PRIME ACADEMY

30th SESSION - PROGRESS TEST

PCC/IPCC - ADVANCED ACCOUNTING

No. of Pages: 5 **Total Marks: 75**

Time Allowed: 2Hrs

PART – A **25 Marks**

1. In case of hire purchase agreement, the ownership is transferred after

a. The sale consideration is received.

b. The last installment is paid.

c. The contract is entered.

d. The asset is put to use.

2. Hire purchase price represents

a. Hire purchase price+ interest

b. Cost price + interest

c. Cash price + interest

d. Cost price+ cash price

3. Down payment represents

a. The hire purchase price less interest

b. Cash price excluding interest

c. The initial contract payment.

d. The first installment.

4. The hire purchaser has no right to

a. Use the goods

b. Purchase the goods

c. Repair the goods

d. Sell the goods.

5. In the books of the hire purchaser, when machinery is purchased on hire purchase, the machinery account is debited with

a. Cash price.

b. Cost price.

c. Hire purchase price.

d. Realizable value.

6. In the books of the hire purchaser, hire vendor is credited with

a. Cash price.

b. Cost price.

c. Hire purchase price.

d. Realizable value.

7. Depreciation is charged in the books of the

a. Hire vendor

b. Hire purchaser

c. Both parties in the ratio agreed upon.

d. Both parties equally.

8. Profit on sale of repossessed goods belongs to the

a. Hire vendor

b. Hire purchaser

c. Two parties in the ratio agreed upon.

d. Two parties equally.

9. Books of accounts are not maintained by

a. Foreign branches

b. Independent branches

c. Dependant branches

d. Branches selling only for cash.

10. When cash is sent to the branch, to meet the expenses at the branch, credit is given to

a. Branch account

b. Goods sent to branch account

c. Branch expenses account

d. Cash account

11. A stock reserve is created for goods at the branch at the year end equal to

a. Cash price-cost price

b. Selling price-invoice price

c. Invoice price-cost price

d. Selling price-cost price

12. Balance in branch stock account represents

a. Goods sent to branch
b. Goods available for sale at the branch
c. Goods sold by the branch
d. Goods on which installment is not yet due.

13. The opening balance in stock reserve account is transferred to

a. Branch stock account
b. Branch account
c. Branch profit or loss account
d. Branch adjustment account.

14. In consolidated balance sheet, branch account

a. Is found as an asset
b. Is found as a liability
c. Is found as an asset or liability depending on the status
d. Is not found

15. When goods are transferred from one branch to another it is treated as

a. Goods returned to the head office
b. Goods redirected to branch
c. No entry is required
d. Goods sent from one branch to another.

16. The reporting currency is the currency in which the….. Prepared

a. Books of accounts are
b. Trial balance is
c. Financial statements are
d. Cash flow statement is

17. The profit from the branch is transferred to

a. Head office account
b. Branch account
c. Branch adjustment account
d. General profit and loss account.

18. Amalgamation Adjustment Reserve is opened will appear in the

a. Selling Company's books

b. Purchasing company's books

c. Subsidiary company books

d. Transferor company's books.

19. When Consideration is greater than paid up share capital of selling company, it is to be adjusted against

a. Free Reserves of selling company

b. Statutory Reserves

c. Amalgamation Adjustment account

d. Purchase Consideration

20. In the case of amalgamation in the nature of merger…..does not arise

a. Capital reserve

b. Statutory Reserve

c. Amalgamation Adjustment Account

d. Share Capital

21. A Statutory Report is to be furnished by

a. Private company

b. Public Company

c. Statutory Company

d. All of the above

22. When Tax is finally Assessed, Advance tax paid is set off against

a. Refund of Tax due

b. Tax Deducted at source

c. Tax Liability

d. Provision for taxation

23. Assets and Liabilities are recorded at book values when there is

a. Amalgamation in the nature of purchase

b. Amalgamation in the nature of Merger

c. Internal Reconstruction

d. External Reconstruction

24. Provision for Taxation are made

a. When Tax liability is ascertained

b. When final accounts are prepared

c. When Income Tax authorities finalize the taxes

d. When advance taxes are paid.

25. For all amalgamations, the following disclosures are required except

a. Names of amalgamating companies

b. The effective date of amalgamation

c. The method of depreciation charged on the assets taken over.

d. Number of the shares issued.

PART – B **50 Marks**

1. Carlin & Co. has head office at New York (U.S.A.) and branch at Mumbai (India). Mumbai branch furnishes you with its trial balance as on 31st March, 2009 and the additional information given there after:

	Rs in thousands	
	Dr.	Cr.
Stock on 1st April, 2008	300	–
Purchases and sales	800	1,200
Sundry Debtors and creditors	400	300
Bills of exchange	120	240
Wages and salaries	560	–
Rent, rates and taxes	360	–
Sundry charges	160	–
Computers	240	–
Bank balance	420	–
New York office a/c	–	1,620
	3,360	3,360

Additional information:

a. Computers were acquired from a remittance of US $ 6,000 received from New York head office and paid to the suppliers. Depreciate computers at 60% for the year.

b. Unsold stock of Mumbai branch was worth Rs. 4, 20,000 on 31st March, 2009

c. The rates of exchange may be taken as follows:

  i. On 1.4.2008 @ Rs. 40 per US $

  ii. On 31.3.2009 @ Rs. 42 per US $

  iii. Average exchange rate for the year @ Rs. 41 per US $

  iv. Conversion in $ shall be made upto two decimal accuracy.

You are asked to prepare in US dollars the revenue statement for the year ended 31st March, 2009 and the balance sheet as on that date of Mumbai branch as would appear in the books of New York head office of Carlin & Co. You are informed that Mumbai branch account showed a debit balance of US $ 39609.18 on 31.3.2009 in New York books and there were no items pending reconciliation. **(15 Marks)**

2. Easy buy Corporation sells goods on hire-purchase basis. The hire-purchase price is cost plus 60%.

It furnishes you the following information:

	Rs.
Hire Purchase stock on 1.4.2008	2,40,000
Installments due on 1.4.2008	45,000
Goods sold on hire purchase from 1.4.2008 to 31.3.2009	9,60,000
Cash collected from HP debtors during 1.4.2008 to 31.3.2009	3,00,000
Stock with customers at hire-purchase price on 31.3.2009	6,40,000

You are required to prepare Hire Purchase Trading Account for the year ended 31st March, 2009

(10 Marks)

3. From the following particulars of Ganga Limited, you are required to calculate the managerial remuneration in the following situation

i. There is only one whole time director.

ii. There are two whole time directors.

iii. There are two whole time directors, a part time director and a Manager.

	Rs.
Net profit before provision for income-tax and managerial	
Remuneration, but after depreciation and provision for repairs	8,70,410
Depreciation provided in the books	3, 10,000
Provision for repairs of machinery during the year	25,000
Depreciation allowable under Schedule XIV	2, 60,000
Actual expenditure incurred on repairs during the year	15,000

(8 Marks)

4. The financial position of two companies Hari Ltd. and Vayu Ltd. as on 31st March, 2009 was as under:

Assets	Hari Ltd. (Rs.)	Vayu Ltd. (Rs.)
Goodwill	50,000	25,000
Building	3,00,000	1,00,000
Machinery	5,00,000	1,50,000
Stock	2,50,000	1,75,000
Debtors	2,00,000	1,00,000
Cash at Bank	50,000	20,000
Preliminary Expenses	30,000	10,000
	13,80,000	5,80,000

Liabilities

Share Capital:	Hair Ltd. (Rs.)	Vayu Ltd. (Rs.)
Equity Shares of Rs. 10 each	10,00,000	3,00,000
9% Preference Shares of Rs. 100 each	1,00,000	–
10% Preference Shares of Rs. 100 each	–	1,00,000
General Reserve	1,00,000	80,000
Retirement Gratuity fund	50,000	20,000
Sundry Creditors	1,30,000	80,000
	13,80,000	5,80,000

Hari Ltd. absorbs Vayu Ltd. on the following terms:

a. 10% Preference Shareholders are to be paid at 10% premium by issue of 9% Preference Shares of Hari Ltd.

b. Goodwill of Vayu Ltd. is valued at Rs. 50,000, Buildings are valued at Rs. 1, 50,000 and the Machinery at Rs. 1, 60,000.

c. Stock to be taken over at 10% less value and Reserve for Bad and Doubtful Debts to be created @ 7.5%.
d. Equity Shareholders of Vayu Ltd. will be issued Equity Shares @ 5% premium.
e. Prepare necessary Ledger Accounts to close the books of Vayu Ltd. and show the acquisition entries in the books of Hari Ltd. Also draft the Balance Sheet after absorption as at 31st March, 2009. (17 Marks)

PRIME ACADEMY

30th SESSION-PROGRESS TEST

PCC/IPCC - ADVANCED ACCOUNTING

SUGGESTED ANSWERS

PART - A

1.	**B**
2.	**C**
3.	**C**
4.	**D**
5.	**A**
6.	**A**
7.	**B**
8.	**A**
9.	**C**
10.	**D**
11.	**C**
12.	**D**
13.	**D**
14.	**D**
15.	**A**
16.	**C**
17.	**D**
18.	**B**
19.	**A**
20.	**A**
21.	**B**
22.	**D**
23.	**B**
24.	**B**
25.	**C**

PART - B

1) Carlin & Co. Ltd.

Mumbai Branch Trial Balance in (US $) as on 31st March, 2009

	Conversion Rate per US $ (Rs.)	Dr. US $	Cr. US $
Stock on 1.4.08	40	7,500.00	–
Purchases and sales	41	19,512.20	29,268.29
Sundry debtors and creditors	42	9,523.81	7,142.86
Bills of exchange	42	2,857.14	5,714.29
Wages and salaries	41	13,658.54	–
Rent, rates and taxes	41	8,780.49	–
Sundry charges	41	3,902.44	–
Computers	–	6,000.00	–
Bank balance	42	10,000.00	–
New York office A/c	–	–	39,609.18
		81,734.62	81,734.62

Trading and Profit & Loss Account for the year ended 31st March, 2009

	US $		US $
To Opening Stock	7,500.00	By Sales	29,268.29
To Purchases	19,512.20	By Closing stock	10,000.00
To Wages and salaries	13,658.54	By Gross Loss C/D	1,402.45
	40,670.74		40,670.74
To Gross Loss b/d	1,402.45	By Net Loss	17,685.38
To Rent, rates and taxes	8,780.49		
To Sundry charges	3,902.44		
To Depreciation on computers (US $ 6,000 × 0.6)	3,600.00		
	17,685.38		17,685.38

Balance Sheet of Mumbai Branches on 31st March, 2009

Liabilities		*US $*	*Assets*	*US $*	*US $*
New York Office A/c		39,609.18	Computers	6,000.00	
Less: Net Loss	17,685.38	21,923.80	*Less*: Depreciation	3,600.00	2,400.00
Sundry creditors		7,142.86	Closing stock		10,000.00
Bills payable		5,714.29	Sundry debtors		9,523.81
			Bank balance		10,000.00
			Bills receivable		2,857.14
		34,780.95			34,780.95

Note : The above answer has been given on the basis that the Mumbai branch is an integral foreign operation of carline & Co.

2) Hire Purchase Trading Account for the year ended 31.3.2009

		Rs.			***Rs.***
To	Hire purchase stock (Opening)	2,40,000	By	Hire purchase stock reserve (Opening)	90,000
To	Installments due (Opening)	45,000	By	Bank (Collections)	3,00,000
To	Goods sold on hire purchase	9,60,000	By	Goods sold on hire purchase (Loading)	3,60,000
To	Hire purchase stock reserve (Closing)	2,40,000	By	Hire purchase stock (Closing)	6,40,000
To	Profit and loss A/c	2,10,000	By	Installments due (Closing)	3,05,000
		16,95,000			16,95,000

Working Notes:

Memorandum Hire Purchase Stock A/c

	Rs.		*Rs.*
To Balance b/d	2,40,000	By Hire Purchase debtors A/c (Balancing Figure)	5,60,000
To Goods sold on hire purchase	9,60,000	By balance c/d	6,40,000
	12,00,000		12,00,000

Memorandum Hire Purchase Debtors A/c

	Rs.		*Rs.*
To Balance b/d	45,000	By Cash/Bank A/c	3,00,000
To Hire purchase stock A/c	5,60,000	By balance c/d (Balancing Figure)	3,05,000
	6,05,000		6,05,000

3) Sections 198 and 309 of the Companies Act, 1956 prescribe the maximum percentage of profit that can be paid as managerial remuneration. For this purpose, profit is to be calculated in the manner as specified in Section 349.

Calculation of net profit u/s 349 of the Companies Act, 1956

	Rs.	**Rs.**
Net profit before provision for income-tax and managerial remuneration, but after depreciation and provision for repairs	8,70,410	
Add back: Depreciation provided in the books	3,10,000	
Provision for repairs of machinery	25,000	3,35,000
	12,05,410	
Less: Depreciation allowable under Schedule XIV	2,60,000	
Actual expenditure incurred on repairs	15,000	2,75,000
Profit under section 349	9,30,410	

Calculation of managerial remuneration

i) *There is only one whole time director*

Managerial remuneration	= 5% of Rs. 9,30,410
	= Rs. 46,520.50

ii) *There are two whole time directors*

Managerial remuneration	= 10% of Rs. 9,30,410
	= Rs. 93,041

iii) *There are two whole time directors, a part time director and a manager*

Managerial remuneration	= 11% of Rs. 9,30,410
	= Rs. 1,02,345.10

4) In the Books of Vayu Ltd. Realization Account

		Rs.			***Rs.***
To	Sundry Assets (5,80,000 – 10,000)	5,70,000	By	Gratuity Fund	20,000
To	Preference Shareholders		By	Sundry Creditors	80,000
	(Premium on Redemption)	10,000	By	Hari Ltd.	
To	Equity Shareholders			(Purchase Consideration)	5,30,000
	(Profit on Realization)	50,000			
		6,30,000			6,30,000

Equity Shareholders Account

		Rs.			***Rs.***
To	Preliminary Expenses	10,000	By	Share Capital	3,00,000
To	Equity Shares of Hari Ltd.	4,20,000	By	General Reserve	80,000
			By	Realization Account	
				(Profit on Realization)	50,000
		4,30,000			4,30,000

Preference Shareholders Account

		Rs.			Rs.
To	9% Preference Shares of Hari Ltd.	1,10,000	By	Preference Share Capital	1,00,000
			By	Realization Account (Premium on Redemption of Preference Shares)	10,000
		1,10,000			1,10,000

Hari Ltd. Account

		Rs.			Rs.
To	Realization Account	5,30,000	By	9% Preference Shares	1,10,000
			By	Equity Shares	4,20,000
		5,30,000			5,30,000

In the Books of Hari Ltd. Journal Entries

		Dr. Rs.	Cr. Rs.
Goodwill Account	Dr.	50,000	
Building Account	Dr.	1,50,000	
Machinery Account	Dr.	1,60,000	
Stock Account	Dr.	1,57,500	
Debtors Account	Dr.	1,00,000	
Bank Account	Dr.	20,000	
To Gratuity Fund Account			20,000
To Sundry Creditors Account			80,000
To Provision for Doubtful Debts Account			7,500
To Liquidators of Vayu Ltd. Account			5,30,000
(Being Assets and Liabilities taken over as per agreed valuation).			

Liquidators of Vayu Ltd. A/c	Dr.	5,30,000	
To 9% Preference Share Capital A/c			1,10,000
To Equity Share Capital A/c			4,00,000
To Securities Premium A/c			20,000
(Being Purchase Consideration satisfied as above).			

Balance Sheet of Hari Ltd. (after absorption) as at 31st March, 2009

Liabilities	**Rs.**	**Assets**		**Rs.**
Share Capital :		*Fixed Assets*:		
2,100 9% Preference Shares of Rs.100 each	2,10,000	Goodwill		1,00,000
1,40,000 Equity Shares of		Building		4,50,000
Rs. 10 each fully paid	14,00,000	Machinery		6,60,000
(1,100 Preference Shares and 40,000 Equity Shares were issued in consideration other than for cash)		*Current Assets***:**		
		Stock		4,07,500
Reserve and Surplus:		Debtors	3,00,000	
Securities Premium	20,000	Less: Provision for bad debts	7,500	2,92,500
General Reserve	1,00,000	Cash and Bank		70,000
Current Liabilities:		*Miscellaneous Expenses to the extent not written off*		
Gratuity Fund	70,000			
Sundry Creditors	2,10,000	Preliminary expenses		30,000
	20,10,000			20,10,000

Working Notes:

Purchase Consideration:	**Rs**
Goodwill	50,000
Building	1,50,000
Machinery	1,60,000
Stock	1,57,500
Debtors	92,500
Cash at Bank	20,000
	6,30,000
Less: Liabilities	
Gratuity	20,000
Sundry Creditors	80,000
Net Assets	5,30,000
To be satisfied as under:	
10% Preference Shareholders of Vayu Ltd.	1,00,000
Add: 10% Premium	10,000
1,100 9% Preference Shares of Hari Ltd.	1,10,000
Equity Shareholders of Vayu Ltd.	
to be satisfied by issue of 40,000	
Equity Shares of Hari Ltd. at 5% Premium	4,20,000
Total	5,30,000

PRIME ACADEMY

30th SESSION - PROGRESS TEST

PCC/IPCC - AUDITING & ASSURANCE

No. of Pages: 6 **Total Marks: 75**

Time Allowed: 2Hrs

PART – A **25 Marks.**

1. Vouching refers to

a) The act of examining vouchers

b) The act of establishing the authenticity of the transactions recorded

c) Only a

d) Both a & b

2. Vouching is a

a) Substantive procedure

b) Compliance procedure

c) Audit evidence

d) All of the above

3. The items which an auditor would verify from a company's prospectus include

a) Number and classes of shares

b) Nature and extent of interest of the holders in the property or profits of the company

c) All of the above

d) None of the above

4. The value determined and the costs incurred for the purpose of obtaining the trade marks and copyrights have to be

a) Capitalized.

b) Amortized

c) Only a

d) Both a & b

5. Cutoff arrangement essentially forms part of

a) Internal Control

b) Internal Check

c) Accounting method

d) Audit procedure

6. Black box approach is also known as

a) Auditing with the computer

b) Auditing around the computer

c) Detail testing

d) None of the above

7. A prospectus which does not have complete particulars on the price of securities offered and quantum of securities offered is called

a) A Shelf Prospectus

b) A Red herring prospectus

c) An Initial Offer Document

d) None of the above

8. The auditor through the performance of Compliance and Substantive procedure should obtain

a) Reasonable audit evidence

b) Appropriate evidence

c) Sufficient appropriate evidence

d) Material evidences

9. AAS-2 states that the scope of audit of financial statements will be determined having regard to terms of engagement, relevant legislations and guidelines issued by ICAI

a) by the auditor

b) by the Management

c) by the Government

d) all of the above

10. Analysis of significant ratios and trends is a

a) Analytical Procedure

b) Compliance Procedure

c) Verification procedure

d) All of the above

11. An evidence that originates from outside the client's organization is

a) Confirmation

b) Reliable evidence

c) Internal evidence

d) External evidence

12. Posting Checking, Confirmation are all examples of

a) Audit procedures

b) Auditing methods

c) Audit techniques

d) All of the above

13. Tracing a business transaction through all stages in which it features in the records of the business is known as

a) Audit technique

b) Test of details

c) Audit trail

d) Audit procedure

14. Auditor obtains knowledge about the business from

a) Discussion with client personnel

b) Entity specific Legislations and regulations

c) Documents produced by the client

d) All of the above

15. Financial statements are

a) Audited statements of accounts

b) Profit and loss account statement

c) Statements of figures and facts

d) Statements prepared for a financial period presented

16. Types of assertions addressed by External confirmations include

a) Existence

b) Rights and Obligations

c) Valuation

d) All of the above

17. Test Packs are

a) Audit techniques

b) Test data involved for testing a particular sequence or program

c) Also processed manually

d) All of the above

18. Test Checking

a) Is an audit procedure

b) Is a sampling technique

c) Is an error detection mechanism

d) All of the above

19. Purchase is

a) A procedure

b) A subsystem of an business environment

c) A System

d) All of the above

20. Factors that decide the extent of checking are

a) Size of the organization

b) State of internal control

c) Tolerable error range

d) All of the above

21. When the auditor intends to use the work of an expert, he should examine:-

a) Evidence to gain knowledge regarding the terms of the expert's engagement.

b) Expert's relationship with the client.

c) all of the above

d) none of the above

22. The best evidence for Purchase returns are

a) entries in the purchase returns books

b) debit notes raised

c) credit notes received from suppliers

d) All of the above

23. Increase in Gross Profit may be due to

a) over valuation of opening stock

b) undervaluation of closing stock

c) under valuation of opening stock

d) all of the above

24. Pick the odd one out: Transaction not suitable for test checking are:

a) Opening and closing entries

b) Bank reconciliation statement

c) Balance sheet items

d) Transactions which are of large amount but immaterial

25. Validity of transactions have to be established with regard to

a) Valid recipients

b) Legal provisions

c) Rules and regulations governing the internal working

d) All of the above

PART-B **50 Marks**

1. (a) List the factors to be considered under AAS-24 while Audit planning. (10 Marks)

(b)Mention a few items which the Auditor would verify from Directors' Minute Book (6 Marks)

2. How will you vouch and/or verify the following? Answer any ***three*** (3 X4 =12 Marks)

a. Cash in Hand
b. Re-issue of Forfeited Shares
c. Premium paid for insurance of a Motor car.
d. Intangible Assets
e. Purchase return

3. What are the general principles regarding verification of assets. (10 Marks)

(OR)

Explain the relationship between the statutory and Internal Auditor

4. Write short notes on the following: Answer any ***three*** (3 X4 =12 marks)

a. Audit Programme.
b. Contingent Assets
c. Procedures and technique
d. Valuation of Wasting Assets

PRIME ACADEMY

30TH SESSION- PROGRESS TEST

AUDITING AND ASSURANCE

SUGGESTED ANSWERS

PART – A

1.	**D**
2.	**A**
3.	**C**
4.	**D**
5.	**B**
6.	**B**
7.	**B**
8.	**C**
9.	**A**
10.	**A**
11.	**D**
12.	**C**
13.	**C**
14.	**D**
15.	**D**
16.	**D**
17.	**D**
18.	**A**
19.	**A**
20.	**D**
21.	**C**
22.	**C**
23.	**C**
24.	**D**
25.	**D**

PART – B

1)

a. **Basic Principles Governing an Audit:** Auditing and Assurance Standard-1 on "Basic Principles Governing an Audit" issued by the ICAI describes the basic principles which govern the auditor's professional responsibilities and which should be complied with whenever an audit of financial information of any entity is carried out. The basic principles as stated are as under:

i. Integrity, Objectivity and Independence: The auditor should be honest, straightforward and sincere in his approach to his professional work. He must be fair and must not allow prejudice or bias to override his objectivity. He should maintain an impartial attitude and both be and appear to be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity and objectivity.

ii. Confidentiality: The auditor should respect the confidentiality of information acquired in the course of his work and should not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to disclose.

iii. Skills and Competence: The audit should be performed and the report should be prepared with due professional care by persons who have adequate training, experience and competence in auditing.

iv. Work Performed by Others: When the auditor delegates work to assistants or uses work performed by other auditors and experts, he will be entitled to rely on work performed by others provided he exercise adequate skill and care and is not aware of any reasons to believe that he should not have so relied. The auditor should carefully direct supervise and review work delegated to assistants and obtain reasonable assurance that work performed by other auditors or experts is adequate for his purpose since he will continue to be responsible for forming and expressing his opinion on the financial information.

v. Documentation: The auditor should document matters which are important in providing evidence that the audit was carried in accordance with the basic principles.

vi. Planning: Planning enables the auditor to conduct an effective audit in an efficient and timely manner. Primarily, planning should be based on the knowledge of the client's business. Plans should be further developed and revised as necessary during the course of the audit.

vii. Audit Evidence: The auditor should obtain sufficient appropriate audit evidence through the performance of compliance and substantive procedures to enable the auditor to draw reasonable conclusions, and form opinions on the financial aspects.

viii. Accounting System and Internal Control: The auditor should reasonably assure himself that the accounting system is adequate and that all the accounting information which should be recorded has in fact been recorded and internal controls normally contribute to such assurance.

ix. Audit Conclusion and Reporting: The auditor should review and assess the conclusions drawn from the audit evidence obtained and from his knowledge of business of the entity as the basis for the expression of his opinion on the financial information. This review and assessment involves forming an overall conclusion as to whether:

1. The financial information has been prepared using acceptable accounting policies which have been consistently applied,
2. The financial information complies with relevant regulations and statutory requirements,
3. There is an adequate disclosure of all material matter relevance to the proper presentation of the financial information, subject to statutory requirements, where applicable.

b. Mention few items, which the auditor would verify from Members' minutes book

The auditor should note the following aspects from the members' minutes book, relating to general meetings:

- Appointment of auditors and their remuneration
- Adoption of annual accounts
- Declaration of dividends
- Appointment or re-appointment of directors
- Fixation of remuneration to managing and other directors where approval at general meeting is necessary
- Approval for inter-company investments and loans exceeding the basic limits permitted by the board
- Borrowing in excess of the aggregate of the paid-up capital and free reserves
- Any resolution affecting the accounts

2)

a. Cash in Hand

i) Visit the auditee's premises and physically count, whole of the cash at a time and compare it with the balance shown on cash book.

ii) He should not accept IOU's as cash.

iii) If cash could not be counted on last day of the year he may visit as per his convenience and count the cash and check the cash book from the end of the last year to the date as and when cash is counted to verify the correctness of each balance at the end of last year.

iv) If actual cash counting is not possible ask the auditee to deposit whole of the cash in hand at the close of the year into bank, then the closing cash balance gets automatically checked.

v) Whatever it may be, auditor should pay surprise visit to auditee and count the cash to prevent the cashier to borrow money and make up the deficiency which was due to embezzlement in the past.

vi) Get certificates from the auditors of the branches about the cash balance in hand and their correctness.

vii) Check the documentary evidences in reference to the cash in transit.

viii) See that the cash in hand is properly shown on the balance sheet

b. Re- issue of forfeited shares:

i) The auditor should ascertain that Board of Directors has the authority under the Articles to Re-issue forfeited shares. Check relevant resolution of the Board of Directors.

ii) The auditor should vouch the amounts collected from person to whom the shares have been allotted and verify the entries recorded from re-allotment and see that the total amount received on the shares including that received prior to forfeiture, is not less than the par value.

iii) The auditor should verify the amount of surplus resulting on the re-issue of shares rightly credited to Capital Reserve Account.

iv) Where partly paid shares are forfeited for non-payment of calls, and are re-issued as fully paid, the re-issue is treated as an allotment at a discount. In such case, the provisions of Sec. 79 of the Companies Act would require compliance.

c. Premium paid on Insurance of a Motor Car:

i) Check insurance cover note issued by Insurance Company. Verify car no., period of Insurance etc.

ii) See that "No claim Bonus" is given, where entitled, by the Insurance Company.

iii) Ensure that proper adjustment is made for pre-paid insurance premium.

d. Intangible Assets:

An intangible asset is that asset which does not have a physical identity but which is used by the enterprise for production or supply of goods or for retails to other or for administrative purpose. Such asset does not have any physical existence but their presence in the business is indicated with a value placed thereon. These assets include rights and benefit to owners subject to their being useful. For example: goodwill, patents, copyright etc. AS 26, "Intangible Assets", applies to, among other things, expenditure on advertising, training, start-up, research and development activities. Research and development activities are directed to the development of knowledge.

Therefore, although these activities may result in an asset with physical substance (for example, a prototype), the physical element of the asset is secondary to its intangible component, that is the knowledge embodied in it. This standard also applies to rights under licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights. An intangible asset should measured at cost. After initial recognition an intangible asset should be carried at its cost less any accumulated amortization and any impairment losses.

Auditor should also ensure that proper disclosure is made in the financial statements about the Carrying amount, amortization, methods, useful lives, etc.

e. Purchase Return

i) Examine debit note issued to the supplier which in turn may be confirmed by corresponding credit note issued by the supplier acknowledging the same. The relevant correspondence may also be examined.

ii) Verify by reference to relevant corresponding record in good outward book or the stores records. Further, the figures in these documentary evidence should be compared with the supplier's original invoices for rates and other charges and calculation should also be checked.

iii) Examine in depth to eliminate the possibility of fictitious purchase returns for covering bogus purchases recorded earlier when such returns outwards are in substantial figure either at the beginning or end of the accounting year.

iv) Cross-check with reference to original invoices any rebates in price or allowances if any given by suppliers on strength of their Credit Notes.

3) Following are the general principles regarding verification of assets :

1. Where a company or a partnership has taken over the assets of a going concern, the agreement of sale should be inspected and that amount paid for them ascertained. It should be further verified that the allocation of the total cost among the various assets is fair and reasonable.

2. The cost of assets acquired piecemeal should be verified with their invoices, purchase agreements or ownership rights and the receipt of the sellers in respect of the price paid. It should be verified that expenditure on assets newly acquired and that on the renewal and replacement of old assets has been correctly recorded, consistent with the method that has been generally followed in the past.
3. When an asset is sold, its sale-proceeds should be vouched by reference to the agreement, containing the terms and conditions of sale, counterfoil of the receipt issued to the purchaser or any other evidence which may be available. If the sale of a fixed asset has resulted in capital profit, it should be transferred to capital reserve. However, the profit limited to the original cost or a loss should be transferred to the Profit & Loss Account.
4. It is obligatory for a company to provide for depreciation out of the profits in accordance with the provisions under sub-section (1) of section 205, before any profits can be distributed as dividend. The law requires that depreciation should be provided in one of the ways specified in the section 205(2) of the Companies Act, 1956.
5. The existence of fixed assets, where practicable, should be verified by a physical inspection and, or by comparing the particulars of assets as are entered in the Schedule attached to the Balance Sheet, with the Plant or Property Register and reconciling their total value with the General Ledger balances.
6. Wherever possible, all the securities and documents of title, cash, negotiable instruments, etc. representing the assets, should be inspected at the close of the last day of the accounting period. If this be not practicable and the examination is undertaken at the later date, a careful scrutiny of transactions subsequent to the date of the balance sheet must be made to ensure that the changes in their balance that have subsequently taken place are *bonafide* and are supported by adequate evidence.
7. It should be ascertained that no unauthorized charge has been created against an asset and all the charges are duly registered and disclosed. Where shares or securities are lodged with a bank to secure a loan or an overdraft, a certificate should be obtained from the bank showing the nature of the charge, if any.
8. Where assets, *e.g.,* government securities, share scrip and debenture bonds are in the custody of a third party other than a bank, these must be inspected.

9. Where depreciable assets are disposed of, discarded, demolished or destroyed, the net surplus or deficiency, if material, should be disclosed separately.
10. According to the provisions contained in Part-I of Schedule VI to the Companies Act, 1956, the expenditure on fixed assets is required to be segregated under the following heads:
    a. Goodwill
    b. Land
    c. Buildings
    d. Leaseholds
    e. Railway sidings
    f. Plant and machinery
    g. Furniture and fittings
    h. Development of property
    i. Patents, trade marks and designs
    j. Livestock
    k. Vehicles, etc.

    It is the duty of the management to ensure that the fixed assets of the company are in existence and for this purpose, it is important that physical examination of plant and machinery and other fixed assets should be carried out periodically depending upon the size of the company. The order issued under section 227(4A) of the Act requires the auditor to report on the physical verification of the fixed assets by the management, and the treatment of the discrepancies, if any.

Explain the relationship between the statutory and Internal Auditor

In accounting matters the internal auditor and the statutory auditor operate in the same field. Both would have a common interest in determining that there is –

i) An effective system of internal control to prevent or detect errors and frauds and that it has been operating efficiently.
ii) An adequate accounting system to generate information for preparation of true and fair financial statements.

However, there are fundamental difference between the two forms of audits in terms of the status, responsibility, approach and scope of operation of an internal auditor and a statutory auditor.

a. **Status and Scope**: The internal auditor is a representative of the management and the nature and scope of his operations are determined by the needs and perception of the management. The statutory auditor on the other hand is independent of the management, his scope of operations and rights and duties are defined by the statute.
b. **Approach:** The statutory auditors approach would be governed by the duty placed on him to satisfy him self that the accounting statements presented to the shareholders shows a true and fair view of the profit and loss during the year and of the state of affairs of the company as on the date of the Balance Sheet.

   The internal auditor on the other hand would operate with a view to ensuring that the accounting system is efficient and that the accounting information presented to the management are correct and disclosed material facts.
c. **Responsibility:** The internal auditor is responsible to the management who is his master.

   The statutory auditor is on the other hand is responsible directly to the shareholders. The internal auditor has not got the independent status like the statutory auditor.

   The techniques of audit adopted by both the auditors are common such as –
   i. Verification of internal control System to see whether it is sound in principle and effective in operation
   ii. Verification of accounting records and statements.
   iii. Verification of assets and liabilities.
   iv. Statistical comparison, enquiry etc.

d. **Appointment:** The appointment of the internal auditor depends entirely on the wishes of the management. The management may not have own internal audit. After promulgation of the CARO, 2003 it is obligatory for certain companies to have internal auditor. It is obligatory for the statutory auditor to comment in respect of certain companies as to whether they have internal audit system commensurate with its size and nature of business.

The qualification of the internal auditor is not guided by any statutory provision. This is determined by the management. Where as a person shall not be qualified for appointment as auditor of a 0.company unless he is a Chartered Accountant within the meaning of the Chartered Accountants Act. 1949, provided that a firm where of all the partners practicing in India are qualified for appointment as aforesaid may be appointed by it's firm name to be auditor of a company, in which case any partner so practicing may act in the name of the firm.

As regards the internal arrangements between the statutory auditor and the internal auditor in the performance of their respective duties, reference may be made to the statement on Auditing and Assurance Standard 7 on "Relying upon the work of an internal auditor"
issued by the Institute of Chartered Accountants of India. This statement recognized that "the role of the internal audit function within an entity is determined by the management and its prime objective differs from that of the external auditor who is appointed to report independently on financial information. Nevertheless, some of the means of achieving their respective objective are often similar and thus much of the work of the internal auditor may be useful to the external auditor in determining the nature, timing and extent of his procedures".

Thus, before deciding to place reliance upon the work of the internal auditor, the statutory auditor should, as part of his audit, make a general evaluation of the internal audit function.
Such evaluation will help him in deciding to what extent he can rely upon the internal auditor's work and whether he may adopt less extensive procedures than would otherwise be required. In this connection, the statutory auditor should consider the following aspects: -

a. Status of the internal auditor in the organization-to whom does he report- whether any constraints or restrictions placed upon his work by management- whether he is free to communicate with the statutory auditor.
b. Scope of the internal auditor function and whether recommendations of the internal auditor are acted upon.
c. Technical competence of the person carrying out the internal audit work.
d. Exercise of such professional care regarding internal audit work- whether there has been proper planning, supervision, review and documentation of internal audit work.

Considering the results of general evaluation of the internal audit function, the statutory auditor may decide to rely upon the internal auditor's work. It would be helpful if the statutory auditor ascertains the tentative plan of internal audit for the year and discusses the same with the internal auditor.

However, the degree of reliance that a statutory auditor can place on the work done by the internal auditor is a matter of individual judgment. Finally, it must be emphasized that the report of the statutory auditor is his sole responsibility and that responsibility is not by any means reduced because of the reliance he placed on the internal auditor's work.
Thus the relationship between Internal and statutory auditor is a professional relationship wherein both can benefit from each other.

4)

a. **Audit Programme:** Audit Programme is a written documents setting forth, in details, the various aspects of the proposed audit. Such Programme is prepared before commencing the audit and it is updated with the progress of the audit.

Without a written and pre-determined Programme, work is necessarily, to be carried out on the basis of some, 'mental' plan. In such a situation, there is always a danger of ignoring or overlooking certain books and records. Under a properly framed Programme, the danger insignificantly less and the audit can proceed systematically.

It serves as a guide to be carried out in the succeeding year. A properly drawn up audit Programme serve as evidence in the event of any charge of negligence being brought against auditor.

Audit Programme normally provide for the following:

i. Audit procedure to be applied
ii. Extent of check
iii. Timing of check
iv. Allocation of work amongst the audit team members.
v. Special instructions based on past experience of the auditee.

Audit Programme provides sufficient details to serves as a set of instruction to the team and also help to control the proper execution of work.

b. Contingent Assets

Contingent Assets maybe defined as an asset, the existence, ownership or value of which maybe known or determined only on the occurrence or non-occurrence of one or more future events they are not accounted for in the financial statements as this may result in the recognition of revenue which may never be realized. They need to be disclosed if they are of significant value if the realization is doubtful, it would be safer to value the assets on the realisability basis.

c. Distinction between Procedures and technique

The two terms, procedure and techniques, are often used interchangeably; in fact, however, a distinction does exist. Procedure may comprise a number of techniques and represents the broad frame of the manner of handling the audit work; techniques stand for the methods employed for carrying out the procedure.

For example, procedure requires an examination of the documentary evidence. This job is performed by the procedure known as vouching which would involve techniques of inspection and checking computation of documentary evidence. As per AAS-5 on Audit Evidence, basically audit procedures are broadly of two types viz. compliance procedures and tests of detail. Test of details are further comprised of substantive audit procedures and analytical review procedures. Vouching is a substantive audit procedure which involves audit techniques like casting, cross-casting, checking of posting, etc. On the other hand, verification of assets and liabilities is a substantive audit procedure which involves application of audit techniques like physical examination, confirmation from third parties, etc.

d. Valuation of Wasting Assets

Wasting assets generally refer to assets like mines, quarries, oil wells which do not suffer usual wear and tear like other normal assets. There is only limited quantity of assets available for extraction and the assets value gets depleted upon working on them. The costs may be distributed /charged as depreciation over the period of extraction based on either quantity extracted or time basis.

PRIME ACADEMY

30th SESSION PROGRESS TEST

LAW, ETHICS AND COMMUNICATION

No. of Pages: 4 **Total Marks: 75**

Time Allowed: 2Hrs

PART-A

25 X 1 = 25 Marks

1. The Minimum number of Members of a private company is :-

(a) 7

(b) 1

(c) 2

(d) 50

2. East India company is an example of

(a) Chartered company

(b) Statutory company

(c) Registered company

(d) Government company

3. The Minimum paid up capital for a private company is :-

(a) Rs. 5, 00, 000

(b) Rs. 1, 00, 000

(c) Rs. 10, 00, 000

(d) Rs. Nil

4. The Minimum paid up capital for a public company is :-

(a) Rs. 5, 00, 000

(b) Rs. 1, 00, 000

(c) Rs. 10, 00, 000

(d) Rs. Nil

5. The Private company which is the subsidiary of a public company ‘ is known as :-

(a) Independent private company

(b) Public company

(c) Private company

(d) Deemed public company

6. The Minimum number of Directors for a private company is

(a) 3

(b) 2

(c) 1

(d) 5

7. A company comes into existence

(a) When its name is approved by ROC

(b) On allotment of Certificate of incorporation

(c) On allotment of certificate to commence business

(d) On delivery of MOA and AOA to Roc

8. Certificate of Commencement of business is required only for

(a) Private company

(b) Deemed public company

(c) Public company without share capital

(d) Public company having share capital

9. The number of conditions which are put in the Articles of private company is :-

(a) 2

(b) 3

(c) 4

(d) 5

10. Company –H will be called the holding company of Company –S, If the Company – H :-

(a) Controls the composition of BOD of Company –S

(b) Holds more than half of the equity shares, caring voting rights

(c) Is the holding company of another company (Say, Company –S), which is turn is the holding company of company –S

(d) Any of above

11. Which company puts restriction on the transferability of its shares :

(a) Private company

(b) Public company

(c) Government company

(d) All of above

12. The share holding of government in case of government in case of government company is :-

(a) 40%

(b) 51%

(c) 50%

(d) 60%

13. In case of Misstatement in prospectus, every officer who authorizes the prospectus can be liable to imprisonment upto

(a) 1 year

(b) 3 year

(c) 2 year

(d) 4 year

14. Which of the following clauses is omitted from the Memorandum of the company without share capital:-

(a) Name clause

(b) Registered office clause

(c) Object clause

(d) Capital clause

15. Registered office clause contains :-

(a) The name of state in which the registered office of the company is to be situated

(b) The name of city in which the registered office of the company is to be situated

(c) Complete address of the Registered office

(d) All of above

16. Company can do:

(a) An act which is authorised by Companies Act, 1956

(b) An act, which is authorised by MOA

(c) An act which is essential for attainment of its object

(d) All of above

17. which of the following person will be liable for the act, which ultra vires the company:-

(a) Company

(b) Director

(c) Shareholder

(d) The person who does the Act

18. Which of the following company is not required to have its own article:-

(a) Unlimited Company

(b) Company Limited by Guarantee

(c) Private company

(d) Public company Limited by shares

19. In case of Public company, its MOA must be signed by subscribers

(a) 2

(b) 4

(c) 7

(d) 10

20. Company cannot issue:-

(a) Convertible preference share

(b) Redeemable preference shares

(c) Irredeemable preference shares

(d) Participating preference shares

21. Ethics means: -

(a) Character

(b) Rules

(c) Laws

(d) Science

22. Corporate Governance means:-

(a) Corporative fairness

(b) Transparency

(c) Accountability

(d) All of the above

23. Individuals could lose personal motivation due the reasons like:

(a) Positive work

(b) Employees respecting each others unique personalities

(c) Attainable business targets

(d) pressure to perform and take Quick decisions

24. Some aspects of code of conduct are:

(a) Preferred style of dress:

(b) Adherence to instructions of Superiors

(c) Maintaining confidentiality

(d) All of the above

25. The following laws are framed in India to tackle the problem of pollution:-

(a) Air (control and prevention of pollution ACT 1981)

(b) The Motor Vehicles Act

(c) The Industries (Development & Regulation Act, 1951)

(d) All of the above

PART –B

5 x 5 = 25 Marks

ANSWER ANY FIVE

1. When a Company will become the Subsidiary of another company?
2. What do you mean by " Public financial institution"?
3. Explain the procedure for incorporation of a company?
4. What do you mean by "pre – incorporation contracts? Explain the legal position of such contracts?
5. How the Articles of Association of a company can be altered?
6. What is "M/s Statement in prospectus and what are its consequences?

PART –C

5 x 5 = 25 Marks

ANSWER ANY FIVE

7. What do you mean by Ethical Dilemmas? Suggest some guidelines to address the dilemmas
8. Define corporate Social Responsibility. Explain the features of corporate Social responsibility.
9. Explain the factors, which influence the ethical behavior at workplace.
10. Explain the meaning and effect of "Global warning"
11. Explain the need for ethical behavior in marketing.
12. Explain the importance of ethics in Accounting and Finance?

PRIME ACADEMY

30th SESSION-PROGRESS TEST

PCC/IPCC – LAW ETHICS AND COMMUNICATION

SUGGESTED ANSWERS

Part-A

1. **(C)**
2. **(b)**
3. **(B)**
4. **(A)**
5. **(D)**
6. **(B)**
7. **(B)**
8. **(D)**
9. **(C)**
10. **(D)**
11. **(A)**
12. **(B)**
13. **(C)**
14. **(D)**
15. **(A)**
16. **(D)**
17. **(D)**
18. **(D)**
19. **(C)**
20. **(C)**
21. **(A)**
22. **(D)**
23. **(D)**
24. **(D)**
25. **(D)**

Part B

1) A Company (i.e. company –S) is known as the Subsidiary of another company (i.e. Company – H), if its control is exercised by the latter company, which is known as holding company.

According to sec, 4 (1), a company (i.e. Company –S) is deemed to be a subsidiary of another company (i.e. company- H) in the following 3 cases:

(i) Company – H controls the composition of Board of directors of company –S :

For the purpose of this section, composition of BOD of Company-S is deemed to be controlled by the Company-H, if the company-H has power to appoint or remove all or the majority of the directors of company –S without the consent of any other person.

(ii) Company –H holds more than half of the Equity shares (in nominal value) carrying Voting Power of Company _S.

(iii) Company- S is the subsidiary of another company (say company-A) which is itself subsidiary of the controlling company (Company- H) company-S will become the subsidiary of Company-H.

2) The following financial Institutions shall be regarded as public financial institutions:-

a. The Industrial Credit and Investment Corporation of India limited (ICICI)
b. The Industrial Finance Corporation of India (IFCI)
c. The Industrial Development Bank of India (IDBI)
d. The Life Insurance Corporation of India (LIC)
e. The Unit Trust of India (UTI)
f. The infrastructure Development Finance Company limited (IDFC)

Power of Central Government (Sec. 4A (2)) : Sec , 4 A (2) empowers the Central Government of Specify any other institution to be a public financial institution, if any of the following two conditions are satisfied:-

1. If, it has been established under any Central Act, or
2. if, not less than 51 percent of the paid - up share capital of such an institution is held or controlled by the Central Government.

3)

1. Apply for name:

   At the first most, the Promoters of the Company have to decide at least 3 suitable names in order of preference so that the registrar may decide the availability of names.

2. Filing of Documents with Registrar of Companies (ROC)

   If the proposed name of the company is approved, then the following documents duly stamped and together with necessary fees are to be filed with the Registrar of Companies.

   a. MOA and AOA
   b. In case of a Public company having the share capital, a list of the first directors, their written consent to act as directors and to take up qualification shares.
   c. A declaration by a person named in the articles as director, manager or secretary of the company, a Practicing Company Secretary or Practicing Chartered Accountant stating that all the requirements and formalities of the Companies Act, relating to registration have been complied with .
   d. Issue of Certificate of Incorporation by Registrar of Companies (ROC)

   When all the necessary documents as well as necessary fees have been submitted with the ROC, the ROC will satisfy himself that the statutory requirements regarding registration have been fully complied with. If he is satisfied, that the requirements are fully complied with, then he will register the memorandum, the Articles and other documents filed with him an issue a "Certificate of Incorporation".

4) Meaning:

Pre- incorporation contracts are those Contracts, which are entered into by promoters for the company, which is yet to be incorporated, legal position of such contracts:

1. The benefits of Pre – Incorporation contracts are to be enjoyed by the company.
2. Company not bound by such contracts; As the company cannot be a party to a preliminary contract, so it can not be bound by such contract, even when it comes

into existence or when it takes the benefit of such contract. Consider the following leading cases:-

i) Clintons Claim

ii) English Colonial Co ltd

3. Company cannot enforce pre – Incorporation contract:
4. Personal Liability of promoters – the promoters are personally liable.
5. Ratification of pre- incorporation contract: Ratification is not possible for the contracts entered on behalf of the company.

5) Articles of Association of the Company can be altered by passing the special resolution of the shareholders. The following procedures are to be followed.

1. Board Resolution for approving the amendment and fixing the date for holding the Extraordinary General meeting.
2. Convene the Extraordinary General Meeting
3. File Form 23 with Registrar of companies
4. Obtain approval from Registrar of Companies for alteration

6) A statement included in the prospectus shall be deemed to be untrue if it is misleading in form and context in which it is included.

Prospectus should contain everything which is strictly accurate. None of the statements therein should be untrue. Likewise there should not be any suppression of fact or fact presented out of context, which might affect even remotely, the proposed investor‘s mind on his subscribing to the security based on such prospectus.

Penalty

Liability for Untrue Statement contained in the prospectus.

Offence by	**Punishment**
Any person who is authorized the	(a) Imprisonment extending 2 Years
Filing of such Prospectus or Statement	(b) Fine Extending to Rs. 50,000
	Or
	(c) With both

PART –C

7) Meaning:

In many cases, Business interests come into conflict with moral values. Businessmen are faced with moral and ethical dilemmas while making a choice from various alternatives. The ethical dilemmas are highly complex and there are no clear guidelines to resolve the conflict

For example, the gift made by a supplier to the purchase manager of a firm may be viewed as a bribe, etc,

Ethical behavior creates goodwill and reputation that expand opportunities for profit. While competing for customers and workers, the company with a reputation for ethical behavior has an edge over others which are considered unethical.

Guidelines to address Business Dilemma:

The problem, however, is that the ethical course of action, is not always clear to business person, Laura Nash suggested the following guidelines for handling ethical dilemmas in business decision –Making:

1. Define the problem clearly
2. How would you define the problem if you stand on the other side of the fence
3. How did the situation arise?
4. To whom are you loyal as a person and as a member of the Organization?
5. What is your intention in making the decision?
6. How does this intention compare with the probable results?
7. Whom could your decision or action injure?
8. Can you discuss the problem with the affected parties before you make your decision?
9. Are you confident that your position will be as valid over a long period of time as it seems now?
10. Could you disclose without any doubt your decision to your boss, your CEO, the Board of Directors, your family, society as a whole?
11. What is the symbolic potential of your action, if understood? Misunderstood?
12. Under what conditions would you allow exception to your stand?

8) Corporate Social Responsibilities (CSR) :-

CSR is the Continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of local community and society at large.

Nature of CSR:

1. Business is a part of Society
2. No. Charity:
3. Social responsibility is a personal obligation
4. Social responsibility is a reciprocal relationship
5. Social responsibility is a continuing obligation.

Need for Social Responsibilities:

1. Iron law of responsibility
2. converting problems into opportunities
3. wealth creation
4. Effective use of Resources and power
5. Long - Term Business interest
6. Better public Image
7. Avoiding Government intervention
8. Minimizing Environmental Damage
9. Developments responsible for increased focus on CSR :
10. More stakeholders engagement :
11. Corporate scandals
12. codes, standards and Guidelines

9) An organization is basically a group of human beings. Therefore, people working in it, should have a common understanding of what is right and wrong. The primary responsibility for creating such an environment lies with the employer.

Individual 'Moral standard + Colleagues + Corporate Culture = Ethical / Unethical Behavior at work Place.

a. The Individual 'Moral standard: The moral standards and values of a person exercise a significant impact on ethics in work place. An employee has to make a choice between right and wrong in different situations.
b. Colleagues: Peers, the boss and subordinates exert influence on workplace ethics. The authority of the boss and the examples set by colleagues exercise control on the workplace decisions and actions of the individual.
c. Corporate Culture: Company polices and codes are an important influence on workplace ethics.

10) **Cause:** Greenhouse gases (carbon dioxide, nitrogen oxide, methane etc.) Occur naturally in the atmosphere to absorb and hold heat from the sun, preventing it from escaping back into space. This process is necessary to keep the earth's temperature at the right levels so that life can evolve and flourish.

Since the beginning of the industrial era, the amount of carbon dioxide in the atmosphere has increased by 25% industrial and other human activities (particularly the burning of fossil fuels such as oil and coal) release substantially more greenhouse gases, raising temperatures are around the globe.

Average global temperatures is now 1*c higher than in 1900 and are expected to rise by 45*c by 2100.

Adverse Effects: This rising heat will have the following adverse effects:-

(a) Expansion of the world "s deserts
(b) Increase in the frequency and Magnitude of droughts
(c) Melting of Polar ice caps, causing sea levels to rise
(d) Warming of water – bodies like lakes and oceans thus shifting the geographical distribution of fish and other marine species
(e) Extinction of several species of plants and animals.
(f) Disruption in farming and reduced agricultural yield levels
(g) increase in the distribution and severity of diseases

Suggestion:

The increase in levels of green house gases can be addressed by reducing current emissions of green house gases by 60% to 70% However; this would seriously damage the economics of both developed and developing nations.

11) Need for Ethical Behavior in Marketing:

1. Consumer well- being: Consumers are the lifeblood of a business. Hence, management should be concerned with the well-being of consumers. Ethical behavior in marketing strategies, policies and campaigns ensure recognition of consumers' interests.
2. To maintain public confidence in marketing: Unethical marketing practices on the part of a few business firms are eroding public confidence in marketing. Companies can restore and increase the confidence of public by setting and enforcing high ethical standards in marketing. It is in the very interest of business itself because consumers are the mainstay of business.
3. Image Boost to the Organization: People form an opinion about a business enterprise on the basis of their experience. Sound and ethical practices should be adopted by marketing personnel to project, maintain and improve the corporate image.
4. To avoid Government regulation: Unethical marketing increases the probability of government control on business. Most of the Governmental limitations on marketing arise out of management's failure to maintain ethical standards in marketing. Business firm can avoid such regulations and retain their freedom of operations by caring for the interests of consumers on voluntary basis.
5. Matching power & Responsibility: Marketing Executives wield a great deal of social power as they influence markets and speak out economic issues. However, there is responsibility related to that power. If marketing managers do not use their power in a socially acceptable manner, the power will be lost in the long run.

12) **Need:** Finance and Accounting Professionals accept responsibility to act in public interest. While serving the interests of themselves and their employers, they are supposed to adhere to certain ethical standards. Their responsibility is not restricted to satisfy the needs of any particular individual or Organization. Hence, Finance and Accounting professional should adhere to ethical principles in order to achieve their objective of service in public interest'

Ethics to be followed by Finance and accounting professionals.

1. Integrity
2. Objectivity
3. confidentiality
4. Professional competence and due care
5. professional behavior

Importance of ethics in accounting:

Accounting and finance professionals handle assets of others and therefore, enjoy immense trust. As agents of their clients, these professionals are under fiduciary obligation to protect and promote the interests of clients. People will participate in capital markets only if they perceive the markets to be fair and equitable. Authorities regulate capital markets to ensure fairness and to protect the interests of investors and the public. The purpose of regulations is to prevent fraudulent and manipulative practices in capital markets. Ethical issues in accounting and finance are significant, because they exercise a significant impact on our financial well-being. Unethical behavior on the part of individuals and organizations can rob people of their life savings.