RAHUL SHIKHA ACADEMY
RSA
Quest For Excellence

Dear Students

As we all know that in new syllabus, MCQs have gained a lot of importance and carry a good weightage of 30 marks. And guess what, if we are prepared enough we can score full 30 in this section. Thus, to make every student confident and capable of scoring top notch marks in MCQs, I have conducted MCQ Special MANZIL Batch with specific focus on MCQs only, free of cost for everyone across country and it gives me joy to share that we have completed the same well ahead of the exams. I have put in my sincere efforts and taken deep research as to choose the best MCQs, to compile the same in well presentable style and extensive discussion of the same on RSA Youtube channel.

This publication in particular covers MCQs of the ADVANCED ACCOUNTING Subject. All the chapters and Accounting Standards have been covered in 6 sessions and the MCQs cover theoretical and practical aspects including few case studies as well. The questions which involve calculations, for those the detailed solutions have been given for easy and comprehensive understanding.
Hereby, sharing the video links of these sessions as well.

Session 1 - https://www.youtube.com/live/BdalaOYsAEU?si=AwNCgiQNcgcEubX4

Session 2 - https://youtu.be/oJcCd7kK4lM?si=QnIKlb_bCyHGgYPZ

Session 3 - https://youtu.be/3utzLsRHVys?si=MU8fczcLhNthYrFr

Session 4 - https://www.youtube.com/live/eKGpBSYIwlY?si=v3fmqn4wpDmQKHro

Session 5 - https://www.youtube.com/live/-5CmZP4E6Nc?si=trQQBFGbvmw7A5oB

Session 6 - https://www.youtube.com/live/hlr_6WYno3g?si=Sv03vtvJzKlja3tq

Please go through these files as well as videos, before your examination as it will definitely boost your confidence.

Also, you can access the notes and videos of Manzil Batch for our other 2 subjects also ie F.M. S.M. and Cost from our telegram channel (Rahul Shikha Academy).

Wishing everyone All the Best for Exams !

CA Rahul Garg

RAHUL SHIKHA ACADEMY
RSA
Quest For Excellence

#MANZIL BATCH

#ADV ACC. #COST #FM SM

ADV. ACC. | SESSION 1

Chapters Covered	
1.	Investment Accounts ✓
2.	Branch Accounts ✓
3.	Cash Flow Statement ✓
4.	AS 3 ✓
5.	AS 13 ✓

CA Rahul Garg

Gold Medalist

AIR in CA, CS, CMA

Question 1

The cost of Right shares is

a.	added to the cost of investments ✓
b.	subtracted from the cost of investments x
c.	no treatment is required x
d.	added to cost of investments at market value x

Question 2

In case of purchase transaction, incidental expenses are _____ to compute cost of investment

100
+ 4
104

a.	ignored x
b.	deducted x
c.	added ✓
d.	none of the above x

Question 3

Div

shares acq. by inv

Post acquisition dividend is of

a.	revenue nature ✓
b.	capital nature x
c.	mix nature x
d.	none of the above x

Question 4

The carrying amount for current investments is the lower of cost and

a.	market value
b.	fair value
c.	nifty price
d.	net realisable value

Question 5

Para 23 & 24 of AS: 13

A portion of current investments purchased for ₹ 20 lakhs, to be reclassified as long term investment, as the company has decided to retain them. The market value as on the date of Balance Sheet was ₹ 25 lakhs. What will be the amount of transfer?

a.	₹ 20 lakhs
b.	₹ 25 lakhs
c.	Average of 2 values i.e. 22.5 lakhs
d.	None of the above

Question 6

Reconciliation of head office and branch accounts is necessary in case of Branches maintaining ____________ accounting records at the end of the accounting year.

a.	dependent
b.	independent
c.	both of above
d.	none of above

Question 7

In Foreign branch, Expenses are converted at _______ rate under IFO?

a.	Actual ×
b.	Opening ×
c.	Closing ×
d.	Average ✓

Consider the following data :

Hindustan Industries Mumbai has a branch in Cochin to which office goods are invoiced at cost plus 25%. The branch sells both for cash and on credit. Branch Expenses are paid direct from head office, and the Branch has to remit all cash received into the Head Office Bank Account. Branch does not maintain any books of account, but sends weekly returns to the Head Office :

	₹
Goods received from Head Office at invoice price	6,00,000
Returns to Head Office at invoice price	12,000
Stock at Cochin as on 1st Jan., 2012	60,000
Sales in the year :	
: Cash	2,00,000
: Credit	3,60,000
Sundry Debtors at Cochin as on 1st Jan. 2012	72,000
Cash received from Debtors	3,20,000
Discount allowed to Debtors	6,000
Bad debts in the year	4,000
Sales returns at Cochin Branch	8,000
Rent, Rates, Taxes at Branch	18,000
Salaries, Wages, Bonus at Branch	60,000

Office Expenses	6,000
Stock at Branch on 31st Dec. 2012 at invoice price	1,20,000

From the above details relating to calendar year 2012, answer Q 8 - Q 12.

Question 8

What will be the balancing figure of Branch Stock A/c?

a.	Surplus 24,000
b.	Normal Loss 24,000
c.	Closing Stock 24,000
d.	Surplus 1,44,000

Question 9

In which account, the loading of stock and goods movement between HO & Branch is recorded?

a.	Branch Stock
b.	Branch Adjustment
c.	Branch Expenses
d.	Branch P/L

Question 10

What will be the amount of Gross Profit?

a.	1,05,600
b.	1,29,600
c.	(1,05,600)
d.	(1,29,600)

Question 11

What will be the closing balance of Branch Debtor's A/c?

a.	94,000
b.	96,000
c.	98,000
d.	1,00,000

Question 12

What will be the amount of Net Profit?

a.	59,600
b.	1,19,600
c.	35,600
d.	(35,600)

Question 13

While preparing cash flow statement, conversion of debt to equity

a.	Should be shown as a financing activity
b.	Should be shown as an investing activity
c.	Should not be shown as operating activity
d.	Should not be shown as it is a non-cash transaction

Question 14

As per AS 3 on Cash Flow Statements, cash received by a manufacturing company from sale of shares of ABC Company Ltd. should be classified as

a.	Operating activity
b.	Financing activity
c.	Investing activity ✓
d.	Non-cash transaction

Question 15

While preparing a Cash Flow Statement using the Indirect method as required under AS 3, which of the following will not be deducted from/ added to the Net Profit to arrive at the "Cash flow from Operating activities"?

a.	Interest income x
b.	Gain on sale of a fixed asset x
c.	Depreciation x
d.	Gain on sale of inventory

Consider the following data :

The following particulars relate to Bee Ltd., for the year ended 31st March, 2010 :

a. Furniture of book value of ₹ 15,500 was disposed off for ₹ 12,000. +

−310000

b. Machinery costing ₹ 3,10,000 was purchased and ₹ 20,000 were spent on its erection.

c. Fully paid 8% preference shares of the face value of ₹ 10,00,000 were redeemed at a premium of 3%. In this connection 60,000 equity shares of ₹ 10 each were issued at a premium of ₹ 2 per share. The entire money being received with applications.

d. Dividend was paid as follows:

On 8% preference shares	₹ 40,000
On equity shares for the year 2009–10	₹ 1,10,000

e. Total sales were ₹ 32,00,000 out of which cash sales were ₹ 11,50,000.

f. Total purchases were ₹ 8,00,000 including cash purchase of ₹ 60,000.

g. Total expenses were ₹ 12,40,000 charged to Profit and Loss A/c.

h. Taxes paid including dividend distribution tax of ₹ 22,500 were ₹ 3,30,000. 22500 DDT 307500

i. Cash and cash equivalents as on 31st March, 2010 were ₹ 1,25,000. (closing)

You are requested to prepare Cash Flow Statement as per AS 3 for the year ended 31st March, 2010 after taking into consideration the following also :

	On 31st March, 2009 (₹) (op)	On 31st March, 2010 (₹) (cl)
Sundry debtors	1,50,000	1,47,000
Sundry creditors	78,000	83,000
o/s Unpaid expenses	63,000	55,000

From the above details, answer Q 16 – Q 20.

Question 16

How much is the amount paid for expenses?

a.	12,40,000
b.	12,48,000 ✓
c.	12,32,000
d.	None of the above

Question 17

What is the cash flow from Operating Activities?

a.	11,60,000 ×
b.	(8,52,500) ×
c.	8,52,500 ✓
d.	14,67,500 ×

Question 18

What is the cash flow from Investing Activities?

a.	3,18,000
b.	(3,18,000)
c.	3,30,000
d.	(3,30,000)

Question 19

What is the cash flow from Financing Activities?

a.	(4,82,500)
b.	4,82,500
c.	3,82,500
d.	None of the above

Question 20

What is the opening balance of CCE?

a.	1,77,000
b.	1,25,000
c.	52,000
d.	73,000

ANSWER: 8-12

Let CP = 100
P = 25 } 25/125 loading
IP = 125

Books of Hindustan Industries Mumbai
Cochin Branch Accounts

Branch Stock A/c

Particulars	Amt.	Particulars	Amt
To Balance b/d	60000	By Goods sent to Branch (Return)	12000
To Goods sent to Branch	600000	By Bank: Cash sales	200000
To Branch Debtors: Sales Return	8000	By Branch Dr's: Credit sales	360000
To Branch Adjustment: Surplus	24000	By Balance c/d	120000
	692000		692000

Branch Adjustment A/c

Particulars	Amt.	Particulars	Amt
To Goods sent to Branch (Returns) (L) $\left(12000 \times \frac{25}{125}\right)$	2400	By Stock Reserve (L) $\left(60000 \times \frac{25}{125}\right)$	12000
To Stock Reserve (L) $\left(120000 \times \frac{25}{125}\right)$	24000	By Goods sent to Branch (L) $\left(600000 \times \frac{25}{125}\right)$	120000
To Branch P/L: Gross Profit	129600	By Branch Stock: Surplus	24000
	156000		156000

Branch Debtors A/c

Particulars	Amt.	Particulars	Amt.
To Balance b/d	72000	By Bank: Receipt from debtors	320000
To Branch Stock: Credit sales	360000	By Branch P/L	
		: Discount Allowed	6000
		: Bad Debts	4000
		By Branch Stock: Sales Returns	8000
		By Balance c/d	94000
	432000		432000

Branch Expense A/c

Particulars	Amt	Particulars	Amt
To Bank:		By Branch P/L	84000
: Rent, Rates, Taxes	18000		
: Salaries, Wages, bonus	60000		
: Office Expenses	6000		
	84000		84000

Branch P/L A/c

Particulars	Amt.	Particulars	Amt.
To Branch Debtors		By Branch Adjustment: Gross Profit	129600
: Discount Allowed	6000		
: Bad Debts	4000		
To Branch Expense	84000		
To Net Profit	35600		
	129600		129600

ANSWER : 16 - 20

Bee Ltd

Cash Flow Statement

for year ending 31 Mar 2010

S.No.	Particulars	Amount (₹)
A.	**Cash Flow from operating Activities**	
	Cash Sales	11,50,000
+	Cash Received from Debtors (WN 1)	20,53,000
–	Cash Purchases	(60,000)
–	Cash Paid to creditors (WN 2)	(735000)
–	Expenses Paid (WN 3)	(1248000)
=	Cash Generated from operations before income tax	1160000
–	Income Tax Paid (330000 – 22500)	(307500)
	Net cash generated from operating Activities	8,52,500
B.	**Cash Flow from Investing Activities**	
	Sale of Furniture	12000
–	Purchase of Machinery (Cost 310000 & Erection cost 20000)	(330000)
	Net Cash used in Investing Activities	(318000)
C.	**Cash Flow from financing Activities**	
–	Face value of Redemption of 8% Preference Shares	(10,00,000)
–	Premium on Redemption (10,00,000 × 3%)	(30,000)
+	Issue of Equity Shares (60000 × 10)	600000
+	Security Premium (60000 × 2)	120000
–	Dividend on : 8% Preference Shares	(40000)
	: Equity Shares	(110000)
–	Dividend Distribution Tax	(22500)
	Net Cash Used in financing Activities	(482500)

Net CCE generated during the year (A + B + C)	52000
(+) Opening balance of CCE	+ 73000
(=) closing balance of CCE	= 125000

Working Notes

1. Debtors A/c

Particulars	Amt.	Particulars	Amt
To Balance b/d	150000	By Cash	2053000
To Credit Sales (32 L - 11.50L)	2050000	By Balance c/d	147000
	2200000		2200000

2. Creditors A/c

Particulars	Amt.	Particulars	Amt.
To Cash	735000	By Balance b/d	78000
To Balance c/d	83000	By Credit Purchases (800000 - 60000)	740000
	818000		818000

3. Expenses A/c

Particulars	Amt.	Particulars	Amt.
To Cash	1248000	By Balance b/d (O/p)	63000
To Balance c/d (Cl.)	55000	By P/L	1240000
	1303000		1303000

RAHUL SHIKHA ACADEMY
RSA
Quest For Excellence

#MANZIL BATCH

#ADV ACC. #COST #FM SM

ADV. ACC. SESSION 2

Chapters Covered	
1.	Final Accounts of Companies
2.	Buy Back of Shares
3.	Framework for Preparation & Presentation of FS
4.	Introduction & Applicability of AS
5.	AS 1

CA Rahul Garg

Gold Medalist

AIR in CA, CS, CMA

Question 1

"Fixed assets held for sale" will be classified in the company's balance sheet as

a.	Current asset
b.	Non-current asset
c.	Capital work- in- progress
d.	Deferred tax assets

Question 2

Every company should prepare and keep books of account and other relevant books at ______

a.	HR department
b.	Branch office
c.	Anywhere
d.	Registered office

Question 3

The head "Change in Inventories" in statement of P/L considers change of

a.	Raw Material
b.	WIP
c.	FG
d.	Only b. and c.

Question 4

As per section 68(1) of the Companies Act, buy-back of own shares by the company, shall not exceed ≤

a.	10% of the total paid-up capital and free reserves of the company
b.	20% of the total paid-up capital and free reserves of the company
c.	25% of the total paid-up capital and free reserves of the company
d.	30% of the total paid-up capital and free reserves of the company

Question 5

CRR can be issued to

a.	write off premium on buy back
b.	write off losses
c.	issue fully paid bonus shares
d.	all of above

Consider the following data :

Anu Ltd. furnishes you with the following summarized balance sheet as at 31st March, 2012 :

	(₹ in crores)	
Sources of Funds		
Share Capital :		
Authorised :		100
Issued :		
12% redeemable preference shares of ₹ 100 each fully paid	75	

Equity shares of ₹ 10 each fully paid 2.5 Cr. No. of shares	25	100
Reserves and surplus :		
Capital reserve	15	
Securities premium	~~25~~ 5	
Revenue reserves	260 − 80	300
CRR	80	**400**
Application of Funds		
PPE : Cost	100	
Less: Provision for depreciation	(100)	Nil
Non-current investments at cost (Market value ₹ 400 crore)		100
Current assets	340	
Less : Current liabilities (Trade payables)	(40)	300
		400

The company redeemed preference shares on 1st April, 2012. It also bought back 50 lakhs equity shares of ₹ 10 each at ₹ 50 per share. The payments for the above were made out of the huge bank balances, which appeared as a part of current assets.

From the above details, answer Q 6 - Q 10.

Question 6

What is the total amount of Premium on Buy Back? 50L Sh. x 40 = 20 cr.

(50 − 10)

a.	20 Lakhs
b.	2 Crores
c.	20 Crores
d.	None of the above

PSC Red : 75 Cr
ESC BB : 5 Cr (50L × 10/-)
80 Cr

Question 7

What is the total amount to be transferred to CRR?

a.	5 Crores
b.	75 Crores
c.	80 Crores
d.	None of the above

Question 8

What amount of Security Premium shall be shown in balance sheet after the buy back?

a.	5 Crores
b.	20 Crores
c.	25 Crores
d.	45 Crores

Question 9

What is the total amount of Reserves & Surplus to be shown in balance sheet after the buy back?

a.	100 Crores
b.	180 Crores
c.	200 Crores
d.	280 Crores

340 – 75 – 25 = 240 Cr.
(PSC) (ESC) : 50L x 50

Question 10

What is the updated amount of Current Assets after the buy back?

a.	340 Crores
b.	265 Crores
c.	240 Crores
d.	None of the above

Question 11

_______ are interested in information which enables them to determine whether their loans, and the interest attaching to them, will be paid when due.

a.	Customers
b.	Lenders
c.	Employees
d.	Investors

Question 12

______ is a resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise.

a.	Equity
b.	Liability
c.	Asset
d.	Expense

Question 13

IASB is

a.	INTERNATIONAL ACCOUNTING STANDARD BOARD
b.	INDIAN ACCOUNTING STANDARD BOARD
c.	INTERNAL ACCOUNTING STANDARD BOARD
d.	INSTITUTE OF ACCOUNTING STANDARD BOARD

Question 14

Accounting Standards for non-corporate entities in India are issued by

a.	Central Govt.
b.	State Govt.
c.	ICAI
d.	MCA

Question 15

"Small and Medium Sized Company" (SMC) means, a company-

a.	which may be a bank, financial institution or an insurance company. ×
b.	whose turnover (excluding other income) does not exceed rupees two-fifty crores in the immediately preceding accounting year; $\leq$ 250 cr
c.	whose turnover (excluding other income) does not exceed rupees fifty crores in the immediately preceding accounting year; $\leq$ 50 cr
d.	whose turnover (excluding other income) does not exceed rupees five hundred crores in the immediately preceding accounting year. $\leq$ 500 cr

Question 16

The borrowings in case of Level II entities don't exceed ₹

a.	₹ 10 crore
b.	₹ 25 crore
c.	₹ 50 crore
d.	₹ 100 crore

Question 17

Borrowings $> 2cr \leq 10$ cr

All non-corporate entities engaged in commercial, industrial or business activities having borrowings (including public deposits) in excess of rupees two crores but does not exceed rupees ten crores at any time during the immediately preceding accounting year.

a.	Level I entities ×
b.	Level II entities ×
c.	Level III entities
d.	Level IV entities

Question 18

Which of the following is NOT a major consideration in selection and application of accounting policies?

a.	Prudence
b.	Comparability
c.	Materiality
d.	Substance over form

Question 19

Transactions are recognised as soon as they occur, whether or not cash or cash equivalent is actually received or paid, as per which assumption

a.	Going Concern
b.	Consistency
c.	Accrual
d.	None of the above

Question 20

State whether the following statements are 'True' or 'False'.

a. Certain fundamental accounting assumptions underline the preparation and presentation of financial statements. They are usually specifically stated because their acceptance and use are not assumed.

b. All significant accounting policies adopted in the preparation and presentation of financial statements should form part of the financial statements.

a.	True, True X
b.	False, False X
c.	True, False X
d.	False, True ✓

ANSWER : 6 - 10

Books of Anu Ltd

Journal Entries

(₹ in cr)

S.No.	Particulars	L.F.	Debit	Credit
1.	12% PSC A/c		75	
	To Pref. Sh. holders A/c			75
2.	Eq. Sh. Cap A/c (50L × 10)		5	
	→ Prem. on Buy Back A/c (50L × 40)		20	
	To Eq. Sh. Buy Back A/c (50L × 50)			25
3.	Revenue Reserves A/c		80	
	To Cap. Red. Res. A/c			80
	FV of PSC being redeemed : 75			
	FV of ESC being bought back : 5			
4.	Securities Premium A/c		20	
	To Prem. on Buy Back A/c			20
5.	Pref Sh. holders A/c		75	
	To Bank A/c			75
6.	Eq. Sh. Buy Back A/c		25	
	To Bank A/c			25

Balance Sheet of Anu Ltd
as at 1st Apr. 2012
(after the buy back)

S.No.	Particulars	Note	Amt (₹ in cr.)
A.	Equity & Liabilities		
1.	Shareholder funds		
a.	Share capital	1	20
b.	Reserves & Surplus	2	280
2.	Non current liabilities	–	–
3.	Current liabilities		
a.	Trade Payables	–	40
			340
B.	Assets		
1.	Non current Assets		
a.	PPE & Intangible Assets		
i	PPE	3	–
b.	Non current Investments	4	100
2.	Current Assets	5	240
			340

Note 1: Share Capital

Particulars		Amt. (in cr)
Authorised Capital		100
Issued and Paid up capital		
2 crore Eq. sh. of ₹ 10 each fully paid		20
(12%, 75 L Pref. sh. of ₹ 100 redeemed)		
(50 L Eq. sh. of ₹ 10 each bought back)		

Note 2: Reserves & Surplus

Particulars		Amt. (in cr)
a. Capital Reserve		15 ✓
b. Securities Premium		
Available balance	25	
- Used for w/off Prem. on Buy Back	20	5 ✓
c. Revenue Reserves		
Available Balance	260	
- Used for creating CRR	80	180
d. Capital Redemption Reserve		80
		280

Note 3: PPE

Particulars		Amt (in cr)
PPE : cost	100	
- Prov. for Dep.	(100)	NIL

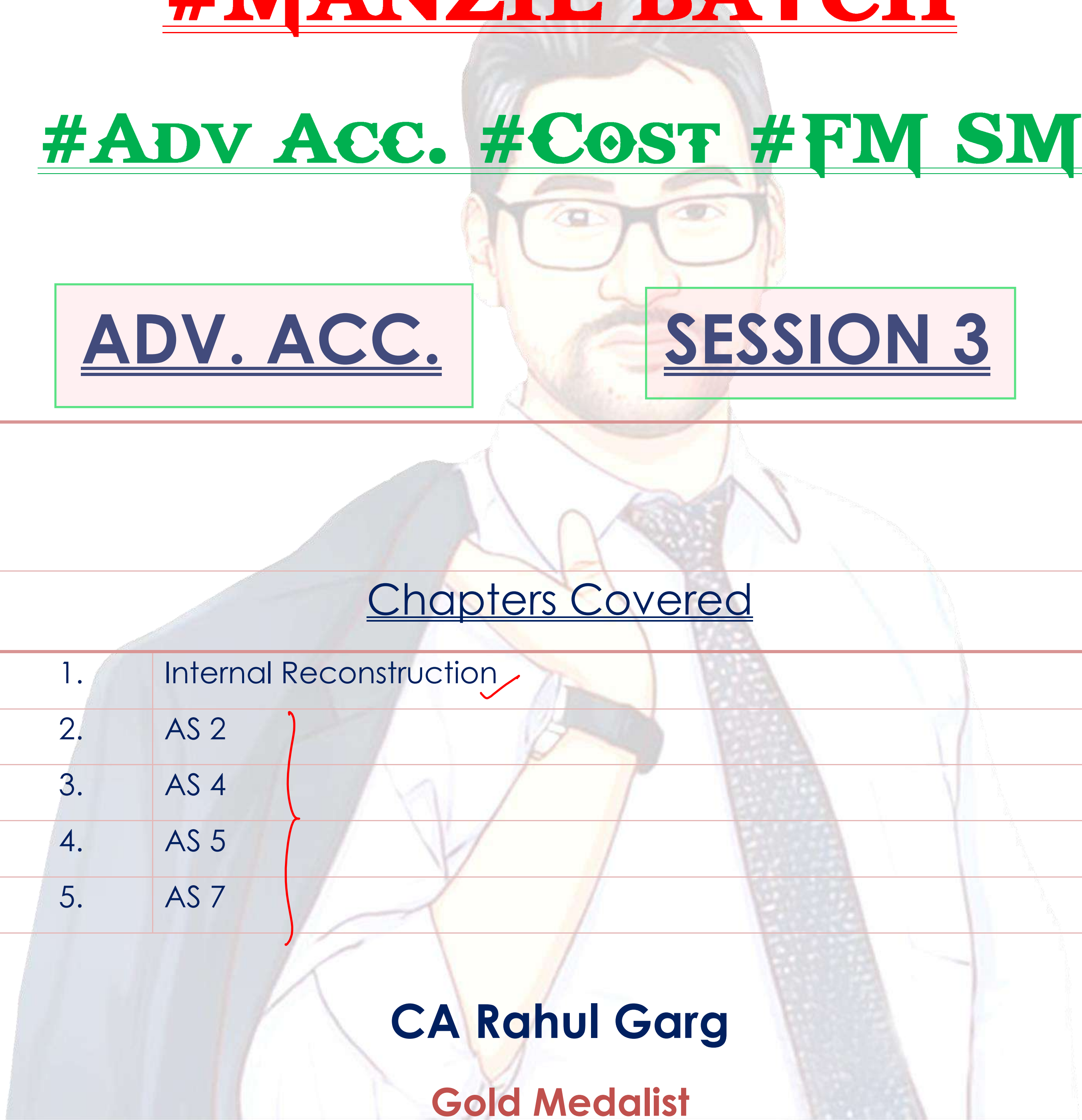
Note 4: Non current Investments

Particulars	Amt (₹ in cr)
Non current Inv at cost	100

(Market value is 400 cr ₹)

Note 5: Current Assets

Particulars		Amt. (₹ in cr)
Total Balance	340	
- Payment for		
: Redemption of Pref. Sh.	(75)	
: Buy back of Eq. Sh.	(25)	240



#MANZIL BATCH

#ADV ACC. #COST #FM SM

ADV. ACC.

SESSION 3

Chapters Covered	
1.	Internal Reconstruction
2.	AS 2
3.	AS 4
4.	AS 5
5.	AS 7

CA Rahul Garg

Gold Medalist

AIR in CA, CS, CMA

Question 1

In case of internal reconstruction

a.	Only one company is liquidated.
b.	Two or more companies are liquidated.
c.	No company is liquidated.
d.	Two companies are amalgamated.

Consider the following data :

Given below is the Balance sheet of Rebuilt Ltd. as at 31.3.20X1:

		Note	₹
A.	**Equity and Liabilities**		
1.	Shareholders' Funds		
(a)	Share Capital	1	13,50,000
(b)	Reserves and Surplus	2	(4,51,000)
2.	Non-current Liabilities		
(a)	Long Term borrowings (Loan)	3	5,73,000
3.	Current Liabilities		
(a)	Trade Payables		2,07,000
(b)	Other Current Liabilities		35,000
	Total		**17,14,000**
B.	**Assets**		
1.	Non-current assets		
(a)	PPE	4	6,68,000
(b)	Intangible assets	5	3,18,000
2.	Current Assets		
(a)	Inventories		4,00,000

(b)	Trade Receivables		3,28,000
	Total		**17,14,000**

Notes to Accounts :

		Amount (₹)
1.	Share Capital	
	Equity Share Capital	
	15,000 Equity Shares of ₹ 50 each	7,50,000
	Preference Share Capital	
	12,000, 7% Cumulative Preference Shares of ₹ 50 each (Preference dividend is in arrears for five years)	6,00,000
		13,50,000
2.	Reserves and Surplus	
	Debit balance of Profit and loss Account	(4,51,000)
		(4,51,000)
3.	Long Term borrowings	
	Loan	5,73,000
		5,73,000
4.	PPE	
	Building at cost less depreciation	4,00,000
	Plant at cost less depreciation	2,68,000
		6,68,000
5.	Intangible Assets	
	Trademarks and Goodwill at cost	3,18,000
		3,18,000

The Company is not earning profits, short of working capital and a scheme of reconstruction has been approved by both the classes of shareholders. A summary of the scheme is as follows:

a. The equity shareholders have agreed that their ₹ 50 shares should be reduced to ₹ 2.50 by cancellation of ₹ 47.50 per share. They have also agreed to subscribe for three new equity shares of ₹ 2.50 each for each equity share held. 15000 × 3 = 45000 × 2.50

b. The preference shareholders have agreed to cancel the arrears of dividends and to accept for each ₹ 50 share, 4 new 5% preference shares of ₹ 10 each, plus 6 new equity shares of ₹ 2.50 each, all credited as fully paid.

c. Lenders to the company for ₹ 1,50,000 have agreed to convert their loan into share and for this purpose they will be allotted 12,000 new preference shares of ₹ 10 each and 12,000 new equity shares of ₹ 2.50 each. 120000 ₹ 30000 ₹

d. The directors have agreed to subscribe in cash for 40,000, new equity shares of ₹ 2.50 each in addition to any shares to be subscribed by them under (a) above.

e. Of the cash received by the issue of new shares, ₹ 2,00,000 is to be used to reduce the loan due by the company.

f. The equity share capital cancelled is to be applied:

   i. to write off the debit balance in the profit and loss A/c; and

   ii. to write off ₹ 35,000 from the value of plant.

Any balance remaining is to be used to write down the value of trademarks and goodwill.

The nominal capital as reduced is to be increased to ₹ 6,50,000 for preference share capital and ₹ 7,50,000 for equity share capital.

From the above details, answer Q 2 – Q 6.

Question 2

What's the amount of sacrifice by equity shareholders from their paid-up capital?

a.	7,50,000
b.	37,500
c.	7,12,500 (15000 × 47.50)
d.	None of the above

Question 3

(12000 × 6) × 2.50

What's the amount of Equity Share Capital being received by Preference Shareholders?

a.	4,80,000
b.	1,80,000 ✓
c.	72,000
d.	60,000

Question 4

What's the amount of Trademark and Goodwill being written off?

a.	35,000
b.	4,51,000
c.	1,66,500
d.	7,12,500

Question 5

What's the amount of Preference Share Capital post reconstruction?

a.	6,50,000
b.	1,80,000
c.	1,20,000
d.	6,00,000

Question 6

What's the amount of Equity Share Capital post reconstruction?

a.	4,60,000
b.	7,50,000
c.	37,500
d.	7,12,500

Question 7

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be

a.	sold at or above cost.
b.	sold above cost.
c.	sold less than cost.
d.	sold at market value (where market value is more than cost).

Question 8

The fixed production overheads should be absorbed systematically to units of production over ______

a.	rated capacity
b.	normal capacity
c.	theoretical capacity
d.	practical capacity

Question 9

WIP

On 31st March 20X1, a business firm finds that cost of a partly finished unit on that date is ₹ 530. The unit can be finished in 20X1-X2 by an additional expenditure of ₹ 310. The finished unit can be sold for ₹ 750 subject to payment of 4% brokerage on selling price. The firm seeks your advice regarding the amount at which the unfinished unit should be valued as at 31st March, 20X1 for preparation of final accounts.

a.	530
b.	750
c.	410
d.	720

Cost: 530

NRV: 750

− Est. S. Exp (30) (750 × 4%)

− Est. cost to comp. (310)

410

↓ 410

Question 10

Cash amounting to ₹ 4 lakhs, stolen by the cashier in the month of March 20X1, was detected in April, 20X1. The financial statements for the year ended 31st March, 20X1 were approved by the Board of Directors on 15th May, 20X1. As per Accounting Standards, this is ______ for the financial statements year ended on 31st March, 20X1.

a.	Adjusting event
b.	Non-adjusting event
c.	Contingency
d.	Provision

Question 11

The company invested 100 lakhs in April, 20X1 before approval of Financial Statements by the Board of directors in the acquisition of another company doing similar business, the negotiations for which had started during the year. How will you deal?

a.	It is not an event occurring after balance sheet date.
b.	It is adjusting event.
c.	It is non-adjusting event.
d.	It should be disclosed in the report of the Approving Authority to enable users of financial statements to make proper evaluations and decisions.

Question 12

If the going concern assumption is not valid (based on events occurring after the balance sheet date), the financial

statements are prepared on a ________.

a.	Cash basis
b.	Accrual basis
c.	Liquidation basis
d.	None of the above

Question 13

A change in the estimated life of the asset, which necessitates adjustment in the depreciation is an example of

a.	Prior period item
b.	Ordinary item
c.	Extraordinary item
d.	Change in accounting estimate

Question 14

Refund of Government Grant is an example of

a.	Ordinary Activities
b.	Extra-ordinary Activities
c.	Exceptional Items
d.	Prior period Items

Question 15

Accounting Policies can be changed

a.	when the adoption of a different accounting policy is required by statute
b.	for compliance with an Accounting Standard
c.	when it is considered that the change would result in a more appropriate presentation of the financial statements of the enterprise
d.	all of above

Question 16

A company (Z Ltd.) is engaged in the business of providing consultancy services. A few days back, it received a notice from GST department raising a demand of GST on consultancy services provided by it for Rs. 500,000. Recently Z Ltd. paid the demand. In the books, company wants to record it as an extraordinary expenditure. What do you think about this?

a.	Ordinary
b.	Change in Estimate
c.	Extra Ordinary
d.	Exceptional

Question 17

During the year ended 31st March, 2025, there was change in cost formula in measuring the cost of inventories. How it should be considered?

a.	Prior Period Item
b.	Change in Accounting Estimate
c.	Change in Accounting Policy
d.	None of the above

Consider the following data : Cont. Rev.

On 1st December, 2024, Vishwakarma Construction Co. Ltd. undertook a contract to construct a building for ₹ 85 lakhs. On 31st March, 2025, the company found that it had already spent ₹ 64,99,000 on the construction. Prudent estimate of additional cost for completion was ₹ 32,01,000.

CTD

FEC

From the above details, answer Q 18 – Q 20.

Question 18

How much revenue should be recorded for year ending 31st March 2025?

a.	85,00,000
b.	56,95,000
c.	28,05,000
d.	None of the above

Question 19

What's the profit for year ending 31st March 2025?

a.	8,04,000
b.	(8,04,000)
c.	Nil
d.	None of the above

Question 20

How much extra provision is to be created for loss for year ending 31st March 2025?

a.	12,00,000
b.	8,04,000
c.	3,96,000
d.	None of the above

ANSWER: 2-6

Books of Rebuilt Ltd.

Journal Entries

Date	Particulars	L.F.	Debit	Credit
31/3/21	Equity share Capital A/c (50)		750000	
	To Equity share capital A/c (2.50)			37500
	To Capital Reduction A/c			712500
31/3/21	Bank A/c		112500	
	To Equity share capital A/c			112500
	(15000 x 3 x 2.50)			
31/3/21	7% cumulative Pref share capital A/c (50)		600000	
	Capital Reduction A/c		60000	
	To 5% cumulative Pref. share capital A/c (10)			480000
	(12000 x 4 x 10)			
	To Equity share capital A/c (2.50)			180000
	(12000 x 6 x 2.50)			
31/3/21	Loan A/c		150000	
	To 5% Preference share capital A/c			120000
	(12000 x 10)			
	To Equity share capital A/c			30000
	(12000 x 2.50)			
31/3/21	Bank A/c		100000	
	To Equity share capital A/c			100000
	(40000 x 2.50)			

31/3/21	Loan A/c	200000	
	To Bank A/c		200000
31/3/21	Capital Reduction A/c	486000	
	To P/L A/c (Dr. Balance)		451000
	To Plant A/c		35000
31/3/21	Capital Reduction A/c	166500	
	To Trademarks and Goodwill A/c		166500

Capital Reduction A/c

Particulars	Amt.	Particulars	Amt.
To 5% Pref. Sh. Cap and Eq. Sh. Cap A/c	60000	By Eq. Sh. Cap A/c	712500
To P/L A/c	451000		
To Plant A/c	35000		
To Trademarks and Goodwill A/c	166500		
	712500		712500

Note for share Capital

S.No.	Particulars	Amt. (₹)
A.	Authorised Capital	
1.	65000 Preference shares of ₹ 10 each	6,50,000
2.	300000 Equity shares of ₹ 2.50 each	7,50,000
		14,00,000
B.	Issued and Paid up capital	
1.	Preference share capital	
	60000, 5% Preference shares of ₹ 10 each (Out of these, 12000 shares have been issued for consideration other than cash)	6,00,000
2.	Equity share capital	
	184000 Equity shares of ₹ 2.50 each (Out of these, 84000 shares have been issued for consideration other than cash)	4,60,000
		10,60,000

ANSWER: 18 - 20

(A) Computation of stage of completion %.

Cost till date	6499000 ₹
+ Further Estimated Cost	3201000 ₹
Total Estimated Cost	= 97,00,000 ₹

$$\text{SOC \%} = \frac{6499000}{9700000} \times 100 = 67\%$$

(B) Computation of C/Y Profit / (Loss)

Contract Revenue (8500000 × 67%)	5695000 ₹
− Contract Costs	(6499000 ₹)
C/Y Loss	(804000 ₹)

(C) Computation of Expected Loss (Para 35)

Total Contract Costs	9700000 ₹
Total Contract Revenue	8500000 ₹
Expected Loss	12,00,000 ₹
Actual Loss for C/Y	→ 804000 ₹
Provision for Extra Loss to be created immediately	396000 ₹

RAHUL SHIKHA ACADEMY
RSA
Quest For Excellence

#MANZIL BATCH

#ADV ACC. #COST #FM SM

ADV. ACC. SESSION 4

Chapters Covered

1.	Amalgamation
2.	AS 9
3.	AS 10
4.	AS 11
5.	AS 12
6.	AS 14
7.	AS 15

CA Rahul Garg

Gold Medalist

AIR in CA, CS, CMA

Consider the following data :

A Ltd. decides to absorb B Ltd. The draft Balance Sheet of B Limited is as follows:

	₹
Liabilities	
Share Capital:	
5,000 9% Preference shares of ₹ 100 each (Fully paid up)	5,00,000
12,500 Equity shares of ₹ 100 each (Fully paid up)	12,50,000
Reserves	7,50,000
6% Debentures	5,00,000
Trade payables	2,50,000
Total	32,50,000
Assets	
Sundry Assets	32,50,000
Total	**32,50,000**

A Ltd. has agreed:

12500 x 20 = 250000 ₹

$12500 \times \frac{6}{5} \times 125 = 1875000$ ₹

1. To pay ₹ 20 per share in cash to equity shareholders of B Ltd. and will issue six equity shares of ₹ 100 each (Market value ₹ 125) in lieu of every five equity shares held in B Ltd.

2125000 ₹

2. To issue 9% Preference shares of ₹ 100 each, in the ratio of 3 shares of A Ltd. for 4 Preference shares in B Ltd.

$5000 \times \frac{3}{4} \times 100 = 375000$ ₹

3. To issue 8% debentures at ₹ 96 in lieu of 6% debentures in B Ltd. which are to be redeemed at a premium of 20%.

From the above details, answer Q 1 – Q 2.

Question 1

What is the amount of PC for Equity Shareholders?

a.	2,50,000 ₹
b.	18,75,000 ₹
c.	21,25,000 ₹
d.	25,00,000 ₹

Question 2

What is the amount of PC for Preference Shareholders?

a.	2,50,000 ₹
b.	3,75,000 ₹
c.	18,75,000 ₹
d.	25,00,000 ₹

Question 3

Amalgamation Adjustment Reserve is presented in the financial statements of the transferee company as

a.	Other current asset
b.	Separate line item with a negative sign under the head 'Reserves and Surplus'
c.	Other non-current assets
d.	Investment of the company

Question 4

Liabilities of vendor company, which are not assumed by the purchasing company, have to be

a.	realised ✗
b.	paid off ✓
c.	written off ✗
d.	any of above ✗

Question 5

In case of interest, revenue is recognised on

a.	time proportion basis
b.	accrual basis
c.	cash basis
d.	none of above

10000 ₹ P/L (Cr)

↑ 15000

5000 ₹ Rev. S/P (Cr)

↓ 10000 ₹ P/L (Dr)

BV

Question 6

A plot of land with carrying amount of ₹ 1,00,000 was revalued to ₹ 90,000 at the end of Year 2. Subsequently, due to increase in market values, the land was determined to have a fair value of ₹ 1,05,000 at the end of Year 4. Assuming that the entity adopts Revaluation Model, what would be the accounting treatment of Revaluation?

a.	Initial downward valuation of ₹ 10,000 debited to Revaluation Reserve. Subsequent upward revaluation of ₹ 15,000 credited to P/L. ✗
b.	Initial downward valuation of ₹ 10,000 debited to P/L. Subsequent upward revaluation of ₹ 15,000 credited to P/L. ✗

c.	Initial downward valuation of ₹ 10,000 debited to P/L. Subsequent upward revaluation of ₹ 10,000 credited to P/L and ₹ 5,000 credited to Revaluation Reserve.
d.	Initial downward valuation of ₹ 10,000 credited to P/L. Subsequent upward revaluation of ₹ 10,000 debited to P/L and ₹ 5,000 debited to Revaluation Reserve.

Question 7

Following is not added in the cost of PPE

a.	Costs of site preparation A
b.	Installation and assembly costs A
c.	Costs of relocating or reorganising part or all of the operations of an enterprise
d.	Professional fees A

Question 8

T.Amt 100000 Cost

GST 18000 ITC ✓ Cost ✗

A machinery was purchased having an invoice price ₹ 1,18,000 (including GST ₹ 18,000) on 1 April 20X1. The GST amount is available as input tax credit. The rate of depreciation is 10% on SLM basis. The depreciation for 20X2-X3 would be

a.	₹ 10,000
b.	₹ 11,800
c.	₹ 9,000
d.	₹ 10,500

Question 9

Entity B constructs a machine for its own use. Construction is completed on 1st November 20X1 but the company does not begin using the machine until 1st March 20X2. When should the entity start charging depreciation?

a.	1^{st} Nov
b.	1^{st} Mar
c.	31^{st} Mar
d.	None of above

Question 10

The debit or credit balance of "Foreign Currency Monetary Item Translation Difference Account"

a.	Is shown as "Miscellaneous Expenditure" in the Balance Sheet
b.	Is shown under "Reserves and Surplus" as a separate line item
c.	Is shown as "Other Non-current" in the Balance Sheet
d.	Is shown as "Current Assets" in the Balance Sheet

Consider the following data :

Kalim Ltd. borrowed US$ 4,50,000 on 01/01/20X1, which will be repaid as on 31/07/20X1. Kalim Ltd. prepares financial statement ending on 31/03/20X1. Rate of exchange between reporting currency (INR) and foreign currency (USD) on different dates are as under:

01/01/20X1 1 US$ = ₹ 48.00

31/03/20X1 1 US$ = ₹ 49.00

31/07/20X1 1 US$ = ₹ 49.50

From the above details, answer Q 11 – Q 13.

1/1 31/3 31/7

48 450000 × 1 49.50

= 450000 ₹

49 .50 ₹/$

Question 11

At what price, the liability should be recorded on 1 Jan 20X1? 450000 × 48

a.	216 Lakh ₹
b.	220.50 Lakh ₹
c.	222.75 Lakh ₹
d.	None of the above

Question 12

What is Exchange Difference on 31 Mar 20X1?

a.	Loss of 4.50 Lakh ₹
b.	Gain of 4.50 Lakh ₹
c.	Zero
d.	None of the above

Question 13

450000 × .50 = 225000 ₹

What is Exchange Difference on 31 Jul 20X1?

a.	Loss of 2.25 Lakh ₹
b.	Gain of 2.25 Lakh ₹
c.	Loss of 6.75 Lakh ₹
d.	Gain of 6.75 Lakh ₹

Question 14

To encourage industrial promotion, IDCI offers subsidy worth ₹ 50 lakhs to all new industries set up in the specified industrial areas. This grant is in the nature of promoter's contribution. How such subsidy should be accounted in the books?

a.	Credit it to capital reserve ✓
b.	Credit it as 'other income' in the profit and loss account in the year of commencement of commercial operations ✗
c.	Both (a) and (b) are permitted ✗
d.	Credit it to general reserve ✗

80 cr
− ~~20 cr~~
60 cr ✗

$\boxed{\text{80 cr Asset}}$
÷ 10
= 8 cr

$\boxed{\text{20 cr Def. Inc.}}$
÷ 10
= 2 cr

Question 15

X Ltd has received a grant of ₹ 20 crore for purchase of a qualified machine costing ₹ 80 crore. X Ltd. has a policy to recognise the grant as deferred income. The expected remaining useful life of the machine is 10 years. Assume that there is no salvage value and the depreciation method is straight-line. The amount of other income to be to be recognised in Profit and Loss Statement will be:

a.	₹ 10 crore
b.	₹ 6 crore
c.	₹ 2 crore
d.	₹ 8 crore

Consider the following data :

Ram Ltd. purchased machinery for ₹ 80 lakhs. (useful life 4 years and residual value ₹ 8 lakhs). Government grant received is ₹ 32 lakhs. Grant was to be refunded after 2nd year.

The grant is credited to Fixed Asset A/c. 80 − 32 = 48 L

From the above details, answer Q 16 – Q 19.

80 L
Grant −(32 L)
48 L ₹

$\frac{48L - 8L}{4} = \frac{40L}{4} = 10L$ ₹ p.a

Question 16

What is the depreciation charged p.a. for 1st and 2nd year?

a.	8,00,000 ₹
b.	10,00,000 ₹
c.	20,00,000 ₹
d.	12,00,000 ₹

48 L
− 10 L Y1
− 10 L Y2
28 L ← BV of Mach. at Y2 end (before refund)

Question 17

What is the book value of machinery after 2 years?

a.	60,00,000 ₹
b.	48,00,000 ₹
c.	28,00,000 ₹
d.	32,00,000 ₹

28 L
+ 32 L
60 L

Question 18

What is the Revised book value of machinery after refund of grant?

a.	60,00,000 ₹
b.	48,00,000 ₹
c.	28,00,000 ₹
d.	32,00,000 ₹

$\frac{60L - 8L}{2} = \frac{52L}{2} = 26L$

Question 19

What is the depreciation charged p.a. for 3rd and 4th year?

a.	30,00,000 ₹
b.	26,00,000 ₹
c.	15,00,000 ₹
d.	10,00,000 ₹

Question 20

Actuarial gains / losses should be:

a.	Recognised through reserves ✗
b.	Charged over the expected life of employees ✗
c.	Charged immediately to Profit and Loss Statement ✓
d.	None of the above

ANSWER: 1-2

Statement showing Purchase Consideration
(Net Payment Method)

Payment To	Payment In	Computation	Amount (₹)
• Equity Shareholders	• Cash	12500 × 20	2,50,000
	• Equity shares	$\underbrace{\left(12500 \times \frac{6}{5}\right)}_{15000} \times 125$ (Note)	18,75,000
		i.e 15000 Equity shares in A Ltd., FV ₹ 100 each issued at a premium of ₹ 25	
			21,25,000
• Preference Shareholders	• 9% Preference Shares	$\underbrace{\left(5000 \times \frac{3}{4}\right)}_{3750} \times 100$	3,75,000
		i.e 3750, 9% Preference shares in A Ltd of ₹ 100 each	
		Total	25,00,000

Note: For 5 existing sh, new sh = 6

12500 ———— $= \frac{6}{5} \times 12500$

ANSWER: 11-13

1/1/x1	31/3/x1	31/7/x1
48 ₹	49 ₹	49.50 ₹

Books of Kalim Ltd
Journal Entries

(₹ in lakhs)

Date	Particulars		L.F.	Debit	Credit
1/1/x1	Bank A/c	(450000 x 48)		216	
	To Foreign Bank Loan A/c				216
31/3/x1	Exchange Difference A/c	(450000 x 1) (49−48)		4.50	
	To Foreign Bank Loan A/c				4.50
31/3/x1	P/L A/c			4.50	
	To Exchange Difference A/c				4.50
31/7/x1	Foreign Bank Loan A/c			220.50	
	Exchange Difference A/c	(450000 x .50) (49.50−49)		2.25	
	To Bank A/c	(450000 x 49.50)			222.75
31/7/x1	P/L A/c			2.25	
	To Exchange Difference A/c				2.25

ANSWER. 16 - 19

(1.) BV of PPE after 2 years

• PPE Recorded at	(80L - 32L)	48L
− Dep. for 2 years	$\left\{\frac{48L - 8L}{4}\right\}$ i.e 10L P.a for 2 years	(20L)
	=	28L

(2.) Revised BV

• BV	28L
+ Govt. Grant Refund	32L
=	60L

(3.) Revised Dep.

$$\frac{60L - 8L}{2} = 26L ₹ \text{ P.a.}$$

(for next 2 years)

RAHUL SHIKHA ACADEMY
RSA
Quest For Excellence

#MANZIL BATCH

#ADV ACC. #COST #FM SM

ADV. ACC. SESSION 5

Chapters Covered	
1.	Consolidated Financial Statements
2.	AS 16
3.	AS 17
4.	AS 18
5.	AS 19
6.	AS 20
7.	AS 21

CA Rahul Garg

Gold Medalist

AIR in CA, CS, CMA

Consider the following data :

The following summarised Balance Sheets of H Ltd. and its subsidiary S Ltd. were prepared as on 31st March, 2019:

	H Ltd. (₹)	S Ltd. (₹)
Equity and Liabilities		
Shareholders' Funds	120000 sh	20000 sh
Equity Share Capital (fully paid up shares of ₹ 10 each)	12,00,000	2,00,000
Reserves and Surplus		50000
General Reserve	4,35,000	1,55,000
Profit and Loss Account	2,80,000	65,000
Current Liabilities		30000
Trade Payables	3,25,000	1,25,000
	22,40,000	5,45,000
Assets		
Non-Current Assets		
Property, Plant and Equipment		
Machinery	6,40,000	1,80,000
Furniture	3,75,000	34,000
Non-Current Investments 80%		
Shares in S Ltd. - 16,000 shares @ ₹ 20 each	3,20,000	-
Current Assets		
Inventories	2,68,000	62,000
Trade Receivables	4,73,000	2,37,000
Cash and Bank	1,64,000	32,000
	22,40,000	5,45,000

H Ltd. acquired the 80% shares of S Ltd. on 1st April, 2018. On the date of acquisition, General Reserve and Profit Loss Account of S Ltd. stood at ₹ 50,000 and ₹ 30,000 respectively.

3L @10% 30000 @15%

Machinery (book value ₹ 2,00,000) and Furniture (book value ₹ 40,000) of S Ltd. were revalued at ₹ 3,00,000 and ₹ 30,000 respectively on 1st April, 2018 for the purpose of fixing the price of its shares (rates of depreciation computed on the basis of useful lives: Machinery 10% and Furniture 15%). Trade Payables of H Ltd. include ₹ 40,000 due to S Ltd. for goods supplied since the acquisition of the shares. These goods are charged at 10% above cost. The inventories of H Ltd. includes goods costing ₹ 55,000 (cost to H Ltd.) purchased from S Ltd.

From the above details, answer Q 1 - Q 6.

$55000 \times \frac{10}{110} = 5000$

Question 1

What is the amount of Pre Profits, Post P/L and Post General Reserve?

a.	170000, 21500 and 105000
b.	136000, 17200 and 84000 ×
c.	34000, 4300 and 21000 ×
d.	None of the above

Question 2

What is the cost of control?

a.	Capital Reserve 24,000
b.	Goodwill 24,000
c.	Capital Reserve 1,60,000
d.	Goodwill 1,60,000

Question 3

What is the Minority Interest?

a.	74,000
b.	78,300
c.	99,300 ✓
d.	None of the above

Question 4

What is the Consolidated P/L?

a.	2,80,000
b.	2,97,200 ✓
c.	3,01,500
d.	None of the above

Question 5

What is the Consolidated General Reserve?

a.	4,35,000
b.	5,19,000 ✓
c.	5,40,000
d.	None of the above

Question 6

What is the value of Machinery in Consolidated Balance Sheet?

a.	6,40,000
b.	2,70,000
c.	9,10,000
d.	9,20,000

Consider the following data :

X Ltd. began construction of a new building on 1st January, 2022. It obtained ₹ 1 lakh special loan to finance the construction of the building on 1st January, 2022 at an interest rate of 10%. The company's other outstanding two non-specific loans were:

C.B.

Amount	Rate of Interest
₹ 5,00,000	11%
₹ 9,00,000	13%

The expenditures that were made on the building project were as follows :

Month	Amount (in ₹)
January 2022	2,00,000
April 2022	2,50,000
July 2022	4,50,000
December 2022	1,20,000

Building was completed by 31st December, 2022.

From the above details, answer Q 7 – Q 11.

Question 7

What is the amount of Average Expenditure?

a.	74,70,000
b.	6,22,500
c.	10,20,000
d.	None of the above

Question 8

What is the weighted average rate for general borrowings?

a.	11%
b.	13%
c.	12.29%
d.	12%

Question 9

How much specific borrowing cost is to be capitlised? 100000 × 10%

a.	10,000
b.	64,215
c.	74,215
d.	None of the above

Question 10

How much general borrowing cost is to be capitlised?

a.	10,000
b.	64,215
c.	74,215
d.	None of the above

Question 11

How much is the total amount to be capitlised for asset and borrowing cost?

a.	10,20,000
b.	74,215
c.	10,94,215
d.	None of the above

Question 12

Which of the following statements is correct?

a.	Management has a discretion to include a segment as a reportable segment even if it passes the 10% materiality test. ✗
b.	Management has a discretion to include any segment as a reportable segment if it fails the 12% materiality test. ✗
c.	It is mandatory for the management to include the segment as a reportable segment if it passes the 10% materiality test. ✓
d.	It is not mandatory for the management to include the segment as a reportable segment if it passes the 10% materiality test. ✗

Question 13

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

a.	A shareholder of Skyline Limited owning 30% of the ordinary share capital RP
b.	An entity providing banking facilities to Skyline Limited in the normal course of business RP ×
c.	An associate of Skyline Limited RP
d.	Key management personnel of Skyline Limited RP

Question 14

Control can't be be acquired through

a.	Voting Power
b.	Control of composition of board of directors
c.	Sale of goods ✓
d.	Substantial interest

Profit 10L ₹

BV SP

Question 15

A Ltd. sold machinery having WDV of ₹ 40 lakhs to B Ltd. for ₹ 50 lakhs (Fair value ₹ 50 lakhs) and same machinery was leased back by B Ltd. to A Ltd. The lease back is in nature of operating lease. The treatment will be

a.	A Ltd. should amortise the profit of ₹ 10 lakhs over lease term. ×
b.	A Ltd. should recognise the profit of ₹ 10 lakhs immediately. ✓
c.	A Ltd. should defer the profit of ₹ 10 lakhs. ×
d.	B Ltd. should recognise the profit of ₹ 10 lakhs immediately. ×

Question 16

AS 19 lays down 5 deterministic conditions to classify the lease as a finance lease. To classify the lease as an operating lease – which statement is correct?

a.	Any 1 condition fails.
b.	Majority of the 5 conditions fail.
c.	All 5 conditions fail.
d.	Any 2 conditions fails.

Question 17

In case of operating lease, Rental Income and Rental Expense are to be recognized in statement of P/L

a.	in the ratio of benefits derived by user
b.	equally
c.	as per reducing balance
d.	none of above

Consider the following data :

Net profit for the year 2012 Sh : 20L	₹ 18,00,000
Net profit for the year 2013 30/9/13 : 20L	₹ 60,00,000
No. of equity shares outstanding until 30th Sept 2013	20,00,000

Bonus issue 1st October 2013 was 2 equity shares for each equity share outstanding at 30th September, 2013.

B. Sh. = 20L × 2 = 40L

Tot. Sh. = 20L + 40L = 60L

From the above details, answer Q 18 – Q 20.

Question 18

What is Basic EPS for 2012? $\frac{18L}{20L}$

a.	9 ₹
b.	0.90 ₹
c.	0.09 ₹
d.	None of the above

Question 19

What is Basic EPS for 2013? $\frac{60L}{60L}$

a.	3 ₹
b.	1 ₹
c.	0.10 ₹
d.	None of the above

Question 20

What is Adjusted EPS for 2012? $\frac{18L}{60L}$

a.	0.90 ₹
b.	3 ₹
c.	0.30 ₹
d.	None of the above

ANSWER: 1-6

(1.) Revaluation of Machinery

DOA

1/4/18 — 31/3/19

BV 200000

Rev. 300000

(a) Profit on Rev. : 1,00,000

(b) Extra dep : Dep on Revalued Amt : 3,00,000 × 10% = 30,000

− Dep already charged : 2,00,000 × 10% = (20,000)

⇒ 10,000

(2.) Revaluation of Furniture

D.O.A.

1/4/18 — 31/3/19

BV 40000

Rev. 30000

(a) Loss on Revaluation : 10,000

(b) Savings in dep : Dep on Revalued Amt. : 30000 × 15% = 4500

− Dep. already charged : 40000 × 15% = 6000

1500

(3) Unrealised Profits

- Sale by S to H

S → → H

SP CP

- URP = 55000 x $\frac{10}{110}$ = 5000 ₹

CP = 100 ✓
P = 10 ✓
SP = 110 ✓

55000 ₹

- Reduce 'S' Profits & Stock by ₹ 5000.

(4) Analysis of Profits of S Ltd

Particulars	Pre	Post P/L	Post Gen. Res.
P/L	30000	35000 (65000 – 30000)	–
General Reserve	50000	–	105000 (155000 – 50000)
Total	80000	35000	105000
+/- Time Adj.	–	–	–
Balance	80000	35000	105000
(+) Profit on Rev. of Mach	100000	–	–
(–) Extra dep on Mach	–	(10000)	–
(–) Loss on Rev. of Fur.	(10000)	–	–
(+) Sav. in dep. on Fur	–	1500	–
– URP	–	(5000)	–
	170000	21500	105000
: H (80%)	136000	17200	84000
: S (20%)	34000	4300	21000

(B) Cost of Control

Particulars	Amt
Cost of Investments	320000
- 80% Share capital (200000 x 80%)	(160000)
- 80% Pre Profits	(136000)
G/W	24000

(C) Minority Interest

Particulars	Amt.
20% Share capital	40000
20% Pre Profits	34000
20% Post P/L	4300
20% Post Gen. Res.	21000
	99300

(D) Consolidated P/L

Particulars	Amt.
H own P/L	280000
+ 80% Post Profits	17200
	297200

(E) Consolidated Gen. Res.

Particulars	Amt.
H own Gen. Res.	435000
+ 80% Post Gen. Res.	84000
	519000

Consolidated Balance sheet of H Ltd. and its Subsidiary S Ltd. as at 31 Mar 2019

S.No.	Particulars	Note No.	Amt (₹)
A.	Equity & Liabilities		
1.	Shareholder funds		
a.	Share capital	1	12,00,000
b.	Reserves & Surplus	2	8,16,200
2.	Minority Interest (Note C)		99300
3.	Non current liabilities		
4.	Current liabilities		
a.	Trade payables	3	410000
			25,25,500
B.	Assets		
1.	Non current Assets		
a.	PPE & Intangible Assets		
i	PPE	4	13,10,500
ii	Intangible Assets	5	24000
2.	Current Assets		
a	Inventories	6	325000
b.	Trade Recivables	7	670000
c.	Cash and cash Equivalents	8	196000
			25,25,500

Note 1: Share Capital

Issued & Paid Up

120000 Eq. Shares of ₹ 10 each	12,00,000

Note 2: Reserves & Surplus

· Consolidated P/L (Note D)	297200
· Consolidated G/R (Note E)	519000
	816200

Note 3: Trade Payables

· H Ltd.	325000
+· S Ltd	125000
− Mutual owing	(40000)
	410000

Note 4: PPE

(A) Machinery

· H Ltd		640000
· S Ltd : Book value in B/S	160000	
+ Profit on Revaluation	100000	
− Extra dep.	(10000)	270000
		910000

(B) Furniture

· H Ltd.		375000
· S Ltd : Book value in B/S	34000	
− Loss on Revaluation	(10000)	
+ Saving in dep	1500	25500
		400500
		13,10,500

Note 5: Intangible Assets

Goodwill (Note 8)	24000

Note 6: Inventories

· H Ltd	268000
· S Ltd	62000
– Unrealised Profits	(5000)
	325000

Note 7: Trade Receivables

· H Ltd.	473000
· S Ltd.	237000
– Mutual Owing	(40000)
	670000

Note 8: Cash & Cash Equivalents

• Cash and Bank

: H Ltd	164000
: S Ltd	32000
	196000

ANSWER: 7-11

(A) Computation of Average Expenditure

Date	Amt (₹)	Period	Product
1/1/22	200000	12	24,00,000
1/4/22	250000	9	22,50,000
1/7/22	450000	6	27,00,000
1/12/22	120000	1	1,20,000
	10,20,000		74,70,000

$$\text{Avg. Exp} = \frac{7470000}{12} = 622500 \text{ ₹}$$

(B) Weighted Avg. Rate for General Borrowings

Part	Amt. of loan	Int rate	Amt. of Int (₹)
Borr. 1	500000	11 %	55000
Borr. 2	900000	13 %	117000
	14,00,000		1,72,000

$$= \frac{172000}{14,00,000} \times 100 = 12.29\ \%$$

(C) Compute Borrowing cost to be Capitalised

Particulars	Computation	Amt (₹)
· Specific borrowing	100000 x 10%	10000
· General borrowing	522500 x 12.29 % (622500 - 100000)	64215
		74215

(D) Total Amt. to be capitalised

Amt. of exp. on building	10,20,000 ₹ ✓
+ Amt. of BC capitalised	74,215 ₹ ✓
	10,94,215 ₹

ANSWER: 18-20

Year 2012

Basic EPS = $\frac{18,00,000}{20,00,000}$ = 0.90 ₹

Year 2013

⇒ Bonus Issue on : 2 sh. for 1 held
1/10/13

: 20L × 2 = 40L

: Total sh. = 20L + 40L = 60L

⇒ Basic EPS = $\frac{60,00,000}{60,00,000}$ = 1 ₹

Year 2012 (Restated / Adjusted EPS)

$$= \frac{18,00,000}{20,00,000 + 40,00,000} = 0.30 ₹$$

RAHUL SHIKHA ACADEMY
RSA
Quest For Excellence

#MANZIL BATCH

#ADV ACC. #COST #FM SM

ADV. ACC. **SESSION 6**

Chapters Covered

1.	AS 22
2.	AS 23
3.	AS 24
4.	AS 25
5.	AS 26
6.	AS 27
7.	AS 28
8.	AS 29

CA Rahul Garg

Gold Medalist

AIR in CA, CS, CMA

Question 1

If Accounting income is more than Taxable income, there will be

a.	DTL
b.	DTA
c.	None of above
d.	Either (a) or (b)

Question 2

__________ is the net profit or loss for a period, as reported in the statement of profit and loss.

a.	Accounting income (loss)
b.	Taxable income (tax loss)
c.	Tax expense (tax saving)
d.	None of above

10% = Sh. of Net Assets 85000 } 15000 G/W
Cost 100000

15% = Sh. of Net Assets 150000 } 5000 Cap Res
Cost 145000

Question 3

A Ltd. acquired 10% stake of B Ltd. ~~On~~ on April 01 and further 15% on October 01 during the same year. Other information is as follow :

Cost of Investment for 10% ₹ 1,00,000 and for 15% ₹ 1,45,000

Net asset on April 01 ₹ 8,50,000 and on October 01 ₹ 10,00,000.

What is the amount of goodwill or capital reserve arising on significant influence?

a.	Goodwill = ₹ 10,000
b.	Goodwill = ₹ 20,000
c.	Capital Reserve = ₹ 10,000
d.	Capital Reserve = ₹ 20,000

Question 4

Discontinuing operation is a component of an enterprise which represents a

a.	separate major line of business ✓
b.	geographical area of operations ✓
c.	separate minor line of business ✗
d.	either (a) or (b) ✓

Question 5

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

a.	A description of the discontinuing operation ✓
b.	The business or geographical segment(s) in which it is reported as per AS 17 ✓
c.	The date and nature of the initial disclosure event ✓
d.	All of above

Q1 + 85000
Q2 - 25000
Q3 - 25000
Q4 - 25000

10000 ₹ Profit p.a

Tax 20%
↳ 10000 x 20% = 2000
$\frac{2000}{10000} \times 100 = 20\%$

Question 6

ABC Limited has reported ₹ 85,000 as per tax profit in first quarter and expects a loss of ₹ 25,000 each in subsequent quarters. It has corporate tax rate slab of 20% on the first ₹ 20,000 earnings and 40% on all additional earnings. Calculate tax expenses that should report in first quarter interim financial report.

85000 x 20% = 17000 ₹

a.	₹ 17,000
b.	₹ 30,000
c.	₹ 2,000
d.	AS 25 does not mandate to report tax expenses

Question 7

There is a presumption that the useful life of intangible asset is unlikely to exceed _____ years

a.	2
b.	5
c.	10
d.	20

Question 8

In case intangible asset is generated internally, the classification of expenditure is done into

a.	Research Phase
b.	Development Phase
c.	Production Phase
d.	Either a. or b.

Consider the following data :

An enterprise acquired patent right for ₹ 400 lakhs. The product life cycle has been estimated to be 5 years and the amortization was decided in the ratio of estimated future cash flows which are as under :

Year	Estimated Future Cash Flows (₹ in lakhs)
1	200
2	200
3	200
4	100
5	100

Original

Revised

6 50

After 3rd year, it was ascertained that the patent would have an estimated balance future life of 3 years and the estimated cash flow after 5th year is expected to be ₹ 50 lakhs. From the above details, answer Q 9 – Q 11.

Question 9

What is the amount of Amortisation p.a. for 1 – 3 years?

a.	33.33 L ₹
b.	100 L ₹
c.	300 L ₹
d.	None of the above

Question 10

What is the amount of Amortisation for year 4?

a.	20 L ₹
b.	40 L ₹
c.	80 L ₹
d.	100 L ₹

Question 11

What is the amount of Amortisation for year 6?

a.	Nil
b.	10 L ₹
c.	20 L ₹ ✓
d.	40 L ₹

X Y

ABC

Question 12

Identify which of the following is/are not a feature of a Jointly controlled assets (JCA):

(i) There is a separate legal identity.

(ii) There is a common control over the joint assets.

(iii) Expenses on jointly held assets are shared by the venturers as per the contract.

(iv) In their financial statement, venturer shows only their share of the asset and total income earned by them along with total expenses incurred by them.

a.	Point no. (i) only.
b.	Point no. (i) and (iii).
c.	Point no. (iii) and (iv).
d.	Point no. (i) and (ii).

Question 13

The standard defines Interim financial Report as a financial report for an interim period that contains a set of ______ financial statements.

a.	Complete
b.	Condensed
c.	Financial statement similar to annual
d.	Either complete or condensed

Consider the following data :

CA

X Ltd. is having a plant (asset) carrying amount of which is ₹ 100 lakhs on 31.3.20X1. Its balance useful life is 5 years and residual value at the end of 5 years is ₹ 5 lakhs. Estimated future cash flow from using the plant in next 5 years are :

For the year ended on	Estimated cash flow (₹ in lakhs)
31.3.20X2	50
31.3.20X3	30
31.3.20X4	30
31.3.20X5	20
31.3.20X6	20

From the above details, answer Q 14 – Q 16.

Question 14

Calculate "value in use" for plant if the discount rate is $\boxed{10\%}$.

a.	121.92 L ₹ ✓
b.	155 L ₹
c.	118.82 L ₹
d.	None of the above

Question 15

Value In Use 121.92L ₹

Calculate the recoverable amount if net selling price of plant on 31.3.20X1 is ₹ 60 lakhs.

a.	60 L ₹
b.	121.92 L ₹
c.	100 L ₹
d.	None of the above

Question 16

CA Vs. RA

100L $<$ 121.92L

Calculate the impairment loss.

a.	21.92 L ₹
b.	78.08 L ₹
c.	40 L ₹
d.	There is no impairment loss.

Question 17

Which of the following best describes a provision?

a.	A provision is a liability of uncertain timing or amount.
b.	A provision is a possible obligation of uncertain timing.
c.	A provision is a credit balance set up to offset a contingent asset so that the effect on the statement of financial position is nil.
d.	A provision is a possible obligation of uncertain amount.

Question 18

Find out odd one w.r.t. Contingent Asset.

a.	A Contingent asset is a possible asset that arises from past events.
b.	Contingent asset is not disclosed in the financial statements.
c.	It is usually disclosed in the report of the approving authority.
d.	The existence of contingent asset will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are wholly within the control of the enterprise.

Question 19

Reimbursement should be recognised only when it is __________ that it will be received consequent upon the settlement of the obligation.

a.	actually certain
b.	virtually certain
c.	reasonably certain
d.	Confident

Reverse 5000

25000 → 20000

Question 20

X Co is a business that sells second hand cars. If a car develops a fault within 30 days of the sale, X Co will repair it free of charge. At 1st March 20X1, X Co had made a provision for repairs of ₹ 25,000. At 31st March 20X1, X Co calculated that the provision should be ₹ 20,000. What entry should be made for the provision in X Co's income statement for the month 31st March 20X1?

a.	A charge of ₹ 5,000
b.	A credit of ₹ 5,000
c.	A charge of ₹ 20,000
d.	A credit of ₹ 25,000

ANSWER: 9-11

Statement showing Amortisation

Year	Initial Estimate of future Cash flows	Revised Estimate of future Cash flows	Amt. of Amortisation
1	200 L	—	$400L \times \frac{200L}{800L} = 100L$
2	200 L	—	$400L \times \frac{200L}{800L} = 100L$
3	200 L	—	$400L \times \frac{200L}{800L} = 100L$
			300L
4	100 L	100 L	$100L \times \frac{100L}{250L} = 40L$
5	100 L	100 L	$100L \times \frac{100L}{250L} = 40L$
6	—	50 L	$100L \times \frac{50L}{250L} = 20L$
	800 L	⇒ 250L	400L

- Balance unamortised Amt. After Year 3 : $400L - (100L + 100L + 100L)$

$= \boxed{100L \text{ ₹}}$

This 100L ₹ has to be amortised in ratio of Revised Future CFs.

Answer : 14 - 16

Present value of future cash flow

$\frac{1}{(1+r)^n}$

Year ended	Future Cash Flow	Discount @ 10% Rate	Discounted cash flow
31.3.20X2	50 ×	0.909	= 45.45
31.3.20X3	30 ×	0.826	= 24.78
31.3.20X4	30 ×	0.751	= 22.53
31.3.20X5	20 ×	0.683	= 13.66
31.3.20X6	20 ×	0.620	= 12.40
31.3.20X6	$\boxed{5}$ ×	0.620	= 3.10
Present value of estimated cash flow by use of an asset and residual value, which is called "value in use".			121.92

If net selling price of plant on 31.3.20X1 is ₹ 60 lakhs, the recoverable amount will be higher of ₹ 121.92 lakhs (value in use) and ₹ 60 lakhs (net selling price), hence recoverable amount is ₹ 121.92 lakhs.