CA INTER

ADVANCED ACCOUNTING

MCQ BOOKLET

(Coverage: Study Material, ICAI Portal,
RTP/MTP till May'25, Past Papers till Jan'25)

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Index - Individual & Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Introduction to AS

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

Accounting Standards for non-corporate entities in India are issued by

a) Central Govt.
b) State Govt.
c) Institute of Chartered Accountants of India.
d) MCA

MCQ No. 2 : (SM)

Accounting Standards

a) Harmonise accounting policies and eliminate the non-comparability of financial statements.
b) Improve the reliability of financial statements.
c) Both (a) and (b).
d) manipulate the data for the management.

MCQ No. 3 : (SM)

It is essential to standardize the accounting principles and policies in order to ensure

a) Transparency.
b) Consistency.
c) Comparability .
d) All the above.

MCQ No. 4 : (SM)

Which committee is responsible for approval of accounting standards and their modification for the purpose of applicability to companies?

a) NFRA.
b) MCA.
c) Central Government Advisory Committee.
d) IASB

MCQ No. 5 : (SM)

Global Standards facilitate

a) Cross border flow of money.
b) Comparability of financial statements.
c) Uniformity and Transparency of financial statements.
d) All the three..

MCQ No. 6 : (ICAI Portal)

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

MCQ No. 7 : (ICAI Portal)

IASB stands for

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

MCQ No. 8 : (ICAI Portal)

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

MCQ No. 9 : (ICAI Portal)

IFRS stands for

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

MCQ No.	1	2	3	4	5	6	7	8	9
Answers	C	C	D	B	D	B	C	C	C

Applicability of AS

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)

Non-corporate entities which are not Level I entities whose turnover (excluding other income) exceeds rupees _______but does not exceed rupees two-fifty crores in the immediately preceding accounting year are classified as Level II entities.

a) five crores.
b) two crores.
c) fifty crores.
d) ten crores.

MCQ No. 2 : (SM & ICAI Portal)

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.

MCQ No. 3 : (SM & ICAI Portal)

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) Level I entities.
c) Level III entities.
d) Level IV entities.

MCQ No. 4 : (SM & ICAI Portal)

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 III entities.
d) Level I entities.

MCQ No. 5 : (SM & ICAI Portal)

"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.

MCQ No.	1	2	3	4	5
Answers	C	B	B	C	B

Framework for Preparation & Presentation of Financial Statements

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

The 'going concern' concept assumes that

a) The business can continue in operational existence for the foreseeable future.
b) The business cannot continue in operational existence for the foreseeable future.
c) The business is continuing to be profitable.
d) The business cannot continue if it is not able to earn profits.

MCQ No. 2 : (SM)

Two principal qualitative characteristics of financial statements are

a) Understandability and materiality
b) Relevance and reliability
c) Relevance and materiality
d) Comparability and materiality.

MCQ No. 3 : (SM)

All of the following are components of financial statements except

a) Balance sheet
b) Statement of Profit and loss
c) Human responsibility report
d) Social responsibility report.

MCQ No. 4 : (SM)

An accounting policy can be changed if the change is required

a) By statute or accounting standard
b) For more appropriate presentation of financial statements
c) Both (a) and (b)
d) By statute as well as accounting standards.

MCQ No. 5 : (SM)

Value of equity may change due to

a) Contribution from or Distribution to equity participants
b) Income earned
c) expenses incurred
d) All the three.

MCQ No. 6 : (ICAI Portal)

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.

MCQ No. 7 : (ICAI Portal)

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.

MCQ No. 8 : (ICAI Portal)
Which of the assumption is not considered as fundamental accounting assumption?
a) Going Concern
b) Accrual
c) Reliability.
d) Comparability.

MCQ No. 9 : (ICAI Portal)
Liabilities are recorded at the undiscounted amount of cash expected to be paid on settlement of liability in the normal course of business under:
a) Present value.
b) Realizable value.
c) Current cost.
d) Fair value.

MCQ No.	1	2	3	4	5	6	7	8	9
Answers	A	B	C	C	D	B	C	C	B

AS 1-Disclosure of Accounting Policies

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (ICAI Portal)

Fundamental Accounting Assumption is compulsory for which of the following

a) All Companies
b) All Commercial organisations
c) Only private sector organisatioons
d) All entities (All profit and Not for profit organisations)

MCQ No. 2 : (ICAI Portal)

AS-1 recognizes______________Fundamental Accounting Assumptions

a) three.
b) four.
c) five.
d) none of the three.

MCQ No. 3 : (ICAI Portal)

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

a) Going concern
b) Consistency
c) Prudence
d) Accrual

MCQ No. 4 : (ICAI Portal)

Contingent Liability is disclosed

a) In Directors Report
b) Auditors Report
c) In Notes to Accounts
d) In Liabilities Side of the Balance Sheet

MCQ No. 5 : (ICAI Portal)

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

MCQ No. 6 : (SM)

Which of the following is NOT a major consideration in selection and application of accounting policies?

(a) Prudence
(b) Comparability
(c) Materiality
(d) Substance over form

MCQ No. 7 : (SM)

Adoption of different accounting policies by different companies operating in the same industry affects which of the qualitative characteristics the most?

(a) Comparability
(b) Relevance
(c) Faithful representation
(d) Reliability

MCQ No. 8 : (SM)

Which of the following statement would not be correct in relation to disclosures to be made in the financial statements after making any change in an accounting policy?

(a) Any change in an accounting policy which has a material effect should be disclosed.

(b) The amount by which any item in the financial statements is affected by such change should be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.

(c) If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.

(d) If a change is made in an accounting policy which has material effect on the financial statements for the current period and is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed only in the later periods i.e. year(s) next to the year in which the change is adopted.

MCQ No.	1	2	3	4	5	6	7	8
Answers	D	A	C	C	B	B	A	D

AS 2-Inventories

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)
Which item of inventory is under the scope of AS 2 (Revised)?
a) WIP arising under construction contracts
b) Raw materials
c) Shares
d) Debentures held as stock in trade.

MCQ No. 2 : (SM)
Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be
a) sold at or above cost.
b) sold above cost.
c) sold less than cost.
d) sold at market value(where market value is more than cost).

MCQ No. 3 : (SM & ICAI Portal & MTP May 24 S1)
All of the following costs are excluded while computing value of inventories except?
a) Selling and Distribution costs
b) Allocated fixed production overheads based on normal capacity.
c) Abnormal wastage
d) Storage costs (which is necessary part of the production process)

MCQ No. 4 : (SM)
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 inventory valuation.
d) Administration overheads are always included in inventory valuation.

MCQ No. 5 : (ICAI Portal)
Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be
a) sold at or above cost.
b) sold above cost.
c) sold less than cost.
d) sold at market value(where market value is more than cost).

MCQ No. 6 : (ICAI Portal)
Which of the method is not recommended by AS 2?
a) FIFO
b) LIFO
c) Weighted average
d) Specific identification method

MCQ No. 7 : (ICAI Portal & MTP Sept.24 S2)
The cost of inventories of items that are not ordinarily inter-changeable and goods or services produced and segregated for specific projects should be assigned by
a) Specific identification of their individual costs.
b) FIFO.
c) Weighted average cost formula
d) (b) or (c)

MCQ No. 8 : (ICAI Portal)

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

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

MCQ No. 9 : (RTP Sept. 24)

As per AS 2, Inventories include materials awaiting use in production process, what should be included in Inventories from the following:

a) Secondary Packing material required for transporting and forwarding the material.
b) Spare parts, servicing equipment and standby equipment
c) Primary packing material which is essential to bring an item of inventory to its saleable condition, for example, bottles, cans etc., in case of food and beverages industry.
d) Publicity material

MCQ No. 10 : (MTP Sept.24 S1)

In determining the cost of inventories, it is appropriate to exclude certain costs and recognise them as expenses in the period in which they are incurred.
Which of the following is not an examples of such costs:

a) Abnormal amounts of wasted materials, labour, or other production costs;
b) Storage costs, unless the production process requires such storage;
c) Raw Material cost
d) Selling and distribution costs.

MCQ No. 11 : (MTP Jan 25 S2)

On 31st March 2024, Sri Radhey shyam Enterprise finds that the cost of a partly finished unit on that date is ₹ 530. The unit can be finished in 2024-25 by an additional expenditure of ₹ 310. The finished unit can be sold for ₹ 750 subject to payment of 8% brokerage on the selling price. Sri Radhey shyam Enterprise seeks your advice regarding the amount at which the unfinished unit should be valued as at 31st March, 2024 for preparation of final accounts. the partly finished unit cannot be sold in semi-finished form and its NRV is zero without processing it further.

a) Rs.470
b) Rs.380
c) Rs.500
d) Rs.440

MCQ No. 12 : (RTP May 25)

Most by-products as well as scrap or waste materials, by their nature, are immaterial. Thus, these are measured at:

a) Cost
b) Cost or Net Realisable Value whichever is lower
c) Nil
d) Net realisable value

MCQ No.	1	2	3	4	5	6	7	8	9	10	11	12
Answers	B	A	B	B	A	B	A	B	C	C	B	D

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (MTP Sept. 24 S2)

Anshul manufacturers purchased 20,000 Kg. of raw material at Rs.170 per Kg. Direct transit cost incurred Rs.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 Rs.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:

MCQ No. 1 :
What will be the cost of material:
a) Rs.36,00,000
b) Rs.34,00,000
c) Rs.39,00,000
d) Rs.31,00,000

MCQ No. 2 :
What will be the value of the closing stock:
a) Rs.1,70,000
b) Rs.1,85,500
c) Rs.2,38,000
d) Rs.2,59,700

MCQ No. 3 :
What will be the cost per Kg of raw material:
a) Rs.180
b) Rs.183.6
c) Rs.185.5
d) Rs.189.4

MCQ No. 4 :
How much amount as abnormal loss will be debited in P&L:
a) Rs.72,000 approx
b) Rs.73,440 approx
c) Rs.74,200 appox
d) Rs.75,760 approx

MCQ No.	1	2	3	4
Answers	A	D	C	C

AS 4-Contingencies & Events Occurring After Balance Sheet Date

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

Cash amounting to Rs.4 lakhs, stolen by the cashier in the month of March 20X1, was detected in April, 20X1. The financial statements for the year ended 31st March, 20X1 were approved by the Board of Directors on 15th May, 20X1. As per Accounting Standards, this is ______for the financial statements year ended on 31st March, 20X1.

a) An Adjusting event.
b) Non-adjusting event.
c) Contingency.
d) Provision

MCQ No. 2 : (SM)

As per Accounting Standards, events occurring after the balance sheet date are

a) Only favourable events that occur between the balance sheet date andthe date when the financial statements are approved by the Board of directors.
b) Only unfavourable events that occur between the balance sheet date and the date when the financial statements are approved by the Board of directors.
c) Those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Board of directors.
d) Those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are not approved by the Board of directors.

MCQ No. 3 : (SM)

AS 4 does not apply to

a) Obligation under retirement benefit plans.
b) Commitments arising from long term lease contracts.
c) liabilities of life assurance and general insurance enterprises arising from policies issued
d) Both (a) & (b).

MCQ No. 4 : (SM)

A Ltd. sold its building for Rs.50 lakhs to B Ltd. and has also given the possession to B Ltd. The book value of the building is Rs.30 lakhs. As on 31st March, 20X1, the documentation and legal formalities are pending. For the financial year ended 31st March, 20X1

a) The company should record the sale.
b) The company should recognise the profit of Rs.20 lakhs in its profit and loss account.
c) Both (a) and (b).
d) The company should disclose the profit of Rs.20 lakhs in notes to accounts.

MCQ No. 5 : (ICAI Portal)

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

MCQ No.	1	2	3	4	5
Answers	A	C	D	C	C

AS 5-Net Profit or Loss for the Period, Prior Period Items & Change in Accounting Policies

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

A change in the estimated life of the asset, which necessitates adjustment in the depreciation is an example of

a) Prior period item.
b) Ordinary item.
c) Extraordinary item.
d) Change in accounting estimate.

MCQ No. 2 : (SM)

Which of the following is considered as an extraordinary item as per AS 5?

a) Write down or write-off of receivables, inventory and intangible assets.
b) Gains and losses from sale or abandonment of equipment used in a business.
c) Effects of a strike, including those against competitors and major suppliers.
d) Flood damage from unusually heavy rain or a normally dry environment.

MCQ No. 3 : (SM)

Which one of the following is an example of extraordinary item?

a) The write down of inventories to their net realisable value
b) Reversal of write down of inventories
c) Government grants become refundable
d) Reversal of provisions.

MCQ No. 4 : (SM)

Extraordinary items are income or expenses

a) That arise from events clearly distinct from the ordinary activities of the enterprise.
b) That are not expected to recur frequently or regularly.
c) Both (a) and (b).
d) None of the three.

MCQ No. 5 : (SM)

An audit stock verification during the year ended 31st March, 20X1 revealed that opening stock of the year was understated by Rs.5 lakhs due to wrong counting. While finalizing accounts, your opinion will be

a) It is not a prior period item and no separate disclosure is required
b) It should be treated as a prior period adjustment and should be separately disclosed in the current year's financial statement
c) The adjustment of Rs.5 lakhs in both opening stock of current year and profit brought forward from previous year should be made
d) Both (b) and (c).

MCQ No. 6 : (ICAI Portal)

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.

MCQ No. 7 : (ICAI Portal)
Which of the following may not be considered as an extra ordinary item?
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 major fire in an important plant of the company

MCQ No. 8 : (ICAI Portal)
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 recognized 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

MCQ No. 9 : (ICAI Portal)
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 realizable value
b) Legislative changes having retrospective application
c) Litigation settlements
d) Separation cost paid to CEO of the company

MCQ No. 10 : (RTP May 25)
In the books of G Ltd., closing inventory as at 31.03.2024 amounts to Rs. 10,40,000 (on the basis of FIFO method).
The company decides to change from FIFO method to weighted average method for ascertaining the cost of inventory for 31.3.2024. On the basis of weighted average method, closing inventory as on 31.03.2024 amounts to Rs. 8,80,000. Realisable value of the inventory as on 31.03.2024 amounts to Rs. 12,00,000.
What will be the value of inventory in the books and what disclosure should be given in the financial statement on 31.3.2024?
a) The value of inventory will be Rs. 8,80,000 and the fact that the valuation method has changed to be disclosed in the financial statement.
b) The value of inventory will be Rs. 12,00,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.
c) The value of inventory will be Rs. 12,00,000, and the fact that valuation method has changed to be disclosed in the financial statement.
d) The value of inventory will be Rs. 8,80,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.

MCQ No.	1	2	3	4	5	6	7	8	9	10
Answers	D	D	C	C	D	D	C	B	D	D

AS 7-Construction Contracts

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

LP Contractors undertakes a fixed price contract of Rs.200 lakh. Transactions related to the contract include:

Material purchased	Rs.80 lakh
Machine used for the contract.	3 years
Expected useful life is	15 years
Unused material	Rs.3 lakh
Labour Charges	Rs.60 lakh
Original cost of the machine	Rs.100 lakh.
Estimated future costs to be incurred to complete the contract	Rs.80 lakh.

Loss on contract to be recognised is:

a) Rs.40 lakh
b) Rs.10 lakh
c) Rs.90 lakh
d) Rs.50 lakh

MCQ No. 2 : (PYQ Jan 25)

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

Material purchased	Rs.125 lakhs
Labour charges	Rs.95 lakhs
Unused material	Rs.22 lakhs
Estimated future costs to be incurred to complete the contract	Rs.115 Lakhs
Payment received as part payment of contract	Rs.50 Lakhs

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

What will be the Profit/Loss on the contract?

a) Loss on contract Rs.5 lakhs
b) Loss on contract Rs.49 Lakhs
c) Profit on contract Rs.45 Lakhs
d) Profit on contract Rs.26.5 Lakhs

MCQ No. 3 : (ICAI Portal)

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.

MCQ No. 4 : (ICAI Portal)

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 contractee and billed to his account.
d) General administration costs for which reimbursement is not specified in the contract.

MCQ No.	1	2	3	4
Answers	B	A	D	D

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (SM)

M/s AV has presented the information for Contract No. XY 123:

Total contract value Rs.370 lakh

Certified work completed Rs.320 lakh

Costs incurred to date Rs.360 lakh

Progress Payments received Rs.300 lakh

Expected future costs to be incurred Rs.50 lakh

MCQ No. 1 :

Revenue to be recognised by M/s AV is

a) Rs.320 lakh
b) Rs.370 lakh
c) Rs.360 lakh
d) Rs.400 lakh

MCQ No. 2 :

Total expense to be recognised by M/s AV is

a) Rs.360 lakh
b) Rs.400 lakh
c) Rs.320 lakh
d) Rs.360 lakh

MCQ No.	1	2
Answers	A	D

Case 2 : (SM & ICAI Portal)

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.

MCQ No. 1 :

Revenue to be recognized by XY Ltd. for the year ended 31st March 20X2 is

a) Rs.28 lakh
b) Rs.42 lakh
c) Rs.30 lakh
d) Rs.32 lakh

MCQ No. 2 :

Total expense to be recognised in Year 1 is

a) Rs.30 lakh
b) Rs.120 lakh
c) Rs.38 lakh
d) Rs.36 lakh

MCQ No. 3 :

Revenue to be recognised for year 2 is

a) Rs.84 lakh
b) Rs.42 lakh
c) Rs.56 lakh
d) Rs.28 lakh

MCQ No.	1	2	3
Answers	A	C	C

AS 9-Revenue Recognition

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (MTP May 24 S2 & ICAI Portal)

Sahil Ltd agreed to sell its factory located in Assam to Kali Ltd on 4.12.2023. It entered into a sale deed (transferring all significant risks and rewards of ownership) on 1.2.2024. But the transaction was registered with the registrar on 30.5.2024 When should the sale and gain be recognized?

a) Both sale and gain should be recognized as on the balance sheet date i.e. 31.3.2024.
b) Both sale and gain should be recognized on 30.5.2024.
c) The sale should be recognized as on balance sheet date but gain should be recognized on 30.5.2024.
d) Both sale and gain should be recognized on 4.12.2023.

MCQ No. 2 : (SM)

Which of the conditions mentioned below must be met to recognize revenue from the sale of goods?
(i) the entity selling does not retain any continuing influence or control over the goods;
(ii) when the goods are dispatched to the buyer;
(iii) revenue can be measured reliably;
(iv) the supplier is paid for the goods;
(v) it is reasonably certain that the buyer will pay for the goods;
(vi) the buyer has paid for the goods.

a) (i), (ii) and (v)
b) (ii), (iii) and (iv)
c) (i), (iii) and (v)
d) (i), (iv) and (v)

MCQ No. 3 : (SM)

Consignment inventory is an arrangement whereby inventory is held by one party but owned by another party. Which of the following indicates that the inventory in question is a consignment inventory?

a) Manufacturer cannot require the dealer to return the inventory
b) Dealer has the right to return the inventory
c) Manufacture is responsible for the pricing of goods and any changes in the pricing can only be approved by the manufacturer .
d) Manufacture is responsible for the holding the goods and any changes in the pricing can only be approved by the dealer

MCQ No. 4 : (SM)

Which of the following transactions qualify as revenue for M/s AB Enterprises?

a) Sales of Rs.20 lakhs made under consignment sales.
b) Sale of an old machine amounting Rs.5 lakhs
c) Services provided to the customer in the normal course of business. Sales recorded is Rs.50,000.
d) Sales of Rs.25 lakhs made under consignment sales

MCQ No. 5 : (SM)

The Accounting Club has 100 members who are required to pay an annual membership fee of Rs.5,000 each. During the current year, all members have paid the fee. However, 5 members have paid an amount of Rs.10,000 each. Of these, 3 members paid the current year's fee and also the previous year's dues. Remaining 2 members have paid next years' fee of Rs.5,000 in advance.
Revenue from membership fee for the current year to be recognised will be:

a) Rs.5,25,000
b) Rs.5,10,000
c) Rs.5,00,000
d) Rs.5,15,000

MCQ No. 6 : (SM)

FlixNet International offers a subscription fee model to allow the paid subscribers an annual viewing of movies, sports events and other content. It allows users to register for free and have access to limited content for one month without any charges. The customer has a right to cancel the subscription within a month's time but is required to pay for 1 year subscription fee after the free period. XY has subscribed for free viewing on 1st March 20X1. After 1 month, he has agreed to pay the annual membership and has paid Rs.1,200 on 31st March 20X1 for the subscription that is valid up to 31st of March 20X2. Revenue that can be recognized by FlixNet for the year ended 31st March 20X2 is

a) Rs.100
b) Rs.1,200
c) Nil
d) Rs.1,100

MCQ No.	1	2	3	4	5	6
Answers	A	A	C	C	C	B

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (SM, RTP Sept. 24 & ICAI Portal)

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 Rs.45,000 each which includes installation fees of Rs.1,000 for each AC. The Company also offers 1 year warranty for any repair etc.

The Company also offered Rs.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.

MCQ No. 1 :

How much revenue should be recognized by the Company as on March 31, 2024:

a) Rs.2,25,000
b) Rs.2,17,500
c) Rs.2,00,000
d) Rs.2,30,000

MCQ No. 2 :

How much revenue should be recognized by the Company in the financial year 2024-25:

a) Rs.5000
b) Rs.2,20,000
c) Rs.10,000
d) Rs.2,40,000

MCQ No. 3 :

What will be the accounting for trade discount:

a) The same will be recognized separately in the profit and loss.
b) The trade discounts are deducted in determining the revenue.
c) Trade discount will be recognized after one year, when the warranty will be over.
d) Trade discount will be recognized after installation is complete.

MCQ No. 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 recognized when expense is made.
d) As the Company is not charging separately for the warranty provided, there is no need to create any provision.

MCQ No.	1	2	3	4
Answers	B	A	B	B

AS 10-Property, Plant & Equipment

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

As per AS 10 (Revised) 'Property, plant and equipment', which of the following costs is not included in the carrying amount of an item of PPE

a) Costs of site preparation
b) Costs of relocating
c) Installation and assembly costs.
d) initial delivery and handling costs

MCQ No. 2 : (SM)

As per AS 10 (Revised) 'Property, Plant and Equipment', an enterprise holding investment properties should value Investment property

a) as per fair value
b) under discounted cash flow model.
c) under cost model
d) under cash flow model

MCQ No. 3 : (SM)

A plot of land with carrying amount of Rs.1,00,000 was revalued to Rs.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 Rs.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 Rs.50,000 credited to Revaluation Reserve. Subsequent downward revaluation of Rs.20,000 debited to P/L.
b) Initial upward valuation of Rs.50,000 credited to P/L. Subsequent downward revaluation of Rs.20,000 debited to P/L.
c) Initial upward valuation of Rs.50,000 credited to Revaluation Reserve. Subsequent downward revaluation of Rs.20,000 debited to Revaluation Reserve.
d) Initial upward valuation of Rs.50,000 debited to P/L. Subsequent downward revaluation of Rs.20,000 credited to P/L.

MCQ No. 4 : (SM)

A plot of land with carrying amount of Rs.1,00,000 was revalued to Rs.90,000 at the end of Year 2. Subsequently, due to increase in market values, the land was determined to have a fair value of Rs.1,05,000 at the end of Year 4. Assuming that the entity adopts Revaluation Model, what would be the accounting treatment of Revaluation?

a) Initial downward valuation of Rs.10,000 debited to Revaluation Reserve. Subsequent upward revaluation of
Rs.15,000 credited to P/L.
b) Initial downward valuation of Rs.10,000 debited to P/L. Subsequent upward revaluation of Rs.15,000 credited to P/L.
c) Initial downward valuation of Rs.10,000 debited to P/L. Subsequent upward revaluation of Rs.10,000 credited to P/L and Rs.5,000 credited to Revaluation Reserve.
d) Initial downward valuation of Rs.10,000 credited to P/L. Subsequent upward revaluation of Rs.10,000 debited to P/L and Rs.5,000 debited to Revaluation Reserve.

MCQ No. 5 : (SM)

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.

MCQ No. 6 : (SM)

A machinery was purchased having an invoice price Rs. 1,18,000 (including GST Rs.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) Rs.10,000.
b) Rs.11,800.
c) Rs.9,000.
d) Rs.10,500.

MCQ No. 7 : (MTP Jan 25 S1)

Accounting Standard 10, Property, Plant and Equipment is applicable to:

a) Biological Assets (other than Bearer Plants) related to agricultural activity
b) Wasting Assets including Mineral rights, Expenditure on the exploration for and extraction of minerals, oil, natural gas and similar non regenerative resources
c) Inventories
d) Bearer Plant (except produce on Bearer Plants)

MCQ No.	1	2	3	4	5	6	7
Answers	B	C	C	C	B	A	D

AS 12-Accounting For Government Grants

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

To encourage industrial promotion, IDCI offers subsidy worth Rs.50 lakhs to all new industries set up in the specified industrial areas. This grant is in the nature of promoter's contribution. How such subsidy should be accounted in the books?

a) Credit it to capital reserve
b) Credit it as 'other income' in the profit and loss account in the year of commencement of commercial operations
c) Both (a) and (b) are permitted
d) Credit it to general reserve

MCQ No. 2 : (SM)

Government grants that are receivable as compensation for expenses or losses incurred in a previous accounting period or for the purpose of giving immediate financial support to the enterprise with no further related costs, should be

a) recognised and disclosed in the Statement of Profit and Loss of the period in which they are receivable as an ordinary item.
b) recognised and disclosed in the Statement of Profit and Loss of the period in which the losses or expenses were incurred.
c) recognised and disclosed in the Statement of Profit and Loss of the period in which they are receivable, as an extraordinary item if appropriate as per AS 5.
d) disclosed in the Statement of Profit and Loss of the period in which they are receivable, as an extraordinary item

MCQ No. 3 : (SM)

Which of the following is an acceptable method of accounting presentation for a government grant relating to an asset?

a) Credit the grant immediately to Income statement
b) Show the grant as part of Capital Reserve
c) Reduce the grant from the cost of the asset or show it separately as a deferred income on the Liability side of the Balance Sheet.
d) Show the grant as part of general Reserve

MCQ No. 4 : (SM)

X Ltd. has received a grant of Rs.20 crore for purchase of a qualified machine costing Rs.80 crore. X Ltd has a policy to recognise the grant as a deduction from the cost of the asset. The expected remaining useful life of the machine is 10 years. Assume that there is no salvage value and the depreciation method is straight-line. The amount of annual depreciation to be charged as an expense in Profit and Loss Statement will be:

a) Rs.10 crore
b) Rs.6 crore
c) Rs.2 crore
d) Rs.8 crore

MCQ No. 5 : (SM)

X Ltd has received a grant of Rs.20 crore for purchase of a qualified machine costing Rs.80 crore. X Ltd. has a policy to recognise the grant as deferred income. The expected remaining useful life of the machine is 10 years. Assume that there is no salvage value and the depreciation method is straight-line. The amount of other income to be to be recognised in Profit and Loss Statement will be:

a) Rs.10 crore
b) Rs.6 crore
c) Rs.2 crore
d) Rs.8 crore

MCQ No. 6 : (ICAI Portal)

A government grant that becomes refundable is treated as:
a) Ordinary item
b) Prior Period Item
c) Change in Accounting Policy
d) Extra Ordinary item

MCQ No. 7 : (ICAI Portal)

AS 12 "Accounting for Government Grants" is not applicable for following:
a) Subsidy from Government
b) Cash incentives from Government
c) Government participation in the ownership of the company
d) Duty Drawback from Government

MCQ No. 8 : (ICAI Portal)

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 block of fixed asset.
a) Rs. 16 Cr
b) Rs. 12 Cr
c) Rs. 13.33 Cr
d) Rs. 15 Cr

MCQ No. 9 : (ICAI Portal)

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

MCQ No. 10 : (ICAI Portal)

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 Reserve

MCQ No. 11 : (ICAI Portal)

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

MCQ No. 12 : (ICAI Portal)

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

MCQ No.	1	2	3	4	5	6	7	8	9	10	11	12
Answers	A	C	C	B	C	D	C	C	B	D	A	B

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (SM, MTP Sept. 24 S1 & ICAI Portal)

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 Rs.75 lakhs, while the nominal value is Rs.10 lakhs. Additionally, the company received a government grant of Rs.30 lakhs, which represents 25% of the total investment needed for the factory development. Furthermore, the company received Rs.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:

MCQ No. 1 :

The land received from Government, free of cost should be presented at:

a) Rs.75 Lakhs
b) Rs.30 Lakhs
c) Rs.10 Lakhs
d) Rs.45 Lakhs

MCQ No. 2 :

As per AS 12, how the Government Grant of Rs.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.

MCQ No. 3 :

As per AS 12, how the Government Grant of Rs.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.

MCQ No. 4 :

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 Rs.30 Lakhs
c) Government Grant of Rs.15 Lakhs with a condition to purchase machinery
d) Non of the above

MCQ No.	1	2	3	4
Answers	C	B	C	C

AS 13-Accounting For Investments

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

The cost of Right shares is

a) added to the cost of investments.
b) subtracted from the cost of investments.
c) no treatment is required.
d) added to cost of investments at market value.

MCQ No. 2 : (SM & ICAI Portal)

Long term investments are carried at

a) fair value.
b) cost less 'other than temporary' decline.
c) Cost and market value whichever is less.
d) Cost and market value whichever is higher.

MCQ No. 3 : (SM)

Current investments are carried at

a) Fair value.
b) cost.
c) Cost and fair value, whichever is less.
d) Cost and fair value, whichever is higher.

,

MCQ No. 4 : (SM)

A Ltd. acquired 2,000 equity shares of Omega Ltd. on cum-right basis at Rs.75per share. Subsequently, omega Ltd. made a right issue of 1:1 at Rs.60 per share, which was subscribed for by A. Total cost of investments at the year- end will be Rs. :

a) 2,70,000.
b) 1,50,000.
c) 1,20,000.
d) 1,70,000.

MCQ No. 5 : (SM)

Cost of investment includes

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

MCQ No. 6 : (SM & ICAI Portal)

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 1and 2
d) That is intended to be held for not more than two years from the date on which such investment is made.

MCQ No. 7 : (MTP Sept.24 S2)

Securities held as stock-in-trade held by an entity are:

a) Investments
b) Not Investments
c) May or may not be Investments
d) Not an asset for entity

MCQ No. 8 : (MTP Sept.24 S1 & MTP Jan 25 S1)

Cost of current investment acquired was Rs.1,00,000 but the fair value was Rs.80,000. The Investment was recorded at Rs.80,000. Now the fair value of Investment is Rs 1,20,000. At what value should it be recorded and how much gain will be credited to profit and loss account.

a) No change is required and it will continue at Rs.80,000

b) Current investment will be recorded at Rs.1,00,000 and gain of Rs.20,000 will be credited to profit and loss account.

c) Current investment will be recorded at Rs.1,20,000 and gain of Rs.40,000 will be credited to profit and loss account.

d) Current investment will be recorded at Rs.1,20,000 but no gain will be credited to profit and loss account.

MCQ No. 9 : (MTP May 24 S2)

Pratham and Associates is a manufacturer of steel rods. It invests its profits by purchasing shares of listed companies in order to earn dividend income. It had purchased shares of Bharti Airtel Limited in FY 2018-19. However, it sold all the shares of Bharti Airtel Limited during the current year i.e. FY 2023-24.
What amount would be disclosed in the profit and loss account for FY 2023-24?

a) This transaction would not affect the profit and loss account since the primary business of the company is manufacturing, and not investment.

b) The carrying amount net of expenses would be disclosed in the profit and loss account.

c) The disposal proceeds net of expenses would be disclosed in the profit and loss account.

d) The difference between the carrying amount and the disposal proceeds, net of expenses, would be disclosed in the profit and loss account.

MCQ No.	1	2	3	4	5	6	7	8	9
Answers	A	B	C	A	C	C	B	B	D

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (MTP Jan 25 S1)

X Ltd. purchased 3,000 shares of Amazing Ltd. in December 2023 @ Rs.100 each and paid brokerage @ 1%. In May 2024, Amazing Ltd. issued bonus shares at one for every three shares held by shareholders.
X Ltd. sold 1000 shares in September 2024 at Rs.110 each. After issue of bonus, shares were quoted at Rs.95. In December 2024, the shares were quoted at Rs.70.

MCQ No. 1 :
What would be the carrying cost of investments in Amazing Ltd. after sale of shares as per AS 13:
a) Rs.3,03,000
b) Rs.2,27,250
c) Rs.3,00,000
d) Rs.3,30,000

MCQ No. 2 :
What is the cost of bonus shares:
a) Rs.1,00,000
b) Rs.1,10,000
c) Nil
d) Rs.1,01,000

MCQ No. 3 :
What is the profit on sale of Bonus Shares:
a) Rs.100,000
b) Rs.75,750
c) Rs.34,250
d) Rs.1,01,000

MCQ No. 4 :
What would be the carrying cost of investments in Amazing Ltd. In quarter ending in December 2024 as per AS 13:
a) Rs.2,10,000
b) Rs.2,27,250
c) Rs.2,20,000
d) Rs.3,00,000

MCQ No.	1	2	3	4
Answers	B	C	C	A

AS 15-Employee Benefits

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)
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

MCQ No. 2 : (SM & ICAI Portal)
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

MCQ No. 3 : (SM & ICAI Portal)
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

MCQ No. 4 : (SM & ICAI Portal)
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

MCQ No. 5 : (SM & ICAI Portal)
Non-accumulating compensating absence is commonly referred to as:
a) Earned Leave
b) Sick Leave
c) Casual leave
d) All of the above

MCQ No.	1	2	3	4	5
Answers	B	C	B	C	C

AS 16-Borrowing Cost

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)
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

MCQ No. 2 : (SM)
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

MCQ No. 3 : (SM)
Capitalization rate considers:
a) Borrowing costs on general borrowings only.
b) Borrowing costs on general and specific borrowings both.
c) Borrowing costs on specific borrowings only
d) None of the above

MCQ No. 4 : (SM)
If the amount eligible for capitalisation in case of inventory as per AS 16 is Rs.12,000 and cost of inventory is Rs.40,000 and its net realizable value is Rs.45,000; What amount can be capitalised as a part of inventory cost.
a) Rs.12,000.
b) Rs.5,000.
c) Rs.7,000.
d) Rs.10,000.

MCQ No. 5 : (SM)
X Ltd is commencing a new construction project, which is to be financed by borrowing. The key dates are as follows:
(i) 15th May, 20X1: Loan interest relating to the project starts to be incurred
(ii) 2nd June, 20X1: Technical site planning commences
(iii) 19th June, 20X1: Expenditure on the project started to be incurred
(iv) 18th July, 20X1: Construction work commences
Identify the commencement date for capitalisation under AS 16.
a) 15th May, 20X1.
b) 19th June, 20X1.
c) 18th July, 20X1.
d) 2nd June, 20X1

MCQ No. 6 : (RTP Sept. 24 & MTP Sept.24 S1)
Gyan Ltd. Borrowed Rs.10 crore for construction of a plant at the rate of 10% per annum (interest paid annually Rs.1 crore). The construction was being carried on and out of the borrowings, Rs.4 crore was temporarily placed in a fixed deposit at the rate of 6% per annum (interest earned Rs.24 lakh). At the year end, how much cost of borrowing Gyan Limited will capitalise?
a) Interest paid on Rs.10 crore i.e. Rs.1 crore
b) Interest paid on Rs.6 crore as only this amount was utilized i.e. Rs.60 Lakh.
c) Interest paid less income on temporary investment i.e. Rs.76 lakh
d) Nothing will be capitalized

MCQ No. 7 : (MTP Sept.24 S2)

Vijay Ltd. borrowed Rs.30 lakh at interest rate of 5% per annum and purchased plant and machinery for Rs.60 lakh (using borrowed funds) and started production. It took 1 year time for Vijay Ltd. to create optimum market for the goods manufactured and generate revenue. How much borrowing cost can be capitalized with cost of plant and machinery:

a) Rs.1.5 lakh
b) Rs.3 Lakh
c) Nil
d) Rs.5 Lakh

MCQ No. 8 : (PYQ Jan 25)

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

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

As on 31st March, 2024, since the said project was not complete, the directors of Ace Limited capitalised the interest on loan amounting to Rs.2 lakhs and thus added the amount of interest to the cost of Investments. Market value of these investments on 31st March, 2024 is Rs.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.

MCQ No.	1	2	3	4	5	6	7	8
Answers	C	C	A	B	B	C	C	C

AS 17-Segment Reporting

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)

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,

MCQ No. 2 : (ICAI Portal)

Following is included in Segment Revenue.

a) Extraordinary items as defined in AS 5

b) Revenue from transactions with other segments of the enterprise.

c) Interest or dividend income

d) Gain on sale of investments

MCQ No. 3 : (SM)

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

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

MCQ No. 4 : (SM)

As per AS 17, reportable segments are those whose total revenue from external sales and inter-segment sales is

a) 10% or more of the total revenue of all segments

b) 10% or more of the total revenue of all external segments

c) 12% or more of the total revenue of all segments

d) 12% or more of the total revenue of all external segments

MCQ No. 5 : (SM)

Which of the following statements is correct?

a) Management has a discretion to include a segment as a reportable segment even if it passes the 10% materiality test.

b) Management has a discretion to include any segment as a reportable segment if it fails the 12% materiality test.

c) It is mandatory for the management to include the segment as a reportable segment if it passes the 10% materiality test.

d) It is not mandatory for the management to include the segment as a reportable segment if it passes the 10% materiality test.,

MCQ No. 6 : (SM)
Which of the following statements is correct?
a) The overall test of 75% considers only external revenue to compute the threshold limit.
b) The overall test of 75% considers only internal revenue to compute the threshold limit.
c) The overall test of 75% considers both internal and external 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.

MCQ No.	1	2	3	4	5	6
Answers	C	B	A	A	C	A

AS 18-Related Party Disclosures

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM, MTP May 24 S1 & ICAI Portal)

According to AS-18 Related Party Disclosures, which ONE of the following is not a related party of Skyline Limited?

a) A shareholder of Skyline Limited owning 30% of the ordinary share capital
b) An entity providing banking facilities to Skyline Limited in the normal course of business
c) An associate of Skyline Limited
d) Key management personnel of Skyline Limited

MCQ No. 2 : (ICAI Portal)

A Ltd. sold goods for Rs. 90 lakhs to B Ltd. during financial year ended 31-3-2023. The Managing Directors of A Ltd. exercise 100% control in B Ltd. The sales were made to B Ltd. at normal selling prices followed by A Ltd. What should be treatment for this transaction in the financial statements of A Ltd.?

a) Sales need not require a different treatment from the other sales made by the company.
b) A Ltd. and B Ltd. are not related parties.
c) A Ltd. and B Ltd. are related parties and hence disclosure of transaction between them is required irrespective of whether the transaction was done at normal
selling price.
d) A Ltd. and B Ltd. are related parties but no disclosure is necessary as per the accounting standard because sales are made at normal selling prices.

MCQ No. 3 : (ICAI Portal)

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

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

MCQ No. 4 : (SM)

Are the following statements in relation to related parties true or false, according to AS-18 Related Party Disclosures?

(A) A party is related to another entity that it is jointly controlled by.
(B) A party is related to another entity that it controls.

Options	Statement (A)	Statement (B)
a)	False	False
b)	False	True
c)	True	False
d)	True	True

MCQ No. 5 : (SM)

Which of the following is not a related party as envisaged by AS-18 Related Party Disclosures?

a) A director of the entity
b) The parent company of the entity
c) A shareholder of the entity that holds 1% stake in the entity
d) The spouse of the managing director of the entity

MCQ No. 6 : (SM)

According to AS-18 Related Party Disclosures, related party transaction is a transfer of resources or obligations between related parties – provided a price is charged for such transfer.

a) True
b) False

MCQ No. 7 : (SM)

According to AS-18 Related Party Disclosures, parties are considered to be related, if and only if at the end of the reporting period - one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

a) True
b) False

MCQ No. 8 : (PYQ Sept. 24, MTP May 25 S1)

P Ltd. has 60% voting right in Q Ltd. Q Ltd. has 20% voting right in R Ltd.
Also, P Ltd. directly enjoys voting right of 14% in R Ltd. R Ltd. is a Listed Company and regularly supplies goods to P Ltd. The Management of R Ltd. has not disclosed its relationship with P Ltd. While preparing Financial Statements of P Ltd., which entities would you disclose as related parties with reference to AS-18?

a) Q Ltd.
b) R Ltd.
c) Q Ltd. and R Ltd.
d) Neither of Q Ltd. or R Ltd.

MCQ No.	1	2	3	4	5	6	7	8
Answers	B	C	B	D	C	B	B	C

AS 19-Leases

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

A Ltd. sold machinery having WDV of Rs.40 lakhs to B Ltd. for Rs.50 lakhs (Fair value Rs.50 lakhs) and same machinery was leased back by B Ltd. to A Ltd. The lease back is in nature of operating lease. The treatment will be

a) A Ltd. should amortise the profit of Rs.10 lakhs over lease term.
b) A Ltd. should recognise the profit of Rs.10 lakhs immediately.
c) A Ltd. should defer the profit of Rs.10 lakhs.
d) B Ltd. should recognise the profit of Rs.10 lakhs immediately.

MCQ No. 2 : (SM)

In case of an operating lease – identify which statement is correct:

a) The lessor continues to show the leased asset in its books of accounts.
b) The lessor de-recognises the asset from its Balance Sheet.
c) The lessor discontinues to claim depreciation in its books.
d) The lessee recognises the asset in its Balance Sheet.

MCQ No. 3 : (SM)

In case of finance lease, if the asset is returned back to the lessor at the end of the lease term - the lessee always claims depreciation based on which of the following:

a) Useful life.
b) Lease term.
c) Useful life or lease term whichever is less.
d) Useful life or lease term whichever is higher.

MCQ No. 4 : (SM)

AS 19 lays down 5 deterministic conditions to classify the lease as a finance lease. To classify the lease as an operating lease – which statement is correct?

a) Any 1 condition fails.
b) Majority of the 5 conditions fail.
c) All 5 conditions fail.
d) Any 2 conditions fails.

MCQ No. 5 : (SM)

The basis of classification of a lease is:

a) Control Test.
b) Risk and reward Test.
c) Both control test and risk and reward test.
d) Only reward Test

MCQ No. 6 : (ICAI Portal)

Classification of lease as Operating or Finance is done on following date:

a) The date of the lease agreement
b) The date of a commitment by the parties to the principal provisions of the lease.
c) At earlier of A & B
d) The date when asset is available for use

MCQ No. 7 : (ICAI Portal)

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 Profit and Loss statement.
b) deferred and amortized over expected period of use of the asset.
c) deferred and amortized over period of five years.
d) amortized in proportion to lease payments.

MCQ No. 8 : (ICAI Portal)

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.

MCQ No. 9 : (ICAI Portal)

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

MCQ No. 10 : (MTP May 24 S2)

As per Accounting Standards, difference between the Gross Investment and the present value of Minimum Lease Payments under finance lease (from the standpoint of the lessor) and Unguaranteed Residual Value accruing to the lessor is recorded as

a) Unearned finance income
b) Guaranteed Residual Value
c) Profit on lease
d) Loss on lease

MCQ No. 11 : (MTP Jan 25 S2)

Accounting Standard 19, Lease is applicable on following Leases:

a) Lease agreements to explore for or use of natural resources, such as oil, gas, timber metals and other mineral rights.
b) Legal owner of an asset conveys to another party in return for a payment or series of periodic payments, the right to use an asset for an agreed period of time.
c) licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights.
d) lease agreements to use lands

MCQ No. 12 : (PYQ Sept. 24, MTP May 25 S1)

A Machinery was given on 3 years lease by a dealer of the machinery for equal annual lease rentals to yield 20% profit margin on cost of the machinery, which is Rs.3,00,000. Economic life of the machinery is 5 years, and estimated output from the machinery in 5 years is as follows:

Year I	50000 units
Year II	60000 units
Year III	40000 units
Year IV	65000 units
Year V	85000 units

Compute Annual Lease Rent.

a) Rs.30,000
b) Rs.60,000
c) Rs.50,000
d) Rs.36,000

MCQ No.	1	2	3	4	5	6	7	8	9	10	11	12
Answers	B	A	C	C	B	C	B	C	A	A	B	B

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (ICAI Portal)

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.

MCQ No. 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

MCQ No. 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

MCQ No. 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

MCQ No. 4 :

What is the present value of the lease payments for the 1styear?

a) Rs. 6,25,000
b) Rs. 5,43,500
c) Rs. 4,72,563
d) Rs. 4,10,937

MCQ No. 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

MCQ No.	1	2	3	4	5
Answers	C	B	B	B	B

AS 20-Earning Per Share

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (ICAI Portal)

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

MCQ No. 2 : (ICAI Portal)

Which of the following statements is correct?

1. Options are generally dilutive in nature.
2. Options are generally more dilutive as compared to other potential equity shares.

a) Both (1) and (2) are correct.
b) Both (1) and (2) are incorrect.
c) Only (1) is correct.
d) Only (2) is correct.

MCQ No. 3 : (ICAI Portal)

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.

MCQ No. 4 : (ICAI Portal)

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.

MCQ No. 5 : (SM)

AB Company Ltd. had 1,00,000 shares of common stock outstanding on January 1. Additional 50,000 shares were issued on July 1, and 25,000 shares were re-acquired on September 1. The weighted average number of shares outstanding during the year on Dec. 31 is :

a) 1,40,000 shares
b) 1,25,000 shares
c) 1,16,667 shares
d) 1,20,000 shares

MCQ No. 6 : (SM)

As per AS 20, potential equity shares should be treated as dilutive when, and only when, their conversion to equity shares would

a) Decrease net profit per share from continuing ordinary operations.
b) Increase net profit per share from continuing ordinary operations.
c) Make no change in net profit per share from continuing ordinary operations.
d) Decrease net loss per share from continuing ordinary operations.

MCQ No. 7 : (SM)

As per AS 20, equity shares which are issuable upon the satisfaction of certain conditions resulting from contractual arrangements are

a) Dilutive potential equity shares
b) Contingently issuable shares
c) Contractual issued shares
d) Potential equity shares

MCQ No. 8 : (SM)

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.

MCQ No. 9 : (SM)

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.

MCQ No. 10 : (MTP Jan 25 S1)

As per AS 20 an enterprise should present/disclose the following:

(a) the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to the net profit or loss for the period.

(b) the weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other.

(c) basic and diluted earnings per share, even if the amounts disclosed are negative (a loss per share).

(d) the nominal value of shares along with the earnings per share figures.

a) All the statements are correct
b) Statements (a), (b) and (c) are correct
c) Statements (b), (c and (d) are correct
d) Statements (a), (b and (c) are correct

MCQ No. 11 : (PYQ Sept. 24)

A Ltd. had 1,50,000 shares of common stock outstanding on 1 April, 2023.

Additional 50,000 shares were issued on 1 November, 2023 and 32,000 shares were bought back on 1 February, 2024.

Calculate the weighted average number of shares outstanding at the year ended on 31 March, 2024 is:

a) 1,34,500 shares
b) 1,65,500 shares
c) 1,76,167 shares
d) 1,23,833 shares

MCQ No.	1	2	3	4	5	6	7	8	9	10	11
Answers	D	A	B	A	C	A	B	B	C	A	B

AS 21-Consolidated Financial Statements

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)

Minority interest should be presented in the consolidated balance sheet

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.

MCQ No. 2 : (SM)

Minority of the subsidiary is entitled to

a) Capital profits of the subsidiary company.
b) Revenue profits of the subsidiary company.
c) Both capital and revenue profits of the subsidiary company.
d) Neither capital nor revenue profits of the subsidiary.

MCQ No. 3 : (SM & ICAI Portal)

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

a) Current liabilities of subsidiary company.
b) Reserves and surplus of both holding and subsidiary company.
c) Mutual indebtedness.
d) Nothing.

MCQ No. 4 : (SM)

In consolidated balance sheet, the share of the outsiders in the net assets of the subsidiary must be shown as

a) Minority interest.
b) Capital reserve.
c) Current liability.
d) Current assets.

MCQ No. 5 : (SM)

Provision for Tax made by the subsidiary company will appear in the consolidated balance sheet as an item of

a) Current liability.
b) Revenue profit.
c) Capital profit.
d) Current assets.

MCQ No. 6 : (ICAI Portal)

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.

MCQ No. 7 : (ICAI Portal)

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.

MCQ No. 8 : (ICAI Portal)

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) Shares invested in subsidiary account.
d) Capital reserve.

MCQ No. 9 : (ICAI Portal)

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 in 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.

MCQ No.	1	2	3	4	5	6	7	8	9
Answers	C	C	C	A	A	C	B	C	A

AS 22-Accounting for Taxes on Income

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (ICAI Portal)
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

MCQ No. 2 : (SM)
As per AS 22 on 'Accounting for Taxes on Income', tax expense is:
a) Current tax + deferred tax charged to profit and loss account
b) Current tax - deferred tax credited to profit and loss account
c) Either (a) or (b)
d) Deferred tax charged to profit and loss account

MCQ No. 3 : (SM)
G Ltd. has provided the following information:
Depreciation as per accounting records = Rs.2,00,000
Depreciation as per tax records = Rs.5,00,000
There is adequate evidence of future profit sufficiency.
How much deferred tax asset/liability should be recognized as transition adjustment when the tax rate is 50%?
a) Deferred Tax asset = Rs.2,70,000.
b) Deferred Tax asset = Rs.1,35,000.
c) Deferred Tax Liability = Rs.2,70,000
d) Deferred Tax Liability = Rs.1,35,000.

MCQ No. 4 : (SM)
State which of the followings statements are correct:
(1) There are no pre-conditions required to recognize deferred tax liability,
(2) Deferred tax asset under all circumstances can only be created if and only if there is reasonable certainty that future taxable income will arise.
a) Both are correct.
b) Only (1) is correct.
c) Only (2) is correct.
d) None of the statements are correct.

MCQ No. 5 : (SM)
Which of the following statement are incorrect:
a) Only timing differences result in creation of deferred tax.
b) Permanent differences do not result in recognition of deferred tax.
c) The tax rate used for measurement of deferred tax is substantively enacted tax rate.
d) The entity has to recognize deferred tax liability/asset arising out of timing difference. There are no conditions which are required to evaluated for their recognition.

MCQ No.	1	2	3	4	5
Answers	B	C	D	A	D

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (MTP May 25 S1)

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

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

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

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

MCQ No. 1 :

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

a) Rs.1,52,000
b) Rs.3,30,000
c) Rs.1,23,600
d) Rs.4,50,000

MCQ No. 2 :

What would be the value of the Deferred Tax Liabilities as on 31-03-2024?

a) Rs.1,23,600
b) Rs.3,30,000
c) Rs.1,52,000
d) Rs.1,20,000

MCQ No. 3 :

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

a) Rs.20,000
b) Rs.1,04,000
c) Rs.16,400
d) Rs.90,000

MCQ No. 4 :

Which is the permanent difference item as per AS 22?

a) Employer PF Contribution exp.
b) Donation
c) Unamortized preliminary expenses
d) Depreciation

MCQ No.	1	2	3	4
Answers	C	B	C	B

AS 23-Accounting for Investments in Associates

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)

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.

MCQ No. 2 : (SM & ICAI Portal)

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 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.

MCQ No. 3 : (SM & ICAI Portal)

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% Rs.1,00,000 and for 15% Rs.1,55,000 Net asset on April 01 Rs.8,50,000 and on October 01 Rs.10,00,000.
What is the amount of goodwill or capital reserve arising on significant influence?

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

MCQ No. 4 : (SM & ICAI Portal)

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% Rs.1,00,000 and for 15% Rs.1,45,000 Net asset on April 01 Rs.8,50,000 and on October 01 Rs.10,00,000.
What is the amount of goodwill or capital reserve arising on significant influence?

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

MCQ No. 5 : (SM & ICAI Portal)

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 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.

MCQ No.	1	2	3	4	5
Answers	C	A	B	A	A

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (MTP Jan 25 S1)

Sun Limited has acquired 40% share in Moon Ltd. for Rs.500,000 on 01.07.2023.
Moon Ltd. is holding 40% stake in Star Limited. Now, sun limited can exercise significant influence on Moon Limited. Moon limited declared dividend of Rs.80,000 for the Financial Year 2022-23 on 15.09.2023. For the year 2023-24, Moon Ltd. earned profit of Rs.4,00,000 and declared dividend for Rs.90,000 on 15.09.2024.

MCQ No. 1 :

With respect to relationship between Companies, it can be said that:

a) Star Ltd. is associate of Sun Ltd.
b) Moon Ltd. and Star Ltd. both are associates of Sun Ltd.
c) Moon Ltd. is an associate of Sun Ltd.
d) Sun Ltd. is Parent of both Moon Ltd. and Star Ltd.

MCQ No. 2 :

What will be the carrying amount of investment in Separate Financial Statements of Sun Limited as on 31.03.2024?

a) Rs.5,00,000
b) Rs.5,80,000
c) Rs.4,68,000
d) Rs.5,32,000

MCQ No. 3 :

What will be the carrying amount of investment in Consolidated Financial Statements of Sun Limited as on 31.03.2024?

a) Rs.9,00,000
b) Rs.5,88,000
c) Rs.4,52,000
d) Rs.6,20,000

MCQ No. 4 :

As per AS 23, the existence of significant influence by an investor is usually evidenced in one or more of the following ways:

(a) participation in policy making processes
(b) interchange of managerial personnel
(c) right to receive dividend
(d) provision of essential technical information

a) All the statements are correct
b) Statements (a), (b) and (c) are correct
c) Statements (b), (c) and (d) are correct
d) Statements (a), (b) and (d) are correct

MCQ No.	1	2	3	4
Answers	C	C	B	D

AS 24-Discontinuing Operations

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

AB decided to dispose of its Clothing division as part of its long-term strategy.
(a) Date of Board approval - 1st March 20X1;
(b) Date of formal announcement made to affected parties - 15th March 20X1.
(c) Date of Binding Sale agreement – 1st July 20X1;
(d) Reporting date – 31st March 20X1
The date of initial disclosure event would be:

a) 1st March 20X1
b) 15th March 20X1
c) 31st March 20X1
d) 31st July 20X1

MCQ No. 2 : (SM)

To qualify as a component that can be distinguished operationally and for financial reporting purposes, the condition(s) to be met is (are):

a) The operating assets and liabilities of the component can be directly attributed to it.
b) Its revenue can be directly attributed to it.
c) At least a majority of its operating expenses can be directly attributed to it.
d) All of the above

MCQ No. 3 : (SM)

Identify which of the following statements is incorrect?

a) A discontinuing operation is a component of an enterprise that represents a separate major line of business or geographical area of operations.
b) A discontinuing operation is a component of an enterprise that can be distinguished operationally and for financial reporting purposes.
c) A discontinuing operation is a component of an enterprise that may or may not be distinguished operationally and for financial reporting purposes.
d) A discontinuing operation may be disposed of in its entirety or piecemeal, but always pursuant to an overall plan to discontinue the entire component.

MCQ No. 4 : (SM)

Identify the incorrect statement.

a) Discontinuing operations are infrequent events, but this does not mean that all infrequent events are discontinuing operations.
b) The fact that a disposal of a component of an enterprise is classified as a discontinuing operation under AS 24 would always raise a question regarding the enterprise's ability to continue as a going concern.
c) For recognizing and measuring the effect of discontinuing operations, AS 24 does not provide any guidelines, but for the purpose the relevant Accounting Standards should be referred.
d) An enterprise shall include a description of the discontinuing operation, in its financial statements beginning with the financial statements for the period in which the initial disclosure event occurs.

MCQ No.	1	2	3	4
Answers	B	D	C	B

AS 25-Interim Financial Reporting

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (ICAI Portal)

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

MCQ No. 2 : (SM)

AS 25 mandates the following in relation to interim financial reports.

a) which entities should publish interim financial reports.
b) how frequently it should publish interim financial reports.
c) how soon it should publish after the end of interim period.
d) none of the above.

MCQ No. 3 : (SM)

The standard defines Interim financial Report as a financial report for an interim period that contains a set of .... financial statements.

a) Complete
b) Condensed
c) Financial statement similar to annual
d) Either complete or condensed

MCQ No. 4 : (SM)

ABC Limited has reported Rs.85,000 as per tax profit in first quarter and expects a loss of Rs.25,000 each in subsequent quarters. It has corporate tax rate slab of 20% on the first Rs.20,000 earnings and 40% on all additional earnings.

Calculate tax expenses that should report in first quarter interim financial report.

a) Rs.17,000
b) Rs.30,000
c) Rs.2,000
d) AS 25 does not mandate to report tax expenses

MCQ No. 5 : (SM)

An entity prepares quarterly interim financial reports in accordance with AS 25. The entity is engaged in sale of mobile phones and normally 5% of customers claim on their warranty. The provision in the first quarter was calculated as 5% of sales to date, which was Rs.10 million. However, in the second quarter, a fault was found and warranty claims were expected to be 10% for the whole of the year. Sales in the second quarter were Rs.15 million. What would be the provision charged in the second quarter's interim financial statements?

a) Rs. million
b) Rs.2 million
c) Rs.1.25 million
d) Rs.1.5 million

MCQ No. 6 : (ICAI Portal)

Following is not part of Minimum component of an Interim Financial Report:

a) Condensed Cashflow statement
b) Condensed Director's Report
c) Condensed profit & loss statement
d) Selected Explanatory Notes

MCQ No.	1	2	3	4	5	6
Answers	D	D	D	A	B	B

AS 26-Intangible Assets

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

Which of the following is not covered within the scope of AS 26?

a) Intangible assets held-for-sale in the ordinary course of business
b) Assets arising from employee benefits
c) (a) & (b) both
d) Research and development activities

MCQ No. 2 : (SM)

Intangible asset is recognized if it:

a) meets the definition of an intangible asset
b) is probable that future economic benefits will flow
c) the cost can be measured reliably
d) meets all of the above parameters

MCQ No. 3 : (SM)

Sun Limited has purchased a computer with various additional software. These are integral part of the computer. Which of the following are true in the context of AS 26:

a) Recognize Computer and software as tangible asset
b) Recognize tangible and intangible separately
c) Recognize computer and software as intangible asset
d) Does not recognize the software as an asset.

MCQ No. 4 : (SM)

Hexa Ltd developed a technology to enhance the battery life of mobile devices. Hexa has capitalized development expenditure of Rs.5,00,000. Hexa estimates the life of the technology developed to be 3 years but the company has forecasted that 50% of sales will be in year 1, 35% in year 2 and 15% in year 3. What should be the amortization charge in the second year of the product's life?

a) Rs.2,50,000
b) Rs.1,75,000
c) Rs.1,66,667
d) Rs.1,85,000

MCQ No. 5 : (ICAI Portal)

An entity purchase a license for 12 years. However, entity estimates that license can be used only for 8 years because fast growing technology. What should be the amortization period of license?

a) 12 years
b) 10 years as per rebutable presumption
c) 8 years
d) Should be charged off in first year.

MCQ No. 6 : (ICAI Portal)

X Limited purchased a license for Rs. 5 lakh. Company assumes that the license can be sold to third party after useful life for Rs. 20,000. As per flea market, the license can be sold at Rs. 50,000 but flea market is not estimated to be in existence from next year. Present value of Rs. 20,000 is Rs. 1500. What should be the residual value of license?

a) NIL
b) Rs. 20,000
c) Rs. 50,000
d) Rs. 1500

MCQ No. 7 : (ICAI Portal)

Gujarat government has provided X Limited license to operate radio for Rs. 1 lakh fo 5 years. Market value of the license is Rs. 10 lakh. X limited incurred Rs. 50,000 as Initial direct cost for operating the license. What should be the accounting treatment of the license?

a) Capitalize at Rs. 1.5 lakh
b) Capitalize at Rs. 10.5 lakh
c) Capitalize at Rs. 1 lakh. Rs. 50,000 should be charged as expense.
d) Rs. 1.5 lakh should be charged as expense in the first year.

MCQ No. 8 : (ICAI Portal)

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

MCQ No. 9 : (ICAI Portal)

Which of the following expenditure may be capitalized as per AS 26?

a) Activities aimed at obtaining new knowledge
b) the search for alternatives for products
c) the design of tools, jigs, moulds and dies involving new technology
d) Internally generated Customers list

MCQ No.	1	2	3	4	5	6	7	8	9
Answers	C	D	A	B	C	A	A	B	C

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (MTP Sept. 24 S2 & ICAI Portal)

On April 1, 2022, Hello Limited approached a software company for implementation of SAP ERP at its organization. The cost of implementation of SAP ERP is Rs.25,00,000 and the time required is 15 months. The company was also required to pay Rs.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 Rs.2,00,000. The Company recognized 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 Rs.7,00,000.

MCQ No. 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)

MCQ No. 2 :

At what amount the SAP ERP should be initially recognized as 'intangible asset:

a) Rs.25,00,000
b) Rs.26,00,000
c) Rs.23,00,000
d) Rs.32,00,00

MCQ No. 3 :

How should the annual maintenance and updation expenses should be accounted for:

a) Should be capitalized with 'Intangible Asset'
b) Should be recognized as a separate 'Intangible Asset'
c) Should be recognized as expense in Profit and Loss annually.
d) No accounting is required

MCQ No. 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 recognized as an asset 'Intangible asset under development'
c) It will only be disclosed in notes to accounts and will be recognized when complete
d) It will be recognized as an item of Property, Plant and Equipment

MCQ No.	1	2	3	4
Answers	D	C	C	B

AS 27-Financial Reporting of Interests in Joint Ventures

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)
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 statements 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

MCQ No. 2 : (SM & ICAI Portal)
Identify which of the following is not a feature of a Jointly controlled operations (JCO):

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

MCQ No. 3 : (SM & ICAI Portal)
Identify which of the following is/are not a feature of a Jointly controlled assets (JCA):
(i) There is a separate legal identity.
(ii) There is a common control over the joint assets.
(iii) Expenses on jointly held assets are shared by the venturers as per the contract.
(iv) In their financial statement, venturer shows only their share of the asset and total income earned by them along with total expenses incurred by them.

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

MCQ No. 4 : (SM & ICAI Portal)
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).

MCQ No. 5 : (SM & ICAI Portal)
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) Point no. 1, 2 and 3.
c) Point no. 1, 2, 3 and 4.
d) None of the above.

MCQ No.	1	2	3	4	5
Answers	B	B	A	B	B

AS 28 –Impairment of Assets

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM)

If there is indication that an asset may be impaired but the recoverable amount of the asset is more than the carrying amount of the asset, the following are true:

a) No further action is required and the company can continue the asset in the books at the book value itself.
b) The entity should review the remaining useful life, scrap value and method of depreciation and amortization for the purposes of AS 10.
c) The entity can follow either (a) or (b).
d) The entity should review the scrap value and method of depreciation and amortization for the purposes of AS 10.

MCQ No. 2 : (SM)

In case Goodwill appears in the Balance Sheet of an entity, the following is true:

a) Apply Bottom up test if goodwill cannot be allocated to CGU (cash generating unit) under review.
b) Apply Top down test if goodwill cannot be allocated to CGU (cash generating unit) under review.
c) Apply both Bottom up test and Top down test if goodwill cannot be allocated to CGU (cash generating unit) under review.
d) Apply either Bottom up test or Top down test if goodwill cannot be allocated to CGU (cash generating unit) under review.

MCQ No. 3 : (SM)

In case of Corporate assets in the Balance Sheet of an entity, the following is true:

a) Apply Bottom up test if corporate assets cannot be allocated to CGU (cash generating unit) under review.
b) Apply Top down test if corporate assets cannot be allocated to CGU (cash generating unit) under review.
c) Apply both Bottom up test and Top down test if corporate assets cannot be allocated to CGU (cash generating unit) under review.
d) Apply either Bottom up test or Top down test if corporate assets cannot be allocated to CGU (cash generating unit) under review.

MCQ No. 4 : (SM)

In case of reversal of impairment loss, which statement is true:

a) Goodwill written off can never be reversed.
b) Goodwill written off can be reversed without any conditions to be met.
c) Goodwill written off can be reversed only if certain conditions are met.
d) Goodwill written off can be reversed.

MCQ No. 5 : (ICAI Portal)

Read the statements given below:

1. Goodwill cannot be tested for impairment without allocation to CGU.
2. Corporate assets cannot be tested for impairment without allocation to CGU.

a) Both statements (1) and (2) are correct.
b) Both statements (1) and (2) are incorrect.
c) Only 1is correct.
d) Statements (1) correct and (2) is incorrect.

MCQ No.	1	2	3	4	5
Answers	B	C	C	C	B

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (RTP Jan 25)

Surya Ltd. Has a two fixed asset, FA1 is being carried in the balance sheet for Rs.600 lakhs and FA 2 is being carried at Rs.300 lakhs.
As at 31st March 2024, the value in use for FA 1 is Rs.500 lakhs and the net selling price is Rs.550 lakhs.
The Company did upward revaluation last year for Rs.20 lakhs for FA 1.
As at 31st March 2024, the value in use for FA 2 is Rs.350 lakhs and the net selling price is Rs.320 lakhs.

MCQ No. 1 :
How much is the total Impairment loss for current year for FA 1:
a) Rs.100 Lakhs
b) Rs.50 Lakhs
c) Rs.30 lakhs
d) Nil

MCQ No. 2 :
How much impairment loss will be charged to profit and loss for current year for FA1:
a) Rs.100 Lakhs
b) Rs.50 Lakhs
c) Rs.30 lakhs
d) Nil

MCQ No. 3 :
How much is the total Impairment loss for current year for FA 2:
a) Rs.50 Lakhs
b) Rs.30 Lakhs
c) Rs.20 lakhs
d) Nil

MCQ No. 4 :
What will be the carrying value on 1st April 2024 for FA 1:
a) Rs.550 Lakhs
b) Rs.530 Lakhs
c) Rs.520 lakhs
d) Rs.500 lakhs

MCQ No.	1	2	3	4
Answers	B	C	D	A

AS 29-Provisions,Contingent Liabilities & Contingent Assets

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (ICAI Portal)

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. g Cr Rent & Rs. 1.S 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. 1.5 Cr shall be written back and remaining rent provision shall be adjusted with additional interest 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 bock and provision for interest shall be increased by Rs. 0.5 Cr

MCQ No. 2 : (ICAI Portal)

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

MCQ No. 3 : (SM & ICAI Portal)

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

MCQ No. 4 : (ICAI Portal)

XVZ limited has likely liability of Rs. 10 Crore for for which it is considering to create provision in books of accounts, However, if liability materializes, 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) Cain should be recorded separately for Rs. 1 Cr.
d) Present value of Rs,1 Cr should be recorded as income,

MCQ No. 5 : (ICAI Portal)

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

MCQ No. 6 : (ICAI Portal)

An entity has made a provision for insurance liability of Rs. S 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 Rs. 4 Cr.
b) Make provision of Rs.5 Cr and Show receivable of Rs, 5 Cr or Rs.4 Cr,
c) Make provision of NIL or Rs.1 Cr and show receivable of Rs.1 Cr or Nil
d) Make provision of NIL or Rs.1 Cr and show receivable of NIL

MCQ No. 7 : (SM & ICAI Portal)

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) Rs.50,000 Settlement if the claim is required to be paid Rs.5,00,000 What is the appropriate accounting treatment in the books of 2 Ltd.?

a) Create a provision of Rs.5,50,000
b) Make a Disclosure of a contingent liability of Rs.5,50,000
c) Create a Provision of Rs.5,50,000 and make a disclosures of contingent liability of Rs.5,50,000
d) Create a Provision of Rs.5,50,000

MCQ No. 8: (SM & ICAI Portal)

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 Rs.25,000. At 31st March 20XI, X Co calculated that the provision should be Rs.20,000. What entry should be made for the provision in x Co's income statement for month 31st March 20X1?

a) Charge of Rs.5,000
b) A credit of Rs.5,000
c) A charge of Rs.20,000
d) A credit of Rs.25,000

MCQ No. 9: (ICAI Portal)

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

MCQ No. 10: (SM & ICAI Portal)

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

MCQ No. 11: (ICAI Portal)

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,

MCQ No. 12: (ICAI Portal)

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) lt 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

MCQ No.	1	2	3	4	5	6	7	8	9	10	11	12
Answers	A	B	C	A	A	B	C	B	A	A	B	D

Cash Flow Statement (AS 3)

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (ICAI Portal)

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

MCQ No. 2 : (SM & ICAI Portal)

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.

MCQ No. 3 : (SM & ICAI Portal)

Yash Ltd. wants to prepare its cash flow statement. It sold equipment of book value of Rs. 60,000 at a gain of Rs. 8,000. The amount to be reported in its cash flow statement under operating activities is

a) Nil
b) Rs. 8,000
c) Rs.68,000
d) Rs.60,000

MCQ No. 4 : (ICAI Portal)

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.

MCQ No. 5 : (SM)

While preparing cash flows statement, an entity (other than a financial institution) should disclose the dividends received from its investment in shares as

a) operating cash inflow
b) investing cash inflow
c) financing cash inflow
d) cash & cash equivalent

MCQ No. 6 : (SM)

XYZ Co. is a financial enterprise. In its cash flow statement, 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.

MCQ No. 7 : (SM)

In the cash flow statement, 'cash and cash equivalents' do not include

a) Bank balances .
b) Short-term investments readily convertible into Cash are subject to an insignificant risk of changes in value.
c) Cash balances.
d) Loan from bank.

MCQ No. 8 : (SM)

While preparing a Cash Flow Statement using the Indirect method as required under AS 3, which of the following will not be deducted from/added to the Net Profit to arrive at the “Cash flow from Operating activities”?

a) Interest income
b) Gain on sale of a fixed asset.
c) Depreciation.
d) Gain on sale of inventory

MCQ No. 9 : (SM & ICAI Portal)

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

a) Cash outflow to the government for payment of 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.

MCQ No. 10 : (SM & ICAI Portal)

Hari Uttam, a stock broking firm, received Rs.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

MCQ No. 11 : (SM & ICAI Portal)

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.

MCQ No. 12 : (SM & ICAI Portal)

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.

MCQ No. 13 : (MTP Jan 25 S2)

How should the dividend paid by the Company 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

MCQ No.	1	2	3	4	5	6	7	8	9	10	11	12	13
Answers	A	C	A	C	B	A	D	D	B	A	C	C	C

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (SM, MTP May 24 S2 & ICAI Portal)

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 Rs.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 Rs.20 lacs.
- The Company also acquired a gold loan unit for Rs.10 crore during the year and the Company provided interest free loan of Rs.15 crore to its wholly-owned subsidiary.
- The Company paid a total income tax of Rs.75 lacs for the year.

Based on the above information, answer the following questions.

MCQ No. 1 :

In the Cash Flow Statement as per AS 3, the interest income of Rs.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

MCQ No. 2 :

In the Cash Flow Statement as per AS 3, the interest income of Rs.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

MCQ No. 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

MCQ No. 4 :

In the Cash Flow Statement as per AS 3, total income tax of Rs.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

MCQ No. 5 :

Is any specific disclosures required to made in relation to the interest free loan of Rs.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.

MCQ No.	1	2	3	4	5
Answers	A	A	B	A	B

Case 2 : (SM, MTP May 24 S1 & ICAI Portal)

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 installment 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 No. 1 :

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 No. 2 :

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 No. 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

MCQ No. 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

MCQ No.	1	2	3	4
Answers	C	D	B	B

Case 3 : (PYQ Jan 25)

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

		Rs.
Cash Balance as on 01-04-2023		72,000
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
Outflow of Cash		
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

MCQ No. 1 :

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

a) Rs.1,29,500
b) Rs.1,54,500
c) Rs.1,45,300
d) Rs.4,04,000

MCQ No. 2 :

What would be the value of Cash Flow from Investing Activities?

a) Rs.54,300
b) Rs.1,04,300
c) Rs.29,300
d) Rs.(500)

MCQ No. 3 :

What would be the value of Cash Flow from Financing Activities?

a) Rs.(50,000)
b) Rs.(1,35,600)
c) Rs.54,300
d) Rs.(1,60,600)

MCQ No. 4 :

Which of the following would be considered as a 'Cash Flow item from an Investing Activities?

a) Underwriting Commission
b) Trade Commission
c) Purchase of Goodwill
d) Interest on Long Term Borrowings

MCQ No.	1	2	3	4
Answers	B	A	D	C

Amalgamation of Companies (AS 14)

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)

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

MCQ No. 2 : (SM & ICAI Portal)

If expenses of liquidation of the vendor 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.

MCQ No. 3 : (SM & ICAI Portal)

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 the amalgamating company.
c) Statutory reserves of the amalgamating company.
d) General reserve of the amalgamating company.

MCQ No. 4 : (SM & ICAI Portal)

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

MCQ No. 5 : (SM & ICAI Portal)

A company into which the vendor company is merged is called

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

MCQ No. 6 : (SM & ICAI Portal)

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

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

MCQ No. 7 : (SM)

Which of the following statement is correct:

a) In case of merger – ESH can be issued only equity shares as a part of Purchase consideration.
b) In case of purchase – ESH can be issued Preference shares also as a part of Purchase consideration.
c) Both (a) and (b) are correct.
d) Both (a) and (b) are incorrect.

MCQ No. 8 : (SM)

State which statement is correct:

a) In case of merger – assets and liabilities can only be taken over at book values.
b) In case of purchase – assets and liabilities can be taken over at book values or agreed values.
c) Both (a) and (b) are correct.
d) Both (a) and (b) are incorrect.

MCQ No. 9 : (SM)

State which statement is correct:

a) In case of merger – All Reserves and surplus of vendor company are taken over by Purchasing company.
b) In case of Purchase – None of the Reserves and surplus of vendor company are taken over by Purchasing company.
c) Both (a) and (b) are correct.
d) Only (a) is correct.

MCQ No. 10 : (SM)

State which statement is correct:

a) In case of merger – We use pooling of interest method for accounting.
b) In case of Purchase We use purchase method or pooling of interest method depending upon whether it is take over at agreed values or book values.
c) Both (a) and (b) are correct.
d) Only (a) is correct.

MCQ No. 11 : (SM)

State which statement is incorrect:

a) In case of merger – We can issue either preference shares or equity shares to PSH.
b) In case of Purchase – We can issue either preference shares or equity shares to PSH.
c) In case of merger – We can issue only preference shares to PSH.
d) none of the above.

MCQ No.	1	2	3	4	5	6	7	8	9	10	11
Answers	B	A	C	B	A	A	B	C	D	D	C

Preparation of Financial Statements

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (ICAI Portal)
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

MCQ No. 2 : (ICAI Portal)
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, 5,00,000 whichever is lower
b) 1% of revenue or Rs, 5,000
c) 5% of Revenue from operations or Rs, 5,00,000 whichever is higher
d) 5% of Revenue from operations or Rs, 50,000 whichever is higher

MCQ No. 3 : (SM & ICAI Portal)
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 Of any),
c) Depreciation on current year only and by forgoing arrears of depreciation of past years,
d) Excluding current year depreciation

MCQ No. 4 : (SM & ICAI Portal)
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

MCQ No. 5 : (SM & ICAI Portal)
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

MCQ No. 6 : (SM & ICAI Portal)
Current maturities of long term debt will come under
a) Current Liabilities,
b) Short term borrowings,
c) Long term borrowings,
d) Short term provisions

MCQ No. 7 : (ICAI Portal)
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

<u>MCQ No. 8:</u> (SM & ICAI Portal)

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

<u>MCQ No. 9:</u> (PYQ Sept.24)

"Fixed Asset held for sale" will be classified in the Balance Sheet as per Schedule III of the Companies Act as:

a) Deferred Tax Assets
b) Current Asset
c) Non-Current Asset
d) Long term Investments

*MCQ 8 & 9 are same except option (d) in MCQ 9

<u>MCQ No. 10 :</u> (RTP May 25)

A Ltd. has a balance of Rs. 17,15,000 in the loan account with State Finance Corporation which is inclusive of Rs. 1,15,000 for interest accrued but not due. The loan is secured by hypothecation of the Plant and Machinery. As per Schedule III to the Companies Act, 2013 loan is to be disclosed in the balance sheet as follows:

a) Disclosed Rs.16,00,000 as a secured loan under long-term borrowings.
b) Disclosed Rs.16,00,000 as a secured loan under long-term borrowings and Rs.1,15,000 under short-term borrowings.
c) Disclosed Rs.16,00,000 as a secured loan under long-term borrowings and Rs.1,15,000 under other current liabilities.
d) Disclosed Rs.16,00,000 as a secured loan under long-term borrowings and no disclosure for Rs.1,15,000.

<u>MCQ No. 11 :</u> (PYQ Jan 25)

Glow Limited had taken a loan of Rs.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 31st March, 2024 as per Schedule III of the Companies Act, 2013?

a) Rs.3,50,000 is to be shown under the head 'Long term borrowings and Rs.1,00,000 is to be shown under the head 'Short term borrowings"
b) Rs.3,50,000 is to be shown under the head 'Long term borrowings and Rs.75,000 is to be shown under the head "Short term borrowings" and Rs.25,000 is to be shown under the head 'Other Current liabilities."
c) Rs.4,50,000 is to be shown under the head 'Long term borrowings"
d) Rs.3,50,000 is to be shown under the head 'Long term borrowings' and Rs.1,00,000 is to be shown under the head 'Other Current liabilities."

MCQ No.	1	2	3	4	5	6	7	8	9	10	11
Answers	B	C	B	C	A	B	B	A	B	C	A

Buy Back of Securities

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)

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 free reserves of the company.
d) 10% of the total paid-up capital and free reserves of the company.

MCQ No. 2 : (SM & ICAI Portal)

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

a) Free reserves and Securities premium
b) Proceeds of the issue of any shares.
c) Both (a) and (b)
d) Neither (a) nor (b).

MCQ No. 3 : (SM & ICAI Portal)

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) Buy-back reserve
d) Special reserve

MCQ No. 4 : (SM & ICAI Portal)

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 be bought back by a company.
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.

MCQ No. 5 : (SM & ICAI Portal)

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

a) Free reserves.
b) Securities premium.
c) Both (a) and (b).
d) Neither (a) nor (b).

MCQ No. 6 : (SM & ICAI Portal)

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 the shares which are bought back are cancelled.
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.

MCQ No.	1	2	3	4	5	6
Answers	A	C	B	B	C	C

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (MTP May 24 S2 & ICAI Portal)

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 Rs.30,00,000 invested in equity shares, each valued at Rs.10 and fully paid.
Reserves & Surplus: Kumar Ltd. has accumulated reserves and surplus totaling Rs.49,00,000, comprising contributions from various sources including General Reserve Rs. 32,50,000, Security Premium Account Rs.6,00,000, Profit & Loss Account Rs. 4,30,000, and Revaluation Reserve Rs. 6,20,000.
Loan Funds: The company has acquired loan funds amounting to Rs.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 Rs.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.

MCQ No. 1 :
What is the minimum equity Kumar Ltd. needs to maintain after buy-back, according to the Debt Equity Ratio Test?
a) Rs. 12,95,000
b) Rs. 21,00,000
c) Rs. 32,50,000
d) Rs. 6,00,000

MCQ No. 2 :
What is the maximum permitted buy-back of equity for Kumar Ltd.?
a) Rs. 38,85,000
b) Rs. 42,00,000
c) Rs. 12,95,000
d) Rs. 59,85,000

MCQ No. 3 :
How many shares of Kumar Ltd. can be bought back at Rs. 30 per share according to the Debt Equity Ratio Test?
a) 43,000
b) 1,29,500
c) 2,00,000
d) 78,000

MCQ No.	1	2	3
Answers	B	A	B

Case 2 : (MTP May 24 S1 & ICAI Portal)

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 Rs. 10 each at a price of Rs. 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 March, 2023:
A. Share Capital: Equity share capital (fully paid up shares of Rs. 10 each) - Rs. 12,50,000
B. Reserves and Surplus: Securities premium Rs. 2,50,000; Profit and loss account Rs. 1,25,000; Revenue reserve Rs. 15,00,000;
C. Long term borrowings: 14% Debentures- Rs.28,75,000, Unsecured Loans - Rs. 16,50,000
D. Land and Building Rs.19,30,000; Plant and machinery Rs. 18,00,000; Furniture and fitting Rs.9,20,000 and Other Current Assets - Rs. 30,00,000
Authorized, issued and subscribed capital: Equity share capital (fully paid up shares of 10 each) - 12,50,000.

MCQ No. 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

MCQ No. 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

MCQ No. 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

MCQ No. 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

MCQ No.	1	2	3	4
Answers	B	D	C	C

Case 3 : (MTP Sept. 24 S2 & ICAI Portal)

MBB Ltd. has the following particulars:

Particulars	Rs. (lacs)
10% Preference Share Capital (Rs.10 each)	2,500
Equity Share Capital of Rs. 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 Rs. 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 @ Rs.15 per share. Investments amounting to Market Value of Rs. 1,000 lakhs sold at Rs.3,000 lakhs and raises a bank loan of Rs.2,000 lakhs.

Answer the following questions based on above:

MCQ No. 1 :

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

MCQ No. 2 :

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

MCQ No. 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

MCQ No. 4 :

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

MCQ No.	1	2	3	4
Answers	B	A	C	D

Case 4 : (MTP Sept. 24 S1 & MTP Jan 25 S2)

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 No. 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

MCQ No. 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

MCQ No. 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

MCQ No. 4 :

According to the Debt Equity Ratio Test, what is the maximum number of shares that can be bought back?

b) 35,000 shares
c) 42,500 shares
d) 37,500 shares
e) 54,375 shares

MCQ No.	1	2	3	4
Answers	B	B	C	D

Case 5 (MTP May 25 S1)

ABC Ltd. (a non-listed company) has the following Capital Structure as on 31.03.2024:

	Particulars		(Rs.)
(1)	Equity Share Capital (Shares of Rs.10 each fully paid)	-	24,00,000

(2)	Reserves and Surplus		
	General Reserve	20,50,000	-
	Securities Premium Account	7,50,000	-
	Profit & Loss Account	2,00,000	-
	Infrastructure Development Reserve	20,00,000	
	Revaluation reserve	1,70,000	51,70,000
(3)	Loan Funds		52,00,000

The Shareholders of ABC Ltd., on the recommendation of their Board of Directors, have approved on 12.09.2024 a proposal to buy-back the maximum permissible number of Equity shares considering the large surplus funds available at the disposal of the company.
The in order to induce the existing shareholders to offer their shares for buy-back, it was decided to offer a price of buy back price per share is Rs.25.
You are also informed that the Infrastructure Development Reserve is created to satisfy Income-tax Act requirements.
Assuming that the entire buy-back is completed by 09.12.2024

MCQ No. 1 :

What is the maximum number of shares to be bought back as per debt-equity ratio?
a) 1,12,000 shares
b) 80,000 shares
c) 54,000 shares
d) 60,000 shares

MCQ No. 2 :

What is the maximum permitted equity as per debt- equity ratio test.
a) 20,00,000 shares
b) 28,00,000 shares
c) 15,00,000 shares
d) 13,50,000 shares

MCQ No. 3 :

What will be the future equity shareholding fund if a company buys back shares as per the result of the debt-equity ratio test?
a) 48,000
b) 48,60,000
c) 42,80,000
d) 46,00,000

MCQ No. 4 :

What is the maximum number of shares that can be buy back as per resource test?
a) 54,000
b) 75,700
c) 55,700
d) 74,000

MCQ No.	1	2	3	4
Answers	B	A	D	A

Internal Reconstruction

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)
When the object of reconstruction is usually to reorganize 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

MCQ No. 2 : (SM, MTP May 24 S1, MTP May 25 S1 & ICAI Portal)
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

MCQ No. 3 : (SM & ICAI Portal)
For reduction of the share capital, the permission has to be sought from
a) Court.
b) Controller,
c) State government
d) Shareholders

MCQ No. 4 : (SM & ICAI Portal)
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

MCQ No. 5 : (SM & ICAI Portal)
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

MCQ No. 6 : (SM & ICAI Portal)
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

MCQ No.	1	2	3	4	5	6
Answers	B	A	A	C	C	A

Accounting of Branch including Foreign Branch (AS 11)

Individual MCQs (SM/ICAI Portal/RTP,MTP)

MCQ No. 1 : (SM & ICAI Portal)
If goods are invoiced to branches at cost, trading results of branch can be ascertained by
a) Debtors method.
b) Stock and debtors method.
c) Either (a) or (b).
d) Both (a) and (b).

MCQ No. 2 : (SM & ICAI Portal)
Under branch trading and profit loss account method
a) H.O prepares profit and loss account.
b) Each branch is treated separate entity.
c) Both (a) and (b).
d) Either (a) or (b).

MCQ No. 3 : (SM & ICAI Portal)
Goods may be invoiced to branch at
a) Cost or Selling price.
b) Wholesale price.
c) Both (a) and (b).
d) Either (a) or (b).

MCQ No. 4 : (SM & ICAI Portal)
Under debtors method, opening balance of debtors is
a) Debited to branch account.
b) Credited to branch account.
c) Debited to H.O account.
d) Credited to H.O account.

MCQ No. 5 : (SM & ICAI Portal)
Cost of goods returned by branch will have the following effect
a) Goods sent to branch account will be debited.
b) Branch stock account will be credited.
c) Both (a) and (b).
d) Either (a) or (b).

MCQ No. 6 : (SM)
As per AS 11 assets and liabilities of non-integral foreign operations should be converted at ________rate.
a) Opening
b) Average
c) Closing
d) Transaction

MCQ No. 7 : (SM & RTP Jan 25)
The debit or credit balance of "Foreign Currency Monetary Item Translation Difference Account"
a) Is shown as "Miscellaneous Expenditure" in the Balance Sheet
b) Is shown under "Reserves and Surplus" as a separate line item
c) Is shown as "Other Non-current" in the Balance Sheet
d) Is shown as "Current Assets" in the Balance Sheet

MCQ No. 8 : (SM)
If asset of an integral foreign operation is carried at cost, cost and depreciation of tangible fixed asset is translated at
a) Average exchange rate
b) Closing exchange rate
c) Exchange rate at the date of purchase of asset
d) Opening exchange rate

MCQ No. 9 : (SM)
Which of the following can be classified as an integral foreign operation?
a) Branch office serving as an extension of the head office in terms of operations
b) Independent subsidiary of the parent company
c) Branch office independent of the head office in terms of operational decisions
d) None of the above

MCQ No. 10 : (SM)
Which of the following items should be converted to closing rate for the purposes of financial reporting?
a) Items of Property, Plant and Equipment
b) Inventory
c) Trade Payables, Trade Receivables and Foreign Currency Borrowings
d) All of the above

MCQ No. 11 : (ICAI Portal)
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

MCQ No.	1	2	3	4	5	6	7	8	9	10	11
Answers	C	C	C	A	C	C	B	C	A	B	B

Cased Based MCQs (SM/ICAI Portal/RTP,MTP)

Case 1 : (MTP Jan 25 S1)

Fly Ltd. made a sale of INR 7,00,000 to Wings International in May 2023 and recognized Trade Receivables which was initially recorded at the prevailing exchange rate on the date of sales, transaction recorded at US$ 1= Rs.79.4. The Company also took a loan from U.S Company for Rs.10,00000 in December 2023 which was initially recorded at the prevailing exchange rate on the date of transaction, transaction recorded at US$ 1= Rs.81.1.
On 31st March 2024, exchange rate was US$ 1 = Rs.83.3

MCQ No. 1 :
What will be the closing balance of Trade Receivables on 31st March 2024:
a) Rs.700,000
b) Rs.7,14,978 approx
c) Rs.7,34,383 approx
d) Rs.7,50,000 approx

MCQ No. 2 :
How much is the reporting difference (gain or loss) in case of Trade Receivable:
a) Gain of Rs.34,383 approx
b) Loss of Rs.34,383 approx
c) Gain of Rs.19,395 approx
d) Loss of Rs.19,395 approx

MCQ No. 3 :
What will be the closing balance of Loan as on 31st March 2024:
a) Rs.10,00,000
b) Rs.10,27,127 approx
c) Rs.9,79,002 approx
d) Rs.10,79,002 approx

MCQ No. 4 :
How much is the reporting difference (gain or loss) in case of Loan:
a) Gain of Rs.48,087 approx
b) Loss of Rs.48,087 approx
c) Gain of Rs.27,127 approx
d) Loss of Rs.27,127 approx

MCQ No.	1	2	3	4
Answers	C	A	B	C

Integrated Case Study MCQs Involving Multiple AS

Cased Based MCQs (ICAI Portal/RTP,MTP)

Case 1 : (SM, RTP May 24 & ICAI Portal)

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. Nationalization 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 Rs.8 crores from the Government for setting up a factory in a backward area. Out of this grant, the Company distributed Rs.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 Rs.1,000. The entire quantity of waste was on stock at the end of the financial year.

MCQ No. 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.

MCQ No. 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) Rs.47,00,000.
b) Rs.50,00,000.
c) Rs.49,50,000.
d) Rs.49,47,368.

MCQ No. 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.

MCQ No.	1	2	3
Answers	B	D	D

Case 2 (MTP May 25 S1)(Same as Case As above Except grey highlighted part)

RTS Ltd, ("RTS" or the "Company"), is engaged in the business of manufacturing of urea, has set up its business in a designated backward area which entitles the company to receive from the Government of India a subsidy of 20% of the cost of investment of manufacturing of equipments/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 provide evidence of conditions that existed at the end of the reporting period?

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

The Company has received a grant of Rs.8 crores from the Government for setting up a factory in a backward area. Out of this grant, the Company distributed Rs.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, LPP Media & Creations Ltd (LPP), an advertising agency which prepares and publishes advertisement in newspapers on behalf of its clients. LPP invoices its clients for the commission they are entitled to as well as the media space payable to the newspaper.

MCQ No. 1 :

In respect of LPP, how should the revenue be recognized as per Accounting Standards?

a) LPP should record net amount of commission earned by it.

b) LPP should record net amount of commission earned by it and disclose the information about gross income from advertisement through media and preparation of advertisement material as well as payments to media and expenditure incurred for creation of an advertisement in the notes to accounts.
c) LPP should record gross income from advertisement through media and preparation of advertisement material and gross amount of payments to media and expenditure incurred for creation of an advertisement.
d) LPP may record this on net or gross basis depending on its accounting policy.

MCQ No. 2 :

Please guide the management of RTS Ltd as to which one of the events mentioned above (i to v) after the reporting period provide evidence of conditions that existed at the end of the reporting period?

a) ii and v.
b) ii.
c) v.
d) i, iii and iv.

MCQ No.	1	2
Answers	C	B

Case 3 : (SM, MTP May 24 S1 & ICAI Portal)

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 Rs.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 Rs.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.

MCQ No. 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.

MCQ No. 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.

MCQ No. 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.

MCQ No. 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.

MCQ No.	1	2	3	4
Answers	A	D	C	C

Case 4 : (SM, MTP May 24 S1 & ICAI Portal)

On 1st April, 2022, Shubham Limited purchased some land for Rs.30 lakhs for the purpose of constructing a new factory. This cost of 30 lakhs included legal cost of Rs.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:

Particulars	Amount
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 Rs.30,000. However, as per company's normal overhead allocation policy, it should be Rs.24,000. The auditor of the company has support documentation for the cost of Rs.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 Rs.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 Rs.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:

MCQ No. 1 :

Which of the following cost (incurred directly on construction) will be capitalized to the cost of factory building?

a) Rs.2,00,000 incurred as legal cost
b) Rs.60,000 – costs of relocating employees
c) Rs.80,000 costs of inauguration ceremony
d) Rs.24,000 – allocated general overhead cost

MCQ No. 2 :

What amount of employment cost of construction workers will be capitalized to the cost of factory building?

a) Rs.2,90,000
b) Rs.3,48,000
c) Rs.2,32,000
d) Rs.29,000

MCQ No. 3 :

What is the amount of net borrowing cost capitalized to the cost of the factory?

a) Rs.1,89,000
b) Rs.1,68,000
c) Rs.1,44,000
d) Rs.1,64,000

MCQ No. 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) Rs.30,00,000
b) Rs.57,78,125
c) Rs.27,78,125
d) Rs.58,00,000

MCQ No.	1	2	3	4
Answers	A	C	D	B

Case 5 : (SM, MTP May 24 S2, MTP May 25 S1 & ICAI Portal)

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 Rs.50,00,000
- It incurred Rs.35,00,000 for material and direct labour cost for developing the Plant.
- The Company incurred Rs.10,00,000 for head office expenses at New Delhi which included rent, employee cost and maintenance expenditure.
- The Company borrowed Rs.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 Rs.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 along with 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 Rs.6,00,000 in March 2024.
- The rate of depreciation on Plant is 10%.

Based on the above information, answer the following questions.

MCQ No. 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

MCQ No. 2 :

How much amount of borrowing cost can be capitalised with the plant:

a) Rs.300,000
b) Rs.2,00,000
c) Rs.7,00,000
d) Rs.6,00,000

MCQ No. 3 :

The total cost of plant as on march 31, 2024 will be:

a) Rs.85,00,000
b) Rs.98,00,000
c) Rs.93,00,000
d) Rs.95,00,000

MCQ No. 4 :

The amount of depreciation to be charged for the year end March 31, 2024

a) Rs.4,30,000
b) Rs.9,30,000
c) Rs.9,80,000
d) Nil

MCQ No.	1	2	3	4
Answers	C	B	C	D

Case 6 : (ICAI Portal)

Axis limited is a manufacturing company. It purchased a machinery costing Rs. 10 Lakhs in April'23. It paid Rs. 4 lakhs upfront and paid remaining Rs. 6,00,000 as deferred payment by paying installment of Rs. 1,05,000 for 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 No. 1 :

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 No. 2 :

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 No. 3 :

How should the income tax paid on sale of land Should Cash flows from Operating Activities

a) Cash flows from Operating Activities
b) Cash flows from Investing Activities
c) Cash flows from Financing Activities
d) No disclosure in Cash Flow Statemen

MCQ No. 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

MCQ No.	Answers	Explanation
1	C	As per AS 3, Interest paid to vendor for acquiring fixed asset under deferred payment basis should be presented as financing activities and Principal sum payment under deferred payment basis for acquisition of fixed assets should be presented as investing activities
2	D	As per paragraph 6 of AS 16, Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation should be determined in accordance with this Standard. Other borrowing costs should be recognised as an expense in the period in which they are incurred. In this case, the machinery has been purchased and it is readily usable, thus, it is not a qualifying asset and thus, interest cost should not be capitalised
3	B	Paragraph 34 of AS 3, Cash flows arising from taxes on income should be separately disclosed and should be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities. The sale of PPE is cash flow from investing activities and accordingly, taxes paid on same should be disclosed as investing activities
4	B	These interest pertain to income taxes and are not arising from the principle revenue-producing activities, therefore, should be disclosed as per paragraph 30 of AS 3

Case 7 : (MTP Jan 25 S2)

Excellence Ltd. is a Real Estate Company which constructs residential and commercial projects for selling. The Company has commenced a new project and the expenses incurred are as follows:

• The cost of land acquired for Project is Rs.10 crore
• Cost of construction incurred is Rs.25 crores.
• The Company also incurred cost of Rs.10 lacs for various administrative meetings in relation to planning of the building.
• The construction of building completed and at the end of the year 1, the net realizable value of the building was Rs.40 crore.
• At the beginning of the next year (year 2), the Company decided to use the building as its corporate office.
• The Company further incurred Rs.50 lacs for making necessary changes in the structure for using it as corporate office in accordance with government norms for commercial spaces. Without these changes the office cannot be set up.
• Ignore the effect of depreciation, if any.

In view of above information, answer the following issues:

MCQ No. 1 :

At the end of Year 1, how the building should be classified:

a) Inventory
b) Investments
c) Property, Plant and Equipment
d) Intangible Asset

MCQ No. 2 :

At the end of Year 1, at value Project should be recognised:

a) Rs.40 Crore
b) Rs.35 Crore
c) Rs.35.10 Crore

d) Rs.25 Crore

MCQ No. 3 :

At the end of Year 2, when the intention is to use the building as corporate office, it should be classified as:

a) Inventory
b) Investments
c) Property, Plant and Equipment
d) Intangible Assets

MCQ No. 4 :

At the end of Year 2, the Project should be valued at:

a) Rs.40 Crore
b) Rs.35.50 Crore
c) Rs.35.10 Crore
d) Rs.25 Crore

MCQ No.	1	2	3	4
Answers	A	B	C	D

Case 8 : (MTP Jan 25 S2)

Supercool ltd. is a manufacturing company, engaged in manufacturing eco-friendly equipment. On April 1, 2023, the Company received a grant of Rs.20 crore from the Government (which is 25% of the total capital of the Company) for various purposes that the company deems fit and no repayment is required to be made to Government.

The Company also borrowed Rs.10 crore from financial Institutions and interest paid on the same during the year is Rs. 1 lac.

The Company acquired plant and machinery from the funds for Rs.10 crore and Rs.1 crore was spent on its installation and assembly. Rs.10 lacs were spent on professional fees necessary for installation and operating of the machine. The Company also spent Rs.50 lacs on revenue expenditure.

The Plant and Machinery was ready for its intended use on September 30, 2023) The depreciation on plant and machinery is charged @10%.

MCQ No. 1 :

The grant of Rs.20 crores received by the Company should be presented as:

a) Grants related to Revenue
b) Grants related to Specific Fixed Assets
c) Capital Reserve
d) Other Income

MCQ No. 2 :

At what value the plant and machinery acquired should be recognized as at 31st March 2024:

a) Rs.11.10 Crore
b) Rs.11 Crore
c) Rs.10.54 Crore
d) Rs.11.60 Crore

MCQ No. 3 :

The revenue expenditure of Rs.50 lacs should be recognised as:

a) Part of Plant and Machinery
b) Part of Grant
c) Revenue expenditure in the Profit and Loss
d) Deducted from loan

MCQ No. 4 :

Which of the following statement is true:

a) Plant and Machinery has been acquired out of Government Grant so the same should be disclosed at Nil value.

b) Plant and Machinery belongs to Financial Institution
c) Plant and Machinery belong to the Company and should be recognised as its Property, Plant and Equipment
d) Plant and Machinery should not be disclosed in the financial statements of the Company at all

MCQ No.	1	2	3	4
Answers	C	C	C	C

Case 9 : (PYQ Sept.24)

Mr. Vikram took a loan of Rs.6,00,000 carrying interest @ 10% p.a. on 1st August, 2023 to purchase raw material. He purchased 4000 units of raw material @ 125 per unit. Replacement cost of raw material as on 31 March, 2024 is 100 per unit. Labour charges and variable overheads incurred are Rs.1,00,000 to produce 1000 units of finished goods. 1000 units of Finished goods are produced with raw material (for every unit of finished goods produced, 2 units of raw material are required). Net realizable value of finished good is Rs.300 per unit. All the finished goods produced are lying in stock as on 31 March, 2024. There is no opening stock of raw material and finished goods. Mr. Vikram used 1500 units of raw material to construct an Asset (Qualifying Asset). Labour and other overhead charges incurred on construction of asset are Rs. 90,000. Mr. Vikram also paid Rs.15,000 to install the asset at Factory premises.
Mr. Vikram used Balance of loan proceeds of Rs.1,00,000 to invest in Equity Shares of P. Ltd. He purchased 9,000 Equity shares (Face Value Rs.10 each) for Rs.1,00,000 on 25th March, 2024. The P. Ltd declared and paid dividend @ 20% on 30th March for the year 2023-24.
Based on the information given in above Case Scenario, answer the following Question No. 1-4:

MCQ No. 1 :
What would be the value of closing stock of Raw Material X and Finished Goods as on 31st March 2024?
a) Closing Stock of Raw Material X Rs.50,000 and closing stock of Finished Goods Rs.3,50,000
b) Closing Stock of Raw Material X Rs.50,000 and closing stock of Finished Goods Rs.3,00,000
c) Closing Stock of Raw Material X Rs.62,500 and closing stock of Finished Goods Rs.3,50,000
d) Closing Stock of Raw Material X Rs.62,500 and closing stock of Finished Goods Rs.3,00,000

MCQ No. 2 :
Cost of Self Constructed Asset as per AS 10 will be ?
a) Rs.2,92,500
b) Rs.2,77,500
c) Rs.3,05,000
d) Rs.2,90,000

MCQ No. 3 :
As per AS 16 what will be the amount of interest to be capitalized and amount of interest to be charged to Profit & Loss A/c ?
a) Rs.12,500 interest to be capitalised and Profit & Loss A/c. Rs.27,500 interest to be charged to Profit & Loss A/c
b) Rs.12,500 interest to be capitalised and Rs.20,833 interest to be charged to Profit & Loss A/c.
c) Rs.19,167 interest to be capitalised and Rs.20,833 interest to be charged to Profit & Loss A/c.
d) Whole of Rs.40,000 interest to be charged to Profit & Loss A/c.

MCQ No. 4 :
What is the carrying amount of investment as on 31st March, 2024 as per AS 13 and suggest the treatment of dividend received from P. Ltd.?
a) Carrying amount of Investment as on 31st March, 2024 is Rs.72,000 and the dividend is deducted from the nominal value of investment.
b) Carrying amount of Investment as on 31st March, 2024 is Rs.90,000 and the dividend is credited to Profit & Loss A/c.
c) Carrying amount of Investment as on 31st March, 2024 is Rs.1,00,000 and the dividend is credited to Profit & Loss A/c.
d) Carrying amount of Investment as on 31st March, 2024 is 82,000 and the dividend is deducted from the

cost of investment.

MCQ No.	1	2	3	4
Answers	B	C	A	D

Case 10 : (PYQ Sept.24)

Kay Ltd. sold goods of Rs.22,00,000 to Mr. Ravi Kumar on 1st February, 2024 but at the request of the buyer, these goods were delivered on 10th April 2024. Kay Ltd. also sold Rs.2,00,000 goods on approval basis on 1st January, 2024 to Sheetal Enterprises. The period of approvals 3 months after which they were considered sold. Buyer sent disapproval for 25% of goods and approval for 50% of goods till 31 March, 2024. Mr. Ravi Kumar has commenced legal action against Kay Ltd. for supply of faulty goods to claim damages. The lawyers of Kay Ltd. have advised that it is not remote yet that resources may be required to settle the claim. Legal cost to be incurred irrespective of the outcome of the case is Rs.45,000. Settlement amount if the claim is required to be paid Rs.5,00,000, Sheetal Enterprises, a trade receivable of Kay Ltd. suffered a heavy loss due to an earthquake that occurred on 30th March, 2024. The loss was not covered by any insurance policy. In April, 2024, Sheetal Enterprises became bankrupt.
The Balance due from Sheetal Enterprises as on 31 March, 2024 is Rs.75,000. Kay Ltd. makes provision for doubtful debts @ 5%.
Based on the information given in above Case Scenario, answer the following Question No. 1-3

MCQ No. 1 :
What is the amount to be recognized as Revenue as per AS 9 in the books of Kay Ltd. as on 31 March, 2024?
a) Rs.23,50,000
b) Rs.1,50,000
c) Rs.23,00,000
d) Rs.1,00,000

MCQ No. 2 :
What will be the treatment of legal cost and claim for legal action commenced by Mr. Ravi Kumar in the Books of Kay Ltd. as on 31 March, 2024 as per AS 29?
a) Create a Provision for Rs.5,45,000
b) Create a Provision for Rs.5,00,000
c) Create a Provision for Rs.45,000 and make a disclosure of contingent liability of Rs.5,00,000
d) Make a disclosure of contingent liability of Rs.5,45,000

MCQ No. 3 :
What is the treatment of insolvency of Sheetal Enterprises in the Books of Kay Ltd. as on 31st March, 2024 as per AS 4?
a) An Adjusting Event, full provision of Rs.75,000 should be made in the Final Accounts for the year ended 31 March, 2024.
b) An Adjusting Event, provision of Rs.3,750 should be made in the Final Accounts for the year ended 31 March, 2024.
c) A Non-adjusting event, no provision is required to be made as Sheetal Enterprises became bankrupt in April, 2024.
d) A Non-adjusting event, only disclosure is required in the Final Accounts for the year ended 31st March, 2024.

MCQ No.	1	2	3
Answers	A	C	A

Case 11: (PYQ Sept.24)

Jay Ltd. submits the following data extracted from the Final Accounts as on 31 March, 2023:

Equity Share Capital Equity shares of Rs.10 each	50,000
Profit & Loss (Dr. balance)	(50,000)
9% Debentures	2,00,000
Loan from Bank	3,00,000
Advance given to suppliers of goods	45,000
Provision for tax	14,000
Plant & Machinery	4,50,000
Furniture & Fixtures	85,000
Investment in Star Ltd. 10,000 equity shares of 10 each	1,25,000
Sundry Debtors	70,000
Cash & Bank Balance	65,500

Additional information given by Jay Ltd.:
On 31 March, 2023 Jay Ltd. decided to reconstruct the company for which necessary resolution was passed. Accordingly, it was decided that:
(a) 9% Debentures to be settled in full by issuing them 15,000 Equity shares of 10 each.
(b) Equity shareholders will give up 40% of their capital in exchange for allotment of new 11% Debentures of Rs.1,00,000.
(c) Balance of Profit & Loss to be written off.
(d) Equity shares issued for Rs.1,00,000.

In addition to above, following information was also presented by Jay Ltd. on 1st April, 2023:
(a) Interest is received on advances given to suppliers of goods Rs.3,000.
(b) Taxation liability is settled at Rs.14,000.
(c) A debtor of Rs.40,000 is insolvent, only 40% of his dues are recovered from his estate.
(d) Dividend is received on Investment in Star Ltd. Rs.1 per equity share invested.
(e) Part of Plant and Machinery is sold at a loss ofRs.Rs.3,000 (book value Rs.15,000)
Based on the information given in above Case Scenario, answer the following Question No. 1-4:

MCQ No. 1 :
The amount of Cash Flow from operating activity is:
a) Rs.2,000
b) Rs.5,000
c) Rs.12,000
d) Rs.15,000

MCQ No. 2 :
The amount of Cash Flow from investing Activity is
a) Rs.28,000
b) Rs.25,000
c) Rs.15,000
d) Rs.22,000

MCQ No. 3 :
What is the amount of closing Cash and Cash equivalents as on 1 April, 2023 ?
a) Rs.1,92,500
b) Rs.92,500
c) Rs.1,27,000
d) Rs.1,98,500

MCQ No. 4 :
The Balance of Equity Share Capital after internal reconstruction is :
a) Rs.6,50,000
b) Rs.4,50,000
c) Rs.5,50,000
d) Rs.7,50,000

MCQ No.	1	2	3	4

Answers	B	D	A	C

Case 12 (PYQ Jan 25)

On 1st April, 2019, Black Limited received a government grant of Rs.15,00,000 for acquisition of a Machine costing Rs.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 Rs.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 1st April, 2021.
On 31st March, 2023, Black Limited received certain indications of impairment of the Machine and the recoverable amount was ascertained to be Rs.28,00,000 with revised useful life of 4 years and nil residual value.
On 1st April, 2024, the company exchanged the Machine by paying cash of Rs.2,00,000 and new Machine valued at Rs.18,00,000.

MCQ No. 1 :

What will be the carrying amount of the Machine as on 31st March, 2021 after charging depreciation for the year?

a) Rs.28,00,000
b) Rs.26,00,000
c) Rs.41,00,000
d) Rs.29,00,000

MCQ No. 2 :

What will be the amount of depreciation to be charged on the Machine for the year ended 31st March, 2022?

a) Rs.4,87,500
b) Rs.6,37,500
c) Rs.4,50,000
d) Rs.5,37,500

MCQ No. 3 :

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

a) Impairment loss of Rs.4,00,000 to be debited to Profit & Loss A/c.
b) Impairment loss of Rs.4,25,000 to be debited to Profit & Loss A/c.
c) Impairment loss of Rs.6,25,000 to be debited to Profit & Loss A/c.
d) Impairment loss of Rs.15,25,000 to be debited to Profit & Loss A/c.

MCQ No. 4 :

What will be the amount of Profit or Loss on exchange of Machine as on 1st April, 2024?

a) Loss of Rs.8,00,000
b) Loss of Rs.1,00,000
c) Profit of Rs.1,00,000
d) Loss of Rs.3,00,000

MCQ No.	1	2	3	4
Answers	D	A	C	No Correct Option