit Report. (8)

Q.3 (a) Discuss the disclosure requirements of "Reserves and Surplus" as per Schedule VI of the Companies Act, 1956. (8)
(b) What points should be considered while framing a system of Internal check?(8)

Q.4 (a) Distinguish between "Auditing and Investigation." (8)
(b) Scrutinise and comments on the following ledger account appearining in the books of M/s. Kunal and Co. (8)

Madhuri A/c					
Dr.					Cr.
Date	Particulars	Amount	Date	Particulars	Amount
2007	-	Rs.	2007	-	Rs.
Oct. 04	To Bank A/c	9,800	Oct. 01	By Balance B/d	10,000
Oct, 04	To Discount	200	Oct. 15	By Purchases	22,000
Oct. 17	To Purchase Returns	2,000	Nov. 02	By Purchases	28,000
Oct. 30	To Bank A/c	19,600	Nov. 18	By Purchases	35,000
Oct. 30	To Discount	400	Dec. 02	By Purchases	30,000
Nov. 04	To Bills Payable	28,000	Dec. 07	By Bills Payable	28,000
Nov. 19	To Bills Receivable	35,000	Dec. 07	By Interest	280
Dec. 08	To Bills Payable	28,280	Dec. 31	by Balance C/d	45,000
Dec. 17	To Bank A/c	30,000	-	-	-
Dec. 29	To Bank A/c	45,000	-	-	-
-	Total	1,98,280	-	Total	1,98,280

Q.5 Write short notes on any four of the followings:- 16
(a) Computer Assisted Audit Techniques.
(b) Inspection as Audit Technique.
(c) Removal of First Auditor of a Company
(d) Verification of Investment
(e) Internal Audit
(f) Disqualification of an Auditor under the Companies Act.

Section II (Costing).

Q.7 M/s. Sagar Enterprises Ltd. Provides you the following data for the month of January, 2008, about processes D, C and H : (15)

Particulars	-	Process D	Process C	Process H
Basic Raw Material Introduced	(Units)	18,000	3,156	3,450
Cost of basic raw material per unit	(Rs.)	5.00	6.00	7.00
Labour Charges	(Rs.)	52,000	36,000	30,000
Factory Overhead	(Rs.)	30,440	14,874	15,660
Normal Loss (% on Total number of units input)	-	6%	5%	4%
Scrap Value per unit	(Rs.)	3.00	4.00	5.00
Output sold at the end of process	(%)	30%	40%	100%
Output Transferred to next process	(%)	70%	60%	â€”
Selling price per unit of the output sold at the end of process	(Rs.)	13.50	17.50	18.50

(a) Other common expenses not chargeable to process Accounts
(b) Office and Administrative overheads Rs. 30,000
(c) Selling and Distribution overheads Rs. 23,636
You are required to prepare process D, C and H Accounts indicating clearly profit or loss in each process and costing Profit and Loss Account.

Q.8 The following particulars have been extracted from the books of M/s. Sohan Manufacturing Company for the year ended 31-03-2007 :(15)

Particulars	Rs.
Opening Stock of Raw Materials	2,35,000
Closing Stock of Raw Materials	2,50,000
Raw Materials Purchase	10,40,000
Drawing Office Salaries	48,000
Royalty on Production	70,000
Carriage Inwards	41,000
Cash Discount Allowed	17,000
Repairs to Plant and Machinery	53,000
Rent, Rates and Taxes (Factory)	15,000

Rent, Rates and Taxes (Office)	8,000
Office Conveyance	15,500
Salesmen's Salaries and Commission	42,000
Productive Wages	7,00,000
Depreciation on Plant and Machinery	35,500
Depreciation on Office Furniture	3,000
Directors Fees	30,000
Gas and Water Charges (Factory)	7500
Gas and Water Charges (Office)	1,500
Manager's Salaries	60,000
Cost of Catalogues Printing	10,000
Loose Tools Written off	8,000
Trade-Fair Expenses	10,000

Out of 48 hours in a week, Manager devotes 40 hours for factory and 8 hours for office per week for the whole year.
The Management has fixed the selling Price @ 110% of cost.
Prepare detailed cost statement for the year ended 31-03-2007.

Q.9 (a) From the following, calculate Materials Cost variance Materials Price variance and Materials Usage variance : (9)
(b) The following figures relate to M/s. Deepak Industries (6)

Fixed Overheads	Rs. 2,40,000
Variable Overheads	Rs. 4,00,000
Direct Wages	Rs. 3,00,000
Direct Materials	Rs. 8,00,000
Sales	Rs. 20,00,000

Calculate :
i.P/V Ratio
ii.BEP
iii.Margin of Safety.

Q.10 Write short notes on any three : (15)
(a) Advantages of Standard Costing

(b) Importance of Break-Even Analysis

(c) Limitations of Marginal Costing

(d) Classification of Cost on time-basis

(e) Batch Costing.
Posted by Kishore S Peshori at 5:18 AM No comments:

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3. Working notes should form part of answer.
4. Answer both the sections in the same answer-book.

Section I-(Auditing)

Q.1 (a) What is Internal Control? What are its objectives? (10)
(b) What are the advantages and limitations of test check in auditing? (8)

Q.2 (a) What are the responsibilities of an Auditor for errors and frauds? (8)
(b) What are the qualities an Auditor should possess? (8)

Q.3 (a) Discuss the disclosure requirements relating to "Current Assets, Loans of Advances". as per Schedule VI of the Companies Act, 1956. (8)
(b) What are the duties of a company Auditor? (8)

Q.4 (a) What are the different types of Audit Report? Explain them in brief. (8)
(b) As an Auditor how will you make a scrutiny of the following Ledger Account? (8)

In the books of m/s Ramesh, Rakesh and Ram's Capital A/c					
Dr.					Cr.
Date	Particulars	-	Date	Particulars	-
2005 -2006	-	Rs.	2005 -2006	-	Rs.
April 3	To Ramesh Capital A/c. (ForGoodwill)	1,60,000	April 2	By Bank A/c	16,00,000
April 3	To Rakesh Capital A/c. (For Goodwill)	2,40,000	March 31	By Salaries A/c.	4,80,000
Dec. 20	To BankA/c.	1,60,000	March 31	By Interest on Capital A/c.	32,000
March 24	To Bank A/c.	1,40,000	March 31	By P/L App: A/c.	86,000

March 30	To Goods A/c.	40,000	-	-	-
March 31	To Interest on Drawings	12,000	-	-	-
March 31	To Balance C/d	14,46,000	-	-	-
-	Total	21,98,000	-	Total	21,98,000

Q.5 Write short notes on any four of the followings:- 16
(a) Reappointment of a retiring Auditor of a company.
(b) Auditor's right of access to books of account.
(c) Vouching of preliminary expenses.
(d) Objectives of window dressing.
(e) Auditing in computer environment.

Section -II (Costing)

Q.6 Following is the Trading and Profit and Loss Account of M/s Vishal Enterprises for the year ended 31-3-2006. 20

Particulars	Rs.	Particulars	Rs.
To Opening Stocks (500 units)	17,500	By Sales (10250 units)	7,17,500
To Materials	2,60,000	By Closing Stock (250 units)	12,500
To Wages	1,50,000	-	-
To Factory Overheads	94,750	-	-
To Gross Profit c/fd	2,07,750	-	-
Total	7,30,000	Total	7,30,000
To Administrative Overheads	1,06,000	By Gross Profit c/fd	2,07,750
To Selling Overheads	55,000	By Dividend Received on Investments	10,250
To Loss on Revaluation of Assets	9,000	-	-
To Net Profit	48,000	-	-
Total	2,18,000	Total	2,18,000

In Cost Accounts, materials charged @ Rs. 25 per unit and wages @ Rs. 15 per unit. Factory overheads taken @ 60% of wages. Administrative overheads applied @ 20% of works cost. Selling overheads taken @ Rs. 6 per unit sold.

You are required to prepare:

(1) Statement of Cost showing total cost and cost per unit.

(2) Statement of Reconciliation of Profit/Loss.

Q.7 A product passes through three processes. The following cost data have been extracted from the books of manufacturing company:- (15)

Particulars	Total	Process		
	Rs.	I	II	III
Material	1,50,840	52,000	39,600	59,240
Direct Wages	1,80,000	40,000	60,000	80,000
Production Overhead	1,80,000	-	-	-

10,000 units at Rs. 6 each were introduced into process I. There was no stock of material or work-in-progress at the beginning or at the end. The output of each process passes directly to the next process and finally to the finished stock. Production overhead is recovered at 100% of Direct wages. The following additional data are obtained:-

Process	Output unit	Percentage of Normal loss to input	Value of Scrap per unit
I	9,500	5%	4
II	8,400	10%	8
III	7,500	15%	10

Prepare Process Accounts and Abnormal Loss Account/Gain Account and Normal Loss Account

Q.8 The following information relates to a building contract undertaken by M/s. Asmit Ltd. for Rs. 10,00,000 and for which 80% of the value of work certified by the architect is being paid by the contractee.:- (15)

Particulars	I Year	II Year	III Year
Material Issued	1,20,000	1,45,000	84,000
Direct Wages	1,10,000	1,55,000	1,10,000
Direct Expenses	5,000	17,000	6,000
Indirect Expenses	2,000	2,600	500
Work Certified	2,35,000	7,50,000	10,00,000
Uncertified Work	3,000	8,000	-

Plant Issued	14,000	-	-
Material on Site	2,000	5,000	8,000

The value of plant at the end of I, II and III year was Rs. 11,200 Rs. 7,000 and Rs. 3,000 respectively. Prepare Contract Account for these three years.

Q.9 (a) M/s Dinesh & Co. produces an article by mixing two inputs. The following standards have been set up for the input.:- (15)

Material	Standard Mix	Standard Mix
-	-	per kg.
X	40%	Rs. 4
Y	60%	Rs. 3

The Standard Loss in processing is 15%. During December, 2006 the company produced 1,700 kg. of finished output. The actual position of inputs were as under.

Material	Purchases	Rate
-	(kg.)	-
X	830	4.25 per kg
Y	1,190	2.50 per kg
-	2,020	-

Calculate Material Cost Variance, Material Price Variance and Material Usage Variance.

(b) A company has a fixed cost or Rs. 3,00,000. On sale of 15,000 units which is equal to 40% of margin of safety, it earned a profit of Rs. 60,000 Calculate the following:
(a) BEP in units.
(b) Total present sales in units.
(c) Total units sold at which it suffered loss of Rs. 62,492.
If the present fixed cost increases by 15%, what is revised BEP in units and how many units should be sold to earn a profit of Rs. 1,15,000?

Q.10 Write short notes on any three : 15
(a) Fixation of cost for the issue of materials for production.
(b) Batch Costing.
(c) Different basis of overhead allocation.
(d) Advantages of cost accounting.
Posted by Kishore S Peshori at 5:18 AM No comments:

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4. Answer both the sections in the same answer-book.

Section-I (Auditing)

Q.1 (a) Distinguish between Verification and Vouching. (10)
(b) How would you vouch the followings ? (8)
(i) Advertisement Expenses.
(ii)Cash Sales.

Q.2 (a) Describe four cases in which an Auditor must qualify his Audit Report. (8)
(b) Explain the disclosure requirements of Schedule VI of the Companies Act, 1956, relating to contingentliabilities.(8)

Q.3 (a) Explain different techniques of an audit. (8)
(b) Discuss the procedure for removal of a company auditor. (8)

Q.4 (a) What are the qualifications and disqualifications of a company auditor? (8)
(b) Scrutinise and comment on the following ledger accounts:(8)

(i) In the books of Bhumika Computers Ltd.					
Dr.	Salaries Account				Cr.
Date 2006	Particulars	Amount Rs.	Date 2006	Particulars	Amount Rs.
April, 10	To Bank (March)	10,000	Sept. 30	By Profit and Loss A/c	60,000
May, 8	To Bank (April)	10,000	-	-	-
June, 10	To Bank (May)	10,000	-	-	-
July, 10	To Bank (June)	10,000	-	-	-
Aug, 10	To Bank (July)	10,000	-	-	-
Sept, 10	To Bank (Aug.)	10,000	-	-	-
-	Total	60,000	-	Total	60,000

(ii)In the books of M/s. Paresh & Sons Ltd.					
Dr.	Interest on Investment Account				Cr.
Date 2006-07		Amount Rs.	Date		Amount Rs.

	Particulars		2006-07	Particulars	
April,1	To Interest Accrued	-	June, 30	By Bank	2,400
-	on Investment	1,200	Sept., 30	By Bank	1,600
March 31	To P & L A/c	6,600	Dec., 31	By Bank	2,400
March, 31	By Interest Accrued	-	-	-	-
-	on Investment	1,400	-	-	-
-	Total	7,800	-	Total	7,800

Q.5 Write short notes on any four of the followings:- 20
(a) Secret Reserves.
(b) Casual vacancy in the office of the auditor.
(c) Teeming and Lading.
(d) Impact of EDP on Auditing.
(e) Internal check.
(f) Importance of Internal Audit.

Section II (Costing).

Q.6 Mr. Raj Contractors and Builders have obtained a contract for constructing a Housing Complex. The contract work commenced on 1st July, 2003 and was completed on 31st January, 2006. The year ending of the company is 31st March. The contract price was Rs. 800 lacs. (20)

The Contractee agrees to pay 90% of the value of the work done as certified by the Architect immediately. A machine costing Rs. 60,00,000 was specially bought and used for the contract. The residual value of the machine as on 31st January, 2006 was Rs. 29,00,000. Depreciation is to be effected on a straight line basis.

You are provided with the following information:

Particulars	2003-04 Rs.	2004-05 Rs.	2005-06 Rs.
Materials Purchased	27,50,000	86,25,000	19,75,000
Direct Labour	78,52,500	90,36,500	1,03,00,000
Architect Fees	2,50,000	4,50,000	5,00,000
Supervision Charges	1,22,000	1,85,000	2,76,000
Overhead Charges	67,75,500	41,66,500	87,11,000
Materials on Site at the end of the year	50,000	1,25,000	75,000
Uncertified Work at the end of the year	2,00,000	4,00,000	-

Money Received from the Contractee during the year	1,80,00,000	3,60,00,000	2,60,00,000

As per the policy of the company, no profit is to be considered unless the certified work completed exceeds 20% of the total contract price. Thereafter, profit is to be taken credit for in the same proportion as the cumulative amount received bears to the contract price.
Prepare:
(i) Contract Account for all three years and
(ii) Show the relevant extracts on the Assets side of Balance Sheet as on 31st March of every year.

Q.7 M/s. XYZ and Company manufacture a chemical which passes through three processes. The following particulars gathered for the month of January, 2006.:-(15)
Q.7 M/s. XYZ and Company manufacture a chemical which passes through three processes. The following particulars gathered for the month of January, 2006.:-(15)

Particulars	Process I	Process II	Process III
Material (litre)	400	208	168
Materials Cost	Rs. 38,400	Rs. 18,800	Rs. 6,000
Wages	Rs. 7,680	Rs. 7,600	Rs. 2,200
Normal Loss (% of input)	4%	5%	5%
Scrap Sale Value	â€”	Rs. 3 per litre	-
Output Transferred to next Process	50%	40%	-
Output Transferred to Warehouse	50%	60%	100%

Overheads are charged @ 50% of Direct Wages.
You are required to prepare Process Accounts.

Q.8 The Management of a manufacturing concern has approached the Costing Department to find out the cost of 6,000 units. The cost analysis of 4000 units gives the following results :- 15

(i) Materials Rs. 90,000.
(ii)Labour Rs. 50,000.
(iii) Direct Expenses Rs. 1,000.
(iv)Factory Overheads Rs. 2,000.
(v)Administrative Overheads Rs. 1,600.
(vi)Selling and Distribution Overheads Rs. 800.

The further details in this connection are as follows:-
(a) An increase of 10% is expected in the cost of raw material and 5% in the cost of labour.
(b) 70% of the factory overheads are fixed and 30% are variable.
(c) The ratio of fixed and variable part of administration overheads is 60:40.
(d) 50% of the Selling and Distribution overheads are fixed.
(e) The management desires to charge 25% profit on sale price.

Prepare cost statement with maximum break up of cost and ascertain selling price for the production of 6000 units.

Q.9 (a) A company produces and sells 1500 units of a commodity at Rs. 20 each. The variable cost of production isRs. 12 per unit and fixed cost Rs. 8,000 per annum.:- 15

Calculate:
(i) PN ratio.
(ii) Sales at break-even point and
(iii) Additional sales required to earn the same amount of profit if selling price is reduced by 10 percent. (b) Calculate Material and Labour variances from the following data:

Standard (Per Unit)	-
Material	6 kg @ Rs. 4 per kg.
Labour	4 hours @ Rs. 4 per hour
Actual Production for the month	12500 units
Actual Material Price per kg.	Rs. 4.50
Material used during the month	78000 kg.
Direct Labour hours worked	48000 hours
Actual Wages rate per hour	Rs. 3.50

Q.10 Write short notes on any three :
(a) Purpose of Reconciliation of Cost and Financial Accounting.
(b) Operating Costing.

(c) ABC Analysis of Inventory.

(d) Labour Idle Time.
Posted by Kishore S Peshori at 5:18 AM No comments:

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Section I-(Auditing)

Q.1 (a) Explain Basic Principles of Auditing. (10)
(b) How would you vouch the followings ? (8)
(i)Interest Received on Investments.
(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. (8)
In the Books of M/s. GEC International.

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	2,000	1-8-2004	By Credit Note	1,000
-	(Rate Difference)	-	-	(Spoiled Goods)	-
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	68,250	-	Total	68,250

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 comprosing 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	12,50,000	Total	12,50,000

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:- (15)

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.
Posted by Kishore S Peshori at 5:17 AM No comments:

March 2006

Auditing & Costing
March 2006

Time: 3 Hours

Marks: 100

NB:
1. Question Nos. 1 and 6 are compulsory and answer any two from the remaining fromeach section.
2. Figures to the right indicate full marks.
3. Working notes should form 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?How would you vouch the followings? (10)
(i)Cash Sales
(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.(8)
In the Books of ADD Ltd.

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.	50,000	31-12-2005	By Balance c/fd.	15,00,000
-	(Installation)	-	-	-	-
-	-	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 3	1-12-2005	By P & L A/c.	1,22,500
31-12-2005	To Balance c/fd.	3, 6 7, 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 (Costing)

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
Stock of Process Output:	-	-	-
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 (9)
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 — Opening	2,70,000
Stock of Materials — 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 —Factory	18,000
Rent, Rates and 'Faxes — Office	9,600
Depreciation on Plant and Machinery	45,000
Depreciation on Furniture	3,600
Salesmen's Salaries	50,000
Audit Fees	18,000

Additional information:
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 —
(1) Contact 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)
Posted by Kishore S Peshori at 5:16 AM No comments:

October 2005

Auditing & Costing
October 2005

Time: 3 Hours

Marks: 100

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

Section-I (Auditing)

Q.1.
a) Explain Primary and Secondary Objects of Auditing. (10)
b) What is continuous Audit ? What are its disadvantages ?(8)

Q.2.
a) What steps an Auditor should take prior to Commencement of a Statutory Audit under the

Companies Act 1956 ? (8)
b) What are the dutiies of an Auditor of Company ? (8)

Q.3.
a) Explain the term "Capital Expenditure". What are the duties of an Auditor as regards capital

expenditure?(8)
b) Distinguish between Statutory Audit and Internal Audit. 8

Q.4.
a) What are the qualifications and disqualifications of a Company Auditor ? (8)
b) Scrutinize & give your comments as an Auditor on the following Ledger A/c.(8)
In the ledger of Spectrum Ltd.

Bills Receivable Account					
Dr.					Cr.
Date 2004	Particulars	Rs.	Date 2004	Particulars	Rs.
1 oct	to Bal. B/fd	59,000	4 Oct.	By Bank	21,000
10 Oct.	to Kedar	17,500	27 Oct.	By Bank	19,800

16 Oct.	to Ranjit	68,000	27 Oct.	By Discount	200
30 Nov.	to Pandey	41,200	12 Nov.	By Mohan	18,000
15 Dec	to Kerkar	20,500	13 Dec.	By Bank	17,500
16 Dec.	By Nitin	68,000	-	-	-
31 Dec	By Bal.C/fd	61,700	-	-	-
-	Total	2,06,200	-	Total	2,06,200

Composition of Opening Balance

Due From	Due Date	Rs.
Gopal	4/10/04	21,000
Narayan	27/10/04	20,000
Mohan	12/10/04	18,000
-	-	59000

Q.5.
Write short notes on any four : (16)
(a) Objectives of verification of Assets/Liabilities.
(b) Audit Notebook.
(c) Secret Reserves.
(d) Importance of Internal Control.
(e) Appointment of a Company Auditor by Special Resolution.
(f) Test check.

Section-II(Costing)

Q. 6. (20)
Following information is available from cost records for the year ended 31st December, 2004.

Direct Material	Rs. 36 Per Unit
Direct Labour	Rs. 28 Per.Unit.
Chargeable Expenses	Rs. 11 Per Unit
Factory Overheads Fixed	Rs. 16,00,000
Variable	Rs.10 Per Unit
Office Overheads Fixed	Rs. 12,50,000

Selling Overheads Fixed	Rs. 5,00,000
Variable	Rs. 25 Per Unit
Units Produced & sold	50,000
Selling price.Per Unit	Rs. 210

Following changes are anticipated during the year ended 31st December, 2005.

(1) Production and sales will increase by 60%.
(2) Direct material cost per unit will increase by 12.5%
(3) Direct labour per unit will decrease by 5%
(4) Chargeable expenses per unit will decrease by 10%
(5) Variable factory overheads per utvit will increase by 25%
(6) Variable selling overheads will decrease by 25%
(7) All fixed overheads will increase by 20%
(8) 75% of the output will sold in Domestic Market at a profit of 20% on sales.
(9) Balance 25% output will be sold in Export Market at a profit of 50 % on sales.
You are required to :
(1) Prepare cost sheet for the year ended 31st Derember 2004 and estimated cost sheet for the year ended 31st December 2005., Showing total and per unit cost.
(2) Calculate total and per unit profit for the year ended 31st December 2004.
(3) Calculate total sales and profit for Domestic Market and Export Market.

Q.7.
Y Ltd. manufactures a chemical product which passes through three processes. The cost records shows the following particulars for the year ended 30th" June 2004. Input to I process 20,000 units @ Rs. 28 per unit. :(15)

Particulars	Process I	Process II	Process III
Materials	48,620	1,08,259	1,03,345
Labour	32,865	84,553	77,180
Expenses	2,515	10,588	16.275
Normal Loss	20%	15%	10%
scrap value epr unit Rs.	1	2	2
Actual Output (Units)	18,000	16,000	15,000

Prepare Process Accounts, Abnormal Gain /Loss Account. Also show process cost per unit for each process.

Q. 8. a) The following is the cost structure of a product. Selling price Rs. 100 per unit. (9)

Variable cost per unit
Material Rs. 38
Labour Rs. 14

Direct Expenses Rs. 8.
Fixed Overheads for the year
Factory overheads Rs. 2,80,000
Office overheads Rs. 2,20,000
Nol of units produced & sold 40,000.

Calculate -.
1. P/V Ratio.
2. Break Even Points in Units.
3. Margin of Safety Amount.
4. Break Even Point if fixed overheads increased by 20%.
5. Revised P/V ratio when selling price increased by 20%.

b) The standard material cost for 200 units of output is : (6)

Material	kg	Rate Per kg
A	50	12
B	100	9
C	100	10

The Actual cost for 8000 unit is as follows : '

Material	kg	Total Cost
A	2100	28,350
B	3750	30,750
C	4150	46,480

Calculate material cost variance, material price variance and material usage variance.

Q. 9.
Siddesh Construction company has undertaken three contracts during'the year and the following particulars are available as on 31-12-2004.

Particulars	Contract A	Contract B	Contract C
Contract Price	10,00,000	25,00,000	7,50,000
Material Issued to Contract	1,65,200	2,24,500	1,89,600
Labour	1,02,800	1,26,500	1,75,500

Sub-Contract Charges	72,800	65,900	28,500
Supervision Charges	12,000	18000	15,000
Architect fees	10,000	15,000	28,000
Insurance Charges	3,000	6,100	7,400
Work Certified	4,00,000	5,00,000	5,00,000
Work Uncertified	35,000	40,000	25,000
Amount received from contractee	3,20,000	4,50,000	3,75,000
Closing stock of Material	9,000	10,000	20,000

All contracts were commenced during the current year. Total Depreciation on plants amounted to Rs. 11,200 and allocate the same to all contracts in the ratio of work.certified.
Prepare Contract Accounts. Show the calculation of profit transferred!to Profit and Loss Account. (15)