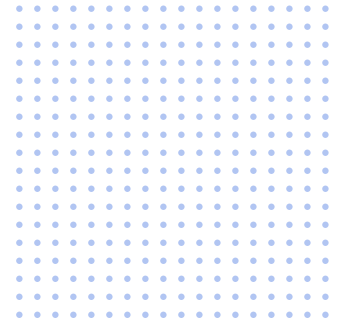




FOR CMA INTERMEDIATE EXAM PREPARATION

CMA Intermediate 2024 Question Paper · Paper 10 Corporate Accounting and Auditing

EXAM

CMA Intermediate

YEAR

2024

TYPE

Question Paper

SUBJECT

Paper 10 Corporate Accounting and Auditing

DATE

June 2024

INTERMEDIATE EXAMINATION

June 2024

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.**Where considered necessary, suitable assumptions may be made
and clearly indicated in the answer.**All workings should form part of the answer.*

Section-A (Compulsory)

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

2×15=30

- (i) Redeemable preference shares of ₹ 10,00,000 were redeemed @ 10% premium out of fresh issue of share capital. What amount shall be transferred to Capital Redemption Reserve Account?
- (A) ₹ 10,00,000
(B) ₹ 1,00,000
(C) Nil
(D) None of the above
- (ii) Which of the following reserves cannot be used for the purpose of issuing bonus shares?
- (A) Revaluation Reserve
(B) Free Reserves
(C) Capital Redemption Reserve
(D) Securities Premium Account
- (iii) Discount Received shall be shown under _____ in the Statement of Profit and Loss.
- (A) Revenue from Operation
(B) Other Income
(C) Finance Cost
(D) Other Expenses

31969

Please Turn Over

P-10(CAA)

(2)

Syllabus 2022

- (iv) Which of the following is not treated as Cash Flow from operating activities in Cash Flow Statement?
- (A) Cash Receipts from Sale of goods
 - (B) Cash Receipts from Royalties, Commission
 - (C) Cash payments for Insurance premium
 - (D) Cash receipts from other parties for repayment of Loans
- (v) A Banking Company needs to transfer a minimum of _____ of its profit to reserve fund.
- (A) 10%
 - (B) 15%
 - (C) 20%
 - (D) 25%
- (vi) Which of the following is not a mandatory financial statement of a Life Insurance Company as per IRDA regulations Schedule A?
- (A) Revenue Account
 - (B) Profit and Loss Account
 - (C) Balance Sheet
 - (D) Cash Flow Statement
- (vii) Salary payable per day ₹ 1,000; Working days 300; Leave unutilized during the year 3 days; unutilized leaves are not allowed to be carried forward, but are settled through payment. What is the expense to be recognised as per Ind AS 19?
- (A) ₹ 3,00,000
 - (B) ₹ 3,30,000
 - (C) ₹ 3,03,000
 - (D) ₹ 3,000
- (viii) Which of the following is not a duty of the Company Auditor as per section 143 of the Companies Act, 2013?
- (A) Duty to make enquiry
 - (B) Duty to prepare financial statements
 - (C) Duty to give reasons for negative reporting
 - (D) Duty to comply with the directions of CAG

(3)

P-10(CAA)
Syllabus 2022

- (ix) Which of the following is a method of obtaining audit evidence?
- (A) Inspection
 - (B) Observation
 - (C) Analytical Review
 - (D) All of the above.
- (x) Which of the following is not an audit risk?
- (A) Inherent Risk
 - (B) Detection Risk
 - (C) Control Risk
 - (D) Omission Risk
- (xi) An auditor shall submit disclaimer of opinion when _____.
- (A) the financial statements exhibit true and fair view
 - (B) the financial statements are partially correct
 - (C) the financial statements are incomplete
 - (D) the financial statements are unavailable
- (xii) The first auditor of a Govt. Company is appointed by
- (A) Board of Directors
 - (B) Shareholders
 - (C) Audit Department
 - (D) CAG
- (xiii) An Audit Committee should have minimum _____ number of Directors.
- (A) 4
 - (B) 3
 - (C) 5
 - (D) 6

P-10(CAA)

(4)

Syllabus 2022

- (xiv) Which of the following is not a part of urban self-governance system in India?
- (A) Municipal Corporation
 - (B) Town Panchayat
 - (C) Municipality
 - (D) Municipal Society
- (xv) Auditor in a co-operative society is appointed by the _____.
- (A) Reserve Bank of India
 - (B) National Bank for Agriculture and Rural Development
 - (C) Registrar of Co-operative Societies
 - (D) Secretary, Co-operative Department, State Government

SECTION B

Answer any 5 questions out of 7 questions given below.

Each question carries 14 marks.

14×5=70

2. (a) Jumbo Limited is planning to raise funds by making rights issue of equity shares to part finance its expansion. The existing equity share capital of the company is ₹ 40,00,000. The market value of its share is ₹ 45. The company offers to its shareholders the right to buy 2 shares at ₹ 12 each for every 5 shares held. You are required to **calculate**:
- (i) Theoretical market price per share after the rights issue;
 - (ii) The value of rights; and
 - (iii) Percentage increase in share capital 7
- (b) T Ltd. invited applications from public for 2,00,000 shares of ₹ 100 each at a premium of ₹ 20 per share. The entire issue was underwritten by the underwriters A, B, C and D to the extent of 30%, 30%, 20% and 20% respectively with the provision of firm underwriting of 6,000; 4,000; 2,000 and 2,000 shares respectively.
- The company received applications for 1,40,000 shares from the public out of which applications for 38,000, 20,000, 42,000 and 16,000 shares were marked in favour of A, B, C and D respectively. The applications received from the public do not include firm underwriting.
- Calculate** the liability of each of the underwriters. 7

3. The following is the trial balance of Star Ltd. as on 31.03.2024:

Debit Balances	₹	Credit Balances	₹
Stock in trade on 01.04.23	3,00,000	Purchase returns	40,000
Purchases	9,80,000	Sales	13,60,000
Salaries	1,20,000	Discount received	12,000
Freight, carriage etc.	3,800	Balance of Profit and Loss (Cr.)	60,000
Furniture	68,000	Share capital (₹ 10)	4,00,000
Contribution to P. F.	20,000	Trade payables	98,000
Rent and Rates	16,000	General reserve	62,000
Stationary	7,600		
Repairs	8,000		
Insurance	12,000		
Misc. expenses	600		
Interim dividend paid	36,000		
Staff welfare expenses	10,000		
Plant and machinery	1,16,000		
Cash at bank	1,84,800		
Patents	19,200		
Trade receivables	1,30,000		
	20,32,000		20,32,000

You are required to **prepare** Statement of Profit and Loss for the year ending 31st March, 2024 and Balance Sheet as at that date after taking into consideration the following information:

- Closing stock as at 31.03.2024 is ₹ 3,52,000.
- Make a provision for income tax @30%.
- Depreciate Plant and machinery @ 15%, Furniture @ 10% and Patents @ 5%.
- Outstanding rent ₹ 3,200 and outstanding salaries ₹ 3,600.
- The Directors recommended a dividend @ 15% for the year (including interim dividend) after transfer to General Reserve ₹ 8,000.
- Provide ₹ 2,040 for doubtful debts.
- The Authorized capital of the company is ₹ 8,00,000 divided into 80,000 Equity shares of ₹ 10 each of which 40,000 shares have been issued and fully paid up.

Notes to Accounts should form part of your answer.

14

4. (a) The following information is available in the books of a Bank.

Rebate on Bills discounted as on 01.04.2023 ₹ 65,500; Discount received during the year 2023-24 ₹ 1,25,000.

An analysis of the Bills discounted is as follows:

	Amount (₹)	Due Date	Rate of Discount (in %)
(i)	36,000	June 7, 2024	12
(ii)	34,200	June 14, 2024	12
(iii)	14,000	July 19, 2024	10
(iv)	14,000	August 10, 2024	15
(v)	12,500	September 5, 2024	13
(vi)	11,000	October 7, 2024	14

You are required to:

- Calculate the rebate on Bills discounted as on 31-03-2024 and show necessary journal entries.
 - Compute the amount of discount credited to Profit and Loss Account. 7
- (b) **Prepare** the Fire Insurance Revenue Account of Jwala Fire Insurance Ltd. as per IRDA regulations for the year ended 31st March, 2024 from the following details:

Particulars	Amount (₹)
Claims paid	5,00,000
Legal Expenses regarding claims	10,000
Premiums received	12,50,000
Re-insurance premium paid	50,000
Commission	3,00,000
Expenses of Management	2,00,000
Provision against unexpired risk as on 1st April, 2023	5,75,000
Claims unpaid on 1st April, 2023	50,000
Claims unpaid on 31st March, 2024	80,000

Provide for unexpired risk @ 50% less reinsurance. 7

5. (a) B Ltd. supplied the following information:

Net Profit for 2022-23 = ₹ 15,00,000

Net Profit for 2023-24 = ₹ 22,50,000

No. of shares prior to right issue = 10,00,000

Terms of right issue: 1 new share for every 4 shares held; right issue price = ₹ 30

Fair value of 1 ordinary share immediately prior to exercise of right = ₹ 36

Calculate basic EPS for 2022-23 and 2023-24 and restated EPS for 2022-23. 7

(7)

P-10(CAA)
Syllabus 2022

- (b) From the following summary of cash account of XL Pharma Ltd. for the year ended 31.03.2024, **calculate** Cash Flow from Operating Activities using Direct Method and **prepare** Cash Flow Statement. 7

Particulars	₹ (Dr)	Particulars	₹ (Cr)
To Balance b/d	2,50,000	By Cash Purchase	2,60,000
To Cash Sales	3,00,000	By Trade Payables	2,88,000
To Trade Receivables	3,20,000	By Rent	1,00,000
To Interest and Dividend	4,000	By Administrative Exp.	50,000
To Bank Loan	3,00,000	By Income Tax	60,000
To Sale of Investment	1,60,000	By Investment	1,80,000
To Trade Commission	80,000	By Repayment of Loan	2,00,000
		By Interest on Bank Loan	14,000
		By Balance c/d	2,62,000
	14,14,000		14,14,000

6. (a) Describe the contents of Audit Working Papers. 7
- (b) With reference to Section 177 of the Companies Act, 2013, examine the power of the Audit Committee of a company. 7
7. (a) Discuss the audit procedure to be followed for audit of Inventory. 7
- (b) Analyse Auditor's responsibility for reporting on Internal Financial Control over Financial Reporting. 7
8. (a) Mr. B has been appointed as the Auditor of Deluxe Hotels for the financial year 2023-24. Mr. B seeks your opinion in designing an elaborate plan for this assignment. Prepare a list of important items to be checked by Mr. B in conducting the audit of Deluxe Hotels. 7
- (b) Analyse the pros and cons of Joint Audit. 7