

INTERMEDIATE EXAMINATION

June 2025

P-10(CAA)

Syllabus 2022

CORPORATE ACCOUNTING AND AUDITING

Time Allowed: 3 hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

*Where considered necessary, suitable assumptions may be made
and clearly indicated in the answer.*

All workings should form part of the answer.

Section-A (Compulsory)

1. Choose the correct option from the four alternatives given:

2×15=30

- (i) In which of the following ways, the balance in Securities Premium A/c cannot be used as per Section 52 of the Companies Act, 2013?
- (A) For issuing fully paid-up bonus shares
 - ☒ (B) For writing off revaluation loss on non-current assets ✓
 - (C) For writing off discount on issue of shares
 - (D) For providing for premium on redemption of redeemable preference shares
- (ii) Capital Work-in-Progress should be shown under _____ in the Balance Sheet.
- ☒ (A) Non-current Assets ✓
 - (B) Current Assets
 - ☒ (C) Non-current Liabilities ✓
 - (D) Current Liabilities
- (iii) Cash Flow Statement begins with _____.
- (A) Investing Activity
 - (B) Operating Activity
 - (C) Financing Activity
 - ☒ (D) Cash Equivalent ✓
- (iv) Which of the following is a principle of insurance?
- (A) Principle of indemnity
 - (B) Insurable interest
 - (C) Principle of uberrimae fidei
 - ☒ (D) All of the above ✓

- (v) Partly paid-up preference shares can be redeemed.
- (A) after the permission from Company Law Board.
 - (B) after making them fully paid up.
 - (C) after passing a special resolution.
 - (D) after the permission from the Board of Directors.
- (vi) Use of the work of another auditor is guided by _____.
- (A) SA 600
 - (B) SA 550
 - (C) SA 500
 - (D) SA 450
- (vii) Permanent Audit File does not contain _____.
- (A) a record of study and evaluation of internal control system.
 - (B) significant audit observations of earlier years.
 - (C) copies of management letters.
 - (D) analysis of significant ratios and trends.
- (viii) Test checking reduces the _____.
- (A) power of the auditor
 - (B) expenses of an auditor
 - (C) work of an auditor
 - (D) liability of an auditor
- (ix) NFRA consists of which of the following?
- (A) Accounting Standards Committee
 - (B) Auditing Standards Committee
 - (C) Enforcement Committee
 - (D) All of the above
- (x) Cost records are to be maintained as per Form _____.
- (A) CRA - 1
 - (B) CRA - 2 ✓
 - (C) CRA - 3
 - (D) CRA - 4
- (xi) Audit report contains _____.
- (A) details of facts
 - (B) details of frauds
 - (C) expression of opinion
 - (D) expression of suggestions

- (xii) Which of the following is not an assertion with respect to Revenue and Expenditure?
- ✓ (A) Existence
 - (B) Cut-off
 - (C) Completeness
 - (D) Presentation and Disclosure
- (xiii) Secretarial audit is covered under Section _____ of the Companies Act, 2013.
- ✓ (A) 204
 - (B) 148
 - (C) 139
 - (D) 133
- (xiv) According to the Central Co-operative Societies Act, _____ of the profits of a co-operative society should be transferred to a Reserve Fund before distribution of dividend or payment of bonus to its members.
- (A) 20%
 - (B) 25%
 - (C) 30%
 - (D) 35%
- (xv) _____ refers to the process of conducting the audit of a single organization by more than one auditor.
- ✓ (A) Joint Audit
 - (B) Cost Audit
 - (C) Internal Audit
 - (D) Continuous Audit

Section-B

Answer any 5 questions out of 7 questions given below.

Each question carries 14 marks.

14×5=70

2. (a) Alpha Co. Ltd. has a paid-up equity share capital of ₹ 20,00,000 in 2,00,000 shares of ₹ 10 each. It resolved to buy-back 50,000 equity shares at ₹ 15 per share. For this purpose it issued 20,000, 12% preference shares of ₹ 10 each, at par, payable along with application. The company has to its credit ₹ 2,50,000 in Securities Premium Account and ₹ 10,00,000 in the General Reserve account. The company utilized the General Reserve. Pass the necessary journal entries.

(b) The following balances appeared in the books of B Ltd. as on 31.03.2024:

| | |
|---|-------------|
| 9% Debentures Account | ₹ 21,00,000 |
| Debenture Redemption Fund Account | ₹ 15,00,000 |
| 9% Debenture Redemption Fund Investment Account | ₹ 15,00,000 |
| (Nominal = Cost) | |

The annual contribution to the Debenture Redemption Fund was ₹ 2,10,000. The company sold its investments for ₹ 21,00,000 and redeemed the debentures on 31.03.2025. Prepare Debenture Redemption Fund Account and Debenture Redemption Fund Investment Account up to 31.03.2025.

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3. The following Trial Balance as on 31.03.2025 has been made available to you by A Ltd.

| Particulars | Dr. (₹) | Particulars | Cr. (₹) |
|--------------------------------|-------------|--|-------------|
| Buildings | 34,80,000 | Sales | 62,40,000 |
| Machinery | 12,00,000 | Outstanding Expenses | 24,000 |
| Closing Stock | 10,80,000 | Provision for Doubtful Debts (1.4.2024) | 36,000 |
| Loose Tools | 2,76,000 | Equity Share Capital | 24,00,000 |
| Purchases (Adjusted) | 25,20,000 | General Reserve | 4,80,000 |
| Salaries | 7,20,000 | Profit and Loss A/c (31.03.2024) | 3,00,000 |
| Directors' Fees | 1,20,000 | Creditors | 11,04,000 |
| Rent | 3,12,000 | Provision for depreciation: | |
| Depreciation | 2,40,000 | On Building | 6,00,000 |
| Bad Debts | 72,000 | On Machinery | 6,60,000 |
| 10% Investment | 14,40,000 | 14% Debentures | 24,00,000 |
| Interest accrued on investment | 24,000 | Interest on Debentures accrued but not due | 1,68,000 |
| Debenture Interest | 3,36,000 | Interest on Investments | 1,44,000 |
| Advance Tax | 7,20,000 | Unclaimed dividend | 60,000 |
| Sundry expenses | 2,16,000 | | |
| Debtors | 15,00,000 | | |
| Bank | 3,60,000 | | |
| | 1,46,16,000 | | 1,46,16,000 |

Additional Information:

- Closing stock is more than opening stock by ₹ 9,60,000.
- Provide for doubtful debts @ 4% on Debtors.
- Make a provision for income tax @ 30%.

- (iv) Depreciation expense included depreciation of ₹ 96,000 on Building and that of ₹ 1,44,000 on Machinery.
- (v) The directors proposed a dividend @ 25% and transfer to General Reserve @ 10%.
- (vi) Bills Discounted but not yet matured ₹ 1,20,000.
- (vii) Authorized capital of the company is 60,000 equity shares of ₹ 100 each.
- Prepare the Statement of Profit and Loss for the year ended on 31.03.2025 and a Balance Sheet as on 31.03.2025. Notes to Accounts should form part of your answer. 14

4. (a) PQR Bank Ltd. had extended the following credit lines to a small-scale industry, which had not paid any interest during the Year 2024-2025.

| Particulars | Term Loan | Export Credit |
|-----------------------------------|------------|---------------|
| Balance outstanding on 31.03.2025 | ₹ 70 lakhs | ₹ 60 lakhs |
| DICGC/ECGC cover | 40% | 50% |
| Securities held | ₹ 30 lakhs | ₹ 20 lakhs |
| Realizable value of securities | ₹ 20 lakhs | ₹ 16 lakhs |

Compute necessary provisions to be made for the year ended on 31.03.2025. 7

- (b) The Life Insurance Fund of Prakash Life Insurance Company Limited was ₹ 34,00,000 on 31st March, 2025 and disclosed a Net Liability of ₹ 28,80,000. An interim bonus of ₹ 40,000 was paid to the policyholders during the previous two years. It is now proposed to carry forward ₹ 1,10,000 and to divide the balance between the policy holders and the shareholders.

Show:

- (i) The Valuation Balance Sheet.
- (ii) The Net Profit for the Two-Year Period, and
- (iii) The Distribution of the Profits. 7

5. (a) The following information is available from Star Ltd. as on 31.03.2025:

Net profit for the current year: ₹ 4,00,00,000.

Number of equity shares outstanding: 2,00,00,000.

Number of 12% convertible debentures of ₹ 100 each: 4,00,000

Each debenture is convertible into 10 equity shares.

Tax rate applicable is 30%.

Compute (a) Basic EPS and (b) Diluted EPS. 7

(b) The following information has been provided by Apex Ltd. for the year ended on 31.03.2025.

- (i) Sales for the year ₹ 48,00,000 entirely made in cash. All purchases were on credit.
- (ii) Cost of goods sold was 75% of the sales.
- (iii) Trade payables on 31.03.2025 was ₹ 1,00,000 more than the balance on 31.03.2024.
- (iv) Closing inventory was higher than the opening inventory by ₹ 50,000.
- (v) Operating expense of ₹ 3,60,000 were paid during the year.
- (vi) Taxes paid during the year were ₹ 1,50,000.
- (vii) The company paid interest of ₹ 1,20,000 during the year.
- (viii) The company acquired a building for ₹ 4,00,000 and bought a new furniture for ₹ 2,00,000 during the year.
- (ix) Dividend was received on investment for ₹ 10,000.
- (x) Cash and cash equivalent on 01.04.2024 was ₹ 40,000
- (xi) Cash and cash equivalent on 31.03.2025 was ₹ 70,000

You are required to prepare a Cash Flow Statement for the year ended on 31.03.2025 as per AS 3. 7

6. (a) Discuss the concept of the Tax Audit with reference to Section 44AB of the Income Tax Act, 1961. 7

(b) Demonstrate the reporting requirements of Cost Audit as per CRA -3 guided by Companies (Cost Records and Audit) Rules, 2014. 7

7. (a) Examine the reporting requirements as per Companies (Auditor's Report) Order, 2020 with respect to the following:

- (i) Acceptance of deposits [Clause 3(v)]
- (ii) Statutory dues [Clause 3(vii)]
- (iii) Reporting fraud [Clause 3(xi)]

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(b) Briefly discuss the constitution and structure of NFRA. Examine the functions and duties of NFRA. 7

8. (a) Prepare a list to show how you will conduct the Audit of Educational Institutions. 7
- (b) Inspect the rights of a company auditor as per Companies Act, 2013. 7
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