



Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.  
Where considered necessary, suitable assumptions may be made and  
clearly indicated in the answer.

**SECTION - A : (Corporate Accounting)**

Answer Question No. 1 and any three from Question No. 2, 3, 4 and 5.

1. (a) Choose the correct alternative

[1 × 6 = 6]

- (i) While preparing Cash Flow Statement of XY Ltd., a finance company, interest received on loans should be shown as
- Cash Flow from Operating Activities
  - Cash Flow from Investing Activities
  - Cash Flow from Financing Activities
  - Cash and Cash Equivalent
- (ii) As per Schedule III Current Maturities of Long-Term Borrowings should be shown under
- Current Assets in Balance Sheet
  - Non-current Liability in Balance Sheet
  - Current Liabilities in Balance Sheet
  - Other Expenses in Statement of Profit and Loss
- (iii) 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
- (iv) A Banking Company needs to transfer a minimum of \_\_\_\_\_ of its profit to reserve fund.
- 10%
  - 15%



**CORPORATE ACCOUNTING AND AUDITING**

c. 20%

d. 25%

(v) Which of the following reserves cannot be used for the purpose of issuing bonus shares?

a. Revaluation Reserve

b. Dividend Equalization Reserve

c. Capital Redemption Reserve

d. General Reserve

(vi) Which of the following is a principle of insurance?

a. Principle of indemnity

b. Insurable interest.

c. Principle of uberrimae fidei.

d. All of the above

**(b) State True or False**

**[1 × 4 = 4]**

(i) In case of an underwriting arrangement, marked applications are those applications that bear the stamp of the issuing company.

(ii) Cash collection from customer is shown as a part of calculation of cash flow from operating activities under direct method.

(iii) As per Companies Act 2013, companies are not permitted to buy back their own shares out of securities premium.

(iv) Financial statement should generally be prepared assuming going concern.

**(c) Fill in the blanks**

**[1 × 4 = 4]**

(i) Except as provided in Section 54, a company shall not issue shares at a \_\_\_\_\_.

(ii) Short-Term Borrowings will include all Loans within a period of \_\_\_\_\_ months from the date of the loan.

(iii) Voluntary retirement scheme is a type of \_\_\_\_\_ benefits.

(iv) Rebate on Bills Discounted = Amount of Bill × Rate of Discount × \_\_\_\_\_.



## CORPORATE ACCOUNTING AND AUDITING

2. (a) A Company is planning to raise funds by making rights issue of equity shares to finance its expansion. The existing equity share capital of the company is ₹25,00,000 and face value per share is ₹10. The market value of its share is ₹38. The company offers to its shareholders the right to buy 3 shares at ₹12 each for every 4 shares held.

- (i) What will be the theoretical market price after rights issue?  
(ii) What is the value of the rights in this context?

- (b) The books of P Ltd. revealed the following balances on 31st December, 2021:

	₹
30,000 Equity shares of ₹ 10 each fully paid	3,00,000
5000, 10% Redeemable Preference Shares of ₹ 100 each fully paid	5,00,000
1000, 8% Redeemable Preference Shares of ₹100 each, ₹70 paid up	70,000
General Reserve	1,50,000
Profit and Loss Account	3,20,000
Securities Premium	30,000
Investment	2,40,000
Cash at Bank	79,200

On 1st January, 2022 the Board of Directors decided to redeem the Preference Shares at a premium of 8%. Recommend a suitable redemption plan that fulfills the following requirements of the management:

- (i) In order to pay off Preference Shareholders, the company will sell the investments, use company's fund.  
(ii) The company will raise the balance by the issue of sufficient number of Equity Shares of ₹ 10 each at a premium of ₹ 1 per share subject to leaving a minimum bank balance of ₹ 19,200 after such redemption.

Suppose, your recommendation has been accepted. Journalize the transactions.

Assume that investments have been sold at ₹ 2,16,000.

[4 + 8 = 12]

3. (a) The following information has been provided by B Ltd. for the year ended on 31.03.2022.

- (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 31.03.2022 was ₹2,00,000 more than the balance on 31.03.2021.  
(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.



## CORPORATE ACCOUNTING AND AUDITING

- (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 01.04.2021 was ₹80,000
- (xii) Cash and cash equivalent on 31.03.2022 was ₹1,40,000

You are required to determine cash flow from operating activities, investing activities and financing activities.

- (b) Given below are details of interest on advance of a Commercial Bank as on 31.03.2022:

Particulars	Interest Earned (₹ in Crore)	Interest Received (₹ in Crore)
Performing Assets		
Term Loan	120	80
Cash Credit and Overdraft	750	620
Bills Purchased and Discounted	150	150
Non-Performing Assets		
Term Loan	75	5
Cash Credit and Overdraft	150	12
Bills Purchased and Discounted	100	20

Find out the income to be recognized for the year ended 31st March 2022.

[8 + 4 = 12]

4. (a) ABC Ltd provides the following Trial Balance as on 31<sup>st</sup> March 2022.

Particulars	Dr. Balances (₹)	Cr. Balances (₹)
Equity Share Capital: 350000 shares of ₹ 10 each fully paid		35,00,000
10% Debentures		3,00,000
Motor Van	4,00,000	
Machinery	20,00,000	
Land and Building	12,00,000	
12% Long Term Govt. Securities	2,00,000	
Sales		60,00,000



## CORPORATE ACCOUNTING AND AUDITING

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	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	
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:

- (i) Closing Stock as on 31<sup>st</sup> March 2022 was ₹ 350000
- (ii) Depreciation Rates: Motor Vehicle 10%, Machinery 20% and Land & Building 5%
- (iii) Misc. expenditure includes ₹ 20000 as audit fees.
- (iv) Interest on debenture is payable quarterly and the last quarter's interest is yet to be paid.
- (v) Trade receivables include a sum of Rs 25000 due from Mr. X who has become insolvent and only 25 paise in a rupee is expected to be recoverable from him.
- (vi) Create a provision for doubtful debt @ 2% on trade receivables.
- (vii) Provide for income tax ₹ 150000.

Prepare Notes to Accounts with respect to PPE, Trade Receivable and Other Expenses and prepare a Statement of Profit and Loss for the year ended on 31<sup>st</sup> March 2022 and a Balance Sheet as on that date.

- (b) State the disclosure requirements regarding various ratios as per Division I of Schedule III. [(2+4+4) + 2 = 12]



## CORPORATE ACCOUNTING AND AUDITING

5. (a) The following information has been provided by S Ltd.

Profit attributable to ordinary shareholders	₹50,00,000
Ordinary share outstanding	20,00,000
Average market price per ordinary share during the year	₹75

There are the following potential ordinary shares:

(i)	Options	1,00,000 with exercise price of ₹60 per share
(ii)	Convertible preference shares	8,00,000, 8% shares of ₹100 each to be converted into two ordinary shares
(iii)	5% Convertible bonds	Face value of ₹ 10 crore. Each ₹1000 bond is convertible into 20 ordinary shares

Tax rate is 40%.

Analyze with respect to the provisions under Ind AS 33, *Earnings Per Share*, the impact of the above conversions on EPS to determine the order of inclusion of dilutive instruments. Examine the dilutive/anti-dilutive nature of the above instruments while calculating the diluted EPS.

- (b) Write a short note on different types of bonus paid by insurance companies.

[8+4=12]

**SECTION - B : (Auditing)**

Answer Question No. 6 and any three from Question No. 7, 8, 9 and 10.

6. (a) Choose the correct alternative

[1 × 6 = 6]

- (i) SA 700 stands for
- Forming an Opinion and Reporting on Financial Statements
  - Audit Sampling
  - Communicating Key Audit Matters in the Independent Auditor's Report
  - Audit Evidence
- (ii) Internal Audit is mandatory for every unlisted public company having paid up share capital of
- ₹ 100 crores during the preceding financial year
  - ₹ 50 crores during the preceding financial year
  - ₹ 500 crores during the preceding financial year
  - ₹ 200 crores during the preceding financial year



- (iii) Cost audit report is submitted in Form No.
- CRA – 1
  - CRA – 2
  - CRA – 3
  - CRA – 4
- (iv) In case of a company other than a Government Company, any casual vacancy in the post of auditor is to be filled by the
- Board of Directors
  - Managing Director
  - Comptroller and Auditor General (CAG)
  - Shareholders
- (v) 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
- (vi) Audit Procedures to obtain audit evidences include
- Compliance Procedure
  - Substantive Procedure
  - Both of A and B
  - Neither A nor B

**(b) State true or false. [1× 4=4]**

- Routine checking is a substitute of vouching.
- CRA – 3 is used to intimate the appointment of cost auditor to the Central Govt.
- Audit Memorandum is a detailed plan of audit work clearly specifying the responsibilities of the audit staff and time allotted to perform the same.
- Substantive procedure is also known as test of control.

**(c) Fill in the blanks. [1× 4=4]**

- Cost Records are to be maintained as per Form \_\_\_\_\_.
- Auditor in a co-operative society is appointed by the \_\_\_\_\_ of Co-operative Societies.
- The rural self-governance in India is structured in \_\_\_\_\_ layers.
- Cut off procedures are generally applied to \_\_\_\_\_ transactions.



7. (a) “In order to arrive at an appropriate conclusion regarding the truthfulness and fairness of financial statements, the audit evidences under examination must be relevant and reliable”. With reference to SA-500, demonstrate some suggestions with regard to obtaining relevant and reliable audit evidence.
- (b) Can a statutory auditor rely on the work of an internal auditor? Relate your response to the relevant SA. [6+6=12]
8. (a) Which companies are required to undergo secretarial audit? Discuss the provisions relating to the procedures of appointment of a secretarial auditor.
- (b) Analyze the pros and cons of joint audit. [4+8=12]
9. (a) PQR & Co. has been appointed as the statutory auditor of Y Ltd. from the financial year 2021-22. During the year Y Ltd. has already declared paid an interim dividend of Rs.2 per share. Unfortunately, the company could not trace three shareholders – Mr. M, Mr. N and Mr. O. Accordingly, their dividend remained unpaid. However, this has been the case since last seven years. In spite of repeated attempts, the company could not trace these shareholders based on their address registered with the company. PQR & Co. being new to corporate audit assignments, wants your advice in this context. Recommend appropriate steps to conduct the audit in line with the provisions of Companies Act, 2013.
- (b) State the differences between audit report and audit certificate. [8+4=12]
10. (a) What are the possible organization forms of educational institutions? How will you conduct audit of receipt related items of an educational institution?
- (b) Demonstrate the comparative features of permanent and current audit file with example. [(2+6) +4=12]