



Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 16

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
11. 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.

PART – II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the 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 evaluated.

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PART – II

1. (a) On 1st April, 2024, RM Limited obtained a term loan of ₹ 50,00,000/- at an interest rate of 12% per annum from bank for the construction of a building. 5

In addition to the above loan, the company has also raised multiple non-specific borrowings as follows :

8% Debentures	₹ 30,00,000/-
15% Term Loan	₹ 60,00,000/-
10% Inter Corporate Loan	₹ 36,00,000/-

RM Limited has utilized the aforesaid funds in construction of the following assets :

Building	₹ 1,40,00,000/-
Furniture	₹ 44,00,000/-
Plant and Machinery	₹ 1,80,00,000/-
Factory Shed	₹ 86,00,000/-

The construction of Building, Plant and Machinery and Factory Shed took substantial period of time and was completed on 31st March, 2025. The Furniture was purchased directly from a local manufacturer. The factory was ready to commence production on 1st April, 2025.

You are required to show the treatment of interest as per AS-16 in respect of borrowing cost for the year ended 31st March, 2025 in the books of RM Limited.

- (b) RMC Limited operates a defined retirement benefits plan on behalf of its current and former employees. It receives advice from actuaries regarding contribution levels and overall liabilities of the plan to pay benefits. 4

On 1st April, 2024, the actuaries advised that the fair value of the plan assets in respect of the defined retirement benefits plan of RMC Limited stood at ₹ 25,00,000/-.

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On 30th September, 2024, the plan paid out benefits of ₹ 4,75,000/- and received inward contributions of ₹ 12,25,000/-.

On 31st March, 2025, the actuaries assessed the present value of the defined benefit obligation at ₹ 36,98,000/-. On the same day the fair value of plan assets was ₹ 37,50,000/-. Actuarial losses on the obligations for the year 2024-25 were ₹ 15,000/-.

On 1st April, 2024, the company made the following estimates, based on its market studies and prevailing prices :

	%
Interest and dividend income (after tax) payable by the fund	9.75
Realized gains on plan assets (after tax)	2.50
Fund administrative costs	(2.00)
Expected rate of return (Interest is compounded half yearly)	10.25

You are required to ascertain the expected and actual returns on plan assets.

- (c) The following information has been extracted from the financial records of P Limited : **5**

Profit before tax for the year ended 31 st March, 2024	₹ 25,00,000
Profit before tax for the year ended 31 st March, 2025	₹ 32,50,000
Number of Equity Shares (Face Value ₹ 5/- per share) outstanding as on 31 st March, 2024	12,00,000
Applicable Tax Rate for 2023-24 and 2024-25	20%

On 1st June, 2024, the Directors of P Limited announced a rights issue which entitled the existing shareholders to subscribe one share for every six shares held by them @ ₹ 20/- per share. The last date of exercising the rights was 30th June, 2024 and the rights issue was subscribed in full. The fair value of one equity share immediately prior to exercise of right on 30th June, 2024 was ₹ 25/-.

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You are required to calculate the Basic Earnings per Share to be reported in the financial statements of P Limited for the year ended 31st March, 2025 including the comparative figure for the year ended 31st March, 2024 in accordance with AS-20.

2. The business of MA Limited was being carried on continuously at losses. The following are the extracts from the balance sheet of the company as on 31st March, 2025 : 14

Particulars	Amount (₹)
ASSETS :	
Property, Plant & Equipment	6,50,000
Investments	2,55,000
Stock	5,10,000
Trade Receivables	3,40,000
Cash & Cash Equivalents	70,000
Profit and Loss A/c (debit balance)	3,25,000
TOTAL	21,50,000
EQUITY AND LIABILITIES :	
10,000 Equity Shares @ ₹ 100 each	10,00,000
40,000, 8% Cumulative Preference Shares @ ₹ 10 each (Dividends on cumulative preference shares are in arrears for 3 years.)	4,00,000
10% Debentures	2,00,000
Unsecured Loans (from directors)	80,000
Trade Payables	4,10,000
Outstanding interest on debentures	60,000
TOTAL	21,50,000

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The following scheme of reconstruction has been agreed upon and duly approved by court :

- (1) Equity shares to be converted into 20,000 shares of ₹ 50 each (fully paid up)
- (2) After sub-division, each shareholder shall surrender to the company 60% of their holdings.
- (3) Preference shareholders agree to forego their right to arrears of dividends in consideration of which 8% Preference shares are to be converted into 9% Preference shares.
- (4) Trade Payables agree to reduce their claim by 60% in consideration of their getting shares of ₹ 1,50,000 out of surrendered equity shares.
- (5) The total claims of debentures holders were reduced to 40% and in consideration of the reduction, the debenture holders shall receive preference shares of ₹ 1,00,000 which are converted out of the surrendered shares.
- (6) Assets are valued at :
Fixed assets ₹ 4,40,000
Investments ₹ 2,00,000
Trade Receivables ₹ 2,50,000
Stock ₹ 4,50,000
- (7) Expenses of reconstruction amounted to ₹ 10,000.
- (8) Directors agree to forego the amount due on account of unsecured loan.
- (9) Balance of profit and loss account to be written off.
- (10) Further 8,000 equity shares were issued to the existing members for increasing the working capital. The issue was fully subscribed and paid up.
- (11) The shares surrendered and not re-issued shall be cancelled.

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You are required to :

- (a) Show the journal entries to record the above transaction in the company's books and prepare Reconstruction A/c.
- (b) Show revised share capital structure of the Company in Notes to Accounts.

3. (a) Following is the Balance Sheet of P Limited as at 31st March, 2025 :

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Particulars	Notes	₹ (in lakhs)
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	1,500
Reserves and Surplus	2	2,750
Non-current Liabilities		
Long Term Borrowings	3	3,450
Current Liabilities		
Short Term Borrowings (Current maturities of Long Term Borrowings)		1,980
Trade Payables		1,500
Total		11,180
ASSETS		
Non-current Assets		
Property, Plant and Equipment		5,675
Current Assets		
Inventories		1,005
Trade Receivables		1,500
Cash and Cash Equivalents		3,000
Total		11,180

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Notes to Accounts :

No.	Particulars	₹ (in lakhs)
1.	Share Capital	
	Authorized, issued and subscribed capital	
	Equity Share Capital	
	150 lakh Equity Shares of ₹ 10/- each fully paid up	1,500
2.	Reserves and Surplus	
	Capital Reserve	380
	Securities Premium	300
	Revaluation Reserve	120
	General Reserve	1,800
	Surplus (balance in Statement of Profit and Loss)	150
	Total	2,750
3.	Long Term Borrowings	
	12% Debentures	2,250
	Unsecured Loans	1,200
	Total	3,450

Considering the large surplus funds available at the disposal of the company, it decides to buy back 30 lakh Equity Shares on 1st April, 2025. The prevailing market value of the company's shares is ₹ 16/- per share and in order to induce the existing shareholders to offer their shares for buy back, it was decided to offer a price of 25% over market. Buy-back of shares is duly authorized by its Articles and necessary resolution has been passed by the company towards this.

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Comment with your calculations, whether buy-back of shares by the company is within the provisions of the Companies Act, 2013. If yes, pass necessary journal entries towards buy-back of shares.

- (b) Mr. AB acquires 28,000 equity shares of ₹ 10 each in F Ltd. for ₹ 3,36,000 inclusive of brokerage and stamp duty on 1st April, 2024.

F Ltd. announces bonus and right issue as follows :

- (i) On 30th September, 2024 bonus was declared in the ratio of 2:7.
(ii) On 30th November, 2024 Company made a right issue in the ratio of 3:8 on payment of ₹ 15 per share.

Mr. AB took up 2/3 of right shares and sold the remaining rights for ₹ 6 per share.

On 1st January, 2025, Mr. AB sold 40% of its shareholdings at ₹ 17 per share to a broker, who charged 2% brokerage.

You are required to prepare Investment Account of Mr. AB for the year ended 31st March, 2025 assuming that the shares are being valued at average cost.

4. The following are the summarized Balance Sheets of B Ltd. and G Ltd. as at 31st March, 2025 :

		Particulars	Notes	B Ltd. (₹)	G Ltd. (₹)
1.		EQUITY AND LIABILITIES			
		Shareholders' Funds			
	a.	Share Capital	1	46,30,000	14,20,000
	b.	Reserves and Surplus	2	17,50,000	– 6,45,000
2.		Non-current Liabilities			
	a.	Long-term Borrowings	3	19,40,000	5,72,500

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3.	Current Liabilities			
a.	Trade Payables		14,72,000	2,64,000
b.	Short-term Borrowings		-	1,89,500
	Total		97,92,000	18,01,000
	ASSETS			
1.	Non-current Assets			
a.	Property, Plant and Equipment		63,00,000	14,53,000
b.	Non-current Investments		23,50,000	-
2.	Current Assets			
a.	Inventories		43,000	1,16,000
b.	Trade Receivables		7,90,000	2,32,000
c.	Cash and Cash Equivalents		3,09,000	-
	Total		97,92,000	18,01,000

Notes to Accounts

		B Ltd. (₹)	G Ltd. (₹)
1.	Share Capital		
	Equity Share Capital		
	Issued, subscribed & paid-up capital		
	Equity Shares of ₹ 100 each	36,50,000	11,50,000
	Preference Share Capital		
	Issued, subscribed & paid-up capital		
	9% Preference Shares of ₹ 100 each	9,80,000	
	10% Preference Shares of ₹ 100 each		2,70,000

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2.	Reserves and Surplus		
	Balance of Profit and Loss A/c	17,50,000	– 6,45,000
3.	Long-term Borrowings		
	9% Debentures of ₹ 100 each	10,90,000	–
	10% Debentures of ₹ 100 each	–	1,80,000
	Loan from Banks	8,50,000	3,92,500

Details of Trade Receivables and Trade Payables are as under :

		B Ltd. (₹)	G Ltd. (₹)
1.	Trade Receivables		
	Debtors	7,30,000	1,75,000
	Bills Receivables	60,000	57,000
		7,90,000	2,32,000
2.	Trade Payables		
	Creditors	13,85,000	2,25,000
	Bills Payables	87,000	39,000
		14,72,000	2,64,000

On 31.03.2025, B Ltd. absorbs the business of G Ltd. on the following terms :

- (i) For every equity share held by the equity shareholders of G Ltd., they receive ₹ 10 in cash and one equity shares of ₹ 100 each at par in B Ltd.

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- (ii) The 10% debenture-holders of G Ltd. were to be allotted such 9% debentures of ₹ 100 each in B Ltd. as would bring the same amount of interest.
- (iii) 10% Preference Shareholders of G Ltd. are to be paid at 15% premium by issue of 9% Preference Shares of ₹ 100 each in B Ltd., in such a way that the existing dividend quantum of the preference shareholders of G Limited will not get affected.
- (iv) A contingent liability of G Limited amounting to ₹ 72,000 to be treated as actual liability in trade payables.
- (v) Expenses of Liquidation of G Ltd. are to be reimbursed by B Ltd. ₹ 10,000.
- (vi) Inventory of G Ltd. is taken over at 10% more than their book value by B Ltd.
- (vii) Debtors of B Ltd. include ₹ 51,400 receivables from G Ltd.
- (viii) Property, Plant and Equipment of G Ltd. are revalued at 20% above their book value.
- (ix) The remaining Assets and Liabilities of G Ltd. are taken over at book value by B Ltd.

You are required to :

- (a) Pass the Journal Entries to record the above in the books of B Ltd.
- (b) Prepare Balance Sheet of B Ltd. as at 31st March, 2025 after absorption.

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5. Prepare a consolidated balance sheet of MN Ltd. and its subsidiary RP Ltd. as on 31st March, 2025 : 14

Balance Sheets as on 31st March, 2025

	Note No.	MN Ltd. (₹ in Lakh)	RP Ltd. (₹ in Lakh)
I. Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share Capital	1	7,000	4,000
(b) Reserve and Surplus	2	4,000	3,500
(2) Non-current Liabilities			
(a) Long Term Borrowings		1,800	1,400
(3) Current Liabilities			
(a) Trade Payable		2,280	1,600
Total		15,080	10,500
II. Assets			
(1) Non-current Assets			
(a) Property, Plant and Equipment	3	6,800	5,500
(b) Non-current Investments	4	3,280	—
(2) Current Assets			
(a) Inventory		2,200	1,500
(b) Trade Receivables	5	1,800	1,200
(c) Cash and Bank		1,000	2,300
		15,080	10,500

Notes to Accounts :

		MN Ltd. (₹ in Lakh)	RP Ltd. (₹ in Lakh)
1.	Share Capital		
	Issued and Subscribed :		
	Equity shares of ₹ 10 each, fully paid up	7,000	4,000
2.	Reserve and Surplus		
	General Reserve	2,600	2,000
	Profit and Loss Account	1,400	1,500
	Total	4,000	3,500
3.	Property, Plant and Equipment		
	Land and Building	4,000	3,500
	Plant and Machinery	2,800	2,000
	Total	6,800	5,500
4.	Non-current Investment		
	Shares in RP Ltd.	3,000	—
	Debentures in RP Ltd.	280	—
	Total	3,280	—
5.	Trade Receivable		
	Debtors	1,200	900
	Bills Receivable	600	300
	Total	1,800	1,200

Additional Information :

- MN Ltd. acquired 75% shares in RP Ltd. on 1st April, 2024. On the date of acquisition :
General Reserve of RP Ltd. = ₹ 1,600 lakh
Profit & Loss Account of RP Ltd. = ₹ 1,200 lakh
- On 1st April, 2024, RP Ltd. declared dividend @12% for the year ended 31st March, 2024. MN Ltd. credited the dividend received to its Profit & Loss Account.

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3. RP Ltd. sold goods worth ₹ 160 lakh to MN Ltd. during the year and makes a profit of ₹ 40 lakh. MN Ltd.'s inventory includes goods worth ₹ 80 lakh that remained unsold as on 31st March, 2025.
4. MN Ltd. holds ₹ 280 lakh of RP Ltd.'s debentures, which are included in RP Ltd.'s long-term borrowings.

EITHER

6. (a) What is the initial disclosure information of AS-24 for discontinuing operations ? 4

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- (a) S Limited took an equipment on lease from R Limited, the fair value being ₹ 9,50,000/-. The economic life of the equipment as well as the lease term is 3 years. At the end of each year, the lessee pays ₹ 4,00,000/- to the lessor. S Limited has guaranteed a residual value of ₹ 35,000/- on the expiry of the lease to R Limited. However, R Limited estimates that residual value of the equipment will be only ₹ 25,000/-. The implicit rate of return is 15% per annum and present value factors at 15% are 0.869, 0.756 and 0.657 at the end of first, second and third years respectively. 4

You are required to ascertain the value at which the equipment would be considered by S Limited and the finance charges in each year.

- (b) The following figures have been extracted from the financial statements of MC Limited for the year ended 31st March, 2025 : 4

Particulars	Amount (₹)
Issued, Subscribed and Paid-up Share Capital	
8,00,000 Equity Shares of ₹ 5/- each	40,00,000
1,25,000, 8% Preference Shares of ₹ 10/- each	12,50,000

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Reserves and Surplus	
Securities Premium Reserve	5,00,000
Capital Reserve	3,00,000
Capital Redemption Reserve	2,50,000
General Reserve	11,75,000
Net Profit for the year ended 31 st March, 2025	2,25,000

The company has an impeccable record of paying dividend to its shareholders since 2019-20 and has declared equity dividend as under :

Year	2019-20	2020-21	2021-22	2022-23	2023-24
Equity Dividend paid	10%	11%	12%	13%	14%

Constrained by inadequate profits during 2024-25, the management of the company proposes to declare a dividend of 12.5% out of its reserves.

You are required to ascertain the amount that can be utilized by the company out of its reserves in accordance with the Companies (Declaration of dividend out of Reserves) Rules, 2014.

- (c) Mr. GOKU, with its head office at Ahmedabad, has a branch at Nagpur. 6

Goods are invoiced to the branch at cost plus 25%. The branch makes sales both for cash and on credit. Branch expenses are paid direct from head office and the branch has to remit all the cash received into head office's bank account at Ahmedabad.

The following information pertaining to the year ended 31st March, 2025, in respect of the Nagpur Branch is made available to you :

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Particulars	₹
Goods sent to branch (at Invoice Price)	67,50,000
Goods returned by the branch during the year (at Invoice Price)	2,40,000
Cash sales effected by the branch	18,50,000
Discount allowed to customers	25,000
Amount received from branch debtors	32,50,000
Cheques of customers returned unpaid by the bank	80,000
Branch expenses met in cash	7,25,000
Sales return at Nagpur branch	1,00,000
Bad debts	55,000

	31 st March, 2025	31 st March, 2024
Branch debtors	10,50,000	5,00,000
Stock at branch (at Invoice Price)	23,60,000	15,00,000

Applying the Stock and Debtors System, you are required to prepare the following Ledger Accounts in the books of Head Office for the year ended 31st March, 2025 :

- (i) Nagpur Branch Stock A/c;
- (ii) Nagpur Branch Debtors A/c;
- (iii) Nagpur Branch Adjustment A/c; and
- (iv) Nagpur Branch Profit and Loss A/c.

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