

24/3/14

(REVISED COURSE-OLD PATTERN)

QP Code : AE-6962

Auditing &
Cost Accounting

(3 Hours)

[Total Marks : 100]

- N.B. :** (1) Question No. 1, 2 and 7 are **compulsory** and answer any **two** from the remaining of **each** section.
- (2) Figures to the **right** indicate **full** marks allotted to the question.
- (3) Working notes wherever **necessary** should **form** part of your answer.
- (4) Answer **both** the section in the same answer book.

Section I

1. (a) Explain with examples different types of errors of commission. 8
- (b) How would you vouch the following :— 3
 - (i) Cash Purchase 3
 - (ii) Rent Received. 3

2. (a) Select the appropriate option and rewrite the following sentences. 6
 - (i) Which of the following errors will affect the trial balance ?
 - Repairs to machinery wrongly debited to machinery account
 - Total purchase Journal is short by ₹ 2000
 - Freight paid on purchase of new Machinery debited to freight account
 - None of the above.
 - (ii) Working papers are the property of the _____.
 - Client
 - Client and Auditor
 - Auditor
 - Non of the above
 - (iii) _____ SA which deals with Audit sampling.
 - 530
 - 400
 - 610
 - None of the above
 - (iv) The Auditor should examine _____ in case of sales return.
 - Credit notes and delivery challans
 - Debit notes and cash memos
 - Purchase invoices and goods received notes
 - Credit notes and goods received notes
 - (v) Prior Period expenses are _____.
 - Expenses of the current year paid in Previous Year
 - Expenses of the previous year paid in Current Year
 - Expenses of the previous year paid in Previous Year
 - None of the above.

[TURN OVER

(vi) The Auditor of a Government Company is appointed by _____

- The Shareholders
- The Board of Director
- The Comptroller and Auditor-General of India
- The Central Government.

(b) Match the following :—

Column A

- Internal Auditor
- SA dealing with working papers
- Report to shareholders
- Royalty
- Right Shares
- Re-appointment of Auditor

Column B

- Statutory Auditor
- Add cost to the cost of original shares
- Shareholders at Annual General Meeting
- SA 300
- Report to Management
- Lease Deed
- SA 230

3. (a) What are the features of routine checking ?

(b) What are the limitations of internal control ?

4. (a) What are the points to be considered in vouching ?

(b) Explain removal of Auditors.

5. (a) How would you verify the following :—

(i) Debtors (ii) Stock

(b) What is Audit Programme ? What factors should be kept in mind while preparing Audit Programme ?

6. Write short notes (any three) :—

- (a) Cost Audit
- (b) Test Checking
- (c) Vouching of Cash Sales
- (d) Verification
- (e) Letter of Confirmation
- (f) Principles of Audit.

Section II

7. Navketan Ltd. has under taken two contracts. It furnishes the following information 20 for the year ended 31st March, 2013.

Particulars	Sangli Contract ₹	Satara Contract ₹
(1) Balances on 1 st April, 2012.		
Material at site	300	6,000
Uncertified work	7,500	12,000
Plant at site	6,600	9,300
Work Certified	58,500	4,200
Provisions for Contingencies	3,000	1,800
(2) Transactions during the year :		
material issued	—	18,600
Subcontract charges	1,800	35,400
(3) Balances on 31 st March, 2013 :		
Material at site	—	3,000
Uncertified work	—	3,000
Plant at site	—	6,000
Work Certified	75,000	90,000
(4) Contract Price	75,000	1,20,000
(5) Amount received	75,000	81,000
(6) Value of plant transferred from Sangli contract to Satara contract ₹ 4,650		

The Company consistently adopts to policy of taking credit for the contract profit considering the proportion of amounts received to the contract price.

You are required to :

Prepare Sangli contract account and Satara contract account for the year ended 31st March 2013.

8. Product XYZ obtained after it is processed through three distinct processes. The 15 following information is available for the month of March, 2013.

Particulars	Process		
	X ₹	Y ₹	Z ₹
Material Consumed	7,875	6,675	3,330
Direct Labour	6,750	11,040	4,200
Production Overhead	6,750	11,040	4,200

[TURN OVER

1500 units @ ₹ 3 per unit were introduced in Process 'X'.

Process	Output in units	Normal loss on input	Value of scrap per unit (₹)
X	1350	10%	1.50
Y	1020	20%	1.50
Z	810	25%	3.00

There is no stock of work-in-progress in any process. You are required to prepare Process 'X' a/c, 'Y' a/c & 'Z' a/c.

9. Sagar manufacturing company gives you the following particulars for the year 2012. Production and sales during the year was 20,000 units.

Particulars	₹	Particular	₹
Material	5,00,000	Factory Overheads	
Direct Wages	3,00,000	Fixed	2,00,000
Administrative Overheads (Fixed)	2,00,000	Variable	4,00,000
Sales	24,00,000	Selling & Distribution overheads :	
Profit	5,00,000	Fixed	1,20,000
		Variable	1,80,000

The company has worked to its maximum capacity of 20,000 units during the year 2012. The management has decided to increase Production capacity to 30,000 units for the year 2013 and it is estimated that :

- There will be all round rise in all variable expenditure by 10%
 - There will be increase of 20% in all fixed overheads
 - There will be no need to change the selling price for the year 2013.
- Prepare Cost sheet for the year 2012 with cost per unit column and also prepare estimated Cost sheet for the year 2013 with cost per unit column.

10. (a) The sales turnover and profit of M/s Amit Ltd. during the two year 2011 and 2012 were as follows :—

Year	Sales	Profit
2011	9,00,000	1,20,000
2012	10,20,000	1,50,000

Your are required to calculate :

- P/V Ratio
- BEP Sales
- Sales required to earn a profit ₹ 2,40,000
- The profit made when sales are ₹ 15,00,000

- (b) From the following Particulars Calculate :—
- Material Cost Variance
 - Material Price Variance
 - Material Usage Variance

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	Standard	Actual
Material	1000 kg	900 kg
Price	₹ 12 per kg	₹ 16 per kg.

11. (a) Calculate profit as per Financial Accounts :—

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	₹
Net Profit as per Cost Accounts	60,000
Over valuation of opening stock in Cost Accounts	7,000
Over valuation of closing stock in Cost Accounts	4,000
Goodwill written off	3,500

- (b) From the following data Calculate :—

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- Profit Volume Ratio
 - Profit when sales are ₹ 60,000 and
 - New Break-Even point if selling price is reduced by 20%
- Fixed Expenses ₹ 12,000 and
Break-Even point ₹ 30,000

- (c) From the following information calculate—

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- Labour Cost variance
- Labour Rate variance
- Labour Efficiency variance.

	Standard	Actual
Number of Hours Per unit.	360	400
Rate per hour (₹).	1.50	1.40

[TURN OVER