



INTERMEDIATE EXAMINATION

PRACTICE TEST PAPER

TERM – JUNE 2026

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 (Compulsory)

1. Choose the correct option:

[15 x 2 = 30]

- (i) Redeemable Preference Shares of ₹1,00,000 are redeemed at a premium of 5% for which purpose fresh equity capital of ₹40,000 is issued at par. What amount should be transferred to Capital Redemption Reserve account?
- ₹40,000
 - ₹1,05,000
 - ₹65,000
 - ₹60,000
- (ii) Given, paid-up share capital ₹8,00,000 and free reserves ₹4,00,000, what is the maximum amount permissible for buy-back of shares?
- ₹2,00,000
 - ₹2,50,000
 - ₹3,00,000
 - ₹3,50,000
- (iii) Provision for taxation of ₹88,000 will be shown in the Balance Sheet under Equity and Liabilities as:
- Reserves and Surplus
 - Long-term Provisions
 - Share Capital
 - Current Liabilities
- (iv) Investment of ₹45,00,000 in 40,000 12% debentures of ₹100 each of Amrit Ltd. will be shown in the Balance Sheet under:
- Current Assets – Inventories
 - Non-current Assets – Non-current Investments
 - Current Assets – Short-term Investments
 - Revenue Expenditure
- (v) Cash flows from operating activities (₹550) Lakhs Cash flows from investment activities (₹1,250) Lakhs Cash flows from financing activities ₹1,750 Lakhs Determine the changes in cash and cash equivalents is
- Decrease in Cash and Cash Equivalent by ₹50 Lakhs
 - Increase in Cash and Cash Equivalent by ₹50 Lakhs
 - No change in Cash and Cash Equivalent
 - It is a non Cash item
- (vi) Which of the following is a principle of insurance?
- Principle of indemnity
 - Insurable interest.
 - Principle of uberrimae fidei
 - All of the above



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- (vii) According to Ind AS 19 – Employee Benefits, when should an entity recognise a liability for employee benefits?
- When employee benefits are paid
 - When an employment contract is signed
 - When an employee has provided service in exchange for employee benefits to be paid in the future
 - When employee benefits are approved by management
- (viii) A Ltd. has 1,00,000 ordinary shares of ₹1 each and 20,000, 10% preference shares of ₹1 each. The gross profit for the year ended 31.03.2025 is ₹3,50,000 and other operating expenses amount to ₹1,00,000. The applicable tax rate is 30%.
What is the profit attributable to ordinary equity holders?
- ₹1,75,000
 - ₹1,73,000
 - ₹2,50,000
 - ₹1,00,000
- (ix) Fair value before right issue ₹20. Theoretical ex-right fair value ₹18. Calculate right factor.
- 1.2
 - 1.15
 - 1.11
 - 1.10
- (x) Environmental audit is defined as the examination of the correctness of:
- Financial balance sheets
 - Cost accounting records
 - Environmental accounts
 - Production reports
- (xi) Audit working papers are also known as:
- Audit documentation
 - Audit notes
 - Audit files
 - Accounting records
- (xii) Which characteristic requires the audit report to be clear and free from ambiguity?
- Objectivity
 - Disclosure
 - Firmness
 - Clarity
- (xiii) Which type of audit opinion is issued when misstatements are material and pervasive?
- Qualified opinion
 - Adverse opinion
 - Disclaimer of opinion
 - Qualified opinion
- (xiv) Total revenue of a restaurant should be verified on the basis of:
- Cash book and ledger
 - Daily and monthly sales reports
 - Purchase invoices
 - Petty cash book



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- (xv) Physical verification of tangible fixed assets should be conducted with reference to:
- Cash Book
 - Stock Register
 - Fixed Asset Register
 - Purchase Register

Section – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5 x 14 = 70]

2.

- (a) A limited Company was registered with a capital of ₹ 5,00,000 in share of ₹ 100 each and issued 2,000 such shares at a premium of ₹ 20 per share, payable as ₹ 20 per share on application, ₹ 50 per share on allotment (including premium) and ₹ 20 per share on first call made three months later. All the money payable on application, and allotment were duly received but when the first call was made, one shareholder paid the entire balance on his holding of 30 shares, and another shareholder holding 100 shares failed to pay the first call money.
Required: Prepare Journal entries to record the above transactions. [7]

- (b) SDF Ltd. has an authorized capital of ₹100,00,000 divided into 10 lacs shares of ₹10 each. The company issued 10,00,000 shares for subscription to the public at a premium of ₹5 each. The entire issue was underwritten as follows:

A – 1,20,000 shares (firm underwriting 20,000 shares)

B – 60,000 shares (firm underwriting 8,000 shares)

C – 20,000 shares (firm underwriting 4,000 shares)

Of the total issue, only 1,80,000 shares, including firm underwriting, were subscribed for marked application forms excluding firm underwriting were: A- 64,000 shares; B - 40,000 shares; C-16,000 shares.

Calculate the liability of each underwriter giving the benefit of firm underwriting to all. [7]

3. The following are the extracts from the Trial Balance of Y Ltd. on March 31, 2025: (figures in ₹)

| | | | |
|-------------------------------------|-----------|----------------------------------|-----------|
| Provision for current tax (2023-24) | ₹4,00,000 | Tax deducted at source (2024-25) | ₹20,000 |
| Advance tax paid (2023-24) | ₹3,60,000 | Advance tax paid (2024-25) | ₹2,00,000 |

The assessment for the year 2023-24 was finalized during the year 2024-25. The total tax liability for that year was fixed at ₹4,40,000 and the net amount payable for the year 2023-24 has not yet been paid. The net profit before tax for the year 2024-25 amounted to ₹8,00,000. Balance of Profit & Loss A/c at the end of 2023-24 was ₹4,00,000. Assume corporate income tax @ 35% (inclusive of surcharge and education cess) You are required to draft:

- Extract of Statement of Profit and Loss for the year ended March 31, 2025 along with the relevant Notes; and
- Extract of Balance Sheet as on March 31, 2025 along with the relevant Notes.

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[14]

4.

(a) Given below are details of interest on advance of a Solution Bank as on 31.03.2025:

(₹ in Crore)

| Particulars | Interest Earned | Interest Received |
|--------------------------------|-----------------|-------------------|
| Performing Assets: | | |
| Term Loan | 60 | 40 |
| Cash Credit and Overdraft | 375 | 310 |
| Bills Purchased and Discounted | 75 | 75 |
| Non-Performing Assets: | | |
| Term Loan | 37.50 | 2.50 |
| Cash Credit and Overdraft | 75 | 6 |
| Bills Purchased and Discounted | 50 | 10 |

Calculate the income to be recognized for the year ended 31st March, 2025.

[7]

(b) The Revenue Account of a life insurance company shows the life assurance fund on 31st March, 2025 at ₹ 62,21,310 before taking into account the following items:

| | |
|--|----------|
| (i) Claims covered under re-insurance | ₹12,000 |
| (ii) Bonus utilized in reduction of life insurance premium | ₹4,500 |
| (iii) Interest accrued on securities | ₹8,260 |
| (iv) Outstanding premium | ₹5,410 |
| (v) Claims intimated but not admitted | ₹ 26,500 |

Required: Calculate the life assurance fund after taking into account the above omissions.

[7]

5.

(a) The following information relating to White Ltd.

| Particulars | Amount (₹ in Lakhs) |
|--|------------------------|
| Profit before Voluntary retirement payments but after depreciation | 37.50 |
| Depreciation | 5.00 |
| VRS Payments | 5.00 |
| Provision for taxation | 16.05 |
| Fringe benefit tax | 2.50 |
| Paid up share capital (Shares of ₹ 10 each fully paid) | 46.50 |

Required:

Based on the data provided above, calculate the Earnings Per Share (EPS) for White Ltd.

[7]

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- (b) Following is the cash flow abstract of Shyam Ltd. for the year ended 31st March, 2025:
Cash Flow (Abstract)

| Inflows | Amount (₹) | Outflows | Amount (₹) |
|---|------------|---|------------|
| Opening balance: | | Payment for Account Payables | 45,000 |
| Cash | 5,000 | Salaries and wages | 12,500 |
| Bank | 35,000 | Payment of overheads | 7,500 |
| Share capital – shares issued | 2,50,000 | Property, plant and equipment acquired | 2,00,000 |
| Collection on account of Trade Receivables | 1,75,000 | Debenture redeemed | 25,000 |
| Sale of Property, Plant and equipment | 35,000 | Bank loan repaid | 1,25,000 |
| | | Taxation | 27,500 |
| | | Dividends | 50,000 |
| | | Closing balance: | |
| | | Cash | 2,500 |
| | | Bank | 5,000 |
| | 5,00,000 | | 5,00,000 |

Required:

Prepare the Cash Flow Statement of Shyam Ltd. for the year ended 31st March, 2025.

[7]

6.

- (a) Distinguish between Audit and Investigation. [7]
(b) Explain the provisions of Companies Act 2013 relating to secretarial audit. [7]

7.

- (a) Apply the audit process to verify occurrence, cut-off, completeness, measurement, and presentation of finance cost. [7]
(b) Examine NFRA's role in monitoring and enforcing compliance with auditing standards. [7]

8.

- (a) Apply the audit procedures for examining accounts of Cinema Halls. [7]
(b) Analyze the concept and benefits of joint audit. [7]