Mock Test Paper - Series I: November, 2025

Date of Paper: 17h November, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP – I

PAPER – 1: FINANCIAL REPORTING

Time Allowed – 3 Hours **Maximum Marks – 100**

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*

PART I – Case Scenario based MCQs (30 Marks)

Part I is compulsory.

Case Scenario 1

X Ltd. is engaged in many businesses for which it is in the process of acquiring fixed assets and intangible assets. X Ltd. prepares its financial statements following Ind AS and follows April-March as its financial year.

X Ltd. has paid an advance tax amounting to ₹ 5,30,000 during the current year. Out of the said paid tax, ₹ 30,000 is paid for tax on long term capital gains.

X Ltd. acquires fixed asset of ₹ 10,00,000 from Y Ltd. by accepting the liabilities of ₹ 8,00,000 of Y Ltd. and balance amount it paid in cash.

X Ltd. acquired a trademark on 31st March, 20X1 for ₹ 1,00,000. The asset was revalued at ₹ 1,20,000 on 31st March, 20X2 and ₹ 85,000 on 31st March, 20X3.

X Ltd. acquired patent on 31st March, 20X1 for ₹ 1,00,000. The asset was revalued at ₹ 85,000 on 31st March, 20X2 and at ₹ 1,05,000 on 31st March, 20X3.

X Ltd. uses the revaluation model.

X Ltd. enters into a ten-year contract with A Ltd. for the use of rolling stock specifically designed for X Ltd. The rolling stock is designed to transport materials used in X Ltd.'s production process and is not suitable for use by other customers. The rolling stock is not explicitly specified in the contract but A Ltd. owns only one rolling stock that is suitable for X Ltd.'s use. If the rolling stock does not operate properly, the contract requires A Ltd. to repair or replace the rolling stock.

The company has faced certain issues and for their solution seeks your professional advice.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 1 to 5 in line with relevant Ind AS:

1. Under which activity the advance tax amounting to ₹ 5,30,000 be classified in the statement of cash flows of X Ltd.?

   (a) ₹ 5,30,000 to be shown under operating activities.

   (b) ₹ 5,30,000 to be shown under investing activities.

   (c) ₹ 5,00,000 to be shown under investing activities. ₹ 30,000 to be shown under operating activities.

   (d) ₹ 5,00,000 to be shown under operating activities. ₹ 30,000 to be shown under investing activities.

2. What will the accounting treatment of fixed assets bought and liabilities assumed by X Ltd., in its statement of cash flows?

   (a) X Ltd. should classify only cash payment of ₹ 2,00,000 under investing activities and remaining ₹ 8,00,000 being non-cash transactions – liabilities and asset should be disclosed in the notes to the financial statements.

   (b) X Ltd. should classify only cash payment of ₹ 10,00,000 under investing activities and ₹ 8,00,000 in the financing activities.

   (c) X Ltd. should classify only cash payment of ₹ 2,00,000 under operating activities and remaining ₹ 8,00,000 being non-cash transactions-liabilities and asset, should be disclosed in the notes to the financial statements.

   (d) ₹ 2,00,000 should be shown as cash and cash equivalent and remaining ₹ 8,00,000 being non-cash transactions – liabilities and asset should be disclosed in the notes to the financial statements.

3. What will be the treatment for revaluation of trademark on 31st March, 20X3? Ignore computation of amortization on it.

   (a) ₹ 35,000 of the revaluation decrease on 31st March, 20X3 should be debited to revaluation reserve account in other comprehensive income.

(b) ₹ 35,000 of the revaluation decrease on 31st March, 20X3 should be debited as expense in the profit and loss account.

(c) ₹ 20,000 of the revaluation decrease on 31st March, 20X3 should be debited to revaluation reserve in other comprehensive income and remaining ₹ 15,000 should be recognized as an expense in the profit and loss account.

(d) No adjustment to be made in other comprehensive income and only ₹ 15,000 should be recognized as an expense in the profit and loss account.

4. What will be the treatment for revaluation of patent on 31st March, 20X3? Ignore computation of amortization on it.

(a) ₹ 5,000 net increase on 31st March, 20X3 should be recognized as income in the profit and loss account.

(b) ₹ 15,000 out of the ₹ 20,000 increase on 31st March, 20X3 should be recognized as income in the profit and loss account and remaining ₹ 5,000 should be credited to revaluation reserve in other comprehensive income.

(c) ₹ 20,000 increase on 31st March, 20X3 should be recognized as income in the profit and loss account.

(d) ₹ 20,000 increase on 31st March, 20X3 should be credited to revaluation reserve and recognized in other comprehensive income.

5. State which of the following statement is correct with respect to the contract entered by X Ltd. with A Ltd.

(a) Rolling stock is an identified asset though it is not explicitly specified in the contract

(b) Rolling stock is not an identified asset since it is not explicitly specified in the contract

(c) Rolling stock is not an identified asset even if it is explicitly specified in the contract

(d) Rolling stock is not an identified asset even if it is explicitly or implicitly specified in the contract. **(5 x 2 = 10 Marks)**

Case Scenario 2

PQR Ltd. is engaged in providing a wide range of telecommunications services, including mobile connectivity, broadband and enterprise network solutions. It prepares its financial statements in accordance with Ind AS and follows the financial year for the purpose of accounting and reporting.

A customer buys modem from PQR Ltd. However, customer can also get the connection from PQR Ltd. and modem from any other vendor. The installation activity requires limited effort and the cost involved is almost insignificant. It has various plans where it provides either broadband services or voice call services or both.

PQR Ltd. has 350 employees (same as a year ago). The average staff attrition rates observed during past 10 years represents 6% per annum. PQR Ltd. provides to all its employees, paid vacation of 10 days per year regardless of date of hiring. Compensation for paid vacation is 100% of employee's salary and unused vacation can be carried forward for 1 year. As of 31st March, 20X1, unused vacation carried forward was 3 days per employee, average salary was ₹ 15,000 per day and accrued expense for unused vacation in 20X0-20X1 was ₹ 65,00,000. During 20X1-20X2, employees took 9 days of vacation in average. Salary increases in 20X1-20X2 was 10%.

PQR Ltd. had taken 6-year term loan in April 20X0 from bank and paid processing fees at the time of sanction of loan. The term loan is disbursed in different tranches from April 20X0 to April 20X6. On the date of transition to Ind AS, i.e. 1st April 20X5, it has calculated the net present value of term loan disbursed upto 31st March 20X5 by using effective interest rate and proportionate processing fees has been adjusted in disbursed amount while calculating net present value.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 6 to 10 in line with relevant Ind AS:

6. How many performance obligations are there?

   (a) Broadband Service

   (b) Voice Call services

   (c) Modem

   (d) All of the above

7. What would be the total unused vacation in terms of man-days as on 31st March, 20X2?

   (a) 21 man-days

   (b) 1,295 man-days

   (c) 1,316 man-days

   (d) 1,337 man-days

8. By what amount should PQR Ltd. make provision for unused paid vacation for the year 20X1-20X2?

   (a) ₹ 2,20,60,500

   (b) ₹ 2,17,14,000

   (c) ₹ 2,13,67,500

   (d) ₹ 3,46,500

9. What would be the accounting treatment of the processing fee belonging to undisbursed term loan amount, in case future drawdown is probable?

   (a) The processing fee is accounted for as a transaction cost under Ind AS 109 but not deferred and deducted from the carrying value of the financial liabilities when the draw down occurs.

   (b) The processing fee is accounted for as a transaction cost under Ind AS 109 and the fee is deferred and deducted from the carrying value of the financial liabilities when the draw down occurs and considered in the effective interest rate calculations.

   (c) The processing fee is recognised as an expense on a straight-line basis over the term of the loan.

   (d) The processing fee is not accounted for as a transaction cost under Ind AS 109 but is deferred and deducted from the carrying value of the financial liabilities when the draw down occurs and considered in the effective interest rate calculations.

10. What would be the accounting treatment of the processing fee belonging to undisbursed term loan amount, in case future drawdown is not probable?

(a) The processing fee is accounted for as a transaction cost under Ind AS 109 but not deferred and deducted from the carrying value of the financial liabilities when the draw down occurs.

(b) The processing fee is accounted for as a transaction cost under Ind AS 109 and the fee is deferred and deducted from the carrying value of the financial liabilities when the draw down occurs and considered in the effective interest rate calculations.

(c) The processing fee is not accounted for as a transaction cost and recognised as an expense on a straight-line basis over the term of the loan.

(d) The processing fee is not accounted for as a transaction cost under Ind AS 109 but is deferred and deducted from the carrying value of the financial liabilities when the draw down occurs and considered in the effective interest rate calculations. **(5 x 2 = 10 Marks)**

Case Scenario 3

ABC Ltd. prepares consolidated financial statements up to 31st March each year. On 1st July 20X1, ABC Ltd. acquired 75% of the equity shares of JKL Ltd. and gained control of JKL Ltd. The issued shares of JKL Ltd. is 1,20,00,000 equity shares. Details of the purchase consideration are as follows:

- On 1st July, 20X1, ABC Ltd. issued two shares for every three shares acquired in JKL Ltd. On 1st July, 20X1, the market value of an equity share in ABC Ltd. was ₹ 6.50 and the market value of an equity share in JKL Ltd. was ₹ 6.
- On 30th June, 20X2, ABC Ltd. will make a cash payment of ₹ 71,50,000 to the former shareholders of JKL Ltd. who sold their shares to ABC Ltd. on 1st July, 20X1. On 1st July, 20X1, ABC Ltd. would have to pay interest at an annual rate of 10% on borrowings.
- On 30th June, 20X3, ABC Ltd. may make a cash payment of ₹ 3,00,00,000 to the former shareholders of JKL Ltd. who sold their shares to ABC Ltd. on 1st July, 20X1. This payment is contingent upon the revenues of ABC Ltd. growing by 15% over the two-year period from 1st July, 20X1 to 30th June, 20X3. On 1st July, 20X1, the fair value of this contingent consideration was ₹ 2,50,00,000. On 31st March, 20X2, the fair value of the contingent consideration was ₹ 2,20,00,000.

On 1st July, 20X1, the carrying values of the identifiable net assets of JKL Ltd. in the books of that company was ₹ 6,00,00,000. On 1st July, 20X1, the fair values of these net assets was ₹ 7,00,00,000. The rate of deferred tax to apply to temporary differences is 20%.

During the nine months ended on 31st March, 20X2, JKL Ltd. had a poorer than expected operating performance. Therefore, on 31st March, 20X2 it was necessary for ABC Ltd. to recognise an impairment of the goodwill arising on acquisition of JKL Ltd., amounting to 10% of its total computed value.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 11 to 13 in line with relevant Ind AS:

11. What would be the amount of net assets on the acquisition date?

    (a) ₹ 7,00,00,000

    (b) ₹ 6,80,00,000

    (c) ₹ 6,00,00,000

    (d) ₹ 5,60,00,000

12. What will be the amount of Goodwill, in case non-controlling interest is measured at fair value?

    (a) ₹ 2,05,00,000

    (b) ₹ 1,95,00,000

    (c) ₹ 1,80,00,000

    (d) ₹ 1,70,00,000

13. What will be the amount of Goodwill, in case non-controlling interest is measured at proportionate share of fair value of net assets of JKL Ltd.?

    (a) ₹ 2,05,00,000

    (b) ₹ 1,95,00,000

    (c) ₹ 1,80,00,000

    (d) ₹ 1,70,00,000 **(3 x 2 = 6 Marks)**

Case Scenario 4

On 1st April, 20X1, S Ltd. issued 30,000 6% convertible debentures of face value of ₹ 100 per debenture at par. The debentures are redeemable at a premium of 10% on 31st March 20X5 or these may be converted into ordinary shares at the option of the holder. The interest rate for equivalent debentures without conversion rights would have been 10%. The date of transition to Ind AS is 1st April 20X3.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 14 and 15 in line with relevant Ind AS:

14. What would be the accounting treatment of 6% convertible debentures on the date of transition?

    (a) Since the liability is outstanding on the date of transition, S Ltd. will need to split the convertible debentures into debt and equity portion on the date of transition.

    (b) Since the liability is outstanding on the date of transition, S Ltd. will not split the convertible debentures into debt and equity portion on the date of transition.

    (c) The entire outstanding amount will be recognised as equity on the date of transition as these may be converted into ordinary shares.

    (d) On the date of transition, the outstanding amount will be considered as repaid immediately.

15. What would be the amount of financial liability to be recognised in the books of S Ltd. on transition date?

    (a) ₹ 31,50,000

    (b) ₹ 30,27,666

    (c) ₹ 29,16,060

    (d) ₹ 28,14,600 **(2 x 2 = 4 Marks)**

Part II – Descriptive Questions

Question No.1 is compulsory. Candidates are required to answer any four questions from the remaining five questions.

Working notes should form part of the answers.

Maximum Marks – 70 Marks

1. P Limited and S Limited are in business of manufacturing garments. P Limited holds 30% of equity shares of S Limited for last several years. P Limited obtains control of S Limited when it acquires further 65% stake of S Limited's shares, thereby resulting in a total holding of 95% on 31st March, 20X1. The acquisition had the following features:

   (i) P Limited transfers cash of ₹ 50,00,000 and issues 90,000 shares on 31st March, 20X1. The market price of P Limited's shares on the date of issue was ₹ 10 per share. The equity shares issued as per this transaction will comprise 5% of the post-acquisition capital of P Limited.

   (ii) P Limited agrees to pay additional consideration of ₹ 4,00,000, if the cumulative profits of S Limited exceeds ₹ 40,00,000 over the next two years. At the acquisition date, it is not considered probable that extra consideration will be paid. The fair value of contingent consideration is determined to be ₹ 2,00,000 at the acquisition date.

   (iii) P Limited spent acquisition-related costs of ₹ 2,00,000.

   (iv) The fair value of the NCI is determined to be ₹ 5,00,000 at the acquisition date based on market price. P Limited decided to measure non-controlling interest at fair value for this transaction.

   (v) P Limited has owned 30% of the shares in S Limited for several years. At 31st March, 20X1, the investment is included in P Limited's consolidated balance sheet at ₹ 8,00,000. The fair value of previous holdings accounted for using the equity method is arrived at ₹ 18,00,000.

   The fair value of S Limited's net identifiable assets at 31st March, 20X1 is ₹ 45,00,000, determined in accordance with Ind AS 103.

   Analyze the transaction and determine the accounting under acquisition method for the business combination by P Limited. **(14 Marks)**

2. (a) On 1st April, 20X1, a bank provides an entity with a four-year loan of ₹ 5,000 on normal market terms, including charging interest at a fixed rate of 8% per year. Interest is payable at the end of each year. The figure of 8% is the market rate for similar four-year fixed-interest loans with interest paid annually in arrears.

Transaction cost of ₹ 100 is incurred on originating the loan. Effective interest rate in this case is 8.612%.

In 20X1-20X2, the entity experienced financial difficulties. On 31st March, 20X2, the bank agreed to modify the terms of the loan. Under the new terms, the interest payments in 20X2-20X3 to 20X4-20X5 will be reduced from 8% to 5%. The entity paid the bank a fee of ₹ 50 for paperwork relating to the modification.

Analyse whether the modification of the loan terms constitutes an extinguishment of the original financial liability or not. **(10 Marks)**

(b) Charm Limited (the 'Company') is a manufacturing company, which is into manufacturing of wires and cables and has assessed its operating cycle to be 15 months. The Company has some trade receivables which are receivable within a period of 12 months from the reporting date i.e. 31st March 20X1.

With respect to the following transactions, which took place during the financial year 20X0-20X1, give your opinion based on relevant Ind AS:

- The Company has received a contract of ₹ 10 crore on 31st March 20X1. The terms of the contract require the Company to make a security deposit of 20% of the contract value with the customer. The Company made a security deposit of ₹ 2 crore on 31st March 20X1. This contract will be completed in about 14 months. 70% of the deposit will be refunded immediately and the balance 30% of the deposit will be refunded after 3 months from the completion of the contract. The Company wants to present the security deposit of ₹ 2 crore as non-current. Is the management's decision correct?
- The Company has some trade receivables that are due after 14 months from the date of the balance sheet; the management of the Company expects to receive the amount within the period of the operating cycle. Despite the fact that these are receivables in 14 months, the management would like to present these as current. Is the management's decision correct?
- In the normal course of business, the Company has given 2 contracts and received a total security deposit of ₹ 4 crore. ₹ 3 crore is received from X Limited and ₹ 1 crore is received from Y Limited on 31st March 20X1. These are repayable on completion of the contract. However, if the contract is cancelled within the contract term of 18 months, then the deposit becomes payable immediately. The Company is positive about the contract with X Limited but is in doubt about the contract received from Y Limited. The Company wants to present the amount of ₹ 3 crore as non-current and

₹ 1 crore as current in the balance sheet. Is the management's decision correct?

- The Company is planning to replace a machinery. It has given an advance of ₹ 1 crore for purchase of new machinery which will be delivered in 6 months from the date of the balance sheet. It has sold the old machinery for ₹ 0.5 crore, the payment of which is due in 10 months from the date of the balance sheet. The Company wants to present both these amounts as current since they will be settled within twelve months from the end of the reporting period. Is the management's decision correct? **(4 Marks)**

3. (a) On 1st April 20X3, Jackson Ltd. purchased some land for ₹ 10 million. Jackson Ltd. purchased the land in order to build a Plant for manufacturing generator parts. During the six months from 1st April 20X3 to 30th September 20X3, Jackson Ltd. incurred costs totaling ₹ 3.5 million in preparing the land and erecting the structure of the Plant. This process caused some damage to the land for making it suitable for setting up the Plant. Jackson Ltd. began operations on 1st October 20X3 and the directors estimate that the Plant site would have useful economic life of 10 years from that date.

Jackson Ltd. is legally obliged to rectify the damage caused to the land for setting up the Plant. The directors estimate that the costs of this rectification after 10 years on 30th September, will be as follows:

(i) ₹ 3 million to rectify the damage caused by the preparation of the land for setting up the Plant.

(ii) ₹ 0.2 million for each year to rectify the damage caused owing to effluent generated out of the production process of the Plant.

Following this rectification work the land could potentially be sold to a third party for no less than its original cost of ₹ 10 million.

An annual discount rate appropriate for this project is 12%. The present value of ₹ 1 payable in 10 years' time with an annual discount rate of 12% is 32.2 paise. The present value of ₹ 1 payable in 9½ years' time with an annual discount rate of 12% is 34.1 paise.

What is the implication of rectification of damage of land mentioned in the case study? What is the relevant provision related to this concept under IFRS?

(8 Marks)

(b) On 1st April 20X1, A Ltd. acquired 12 Cr shares (representing 80% stake) in B Ltd. by means of a cash payment of ₹ 25 Cr. It is the group policy to value the non-controlling interest in subsidiaries at the date of acquisition at fair value. The market value of an equity share in B Ltd. at 1st April 20X1 can be used for this purpose. On 1st April 20X1, the market value of a B Ltd. share was ₹ 2.00.

On 1st April 20X1, the individual financial statements of B Ltd. showed the net assets at ₹ 23 Cr.

The directors of A Ltd. carried out a fair value exercise to measure the identifiable assets and liabilities of B Ltd. at 1st April 20X1. The following matters emerged:

– Property having a carrying value of ₹ 15 Cr at 1st April 20X1 had an estimated market value of ₹ 18 Cr at that date.

– Plant and equipment having a carrying value of ₹ 11 Cr at 1st April 20X1 had an estimated market value of ₹ 13 Cr at that date.

– Inventory in the books of B Ltd. is shown at a cost of ₹ 2.50 Cr. The fair value of the inventory on the acquisition date is ₹ 3 Cr.

The fair value adjustments have not been reflected in the individual financial statements of B Ltd. In the consolidated financial statements, the fair value adjustments will be regarded as temporary differences for the purposes of computing deferred tax. The rate of deferred tax to apply to temporary differences is 20%.

Assume that the current book value (prior to fair valuation exercise under Ind AS 103) equals the tax base.

Calculate the deferred tax impact on above and calculate the goodwill arising on acquisition of B Ltd. **(6 Marks)**

4. (a) Sewa Dairy Limited prepares financial statements on 31st March each year. On 1st April 20X0 the Company carried out the following transactions:

- Purchased a land for ₹ 60 lakh.
- Purchased 200 dairy cows (Average age at 1st April 20X0 - 2 years) for ₹ 20 lakh. Received a non-refundable grant of ₹ 10 lakh towards the acquisition of the cows.

During the year ending 31st March 20X1, the Company on its dairy cows incurred ₹ 8.50 lakh to maintain their condition (food and protection) and ₹ 4.60 lakh as breeding fee to a local farmer.

On 1st October 20X0,120 calves were born. There were no other changes in the number of animals during the year ended 31st March 20X1. Sewa Dairy Limited had 3,200 litres of unsold milk in inventory as on 31st March 20X1. The milk was sold on 1st and 2nd April· 20X1 at market prices.

The information regarding fair values is as follows:

Items	**Fair values less cost to sell (All values in ₹)**		
	1st April 20X0	**1st October 20X0**	**31st March 20X1**
Land	60 Lakhs	70 Lakhs	80 Lakhs
New-born calves (per calf)	2,000	2,300	2,500
6 months old calves (per calf)	2.,200	2;500	2,800
2 years old cow (per cow)	10,000	10,250	10,500
3 years old cow (per cow)	10,500	10,800	11,000
Milk per litre	25	27	30

Prepare extracts from the Balance Sheet (assuming land under cost method) and Statement of Profit and Loss that would be reflected in the financial statements of Sewa Dairy Limited for the year ended 31st March 20X1. Discuss the relevant Ind AS in support of your workings. **(8 Marks)**

(b) PQR Ltd. is the company which has performed well in the past but one of its major assets, an item of equipment, suffered a significant and unexpected deterioration in performance. Management expects to use the machine for a further four years after 31st March 20X6, but at a reduced level. The equipment will be scrapped after four years. The financial accountant for PQR Ltd. has produced a set of cash-flow projections for the equipment for the next four years, ranging from optimistic to pessimistic. CFO thought that the projections were too conservative, and he intended to use the highest figures each year. These were as follows:

	₹ '000
Year ended 31st March 20X7	276
Year ended 31st March 20X8	192
Year ended 31st March 20X9	120
Year ended 31st March 20Y0	114

The above cash inflows should be assumed to occur on the last day of each financial year. The pre-tax discount rate is 9%. The machine could have been sold at 31st March 20X6 for ₹ 6,00,000 and related selling expenses in this regard could have been ₹ 96,000. The machine had been revalued previously, and at 31st March 20X6 an amount of ₹ 36,000 was held in revaluation surplus in respect of the asset. The carrying value of the asset at 31st March 20X6 was ₹ 6,60,000. The Indian government has indicated that it may compensate the company for any loss in value of the assets up to its recoverable amount.

Calculate impairment loss, if any and revised depreciation of asset. Also suggest how Impairment loss, if any would be set off and how compensation from government be accounted for? **(6 Marks)**

5. (a) Big Deal Ltd. is a marketing company having its departmental stores in 'A' class city of India. The company sells the diversified products. For the purpose of increasing sales and attract customers, the company during the financial year 20X3-20X4, has adopted the following policy:

(i) For every purchase of ₹ 400 the customer is awarded with 6 points.

(ii) Each point is redeemable on any future purchases of company's same departmental store situated in any of 'A' class city within 3 years i.e. up to 31st March, 20X6

(iii) Value of each award point is ₹ 0.60

During the financial year 20X3-20X4, the Big Deal Ltd:

(i) Assessed that the sales of the company during the year 20X3-20X4 is ₹ 150 lakhs.

(ii) Awarded 2,25,000 points to various customers during the year.

(iii) Estimated that out of the awarded points, 54,000 points will remain unredeemed as at 31st March, 20X4 which shall be eligible for redemption till 31st March, 20X6 and;

(iv) Expects only 75% points will be redeemed in the future.

As an accountant of the company, you are required to suggest the accounting treatment (Consolidated Journal Entries) in the following case:

How should the sales and redemption transactions be recognized and recorded as independent transactions in the financial year 20X3-20X4 as per Ind AS 115?

(7 Marks)

(b) Special Limited is a multinational entity that owns 3 properties. All 3 properties were purchased on 1st April, 20X0. The following details were furnished:

Particulars	Property 1	Property 2	Property 3
Purchase Price	₹ 7,50,000	₹ 10,50,000	₹ 12,00,000
Estimated life	10 years	15 years	15 years
Fair value as on 31st March, 20X1	₹ 8,00,000	₹ 9,50,000	₹ 13,00,000

The Company uses Property 1 and Property 2 for its business purposes. The Company is exploring the opportunity to sell Property 3 if it gets reasonable consideration. Till the time it is not sold, the Company has rented the property.

It has adopted revaluation model for subsequent measurement of these properties. The depreciation is charged on straight line method. However, the Company has not charged any depreciation on Property 1 and Property 3 for the current year since the fair value of properties exceeds their carrying amount. The difference between their fair value and carrying amount has been recognized in the statement of profit and loss. The properties are shown under the head property, plant and equipment in the Balance Sheet.

Analyze whether the accounting policies adopted by the Company in relation to the given properties are in accordance with Ind AS. If not, advise the correct treatment and present an extract of the Balance Sheet for the year ended 31st March 20X1. **(7 Marks)**

6. (a) Company X has identified one of its division (disposal group) to be sold to a prospective buyer and the Board has approved the plan to sell the division on 30th September, 20X1. The sale is expected to complete after one year but it still qualifies to be held for sale under Appendix B of Ind AS 105. Costs to sell the division is estimated to be ₹ 10 crores (to be incurred in March, 20X3). The fair value of the division is ₹ 400 crores (on 30th September, 20X1 and 31st March, 20X2) and carrying value is ₹ 500 crores.

How shall such a division (disposal group) be measured under Ind AS 105 on following reporting dates:

A. 30th September, 20X1

B. 31st March, 20X2

Consider the discounting factor @ 10% for 1 year to 0.909 and for 1.5 years to be 0.867. **(5 Marks)**

(b) Discuss how "Cloud Computing" has positively impacted the accounting function and list out the challenges faced by the users of it in cloud computing environment.

(5 Marks)

(c) **Either**

ABC Ltd. is a long-standing customer of XYZ Ltd. Mrs. P whose husband is a director in XYZ Ltd. purchased a controlling interest in entity ABC Ltd. on 1st June, 20X1. Sales of products from XYZ Ltd. to ABC Ltd. in the two-month period from 1st April 20X1 to 31st May 20X1 totalled ₹ 8,00,000. Following the share purchase by Mrs. P, XYZ Ltd. began to supply the products at a discount of 20% to their normal selling price and allowed ABC Ltd. three months' credit (previously ABC Ltd. was only allowed one month's credit, XYZ Ltd.'s normal credit policy). Sales of products from XYZ Ltd. to ABC Ltd. in the ten-month period from 1st June 20X1 to 31st March 20X2 totalled ₹ 60,00,000. On 31st March 20X2, the trade receivables of XYZ Ltd. included ₹ 18,00,000 in respect of amounts owing by ABC Ltd.

Analyse and show (where possible by quantifying amounts) how the above event would be reported in the financial statements of XYZ Ltd. for the year ended 31st March 20X2 as per Ind AS. You are required to mention the disclosure requirements as well. **(4 Marks)**

Or

You are required to analyse the following cases and advise whether they are related with prior period errors or change in accounting estimate.

(a) As per the judgement of the court an arrear of salaries and wages relating to previous year amounting to ₹ 15,00,000 will be paid in the current year. At the end of the previous year, the management of the company was of the opinion that arrears of salaries and wages would not be required to be paid and accordingly no provision was made at the end of previous year.

Assume that the judgement of court has been received after the approval of previous year's financial statements of the reporting entity and the probability for payment of arrears of salaries and wages was remote in the previous year.

(b) Expenses of ₹ 1,50,000 of the previous year which were omitted from books of accounts of the previous year due to an oversight

(c) The amount of provision for doubtful debts as at the end of the previous year was ₹ 10,00,000 of which debts of ₹ 6,00,000 were realized during the current year.

(d) Company had taken a Group Insurance policy. During the previous year due to a mistake of Insurance Company the company paid less premium, which insurance company is demanding to pay now. **(4 Marks)**

Mock Test Paper - Series I: November, 2025

Date of Paper: 17h November, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP – I

PAPER – 1: FINANCIAL REPORTING

ANSWER TO PART – I CASE SCENARIO BASED MCQS

1. **Option (d)** ₹ 5,00,000 to be shown under operating activities. ₹ 30,000 to be shown under investing activities.

2. **Option (a)** X Ltd. should classify only cash payment of ₹ 2,00,000 under investing activities and remaining ₹ 8,00,000 being non-cash transactions – liabilities and asset should be disclosed in the notes to the financial statements.

3. **Option (c)** ₹ 20,000 of the revaluation decrease on 31st March, 20X3 should be debited to revaluation reserve in other comprehensive income and remaining ₹ 15,000 should be recognized as an expense in the profit and loss account.

4. Option (b) ₹ 15,000 out of the ₹ 20,000 increase on 31st March, 20X3 should be recognized as income in the profit and loss account and remaining ₹ 5,000 should be credited to revaluation reserve in other comprehensive income.

5. **Option (a)** Rolling stock is an identified asset though it is not explicitly specified in the contract

6. **Option** (d) All of the above

7. **Option** (d) 1,337 man-days

8. **Option** (a) ₹ 2,20,60,500

9. **Option** (b) The processing fee is accounted for as a transaction cost under Ind AS 109 and the fee is deferred and deducted from the carrying value of the financial liabilities when the draw down occurs and considered in the effective interest rate calculations.

10. **Option** (c) The processing fee is not accounted for as a transaction cost and recognised as an expense on a straight-line basis over the term of the loan.

11. **Option** (b) ₹ 6,80,00,000

12. **Option** (a) ₹ 2,05,00,000

13. **Option** (b) ₹ 1,95,00,000

14. **Option** (a) Since the liability is outstanding on the date of transition, S Ltd. will need to split the convertible debentures into debt and equity portion on the date of transition

15. Option (b) ₹ 30,27,666

ANSWERS OF PART – II : DESCRIPTIVE QUESTIONS

1. Identify the acquirer

In this case, P Limited has paid cash consideration to shareholders of S Limited. Further, the shares issued to S Limited pursuant to the acquisition do not transfer control of P Limited to erstwhile shareholders of S Limited. Therefore, P Limited is the acquirer and S Limited is the acquiree.

Determine acquisition date

As the control over the business of S Limited is transferred to P Limited on 31st March 20X1, that date is considered as the acquisition date.

Determine the purchase consideration

The purchase consideration in this case will comprise of the following:

Cash consideration	₹ 50,00,000
Equity shares issued (90,000 x 10 i.e., at fair value)	₹ 9,00,000
Contingent consideration (at fair value)	₹ 2,00,000
Fair value of previously held interest	₹ 18,00,000
Total purchase consideration	₹ 79,00,000

Acquisition cost incurred by and on behalf of P Limited for acquisition of S Limited should be recognised in the Statement of Profit and Loss. As such, an amount of ₹ 2,00,000 should be recognised in the Statement of Profit and Loss.

Fair value of identifiable assets and liabilities

The fair value of identifiable net assets (as given in the question) ₹ 45,00,000.

Non-Controlling Interest

The management has decided to recognise NCI at its fair value, which is given in the question as ₹ 5,00,000.

Re-measure previously held interests in case business combination is achieved in stages

In this case, the control has been acquired in stages i.e., before acquisition to control, P Limited exercised significant influence over S Limited. As such, the previously held interest should be measured at fair value and the difference between the fair value and the carrying amount as at the acquisition date should be recognised in the Statement of Profit and Loss. As such, an amount of ₹ 10,00,000 (i.e. 18,00,000 – 8,00,000) will be recognised in the Statement of Profit and Loss.

Determination of goodwill or gain on bargain purchase

Goodwill should be calculated as follows: **(₹)**

Total consideration	79,00,000
Recognised amount of any non-controlling interest	5,00,000
Less: Fair value of net identifiable assets	(45,00,000)
Goodwill	39,00,000

2. **(a)** Since the interest was initially set at the market rate, on 1st April, 20X1 the entity on initial recognition will measure the loan at the transaction price, less transaction costs i.e. at ₹ 4,900.

The following is the original amortised cost calculation at 1st April, 20X1:

Time	Carrying amount at 1st April	Effective Interest @ 8.612%	Cash outflow	Carrying amount at 31st March
	(a)	(b=ax8.612%)	(c=5000x8%)	(d=a+b-c)
20X1-20X2	4,900.00	421.99	(400.00)	4,921.99
20X2-20X3	4,921.99	423.88	(400.00)	4,945.87
20X3-20X4	4,945.87	425.94	(400.00)	4,971.81
20X4-20X5	4,971.81	428.19	(5,400.00)	–

At 31st March, 20X2:

1. The present value of the remaining cash flows of the original financial liability is ₹ 4,921.99 discounted at the original effective interest rate of 8.612%.

2. The present value of the cash flows under the new terms discounted using the original effective interest rate is ₹ 4,537.25 (Refer W.N.). Including the ₹ 50 fee, the present value of the total cash flows is ₹ 4,587.25.

3. The difference between ₹ 4,921.99 and ₹ 4,587.25 is ₹ 334.74 which is only 6.8% (₹ 334.74 ÷ ₹ 4,921.99) of the present value of the remaining cash flows of the original financial liability.

The entity applies its judgement to decide whether the terms of the instruments exchanged are substantially different. Since the difference of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is less than 10% of the present value of the remaining cash flows of the original financial liability, this modification should not be considered a substantial modification of the terms of the existing loan. Therefore, the modification would not be accounted for as an extinguishment of the original financial liability.

Working Note:

The calculation of the present value of the cash flows under the new terms discounted using the original effective interest rate is as follows:

Time	**Cash outflow**	**Discounting factor @ 8.612%**	**Present value at 31st March**
31st March, 20X3	250.00	0.921	230.25
31st March, 20X4	250.00	0.848	212.00
31st March, 20X5	5,250.00	0.780	4,095.00
Total present value			4,537.25

(b) Operating cycle of Charm Limited = 15 months

(i) The security deposit made by the Company with the customers be classified as current assets to the extent of 70% (₹ 2 crore x 70% = ₹ 1.40 crore) as it will be refunded immediately on completion of 14 months of contract i.e. within the operating cycle of 15 months.

However, 30% of the security deposit will be refunded after 3 months of completion of the contract (14+3 = 17 months) i.e. after 2 months of operating cycle (Operating cycle of the Company is 15 months). Hence, it will be classified as non-current. Therefore, management's decision is not correct. (Refer Para 66 of Ind AS 1)

(ii) Yes, the Company's decision of presenting the trade receivables as Current Assets is correct despite the fact that these are receivables in 14 months' time since the operating cycle of the company is 15 months and any event arising due to trade will be considered as current if its settlement is within the tenure of operating cycle. Additionally, the Company also need to disclose amounts that are receivable within a period of 12 months and after 12 months from the reporting date. (Refer Para 60 and 61 of Ind AS 1)

(iii) Paragraph 69(d) of Ind AS 1 states that an entity shall classify a liability as current when it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Although it is expected that X Limited will fulfil the contract and the deposit will not be refunded, but in case of cancellation within the contract term, refund of security deposit is a condition that is not within the control of the entity. Hence, Charm Limited does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Accordingly, the deposit will have to be classified as current liability in case of both X and Y Limited.

(iv) Yes, the management decision to classify the payment of ₹ 0.5 crore as a current asset is correct since the payment will be realised in less than twelve months from the end of the reporting period.

Capital advances are advances given for procurement of Property, Plant and Equipment etc. Typically, companies do not expect to realize them in cash. Rather, over the period, these get converted into non-current assets. Hence, capital advances should be treated as other non-current assets irrespective of when the Property, Plant and Equipment is expected to be received.

Under Ind AS Schedule III, Capital Advances are not to be classified under Capital Work in Progress since they are specifically to be disclosed under other non-current assets.

Accordingly, advance of ₹ 1 crore given for purchase of machinery is 'Capital advance' which will be classified as non-current as it relates to acquisition of non-current item i.e., machinery. Hence, management decision to classify it as current is incorrect.

3. **(a)** The treatment related to the transactions of Jackson Ltd, under relevant IFRS is explained as under:

In accordance with the principles of *IAS 16 'Property, Plant and Equipment',* costs of ₹ 13.5 million (₹ 10 million + ₹ 3.5 million) will be debited to property, plant and equipment as cost of Plant.

From 1 October 20X3, an obligation exists to rectify the damage caused by the Plant and this obligation should be provided for.

The amount provided is the present value of the expected future payment, which is ₹ 0.966 million (₹ 3 million x 0.322).

The amount provided is debited to property, plant and equipment and credited to provisions at 1 October 20X3.

The costs of Plant (excluding the land) will be ₹ 4.466 million (₹ 3.5 million + ₹ 0.966 million).

This cost will be depreciated over a 10-year period, giving a charge in the current period of ₹ 0.223 million in the current year (₹ 4.466 million x 1/10 x 6/12).

The closing balance in property, plant and equipment is ₹ 14.243 million (₹ 13.5 million + ₹ 0.966 million – ₹ 0.223 million).

As the date of settlement of the liability draws closer the discount unwinds.

The unwinding of the discount in the current year is ₹ 0.058 million (₹ 0.966 million x 12% x 6/12).

The land rectification process itself creates an additional liability based on the damage caused by the reporting date.

The additional amount provided is ₹ 0.034 million (₹ 0.20 million x 6/12 x 0.341).

This additional provision causes an extra charge to the statement of comprehensive income.

The carrying amount of the provision at the year-end is ₹ 1.058 million (₹ 0.966 million + ₹ 0.058 million + ₹ 0.034 million).

(b) Computation of Net Assets of B Ltd.

As per books		₹ 23.00 Cr
Add: Fair value differences not recognized in books of B Ltd.:		
Property (18 Cr – 15 Cr)	₹ 3.00 Cr	
Plant and Equipment (13 Cr – 11 Cr)	₹ 2.00 Cr	
Inventory (3 Cr – 2.5 Cr)	₹ 0.50 Cr	
		₹ 28.5 Cr
Less: Deferred tax liability on fair value difference @ 20%		
[(3 Cr + 2 Cr + 0.50 Cr) x 20%]		(₹ 1.10 Cr)
Total Net Assets at Fair Value		₹ 27.40 Cr

Computation of Goodwill:

Purchase Consideration		₹ 25.00 Cr
Add: Non-Controlling Interest		
[{(12 Cr x (20% / 80%)} x ₹ 2 per share]		₹ 6.00 Cr
		₹ 31.00 Cr
Less: Net Assets at Fair Value		(₹ 27.40 Cr)
Goodwill on acquisition date		₹ 3.60 Cr

4. (a) Extract from the Statement of Profit and Loss of Sewa Diary Limited for the period ended on 31st March, 20X1

	WN	Amount
Income		
Change in fair value of purchased dairy cow	WN 2	2,00,000
Government Grant	WN 3	10,00,000
Change in the fair value of newly born calves	WN 4	3,36,000
Fair Value of Milk	WN 5	96,000
Total Income (A)		16,32,000
Expenses		
Maintenance Costs	WN 2	8,50,000
Breeding Fee	WN 2	4,60,000

Total Expense	**(B)**		(13,10,000)
Net Income	**(A-B)**		3,22,000

Extracts from Balance Sheet of Sewa Diary Limited

As at 31st March, 20X1

			₹
Property, Plant and Equipment:			
Land	WN 1		60,00,000
Biological assets other than bearer plants:			
Dairy Cow	WN 2	22,00,000	
Calves	WN 4	3,36,000	25,36,000
Inventory:			
Milk	WN 5		96,000

Working Notes:

1. **Land:** The purchase of the land is not covered by Ind AS 41. The relevant standard which would apply to this transaction is Ind AS 16. Under this standard, the land would initially be recorded at cost and depreciated over its useful economic life, which is usually considered to be infinite. Hence, no depreciation would be appropriate. Under Cost Model, no recognition would be made for post-acquisition changes in the value of land.

2. **Dairy Cows:** Under the 'fair value model' laid down in Ind AS 41 the mature cows would be recognised in the Balance Sheet at 31st March, 20X1 at the fair value of 200 x ₹ 11,000 = ₹ 22,00,000.

   Increase in price change 200 x (10,500 - 10,000) = 1,00,000

   Increase in physical change 200 x (11,000 – 10,500) = 1,00,000

   The total difference between the fair value of matured herd and its initial cost (₹ 22,00,000 – ₹ 20,00,000 = a gain of ₹ 2,00,000) would be recognised in the profit and loss along with the maintenance cost and breeding fee of ₹ 8,50,000 and ₹ 4,60,000 respectively.

3. **Grant:** Grant relating to agricultural activity is not subject to the normal requirement of Ind AS 20. Under Ind AS 41 such grants are credited to income as soon as they are unconditionally receivable rather than being recognised over the useful economic life of the herd. Therefore, ₹ 10,00,000 would be credited to income of the company.

4. **Calves:** They are a biological asset and the fair value model is applied. The breeding fee is charged to income and an asset of 120 x ₹ 2,800 = ₹ 3,36,000 recognised in the Balance sheet and credited to Profit and loss.

5. **Milk:** This is agricultural produce and initially recognised on the same basis as biological assets. Thus, the milk would be valued at 3,200 x ₹ 30 = ₹ 96,000. This is regarded as 'cost' for the future application of Ind AS 2 to the unsold milk.

(b) Carrying amount of asset on 31st March 20X6 = ₹ 6,60,000

Calculation of Value in Use:

Year ended	Cash flow (₹)	Discount factor @ 9%	Amount (₹)
31st March, 20X7	2,76,000	0.9174	2,53,202
31st March, 20X8	1,92,000	0.8417	1,61,606
31st March, 20X9	1,20,000	0.7722	92,664
31st March, 20Y0	1,14,000	0.7084	80,758
Total (Value in Use)			**5,88,230**

Calculation of Recoverable amount:

Particulars	Amount (₹)
Value in use	5,88,230
Fair value less costs of disposal (6,00,000 – 96,000)	5,04,000
Recoverable amount (Higher of value in use and fair value less costs of disposal)	5,88,230

Calculation of Impairment loss:

Particulars	Amount (₹)
Carrying amount	6,60,000
Less: Recoverable amount	(5,88,230)
Impairment loss	71,770

Calculation of Revised carrying amount:

Particulars	Amount (₹)
Carrying amount	6,60,000
Less: Impairment loss	(71,770)
Revised carrying amount	5,88,230

Calculation of Revised Depreciation:

Revised carrying amount – Residual value

Remaining life = (5,88,230 - 0) / 4 = ₹ 1,47,058 per annum

Set off of Impairment loss:

The impairment loss of ₹ 71,770 must first be set off against any revaluation surplus in relation to the same asset. Therefore, the revaluation surplus of ₹ 36,000 is eliminated against impairment loss, and the remainder of the impairment loss ₹ 35,770 (₹ 71,770 – ₹ 36,000) is charged to profit and loss.

Treatment of Government compensation:

Any compensation by the government would be accounted for as such when it becomes receivable. At this time, the government has only stated that it may reimburse the company and therefore credit should not be taken for any potential government receipt.

5. **(a)** Points earned on ₹ 1,50,00,000 @ 6 points on every ₹ 400

= [(1,50,00,000/400) x 6] = 2,25,000 points.

Out of 2,25,000 points, it is estimated that 54,000 points will remain unredeemed in the current year. Further, it is expected that 75% of the unredeemed points will be redeemed in the future.

Accordingly, value of points will be computed as follows:

Value of points redeemed in the current year

= (2,25,000-54,000) points x ₹ 0.6 each point = ₹ 1,02,600

Value of points estimated to be redeemed in future

= 54,000 points x 75% x ₹ 0.6 each point = ₹ 24,300

Total value of loyalty points = ₹ 1,02,600 + ₹ 24,300 = ₹ 1,26,900

Revenue recognized for sale of goods

= ₹ 1,48,74,165 [1,50,00,000 x (1,50,00,000 / 1,51,26,900)]

Revenue for points = ₹ 1,25,835 [1,26,900 x (1,50,00,000 / 1,51,26,900)]

Journal Entry for the year 20X3-20X4

		₹	₹
Bank A/c	Dr.	1,50,00,000	
To Sales A/c			1,48,74,165
To Liability under Customer Loyalty programme			1,25,835
(On sale of Goods)			
Liability under Customer Loyalty programme	Dr.	1,01,739	
To Sales A/c			1,01,739
(On redemption of (2,25,000 – 54,000) points)			

Revenue for points to be recognized

Undiscounted points estimated to be recognized next year

= 54,000 x 75% = 40,500 points

Total points to be redeemed within 3 years

= [(2,25,000 – 54,000) + 40,500] = 2,11,500 points

Revenue to be recognised with respect to discounted points

= ₹ 1,25,835 x (1,71,000/2,11,500) = ₹ 1,01,739

(b) **1.** **Property '1' and '2'**

Definition and applicability:

As per Ind AS 16, Property plant and equipment are tangible items that:

(a) are held for use in the production or supply of goods or services or for administrative purposes; and

(b) are expected to be used during more than one period.

Hence, property 1 and 2 are held for use in the business, therefore Ind AS 16 shall apply in respect of these two properties.

Accounting Principles:

- If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

  If an asset's carrying amount is decreased as a result of revaluation, the decrease shall be recognised in profit and loss statement.

2. **Property '3'**

Definition and applicability: As per Ind AS 40, Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- Use in the production of goods or services or for administrative purposes; or
- Sale in the ordinary course of business.

Therefore, property 3 is an investment property and company shall follow cost model for its subsequent measurement.

Accounting Principles:

- An entity shall adopt as its accounting policy the cost model to all of its investment property; and (Refer paragraph 30 of Ind AS 40)
- requires that an entity shall disclose the fair value of investment property. (Refer paragraph 79 (e) of Ind AS 40

Further, paragraph 54 (2) of Ind AS 1 'Presentation of Financial Statements' requires that as a minimum, the balance sheet shall include line items that present the following amounts:

a. Property, Plant and Equipment

b. Investment Property.

Analysis:

As per the facts given in the question, Special Ltd. has

a. Presented all three properties in balance sheet as 'property, plant and equipment';

b. Not charged depreciation to Property '1' and '3';

c. Upward revaluation is recognised in the statement of profit and loss as profit; and

d. Applied revaluation model to Property '3' being classified as Investment Property.

The above accounting treatment is neither correct nor in accordance with provision of Ind AS 1, Ind AS 16 and Ind AS 40.

Accordingly, Special Ltd. shall depreciate Property 1 irrespective of the fact that, their fair value exceeds the carrying amount. The revaluation gain shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

There is no alternative of revaluation model in respect to property '3' being classified as Investment Property and only cost model is permitted for subsequent measurement. However, Special Ltd. is required to disclose the fair value of the property in the Notes to Accounts. Further, Property '3' shall be presented as separate line item as Investment Property and depreciation should be charged on it as well.

Therefore, as per the provisions of Ind AS 1, Ind AS 16 and Ind AS 40, the presentation of these three properties in the balance sheet will be as follows:

Balance Sheet (extracts) as at 31st March, 20X1

Assets		**₹**
Non-Current Assets		
Property, Plant and Equipment		
Property '1'	8,00,000	
Property '2'	9,50,000	17,50,000

Investment Properties	
Property '3' (1,200,000 – 80,000)	11,20,000
Equity and Liabilities	
Other Equity	
Revaluation Reserve	
Property '1' [8,00,000 – (7,50,000 – 75,000)]	1,25,000

The revaluation reserve should be routed through Other Comprehensive Income (subsequently not reclassified to Profit and Loss) and shown in a separate column under Statement of Changes in Equity.

Working Notes:

Particulars	**Property 1**	**Property 2**	**Property 3**
Purchase Price	₹ 7,50,000	₹ 10,50,000	₹ 12,00,000
Estimated Life	10 years	15 years	15 years
Depreciation for the year	₹ 75,000	₹ 70,000	₹ 80,000
Carrying Value as on 31st March, 20X1	₹ 6,75,000	₹ 9,80,000	₹ 11,20,000
Fair Value as on 31st March, 20X1	₹ 8,00,000	₹ 9,50,000	₹ 13,00,000
Subsequent Measurement	Fair Value	Fair Value	Cost
Revaluation Surplus/(Deficit)	₹ 1,25,000	(₹ 30,000)	

6. (a) Paragraph 15 of Ind AS 105 states that an entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

Further, paragraph 17 of Ind AS 105 states that when the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss as a financing cost.

Company X has identified a disposal group and is committed to sell the same. The sale is expected to be completed after a period of one year hence, it will measure the costs to sell such disposal group at present value as per paragraph 17 of Ind AS 105.

A. On 30th September, 20X1

The disposal group will be measured at fair value less costs to sell which will be as follows:

Fair value:	₹ 400.00 crores	
PV of costs to sell:	(₹ 8.67 crores)	(₹ 10 crores x 0.867)
Total:	₹ 391.33 crores	

B. On 31st March, 20X1

The disposal group will be measured at fair value less costs to sell which will be as follows:

Fair value:	₹ 400.00 crores	
PV of costs to sell:	(₹ 9.09 crores)	(10 x 0.909)
Total:	₹ 390.91 crores	

The increase in costs to sell the division by ₹ 0.42 crore (₹ 9.09 crores – ₹ 8.67 crores) will be recognised in profit and loss as financing cost in accordance with paragraph 17 of Ind AS 105.

(b) Cloud computing refers to the delivery of computing services over the internet. It allows accountants to access their data and software from any device with an internet connection.

Following are some of the ways in which Cloud Computing has positively impacted accounting:

1. **Improved accessibility:** Cloud-based accounting software allows users to access their financial data from any location with an internet connection. This has increased accessibility and flexibility for accountants and business owners, allowing them to work remotely and collaborate in real-time.
2. **Enhanced security:** Cloud-based accounting software providers typically offer advanced security features such as encryption, firewalls, and multi-factor authentication helping in the protection of sensitive financial data from cyber threats and data breaches.
3. **Increased scalability:** Cloud-based accounting software allows businesses to easily scale up or down based on their changing needs. As a business grows, it can easily add new users and features without having to invest in additional hardware or software.
4. **Reduced costs:** Cloud-based accounting software typically requires less upfront investment in hardware and software, as well as ongoing

maintenance costs. This can help businesses save money on IT expenses and redirect those funds to other areas of the business. For example, the costs of installing Microsoft Office Suite on a laptop or desktop is far more expensive than subscribing to the Office 365 Suite, which is a web-based download. Further, the web-based download also provides the options of continuous free updates unlike its Office Suite offline counterpart.

5. **Streamlined collaboration:** Cloud-based accounting software allows multiple users to collaborate in real-time, reducing the need for manual data entry and communication. This can help to streamline workflows and reduce errors caused by miscommunication.

6. **Improved reporting and analytics:** Cloud-based accounting software often includes powerful reporting and analytics tools that allow businesses to gain deeper insights into their financial performance. This can help businesses make more informed decisions and identify areas for improvement.

Challenges in Cloud Computing

Following are the potential challenges which may emerge in cloud computing:

1. Since cloud-based software are completely online, they could be prone to hackers who could 'steal' data or passwords or compromise the integrity of the processed data, thereby causing disruptions to the businesses.

2. Strong net connectivity is a must for cloud-computing to be a success. Though there has been a huge surge in network and mobile connectivity in the past decade, connectivity in non-metros, tier-2 or tier-3 cities is not well-developed, which could create accessibility issues to the users of the cloud-based accounting software.

(c) **Either**

XYZ Ltd. would include the total revenue of ₹ 68,00,000 (₹ 60,00,000 + ₹8,00,000) from ABC Ltd. received / receivable in the year ended 31st March 20X2 within its revenue and show ₹ 18,00,000 within trade receivables at 31st March 20X2.

Mrs. P would be regarded as a related party of XYZ Ltd. because she is a close family member of one of the key management personnel of XYZ Ltd.

From 1st June 20X1, ABC Ltd. would also be regarded as a related party of XYZ Ltd. because from that date ABC Ltd. is an entity controlled by another related party.

Because ABC Ltd. is a related party with whom XYZ Ltd. has transactions, then XYZ Ltd. should disclose:

- The nature of the related party relationship.
- The revenue of ₹ 60,00,000 from ABC Ltd. since 1st June 20X1.
- The outstanding balance of ₹ 18,00,000 at 31st March 20X2.

In the current circumstances it may well be necessary for XYZ Ltd. to also disclose the favourable terms under which the transactions are carried out.

Or

(a) In case, since the judgement of court has been received after the approval of previous year's financial statements of the reporting entity and the probability for payment of arrears of salaries and wages was remote in the previous year because of which the entity had neither made any provision or disclosure, the liability for arrears of salary and wages would be considered as a change in accounting estimate in the current year.

(b) In the given case, since the information regarding expenses of ₹ 1,50,000 in the previous year was available with the entity, and was omitted due to an oversight, it will be considered as a prior period error.

(c) As per para 32 of Ind AS 8, a loss allowance for expected credit losses (i.e. provision for doubtful debts) applying Ind AS 109, *Financial Instruments,* is an example of accounting estimate. Hence, any change in the previous year's estimate on account of recovery of such loss allowance in the current year would be a change in the accounting estimate in the current year because of the uncertainties inherent in business activities and it is not possible to measure the provision for doubtful debts with precise accuracy.

(d) This is neither a case of prior period error nor a change in accounting estimates. In the given case, the company did not have any information as on the balance sheet date and it is the mistake committed by the Group Insurance company and not the reporting entity. Hence, the demand for an additional premium amount by the Group Insurance Company will not be considered as a prior period error for the reporting entity. Further, the entity had paid the premium amount in the previous year, so no accounting estimate was involved thereupon. Therefore, the additional demand cannot be considered as a change in accounting estimate for the reporting entity.