SPC Receipt No: Marks: 100
Test ID: National Level Test Time Allowed: 3 Hours

INTERMEDIATE COURSE: GROUP - I

PAPER – 1 : ADVANCED ACCOUNTING

1. The question paper comprises two parts, Part I and Part II.

2. Part I comprises Case Scenario based Multiple Choice Questions (MCQs)

3. Part II comprises questions which require descriptive type answers.

PART I – Case Scenario based MCQs (30 Marks) Part I is compulsory

Case Scenario 1 (MCQ 1-3)

SM Enterprises is a leading distributor of petrol. A detail inventory of petrol in hand is taken when the books are closed at the end of each month. For the end Month of June 2021 following information is available:

i) Sales for the month of June 2021 was ₹ 30,40,000
ii) General overheads cost ₹ 4,00,000.
iii) Inventory at beginning 10,000 liters@ ₹ 92 per liter.
iv) Purchases – June 1 2021, 20,000 liters @ ₹ 90 per liter, June 30 2021, 10,000 liters@₹ 95 per liter.
v) Closing inventory 13,000 liters.

You are required to computer the following by FIFO method as per AS 2:

MCQ 1: Value of Inventory on 30th June, 2021.

a) 9,50,000

b) 2,70,000

c) 12,20,000

d) 13,20,000

MCQ 2: Amount of cost of goods sold for June,2021

a) 36,70,000

b) 24,50,000

c) 12,20,000

d) 9,50,000

MCQ 3: Profit/Loss for the months of June, 2021.

a) 30,40,000

b) 28,50,000

c) 5,90,000

d) 1,90,000 **(2 Marks * 3 MCQ = 6 Marks)**

Case Scenario 2 (**MCQ 4-7)**

Super Ltd., a manufacturing company, has the following summarized Balance Sheet as of March 31, 2024:

Equity Shares of Rs. 10 each fully paid up: Rs. 17,00,000

Reserves & Surplus:

Revenue Reserve: Rs. 23,50,000

Securities Premium: Rs. 2,50,000

Profit & Loss Account: Rs. 2,00,000

Infrastructure Development Reserve: Rs. 1,50,000

Secured Loan:

9% Debentures: Rs. 38,00,000

Unsecured Loan: Rs. 8,50,000

Property, Plant & Equipment: Rs. 58,50,000

Current Assets: Rs. 34,50,000

Super Ltd. plans to buy back 35,000 equity shares of Rs. 10 each fully paid up on April 1, 2024, at Rs. 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**:**

MCQ 4: 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

MCQ 5: 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

MCQ 6: 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

MCQ 7: 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

Case Scenario 3: (MCQ 8-10)

Axis limited is a manufacturing company. It purchased a machinery costing Rs. 10 Lakhs in April 2023. It paid Rs. 4 lakhs upfront and paid the remaining Rs. 6,00,000 as deferred payment by paying instalment of Rs. 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 Rs. 25,00,000 and paid Rs. 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.

MCQ 8: As per the requirements of AS 3, 'Cash Flow Statements', how the amount for purchase of machinery should be presented:

(a) Rs. 10 lakhs as 'Cash flows from Investing Activities' and Rs. 30,000 will simply be booked in profit and loss with no presentation if Cash Flow Statement.

(b) Rs. 10.30 lakhs as 'Cash flows from Investing Activities' as entire amount is spend on purchase of machinery.

(c) Rs. 10 lakhs as 'Cash flows from Investing Activities' and Rs. 30,000 as 'Cash flows from Financing Activities'.

(d) Rs. 10.30 lakhs as 'Cash flows from Financing Activities' as the machinery has been purchased on finance**.**

MCQ 9: At what amount, the machinery should be recognised in the financial statements:

(a) Rs. 400,000

(b) Rs. 10,30,000

(c) Rs. 600,000

(d) Rs. 10,00,000

MCQ 10: 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

Independent MCQ's :

MCQ 11: On 1 st December, 2017, GR Construction Co. Ltd. undertook a contract to construct a building for Rs. 45 lakhs. On 31st March, 2018, the company found that it had already spent Rs. 32.50 lakhs on the construction. Additional cost of completion is estimated at Rs. 15.10 lakhs. What amount should be charged to revenue in the final accounts for the year ended 31st March, 2018 as per provisions of AS-7. **Marks 2**

(a) 47.60 L

(b) 2.60 L

(c) 30.73 L

(d) 15.10 L

MCQ 12: Deenabandu Ltd. contracted with a Supplier to purchase a specific Machinery to be installed in Department A in two months' time. Special Foundations were required for the Plant, which were to be prepared within this supply lead time. The cost of site preparation and laying foundations were Rs.47,290. These activities were supervised by a Technician during the entire period, who is employed for this purpose of Rs. 15,000 per month. The Technician's Services were given to Department A by Department B, which billed the services at Rs. 16,500 per month after adding 10% profit margin. The Machine was purchased at Rs. 52,78,000 including GST. Rs. 18,590 Transportation Charges were incurred to bring the Machine to the Factory. An Architect was engaged at a fee of Rs. 10,000 to supervise machinery installation at the Factory Premises. Also, payment under the invoice was due in 3 months. However, the Company made the payment in the 2nd month. The Company operates on Bank Overdraft @11%. Ascertain the amount at which the Asset should be recognized as PPE under AS 10. **Marks 2**

(a) 53,83,880

(b) 54,02,470

(c) 53,73,880

(d) 53,53,880

MCQ 13: AXE Limited purchased fixed assets costing $ 5,00,000 on 1st Jan. 2018 from an American company M/s M&M Limited. The amount was payable after 6 months. The company entered into a forward contract on 1st January 2018 for five months @ Rs. 62.50 per dollar. The exchange rate per dollar was as follows: On 1st January, 2018 Rs. 60.75 per dollar On 31st March, 2018 Rs. 63.00 per dollar You are required to state how the profit or loss on forward contract would be recognized in the books of AXE Limited for the year ending 2017-18, as per the provisions of AS 11. **Marks 2**

(a) 8,75,000

(b) 5,25,000

(c) 5,00,000

(d) 4,45,322

Case Scenario: (MCQ 14-15)

From the following information, you are required to compute Basic and Diluted Earnings Per Share (EPS) of M/s. XYZ Limited for the year ended 31st March, 2019:

Net Profit for the year after tax: Rs 75,00,000

Number of Equity Shares of Rs. 10 each outstanding: 10,00,000

1,00,000, 8% Convertible Debentures of Rs. 100 each were issued by the Company at the beginning of the year. 1,10,000 Equity Shares were supposed to be issued on conversion. Consider rate of Income Tax as 30%.

MCQ 14: Compute the Basic Earnings Per Share:

(a) 8.5

(b) 6.5

(c) 7.5

(d) 4.5

MCQ 15: Compute the Diluted Earnings Per Share:

(a) 7.32

(b) 7.26

(c) 7.48

(d) 7.28

(2 Marks * 2 MCQ = 4 Marks)

PART II – Descriptive Questions (70 Marks)

Question No.1 is compulsory.

Answer any **four** questions from the remaining **five** questions.

Wherever necessary, suitable assumptions may be made and indicated in answer by the candidates. Working Notes should form part of the answer

Question 1.

a) A Ltd. purchased on 1st April, 2023 8% convertible debenture in C Ltd. of face value of Rs. 2,00,000 @ Rs. 108. On 1st July, 2023 A Ltd. purchased another Rs. 1,00,000 debentures @ Rs. 112 cum interest. On 1st October, 2023 Rs. 80,000 debentures were sold @ Rs 105. On 1st December, 2023, C Ltd. give option for conversion of 8% convertible debentures into equity share of Rs. 10 each. A Ltd. received 5,000 equity shares in C Ltd. in conversion of 25% debentures held on that date. The market price of debenture and equity share in C Ltd. on 31st December, 2023 is Rs. 110 and Rs. 15 respectively. Interest on debenture is payable each year on 31st March, and 30th September. Prepare investment account in the books of A Ltd. on average cost basis for the accounting year ended 31st December, 2023. **Marks 10**

b) Tip top Limited has borrowed a sum of US $ 10,00,000 at the beginning of Financial Year 2014-15 for its residential project at 4 %. The interest is payable at the end of the Financial Year. At the time of availment exchange rate was Rs. 56 per US $ and the rate as on 31st March, 2015 was Rs. 62 per US $. If Tip top Builders Limited borrowed the loan in India in Indian Rupee equivalent, the pricing of loan would have been 10.50%. Compute Borrowing Cost and exchange difference for the year ending 31st March, 2015 as per applicable Accounting Standards. **Marks 4**

Question 2.

From the following particulars furnished by Hello Ltd., prepare the Balance Sheet as on 31st March 2024 as required by Part I, Schedule III of the Companies Act, 2013:

Particulars		Debit Rs	Credit Rs
Equity Share Capital (Face value of Rs 100 each)			50,00,000
Building		27,50,000	
Plant & Machinery		26,25,000	
Furniture		2,50,000	
General Reserve			10,50,000
Loan from State Financial Corporation			7,50,000

Inventory: Raw Materials Finished Goods	2,55,000 10,00,000	12,55,000	
Provision for Taxation			6,40,000
Trade receivables		10,00,000	
Short term Advances		2,13,500	
Profit & Loss Account			4,33,500
Cash in Hand		1,50,000	
Cash at Bank		12,35,000	
Unsecured Loan			6,05,000
Trade payables (for Goods and Expenses)			10,00,000

The following additional information is also provided:

(i) 10,000 Equity shares were issued for consideration other than cash.

(ii) Trade receivables of Rs. 2,60,000 are due for more than 6 months

(iii) The cost of the Assets were:
Building Rs. 30,00,000, Plant & Machinery Rs. 35,00,000 and Furniture Rs. 3,12,500

(iv) The balance of Rs. 7,50,000 in the Loan Account with State Finance Corporation is secured by hypothecation of Plant & Machinery.

(v) Balance at Bank includes Rs. 10,000 with Omega Bank Ltd., which is not a Scheduled Bank.

(vi) Transfer Rs. 20,000 to general reserve as proposed by Board of directors **Marks 14**

Question 3.

a) WIN Ltd. has entered into a three year lease arrangement with Tanya sports club in respect of Fitness Equipment's costing Rs. 16,99,999.50. The annual lease payments to be made at the end of each year are structured in such a way that the sum of the Present Values of the lease payments and that of the residual value together equal the cost of the equipments leased out. The unguaranteed residual value of the equipment at the expiry of the lease is estimated to be Rs. 1,33,500. The assets would revert to the lessor at the end of the lease. Given that the implicit rate of interest is 10%. You are required to compute the amount of the annual lease payment and the unearned finance income. Discounting Factor at 10% for years 1, 2 and 3 are 0.909, 0.826 and 0.751 respectively. **Marks 7**

b) On 01.04.2014, XYZ Ltd. received Government grant of Rs. 100 Lakhs for an acquisition of new machinery costing Rs. 500 lakhs. The grant was received and credited to the cost of the assets. The life span of the machinery is 5 years. The machinery is depreciated at 20% on WDV method. The company had to refund the entire grant in 2 nd April, 2017 due to non-fulfilment of certain conditions which was imposed by the government at the time of approval of grant. How do you deal with the refund of grant to the Government in the books of XYZ Ltd., as per AS 12? **Marks 7**

Question 4.

a) Two companies named Alex Ltd. and Beta Ltd. provide you the following summary of ledger balances as on 31st March, 2020:

Particular	Alex Ltd. (Rs.)	Beta Ltd. (Rs.)
Goodwill	1,40,000	70,000
Building	8,40,000	2,80,000
Machinery	14,00,000	4,20,000
Inventory	7,00,000	4,90,000
Trade receivables	5,60,000	2,80,000
Cash at Bank	1,40,000	56,000
Equity Shares of Rs. 10 each	28,00,000	8,40,000
8% Preference Shares of Rs. 100 each	2,80,000	–
10% Preference Shares of Rs. 100 each	–	2,80,000
General Reserve	1,96,000	1,96,000
Retirement Gratuity fund	1,40,000	56,000
Trade payables	3,64,000	2,24,000

Beta Ltd. is absorbed by Alex Ltd. on the following terms:

(a) 10% Preference Shareholders are to be paid at 10% premium by issue of 8% Preference Shares of Alex Ltd.

(b) Goodwill of Beta Ltd. is valued at Rs. 1,40,000, Buildings are valued at Rs. 4,20,000 and the Machinery at Rs. 4,48,000.

(c) Inventory to be taken over at 10% less value and Provision for Doubtful Debts to be created @ 7.5%.

(d) Equity Shareholders of Beta Ltd. will be issued Equity Shares of Alex Ltd. @ 5% premium. You are required to:

(i) Prepare necessary Ledger Accounts to close the books of Beta Ltd.

(ii) Show the acquisition entries in the books of Alex Ltd.

(iii) Also draft the Balance Sheet after absorption as at 31st March, 2020. **Marks 14**

Question 5.

a) H Ltd. and its subsidiary S Ltd. give the following information as on 31st March, 2021:

	H Ltd. (Rs.)	S Ltd. (Rs.)
Share Capital		
Equity Share Capital (fully paid up shares of Rs. 10 each)	12,00,000	2,00,000
Reserves and Surplus		
General Reserve	4,35,000	1,55,000
Cr. Balance in Profit and Loss Account	2,80,000	65,000
Current Liabilities		
Trade Payables	3,22,000	1,23,000
Non-Current Assets		
Property, Plant and Equipment		

Machinery	6,40,000	1,80,000
Furniture	3,75,000	34,000
Non-Current Investments		
Shares in S Ltd. - 16,000 shares @ Rs. 20 each	3,20,000	-
Current Assets		
Inventories	2,68,000	62,000
Trade Receivables	4,70,000	2,35,000
Cash and Bank	1,64,000	32,000

H Ltd. acquired the 80% shares of S Ltd. on 1st April, 2020. On the date of acquisition, General Reserve and Profit Loss Account of S Ltd. stood at Rs. 50,000 and Rs. 30,000 respectively.
Machinery (book value Rs. 2,00,000) and Furniture (book value Rs. 40,000) of S Ltd. were revalued at Rs. 3,00,000 and Rs. 30,000 respectively on 1st April,2020 for the purpose of fixing the price of its shares (rates of depreciation on W.D.V basis: Machinery 10% and Furniture 15%). Trade Payables of H Ltd. include Rs. 35,000 due to S Ltd. for goods supplied since the acquisition of the shares. These goods are charged at 10% above cost. The inventories of H Ltd. includes goods costing Rs. 55,000 (cost to H Ltd.) purchased from S Ltd.
You are required to prepare the Consolidated Balance Sheet of H Ltd. with its subsidiary as at 31st March, 2021. **Marks 14**

Question 6.

a) Explain the meaning of the terms 'cash' and 'cash equivalent' for the purpose of Cash Flow Statement as per AS-3. Ruby Exports had a bank balance of USD 25,000, stated in books at Rs 16,76,250 using the rate of exchange Rs 67.05 per USD prevailing on the date of receipt of dollars. However, on the balance sheet date, the closing rate of exchange was Rs. 67.80 and the bank balance had to be restated at Rs 16,95,000. Comment on the effect of change in bank balance due to exchange rate fluctuation and also discuss how it will be disclosed in Cash Flow Statement of Ruby Exports with reference to AS-3. **Marks 5**

b) LINKEN LTD., with a Head Office in Kolkata, sends goods to its /Madras branch at cost plus 25 per cent. The following particulars are available in respect of the Branch for the year ended 31st March, 2016.

Opening Stock at Branch at cost to Branch	4,00,000
Goods sent to Branch at invoice price	60,00,000
Loss-in-transit at invoice price	75,000
Pilferage at invoice price	30,000
Sales	60,95,000
Expenses	3,00,000
Closing Stock at Branch at cost to Branch	2,00,000
Recovered from Insurance company against lost-in-transit	50,000

You are required to prepare:
(i) Branch Stock Account
(ii) Branch Adjustment Account a
(iii) Branch Profit & Loss Account in the book of Linken Ltd. **Marks 9**