



**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 alternative:**

**[15 x 2 = 30]**

- (i) Net profit for the year ₹15,000, interest received in advance on 1st January 2021 ₹2,000 and 31<sup>st</sup> December 2021 ₹3,000, cash from operation will be \_\_\_\_\_.
- ₹16,000
  - ₹22,000
  - ₹13,000
  - ₹15,000
- (ii) Which of the following is not a mandatory financial statement of a General Insurance Company as per IRDA regulations?
- Revenue Account
  - Profit and Loss Account
  - Balance Sheet
  - Cash Flow Statement
- (iii) Ind AS 1 “Presentation of financial statements” applies to \_\_\_\_\_.
- Consolidated financial statements in accordance with Ind AS 110, Consolidated Financial Statements,
  - Separate financial statements in accordance with Ind AS 27, Separate Financial Statements.
  - Both of a. and b.
  - None of the above
- (iv) 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
- (v) 01.04.2021 B Ltd. has 1200 ordinary shares outstanding. On 31.08.2022 it issued 400 ordinary shares for cash. On 31.01.22 it bought back 200 ordinary shares. Calculate weighted average number of shares as on 31.03.22.
- 1300
  - 1400
  - 1500
  - 1600



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- (vi) Each of the three parties involved in an audit \_\_\_\_\_ plays a role that contributes to its success.
- the client, the auditor, and the auditees
  - the client and the auditor
  - the client, the moderator, and the auditee
  - the client, the auditor, and the auditee
- (vii) Statutory Auditor can be removed by the \_\_\_\_\_.
- Shareholders
  - Audit committee
  - BOD
  - None of the above
- (viii) A nomination and remuneration committee should have \_\_\_\_\_ directors.
- 5
  - 10
  - 2
  - 3
- (ix) Secretarial Audit is applicable to the public sector company having the paid up share capital of \_\_\_\_\_.
- 50 crore
  - 75 crore
  - 100 crore
  - 200 crore
- (x) Member of the Institute of Company Secretaries of India are eligible to conduct Secretarial Audit if he/she is having a valid \_\_\_\_\_.
- Membership No.
  - PAN No.
  - Certificate of Practice
  - None of the above
- (xi) Which of the following is not an audit risk?
- Inherent Risk
  - Detection Risk
  - Control Risk
  - Omission Risk
- (xii) CAATS stands for-
- Cornwall Air Ambulance Trust
  - Children Air Ambulance Trust
  - Center for alternatives to Animal Testing
  - Computer Assisted Auditing Technique



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- (xiii) 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
- (xiv) Check list contains the instructions to be followed by the
- Employer of the organisation
  - Employee of the organisation
  - Banker to the organisation
  - Audit staff engaged by the auditor of the organisation
- (xv) 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

## SECTION-B

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

2. (a) XYZ Ltd. has the following capital structure on of 31st March 2022.

Particulars	₹ in Crores
a. Equity Share capital (Shares of ₹10 each)	300
b. Reserves:	
General reserve	270
Security Premium	100
Profit and Loss A/c	50
Export Reserve (Statutory reserve)	80
c. Loan Funds	800

The shareholders have on recommendation of Board of Directors approved vide special resolution at their meeting on 10th April 2022 a proposal to buy back maximum permissible equity shares considering the huge cash surplus following A/c of one of its divisions.

The market price was hovering in the range of ₹25 and in order to induce existing shareholders to offer their shares for buy back, it was decided to offer a price of 20% above market.

Examine the maximum number of shares that can be bought back by the company and record journal entries for the same assuming the buy-back has been completed in full within the next 3 months.

If borrowed funds were ₹1200 crores, and 1500 crores respectively would your answer change.

[7]



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- (b) On 1st April 2018, H Ltd. issued 442, 10% Debentures of ₹1,000 each at a discount of 10% redeemable at a premium of 5% after 4 years. It was decided to create a Sinking Fund for the purposes of accumulating sufficient funds to redeem the Debentures and to invest in some readily convertible securities yielding 10% interest p.a. Reference to the table shows that ₹1.00 p.a. at 10% compound interest amounts to ₹4.641 in 4 years. Investments are to be made in the Bonds of ₹1,000 each available at par.

On 31st March 2022, the investments realised ₹3,40,000 and debentures were redeemed. The bank balance as on that date was ₹50,000.

Required: Prepare Debenture Redemption Fund Account and Debenture Redemption Fund Investments Account for 4 years. [7]

3. XYZ Pharmaceuticals is a pharma start-up established in 2018. The company has registered significant growth over the last two years. To further expand its business, the company wants to mop up additional capital. Motivated by the recent success of a number of IPOs, the BOD has decided to go for a public issue rather than accessing institutional loan.

In order to apply for the IPO to SEBI, the company requires to submit, along with all other documents, its restated financial statements in prescribed format. The company, therefore, has hired you as an expert to assist its accountant in preparing the financial statements so that the statements conform, in all respect, to the relevant legislation and can be used to prepare restated financial statements for the purpose of filing for an IPO.

You have been given the following information for the financial year 2021-2022.

Particulars	Dr. (₹)	Cr. (₹)
Stock on 1st April, 2021	1,60,000	-
Purchases & Sales	5,00,000	8,00,000
Purchase returns	-	10,000
Carriage inward	2,100	-
Wages	50,000	-
Salaries	20,000	-
Discount Received	-	8,000
Furniture & Fittings	40,000	-
Rent	10,000	-
Sundry expenses	16,500	-
Balance of Profit & Loss (1.4.2021)	-	50,000
Share Capital (Subscribed & Paid-up; ₹10 each)	-	2,00,000
Interim Dividend	16,000	-
Debtors & Creditors	52,400	31,000
Plant & Machinery	2,46,000	-
General Reserve	-	20,000
Cash at bank	8,000	-
Bills Receivable & Bills Payable	6,000	8,000
Total	11,27,000	11,27,000



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Additional information:

- (i) Stock on March 31, 2022 was valued at ₹98,000
  - (ii) Depreciate: Plant & Machinery @ 15%, Furniture & Fitting @ 10%.
  - (iii) On 31st March, 2022 outstanding rent amounted to ₹800 while outstanding salaries totalled ₹ 1,200.
  - (iv) Make a provision for doubtful debts @ 5%.
  - (v) Provision for tax is to be made @ 30%.
  - (vi) The directors proposed a dividend @ 10% for the year ended March 31, 2022 excluding interim dividend and decided to transfer ₹10,000 to General Reserve.
- I.** You are required to prepare the Notes to Accounts to support preparation of the Statement of Profit and Loss for the year ended on 31.03.2022.
- II.** You are required to prepare the Statement of Profit and Loss for the year ended on 31.03.2022.
- III.** You are required to prepare the Notes to Accounts to support preparation of the Balance Sheet as on 31.03.2022.
- IV.** You are required to prepare the Balance Sheet as on 31.03.2022. [14]

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 prepare the ledger accounts pertaining to:

- a. Discounting of Bills of Exchange; and
- b. Rebate on bill Discounted. [7]

- (b) From the following information Calculate Return on Equity: [7]
1. Date of Commercial Operation of COD = 1st April 2019
  2. Approved Opening Capital Cost as on 1st April 2019 = ₹15,00,000
  3. Details of allowed Additional Capital Expenditure:

	1st year	2nd year	3rd year	4th year
Additional Capital				
Expenditure (Allowed)	1,00,000	30,000	20,000	10,000
Rate of ROE: 15.5%				

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]



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- (b) The following is the income statement XYZ Company for the year 2021 – 22. [7]

Particulars	₹	₹	₹
Sale			1,62,700
Add: Equity in ABC company's earning			6,000
			1,68,700
Expenses			
Cost of goods sold		89,300	
Salaries		34,400	
Depreciation		7,450	
Insurance		500	
Research and development		1,250	
Patent amortization		900	
Interest		10,650	
Bad debts		2,050	
Income tax:			
Current	6,600		
Deferred	1,550		
Total expenses		8,150	1,54,650
Net income			14,050

Additional information is:

- 70% of gross revenue from sales were on credit.
- Merchandise purchases amounting to ₹92,000 were on credit.
- Salaries payable totalled ₹1,600 at the end of the year.
- Amortisation of premium on bonds payable was ₹1,350.
- No dividends were received from the other company.
- XYZ Company declared cash dividend of ₹4,000.
- Changes in Current Assets and Current Liabilities were as follows:

	Increase (Decrease) ₹
Cash	500
Marketable securities	1,600
Accounts receivable	(7,150)
Allowance for bad debt	(1,900)
Inventory	2,700
Prepaid insurance	700
Accounts payable (for merchandise)	5,650
Salaries payable	(2,050)
Dividends payable	(3,000)

Prepare a statement showing the amount of cash flow from operations.



**INTERMEDIATE EXAMINATION**

**SET - 2**

**MODEL QUESTION PAPER**

**TERM – DECEMBER 2023**

**PAPER – 10**

**SYLLABUS 2022**

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6. (a) Define Auditing, what are the basic principles for governing an audit. [7]
- (b) Discuss the procedure of submission of Cost Audit Report as per Section 148(5) read with Rule 6 of the Companies (Cost Records and Audit) Rules 2014. [7]
7. (a) Discuss the essential characteristics of a good audit report. [7]
- (b) Describe the structure of NFRA, list its functions and duties. [7]
8. (a) Demonstrate the audit procedure to be followed by an auditor while conducting the audit of an educational institution. [7]
- (b) Discuss the benefits and limitations of Joint Audit? [7]