


# CA INTER

## ADVANCED ACCOUNTS

### ALL CASE SCENARIO MCQs (of ICAI) at One Place

Covering: ICAI Module, RTPs, MTPs & PYQs

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## MAY'24 ATTEMPT

### Case Scenario 1 (RTP May'24) (Also in New ICAI Study Material)



#### Scan For Youtube Video Discussion of This Case

RTS Ltd, ("RTS" or the "Company"), is engaged in the business 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.
- 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, A Ltd, which is evaluating its production process wherein normal waste is 5% of input. 5,000 MT of input were put in process resulting in wastage of 300 MT. Cost per MT of input was ₹ 1,000. The entire quantity of waste was on stock at the end of the financial year.

- i) When should RTS Ltd recognize revenue as per the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006? 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 A Ltd, state with reference to Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006, what would be value of the inventory to be recorded in the books of accounts?
- (a) ₹ 4,700,000.
  - (b) ₹ 5,000,000.
  - (c) ₹ 4,950,000.
  - (d) ₹ 4,947,368.
- iii) 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.

**General MCQs (RTP May'24)**

1. Gyan Ltd. borrowed ₹ 10 crore for construction of a plant at the rate of 10% per annum (interest paid annually 1 crore). The construction was being carried on and out of the borrowings, ₹ 4 crore was temporarily placed in a fixed deposit at the rate of 6% per annum (interest earned ₹ 24 lakh). At the year end, how much cost of borrowing Gyan Limited will capitalise?

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (a) Interest paid on ₹ 10 crore i.e. ₹ 1 crore
- (b) Interest paid on ₹ 6 crore as only this amount was utilized i.e. ₹ 60 Lakh.
- (c) Interest paid less income on temporary investment i.e. ₹ 76 lakh
- (d) Nothing will be capitalized.

### Answer to Case Scenario and MCQ

Q1 (i)	Q1 (ii)	Q1 (iii)	GN 1
(b)	(d)	(d)	(c)

### Case Scenario 2 (May'24 MTP Series I) (Also in New ICAI Study Material)



#### Scan For Youtube Video Discussion of This Case

SEAS Ltd., the "Company", is in the business of tours and travels. It sells holiday packages to the customers. The Company negotiates upfront with the Airlines for specified number of seats in flight. The Company agrees to buy a specific number of tickets and pay for those tickets regardless of whether it is able to resell all of those in package.

The rate paid by the Company for each ticket purchased is negotiated and agreed in advance. The Company also assists the customers in resolving complaints with the service provided by airlines. However, each airline is responsible for fulfilling obligations associated with the ticket, including remedies to a customer for dissatisfaction with the service.

The Company bought a forward contract for three months of US\$ 1,00,000 on 1 March 2024 at 1 US\$ = INR 83.10 when exchange rate was US\$ 1 = INR 83.02. On 31 March 2024, when the Company closed its books, exchange rate was US\$ 1 = INR 83.15. On 1 April 2024, the Company decided for premature settlement of the contract due to some exceptional circumstances.

The Company is evaluating below mentioned schemes:

- i. Introduction of a formal retirement gratuity scheme by an employer in place of ad hoc ex - gratia payments to employees on retirement.
- ii. Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of Rs. 20,000 per month. Earlier there was no such scheme of pension in the organization.

SEAS Ltd. has a subsidiary, ADI Ltd., which is in the business of construction having turnover of Rs. 200 crores. SEAS Ltd. and ADI Ltd. hold 9% and 23% respectively in an associate company, ASOC Ltd. Both SEAS Ltd. and ADI Ltd. prepare consolidated financial statements as per Accounting Standards notified under the Companies (Accounting Standards) Rules,

2006.

- (i) **What would be the basis of revenue recognition for SEAS Ltd. as per the requirements of Accounting Standards?**
- (a) Gross basis.
  - (b) Net basis.
  - (c) Depends on the accounting policy of the Company.
  - (d) Indian GAAP allows a choice to the Company to recognize revenue on gross basis or net basis.
- (ii) **Please suggest accounting treatment of forward contract for the year ended 31 March 2024 as per Accounting Standard 11.**
- (a) MTM (marked to market value) of contract will be recorded on 31 March 2024.
  - (b) MTM (marked to market value) of contract will be computed as at 31 March 2024 and only if there is loss, it will be recorded during the year ended 31 March 2024.
  - (c) No accounting will be done during the year ended 31 March 2024.
  - (d) Premium on contract will be amortized over the life of the contract.
- (iii) **You are requested to advise the Company in respect of the accounting requirements of above schemes related to employee benefits as to which one of those schemes should be considered as a change in accounting policy during the year.**
- (a) 1 - Change in accounting policy. 2 - Change in accounting policy.
  - (b) 1- Not a change in accounting policy. 2 - Change in accounting policy.
  - (c) 1 - Not a change in accounting policy. 2 - Not a change in accounting policy.
  - (d) 1- Change in accounting policy. 2 - Not a change in accounting policy.
- (iv) **Please comment regarding consolidation requirements for SEAS Ltd. and ADI Ltd. using the above-mentioned options as to which one should be correct.**
- (a) ADI Ltd. would using an equity method of accounting for 23% in ASOC Ltd. SEAS Ltd. would consolidate ADI Ltd. and consequently automatically equity account 23% and separately account for the balance 9% as per AS 13.
  - (b) ADI Ltd. would account for 23% in ASOC Ltd. as per AS 13. SEAS Ltd. would consolidate ADI Ltd. and consequently automatically account for 23% and separately account for the balance 9%.
  - (c) ADI Ltd. would account for 23% share in ASOC Ltd using equity method of accounting. SEAS Ltd. would consolidate ADI Ltd. and consequently, automatically account for ASOC Ltd 23% share and separately account for 9% share in ASOC Ltd. using equity method of accounting in consolidated financial statements.
  - (d) ADI Ltd. would account for 23% in ASOC Ltd. as per AS 13. SEAS Ltd. would consolidate ADI Ltd. and using equity method of accounting 23% in ASOC Ltd. and separately account for the balance 9% as per AS 13.

(i)	(ii)	(iii)	(iv)
a	d	c	c

**Case Scenario 3 (May'24 MTP Series I) (Also in New ICAI Study Material)**



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On 1st April, 2022, Shubham Limited purchased some land for Rs. 30 lakhs for the purpose of constructing a new factory. This cost of 30 lakhs included legal cost of Rs. 2 lakhs incurred for the purpose of acquisition of this land. Construction work could start on 1st May, 2022 and Shubham Limited provides you the details of the following costs incurred in relation to its construction:

	Rs.
Preparation and levelling of the land	80,000
Employment costs of the construction workers (per month)	29,000
Purchase of materials for the construction	21,24,000
Cost of relocating employees to new factory for work	60,000
Costs of inauguration ceremony on 1st January, 2023	80,000
Overhead costs incurred directly on the construction of the factory (per month)	25,000
General overhead costs allocated to construction project by the Manager is Rs. 30,000. However, as per company's normal overhead allocation policy, it should be Rs. 24,000. The auditor of the company has support documentation for the cost of Rs. 15,000 only) and raised objection for the balance amount.	

The construction of the factory was completed on 31st December 2022 and production could begin on 1st February, 2023. The overall useful life of the factory building was estimated at 40 years from the date of completion. However, it was estimated that the roof will need to be replaced 20 years after the date of completion and that the cost of replacing the roof at current prices would be 25% of the total cost of the building.

The construction of the factory was partly financed by a loan of Rs. 28 lakhs borrowed on 1st April, 2022. The loan was taken at an annual rate of interest of 9%. During the period when the loan proceeds had been fully utilized to finance the construction, Shubham Limited received investment income of Rs. 25,000 on the temporary investment of the proceeds.

You are required to assume that all of the net finance costs to be allocated to the cost of factory (not land) and interest cost to be capitalized based on nine months' period.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

Based on the information given in the above scenario, answer the following multiple choice questions:

- (i) Which of the following cost (incurred directly on construction) will be capitalized to the cost of factory building?
- a) Rs. 2,00,000 incurred as legal cost
  - b) Rs. 60,000 - costs of relocating employees
  - c) Rs. 80,000 costs of inauguration ceremony
  - d) Rs. 24,000 - allocated general overhead cost
- (ii) What amount of employment cost of construction workers will be capitalized to the cost of factory building?
- (a) Rs. 2,90,000
  - (b) Rs. 3,48,000
  - (c) Rs. 2,32,000
  - (d) Rs. 29,000
- (iii) What is the amount of net borrowing cost capitalized to the cost of the factory?
- (a) Rs. 1,89,000
  - (b) Rs. 1,68,000
  - (c) Rs. 1,44,000
  - (d) Rs. 1,64,000
- (iv) What will be the carrying amount (i.e. value after charging depreciation) of the factory in the Balance Sheet of Shubham Limited as at 31st March, 2023?
- (a) Rs. 30,00,000
  - (b) Rs. 57,78,125
  - (c) Rs. 27,78,125
  - (d) Rs. 58,00,000

(i)	(ii)	(iii)	(iv)
a	c	d	b

**Case Scenario 4 (May'24 MTP Series I)**



**Scan For Youtube Video Discussion of This Case**

Kesar Ltd., a company engaged in various business activities, has decided to initiate a share buy-back on 1<sup>st</sup> April, 2023. The company plans to repurchase 25000 equity shares of Rs. 10 each at a price of Rs. 20 per share. This buy back initiative is in compliance with the company's articles of association, and the necessary resolution has been duly passed by the company. As part of financial arrangements for the share buyback, Kesar Ltd. intends to utilize its current assets, particularly the bank balance, to make the payment for the repurchased shares.

Here is a snapshot of Kesar Ltd.'s Balance Sheet as of 31<sup>st</sup> March, 2023:

- A. Share Capital: Equity share capital (fully paid up shares of Rs. 10 each)
- B. Reserves and Surplus: Securities premium Rs. 2,50,000; Profit and loss account Rs. 1,25,000; Revenue reserve Rs. 15,00,000;
- C. Long term borrowings: 14% Debentures- Rs. 28,75,000, Unsecured Loans - Rs. 16,50,000
- D. Land and Building Rs. 19,30,000; Plant and machinery Rs. 18,00,000; Furniture and fitting Rs. 9,20,000 and Other Current Assets - Rs. 30,00,000

Authorized, issued and subscribed capital: Equity share capital (fully paid up shares of 10 each) - 12,50,000.

- (i) **By using the Shares Outstanding Test the number of shares that can be bought back**
  - (a) 1,25,000
  - (b) 31,250
  - (c) 25,000
  - (d) 30,000
  
- (ii) **By using the Resources Test determine the number of shares that can be bought back:**
  - a) 25,000
  - b) 31,250
  - c) 28,750
  - d) 39,062
  
- (iii) **By using the Debt Equity Ratio Test determine the number of shares that can be bought back:**
  - (a) 25,000
  - (b) 31,250
  - (c) 28,750
  - (d) 39,062

- (iv) On the basis of all three tests determine Maximum number of shares that can be bought back:
- (a) 25,000
  - (b) 31,250
  - (c) 28,750
  - (d) 39,062

(i)	(ii)	(iii)	(iv)
b	d	c	c

**General MCQs (May'24 MTP Series I)**

1. All of the following costs are excluded while computing value of inventories except?
  - (a) Selling and Distribution costs
  - (b) Allocated fixed production overheads based on normal capacity.
  - (c) Abnormal wastage
  - (d) Storage costs (which is necessary part of the production process)
  
2. According to AS-18 Related Party Disclosures, which ONE of the following is not a related party of Skyline Limited?
  - (a) A shareholder of Skyline Limited owning 30% of the ordinary share capital
  - (b) An entity providing banking facilities to Skyline Limited in the normal course of business
  - (c) An associate of Skyline Limited
  - (d) Key management personnel of Skyline Limited
  
3. 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.

1	2	3
b	b	a

**Case Scenario 5 (May'24 MTP Series II) (Also in New ICAI Study Material)**

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 Rs. 50,00,000
- It incurred Rs. 35,00,000 for material and direct labour cost for developing the Plant.
- The Company incurred Rs. 10,00,000 for head office expenses at New Delhi which included rent, employee cost and maintenance expenditure.
- The Company borrowed Rs. 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 Rs. 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 along with 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 Rs. 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) Rs. 300,000
- (b) Rs. 2,00,000
- (c) Rs. 7,00,000
- (d) Rs. 6,00,000

**(iii) The total cost of plant as on march 31, 2024 will be:**

- (a) Rs. 85,00,000
- (b) Rs. 98,00,000
- (c) Rs. 93,00,000
- (d) Rs. 95,00,000

- (iv) The amount of depreciation to be charged for the year end March 31, 2024
- (a) Rs. 4,30,000
  - (b) Rs. 9,30,000
  - (c) Rs. 9,80,000
  - (d) Nil

(i)	(ii)	(iii)	(iv)
c	b	c	d

**Case Scenario 6 (May'24 MTP Series II) (Also in New ICAI Study Material)**

Beloved Finance Ltd. is a financial enterprise which is in the business of lending loan to small businesses and earn interest on loans.

- During the year the Company has lend 50 crores and earned Rs. 1.5 crore as interest on loans.
- The Company had surplus funds during the year and invested then in Fixed Deposits with bank and earned interest on fixed deposits of Rs. 20 lacs.
- The Company also acquired a gold loan unit for Rs. 10 crore during the year and the Company provided interest free loan of Rs. 15 crore to its wholly-owned subsidiary.
- The Company paid a total income tax of Rs. 75 lacs for the year.

Based on the above information, answer the following questions.

- (i) In the Cash Flow Statement as per AS 3, the interest income of Rs. 1.5 crore earned on loans given by the Company will be disclosed as:
- (a) Cash Flow from Operating Activities
  - (b) Cash Flow from Investing Activities
  - (c) Cash Flow from Financing Activities
  - (d) Non-cash Items
- (ii) In the Cash Flow Statement as per AS 3, the interest income of Rs. 20 Lacs earned fixed deposits with bank will be disclosed as:
- (a) Cash Flow from Operating Activities
  - (b) Cash Flow from Investing Activities
  - (c) Cash Flow from Financing Activities
  - (d) Non-cash Items

- (iii) In the Cash Flow Statement as per AS 3, amount paid for acquiring gold loan unit will be disclosed as:
- Cash Flow from Operating Activities
  - Cash Flow from Investing Activities
  - Cash Flow from Financing Activities
  - Non-cash Items
- (iv) In the Cash Flow Statement as per AS 3, total income tax of Rs. 75 lacs paid for the year will be disclosed as:
- Cash Flow from Operating Activities
  - Cash Flow from Investing Activities
  - Cash Flow from Financing Activities
  - Non-cash Items
- (v) Is any specific disclosures required to made in relation to the interest free loan of Rs. 15 crore provided by the Company to its wholly-owned subsidiary, if yes, as per which Accounting Standard:
- Yes, disclosure is required to be made as per AS 3, Cash Flow Statements.
  - Yes, disclosure is required to be made as per AS 18, Related Party Disclosures
  - Yes, disclosure is required to be made as per AS 13, Accounting for Investments
  - No specific disclosures are required.

(i)	(ii)	(iii)	(iv)	(v)
a	a	b	a	b

**Case Scenario 7 (May'24 MTP Series II)**

Kumar Ltd., a privately-held company, operates in the manufacturing industry. Founded in 2008, the company has steadily grown its operations and established a strong presence in the market. As of 31st March, 2023, the company's capital structure reflects a blend of equity and debt financing.

**Capital Structure Overview:**

- **Equity Share Capital:** The company has a total of Rs. 30,00,000 invested in equity shares, each valued at Rs. 10 and fully paid.
- **Reserves & Surplus:** Kumar Ltd. has accumulated reserves and surplus totaling Rs.49,00,000, comprising contributions from various sources including *General Reserve* (Rs. 32,50,000), *Security Premium Account* (Rs. 6,00,000), *Profit & Loss Account* (Rs. 4,30,000), and *Revaluation Reserve* (Rs. 6,20,000).
- **Loan Funds:** The company has acquired loan funds amounting to Rs. 42,00,000 to support its operational and growth initiatives.

**Buy-Back Decision:**

Considering its financial position and market conditions, Kumar Ltd. has decided to initiate a share buy-back program. The company intends to repurchase its shares at a price of Rs.30 per share.

In accordance with financial regulations and internal policies, Kumar Ltd. aims to assess the maximum number of shares it can repurchase while maintaining a prudent debt-equity ratio. By utilizing the Debt Equity Ratio Test, the company seeks to strike a balance between its equity base and debt obligations.

Based on the above information, answer the following questions.

- (i) **What is the minimum equity Kumar Ltd. needs to maintain after buy- back, according to the Debt Equity Ratio Test?**
- (a) Rs. 12,95,000
  - (b) Rs. 21,00,000
  - (c) Rs. 32,50,000
  - (d) Rs. 6,00,000
- (ii) **What is the maximum permitted buy-back of equity for Kumar Ltd.?**
- (a) Rs. 38,85,000
  - (b) Rs. 42,00,000
  - (c) Rs. 12,95,000
  - (d) Rs. 59,85,000
- (iii) **How many shares of Kumar Ltd. can be bought back at Rs. 30 per share according to the Debt Equity Ratio Test?**

- (a) 43,000
- (b) 1,29,500
- (c) 2,00,000
- (d) 78,000

(i)	(ii)	(iii)
b	a	b






**General MCQs (May'24 MTP Series II)**

1. Sahil Ltd agreed to sell its factory located in Assam to Kali Ltd on 4.12.2023. It entered into a sale deed (transferring all significant risks and rewards of ownership) on 1.2.2024. But the transaction was registered with the registrar on 30.5.2024. When should the sale and gain be recognized?
  - (a) Both sale and gain should be recognized as on the balance sheet date i.e. 31.3.2024.
  - (b) Both sale and gain should be recognized on 30.5.2024.
  - (c) The sale should be recognized as on balance sheet date but gain should be recognized on 30.5.2024.
  - (d) Both sale and gain should be recognized on 4.12.2023.
  
2. Pratham and Associates is a manufacturer of steel rods. It invests its profits by purchasing shares of listed companies in order to earn dividend income. It had purchased shares of Bharti Airtel Limited in FY 2018-19. However, it sold all the shares of Bharti Airtel Limited during the current year i.e. FY 2023-24. What amount would be disclosed in the profit and loss account for FY 2023-24?
  - (a) This transaction would not affect the profit and loss account since the primary business of the company is manufacturing, and not investment.
  - (b) The carrying amount net of expenses would be disclosed in the profit and loss account.
  - (c) The disposal proceeds net of expenses would be disclosed in the profit and loss account.
  - (d) The difference between the carrying amount and the disposal proceeds, net of expenses, would be disclosed in the profit and loss account.

3. As per Accounting Standards, difference between the Gross Investment and the present value of Minimum Lease Payments under finance lease (from the standpoint of the lessor) and Unguaranteed Residual Value accruing to the lessor is recorded as
- (a) Unearned finance income
  - (b) Guaranteed Residual Value
  - (c) Profit on lease
  - (d) Loss on lease

1	2	3
a	d	A

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**SEP'24 ATTEMPT**

**Case Scenario 8 - (RTP Sep'24 & MTP Jan'26) (Also in New ICAI Study Material)**

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

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

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

- (i) ₹ 2,25,000
- (ii) ₹ 2,17,500
- (iii) ₹ 2,00,000
- (iv) ₹ 2,30,000

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

- (i) ₹ 5000
- (ii) ₹ 2,20,000
- (iii) ₹ 10,000
- (iv) ₹ 2,40,000

**(3) What will be the accounting for trade discount:**

- (i) The same will be recognised separately in the profit and loss.
- (ii) The trade discounts are deducted in determining the revenue.
- (iii) Trade discount will be recognised after one year, when the warranty will be over.
- (iv) The trade discount will be recognised after installation is complete.

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

- (i) No accounting treatment is required till some warranty claim is actually received by the Company.
- (ii) As there exist a present obligation to provide warranty to customers for 1 year, the Company should estimate the amount that it may have to incur considering various factors including past trends and create a provision as per AS 29.
- (iii) Accounting for claims will be done on cash basis i.e. expense will be recognised when expense is made.
- (iv) As the Company is not charging separately for the warranty provided, there is no need to create any provision.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

### General MCQ (RTP Sep'24)

As per AS 2, Inventories include materials awaiting use in production process, what should be included in Inventories from the following:

- (a) Secondary Packing material required for transporting and forwarding the material
- (b) Spare parts, servicing equipment and standby equipment
- (c) Primary packing material which is essential to bring an item of inventory to its saleable condition, for example, bottles, cans etc., in case of food and beverages industry.
- (d) Publicity material

### **Answer to Case Scenario and MCQ**

(1)	(2)	(3)	(4)	Gen. MCQ
(ii)	(i)	(ii)	(ii)	(c)

### Case Scenario 9 (Sep'24 MTP Series I)

Super Ltd., a manufacturing company, has the following summarized Balance Sheet as of March 31, 2024:

Equity Shares of Rs. 10 each fully paid up: Rs. 17,00,000

Reserves & Surplus: Revenue Reserve: Rs. 23,50,000; Securities Premium: Rs. 2,50,000; and Profit & Loss Account: Rs. 2,00,000

Infrastructure Development Reserve: Rs. 1,50,000

Secured Loan: 9% Debentures: Rs. 38,00,000 and Unsecured Loan: Rs. 8,50,000 Property, Plant & Equipment: Rs. 58,50,000 and Current Assets: Rs. 34,50,000

Super Ltd. plans to buy back 35,000 equity shares of Rs. 10 each fully paid up on April 1, 2024, at Rs. 30 per share. The buyback is authorized by its articles, and necessary resolutions have been passed. The payment for the buyback will be made using the company's bank balance, which is part of its current assets.

Answer the following questions based on the above information:

- (a) **As per The Companies Act, 2013 under Section 68 (2) the buy-back of shares in any financial year must not exceed**
  - i) 20% of its total paid-up capital and free reserves
  - ii) 25% of its total paid-up capital and free reserves
  - iii) 25% of its total paid-up capital
  - iv) 20% of its total paid-up capital
- (b) How many shares can Super Ltd. buy back according to the Shares Outstanding Test?
  - (i) 35,000 shares

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (ii) 42,500 shares
  - (iii) 37,500 shares
  - (iv) 54,375 shares
- (c) What is the maximum number of shares that can be bought back according to the Resources Test?
- (i) 35,000 shares
  - (ii) 42,500 shares
  - (iii) 37,500 shares
  - (iv) 54,375 shares
- (d) According to the Debt Equity Ratio Test, what is the maximum number of shares that can be bought back?
- (i) 35,000 shares
  - (ii) 42,500 shares
  - (iii) 37,500 shares
  - (iv) 54,375 shares

(a)	(b)	(c)	(d)
(ii)	(ii)	(iii)	(iv)

### **Case Scenario 10 (Sep'24 MTP Series I) (Also in New ICAI Study Material)**

Venus Limited received a parcel of land at no cost from the government for the purpose of developing a factory in an outlying area. The land is valued at Rs. 75 lakhs, while the nominal value is Rs. 10 lakhs. Additionally, the company received government grant of Rs.

30 lakhs, which represents 25% of the total investment needed for the factory development. Furthermore, the company received Rs. 15 lakhs with the stipulation that it be used to purchase machinery. There is no expectation from the government for the repayment of these grants.

Answer the following questions based on the above information:

- (a) **The land received from Government, free of cost should be presented at:**
- (i) Rs. 75 Lakhs
  - (ii) Rs. 30 Lakhs
  - (iii) Rs. 10 Lakhs
  - (iv) Rs. 45 Lakhs
- (b) **As per AS 12, how the Government Grant of Rs. 30 Lakhs should be presented:**
- (i) It should be recognised in the profit and loss statement as per the related cost.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (ii) It will be treated as capital reserve.
  - (iii) It will be treated as deferred income.
  - (iv) It will not be recognised in the financial statements.
- (c) **As per AS 12, how the Government Grant of Rs. 15 Lakhs with a condition to purchase machinery may be presented as:**
- (i) Capital Reserve
  - (ii) Shareholders Fund
  - (iii) Deferred Income
  - (iv) Income in statement of profit and loss as received.
- (d) **Which of the above grants are required to be recognised in the statement of profit and loss on a systematic and rational basis over the useful life of the asset:**
- (i) Land received as Grant
  - (ii) Government Grant of Rs. 30 Lakhs
  - (iii) Government Grant of Rs. 15 Lakhs with a condition to purchase machinery
  - (iv) None of the above

(a)	(b)	(c)	(d)
(iii)	(ii)	(iii)	(iii)

### **Case Scenario 11 (Sep'24 MTP Series I) (Also in New ICAI Study Material)**

Axis limited is a manufacturing company. It purchased a machinery costing Rs. 10 Lakhs in April 2023. It paid Rs. 4 lakhs upfront and paid the remaining Rs. 6,00,000 as deferred payment by paying instalment of Rs. 1,05,000 for the next 6 months. During the year, the Company sold a land which was classified as its 'property, plant and equipment' for Rs. 25,00,000 and paid Rs. 1,00,000 as income tax as long term capital gain on such sale. During the year, the Company also received income tax refund along with interest.

- (a) **As per the requirements of AS 3, 'Cash Flow Statements', how the amount for purchase of machinery should be presented:**
- (i) Rs. 10 lakhs as 'Cash flows from Investing Activities' and Rs. 30,000 will simply be booked in profit and loss with no presentation if Cash Flow Statement.
  - (ii) Rs. 10.30 lakhs as 'Cash flows from Investing Activities' as entire amount is spend

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

on purchase of machinery.

- (iii) Rs. 10 lakhs as 'Cash flows from Investing Activities' and Rs. 30,000 as 'Cash flows from Financing Activities'.
  - (iv) Rs. 10.30 lakhs as 'Cash flows from Financing Activities' as the machinery has been purchased on finance.
- (b) **At what amount, the machinery should be recognised in the financial statements:**
- (i) Rs. 400,000
  - (ii) Rs. 10,30,000
  - (iii) Rs. 600,000
  - (iv) Rs. 10,00,000
- (c) **How should the income tax paid on sale of land should be disclosed in the Cash Flows Statement:**
- (i) Cash flows from Operating Activities
  - (ii) Cash flows from Investing Activities
  - (iii) Cash flows from Financing Activities
  - (iv) No disclosure in Cash Flow Statement
- (d) **How should the interest on income tax refunds should be disclosed in the Cash Flows Statement:**
- (i) Cash flows from Operating Activities
  - (ii) Cash flows from Investing Activities
  - (iii) Cash flows from Financing Activities
  - (iv) No disclosure in Cash Flow Statement

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(a)	(b)	(c)	(d)
(iii)	(iv)	(ii)	(ii)

### General MCQs (Sep'24 MTP Series I)

- 1) Gyan Ltd. borrowed Rs. 10 crore for construction of a plant at the rate of 10% per annum (interest paid annually Rs. 1 crore). The construction was being carried on and out of the borrowings, Rs. 4 crore was temporarily placed in a fixed deposit at the rate of 6% per annum (interest earned Rs. 24 lakh). At the year end, how much cost of borrowing Gyan Limited will capitalise?
- a) Interest paid on Rs. 10 crore i.e. Rs. 1 crore
  - b) Interest paid on Rs. 6 crore as only this amount was utilized i.e. Rs. 60 Lakh.
  - c) Interest paid less income on temporary investment i.e. Rs. 76 lakh
  - d) Nothing will be capitalised.
- 2) Cost of current investment acquired was Rs. 1,00,000 but the fair value was Rs. 80,000. The Investment was recorded at Rs. 80,000. Now the fair value of Investment is Rs 1,20,000. At what value should it be recorded and how much gain will be credited to profit and loss account.
- a) No change is required and it will continue at Rs. 80,000
  - b) Current investment will be recorded at Rs. 1,00,000 and gain of Rs. 20,000 will be credited to profit and loss account.
  - c) Current investment will be recorded at Rs. 1,20,000 and gain of Rs. 40,000 will be credited to profit and loss account.
  - d) Current investment will be recorded at Rs. 1,20,000 but no gain will be credited to profit and loss account.
- 3) In determining the cost of inventories, it is appropriate to exclude certain costs and recognise them as expenses in the period in which they are incurred. Which of the following is not an examples of such costs:
- a) Abnormal amounts of wasted materials, labour, or other production costs;
  - b) Storage costs, unless the production process requires such storage;
  - c) Raw Material cost
  - d) Selling and distribution costs.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

1	2	3
c	b	c

### **Case Scenario 12 (Sep'24 MTP Series II & MTP Jan'26 Series II)**

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

Further information:

- (i) The purchase price includes Rs. 15 per kg as GST in respect of which full credit is allowed and will be availed by Anshul manufacturers.
- (ii) Assume that there is no opening stock.

Answer the following questions based on above:

- a. **What will be the cost of material:**
  - (i) Rs. 36,00,000
  - (ii) Rs. 34,00,000
  - (iii) Rs. 39,00,000
  - (iv) Rs. 31,00,000
  
- b. **What will be the value of the closing stock:**
  - (i) Rs. 1,70,000
  - (ii) Rs. 1,85,500
  - (iii) Rs. 2,38,000
  - (iv) Rs. 2,59,700
  
- c. **What will be the cost per Kg of raw material:**
  - (i) Rs. 180
  - (ii) Rs. 183.6
  - (iii) Rs. 185.5
  - (iv) Rs. 189.4
  
- d. **How much amount as abnormal loss will be debited in P&L:**
  - (i) Rs. 72,000 approx
  - (ii) Rs. 73,440 approx
  - (iii) Rs. 74,200 approx
  - (iv) Rs. 75,760 approx

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(a)	(b)	(c)	(d)
(i)	(iv)	(iii)	(iii)

### Case Scenario 13 (Sep'24 MTP Series II)

Aazad Ltd. has the following particulars:

Particulars	Rs. (lacs)
10% Preference Share Capital (Rs. 10 each)	2,500
Equity Share Capital of Rs. 10 each	8,000
Capital Redemption Reserve	1,000
Securities Premium	800
General Reserve	6,000
Profit & Loss A/c	300
Cash	1,650
Investments (Market Value Rs. 1,500 lacs)	3,000

The company decides to redeem all its preference shares at a premium of 10% and buys back 25% of equity shares @ Rs. 15 per share. Investments amounting to Market Value of Rs. 1,000 lakhs sold at Rs. 3,000 lakhs and raises a bank loan of Rs. 2,000 lakhs.

Answer the following questions based on above:

(a) **The amount of Profit/Loss on Sale of Investment is:**

- (i) Rs. 1,500 lakhs Profit
- (ii) Rs. 1,000 lakhs Profit
- (iii) Rs. 2,000 lakhs Loss
- (iv) Rs. 1,000 lakhs Loss

(b) **Securities Premium available for Buyback after redemption of Preference Shares**

- (i) Rs. 550 lakhs
- (ii) Rs. 800 lakhs
- (iii) Can't utilize securities premium for buyback
- (iv) Rs. 350 lakhs

(c) **Total amount to be transferred to Capital Redemption Reserve:**

- (i) Rs. 2,000 lakhs
- (ii) Rs. 4,500 lakhs
- (iii) Rs. 2,500 lakhs
- (iv) Rs. 1,750 lakhs

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

**(d) Cash balance after buyback**

- (i) Rs. 1,150 lakhs
- (ii) Rs. 2,200 lakhs
- (iii) Rs. 3,250 lakhs
- (iv) Rs. 900 lakhs

<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
(ii)	(i)	(iii)	(iv)

### **Case Scenario 14 (Sep'24 MTP Series II)**

On April 1, 2022, Hello Limited approached a software company for implementation of SAP ERP at its organisation. The cost of implementation of SAP ERP is Rs. 25,00,000 and the time required is 15 months. The company was also required to pay Rs. 100,000 annually after implementation for maintenance and normal updation of ERP. The implementation work started in June, 2022 and could not be finished in 15 months. The ERP was implemented on May 2024. Due to delay in implementation the vendor refunded Rs. 2,00,000. The Company recognised the intangible asset 'SAP ERP' on September 2023 (15 months from June 2022). After two years, the Company has got the SAP ERP more upgraded with latest version and additional features and functions which also increased its speed and usage to Hello Limited for Rs. 7,00,000.

**(a) On which date the Intangible asset should be recognised:**

- (i) April 2022 (When it was decided that SAP ERP is to be implemented)
- (ii) June 2022 (When the implementation work started)
- (iii) September 2023 (When the implementation work should have completed as per agreed terms)
- (iv) May 2024 (When the SAP actually got implemented)

**(b) At what amount the SAP ERP should be initially recognised as 'intangible asset:**

- (i) Rs. 25,00,000
- (ii) Rs. 26,00,000
- (iii) Rs. 23,00,000
- (iv) Rs. 32,00,000

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (c) How should the annual maintenance and updation expenses should be accounted for:
- (i) Should be capitalised with 'Intangible Asset'
  - (ii) Should be recognised as a separate 'Intangible Asset'
  - (iii) Should be recognised as expense in Profit and Loss annually.
  - (iv) No accounting is required
- (d) During the implementation period, how the expenditure incurred will be accounted for:
- (i) It will be expensed in profit and loss as and when incurred
  - (ii) It will be recognised as an asset 'Intangible asset under development'
  - (iii) It will only be disclosed in notes to accounts and will be recognised when complete
  - (iv) It will be recognised as an item of Property, Plant and Equipment

(a)	(b)	(c)	(d)
(iv)	(iii)	(iii)	(ii)

### General MCQs (MTP Sep'24 & MTP Jan'26 Series II)

- 1) Vijay Ltd. borrowed Rs. 30 lakh at interest rate of 5% per annum and purchased plant and machinery for Rs. 60 lakh (using borrowed funds) and started production. It took 1 year time for Vijay Ltd. to create optimum market for the goods manufactured and generate revenue. How much borrowing cost can be capitalised with cost of plant and machinery:
- (a) Rs. 1.5 lakh
  - (b) Rs. 3 Lakh
  - (c) Nil
  - (d) Rs. 5 Lakh
- 2) The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects should be assigned using following cost formula
- (a) By specific identification of their individual costs
  - (b) First-in, First-out (FIFO) Method
  - (c) Weighted average cost formula
  - (d) The formula used should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

### 3) Securities held as stock-in-trade held by an entity are:

- (a) Investments
- (b) Not Investments
- (c) May or may not be Investments
- (d) Not an asset for entity

1	2	3
(c)	(a)	(b)

### **Case Scenario 15 (Sep'24 Exam)**

Mr. Vikram took a loan of Rs. 6,00,000 carrying interest @ 10% p.a. on 1st August, 2023 to purchase raw material. He purchased 4000 units of raw material @ 125 per unit. Replacement cost of raw material as on 31 March, 2024 is 100 per unit. Labour charges and variable overheads incurred are Rs. 1,00,000 to produce 1000 units of finished goods.

1000 units of Finished goods are produced with raw material (for every unit of finished goods produced, 2 units of raw material are required). Net realizable value of finished good is Rs. 300 per unit. All the finished goods produced are lying in stock as on 31 March, 2024. There is no opening stock of raw material and finished goods.

Mr. Vikram used 1500 units of raw material to construct an Asset (Qualifying Asset). Labour and other overhead charges incurred on construction of asset are Rs. 90,000. Mr. Vikram also paid Rs.15,000 to install the asset at Factory premises. Mr. Vikram used Balance of loan proceeds of Rs. 1,00,000 to invest in Equity Shares of P. Ltd. He purchased 9,000 Equity shares (Face Value Rs. 10 each) for Rs. 1,00,000 on 25th March, 2024.

The P. Ltd declared and paid dividend @ 20% on 30th March for the year 2023-24.

Based on the information given in above Case Scenario, answer the following Questions:

#### 1. What would be the value of closing stock of Raw Material X and Finished Goods as on 31st March 2024?

- (A) Closing Stock of Raw Material X Rs. 50,000 and closing stock of Finished Goods Rs. 3,50,000
- (B) Closing Stock of Raw Material X Rs. 50,000 and closing stock of Finished Goods Rs. 3,00,000
- (C) Closing Stock of Raw Material X Rs. 62,500 and closing stock of Finished Goods Rs. 3,50,000
- (D) Closing Stock of Raw Material X Rs. 62,500 and closing stock of Finished Goods Rs. 3,00,000

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

2. **Cost of Self Constructed Asset as per AS 10 will be?**
- (A) Rs. 2,92,500
  - (B) Rs. 2,77,500
  - (C) Rs. 3,05,000
  - (D) Rs. 2,90,000
3. **As per AS 16 what will be the amount of interest to be capitalized and amount of interest to be charged to Profit & Loss A/c?**
- (A) Rs. 12,500 interest to be capitalised and Profit & Loss A/c. Rs. 27,500 interest to be charged to Profit & Loss A/c
  - (B) Rs. 12,500 interest to be capitalised and Rs. 20,833 interest to be charged to Profit & Loss A/c.
  - (C) Rs. 19,167 interest to be capitalised and Rs. 20,833 interest to be charged to Profit & Loss A/c.
  - (D) Whole of Rs.40,000 interest to be charged to Profit & Loss A/c.
4. **What is the carrying amount of investment as on 31st March, 2024 as per AS 13 and suggest the treatment of dividend received from P. Ltd.?**
- (A) Carrying amount of Investment as on 31st March, 2024 is Rs. 72,000 and the dividend is deducted from the nominal value of investment.
  - (B) Carrying amount of Investment as on 31st March, 2024 is Rs.90,000 and the dividend is credited to Profit & Loss A/c.
  - (C) Carrying amount of Investment as on 31st March, 2024 isRs. 1,00,000 and the dividend is credited to Profit & Loss A/c.
  - (D) Carrying amount of Investment as on 31st March, 2024 is 82,000 and the dividend is deducted from the cost of investment.

(1)	(2)	(3)	(4)
B	C	A	D

### **Case Scenario 16 (Sep'24 Exam)**

Kay Ltd. sold goods of Rs. 22,00,000 to Mr. Ravi Kumar on 1st February, 2024 but at the request of the buyer, these goods were delivered on 10th April 2024.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

Kay Ltd. also sold Rs. 2,00,000 goods on approval basis on 1st January, 2024 to Sheetal Enterprises. The period of approvals 3 months after which they were considered sold. Buyer sent disapproval for 25% of goods and approval for 50% of goods till 31 March, 2024.

Mr. Ravi Kumar has commenced legal action against Kay Ltd. for supply of faulty goods to claim damages. The lawyers of Kay Ltd. have advised that it is not remote yet that resources may be required to settle the claim. Legal cost to be incurred irrespective of the outcome of the case is Rs. 45,000. Settlement amount if the claim is required to be paid Rs. 5,00,000,

Sheetal Enterprises, a trade receivable of Kay Ltd. suffered a heavy loss due to an earthquake that occurred on 30th March, 2024. The loss was not covered by any insurance policy. In April, 2024, Sheetal Enterprises became bankrupt. The Balance due from Sheetal Enterprises as on 31 March, 2024 is Rs. 75,000.

Kay Ltd. makes provision for doubtful debts @ 5%.

Based on the information given in above Case Scenario, answer the following Questions:

- 1. What is the amount to be recognized as Revenue as per AS 9 in the books of Kay Ltd. as on 31 March, 2024?**
  - (A) Rs. 23,50,000
  - (B) Rs. 1,50,000
  - (C) Rs. 23,00,000
  - (D) Rs. 1,00,000
- 2. What will be the treatment of legal cost and claim for legal action commenced by Mr. Ravi Kumar in the Books of Kay Ltd. as on 31 March, 2024 as per AS 29?**
  - (A) Create a Provision for Rs. 5,45,000
  - (B) Create a Provision for Rs. 5,00,000
  - (C) Create a Provision for Rs. 45,000 and make a disclosure of contingent liability of Rs. 5,00,000
  - (D) Make a disclosure of contingent liability of Rs. 5,45,000
- 3. What is the treatment of insolvency of Sheetal Enterprises in the Books of Kay Ltd. as on 31st March, 2024 as per AS 4?**
  - (A) An Adjusting Event, full provision of Rs. 75,000 should be made in the Final Accounts for the year ended 31 March, 2024.
  - (B) An Adjusting Event, provision of Rs. 3,750 should be made in the Final Accounts for the year ended 31 March, 2024.
  - (C) A Non-adjusting event, no provision is required to be made as Sheetal Enterprises became bankrupt in April, 2024.
  - (D) A Non-adjusting event, only disclosure is required in the Final Accounts for the year ended 31st March, 2024.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(1)	(2)	(3)
A	C	A

### Case Scenario 17 (Sep'24 Exam, MTP Jan'26 Series I & II)

Jay Ltd. submits the following data extracted from the Final Accounts as on 31 March, 2023:

Equity Share Capital Equity shares of Rs. 10 each	5,00,000
Profit & Loss (Dr. balance)	(50,000)
9% Debentures	2,00,000
Loan from Bank	3,00,000
Advance given to suppliers of goods	45,000
Provision for tax	14,000
Plant & Machinery	4,50,000
Furniture & Fixtures	85,000
Investment in Star Ltd.	
10,000 equity shares of 10 each	1,25,000
Sundry Debtors	70,000
Cash & Bank Balance	65,500

Additional information given by Jay Ltd.:

On 31 March, 2023 Jay Ltd. decided to reconstruct the company for which necessary resolution was passed. Accordingly, it was decided that:

- 9% Debentures to be settled in full by issuing them 15,000 Equity shares of 10 each.
- Equity shareholders will give up 40% of their capital in exchange for allotment of new 11% Debentures of Rs. 1,00,000.
- Balance of Profit & Loss to be written off.
- Equity shares issued for Rs. 1,00,000.

In addition to above, following information was also presented by Jay Ltd. on 1st April, 2023:

- Interest is received on advances given to suppliers of goods Rs. 3,000.
- Taxation liability is settled at Rs. 14,000.
- A debtor of Rs. 40,000 is insolvent, only 40% of his dues are recovered from his estate.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (d) Dividend is received on Investment in Star Ltd. Rs. 1 per equity share invested.
- (e) Part of Plant and Machinery is sold at a loss of Rs. 3,000 (book value Rs. 15,000)

Based on the information given in above Case Scenario, answer the following Questions:

1. **The amount of Cash Flow from operating activity is:**
  - (A) Rs. 2,000
  - (B) Rs. 5,000
  - (C) Rs. 12,000
  - (D) Rs. 15,000
  
2. **The amount of Cash Flow from investing Activity is**
  - (A) Rs. 28,000
  - (B) Rs. 25,000
  - (C) Rs. 15,000
  - (D) Rs. 22,000
  
3. **What is the amount of closing Cash and Cash equivalents as on 1 April, 2023 ?**
  - (A) Rs.1,92,500
  - (B) Rs. 92,500
  - (C) Rs. 1,27,000
  - (D) Rs. 1,98,500
  
4. **The Balance of Equity Share Capital after internal reconstruction is :**
  - (A) Rs. 6,50,000
  - (B) Rs. 4,50,000
  - (C) Rs. 5,50,000
  - (D) Rs. 7,50,000

(1)	(2)	(3)	(4)
B	D	A	C

### General MCQs (Sep'24 Exam)

1. 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







## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

relationship with P Ltd. 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. A Machinery was given 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 Rs.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) Rs. 30,000  
(B) Rs. 60,000  
(C) Rs. 50,000  
(D) Rs. 36,000
3. A Ltd. had 1,50,000 shares of common stock outstanding on 1 April, 2023. Additional 50,000 shares were issued on 1 November, 2023 and 32,000 shares were bought back on 1 February, 2024. Calculate the weighted average number of shares outstanding at the year ended on 31 March, 2024 is:
- (A) 1,34,500 shares  
(B) 1,65,500 shares  
(C) 1,76,167 shares  
(D) 1,23,833 shares
4. "Fixed Asset held for sale" will be classified in the Balance Sheet as per Schedule III of the Companies Act as:
- (A) Deferred Tax Assets  
(B) Current Asset  
(C) Non-Current Asset  
(D) Long term Investments

(1)	(2)	(3)	(4)
C	B	B	B

**Also Refer before Exams:**

S.No.	Particulars	Scan these QRs
1	All Free Resources of Advanced Accounts Including: <ul style="list-style-type: none"> <li>• 151 Must Do Questions (PDF)</li> <li>• Summary Notes for Last Day Revision</li> <li>• Important Master Questions</li> </ul>	
2	Rapid Revision (RR) - 6.0	
3	Rapid Revision (RR) - 5.0	
4	3 Minutes Revision Shorts	
5	Marathon Playlist	
6	Revise Each AS in 10-20 Mints - Video Playlist	

**JAN'25 ATTEMPT**

**Case Scenario 18 - (RTP Jan'25)**

Surya Ltd. has a two fixed asset, FA1 is being carried in the balance sheet for Rs. 600 lakhs and FA 2 is being carried at Rs. 300 lakhs

As at 31st March 2024, the value in use for FA 1 is Rs. 500 lakhs and the net selling price is Rs. 550 lakhs. The Company did upward revaluation last year for Rs. 20 lakhs for FA 1. As at 31st March 2024, the value in use for FA 2 is Rs. 350 lakhs and the net selling price is Rs. 320 lakhs.

**(a) How much is the total Impairment loss for current year for FA 1:**

- (i) Rs. 100 Lakhs
- (ii) Rs. 50 Lakhs
- (iii) Rs. 30 lakhs
- (iv) Nil

**(b) How much impairment loss will be charged to profit and loss for current year for FA1:**

- (i) Rs. 000000
- (ii) 100 Lakhs
- (iii) Rs. 50 Lakhs
- (iv) Rs. 30 lakhs
- (v) Nil

**(c) How much is the total Impairment loss for current year for FA 2:**

- (i) Rs. 50 Lakhs
- (ii) Rs. 30 Lakhs
- (iii) Rs. 20 lakhs
- (iv) Nil

**(d) What will be the carrying value on 1st April 2024 for FA 1:**

- (i) Rs. 550 Lakhs
- (ii) Rs. 530 Lakhs
- (iii) Rs. 520 lakhs
- (iv) Rs. 500 lakhs

**General MCQs (Jan'25)**

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

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(d) Is shown as "Current Assets" in the Balance Sheet

### Answer to Case Scenario and MCQ

(a)	(b)	(c)	(d)	GN
(ii)	(iii)	(iv)	(i)	(b)

### Case Scenario 19 - (MTP Jan'25 Series I)

Fly Ltd. made a sale of INR 7,00,000 to Wings International in May 2023 and recognised Trade Receivables which was initially recorded at the prevailing exchange rate on the date of sales, transaction recorded at US\$ 1= Rs. 79.4. The Company also took a loan from U.S Company for Rs. 10,00,000 in December 2023 which was initially recorded at the prevailing exchange rate on the date of transaction, transaction recorded at US\$ 1= Rs. 81.1.

On 31st March 2024, exchange rate was US\$ 1 = Rs. 83.3

a. What will be the closing balance of Trade Receivables on 31st March 2024:

- (i) Rs. 700,000
- (ii) Rs. 7,14,978 approx
- (iii) Rs. 7,34,383 approx
- (iv) Rs. 7,50,000 approx

b. How much is the reporting difference (gain or loss) in case of Trade Receivable:

- (i) Gain of Rs. 34,383 approx
- (ii) Loss of Rs. 34,383 approx
- (iii) Gain of Rs. 19,395 approx
- (iv) Loss of Rs. 19,395 approx

c. What will be the closing balance of Loan as on 31st March 2024:

- (i) Rs. 10,00,000
- (ii) Rs. 10,27,127 approx
- (iii) Rs. 9,79,002 approx
- (iv) Rs. 10,79,002 approx

d. How much is the reporting difference (gain or loss) in case of Loan:

- (i) Gain of Rs. 48,087 approx
- (ii) Loss of Rs. 48,087 approx
- (iii) Gain of Rs. 27,127 approx
- (iv) Loss of Rs. 27,127 approx

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(a)	(b)	(c)	(d)
(iii)	(i)	(ii)	(iii)

### **Case Scenario 20 - (MTP Jan'25 Series I)**

X Ltd. purchased 3,000 shares of Amazing Ltd. in December 2023 @ Rs. 100 each and paid brokerage @ 1%. In May 2024, Amazing Ltd. issued bonus shares at one for every three shares held by shareholders.

X Ltd. sold 1000 shares in September 2024 at Rs. 110 each. After issue of bonus, shares were quoted at Rs. 95. In December 2024, the shares were quoted at Rs. 70.

- a. **What would be the carrying cost of investments in Amazing Ltd. after sale of shares as per AS 13:**
- (i) Rs. 3,03,000
  - (ii) Rs. 2,27,250
  - (iii) Rs. 3,00,000
  - (iv) Rs. 3,30,000
- b. **What is the cost of bonus shares:**
- (i) Rs. 1,00,000
  - (ii) Rs. 1,10,000
  - (iii) Nil
  - (iv) Rs. 1,01,000
- c. **What is the profit on sale of Bonus Shares:**
- (i) Rs. 100,000
  - (ii) Rs. 75,750
  - (iii) Rs. 34,250
  - (iv) Rs. 1,01,000
- d. **What would be the carrying cost of investments in Amazing Ltd. in quarter ending in December 2024 as per AS 13:**
- (i) Rs. 2,10,000
  - (ii) Rs. 2,27,250
  - (iii) Rs. 2,20,000
  - (iv) Rs. 3,00,000

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(a)	(b)	(c)	(d)
(ii)	(iii)	(iii)	(i)

### **Case Scenario 21 - (MTP Jan'25 Series I & MTP Jan'26 Series II)**

Sun Limited has acquired 40% share in Moon Ltd. for Rs. 500,000 on 01.07.2023. Moon Ltd. is holding 40% stake in Star Limited. Now, sun limited can exercise significant influence on Moon Limited. Moon limited declared dividend of Rs. 80,000 for the Financial Year 2022-23 on 15.09.2023. For the year 2023-24, Moon Ltd. earned profit of Rs. 4,00,000 and declared dividend for Rs. 90,000 on 15.09.2024.

- a. **With respect to relationship between Companies, it can be said that:**
- (i) Star Ltd. is associate of Sun Ltd.
  - (ii) Moon Ltd. and Star Ltd. both are associates of Sun Ltd.
  - (iii) Moon Ltd. is an associate of Sun Ltd.
  - (iv) Sun Ltd. is Parent of both Moon Ltd. and Star Ltd.
- b. **What will be the carrying amount of investment in Separate Financial Statements of Sun Limited as on 31.03.2024?**
- (i) Rs. 5,00,000
  - (ii) Rs. 5,80,000
  - (iii) Rs. 4,68,000
  - (iv) Rs. 5,32,000
- c. **What will be the carrying amount of investment in Consolidated Financial Statements of Sun Limited as on 31.03.2024?**
- (i) Rs. 9,00,000
  - (ii) Rs. 5,88,000
  - (iii) Rs. 4,52,000
  - (iv) Rs. 6,20,000
- d. **As per AS 23, the existence of significant influence by an investor is usually evidenced in one or more of the following ways:**
- (a) participation in policy making processes

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (b) interchange of managerial personnel
- (c) right to receive dividend
- (d) provision of essential technical information
  - (i) All the statements are correct
  - (ii) Statements (a), (b) and (c) are correct
  - (iii) Statements (b), (c) and (d) are correct
  - (iv) Statements (a), (b) and (d) are correct

(a)	(b)	(c)	(d)
(iii)	(iii)	(ii)	(iv)

### General MCQs (Jan'25 MTP Series I)

1. **Cost of current investment acquired was Rs. 1000 but the fair value was Rs. 800. The Investment was recorded at Rs. 800. Now the fair value of Investment is Rs 1200. At what value should it be recorded and how much gain will be credited to profit and loss account.**
  - (i) No change is required and it will continue at Rs. 800
  - (ii) Current investment will be recorded at Rs. 1000 and gain of Rs. 200 will be credited to profit and loss account.
  - (iii) Current investment will be recorded at Rs. 1200 and gain of Rs. 400 will be credited to profit and loss account.
  - (iv) Current investment will be recorded at Rs. 1200 but no gain will be credited to profit and loss account.
  
2. **As per AS 20 an enterprise should present/disclose the following:**
  - (a) the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to the net profit or loss for the period.
  - (b) the weighted average number of equity shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other.
  - (c) basic and diluted earnings per share, even if the amounts disclosed are negative (a loss per share).
  - (d) the nominal value of shares along with the earnings per share figures.
    - (i) All the statements are correct

### ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (ii) Statements (a), (b) and (c) are correct
- (iii) Statements (b), (c) and (d) are correct
- (iv) Statements (a), (b) and (c) are correct

3. **Accounting Standard 10, Property, Plant and Equipment is applicable to:**

- (i) Biological Assets (other than Bearer Plants) related to agricultural activity
- (ii) Wasting Assets including Mineral rights, Expenditure on the exploration for and extraction of minerals, oil, natural gas and similar non regenerative resources
- (iii) Inventories
- (iv) Bearer Plant (except produce on Bearer Plants)

(1)	(2)	(3)
(ii)	(ii)	(iv)

#### **Case Scenario 22 - (MTP Jan'25 Series II)**

Excellence Ltd. is a Real Estate Company which constructs residential and commercial projects for selling. The Company has commenced a new project and the expenses incurred are as follows:

- The cost of land acquired for Project is Rs. 10 crore
- Cost of construction incurred is Rs. 25 crores.
- The Company also incurred cost of Rs. 10 lacs for various administrative meetings in relation to planning of the building.
- The construction of building completed and at the end of the year 1, the net realisable value of the building was Rs. 40 crore.
- At the beginning of the next year (year 2), the Company decided to use the building as its corporate office.
- The Company further incurred Rs. 50 lacs for making necessary changes in the structure for using it as corporate office in accordance with government norms for commercial spaces. Without these changes the office cannot be set up.
- Ignore the effect of depreciation, if any.

In view of above information, answer the following issues:

- (i) **At the end of Year 1, how the building should be classified:**
  - (a) Inventory
  - (b) Investments
  - (c) Property, Plant and Equipment
  - (d) Intangible Asset

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (ii) **At the end of Year 1, at value Project should be recognised:**
- (a) Rs. 40 Crore
  - (b) Rs. 35 Crore
  - (c) Rs. 35.10 Crore
  - (d) Rs. 25 Crore
- (iii) **At the end of Year 2, when the intention is to use the building as corporate office, it should be classified as:**
- (a) Inventory
  - (b) Investments
  - (c) Property, Plant and Equipment
  - (d) Intangible Assets
- (iv) **At the end of Year 2, the Project should be valued at:**
- (a) Rs. 40 Crore
  - (b) Rs. 35.50 Crore
  - (c) Rs. 35.10 Crore
  - (d) Rs. 25 Crore

(i)	(ii)	(iii)	(iv)
(a)	(b)	(c)	(b)

### **Case Scenario 23 - (MTP Jan'25 Series II)**

Supercool Ltd. is a manufacturing company, engaged in manufacturing eco- friendly equipment. On April 1, 2023, the Company received a grant of Rs. 20 crore from the Government (which is 25% of the total capital of the Company) for various purposes that the company deems fit and no repayment is required to be made to Government.

The Company also borrowed Rs. 10 crore from financial Institutions and interest paid on the same during the year is Rs. 1 lac.

The Company acquired plant and machinery from the funds for Rs. 10 crore and Rs. 1 crore was spent on its installation and assembly.

Rs. 10 lacs were spent on professional fees necessary for installation and operating of the machine. The Company also spent Rs. 50 lacs on revenue expenditure.

The Plant and Machinery was ready for its intended use on September 30, 2023) The depreciation on plant and machinery is charged @10%.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (i) **The grant of Rs. 20 crores received by the Company should be presented as:**
- (a) Grants related to Revenue
  - (b) Grants related to Specific Fixed Assets
  - (c) Capital Reserve
  - (d) Other Income
- (ii) **At what value the plant and machinery acquired should be recognised as at 31st March 2024:**
- (a) Rs. 11.10 Crore
  - (b) Rs. 11 Crore
  - (c) Rs. 10.54 Crore
  - (d) Rs. 11.60 Crore
- (iii) **The revenue expenditure of Rs. 50 lacs should be recognised as:**
- (a) Part of Plant and Machinery
  - (b) Part of Grant
  - (c) Revenue expenditure in the Profit and Loss
  - (d) Deducted from loan
- (iv) **Which of the following statement is true:**
- (a) Plant and Machinery has been acquired out of Government Grant so the same should be disclosed at Nil value.
  - (b) Plant and Machinery belongs to Financial Institution
  - (c) Plant and Machinery belong to the Company and should be recognised as its Property, Plant and Equipment
  - (d) Plant and Machinery should not be disclosed in the financial statements of the Company at all

(i)	(ii)	(iii)	(iv)
(c)	(c)	(c)	(c)

### **Case Scenario 24 - (MTP Jan'25 Series II)**

Super Ltd., a manufacturing company, has the following summarized Balance Sheet as of March 31, 2024:

Equity Shares of Rs. 10 each fully paid up: Rs. 17,00,000 Reserves &

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

### Surplus:

Revenue Reserve: Rs. 23,50,000 Securities

Premium: Rs. 2,50,000 Profit & Loss

Account: Rs. 2,00,000

Infrastructure Development Reserve: Rs. 1,50,000 Secured

### Loan:

9% Debentures: Rs. 38,00,000 Unsecured

Loan: Rs. 8,50,000

Property, Plant & Equipment: Rs. 58,50,000 Current

Assets: Rs. 34,50,000

Super Ltd. plans to buy back 35,000 equity shares of Rs. 10 each fully paid up on April 1, 2024, at Rs. 30 per share. The buyback is authorized by its articles, and necessary resolutions have been passed. The payment for the buyback will be made using the company's bank balance, which is part of its current assets.

Answer the following questions based on the above information:

- (i) **As per The Companies Act, 2013 under Section 68 (2) the buy-back of shares in any financial year must not exceed**
- (a) 20% of its total paid-up capital and free reserves
  - (b) 25% of its total paid-up capital and free reserves
  - (c) 25% of its total paid-up capital
  - (d) 20% of its total paid-up capital
- (ii) **How many shares can Super Ltd. buy back according to the Shares Outstanding Test?**
- (a) 35,000 shares
  - (b) 42,500 shares
  - (c) 37,500 shares
  - (d) 54,375 shares
- (iii) **What is the maximum number of shares that can be bought back according to the Resources Test?**
- (a) 35,000 shares
  - (b) 42,500 shares
  - (c) 37,500 shares
  - (d) 54,375 shares
- (iv) **According to the Debt Equity Ratio Test, what is the maximum number of shares that can be bought back?**
- (a) 35,000 shares
  - (b) 42,500 shares

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (c) 37,500 shares
- (d) 54,375 shares

(i)	(ii)	(iii)	(iv)
(b)	(b)	(c)	(d)

### General MCQs (Jan'25 MTP Series II)

1. **Accounting Standard 19, Lease is applicable on following Leases:**
  - (a) Lease agreements to explore for or use of natural resources, such as oil, gas, timber metals and other mineral rights.
  - (b) Legal owner of an asset conveys to another party in return for a payment or series of periodic payments, the right to use an asset for an agreed period of time.
  - (c) licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights.
  - (d) lease agreements to use lands
  
2. **How should the dividend paid by the Company should be disclosed in the Cash Flows Statement:**
  - (a) Cash flows from Operating Activities
  - (b) Cash flows from Investing Activities
  - (c) Cash flows from Financing Activities
  - (d) No disclosure in Cash Flow Statement
  
3. **On 31st March 2024, Sri Radhey shyam Enterprise finds that the cost of a partly finished unit on that date is ₹ 530. The unit can be finished in 2024-25 by an additional expenditure of ₹ 310. The finished unit can be sold for ₹ 750 subject to payment of 8% brokerage on the selling price.**

**Sri Radhey shyam Enterprise seeks your advice regarding the amount at which the unfinished unit should be valued as at 31st March, 2024 for preparation of final accounts. the partly finished unit cannot be sold in semi- finished form and its NRV is zero without processing it further.**

  - (a) Rs. 470
  - (b) Rs. 380
  - (c) Rs. 500
  - (d) Rs. 440

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(1)	(2)	(3)
(b)	(c)	(b)

### **Case Scenario -25: (Jan'25 Exam)**

The following particulars are stated in the Balance Sheet of Star Limited as on 31<sup>st</sup> March, 2023:

Deferred Tax Assets (Dr.)	1,20,000
Deferred Tax Liabilities (Cr.)	2,10,000

The following transactions were reported during the year 2023-24:

1. Depreciation as per accounting records.	12,00,000
2. Depreciation as per incoming tax records.	18,00,000
3. Interest paid accounted in books on accrual basis but paid on 15-05-2024	4,50,000
4. Employer PF Contribution exp. Disallowed for tax purpose in year 2022-23 but allowed in year 2023-24	82,000
5. Unamortized preliminary expenses as per tax records	1,00,000
6. Donation	70,000
7. Tax Rate	20%

Based on the information given in above Case Scenario, answer the following Question No.1-4:

**1. What would be the value of the Deferred tax liabilities as on 31-03-2024?**

- A. ₹ 1,23,600
- B. ₹ 3,30,000
- C. ₹ 1,52,000
- D. ₹ 1,20,000

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

2. What would be the value of reversal of Deferred tax Assets as on 31-03-2024?

- A. ₹ 20,000
- B. ₹ 1,04,000
- C. ₹ 16,400
- D. ₹ 90,000

3. Which is the permanent difference item as per AS 22?

- A. Employer PF Contribution exp.
- B. Donation
- C. Unamortized preliminary expenses
- D. Depreciation

4. What would be the value of the Deferred tax Assets as on 31-03-2024?

- A. ₹ 1,52,000
- B. ₹ 3,30,000
- C. ₹ 1,23,600
- D. ₹ 4,50,000

### Case Scenario -26: (Jan'25 Exam)

The following summary cash account has been extracted from the Next space Limited's accounting records:

	₹	₹
Cash Balance as on 01-04-2023		72,000
<b>Inflow of Cash</b>		
Cash sales	15,56,000	
Trade Receivable	7,40,000	
Rent from property held as investment	64,000	
Income tax refund	25,000	
Loan from bank	5,00,000	
Issue of shares	2,50,000	
Sale of investment	49,500	31,84,500
<b>Outflow of cash</b>		
Trade Payable	19,60,000	
Office and Selling Exp.	1,20,000	
Trade commission	40,500	
Underwriting Commission	8,00,000	
Redemption of Preference shares	9,200	
Brokerage on sale of investment	82,600	
Interest on long term borrowings	46,000	

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

Payment for overheads	50,000	(31,36,300)
Purchases of goodwill		
Balance as on 31-03-24		1,20,200

Based on the following given in above case scenario, answer the following Questions:

**1. What would be the value of Cash Flow from investing Activities?**

- A. ₹ 54,300
- B. ₹ 1,04,300
- C. ₹ 29,300
- D. ₹ (500)

**2. What would be the value of Cash Flow Financing Activities?**

- A. ₹ (50,000)
- B. ₹ (1,35,600)
- C. ₹ 54,300
- D. ₹ (1,60,600)

**3. Which of the following would be considered as a 'cash Flow item from an investing Activities?**

- A. Underwriting commission
- B. Trade Commission
- C. Purchase of goodwill
- D. Interest on long Term Borrowings

**4. What would be the value of Cash Flow from Operating Activities?**

- A. ₹ 1,29,500
- B. ₹ 1,54,500
- C. ₹ 1,45,300
- D. ₹ 4,04,000

### **Case Scenario -27: (Jan'25 Exam)**

1<sup>st</sup> April, 2019, Black Limited received a government grant of ₹ 15,00,000 for acquisition of a Machine costing ₹ 50,00,000. The grant was credited to the cost of the Machine. The life of the Machine is expected to be 10 years and estimated residual value at the end of 10 years is ₹ 5,00,000. The Company charges depreciation on straight line basis.

Due to non-fulfillment of certain conditions the company had to refund the entire grant on 1<sup>st</sup> April, 2021.

On 31<sup>st</sup> March, 2023, Black Limited received certain indications of impairment of the Machine and the recoverable amount was ascertained to be ₹ 28,00,000 with revised useful life of 4 years and nil

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

residual value.

On 1<sup>st</sup> April, 2024 the Company exchanged the machine by paying cash of ₹ 2,00,000 and new machine valued at ₹ 18,00,000.

Based on the information give in above Case Scenario, answer the following Questions:

- 1. What will be the amount of depreciation to be changes on the machine for the year ended 31<sup>st</sup> March, 2022?**
  - A. ₹ 4,87,500
  - B. ₹ 6,37,500
  - C. ₹ 4,50,000
  - D. ₹ 5,37,500
- 2. What will be the impact of test of impairment on Profit & Loss Account of the company?**
  - A. Impairment loss of ₹ 4,00,000 to be debited to Profit & Loss A/c.
  - B. Impairment loss of ₹ 4,25,000 to be debited to Profit & Loss A/c.
  - C. Impairment loss of ₹ 6,25,000 to be debited to Profit & Loss A/c.
  - D. Impairment loss of ₹ 15,25,000 to be debited to Profit & Loss A/c.
- 3. What will be the amount of profit or Loss on exchange of machine as on 1<sup>st</sup> April, 2024?**
  - A. Loss of ₹ 80,00,000
  - B. Loss of ₹ 1,00,000
  - C. Loss of ₹ 1,00,000
  - D. Loss of ₹ 3,00,000
- 4. What will be the carrying amount of the machine of the Machine as on 31<sup>st</sup> March, 2021 after charging depreciation for the year?**
  - A. ₹ 28,00,000
  - B. ₹ 26,00,000
  - C. ₹ 41,00,000
  - D. ₹ 29,00,000

### General MCQs (Jan'25 Exam)

- 1. Ace Limited borrowed ₹ 25 Lakh from ABN Bank during the financial year 2023-24. Ace Limited used these funds to invest in Equity share of key Limited. Kay Limited is implementing a new Project, so with these future prospects, Ace Limited**

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

Invested ₹ 25 Lakh in kay Limited.

As on 31<sup>st</sup> March, 2024, since the said project was not complete, the directors of Ace Limited capitalized the interest on Loan amounting to ₹ 2 lakhs and thus added the amount of interest in cost of investments.

Market value of these investments on 31<sup>st</sup> March, 2024 is ₹ 24 Lakhs.

Identify the correct statement, considering the above facts as per AS 16:

- A. Interest paid is acquisition charge, hence directors of Ace Limited correctly added the amount of interest in cost of investments.
- B. Since project is qualifying Asset, directors of Ace Limited correctly added the amount of interest in cost of investments.
- C. Ace Limited Invested invested in equity share which is not a qualifying asset, therefore directors are wrong to add the interest in cost of investments, rather it should be charged to profit and loss account.
- D. Since project is qualifying asset, directors of Ace Limited should capitalize the interest amount to market value of investments, rather than cost of investments.

2. AB Contractors undertakes a fixed price contract of ₹ 350 Lakhs. Information related to contract is given as under:

	₹
Material purchased	125 Lakhs
Labour charges	₹ 95 Lakhs
Unused material	₹ 22 Lakhs
Estimated future costs to be incurred to complete the contract	₹ 115 Lakhs
Payment received as part payment of contract	₹ 50 Lakhs

Machinery used for 4 years for the contract. Original cost of the machine is ₹ 210 Lakhs. Expected life of machinery is 20 years.

What will be the profit / Loss on the contract?

- A. Loss on contract ₹ 5 lakhs
- B. Loss on contract ₹ 49 lakhs
- C. Profit on contract ₹ 45 lakhs
- D. Profit on contract ₹ 26.5 lakhs







3. Glow Limited had taken a loan of ₹ 5,00,000 in June, 2023. The loan is to be repaid in 10 half yearly equal installments starting from December, 2023. Determine how the remaining loan will be classified in Balance sheet as on 31<sup>st</sup> March, 2024 as per Schedule III of the companies Act, 2013?

- A. ₹ 3,50,000 is to be shown under the head 'Long term borrowings' and

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- ₹ 1,00,000 is to be shown under the head 'Short term borrowings'
- B. ₹ 3,50,000 is to be shown under the head 'Long term borrowings' and  
₹ 75,000 is to be shown under the head 'Short term borrowings' and  
₹ 25,000 is to be shown under the head 'Other Current liabilities.'
- C. ₹ 4,50,000 is to be shown under the head 'Long term borrowings'
- D. ₹ 3,50,000 is to be shown under the head 'Long term borrowings' and  
₹ 1,00,000 is to be shown under the head 'Other Current liabilities.'

**Also Refer before Exams:**

S.No.	Particulars	Scan these QRs
1	All Free Resources of Advanced Accounts Including: <ul style="list-style-type: none"> <li>• 151 Must Do Questions (PDF)</li> <li>• Summary Notes for Last Day Revision</li> <li>• Important Master Questions</li> </ul>	
2	Rapid Revision (RR) - 6.0	
3	Rapid Revision (RR) - 5.0	
4	3 Minutes Revision Shorts	
5	Marathon Playlist	
6	Revise Each AS in 10-20 Mints - Video Playlist	

**May'25 ATTEMPT**

**Case Scenario 28 - (RTP May'25)**

In the books of G Ltd., closing inventory as at 31.03.2024 amounts to ₹ 10,40,000 (on the basis of FIFO method).

The company decides to change from FIFO method to weighted average method for ascertaining the cost of inventory for 31.3.2024. On the basis of weighted average method, closing inventory as on 31.03.2024 amounts to ₹ 8,80,000. Realisable value of the inventory as on 31.03.2024 amounts to ₹ 12,00,000.

What will be the value of inventory in the books and what disclosure should be given in the financial statement on 31.3.2024?

- a) The value of inventory will be ₹ 8,80,000 and the fact that the valuation method has changed to be disclosed in the financial statement.
- b) The value of inventory will be ₹ 12,00,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.
- c) The value of inventory will be ₹ 12,00,000, and the fact that valuation method has changed to be disclosed in the financial statement.
- d) The value of inventory will be ₹ 8,80,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.

**Case Scenario 29 - (RTP May'25)**

A Ltd. has a balance of ₹ 17,15,000 in the loan account with State Finance Corporation which is inclusive of ₹ 1,15,000 for interest accrued but not due. The loan is secured by hypothecation of the Plant and Machinery.

As per Schedule III to the Companies Act, 2013 loan is to be disclosed in the balance sheet as follows:

- a) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings.
- b) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and ₹ 1,15,000 under short-term borrowings.
- c) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and ₹ 1,15,000 under other current liabilities.
- d) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and no disclosure for ₹ 1,15,000.

**General MCQs (RTP May'25)**

Most by-products as well as scrap or waste materials, by their nature, are immaterial. Thus, these are measured at:

- (a) Cost

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (b) Cost or Net Realisable Value whichever is lower
- (c) Nil
- (d) Net realisable value

1	2	3
d	c	d

### Case Scenario 30 - (MTP May'25)

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.

### ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- 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

(i)	(ii)	(iii)	(iv)
(b)	(a)	(d)	(a)

### Case Scenario 31 - (MTP May'25)

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.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- 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

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- 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.

(i)	(ii)	(iii)	(iv)
(b)	(c)	(b)	(d)

### **Case Scenario 32 - (MTP May'25)**

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.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- 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.

- Which of the following expenses cannot be included in the cost of plant:**
  - Cost of Land
  - Construction material and labour cost
  - Head office expenses
  - Borrowing cost
- How much amount of borrowing cost can be capitalised with the plant:**
  - ₹ 300,000
  - ₹ 2,00,000
  - ₹ 7,00,000
  - ₹ 6,00,000
- The total cost of plant as on March 31, 2024 will be:**
  - 85,00,000
  - 98,00,000
  - 93,00,000
  - 95,00,000
- The amount of depreciation to be charged for the year end March 31, 2024**
  - 4,30,000
  - 9,30,000
  - 9,80,000
  - Nil

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(i)	(ii)	(iii)	(iv)
(c)	(b)	(c)	(d)

### General MCQ

1. 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?

- Q Ltd
  - R Ltd.
  - Q Ltd. and R Ltd.
  - Neither of Q Ltd. or R Ltd.
2. A Machinery was given 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.
- 30,000
  - 60,000
  - 50,000
  - 36,000
3. A process of reconstruction, which is carried out without liquidating the company and forming a new one is called
- Internal reconstruction.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- b. External reconstruction.
- c. Amalgamation in the nature of merger.
- d. Amalgamation in the nature of purchase.

1	2	3
(c)	(b)	(a)

### Case Scenario 33 - (MTP May'25)

Digitex limited acquired an intellectual property at the cost of ₹ 70,00,000 (at the beginning of the year) and it meets the definition of intangible asset as per AS 26. As per the calculations made by the Company, the benefit from this intellectual property will accrue for next 5 years wherein for first year will be 30%, for next two years it will be 25% each and 10% for the next 2 years.

#### Year 2

The Company incurred development cost for its new product and incurred ₹ 25,00,000 (at the beginning of the year) and was of the view that it will get the benefits for the next 5 years.

#### Year 3

During the year, it was found that due to change in government policies, no further benefits will be available to the Company from development cost.

#### Year 4

At beginning of year 4 it was found that the remaining 20% benefit from intellectual property will flow to the Company in this year itself.

Answer the following questions on the basis of above information:

- a. **At the end of year 2, what will be the value of Intangible Asset of the Company in the financial statements:**
  - i. ₹ 95,00,000
  - ii. ₹ 74,00,000
  - iii. ₹ 56,50,000
  - iv. ₹ 51,50,000
  
- b. **For the year 2, how much amount will be expensed in the profit and loss account from Intangible assets in the financial statements:**
  - i. ₹ 21,00,000

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- ii. ₹ 22,50,000
  - iii. ₹14,00,000
  - iv. ₹ 5,00,000
- c. For the year 3, how much amount will be expensed in the profit and loss account from Intangible assets in the financial statements:
- i. ₹ 37,50,000
  - ii. ₹ 22,50,000
  - iii. ₹ 20,00,000
  - iv. None of the above
- d. For the year 4, how much amount will be expensed in the profit and loss account from Intangible assets in the financial statements:
- v. ₹ 19,00,000
  - vi. ₹ 20,00,000
  - vii. ₹ 14,00,000
  - viii. Nil

(a)	(b)	(c)	(d)
(iv)	(ii)	(i)	(iii)

### Case Scenario 34 - (MTP May'25)

Situation 1: Expert Ltd. has depreciation amounting to ₹ 6,00,000 in its books as per accounting records and depreciation as per tax records at ₹ 15,00,000. There is adequate evidence of future profit sufficiency.

Situation 2: Further, they have accrued ₹ 8,00,000 towards GST liability for the last month of the year which is expected to be paid off by next month. As per the provisions of Section 43B of the Income Tax Act, 1961 - Any expenditure of the nature mentioned in section 43B (e.g. taxes, duty, cess, fees, etc.) accrued in the statement of profit and loss

On mercantile basis will be allowed for tax purposes in subsequent years on payment basis only. Answer the following questions on the basis of above information:

**ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)**

- a. **In Situation 1: How much deferred tax asset/liability should be recognized as transition adjustment when the tax rate is 50%:**
  - (i) ₹ 8,50,000 (deferred tax liability)
  - (ii) ₹ 4,50,000 (deferred tax liability)
  - (iii) ₹ 8,50,000 (deferred tax asset)
  - (iv) ₹ 4,50,000 (deferred tax asset)
  
- b. **In Situation 1: How much deferred tax asset/liability should be recognized as transition adjustment when the tax rate is 35%:**
  - (i) ₹ 3,15,000 (deferred tax asset)
  - (ii) ₹ 7,35,000 (deferred tax asset)
  - (iii) ₹ 3,15,000 (deferred tax liability)
  - (iv) ₹ 7,35,000 (deferred tax liability)
  
- c. **In Situation 2: How much deferred tax asset/liability should be recognized as transition adjustment when the tax rate is 35%:**
  - (i) ₹ 2,80,000
  - (ii) ₹ 5,20,000
  - (iii) ₹ 8,00,000
  - (iv) Nil
  
- d. **In assessing whether there is any indication that an asset may be impaired, an enterprise should consider, as a minimum, the following indications from internal sources of information:**
  - (i) during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use
  - (ii) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially
  - (iii) the carrying amount of the net assets of the reporting enterprise is more than its market capitalization
  - (iv) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected

(a)	(b)	(c)	(d)
(ii)	(iii)	(i)	(iv)

**Case Scenario 35 - (MTP May'25)**

Hello Ltd., a company engaged in various business activities, has decided to initiate a share buy-back on 1st April, 2023. The company plans to repurchase 25,000 equity shares of ₹ 10 each at a price of ₹ 20 per share. This buy-back initiative is in compliance with the company's articles of association, and the necessary resolution has been duly passed by the company. As part of the financial arrangement for the share buy-back, Hello Ltd. intends to utilize its current assets, particularly the bank balance, to make the payment for the repurchased shares.

Here is a snapshot of Hello Ltd.'s Balance Sheet as of 31st March, 2023:

- (A) Share Capital: Equity share capital (fully paid up shares of ₹ 10 each) ₹ 12,50,000
- (B) Reserves and Surplus: Securities premium ₹ 2,50,000; Profit and loss account ₹ 1,25,000; Revenue reserve ₹ 15,00,000;
- (C) Long term borrowings: 14% Debentures- ₹ 28,75,000, Unsecured Loans ₹ 16,50,000
- (D) Land and Building ₹ 19,30,000; Plant and machinery ₹ 18,00,000; Furniture and fitting ₹ 9,20,000 and Other Current Assets - ₹ 30,00,000

Authorized, issued and subscribed capital: Equity share capital (fully paid up shares of 10 each) - 12,50,000.

Answer the following questions on the basis of above information:

- a. **By using the Shares Outstanding Test the number of shares that can be bought back**
  - (i) 1,25,000
  - (ii) 31,250
  - (iii) 25,000
  - (iv) 30,000
  
- b. **By using the Resources Test determine the number of shares that can be bought back:**
  - (i) 25,000
  - (ii) 31,250
  - (iii) 28,750
  - (iv) 39,062
  
- c. **By using the Debt Equity Ratio Test determine the number of shares that can be bought back:**
  - (i) 25,000
  - (ii) 31,250
  - (iii) 28,750

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(iv) 39,062

d. On the basis of all three tests determine Maximum number of shares that can be bought back:

(i) 25,000

(ii) 31,250

(iii) 28,750

(iv) 39,062

(a)	(b)	(c)	(d)
(ii)	(iv)	(iii)	(iii)

### General MCQ

- As per AS 2, Inventories include materials awaiting use in production process, what should be included in Inventories from the following:
  - Secondary Packing material required for transporting and forwarding the material.
  - Spare parts, servicing equipment and standby equipment
  - Primary packing material which is essential to bring an item of inventory to its saleable condition, for example, bottles, cans etc., in case of food and beverages industry.
  - Publicity material
- Sargam Ltd. (the lessee) has taken machinery on lease from Dhun Ltd. (the lessor) for 13 years on annual lease payment of ₹ 50,000. The life of the machine is 15 years. How this lease arrangement should be classified and why:
  - Operating lease because lease payments are being made annually and the value of asset is not available.
  - Finance Lease because lease term is for the major part of the economic life of the asset even if title is not transferred.
  - Operating Lease because it is not stated that the asset will transferred to lessee at the end of lease term.
  - Finance Lease because the leased asset is of a specialized nature such that only the lessee can use it without major modifications being made.
- Suman Ltd. acquired 1000 shares of Sarika Ltd @ ₹ 150 each and paid brokerage @ 1%. In the same financial year, Sarika Ltd. issued bonus shares at one share for every four

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

shares held by shareholders. Suman Ltd. sold 500 shares in the month of March in the same year and paid 1% brokerage, what will be the carrying value of investment in Sarika Ltd after sale of shares as per AS 13.

- (i) ₹ 150000
- (ii) ₹ 113625
- (iii) ₹ 90900
- (iv) ₹ 112500

1	2	3
(iii)	(ii)	(iii)

### Case Scenario 36 - (Exam May'25)

Gray Ltd is engaged in the business of constructing towers since 15 years. Alpha Ltd gave a contract to Gray Ltd for construction of 2 towers.

Contract price for 2 towers is agreed at ₹ 160 crore. (each tower has contract price of ₹ 80 crore) At the time of contract, Gray Ltd has estimated that the contract cost will be ₹ 141 crore. It is assumed that construction will be completed in 3 years.

At the end of year 1, Gray Ltd has revised the construction cost to ₹ 150 crore.

At the beginning of year 2, the customer has requested for a variation in the contract. Customer now wants construction of 3 towers instead of 2 towers. The term of the contract will not change, construction of all the towers will be completed simultaneously.

As a result of this variation, contract price will increase by 80 crore and contract costs will increase by ₹ 75 crore.

Gray Ltd has decided to measure the stage of completion on the basis of the proportion of contract costs incurred to the total estimated contract costs.

Contract costs incurred at the end of each year is:

Year 1: ₹ 35.25 crore

Year 2: ₹ 148.5 crore (including unused material of ₹ 2.25 crore)

Year 3: Total Revised contract costs

Based on the information given in above Case Scenario, answer the following Question 1 -3:

1. What is the stage of completion of contract on the basis of proportion of contract costs incurred to the total estimated contract costs at the end of year 1 and Year 2 respectively?

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (A) Year 1:23.5% and Year 2: 66%
- (B) Year 1:23.5% and Year 2: 65%
- (C) Year 1:25% and Year 2:66%
- (D) Year 1:25% and Year 2: 65%
2. **What is the amount of the profit to be recognized at the end of Year 1 ?**
- (A) ₹ 2.35 crore
- (B) ₹ 44.75 crore
- (C) ₹ 4.75 crore
- (D) ₹ 21 crore
3. **What is the amount of contract revenue recognized in each year of contract?**
- (A) Year 1:₹ 80 crore, Year 2: ₹80 crore and Year 3: ₹ 80 crore
- (B) Year 1:₹ 40 crore, Year 2:₹ 116 crore and Year 3: ₹ 84 crore
- (C) Year 1:₹ 37.60 crore, Year 2: ₹ 118.40 crore and Year 3: ₹ 84 crore
- (D) Year 1:₹ 37.60 crore, Year 2: ₹ 120.80 crore and Year 3: ₹ 81.60 crore
4. **X Ltd. has entered into a binding agreement with Beta Ltd. to buy a custom-made machine for ₹ 2 lakhs. During the year 2024-25 X Ltd has to change its method of production due to changes in market trend. Before the delivery of the machine, X Ltd had already changed its method of production and the new method will not require the machine ordered. Now the company decides to scrap it after delivery. The expected scrap value is ₹ 25,000. Machine was received on 10th October, 2024 and was scrapped on 15th October, 2024. The correct accounting treatment for above machine in the year 2024-25 is**
- (A) Machine A/c to be debited with ₹ 2 lakhs and Bank A/c to be credited with ₹ 2 lakhs.
- (B) Impairment A/c to be debited with ₹ 1.75 lakhs and Bank A/c to be credited with ₹ 1.75 lakhs.
- (C) Profit and Loss A/c to be debited with ₹ 2 lakhs and Bank A/c to be credited with ₹ 2 lakhs.
- (D) Profit and Loss A/c to be debited with ₹ 1.75 lakhs and Bank A/c to be credited with ₹ 1.75 lakhs,
5. **ABC Ltd., is in the business of creating contents for various OTT platforms. The company has developed a technical know-how (the asset) by incurring expenditure of 25 lakhs. The company started using the asset from 1st April 2019. The management of the company is of the view that the asset has infinite lifetime and therefore has not amortized the asset till date.**
- What should be the total amortization amount (including current as well as previous years amortization) to be charged to Profit and loss account for the year ended March 31" 2024, with reference to AS 26?**
- (A) Nil, as per the management the know how has infinite life and the management is correct.

### ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (B) ₹ 25 lakhs as the know how is an intangible asset as per AS 26.
- (C) ₹ 12.5 lakhs (including current year's amortization of ₹ Health India Limited (HIL) 2.5 lakhs) to be charged to Profit and loss Account.
- (D) ₹ 15 lakhs (including current year's amortization of ₹ 2.5 lakhs) to be charged to Profit and Loss account.

1	2	3	4	5
B	A	C	D	C

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

### Case Scenario 37 - (Exam May'25)

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

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

On 1<sup>st</sup> April, 2023 HIL has made an investment of ₹ 200 Lakhs in the equity shares of Rose Limited of which 50% is made in the long-term category i.e. long-term investment and rest as temporary investment i.e. current investment. The realisable value of all such investments on 31<sup>st</sup> March, 2024 becomes ₹ 50 Lakhs as Rose Limited lost a copyright. From the given market conditions, it is apparent that the reduction in the value of investment is not temporary in nature.

HIL imported medicine from Pharma Inc. for a sum of US \$ 2,50,000 on 1<sup>st</sup> January, 2024. HIL released full payment on 17<sup>th</sup> April, 2024 to Medicine Ltd. The exchange rates are as follows:

	Exchange rate per \$
1 <sup>st</sup> April, 2023	₹ 76
1 January, 2024	₹ 81
31 March, 2024	₹ 50
17 <sup>th</sup> April, 2024	₹ 79

HIL is working on a strategic plan to close the production unit of Bhopal due change in technology. The board of directors approved the closure of Bhopal Plant on 1<sup>st</sup> March, 2024. The company did a formal announcement regarding closure to the affected parties on 10<sup>th</sup> March, 2024. The company entered into a binding-sale agreement on 21<sup>st</sup> April, 2024.

Reporting date of the company is 31 March, 2024.

Based on the information given in the above Case Scenario, answer the Question No. 1-5:

1. **How the recognition of revenue from sales of medicine to Dee Limited will be done by HIL under AS 9 and what would be the treatment of unrealised amount for the year ended 31<sup>st</sup> March, 2024?**

- (A) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealised amount ₹ 50 lakhs will be debited to bad debts A/c.
- (B) Revenue will be recognised for ₹ 40 Lakhs, subsequently unrealised amount ₹ 40 lakhs will

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- be debited to bad debts A/c.
- (C) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealised amount ₹ 40 lakhs will be debited to bad debts A/c.
- (D) Revenue will be recognised for ₹ 40 Lakhs, unrealised amount of ₹ 40. lakhs will be shown in Sundry Debtors list.
2. **How will you recognise the reduction in the value of the investments in the financial statements for the year ended 31<sup>st</sup> March 2024 as per AS 13 (Revised)?**
- (A) The reduction of ₹ 50 Lakhs in the carrying value of current investment will be charged to the profit and loss account. There will be no impact on the value of long-term investments.
- (B) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. There will be no impact on the value of long-term investments.
- (C) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. The reduction of ₹ 75 Lakhs in the carrying value of long-term investment will also be charged to the profit and loss account.
- (D) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. The reduction of ₹ 75 Lakhs in the carrying value of long-term investment will also be charged to capital reserve account.
3. **Ascertain the loss/gain due to change in foreign exchange rates to be recognised in the financial statements for the year ended 31<sup>st</sup> March, 2024 as per AS 11.**
- (A) ₹ 2,50,000 Exchange gain should be credited to profit and loss account.
- (B) ₹ 5,00,000 Exchange gain should be credited to profit and loss account.
- (C) ₹ 5,00,000 Exchange loss should be debited to profit and loss account.
- (D) ₹ 2,50,000 Exchange loss should be debited to profit and loss account
4. **What would be the date of "initial disclosure of event" be considered for Bhopal Plant?**
- (A) 31<sup>st</sup> March, 2024
- (B) 1<sup>st</sup> March, 2024
- (C) 21<sup>st</sup> April, 2024
- (D) 10<sup>th</sup> March, 2024
5. **X Ltd. sold Plant & Machinery having WDV of ₹ 60 lakhs to Y Ltd. for ₹ 75 lakhs (Fair value of ₹ 75 Lakhs) and the same plant was leased back by Y Ltd. to X Ltd. The lease back is in the nature of operating lease. The treatment will be:**
- (A) X Ltd. should amortize the profit of ₹ 15 lakhs over the lease term.
- (B) X Ltd. should recognize the Profit of ₹ 15 lakhs immediately.
- (C) No profit \ loss, as fair value is equal to sale price.
- (D) Y Ltd. should recognize the profit of ₹ 15 lakhs immediately.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

1	2	3	4	5
C	C	A	D	B

### Case Scenario 38 - (Exam May'25)

Following information is given by Z Ltd as on 31<sup>st</sup> march 2025:

	₹ In lakhs
Share Capital	
Equire shares of ₹ 10 each fully paid up	800
11% Redeemable preference shares of ₹ 100 each fully paid up	200
Reserve and surplus	
Capital redemption reserve	50
Securities Premium	100
General Reserve and profit and loss (combined balance)	600
Secured Loans	
9% Debentures	250
Current Liabilities	10
Fixed Assets	1200
Investments	95
Cash at bank	320
Other Current Assets	840

On 1<sup>st</sup> April 2024 Z Ltd redeemed all its preference shares at a premium of Z Ltd bought back 8,00,000 equity shares @ ₹ 20 per share.

Buy back is fully authorized by Z Ltd's articles and necessary resolution has been passed for this. The payment for buy back of shares will be made through available balance in bank account.

To finance Redemption of preference shares and buy back of shares, company has decided to sell its investments for ₹ 98 Lakhs.

Z Ltd had 80,000 Equity stock options outstanding on the above mentioned date, to the employees @ ₹ 15 per share when the market price was ₹ 20 per share. (This was included under the head current

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

liabilities). On 1<sup>st</sup> April, 2024, 70% of the employees exercised their options.

Based on the information given in the above Case Scenario, answer the following Question No. 1-3:

- What will be the balance of capital redemption reserve as on 31 March 2025?**
  - ₹ 280 Lakhs
  - ₹ 330 Lakhs
  - ₹ 250 Lakhs
  - ₹ 130 Lakhs
- What will be the Cash and Bank Balance as on 31 March 2025?**
  - ₹ 56.40 Lakhs
  - ₹ 66.40 Lakhs
  - ₹ 59.20 Lakh
  - ₹ 48 Lakhs
- What will be the Balance of Reserves as on 31<sup>st</sup> March 2025 excluding capital redemption Reserve?**
  - General Reserve and Profit Loss ₹ 323 Lakhs and securities Premium ₹ 10 lakhs
  - General Reserve and Profit Loss ₹ 243 Lakhs and securities premium ₹ 10 lakhs
  - General Reserve and Profit Loss ₹ 323 Lakhs and securities Premium ₹ 15.60 lakhs
  - General Reserve and Profit Loss ₹ 243 Lakhs and securities Premium ₹ 15.60 lakhs

1	2	3
B	A	C

### General MCQ

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

	(Amount ₹ in lakhs)
Securities Premium Account	90
Capital Reserve	40
Revaluation Reserve	70

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

The company had an accumulated loss of ₹ 280 lakhs on the same date, which was disclosed under the head "Statement of Profit and Loss" as asset in its Balance Sheet. What should be disclosed on the face of Balance Sheet as per Schedule III to the Companies Act, 2013?

- (A) Reserve and Surplus - Securities premium ₹ 90 lakhs; others ₹ 110 lakhs and Accumulated loss ₹ 280 lakhs in the Asset side.
- (B) Reserve and Surplus - ₹ 200 lakhs; and Accumulated loss ₹ 280 lakhs in the Asset side.
- (C) Reserve and Surplus- ₹ 200 lakhs only
- (D) Reserve and Surplus-(₹80) lakhs only







15. During the process of Internal Reconstruction, JAY Ltd has come across the following adjustment:

There is a contingent liability for which no provision had been made. This contingent liability was settled at ₹ 7,500 and also ₹ 6,000 was recovered from the insurance company in this regard.

Which of the following is the correct treatment for the above adjustment?

- (A) Reconstruction A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500
- (B) Reconstruction A/c Dr ₹ 7,500 and Bank A/c Cr ₹ 7,500
- (C) Contingent Liability A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500
- (D) Profit and Loss A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500

**Also Refer before Exams:**

S.No.	Particulars	Scan these QRs
1	All Free Resources of Advanced Accounts Including: <ul style="list-style-type: none"> <li>• 151 Must Do Questions (PDF)</li> <li>• Summary Notes for Last Day Revision</li> <li>• Important Master Questions</li> </ul>	
2	Rapid Revision (RR) - 6.0	
3	Rapid Revision (RR) - 5.0	
4	3 Minutes Revision Shorts	
5	Marathon Playlist	
6	Revise Each AS in 10-20 Mints - Video Playlist	

**Sep'25 ATTEMPT**

**Case Scenario 39 - (RTP Sep'25)**

Surat Ltd. has received a grant of ₹ 40 crore for purchase of a qualified machine costing ₹ 90 crores. The residual value is ₹ 2 crore and expected useful life of the machine is 20 years.

Answer the following question as per the requirements of AS 12, Government Grants assuming that the depreciation method is straight line:

(a) **What is the nature of Grant being received by Surat Ltd.?**

- (i) Non-Monetary Government Grant
- (ii) Grant related to specific fixed assets
- (iii) Grant related to Revenue
- (iv) Promoter's Contribution

(b) **If Surat Ltd. has the policy to recognise the grant as deduction from the cost of the asset, what will be the amount of depreciation to be charged as expense in statement of profit and loss account every year:**

- (i) ₹ 4.5 crores
- (ii) ₹ 2.5 crores
- (iii) ₹ 2.4 crores
- (iv) ₹ 2 crores

(c) **If Surat Ltd. has the policy to recognise the grant as deferred income, what will be the amount of grant to be recognised as other income in statement of profit and loss account every year:**

- (i) ₹ 4.5 crores
- (ii) ₹ 2.5 crores
- (iii) ₹ 2 crores
- (iv) ₹ 1 crores

(d) **If Surat Ltd. has the policy to recognise the grant as deferred income, what will be the amount of depreciation to be charged as expense in statement of profit and loss account, every year:**

- (i) ₹ 4.5 crores
- (ii) ₹ 4.4 crores
- (iii) ₹ 2.5 crores
- (iv) ₹ 2 crores

## **ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)**

### **Case Scenario 40 - (RTP Sep'25)**

In the books of G Ltd., closing inventory as at 31.03.2024 amounts to ₹ 10,40,000 (on the basis of FIFO method).

The company decides to change from FIFO method to weighted average method for ascertaining the cost of inventory for 31.3.2024. On the basis of weighted average method, closing inventory as on 31.03.2024 amounts to ₹ 8,80,000. Realisable value of the inventory as on 31.03.2024 amounts to ₹ 12,00,000.

What will be the value of inventory in the books and what disclosure should be given in the financial statement on 31.3.2024?

- (i) The value of inventory will be ₹ 8,80,000 and the fact that the valuation method has changed to be disclosed in the financial statement.
- (ii) The value of inventory will be ₹ 12,00,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.
- (iii) The value of inventory will be ₹ 12,00,000, and the fact that valuation method has changed to be disclosed in the financial statement.
- (iv) The value of inventory will be ₹ 8,80,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.

### **Case Scenario 41 - (RTP Sep'25)**

Cost of current investment acquired was ₹ 1000 but the fair value was ₹ 800. The Investment was recorded at ₹ 800. Now the fair value of Investment is ₹ 1200. At what value should it be recorded and how much gain will be credited to profit and loss account.

- (i) No change is required and it will continue at ₹ 800
- (ii) Current investment will be recorded at ₹ 1000 and gain of ₹ 200 will be credited to profit and loss account.
- (iii) Current investment will be recorded at ₹ 1200 and gain of ₹ 400 will be credited to profit and loss account.
- (iv) Current investment will be recorded at ₹ 1200 but no gain will be credited to profit and loss account.

### **Case Scenario 42 - (MTP Sep'25)**

ADI Ltd (the Company), 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.

Having fulfilled all the conditions under the scheme, the Company on its overall investment of ₹ 50 crores received ₹ 10 crores from the Government in January 2024 (financial year being 2023-24). The Company wants to treat this receipt as an item of revenue and thereby reduce the losses on profit and loss account for the year ended 31 March 2024.

ADI Ltd holds 51% in SHA Ltd. SHA Ltd is a joint venture of ADI Ltd due to a contractual agreement.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

ADI Ltd is engaged in the manufacturing business and it entered into a joint venture to get synergies in the same business. ADI Ltd and SHA Ltd hold 10% and 30% respectively in SHB Ltd.

As per the requirements of SEBI, ADI Ltd prepared results/accounts for the quarter ended 30 June 2024 and took following positions in respect of following accounting matters:

- i. Training expenses incurred during the quarter ended 30 June 2024 were allocated equally over the four quarters because the benefit was spread over the entire year and similarly some training expenses expected to be incurred in the last quarter have been estimated and equally allocated over the four quarters.
- ii. Provision made for donation of ₹ 5 million expected to be made in the second quarter.
- iii. Since historically there has been an immaterial variance between budgets and actuals, depreciation charge for the quarter was determined by the budgeted figure.
- iv. Incentives were provided to the customers if they purchase 1 million kgs of urea on an annual basis. It was expected that at least 50 customers would be able to achieve this target before the end of third quarter. No provision was made for this incentive during the quarter ended 30 June 2024 since ADI Ltd believed that the provision was not yet fructified.

ADI Ltd owns 60% holding in ANI Ltd, an unquoted entity. The government has recently announced an increase in interest rates. The increase will cause a fall in value of equity holdings. This is due to the fact that risk free investments offer a higher return making them relatively more attractive. The market value of equity will adjust downwards to improve the return available on this sort of investment. SHB Ltd took a loan of USD 10,000 on 1 April 2023 for a specific project at an interest rate of 5% p.a. payable annually. On 1 April 2023, the exchange rate between the currency was ₹ 81 per USD. The exchange rate as at 31 March 2024 was ₹ 82 per USD. The corresponding amount could have been borrowed by SHB Ltd in local currency at an interest rate of 11% per annum as on 1 April 2023.

ADI Ltd follows April to March as the financial year

**(a) In respect of abovementioned receipt of ₹ 10 crores, which of the following options would be correct under Indian GAAP?**

- (i) Accounting treatment desired by the company is correct.
- (ii) The subsidy should be credited to capital reserve.
- (iii) The subsidy should be treated as a capital grant.
- (iv) The accounting treatment should be as per the accounting policy of the company in relation to any grant. The company can choose any accounting policy in this respect.

**(b) Please suggest which one of the following options would be correct in respect of consolidated accounts of ADI Ltd as per Accounting Standards notified under the Companies (Accounting Standards) Rules.**

- (i) In the consolidated accounts of ADI Ltd, it would account for its 10% investment in SHB Ltd as per AS 13 and 30% investment of SHA Ltd in SHB Ltd would be accounted for using equity method.
- (ii) In the consolidated accounts of ADI Ltd, it would account for its 10% investment in SHB Ltd as per equity method and 30% investment of SHA Ltd in SHB Ltd would be accounted

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

using proportionate consolidation method.

- (iii) In the consolidated accounts of ADI Ltd, it would account for its 10% investment in SHB Ltd as per AS 13 and 30% investment of SHA Ltd in SHB Ltd would be accounted using proportionate consolidation method.
  - (iv) In the consolidated accounts of ADI Ltd, it would account for its 10% investment in SHB Ltd as per equity method and 30% investment of SHA Ltd in SHB Ltd would also be accounted for using equity method.
- (c) **Please share your views in respect of the accounting positions taken by ADI Ltd (Points i to iv) as per Accounting Standards notified under the Companies (Accounting Standards) Rules.**
- (i) Position taken in point ii was incorrect.
  - (ii) Positions taken in points ii and iv were incorrect.
  - (iii) Positions taken in points i and ii were incorrect.
  - (iv) Positions taken in points i, ii, iii and iv were incorrect.
- (d) **Will there be any adjustment required in the financial statements of ADI Ltd because of abovementioned event (increase in interest rates by the Government) as per Accounting Standards notified under the Companies (Accounting Standards) Rules.**
- (i) The increase is an indication that ADI Ltd's holding in ANI Ltd might have increased. Hence ADI Ltd would require to increase the value of its interest in ANI Ltd.
  - (ii) No adjustment is required.
  - (iii) The increase is an indication that ADI Ltd's holding in ANI Ltd might be impaired. ADI Ltd should make a formal estimate of the recoverable amount of its interest in ANI Ltd.
  - (iv) Whether to make any adjustment or not will depend on the accounting policy of ADI Ltd.
- (e) **Compute the borrowing cost which can be capitalized in the books of SHA Ltd as per the above mentioned fact pattern.**
- (i) ₹ 41,000
  - (ii) ₹ 48,100
  - (iii) ₹ 89,100
  - (iv) ₹ 51,000

(a)	(b)	(c)	(d)	(e)
(ii)	(iv)	(iv)	(iii)	(i)

**Case Scenario 43 - (MTP Sep'25)**

SBHA Ltd deals in business of manufacturing, purchase and sale of rice. The company has around 56 acres of land as part of its property, plant and equipment which is stated at cost in its financial statements. As per the new business model, 30 acres of land falls in the residential zone which the company is planning to develop residential area as a plotted development and would like to sell the plots after development.

The company does not have intention of keeping the property development as a business on long-term basis, as the company does not have any objective to receive any income in the form of the capital appreciation or rent as per the proposed business plan and the company wants to sell the plots after development (irrespective of the construction of houses on land).

SBHA Ltd has two equal joint venturers holding 50% each, KSJ one of them. The other company is from outside the KSJ Group. KSJ Group has three companies (one of them is KSJ Ltd and two more companies), each of which hold some equity shares in the joint venture which aggregates 50%.

One of the KSJ Group of companies, ADK Ltd, is engaged in generation of power which is supplied to various Electricity Boards. One of the terms and conditions of the Tariff Regulatory Authority and the tariff agreement is that the income tax relating to the power generating schemes will be reimbursed by the Electricity Boards on quarterly basis before the payment of advance income tax.

RIMMI Ltd, another KSJ Group company, is into shipping business and has an annual turnover of ₹ 1,000 crores. It is required by law to bring all its vessels into dry dock every five years for major overhaul. This cost is incurred to get the vessel back to its seaworthy condition. A vessel costs ₹ 20 crores with a useful life of 20 years and it requires major overhaul every 5 years. The estimated cost of first overhaul is ₹ 5 crores.

In the previous year, RIMMI Ltd had impaired one of its Cash Generating Units (CGU) for a loss of ₹ 100 crores, with ₹ 50 crores allocated to goodwill and the balance allocated to Plant & Machinery and Technical Knowhow for a loss of ₹ 26 crores and ₹ 24 crores respectively. Recoverable amount was not measurable. Carrying amounts at the end of current year after impairment of ₹ 100 crores recorded in previous year were ₹ 427 crores and ₹ 383 crores for Plant & Machinery and Technical Knowhow respectively. Had there been no impairment in the previous year, the carrying amounts at the end of current year would have been ₹ 450 crores and ₹ 405 crores for Plant & Machinery and Technical Knowhow respectively. During the current year, the impairment test proves that the CGU is no longer impaired.

**(a) In respect of abovementioned land in residential zone, what would be the accounting treatment under Indian GAAP?**

- (i) The 'land in residential zone' appearing in property, plant and equipment would be credited by its carrying amount and inventory would be recognised equivalent to its fair value. Differential will be taken to profit or loss on conversion.
- (ii) The 'land in residential zone' appearing in property, plant and equipment would be credited

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

by its gross amount and inventory would be recognised equivalent to carrying amount of reclassified property, plant and equipment. Differential will be taken to profit or loss on conversion.

- (iii) The 'land in residential zone' appearing in property, plant and equipment would be credited by its carrying amount and inventory would be recognised at the same amount.
  - (iv) The 'land in residential zone' appearing in property, plant and equipment would be credited by its gross amount and inventory would be recognised at the same amount.
- (b) **In the above mentioned situation, how would SBHA Ltd be accounted for by joint venturers as per Accounting Standards notified under the Companies (Accounting Standards) Rules?**
- (i) Joint venture will be proportionately consolidated by KSJ Ltd only and other venturer outside KSJ Group.
  - (ii) Joint venture will be proportionately consolidated only by venturer outside KSJ Group.
  - (iii) Joint venture will be proportionately consolidated by all the three companies of KSJ Group only, to the extent of their own holding.
  - (iv) Joint venture will be proportionately consolidated by all the three companies of KSJ Group, to the extent of their own holding and other venturer outside KSJ Group (assuming each one has individual control)
- (c) **How should the above mentioned transaction in relation to ADK Ltd be accounted for as per Accounting Standards notified under the Companies (Accounting Standards) Rules?**
- (i) Reimbursement should be recorded as revenue.
  - (ii) Reimbursement should be taken to other income.
  - (iii) Reimbursement should be netted from income tax provision.
  - (iv) Reimbursement can be netted from appropriate expense head like rates & taxes.
- (d) **What should be the accounting treatment in the statement of profit and loss of RIMMI Ltd in year 1 in respect of property, plant and equipment?**
- (i) Overhauling costs of ₹ 5 crores and depreciation of ₹ 1 crore would be charged to the statement of profit and loss in year 1.
  - (ii) Depreciation of ₹ 2 crores would be charged to the statement of profit and loss in year 1.
  - (iii) Overhauling costs of ₹ 5 crores and depreciation of ₹ 75 lakhs would be charged to the statement of profit and loss in year 1.
  - (iv) Depreciation of ₹ 1.75 crores would be charged to the statement of profit and loss in year 1.
- (e) **What should be the accounting treatment in the books of RIMMI Ltd in respect of impairment of CGU?**
- (i) No adjustment would be required.
  - (ii) Reversal of impairment loss should be taken to P&L amounting to ₹ 100 crores.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (iii) Reversal of impairment loss should be taken to P&L amounting to ₹ 45 crores.
- (iv) Reversal of impairment loss should be taken to P&L amounting to ₹ 50 crores.

(a)	(b)	(c)	(d)	(e)
(iii)	(iv)	(i)	(iv)	(iii)

### **Case Scenario 44 - (MTP Sep'25)**

Asteria Ltd., a listed company with equity share capital of ₹ 6,000 lakh and free reserves of ₹ 10,000 lakh as per the latest audited balance sheet, proposes to buy back 20% of its equity capital at ₹ 40 per share. The Articles of Association authorize buy-back. The Board passed a resolution in March 2025 to proceed. To fund this, the company decided to sell investments worth ₹ 5,000 lakh, which have a book value of ₹ 6,000 lakh. It has existing borrowings of ₹ 9,500 lakh.

The company has not made any default in repayment of term loans, debentures, or dividend payments and has filed all statutory returns under Sections 92, 123, 127, and 129 of the Companies Act, 2013. It had completed its previous buy-back in October 2024.

The Board now seeks to implement the buy-back by July 2025.

On the basis of above solve below mentioned mcqs

**(a) Can Asteria Ltd. proceed with the buy-back based solely on the Board Resolution?**

- (i) Yes, because Board Resolution is always sufficient
- (ii) No, it must always be by special resolution in general meeting.
- (iii) No, because 20% buy-back exceeds the 10% limit allowed for Board Resolution alone.
- (iv) Yes, because the Articles authorize it and 20% is within the 25% limit.

**(b) What is the maximum permissible buy-back limit for Asteria Ltd. under the Resource Test as per Section?**

- (i) ₹ 4,000lakh
- (ii) ₹ 5,000 lakh
- (iii) ₹ 6,500 lakh
- (iv) ₹ 9,000 lakh

**(c) After completing the proposed buy-back, will Asteria Ltd. satisfy the Debt-Equity Ratio condition under Section?**

- (i) Yes, because total debt is within 2:1 ratio post buy-back

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (ii) No, because the loss on investment increases the debt
- (iii) No, because buy-back reduces reserves, tightening equity base
- (iv) Yes, because CRR creation boosts equity buffer

(a)	(b)	(c)
(iii)	(i)	(i)

### Case Scenario 45 - (MTP Sep'25)

#### Year 1

- Mr. Lal purchased 1,000 equity shares of ₹ 100 each in a X Company @ ₹ 125 each from a stock broker who charged 2% brokerage. At the end of year 1 the market value of these shares is ₹ 1,50,000. He incurred 50 paise per ₹ 100 as cost of shares transfer stamps.
- He also purchased gold for ₹ 5,00,000 for holding for long term perspective and by year end its value became ₹ 5,50,000.

#### Year 2

- X Company issued bonus shares in the ratio of 1:1. At the end of year 2 market value of 2,000 shares of X Ltd. (including bonus shares) is still ₹ 1,50,000.
- At the end of year 2, value of gold purchased is ₹ 6,50,000
- Mr. Lal sold the bonus shares for ₹ 110 per share during the year. Answer the following questions on the basis of above information:

**(a) At the end of year 1, what will be the value of the investment in equity shares in the financial statements:**

- (i) ₹ 1,28,125
- (ii) ₹ 1,25,000
- (iii) ₹ 1,50,000
- (iv) ₹ 1,52,500

**(b) At the end of year 2, what will be the value of the investment in equity shares in the financial statements:**

- (i) ₹ 1,28,125
- (ii) ₹ 1,25,000
- (iii) ₹ 1,50,000
- (iv) ₹ 1,52,500

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (c) At the end of year 2, what will be the value of the investment in Gold in the financial statements:
- (i) ₹ 5,00,000
  - (ii) ₹ 5,50,000
  - (iii) ₹ 6,50,000
  - (iv) None of the above
- (d) How much profit was earned on sale of bonus shares by Mr. Lal:
- (i) ₹1,10,000
  - (ii) ₹ 64062.5
  - (iii) ₹ 45,937.50
  - (iv) Nil

(a)	(b)	(c)	(d)
(i)	(i)	(i)	(iii)

### Case Scenario 46 - (MTP Sep'25)

A Company acquired an asset for ₹ 60 Lakhs with useful life for 10 years. The remaining useful life of the asset now is 4 years and the current carrying amount is ₹ 30 Lakhs which includes an upward revaluation of ₹ 6 Lakhs done in the asset last year. Recoverable amount from the asset is 20 Lakhs.

- (a) At what value the asset will be carried in the balance sheet after considering above facts:
- (i) ₹ 22,50,000
  - (ii) ₹ 24,00,000
  - (iii) ₹ 20,00,000
  - (iv) ₹ 18,00,000
- (b) What is the amount of impairment loss charged to the statement of profit and loss:
- (i) ₹ 10 Lakhs
  - (ii) ₹ 8 Lakhs
  - (iii) ₹ 6 Lakhs
  - (iv) ₹ 4 Lakhs
- (c) What is the amount of depreciation to be charged to the statement of profit and loss after considering above facts:
- (i) ₹ 5 Lakhs
  - (ii) ₹ 8 Lakhs
  - (iii) ₹ 6 Lakhs

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(iv) ₹ 4 Lakhs

(d) What is the amount of revaluation reserve in respect of this asset:

(i) Nil

(ii) ₹ 10 Lakhs

(iii) ₹ 8 Lakhs

(iv) ₹ 6 Lakhs

(a)	(b)	(c)	(d)
(iii)	(iv)	(i)	(i)

### Case Scenario 47 - (MTP Sep'25 & RTP Jan'26)

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

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

(a) For the year 1, how much borrowing cost should be capitalised to the project:

(i) ₹ 70 Lakhs

(ii) ₹ 77 Lakhs

(iii) ₹ 63 Lakhs

(iv) ₹ 60 Lakhs

(b) For the year 2, how much borrowing cost should be capitalised to the project:

(i) ₹ 70 Lakhs

(ii) ₹ 77 Lakhs

(iii) ₹ 63 Lakhs

(iv) ₹ 65 Lakhs

(c) For the year 5, how much borrowing cost should be expensed:

(i) ₹ 7 Lakhs

(ii) ₹ 6 Lakhs

(iii) ₹ 3.5 Lakhs

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(iv) Nil

(d) For the year 5, how much borrowing cost should be capitalised to the project:

- (i) ₹ 70 Lakhs
- (ii) ₹ 66.5 Lakhs
- (iii) ₹ 63 Lakhs
- (iv) ₹ 53 Lakhs

(a)	(b)	(c)	(d)
(iii)	(i)	(iii)	(ii)

### General MCQ's

1. In the books of G Ltd., closing inventory as at 31.03.2024 amounts to ₹ 10,40,000 (on the basis of FIFO method).

The company decides to change from FIFO method to weighted average method for ascertaining the cost of inventory for 31.3.2024. On the basis of weighted average method, closing inventory as on 31.03.2024 amounts to ₹ 8,80,000. Realisable value of the inventory as on 31.03.2024 amounts to ₹ 12,00,000.

What will be the value of inventory in the books and what disclosure should be given in the financial statement on 31.3.2024?

- (i) The value of inventory will be ₹ 8,80,000 and the fact that the valuation method has changed to be disclosed in the financial statement.
- (ii) The value of inventory will be ₹ 12,00,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.
- (iii) The value of inventory will be ₹ 12,00,000, and the fact that valuation method has changed to be disclosed in the financial statement.
- (iv) The value of inventory will be ₹ 8,80,000, and full disclosure with the amount the valuation method has changed to be disclosed in the financial statement.

2. A Ltd. has a balance of ₹ 17,15,000 in the loan account with State Finance Corporation which is inclusive of ₹ 1,15,000 for interest accrued but not due. The loan is secured by hypothecation of the Plant and Machinery.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

**As per Schedule III to the Companies Act, 2013 loan is to be disclosed in the balance sheet as follows:**

- (i) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings.
- (ii) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and ₹ 1,15,000 under short-term borrowings.
- (iii) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and ₹ 1,15,000 under other current liabilities.
- (iv) Disclosed ₹ 16,00,000 as a secured loan under long-term borrowings and no disclosure for ₹ 1,15,000.

### 3. State which of the following statements is true?

- (i) Buy-back is for more than twenty-five per cent of the total paid-up capital and free reserves of the company.
- (ii) Partly paid shares cannot be bought back by a company.
- (iii) Buy-back of equity shares in any financial year shall exceed twenty-five per cent of its total paid-up equity capital in that financial year.
- (iv) Partly paid shares can be bought back by a company.

### 4. As per AS 19, unearned finance income is:

- (i) the difference between (a) the gross investment in the lease and (b) the present value of minimum lease payments under a finance lease from the standpoint of the lessor; and any unguaranteed residual value accruing to the lessor, at the interest rate implicit in the lease.
- (ii) the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor.
- (iii) the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor.
- (iv) the lease is the gross investment in the lease less unearned finance income.

### 5. Akash Ltd. is constructing a housing society and for this purpose, it has taken loan from a bank. The housing society consists of 50 units, each of which can be used individually. 20 units have been constructed and can be opened up for public, while construction on the remaining part is continuing. How much borrowing cost should be capitalised:

- (i) Capitalisation of borrowing cost should continue for the whole society until construction continues.
- (ii) Capitalisation of the borrowing costs shall cease to be capitalised for 20 units which are now ready to be used and should continue for 30 units.
- (iii) The entire borrowing cost should be capitalised at the end of the project.
- (iv) The Borrowing cost will not be capitalised at all.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(1)	(2)	(3)	(4)	(5)
(iv)	(iii)	(ii)	(i)	(ii)

### Case Scenario 48 - (Exam Sep'25)

PTU Limited has 6 segments namely P, Q, R, S, T & U. The total revenues (internal and external), profit and losses and assets are set out below:

₹ in Lakh

Segment	P	Q	R	S	T	U	Total
External Sales	66	94	6	5	70	9	250
Internal Sales	10	5	10	10	10	5	50
Result (P&L)	22	4	(4)	3	20	1	46
Total Assets	112	147	28	28	21	14	350

Based on the information given in above Case Scenario, answer the following Question Nos. 1-4 as per AS 17 'Segment Reporting':

1. Which would be the Reportable Segment on the basis of Revenue Test?

- (A) P, Q, S & T
- (B) P, Q & T
- (C) P & T
- (D) P & Q

2. Which would be the Reportable Segment on the basis of Profitability Test?

- (A) P, Q, S & T
- (B) P, Q & T
- (C) P & T
- (D) P & Q

3. Which would be the Reportable Segment on the basis of Assets Test?

- (A) P, Q, S & T
- (B) P, Q & T
- (C) P&T

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(D) P & Q

4. Which would be the Reportable Segment on the basis of Overall Test?

(A) P, Q, S & T

(B) P, Q & T

(C) P & T

(D) P & Q

1.	B
2.	C
3.	D
4.	B

### Case Scenario 49 - (Exam Sep'25)

On 3<sup>rd</sup> April 2022, ZYX Limited received a State Government grant of ₹ 150 lakhs for setting up a Manufacturing Unit in a notified backward area. A bank loan of ₹ 50 lakhs was also obtained on 1<sup>st</sup> April 2024. ZYX utilized the grant and loan as under:

Particulars	₹ in Lakhs	Out of Grant ₹ in Lakhs	Out of Loan ₹ in Lakhs
Construction of Factory building	100.00	60.00	30.00
Purchase of Machinery	50.00	40.00	20.00
Advance for purchases of loading vehicle	30.00	30.00	-
Working capital	20.00	20.00	-
	200.00	150.00	50.00

Construction of Factory Building and Installation of Machinery was completed on 31.03.2025. Delivery of loading vehicle was not received. Total interest charged by bank for the year ending 31.03.2025 was ₹ 5,50,000.

The State Government grant was credited to the Deferred Grant Account. Out of the Grant ₹ 30 lakhs used for the purchase of Machinery were refunded in March 2025, due to non-compliance with certain Government conditions. The estimated life of Machinery is 4 years with Nil residual value.

During the year 2024-2025, the Company also received a subsidy of ₹ 8 lakhs from the

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

Central Government for setting up a unit in notified backward area. This subsidy is in the nature of promoters' contribution.

During the year 2024-2025, the Company incurred ₹ 18 lakhs on publicity and research for a new consumer product, which was marketed in the same year but proved to be a failure.

Based on the information given in above Case Scenario, answer the following Question Nos. 1-6:

1. What is the amount of net borrowing cost to be capitalised?
  - a. ₹ 5,50,000
  - b. ₹ 3,30,000
  - c. ₹ 1,65,000
  - d. ₹ 2,75,000
  
2. In March 2025, what will be the amount of the deferred grant debited when the grant received of ₹ 30 lakhs is refunded?
  - a. ₹ 15 lakhs
  - b. ₹ 22.5 lakhs
  - c. ₹ 7.5 lakhs
  - d. ₹ 30 lakhs
  
3. The following options have been suggested by the accountant of ZYX Limited for the accounting treatment of the subsidy received in the nature of promoters' contribution during the year 2024-2025:
  - (i) It is not considered as a deferred income.
  - (ii) It is not distributable as a dividend.
  - (iii) It is treated as a capital reserve.
  - (iv) It is not distributable as a dividend but considered as deferred income.Considering the above, what is correct with reference to the subsidy received in the nature of promoters' contribution during the year 2024-2025?
  - (A) (i), (ii) and (iii)
  - (B) (iii) and (iv)
  - (C) (ii) and (iii)
  - (D) (i) and (ii)
  
4. As per AS-26 'Intangible Assets', what is the correct accounting treatment for ₹ 18 lakhs spent on publicity and research expenses during the year 2024-2025 ?
  - a. ₹ 18 lakhs is treated as an intangible asset and amortised equally over 5 years.
  - b. ₹ 18 lakhs is treated as an intangible asset and amortised equally over 10 years.
  - c. ₹ 18 lakhs is treated as goodwill and appears as an asset in the Balance Sheet.
  - d. ₹ 18 lakhs is charged as an expense in the Statement of Profit and Loss.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

5. KPK Limited is installing a new Plant at its production facility. It provides you the following information:

Cost of the Plant (Cost as per Supplier's Invoice)	₹ 45,00,000
Estimated Dismantling Costs to be incurred after 5 years	₹ 3,25,000
Initial Operating Losses before commercial production	₹ 4,00,000
Interest paid to Supplier of Plant for deferred credit	₹ 2,50,000
Initial Delivery and Handling Costs	₹ 1,85,000
Cost of Site Preparation	₹ 5,00,000
Consultants used for advice on the acquisition of the Plant	₹ 6,75,000

What will be cost that can be capitalized for Plant in accordance with AS 10 'Property, Plant & Equipment'?

- a. ₹ 62,60,000  
b. ₹ 61,85,000  
c. ₹ 68,35,000  
d. ₹ 58,60,000
6. The following data apply to SRS Limited's defined benefit pension plan for the year ended 31st March 2025:

Particulars	Amount (₹)
Fair market value of plan assets as on 01.04.24	10,00,000
Fair market value of plan assets as on 31.03.25	14,25,000
Employer Contribution	3,50,000
Benefits paid	2,50,000

What is the actual return on plan assets as per AS-15 'Employee Benefits'?

- a. ₹ 5,25,000  
b. ₹ 2,50,000  
c. ₹ 3,25,000  
d. ₹ 3,50,000

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

1.	B
2.	D
3.	A
4.	D
5.	B
6.	C

### **Case Scenario 50 - (Exam Sep'25)**

Quick Limited is in business of production of life saving medicines. It has sufficient cash funds available with it. It decided to buy back shares to the maximum permissible limit on 4<sup>th</sup> July 2025. On 1<sup>st</sup> July 2025, the company has the following Capital Structure:

	Particular	(₹ in lakhs)
I	Equity Share Capital (Shares of ₹ 100 each fully paid)	45.00
II	Reserve and Surplus	
	General Reserve	74.00
	Securities Premium Account	30.00
	Profit & Loss Account	25.00
	Revaluation Reserve	4.00
	Statutory Reserve	6.50
III	Loan Funds	350.00

Quick Limited is considering to reduce the Loan Fund amount to ₹ 300 Lakhs by paying the Loan Funds amounting to ₹ 50 Lakhs before 4<sup>th</sup> July 2025.

The current market value of the company's shares is ₹ 250 per share and to induce the existing shareholders to offer their shares for buy-back, it is decided to offer a price 20% over the market value.

Based on the information given in above Case Scenario, answer the following Question Nos. 1-5:

- 1. What is the maximum permissible number of Equity Shares that can be bought back if the Loan Fund is ₹ 350 Lakhs?**
  - a. 11250 Shares
  - b. 14500 Shares
  - c. Nil Shares

**ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)**

d. 6000 Shares

2. What is the maximum permissible number of Equity Shares that can be bought back if the Loan Fund is ₹300 Lakhs?
- a. 11250 Shares
  - b. 14500 Shares
  - c. Nil Shares
  - d. 6000 Shares
3. What will be the maximum number of shares that can be bought back as per Companies Act, 2013 according to the decision made on basis of above two questions?
- a. 11250 Shares
  - b. 14500 Shares
  - c. Nil Shares
  - d. 6000 Shares
4. What will be Equity Share Capital after buy-back?
- a. ₹ 33,75,000
  - b. ₹ 30,50,000
  - c. ₹ 45,00,000
  - d. ₹ 39,00,000
5. As per Rule 7 of the Companies (Declaration & Payment of Dividend) Rules, 2014, in the event of inadequacy or absence of profits in any year, a Company may declare dividend out of surplus subject to the fulfilment of the condition that total amount to be drawn from such accumulated profits shall not exceed \_\_as appearing in the latest audited financial statement.
- a. 1/10<sup>th</sup> of the total assets
  - b. 1/5<sup>th</sup> of the sum of its paid-up share capital
  - c. 1/10<sup>th</sup> of the sum of its paid-up share capital and free reserves
  - d. 1/5<sup>th</sup> of the sum of its paid-up share capital and free reserves.

1.	C
2.	D
3.	D
4.	D
5.	C

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

### Case Scenario 51 - (Exam Sep'25) (Jammu & Punjab)

A Limited, an Indian company listed on the National Stock Exchange, is engaged in various businesses. Its tourism business sells holiday packages to customers. The company negotiates upfront with the Airlines for purchase of tickets for a particular date and resells those tickets to customers. A Limited bears the loss for any unsold tickets. A Limited also assists the customers in resolving grievances with the services provided by the airlines. However, each airline is responsible for fulfilling obligations associated with the ticket including remedies to a customer for dissatisfaction with the service.

A Limited has been awarded a contract to construct a hospital for a fixed price of 400 lakhs. Transactions related to the contract include:

Purchase of Building Material - ₹ 160 lakhs

Material lying unused at site - ₹ 60 lakhs

Labour charges - ₹ 120 lakhs

Equipment used for 3 years for the contract. Original cost of the equipment is 200 lakhs. Expected useful life is 15 years.

It is estimated that further costs of 160 lakhs would be incurred to complete the contract.

A Limited acquired 10% stake in B Limited on 1<sup>st</sup> April, 2024 for ₹ 2,00,000 and further 15% stake on 1<sup>st</sup> October, 2024 for ₹ 3,10,000. The Net assets of B Limited stood at ₹ 17,00,000 and respectively ₹ 20,00,000 on 1 April, 2024 and 1 October, 2024

On 1<sup>st</sup> January, 2025, A Limited granted an interest free loan of ₹ 25,00,000 to B Limited.

Based on the information given in the above case scenario, answer the following 1.

#### Question No. 1-4:

1. What would be the amount of loss to be recognized by A Limited on the construction contract?
  - A) ₹ 80 lakhs
  - B) ₹ 20 lakhs
  - C) Nil
  - D) ₹ 40 lakhs
2. What would be the amount of Goodwill or Capital Reserve arising on the acquisition of significant influence in B Limited?
  - A) Goodwill ₹ 20,000
  - B) Goodwill ₹ 40,000
  - C) Capital Reserve ₹ 40,000
  - D) Goodwill ₹ 10,000
3. Is any specific disclosure required to be made in relation to interest free loan of ₹ 25,00,000 granted by A Limited to B Limited?

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- A) Yes, disclosure is required to be made as per AS 3, Cash Flow Statements.  
B) Yes, disclosure is required to be made as per AS 18, Related Party Disclosures.  
C) Yes, disclosure is required to be made as per AS 13, Accounting for Investments.  
D) No specific disclosure is required.
4. What would be the basis of revenue recognition for A Limited for its tourism business as per the requirements of Accounting Standards?
- A) Gross basis  
B) Gross basis  
C) Depends on the accounting policy of A Limited.  
D) Indian GAAP allows a choice to the company to recognize revenue on Gross basis or Net basis.

### Case Scenario 52 - (Exam Sep'25) (Jammu & Punjab)

The following is the Capital Structure of Mars Limited as on 31<sup>st</sup> March, 2025 :

SL. No.	Particulars	Amount ₹
(I)	Equity Share Capital (Face Value 10 per Share)	24,00,000
(ii)	Reserves :	
	General Reserve	21,60,000
	Securities Premium Reserve	8,00,000
	Statement of Profit and Loss	4,00,000
	Development Rebate Reserve	6,40,000
	Revaluation Reserve	2,00,000
(iii)	Loan Funds : 14% Debentures	55,00,000
	Unsecured Loan (due within one year ₹ 5,00,000/-)	9,00,000

The shareholders of Mars Limited on the recommendation of the Board of Directors have approved a proposal to buy-back the maximum permissible number of shares @R 30- per share.

Based on the information given in the above case scenario, answer the following Question No. 1-5:

1. What will be the minimum equity to be maintained by Mars Limited after the proposed buy-back of shares?
- A) ₹ 32,00,000  
B) ₹ 7,50,000  
C) ₹ 29,50,000  
D) ₹ 30,00,000

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

2. What will be the maximum number of shares that can be bought back by Mars Limited as per Section 68 of the Companies Act, 2013?
- A) 60,000 Shares
  - B) 48,000 Shares
  - C) 64,000 Shares
  - D) 55,000 Shares
3. If Mars Limited buys-back its own shares out of free reserves, a sum equal to the nominal value of the shares so bought back shall be transferred to:
- A) Revenue Redemption Reserve
  - B) Capital Reserve
  - C) Capital Redemption Reserve
  - D) Shares Buy-Back Reserve
4. Current maturity of Unsecured Loan as per Schedule I of the Companies Act, 2013 would be classified as:
- A) Current Liabilities
  - B) Short Term Borrowings
  - C) Long Term Borrowings
  - D) Other Current Liabilities
5. What will be the Future Equity Shareholders' Fund of Mars Limited as per the Debt Equity Ratio Test?
- A) ₹ 43,20,000
  - B) ₹ 51,20,000
  - C) ₹ 52,80,000
  - D) ₹ 51,60,000

### General MCQ's (Jammu & Punjab)

6. M Limited holds 60% shares of S Limited. S Limited holds 51% shares of T Limited. R Limited holds 49% shares of T Limited.

The related parties to be identified for the reporting entity T Limited would be:

- (A) R Limited
- (B) S Limited
- (C) R Limited and S Limited

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

(D) M Limited, R Limited and S Limited

7. S Limited is engaged in the manufacture of Lithium-ion batteries for electric cars. It has developed a new technology which would enhance the operating efficiency of batteries, It has capitalized the development expenditure of ₹ 75,00,000- for the same. It estimates the life of the technology developed to be 4 years. The net cash flows to be generated during these 4 years are estimated at ₹ 30,00,000, ₹ 40,00,000, ₹ 55,00,000 and ₹ 35,00,000 respectively.

What should be the amortization charge during the first year of the technology's life?

- (A) 25,78,125
- (B) 18,75,000
- (C) 16,40,625
- (D) 14,06,250

### Case Scenario 53 - (Exam Sep'25) (Jammu & Punjab)

A Limited had acquired an item of Property, Plant and Equipment on 1<sup>st</sup> April, 2022 for ₹ 48,000 lakhs. The following are the estimates of cash flows related to the said Property, Plant and Equipment on 31<sup>st</sup> March, 2025:

Year ended 31 <sup>st</sup> March	Cash Flows (Makhs)
2026	5,000
2027	7,000
2028	7,000
2029	9,000
2030	5,000

The discount rate is 10%

The Property, Plant and Equipment has a useful life of 8 years and its residual value at the end of 31<sup>st</sup> March, 2030 is ₹ 2000 lakhs. The Net Selling Price on 31<sup>st</sup> March, 2025 is ₹ 27,000 lakhs.

The Present Value of 1 discounted @ 10% at the end of Year 1 to Year 5 is given as under:

Year	1	2	3	4	5
P.V.	0.909	0.826	0.751	0.683	0.621

A Limited has 5 business segments. The Profit/loss of each of the segments for the year ended 31<sup>st</sup> March, 2025 is given below:

Segment	Profit/Loss
---------	-------------

**ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)**

	(₹ Lakhs)
<b>M</b>	390
<b>N</b>	750
<b>O</b>	(1,150)
<b>P</b>	(2,250)
<b>Q</b>	3,000
<b>Total</b>	<b>740</b>

A Limited has also provided you with the following information as on 31<sup>st</sup> March, 2025:

Particulars	Value
Net Profit (after Tax)	15,60,000
No. of shares outstanding as on 31 <sup>st</sup> March, 2025 (Face Value 10/- each)	8,00,000
Weighted Average No. of shares outstanding as on 31 <sup>st</sup> March, 2025 (Face Value 10/- each)	6,50,000
Average fair value of one equity share during 2024-25	25
Weighted Average No. of Shares under Option during 2024-25	80,000
Exercise price for Shares under Option during 2024-25	20
30,000 6 % Convertible Bonds of 100/- each (Each Bond is convertible into 4 Equity Shares)	30,00,000
Tax Rate	30 %

Based on the information given in the above case scenario, answer the following

Question No. 1- 4:

- What will be the Value in Use of Property, Plant and Equipment at the end of 31<sup>st</sup> March, 2025?**
  - ₹ 28,750 lakhs
  - ₹ 24,836 lakhs
  - ₹ 26,078 lakhs
  - ₹ 30,750 lakhs
- What will be the Impairment Loss to be recognized for the year ended 31<sup>st</sup> March, 2025**
  - ₹ 3,750 lakhs
  - ₹ 8,750 lakhs
  - ₹ 6,250 lakhs
  - ₹ 6,000 lakhs
- What will be the amount of Diluted Earnings per Share for the year ended 31<sup>st</sup> March,**

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)





2025? (rounded off to 2 decimal places)

- A) ₹ 2.40
- B) ₹ 2.15
- C) ₹ 2.34
- D) ₹ 2.25

4. Which of the following business segments would be identified as reportable segments on the basis of "Profitability Test" as per AS 17 ?

- (A) N, O, P and Q
- (B) O and P
- (C) M, N and Q
- (D) M, N, O, P and Q

**Also Refer before Exams:**

S.No.	Particulars	Scan these QRs
1	All Free Resources of Advanced Accounts Including: <ul style="list-style-type: none"> <li>• 151 Must Do Questions (PDF)</li> <li>• Summary Notes for Last Day Revision</li> <li>• Important Master Questions</li> </ul>	
2	Rapid Revision (RR) - 6.0	
3	Rapid Revision (RR) - 5.0	
4	3 Minutes Revision Shorts	
5	Marathon Playlist	
6	Revise Each AS in 10-20 Mints - Video Playlist	

**Jan'26 ATTEMPT**

**Case Scenario 54 - (MTP Jan'26)**

A company is engaged in refining, transportation, and marketing of petroleum products. During the financial year ended 31st March, 2025, it acquired a controlling interest in another public sector undertaking from the Government of India at ₹ 1,551 per share. The book value and market value of the shares as of 18th February, 2025, were ₹ 192.58 and ₹ 876 per share, respectively. The company paid a strategic premium of ₹ 675 per share due to various tangible and intangible factors.

The company classified the acquired shares as long-term strategic investments and accounted for them at cost, i.e., ₹ 1,551 per share, in its financial statements. No provision for diminution in value was made. However, Schedule III of the Companies Act, 2013, requires the aggregate market value of quoted shares to be disclosed, and this has been reflected.

On 28th March, 2025, the market price of the acquired shares was ₹ 880 per share. By 18th July, the price had dropped to ₹ 300. Management believes that the decline in value is not permanent, given the strategic and synergy benefits expected, and hence, no provision for diminution has been made.

Based on the information given in above Case Scenario, answer the following Question No. 1-4

1. **Is the accounting treatment of recording the investment 'at cost' without providing for diminution correct as per AS 13?**
  - (A) Yes, as the investment is classified as long-term.
  - (B) Yes, provided the decline in value is not other than temporary.
  - (C) No, the market value must always be considered for long-term investments.
  - (D) No, a provision for diminution must be made regardless of the cause of decline.
  
2. **How should the company assess whether the decline in market value is other than temporary?**
  - (A) Based solely on the market price on the balance sheet date.
  - (B) Based on a comparison of the market price with the book value of the shares.
  - (C) By considering all relevant factors, such as the financial health of the investee and expected benefits.
  
3. **If a provision for diminution in value is required, how should it be treated in the financial statements?**
  - (A) As a charge to the profit and loss account.
  - (B) As deferred expenditure amortized over five years.
  - (C) Directly adjusted against the investment account.
  - (D) As a disclosure note without impacting the financial statements.
  
4. **Can the premium paid for strategic benefits be accounted for separately from the cost of investment?**
  - (A) Yes, it should be recorded as a separate intangible asset.

## ADVANCED ACCOUNTS (MCQs Compilation from RTPs/MTPs/PYQs)

- (B) Yes, it can be disclosed as goodwill in the balance sheet.
- (C) No, it must be included in the cost of investment as per AS 13.
- (D) No, it must be expensed immediately in the profit and loss account.

1	b
2	c
3	a
4	c

### General MCQ (MTP & RTP Jan'26)

1. 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?
  - (A) Q Ltd.
  - (B) R Ltd.
  - (C) Q Ltd. and R Ltd.
  - (D) Neither of Q Ltd. or R Ltd.
  
2. A Machinery was given 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
  
3. A dealer in machinery, Shakti Equipments Pvt. Ltd., leased out one of its machines to Delta Tools Ltd. on a 3-year operating lease. The machine was given on equal annual lease rentals, and the dealer intended to earn a 20% profit margin on the cost of the

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machinery.

The cost of the machinery to the dealer was ₹ 3,00,000. The economic life of the machinery is estimated at 5 years, and the total expected output over its useful life is given below:

Year	Estimated Output (units)
I	50,000
II	60,000
III	40,000
IV	65,000
V	85,000

Under the lease agreement, Delta Tools Ltd. will use the machine for 3 years (Years I-III) and then return it to Shakti Equipments Pvt. Ltd. The dealer recognizes revenue as per AS 9 Revenue Recognition, since the transaction represents revenue from services rendered in the form of lease rentals.

You are required to compute the amount of annual lease rent that will provide the dealer with a 20% profit margin on cost.




- a) ₹ 30,000
- b) ₹ 60,000
- c) ₹ 50,000
- d) ₹ 36,000

1	c
2	b
3	b



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