

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)] 7
- (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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