



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.

**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) 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 BOD
- (ii) How should the revaluation of Fixed Assets be treated in a Cash Flow Statement?
  - a. Under cash flow from operating activities
  - b. Under cash flow from investing activities
  - c. Under cash flow from financing activities
  - d. Do not appear in cash flow statement
- (iii) In case of an electricity company, depreciation on assets is calculated based on the rates notified by
  - a. Companies Act 2013
  - b. State Electricity Commission
  - c. Central Electricity Regulatory Commission
  - d. Income Tax Act 1961
- (iv) Rate of provision on advances doubtful for more than 1 year and up to 3 year is \_\_\_\_\_.
  - a. 25%
  - b. 40%
  - c. 60%
  - d. 100%
- (v) Which of the following is/are statutory book(s) of a company?
  - a. Register of charges
  - b. Register of Members
  - c. Register of debenture holders
  - d. All of the above



## CORPORATE ACCOUNTING AND AUDITING

(vi) Trade payable likely to be settled within the normal operating cycle is \_\_\_\_\_.

- current assets
- current liabilities
- non-current assets
- non-current liabilities

**(b) State True or False.**

[1× 4=4]

- Issue of fully paid-up bonus shares increases the total shareholders' fund.
- Interest and dividend received form a part of financing cash flow.
- Under defined contribution plans, the entity's obligation is limited to the amount that it agrees to contribute to the fund.
- Interest on loan is included in 'other operating expenses' under the Statement of Profit and Loss.

**(c) Fill in the blanks**

- Sometimes the insurer considers a particular risk too much for his capacity and may \_\_\_\_\_ a part of the risk with some other insurer.
- \_\_\_\_\_ earnings per share are calculated when there are potential ordinary shares in capital structure of the entity.
- \_\_\_\_\_ is the share of profit which is payable by the insurance company to the policyholders.
- Stock-in-Trade (in respect of goods acquired for Trading) are classified as \_\_\_\_\_.

2. (a) The following is the extract of the Trial Balance of Q Ltd. as on 31.03.2022.

	₹
Equity share capital (₹ 10)	12,00,000
General reserve	18,00,000
Securities premium	6,00,000
14% Debentures	25,00,000
Creditors	11,00,000
Non-current assets	36,00,000
Cash and bank balances	18,00,000
Other current assets	18,00,000



## CORPORATE ACCOUNTING AND AUDITING

The management of the company is contemplating a buyback plan. Recommend to the company on the maximum no. of equity shares which can be bought back by offering maximum price after complying with all the necessary legal provisions as per Companies Act, 2013. Provide needful justifications and calculations in support of your answer.

- (b) Compare various types of debentures. [8+4=12]
3. (a) The following figures have been extracted from the books of T Limited for the year ended on 31.3.2022. You are required to prepare a Cash Flow Statement.
- (i) Net profit, before adjusting income tax but after taking into account the following items, was ₹ 10 lakhs.
- Depreciation on Assets ₹ 250000.
  - Discount on issue of Debentures written off ₹ 15,000.
  - Interest on Debentures paid ₹ 1,75,000.
  - Book value of investments ₹ 1,50,000 (Sold for ₹ 1,60,000).
  - Interest received on investments ₹ 30,000.
- (ii) Income tax paid during the year ₹ 4,80,000.
- (iii) 7,500 10% preference shares of ₹ 100 each were redeemed on 31.3.2022 at a premium of 5%. Further the company issued 25,000 equity shares of ₹ 10 each at a premium of 20% on 2.4.2021. Dividend on preference shares were paid at the time of redemption.
- (iv) Dividends paid for the year 2020-21 ₹ 2,50,000 and interim dividend paid ₹ 1,50,000 for the year 2021-22.
- (v) Land was purchased on 2.4.2021 for ₹ 1,20,000 for which the company issued 10,000 equity shares of ₹ 10 each at a premium of 20% to the land owner as consideration.
- (vi) Current assets and liabilities were as follows:

Particulars	31.03.2021(₹)	31.03.2022(₹)
Stock	6,00,000	6,59,000
Sundry Debtors	1,04,000	1,06,550
Cash in hand	98,150	17,650
Bills Receivable	25,000	20,000
Bills Payable	22,500	20,000
Sundry Creditors	83,000	85,650
Outstanding expenses	37,500	40,900



## CORPORATE ACCOUNTING AND AUDITING

(b) (i) What do you mean by interest on working capital in the context of an Electricity company?

(ii) 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.

[8+(2+2)=12]

4. (a) The following is the trial balance of Beta Ltd. as on 31.03.2022:

Particulars	₹	Particulars	₹
Stock in trade on 01.04.21	1,50,000	Purchase returns	20,000
Purchases	4,90,000	Sales	6,80,000
Salaries	60,000	Discount received	6,000
Freight, carriage etc.	1,900	Balance of Profit and Loss (Cr.)	30,000
Furniture	34,000	Share capital (₹10)	2,00,000
Contribution to P. F	10,000	Trade payables	49,000
Rent and Rates	8,000	General reserve	31,000
Stationary	3,800		
Repairs	4,000		
Insurance	6,000		
Misc. expenses	300		
Interim dividend paid	18,000		
Staff welfare expenses	5,000		
Plant and machinery	58,000		
Cash at bank	92,400		
Patents	9,600		
Trade receivables	65,000		
	10,16,000		10,16,000



## CORPORATE ACCOUNTING AND AUDITING

You are required to prepare Statement of Profit and Loss for the year ending 31st March, 2022 and necessary schedules after taking into consideration the following additional information:

- (i) Closing stock as at 31.03.2022 is ₹176000.
  - (ii) Make a provision for income tax @40%.
  - (iii) Depreciate plant and machinery @ 15%, furniture @ 10% and patents @ 5%.
  - (iv) Outstanding rent ₹ 1600 and outstanding salaries ₹ 1800.
  - (v) The directors recommended a dividend @ 15% after transfer to General Reserve ₹ 4000.
  - (vi) Provide ₹ 1020 for doubtful debts.
  - (vii) The authorized capital of the company is ₹ 400000 divided into 40000 equity shares of ₹ 10 each of which 20000 shares have been issued and fully paid up.
- (b) Goods sold on credit on 01.01.2022. Analyze each of the following situations and classify trade receivables on 31.03.2022:
- (i) Credit period is 14 months and operating cycle is 12 months.
  - (ii) Credit period is 16 months and operating cycle is 12 months.
  - (iii) Credit period is 16 months and operating cycle is 14 months.
  - (iv) Credit period is 16 months and operating cycle is 18 months

. 8+4

5. (a) (i) R Ltd. had 10,00,000 ordinary shares outstanding on 01.04.2020. Profit for 2020-21 was ₹48,00,000. Average fair value per share during 2020-21 was ₹ 20. R Ltd. has given share option to its employees of 2,00,000 shares at option price of ₹15. Calculate basic EPS and diluted EPS.
- (ii) The following information applies to a company's defined benefit pension plan for the year:
- FMV of plan assets (beginning of the year) ₹6,00,000
- FMV of plan assets (end of the year) ₹8,55,000
- Employer's contribution ₹ 2,10,000
- Benefit paid ₹ 1,50,000
- Calculate the actual return on plan assets.
- (b) What are the various principles of insurance? Discuss. [(4+4) + 4=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) A company auditor resigning from his post shall inform the same to the Registrar in
- Form No. ADT - 1
  - Form No. ADT - 2
  - Form No. ADT - 3
  - Form No. ADT - 4
- (ii) Which of the following is not included in the Current Audit File?
- Memorandum and Articles of Association
  - Current year's audit programme
  - Internal Control Questionnaire
  - Copies of budget
- (iii) Which of the following is not an external audit evidence?
- Quotations
  - Confirmation from debtors
  - Goods Received Note
  - Confirmation from bankers
- (iv) Cooling period of an individual auditor is
- One term of 5 years
  - Two consecutive terms of 5 years each
  - One term of 4 years
  - Two consecutive terms of 4 years each
- (v) Which of following is Not a source of dividend?
- Out of profits for current year after providing for depreciation for current year
  - Out of profits of any previous financial year without providing depreciation
  - Out of current year's profit after providing for past losses
  - Out of past reserves subject to certain conditions
- (vi) Which of the following is not a part of rural self-governance system in India?
- Gram Panchayat
  - Gram Parishad
  - Panchayat Samiti
  - Zilla Parishad



**(b) State True or False. [1× 4=4]**

- (i) A company auditor can render investment advisory services to his client.
- (ii) Each joint auditor shall be jointly and severally responsible in respect of undivided work.
- (iii) A piecemeal opinion is issued when whole of the matter in the financial statement is true and fair.
- (iv) Companies (Auditor's Report) Order, 2020 is not applicable to a banking company.

**(c) Fill in the blanks. [1× 4=4]**

- (i) Auditor's right to attend the meeting of the Audit Committee is guided by Section \_\_\_\_\_ of the Companies Act, 2013.
- (ii) Reporting of fraud to the Central Govt. by the auditor is guided by Section \_\_\_\_\_ of the Companies Act, 2013.
- (iii) A good audit report should be based on \_\_\_\_\_ evidence.
- (iv) Audit sampling is guided by SA \_\_\_\_\_.

7. (a) Distinguish between Statutory Audit and Non-Statutory Audit.

(b) 'An auditor applies various techniques to evaluate the internal control system of an organization' – Discuss. [6+6=12]

8. (a) (i) PQR & Co. a firm of Chartered Accountants has three partners, P, Q & R; P is also in whole time employment elsewhere. The firm is offered the audit of XYZ Ltd. which is a private limited company with paid up share capital of ₹120 crore. The firm already holds audit of 40 companies including audit of one dormant company. Examine whether acceptance of audit of XYZ Ltd. will be within the specified limits.

(ii) M/s MNP & Co., a Chartered Accountant firm, has three partners, M, N and P who have no interest in any other partnership firm. The firm has a total of 33 company audits, of which 15 are public companies. Mr. M retires on 31st August, 2022. The reconstituted firm accepts one audit of a private company having paid up share capital of more than ₹100 crores and audit of seven one person companies on 2nd September, 2022. Examine the situation and advice the firm regarding the appropriate course of action.

(b) What is the procedure of appointing a cost auditor in a company? [(4+4) + 4=12]



**CORPORATE ACCOUNTING AND AUDITING**

9. (a) Recommend the important issues to be reviewed while conducting the audit of issue of debentures by a company.
- (b) What is known as Disclaimer of Opinion? In what context is it used by a statutory auditor? **[8+4=12]**
10. (a) How will you conduct the audit of a local self-government?
- (b) Discuss various types of audit risks. **[8+4=12]**