



## 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 from the four alternatives given:

[15 × 2 = 30]

(i) In India, accounting of a company is guided by which of the following regulatory sources?

- A. Companies Act, 2013.
- B. Company Rules.
- C. Accounting Standards.
- D. All of these.

(ii) \_\_\_\_\_ is the amount of share capital that a that a company is permitted to issue.

- A. Issue Share Capital.
- B. Authorized Share Capital.
- C. Subscribed Capital.
- D. Paid up Capital.

(iii) The net profit on forfeiture and reissue of Equity Shares is transferred to \_\_\_\_\_

- A. Capital Reserve.
- B. General Reserve.
- C. Dividend Equilisation Reserve.
- D. Revaluation Reserve.

(iv) The following figures drawn from Trial Balance as at 31.03.2-26 of AB Ltd.:

Machinery A/c	₹ 3,00,000
Furniture A/c	₹ 12,200
Premises A/s	₹ 3,60,000

It has been observed that wages paid during the year 2025-26 included ₹50,000 on account of construction of a Boundary Wall. Machinery is depreciated at the rate of 5% and furniture at the rate of 10%.

The property, plant and equipment to be shown in the Balance Sheet as at 31.03.2026 will be :-

- A. ₹ 6,55,980
- B. ₹ 7,05,980
- C. ₹ 6,89,760
- D. ₹ 6,72,220

(v) Under which activities cash paid for preferred stock dividends should be shown on the statement if cash flows?

- A. Investing Activities.
- B. Financing Activities.
- C. Non Cash investing and Financing Activities.
- D. Operating Activities



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- (vi) Number of basic types of Bonuses paid by Insurance Company to the policy holders are:-
- A. Four types
  - B. Five types
  - C. Three types
  - D. One type.
- (vii) Ordinary shares are 1,00,000 nos of ₹10 each.  
10% Preference Shares are 50,000 of ₹ 10 each.  
Profit after Tax ₹ 50,00,000  
Calculate Basic EPS.
- A. ₹50
  - B. ₹45
  - C. ₹30
  - D. ₹60
- (viii) Closing Stock of a Company includes 20,000 units of an old unused item costing @ ₹25 per unit amounting to ₹50,000. However, due to efflux of time and deterioration of quality, the current market price has been estimated @ ₹15 per unit. The valuation of the item in closing stock should be:
- A. ₹ 5,00,000
  - B. ₹ 3,00,000
  - C. ₹ 2,00,000
  - D. ₹ 0
- (ix) Ind AS 2, Inventories, does not apply to .....
- A. Financial Instruments
  - B. Biological Assets
  - C. Both the above
  - D. Work in progress
- (x) As per SQC 1, the audit working papers must be retained by the statutory auditors for a period of \_\_\_\_\_ years.
- A. Five
  - B. Six
  - C. Seven
  - D. Eight
- (xi) Benefits of Audit Sampling are \_\_\_\_\_
- A. It reduces the workload of the auditor.
  - B. It saves time and cost.
  - C. It gives dependable result as it is based on statistical sampling methods.
  - D. All of the above.



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- (xii) No individual shall be appointed or reappointed as auditor for more than one term of \_\_\_\_\_ consecutive years.
- A. 4  
B. 5  
C. 6  
D. 3
- (xiii) When the financial statements are found to be misstated and the auditor feels that the effects of the same is material as well as pervasive, he shall submit \_\_\_\_\_.
- A. Unqualified opinion  
B. Qualified opinion  
C. Adverse opinion  
D. Disclaimer of opinion
- (xiv) Which of the following is not part of urban self-governance system in India?
- A. Municipal Corporation  
B. Town Panchayat  
C. Municipality  
D. Municipal Society
- (xv) The auditor of a co-operative society is appointed by the \_\_\_\_\_ of Co-operative Societies.
- A. Registrar  
B. Director  
C. Chairman  
D. Manager

## Section – B

(Answer any 5 questions out of 7 questions given. Each question carries 14 Marks)

[5 × 14 = 70]

2. (a) XYZ Ltd. Forfeited 1000 equity shares of ₹10 each fully called up. The shares were issued at a premium of 20%. Amount payable on shares were as under:
- |                         | ₹ |
|-------------------------|---|
| On application          | 2 |
| On allotment            | 5 |
| On first and Final Call | 5 |
- Only application money was paid in respect of forfeited shares. 600 Equity Shares out of the forfeited shares were reissued at ₹ 9 per share fully paid.
- You are required to calculate and pass Journal entries for the forfeiture and re-issue. [7]



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- (b) Given below are the extracts of Balance Sheet of Shell Chemicals Limited as on 31<sup>st</sup> March, 2025:

Particulars	Amount in ₹
9% Redeemable Preference Share Capital	10,00,000
Calls in arrears (Redeemable Preference Shares)	20,000
General Reserve	7,00,000
Securities Premium	80,000

It is provided that:

Preference Shares are of ₹100 each fully-called, due for immediate redemption.

- Calls-in-arrears are on account of final call on 1000 Preference shares held by four members whose whereabouts are not known.
- Balance of General Reserve to be fully utilised for the purposes of redemption and the shortfall to be made good by issue of equity shares of ₹10 each at par.
- The redemption of preference shares was duly carried out.

Analyze the given information and pass the required journal entries to record the redemption. [7]

3. Alpha Ltd. provides the following Trial Balance as on 31st March 2025:

Particulars	Dr. Balances (₹)	Cr. Balances (₹)
Equity Share Capital: 300000 shares of ₹ 10 each fully paid		30,00,000
General reserve		2,00,000
Profit and Loss Balance (Cr.)		3,00,000
10% Debentures		3,00,000
Motor Van	4,00,000	
Machinery	20,00,000	
Building	12,00,000	
12% Long Term Govt. Securities	2,00,000	
Sales		60,00,000
Sales Return	3,00,000	
Interest on Debenture	22,500	
Purchase	36,00,000	
Purchase Returns		4,00,000
Opening Stock	3,00,000	
Discount Allowed	7,500	
Carriage Outward	1,50,000	
Rent and Rates	50,000	
Income from Govt. Securities		24,000
Trade Receivables	10,00,000	
Trade Payables		2,00,000
Advertisement	1,50,000	
Bad Debt	20,000	

**INTERMEDIATE EXAMINATION****SET 2****MODEL QUESTION PAPER****TERM – JUNE 2026****PAPER – 10****SYLLABUS 2022****CORPORATE ACCOUNTING AND AUDITING**

Particulars	Dr. Balances (₹)	Cr. Balances (₹)
Salaries	6,72,000	
Misc. Expenditure	30,000	
Contribution to P.F. and Gratuity Funds	1,00,000	
Cash at Bank and in hand	2,22,000	
Total	1,04,24,000	1,04,24,000

**Additional Information:**

- Closing Stock as on 31st March 2025 was ₹3,50,000.
- Depreciation Rates: Motor Vehicle 10%, Machinery 20% and Building 5%.
- Interest on debenture is payable quarterly and the last quarter's interest is yet to be paid.
- Trade receivables include a sum of ₹25,000 due from Mr. X who has become insolvent and only 25 paise in a rupee is expected to be recoverable from him. Create a provision for doubtful debt @ 2% on trade receivables.
- Provide for income tax ₹1,50,000.
- The directors proposed a dividend @ 10% on paid-up capital for the year ended 2024-25. Transfer to be made to General reserve ₹1,00,000.

Prepare the Statement of Profit and Loss for the year ended on 31.03.2025 and a Balance Sheet as on that date. Notes should form part of the answer. [14]

4. (a) From the following information of details of advances of X Bank Limited calculate the amount of provisions to be made in Profit and Loss Account for the year ended 31.3.2025:

Asset Classification	₹ in Lakhs
Standard	6,000
Sub-standard	4,400
Doubtful:	
For One Year	1,800
For Two Years	1,200
For Three Years	800
For more than Three Years	600
Loss Assets	1,600

[7]

- (b) Consider the following estimated information provided by XYZ Power Supply Company Ltd. (₹ in Lakhs) for the next 5 years:

Cost of Coal: ₹ 2500 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 ₹300 per year for 3-5 years.

Maintenance spares: ₹ 150 per year

Receivables: ₹ 1800 per year

Rate of Interest: 12%

Calculate the Interest on working capital. [7]



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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 following information has been provided by Galaxy Ltd. for the year ended on 31.03.2025.
- (i) Sales for the year ₹ 96,00,000 entirely made in cash.
  - (ii) Cost of goods sold was 75% of the sales.
  - (iii) Trade payables on 31.03.2025 was ₹ 2,00,000 more than the balance on 31.03.2024.
  - (iv) Closing inventory was higher than the opening inventory by ₹ 75,000.
  - (v) Suppliers were paid ₹ 71,00,000 during the year.
  - (vi) Operating expense of ₹ 7,20,000 were paid during the year.
  - (vii) Taxes paid during the year were ₹ 3,00,000
  - (viii) The company paid equity dividend of ₹ 2,40,000 during the year.
  - (ix) The company acquired a land for ₹ 8,00,000 and bought a new machinery for ₹ 4,00,000 during the year.
  - (x) Interest was received on investment for ₹ 20,000
  - (xi) Cash and cash equivalent on 01.04.2024 was ₹ 80,000
  - (xii) Cash and cash equivalent on 31.03.2025 was ₹ 1,40,000
- Analyze and determine cash flow from operating activities, investing activities and financing activities for the year ended 31<sup>st</sup> March, 2025. [7]
6. (a) Prepare a list of the factors that influence auditor's judgement while obtaining audit evidence. What generalizations can be made regarding reliability of audit evidence following SA 500? [7]
- (b) Can a statutory auditor rely on the work of an internal auditor? Relate your response to the relevant SA. [7]
7. (a) A good audit report plays an important role in boosting the stakeholders' confidence in making a decision regarding a firm? – In the light of the given statement, demonstrate the essential characteristics that a good audit report must possess. [7]
- (b) Explain the composition, objectives, and powers of the National Financial Reporting Authority. [7]
8. (a) Develop a procedure to conduct the audit of Municipalities and Panchayats. [7]
- (b) Discuss the duties of a company auditor in relation to reporting of fraud. [7]