



**POSTAL TEST PAPER**

**INTERMEDIATE**

**PAPER - 10**

**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.

**SECTION - A : (Corporate Accounting)**

**Answer Question No. 1 and any three from Question No. 2, 3, 4 and 5.**

**1. (a) Choose the correct alternative** **[1 × 6 = 6]**

- (i) Which of the following is not a Free Reserve?
- a. General Reserve
  - b. Dividend Equalization Reserve
  - c. Revaluation Reserve
  - d. Revenue Reserve
- (ii) \_\_\_\_\_ of the Companies Act, 2013 prohibits issue of shares at a discount.
- a. Section 53
  - b. Section 54
  - c. Section 61
  - d. Section 62
- (iii) In case of purchase of assets under instalment payment system, instalments due after 12 months from the reporting date are shown as:
- a. Current Liabilities
  - b. Current Assets
  - c. Non-current Liabilities
  - d. Non-current Assets
- (iv) Which of the following reserves cannot be used for the purpose of issuing bonus shares?
- a. Revaluation Reserve
  - b. Dividend Equalization Reserve
  - c. Capital Redemption Reserve



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d. General Reserve

(v) 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

(vi) Under which activities cash paid for preferred stock dividends should be shown on the statement of cash flows?

- a. Investing activities
- b. Financing activities
- c. Noncash investing and financing activities
- d. Operating activities

**(b) State True or False**

**[1 × 4 = 4]**

- (i) A Company cannot buy-back its shares from any person through a negotiated deals whether on or off the stock exchange.
- (ii) Debenture carries a fixed rate of dividend.
- (iii) As per Companies Act 2013, companies are not permitted to buy back their own shares out of securities premium.
- (iv) Financial statement should generally be prepared assuming going concern.

**(c) Fill in the blanks**

**[1 × 4 = 4]**

- (i) Register of Members is one of the \_\_\_\_\_ Books maintained by a company.
- (ii) \_\_\_\_\_ share is permissible from the existing security holders on a proportionate basis through the tender offer.
- (iii) Interest expenses are \_\_\_\_\_ costs.
- (iv) Rebate on Bills Discounted = Amount of Bill × Rate of Discount × \_\_\_\_\_.



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2. (a) EF & Co. Ltd. issued 5,00,00,000 Equity shares of ₹10 each at a premium of ₹4 per share payable ₹1 per share on application, ₹6 per share on allotment (including premium), ₹3 on first call and the balance on final call. The shares were all subscribed and all money due was received except the first call money on 1,00,000 shares and the Final call money on 1,50,000 shares. Give the Journal entries to record the above transactions.

(b) Alpha Ltd issued a prospectus inviting applications for 2,000 shares of ₹10 each at a premium of ₹2 per share, payable as follows:

On Application      ₹ 2, On Allotment ₹ 5 (including premium)  
On First Call        ₹ 3, On Second & Final Call ₹ 2

Applications were received for 3,000 shares and pro rata allotment was made on the applications for 2,400 shares. It was decided to utilise excess application money towards the amount due on allotment.

Mohit, to whom 40 shares allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited.

Jagat, the holder of 60 shares failed to pay the two calls and on his such failure, his shares were forfeited. Of the shares forfeited, 80 shares were sold to Rishav credited as fully paid for ₹ 9 per share, the whole of Mohit's shares being included.

**Required:** Give Journal Entries to record the above transactions (including cash transactions). **[4 + 8 = 12]**

3. (a) M Ltd., incorporated on April 1, 2022, issued a prospectus inviting applications for 5,00,000 equity shares of ₹10 each. The issue was fully underwritten by A, B, C and D as follows: A - 2,00,000; B - 1,50,000; C - 1,00,000; and D - 50,000.

The applications were received for 4,50,000 shares of which marked applications were as follows: A - 2,20,000; B- 90,000; C - 1,10,000; and D - 10,000.

Find out the liability of the individual underwriters in each of the following cases:



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- (i) Unmarked applications are apportioned in the ratio of “Gross Liability”; and  
(ii) Unmarked applications are apportioned in the ratio of “Gross Liability (-) Marked Applications”.

(b) Given below are details of interest on advance of a Commercial Bank as on 31.03.2023:

Particulars	Interest Earned (₹ in Crore)	Interest Received (₹ in Crore)
Performing Assets		
Term Loan	120	80
Cash Credit and Overdraft	750	620
Bills Purchased and Discounted	150	150
Non-Performing Assets		
Term Loan	75	5
Cash Credit and Overdraft	150	12
Bills Purchased and Discounted	100	20

Find out the income to be recognized for the year ended 31st March 2023.

**[8 + 4 = 12]**

4. (a) How will you deal with the following situation?

“A company deals in purchase and sale of timber and has included notional interest charges calculated (on the paid-up share capital and free reserves) in the value of stock of timber as at the Balance Sheet date as part of cost of holding the timber”.

(b) Sumangal Ltd. finds on 31st December, 2022 that it is short of funds with which to implement its branch expansion programme. On 1st January, 2022, it had a bank balance of ₹1,80,000 in its current account. From the following information, prepare a statement of Cash Flow to show how the overdraft of ₹58,750 at 31st December, 2023 has arisen:

Sumangal Ltd.  
Figures as per Balance Sheet  
(as on 31st December)



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	2021 (₹)	2022 (₹)
PPE	7,50,000	11,00,000
Stock and stores	1,90,000	3,00,000
Debtors	3,80,000	3,65,000
Bank Balance/(Overdraft)	1,70,000	(58,750)
Trade Creditors	2,70,000	3,50,000
Share Capital (in shares of ₹10 each)	2,50,000	3,00,000
Bills Receivable	87,500	95,000

The profit for the year ended 31st December, 2022 before charging depreciation and taxation amounted to ₹2,50,000. The 5,000 shares were issued on 1st January, 2022 at a premium of ₹5 per share. ₹1,37,500 was paid in March 2022 by way of income tax including tax on distribution of dividend. Dividend was paid as follows: for 2022 (final) on the capital on 31.12.2021 @ 10% less tax 25%. For 2022 (interim) 5% on capital on 31st March, 2022 free of tax. [2+10=12]

5. The following information has been extracted from the books of account of Hero Ltd. as at 31st March, 2023:

Particulars	Dr. (₹'000)	Cr. (₹ '000)
Administration Expenses	480	
Cash at Bank and on Hand	228	
Cash Received on Sale of Fittings		10
Long Term Loan		70
Investments	200	
Depreciation on Fixtures, Fittings, Tools and Equipment (1st April, 2022)		260
Distribution Costs	102	
Factory Closure Costs	60	
Fixtures, Fittings, Tools and Equipment at Cost	680	
Profit & Loss Balance (at 1st April, 2022)		80
Purchase of Equipment	120	
Purchases of Goods for Resale	1710	
Sales (net of Excise Duty)		3,000
Share Capital (1,00,000 shares of ₹10 each fully paid)		1,000
Stock (at 1st April, 2022)	140	



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Trade Creditors		80
Trade Debtors	780	
	4,500	4,500

**Additional Information:**

- (i) The stock at 31st March, 2023 (valued at the lower of cost or net realizable value) was estimated to be worth ₹ 2,00,000.
- (ii) Fixtures, fittings, tools and equipment all related to administration. Depreciation is charged at a rate of 20% per annum on cost. A full year's depreciation is charged in the year of acquisition, but no depreciation is charged in the year of disposal.
- (iii) During the year to 31st March, 2023, the Company purchased equipment of ₹1,20,000. It also sold some fittings (which had originally cost ₹ 60,000) for ₹10,000 and for which depreciation of ₹30,000 had been set aside.
- (iv) The average Income tax for the Company is 50%. Factory closure cost is to be presumed as an allowable expenditure for Income tax purpose.
- (v) The company proposes to pay a dividend of 20% per Equity Share. Profits transferred to reserves ₹30,000. Prepare Hero Ltd.'s Statement of Profit and Loss for the year to 31st March, 2023 and balance Sheet as at that date in accordance with the Companies Act, 2013 as per Division I of schedule III along with the Notes on Accounts containing only the significant accounting policies. [12]

**SECTION - B : (Auditing)**

**Answer Question No. 6 and any three from Question No. 7, 8, 9 and 10.**

**6. (a) Choose the correct alternative [1 × 6 = 6]**

- (i) SA 700 stands for:
  - a. Forming an Opinion and Reporting on Financial Statements
  - b. Audit Sampling
  - c. Communicating Key Audit Matters in the Independent Auditor's Report



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- d. Audit Evidence
- (ii) Permanent Audit File does not contain:
- A record of study and evaluation of internal control system
  - Significant audit observations of earlier years
  - Copies of management letters
  - Analysis of significant ratios and trends
- (iii) Test checking requires application of \_\_\_\_\_.
- mathematical theory
  - sampling theory
  - geometry theory
  - stakeholder theory
- (vi) No audit firm shall be appointed or reappointed as auditor for more than two terms of \_\_\_\_\_ consecutive years.
- 3
  - 5
  - 7
  - 10
- (v) A cost auditor submits his report along with reservations and observations in Form No. \_\_\_\_\_.
- CRA 1
  - CRA 2
  - CRA 3
  - CRA 4
- (vi) Which of the following is not a content of audit report?
- Signature of the auditor
  - Date of the report
  - Attachment of audit evidences
  - Auditor's address



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**(b) State true or false. [1× 4=4]**

- (i) Routine checking is a substitute of vouching.
- (ii) An audit report is addressed to the authority appointing the Auditor.
- (iii) Audit Memorandum is a detailed plan of audit work clearly specifying the responsibilities of the audit staff and time allotted to perform the same.
- (iv) Substantive procedure is also known as test of control.

**(c) Fill in the blanks. [1× 4=4]**

- (i) Cost Records are to be maintained as per Form\_\_\_\_\_.
- (ii) Auditor in a co-operative society is appointed by the\_\_\_\_\_of Co-operative Societies.
- (iii) The rural self-governance in India is structured in\_\_\_\_\_layers.
- (iv) Secretarial audit is conducted by\_\_\_\_\_.

7. (a) “In order to arrive at an appropriate conclusion regarding the truthfulness and fairness of financial statements, the audit evidences under examination must be relevant and reliable”. With reference to SA-500, demonstrate some suggestions with regard to obtaining relevant and reliable audit evidence.

(b) What is a qualified Audit Report? Discuss the circumstances when an Auditor shall qualify his report. [6+6=12]

8. (a) Which companies are required to undergo secretarial audit? Discuss the provisions relating to the procedures of appointment of a secretarial auditor.

(b) Discuss the audit procedure to be followed for the audit of:

(i) Property, Plant and Equipment

(ii) Trade Receivable

[4+8=12]



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9. (a) PQR & Co. has been appointed as the statutory auditor of Y Ltd. from the financial year 2021-22. During the year Y Ltd. has already declared paid an interim dividend of Rs.2 per share. Unfortunately, the company could not trace three shareholders –Mr. M, Mr. N and Mr. O. Accordingly, their dividend remained unpaid. However, this has been the case since last seven years. In spite of repeated attempts, the company could not trace these shareholders based on their address registered with the company. PQR & Co. being new to corporate audit assignments, wants your advice in this context. Recommend appropriate steps to conduct the audit in line with the provisions of Companies Act, 2013.
- (b) State the differences between audit report and audit certificate. **[8+4=12]**
10. (a) Discuss the important points in an audit of Co-operative Society.
- (b) Demonstrate the comparative features of permanent and current audit file with example.

**[8+4=12]**