

INTERMEDIATE EXAMINATION

December 2023

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.*

Working notes must form part of your answer.

SECTION-A (Compulsory)

1. Choose the correct option:

2×15=30

- (a) In determining the number of shares to be bought back, which of the following tests is not relevant as per Section 68 of the Companies Act, 2013?
(A) Share outstanding test
(B) Resource test
(C) Current ratio test
(D) Debt-equity ratio test
- (b) Cash payment to suppliers is a part of _____ under direct method.
(A) cash flow from operating activities
(B) cash flow from investing activities
(C) cash flow from financing activities
(D) cash flow from non-operating activities
- (c) Trade receivable likely to be settled within the normal operating cycle is _____.
(A) current assets
(B) current liabilities
(C) non-current assets
(D) non-current liabilities
- (d) When an insurer transfers a part of the risk to another insurer, it is called _____.
(A) under insurance
(B) reinsurance
(C) over insurance
(D) double insurance
- (e) As per Ind AS 2, *Inventories*, cost of conversion should not include _____.
(A) direct material
(B) direct labour
(C) indirect material
(D) abnormal waste materials

- (f) Audit documentation is covered by _____.
- (A) SA 220
 - (B) SA 230
 - (C) SA 520
 - (D) SA 530
- (g) Which of the following is not an example of internal audit evidence?
- (A) Credit Note and Debit Note
 - (B) Sales Invoices
 - (C) Quotations
 - (D) Goods Received Notes
- (h) Form _____ is used for the purpose of intimation of appointment of cost auditor by the company to the Central Govt.
- (A) CRA - 1
 - (B) CRA - 2
 - (C) CRA - 3
 - (D) CRA - 4
- (i) No audit firm shall be appointed or reappointed as auditor for more than _____ term(s) of _____ consecutive years.
- (A) one, four
 - (B) two, four
 - (C) one, five
 - (D) two, five
- (j) If total issue size is 2,00,000 and the underwriter commits for 100% underwriting at a commission of 4%, what will be the commission payable, if number of applications received is 1,40,000. The issue price of shares is ₹ 12 for each ₹ 10 face value shares.
- (A) ₹ 28,800
 - (B) ₹ 28,000
 - (C) ₹ 30,000
 - (D) ₹ 30,800
- (k) Which of the following is not a basic element of audit report as per SA -700 (Revised)?
- (A) Auditor's opinion
 - (B) Basis of opinion
 - (C) Report of Accrual Assumption
 - (D) Key audit matters

- (l) Which of the following is not a part of rural self-governance system in India?
 (A) Gram Panchayat
 (B) Gram Parishad
 (C) Panchayat Samiti
 (D) Zilla Parishad
- (m) Casual vacancy in the office of a cost auditor is filled by _____.
 (A) Board of Directors
 (B) Shareholders
 (C) Government
 (D) Comptroller and Auditor General of India
- (n) According to the Central Co-operatives Societies Act, _____ percentage 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%
- (o) Which of the following is an audit risk?
 (A) Financial Risk
 (B) Operational Risk
 (C) Control Risk
 (D) Systematic Risk

SECTION-B

Answer any five questions out of seven questions given below. Each question carries 14 marks.

14×5=70

2. (a) A Ltd. has subscribed capital of ₹ 150 lakhs divided into 1,50,000 equity shares of ₹ 100 each fully called up.

The company has taken the following decisions:

- (i) 3,000 equity shares on which ₹ 50 per share have been received are to be forfeited for non-payment of ₹ 30 (first call) and ₹ 20 (final call).
- (ii) 6,000 equity shares of ₹ 80 per share paid-up are to be forfeited for non-payment of final call.
- (iii) All the 9,000 shares were re-issued @ ₹ 90 per share.
- (iv) A rights issue is to be made in the ratio of 2 shares for every 5 shares held at a premium of ₹ 30 per share.

Pass necessary journal entries (with narration) in the books of the A Ltd. Assume that the rights issue was fully subscribed.

(b) A Company is planning to raise funds by making rights issue of equity shares to finance its expansion. The existing equity share capital of the company is ₹ 50,00,000. The market value of its share is ₹ 42. The company offers to its shareholders the right to buy 2 shares at ₹ 11 each for every 5 shares held. You are required to calculate

- (i) theoretical market price after rights issue.
- (ii) the value of rights.
- (iii) percentage increase in share capital.

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3. PQR Ltd. was registered with a nominal capital of ₹ 5,00,000 divided into shares of ₹ 100 each. The following Trial Balance is extracted from the books on 31st March, 2023:

Particulars	₹	Particulars	₹
Buildings	2,90,000	Sales	5,20,000
Machinery	1,00,000	Outstanding Expenses	2,000
Opening Stock	10,000	Provision for Doubtful Debts (1-4-2022)	3,000
Loose Tools	23,000	Equity Share Capital	2,00,000
Purchases	2,90,000	General Reserve	40,000
Salaries	60,000	Profit and Loss A/c (01.04.2022)	25,000
Directors' Fees	10,000	Creditors	92,000
Rent	26,000	Provision for depreciation	
Depreciation	20,000	On Building	50,000
Bad Debts	6,000	On Machinery	55,000
Investment	1,20,000	14% Debentures	2,00,000
Interest accrued on investment	2,000	Interest on Debentures accrued but not due	14,000
Debenture Interest	28,000	Dividend Received	12,000
Advance Tax	60,000	Unclaimed dividend	5,000
Sundry expenses	18,000		
Debtors	1,25,000		
Bank	30,000		
	12,18,000		12,18,000

You are required to prepare Statement of Profit and Loss for the year ending 31st March, 2023 and Balance Sheet as at that date after taking into consideration the following information:

- (i) Closing stock is more than opening stock by ₹ 90,000.
- (ii) Provide for doubtful debts @ 4% on Debtors.
- (iii) Make a provision for income tax @30%.
- (iv) Depreciation expense included depreciation of ₹ 8,000 on Building and that of ₹ 12,000 on Machinery.
- (v) The Directors proposed a dividend @ 25% and transfer to General Reserve ₹ 10,000. Notes to Accounts should form part of your answer. 14

4. (a) Consider the following estimated information provided by XYZ Power Supply Company Ltd. (₹ in lakhs) for the next 5 years:

Cost of Coal: ₹ 2,000 per year

Cost of Secondary fuel oil: ₹ 200 per year for first 2 years and ₹ 300 per year for 3-5 years

O and M Expenses: ₹ 250 per year for first 2 years and ₹ 350 per year for 3-5 Years

Maintenance Spares: ₹ 100 per years

Receivables: ₹ 1,800 per year

Rate of Interest: 12%

Calculate the Interest on Working Capital. 7

- (b) From the following figures of Well Life assurance Company Limited, prepare a Valuation Balance Sheet and Profit Distribution Statement for the year ended 31st March, 2023. Also pass necessary journal entries to record the above transactions with narrations:

Particulars	₹ (In Lakhs)
Balance of Life Assurance Fund as 01.04.2022	167.15
Interim Bonus Paid in the Valuation Period	25.00
Balance of Revenue Account for the Year ended 31.03.2023	240.00
Net Liability as per Valuer's Certificates as on 31.03.2023	165.00

The Company declares a reversionary bonus of ₹ 185 per ₹ 1,000 and gave the policy holders an option to take bonus in cash ₹ 105 per ₹ 1,000. Total business conducted by the company was ₹ 600 lakhs. The company issued profit policy only. 3/5th of the policy holders in value opted for cash bonus. 7

5. (a) From the following information provided by P Ltd. calculate Basic EPS and Diluted EPS as per Ind AS 33:

Net profit for the year	₹ 12,50,00,000
No. of equity shares outstanding	2,50,00,000
No. of 12% Convertible Debentures of Rs.100 each (Each debenture is convertible into 8 equity shares)	2,50,000
Interest expenses for the year	₹ 30,00,000
Tax rate	30%

- (b) Calculate Cash Flow from Operating Activities from the following:

Net Profit before tax	₹ 6,80,000
Items considered in determining the above Net Profit:	
Interest on long term borrowings	₹ 80,000
Depreciation and Amortization	₹ 1,70,000
Transfer to Reserves	₹ 1,00,000
Gain on sale of machinery	₹ 60,000

Balances of Current Assets and Current Liabilities were as follows:

Particulars	Opening Balance ₹	Closing Balance ₹
Trade Receivables	5,50,000	4,80,000
Trade Payables	3,80,000	4,00,000
Inventories	2,80,000	3,20,000
Prepaid Expense	40,000	50,000
Income received in advance	10,000	30,000

6. (a) What is audit trail? Discuss the statutory provisions relating to audit trail. 7
(b) Which companies are required to undergo Secretarial audit? Discuss the provisions relating to the procedures of appointment of a Secretarial Auditor. 7
7. (a) Discuss the role of an Auditor in relation to the audit of unpaid dividend. 7
(b) What is the procedure of appointing a Cost Auditor in a company? 7
8. (a) While conducting the audit of an educational institution, how will you verify the receipt related transactions? 7
(b) Discuss the role of National Financial Reporting Authority (NFRA) in monitoring and enforcing compliance with Auditing Standards. 7
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