

**ADVANCE ACCOUNTING & AUDITING Paper – III**

**Corporate Accounting and Auditing**

**Section I – Corporate Accounting**

[50%]

1. **Valuation of Goodwill** : Definition, nature and type of goodwill, Factors contributing to goodwill, Determination of Capital employed, future maintainable profit and normal rate of return, Methods for valuation of goodwill (a) Capitalization method (b) Super profits method (c) Annuity method.

**Valuation of Shares:** Purpose and relevance of share valuation, Methods of Valuation : (a) Net assets basis/ intrinsic value method (b) Yield basis ( Dividend yield basis and EPS yield basis)

[Note: Only simple problems on valuation of goodwill and Shares (not requiring any assumptions to be made by the examinees) are expected; Changes in stock valuation method, tax implications and effect of exchange rate fluctuations are also not expected.]

2. **Liquidation of Company:** Liquidator's Statement of receipts & Payments, List B Contributories.
3. **Banking Companies Accounts:** Important terms, Transfer to Reserve Fund or Statutory Fund, Maintenance of Cash Reserve Ratio (CRR) & Maintenance of liquid asset or Statutory Liquidity Ratio (SLR) – in theory only; Preparation of Final Accounts of Banks (Only simple problems are expected). Accounting of interest suspense, Revenue recognition and Rebate on bills discounted.
4. **Electricity Companies Accounts** : Important terms (in theory only) and Preparation of Final Accounts as per Double Account system, Revenue Account, Net Revenue Account , Receipts and payments on Capital Account and General Balance Sheet, Replacement Accounts.
5. (I) Accounting Standard on 'Intangible Assets' (AS-26) and  
(II) Accounting Standard on 'Earning per Share' (AS-20) issued by ICAI.

**Section II – Auditing**

[50%]

- a. Introduction, Definition, Objectives, Types of Audit, Techniques of Auditing (e.g. Total, Test and Surprise checking).
- b. Internal Control, Internal Check, Internal Audit (Internal check as regards cash sales and wage payments only).
- c. **Vouching** : Meaning of voucher, Definition and objects of vouching, Vouching of Individual transactions and of subsidiary books.
- d. **Verification and Valuation of Assets and Liabilities** : Meaning, Auditors duties, Verification and Valuation of the following; - Goodwill, Leasehold Property, Plant and Machinery, Investments, Inventory, Accounts Receivable and Payable, Secured Loans, Contingent Liabilities.
- e. **Company Auditor** : Qualifications, Disqualifications, Appointment, Remuneration, Removal; Classes of auditor; Rights and Duties; Status of an Auditor; Lien of an Auditor.
- f. **Auditor's Liabilities** : Preparation before commencing audit of a limited company; Importance of different documents such as Memorandum of Association, Articles of Association, Prospectus, Minute Book, Preliminary Contracts.

**Notes:**

- I. Practical problems carrying not less than 80% of 50% marks allotted to Section I shall be asked from the topics prescribed in **Section I**.
- II. A multiple choice question (divided into 5 sub-questions) carrying 30% of 50% marks allotted to **Section II** shall be asked as a compulsory question from the syllabus prescribed in **Section II**, requiring the students to select correct option supported by necessary workings/explanations.
- III. Both the Sections are independent sections and under any method of paper – setting Questions from **Section I** shall not be set in Option of Questions from **Section II**.