Roll No. .... FINAL EXAM PAPER-6 Integrated Business Solution 14 SEP 2025

Total No. of Case Study Questions – **5**

Total No. of Printed Pages – **40**

6:10 pm

14/09/25

Time Allowed – **4** Hours

Maximum Marks – **100**

SZY

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

The Question Paper comprises five case study questions.

The candidates are required to answer any four case study questions out of five.

The candidates are required to choose the correct or most appropriate option in case of MCQs. Answer in respect of Multiple-Choice Questions (MCQs) are to be marked on the OMR Answer Sheet as given on the Cover Page of the Answer Book.

Answer to MCQs, if written inside the descriptive answer book, will not be evaluated.

Candidates should answer the Case Study Questions as selected by him/her in totality i.e., MCQs as well as descriptive Questions of the same Case Study Question.

Candidates are not permitted to answer MCQs of one Case Study Question and the descriptive questions of another Case Study Question and vice-versa.

In case the Case Study Question pertains to Direct Taxes, assume the Assessment year 2025-26 unless otherwise stated in the question. Similarly, in case the Case Study Question pertains to Indirect Taxes, the Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Tax Act, 2017 as amended by the Finance (No. 2) Act, 2024 shall be relevant.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

Candidate may use calculator.

CASE STUDY 1

DSL is a listed Indian technology company that develops, sells, repairs, and supports computers and related products and services. DSL is owned by its parent company, DSL Technologies.

DSL designs, develops, manufactures, markets, sells, and supports information technology infrastructure such as laptops, desktops, mobiles, workstations, storage devices, software, cloud solutions, and notebooks. The company is known for how it manages its supply chain and electronic commerce. This includes DSL selling directly to customers and delivering PCs that the customer wants. DSL was a pure hardware vendor until 2019 when it acquired Power Storage Systems. DSL then entered the market for IT services. The company has expanded storage and networking systems. In 2021, it began expanding from offering computers only to delivering a range of technology for enterprise customers. DSL serves corporate businesses, government, educational institutions, law enforcement agencies, healthcare organizations, and small and medium-sized businesses. Mainly Company is catering to domestic markets only with little exports of FOB Value INR 25 lakhs and 35 lakhs done during the financial years 2023 and 2024 respectively.

Management's innovative business strategies transformed the company into a significant player in the Indian economy. The latest invention company did was to introduce cold wallets (hardware) to be used by crypto currency users. For manufacturing these wallets, machinery was imported from Japan by arranging funds through ECB's issued. A hardware wallet is a physical device that aims to store cryptocurrencies offline securely. Users of crypto currency can lose cryptocurrency tokens due to theft, computer failure, loss of access keys, and more. Cold storage (or offline wallets) is one of the safest methods for holding crypto, as these wallets are not accessible via the internet, but hot wallets are still convenient for some users. Same way hot storage wallets has also been developed by company's product development team which has been approved by concerned regulatory authority.

Marks

While selling the first production batch of cold and hot wallets, DSL charged GST @ 12% as per advice of the inhouse legal department and reported the same in condensed interim financial statements (six months) for the period ended 30.09.2024. The said financial statements were pending for approval and in the meantime DSL received a notice from GST department that GST rate applicable for such wallets is 18% and not 12%. Though DSL management had made a view to contest the demand but in the meantime government issued a clarification to tax such wallets @ GST 18%. The said decision was taken by government to bring clarity on wallets, taxability under GST and clear the increasing disputes on those kinds of items. Management however refused to adjust the interim financial statements for creating the provision of difference of GST liability or adding information in notes to accounts on account of government notification.

DSL further received notice from GST department for GST audit of the company for two years (2021-22 to 2022-23). A detailed notice was received from the department requiring the company to provide GST returns, invoices, stock register, financial statements and ledgers to verify the compliances relating to correct claim of input tax credit and payment of GST on sales at the applicable rates. Company engaged CA Avinash for handling the audit. After going through documents submitted by the company and conducting necessary verification, following issues were raised by GST Superintendent at the time of finalization of audit in June 2025:

(i) While scrutinizing the creditor's ledgers it was pointed out by the concerned GST officer that company had not made payment to one of the suppliers within 180 days from the date of invoice. Taxable value of invoice dated 25.10.2021 was ₹ 78,00,000 on which GST @ 18% was charged (CGST : 9% and SGST : 9%) and payment was made on 20.08.2022. It was found that company had availed and utilized GST input of ₹ 14,04,000 in GST 3B filed on 20.11.2021. GSTR-3B for August 2022 was filed on 18.09.2022.

(ii) Company had claimed GST input of ₹ 6,72,000 and ₹ 7,50,000 on purchase of food and beverages used in a canteen in the factory premises during 2021-22 and 2022-23 respectively and expenditure on purchase of food and beverages was debited under the head Staff welfare expenses A/c.

(iii) Company had debited a sum of ₹ 36,00,000 in Staff Welfare Account on account of payment to a travel company to provide home travel facility to its employees when they were on leave. Travel Company charged IGST of ₹ 6,48,000 on the bills raised during the year 2022-23 and company availed and utilized the IGST as mentioned above in GSTR 3B.

(iv) Company had availed and utilized ITC of ₹ 12,96,000 on four buses (each with seating capacity of 30 persons) purchased in 2021-22 for transportation of its employees from their residence to office and back. ITC of ₹ 96,000 availed and utilised in 2022-23 on general insurance and repair & maintenance of cars used by employees for official purposes.

(v) ITC of ₹ 1,26,000 availed and utilized on outdoor catering services for a marketing event organized for its current and prospective customers during 2022-23.

Superintendent intimated the company to deposit required interest on delay in payment within 180 days as pointed out at point (i) and reverse the input tax credit claimed being blocked credit as pointed out at point (ii) to (v) and deposit the amount along with interest.

Group CFO, CA G, has recently taken up meeting of production department head (in relation to new products manufacturing) for ensuring that there is no gap between the orders taken and production done. Total Cost estimate given by the production department also includes waste disposal cost of ₹ 2.00 Crores. CA G analysed the list of expenses and came to know that size of floatable solids (generated and disposed during production process) is 4 mm as against prescribed norms of 3mm. He instructed the production head to bring the same within the norms prescribed under relevant environmental regulations and ask him to submit the report within three months about the same as this can lead to huge environmental penalties. No further investigation was done and the meeting closed. After six months, company received the notice from the government department about the same issue of floatable solids and was having no response to submit. When enquired, management came to know that CFO was aware of this fact but failed to disclose the same to the management.

DSL is upgrading one of the chips required to be used as input in new laptops being produced at its factory. The said chip has to be imported from Germany where its sole distributor is located. It was decided to import the required quantity of Chips under Advance Authorization scheme and accordingly DSL applied for advance authorization for importing chips having FOB Value being ₹ 95 Lakhs. Company expected to receive the licence by 01.08.2024. To meet the export obligation arising out of advance authorization, DSL plans to supply the laptops (with existing technology chip) to Noida Technology SEZ for being used by them. Production of new laptops started and company wants to make sure that there should be continuous flow of production and with zero waiting time (means the product should not wait on next production step) zero defects, avoiding unnecessary transportation cost, zero inventory etc.

During the current financial year, company decided to use a Logo "$Z" which was launched by Mr. B when he was carrying on the same business in proprietorship form. Company has entered into an agreement with Mr. B (currently director of DSL) to use the same on the following terms and conditions:

- Mr. B grants DSL a non-exclusive, non-transferable license to use
- DSL agrees to pay Mr. B an annual license fee of ₹ 25,00,000
- The license fee is subject to revision upon mutual agreement after three years

Payment for first year was made in advance. The said transaction was not entered in the register maintained for recording contracts or arrangements in which directors are interested. Internal auditor observed the same and discussed it with the concerned persons in charge for dealing with audit queries in DSL. Statutory Auditor was also present there and listened to the entire conversation. He noted down the point and decided to incorporate the same while preparing CARO.

ABC & Associates have been appointed as statutory and tax auditors for the F.Y 2024-2025. Till last financial year, DEF & Associates were carrying out both the audits. The new audit firm assigned statutory and tax audit to two different teams. Statutory audit team headed by CA Shankar attended physical counting of inventory on 30th and 31st March, 2025. During the course of statutory audit, certain deficiencies in the internal control system relating to inventory were noticed by CA Shankar as regards the inventory value as on 1st April, 2024. Audit team is in dilemma as regards the weak internal control system in place in the inventory physical verification observed by it.

Tax Audit team also raised some issues for the year ending 31st March 2025. The following points emerge from the audit :

(a) The company received ₹ 80 lakhs as an Inter-Corporate Deposit (ICD) on 10th April 2024 from a group company, through account payee cheque.

(b) A provision of ₹ 18 lakhs was made for product warranties (for which law suit is pending as on 31.03.2025) and the same had been debited to Profit & Loss account.

(c) Company claimed deduction of ₹ 60,000 in FY 2023-24 towards transport charges (on accrual basis) but paid ₹ 60,000 in cash in FY 2024-25 on a single day.

(d) Company owns an industrial plot (held as investment). It entered into a negotiation with XYZ Ltd. for sale of the plot. XYZ Ltd. paid ₹ 20 lakhs as advance. The said amount is outstanding in books as an advance since last three years and has become time barred in the current financial year.

As ECB was raised successfully, one of the directors, Mr. John, who is also a director of BNC Limited (a company under corporate insolvency resolution process), suggested the ECB route to that company also for meeting the funds requirement.

Marks

Multiple Choice Questions : 5×2 =10

[Provide the correct option to the following questions]

1.1 What, in your opinion, is the liability of CA G in relation to non-compliance of environmental regulations notice received by the company from government department ?

(A) CA G cannot be held liable for environmental issues as the same is the responsibility of production head and production head should have informed the management about floatable solids size issue. Also CA G is not a member in practice.

(B) As CFO is a Chartered Accountant, he has the responsibility for investigating the same and informing the same to those charged with governance about the investigation results and keeping the documentation of the same.

(C) CA G has the responsibility of informing the same to those charged with governance and keeping the documentation of the same.

(D) CA G cannot be held liable for environmental issues as he is not a member in practice and has no responsibility for intimating non-compliance with these types of regulations. Being an employee, on moral grounds, he should have informed those charged with governance.

1.2 What is your opinion on the payment of ₹ 25,00,000 made to Mr. B ?

(A) The said payment is neither required to be entered in register maintained nor require reporting by statutory auditor under CARO.

(B) The said payment is required to be entered in register maintained and requires reporting by statutory auditor under CARO.

(C) The said payment is required to be entered in register maintained but do not require reporting by statutory auditor under CARO.

(D) The said payment is not required to be entered in register maintained but require reporting by statutory auditor under CARO.

1.3 Whether DSL will be able to import chips without payment of duty and fulfill the export obligations arising on account of advance authorisation by selling the goods to Noida Technology SEZ ?

(A) No, advance authorisation cannot be issued to the company as DSL has not made exports for continuous period of three years.

(B) Yes, DSL is eligible for advance authorisation up to INR 90 Lakhs but supply of goods to Noida Technology SEZ cannot be considered for fulfillment of export obligation.

(C) Yes, DSL will be able to get authorisation for entire 95 Lakhs goods under advance authorisation and supply of goods to Noida Technology SEZ can be considered for fulfillment of export obligation.

(D) Yes, DSL will be able to get authorisation for entire 95 Lakhs goods under advance authorisation but supply of goods to Noida Technology SEZ cannot be considered for fulfilment of export obligation.

1.4 Do you agree with the stand of management for not amending the interim financial statements (Prepared in accordance with Ind AS) on account of change in GST output ?

(A) Yes, as these interim financial statements are in condensed form, so such type of events occurring after the reporting date need not be adjusted.

(B) Yes, adjustments of such type of events need not be made and disclosure can be made in notes to accounts for the information of the users of financial statements.

(C) No, these are adjusting events and interim financial statements need to be adjusted even if they are in condensed form.

(D) No, these are events which need to be either incorporated in the financial statements or disclosed in notes to accounts. Management has to see the gravity and amounts involved and amend/disclose accordingly in condensed interim financial statements. Had there been full set of financial statements, this event should have been adjusted in the same.

Marks

1.5 Which of the issues raised by tax auditor requires reporting in form 3CD ?

(A) Issues (a), (b) and (d)

(B) Issues (b), (c) and (d)

(C) Issues (a), (c) and (d)

(D) Issues (a), (b) and (c)

Descriptive Questions :

1.6 State the additional audit procedures to be conducted by CA Shankar to obtain evidence in respect of opening balance of inventory as on 1st April, 2024. In case, he does not get audit evidence in this regard, what should he do ? If the evidence suggests material misstatement in opening inventory, what would be the course of action available to him ? In case, it is claimed as a change in accounting policy by the company, what would be the appropriate course of action available with CA Shankar ? **5**

1.7 What are your views on suggestion of Mr. John to BNC Limited ? Whether the same is permissible ? Support your answer with legal background. **5**

1.8 Explain how CA Avinash will respond to the issues raised by the GST Superintendent, considering relevant provisions of the GST law. Also, determine the amount of Input Tax Credit (ITC) to be reversed and the interest payable due to non-reversal of ITC on account of non-payment to the supplier within 180 days and GST Form to be used to pay the demand ? **5**

CASE STUDY 2

Kevin Group is one of India's oldest and most influential multinational conglomerates. Founded in 1950 by Ronnie Kevin, the company has expanded across industries and geographies, becoming a globally recognized brand. Kevin Group has built a legacy of innovation, ethical business practices, and global expansion.

Kevin Agro Limited (KAL), a part of Kevin Group and a listed entity (in top 1000 listed companies) and based in Mumbai, offers a comprehensive range of products designed to enhance efficiency and quality in agriculture. Their offerings include grain moisture meters, mobile grain cleaners, grain analyzers, and grain graders, which are essential for seed and grain testing, processing, and cleaning. These products serve various clients, including grain procurement organizations, seed companies, warehouses, and milling industries such as rice, dal, and flour mills. KAL boasts a modern manufacturing setup equipped with CAD facilities, CNC machines, and precision machine shops. Their in-house R&D department, approved by the Government of India, focuses on continuous product design and process improvements. This dedication to innovation ensures that KAL remains at the forefront of technological advancements in their fields.

Consolidated Financial statements are prepared at the end of financial year complying with legal guidelines (incorporating all subsidiaries) and placed before shareholders for approval.

Capital structure of KAL includes Corporate Bonds issued two years back. Maturity period was five years. As on date, external credit rating of the securities issued by KAL has improved, making company eligible for issuing new bonds with lower interest rate which will result in cost savings in the form of reduced costs, optimizing the debt structure and enhancing the financial flexibility for the company. Accordingly, CFO suggested feasibility analysis and engage financial advisors to explore refunding options.

The most recent invention of KAL has been the development of AI-Powered Robotic Arms. These machines use cameras and sensors to identify ripe fruits and pluck them gently without damaging them. The three important functions of new invention are:

- Harvesting & Picking – AI arms pick fruits and vegetables based on ripeness.
- Weeding & Planting – Automate seeding and removing weeds.
- Sorting & Grading – Classify produce based on size, shape, and quality.

The new invention will replace the processes which were earlier done by labour supplied by labour contractors in the agriculture field thus reducing the inefficiency and also the overall cost to the Companies (having their own farm fields and engaged in manufacturing) will reduce. The brain of Robotic Arms consists of various made up of electronic control systems and uses various items like Micro-controllers, Embedded Processors, Motor Drivers & Controllers etc. Besides this Motion Planning software (developed in house) will be used for intelligent automation. Stainless Steel required for body parts will be purchased from Steels Kevin Limited (SKL), one of the wholly owned subsidiaries and whose accounts are consolidated with KAL, engaged in manufacturing and export of stainless steel. The total purchase done from SKL was ₹ 62 Crores. SKL entered in sale transactions with KAL without getting the approval from any authority (shareholders or Board of directors) and at a price less than market price. However KAL placed the said transaction before the shareholders at the general meeting and ordinary resolution was also passed by Members.

For meeting functional requirements, Real-time inverse kinematics (IK) calculations for precise movement are needed. These will be provided by Novelty Inc. based in USA. The manufacturing of Robotic Arms is wholly dependent on technology provided by Novelty Inc. During the year, KAL exported its product named "UNO" to TVIDIA based in USA. Novelty Inc. is holding company of TVIDIA and exercises significant control over the TVIDIAs management for decision-making. Assessing Officer applied transfer pricing provisions under Sections 92-92F on supply of UNO and issued demand notice considering price of uncontrolled transaction relating to financial year immediately preceding the current year. Later on during the assessment proceedings, AO used the price of uncontrolled transaction during the year of transaction. Management has asked the accounts department to prepare a detailed presentation indicating the calculation of Arm's Length Price in relation to transactions with TVIDIA. GM Accounts knows that there are various methods to calculate the arm length price but has got no idea about which is the most appropriate method and how he should select it.

KAL also has stock market investment portfolio. Management decided to diversify its investment portfolio to leverage stock investments for better financial returns and liquidity. After evaluating several stockbrokers based on service quality, brokerage fees, technological support, and advisory services, XYZ Ltd. chose ABC Securities Ltd., a reputed brokerage firm (based in Bangalore) known for its AI driven research-based approach and customer service. As expected, portfolio generated good returns and KAL paid brokerage of ₹ 10 Lakh + GST @ 18% i.e. 1,80,000. Broker raised invoice charging CGST and SGST treating Bangalore as place of supply. KAL made the payment and took ITC for ₹ 1,80,000.

Audit committee of KAL has been facing pressure from investors and stakeholders to enhance its sustainability performance. The company had previously followed Business Responsibility Reporting (BRR) but found it insufficient in addressing the increasing demand for detailed ESG disclosures. Last Year's BRSR failed to disclose the efforts of the company towards community investments, partnerships, local employment, and social impact initiatives. The following disclosures were made :

D 1 - Company collaborates with international artisans to provide training and access to international markets.

D 2 - Supports government efforts in vaccination drives and disease prevention programs.

D 3 - Participation in renewable energy policy discussions.

D 4 - Adoption of electric vehicles for logistics and employee transport.

KAL invested in a CPL franchise by acquiring a controlling stake (70%) in GSB Warriors, an existing team in the Cricket Premier League (CPL). The deal is valued at ₹ 2,500 crores, which includes :

- ₹ 1,500 crores for the franchise rights (intangible asset)
- ₹ 500 crores for existing player contracts
- ₹ 500 crores as working capital and other assets

Marks

Key Investment Considerations

1. Strategic Rationale for Investment
   - High revenue potential from broadcasting rights, sponsorships, ticket sales, and merchandise
   - CPL's rapid commercial growth and global audience
   - Brand-building and cross-promotion with KAL's other businesses
2. Investment Structure
   - KAL acquires 60% equity stake in GSB Warriors
   - The remaining 40% stays with the previous owners
   - The deal is structured through a mix of cash and equity financing

GSB warriors has also leased a stadium and training facility

Multiple Choice Questions : **5×2 =10**

[Provide the correct option to the following questions]

2.1 Whether SKL correctly entered in sale transaction with KAL if total turnover of SKL during the year is ₹ 610 Crores ?

(A) No, the transaction should have been approved by the company by passing a special resolution as it is exceeding limit of 10% of the turnover

(B) No, the transaction should have been approved by the company by passing an ordinary resolution as it is exceeding limit of 10% of the turnover

(C) No, the transaction should have been entered after obtaining consent of the Board of Directors given by a resolution at a meeting

(D) No, the transaction does not require any approval as the same is between holding company and the wholly owned subsidiary and also the consolidated accounts are being prepared.

2.2 Comment on applicability of provisions under Sections 92-92F and the action of Assessing Officer.

(A) Novelty Inc. and KAL will be deemed associated enterprises and consequently TVIDIA will also be covered under transfer pricing provisions. However, action of AO at the time of assessment is not valid as per the provisions.

(B) Novelty Inc. and KAL will be deemed associated enterprises but not KAL and TVIDIA and thus not covered under transfer pricing provisions. Action of AO is not valid.

(C) Novelty Inc. and KAL will be deemed associated enterprises and consequently TVIDIA will also be covered under transfer pricing provisions. Action of AO at the time of assessment is valid as per the provisions.

(D) Neither Novelty Inc. and KAL will be deemed associated enterprises nor KAL and TVIDIA and thus not covered under transfer pricing provisions. Action of AO is not valid.

2.3 How will you categorize the use of AI Powered Robotic Arms from the view point of their customers ?

(A) Transformation

(B) Disruptive Innovation

(C) Automation

(D) Advanced Manufacturing

Marks

2.4 Which of the BRSR disclosure made by the company violated Principle of promoting inclusive growth and equitable development promotion ?

(A) D 1

(B) D 2

(C) D 3

(D) D 4

2.5 Whether Invoice raised by ABC Securities Ltd. is proper and whether KAL is eligible to take ITC ?

(A) Place of supply is Mumbai and thus invoice incorrectly raised. KAL is eligible to take ITC.

(B) Place of supply is Bangalore and thus invoice correctly raised. KAL is not eligible to take ITC.

(C) Place of supply is Mumbai and thus invoice incorrectly raised. KAL is not eligible to take ITC.

(D) Place of supply is Bangalore and thus invoice correctly raised. KAL is eligible to take ITC.

Descriptive Questions :

2.6 In your opinion, what does the term most appropriate (used by GM Accounts) means ? Also guide him by quoting some factors that he can consider while selecting/determining the most appropriate method ? **5**

2.7 If you are financial advisor, advice under what circumstances suggestion of CFO is feasible ? Which method will you use to decide about the suggestion of CFO ? Whether any extra interest cost is also involved in such exercise ? **5**

Marks

2.8 Can you highlight how a CPL franchise investment is structured, accounted for under Ind AS, and impacts financial statements ? **5**

CASE STUDY 3

Established in 2010 and headquartered in Vadodara, Gujarat, ABC Fashions Ltd. (AFL), has built a strong reputation as a leading manufacturer, wholesaler, and exporter of high-quality shirts and T-shirts for men, women, and children. AFL operates three textile plants in remote areas of Vadodara, contributing to local community development. Through continuous process improvements and workforce training to minimize rework, the company has successfully enhanced quality and reduced costs.

Cotton and viscose, essential materials for manufacturing shirts and T-shirts, were cost-effective for AFL due to their local availability. However, the production of these materials has significant environmental and social impacts. Cotton cultivation requires a substantial amount of water. Additionally, conventional cotton farming relies heavily on pesticides and fertilizers, which adversely affect the health of farmers and nearby communities. Viscose, a semi-synthetic fiber derived from wood pulp, is converted into fabric through the intensive use of chemicals and water. In response to these concerns, AFL has begun incorporating organic cotton into its production process. Organic cotton significantly reduces the need for chemical pesticides and fertilizers but its cultivation tends to require more water than conventional cotton, posing an additional environmental concern.

AFL is deeply committed to sustainable water usage across its processing operations. In collaboration with local municipalities, the company has launched an innovative water management project that includes a 50 million litres per day (MLD) sewage treatment plant. This facility collects, transports, and treats public sewage, enabling AFL to recycle approximately 6 billion litres of water annually for use in its operations.

To further enhance water availability, especially in the Vadodara region, AFL has developed multiple rainwater harvesting ponds. AFL's commitment to environmental responsibility extends beyond water. The company uses high-quality materials that ensure longer-lasting textiles. This approach reduces the frequency of purchases and improves the overall clothing experience for consumers. In line with its environmental goals, AFL diverted 75% of its textile waste from landfills through comprehensive reuse and recycling programs.

As part of its broader sustainability strategy, AFL has :

- Planted 1,00,000 trees during the financial year 2024–25
- Installed solar panels across its facilities, reducing energy consumption by 25%
- Conducted a comprehensive carbon audit and committed to achieving net zero emissions by 2030

In the past two years, AFL has entered the poly clothing segment, successfully capturing a 5% market share. In addition to its environmental initiatives, AFL supports community development. The company has organized training programs for approximately 9,000 farmers, providing on-field assistance, productivity enhancement strategies, and access to government schemes. Nearly 60% of the workforce employed across AFL's three plants is drawn from local communities. A significant portion of the labour force resides in residential areas adjacent to the factory sites. By addressing the livelihood needs of its employees – such as food, clothing, education, and healthcare – AFL has contributed to the economic development of these towns, creating alternative sources of income and supporting community welfare. The Human Resources (HR) department regularly conducts training programs aimed at enhancing employee skills and productivity. The company ensures compliance with local labour laws and provides fair wages to all workers.

Mr. Sridhar, management accountant, has been assigned the task by CEO to work out the factors responsible for increase in operating income by ₹ 710 lakhs in 2024-25. For analysing increase in operating income, he spread analysis into three main areas i.e. Growth Component, Price Recovery Component and Productivity Component and worked out the following :

	Revenue & Cost effect of Growth Component in 2024-25 (₹ in lakhs)	**Revenue & cost effect of Price Recovery Component in 2024-25 (₹ in lakhs)**	**Cost Effect of Productivity Component in 2024-25 (₹ in lakhs)**
Revenue	6,800(F)	360(F)	--
Cost	6,500(A)	110(A)	160(F)
Net effect on Operating Income	300(F)	250(F)	160(F)

'AFL' sold 44 lakh and 48 lakh pieces of shirts & T-shirts during the year 2023-24 and 2024-25 respectively. The market for shirts and T-shirts grew by 4% during 2024-25 and all other increase in AFL's sales were the result of its own strategic actions. AFL's export turnover in 2024–25 reached USD 7 million, marking an increase from the preceding three financial years, during which it was USD 2 million, USD 3 Million and USD 4 Million respectively. Based on its export performance, the Directorate General of Foreign Trade (DGFT) granted AFL a Status Holder Certificate, thereby conferring various privileges and benefits to the company under the Foreign Trade Policy.

During the year 2024-25, a sitting fee of ₹ 2.4 lakhs was paid to Mr. Raman (independent director). Mr. Purva, the CEO, resides in a luxurious property owned by AFL. This property was acquired 10 years ago, and an annual depreciation of ₹ 1 lakh is provided for in the company's Profit & Loss account. The market rental value of a similar property is ₹ 12 lakhs per annum. Mr. Harish, a director of the company, is also a partner at the legal firm HKN & Associates, which specializes in GST and income tax matters. During the year, AFL paid ₹ 6 lakhs to HKN & Associates for legal services related to GST matters. These services were rendered by Mr. Gaurav, a senior partner at the firm, and Mr. Harish neither supervised nor had any influence over the services provided to the company.

On 1st April 2024, the company entered into a lease agreement with PQR Inc. for the acquisition of machinery on lease for a period of five years. The lease arrangement stipulates annual lease payments of USD 18,000, payable at the end of each year. At the commencement date of the lease, the exchange rate was USD 1 = ₹ 83. The average exchange rate during the financial year 2024–25 was ₹ 84, and the closing rate as on 31st March 2025 was ₹ 86. The applicable incremental borrowing rate for a USD-denominated borrowing on the lease commencement date was 8% per annum. For entering this agreement services of Gordon Inc. of the USA were availed. The commission payable was 6% to be remitted by AFL to the Gordon Inc. in USA. At the same time some old machinery was also disposed. Statutory auditor while going through the machinery sale transaction also requested for review of the internal financial controls over such transaction. The matter was discussed with accounts department and accounting department head, Mr. Shashi, submitted the following :

(a) Accounting policy - Item of PPE is derecognized on disposal or when no future economic benefits are expected from its use.

(b) Presentation in financial statements - The gain or loss on disposal is recognized in profit and loss.

(c) Internal Financial Controls implemented – The disposed PPE item and its gain on derecognition is verified by inspection, confirmation, vouching etc.

(d) Relevant calculation to be made – Difference between net disposal proceeds and carrying amount will depict the gain or loss on derecognition.

'AFL' has export receivables amounting to £ 2,50,000 as on 31.03.2025, which are due to be received from a U.K.-based customer in three months. The Finance Manager is concerned about potential adverse movements in the exchange rate due to recent volatility in the foreign exchange market. As of March 31, 2025, the spot exchange rate stands at 1 £ = ₹ 115.00 / ₹ 115.40, and the 3-month forward rate is 1 £ = ₹ 116.70 / ₹ 117.00. Interest rates in India are 6% p.a. for deposits and 8% p.a for borrowings, whereas in the United States, the deposit rate is 2% p.a. and the borrowing rate is 4% per annum. To hedge against currency risk, the company is also evaluating the use of currency options. A 3-month call option with an exercise price of ₹ 116 per pound is available at a premium of ₹ 1.40 per pound, and a put option at the same exercise price costs ₹ 1.60 per pound. The manager has forecasted possible spot exchange rates for the end of the 3-month period with the following probabilities: ₹ 114 with a probability of 0.20, ₹ 116 with a probability of 0.50, and ₹ 118 with a probability of 0.30.

Marks

Multiple Choice Questions :

[Provide the correct option to the following questions] 5×2 =10

3.1 What is the effect of product differentiation and industry market size factor on operating income of 'AFL' ?

(A) Operating income in 2024-25 increase by ₹ 168 lakh due to increase in market size and ₹ 382 lakh due to product differentiation.

(B) Operating income in 2024-25 increase by ₹ 132 lakh due to increase in market size and ₹ 418 lakh due to product differentiation.

(C) Operating income in 2024-25 increase by ₹ 110 lakh due to increase in market size and ₹ 440 lakh due to product differentiation.

(D) Operating income in 2024-25 increase by ₹ 300 lakh due to increase in market size and ₹ 250 lakh due to product differentiation.

3.2 Which of the following statements regarding disclosure requirements under Ind AS- 24 are incorrect ?

(i) Payment of ₹ 2.4 lakhs as sitting fees to Mr. Raman need not to be disclosed separately as he is not considered key management personnel (KMP).

(ii) The annual depreciation of ₹ 1 lakh on the property used by Mr. Purva need not to be disclosed in notes to accounts, as no cash out flow is involved.

(iii) AFL need not disclose the estimated market rental value of the property (₹ 12 lakh per annum) in the notes to the financial statements.

(iv) ₹ 6 lakh paid to HKN & Associates for GST-related legal services is a not a related party transaction and need not be disclosed regardless of role of Mr. Harish in supervising the services.

Options :

(A) Statement (i) and (iii)

(B) Statement (ii), (iii), (iv)

(C) Statement (i) and (ii)

(D) Statement (i), (ii) and (iv)

3.3 Which of the submissions made by Mr. Shashi are correct ?

(A) Submission (a), (b) and (c)

(B) Submission (b), (c) and (d)

(C) Submission (a), (c) and (d)

(D) Submission (a), (b) and (d)

3.4 Which of the following statement is most appropriate as regards compliance with the legal provisions of FEMA, 1999 for remittance of commission payable by AFL to Gordon Inc. of the USA ?

(A) Prior permission of RBI is required for the remittance of entire commission of USD 54,000.

(B) Prior permission of RBI is not required for the remittance of entire commission of USD 54,000 as the nature of transaction is Current Account transaction and payment is being made in the course of ordinary course of foreign trade.

(C) Prior permission of RBI is not required for remittance upto USD 25,000 but for the balance commission of USD 29,000 prior permission of RBI is required.

(D) Prior permission of RBI is not required remittance up to USD 45,000 but for the balance commission of USD 9,000 prior permission is required.

Marks

3.5 Which of the following statements are correct as per the Foreign Trade Policy in relation to 'AFL' ?

(i) Company is permitted to establish export warehouses in India to facilitate the storage and handling of goods intended for export.

(ii) Company is eligible to self-certify their manufactured goods as originating from India with a view to qualify for preferential treatment under specified agreements.

(iii) Company is eligible to be partner in providing mentoring and training in international trade to specified number of trainees each year based on status they achieve.

(iv) Company is eligible for fixation of input output norms on priority i.e. within 60 days by norms committee.

Options :

(A) (i), (ii), (iii)

(B) (i), (iii), (iv)

(C) (ii), (iii), (iv)

(D) (i), (ii), (iv)

Descriptive Questions :

3.6 As a management accountant of the company, list some areas for preparing a report evaluating company's performance using Triple Bottom Line (TBL) Framework. **4**

3.7 Finance manager is considering various hedging strategies including forward contracts, money market hedging, options, or remaining unhedged, to determine the most appropriate course of action to mitigate exchange rate risk. Suggest the best choice for the Finance manager. (Make calculations to nearest rupees) **6**

Marks

3.8 What is the correct accounting treatment under relevant Ind AS for 'AFL' in relation to a lease arrangement for machinery taken on lease, including initial recognition, subsequent measurement, and presentation and disclosure in the financial statements for the year ending 31st March 2025 ? Explain with relevant figures. 5

Year	1	2	3	4	5
PV @ 8%	0.926	0.857	0.794	0.735	0.681

CASE STUDY 4

Motor Bikes Limited (MBL) based at Mumbai is an unlisted public company and carrying out operations since year 2001. The total paid up share capital of the company and annual turnover for last three years is as follows :

Particulars/Year	2022	2023	2024
Share Capital (Paid up)	80	90	95
Reserves and Surplus	55	65	65
Turnover	225	250	350

(All amounts in Crores)

MBL has a robust accounting system supported by ERP package. Since the company has a unique operation and distribution system, it maintained a software team for accounting and ERP. The accounting software was updated frequently to comply with all the legal requirements. The company was previously engaged in manufacture and sale of two-wheeler motor cycles only. Since the market for two-wheeler petrol vehicle is not vibrant, the Board of Directors decided to diversify into manufacture of solar powered motor vehicles. It specialised in unique indigenous technology being the outcome of huge outlay in R&D. The solar powered vehicle segment has the power to change the landscape of a country. Given the dependence on OPEC, the uncertainty in political scenario prevalent therein, the prices of petroleum products keep on spiralling over a period of time. The electric vehicle with add on feature of solar energy could make India self-reliant in addition to presenting a pollution-free environment. The solar powered vehicle manufacture and its wide spread use could provide abundant scope to strengthen the economy which is already having V shape recovery post-Covid-19 pandemic. The company is presently focused on manufacture of 2 wheeled solar powered motor vehicles with new bike named as "Powerhouse". There are only 3 other companies engaged in similar kind of product and that too not having superior technology and market visibility. The technology used by Motor Bikes Limited is unique that it is superior to that of all the existing companies.

The spare parts of Motor Bikes Limited would be available only with its distributors which are patented and hence it would not be possible others to replicate such model in the open market. Promotional expenditure for Motor Bikes Limited would not be huge since the company already has market presence and logistics. The launch of 'Powerhouse' and other solar powered motor vehicles is of course a giant leap in the annals of two-wheeler vehicle manufacture in India and it is going to revolutionize the two wheeler market. The marketing department and costing department had a joint meeting where it was decided that the mark-up must be 50% of the direct cost of production as Powerhouse have the potential of being a market leader.

Motor Bikes Limited's Board of directors though had prescribed number of directors but it did not appoint any women director till 31.03.2024. Also the policy of the company is that a person proposed to be appointed as director should not be a director in more than 12 companies. The said policy is as per the special resolution passed by the members of a company. Legal department of the company advised to have at least one women director on the board of the company and accordingly it was proposed to appoint Ms. Nadar as a director. Ms. Nadar is already a director in fifteen other companies with nine being public companies. One of the directors also suggested the name of Ms. Priya who is already a director in eleven other companies with ten being public companies. The following issues/statements have been presented before appointment of women director :

(i) Ms. Nadar can be appointed.

(ii) It is mandatory for MBL to appoint women director as per turnover criteria.

(iii) It is mandatory for MBL to appoint women director as per average shareholder funds criteria.

(iv) Ms. Priya cannot be appointed as a director.

Motor Bikes Limited wanted to commence yet another manufacturing unit in rural area in Baddi, Himachal Pradesh. It incurred ₹ 200 lakhs towards civil construction expenses and ₹ 300 lakhs towards acquisition and installation of plant & machinery. The civil construction expenses include ₹ 20 lakhs towards materials purchased for constructing the foundation bed for erecting plant and machinery. One conveyance/vehicle to be used for transferring material within the factory premises was also purchased for ₹ 18 lakhs. Further, company availed the outdoor catering services (Billed amount ₹ 10 lakhs) for inaugural ceremony of new Baddi unit in which the products were displayed for prospective customers. The CGST and SGST are 9% each for civil construction, plant and machinery, conveyance and outdoor catering services.

Motor Bikes Limited in order to augment its production capacity decided to acquire all the shares of TPS Limited for cash. The date of shareholder agreement was 1st December, 2024. The appointed date as per shareholder agreement was 1st January, 2025. The date of obtaining control over Board representation was 1st

February, 2025. The date of payment of consideration was 28th February, 2025. The date of transfer of shares in favour of Motor Bikes Limited was 15th March, 2025. It was entitled to all the profits from 1st day of February, 2025. The purchase price was based on TPS Limited's net asset position as on 1st December, 2024. The acquisition agreement further stated that an additional ₹ 2 million of cash would be paid to TPS's former shareholders if TPS succeeds in achieving certain specified performance targets. MBL determines the fair value of such consideration to be ₹ 1.5 million at the acquisition date.

Motor Bikes Limited appointed Data Solutions LLP to provide the data base of users of electric motor vehicle with other characteristic features such as age, region, occupation, economic background and other data to plan and position its product vis a vis the marketing strategies. There are about 20 such players presently existing in such manufacture of electric vehicles but only 3 are engaged in solar powered motor vehicles. The investment to set up a similar unit viz. manufacture solar powered motor vehicles would entail investment of ₹ 100 crores on research and development before considering the cost of regular operations such as raw material procurement, manufacture, design, staffing, marketing and branding. The Board of Directors of Motor Bikes Limited wants to analyse their strategy to launch solar powered motor vehicle as per Porter's Five Forces Model.

Motor Bikes Limited exported traditional motor cycles to Nigeria on regular basis. On 31st March, 2025 it has export exposure of 300 lakhs Naira (currency of Nigeria). The currency Naira is not directly quoted against Indian Rupee. The forex consultant recommended taking a forward cover which would be helpful to Motor Bikes Limited.

The current spot rates are :

INR / USD = ₹ 84

Naira / USD = 1400

It is estimated that the Nigerian Naira would depreciate to 1600 level and INR to depreciate against USD to ₹ 85.

Forward rates for March 2025 are :

INR / USD = ₹ 86

Naira / USD = 1550

Auditor of MBL while carrying out audit for the F.Y. 2024-2025

(I) has made extensive use of Computer-Assisted Audit Techniques (CAATs) for conducting both compliance tests and substantive audit procedures and submitted his audit report for the year 2024-25. A fraud involving unrecorded liabilities and assets, along with fabricated vendor contracts, was later uncovered through whistleblower reports, despite the absence of any red flags being identified by the Computer Assisted Audit Techniques (CAATs) used during the audit. In Detailed discussion, the following things were discussed about use of Computer-Assisted Audit Techniques (CAATs) :

   (i) The fraud went undetected because CAATs cannot identify transactions that are intentionally excluded from the accounting system or supported by falsified physical documentation.

   (ii) CAATs failed because they cannot perform recalculations or analytical procedures involving ratios and trends making them ineffective for substantive testing.

   (iii) CAATs are ineffective for both compliance and substantive testing when strong internal controls exist and the audit relies solely on automated procedures.

   (iv) CAATs are capable of detecting collusion if enough system anomalies are analysed using advanced algorithms, so this fraud indicates auditor negligence.

Marks

(II) identified the following expenses incurred by company which involves applicability of TDS :

(i) paid dividend to shareholders ₹ 500 lakhs (which includes dividend to non-resident shareholders ₹ 200 lakhs);

(ii) paid ₹ 60 lakhs to Roger Borg (non-resident) tennis player who attended the function for launch of one of its model on 1st January, 2025;

(iii) gave one solar powered motor vehicle manufactured by it to a cine actor as influencer for the purpose of promoting the product. It will be used by him and retained by him subsequently free of cost (cost being ₹ 2 lakhs);

(iv) paid fee for technical services to Marina GmbH of Germany ₹ 110 lakhs (for which DTAA prescribes the withholding tax at 15%); and

(v) conducted sales promotion meeting in Thailand for 200 distributors @ ₹ 4 lakhs being the expenditure for each distributor for 2 days meeting plus 2 days sight-seeing expenses (expenditures equally spread for 4 days).

Multiple Choice Questions : **5×2 =10**

[Provide the correct option to the following questions]

4.1 Which of the issues are correct in relation to appointment of women director (Ms. Nadar/ Priya) ?

(A) Statement (i) and statement (iii)

(B) Statement (i), statement (iii) and statement (iv)

(C) Statement (i), statement (ii) and statement (iv)

(D) Statement (ii) and statement (iv)

Marks

4.2 Which of the statements referred about CAATs incorrectly explains why the fraud was not detected through the use of Computer-Assisted Audit Techniques (CAATs) ?

(A) (i), (ii), (iii)

(B) (i), (ii), (iv)

(C) (i), (iii), (iv)

(D) (ii), (iii), (iv)

4.3 In your opinion, Motor Bikes Limited has followed which type of pricing policy for Powerhouse ?

(A) Skimming pricing

(B) Premium pricing

(C) Penetration pricing

(D) Revolutionary pricing

4.4 What is the date of acquisition as per relevant Ind AS for Motor Bikes Limited in respect of its acquisition of TPS Limited and how should the future consideration based on performance be classified ?

(A) 28th February, 2025, Equity

(B) 1st December, 2024, Financial Liability

(C) 15th March, 2025, Equity

(D) 1st February, 2025, Financial Liability

4.5 How much total amount of input tax credit under GST (CGST + SGST) can be claimed by Motor Bikes Limited in respect of goods and services purchased/availed in Baddi unit ?

(A) ₹ 98.64 lakhs

(B) ₹ 86.40 lakhs

(C) ₹ 60.84 lakhs

(D) ₹ 62.64 lakhs

Marks

Descriptive Questions :

4.6 Briefly state with reason the amount of tax deductible at source for the expenses incurred by Motor Bikes Limited. 5

4.7 Calculate the expected loss, if the hedging is not done by Motor Bikes Limited. How would the position change, if Motor Bikes Limited takes a forward cover ? If the spot rates on 31st March, 2025 are INR / USD= ₹ 86.5; Naira /USD=1600, will you say that taking forward cover is justified ? 5

4.8 Write a summary of the issues to be tackled by Motor Bikes Limited as per Porter's Five Forces Model. Note: Your answer must be with reference to the facts of the case study and not a mere abstract reference of the Model. 5

CASE STUDY 5

Time Jewellers Ltd. (TJL), Chandigarh, was started by Ms. Seema Bahl in the year 2018. TJL is engaged in the manufacture and sale of gold and diamond jewellery. Company has chain of retail stores in Chandigarh, Mumbai, Delhi, Cochin, Jaipur and Kolkata. The company runs jewellery business in the trade name 'TJ Jewellers'. After analysing the growth prospects and carrying out various due diligence exercises, TJL diversified into hospitality industry by name 'TJ residency' in various tier 2 cities of India. The uniqueness of its jewellery business was the reliability and buy-back arrangement with substantial concession for waste due to erosion being limited to 50% in respect of the jewellery purchased from it previously. In the hospitality industry it created a niche for itself by competitive pricing and customer friendly service. The company simply acquired or took on long term lease the existing boarding and lodging units subject to meeting the minimum requirements like 100 rooms and 3-star facilities. The company has identified that tourism and hotel industry is bound to have galloping growth since the fruits of economic growth could be found in people resorting to travel with comfortable stay and leisure. The trend of companies engaged in jewellery or computer software diversifying into

Marks

hospitality industry is already prevalent and the action of Time Jewellers Ltd. is not first of its kind. However, the manner in which it is scripting its journey with success is the testimony of its past business practices and organisational philosophy.

The following are the details submitted by Time Jewellers Ltd. for the year ended 31st March, 2025 and want to know book profit under section 115JB for the assessment year 2025-26 :

Particulars	₹ in lakhs
Profit as per Statement of Profit and Loss	1425.00
Items debited to Statement of Profit and Loss : Bank term loan interest (actually paid upto the due date of return under section 139(1) ₹ 150 lakhs)	180.00
Provision for income-tax	105.00
Amounts paid and payable to MSME (Amount outstanding as on 31.03.2025 ₹ 200 lakhs. Paid the entire amount only in June, 2025)	500.00
Depreciation (includes ₹ 150 lakhs on account of revaluation of assets)	360.00
Provision for gratuity (based on actuarial valuation)	200.00
Arrear of wages paid to employees relating to F.Y.2022-23 on settlement of dispute with trade union	150.00
Items credited to Statement of Profit and Loss : Long-term capital gain on sale of commercial apartments referred later. (Stamp duty valuation ₹ 900 lakhs).	720.00
Agricultural income	20.00
Additional information : Depreciation allowable as per Income-Tax Rules, 1962	280.00

As strategic move, Time Jewellers Ltd. in its business had announced Gold Card scheme to customers for the recreation park owned by it. In the first year each customer has to pay ₹ 12,000 and the option to renew is given to the customers for ₹ 10,000 and ₹ 8,000 for the 2nd year and 3rd year respectively. There were 500 members who accepted the scheme upon its launch. The company estimates the attrition rate @ 40% each year.

Demand for some specific diamond jewellery (from newly wedded couples) was increasing and that diamond and other accessories can only be procured from Paris. Time Jewellers Ltd. imported that specific diamonds in September, 2024. The bill of entry was presented on 20th September, 2024 and the goods were cleared from port for warehousing. The order permitting the deposit of goods in warehouse was issued for 4 months on 27th September, 2024. The assessable value on 20th September 2024 was USD 5,00,000. The goods were accordingly deposited in the warehouse on the same day but were not cleared before 27th March, 2025. A notice was issued under section 72 of the Customs Act, 1962 demanding duty and interest. The goods were finally cleared on 30th March, 2025.

Particulars	**20th September**	**10th December**	**30th March**
Rate of exchange per USD (as notified by CBIC)	₹ 81	₹ 82	₹ 85
Basic Customs Duty	15%	10%	12%

In addition, the precision with which such specific jewellery is made requires a machine "Pluto". The said machine is manufactured in India by one company only, Glow Engineers Limited. The cost of the machinery is around ₹ 3.5 Crores and additional working capital will also be required due to this new addition in product range. The funds will be arranged by selling its residential apartment (earlier used by officers of the company to stay when they come for meetings) in Mumbai. For balance amount, It has been decided to approach the existing bankers of the company both for the machinery term loan and additional working capital credit facilities.

Bankers requested for projected cash flow and profitability statements examined and signed by the Chartered accountants. Management of TJL prepared the required information clearly disclosing the basis of forecast and underlying assumptions. XYZ LLP, a firm of Chartered Accountants based in Mumbai is entrusted with the assignment of examining the same. Partner, CA Ravi, examining the projected cash flow and profitability statements has raised the following concerns for discussion amongst the team members.

(i) There is no mandatory requirement to state UDIN in such type of reports.

(ii) There is no requirement to give any type of opinion on projected cash flow and profitability statements examined.

(iii) Accuracy of projections is not at all vouched for in an assurance report provided for the given assignment.

(iv) Intended use of projection has to be disclosed along with caution to the users regarding inappropriateness of projections for other purposes.

Though the entire manufacturing process is inhouse but one of the processes "process FGH" is being done by outside job workers. One of the board members suggested to look for acquisition of some company which is specialized in carrying out process FGH. All the board members agreed to the suggestion and entrusted the job of identifying such company to Boston LLP, Delhi (a consultancy company) to identify a company for acquisition with reasonably moderate scale of operation and market presence. Boston LLP identified 5 such companies mainly driven by ultra-modern technology and the Committee constituted by the Board of Directors of TJL finally decided to acquire VMS Ltd., by means of merger. The technical feasibility including synergy has been analyzed by a team of competent people and it was approved both by the Committee and the Board. However, they want to know the position from investor's perspective. The following are the details of earnings of both the companies in this regard :

Name	After-tax earnings (₹)	No. of equity shares	Market price per share (₹)
TJL	30 crores	60 lakhs	75
VMS Ltd.	6 crores	30 lakhs	50

Time Jewellers Ltd. also manufactures a specific stone to be used in jewellery manufacture. It has a good market presence though the product was launched only 3 years ago. The budgeted and actual data for the financial year 2024-25 are as follows :

Particulars	Budget	Actual	Variation
Sales / production (units)	20,00,000	17,25,000	(2,75,000)
Sales (₹ in lakhs)	210.00	189.75	(20.25)
Less: Variable cost (₹ in lakhs)	126.00	120.75	5.25
Less: Fixed cost (₹ in lakhs)	50.00	52.00	(2.00)
Profit (₹ in lakhs)	34.00	17.00	(17.00)

The budget data given above is based on the assumption that the total market size would be 40 lakh units but it turned out to be 37.50 lakh units.

Time Jewellers Ltd. decided to invite a corporate strategist, Mr. Mandeep Vohra, to take the company to its next level and team of Mr. Mandeep Vohra laid down certain bench-marks as the objectives to be achieved in reality. He gave prominence to areas of business development such as (i) contributing to revenue and earnings; (ii) customer satisfaction, acquisition and loyalty; (iii) satisfying customer requirements and maintain net earnings; (iv) thought leadership to take quick decisions; and (v) improving employee capabilities, information system capabilities and organizational procedures.

Marks

TJL planning to go public has provided the following financial details for the last three full financial years (all figures are on a restated and consolidated basis) :

- Net Tangible Assets: ₹ 3.25 crores, ₹ 3.10 crores, and ₹ 3.50 crores respectively. Of this, 60% is held in monetary assets. However, the company has made firm commitments to utilise 70% of the monetary assets for a new expansion project.
- Operating Profits: ₹ 18 crore, ₹ 16 crore, and ₹ 17 crore respectively.
- Net Worth: ₹ 1.5 crore in each of the three years.
- The company changed its name 10 months ago, and 52% of its revenue in the last year came from the new line of business reflected in the new name.

Multiple Choice Questions :

[Provide the correct option to the following questions] **5×2 =10**

5.1 Which of the statements made by CA Ravi are incorrect ?

(A) Statement (i), (iii) and (iv)

(B) Statement (i), (ii) and (iv)

(C) Statement (i) and (ii)

(D) Statement (i) and (iv)

5.2 If the merger between TJL and VMS Ltd. is carried out by means of exchange of shares and the exchange ratio is set according to current market prices, what would be the earnings per share of TJL post-merger ?

(A) ₹ 72

(B) ₹ 65

(C) ₹ 45

(D) ₹ 40

Marks

5.3 Which of the objectives set by Mandeep Vohra forms part of the Balanced Scorecard Model ?

(A) (i), (ii) and (iii)

(B) (i), (ii), (iii) and (v)

(C) (i), (iv) and (v)

(D) (i), (ii) and (v)

5.4 Is TJL eligible to make an Initial Public Offer under SEBI (ICDR) Regulations ?

(A) Yes, because all key financial thresholds are met, and excess monetary assets are committed to business use.

(B) No, because more than 50% of the net tangible assets are held in monetary assets.

(C) No, because the operating profit condition is not satisfied in all three years.

(D) No, because the company changed its name within a year and less than 60% of its revenue came from the new business activity.

5.5 How much of the income and contract liability should be recognized by Time Jewellers Ltd. under Gold Card Scheme as per applicable Ind AS ?

(A) ₹ 60,00,000, ₹ Nil

(B) ₹ 53,26,530 , ₹ 6,73,470

(C) ₹ 52,36,350, ₹ 7,63,650

(D) ₹ 54,13,045, ₹ 5,86,955

Marks

Descriptive Questions :

5.6 Prepare a statement showing a reconciliation of budget profit to actual profit through marginal costing approach for the financial year 2024-25 for Time Jewellers Ltd. in respect of its stone manufacturing unit with as much as detail as possible. **5**

5.7 Compute the amount of duty and interest payable by Time Jewellers Ltd. as regards removal of imported goods. Ignore agriculture and infrastructure development cess. Integrated tax leviable under section 3(7) of the Customs Tariff Act is exempt. **5**

5.8 Compute the book profit under section 115JB of the Income-tax Act for Time Jewellers Ltd. for the assessment year 2025-26. **5**