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PART - I

**Case Scenario - I :**

The following particulars are stated in the Balance Sheet of Star Limited as on 31<sup>st</sup> March, 2023 :

Deferred Tax Assets (Dr.)	₹ 1,20,000
Deferred Tax Liabilities (Cr.)	₹ 2,10,000

The following transactions were reported during the year 2023-24 :

	₹
1. Depreciation as per accounting records	12,00,000
2. Depreciation as per income tax records	18,00,000
3. Interest paid accounted in books on accrual basis but paid on 15-05-2024	4,50,000
4. Employer PF Contribution exp. disallowed for tax purpose in year 2022-23 but allowed in year 2023-24	82,000
5. Unamortized preliminary expenses as per tax records	1,00,000
6. Donation	70,000
7. Tax Rate	20%

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Based on the information given in above Case Scenario, answer the following

Question No. 1 – 4 :

1. What would be the value of the Deferred Tax Liabilities as on 31-03-2024 ? 2
  - (A) ₹ 1,23,600
  - (B) ₹ 3,30,000
  - (C) ₹ 1,52,000
  - (D) ₹ 1,20,000
  
2. What would be the value of reversal of Deferred Tax Assets as on 31-03-2024 ? 2
  - (A) ₹ 20,000
  - (B) ₹ 1,04,000
  - (C) ₹ 16,400
  - (D) ₹ 90,000
  
3. Which is the permanent difference item as per AS 22 ? 2
  - (A) Employer PF Contribution exp.
  - (B) Donation
  - (C) Unamortized preliminary expenses
  - (D) Depreciation

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4. What would be the value of the Deferred Tax Assets as on 31-03-2024 ?

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- (A) ₹ 1,52,000
- (B) ₹ 3,30,000
- (C) ₹ 1,23,600
- (D) ₹ 4,50,000

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5. Ace Limited borrowed ₹ 25 Lakhs from ABN Bank during the financial year 2023-24. Ace Limited used these funds to invest in Equity shares of Kay Limited.

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Kay Limited is implementing a new Project, so with these future prospects, Ace Limited invested ₹ 25 Lakhs in Kay Limited.

As on 31<sup>st</sup> March, 2024, since the said project was not complete, the directors of Ace Limited capitalised the interest on loan amounting to ₹ 2 lakhs and thus added the amount of interest to the cost of Investments.

Market value of these investments on 31<sup>st</sup> March, 2024 is ₹ 24 Lakhs.

Identify the correct statement, considering the above facts as per AS 16 :

- (A) Interest paid is acquisition charge, hence directors of Ace Limited correctly added the amount of interest in cost of investment.
- (B) Since project is qualifying Asset, directors of Ace Limited correctly added the amount of interest in cost of investments.
- (C) Ace Limited invested in equity share which is not a qualifying asset, therefore directors are wrong to add the interest in cost of investments, rather it should be charged to profit and loss account.
- (D) Since project is qualifying asset, directors of Ace Limited should capitalise the interest amount to market value of investments, rather than cost of investments.

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6. AB Contractors undertakes a fixed price contract of ₹ 350 Lakhs. Information related to contract is given as under :

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Material purchased

₹ 125 Lakhs

Labour charges

₹ 95 Lakhs

Unused material

₹ 22 lakhs

Estimated future costs to be incurred to complete the contract

₹ 115 Lakhs.

Payment received as part payment of contract

₹ 50 Lakhs

Machinery used for 4 years for the contract. Original cost of the machine is ₹ 210 Lakhs. Expected life of machinery is 20 years.

What will be the Profit / Loss on the contract ?

(A) Loss on contract ₹ 5 lakhs

(B) Loss on contract ₹ 49 Lakhs

(C) Profit on contract ₹ 45 Lakhs

(D) Profit on contract ₹ 26.5 Lakhs

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**Case Scenario – II :**

The following summary cash account has been extracted from the Nextspace Limited's accounting records :

	₹	₹
Cash Balance as on 01-04-2023		72,000
<b>Inflow of Cash</b>		
Cash Sales	15,56,000	
Trade Receivable	7,40,000	
Rent from Property held as investment	64,000	
Income tax refund	25,000	
Loan from Bank	5,00,000	
Issue of Shares	2,50,000	
Sale of Investment	49,500	31,84,500
<b>Outflow of Cash</b>		
Trade Payable	19,60,000	
Office and Selling Exp.	1,20,000	
Trade Commission	40,500	
Underwriting Commission	25,000	
Redemption of Preference shares	8,00,000	
Brokerage on Sale of Investment	9,200	
Interest on long term borrowings	85,600	
Payment for Overheads	46,000	
Purchases of Goodwill	50,000	(31,36,300)
Balance as on 31-03-24		1,20,200

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Based on the information given in above Case Scenario, answer the following

Question No. 7 – 10 :

7. What would be the value of Cash Flow from Investing Activities ? 2
- (A) ₹ 54,300  
(B) ₹ 1,04,300  
(C) ₹ 29,300  
(D) ₹ (500)
8. What would be the value of Cash Flow from Financing Activities ? 2
- (A) ₹ (50,000)  
(B) ₹ (1,35,600)  
(C) ₹ 54,300  
(D) ₹ (1,60,600)
9. Which of the following would be considered as a 'Cash Flow item from an Investing Activities' ? 2
- (A) Underwriting Commission  
(B) Trade Commission  
(C) Purchase of Goodwill  
(D) Interest on Long Term Borrowings

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10. What would be the value of Cash Flow from Operating Activities ?

2

(A) ₹ 1,29,500

(B) ₹ 1,54,500

(C) ₹ 1,45,300

(D) ₹ 4,04,000

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11. Glow Limited had taken a loan of ₹ 5,00,000 in June, 2023. The loan is to be repaid in 10 half yearly equal installments starting from December, 2023. Determine how the remaining loan will be classified in the Balance Sheet as on 31<sup>st</sup> March, 2024 as per Schedule III of the Companies Act, 2013 ?

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(A) ₹ 3,50,000 is to be shown under the head 'Long term borrowings' and ₹ 1,00,000 is to be shown under the head 'Short term borrowings.'

(B) ₹ 3,50,000 is to be shown under the head 'Long term borrowings' and ₹ 75,000 is to be shown under the head 'Short term borrowings' and ₹ 25,000 is to be shown under the head 'Other Current liabilities.'

(C) ₹ 4,50,000 is to be shown under the head 'Long term borrowings.'

(D) ₹ 3,50,000 is to be shown under the head 'Long term borrowings' and ₹ 1,00,000 is to be shown under the head 'Other Current liabilities.'

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**Case Scenario – III :**

On 1<sup>st</sup> April, 2019, Black Limited received a government grant of ₹ 15,00,000 for acquisition of a Machine costing ₹ 50,00,000. The grant was credited to the cost of the Machine. The life of the Machine is expected to be 10 years and estimated residual value at the end of 10 years is ₹ 5,00,000. The company charges depreciation on straight line basis.

Due to non-fulfillment of certain conditions the company had to refund the entire grant on 1<sup>st</sup> April, 2021.

On 31<sup>st</sup> March, 2023, Black Limited received certain indications of impairment of the Machine and the recoverable amount was ascertained to be ₹ 28,00,000 with revised useful life of 4 years and nil residual value.

On 1<sup>st</sup> April, 2024, the company exchanged the Machine by paying cash of ₹ 2,00,000 and new Machine valued at ₹ 18,00,000.

Based on the information given in above Case Scenario, answer the following Question No. 12 – 15 :

12. What will be the amount of depreciation to be charged on the Machine for the year ended 31<sup>st</sup> March, 2022 ?
- (A) ₹ 4,87,500
- (B) ₹ 6,37,500
- (C) ₹ 4,50,000
- (D) ₹ 5,37,500



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13. What will be the impact of test of impairment on Profit & Loss Account of the company ?

2

- (A) Impairment loss of ₹ 4,00,000 to be debited to Profit & Loss A/c.
- (B) Impairment loss of ₹ 4,25,000 to be debited to Profit & Loss A/c.
- (C) Impairment loss of ₹ 6,25,000 to be debited to Profit & Loss A/c.
- (D) Impairment loss of ₹ 15,25,000 to be debited to Profit & Loss A/c.

14. What will be the amount of Profit or Loss on exchange of Machine as on 1<sup>st</sup> April, 2024 ?

2

- (A) Loss of ₹ 8,00,000
- (B) Loss of ₹ 1,00,000
- (C) Profit of ₹ 1,00,000
- (D) Loss of ₹ 3,00,000

15. What will be the carrying amount of the Machine as on 31<sup>st</sup> March, 2021 after charging depreciation for the year ?

2

- (A) ₹ 28,00,000
- (B) ₹ 26,00,000
- (C) ₹ 41,00,000
- (D) ₹ 29,00,000

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