**Mock Test Paper - Series II: April, 2026**

**Date of Paper: 2nd April , 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

Gases Ltd. is installing a 2000 kms long gas pipeline for distribution of gasses (Project is a qualifying asset as per AS 16). For this purpose it borrowed funds for ₹ 700 Lakhs at subsidised rates and has to pay annually an interest of ₹ 70 Lakhs. The Company has also invested unused funds and is earning an income of ₹ 7 Lakhs annually. During the next year the Company used all funds and no income is now being earned.

During the year 5, the Company has completed 1 stretch of 100 kms which is operational between two points and is capable of intended use.

1. For the year 1, how much borrowing cost should be capitalised to the project:

    (a) ₹ 70 Lakhs

    (b) ₹ 77 Lakhs

    (c) ₹ 63 Lakhs

    (d) ₹ 60 Lakhs

2. For the year 2, how much borrowing cost should be capitalised to the project:

    (a) ₹ 70 Lakhs

(b) ₹ 77 Lakhs

(c) ₹ 63 Lakhs

(d) ₹ 65 Lakhs

3. For the year 5, how much borrowing cost should expensed:

(a) ₹ 7 Lakhs

(b) ₹ 6 Lakhs

(c) ₹ 3.5 Lakhs

(d) Nil

4. For the year 5, how much borrowing cost should be capitalised to the project:

(a) ₹ 70 Lakhs

(b) ₹ 66.5 Lakhs

(c) ₹ 63 Lakhs

(d) ₹ 53 Lakhs

**[Multiple Choice Questions [4 MCQs of 2 Marks each: Total 8 Marks]**

5. State which of the following statements is true?

(a) Buy-back is for more than twenty-five per cent of the total paid-up capital and free reserves of the company.

(b) Partly paid shares cannot be bought back by a company.

(c) Buy-back of equity shares in any financial year shall exceed twenty-five per cent of its total paid-up equity capital in that financial year.

(d) Partly paid shares can be bought back by a company. **(2 Marks)**

**Case Scenario - II**

Mars Ltd. is a manufacturing enterprise which is starting a new manufacturing plant at X Village. It has commenced construction of the plant on April 1, 2023 and has incurred following expenses:

- It has acquired land for installing Plant for ₹ 50,00,000

- It incurred ₹ 35,00,000 for material and direct labour cost for developing the Plant.
- The Company incurred ₹ 10,00,000 for head office expenses at New Delhi which included rent, employee cost and maintenance expenditure.
- The Company borrowed ₹ 25,00,000 for construction work of Plant @12% per annum on April 1, 2023. Director finance of the Company incurred travel and meeting expenses amounting to ₹ 5,00,000 during the year for arranging this loan.
- On November 1, 2023, the construction activities of the plant were interrupted as the local people alongwith the activists have raised issues relating to environmental impact of plant being constructed. Due to agitation the construction activities came to standstill for 3 months.
- With the help of Government and NGOs, the agitation was over by February 28, 2024 and the work resumed. However, to balance the impact on environment, government ordered the company to install certain devices for which the Company had to incur ₹ 6,00,000 in March 2024.
- The rate of depreciation on Plant is 10%.

Based on the above information, answer the following questions.

6. Which of the following expenses cannot be included in the cost of plant:

   (a) Cost of Land

   (b) Construction material and labour cost

   (c) Head office expenses

   (d) Borrowing cost

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

   (a) ₹ 300,000

   (b) ₹ 2,00,000

   (c) ₹ 7,00,000

   (d) ₹ 6,00,000

8. The total cost of plant as on March 31, 2024 will be:

   (a) ₹ 85,00,000

   (b) ₹ 98,00,000

   (c) ₹ 93,00,000

   (d) ₹ 95,00,000

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

   (a) ₹ 4,30,000

   (b) ₹ 9,30,000

   (c) ₹ 9,80,000

   (d) Nil

**Multiple Choice Questions [4 MCQs of 2 Marks each: Total 8 Marks]**

**Case Scenario - III**

Anshul manufacturers purchased 20,000 Kg. of raw material at ₹ 170 per Kg. Direct transit cost incurred ₹ 5,00,000 and normal transit loss is 3%. Anshul manufacturers actually received 19,000 kg of raw material. During the year it consumed 17,600 kg of raw material.

Further information:

(i) The purchase price includes ₹ 15 per kg as GST in respect of which full credit is allowed and will be availed by Anshul manufacturers.

(ii) Assume that there is no opening stock.

Answer the following questions based on above:

10. What will be the cost of material:

   (a) ₹ 36,00,000

   (b) ₹ 34,00,000

   (c) ₹ 39,00,000

   (d) ₹ 31,00,000

11. what will be the value of the closing stock:

(a) ₹ 1,70,000

(b) ₹ 1,85,500

(c) ₹ 2,38,000

(d) ₹ 2,59,700

12. What will be the cost per Kg of raw material:

(a) ₹ 180

(b ₹ 183.6

(c) ₹ 185.5

(d) ₹ 189.4

13. How much amount as abnormal loss will be debited in P&L:

(a) ₹ 72,000 approx

(b) ₹ 73,440 approx

(c) ₹ 74,200 appox

(d) ₹ 75,760 approx

**Multiple Choice Questions [4 MCQs of 2 Marks each: Total 8 Marks]**

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

(a) ₹ 1.5 lakh

(b) ₹ 3 Lakh

(c) Nil

(d) ₹ 5 Lakh **(2 Marks)**

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

While preparing Financial Statements of P Ltd., which entities would you disclose as related parties with reference to AS-18?

(a) Q Ltd.

(b) R Ltd.

(c) Q Ltd. and R Ltd.

(d) Neither of Q Ltd. or R Ltd. **(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) Antu Limited and Bantu Limited decided to amalgamate and form a new company Anban Limited as on 31st March, 2026 and provide you the following information:

| **Particulars** | **As on 31st March 2026** | | **Revalued figures for amalgamation** | |
|---|---|---|---|---|
| | **Antu Limited (₹)** | **Bantu Limited (₹)** | **Antu Limited (₹)** | **Bantu Limited (₹)** |
| Equity shares of ₹ 10 each | 26,88,000 | 10,08,000 | | |
| 10% Preference Shares of ₹ 100 each | 13,44,000 | 6,72,000 | | |
| Reserve & Surplus | 21,76,960 | 10,61,920 | | |
| Trade Payable | 3,36,000 | 7,04,000 | 3,22,560 | 6,75,840 |
| Property, Plant & Equipment | 30,76,000 | 17,45,600 | 42,32,400 | 20,80,400 |

| | | | | |
|---|---|---|---|---|
| Goodwill | 6,48,000 | - | 6,48,000 | - |
| Inventories | 7,56,000 | 4,70,400 | 11,14,480 | 8,27,120 |
| Trade Receivables | 11,24,000 | 5,88,000 | 9,88,560 | 5,52,720 |
| Cash & Cash Equivalents | 9,40,960 | 6,41,920 | - | - |

The purchase consideration is to be satisfied as follows:

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

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

(3) 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) On 1st April, 2025 Mr. Zoom had an opening balance of 1,000 equity shares of P Ltd. ₹ 1,20,000 (face value ₹ 100 each).

On 5.04.2025 he further purchased 200 cum-right shares for ₹ 135 each. On 8.04.2025 the director of P Ltd announced right issue in the ratio of 1:6.

Mr. Zoom waived off 100% of his entitlement of right issue in the favour of Mr. X at the rate of ₹ 20 each.

All the shares held by Mr. Zoom had been acquired on cum right basis and the total market price (ex-right) of all these shares after the declaration of rights got reduced by ₹ 3,400.

On 10.10.2025 Zoom sold 350 shares for ₹ 140 each.

31.03.2026 The market price of each share is ₹ 125 each.

You are required to prepare the Investment account in the books of Mr. Zoom for the year ended 31.03.2026 assuming that the shares are being valued at average cost. **(7+7= 14 Marks)**

2. (a) You are required to give the necessary journal entry at the inception of lease to record the asset taken on finance lease in books of lessee from the following information:

| | | |
|---|---|---|
| Lease period | = | 5 years; |
| Annual lease rents | = | ₹ 50,000 at the end of each year. |
| Guaranteed residual value | = | ₹ 25,000 |
| Fair Value at the inception (beginning) of lease= | | ₹ 2,00,000 |

Interest rate implicit on lease is = 12.6% (Discounted rates for year 1 to 5 are .890, .790, .700, .622 and .552 respectively).

(b) On 31st March, 2026 Delhi Branch submits the following Trial Balance to its Head Office at Mumbai:

| Debit Balances | ₹ in lacs |
|---|---|
| Furniture and Equipment | 36 |
| Depreciation on furniture | 4 |
| Salaries | 50 |
| Rent | 20 |
| Advertising | 12 |
| Telephone, Postage and Stationery | 6 |
| Sundry Office Expenses | 2 |
| Stock on 1st April, 2025 | 120 |
| Goods Received from Head Office | 576 |
| Debtors | 40 |
| Cash at bank and in hand | 16 |
| Carriage Inwards | 14 |
| | 896 |
| Credit Balances | |
| Outstanding Expenses | 6 |
| Goods Returned to Head Office | 10 |
| Sales | 720 |
| Head Office | 160 |
| | 896 |

Additional Information:

Stock on 31st March, 2026 was valued at ₹ 124 lacs. On 29th March, 2026 the Head Office dispatched goods costing ₹ 20 lacs to its branch. Branch did not receive these goods before 1st April, 2026. Hence, the figure of goods received from Head Office does not include these goods. Also the head office has charged the branch ₹ 2 lac for centralized services for which the branch has not passed the entry.

You are required to prepare Final Accounts of the Branch including Balance Sheet. **(7 + 7 = 14 Marks)**

3. The following are the extract of balance sheet of P Ltd., and its subsidiary Q Ltd., as at 31 March 2026:

| | **Particulars** | **P Ltd. ₹** | **Q Ltd. ₹** |
|---|---|---|---|
| I | Equity & Liabilities | | |
| (1) | Shareholders' Funds | | |
| (a) | Share capital (Equity shares of ₹100 each fully paid up) | 16,00,000 | 4,00,000 |
| (b) | Reserve & Surplus | 2,00,000 | 80,000 |
| (2) | Current liability | 30,00,000 | 19,20,000 |
| | Total | 48,00,000 | 24,00,000 |
| II | Assets | | |
| (1) | Non-current assets | | |
| (a) | PPE | 10,00,000 | 3,80,000 |
| (2) | Investment: | | |
| | 3,600 equity shares in Q Ltd. on 1 April 2025 | 5,60,000 | --- |
| (3) | Current Assets | | |
| (a) | Other current assets | 32,40,000 | 20,20,000 |
| | Total | 48,00,000 | 24,00,000 |

On 1 April 2025 Profit & Loss A/c of Q Ltd. showed a credit balance of ₹ 32,000 and equipment of Q Ltd., was revalued by P Ltd., 20% above its book value of ₹ 4,00,000 (but no such adjustment effected in the books of Q Ltd.)

Prepare the consolidated balance sheet as at 31st March 2026. **(14 Marks)**

4. (a) A Ltd. acquired 70% equity shares of B Ltd. @ ₹ 20 per share (Face value - ₹ 10) on 31st March, 2026 at a cost of ₹ 140 lakhs. Calculate the amount of share of A Ltd. and minority interest in the net assets of B Ltd. on this date. Also compute goodwill/capital reserve for A Ltd. on acquisition of shares of B Ltd. from the following information available from the balance sheet of B Ltd. as on 31st March, 2026:

| | ₹ in lakhs |
|---|---|
| Property, plant and equipment | 360 |
| Investments | 90 |
| Current Assets | 140 |
| Loans & Advances | 30 |
| 15% Debentures | 180 |
| Current Liabilities | 100 |

(b) Following is the cash flow abstract of Alpha Ltd. for the year ended 31st March, 2026:

**Cash Flow (Abstract)**

| **Inflows** | **₹** | **Outflows** | **₹** |
|---|---|---|---|
| Opening cash and bank balance | 80,000 | Payment for Account Payables | 90,000 |
| Share capital – shares issued | 5,00,000 | Salaries and wages | 25,000 |
| Collection from Trade | | Payment of overheads | 15,000 |
| Receivables | 3,50,000 | Machinery acquired<br>Debentures redeemed | 4,00,000<br>50,000 |
| Sale of Machinery | 70,000 | Bank loan repaid | 2,50,000 |
| | | Tax paid | 1,55,000 |
| | | Closing cash and bank balance | 15,000 |
| | 10,00,000 | | 10,00,000 |

Prepare Cash Flow Statement for the year ended 31st March, 2026 in accordance with AS 3. **(7 + 7 = 14 Marks)**

5. The Following is the Trial Balance of Amol Limited as on 31st March, 2026.

| **Particulars** | **Amount (₹)** | **Particulars** | **Amount (₹)** |
|---|---|---|---|
| Purchases | 41,47,500 | Sales | 62,93,500 |
| Wages & Salaries | 6,36,000 | Commission | 36,250 |
| Rent | 1,10,000 | Equity Share Capital | 5,00,000 |

| | | | |
|---|---|---|---|
| Rate & Taxes | 25,000 | General Reserve | 5,00,000 |
| Selling & Distribution Expenses | 2,18,000 | Surplus (P & L A/c) 01.04.2025 | 4,37,750 |
| Directors Fees | 16,000 | Securities Premium | 1,25,000 |
| Bad Debts | 19,250 | Term Loan from Public sector Bank | 51,00,000 |
| Interest on term loan | 4,02,500 | | |
| Land | 12,00,000 | Trade Payables | 27,54,437 |
| Factory Building | 18,40,000 | Provision for Depreciation: | |
| Plant & Machinery | 31,25,000 | - On Plant | 4,68,750 |
| Furniture and fittings | 4,12,500 | - On Furniture and fittings | 41,250 |
| Trade Receivables | 32,37,500 | - On Factory Building | 92,000 |
| Advance Income Tax Paid | 18,750 | Provision for Doubtful Debts | 12,500 |
| Stock (1st April, 2025) | 4,62,500 | Bill Payable | 62,500 |
| Bank Balances | 4,87,500 | | |
| Cash on Hand | 65,937 | | |
| Total | 1,64,23,937 | Total | 1,64,23,937 |

Following information is provided :

(1) The Authorized Share Capital of the Company is 1,00,000 Equity Shares of ₹ 10 each. The company has issued 50,000 Equity Shares of ₹10 each.

(2) Rent of ₹ 10,000 and wages of ₹ 78,250 are outstanding as on 31st March, 2026.

(3) Provide Depreciation @10% per annum on Plant & Machinery, 10% on Furniture and Fittings and 5% on factory Building on written down value basis.

(4) Closing Stock as on 31st March, 2026 is ₹ 5,68,750.

(5) Make a provision for Doubtful Debts @ 5% on Debtors.

(6) Make a provision of 25% for Corporate Income Tax.

(7) Transfer ₹ 50,000 to General Reserve.

(8) Term Loan from Public Sector Bank is secured against Hypothecation of Plant & Machinery Instalment of Term Loan falling due within one year is ₹ 8,50,000.

(9) Trade Receivables of ₹ 42,800 are outstanding for more than six months.

(10) The Board declared a dividend @10% on Paid up Share Capital on 5th April, 2026.

You are required to prepare Balance Sheet as on 31st March, 2026 and Statement of Profit and Losses with Note to Accounts for the year ending 31st March, 2026 as per Schedule III of the Companies Act, 2013. Ignore previous year's figures. **(14 Marks)**

6. (a) (i) With regard to financial statements, name any five qualitative characteristics and elements.

(ii) Aman started a business on 1st April 2025 with ₹ 24,00,000 represented by 1,20,000 units of ₹ 20 each. During the financial year ending on 31st March, 2026, he sold the entire stock for ₹ 30 each. In order to maintain the capital intact, calculate the maximum amount, which can be withdrawn by Aman in the year 2025-26 if Financial Capital is maintained at historical cost.

**Or**

When capitalisation of borrowing cost should cease as per Accounting Standard 16? Explain in brief. **(4 Marks)**

(b) In the following list of shares issued, for the purpose of calculation of weighted average number of shares, from which date, weight is to be considered:

(i) Equity Shares issued in exchange of cash,

(ii) Equity Shares issued as a result of conversion of a debt instrument,

(iii) Equity Shares issued in exchange for the settlement of a liability of the enterprise,

(iv) Equity Shares issued for rendering of services to the enterprise,

(v) Equity Shares issued in lieu of interest and/or principal of an other financial instrument,

(vi) Equity Shares issued as consideration for the acquisition of an asset other than in cash. **(5 Marks)**

(c) Alpha Chemicals Ltd., a listed company, proposes a buy-back of 12% of its equity share capital from its free reserves under Section 68 of the Companies Act, 2013. On scrutiny of its records, the following details were observed:

1. The company intends to route the buy-back through its wholly-owned subsidiary.
2. The company had defaulted on repayment of a term loan to a public sector bank, which was fully repaid 27 months ago.
3. The company has not filed its Annual Return and Financial Statements for the preceding financial year.
4. The company had declared a dividend in the last year, but the amount remains unpaid for 35 days from the date of declaration.

You are required to:

Examine the compliance of Alpha Chemicals Ltd. with the requirements of Section 70 of the Companies Act, 2013 and state whether the company is eligible to proceed with the proposed buy-back. **(5 Marks)**

**Mock Test Paper - Series II: April, 2026**

**Date of Paper: 2nd April , 2026**

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

**INTERMEDIATE COURSE: GROUP - I**

**PAPER – 1 : ADVANCED ACCOUNTING**

**ANSWERS**

**Case Scenario**

| | |
|---|---|
| 1 | (c) |
| 2 | (a) |
| 3 | (c) |
| 4 | (b) |
| 5. | (b) |
| 6 | (c) |
| 7 | (b) |
| 8 | (c) |
| 9 | (d) |
| 10 | (a) |
| 11 | (d) |
| 12 | (c) |
| 13 | (c) |
| 14 | (c) |
| 15. | (c) |

**PART II – Descriptive Questions (70 Marks)**

**1. (a) Calculation of Purchase Consideration (Net payment method)**

| | **Particulars** | **Antu Ltd. (₹)** | **Bantu Ltd. (₹)** |
|---|---|---|---|
| 1. | Preference Shares in Anban Ltd. (₹ 100 each @85 paid up at premium of ₹ 30 each) (W.N.1) | 20,60,800 | 10,30,400 |
| 2. | Equity Shares in Anban Ltd. (₹ 10 each @ ₹ 7 paid up at premium of ₹ 5 each) (W.N.2) | 53,76,000 | 20,16,000 |

| | | | |
|---|---|---|---|
| 3. | Cash paid (W.N.3) | 1,65,040 | 3,79,920 |
| | Purchase Consideration | 76,01,840 | 34,26,320 |

**Working notes**

1. Consideration for preference shares:

   Antu Ltd. = $\left(13{,}440 \times \frac{4}{3}\right)$ = 17,920 shares × (85 + 30) = ₹ 20,60,800

   Bantu Ltd. = $\left(6{,}720 \times \frac{4}{3}\right)$ = 8,960 shares × (85 + 30) = ₹ 10,30,400

2. Consideration for equity shares:

   Antu Ltd. = $\left(2{,}68{,}800 \times \frac{5}{3}\right)$ = 4,48,000 shares × (7 + 5) = ₹ 53,76,000

   Bantu Ltd. = $\left(1{,}00{,}800 \times \frac{5}{3}\right)$ = 1,68,000 shares × (7 + 5) = ₹ 20,16,000

3. Value of Net Assets

| Particulars | Antu Ltd | Bantu Ltd. |
|---|---|---|
| PPE | 42,32,400 | 20,80,400 |
| Add: Goodwill | 6,48,000 | - |
| Inventories | 11,14,480 | 8,27,120 |
| Trade Receivables | 9,88,560 | 5,52,720 |
| Cash & Cash Equivalents | 9,40,960 | 6,41,920 |
| (Less) Trade Payables | (3,22,560) | (6,75,840) |
| | 76,01,840 | 34,26,320 |
| (less) Payable in shares | (74,36,800) | (30,46,400) |
| | 1,65,040 | 3,79,920 |

**(b) In the books of Mr. Zoom**

**for the year ending on 31.3.2026**

**(Scrip: Equity Shares of P Limited)**

| Date | Particulars | Qty | Amount | Date | Particulars | Qty | Amount |
|---|---|---|---|---|---|---|---|
| 1.4.2025 | To Balance b/d | 1000 | 1,20,000 | 8.04.2025 | By Bank A/c (W.N.1) | | 3,400 |
| 5.04.2025 | To Bank (200x ₹135) | 200 | 27,000 | 10.10.2025 | By Bank A/c (350x ₹140) | 350 | 49,000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 10.10.2025 | To Profit & Loss A/c (W.N.2) | | 7,117 | 31.3.2026 | By Balance c/d (W.N.3) | 850 | 1,01,717 |
| | | 1200 | 1,54,117 | | | 1200 | 1,54,117 |

**Working Notes:**

1. **Sale of Rights ₹ 4,000**

   The market price of all shares of P Ltd after shares becoming ex-rights has been reduced by ₹ 3,400.

   In this case out of sale proceeds of ₹4,000; ₹ 3,400 may be applied to reduce the carrying amount to the market value and ₹ 600 would be credited to the profit and loss account.

2. **Profit on sale of 350 shares**

| | Amount ₹ |
|---|---|
| Sale price of 350 shares (350 shares X 140 each) | 49,000 |
| Less: Cost of 350 shares [(1,20,000+27,000-3,400) X350]/1200 | 41,883 |
| Profit | 7,117 |

3. **Valuation of 850 shares as on 31.03.2026**

| Particulars | Amount |
|---|---|
| Cost price of 850 shares<br>[(1,20,000 +27,000 -3,400) x 850 /1,200] | ₹ 1,01,717 |
| Fair Value as on 31.03.2020 [850 X ₹ 125 each] | ₹ 1,06,250 |
| Cost price or fair value whichever is less | ₹ 1,01,717 |

**2. (a) Present value of minimum lease payment is computed below:**

| Year | MLP ₹ | DF (12.6%) | PV ₹ |
|---|---|---|---|
| 1 | 50,000 | 0.890 | 44,500 |
| 2 | 50,000 | 0.790 | 39,500 |
| 3 | 50,000 | 0.700 | 35,000 |
| 4 | 50,000 | 0.622 | 31,100 |
| 5 | 50,000 | 0.552 | 27,600 |
| 5 | 25,000 | 0.552 | 13,800 |
| | | | 1,91,500 |

Present value of minimum lease payment = ₹ 1,91,500

Fair value of leased asset = ₹ 2,00,000

As per AS 19, on the date of inception of Lease, Lessee should show it as an asset and corresponding liability at lower of Fair value of leased asset at the inception of the lease and present value of minimum lease payments from the standpoint of the lessee. The accounting entry at the inception of lease to record the asset taken on finance lease in books of lessee is suggested below:

| | ₹ | ₹ |
|---|---|---|
| Asset A/c Dr. | 1,91,500 | |
| To Lessor (Lease Liability) A/c | | 1,91,500 |
| (Being recognition of finance lease as asset and liability) | | |

(b) **Trading and Profit & Loss Account of the Branch**

**for the year ended 31st March, 2026**

| | | *₹ in lacs* | | *₹ in lacs* |
|---|---|---|---|---|
| To Opening Stock | | 120 | By Sales | 720 |
| To Goods received from | | | By Closing Stock | 124 |
| Head Office | 576 | | | |
| *Less*: Returns | (10) | 566 | | |
| To Carriage Inwards | | 14 | | |
| To Gross Profit c/d | | 144 | | |
| | | 844 | | 844 |
| To Salaries | | 50 | By Gross Profit b/d | 144 |
| To Depreciation on Furniture | | 4 | | |
| To Rent | | 20 | | |
| To Advertising | | 12 | | |
| To Telephone, Postage & Stationery | | 6 | | |
| To Sundry Office Expenses | | 2 | | |
| To Head Office Expenses | | 2 | | |
| To Net Profit Transferred to | | | | |
| Head Office A/c | | 48 | | |
| | | 144 | | 144 |

**Balance Sheet as on 31st March, 2026**

| *Liabilities* | *₹ in lacs* | | *Assets* | *₹ in lacs* | |
|---|---|---|---|---|---|
| Head Office | 160 | | Furniture & Equipment | 40 | |
| *Add:* Goods in transit | 20 | | *Less:* Depreciation | (4) | 36 |
| Head Office Expenses | 2 | | Stock in hand | | 124 |
| Net Profit | 48 | 230 | Goods in Transit | | 20 |
| Outstanding Expenses | | 6 | Debtors | | 40 |
| | | | Cash at bank and in hand | | 16 |
| | | 236 | | | 236 |

**3. Consolidated Balance Sheet of P Ltd.**

**and its Subsidiary Q ltd. as on 31.3.2026**

| Sr. No. | Particulars | Note No. | ₹ |
|---|---|---|---|
| I. | Equities & Liabilities | | |
| (1) | Shareholder's funds | | |
| (a) | Share Capital | 1 | 16,00,000 |
| (b) | Reserve & surplus | 2 | 2,39,600 |
| (c) | Minority interest | | 55,600 |
| (2) | Current liability | | |
| (a) | Other current liabilities (30,00,000+19,20,000) | | 49,20,000 |
| | Total | | 68,15,200 |
| II. | Assets | | |
| (1) (a) | PPE (10,00,000 + 3,80,000 + 80,000 – 4,000) | | 14,56,000 |
| (b) | Goodwill | | 99,200 |
| (2) | Current Assets | | |
| (a) | Other current assets (32,40,000 + 20,20,000) | | 52,60,000 |
| | Total | | 68,15,200 |

**Notes to accounts:**

| | Particulars | ₹ |
|---|---|---|
| (1) | Share capital | |
| | Authorized share capital | - |
| | Issued, subscribed & paid-up capital | |

| | | |
|---|---|---|
| | 16,000 equity shares of ₹100 each | 16,00,000 |
| (2) | Reserve & Surplus | |
| | Profit & Loss A/c (W.N. 5) | 2,39,600 |

**Working Notes:**

1. **Shareholding**

| Held by P Ltd. | Minority interest |
|---|---|
| 3,600 shares (90%) | 400 shares (10%) |

2. **Analysis of profit**

**Profit & Loss A/c**

| Particulars | ₹ | Particulars | ₹ |
|---|---|---|---|
| To Bal. c/d | 80,000 | By Bal. b/d | 32,000 |
| | | By Profit | 48,000 |
| | 80,000 | | 80,000 |

| Particulars | Capital profit | Revenue profit |
|---|---|---|
| Opening balance in P&L A/c | 32,000 | |
| Profit during the year | | 48,000 |
| Revaluation of equipment (W.N.6) | 80,000 | |
| Short depreciation on equipment | | (4,000) |
| Total | 1,12,000 | 44,000 |
| Q Ltd. (Minority) (10%) | 11,200 | 4,400 |
| P Ltd. (90%) | 1,00,800 | 39,600 |

3. **Cost of Control**

| Particulars | Computation | ₹ |
|---|---|---|
| Cost of investment | As per balance sheet | 5,60,000 |
| Less: Dividend out of pre-acquisition profit | | - |
| | (A) | 5,60,000 |
| Share in net assets of Q ltd. | | |
| Share capital | 4,00,000 × 90% | 3,60,000 |
| Capital profit | W.N. 2 | 1,00,800 |
| | (B) | 4,60,800 |
| Goodwill | A – B | 99,200 |

4. **Calculation of Minority Interest**

| Particulars | Computation | ₹ |
|---|---|---|
| Share capital | 4,00,000 × 10% | 40,000 |
| Capital profit | WN 2 | 11,200 |
| Revenue profit | WN 2 | 4,400 |
| Total | i + ii + iii | 55,600 |

5. **P Ltd.**

| **Particulars** | **General Reserve** | **Profit & Loss A/c** |
|---|---|---|
| Balance As Per Balance sheet | - | 2,00,000 |
| Share in profit of Q ltd. | - | 39,600 |
| Total | - | 2,39,600 |

6. **Appreciation / Depreciation on revalued asset**

| **Particulars** | **₹** |
|---|---|
| Book value as on 31.3.26 (as per b/s) | 3,80,000 |
| Book value as on 1.4.25 (Given) | 4,00,000 |
| Depreciation (iii) | 20,000 |
| Depreciation rate (iii/ii×100%) | 5% |
| Revaluation of asset (ii + 20%) | 4,80,000 |
| Revaluation reserve | 80,000 |
| Depreciation on revalued asset (4,80,000 × 5%) | 24,000 |
| Short depreciation | 4,000 |

4. (a) **Net assets of B Ltd. as on 31st March, 2026**

| | ***₹ in lakhs*** | ***₹ in lakhs*** |
|---|---|---|
| Property, plant and equipment | | 360 |
| Investments | | 90 |
| Current Assets | | 140 |
| Loans and Advances | | 30 |
| Total Assets | | 620 |
| *Less:* 15% Debentures | 180.0 | |
| Current Liabilities | 100.0 | (280) |

| | | |
|---|---|---|
| Equity / Net Worth | | 340 |
| Share of Minority Interest in net assets (30% of 340) | | 102 |
| A Ltd.'s share in net assets (70% of 340) | | 238 |
| A Ltd.'s cost of acquisition of shares of B Ltd. | | |
| (₹140 lakhs) | | (140) |
| Capital reserve | | 98 |

**(b) Cash Flow Statement for the year ended 31.3.2026**

| | ₹ | ₹ |
|---|---|---|
| **Cash flow from operating activities** | | |
| Cash received on account of trade receivables | 3,50,000 | |
| Cash paid on account of trade payables | (90,000) | |
| Cash paid to employees (salaries and wages) | (25,000) | |
| Other cash payments (overheads) | (15,000) | |
| Cash generated from operations | 2,20,000 | |
| Income tax paid | (1,55,000) | |
| Net cash generated from operating activities | | 65,000 |
| **Cash flow from investing activities** | | |
| Payment for purchase of machinery | (4,00,000) | |
| Proceeds from sale of machinery | 70,000 | |
| Net cash used in investment activities | | (3,30,000) |
| **Cash flow from financing activities** | | |
| Proceeds from issue of share capital | 5,00,000 | |
| Bank loan repaid | (2,50,000) | |
| Debentures redeemed | (50,000) | |
| Net cash used in financing activities | | 2,00,000 |
| Net decrease in cash and cash equivalents | | (65,000) |
| Cash and cash equivalents at the beginning of the year | | 80,000 |
| Cash and cash equivalents at the end of the year | | 15,000 |

**5. Balance Sheet of Amol Ltd. as at 31st March, 2026**

| | Particulars | Note No | ₹ |
|---|---|---|---|
| I. | EQUITY AND LIABILITIES | | |
| (1) | Shareholders' Funds | | |
| (a) | Share capital | 1 | 5,00,000 |
| (b) | Reserves and Surplus | 2 | 12,38,231 |
| (2) | Non-current Liabilities | | |
| (a) | Long-term borrowings | 3 | 42,50,000 |
| (3) | Current Liabilities | | |
| (a) | Short term borrowings (Installment of term loan falling due in one year) | | 8,50,000 |
| (b) | Trade Payables | 4 | 28,16,937 |
| (c) | Other current liabilities | 5 | 88,250 |
| (d) | Short term provisions (provision for tax) | | 58,494 |
| | Total | | 98,01,912 |
| | ASSETS | | |
| (1) | Non-current assets | | |
| (a) | PPE | 6 | 55,85,350 |
| (2) | Current assets | | |
| (a) | Inventories | | 5,68,750 |
| (b) | Trade receivables | 7 | 30,75,625 |
| (c) | Cash and bank balances | 8 | 5,53,437 |
| (d) | Short term loans & advances (Advance tax paid) | | 18,750 |
| | Total | | 98,01,912 |

**Statement of Profit & Loss of Amol Ltd.**

**For the year ended 31st March, 2026**

| Particulars | Notes | Amount |
|---|---|---|
| Revenue from operations | | 62,93,500 |
| Other income (Commission income) | | 36,250 |
| Total Income (i) | | 63,29,750 |
| Expenses: | | |
| Purchases of Inventory-in-Trade | | 41,47,500 |

| | | |
|---|---|---|
| Changes in inventories of finished goods work-in-progress and Inventory-in-Trade | 9 | (1,06,250) |
| Employee benefits expense | 10 | 7,14,250 |
| Finance costs (interest on term loan) | | 4,02,500 |
| Depreciation | | 3,90,150 |
| Other operating expenses | 11 | 5,47,625 |
| Total expenses(ii) | | 60,95,775 |
| Profit (Loss) for the period (i – ii) | | 2,33,975 |
| Less:Tax (25%) | | (58,494) |
| PAT | | 1,75,481 |

**Notes to accounts:**

| | **Particulars** | **₹** | **₹** |
|---|---|---|---|
| 1. | Share Capital | | |
| | Equity share capital Authorized | | |
| | 1,00,000 equity shares of ₹ 10 each | | 10,00,000 |
| | Issued & subscribed | | |
| | 50,000 equity shares of ₹ 10 each | | 5,00,000 |
| 2. | Reserves and Surplus | | |
| | General Reserve | 5,00,000 | |
| | Add: Current year transfer | 50,000 | 5,50,000 |
| | Profit & Loss balance | | |
| | Opening balance | 4,37,750 | |
| | Add: Profit for the year | 1,75,481 | |
| | Less: Transfer to General reserve | (50,000) | 5,63,231 |
| | Securities premium | | 1,25,000 |
| | Total | | 12,38,231 |
| 3. | Long-term borrowings | | |
| | Term loan from public sector bank | | 51,00,000 |
| | (Secured by hypothecation) | | |
| | Less: Installment of Term loan falling due within 1 year | | (8,50,000) |
| | Total | | 42,50,000 |

| | | | |
|---|---|---|---|
| 4. | Trade payables | | |
| | Trade payables | | 27,54,437 |
| | Bills payable | | 62,500 |
| | Total | | 28,16,937 |
| 5. | Other current liabilities | | |
| | Rent outstanding | 10,000 | |
| | Wages and Salaries Outstanding | 78,250 | 88,250 |
| 6. | PPE (W.N2) | | |
| | Land | | 12,00,000 |
| | Factory Buildings | | 16,60,600 |
| | Plant & Machinery | | 23,90,625 |
| | Furniture & Fittings | | 3,34,125 |
| | Total | | 55,85,350 |
| 7. | Trade receivables | | |
| | Debtors Outstanding for period exceeding 6 months | 42,800 | |
| | Other debts | 31,94,700 | |
| | Less: Provision for doubtful debt | (1,61,875) | 30,75,625 |
| 8. | Cash and bank balance | | |
| | Bank balance | 4,87,500 | |
| | Cash on hand | 65,937 | 5,53,437 |
| 9. | Changes in Inventories | | |
| | Opening Inventory | 4,62,500 | |
| | Less: Closing Inventory | (5,68,750) | (1,06,250) |
| 10. | Employee benefit expense | | |
| | Wages and Salaries | 6,36,000 | |
| | Add: Wages and Salaries Outstanding | 78,250 | 7,14,250 |
| 11. | Other operating expenses | | |
| | Rent | 1,10,000 | |
| | Add: outstanding | 10,000 | 1,20,000 |
| | Rates and Taxes | | 25,000 |
| | Selling & Distribution expenses | | 2,18,000 |
| | Bad debts | | 19,250 |

| | | | |
|---|---|---|---|
| | Provision for Doubtful Debts (1,61,875- 12,500) | | 1,49,375 |
| | Director's fee | | 16,000 |
| | Total | | 5,47,625 |

**Note :**

(1) The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards.

(2) Calculation of Depreciation

| Particulars | Book value | Accumulated depreciation | WDV | Current year Depreciation | Current year WDV |
|---|---|---|---|---|---|
| Land | 12,00,000 | | 12,00,000 | - | 12,00,000 |
| Factory building | 18,40,000 | 92,000 | 17,48,000 | 87,400 | 16,60,600 |
| Plant & Machinery | 31,25,000 | 4,68,750 | 26,56,250 | 2,65,625 | 23,90,625 |
| Furniture Fittings | 4,12,500 | 41,250 | 3,71,250 | 37,125 | 3,34,125 |
| | | | Total | 3,90,150 | 55,85,350 |

**6. (a) (i) Qualitative Characteristics of Financial Statements:**

Understandability, Relevance, Comparability, Reliability & Faithful Representation

Elements of Financial Statements:

Asset, Liability, Equity, Income/Gain and Expense/Loss

**(ii)**

| Particulars | Financial Capital Maintenance at Historical Cost (₹) |
|---|---|
| Closing equity<br>(₹ 30 x 1,20,000 units) | 36,00,000 represented by cash |
| Opening equity | 1,20,000 units x ₹ 20 = 24,00,000 |
| Permissible drawings to keep Capital intact | 12,00,000 (36,00,000 – 24,00,000) |

**Or**

Capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. An asset is normally ready for its intended use or sale when its physical construction or production is complete even though routine administrative work might still continue. If minor modifications such as the decoration of a property to the user's specification, are all that are outstanding, this indicates that substantially all the activities are complete. When the construction of a qualifying asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalization of borrowing costs in relation to a part should cease when substantially all the activities necessary to prepare that part for its intended use or sale are complete.

**(b)** The following dates should be considered for consideration of weights for the purpose of calculation of weighted average number of shares in the given situations:

(i) Date of Cash receivable

(ii) Date of conversion

(iii) Date on which settlement becomes effective

(iv) When the services are rendered

(v) Date when interest ceases to accrue

(vi) Date on which the acquisition is recognised.

**(c)** As per Section 70 of the Companies Act, 2013, the company cannot buy back its own shares under the following conditions, all of which apply to Alpha Chemicals Ltd.:

**1. Buy-back through Subsidiary – Prohibited**

- Section 70(1)(a): A company shall not buy back shares through any subsidiary, including wholly owned subsidiaries.

**2. Default in Term Loan – Three-Year Cooling Off Required**

- Section 70(1)(c): A company that has defaulted in repayment of a term loan can buy back shares only after 3 years from the cessation of default.
- Alpha repaid the loan only 27 months ago — still short of the required 36-month period. Hence, not eligible.

3. **Non-Filing of Annual Return and Financial Statements**

   - Section 70(2): Buy-back is prohibited if the company has not complied with Sections:
     - 92 (Annual Return)
     - 129 (Financial Statements)
   - Alpha has failed to file both which disqualifies it from buy-back.

4. **Unpaid Dividend for More Than 30 Days**

   - Section 127 read with Section 70(2): Non-distribution of declared dividend within 30 days is a punishable offence.

   Dividend unpaid for 35 days, this is a default.

   Alpha Chemicals Ltd. is not eligible to proceed with the buy-back under Section 70 due to multiple violations.