PART – I

1. During the process of Internal Reconstruction, JAY Ltd has come across the following adjustment : **2**

There is a contingent liability for which no provision had been made. This contingent liability was settled at ₹ 7,500 and also ₹ 6,000 was recovered from the insurance company in this regard.

Which of the following is the correct treatment for the above adjustment ?

(A) Reconstruction A/c Dr ₹ 7,500 and Bank A/c Cr ₹ 7,500

(B) Reconstruction A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500

(C) Contingent Liability A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500

(D) Profit and Loss A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500

2. Past Ltd. had the following items under the head "Reserves and Surplus" in the Balance Sheet as on 31st March 2025 : **2**

(Amount ₹ in lakhs)

Securities Premium Account	90
Capital Reserve	40
Revaluation Reserve	70

The company had an accumulated loss of ₹ 280 lakhs on the same date, which was disclosed under the head "Statement of Profit and Loss" as asset in its Balance Sheet. What should be disclosed on the face of Balance Sheet as per Schedule III to the Companies Act, 2013 ?

(A) Reserve and Surplus - ₹ 200 lakhs; and Accumulated loss ₹ 280 lakhs in the Asset side.

(B) Reserve and Surplus - Securities premium ₹ 90 lakhs; others ₹ 110 lakhs and Accumulated loss ₹ 280 lakhs in the Asset side.

(C) Reserve and Surplus - ₹ 200 lakhs only

(D) Reserve and Surplus - (₹ 80) lakhs only

Case Scenario – I :

Gray Ltd is engaged in the business of constructing towers since 15 years. Alpha Ltd gave a contract to Gray Ltd for construction of 2 towers.

Contract price for 2 towers is agreed at ₹ 160 crore. (each tower has contract price of 80 crore)

At the time of contract, Gray Ltd has estimated that the contract cost will be ₹ 141 crore. It is assumed that construction will be completed in 3 years.

At the end of year 1, Gray Ltd has revised the construction cost to ₹ 150 crore.

At the beginning of year 2, the customer has requested for a variation in the contract. Customer now wants construction of 3 towers instead of 2 towers. The term of the contract will not change, construction of all the towers will be completed simultaneously.

As a result of this variation, contract price will increase by ₹ 80 crore and contract costs will increase by ₹ 75 crore.
240.
225

Gray Ltd has decided to measure the stage of completion on the basis of the proportion of contract costs incurred to the total estimated contract costs.

Contract costs incurred at the end of each year is:

Year 1 : ₹ 35.25 crore

Year 2 : ₹ 148.5 crore (including unused material of ₹ 2.25 crore)

Year 3 : Total Revised contract costs

Based on the information given in above Case Scenario, answer the following Question **3 – 5** :

3. What is the stage of completion of contract on the basis of proportion of contract costs incurred to the total estimated contract costs at the end of year 1 and Year 2 respectively ? **2**

(A) Year 1 : 23.5 % and Year 2 : 65%

(B) Year 1 : 23.5 % and Year 2 : 66%

(C) Year 1 : 25 % and Year 2 : 66%

(D) Year 1 : 25 % and Year 2 : 65%

4. What is the amount of the profit to be recognized at the end of Year 1 ? 2

(A) ₹ 44.75 crore

(B) ₹ 2.35 crore

(C) ₹ 4.75 crore

(D) ₹ 21 crore

5. What is the amount of contract revenue recognized in each year of contract ? 2

(A) Year 1 : ₹ 40 crore , Year 2 : ₹ 116 crore and Year 3 : ₹ 84 crore

(B) Year 1 : ₹ 80 crore , Year 2 : ₹ 80 crore and Year 3 : ₹ 80 crore

(C) Year 1 : ₹ 37.60 crore , Year 2 : ₹ 118.40 crore and Year 3 : ₹ 84 crore

(D) Year 1 : ₹ 37.60 crore , Year 2 : ₹ 120.80 crore and Year 3 : ₹ 81.60 crore

6. ABC Ltd., is in the business of creating contents for various OTT platforms. The company has developed a technical know-how (the asset) by incurring expenditure of ₹ 25 lakhs. The company started using the asset from 1st April 2019. The management of the company is of the view that the asset has infinite lifetime and therefore has not amortized the asset till date.

What should be the total amortization amount (including current as well as the previous years amortization) to be charged to Profit and loss account for the year ended March 31st 2024, with reference to AS 26 ? 2

(A) ₹ 25 lakhs as the know how is an intangible asset as per AS 26.

(B) Nil, as per the management the know how has infinite life and the management is correct.

(C) ₹ 12.5 lakhs (including current year's amortization of ₹ 2.5 lakhs) to be charged to Profit and loss Account.

(D) ₹ 15 lakhs (including current year's amortization of ₹ 2.5 lakhs) to be charged to Profit and Loss account.

7. X Ltd. has entered into a binding agreement with Beta Ltd. to buy a custom-made machine for ₹ 2 lakhs. During the year 2024-25 X Ltd has to change its method of production due to changes in market trend. Before the delivery of the machine, X Ltd had already changed its method of production and the new method will not require the machine ordered. Now the company decides to scrap it after delivery. The expected scrap value is ₹ 25,000. Machine was received on 10th October, 2024 and was scrapped on 15th October, 2024. The correct accounting treatment for above machine in the year 2024-25 is 2

(A) Impairment A/c to be debited with ₹ 1.75 lakhs and Bank A/c to be credited with ₹ 1.75 lakhs.

(B) Machine A/c to be debited with ₹ 2 lakhs and Bank A/c to be credited with ₹ 2 lakhs.

(C) Profit and Loss A/c to be debited with ₹ 2 lakhs and Bank A/c to be credited with ₹ 2 lakhs.

(D) Profit and Loss A/c to be debited with ₹ 1.75 lakhs and Bank A/c to be credited with ₹ 1.75 lakhs.

Case Scenario – II :

Health India Limited (HIL), incorporated under the The Companies Act, 2013, is engaged in the production and distribution of medicines. It has manufacturing plants at Baddi (Himachal Pradesh) and Bhopal (Madhya Pradesh). It also imports medicines from Pharma Inc. New York (United States).

On 1st Jan 2024, HIL sold 2,00,000 strips of Medicine to Dee Limited for ₹ 50 Lakhs on 60 days of credit. Cost per strip of this medicine, was ₹ 20. (i.e.) total cost ₹ 40 Lakhs (2,00,000 strips@₹ 20). Dee Ltd paid 20% of the amount due on 5th January, 2024. In March 2024, Dee Limited is having significant cash flow issues and is trying to raise funds through bank loan to run its operations. However, it is unable to do so and not able to release payment to HIL on due date. Subsequent to this, it has gone under liquidation on 15th March, 2024. At the time when medicine was sold by HIL to Dee Limited, there was no reason for HIL to believe that it will not be able to collect the sales proceeds from Dee Limited in future.

On 1st April,2023 HIL has made an investment of ₹ 200 Lakhs in the equity shares of Rose Limited of which 50% 100L is made in the long-term category i.e. long -term investment and rest as temporary 100L investment i.e. current investment. The realisable value of all such investments on 31st March, 2024 becomes ₹ 50 Lakhs as Rose Limited lost a copyright. From the given market conditions, it is apparent that the reduction in the value of investment is not temporary in nature.

HIL imported medicine from Pharma Inc. for a sum of US $ 2,50,000 on 1st January, 2024. HIL released full payment on 17th April, 2024 to Medicine Ltd.

The exchange rates are as follows :

	Exchange rate per $
1st April, 2023	₹ 76
1st January, 2024	₹ 81
31st March, 2024	₹ 80
17th April, 2024	₹ 79

HIL is working on a strategic plan to close the production unit of Bhopal due to change in technology. The board of directors approved the closure of Bhopal Plant on 1st March, 2024. The company did a formal announcement regarding closure to the affected parties on 10th March, 2024. The company entered into a binding-sale agreement on 21st April, 2024.

Reporting date of the company is 31st March, 2024.

Based on the information given in the above Case Scenario, answer the following Question No. **8 – 11** :

8. What would be the date of "initial disclosure of event" be considered for Bhopal Plant ? 2

   (A) 1st March, 2024

   (B) 31st March, 2024

   (C) 21st April, 2024

   (D) 10th March, 2024

9. How the recognition of revenue from sales of medicine to Dee Limited will be done by HIL under AS 9 and what would be the treatment of unrealised amount for the year ended 31st March, 2024 ? 2

   (A) Revenue will be recognised for ₹ 40 Lakhs, subsequently unrealised amount ₹ 40 lakhs will be debited to bad debts A/c.

   (B) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealised amount ₹ 50 lakhs will be debited to bad debts A/c.

   (C) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealised amount ₹ 40 lakhs will be debited to bad debts A/c.

   (D) Revenue will be recognised for ₹ 40 Lakhs, unrealised amount of ₹ 40 lakhs will be shown in Sundry Debtors list.

10. How will you recognise the reduction in the value of the investments in the financial statements for the year ended 31st March 2024 as per AS 13 (Revised) ? 2

(A) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. There will be no impact on the value of long-term investments.

(B) The reduction of ₹ 50 Lakhs in the carrying value of current investment will be charged to the profit and loss account. There will be no impact on the value of long-term investments.

(C) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. The reduction of ₹ 75 Lakhs in the carrying value of long-term investment will also be charged to the profit and loss account.

(D) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. The reduction of ₹ 75 Lakhs in the carrying value of long-term investment will also be charged to capital reserve account.

11. Ascertain the loss/gain due to change in foreign exchange rates to be recognised in the financial statements for the year ended 31st March, 2024 as per AS 11.

(A) ₹ 5,00,000 Exchange gain should be credited to profit and loss account.

(B) ₹ 2,50,000 Exchange gain should be credited to profit and loss account.

(C) ₹ 5,00,000 Exchange loss should be debited to profit and loss account.

(D) ₹ 2,50,000 Exchange loss should be debited to profit and loss account.

12. X Ltd. sold Plant & Machinery having WDV of ₹ 60 lakhs to Y Ltd. for ₹ 75 lakhs (Fair value of ₹ 75 Lakhs) and the same plant was leased back by Y Ltd. to X Ltd. The lease back is in the nature of operating lease. The treatment will be : **2**

BV 60L

FV=SV

(A) X Ltd. should recognize the Profit of ₹ 15 lakhs immediately.

(B) X Ltd. should amortize the profit of ₹ 15 lakhs over the lease term.

(C) No profit/loss, as fair value is equal to sale price.

(D) Y Ltd. should recognize the profit of ₹ 15 lakhs immediately.

Case Scenario –III :

Following information is given by Z Ltd as on 31st March 2025 :

	₹ in lakhs
Share Capital	
Equity shares of ₹ 10 each fully paid up	800
11% Redeemable Preference shares of ₹ 100 each fully paid up	200
Reserve and surplus	
Capital redemption Reserve	50
Securities Premium	100
General Reserve and profit and Loss (Combined balance)	600

-200 -5L

Secured Loans 9 % Debentures	250
Current Liabilities	10
Fixed Assets	1200
Investments	95
Cash at bank	320
Other Current Assets	840

On 1st April 2024 Z Ltd redeemed all its preference shares at a premium of 5%. 200 10

Z Ltd bought back 8,00,000 equity shares @ ₹ 20 per share. 8L 8L.

Buy back is fully authorized by Z Ltd's articles and necessary resolution has been passed for this. The payment for buy back of shares will be made through available balance in bank account.

To finance Redemption of preference shares and buy back of shares, company has decided to sell its investments for ₹ 98 Lakhs.

Profit 3L

Z Ltd had 80,000 Equity stock options outstanding on the above mentioned date, to the employees @ ₹ 15 per share when the market price was ₹ 20 per share. (This was included under the head current liabilities). On 1st April, 2024, 70% of the employees exercised their options.

440,000
480,000

560000
new 280,000.