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Part 1 - ICAI BOS MCQs

Total No. of MCQs - 135

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CHAPTER 1- INTRODUCTION TO ACCOUNTING STANDERDS

Q1.

Phase I of Ind AS was applicable to:

(a) All listed companies in India or outside India
(b) Companies with turnover INR 500 crores or more
(c) Companies with net worth INR 500 crores or more.
(d) Companies with turnover INR 250 crores or more

Q2.

IASB stands for

(a) International Accounting Standards Bureau
(b) International Advisory Standards Board
(c) International Accounting Standard Board
(d) International Accounting System Board

Q3.

IFRS stands for

(a) International Financial Reporting System
(b) International Finance Reporting Standard
(c) International Financial Reporting Standard.
(d) International Financial Reserve Standard

Q4.

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) Clarifications

Correct Answer			
Q1	Q2	Q3	Q4
a	c	c	b

CHAPTER 2 -FRAMEWORK FOR PREPARATION AND PRESEMTATION OF FINANCIAL STATEMENTS

Q5.

A machine was acquired in exchange of an old machine and Rs. 20,000 paid in cash. The carrying amount of old machine was Rs. 2,00,000 whereas its fair value was Rs. 1,50,000 on the date of exchange. The historical cost of the new machine will be taken as

(a) Rs. 2,00,000
(b) Rs. 1,70,000
(c) Rs. 2,20,000
(d) Rs. 1,80,000.

Q6.

An item that meets the definition of an element of financial statements should be recognised in the financial statements if:

(a) It is probable that any future economic benefit associated with the item will flow to the enterprise

(b) Item has a cost or value that can be measured with reliability
(c) Both 1and 2
(d) It is probable that no future economic benefit associated with the item will flow to the enterprise.

Q7.
Which of the assumption is not considered as fundamental accounting assumption?
(a) Going Concern
(b) Accrual
(c) Reliability.
(d) Comparability.

Q8.
It is probable that no future economic benefit associated with the item will flow to the enterprise.
(a) Present value.
(b) Realizable value.
(c) Current cost.
(d) Fair value.

Correct Answer			
Q5	Q6	Q7	Q8
b	c	c	b

CHAPTER 3 - APPLICABILITY OF ACCOUNTING STANDARDS

Q9.
Non – cooperative entities which are not Non-corporate entities which are not Level I entities whose turnover (excluding other income) exceeds rupees exceed rupees-------- but does not two-fifty crores in the immediately preceding accounting year classified as Level II entities.
(a) five crores.
(b) two crores.
(c) fifty crores.
(d) ten crores.

Q10.
All non-corporate entities engaged in commercial, industrial and business reporting entities, whose turnover (excluding other income) exceeds rupees 250 crores in the immediately preceding accounting year, are classified as
(a) Level II entities.
(b) LevelI entities.
(c) Level II entities.
(d) level IV entities

Q11.
The following Accounting Standard is not applicable to Non-corporate Entities falling in level II in its entirety
(a) AS 10.
(b) AS 17.
(c) AS 2.
(d) AS 13.

Q12.
Small and Medium Sized Company (SMC) means, a company
(a) which may be a bank, financial institution or an insurance company.
(b) whose turnover (excluding other income) does not exceed rupees two-fifty crores in the immediately preceding accounting year;
(c) whose turnover (excluding other income) does not exceed rupees fifty crores in the immediately preceding accounting year;
(d) whose turnover (excluding other income) does not exceed rupees five hundred crores in the immediately preceding accounting year;

Q13.

All non-corporate entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crores but does not exceed rupees ten crores at any time during the immediately preceding accounting year.

(a) Level II entities.

(b) Level IV entities.

(c) Level II entities.

(d) Level I entities.

Correct Answer				
Q9	Q10	Q11	Q12	Q13
c	b	b	b	c

CHAPTER 4 - PRESENTATION AND DISCLOSURE BASED ACCOUNTING STANDERS

Q14.

Which of the following statements is correct?

(a) In case of 10% test based on profit/loss, we need to consider that any segment whose profit or loss is 10% or more than the net profit or net loss respectively of all segments taken together becomes reportable segment.

(b) In case of 10% test based on profit/ loss, we need to consider that any segment whose profit or loss is 10% or more than the net profit (after netting the losses) of all segments taken together becomes reportable segment.

(c) In case of 10% test based on profit/loss, we need to consider that any segment whose profit or loss is 10% or more than the net profit or loss (whichever is higher in absolute figures) of all segments taken together becomes reportable segment.

(d) In case of 10% test based on profit/loss, we need to consider that any segment whose profit or loss is 10% or more than the net profit or loss (whichever is lower in absolute figures) of all segments taken together becomes reportable segment.

Q15.

Fundamental accounting assumption is

(a) Materiality

(b) Business entity

(c) Going concern

(d) Dual aspect

Q16.

In the cash flow statement of a financial enterprise, interest paid and dividends received should be

(a) classified as operating cash flows

(b) classified as financing cash flows

(c) Not shown in cash flow statement

(d) classified as investing cash flows

Q17.

Which of the following is included in the consideration for selection of accounting policies:

(a) Going concern

(b) Consistency

(c) Prudence
(d) Accrual

Q18.
Which of the following disclosure is required as per AS 18? Disclosure of Intra-group transactions in Stand alone Financial Statements.

(a) Transaction of one Central government controlled enterprise with other State government controlled enterprise.
(b) Transaction of one Central
(c) government controlled enterprise with other Central government controlled enterprise.
(d) Transaction of one State government controlled enterprise with other State government controlled enterprise.

Q19.
Which of the following statements is true?

(a) Right issue always, contains a bonus element
(b) Right issue may or may not contain a bonus element.
(c) Right issue does not contain a bonus element.
(d) Right issue may or may not be considered to contain a bonus element depending on the accounting policy of the company.

Q20.
As per AS 3 on Cash Flow Statements, cash received by a manufacturing company from sale of shares of ABC Company Ltd. should be classified as

(a) Operating activity.
(b) Financing activity.
(c) Investing activity.
(d) None of the above.

Q21.
Which of the following may be treated as Related party as per AS 18?

(a) A Limited only because Mr. X is a common director in both the company
(b) A Limited and B Limited are totally independent company, however, majority of the Board of Directors of both the company are same
(c) Mr. S and A limited only because Mr. S purchases majority of the products of A Limited.
(d) ABC Bank and N Limited is financed by ABC Bank.

Q22.
In case potential equity shares have been cancelled during the year, they should be:

(a) Ignored for computation of Diluted EPS.
(b) Considered from the beginning of the year till the date they are cancelled.
(c) The company needs to make an accounting policy and can follow the treatment in (a) or (b) as it decides.
(d) Considered for computation of diluted EPS only if the impact of such potential equity shares would be material.

Q23.
XYZ limited is incorporated on 01 .10.2022 in India. Its first financial statement is prepared on 31.03.2023 for 6 months. AS 25 is applicable for XYZ Limited if financial statements are publishd:

(a) From 01.10.2022 to 31.03.2023
(b) From 01 .10.2022 to 31 .12.2024
(c) From 01.10.2022 to 31.12.2022
(d) AS 25 is not applicable during Ist year of operation s.

Q24.
All significant Accounting Policies are disclosed

(a) In Auditors Report
(b) In notes to Accounts of the financial statements

(c) Board of Directors Report
(d) Audit Committee Report

Q25.
In which of the following scenario, calculation of basic and diluted earnings per share for prior period is not restated?
(a) If the number of equity shares outstanding increases as a result of a bonus issue
(b) If the number of potential equity shares outstanding decreases as a result of a reverse share split
(c) If Bonus shares are issued after the balance sheet date but before the date on which the financial statements are approved by the board of directors
(d) If the number of equity shares outstanding increases as a result of a right issue

Q26.
XYZ Co. Ltd is a financial institution and has given loans and advances to its subsidiary and earned interest of Rs. 5 lacs on that loan. Interest earned by XYZ Co. Ltd is shown as
(a) Operating Cash Flow.
(b) Investing Cash Flow.
(c) Financing Cash Flow
(d) cash and cash equivalent

Q27.
Interim period as per AS 25 means:
(a) A Quarter
(b) Half year
(c) a Calendar year
(d) Any period shorter than a full financial year

Q28.
The major considerations governing the selection and application of accounting policies are
(a) Prudence.
(b) Substance over form.
(c) Materiality.
(d) All of the three.

Q29.
Following is not included in Segment Expense.
(a) Income tax expense
(b) The expense resulting from the operating activities of a segment that is directly attributable to the segment
(c) The relevant portion of enterprise expense that can be allocated on a reasonable basis to the segment
(d) Expense relating to transactions with other segments of the enterprise

Q30.
Which of the following statements is correct?
(a) Reported Diluted EPS is always less than reported Basic EPS.
(b) Reported Diluted EPS can be greater than reported Basic EPS.
(c) Reported Diluted EPS is always greater than reported Basic EPS.
(d) Reported Diluted EPS is always equal to or more than reported Basic EPS.

Q31.
Which of the following items is not considered as cash or cash equivalent?
(a) cash on hand
(b) Cash at Bank
(c) Securities deposits for 4 months
(d) Investments with a maturity of two months from the date of acquisition.

Q32.
Which of the following statements is correct?
(a) The 10% test computed on the basis of revenue, considers both internal and external revenue to compute the threshold limit.

(b) The 10% test computed on the basis of revenue, considers only external revenue to compute the threshold limit.
(c) The 10% test computed on the basis of revenue, considers only internal revenue to compute the threshold limit.
(d) It is management choice whether they want to include both external and internal revenue for computing threshold limit.

Q33.

Partly paid up equity shares are:

(a) Always considered as a part of Basic EPS.
(b) Always considered as a part of Diluted EPS.
(c) Depending upon the entitlement of dividend to the shareholder, it will be considered as a part of Basic or Diluted EPS as the case may be.
(d) Considered as part of Basic/ Diluted EPS depending on the accounting policy of the company.

Correct Answer	
Q14	c
Q15	c
Q16	a
Q17	c
Q18	a
Q19	a
Q20	c
Q21	b
Q22	b
Q23	c
Q24	b
Q25	d
Q26	a
Q27	d
Q28	d
Q29	a
Q30	a
Q31	c
Q32	a
Q33	c

CHAPTER 5 -ASSETS BASED ACCOUNTING STANDERS

Q34.

Identify the statement(s) which is/are incorrect.

(a) Storage costs which is a necessary part of the production process is included in inventory valuation.
(b) Administration overheads are never included in inventory valuation.
(c) Full amount of variable production overheads incurred are included in
(d) Administration overheads are always included in inventory valuation.

Q35.

X Limited had taken borrowing construction of buiding A and building B. The loan for both building was taken on 01.07.2019. Construction of both buidling commenced on 05.07.2019. Construction of building A was completed on 01.06.2022 & building B on 01.10.2022. Both buildings were inaugurated on 15.11.2022. The loan is to be repaid on 31.03.2028. When should

capitalization of borrowing cost cease for Building A?

(a) 01.06.2022
(b) 01.10.2022
(c) 15.11.2022
(d) Capitalization should continue till 31.03.2028

Q36.

A plot of land with carrying amount of 1,00,000 was revalued to`1,50,000 at the end of Year 2. Subsequently, due to drop in market values, the land was determined to have a fair value of 1,30,000 at the end of Year 4. Assuming that the entity adopts Revaluation Model, what would be the accounting treatment of Revaluation?

(a) Initial upward valuation of 50,000 credited to Revaluation Reserve. Subsequent downward revaluation of 20,000 debited to P/L.
(b) Initial upward valuation of 50,000 credited to P/L. Subsequent downward revaluation of 20,000 debited to P/L.
(c) Initial upward valuation of 50,000 credited to Revaluation Reserve. Subsequent downward revaluation of 20,000 debited to Revaluation Reserve.
(d) Initial upward valuation of 50,000 debited to P/L. Subsequent downward revaluation of 20,000 credited to P/L.

Q37.

N Limited has entered into lease agreement for machinery from S Limited for 10 years for Rs. 1 lakh per year. Guaranteed scrap value of machinery after 15 years is Rs. 0.5 lakh unguaranteed scrap value is Rs. 0.2 lakh. Present Value of Rs. 1 lakh for 10 years is Rs. 7 lakh, Present value of Rs. 0.5 lakh after 15th year is 0.18 lakh & of Rs. 0.2 lakh is 0.07 lakh. Calculate Unearned Finance Income for S Limited.

(a) Rs. 3.45 Lakh
(b) Rs. 3 Lakh
(c) Rs. 3.32 Lakh
(d) Rs. 3.13 Lakh

Q38.

N Limited has taken a lease of land from S Limited for 15 years. Following are the terms of lease agreement: - N Limited to make payment of Rs. 1 lakh for 15 years. - N Limited to reimburse Rs. 10,000 tax to S limited every year. - If N Limited makes petrol pump on the land, then it has to pay Rs. 50,000 extra every year. N Limited is not sure about the receipt of approval for making petrol pump. - N Limited has option to purchase land for extra Rs. 10 lakh after end of lease. However, N Limited is not sure about purchase of land. Present Value of Rs. 1 lakh for 15 years is Rs. 12 lakh, Present value of Rs. 10 lakh after 15th year is 5.5 lakh. Calculate Minimum Lease Payment for N Limited.

(a) Rs. 15 Lakh
(b) Rs. 12 Lakh
(c) Rs. 34 Lakh
(d) Rs. 24.7 Lakh

Q39.

A machinery was purchased having an invoice price` 1,18,000 (including GST 18,000) on 1 April 20X1. The GST amount is available as input tax credit. The rate of depreciation is 10% on SLM basis. The depreciation for 20X2-X3 would be

(a) 10,000.
(b) 11,800.
(c) 9,000.
(d) 10,500.

Q40.

Cost of investment includes

(a) Purchase costs.
(b) Brokerage and Stamp duty paid.
(c) Both (a) and (b).
(d) none of the above.

Q41.

As per AS 16, all the following are qualifying assets except

(a) Manufacturing plants and Power generation facilities
(b) Inventories that require substantial period of time
(c) Assets those are ready for sale.
(d) None of the above

Q42.

AS 26 is applicable to following:

(a) Deferred tax assets
(b) Rights under licensing agreements for films
(c) Financial Assets
(d) Goodwill arising on an amalgamation

Q43.

On sale of an asset which was revalued upwards, what would be the treatment of Revaluation Reserve?

(a) The Revaluation Reserve is credited to P/L since the profit on sale of such asset is now realized.
(b) The Revaluation Reserve is credited to Retained Earnings as a movement in reserves without impacting the P/L.
(c) No change in Revaluation Reserve since profit on sale of such asset is already impacting the P/L.
(d) The Revaluation Reserve is reduced from the asset value to compute profit or loss.

Q44.

Which of the following would not lead to lease being classified as Finance lease?

(a) Title of the asset is not transferred but the lease term is for the major part of the economic life of the asset.
(b) The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.
(c) The lease does not transfer substantially all the risks and rewards incident to ownership.
(d) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Q45.

Which of the following would not lead to lease being classified as Finance lease?

(a) Title of the asset is not transferred but the lease term is for the major part of the economic life of the asset.
(b) The lessee has the option to
(c) purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.
(d) The lease does not transfer substantially all the risks and rewards incident to ownership. At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Q46.

If the amount eligible for capitalisation in case of inventory as per AS 16 is 12,000 and cost of inventory is 40,000 and its net realizable value is 45,000; What amount can be capitalised as a part of inventory cost.

(a) 12,000.
(b) 5,000.
(c) 7,000.
(d) 10,000.

Q47.

A current investment is an investment

(a) That is readily realisable.
(b) That is intended to be held for not more than one year from the date on which such investment is made.

(c) Both land 2
(d) That is intended to be held for not more than two years from the date on which such investment is made.

Q48.
Which of the following statement is correct:
(a) Entire exchange gain is reduced from the cost of the Qualifying asset.
(b) Entire exchange loss is added to the cost of a Qualifying asset.
(c) No adjustment is done for the exchange loss while computing cost of Qualifying asset.
(d) None of the above

Q49.
16 X limited has approved a plan for construction of building on 14.05.2022. It has finalized the vendor on 20.06.2022. Borrowing cost is due to be paid from 01.07.2022. First installment of borrowing cost is made on 01.08.2022. Consturction of building started from 15.07.2022. When should Capitalisation of borrowing commence?
(a) 01.07.2022
(b) 01.08.2022
(c) 15.07.2022
(d) 14.05.2022

Q50.
Which of the method is not recommended by AS 2?
(a) FIFO
(b) LIFO
(c) Weighted average
(d) Specific identification method

Q51.
N Limited has taken a lease of land from S Limited for 15 years. Following are the terms of lease agreement: - N Limited to make payment of Rs. 1 lakh for 15 years. - N Limited to reimburse Rs. 10,000 tax to S limited every year.
If N Limited makes petrol pump on the land, then it has to pay Rs. 50,000 extra every year. N Limited is not sure about the receipt of approval for making petrol pump. - N Limited has option to purchase land for extra Rs. 10 lakh after end of lease. It is beneficial for N Limited to purchase land. Present Value of Rs. 1 lakh for 15 years is Rs. 12 lakh, Present value of Rs. 10 lakh after 15th year is 5.5 lakh. Calculate Minimum Lease Payment for N Limited.
(a) Rs. 25 Lakh
(b) Rs. 17.5 Lakh
(c) Rs. 34 Lakh
(d) Rs. 24.7 Lakh

Q52.
Which of the following expense can be capitalized as per AS 26?
(a) expenditure on Major advertising
(b) Expenditure on an intangible item that was initially recognised as an expense in the previous Financial year
(c) expenditure on training activities of new license acquired
(d) Subsequent expenditure on Intangible asset which will enhance future benefit expenditure that can be measured reliably

Q53.
Inventory account should be classified in which section of a balance sheet?
(a) Current assets
(b) Investments
(c) Property, plant, and equipment
(d) Intangible assets

Correct Answer	
Q34	b
Q35	a
Q36	c
Q37	a
Q38	a

Q39	a
Q40	c
Q41	c
Q42	b
Q43	b
Q44	c
Q45	b
Q46	b
Q47	c
Q48	c
Q49	c
Q50	b
Q51	a
Q52	d
Q53	a

CHAPTER 6 -LIABILITIES BASED ACCOUNTING STANDARDS

Q54.

A company had made a provision for rent liability of Rs. 10 Cr & interest provision of Rs. 1 Cr. However, count made order to the company to pay Rs. 8 Cr Rent & Rs. 1.5 Cr interest. What should be the correct accounting treatment?

(a) Provision for rent of Rs. 2 Cr shall be written back and provision for interest shall be increased by Rs. 0.5 Cr.

(b) Provision for Rent of Rs. 2 Cr shall be increased by Rs. 0.5 Cr.

(c) Total provision of Rs. 11 Cr. Shall be written back and fresh and interest expense shall be booked by Rs. 8 Cr and Rs. 1.5 Cr respectively.

(d) Provision for rent of Rs. 10 Cr shall be written back and provision for interest shall be increased by Rs. 0.5 Cr.

Q55.

The plans that are established by legislation to cover all enterprises and are operated by Governments include:

(a) Multi-Employer plans

(b) State plans

(c) Insured Benefits

(d) Employee benefit plan

Q56.

When should a company dealing in hazardous good make provision for social welfare expenditure if it is to be made mandatory as per new law? Till 31.03.2022, It was not mandatory on 10.05.2022,minister made an announcement of developing the new low on 12.09.2022, Both houses of parliament approved it pending for presidential approval on 29.09.2022, president approved the new law on 02.10.2022,gazette notification is issued for the new law.

(a) On 10.05.2022

(b) On 29.09.2022

(c) On 02.10.2022

(d) Since incorporation of the company as per moral duty

Q57.

Which of the following item does the statement below describe? A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control

(a) A provision
(b) A current liability
(c) A contingent liability
(d) Deferred tax liability

Q58.

XYZ limited has likely liability of Rs. 10 Crore for for which it is considering to create provision in books of accounts. However, if liability materialises, then XYZ limited is entitled to sell an asset of Rs. 1 Core. What should be the accounting treatment of Rs. 1 Crore. What should be the accounting treatment of Rs. 1 Core while recognizing provision in books?

(a) Rs. 1 core should be ignored
(b) Provision should be reduced by Rs. 1 Crore
(c) Gain should be recorded separately for Rs. 1 Cr.
(d) Present value of Rs.1 Cr should be recorded as income.

Q59.

AS 29 is applicable in making provision from which of the following case?

(a) Onerous Contracts
(b) Executory Contracts
(c) Provision for employee benefit
(d) Income tax provision

Q60.

Gratuity and pension would be examples of:

(a) Short-term employee benefits
(b) Long-term employee benefits.
(c) Post-employment benefit benefits
(d) None of the above.

Q61.

An entity has made a provision for insurance liability of Rs. 5 Cr. Company has a policy to recover its insurance expenses from its dealers. What will be the accounting treatment if dealers. What will be the accounting treatment if the recovery amount will be Rs. 6 Cr. or Rs. 4 Cr?

(a) Make provision of Rs. 5 Cr and Show receivable of Rs. 6 Cr or 4 Cr.
(b) Make provision of Rs. 5 Cr and Show receivable of Rs. 5 Cr or 4 Cr.
(c) Make provision of NIL or 1 Cr and show receivable of Rs. 1 Cr or Nil
(d) Make provision of NIL or 1 Cr and show receivable of NIL.

Q62.

Z Ltd has commenced a legal action against Y Ltd claiming substantial damage for supply of a faulty product. The lawyers of Y Ltd have advised that the company is likely to lose the case, although the chances of paying the claim is not remote. The estimated potential liability estimated by the lawyers are: Legal cost (to be incurred irrespective of the outcome of the case) ₹ 50,000 Settlement if the claim is required to be paid ₹ 5,00,000 What is the appropriate accounting treatment in the books of Z Ltd.?

(a) Create a provision of ₹ 5,50,000
(b) Make a Disclosure of a contingent liability of ₹ 5,50,000
(c) Create a Provision of ₹ 5,50,000 and make a disclousure of contingent liability of ₹ 5,50,000
(d) Create a Provision of ₹ 5,50,000

Q63.

Best estimates of the variable to determine the eventual cost of post-employment benefits is referred to as:

(a) Employer's contribution
(b) Actuarial assumptions
(c) Cost to Company
(d) Employees contribution

Q64.

X Co is a business that sells second hand cars. If a car develops a fault within 30 days of the sale, X Co will repair it free of charge. At 1st March 20X1, X Co had a provision for repairs of ₹ 25,000. At 31st March 20X1, X Co calculated that the provision should be ₹ 20,000. What entry should be made for the provision in X Co's income statement for month 31st March 20X1?

(a) Charge of ₹ 5,000
(b) A credit of ₹ 5,000
(c) A charge of ₹ 20,000
(d) A credit of ₹ 25,000

Q65.

Actuarial gains / losses should be:

(a) Recognised through reserves
(b) Charged over the expected life of employees
(c) Charged immediately to profit and Loss Statement
(d) Do not charged to profit and Loss Statement

Q66.

What should be the accounting treatment of Income which is Virtually certain?

(a) Recognised in P&L
(b) Disclosed in notes to accounts
(c) Considered as Remote
(d) No Action is required

Q67.

Which of the following best describes a provision?

(a) A provision is a liability of uncertain timing or amount.
(b) A provision is a possible obligation of uncertain timing.
(c) A provision is a credit balance set up to offset a contingent asset so that the effect on the statement of financial position is nil.
(d) A provision is a possible obligation of uncertain amount.

Q68.

Non-accumulating compensating absence is commonly referred to as:

(a) Earned Leave
(b) Sick Leave
(c) Casual leave
(d) All of the above

Q69.

16 As per AS 29, Provisions, Contingent Liabilities and Contingent Assets warranty claims normally generate

(a) A contingent liability.
(b) A provision.
(c) A contingent asset.
(d) An onerous Contract.

Q70.

In line with AS 29 Provisions, Contingent Liabilities and Contingent Assets, a provision shall be recognized when

(a) An entity has a present obligation that is a result of a past event.
(b) It is probable that an outflow of resources embodying economic benefits will be required.
(c) A reliable estimate can be made of the amount of the obligation
(d) All the three

Correct Answer	
Q54	a
Q55	b
Q56	b
Q57	c
Q58	a
Q59	a
Q60	c
Q61	b

Q62	c
Q63	b
Q64	b
Q65	c
Q66	a
Q67	a
Q68	c
Q69	b
Q70	d

CHAPTER 7 -ACCOUNTING STANDARDS BASED ON ITEMS IMPACTING FINANCIAL STATEMENTS

Q71.

Which of the following circumstances may not give rise to the separate disclosure of items of income and expense

(a) The write-down of inventories to net realisable value

(b) Legislative changes having retrospective application

(c) Litigation settlements

(d) Separation cost paid to CEO of the company

Q72.

What will be the treatment of the balance in the foreign currency translation reserve on disposal of the foreign operation?

(a) Transfer the balance in foreign currency translation reserve to reserves without impacting P/L

(b) Record the balance in foreign currency translation reserve as income or expense in P/L

(c) Foreign currency translation reserve will continue, no change will be made to the balance and it will continue to appear as such even after disposal of the foreign operation

(d) Any method from the above can be adopted

Q73.

Following is not required to be disclosed separately in the statement of P&L?

(a) Profit or loss from ordinary activities

(b) Profit or loss from extraordinary activities

(c) The nature and amount of prior period items

(d) Impact of change in estimate in the normal course of transaction.

Q74.

Which of the following is a Prior Period item?

(a) Arrears payable to workers as a result of revision of wages with retrospective effect during the current period

(b) Change in the useful life of the asset in current year based on 3 years old technical estimate.

(c) income or expense recognised on the outcome of a contingency which previously could not be estimated reliably

(d) Change in the estimate of the amount of bad debts based on court order in current year

Q75.

Which of the following may not be considered as an extra ordinary iten?

(a) Attachment of property of the enterprise

(b) Losses sustained as a result of an earthquake

(c) Claims from policyholders arising from an earthquake for an insurance enterprise that insures against such risks

(d) Loss due to rmajor fire in an important plant of the cornpany

Q76.

Which is adjusting event as per AS 4.

(a) Decline in market value of investments between the balance sheet date and the date on which the financial statements are approved

(b) Dividend declared after the balance sheet date but before the financial statements are approved for issue.

(c) Filing of Bankruptcy by a major customer between the balance sheet date and the date on which the financial statements are approved

(d) Loss from fire which took place between the balance sheet date and the date on which the financial statements are approved

Q77.

Deferred payment liabilities will be shown in the balance sheet of a company under the heading

(a) Other long term liability

(b) Long term borrowings.

(c) Short term borrowings

(d) Current Liabilities

Correct Answer						
Q71	Q72	Q73	Q74	Q75	Q76	Q77
d	b	d	b	c	c	b

CHAPTER 8 -REVENUE BASED ACCOUNTING STANDARDS

Q78.

Which of the following does not form a part of contract costs as defined in AS 7 (Revised)?

(a) Estimated warranty costs under the construction contract.

(b) Comprehensive insurance policy premium for all open construction contracts.

(c) Research and development costs incurred at the instance of the contract and billed to his account.

(d) General administration costs for which reimbursement is not specified in the contract.

Q79.

When fixed-price construction contracts require more than one accounting period for completion, and the contract costs can be reasonably estimated, revenue should be recognized

(a) At the completion of contract

(b) When cash is received from the buyer

(c) When title to the project is transferred to the buyer
(d) As per percentage of completion. Right

Correct Answer	
Q78	Q79
d	d

CHAPTER 9 -OTHER ACCOUNTING STANDARDS

Q80.
What is accounting treatment of government grant refundable which was in the nature of promoters' contribution?
(a) Debited to profit & loss account
(b) Added in the Cost of Fixed asset
(c) Reduced from Deferred Government Grant account
(d) Reduced from Capital

Q81.
Following is not a government grant:
(a) Purchase of Diesel by Indian Railways
(b) Amount from government for establishing setup in backward area
(c) Land from Rajasthan government at a concessional rate
(d) Subsidy from Ministry of External Affairs to purchase from Indian Vendor

Q82.
3 AS 12 'Accounting for Government
(a) Subsidy from Government
(b) Cash incentives from Government
(c) Government participation in the Ownership of the company
(d) Duty Drawback from Government

Q83.
At what value government grant is recorded in books in case a non-monetary asset is given free of cost?
(a) Fair value
(b) Nominal Value
(c) Concessional rate
(d) Should not be recorded

Q84.
Entity X purchased a fixed asset of Rs. 160 Cr having useful life of 10 years. Government provided grant of Rs. 60 Cr. After 4 years, entity had to refund the grant of Rs. 20 Cr due to non fulfilment of a condition. Kindly provide the amount of depreciation to be charged in year 5. Assume - Company follows SLM method of depreciation & grant amount is reduced from the gross bock of fixed asset.
(a) Rs. 16 Cr
(b) Answer2: Rs. 12 Cr
(c) Answer 3: Rs. 13.33 Cr
(d) Answer 4: Rs. 15 Cr

Q85.

6Agovernment grant that becomes refundable is treated as:

(a) Ordinary item
(b) Prior Period Item
(c) Change in Accounting Policy
(d) Extra Ordinary item

Q86.

Entity A received government grant of Rs. 500 Cr on 01.10.2022 for investment in capital assets having useful life of 10 years. As on 31.03.2023, no amount could be capitalized in the books as the assets were not ready for use. What should be the amount to be credited to statement of Profit & Loss out of Deferred Government Grant account in FY 2022-23?

(a) Rs. 500 Cr
(b) ZERO
(c) Rs. 50 Cr
(d) Rs. 25 Cr

Correct Answer						
Q80	Q81	Q82	Q83	Q84	Q85	Q86
d	a	c	b	c	d	b

CHAPTER 10 - ACCOUNTING STANDERDS FOR CONSOLIDATED FINANCIAL STATEMENTS

Q87.

Dividend paid by subsidiary to its parent, out of capital profits, should be credited by the parent company in its

(a) Profit and loss account.
(b) Dividend account
(c) Share invested in subsidiary account
(d) Capital reserve.

Q88.

A Ltd. acquired 10% stake of B Ltd. on April 01 and further 15% on October 01 of the same year. other information is as follows: Cost of Investment for 10% ₹ 1,00,000 and for 15 % ₹ 1,55,000. Net asset on April 01 and ₹ 8,50,000 and on October 01 ₹ 10,00,000. What is the amount of goodwill or capital reserve arising on significant influence?

(a) Goodwill =₹ 10,000.
(b) Goodwill =₹ 20,000
(c) Capital Reserve = ₹ 10,000
(d) Capital Reserve = ₹ 20,000.

89.

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 no. 1 and 2.
(b) Reserves and surplus of both holding and subsidiary company
(c) Mutual indebtedness.
(d) Current assets of subsidiary company

Q90.

Identity which of the statements are correct. (i) In case an associate has made a provision for proposed dividend (i.e. dividend declared after the

reporting period but it pertains Statement (ii) and (iv). to that reporting year) in its financial statements, the investor's share of the results of operations of the associate should be computed without taking into consideration the proposed dividend. (ii) In case an associate has made a provision for proposed dividend (i.e. dividend declared after the reporting period but it pertains to that reporting year) in its financial statements, the investor's share of the results of operations of the associate should be computed after taking into consideration the proposed dividend. (iii) The potential equity shares of the investee held by the investor should not be taken into account for determining the voting power of the investor. (iv) The potential equity shares of the investee held by the investor should be taken into account for determining the voting power of the investor.

(a) Statement (i) and (iii).
(b) Statement (ii) and (iv).
(c) Statement (i) only.
(d) Statement (iii) only.

Q91.
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 no. (i) only.
(b) Point no. (i) and (ii).
(c) Point no. (iii).
(d) Point no. (iii).

Q92.
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 statement s in accordance with AS 13, AS 21 and AS 23as the case may be.

(a) Point (i) is incorrect.
(b) Point (ii) is incorrect.
(c) Point (iii) is incorrect.
(d) None of the above

Q93.
Minority interest should be presented in the consolidated balance sheet of Holding Company (with its subsidiary)

(a) As a part of liabilities
(b) AS a part of equity of the parent's shareholders
(c) Separately from liabilities and the equity of the parent's shareholders
(d) AS a part of assets

Q94.
Goodwill is equal to

(a) Cost of investment less parents share in the equity of the subsidiary on date of investment.
(b) Cost of investment less parents share in the debenture of subsidiary on the date of investment.
(c) Parents share in the equity of subsidiary on date of investment less cost of investment.
(d) Parents share in the debentures of subsidiary on date of investment

Q95.

In consolidation of accounts of holding and subsidiary company ___ is eliminated in full.

(a) Current liabilities of subsidiary company
(b) Reserve and surplus of both holding and subsidiary company
(c) Mutual indebtedness.
(d) Current assets of subsidiary company.

Q96.

If there remains any unrealized profit in the inventory, of any of the Group Company,

(a) Unrealized profit is added to value of inventory to compute consolidated profit.
(b) Unrealized profit is reduced from value of inventory to compute consolidated profit.
(c) No adjustment needs to be done.
(d) Unrealized profit is added to revenue profit.

Q97.

Identify which of the following is/are not a feature of a jointly controlled assets (JCA): (i) There is a separate legal identify. (ii) There is a common control over the joint assets. (iii) Expenses on jointly held assets are shared by the ventures as per the contract. (iv) In their financial statement, venture shows only their share of the asset and total income earned by them.

(a) Point no. (i) only
(b) Point no. (i) and (iii)
(c) Point no. (iii) and (iv)
(d) Point (i) and (ii)

Q98.

Identity which of the statements are correct. An enterprise can influence the significant economic decision making by many ways like: (i) Representation on the board of directors or governing body of the investee. (ii) Participation in policy-making processes.(iii) Interchange of managerial personnel.(iv) Provision of essential technical information.

(a) Statement (i) and (ii) are correct.
(b) Statement (i), (ii) and (iii) are correct.
(c) Statement (i), (ii), (iii) and (iv) are correct.
(d) Statement (ii) and (iii) are correct.

Q99.

Issue of bonus shares by the subsidiary company out of capital profits will

(a) Decrease Goodwill or increase capital reserve.
(b) Increase Goodwill or decrease capital reserve.
(c) Have no effect on Goodwill or capital reserve.
(d) Have no effect on Goodwill.

Q100.

Identify which feature of a Jointllyc of the following is not a controlled. operations (JCQ)·

(a) Each venturer has his business. as his own separate
(b) There is a venture business. separate entity for joint
(c) Each Ventur record only his own transactions Without any separately set of books record maintained for the Joint venture business.
(d) There is a common agreement between all of them.

Q101.

If the subsidiary company follows weighted average method for valuation of inventories and the holding company follows FIFO method, then while consolidating,

(a) Financial statements of subsidiary company should be restated by adjusting the value of inventories to bring the same in line with the valuation procedure adopted by the holding company.

(b) Financial statements of holding company should be restated by adjusting the value of inventories to bring the same rn line with the valuation procedure adopted by the subsidiary company.
(c) Financial statements of both. companies may continue as per the basis followed by them.
(d) No changes are required to be done for consolidation purposes.

Q102.

A Ltd. is holding 90% share in B Ltd. and 10% shares in C Ltd., and B Ltd. is holding 11 % 'shares in C Ltd. Identity which of the statements I are incorrect. (i) In this case, A Ltd. is parent of B Ltd. (ii) As far as the relationship between A Ltd. and C Ltd. is concerned; A Ltd. has a total of direct and indirect holding of (10% + 90% of 11 %) 19. 9 % in C Ltd. (iii) C Ltd. is an associate of A Ltd.

(a) Statement (ii) is incorrect.
(b) Statement (iii) is incorrect.
(c) Statement (ii) and (iii) both are incorrect.
(d) All statements are incorrect.

Q103.

A Ltd. acquired 10% stake of B Ltd. on April 01 and further 15% on October 01 during the same year. Other information is as follow: Cost of Investment for 10% ₹ 1,00,000 and for 15% ₹ 1,45,000 Net asset on April 01 ₹ 8,50,000 and on October 01 ₹ 10,00,000. What is the amount of goodwill or capital reserve arising on significant influence?

(a) Goodwill = ₹ 10,000.
(b) Goodwill = ₹ 20,000.
(c) Capital Reserve= ₹ 10,000.
(d) Capital Reserve = ₹ 20,000.

Correct Answer	
Q87	c
Q88	b
Q89	b
Q90	a
Q91	c
Q92	b
Q93	c
Q94	a
Q95	c
Q96	b
Q97	a
Q98	c
Q99	c
Q100	b
Q101	a
Q102	a
Q103	a

CHAPTER 11 -FINANCIAL STATEMENTS OF COMPANIES

Q104.

Which item will form part of share capital as per Schedule III to the Companies Act,2013?

(a) Share option outstanding account
(b) Forfeited Shares
(c) Share application money pending allotment
(d) Capital work-in-progress.

Q105.

As per AS 3 on Cash flow Statements, cash received by manufacturing company from sale of shares of ABC company Ltd. should be classified as

(a) Operating activity
(b) Financing activity
(c) Investing activity
(d) Non-cash transaction

Q106.

As per the Schedule III, separate disclosure is required in the financial statements for an item of income or expenditure which exceeds

(a) 5% of revenue from operations or Rs. 1,00,000 whichever is lower
(b) 1% of revenue or Rs. 5,000
(c) 1% of Revenue from operations or Rs. 1,00,000 whichever is higher
(d) 1% of Revenue from operations or Rs. 50,000 whichever is higher

Q107.

Declaration of dividends for current year is made after providing for

(a) Depreciation of past years only.
(b) Depreciation on assets for the current year and arrears of depreciation of past years (if any).
(c) Depreciation on current year only and by forgoing arrears of depreciation of past years.
(d) Excluding current year depreciation

Q108.

Trade payables as per Schedule III will include:

(a) Due payable in respect to statutory obligation
(b) Interest accrued on trade payables
(c) Bills payables
(d) Bills receivables

Q109.

Securities Premium Account is shown on the liabilities side in the balance Sheet under the heading:

(a) Reserves and Surplus
(b) Current Liabilities.
(c) Share Capital
(d) Share application money pending

Q110.

Current maturities of long – term debt will come under

(a) Current Liabilities.
(b) Short term borrowings.
(c) Long term borrowings.
(d) Short term provisions

Q111.

Which of the following would be considered a cash -flow item from an investing "activity"?

(a) Cash outflow to the government for payment to taxes.
(b) Cash outflow to purchase bonds issued by another company.
(c) Cash outflow to shareholders as dividends
(d) Cash outflow to make payment to trade payables

Q112.

Which of the following is not a current liability as per Schedule III?

(a) Bank overdraft

(b) Net deferred tax liability

(c) Dividend declared

(d) Provision for employee benefits

Q113.

While preparing cash flow statement, conversion of debt to equity

(a) Should be shown as a financing activity

(b) Should be shown as an investing activity.

(c) Should not be shown as it is a non-cash transaction

(d) Should not be shown as operating activity

Q114.

Fixed assets held for sale will be classified in the company's balance sheet as

(a) Current asset

(b) Non-current asset

(c) Capital work-in-progress

(d) Deferred tax assets

Q115.

Hari Uttam, a stock broking firm, received 1,50,000 as premium for forward contracts entered for purchase of equity shares. How will you classify this amount in the cash flow statement of the firm?

(a) Operating Activities.

(b) Investing Activities.

(c) Financing Activities.

(d) Non-cash transaction

Q116.

All of the following would be included in a company's operating activities except:

(a) Income tax payments

(b) Collections from customers or Cash payments to suppliers

(c) Dividend payments

(d) Office and selling expenses

Correct Answer	
Q104	b
Q105	c
Q106	c
Q107	b
Q108	c
Q109	a
Q110	b
Q111	b
Q112	b
Q113	c
Q114	a
Q115	a
Q116	c

CHAPTER 12 - BUY BACK OF SECURITIES

Q117.

State which of the following statements is true?

(a) Buy-back is for more than twenty-five per cent of the total paid-up capital and free reserves of the company.

(b) Partly paid shares cannot back by a company. ought

(c) Buy-back of equity shares in any financial year shall exceed twenty-five per cent of its total paid-up equity capital in that financial year.

(d) Partly paid shares can be bought back by a company.

Q118.

As per section 68(1) of the Companies Act, buy-back of own shares by the company, shall not exceed

(a) 25% of the total paid-up capital and free reserves of the company.

(b) 20% of the total paid-up capital and free reserves of the company.

(c) 15% of the total paid-up capital and

Q119.

Premium (excess of buy-back price over the par value) paid on buy-back should be adjusted against

(a) (a) Free reserves.

(b) (b) Securities premium.

(c) (c) Both (a) and (b).

(d) (d) Neither (a) nor (b).

Q120.

When a company purchases its own shares out of free reserves; a sum equal to nominal value of shares so purchased shall be transferred to

(a) Revenue redemption reserve.

(b) Capital redemption reserve.

(c) Buyback reserve

(d) General reserve.

Q121.

Advantages of Buy-back of shares include to

(a) Encourage others to make hostile bid to take over the company.

(b) Decrease promoters holding as th shares which are bought back are cancelle

(c) Discourage others to make hostile bid to take over the company as the buy-back will increase the promoters holding.

(d) All of the above.

Q122.

The companies are permitted to buy-back their own shares out of

(a) (a) Free reserves and Securities premium

(b) (b) Proceeds of the issue of any shares.

(c) (c) Both (a) and (b)

(d) (d) Neither (a) nor (b).

Correct Answer					
Q117	Q118	Q119	Q120	Q121	Q122
b	a	c	b	c	c

CHAPTER 13 - AMALGAMATION OF COMPANIES

Q123.

Amalgamation adjustment reserve is opened in the books of the amalgamated company to incorporate

(a) Assets of the amalgamating company
(b) Non- Statutory reserves of th amalgamating company.
(c) Statutory reserves of the amalgamating company.
(d) General reserve of the amalgamating company.

Q124.

A company into which the vendor company is merged is called

(a) Transferee company.
(b) Transferor company.
(c) Selling company.
(d) Acquiree company.

Q125.

Amalgamation Adjustment Reserve is presented in the financial statements of the transferee company as

(a) Other current asset.
(b) Separate line item with a negative sign under the head Reserves and Surplus.
(c) Other non-current assets.
(d) Investment of the company

Q126.

4 If expenses of liquidation of the company are paid by the purchasing company then, in purchasing company's book, the account debited is

(a) Goodwill account.
(b) Liquidation expense account.
(c) Vendor company account.
(d) General reserve.

Q127.

In case of amalgamation, the entry for elimination of unrealized profit or loss on stock is made

(a) By the vendor company
(b) By the purchasing company
(c) By the third party
(d) By the court

Q128.

If the purchase consideration is mor net assets (at agreed values) of the transferor company, difference shall be recorded as company. in the books of the transferee

(a) Goodwill.
(b) Capital Reserve.
(c) Profit.
(d) Loss.

Q129.

If the purchase consideration is more than net assets (at agreed values) of the transferor company, difference shall be recorded as company. in the books of the transferee

(a) Goodwill.
(b) Capital Reserve.
(c) Profit.
(d) Loss.

Correct Answer						
Q123	Q124	Q125	Q126	Q127	Q128	Q129
c	a	b	a	b	a	a

CHAPTER 14 - ACCOUNTING FOR RECONSTRUCTION OF COMPANIES

Q130.
When the object of reconstruction is usually to re-organise capital or to compound with creditors or to effect economies then such type of reconstruction is called

(a) Internal reconstruction with liquidation
(b) Internal reconstruction without liquidation of the company
(c) External reconstruction
(d) None of the above

Q131.
A process of reconstruction, which is carried out without liquidating the company and forming a new one is called

(a) Internal reconstruction.
(b) External reconstruction.
(c) Amalgamation in the nature of merger.
(d) Amalgamation in the nature of purchase.

Q132.
For reduction of the share capital, the permission has to be sought from

(a) Court.
(b) Controller.
(c) State government.
(d) Shareholders.

Q133.
Reconstruction is a process by which affairs of a company are reorganized by

(a) Revaluation of assets and Reassessment of liabilities.
(b) Writing off the losses already suffered by reducing the paid-up value of shares and/or varying the rights attached to different classes of shares.
(c) Both (a) and (b).
(d) None of the above.

Q134.
In case of internal reconstruction

(a) Only one company is liquidated.
(b) Two or more companies are liquidated.
(c) No company is liquidated.
(d) Two companies amalgamated.

Q135.
The accumulated losses under scheme of internal reconstruction are written off against

(a) Capital Reduction account
(b) Share Capital account
(c) Shareholders account
(d) General Reserves.

Correct Answer					
Q130	Q131	Q132	Q133	Q134	Q135
b	a	a	c	c	a

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Q139.

PPE Balance as per Trial Balance – Rs. 12,00,000 At beginning of Year PPE Sold at 60,000 (Whose wdv is 50,000) and Sale value is wrongly credited to PPE. Depreciation Rate is 10% p.a. New PPE Purchased in the mid of year is Rs. 3,00,000. Calculate the Correct Depreciation amount for the year.

(a) 1,20,00
(b) 1,05,000
(c) 1,04,000
(d) 1,06,000

Correct Answer			
Q136	Q137	Q138	Q139
d	c	c	d

CHAPTER 1 – FINANCIAL STATEMENTS

Q 136.

Dividend Payable comes under which head of B/S

(a) Short Term Provisions
(b) Reserves and Surplus
(c) Other Non-Current Liabilities
(d) Other Current Liabilities

Q137.

Capital Advances to be shown under which head of B/S

(a) Investments
(b) Long Term Borrowings
(c) Long Term Loans and Advances
(d) Short Term Loans and Advances

Q138.

What will be the Treatement of Goods Purchased but still in Transit not yet accountedfor (No Journal entry has been passed yet)?

(a) To be shown under B/s as Closing Stock
(b) Added to Purchase in SPL
(c) Added to Purchase in SPL and Shall be part of Closing Stock
(d) Should be ignored since possession is not

CHAPTER 2 – AS – 19 LEASES

Q 140.

Which is incorrect?

Implicit Interest Rate is the discounting rate that, at the inception of the lease, causes:

(a) Present value of MLP+ GRV = Fair value of Asset + Initial direct cost
(b) Present value of MLP + UGRV = Fair value of Asset + Initial direct cost
(c) Present value of MLP + UGRV = Fair value of Asset + Initial indirect cost
(d) Present value of MLP + GRV = Fair value of Asset + Initial indirect cost

Q 141.

At the commencement of the lease term, lessor should recognize Lease Receivable in his statement of financial position of amount equal to:

(a) Net Investment in the lease.
(b) Gross Investment in the lease.
(c) MLP + any UGRV.
(d) All of the above.

Q 142.

Which lease transfer substantially all risk & rewards incident to ownership of an asset?

(a) Operating lease
(b) Finance Lease
(c) Both
(d) None

Q 143.

A portion of the lease payments that is not fixed in amount but is based on a factor other than just the passage of the time is termed as:

(a) House rent
(b) Contingent rent
(c) Outstanding rent
(d) Incremental rent

Q 144.

In which type of lease, expenses like maintenance, repair and taxes are borne by the lessor:

(a) Operating lease
(b) Finance lease
(c) Both
(d) None of the above

Q145.

X Ltd sold machinery having WDV of Rs. 80 Lakhs to Y Ltd. for Rs. 90 Lakhs and the same machinery was leased back by Y Ltd. To X Ltd. The lease back is operating lease. What if Fair market value of machinery is Rs. 80 Lakhs and sale price is Rs. 90 lakhs

(a) Profit of Rs. 10 lakhs shall be transferred to P&L
(b) Profit of Rs. 10 lakhs shall be deferred & amortized over the lease period
(c) Profit of Rs. 5 Lakhs shall be transferred to P&L and Rest Rs. 5 Lakhs shall be deferred & Amortized over the lease term
(d) As fair value is equal to WDV nothing to be done.

Q146.

Annual lease rent = Rs. 80,000
Lease period = 3 years
Fair value at inception of lease = 3,00,000
Guaranteed residual value = Rs. 28,000
Interest rate implicit = 12%
Calculate amount at which asset should be recorded in the books of lessee.

(a) 2,12,076
(b) 3,00,000
(c) 3,04,270
(d) 2,88,382

Q147.

Unearned finance income is difference between:

(a) Gross Investment & Present value of MLP
(b) Net Investment & Present value of MLP
(c) Gross Investment & Present value of (MPL+UGRV)
(d) Gross Investment & Net Investment

Q148.

In case of sale & lease back, if there is profit on sale, which is correct out of following:

(a) Profit over & above fair value shall be transferred to P&L immediately.
(b) Profit upto fair value shall be deferred & amortised over the lease period.
(c) Both (a) & (b)
(d) None of the above.

Q149.

In the books of seller-lessee, if a sale and leaseback transactions results in an operating lease, and it is clear that the transaction is established at fair value, then:

(a) Any profit or loss should be recognised immediately.
(b) Any profit or loss should be deferred and

amortised over the period for which the asset is expected to be used.
(c) If there is loss, then immediately recognised in P&L statement and if there is gain then amortised over the lease term.
(d) Either A or B

Q150.
Classification of lease as Operating or Financing is done on following date:
(a) The date of the lease agreement
(b) The date of commitment by the parties to the principle provisions of the lease.
(c) At earlier of A & B
(d) The date when asset is available for use

Q151.
What is the accounting treatment for all Initial Direct cost incurred by lessor to earn revenues from an operating lease?
(a) Deferred and allocated to income over the lease term in proportion to the recognition of the rent income.
(b) Recognised as an expense in the statement of profit and loss in the period in which they are incurred.
(c) Added in the cost of the asset
(d) Either A or B

Q152.
On which date lessee should recognise Lease assets & Liability?
(a) The date of the lease agreement
(b) The date of a commitment by the parties to the principle provision of the lease.
(c) At the earlier of A & B
(d) The date when asset is available for use.

Q153.
If Sale and Leaseback transaction results in an operating lease and sale price is more than fair value, the excess amount is
(a) Credited to P&L statement.
(b) Deferred and amortise over expected period of use of the asset.
(c) Deferred and amortise over period of five years.
(d) Amortised in proportion to lease payments.

Q154.
X limited has taken machinery on Operating lease for 3 years. Initial yearly rent is Rs. 10,000. Rent is subject to 5% escalation every year. General inflation rate in the country is also 5% per year. What amount will be charged in the statement of P&L in the first year? Present value of total rent payment over 3 years is Rs. 26,051.
(a) Rs. 10,508.33
(b) Rs. 10,000
(c) Rs. 26,051
(d) Rs. 11,302.33

Q155.
According to AS 19, if a lease agreement is signed on January 15, but the parties committed to the principal provisions of the lease on December 31 of the previous year, when should the inception of the lease be recognized?
(a) January 15
(b) December 31
(c) The average of January 15 and December 31
(d) The later of January 15 and December 31

Q156.
A lessee enters into a lease agreement with a lessor. The lease term is 5 years, and the minimum lease payments are ₹10,000 per year, contingent rent estimated ₹5,000. Additionally, the lessee guarantees a residual value of ₹5,000 at the end of the lease term. What is the total minimum lease payment for the lessee? ₹
(a) ₹50,000
(b) ₹45,000

(c) ₹55,000
(d) ₹10,000

Q157.
In a lease arrangement of 3 years, the lessor receives annual lease payments of ₹20,000, guarantees a residual value of ₹5,000, and expects an undiscounted unguaranteed residual value (UGRV) of ₹2,000. What is the Net Investment (GI) for the lessor if discounting rate is 10%?
(a) ₹55,000
(b) ₹67,000
(c) ₹53,494
(d) ₹25,000

Q158.
What is unearned finance income for a lessor in a finance lease?
(a) Gross investment divided by lease term.
(b) Total of lease payments and residual value less present value of gross investment.
(c) Gross investment less residual value.
(d) Gross investment less unguaranteed residual value.

Q159.
What does the lessee's incremental borrowing rate of interest represent in lease accounting?
(a) The lessor's desired profit margin.
(b) The interest rate implicit in the lease.
(c) Revised interest rate implicit in the lease to get extra income through lease.
(d) The rate of interest the lessee would incur to borrow funds to purchase a similar asset over a similar term and with similar security.

Q160.
ABC Leasing, a lessor, has incurred initial direct costs, including commissions and legal fees, while negotiating and arranging a finance lease. How should ABC Leasing account for these initial direct costs?
(a) Allocate them against the finance income over the lease term.
(b) Capitalize them as part of the leased asset and amortize over the lease term.
(c) (a) and (b) both
(d) (a) or (b)

Q161.
ABC Leasing enters into a finance lease with a lessee. The lease term is 10 years, and the interest rate implicit in the lease is 8%. How should ABC Leasing recognize unearned finance income over the lease term according to AS 19?
(a) Recognize unearned finance income immediately in the first year.
(b) Allocate unearned finance income evenly over the lease term.
(c) Systematically and rationally recognize unearned finance income based on a constant periodic return using the implicit interest rate.
(d) Base unearned finance income recognition on the lessee's payment schedule.

Q162.
ABC Leasing has leased specialized equipment to a lessee under a finance lease. The lease term is 8 years, and the estimated unguaranteed residual value is $20,000. According to AS 19, if ABC Leasing identifies a reduction in the estimated unguaranteed residual value during a regular review, what action should be taken regarding income allocation?
(a) Revise the income allocation for the remaining lease term, but only if the reduction is significant.
(b) Ignore the reduction in unguaranteed residual value for income allocation purposes.
(c) Revise the income allocation over the remaining lease term immediately,

irrespective of the magnitude of the reduction.

(d) Continue with the existing income allocation, and only adjust for the reduction in unguaranteed residual value at the end of the lease term.

Q163.

ABC Manufacturing, acting as a lessor, sells machinery to a lessee under a finance lease arrangement. According to AS 19, if artificially low rates of interest are quoted in the lease agreement, how should ABC Manufacturing recognize the profit on the sale in its statement of profit and loss?

(a) Recognize the entire profit on the sale immediately, irrespective of the quoted interest rates.

(b) Restrict the profit on the sale to that which would apply if a commercial rate of interest were charged.

(c) Recognize profit on the sale over the lease term, even if artificially low rates of interest are quoted.

(d) Adjust the profit on the sale based on the prevailing market interest rates at the inception of the lease.

Q164.

XYZ Ltd, a lessee, has entered into an operating lease for specialized manufacturing equipment. The lease term is 10 years. According to AS 19, under what circumstances can XYZ Ltd deviate from recognizing lease payments on a straight-line basis?

(a) If the fair value of the leased equipment fluctuates during the lease term.

(b) If XYZ Ltd anticipates changes in its financial position during the lease term.

(c) If another systematic basis is more representative of the time pattern of the user's benefit.

(d) If the lessor offers variable lease payments based on market conditions.

Q165.

Mr. Johnson, a lessee, enters into an operating lease agreement for a commercial property with Realty Leasing. The lease term is 12 years. According to AS 19, what is the primary consideration for Mr. Johnson in determining the recognition of lease payments?

(a) The lessor's accounting policies for operating leases.

(b) The fair value of the leased property.

(c) The time pattern of user's benefit.

(d) Mr. Johnson's preferred method of accounting.

Q166.

ABC Leasing, as a lessor, leases machinery to XYZ Corporation. According to AS 19, how should ABC Leasing recognize depreciation in its books for the leased machinery if it leases the machine on finance lease?

(a) Depreciate the leased machinery based on the lessee's depreciation policy.

(b) Recognize depreciation on a straight-line basis over the lease term, irrespective of the lessor's normal depreciation policy.

(c) Apply the lessor's normal depreciation policy for similar assets consistently, as stated in AS 10.

(d) Lessor cannot book depreciation in his books in case of leased asset.

Q167.

ABC Corporation, as a seller-lessee, enters into a sale and leaseback transaction resulting in a finance lease. The excess of sales proceeds over the carrying amount of the asset should be deferred. According to AS 19, how should ABC Corporation amortize this excess over the lease term?

(a) Amortize the excess evenly over the entire lease term.

(b) Amortize the excess in proportion to the depreciation of the leased asset.
(c) Amortize the excess based on the fair value of the asset.
(d) Amortize the excess only if the lease payments exceed market rates.

Q168.
Lease Term is 5 Years. Initial Direct Cost incurred by lessor is 50,000. Fair Value of Leased Asset is 14,50,000. Annual lease rent is Equal in every year. GRV is 1,00,000 and UGRV is 60,000. Interest Rate Implicit in lease is 10%. Calculate Annual Lease Rent Amount.
(a) 3,50,000
(b) 3,69,560
(c) 3,95,778
(d) 3,79,393

Q169.
Lease Term is 3 years. Annual Lease Rent is 5,00,000. GRV is 2,00,000 and UGRV is 1,00,000. Fair Value of Lease Asset is 15,00,00 and initial direct cost is 50,000. What should be the approx interest rate implicit in lease?
(a) 8.23%
(b) 10%
(c) 7.63%
(d) 7.23%

Correct Answer	
Q140	b
Q141	a
Q142	b
Q143	b
Q144	a
Q145	b
Q146	a
Q147	c
Q148	d
Q149	a
Q150	c
Q151	d
Q152	d
Q153	b
Q154	a
Q155	b
Q156	c
Q157	a
Q158	b
Q159	d
Q160	a
Q161	c
Q162	a
Q163	b
Q164	c
Q165	c
Q166	d
Q167	b
Q168	b
Q169	d

CHAPTER – 3
AS – 20 "Earnings per Share"

Q170.

Date	Particulars	Numbers
Ist Jan	Opening Balance	1800
30th June	Issue for cash	600
31st Dec	Buyback	300

Calculate weighted average number of shares.

a) 2150
b) 2050
c) 2100
d) 2200

Q171.

Net Profit (before tax) for the period = 20,000
Current tax = 5,000
Deferred tax expense = 2,000
9% Preference share capital = 3,00,000
Company declared 10% dividend for equity share holder
Prior period item = (1,000)
Extra-ordinary item = 200
Calculate Profit/(Loss) attributable to Equity share holder

a) 15,000
b) 12,200
c) (14,000)
d) (14,800)

Q172.

Net profit for the current year = Rs. 2,00,00,000
No. of equity shares outstanding = 1,00,00,000
No. of 12% convertible debentures of Rs. 100 each = 2,00,000
(each debenture is convertible into 10 equity shares)
Interest on debenture for the current year = Rs. 24,00,000
Tax saving relating to interest expense (30%) = Rs. 7,20,000
Calculate Diluted Earnings Per Share

a) 1.81
b) 2.67
c) 1.92
d) 2.92

Q173.

Net profit for the year 31st March 20X1 – 36,00,000
Net profit for the year 31st March 20X2 – 1,20,00,000
No. of Equity shares outstanding until 30th September 20X1 – 40,00,000
Bonus issue Ist October 20X1 was 2 Equity shares for each equity share outstanding at 30th September, 20X1.
Calculate Restated Earnings Per Share for year ended 31st March 20X1.

a) 1
b) 0.3
c) 0.6
d) 2

Q174.

No. of shares prior to right issue 2,50,000 shares
Right issue: One new share for each 5 shares outstanding
: Right issue price Rs. 15
: Last date to exercise rights Ist March, 20X3
Fair value of 1 equity share immediately prior to exercise of rights on 01.03.20X3 is Rs.21
Calculate theoretical ex-right fair value per share:

a) Rs. 20.50
b) Rs. 19.85
c) Rs. 20.00
d) Rs. 20.65

Q175.

Which of the following is correct:

a) Basic EPS = Net Profit/Loss for period attributable to Equity & Preference shareholders divided by average no of equity shareholders.

b) Basic EPS = Net Profit/Loss for period attributable to Equity & Preference shareholders divided by weighted average no of equity shareholders.
c) Both of the above.
d) None of the above

Q176.

Cum-right price = 25 & Ex-right price = 20
What is the right factor?

a) 25
b) 20
c) 0.8
d) 1.25

Q177.

Which of the following is NOT a component of basic earnings per share calculation according to Accounting Standard 20 (AS 20)?

a) Net profit or loss attributable to ordinary equity holders of the parent
b) Weighted average number of ordinary shares outstanding during the period
c) Preference Share dividends
d) Extraordinary Items and Prior Period Items20

Q.178

XYZ Ltd reported a net profit of Rs.500,000 for the financial year ended December 31, 2023. The company has 100,000 ordinary shares outstanding throughout the year. Additionally, the company issued 20,000 8% convertible preference shares on January 1, 2023, convertible into 2 ordinary shares each. Calculate the diluted earnings per share for XYZ Ltd for the year 2023.

a) Rs.5.00
b) Rs.4.00
c) Rs.3.57
d) Rs.6.67

Q.179

Which of the following is a key consideration when computing diluted earnings per share under AS 20?

a) The potential dilutive effect of stock options
b) The company's goodwill impairment
c) The amount of retained earnings
d) The depreciation expenses

Q.180

ABC Corp reported a net profit of Rs.600,000 for the financial year ended December 31, 2023. The company has 200,000 ordinary shares outstanding throughout the year. Additionally, the company has issued 10,000 stock options with an exercise price of Rs.20 each. The average market price of the ordinary shares during 2023 was Rs.25. Calculate the diluted earnings per share for ABC Corp for the year 2023.

a) Rs.2.50
b) Rs.3.00
c) Rs.2.75
d) Rs.2.97

Q.181

XYZ Corporation reported the following information for the financial year ended December 31, 2023:

Net profit from continuing operations: Rs.1,200,000
Net loss from discontinuing operations: Rs.300,000
Weighted average number of ordinary shares outstanding: 500,000
XYZ Corporation has also issued 20,000 convertible preference shares convertible into 2 ordinary shares each. These preference shares are not considered in the calculation of diluted earnings per share as they are anti-dilutive.

Based on the information provided, which of the following statements is TRUE regarding the calculation of diluted earnings per share for XYZ Corporation for the year 2023?

a) The diluted earnings per share will be lower than the basic earnings per share due to the inclusion of the net loss from discontinuing operations.
b) The diluted earnings per share will be higher than the basic earnings per share due to the exclusion of the convertible preference shares.
c) The diluted earnings per share will remain the same as the basic earnings per share due to the anti-dilutive nature of the convertible preference shares.
d) The diluted earnings per share cannot be calculated without further information about the potential dilutive effects of other securities.

Q.182

Which of the following statements regarding the treatment of contingently issuable shares in the calculation of earnings per share is TRUE?

a) The contingently issuable shares should be included in the calculation of basic earnings per share but excluded from the calculation of diluted earnings per share.
b) The contingently issuable shares should be included in the calculation of diluted earnings per share if they are dilutive, regardless of whether the performance conditions have been met.
c) The contingently issuable shares should be excluded from both the calculation of basic and diluted earnings per share until the performance conditions have been met.
d) The contingently issuable shares should be included in the calculation of diluted earnings per share only if the performance conditions have been met during the year.

Q.183

As on 01.04.20X2, 40,000 Ordinary shares were outstanding with Face Value of 10/- each fully paid. On 1st July, entity issued 15,000 shares with FV of 10/- at 6/- paid up immediately. On 1st December, 20X2 entity asked for 4/- call on 15,000 equity shares. All shareholders paid the call money except the shareholders holding 2,500 shares. Calculate the Weighted Avg. O/s Equity Shares to be considered for the purpose of EPS. Partly Paid Shares are also Entitled for Dividend.

a) 48,750 nos
b) 48,416 nos
c) 55,000 nos
d) 44,166 nos

Q.184

As on 01.04.20X2, 40,000 Ordinary shares were outstanding with Face Value of 10/- each fully paid. On 1st July, entity issued 15,000 shares with FV of 10/- at 6/- paid up immediately. On 1st December, 20X2 entity asked for 4/- call on 15,000 equity shares. All shareholders paid the call money except the shareholders holding 2,500 shares. Calculate the Weighted Avg. O/s Equity Shares to be considered for the purpose of EPS. Partly Paid Shares are Entitled for Dividend only when they become fully paid.

a) 48,750 nos
b) 48,416 nos
c) 55,000 nos
d) 44,166 nos

Correct Answer	
Q170	b
Q171	c
Q172	d
Q173	a
Q174	b
Q175	c

Q176	d
Q177	d
Q178	c
Q179	c
Q180	a
Q181	d
Q182	c
Q183	c
Q184	b

CHAPTER 4 - BUY BACK OF SECURITIES

Q185.

In PQR Ltd, total outstanding Equity Shares are 2,70,000 nos. of Rs.10 each. Balance in General Reserve is Rs. 15,00,000 along with Security Premium of Rs. 12,50,000 and P&L of Rs. 7,50,000. Company wants to buy back its 20% shares at 5% premium. Calculate CRR to be created.

a) 5,67,000
b) 27,000
c) 5,40,000
d) Not required

Q186.

One of the tests to be satisfied for the purpose of Buy back of Equity Shares is:

a) Maximum no. of buyback should exceed 25% of total outstanding Equity shares & Preference Shares.
b) Maximum no. of buyback should not exceed 25% of total outstanding Equity shares after buyback.
c) Maximum no. of buyback should not exceed 25% of total outstanding Equity shares before buyback.
d) Before the buyback of Equity, Debt-Equity Ratio should not exceed 2:1

Q187.

Outstanding Equity shares capital is Rs. 45,00,000 (FV = 10). Free Reserve including Security Premium is Rs. 22,20,000. Capital reserve is Rs. 16,80,000. Maximum buyback admissible if the company wants to buyback shares at 50% premium.

a) 1,12,500 nos.
b) 1,12,000 nos.
c) 1,40,000 nos.
d) None of the Above

Q188.

For the purpose of Buy back shares at Par company made fresh issue of 10% Pref. Shares of Rs. 5,00,000 and also sold old Plant and Machinery for Rs. 8,00,000. Outstanding Equity shares (10/-) 3,50,000 nos. Company wants to buyback 15% shares. General reserve Rs. 36,00,000 & Security Premium Rs. 10,00,000. Calculate CRR.

a) 5,25,000
b) 5,00,000
c) 25,000
d) Not Possible to Find out without buyback price

Q.189

Company wants to buy back 64,000 equity shares at 20% premium. Total number of outstanding equity shares are 3,20,000 nos (FV is 10). Free Reserves including security premium is Rs. 8 lakhs and total debts are Rs. 55 lakhs. Which conditions is not satisfied?

a) Share outstanding test
b) Resource test
c) Debt-equity test
d) All above Conditions are satisfied

Q.190

PQR limited wants to buy-back 25000 equity shares at 5% premium out of 1,20,000 shares. For the purpose it sold machinery for Rs 3 lakhs. It has general Reserve of Rs. 5 lakh, security premium Rs. 10 lakh and P&L Rs.5 lakh. Calculate CRR:

a) Not required
b) 2,50,000
c) 2,62,500
d) 1,25,00

Q.191

ABC Ltd has Rs. 6,00,000 in the form of Equity share capital and Rs. 4,00,000 free Reserve including security premium. Face value is 10 per share. Company decided to buyback 15,000 shares at 12 each. Company can further proceed to buyback if debt is not less than:

a) 13,00,000
b) 12,00,000
c) 10,00,000
d) 13,40,000

Q.192

Total buyback amount is 45,00,000 which includes 5,00,000 as a premium on buyback. Company made fresh issue of 9% Preference shares of Rs. 50,00,000. Company decided to use Rs. 40,00,000 for the purpose of buyback. Is there any requirement to create CRR? if yes then how much?

a) Yes, Rs.5,00,000
b) No
c) Yes, Rs.45,00,000
d) Can't say

Q.193

XYZ limited wants to buy-back 12,000 equity shares at par out of 70000 shares of 10 each. In need of cash company issue debentures of Rs.3 lakhs. It has general reserve of Rs. 5 lakh, security premium Rs. 10 lakh and P&L Rs.5 lakh. Debentures before new issue should not be less than:

a) Rs. 25,00,000
b) Rs. 16,00,000
c) Rs. 45,00,000
d) Rs. 46,20,000

Q.194

As per Section 68 of the Companies Act, 2013, the post-buy-back debt-equity ratio should not exceed –

a) 1
b) 1.5
c) 2
d) 3

Q.195

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 the company
d) Fully paid-up and partly paid-up with the permission of Central Government

Q.196

Y Ltd wants to buy-back its equity shares. It has outstanding 18,000 equity shares of 10/- each and 1,000 Preference shares of 100/- each. It has free reserves of ₹ 50,000 and Securities premium of ₹ 40,000 and P&L of ₹ 30,000. Buyback price per share is ₹ 11/-. Calculate maximum permissible limit of no. of buy-back of shares if outstanding debt is ₹ 7,00,000

a) 15,476
b) 4,500
c) 2,380
d) 9,090

Q.197

Neon Ltd has outstanding 35,000 equity shares of 10/- each. Company wants to issue 1,000 Preference shares at ₹100/- each. It has general reserves of ₹ 2,50,000 and Securities premium of ₹ 1,70,000 and P&L of ₹ 1,15,000. Buy-back price per share is ₹ 25/-. How many shares can be buy-back as per debt-equity test if outstanding debt is ₹ 14,50,000.

a) 8,750
b) 8,850
c) 10,428
d) 10,285

Q.198

A Ltd has outstanding equity shares capital of ₹ 2,00,000 (FV-10/-). Company decided to buy-back 10% equity shares at 15% premium. It was also decided to issue maximum fresh securities after using reserves, but minimum general reserve balance should be ₹ 200. It has general reserves of ₹ 3,200 and Securities premium of ₹ 600 and cash balance of Rs. 4,000. What will be the amount of fresh issue?

a) 19,400
b) 20,000
c) 23,000
d) None of Above

Q.199

A Ltd has outstanding equity shares capital of ₹ 2,50,000 (FV-10/-). Company decided to buy-back 10% equity shares at 15% premium. It was also decided to issue maximum fresh securities after using reserves, but minimum general reserve balance should be ₹ 500. It has general reserves of ₹ 5,000 and Securities premium of ₹ 1000 and cash balance of Rs. 1,000. What will be the amount of fresh issue?

a) 25,000
b) 27,750
c) 23,250
d) 28,750

Correct Answer	
Q185	c
Q186	b
Q187	c
Q188	c
Q189	b
Q190	d
Q191	b
Q192	d
Q193	c
Q194	b
Q195	c
Q196	d
Q197	a
Q198	b
Q199	c

CHAPTER 5 –
AS 3 - Cash Flow Statement

Q.200

Loans and Advances given to supplier, employee & to its subsidiary company and interest earned

a) On them should be classified as:
b) Operating Activity
c) Investing Activity
d) Financing Activity
  i) a), b) & c) respectively
  ii) b), b) & c) respectively
  iii) a), a) & b) respectively
  iv) c), b) & c) respectively

Q201.

Interest from investment received reduced from the cost of investment. While making Cash Flow statement:

(a) It shall not be shown under investment activities.
(b) It shall be eliminated from net profit under operating activities.
(c) It shall be added to cash flow from investment activities.
(d) None of the above.

Q.202

Dividend income of Rs. 9,000 received after deduction of 10% TDS. What amount should be reduced from net profit and added to investing activity respectively:

(a) 9,000 & 9,000
(b) 10,000 & 9,000
(c) 10,000 & 10,000
(d) 9,000 & 10,000

Q203.

JLP Builders, a contractor firm, received 1,50,000 as booking amount for purchase of flat from customer. How will you classify this amount in the cash flow statement of the firm?

(a) Operating Activities.
(b) Investing Activities.
(c) Financing Activities.
(d) Non-cash transaction

Q204.

XYZ Company reported net income of Rs.200,000 for the year. During the year, accounts receivable decreased by Rs. 10,000, inventory increased by Rs.8,000, accounts payable increased by Rs.6,000, depreciation expense of Rs.10,000 was recorded, and land was purchased for Rs.150,000 in cash. Net cash provided by operating activities for the year is

(a) Rs. 218,000
(b) Rs. 68,000
(c) Rs. 214,000
(d) Rs. 202,000

Q205.

On the statement of cash flows using the indirect method, patent amortization expense will

(a) Be added to net income in the operating section.
(b) Be deducted from net income in the operating section.
(c) Appear as an inflow of cash in the investing section.
(d) Appear as an outflow of cash in the investing section.

Q206.

Radhe Shyam Ltd. issued common stock for proceeds of Rs. 5,58,000 during 2023. The company paid dividends of Rs.99,000 and issued debentures for Rs. 3,75,000 in exchange for equipment during the year. The company also purchased treasury stock that had a cost of Rs. 81,000. The financing section of the statement of cash flows will report net cash inflows of

(a) Rs.3,78,000

(b) Rs. 8,34,000
(c) Rs. 4,59,000
(d) Rs. 7,53,000

Q207.
From the following data, find the value of building sold during the year:

Particulars	31.03.2023	31.03.2024
Land & Building	2,00,000	1,70,000
Capital Reserve	Nil	20,000

A piece of land has been sold during the year and profit on sale has been credited to capital reserve. Depreciation charged on the building during the year is Rs. 5,000; on additions have been made under this head during the year.
(a) Rs. 30,000
(b) Rs. 50,000
(c) Rs. 40,000
(d) Rs. 45,000

Q208.
As per AS 3 on Cash Flow Statements, Highly liquid Marketable Securities (without risk of change in value) should be classified as
(a) Operating activity.
(b) Financing activity.
(c) Investing activity.
(d) None of the above.

Q209.
Preference share capital of ₹ 5,00,000 was redeemed at a premium of 10%, partly out of proceeds from sale of 20,000 equity shares and partly out of profits otherwise available for dividends. Choose the correct effect on different activities of cash flow statement from the options given below:
(a) In financing activities, cash out-flow ₹ 5,50,000 and cash inflow ₹ 2,20,000.
(b) In financing activities, cash out-flow ₹ 5,50,000 and in investing activities, cash inflow ₹ 2,20,000.
(c) Net ₹ 3,30,000 will be outflow in operating activities.
(d) In investing activities cash out-flow of ₹ 5,50,000 and in financing activities cash inflow of ₹ 2,20,000.

Correct Answer	
Q200	c
Q201	c
Q202	c
Q203	B
Q204	a
Q205	a
Q206	a
Q207	c
Q208	d
Q209	d

CHAPTER 6 – Amalgamation of Companies

Q210.
In case of downstream transaction, transaction is from ______ to ______and the elimination of profit entry passed through _____.

a) Transferor to transferee, Goodwill a/c
b) Transferor to transferee, General reserves/P&L
c) Transferee to transferor, Goodwill a/c
d) Transferee to transferor, General reserves/P&L

Q211.
In calculation of intrinsic value of share, which of the following is correct:

a) While deducting all liabilities from value of assets and goodwill, debenture liability is book value of debentures.
b) While deducting all liabilities from value of assets and goodwill, debenture liability is payable value of debentures.
c) We should consider book value of fixed assets.
d) None of the above is correct.

Q212.
In the process of closer of books of transferee, which of the following should not consider:

a) Goodwill which is shown in Balance sheet asset side
b) Unrecorded liability
c) Asset not taken over
d) All of the above

Q213.
AS Ltd. merged with TP Ltd. Shareholder of TP Ltd received 4 shares for every 7 shares held by them in TP Ltd. Face value of that share is ₹ 100 each issued at 20% premium. Total number of shares outstanding as on date of merger is 15,00,000. Calculate allowable PC to be paid in cash.

a) 85,714
b) 85.714
c) 10.286
d) 0

Q214.
Transferee sold goods to transferor costing ₹ 5,00,000 at ₹ 7,50,000. In the Balance sheet of Transferor total inventory is appearing at ₹ 12,00,000. Which includes goods from transferor ₹ 3,00,000. Total inventory is taken over at 15% less than book value. Calculate amount of unrealised profit to be eliminated.

a) ₹ 1,00,000
b) ₹ 85,000
c) ₹ 55,000
d) ₹ 15,000

Q215.
₹ 1,50,000, 12% Preference share holder of a transferor company will be paid at 10% premium by issue of new preference shares in Transferee company at 10% discount. Paid up value of a share is ₹ 8. Calculate PC and number of shares to be issued.

a) ₹ 1,88,571 and 23,571 nos
b) ₹ 1,65,000 and 23,571 nos
c) ₹ 1,85,625 and 20,625 nos
d) ₹ 1,65,000 and 20,625 nos

Q216.
A Ltd and B Ltd decided to merge both companies and form a new company AB Ltd. A Ltd decided to revalue its asset- Building, costing ₹ 2,50,000 upward by 10%. As on date of merger A ltd. has its Equity share capital, general reserves and securities premium ₹ 1,00,000, ₹ 80,000 and 20,000 respectively. Realisation profit is ₹ 25,000.

Calculate purchase consideration received by A ltd. form AB Ltd.

a) 2,50,000
b) 2,25,000
c) 25,000
d) Can't say

Q217.

Intrinsic value of share of transferee is ₹ 30 and of Transferor is ₹ 27. Outstanding number of shares on last day before amalgamation is 60,000 in transferee and 50,000 in transferor. Calculate PC.

a) ₹ 15,00,000
b) ₹ 18,00,000
c) ₹ 16,20,000
d) ₹ 13,50,000

Q218.

Balance sheet X Ltd. shows debtors of ₹ 90,000 on which ₹ 10,000 provision for bad debts created. Y Ltd take over business of X ltd. Suggest Y Ltd. on what amount debtors should be recognised.

a) ₹ 80,000
b) ₹ 90,000
c) ₹ 1,00,000
d) ₹ 1,10,000

Q219.

In case of amalgamation in the nature of purchase, if liquidation expenses are paid by transferee company, then following account should be debited:

a) Profit & loss account
b) General reserve account
c) Goodwill account
d) (a) or (b)

Q220.

ABC Ltd and XYZ Ltd decide to merge, and the terms of the amalgamation meet the conditions specified for amalgamation in the nature of a merger as per AS 14. Which of the following scenarios would not qualify as a merger according to the given conditions?

a) The shareholders of XYZ Ltd, after the amalgamation, become equity shareholders of ABC Ltd, holding 94.5% of the face value of the equity shares.
b) ABC Ltd issues equity shares to XYZ Ltd shareholders as consideration for the amalgamation, and no cash is paid, except for fractional shares.
c) After the amalgamation, the assets and liabilities of XYZ Ltd are adjusted to fair values in the financial statements of ABC Ltd.
d) ABC Ltd intends to carry on the business of XYZ Ltd after the amalgamation.

Q221.

LMN Ltd is acquiring XYZ Ltd through an amalgamation, and the choice of accounting method will impact the financial statements. The conditions for both Pooling of Interests and Purchase methods need to be considered. Which of the following scenarios is consistent with the provisions of both methods?

a) XYZ Ltd has significant unrecorded assets and liabilities that are recognized and valued at their fair values by LMN Ltd in the financial statements following the amalgamation.
b) Both companies have conflicting accounting policies at the time of amalgamation, and a uniform set of accounting policies is adopted by LMN Ltd after the amalgamation.
c) LMN Ltd records the assets, liabilities, and reserves of XYZ Ltd at their existing carrying amounts in its financial statements, maintaining the historical cost basis.

d) XYZ Ltd's assets and liabilities are incorporated into LMN Ltd.'s financial statements at their fair values, and any changes in accounting policies are reported following the amalgamation as per AS 5.

Q222.

XYZ Ltd is amalgamating with ABC Ltd using the pooling of interest method. In accordance with the method, the reserves of the transferee company need to be adjusted. Which of the following adjustments to the transferee company's reserves is consistent with the provisions of the pooling of interest method?

a) The transferee company aligns its accounting policies with those of the transferor company after the amalgamation.
b) The difference between the recorded share capital issued (plus additional consideration) and the share capital of the transferor company is recognized in the reserves of the transferee company.
c) The fair value of the assets and liabilities of the transferor company is recognized in the financial statements of the transferee company.
d) The retained earnings of the transferor company are recorded at their existing carrying amounts in the financial statements of the transferee company.

Q223.

ABC Ltd acquires XYZ Ltd through an amalgamation in the nature of purchase. The amalgamation involves statutory reserves created by XYZ Ltd, such as Development Allowance Reserve, which must maintain their identity as per the Income-tax Act, 1961. How would the accounting treatment for such statutory reserves be carried out by ABC Ltd following the amalgamation?

a) The statutory reserves are credited directly to Capital Reserve, and no separate presentation is made in the financial statements of ABC Ltd.
b) The statutory reserves are recorded in the financial statements of ABC Ltd, maintaining their identity, by debiting a suitable account presented as a separate line item.
c) The statutory reserves are deducted from the value of the net assets acquired, and any resulting negative difference is debited to Goodwill arising on amalgamation.
d) The statutory reserves are reversed immediately after the amalgamation, and no reference is made to them in the financial statements of ABC Ltd.

Q224.

LMN Ltd and ABC Ltd decide to amalgamation in the nature of a purchase. The Profit and Loss Account balances of both companies are as follows:
LMN Ltd (Transferor): ₹500,000 (Credit Balance)
ABC Ltd (Transferee): ₹700,000 (Debit Balance)
What will be the treatment of the Profit and Loss Account balance in the financial statements of the merged entity (LMN Ltd) after the amalgamation?

a) The Profit and Loss Account balances of both companies will be aggregated, and the total amount will be transferred to the General Reserve.
b) LMN Ltd's Profit and Loss Account balance will be credited to the General Reserve, while ABC Ltd's balance will be debited, resulting in a net transfer to General Reserve.
c) LMN Ltd's Profit and Loss Account balance will be aggregated with ABC Ltd's balance, and the total amount will be

disclosed separately in the financial statements.

d) The Profit and Loss Account balances of both companies will lose their identity and will not be recognized in the financial statements of the merged entity.

Q225

ABC Ltd acquires XYZ Ltd through an amalgamation in the nature of a merger. According to AS 14, what is the key characteristic of an amalgamation in the nature of a merger?

a) The identity of reserves is not preserved.

b) The consideration for amalgamation is discharged by issuing equity shares.

c) The assets and liabilities of the transferor are recorded at their existing carrying amounts.

d) Conflicting accounting policies are resolved by adopting a uniform set of policies after the amalgamation.

Q226.

LMN Ltd acquires DEF Ltd through an amalgamation in the nature of purchase. If the result of the computation of purchase consideration is negative, what happens to the difference?

a) It is debited to Goodwill arising on amalgamation.

b) It is credited to Capital Reserve.

c) It is presented as a separate line item in the financial statements.

d) It is reversed immediately after the amalgamation.

Q227.

In an amalgamation in the nature of a merger, what happens to the Profit and Loss Account balances of the transferor and transferee companies?

a) They are aggregated and transferred to the General Reserve.

b) They lose their identity and are not recognized.

c) They are maintained separately in the financial statements.

d) The debit balance is transferred to the General Reserve, and the credit balance is credited to the General Reserve.

Q228.

LMN Ltd acquires DEF Ltd through an amalgamation in the nature of purchase. As part of the consideration, LMN Ltd issues 25,000 fully paid equity shares at ₹30 each, and there is also an agreement to issue 10,000 convertible debentures at ₹100 each. The fair value of the net assets acquired from DEF Ltd is ₹8,50,000. Calculate the goodwill or capital reserve arising on amalgamation.

a) 1,00,000

b) 11,00,000

c) 9,00,000

d) 7,50,000

Q229.

ABC Ltd and XYZ Ltd decide to merge, forming a new entity LMN Corp. As part of the amalgamation in the nature of a merger, LMN Corp issues 50,000 fully paid equity shares at ₹25 each and 5,500 preference shares at ₹100 each to the shareholders of both ABC Ltd and XYZ Ltd. Calculate the total consideration and the share exchange ratio if the fair value of the net assets acquired is ₹12,00,000.

a) Total Consideration: ₹6,00,000, Share Exchange Ratio: 1:2

b) Total Consideration: ₹8,00,000, Share Exchange Ratio: 2:3

c) Total Consideration: ₹24,00,000, Share Exchange Ratio: 2:1

d) Total Consideration: ₹18,00,000, Share Exchange Ratio: 3:2

Correct Answer	
Q210	d
Q211	b
Q212	b
Q213	c
Q214	c
Q215	b
Q216	a
Q217	d
Q218	b
Q219	c
Q220	c
Q221	b
Q222	b
Q223	b
Q224	d
Q225	c
Q226	a
Q227	a
Q228	c
Q229	d

CHAPTER 7 – Internal Reconstruction

Q230.
A company with a capital of ₹ 10,00,000 divided into 10,000 equity shares of ₹ 100 each on which ₹ 75 is paid up decides to reorganize its capital by splitting one equity share of ₹ 100 each into 10 such shares of ₹ 10 each. Amount to be credited to Capital reduction account will be?

a) 7,50,000
b) 0
c) 2,50,000
d) 25,000

Q231.
In the Scheme of re-organisation taking effect on 01/04/2023, a Debenture-holders agreed to take over freehold property, book value ₹ 1,00,000 at a valuation of ₹ 1,20,000 in part repayment of their holdings. Book value of freehold property as on 31/03/2023 was 4,25,000. Remaining freehold property after giving to debenture holders, to be re- valued at ₹ 3,87,500. Calculate total revaluation made to freehold property.

(a) 62,500
(b) 42,500
(c) 82,500
(d) 1,02,500

Q232.
The preference shareholders have agreed to cancel the arrears of dividends and to accept for each ₹ 50 share, 4 new 5% preference shares of ₹ 10 each, plus 6 new equity shares of ₹ 2.50 each, all credited as fully paid. Calculate the amount to be credited to capital reduction account where 12,000 7% Preference share (50/-) were outstanding.

(a) Rs. 60,000
(b) Rs. 4,20,000
(c) Rs. 2,10,000
(d) Rs. 30,000

Q233.
The debenture holders took over the freehold property at an agreed figure of ₹ 75,000 and paid the balance to the company after deducting the amount due to them. Book value of freehold property is ₹ 1,20,000. Outstanding 10% Debentures were ₹ 50,000 on which interest is also outstanding. Calculate amount to credited/ debited to capital reduction account.

(a) 20,000 Dr.
(b) 0
(c) 45,000 Dr

(d) 65,000 Dr

Q234.

Debenture holders accepted to receive the following in lieu of their present 9% debentures of ₹ 2,50,000-

1. 1/5th of the total to be paid in cash to them.
2. To take over the land and buildings of value ₹ 72,000 at an agreed value of ₹ 80,000
3. To forgo the remaining unpaid portion as a policy of reconstruction

(a) 1,20,000
(b) 1,28,000
(c) 1,36,000
(d) 1,42,400

Q235.

If some credit balance remains in the reconstruction account, the same should be transferred to:

(a) Profit & Loss Account
(b) Free Reserves
(c) Capital Redemption Reserve account
(d) Capital Reserves

Q236.

The shareholders to receive in lieu of their present holding at 1,00,000 shares of ₹ 10 each, the following:

(i) New fully paid ₹ 10 Equity shares equal to 3/5th of their holding.
(ii) 10% Preference shares fully paid to the extent of 1/5th of the above new equity shares.
(iii) ₹ 40,000, 8% Debentures.

Calculate amount of preference shares issued and amount to be credited/debited to capital reduction.

(a) 6,00,000 and 12,00,000 Cr
(b) 1,20,000 and 2,40,000 Cr
(c) 3,00,000 and 6,00,000 Cr
(d) 6,00,000 and 2,40,000 Cr

Correct Answer						
Q230	Q231	Q232	Q233	Q234	Q235	Q236
b	c	a	c	a	d	b

CHAPTER 8 – AS 2: Valuation of Inventories

Q237.

X Co. Limited purchased goods at the cost of ₹ 40 lakhs in October, 20X1. Till March, 20X2, 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. Advice, what is the correct closing stock to be disclosed as at 31.3.20X2.

a) ₹ 10 lakhs
b) ₹ 11 Lakhs
c) ₹ 9.9 Lakhs
d) ₹ 9 Lakhs

Q238.

What will be the value per kg of finished goods which consisting of:

	₹ Per kg.
Material cost	200
Direct labor	40
Direct variable overhead	20

Fixed production charges for the year on normal working capacity of 2 lakh kgs is

₹ 20 lakhs. 4,000 kgs of finished goods are in stock at the year end.

a) ₹ 1,04,000
b) ₹ 10,80,000
c) ₹ 270
d) ₹ 10,04,000

Q239.

A trader purchased certain articles for ₹ 85,000. He sold some of articles for ₹ 1,05,000. The average percentage of gross markup is 25% on cost. Opening stock of inventory at cost was ₹ 15,000. Cost of closing inventory is:

(a) ₹ 20,000
(b) ₹ 5,000
(c) ₹ 25,000
(d) ₹ 16,000

Q240.

When valuing inventories at the lower of cost and net realizable value, which underlying principle is primarily being upheld?

a) Prioritizing the historical purchase price over future market dynamics.
b) Ensuring that assets maintain a consistent valuation irrespective of market fluctuations.
c) Recognizing that no asset should be carried at a value exceeding what can be realized through its sale or utilization, considering factors such as estimated selling price, costs of completion, and costs to make the sale.
d) Emphasizing the importance of periodic inventory counts over value considerations.

Q241.

Company DEF operates in a competitive market environment. During a specific accounting period, they incurred various costs related to their production and distribution processes. The details are as follows:

Direct Materials Cost: ₹ 12,500, including ₹ 1,500 for materials wasted due to unforeseen technical issues.

Direct Labour Cost: ₹ 9,000, of which ₹ 1,000 was spent on overtime due to increased demand.

Factory Overhead: ₹ 7,500, with ₹ 500 attributed to a machine repair that was more than budgeted.

Storage Costs: ₹ 2,500, out of which only ₹ 2,000 related to production.

Administrative Overheads: ₹ 5,500, including ₹ 1,000 for an advertising campaign to promote the product, which did not directly affect the inventory's condition or location.

Selling and Distribution Costs: ₹ 4,000, with ₹ 700 spent on expedited shipping due to customer-specific requirements.

Given the principles of inventory costing, how much of the above costs should be excluded when determining the cost of inventories?

(a) ₹ 3,500
(b) ₹ 8,700
(c) ₹ 5,200
(d) ₹ 6,200

Q242.

When considering the cost components that can be included in the valuation of inventory, which of the following statements align with standard practices?

(a) All costs incurred by a company, regardless of their nature, are directly added to the inventory valuation.
(b) Interest and borrowing costs are universally excluded from inventory costs unless the inventory requires a significant period to be prepared for sale, as seen with products like wine.
(c) Amortization of intangibles, such as copyrights for publishers, is explicitly recognized and always included in the determination of inventory costs.
(d) Exchange differences, regardless of their magnitude, are always incorporated into the inventory cost calculations.

Q243.

In determining estimates of net realizable value for inventories after the balance sheet date, which of the following statements is most accurate?

e) Estimates of net realizable value solely depend on the initial purchase cost of the inventory.

f) Estimates are static and do not consider any events occurring after the balance sheet date.

g) Estimates consider fluctuations in price or cost post-balance sheet, but only if such events alter the conditions existing at the balance sheet date.

h) Fluctuations in price or cost after the balance sheet date are always excluded from the estimation process.

Q244.

Company STU maintains detailed records of its inventories. During a review, they found varying costs and potential net realizable values (NRVs) for different items. Given the principle they follow, how should Company STU ideally compare the cost with the net realizable value for their inventory?

i) Aggregate all inventory items and compare the total cost against the total NRV.

j) Compare the cost and NRV for each item individually without any grouping.

k) Group items only if they have identical costs and compare the grouped total against the NRV.

l) Group similar or related items for comparison purposes, but ensure that each comparison is made on an item-by-item basis within those groups.

Correct Answer	
Q237	c
Q238	c
Q239	d
Q240	c
Q241	b
Q242	c
Q243	c
Q244	d

Explanations:

Q9.

Sale value of Opening stock and purchases =

(85,000 + 15,000) x 1.25 = 1,25,000

Sales = 1,05,000

Sale value of unsold stock = (1,25,000 - 1,05,000) = 20,000

Less gross mark up = 4,000

Hence, Closing stock = **16,000 (d)**

Q11.

In determining the cost of inventories in accordance with paragraph 6, it is appropriate to exclude certain costs and recognise them as expenses in the period in which they are incurred. Examples of such costs are:

(a) abnormal amounts of wasted materials, labour, or other production costs;

(b) storage costs, unless those costs are necessary in the production process prior to a further production stage;

(c) administrative overheads that do not contribute to bringing the inventories to their present location and condition; and

(d) selling and distribution costs.

Hence answer is = (1,500 + 1,000 + (2,500 - 2,000) + 1,000 + 4,700) = **8,700 (b)**

CHAPTER 9 – AS - 7 Construction Contracts

Q245.

A contractor is working on a project with three separate assets. The projected cumulative present value of revenues for each asset is as follows:

Asset A: Rs.500,000

Asset B: Rs.300,000

Asset C: Rs.200,000

The aggregated costs for the entire project amount to Rs.800,000. According to AS 7, when should the construction of each asset be treated as a separate construction contract?

a) When separate proposals have been submitted for each asset;
b) When the costs and revenues of each asset can be identified.
c) When the negotiated standalone valuation of each asset demonstrates a distinct financial viability.
d) When all the above conditions are satisfied.

Q246.

A construction contractor enters into a fixed price contract with a public entity to build a flyover. The agreed tender amount is Rs.5,000,000. Contractor expects that there will be a sudden increase in construction material costs, which leads to additional costs. According to AS 7, how should the contractor handle this situation?

(a) The contractor absorbs the increased costs, adhering to the fixed price agreement.
(b) The contractor applies a cost-escalation clause, and covers the additional amount.
(c) The contractor renegotiates the entire contract, considering the increased costs.
(d) The contractor applies a fixed fee clause, and the customer covers the additional amount.

Q247.

In a cost-plus contract, the contractor incurs direct costs of Rs.800,000 and indirect costs of Rs.150,000. If the agreed profit margin is 25%, what is the total reimbursement amount from the client?

(a) Rs.10,00,000
(b) Rs.11,87,500
(c) Rs.11,50,000
(d) Rs.9,55,000

Q248.

In a construction contract, the initial agreed revenue is Rs.20,00,000. The contract also includes agreed cost escalation of 10%, additional costs amounting to Rs.1,50,000 due to 20% escalation, and an incentive payment of Rs.50,000 for early completion. However, a penalty of Rs.30,000 is incurred for late completion. According to AS 7, what is the adjusted contract revenue?

(a) Rs.20,00,000
(b) Rs.30,90,000
(c) Rs.20,95,000
(d) Rs.20,20,000

Q249.

Construction company is engaged in a specific contract, and various costs are incurred during the project:

(i) Site labour costs, including site supervision: Rs.150,000
(ii) Costs of materials used in construction: Rs.300,000
(iii) Depreciation of plant and equipment used on the contract: Rs.40,000
(iv) Costs of moving plant, equipment, and materials to and from the contract site: Rs.25,000
(v) Costs of hiring plant and equipment:

Rs.20,000

(vi) Costs of design and technical assistance directly related to the contract: Rs.45,000

(vii) Estimated costs of rectification and guarantee work, including expected warranty costs: Rs.30,000

(viii) Claims from third parties: Rs.15,000

(ix) Insurance costs attributable to contract activity: Rs.12,000

(x) Costs of design and technical assistance not directly related to a specific contract: Rs.18,000

(xi) Construction overheads: Rs.35,000

(xii) General administration costs for which reimbursement is not specified in the contract: Rs.10,000

(xiii) Selling costs: Rs.8,000

(xiv) Research and development costs for which reimbursement is not specified in the contract: Rs.25,000

(xv) Depreciation of idle plant and equipment that is not used on a particular contract: Rs.15,000

Based on the information provided, what is the total amount of costs that can be directly attributed to the specific construction contract?

(a) Rs.6,90,000
(b) Rs.6,75,000
(c) Rs.6,15,000
(d) Rs.6,10,000

Q250.

For a construction contract with an initial agreed revenue of Rs.4,800,000, the contractor faces variations resulting in a decrease of Rs.300,000 in revenue. Additionally, there is an agreed cost escalation of 12%. Total increase in cost due to 40% escalation is Rs.180,000, an incentive payment of Rs.60,000, and a penalty of Rs.35,000. According to AS 7, what is the adjusted contract revenue?

(a) Rs.47,10,000
(b) Rs.45,79,000
(c) Rs.45,46,600
(d) Rs.46,50,000

Q251.

In a cost-plus contract, the contractor's allowable costs amount to Rs.2,000,000, and the agreed profit margin is 15%. If the client agrees to an additional scope of work, incurring an extra Rs.150,000 in costs, how does this affect the reimbursement amount?

(a) The contractor absorbs the additional costs as per the fixed fee in the contract.
(b) The client covers the entire additional scope of work without affecting the reimbursement amount.
(c) The reimbursement amount increases to cover the additional allowable costs and profit margin.
(d) The contractor should not include the additional scope of work in the cost-plus contract.

Correct Answer	
Q245	d
Q246	b
Q247	b
Q248	c
Q249	a
Q250	b
Q251	c

Explanations:

Q8.

Contract revenue includes:
Agreed price (fixed/Cost-plus price) i.e 20,00,000
Plus: Agreed Cost escalation i.e up to 10% 75,000
Plus: "Claims (reimbursement for costs not included in the contract price)
Plus: "Incentive payments (usually for early completion) i.e 50,000
Less: Penalties (usually for late completion) i.e.

30,000

Hence answer is = (20,00,000 + 75,000 + 50,000 - 30,000) = **20,95,000 (c)**

Q11.

Agreed = 48,00,000

Less: decrease in revenue 3,00,000

Add: Agreed cost escalation up to 12% 54,000

Add: Incentive 60,000

Less: Penalty 35,000

Answers is = (48,00,000 - 3,00,000 + 54,000 + 60,000 - 35,000) = **45,79,000 (b)**

CHAPTER 10 – AS 17: Segment Reporting

Q252.

Which of the following factors should be considered in determining whether products or services are related for the purpose of identifying a business segment under Accounting Standard 17 (AS 17) on Segment Reporting?

a) The nature of the products or services
b) The nature of the production processes
c) The type or class of customers for the products or services
d) The methods used to distribute the products or provide the services
e) If applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities
f) All of the above
g) Only (a), (b), and (c)
h) Only (c), (d), and (e)

Q253.

Company X has an enterprise revenue of ₹10,00,000. Segment A contributes directly attributable revenue of ₹1,50,000, and the relevant portion of enterprise revenue that can be allocated to Segment A on a reasonable basis is 25%. Additionally, Segment A engages in transactions with other segments, resulting in ₹20,000 of revenue. Calculate the total segment revenue for Segment A.

(a) ₹11,50,000
(b) ₹4,20,000
(c) ₹4,00,000
(d) ₹1,50,000

Q254.

For Segment P, part of an enterprise XYZ having revenue of ₹15,00,000, the direct attributable revenue is ₹200,000. The relevant portion of enterprise revenue that can be allocated to Segment P on a reasonable basis is 30%. Additionally, Segment P engages in transactions with other segments, resulting in revenue of ₹15,000. However, Segment P also reports interest income of ₹25,000 and gains on sales of investments amounting to ₹10,000. What is the adjusted segment revenue for Segment P?

(a) ₹6,90,000
(b) ₹7,00,000
(c) ₹6,65,000
(d) ₹2,75,000

Q255.

For Segment X, part of an enterprise, the direct attributable expense is ₹50,000. The relevant portion of enterprise expense that can be allocated on a reasonable basis to Segment X is 20%. Additionally, Segment X engages in transactions with other segments, resulting in expenses of ₹10,000. Calculate the total segment expense for Segment X when total enterprise expense amounting to ₹5,00,000.

(a) ₹60,000
(b) ₹70,000
(c) ₹1,60,000
(d) ₹5,70,000

Q256.

If Segment Z contributes 10% of the enterprise expense directly, and the relevant portion that can be allocated on a reasonable basis is ₹80,000, calculate the total segment expense if the direct attributable expense is ₹50,000 for Segment Z. The enterprise expense is ₹8,00,000. Segment Z also incurs income tax expense of ₹10,000 and general administrative expenses of ₹40,000 at the enterprise level on behalf of the segment. Determine the adjusted segment expense.

(a) ₹2,10,000
(b) ₹2,20,000
(c) ₹2,60,000
(d) ₹1,60,000

Q257.

Segment B, primarily engaged in financial operations, reports direct attributable segment assets of ₹150,000 and interest income of ₹30,000 (10% of Investment). If the enterprise income tax assets related to Segment B are ₹15,000, calculate the adjusted segment assets for Segment B.

(a) ₹1,80,000
(b) ₹1,65,000
(c) ₹4,50,000
(d) ₹4,65,000

Q258.

Segment X, a manufacturing segment, includes the interest expense related to overdrafts and operating liabilities amounting to ₹40,000. The segment also incurs interest as part of the cost of inventories, and these inventories are part of segment assets. The interest related to inventories is ₹20,000. Calculate the adjusted segment result if segment result without taking deduction of above interest expenses is ₹2,00,000, considering the relevant provisions of AS 16 and AS 2 (Revised).

(a) ₹1,40,000
(b) ₹1,80,000
(c) ₹1,60,000
(d) ₹2,00,000

Q259.

Segment X reports revenue from sales to external customers of ₹11,00,000, revenue from transactions with other segments of ₹2,50,000, a segment result of ₹1,80,000, and total segment assets of ₹3,50,000. If the total revenue of all segments is ₹1,20,00,000, the combined result of all segments in profit is ₹20,00,000, and the total assets of all segments are ₹1,50,00,000, does Segment X qualify as a reportable segment?

(a) Yes
(b) No
(c) Insufficient information
(d) Can't say

Q260.

Enterprise XYZ has three business segments: A, B, and C. For the current reporting period, the following information is available:

Segment A: Revenue from sales to external customers = ₹25,00,000; Segment result = ₹350,000; Segment assets = ₹800,000.

Segment B: Revenue from sales to external customers = ₹12,00,000; Segment result = ₹180,000; Segment assets = ₹500,000.

Segment C: Revenue from sales to external customers = ₹18,00,000; Segment result =

₹250,000; Segment assets = ₹600,000.

The total revenue of all segments is ₹55,00,000, the combined result of all segments in profit is ₹7,80,000, and the total assets of all segments are ₹19,00,000.

According to the criteria outlined, determine which segment(s) qualify as reportable segment(s) for Enterprise XYZ.

(a) Segment A and Segment B

(b) Segment B and Segment C

(c) Segment A, Segment B, and Segment C

(d) None of the segments qualify

Q261.

Which of the following statements is correct regarding the identification of reportable segments based on segment assets?

(a) Its segment assets are 10% or more of the total assets of all segments.

(b) Its segment assets are 15% or more of the total assets of all segments.

(c) Its segment assets are more than 20% of the total assets of all segments.

(d) Its segment assets are more than 15% of the total assets of all segments.

Correct Answer	
Q252	f
Q253	b
Q254	b
Q255	c
Q256	a
Q257	c
Q258	b
Q259	a
Q260	c
Q261	a

CHAPTER 11 – AS 25 Interim Financial Reporting

Q262.

What is the minimum requirement for condensed financial statements in an interim financial report, according to the given data?

a) Include only the main headings from the annual financial statements.

b) Include all headings and sub-headings from the annual financial statements.

c) Exclude explanatory notes to save space.

d) Include only selected line items.

Q263.

What is the consequence of omitting certain line items or notes in condensed interim financial statements?

(a) It is acceptable if it saves space.

(b) It is permissible unless it significantly impacts clarity.

(c) It is allowed as long as it does not affect comparability.

(d) It should be avoided as it might make the statements misleading.

Q264.

What should be included in the cash flow statement of an interim report?

(a) Cash flow statement cumulatively for the current financial year to date and comparative statement for the comparable year to-date period of the immediately preceding financial year.

(b) Cash flow statement cumulatively for the current financial year to date

(c) Cash flow statement cumulatively for the current financial year to date and cash flow statement of the immediately preceding financial year.

(d) Cash flow for the current interim period and cash flow statement of the immediately preceding financial year.

Q265.

Which of the following is correct?

(a) An enterprise should apply the same accounting policies in its interim financial statements as are applied in its annual financial statements.

(b) An enterprise may change its accounting policies in its interim financial statements at its discretion.

(c) Interim financial statements must use simplified accounting policies compared to annual financial statements.

(d) Interim financial statements must use different accounting policies than annual financial statements.

Q266.

When should revenues that are received seasonally or occasionally within a financial year be recognized in interim financial statements?

(a) They should always be deferred to the end of the financial year.

(b) They should be recognized immediately upon receipt.

(c) They should be deferred if anticipation or deferral is appropriate at the end of the financial year.

(d) They should be recognized only if they occur in the final quarter of the financial year.

Q267.

When should the cost of a major planned periodic maintenance or overhaul be anticipated for interim reporting purposes?

(a) Only if it occurs early in the financial year

(b) Only if there is a present obligation caused by an event

(c) Regardless of any present obligation

(d) If there is a mere intention to incur the expenditure

Q268.

What is the key requirement for anticipating a bonus in interim reporting?

(a) The bonus must be earned based on continued employment.

(b) The enterprise must have a history of paying bonuses.

(c) The bonus must be discretionary.

(d) The bonus must be a legal obligation or arise from past practice with a reliable estimate of the obligation.

Correct Answer						
Q262	Q263	Q264	Q265	Q266	Q267	Q268
b	d	a	a	b	b	d

Explanations:

Q9.

This Standard (AS25) requires that an enterprise apply the same criteria for recognising and measuring a provision at an interim date as it would at the end of its financial year. The existence or non-existence of an obligation to transfer economic benefits is not a function of the length of the reporting period. Hence there should be present obligation to record for recognition.

Q10.

The nature of year-end bonuses varies widely. Some are earned simply by continued employment during a time period. Some bonuses are earned based on monthly, quarterly, or annual measure of operating result. They may be purely discretionary, contractual, or based on years of historical precedent.

A bonus is anticipated for interim reporting purposes if, and only if, (a) the bonus is a legal obligation or an obligation arising from past practice for which the enterprise has no realistic alternative but to make the payments, and (b) a reliable estimate of the obligation can be made.

CHAPTER 12 – AS 26 Intangible Assets

Q269.

Which of the following is correct?

a) AS 26 applies to mineral rights and expenditure on the exploration for, or development and extraction of, minerals, oil, natural gas and similar non-regenerative resources.
b) AS 26 applies to intangible assets arising in insurance enterprises from contracts with policyholders.
c) AS 26 applies to intangible assets that are covered by another Accounting Standard.
d) None of the above.

Q270.

What is an impairment loss?

(a) The amount by which the carrying amount of an asset exceeds its recoverable amount
(b) The amount by which the carrying amount of an asset equals its recoverable amount
(c) The amount by which the carrying amount of an asset is less than its recoverable amount
(d) The amount by which the carrying amount of an asset is equal to its fair value

Q271.

Company X invests ₹500,000 in an internal project aimed at developing a new software program. However, it is unable to distinguish between the research and development phases of the project. How should Company X treat the expenditure according to the provided data?

(a) Treat the entire expenditure as incurred in the development phase only
(b) Treat the entire expenditure as incurred in the research phase only
(c) Allocate the expenditure equally between the research and development phases
(d) Cease the project until the phases can be distinguished

Q272.

Company A spends ₹300,000 on research activities aimed at developing a new pharmaceutical drug. According to the provided data, how should Company A treat this expenditure?

(a) Recognize it as an intangible asset
(b) Recognize it as an expense when incurred

(c) Capitalize it as part of development costs
(d) Allocate it evenly between research and development phases

Q273.

Company Z is developing a new marketing strategy. It has demonstrated technical feasibility and has the intention to complete the project. However, there is uncertainty about the availability of financial resources to complete the development. Should Company Z recognize an intangible asset for this project?

(a) Yes, because technical feasibility and intention to complete the project have been demonstrated
(b) Yes, because the project has demonstrated its ability to generate future economic benefits
(c) No, because there is uncertainty about the availability of financial resources to complete the project.
(d) No, because the marketing strategy is not yet available for use or sale

Q274.

Company X incurs ₹50,000 on purchasing materials and services for developing a new software program. Additionally, it pays ₹80,000 in salaries, wages, and other employment-related costs for personnel directly engaged in the development. If the overhead costs allocated to the software project amount to ₹20,000 and expenditure on training the staff to use the internally generated software amount to ₹50,000, what is the total cost of internally generating the software?

(a) ₹100,000
(b) ₹150,000
(c) ₹130,000
(d) ₹200,000

Correct Answer					
Q269	Q270	Q271	Q272	Q273	Q274
D	a	b	b	c	b

CHAPTER 13 – AS 29 Provisions, Contingent Liabilities and Contingent Assets

Q275.

Why are contingent assets not recognized in financial statements?

a) Because they are disclosed in the report of the approving authority.
b) Because they may result in the recognition of income that may never be realized.
c) Because they are virtually certain to result in an inflow of economic benefits.
d) Because they are not assessed continually.

Q276.

What action does the enterprise take if there is an expectation of future operating losses regarding its assets?

a) Recognize provisions for potential losses.
b) Test the assets for impairment under a specific accounting standard.

c) Ignore the expectation and wait for actual losses to occur.
d) Increase the valuation of assets to offset potential losses.

Q277.
What action does an enterprise take if it is more likely than not that a present obligation exists at the balance sheet date?

a) Recognizes a provision if the recognition criteria are met.
b) Discloses a contingent liability.
c) Ignores the obligation until it becomes certain.
d) Records the obligation as an asset

Q278.
In what manner are gains from expected disposals of assets recognized?

(a) As part of the provision calculation.
(b) At the discretion of the enterprise's management.
(c) In accordance with the asset valuation policy.
(d) At the time specified by the Accounting Standard relevant to the assets concerned.

Correct Answer			
Q275	Q276	Q277	Q278
b	b	a	d