

Hit List For JAN'26 EXAM

———— Based on ————
Sept'24 to Sep'25 Exams

CA Parveen Sharma

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Hitlist for Upcoming Exams	
Topic Name	Marks
<i>Introduction</i>	4
<i>AS 3</i>	7
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<i>AS 18</i>	2
<i>AS 19</i>	4
<i>AS 20</i>	5
<i>AS 21</i>	14
<i>AS 22</i>	5
<i>AS 24</i>	2
<i>AS 25</i>	2
<i>AS 26</i>	2
<i>AS 28</i>	4
<i>AS 29</i>	2
<i>Final Account & Int. Reconstruction</i>	20
<i>Branch</i>	6
<i>Buy Back</i>	6

Exam Analysis					
Question no.	Sub Part	Sep-24	Jan-25	May-25	Sep-25
1 Compulsory	<i>a</i>	AS 26 /Marks 4	AS 20/5	AS 10/7	AS 22/5
	<i>b</i>	AS15/5	AS 19/5	AS 13/7	AS 2/5
	<i>c</i>	AS 22/5	AS 15/4		AS 9/4
2		Final Account/14	Internal Recons./14	Final Account /14	Final Account/14
3	<i>a</i>	AS 3/7	AS 29/7	AS 3/7	AS 3/7
	<i>b</i>	Buy back/7	AS 3/7	AS 25/7	AS 28/7
4		AS 14/14	AS 14/14	AS 14/14	AS 14/14
5		AS 21/14	AS 21/14	AS 21/10	AS 21/14
				AS 21/4	
6 Choice 4 marks	<i>a</i>	AS 13/4	AS 18/4	Intro./4	AS 5/4
	<i>b</i>	AS 2/4	Framework/4	AS 28/4	Framework/4
	<i>c</i>	Internal Recons./4	Buy back/4	Final Accounts/4	IR/4
	<i>d</i>	Branch/6	Branch/6	Branch/6	Branch /6
MCQ Case 1	1	AS 2/2	AS 10/2	AS 7/2	Buy back/2
	2	AS 10/2	AS 10/2	AS 7/2	Buy back/2
	3	AS 16/2	AS 28/2	AS 7/2	Buy back/2
	4	AS 13/2	AS 10/2	AS 10/2	Buy back/2
	5			AS 26/2	Final Accounts /2
Case 2	1	AS 9/2	AS 22/2	AS 9/2	AS 17/2
	2	AS 29/2	AS 22/2	AS 13/2	AS 17/2
	3	AS 4/2	AS 22/2	AS 11/2	AS 17/2
	4	AS 18/2	AS 22/2	AS 24/2	
	5	AS 19/2	AS 7/2	AS 19/2	
	6	AS 20/2	AS 16/2		
Case 3	1	AS 3/2	AS 3/2	Buy Back/2	AS 26/2
	2	AS 3/2	AS 3/2	Buy Back/2	As 16/2
	3	AS 3/2	AS 3/2	Buy Back/2	AS 12/2
	4	Internal Recons./2	AS 3/2	Final Accounts/2	AS 12/2
	5	Final Accounts/2	Final Accounts/2	Internal Recons./2	AS 15/2
	6				AS 10/2

Topic wise Scanner				
Topic Name	Sep-24	Jan-25	May-25	Sep-25
<i>Introduction</i>			4	
<i>Framework</i>		4		4
<i>AS 1</i>				
<i>AS 2</i>	4+2			5
<i>AS 3</i>	7+2+2+2	7+2+2+2+2	7	7
<i>AS 4</i>	2			
<i>AS 5</i>				4
<i>AS 7</i>		2	2+2+2	
<i>AS 9</i>	2		2	4
<i>AS 10</i>	2	2+2+2	7+2	2
<i>AS 11</i>			2	
<i>AS 12</i>				2+2
<i>AS 13</i>	4+2		7+2	
<i>AS 14</i>	14	14	14	14
<i>AS 15</i>	5	4		2
<i>AS 16</i>	2	2		2
<i>AS 17</i>				2+2+2+2
<i>AS 18</i>	2	4		
<i>AS 19</i>	2	5	2	
<i>AS 20</i>	2	5		
<i>AS 21</i>	14	14	14	14
<i>AS 22</i>	5	2+2+2+2		5
<i>AS 23</i>				
<i>AS 24</i>			2	
<i>AS 25</i>			7	
<i>AS 26</i>	4		2	2
<i>AS 27</i>				
<i>AS 28</i>		2	4	7
<i>AS 29</i>	2	7		
<i>Final Accounts</i>	14+2	2	14+4+2	14+2
<i>Internal Reconstruction</i>	4+2	14	2	4
<i>Branch</i>	6	6	6	6
<i>Buy Back</i>	7	4	2+2+2	2+2+2+2



Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 15

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I Question paper, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having / using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

(2)

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PART – II

1. (a) In the following cases, record Journal Entries for amortization in the books of Huge Ltd. for the year ended 31st March, 2024 with reference to AS-26 : 4

- (i) The company had acquired Patent Rights for ₹ 340 lakhs on 01.04.2022. The estimated product life is 4 years. Amortization was decided in the ratio of estimated future cash flows which are as under :

1st Year ₹ 140 Lakhs

2nd Year ₹ 350 Lakhs

3rd Year ₹ 280 Lakhs

4th Year ₹ 420 Lakhs

- (ii) The company had developed know-how by incurring expenditure of ₹ 80 lakhs. The know-how has been used by the company since 01.04.2018. Its useful life is 8 years from the year of commencement of its use. The company has not amortised the asset until 31.03.2024.

- (b) Pendora Ltd. has given the following details in respect of employee benefit pension plan : 5

Particulars	Amount ₹
The fair value of plan assets as on 01-04-2023	5,00,000
The benefits paid out on 30-11-2023	63,000
Inward contributions received on 30-09-2023	1,42,000
The fair value of plan assets as on 31-03-2024	7,50,000

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On 01.04.2023, the company made following estimates, based on its market studies and prevailing prices :

Particulars	%
Interest and dividend income (after tax) payable by fund	10.50
Realised gains on plan assets (after tax)	2.00
Fund administrative costs	-2.00
Expected rate of annual return (Interest is compounded annually)	10.50

You are required to find the expected and actual returns on plan assets as on 31.03.2024 as per AS 15.

- (c) Delta Ltd. is working on different projects those are likely to be completed within 3 years period. It recognizes revenue from these contracts on Percentage of Completion Method for Financial Statements for the years ending 2021, 2022 and 2023 for ₹ 34 Lakhs, ₹ 50 Lakhs and ₹ 65 Lakhs respectively. 5

However, for Income Tax purpose, it has adopted the Completed Contract Method under which it has recognized revenue of ₹ 30 Lakhs, ₹ 52 Lakhs and ₹ 67 Lakhs for the years ending 2021, 2022 and 2023 respectively.

Income Tax rate is 30%.

Compute the amount of Deferred Tax Asset / Liability and Total Tax Expenses for the years ending 31st March 2021, 2022 and 2023.

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2. The following is the Trial Balance of Shivam Ltd as on 31st March, 2024 :

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Particulars	Dr. (₹ 000)	Particulars	Cr. (₹ 000)
Land at Cost	148	Equity Share of ₹ 10 each	200
Plant & Machinery at Cost	520	10% Debenture of ₹ 100 each	135
Debtors	65	General Reserve	90
Closing Stock	58	Profit & Loss A/c	48
Bank	14	Security Premium	27
Adjusted Purchases	226	Sales	473
Factory Expenses	40	Creditors	35
Administration Expenses	22	Provision for Depreciation	116
Selling Expenses	20	Suspense A/c	3
Debenture Interest	14		
Total	1,127	Total	1,127

Additional Information :

- On 31st March, the Company issued Bonus Shares to the Shareholders on 1 : 2 basis (one equity share issued as bonus for every 2 equity shares held). No entry relating to this has yet been made.
- The Authorized Share Capital of the Company is 35,000 Equity Shares of ₹ 10 each.
- The Company, on the advice of an independent valuer, revalued the Land at ₹ 2,45,000.
- The Directors declared a Dividend of 10% on 5th April, 2024 and also transferred profit @ 10 % to General Reserve.
- Suspense Account of ₹ 3,000 represents cash received for the Sale of some Machinery on the 1st day of the financial year 2023-24. Cost of this Machinery was 10,000 and Accumulated Depreciation thereon being ₹ 8,000.

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- Depreciation is to be provided on Plant & Machinery at 10% on Cost.
- Provision for Income tax is required @ 30%.

You are required to prepare Shivam Ltd.'s Profit and Loss A/c for the year ended 31st March, 2024 and Balance Sheet as at that date as per the provisions of the Companies Act, 2013 after considering the above information. Ignore previous year figures.

3. (a) On the basis of the following data, prepare Cash Flow Statement as per AS-3 for the year ended 31st March, 2024 : 7
- Total Sales for the year were ₹ 380 lakhs out of which Cash Sales amounted to ₹ 262 Lakhs.
 - Receipts from credit customers during the year, total ₹ 134 lakhs.
 - Total Purchases for the year amounted to ₹ 220 lakhs, out of which 80% were credit purchases.
 - Opening balance in creditors ₹ 84 lakhs and Closing balance in creditors ₹ 92 lakhs.
 - Suppliers of other consumables and services were paid ₹ 19 lakhs in cash.
 - Employees of the enterprise were paid ₹ 20 lakhs in cash.
 - Fully-paid preference shares of the face value of ₹ 32 lakhs were redeemed.
 - Issued equity shares of the face value of ₹ 20 lakhs at a premium of 20%.
 - Debenture of ₹ 20 lakhs at premium of 10% were redeemed by issuing equity shares in lieu of their claims.
 - ₹ 26 lakhs were paid by way of Income Tax.
 - A new machinery costing ₹ 20 lakhs was purchased in a part exchange of an old machinery. The book value of the old machinery was ₹ 13 lakhs, but the vendor agreed to take over the old machinery at a higher value of ₹ 15 lakhs. The balance due to vendor was paid in cash.

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- Dividend ₹ 15 lakhs (including dividend distribution tax of ₹ 2.7 lakhs) was also paid on 30th March, 2024.
- Debenture interest ₹ 3 lakhs was paid.
- During the year ₹ 8 lakhs rent was received from property held as investment.
- ₹ 0.50 lakh interest was earned on the advance payments to suppliers of Goods.
- Cash and cash equivalents on 1st April 2023, ₹ 2 lakhs.

(b) Aerodots Ltd. has the following capital structure as on 31.03.2024 :

7

Particulars	Amount (₹ in thousands)
• Equity Share Capital (shares of ₹ 10 each)	600
Reserves :	
• General Reserve	540
• Securities Premium	200
• Profit & Loss	100
• Revaluation Reserve	30
• Investment Allowance Reserve (Statutory Reserve)	75
• Infrastructure Development Reserve	25
• Loan Funds	2000

On 1st April, 2024 the company wants to buy back 14,000 equity shares of ₹ 10 each at ₹ 30 per Equity share.

You are required to calculate maximum permissible number of equity shares that can be bought back.

Buy Back of shares is duly authorized by its articles and necessary resolution has been passed by the company.

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4. The following are the summarized Balance Sheets of Well Ltd. and Nice Ltd. 14
as at 31st March, 2024 :

		Particulars	Notes	Nice Ltd. (₹ in '000)	Well Ltd. (₹ in '000)
1.		Equity and Liabilities			
		Shareholder's funds			
	a.	Share capital	1	41,000	14,300
	b.	Reserves and Surplus	2	19,500	(7,350)
2.		Non-current liabilities			
	a.	Long-term borrowings	3	20,500	5,425
3.		Current Liabilities			
	a.	Trade Payables		15,740	4,850
	b.	Short-term Borrowings		—	1,975
		Total		96,740	19,200
1.		Assets			
		Non-current Assets			
	a.	Property, plant, and equipment	4	62,550	16,380
	b.	Non-current Investments		22,500	—
2.		Current assets			
	a.	Inventories		300	870
	b.	Trade Receivables		6,590	1,950
	c.	Cash and Cash equivalents		4,800	—
		Total		96,740	19,200

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Notes to Accounts

		Nice Ltd. (₹ in '000)	Well Ltd. (₹ in '000)
1.	Share Capital		
	Equity Share Capital		
	<u>Issued, subscribed & paid up capital</u>		
	Equity Shares of ₹ 100 each	31,500	12,500
	Preference Share Capital		
	<u>Issued, subscribed & paid up capital</u>		
	9% Preference Shares of ₹ 100 each	9,500	
	10% Preference Shares of ₹ 100 each		1,800
	Total	41,000	14,300
2.	Reserves and Surplus		
	Balance of Profit and Loss A/c	19,500	(7,350)
3.	Long-term borrowings		
	9% Debentures of ₹ 100 each	11,200	
	10% Debentures of ₹ 100 each		900
	Loan from Banks	9,300	4,525
	Total	20,500	5,425

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Details of Trade receivables and Trade payables are as under :

		Nice Ltd. (₹ in '000)	Well Ltd. (₹ in '000)
1.	Trade receivables		
	Debtors	6,200	1,800
	Bills Receivables	390	150
		6,590	1,950
2.	Trade payables		
	Creditors	14,750	4,400
	Bills Payables	990	450
		15,740	4,850

On 31.03.2024, Nice Ltd. absorbs the business of Well Ltd. on the following terms :

- For every five equity shares held by the equity shareholders of Well Ltd., they receive three equity shares of Nice Ltd. issued at a premium of ₹ 20 per share.
- The 10% debenture-holders of Well Ltd. were to be allotted such 9% debentures in Nice Ltd. as would bring the same amount of interest.
- 10% Preference Shareholders of Well Ltd. are to be paid at 10% discount by issue of 9% Preference Shares at par in Nice Ltd.

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- Banks agreed to waive off the loan of ₹ 270 thousand of Well Ltd.
- Expenses of Liquidation of Well Ltd. are to be reimbursed by Nice Ltd. ₹ 55 thousand.
- Inventory of Well Ltd. is taken over at 10% more than their book value by Nice Ltd.
- Debtors of Nice Ltd. include ₹ 215 thousand receivables from Well Ltd.
- Property, Plant, and Equipment of Well Ltd. are revalued at 20% above their book value.
- The remaining Assets and Liabilities of Well Ltd. are taken over at book value by Nice Ltd.

You are required to :

1. Record Journal Entries in the books of Nice Ltd.
 2. Prepare Balance Sheet of Nice Ltd. after absorption as at 31st March, 2024.
5. On 1st February, 2024, Best Ltd. acquired 80% Equity shares of Cool Ltd. for ₹ 14,80,000. 14
- On 31st March, 2024, Best Ltd. also acquired 25% Equity shares of Good Ltd. for ₹ 3,80,000.

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The following are the balances extracted from the books of Best Ltd., Cool Ltd., and Good Ltd. as on 31st March, 2024 :

Particulars	Best Ltd. Amount in ₹	Cool Ltd. Amount in ₹	Good Ltd. Amount in ₹
Equity Shares of ₹ 100 each fully paid	30,00,000	20,00,000	10,00,000
Securities Premium	—	2,20,000	—
9% Debentures	6,30,000	—	2,40,000
General Reserve	2,69,000	84,000	1,20,000
Profit & Loss Account (Credit Balance)	3,26,000	2,70,000	50,000
Investments	17,50,000	6,10,000	—
Property, Plant, and Equipment	18,90,000	18,14,000	12,10,000
Current Assets	9,65,000	5,60,000	2,25,000
Trade Payable (Including Bills Payable)	3,80,000	4,10,000	25,000
Sales and other income	56,00,000	38,00,000	27,00,000
Raw material consumed	36,50,000	31,20,000	22,30,000
Wages and Salaries	5,07,000	4,01,000	2,69,000
Production expenses	1,35,000	1,06,000	98,000

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Additional information :

- The Profit and Loss account of Cool Ltd. showed a credit balance of ₹ 30,000 on 1st April, 2023.
- The General Reserve balance is brought forward from the previous year.
- On 31st March, 2024, all the bills payable in Cool Ltd.'s balance sheet were acceptances in favour of Best Ltd. However, on the date, Best Ltd. held only ₹ 3,00,000 of these acceptances in hand, the rest having been endorsed in favour of its creditor.
- Best Ltd. purchased goods costing ₹ 5,00,000 from Cool Ltd. on 1st June, 2023 at a price of ₹ 6,50,000. The entire goods remain unsold with Best Ltd. at the end of the financial year.
- Best Ltd. is preparing Consolidated Financial Statements for the year ending 31.03.2024.

You are required to calculate :

- (1) Trade Payable (Consolidated)
- (2) Current Assets (Consolidated)
- (3) Minority Interest
- (4) Goodwill/Capital Reserve on the acquisition of Cool Ltd.'s shares
- (5) Goodwill/Capital Reserve on the acquisition of Good Ltd.'s shares
- (6) Profit & Loss Account (Consolidated)
- (7) General Reserve (Consolidated)
- (8) Revenue from Operations (Consolidated)
- (9) Cost of material purchased/consumed (Consolidated)

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EITHER

6. (a)

4

On 01.04.2023, Mr. Day has 25,000 shares of Squares Ltd. at a book value of ₹ 25 per share (nominal value of ₹ 10 each). Further information is as under :

- (i) On 31st July 2023, the Directors of Squares Ltd. issued one equity bonus share for every five shares held by the shareholders.
- (ii) On 30th September 2023, the Directors of Squares Ltd. announced a right issue which entitled the holders to subscribe three shares for every two shares at ₹ 20 per share. Shareholders can transfer their rights in full or in part.

Mr. Day sold 1/4th of entitlement to Dhvani for a consideration of ₹ 5 per share and subscribed the rest on 5th October, 2023.

You are required to prepare Investment A/c in the books of Mr. Day for the year ending 31.03.2024.

OR

- (a) "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."

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Provide examples of such costs as per AS 2 (Revised) 'Valuation of Inventories.'

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(b) The following scheme of reconstruction has been approved for Equity shareholders and Debenture holders of TP Ltd. 4

(i) The Equity shareholders to receive in lieu of their present holding of 1,50,000 shares of ₹ 10 each, the following :

(1) For ₹ 50,000, equivalent cash

(2) For ₹ 9,00,000, 10% debentures issued at premium of 20%
(Face value of debenture is ₹ 100 each)

(3) For balance ₹ 5,50,000, Equity shareholders agreed to accept 50,000 equity shares of ₹ 10 each in full settlement.

(ii) 8% Debenture ₹ 5,00,000.

Debenture holders agreed to accept Freehold property (Book value ₹ 3,50,000) at a valuation of ₹ 4,45,000 in full settlement of their claim.

Pass necessary Journal Entries in the Books of TP Ltd. for the above reconstruction. Narration for Journal entries is not required to be given.

(c) Following is the information of Kullu Branch of M/s Best Enterprises of Shimla for the year ending 31st March 2023 : 6

(1) Goods are invoiced to the branch at cost plus 20%

(2) Branch sold goods at invoice price plus 25%.

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(3) Other Information is as follows:

- (i) Stock (at cost price) as on 1st April, 2022 is ₹ 2,25,000
- (ii) Goods sent by Head office to branch during the year (at cost price) are ₹ 14,85,000
- (iii) Goods returned by Branch to Head office during the year (at Invoice price) are ₹ 75,000
- (iv) Sales by the branch during the year ₹ 19,50,000
- (v) Expenses incurred at Branch ₹ 56,000.

You are required to ascertain the following :-

- (a) Profit earned by the Branch by Preparing Trading and profit and loss account for the year ended 31st March 2023
 - (b) Also find the stock reserve on Closing stock
-

RPJ2

Question Paper Booklet No.

GENERAL INSTRUCTIONS TO CANDIDATES

4089257



1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions of Part I are to be marked on the OMR answer sheet given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written inside the descriptive type answer book or on Part-I Question Paper, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having / using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

PART - I

30 marks

1. Answer all questions.
2. Use HB pencil only to darken the circles for answers in the answer sheet.
3. After each question four alternative answers are given. Choose one of the answers and darken the appropriate circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB pencil.

Marking the Answers

Example :	Not as shown below (Wrong method) :
For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (Correct Method)	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)

4. Any answer marked in the question booklet or inside the descriptive answer book will not be considered and no marks will be awarded.
5. If a candidate wants to change the answer already darkened, he should erase it completely, with good quality eraser and ensure that no mark is visible after erasing.
6. No mark will be awarded if no circle is darkened or more than one circle is darkened for a particular question. There is no negative marking for a wrong answer.
7. Rough work, if any, must be done on the pages, specified as SPACE FOR ROUGH WORK only and nowhere else in the question paper booklet or in the answer sheet.
8. Before commencement of the exam, please fill up the necessary information in the space provided below and also in the answer sheet.

Total No. of Printed Pages : 12

Maximum Marks : 30

Roll No.

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Question Paper
Booklet Code

R	P	J	1
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Name of the Candidate

Signature of the Candidate



(2)

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This booklet is the property of the Examination Body. Any unauthorized and illegal circulation of its contents in part or in full in any manner whatsoever is strictly prohibited. Candidates involved in such unauthorized and illegal acts are liable to be prosecuted besides being disqualified to appear in any further examinations of the Examination Body.



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PART – I

Case Scenario – 1 :

Mr. Vikram took a loan of ₹ 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 31st March, 2024 is ₹ 100 per unit. Labour charges and variable overheads incurred are ₹ 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 ₹ 300 per unit. All the finished goods produced are lying in stock as on 31st 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 ₹ 90,000. Mr. Vikram also paid ₹ 15,000 to install the asset at Factory premises.

Mr. Vikram used Balance of loan proceeds of ₹ 1,00,000 to invest in Equity Shares of P. Ltd. He purchased 9,000 Equity shares (Face Value ₹ 10 each) for ₹ 1,00,000 on 25th March, 2024.

The P. Ltd declared and paid dividend @ 20 % on 30th March for previous year 2023-24.

Based on the information given in above Case Scenario, answer the following Question No. 1 – 4 :

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 ₹ 50,000 and closing stock of Finished Goods ₹ 3,50,000
 - (B) Closing Stock of Raw Material X ₹ 50,000 and closing stock of Finished Goods ₹ 3,00,000
 - (C) Closing Stock of Raw Material X ₹ 62,500 and closing stock of Finished Goods ₹ 3,50,000
 - (D) Closing Stock of Raw Material X ₹ 62,500 and closing stock of Finished Goods ₹ 3,00,000

RPJ1



(4)

RPJ1

2. Cost of Self Constructed Asset as per AS 10 will be ? 2
- (A) ₹ 2,92,500
(B) ₹ 2,77,500
(C) ₹ 3,05,000
(D) ₹ 2,90,000
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 ? 2
- (A) ₹ 12,500 interest to be capitalised and ₹ 27,500 interest to be charged to Profit & Loss A/c.
(B) ₹ 12,500 interest to be capitalised and ₹ 20,833 interest to be charged to Profit & Loss A/c.
(C) ₹ 19,167 interest to be capitalised and ₹ 20,833 interest to be charged to Profit & Loss A/c.
(D) Whole of ₹ 40,000 interest to be charged to Profit & Loss A/c.
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. ? 2
- (A) Carrying amount of Investment as on 31st March, 2024 is ₹ 72,000 and the dividend is deducted from the nominal value of investment.
(B) Carrying amount of Investment as on 31st March, 2024 is ₹ 90,000 and the dividend is credited to Profit & Loss A/c.
(C) Carrying amount of Investment as on 31st March, 2024 is ₹ 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.



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(5)

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Case Scenario – 2 :

Kay Ltd. sold goods of ₹ 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 ₹ 2,00,000 goods on approval basis on 1st January, 2024 to Sheetal Enterprises. The period of approval is 3 months after which they were considered sold. Buyer sent disapproval for 25% of goods and approval for 50% of goods till 31st 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 ₹ 45,000. Settlement amount if the claim is required to be paid ₹ 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 31st March, 2024 is ₹ 75,000.

Kay Ltd. makes provision for doubtful debts @ 5%.

Based on the information given in above Case Scenario, answer the following Question No. 5 – 7 :

5. What is the amount to be recognized as Revenue as per AS 9 in the books of Kay Ltd. as on 31st March, 2024 ?
- (A) ₹ 23,50,000
(B) ₹ 1,50,000
(C) ₹ 23,00,000
(D) ₹ 1,00,000

RPJ1



(6)

RPJ1

6. 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 31st March, 2024 as per AS 29 ?

2

- (A) Create a Provision for ₹ 5,45,000
- (B) Create a Provision for ₹ 5,00,000
- (C) Create a Provision for ₹ 45,000 and make a disclosure of contingent liability of ₹ 5,00,000
- (D) Make a disclosure of contingent liability of ₹ 5,45,000

7. What is the treatment of insolvency of Sheetal Enterprises in the Books of Kay Ltd. as on 31st March, 2024 as per AS 4 ?

2

- (A) An Adjusting Event, full provision of ₹ 75,000 should be made in the Final Accounts for the year ended 31st March, 2024.
- (B) An Adjusting Event, provision of ₹ 3,750 should be made in the Final Accounts for the year ended 31st 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.



RPJ1

(7)

RPJ1

8. 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 ?

2

- (A) Q Ltd.
(B) R Ltd.
(C) Q Ltd. and R Ltd.
(D) Neither of Q Ltd. or R Ltd.

9. 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 ₹ 3,00,000. Economic life of the machinery is 5 years, and estimated output from the machinery in 5 years is as follows :

2

Year I	50,000 units	Year II	60,000 units
Year III	40,000 units	Year IV	65,000 units
Year V	85,000 units.		

Compute Annual Lease Rent.

- (A) ₹ 30,000
(B) ₹ 60,000
(C) ₹ 50,000
(D) ₹ 36,000

(8)

RPJ1

10. A Ltd. had 1,50,000 shares of common stock outstanding on 1st April, 2023. Additional 50,000 shares were issued on 1st November, 2023 and 32,000 shares were bought back on 1st February, 2024. Calculate the weighted average number of shares outstanding at the year ended on 31st March, 2024 is :

2

- (A) 1,34,500 shares
(B) 1,65,500 shares
(C) 1,76,167 shares
(D) 1,23,833 shares

Case Scenario – 3 :

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

	₹
Equity Share Capital 50,000 Equity shares of ₹ 10 each	5,00,000
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



RPJ1

(9)

RPJ1

Additional information given by Jay Ltd. :

On 31st 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 ₹ 1,00,000.
- (c) Balance of Profit & Loss to be written off.
- (d) Equity shares issued for ₹ 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 ₹ 3,000.
- (b) Taxation liability is settled at ₹ 14,000.
- (c) A debtor of ₹ 40,000 is insolvent, only 40% of his dues are recovered from his estate.
- (d) Dividend is received on Investment in Star Ltd. ₹ 1 per equity share invested.
- (e) Part of Plant and Machinery is sold at a loss of ₹ 3,000 (book value ₹ 15,000)

Based on the information given in above Case Scenario, answer the following Question No. 11 – 14 :

11. The amount of Cash Flow from operating activity is :

- (A) ₹ 2,000
- (B) ₹ 5,000
- (C) ₹ 12,000
- (D) ₹ 15,000

2

RPJ1

(10)

RPJ1

12. The amount of Cash Flow from investing Activity is :

2

(A) ₹ 28,000

(B) ₹ 25,000

(C) ₹ 15,000

(D) ₹ 22,000

4089257

13. What is the amount of closing Cash and Cash equivalents as on 1st April, 2023 ?

2

(A) ₹ 1,92,500

(B) ₹ 92,500

(C) ₹ 1,27,000

(D) ₹ 1,98,500

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14. The Balance of Equity Share Capital after internal reconstruction is :

2

(A) ₹ 6,50,000

(B) ₹ 4,50,000

(C) ₹ 5,50,000

(D) ₹ 7,50,000

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(11)

RPJ1

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

2

- (A) Deferred Tax Assets
- (B) Current Asset
- (C) Non-Current Asset
- (D) Long term Investments

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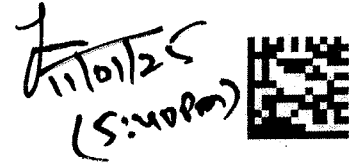
RPJ1



Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 16



Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I questions paper, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having / using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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P.T.O.

(2)

FHP2

PART – II

1. (a) XYZ Limited has provided you the following information as on 5
31st March, 2024 :

Particulars	₹
Net profit (After Tax)	₹ 31,20,000
No. of shares outstanding as on 31-3-2024 of ₹ 10 each	8,00,000
Average fair value of one equity share during the year 2023-24	₹ 25
Weighted average no. of shares under option during the year 2023-24	80,000
Exercise price for shares under option during the year 2023-24	₹ 20
12% Debentures of ₹ 100 each (Each debenture is convertible into 4 equity shares)	₹ 30,00,000
Tax rate	30%

The company issued one equity share as bonus for every 5 equity shares outstanding as on 1st October, 2023. It further issued 2,00,000 equity shares of ₹ 10 each as on 1st January, 2024. Financial Year of the company ends on 31st March each year.

You are required to calculate Basic and Diluted earnings per share as on 31st March, 2024 (round off your answer to 2 decimal places).

FHP2

(3)

FHP2

- (b) J Limited availed an equipment on lease from K Limited. The conditions of the lease terms are as under : 5

- (i) Lease starts from 1st April, 2020 for a period of 4 years and useful life of the equipment is 6 years. Both the cost and fair value of equipment are ₹ 12,50,000.
- (ii) The equipment reverts back to the lessor on termination of the lease.
- (iii) The unguaranteed residual value is estimated at ₹ 1,20,000 at the end of the financial year 2023-2024.
- (iv) The amount will be paid in 4 equal instalments at the end of each year.
- (v) Consider IRR = 8%
- (vi) The present value of ₹ 1 at the end of 4th year at 8% of interest is ₹ 0.735.
- (vii) The present value of annuity of ₹ 1 due at the end of 4th year at 8% IRR is ₹ 3.312

State whether this lease is Operating lease or Finance lease (by applying two deterministic parameters). Also calculate unearned finance Income.

- (c) What is the difference between Defined Contribution Plan and Defined Benefit Plan ? From the following information calculate the amount of defined benefit liability/asset : 4

Particulars	₹ in lakhs
Present Value of Defined Benefit Obligation as on 31-3-2024	36.0
Fair Value of Plan asset	38.5
Past service cost not yet recognized	7.5
Present value of available future refund from the plan	6.0

FHP2

P.T.O.

(4)

FHP2

2. Sustain Limited is incurring losses due to adverse market conditions. It decided to reorganize its capital structure. The summarized Balance Sheet of the company as on 31st March, 2024 is as follows :

Particulars	Notes	₹
Equity and Liabilities		
1. Shareholders' Fund		
(a) Share Capital	1	10,00,000
(b) Reserves and Surplus	2	(2,50,000)
2. Non-current liabilities		
Long term borrowings	3	4,50,000
3. Current liabilities		
(a) Trade Payables		1,30,000
(b) Short term borrowings – Bank Overdraft		65,000
(c) Other Current Liabilities (Interest payable on Debentures)		45,000
(d) Short term provision (Provision for Income Tax)		1,00,000
Total		15,40,000
Assets		
1. Non-current assets		
(a) Property, Plant & Equipment	4	8,50,000
(b) Intangible assets	5	60,000
(c) Non-current investments	6	2,80,000
2. Current assets		
(a) Inventories		1,20,000
(b) Trade Receivables		2,30,000
Total		15,40,000

FHP2

(5)

FHP2

Notes to accounts :

	₹
1. Share Capital	
Equity share capital :	
50,000 Equity shares of ₹10 each fully paid up	5,00,000
25,000 Equity shares of ₹10 each, ₹ 8 paid up	2,00,000
Preference share capital :	
30,000 8% Cumulative Preference shares of ₹10 each (Preference dividend has been in arrears for 3 years)	3,00,000
	<u>10,00,000</u>
2. Reserves and Surplus	
Profit and Loss account (debit balance)	(2,50,000)
	<u>(2,50,000)</u>
3. Long-term borrowings	
Secured:	
10% Debentures of ₹ 100 each	4,50,000
	<u>4,50,000</u>
4. Property, Plant and Equipment	
Freehold property	1,00,000
Plant and machinery	7,50,000
	<u>8,50,000</u>
5. Intangible assets	
Goodwill	60,000
	<u>60,000</u>
6. Non-current investments	
Non-trade investments at cost	2,80,000
	<u>2,80,000</u>

Subsequent to approval by court and all interested parties, the following scheme of reconstruction were agreed : –

- (1) Uncalled capital is to be called up in full and such shares and other fully paid-up equity shares to be reduced to ₹ 5 per share.
- (2) The preference shareholders will accept a reduction of ₹ 2.5 per share, in exchange the rate of dividend is to be increased to 9%.

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P.T.O.

(6)

FHP2

- (3) Preference shareholders will forgo their claim of dividend for one year and one equity share of ₹ 5 each is to be issued for the remaining arrears of dividend.
- (4) Mr. X holds 10% debentures for ₹ 2,50,000. He is also a creditor for ₹ 50,000. He agreed to cancel 50% of his total debt, including interest on debentures, pay ₹ 20,000 to the company and to receive new 12% debentures for the balance amount.
- (5) The remaining claim of the debenture holders, including outstanding interest to be reduced to 60%. In consideration of the reduction, the debenture holders are to receive new 9% preference shares at new face value.
- (6) The taxation liability is to be settled at ₹ 1,20,000.
- (7) Market value of Non-current Investments is ₹ 2,50,000. Investments to be brought to their market value.
- (8) Inventory equal to ₹ 1,00,000 at book value will be taken over by remaining creditors in full settlement of their claim.
- (9) A bad debt provision of 2% is to be created on trade receivables.
- (10) Plant and Machinery is to be written down by 20%.
- (11) The company will further issue 12% debentures for such amount which is sufficient to pay off bank overdraft and other outstanding liabilities and maintain its cash/bank balance at ₹ 85,000.

FHP2

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- (12) The amount available by the scheme shall be utilized in writing of Goodwill, debit balance of profit and loss a/c and balance of inventory.

You are required to :

- (a) Show the journal entries, necessary to record the above transaction in the company's books and
- (b) Prepare a note to show revised Share capital structure of the company after completion of the scheme.

3. (a) An Engineering goods company provides 'after sales warranty' for 2 years to its customers. Based on the past experience, the company has been following policy for making provision for warranties on the Invoice amount on the remaining balance warranty period :

Invoice less than 1 year : 2.5 % provision

Invoice more than 1 year : 4.5 % provision

The Company has raised Invoices as under :

Invoice Date	₹
20 th February, 2021	42,000
17 th July, 2021	25,000
27 th January, 2022	47,000
1 st March, 2023	1,10,000
24 th August, 2023	34,000
20 th March, 2024	75,000

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P.T.O.

(8)

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You are required to :

- (i) Calculate the provision to be made for warranty under AS 29 as at 31st March, 2023 and 31st March, 2024 :
- (ii) Also compute the amount to be debited to Profit and Loss Account for the year ended 31st March, 2024.

(b) Given below are the extracts of the Balance Sheet of BGH Limited :

7

Particulars	31 st March, 2024 (₹)	31 st March, 2023 (₹)
Share Capital	5,00,000	4,00,000
Profit & Loss Account	1,10,000	60,000
10% Debentures (issued at the end of the year)	1,00,000	—
Bank Loan	2,50,000	2,00,000
Trade Payable	60,000	75,000
Dividend Payable	—	50,000
Interest Payable on Bank Loan (Current Year)	25,000	20,000
Goodwill	1,20,000	1,50,000
Trade Receivables	65,000	95,000
Inventory	55,000	30,000

You are required to prepare for the year ended 31st March, 2024 :

- (i) Cash Flow from Operating Activities;
- (ii) Cash Flow from Financing Activities.

FHP2

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4. Following are the summarized Balance Sheets of Light Limited and Bright Limited as at 31st March, 2024 : 14

Particulars	Notes	Light Limited (₹ in Lakhs)	Bright Limited (₹ in Lakhs)
Equity and Liabilities			
Shareholders' Funds			
(a) Share Capital	1	50.00	40.00
(b) Reserves and Surplus	2	27.00	24.00
Non-Current Liabilities			
Long Term Provisions		1.50	—
Current Liabilities			
Trade Payables		3.40	2.00
Total		81.90	66.00
Assets			
Non-Current Assets			
Property, Plant and Equipment	3	68.70	50.25
Current Assets			
(a) Inventories		5.75	7.10
(b) Trade Receivables		4.30	5.80
(c) Cash and Cash equivalents		3.15	2.85
Total		81.90	66.00

FHP2**P.T.O.**

(10)

FHP2

Notes to Accounts :

Particulars	Light Limited (₹ in Lakhs)	Bright Limited (₹ in Lakhs)
1. Share Capital		
50,000 Equity Shares of ₹ 100 each	50.00	40.00
2. Reserves and Surplus		
Statutory Reserve	2.00	-
General Reserve	18.00	15.00
Securities Premium	-	5.00
Profit and loss	7.00	4.00
	27.00	24.00
3. Property, Plant and Equipment		
Land and Building	58.00	44.00
Plant and machinery	7.50	4.50
Other Assets	3.20	1.75
	68.70	50.25

Other Information :

- (a) A company Rainbow Limited is formed to acquire the Assets and Liabilities of both the companies. Assets were acquired at book values except Land and Building of Light Limited, which is revalued at ₹ 62 lakhs.
- (b) Other Assets of Bright Limited are obsolete and are scrapped and sold for ₹ 50,000 by Bright Limited itself before acquisition of its assets and liabilities by Rainbow Limited.
- (c) Light Limited and Bright Limited will be issued 80,000 and 64,000 equity shares of ₹ 100 each respectively of new company Rainbow Limited in lieu of purchase consideration due to them.

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You are required to Prepare :

- Realisation Account and Equity Shareholders Account in the books of Light Limited and Bright Limited;
- Opening Balance Sheet of Rainbow Limited as at 31st March, 2024.

5. The summarised Balance Sheets of Super Limited and Clear Limited as on 31st March, 2024 is as below : 14

Particulars	Note	Super Limited ₹	Clear Limited ₹
Equity and Liabilities			
Shareholders' Funds			
Share Capital	1	95,00,000	50,00,000
Reserves and Surplus	2	25,75,000	12,25,000
Non-Current Liabilities			
Long term borrowings	3	5,00,000	2,00,000
Current Liabilities			
Short term borrowings		4,50,000	—
Trade Payables		3,65,000	2,45,000
Total		1,33,90,000	66,70,000
Assets			
Non-current assets			
(a) Property, Plant and Equipment	4	77,00,000	54,00,000
(b) Non-Current Investment	5	41,50,000	—
Current Assets			
(a) Inventories		6,75,000	5,65,000
(b) Trade Receivables		5,85,000	4,90,000
(c) Cash and Cash equivalents		2,80,000	2,15,000
Total		1,33,90,000	66,70,000

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P.T.O.

Notes to Accounts :

Particulars	Super Limited ₹	Clear Limited ₹
1. Share Capital		
8,00,000 Equity Shares of ₹ 10 each fully paid up	80,00,000	—
5,00,000 Equity Shares of ₹ 10 each fully paid up	—	50,00,000
15,000 Preference Shares of ₹ 100 each fully paid up	15,00,000	—
	95,00,000	50,00,000
2. Reserves and Surplus		
General Reserve	15,50,000	6,50,000
Profit and Loss Account	10,25,000	5,75,000
	25,75,000	12,25,000
3. Long term borrowings		
10% Debentures	5,00,000	—
9% Debentures	—	2,00,000
4. Property, Plant & Equipment		
Land & Building	65,00,000	45,50,000
Plant & Machinery	9,50,000	6,75,000
Furniture & Fittings	2,50,000	1,75,000
	77,00,000	54,00,000
5. Non-Current Investment		
Investment in Clear Limited	41,50,000	—

Additional Information :

- (a) Super Limited holds 75% of Equity Shares in Clear Limited since the incorporation of Clear Limited.

(13)

FHP2

- (b) 25% of Trade Receivables of Super Limited is due from Clear Limited.
- (c) During the year Super Limited sold inventory costing ₹ 2,00,000 to Clear Limited at a price of 15% above cost. The entire inventory remains unsold with Clear Limited at the end of financial year.

You are required to prepare Consolidated Balance Sheet of Super Limited and Clear Limited as on 31st March, 2024.

6. (a)

EITHER

4

The following information is provided for the year ended 31st March, 2024 :

- (i) AX Limited holds 70% shares of BX Limited
- (ii) BX Limited holds 30% shares of CX Limited
- (iii) DX Limited holds 40% shares in CX Limited
- (iv) DX Limited holds 49% shares in EX Limited

You are required to :

- (i) Identify the related parties for the reporting entities – AX Limited, CX Limited and EX Limited.
- (ii) If DX Limited would have sold its investment in EX Limited on 1st October, 2023, but goods were continued to be supplied by DX Limited to EX Limited throughout the year, will this scenario change your answer with respect to any of the reporting entity mentioned in point (i) ?

Give reasons for your answer as per AS 18.

OR

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P.T.O.

(14)

FHP2

- (a) Given below is the Balance Sheet of Sky and Associates as on 31st March, 2023 : 4

Liabilities	₹	Assets	₹
Capital	1,60,000	Machinery	1,80,000
Profit & Loss Account	93,000	Stock	1,15,000
8% Loan	40,000	Trade Receivables	75,000
Trade Payables	66,000	Deferred Expenditure	9,000
Bank Overdraft	20,000		
	3,79,000		3,79,000

Additional information :

- (1) The firm is planning to shut down its business with immediate effect from 1st April, 2024.
- (2) The sale and purchase of the firm for the year 2023-24 amounts to ₹ 8,20,000 and ₹ 6,50,000 respectively.
- (3) The value of Closing Stock as on 31-3-2024 was ₹ 65,000. The net realizable value is estimated at 120% of cost.
- (4) Other expenses for the period amount to ₹ 25,000.
- (5) Deferred expenditure is getting amortized over 5 years starting from 31-3-2022.
- (6) The remaining life of Machinery is expected to be 3 years. The realizable value of Machine is expected at ₹ 1,65,000, an expense of ₹ 5,000 is to be incurred to realize the same.

FHP2

(15)

FHP2

- (7) Out of trade receivables, ₹ 5,000 is expected to be unrealizable due to an ongoing dispute.
- (8) Bank has charged a penalty of ₹ 2,500 for crossing the overdraft limit.
- (9) The lender has agreed to forgo 50% of interest charge for the year.
- (10) The firm is expecting a discount of ₹ 4,000 from creditors at the time of full and final settlement.

You are required to prepare a Profit & Loss A/c. for the year ended 31st March, 2024 to ascertain its Profit/Loss for the period.

- (b) Following information are available in respect of Z Limited as on 31st March, 2024 :

4,00,000 Equity share capital of ₹ 10 each	₹ 40,00,000
Capital Reserve	₹ 20,000
Revenue Reserve	₹ 50,00,000
Securities Premium	₹ 6,00,000
Profit and Loss Account	₹ 19,00,000
Investments	₹ 40,00,000

The company decides to buy back 20% of its Equity capital @ ₹ 15 per share on 1st April, 2024. Buy back is as per provisions of the Companies Act and company passed the necessary resolutions for it. For this purpose, it sold its investments of ₹ 40 lakhs for ₹ 32 lakhs.

You are required to pass the necessary journal entries.

FHP2

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(16)

FHP2

(c) Give Journal Entries (with Narrations) in the books of an Independent Branch of a business entity to rectify or adjust the following : 6

- (i) Commission (income) of ₹ 7,500 allocated to Branch by Head office but still no entry is passed in the books of branch.
 - (ii) Head office paid ₹ 12,000 directly to one of branch's supplier. The intimation is received by branch on reconciliation of bank statement of branch with its books.
 - (iii) A remittance of ₹ 85,000 is sent by branch to Head office has not been received by Head office till date.
 - (iv) Branch paid ₹ 9,800 as salary to Head office's employee, but the amount paid has been wrongly debited to salary account.
 - (v) Branch purchased Furniture for ₹ 18,000 through cheque, but the Furniture account was retained in Head Office Books. No entry has yet been passed.
 - (vi) Branch incurred ₹ 5,500 of expenses on behalf of other branches of Head office, this transaction was not recorded in the books of branch.
-

FHP2

Question Paper Booklet No. 2132385

GENERAL INSTRUCTIONS FOR INDIVIDUALS



1. The question paper comprises two parts, Part I and Part II.
 2. Part I comprises Multiple Choice Questions (MCQs).
 3. Part II comprises questions which require descriptive answers.
 4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
 5. Answers to Questions of Part I are to be marked on the OMR answer sheet given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written inside the descriptive answer book.
 6. Answers to MCQs, if written inside the descriptive answer book or on Part-I Questions Paper, will not be evaluated. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
 7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.
 8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
 9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
 10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
 11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having / using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.
- PART I**

1742 f. 4

30 marks

1. Answer all questions.
2. Use HB pencil only to darken the circles for MCQ answers in the answer sheet.
3. After each question four alternative answers are given. Choose one of the answers and darken the appropriate circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB pencil].

Marking the Answers

Example :

Example :
For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (Correct Method)

12 Ⓐ Ⓑ ● Ⓓ

**Not as shown below
(Wrong method) :**

12 (A) (B) (C) (D)

12 (A) (B) (C) (D)

12 ☐ A ☐ B ☒ C ☐ D

12 (A) (B) (C) (D)

12 ☒ A ☐ B ☐ C ☐ D

ntive argument is that

- 12 (A) ● ● (D)
- Any answer marked in the question booklet or inside the descriptive answer book will not be considered and no marks will be awarded.
 - If a candidate wants to change the answer already darkened, he should erase it completely, with good quality eraser and ensure that no mark is visible after erasing.
 - No mark will be awarded if no circle is darkened or more than one circle is darkened for a particular question.
 - There is no negative marking for a wrong answer.
 - Rough work, if any, must be done on the pages, specified as **SPACE FOR ROUGH WORK** only and nowhere else in the question paper booklet or in the answer sheet.
 - Before commencement of the exam, please fill up the necessary information in the space provided below and also in the answer sheet.
- Total No. of Printed Pages : 12

Total No. of Printed Pages : 12

Maximum Marks : 30

Roll No.					
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**Question Paper
Booklet Code**

F H P 1

Name of the Candidate

Signature of the Candidate

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This booklet is the property of the Examination Body. Any unauthorized and illegal circulation of its contents in part or in full in any manner whatsoever is strictly prohibited. Candidates involved in such unauthorized and illegal acts are liable to be prosecuted besides being disqualified to appear in any further examinations of the Examination Body.

2132385

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FHP1

(3)

FHP1

PART - I

Case Scenario - I :

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

Due to non-fulfillment of certain conditions the company had to refund the entire grant on 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 ₹ 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 ₹ 2,00,000 and new Machine valued at ₹ 18,00,000.

Based on the information given in above Case Scenario, answer the following Question No. 1 - 4 :

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

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

FHP1

(4)

FHP1

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

2

- (A) ₹ 4,87,500
(B) ₹ 6,37,500
(C) ₹ 4,50,000
(D) ₹ 5,37,500

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

2

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

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

2

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



FHP1

(5)

FHP1

Case Scenario – II :

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

Deferred Tax Assets (Dr.) ₹ 1,20,000

Deferred Tax Liabilities (Cr.) ₹ 2,10,000

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

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

FHP1

(6)

FHP1

Based on the information given in above Case Scenario, answer the following Question No. 5 – 8 :

5. What would be the value of the Deferred Tax Assets as on 31-03-2024 ? 2

(A) ₹ 1,52,000

(B) ₹ 3,30,000

(C) ₹ 1,23,600

(D) ₹ 4,50,000

6. What would be the value of the Deferred Tax Liabilities as on 31-03-2024 ? 2

(A) ₹ 1,23,600

(B) ₹ 3,30,000

(C) ₹ 1,52,000

(D) ₹ 1,20,000

7. What would be the value of reversal of Deferred Tax Assets as on 31-03-2024 ? 2

(A) ₹ 20,000

(B) ₹ 1,04,000

(C) ₹ 16,400

(D) ₹ 90,000

FHP1

(7)

FHP1

8. Which is the permanent difference item as per AS 22 ?

- (A) Employer PF Contribution exp.
- (B) Donation
- (C) Unamortized preliminary expenses
- (D) Depreciation

2132385

2

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

Material purchased

₹ 125 Lakhs

Labour charges

₹ 95 Lakhs

Unused material

₹ 22 lakhs

Estimated future costs to be incurred to complete the contract

₹ 115 Lakhs.

Payment received as part payment of contract

₹ 50 Lakhs

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

What will be the Profit / Loss on the contract ?

- (A) Loss on contract ₹ 5 lakhs
- (B) Loss on contract ₹ 49 Lakhs
- (C) Profit on contract ₹ 45 Lakhs
- (D) Profit on contract ₹ 26.5 Lakhs

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FHP1



(8)

FHP1

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

Kay Limited is implementing a new Project, so with these future prospects, Ace Limited invested ₹ 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 ₹ 2 lakhs and thus added the amount of interest to the cost of Investments.

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

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

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

FHP1

(9)

FHP1

Case Scenario – III :

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

	₹	₹
Cash Balance as on 01-04-2023		72,000
Inflow of Cash		
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	
Outflow of Cash		31,84,500
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	
Balance as on 31-03-24		(31,36,300)
		1,20,200

FHP1

(10)

KHP1

Based on the information given in above Case Scenario, answer the following Question No. 11 - 14 :

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

- (A) ₹ 1,29,500
- (B) ₹ 1,54,500
- (C) ₹ 1,45,300
- (D) ₹ 4,04,000

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

- (A) ₹ 54,300
- (B) ₹ 1,04,300
- (C) ₹ 29,300
- (D) ₹ (500)

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

- (A) ₹ (50,000)
- (B) ₹ (1,35,600)
- (C) ₹ 54,300
- (D) ₹ (1,60,600)

FHP1

(11)

FHP1

14. 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

15. Glow Limited had taken a loan of ₹ 5,00,000 in June, 2023. The loan is to be repaid in 10 half yearly equal installments starting from December, 2023.

Determine how the remaining loan will be classified in the Balance Sheet as on 31st March, 2024 as per Schedule III of the Companies Act, 2013 ?

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

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

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

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

FHP1



Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 15

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part-I and Part-II.
2. Part-I comprises Multiple Choice Questions (MCQs).
3. Part-II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part-I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part-II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.
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PART – II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

(2)

KCE2

PART – II

1. (a) Hardy Ltd. intends to extend the factory set up on the adjacent plot with disintegrated old premises. It acquired the land having an area of 250 hectares at a cost of ₹ 25,000 per hectare. 7

Hardy Ltd. incurred Stamp duty and registration charges of 5% of land value. Legal fees were paid ₹ 4,75,000 for land acquisition.

Hardy Ltd. incurred ₹ 37,85,000 for demolishing old premises thereon. A sum of ₹ 12,60,000 (including 5% GST thereon) was realized from the sale of material salvaged from the site.

Till the new site with extended factory premises is ready, the company needs to move the present production facilities to another (temporary) site. The following incremental costs will be incurred.

- (1) Set up costs of ₹ 7,50,000 to install machinery in the new location.
- (2) Rent of ₹ 12,00,000.
- (3) Removal costs of ₹ 2,50,000 to transport the machinery from the old location to the temporary location.

- (i) Management is of the opinion that the cost of moving the production facilities to another temporary location can be capitalised.

You are required to advise.

- (ii) You are also required to compute the cost of land acquired.

KCE2

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- (b) Ms. Neha had 20,000 Equity shares in Nexus Ltd. at a book value of ₹ 2,40,000 on 01.04.2024. Face value of shares is ₹ 10 per share.

7

The Directors of Nexus Ltd. announced a bonus of equity shares in the ratio of one share for every 5 shares held on 30/04/2024.

On 31/07/2024 the company made a right issue in the ratio of three shares for every 4 shares held, on payment of ₹ 14 per share. The due date for payment was 31/08/2024. Ms. Neha opted to subscribe 50% of the right shares and sold the remaining of her entitlement to Ms. Rewa for a consideration of ₹ 3 per share.

On 08/10/2024, Ms. Neha received dividend from Nexus Ltd. @ 15% for the year ended 31/03/2024.

On 01/11/2024, Neha sold 11500 shares at a premium of ₹ 16 per share.

You are required to prepare Investment A/c as per AS -13 in the books of Ms. Neha for the year ended 31/03/2025 assuming that the shares are being valued at average cost.

2. Following particulars are furnished by Bela Ltd for the year ended 31st March 2025 :-

14

Particulars	Debit ₹	Credit ₹
Equity Share Capital (Face Value 100)		6,00,000
8% Preference Share Capital (Face Value 100)		3,00,000
Factory Building	6,20,000	
Plant & Machinery	4,98,000	
Furniture & Fittings	1,52,000	
General Reserve		88,000
Term Loan from Public Financial Corp.		3,40,000

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<u>Inventory</u>		
Raw Material	1,35,000	
Finished Goods	66,000	
Provision for taxation		12,000
Dividend Payable		10,000
Preliminary Expenses	21,000	
Profit & Loss A/c		99,000
Cash in hand	16,000	
Cash at Bank	39,000	
Trade Receivables	2,38,000	
Unsecured Loan		85,000
Trade Payables		2,45,000
Outstanding Expenses		6,000
	17,85,000	17,85,000

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Other Information :

(1) The cost of assets was :

Factory Building	₹ 6,94,000
Plant & Machinery	₹ 5,35,000
Furniture & Fittings	₹ 1,76,000

(2) The Equity Capital on 01/04/2024 stood at 5,000 shares fully paid up and 1,000 shares ₹ 70 paid up. The directors made final call of ₹ 30 per share on 01/10/2024.

A shareholder could not pay the call on 75 shares and his shares were forfeited. They were reissued @ ₹ 70 per share as fully paid.

(3) Profit on reissue of forfeited equity shares was included in profit and loss account.

(4) Bills discounted but not yet matured ₹ 15,000

(5) The balance of Term Loan from Public Finance Corporation includes ₹ 8,000 for interest accrued but not due. The loan is secured against hypothecation of Plant and Machinery.

(6) The directors declared a dividend of 5% on Equity shares on 10/04/2025.

You are required to prepare the Balance sheet as at 31st March, 2025 as required under Part-1 of the schedule III of the Companies Act.

Workings should form part of the answer.

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3. (a) The Balance Sheet of Moon Ltd as on 31st March 2025 and 2024 were given as :

Particulars	Notes	31 st March, 2025	31 st March, 2024
		₹	₹
Equity and Liabilities			
1. Shareholder Funds			
(a) Share Capital	1	8,00,000	6,00,000
(b) Reserves and Surplus	2	80,000	50,000
2. Non-Current Liabilities			
(a) Deferred Tax Liability		6,000	-
3. Current liabilities			
(a) Trade payable		40,000	25,000
(b) Short term provisions (Provision for tax)		15,000	10,000
	Total	9,41,000	6,85,000
Assets			
1. Non-Current Assets			
(a) Property Plant and Equipment	3	3,95,000	2,90,000
2. Current Assets			
(a) Trade Receivable		20,000	10,000
(b) Inventories		2,50,000	2,00,000
(c) Cash and cash equivalent	4	2,76,000	1,85,000
	Total	9,41,000	6,85,000

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(7)
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Notes to Accounts

Notes	Particulars	2025 (₹)	2024 (₹)
1	Share Capital Equity Shares of ₹ 10 each	8,00,000	6,00,000
2	Reserve & Surplus Profit and loss Account	80,000	50,000
3	Property, Plant and Equipment (at WDV) Building Furniture and fixtures Total	1,00,000 2,95,000 3,95,000	1,00,000 1,90,000 2,90,000
4	Cash & Cash equivalents	2,76,000	1,85,000

Further information related to Profit and loss A/c for the year ended March 2025 is as under :-

- (i) Profit before tax is ₹ 45,000
- (ii) Tax expense during the year ₹ 15,000 (it includes deferred tax liability of ₹ 6,000 created during the year)

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- (iii) Depreciation charged on furniture and fixture for the year was ₹ 35,000. One old furniture item was sold for ₹ 17,000 and the profit on such disposal amounting to ₹ 8,000 was booked in the current year.

Prepare a Cash Flow Statement for the year ended 31st March, 2025.

- (b) XY Limited reported a Profit Before Tax (PBT) of ₹ 18 lakhs for the third quarter ending 31st December 2024. Following observations are noted;

7

- (i) Dividend income of ₹ 8 lakhs received during the quarter has been recognized to the extent of ₹ 2 lakh only.
- (ii) Sales promotion expenses ₹ 15 lakhs incurred in the third quarter, 70% has been deferred to the fourth quarter as the sales in the last quarter is high.
- (iii) In the third quarter, the company changed depreciation method from WDV to SLM, which resulted in excess depreciation of ₹ 4 lakhs. The entire amount has been debited in the third quarter, though the share of the third quarter is only ₹ 1 lakhs.
- (iv) ₹ 3 lakhs extra-ordinary gain received in third quarter was allocated equally to the third and fourth quarter.
- (v) Cumulative loss resulting from change in method of inventory valuation was recognized in the third quarter of ₹ 5 lakhs. Out of this loss ₹ 2 lakhs relates to previous quarters.
- (vi) Sale of investment in the first quarter resulted in a gain of ₹ 30 lakhs. The company had apportioned this equally to the four quarters.

Calculate the result of the third quarter as per AS – 25 and also comment on the company's view on each observation.

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4. The following is summarized Balance Sheet of Pickles Ltd. as on 31/03/2025.

14

		Particulars	Notes	₹
		Equity and Liabilities		
1		Shareholders' Funds		
	A	Share Capital	1	11,00,000
	B	Reserves and Surplus	2	2,10,000
2		Non-current liabilities		
	A	Long term borrowings	3	1,00,000
	B	Long term Provisions	4	60,000
3		Current liabilities		
	A	Trade Payables		1,75,000
	B	Other Current Liabilities		65,000
		Total		17,10,000
		Assets		
1		Non-current Assets		
	A	Property, Plant and Equipment	5	7,50,000
	B	Intangible assets	6	75,000
2		Current Assets		
	A	Inventories		5,25,000
	B	Trade receivables		3,00,000
	C	Cash and Cash equivalents		60,000
		Total		17,10,000

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P.T.O.

(10)

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		Notes to Accounts	₹
1	Share Capital		
	6000 Equity Shares of ₹ 100 each		6,00,000
	5000 6% Preference Shares of ₹ 100 each		5,00,000
			11,00,000
2	Reserves and Surplus		
	General reserve		1,00,000
	Profit and Loss account		1,10,000
			2,10,000
3	Long term borrowings		
	8 % Debentures		1,00,000
4	Long term Provisions		
	Retirement Gratuity Fund		60,000
5	Property, Plant and Equipment		
	Land and Building		3,50,000
	Plant and Machinery		3,00,000
	Furniture and Fittings		1,00,000
			7,50,000
6	Intangible Assets		
	Patents		75,000

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On 31/03/2025, Foods Ltd. acquires the business of Pickles Ltd. on the following terms :

- Foods Ltd. to take over all assets (except cash) and liabilities at their book values.
- Part of the Furniture and Fixtures is disposed off by Pickles Ltd. for ₹ 55,000 at cost.
- The retirement of employees was due on 31/03/2025. A portion of ₹ 35,000 from Retirement Gratuity Fund was earmarked towards the payment due to them.
- Foods Ltd. decided to pay for each Preference share in Pickles Ltd., ₹ 27 in cash and one 8% Preference share of ₹ 100 in Foods Ltd.
- For each Equity share in Pickles Ltd., it was decided to pay ₹ 30 in cash and one Equity share of Foods Ltd. for ₹ 145. (Face value of each share of Foods Ltd. is ₹ 100)
- Liquidation expenses of ₹ 22,500 paid by Pickles Ltd. were subsequently reimbursed by Foods Ltd.
- The fixed assets of Pickles Ltd were not revalued for the purpose of amalgamation.

You are required to pass the necessary Journal entries and also prepare Realisation Account and cash account in the books of Pickles Ltd.

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5. (a) Birds Ltd. and its subsidiary Rooster Ltd provided the following information for the year ended 31/03/2025.

10

Particulars	Birds Ltd. (₹)	Rooster Ltd. (₹)
Equity Share Capital	10,00,000	3,00,000
Sales	28,40,000	10,40,000
Purchases (Finished Goods)	9,15,000	1,75,000
Salaries	7,75,000	3,78,000
Rent received	5,40,000	0
General and Administration expenses	2,81,500	1,98,000
Selling and Distribution Expenses	2,21,000	90,000
Dividend Income	1,35,000	28,000
Finished Goods Inventory on 01/04/2024	3,35,000	1,20,000
Finished Goods Inventory on 31/03/2025	7,85,000	2,90,000
Other Non-operating Income	2,38,000	57,000

Other Information :

- On 1st April, 2022 Birds Ltd. acquired 2,500 shares of ₹ 100 each fully paid up in Rooster Ltd.
- Rooster Ltd. paid a dividend of 12% for the year ended 31/03/2024. The dividend was correctly accounted for by Birds Ltd.
- Rooster Ltd. pays ₹ 11,250 per month to Birds Ltd. towards rent for the portion of premises occupied.
- Selling and Distribution Expenses of Rooster Ltd. include ₹ 15,000 received from Birds Ltd.

Prepare Consolidated Profit and Loss Account of Birds Ltd. and its subsidiary Rooster Ltd. for the year ended 31/03/2025.

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- (b) Rubber Ltd. purchased 70% of shares of Tyre Ltd. on 31/03/2024 for ₹ 4,05,000. The following is the position of Tyre Ltd. as on that date : 4

Particulars	Amount (₹)
Issued share capital of Tyre Ltd. on 31/03/2024	5,00,000
Balance in Profit and Loss A/c of Tyre Ltd. on 31/03/2024	70,000
Profit earned during the year 2024-25	45,000
5% Dividend declared and paid by Tyre Ltd. for 2023-24	25,000

You are required to calculate :

- The capital reserve / goodwill at the date of acquisition.

The calculations are to be made under the following assumptions:

Case (i) It is assumed that the dividend is paid out of post-acquisition profits.

Case (ii) It is assumed that the dividend is received for pre-acquisition period.

6. **EITHER**

- (a) What are Accounting standards ? Explain the objectives of "Accounting Standards" in brief; also state the advantages of setting Accounting Standards. 4

OR

- (a) A machine was acquired by Zest Ltd. on 01/04/2019 for ₹ 60 lakhs. It had a useful life of 6 years. The machine is depreciated on straight line basis and does not carry any residual value. On 01/04/2022, the carrying value of the machine was reassessed at ₹ 36 lakhs. 4

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The surplus arising out of the revaluation being credited to revaluation reserve.

For the year ended March 2024, conditions indicating an impairment of the existed machine and the amount recoverable ascertained to be ₹ 9 lakhs.

You are required to calculate the loss on impairment of the machine and show how this loss is to be treated in the books of Zest Ltd. The company had followed the policy of writing down the revaluation surplus by the increased charge of depreciation resulting from the revaluation.

- (b) Due to inadequacy of profits during the year ended 31st March, 2025, DAY Ltd proposes to declare 9% dividend out of General reserves. 4

From the following particulars, ascertain the amount that can be utilized from the General reserves according to the Companies (Declaration of dividend) rules, 2014.

	₹
9,50,000 , Equity shares of ₹ 10 each fully paid up	95,00,000
General reserves as on 1 st April , 2024	18,50,000
Revaluation Reserve as on 1 st April, 2024	4,25,000
Net profit for the year ended 31 st March, 2025	3,75,000
Average rate of dividend during the last 3 years has been	12.5 %

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- (c) M/s Marena, having head office at Chennai has a branch at Hyderabad. 6
The head office does wholesale trade only at cost plus 60%. The goods are sent to branch at the wholesale price i.e. cost plus 60%. The branch at Hyderabad is wholly engaged in retail trade and the goods are sold at cost to H.O. plus 80%.

Following details are furnished for the year ended 31st March, 2025 :-

	Chennai office ₹	Hyderabad Office ₹
Opening Stock	75,000	--
Purchases	9,25,000	--
Goods sent to branch (Cost plus 60%)	3,60,000	--
Sales	10,25,000	2,70,000
Office expenses	9,000	3,000
Staff Salary	13,700	2,500

Prepare Trading and Profit and Loss Account of the head office and branch for the year ended 31st March, 2025.

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- ## PART 1

30 marks

- ## Marking the Answers

12 (A) (B) (C) (D)

12	(A)	(B)	(C)	(D)
12	(A)	(B)	(C)	(D)
12	(A)	(B)	(C)	(D)
12	(A)	(B)	(C)	(D)
12	(A)	(B)	(C)	(D)

- Maximum Marks : 30**

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**Question Paper
Booklet Code**

K	C	E	1
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Name of the Candidate

Signature of the Candidate

This booklet is the property of the Examination Body. Any unauthorized and illegal circulation of its contents in part or in full in any manner whatsoever is strictly prohibited. Candidates involved in such unauthorized and illegal acts are liable to be prosecuted besides being disqualified to appear in any further examinations of the Examination Body.

- (1) After each MCQ, four options have been given. Choose the correct and most appropriate option and darken the corresponding circle against the MCQ number in the OMR answer sheet.*
- (2) Answer to MCQs, if written inside the descriptive answer book shall not be awarded any mark.*
- (3) Please ensure to write and darken correct MCQ booklet number in the OMR answer sheet. The correct MCQ booklet number must also be written in the attendance register.*
- (4) Please write your Roll No. and name on the topmost page of the MCQ booklet at the specified place without fail.*

(3)

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PART – I

Case Scenario – I :

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

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

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

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

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

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

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

Contract costs incurred at the end of each year is:

Year 1 : ₹ 35.25 crore

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

Year 3 : Total Revised contract costs

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

Question 1 – 3 :

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

(A) Year 1 : 23.5 % and Year 2 : 66%
(B) Year 1 : 23.5 % and Year 2 : 65%
(C) Year 1 : 25 % and Year 2 : 66%
(D) Year 1 : 25 % and Year 2 : 65%

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

(A) ₹ 2.35 crore
(B) ₹ 44.75 crore
(C) ₹ 4.75 crore
(D) ₹ 21 crore

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

(A) Year 1 : ₹ 80 crore , Year 2 : ₹ 80 crore and Year 3 : ₹ 80 crore
(B) Year 1 : ₹ 40 crore , Year 2 : ₹ 116 crore and Year 3 : ₹ 84 crore
(C) Year 1 : ₹ 37.60 crore , Year 2 : ₹ 118.40 crore and Year 3 : ₹ 84 crore
(D) Year 1 : ₹ 37.60 crore , Year 2 : ₹ 120.80 crore and Year 3 : ₹ 81.60 crore



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

- (A) Machine A/c to be debited with ₹ 2 lakhs and Bank A/c to be credited with ₹ 2 lakhs.
- (B) Impairment A/c to be debited with ₹ 1.75 lakhs and Bank A/c to be credited with ₹ 1.75 lakhs.
- (C) Profit and Loss A/c to be debited with ₹ 2 lakhs and Bank A/c to be credited with ₹ 2 lakhs.
- (D) Profit and Loss A/c to be debited with ₹ 1.75 lakhs and Bank A/c to be credited with ₹ 1.75 lakhs.

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

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

- (A) Nil, as per the management the know how has infinite life and the management is correct.
- (B) ₹ 25 lakhs as the know how is an intangible asset as per AS 26.
- (C) ₹ 12.5 lakhs (including current year's amortization of ₹ 2.5 lakhs) to be charged to Profit and loss Account.
- (D) ₹ 15 lakhs (including current year's amortization of ₹ 2.5 lakhs) to be charged to Profit and Loss account.

Case Scenario – II :

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

On 1st Jan 2024, HIL sold 2,00,000 strips of Medicine to Dee Limited for ₹ 50 Lakhs on 60 days of credit. Cost per strip of this medicine, was ₹ 20. (i.e.) total cost ₹ 40 Lakhs (2,00,000 strips@₹ 20). Dee Ltd paid 20% of the amount due on 5th January, 2024. In March 2024, Dee Limited is having significant cash flow issues



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and is trying to raise funds through bank loan to run its operations. However, it is unable to do so and not able to release payment to HIL on due date. Subsequent to this, it has gone under liquidation on 15th March, 2024. At the time when medicine was sold by HIL to Dee Limited, there was no reason for HIL to believe that it will not be able to collect the sales proceeds from Dee Limited in future.

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

HIL imported medicine from Pharma Inc. for a sum of US \$ 2,50,000 on

1st January, 2024. HIL released full payment on 17th April, 2024 to ~~Medicine Ltd.~~ Pharma Inc.

The exchange rates are as follows :

Exchange rate per \$

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

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

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

Based on the information given in the above Case Scenario, answer the following Question No. 6 – 9 :

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

- (A) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealised amount ₹ 50 lakhs will be debited to bad debts A/c.
- (B) Revenue will be recognised for ₹ 40 Lakhs, subsequently unrealised amount ₹ 40 lakhs will be debited to bad debts A/c.
- (C) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealised amount ₹ 40 lakhs will be debited to bad debts A/c.
- (D) Revenue will be recognised for ₹ 40 Lakhs, unrealised amount of ₹ 40 lakhs will be shown in Sundry Debtors list.



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

- (A) The reduction of ₹ 50 Lakhs in the carrying value of current investment will be charged to the profit and loss account. There will be no impact on the value of long-term investments.
- (B) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. There will be no impact on the value of long-term investments.
- (C) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. The reduction of ₹ 75 Lakhs in the carrying value of long-term investment will also be charged to the profit and loss account.
- (D) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. The reduction of ₹ 75 Lakhs in the carrying value of long-term investment will also be charged to capital reserve account.

8. Ascertain the loss/gain due to change in foreign exchange rates to be recognised in the financial statements for the year ended 31st March, 2024 as per AS 11. 2

- (A) ₹ 2,50,000 Exchange gain should be credited to profit and loss account.
- (B) ₹ 5,00,000 Exchange gain should be credited to profit and loss account.

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

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

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

(A) 31st March, 2024

(B) 1st March, 2024

(C) 21st April, 2024

(D) 10th March, 2024

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

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

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

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

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



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KCE1**Case Scenario –III :**

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

	₹ in lakhs
Share Capital	
Equity shares of ₹ 10 each fully paid up	800
11% Redeemable Preference shares of ₹ 100 each fully paid up	200
Reserve and surplus	
Capital redemption Reserve	50
Securities Premium	100
General Reserve and profit and Loss (Combined balance)	600
Secured Loans	
9 % Debentures	250
Current Liabilities	10
Fixed Assets	1200
Investments	95
Cash at bank	320
Other Current Assets	840

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

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

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

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

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

Based on the information given in the above Case Scenario, answer the following Question No. 11 – 13 :

11. What will be the balance of capital redemption reserve as on 31st March 2025 ? 2

(A) ₹ 280 Lakhs

(B) ₹ 330 Lakhs

(C) ₹ 250 Lakhs

(D) ₹ 130 Lakhs



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12. What will be the Cash and Bank Balance as on 31st March 2025 ? 2

(A) ₹ 56.40 Lakhs

(B) ₹ 66.40 Lakhs

(C) ₹ 59.20 Lakhs

(D) ₹ 48 Lakhs

13. What will be the Balance of Reserves as on 31st March 2025 excluding capital redemption Reserve ? 2

(A) General Reserve and Profit Loss ₹ 323 Lakhs and securities Premium ₹ 10 lakhs

(B) General Reserve and Profit Loss ₹ 243 Lakhs and securities Premium ₹ 10 lakhs

(C) General Reserve and Profit Loss ₹ 323 Lakhs and securities Premium ₹ 15.60 lakhs

(D) General Reserve and Profit Loss ₹ 243 Lakhs and securities Premium ₹ 15.60 lakhs

(14)

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

2

(Amount ₹ in lakhs)

Securities Premium Account	90
Capital Reserve	40
Revaluation Reserve	70

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

- (A) Reserve and Surplus - Securities premium ₹ 90 lakhs; others ₹ 110 lakhs and Accumulated loss ₹ 280 lakhs in the Asset side.
- (B) Reserve and Surplus - ₹ 200 lakhs; and Accumulated loss ₹ 280 lakhs in the Asset side.
- (C) Reserve and Surplus - ₹ 200 lakhs only
- (D) Reserve and Surplus - (₹ 80) lakhs only

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

2

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

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

- (A) Reconstruction A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500
 - (B) Reconstruction A/c Dr ₹ 7,500 and Bank A/c Cr ₹ 7,500
 - (C) Contingent Liability A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500
 - (D) Profit and Loss A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500
-

Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 16



Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer books with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having / using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

(2)

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PART – II

1. (a) Amber Limited purchases a building at a cost of ₹ 20,00,000 on 1st April 2021, its useful life is four years and an expected scrap value is zero. Depreciation is allowed @ 50% in 1st year and rest balance in 2nd year for Tax purpose. Straight-line method is considered for accounting purpose. Amber Limited profit before depreciation and taxes are as follow : 5

Year	Profit (in ₹)
2021 - 2022	18,00,000
2022 - 2023	22,00,000
2023 - 2024	25,00,000
2024 - 2025	30,00,000

The corporate tax rate is 30% in all 4 years.

You are required to calculate Current Tax, Deferred Tax Assets/Liability and Tax Expense for each year.

- (b) SR Limited is a manufacturing company and engaged in the production of Finished goods 'MP' for which Raw material 'RP' is required. 5

The company provides following information for the year ended March 31 2025 :

Particulars		Units	₹
Opening Inventory	MP	4,000	1,20,000
	RP	4,400	52,800
Purchase of RP		40,000	4,80,000
Labour			3,23,200
Overheads (Fixed)			3,15,000
Sales		40,200	11,20,000
Closing Inventory	MP	4,200	
	RP	4,000	

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The expected production for the year was 45,000 units of the MP. Due to fall in market demand, the sales price for the MP was ₹ 22 per unit and the replacement cost for the RP was ₹ 11.50 per unit on the closing day.

You are required to calculate the value of Closing Stock of 'MP' and 'RP' as on 31st March 2025.

(c) Discuss whether the below treatment is as per relevant Accounting Standard. 4

- (i) AB Limited purchase goods on credit from XY Limited for ₹ 150 lakhs for export. The export order of AB Limited was cancelled. AB Limited decided to sell the same goods in the local market with a price discount. XY Limited was requested to offer a price discount of 12%, which was accepted by XY Limited. The chief accountant of XY Limited wants to adjust the sales figure to the extent of the discount requested by AB Limited.
- (ii) XY Limited has recognized dividend income of ₹ 10 lakhs on accrual basis on securities of face value of ₹ 100 lakhs held by it at the end of the financial year 31st March 2025. The dividend on securities was declared at the rate of 10% on 30th April 2025. The dividend was proposed on 30th March, 2025.
- (iii) XY Limited sold goods of ₹ 1,50,000 on approval basis on 15th December 2024. The period of approval was 3 months after which they were considered sold. Buyer sent approval for 60% goods upto 31st January 2025 and no approval or disapproval received for the remaining goods until 31st March, 2025. Accountant of XY Limited recognised ₹ 1,50,000 as revenue on 15th December, 2024.

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- (iv) In the year 2024-2025, XY Limited supplied goods of ₹ 80,000 on consignment basis to ABC (a retail outlet). ABC sold goods worth ₹ 60,000 during the year and rest of the goods are still lying in its store. XY Limited recognizes ₹ 60,000 revenue in its books for the year 2024-2025.

2. On 31st March 2025, the following balances are extracted from the books of Chia Limited :

Particulars	₹ in Lakhs
40,000 Equity Shares of ₹ 100 each	40.00
Money received against share warrants	2.70
General Reserves	6.90
Capital Reserves (₹ 20,000 is Revaluation Reserve)	12.50
Profit and Loss account	3.50
Securities Premium	0.75
Deferred tax liabilities (Net)	0.56
10% Debentures (secured)	5.00
Loan from SSA Finance Corporation	10.00
Other Long-Term Loans (unsecured)	4.25
Short term borrowings	6.95
Trade Payables	5.69
Other current liabilities	1.41
Short-term provisions	1.36
Total	101.57

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CNJ2

Freehold Land	30.88
Plant & Machinery	26.80
Investment in Debentures of Glad Limited	6.00
Capital work in progress	11.40
Trade receivables	11.57
Inventories (finished goods) (as on 31 st March 2025)	4.67
Goods-in-transit (finished goods) (as on 31 st March 2025)	1.35
Call in arrears	0.64
Cash in hand	0.56
Balances with banks	7.70
Total	101.57

The following additional information is also provided :

- (i) The Authorised Share Capital consists of 50,000 Equity Shares of ₹ 100 each.
- (ii) 5,000 fully paid equity shares were allotted as consideration other than cash.
- (iii) Debentures of Glad Limited are acquired by the Company with the intention of holding them for more than two years.
- (iv) The Cost of Plant and Machinery is ₹ 41,00,000.

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(6)

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- (v) The balance in loan from SSA Finance Corporation includes ₹ 45,000 for interest accrued but not due. The loan is secured by hypothecation of Plant & Machinery. Loan is repayable in June 2028.
- (vi) Short-term borrowings include :
- Loan from CDC Bank (secured) ₹ 4,50,000
 - Loan from related parties (unsecured) ₹ 54,000
- (vii) Trade Receivables of ₹ 5,26,000 are due for more than 6 months.
- (viii) Bills Receivable for ₹ 58,000, maturing on 6th May 2025, have been discounted on 15th March 2025.
- (ix) The Company on the advice of an independent valuer revalued the freehold land at ₹ 40,50,000.
- (x) Inventory of finished goods includes loose tools costing ₹ 1,02,000, which do not meet the definition of Property, Plant & Equipment as per AS 10.
- (xi) Claims against the Company amounting to ₹ 4,15,000 have not been acknowledged as debt.
- (xii) Balances with banks include ₹ 24,000 with Vihar Bank, which is not a Scheduled Bank.

You are required to prepare the Balance Sheet of Chia Limited as on 31st March 2025 as per Schedule III of the Companies Act, 2013 (Ignore previous year figures).

CNJ2

(7)

CNJ2

3. (a) The following are the summarised Balance Sheets of Magenta Limited :

7

Particulars	31 st March 2024 (₹ in Lakhs)	31 st March 2025 (₹ in Lakhs)
Equity Share Capital	15.00	20.00
12% Redeemable Preference Shares	7.50	5.00
Profit & Loss A/c	1.50	2.40
General Reserve	4.10	6.00
Outstanding Expenses	1.00	0.80
Trade Payables	2.75	4.15
Provision for Tax	2.00	2.50
Total	33.85	40.85
Goodwill	5.75	4.50
Land & Building	10.00	9.00
Plant & Machinery	4.00	9.50
Inventories	4.85	4.35
Trade Receivable	8.00	12.60
Cash and Bank	0.50	0.40
Marketable Securities	0.75	0.50
Total	33.85	40.85

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(8)

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- (i) Depreciation charged on Plant & Machinery and Land & Building during the year was ₹ 50,000 and ₹ 1,00,000 respectively.
- (ii) Income Tax of ₹ 1,75,000 was paid during the year.
- (iii) An Interim Dividend of ₹ 1,00,000 has been paid.

You are required to prepare Cash Flow Statement from Operating Activities for 31st March 2025.

- (b) Grace Limited acquired business (cash-generating units) of Venus Limited on 31st March 2023 for ₹ 8,000 Lakhs. The details of acquisition are as under :

Fair value of identifiable asset : ₹ 6,000 Lakhs

Goodwill (to be amortized in 5 years) : ₹ 2,000 Lakhs

The anticipated useful life of acquired assets is 8 years with no residual value. Grace Limited uses straight-line method of depreciation. On 31st March 2025, Grace Limited estimated significant decline in production due to change in Government policies, the net selling price of identifiable asset is ₹ 3,000 lakhs. Grace Limited closes its books on 31st March of each year.

The cash flow forecast based on recent financial budget for next 6 years are :

Year	Estimated cash flow (₹ in Lakhs)
2025-2026	1,000
2026-2027	800
2027-2028	700
2028-2029	800
2029-2030	600
2030-2031	500

CNJ2

(9)

CNJ2

You are required to calculate :

- (i) **Value in use** if discounting rate is 10% on 31st March 2025.
 - (ii) Impairment loss to be recognized for the year ended 31st March 2025.
 - (iii) Revised carrying amount of asset on 31st March 2025.
- (P.V. factor @ 10% 0.909, 0.826, 0.751, 0.683, 0.621, 0.564)

4. The following are the summarized Balance Sheet of Blue Limited and Yellow Limited as at 31st March 2025 : 14

Particulars	Blue Limited (₹ in Lakhs)	Yellow Limited (₹ in Lakhs)
Equity and Liabilities		
Equity Shares of ₹ 100 each	40.000	28.000
10% Debentures of ₹ 100 each	15.000	—
8% Debentures of ₹ 100 each	—	8.000
General Reserves	1.500	0.670
Retirement Gratuity Fund (Long term)	3.450	1.300
Trade Payables	7.400	4.250
Other current liabilities	1.240	0.880
Short-term provisions	0.710	0.320
Total	69.300	43.420

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(10)

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Assets		
Goodwill	8.750	1.795
Property, Plant and Equipment	35.650	31.260
Inventories	8.890	4.800
Trade Receivables	13.535	4.650
Cash in hand	0.485	0.315
Balances with banks	1.990	0.600
Total	69.300	43.420

On 31st March 2025, Blue Limited absorbs the business of Yellow Limited on the following terms :

- (i) 8% Debenture holders of Yellow Limited are to be paid at 10% discount by issue of 10% Debentures at par in Blue Limited.
- (ii) There is an unrecorded current asset of ₹ 1,16,000 in the books of Yellow Limited, which is taken over by Blue Limited.
- (iii) Trade payables of Yellow Limited included ₹ 1,50,000 payable to Blue Limited.
- (iv) Inventory of Yellow Limited is taken over by Blue Limited at 10% more than its book value.
- (v) Goodwill of Yellow Limited on absorption is to be computed based on two times of simple average profits of preceding three financial years (2021-2022 : ₹ 4,50,000; 2022-2023 : ₹ 3,90,000; and 2023-2024 : ₹ 2,35,000). In the year 2022-2023, there was an embezzlement of cash by an employee amounting to ₹ 50,000, which has already been adjusted in the profit for the year 2022-2023.

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(11)

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- (vi) Property, Plant and Equipment of Yellow Limited are taken over by Blue Limited at ₹ 36,44,500.
- (vii) Remaining Assets and Liabilities of Yellow Limited are taken over by Blue Limited at their book value.
- (viii) Equity Shareholders of Yellow Limited will be issued necessary equity shares in Blue Limited at 5% premium.

You are required to :

- (i) Calculate the Purchase consideration.
- (ii) Prepare Balance Sheet of Blue Limited after absorption as at 31st March 2025.

5. The following are the summarized Balance Sheets of Seva Limited and its subsidiary Meva Limited as at 31st March 2025 :

14

Particulars	Seva Limited (₹ in Lakh)	Meva Limited (₹ in Lakh)
Equity Shares of ₹ 10 each, fully paid up	6,000	4,000
General Reserve	1,500	1,200
Profit and Loss Account	2,000	1,500
10% Debentures of ₹ 10 each	1,180	820
Trade Payable	1,500	1,080
Total	12,180	8,600

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(12)

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Land and Building	4,000	4,150
Plant & Machinery	1,460	1,650
Non-current investments (Shares in Meva Limited)	3,000	—
Inventories	1,400	1,100
Trade Receivable	1,420	1,000
Cash at Bank	550	600
Cash in Hand	350	100
Total	12,180	8,600

The following information are provided :

- (i) The Authorised Share Capital of Seva Limited is ₹ 9,000 Lakh divided into Equity Shares of ₹ 10 each and that of Meva Limited is ₹ 6,000 Lakh divided into Equity Shares of ₹ 10 each.
- (ii) Seva Limited acquired 80% equity shares of Meva Limited on 1st April 2024. On that date, General Reserve and Profit & Loss Account of Meva Limited stood at ₹ 2,000 lakh and ₹ 800 lakh respectively.
- (iii) On 1st November 2024 Meva Limited issued one fully paid up bonus share for every three shares held out of balances of its general reserve as on 31st March 2024.

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(13)

CNJ2

- (iv) On 31st March 2025 Seva Limited's inventory include goods which it has purchased for ₹ 125 lakh from Meva Limited, Meva Limited made a profit of ₹ 25 lakh.

You are required to prepare Consolidated Balance Sheet of Seva Limited and its subsidiary Meva Limited as on 31st March 2025 as per Schedule III of the Companies Act, 2013.

6. (a)

EITHER

4

Sneha an employee of Omre Limited went on maternity leave with pay for 9 months on 1st January 2024 up to 30th September 2024. Her monthly pay was ₹ 1,50,000. While preparing the financial statements for the year ended 31st March 2024, the salary of Sneha for 3 months (1st January 2024 to 31st March 2024) was not provided due to omission. When Sneha joined on 1st October 2024 the whole salary for 9 months (1st January 2024 to 30th September 2024) was paid to her.

With reference to AS-5 'Net Profit or Loss for the period, Prior Period Items and Change in Accounting Policies' you are required to determine if this is an example of prior period item and are also required to pass journal entry for the F.Y. 2024-2025.

Suppose Sneha was terminated from service on 1st January 2024 and was re-instated in service by the Court on 30th September 2024 and on 1st October 2024 the Company paid the 9 months salary to Sneha. What will be the treatment with reference to AS-5 in this situation ? Give journal entry.

OR

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P.T.O.

(14)

CNJ2

- (a) What are the key elements of financial statements ? Explain.
- (b) The following scheme of reconstruction has been approved for Megha Limited on 1st April 2025 :
- (i) Debenture holders of 9% Debentures of ₹ 5,00,000 accepted to receive 25% of their total in cash and take over the Plant and Machinery of ₹ 2,85,000 in full settlement of their dues.
 - (ii) Furniture and Fixtures which stood at the books of ₹ 5,50,000 to be written down to ₹ 4,45,000.
 - (iii) The Freehold Premises of book value of ₹ 9,25,000 showed an appreciation of ₹ 75,000.
 - (iv) There were capital commitments amounting to ₹ 4,50,000. These contracts are to be cancelled on payment of 5% of the contract price as a penalty.
 - (v) Write off the profit and loss account debit balance of ₹ 1,15,000 which had been accumulated over the years.
 - (vi) In case of shortfall, the balance of the General reserve of ₹ 90,000 can be utilized to write off the losses under reconstruction scheme.

You are required to pass necessary journal entries as a part of the reconstruction process as on 1st April 2025.

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(15)

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- (c) Shanti Limited situated at Chennai was incorporated on 1st April 2024. It opened two branches at Madurai and Tiruchi during the year. All goods sold to the Branches by Head Office are invoiced at Cost plus 25%. All expenses relating to branches are paid by the Head Office. Each Branch has its own Sales Ledger and sends weekly statements to Head Office. All cash collections are remitted daily to Head Office by the Branches. The following particulars relating to the year ended 31st March 2025 are extracted from the weekly statements sent by the Branches :

Particulars	Madurai (₹ in Lakhs)	Tiruchi (₹ in Lakhs)
Credit Sales	1,25,200	1,10,000
Cash Sales	78,600	85,200
Sales Returns	2,300	1,200
Trade Receivable	34,500	23,600
Rent and Taxes	3,200	4,500
Bad Debts	6,000	—
Salaries	16,000	18,000
General Expenses	2,600	1,500
Goods Received from Head Office	1,50,000	1,25,000
Advertisement	7,500	5,200
Stock as on 31 st March 2025	45,000	35,000

CNJ2

P.T.O.

(16)

CNJ2

You are required to prepare the Branch Accounts, as they would appear in the Books of the Head Office following Debtor's method for the year ended 31st March 2025.

CNJ2

GENERAL INSTRUCTIONS TO CANDIDATES

- The question paper comprises two parts, Part I and Part II.
- Part I comprises Multiple Choice Questions (MCQs).
- Part II comprises questions which require descriptive answers.
- Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
- Answers to Questions of Part I are to be marked on the OMR answer sheet given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written inside the descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.
- OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
- The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.
- You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
- Duration of the examination is 3 hours. You will be required to submit the descriptive answer books with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
- The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
- Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

PART - I**30 marks**

- Answer all MCQs.
- Use HB pencil only to darken the circles for MCQ answers in the answer sheet.
- After each MCQ, four options have been given. **Choose the correct or most appropriate option and darken the corresponding circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB pencil.**

Marking the Answers	
Example : For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (Correct Method)	Not as shown below (Wrong method) :
12 (A) (B) (C) (D)	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)

- Any answer to MCQ marked inside descriptive answer book will not be considered and no marks will be awarded.
- If a candidate wants to change the option already darkened, he should erase it completely, with good quality eraser and ensure that no mark is visible after erasing.
- No mark will be awarded if no circle is darkened or more than one circle is darkened for a particular MCQ. There is no negative marking for a wrong answer.
- Rough work, if any, must be done on the pages, specified as SPACE FOR ROUGH WORK only and nowhere else in the question paper booklet or in the answer sheet.
- Before commencement of the exam, please fill up the necessary information in the space provided below and also in the answer sheet.

Total No. of Printed Pages : 12**Maximum Marks : 30**

Roll No.

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Question Paper
Booklet Code

C	N	J	1
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Name of the Candidate

--	--	--	--	--	--	--	--	--	--

Signature of the Candidate

This booklet is the property of the Examination Body. Any unauthorized and illegal circulation of its contents in part or in full in any manner whatsoever is strictly prohibited. Candidates involved in such unauthorized and illegal acts are liable to be prosecuted besides being disqualified to appear in any further examinations of the Examination Body.

- (1) After each MCQ, four options have been given. Choose the correct or most appropriate option and darken the corresponding circle against the MCQ number in the OMR answer sheet.*
- (2) Answer to MCQs, if written inside the descriptive answer book shall not be awarded any mark.*
- (3) Please ensure to write and darken correct MCQ booklet number in the OMR answer sheet. The correct MCQ booklet number must also be written in the attendance register.*
- (4) Please write your Roll No. and name on the topmost page of the MCQ booklet at the specified place without fail.*

(3)
CNJ1
PART – I

Case Scenario – I :

Quick Limited is in business of production of life saving medicines. It has sufficient cash funds available with it. It decided to buy back shares to the maximum permissible limit on 4th July 2025. On 1st July 2025, the company has the following Capital Structure :

	Particular	(₹ in lakhs)
I	Equity Share Capital	
	(Shares of ₹ 100 each fully paid)	45.00
II	Reserve and Surplus	
	General Reserve	74.00
	Securities Premium Account	30.00
	Profit & Loss Account	25.00
	Revaluation Reserve	4.00
	Statutory Reserve	6.50
III	Loan Funds	350.00

Quick Limited is considering to reduce the Loan Fund amount to ₹ 300 Lakhs by paying the Loan Funds amounting to ₹ 50 Lakhs before 4th July 2025.

The current market value of the company's shares is ₹ 250 per share and to induce the existing shareholders to offer their shares for buy-back, it is decided to offer a price 20% over the market value.

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Based on the information given in above Case Scenario, answer the following
Question Nos. 1 – 4 :

1. What will be Equity Share Capital after buy-back ? 2
(A) ~~₹ 30,50,000~~
(B) ₹ 33,75,000
(C) ₹ 45,00,000
(D) ₹ 39,00,000

2. What is the maximum permissible number of Equity Shares that can be bought back if the Loan Fund is ₹ 350 Lakhs ? 2
(A) ~~14500 Shares~~
(B) 11250 Shares
(C) Nil Shares
(D) 6000 Shares

3. What is the maximum permissible number of Equity Shares that can be bought back if the Loan Fund is ₹ 300 Lakhs ? 2
(A) 14500 Shares
(B) ~~11250 Shares~~
(C) Nil Shares
(D) 6000 Shares



4. What will be the maximum number of shares that can be bought back as per Companies Act, 2013 according to the decision made on basis of above two questions ?

(A) 14500 Shares

2

(B) 11250 Shares

(C) Nil Shares

(D) 6000 Shares

5. As per Rule 7 of the Companies (Declaration & Payment of Dividend) Rules, 2014, in the event of inadequacy or absence of profits in any year, a Company may declare dividend out of surplus subject to the fulfilment of the condition that total amount to be drawn from such accumulated profits shall not exceed _____ as appearing in the latest audited financial statement.

2

(A) $1/5^{\text{th}}$ of the sum of its paid-up share capital

(B) $1/10^{\text{th}}$ of the total assets

(C) $1/10^{\text{th}}$ of the sum of its paid-up share capital and free reserves

(D) $1/5^{\text{th}}$ of the sum of its paid-up share capital and free reserves

Case Scenario – II :

PTU Limited has 6 segments namely P, Q, R, S, T & U. The total revenues (internal and external), profit and losses and assets are set out below :

Segment	P	Q	R	S	T	U	Total
External Sales	66	94	6	5	70	9	250
Internal Sales	10	5	10	10	10	5	50
Result (P&L)	22	4	(4)	3	20	1	46
Total Assets	112	147	28	28	21	14	350

Based on the information given in above Case Scenario, answer the following Question Nos. 6-9 as per AS 17 'Segment Reporting' :

6. Which would be the Reportable Segment on the basis of Overall Test ?

2

~~(A) P, Q & T~~

(B) P, Q, S & T

(C) P & T

(D) P & Q



(7)

CNJ1

7. Which would be the Reportable Segment on the basis of Revenue Test ? 2

~~(A)~~ P, Q & T

(B) P, Q, S & T

(C) P & T

(D) P & Q

8. Which would be the Reportable Segment on the basis of Profitability Test ? 2

(A) P, Q & T

(B) P, Q, S &

~~(C)~~ P & T

(D) P & Q

9. Which would be the Reportable Segment on the basis of Assets Test ? 2

(A) P, Q & T

(B) P, Q, S & T

(C) P & T

~~(D)~~ P & Q

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Case Scenario – III :

On 3rd April 2022, ZYX Limited received a State Government grant of ₹ 150 lakhs for setting up a Manufacturing Unit in a notified backward area. A bank loan of ₹ 50 lakhs was also obtained on 1st April 2024. ZYX utilized the grant and loan as under :

Particulars	₹ in Lakhs	Out of Grant ₹ in Lakhs	Out of Loan ₹ in Lakhs
Construction of Factory building	100.00	60.00	30.00
Purchase of Machinery	50.00	40.00	20.00
Advance for purchases of loading vehicle	30.00	30.00	--
Working capital	20.00	20.00	--
	200.00	150.00	50.00

Construction of Factory Building and Installation of Machinery was completed on 31.03.2025. Delivery of loading vehicle was not received. Total interest charged by bank for the year ending 31.03.2025 was ₹ 5,50,000.

The State Government grant was credited to the Deferred Grant Account. Out of the Grant ₹ 30 lakhs used for the purchase of Machinery were refunded in March 2025, due to non-compliance with certain Government conditions. The estimated life of Machinery is 4 years with Nil residual value.

During the year 2024-2025, the Company also received a subsidy of ₹ 8 lakhs from the Central Government for setting up a unit in notified backward area. This subsidy is in the nature of promoters' contribution.

During the year 2024-2025, the Company incurred ₹ 18 lakhs on publicity and research for a new consumer product, which was marketed in the same year but proved to be a failure.

Based on the information given in above Case Scenario, answer the following Question Nos. 10 – 13 :

10. As per AS-26 'Intangible Assets', what is the correct accounting treatment for ₹ 18 lakhs spent on publicity and research expenses during the year 2024-2025 ? 2

(A) ₹ 18 lakhs is treated as an intangible asset and amortised equally over 10 years.

(B) ₹ 18 lakhs is treated as an intangible asset and amortised equally over 5 years.

(C) ₹ 18 lakhs is treated as goodwill and appears as an asset in the Balance Sheet.

~~(D)~~ ₹ 18 lakhs is charged as an expense in the Statement of Profit and Loss.

11. What is the amount of net borrowing cost to be capitalised ? 2

~~(A)~~ ₹ 3,30,000

(B) ₹ 5,50,000

(C) ₹ 1,65,000

(D) ₹ 2,75,000

12. In March 2025, what will be the amount of the deferred grant debited when the grant received of ₹ 30 lakhs is refunded ?

2

(A) ₹ 22.5 lakhs

(B) ₹ 15 lakhs

~~(C) ₹ 7.5 lakhs~~

(D) ₹ 30 lakhs

13. The following options have been suggested by the accountant of ZYX Limited for the accounting treatment of the subsidy received in the nature of promoters' contribution during the year 2024-2025 :

2

(i) It is not considered as a deferred income.

(ii) It is not distributable as a dividend.

(iii) It is treated as a capital reserve.

(iv) It is not distributable as a dividend but considered as deferred income.

Considering the above, what is correct with reference to the subsidy received in the nature of promoters' contribution during the year 2024-2025 ?

(A) (iii) and (iv)

~~(B) (i), (ii) and (iii)~~

(C) (ii) and (iii)

(D) (i) and (ii)



14. The following data apply to SRS Limited's defined benefit pension plan for the year ended 31st March 2025 :

2

Particulars	Amount (₹)
Fair market value of plan assets as on 01.04.24	10,00,000
Fair market value of plan assets as on 31.03.25	14,25,000
Employer Contribution	3,50,000
Benefits paid	2,50,000

What is the actual return on plan assets as per AS-15 'Employee Benefits' ?

15. KPK Limited is installing a new Plant at its production facility. It provides you the following information :

2

Cost of the Plant (Cost as per Supplier's Invoice)	₹ 45,00,000
Estimated Dismantling Costs to be incurred after 5 years	₹ 3,25,000
Initial Operating Losses before commercial production	₹ 4,00,000
Interest paid to Supplier of Plant for deferred credit	₹ 2,50,000
Initial Delivery and Handling Costs	₹ 1,85,000
Cost of Site Preparation	₹ 5,00,000
Consultants used for advice on the acquisition of the Plant	₹ 6,75,000

What will be cost that can be capitalized for Plant in accordance with AS-10 'Property, Plant & Equipment' ?

- (A) ₹ 61,85,000
(B) ₹ 62,60,000
(C) ₹ 68,35,000
(D) ₹ 58,60,000



Sep-24 Exam Paper Solutions

Answers Key

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

Answer 1

(a) (i) Journal Entry for the year ended on 31st March 2024

			in lakhs	in lakhs
31.3.24	Amortization A/c (340 × 350/ 1,190)	Dr.	100	
	To Patent Rights A/c			100
	P&L A/c	Dr.	100	
	To Amortization A/c			100

Working note

Huge Limited amortised ₹ 340 lakhs during next 4 years on the basis of net cash flows arising of the product. The amortisation for second year will be worked out as under:

$$₹ 340 \times 350 / 1,190 (140+350+280+420) = ₹ 100 \text{ lakhs}$$

(ii)

Particulars		₹ in lakhs	₹ in lakhs
Prior period item	Dr.	50	
Amortization A/c	Dr.	10	
To Know-how A/c			60
[Being amortization of 6 years (out of which amortization of 5 years charged as prior period item i.e. $80 \times 6 / 8 = 60$ lakhs)]			
Profit and Loss A/c	Dr.	60	
To Amortization A/c			10
To Prior Period Item			50
(Being amount transferred to Profit and Loss account)			

(b) Computation of Expected and Actual Returns on Plan Assets

	₹
Return on ₹ 5,00,000 held for 12 months at 10.50%	52,500
Return on ₹ 1,42,000 for 6 months at 10.50%	7,455
Loss of interest on benefits paid for 4 months on ₹ 63,000 for 4 months @ 10.50%	<u>(2,205)</u>
Expected return on plan assets for 2023-2024	<u>57,750</u>
Fair value of plan assets as on 31 st March 2024	7,50,000
Less: Fair value of plan assets as on 1 April, 2023	5,00,000
Contributions received on 30.9.2023	<u>1,42,000</u>
	<u>(6,42,000)</u>
	1,08,000
Add: Benefits paid on 30 th Nov 2023	<u>63,000</u>
Actual return on plan assets	<u>1,71,000</u>

(c) Calculation of Deferred Tax Asset/Liability in Delta Limited

Year	Accounting Income	Taxable Income	Timing Difference	Timing Difference (balance)	Deferred Tax	Deferred Tax Liability (balance)
2021	34,00,000	30,00,000	4,00,000	4,00,000	1,20,000	1,20,000
2022	50,00,000	52,00,000	(2,00,000)	2,00,000	(60,000)	60,000
2023	<u>65,00,000</u>	<u>67,00,000</u>	(2,00,000)	NIL	(60,000)	NIL
	1,49,00,000	1,49,00,000				

Calculation of total tax

Year	Deferred Tax	Current tax expense	Total tax
------	--------------	---------------------	-----------

2021	1,20,000	9,00,000 (30,00,000 x 30%)	10,20,000
2022	(60,000)	15,60,000 (52,00,000 x 30%)	15,00,000
2023	(60,000)	20,10,000 (67,00,000 x 30%)	19,50,000

Note: It is assumed that the revenue and the taxable profit is the same.

Answer 2

Shivam Limited Balance Sheet as at 31st March 2024

Particulars		Note No.	(in 000)
I. Equity and Liabilities			
1. Shareholders' funds			
(a) Share capital	1		300.00
(b) Reserves and Surplus	2		232.70
2. Non-Current liabilities			
(a) Long term borrowings	3		135.00
3. Current liabilities			
(a) Trade Payables			
(b) Short-Term Provisions			
Total			
II. Assets			
1. Non-current assets			
(a) Property, Plant and Equipment and Intangible assets			
(i) Property, Plant and Equipment	4		596.00
2. Current assets			
(a) Inventories			
(b) Trade receivables			
(c) Cash and cash equivalents			
Total			

Shivam Limited Statement of Profit and Loss for the year ended 31st March 2024

Particulars	Notes	(in '000)
-------------	-------	-----------

I.	Revenue from operations		473.00
II.	Other Income	5	<u>1.00</u>
III.	Total Income		<u>474.00</u>
IV.	Expenses:		
	Purchases		226.00
	Finance costs		14.00
	Depreciation and Amortisation expenses (10% of 510*)		51.00
	Other expenses	6	<u>82.00</u>

* 520 (Plant and machinery at cost) – 10 (Cost of plant and machinery sold)

V.	Total Expenses	
	Profit before Tax (III-IV)	
	Tax Expense:	
	Current tax	
	Profit for the period (after tax)	

Notes to accounts

				₹ (in 000)
1.	Share Capital			
	Equity share capital			
	<u>Authorised</u>			
	35,000 shares of ₹ 10 each			<u>350.00</u>
	<u>Issued, subscribed & paid-up</u>			
	20,000 shares of ₹ 10 each fully paid up		200.00	
	<i>Add:</i> 10,000 Bonus Shares issued during the year		<u>100.00</u>	300.00
2.	Reserves and Surplus			
	Securities Premium Account			
	Opening Balance	27.00		
	<i>Less:</i> Utilised for bonus issue	<u>27.00</u>		0.00
	Revaluation reserve (2,45,000 – 1,48,000)			97.00
	General Reserve 90			
	<i>Less:</i> Utilized for bonus issue (73)	17.00		
	<i>Add:</i> Transfer from Profit & loss @ 10%	<u>7.07</u>		24.07
	Profit & loss Balance			
	Opening balance	48.00		
	Profit for the period	70.70		
	Appropriations			
	Transfer to General Reserve @ 10%	<u>(7.07)</u>		<u>111.63</u>
				<u>232.70</u>

3.	Long term borrowing		
	10% Debentures		135.00
4	Property, Plant and Equipment		
	Land		
	Opening balance	148.00	
	Add: Revaluation adjustment	<u>97.00</u>	
	Closing balance		245.00
	Plant and Machinery		
	Opening balance	520.00	
	Less: Disposed off	<u>(10.00)</u>	
		510.00	
	Less: Depreciation (1,16,000-8,000+51,000)	<u>(159.00)</u>	
	Closing balance		351.00
	Total		596.00
5	Other Income		
	Profit on sale of machinery:		
	Sale value of machinery	3.00	
	Less: Book value of machinery (10,000-8,000)	<u>(2.00)</u>	1.00
6	Other expenses:		
	Factory expenses	40.00	
	Selling expenses	20.00	
	Administrative expenses	<u>22.00</u>	82.00

The final dividend will not be recognized as a liability at the balance sheet data (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March 2024. Such dividends will be disclosed in notes only.

Working note:

Bonus Shares Issue:

- Bonus shares are issued in a 1:2 ratio, so for every 2 equity shares, 1 bonus share is issued.
- Equity Share Capital = ₹ 2,00,000 / ₹ 10 = 20,000 shares.
- Bonus Shares = 20,000 / 2 = 10,000 shares × ₹ 10 = ₹ 1,00,000.

Alternatively, since, the amount of interest on 10% 1,35,000 Debentures comes to Rs 13,500 while the Debenture Interest in the trial balance is listed as ₹ 14,000, the difference of ₹ 500 (₹ 13,500 - ₹ 14,000) may be treated as an advance payment.

Answer 3

**(a) Cash flow statement
for the year ended 31st March 2024**

	(₹ in lakhs)	(₹ in lakhs)
Cash flow from operating activities		
Cash sales	262.00	
Cash collected from credit customers Interest received on advance payment to suppliers	134.00 0.50	
Less: Cash purchases		
Less: Payment to Creditors (84 + 176 – 92) Less: Cash paid to suppliers for consumables & services	(44.00) (168.00)	
Less: Cash paid to employee	(19.00)	
Cash from operations		
Less: Income tax paid	<u>(20.00)</u>	
Net cash generated from operating activities	145.50	
Cash flow from investing activities Payment for purchase of Machine (20-15) Proceeds from rent received	<u>(26.00)</u>	119.50
Net cash used in investing activities		
Cash flow from financing activities Redemption of Preference shares Proceeds from issue of Equity shares Debenture interest paid Dividend Paid	(5.00) <u>8.00</u>	3.00
Net cash used in financing activities	(32.00)	
Net increase in cash and cash equivalent	24.00	
Add: Cash and cash equivalents as on 1.04.2023	(3.00) <u>(15.00)</u>	
Cash and cash equivalents as on 31.3.2024		<u>(26.00)</u> 96.50 2.00 98.50

- (b) Statement determining the maximum number of shares to be bought back
(in thousands)

Particulars	Number of shares
Shares Outstanding Test (W.N.1)	15
Resources Test (W.N.2)	12
Debt Equity Ratio Test (W.N.3)	11
Maximum number of shares that can be bought back [least of the above]	11

Thus, the lowest being 11,000 shares, the company cannot buy back 14,000 shares.

Working Notes:

1. Shares Outstanding Test

Particulars	(Shares in thousands)
Number of shares outstanding	60
25% of the shares outstanding	15

2. Resources Test

Particulars	₹ (in thousands)
Paid up capital	600
Free reserves (540 + 200 + 100)	<u>840</u>
Shareholders' funds	<u>1,440</u>
25% of Shareholders fund	360
Buy-back price per share	₹ 30
Number of shares that can be bought back	12,000 shares

3. Debt Equity Ratio Test: Loans cannot be in excess of twice the Equity Funds post Buy-Back

Particulars	₹ in thousands
-------------	----------------

(a) Loan funds	2,000
(b) Minimum equity to be maintained after buy-back in the ratio of 2:1 (₹) (a/2)	1,000
(c) Present equity shareholders fund (₹)	1,440
(d) Future equity shareholders fund (₹) (see W.N.4) (1,440-110)	1,330
(e) Maximum permitted buy-back of Equity (₹) [(d) – (b)]	330
(f) Maximum number of shares that can be bought back @ ₹ 30 per share	11,000 shares

4. Amount transferred to CRR and maximum equity to be bought back will be calculated by simultaneous equation method.

Suppose amount transferred to CRR account is 'x' and maximum permitted buy-back of equity is 'y' Then

Equation 1: (Present Equity- Transfer to CRR) - Minimum Equity to be maintained = Maximum Permitted Buy-Back

$$= (1,440 - x) - 1,000 = y$$

$$= 440 - x = y \quad (1)$$

Equation 2: Maximum Permitted Buy-Back X Nominal Value Per Share/Offer Price per Share

$$Y/30 \times 10 = x$$

Or

$$3x = y \quad (2)$$

By solving the above two equations we get

$$x = ₹ 110 \text{ thousands}$$

$$y = ₹ 330 \text{ thousands}$$

Alternatively, Maximum number of shares from debt equity ratio test may be worked out as follows:

$$\text{Buy-back price} + \text{Face value of equity shares} \quad ₹ 30 + ₹ 10 = ₹ 40$$

Excess of equity fund over the minimum equity to be maintained
 $1440 - 1000 = 440 \text{ thousands}$

Number of Shares that can be bought back = $440/40 \text{ thousands}$
 $= 11 \text{ thousands.}$

Answer 4**Journal Entries in the Books of Nice Ltd.**

		Dr. ₹ in '000	Cr. ₹ in '000
Business Purchase Account	Dr.	10,620	
To Liquidator of Well Ltd.			10,620
(Consideration payable for the business taken over from Well Ltd.)			
Property, Plant and Equipment (120% of ₹ 16,380)	Dr.	19,656	
Inventory (110% of ₹ 870)	Dr.	957	
Trade receivables	Dr.	1,950	
Goodwill A/c (Balancing figure)	Dr.	137	
To Trade payables			4,850
To Debenture Holders Account			1,000
To Loan from bank (4,525-270)			4,255
To Short term borrowings			1,975
To Business Purchase Account			10,620
(Incorporation of various assets and liabilities taken over from Well Ltd. at agreed values and difference of net assets and purchase consideration debited to Goodwill A/c))			
Liquidator of Well Ltd.	Dr.	10,620	
To Equity Share Capital (75,000x 100)			7,500
To 9% Preference Share Capital			1,620
To Securities premium (7,500x 20)			1,500
(Discharge of consideration for Well Ltd.'s business)			
Debenture holders A/c	Dr.	1,000	
To 9% Debentures A/c			1,000
(Being 9% debentures issued to 10% debenture holders)			

Sundry Creditors of Well Ltd.	Dr.	215	
To Sundry Debtors of Nice Ltd.			215
(Cancellation of mutual owing)			
Goodwill	Dr.	55	
To Bank			55
(Being liquidation expenses reimbursed to Well Ltd.)			

Working Note:

The purchase consideration will be:

	₹	Form
Preference shareholders: $16,200 \times 100$	16,20,000	9% Pref. shares
Equity shareholders: $1,25,000 \times \frac{3}{5} \times 120$	<u>90,00,000</u>	Equity shares
		<u>1,06,20,000</u>
10 % Preference shares		18,00,000
Less: 10% discount		<u>1,80,000</u>
		<u>16,20,000</u>

Debenture calculation

		Interest
10% Debenture	9,00,000	90,000
Therefore 9% debentures	$90,000/9\% = 10,00,000$	

Balance Sheet of Nice Ltd. (After absorption) as at 31st March 2024

		Particulars	Notes	₹ in '000
1	I	Equity and Liabilities		
		Shareholders' funds		
	(a)	Share capital	1	50,120
	(b)	Reserves and Surplus	2	21,000
2		Non-current liabilities		
	(a)	Long-term borrowings	3	25,755
3		Current liabilities		
	(a)	Trade payables	4	20,375

	(b)	Short term borrowing		1,975
		Total		1,19,225
1	II	Assets		
		Non-current assets		
	(a)	Property, Plant and Equipment and Intangibles	5	
		(i) Property, plant and equipment		82,206
		(ii) Intangible assets		192
	(b)	Non-current investments		22,500
2		Current assets		
	(a)	Inventories	6	1,257
	(b)	Trade receivables	7	8,325
	(c)	Cash and Cash equivalents	8	4,745
		Total		1,19,225

Notes to accounts

			₹ in '000
1	Share Capital		
	Equity share capital		
	Issued, subscribed and paid up		
	3,90,000 Equity shares of ₹ 100 each (out of above 75,000 shares are issued for consideration other than cash)		39,000
	Preference Shares		
	Issued, subscribed and paid up		
	1,11,200 9% Preference Shares of ₹ 100 each (9,500 + 1,620) (out of above 16,200 shares are issued for consideration other than cash)		11,120
			50,120

2 Reserves and Surplus			
	Securities premium	1,500	
	Reserves and surplus	<u>19,500</u>	21,000
3 Long-term borrowings			
	9 % Debentures (11,200+1,000)	12,200	
	Loan from bank (9,300+4255)	<u>13,555</u>	<u>25,755</u>
4 Trade Payable			
	Nice Limited	15,740	
	Well Limited	<u>4,850</u>	
		20,590	
	Less: Inter Company holdings	<u>(215)</u>	20,375
5 Property, Plant and Equipment and Intangibles			
	Property, Plant and Equipment	62,550	
	Acquired during the year	<u>19,656</u>	82,206
	Intangibles		
	Goodwill (137+55)		192
6 Inventories			
		300	
	Acquired during the year	<u>957</u>	1,257
7 Trade receivables			
		6,590	
	Acquired during the year (1,585+150)	<u>1,735</u>	8,325
8 Cash and Cash Equivalents			
	Nice Limited	4,800	
	Less: Expenses on liquidation	<u>(55)</u>	4,745

Answer 5

1. Trade payable (Consolidated)

Best limited	3,80,000
Add: Cool Ltd	4,10,000
Less: Elimination	<u>(3,00,000)</u>
Total	<u>4,90,000</u>

2. Current assets (Consolidated)

Best limited	9,65,000
Add: Cool Ltd	5,60,000
Less: Elimination of intercompany owing	(3,00,000)
Total	<u>12,25,000</u>

3. Minority interest Cool Ltd

Share Capital (20,00,000 x 20%)	4,00,000
Add: Securities premium (2,20,000 x 20%)	44,000
Add: General Reserve (84,000 x 20%)	16,800
Add: Profit and loss balance (20% of 2,70,000)	54,000
Total	<u>5,14,800</u>

4. Goodwill/Capital Reserve on Acquisition of Cool Ltd.:

Purchase Consideration	14,80,000
Less: Share Capital (20,00,000 x 80%)	16,00,000
Less: Securities premium (2,20,000 x 80%)	1,76,000
Less: General Reserve (84,000 x 80%)	67,200
Less: Profit and loss balance opening (30,000 x 80%)	24,000
Less: Pre acquisition profits (2,70,000-30,000) x 10/12 x 80%	1,60,000
Capital Reserves	<u>5,47,200</u>

5. Goodwill/Capital Reserve on Acquisition of Good Ltd.

Purchase Consideration	3,80,000
------------------------	----------

Less: Share Capital (10,00,000 x 25%)	2,50,000
Less: General Reserve (1,20,000 x 25%)	30,000
Less: Profit and loss balance (50,000 x 25%)	<u>12,500</u>
Goodwill	87,500

6. Profit and Loss Account (Consolidated)

Best limited	3,26,000
Add: Post acquisition profit of Cool Ltd {(2,70,000-30,000) x 2/12}80%	<u>32,000</u>
Total	<u>3,58,000</u>

7. General Reserve (Consolidated)

Best limited	2,69,000
--------------	----------

8. Revenue (Consolidated) as per para no 15 and 22 of AS 21

Revenue of Best Ltd	56,00,000
Add: Revenue of Cool Ltd. (38,00,000 × 2/ 12)	<u>6,33,333</u>
	<u>62,33,333</u>

9. Cost of materials purchased/consumed (Consolidated) as per para no 15 and 22 of AS 21

Raw material of Best Ltd	36,50,000
Add: Raw material of Cool Ltd (31,20,000x 2/12)	<u>5,20,000</u>
	41,70,000

Answer 6**(a)**

In the books of Mr. Day
Investment Account
(Equity shares in Square Ltd.)

Date	Particulars	No. of shares	Amount (₹)	Date	Particulars	No. of shares	Amount (₹)
1.4.23	To Balance b/d	25,000	6,25,000	31.3.24	By Balance c/d (Bal. fig.)	63,750	13,00,000
31.7.23	To Bonus issue (W.N.1)	5,000	-				
5.10.23	To Bank A/c (right shares) (W.N.4)	33,750	6,75,000				
		63,750	13,00,000			63,750	13,00,000

Working Notes:

- (1) Bonus shares = $\frac{25,000}{5} = \mathbf{5,000}$ shares
- (2) Right shares = $\frac{25,000 + 5,000}{2} \times 3 = \mathbf{45,000}$ shares
- (3) Sale of rights = $45,000 \text{ shares} \times \frac{1}{4} \times ₹ 5$
= $11,250 \times 5 = \mathbf{56,250}$
₹ 56,250 to be credited to statement of profit and loss
- (4) Rights subscribed = $45,000 \text{ shares} \times \frac{3}{4} \times ₹ 20 = ₹ \mathbf{6,75,000}$

Or

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. Examples of such costs are:

- (a) **Abnormal amounts** of wasted materials, labour, or other production costs;
- (b) **Storage costs**, unless the production process requires such storage.
- (c) **Administrative overheads** that do not contribute to bringing the inventories to their present location and condition.
- (d) **Selling and distribution costs.**

(b) Journal Entries

		₹	₹
Equity Share Capital (old) A/c	Dr.	15,00,000	
To Equity Share Capital (₹ 10) A/c			5,00,000
To Cash A/c			50,000
To 10% Debentures A/c			7,50,000
To Securities premium			1,50,000
To Capital Reduction/Reconstruction A/c			50,000
(Being new equity shares, 8% Debentures issued, cash of ₹ 50,000 and the balance transferred to Reconstruction account as per the Scheme)			
8% Debentures A/c	Dr.	5,00,000	
To Freehold Property A/c			4,45,000
To Capital Reduction/Reconstruction A/c			55,000
(Being the debenture holders claim settled partly and foregone partly as per reconstruction scheme)			

Capital Reduction/Reconstruction A/c To Capital Reserves A/c (Being balance in capital reduction account transferred to Capital Reserves A/c)	Dr.	1,05,000	1,05,000
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(c) (i) In the books of Kullu Branch
Trading and Profit and Loss Account

Particulars	Amount	Particulars	Amount
To Opening stock	2,70,000	By Sales	19,50,000
To Goods received by Head office	17,82,000	By Goods returned by Branch	75,000
To Expenses	56,000	By Closing stock (Refer W.N.)	4,17,000
To Net profit (Bal fig)	<u>3,34,000</u>		
	24,42,000		<u>24,42,000</u>

(ii) Calculation of Closing Stock

Cost price	100
Invoice price	120 (100+20)
Sales price	150 (120+25% of 120)
Opening Stock	2,70,000
Goods received	17,82,000
Less: Goods Returned	<u>75,000</u>
	<u>19,77,000</u>
Less: Cost of Goods Sold (Invoice price)	15,60,000
Closing Stock	4,17,000
Stock reserve in respect of unrealised profit	
= 4,17,000 x (20/120) = ₹ 69,500	

Jan-25 Exam Paper Solutions

Part I

Answer Key

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

Part II

Answer 1

(a) Computation of Basic Earnings per Share

	Earnings ₹	No. of Shares	EPS ₹
Earnings per share for the year 2023- 2024	31,20,000	6,50,000 (W.N 2)	4.80
Computation of Dilutive Earnings per Share			
	Earnings ₹	Shares	EPS ₹
Net profit for the year	31,20,000		
Weighted average number of shares (W.N. 2) outstanding during year on 31.3.2024 (i)		6,50,000	
Number of shares under option		80,000	
Number of shares that would have been issued at fair value: $(80,000 \times 20.00)/25.00$		(64,000)	
No. of incremental shares issued for no consideration (ii)		16,000	
Diluted earnings per share after options	31,20,000	6,66,000 (i + ii)	4.68
12% Convertible Debentures (W.N. 3)	2,52,000	1,20,000	-
Diluted earnings	<u>33,72,000</u>	<u>7,86,000</u>	4.29

Working notes:

1. Computation of shares issued on bonus

No. of shares outstanding as on 31 st March 2024	8,00,000
Less: Shares issued on 1 st Jan 2024	<u>(2,00,000)</u>
Outstanding shares as on 31 st December 2023	<u>6,00,000</u>
Bonus shares $(6,00,000 \times 1/(1+5))$	1,00,000
Outstanding shares before bonus issue as on 1 st April 2023 $(6,00,000 \times 5/6)$	5,00,000

2. Weighted Average number of Equity shares

	Shares	Months	Weighted average
--	--------	--------	---------------------

Opening balance as on 1.4.2023	5,00,000(W.N.1)	12/12	5,00,000
Bonus	1,00,000	12/12	1,00,000
Further issue of shares on 1.1.2024	2,00,000	3/12	<u>50,000</u>
			<u>6,50,000</u>

3. 12% Convertible Debentures

Increase in net profit	{₹ 30,00,000 x 0.12 x (1 - 0.30)}	₹ 2,52,000
No. of incremental shares	{30,000 x 4}	1,20,000

(b) Computation of annual lease payment:

Particulars	₹
Cost of equipment	12,50,000.00
Unguaranteed residual value	1,20,000.00
Present value of unguaranteed residual value	
(₹ 1,20,000 x 0.735)	88,200.00
Present value of lease payments	
(₹ 12,50,000 - ₹ 88,200)	11,61,800.00
Present value of annuity for four years is 3.312	
Annual lease payment [11,61,800/3.312]	3,50,785.02

Classification of lease:

Parameter 1:

The present value of the lease payment i.e. ₹ 11,61,800 which equals 92.94% of the fair market value i.e. ₹ 12,50,000.

The present value of minimum lease payments substantially covers the fair value of the leased asset.

Parameter 2:

The lease term (i.e. 4 years) covers the major part of the life of asset (i.e. 6 years).

Therefore, **it constitutes a finance lease.**

Computation of Unearned Finance Income:

Particulars	₹
Total lease payments (Rs 3,50,785.02 x 4)	14,03,140.08
Add: Unguaranteed residual value	1,20,000.00
Gross investment in the lease	15,23,140.08

Less: Present value of lease payments and residual value i.e.	(12,50,000.00)
Net Investment (₹ 88,200 + ₹ 11,61,800)	
Unearned finance income	2,73,140.08

(c) Difference between Defined Contribution Plan and Defined Benefit Plan:

S No.	Defined Contribution Plan	Defined Benefit Plan
1	Fixed Contributions are paid by the employer into a separate fund and will have no obligation to pay further contributions.	Detailed actuarial calculation is performed to determine the charge.
2	The employer has no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits and the employee has to bear the investment and actuarial risk.	The employer ensures that sufficient funds are available to meet the promised benefits regardless of fund performance and the actuarial and investment risk fall on the employer.

Computation of defined benefit liability /Asset:

Particulars	₹ in lakhs
Present value of the defined benefit obligation as on 31.3.2024	36.00
Less: Past service cost not yet recognized	<u>(7.50)</u>
	28.50
Less: The fair value of plan assets	<u>(38.50)</u>
Defined benefit Asset	10.00

In case where fair value of plan assets is high, it may so happen that the net amount under defined benefit liability turns negative (giving rise to net assets).

As per AS 15 the enterprise, in such a situation, should measure the resulting asset **at the lower of:**

- (i) the amount so determined, i.e. ₹ 10 lakh; and
 - (ii) the present value of available future refunds from the plan i.e. ₹ 6 lakh.
- Therefore, defined benefit asset will be recognised at ₹ 6 lakhs.

Answer 2**(a) Journal Entries in books of Sustain Limited**

			₹	₹
1.	Bank Account To Equity Share Capital Account (Balance of ₹ 2 per share on 25,000 equity shares called up)	Dr.	50,000	50,000
2.	Equity Share Capital (₹ 10) Account To Equity Share Capital (₹ 5) Account		7,50,000	3,75,000
	To Capital Reduction Account (Reduction of equity shares of ₹ 10 each to shares of ₹ 5 each as per reconstruction scheme)			3,75,000
3.	8 % Cumulative Preference Share Capital (₹ 10) A/c To 9% Cumulative Preference Share Capital (₹ 7.5) A/c To Capital Reduction A/c (Being Preference shares of ₹ 10 each reduced by ₹ 2.5 each per share by changing the rate of dividend from 8% to 9% and the balance transferred)	Dr.	3,00,000	2,25,000 75,000
4.	Capital Reduction A/c To Preference share dividend payable A/c (Being arrear of Preference share dividend payable for one year)	Dr.	48,000	48,000
5.	Preference share dividend payable A/c To Equity Share Capital (₹ 5) A/c (Being Equity Shares of ₹ 5 each issued against arrears of 2 years Preference Share dividend) (W.N.1)	Dr.	48,000	48,000
6	10% Debentures Account Interest on Debentures Outstanding A/c Trade payables Account To Mr. X (The total amount due to X, transferred to his account)	Dr. Dr. Dr.	2,50,000 25,000 50,000	3,25,000

7	Bank Account To Mr. X (The amount paid by X under the reconstruction scheme)	Dr.	20,000	20,000
8	Mr. X To 12% Debentures Account To Capital Reduction A/c (The cancellation of 50% of the total debt of Mr. X and the issue of 12% new debentures for the balance amount as per the reconstruction scheme)		3,45,000	1,82,500 1,62,500
9	10% Debentures A/c Interest on Debentures Outstanding A/c To 9% Cumulative Preference Share capital A/c To Capital Reduction A/c (Being 9% preference share capital issued to 10% debenture-holders for 60% of their claims. The balance is transferred to capital reduction account as per the reconstruction scheme)	Dr.	2,00,000 20,000	1,32,000 88,000
10	Provision for Tax A/c Capital Reduction A/c To Bank A/c (Being payment of tax liability in full settlement)	Dr.	1,00,000 20,000	1,20,000
11	Trade payables A/c (1,30,000-50,000) Capital reduction A/c	Dr.	80,000 20,000	
12	To Inventory A/c [Being settlement of creditors by giving inventory]			1,00,000
	Capital reduction A/c To Investment A/c To Provision for bad debt A/c (2,30,000 x 2%) To Plant & Machinery (7,50,000x 20%) (Investment brought to their market value, Plant & machinery is written down by 20% & Provision for Bad debts of 2% created under the scheme of reconstruction)	Dr.	1,84,600	30,000 4,600 1,50,000

13	Bank A/c To 12% debentures A/c (New 12 % debentures issued to pay off bank overdraft and maintain cash balance)	Dr.	2,00,000	2,00,000
14.	Bank Overdraft To Bank A/c (Bank overdraft paid)	Dr.	65,000	65,000
15.	Capital reduction A/c To Goodwill A/c To Profit and loss A/c To Inventory To Capital reserve A/c [Being goodwill and profit and loss account (Dr. bal.), balance inventory; and balance of capital reduction account transferred to capital reserve]	Dr.	4,27,900	60,000 2,50,000 20,000 97,900

Notes to accounts

	₹
1. Share Capital	
Equity share capital	
Issued, subscribed and paid up	
84,600 equity shares of ₹ 5 each (75,000+9,600)	4,23,000
47,600, 9 % Cumulative Preference Shares of ₹ 7.50 each (30,000+17,600)	3,57,000
Total	7,80,000

Working note

1. Calculation of the number of equity shares issued for 2 years arrear of preference share dividend

$$3,00,000 \times 8\% \times 2 = 48,000$$

$$\text{Equity share of ₹ 5 per share issued} = 48,000 / 5 = 9,600 \text{ shares}$$

2. Cash & bank Account

To Uncalled capital	50,000	By Bank Overdraft	65,000
To Mr. X	20,000	By Tax	1,20,000
To 12% Debentures A/c	2,00,000	By Balance C/d	<u>85,000</u>
(bal. fig.)			
	<u>2,70,000</u>		<u>2,70,000</u>

3. The new face value of preference share is $10 - 2.5 = ₹ 7.5$

Calculation of Number of 9% Preference shares issued in consideration of reduction:

$$1,32,000 / 7.5 = 17,600$$

Answer 3

- (a)** Provision to be made for warranty under AS 29 'Provisions, Contingent Liabilities and Contingent Assets'

As at 31st March 2023 = ₹ 25,000 x 2.5% + ₹ 47,000 x 2.5% + ₹ 1,10,000 x 4.5%

$$= ₹ 625 + ₹ 1,175 + ₹ 4,950 = ₹ 6,750$$

As at 31st March 2024 = ₹ 1,10,000 x 2.5% + ₹ 34,000 x 4.5% + ₹ 75,000 x 4.5%

$$= ₹ 2,750 + ₹ 1,530 + ₹ 3,375 = ₹ 7,655$$

Amount debited to Statement of Profit and Loss for year ended 31st March 2024

	₹
Balance of provision required as on 31.03.2024	7,655
Less: Opening Balance as on 1.4.2023	<u>(6,750)</u>
Amount debited to Statement of Profit and loss	<u>905</u>

Note: No provision will be made on 31st March 2024 in respect of sales amounting ₹ 42,000, 25,000 and 47,000 made on as the warranty period

(b) Cash Flow from Operating Activities for the Year Ended 31 March 2024

Particulars	₹
Cash Flow from Operating Activities	
Retained earnings (1,10,000-60,000)	50,000
Adjustments for non-cash items	
Goodwill Amortisation	30,000
Interest expenses	25,000
	<u>1,05,000</u>
Changes in Working Capital	
Decrease in Trade Receivables	30,000
Increase in Inventory	(25,000)
Decrease in Trade Payables	(15,000)
Cash Flow from Operating Activities	<u>95,000</u>

Cash Flow from Financing Activities for the Year Ended 31 March 2024

Increase in Share Capital	1,00,000
Increase in Bank Loan	50,000
Issue of 10% Debentures	1,00,000
Dividend Paid	(50,000)
Interest Paid	(20,000)
Cash Flow from Financing Activities	1,80,000

Answer 4

Adjustment in bank balance and profit & loss account before amalgamation

Other assets of Bright limited

	₹ In lakhs
Book value	1.75
Less: Sale proceeds	<u>(0.50)</u>
Loss on sale of other assets (debited to Profit & Loss A/c)	<u>1.25</u>

The new balance of Bank = 2.85 + 0.5 = 3.35 (₹ In lakhs)

The new balance of Profit & Loss A/c = 4 - 1.25 = 2.75 (₹ In lakhs)

(a) (i)

Realisation Account

	Light Ltd. (₹ In lakhs)	Bright Ltd. (₹ In lakhs)		Light Ltd. (₹ In lakhs)	Bright Ltd. (₹ In lakhs)
To Sundry Assets, transfer :			By Long term provision	1.50	-
To Land & Building,	58.00	44.00	By Trade payables	3.40	2.00
To Plant & machinery	7.50	4.50	By Rainbow Ltd. purchase	80.00	64.00
To Other assets	3.20	-			
To Inventories	5.75	7.10			
To Trade receivable	4.30	5.80			
To Cash & Bank Balance	3.15	3.35			
To Equity Shareholders - profit	3.00	1.25			
	84.90	66.00		84.90	66.00

(ii)

Shareholders Account

	Light Ltd. (₹ In lakhs)	Bright Ltd. (₹ In lakhs)		Light Ltd. (₹ In lakhs)	Bright Ltd. (₹ In lakhs)
To Shares in Rainbow Ltd.	80.0 0	64.0 0	By Share Capital A/c - transfer	50.0 0	40.00
			By Statutory reserve	2.0 0	- 15.00
			By General Reserve	18.0	5.00 2.75
	80.0 0	64.0 0	By Securities premium By Profit & Loss A/c By Realisation A/c	80.0 0	64.0 0

(b)

Balance Sheet of Super Rainbow Ltd.

Particulars		Notes	(₹ In lakhs)
Equity and Liabilities			
1	Shareholders' funds		
A	Share capital	1	144.00
B	Reserves and Surplus	2	1.00
2	Non-current liabilities		
A	Long-term provisions		1.50
3	Current liabilities		
A	Trade Payables		<u>5.40</u>
	Total		<u>151.90</u>
Assets			
1	Non-current assets		
A	Property, Plant and Equipment	3	121.20
B	Intangible assets	4	1.25
2	Current assets		
	Inventories		12.85
	Trade receivables		10.10
	Cash and cash equivalents		<u>6.50</u>
	Total		<u>151.90</u>

(c) Notes to Accounts

		(₹ In lakhs)
1.	Share Capital	
	Equity share capital	
	Issued, subscribed and paid up	
	1,44,000 Equity shares of ₹ 100 each	144.00
	(all shares are issued for consideration other than cash)	
2.	Reserves and Surplus	
	Statutory Reserves	2.00
	Amalgamation Adjustment Reserves	(2.00)
	Capital Reserves	1.00
		1.00
3.	Property, Plant and Equipment	
	Land and Buildings	106.00
	Plant and Machinery	12.00
	Other Assets	3.20
		121.20
4.	Intangible assets	
	Goodwill	1.25

Working notes:**1. Calculation of purchase consideration**

	Light Ltd. (₹ In	Bright Ltd. (₹ In
80,000 Equity Shares of ₹ 100	80	
64,000 Equity Shares of ₹ 100		64

2. Calculation of Net assets taken over

		(₹ In lakhs)	
Particulars		Light Ltd.	Bright Ltd.

<i>Assets taken over:</i>			
Land and Buildings		62.00	44.00
Plant and Machinery		7.50	4.50
Other Assets		3.20	-
Inventory		5.75	7.10
Trade Receivable		4.30	5.80
Cash at Bank (2.85 + 0.50)		<u>3.15</u>	<u>3.35</u>
	(i)	<u>85.90</u>	<u>64.75</u>
<i>Liabilities taken over:</i>			
Long term provisions		1.50	-
Trade payable		<u>3.40</u>	<u>2.00</u>
	(ii)	<u>4.90</u>	<u>2.00</u>
Net assets taken over	(i) – (ii)	81.00	62.75

3. Calculation of Goodwill/Capital Reserve

	(₹ In lakhs)	
<i>Particulars</i>	Light Ltd.	Bright Ltd.
Net Assets takeover	81.00	62.75
Less: Purchase Consideration	(80.00)	(64.00)
Goodwill/ (Capital Reserve)	(1.00)	1.25

Answer 5

Consolidated Balance Sheet of Super Ltd. and its subsidiary Clear Ltd. as at 31st March, 2024

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholders' Funds		
(a) Share Capital	1	95,00,000
(b) Reserves and Surplus	2	34,63,750
(2) Minority Interest [W.N.4]		15,56,250
(3) Non-current Liabilities		
(a) Long term borrowings	3	7,00,000
(4) Current Liabilities		
(a) Short-term borrowings		4,50,000
(b) Trade payables	4	4,63,750
Total		1,61,33,750

II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment	5	1,31,00,000
(b) Intangible Assets – Goodwill		4,00,000
(2) Current assets		
(a) Inventory	6	12,10,000
(b) Trade Receivables	7	9,28,750
(c) Cash and Cash Equivalents		4,95,000
Total		1,61,33,750

Notes to Accounts

		₹	₹
1.	Share Capital		
	Equity Share Capital		
	8,00,000 Equity Shares of ₹ 10 each fully paid up		80,00,000
	Preference Share Capital		
	15,000 Preference Shares of ₹ 100 each fully paid up		<u>15,00,000</u>
	Total		<u>95,00,000</u>
2.	Reserves and Surplus		
	General Reserve (WN 5)		20,37,500
	Profit & Loss A/c (WN 5)		<u>14,26,250</u>
	Total		<u>34,63,750</u>
3.	Long term borrowings		
	10% Debentures		5,00,000
	9% Debentures		<u>2,00,000</u>
	Total		<u>7,00,000</u>
4	Trade payables		
	Super Ltd.	3,65,000	
	Clear Ltd.	2,45,000	
	Less: Mutual Owing	<u>(1,46,250)</u>	4,63,750
5	Property Plant & Equipment		
	Land & Building		
	Super Ltd.	65,00,000	
	Clear Ltd.	<u>45,50,000</u>	1,10,50,000
	Plant & Machinery		
	Super Ltd.	9,50,000	
	Clear Ltd.	<u>6,75,000</u>	16,25,000

	Furniture & Fittings		
	Super Ltd.	2,50,000	
	Clear Ltd.	1,75,000	4,25,000
6	Inventory		
	Super Ltd.	6,75,000	
	Clear Ltd.	5,65,000	
	Less: Unrealized profit	<u>(30,000)</u>	12,10,000
7	Trade Receivables		
	Super Ltd.	5,85,000	
	Clear Ltd.	4,90,000	
	Less: Mutual Owing	<u>(1,46,250)</u>	9,28,750

Working Notes:

1. Shareholding Pattern

Super Ltd	5,00,000 Shares
Holding 75%	3,75,000 shares
Minority Interest 25%	1,25,000 shares

2. Analysis of Profit of Clear Ltd.

	Capital Profit	Revenue Reserve	Revenue Profit
Opening Balance of General Reserve	-	6,50,000	-
Opening Balance of P&L	-	-	5,75,000
Total ₹		6,50,000	5,75,000
Share of Minority (25%)		1,62,500	1,43,750
Share of Holding (75%)		4,87,500	4,31,250

3. Computation of Cost of Control (Goodwill / Capital Reserve)

Computation ₹		
Cost of Investment	Given	41,50,000
Less: Share of Equity Capital in Clear Ltd.	50,00,000 × 75%	(37,50,000)
Less: Pre -acquisition Profit	WN 2	-
Goodwill		4,00,000

4. Calculation of Minority Interest

Particulars		₹
-------------	--	---

Share in Equity Share Capital	$50,00,000 \times 25\%$	12,50,000
Share in Revenue Reserve	$6,50,000 \times 25\%$	1,62,500
Share in profit & loss	$5,75,000 \times 25\%$	<u>1,43,750</u>
Total		<u>15,56,250</u>

5. General Reserve and Consolidated Profit & Loss A/c

Particulars	General Reserve	Profit & Loss A/c
Balance from Balance Sheet	15,50,000	10,25,000
Revenue Profit (WN 2)	-	4,31,250
Revenue Reserve (WN 2)	4,87,500	-
Unrealized Profit	-	(30,000)
Total	<u>20,37,500</u>	<u>14,26,250</u>

Answer 6

(a) (i)

Reporting entity	Related party
AX Limited	BX Limited (AX Limited controls BX Limited directly as holding company) CX Limited (AX Limited has significant influence in CX Limited indirectly through BX Limited)
CX Limited	AX Limited (AX Limited has significant influence in CX Limited indirectly through BX Limited) BX Limited (BX Limited has significant influence in CX Limited) DX Limited (DX Limited holds 40% shares, means substantial interest of more than or equal to 20%, hence significant influence exists in this case)
EX Limited	DX Limited (DX Limited holds 49% shares, means substantial interest of more than or equal to 20%, hence significant influence exists in this case)

- (ii)** No, DX would still be a related party of EX Limited EX Limited will report DX Limited as a related party as per AS 18. However, the transaction for the period in which the related party relationship exists will only be disclosed.

OR

Profit and Loss Account of Sky & Associate
for the year ended 31st March, 2024

Particulars	₹	Particulars	₹
To Opening Stock	1,15,000	By Sales	8,20,000
To Purchases	6,50,000	By Closing Stock	78,000
To Gross Profit *	1,33,000		
	8,98,000		8,98,000
To Deferred Expense	9,000	By Gross Profit	1,33,000
To Other Expenses	25,000	By Discount	4,000
To Bad Debts	5,000		
To Penalty	2,500		
To Depre. (180 – 160)	20,000		
To Interest on loan	1,600		
To Net Profit	73,900		
	1,37,000		<u>1,37,000</u>

(b)

In the books of Z Limited
Journal Entries

	Particulars		(₹)	(₹)
1)	Bank A/c Profit & Loss A/c To Investments (Being investment sold for the purpose of buy-back of Equity Shares)	Dr. Dr.	32,00,000 8,00,000	40,00,000
)	Equity share capital A/c Premium payable on buy-back A/c To Equity shares buy-back A/c (Being the amount due on buy-back of equity shares)	Dr. Dr.	8,00,000 4,00,000	12,00,000
3)	Equity shares buy-back A/c To Bank A/c (Being payment made for buy-back of equity shares)	Dr	12,00,000	12,00,000

4)	Securities Premium A/c To Premium payable on buy-back (Being premium payable on buy-back charged from Securities premium)	Dr	4,00,000	4,00,000
5)	Profit & Loss A/c To Capital Redemption Reserve A/c (Being creation of capital redemption reserve to the extent of the equity shares bought back)	Dr	8,00,000	8,00,000

(c)

In the books of Branch

Journal Entries

	Particulars		₹	₹
1)	Head office account To Commission Income (Being commission income recognized)	Dr	7,500	7,500
2)	Creditors A/c To Head office account (Being H.O. paid off a creditor directly)	Dr	12,000	12,000
3)	No entry in Branch Books			
4)	Head office account To Salary A/c (Being amount debited to salary account by mistake now rectified)	Dr	9,800	9,800
5)	Head office account To Bank A/c (Being furniture purchased by branch retained by H.O.)	Dr	18,000	18,000
6)	Head Office A/c To Bank A/c (Being expenses incurred on behalf of other branches, due from H.O.)	Dr	5,500	5,500

May-25 Exam Paper Solutions

Answer Key

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

PART – II – Descriptive Questions

Answer 1

- (a) (i) (i) Constructing or acquiring a new asset may result in incremental costs that would have been avoided if the asset had not been constructed or acquired.
- (ii) These costs are not to be included in the cost of the asset if they are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- (iii) The costs to be incurred by the company are in the nature of costs of relocating or reorganizing operations of the company and do not meet the requirement of AS 10 (Revised)
- (iv) Therefore, these costs cannot be capitalized.

(ii) Computation of cost of land

Particulars		₹	₹
Purchase Price	250 hectares x ₹ 25,000 per hectares		62,50,000
Stamp Duty and Registration Charges	5% of ₹ 62,50,000		3,12,500
Legal and Consultancy Fees			4,75,000
Demolition Expenses (Net of Salvage Income)	₹ 12,60,000 x (100/105)	37,85,000 (12,00,000)	<u>25,85,000</u>
Cost of Land			96,22,500

(b) Alternative -1

Considering the Examinee has calculated Average Cost directly for shares sold and for Closing Balance of Shares:

Investment Account in Books of Ms. Neha

(Scrip: Equity Shares in Nexus Ltd.)

		No.	Amount			No.	Amount
			₹				₹
1.4.2024	To Bal b/d	20,000	2,40,000	1.11.2024	By Bank	11,500	2,99,000
30.4.2024	To Bonus	4,000	–		(Sale of shares)		
31.8.2024	To Bank (Rights Shares)	9,000	1,26,000	31.3.2025	By Bal. c/d	21,500	2,38,455
1.11.2024	To P&L A/c (Profit on sale of shares)		1,71,455				
		33,000	5,37,455			33,000	5,37,455

Working Notes:

- (1) **Bonus Shares** = (20,000) / 5 = 4,000 shares
- (2) **Right Shares** = (20,000 + 4,000) / 4 * 3 = 18,000 shares
- (3) **Rights shares sold** = 18,000 × 50% = 9,000 shares
- (4) **Dividend received** = 20,000 × 10 × 15% = ₹ 30,000 will be taken to P&L Statement

(5) Average Cost of shares sold:

$$\begin{aligned}\text{Average Cost} &= \frac{(2,40,000 + 1,26,000)}{33,000} \times 11,500 \\ &= ₹ 1,27,545\end{aligned}$$

(6) Profit on sale of 11,500 shares

= Sales proceeds – Average cost

Sales proceeds = ₹ 2,99,000

Profit = ₹ 2,99,000 – ₹ 1,27,545 = ₹ **1,71,455**.

(7) Cost of shares on 31.3.2025

$$\frac{(2,40,000 + 1,26,000)}{33,000} \times 21,500 = 2,38,455$$

- (8) Sale of rights amounting ₹ 27,000 (₹ 3 x 9,000 shares) will not be shown in investment A/c but will directly be taken to P & L statement.

Alternative - 2

Calculate Average Cost per Unit first and then worked out the cost of shares sold and closing balance of shares using average unit cost:

Investment Account in Books of Ms. Neha

(Scrip: Equity Shares in Nexus Ltd.)

		No.	Amount			No.	Amount
			₹				₹
1.4.2024	To Bal b/d	20,000	2,40,000	1.11.2024	By Bank	11,500	2,99,000
30.4.2024	To Bonus	4,000	–		(Sale of shares)		
31.8.2024	To Bank (Rights Shares)	9,000	1,26,000	31.3.2025	By Bal. c/d	21,500	2,38,435
1.11.2024	To P&L A/c (Profit on sale of shares)		1,71,435(*)				
		33,000	5,37,435			33,000	5,37,435

(*) rounding off difference of ₹ 30 adjusted i.e. 1,71,465 – 30 = 1,71,435

Working Notes:

- (1) **Bonus Shares** = (20,000) / 5 = 4,000 shares
- (2) **Right Shares** = (20,000 + 4,000) / 4*3 = 18,000 shares
- (3) **Rights shares sold** = 18,000 × 50% = 9,000 shares
- (4) **Dividend received** = 20,000 × 10 × 15% = ₹ 30,000 will be taken to P&L statement
- (5) **Average Cost per Share:**

$$= (2,40,000 + 1,26,000) / (20,000 + 4,000 + 9,000)$$

$$= (3,66,000 / 33,000)$$

$$= 11.09 \text{ per share (rounded off to 2-decimal places)}$$

$$\text{Average Cost} = (11,500 \times 11.09) = ₹ 1,27,535$$
- (6) **Profit on sale of 11,500 shares**

$$= \text{Sales proceeds} - \text{Average cost}$$

$$\text{Sales proceeds} = ₹ 2,99,000$$

$$\text{Profit} = ₹ 2,99,000 - ₹ 1,27,535 = ₹ 1,71,465.$$
- (7) **Cost of shares on 31.3.2025**

$$21,500 \times 11.09 = ₹ 2,38,435$$
- (8) Sale of rights amounting ₹ 27,000 (₹ 3 x 9,000 shares) will not be shown in investment A/c but will directly be taken to P & L statement.

Answer 2**Balance Sheet of Bela Ltd. as at 31st March, 2025**

Particulars		Note No	
Equity and Liabilities			
1	Shareholders' funds		
a	Share capital	1	9,00,000
b	Reserves and Surplus	2	1,66,000
2	Non-current liabilities		
a	Long-term borrowings	3	4,17,000
3	Current liabilities		
a	Trade Payables	4	2,45,000
b	Other current liabilities	5	24,000
c	Short-term provisions	6	<u>12,000</u>
	Total		<u>17,64,000</u>
ASSETS			
1	Non-current assets		
a	PPE	7	12,70,000
2	Current assets		
a	Inventories	8	2,01,000
b	Trade receivables	9	2,38,000
c	Cash and cash equivalents	10	<u>55,000</u>
	Total		17,64,000

Notes to accounts

			₹
1	Share Capital		
	Equity share capital		
	Issued, Subscribed and paid up		
	6,000 Equity Shares of ₹100 each	(A)	6,00,000
	Preference share capital		
	Issued, subscribed and paid up		
	3,000 8% Preference shares of ₹100 each	(B)	<u>3,00,000</u>
		Total (A + B)	<u>9,00,000</u>
2	Reserves and Surplus		
	Capital reserve (W.N.)		3,000
	General reserve		88,000
	Add: Profit and Loss Account Less:	99,000	
	Preliminary expenses Less:	(21,000)	
	profit on reissue (75x 40)	<u>(3,000)</u>	<u>75,000</u>
		Total	<u>1,66,000</u>
3	Long-term borrowings		
	Secured- Term Loans		
	Loan from Public Financial Corporation		3,32,000
	(3,40,000 – 8,000)		
	(Secured by hypothecation of Plant and Machinery)		
	Unsecured loan		<u>85,000</u>
		Total	<u>4,17,000</u>
4	Trade Payables		2,45,000
5	Other current liabilities		
	Interest accrued but not due on loans (PFC)		8,000
	Dividend Payable		10,000
	Outstanding expenses		<u>6,000</u>
		Total	<u>24,000</u>
6	Short-term provisions		
	Provision for taxation		12,000

7	PPE		
	Factory Buildings	6,94,000	
	Less: Depreciation	<u>(74,000)</u>	6,20,000
	Plant & Machinery	5,35,000	
	Less: Depreciation	<u>(37,000)</u>	4,98,000
	Furniture & Fittings	1,76,000	
	Less: Depreciation	<u>(24,000)</u>	<u>1,52,000</u>
	Total		<u>12,70,000</u>
8	Inventories		
	Raw Material		1,35,000
	Finished goods		<u>66,000</u>
		Total	<u>2,01,000</u>
9	Trade receivables		2,38,000
10	Cash and cash equivalents		
	Cash at bank		39,000
	Cash in hand		<u>16,000</u>
		Total	55,000

Working Note:

Calculation of Capital Reserve on reissue of forfeited equity shares:

Balance in forfeiture Account = ₹ 5,250

Discount on reissue of shares = ₹ 2,250

Amount to be transferred to capital reserve = ₹ 5,250 - ₹ 2,250 = ₹ 3,000

Note:

1. The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 2025. Such dividends will be disclosed in notes only.
2. There is a Contingent Liability for bills discounted but not yet matured amounting to ₹ 15,000

Answer 3**(a)****Moon Ltd.****Cash Flow Statement for the year ended 31st March, 2025**

	~	~
Cash flows from operating activities		
Net Profit before taxation	45,000	
Adjustments for:		
Depreciation	35,000	
Profit on sale of Furniture & Fixtures	<u>(8,000)</u>	
Operating profit before working capital changes	72,000	
Increase in Trade receivables	(10,000)	
Increase in inventories	(50,000)	
Increase in Trade payables	<u>15,000</u>	
Cash generated from operations	27,000	
Income taxes paid (W.N.1)	(4,000)	
Net cash generated from operating activities		23,000
Cash flows from investing activities		
Sale of Furniture & Fixtures	17,000	
Purchase of Furniture & Fixtures (W.N.2)	<u>(1,49,000)</u>	
<i>Net cash used in investing activities</i>		(1,32,000)
Cash flows from financing activities		
Issue of shares for cash	2,00,000	
Net cash generated from financing activities		<u>2,00,000</u>
Net decrease in cash and cash equivalents		91,000
Cash and cash equivalents at beginning of period (31.3.2024)		<u>1,85,000</u>
Cash and cash equivalents at end of period (31.3.2025)		<u>2,76,000</u>

Working Notes:

		₹
1.	Income taxes paid	
	Income tax expense for the year	15,000
	Add: Income tax liability at the beginning of the year	<u>10,000</u>
		25,000
	Less: Income tax liability at the end of the year	(15,000)
	Less: DTL	<u>(6,000)</u>
		<u>4,000</u>
2	Property, plant and equipment acquisitions	
	Furniture & Fixtures	
	W.D.V. at 31.3.2025	2,95,000
	Add back:	
	Depreciation for the year	35,000
	Disposals (17,000 -8,000)	<u>9,000</u>
		3,39,000
	Less: W.D.V. at 31.12.2024	<u>(1,90,000)</u>
	Acquisitions during 2024-2025	<u>1,49,000</u>

- (b) As per para 36 of AS 25 "Interim Financial Reporting", seasonal or occasional revenue and cost within a financial year should not be deferred as of interim date until it is appropriate to defer at the end of the enterprise's financial year.

Comments on observations:

- (i) Dividend income received during 3rd quarter should be recognised in the 3rd quarter only.
- (ii) Sales promotion expenses cannot be deferred on the basis that fourth quarter has more sales. This expense should be recognized in 3rd quarter only.
- (iii) Further, as per AS 10, Property, Plant and Equipment, if there is change in the depreciation method, such a change should be accounted for as a change in accounting estimate in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies, and applied prospectively. Therefore, no adjustment would be required due to change in the method of depreciation.
- (iv) Extra ordinary gain of ₹ 3 lakhs should be wholly recognized in 3rd quarter only.
- (v) Loss of ₹ 2 lakhs belong to previous quarters and not 3rd quarter, so it should not be deducted from the profit of 3rd quarter.
- (vi) Gain on sale of investment is in the nature of occasional gain, so it cannot be deferred and hence the amount of ₹ 7.5 lakhs considered as

income of 1st quarter, will be reversed from the profit of the 3rd quarter.

Accordingly, the adjusted profit before tax for the 3rd quarter will be as follows:

Statement showing Adjusted Profit Before Tax for the third quarter

	(₹)
Profit before tax (as reported)	18,00,000
Add: Dividend income ₹ (8,00,000 - 2,00,000)	6,00,000
Excess depreciation charged in the 3rd quarter, due to change in the method	-
Extra ordinary gain ₹ (3,00,000-1,50,000)	1,50,000
Cumulative loss due to change in the method of inventory valuation should be applied retrospectively ₹ (5,00,000-3,00,000)	<u>2,00,000</u>
	27,50,000
 Less: Sales promotion expenses (70% of ₹ 15 lakhs)	(10,50,000)
Gain on sale of investment (occasional gain should not be deferred)	<u>(7,50,000)</u>
Adjusted Profit before tax for the third quarter	<u>9,50,000</u>

Answer 4

Journal Entries in the Books of Pickles Ltd.

		Debit (₹)	Credit (₹)
Realisation A/c	Dr.	16,50,000	
To Land & Building A/c			3,50,000
To Plant & Machinery A/c			3,00,000
To Furniture & Fixtures A/c			1,00,000
To Patent A/c			75,000
To Inventories A/c			5,25,000
To Trade Receivables A/c			3,00,000
(Being assets transferred to Realisation A/c)			
8% Debentures A/c	Dr.	1,00,000	
Trade Payables A/c	Dr.	1,75,000	
Other Current Liabilities A/c	Dr.	65,000	
Retirement Gratuity Fund A/c	Dr.	35,000	
To Realisation A/c			3,75,000
(Being liabilities transferred to Realisation A/c)			

Cash A/c To Realisation A/c (Being part of furniture sold)	Dr.	55,000	55,000
Foods Ltd. A/c To Realisation A/c (Being purchase consideration receivable)	Dr.	16,85,000	16,85,000
Cash A/c Equity Shares in Foods Ltd A/c Preference Shares in Foods Ltd A/c To Foods Ltd. A/c (Being consideration received)	Dr. Dr. Dr.	3,15,000 8,70,000 5,00,000	16,85,000
6% Preference Share Capital A/c Realization A/c To Preference Shareholders A/c (Being amount due to preference shareholders for capital and extra amount payable under the scheme of acquisition)	Dr. Dr.	5,00,000 1,35,000	6,35,000
Preference Shareholders A/c To Cash A/c To Pref. Shares in Foods Ltd A/c (Being payment made to preference shareholders)	Dr.	6,35,000	1,35,000 5,00,000
Equity Share Capital A/c General Reserve A/c Profit & Loss A/c Retirement Gratuity fund To Equity Shareholders A/c (Being various accounts representing capital, reserve, profit and loss account and others transferred to equity shareholder account)	Dr. Dr. Dr. Dr.	6,00,000 1,00,000 1,10,000 25,000	8,35,000

Equity Shareholders A/c To Cash A/c To Equity Shares in Foods Ltd A/c (Being payment made to equity shareholders)		11,65,000	2,95,000 8,70,000
Foods Ltd A/c To Cash A/c (Being liquidation expenses paid)	Dr.	22,500	22,500
Cash A/c To Foods Ltd A/c (Being reimbursement by Foods Ltd.)	Dr.	22,500	22,500
Realisation A/c To Equity Shareholders A/c (Being Profit on realization is transferred to equity shareholders)	Dr.	3,30,000	3,30,000

Realisation Account

(Journal Entries)

Particulars	Amount (₹)	Particulars	Amount (₹)
To Land & Building	3,50,000	By Debentures	1,00,000
To Plant & Machinery	3,00,000	By Trade Payables	1,75,000
To Furniture & Fixtures	1,00,000	By Other Current Liabilities	65,000
To Patent	75,000	By Ret. Gratuity Fund	35,000
To Inventories	5,25,000	By Cash (Sale of Furniture)	55,000
To Trade Receivables	3,00,000	By Foods Ltd (PC)	16,85,000
To Preference shareholder	1,35,000		
To Equity Shareholder A/c (Profit on realization)	<u>3,30,000</u>		
	21,15,000		21,15,000

Cash Account

	Particulars	Amount (₹)		Particulars	Amount (₹)
To	Balance b/d	60,000	By	Foods Ltd. A/c (Expenses)	22,500
To	Realisation A/c (Furniture Sale)	55,000	By	Pref. Shareholders A/c	1,35,000
To	Foods Ltd. A/c (Reimbursement)	22,500	By	Equity Shareholders A/c	2,95,000
To	Foods Ltd (Cash Part of PC) (1,35,000 + 1,80,000)	3,15,000			
		4,52,500			4,52,500

Working Notes:

1. Purchase Consideration

	₹	₹	Form
(i) Preference Shares: ₹ 27 per share	1,35,000		Cash
Preference shares	<u>5,00,000</u>	6,35,000	Preference shares
(ii) Equity shares: ₹ 30 per share	1,80,000		Cash
6,000 equity shares in Food Ltd. @ ₹ 145	<u>8,70,000</u>	<u>10,50,000</u>	Equity shares
		16,85,000	

Answer 5

(a) Consolidated statement of profit and loss of Birds Ltd. And its subsidiary Rooster Ltd. for the year ended on 31st March, 2025

Particulars	Note No.	
Revenue from operations	1	38,80,000
Other Income	2	<u>8,33,000</u>
Total revenue (I)		<u>47,13,000</u>
Expenses:		
Cost of material purchased/consumed	3	10,90,000
Changes (Increase) in inventories of finished goods	4	(6,20,000)
Employee benefit expense	5	11,53,000
Other expenses Total	6	<u>6,55,500</u>
expenses (II) Profit		<u>22,78,500</u>
before tax (II-III)		<u>24,34,500</u>

Notes to Accounts

1.	Revenue from operations			
	Sales and other operating revenues			
	Birds Ltd.		28,40,000	
	Rooster Ltd.		<u>10,40,000</u>	38,80,000
2.	Other Income			
	Dividend income:			
	Birds Ltd.	1,35,000		

	Less: Dividend received from Rooster Ltd. (2,50,000 × 12%)	(30,000)		
	Rooster Ltd.	<u>28,000</u>	1,33,000	
	Other Non-operating Income			
	Birds Ltd.	2,38,000		
	Rooster Ltd.	<u>57,000</u>	2,95,000	
	Rent received			
	Birds Ltd.	5,40,000		
	Less: Rent received by Birds Ltd. from Rooster Ltd. (11,250 × 12)	<u>(1,35,000)</u>	<u>4,05,000</u>	8,33,000
3.	Cost of material purchased/consumed			
	Birds Ltd.	9,15,000		
	Rooster Ltd.	<u>1,75,000</u>		10,90,000
4.	Changes (Increase) in inventories of finished goods			
	Birds Ltd. (7,85,000 - 3,35,000)		4,50,000	
	Rooster Ltd. (2,90,000 - 1,20,000)		<u>1,70,000</u>	6,20,000
5.	Employee benefits and expenses			
	Salaries:			
	Birds Ltd.		7,75,000	
	Rooster Ltd.		<u>3,78,000</u>	11,53,000
6.	Other expenses			
	General & Administrative expenses:			
	Birds Ltd.	2,81,500		
	Rooster Ltd.	1,98,000		
	Less: Rent paid to Birds Ltd.	<u>(1,35,000)</u>	3,44,500	
	Selling and distribution Expenses:			
	Birds Ltd.	2,21,000		

Less: paid to Rooster Ltd	(15,000)		
Rooster Ltd.	90,000		
Add: Received from Birds Ltd.	<u>15,000</u>	3,11,000	6,55,500

Note:

An amount of ₹ 15,000 was added under Selling and Distribution Expenses of Rooster Ltd. due to a rectification entry, while ₹ 15,000 was deducted from Birds Ltd. under the same head to account for the set-off of inter-company transactions.

(b) Calculation of capital reserve/goodwill at the date of acquisition Case

(i) it is assumed Dividend is paid out of post-acquisition profits Total

dividend paid is ₹ 25,000 hence dividend received by Rubber will be credited to P & L.

Rubber Ltd.'s share of dividend = ₹ 25,000 X 70% = ₹ 17,500

Goodwill on consolidation (at the date of acquisition):		
Cost of shares		4,05,000
Less: Face value of capital i.e. 70% of capital 5,00,000	3,50,000	
Add: Share of capital profits [70,000 X 70%]	<u>49,000</u>	<u>(3,99,000)</u>
Goodwill		<u>6,000</u>

Case (ii) it is assumed Dividend is received out of pre-acquisition profits.

Since dividend received is for pre-acquisition period, it has been reduced from the cost of investment in the subsidiary company.

Goodwill on consolidation (at the date of acquisition):		
Cost of shares		4,05,000
Less: dividend received		<u>(17,500)</u>
		3,87,500
Less: Face value of capital i.e. 70% of capital 5,00,000	3,50,000	
Add: Share of capital profits [70,000 X 70%]	<u>49,000</u>	<u>(3,99,000)</u>
Capital reserve		<u>11,500</u>

Answer 6

- (a) Accounting Standards are the written policy documents issued by Government relating to various aspects of measurement, treatment, presentation and disclosure of accounting transactions and events.

Following are the objectives of Accounting Standards:

- a. Accounting Standards harmonize the diverse accounting policies and practices followed by different companies in India.
- b. Accounting Standards facilitates the preparation of financial statements and make them comparable.
- c. Accounting Standards give a sense of faith and reliability to the users.

The main advantage of setting accounting standards are as follows:

- a. Accounting Standards makes the financial statements of different companies comparable which helps investors in decision making.
- b. Accounting Standards prevent any misleading accounting treatment.
- c. Accounting Standards prevent manipulation of data by the management.

OR

(a) Statement Showing Impairment Loss

(₹ in lakhs)	
Carrying amount of the machine as on 1 st April, 2019	60
Depreciation for 3 years i.e. 2019-2020 to 2021-2022 [$\frac{60 \text{ Lakh}}{6 \text{ years}} \times 3 \text{ years}$]	(30)
Carrying amount as on 31.03.2022	30
Add: Upward Revaluation (credited to Revaluation Reserve account)	<u>6</u>
Carrying amount of the machine as on 1 st April, 2022 (revalued)	36
Less: Depreciation for 2 years i.e. 2022-2023 & 2023-2024 [$\frac{36 \text{ Lakh}}{3 \text{ years}} \times 2 \text{ years}$]	<u>(24)</u>
Carrying amount as on 31.03.2024	12
Less: Recoverable amount	<u>(9)</u>
Impairment loss	<u>3</u>
Less: Balance in revaluation reserve as on 31.03.2024:	6
Less: Enhanced depreciation met from revaluation reserve 2022-2023 & 2023-2024 = [(12 – 10) x 2 years]	<u>(4)</u>
Impairment loss set off against revaluation reserve balance as per para 58 of AS 28 "Impairment of Assets"	<u>(2)</u>
Impairment Loss to be debited to profit and loss account	<u>1</u>

(b)

Amount that can be drawn from reserves for 9% dividend	
9% dividend on ₹ 95,00,000	₹ 8,55,000
Profits available	
Current year profit	<u>(3,75,000)</u>
Amount which can be utilised from reserves	<u>4,80,000</u>

Conditions as per Companies (Declaration of dividend out of Reserves) Rules, 2014:

Condition I

Since 9% is lower than the average rate of dividend (12.5%), 9% dividend can be declared.

Thus, this condition is satisfied.

Condition II

Maximum amount that can be drawn from the accumulated profits and reserves should not exceed 10% of paid up capital plus free reserves i.e. ₹ 11,35,000 [10% of (95,00,000+18,50,000)].

Thus, this condition too is satisfied.

Condition III

The balance of reserves after drawl ₹ 13,70,000 (₹ 18,50,000 - ₹ 4,80,000) should not fall below 15.

% of its paid up capital i.e. ₹ 14,25,000 (15% of ₹ 95,00,000]

Thus, this condition is not satisfied, the company cannot withdraw ₹ 4,80,000 from accumulated reserves.

Conclusion:

Since condition-III is not satisfied, the Day Ltd cannot declare dividend @ 9%. However, all three conditions to be satisfied, Day Ltd. can MAXIMUM utilize ₹ 4,25,000 and pay dividend to that extent.

**(c) Trading and Profit and Loss A/c
for the year ended 31st March 2025**

	Head office ₹	Branch ₹		Head office ₹	Branch ₹
To Opening stock	75,000	-	By Sales	10,25,000	2,70,000
To Purchases	9,25,000	-	By Goods sent to branch	3,60,000	-
To Goods received from head office	-	3,60,000	By Closing stock (W.N. 1 & 2)	1,34,375	1,20,000

To Gross profit c/d	<u>5,19,375</u>	<u>30,000</u>			
	<u>15,19,375</u>	<u>3,90,000</u>		<u>15,19,375</u>	<u>3,90,000</u>
To Office expenses	9,000	3,000	By Gross profit b/d	5,19,375	30,000
To Staff salaries	13,700	2,500			
To Branch Stock Reserve (W.N.3)	45,000	-			
To Net Profit	<u>4,51,675</u>	<u>24,500</u>			
	<u>5,19,375</u>	<u>30,000</u>		<u>5,19,375</u>	<u>30,000</u>

Working Notes

(1)	Calculation of closing stock of head office:	₹
	Opening Stock of head office	75,000
	Goods purchased by head office	<u>9,25,000</u>
		10,00,000
	Less: Cost of goods sold $[(10,25,000 + 3,60,000 \times 100/160)]$	<u>(8,65,625)</u>
		<u>1,34,375</u>
(2)	Calculation of closing stock of branch:	₹
	Goods received from head office [At invoice value]	3,60,000
	Less: Invoice value of goods sold $[2,70,000 \times 160/180]$	<u>(2,40,000)</u>
		<u>1,20,000</u>
(3)	Calculation of unrealized profit in branch stock:	
	Branch stock	₹ 1,20,000
	Profit included	60% of cost
	Hence, unrealized profit would be = $₹ 1,20,000 \times 60/160$	₹ 45,000



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CA. Parveen Sharma is a first-class commerce graduate from Delhi University, has done his graduation from Sri Venkateswara College. He qualified for his Chartered Accountancy Course and was a rank holder in the Intermediate and Finals. He topped the Delhi University by scoring 100% in Accountancy. Parveen Sharma completed his post-graduation in Indian Accounting Standards and US GAAP in July 2007.



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