

INTERMEDIATE EXAMINATION

June 2026

P-10(CAA)
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.

All sections are compulsory.

Each section contains instructions regarding the number of questions to be answered within the section. All working notes must form part of the answer. Wherever necessary, candidates may make appropriate assumptions and clearly state them in the respective answer.

SECTION – A (Compulsory)

1. Choose the correct option from the four alternatives given:

2×15=30

- (i) Buy-back of equity shares in any financial year should not exceed _____.
- (A) 10% of net worth
 - (B) 20% of the aggregate of paid-up capital and free reserves of the company
 - (C) 25% of the paid-up equity capital
 - (D) 25% of the aggregate of paid-up equity capital and preference capital
- (ii) _____ is the amount of share capital that a company is permitted to issue.
- (A) Issued Share Capital
 - (B) Authorised Share Capital
 - (C) Subscribed Capital
 - (D) Paid-Up Capital
- (iii) Loan can be classified as a 'Term Loan', if its repayment period is usually beyond _____.
- (A) 12 months
 - (B) 24 months
 - (C) 36 months
 - (D) 60 months
- (iv) In the Notes to Accounts, Contingent liabilities shall be classified as _____.
- (A) Claims against the company not acknowledged as debt
 - (B) Guarantees
 - (C) Other money for which the company is contingent liable
 - (D) All of the above

- (v) While preparing Cash Flow Statement of a finance company, interest received on loans should be shown as _____.
- (A) Cash Flow from Operating Activities
 - (B) Cash Flow from Investing Activities
 - (C) Cash Flow from Financing Activities
 - (D) Cash and Cash Equivalent
- (vi) Rate of provisioning for advances doubtful for more than 1 year but less than 3 years is _____.
- (A) 25%
 - (B) 40%
 - (C) 60%
 - (D) 100%
- (vii) How many types of Employee Benefits are there as per Ind AS 19?
- (A) 1
 - (B) 2
 - (C) 3
 - (D) 4
- (viii) Diluted EPS takes into account
- (A) only existing equity shares.
 - (B) both equity and preference share capital.
 - (C) potential equity shares such as convertible debt or stock options.
 - (D) only paid-up capital.
- (ix) Cost of Inventories does not include _____.
- (A) Cost of Purchase
 - (B) Costs of Conversion
 - (C) Other Costs incurred in bringing the inventories to their present location and condition
 - (D) Abnormal amounts of wastes

- (x) A flow chart, made by the auditor, of an entity's internal control system is a graphic representation that depicts the auditor's _____.
- (A) understanding of the system
 - (B) understanding of fraud risk factors
 - (C) documentation of assessment of control risk
 - (D) (A) and (B) both
- (xi) SA 700 stands for _____.
- (A) Forming an Opinion and Reporting on Financial Statements
 - (B) Audit Sampling
 - (C) Communicating Key Audit Matters in the Independent Auditor's Report
 - (D) Audit Evidence
- (xii) An Audit report is the _____ product of every audit.
- (A) Intermediary
 - (B) Supplementary
 - (C) Final
 - (D) Risk
- (xiii) Reappointment of company auditor is guided by _____ of the Companies Act, 2013.
- (A) Section 139(6)
 - (B) Section 139(7)
 - (C) Section 139(8)
 - (D) Section 139(9)
- (xiv) 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

- (xv) Under Maharashtra Co-operative Societies Rules, a bad debt can be written off only after it is _____.
- (A) approved by the Secretary of the Society.
(B) approved by the President of the Society.
(C) certified to be irrecoverable by the Managing Committee.
(D) certified to be irrecoverable by the Auditors.

SECTION - B

Answer any 5 questions out of 7 questions given below. Each question carries 14 marks.

14×5=70

2. (a) XYZ Ltd. forfeited 1000 equity shares of ₹ 10 each fully called up. The shares were issued at a premium of ₹ 3 per share. Amount payable on shares were as under:

	₹
On Application	3
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 pass Journal Entries for the forfeiture and re-issue.

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- (b) The following underwriting of shares took place for Q Ltd. which invited applications for 20,000 shares of ₹ 10 each for underwriters X, Y and Z:

X: 12,000 shares Y: 5,000 shares Z: 3,000 shares

In addition, there were firm underwriting as follows:

X: 1,600 shares Y: 600 shares Z: 2,000 shares

Total subscription including firm underwriting was 14,200 shares, and the forms included the following marked forms:

X: 2,000 shares Y: 4,000 shares Z: 1,000 shares

Required:

Examine the liability of the underwriters, if firm underwriting is treated as unmarked applications.

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3. The following was the Trial Balance of ABC Ltd. as on 31st March, 2026: (figures in ₹ 000)

Particulars	Dr. Balance	Cr. Balance
Land at cost	8,800	
Plant & Machinery at cost	30,800	
Equity Share Capital (Shares of ₹ 10 each)		12,000
Trade Receivables	3,840	
Trade Payables		2,080
Inventories (31.03.2026)	3,440	
10% Debentures		8,000
Bank	800	
General Reserve		5,200
Balance of Profit and Loss (Cr.)		2,880
Securities Premium		1,600
Sales		28,000
Adjusted Purchase	12,800	
Salaries	2,400	
Provision for Depreciation		6,880
Administration Expenses	1,200	
Selling Expenses	1,200	
Debenture Interest	800	
Interim dividend paid	720	
Suspense Account		160
Total	66,800	66,800

Additional Information:

- (i) The authorized share capital of the company is 16,00,000 shares of ₹10 each.
- (ii) Inventories on 01.04.2025 was ₹30,00,000.
- (iii) The company, on the advice of an independent valuer, wishes to revalue the land at ₹1,44,00,000.
- (iv) The Board of Directors have proposed a final dividend @ 10% for 2025-26.

(v) Suspense account of ₹ 1,60,000 represents cash received for the sale of some of the machinery on 01.04.2025. The cost of the machinery was ₹4,00,000 and the accumulated depreciation thereon being ₹3,20,000.

(vi) Depreciation is to be provided on plant and machinery at 10% on cost.

Required:

Prepare the Statement of Profit and Loss for the year ended on 31.03.2026 and the Balance Sheet as on that date.

Notes to Accounts should form part of your answer. Ignore previous year's figures and taxation. 14

4. (a) From the following information for a bank, **calculate** the rebate on bills discounted and the amount to be credited to Profit and Loss Account.

(i) Rebate on Bills Discounted (as on 01.04.2024) ₹28,000, Discount Received ₹1,02,000.

(ii) The following bills have been discounted during the year:

Amount of Bill (₹)	Rate of Discount	Due Date (including grace days)
65,000	13% p.a.	14.06.2025
1,50,000	15% p.a.	19.07.2025
4,00,000	14% p.a.	10.08.2025

Also pass necessary Journal Entry for the unexpired discount on 31.03.2025.

Approximate figures to whole number only. 7

(b) The Revenue Account of a life insurance company shows the life assurance fund on 31st March, 2025 at ₹ 31,10,655 before taking into account the following items:

Claims covered under re-insurance	₹ 6,000
Bonus utilized in reduction of life insurance premium	₹ 2,250
Interest accrued on securities	₹ 4,130
Outstanding premium	₹ 2,705
Claims intimated but not admitted	₹ 13,250

Required:

Calculate the balance of life assurance fund after taking into account the above omissions. 7

5. (a) **Elaborate**, in detail, different types of employee benefits being recognised in the Books of Accounts under Ind AS 19. 7

- (b) Income Statement of MRZ Limited for the year 2025-26 is as follows:

Particulars	Amount (₹)	
Sales Revenue		1,75,700
Expenses:		
Cost of goods sold	92,400	
Salaries	36,300	
Depreciation	9,550	
Research and development	1,800	
Patent amortization	600	
Bad debts	3,750	
Total Expenses		1,44,400
Net Income		31,300

Additional information:

- (i) 50% of sales revenue is from credit sales.
(ii) Purchases amounting to ₹ 95,000 were on credit.
(iii) Salaries payable at the end of the year was ₹ 2,350.
(iv) MRZ Limited declared interim dividend of ₹ 7,500 on 1st Sept, 2025.
(v) Changes in the Working capital items were as under:

Particulars	₹ Increase (Decrease)
Cash	800
Marketable securities	2,300
Accounts receivable	(6,350)
Allowance for bad debts	(1,700)
Inventory	2,600
Accounts payable (for purchases)	7,300
Salaries payable	(2,800)

Required:

Prepare a statement showing the amount of cash flow from operations. 7

6. (a) **Critically evaluate** the following statement from the point of view of risk based Internal Audit. “*Risks are inherent in every organisation. Thus, the success of an organisation largely depends on how well it can manage its risks*”. 7
- (b) **Elaborate** in detail the provisions for applicability of Secretarial Audit. 7
7. (a) **Analyze** the essential characteristics of an audit report. 7
- (b) **Examine** NFRA’s role in recommending auditing standards and its power to investigate. 7
8. (a) **Design** a plan for conducting audit of a Nursing Home and prepare a list of important items (with brief description) to be checked in conducting the audit. 7
- (b) **Examine** the provisions of the Companies Act, 2013 relating to the formation of Audit Committee by a company. Inspect the power granted to an audit committee under the Act. 7
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