CA INTER ADVANCED ACCOUNTING - CASE SCENARIO FOR SEPTEMBER 2024

1. Ketan Private Limited has entered into a finance lease agreement with Mehra Ltd. for acquiring machinery. The lease term is four years, and the machinery's fair value at the inception of the lease is Rs. 20,00,000. The annual lease rent is Rs. 6,25,000, payable at the end of each year. The lease includes a guaranteed residual value of Rs. 1,25,000 and an expected residual value of Rs. 3,75,000. The implicit interest rate for the lease is 15%. The discounted rates for the first to fourth years are 0.8696, 0.7561, 0.6575, and 0.5718, respectively.

(1) What is the total amount of the minimum lease payments over the lease term?
(a) Rs. 20,00,000
(b) Rs. 25,00,000
(c) Rs. 26,25,000
(d) Rs. 27,50,000

(2) What is the present value of the minimum lease payments using the implicit interest rate?
(a) Rs. 20,00,000
(b) Rs. 18,55,850
(c) Rs. 19,50,000
(d) Rs. 17,80,000

(3) At what value should the lease asset and corresponding lease liability be recognized in the books of Ketan Private Limited at the inception of the lease?
(a) Rs. 20,00,000
(b) Rs. 18,55,850
(c) Rs. 19,50,000
(d) Rs. 17,80,000

(4) What is the present value of the lease payments for the 1st year?
(a) Rs. 6,25,000
(b) Rs. 5,43,500
(c) Rs. 4,72,563
(d) Rs. 4,10,937

(5) What would be the impact on the Profit & Loss account at the end of the first year?
(a) Interest expense of Rs. 2,78,377
(b) Depreciation expense of Rs. 4,63,962.50 and interest expense of Rs. 2,78,377
(c) Lease rent expense of Rs. 6,25,000
(d) Depreciation expense of Rs. 4,63,962.50

2. Super Ltd., a manufacturing company, has the following summarized Balance Sheet as of March 31, 2024:
Equity Shares of ₹ 10 each fully paid up: ₹ 17,00,000
Reserves & Surplus:
Revenue Reserve: ₹ 23,50,000
Securities Premium: ₹ 2,50,000
Profit & Loss Account: ₹ 2,00,000
Infrastructure Development Reserve: ₹ 1,50,000
Secured Loan:
9% Debentures: ₹ 38,00,000
Unsecured Loan: ₹ 8,50,000
Property, Plant & Equipment: ₹ 58,50,000
Current Assets: ₹ 34,50,000
Super Ltd. plans to buy back 35,000 equity shares of ₹ 10 each fully paid up on April 1, 2024, at ₹ 30 per share. The buyback is authorized by its articles, and necessary resolutions have been passed. The payment for the buyback will be made using the company's bank balance, which is part of its current assets.
Answer the following questions based on the above information: **(MTP I – SEPT. 24)**
(Video: https://youtu.be/6gE_EYGo25s)

(1) As per The Companies Act, 2013 under Section 68 (2) the buy-back of shares in any financial year must not exceed
(a) 20% of its total paid-up capital and free reserves
(b) 25% of its total paid-up capital and free reserves
(c) 25% of its total paid-up capital
(d) 20% of its total paid-up capital

(2) How many shares can Super Ltd. buy back according to the Shares Outstanding Test?
(a) 35,000 shares
(b) 42,500 shares
(c) 37,500 shares
(d) 54,375 shares

(3) What is the maximum number of shares that can be bought back according to the Resources Test?
(a) 35,000 shares
(b) 42,500 shares
(c) 37,500 shares
(d) 54,375 shares

(4) According to the Debt Equity Ratio Test, what is the maximum number of shares that can be bought back?
(a) 35,000 shares
(b) 42,500 shares
(c) 37,500 shares
(d) 54,375 shares

3. Venus Limited received a parcel of land at no cost from the government for the purpose of developing a factory in an outlying area. The land is valued at ₹ 75 lakhs, while the nominal value is ₹ 10 lakhs. Additionally, the company received a government grant of ₹ 30 lakhs, which represents 25% of the total investment needed for the factory development. Furthermore, the company received ₹ 15 lakhs with the stipulation that it be used to purchase machinery. There is no expectation from the government for the repayment of these grants.
Answer the following questions based on the above information:

(ICAI SM Case Scenario 5 / MTP I – SEPT. 24)
(Video: https://youtu.be/6gE_EYGo25s)

(1) The land received from Government, free of cost should be presented at:
(a) 75 Lakhs
(b) ₹ 30 Lakhs
(c) ₹ 10 Lakhs
(d) ₹ 45 Lakhs

(2) As per AS 12, how the Government Grant of ₹ 30 Lakhs should be presented:
(a) It should be recognised in the profit and loss statement as per the related cost.
(b) It will be treated as capital reserve.
(c) It will be treated as deferred income.
(d) It will not be recognised in the financial statements.

(3) As per AS 12, how the Government Grant of ₹ 15 Lakhs with a condition to purchase machinery may be presented as:
(a) Capital Reserve
(b) Shareholders Fund
(c) Deferred Income
(d) Income in statement of profit and loss as received.

(d) Which of the above grants are required to be recognised in the statement of profit and loss on a systematic and rational basis over the useful life of the asset:
(a) Land received as Grant

(b) Government Grant of ₹ 30 Lakhs
(c) Government Grant of ₹ 15 Lakhs with a condition to purchase machinery
(d) None of the above

4. Axis limited is a manufacturing company. It purchased a machinery costing₹ 10 Lakhs in April 2023. It paid ₹ 4 lakhs upfront and paid the remaining₹ 6,00,000 as deferred payment by paying instalment of ₹ 1,05,000 for the next 6 months. During the year, the Company sold a land which was classified as its 'property, plant and equipment' for ₹ 25,00,000 and paid ₹ 1,00,000 as income tax as long term capital gain on such sale. During the year, the Company also received income tax refund along with interest.

(ICAI SM Case Scenario 6 / MTP I – SEPT. 24)
(Video: https://youtu.be/6gE_EYGo25s)

(1) As per the requirements of AS 3, 'Cash Flow Statements', how the amount for purchase of machinery should be presented:
   (a) ₹ 10 lakhs as 'Cash flows from Investing Activities' and ₹ 30,000 will simply be booked in profit and loss with no presentation if Cash Flow Statement.
   (b) ₹ 10.30 lakhs as 'Cash flows from Investing Activities' as entire amount is spend on purchase of machinery.
   (c) ₹ 10 lakhs as 'Cash flows from Investing Activities' and ₹ 30,000 as 'Cash flows from Financing Activities'.
   (d) ₹ 10.30 lakhs as 'Cash flows from Financing Activities' as the machinery has been purchased on finance.

(2) At what amount, the machinery should be recognised in the financial statements:
   (a) ₹ 400,000
   (b) ₹ 10,30,000
   (c) ₹ 600,000
   (d) ₹ 10,00,000

(3) How should the income tax paid on sale of land should be disclosed in the Cash Flows Statement:
   (a) Cash flows from Operating Activities
   (b) Cash flows from Investing Activities
   (c) Cash flows from Financing Activities
   (d) No disclosure in Cash Flow Statement

(4) How should the interest on income tax refunds should be disclosed in the Cash Flows Statement:
   (a) Cash flows from Operating Activities
   (b) Cash flows from Investing Activities
   (c) Cash flows from Financing Activities
   (d) No disclosure in Cash Flow Statement

5. Anshul manufacturers purchased 20,000 Kg. of raw material at ₹ 170 per Kg. Direct transit cost incurred ₹ 5,00,000 and normal transit loss is 3%. Anshul manufacturers actually received 19,000 kg of raw material. During the year it consumed 17,600 kg of raw material.
Further information:
(i) The purchase price includes ₹ 15 per kg as GST in respect of which full credit is allowed and will be availed by Anshul manufacturers.
(ii) Assume that there is no opening stock. Answer the following questions based on above:

(MTP II – SEPT. 24)
(Video: https://youtu.be/JZGPMLPCR3Y)

(1) What will be the cost of material:
   (a) ₹ 36,00,000
   (b) ₹ 34,00,000
   (c) ₹ 39,00,000
   (d) ₹ 31,00,000

(2) what will be the value of the closing stock:
   (a) ₹ 1,70,000

(b) ₹ 1,85,500
(c) ₹ 2,38,000
(d) ₹ 2,59,700

(3) What will be the cost per Kg of raw material:
(a) ₹ 180
(b) ₹ 183.6
(c) ₹ 185.5
(d) ₹ 189.4

(4) How much amount as abnormal loss will be debited in P&L:
(a) ₹ 72,000 approx
(b) ₹ 73,440 approx
(c) ₹ 74,200 appox
(d) ₹ 75,760 approx

6. Aazad Ltd. has the following particulars:

Particulars	**₹ (lacs)**
10% Preference Share Capital (₹ 10 each)	2,500
Equity Share Capital of ₹ 10 each	8,000
Capital Redemption Reserve	1,000
Securities Premium	800
General Reserve	6,000
Profit & Loss A/c	300
Cash	1,650
Investments (Market Value ₹ 1,500 lacs)	3,000

The company decides to redeem all it's preference shares at a premium of 10% and buys back 25% of equity shares @ ₹ 15 per share. Investments amounting to Market Value of ₹ 1,000 lakhs sold at ₹ 3,000 lakhs and raises a bank loan of ₹ 2,000 lakhs.
Answer the following questions based on above: **(MTP II – SEPT. 24)**
(Video: https://youtu.be/JZGPMLPCR3Y)

(1) The amount of Profit/Loss on Sale of Investment is:
(a) ₹ 1,500 lakhs Profit
(b) ₹ 1,000 lakhs Profit
(c) ₹ 2,000 lakhs Loss
(d) ₹ 1,000 lakhs Loss

(2) Securities Premium available for Buyback after redemption of Preference Shares.
(a) ₹ 550 lakhs
(b) ₹ 800 lakhs
(c) Can't utilize securities premium for buyback
(d) ₹ 350 lakhs

(3) Total amount to be transferred to Capital Redemption Reserve:
(a) ₹ 2,000 lakhs
(b) ₹ 4,500 lakhs
(c) ₹ 2,500 lakhs
(d) ₹ 1,750 lakhs

(4) Cash balance after buyback
(a) ₹ 1,150 lakhs
(b) ₹ 2,200 lakhs
(c) ₹ 3,250 lakhs
(d) ₹ 900 lakhs

7. On April 1, 2022, Hello Limited approached a software company for implementation of SAP ERP at its organisation. The cost of implementation of SAP ERP is ₹ 25,00,000 and the time required is 15 months. The company was also required to pay ₹ 100,000 annually after implementation for maintenance and normal updation of ERP. The implementation work started in June, 2022 and could not be finished in 15 months. The ERP was implemented on May 2024. Due to delay in implementation the vendor refunded ₹ 2,00,000. The Company recognised the intangible asset 'SAP ERP' on September 2023 (15 months from June 2022). After two years, the Company has got the SAP ERP more upgraded with latest version and additional features and functions which also increased its speed and usage to Hello Limited for ₹ 7,00,000.

(MTP II – SEPT. 24)

(Video: https://youtu.be/JZGPMLPCR3Y)

(1) On which date the Intangible asset should be recognized:
   (a) April 2022 (When it was decided that SAP ERP is to be implemented)
   (b) June 2022 (When the implementation work started)
   (c) September 2023 (When the implementation work should have completed as per agreed terms)
   (d) May 2024 (When the SAP actually got implemented)

(2) At what amount the SAP ERP should be initially recognised as 'intangible asset:
   (a) ₹ 25,00,000
   (b) ₹ 26,00,000
   (c) ₹ 23,00,000
   (d) ₹ 32,00,000

(3) How should the annual maintenance and updation expenses should be accounted for:
   (a) Should be capitalised with 'Intangible Asset'
   (b) Should be recognised as a separate 'Intangible Asset'
   (c) Should be recognised as expense in Profit and Loss annually.
   (d) No accounting is required.

(4) During the implementation period, how the expenditure incurred will be accounted for:
   (a) It will be expensed in profit and loss as and when incurred
   (b) It will be recognised as an asset 'Intangible asset under development'
   (c) It will only be disclosed in notes to accounts and will be recognised when complete
   (d) It will be recognised as an item of Property, Plant and Equipment

8. Suman Ltd. is in the business of manufacturing electronics equipment and selling these at its various outlets. It provides installation services for the equipment sold and also provide free 1 year warranty on all the sold products.
Beach Resorts are leading resorts in the city. It purchased 5 air conditioners (AC) from Suman Ltd. for its resort. Suman Ltd. sold 5 AC to Beach resort for ₹ 45,000 each which includes installation fees of ₹ 1,000 for each AC. The Company also offers 1 year warranty for any repair etc. The Company also offered ₹ 500 per AC as trade discount. Beach resort placed order on March 15, 2024 and made payment on March 20, 2024. The ACs were delivered on March 27, 2024 and the installation was completed on April 5, 2024.

(ICAI SM Case Scenario 2 / RTP – SEPTEMBER 24)

(Video: https://youtu.be/NrbplGgcWdE)

(1) How much revenue should be recognised by the Company as on March 31, 2024:
   (a) ₹ 2,25,000
   (b) ₹ 2,17,500
   (c) ₹ 2,00,000
   (d) ₹ 2,30,000

(2) How much revenue should be recognised by the Company in the financial year 2024-25:
   (a) ₹ 5000
   (b) ₹ 2,20,000
   (c) ₹ 10,000
   (d) ₹ 2,40,000

(3) What will be the accounting for trade discount:
   (a) The same will be recognised separately in the profit and loss.

(b) The trade discounts are deducted in determining the revenue.
(c) Trade discount will be recognised after one year, when the warranty will be over.
(d) Trade discount will be recognised after installation is complete.

(4) Is the Company required to do any accounting for 1 year warranty provided by it:
(a) No accounting treatment is required till some warranty claim is actually received by the Company.
(b) As there exist a present obligation to provide warranty to customers for 1 year, the Company should estimate the amount that it may have to incur considering various factors including past trends and create a provision as per AS 29.
(c) Accounting for claims will be done on cash basis i.e. expense will be recognised when expense is made.
(d) As the Company is not charging separately for the warranty provided, there is no need to create any provision.

9. RTS Ltd, ("RTS" or the "Company"), is engaged in the business of manufacturing of equipment/components. The Company has a contract with the Indian Railways for a brake component which is structured such that:

- The Company's obligation is to deliver the component to the Railways' stockyard, while the delivery terms are ex-works, the Company is responsible for engaging a transporter for delivery.
- Railways sends an order for a defined quantity.
- The Company manufactures the required quantity and informs Railways for carrying out the inspection.
- Railways representatives visit the Company's factory and inspect the components and mark each component with a quality check sticker.
- Goods once inspected by Railways are marked with a hologram sticker to earmark for delivery identification by the customer when they are delivered to the customer's location.
- The Company raises an invoice once it dispatches the goods.

The management of RTS is under discussion with the auditors of the Company in respect of accounting of a critical matter as regards its accounting with respect subsequent events i.e. events after the reporting period. They have been checking as to which one of the following events after the reporting period provides evidence of conditions that existed at the end of the reporting period?

(i) Nationalisation or privatization by government
(ii) Out of court settlement of a legal claim
(iii) Rights issue of equity shares
(iv) Strike by workforce
(v) Announcing a plan to discontinue an operation

The Company has received a grant of ₹ 8 crores from the Government for setting up a factory in a backward area. Out of this grant, the Company distributed ₹ 2 crores as dividend. The Company also received land, free of cost, from the State Government but it has not recorded this at all in the books as no money has been spent. RTS has a subsidiary, A Ltd, which is evaluating its production process wherein normal waste is 5% of input. 5,000 MT of input were put in process resulting in wastage of 300 MT. Cost per MT of input was ₹ 1,000. The entire quantity of waste was on stock at the end of the financial year.

(ICAI SM Case Scenario 1 / RTP - MAY 24)
(Video: https://youtu.be/IXp9SOBd988)

(1) When should RTS Ltd recognize revenue as per the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006? Would your answer be different if inspection is normally known to lead to no quality rejections?
(a) Revenue should be recognized on dispatch of components. The assessment would not change even in case where inspection is normally known to lead to no quality rejections.
(b) Revenue should be recognized on completion of inspection of components. The assessment would not change even in case where inspection is normally known to lead to no quality rejections.
(c) Revenue should be recognized on dispatch of components. The assessment would change where inspection is normally known to lead to no quality rejections.
(d) Revenue should be recognized on delivery of the component to the Railways' stockyard. The assessment would change where inspection is normally known to lead to no quality rejections.

(2) In respect of A Ltd, state with reference to Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, what would be value of the inventory to be recorded in the books of accounts?
 (a) ₹ 47,00,000.
 (b) ₹ 50,00,000.
 (c) ₹ 49,50,000.
 (d) ₹ 49,47,368.

(3) Please guide regarding the accounting treatment of both the grants mentioned above in line with the requirements of Accounting Standard 12.
 (a) Distribution of dividend out of grant is correct. In the second case also not recording land in the books of accounts is correct.
 (b) Distribution of dividend out of grant is incorrect. In the second case, not recording land in the books of accounts is correct.
 (c) Distribution of dividend out of grant is correct. In the second case, land should be recorded in the books of accounts at a nominal value.
 (d) Distribution of dividend out of grant is incorrect. In the second case, land should be recorded in the books of accounts at a nominal value.

10. SEAS Ltd., the "Company", is in the business of tours and travels. It sells holiday packages to the customers. The Company negotiates upfront with the Airlines for specified number of seats in flight. The Company agrees to buy a specific number of tickets and pay for those tickets regardless of whether it is able to resell all of those in package.

The rate paid by the Company for each ticket purchased is negotiated and agreed in advance. The Company also assists the customers in resolving complaints with the service provided by airlines. However, each airline is responsible for fulfilling obligations associated with the ticket, including remedies to a customer for dissatisfaction with the service.
The Company bought a forward contract for three months of US$ 1,00,000 on 1 March 2024 at 1 US$ = INR 83.10 when exchange rate was US$ 1 = INR 83.02. On 31 March 2024, when the Company closed its books, exchange rate was US$ 1 = INR 83.15. On 1 April 2024, the Company decided for premature settlement of the contract due to some exceptional circumstances.
The Company is evaluating below mentioned schemes:

(i) Introduction of a formal retirement gratuity scheme by an employer in place of ad hoc ex - gratia payments to employees on retirement.
(ii) Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of ₹ 20,000 per month. Earlier there was no such scheme of pension in the organization.

SEAS Ltd. has a subsidiary, ADI Ltd., which is in the business of construction having turnover of ₹ 200 crores. SEAS Ltd. and ADI Ltd. hold 9% and 23% respectively in an associate company, ASOC Ltd. Both SEAS Ltd. and ADI Ltd. prepare consolidated financial statements as per Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006.

(ICAI SM Case Scenario 7 / MTP I - MAY 24)
(Video: https://youtu.be/7I9fcxOpaJM)

(1) What would be the basis of revenue recognition for SEAS Ltd. as per the requirements of Accounting Standards?
 (a) Gross basis.
 (b) Net basis.
 (c) Depends on the accounting policy of the Company.
 (d) Indian GAAP allows a choice to the Company to recognize revenue on gross basis or net basis.

(2) Please suggest accounting treatment of forward contract for the year ended 31 March 2024 as per Accounting Standard 11.
 (a) MTM (marked to market value) of contract will be recorded on 31 March 2024.
 (b) MTM (marked to market value) of contract will be computed as at 31 March 2024 and only if there is loss, it will be recorded during the year ended 31 March 2024.
 (c) No accounting will be done during the year ended 31 March 2024.
 (d) Premium on contract will be amortized over the life of the contract.

(3) You are requested to advise the Company in respect of the accounting requirements of above schemes related to employee benefits as to which one of those schemes should be considered as a change in accounting policy during the year.
(a) 1 – Change in accounting policy. 2 – Change in accounting policy.
(b) 1– Not a change in accounting policy. 2 – Change in accounting policy.
(c) 1 – Not a change in accounting policy. 2 – Not a change in accounting policy.
(d) 1– Change in accounting policy. 2 – Not a change in accounting policy.

(4) Please comment regarding consolidation requirements for SEAS Ltd. and ADI Ltd. using the below mentioned options as to which one should be correct.
(a) ADI Ltd. would using equity method of accounting for 23% in ASOC Ltd. SEAS Ltd. would consolidate ADI Ltd. and consequently automatically equity account 23% and separately account for the balance 9% as per AS 13.
(b) ADI Ltd. would account for 23% in ASOC Ltd. as per AS 13. SEAS Ltd. would consolidate ADI Ltd. and consequently automatically account 23% and separately account for the balance 9%.
(c) ADI Ltd. would account for 23% share in ASOC Ltd using equity method of accounting. SEAS Ltd. would consolidate ADI Ltd. and consequently, automatically account for ASOC Ltd 23% share and separately account for 9% share in ASOC Ltd. using equity method of accounting in consolidated financial statements.
(d) ADI Ltd. would account for 23% in ASOC Ltd. as per AS 13. SEAS Ltd. would consolidate ADI Ltd. and using equity method of accounting 23% in ASOC Ltd. and separately account for the balance 9% as per AS 13.

11. On 1st April, 2022, Shubham Limited purchased some land for ₹ 30 lakhs for the purpose of constructing a new factory. This cost of 30 lakhs included legal cost of ₹ 2 lakhs incurred for the purpose of acquisition of this land. Construction work could start on 1st May, 2022 and Shubham Limited provides you the details of the following costs incurred in relation to its construction:

	₹
Preparation and levelling of the land	80,000
Employment costs of the construction workers (per month)	29,000
Purchase of materials for the construction	21,24,000
Cost of relocating employees to new factory for work	60,000
Costs of inauguration ceremony on 1st January, 2023	80,000
Overhead costs incurred directly on the construction of the factory (per month)	25,000
General overhead costs allocated to construction project by the Manager is ₹ 30,000. However, as per company's normal overhead allocation policy, it should be ₹ 24,000. The auditor of the company has support documentation for the cost of ₹ 15,000 only) and raised objection for the balance amount.	

The construction of the factory was completed on 31st December, 2022 and production could begin on 1st February, 2023. The overall useful life of the factory building was estimated at 40 years from the date of completion. However, it was estimated that the roof will need to be replaced 20 years after the date of completion and that the cost of replacing the roof at current prices would be 25% of the total cost of the building.
The construction of the factory was partly financed by a loan of ₹ 28 lakhs borrowed on 1st April, 2022. The loan was taken at an annual rate of interest of 9%. During the period when the loan proceeds had been fully utilized to finance the construction, Shubham Limited received investment income of ₹ 25,000 on the temporary investment of the proceeds. You are required to assume that all of the net finance costs to be allocated to the cost of factory (not land) and interest cost to be capitalized based on nine months' period.
Based on the information given in the above scenario, answer the following multiple-choice questions:

(ICAI SM Case Scenario 8 / MTP I - MAY 24)
(Video: https://youtu.be/7I9fcxOpaJM)

(1) Which of the following cost (incurred directly on construction) will be capitalized to the cost of factory building?
(a) ₹ 2,00,000 incurred as legal cost

(b) ₹ 60,000 – costs of relocating employees
(c) ₹ 80,000 costs of inauguration ceremony
(d) ₹ 24,000 – allocated general overhead cost

(2) What amount of employment cost of construction workers will be capitalized to the cost of factory building?
(a) ₹ 2,90,000
(b) ₹ 3,48,000
(c) ₹ 2,32,000
(d) ₹ 29,000

(3) What is the amount of net borrowing cost capitalized to the cost of the factory?
(a) ₹ 1,89,000
(b) ₹ 1,68,000
(c) ₹ 1,44,000
(d) ₹ 1,64,000

(4) What will be the carrying amount (i.e. value after charging depreciation) of the factory in the Balance Sheet of Shubham Limited as at 31st March, 2023?
(a) ₹ 30,00,000
(b) ₹ 57,78,125
(c) ₹ 27,78,125
(d) ₹ 58,00,000

12. Kesar Ltd., a company engaged in various business activities, has decided to initiate a share buy-back on 1st April, 2023. The company plans to repurchase 25,000 equity shares of ₹ 10 each at a price of ₹ 20 per share. This buy-back initiative is in compliance with the company's articles of association, and the necessary resolution has been duly passed by the company. As part of the financial arrangement for the share buy-back, Kesar Ltd. intends to utilize its current assets, particularly the bank balance, to make the payment for the repurchased shares.
Here is a snapshot of Kesar Ltd.'s Balance Sheet as of 31 st March, 2023:
A. Share Capital: Equity share capital (fully paid-up shares of ₹ 10 each) - ₹ 12,50,000
B. Reserves and Surplus: Securities premium ₹ 2,50,000; Profit and loss account ₹ 1,25,000; Revenue reserve ₹ 15,00,000;
C. Long term borrowings: 14% Debentures- ₹ 28,75,000, Unsecured Loans - ₹ 16,50,000
D. Land and building ₹ 19,30,000; Plant and machinery ₹ 18,00,000; Furniture and fitting ₹ 9,20,000 and Other Current Assets - ₹ 30,00,000

Authorized, issued and subscribed capital: Equity share capital (fully paid up shares of 10 each) - ₹ 12,50,000.

(MTP I - MAY 24)
(Video: https://youtu.be/7I9fcxOpaJM)

(1) By using the Shares Outstanding Test, the number of shares that can be bought back
(a) 1,25,000
(b) 31,250
(c) 25,000
(d) 30,000

(2) By using the Resources Test determine the number of shares that can be bought back:
(a) 25,000
(b) 31,250
(c) 28,750
(d) 39,062

(3) By using the Debt Equity Ratio Test determine the number of shares that can be bought back:
(a) 25,000
(b) 31,250
(c) 28,750
(d) 39,062

(4) On the basis of all three tests determine Maximum number of shares that can be bought back:
   (a) 25,000
   (b) 31,250
   (c) 28,750
   (d) 39,062

13. Mars Ltd. is a manufacturing enterprise which is starting a new manufacturing plant at X Village. It has commenced construction of the plant on April 1, 2023 and has incurred following expenses:

- It has acquired land for installing Plant for ₹ 50,00,000
- It incurred ₹ 35,00,000 for material and direct labour cost for developing the Plant.
- The Company incurred ₹ 10,00,000 for head office expenses at New Delhi which included rent, employee cost and maintenance expenditure.
- The Company borrowed ₹ 25,00,000 for construction work of Plant @12% per annum on April 1, 2023. Director finance of the Company incurred travel and meeting expenses amounting to ₹ 5,00,000 during the year for arranging this loan.
- On November 1, 2023, the construction activities of the plant were interrupted as the local people alongwith the activists have raised issues relating to environmental impact of plant being constructed. Due to agitation the construction activities came to standstill for 3 months.
- With the help of Government and NGOs, the agitation was over by February 28, 2024 and the work resumed. However, to balance the impact on environment, government ordered the company to install certain devices for which the Company had to incur ₹ 6,00,000 in March 2024.
- The rate of depreciation on Plant is 10%.

Based on the above information, answer the following questions.

(ICAI SM Case Scenario 3 / MTP II - MAY 24)

(Video: https://youtu.be/2Nm_SVICmIw)

(1) Which of the following expenses cannot be included in the cost of plant:
   (a) Cost of Land
   (b) Construction material and labour cost
   (c) Head office expenses
   (d) Borrowing cost

(2) How much amount of borrowing cost can be capitalised with the plant:
   (a) ₹ 300,000
   (b) ₹ 2,00,000
   (c) ₹ 7,00,000
   (d) ₹ 6,00,000

(3) The total cost of plant as on march 31, 2024 will be:
   (a) ₹ 85,00,000
   (b) ₹ 98,00,000
   (c) ₹ 93,00,000
   (d) ₹ 95,00,000

(4) The amount of depreciation to be charged for the year end March 31,2024
   (a) ₹ 4,30,000
   (b) ₹ 9,30,000
   (c) ₹ 9,80,000
   (d) Nil

14. Beloved Finance Ltd. is a financial enterprise which is in the business of lending loan to small businesses and earn interest on loans.

- During the year the Company has lend 50 crores and earned ₹ 1.5 crore as interest on loans.
- The Company had surplus funds during the year and invested then in Fixed Deposits with bank and earned interest on fixed deposits of ₹ 20 lacs.

- The Company also acquired a gold loan unit for ₹ 10 crore during the year and the Company provided interest free loan of ₹ 15 crore to its wholly-owned subsidiary.
- The Company paid a total income tax of ₹ 75 lacs for the year.

Based on the above information, answer the following questions.

(ICAI SM Case Scenario 4 / MTP II - MAY 24)

(Video: https://youtu.be/2Nm_SVICmIw)

(1) In the Cash Flow Statement as per AS 3, the interest income of ₹ 1.5 crore earned on earned on loans given by the Company will be disclosed as:
(a) Cash Flow from Operating Activities
(b) Cash Flow from Investing Activities
(c) Cash Flow from Financing Activities
(d) Non-cash Items

(2) In the Cash Flow Statement as per AS 3, the interest income of ₹ 20 Lacs earned fixed deposits with bank will be disclosed as:
(a) Cash Flow from Operating Activities
(b) Cash Flow from Investing Activities
(c) Cash Flow from Financing Activities
(d) Non-cash Items

(3) In the Cash Flow Statement as per AS 3, amount paid for acquiring gold loan unit will be disclosed as:
(a) Cash Flow from Operating Activities
(b) Cash Flow from Investing Activities
(c) Cash Flow from Financing Activities
(d) Non-cash Items

(4) In the Cash Flow Statement as per AS 3, total income tax of ₹ 75 lacs paid for the year will be disclosed as:
(a) Cash Flow from Operating Activities
(b) Cash Flow from Investing Activities
(c) Cash Flow from Financing Activities
(d) Non-cash Items

(5) Is any specific disclosures required to made in relation to the interest free loan of ₹ 15 crore provided by the Company to its wholly-owned subsidiary, if yes, as per which Accounting Standard:
(a) Yes, disclosure is required to be made as per AS 3, Cash Flow Statements.
(b) Yes, disclosure is required to be made as per AS 18, Related Party Disclosures
(c) Yes, disclosure is required to be made as per AS 13, Accounting for Investments
(d) No specific disclosures are required.

15. Kumar Ltd., a privately-held company, operates in the manufacturing industry. Founded in 2008, the company has steadily grown its operations and established a strong presence in the market. As of 31st March, 2023, the company's capital structure reflects a blend of equity and debt financing.

Capital Structure Overview:

- Equity Share Capital: The company has a total of ₹ 30,00,000 invested in equity shares, each valued at ₹ 10 and fully paid.
- Reserves & Surplus: Kumar Ltd. has accumulated reserves and surplus totaling ₹49,00,000, comprising contributions from various sources including General Reserve (₹ 32,50,000), Security Premium Account (₹ 6,00,000), Profit & Loss Account (₹ 4,30,000), and Revaluation Reserve (₹ 6,20,000).
- Loan Funds: The company has acquired loan funds amounting to ₹ 42,00,000 to support its operational and growth initiatives.

Buy-Back Decision:

Considering its financial position and market conditions, Kumar Ltd. has decided to initiate a share buy-back program. The company intends to repurchase its shares at a price of ₹30 per share.

In accordance with financial regulations and internal policies, Kumar Ltd. aims to assess the maximum number of shares it can repurchase while maintaining a prudent debt-equity ratio. By utilizing the Debt Equity Ratio Test, the company seeks to strike a balance between its equity base and debt obligations.
Based on the above information, answer the following questions. **(MTP II - MAY 24)**

(Video: https://youtu.be/2Nm_SVICmIw)

(1) What is the minimum equity Kumar Ltd. needs to maintain after buy- back, according to the Debt Equity Ratio Test?
- (a) ₹ 12,95,000
- (b) ₹ 21,00,000
- (c) ₹ 32,50,000
- (d) ₹ 6,00,000

(2) What is the maximum permitted buy-back of equity for Kumar Ltd.?
- (a) ₹ 38,85,000
- (b) ₹ 42,00,000
- (c) ₹ 12,95,000
- (d) ₹ 59,85,000

(3) How many shares of Kumar Ltd. can be bought back at ₹ 30 per share according to the Debt Equity Ratio Test?
- (a) 43,000
- (b) 1,29,500
- (c) 2,00,000
- (d) 78,000

16. XY Ltd. agrees to construct a building on behalf of its client GH Ltd. on 1st April 20X1. The expected completion time is 3 years. XY Ltd. incurred a cost of Rs 30 lakh up to 31st March 20X2. It is expected that additional costs of Rs. 90 lakh. Total contract value is Rs 112 lakh. As at 31st March 20X2, XY Ltd. has billed GH Ltd. For Rs. 42 lakh as per the agreement. Assume that the work is completed to the extent of 75% by the end of Year 2 **(AS 7)**

(Video: https://youtu.be/G5mgTtxu-1g)

(1) Revenue to be recognized by XY Ltd. for the year ended 31st March 20X2 is
- (a) 28
- (b) 42
- (c) 30
- (d) 32

(2) Total expense to be recognised in Year 1 is
- (a) 30
- (b) 120
- (c) 38
- (d) 36

(3) Revenue to be recognised for year 2 is
- (a) 84
- (b) 42
- (c) 56
- (d) 28

ANSWERS

1.

(1) (c)

(2) (b)

(3) (b)

(4) (b)

(5) (b)

2.

(1) (b)

(2) (b)

(3) (c)

(4) (d)

3.

(1) (c)

(2) (b)

(3) (c)

(4) (c)

4.

(1) (c)

(2) (d)

(3) (b)

(4) (b)

5.

(1) (a)

(2) (d)

(3) (c)

(4) (c)

6.

(1) (b)

(2) (a)

(3) (b)

(4) (d)

7.

(1) (d)

(2) (c)

(3) (c)

(4) (b)

8.

(1) (b)

(2) (a)

(3) (b)

(4) (b)

9.

(1) (b)

(2) (d)

(3) (d)

10.

(1) (a)

(2) (d)

(3) (c)

(4) (c)

11.

(1) (a)

(2) (c)

(3) (d)

(4) (b)

12.

(1) (b)

(2) (d)

(3) (c)

(4) (c)

13.

(1) (c)

(2) (b)

(3) (c)

(4) (d)

14.

(1) (a)

(2) (a)

(3) (b)

(4) (a)

(5) (b)

15.

(1) (b)

(2) (a)

(3) (b)

16.

(1) (a)

(2) (d)

(3) (c)

LINK OF IMPORTANT VIDEOS

ICAI STUDY MATERIAL BATCH

Lecture 1: AS 16 AND AS 12 https://youtu.be/Nbvhs84a4lA?si=y_86D7Rpc2BanVhj

Lecture 2: AS 10 AND AS 2 https://youtu.be/25Wumsd3d5M?si=KgDYCGr1rjxgamDM

Lecture 3: Investment Accounting - AS 13 https://youtu.be/KDWr0sGIZBY?si=XS_exHfCmvwuB-kq

Lecture 4: AS 19 AND AS 20 https://youtu.be/yqoqzkOmWok?si=f3zvmTH2YRP6HKFD

Lecture 5: INTERNAL RECONSTRUCTION https://youtu.be/ZYqCrg-KxcE?si=c_PVIivsqutfa8qN

Lecture 6: AS 11, AS 7 AND AS 9 https://youtu.be/itLouZQ7tBw?si=52KCcva1y0bvOTSl

Lecture 7: BUY-BACK OF SECURITIES https://youtu.be/qSqRIXY_Xf8?si=Ssjc-vjJt_blp1bG

Lecture 8: AS 22, AS 15 AND AS 1 https://youtu.be/jAOnEBZO3AM?si=t2G0MB9PZx2Cu6JA

Lecture 9: AS 28 AND AS 26 https://youtu.be/UriJZeK8Ufg?si=uPx5egiEQLZxULpd

Lecture 10: AS 17, AS 18, AS24 AND AS 25 https://youtu.be/ne59H6FgUKc?si=3b1p13-88oegYyho

Lecture 11: AS 5, AS 4, AS 29, Applicability of AS & IND AS and Framework
https://youtu.be/jAl7Bu9NiME?si=-WoEoz6Lx6VGWXSQ

Lecture 12: AMALGAMATION OF COMPANIES - AS 14
https://youtu.be/9BFKIW02OR8?si=kH5YBGyZQvYH_YhT

Lecture 13: FINANCIAL STATEMENTS OF COMPANIES & SCHEDULE III
https://youtu.be/IIwwfPBn7vs?si=1UK4vAvBQzaZgv8d

Lecture 14: BRANCH https://youtu.be/L56SQXRvQvg?si=IOkOGVrr6VJH_-YA

Lecture 15: CASH FLOW STATEMENT - AS 3 https://youtu.be/-iAGNUGDqm0?si=MRWnThEslz1kkztv

Lecture 16: CONSOLIDATED FINANCIAL STATEMENTS (AS 21, AS 23 & AS 27)
https://youtu.be/Ge7Qmih0Xp4

Play list of all the lectures https://www.youtube.com/watch?v=Nbvhs84a4lA&list=PLqE5aHjZDY868-krklrXH3o4WHRtSwwT9

Play list of all RTP and MTP

https://www.youtube.com/watch?v=NrbplGgcWdE&list=PLqE5aHjZDY87bdP2tM6zKaK1K5wZRriZe

MCQS MARATHON: **https://youtu.be/G5mgTtxu-1g**