



BRAINWARE UNIVERSITY

Course – MCOM

Accounting Theories and Auditing (MCM405A)

(Semester – 4)

Time allotted: 3 Hours

Full Marks: 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*

(i) Sale of Rs. 50,000 to A was entered as a sale to B. This is an example of

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|-----------------------|------------------------|
| a. Error of omission | b. Error of commission |
| c. Compensating error | d. Error of principle |

(ii) Audit of banks is an example of

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|---------------------|------------------------|
| a. Statutory audit | b. Balance sheet audit |
| c. Concurrent audit | d. All of the above |

(iii) Management audit otherwise called as

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|----------------|---------------------|
| a. Final Audit | b. Efficiency Audit |
| c. Cost Audit | d. Cash Audit |

(iv) The International Accounting Standards Board is the independent, accounting standard-setting body of the

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|--------------------|----------------------|
| a. IFRS foundation | b. ASB |
| c. IFFB | d. None of the above |

- (v) Balance sheet does not include
- a. Verification of assets and liabilities
 - b. Vouching of income and expense accounts related to assets and liabilities
 - c. Examination of adjusting and closing entries
 - d. Routine checks
- (vi) Under which of the following kinds of business concepts it is assumed that the organization will last for a long time.
- a. Accounting Entity
 - b. Going Concern Entity
 - c. Money Measuring Entity
 - d. Accounting Period
- (vii) According to accrual concept of accounting, financial or business transaction is recorded
- a. when cash is received or paid
 - b. when transaction occurs
 - c. when profit is computed
 - d. when balance sheet is prepared
- (viii) The John Marketing Company provides advertising services to an investment company in year A but receives advertising fee in year B. The John Marketing Company recognizes this revenue in year A. This action of John Marketing Company is justified by:
- a. business entity concept
 - b. revenue recognition principle
 - c. economic entity concept
 - d. going concern concept
- (ix) A company is a going concern if:
- a. its balance sheet shows a strong financial position
 - b. its income statement for the current year shows huge profit
 - c. there is no evidence that it will or will have to cease operations within foreseeable future.
 - d. it is a public limited company

- (x) When issuing unqualified opinion, the auditor who evaluates the audit findings should be satisfied that the
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| a. Amount of known misstatement is documented in working papers | b. Estimates of the total likely misstatement is less than materiality level |
| c. Estimate of the total likely misstatement is more than materially level | d. Estimates of the total likely misstatement cannot be made |

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

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| 2. What is Accounting Standards? What are its objectives? | [2+3] |
| 3. What is Misappropriation of Cash? What are the different remedies of this? | [5] |
| 4. What do you mean by “Convergence of IFRS”? | [5] |
| 5. What are the objectives of GAAP in India? | [5] |
| 6. Goods of Rs.5,00,000 were destroyed due to flood in September, 2017. A claim was lodged with insurance company, but no entry was passed in the books for insurance claim. In March, 2018, the claim was passed and the company received a payment of Rs.3,50,000 against the claim. Explain the treatment of such receipt in final accounts for the year ended 31st March, 2018. | [5] |

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. (a) In determining the cost of inventories, it is appropriate to exclude certain costs and recognize them as expenses in the period in which they are incurred”. Provide examples of such costs as per AS 2 “Valuation of Inventories”. [5]
- (b) X Co. Limited purchased goods at the cost of Rs.40 lakhs in October, 2014. Till March, 2015, 75% of the stocks were sold. The company wants to disclose closing stock at Rs.10 lakhs. The expected sale value is Rs.11 lakhs and a commission at 10% on sale is payable to the agent. Advise, what is the correct closing stock to be disclosed as at 31.3.2015. [5]
- (c) Mention few areas in which different accounting policies are followed by companies. [5]
8. (a) What are depreciable assets as per Accounting Standard-6? Explain why AS 6 does not apply to Land. [5]
- (b) A machinery costing Rs.20 lakhs has useful life for 5 years. At the end of 5 years its scrap value would be Rs.2 lakhs. How much depreciation is to be charged in the books of the company as per Accounting Standard 6? [10]
9. S.T.B. Ltd. makes provision for expenses worth Rs.7,00,000 for the year ending March 31, 2011, but the actual expenses during the year ending March 31, 2012 comes to Rs.9,00,000 against provision made during the last year. State with reasons whether difference of Rs.2,00,000 is to be treated as prior period item as per AS-5 and the effect if any, on final accounts. [15]
10. (a) What is Window dressing of Balance Sheet? Explain properly. [5]
- (b) What is Un-Qualified Audit Report? [5]
- (c) What is Audit Risk? [5]

- 11 (a) What is an Audit Report? [5]
- (b) What do you mean by Concurrent Audit? [5]
- (c) What are the objectives of Audit Certificate? [5]