

ALC V 08/11/24

[Time: 3 Hrs]

[Marks:100]

Please check whether you have got the right question paper.

- N.B:
1. All Questions are compulsory.
 2. All Sub-questions carry equal marks unless specified to the contrary.
 3. Workings to form part of the solutions and necessary assumptions to be made and stated clearly
 4. Use of Simple Calculator is allowed.

Q. 1. A Fill in the blanks from given option. (Any Ten)

10

1. Which of the following is a key purpose of management accounting?
 - a) To assist in preparing financial statements for external users
 - b) To track compliance with tax regulations
 - c) To provide information for internal decision-making
 - d) To prepare tax returns
2. What does the interpretation of financial statements primarily aim to achieve?
 - a) To verify the accuracy of financial data
 - b) To understand the financial health and performance of an organization
 - c) To prepare tax returns
 - d) To check whether the company follows accounting standards
3. Which of the following is NOT typically used as a tool for analyzing financial statements?
 - a) Ratio analysis
 - b) Trend analysis
 - c) Vertical analysis
 - d) Business valuation
4. Which ratio is used to measure a company's ability to meet its short-term obligations?
 - a) Debt to Equity Ratio
 - b) Current Ratio
 - c) Return on Equity
 - d) Gross Profit Margin
5. Which of the following is a correct formula to calculate working capital?
 - a) Current Assets - Current Liabilities
 - b) Total Assets - Total Liabilities
 - c) Fixed Assets + Current Assets
 - d) Sales - Operating Expenses
6. The cash flow statement is divided into three main sections. Which of the following is one of those sections?
 - a) Operating activities
 - b) Non-operating activities
 - c) Depreciation activities
 - d) Administrative activities
7. Which of the following is the primary purpose of an audit?
 - a) To detect and correct financial errors
 - b) To assist in making financial decisions
 - c) To express an opinion on the fairness of the financial statements
 - d) To increase company profits
8. What is the main purpose of audit planning?
 - a) To design the audit report
 - b) To minimize the time spent on audit tasks
 - c) To ensure that the audit is conducted efficiently and effectively

9. Which of the following is a technique used during the auditing process to obtain evidence?

- a) Interviewing management
- b) Vouching of transactions
- c) Creating budgets
- d) Financial analysis

10. Vouching refers to _____.

- a) Reviewing the general ledger for accuracy
- b) Verifying the existence and validity of transactions by examining supporting documents
- c) Assessing the fairness of financial statements
- d) Comparing the current year's financial statements with last year's

11. Verification in auditing involves _____.

- a) Checking the company's business plans
- b) Confirming the accuracy of the financial records by testing the underlying evidence
- c) Ensuring the company follows all regulatory laws
- d) Creating internal control policies

12. Which of the following would be a likely outcome of an audit if the financial statements are found to be materially misstated?

- a) Unmodified opinion
- b) Qualified opinion
- c) Adverse opinion
- d) No opinion

Q. 1. B State whether the following statements are true or false. (Any Ten)

10

1. Compensating errors will affect the trial balance
2. Sample size depends on sampling risk.
3. Carriage should always be allocated between capital and revenue.
4. A voucher must be dated for it to be valid.
5. The auditor must maintain an audit note book.
6. Internal check refers to the continuous review of an organization's operations.
7. An error of principle does not affect the trial balance
8. A rent receipt is considered sufficient evidence for salary payment.
9. Audit work should be systematically planned.
10. Audit work should be systematically planned.
11. The audit report is not a part of the financial statement.
12. A rent receipt is considered sufficient evidence for salary payment.

Q. 2. Manufacturing Limited presents the following information for 2022- 23. Estimated Yearly Production and Sales = 1,20,000 units
Estimated Cost Elements per unit.

15

Raw Materials	Rs.20
Wages	Rs.12
Overheads	Rs.8
Selling Price	Rs.48

1. The Company extends two months credit to the debtors
2. The Company maintains one month's stock of Raw Materials
3. The company maintains one month's stock of Finished Goods
4. The processing period is one month
5. The company is allowed two months credit by suppliers.
6. Wages and Overheads are paid one month in arrears

8. There is regular purchase, production and sales cycle.
 9. During production process wages and overheads accrue evenly
 10. Debtors are to be calculated on sales basis
 11. 20% of the customers pay one month in advance
- Prepare statement showing an estimate of working capital

OR

- Q. 2.** Following is the Trading and Profit and loss Account of Piyush Ltd for the year ended 31st March, 2023 and balance sheet on the same date. Calculate the following ratios: **15**

a) Gross Profit Ratio	b) Operating Ratio	c) Stock Turnover Ratio
d) Net Profit Ratio	e) Current Ratio	f) Quick Ratio
g) Proprietary Ratio	h) Stock to working capital Ratio	

Dr. Profit and loss account of for the year ended 31st March 2023 Cr.

Particulars	Rs.	Particulars	Rs.
To Opening Stock	60,000	By Sales	6,00,000
To Purchases	3,00,000	By Closing Stock	1,00,000
To Wages	12,000	By Dividend	8,000
To Administrative expenses	1,00,000		
To Selling & Distribution exp.	30,000		
To Loss on sale of Asset	6,000		
To Net Profit c/d	2,00,000		
	7,08,000		7,08,000

Balance sheet as on 31st March 2023

Liabilities	Rs.	Assets	Rs.
Equity share capital	2,00,000	Fixed Assets	1,50,000
6% Preference share capital	1,50,000	Long term Investment	2,00,000
Reserve and Surplus	50,000	Closing Stock	1,00,000
Bank overdraft	20,000	Debtors	1,30,000
Provision for tax	5,000	Cash and Bank balance	70,000
Secured loan	1,00,000		
Sundry creditors	1,25,000		
	6,50,000		6,50,000

- Q. 3.** Following are the summarized balance sheets of Meena industry private limited as on 31st March 2023 and 31 March 2024 **15**

Liabilities	2023	2024	Assets	2023	2024
Share capital	5,00,000	5,00,000	Building	5,00,000	4,75,000
General reserve	1,25,000	1,50,000	Machinery	3,75,000	4,22,500
Profit & loss A/c	76,250	76,500	Equipment	45,000	40,500
Term loan	1,75,000	1,55,000	Stock	1,00,000	74,000
Creditors	2,75,000	2,31,250	Debtors	2,00,000	1,60,000
Provision for tax	84,250	76,250	Cash	3,000	17,000
			Goodwill	12,500	-----
	12,35,500	11,89,000		12,35,500	11,89,000

Other information:

1. Dividend (interim) of Rs. 25,000 was paid during the year
 2. Deprecation premises is provide @10%
 3. Machinery of Rs. 75,000 was acquired during the year
 4. Income tax provision for the year was Rs 50,000.
- Prepare fund flow statement.

OR

- Q. 3.** The Following is financial information of Hindustan Ltd. for 3 years ended on 31st December year. **15**

Particulars	2022 (Rs.)	2023 (Rs.)	2024 (Rs.)
Share Capital	3,00,000	3,60,000	3,80,000
Gross Profit	7,00,000	7,00,000	8,00,000
Current Liabilities	80,000	?	?
Fixed Assets	4,80,000	5,00,000	4,70,000
Long Term Loan	2,00,000	?	2,40,000
Cost Of Goods Sold	?	8,00,000	6,00,000
Working capital	1,20,000	90,000	2,80,000
Net Worth	4,00,000	4,40,000	5,10,000
Current Assets	?	2,40,000	4,00,000
Sales	11,00,000	15,00,000	?
Capital Employed	6,00,000	?	?
Reserves and Surplus	?	80,000	1,30,000

You are required to prepare vertical Trend Financial Statement taking 2022 as the Base

- Q. 4.** What do you mean by audit programme? Explain advantages of audit programme? **15**

OR

- Q. 4.** Define the term auditing. Explain the principles of auditing? **15**

- Q. 5.** What do you mean by internal check? What points should be consider while framing a system of Internal check. **15**

OR

- Q. 5.** What is meant by verification? How would you vouch income from investment and royalty received? **15**

- Q. 6.** a) What are the principles of vouching and valuation of assets? **10**

- b) What are the different ration analysis given examples of balanced ratios? **10**

OR

- Q. 6.** **Short Notes (Attempt Any 4 out of 6)** **20**

- Tools of financial analysis
- Cash flow from operating activities.
- Liquid Assets
- Audit Note Book
- Auditors duties regarding fraud
- Window dressing