PART – I

Case Scenario – I :

V Limited entered into a contract to construct a hostel building for MR College at an agreed price of ₹ 224 lakhs on 1st October, 2024. The expected completion time is 18 months. V Limited incurred a cost of ₹ 60 lakhs up to 31st March, 2025. Prudent estimate of additional cost for completion was ₹ 180 lakhs. As at 31st March, 2025, V Limited has billed MR College for ₹ 84 lakhs as per the agreement.

On 1st June, 2024, V Limited acquired 30% shares of M Limited for a consideration of ₹ 20,00,000/-. Such acquisition enables V Limited to exercise significant influence over M Limited. On 14th August, 2024, M Limited declared a dividend of ₹ 5,00,000/- out of the profit of ₹ 8,00,000/- earned by it during the year ended 31st March, 2024. Further, M Limited reported earnings of ₹ 30,00,000/- for the year ended 31st March, 2025 (assume profits to accrue evenly) and declared dividend of ₹ 6,00,000/- on 15th June, 2025.

V Limited has reported a pre-tax Profit of ₹ 7,00,000/- in the first quarter of Financial Year 2024-25 and ₹ 8,00,000/- during the second quarter of Financial Year 2024-25. Further it expects to earn a pre-tax profit of ₹ 4,00,000/- and ₹ 6,00,000/- during the third and fourth quarters respectively of Financial Year 2024-25. It has a corporate tax slab rate of 30% on the first ₹ 5,00,000/- earnings and 40% on all additional earnings.

The following information has been provided by V Limited for deferred tax assets/liability as at 31st March, 2025 :

Particulars	Amount (₹)
Depreciation as per Accounting Records	4,00,000
Depreciation allowable under Section 32 of the Income Tax Act, 1961	10,00,000
Unamortized Preliminary Expenses as per Tax Records	30,000
Penalty imposed by GST Department on 30th March, 2025, payable by 30th April, 2025	1,25,000

On the basis of information provided above, you are required to choose the most appropriate answer to the below mentioned Questions **1** to **4** in line with the relevant Accounting Standards :

1. What would be the carrying amount of Investment in M Limited in the Consolidated Financial Statements of V Limited as at 31st March, 2025 ? **2**

   (A) ₹ 24,20,000/-

   (B) ₹ 26,00,000/-

   (C) ₹ 18,50,000/-

   (D) ₹ 20,00,000/-

2. What would be the amount of current tax expense to be reported in the interim financial report for the second quarter of financial year 2024-25 ? **2**

(A) ₹ 3,20,000/-

(B) ₹ 2,70,000/-

(C) ₹ 3,04,000/-

(D) ₹ 2,37,500/-

3. Assuming a tax rate of 30%, determine the amount of Deferred Tax Asset / Liability as at 31st March, 2025. There is adequate evidence of future profit sufficiency. **2**

(A) Deferred Tax Liability of ₹ 1,71,000/-

(B) Deferred Tax Liability of ₹ 1,80,000/-

(C) Deferred Tax Assets of ₹ 1,89,000/-

(D) Deferred Tax Asset of ₹ 1,71,000/-

4. What amount should be recognized by V Limited as Revenue and Total Expenses in respect of the hostel building contract in its Statement of Profit and Loss for the year ended 31st March, 2025 as per provisions of Accounting Standard 7 (Revised) ? **2**

(A) Revenue of ₹ 84 lakhs, Total Expense of ₹ 60 lakhs.

(B) Revenue of ₹ 56 lakhs, Total Expense of ₹ 60 lakhs.

(C) Revenue of ₹ 56 lakhs, Total Expense of ₹ 76 lakhs.

(D) Revenue of ₹ 60 lakhs, Total Expense of ₹ 60 lakhs.

5. PQR Ltd. is a manufacturing company that has several subsidiaries and joint ventures. During the financial year, it sold machinery worth ₹ 2 crores to one of its subsidiaries, STU Pvt. Ltd., at arm's length price. The company also paid ₹ 50 lakhs in remuneration to its CEO and CFO. Additionally, PQR Ltd. received a loan of ₹ 1 crore from its holding company, LMN Ltd. All these transactions were disclosed separately in the notes to accounts of the financial statements. 2

Which of the following statements correctly reflect the application of AS-18 in the above scenario ?

(A) AS-18 does not apply to transactions with subsidiaries.

(B) Remuneration paid to CEO and CFO need not be disclosed under AS-18.

(C) AS-18 requires disclosure of related party transactions such as sale of machinery, loans, and managerial remuneration.

(D) AS-18 applies only to financial institutions and banks.

Case Scenario – II :

XYZ Ltd. is a diversified company operating in the consumer goods sector. For the financial year ending March 31, 2025, the company reported a net profit before tax of ₹ 22,00,000. The depreciation expense for the year was ₹ 4,00,000, and amortization of intangible assets amounted to ₹ 1,50,000. During the year, accounts receivable increased by ₹ 3,70,000, inventory rose by ₹ 1,60,000, and accounts payable increased by ₹ 1,85,000. The company also paid ₹ 1,35,000 in interest and ₹ 2,40,000 in income taxes.

The company issued new equity shares worth ₹ 9,00,000 and raised a long-term loan of ₹ 5,00,000. It repaid ₹ 3,50,000 of existing debt and paid ₹ 90,000 in dividends to shareholders. The opening balance of cash and cash equivalents was ₹ 2,50,000.

XYZ Ltd. uses the indirect method to prepare its cash flow statement. The management is keen to understand the impact of these transactions on the company's liquidity and overall cash position.

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

6. What is the cash flow from operating activities (indirect method) ? **2**

   (A) ₹ 26,45,000

   (B) ₹ 23,00,000

   (C) ₹ 21,15,000

   (D) ₹ 21,50,000

7. What is the net cash flow from financing activities ? **2**

   (A) ₹ 8,25,000

   (B) ₹ 14,00,000

   (C) ₹ 9,60,000

   (D) ₹ 10,50,000

8. What is the closing balance of cash and cash equivalents ? **2**

   (A) ₹ 33,75,000

   (B) ₹ 17,50,000

   (C) ₹ 16,50,000

   (D) ₹ 24,50,000

9. What is the total monetary adjustment for non-cash expenses that will be added back to net profit ? 2

(A) ₹ 4,00,000

(B) ₹ 1,50,000

(C) ₹ 5,50,000

(D) ₹ 22,00,000

Case Scenario – III :

P Limited is an Indian company which prepares its accounts as per the Accounting Standards notified by the Ministry of Corporate Affairs. While finalizing its financial statements for the year ended 31st March, 2025, the accountant of the company has sought your advice with regard to the following matters :

P Limited had taken a loan of USD 1,00,000 on 1st April, 2024 for a specific project at an interest rate of 5% per annum, payable annually. On 1st April, 2024, the exchange rate between the currencies i.e. USD vs INR was ₹ 75 per USD. The exchange rate on the reporting date i.e. 31st March, 2025 is ₹ 80 per USD. The corresponding amount could have been borrowed by P Limited in local currency at an interest rate of 10% per annum on 1st April, 2024.

P Limited holds 12% of the voting shares in G Limited. G Limited's board comprises of eight members and two of these members are appointed by P Limited casting significant influence. Each board member has one vote at the meeting.

P Limited is engaged in the manufacturing of toys at its plant at Muzaffarnagar and incurs the following costs to manufacture each unit of toy :

Particulars	Cost per Unit (₹)
Material Cost	200
Direct Labour	40
Direct Variable Production Overheads	20

The plant has the capacity to produce 1,00,000 units of toys per annum and the fixed production overheads for the year are ₹ 15,00,000/-. During the year 2024-25, the actual production of toys was 1,20,000 units. At the end of the year, 11,000 units of finished toys were lying unsold at the works of P Limited.

P Limited also renders catering services at various events. At a wedding in 2024-25 in which it had given its catering service, ten people died possibly as a result of food poisoning. Legal proceedings were started by the client against P Limited seeking compensation of ₹ 10,00,000/-, but it disputes the liability. The legal counsel of P Limited has advised that the company is likely to lose the case, although the chances of paying the claim are not remote. The estimated potential liability estimated by counsel is (i) Legal cost to be incurred (irrespective of the outcome of the case) ₹ 75,000/- and (ii) Settlement if the claim is required to be paid ₹ 10,00,000/-.

On the basis of information provided above, you are required to choose the most appropriate answer to the below mentioned Questions **10** to **14** in line with the relevant Accounting Standards :

10. What is the amount that would be considered as the exchange difference to be accounted for during the year ended 31st March, 2025 as per AS-11, "The Effects of Changes in Foreign Exchange Rates" ? 2

(A) ₹ 1,50,000

(B) ₹ 5,00,000

(C) ₹ 2,50,000

(D) Nil

11. What is the relationship of G Limited with P Limited as per the relevant Accounting Standard ? 2

(A) G Limited is a subsidiary of P Limited.

(B) G Limited is an associate of P Limited.

(C) G Limited is a Joint Venture of P Limited.

(D) P Limited has invested in G Limited with no further relationship as subsidiary, associate or joint venture.

12. Determine the value of inventory of unsold finished toys lying at the works of P Limited as at 31st March, 2025 as per AS-2 ? 2

(A) ₹ 30,25,000

(B) ₹ 29,97,500

(C) ₹ 32,08,260

(D) ₹ 28,60,000

13. What accounting treatment should be done in the books of P Limited for the year ended 31st March, 2025, as the client has initiated legal proceedings against the company seeking compensation for deaths due to food poisoning ? 2

(A) Create a provision of ₹ 10,75,000/-

(B) Create a provision of ₹ 75,000/- and make a disclosure of contingent liability of ₹ 10,00,000/-

(C) Make a disclosure of a contingent liability of ₹ 10,75,000/-

(D) Create a provision of ₹ 10,00,000/-

14. In case of foreign currency borrowing obtained by P Limited, what would be the amount of borrowing cost to be recognized during the year ended 31st March, 2025 as per AS-16 ? 2

(A) ₹ 3,87,500

(B) ₹ 3,75,000

(C) ₹ 7,50,000

(D) ₹ 4,00,000

15. AAR Ltd. is formed to take over the assets and liabilities of ABC Ltd., which is then dissolved. This is an example of : 2

(A) Internal reconstruction

(B) Merger

(C) External reconstruction

(D) Absorption

PART – II

1. (a) On 1st April, 2024, RM Limited obtained a term loan of ₹ 50,00,000/- at an interest rate of 12% per annum from bank for the construction of a building. 5

In addition to the above loan, the company has also raised multiple non-specific borrowings as follows :

8% Debentures	₹ 30,00,000/-
15% Term Loan	₹ 60,00,000/-
10% Inter Corporate Loan	₹ 36,00,000/-

RM Limited has utilized the aforesaid funds in construction of the following assets :

Building	₹ 1,40,00,000/-
Furniture	₹ 44,00,000/-
Plant and Machinery	₹ 1,80,00,000/-
Factory Shed	₹ 86,00,000/-

The construction of Building, Plant and Machinery and Factory Shed took substantial period of time and was completed on 31st March, 2025. The Furniture was purchased directly from a local manufacturer. The factory was ready to commence production on 1st April, 2025.

You are required to show the treatment of interest as per AS-16 in respect of borrowing cost for the year ended 31st March, 2025 in the books of RM Limited.

(b) RMC Limited operates a defined retirement benefits plan on behalf of its current and former employees. It receives advice from actuaries regarding contribution levels and overall liabilities of the plan to pay benefits. 4

On 1st April, 2024, the actuaries advised that the fair value of the plan assets in respect of the defined retirement benefits plan of RMC Limited stood at ₹ 25,00,000/-.

37,50
actual 25 L
(4.75 - 12.25)

On 30th September, 2024, the plan paid out benefits of ₹ 4,75,000/- and received inward contributions of ₹ 12,25,000/-.

On 31st March, 2025, the actuaries assessed the present value of the defined benefit obligation at ₹ 36,98,000/-. On the same day the fair value of plan assets was ₹ 37,50,000/-. Actuarial losses on the obligations for the year 2024-25 were ₹ 15,000/-.

On 1st April, 2024, the company made the following estimates, based on its market studies and prevailing prices :

	%
Interest and dividend income (after tax) payable by the fund	9.75
Realized gains on plan assets (after tax)	2.50
Fund administrative costs	(2.00)
Expected rate of return (Interest is compounded half yearly)	10.25

You are required to ascertain the expected and actual returns on plan assets.

(c) The following information has been extracted from the financial records of P Limited :

Profit before tax for the year ended 31st March, 2024	₹ 25,00,000
Profit before tax for the year ended 31st March, 2025	₹ 32,50,000
Number of Equity Shares (Face Value ₹ 5/- per share) outstanding as on 31st March, 2024	12,00,000
Applicable Tax Rate for 2023-24 and 2024-25	20%

On 1st June, 2024, the Directors of P Limited announced a rights issue which entitled the existing shareholders to subscribe one share for every six shares held by them @ ₹ 20/- per share. The last date of exercising the rights was 30th June, 2024 and the rights issue was subscribed in full. The fair value of one equity share immediately prior to exercise of right on 30th June, 2024 was ₹ 25/-.

You are required to calculate the Basic Earnings per Share to be reported in the financial statements of P Limited for the year ended 31st March, 2025 including the comparative figure for the year ended 31st March, 2024 in accordance with AS-20.

2. The business of MA Limited was being carried on continuously at losses. The following are the extracts from the balance sheet of the company as on 31st March, 2025 : 14

Particulars	Amount (₹)
ASSETS :	
Property, Plant & Equipment	6,50,000
Investments	2,55,000
Stock	5,10,000
Trade Receivables	3,40,000
Cash & Cash Equivalents	70,000
Profit and Loss A/c (debit balance)	3,25,000
TOTAL	**21,50,000**
EQUITY AND LIABILITIES :	
10,000 Equity Shares @ ₹ 100 each	10,00,000
40,000, 8% Cumulative Preference Shares @ ₹ 10 each	4,00,000
(Dividends on cumulative preference shares are in arrears for 3 years.)	
10% Debentures	2,00,000
Unsecured Loans (from directors)	80,000
Trade Payables	4,10,000
Outstanding interest on debentures	60,000
TOTAL	**21,50,000**

The following scheme of reconstruction has been agreed upon and duly approved by court :

(1) Equity shares to be converted into 20,000 shares of ₹ 50 each (fully paid up)

(2) After sub-division, each shareholder shall surrender to the company 60% of their holdings.

(3) Preference shareholders agree to forego their right to arrears of dividends in consideration of which 8% Preference shares are to be converted into 9% Preference shares.

(4) Trade Payables agree to reduce their claim by 60% in consideration of their getting shares of ₹ 1,50,000 out of surrendered equity shares.

(5) The total claims of debentures holders were reduced to 40% and in consideration of the reduction, the debenture holders shall receive preference shares of ₹ 1,00,000 which are converted out of the surrendered shares.

(6) Assets are valued at :

Fixed assets ₹ 4,40,000

Investments ₹ 2,00,000

Trade Receivables ₹ 2,50,000

Stock ₹ 4,50,000

(7) Expenses of reconstruction amounted to ₹ 10,000.

(8) Directors agree to forego the amount due on account of unsecured loan.

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

(10) Further 8,000 equity shares were issued to the existing members for increasing the working capital. The issue was fully subscribed and paid up.

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

You are required to :

(a) Show the journal entries to record the above transaction in the company's books and prepare Reconstruction A/c.

(b) Show revised share capital structure of the Company in Notes to Accounts.

3. (a) Following is the Balance Sheet of P Limited as at 31st March, 2025 : 7

Particulars	Notes	₹ (in lakhs)
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	1	1,500
Reserves and Surplus	2	2,750
Non-current Liabilities		
Long Term Borrowings	3	3,450
Current Liabilities		
Short Term Borrowings (Current maturities of Long Term Borrowings)		1,980
Trade Payables		1,500
Total		**11,180**
ASSETS		
Non-current Assets		
Property, Plant and Equipment		5,675
Current Assets		
Inventories		1,005
Trade Receivables		1,500
Cash and Cash Equivalents		3,000
Total		**11,180**

Notes to Accounts :

No.	Particulars	₹ (in lakhs)
1.	**Share Capital**	
	Authorized, issued and subscribed capital	
	Equity Share Capital	
	150 lakh Equity Shares of ₹ 10/- each fully paid up	1,500
2.	**Reserves and Surplus**	
	Capital Reserve	380
	Securities Premium	300
	Revaluation Reserve	120
	General Reserve	1,800
	Surplus (balance in Statement of Profit and Loss)	150
	Total	**2,750**
3.	**Long Term Borrowings**	
	12% Debentures	2,250
	Unsecured Loans	1,200
	Total	**3,450**

Considering the large surplus funds available at the disposal of the company, it decides to buy back 30 lakh Equity Shares on 1st April, 2025. The prevailing market value of the company's shares is ₹ 16/- per share and in order to induce the existing shareholders to offer their shares for buy back, it was decided to offer a price of 25% over market. Buy-back of shares is duly authorized by its Articles and necessary resolution has been passed by the company towards this.

Comment with your calculations, whether buy-back of shares by the company is within the provisions of the Companies Act, 2013. If yes, pass necessary journal entries towards buy-back of shares.

(b) Mr. AB acquires 28,000 equity shares of ₹ 10 each in F Ltd. for ₹ 3,36,000 inclusive of brokerage and stamp duty on 1st April, 2024. 7

F Ltd. announces bonus and right issue as follows :

(i) On 30th September, 2024 bonus was declared in the ratio of 2:7.

(ii) On 30th November, 2024 Company made a right issue in the ratio of 3:8 on payment of ₹ 15 per share.

Mr. AB took up 2/3 of right shares and sold the remaining rights for ₹ 6 per share.

On 1st January, 2025, Mr. AB sold 40% of its shareholdings at ₹ 17 per share to a broker, who charged 2% brokerage.

You are required to prepare Investment Account of Mr. AB for the year ended 31st March, 2025 assuming that the shares are being valued at average cost.

4. The following are the summarized Balance Sheets of B Ltd. and G Ltd. as at 31st March, 2025 : 14

		Particulars	Notes	B Ltd. (₹)	G Ltd. (₹)
		EQUITY AND LIABILITIES			
1.		**Shareholders' Funds**			
	a.	Share Capital	1	46,30,000	14,20,000
	b.	Reserves and Surplus	2	17,50,000	– 6,45,000
2.		**Non-current Liabilities**			
	a.	Long-term Borrowings	3	19,40,000	5,72,500

3.		**Current Liabilities**			
	a.	Trade Payables		14,72,000	2,64,000
	b.	Short-term Borrowings		-	1,89,500
		Total		**97,92,000**	**18,01,000**
		ASSETS			
1.		**Non-current Assets**			
	a.	Property, Plant and Equipment		63,00,000	14,53,000
	b.	Non-current Investments		23,50,000	-
2.		**Current Assets**			
	a.	Inventories		43,000	1,16,000
	b.	Trade Receivables		7,90,000	2,32,000
	c.	Cash and Cash Equivalents		3,09,000	-
		Total		**97,92,000**	**18,01,000**

Notes to Accounts

		B Ltd. (₹)	**G Ltd. (₹)**
1.	**Share Capital**		
	Equity Share Capital		
	Issued, subscribed & paid-up capital		
	Equity Shares of ₹ 100 each	36,50,000	11,50,000
	Preference Share Capital		
	Issued, subscribed & paid-up capital		
	9% Preference Shares of ₹ 100 each	9,80,000	
	10% Preference Shares of ₹ 100 each		2,70,000

2.	**Reserves and Surplus**		
	Balance of Profit and Loss A/c	17,50,000	– 6,45,000
3.	**Long-term Borrowings**		
	9% Debentures of ₹ 100 each	10,90,000	–
	10% Debentures of ₹ 100 each	–	1,80,000
	Loan from Banks	8,50,000	3,92,500

Details of Trade Receivables and Trade Payables are as under :

		B Ltd. (₹)	G Ltd. (₹)
1.	**Trade Receivables**		
	Debtors	7,30,000	1,75,000
	Bills Receivables	60,000	57,000
		7,90,000	**2,32,000**
2.	**Trade Payables**		
	Creditors	13,85,000	2,25,000
	Bills Payables	87,000	39,000
		14,72,000	**2,64,000**

On 31.03.2025, B Ltd. absorbs the business of G Ltd. on the following terms :

(i) For every equity share held by the equity shareholders of G Ltd., they receive ₹ 10 in cash and one equity shares of ₹ 100 each at par in B Ltd.

(ii) The 10% debenture-holders of G Ltd. were to be allotted such 9% debentures of ₹ 100 each in B Ltd. as would bring the same amount of interest.

(iii) 10% Preference Shareholders of G Ltd. are to be paid at 15% premium by issue of 9% Preference Shares of ₹ 100 each in B Ltd., in such a way that the existing dividend quantum of the preference shareholders of G Limited will not get affected.

(iv) A contingent liability of G Limited amounting to ₹ 72,000 to be treated as actual liability in trade payables.

(v) Expenses of Liquidation of G Ltd. are to be reimbursed by B Ltd. ₹ 10,000.

(vi) Inventory of G Ltd. is taken over at 10% more than their book value by B Ltd.

(vii) Debtors of B Ltd. include ₹ 51,400 receivables from G Ltd.

(viii) Property, Plant and Equipment of G Ltd. are revalued at 20% above their book value.

(ix) The remaining Assets and Liabilities of G Ltd. are taken over at book value by B Ltd.

You are required to :

(a) Pass the Journal Entries to record the above in the books of B Ltd.

(b) Prepare Balance Sheet of B Ltd. as at 31st March, 2025 after absorption.

5. Prepare a consolidated balance sheet of MN Ltd. and its subsidiary RP Ltd. as on 31st March, 2025 : 14

Balance Sheets as on 31st March, 2025

	Note No.	MN Ltd. (₹ in Lakh)	RP Ltd. (₹ in Lakh)
I. Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share Capital	1	7,000	4,000
(b) Reserve and Surplus	2	4,000	3,500
(2) Non-current Liabilities			
(a) Long Term Borrowings		1,800	1,400
(3) Current Liabilities			
(a) Trade Payable		2,280	1,600
Total		**15,080**	**10,500**
II. Assets			
(1) Non-current Assets			
(a) Property, Plant and Equipment	3	6,800	5,500
(b) Non-current Investments	4	3,280	–
(2) Current Assets			
(a) Inventory		2,200	1,500
(b) Trade Receivables	5	1,800	1,200
(c) Cash and Bank		1,000	2,300
		15,080	**10,500**

Notes to Accounts :

		MN Ltd. (₹ in Lakh)	RP Ltd. (₹ in Lakh)
1.	**Share Capital**		
	Issued and Subscribed :		
	Equity shares of ₹ 10 each, fully paid up	7,000	4,000
2.	**Reserve and Surplus**		
	General Reserve	2,600	2,000
	Profit and Loss Account	1,400	1,500
	Total	4,000	3,500
3.	**Property, Plant and Equipment**		
	Land and Building	4,000	3,500
	Plant and Machinery	2,800	2,000
	Total	6,800	5,500
4.	**Non-current Investment**		
	Shares in RP Ltd.	3,000	–
	Debentures in RP Ltd.	280	–
	Total	3,280	–
5.	**Trade Receivable**		
	Debtors	1,200	900
	Bills Receivable	600	300
	Total	1,800	1,200

Additional Information :

1. MN Ltd. acquired 75% shares in RP Ltd. on 1st April, 2024. On the date of acquisition :

   General Reserve of RP Ltd. = ₹ 1,600 lakh

   Profit & Loss Account of RP Ltd. = ₹ 1,200 lakh

2. On 1st April, 2024, RP Ltd. declared dividend @12% for the year ended 31st March, 2024. MN Ltd. credited the dividend received to its Profit & Loss Account.

3. RP Ltd. sold goods worth ₹ 160 lakh to MN Ltd. during the year and makes a profit of ₹ 40 lakh. MN Ltd.'s inventory includes goods worth ₹ 80 lakh that remained unsold as on 31st March, 2025.

4. MN Ltd. holds ₹ 280 lakh of RP Ltd.'s debentures, which are included in RP Ltd.'s long-term borrowings.

EITHER

6. (a) What is the initial disclosure information of AS-24 for discontinuing operations ? 4

OR

(a) S Limited took an equipment on lease from R Limited, the fair value being ₹ 9,50,000/-. The economic life of the equipment as well as the lease term is 3 years. At the end of each year, the lessee pays ₹ 4,00,000/- to the lessor. S Limited has guaranteed a residual value of ₹ 35,000/- on the expiry of the lease to R Limited. However, R Limited estimates that residual value of the equipment will be only ₹ 25,000/-. The implicit rate of return is 15% per annum and present value factors at 15% are 0.869, 0.756 and 0.657 at the end of first, second and third years respectively. 4

You are required to ascertain the value at which the equipment would be considered by S Limited and the finance charges in each year.

(b) The following figures have been extracted from the financial statements of MC Limited for the year ended 31st March, 2025 : 4

Particulars	Amount (₹)
Issued, Subscribed and Paid-up Share Capital	
8,00,000 Equity Shares of ₹ 5/- each	40,00,000
1,25,000, 8% Preference Shares of ₹ 10/- each	12,50,000

Reserves and Surplus	
Securities Premium Reserve	5,00,000
Capital Reserve	3,00,000
Capital Redemption Reserve	2,50,000
General Reserve	11,75,000
Net Profit for the year ended 31st March, 2025	2,25,000

The company has an impeccable record of paying dividend to its shareholders since 2019-20 and has declared equity dividend as under :

Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Equity Dividend paid	10%	11%	12%	13%	14%

Constrained by inadequate profits during 2024-25, the management of the company proposes to declare a dividend of 12.5% out of its reserves.

You are required to ascertain the amount that can be utilized by the company out of its reserves in accordance with the Companies (Declaration of dividend out of Reserves) Rules, 2014. **6**

(c) Mr. GOKU, with its head office at Ahmedabad, has a branch at Nagpur. Goods are invoiced to the branch at cost plus 25%. The branch makes sales both for cash and on credit. Branch expenses are paid direct from head office and the branch has to remit all the cash received into head office's bank account at Ahmedabad.

The following information pertaining to the year ended 31st March, 2025, in respect of the Nagpur Branch is made available to you :

Particulars	₹
Goods sent to branch (at Invoice Price)	67,50,000
Goods returned by the branch during the year (at Invoice Price)	2,40,000
Cash sales effected by the branch	18,50,000
Discount allowed to customers	25,000
Amount received from branch debtors	32,50,000
Cheques of customers returned unpaid by the bank	80,000
Branch expenses met in cash	7,25,000
Sales return at Nagpur branch	1,00,000
Bad debts	55,000

	31st March, 2025	31st March, 2024
Branch debtors	10,50,000	5,00,000
Stock at branch (at Invoice Price)	23,60,000	15,00,000

Applying the Stock and Debtors System, you are required to prepare the following Ledger Accounts in the books of Head Office for the year ended 31st March, 2025 :

(i) Nagpur Branch Stock A/c;

(ii) Nagpur Branch Debtors A/c;

(iii) Nagpur Branch Adjustment A/c; and

(iv) Nagpur Branch Profit and Loss A/c.