

**INTERMEDIATE EXAMINATION****SET 1****MODEL QUESTION PAPER****TERM – DEC 2025****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)**I. Choose the correct option:****[15 x 2 = 30]**

- (i) The net profit on forfeiture and reissue of equity shares is transferred to _____.
a. Capital Reserve
b. General Reserve
c. Dividend Equalization Reserve
d. Revaluation Reserve
- (ii) In case of _____ issue the shares are offered to the existing shareholders of the company without any consideration.
a. Private Placement
b. Rights Issue
c. Bonus Issue
d. Offers for sale
- (iii) As per Schedule III Current Maturities of Long-term Borrowings should be shown under -
a. Current Assets in Balance Sheet
b. Non-current Liability in Balance Sheet
c. Current Liabilities in Balance Sheet
d. Other Expenses in Statement of Profit and Loss
- (iv) As per Division II of Schedule III of the Companies Act 2013, the Statement of Changes of Equity has _____ parts
a. One
b. Two
c. Three
d. Four
- (v) Under which of the following, a business must generate positive net cash flow for it to survive in the long run?
a. Investing activities
b. Financing activities
c. Operating activities
d. Non cash activities

**CORPORATE ACCOUNTING AND AUDITING**

- (vi) A banking company is required to maintain _____ provision on unsecured portion of doubtful advances.
- 25%
 - 40%
 - 50%
 - 100%
- (vii) Y Ltd. supplied the following information: Net Profit for 2021-22 = Rs.10,00,000 Net Profit for 2022-23 = ₹ 15,00,000 No. of shares prior to right issue = 5,00,000 Terms of right issue: 1 new share for every 4 shares held; right issue price = ₹ 20 Fair value of 1 ordinary share immediately prior to exercise of right = ₹ 25. Compute the Right Factor.
- 2.5
 - 1.92
 - 1.04
 - 2.00
- (viii) The expected sales value of stock is ₹ 20 lakhs and a commission at 10% on sale is payable to the agent. Calculate NRV.
- ₹12 lakh
 - ₹14 lakh
 - ₹16 lakh
 - ₹18 lakh
- (ix) Ordinary shares are 1,00,000 of ₹1.00; 10% Preference shares are 200000 of ₹1.00; PAT ₹10,00,000. Calculate basic EPS.
- ₹9.80
 - ₹9.60
 - ₹9.40
 - ₹9.20
- (x) According to SA 200, which of the following principles require the auditor to oversee and remain responsible for audit work delegated to assistants, other auditors, or experts?
- Integrity, Objectivity & Independence
 - Skills and Competence
 - Work performed by Others
 - Confidentiality
- (xi) Internal check is meant for _____.
- Prevention of frauds
 - Detection of frauds
 - Helping audit is depth
 - Detection of errors



CORPORATE ACCOUNTING AND AUDITING

- (xii) Which of the following is not a duty of duties of the NFRA?
- Recommend accounting and auditing policies and standards to be adopted by companies for approval by the Central Government.
 - Monitor and enforce compliance with Income Tax Act and auditing standards
 - Perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.
 - Oversee the quality of service of the professions associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service.
- (xiii) No individual shall be appointed or reappointed as auditor for more than one term of _____ consecutive years
- 4
 - 5
 - 6
 - 3
- (xiv) In relation to advances made by bank an auditor needs to review which of the followings?
- Scrutinise the subsidiary, ledger, & control accounts
 - Scrutinise the overdue account and scheme for recovery of such amount.
 - Ensure the proper documentation of account
 - All of these
- (xv) Which of the following is not a part of rural self-governance system in India?
- Gram Panchayat
 - Gram Parishad
 - Panchayat Samiti
 - Zilla Parishad

Section – B

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

[5 x 14 = 70]

- (2) (a) X Ltd. issued 10,000 Equity shares of ₹10 each at a premium of ₹2 per share, payable : ₹3 on application (including premium of ₹1); ₹4 on allotment (including the balance of premium) and the balance in a call. Public subscribed for 12,000 shares. Excess application money was refunded. One shareholder Mr. A holding 50 shares paid the call money along with allotment. Another Mr. B failed to pay allotment & call on 30 shares. These shares were forfeited after the call and 25 of those were reissued at ₹9 each. Pass Journals Entries.

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- (b) M Ltd., incorporated on April 1, 2024, issued a prospectus inviting applications for 5,00,000 equity shares of ₹10 each. The issue was fully underwritten by A, B, C and D as follows:

A - 2,00,000; B - 1,50,000; C - 1,00,000; and D - 50,000.

The applications were received for 4,50,000 shares of which marked applications were as follows: A - 2,20,000; B- 90,000; C - 1,10,000; and D - 10,000.

Calculate the liability of the individual underwriters in each of the following cases:

- (i) Unmarked applications are apportioned in the ratio of “Gross Liability”; and
- (ii) Unmarked applications are apportioned in the ratio of “Gross Liability (-) Marked Applications”.

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- (3) Following are the balances of A Ltd. as on 31.03.2024

Debit	₹	Credit	₹
Premises	30,72,000	Equity share capital	40,00,000
Plant	33,00,000	12% debentures	30,00,000
Stock	7,50,000	Surplus A/C	2,63,000
Debtors	8,70,000	Bills payable	3,70,000
Goodwill	2,50,000	Creditors	4,00,000
Bank	4,52,000	General reserves	2,50,000
Calls in arrears	75,000	Sales	4,15,000
Interim dividend paid	6,00,000	Bad debts Provision	35,000
Purchases	18,50,000		
wages	7,71,000		
General expenses	74,000		
Salaries	2,03,000		
Bad debts	21,000		
Debenture interest paid	1,80,000		
	124,68,000		124,68,000

Additional information:

- (i) Depreciate plant by 10%;
- (ii) Half-year debenture interest is due;
- (iii) Create 5% Provision on Debtors for bad debts;
- (iv) Provide for income tax @ 35%;
- (v) Stock on 31.03.2024 is ₹9,50,000;
- (vi) No final dividend is declared by company;
- (vii) Transfer the minimum required amount to general reserve;
- (viii) Ignore corporate dividend tax.

Prepare the Profit & loss Account and Balance Sheet of A Ltd.

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- (4) (a) Given below are details of interest on advance of a Commercial Bank as on 31.03.2025:

(₹ in crores)

Particulars	Interest Earned (₹)	Interest Received (₹)
Performing Assets		
Term Loan	240	160
Cash Credit and Overdraft	1,500	1,240
Bills Purchased and Discounted	300	300
Non-Performing Assets		
Term Loan	150	10
Cash Credit and Overdraft	300	24
Bills Purchased and Discounted	200	40

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

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- (b) The Life Insurance Fund of Avni Life Insurance Co. Ltd. was ₹25 lakhs on 31.03.2025. Its actuarial valuation on 31.03.2025 disclosed a net liability of ₹21.25 lakhs. An interim bonus of ₹40,000 was paid to the policy holders during previous two years. It is now proposing to carry forward ₹75,000 and to divide the balance between policy holders and the shareholders. Prepare the

- (i) Valuation Balance Sheet;
- (ii) Net profit for the two-year period; and
- (iii) Distribution of Profit

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- (5) (a) The following information is provided by Greenco Ltd, Calculate Diluted Earnings per share.

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Particulars	Amount (₹ in Lakhs)
Net profit for the year	100
Number of equity shares outstanding	20
Basic Earnings per share	5.00
Number of 11% convertible debentures of ₹100 each = 25,000	
Each debenture is convertible into 8 equity shares	
Interest expense for the current year	2.75
Tax saving relating to interest expense (30%)	0.825

- (b) The following relevant items of cash flow statement of Gems Ltd. Prepared for the year 31st March,2025:

Particulars	Amount (₹)	Amount (₹)
Net profit		75,00,000
Add: Sale of investment		87,50,000

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Depreciation of Assets		13,75,000
Issue of preference shares		11,25,000
Loan raised		5,62,500
Decrease in stock		15,00,000
		2,08,12,500
Less:		
Purchase of Fixed Assets	81,25,000	
Decrease in Creditors	7,50,000	
Decrease in Debtors	10,00,000	
Exchange gain	10,00,000	
Profit on sale of investments	15,00,000	
Redemption of debentures	7,12,500	
Dividend paid	1,75,000	
Interest paid	1,18,125	(1,33,80,625)
		74,31,875
Add: Opening Cash and Cash Equivalent		15,42,625
Closing Cash and Cash equivalent		89,74,500

Redraft and reconstruct the cash flow statement of Gems Ltd. in proper order for the year ended 31st March, 2025 in accordance with AS-3 using indirect method. [7]

- (6) (a) Distinguish between statutory audit and non-statutory audit. [7]
(b) Discuss the provisions of Companies Act, 2013 and SEBI Regulations relating to the applicability and conduct of Secretarial Audit. [7]
- (7) (a) Analyse the key distinctions between an audit report and an audit certificate? [7]
(b) Discuss the functions and duties of the National Financial Reporting Authority (NFRA) of the Companies Act, 2013. [7]
- (8) (a) Discuss the procedures you would follow to audit the inventory of a hospital pharmacy. [7]
(b) Discuss the provisions of the Companies Act, 2013 regarding appointment of first Auditor of a company. [7]