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1 Introduction to Accounting Standards

1. For Level II Entities -
(a) Some AS are not applicable
(b)Some Paras of some AS are not applicable
(c) Both of the above
(d) None of the above

2. For Level III Entities -
(a) Some AS are not applicable
(b)Some Paras of some AS are not applicable
(c) Both of the above
(d) None of the above

3. Ind AS shall be adopted by specific classes of companies based on their:
(a) Net worth
(b) Listing Status
(c) Net worth or Listing Status
(d)Net worth and Listing Status

4. For the accounting period beginning on or after 1st April, 2019, all unlisted NBFCs whose net worth is more than or equal to ___ but less than _____ shall mandatorily follow the Ind ASs.
(a) Rs. 100 crores; Rs.500 crore
(b) Rs.250 crore; Rs.500 crore
(c) Rs.300 crore; Rs.600 crore
(d) Rs.400 crore; Rs.800 crore

5. AS 3 & AS 17 are not applicable in their entirety to:
(A) Level II Entities
(B) Level III Entities
(C) SMCs
(D) All of the above

6. AS for Non-Corporate Entities in India are issued by
(A) Central Govt
(B) State Govt
(C) Institute of Chartered Accountants of India
(D)NFRA

7. Accounting Standards for Corporate Entities in India are issued by
(A) Central Govt
(B) State Govt
(C) Institute of Chartered Accountants of India
(D) NFRA

8. Which committee is responsible for approval of accounting standards and their modification for the purpose of applicability to companies?
(A) NFRA
(B)MCA
(C) Central Government Advisory Committee
(D) NACAS

9. Additional guidance given in Ind AS over and above what is given in IFRS are called -
(A) Carve-outs.
(B)Carve-ins
(C) Carve clarifications.
(D)EAC

10. IASB stands for
(A) International Accounting Standards Bureau
(B) International Advisory Standards Board
(C) International Accounting Standard Board.
(D) Indian Accounting Standard Board.

11. Non-Corporate Entities which are not Level I entities whose turnover (excluding other income) exceeds rupees ___ but does not exceed ______ in the immediately preceding accounting year are classified as Level II entities.
(A) 5 Crores, 250 Crores
(B) 10 Crores, 5 Crores
(C) 5 Crores, 25 Crores
(D) 2 Crores, 10 Crores

12. The following Accounting Standard is not applicable to Non-corporate Entities falling in Level II in its entirety -
(A) AS 10
(B) AS 1
(C) AS 2
(D) AS 17

13. All Non-Corporate Entities, whose turnover (excluding other income) exceeds _____ in the immediately preceding accounting year, are classified as Level I entities.
(A) 250 Crores
(B) 10 Crores
(C) 50 Crores
(D) 25 Crores

14. Non-Corporate Entities are classified into ___________ Level entities -
(A) 1
(B) 2
(C) 3
(D) 4

15. For Applicability of AS, Corporate Entities are classified into _____ classes.
(A) 1
(B) 2
(C) 3
(D) 4

16. Ind AS is applicable form the accounting Period starting on 01.04.2016 for the Companies -
(A) having Net Worth ≥ Rs. 500 Crores
(B) having Turnover ≥ Rs. 500 Crores
(C) having Borrowings ≥ Rs. 500 Crores
(D) having Paid up Capital ≥ Rs. 500 Crores

17. Conditions for Non-SMCs and ________ Corporate Entitles are same.
(A) Level 1
(B) Level 2
(C) Level 3
(D) Level 4

18. For Applicability of AS, borrowings (including public deposits) _____ is relevant.
(A) at the end of immediately preceding accounting year
(B) at the beginning of immediately preceding accounting year
(C) at any time during the immediately preceding accounting year
(D) at any time during the any preceding accounting year

19. All Non-Corporate Entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of Rs. 2 Crores but does not exceed

20. "Small and Medium Sized Company" (SMC) means, a company-
(A) which may be a Bank, Financial Institution
(B) which may be a Insurance Company
(C) whose turnover does not

Rs. 10 Crores at any time during the immediately preceding accounting year are -

(A) Level II entities

(B) Level IV entities

(C) Level III entities

(D) Level I entities

exceed Rs. 250 Crores in the immediately preceding accounting year

(D) whose turnover does not exceed Rs. 50 Crores in the immediately preceding accounting year

21. AS is not applicable to -

(A) Fully Commercial Activities

(B) Fully Non-Commercial Activities

(C) Partly Commercial and Partly Non-Commercial Activities

(D) All of the above

22. Carve In / Outs arise from difference between -

(A) AS & Ind AS

(B) Ind AS & IFRS

(C) AS & IFRS

(D) AS & US GAAP

23. In which of the following cases Carve in arise?

(a) Various terminology related changes have been made to make it consistent with the terminology used in law

(b) Removal of options in accounting principles and practices in Ind AS vis-a-vis IFRS, have been made to maintain consistency and comparability of the financial statements to be prepared by following Ind AS.

(c) Differences which are In deviation to the accounting principles & practices stated in IFRS

(d) Additional guidance given in Ind AS over and above what is given in IFRS

24. In which of the following cases Carve In / Out does not arise?

(A) Various terminology related changes have been made to make it consistent with the terminology used in law

(B) Differences which are in deviation to the accounting principles and practices stated in IFRS

(C) Additional guidance given in Ind AS over and above what is given in IFRS

(D) All of the above

25. The differences which are in deviation to the accounting principles and practices stated in IFRS, are commonly known as -

(A) Carve-outs

(B) Carve-Ins

(C) Changes that will not result into Carve in/ Outs

(D) Deviations

26. Voluntary Compliance of Ind AS is applicable from -

(A) 1.4.2016

(B) 1.4.2015

(C) 1.4.2018

(D) 1.4.2019

27. Mandatary Compliance of Ind AS is applicable from -

(A) 1.4.2016

(B) 1.4.2015

(C) 1.4.2018

(D) 1.4.2019

28. Compliance of Ind AS is deferred for -

(A) Banking Companies

(B) NBFCs

(C) Insurance Companies

(D) Banking and Insurance Companies

29. For Applicability of AS, Turnover -
(A) does not include Other Income
(B) include Other Income
(C) include GST
(D) include Other Income & GST

30. For Applicability of AS, Net Worth does not include -
(A) Reserves created out of revaluation of assets
(B) Statutory Reserves
(C) Securities Premium Account
(D) All of the above

31. "Financial Statement" in relation to a Company, need not include -
(A) Balance Sheet as at the end of the financial year,
(B) Profit and Loss Account, or in the case of a Company carrying on any activity not for profit, an Income and Expenditure Account for the financial year,
(C) Cash Flow Statement for the financial year,
(D) Statement of Changes in Equity

32. Non-Banking Financial Company does not include -
(A) Housing Finance Companies
(B) Merchant Banking Companies
(C) Micro Finance Companies
(D) Mutual Fund Companies

33. "Net Worth" means the aggregate value of the -
(A) Paid-Up Share Capital and all Reserves created out of the profits and Securities Premium Account, after deducting the aggregate value of the Accumulated Losses, Deferred Expenditure and Miscellaneous Expenditure not written off, as per the audited Balance Sheet.
(B) Paid-Up Share Capital and all Reserves created out of the profits and excluding Securities Premium Account, after deducting the aggregate value of the Accumulated Losses, Deferred Expenditure and Miscellaneous Expenditure not written off, as per the audited Balance Sheet.
(C) Paid-Up Share Capital and all Reserves created out of the profits and Securities Premium Account, before deducting the aggregate value of the Accumulated Losses, Deferred Expenditure and Miscellaneous Expenditure not written off, as per the audited Balance Sheet.

34. Applicability of Accounting Standards to Corporate Entities are given under -
(A) Companies (Accounting Standards) Rules
(B) Companies (NAFRA) Rules
(C) ICAI Regulations
(D) Companies (Ind AS) Rules

(D) Paid-Up Share Capital and all Reserves created out of the profits and Securities Premium Account, after deducting the aggregate value of the Accumulated Losses, Deferred Expenditure and Miscellaneous Expenditure not written off, as per the provisional Balance Sheet.

35. Mandatary Compliance of Ind AS to NBFC is applicable from -

(A) 1.4.2016
(B) 1.4.2015
(C) 1.4.2018
(D) 1.4.2019

36. Which of the following Companies can be classified as SMC?

(A) A Pvt Ltd, a Subsidiary of a Multinational Company listed on London Stock Exchange.
(B) B Pvt Ltd, which has a Turnover of Rs. 450 Crores, Other Income of Rs. 7 Crores, and Borrowings of Rs. 9 Crores
(C) C Ltd, which has appointed Merchant Bankers to prepare a Red Herring Prospectus for the purpose of filing the same with the Securities Exchange Board of India
(D) None of the above

37. An existing Company, which was previously not a SMC and subsequently becomes an SMC, shall not be qualified for exemption or relaxation in respect of Accounting Standards available to an SMC -

(A) until the Company remains an SMC for 3 consecutive accounting periods.
(B) until the Company remains an SMC for 2 consecutive accounting periods.
(C) until the Company remains an SMC for any 2 accounting periods
(D) even if the Company remains an SMC for 2 consecutive accounting periods.

38. International Financial Reporting Standards (IFRS) comprise the following -

(A) International Financial Reporting Standards (IFRS) issued by the IASB
(B) International Accounting Standards (IAS) issued by the IASC
(C) Interpretations issued by the Standards Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) of the IASB.
(D) All of the above

39. Level II Entities include -

(A) Entities whose Equity Securities are listed, or in the process of listing on any Stock Exchange in India
(B) Entities whose Debt Securities are listed, or in the process of listing on any Stock Exchange outside India.

40. A Company which satisfies the prescribed conditions on 31.03.2018 shall apply Ind AS for –

(A) Financial Year 2017-2018 onwards.
(B) Financial Year 2018-2019 onwards.
(C) Any Financial Year from 2017-2018 onwards.
(D) Any Financial Year from 2018-2019 onwards.

(C) Banks (including Co-operative Banks), Financial Institutions, or Entities carrying on Insurance business.
(D) None of the above

41. Once a Company starts following Ind AS ____, it shall be required to follow Ind AS for all the subsequent Financial Statements, even if does not satisfy any of the prescribed conditions subsequently.
(A) voluntarily
(B) mandatorily
(C) voluntarily or mandatorily
(D) None of the above

42. When a change in accounting policy is justified?
(A) To comply with accounting standard
(B) To ensure more appropriate presentation of the financial statement of the enterprise
(C) To comply with law
(D) All of the above

43. It is essential to standardize the accounting principles and policies in order to ensure -
(A) Transparency
(B) Profitability
(C) Reputation
(D) All of the above

44. A specific accounting policy refers to -
(A) Accounting Principles
(B) Methods of applying those principals
(C) Both (A) & (B)
(D) None of the above

45. Assets should be valued at the price paid to acquire them is based on -
(A) Realization concept
(B) Cost concept
(C) Matching concept
(D) Periodicity concept

46. The Central Government may, by notification, constitute a National Financial Reporting Authority (NFRA) under of the Companies Act, 2013.
(A) Section 131
(B) Section 132
(C) Section 133
(D) Section 134

47. Consistency with reference to application of accounting principles refer to the:
(A) All the companies in the same industries should use identical procedures and methods.
(B) Income and assets have not been overstated.
(C) Accounting methods and procedures used have to be consistently applied from year to year.
(D) Any accounting method or procedure can be utilized.

48. AS-8 on Accounting for Research and Development:
(A) Is replaced by AS-26
(B) Is applicable only to listed companies
(C) Is mandatory for Research Institutions
(D) Is still in use.

49. Accounting Standards ____ the statue:
(A) Can override
(B) Cannot override
(C) May override
(D) None of the above

50. In case of charitable trusts & co-operative societies –
(A) If their activities are purely charitable or noncommercial then accounting standards are not applicable.
(B) Even if a very small proportion of the activities of trusts/co-operative societies are considered to be commercial, industrial or business in nature, then accounting standards are applicable.
(C) Both (A) and (B)
(D) None of the above

51. Which of the following are fundamental accounting assumptions
(A) Going Concern
(B) Matching
(C) Consistency
(D) Dual Aspect
(E) Materiality
(F) Accrual
Select the correct answer from the options given below:
(A) A, C & E
(B) B, D & F
(C) A, C & F
(D) A, D & F

52. If rights and beneficial interest in a property is transferred but documentation and legal formalities are pending then seller & purchaser should record in their accounts as sale & purchase. This the example of-
(A) Prudence
(B) Substance over from
(C) Materiality
(D) Realization

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	c	c	b	d	c	a	a	b	c	a	d	a	d	b	a	a	c	c	c

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
b	b	d	a	a	b	a	d	a	a	d	d	a	a	c	d	b	d	d	b

41	42	43	44	45	46	47	48	49	50	51	52
c	d	a	c	b	b	c	a	a	c	c	b

2 Framework For Preparation & Presentation of Financial Statements

1. Who has the primary responsibility for the preparation and presentation of the Financial Statements of the Entity?
(a) Management of an Entity
(b) Statutory Auditors of an Entity
(c) Internal Auditors of an Entity
(d) All of the above

2. Framework is not concerned with -
(a) General Purpose Financial Statements
(b) Consolidated Financial Statements (CFS)
(c) Special Purpose Financial Reports
(d) All of the above

3. Examples of Special Purpose Financial Reports -
(a) Prospectuses
(b)Computations prepared for taxation purposes
(c) Both of the above
(d) None of the above

4. Financial Statements do not include items like -
(a) Board Reports
(b) Chairman's Speech
(c) Management Discussion and Analysis and similar items that may be included in a Financial or Annual Report.
(d) All of the above

5. Financial Statements cannot provide all the information that Users may need to make economic decisions, since -
(a) they portray past events
(b) do not necessarily provide non-financial information.
(c) they portray past events and do not necessarily provide non-financial information.
(d) No. Financial Statements shall provide all the information that Users may need to make economic decisions.

6. The component parts of the Financial Statements –
(a) inter-relate, because they reflect different aspects of the same transactions or other events.
(b) independent, because they reflect different aspects.
(c) Both of the above
(d) None of the above

7. As per Ind AS Framework, Underlying Assumptions in Financial Statements are -
(a) Accrual Basis and Going Concern
(b) Consistency, Accrual Basis and Going Concern
(c) Accrual Basis
(d) Going Concern

8. Which of the following statement is correct?
(a) Financial Statements must have Predictive Role (for future events).
(b) Financial Statements must have and Confirmatory Role (for past events).
(c) Both of the above
(d) None of the above

9. Examples of recording the transaction using "substance over form"?

(a) An Asset has been sold from A Ltd to Mr. Y and immediately after this, Mr. Y has leased out the same to A Ltd.

(b) Vakrathunda Ltd sold its Building to another Company for ₹60 Lakhs on 18th January and gave possession of the property to the Buyer Company. However, documentation and legal formalities are pending.

(c) Both of the above

(d) None of the above

10. Vakrathunda Ltd sold its Building to another Company for ₹60 Lakhs on 18th January and gave possession of the property to the Buyer Company. However, documentation and legal formalities are pending. In this case -

(a) Vakrathunda Ltd has to record the sale

(b) Vakrathunda Ltd has to record the amount received, as an Advance

(c) Both of the above

(d) None of the above

11. Which of the following statement is not correct?

(a) The Relevance of information is affected by its Nature, and/or Materiality.

(b) Information is material if its omission or misstatement could influence the economic decision of Users taken on the basis of the Financial Statements.

(c) In some cases, the nature of the information alone is sufficient to determine its relevance.

(d) None of the above

12. A Ltd is having Inventory amounting ₹1,00,000 in total with the details as below - Spare Parts - ₹30,000, Finished Goods - ₹25,000, Work in Progress - ₹40,000, Tools - ₹5,000. Materiality limit has been assessed ₹30,000 based on the Management estimation pertaining to annual profit basis. What should be the presentation requirement?

(a) Spare Parts - ₹30,000, Finished Goods - ₹25,000, Work in Progress - ₹40,000, Tools - ₹5,000

(b) Spare Parts - ₹30,000, Finished Goods & Tools - ₹30,000, Work in Progress - ₹40,000

(c) Inventory - ₹ 1,00,000

(d) Any of the above

13. Which of the following statement is correct?

(a) The Framework does not directly address the True and Fair View or Fair Presentation.

(b) If the Qualitative Characteristics are applied along with the appropriate Accounting Standards this normally results in Financial Statements that convey what is generally understood as a True and Fair View of such information.

(c) Ind AS-1 states that presentation of a True and Fair View is achieved by compliance with applicable Ind ASs.

(d) All of the above.

14. Elements of Financial Position are -

(a) Assets, Liability and Equity

(b) Income & Expenses

(c) Both of the above

(d) None of the above

15. Elements of Financial Performance are -
(a) Assets, Liability and Equity
(b) Income & Expenses
(c) Both of the above
(d) None of the above

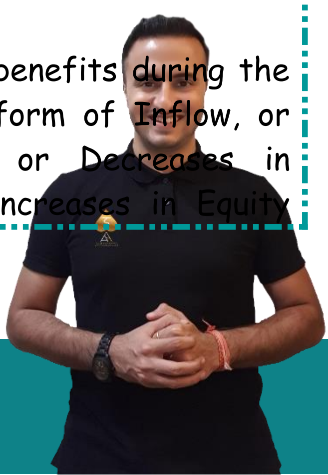
16. As per Ind AS Framework, Equity is -
(a) Sum of Share Capital and Reserves & Surplus
(b) Residual interest in the Assets of the Entity after deducting its Liabilities.
(c) Amount contributed by the Equity Participants
(d) Any of the above

17. Equity may sub-classified suitably, e.g. -
(a) Funds contributed by Shareholders
(b) Retained Earnings
(c) Reserves representing Appropriations of Retained Earnings & representing Capital Maintenance Adjustments
(d) All of the above

18. As per Ind AS Framework, Equity is -
(a) Residual interest in the Assets of the Entity after deducting its Liabilities.
(b) Aggregate Market Value of the Shares of the Entity
(c) Sum that could be raised by disposing of either the Net Assets on a piecemeal basis or the Entity as a whole on a going concern basis.
(d) Any of the above.

19. Reserves can represent -
(a) Appropriations of Retained Earnings
(b) Capital Maintenance Adjustments
(c) Either of the above
(d) Neither of the above

20. As per Ind AS Framework, Income is -
(a) Increases in economic benefits during the accounting period, in the form of Inflow, or Enhancement of Liabilities, or Decreases in Assets that result in decreases in Equity, other than those relating to Contributions from Equity Participants.
(b) Increases in economic benefits during the accounting period, in the form of Inflow, or Enhancement of Assets, or Decreases in Liabilities that result in decreases in Equity, other than those relating to Contributions from Equity Participants.
(c) Increases in economic benefits during the accounting period, In the form of Inflow, or Enhancement of Assets, or Decreases In Liabilities that result in increases In Equity, other than those relating to Contributions from Equity Participants.
(d) Increases in economic benefits during the accounting period, in the form of Inflow, or Enhancement of Assets, or Decreases in Liabilities that result in increases in Equity



including those relating to Contributions from Equity Participants.

21. Examples of Unrealised Gains -

(a) Revaluation of Marketable Securities

(b) Increases in Carrying Amount of Long Term Assets

(c) Both of the above

(d) None of the above

22. As per Ind AS Framework, Expenses are -

(a) Decreases in economic benefits during the accounting period, in the form of Outflows, or Depletions in the Value of Assets, or Incurrences of Liabilities that result in decreases in Equity, other than those relating to Distributions to Equity Participants.

(b) Decreases in economic benefits during the accounting period, in the form of Outflows, or Depletions in the Value of Assets, or Liabilities that result in decreases in Equity, other than those relating to Distributions to Equity Participants.

(c) Decreases in economic benefits during the accounting period, in the form of Outflows, or Depletions in the Value of Assets, or Incurrences of Liabilities that result in decreases in Equity, including those relating to Distributions to Equity Participants.

(d) Decreases in economic benefits during the accounting period, in the form of Outflows, or Depletions in the Value of Assets, or Incurrences of Liabilities that result in decreases in Equity, other than those relating to Distributions to Equity Participants.

23. Settlement of Liability may occur by -

(a) payment of Cash or Cash Equivalents as is the case with most payables,

(b) transfer of other assets, e.g. in a barter transaction or in some business combination,

(c) provision of services to the other party, e.g. Liability for Warranty Repairs, or

(d) Any of the above

24. Settlement of Liability may occur by -

(a) replacement of the obligation with another obligation

(b) conversion of the Obligation to Equity

(c) other means, e.g. Creditor waiving or forfeiting his rights

(d) Any of the above

25. Historical Cost of Liability is -

(a) Undiscounted Amount of cash or cash equivalents that would be required, to settle the obligation currently.

26. Current Cost of Liability is -

(a) Undiscounted Amount of cash or cash equivalents that would be required, to settle the obligation currently.

(b) Proceeds received in exchange for the obligation (e.g. Loans) or Amount of Cash or Cash Equivalents expected to be paid to satisfy the liability in the normal course of business (e.g. Income Taxes)
(c) Undiscounted Amount of Cash or Cash Equivalents expected to paid to satisfy the Liabilities in the normal course of business.
(d) Present Discounted Value of Future Net Cash Outflows expected to be required to settle the Liability, in the normal course of business.

(b) Proceeds received in exchange for the obligation (e.g. Loans) or Amount of Cash or Cash Equivalents expected to be paid to satisfy the liability in the normal course of business (e.g. Income Taxes)
(c) Undiscounted Amount of Cash or Cash Equivalents expected to paid to satisfy the Liabilities in the normal course of business.
(d) Present Discounted Value of Future Net Cash Outflows expected to be required to settle the Liability, in the normal course of business.

27. Realisable (Settlement) Value of Liability is -
(a) Undiscounted Amount of cash or cash equivalents that would be required, to settle the obligation currently.
(b) Proceeds received in exchange for the obligation (e.g. Loans) or Amount of Cash or Cash Equivalents expected to be paid to satisfy the liability in the normal course of business (e.g. Income Taxes)
(c) Undiscounted Amount of Cash or Cash Equivalents expected to paid to satisfy the Liabilities in the normal course of business.
(d) Present Discounted Value of Future Net Cash Outflows expected to be required to settle the Liability, in the normal course of business.

28. Which of the following statement is correct?
(a) Generally, Historical Cost is commonly adopted as the Measurement Basis.
(b) Historical Cost is usually combined with other Measurement Bases, e.g. Inventories carried at the lower of Cost and NRV, Marketable Securities carried at Market Value, Pension Liabilities carried at their Present Value, etc.
(c) Some Entities use the **Current Cost** basis as a response to the inability of the Historical Cost Accounting Model to deal with the effects of changing prices of Non-Monetary Assets.
(d) All of the above.

29. Historical Cost is usually combined with other Measurement Bases, e.g. in case of -
(a) Inventories
(b) Marketable Securities
(c) Pension Liabilities carried at their Present Value
(d) All of the above

30. If the Users of Financial Statements are primarily concerned with the maintenance of Nominal Invested Capital or the Purchasing Power of Invested Capital,
(a) Financial Capital Maintenance can be used
(b) Physical Capital Maintenance can be used
(c) Either of the above
(d) None of the above

31. Under Physical Capital Maintenance, i.e. Profit is earned only if -
(a) Financial (or Money) Amount of the Net Assets at the end of the period exceeds the

32. Under Physical Capital Maintenance, i.e. Profit is computed in terms of-
(a) Nominal Monetary Units or Units of Constant Purchasing Power

Financial (or Money) Amount of Net Assets at the beginning of the period, after excluding any Distributions to, and Contributions from, Owners during the period.
(b) Physical Productive Capacity (or Operating Capability) of the Entity (or the resources or funds needed to achieve that capacity) at the end of the period exceeds the Physical Productive Capacity at the beginning of the period, after excluding any Distributions to, and Contributions from, Owners during the period.
(c) Either of the above
(d) None of the above

(b) Output, Productive Capacity, etc.
(c) Either of the above
(d) None of the above

33. Under Financial Capital Maintenance, i.e. Profit is computed in terms of -
(a) Nominal Monetary Units or Units of Constant Purchasing Power
(b) Output, Productive Capacity, etc.
(c) Either of the above
(d) None of the above

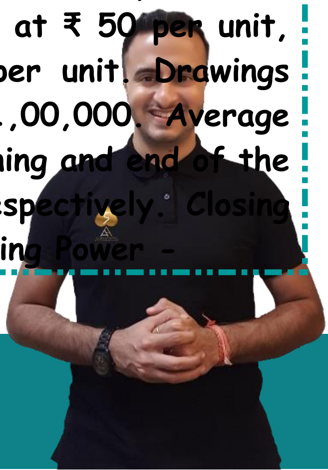
34. Measurement Basis under Physical Capital Maintenance -
(a) Historical Cost
(b) Current Cost
(c) Either of the above dependent on the type of Financial Capital that the Entity is seeking to maintain.
(d) Neither of the above

35. Ram commenced trading business on 1st January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Net Closing Capital –
(a) 11,00,000
(b) 12,00,000
(c) 10,00000
(d) 1,00,000

36. Ram commenced trading business with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Maximum Drawings permissible under Financial Capital Maintenance at Historical cost
(a) 11,00,000
(b) 2,00,000
(c) 10,00000
(d) Nil

37. Ram commenced trading business with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Maximum Drawings permissible under Financial Capital Maintenance at Current cost -

38. Ram commenced trading business on 1st January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Closing Capital at Current Purchasing Power -



(a) 11,00,000
(b) 2,00,000
(c) 10,00000
(d) Nil

(a) 11,00,000
(b) 12,00,000
(c) 10,00000
(d) 1,00,000

39. Ram commenced trading business on 1st January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. Retained Profit -
(a) 11,00,000
(b) 12,00,000
(c) (1,00,000)
(d) 1,00,000

40. Ram commenced trading business on 1st January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were Nil. Average Price Indices at the beginning and end of the year are 100 and 120 respectively. In this case -
(a) Ram has maintained his Capital since closing capital is more than opening Capital
(b) Ram has maintained his Capital since closing capital is equal to opening Capital
(c) Ram has maintained his Capital since closing capital is less than opening Capital
(d) Ram has not maintained his Capital since closing capital is less than opening Capital

41. Ram commenced trading business on 1st January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Specific Price Index for the product at the end of the year is 125%. Opening Capital at Current Purchasing Power -
(a) 11,00,000
(b) 12,50,000
(c) 10,00000
(d) 12,00,000

42. Ram commenced trading business on 1st January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Specific Price Index for the product at the end of the year is 125%. Closing Capital -
(a) 11,00,000
(b) 12,00,000
(c) 10,00000
(d) 1,00,000

43. Ram commenced trading business on 1st January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Specific Price Index for the product at the end of the year is 125%. Retained Profit -
(a) 11,00,000
(b) 12,00,000
(c) (1,50,000)

44. Ram commenced trading business on 1st January with ₹ 10,00,000. He purchased 20,000 units of a product at ₹ 50 per unit, and sold them at ₹ 60 per unit. Drawings during the year were ₹ 1,00,000. Specific Price Index for the product at the end of the year is 125%. In this case -
(a) Ram has maintained his Capital since closing capital is more than opening Capital

(d) (1,00,000)	(b) Ram has not maintained his Capital since closing capital is equal to opening Capital (c) Ram has maintained his Capital since closing capital is less than opening Capital (d) Ram has not maintained his Capital since closing capital is less than opening Capital

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	c	c	d	c	a	a	c	c	c	d	b	d	a	a	b	d	a	c	c

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
c	d	d	d	b	a	c	d	d	a	b	b	a	c	a	b	d	a	c	b

41	42	43	44
b	a	c	d

AS-3 Cash Flow Statement

1. AS 3 is applicable to -
(a) Level I Entities
(b) Level II Entities
(c) Level III Entities
(d) Class of Companies which will be required to prepare Financial Statements as per Ind AS as per the roadmap

2. AS 3 is not applicable to -
(a) Level III Entities
(b) Small and Medium Sized Companies
(c) Both of the above
(d) None of the above

3. Cash comprises -
(a) Cash on Hand
(b) Demand Deposits
(c) Both of the above
(d) None of the above

4. Cash Equivalents are -
(a) short-term, highly liquid investments, that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.
(b) short-term, highly liquid investments, that are readily convertible into known amounts of cash, and which are not subject to significant risk of changes in value.
(c) short-term, highly liquid investments, that are readily convertible into cash, & which are subject to an insignificant risk of changes in value.
(d) short-term, highly liquid investments, that are readily convertible into cash, and which are not subject to significant risk of changes in value.

5. Cash Flows are -
(a) inflows and outflows of Cash and Cash Equivalents
(b) inflows and outflows of Cash and Cash Equivalents excluding movements between items that constitute Cash or Cash Equivalents
(c) inflows and outflows of Cash and Cash Equivalents including movements between items that constitute Cash or Cash Equivalents
(d) None of the above

6. Cash Management includes -
(a) Investment of Cash in Cash Equivalents.
(b) Investment of excess Cash in Cash Equivalents.
(c) Investment of Cash in highly liquid investments.
(d) Investment of excess Cash in highly liquid investments.

7. Which of the following is correct?

(a) An Investment normally qualifies as a Cash Equivalent only when it has a short maturity of, say, 3 months or less from the Reporting date.

(b) An Investment normally qualifies as a Cash Equivalent only when it has a short maturity of, say, 3 months or less from the date of acquisition.

(c) An Investment normally qualifies as a Cash Equivalent only when it has a short maturity of, say, less than 3 months from the Reporting date.

(d) An Investment normally qualifies as a Cash Equivalent only when it has a short maturity of, say, less than 3 months from the date of acquisition.

8. Cash Equivalents exclude -

(a) Equity Investments

(b) Bank Overdrafts repayable on demand forming integral part of an Entity's Cash Management

(c) Preference Shares acquired with 1 months of their maturity and with a specified redemption date.

(d) All of the above

9. Cash Equivalents include -

(a) 3 Years maturity 12% Fixed Deposit with SBI

(b) Fixed Deposit with HDFC original term was for 2 years, but due for maturity within 2 months

(c) 3 Month Loan or Deposit given to a party to help in managing party's short term liquidity position

(d) Acquired Redeemable Preference Shares in ABC Ltd on 29th January and the redemption is due on 29th April

10. Which of the following is not correct?

(a) As per AS 3, Cash Flows not necessarily include all actual cash inflow / outflow from Cash / Bank Balances.

(b) There should not be a difference in the amount of C&CE as per Balance Sheet and as per AS-3.

(c) Cash & Cash Equivalents include all Demand Deposits and some Term Deposits (subject to condition).

(d) All of the above

11. An Entity sold an Asset (Book Value ₹ 50,000) for ₹36,000. In Cash Flow Statement, -

(a) ₹ 36,000 should be shown as an Inflow under Investing Activities. Also, amount of ₹ 14,000 (loss on sale of asset) should be added back to derive Operating Cash Flow, under Indirect Method.

(b) ₹ 36,000 should be shown as an Inflow under Investing Activities. Also, amount of ₹ 14,000 (loss on sale of asset) should be added back to derive Operating Cash Flow, under Direct Method.

(c) ₹ 36,000 should be shown as an Inflow under Investing Activities. No further Adjustments are required under Indirect Method.

12. Cash Flows arising from the following Activities may be reported on a net basis -

(a) Acceptance and Repayment of Demand Deposits by a Bank,

(b) Funds held for customers by an investment Entity,

(c) Rents collected on behalf of, and paid over to, the owners of properties.

(d) All of the above

(d) ₹ 50,000 should be shown as an Inflow under Investing Activities. No further Adjustments are required under Direct Method.

13. Garden Ltd acquired Fixed Assets viz. Plant and Machinery for ₹ 20 Lakhs. During the same year, it also sold Furniture and Fixtures for ₹ 5 Lakhs.

(a) Company can disclose, Net Cash Outflow towards Purchase of Fixed Assets in the Statement of Cash Flows.

(b) Company cannot disclose Net Cash Flow in respect of acquisition of Plant and Machinery and disposal of Furniture.

(c) Either of the above

(d) Neither of the above

14. Which of the following is correct?

(a) The total amount of interest paid during the period should be disclosed in the Statement of Cash Flows if it has been recognised as an expense in Profit and Loss Statement.

(b) The total amount of interest paid during the period should be disclosed in the Statement of Cash Flows if it has not been capitalised as per AS-16.

(c) The total amount of interest paid during the period should be disclosed in the Statement of Cash Flows whether it has been recognised as an expense in Profit and Loss Statement, or capitalised as per AS-16.

(d) Total amount of interest paid during the period should be disclosed in the Statement of Cash Flows if it has been capitalised as per AS-16.

15. A Firm invests in a 5-year Bond of another company with a Face Value of ₹ 10,00,000 by paying ₹5,00,000. The effective Rate of Interest is 15%. On maturity –

(a) Receipt of ₹ 10,00,000 will be classified as under Investing Activity, with a further bifurcation of - (a)Interest Income, and (b) Amount received on Redemption of Bond.

(b) Receipt of ₹ 10,00,000 will be classified as under Investing Activity, with no bifurcation.

(c) Receipt of ₹ 10,00,000 will be classified as under Financing Activity, with a further bifurcation of - (a)Interest Income, and (b) Amount received on Redemption of Bond.

(d) Receipt of ₹ 10,00,000 will be classified as under Financing Activity, with no bifurcation.

16. Which of the following will not be disclosed in Cash Flow Statements -

(a) Acquisition of assets by assuming directly related liabilities or by means of Lease

(b) Acquisition of an Entity by means of issue of Shares

(c) Conversion of Debt to Equity.

(d) All of the above

17. X Ltd acquires Fixed Asset of ₹ 10,00,000 from Y Ltd by accepting the Liabilities of ₹ 8,00,000 of Y Ltd and balance amount it paid in Cash. How X Ltd will treat all those items in its Cash Flow Statements?

(a) ₹ 2,00,000 under Investing Activities.
(b) ₹ 10,00,000 under Investing Activities.
(c) ₹ 2,00,000 under Financing Activities.
(d) ₹ 8,00,000 under Investing Activities.

18. Cash & Cash Equivalents presented in Statement of Cash Flows and in the Balance Sheet –

(a) always be equal
(b) need not be equal
(c) Cash & Cash Equivalents presented in Statement of Cash Flows should be more
(d) Cash & Cash Equivalents presented in Statement of Cash Flows should be less

19. Bank Overdraft which are repayable on demand should be -

(a) included in Cash & Cash Equivalents in Cash Flow Statements as well as the Balance Sheet
(b) included in C&CE in Cash Flow Statements. It will be included within Liabilities in the Balance Sheet.
(c) included in C&CE in the Balance Sheet. It will be included within Liabilities in Cash Flow Statements.
(d) included in Financing Activities in Cash Flow Statements. It will be included in Liabilities in Balance Sheet.

20. An Entity has Opening Bank Balance in Foreign Currency aggregating to USD 100 (Equivalent to ₹7,000). The Entity also reported a Profit Before Tax which included ₹ 100 on account of Exchange Gain on the Bank Balance in Foreign Currency. In Cash Flow Statement, this ₹ 100 will be disclosed in –

(a) Operating Activities and Reconciliation in case of Indirect Method
(b) Only in Reconciliation in case of Direct Method
(c) Either of the above
(d) Neither of the above

Z Ltd has no Foreign Currency Cash Flow for the year. It holds some Deposit in a Bank in the USA. The balances as at the year beginning and year end were US $1,00,000 and US $1,02,000 respectively. The Exchange Rate as at the year beginning was US $ 1 = ₹45. The same at the year-end was US $1 = ₹50. The increase in the balance was on account of interest credited. Thus, the Deposit was reported at ₹45,00,000 in the opening Balance Sheet. It was reported at ₹51,00,000 in the Balance Sheet.

21. The Profit and Loss Account was credited by

(a) ₹1,00,000
(b) ₹5,00,000
(c) ₹6,00,000
(d) ₹4,00,000

22. Amount shown in Reconciliation will be -

(a) ₹1,00,000
(b) ₹5,00,000
(c) ₹6,00,000
(d) ₹4,00,000

Following is the Balance Sheet (extract) of Kuber Ltd for the year ended 31st March (₹in Lakhs)

Assets	Closing	Opening	Equity And Liabilities	Closing	Opening
PPE	13,000	12,500	Equity Share Capital	300	300
Intangible Assets	50	30	Other Equity	12,000	8,000

Other Financial Assets	145	170	Long Term Borrowings	2,000	5,000
Deferred Tax Asset (net)	855	750	Other Non-Current Liabilities	2,740	3,615
Other Non-Current Assets	800	770	Trade payables	150	90
Investments	2,300	2,500	Bank Overdraft (due on Demand)	75	60
Cash & Cash Equivalents	220	460	Other Current Liabilities	300	200
Other Current Assets	195	85			
Total Assets	17,565	17,265	Total Equity and Liabilities	17,565	17,265

Additional Information:
(1) Profit After Tax for the Year - ₹4,450 Lakhs
(2) Interim Dividend paid during the year - ₹450 Lakhs
(3) Depreciation and Amortisation charged in the Statement of Profit and Loss during the Current Year are as under -
(a) Property, Plant and Equipment - ₹500 Lakhs
(b) Intangible Assets - ₹20 Lakhs
(4) During the year, two Machineries were sold for ₹10 Lakhs. Carrying Amount of these Machineries is ₹60 Lakhs.
(5) Income Taxes paid during the year ₹105 Lakhs
Using the above information, construct a Statement of Cash Flows under Indirect Method. Other Non-Current / Current Assets and Liabilities are related to Operations of Kuber Ltd and do not contain any element of Financing and Investing Activities.

23. Deferred Tax Asset -
(a) Increase in DTA 105 to be deducted from Profit After Tax
(b) Increase in DTA 105 to be added with Profit After Tax
(c) Decrease in DTA 105 to be deducted from Profit After Tax
(d) Decrease in DTA 105 to be added with Profit After Tax

24. Cash Flows before Working Capital Changes will be -
(a) 4,960
(b) 5,065
(c) 5,075
(d) 4,970

25. Operating Activities -
(a) Net Cash Flow from Operating Activities 4,025
(b) Net Cash Flow used in Operating Activities 4,025
(c) Net Cash Flow from Operating Activities 4,900

26. Adjustment for Sale of Machinery & Purchase of Machinery -
(a) Inflow 10 & Outflow 1,060 in Investing Activities
(b) Outflow 990 in Investing Activities

(d) Net Cash Flow used in Operating Activities 4,900

(c) Inflow 990 in Investing Activities
(d) Inflow 70 & Outflow 1,060 in Investing Activities

27. Adjustment for Intangible Asset -
(a) Add 20 with Profit after Tax in operating activities
(b) Deduct 40 in Investing Activities
(c) Deduct 20 in Investing Activities
(d) Both (a) and (b)

28. Investing Activities -
(a) Net Cash Flow from Investing Activities 830
(b) Net Cash Flow used in Investing Activities 830
(c) Net Cash Flow from Investing Activities 850
(d) Net Cash Flow from Investing Activities 900

29. Financing Activities -
(a) Net Cash Flow from Financing Activities 3,450
(b) Net Cash Flow used in Financing Activities 3,450
(c) Net Cash Flow from Financing Activities 450
(d) Net Cash Flow from Financing Activities 1,450

30. Net Cash Outflow from all the Activities
(a) Inflow 255
(b) Outflow 255
(c) Inflow 145
(d) Outflow 145

31. Opening Cash and Cash Equivalents
(a) 460
(b) 400
(c) 860
(d) None of the above

32. Closing Cash and Cash Equivalents
(a) 145
(b) 220
(c) 295
(d) None of the above

Use the following data of ABC Ltd: (₹)

Assets	Closing	Opening	Liabilities	Closing	Opening	Income Statement	
Cash	4,000	14,000	Accounts Payable	18,000	16,000	Sales	2,00,000
Trade Receivable	25,000	32,500	Wages Payable	4,000	7,000	Cost of Sales	(1,23,000)
Prepaid Insurance	5,000	7,000	Debentures	1,73,000	1,60,000	Depreciation	(15,000)
Inventory	37,000	34,000	Equity Shares	88,000	84,000	Insurance	(11,000)
Fixed Assets	3,16,000	2,70,000	Retained Earnings	59,000	60,500	Wages	(50,000)
Depreciation	(45,000)	(30,000)				Net Profit	1,000
Total	**3,42,000**	**3,27,500**	**Total**	**3,42,000**	**3,27,500**		

During the Financial Year, ABC Ltd declared and paid Dividends of ₹2,500. During the Year, ABC Ltd paid ₹46,000 in Cash to acquire new Fixed Assets. The Accounts Payable was used only for Inventory. No Debt was retired during the Year.

33. Cash received from Customers -
(a) 2,07,500
(b) 1,24,000
(c) 9,000

34. Cash paid for Inventory -
(a) 2,07,500
(b) 1,24,000
(c) 9,000

(d) 53,000

(d) 53,000

35. Net Cash Flow from Operating Activities -
(a) Inflow 21,500
(b) Outflow 24,000
(c) Outflow 21,500
(d) Outflow 53,000

36. Net Cash Flow from Investing Activities -
(a) Inflow 46,000
(b) Outflow 24,000
(c) Outflow 46,000
(d) Outflow 53,000

37. Net Cash Flow from Financing Activities -
(a) Inflow 14,500
(b) Outflow 14,500
(c) Outflow 46,000
(d) Outflow 53,000

38. Cash flow before Working Capital Changes -
(a) 16,000
(b) 15,000
(c) 1,000
(d) 14,000

39. Working Capital Changes -
(a) Inflow 16,000
(b) Outflow 15,000
(c) Outflow 5,500
(d) Inflow 5,500

40. Net Cash flow in Cash and Cash Equivalents
(a) Inflow 14,000
(b) Outflow 10,000
(c) Outflow 5,500
(d) Inflow 10,000

41. X Ltd paid Advance Tax ₹ 5 Lakhs including Long Term Capital Gains? 2 Lakhs. This will be classified as -
(a) Operating Activities = ₹ 3 Lakhs, Investing Activities = ₹ 2 Lakhs
(b) Operating Activities = ₹ 5 Lakhs
(c) Operating Activities = ₹ 3 Lakhs, Financing Activities = ₹ 2 Lakhs
(d) Investing Activities = ₹ 5 Lakhs

42. SKY LTD purchased a special machinery from Earth LTD for ₹ 50 Lakh in consideration of 50,000 equity shares of ₹ 100 each of the company. Where this transaction will be reflected in the Cash Flow Statement as per AS-3?
A. Operating Activities
B. Financing Activities
C. Investing Activities
D. None of the above

43. As per AS-3 (Revised) Interest and Dividends received in the case of a manufacturing enterprise should be classified as cash flow from
A. Operating activities
B. Financing activities
C. Investing activities
D. Both(B)and(C)

44. According to AS-3 (Revised), cash flows arising from interest paid in the case of a financial enterprise is classified as cash flow from
A. Operating Activities
B. Financing Activities.
C. Both (A) and (B)
D. Investing Activities

45. X Ltd. decided to write off fixed assets costing ₹ 40,000 on which depreciation of ₹

30,000 has been provided. As per AS-3 (Revised), this transaction will be classified as Cash Flow from

A. Operating Activities
B. Financing Activities
C. Investing Activities
D. None of the above

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	c	c	a	b	b	b	a	d	b	a	d	b	c	a	d	a	b	b	c

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
c	b	a	a	a	a	d	b	b	b	b	a	a	b	a	c	a	a	d	b

41	42	43	44	45
a	d	c	b	a

AS-17 Segment Reporting

1. AS-17 shall not apply to -
(a) Level 3 Entities
(b) Level 1 Entities
(c) Non-SMCs
(d) All of the above

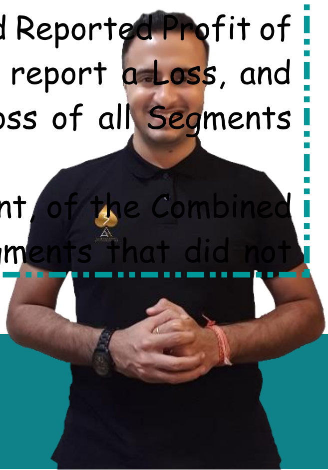
2. If a Financial Report contains both the Consolidated Financial Statements (CFS) of a Parent that is within the scope of this Ind AS as well as the Parent's Separate Financial Statements (SFS), Segment Information is required in -
(a) Consolidated Financial Statements only
(b) Separate Financial Statements only
(c) Both of the above
(d) None of the above

3. An Entity shall report separately, information about an Segment that meets -
(a) any of the quantitative thresholds
(b) all of the quantitative thresholds
(c) any of the qualitative thresholds
(d) all of the qualitative thresholds

4. One of the quantitative thresholds=
(a) Reported Revenue of the Segment > 10% of Combined Revenue, internal and external, of all Segments,
(b) Reported Revenue of the Segments 10% of Combined Revenue, internal and external, of all Segments.
(c) Reported External Revenue of the Segment > 10% of the External Revenue of all Segments.
(d) Reported Internal Revenue of the Segment > 10% of the Internal Revenueof all Segments.

5. One of the quantitative thresholds =
(a) Segment Assets ≥ 10% of the Combined Assets of all Segments.
(b) Segment Assets > 10% of the Combined Assets of all Segments,
(c) Segment Assets < 10% of the Combined Assets of all Segments,
(d) Segment Assets = 10% of the Combined Assets of all Segments.

6. One of the quantitative thresholds = The Absolute Amount of its Reported Profit or Loss > 10% of -
(a) greater, in absolute amount, of the Combined Reported Profit of all Segments that did not report a Loss, and the Combined Reported Loss of all Segments that reported a Loss.
(b) greaterof the Combined Reported Profit of all Segments that did not report a Loss, and the Combined Reported Loss of all Segments that reported a Loss.
(c) lower, in absolute amount, of the Combined Reported Profit of all Segments that did not



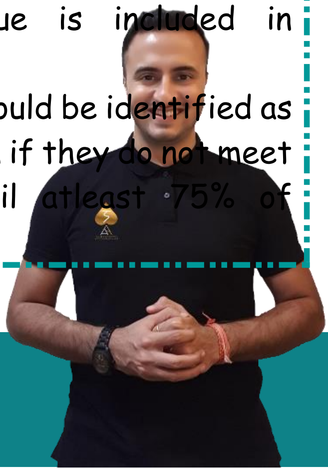
report a Loss, and the Combined Reported Loss of all Segments that reported a Loss.
(d) lower of the Combined Reported Profit of all Segments that did not report a Loss, and the Combined Reported Loss of all Segments that reported a Loss.

7. Which of the following is a quantitative threshold under AS 17?
(a) Absolute Amount of its Reported Profit ≥ 10% of the Combined Reported Profit of all Segments
(b) Absolute Amount of its Reported Loss ≥ 10% of the Combined Reported Loss of all Segments
(c) Either of the above
(d) None of the above

8. Which of the following is true?
(a) Segments which satisfies the quantitative thresholds under AS 17 can only be a Reportable Segments.
(b) Segments which does not satisfy the quantitative thresholds under AS 17 cannot be a Reportable Segments.
(c) Segments which does not satisfy the quantitative thresholds under AS 17 can also be a Reportable Segments in some cases.
(d) Segments which satisfies the quantitative thresholds under AS 17 need not be a Reportable Segments.

9. Which of the following is true?
(a) If Total Revenue reported by Segments constitutes less than75% of the Entity's Revenue, additional Segments should be identified as Reportable Segments, even if they do not meet the 10% thresholds, until atleast 75% of Entity's Revenue is included in Reportable Segments.
(b) If Total External Revenue reported by Segments constitutes less than75% of the Entity's Revenue, additional Segments should be identified as Reportable Segments, even if they do not meet the 10% thresholds, until atleast 75% of Entity's Revenue is included in Reportable Segments.
(c) If Total External Revenue reported by Segments constitutes more than75% of the Entity's Revenue, additional Segments should be identified as Reportable Segments, even if they do not meet the 10% thresholds, until atleast 75% of Entity's Revenue is included in Reportable Segments.

10. If Total External Revenue reported by Segments constitutes less than75% of the Entity's Revenue –
(a) additional Segments should be identified as Reportable Segments, even if they do not meet the 10% thresholds, until atleast 75% of Entity's Revenue is included in Reportable Segments.
(b) additional Segments should be identified as Reportable Segments, even if they do not meet the 10% thresholds, until atleast 75% of Entity's Internal Revenue is included in Reportable Segments.
(c) additional Segments should be identified as Reportable Segments, even if they do not meet the 5% thresholds, until atleast 75% of Entity's Internal Revenue is included in Reportable Segments.
(d) additional Segments should be identified as Reportable Segments, even if they do not meet the 15% thresholds, until atleast 75% of



(d) If Total External Revenue reported by Segments constitutes less than75% of the Entity's Revenue, additional Segments should be identified as Reportable Segments, if they meet the 10% thresholds, until atleast 75% of Entity's Revenue is included in Reportable Segments.

Entity's Internal Revenue is included in Reportable Segments.

11. If Total External Revenue reported by Segments constitutes _____ of the Entity's Revenue, additional Segments should be identified as Reportable Segments.

(a) less than 75%
(b) 75% or less
(c) less than 90%
(d) 90% or less

12. Information about the segment shall be reported separately even if it no longer meets the 10% thresholds, when -

(a) Total External Revenue reported by Segments constitutes less than 75% of the Entity's Revenue
(b) Management judges that an Segment is of continuing significance
(c) Both of the above
(d) None of the above

13. Information about the segment shall be reported separately even if it no longer meets the 10% thresholds, when -

(a) Management judges that an Segment is of continuing significance
(b) Management judges that an Segment identified as a Reportable Segment in the immediately preceding period is of continuing significance
(c) Both of the above
(d) None of the above

14. Information about the segment shall be reported separately even if it no longer meets the 10% thresholds, when -

(a) Total External Revenue reported by Segments constitutes less than 75% of the Entity's Revenue
(b) Management judges that an Segment identified as a Reportable Segment in the immediately preceding period is of continuing significance
(c) Both of the above
(d) None of the above

15. If Management judges that an Segment identified as a Reportable Segment in the immediately preceding period is of continuing significance -

(a) information about that segment shall continue to be reported separately even if it no longer meets the 10% thresholds in the current period.
(b) information about that segment shall continue to be reported separately only if it meets the 10% thresholds in the current period.
(c) information about that segment shall not to be reported separately unless it meets the 10% thresholds in the current period.

16. If an Segment is identified as a Reportable Segment in the current period as per 10% thresholds –

(a) preceding-period presented for comparative purposes need not be re-stated
(b) preceding-period data presented for comparative purposes should be re-stated to reflect the newly Reportable Segment as a separate segment, even if that segment did not satisfy the 10% criteria in the preceding period
(c) preceding-period data presented for comparative purposes should be re-stated to

(d) information about that segment shall not to be reported.

reflect the newly Reportable Segment as a separate segment, only if that segment satisfied the 10% criteria in the preceding period
(d) No comparatives shall be presented

17. If an Segment is identified as a Reportable Segment in the current period as per 10% thresholds, preceding-period data presented for comparative purposes should not be re-stated to reflect the newly Reportable Segment as a separate segment -
(a) if that segment did not satisfy the 10% criteria in the preceding period
(b) the necessary information is not available and the cost to develop it would be excessive.
(c) Both of the above
(d) None of the above

18. Information about the segment shall be reported separately even if it no longer meets the 10% thresholds, when -
(a) Total External Revenue reported by Segments constitutes less than 75% of the Entity's Revenue
(b) Management judges that an Segment identified as a Reportable Segment in the immediately preceding period is of continuing significance
(c) Management believes that information about the segment would be useful to Users of the Financial Statements.
(d) All of the above.

19. Mohini Ltd has 3 Segments namely X, Y, Z. The Total Assets of the Company are ₹10.00 Crores. Segment X has ₹2 Crores, Segment Y has ₹3 Crores and Segment Z has ₹5 Crores. The Accountant contends that all the three Segments are Reportable Segments. In this case -
(a) X & Y segments are Reportable Segments.
(b) Y & Z segments are Reportable Segments.
(c) Z segmentis a Reportable Segment.
(d) All segments are Reportable Segments.

20. Jaykishan Ltd has ten segments. Share of Assets of each is given below

Segments	Assets
A, B, C, D, E,	8% each = 56%
F, G	
H, I	20% each = 40%
J	4%

(a) Reportable Segments H & I
(b) Reportable Segments H, I & J
(c) Reportable Segments H& I and atleast three more segments out of the remaining
(d) Reportable Segments H& I and atleast one segments out of the remaining.

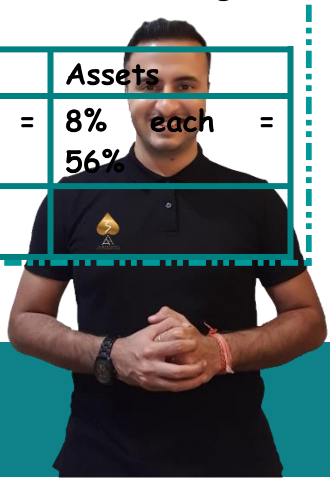
21. Jaykishan Ltd has ten segments. Share of Assets of each is given below

Segments	Profit/Loss
A, B, C, D, E, F, G	5% each = 35%
H, I	25% each = 50%
J	15%

(a) Reportable Segments H & I

22. Jaykishan Ltd has ten segments. Share ofProfit / Loss and Assets of each is given below

Segments	Profit/Loss	Assets
A, B, C, D, E,	5% each = 35%	8% each = 56%
F, G		



(b) Reportable Segments H, I & J
(c) Reportable Segments H, I & J and atleast three more segments out of the remaining
(d) Reportable Segments H & I and atleast one segments out of the remaining

23. Jaykishan Ltd has ten segments. Share of Revenue, Profit / Loss and Assets of each is given below

Segments	Revenue
A, B, C, D, E, F, G	5% each = 35%
H, I	20% each = 40%
J	25%

(a) Reportable Segments H& I and atleast two more segments out of the remaining
(b) Reportable Segments H, I, J and atleast two more segments out of the remaining
(c) Reportable Segments H& I and atleast three more segments out of the remaining
(d) Reportable Segments H& I and atleast one segments out of the remaining

25. Information relating to five segments of Vishnumaya Ltd is as under: (₹ in lakhs)

Segment	A	B	C	D	E	Total
Segment Results	50	(70)	80	10	(25)	45

The Company wishes to know which of the Segments need to be reported.
(a) All
(b) All except D
(c) All except C &D.
(d) A, B & C

27. Information relating to five segments of Vishnumaya Ltd is as under: (₹ in lakhs)

H, I	25% each = 50%	20% each = 40%
J	15%	4%

(a) Reportable Segments H & I
(b) Reportable Segments H, I & J
(c) Reportable Segments H & I and atleast three more segments out of the remaining
(d) Reportable Segments H &. I and atleast one segments out of the remaining.

24. Jaykishan Ltd has ten segments. Share of Revenue, Profit / Loss and Assets of each is given below

Segments	Revenue	Profit/Loss	Assets
A, B, C, D,E, F, G	5% each = 35%	5% each 35%	8% each 56%
H, I	20% each = 40%	25% each 50%	20% each 40%
J	25%	15%	4%

(a) Reportable Segments H& I and atleast two more segments out of the remaining
(b) Reportable Segments H, I, J and atleast two more segments out of the remaining
(c) Reportable Segments H& I and atleast three more segments out of the remaining
(d) Reportable Segments H& I and atleast one segments out of the remaining

26. Information relating to five segments of Vishnumaya Ltd is as under: (₹ in lakhs)

Segment	A	B	C	D	E	Total
Segment Revenue	150	200	200	50	300	900

The Company wishes to know which of the Segments need to be reported.
(a) All
(b) All except D
(c) All except C &D
(d) A, B & C

Segment	A	B	C	D	E	Total
Segment Assets	40	65	140	20	35	300

The Company wishes to know which of the Segments need to be reported.

(a) All
(b) All except D
(c) All except C &D
(d) A, B & C

Keshav Ltd has identified the following business components. Identify which of these are "Reportable Segments". (₹)

Segment	**External Revenue**	**Internal Revenue**	**Profit**	**Assets**
Pharma	97,00,000	Nil	20,00,000	55,00,000
FMCG	Nil	4,00,000	2,50,000	25,00,000
Ayurvedic	3,00,000	Nil	2,00,000	4,00,000
Others	8,00,000	41,00,000	5,50,000	6,00,000
Total	**1,08,00,000**	**45,00,000**	**30,00,000**	**90,00,000**

28. Reportable Segment based on Revenue Criteria -

(a) Pharma& Others
(b) Pharma& FMCG
(c) FMCG &Ayurvedic
(d) All

29. Reportable Segment based on Assets Criteria -

(a) Pharma& Others
(b) Pharma& FMCG
(c) FMCG &Ayurvedic
(d) All

30. Reportable Segment based on Results Criteria -

(a) Pharma& Others
(b) Pharma& FMCG
(c) FMCG &Ayurvedic
(d) All

31. Minimum External Revenue to be shown by Reportable Segments -

(a) 114.75 Lakhs
(b) 81 Lakhs
(c) 75 Lakhs
(d) 33.75 Lakhs

32. Reportable Segment based on minimum External Revenue Criteria -

(a) Others
(b) FMCG
(c) Ayurvedic
(d) Not Applicable since already achieved.

33. Non-Reportable Segments =

(a) Others
(b) FMCG
(c) Ayurvedic
(d) All are reportable

Thirumala Ltd has the following business I geographical segments. (Information in ₹000's)

Segments	**Revenue**	**Profit/ (Loss)**	**Assets**
A	9,600	1,750	4,100
B	300	180	450

C	100	70	450

34. Reportable Segment based on Revenue Criteria -
(a) A, B & C
(b) A & B
(c) B & C
(d) A

35. Reportable Segment based on Assets Criteria -
(a) A, B & C
(b) A & B
(c) B & C
(d) A

36. Reportable Segment based on Results Criteria -
(a) A, B & C
(b) A & B
(c) B & C
(d) A

37. Minimum External Revenue to be shown by Reportable Segments -
(a) 75 Lakhs
(b) 81 Lakhs
(c) 75 Lakhs
(d) 33.75 Lakhs

38. Reportable Segment based on minimum External Revenue Criteria -
(a) A
(b) B
(c) C
(d) Not Applicable since already achieved.

39. Non-Reportable Segments =
(a) A, B & C
(b) A&B
(c) B&C
(d) A

The Chief Accountant of Govind Ltd gives the following data regarding its six segments: (₹In Lakhs)

Particulars	A	B	C	D	E	F	Total
Segment Assets	40	80	30	20	20	10	200
Segments Results	50	-190	10	10	-10	30	-100
Segment Revenue	300	620	80	60	80	60	1200

40. Reportable Segment based on Revenue Criteria -
(a) A, B & C
(b) A & B
(C) B & C
(d) All except F

41. Reportable Segment based on Assets Criteria -
(a) A, B &
(b) A & B
(C) B & C
(d) All except F

42. Reportable Segment based on Results Criteria -
(a) A, B & F
(b) A & B
(c) B & C
(d) A

43. Minimum External Revenue to be shown by Reportable Segments -
(a) 90 Lakhs
(b) 81 Lakhs
(c) 75 Lakhs
(d) 900 Lakhs

44. Reportable Segment based on minimum External Revenue Criteria -
(a) A
(b) B
(c) C
(d) Not Applicable since already achieved.

45. Non-Reportable Segments =
(a) A, B & C
(b) A & B
(c) B & C
(d) All are Reportable Segments.

Janardhan Ltd has identified 4 Segments for which revenue data is given below:

	External Sales (₹)	Internal Sales (₹)	Total (₹)
Segment A	30,00,000	Nil	30,00,000
Segment B	6,50,000	Nil	6,50,000
Segment C	8,50,000	1,00,000	9,50,000
Segment D	5,00,000	49,00,000	54,00,000
Total Sales	50,00,000	50,00,000	1,00,00,000

Additional Information: Segment C is a new business unit and Management expects this Segment to make a significant contribution to External Revenue in coming year.

46. Reportable Segment based on Revenue Criteria -
(a) A, B & C
(b) A & B
(c) B & C
(d) A & D

47. Minimum External Revenue to be shown by Reportable Segments -
(a) 90 Lakhs
(b) 81 Lakhs
(c) 37.50 Lakhs
(d) 19 Lakhs

48. Reportable Segment based on minimum External Revenue Criteria -
(a) A
(b) B
(c) C
(d) Not Applicable since already achieved.

49. Non-Reportable Segments =
(a) C
(b) B
(c) D
(d) All are Reportable Segments.

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	a	a	a	a	a	d	c	b	b	a	a	b	c	a	b	b	d	d	a

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
b	b	b	b	b	b	b	a	b	a	b	d	c	d	d	d	a	d	c	b

41	42	43	44	45	46	47	48	49
d	a	d	d	d	d	c	c	b

AS-18 Related Party Disclosures

1. Related Party Relationships between Enterprises is determined by the following aspects -
(a) Control,
(b) Associate, Joint Venture, Ownership
(c) Key Management Personnel, Significant Influence
(d) All of the above

2. AS - 18 requires disclosure of the following Related Party Relationships, irrespective of any transactions exist or not:
(a) Control,
(b) Associate, Joint Venture, Ownership
(c) Key Management Personnel, Significant Influence
(d) All of the above

3. Which of the following are related parties?
(a) Enterprises that control the Reporting Enterprise
(b) Enterprises that are controlled by the Reporting Enterprise
(c) Enterprises that are under common control with the Reporting Enterprise
(d) All of the above

4. Which of the following are related parties?
(a) Associates and Joint Ventures of the Reporting Enterprise
(b) Investing Party or Venturer, for whom the Reporting Enterprise is an Associate I Joint Venture
(c) Both of the above
(d) None of the above

5. Which of the following are related parties?
(a) Individuals owning an interest in the voting power of the Reporting Enterprise that gives them control over the Enterprise
(b) Individuals owning an interest in the voting power of the Reporting Enterprise that gives them significant influence over the Enterprise
(c) Individuals owning an interest in the voting power of the Reporting Enterprise that gives them control or significant influence over the Enterprise.
(d) Individuals owning an interest in the voting power of the Reporting Enterprise that gives them control or significant influence over the Enterprise, & relatives of any such individual.

6. Which of the following are related parties?
(a) Key Management Personnel
(b) Relatives of Key Management Personnel
(c) Enterprises that have a member of Key Management in common with the Reporting Enterprise.
(d) All of the above

7. The Related Party Relationship -

8. An Enterprise I Individual is considered to have a substantial interest in another

(a) should exist at the end of the reporting period.
(b) should exist at the beginning of the reporting period.
(c) may exist at any time during the reporting period, and not necessarily at the end of the reporting period.
(d) may exist at any time during the reporting period, and not necessarily at the end of the reporting period.

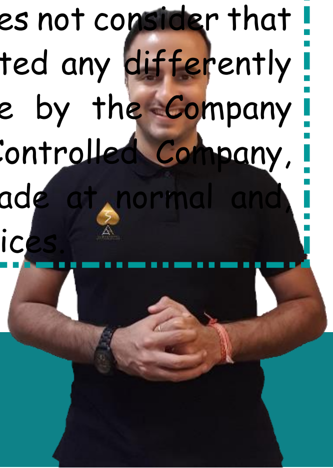
enterprise if that Enterprise / Individual owns -
(a) directly more than 20% interest in the voting power of the Other Enterprise.
(b) directly or indirectly, 20% or more interest in the voting power of the Other Enterprise.
(c) directly more than 30% interest in the voting power of the Other Enterprise.
(d) directly or indirectly, 30% or more interest in the voting power of the Other Enterprise.

9. Parties are considered to be related, if -
(a) at any time during the reporting period, one party has the ability to control the other party,
(b) at any time during the reporting period, exercise significant influence over the other party in making financial and I or operating decisions.
(c) at the end of the reporting period, one party has the ability to - (a) control the other party, or (b) exercise significant influence over the other party in making financial and / or operating decisions.
(d) at any time during the reporting period, one party has the ability to - (a) control the other party, or (b) exercise significant influence over the other party in making financial and I or operating decisions.

10. Which of the following is Related Party Relationship, if Bhanu Ltd is a 100% subsidiary of Agni Ltd.?
(a) Salary paid to Employees of Bhanu Ltd.
(b) Loans given to Employees of Agni Ltd.
(c) Inter-Company Sales between Agni Ltd and Bhanu Ltd.
(d) All of the above

11. AS - 18 is applicable -
(a) If the transactions with related parties are not made at arm's length prices.
(b) If the transactions with related parties are made at arm's length prices.
(c) irrespective of whether or not the transactions with related parties are made at arm's length prices.
(d) For transactions with Directors only

12. Disclosure is required as per AS - 18 in -
(a) Bhima Ltd sold to Arjun Ltd, goods during a Financial Year. Mr.Strength, the Managing Director and Chief Executive of Bhima Ltd owns nearly 100% of the Capital of Arjun Ltd. The Sales were made to Arjun Ltd at the normal Selling Price of Bhima Ltd. The Chief Accountant of Bhima Ltd does not consider that these Sales should be treated any differently from any other sale made by the Company despite being made to a Controlled Company, because the sales were made at normal and, that too, at arms' length prices.



(b) A husband and wife are controlling 34% of voting power in Mathura Limited. They have a separate Partnership Firm, which supplies the main Raw Material to the Company.
(c) Strong Ltd, holding 60% of the Equity Shares in Weak Ltd, purchased goods worth ' 50 Lakhs from Weak Ltd, during the Financial Year. The Managing Director of Strong Ltd is of the opinion that it is normal business activity and there is no need to disclose the same in the final accounts of the Company.
(d) All of the above

13. The following are not deemed to be Related Parties, for AS - 18 purposes -
(a) Merely because two Companies have a director in common, the two Companies cannot be considered as related (unless the Director is able to affect the policies of both Companies in their mutual dealings).
(b) A single Customer, Supplier, Franchiser, Distributor, or General Agent with whom the Reporting Enterprise transacts a significant volume of business, merely by virtue of the resulting economic dependence.
(c) The parties, in the course of their normal dealings with the Reporting Enterprise by virtue only of those dealings (although they may restrict the freedom of action of enterprise or may participate in its decision-making process)
(d) All of the above

14. Which of the following is not a Related Party?
(a) Associate of an Associate
(b) Co-Associates
(c) Provider of Finance
(d) All of the above

15. Anand Ltd owns 30% of Share Capital of Bhanu Ltd, while Bhanu Ltd owns 25% of Share Capital of Chandni Ltd.
(a) Associate of an Associate cannot be regarded as a Related Party
(b) Associate of an Associate are regarded as a Related Party
(c) Co-Associates cannot be regarded as Related Parties
(d) Co-Associates are regarded as Related Parties

16. Asha Ltd has two Associates, Basu Ltd and Charan Ltd, and owns 25% of the voting power of Basu Ltd and 30% of the voting power of Charan Ltd.
(a) Associate of an Associate cannot be regarded as a Related Party
(b) Associate of an Associate are regarded as a Related Party
(c) Co-Associates cannot be regarded as Related Parties

(d) Co-Associates are regarded as Related Parties

17. Bharat Ltd sold goods to its Associate Company for the 1st Quarter ending 30th June. After that, the Related Party Relationship ceased to exist. However, goods were supplied as was supplied to any other ordinary customer.

(a) It needs to disclose only those transactions which happened during the existence of relationship.

(b) It needs to disclose all the transactions which happened during the reporting period.

(c) It needs to disclose the nature of relationship even if there is no transactions during the reporting period.

(d) Both (b) & (c)

18. A Holding Company entered into business transactions with its Subsidiary during a FY. The Holding Company divested its holding in Subsidiary before 31st March & as such no Related Party Relationship existed at the end of year.

(a) It needs to disclose only those transactions which happened during the existence of relationship.

(b) It needs to disclose all the transactions which happened during the reporting period.

(c) It needs to disclose the nature of relationship even if there is no transactions during the reporting period.

(d) Both (b) & (c)

19. Rajan is a Director of Aruna Ltd and Bhanu Ltd. On 30th June, Rajan resigned from Directorship of Bhanu Ltd. Aruna Ltd sold goods to Bhanu Ltd during the entire year at the same price and conditions as to any other customer.

(a) It needs to disclose only those transactions which happened during the existence of relationship.

(b) It needs to disclose all the transactions which happened during the reporting period.

(c) It needs to disclose the nature of relationship even if there is no transactions during the reporting period.

(d) Both (b) & (c)

20. Ram Ltd held 70% of Share Capital of Ayodhya Ltd. During the year Ram Ltd sold 60% of the Shareholding in Ayodhya Ltd there were transactions between Ram Ltd and Ayodhya Ltd before and after the sale of holding by Ram Ltd.

(a) It needs to disclose only those transactions which happened during the existence of relationship.

(b) It needs to disclose all the transactions which happened during the reporting period.

(c) It needs to disclose the nature of relationship even if there is no transactions during the reporting period.

(d) Both (b) & (c)

21. Rajkumar, a relative of Key Management Personnel, received remuneration for his services in the Company for the period from 1st January to 30th June. On 1st July, he left the service.

(a) It needs to disclose only those transactions which happened during the existence of relationship. .

22. R Ltd has 60% voting right in S Ltd. S Ltd has 15% voting right in T Ltd. R Ltd directly enjoys voting right of 10% in T Ltd. T Ltd is a listed company and regularly supplies goods to R Ltd. The management of T Ltd has not disclosed its relationship with R Ltd.

(b) It needs to disclose all the transactions which happened during the reporting period. (c) It needs to disclose the nature of relationship even if there is no transactions during the reporting period. (d) Both (b) & (c)	(a) It needs to disclose only those transactions which happened during the existence of relationship. (b) It needs to disclose all the transactions which happened during the reporting period. . (c) It needs to disclose the nature of relationship even if there is no transactions during the reporting period. (d) Not a related party

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	a	d	c	d	d	c	b	d	c	c	d	d	d	a	c	a	d	a	a

21	22
a	d

AS-20 Earnings Per Share

1. Earnings Per Share (EPS) =
(a) Profit after Tax ÷ Weighted Average Number of Equity Shares
(b) Total Comprehensive Income ÷ Weighted Average Number of Equity Shares
(c) Earnings available for Equity Shareholders ÷ Weighted Average Number of Equity Shares
(d) Profit before Tax ÷ Weighted Average Number of Equity Shares

2. The focus of Ind AS-33 is on the -
(a) Numerator of the EPS calculation
(b) Denominator of the EPS calculation
(c) Both of the above
(d) None of the above

3. When an Entity presents both Consolidated and Separate Financial Statements prepared, Disclosures required by AS-20 shall be presented in -
(a) Consolidated Financial Statements
(b) Separate Financial Statements
(c) Both of the above
(d) Either of the above

4. Which of the following are included in the determination of Profit or Loss for the period attributable to Ordinary Equity Holders of the Parent Entity?
(a) All items of Income and Expense, attributable to Ordinary Equity Holders of the Parent Entity
(b) Tax Expense
(c) Dividends on Preference Shares
(d) All of the above

The Net Profit Before Tax of Mitra Ltd was ₹ 100 Lakhs and the Income Tax Rate was 37%. The Company's Preference Share Capital has the following classes -
12% Non-Cumulative Preference Share Capital
10% Cumulative Preference Share Capital
In its accounts, Mitra Ltd has declared I paid following dividends on Preference Capital:
On Non-Cumulative Preference Shares - fully declared for the current year.
On Cumulative Preference Shares - for the past three yea₹
Assume Dividend Distribution Tax at 17% and that the Company transferred ₹ 5 Lakhs to General Reserve. You are required to calculate the Net Profit for the period, attributable to Equity Shareholders

5. Total Preference Dividend to be deducted
(a) 17 Lakhs
(b) 12 Lakhs
(c) 27 Lakhs
(d) 57 Lakhs

6. Total Dividend Distribution Tax Payable =
(a) 9.69 Lakhs
(b) 4.59 Lakhs
(c) 2.04 Lakhs
(d) 3.00 Lakhs

7. Net Profit for the period attributable to Equity Shareholders =
(a) 26.41 Lakhs
(b) 31.41 Lakhs
(c) 12.41 Lakhs
(d) 1.41 Lakhs

Opening Number of Ordinary Shares	10,00,000
Opening No. of 5% Convertible Debentures	₹ 1,00,000
Tax Rate	30%
Profit for the Year ended 31st December	₹ 2,00,000

Conversion Ratio = 120 Ordinary Shares for ₹ 100. On 31st March, Holders of ₹ 25,000 Bonds converted to Ordinary Shares.

8. Weighted Average No. of Shares for computing Basic EPS -
(a) 10,22,500
(b) 11,00,000
(c) 15,00,000
(d) 10,25,500

9. Basic EPS -
(a) 0.20
(b) 0.18
(c) 0.38
(d) 0.50

10. Incremental Earnings for 750 Debentures for computing Diluted EPS –
₹ 100 Lakhs ₹ 150 Lakhs
(a) 2,625
(b) 218.75
(c) 262.50
(d) 2185

11. Incremental Earnings for 250 Debentures for computing Diluted EPS -
(a) 2,625
(b) 218.75
(c) 262.50
(d) 2185

12. Incremental Shares for 750 Debentures for computing Diluted EPS -
(a) 7,500
(b) 90,000
(c) 75,000
(d) 30,000

13. Incremental Shares for 250 Debentures for computing Diluted EPS -
(a) 7,500
(b) 90,000
(c) 75,000
(d) 30,000

14. Diluted EPS -
(a) 0.20
(b) 0.18
(c) 0.38
(d) 0.50

Net Profit for the year = ₹ 10,00,000
Weighted Average Number of Equity Shares outstanding during the year = 4,00,000
Weighted Average Number of Equity Shares under Option during the year = 2,00,000

Exercise Price (i.e. Issue I Offer Price for conversion of Options) = ₹ 20.00
Average Market Price of Equity Shares for the last six months of the year = ₹ 25.00

15. Basic EPS =
(a) 2.50
(b) 2.27
(c) 2
(d) 3

16. Incremental Number of Shares for Options =
(a) 20,000
(b) 25,000
(c) 40,000
(d) 15,000

17. Diluted EPS =
(a) 2.50
(b) 2.27
(c) 2
(d) 3

Shatrugna Ltd had 12,00,000 Equity Shares on at the beginning of a Financial Year. It earned a Profit of ₹30,00,000 during that year. The Average Market Price per Share was ₹ 25. The Company has given Share Option to its Employees, of 2,00,000 Equity Shares at an Option Price of ₹ 15.

18. Incremental Earnings for Options =
(a) 20 Lakhs
(b) 50 Lakhs
(c) 30 Lakhs
(d) Nil

19. Incremental Number of Shares for Options =
(a) 50,000
(b) 80,000
(c) 40,000
(d) 60,000

20. Diluted EPS =
(a) 2.50
(b) 2.27
(c) 2.34
(d) 3

- Net Profit for the year after tax: ₹ 75,00,000 [Rate of Income Tax: 30%]
- Np. of Equity Shares of ₹ 10 each: 10,00,000
- Convertible Debentures Issued by the Company:

Particulars	Nos.
8% Convertible Debentures of ₹ 100 each	1,00,000
Equity Shares to be issued on Conversion	1,10,000

21. Basic EPS =
(a) 7.50
(b) 7.27
(c) 7.34

22. Incremental earnings for Diluted EPS -
(a) ₹ 8,00,000
(b) ₹ 5,60,000
(c) ₹ 7,60,000

(d) 3

(d) ₹ 80,60,000

23. Diluted EPS =
(a) 7.50
(b) 7.27
(c) 7.26
(d) 3.22

Net Profit for Previous Year	₹ 22 Lakhs
Net Profit for Current Year	₹ 33 Lakhs
No. of Shares before Rights Issue	110,000
Fair Value of Share before Rights	₹ 270
Rights Issue Ratio	One of Every Four
Rights Issue Price	₹ 180
Date of Exercising Rights	31.07.2021

24. Theoretical Ex-Rights Fair Value / Price:
(a) 220
(b) 270
(c) 252
(d) 180

25. Basic EPS for CY =
(a) 25.20
(b) 27.20
(c) 2.520
(d) 20.00

26. Basic EPS for Previous Year as originally reported =
(a) 25.20
(b) 27.20
(c) 18167
(d) 20.00

27. Adjusted EPS for PY =
(a) 25.20
(b) 27.20
(C) 18.67
(d) 20.00

28. Weighted Average Number of Shares (WANES) Outstanding during the period =
(a) 1,30,951.33
(b) 1,31,951.33
(c) 1,03,951.33
(d) 1,30,900

As on 31.03.2021, the Equity Share Capital of Aditya Ltd is ₹ 10 Crores divided into Shares of ₹ 10 each. During the financial year 2021-2022, it has issued Bonus Shares in the ratio of 1:1. The Net Profit after Tax for the years 31.03.2021 and 31.03.2022 are ₹ 8.50 Crores and ₹ 11.50 Crores respectively.

29. Basic EPS for Current Year =
(a) 5.00
(b) 5.75
(c) 4.25
(d) 1

30. Adjusted EPS for Previous Year =
(a) 5.00
(b) 5.75
(c) 4.25
(d) 1

31. Basic EPS for Previous Year as originally reported =
(a) 5.20
(b) 7.20
(c) 8.50
(d) 2.00

At the beginning of a financial year, a Company issued 1,20,000 Equity Shares of ₹ 100 each, ₹ 50 per Share was called up on that date which was paid by all Shareholders The remaining ₹ 50 was called up on 1st September. All Shareholders paid the sum in September, except one Shareholder having 24,000 Shares. The Net Profit for the relevant financial year is ₹ 2,64,000 after dividend on Preference Shares and Dividend Distribution Tax of ₹ 64,000.

32. Weighted Average No. of Shares =
(a) 1,00,000
(b) 88,000
(c) 1,25,000
(d) 2,40,000

33. Basic EPS for Current Year =
(a) 5.00
(b) 5.75
(c) 4.25
(d) 3

34. Adjustments / Restatement will be applicable in case of-
(a) Bonus Issue
(b) Rights issue
(c) Both of the above
(d) None of the above

35. Dilution will be applicable in case of -
(a) Convertible Debentures
(b) Convertible Preference Shares
(c) ESOPs
(d) All of the above

36. In case of Profit-making companies, condition for diluted EPS -
(a) Basic EPS = Diluted EPS
(b) Basic EPS > Diluted EPS
(c) Basic EPS < Diluted EPS
(d) Diluted EPS > Adjusted EPS

37. Potential Shares are considered to be anti-dilutive if
(a) Basic EPS = Diluted EPS
(b) Basic EPS > Diluted EPS
(c) Basic EPS < Diluted EPS
(d) Diluted EPS > Adjusted EPS

38. Incremental Earnings will always be nil for
(a) Convertible Debentures
(b) Convertible Preference Shares
(c) ESOPs
(d) All of the above

39. Tax impact on Incremental Earnings will arise for -
(a) Convertible Debentures
(b) Convertible Preference Shares
(c) ESOPs
(d) All of the above

40. In which order Potential shares are considered for computing Diluted EPS?
(a) Convertible Debentures, Convertible Preference Shares and ESOPs
(b) ESOPs, Convertible Debentures and Convertible Preference Shares

(c) Ascending order of Incremental EPS
(d) Descending order of Incremental EPS

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
c	b	c	d	c	b	b	a	a	a	b	b	a	b	a	c	b	d	b	c

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
a	b	c	c	a	d	c	a	b	c	c	b	d	c	d	b	c	c	a	c

AS-24 Discontinuing Operations

1. Cash Generating Unit is -

(a) A Group of Assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and Liabilities directly associated with those Assets that will be transferred in the transaction.

(b) Operations and Cash Flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Entity.

(c) Component of an Entity that either has been disposed of, or is classified as Held for Sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

(d) Smallest identifiable Group of Assets that generates Cash Inflows that are largely independent of the Cash Inflows from other Assets or Groups of Assets.

2. Discontinuing Operation is Component of an Entity that represents a separate major line of-

(a) business area of operations

(b) geographical area of operations

(c) Either of the above

(d) Both of the above

3. Discontinuing Operation is -

(a) A Group of Assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and Liabilities directly associated with those Assets that will be transferred in the transaction.

(b) Operations and Cash Flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Entity.

(c) Component of an Entity that is disposing of and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a

4. A Component of an Entity is -

(a) A Group of Assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and Liabilities directly associated with those Assets that will be transferred in the transaction.

(b) Operations and Cash Flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Entity.

(c) Component of an Entity that either has been disposed of, or is classified as Held for Sale and represents a separate major line of business or geographical area of operations, is part of a

separate major line of business or geographical area of operations.
(d) Smallest identifiable Group of Assets that generates Cash Inflows that are largely independent of the Cash Inflows from other Assets or Groups of Assets.

single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.
(d) Smallest identifiable Group of Assets that generates Cash Inflows that are largely independent of the Cash Inflows from other Assets or Groups of Assets.

5. The Entity is disposing of a Component that represents a separate major line of business or geographical area of operations, is called as -
(a) Component of an Entity
(b) Disposal Group
(c) Cash Generating Unit
(d) Discontinuing Operation

6. The Entity is disposing of piecemeal, as part of a single co-ordinated plan, of a separate major line of business or geographical area of operations is called as -
(a) Component of an Entity
(b) Disposal Group
(c) Cash Generating Unit
(d) Discontinuing Operation

7. A Component that the Entity is terminating through abandonments called as -
(a) Component of an Entity
(b) Disposal Group
(c) Cash Generating Unit
(d) Discontinuing Operation

8. Operations and Cash Flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Entity is called as -
(a) Component of an Entity
(b) Disposal Group
(c) Cash Generating Unit
(d) Discontinuing Operation

9. Discontinuing Operation includes -
(a) Component of an Entity that has been disposed of, or is classified as Held for Sale and represents a separate major line of business or geographical area of operations
(b) Component of an Entity that has been disposed of, or is classified as Held for Sale and, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
(c) Component of an Entity that either has been disposed of, or is classified as Held for Sale and is a Subsidiary acquired exclusively with a view to resale.
(d) Any of the above

10. Gradual or evolutionary phasing out of a product line or class of service is an example of -
(a) Activities that do not necessarily result in Discontinuing Operation, but that might do so in combination with other circumstances
(b) Activities that result in Discontinuing Operation, but that might not do so in combination with other circumstances
(c) Activities that do not result in Discontinuing Operation
(d) Activities that result in Discontinuing Operation

11. Gradual or evolutionary phasing out of a product line or class of service is an example of -

(a) Activities that do not necessarily result in Discontinuing Operation, but that might do so in combination with other circumstances

(b) Activities that result in Discontinuing Operation, but that might not do so in combination with other circumstances

(c) Activities that do not result in Discontinuing Operation

(d) Activities that result in Discontinuing Operation

12. Discontinuing, even if relatively abruptly, several products within an ongoing line of business is an example of -

(a) Activities that do not necessarily result in Discontinuing Operation, but that might do so in combination with other circumstances

(b) Activities that result in Discontinuing Operation, but that might not do so in combination with other circumstances

(c) Activities that do not result in Discontinuing Operation

(d) Activities that result in Discontinuing Operation

13. Shifting of some production or marketing activities for a particular line of business from one location to another is an example of

(a) Activities that do not necessarily result in Discontinuing Operation, but that might do so in combination with other circumstances

(b) Activities that result in Discontinuing Operation, but that might not do so in combination with other circumstances

(c) Activities that do not result in Discontinuing Operation

(d) Activities that result in Discontinuing Operation

14. Closing of a facility, to achieve productivity improvements or other cost savings is an example of -

(a) Activities that do not necessarily result in Discontinuing Operation, but that might do so in combination with other circumstances

(b) Activities that result in Discontinuing Operation, but that might not do so in combination with other circumstances

(c) Activities that do not result in Discontinuing Operation

(d) Activities that result in Discontinuing Operation

15. Changing the size of the workforce in response to market forces is an example of -

(a) Activities that do not necessarily result in Discontinuing Operation, but that might do so in combination with other circumstances

(b) Activities that result in Discontinuing Operation, but that might not do so in combination with other circumstances

(c) Activities that do not result in Discontinuing Operation

(d) Activities that result in Discontinuing Operation

16. Selling a Subsidiary whose activities are similar to those of the Parent or other Subsidiaries, (in relation to Consolidated Financial Statements) is an example of-

(a) Activities that do not necessarily result in Discontinuing Operation, but that might do so in combination with other circumstances

(b) Activities that result in Discontinuing Operation, but that might not do so in combination with other circumstances

(c) Activities that do not result in Discontinuing Operation

(d) Activities that result in Discontinuing Operation

17. Till last year, a Company was engaged in the production of Black and White (B/W) TV Sets. Now, it has just entered into production of Color TV (CTV) Sets. This year, the Company reduced the production of B/W Sets and concentrated on CTV's only. Gradually B/W production was stopped. It is -

(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

18. A Company was having its production plant in Location X, to avail backward area related tax benefits. To achieve economies of scale, the Company wishes to shift to Location Y. It is -

(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

19. A Holding Company engaged in the manufacture of textiles, disposed of its investment in one of its Subsidiaries, which is also engaged in the same line of business. It is -

(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

20. A Company has four market areas - Government, Local, Export to Europe and Export to places other than Europe. The Company finds that it may not be able to sell to Government in the coming years, due to change in Government's procurement policy. It is -

(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

Q Ltd is in the business of manufacture of Passenger Cars and Commercial Vehicles. The Company is working on a strategic plan to shift from the Passenger Car segment over the coming 5 years. However, no specific plans have been drawn up for sale of neither the Division nor its Assets. As part of its plan, it will reduce the production of Passenger Cars by 20% annually. It also plans to commence another New Factory for the manufacture of Commercial Vehicles and transfer surplus employees in a phased manner.

21. It is -

(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

22. It is an example of -

(a) Gradual or evolutionary phasing out of a product line or class of service,
(b) Discontinuing, even if relatively abruptly, several products within an ongoing line of business,
(c) Shifting of some production or marketing activities for a particular line of business from one location to another,
(d) Closing of a facility, to achieve productivity improvements or other cost savings.

23. In the above case, if the Company passes a Resolution to sell some of the assets in the Passenger Car Division and also to transfer few other Assets of the Passenger Car Division to the factory, then it is -
(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

24. In the above case, if the Company resolves to sell the assets of the Passenger Car Division in a phased but time bound manner, then it is -
(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

A Company belonging to the process industry carries out three consecutive processes. The output of the 1st Process is taken as input of the 2nd Process, and the output of the 2nd Process is taken as input of the 3rd Process. The final product emerges out of the 3rd Process. It is also possible to outsource the intermediate products. It has been found that over a period of time cost of production of the 1st Process is 10% higher than the Market Price of the Intermediate Product available freely in the market. The Company has decided to close down the 1st Process and outsource.

25. It is -
(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

26. It is an example of -
(a) Gradual or evolutionary phasing out of a product line or class of service,
(b) Discontinuing, even if relatively abruptly, several products within an ongoing line of business,
(c) Shifting of some production or marketing activities for a particular line of business from one location to another,
(d) Closing of a facility, to achieve productivity improvements or other cost savings.

A Healthcare Goods Producer has changed the product line during a year as follows -

	Washing Soap	Bathing Soap
1st Quarter and 2nd Quarter, per month	2,00,000	2,00,000
3rd Quarter, per month	1,00,000	3,00,000
4th Quarter, per month	0	4,00,000

27. It is -
(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale

28. It is an example of -
(a) Gradual or evolutionary phasing out of a product line or class of service,
(b) Discontinuing, even if relatively abruptly, several products within an ongoing line of business,

(c) Shifting of some production or marketing activities for a particular line of business from one location to another,
(d) Closing of a facility, to achieve productivity improvements or other cost savings.

29. In relation to a Discontinuing Operation, the initial disclosure event is the occurrence of-
(a) the Enterprise has entered into a binding sale agreement for substantially all of the assets attributable to the Discontinuing Operation
(b) the Enterprise's Board of Directors or similar Governing Body has both - (i) approved a detailed, formal plan for the discontinuance, and (ii) made an announcement of the plan.
(c) Earlier of the above
(d) Later of the above

30. The Asset Disposals, Liability Settlements, and Binding Sale Agreements may occur -
(a) concurrently with the Initial Disclosure Event
(b) in the period in which the Initial Disclosure Event occurs
(c) in a later period
(d) Any of the above

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	b	c	b	d	d	d	a	d	a	a	a	a	a	a	a	a	a	a	a

21	22	23	24	25	26	27	28	29	30
a	a	a	a	a	b	a	a	c	d

AS-25 Interim Financial Reporting

1. Rishaba Ltd reported a PBT of ₹ 4 Lakhs for the quarter ending 30th September after recognizing Dividend Income of ₹ 4 Lakhs received during the quarter has been recognised to the extent of ₹ 1 Lakh only. Adjustment required -
(a) Add 3 Lakh
(b) Add 1 Lakh
(c) Deduct 1 Lakh
(d) No Adjustment Required

2. Rishaba Ltd reported a PBT of ₹ 4 Lakhs for the quarter ending 30th September after recognizing 80% of Sales Promotion Expenses ₹ 15 Lakhs incurred in this quarter has been deferred to the next quarter, as the sales in the next quarter is high. Adjustment required
(a) Add 15 Lakh
(b) Add 12 Lakh
(c) Deduct 12 Lakh
(d) No Adjustment Required

3. Rishaba Ltd reported a PBT of ₹ 4 Lakhs for the quarter ending 30th September after recognizing the following - In this quarter, the Company changed depreciation method from WDV to SLM which resulted in excess depreciation of ₹12 Lakhs. The entire amount has been debited in this quarter though the share of this quarter is only ₹ 3 Lakhs. Adjustment required -
(a) Add 15 Lakh
(b) Add 12 Lakh
(c) Deduct 12 Lakh
(d) No Adjustment Required

4. Rishaba Ltd reported a PBT of ₹ 4 Lakhs for the quarter ending 30th September after recognizing ₹ 2 Lakhs Unusual Gain received in this quarter was allocated equally to this and next quarters. Adjustment required -
(a) Add 4 Lakh
(b) Add 1 Lakh
(c) Deduct 1 Lakh
(d) No Adjustment Required

5. Rishaba Ltd reported a PBT of ₹ 4 Lakhs for the quarter ending 30th September after recognizing the following - Cumulative Loss resulting from change in method of Inventory Valuation was recognized in this quarter ₹ 3 Lakhs. Out of this loss ₹ 1 Lakh relates to the previous quarter. Adjustment required -
(a) Add 4 Lakh
(b) Add 1 Lakh
(c) Deduct 1 Lakh
(d) No Adjustment Required

6. Rishaba Ltd reported a PBT of ₹ 4 Lakhs for the quarter ending 30th September after recognizing the following - Sale of Investment in the first quarter resulted in a gain of ₹ 20 Lakhs. The Company had apportioned this equally to the four quarters. Adjustment required -
(a) Add 4 Lakh
(b) Add 20 Lakh
(c) Deduct 5 Lakh
(d) No Adjustment Required

7. Kataka Ltd shows Net Profit of ₹ 7,20,000 for Quarter III after incorporating the Bad Debts of ₹ 40.000 incurred during the year, 50% of the Bad Debts have been deferred to the next quarter.
Adjustment required -
(a) Deduct 20,000
(b) Add 40,000
(c) Deduct 40,000
(d) No Adjustment Required

8. Kataka Ltd shows Net Profit of ₹ 7,20,000 for Quarter III after incorporating the Unusual Loss of ₹ 35.000 incurred during the quarter has been fully recognized in this quarter. Adjustment required -
(a) Add 7,20,000
(b) Add 35,000
(c) Deduct 35,000
(d) No Adjustment Required

9. Kataka Ltd shows Net Profit of ₹ 7,20,000 for Quarter III after incorporating the Additional Depreciation of ₹ 45,000 resulting from the change in the method of charge of depreciation. Adjustment required -
(a) Add 7,20,000
(b) Add 45,000
(c) Deduct 45,000
(d) No Adjustment Required

10. Saurav Limited reported a Profit before Tax of ₹ 8.00 Lakhs for the 2nd quarter ending on 30th September 2014. Property Tax of ₹ 60,000 paid during the quarter for the full year has been recognized in full. Adjustment required -
(a) Add 15,000
(b) Add 45,000
(c) Deduct 45,000
(d) No Adjustment Required

11. Saurav Limited reported a Profit before Tax of ₹ 8.00 Lakhs for the 2nd quarter ending on 30th September 2014. 1/5th of ₹ 15 Lakhs being Marketing Promotional Expenses incurred on 23rd September, 2014 has been recognized based on past experience of higher sales in the last quarter of the year. Adjustment required -
(a) Add 12 Lakhs
(b) Add 15 Lakhs
(c) Deduct 12 Lakhs
(d) No Adjustment Required

12. Saurav Limited reported a Profit before Tax of ₹ 8.00 Lakhs for the 2nd quarter ending on 30th September 2014. 50% of the Loss of ₹ 2 Lakhs incurred on disposal of a Business Segment has been allocated to this quarter. Adjustment required -
(a) Add 2 Lakhs
(b) Add 1 Lakhs
(c) Deduct 1 Lakhs
(d) No Adjustment Required

13. Saurav Limited reported a Profit before Tax of ₹ 8.00 Lakhs for the 2nd quarter ending on 30th September 2014. Cumulative Loss of ₹ 3 Lakhs resulting from the change in the method of Valuation of Inventory was recognized in the 2nd quarter, which included ₹ 2 Lakhs related to earlier quarters. Adjustment required -
(a) Add 2 Lakhs

14. Saurav Limited reported a Profit before Tax of ₹ 8.00 Lakhs for the 2nd quarter ending on 30th September 2014. Gain of ₹ 15 Lakhs from Sale of Investments sold in the 1st quarter was apportioned equally over the full year. Adjustment required -
(a) Add 15 Lakhs
(b) Add 3.75 Lakhs
(c) Deduct 3.75 Lakhs

(b) Add 1 Lakhs
(c) Deduct 1 Lakhs
(d) No Adjustment Required

(d) No Adjustment Required

15. Comparative for Balance Sheet as at 30.09.2022 -
(a) Balance Sheet as at 30.09.2021
(b) Balance Sheet as at 31.03.2022
(c) Both of the above
(d) Any of the above

16. Comparative for Balance Sheet as at 30.06.2022 -
(a) Balance Sheet as at 30.06.2021
(b) Balance Sheet as at 31.03.2022
(c) Both of the above
(d) Any of the above

17. Comparative for P&L as at 30.09.2022 (Half-Yearly)
(a) P&L as at 30.09.2021 (Half-Yearly)
(b) P&L as at 31.03.2022
(c) Both of the above
(d) Any of the above

18. Company presents P&L as at 30.09.2022 (Quarterly). It should also present -
(a) P&L as at 30.09.2021 (Half-Yearly)
(b) P&L as at 30.09.2021 (Quarterly)
(c) P&L as at 30.09.2022 (Half-Yearly)
(d) All of the above

19. Company presents Cash Flow Statement as at 30.09.2022 (Quarterly). It should also present-
(a) Cash Flow Statement as at 30.09.2021 (Half- Yearly)
(b) Cash Flow Statement as at 30.09.2021 (Quarterly)
(c) Cash Flow Statement as at 30.09.2022 (Half- Yearly)
(d) All of the above

20. Which of the following is true?
(a) When an Enterprise is required or elects to prepare and present an Interim Financial Report, it should comply with the requirements of AS - 25.
(b) AS - 25 does not provide for classes of enterprises required to present Interim Financial Reports, how frequent, or how soon after the end of an interim period should reports be presented.
(c) Both of the above
(d) None of the above

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	c	d	b	b	c	a	d	d	b	c	c	a	c	b	b	a	d	b	c

AS-2 Valuation Of Inventories

1. Which of the following is included in cost of inventory as per AS-2?
a) Duties and taxes subsequently recoverable from taxing authorities
b) Freight inwards
c) Rebates
d) Duty drawbacks

2. X Ltd. purchased goods at the cost of ₹ 40 lakhs in October, 2018. Till March, 2019, 75% of the stocks were sold. The company wants to disclose closing stock at ₹ 10 lakhs. The expected sale value is ₹ 11 lakhs and a commission at 10% on sale is payable to the agent. What is the correct closing stock to be disclosed as at 31.3.2019 as per AS-2?
a) 10 Lakhs
b) 9.9 Lakhs
c) 11 lakhs
d) 12 lakhs

3. On 31.3.2018 a business firm finds that cost of a partly finished unit on that date is ₹ 530. The unit can be finished in 2018-2019 by an additional expenditure of ₹ 310. The finished unit can be sold for ₹ 750 subject to payment of 4% brokerage on selling price. The firm seeks your advice regarding the amount at which the unfinished unit should be valued as at 31.3.2019 for preparation of final accounts?
a) 530 per unit
b) 410 per unit
c) 440 per unit
d) 720 per unit

4. X Ltd. manufactures a product and details of costs are as under:
Raw material — ₹ 4,00,000
Direct labour — ₹ 2,50,000
Variable production overheads — ₹ 1,50,000
Fixed production overheads — ₹ 2,90,000(including interest — ₹ 1,00,000)
Normal production capacity is 55,000 units. At the year-end closing stock was 2,500 units. Compute the value of closing stock.
a) ₹ 45,000
b) ₹ 40,000
c) ₹ 55,000
d) ₹ 50,000

5. In process, 100 units of raw materials were introduced at a cost of ₹ 1,000. The other expenditure incurred by the process was ₹ 600. Of the units introduced, 10% are normally lost in the course of manufacturing and they possess a scrap value of ₹ 3 each. The output of Process was only 75 units. Calculate the value of final output.
a) ₹ 262

6. Z Ltd. operates retails business. For the financial year following data is given.

	At retail price	At cost
Opening stock	80,000	60,000
Purchases	1,40,000	1,20,000

Calculate the cost of closing stock, if sales made during the year is ₹ 2,00,000.

b) ₹ 1,308
c) ₹ 1,406
d) ₹ 863

a) ₹ 16,436
b) ₹ 14,366
c) ₹ 16,364
d) ₹ 14,346

7. Books of T Ltd. revealed the following information: Opening inventory ₹ 16,00,000
Purchases during the year ₹ 34,00,000
Sales during the year ₹ 48,00,000
At year end, the value of inventory as per physical stock-taking was ₹ 3,25,000. The company's gross profit on sales has remained constant at 25%. The management of the company suspects that some inventory might have been pilfered by a new employee. What is the estimated cost of missing inventory?
a) ₹ 75,000
b) ₹ 25,000
c) ₹ 1,00,000
d) ₹ 1,50,000

8. NS Ltd., a dealer in second-hand cars has the following five vehicles of different models and makes in their stock at the end of FY 2018-2019:

Car	Cost	NRV
Fiat	90,000	95,000
Ambassador	1,15,000	1,55,000
Maruti Esteem	2,75,000	2,65,000
Maruti 800	1,00,000	1,25,000
Zen	2,10,000	2,00,000

Value of stock included in the balance sheet of the company as on March 31, 2019 was
a) ₹ 7,62,500
b) ₹ 7,70,000
c) ₹ 7,90,000
d) ₹ 8,70,000

9. Which of the following statements is correct with respect to inventories?
a) The FIFO method assumes that the costs of the earliest goods acquired are the last to be sold.
b) It is generally good business management to sell the most recently acquired goods first.
c) Under FIFO, the ending inventory is based on the latest units purchased.
d) FIFO seldom coincides with the actual physical flow of inventory.

10. Which of the following method of inventory valuation is not recommended by AS-2?
a) Specific Identification Method
b) Last-in-First Out Method
c) Weighted Average Cost Method
d) First—in—First Out Method

11. If closing stock is overstated
a) Profit will increase and current assets will decrease
b) Profit will decrease and current assets will increase
c) Both profit & current assets will increase

12. In a production process, normal waste is 5% of input. 5000 MT of input were put in process resulting in a waste of 300 MT. Cost per MT of input is ₹ 500. What will be the cost per unit?
a) ₹ 500.00

d) Both profit & current assets will decrease

b) ₹ 526.32
c) ₹ 526.32
d) ₹ 561.80

13. Rajasthali Ltd. ordered 16,000 kg. of certain material at ₹ 160 per unit. The purchase price includes excise duty ₹ 10 per kg. in respect of which full Cenvat credit admissible. Freight incurred amounted to ₹ 1,40,160. Normal transit loss is 2%. The company actually received 15,500 kg. and consumed 13,600 kg. of material. The cost of inventory as per AS 2 will be –
a) ₹ 3,20,644
b) ₹ 3,01,644
c) ₹ 3,07,800
d) None of these

14. As per AS-2, inventories should be valued at:
(1) Cost
(2) Net Realizable Value
Select the correct answer from the options given
a) (1) only
b) Higher of (1) and (2)
c) (2) only
d) Lower of (1) and (2)

15. As per AS-2, the historical cost of inventories should normally be determined by using
a) FIFO and LIFO Method
b) UFO and Weighted Average Cost Method
c) FIFO and Weighted Average Cost Method
d) FIFO and Simple Average Cost Method

16. While finalizing the current year profit, the company realized that there was an error in the valuation of closing stock of the previous year. In the previous year, closing stock was overvalued. As a result
a) Previous year profit is overstated and current year profit is also overstated.
b) Previous year profit is understated and current year profit is overstated
c) Previous year profit is understated, and current year profit is also understated.
d) Previous year profit is overstated and current year profit is understated.

17. NRV or net realizable value of inventory is the expected selling price or market value less
a) Carry value of the inventory
b) Expenses necessary to complete sale
c) Cost of the stock
d) replacement cost

Akshay Pharma Ltd ordered 16,000 kg of certain material at ₹ 160 per unit. The Purchase Price includes GST ₹ 10 per kg in respect of which full Input Tax Credit is admissible. Freight incurred amounted to ₹1,40,160. Normal Transit Loss is 2%. The Company actually received 15,500 kg and consumed 13,600 kg of Material.

18. Abnormal Loss in units =
a) 320 kg
b) 180 kg
c) 13,600 kg
d) 1,900 kg

19. Normal Loss in units =
a) 320 kg
b) 180 kg
c) 13,600 kg
d) 1,900 kg

20. Closing Stock in units =

21. Effective Cost per unit =

a) 320 kg b) 180 kg
c) 13,600 kg d) 1,900 kg

a) 160 b) 162
c) 165 d) 188

22. Closing Inventories =
a) 22,03,200
b) 29,160
c) 3,07,800
d) 25,40,160

23. Abnormal Loss debited in P&L =
a) 22,03,200
b) 29,160
c) 3,07,800
d) 25,40,160

HP is a leading distributor of Petrol. A detail Inventory of Petrol in hand is taken when the books are closed at the end of each month. At the end of the month, the following information is available:
Sales - ₹ 47,25,000, General Overheads Cost - ₹ 1,25,000, Inventory at beginning - 1,00,000 Litres at ₹ 15 per Litre.
Purchases:
(a) June 1 Two Lakh Litres at 14.25;
(b) June 30 One Lakh Litres at 15.15;
(c) Closing Inventory 1.30 Lakh Litres

24. Closing Inventories =
a) 19,42,500
b) 39,22,500
c) 43,65,000
d) 6,77,500

25. Purchases =
a) 19,42,500
b) 39,22,500
c) 43,65,000
d) 6,77,500

26. COGS =
a) 19,42,500
b) 39,22,500
c) 43,65,000
d) 6,77,500

27. Profit =
a) 19,42,500
b) 39,22,500
c) 43,65,000
d) 6,77,500

Particulars	Raw Material X
Closing Balance	500 units
Cost Price including GST	₹200 per unit
GST (Input Tax Credit is receivable)	₹10 per unit
Freight Inward	₹20 per unit
Unloading Charges	₹10 per unit
Replacement Cost	₹150 per unit

28. Cost of Raw materials per unit =
a) 230 b) 220
c) 150 d) 210

29. If Finished Goods are valued at cost, closing stock of Raw material is valued at =
a) 230 b) 220
c) 150 d) 210

30. If Finished Goods are valued at NRV, Closing stock of Raw material is valued at =
a) 230 b) 220

c) 150 d) 210

Particulars	Finished Goods Y
Closing Balance	1,200 units
Material Consumed	₹ 220 per unit
Direct Labour	₹ 60 per unit
Direct Overhead	₹ 40 per unit
Total Fixed Overhead	₹ 2,00,000
Normal Capacity	20,000 units

31. Cost of Finished Goods per unit =
a) 230
b) 220
c) 150
d) 330

32. If NRV of Finished Goods is ₹ 300, Closing stock of Finished Goods =
a) 3,96,000
b) 3,60,000
c) 1,50,000
d) 2,10,000

33. If NRV of Finished Goods is ₹ 360, Closing stock of Finished Goods =
a) 3,96,000
b) 3,60,000
c) 1,50,000
d) 2,10,000

Mr. Ekadanta gives the following Information relating to items forming part of Inventory as on 31st March. His Factory produces Product X using Raw Material A.
(a) 600 units of Raw Material A (purchased at ₹ 120). Replacement Cost of Raw Material A as on 31st March is ₹ 90 per unit.
(b) 500 units of Partly Finished Goods in the process of producing X and Cost incurred till date ₹ 260 per unit. These units can be finished next year by incurring Additional Cost of ₹ 60 per unit
(c) 1,500 units of Finished Product X and Total Cost incurred ₹ 320 per unit. Expected Selling Price of Product X is ₹ 300 per unit.

34. NRV of Finished Goods & Raw Materials
a) 330, 120 b) 300, 90
c) 300, 120 d) 330, 90

35. NRV of WIP =
a) 260 b) 200
c) 240 d) 330

36. Value of Raw Materials =
a) 54,000 b) 1,20,000
c) 4,50,000 d) 3,30,000

37. Value of WIP =
a) 54,000 b) 1,20,000
c) 4,50,000 d) 3,30,000

38. Value of Finished Goods =
a) 54,000 b) 1,20,000
c) 4,50,000 d) 3,30,000

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	b	b	a	b	c	a	b	c	b	c	b	c	d	c	d	b	b	a	d

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38
b	c	b	a	c	b	d	b	b	c	d	b	a	b	c	a	b	c

AS-10 Property, Plant & Equipment

1. Which of the following are Directly Attributable Costs eligible for capitalization under AS 10?
(a) Costs of Employee Benefits arising directly from the construction or acquisition of the item of PPE
(b) Costs of Site Preparation
(c) Initial Delivery and Handling Costs
(d) All of the above

2. Which of the following are Directly Attributable Costs eligible for capitalization under AS 10?
(a) Installation and Assembly Costs
(b) Costs of testing whether the Asset is functioning properly Less Net Proceeds from selling any items produced while bringing the Asset to that location and condition (e.g. Samples produced when testing Equipment)
(c) Professional Fees
(d) All of the above

3. Which of the following are Directly Attributable Costs eligible for capitalization under AS 10?
(a) Costs of opening a New Facility or Business, such as, Inauguration Costs
(b) Costs of introducing a New Product or Service (including Costs of Advertising and Promotional Activities)
(c) Costs of conducting business in a new location or with a new class of customer (including costs of Staff Training)
(d) Installation and Assembly Costs

4. Which of the following Items are not included in Cost of PPE₹
(a) Costs of opening a New Facility or Business, such as, Inauguration Costs
(b) Costs of introducing a New Product or Service (including Costs of Advertising and Promotional Activities)
(c) Costs of conducting business in a new location or with a new class of customer (including costs of Staff Training)
(d) All of the above

5. Which of the following Items are not included in Cost of PPE₹
(a) Costs of Employee Benefits arising directly from the construction or acquisition of the item of PPE
(b) Costs of Site Preparation
(c) Initial Delivery and Handling Costs
(d) Administration and other General Overhead Costs.

6. Which of the following Items are not included in Cost of PPE₹
(a) Costs incurred while an item capable of operating in the manner intended by Management has yet to be brought into use or is operated at less than full capacity
(b) Initial Operating Losses, e.g. those incurred while demand for the output of an item builds up
(c) Costs of re-locating or re-organizing part or all of an Entity's operations
(d) All of the above

7. If PPE acquired in exchange for Non-Monetary Assets and FV of the Asset received is more clearly evident, then Cost =
(a) Fair Value of Asset received

8, If PPE acquired in exchange for Non-Monetary Assets and FV of the Asset received is not clearly evident, then Cost =
(a) Fair Value of Asset received

(b) Fair Value of Asset given up
(c) Carrying Amount of the Asset(s) given up
(d) Carrying Amount of the Asset(s) received

(b) Fair Value of Asset given up
(c) Carrying Amount of the Asset(s) given up
(d) Carrying Amount of the Asset(s) received

9. If PPE acquired in exchange for Non-Monetary Assets & Exchange Transaction lacks commercial substance, then Cost =
(a) Fair Value of Asset received
(b) Fair Value of Asset given up
(c) Carrying Amount of the Asset(s) given up
(d) Carrying Amount of the Asset(s) received

10. Subsequent Measurement of PPE shall be using -
(a) Cost Model
(b) Revaluation Model
(c) Either of the above. However, if an Item of PPE is revalued, the entire class of PPE to which that asset belongs should be revalued.
(d) Either of the above. However, if an Entity opts for Revaluation Model, all the classes of PPE in that Entity should be revalued.

11. Option for Cost Model or Revaluation Model is -
(a) Entity-wise option i.e. Entity can opt for either Cost Model or Revaluation Model for all classes of PPE in that Entity.
(b) PPE-wise option i.e. Entity can opt for Cost Model for one PPE and Revaluation Model for other PPE.
(c) Class of PPE-wise option i.e. Entity can opt for Cost Model for one class of PPE and Revaluation Model for other class of PPE. If an Item of PPE is revalued, the entire class of PPE to which that asset belongs should be revalued.
(d) None of the above

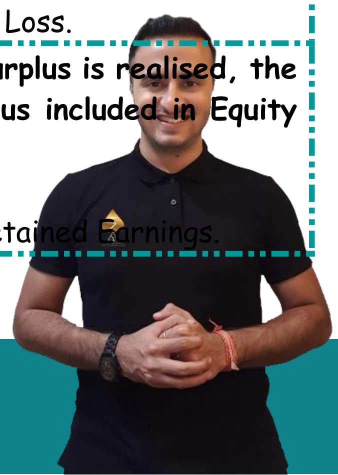
12. Upward Revaluation for First Time is accounted as under -
(a) Increase is recognized in OCI, and accumulated in Equity under the heading "Revaluation Surplus".
(b) Credit to P&L to the extent of Reversal of previous downward revaluation. Credit the remaining portion to "Revaluation Surplus".
(c) Recognized (i.e. debited), in Profit or Loss.
(d) Recognized in OCI, to the extent of any Credit Balance in Revaluation Surplus in respect of that Asset, and reduces the amount accumulated in Equity under "Revaluation Surplus". Debit the remaining portion to Profit or Loss.

13. Upward Revaluation of an Item previously revalued downwards is accounted as under -
(a) Increase is recognized in OCI, and accumulated in Equity under the heading "Revaluation Surplus".
(b) Credit to P&L to the extent of Reversal of previous downward revaluation. Credit the remaining portion to "Revaluation Surplus".
(c) Recognized (i.e. debited), in Profit or Loss.
(d) Recognized in OCI, to the extent of any Credit Balance in Revaluation Surplus in respect'of that Asset, and reduces the amount accumulated in Equity under "Revaluation Surplus". Debit the remaining portion to Profit or Loss.

14. Downward Revaluation for First Time is accounted as under -
(a) Increase is recognised in OCI, and accumulated in Equity under the heading "Revaluation Surplus".
(b) Credit to P&L to the extent of Reversal of previous downward revaluation. Credit the remaining portion to "Revaluation Surplus".
(c) Recognised (i.e. debited), in Profit or Loss.
(d) Recognised in OCI, to the extent of any Credit Balance in Revaluation Surplus in respect of that Asset, and reduces the amount accumulated in Equity under "Revaluation Surplus". Debit the remaining portion to Profit or Loss.

15. Downward Revaluation of an Item previously revalued upwards is accounted as under -
(a) Increase is recognised in OCI, and accumulated in Equity under the heading "Revaluation Surplus".

16. When the Revaluation Surplus is realised, the Cumulative Revaluation Surplus included in Equity may be -
(a) Reclassified to P&L
(b) transferred directly to Retained Earnings.



(b) Credit to P&L to the extent of Reversal of previous downward revaluation. Credit the remaining portion to "Revaluation Surplus".
(c) Recognised (i.e. debited), in Profit or Loss.
(d) Recognised in OCI, to the extent of any Credit Balance in Revaluation Surplus in respect of that Asset, and reduces the amount accumulated in Equity under "Revaluation Surplus". Debit the remaining portion to Profit or Loss.

(c) Reclassified to OCI
(d) Any of the above

17. When a part of the Revaluation Surplus is realized -
(a) Cumulative Revaluation Surplus included in Equity may be reclassified to P&L
(b) Such part of the Surplus realized may be reclassified to P&L
(c) No part of the Surplus realized shall be reclassified to P&L
(d) Any of the above

18. The transfer from Revaluation Surplus to Retained Earnings -
(a) can be made through Profit or Loss.
(b) cannot be made through Profit or Loss.
(c) Either of the above
(d) No part of the Revaluation Surplus is transferred to Retained Earnings.

Flying Airways Ltd is a Company which manufactures Aircraft Parts and Engines and sells them to large Multinational Companies like Boeing and Airbus Industries. On 1st April, the Company began the construction of a new production line in its Aircraft Parts Manufacturing Shed. Costs relating to the Production Line are as follows: (₹000s)

Costs of the Basic Materials (List Price ₹12.5 Million Less a 20% Trade Discount)	10,000
Recoverable Goods and Services Taxes incurred not included in the Purchase Cost	1,000
Employment Costs of the Construction Staff for 3 Months to 30th June	1,200
Other Overheads directly related to the Construction	900
Payments to External Advisors relating to the Construction	500
Expected Dismantling and Restoration Costs	2,000

Additional Information:
(a) The Construction Staff was engaged in the Production Line, which took 2 Months to make ready for use and was brought into use on 31st May.
(b) The other Overheads were incurred in 2 months period ended on 31st May. They included an Abnormal Cost of ₹3,00,000 caused by a major Electrical Fault.
(c) The Production Line is expected to have a useful economic life of 8 Yea₹ At the end of that time, Flying Airways Ltd is legally required to dismantle the Plant in a specified manner and restore its location to an acceptable standard. The amount of ₹2 Million mentioned above is the amount that is expected to be incurred at the end of the useful life of the Production Line. The appropriate Rate to use in any discounting calculations is 5%.
(d) 4 Years after being brought into use, Production Line will require a major overhaul to ensure that it generates economic benefits for the second half of its useful life. The estimated cost of the Overhaul, at current prices, is ₹3 Million.

(e) The Company computes its Depreciation Charge on a monthly basis. No Impairment of the Plant had occurred by 31st March. Analyze the accounting implications of costs related to Production Line to be recognized in the Balance Sheet and P&L for the year ended 31st March.

19. Goods and Services Tax -
(a) Not capitalised since Recoverable
(b) capitalised since Recoverable
(c) Not capitalised since non recoverable
(d) capitalised since non recoverable

20. Employment Costs capitalized at =
(a) 12,00,000
(b) 8,00,000
(C) 4,00,000
(d) 10,00,000

21. Dismantling Costs capitalized at =
(a) 12,00,000
(b) 18,00,000
(c) 20,00,000
(d) 13,60,000

22. Other Overheads expensed off =
(a) 9,00,000
(b) 6,00,000
(c) 5,00,000
(d) 3,00,000

23. Cost of Production Line =
(a) 1,23,60,000
(b) 1,32,60,000
(c) 1,62,60,000
(d) 1,12,60,000

24. Depreciation for Overhauling Component =
(a) 7,50,000
(b) 6,25,000
(c) 3,00,000
(d) 1,06,900

25. Depreciation for balance amount =
(a) 17,50,000
(b) 16,25,000
(c) 13,00,000
(d) 10,69,000

26. Net Carrying Value carried to Balance Sheet
(a) 1,07,50,000
(b) 1,06,25,000
(c) 1,23,00,000
(d) 1,15,66,000

27. Impact in Profit & Loss A/c =
(a) Dr 16,94,000
(b) Dr 17,51,000
(c) Dr 16,37,000
(d) Cr 17,51,000

28. Other Liabilities to be disclosed in Balance sheet =
(a) 17,50,000
(b) 16,25,000
(c) 13,00,000
(d) 14,17,000

29. Which of the following are not Bearer Plants?
(a) Plants cultivated to be harvested as Agricultural Produce (e.g. Trees grown for use as lumber),
(b) Plants cultivated to produce Agricultural Produce when there is more than a remote likelihood that the Entity will also harvest and sell the plant as Agricultural Produce, other than as incidental scrap sales (e.g. Trees that are cultivated both for their fruit and their lumber), and
(c) Annual Crops (e.g. Maize and Wheat).
(d) All of the above

30. Which of the following are Bearer Plants?
(a) Plants cultivated to be harvested as Agricultural Produce (e.g. Trees grown for use as lumber),
(b) Plants cultivated to produce Agricultural Produce when there is more than a remote likelihood that the Entity will also harvest and sell the plant . as Agricultural Produce, other than as incidental scrap sales (e.g. Trees that are cultivated both for their fruit and their lumber), and
(c) Annual Crops (e.g. Maize and Wheat).
(d) None of the above

31. Which of the following are Bearer Plants?
(a) Plants cultivated to be harvested as Agricultural Produce (e.g. Trees grown for use as lumber),

32. Which of the following are Bearer Plants?
(a) Trees grown for use as Lumber
(b) Trees that are cultivated both for their Fruit and their Lumber

(b) Plants cultivated to produce Agricultural Produce when there is more than a remote likelihood that the Entity will also harvest and sell the plant as Agricultural Produce, other than as incidental scrap sales (e.g. Trees that are cultivated both for their fruit and their lumber), and
(c) Annual Crops (e.g. Maize and Wheat).
(d) Plants no longer used to bear Produce were sold for use as Firewood

(c) Maize and Wheat
(d) Plants no longer used to bear Produce were sold for use as Firewood

On 1^{st} April, an item of Property is offered for sale at ₹10 Million, with payment terms being 3 equal Instalments of ₹33,33,333 over a two-year period (payments are made on 1^{st} April, Year 1 end and Year 2 end). Implicit interest Rate of 5.36% p.a.

33. Cash Price of Property =
(a) 10 Million
(b) 9.5 Million
(c) 9 Million
(d) 8.5 Million

34. Finance Cost for Year 1 =
(a) 3,30,533
(b) 1,69,467
(c) 3,00,000
(d) 2,00,000

35. Finance Cost for Year 2 =
(a) 3,30,533
(b) 1,69,467
(c) 3,00,000
(d) 2,00,000

36. Liability to be disclosed in the Balance Sheet as at the end of Year 2 -
(a) Nil
(b) 95,00,000
(c) 61,66,667
(d) 31,63,867

An Entity decides to revalue its Building having useful life of 10 Yea₹ On the date of revaluation, the building stand at a cost of ₹200 Lakhs and Accumulated Depreciation is ₹80 Lakhs. The building is now revalued at ₹150 Lakhs.

37. For Revaluation -
(a) Balance in Provision for Depreciation Account should be transferred to PPE Account.
(b) Balance in Provision for Depreciation Account should not be transferred to PPE Account.
(c) Either of the above
(d) None of the above

38. After Revaluation -
(a) There will not be any balance in Provision for Depreciation Account.
(b) There will be any balance in Provision for Depreciation Account.
(c) Either of the above
(d) None of the above

39. Revaluation Adjustments (in Lakhs) -
(a) Close Provision for Depreciation by transferring to PPE. Create Revaluation Surplus for 30.
(b) Increase PPE by 50. Increase Provision for Depreciation by 20. Create Revaluation Surplus for 30.
(c) Either of the above
(d) None of the above

40. Carrying Amount after Revaluation (in Lakhs)
(a) 250
(b) 150
(c) Either of the above
(d) None of the above

An Entity has acquired a heavy machinery at a cost of ₹100 Lakhs (with no breakdown of the component parts). The estimated useful life is 10 years at the end of the 6^{th} year, one of the major components, the Turbine, requires replacement, as further maintenance is uneconomical. The

remainder of the Machine is perfect and is expected to last for the next 4 year The cost of a New Turbine is ₹45 Lakhs. Can the cost of the New Turbine be recognized as an Asset, and, if so, what should be the treatment Assume SLM Depreciation and appropriate Discount Rate is 5%.

41. Cost of Turbine at the time of initial recognition =
(a) 45 Lakhs
(b) 33.58 Lakhs
(c) 45.58 Lakhs
(d) Cannot be estimated

42. Depreciation provided for Turbine for 6 Years
(a) 13.43 Lakhs
(b) 33.58 Lakhs
(c) 20.15 Lakhs
(d) Cannot be estimated

43. Carrying Amount of PPE before Replacement at the end of Year 6 =
(a) 10 Lakhs
(b) 40 Lakhs
(c) 20 Lakhs
(d) 57 Lakhs.

44. Current Carrying Amount of Turbine to be derecognised =
(a) 13.43 Lakhs
(b) 33.58 Lakhs
(c) 20.15 Lakhs
(d) Cannot be estimated

45. New Carrying Amount of PPE after Replacement =
(a) 13.43 Lakhs
(b) 33.58 Lakhs
(c) 20.15 Lakhs
(d) 71.57 Lakhs

46. Changes in Depreciation method is -
(a) Change in Accounting Policy
(b) Change in Accounting Estimate
(c) Prior period error
(d) Any of the above

47. Changes in Depreciation rate is -
(a) Change in Accounting Policy
(b) Change in Accounting Estimate
(c) Prior period error
(d) Any of the above

48. Changes in useful life is -
(a) Change in Accounting Policy
(b) Change in Accounting Estimate
(c) Prior period error
(d) Any of the above

49. Changes in Residual Value is -
(a) Change in Accounting Policy
(b) Change in Accounting Estimate
(c) Prior period error
(d) Any of the above

50. As per AS-10, Fixed Assets that have been retired from active use and held for disposal should be stated in Balance Sheet at -
(a) Net Book Value
(b) Net Realizable Value
(c) Lower of the Net Book Value and Net realizable value
(d) Higher of the Net Book Value and Net realizable value

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	d	d	d	d	d	a	b	c	c	c	a	b	c	d	b	b	b	a	b

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
d	d	b	b	d	d	b	d	d	d	d	d	b	a	b	a	c	c	c	c

41	42	43	44	45	46	47	48	49	50
b	c	b	a	d	b	b	b	b	c

AS-13 Accounting for Investment

1. Cost of the Shares comprises -
A. Purchase Price
B. Stamp duty
C. Brokerage
D. All of the above

2. As per AS 13, there are types of Investments.
A. 1
B. 2
C. 3
D. 4

3. As per AS 13, types of Investments are-
A. Current and Non Current
B. Short term and Non Current
C. Long term and Current
D. Short term and Long term

4. Current Investments are valued at -
A. Cost - Permanent decline
B. Cost or NRV whichever is less
C. Cost or MV whichever is less
D. Market Value (MV)

5. Long term Investments are valued at -
A. Cost - Permanent decline
B. Cost or NRV whichever is less
C. Cost or MV whichever is less
D. Market Value (MV)

6. Investments are assets held by an enterprise for –
A. earning income by way of dividends, interest, and rentals
B. capital appreciation
C. other benefits to the investing enterprise.
D. Any of the above

7. Assets held as Stock-in-Trade are -
A. not Investments
B. Investments
C. Any of the above
D. None of the above

8. ______ is an investment in Land or Buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.
A. Investment Property
B. Current Investments
C. Long term Investments
D. Short term investments

9. Current Investments are reclassified into Long term Investments at -
A. Lower of Cost or Fair Value
B. Lower of Cost or Carrying amount
C. Cost
D. Fair value

10. Long term Investments are reclassified into Current Investments at -
A. Lower of Cost or Fair Value
B. Lower of Cost or Carrying amount
C. Lower of above
D. Higher of above

11. Long Term Investments in Company A, costing ₹ 8.5 Lakhs are to be re-classified

12. Long Term Investments in Company A, costing ₹ 8.5 Lakhs are to be re-classified

as Current. The Company had reduced the value of these Investments to ₹ 6.5 Lakhs to recognize a permanent decline in value. The Fair Value on the date of transfer is ₹ 6.8 Lakhs. Transfer at -

A. 8.5 Lakhs
B. 6.5 Lakhs
C. 6.8 Lakhs
D. Any of the above

as Current. The Company had reduced the value of these Investments to ₹ 6.5 Lakhs to recognize a permanent decline in value. The Fair Value on the date of transfer is ₹ 6.8 Lakhs. Gain or Loss on Transfer is -

A. Gain 0.5 Lakhs
B. Loss 0.3 Lakhs
C. Nil
D. Gain 0.3 Lakhs

13. Long Term Investments in Company B, costing ₹ 7Lakhs are to be re-classified as Current. The Fair Value on the date of transfer is ₹ 8 Lakhs and Book Value is ₹ 7 Lakhs. Transfer at –

A. 7 Lakhs
B. 5 Lakhs
C. 8 Lakhs
D. Any of the above

14. Long Term Investments in Company B, costing ₹ 7Lakhs are to be re-classified as Current. The Fair Value on the date of transfer is ₹ 8 Lakhs and Book Value is ₹ 7 Lakhs. Gain / Loss on Transfer at -

A. 7 Lakhs
B. 5 Lakhs
C. 8 Lakhs
D. Nil

15. Current Investment in Company D, costing ₹ 15 Lakhs are to be re-classified as long term. The Market Value on the date of transfer is ₹ 14 Lakhs. Transfer at –

A. 15 Lakhs
B. 14 Lakhs
C. 1 Lakhs
D. Nil

16. Rights shares can be -

A. Exercised
B. Renounced
C. Lapsed
D. Any of the above

17. Rights shares will have impact in Investments A/c when they are –

A. Exercised
B. Renounced
C. Lapsed
D. Any of the above

18. Rights shares will have impact in P&L A/c when they are -

A. Exercised
B. Renounced
C. Lapsed
D. Any of the above

19. Value of Bonus shares will be -

A. Debited to Investments A/c
B. Credited to Investments A/c
C. Debited to P&L A/c
D. None of the above

20. Consideration received for renouncement will be -

A. Credited to P&L A/c
B. Credited to Investments A/c
C. Debited to P&L A/c
D. None of the above

21. Interim Dividend received will be -

A. Debited to Investments A/c

22. Post Acquisition Dividend received will be

A. Debited to Investments A/c

B. Credited to Investments A/c
C. Debited to P&L A/c
D. Credited to P&L A/c

B. Credited to Investments A/c
C. Debited to P&L A/c
D. Credited to P&L A/c

23. Pre-Acquisition Dividend received will be -
A. Debited to Investments A/c
B. Credited to Investments A/c
C. Debited to P&L A/c
D. Credited to P&L A/c

24. Final Dividend received will be -
A. Credited to Investments A/c
B. Debited to P&L A/c
C. Credited to P&L A/c
D. Insufficient Information

25. Dividend for the previous Year received in Current Year on the shares purchased in current year is –
A. Pre Acquisition Dividend
B. Post Acquisition Dividend
C. Interim Dividend
D. None of the above

26. Dividend for the previous Year received in Current Year on the shares purchased in previous year is -
A. Pre Acquisition Dividend
B. Post Acquisition Dividend
C. Interim Dividend
D. None of the above

27. Dividend for the Current Year received in Current Year is -
A. Pre Acquisition Dividend
B. Post Acquisition Dividend
C. Interim Dividend
D. None of the above

28. Dividend for the Current Year is not eligible on –
A. Bonus Shares declared in the current year
B. Rights Shares declared in the current year
C. Both of the above
D. None of the above

29. Current Investment in Company D, costing ₹ 15 Lakhs are to be re-classified as long term. The Market Value on the date of transfer is ₹14 Lakhs. Gain or Loss on Transfer is -
A. 15 Lakhs
B. 14 Lakhs
C. 1 Lakhs
D. Nil

30. Bonus shares received will -
A. Increase the Value of Shares
B. Decrease the Number of Shares
C. Decrease the Cost of Shares
D. Increase the Cost of Shares

31. For Long term investments is not considered.
A. Temporary decline
B. Permanent decline
C. Both of the above
D. None of the above

32. Unless otherwise given, long term investments are -
A. Gold
B. Silver
C. Government Securities
D. All of the above

33. Unless otherwise given, Current investments are -
A. Investments in Shares
B. Investments in Debentures

34. At the time of Purchase, buyer of the debentures will to the seller.
A. Pay Ex Interest Price
B. Pay Cum Interest Price

C. Investments in Mutual Funds
D. All of the above

C. Receive Ex Interest Price
D. Receive Cum Interest Price

35. At the time of sale, Seller of the debentures will -
A. Pay Ex Interest Price
B. Pay Cum Interest Price
C. Receive Ex Interest Price
D. Receive Cum Interest Price

36. Loss on valuation of Current Investments will be transferred to -
A. Capital Reserve
B. Profit & Loss A/c
C. Will not be considered
D. Investment Fluctuation Reserve

37. Gain on valuation of Current Investments will be transferred to -
A. Capital Reserve
B. Profit & Loss A/c
C. Will not be considered
D. Investment Fluctuation Reserve

38. GAYATHRI Ltd. purchased 1500 shares of SAVITHA Ltd. in December, 2011 at ₹ 100 each and paid brokerage at 1%. In September, 2012 Savitha Ltd. issued bonus shares at one share for every three held by the Shareholders If Gayathri Ltd. sold 1,000 shares in March, 2013 at ₹ 110 per share and paid a brokerage of 1%, what would be the carrying cost of investment in Savitha Ltd. after the sale of shares as per AS-13?
A. ₹ 75,750
B. ₹ 41,500
C. ₹ 42,700
D. None of the above

39. Which one of the following is within the purview of AS-13?
A. Mutual Fund
B. Investment of retirement benefit plans
C. Investment in shares
D. Finance Lease

40. NIKITA Ltd. purchased 2000 shares of PIYUSH Ltd. in January 2014 at ₹ 120 each and paid brokerage at 0.50%. In November 2014, Piyush Ltd. issued bonus shares at one share for every four shares held by the shareholde₹ If Nikita Ltd. sold 1500 shares in March, 2015 at ₹ 140 per share and paid a brokerage of 1%, what would be the carrying cost of investment in Piyush Ltd. after the sale of shares as per AS-13?
A. ₹ 31,200
B. ₹ 63,400
C. ₹ 96,480
D. None of (A), (B), (C)

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	b	c	c	a	d	a	a	a	b	b	c	a	d	b	d	a	b	d	d

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
d	d	b	d	a	b	c	c	c	c	a	d	d	b	d	b	c	a	c	a

AS-16 Borrowing Costs

1. Borrowing Costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds. Borrowing Costs may include -
(a) Interest and Commitment Charges on Bank Borrowings and other short -term and long -term borrowings,
(b) Amortization of discounts or premiums relating to borrowings
(c) Amortization of ancillary costs incurred in connection with the arrangement of borrowings
(d) All of the above

2. Borrowing Costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds. Borrowing Costs may include -
(a) Interest and Commitment Charges on Bank Borrowings and other short-term and long-term borrowings
(b) Finance Charges in respect of assets acquired under Finance Leases or under other similar arrangements
(c) Exchange Differences arising from Foreign Currency Borrowings, to the extent that they are regarded as an adjustment to Interest Costs
(d) All of the above

3. Qualifying Asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. It includes -
(a) Assets that are ready for their intended use / sale when acquired.
(b) Inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis over a short period of time.
(c) Investments other than Investment Properties
(d) Inventories that require a substantial period of time to bring them to a saleable condition

4. Hari Ltd is a Holding Company of Shiv Ltd. Shiv Ltd is going to start a new project estimated to cost ₹ 20 Crores. For this, Hari Ltd made an investment of ₹ 10 Crores in the Shares of Shiv Ltd, by borrowing the same from Financial Institutions at 10% p.a. As on 31st March, the project was not completed. Interest should be -
(a) Debited to P&L A/c
(b) Debited to Investment A/c
(c) Capitalized to Project
(d) Any of the above

5. Which of the following assets ordinarily take 12 months or more to get ready for their intended use or sale, unless the contrary is proved by the enterprise?
(a) Assets that are constructed or otherwise produced for an enterprise's own use

6. A period of ______ is considered as substantial period of time unless a shorter or longer period can be justified on the basis of facts and circumstances of each case.
(a) 3 months
(b) 6 months

(b) Assets constructed under major capital expansions

(c) Assets intended for sale or lease that are constructed or otherwise produced as discrete projects, e.g. Ship Building

(d) All of the above

(c) 12 months

(d) 4 months

7. Borrowing Costs that are directly attributable to ______ of a Qualifying Asset should be capitalized as part of the cost of PPE.

(a) Acquisition

(b) Construction

(c) Production

(d) Any of the above

Sadaanand Ltd has obtained Institutional Term Loan of ₹ 580 Lakhs for modernisation and renovation of its Plant & Machinery. Plant & Machinery acquired under the modernisation scheme and installation completed on 31st March amounted to ₹ 406 Lakhs, ₹ 58 Lakhs has been advanced to Suppliers for additional assets and the' balance loan of ₹ 116 Lakhs has been utilised for Working Capital purpose. The accountant is in a dilemma as to how to account for the total interest of ₹ 52.20 Lakhs incurred during the year, on the entire Institutional Term Loan of ₹580 Lakhs.

8. Effective Interest Rate =

(a) 9%

(b) 8%

(c) 7%

(d) 9.5%

9. Interest capitalized as per AS - 16 =

(a) ₹ 36.54 Lakhs

(b) ₹ 5.22 Lakhs

(c) ₹ 10.44 Lakhs

(d) ₹ 52.20 Lakhs

10. Interest expensed off as per AS - 16 =

(a) ₹ 36.54 Lakhs

(b) ₹ 15.66 Lakhs

(c) ₹ 10.44 Lakhs

(d) ₹ 52.20 Lakhs

11. As per AS 16, Interest Income from Temporary Investments should be

(a) Credited to P&L A/c

(b) Deducted from Borrowing Cost

(c) Debited to P&L A/c

(d) Capitalised as per AS 16

12. The activities should be necessary to prepare the asset for its intended use. Eligible Activities exclude –

(a) Direct Activities relating to I encompassing physical construction,

(b) Support Activities, e.g. technical/ administrative work prior to commencement of physical construction

13. AS 16 deals with -

(a) Capitalisation of Interest

(b) Suspension of Capitalisation

(c) Cessation of Capitalisation

(d) All of the above

(c) Activities during which the asset is merely held and when no production or development takes place
(d) All of the above

14. Capitalisation of Borrowing Costs should be suspended during -
(a) periods in which active development is interrupted.
(b) extended periods in which active development is interrupted.
(c) During a period when substantial technical and administrative work is being carried out.
(d) When a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale.

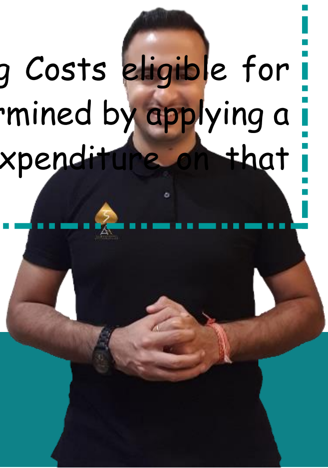
15. Raghuram Ltd commenced construction of a Flyover in Mumbai in January under BOLT scheme. The same was completed in February next year. Due to heavy seasonal rains in July in the area, the work on the Flyover had to be suspended for a month. In this case, Borrowing Costs incurred by the Company for that period, should be -
(a) Capitalized
(b) Expensed off
(c) Suspended
(d) Waived

16. Borrowing Costs incurred during this period should be charged to P&L A/c -
(a) Extended periods in which active development is interrupted.
(b) Time Lag Costs
(c) After the Qualifying Assets is ready for its intended use
(d) All of the above

17. Capitalization Rate will be applicable in case of-
(a) General Borrowings
(b) Specific Borrowings
(c) Both of the above
(d) None of the above

18. Capitalization of Interest will be applicable in case of-
(a) General Borrowings
(b) Specific Borrowings
(c) Both of the above
(d) None of the above

19. In case of General Borrowings, the amount of borrowing costs eligible for capitalization is determined as under -
(a) Actual Borrowing Costs on that Borrowing during the period Less Income on the temporary Investment of those borrowings, if any
(b) Actual Borrowing Costs on that Borrowing during the period Add Income on the temporary Investment of those borrowings, if any
(c) Total Borrowing Costs on that Borrowing Add Income on the temporary Investment of those borrowings, if any
(d) The amount of Borrowing Costs eligible for capitalisation should be determined by applying a Capitalisation Rate to the expenditure on that asset



20. In case of Special Borrowings, the' amount of borrowing costs eligible for capitalization is determined as under -

(a) Actual Borrowing Costs on that Borrowing during the period Less Income on the temporary Investment of those borrowings, if any

(b) Actual Borrowing Costs on that Borrowing during the period Add Income on the temporary Investment of those borrowings, if any

(c) Total Borrowing Costs on that Borrowing Add Income on the temporary Investment of those borrowings, if any

(d) The amount of Borrowing Costs eligible for capitalisation should be determined by applying a Capitalisation Rate to the expenditure on that asset

21. Capitalisation Rate should be -

(a) Weighted Average of the Borrowing Costs applicable to the borrowings that are outstanding during the period, including borrowings made specifically for the purpose of obtaining a Qualifying Asset.

(b) Weighted Average of the Borrowing Costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a Qualifying Asset.

(c) Simple Average of the Borrowing Costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a Qualifying Asset.

(d) Either a or c

22. The amount of Borrowing Costs capitalised during a period should -

(a) not fall below the amount of Borrowing Costs incurred during that period

(b) not exceed the amount of Borrowing Costs incurred during that period

(c) be equal to the amount of Borrowing Costs incurred during that period

(d) Any of the above

23. Exchange loss on Forex Borrowings for qualifying assets -

(a) Debited to P&L as per AS 11

(b) Capitalised as per AS 16

(c) Some portion capitalised as per AS 16 & some portion debited to P&L as per AS 11

(d) None of the above

24. Exchange Gain on Forex Borrowings in Year 1 for qualifying assets -

(a) Credited to P&L as per AS 11

(b) Capitalised as per AS 16

(c) Some portion capitalised as per AS 16 & some portion creited to P&L as per AS 11

(d) None of the above

25. Borrowing Cost includes -

(a) Debenture Interest

(b) Preference Dividend

(c) Equity Dividend

(d) All of the above

26. Northern Ltd. took a bank loan of ₹ 125 lakh to finance the purchase of a plant of ₹ 160 lakh at an interest of 15% per annum on 30.09.2012. The plant was ready for use on 31.01.2013; however, it was put to use only on 01.04.2013. What amount of

27. As per AS-16, a qualifying asset is

A. An asset which qualifies to be a part of reconstruction

B. An asset that takes a long time to get ready for intended use or sale

C. An asset which satisfies a particular condition

finance cost will be added to find out the original cost of the plant?

A. ₹ 6.25 lakh

B. ₹ 9.375 lakh

C. ₹ 18.75 lakh

D. ₹ 8.00 lakh

D. An asset which qualifies for a particular rate of depreciation

28. Shiva Ltd. has obtained an institutional loan of ₹ 60 Crore for machinery on 01.06.2016. The machinery installed on 1st February, 2017 with cost of ₹ 52 Crore and balance loan has been utilized for working capital. Interest on above loan is @ 11% per annum. As per AS-16 the amount of interest to be capitalized for the year ended 31st March, 2017 will be

A. ₹ 4.7667 Crore

B. ₹ 3.8133 Crore

C. ₹ 5.50 Crore

D. ₹ 4.40 Crore

29. XYZ Ltd. obtained a Loan from a Bank for ₹240 lakh on 30.04.2016. It was utilized for construction of a shed ₹120 lakh, Purchase of Machinery ₹80 lakh, Working Capital ₹40 lakh. Construction of shed was completed in March, 2018. The machinery was installed on the same date. Total interest charged by the Bank for the year ended 31.03.2018 was ₹ 36 lakh. As per AS- 16, interest to be debited to Profit & Loss Account will be

A. ₹36 lakh

B. ₹ 18 lakh

C. ₹ 9 lakh

D. None of the above

30. RAJASTHANI Co-operative Society Ltd. has borrowed a sum of US $ 12.50 million at the commencement of the financial year 2017-2018 for the solar energy project at LIBOR (London Interbank Offered Rate of 1%) + 4%. The interest is payable at the end of the respective financial year. The loan was availed at the then rate of ₹45 to US dollar while the rate as on 31st March, 2018 is ₹48 to the US dollar. Had RAJASTHANI Co-operative Society Ltd. borrowed the Rupee equivalent in India, the interest would have been 11%. 'Borrowing Cost' and exchange difference will be -

A. ₹61,87,500, ₹5,62,500

B. ₹67,50,000, ₹5,62,500

C. ₹37,50,000, ₹ 5,62,500

D. None of the above.

31, DARYAGANJ Co-operative society Ltd has borrowed a sum of US $12.50 million at the commencement of the financial year 2020-2021 for its solar energy project at LIBOR (London Interbank offered rate of 1%) + 4%. The interest is payable at the end of the respective financial year. The loan was availed at the then rate of Rs45 to US dollar while the rate as on 31st March, 2021 is Rs48 to the US dollar. Had DARYAGANJ Co- operative Society Ltd.

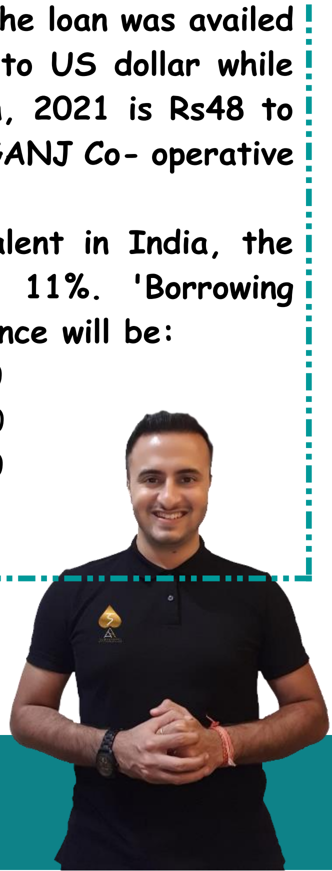
Borrowed the Rupee equivalent in India, the interest would have been 11%. 'Borrowing Cost' and exchange difference will be:

A. Rs 61,87,500, Rs 5,62,500

B. Rs 37,50,000, Rs 5,62,500

C. Rs 67,50,000, Rs 5,62,500

D. None of these



Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	d	d	a	d	c	d	a	a	b	b	c	d	b	a	d	a	c	d	a

21	22	23	24	25	26	27	28	29	30	31
a	b	c	a	a	a	b	b	b	a	d

AS-19 Leases

1. Period over which an asset is expected to be economically usable by one or more user is

(a) Economic Life
(b) Useful Life of a Leased Asset
(c) Either of the above
(d) None of the above

2. Period over which the leased asset is expected to be used by the Lessee

(a) Economic Life
(b) Useful Life of a Leased Asset
(c) Either of the above
(d) None of the above

3. As per AS 19, there are ______ types of Leases & ______ types of Residual Values

(a) 2, 2
(b) 2, 3
(c) 3, 2
(d) 3, 3

4. Guaranteed Residual Value for Lessee can be guaranteed by -

(a) Lessee or a Party on behalf of the Lessee
(b) Lessee or a Party on behalf of the Lessee or by an independent third party who is financially capable of discharging the obligations under the guarantee.
(c) Lessor or a Party on behalf of the Lessor
(d) Lessor or a Party on behalf of the Lessor or by an independent third party who is financially capable of discharging the obligations under the guarantee.

5. Guaranteed Residual Value for Lessor can be guaranteed by -

(a) Lessee or a Party on behalf of the Lessee
(b) Lessee or a Party on behalf of the Lessee or by an independent third party who is financially capable of discharging the obligations under the guarantee.
(c) Lessor or a Party on behalf of the Lessor
(d) Lessor or a Party on behalf of the Lessor or by an independent third party who is financially capable of discharging the obligations under the guarantee.

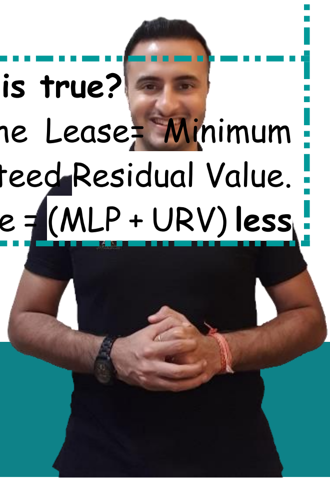
6. ______ in the Lease, is the aggregate of the Minimum Lease Payments under a Finance Lease from the standpoint of the Lessor and any Unguaranteed Residual Value accruing to the Lessor.

(a) Gross Investment
(b) Net Investment
(c) Unearned Finance Income
(d) GRV

7. ______ in the Lease, is the aggregate of the Minimum Lease Payments under a Finance Lease from the standpoint of the Lessor <u>less</u> Unearned Finance Income.

8. Which of the following is true?

(a) Gross Investment in the Lease= Minimum Lease Payments + Unguaranteed Residual Value.
(b) Unearned Finance Income = (MLP + URV) **less**



(a) Gross Investment
(b) Net Investment
(c) Unearned Finance Income
(d) GRV

(Present Value of MLP & URV)
(c) Net Investment in the Lease = Gross Investment - Unearned Finance Income
(d) All of the above

9. ______ is a lease that transfers substantially all the risks and rewards incident to ownership of an asset.
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

10. ______ is a Lease other than a Finance Lease.
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

11. ______ is also called Capital Lease.
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

12. Under ______ All risks (including Obsolescence Risk) incidental to ownership belong wholly to the Lessor.
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

13. The term of ______ is shorter than the asset's economic life.
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

14. Under ______, Lessee bears the risk of obsolescence.
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

15. Under ______, the lease is usually full pay-out, that is, the single lease repays the cost of the asset together with interest.
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

16. Which of the following is false?
(a) A Lease is called a Finance Lease if it transfers substantially all the risks and rewards incident to ownership.
(b) Whether a Lease is a Finance Lease or an Operating Lease depends on the substance of the transaction rather than its form.
(c) A Lease is called an Operating Lease, if it does not transfer substantially all the risks and rewards incident to ownership.
(d) None of the above

17. Situations that would classify a lease as Finance Lease are -
(a) Transfer of ownership of the asset to the Lessee by the end of the lease term,

18. Situations that would classify a lease as Finance Lease are -
(a) Present Value of the Minimum Lease Payments at the inception of the lease amounts

(b) Option to purchase the asset, to the Lessee, at a price which is sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised,
(c) Lease Term is for the major part of the economic life of the asset even if title is not transferred,
(d) All of the above

to atleast substantially all of the Fair Value of the Leased Asset, (i.e. PV of MLP = Fair Value approximately)
(b) Leased Asset is of a specialised nature such that only the Lessee can use it without major modifications being made.
(c) Lease Term is for the major part of the economic life of the asset even if title is not transferred,
(d) All of the above

19. Present Value (PV) of Minimum Lease Payment (MLP) = "X". Fair Value of the Asset is "Y". It is classified as -
(a) Finance Lease only if X=Y
(b) Finance Lease only if X substantially equals Y
(c) Finance Lease only if X = Y or X substantially equals Y
(d) Operating Lease only if X = Y or X substantially equals Y

A Machine having expected useful life of 6 years, is leased for 4 yea₹ Both the Cost and the Fair Value of the Machinery are ₹ 7,00,000. The amount will be paid in 4 equal instalments and at the termination of lease, Lessor will get back the Machinery. The Unguaranteed Residual Value at the end of the 4th year is ₹ 70,000. The IRR of the investment is 10%.

20. Lease is a -
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

21. Annual Lease Payments=
(a) 2,05,803
(b) 8,23,212
(c) 8,93,212
(d) 7,00,000

22. MLP for Lessee =
(a) 2,05,803
(b) 8,23,212
(c) 8,93,212
(d) 7,00,000

23. Gross Investment in the Lease =
(a) 2,05,803
(b) 8,23,212
(c) 8,93,212
(d) 7,00,000

24. Unearned Finance Income =
(a) 2,05,803
(b) 1,23,212
(c) 1,93,212
(d) 7,00,000

Annual Lease Rent	₹ 80,000
Lease Period	5 Years
Guaranteed Residual Value	₹ 40,000
Unguaranteed Residual Value	₹ 24,000
Fair Value at the inception	₹ 3,20,000

25. Gross investment in Lease @ 10% =
(a) 3,42,944
(b) 3,07,776
(c) 4,40,000
(d) 4,64,000

26. Net investment in Lease @ 10% =
(a) 3,42,944
(b) 3,07,776
(c) 4,40,000
(d) 4,64,000

27. Net investment in Lease @ 14% =
(a) 3,42,944
(b) 3,07,776
(c) 4,40,000
(d) 4,64,000

28. Interest Rate implicit in the Lease =
(a) 12.61%
(b) 21.61%
(c) 14%
(d) 10%

Achyut Ltd sold machinery having a WDV of ₹ 40 Lakhs to Balram Ltd for ₹ 50 Lakhs and the same machinery was leased back by Balram Ltd to Achyut Ltd. The Lease back is Operating Lease.

29. If Sale Price of ₹ 50 Lakhs is equal to Fair Value, then -
(a) Profit of ₹ 10 Lakhs should be recognised immediately.
(b) Loss of ₹ 2 Lakhs should be immediately recognized, provided such loss is not compensated by future lease payment.
(c) Profit of ₹ 10 Lakhs should be deferred and amortized over the lease period.
(d) Profit of ₹ 6 Lakhs should to be immediately recognized, and balance Profit of ₹ 4 Lakhs should be amortised / deferred over lease period.

30. If Fair Value is ₹ 60 Lakhs, then -
(a) Profit of ₹ 10 Lakhs should be recognised immediately.
(b) Loss of ₹ 2 Lakhs should be immediately recognized, provided such loss is not compensated by future lease payment.
(c) Profit of ₹ 10 Lakhs should be deferred and amortized over the lease period.
(d) Profit of ₹ 6 Lakhs should to be immediately recognized, and balance Profit of ₹ 4 Lakhs should be amortised / deferred over lease period.

31. If Fair Value is ₹ 45 Lakhs and Sale Price is ₹38 Lakhs, then -
(a) Profit of ₹10 Lakhs should be recognised immediately.
(b) Loss of ₹ 2 Lakhs should be immediately recognized, provided such loss is not compensated by future lease payment.

32. If Fair Value is ₹ 40 Lakhs and Sale Price is ₹50 Lakhs, then -
(a) Profit of ₹10 Lakhs should be recognised immediately.
(b) Loss of ₹ 2 Lakhs should be immediately recognized, provided such loss is not compensated by future lease payment.

(c) Profit of ₹ 10 Lakhs should be deferred and amortized over the lease period.
(d) Profit of ₹ 6 Lakhs should to be immediately recognized, and balance Profit of ₹ 4 Lakhs should be amortised / deferred over lease period.

(c) Profit of ₹ 10 Lakhs should be deferred and amortized over the lease period.
(d) Profit of ₹ 6 Lakhs should to be immediately recognized, and balance Profit of ₹ 4 Lakhs should be amortised / deferred over lease period.

33. If Fair Value is ₹ 46 Lakhs and Sale Price is ₹50 Lakhs, then -
(a) Profit of ₹10 Lakhs should be recognised immediately.
(b) Loss of ₹ 2 Lakhs should be immediately recognized, provided such loss is not compensated by future lease payment.
(c) Profit of ₹ 10 Lakhs should be deferred and amortized over the lease period.
(d) Profit of ₹ 6 Lakhs should to be immediately recognized, and balance Profit of ₹ 4 Lakhs should be amortised / deferred over lease period.

34. If Fair Value is ₹ 35 Lakhs and Sale Price is ₹39 Lakhs, then -
(a) Profit of ₹ 1 Lakhs should be recognised immediately.
(b) Loss of ₹ 1 Lakhs should be immediately recognized, provided such loss is not compensated by future lease payment.
(c) Loss of ₹ 5 Lakhs should be immediately recognized. Profit of ₹ 4 Lakhs should be amortised I deferred over lease period.
(d) Profit of ₹ 6 Lakhs should to be immediately recognized, and balance Profit of ₹ 4 Lakhs should be amortised / deferred over lease period.

On 1st January, Kali Ltd sold an equipment for ₹ 6,14,460 to Lakshmi Ltd. The Carrying Amount of the Equipment on the date was ₹ 1,00,000. The sale was part of the package under which Lakshmi Ltd leased the asset to Kali Ltd for a 10-year term. The economic life of the asset is estimated at 10 year The Minimum Lease Rents payable by the Lessee has been fixed at ₹ 1,00,000 payable annually beginning 31st December. The incremental borrowing Interest Rate of Kali Ltd is estimated at 10% p.a. Asset is depreciated on SLM Basis.

35. Lease is -
(a) Non-Cancellable Lease
(b) Cancellable Lease
(c) Finance Lease
(d) Operating Lease

36. PV of MLP =
(a) 6,14,460
(b) 10,00,000
(c) 5,14,460
(d) 51,446

37. Depreciation to be charged for the next 10 years = 6,14,460 ÷ 10 = ₹ 61,446 p.a.
(a) 61,446
(b) 6,14,460
(c) 5,14,460
(d) 51,446

38. Profit I Loss on Sale & Lease Back =
(a) Profit 6,14,460
(b) Loss 5,14,460
(c) Profit 5,14,460
(d) Loss 6,14,460

39. Profit / Loss will be -
(a) Profit should be recognised immediately.

(b) Loss should be immediately recognized.
(c) Loss should be immediately recognized, provided such loss is not compensated by future lease payment.
(d) Profit should be deferred and amortized over the lease period.

A Machine was given on 3 years' operating lease by a dealer of the machine for Equal Annual Lease Rentals to yield 30% profit margin on cost ₹ 1,50,000. Economic life of the machine is 5 years and output from the machine are estimated as 40,000 units, 50,000 units, 60,000 units, 80,000 units and 70,000 units consecutively for 5-year Straight line depreciation in proportion of output is considered appropriate. Compute Annual Lease Rent, Lease Rent income to be recognized in each operating year and Depreciation on 3 years of Lease.

40. Total Lease Rental =
(a) 97,500
(b) 32,500
(c) 26,000
(d) 62,500

41. Annual Lease Rental =
(a) 97,500
(b) 32,500
(C) 26,000
(d) 62,500

42. Lease Rental recognised in P&L in Year 1
(a) 97,500
(b) 32,500
(c) 26,000
(d) 62,500

43. Lease Rental recognised in P&L in Year 2
(a) 97,500
(b) 32,500
(C) 26,000
(d) 62,500

44. Lease Rental recognised in P&L in Year 2
(a) 39,000
(b) 32,500
(c) 26,000
(d) 62,500

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	b	a	a	b	a	b	d	c	d	c	d	d	d	c	d	e	d	c	c

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
a	b	c	c	d	a	b	a	a	a	b	c	d	c	c	a	a	c	d	a

41	42	43	44
b	c	b	a

AS-26 Intangible Assets

1. The underlying accounting principle(s) necessitating amortization of intangible asset(s) is/are
(a) Cost Concept
(b) Realization Concept
(c) Matching Concept
(d) Both of (A) and (C) above

2. Under AS-26, brand generating costs
(a) Can be capitalized if they can be measured reliably
(b) Can be capitalized if market value exceeds the costs
(c) Cannot be capitalized
(d) Can be capitalized if present value of future benefits exceeds the costs

3. Amortization of Unidentified intangible assets is in terms of
(a) Conservation concept
(b) Going concern concept
(c) Matching concept
(d) None of (A), (B) and (C)

4. X Ltd. bought a trademark on 1st January, 2014 from Y Ltd. for ₹10,00,000. An independent consultant retained by X Ltd. estimated the trademark's remaining life to be 15 year Its unamortized cost in the books of Y Ltd. was ₹8,50,000. X Ltd. decided to amortize the trademark over the maximum period allowed. What amount should be reported as amortization expense in the Balance Sheet of X Ltd. as on 31st December, 2014 as per AS-26?
(a) ₹ 15,000
(b) ₹ 20,00,000
(c) ₹ 1,00,000
(d) ₹ 50,000

5. S. S. CORPORATE SECURITIES Ltd. is showing an intangible asset at ₹ 72 lakhs as on 01.04.2011 and that an item was acquired for ₹ 96 lakhs on 01.04.2008 and that the item was available for use from that date. It has been following the policy of amortization of the intangible asset over a period of 12 years on straight line basis. As per AS 26
(a) ₹ 4.8 lakhs should be adjusted against the current year's profits
(b) ₹ 4.8 lakhs should be adjusted against the opening balance of revenue reserves

6. SHEENA TASHIKA Ltd. made the following payments during the year ended 31st March 2021: Rs 60 lakh to acquire a Software, Rs 60 lakh to acquire a Website for a period of 8 years, Rs 60 lakh to acquire a Copy right for a period of 15 years, Rs 60 lakh to acquire Goodwill of a firm, Rs 60 lakh to acquire Goodwill arising under Amalgamation in the nature of Purchase ,Rs 60 lakh to acquire a Patent for a period of 5 yea₹ ,Rs 60 lakh to acquire Stock Exchange Membership Rights, Rs 60 lakh to the State

(c) ₹ 9.6 lakhs should be adjusted against the opening balance of revenue reserves
(d) None of these

Govt towards the cost of roads built in the vicinity of the project for the purpose of carrying materials to the site. The roads so built is the property of State Govt., Rs 60 lakh towards extensive special initial advertisement campaign for the new product., Rs 60 lakh to develop a Drug to treat Cancer but AS 26 criteria for capitalization was not met., What is the Total Amortization Cost to be charged to Profit 8i Loss A/c?
(a) Rs 233.5 lakh
(b) Rs 238 lakh
(c) Rs 246 lakh
(d) None of these

7. An enterprise acquired patent right for Rs 400 lakh . The product life cycle has been estimated to be 5 Years and the amortization was decided in the ratio of estimated future cash flows which are as under:

Years	1	2	3	4	5
Estimated Cash flows (Rs lakh)	200	200	200	100	100

After 3rd Year, it was ascertained that the patent would have an estimated balance future life of 3 Years and the estimated cash flow after 5th Year is expected to be Rs 50 lakh each Year. Determine the amount of amortization on the 6th Year as per AS26.
(a) Rs 100 lakh
(b) None of these
(c) Rs 40 lakh
(d) Rs 20 lakh

8. M/s. TUSHAR Ltd. is developing a new production process. During the Financial Year ended 31st March, 2016, the total expenditure incurred on the process was Rs 60 lacs. The production process met the criteria for recognition as an intangible asset on 1st December, 2019. Expenditure incurred till this date was Rs 32 lacs. Further expenditure incurred on the process for the Financial Year ending 31st March, 2021 was Rs 90 lacs. As on 31.03.2021, the recoverable amount of know-how embodied in the process is estimated to be Rs 82 lacs. This includes estimates of future cash outflows and inflows. The expenditure to be charged to Profit & Loss Account for the year ended 31st March, 2021 is:
(a) Rs 82
(b) Rs 118
(c) Rs 36
(d) None of these

9. If an exchange transaction has commercial substance -
(a) Asset received will be recognised at the carrying amount of asset given up. No Gain/Loss

10. If an exchange transaction lacks commercial substance -
(a) Asset received will be recognised at the carrying amount of asset given up. No Gain/Loss

from this transaction should be recognised in the books of both the Entities.
(b) Cost of an intangible asset is measured at Fair Values. Gain/Loss from this transaction should be recognised in the books of both the Entities.
(c) Either of the above
(d) Neither of the above

from this transaction should be recognised in the books of both the Entities.
(b) Cost of anintangible asset is measured at Fair Values. Gain/Loss from this transaction should be recognised in the books of both the Entities.
(c) Either of the above
(d) Neither of the above

A Ltd intends to open a New Retail Store in a New Location in the next few weeks. It has spent a substantial sum on a series of Television Advertisements to promote this New Store. It has paid for Advertisements costing ₹ 8,00,000 before 31st March. Of this sum,₹ 7,00,000 relates to Advertisements shown before 31st March and ₹ 1,00,000 to Advertisements shown in April.

11. Which of the following is true
(a) AS 26is silent in recognising Advertising Expenditure as an Intangible Asset. Hence, if there existssuccess probability in future, such Expenses have to be recognized as Intangible Assets.
(b) AS 26 specifically prohibits recognizing Advertising Expenditure as an Intangible Asset. Irrespective of success probability in future, such Expenses have to be recognized in P & L.
(c) AS 26is specifically states that Advertising Expenditure should be recognisedas an Intangible Asset. Irrespective of success probability in future, such Expenses have to be recognized in P & L.
(d) None of the above

12. In this case, ₹ 7,00,000 should be recognisedas -
(a) Expenses
(b) Assets
(c) Intangible Assets
(d) None of the above

12. In this case, ₹ 7,00,000 should be recognisedas -
(a) Expenses
(b) Assets
(c) Intangible Assets
(d) None of the above

ABC Ltd spent considerable amount on designing a New Product. ABC Ltd spent the six Months from April to September researching into the feasibility of the Product. From October, A Ltd was confident that the Product would be commercially successful and A Ltd is fully committed to finance its future development. A Ltd spent remaining part of the year in developing the Product, which is expected to start from selling in the next few months

14. As per AS 26, which of the following is correct₹

(a) Internal Expenditure on Intangible Items incurred during Research Phase can be recognised as an Asset.

(b) Internal Expenditure on Intangible Items incurred during Research Phase cannot be recognised as an Asset.

(c) Internal Expenditure on Intangible Items incurred during Research Phase can be recognised as an Asset, if the Project is likely to be technically feasible and commercially viable.

(d) Internal Expenditure on Intangible Items incurred during Research Phase cannot be recognised as an Asset, if the Project is likely to be technically feasible and commercially viable.

15. As per AS 26, which of the following is correct

(a) Internal Expenditure on Intangible Items incurred during Development Phase can be recognised as an Asset.

(b) Internal Expenditure on Intangible Items incurred during Development Phase cannot be recognised as an Asset.

(c) Internal Expenditure on Intangible Items incurred during Development Phase can be recognised as an Asset, if the Project is likely to be technically feasible and commercially viable.

(d) Internal Expenditure on Intangible Items incurred during Development Phase cannot be recognised as an Asset, if the Project is likely to be technically feasible and commercially viable.

16. Treatment of expenditure upto 30th September -

(a) Expenditure on Research Phase & hence capitalized.

(b) Expenditure on Research Phase & hence written off as Expenses.

(c) Expenditure on Development Phase & hence capitalized.

(d) Expenditure on Development Phase & hence written off as Expenses.

17. Treatment of expenditure after that date -

(a) Expenditure on Research Phase & hence capitalized.

(b) Expenditure on Research Phase & hence written off as Expenses.

(c) Expenditure on Development Phase & hence capitalized.

(d) Expenditure on Development Phase & hence written off as Expenses.

One of the Senior Engineers at XYZ has been working on a process to improve manufacturing efficiency and, consequently, reduce manufacturing costs. This is a major project and has the full support of XYZ's board of directo₹ The Senior Engineer believes that the cost reductions will exceed the project costs within 24 months of their implementation. Regulatory testing and health and safety approval was obtained on 1st June. This removed uncertainties concerning the project, which was finally completed on 20th April (next Financial Year).

Costs of ₹18,00,000, incurred during the year till 31st March, have been recognized as an Intangible Asset. An offer of ₹7,80,000 for the new developed technology has been received by potential buyer but it has been rejected by XYZ.

Utkarsh believes that the project will be a major success and has the potential to save the Company ₹12,00,000 in perpetuity. Director of Research at XYZ, Neha, who is a qualified Electronic Engineer, is seriously concerned about the long-term prospects of the new process and she is of the opinion that competitors would have developed New Technology at some

time which would require to replace the new process within 4 years She estimates that the Present Value of future cost savings will be ₹ 9,60,000 over this period. After that, she thinks that there is no certainty about its future.

18. In this case, which of the following conditions are satisfied?

(a) Intention to complete the asset is apparent as it is a major project with full support from board
(b) Finance is available as resources are focused on Project
(c) Benefits are expected to exceed Costs (in 2 years)
(d) All of the above

19. Expenditure to be capitalised in the Balance Sheet =

(a) 18,00,000
(b) 15,00,000
(c) 3,00,000
(d) Nil

20. Expenditure recognised as an Expense in P&L =

(a) 18,00,000
(b) 15,00,000
(c) 3,00,000
(d) Nil

21. Fair Value less Costs to sell =

(a) 9,60,000
(b) 7,80,000
(c) 15,00,000
(d) Cannot be determined

22. Value in Use =

(a) 9,60,000
(b) 7,80,000
(c) 12,00,000
(d) Cannot be determined

23. Recoverable Amount =

(a) 9,60,000
(b) 7,80,000
(c) 12,00,000
(d) Cannot be determined

24. Impairment Loss =

(a) 3,00,000
(b) 2,40,000
(c) 5,40,000
(d) 2,00,000

25. Computer Hardware purchased alongwith Operating System in-built provided by the Vendor. In this case -

(a) Since operating system is integral part of the computer itself and should be capitalised as PPE.
(b) Operating system on a Computer Hardware is recognised separately as Intangible Asset.
(c) Since operating system is integral part of the computer itself and should be recognised as Expenses in P&L.
(d) Operating system on a Computer Hardware is recognised as PPE.

26. Accounting Software purchased additionally and installed on a Computer Hardware. In this case -

27. Expenditure incurred results into an asset with physical substance should be accounted as -

(a) Since Accounting Software is integral part of the computer itself and should be capitalised as PPE.
(b) Accounting Software on a Computer Hardware is recognised separately as Intangible Asset.
(c) Since Accounting Software is integral part of the computer itself and should be recognised as Expenses in P8iL.
(d) Accounting Software on a Computer Hardware is recognised as PPE.

(a) Tangible Asset (PPE)
(b) Intangible asset
(c) Intangible asset where the physical element is secondary to its intangible component i.e. knowledge embodied in it.
(d) Tangible asset where the physical element is secondary to its intangible component i.e. knowledge embodied in it.

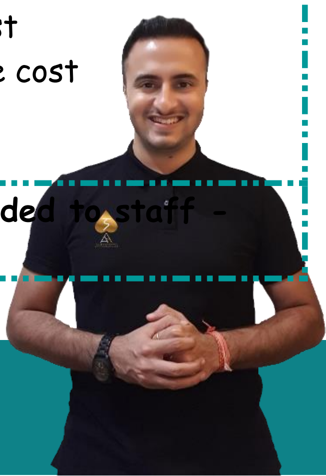
A Company engaged in the provision of Information Technology Products and Services incurred following expenditure during the development phase of its software product that is to be offered to its customers The Entity also purchases software from third parties for incorporating into its end software product offered to its customers The company is in the process of launching it in the market for licensing to customers The Company also takes services of external professional software developers for such purpose. Costs incurred for the year ended 31stMarch are as follows:
(a) Purchase Price of Imported Software 600
(b) Employment Costs (Note 1) 1,200
(c) Testing Costs 1,800
(d) Other costs directly related to Customization 450
(e) Professional Fees paid for External Software Developers 220
(f) Costs of training provided to staff 195
(g) Costs of advertising in market 1,560
(h) Administrative and General Overheads 825
Note:
1. The software was developed in nine months ended 31stDecemberand was capable of operating in the manner intended by the Entity. It was brought into use on 31stNlarch. The Employment Costs are for the period of 12 months (i.e. up to 31stMareh). The employees were engaged in developing the software and related activities.
2. Other Costs directly related to development include an abnormal cost of INR 50,000 in respect of repairing the damage which resulted from a Security Breach.

28. Employment Costs to be capitalized -
(a) 12,00,000
(b) 9,00,000
(c) 3,00,000
(d) Nil

29. Cost of testing whether the asset is functioning properly is -
(a) directly attributable cost
(b) not directly attributable cost
(c) Either of the above
(d) None of the above

30. Other costs directly related to Customization eligible for capitalization=

31. Costs of training provided to staff -
(a) can be capitalized



(a) 4,50,000
(b) 50,000
(c) 4,00,000
(d) Nil

(b) cannot be capitalized
(c) Either of the above
(d) None of the above

32. Costs of advertising in market -
(a) can be capitalized
(b) cannot be capitalized
(c) Either of the above
(d) None of the above

33. Administrative and General Overheads -
(a) can, be capitalized
(b) cannot be capitalized
(c) Either of the above
(d) None of the above

34. Initial Carrying Value of Intangible assets
(a) 41,15,000
(b) 39,70,000
(c) 39,20,000
(d) 39,00,000

36. Which of the following is true?
(a) Expenditure on an intangible item that was initially recognised as an expense shall be recognised as part of the cost of an intangible asset at a later date.
(b) Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.
(c) At the discretion of the Entity, Expenditure on an intangible item that was initially recognised as an expense may be recognised as part of the cost of an intangible asset at a later date.
(d) Expenditure on an intangible item that was initially recognised as an expense shall be recognised as part of the cost of an intangible asset at a later date subsequent to getting approval from the government for the same.

35. Company A is a Pharma Company and for past four years it has been working on a research project related to formulating a new drug. So far, it has spent INR 1,00,00,00 on the said research work which has been charged to P&L. In the current year, approval from the Government has been received to develop the same and now Company A wishes to capitalize all the past incurred expenses which were expensed off and recognized in P&L. In this case -
(a) A Ltd can capitalize INR 1,00,00,000 subsequently.
(b) A Ltd cannot capitalize INR 1,00,00,000 subsequently.
(c) Either of the above
(d) None of the above

An Entity decides to revalue its Intangible Assets having useful life of 10 Yea₹ On the date of revaluation, it stands at a cost of ₹200 Lakhs and Accumulated Depreciation is ₹80 Lakhs. Intangibles are now revalued at ₹150 Lakhs.

37. For Revaluation -
(a) Balance in Provision for Depreciation Account should be transferred to Intangible Assets Account.

38. After Revaluation -
(a) There will not be any balance in Provision for Depreciation Account.

(b) Balance in Provision for Depreciation Account should not be transferred to Intangible Assets Account.
(c) Either of the above
(d) None of the above

(b) There will be any balance in Provision for Depreciation Account.
(c) Either of the above
(d) None of the above

39. Revaluation Adjustments (in Lakhs) -
(a) Close Provision for Depreciation by transferring to Intangible Assets. Create Revaluation Surplus for 30.
(b) Increase Intangible Assets by 50. Increase Provision for Depreciation by 20. Create Revaluation Surplus for 30.
(c) Either of the above
(d) None of the above

40. Carrying Amount after Revaluation (in Lakhs) =
(a) 250
(b) 150
(c) Either of the above
(d) None of the above

An Entity is developing a new production process. During Year 1, expenditure incurred was ₹1,000 Lakhs, of which ₹900 Lakhs was incurred before 1st March and ₹100 Lakhs was incurred between 1 March and 31 March. The Entity is able to demonstrate that, at 1st March, the Production Process met the criteria for recognition as an Intangible Asset. The Recoverable Amount of the Know-How embodied in the Process (including Future Cash Outflows to complete the process before it is available for use) is estimated to be ₹500 Lakhs. During Year 2, the expenditure incurred is ₹2,000 Lakhs. At the end of Year 2, the Recoverable Amount of the Know-how embodied in the process (including Future Cash Outflows to complete the process before it is available for use) is estimated to be ₹ 1,900 Lakhs.

41. Expenditure incurred before 1st March is
(a) capitalised
(b) treated as Expense
(c) Either of the above
(d) None of the above

42. Expenditure incurred between 1st March and 31st March is -
(a) capitalised
(b) treated as Expense
(c) Either of the above
(d) None of the above

43. Impairment Loss at the end of Year 1 =
(a) 100 Lakhs
(b) Nil
(c) 500 Lakhs
(d) 400 Lakhs

44. Further Expenditure incurred on Year 2 is —
(a) capitalised
(b) treated as Expense
(c) Either of the above
(d) None of the above

45. Carrying Amount of Intangibles (before impairment recognition) at the end of Year 2 =
(a) 2,100 Lakhs

46. Impairment Loss at the end of Year 2 =
(a) 100 Lakhs
(b) Nil
(c) 200 Lakhs

(b) 2,000 Lakhs (c) 1,900 Lakhs (d) Nil	(d) 400 Lakhs
47. Carrying Amount of Intangibles (after impairment recognition) at the end of Year 2 (a) 2,100 Lakhs (b) 2,000 Lakhs (c) 1,900 Lakhs (d) Nil	**48. If the exchange transaction lacks commercial substance, the company will -** (a) earn Profit (b) incur Loss (c) Either of the above (d) No Profit or Loss

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
c	c	a	c	b	c	d	c	b	a	b	a	b	b	c	b	c	d	c	c

21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
b	a	a	c	a	b	c	b	a	c	b	b	b	c	b	b	c	c	c	c

41	42	43	44	45	46	47	48
b	a	b	a	a	c	a	d

AS-28 Impairment Of Assets

1. Asset is impaired. There is Impairment Loss if Carrying Amount of the Asset / CGU is -
(a) Less than the Recoverable Amount
(b) More than the Recoverable Amount
(c) Equal to the Recoverable Amount
(d) All of the above

2. Recoverable Amount =
(a) Net Selling Price
(b) Value in Use
(c) Higher of the above
(d) Lower of the above

3. As per AS 28, an Entity should assess whether there is any indication that an asset may be impaired -
(a) at any time during the reporting period
(b) at the end of each reporting period
(c) Regularly
(d) Once in 3 to 5 Years

4. If any such indication (of impairment) exists -
(a) Assets will be impaired
(b) Assets will not be impaired
(c) Either of the above
(d) None of the above

5. In assessing whether there is any indication that an Asset may be impaired, an Entity should consider, as a minimum, the following indications-
(a) External Sources of Information
(b) Internal Sources of Information
(c) Dividend from Subsidiary/JV/Associate
(d) All of the above

6. External Sources of Information includes -
(a) There are observable indications that the Asset's Value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
(b) Significant Changes with an adverse effect on the Entity have taken place during the period, or will take place in the near future, in the Technological, Market, Economic or Legal Environment - (a) in which the Entity operates, or (b) in the market to which an Asset is dedicated.
(c) Market Interest Rates or Other Market Rates of Return on Investments have increased during the period, and those increases are likely to affect the Discount Rate used in calculating an Asset's Value in Use and decrease the Asset's Recoverable Amount materially.
(d) All of the above

7. Internal Sources of Information includes -
(a) Evidence is available of obsolescence or physical damage of an Asset.
(b) Significant Changes with adverse effect on the Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an Asset is used or is expected to be used.
(c) Evidence is available from Internal Reporting that indicates that the economic performance of an Asset is, or will be, worse than expected.
(d) All of the above

8. Significant Changes with adverse effect on the Entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an Asset is used or is expected to be used. This is -
(a) External Sources of Information for Impairment
(b) Internal Sources of Information for Impairment
(c) Not at all an Indicator for Impairment
(d) None of the above

9. Carrying Amount of the Net Assets of the Entity is less than its Market Capitalisation. This is -
(a) External Sources of Information for Impairment
(b) Internal Sources of Information for Impairment
(c) Not at all an Indicator for Impairment
(d) None of the above

10. Market Interest Rates or Other Market Rates of Return on Investments have decreased during the period, and those decreases are likely to affect the Discount Rate used in calculating an Asset's Value in Use and affects the Asset's Recoverable Amount materially. This is -
(a) External Sources of Information for Impairment
(b) Internal Sources of Information for Impairment
(c) Not at all an Indicator for Impairment
(d) None of the above

Carrying Amount of a Machine is ₹ 1,00,000 (Historical Cost Less Depreciation). The Machine is expected to generate ₹ 25,000 net cash flow for 5 years. Net Selling Price of the Machine on current date is ₹ 85,000. The Entity's required rate of earning is 10% p.a.

11. Value in Use =
(a) 85,000
(b) 94,750
(c) 5,250
(d) 1,00,000

12. Recoverable Amount =
(a) 85,000
(b) 94,750
(c) 5,250
(d) 1,00,000

13. Impairment Loss =
(a) 85,000
(b) 94,750
(c) 5,250
(d) 1,00,000

X Ltd purchased a Property, Plant and Equipment 4 years ago for ₹ 150 Lakhs and depreciates it at 10% p.a. on Straight Line Method. At the end of the fourth year, it has revalued the Asset at ₹ 75 Lakhs and has written off the Loss on Revaluation to the Profit and Loss Account. However, on the date of Revaluation, the Market Price is ₹ 67.50 Lakhs and expected Disposal Costs are ₹ 3 Lakhs. Value in use is estimated at ₹ 60 Lakhs.

14. Depreciation for four years =
(a) 90 Lakhs
(b) 60 Lakhs
(c) 75 Lakhs
(d) 64.50 Lakhs

15. Carrying value at the end of fourth year =
(a) 90 Lakhs
(b) 60 Lakhs
(c) 75 Lakhs
(d) 64.50 Lakhs

16. Revaluation Adjustment =
(a) Debit to P&L 15 Lakhs
(b) Credit to P&L 15 Lakhs
(c) Debit to OCI 15 Lakhs
(d) Credit to OCI 15 Lakhs

17. Recoverable Amount =
(a) 90 Lakhs
(b) 60 Lakhs
(c) 75 Lakhs
(d) 64.50 Lakhs

18. Impairment Loss =
(a) 90 Lakhs
(b) 60 Lakhs
(c) 10.50 Lakhs
(d) 64.50 Lakhs

Upendra Ltd is the sole manufacturer of Product X. A particular machine is exclusively used for production of Product X. The Company had near monopoly of the Product. A Competitor has recently come out with a cheaper substitute of Product X. The Company is anticipating significant fall in demand for its product and Cash Flow from the machine used in production of X is also expected to fall. As per the latest budget estimates, taking the entry of the competitor in consideration, the Operating Pre-Tax Cash Flows from the Machine expected over next 5 years are ₹ 9 Lakhs, ₹ 8 Lakhs, ₹ 6 Lakhs, ₹ 5.5 Lakhs and ₹ 5 Lakhs respectively. The expected life of the machine is 10 years. Declining growth rates for future Cash Flows are estimated from year 6 onwards at 10%, 20%, 30%, 40%, 60% respectively. The Disposal Value (net of expected cost of disposal) realisable at the end of year 10 is ₹ 1 Lakh. The Machine can be disposed off immediately for its Fair Value of ₹ 25 Lakhs subject to payment of brokerage 2% on disposal value. The Carrying Amount of the machine on the current date is ₹ 35 Lakhs. Taking the risk involved in the use of the machine for production of X in consideration, a pre-tax rate of return of 10% seems to be appropriate.

19. Operating Cash Flow for the Year 6 (in ₹ 000s) =
(a) 450
(b) 550
(c) 400

20. Operating Cash Flow for the Year 7 (in ₹ 000s) =
(a) 450
(b) 550
(c) 400

(d) 360

(d) 360

21. Operating Cash Flow for the Year 8 (in ₹ 000s) =
(a) 450
(b) 550
(c) 252
(d) 360

22. Total Cash Flow for the Year 10 (in ₹ 000s) =
(a) 450
(b) 550
(c) 252
(d) 160.48

23. FV (-) COD (in ₹ 000s) =
(a) 3500
(b) 2450
(c) 2500
(d) 3297.87

24. Value in Use (in ₹ 000s) =
(a) 3500
(b) 2450
(c) 2500
(d) 3298

25. Recoverable Amount (in ₹ 000s) =
(a) 3500
(b) 2450
(c) 2500
(d) 3298

26. Impairment Loss (in ₹ 000s) =
(a) 350
(b) 202
(c) 205
(d) 329.87

Garuda Ltd acquired a Machine on 1st April 2013 for ₹ 7 Crore that had an estimated useful life of 7 years. The Machine is depreciated on Straight Line basis and does not carry any residual value. On 1st April 2017, the Carrying Value of the Machine was re-assessed at ₹ 5.10 Crore and the surplus arising out of the revaluation being credited to Revaluation Reserve. For the year ending March 2019, conditions indicating an impairment of the Machine existed and the amount recoverable ascertained to be only ₹ 79 Lakhs.

27. Depreciation Per Annum (before Revaluation) =
(a) ₹ 7.00 Crores
(b) ₹ 1.00 Crores
(c) ₹ 0.50 Crores
(d) ₹ 3.00 Crores

28. WDV on 01.04.2017 i.e. date of revaluation =
(a) ₹ 7.00 Crores
(b) ₹ 1.00 Crores
(c) ₹ 0.50 Crores
(d) ₹ 3.00 Crores

29. Revaluation Adjustment =
(a) Credit to. P&L ₹ 2.10 Crores
(b) Debit to P&L ₹ 2.10 Crores
(c) Credit to Revaluation Reserve / Surplus ₹ 2.10 Crores
(d) Debit to Revaluation Reserve / Surplus ₹ 2.10 Crores

30. Revised Depreciation after Revaluation =
(a) ₹ 7.00 Crores
(b) ₹ 1.00 Crores
(c) ₹ 0.50 Crores
(d) ₹ 1.70 Crores

31. Amount transferred from Revaluation Reserve to Retained Earnings per annum =
(a) ₹ 1.70 Crores
(b) ₹ 1.00 Crores

32. Balance in Revaluation Reserve / Surplus on the date of Impairment testing =
(a) ₹ 1.70 Crores
(b) ₹ 1.00 Crores

(c) ₹ 0.50 Crores
(d) ₹ 0.70 Crores

(c) ₹ 0.50 Crores
(d) ₹ 0.70 Crores

33. Carrying Amount of the Asset on date of Impairment testing =
(a) ₹ 1.70 Crores
(b) ₹ 1.00 Crores
(c) ₹ 0.50 Crores
(d) ₹ 0.70 Crores

34. Impairment Loss =
(a) ₹ 1.70 Crores
(b) ₹ 1.00 Crores
(c) ₹ 0.91 Crores
(d) ₹ 0.70 Crores

35. Adjustment for Impairment Loss =
(a) Debit 0.21 Crores tp Revaluation Reserve and Debit to P&L 0.70 Crores
(b) Debit 0.70 Crores tp Revaluation Reserve and Debit to P&L 0.21 Crores
(c) Debit 0.70 Crores tp Revaluation Reserve and Debit to P&L 1 Crores
(d) Debit 1.00 Crores tp Revaluation Reserve and Debit to P&L 0.21 Crores

PQR Ltd is the Company which has performed well in the past but one of its major assets, an item of Equipment, suffered a significant and unexpected deterioration in performance. Management expects to use the Machine for a further four years, but at a reduced level. The Equipment will be scrapped after four years. The Financial Accountant for PQR Ltd has produced a set of Cash Flow Projections for the Equipment for the next four years, ranging from optimistic to pessimistic –
(a) ₹ 2,76,000,
(b) ₹ 1,92,000,
(c) ₹ 1,20,000 and
(d) ₹ 1,14,000.
CFO thought that the Projections were too conservative, and he intended to use the highest figures each year. The above Cash Inflows should be assumed to occur on the last day of each Financial Year. The pre-Tax Discount Rate is 9%. The Machine could have been sold now for ₹ 6,00,000 and related selling expenses in this regard could have been ₹ 96,000. The Machine had been revalued previously, and now an amount of ₹ 36,000 was held in Revaluation Surplus in respect of the asset. The carrying value of the Asset now was ₹ 6,60,000. The Indian Government has indicated that it may compensate the Company for any loss in value of the assets up to its recoverable amount.

36. Value in Use =
(a) 7,02,000
(b) 5,88,236
(c) 5,04,000
(d) 6,88,236

37. Fair Value - Cost to Sell =
(a) 7,02,000
(b) 5,88,236
(c) 5,04,000
(d) 6,88,236

38. Recoverable Amount =
(a) 7,02,000
(b) 5,88,236
(c) 5,04,000
(d) 6,88,236

39. Impairment Loss =
(a) 72,000
(b) 58,236
(c) 1,47,058
(d) 71,770

40. Revised Depreciation =
(a) 72,000
(b) 58,236
(c) 1,47,058
(d) 71,770

41. Adjustment for Impairment Loss =
(a) Debit P&L ₹ 36,000, and ₹ 35,770 is charged to Revaluation Surplus.
(b) Debit Revaluation Surplus ₹ 36,000, and ₹ 35.770 is charged to P&L.
(c) Debit Revaluation Surplus ₹ 66,000, and ₹ 35.770 is charged to P&L.
(d) Debit Revaluation Surplus ₹ 36,000, and ₹ 5,770 is charged to P&L.

A Plant was acquired 15 years ago at a cost of ₹ 5 Crores. Its Accumulated Depreciation as at 31.03.2018 was ₹ 4.15 Crores. Depreciation estimated for the Financial Year 2018-2019 is ₹ 25 Lakhs. Estimated Net Selling Price as 31.03.2018 was ₹ 30 Lakhs, which is expected to decline by 20% by the end of the next Financial Year. Its Value in Use has been computed at ₹ 35 Lakhs as of 01.04.2018, which is expected to decrease by 30% by the end of the Financial Year.

42. Net Book Value as on 31.03.2019 =
(a) 60 Lakhs
(b) 24 Lakhs
(c) 24.50 Lakhs
(d) 85 Lakhs

43. Net Selling Price as on 31.03.2019 =
(a) 60 Lakhs
(b) 24 Lakhs
(c) 24.50 Lakhs
(d) 85 Lakhs

44. Value in Use as on 31.03.2019 =
(a) 60 Lakhs
(b) 24 Lakhs
(c) 24.50 Lakhs
(d) 85 Lakhs

45. Recoverable Amount as on 31.03.2019 =
(a) 60 Lakhs
(b) 24 Lakhs
(c) 24.50 Lakhs
(d) 85 Lakhs

46. Impairment Loss as on 31.03.2019 =
(a) 60 Lakhs
(b) 24 Lakhs
(c) 24.50 Lakhs
(d) 35.50 Lakhs

47. Amount written off in P&L for FY 2018-2019 =
(a) 25 Lakhs
(b) 23.50 Lakhs
(c) 35.50 Lakhs
(d) 60.50 Lakhs

48. If the Fair Value as well as Value in Use was zero, and the Entity were required to incur a cost of ₹ 2 Lakhs to dispose of the

49. If the Plant had been revalued ten years ago and the Current Reserves against this Plant were to be ₹ 12 Lakhs, Impairment Loss written off in P&L for FY 2018-2019 =

Plant, Impairment Loss written off in P&L for FY 2018-2019 =
(a) 60 Lakhs
(b) 62 Lakhs
(c) 35.50 Lakhs
(d) 60.50 Lakhs

(a) 25 Lakhs
(b) 23.50 Lakhs
(c) 35.50 Lakhs
(d) 60.50 Lakhs

50. S LTD is having a plant (asset), carrying amount of which is ₹ 40 Lakh on March 31, 2012. Its balance useful life is 3 years and residual value at the end of 3 years is ₹ 3 Lakh. Estimated future cash flow from using the plant will be ₹ 10 Lakh per annum for 3 years. If the discount rate is 10% "the Value in Use" for the plant as per AS-28 will be -
(a) ₹ 27.124 Lakh
(b) ₹ 22.001 Lakh
(c) ₹ 21.870 Lakh
(d) Insufficient Information

51. SWIFT LTD has an asset, which is carried in the Balance Sheet on 31.3.2013 at ₹ 600 Lakh. As at that date value in USE is ₹ 400 Lakh. If the net selling price is ₹ 450 Lakh, Impairment loss of the Asset as per AS-28 will be
(a) ₹ 200 Lakh
(b) ₹ 150 Lakh
(c) ₹ 50 Lakh
(d) None of (A), (B), (C)

52. ASILEEN LTD. purchased a plant on 01.04.2011 for ₹ 8.00. 000. It provides depreciation @ 20% on WDV during the year ended on 31.03.2013. If the Company provides inpairment loss on plant for ₹ 80.000. What would be the carrying amount of Plant on 31.03.2013 as per AS-28?
(a) ₹ 5,92,000
(b) ₹ 5,12,000
(c) ₹ 4,32,000
(d) None of (A), (B) and (C)

53. RAM LTD. acquired a machine for ₹ 6.40 Crores on 1st January, 2011. It has a life of 5 years with a Salvage value of ₹ 80 lakh. Calculate the impairment loss as on 31.3.2014, if any, when the present value of future cash flow is ₹ 2.60 Crores and net selling price is ₹ 2.40 Crores.
(a) No impairment loss
(b) ₹ 16 lakh
(c) ₹ 8 lakh
(d) ₹ 20 lakh

54. As per AS-28, Impairment loss means:
(a) Value in use of the asset—Net selling price
(b) Carrying amount of the asset—Recoverable amount
(c) Recoverable amount of the asset—Net selling price
(d) Book value of the asset—Net selling price

55. An asset of PELF FINSTOCK Ltd. does not meet the requirements of environment laws which have been recently enacted. The asset has to be destroyed as per the law. The asset is carried in the Balance Sheet at the year end at ₹ 6,00,000. The estimated cost of destroying the asset is ₹ 70,000. Impairment Loss to be recognized as an expense immediately in the Statement of Profit and Loss as per AS 28 is
(a) ₹ 6,00,000
(b) ₹ 6,70,000

(c) NIL
(d) None of these

56. Chandra Ltd. purchased a machinery on 01.04.2013 for ₹ 35 Lakh. Written down value of the machinery as on 31st March, 2017 is ₹ 18.27 Lakh. The recoverable amount of the machinery is ₹ 12.45 Lakh. The impairment loss as per AS-28 will be
(a) ₹ 16.73 Lakh
(b) ₹ 22.55 Lakh
(c) ₹ 5.82 Lakh
(d) ₹ 4.28 Lakh

57. Vini Ltd. has an asset, which was purchased on 01.04.2016 at Rs. 1,000 lakh and estimated salvage value was Rs.100 lakh. The life of the asset is 5 years. The Company applies straight line method for depreciation. As at 31.03.2018 value in use is Rs.400 lakh and the net selling price is Rs.375 lakh. The amount of impairment loss for 2017 - 2018 is
(a) Rs.420 lakh
(b) Rs.200 lakh
(c) Rs. 240 lakhs
(d) Rs. 265 lakhs

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
b	c	b	c	d	d	d	b	c	c	b	b	c	b	a	a	d	c

19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38
a	d	c	d	b	d	b	b	d	c	d	d	d	d	a	c	b	b	c	b

39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57
d	c	b	a	b	c	c	d	d	a	b	a	b	c	b	a	a	c	c

AS-15 Employee Benefits

1. How many types of Employee Benefits as per AS 15?

a) 1
b) 2
c) 3
d) 4

2. How many types of Post Employment Benefits as per AS 15?

a) 1
b) 2
c) 3
d) 4

3. Those benefits which fall due wholly within 12 months after the end of the period in which the employees render the related service is called as –

a) short term employment benefits
b) Other Long term employment benefits
c) Post employment benefits
d) Termination benefits

4. Those benefits, which are payable after the completion of employment is called as –

a) short term employment benefits
b) Other Long term employment benefits
c) Post employment benefits
d) Termination benefits

5. Those benefits which do not fall due wholly within 12 months after the end of the period in which the employees render the related service –

a) Short term employment benefits
b) Other Long term employment benefits
c)' Post employment benefits
d) Termination benefits

6. Termination benefits are those benefits payable as a result of-

a) Enterprise's decision to terminate an employee's employment before the normal retirement date
b) Employee's decision to accept voluntary redundancy in exchange for those benefits
c) Either of the above
d) None of the above

7. Post employment benefits are classified into –

a) Short term & Long term Benefits
b) Defined Benefit & Defined Contribution Plans
c) Accumulating & non-accumulating
d) Vesting and non-vesting benefits

8. Types of Short term Compensated allowances?

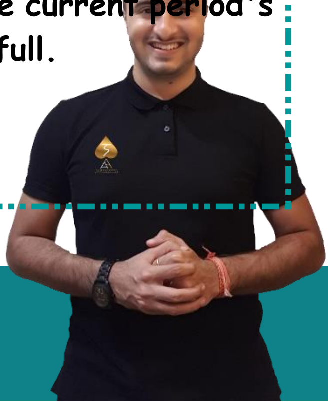
a) Monetary &Non Monetary
b) Defined Benefit & Defined Contribution
c) Accumulating & Non Accumulating
d) Vesting and Non Vesting benefits

9. Types of Accumulated Absences -

a) Short term & Long term Benefits
b) Defined Benefit & Defined Contribution Plans
c) Accumulating & Non Accumulating
d) Vesting and Non Vesting benefits

10. ______ are carried forward and can be used in future periods if the current period's entitlement is not used in full.

a) Vesting Absences
b) Non Vesting Absences
c) Accumulating Absences



d) Non Accumulating Absences

11. ______ are not carried forward. They lapse if the current period's entitlement is not used in full.
a) Vesting Absences ,
b) Non Vesting Absences
c) Accumulating Absences
d) Non Accumulating Absences

12. Maternity or Paternity Leave is -
a) Vesting Absences
b) Non Vesting Absences
c) Accumulating Absences
d) Non Accumulating Absences

13. Which of the following is true in respect to accounting for Short-Term Employee Benefits?
a) It is generally straight-forward.
b) Actuarial Assumptions are not required to measure the obligation or the cost.
c) They are measured on an undiscounted basis at Nominal Value of Cash Flow.
d) All of the above

14. Which of the following is true in respect to Defined Contribution Plan?
a) Entity pays fixed contributions into a separate entity (a Fund)
b) Entity will have no obligation to pay further contributions, if the Fund does not hold sufficient assets to pay all Employee Benefits relating to employee service, in the current and prior periods.
c) The Enterprise's obligation is limited to the amount that it agrees to contribute to the Fund.
d) All of the above

15. Which of the following is false in respect to Defined Benefits Plan?
(a) The Enterprise's obligation is to provide the agreed benefits to current and former Employees.
(b) Actuarial Risk (that benefits will cost more than expected) and Investment Risk, fall on the Enterprise.
(c) Accounting is simple and Straightforward, no actuarial assumptions and discounting of contributions.
(d) All of the above

16. In respect to Defined Benefits Plan ______ fall on the Enterprise.
a) Actuarial Risk
b) Investment Risk
c) Both of the above
d) None of the above

17. In respect to Defined Contribution Plan Actuarial Risk and Investment Risk fall on -
a) Enterprise
b) Employee
c) Both of the above
d) None of the above

18. Accounting for ______ is complex.
a) Short term benefits
b) Defined Contribution Plan
c) Defined Benefits Plan
d) All of the above

19. Actuarial Valuation will apply to -
a) Short term benefits
b) Defined Contribution Plan
c) Defined Benefits Plan
d) All of the above

20. For Defined Benefits Plan _____ will apply.
a) actuarial assumptions
b) discounting
c) Both of the above
d) None of the above

21. _____ are defined Benefit Plans that share risks between various enterprises under common control, e.g. a Parent and its Subsidiaries
a) Risk sharing Plans
b) Multi employer Plans
c) State Plans
d) None of the above

22. _____ are Defined Contribution Plans or Defined Benefit Plans that pool the assets contributed by various Enterprises that are not under common control.
a) Risk sharing Plans
b) Multi employer Plans
c) State Plans
d) None of the above

23. An enterprise should use the Projected Unit Credit Method to determine the -
a) Present Value of its Defined Benefit Obligations
b) related Current Service Cost
c) Past Service Cost
d) All of the above

24. Increase in the Present Value of the Defined Benefit Obligation resulting from employee service in the current period -
a) Past Service Cost
b) Current Service Cost
c) Interest Cost
d) Actuarial Loss

25. Increase during a period in the Present Value of a Defined Benefit Obligation which arises because the benefits are one period closer to settlement -
a) Past Service Cost
b) Current Service Cost
c) Interest Cost
d) Actuarial Loss

26. An Enterprise should recognise the Net Total of the following amounts in the Statement of Profit and Loss -
a) Past Service Cost
b) Current Service Cost
c) Interest Cost
d) All of the above

27. An Enterprise should recognise the Net Total of the following amounts in the Statement of Profit and Loss -
a) Expected Return on any Plan Assets
b) Actuarial Gains and Losses
c) Effect of any curtailments or settlements
d) All of the above

Particulars	₹.
Benefits Paid	2,00,000
Employer Contribution	2,80,000
Fair Market Value of Plan Assets at year-end	11,40,000
Fair Value of Plan Assets at year beginning	8,00,000

28. Actual Return on Plan Assets -
a) 2,60,000
b) 2,00,000
c) 10,00,000
d) 5,00,000

29. How will you recognize the liability / asset of a Defined Benefit Plan from the data below?
PV of Defined Benefit Obligation 1,400 Lakhs
Fair Value of Plan Assets 1,190 Lakhs
Unrecognised Past Service Cost 70 Lakhs
a) Assets 1,190 Lakhs, Liabilities 1,400 Lakhs, P&L Debit 70 Lakhs
b) Assets 1,190 Lakhs, Liabilities 1,400 Lakhs, P&LCredit 70 Lakhs
c) Net Liability 140 Lakhs
d) Net Liability 210 Lakhs

30. Actuarial Assumptions comprise -
a) 1 assumption
b) 2 assumptions
c) 3 assumptions
d) 4 assumptions

31. Actuarial Assumptions comprise -
a) Demographic Assumptions
b) Financial Assumptions
c) Both of the above
d) None of the above

32. ______ relate to the future characteristics of current and former employees (and their dependants) who are eligible for benefits.
a) Demographic Assumptions
b) Financial Assumptions
c) Both of the above
d) None of the above

33. Demographic Assumptionsdeal with matte₹ like –
a) mortality, both during and after employment,
b) rates of employee turnover, disability and early, retirement,
c) proportion of plan members with dependants who will be eligible for benefits, and
d) All of the above

34. Financial Assumptions deal with matte₹ like -
a) Discount Rate
b) Future Salary and Benefit Levels
c) Expected Rate of Return on Plan Assets
d) All of the above

35. Plan Assets comprise -
a) Assets held by a Long-Term Employee Benefit Fund .
b) Qualifying Insurance Policies
c) Both of the above
d) None of the above

At 1st January 2016, the Fair Value of Plan Assets was ₹. 1,00,000. On 30th June 2016, the Plan paid benefits of ₹. 19,000 and received contributions of ₹. 49,000. At 31st December 2016, the Fair Value of Plan Assets was ₹. 1,50,000 and the Present Value of the Defined Benefit Obligation was ₹. 1,47,920. Actuarial Losses on the obligation for 2016 were ₹. 600.Expected Return is 5%.

36. Expected Return on Plan Assets =
(a) 11,750
(b) 15,000
(C) 10,250
(d) 20,000

37. Actual Return on Plan Assets =
(a) 11,750
(b) 15,000
(c) 10,250
(d) 20,000

38. Net Actuarial Gain I Loss to be recognised in the Statement of Profit and Loss =
(a) Gain 7,650
(b) Loss 7,650
(c) Gain 10,250
(d) Loss 20,000

39. The fair value of Plan assets of ARIMA LTD at beginning and end of the year were ₹. 4,00,000 and ₹. 5,70,000 respectively. The employer's contribution to the plan during the year was ₹. 1,40,000. If benefit payments to retirees were ₹. 1,00,000 what would be the actual return on plan assets (as per AS15)?
a) ₹. 1,50,000
b) ₹. 1,30,000
c) ₹. 1,20,000
d) Insufficient Information

40. The fair values of Pension Plan Assets of ZOOM LTD at the beginning and end of the year were ₹. 5,60,000 and ₹. 6,20,000 respectively. The actual return on Pension Plan Assets for the year was ₹. 63,000. If benefit payments made to the retirees are ₹. 64,000, the employer's contribution to the plan during the year as per AS-15 would be
a) ₹. 52,000
b) ₹. 61,000
c) ₹. 65,000
d) None of (A), (B), (C)

41. Actual return on plan assets =

Particulars	₹.
Benefits paid	4,20,000
Employer contribution	3,00,000
Opening Fair value of plan assets	15,75,000
Closing Fair value of plan assets	12,50,000

a) ₹. 4,45,000
b) ₹. 3,25,000
c) ₹. 25,000
d) ₹. 7,45,000

42. Employer contribution to Plan assets =

Particulars	₹.

Opening Fair market value of Plan Assets	7,00,000
Actual Return on Plan assets	50,000
Benefit payment to Retirees	40,000
Closing Fair market value of Plan Assets	8,10,000

a) ₹. 1,00,000
b) ₹. 80,000
c) ₹. 60,000
d) Insufficient information

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	b	a	c	b	c	b	c	d	c	d	d	d	d	c	c	c	c	c	c
21	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
a	b	d	b	c	d	d	a	c	b	c	a	d	d	c	a	d	a	b	b

41	42
a	a

AS-29 (Revised) Provisions, Contingent Liabilities & Contingent Assets

X Shipping Ltd is required by law to overhaul its Shipping Fleet once in every 3 years. The Company's Finance Team was of the view that recognising the costs only when paid would prevent matching of revenue incurred all the time certain costs of large amounts which are incurred occasional. Thereby, it has formulated an accounting policy of providing in its books of account for the future cost of maintenance (Overhauls, Annual Inspection, etc.) by calculating a rate per hour sailed on sea and accumulating a provision over time. The Provision is adjusted when the expenditure is actually incurred.

1. In this case, there is -
(a) present obligation.
(b) future obligation.
(c) Possible obligation.
(d) constructive obligation.

2. In this case -
(a) Provision should be created.
(b) Provision should not be created.
(c) Contingent liability should be disclosed.
(d) None of the above

3. In this case, the Company should -
(a) not adopt the Component Approach in Ind AS- 16, for accounting for the overhauling costs.
(b) adopt the Component Approach in Ind AS-16, for accounting for the overhauling costs.
(c) adopt the Component Approach in Ind AS-36, for accounting for the overhauling costs.
(d) adopt the Component Approach in Ind AS-38, for accounting for the overhauling costs.

4. X Packaging Ltd has two segments, Packaging Division and Paper Division. In March, the Board of Directors approved and announced a formal plan to sell the Paper Division in June. Operating Losses of the Paper Division are estimated to be approximately ₹ 50 Lakhs during the period from 1st April to the expected date of disposal. In this case -
(a) Provision should be made for Future Operating Losses.
(b) Provision should not be made for Future Operating Losses.
(c) Contingent liability should be disclosed for Future Operating Losses.
(d) Any of the above

X Telecom Ltd has Income Tax litigation pending before Appellate Authorities. The Legal Advisor's opinion is that X Telecom Ltd will lose the case and estimated that a Liability of X 100 Lakhs may arise in 2 years. The Liability is recognised on a discounted basis. The Discount Rate at which the

liability has been discounted is 10% and it is assumed that Discount Rate does not change over the period of 2 yea₹

5. Initial recognition of Provision is at -
(a) 100 Lakhs
(b) 90.90 Lakhs
(c) 82.70 Lakhs
(d) 8.20 Lakhs

6. Carrying Amount of Provision at Year 1 end
(a) 100 Lakhs
(b) 90.90 Lakhs
(c) 82.70 Lakhs
(d) 8.20 Lakhs

7. Impact in P8iL for Year 1 =
(a) Other Income 8.20 Lakhs
(b) Finance Income 8.20 Lakhs
(c) Borrowing Costs 8.20 Lakhs
(d) Other Expenses 8.20 Lakhs

8. Carrying Amount of Provision at Year 2 end
(a) 100 Lakhs
(b) 90.90 Lakhs
(c) 82.70 Lakhs
(d) 8.20 Lakhs

9. Impact in P8iL for Year 2 =
(a) Other Income 9.10 Lakhs
(b) Finance Income 9.10 Lakhs
(c) Borrowing Costs 9.10 Lakhs
(d) Other Expenses 9.10 Lakhs

10. X Solar Power Ltd, a Power Company, has a present obligation to dismantle its Plant after 35 years of useful life. The Company cannot cancel this obligation or transfer to third party. The Company has estimated the total cost of dismantling at ₹ 50 Lakhs, the Present Value of which is t 30 Lakhs. Based on the facts and circumstances, the Company considers the Risk Factor of 5%, i.e. the risk that the actual outflows would be more from the expected Present Value. So, the Liability will be recognised at
(a) 1,50,000
(b) 30,00,000
(c) 31,50,000
(d) 51,50,000

X Beauty Solutions Ltd is selling cosmetic products under its brand name 'B', but it is getting its product manufactured from Y Ltd. It has an understanding with Y Ltd that if X Ltd becomes liable for any damage claims, due to any injury or harm to the customer of the cosmetic products, 30% will be reimbursed to it by Y Ltd. During a financial year, a claim of ₹ 30,00,000 becomes payable to customers by X Beauty Solutions Ltd.

11. As per AS 29, this is -
(a) Contingent Asset
(b) Reimbursement of Contingent Liability
(c) Contingent Liability
(d) None of the above

12. X Beauty Solutions Ltd should make a Provision for -
(a) 30,00,000
(b) 9,00,000
(c) 21,00,000

(d) Nil

13. X Beauty Solutions Ltd should disclose a Contingent Liability for -

(a) 30,00,000
(b) 9,00,000
(c) 21,00,000
(d) Nil

14. On 12th March, the Board of an Entity decided to close down a division. Before the end of the reporting period (i.e. 31st March) the decision was not communicated to any of those affected and no other steps were taken to implement the decision. In this case

(a) Provision should be created.
(b) Provision should not be created.
(c) Contingent liability should be disclosed.
(d) None of the above

15. On 12th March, the Board of an Entity decided to close down a Division. On 20th March, a detailed plan for closing down the Division was agreed by the Board, letters were sent to customers warning them to seek an alternative source of supply and redundancy notices were sent to the Staff of the Division. In this case -

(a) Provision should be recognised for the best estimate of Closure Costs.
(b) Provision should not be created.
(c) Contingent liability should be disclosed.
(d) None of the above

Mini Ltd took a Factory Premises on lease on 01.04.2018 for ₹ 2,00,000 per month. The lease is an Operating Lease. During March 2019, Mini Ltd relocates its operation to a new factory building. The lease on the Old Factory Premises continues to be live upto 31.12.2021. The Lease cannot be cancelled and cannot be sub-let to another User.

16. As per AS 29, this is a type of -

(a) Throughput Contract
(b) Onerous Contract
(c) Executory Contract
(d) None of the above

17. In this case -

(a) Provision should not be created.
(b) Provision should be created for ₹ 66,00,000.
(c) Contingent Liability should be disclosed for ₹ 66,00,000.
(d) None of the above

X Metals Ltd had entered into a non-cancellable contract with Y Ltd to purchase 10,000 units of Raw Material at ₹ 50 per unit at a Contract Price of ₹ 5,00,000. As per the terms of contract, X Metals Ltd would have to pay ₹ 60,000 to exit the said contract. X Metals Ltd has discontinued manufacturing the product that would use the said Raw Material. For that purpose, X Metals Ltd has identified a Third Party to whom it can sell the said Raw Material at ₹ 45 per unit.

18. As per AS 29, this is a type of -
(a) Throughput Contract
(b) Onerous Contract
(c) Executory Contract
(d) None of the above

19. Profit / Loss from the sale of such material =
(a) Profit 5,000
(b) Profit 10,000
(c) Profit 45,000
(d) Loss 5,000

20. In this case -
(a) Provision should not be created.
(b) Provision should be created for ₹ 50,000.
(c) Provision should be created for ₹ 60,000.
(d) None of the above

X Ltd entered into a contract to supply 1000 television sets for ₹ 2 Million. An increase in the cost of inputs has resulted into an increase in the cost of sales to ₹ 2.5 Million. Penalty for non-performance is expected to be ₹ 0.25 Million.

21. As per AS 29, this is a type of -
(a) Throughput Contract
(b) Onerous Contract
(c) Executory Contract
(d) None of the above

22. Cost of fulfilling the Contract and cost of exiting from the contract by paying Penalty =
(a) 0.25 Million & 0.50 Million respectively
(b) 0.50 Million & 0.25 Million respectively
(c) 2 Million & 0.25 Million respectively
(d) None of the above

23. In this case -
(a) Provision should not be created.
(b) Provision should be created for 0.25 Million.
(c) Provision should be created for 0.5 Million.
(d) None of the above

A claim for damages of ₹ 10 Lakhs for breach of Patents and Copyrights had been served on Radha Ltd in January. The Directors sought competent legal advice on the eligibility of the claim and were advised that the claim was highly frivolous, without any basis and would not survive even in the first Trial Court. The Company, however, anticipates a long drawn legal battle and

huge legal costs. The Company's accounts for the year ended 31st March were considered and approved by the Board of Directors on 15th May.

24. In this case, which of the following exists?
(a) Legal obligation
(b) future obligation
(c) Possible obligation
(d) Constructive Obligation

25. In this case, for the Liability for Damages -
(a) Provision should be recognised.
(b) Provision should not be created.
(c) Contingent liability should be disclosed.
(d) None of the above

26. In this case, for the anticipated Legal Costs -
(a) Provision should be recognised.
(b) Provision should not be created.
(c) Contingent liability should be disclosed.
(d) None of the above

A Company has at its financial year ended 31st March, 15 law suits outstanding, none of which has been settled by the time the accounts are approved by the Director the Directors have estimated that the possible outcomes are as below - (₹)

	For first ten Probability	Cases Loss	For remaining 5 Probability	cases Loss
Win	0.6	-	0.5	-
Lose	0.3	90,000	0.3	60,000
Lose	0.1	1,60,000	0.2	95,000

The Directors believe that the outcome of each case is Independent of the outcome of all of the other

27. In this case, which of the following exists?
(a) Legal obligation
(b) future obligation
(c) Possible obligation
(d) Constructive Obligation

28. In this case, for the Liability for Damages -
(a) Provision should be recognised.
(b) Provision should not be created.
(c) Contingent liability should be disclosed.
(d) None of the above

29. It will be advisable to disclose the overall expected loss -
(a) 6,15,000 as Provision recognised in the accounts.
(b) 6,15,000 as Contingent Liability not provided for in the accounts.
(c) 20,95,000 as Provision recognised in the accounts.

(d) 20,95,000 as Contingent Liability not provided for in the accounts.

An Entity is a Telecom Operator. Laying of Cables across the World is a requirement to enable the Entity to run its business. Cables are also laid under the sea and contracts are entered into for the same. By virtue of Laws of the Countries through which the cable passes, the Entity is required to restore the sea bed at the end of the Contract period.

30. In this case, which of the following exists?
(a) Legal obligation
(b) future obligation
(c) Possible obligation
(d) Constructive Obligation

31. In the instant case, an obligating event is -
(a) running its business
(b) laying of Cables under the sea
(c) restoring the sea bed
(d) All of the above

32. In this case -
(a) Irrespective of the extent the Cables have been laid down under the Sea, provision should be recognised for entire restoration of Sea Bed.
(b) To the extent the Cables have been laid down under the Sea, provision for restoration of Sea Bed should be recognised.
(c) Provision should not be recognised.
(d) Contingent Liability should be disclosed.

33. X Ltd has two segments, Packaging Division and Paper Division. In March, the board of Directors approved and announced a formal plan to sell the paper division in June. Operating Losses of the Paper Division are estimated to be approximately ₹ 50,00,000 during the period from April to the expected date of disposal. Management of X Ltd wants to include the future operating loss of ₹ 25.27 50,00,000 in a provision for restructuring in the Financial Statements for the period ended March 31. Can X Ltd include these operating losses in a provision for restructuring?
(a) AS 29 states that Provision should be made for future operating losses.
(b) AS 29 states that Provision should not be made for future operating losses.
(c) AS 29 is silent about the treatment of future operating losses.
(d) None of the above

34. Executory Contracts are contracts under which -
(a) neither Party has performed any of its obligations

35. As per AS 29, Liability of uncertain timing and amount is -
(a) Provisions
(b) Trade Payables
(c) Accruals

(b) both Parties have partially performed their obligations to an equal extent.
(c) Both of the above
(d) Either Party has performed any of its obligations

(d) Any of the above

36. Provisions are -
(a) recognised
(b) disclosed
(c) Either of the above
(d) Both of the above

37. Contingent Liabilities are -
(a) recognised
(b) disclosed
(c) Either of the above
(d) Both of the above

38. Features of Contingent Liability exclude -
(a) The term "Contingent Liability" is used for Liabilities which do not meet the Recognition Criteria in Para 14.
(b) Contingent Liabilities are not recognised, they are only disclosed.
(c) Existence of the Liability will be confirmed only on the occurrence or non-occurrence of one or more future events wholly within the control of the Entity.
(d) None of the above

39. If any one of the conditions for Provision is not satisfied
(a) then it is recognised as Provisions.
(b) then it is disclosed as Contingent Liability in the Notes.
(c) Either of the above
(d) Neither of the above

40. If any one of the conditions for Provision is not satisfied and the possibility of an outflow of resources is remote -
(a) then it is recognised as Provisions.
(b) then it is disclosed as Contingent Liability in the Notes.
(c) Either of the above
(d) Neither of the above

41. In order to be recognized as a Provision, Liability should exist -
(a) at any time during the year
(b) on the Balance Sheet date
(c) Either of the above
(d) Neither of the above

42. Provision will not be recognised for -
(a) Decommissioning Costs of an Oil Installation or a Nuclear Power Station, to the extent the Entity is obliged to rectify the damage already caused
(b) Penalties or Clean Up Costs for unlawful environmental damage, since this will be incurred regardless of future actions of the Entity.

43. Provision will not be recognised for -
(a) Decommissioning Costs of an Oil Installation or a Nuclear Power Station, to the extent the Entity is obliged to rectify the damage already caused
(b) Penalties or Clean Up Costs for unlawful environmental damage, since this will be incurred regardless of future actions of the Entity.

(c) Future Expenditure to be incurred for complying with the conditions of Pollution Control Department
(d) All of the above

(c) Installing Smoke Filters in a Factory if a particular production process is continued.
(d) All of the above

44. An outflow of resources or another event is regarded as probable if the event is -
(a) more likely than not to occur i.e. probability that the event will occur is lower than the probability that it will not
(b) more likely than not to occur i.e. probability that the event will occur is greater than the probability that it will not
(c) virtually certain to occur i.e. probability that the event will occur is greater than the probability that it will not
(d) virtually certain to occur i.e. probability that the event will occur is lower than the probability that it will not

45. As per AS 29, Provision should be measured -
(a) after tax computed as per Ind AS-12.
(b) before tax. The tax consequence on the Provision shall be dealt as per Ind AS-12.
(c) Either of the above
(d) None of the above

46. Where some or all of the expenditure required to settle a Provision is expected to be reimbursed by another party, the reimbursement should be -
(a) recognised when and only when it is probable that reimbursement will be received if the obligation is settled.
(b) recognised when and only when it is virtually certain that reimbursement will be received if the obligation is settled.
(c) disclosed when and only when it is virtually certain that reimbursement will be received if the obligation is settled.
(d) disclosed when and only when it is probable that reimbursement will be received if the obligation is settled.

47. The amount recognised for the reimbursement ______ the amount of the Provision.
(a) should be equal
(b) should not exceed
(c) should not fall below
(d) None of the above

48. An Entity sells goods with a warranty cover for manufacturing defects. Based on past experience, the probability of no defects, minor defects and major defects are 75%, 20% and 5% respectively, with Costs of ₹ Nil, ₹ 1 Lakh and ₹ 4 Lakh. In

this case, the Best Estimate of the Provision =

(a) 20,000
(b) 40,000
(c) 1,00,000
(d) 4,00,000

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	b	b	b	c	b	c	a	c	c	b	c	b	b	a	b	b	b	b	d
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
b	b	b	b	c	c	a	c	c	b	a	b	b	b	c	a	b	c	c	b
41	42	43	44	45	46	47	48	49											
d	b	c	c	b	b	b	b	b											

AS-4 Contingencies and Events Occurring After the Balance Sheet Date

1. Events occurring after the Reporting Period are those events that occur between –
(a) reporting date and issue date
(b) reporting date and approval date
(c) finalisation date and approval date
(d) finalisation date and issue date

2. Types of events as per Ind AS 10 -
(a) Adjusted Events & Non-Adjusted Events
(b) Accountable Events & Non-Accountable Events
(c) Reportable Events & Non-Reportable Events
(d) Any of the above

3. Adjusting Events are -
(a) Those which provide further evidence of conditions that existed at the end of the Reporting Period,
(b) Those which are indicative of conditions that arose after the Reporting Period.
(c) Either of the above
(d) Neither of the above

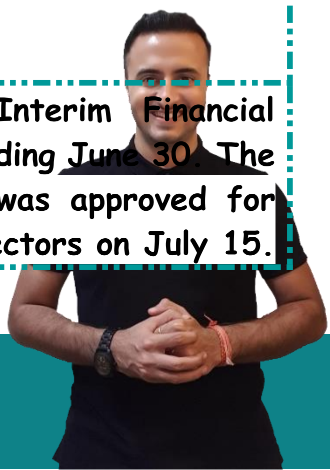
4. Non-Adjusting Events are -
(a) Those which provide further evidence of conditions that existed at the end of the Reporting Period,
(b) Those which are indicative of conditions that arose after the Reporting Period.
(c) Events occurring after the Reporting Period are those events that occur between reporting date and approval date
(d) Events occurring after the Reporting Period are those events that occur after approval date

5. ABC Ltd has announced its Interim Results for Quarter 1, ending 30th June on 5th July. However, till that time the AGM was not held. The Financial Statements were approved by the Board of Directors on 15th July. What will be the 'after the reporting period' as per the definition given in Ind AS-10?
(a) 31st March and 5th July
(b) 31st March and 15th July
(c) 31st March and 30th June
(d) None of the above

6. Reporting period for the purpose of AS-4 is –
(a) 12 months
(b) 3 months
(c) 6 months
(d) any term for which reporting is done by preparing Financial Statements

7. Financial Reporting done for Interim Period by preparing will be treated as Reporting Period for AS-1.
(a) Complete set of Financial Statements

8. ABC Ltd prepared Interim Financial Report for the Quarter ending June 30. The Interim Financial Report was approved for issue by the Board of Directors on July 15.



(b) Condensed Financial Statements
(c) Either of the above
(d) Neither of the above

In this case –
(a) AS 4 is not applicable
(b) AS 25 specifically states that AS 4 is not applicable
(c) AS 4 is partially applicable
(d) AS 4 is applicable

9. ABC Ltd prepared Interim Financial Report for the Quarter ending June 30. The Interim Financial Report was approved for issue by the Board of Directors on July 15. Reporting period as per AS 4 –
(a) June 30 and July 1
(b) July 1 and July 15
(c) June 30 and July 15
(d) March 31 and July 15

10. Entity is required to submit its Financial Statements to its Shareholders for approval after the Financial Statements have been approved by the Board for issue. In this case, Financial Statements are approved for issue -
(a) on the date of approval by the Board, not the date when Shareholders approve the Financial Statements.
(b) on the date when Shareholders approve the Financial Statements.
(c) when the Management approves them for issue to Supervisory Board.
(d) on date of approval by the Board of Directors / Approving Authority, not the date of filing with Regulatory Body.

11. Management of an Entity is required to issue its Financial Statements to a Supervisory Board (made up solely of non-executives) for approval. In this case, Financial Statements are approved for issue
(a) on the date of approval by the Board, not the date when Shareholders approve the Financial Statements.
(b) on the date when Shareholders approve the Financial Statements.
(c) when the Management approves them for issue to Supervisory Board.
(d) on date of approval by the Board of Directors I Approving Authority, not the date of filing with Regulatory Body.

12. Financial Statements are to be filed with a Regulatory Body (ROC, Societies Registrar, etc.), after approval by Shareholders / Members. In this case, Financial Statements are approved for issue
(a) on the date of approval by the Board, not the date when Shareholders approve the Financial Statements.
(b) on the date when Shareholders approve the Financial Statements.
(c) on date of approval by the Board of Directors I Approving Authority, not the date of filing with Regulatory Body.
(d) on the date of filing with Regulatory Body.

13. The Board of Directors of Kumar Limited in its Meeting on 5th May, reviews and approves the accounts for the year ended 31st March and issues them to the

14. On 18th May, the Management of Senani Inc. approves Financial Statements for the year ended 31st March for issue to its Supervisory Board. The Supervisory

Shareholders. The accounts are adopted by the Shareholders in the AGM on 23rd June. Financial Statements are approved for issue on –

(a) 23^{rd} June
(b) 5^{th} May
(c) 31^{st} March
(d) None of the above

Board approves the Financial Statements on 27th May. The Financial Statements are made available to Shareholders and others on 3rd June. The Shareholders approve the Financial Statements at their Annual Meeting on 30th June, and the Financial Statements are then filed with the Regulatory Body on 18th July. In this case, Financial Statements are approved for issue on -

(a) 27^{th} May
(b) 3^{rd} June
(c) 18^{th} May
(d) 18^{th} July

15. What is the date of approval for issue of the Financial Statements prepared for the reporting period from, in a situation where following dates are available?

Preparation of Financial Statements	**May 28**
Board reviews and approves it for issue	**June 19**
Available to Shareholders	**July 01**
Annual General Meeting	**Sept 15**
Filed with Regulatory Authority	**October 16**

(a) May 28
(b) June 19
(c) September 15
(d) October 16

16. In the case the Entity is a Partnership Firm, the date of approval will be the date when the -

(a) Partner(s) of the Firm approve(s) the Financial Statements.
(b) AS 4 is not at all applicable to Partnership Firm
(c) Financial Statements are filed with Regulatory Authority
(d) Financial Statements are audited by the Statutory Auditors

17. The Board of Directors approved the Financial Statements for issue on June 15. The Management of ABC Ltd discovered a major fraud and decided to reopen the books of account. The financial statements were subsequently approved by the Board of Directors on June 30. What is the date of approval for issue as per AS-4 in the given case?

(a) June 15

18. For Events which provide further evidence of conditions that existed at the end of Reporting Period, an Entity shall -

(a) adjust the amounts recognized in Financial Statements.
(b) not adjust the amounts recognized in its Financial Statements.
(c) disclosed in the Approving Authority's Report
(d) disclosed in the Financial Statements.

(b) June 30
(c) Both of the above
(d) Either of the above

19. For Events which are indicative of conditions that arose after the Reporting Period, an Entity shall -
(a) adjust the amounts recognised in Financial Statements
(b) not adjust the amounts recognised in its Financial Statements
(c) disclosed in the Approving Authority's Report, whether material or not
(d) disclosed in the Financial Statements, whether material or not

20. Examples of Adjusting Events -
(a) Bankruptcy of a Customer that occurs after the Reporting Period which confirms that the Customer was credit-impaired at the end of the Reporting Period.
(b) Sale of Inventories after the Reporting Period which may give evidence about their Net Realisable Value at the end of the Reporting Period.
(c) Determination after the Reporting Period of the Cost of Assets purchased, or the Proceeds from Assets sold, before the end of the Reporting Period.
(d) All of the above

21. Examples of Non-Adjusting Events -
(a) Bankruptcy of a Customer that occurs after the Reporting Period which confirms that the Customer was credit-impaired at the end of the Reporting Period.
(b) Sale of Inventories after the Reporting Period which may give evidence about their Net Realizable Value at the end of the Reporting Period.
(c) Determination after the Reporting Period of the Cost of Assets purchased, or the Proceeds from Assets sold, before the end of the Reporting Period.
(d) Declaration of Dividends to Holders of Equity Instruments, after the Reporting Period.

22. Determination after the Reporting Period, of the amount of Profit-Sharing or Bonus Payments, if the Entity had a present legal obligation at the end of the Reporting Period to make such payments as a result of events before that date is an example of –
(a) Non-Adjusting Events
(b) Adjusting Events
(c) Off Balance sheet disclosure
(d) Commitments

23. Examples of Adjusting Events -
(a) Settlement after the Reporting Period, of a Court Case, in a situation where the Entity did not have a present obligation at the end of the Reporting Period.
(b) Declaration of Dividends to Holders of Equity Instruments, after the Reporting Period.

24. Examples of Adjusting Events -
(a) Settlement after the Reporting Period, of a Court Case, in a situation where the Entity did not have a present obligation at the end of the Reporting Period.
(b) Settlement after the Reporting Period, of a Court Case, that confirms that the Entity

(c) Discovery of Fraud or Errors that show that the Financial Statements are incorrect.
(d) None of the above

had a present obligation at the end of the Reporting Period.
(c) Commencing major litigation arising solely out of events that occurred after the Reporting Period.
(d) None of the above

25. AS-4 requires that an Entity should not prepare its Financial Statements on a Going Concern Basis –
(a) if Events after the Reporting Period indicate that the going concern assumption is not appropriate
(b) if Management determines after the Reporting Period that it intends to liquidate the Entity or to cease trading
(c) if Management determines after the Reporting Period that it has no realistic alternative but to do so
(d) All of the above

26. Adjusting Event may result change in –
(a) provision recognised under AS-29
(b) disclosures about the Contingent Liability
(c) Both of the above
(d) None of the above

27. Which of the following shall be disclosed in Approving Authority's report as per AS 4?
(a) All Non Adjusting Event
(b) Material Non Adjusting Event whether favourable or not
(c) All Non Adjusting Event including immaterial events
(d) Material favourable Non Adjusting Event

28. Examples of Material Non Adjusting Event -
(a) Major Business Combination after the reporting period
(b) Disposing of a major Subsidiary
(c) Announcing a plan to discontinue an operation
(d) All of the above

29. Examples of Adjusting Event -
(a) Destruction of a Major Production Plant by a fire after the reporting period.
(b) Announcing, or commencing the implementation of, a major restructuring
(c) Major Ordinary Share Transactions and Potential Ordinary Share Transactions after the reporting period.
(d) Events after the Reporting Period indicate that the going concern assumption is not appropriate.

At the end of Year 1, the Inventory of ABC Ltd includes Spare Parts which it had been supplying to a number of different Customers for some years. The Cost of the Spare Parts was Rs.10 million and based on Retail Prices at 31st March, the expected Selling Price of the Spare Parts is Rs.12 Million. On 15th April, due to market fluctuations, expected Selling Price of the Spare Parts in Stock reduced to Rs.8 Million. The estimated Selling Expense required to make the Sales would Rs.0.5 Million. Financial Statements were authorized by Board of Directors on 20th April. As at the end of Year 2, Directors noted that such Inventory is still unsold and lying in the Warehouse of the Company. Directors believe that Inventory is in a saleable condition and active marketing would result in an immediate sale. Since the market conditions have improved, estimated Selling Price of Inventory is Rs.11 Million and estimated Selling Expenses are same Rs.0.5 Million.

30. At Year 1 end, Inventory is valued at =
(a) 7.5 Million
(b) 8 Million
(c) 10 Million
(d) 9.5 Million

31. At Year 1 end, Impact in P&L -
(a) 2.5 Million Dr
(b) 2.5 Million Cr
(c) 0.5 Million Dr
(d) 0.5 Million Dr

32. At Year 2 end, Net Realisable Value =
(a) 7.5 Million
(b) 8 Million
(c) 10.5 Million
(d) 9.5 Million

33. At Year 2 end, Inventory is valued at =
(a) 10.5 Million
(b) 8 Million
(c) 10 Million
(d) 9.5 Million

34. At Year 2 end, Impact in P&L -
(a) 2.5 Million Dr
(b) 2.5 Million Cr
(c) 0.5 Million Dr
(d) 0.5 Million Dr

35. Which of the following is Adjusting Event?
(a) Sale of Inventories after the Reporting Period which may give evidence about their Net Realisable Value at the end of the Reporting Period.
(b) Event causing the damage to the Inventory occurred after the reporting date.
(c) Decline in Fair Value of Investments between the end of the Reporting Period, and the date when the Financial Statements are approved for issue.
(d) All of the above

36. Which of the following is Non Adjusting Event?
(a) Sale of Inventories after the Reporting

37. A Case is going on between ABC Ltd and GST Department on claiming some exemption. The Court has issued the order

Period which may give evidence about their Net Realisable Value at the end of the Reporting Period.
(b) Event causing the damage to the Inventory occurred after the reporting date.
(c) Both of the above
(d) All of the above

on 15th April and rejected the claim of the Company. Accordingly, the Company is liable to pay the additional tax. The Financial Statements of the Company have been approved on 15th May. It is -
(a) Adjusting Event
(b) Non-Adjusting Event
(c) Not an Event occurring after the Reporting date
(d) None of the above

38. A Case is going on between ABC Ltd and GST Department on claiming some exemption. The Court has issued the order on 15th April and rejected the claim of the Company. Accordingly, the Company is liable to pay the additional tax. The Financial Statements of the Company have been approved on 15th May.
(a) It should be disclosed in the Financial Statements, if the amount of bad debt is considered to be material.
(b) Financial Statements should be adjusted i.e. Provision should be created for additional tax.
(c) It should be disclosed in the Approving Authority's Report.
(d) AS 4 is not applicable.

39. ABC Ltd is in a legal suit with the GST Department. The Company gets a Court Order in its favor on 15th April, which resulted into reducing the Tax Liability as on 31st March. The Financial Statements were approved by the Board of Directors on 15th May. It is -
(a) Adjusting Event
(b) Non-Adjusting Event as there is no condition existed on the Reporting date.
(c) Not an Event occurring after the Reporting date
(d) Non-Adjusting Event as the event is favorable to the Company.

40. ABC Ltd is in a legal suit with the GST Department. The Company gets a Court Order in its favor on 15th April, which resulted into reducing the Tax Liability as on 31st March. The Financial Statements were approved by the Board of Directors on 15th May.
(a) It should be disclosed in the Financial Statements.
(b) Financial Statements should be adjusted i.e. Any Provision already created should be reversed.
(c) It should be disclosed in the Approving Authority's Report.

41. While preparing its Financial Statements, XYZ Ltd made a general provision for bad debts @ 5% of its Debtors. In the last week of February, a Debtor for Rs.2 Lakhs had suffered heavy loss due to an earthquake, the Loss was not covered by any Insurance Policy. Considering the event of earthquake, XYZ Ltd made a provision @ 50% of the amount receivable from that Debtor apart from general provision of 5% on remaining Debtors. In April, he became bankrupt.
(a) Adjusting Event
(b) Non Adjusting Event as there is no

(d) The Management should not considered the effect of the transaction as the event is favourable to the Company.

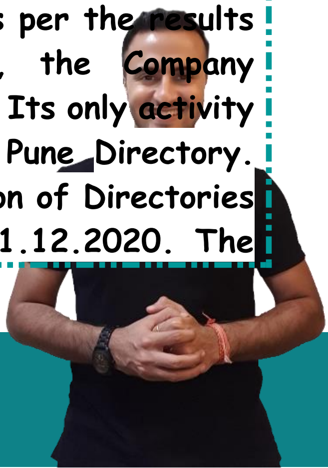
condition existed on the Reporting date.
(c) Not an Event occurring after the Reporting date
(d) Non Adjusting Event as the event is favourable to the Company.

42. While preparing its Financial Statements, XYZ Ltd made a general provision for bad debts @ 5% of its Debtors. In the last week of February, a Debtor for Rs.2 Lakhs had suffered heavy loss due to an earthquake, the Loss was not covered by any Insurance Policy. Considering the event of earthquake, XYZ Ltd made a provision @ 50% of the amount receivable from that Debtor apart from general provision of 5% on remaining Debtors. In April, he became bankrupt.
(a) It should be disclosed in the Financial Statements.
(b) Financial Statements should be adjusted i.e. Provision should be created for entire amount due from him.
(c) It should be disclosed in the Approving Authority's Report.
(d) The Management should not consider the effect of the transaction as the event is favourable to the Company.

43. While preparing its Financial Statements, XYZ Ltd made a general provision for bad debts @ 5% of its Debtors. In the last week of April, a Debtor for Rs.2 Lakhs had suffered heavy loss due to an earthquake; the Loss was not covered by any Insurance Policy. In May, he became bankrupt.
(a) It should be disclosed in the Financial Statements, if the amount of bad debt is considered to be material.
(b) Financial Statements should be adjusted i.e. Provision should be created for entire amount due from him.
(c) It should be disclosed in the Approving Authority's Report.
(d) The Management should not consider the effect of the transaction as the event is favourable to the Company.

44. While preparing its Financial Statements, XYZ Ltd made a general provision for bad debts @ 5% of its Debtors. In the last week of April, a Debtor for Rs.2 Lakhs had suffered heavy loss due to an earthquake; the Loss was not covered by any Insurance Policy. In May, he became bankrupt.
(a) Adjusting Event
(b) Non-Adjusting Event as there is no condition existed on the Reporting date.
(c) Not an Event occurring after the Reporting date

45. XYZ Ltd was formed to secure the tenders floated by a Telecom Company for publication of Telephone Directories. It bagged the tender for publishing Directories for Pune circle for 5 Years. It has made a Profit for the past 4 Years. It bid in tenders for publication of Directories for other Circles - Nagpur, Nashik, Mumbai, Hyderabad but as per the results declared on 23.04.2020, the Company failed to bag any of these. Its only activity till date is publication of Pune Directory. The Contract for publication of Directories for Pune will expire on 31.12.2020. The



(d) Non Adjusting Event as the event is favourable to the Company.

Financial Statements for the have been approved by the Board of Directors on 10.07.2020. This event is –

(a) Adjusting Event as there exists condition on the Reporting date.
(b) Adjusting Event as Going Concern assumption is no longer appropriate.
(c) Non Adjusting Event as there is no condition existed on the Reporting date.
(d) Non Adjusting Event as the event is favourable to the Company.

46. If the Entity determines that it has no realistic alternative of continuing the business, -

(a) effect is not so pervasive that AS-4 requires an adjustment to the amounts recognised within the original basis of accounting.
(b) effect is so pervasive that AS-4 requires a fundamental change in the basis of accounting
(c) effect is not so pervasive that AS-4 requires a fundamental change in the basis of accounting
(d) effect is so pervasive that AS-4 requires an adjustment to the amounts recognised within the original basis of accounting.

47. Fraud related to 2018-2019 discovered after the end of the reporting period but before the date of approval of Financial Statements for 2020-2021. This event is -

(a) Adjusting Event. However, there is no condition existed on the Reporting date.
(b) Adjusting Event as there exists condition on the Reporting date.
(c) Non Adjusting Event as there is no condition existed on the Reporting date.
(d) Non Adjusting Event as the event is favourable to the Company.

48. Fraud related to 2018-2019 discovered after the end of the reporting period but before the date of approval of Financial Statements for 2020-2021. In this case, -

(a) effect is not so pervasive that AS-4 requires an adjustment to the amounts originally recognised.
(b) effect is so pervasive that AS-4 requires a fundamental change in the basis of accounting
(c) effect is not so pervasive that AS-4 requires a fundamental change in the basis of accounting

49. Discovery of Fraud or Errors that show that the Financial Statements of earlier years are incorrect is

(a) Adjusting Event
(b) Non Adjusting Event
(c) Not an Event occurring after the Reporting Date
(d) None of the above

(d) effect is so pervasive that AS-4 requires an adjustment to the amounts originally recognised.	

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	a	a	b	b	d	c	d	c	a	c	c	b	c	b	a	b	a	b	d
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
d	b	c	b	d	c	b	d	d	a	a	c	c	b	a	b	a	b	a	b
41	42	43	44	45	46	47	48	49											
a	b	a	b	b	b	b	a	a											

AS-5 Net Profit or Loss for The Period, Prior Period Items and Changes in Accounting Policies

1. Accounting principles, rules and practices, applied by an Entity in preparing and presenting Financial Statements are called as -

(a) Accounting Policies
(b) Accounting Estimates
(c) Both of the above
(d) None of the above

2. Adjustment of the Carrying Amount of an Asset or a Liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, Assets and Liabilities is called as -

(a) Accounting Policies
(b) Accounting Estimates
(c) Both of the above
(d) None of the above

3. Prior Period Errors include -

(a) mathematical mistakes
(b) mistakes in applying accounting policies
(c) oversights
(d) All of the above

4. Prior Period Errors exclude -

(a) Misinterpretations of facts
(b) Fraud
(c) mistakes in applying accounting policies
(d) Changes in Accounting Estimates result from new information

5. Changes in Accounting Estimates result from -

(a) new information
(b) new developments
(c) Change in the base from which it is estimated
(d) Any of the above

6. Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied is called as -

(a) Retrospective Application
(b) Retrospective Re-statement
(c) Any of the above
(d) None of the above

7. Applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed, and recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.

(a) Prospective Application
(b) Retrospective Application
(c) Retrospective Re-statement

8. An Entity shall change an Accounting Policy only if the change -

(a) Is required by an Ind AS
(b) results in the Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Entity's Financial Position, Financial Performance or Cash Flows.
(c) Either of the above
(d) None of the above

(d) Any of the above

9. The following are not changes in Accounting Policies
(a) the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring, and
(b) the application of a new accounting policy for transactions, other events or conditions that did not occur previously
(c) the application of a new accounting policy for transactions, other events or conditions that were immaterial.
(d) All of the above

10. What are the examples for Changes in Accounting Policies?
(a) Changes in Short Term Lease Recognition Policy
(b) Change in Inventory Cost Formula
(c) Changes in Presentation of Grant
(d) All of the above

11. Ram Ltd has a PPE measured on a Revaluation Model. Now the Entity wants to apply Cost Model, instead of Revaluation Model. This is - (a) Change in Accounting Policy.
(b) Not a Change in Accounting Policy.
(c) Not a Change in Accounting Estimate.
(d) Change in Accounting Estimate.

12. Voluntary changes an accounting policy should be applied -
(a) In accordance with the specific transitional provisions in that Ind AS.
(b) Retrospectively
(c) Prospectively
(d) Any of the above

13. Examples where Estimates are required -
(a) Bad Debts
(b) Inventory Obsolescence
(c) Fair Value of Financial Assets or Financial Liabilities
(d) All of the above

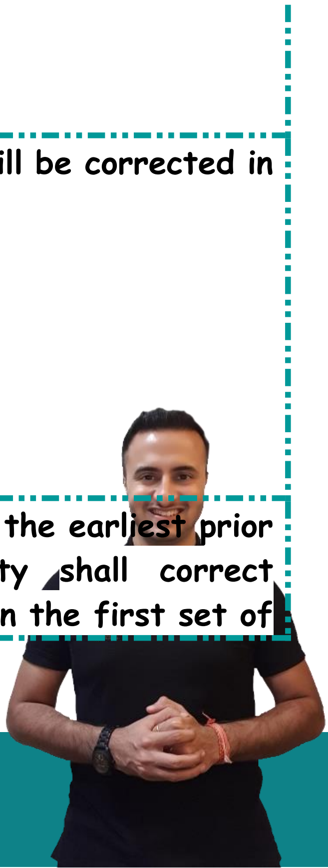
14. Examples where Estimates are required -
(a) Useful Lives of Depreciable Assets
(b) Expected pattern of consumption of the future economic benefits embodied in Depreciable Assets
(c) Warranty Obligations.
(d) All of the above

15. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as –
(a) change in an accounting estimate.
(b) change in an accounting policy.
(c) Not at all a change.
(d) Any of the above.

16. Which of the following will be corrected in the Financial Statements?
(a) Current Period Errors
(b) Prior Period Errors
(c) Either of the above
(d) Both of the above

17. Correction of a Prior Period Error will not have impact in -
(a) Profit or Loss for the period in which the

18. If the error occurred in the earliest prior period presented, an Entity shall correct material prior period errors in the first set of



error is discovered
(b) Profit or Loss for the period in which the error is occurred
(c) Opening Balance of Assets, Liabilities and Equity
(d) Any of the above

19. There was a Material Prior Period Error by way of understatement of Salary Expense Rs.5 Lakhs in Previous Year. An Entity shall correct material prior period errors by -
(a) re-stating the comparative amounts
(b) re-stating the Opening Balances of Assets, Liabilities and Equity
(c) Either of the above
(d) adjusting Profit or Loss for the period in which the error is discovered

Financial Statements approved for issue after their discovery by –
(a) re-stating the comparative amounts
(b) re-stating the Opening Balances of Assets, Liabilities and Equity
(c) Either of the above
(d) adjusting Profit or Loss for the period in which the error is discovered

While preparing the annual Financial Statements for the Year ended 31.03.2020, an Entity discovers that a Provision for obligation for payment of Bonus to selected Employees in Corporate Office (material in amount) which was required to be recognised in the annual Financial Statements for the year ended 31.03.2018 was not recognised due to oversight of facts. The Bonus was paid during the Financial Year ended 31.03.2019 and was recognised as an Expense in the annual Financial Statements for the said year.

20. Expenses & Liabilities for the Year 2017-2018 were -
(a) Understated
(b) Overstated
(c) Correctly stated
(d) None of the above

21. Expenses for the Year 2018-2019
(a) Understated
(b) Overstated
(c) Correctly stated
(d) None of the above

22. Liabilities for the Year 2018-2019
(a) Understated
(b) Overstated
(c) Correctly stated
(d) None of the above

23. Some circumstances that may give rise to need for separate disclosure of items of Income and Expense are -
(a) Write-down of inventories to Net Realisable Value as well as the reversal of such write downs
(b) Restructuring of enterprise's activities and the reversal of any provisions for the costs of restructuring

(c) Disposals of items of Fixed Assets I Property, Plant & Equipment
(d) Purchase of items of Fixed Assets / Property, Plant & Equipment

24. Legislative changes having retrospective application is an example for -
(a) Ordinary Activities
(b) Extra Ordinary Activities
(c) Exceptional Activities
(d) Prior Period Items

25. A Change in an Accounting Policy should be made only -
(a) If the adoption of a different accounting policy is required by Statute
(b) For compliance with an Accounting Standard
(c) If it is considered that the change would result in a more appropriate presentation of the Financial Statements of the enterprise
(d) Any of the above

26. Change of Method of Depreciation from WDV to SLM and vice-versa is an example for -
(a) Accounting Policy
(b) Accounting Estimates
(c) Exceptional Activities
(d) Prior Period Items

27. Which of the following will have long term effect?
(a) Changes in Accounting Policy
(b) Changes in Accounting Estimates
(c) Exceptional Activities
(d) Prior Period Items

28. Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of Rs. 20,000 per month. Earlier there was no such scheme of pension in the organization.
(a) Changes in Accounting Policy
(b) Changes in Accounting Estimates
(c) Introduction of Accounting Policy
(d) Prior Period Items

29. Which of the following is change in Accounting policy?
(a) Provision for doubtful debts was created @ 2% till current year. From the next year, the rate of provision has been changed to 3%.
(b) Till the previous year, the Furniture was depreciated on straight line basis over a period of 5 years. From current year, the useful life of Furniture has been changed to 3 years.
(c) During the year ended 31st March, there was change in cost formula in measuring the cost of inventories.
(d) Aarani Ltd finds that the Stock Sheets as on 31.3.2021 have included twice an item, the cost of which was Rs. 55,000.

30. Ananya Ltd as part of overall cost cutting measure, announced a Voluntary Retirement Scheme (VRS) to reduce its employee strength. During the first half

31. Which of the following is change Prior Period Items?
(a) Change in the method of depreciation from straight line to WDV

year, the Company paid a compensation of Rs. 72 Lakhs to those who availed the scheme. It is an example for -

(a) Changes in Accounting Policy
(b) Changes in Accounting Estimates
(c) Exceptional Activities
(d) Prior Period Items

(b) Government grant becoming refundable
(c) Applying 10% depreciation instead of 15% on furniture
(d) Changes in useful life of fixed assets

32. During the financial year 2021-2022, Aparna Ltd revised its wages with retrospective effect from 1st Jan 2021. This would cost the Company an additional liability of Rs. 2,50,000 per annum. What is the treatment for the above in the accounts for the year ending 31.3.2022?

(a) Changes in Accounting Policy
(b) Changes in Accounting Estimates
(c) Exceptional Activities
(d) Prior Period Items

33. As per AS 5, A Change in Accounting Policy is possible only in -

(a) 1 scenario
(b) 2 scenarios
(c) 3 scenarios
(d) 4 scenarios

34. Which of the following will have retrospective effect?

(a) Changes in Accounting Policy
(b) Changes in Accounting Estimates
(c) Exceptional Activities
(d) Prior Period Items

35. AS - 5 should be not applied by an enterprise -

(a) In presenting Profit or Loss from ordinary activities, Extraordinary Items and Prior Period Items in the Statement of Profit and Loss
(b) In accounting for changes in accounting estimates
(c) In disclosure of changes in accounting policies
(d) For Tax effects of Extraordinary Items and Prior Period Items

36. Income or Expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise these are not expected to recur frequently or regularly are called as -

(a) Changes in Accounting Estimates
(b) Exceptional Activities
(c) Prior Period Items
(d) Extraordinary Items

37. Items that arise in the current period, as a result of errors or omissions in the preparation of the Financial Statements of one or more prior periods are called as -

(a) Changes in Accounting Estimates
(b) Exceptional Activities
(c) Prior Period Items
(d) Extraordinary Items

38. Which of the following is not true with respect to Extraordinary Items?

(a) It should be distinct from ordinary activities of the enterprise.

(b) An infrequent event means an extraordinary event.

(c) An event that is extraordinary for one enterprise may be ordinary for another enterprise.

(d) All of the above

39. Which of the following is not true with respect to Exceptional Items?

(a) Fall within the meaning of Profit or Loss from "ordinary" activities

(b) They are of special size, nature or Incidence

(c) Their disclosure is relevant to explain the performance of the enterprise for the period

(d) None of the above

40. As per Schedule III, these items will not to be shown on the face of the P&L A/c -

(a) Exceptional Activities

(b) Prior Period Items

(c) Extraordinary Items

(d) None of the above

41. Which one of the following items is not a prior period Item as per AS-5?

(a). Calculation error in providing expenditure

(b) Omission to account for income

(c) Loss due to earthquake

(d) Application of incorrect rate of depreciation

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	b	d	d	d	a	a	c	d	d	a	b	d	d	a	d	b	d	d	a
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
b	c	d	c	d	b	a	c	c	c	c	c	c	a	d	d	c	b	d	b
41																			
c																			

AS-11 The Effects of Changes in Foreign Exchange Rates

1. AS 11 defines types of Currencies.
A. 1
B. 2
C. 3
D. 4

2. ______ is the currency used in presenting the Financial Statements.
A. Presentation Currency
B. Reporting Currency
C. Foreign Currency
D. Functional Currency

3. Foreign Currency Transaction includes transactions arising when an enterprise -
A. Buys or sells goods or services whose price is denominated in a foreign currency,
B. Borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency,
C. Becomes a party to an unperformed Forward Exchange Contract, or
D. All of the above

4. A foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency & foreign currency, at the -
A. date of the transaction
B. end of the reporting period
C. beginning of the reporting period
D. average rate

5. ______ are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money
A. Non-Monetary Items
B. Monetary Items
C. Financial Items
D. Current Items

6. Monetary Items excludes -
A. Cash
B. Receivables
C. Payables
D. Inventories

7. Monetary Items excludes -
A. Cash
B. Receivables
C. Payables
D. Investments in Equity Shares

8. Non-Monetary Items excludes -
A. Share Capital
B. Fixed Assets
C. Inventories
D. None of the above

9. Which of the following is restated at each Balance Sheet date₹
A. Non Monetary Items carried at Historical Cost
B. Non Monetary Items carried at Fair Value
C. Monetary Items

10. Exchange differences in respect of foreign currency transactions may arise from -
A. Settlement of monetary items
B. Reporting an enterprise's monetary items
C. Both of the above

D. Contingent Liabilities

D. None of the above

11. Enterprise's monetary items are restated at rates different from -

A. those at which they were initially recorded during the period

B. those reported in previous Financial Statements

C. Both of the above

D. None of the above

12. NANDITHA LTD has imported $ 50,000 worth of goods from CHICAGO TRADERS of USA on 30.2.2012 when exchange rate was ₹ 54.60 per US $. The payment for imports was made on 30.6.2012 when exchange rate was ₹ 55.50 per US $. If the rate of exchange on 31.3.2012 is ₹ 55.00 per US $, the exchange difference to be charged/debited to Profit & Loss Account for the year 2012-13 as per AS-11 will be -

A. ₹ 25,000

B. ₹ 45,000

C. ₹ 20,000

D. None of (A), (B) and (C)

13. BHARAT LTD bought a forward contract for three months of US $ 150000 on 1st March, 2013 at 1 US $ = ₹ 54.10 when exchange rate was 1US $ = ₹ 54.12. On 31st March, 2013 when the books were closed forward exchange rate for two months was US $ 1= ₹ 54.16, On 30th April, 2013 the contract was sold at ₹ 54.20 per US Dollar. As per AS-30 the profits from sale of contract to be recognized in the Profit &. Loss A/c will be

A. ₹ 6,000

B. ₹ 8,000

C. ₹ 12,000

D. None of these

14. According to AS-11 (Revised) the difference between the forward rate and the exchange rate at the date of transaction should be

A. Ignored

B. Recognized as income or expense

C. Adjusted to Shareholders' interests

D. None of (A), (B), (C)

15. PRAKASH LTD declares the following information: Exchange Rate (₹/US $)

Purchased goods on 12.3.2013 of US $ 1,00,000	56.60
Exchange rate as on 31.3.2013	57.00
Date of actual payment is 12.4.2013	57.50

What will be the gain/loss to be booked in the financial year 2013-14₹

16. Mr. P bought a forward contract for three months of US $ 1,00,000 on 1st December, at 1 US $ = ₹ 57.10, when exchange rate was 1 US $ = ₹ 57.02. On 31st December, when he closed his accounts, exchange rate was 1 US $ = ₹ 57.15. On 31st January, he decided to sell the contract at ₹ 57.18 per US $. What amount of profit will be recognized from this contract?

A. ₹ 90,000 (loss)
B. ₹ 40,000 (loss)
C. ₹ 50,000 (loss)
D. ₹ 1,30,000 (loss)

A. ₹ 8,000
B. ₹ 3,000
C. ₹ 16,000
D. ₹ 5,000

17. M/s. Power Track Ltd. purchased a plant for US $ 50,000 on 3st October, 2017 payable after 6 months. The company entered into a forward contract for 6 months © ₹64.25 per Dollar. On 31st October, 2017 the exchange rate was ₹61.50 per Dollar. The profit or loss on forward contract for the year ended 31st March, 2018 is
A. ₹1,37,500
B. ₹1,14,583
C. ₹ 1,14,538
D. None of the above.

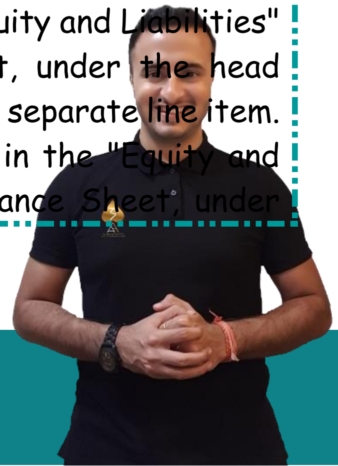
18. JIVATMA Ltd. purchased a plant for US $ 50,000 on 31st October, 2020 payable after 6months. The company entered into a forward contract for 6 months @ Rs 64.25 per Dollar. On 31st October, 2020 the exchange rate was Rs 61.50 per Dollar. The profit or loss on forward contract for the year ended 31st March, 2021 is
A. Rs 1,14,538
B. Rs 1,14,583
C. None of these
D. Rs 1,37,500

19. When Borrowings / Liabilities are in relation to Depreciable Capital Assets -
A. Exchange Differences relating to Foreign Currency Borrowings for such assets, can be adjusted in (i.e. added to or deducted from) the cost of the asset.
B. Exchange Differences relating to Foreign Currency Borrowings for such assets should be adjusted in P&L
C. Any of the above
D. Exchange Differences relating to Foreign Currency Borrowings for such assets, can be accumulated in a FCMITDA

20. FCMITDA means -
A. Foreign Currency Monetary Item Translation Difference Account
B. Foreign Currency Monetary Item Transaction Difference Account
C. Foreign Currency Material Item Translation Difference Account
D. Foreign Currency Material Item Transaction Difference Account

21. To exercise Para 46A option, an Asset or Liability shall be designated as a -
A. Long-Term Foreign Currency Monetary Item
B. Short-Term Foreign Currency Monetary Item
C. Long-Term Foreign Currency Non-Monetary Item,
D. Short-Term Foreign Currency Non-Monetary Item,

22. The unamortized balance in FCMITDA should be shown on -
A. Debit balance in the "Assets" side of the Balance Sheet, under the head "Other Non-Current Assets", as a separate line item.
B. Credit balance in the "Equity and Liabilities" side of the Balance Sheet, under the head "Reserves and Surplus", as a separate line item.
C. Debit or Credit balance in the "Equity and Liabilities" side of the Balance Sheet, under



the head "Reserves and Surplus", as a separate line item.
D. Any of the above

23. Sundry Debtors include amount receivable from Umesh' 5,00,000 recorded at the prevailing exchange rate on the date of sales, transaction recorded at US $ 1 = ' 58.50. US $ 1 = ' 61.20 on 31st March. Reporting difference =
A. 23,077
B. 6,04,317
C. 5,23,077
D. 66,04,317

24. Sundry Debtors include amount receivable from Umesh' 5,00,000 recorded at the prevailing exchange rate on the date of sales, transaction recorded at US $ 1 = ' 58.50. US $ 1 = ' 61.20 on 31st March. Closing balance =
A. 23,077
B. 6,04,317
C. 5,23,077
D. 66,04,317

25. Long-Term Loan taken from a US Company, amounting to ' 60,00,000. It was recorded at US $ 1 = ' 55.60, taking the exchange rate prevailing at the date of transaction. Reporting difference =
A. 23,077
B. 6,04,317
C. 5,23,077
D. 66,04,317

26. Long-Term Loan taken from a US Company, amounting to ' 60,00,000. It was recorded at US $ 1 = ' 55.60, taking the exchange rate prevailing at the date of transaction. Reporting difference =
A. 23,077
B. 6,04,317
C. 5,23,077
D. 66,04,317

27. FCTR means -
A. Foreign Currency Translation Reserve
B. Foreign Currency Transaction Reserve
C. Foreign Current Translation Reserve
D. Foreign Current Transaction Reserve

28. Reporting Difference does not represent -
A. Translation Difference
B. Restatement Difference
C. Transaction Difference
D. All of the above

29. Cash flows from of the reporting enterprise are directly and immediately affected by a change in the exchange rate between the reporting currency and the currency in the country.
A. IFO
B. NFO
C. Both of the above
D. None of the above

30. In case of ______, Change in the exchange rate between the reporting currency and the local currency, has little or no direct effect on the present and future Cash Flows from Operations.
A. IFO
B. NFO
C. Both of the above
D. None of the above

31. In case of IFO, Change in the exchange rate affects
A. Individual monetary items held by the IFO

32. In case of NFO, Change in the exchange rate affects
A. Individual monetary items held by the NFO

B. Reporting enterprise's Net Investment in the IFO
C. Both of the above
D. None of the above

B. Reporting enterprise's Net Investment in the NFO
C. Both of the above
D. None of the above

33. The business of ______ is carried on in a substantially independent manner by accumulating cash and other monetary items, incurring expenses, generating income and arranging borrowings, in its local currency.
A. IFO
B. NFO
C. Both of the above
D. None of the above

34. Which of the following is converted using Exchange Rate as on Opening Date₹
A. Opening Stock
B. Creditors
C. Closing Stock
D. Loans and Borrowings

35. Which of the following is converted using Exchange Rate as on reporting Date₹
A. Creditors
B. Closing Stock
C. Loans and Borrowings
D. All of the above

36. Which of the following is converted using Exchange Rate as on reporting Date₹
A. Salaries and Wages
B. Purchases
C. Sales
D. Provision for Tax

Stem Ltd purchased a Plant for US$ 30,000 on 30th November, payable after 6 months. The Company entered into a forward contract for 6 months @ ₹ 62.15 per Dollar. On 30th November, the Exchange Rate was ₹ 60.75 per Dollar.

37. Total Gain I Loss on entering into forward contract arising at inception
A. 42,000 Gain
B. 42,000 Loss
C. 28,000 Loss
D. 28,000 Gain

38. Gain I Loss recognized in Current Year =
A. 42,000 Gain
B. 42,000 Loss
C. 28,000 Loss
D. 28,000 Gain

39. Gain / Loss =
A. recognized in P&L
B. adjusted in Cost of PPE
C. recognized in FCMITDA
D. Any of the above

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	b	d	a	b	d	d	d	a	c	c	a	a	b	c	a	b	b	c	a
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	
a	c	a	c	b	d	a	c	a	b	a	b	b	a	d	d	b	c	a	

AS-22 Accounting for Taxes on Income

1. Taxable income of a corporation

(a) differs from accounting income due to differences in intraperiod allocation between the two methods of income determination.

(b) differs from accounting income due to differences in interperiod allocation and permanent differences between the two methods of income determination.

(c) is based on generally accepted accounting principles.

(d) is reported on the corporation's income statement.

2. The deferred tax Income is the -

(a) increase in balance of deferred tax asset minus the increase in balance of deferred tax liability.

(b) increase in balance of deferred tax liability minus the increase in balance of deferred tax asset. -

(c) increase in balance of deferred tax asset plus the increase in balance of deferred tax liability.

(d) decrease in balance of deferred tax asset minus the increase in balance of deferred tax liability.

3. The deferred tax expense is the -

(a) increase in balance of deferred tax asset minus the increase in balance of deferred tax liability.

(b) increase in balance of deferred tax liability minus the increase in balance of deferred tax asset.

(c) increase in balance of deferred tax asset plus the increase in balance of deferred tax liability.

(d) decrease in balance of deferred tax asset minus the increase in balance of deferred tax liability.

4. A major distinction between temporary and permanent differences is

(a) permanent differences are not representative of acceptable accounting practice.

(b) timing differences occur frequently, whereas permanent differences occur only once.

(c) once an item is determined to be a timing difference, it maintains that status; however, a permanent difference can change in status with the passage of time.

(d) timing differences reverse themselves in subsequent accounting periods, whereas permanent differences do not reverse.

5. Differences do not reverse in subsequent accounting periods -

(a) Originating Timing Difference

(b) Reversing Timing Difference

(c) Timing Difference

(d) Permanent Difference

6. Differences reverse themselves in subsequent accounting periods is -

(a) Originating Timing Difference

(b) Reversing Timing Difference

(c) Timing Difference

(d) Permanent Difference

7. Which of the following Differences are classified into Originating and Reversing Difference?
(a) Timing Difference
(b) Permanent Difference
(c) Either of the above
(d) Neither of the above

8. An example of a permanent difference is
(a) Exempt Income
(b) Disallowed Expenses
(c) Enhanced Deduction
(d) all of the above

9. Which of the following will result in a timing difference?
(a) Product warranty liabilities
(b) Advance rental receipts
(c) Instalment sales
(d) All of the above

10. Cost of Machinery is ₹ 1,00,000. Depreciation for Accounting purpose is at 10% on SLM basis. Depreciation as per Tax Law @ 30% on WDV basis. It will rise to -
(a) Originating Timing Difference of 20,000
(b) Reversing Timing Difference of 20,000
(c) Permanent Difference of 20,000
(d) Temporary Difference of 20,000

11. An Entity has acquired an Asset costing ₹1,00,000 for production of certain items to be sold by it. It is deductible equally over 2 years in the books of accounts. In Tax Law, ₹75,000 is deductible in year 1 and balance is deductible in year 2. In Year 1, it will rise to -
(a) Originating Timing Difference of 25,000
(b) Reversing Timing Difference of 25,000
(c) Permanent Difference of 25,000
(d) Temporary Difference of 25,000

12. An Entity has acquired an Asset costing ₹1,00,000 for production of certain items to be sold by it. It is deductible equally over 2 years in the books of accounts. In Tax Law, ₹75,000 is deductible in year 1 and balance is deductible in year 2. In Year 2, it will rise to -
(a) Originating Timing Difference of 25,000
(b) Reversing Timing Difference of 25,000
(c) Permanent Difference of 25,000
(d) Temporary Difference of 25,000

13. An Entity has acquired an Asset costing ₹ 1,00,000 for production of certain items to be sold by it. It is deductible equally over 2 years in the books of accounts. In Tax Law, ₹ 75,000 is deductible in year 1 and balance is deductible in year 2. Tax rate 10%. In Year 1, the Entity should -
(a) Create DTL 2,500
(b) Reverse DTL 2,500
(c) Create DTA 2,500
(d) Reverse DTA 2,500

14. An Entity has acquired an Asset costing ₹ 1,00,000 for production of certain items to be sold by it. It is deductible' equally over 2 years in the books of accounts. In Tax Law, ₹ 75,000 is deductible in year 1 and balance is deductible in year 2. Tax rate 10%. In Year 2, the Entity should -
(a) Create DTL 2,500
(b) Reverse DTL 2,500
(c) Create DTA 2,500
(d) Reverse DTA 2,500

15. An Entity following mercantile system has Interest Receivable for ₹ 25,000. However, in Income Tax, Interest Income is

16. An Entity following mercantile system has Interest Receivable for ₹25,000. However, in Income Tax, Interest Income is

taxed on cash basis. In Year 1, it will rise to -
(a) Originating Timing Difference of 25,000
(b) Reversing Timing Difference of 25,000
(c) Permanent Difference of 25,000
(d) Temporary Difference of 25,000

taxed on cash basis. In Year 2, it will rise to -
(a) Originating Timing Difference of 25,000
(b) Reversing Timing Difference of 25,000
(c) Permanent Difference of 25,000
(d) Temporary Difference of 25,000

17. As per AS 22, Timing differences
(a) Taxable or Deductible Timing differences
(b) Originating or Reversing Timing differences
(c) Both of the above
(d) None of the above

18. In the Year, Expenses of ₹ 8 thousand were incurred for Charitable Donations. These are not deductible for tax purposes. It will rise to -
(a) Originating Timing Difference
(b) Reversing Timing Difference
(c) Permanent Difference
(d) Any of the above

19. An Asset which cost ₹ 150 has a Yearend Carrying Amount of ₹ 100. Cumulative Depreciation for Tax purposes is ₹ 90. Tax Rate is 25%. It will rise to -
(a) Originating Timing Difference of 40
(b) Reversing Timing Difference of 40
(c) Originating Timing Difference of 50
(d) Reversing Timing Difference of 50

20. An Asset which cost ₹ 150 has a Yearend Carrying Amount of ₹ 100. Cumulative Depreciation for Tax purposes is ₹ 90. Tax Rate is 25%. The Entity should
(a) Recognise DTA 10
(b) Recognise DTL 10
(c) Recognise DTA 40
(d) Recognise DTL 40

21. An Entity recognises a Liability of ₹ 100 for Gratuity and Leave Encashment Expenses by creating a Provision. For Tax purposes, such amount will not be deductible until the Entity pays the same. Tax Rate is 25%. It will rise to -
(a) Originating Timing Difference of 100
(b) Reversing Timing Difference of 100
(c) Originating Timing Difference of 25
(d) Reversing Timing Difference of 25

22. An Entity recognises a Liability of ₹ 100 for Gratuity and Leave Encashment Expenses by creating a Provision. For Tax purposes, such amount will not be deductible until the Entity pays the same. Tax Rate is 25%. The Entity should -
(a) Recognise DTA 100
(b) Recognise DTL 100
(c) Recognise DTA 25
(d) Recognise DTL 25

23. Interest Revenue is included in Accounting Profit on a time proportion basis, but taxable on cash basis. The Entity should recognize -
(a) DTA
(b) DTL
(c) Both of the above
(d) None of the above

24. Tax Depreciation is accelerated, i.e. Tax Depreciation is higher than Accounting Depreciation. The Entity should recognize -
(a) DTA
(b) DTL
(c) Both of the above
(d) None of the above

25. Interest Revenue is included in Accounting Profit on a time proportion basis, but taxable on cash basis. In this case -
(a) Originating Timing difference will not arise
(b) Reversing Timing difference will not arise
(c) Originating Timing difference will arise
(d) Reversing Timing difference will arise

26. Accounting Depreciation is accelerated, i.e. Tax Depreciation is less than Accounting Depreciation. The Entity should recognize -
(a) DTA
(b) DTL
(c) Both of the above
(d) None of the above

27. Development Costs amortised over future periods for Accounting Profit, but deducted fully when incurred for Taxable Profit. The Entity should recognize -
(a) DTA
(b) DTL
(c) Both of the above
(d) None of the above

28. Retirement Benefit Costs deducted for A/cg Profit as service is provided by the Employee. Deducted for Taxable Profit either when Contributions are paid to a Fund, or Retirement Benefits are paid by it. The Entity should recognize -
(a) DTA
(b) DTL
(c) Both of the above
(d) None of the above

29. Preliminary Expenses deducted for A/cg Profit when incurred. But not deducted for Taxable Profit until a later period(s). The Entity should recognize -
(a) DTA
(b) DTL
(c) Both of the above
(d) None of the above

An Entity acquires an Asset on the first day of reporting period for ₹ 120 with a useful life of 6 years and no Residual Value. It depreciates the asset on SLM basis. The Tax Rate is 30%. The Tax Depreciation is as under.

Year	1	2	3	4	5	6
Depreciation	90	10	7	5	5	3

30. Timing difference at the end of Year 1
(a) 60
(b) 70
(c) 50
(d) 100

31. Nature of the above =
(a) Deductible Timing difference
(b) Taxable Timing difference
(c) Originating Timing difference
(d) Reversing Timing difference

32. At the end of Year 1 =
(a) Recognise DTL 21
(b) Recognise DTA 21
(c) Recognise DTL 18
(d) Recognise DTA 18

33. Timing difference at the end of Year 1 =
(a) 60
(b) 70
(c) 50

(d) 100

34. Nature of the above =
(a) Deductible Timing difference
(b) Taxable Timing difference
(c) Originating Timing difference
(d) Reversing Timing difference

35. At the end of Year 1 =
(a) Recognise DTL 21
(b) Recognise DTA 21
(c) Recognise DTL 18
(d) Recognise DTA 18

PQR Ltd capitalised Development Costs which satisfied the criteria as per AS 26. The total amount capitalised was ₹ 16,00,000. The Development Project began to generate economic benefits for PQR Ltd from 1st January (Current Year). The Directors of PQR Ltd estimated that the Project would generate economic benefits for 5 years from that date. The development expenditure was fully deductible against Taxable Profits for the Current Year.

36. Amortisation provided for accounting =
(a) 3,20,000
(b) 80,000
(c) 1,60,000
(d) 1,00,000

37. Carrying Value of Development Costs as per Accounting Records =
(a) 16,00,000
(b) 15,20,000
(c) 12,80,000
(d) 15,00,000

38. Carrying Value of Development Costs as per Tax Records =
(a) 16,00,000
(b) 15,20,000
(c) 12,80,000
(d) Nil

39. This will result in -
(a) Taxable Timing difference
(b) Deductible Timing difference
(c) Originating Timing difference
(d) Reversing Timing difference

40. The Entity should -
(a) Create DTL 4,56,000
(b) Reverse DTL 4,56,000
(c) Create DTA 4,56,000
(d) Reverse DTA 4,56,000

41. HILL LTD has provided depreciation in accounts for ₹ 80 lakh, but as per tax records it is ₹ 120 Lakh. Unamortized preliminary expenses, as per tax records is ₹ 40,000. There is adequate evidence of future Profit sufficiently. Tax rate is 30%. How much deferred tax assets/liability should be recognized as per AS22?
A. ₹ 12.00 Lakh
B. ₹ 11.88 Lakh
C. ₹ 5.94 Lakh
D. Nil

42. As per AS-22, a Deferred tax Asset should be recognized only when there is certainty of future taxable income to

43. Z Ltd has provided depreciation as per accounting records ₹ 5.00 lakh and as per tax records it is ₹ 8.00 lakh. An

realize. This is based on the consideration of -

A. Prudence

B. Conservation

C. Caution

D. Consistency

unamortised preliminary expense as per ta₹ records is ₹ 6,500. There is adequate evidence pf future profits sufficiency. How much deferred tax assets/liabilities should be recognised as per AS-22? Tax rate is 30%.

A. X 88,050 (DTL)

B. X 90,000 (DTL)

C. X 91,950 (DTL)

D. X 88,060 (DTL)

44. ASILEEN LTD. purchased a plant on 01.04.2011 for ₹ 8.00. 000. It provides depreciation @ 20% on WDV during the year ended on 31.03.2013. If the Company provides impairment loss on plant for ₹ 80.000. What would be the carrying amount of Plant on 31.03.2013 as per AS-28?

A. ₹ 5,92,000

B. ₹ 5,12,000

C. ₹ 4,32,000

D. None of (A), (B) and (C)

45. JINDAL Ltd. provides the following information for the year ended March 31, 2015.

Accounting Profit:	₹ 7,00,000
Book Profit as per MAT:	₹ 4,00,000
Profit as per Income Tax Act:	₹ 10,00,000
Effective Tax Rate	30%
MAT Rate	17 %

What will be the Deferred Tax Asset (DTA)/Liability (DTL) as per AS-22?

A. ₹ 1,80,000 (DTL)

B. ₹ 1,62,000 (DTL)

C. ₹ 1,80,000 (DTA)

D. ₹ 1,62,000 (DTA)

46. RAKESH BEHARI Ltd. has provided the following information:

Depreciation as per accounting records ₹ 2,00,000, Depreciation as per income tax records ₹ 5,00,000. Unamortized preliminary expenses as per income tax records ₹ 30,000, Tax rate 50%. There is adequate evidence of future profit sufficiency. As per AS 22 Deferred Tax Asset/ Liability to be recognized will be

A. ₹ 1,50,000 (DTA)

B. ₹ 15,000 (DTL)

C. ₹ 1,35,000 (Net DTL)

D. None of these

47. Accounting profit Rs. 15,00,000, Book profit as per MAT Rs.8,75,000, Profit as per Income-Tax Act Rs. 1,50,000, Tax rate 30%, MAT rate 7.50%. The deferred tax asset/liability as per AS- 22 and amount of tax to be debited to Profit and Loss Account for the year ended 31.03.2018 are

A. Rs.4,95,000, Rs.5,15,625

B. Rs.4,05,000, Rs.4,70,625

C. Rs.4,05,000, Rs. 5,15,625

D. None of the above.

48. Downsize Ltd. earned ₹ 800 lakh pre-tax profit in the first quarter ended 30.06.2019 and it expects to incur losses of ₹ 100 lakh each of the three remaining quarters of 2019-20. Tax rate is 30%. It has carried forward loss of ₹ 300 lakh for income tax purpose for which deferred tax asset is not recognized. The amount of tax expenses reported in the first and second quarters of 2019-20 are

A. ₹ 240 lakh and ₹ (30) lakh
B. ₹ 150 lakh and ₹ (30) lakh
C. ₹ 15 lakh and ₹ 15 lakh
D. ₹ 96 lakh and ₹ (12) lakh

50. Accounting profit Rs 15,00,000, Book profit as per MAT Rs 8,75,000, Profit as per Income-tax Act Rs 1,50,000 Tax rate 30%, MAT rate 7.50%. The deferred tax asset / liability as per AS 22 and amount of tax to be debited to Profit and Loss Account for the year ended 31.3.2021 are

A. Rs 4,05,000, Rs 5,15,625
B. Rs 4,05,000, Rs 4,70,625
C. Rs 4,95,000, Rs 5,15,625
D. None of these

49. From the given information, you are required to compute the Deferred Tax Assets(DTA) and Deferred Tax Liability (DTL) for CBDT Ltd as on 31st March 2021. The tax rate applicable is 35%. The Company has charged Depreciation of Rs 7,42,900 in its Books of Accounts while as per Income Tax computation, the Depreciation available to the Company is Rs 8,65,400.

The Company has made Provision for Doubtful Debts for Rs 54,300 during the year. The Company has debited Share Issue Expenses of Rs 6,23,500 which will be available for deduction under the Income Tax Act from the next year. The expenses of Rs 7,84,500 have been charged to Profit and Loss Account which are disallowed under the Income Tax Act.

The Company has made Donation of Rs 2,00,000 which has been debited to Profit and Loss Account and only 50% thereof will be allowed as deduction as per Income Tax Law.

A. DTA Rs 2,18,225, DTL Rs 42,875
B. DTA Rs 2,18,225, DTL Rs 42,857
C. DTA Rs 2,18,252 DTL Rs 42,875
D. None of these

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	a	b	d	c	d	a	d	d	a	a	b	a	b	a	b	b	c	a	b
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
a	b,c	b	b	c	a	b	a	a	b	c	a	a	c	a	b	b	d	c	a
41	42	43	44	45	46	47	48	49	50										
b	a	a	c	a	a	b	d	a	b										

AS-7 Construction Contracts

1. AS 7 permits -
A. Completed Contract Method
B. Proportionate Completion Method
C. Either of the above
D. None of the above

2. AS 7 applies to -
A. Contractor
B. Contractee
C. Both of the above
D. None of the above

3. AS 7 deals with -
A. Segmenting
B. Combining
C. Both of the above
D. None of the above

4. There are types of Contracts as per AS 7.
A. 2
B. 3
C. 4
D. 5

5. Is subject to Cost Escalation Clauses,
A. Fixed Price Contract
B. Cost Plus Contract
C. Both of the above
D. None of the above

6. Is a Construction Contract in which the Contractor agrees to a Fixed Contract Price, or a Fixed Rate Per Unit of Output, which in some cases is subject to Cost Escalation Clauses.
A. Fixed Price Contract
B. Cost Plus Contract
C. Both of the above
D. None of the above

7. ______ is a Construction Contract in which the Contractor is reimbursed for allowable or otherwise defined costs, plus percentage of these costs or a fixed fee.
A. Fixed Price Contract
B. Cost Plus Contract
C. Both of the above
D. None of the above

8. Examples of Fixed Price Contract do not include -
A. Rama Contractors enter into an agreement with a client for Construction of a house at a fixed price of ₹ 9 Lakhs,
B. Ashoka Builders enter into a Contract with Benevolent Enterprises Ltd for Construction of residential flats to employees - 15 flats at ₹ 5 Lakhs each.
C. Contract in which the Contractor is reimbursed for allowable or otherwise defined costs, plus percentage of these costs or a fixed fee.
D. All of the above

9. Some Contracts may contain characteristics of both Fixed Price and Cost Plus Contracts, e.g. -

A. Contract in which the Contractor is reimbursed for allowable or otherwise defined costs, plus percentage of these costs or a fixed fee.

B. Cost plus Contract with an agreed minimum price.

C. Construction Contract in which the Contractor is reimbursed for allowable or otherwise defined costs, plus percentage of these costs or a fixed fee.

D. All of the above

10. Subject to conditions, Combining will apply when -

A. Contract covers a number of assets, the Construction of each asset should be treated as a separate Construction Contract

B. A group of Contracts, whether with a single customer or with several customers, should be treated as a single Construction Contract

C. Both of the above

D. None of the above

11. Subject to conditions, segmenting will apply when –

A. Contract covers a number of assets, the Construction of each asset should be treated as a separate Construction Contract

B. A group of Contracts, whether with a single customer or with several customers, should be treated as a single Construction Contract

C. Both of the above

D. None of the above

12. When a Contract covers a number of assets, the Construction of each asset should be treated as a separate Construction Contract when -

A. Separate proposals have been submitted for each asset

B. Each asset has been subject to separate negotiation, and the Contractor and Customer have been able to accept or reject that part of the Contract relating to each asset

C. The costs and revenues of each asset can be identified.

D. All of the above

13. A group of Contracts, whether with a single customer or with several customers, should be treated as a single Construction Contract when ·

A. The group of Contracts is negotiated as a single package,

B. The Contracts are so closely inter-related that they are, in effect, part of a single project with an overall profit margin, and

C. The Contracts are performed concurrently or in a continuous sequence.

D. All of the above

14. Which of the following is true?

A. The Stage of Completion of a Contract may be determined in a variety of ways.

B. Progress payments and Advances received from customers reflect the work performed.

C. The Stage of Completion of a Contract should be determined under Proportionate Cost Method only.

D. All of the above

15. The Stage of Completion of a Contract may be determined under -

A. Physical Completion Method
B. Technical Survey / Estimate Method
C. Proportionate Cost Method
D. All of the above

16. For computing stage of completion under Proportionate Cost Method which of the following is not relevant?

A. Total Contract Cost
B. Total Contract Revenue
C. Cost incurred till date
D. Estimated further cost to complete

17. Physical Completion Method is appropriate when a -

A. Contract provides for laying roads for a distance of 150 kilometres.
B. Contract provides for Construction of a dam over a river
C. The proportion that Contract Costs incurred for work performed up to the reporting date bear to the estimated Total Contract Costs
D. All of the above

18. Physical Completion Method is appropriate when a -

A. Contract provides for laying roads for a distance of 150 kilometres.
B. Contract provides for Construction of a dam over a river
C. The proportion that Contract Costs incurred for work performed upto the reporting date bear to the estimated Total Contract Costs
D. All of the above

19. Which of the following is true?

A. Total Expected Loss from a contract should be recognized immediately in the current year.
B. Proportionate Expected Loss from a contract should be recognized in the current year.
C. Expected Loss incurred for the current year from a contract should be recognized proportionately in the current year.
D. Any of the above

20. Total Expected Loss recognized in current year =

A. Total Contract Cost of a particular Contract - Total Contract Revenue of a particular Contract
B. Proportionate Contract Cost of a particular - Proportionate Contract Revenue of a particular Contract
C. Total Contract Cost of all Contract - Total Contract Revenue of all Contract
D. Total Contract Cost of a particular - Total Contract Revenue of a particular Contract

21. The amount of Expected Loss is recognized immediately after considering -

A. Whether or not work has commenced on the Contract,
B. The Stage of Completion of Contract activity
C. The number of profits expected to arise on other Contracts
D. None of the above

22. Amount due / to from customers =

A. Contract Costs + Recognized Profits (-) Recognized Losses (-) Progress Billings
B. Contract Costs + Recognized Profits (+) Recognized Losses (-) Progress Billings
C. Contract Costs + Recognized Profits (-) Recognized Losses (+) Progress Billings
D. Contract Costs + Recognized Profits (+) Recognized Losses (+) Progress Billings

23. Contract Costs + Recognised Profits (-)' Recognised Losses (-) Progress Billings = Positive means –

A. Amount due from customers
B. Amount due to customers
C. Any of the above
D. Both of the above

24. Contract Costs + Recognized Profits (-) Recognized Losses (-) Progress Billings = Negative means—

A. Amount due from customers
B. Amount due to customers
C. Any of the above
D. Both of the above

25. VASUDA CONSTRUCTION LTD undertook a contract on January 1, 2013 to construct a building for ₹ 70 Lakh. The Company found on March 31, 2013 that it. had already spent ₹ 52 Lakh on the construction. Prudent estimate of additional cost for completion was ₹ 28 Lakh. S Contract value to be recognized as Turnover in the final accounts for the year ended March 31, 2013 as per AS-7 (revised)' will be

A. ₹ 52.5 Lakh
B. ₹ 50.4 Lakh
C. ₹ 45.5 Lakh
D. None of these

26. A firm obtained a contract for construction of a flyover. Following information is available for the year ended 31.3.2014:

Particulars	₹
Total contract Price	1500 lakh
Work certified	800 lakh
Work not certified	460 lakh
Estimated further cost to completion	380 lakh
Progress payment received	700 lakh

What will be the foreseeable loss to be shown in the accounts of 2013-14 as per AS-7?

A. No effect in 2013-14
B. ₹ 100 lakh
C. ₹ 560 lakh
D. ₹ 140 lakh

27. BANSAL & JINDAL CONSTRUCTION Co. undertook a contract on 1st January, 2011 to construct a building for ₹ 80 lakhs. The company found on 31st March, 2011 that it had already spent 58,50,000 on the construction. Prudent estimate of additional cost for completion was ₹ 31,50,000. Contract Value to be recognized as turnover in the final accounts for the year ended 31st March, 2011 as per AS 7 (revised) will be

A. ₹ 80 lakhs
B. ₹ 10 lakhs
C. ₹ 52 lakhs
D. None of these

28. A company undertook to pay contract for a building for ₹ 90 lakh. As on 31.03.2017, it incurred a cost of ₹ 15 lakh and expects that there will be ₹ 68 lakh more for completing the building. It has received ₹ 12 lakh as progress payment. What is the degree of completion)

A. 16.67%
B. 22.06%
C. 18-07%
D. 14-46%

29. BHARAT TUSHAR LTD, a firm of contractors provides the following details

30. Sambu Ltd negotiates with Indian Oil, for construction of "Franchise Retail Petrol Outlet

for the year ended 31st March, 2021: (₹ Lakhs)

Particulars	
Fixed Contract Price with an escalation clause	1,000
Work Certified	500
Work not Certified [includes Rs 75 lacs for Materials issued out of which material lying unused at the end of period is Rs 4 lacs]	109
Estimated further Cost to Completion	495
Progress Payment Received	400
To be Received	140
Escalation in cost by 5% and accordingly the contract price is increased by	5%

Calculate the Expected Loss to be recognized immediately as per para 35 of AS 7

A. Rs 22.5 lakh
B. Rs 50 lakh
C. None of these
D. Rs 27 lakh

31. GTI Ltd negotiates with Bharat Oil Corporation Ltd (BOCL), for construction of "Retail Petrol & Diesel Outlet Stations". Based on proposals submitted to different Regional Offices of BOCL, the final approval for one outlet each in Region X, Region Y, Region Z is awarded to GTI Ltd; A single agreement is entered into between two. The agreement lays down values for each of the three outlets, i.e. ₹ 102 Lakhs, ₹ 150 Lakhs, ₹ 130 Lakhs for Region X, Region Y, Region Z respectively. Agreement also lays down completion time for each Region.

A. Single Contract

Stations". Based on proposals submitted to different Zonal Offices of Indian Oil, the final approval for one outlet each in Berhampore, Salem, Vadodara and Warrangal is awarded to Sambu Ltd. Agreement (in single document) is entered into with Indian Oil for ₹ 25 Lakhs. The agreement lays down values for each of the four outlets (₹ 44 + 66 + 80 + 55 Lakhs) in addition to individual completion time. It should be accounted as -

A. Single Contract
B. Different Contracts
C. Either of the above
D. None of the above

B. Different Contracts
C. Either of the above
D. None of the above

Akar Ltd, signed on April, a construction contract for ₹ 1,50,00,000. Following particulars are extracted in respect of the contract, for the period ending 31st March.

- **Materials issued - ₹ 75,00,000**
- **Labour Charges paid ₹ 36,00,000**
- **Hire Charges of Plant ₹ 10,00,000**
- **Other Contract Cost incurred ₹ 15,00.000**
- **Out of Material Issued, Material lying unused at the end of the period is ₹4,00,000**
- **Labour Charges of ₹ 2,00,000 are still outstanding**
- **It is estimated that by spending further ₹ 33,50,000 the work can be completed in all respects.**

32. Cost incurred till date =
A. 134 Lakhs
B. 167.50 Lakhs
C. 17.50 Lakhs
D. 3.50 Lakhs

33. Total Estimated Cost =
A. 134 Lakhs
B. 167.50 Lakhs
C. 17.50 Lakhs
D. 3.50 Lakhs

34. Provision for Loss =
A. 134 Lakhs
B. 167.50 Lakhs
C. 17.50 Lakhs
D. 3.50 Lakhs

35. Net Loss for the year =
A. 134 Lakhs
B. 167.50 Lakhs
C. 17.50 Lakhs
D. 3.50 Lakhs

Shyam Ltd commenced a construction contract on 1st April. The Company expended ₹ 500 Crores for 40% work. The total estimated cost of the project is ₹ 1,250 Crores. Fixed Price Contract of ₹ 1,200 Crores,

36. Revenue =
A. 480
B. 1,200
C. 600
D. 500

37. Expense =
A. 480
B. 1,200
C. 600
D. 500

38. Provision for loss =
A. 30
B. Nil
C. 50
D. 100

39. Profit or loss to be recognized =
A. 30
B. Nil
C. 50
D. 100

Shyam Ltd commenced a construction contract on 1st April. The Company expended ₹ 500 Crores for 40% work. The total estimated cost of the project is ₹ 1,250 Crores. Fixed Price Contract of ₹ 1,200 Crores,

40. Revenue =
A. 480
B. 1,200
C. 600
D. 500

41. Expense =
A. 480
B. 1,200
C. 600
D. 500

42. Provision for loss =
A. 30
B. Nil
C. 50
D. 100

43. Profit or loss to be recognized =
A. 30
B. Nil
C. 50
D. 100

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
c	d	c	c	a	b	b	a	b	d	c	d	d	a	d	b	a	b	a	a
21	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
d	a	a	b	c	d	c	c	a	b	b	a	b	d	c	a	d	a	c	c
41	**42**	**43**																	
d	b	d																	

AS-9 Revenue Recognition

1. AS-9 deals with Revenue Recognition from -
(a) Sale of Goods
(b) Rendering of Services
(c) Use by others of enterprise resources yielding Interest, Royalties and Dividends
(d) All of the above

2. AS-9 does not deal with Revenue arising from -
(d) Construction Contracts
(e) Hire Purchase and Lease Agreements
(f) Government Grants and other similar Subsidies
(g) All of the above

3. Revenue does not include -
(a) Realised Gains resulting from the disposal of Non-Current Assets, e.g. Gain on Sale of Plant & Machinery
(b) Unrealised Gains resulting from the holding of Non-Current Assets, e.g. appreciation in value of Fixed Assets,
(c) Unrealised holding gains resulting from the change in value of Current Assets
(d) All of the above

4. Revenue does not include -
(a) Realised or Unrealised Gains resulting from changes in Foreign Exchange Rates
(b) Realised Gains resulting from the discharge of an obligation at less than its Carrying Amount
(c) Unrealised Gains resulting from the re-statement of the Carrying Amount of an Obligation
(d) All of the above

5. In an Agency relationship, the revenue is -
(a) Amount of commission
(b) Gross inflow of cash, receivables or other considerations
(c) Net inflow of cash, receivables or other considerations
(d) All of the above

6. Revenue from service transactions is usually recognised as the service is performed by -
(a) Proportionate Completion Method
(b) Completed Service Contract Method
(c) Either of the above
(d) None of the above

7. Completed Service Contract Method recognises revenue in the P&L Statement -
(a) proportionately with the degree of completion of services under a contract
(b) only when the rendering of services under a contract is fully completed
(c) only when the rendering of services under a contract is substantially completed.
(d) only when the rendering of services under a contract is fully completed or substantially completed.

8. Revenue Recognition of Interest is -
(a) On a time, proportion basis
(b) On an accrual basis in accordance with the terms of relevant agreement.
(c) When the owner's right to receive payment is established.
(d) Any of the above

9. Revenue Recognition of Royalties is -
(a) On a time, proportion basis
(b) On an accrual basis in accordance with the terms of relevant agreement.
(c) When the owner's right to receive payment is established.
(d) Any of the above

10. Revenue Recognition of Dividend is -
(a) On a time proportion basis
(b) On an accrual basis in accordance with the terms of relevant agreement.
(c) When the owner's right to receive payment is established.
(d) When the Dividend is received

11. Umang Ltd sold goods through its Agent. As per terms of Sales, consideration is payable within one month. In the event of delay in payment, Interest is chargeable at 12% p.a. from the Agent. The Company has not realized interest from the Agent in the past. For the year ended 31st March, Interest due from the Agent (because of delay in payment) amounts to ₹ 1,72,000. The Accountant of Umang Ltd booked ₹ 1,72,000 as Interest Income in the year ended 31st March. In this case -
(c) The Company should recognise the entire interest receivable.
(d) It should be recognized only on cash basis, i.e. receipt basis in the instant case.
(e) Either of the above
(f) AS 9 not applicable

12. Mahesh Ltd.'s accounting year ends on 31st March. One of its Subsidiaries has declared dividend in April 2021, in respect of its accounting year ending 30th November 2020. Mahesh Ltd is to receive a dividend of ₹ 10,000. Dividend can be recognised by Mahesh Ltd in its accounts for the year ended 31st March -
(a) 2020
(b) 2021
(c) Either of the above
(d) Not recognised

13. X Ltd has declared Interim Dividend which has not been received till 31.03.2021 but received on 25.04.2021. It should be recognised as Income in the Year -
(a) 2020-2021
(b) 2021-2022
(c) 2022-2023
(d) Not recognised

14. Y Ltd has declared dividend on 8th May 2021 for the year ending 31.03.2021, which has been approved by the Shareholders of the Company on 30th June 2021. It should be recognised as Income in the Year
(a) 2020-2021
(b) 2021-2022
(c) 2022-2023
(d) Not recognised

15. Z Ltd, a Subsidiary of AQ Ltd, has declared dividend for the year ended 31.03.2021 on 25th May 2021 the AGM for which is to be held on September 2021. It should be recognised as Income in the Year -
(a) 2020-2021
(b) 2021-2022

16. In case Delivery is delayed at Buyer's request and Buyer takes title & accepts billing, Revenue should be recognised -
(a) When delivery has been made
(b) When Invoice is raised
(c) when goods are sold by the agent to a third party.

(c) 2022-2023
(d) Not recognised

(d) Earlier of above

17. Revenue should not be recognised until -
(a) Buyer has formally accepted the goods or
(b) Buyer has done an act adopting the transaction or
(c) time period for rejection has elapsed or where no time has been fixed, a reasonable time has elapsed.
(d) Earlier of above

18. Revenue on Consignment Sales is recognised only -
(a) When delivery has been made
(b) When Invoice is raised
(c) When goods are sold by the agent to a third party.
(d) Earlier of above

19. Which of the following will be considered as financing transaction?
(a) Bill & Hold
(b) Sale with right to return
(c) Sale and repurchase of goods
(d) Consignment

20. On 1st November, Garments worth ₹ 2,50,000 were sold on approval basis. The period of approval was 4 months after which they were considered sold. Buyer sent approval for 75% Goods upto 31st December and no approval or disapproval received for the remaining goods till 31st March. Revenue recognised for -
(a) 2,50,000
(b) 1,87,500
(c) 62,500
(d) 2,00,000

21. Goods of ₹ 60,000 were sold on 20th March but at the request of the Buyer these were delivered on 10th April. Revenue recognised on -
(a) 20th March
(b) 10th April
(c) 31st March
(d) Not recognised

22. On 15th January goods of ₹ 1,50,000 were sent on consignment basis of which 20% of the goods unsold are lying with the consignee as on 31st March. Cost of Inventory to be recognised =
(a) 1,50,000
(b) 30,000
(c) 1,20,000
(d) Insufficient information

23. On 15th January goods of ₹ 1,50,000 were sent on consignment basis of which 20% of the goods unsold are lying with the consignee as on 31st March. Cost of Inventory to be recognised =
(a) 1,50,000
(b) 30,000
(c) 1,20,000
(d) Insufficient information

24. The Company has made Cash Sales of ₹ 7,80,000 (Gross). Trade Discount of 5% was allowed on the Cash Sales. Cash discount at 10% was also allowed. Revenue to be recognsied =
(a) 7,41,000
(b) 7,80,000
(c) 6,66,900
(d) 8,00,000

25. On 10th January, Tonk Tanner supplied Shoes worth ₹ 4,50,000 to Shani Shoes and concurrently agrees to re-purchase the same goods on 11th April. Revenue to be recognised =

(a) 4,50,000 on 10th January
(b) Accounted as a Financing Transaction and Interest Expenses is recognised
(c) No income is recognised
(d) Accounted as a Financing Transaction and Interest income is recognised

AXE Ltd is facing a Financial crunch and entered into a Contract with BXE Ltd for sale of goods for ₹ 25 Lakhs at a Profit of 20% cost on 1st January. On the same day, BXE Ltd entered into an agreement with AXE Ltd to resale the same goods at ₹ 31.50 Lakhs on 1st July.

26. AXE Ltd recognizes -

(a) Loan given & Interest Income
(b) Loan taken & Interest expenses
(c) Revenue 25 Lakhs
(d) Revenue 30 Lakh

27. BXE Ltd recognizes -

(a) Loan given & Interest Income
(b) Loan taken & Interest expenses
(c) Revenue 25 Lakhs
(d) Purchases 30 Lakhs

28. Inventory is recognised in the books of -

(a) AXE
(b) BXE
(c) Either of the above
(d) None of the above

Saritha Publications publishes a monthly magazine on the 15^{lh} of every month. It sells advertising space in the magazine to advertisers on the terms of 80% sale value payable in advance and the balance within 30 days of the release of the publication. The sale of space for the March issue was made in February. The Magazine was published on its scheduled date. It received ₹ 2,40,000 on 10th March and Rs.60,000 on 10th April for the March issue.

29. For the year ending March, ₹ 2,40,000 received should be recognised as -

(a) Advance
(b) Revenue
(c) Assets
(d) Any of the above

30. Revenue should be recognised in -

(a) Current Year ending March
(b) Next Year ending March
(c) Either of the above
(d) None of the above

31. ₹ 60,000 shall be recognized in the financial year ending on 31st March as -
(a) Assets
(b) Liabilities
(c) Revenue
(d) Expenses

32. If the publication is delayed and the advertisement appears only on 2nd April, Revenue should be recognised in -
(a) Current Year ending March
(b) Next Year ending March
(c) Either of the above
(d) None of the above

On 25th September, Planet Advertising Limited obtained advertisement rights for World Cup Hockey Tournament to be held in Nov / Dec of that year, for ₹ 520 Lakhs. They furnish the following information:
(a) The Company obtained the advertisements for 70% of available time for ₹ 700 Lakhs by 30th September.
(b) For the balance time, they got bookings in October for ₹ 240 Lakhs.
(c) All the advertisers paid the full amount at the time of booking the Advertisement.
(d) 40% of the Advertisements appeared before the public in November and balance 60% appeared in December month.

33. Advertisement Revenue recognised in November =
(a) 700 Lakhs
(b) 564 Lakhs
(c) 940 Lakhs
(d) 376 Lakhs

34. Advertisement Revenue recognised in December =
(a) 700 Lakhs
(b) 564 Lakhs
(c) 940 Lakhs
(d) 376 Lakhs

35. Expenditure recognised in November =
(a) 520 Lakhs
(b) 208 Lakhs
(c) 312 Lakhs
(d) 376 Lakhs

36. Expenditure recognised in December =
(a) 520 Lakhs
(b) 208 Lakhs
(c) 312 Lakhs
(d) 376 Lakhs

37. Profit / Loss recognised in November =
(a) 168 Lakhs
(b) 252 Lakhs
(c) 312 Lakhs
(d) 376 Lakhs

38. Profit / Loss recognised in December =
(a) 520 Lakhs
(b) 252 Lakhs
(c) 312 Lakhs
(d) 376 Lakhs

39. Advance for Advertisement Rights Purchased at the end of November =
(a) Assets 520 Lakhs
(b) Liabilities 520 Lakhs
(c) Assets 312 Lakhs
(d) Liabilities 312 Lakhs

40. Advance for Advertisement Rights Purchased at the end of October =
(a) Assets 520 Lakhs
(b) Liabilities 520 Lakhs
(c) Assets 312 Lakhs
(d) Liabilities 312 Lakhs

41. Advance from Customers for Sale of Time at the end of October =
(a) Assets 520 Lakhs
(b) Liabilities 520 Lakhs
(c) Assets 940 Lakhs
(d) Liabilities 940 Lakhs

42. Advance from Customers for Sale of Time at the end of November =
(a) Assets 564 Lakhs
(b) Liabilities 564 Lakhs
(c) Assets 940 Lakhs
(d) Liabilities 940 Lakhs

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	d	d	d	a	c	d	a	b	c	b	b	b	b	b	b	d	c	c	a
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
a	b	d	a	d	b	a	a	a	a	a	b	d	b	b	c	a	b	c	a
41	42																		
d	b																		

AS-12 Accounting for Government Grants

1. Grants which are in the nature of promoter's contribution is accounted under -
a. Capital Approach
b. Income Approach
c. Any of the above
d. None of the above

2. Grants which are in the nature of promoter's contribution is credited to -
a. Capital Reserve
b. P&L over the period
c. Assets Account
d. Deferred Income Account

3. Approach permitted under AS-12 -
a. Capital Approach
b. Income Approach
c. Any of the above
d. None of the above

4. A Government Grant may take the form of a transfer of a Non-Monetary Assets (e.g. Land or other resources), for the use of the Entity. In these circumstances, both Grant and Asset will be accounted at -
a. that Fair Value
b. Nominal Amount
c. Either of the above
d. Neither of the above

5. K Ltd received an area of Land, free of cost, from the Government. This is to be recorded at –
a. that Fair Value
b. Nominal Amount
c. Either of the above
d. Neither of the above

6. A Company installs Solar Panels to supply solar electricity to its manufacturing plant. Cost of Panels is ₹ 1,00,00,000 with a useful life of 10 years Depreciation is provided on SLM basis. The Government gives ₹ 50,00,000 as a Subsidy. Depreciable Value under Cost Reduction Method =
a. 100 Lakhs
b. 50 Lakhs
c. 5 Lakhs
d. 95 Lakhs

7. A Company installs Solar Panels to supply solar electricity to its manufacturing plant. Cost of Panels is ₹ 1,00,00,000 with a useful life of 10 years Depreciation is provided on SLM basis. The Government gives ₹ 50,00,000 as a Subsidy. Depreciable Value under Deferred Income Method =
a. 100 Lakhs
b. 50 Lakhs
c. 5 Lakhs

8. A Company installs Solar Panels to supply solar electricity to its manufacturing plant. Cost of Panels is ₹ 1,00,00,000 with a useful life of 10 years Depreciation is provided on SLM basis. The Government gives ₹ 50,00,000 as a Subsidy. Depreciation under Deferred Income Method =
a. 10 Lakhs
b. 50 Lakhs

d. 95 Lakhs

c. 5 Lakhs
d. 9.50 Lakhs

9. A Company installs Solar Panels to supply solar electricity to its manufacturing plant. Cost of Panels is ₹ 1,00,00,000 with a useful life of 10 years Depreciation is provided on SLM basis. The Government gives ₹ 50,00,000 as a Subsidy. Depreciation under Asset Cost Reduction Method =

a. 10 Lakhs
b. 50 Lakhs
c. 5 Lakhs
d. 9.50 Lakhs

10. A Company installs Solar Panels to supply solar electricity to its manufacturing plant. Cost of Panels is ₹ 1,00,00,000 with a useful life of 10 years Depreciation is provided on SLM basis. The Government gives ₹ 50,00,000 as a Subsidy. Income to be shown in P&L over the life of the Panels under Deferred Income Method =

a. 10 Lakhs
b. 50 Lakhs
c. 5 Lakhs
d. 9.50 Lakhs

11. A Company installs Solar Panels to supply solar electricity to its manufacturing plant. Cost of Panels is ₹ 1,00,00,000 with a useful life of 10 years Depreciation is provided on SLM basis. The Government gives ₹ 50,00,000 as a Subsidy. Income to - be shown in P&L every year under Deferred Income Method =

a. 10 Lakhs
b. 50 Lakhs
c. 5 Lakhs
d. 9.50 Lakhs

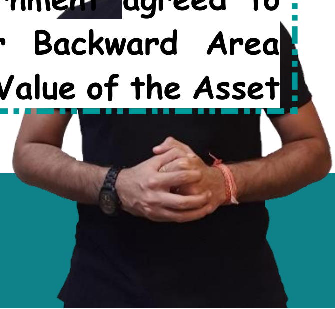
12. A Company installs Solar Panels to supply solar electricity to its manufacturing plant. Cost of Panels is ₹ 1,00,00,000 with a useful life of 10 years Depreciation is provided. on SLM basis. The Government gives ₹ 50,00,000 as a Subsidy. How will it be disclosed in the Statement of Cash Flows in year of purchase₹

(a) ₹ 100 Lakhs being acquisition of Solar Panels as Outflow under "Investing Activities". ₹ 50 Lakhs being Grant Receipt from Government as Inflow under "Financing Activities".
(b) ₹ 50 Lakhs being acquisition of Solar Panels as Outflow under "Investing Activities".
(c) Either of the above
(d) ₹ 50 Lakhs being acquisition of Solar Panels as Outflow under "Investing Activities". ₹ 100 Lakhs being Grant Receipt from Government as Inflow under "Financing Activities".

13. Hari bhakti Ltd acquired the Fixed Assets of ₹ 100 Lakhs on which it received a Grant of ₹ 10 Lakhs. How it will be disclosed in the Financial Statements₹

a. ₹ 90 Lakhs being the Carrying Amount is written off over its useful life.

14. Gowripathi set up a new factory in the backward area and purchased Plant for ₹ 500 Lakhs for the purpose. Purchases were entitled for the Input Tax Credit of ₹ 10 Lakhs and also the Government agreed to extend 20% Subsidy for Backward Area Development. Depreciable Value of the Asset



b. ₹ 10 Lakhs will be treated as Deferred Income. ₹ 1 Lakh will be credited to P&L A/c every year.
c. Either of the above
d. ₹ 10 Lakh will be credited to P&L A/c immediately.

a. 392 Lakhs
b. 490 Lakhs
c. Either of the above
d. 500 Lakhs

15. Gowri Shankar Ltd purchased a special machinery on 1st April of a Financial Year, for ₹ 25 Lakhs. It received a Government Grant for 20% of the Price. The machine has an effective life of 10 years Depreciation p.a.=
a. 2 Lakhs
b. 2.5 Lakhs
c. Either of the above
d. 25 Lakhs

16. Gowri Shankar Ltd purchased a special machinery on 1st April of a Financial Year, for ₹ 25 Lakhs. It received a Government Grant for 20% of the Price. The machine has an effective life of 10 years Income credited to P&L p.a.=
a. Nil
b. 0.5 Lakhs
c. Either of the above
d. 5 Lakhs

17. Kripanidhi Ltd purchased a Fixed Asset for ₹ 75 Lakhs, which has an estimated useful life of 5 years, with the Salvage Value of ₹ 7,50,000. Government gave a grant of ₹ 15 Lakhs. Depreciation p.a. =
a. 10.50 Lakhs
b. 13.50 Lakhs
c. Either of the above
d. 15 Lakhs

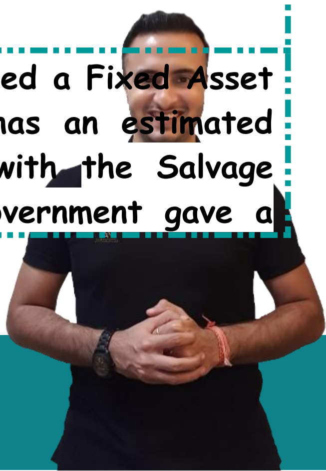
18. Kripanidhi Ltd purchased a Fixed Asset for ₹ 75 Lakhs, which has an estimated useful life of 5 years, with the Salvage Value of ₹ 7,50,000. Government gave a grant of ₹ 15 Lakhs. Income credited to P&L p.a. =
a. Nil
b. 3 Lakhs
c. Either of the above
d. 15 Lakhs

19. Kripanidhi Ltd purchased a Fixed Asset for ₹ 75 Lakhs, which has an estimated useful life of 5 years, with the Salvage Value of ₹ 7,50,000. Government gave a grant of ₹ 15 Lakhs. Net Impact in P&L p.a. under both the methods =
a. 10.50 Lakhs Dr
b. 13.50 Lakhs Dr
c. 10.50 Lakhs Cr
d. 13.50 Lakhs Cr

20. Kripanidhi Ltd purchased a Fixed Asset for ₹ 75 Lakhs, which has an estimated useful life of 5 years, with the Salvage Value of ₹ 7,50,000. Government gave a grant of ₹ 15 Lakhs. WDV at Year 1 end under Cost Reduction Method =
a. 49.50 Lakhs
b. 60 Lakhs
c. 42 Lakhs
d. 39 Lakhs

21. Kripanidhi Ltd purchased a Fixed Asset for ₹ 75 Lakhs, which has an estimated useful life of 5 years, with the Salvage Value of ₹ 7,50,000. Government gave a grant of

22. Kripanidhi Ltd purchased a Fixed Asset for ₹ 75 Lakhs, which has an estimated useful life of 5 years, with the Salvage Value of ₹ 7,50,000. Government gave a



₹ 15 Lakhs. WDV at .Year 1 end under Cost Reduction Method =
a. 49.50 Lakhs
b. 61.50 Lakhs
c. 42 Lakhs
d. 39 Lakhs

grant of ₹ 15 Lakhs. WDV at Year 2 end under Cost Reduction Method =
a. 49.50 Lakhs
b. 61.50 Lakhs
c. 42 Lakhs
d. 39 Lakhs

23. Kripanrdhi Ltd purchased a Fixed Asset for ₹ 75 Lakhs, which has an estimated useful life of 5 years, with the Salvage Value of ₹ 7,50,000. Government gave a grant of ₹ 15 Lakhs. WDV at Year 2 end under Deferred Income Method =
a. 49.50 Lakhs
b. 61.50 Lakhs
c. 48 Lakhs
d. 39 Lakhs

24. ₹ 10 Lakhs Grant received for Asset (life 10 Yrs). Income credited to P&L every year under Deferred Income Method =
a. 1 Lakhs
b. Depends on the Depreciation Method used
c. 10 Lakhs
d. Nil

25. ₹ 10 Lakhs Grant received for an Asset having life of 10 Years Income credited to P&L every year =
a. Depends on the Method used i.e. CRM or DIM
b. Depends on the Depreciation Method used, if DIM is followed
c. Both of the above
d. 1 Lakhs

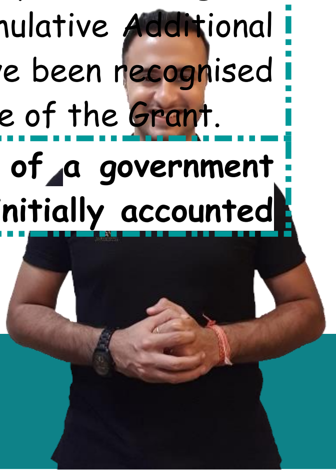
26. Grants related to Income are presented -
a. As a Credit in the Statement of Profit and Loss separately
b. As a Credit in the Statement of Profit and Loss generally as 'Other Income'
c. As a Deduction in reporting the related Expense
d. Any of the above

27. A Government grant relating to Assets that becomes repayable shall be accounted -
a. Increase the Carrying Amount of the Asset, by the Grant repayable. Recognise immediately in P&L, the Cumulative Additional Depreciation that would have been recognised in Profit or Loss to date in the absence of the Grant.
b. Reduce the Deferred Income balance by the amount repayable.
c. Either of the above
d. Neither of the above

28. Accounting treatment of a government grant relating to Assets that becomes repayable -
a. Depends on the Accounting Method used
b. Does not Depend on the Accounting Method used
c. Always first debit Deferred Income A/c and then debit Excess Refundable to P&L.
d. Always Increase the Carrying Amount of the Asset, by the Grant repayable. Recognise immediately in P&L, the Cumulative Additional Depreciation that would have been recognised in P&L to date in the absence of the Grant.

29. Accounting treatment of a government grant relating to Assets (initially accounted

30. Accounting treatment of a government grant relating to Assets (initially accounted



under Cost Reduction Method) that becomes repayable -

a. Depends on the Depreciation Method used
b. Always first debit Deferred Income A/c and then debit Excess Refundable to P&L.
c. Always Increase the Carrying Amount of the Asset, by the Grant repayable. Recognise immediately in P&L, the Cumulative Additional Depreciation that would have been recognised in P&L to date in the absence of the Grant.
d. Any of the above

under Deferred Income Method) that becomes repayable -

a. Depends on the Depreciation Method used
b. Always first debit Deferred Income A/c and then debit Excess Refundable to P&L.
c. Always Increase the Carrying Amount of the Asset, by the Grant repayable. Recognise immediately in P&L, the Cumulative Additional Depreciation that would have been recognised in P&L to date in the absence of the Grant.
d. Any of the above

Neelakanta Ltd purchased a Machinery for ₹ 40 Lakhs (Useful Life 4 years and Residual Value ₹ 8 Lakhs). Government Grant received is ₹ 16 Lakhs. Due to noncompliance of certain condition, the Grant becomes refundable in 3rd year beginning to the extent of ₹ 12 Lakhs.

31. Depreciation p.a. under Asset Cost Reduction Method

a. 4,00,000
b. 8,00,000
c. 16,00,000
d. 2,00,000

32. Under Asset Cost Reduction Method, Entry for Refund -

a. Deferred Grant A/c To Cash 12 Lakhs
b. Fixed Assets A/c To Cash 12 Lakhs
c. P&L A/c To Cash 12 Lakhs
d. Fixed Assets A/c To Cash 8 Lakhs

33. Under Asset Cost Reduction Method, WDV of Asset before Refund of Grant -

a. 16 Lakhs
b. 12 Lakhs
c. 10 Lakhs
d. 8 Lakhs

N Ltd purchased a Machinery for ₹ 40 Lakhs (Useful Life 4 years and Residual Value ₹ 8 Lakhs). Government Grant received is ₹ 16 Lakhs. Due to non-compliance of certain condition, Grant becomes refundable In 3rd year beginning to the extent of ₹ 12 Lakhs.

34. Under Deferred Income Method, Balance in Deferred Grant A/c at the time of Refund -

a. 20 Lakhs
b. 16 Lakhs
c. 12 Lakhs
d. 8 Lakhs

35. Under Deferred Income Method, Amount credited to P&L A/c p.a. before Refund -

a. 20 Lakhs
b. 16 Lakhs
c. 4 Lakhs
d. 8 Lakhs

36. Under Deferred Income Method, Amount debited in P&L A/c at the time of Refund -
a. 20 Lakhs
b. 16 Lakhs
c. 4 Lakhs
d. 8 Lakhs

37. Under Deferred Income Method, Depreciation p.a. before & after Refund =
a. 2 Lakhs
b. 6 Lakhs
c. 4 Lakhs
d. 8 Lakhs

38. Under Deferred Income Method, WDV at the time of Refund =
a. 20 Lakhs
b. 16 Lakhs
c. 24 Lakhs
d. 18 Lakhs

Markandeya Ltd applied for a Government Grant for purchase of a special machinery. The machinery costs ₹ 80 Lakhs and the Grant was ₹ 30 Lakhs. The Machinery has a useful life of 10 years and the Company follows SLM Depreciation. The Grant was promptly received but certain conditions regarding production were attached to it. The Grant received was credited to Deferred income in the Balance Sheet. Four years later, an amount of ₹ 6 Lakhs become refundable to the Government since the Company did not adhere to the conditions imposed earlier.

39. Grant Amount allocated / credited to P & L A/c every year =
a. 3 Lakhs
b. 2 Lakhs
c. 1 Lakhs
d. 10 Lakhs

40. Balance in Deferred Income Account at the end 4th year =
a. 9 Lakhs
b. 18 Lakhs
c. 12 Lakhs
d. 10 Lakhs

41. Revised Balance in Deferred Income Account after Refund =
a. 9 Lakhs
b. 12 Lakhs
c. 14 Lakhs
d. 10 Lakhs

42. Grant Amount allocated / credited to P & L A/c every year after Refund =
a. 9 Lakhs
b. 2 Lakhs
c. 4 Lakhs
d. 1 Lakhs

S Ltd received a Grant of ₹ 300 Lakhs for acquisition of a Machinery costing ₹ 1,200 Lakhs. The Grant received was credited to Deferred Income in the Balance Sheet. The Machinery is depreciated at 20% on WDV basis. After 3 years from the date of receipt of grant, the Company had to refund ₹ 300 Lakhs due to non-fulfilment of certain conditions.

43. Grant to be recognized in P&L for the year 1 =
a. 60 Lakhs
b. 48 Lakhs
c. 38.50 Lakhs
d, 240 Lakhs

44. Grant to be recognized in P&L for the year 2 =
a. 60 Lakhs
b. 48 Lakhs
c. 38.50 Lakhs
d. 240 Lakhs

45. Grant to be recognized in P&L for the year 3 =
a. 60 Lakhs
b. 48 Lakhs
c. 38.50 Lakhs
d. 240 Lakhs

46. Balance in Grant Deferred Income Account =
a. 153.50 Lakhs
b. 135.50 Lakhs
c. 146.50 Lakhs
d. 148 Lakhs

47. Amount debited to P&L at the time of Refund =
a. 153.50 Lakhs
b. 146.50 Lakhs
c. 60 Lakhs
d. 48 Lakhs

48. Amount debited to P&L at the time of Refund, if the Refund is 150 Lakhs =
a. 153.50 Lakhs
b. 146.50 Lakhs
c. Nil
d. 48 Lakhs

49. AKASH LTD set up a new factory in the backward area and purchased Plant for ₹ 500 Lakh for the purpose. Purchases were entitled for ITC of ₹ 10 Lakh and Government also agreed to extend 25% subsidy for backward area development. Determine the depreciable value of the asset.
(a) ₹ 500 Lakh
(b) ₹ 392 Lakh
(c) ₹ 400 lakhs
(d) ₹ 390 Lakh

50. A company acquired assets for ₹ 200 lakh with a subsidy of ₹ 20 lakh received from Central Government for setting up a factory in a backward area. As per AS-12, this government grant will be treated in the accounts as
(a) Grant amount to be deducted from Fixed Assets
(b) Grant amount to be treated as income
(c) Grant amount to be credited to Capital Reserve
(d) Grant amount to be treated as deferred Income

51. Which of the following statements is false as per AS 12₹
(a) Rs 25 lakh received from the Local Authority for providing medical facilities to the employees will be credited to Profit & Loss A/c or deducted from the Medical Expenses.
(b) None of these
(c) Rs 50 lakh received from the State Govt, a Grant for setting up a Water treatment

Plant. Cost of Plant purchased Rs 150 lakh. The Plant will be shown at Rs 100 lakh (i.e. Rs 150 lakh minus Rs 50). (d) Land worth Rs 100 lakh received free of cost from the State Govt, should be recorded at a nominal value.	

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	a	c	b	b	b	a	a	c	b	c	a	c	c	c	c	c	a	a	a
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
a	d	c	b	c	d	c	a	c	b	a	b	a	d	c	c	d	c	a	b
41	42	43	44	45	46	47	48	49	50	51									
b	b	a	b	c	a	b	c	b	c	b									

AS-21 Consolidated Financial Statements

1. Holding company, in relation to one or more other companies, means a company of which such companies are -
a) Associate Companies
b) Subsidiary Companies
c) Both (A) and (B)
d) Either (A) or (B)

2. Subsidiary company in relation to any other company (that is to say the holding company), means a company in which the holding company _____.
a) Controls the composition of the Board of Directors
b) Exercises or controls more than 50% of the total voting power either at its own or together with one or more of its subsidiary companies
c) Both (A) or (B)
d) Neither (A) nor (B)

3. Pre-acquisition profit in subsidiary company is considered as:
a) Revenue profit
b) Capital profit
c) Goodwill
d) Cost of control

4. Associate company in relation to another company, means -
a) A company which cannot be classified as subsidiary company or joint venture company
b) A company which is a subsidiary company of the company having significant influence
c) A company which is originally formed as associate company as such.
d) A company in which that other company has a significant influence

5. Holding company holds more than ……… voting power in subsidiary company.
a) 25%
b) 40%
c) 50%
d) 75%

6. In associate companies, one company holds ………. of share capital
a) more than 20% but less than 50%
b) more than 10% but less than 25%
c) more than 25% but less than 50%
d) more than 50% but less than 75%

7. Minority interest represents -
a) Shares owned by minor persons in a consolidated financial statement of holding company.
b) Shares owned by persons who can be classified as small shareholders in a

8. Holding company's share in revenue profits of subsidiary company is adjusted in:
a) Cost of control
b) Shown on assets side of balance sheet
c) Profit and loss account of holding company
d) Capital profits of holding company

consolidated financial statement of holding company.

c) Shares owned by third parties in a consolidated financial statement of holding company.

d) Shares owned by creditors in a total debt in preparation of consolidated financial statement of holding company.

9. Which of the following statements are correct with regard to preparation of consolidated financial statements

A. To be a subsidiary a parent should hold 100% of its equity shares.

B. Consolidation is merely addition together of two Statements of financial position.

C. In consolidation a subsidiary and an associate are treated identically.

D. Consolidated balance sheet excludes assets not owned by the group.

Select the correct answer from the options given below.

a) A & D

b) B & C

c) A & B

d) None

10. While preparing a consolidated financial statements, in share capital held by outsider if we add preacquisition post-acquisition profits proportionate to share capital held by those outsider resultant figure will be -……..

a) Goodwill

b) Cost of control

c) Minority interest

d) Capital reserve

11. If cost of acquisition of shares in the subsidiary company is less than intrinsic value of the shares of subsidiary company on the date of acquisition then resultant figure will

a) Minority interest

b) Capital Reserve

c) Goodwill

d) Significant cost

12. Issue of bonus shares by the subsidiary company:

a) Affects the cost of control.

b) Increases the control percentage in subsidiary company.

c) Reduces the cost of investment of holding company.

d) Does not affect the cost of control.

13. Which of the following will affect cost of control

a) Issue of bonus shares by the subsidiary company out of pre-acquisition profit

b) Issue of bonus shares by the subsidiary company out of post-acquisition profit

14. Which of the following statement(s) apply when consolidating statements of financial position

I. All inter-company balances should be cancelled.

c) Buyback of shares by subsidiary company from all shareholders in equal proportion
d) None of the above

II. The group share of the whole of subsidiary's profit is included within group profit.
III. Inter-company profit should be eliminated unless it is realized by sale to an outsider.
IV. Subsidiary's asset values need to be updated at the end of each accounting period.
Select the correct answer from the options given below.
a) I & III
b) I & IV
c) II & III
d) I & II

15. Issue of bonus shares by subsidiary company out of pre-acquisition profit:
a) Will reduce the paid-up value shares held by holding company.
b) Will reduce holding company's share in preacquisition profits of subsidiary company.
c) Must be debited to General Reserve A/c and credited to Profit & Loss A/c of subsidiary.
d) Will affect the market capitalization of subsidiary company.

16. Holding company's share in pre-acquisition losses of subsidiary -
a) Should be treated as capital loss
b) Added to the 'cost of control'
c) Will increase the goodwill while calculating cost of control
d) All of the above

17. Holding company's share in pre-acquisition profits of subsidiary -
a) Should be credited to the profit & loss account of holding company
b) Deducted from the cost of the 'cost of control'
c) Needs separate disclosure in consolidated financial statements.
d) None of the above

18. With regard to preparing consolidated statements of financial position which of the following statements is/are correct?
1. The consolidated statement of financial position reports only parent's goodwill.
2. Any unrealized profit made by a subsidiary should be eliminated from its profit.
3. An amount owed to each other within the group needs to be cancelled.
4. Only the group portion of any unrealized profit need be eliminated.
Select the correct answer from the options given below.
a) 3

b) 1
c) 2 & 3
d) 3 & 4

19. Dividend received out of pre-acquisition profits of subsidiary
a) It should be treated as revenue income and credited to the Profit and Loss A/c.
b) Added while calculating 'cost of control'.
c) Should be treated as capital receipt and credited to Investment A/c
d) Will increase the Goodwill while calculating cost of control.

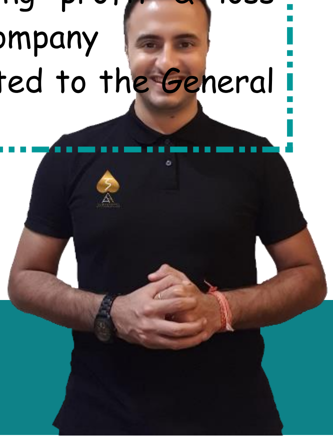
20. If cost of acquisition of shares in the subsidiary company is more than intrinsic value of the shares of subsidiary company on the date of acquisition then resultant figure will be:
a) Minority interest
b) Capital Reserve
c) Goodwill
d) Significant cost

21. Deduction of outsider's liabilities from total assets then dividing it by number of shares, the resultant figure will be -
a) Intrinsic value per share
b) Net asset value per share
c) Asset backing value per share
d) All of the above

22. Which of the following treatment of 'Share Capital' of subsidiary company is correct
a) Share capital held by the holding company will be added to the cost of control statement.
b) Share capital held by minority will be deducted in minority statement.
c) Share capital of subsidiary held by holding company will be deducted from the cost of Investment to find out goodwill/capital reserve.
d) Share capital of subsidiary will be set-off against the negative net worth of another subsidiary

23. If closing balance of general reserve of subsidiary is more than opening balance of general reserve then it can be concluded that -
a) Capital profits are debited to the General Reserve A/c
b) Pre-acquisition dividend is declared by the subsidiary company
c) Some profit must have been transferred to general reserve by debiting profit & loss account by the subsidiary company
d) Bonus share capital is issued by the subsidiary company

24. If closing balance of general reserve of subsidiary is less than opening balance of general reserve then it can be concluded that -
a) Pre-acquisition dividend is declared by the subsidiary company
b) Bonus share capital is issued by the subsidiary company
c) Some profit must have been transferred to general reserve by debiting profit & loss account by the subsidiary company
d) Capital profits are credited to the General Reserve A/c



25. Unrealized profit on goods sold and included in stock is deducted from:

a) Capital Profit
b) Revenue Profit
c) Fixed Assets
d) Minority interest

26. Which of the following treatment is correct for mutual debts with regard to purchase and sale of goods between holding and subsidiary company

a) Amount of mutual debt will be added to the Debtors and Creditors on asset side and liability side respectively while preparing the consolidated balance sheet.
b) Amount of mutual debt will be ignored as it is not asset or liability at ah.
c) Amount of mutual debt will be deducted from the Debtors and Creditors on asset side and liability side respectively while preparing the consolidated balance sheet.
d) Amount of mutual debt will require adjustment on debtors figure on asset side only if amount receivable by subsidiary company is more than amount payable to holding company.

27. Which of the following statements are incorrect with regard to preparation of a consolidated statement of financial position
(a) Gain on fair valuation of a subsidiary's asset is a pre-acquisition profit.
(b) Non-controlling interest does not deserve any portion of fair valuation gain.
(c) If an asset is not reported in the subsidiary's ledger it need not be fan valued.
(d) Gain on fair valuation of subsidiary's asset inflates the cost of goodwill.
Select the correct answer from the options given below.

a) (b),(c)&(d)
b) (c)&(d)
c) (ac)&(d)
d) (a),(b)&(c)

28. On a consolidated balance sheet, if the shares of a company have been bought for more than the balance sheet value then difference would appear as:

a) Profit on purchase
b) Goodwill
c) Capital reserve
d) Loss on purchase

29. If less than 100% of a subsidiary's share capital has been acquired then what is the rule for inclusion of the subsidiary's assets on the consolidated balance sheet

30. What is the term used to describe dividends paid by one company in the group to another in the same group

a) Inter-group dividends

a) Only a proportional amount should appear.
b) All the assets should appear.
c) None can appear until all the shares have been acquired.
d) Half the value should appear.

b) Intra-group dividends
c) Group dividends
d) Interim dividends

31. Which of the following is true
a) Minority shareholders share of pre-acquisition losses should be added to the amount of Minority Interest.
b) Holding company's share of pre-acquisition losses must be debited to Profit & Loss A/c
c) Dividend received out of pre-acquisition profits of subsidiary should be credited to Investment A/c.
d) Dividend received out of post-acquisition profits of subsidiary should be debited to Investment A/c.

32. How is a negative goodwill reported on the consolidated statement of financial position
a) As a negative asset ie. shown on the asset side but as a deduction.
b) A tenth of it is included in consolidated reserves and the remainder reported as a reserve.
c) Included fully in the consolidated retained earnings.
d) As a reserve, which may preferably be titled a capital reserve

33. If stock is sold for a profit from one group member to another, how should this be dealt with in the final accounts
a) Stock should appear at the original cost.
b) The profits should be included but stock would appear at the value sold for.
c) Profit on sale should be eliminated and stock appears at original cost
d) Profits on the sale should be eliminated.

34. The claim by outsiders to assets featured on a consolidated balance sheet is known as:
a) Subsidiary
b) Negative goodwill
c) Minority interest
d) Wholly owned subsidiary

35. On consolidation, if the total of the fair value of the assets acquired is less than the whole purchase consideration then the differences should be treated as:
a) Negative goodwill
b) Goodwill
c) Profit on acquisition
d) Loss on acquisition

36. When dealing with consolidated balance sheets, the expression cost of control could be used instead of:
a) Acquisition expenditure
b) Goodwill
c) Intangible investments
d) Negative goodwill.

37. Which of the following is not normally considered the right of an ordinary shareholder
a) An interest in the profits earned by the company.

38. Which of the following statement is false
a) Minority interest shown in the consolidated balance sheet is the equity held by the outsiders in the subsidiary company.

b) An interest in the day-to-day running of the company.
c) An interest in the net assets of the company.
d) Voting rights at meetings.

b) Cost of control is the excess price paid for investment over and above proportionate share of net assets acquired by the holding company.
c) Profit on revaluation of fixed assets is a capital profit and depreciation on such amount is a revenue loss.
d) For calculating cost of control there is no need to distinguish between capital and revenue profits of the subsidiary.

39. Preparation of consolidated Balance Sheet of holding company and its subsidiary company is as per
a) AS-11
b) AS-20
c) AS-21
d) AS-23

40. Pre-acquisition dividend received by Holding company is credited to:
a) Profit & Loss A/c
b) Capital Profit
c) Investment A/c
d) None of the above

41. Post acquisition dividend received by Holding Company is:
a) Debited to Profit & Loss A/c & Credited to Bank A/c
b) Debited to Bank A/c and Credited to Investment A/c
c) Debited to Investment A/c and Credited to Bank A/c
d) Debited to Bank A/c and Credited to Profit & Loss A/c

42. Which exchange rate will be considered for conversion of share capital of subsidiary company
a) losing rate
b) Opening Rate
c) Actual rate on date of share acquisition
d) Average Rate

43. The group's share of the pre-acquisition reserves of a subsidiary form part of the:
a) Goodwill calculation
b) Group's capital reserves
c) Group's revenue reserves
d) Group's share capital

44. As per AS-21, a Consolidated Financial Statement will not be prepared by the parent company when-
a) Control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future.
b) Subsidiary company operates under severe long-term restrictions, which significantly impair its ability to transfer funds to the parent.
c) Both (A) and (B)
d) None of the above

45. In which of the following case the C Ltd. will be subsidiary of A Ltd.

a) If A Ltd. holds 75% shares in B Ltd. and B Ltd. holds 25% shares in C Ltd.

b) If A Ltd. holds 75% shares in B Ltd. and 25% shares in C Ltd.

c) If A Ltd. holds 75% shares in B Ltd. and A Ltd. and B Ltd. holds 25% & 30% shares in C Ltd.

d) If A Ltd. holds 75% shares in B Ltd. and C Ltd. holds 25% shares in B Ltd.

46. If A Ltd. is proved to be a subsidiary company of B Ltd., C Ltd. & D Ltd., then which company is liable to prepare Consolidated Financial Statement?

a) B Ltd.

b) C Ltd.

c) D Ltd.

d) All companies excluding A Ltd.

47. Goodwill = ?

a) Cost of Investment less Parent's share in the equity of the subsidiary on date of investment less Minority interest

b) Cost of Investment less Parent's share in the equity of the subsidiary on date of investment.

c) Parent's share in the equity of the subsidiary on date of investment less Cost of investment

d) Cost of Investment add Parent's share in the equity of the subsidiary on date of investment add Minority interest

48. H Ltd. acquires 70% of the equity shares of S Ltd. on 1.1.2019. On that date, paid-up capital of S Ltd. Was 10.000 equity shares of ₹ 10 each; accumulated reserve balance was ₹ 1,00,000. H Ltd. paid ₹ 1.60.000 to acquire 70% interest in the S Ltd. Assets of S Ltd. were revalued on 1.1.2019 and a revaluation loss of ₹ 20,000 was ascertained. Which of the following is correct in relation to cost of control of group consolidated financial statement

a) Capital Reserve — ₹ 34,000

b) Goodwill — ₹ 34,000

c) Capital Reserve — ₹ 1,26,000

d) Goodwill — ₹ 1,26,000

49. H Ltd. holds 7,500 shares of S Ltd. Total shares of S Ltd. are 10,000 of ₹ 10 each. General Reserve and Profit & Loss balance of S Ltd. are ₹ 35,000 & ₹ 27,500 respectively out of which 40% relates to post acquisition period. Minority Interest =?

a) ₹ 40,625

b) ₹ 34,375

c) ₹ 50,525

d) * 40,925

50. Following are the balances of S Ltd. on 31.3.2019: General Reserve — ₹ l,75,000Profit & Loss Account — ₹ 3,50,000 H Ltd. acquired 60% shares on 30th June, 2018. Balances of general reserve and profit and loss account on 1.4.2018 of S Ltd. were ₹ 25,000 and ₹ 1.25.000 respectively. Share of H Ltd. in post-acquisition profit will be -

a) ₹ 1,68,750

b) ₹ 1,46,250

c) ₹ 1,12,500

d) ₹ 2,81,250

51. Following are the balances of S Ltd. on 31.3.2019: Equity Share Capital — ₹

52. Following are the balances of S Ltd. on 31.3.2019: Equity Share Capital — ₹

10,00,000General Reserve — ₹ 3,50,000 Profit & Loss Account — ₹ 7,00,000 H Ltd. acquired 80% shares on 31st July,2018. Balances of general reserve and profit and loss account on 1.4.2018 of S Ltd. were ₹ 50,000 and ₹ 2.50.000 respectively. Share of Minority in post-acquisition profit will be -

a) ₹ 1,10,000
b) ₹ 1,00,000
c) ₹ 5,00,000
d) ₹ 2,70,000

20,00,000General Reserve — ₹ 7,00,000 Profit & Loss Account — ₹ 14,00,000 H Ltd. acquired 70% shares on 1.1.2019 Balances of general reserve and profit and loss account on 1.4.2018 of S Ltd. were ₹ 1,00,000 and ₹ 5,00,000 respectively. Minority Interest = ₹

a) ₹ 12,90,000
b) ₹ 5,20,000
c) ₹ 7,00,000
d) ₹ 12,30,000

53. H Ltd. holds 75% Shares in S Ltd. In January, 2019 S Ltd. sold to its parent company H Ltd. goods costing ₹ 15,000 for ₹ 20,000. On 31st March, 2019 half of these goods were lying as unsold in godowns of H Ltd. Which of the following is correct treatment for unrealized profit on stock while preparing consolidated financial statement of H Ltd. & S Ltd.₹

a) Stock reserve of ₹ 5,000 will be reduced from 'Stock' on asset side in balance sheet and ₹ 5,000 will be added to the profit & loss account of H Ltd.
b) ₹ 15,000will be reduced from current asset & current liabilities
c) Stock reserve of ₹ 5,000 will be reduced from 'Stock' on asset side in balance sheet and capital reserve of H Ltd.
d) Stock reserve of ₹ 2,500 will be reduced from 'Stock' on asset side in balance sheet and ₹ 2,500 will be debited to profit & loss account of H Ltd.

54. A parent owns two third of the subsidiary's equity. As at a year end the subsidiary's inventory includes goods sent to it by the parent invoiced at ₹ 3,60,000. Parent has purchased these goods for ₹ 3,00,000. Which of the following are the correct entries for eliminating unrealized profit₹

a) Debit the parent's retained earnings and credit the subsidiary's inventory with ₹ 60,000.
b) Debit the subsidiary's retained earnings and credit the subsidiary's inventory with ₹ 45,000.
c) Debit the subsidiary's retained earnings and credit the subsidiary's inventory with ₹ 60,000.
d) Debit the parents retained earnings and credit subsidiary's inventory with ₹ 45,000.

55. What is the amount of the unrealized profit to be eliminated if the parent's year-end inventory includes at ₹ 5,40,000 goods invoiced to it by its 60% owned subsidiary at cost plus 25%.

a) ₹ 35,000
b) ₹ 1,08,000

56. Subsidiary's inventory at the yearend included ₹ 1,80,000 purchased from its parent. Further goods invoiced by the parent at ₹ 45,000 were in transit. The parent invoices the subsidiary at cost plus 20%. The amount of unrealized profit that needs to be

c) ₹ 64,800
d) ₹ 81,000

eliminated from the parent's retained earnings would be:
a) ₹ 37,500
b) ₹ 36,000
c) ₹ 38,333
d) ₹ 30,000

57. The parent paid ₹ 48,000 to acquire 75% of 3,000 ordinary shares of ₹ 10.00 and reserves of the subsidiary were reported as ₹ 35,000 and fair valuation of its assets identified a gain of ₹ 5,000. What is the goodwill/capital reserve of the subsidiary on this date?
a) Goodwill ₹ 8,000
b) Capital Reserve ₹ 17,000
c) Goodwill ₹ 13,000
d) Capital Reserve ₹ 22,000

58. On 1.7.2012 H Ltd. acquired 7,500 shares of ₹ 100 each in S Ltd. at a cost of ₹ 160 per share. The total number of shares in S Ltd. is 10,000. In August, 2012 S Ltd. paid a dividend of ₹ 10 per share for the year ending 31.3.2012. In September, 2012 H sold 500 shares in S Ltd. @ ₹ 155. At what figure will be the Investment Account now stands in the books of H Ltd.?
a) ₹ 10,47,500
b) ₹ 11,00,000
c) ₹ 10,00,000
d) ₹ 10,50,000

59. ₹ Ltd. acquired 80% equity shares in Y Ltd. on 1st July, 2019 at cost price of ₹ 4,48,000. Total equity share capital of Y Ltd. was ₹ 2,00,000. Share of ₹ Ltd. in pre-acquisition profits of Y Ltd. was ₹ 1,27,000. Goodwill =?
a) ₹ 1,86,400
b) ₹ 2,48,000
c) ₹ 1,58,000
d) ₹ 1,46,400

60. S Ltd. had purchased goods of ₹ 80,000 from its holding company H Ltd. out of which goods invoiced at ₹ 50,000 were in stock on 31st March, 2020. H Ltd. added 25% to cost to arrive at invoice price. Stock reserve to be eliminated from the consolidated balance sheet = ?
a) ₹ 10,000
b) ₹ 12,500
c) ₹ 16,000
d) ₹ 20,000

61. H Ltd. acquired as investment 15,000 shares in S Ltd. for ₹ 1,55,000 on 1.7.2018. Details of S Ltd. On 31.3.2019 are given below: Share Capital (₹ 10 each) — 2,50,000General Reserve — 40,000Profit & Loss Account — 25,000 General reserve of S Ltd. has remained unchanged since 31.3.2018. Profit earned by S Ltd. for the year ended 31.3.2019 amounted to ₹ 20,000. Cost of control =?
a) ₹ 25,000 capital reserve

62. Take the data of above question and calculate Minority Interest?
a) ₹ 1,06,000
b) ₹ 1,16,000
c) ₹ 1,26,000
d) ₹ 1,36,000

b) ₹ 25,000 goodwill
c) ₹ 5,000 goodwill
d) ₹ 5,000 capital reserve

63. Following are the details of S Ltd. on 31.3.2017: Share Capital (₹ 10 each) ₹ 2,00,000 Plant & Machinery ₹ 1,35,000 H Ltd. acquired 80% shares in S Ltd. on 1.10.2016. S Ltd.'s plant and machinery which stood at ₹ 1,50,000 on 1.4.2016 was considered worth ₹ 1,80,000 as on 1.10.2016, this figure is to be considered while consolidating the balance sheets. In consolidation balance sheet Plant & Machinery of S Ltd. will appear at ……….

a) ₹ 5,06,225
b) ₹ 5,25,835
c) ₹ 1,70,625
d) ₹ 5,40,345

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	c	b	d	c	a	c	c	d	c	b	d	d	a	b	d	b	c	c	c
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
d	c	c	b	b	c	a	b	b	b	c	d	c	d	b	b	b	d	c	c
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
d	c	a	c	c	d	b	b	a	a	b	d	d	a	b	a	d	d	a	a
61	62	63																	
a	c	c																	

AS-23 Accounting for Investments in Associates in Consolidated Financial Statements

1. Find the odd man out -
(a) Holding & Subsidiaries
(b) Joint Venture & Co venturers
(c) Holding & Associates
(d) None of the above

2. Find the odd man out -
(a) Control & Subsidiaries
(b) Joint Venture & Joint control
(c) Significant influence & Associates
(d) None of the above

3. Goodwill will arise if -
(a) Net assets are more than Consideration paid
(b) Net assets are less than Consideration paid
(c) Gross assets are less than Consideration paid
(d) Gross assets are more than Consideration paid

4. Capital Reserve will arise if -
(a) Net assets are more than Consideration paid
(b) Net assets are less than Consideration paid
(c) Gross assets are less than Consideration paid
(d) Gross assets are more than Consideration paid

5. Stock Reserve will arise if -
(a) Upstream transaction at profit
(b) Downstream transaction at profit
(c) Both of the above
(d) None of the above

6. Equity method is applicable for consolidation of -
(a) Subsidiaries
(b) Joint Ventures
(c) Associates
(d) All of the above

7. In consolidated financial statements, Equity method will affect -
(a) Investments A/c
(b) P&LA/c
(c) Inventories
(d) All of the above

8. Under Equity method which of the following will not be recognised?
(a) Share of Post Acquisition Profit of Associate
(b) Post Acquisition Profit of Associate
(c) Share of Dividend Received
(d) Share of Stock Reserve

9. Under ______ method, Stock Reserve will be created for entire Profit element on the closing stock?
(a) Equity
(b) Proportionate Consolidation
(c) Line by line addition
(d) All of the above

10. Under Equity method, Share of Post Acquisition Profit of Associate will be -
(a) Added with Investments A/c
(b) Added with P&L A/c
(c) Both of the above
(d) Not be considered

11. For significant influence, investor should have -

12. For being associate is required.
(a) Control

(a) More than 20% shareholding
(b) 20% or less shareholding
(c) 20% or more shareholding
(d) 30% or more shareholding

(b) Significant influence
(c) Joint control
(d) Shareholding

13. For control, investor should have -
(a) More than 50% shareholding
(b) 20% or less shareholding
(c) 50% or more shareholding
(d) 30% or more shareholding

14. Under Equity method, Share of Post Acquisition Profit of Associate will be -
(a) Added with Investments A/c
(b) Added with P&L A/c
(c) Both of the above
(d) Not be considered

15. Under Equity method, Dividend received from Associate will be -
(a) Deducted from Investments A/c
(b) Deducted from P&L A/c
(c) Both of the above
(d) Not be considered

16. Proportionate completion method is applicable for consolidation of -
(a) Subsidiaries
(b) Joint Ventures
(c) Associates
(d) All of the above

17. Line by line addition method is applicable for consolidation of -
(a) Subsidiaries
(b) Joint Ventures
(c) Associates
(d) All of the above

18. Goodwill on acquisition of Associates will be -
(a) Shown in Intangibles
(b) Shown in Investments
(c) Shown in Reserves & Surplus
(d) Any of the above

19. Capital Reserve on acquisition of Associates will be -
(a) Shown in Intangibles
(b) Shown in Investments
(c) Shown in Reserves & Surplus
(d) Any of the above

20. Share of Profit element on upstream transaction with Associates will be -
(a) Deducted from Investments A/c & Stock A/c of Investor
(b) Deducted from Investments A/c & P&L A/c of Investor
(c) Deducted from Stock A/c & P&L A/c of Investor
(d) Not be considered

21. Share of Profit element on Downstream transaction with Associates will be -
(a) Deducted from Investments A/c & Stock A/c of Investor
(b) Deducted from Investments A/c & P&L A/c of Investor
(c) Deducted from Stock A/c & P&L A/c of Investor
(d) Not be considered

22. Downstream transaction with Associates means -
(a) Investor sold goods to Associate
(b) Associate sold goods to Investor
(c) Both of the above
(d) None of the above

23. Which of the following is true?
(a) Loss should not be recognised if the Investments become Nil
(b) Loss should be recognised even if the Investments become Nil
(c) Profit should not be recognised if the Investments become Nil
(d) None of the above

24. Upstream transaction with Associates means -
(a) Investor sold goods to Associate
(b) Associate sold goods to Investor
(c) Both of the above
(d) None of the above

25. Which of the following is false?
(a) At the time of acquisition of Associates, PPE of associates may be revalued.
(b) If PPE of associates is revalued at the time of
acquisition, additional depreciation will be deducted by Associate in its standalone financial statements.
(c) If PPE of associates is revalued at the time of
acquisition, additional depreciation will be deducted by Investor in its Consolidated Financial statements.
(d) If PPE of associates is revalued at the time of acquisition, Gain or loss may arise.

Jaya Ltd purchased 30% stake in Vaikunta Ltd on 1st January, at a Cost of ₹ 14 Lakhs, when the latter's Equity was ₹ 100 Lakhs. Vaikunta Ltd reported a loss of ₹ 50 Lakhs for the Year
1. Vaikunta earns a profit of ₹ 5 Lakhs in Year 2.

26. Goodwill / Capital Reserve to be recognised in Jaya's Consolidated B/Sheet
(a) Goodwill 14
(b) Capital Reserve 14
(c) Goodwill 16
(d) Capital Reserve 16

27. Carrying Amount of Investment in Consolidated B/Sheet at Year 1 end =
(a) 14
(b) 15
(c) Nil
(d) (1)

28. Unrecognized loss of Associates at Year 1 end =
(a) 1
(b) 0.5
(c) Nil
(d) 2

29. Carrying Amount of Investment in Consolidated B/Sheet at Year 2 end =
(a) 0.5
(b) 15
(c) Nil
(d) (1)

S Ltd holds 35% of total Equity Shares of M Ltd, an Associate Company. The value of Investments in M Ltd on 31st March is ₹ 3 Crores in the Consolidated Financial Statements of S Ltd. S Ltd sold Goods worth ₹ 3,50,000 to M Ltd. The cost of goods sold is ₹ 3,00,000. Out of these, goods costing ₹ 1,00,000 to M Ltd were in the Closing Stock of M Ltd. During the year, the Profit and Loss Statement of M Ltd showed a Loss of ₹ 1 Crore. What is the value of Investment in M Ltd as on 31st March in the Consolidated Financial Statements of S Ltd, if Equity Method is adopted for valuing the Investments in Associates.

30. Carrying Value as per Equity Method =
(a) 2,64,94,167
(b) 3,00,00,000
(c) 16,667
(d) 5,833

31. Total Profit element in Inventories
(a) 2,64,94,167
(b) 3,00,00,000
(c) 16,667
(d) 5,833

32. Stock Reserve to be created for =
(a) 2,64,94,167
(b) 3,00,00,000
(c) 16,667
(d) 5,833

S Ltd holds 35% of total Equity Shares of M Ltd, an Associate Company. The value of Investments in M Ltd on 31st March is ₹ 3 Crores in the Consolidated Financial Statements of S Ltd. S Ltd sold Goods worth ₹ 3,50,000 to M Ltd. The cost of goods sold is ₹ 3,00,000. Out of these, goods costing ₹ 1,00,000 to M Ltd were in the Closing Stock of M Ltd. M Ltd had earned a Profit of ₹ 1.50 Crores and declared a Dividend of ₹ 75 Lakhs to the Equity Shareholders of the Company.

33. Carrying Value as per Equity Method =
(a) 2,64,94,167
(b) 3,00,00,000
(c) 3,26,19,167
(d) 5,833

34. Share of Profit added with Investments =
(a) 1.50 Crores
(b) 52,50,000
(c) 26,25,000
(d) 5,833

35. Dividend to be deducted from Investments =
(a) 1.50 Crores
(b) 52,50,000
(c) 26,25,000
(d) 5,833

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
c	d	b	a	c	c	d	b	c	c	c	b	a	c	a	b	a

18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
b	b	a	b	a	a	b	b	d	c	a	a	a	c	d	c	b	c

AS-27 Financial Reporting of Interests in Joint Ventures

1. AS - 27 does not deal with accounting for Interest in Jointly Controlled Enterprise held by -
(a) Venture Capital Organization
(b) Mutual Funds, Units Trusts, and similar Entities
(c) Investment-Linked Insurance Funds
(d) All of the above

2. Ventures may take many different forms and structures. Three broad types, which are commonly described as and meet the definition of Joint Ventures are -
(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

3. When an Enterprise, by a contractual arrangement, establishes joint control over an Entity, which is a Subsidiary of that Enterprise as per AS - 21, such other Entity is consolidated -
(a) treated as a Subsidiary under AS - 21
(b) treated as a Joint Venture under AS - 27
(c) Any of the above
(d) Both of the above

4. AS 27 deals with -
(a) An arrangement where two or more Venturers combine their Operations, Resources & Expertise in order to manufacture, market & distribute, jointly, a particular product.
(b) When there is (a) Joint Control, and (b) Joint Ownership by the Venturers, of one or more assets which are, contributed to, or acquired for and dedicated for the purposes of the Joint Venture.
(c) A separate Entity, whose economic activity is jointly controlled by two or more Joint Venturers as a result of a contractual arrangement.
(d) All of the above

5. Jointly Controlled Operations -
(a) An arrangement where two or more Venturers combine their Operations, Resources & Expertise in order to manufacture, market & distribute, jointly, a particular product.
(b) When there is (a) Joint Control, and (b) Joint Ownership by the Venturers, of one or more assets which are, contributed to, or acquired for and dedicated for the purposes of the Joint Venture.

6. Jointly Controlled Assets -
(a) An arrangement where two or more Venturers combine their Operations, Resources & Expertise in order to manufacture, market & distribute, jointly, a particular product.
(b) When there is (a) Joint Control, and (b) Joint Ownership by the Venturers, of one or more assets which are, contributed to, or acquired for and dedicated for the purposes of the Joint Venture.

(c) A separate Entity, whose economic activity is jointly controlled by two or more Joint Venturers as a result of a contractual arrangement.
(d) All of the above

(c) A separate Entity, whose economic activity is jointly controlled by two or more Joint Venturers as a result of a contractual arrangement.
(d) All of the above

7. Jointly Controlled Entity -
(a) An arrangement where two or more Venturers combine their Operations, Resources & Expertise in order to manufacture, market & distribute, jointly, a particular product.
(b) When there is (a) Joint Control, and (b) Joint Ownership by the Venturers, of one or more assets which are, contributed to, or acquired for and dedicated for the purposes of the Joint Venture.
(c) A separate Entity, whose economic activity is jointly controlled by two or more Joint Venturers as a result of a contractual arrangement.
(d) All of the above

8. Different parts of the manufacturing process of a product (say Aircraft) are carried out by each of the Venturers, each Venturer bearing its own costs and sharing the revenue from the sale of the aircraft, such share being determined in accordance with the contractual arrangement. It is an example for -
(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

9. Generally, separate legal Entity exists for -
(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

10. Oil Pipelines jointly controlled and operated by a number of Oil Production Companies. Each Venturer uses the pipeline to transport its own products and bears an agreed proportion of the operating expenses. It is an example for -
(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

11. Two Enterprises jointly control a property, each taking a share of the Rents received and bearing a share of the expenses. It is an example for -
(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

12. When two Enterprises combine their activities in a particular line of business by transferring the relevant assets and liabilities into a jointly controlled separate Entity. It is an example for -
(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

13. When an Enterprise establishes a separate Entity in a foreign country in conjunction with the Government or other Agency in that country, the Entity jointly controlled by the Enterprise and the Foreign Government / other Agency. It is an example for -

(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

14. Books of Account will not be maintained separately for-

(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

15. Financial Statements will not be maintained separately for -

(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above

16. State which of the following statements are incorrect

(i) The requirements relating to accounting for joint ventures in consolidated financial statements according to proportionate consolidation method, as contained in AS 27, applies only when consolidated financial statements are prepared by venturer.

(ii) The requirements relating to accounting for joint ventures in consolidated financial statements according to proportionate consolidation method, as contained in AS 27, applies irrespective whether consolidated financial statements are prepared by venturer or not.

(iii) An investor in joint venture, which does not have joint control, should report its interest in a joint venture in its consolidated financial statements in accordance with AS 13, AS 21 and AS 23 as the case may be.

(a) Point (i) is incorrect.
(b) Point (ii) is incorrect.
(c) Point (iii) is incorrect.
(d) None of the above

17. Identify which of the following is not a feature of a Jointly controlled operations (JCO):

(a) Each venturer has his own separate business.

18. Identify which of the following is/are not a feature of a Jointly controlled assets (JCA):

(i) There is a separate legal identity.

(ii) There is a common control over the joint assets.

(b) There is a separate entity for joint venture business.
(c) Each venturer record only his own transactions without any separately set of books maintained for the joint venture business.
(d) There is a common agreement between all of them.

(iii) Expenses on jointly held assets are shared by the venturers as per the contract.
(iv) In their financial statement, venturer shows only their, share of the asset and total income earned by them along with total expenses incurred by them.
(a) Point (i) only.
(b) Point (i) and (iii).
(c) Point (iii) and (iv).
(d) Point (i) and (ii)

19. Identify which is/ are features of a Jointly controlled entity (JCE):
(i) Venturer creates a new entity for their joint venture business.
(ii) All the venturers pool their resources under new banner and this entity purchases its own assets, create its own liabilities, expenses are incurred by the entity itself and sales are also made by this entity.
(iii) The revenues and expenses of the entity is shared by the venturers in the ratio agreed upon in the contractual agreement.
(a) Point (i) only.
(b) Point (i) and (ii).
(c) Point (iii).
(d) Point (iii)

20. Identify the correct statements. From the date of discontinuing the use of the proportionate consolidation method
(i) If interest in entity is more than 50%, investments in such joint ventures should be accounted for in accordance with AS 21, Consolidated Financial Statements.
(ii) If interest is 20% or more but upto 50%, investments are to be accounted for in accordance with AS 23, Accounting for Investment in Associates in Consolidated Financial Statements.
(iii) For all other cases investment in joint venture is treated as per AS 13, Accounting for Investments.
(iv) For this purpose, the fair value of the investment at the date on which joint venture relationship ceases to exist should be regarded as cost thereafter.
(a) Point 1 and 2.
(b) Point 1, 2 and 3.
(c) Point 1, 2, 3 and 4.
(d) None of the above.

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	d	a	d	a	b	b	a	c	b	b	c	c	c	c	b	b	a	c	b

11 Financial Statements Of Companies

1. The financial statements of company shall be in the form provided in: ………
(a) Schedule IV
(b) Schedule III
(c) Schedule V
(d) Schedule VI

2. Part I of the Schedule HI to the Companies Act, 2013 gives the ……….
(a) Format of Profit & Loss Account
(b) General instructions for preparation of Profit & Loss Account
(c) Format of Balance Sheet
(d) Format of Comparative Statements

3. Part II of the Schedule HI to the Companies Act, 2013 gives the ……
(a) Format of Profit & Loss Account
(b) General instructions for preparation of Profit & Loss Account
(c) Format of Balance Sheet
(d) Format of Comparative Statements

4. As per Section 129(2) of the Companies Act, 2013, at every of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year.
(a) Board Meeting
(b) Annual General Meeting
(c) Extraordinary General Meeting
(d) Ordinary General Meeting

5. Notes to accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required:
1. Narrative descriptions or disaggregation's of items recognized in those statements
2. Information about items that do not qualify for recognition in those statements.
Select the correct answer from the options given below -
(a) 1 only
(b) 2 only
(c) 1 but not 2
(d) Both 1 and 2

6. If the turnover of the company is less than ₹ 100 Crore, the figures appearing in the Financial Statements shall be rounded off to nearest -
(a) To the nearest hundreds
(b) To the nearest hundreds and thousands
(c) To the nearest hundreds, thousands, lakhs or millions thereof.
(d) To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.

7. If the turnover of the company more than 100 Crore, the figures appearing in the Financial Statements may be rounded off to nearest - ……….

8. Under which heading the Deferred Tax Liabilities appears in the balance sheet
(a) Current Liabilities
(b) Non-Current Liabilities

(a) To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(b) To the nearest lakhs, millions or crores, or decimals thereof
(c) To the nearest millions or crores or decimals thereof
(d) To the nearest crores or decimals thereof

(c) Deferred Liabilities
(d) Contingent Liabilities

9. An asset shall be classified as current:
(a) If it is held primarily for the purpose of being traded.
(b) If it is not possible to classify such asset as non-current asset.
(c) If for the asset normal operating cycle cannot be identified.
(d) All of the above

10. As per Schedule III of the Companies Act, 2013, where the normal operating cycle cannot be identified, it is assumed to have duration of - ………
(a) 3 months
(b) 6 months
(c) 9 months
(d) 12 months

11. A liability shall be classified as current when it satisfies any of the following criteria:
(a) It is expected to be settled in the Company's normal operating cycle.
(b) It is due to be settled within twelve months after the reporting date
(c) The company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
(d) Any of the above

12. Which of the following is required to be disclosed in notes to accounts in respect of 'Share Capital
(a) A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period
(b) Aggregate number and class of shares bought back
(c) Shares in the company held by each shareholder holding more than 5%.
(d) All of the above

13. Which of the following appears under the heading 'Reserves & Surplus' in the balance sheet
(a) Share Options Outstanding Account
(b) Share Application Money Pending Allotment
(c) Long Term Provisions
(d) Share Application Money due for refund

14. As per Schedule HI of the Companies Act, 2013, a Company shall disclose by way of notes additional information regarding aggregate expenditure and income in relation to any item of income or expenditure which exceeds:
(a) 0.5% of the revenue from operations
(b) ₹ 10,000
(c) 1% of the revenue from operations ₹ 1.00. 000, whichever is higher
(d) 0.5% of the revenue from operations ₹ 10.000, whichever is less.

15. Which of the following will be shown in the balance sheet under the heading "Cash and Cash Equivalents"

(a) Balances with banks

(b) Bank deposits with less than 3 months maturity

(c) Cheques, drafts on hand

(d) All of the above

16. Declared dividend must be paid within of declaration.

(a) 5 days

(b) 10 days

(c) 30 days

(d) 60 days

17. Retained earnings are - …………

(a) An indication of a company's liquidity.

(b) The same as cash in the bank.

(c) Not important when determining dividends.

(d) The cumulative earnings of the company after dividend

18. Which of the following statement is correct

(a) A company may, if so authorized by its articles, pay dividends in proportion to the amount paid-up on each Share

(b) Dividend cannot be paid on calls-in-advance.

(c) All the provisions of the Companies Act, 2013 that are applicable to final dividend are also applicable to interim dividend.

(d) All of the above

19. As per provisions of the Companies Act, 2013, dividend can be paid - …….

1. Out of current profit

2. Out of revaluation reserve

3. Out of profits of previous financial years

4. Out of money provided by the Central or State Government

5. Out of free reserve

Select the correct answer from the options given below.

(a) 1 and 5 only

(b) 1,2,3 & 5

(c) 1, 3 and 5 only

(d) 1,3,4 and 5

20. As per Section 128 of the Companies Act, 2013, a company may, before the declaration of any dividend in any financial year, transfer ……….. to the reserves of the company.

(a) 25% of its profit after tax

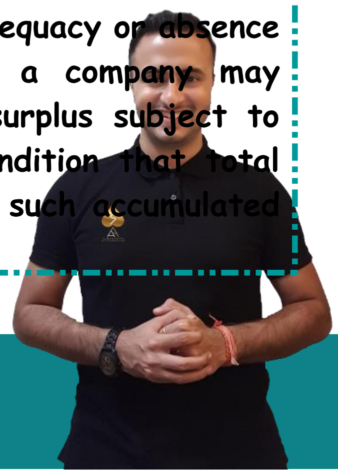
(b) 10% of its profit before tax

(c) such percentage of its profits for that financial year as board of directors may consider appropriate

(d) such percentage of its profits for that financial year as equity shareholder may consider appropriate

21. As per Rule 7 of the Companies (Declaration &. Payment of Dividend) Rules, 2014, in the event of inadequacy or absence of profits in any year, a company may declare dividend out of surplus subject to the fulfilment of the condition that rate, of dividend declared shall not exceed the average of the rates at which dividend was

22. As per Rule 7 of the Companies (Declaration & Payment of Dividend) Rules, 2014, in the event of inadequacy or absence of profits in any year, a company may declare dividend out of surplus subject to the fulfillment of the condition that total amount to be drawn from such accumulated



declared by it in the immediately preceding that year.

(a) 5 years
(b) 10 years
(c) 3 years
(d) 4 years

profits shall not exceed …….. as appearing in the latest audited financial statement.

(a) 1/10th of the total assets
(b) 1/ 5th of the sum of its paid-up share capital
(c) 1/10th of the sum of its paid-up share capital and free reserves
(d) 1/5th of the sum of its paid-up share capital and free reserves

23. As per Rule 7 of the Companies (Declaration & Payment of Dividend) Rules, 2014, in the event of inadequacy or absence of profits in any year, a company may declare dividend out of surplus subject to the fulfilment of the condition the balance of reserves after such withdrawal shall not fall below as appearing in the latest audited financial statement.

(a) 10% of its paid-up share capital
(b) 15% of its paid-up share capital
(c) 15% of its paid-up share capital and free reserve
(d) 10% of its paid-up share capital and free reserve

24. In the Balance Sheet Unpaid Dividend will be shown as a liability under the heading -

(a) Current Liabilities
(b) Non-Current Liabilities
(c) Tax Liabilities
(d) Deferred Liabilities

25. In the Balance Sheet Bank Overdraft will be shown as a liability under the heading -

(a) Other Current Liabilities
(b) Short Term Borrowings
(c) Current Liabilities
(d) Cash & Cash Equivalent Liabilities

26. In the Balance Sheet Current Maturities of Long term debt will be shown as a liability under the heading -

(a) Other Current Liabilities
(b) Short Term Borrowings
(c) Current Liabilities
(d) Cash & Cash Equivalent Liabilities

27. In the Balance Sheet Debentures will be shown as a liability under the heading

(a) Other Current Liabilities
(b) Long Term Borrowings
(c) Non-Current Liabilities
(d) Loans & Advances

28. In the Balance Sheet Debentures redeemable within 3 months from the Reporting date will be shown as a liability under the heading -

(a) Other Current Liabilities
(b) Long Term Borrowings
(c) Non-Current Liabilities
(d) Short Term Borrowings

29. In the Balance Sheet Calls in Arrears will be shown in -
(a) Liabilities Side
(b) Assets Side
(c) Assets or Liabilities Side
(d) None of the above

30. In the Balance Sheet Arrears of Preference Dividend will be shown in -
(a) Liabilities Side
(b) Assets Side
(c) Assets or Liabilities Side
(d) None of the above

31. Which of the following is Off Balance Sheet Disclosures?
(a) Contingent Liabilities
(b) Commitments
(c) Proposed Dividend
(d) All of the above

32. Which of the following is not an Off-Balance Sheet Disclosures?
(a) Financial Guarantees
(b) Uncalled Money on Partly paid-up shares
(c) Arrears of Preference Dividend
(d) Declared Dividend

33. Which of the following is Commitments?
(a) Financial Guarantees
(b) Uncalled Money on Partly paid-up shares
(c) Bills receivable Discounted
(d) Declared Dividend

34. Which of the following is Commitments?
(a) Financial Guarantees
(b) Uncalled Money on Partly paid up shares
(c) Bills receivable Discounted
(d) Declared Dividend

Due to inadequacy of Profits during the year ended 31st March 2022, XYZ Ltd proposes to declare 10% Dividend out of General Reserves. From the following particulars, ascertain the amount that can be utilised from General Reserves, according to the Companies (Declaration of Dividend out of Reserves) Rules.

Particulars	₹
35,000,9% Preference Shares	35,00,000
16,00,000 Equity Shares	1,60,00,000
General Reserves	50,00,000
Capital Reserves	6,00,000
Revaluation Reserves	7,00,000
Net Profit for the year	6,00,000

Average Rate of Dividend during the last five years has been 12%

35. Maximum Rate of Dividend =
(a) 12%
(b) 10%
(c) 11%
(d) Any of the above

36. Maximum amount of withdrawal =
(a) 24,50,000
(b) 13,50,000
(c) 16,00,000
(d) 22,00,000

37. Actual Amount to be withdrawn =
(a) 24,50,000
(b) 13,50,000

38. Balance Number of Reserves after withdrawal =
(a) 36,85,000

(c) 16,00,000
(d) 22,00,000

(b) 13,50,000
(c) 24,50,000
(d) 22,00,000

39. Futura Ltd had the following items under the head "Reserves and Surplus" in the Balance Sheet as on 31st March: (₹ in Lakhs) Securities Premium Account - 80, Capital Reserve - 60, General Reserve - 90. The Company had an Accumulated Loss of ₹ 250 Lakhs on the same date. Reserves &. Surplus to be disclosed in B/s
(a) 250 Lakhs
(b) 230 Lakhs
(c) 20 Lakhs
(d) (20 Lakhs)

40. In Profit and Loss Account, Changes in inventories can be -
(a) Always Positive
(b) Always Negative
(c) Either of the above
(d) None of the above

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	c	a	b	d	d	b	b	a	d	d	d	a	c	d	c	d	d	d	c
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
c	c	b	a	b	b	b	d	a	d	d	d	d	d	a	a	b	a	d	c

12 Buy-Back of Securities

1. Provisions relating to buy back of securities are contained in ………… of the Companies Act, 2013.

(a) Section 77
(b) Section 77A
(c) Section 68
(d) Section 63

2. Company may purchase its own shares or other specified securities out of -

A. Free reserves
B. Securities premium account
C. Proceeds of issue of any shares
D. Proceeds of issue of specified securities.

Select the correct answer from the options given below.

(a) A and C only
(b) A, B and C only
(c) A, C and D only
(d) A or B or C or D

3. Section 68 of the Companies Act, 2013 provides that no buy-back of any kind of shares or other specified securities shall be made out of the - ……….

(a) Securities premium balance as it stood before buy back.
(b) Proceeds of an earlier issue of the same kind of shares or same kind of other specified securities.
(c) General reserve in excess of 15% balance as per latest audited balance sheet.
(d) Proceeds of issue of specified securities.

4. Provisions of the Section 68 relating to buy back of shares are applicable to -

(a) Private companies
(b) Public companies
(c) Listed companies
(d) All of the above

5. No company shall purchase its own shares or other specified securities, unless buy-back is authorized by its - ………….

(a) Memorandum of Association
(b) Registrar of Companies
(c) Shareholders agreement
(d) Article of Association

6. Maximum permissible buy back under the Companies Act, 2013 is - …………..

(a) 10% of paid-up capital with board resolution.
(b) 25% of paid-up capital with board resolution.
(c) 25% of the aggregate of paid-up capital and free reserves of the company with special resolution of shareholder₹

(d) 25% of the aggregate of paid-up capital and free reserves of the company with ordinary resolution of shareholder₹

7. Which of the following is correct journal entry for the 'Amount due on buy back of shares

(a)	Equity shareholders a/c Dr.
	To Equity Share Capital a/c
(b)	Equity Share Holders a/c Dr.
	To Equity Share Capital a/c
	To Reserves/Security Premium a/c
(c)	Equity shares capital a/c Dr.
	Reserves/security premium a/c Dr.
	To equity share holder a/c
(d)	Equity shares holder a/c Dr.
	To bank a/c

8. For buy-back up to ………….. of the company Board resolution is sufficient.

(a) 10% of paid-up capital
(b) 10% of free reserves
(c) 10% of paid-up capital or free reserves
(d) 10% of paid-up capital and free reserves

9. Buy-back of equity shares in any financial year should not exceed -

(a) 10% of net worth
(b) 25% of the aggregate of paid-up capital and free reserves of the company
(c) 25% of the paid-up equity capital
(d) 25% of the aggregate of paid-up equity capital and preference capital

10. As per Section 68 of the Companies Act, 2013, post buy back debt equity ratio should not exceed -

(a) 1
(b) 1.5
(c) 2
(d) 3

11. For the purpose of calculating debt equity ratio which of the following debts are considered - ………….

(a) Secured debts
(b) Unsecured debts
(c) Current liabilities
(d) All of the above

12. Companies are allowed to buy back shares which are

(a) Partly paid-up
(b) Fully paid-up
(c) Partly paid-up or fully paid-up at the option of company
(d) Fully paid-up and partly paid-up with the permission of Central Government

13. The buy-back of the shares or other specified securities listed on any recognized stock exchange is in accordance with the -

(a) SEBI (Buy Back of Securities) Regulations, 2018
(b) SEBI (Buy Back of Securities) Regulations, 2014

14. No offer of buy-back shall be made within a period of reckoned from the date of the closure of the preceding offer of buy-back

(a) 6 months
(b) 1 year
(c) 2 years

(c) SEBI (Buy Back of Securities) Regulations, 1992
(d) SEBI (Buy Back of Securities) Regulations, 1994

(d) 10 months

15. The notice of the meeting at which the special resolution is proposed to be passed relating to buy back of shares shall be accompanied by an explanatory statement stating -
(a) Full and complete disclosure of all material facts
(b) Analysis of debt equity
(c) Gross profit ratio before buy back
(d) Chairman's view on buy back

16. Which of the following method of buy back is allowed under the Companies Act, 2013
(i) Buy back from the existing share-holders or security holders on a proportionate basis.
(ii) Buy back from the promoters of the company only on selective basis.
(iii) Buy back from the open market.
Select the correct answer from the options given below.
(a) (i) only
(b) (i) and (ii) only
(c) (i) and (iii) only
(d) (i) (ii) and(iii)

17. Which of the following is correct journal entry for CRR?

(a)	Capital redemption reserve a/c	Dr.
	To general reserve a/c	
	To profit and loss a/c	
(b)	General reserve a/c	Dr.
	Profit and loss a/c	Dr.
	To Equity shareholders a/c	
(c)	General reserve a/c	Dr.
	Profit and loss a/c	Dr.
	To capital redemption reserve	
(d)	Equity shareholder a/c	Dr.
	To general reserve a/c	
	To profit and loss a/c	

18. Where a company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to the …………
(a) Capital Reserve Account
(b) General Reserve Account
(c) Capital Redemption Reserve Account
(d) Equity Shares Redemption Account

19. Which of the following reserve can be used for buy back of equity shares?
(a) Statutory Reserve
(b) Dividend Equalization Reserve
(c) Capital Redemption Reserve
(d) All of the above

20. Which of the following reserve can be used for buy back of equity shares?
(a) Debenture Redemption Reserve
(b) Statutory Reserve
(c) Capital Redemption Reserve
(d) None of the above

21. Which of the following entry will be passed for payment of amount due on buy back if equity shares

(a) Credit to Equity Shareholders A/c and debit to Bank A/c

(b) Credit to Equity Share Capital A/c and debit to Bank A/c

(c) Debit to Equity Shareholders A/c and credit to Bank A/c

(d) Debit to CRR A/c and credit to Bank A/c

22. Paid-up equity shares capital of ABC Ltd. is ₹ 50.00. 000 having face value of₹ 10 each fully paid- up. Other details: General Reserve = ₹ 15,00,000 Capital Redemption Reserve = ₹ 4,00,000 Profit & Loss Account = ₹ 1.00. 000 Statutory reserve = ₹ 6,40,000 Securities Premium = ₹ 1,00,000

The board of directors passed resolution in board meeting to buy back maximum number of shares as allowed by law. Maximum No. of shares that can be brought back = ?

(a) 55,000 shares

(b) 67,000 shares

(c) 1,25,000 shares

(d) 78,000 shares

23. N Ltd. had 90,000 equity shares of ₹ 100 each, fully paid up. The company decided to buy back 10% shares at par by the issue of sufficient number of preference shares. Company do not have any reserves. How much preference shares are required to be issued if new preference shares are to be issued at ₹ 10 each?

(a) 9,00,000 shares

(b) 90,000 shares

(c) 1,00,000 shares

(d) 1,20,000 shares

24. S Ltd. decided to buy back 2,000 equity shares of ₹ 100 each at a premium of 10%. For the purpose of redemption, the company issued 15,000 10% Preference shares of ₹ 10 each at a premium of 20% per share. The company has sufficient balance in profit & loss account. At the time of buy back shares, the amount to be transferred by the company to the Capital Redemption Reserve Account =?

(a) ₹ 20,000

(b) ₹ 50,000

(c) ₹ 1,50,000

(d) ₹ 2,00,000

25. During the year 2018-2019, T Ltd. buy back 20,000 equity shares of ₹ 100 each at a premium of 5%. During the year 2018-2019, as the company did not have sufficient cash resources to buy back equity shares, it issued 1,00,000, 12% Preference shares of ₹ 10 each at a premium of 15%. The company has sufficient balance in general reserve. At the time of buy back equity shares, the

26. Equity shares amounting to ₹ 2,00,000 are brought back at a premium of 5%, by issue of preference shares amounting to ₹ 1,00,000 at a premium of 10%. The amount to be transferred to capital redemption reserve = ?

(a) ₹ 1,00,000

(b) ₹ 90,000

(c) ₹ 1,50,000

(d) ₹ 50,000

amount to be transferred to capital redemption reserve = ?
(a) ₹ 10,00,000
(b) ₹ 9,50,000
(c) ₹ 12,00,000
(d) ₹ 15,00,000

27. ABC Ltd. has paid-up equity capital of 10,00,000 equity shares of ₹ 10 each fully paid-up. Position of reserves is as follows:
General Reserve = ₹ 30,00,000 Profit & Loss Account = ₹ 2,00,000 Securities Premium = ₹ 2,00,000 Company decided to buy back 2,00,000 equity shares of ₹ 10 each at 25% premium. For this purpose, the company sold the entire investments at ₹ 12,00,000 (book value ₹ 10,00,000) and made a fresh issue of 10% preference shares of ₹ 100 each to the extent minimum after utilizing the securities premium account and half of general reserve. How much preference shares must be issued by the company so that provisions of the Companies Act, 2013 get complied
(a) 20,000 preference shares
(b) 40,000 preference shares
(c) 1,000 preference shares
(d) 4,000 preference shares

28. Following are the extract of balance sheet of Light Co. Ltd.
Equity Shares of ₹ 10 each — 10,00,000
Securities Premium — 2,40,000
Reserves — 7,50,000
Profit & Loss Account — 2,80,000
Bank — 9,10,000
Non-Trading Investments — 4,20,000
Company brought back 15,000 shares at ₹ 40 each. The transaction in respect of buyback was financed by sale of 2/3rd of non-trade investment for ₹ 5,90,000.
Amount to be transferred to capital redemption reserve = ?
(a) ₹ 6,00,000
(b) ₹ 1,00,000
(c) ₹ 4,50,000
(d) ₹ 1,50,000

29. Following are the extract of balance sheet of Tube Ltd.
Equity Shares of ₹ 10 each — ₹ 20,00,000
Securities Premium — 4,80,000
Reserves — 15,00,000
Profit & Loss Account — 5,60,000
Bank — 18,20,000
Non-Trading Investments — 8,40,000
Company brought back 30,000 shares at ₹ 40 each. The transaction in respect of buyback was financed by sale of 2/3rd of non-trade investment for ₹ 11,80,000
Bank balance after buyback will be -
(a) ₹ 12,00,000

30. Following information is available from the audited balance sheet of TH Ltd.:
Equity Shares Capital (3,000 lakh Shares of ₹ 10 each) — 30,000
Securities Premium Account — 3,000
General Reserve — 10,000
Secured Loans — 40,000
Unsecured Loans — 22,000
Compute the maximum limit up to which buy back is
permitted in the financial year 2018-2019.
(a) 800 lakh shares
(b) 600 lakh shares
(c) 500 lakh shares

(b) ₹ 16,00,000
(c) ₹ 14,50,000
(d) ₹ 18,00,000

(d) 400 lakh shares

31. X Ltd. proposes to buy back ₹ 6,00,000 equity capital at 50% premium by issuing 2,0 14% preference shares of ₹ 100 each at 20% premium. It has balance in Securities Premium, General Reserve and P & L A/c of ₹ 3,50,000; ₹ 9,30,000 & ₹ 48,000 respectively. For this purpose, it sold all of its investments of ₹ 1,48,000 for ₹ 1,50,000. The company wants to keep balance of 6,00,000 in general reserve. What are the balances of
(i) Securities Premium A/c and
(ii) Capital Redemption Reserve A/ c after giving effect to above transactions
(a) ₹ 90,000 ₹ 4,00,000
(b) ₹ 4,00,000 ₹ 90,000
(c) ₹ 70,000 ₹ 4,00,000
(d) ₹ 4,00,000 ₹ 70,000

32. Board of directors of G Ltd. decided to buy back ₹ 4,50,000 equity share capital at a premium of 10%. Balance of General Reserve 8i Securities Premium are ₹ l,00,0008i ₹ 5,000. It was decided to issue 12% redeemable preference shares of ₹ 10 each for the purpose of buy back of equity shares as minimum as possible. How much preference share are to be issued by the company to give effect to above transactions
(a) 39,000 preference shares
(b) 40,000 preference shares
(c) 26,000 preference shares
(d) 53,000 preference shares

33. The balance appearing in the books of a company at the end of year were:
CRR A/c = ₹ 50,000
Securities Premium = ^ 5,000
Revaluation reserve = ₹ 20,000
Profit 8i Loss A/c (Dr.) = R 10,000
Maximum amount available for bonus shares will be ……….
(a) ₹ 50,000
(b) ₹ 55,000
(c) ₹ 45,000
(d) ₹ 57,000

34. A Ltd. has equity share capital of ₹ 4,95,000 (₹ 10 each fully paid-up). Details of its reserves & loan funds are given below:
General Reserve — 3,60,000
Securities Premium Account — 1,35,000
Profit & Loss Account — 1,35,000
Export Profit Reserve — 2,70,000
Loan Funds —18,00,000
Market price is ₹ 25 per share. The company wants to buy back maximum number of shares that are allowed under the companies Act, 2013 at price 20% higher than its market price. Export Profit Reserve is created to satisfy provisions of the Income Tax Act, 1961 requirements.
No. of shares to be brought back = ?
(a) 12,375 Equity shares
(b) 5,625 Equity shares
(c) 28,125 Equity shares
(d) 8,750 Equity shares

35. BABA Ltd. has equity share capital of ₹ 6,60,000 10 each fully paid-up). Details of its reserves 8i loan funds are given below:

General Reserve — 4,80,000

Securities Premium Account — 2,00,000

Profit & Loss Account — 1,60,000

Loan Funds — 30,00,000

Market price is ₹ 25 per share. The company wants to buy back maximum number of shares that are allowed under the Companies Act, 2013 at price 20% higher than its market price.

No. of shares to be brought back= ?

(a) 1,650 Equity shares

(b) 37,500 Equity shares

(c) Nil

(d) 625 Equity shares

36. ZPA Ltd. has equity share capital of - ₹ 13,20,000 (₹ 10 each fully paid-up). Details of its reserves & loan funds are given below:

General Reserve — 9,60,000

Securities Premium Account — 4,00,000

Profit & Loss Account — 3,20,000

Loan Funds —12,00,000

The company wants to buy back maximum number of shares that are allowed under the Companies Act, 2013 at price of ₹ 25.

No. of shares to be brought back=

(a) 68,571 equity shares

(b) 75,000 equity shares

(c) 33,000 equity shares

(d) 47,000 equity shares

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
b	a	c	a	c	a	b	b	a	b	a	a	c	c	a	b	d

18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
c	a	c	d	b	b	c	b	a	a	d	c	b	b	a	b	b	c	c

13 Amalgamation Of Companies

1. When two or more companies carrying on similar business decide to combine, a new company is formed, it is known as ………….

(A) Amalgamation
(B) Absorption
(C) Internal reconstruction
(D) External reconstruction

2. When one of the existing companies take over business of another company or companies, it is known as ………….

(A) Amalgamation
(B) Absorption
(C) Internal reconstruction
(D) External reconstruction

3. While calculating purchase price, the following values of assets are considered -

(A) Book value
(B) Revised Value
(C) Average values
(D) Market values

4. Shares received from the new company are recorded at-

(A) Face value
(B) Average price
(C) Market value
(D) None of the above

5. Which of the following statement is correct?

(A) The amount of Goodwill or Capital Reserve is recorded in the books of purchasing company only
(B) The amount of Goodwill or Capital Reserve is recorded in the books of vendor company only.
(C) Goodwill = Net Assets - Purchase price
(D) The face value of shares of purchasing company will be taken in to account while calculating purchase consideration.

6. The Amalgamation Adjustment Account appears in the books, it is shown under the heading of ………. in the balance sheet.

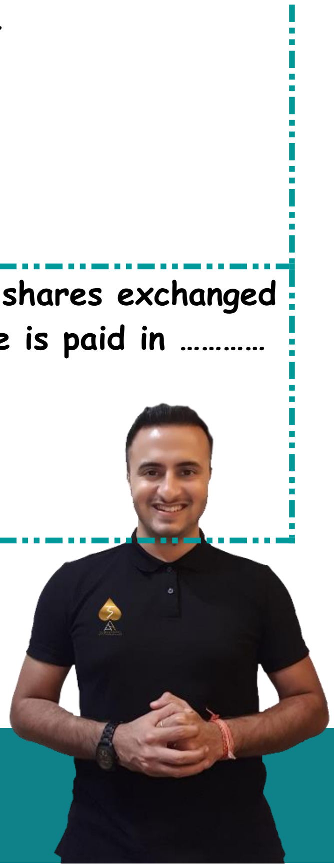
(A) Reserve and Surplus
(B) Fixed Assets
(C) Investments
(D) Miscellaneous Expenditure

7. In case of amalgamation, miscellaneous expenses are shown …………

(A) New Company Account
(B) Equity Shareholders Account
(C) Cash Account
(D) Realization Account

8. If the intrinsic values of shares exchanged are not equal, the difference is paid in …………

(A) Cash
(B) Debenture
(C) Pref. share
(D) Assets



9. In case of …………, one existing company takes over the business of another company and no new company is formed.
(A) Amalgamation
(B) Absorption
(C) Reconstruction
(D) None of the Above

10. The assets which is not taken under the net assets method of calculating Purchase Consideration is:
(A) Loose Tools
(B) Bills Receivable
(C) Machinery
(D) Share issue expenses

11. In amalgamation of two companies
(A) Both companies lose their existence
(B) Both companies continue
(C) Any one company continues
(D) All companies continue

12. When purchasing company pays purchase consideration, it will be debited to
(A) Business purchase account
(B) Assets account
(C) Liquidator of vendor company's account
(D) Purchasing Company account

13. When the purchasing company bears the liquidation expenses, it will debit the expenses to ________
(A) Vendor Company's Account
(B) Bank Account
(C) Goodwill Account
(D) Debtors Account

14. Purchase consideration is payable to _________.
(A) Shareholders
(B) Creditors
(C) Debenture holders
(D) Bank

15. When the purchasing company does not take over a particular liability and the vendor company pays that liability, it will debit it to ______
(A) Realisation Account
(B) Bank Account
(C) Liability Account
(D) Creditors Account

16. When the Net Assets are less than the Purchase Consideration, the difference will be
(A) Debited to Goodwill A/c
(B) Debited to General Reserve
(C) Debited to Capital Reserve
(D) None of these

17. While calculating purchase consideration ………… values of assets is to be considered.
(A) Book value
(B) Revalued price
(C) Average price
(D) Capital

18. Net Assets minus Capital Reserve is _________
(A) Goodwill
(B) Total assets
(C) Purchase consideration
(D) None of these

19. Himanshi Ltd. purchase consideration is ₹22,345 and Net Assets ₹6,568, then ……….
(A) Goodwill ₹ 15,777
(B) Capital Reserve ₹ 15,777

20. The original amount of preference share capital should be transferred to ………... account in the time of amalgamation in the books of vendor co.
(A) Preference shareholders Account

(C) Goodwill ₹ 28,913
(D) Capital Reserve ₹ 28,913.20.

(B) Capital Reserve Account
(C) Equity shares capital Account
(D) Equity shares capital Account

21. Both of the old companies will not exist in …………
(A) Internal reconstruction
(B) Absorption
(C) External reconstruction
(D) Amalgamation

22. When company purchases the business of another company ……….. comes into existence.
(A) Amalgamation
(B) Absorption
(C) External Reconstruction
(D) Internal Reconstruction

23. When liquidation expenses is paid and borne by seller company then it is debited to _________
(A) Bank A/c
(B) Goodwill A/c
(C) Realisation A/c
(D) Capital Reserve A/c

24. The shares received from the new company is recorded at _________
(A) Face value
(B) Market value
(C) Average price
(D) None of these

25. Kirti Co's Balance Sheet shows Fixed Asset ₹ 3,60,000. At the time of absorption calculation of Net Assets is 10% less than the market value, then market value of such fixed assets is ……………
(A) ₹ 3,24,000
(B) ₹ 4,00,000
(C) ₹ 4,20,000
(D) None of these

26. If the market price of the shares to be given for Purchase Consideration at the time of absorption, ……….. of the share is to be determined
(A) Fair Value
(B) Face Value
(C) Intrinsic Value
(D) Yield Value

27. Net Assets of DCo. for Purchase Consideration worth ₹ 4,00,000. At the time of absorption, the company has paid 32,000 equity shares each of ₹10 each at 10% premium, then remaining cash will be -
(A) ₹ 48,000
(B) ₹ 84,000
(C) ₹ 80,000
(D) ₹ 90,000

28. Intrinsic value of each equity shares of the vendor company is ₹ 250 and that of the purchasing company is ₹ 400. The exchange ratio of shares on the basis of intrinsic value is -
(A) 2:1
(B) 8:8
(C) 8:5
(D) None of the above

29. Amalgamation of companies is governed by -
(A) AS-14
(B) AS-U
(C) AS- 13

30. Following is not a fixed asset -
(A) Goodwill
(B) Loose Tools
(C) Copyright
(D) Livestock

(D) AS-9

31. Shareholders holding not less than 90% of the face value of the equity share capital in the vendor company become equity shareholders in the purchasing company

(A) if the amalgamation is in the nature of merger as defined under AS 14

(B) if the purchase consideration is calculated under payment method

(C) if the amalgamation is in the nature of external reconstruction as defined under the Companies Act

(D) if the amalgamation is in the nature of purchase as defined under AS 14

32. The assets and liabilities of the vendor company are incorporated in the accounts of the purchasing company at book values

(A) if the amalgamation is in the nature of merger as defined under AS 14

(B) if the amalgamation is in the nature of purchase as defined under AS 14

(C) if the purchase consideration is calculated under Net Assets method

(D) if the amalgamation is in the nature of external reconstruction as defined under the Companies Act.

33. In the books of the purchasing company, the assets and liabilities of the vendor company are incorporated on the basis of their agreed values (i.e. either the book values or the fair values)

(A) if the amalgamation is in the nature of merger as defined under AS 14

(B) if the amalgamation is in the nature of purchase as defined under AS 14

(C) if the purchase consideration is calculated under Net Assets method

(D) if the amalgamation is in the nature of external reconstruction as defined under the Companies Act

34. Amalgamation Adjustment Reserve

(A) should be shown as a Fixed Asset in the balance sheet of the purchasing company

(B) should be shown as a Fictitious Asset in the balance sheet of the vendor company

(C) should be shown under Reserves and Surplus in the balance sheet of the purchasing company

(D) should be shown as a Fictitious Asset in the balance sheet of the purchasing company

(E) Any of the above

35. The amounts paid by the purchasing company to discharge the debentures are

(A) ignored while calculating purchase consideration by net payment method

(B) ignored while calculating purchase consideration by net asset method

(C) considered while calculating purchase consideration by net payment method

(D) Any of the above

36. The amounts paid by the purchasing company to discharge the contingent liabilities are

(A) ignored while calculating purchase consideration by net payment method

(B) ignored while calculating purchase consideration by net asset method

(C) considered while calculating purchase consideration by net payment method

(D) Any of the above

37. The amounts paid by the purchasing company to meet the expenses of winding up are

(A) ignored while calculating purchase consideration by net payment method

(B) ignored while calculating purchase consideration by net asset method

(C) considered while calculating purchase consideration by net payment method

(D) Any of the above

38. Under the 'Purchase method of accounting', the transferee company incorporates in its books:

(A) Only the assets and liabilities of the transferor company

(B) Only the assets, liabilities and statutory reserves of the transferor company

(C) Only the assets, liabilities and reserves of the transferor company.

(D) None of the above

39. Goodwill arising on amalgamation is to be -

(A) Retained in the books of the transferee company

(B) Amortised to income on a systematic basis

(C) Adjusted against reserves and profit and loss account of the transferee company immediately.

(D) None of the above

40. Under the pooling of interests method the difference between the purchase consideration and share capital of transferee company should be adjusted to:

(A) General reserve

(B) Amalgamation adjustment reserve

(C) Goodwill or capital reserve

(D) None of the above

41. At the time of amalgamation, purchase consideration does not include -

(A) The sum which the transferee company will directly pay to the creditors of the transferor company.

(B) Payments made in the form of assets by the transferee company to the shareholders of the transferor company.

(C) Preference shares issued by the transferee company to the preference shareholders of the transferor company.

(D) preference shares issued by the transferee company to the equity shareholders of the transferor company.

42. At the time of absorption of B Ltd. by A Ltd., 9% debenture-holders of ₹ 480,00,000 of ₹ 100 each in B Ltd. are to be paid off at 10% premium by 8% debentures in A Ltd. issued at a premium of 20%. How many debentures of ₹ 100 each are to be issued by A Ltd?

A. 4,80,000

B. 4,40,000

C. 5,28,000

D. 4,00,000

43. Capital Employed is ₹ 255 Lakh; Annual average profits are ₹ 57 Lakh; Normal rate of return is 12%. The value of goodwill on the basis of Capitalization of super profits will be

A. ₹ 220 Lakh

B. ₹ 475 Lakh

44. A firm values goodwill under 'Capitalization of profits' method. Its average profits for past 4 years has been determined at ₹72,000. Net assets and capital employed in the business is ₹4,80,000 and Rs.5,00,000 respectively and its normal rate of return is

C. ₹ 6.84 Lakh
D. ₹ 26.40 Lakh

12%. Value of Goodwill based on capitalization of profit will be
A. ₹ 1,60,000
B. ₹ 1,32,000
C. ₹ 1,20,000
D. ₹ 1,00,000

45. In a conglomerate merger of two companies the merging companies operate
A. in related markets having similar products lines.
B. in unrelated markets having no functional economic relationship.
C. in related markets and merging companies are complimentary to each other.
D. in two countries and one of them use the product of the others as raw materials

46. On April 1, 2018 May Ltd. purchased 40% of the shares of June Ltd. for ₹ 10 lakh. At the time of the purchased June Ltd. reported net assets of ₹ 20 lakh. The fair value of identifiable assets and liabilities of June Ltd. at the time of purchase was approximate to their book value except for Building which had a fair value of ₹ 2,00,000 more than its book value stock May Ltd. has significant influence over operating and financial policies of June Ltd. The amount of purchase price attributable to Goodwill is
A. ₹ 0
B. ₹ 1,20,000
C. ₹ 2,00,000
D. ₹ 2,80,000

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
a	b	b	c	a	a	b	a	b	d	a	c	c	a	a	a	b	c	a	a
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
d	d	c	b	b	c	a	c	a	b	a	a	b	c	a	a	a	b	b	a
41	42	43	44	45	46														
a	b	a	d	b	a														

14 Internal Reconstruction

1. If there is any balance in the capital reduction account after writing off all the accumulated losses then the same is transferred to
(a) Share Capital Account
(b) Capital Reserve Account
(c) General Reserve Account
(d) None of these

2. A company has issued capital of 10,000 equity shares of ₹ 10 each fully paid. It decides to cover its capital into 20,000 equity shares of ₹ 5 each. It is a case of -
(a) Consolidation of Share Capital
(b) Sub-division of share capital
(c) Decrease in unissued share capital
(d) None of the Above

3. If the creditors are willing to reduce their claims against the company, then the amount of reduction in their claim will be transferred to:
(a) Share capital Account
(b) Creditors Account
(c) Capital Reduction Account
(d) None of these

4. In case of consolidation of share capital the total Value of Share Capital _______
(a) Increases
(b) Decreases
(c) Does not change
(d) None of Above

5. In case of Subdivision of share capital the total Value of Share Capital _______
(a) Increases
(b) Decreases
(c) Does not change
(d) None of Above

6. In case of consolidation of share capital the total number of shares _______
(a) Increases
(b) Decreases
(c) Does not change
(d) None of Above

7. In case of subdivision of share capital the total number of shares _______
(a) Increases
(b) Decreases
(c) Does not change
(d) None of Above

8. If the shares of higher denominations are converted into the shares of smaller denominations, then it is a case of:
(a) Consolidation of share Capital
(b) Sub-division of share capital
(c) Decrease in unissued share capital
(d) None of these

9. If the shares of smaller denominations are converted into the shares of higher denominations, then it is a case of:
(a) Consolidation of share Capital
(b) Sub-division of share capital

10. Value of Share Capital does not change in the following situation -
(a) Consolidation of Shares
(b) Subdivision of Shares
(c) Conversion to Equity Stock

(c) Decrease in unissued share capital
(d) None of these

(d) All of the above

11. When a company converts its equity shares into capital stock, then the account to be credited is ;
(a) Equity share capital A/c
(b) Equity Capital Stock A/c
(c) No Entry is required
(d) None of these

12. A. Ltd with a share capital of 10,000 equity shares of ₹ 10 each fully paid decides to repay ₹ 5 per share thus making each share of ₹ 5 fully paid. It is a case of
(a) Reducing share capital by returning the excess capital
(b) Reducing the liability on account of uncalled capital
(c) Reducing the paid-up capital
(d) All of above

13. For writing off the accumulated losses under the scheme of capital reduction, we debit:
(a) Share Capital A/c
(b) Accumulated losses A/c
(c) Capital Reduction Account
(d) None of these

14. Any loss on revaluation of the assets at the time of internal reconstruction, will be charged from:
(a) Revaluation A/c
(b) Share Capital A/c
(c) Capital reduction A/c
(d) None of these

15. In a scheme of reorganization amount of shares surrendered by shareholders is transferred to :
(a) Capital Reduction A/c
(b) Shares Surrendered A/c
(c) Capital reserve A/c
(d) Reserve capital A/c

16. Amount sacrificed by shareholders is credited to :
(a) Capital reduction A/c
(b) Shares surrendered A/c
(c) Capital reserve A/c
(d) Reserve Capital A/c

17. When company is turn into liquidation and new company is formed to take over business &such company it Is termed as ………..
(a) Absorption
(b) Liquidation
(c) External Reconstruction
(d) Internal Reconstruction

18. When company is internally re-organised without liquidation it is termed as ………..
(a) Amalgamation
(b) Absorption
(c) External Reconstruction
(d) Internal Reconstruction

19. In case of Internal Reconstruction following account is prepared to ascertain the result of scheme………..
(a) Realisation A/c
(b) Capital Reduction A/c
(c) Profit & Loss A/c

20. Balance of shares surrendered but not re-issued transferred to ………..
(a) Profit & Loss A/c
(b) Realisation A/c
(c) Capital Reduction A/c
(d) None

(d) None

21. In case of Internal Reconstruction payment of contingent liability is ………..
(a) Debited to Profit & Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Credited to Realisation A/c

22. Realisation of unrecorded asset under Internal Reconstruction is ………..
(a) Debited to Profit & Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Credited to Realisation A/c

23. Arrears of Preference Division paid is ………..
(a) Debited to Profit & Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Not accounted

24. Arrears of Preference Division waived is ………..
(a) Debited to Profit &. Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Not accounted

25. Increase in value assets under Internal Reconstruction is ………..
(a) Debited to Profit & Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Credited to Revaluation Reserve A/c

26. Decrease in Value assets under Internal Reconstruction is ………..
(a) Debited to Profit & Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Credited to Revaluation Reserve A/c

27. Increase in Value liability under Internal Reconstruction is ………..
(a) Debited to Profit & Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Credited to Realisation A/c

28. Decrease in value liability under Internal Reconstruction is ………..
(a) Debited to Profit & Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Credited to Realisation A/c

29. Reserve for doubtful debt on debtors under internal Reconstruction is ………..
(a) Debited to Profit & Loss A/c
(b) Credited to Capital Reduction A/c
(c) Debited to Capital Reduction A/c
(d) Credited to Realisation A/c

30. Authorized capital is also termed as ………..
(a) Nominal Capital
(b) Reserve Capital
(c) Sink Capital
(d) None

31. The part of share capital, which is reserved and cannot called during life time of company is termed as ………..
(a) Authorized Capital
(b) Subscription Capital
(c) Called-up Capital
(d) Reserve Capital

32. In ……….., an existing company's financial structure is reorganized without liquidating the existing company and forming a new company.
(a) Amalgamation
(b) External reconstruction
(c) Absorption
(d) Internal reconstruction

33. Internal reconstruction is done due to ………..

(a) Accumulated losses
(b) Shortage of working capital
(c) Large amount of fictitious assets
(d) All of these

34. In ……….., the company does not loss its identity

(a) Amalgamation
(b) External reconstruction
(c) Absorption
(d) Internal reconstruction

35. Internal reconstruction can be ………..

(a) Alteration of share capital
(b) Reduction of share capital
(c) Re-organization of capital
(d) All of these

36. Capital of a company can be reduced by ………..

(a) Authorization of Articles
(b) Passing of a special resolution
(c) Confirmation of court
(d) All of these

37. Capital Reduction Account is a ………..

(a) Nominal Account
(b) Permanent Account
(c) Temporary Account
(d) None of these

38. In internal reconstruction, the existing company will be ………..

(a) Amalgamated
(b) Absorbed
(c) Liquidated
(d) None of these

39. In internal reconstruction, which of the following will not be written off?

(a) Debit balance in P&L
(b) Fictitious Assets
(c) Goodwill
(d) Patents

40. Which of the following will have impact in Internal Reconstruction A/c?

(a) Consolidation of Shares
(b) Subdivision of Shares
(c) Conversion of Equity Shares to Preference Shares
(d) Reduction in value of shares

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
b	b	c	c	c	b	a	a	a	d	b	a	c	c	b	a	c	b	c	c
21	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
b	b	c	d	b	c	c	b	c	a	d	d	d	d	d	d	c	d	d	d

15 Accounting For Branches Including Foreign Branches

1. Branch not keeping the full system of accounting is also known as -
(a) Foreign branch
(b) Dependent branch
(c) Independent branch
(d) None of the above

2. Branch keeping the full system of accounting is also known as -
(a) Independent branch
(b) Dependent branch
(c) Foreign branch
(d) None of the above

3. Methods of accounting Independent Branch are -
(a) Stock and debtor system
(b) Debtors' system
(c) Final Accounts System
(d) Any of the above

4. Branch account is prepared to ascertain
(a) Profit and loss of the branch
(b) Financial statement of the business
(c) Assets and liability of the head office
(d) None of the above

5. The system in which profit and loss made by the branch is determined by preparing branch trading and profit & loss account at cost price is
(a) Debtors' methods
(b) Stock and debtor methods
(c) Final account methods
(d) Analytical methods

6. The account prepared for the ascertaining the amount of gross profit earned by the branch under Stock and Debtor system is -
(a) Branch adjustment account
(b) Branch stock account
(c) Goods sent to branch account
(d) Branch debtor account

7. The account prepared to adjust the loading included in the value of opening and closing stock at branch is termed as
(a) Branch adjustment account
(b) Stock reserve account
(c) Goods sent to branch account
(d) Branch debtor account

8. The account prepared in the same way as that when goods are invoice at cost, except that all entries are made at invoice price is termed as -
(a) Branch adjustment account
(b) Branch stock account
(c) Goods sent to branch account
(d) Branch debtor account

9. Which methods is adopted generally in those branches which are small in size
(a) Debtors method
(b) Stock and debtor methods
(c) Foreign branch methods
(d) Analytical methods

10. Which account is prepared when branch sells goods on credit
(a) Branch adjustment account
(b) Branch debtors account
(c) Goods sent to branch account
(d) Branch Stock account

11. Stock Reserve will not apply if the goods are sent by the head office may be at …….
(a) Cost price
(b) Invoice price
(c) Either of the above
(d) Both of the above

12. Stock Reserve will not apply if the goods sent by the head office are …….
(a) sold
(b) not sold
(c) Either of the above
(d) Both of the above

13. The goods sent by the head office may be at ……….
(a) Cost price
(b) Invoice price
(c) Either of the above
(d) Both of the above

14. Which account is prepared for recording all cash transaction relating to the branch?
(a) Goods sent to branch account
(b) Branch debtor account
(c) Branch cash account
(d) None of the above

Vallabh Ltd having Head Office at Mumbai has a Branch at Nagpur. The Head Office does Wholesale Trade only at cost plus 80%. The goods are sent to Branch at the Wholesale Price, viz. Cost plus 80%. The Branch at Nagpur is wholly engaged in Retail Trade, and the goods are sold at Cost to HO plus 100%. Following details are given for the year ended 31st March - (in ₹)

Particulars	HO	Branch
Opening Stock	2,25,000	-
Purchases	25,50,000	-
Goods sent (Cost to H.O. plus 80%)	9,54,000	-
Sales	27,81,000	9,50,000
Office Expenses	90,000	8,500
Selling Expenses	72,000	6,300
Staff Salary	65,000	12,000

15. Gross Profit earned by Head Office
(a) 16,60,000
(b) 95,000
(c) 7,00,000
(d) 99,000

16. Gross Profit earned by Branch =
(a) 16,60,000
(b) 95,000
(c) 7,00,000
(d) 99,000

17. Closing Stock of Branch =
(a) 16,60,000
(b) 95,000
(c) 7,00,000
(d) 99,000

18. Closing Stock of Head office =
(a) 16,60,000
(b) 95,000
(c) 7,00,000
(d) 99,000

19. Net profit of Head office before Stock Reserve =
(a) 14,33,000
(b) 68,200
(c) 14,57,200
(d) 99,000

20. Net profit of Head office after Stock Reserve =
(a) 14,33,000
(b) 68,200
(c) 14,57,200
(d) 99,000

21. Closing Stock Reserve required =
(a) 14,33,000
(b) 68,200
(c) 14,57,200
(d) 44,000

22. Net profit of Branch =
(a) 14,33,000
(b) 68,200
(c) 7,00,000
(d) 99,000

The Washington Branch of Radha Associates, Mumbai, sent the following Trial Balance as on 31st December ($) -

Particulars	Debit	Credit
Head Office A/c	-	22,800
Sales	-	84,000
Debtors and Creditors	4,800	3,400
Machinery	24,000	-
Cash at Bank	1,200	-
Opening Stock as on 1st January	11,200	-
Goods from H.O.	64,000	-
Expenses	5,000	-
Total	1,10,200	1,10,200

In the books of Head Office, the Washington Branch A/c stood as follows -

Particulars	₹	Particulars	₹
To balance b/d To Goods Sent	8,10,000 29,26,000	By Cash By balance c/d	28,76,000 8,60,000
Total	37,36,000	Total	37,36,000

Goods are sent to the Branch at Cost Plus 10% and the Branch sell goods at Invoice Price plus 25%. Machinery was acquired 6 years back, when $ 1 = 140.

Rates of Exchange were:

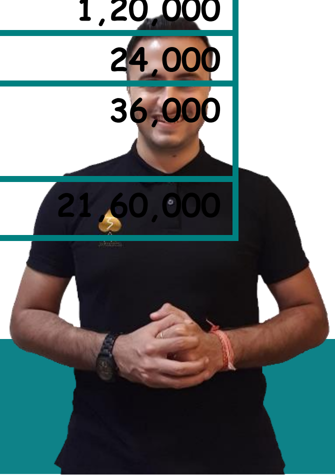
(a) 1st January - $ 1 = ₹ 46,
(b) 31stDecember - $ 1 = ₹ 48, and
(c) Average $ 1 = ₹ 47.

Machinery is depreciated at 10% and the Branch Manager is entitled to a Commission of 5% on the Branch Profit.

23. Closing Stock of Branch in USD = (a) 14,000 (b) 8,000 (c) 3,84,000 (d) 99,000	**24. Closing Stock of Branch in INR =** (a) 14,000 (b) 8,000 (c) 3,84,000 (d) 99,000
25. Gross Profit of Branch in USD = (a) 16,800 (b) 8,000 (c) 470 (d) 8,90,800	**26. Gross Profit of Branch in INR =** (a) 16,800 (b) 8,000 (c) 470 (d) 8,90,800
27. Commission to branch manager in USD = (a) 16,800 (b) 8,000 (c) 470 (d) 8,90,800	**28. Commission to branch manager in INR =** (a) 16,800 (b) 22,560 (c) 470 (d) 8,90,800
29. Net Profit of branch in INR = (a) 16,800 (b) 8,930 (c) 4,90,240 (d) 8,90,800	**30. Net Profit of branch in USD =** (a) 16,800 (b) 8,930 (c) 4,90,240 (d) 8,90,800

Ayan Ltd invoice Goods to its Branch at Cost plus 33%. From the following particulars, prepare Branch Stock Account, Branch Stock Adjustment Account and Branch Profit and Loss Account as they would appear in the books of Head Office.

Particulars	₹
Stock at commencement at Branch at Invoice Price	3,60,000
Stock at close at Branch at Invoice Price	2,88,000
Goods sent to Branch during the year at Invoice Price (including Goods invoiced at ₹ 48,000 to Branch on 31st March but not received by Branch before close of the year)	24,00,000
Return of Goods to Head Office (Invoice Price)	1,20,000
Credit Sales at Branch	1,20,000
Invoice Value of Goods pilfered	24,000
Normal Loss of Branch due to wastage and deterioration of Stock (at Invoice Price)	36,000
Cash Sales at Branch [Ayan closes its books on 31st March.]	21,60,000



31. Which of the following will not appear in Branch Stock A/c?
(a) Abnormal Loss
(b) Normal Loss
(c) Cash Sales
(d) Credit Sales

32. Opening Stock Reserve available =
(a) 90,000
(b) 84,000
(c) 90,240
(d) 80,800

33. Closing Stock Reserve available =
(a) 90,000
(b) 84,000
(c) 90,240
(d) 80,800

34. Loading on Goods sent to Branch =
(a) 9,00,000
(b) 6,00,000
(c) 30,000
(d) 80,800

35. Loading on Goods returned by Branch =
(a) 9,00,000
(b) 6,00,000
(c) 30,000
(d) 80,800

36. Gross Profit earned by Branch =
(a) 9,00,000
(b) 6,00,000
(c) 5,70,000
(d) 80,800

37. Abnormal Loss adjustment in Branch Stock A/c =
(a) Credit 24,000
(b) Debit 24,000
(c) Credit 6,000
(d) Debit 6,000

38. Abnormal Loss adjustment in Branch Adjustment A/c
(a) Credit 24,000
(b) Debit 24,000
(c) Credit 6,000
(d) Debit 6,000

39. Abnormal Loss adjustment in Branch P8iL A/c =
(a) Credit 24,000
(b) Debit 24,000
(c) Credit 6,000
(d) Debit 18,000

40. Net Profit earned by Branch =
(a) 5,52,000
(b) 5,70,000
(c) 6,00,000
(d) 1,80,000

Suggested Answer

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
b	a	c	a	c	a	b	b	a	b	a	a	c	c	a	b	d

18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38
c	a	c	d	b	b	c	a	d	c	b	c	b	b	a	b	b	c	c	a	d

39	40
d	a