Mock Test Paper - Series I: March, 2026

Date of Paper: 16th March, 2026

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 1 : ADVANCED ACCOUNTING

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 - I

Suman Ltd. is in the business of manufacturing electronics equipment and selling these at its various outlets. It provides installation services for the equipment sold and also provide free 1 year warranty on all the sold products.

Beach Resorts are leading resorts in the city. It purchased 5 air conditioners (AC) from Suman Ltd. for its resort. Suman Ltd. sold 5 AC to Beach resort for ₹ 45,000 each which includes installation fees of ₹ 1,000 for each AC. The Company also offers 1 year warranty for any repair etc. The Company also offered ₹ 500 per AC as trade discount. Beach resort placed order on March 15, 2024 and made payment on March 20, 2024. The ACs were delivered on March 27, 2024 and the installation was completed on April 5, 2024.

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

1. How much revenue should be recognised by the Company as on March 31, 2024:

   (A) ₹ 2,25,000

   (B) ₹ 2,17,500

   (C) ₹ 2,00,000

   (D) ₹ 2,30,000

2. How much revenue should be recognised by the Company in the financial year 2024-25:

(A) ₹ 5000

(B) ₹ 2,20,000

(C) ₹ 10,000

(D) ₹ 2,40,000

3. What will be the accounting for trade discount:

(A) The same will be recognised separately in the profit and loss.

(B) The trade discounts are deducted in determining the revenue.

(C) Trade discount will be recognised after one year, when the warranty will be over.

(D) Trade discount will be recognised after installation is complete.

4. Is the Company required to do any accounting for 1 year warranty provided by it:

(A) No accounting treatment is required till some warranty claim is actually received by the Company.

(B) As there exist a present obligation to provide warranty to customers for 1 year, the Company should estimate the amount that it may have to incur considering various factors including past trends and create a provision as per AS 29.

(C) Accounting for claims will be done on cash basis i.e. expense will be recognised when expense is made.

(D) As the Company is not charging separately for the warranty provided, there is no need to create any provision.

Multiple Choice Questions (4 MCQs of 2 Marks each: Total 8 Marks)

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

(A) A shareholder of Skyline Limited owning 30% of the ordinary share capital

(B) An entity providing banking facilities to Skyline Limited in the normal course of business

(C) An associate of Skyline Limited

(D) Key management personnel of Skyline Limited **(2 Marks)**

Case Scenario - II

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

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

On 1st April,2023 HIL has made an investment of ₹ 200 Lakhs in the equity shares of Rose Limited of which 50% 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. The exchange rates are as follows:

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

HIL is working on a strategic plan to close the production unit of Bhopal due to change in technology. The board of directors approved the closure of Bhopal Plan 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 21 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 to 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 unrealized amount for the year ended 31st March, 2024?

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

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

   (C) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealized 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.

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

   (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 11.

   (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.

   (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?

(A) 31st March, 2024

(B) 1st March, 2024

(C) 21st April, 2024

(D) 10th March, 2024

Multiple Choice Questions (4 MCQs of 2 Marks each: Total 8 Marks)

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:

(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. **(2 Marks)**

Case Scenario - III

Following information is given by Z Ltd as o 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%. 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?

    (A) ₹ 280 Lakhs

    (B) ₹ 330 Lakhs

    (C) ₹ 250 Lakhs

    (D) ₹ 130 Lakhs

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

    (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?

    (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

Multiple Choice Questions (3 MCQs of 2 Marks each: Total 6 Marks)

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

	(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 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 lakh 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 **(2 Marks)**

15. Pratham and Associates is a manufacturer of steel rods. It invests its profits by purchasing shares of listed companies in order to earn dividend income. It had purchased shares of Bharti Airtel Limited in FY 2020-21. However, it sold all the shares of Bharti Airtel Limited during the current year i.e. FY 2025-26. What amount would be disclosed in the profit and loss account for FY 2025-26?

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

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

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

(D) The difference between the carrying amount and the disposal proceeds, net of expenses, would be disclosed in the profit and loss account. **(2 Marks)**

PART II – Descriptive Questions (70 Marks)

*Question No.**1** is compulsory*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions may be made and indicated in answer by the candidates. Working Notes should form part of the answer.

1. (a) Glen Ltd. began construction of a new building on 1st January, 2025. On 1st April, 2025, following two loans were obtained to fund the construction cost:

   (i) Loan of ₹ 60,00,000 from Data Bank Ltd. was taken at interest rate of 8% per annum. This loan was fully utilized for construction of the new building.

   (ii) Loan of ₹ 20,00,000 from Satya Bank Ltd. Out of this, loan amount of ₹ 6,00,000 was utilized for working capital purpose. Total interest of ₹ 1,92,000 were paid to Satya Bank Ltd. for the financial year 2025-26.

   Construction of the new building was completed on 31st January, 2026 and was ready for its intended use on the same date.

   None of the loan was repaid during the year. The building is a qualifying asset for the purpose of AS-16.

   Out of loan from Data Bank Ltd., surplus funds were temporarily invested for the short period of time. This temporary investment earned interest of ₹ 30,000.

   You are required to calculate the amount of interest (a) to be capitalized, (b) to be charged to profit and loss. account from the total interest incurred as borrowing cost during the year 2025-26 (as per AS-16). **(5 Marks)**

   (b) Karna Ltd., an Indian Company, has the following foreign currency transactions during the financial year 2025-26:

   (i) On 1st July, 2025, imported goods from Try Ltd., a German based company, amounting to ₹ 30,96,000.

   (ii) On 1st October, 2025, imported plant and machinery from Lucy Ltd., a German based company, for € 18,500. The amount was paid on the date of import itself. (Ignore depreciation).

   (iii) On 1st December, 2025, exported good on credit to Cream Ltd., a German based company, amounting to ₹ 50,40,000.

All the above transactions were recorded in the books of account at the prevailing exchange rate on the date of the transactions. Ignore taxes and duty on the above transactions.

Payment due from Cream Ltd. and payment due to Try Ltd. is outstanding as on 31st March, 2026.

Rate of exchange between reporting currency (f) and foreign currency (€) on different dates are as under:

On 1st July, 2025	1 € = ₹ 86
On 1st October, 2025	1 € = ₹ 88
On 1st December, 2025	1 € = ₹ 84
Ori 31st March, 2026	1 € = ₹ 90

You are required, as per AS-11:

(i) To show value at which above items will appear in Balance sheet as on 31st March, 2026;

(ii) To calculate the amount of gain/loss on each of above transactions on account of exchange differences, if any. **(5 Marks)**

(c) In the following cases, find the value of closing stock as per AS 2:

(i) Sonu is a retailer dealing in toys. During the year, he purchased items worth for ₹ 1,47,000 and made a total sale ₹ 1,54,000. The average percentage of gross margin is 10% on cost. Opening stock of toys at cost was ₹ 20,000.

(ii) On 21st March, 2026, Mohan purchased 250 chairs at ₹ 300 each.

The selling price of the chair is ₹ 400 each. Owing to a manufacturing defect, net realisable value of the whole lot of chair was determined at 70% of their normal selling price. No chairs were sold during the year. **(4 Marks)**

2. (a) Following information is given 'by Mr. Happy (stock broker) relating to his holding in 10% Government Bonds:

Opening Balance as on 1st April, 25 was 5,000 units (Nominal value ₹ 100 each), Cost ₹ 4,85,000
On 1st June, 25, Purchased 600 units, cum-interest @ ₹ 99
On 1st August, 25, Purchased 2400 units, ex-interest @ ₹ 97.50
On 1st October, 25, Sold 2,500 units @ ₹ 98.50, ex-interest
On 1st January, 26, Sold 3,000 units @ ₹ 99 cum interest

Interest is received on 30th June and 31st December each year. Mr. Happy closes his books on 31st March each year.

Prepare Investment Account in the books of Mr. Happy assuming that FIFO method of valuation is followed by Mr. Happy. **(7 Marks)**

(b) Jolly Industries of Delhi is a trader in spices. It has a branch at Jalandhar to which Head office invoice goods at 20% on sales. The Jalandhar branch sells spices both on cash and credit. Branch remit all the cash received to Head Office Bank account, thus all expenses of branch are also directly paid from head office.

From the following information given, Prepare Branch Accounts in the Head office ledger using Stock and Debtors Method.

Branch does not maintain any books of account, but send fortnightly returns to Head office.

	₹
Stock at Jalandhar as on 1st April, 2025 (Cost Price)	1,00,000
Sundry Debtors at Jalandhar as on 1st April, 2025	1,10,000
Cash received from Debtors	3,45,000
Bad debts during the year	9,500
Discount allowed to Debtors	5,500
Goods received from Head Office at Invoice Price	6,00,000
Returns to Head office at Invoice Price	60,000
Normal loss of goods during transport (Out of Goods sent by H.O. to Branch)	12,000
Sales returns at Jalandhar Branch	11,000
Salaries and staff welfare expenses at Branch	54,000
Rent and taxes at Branch	9,000
Other Office Expenses	2,500
Sundry Debtors at Branch as at 31st March 2026	1,55,000
Stock at Jalandhar as on 31st March, 2026 (Cost Price)	1,20,000

Credit sales at Branch are four times of the cash Sales at Branch. **(7 Marks)**

3. The following is the Trial Balance of Falgun Ltd., as on 31st March, 2025:

Particulars	Debit Amt. int. (₹)	Credit Amt. int. (₹)
Equity Share Capital (Fully paid-up shares of ₹ 100 each)		10,00,000
10% Preference Share Capital of Face Value ₹ 100 each		4,00,000
General Reserve		2,85,000
2,000 10% Debentures of ₹ 100 each		2,00,000
Securities Premium Account		50,000
Land (at Cost)	7,00,000	
Plant and Machinery	14,70,000	
Furniture	4,00,000	
Provision for Depreciation - Plant and Machinery		3,00,000
Provision for Depreciation - Furniture		1,90,000
Trade Receivables	3,10,000	
Trade Payables		72,000
Cash-in-Hand	1,34,000	
Cash-at-Bank	3,05,000	
Bank Over Drafts from Nationalized bank (Long Term)		2,00,000
(Secured by Hypothecation of Stocks)		
6% Secured Loan from State Finance Corporation (repayable after 3 years) (Secured by Hypothecation of Plant and Machinery)		4,50,000
Unclaimed Dividend		23,000
Loan from Director (Short Term)		1,00,000
Adjusted Purchases	2,25,000	
Closing Stock	1,12,000	
Sales		8,46,000
Carriage Inward	17,200	
Miscellaneous Expenses	10,200	
Selling and Distribution Expenses	46,600	
Depreciation	1,80,000	
Salaries	72,000	

Director's Fees	40,000	
Travelling Expenses (include ₹ 50,000/- for foreign tour)	1,30,000	
Profit and Loss Account		40,000
Office Expenses	28,000	
Rent Received		24,000
Total	41,80,000	41,80,000

Additional Information:

(i) Authorized Capital - divided into -

(a) 20,000 equity shares of ₹ 100 each.

(b) 10,000 10% preference shares or ₹100 each

(ii) Equity shares include, 2,500 equity shares issued for consideration other than cash.

(iii) The company has had land professionally valued and decides to include it in the Balance sheet at its valuation off 8,50,000.

(iv) It is proposed to capitalize part of the undistributed profits by making bonus issue to the shareholders by allocating one equity share off 100 each for every 5 shares held.

(v) Trade Receivables off 46,000 are due for more than six· months.

There is no doubtful amount.

(vi) Depreciation expenses include depreciation of ₹ 1,10,000 on Plant and Machinery and that of ₹ 70,000 on Furniture.

(vii) Cash-at-Bank include f 55,000 with Desire Bank Ltd., which is not scheduled Bank.

(viii) Miscellaneous expenses included ₹ 5,000 being audit fees paid to auditors.

(ix) Bills Receivables for ₹ 35,000 maturing on 31st July, 2025 has been discounted.

(x) Balance of secured loan from State Finance Corporation is inclusive of ₹ 36.,000 for interest accrued but not due.

(xi) Director's declared final dividend @ 8% on 6th April, 2025, transferring any amount that may be required from General Reserve. Ignore Taxation.

(xii) Interest on debenture for the year is outstanding as on 31st March, 2025. You are required to prepare Balance Sheet as on 31st March, 2025 and Statement of Profit and Loss with Notes to Accounts for the year ending 31st March, 2025 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures. (Ignore taxation).

(All workings should form part of the answer) **(14 Marks)**

4. Following is the Balance Sheet of Tourna Limited as at 31st March,2025:

Particulars		Rs.
Equity and Liabilities		
1. Shareholders' founds		
A. Share Capital	1	24,00,000
B. Reserves and Surplus	2	(9,10,000)
2. Non-current liabilities		
A. Long-term borrowings	3	3,20,000
3. Current liabilities		
A. Trade Payables		1,15,000
B. Short Term Borrowings – Bank Overdraft		1,40,000
C. Other current liabilities	4	32,000
D. Short term provisions	5	42,000
Total		21,39,000
Assets		
1. Non-current assets		
A. Property, Plant and Equipment	6	7,80,000
B. Intangible Assets	7	1,70,000
C. Non-Current Investments	8	1,80,000
2. Current Assets		
A. Inventory		5,12,000
B. Trade receivables		4,32,000
C. Cash and cash equivalents		65,000
Total		21,39,000

Notes to Accounts:

1	Share Capital		
	Equity share capital 16,000 Equity Shares of ₹ 100 each		16,00,000

	8,000 6% Preference Shares of ₹ 100 each		8,00,000
			24,00,000
2	Reserves and Surplus		
	Debit balance of Profit and loss Account		(9,10,000)
			(9,10,000)
3	Long-term borrowings		
	3,200 10% Debentures		3,20,000
			3,20,000
4	Other current liabilities		
	Interest payable on debentures		32,000
			32,000
5	Short term provisions		
	Provision for taxation		42,000
			42,000
6	Property, Plant and Equipment		
	Plant & Machinery		5,00,000
	Furniture & Fixture		2,80,000
			7,80,000
7	Intangible Assets		
	Patents & Copyrights		1,70,000
			1,70,000
8	Non-current Investments		
	Investments (Market Value ₹ 1,10,000)		1,80,000
			1,80,000

As on 1st April,2025, the following scheme of Tourna Limited was finalized for which necessary resolution was passed and approvals were obtained from appropriate authorities. Accordingly, it was decided that:

(i) Each equity share is to be sub-divided into ten fully paid -up equity shares of ₹ 10 each. After sub-division, each shareholder shall surrender to the company 40 % of his holding, for the purpose of reissue to trade payables as necessary.

(ii) Preference shareholders would give up 30% of their capital and 12% Debentures (face value ₹ 100 each) shall be issued to them for balance holdings.

(iii) The company would issue additional 12% Debentures (face value ₹ 100 each) for ₹ 4,00,000 for meeting its working capital requirement and final settlement of Bank Overdraft at 90% of the amount.

(iv) Existing debenture holders would accept Furniture & Fixture in full settlement of their dues.

(v) Trade payables claim shall be reduced to 70%, it is to be settled by the issue of equity shares of ₹ 10 each out of shares surrendered.

(vi) The shares surrendered and not re-issued shall be cancelled.

(vii) The taxation liability is to be settled at 50,000.

(viii) Investment value to be reduced to market price.

(ix) Balance of profit and loss account is to be written off.

(x) The value of inventories is to be increased by ₹ 32,000 and provision for Doubtful Debts is to be created at 5% of Trade Receivables.

You are required to:

(i) Pass necessary journal entries in the books of account of Tourna Limited.

(ii) Prepare Reconstruction Account, and

(iii) Prepare Balance Sheet of the company after internal reconstruction. **(14 Marks)**

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

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	
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. **(10 Marks)**

(b) The following is the extract of Balance Sheet of Yellow Limited as on 31.03.2025:

	₹
4,00,000 Equity shares of ₹ 10 each	40,00,000
General Reserve	48,00,000
Profit & Loss Account	10,00,000
Securities Premium	18,00,000
Secured Loans	60,00,000
Unsecured Loans	32,00,000
Current Liabilities	28,00,000
	2,36,00,000
Property, Plant and Equipment	90,00,000
Investments	18,00,000
Current Assets	1,28,000
	2,36,00,000

The company intends to buy-back 80,000 equity shares of ₹ 10 each at a premium of 150%.

You are required to state whether the company can buy back equity shares.

(4 Marks)

6. (a) Analyse the disclosure and presentation requirements of AS 24 for Discontinuing Operations (any **five**). **(5 Marks)**

(a) Raman Limited and Naman Limited decided to amalgamate and form a new company Rana Limited as on 31st March, 2026and provided you the following information:

Particulars	As on 31st March,2026		Revalued Figures for Amalgamation	
	Raman Limited (₹)	Naman Limited (₹)	Raman Limited (₹)	Naman Limited (₹)
Equity shares of ₹ 10 each	6,72,000	2,52,000		
10% Preference Shares of ₹ 100 each	3,36,000	1,68,000		
Reserves and Surplus	5,44,240	2,65,480		
Trade Payables	84,000	1,76,000	80,640	1,68,960
Property, Plant and Equipment	7,69,000	4,36,400	10,58,100	5,20,100
Goodwill	1,62,000	-	1,62,000	-
Inventories	1,89,000	1,17,600	2,78,620	2,06,780
Trade Receivables	2,81,000	1,47,000	2,47,140	1,38,180
Cash & Cash Equivalents	2,35,240	1,60,480		

The purchase consideration is to be satisfied as follows:

(i) By issue of 4 Preference Shares of ₹ 100 each in Rana Limited @ ₹ 85 paid up and at a premium of ₹ 30 per share for every 3 preference shares held in both the companies.

(ii) By issue of 5 Equity shares of 10 each in Rana Limited @ 7 paid up and at a premium of 5 per share for every 3 equity shares held in both the companies.

(iii) In addition, necessary cash should be paid to equity shareholders of both the companies as required to adjust the rights of shareholders of both the companies in accordance with the intrinsic value of the shares of both the companies.

You are required to compute the purchase consideration for both the companies.

(b) Discuss Disclosure requirements in following cases as per AS 1.

(i) Accountant of A Ltd. charges a probable loss of losing a suit in books of accounts and also disclosed the same fact in financial statements. The probability of losing the suit is 25%.

(ii) Accountant of A Ltd. capitalized all the revenue expenses of repair and maintenance during the year to Plant & Machinery and is also disclosing the same as company policy in financial statements.

(iii) A Ltd. has followed accrual basis ·of accounting since incorporation. The chief accountant also disclosed this fact in financial statements.

(iv) A Ltd. was providing for after sales expenses @ 2% of sales for covering expenses during the warranty period. Now A Ltd. observes that actual after sales expenses were much less as compared to provision because of better technology used in manufacturing of the products. Now, the Board of A Ltd. decides to account for these expenses as and when they occur. Sales during the period ate ₹ 50 crores. **(5 Marks)**

(c) Garnet Limited has 4 operating segments. The total revenue (internal and external) and assets are set out as below:

Segment	Inter Segment Sales	External Sales	Total Assets
Fan	3,200	10,900	23,700
Light	200	1,400	13,200
Lamp	0	1,500	4,200
Printer	1,100	200	3,400
TOTAL	4,500	14,000	44,500

How many reportable segments does Garnet Limited have as per the Revenue and Assets criteria given in AS 17? State Reasons for your answer. **(4 Marks)**

Mock Test Paper - Series I: March, 2026

Date of Paper: 16th March, 2026

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 1 : ADVANCED ACCOUNTING

ANSWERS

Case Scenario

1.	(B)
2.	(A)
3.	(B)
4.	(B)
5.	(B)
6.	(C)
7.	(C)
8.	(A)
9.	(D)
10.	(B)
11.	(B)
12.	(A)
13.	(C)
14.	(D)
15.	(D)

PART II – Descriptive Questions (70 Marks)

1. (a) According to AS 16 "Borrowing Costs", borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. The amount of borrowing costs eligible for capitalization should be determined in accordance with this Standard. Other borrowing costs should be recognised as an expense in the period in which they are incurred.

The standard also states that to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset should be determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings.

Thus, eligible borrowing cost on Loan of data bank to be capitalized:

= ₹ (60,00,000 x 8%) x 10/12 - ₹ 30,000

= ₹ (4,80,000) x 10/12) =₹ 4,00,000

= ₹ 4,00,000 - ₹ 30,000

= ₹ 3,70,000

Loan	Particulars	Nature of assets	(a) Interest to be Capitalized (₹)	(b) Interest to be charged to Profit & Loss Account (₹)
Data bank	Construction of factory building	Qualifying Asset	3,70,000	(4,80,000 - 4,00,000) 80,000
Satya Bank	Construction of factory building	Qualifying Asset	(1,92,000x14/20) x 10/12 = 1,12,000	(1,92,000 x 14/20) x 2/12 = 22,400
Satya Bank	Working Capital	Not a Qualifying Asset	NIL	(1,92,000x6/20) = ₹ 57,600
	Total		₹ 4,82,000	₹ 1,60,000

Note: Loan from Satya bank is considered to be specific borrowings.

(b) As per AS 11 “The Effects of Changes in Foreign Exchange Rates”, **Foreign currency monetary items should be reported using the closing rate**. **Non-monetary items** which are carried in terms of historical cost denominated in a foreign currency **should be reported using the exchange rate at the date of the transaction**. **Exchange differences** arising on the settlement of monetary items or on reporting an enterprise’s monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, **should be recognised as income or as expenses in the period in which they arise**.

(i) Items given in the question will appear in the Balance Sheet at the following values:

Trade Payables (30,96,000/86= 36,000 German Currency) x ₹ 90 = ₹ 32,40,000

Plant and Machinery 18,500 German Currency X ₹ 88 = ₹ 16,28,000

Trade Receivables (50,40,000/84= 60,000 German Currency) x ₹ 90 = ₹ **54,00,000**

(ii) Amount of gain / loss on each transaction on account of exchange difference:

Exchange loss on Transaction of import of goods from Try Ltd. = ₹ (1,44,000)

[36,000 German Currency X ₹ 4 (i.e. 90-86)]

Exchange gain on Transaction of export of goods to Cream Ltd = ₹ 3,60,000

[60,000 German Currency X ₹ 6 (i.e. 90-84)]

(c) (i) Cost of closing inventory is shown below:

	₹
Sale value of opening stock and purchases (₹ 20,000 + ₹ 1,47,000) x 1.10	**1,83,700**
Sales	(1,54,000)
Sale value of unsold stock	**29,700**
Less: Gross Margin (₹ 29,700 / 1.10) x 0.10	**(2,700)**
Cost of closing inventory	**27,000**

Alternative presentation

Cost of closing inventory is shown below:

	₹
Opening stock and purchases (₹ 20,000 + ₹ 1,47,000)	**1,67,000**
Less: cost of goods sold	(1,40,000)
Cost of closing inventory	**27,000**

Calculation of cost of goods sold	₹
Goods sold	1,54,000
Less: gross margin (1,54,000 X 10/110)	(14,000)
Cost of goods sold	1,40,000

(ii)

Closing stock at cost (250X ₹ 300)	(i)	75,000
Net Realizable value of closing stock (₹ 280* × 250)	(ii)	70,000
Value of closing stock [lower of (i) and (ii)]		70,000

2. (a) In the Books of Mr. Happy

10% Government Bonds (Investment) Account

Particulars		Nominal Value	Interest	Principal	Particulars		Nominal Value	Interest	Principal
2025-26		₹	₹	₹	**2025-26**		₹	₹	₹
April 1	To Balance b/d (W.N.1)	5,00,000	12,500	4,85,000	June. 30	By Bank A/c (W.N.3)		28,000	
June 1	To Bank A/c (W.N.2)	60,000	2,500	56,900	Oct. 1	By Bank A/c (W.N.4)	2,50,000	6,250	2,46,250
					Dec.31	By Bank A/c (W.N.6)		27,500	
Aug. 1	To Bank A/c	2,40,000	2,000	2,34,000	Jan. 1	By Bank A/c (W.N.7)	3,00,000		2,97,000
Oct. 1	To P&L A/c (W.N.5)			3,750	March31	By Balance c/d (W.N. 9 & W.N.10)	2,50,000	6,250	2,43,483
Jan. 1	To P&L A/c (b.f.) (W.N.8)			7,083					
March 31	To P&L A/c (Transfer)		51,000						
		8,00,000	68,000	7,86,733			8,00,000	68,000	7,86,733

Working Notes:

1. Interest element in opening balance of bonds = 5,00,000 x 10% x 3/12 = ₹ 12,500

2. Purchase of bonds on 1.6.25

   Interest element in purchase of bonds = 600 x 100 x 10% x 5/12 = ₹ 2,500

Investment element in purchase of bonds = (600 X 99) = ₹ 59,400 - ₹ 2,500 = 56,900

3. Interest for half-year ended 30.6.25 = ₹ 5,60,000 x 10% x 6/12 = ₹ 28,000

4. Sale of bonds on 1.10.2025

   Interest element = 2,500 x 100 x 10% x 3/12 = ₹ 6,250

   Investment element = 2,500 x 98.50 = ₹ 2,46,250

5. Profit on sale of bonds on 1.10.25

   Cost of bonds = (4,85,000/5,000 X 2,500) = 2,42,500

   Sale proceeds = ₹ 2,46,250

   Profit element = ₹ 3,750

6. Interest for half-year ended 31 December 2025

   = 5,500 x 100 x 10% x 6/12 = ₹ 27,500

7. Sale of bonds on Jan.1 ,26

   Interest element = 0 (Nil)

   Investment element = 3000 x ₹ 99 = ₹ 2,97,000

8. Profit on sale of bonds on Jan 1, 26

   Cost of bonds = [2,42,500+56,900X5/6] = 2,42,500 + 47,417 = 2,89,917

   Sale proceeds = ₹ 2,97,000

   Profit element = ₹ 7,083

9. Closing value of investment

Calculation of closing balance:	**Nominal value**	**₹**
Bonds in hand remained in hand on 1.4.25		---
Purchased on 1st June,25	10,000	9,483
Purchased on 1st August,25	2,40,000	2,34,000
	2,50,000	2,43,483

10. Interest element in closing balance of bonds = 2,500 x 100 x 10% x 3/12 = ₹ 6,250.

(b) **Books of Jolly Industries, Delhi**

Jalandhar Branch Stock Account

Particulars	₹	Particulars	₹
To Balance b/d – Op Stock	1,25,000	By Bank A/c – Cash Sales	1,04,000
To Branch Debtors A/c – Sales Return	11,000	By Branch Debtors A/c - Credit Sales	4,16,000
To Goods sent to Branch A/c (6,00,000 +12,000)	6,12,000	By Goods sent to Branch (Returns to H.O.)	60,000
		By Branch Stock Adjustment A/c (Normal Loss)	12,000
		By Branch Stock Adjustment A/c (Abnormal Loss) (bal. fig.)	6,000
		By Balance c/d - Closing stock	1,50,000
	7,48,000		7,48,000

Jalandhar Branch Stock Adjustment Account

Particulars	₹	Particulars	₹
To Goods sent to Branch A/c (1/5 of ₹ 60,000) (on returns)	12,000	By Balance b/d (20% of 1,25,000)	25,000
To Branch Stock A/c (abnormal Loss) (6,000 x 1/5)	1,200	By Goods sent to Branch A/c (1/5 of ₹ 6,12,000)	1,22,400
To Branch Stock A/c (Normal Loss)	12,000		
To Balance c/d (1/5 of ₹ 1,50,000)	30,000		
To Branch P & L A/c (Profit on sale) – Bal fig	92,200		
	1,47,400		1,47,400

Goods Sent to Branch Account

Particulars	₹	Particulars	₹
To Jalandhar Branch Stock Adjustment A/c	1,22,400	By Jalandhar Branch Stock A/c	6,12,000
To Jalandhar Branch Stock A/c (Returns)	60,000	By Jalandhar Branch Stock Adj. A/c	12,000
To Purchases A/c	4,41,600		
	6,24,000		6,24,000

Branch Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d	1,10,000	By Bank	3,45,000
To Branch Stock A/c	4,16,000	By Branch P&L A/c - Discount	5,500
		By Branch P&L A/c - Bad Debts	9,500
		By Branch Stock - Sales Returns	11,000
		By Balance c/d	1,55,000
	5,26,000		5,26,000

Branch Expenses Account

Particulars	₹	Particulars	₹
To Bank A/c (Rent & Taxes)	9,000	By Branch Profit & Loss A/c (Transfer)	65,500
To Bank A/c (Salaries & Staff Welfare expenses)	54,000		
To Bank A/c (office exp.)	2,500		
	65,500		65,500

Branch Profit & Loss Account for the year ending 31st March 2026

Particulars	₹	Particulars	₹
To Branch Expenses A/c	**65,500**	By Branch Stock Adj. A/c	**92,200**
To Branch Debtors A/c	5,500		
To Branch Debtors A/c	9,500		
To Abnormal Loss (cost)	4,800		
To Net Profit transferred to Profit & Loss A/c	6,900		
	92,200		92,200

3. **Statement of Profit and Loss of Falgun Ltd.**

for the year ended 31st March, 2025

	Particulars	Notes	₹
I.	Revenue from operations		8,46,000
II.	Other income (Rent income)		24,000
III.	Total Income (I + II)		8,70,000
IV.	Expenses:		
	Cost of materials consumed / Cost of purchases	9	2,42,200
	Changes in inventories of finished goods, work-in-progress and Inventory-in-Trade		-
	Employee benefits expense	10	72,000
	Finance costs (Interest on debentures)	11	20,000
	Depreciation and amortization expenses	12	1,80,000
	Other expenses	13	2,54,800
	Total expenses		7,69,000
V.	Profit (Loss) for the period (III - IV)		1,01,000

Balance Sheet of Falgun Ltd. as at 31st March, 2025

Particulars	Note No	₹
Equity and Liabilities		
1 Shareholders' funds		
a Share capital	1	14,00,000
b Reserves and Surplus	2	6,26,000
2 Non-current liabilities		
a Long-term borrowings	3	8,14,000
3 Current liabilities		
a Short term borrowings	4	1,00,000
b Trade Payables		72,000
c Other current liabilities	5	79,000
d Short term provisions		
Total		30,91,000

ASSETS		
1 Non-current assets		
a Property, plant and equipment	6	22,30,000
2 Current assets		
a Inventories		1,12,000
b Trade receivables	7	3,10,000
c Cash and bank equivalents	8	4,39,000
d Short term loans & advances		
Total		30,91,000

Note: There is a Contingent Liability for bills discounted but not yet matured amounting ₹ 35,000.

Notes to accounts:

			₹
1	Authorised capital:		
	10,000, 10% preference shares of ₹ 100		10,00,000
	20,000 Equity shares of ₹ 100 each		20,00,000
			30,00,000
	Issued and subscribed capital:		
	4,000, 10% preference shares of ₹ 100 each fully paid		4,00,000
	10,000 Equity shares of ₹ 100 each, fully paid		10,00,000
	(of the above 2,500* shares have been issued for consideration other than cash)		14,00,000
2	Reserves and Surplus		
	Securities premium	50,000	
	Revaluation reserve	1,50,000	
	General Reserve	2,85,000	4,85,000
	Surplus (Profit & Loss balance)		
	Opening balance	40,000	
	Profit for the year	1,01,000	1,41,000
	Total		6,26,000

3.	Long-term borrowings			
	Debentures			
	2,000 10% Debentures of ₹ 100 each		2,00,000	
	Secured: Term Loans			
	6% Loan from State Finance Corporation [repayable after 3years (₹ 4,50,000 - ₹ 36,000 for interest accrued but not due)] (secured by hypothecation of Plant and machinery)		4,14,000	
	Others			
	Bank overdraft from Nationalized bank (secured by hypothecation of stocks)		2,00,000	
	Total			8,14,000
4.	Short-term borrowings			
	Loan from Directors			1,00,000
5	Other current liabilities			
	Unclaimed dividend		23,000	
	Interest on Debentures		20,000	
	Interest accrued but not due on loans (SFC)		36,000	79,000
6	Property, plant and equipment			
	Land	7,00,000		
	Add: Revaluation Adjustment	1,50,000		8,50,000
	Plant & Machinery		14,70,000	
	Less: Provision for depreciation		(3,00,000)	11,70,000
	Furniture		4,00,000	
	Less: Provision for depreciation		(1,90,000)	2,10,000
	Total			22,30,000
7	Trade receivables			
	Debts outstanding for a period exceeding six months			46,000
	Other Debts			2,64,000
				3,10,000
8	Cash and cash equivalents			
	Cash at bank with Scheduled Banks (3,05,000 - 55,000)		2,50,000	
	with others		55,000	

	Cash in hand	1,34,000	4,39,000
	*Weightage of this item should be considered equal to two figures (i.e. double)		
9	Cost of materials consumed/Cost of purchases		
	Adjusted purchases	2,25,000	
	Carriage inward	17,200	2,42,200
10	Employee benefit expense		
	Salaries		72,000
11	Finance cost		
	Debenture interest		20,000
12	Depreciation and amortization expenses		
	Plant and Machinery 1,10,000		
	Furniture 70,000		
			1,80,000
13	Other expenses		
	Misc. expenses (10,200-5,000)	5,200	
	Audit fee	5,000	
	Selling & Distribution expenses	46,600	
	Director's fee	40,000	
	Travelling expenses (including foreign tour)	1,30,000	
	Office expenses	28,000	2,54,800

Notes:

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. Since Bonus issue is in proposal state, no adjustment has been made in the given answer.

4. Journal Entries in the books of Tourna Ltd.

		Dr. ₹	*Cr.* ₹
Equity Share Capital (₹ 100) A/c	Dr.	16,00,000	

To Share Surrender A/c			6,40,000
To Equity Share Capital (₹ 10) A/c			9,60,000
(Subdivision of 16,000 equity shares of ₹ 100 each into 1,60,000 equity shares of ₹ 10 each and surrender of 64,000 of such subdivided shares as per capital reduction scheme)			
6% Preference Share Capital (₹ 100) A/c	Dr.	8,00,000	
To 12% Debentures A/c	Dr.		5,60,000
To Reconstruction A/c			2,40,000
(12% Debenture issued to Preference Shareholders and 30% of the capital foregone by them)			
Bank A/c	Dr.	4,00,000	
To 12% Debenture (₹ 100) A/c			4,00,000
(Being 12% debentures issued)			
Bank Overdraft A/c	Dr.	1,40,000	
To Bank A/c			1,26,000
To Reconstruction A/c			14,000
(Being bank overdraft amount paid)			
10% Debentures A/c	Dr.	3,20,000	
Interest payable A/c	Dr.	32,000	
To Debenture holders A/c			3,52,000
(Being Interest payable on the 10% debentures credited to debenture holders A/c)			
Debentureholder A/c	Dr.	3,52,000	
To furniture & fixtures A/c			2,80,000
To Reconstruction A/c			72,000
Alternative combined entry:			
10% Debentures A/c	Dr.	3,20,000	
Interest payable A/c	Dr.	32,000	
To furniture & fixtures A/c			2,80,000
To Reconstruction A/c			72,000
(Settlement of debenture holders by allotment of Furniture & Fixtures)			

Trade payables A/c	Dr.	1,15,000	
To Reconstruction A/c			1,15,000
(Transferred claims of the trade payables to reconstruction account, 30% of which is being clear reduction and equity shares are being issued in consideration of the balance)			
Share Surrender A/c		6,40,000	
To Equity Share Capital (₹ 10) A/c			80,500
To Reconstruction A/c			5,59,500
(Issued equity shares to discharge the claims of the trade payables respectively as a per scheme and the balance in share surrender account is being transferred to reconstruction account)			
Provision for Taxation A/c	Dr.	42,000	
Reconstruction A/c	Dr.	8,000	
To Bank A/c			50,000
(Being taxation liability settled)			
<u>Alternative Separate entry:</u>			
Provision for Taxation A/c	Dr.	42,000	
Reconstruction A/c	Dr.	8,000	
To Liability for taxation A/c			50,000
(Being conversion of the provision for taxation into liability for taxation.)			
Liability for taxation A/c		50,000	
To Cash/Bank A/c			50,000
(Being taxation liability settled)			
Reconstruction A/c	Dr.	70,000	
To Investment A/c			70,000
(Being investments' value reduce to market price)			
Inventory A/c	Dr.	32,000	
To Reconstruction A/c	Dr.		10,400
To Provision for doubtful debts (4,32,000 x 5%)			21,600
(Being inventory revalued and provision for doubtful debts created)			

Reconstruction A/c	Dr.	9,32,900	
To Profit and Loss A/c			9,10,000
To Capital Reserve A/c			22,900
(Adjusted debit balance of profit and loss account against the reconstruction account and the balance in the latter is being transferred to capital reserve)			
Alternative combined entry:			
Inventory A/c	Dr.	32,000	
Reconstruction A/c	Dr.	9,92,500	
To Investment A/c			70,000
To Provision for doubtful debts (4,32,000 x 5%)			21,600
To Profit and Loss A/c			9,10,000
To Capital Reserve A/c			22,900
(Being inventory revalued and provision for doubtful debts created, investments' value reduce to market price, Adjusted debit balance of profit and loss account against the reconstruction account and the balance in the latter is being transferred to capital reserve)			

Reconstruction Account

		₹			₹
To	Provision for taxation	8,000	By	Preference share capital A/c	2,40,000
To	Investments A/c	70,000	By	Bank Overdraft A/c	14,000
To	Provision for doubt full debt	21,600	By	10% Debenture holders A/	72,000
To	Profit and loss A/c	9,10,000	By	Trade payables A/c	1,15,000
To	Capital reserve A/c	22,900	By	Share Surrender A/c	5,59,500
			By	Inventory	32,000
		10,32,500			10,32,500

Balance Sheet of Tourna Limited (and reduced) as at...

Particulars	Note No.	₹
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	10,40,500
(b) Reserves and Surplus	2	22,900
(2) Non-Current Liabilities		
(a) Long-term borrowings	3	9,60,000
(3) Current Liabilities		
Total		20,23,400
II. Assets		
(1) Non-current assets		
(a) Property, plant and equipment	4	5,00,000
(b) Intangible assets	5	1,70,000
(c) Non-current investments	6	1,10,000
(2) Current assets		
(a) Inventories	7	5,44,000
(b) Trade receivables	8	4,10,400
(c) Cash and cash equivalents (W.N)		2,89,000
Total		20,23,400

Notes to Accounts

			₹
1.	Share Capital Equity Share Capital Issued Capital: 1,04,500 Equity Shares of ₹ 10 each (9,60,000+80,500) (Of the above shares all are allotted as fully paid up pursuant to capital reduction scheme by conversion of equity shares without payment being received in cash)		10,40,500

2.	Reserve and Surplus		
	Capital Reserve		22,900
3.	Long-term borrowings		
	Unsecured Loans		
	12% Debentures (5,60,000 + 4,00,000)		9,60,000
4.	Property, plant and Equipment		
	Plant & Machinery		5,00,000
5.	Intangible assets		
	Patents & copyrights		1,70,000
6.	Non-Current Investments		
	Investments (1,80,000 – 80,000)		1,10,000
7.	Inventory	5,12,000	
	Add: Appreciation under scheme of Reconstruction	32,000	5,44,000
8.	Trade Receivables	4,32,000	
	Less: Provision for doubtful debts	21,600	4,10,400

Cash & Bank A/c

	₹		₹
To Opening balance	65,000	By Bank Overdraft A/c	1,26,000
To 12% Debenture A/c	4,00,000	By Liability for taxation	50,000
		By Closing balance	2,89,000
	4,65,000		4,65,000

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	8,33,000
Total revenue (I)		47,13,000
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	6	6,55,500
Total expenses (II)		22,78,500
Profit before tax (II-III)		24,34,500

Notes to Accounts

			₹	₹
1.	Revenue from operations			
	Sales and other operating revenues			
	Birds Ltd.		28,40,000	
	Rooster Ltd.		10,40,000	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.	28,000	1,33,000	
	Other Non-operating Income			
	Birds Ltd.	2,38,000		
	Rooster Ltd.	57,000	2,95,000	
	Rent received			
	Birds Ltd.	5,40,000		
	Less: Rent received by Birds Ltd. from Rooster Ltd. (11,250 x 12)	(1,35,000)	4,05,000	8,33,000
3.	Cost of material purchased/ consumed			
	Birds Ltd.	9,15,000		
	Rooster Ltd.	1,75,000		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)		1,70,000	6,20,000
5.	Employee benefits and expenses			

	Salaries:			
	Birds Ltd.		7,75,000	
	Rooster Ltd.		3,78,000	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.	(1,35,000)	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.	15,000	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) Determination of Buy-back of maximum no. of shares as per the Companies Act, 2013

1. Shares Outstanding Test

Particulars	(Shares)
Number of shares outstanding	4,00,000
25% of the shares outstanding	1,00,000

2. Resources Test: Maximum permitted limit 25% of Equity paid up capital + Free Reserves

Particulars	
Paid up capital (₹)	40,00,000
Free reserves (₹) (48,00,000 + 18,00,000 + 10,00,000)	76,00,000
Shareholders' funds (₹)	1,16,00,000
25% of Shareholders fund (₹)	29,00,000
Buy-back price per share	₹ 25

Number of shares that can be bought back (shares)	1,16,000
Actual Number of shares for buy-back	80,000

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

Debt Equity ratio of the company should not exceed 2:1 after such buy-back. In this case, the debt is ₹ 92,00,000 (60,00,000 + 32,00,000)* and equity after such buy back will be ₹ 96,00,000 (1,16,000 – 20,00,000). Thus, the debt equity ratio is 0.96:1, which is less than 2:1.

Company qualifies all tests for buy-back of shares and came to the conclusion that it can buy 80,000 equity shares @ ₹ 25.

* Total debt may be considered (i.e including current liability).

6. (a) An enterprise should include the following information relating to a discontinuing operation in its financial statements beginning with the financial statements for the period in which the initial disclosure event occurs:

a. A description of the discontinuing operation(s).

b. The business or geographical segment(s) in which it is reported as per AS 17.

c. The date and nature of the initial disclosure event.

d. The date or period in which the discontinuance is expected to be completed if known or determinable.

e. The carrying amounts, as of the balance sheet date, of the total assets to be disposed of and the total liabilities to be settled.

f. The amounts of revenue and expenses in respect of the ordinary activities attributable to the discontinuing operation during the current financial reporting period.

g. The amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto.

h. The amounts of net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation during the current financial reporting period.

OR

(a) Purchase consideration

	Raman Ltd.	*Naman Ltd.*
	₹	₹
Payable to preference shareholders:		
Preference shares at ₹ 115 per share	5,15,200	2,57,600
	$\left(3{,}360\times\frac{4}{3}\right)$	$\left(1{,}680\times\frac{4}{3}\right)$
Equity Shares at ₹ 12 per share	13,44,000	5,04,000
	$\left(67{,}200\times\frac{5}{3}\right)$	$\left(25{,}200\times\frac{5}{3}\right)$
Cash [See W.N.]	41,260	94,980
	19,00,460	8,56,580

Working note:

	Raman Ltd.	*Naman Ltd.*
	₹	₹
Goodwill	1,62,000	
PPE	10,58,100	5,20,100
Trade receivables	2,47,140	1,38,180
Inventory	2,78,620	2,06,780
Cash & Cash Equivalent	2,35,240	1,60,480
	19,81,100	10,25,540
Less: Trade payables	(80,640)	(1,68,960)
	19,00,460	8,56,580
Payable in shares	18,59,200	7,61,600
Payable in cash	41,260	94,980

(b) (i) In this case, accountant of company created a provision for damages of probability of losing a suit by a charge against profits. Unless the probability of losing the suit is more than probability of not losing it, there should not be any creation of provision for such probable losses. So there is no need to charge such loss against profit and disclosing the same in financial statements.

(ii) Repairs and maintenance are revenue expenditure and should not be added to the value of assets, as these expenses do not increase the capacity of asset. Hence such expenses should be charged to profit & loss statement.

Further the chief accountant also disclosed its policy of adding repairs to value of assets by way of notes to accounts. As per AS 1 disclosure is not a method to correct the wrong treatments. So the contention of chief accountant is wrong.

(iii) Accrual is one of the Fundamental accounting assumptions. If fundamental accounting assumptions are followed properly then no specific disclosure is required. Disclosure is required only when there is deviation and the company is not following fundamental accounting assumptions. So the company need not disclose this in financial statements.

(iv) As per AS 1, any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. Accordingly, the notes on accounts should properly disclose the change and its effect.

Note: So far, the company has been providing 2% of sales for meeting after sales expenses during the warranty period. Now the company has improved the quality of its products with better technology and has been observing that actual expenses are very less than the provision, Hence, the company has decided not to make provision for such expenses but to account for the same as and when expenses are incurred. Due to this change, the profit for the year is increased by ₹ 1 crore than would have been the case if the old policy were to continue.

(c) As per AS 17 'Segment Reporting', a business segment or geographical segment should be identified as a reportable segment if:

Its revenue from sales to external customers and from other transactions with other segments is 10% or more of the total revenue- external and internal of all segments; or

Its segment assets are 10% or more of the total assets of all segments.

If the total external revenue attributable to reportable segments constitutes less than 75% of total enterprise revenue, additional segments should be identified as reportable segments even if they do not meet the 10% thresholds until at least 75% of total enterprise revenue is included in reportable segments. This is not applicable in the given case. In the given case 75% of External Revenue is ₹ 10,500 Lakhs (₹ 14,000 × 75%) and the total External Revenue from Reportable segments is ₹ 12,300 Lakhs. So, no need to add Reportable segments.

On the basis of turnover criteria segment Fan is reportable segment as its sales are more than 1,850 lakhs (10% of ₹ 18,500 lakhs). Moreover, total external revenue attributable to reportable segment is also more than 75% of the total enterprise revenue.

On the basis of asset criteria, Fan and Light are reportable segments as their assets are more than 4,450 lakhs (10% of ₹ 44,500 lakhs).