



INTERMEDIATE EXAMINATION
MODEL QUESTION PAPER
PAPER – 10
CORPORATE ACCOUNTING AND AUDITING

SET 1
TERM – JUNE 2024
SYLLABUS-2022

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) Which of the following is not a Free Reserve?
- General Reserve
 - Dividend Equalization Reserve
 - Revaluation Reserve
 - Revenue Reserve
- (ii) Instalment of principal amount of long-term loan payable within next 12 months is shown under Balance Sheet of a company under the heading.
- Non-current Assets
 - Non-current Liabilities
 - Current Assets
 - Current Liabilities
- (iii) Depreciation is added back to profit when arriving at the cash flow from operating activities as.
- Depreciation is a non-cash expenditure
 - Depreciation does not affect profit
 - Depreciation only affects the balance sheet, not the profit and loss account
 - None of Above
- (iv) Rate of provision on advances doubtful for more than 3 years is _____.
- 40%
 - 25%
 - 100%
 - Nil
- (v) If the net profits earned during the year is ₹50,000 and the bills receivables have decreased by ₹10,000 during the year then the cash flow from operating activities will be equal to:
- ₹30,000
 - ₹40,000
 - ₹50,000
 - ₹60,000



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- (vi) Which of the following is not a step of Audit Sampling?
- Sample Design
 - Sample Size Determination
 - Sample Selection
 - Sample Displaying
- (vii) Which of the following is/are benefits of Internal Financial Control?
- Improved controls over financial reporting process
 - Trickling down of accountability to operational management
 - Improved investor confidence in entity's operations and financial reporting process
 - All of the above
- (viii) The company shall inform the auditor concerned of his or its appointment, and also file a notice of such appointment with the Registrar within fifteen days of the meeting in which the auditor is appointed in Form _____.
- ADT-1
 - ADT-2
 - ADT-3
 - None of these
- (ix) 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
- (x) SA 530 stands for _____.
- Audit Documentation
 - Audit Sampling
 - Responsibility of Joint Auditor
 - Agreeing the terms of Audit Engagements
- (xi) 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
- (xii) Secretarial Audit is covered under section _____.
- Section 204
 - Section 148
 - Section 139
 - None of the above



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- (xiii) Test checking requires application of _____.
- mathematical theory
 - sampling theory
 - geometry theory
 - stakeholder theory
- (xiv) A cost auditor submits his report along with reservations and observations in Form No.
- CRA 1
 - CRA 2
 - CRA 3
 - CRA 4
- (xv) Which of the following is not a part of Temporary Audit file?
- Correspondence relating to acceptance of annual reappointment
 - Audit programme
 - Extracts of minutes of board meetings
 - Legal and organisation structure of the company

SECTION – B

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

[5 x 14 = 70]

2. (a) Prepare journal entries for the following:

- PK Ltd. forfeited 10,000 equity shares of ₹10 each for non-payment of first call of ₹2 and final call of ₹3 per share. These shares were reissued at a discount of ₹3.50 per share.
- KP Ltd. forfeited 20,000 equity shares of ₹15 each (including ₹5 per share as premium), for non-payment of final call of ₹3 per share. Out of these 10,000 shares were reissued at a discount of ₹4 per share.
- KP Ltd. forfeited 15,000 equity shares of ₹15 each (including ₹5 per share as premium), for non-payment of allotment money ₹8 (including premium money) and first & final call of ₹5 per share. Out of these 10,000 shares were reissued at ₹14 per share. [7]

(b) The Balance Sheet of Pixel Ltd. as on 31.12.2023 is given below

Liabilities	₹ in Lakh	Assets	₹ in Lakh
Share Capital:		Fixed Assets	140
10,00,000 Equity shares of ₹10 each	100	Investments	40

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1,00,000 Redeemable Pref. shares of ₹100 each	100	Stock	46
Less: Call-in-arrears on 20,000 shares	(4)	Debtors	30
Security premium account	15	Bank	30
Reserve	30		
Profit and Loss account	15		
Creditors	30		
	286		286

On 1st Jan 2024, fixed assets costing ₹40 Lakh were sold for ₹32 Lakh. It was decided that on 1st Feb 2024, company issued sufficient number of equity shares at par so as to finance redemption and to leaving a balance of ₹10 Lakh in the reserve. All the payments were made except to a holder of 10,000 shares who could not be traced. The company also made bonus issue to the existing equity shareholders in the ratio of 1: 10 as on 31.12.2023. You are required to prepare the necessary journal entries. [7]

3. PQR Ltd. was registered with a nominal capital of ₹20,00,000 divided into shares of ₹100 each. The following Trial Balance is extracted from the books on 31st March, 2023:

Particulars	₹	Particulars	₹
Buildings	11,60,000	Sales	20,80,000
Machinery	4,00,000	Outstanding Expenses	8,000
Closing Stock	3,60,000	Provision for Doubtful Debts (1-4-2022)	12,000
Loose Tools	92,000	Equity Share Capital	8,00,000
Purchases (Adjusted)	8,40,000	General Reserve	1,60,000
Salaries	2,40,000	Profit and Loss A/c (31.03.2022)	1,00,000
Directors' Fees	40,000	Creditors	3,68,000
Rent	1,04,000	Provision for depreciation:	
Depreciation	80,000	On Building	2,00,000
Bad Debts	24,000	On Machinery	2,20,000
Investment	4,80,000	14% Debentures	8,00,000
Interest accrued on investment	8,000	Interest on Debentures accrued but not due	56,000
Debenture Interest	1,12,000	Interest on Investments	48,000
Advance Tax	2,40,000	Unclaimed dividend	20,000
Sundry expenses	72,000		
Debtors	5,00,000		
Bank	1,20,000		
	48,72,000		48,72,000

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: [14]

- (i) Closing stock is more than opening stock by ₹3,20,000.
(ii) Provide to doubtful debts @ 4% on Debtors.



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- (iii) Make a provision for income tax @30%.
- (iv) Depreciation expense included depreciation of ₹32,000 on Building and that of ₹48,000 on Machinery.
- (v) Transfer to General Reserve @ 10%.
- (vi) The directors proposed a dividend @ 25%. Bills Discounted but not yet matured ₹ 40,000.

4. (a) On 31 March, 2021 Victory Bank Ltd. had a balance of ₹18 crores in Rebate on Bill Discounted A/c. During the year ended 31st March, 2022, Victory Bank Ltd. discounted bills of exchange of ₹8,000 crores charging interest at 18% p.a., the average period of discount being for 73 days. Of these, bills of exchange of ₹1,200 crores were due for realization from the acceptor/customers after 31st March, 2022, the average period outstanding after 31st March, 2022 being 36.5 days. Victory Bank Ltd. asks you to pass journal entries and show the ledger accounts pertaining to:
- (i) Discounting of Bills of Exchange; and
- (ii) Rebate on bill Discounted. [7]

- (b) From the following figures appearing in the books of Fire Insurance division of a General Insurance Company, show the amount of claim as it would appear in the Revenue Account for the year ended 31st March, 2023:

Particulars	Direct Business	Re-Insurance
	₹	₹
Claim paid during the year	46,70,000	7,00,000
Claim Payable — 1st April, 2022	7,63,000	87,000
31st March, 2023	8,12,000	53,000
Claims received	—	2,30,000
Claims Receivable — 1st April, 2022	—	66,000
31st March, 2023	—	1,13,000
Expenses of Management	2,30,000	—
(includes ₹ 35,000 Surveyor's fee and ₹ 45,000		
Legal expenses for settlement of claims)		

[7]

5. (a) The following information applies to a company's defined benefit pension plan for the year:
- | | |
|--|-----------|
| FMV of plan assets (beginning of the year) | ₹2,00,000 |
| FMV of plan assets (end of the year) | ₹2,85,000 |
| Employer's contribution | ₹ 70,000 |
| Benefit paid | ₹ 50,000 |

Calculate the actual return on plan assets.

[7]

- (b) The total stock of A Ltd. as on 31.3.2023 was ₹5,00,000 of which stock amounting to ₹31,000 were not ascertained as per Ind AS 2. Compute the value of the said stocks as per Ind AS 2 for inclusion in financial statements as on that date.

Type of Product	Cost of Materials (₹)	Production Expenses incurred (₹)	Selling and Distribution expense to be incurred (₹)	Estimated Selling Price (₹)
P	10,000	2,000	1,000	15,000

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S	5,000	---	500	4,500
T	12,000	3,000	2,000	18,000
	27,000	5,000	3,500	37,500

[7]

6. (a) Describe the contents of Audit Working Papers. **[7]**
- (b) P Ltd. is an unlisted public company with an authorised capital of ₹100 crore. The issued and paid-up capital of the company is ₹45 crore. During the financial year 2020-21, the company has been able to achieve a turnover of ₹225 crore. The company has taken a bank loan of ₹110 crore in the current financial year for business expansion. The company secretary of P Ltd. has asked for your opinion as a legal expert on whether the company is required to conduct a secretarial audit. Advise the company. **[7]**
7. (a) Demonstrate the audit procedures to be followed for verification of Cash and Cash Equivalents. **[7]**
- (b) Discuss the functions and Duties of National Financial Reporting Authority (NFRA). **[7]**
8. (a) Discuss the steps to be taken by an auditor of a Co-Operative Society. **[7]**
- (b) Demonstrate the essential Characteristics of Internal Check System. **[7]**