Mock Test Paper - Series I: March, 2025

Date of Paper: 8th March, 2025

Time of Paper: 10 P.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

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

	Particulars		**(₹)**
(1)	Equity Share Capital (Shares of ₹ 10 each fully paid)	-	24,00,000
(2)	Reserves and Surplus		
	General Reserve	20,50,000	-
	Securities Premium Account	7,50,000	-
	Profit & Loss Account	2,00,000	-
	Infrastructure Development Reserve	20,00,000	
	Revaluation reserve	1,70,000	51,70,000
(3)	Loan Funds		52,00,000

The Shareholders of ABC Ltd., on the recommendation of their Board of Directors, have approved on 12.09.2024 a proposal to buy-back the maximum permissible number of Equity shares considering the large surplus funds available at the disposal of the company.

The in order to induce the existing shareholders to offer their shares for buy-back, it was decided to offer a price of buy back price per share is ₹ 25.

You are also informed that the Infrastructure Development Reserve is created to satisfy Income-tax Act requirements.

Assuming that the entire buy-back is completed by 09.12.2024, Based on the above information, answer the following questions.

i. What is the maximum number of shares to be bought back as per debt-equity ratio?

(a) 1,12,000 shares

(b) 80,000 shares

(c) 54,000 shares

(d) 60,000 shares

ii. What is the maximum permitted equity as per debt- equity ratio test.

(a) 20,00,000 shares

(b) 28,00,000 shares

(c) 15,00,000 shares

(d) 13,50,000 shares

iii. What will be the future equity shareholding fund if a company buys back shares as per the result of the debt-equity ratio test?

(a) 48,000

(b) 48,60,000

(c) 42,80,000

(d) 46,00,000

iv. What is the maximum number of shares that can be buy back as per resource test?

(a) 54,000

(b) 75,700

(c) 55,700

(d) 74,000

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

2. RTS Ltd, (“RTS” or the “Company”), is engaged in the business of manufacturing of urea, has set up its business in a designated backward area which entitles the company to receive from the Government of India a subsidy of 20% of the cost of investment of manufacturing of equipments/components. The Company has a contract with the Indian Railways for a brake component which is structured such that:

- The Company’s obligation is to deliver the component to the Railways’ stockyard, while the delivery terms are ex-works, the Company is responsible for engaging a transporter for delivery.
- Railways sends an order for a defined quantity.
- The Company manufactures the required quantity and informs Railways for carrying out the inspection.
- Railways representatives visit the Company’s factory and inspect the components, and mark each component with a quality check sticker.
- Goods once inspected by Railways, are marked with a hologram sticker to earmark for delivery identification by the customer when they are delivered to the customer’s location.
- The Company raises an invoice once it dispatches the goods.

The management of RTS is under discussion with the auditors of the Company in respect of accounting of a critical matter as regards its accounting with respect subsequent events i.e. events after the reporting period. They have been checking as to which one of the following events after the reporting period provide evidence of conditions that existed at the end of the reporting period?

i. Nationalisation or privatization by government

ii. Out of court settlement of a legal claim

iii. Rights issue of equity shares

iv. Strike by workforce

v. Announcing a plan to discontinue an operation

The Company has received a grant of ₹ 8 crores from the Government for setting up a factory in a backward area. Out of this grant, the Company distributed ₹ 2 crores as dividend. The Company also received land, free of cost, from the State Government but it has not recorded this at all in the books as no money has been spent.

RTS has a subsidiary, LPP Media & Creations Ltd (LPP), an advertising agency which prepares and publishes advertisement in newspapers on behalf of its clients. LPP invoices its clients for the commission they are entitled to as well as the media space payable to the newspaper.

Based on the above information, answer the following questions.

i. When should RTS Ltd recognize revenue as per the Accounting Standards notified under the Companies (Accounting Standards) Rules. Would your answer be different if inspection is normally known to lead to no quality rejections?

   (a) Revenue should be recognized on dispatch of components. The assessment would not change even in case where inspection is normally known to lead to no quality rejections.

   (b) Revenue should be recognized on completion of inspection of components. The assessment would not change even in case where inspection is normally known to lead to no quality rejections.

   (c) Revenue should be recognized on dispatch of components. The assessment would change where inspection is normally known to lead to no quality rejections.

   (d) Revenue should be recognized on delivery of the component to the Railways' stockyard. The assessment would change where inspection is normally known to lead to no quality rejections.

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

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

   (b) LPP should record net amount of commission earned by it and disclose the information about gross income from advertisement through media and preparation of advertisement material as well as payments to media and expenditure incurred for creation of an advertisement in the notes to accounts.

   (c) LPP should record gross income from advertisement through media and preparation of advertisement material and gross amount of payments to media and expenditure incurred for creation of an advertisement.

   (d) LPP may record this on net or gross basis depending on its accounting policy.

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

(a) ii and v.

(b) ii.

(c) v.

(d) i, iii and iv.

iv. Please guide regarding the accounting treatment of both the grants mentioned above in line with the requirements of Accounting Standard 12.

(a) Distribution of dividend out of grant is correct. In the second case also not recording land in the books of accounts is correct.

(b) Distribution of dividend out of grant is incorrect. In the second case, not recording land in the books of accounts is correct.

(c) Distribution of dividend out of grant is correct. In the second case, land should be recorded in the books of accounts at a nominal value.

(d) Distribution of dividend out of grant is incorrect. In the second case, land should be recorded in the books of accounts at a nominal value.

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

3. 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.

i. 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

ii. 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

iii 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

iv. 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]

4. 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)**

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

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

   Compute Annual Lease Rent.

   (a) ₹ 30,000

   (b) ₹ 60,000

   (c) ₹ 50,000

   (d) ₹ 36,000 **(2 Marks)**

6. A process of reconstruction, which is carried out without liquidating the company and forming a new one is called

   (a) Internal reconstruction.

   (b) External reconstruction.

   (c) Amalgamation in the nature of merger.

   (d) Amalgamation in the nature of purchase. **(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) On 1st April, 2024 Mr. Zoom had an opening balance of 1000 equity shares of P Ltd. ₹ 1,20,000 (face value ₹ 100 each).

On 5.04.2024 he further purchased 200 cum-right shares for ₹ 135 each. On 8.04.2024 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 10.10.2024 Zoom sold 350 shares for ₹ 140 each.

31.03.2025 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 31.03.2025 assuming that the shares are being valued at average cost.

(b) Following information was extracted from the books of A Ltd. for the year ended 31st March, 2025:

1) Net profit before taking into account income tax and after taking into account the following items was ₹ 60 lakhs;

   a) Depreciation on Property, Plant & Equipment ₹ 14,00,000.

   b) Discount on issue of debentures written off ₹ 90,000.

   c) Interest on debentures paid ₹8,70,000.

   d) Investment of Book value ₹ 7,00,000 sold for ₹ 7,50,000.

   e) Interest received on Investments ₹ 1,40,000.

2) Income tax paid during the year ₹ 25,60,000

3) Company issued 1,20,000 Equity Shares of ₹10 each at a premium of 20% on 10th April, 2024.

4) 40,000, 9% Preference Shares of ₹ 100 each were redeemed on 31st March, 2025 at a premium of 5%

5) Dividend paid during the year amounted to ₹ 22 Lakhs (Incl. dividend distribution tax)

6) A new Plant costing ₹14 Lakhs was purchased in part exchange of an old plant on 1st January, 2025. The book value of the old plant was ₹ 16 Lakhs but the vendor took over the old plant at a value of ₹ 12 Lakhs only. The balance amount was paid to vendor through cheque on 30th March, 2025.

7) Company decided to value inventory at cost, whereas previously the practice was to value inventory at cost less 10%. The inventory according to books on 31.03.2025 was ₹ 29,52,000(cost less 10%).

   The inventory on 31.03.2024 was correctly valued at ₹ 27,00,000.

8) Current Assets and Current Liabilities in the beginning and at the end of year 2024-2025 were as:

Particulars	As on 01.4.2024 (₹)	As on 31.3.2025 (₹)
Inventory	27,00,000	29,52,000
Trade Receivables	6,54,000	6,26,400
Cash & Bank Balances	4,81,400	7,41,000
Trade Payables	5,69,400	5,74,600
Outstanding Expenses	1,94,000	2,02,800

You are required to prepare a Cash Flow Statement for the operating & investing activity year ended 31st March, 2025 as per AS 3 (revised) using the indirect method. **(7 + 7 = 14 Marks)**

2. The following are the extract of balance sheet of P Ltd., and its subsidiary Q Ltd., as at 31 March 2024:

	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 2023	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 2023 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 2024. **(14 Marks)**

3. (a) On 31st March, 2024 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, 2023	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, 2024 was valued at ₹ 124 lacs. On 29th March, 2024 the Head Office dispatched goods costing ₹ 20 lacs to its branch. Branch did not receive these goods before 1st April, 2024. 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 Marks)**

(b) A Ltd. acquired 70% equity shares of B Ltd. @ ₹ 20 per share (Face value - ₹ 10) on 31st March, 2024 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, 2024:

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

(7 Marks)

4. The Following is the Trial Balance of Amol Limited as on 31st March, 2024.

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) 01.04.2023	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, 2023)	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, 2024.

(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, 2024 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.

(1) The Board declared a dividend @10% on Paid up Share Capital on 5th April, 2024.

You are required to prepare Balance Sheet as on 31st march, 2024 and Statement of Profit and Losses with Note to Accounts for the year ending 31st March, 2024 as per Schedule III of the Companies Act, 2013. Ignore previous year's figures. **(14 Marks)**

5. Meet Ltd. and Preet Ltd. were amalgamated on and from 1st April, 2024. A new company Heer Ltd. was formed to take over the business of the existing companies. The Balance Sheets of Meet Ltd. and Preet Ltd. as at 31st March, 2024 are given below:

(₹ in Lakhs)

	Particulars	Notes	Meet Ltd.	Preet Ltd.
I]	<u>Equity and Liabilities</u>			
(1)	Shareholder's Funds			
(a)	Share Capital	1	3,300	2,850
(b)	Reserves and Surplus	2	1,260	990
(2)	Non-Current Liabilities			
	Long Term Borrowings			
	10% Debentures of ₹ 100 each		180	90
(3)	Current Liabilities			
	Trade Payables		1,260	570
	Total		6,000	4,500
II	<u>Assets</u>			
(1)	Non-Current Assets			
(a)	Property, Plant and Equipment		2,700	1,950
(b)	Non-Current Investments		450	150
(2)	Current Assets			
(a)	Inventories		1,050	750
(b)	Trade Receivables		900	1,050
(c)	Cash and Cash Equivalents		900	600
	Total		6,000	4,500

Notes to Accounts:

Note No.	Particulars	Meet Ltd.	Preet Ltd.
1	Share Capital		
	Equity Shares of ₹ 100 each	2,400	2,250
	14% Preference Shares of ₹ 100 each	900	600
	Total	3,300	2,850
2	Reserves and Surplus		
	Revaluation Reserve	450	300
	General Reserve	510	450
	Investment Allowance Reserve	150	150
	Profit and Loss Account	150	90
	Total	1,260	990

Additional Information:

(1) Heer Limited will issue 5 equity shares for each equity share of Meet Limited and 4 equity shares for each equity share of Preet Limited. The shares are to be issued @ ₹ 35 each having a face value of ₹ 10 per share.

(2) Preference shareholders of the two companies are issued equivalent number of 16% preference shares of Heer Limited at a price of ₹ 160 per share (face value ₹ 100).

(3) 10% Debenture holders of Meet Limited and Preet Limited are discharged by Heer Limited, issuing such number of its 16% Debentures of ₹ 100 each so as to maintain the same amount of interest.

(4) Investment allowance reserve is to be maintained for 4 more years.:

(5) Liquidation expenses are for Meet Limited ₹ 12,00,000 and for Preet Limited ₹ 6,00,000. It is decided that these expenses would be borne by Heer Limited.

(6) All the assets and liabilities of Meet Limited and Preet Limited are taken over at book value.

(7) Authorised equity share capital of Heer Limited is ₹ 30,00,00,000 divided into equity shares of ₹ 10 each. After issuing required number of shares to the liquidators of Meet Limited and Preet Limited, Heer Limited issued balance shares to public. The issue was fully subscribed.

You are required to prepare Balance Sheet of Heer Limited as at 1st April, 2024 after amalgamation has been carried out on the basis of Amalgamation in the nature of purchase. **(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 2023 with ₹ 24,00,000 represented by 1,20,000 units of ₹ 20 each. During the financial year ending on 31st March, 2024, 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 2023-24 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) (i) Classify the following items into Monetary and Non-monetary:

Share capital; Trade Payables; Cash balance; Property, plant and equipment

(ii) Trade payables of CAT Ltd. include amount payable to JBB Ltd., ₹ 10,00,000 recorded at the prevailing exchange rate on the date of transaction, transaction recorded at US $1 = ₹ 80.00. The exchange rate on balance sheet date (31.03.2024) was US $1 = ₹ 85.00. You are required to calculate the amount of exchange difference and also explain the accounting treatment needed for this as per AS 11 in the books of CAT Ltd.

(5 Marks)

(c) 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)**

Mock Test Paper - Series I: March, 2025

Date of Paper: 8th March, 2025

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

INTERMEDIATE COURSE: GROUP – I

PAPER – 1 : ADVANCED ACCOUNTING

ANSWERS

1. (i) (b)

(ii) (a)

(iii) (d)

(iv) (a)

2. (i) (b)

(ii) (c)

(iii) (b)

(iv) (d)

3. (i) (c)

(ii) (b)

(iii) (c)

(iv) (d)

4. (c)

5. (b)

6. (a)

PART II – Descriptive Questions (70 Marks)

1. (a) In the books of Mr. Zoom

for the year ending on 31.3.2025

(Scrip: Equity Shares of P Limited)

Date	Particulars	Qty	Amount	Date	Particulars	Qty	Amount
1.4.2024	To Balance b/d	1000	1,20,000	8.04.2024	By Bank A/c (W.N.1)		3,400
5.04.2024	To Bank (200x ₹135)	200	27,000	10.10.2024	By Bank A/c (350x ₹140)	350	49,000

10.10.2024	To Profit & Loss A/c (W.N.2)		7,117	31.3.2025	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 31.03.2025

Particulars	**Amount**
Cost price of 850 shares [(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

(b) **Cash flow statement**

Particulars	**₹**	**₹**
Cash Flow from Operating Activities		
Net profit before tax	60,00,000	
Adjustment		
Depreciation on PPE	14,00,000	
Discount on issue of debenture	90,000	
Profit on sale of investment	(50,000)	

Interest income	(1,40,000)	
Interest expense	8,70,000	
Stock adjustment	3,28,000	
Operating profit before WC changes	84,98,000	
Adjustment		
Increase in inventory	(5,80,000)	
Decrease in trade receivable	27,600	
Increase in trade payable	5,200	
Increase in o/s exp	8,800	
Cash generated from operation	79,59,600	
Less:Income tax	(25,60,000)	
Net Cash Flow from Operating Activities		53,99,600
Cash flow from investing Activities		
Sale of investment	7,50,000	
Interest received	1,40,000	
Payment for Purchase of fixed asset	(2,00,000)	6,90,000

2. Consolidated Balance Sheet of P Ltd. and its Subsidiary Q ltd. as on 31.3.2024

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 31.3.24 (as per b/s)	3,80,000
Book value as on 1.4.23 (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	24,000

(4,80,000 × 5%)	
Short depreciation	4,000

3. (a) Trading and Profit & Loss Account of the Branch for the year ended 31st March, 2024

	₹ *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, 2024

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

(b) Net assets of B Ltd. as on 31st March, 2024

	₹ 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

4. Balance Sheet of Amol Ltd. as at 31st March, 2024

	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

II.	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, 2024

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

5. Balance Sheet of Heer Ltd. as at 1st April 2024

(₹ in lakhs)

	Particulars	Notes	Amount
I.	Equity and Liabilities:		
(1)	Shareholder's Funds:		
(a)	Share Capital	1	4,500
(b)	Reserves and Surplus	2	8,400
(2)	Non-current Liabilities:		
(a)	Long Term Borrowing	3	168.75
(3)	Current Liabilities:		
(a)	Trade Payable	4	1,830
	Total		14,898.75
II.	Assets:		
(1)	Non-current assets:		
(a)	PPE	5	4,650
(b)	Intangible	6	1,266.75
(c)	Non-current Investment	7	600
(2)	Current Assets:		
(a)	Inventories	8	1,800
(b)	Trade receivables	9	1,950
(c)	Cash and cash equivalent	10	4,632
	Total		14,898.75

Notes to Accounts:

	Particulars	**(₹) lacs**	**(₹) lacs**
1.	Share Capital		
	Authorized Share Capital		
	a) Equity Share Capital		
	300 Lakhs equity shares of ₹ 10 each		3,000
	b) Preference Share Capital		
	15 Lakhs Preference shares of ₹ 100		1,500
			2,250

	Issued, Subscribed & Paid up Capital		
	a) Equity Share Capital		
	300 Lakhs equity shares of ₹ 10 each		3,000
	(out of above 210 lakhs of equity shares are issued for consideration other than cash)		
	b) Preference Share Capital		
	15 Lakhs Preference shares of ₹ 100		1,500
	(all share are issued for consideration other than cash)		
			4,500
2.	Reserves and surplus		
	Investments allowances reserves (450 + 300)		750
	Securities premium (300 × 25) + (15 × 60)		8,400
	Less: Amalgamation adjustment reserve		(750)
	Total		8,400
3.	Long-term borrowings		
	16% Debentures		1,68.75
4.	Trade payables		
	Meet Ltd.	1,260	
	Preet Ltd.	570	1,830
5.	PPE		
	Land and Building	2,700	
	Plant and Machinery	1,950	4,650
6.	Intangible assets		
	Goodwill [W.N. 2]	1248.75	
	Add: Liquidation exp. (12 + 6)	18	1,266.75
7.	Non-current Investments		
	Investments (450 + 150)		600
8.	Inventories		
	Meet Ltd.	1,050	
	Preet Ltd.	750	1,800

9.	Trade receivables		
	Meet Ltd.	900	
	Preet Ltd.	1,050	1,950
10.	Cash & cash equivalents		
	Meet Ltd.	900	
	Preet Ltd.	600	
	Liquidation Expenses (12 + 6)	(18)	
	Share issued for cash (90 lakh shares × ₹35)	3,150	4,632

Working Notes:

1. Calculation of Purchase Consideration:

	Particulars	(₹ in lakhs)	
		Meet Ltd.	**Preet Ltd.**
A.	Preference Shareholders:		
	$\left(\frac{9,00,00,000}{100}\right)$ × ₹ 160	1440	
	$\left(\frac{6,00,00,000}{100}\right)$ × ₹ 160		960
B.	Equity Shareholders:		
	$\left(\frac{24,00,00,000 \times 5}{100}\right)$ × ₹ 35 each	4,200	
	$\left(\frac{22,50,00,000 \times 4}{100}\right)$ × ₹ 35 each		3,150
C.	Purchase Consideration (A + B)	5,640	4,110

2. Net Assets

Particulars	Meet Ltd (₹)	Preet Ltd (₹)
Assets taken over:		
Property Plant & Equity	2,700	1,950
Non-Current Investments	450	150
Inventory	1,050	750
Trade receivables	900	1,050
Cash and bank	900	600
	6,000	4,500

B	Liabilities taken over:		
	10% Debentures	112.50	56.25
	Trade payables	1,260	570
		1,372.5	626.25
C	Net assets taken over	4,627.5	3,873.75
D	Purchase consideration (W.N .1)	5.64	4110
E	Goodwill	1,012.5	236.25

3. **Issue of Debentures**

Debentures	₹ 1,80,00,000	₹ 90,00,000
Interest 10%	₹ 18,00,000	₹ 9,00,000
	$\left(\frac{18,00,000 \times 100}{16}\right)$ = 1,12,50,000	$\left(\frac{9,00,000 \times 100}{16}\right)$ = 56,25,000

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 (₹ 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) **(i)** **Share capital - Non-monetary; Trade Payables - Monetary**

Cash balance – Monetary; Property, plant and equipment - Non-monetary

(ii) **Amount of Exchange difference and its Accounting Treatment**

	Foreign Currency Rate	**₹**
Trade payables		
Initial recognition US $ 12,500 (₹ 10,00,000/80)	1 US $ = ₹ 80	10,00,000
Rate on Balance sheet date	1 US $ = ₹ 85	
Exchange Difference loss US $ 12,500 x ₹ (85-80)		62,500
Treatment:		
Debit Profit and Loss A/c by ₹ 62,500 and Credit Trade Payables		

Thus, Exchange Difference on trade payables amounting ₹ 62,500 is required to be transferred to Profit and Loss.

(c) 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.