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**PART – I**  
**(MCQ Portion)**

**30 Marks**

- *Answers to MCQs are to be marked on the OMR answer sheet as given on the cover page of the descriptive answer book only. Answer to MCQs, if written inside the descriptive answer book shall not be evaluated.*
- *Please write and darken correct MCQ booklet number in the OMR answer sheet. The correct MCQ booklet number must also be written in the attendance register.*

**Case Scenario-I :**

Unicorn Limited is engaged in manufacturing of building material. The company has manufacturing plants at Bhopal (MP) and Nashik (Maharashtra). The company prepares the financial statements by following financial year 1<sup>st</sup> April to 31<sup>st</sup> March.

The company took a loan of ₹ 60 Lakhs carrying interest @ 10% p.a. on 1<sup>st</sup> August, 2025 to purchase raw material. On the same day, the company purchased 40,000 units of raw material @ ₹ 125 per unit. For each unit of finished goods 2 units of raw material is required. On 31<sup>st</sup> March, 2026 the company provides you the following information :

- 10,000 units of finished goods were produced.
- Net realizable value of finished goods is ₹ 300 per unit.
- Net replacement value of raw material was ₹ 100 per unit.
- Labour charges and variable overheads incurred are ₹ 10,00,000 to produce 10,000 units of finished goods.
- All the finished goods produced were lying in the stock as on 31<sup>st</sup> March, 2026.
- There was no opening stock of raw material and finished stock.



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Unicorn Limited used 15,000 units of raw material to construct an asset (Qualifying Asset). Labour and other overhead charges incurred on construction of asset are ₹ 9,00,000. The company also paid ₹ 1,50,000 to install the asset at factory premises.

Unicorn Limited used Balance of loan proceeds of ₹ 10,00,000 to invest in Equity shares of Royal Limited. The company purchased 90,000 equity shares (Face value ₹ 10 each) for ₹ 10,00,000 on 25<sup>th</sup> March, 2026. Royal Limited declared and paid dividend @ 20% on 30<sup>th</sup> March 2026 for the year 2024-25.

A fraud of ₹ 2,80,000 done by the cashier of Unicorn Limited in January, 2026 was detected in April, 2026. The financial statements for the year ended 31<sup>st</sup> March, 2026 were approved by the Board of Directors of the company on 1<sup>st</sup> May, 2026.

Based on the information given in the above case scenario, answer the following questions from 1 to 4 :

1. How the loss due to fraud by cashier will be recognized in the books of Unicorn Limited ? 2
  - (A) Loss of ₹ 2,80,000 should be recognized in the Profit and Loss account for the year ended 31<sup>st</sup> March, 2026.
  - (B) Loss of ₹ 2,80,000 should be recognized in the Profit and Loss account for the year ended 31<sup>st</sup> March, 2027.
  - (C) Loss of ₹ 1,40,000 should be recognized in the Profit and Loss account for the year ended 31<sup>st</sup> March, 2026.
  - (D) Loss of ₹ 2,10,000 should be recognized in the Profit and Loss account for the year ended 31<sup>st</sup> March, 2026 and balance loss of ₹ 70,000 should be recognized in the Profit and Loss account for the year ended 31<sup>st</sup> March, 2027.

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2. What would be the value of closing stock of Raw Material and Finished goods as on 31<sup>st</sup> March, 2026 ?

2

- (A) The value of Closing Stock of Raw Material would be ₹ 5,00,000 and the value of Finished goods would be ₹ 30,00,000.
- (B) The value of Closing Stock of Raw Material would be ₹ 5,00,000 and the value of Finished goods would be ₹ 35,00,000.
- (C) The value of Closing Stock of Raw Material would be ₹ 6,25,000 and the value of Finished goods would be ₹ 30,00,000.
- (D) The value of Closing Stock of Raw Material would be ₹ 6,25,000 and the value of Finished goods would be ₹ 35,00,000.

3. What would be the Cost of Self Constructed Asset as per AS 10 ?

2

- (A) ₹ 27,75,000
- (B) ₹ 29,25,000
- (C) ₹ 30,50,000
- (D) ₹ 29,00,000

4. What will be the carrying amount of investment as on 31<sup>st</sup> March, 2026 as per AS 13 and the treatment of dividend received from Royal Limited ?

2

- (A) Carrying amount of investment as on 31<sup>st</sup> March, 2026 will be ₹ 9,00,000 and dividend received from Royal Limited will be credited to Profit and Loss account.
- (B) Carrying amount of investment as on 31<sup>st</sup> March, 2026 will be ₹ 7,20,000 and dividend received from Royal Limited will be deducted from the nominal value of investment.

- (C) Carrying amount of investment as on 31<sup>st</sup> March, 2026 will be ₹ 10,00,000 and dividend received from Royal Limited will be credited to Profit and Loss account.
- (D) Carrying amount of investment as on 31<sup>st</sup> March, 2026 will be ₹ 8,20,000 and dividend received from Royal Limited will be deducted from the cost of the investment.

5. Volt Tech Limited is engaged in the business of manufacturing electric Vehicle (EV) batteries. Accountant of Volt Tech Limited showed Profit Before Tax (PBT) of ₹ 14,00,000 for the third quarter ending 31<sup>st</sup> December, 2025 after incorporating the following :

- (i) During the quarter sales promotion expenses were ₹ 50,000. 80% of these sales promotion expenses has been deferred to the fourth quarter as the sales in last quarter is high.
- (ii) Sale of investments in the first quarter resulted in a gain of ₹ 1,60,000. The company had apportioned this equally to the four quarters.
- (iii) Additional depreciation of ₹ 80,000 resulting from the change in the method of depreciation. The entire amount has been debited in the third quarter, though the share of the third quarter is only ₹ 20,000.

What amount should be reported as adjusted Profit Before Tax for third quarter ?

- (A) ₹ 13,80,000
- (B) ₹ 13,20,000
- (C) ₹ 14,60,000
- (D) ₹ 13,60,000

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**Case Scenario-II :**Softline Limited gives you the following balance sheet as at 31<sup>st</sup> March, 2025 :

	Particulars	Notes	Amount ₹
	<b>Equity and Liabilities :</b>		
	<b>Shareholders fund :</b>		
	Share Capital	1	30,00,000
	Reserve and Surplus	2	4,00,000
	<b>Current Liabilities :</b>		
	Trade Payables		5,00,000
	Other Current Liabilities		1,00,000
	<b>Total</b>		<b>40,00,000</b>
	<b>Assets :</b>		
	<b>Non-current Assets :</b>		
A	Property, plant and equipment		23,00,000
B	Intangible assets (Goodwill)		8,00,000
	<b>Current Assets :</b>		
A	Inventories		5,00,000
B	Trade Receivables		2,00,000
C	Cash and Cash Equivalents		2,00,000
	<b>Total</b>		<b>40,00,000</b>

## Notes to accounts :

		31 <sup>st</sup> March, 2025
		₹
1	Share Capital	
	2,00,000 Equity Shares of ₹ 10 each fully paid up	20,00,000
	9% Redeemable Preference Shares of ₹ 100 each	10,00,000
2	Reserves and Surplus	
	General Reserve	11,00,000
	Profit and Loss Account (Dr. Balance)	(7,00,000)

Softline Limited had been facing financial difficulties due to past operational inefficiencies, leading to an accumulated debit balance in its Profit and Loss account. It was decided to reconstruct the company for which necessary special resolution was passed in general meeting and approval were obtained from appropriate authorities including NCLT and notify creditors.

The following reconstruction scheme was approved and to be executed on 1<sup>st</sup> April, 2025 :

- (i) The equity shares were reduced from ₹ 10 to ₹ 6 per share, fully paid up.
- (ii) All the 9% redeemable preference share were reduced to ₹ 70 fully paid up.
- (iii) The balance created in Capital Reduction account was utilized to completely write off the accumulated debit balance of Profit and Loss account, and remaining balance was used to write off goodwill.

Following the reconstruction, the company revamped its business model and provide you with the following information as on 31<sup>st</sup> March, 2026 :

- (1) Profit Before Tax (PBT) for the year 2025-26 was ₹ 12,00,000.
- (2) This profit was arrived after charging depreciation of ₹ 2,00,000 on PPE.
- (3) During the year, trade receivables increased by ₹ 1,00,000 but inventories, trade payables and other liabilities remained unchanged.
- (4) The company paid Income tax amounting to ₹ 3,00,000 during the year.

With sufficient liquidity and a healthy General reserve supplemented by current year profits, the Board of Directors passed the following resolution on 1<sup>st</sup> April, 2026 which was fully executed on the same day.

- i. Redeem the entire outstanding 9% Redeemable Preference Shares at a premium of 5%.
- ii. Offer buy back of 40,000 Equity shares at a price of ₹ 9 per share. Both the redemption and buy back carried out entirely out of free reserves (General reserve and Current year Profit).

Based on the information given in the above case scenario, answer the following questions from 6 to 9 :

6. What will be the balance of Cash and Cash equivalent for Softline Limited after completing all operations, redemption of preference shares and buy-back of equity shares ?
  - (A) ₹ 2,00,000
  - (B) ₹ 1,05,000
  - (C) Zero Balance
  - (D) ₹ 3,60,000

7. After executing the scheme of reconstruction on 1<sup>st</sup> April, 2025, what will be the remaining carrying amount of goodwill in the Balance Sheet ? 2
- (A) ₹ 8,00,000  
(B) ₹ 5,00,000  
(C) ₹ 4,00,000  
(D) Nil
8. What is the Net Cash Flow from Operating Activities for the financial year ended 31<sup>st</sup> March, 2026 ? 2
- (A) ₹ 14,00,000  
(B) ₹ 12,00,000  
(C) ₹ 13,00,000  
(D) ₹ 10,00,000
9. As per the provisions of the Companies Act, what is the total amount that Softline Limited must transfer to the Capital Redemption Reserve (CRR) out of free reserves immediately after the redemption and buy-back ? 2
- (A) ₹ 10,40,000  
(B) ₹ 9,40,000  
(C) ₹ 10,00,000  
(D) ₹ 8,40,000
10. Amalgamation adjustment reserve is opened in the books of the amalgamated company to incorporate – 2
- (A) Non-Statutory reserves of the amalgamating company  
(B) Non-current assets of the amalgamating company  
(C) Statutory reserves of the amalgamating company  
(D) General reserves of the amalgamating company

**Case Scenario-III :**

RoadBuilders Corp. is a publicly traded infrastructure and commercial real estate development company specializing in the construction and operation of major over bridges, integrated service complexes and large scale commercial properties including shopping malls. They follow financial year from 1<sup>st</sup> April to 31<sup>st</sup> March.

On 1<sup>st</sup> April, 2025, Roadbuilders Corp. undertook the following major transactions :

1. The company acquired 200 acres of land at a cost of ₹ 35,000 per acre to establish a new central equipment yard and fabrication facility.
2. The company purchased a machinery costing ₹ 320 Lakhs for a construction project in backward area. The company immediately received a government grant of ₹ 80 Lakhs related to this purchase. The company's policy is to recognize the grant as a deduction from cost of the asset. The estimated useful life of the asset 10 years, with an estimated salvage value of ₹ 6 Lakhs. The company uses the straight line method for depreciation.

Roadbuilders Corp. acquired equity stakes in GeoSurvey Limited, a specialized topographical surveying firm, on two dates :

- On 1<sup>st</sup> April, 2025 : Acquired 10% stake for ₹ 40,00,000
- 1<sup>st</sup> October, 2025 : Acquired a further 15% stake for ₹ 58,00,000 reaching a total holding of 25% and gain significant influence.

The net assets of GeoSurvey Ltd. (Book Value) were as follows :

Date	Net Assets ₹
On 1 <sup>st</sup> April, 2025	3,40,00,000
1 <sup>st</sup> October, 2025	4,00,00,000

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On 1<sup>st</sup> April, 2025 Roadbuilders Corp. undertook a contract to construct an underpass. The following details are available from the records kept for the year ended 31<sup>st</sup> March, 2026.

	₹
Total Contract Price	1,02,00,000
Cost Incurred till 31 <sup>st</sup> March, 2026	77,98,800
Prudent estimate of additional cost for completion	38,41,200

Roadbuilders Corp. is currently developing a huge shopping mall with all the amenities including multiplex theatre. The mall is expected to be completed by the end of March, 2026. The inauguration of the mall is planned on 1<sup>st</sup> April, 2026.

However, the construction of Multiplex theatre within the mall complex was completed earlier, on 1<sup>st</sup> February, 2026. The company decided to have a 'soft' opening of the theatre to the public. During this soft opening :

- Tickets are sold at a discount of 50%.
- The theatre operates at 70% capacity.
- Management claims that the soft opening of the theatre is a trial run necessary to check the operational capability and system integration for the entire mall complex.

Based on the information given in the above case scenario, answer the following questions from 11 to 14 as per relevant accounting standards :

11. Which of the following treatment is most appropriate for recording net operating costs/revenue of the Multiplex theatre for the period 1<sup>st</sup> February, 2026 to 31<sup>st</sup> March, 2026 ? 2
- (A) Net operating costs/revenue should not be capitalized but should be recognized in the statement of profit and loss account.
- (B) Net operating costs/revenue should be capitalized as the entire shopping Mall complex has not officially started functioning.
- (C) 70% of net operating cost /revenue should be capitalized.
- (D) 30% of net operating cost /revenue should be capitalized.
12. The amount of annual depreciation to be charged as an expense in the profit and loss account for the year 2025-26 for the machinery purchased for the construction project in backward area will be 2
- (A) ₹ 12 Lakhs
- (B) ₹ 31.4 Lakhs
- (C) ₹ 24 Lakhs
- (D) ₹ 23.4 Lakhs
13. What is the amount of goodwill or capital reserve arising when RoadBuilders Corp. achieves significant influence in GeoSurvey Limited ? 2
- (A) Goodwill ₹ 8,00,000
- (B) Goodwill ₹ 4,00,000
- (C) Capital Reserve ₹ 4,00,000
- (D) Capital Reserve ₹ 8,00,000

14. What amount should be recognized as revenue for the contract to construct underpass for the year ended 31<sup>st</sup> March, 2026 as per the provisions of Accounting Standard 7 (Revised) ?

2

(A) ₹ 68,34,000

(B) ₹ 77,98,800

(C) ₹ 9,64,800

(D) Revenue will be recognized only on completion of the contract.

15. On 1<sup>st</sup> April, 2025 Zed Limited had 5,00,000 equity shares of ₹ 10 each (₹ 5 paid up) and 45,000 10% Preference shares of ₹ 100 each fully paid up. On 1<sup>st</sup> July, 2025 the remaining ₹ 5 was called up on equity shareholders and paid by all shareholders except one shareholder having 30,000 shares. The net profit for the year ended 31<sup>st</sup> March, 2026 was ₹ 23,25,500 before considering dividend on preference shares of ₹ 4,50,000. What will be the basic Earnings Per Share for the year ended 31<sup>st</sup> March, 2026, as per Accounting Standard 20 "Earnings per share" ?

2

(A) ₹ 4.00 per share

(B) ₹ 3.75 per share

(C) ₹ 4.40 per share

(D) ₹ 4.51 per share

## PART – II

70 Marks

## (Descriptive Portion)

(Candidates are required to give descriptive answers for this part inside the answer book)

1. *Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.*
2. *Working notes should form part of the answer.*
3. *Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.*
4. *Candidates are required to write the question number legibly.*

1. (a) Mr. A has joined a company XYZ Ltd. on 1<sup>st</sup> April, 2025. The terms of his appointment was as follows; 5

(i) Mr. A will get ₹ 18,62,764 as annual emoluments.

(ii) The salary of Mr. A is expected to grow @ 10% per annum.

The company also has a policy of giving lump sum payment of 30% of the last drawn annual salary of the employee for each completed year of service if the employee retires after completing minimum 5 years of service.

Since the company has inducted Mr. A in the beginning of the year and it is expected that he will complete the minimum five-year term before retiring. Thus, he will get 5 yearly increments.

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You are required to :

- (i) Compute the amount that should be charged by XYZ Limited in its Profit & Loss account every year as cost for the Defined Benefit Obligation.
- (ii) Calculate the current service cost and the interest cost to be charged per year assuming the discount rate is 8% p.a.

(P.V. factor for 8% - 0.735, 0.794, 0.857, 0.926, 1)

- (b) On 1<sup>st</sup> April, 2022, Sky Limited purchased a machinery for ₹ 7,35,000 (inclusive of GST @ 5%). Input credit is available for entire amount of GST paid. The company incurred the following other expenses for installation :

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	₹
Cost of preparation of site for installation	16,500
Total Labour charges (200 out of the total 500 men hours worked, were spent on installation of the machinery)	75,000
Total salary of supervisor (Time spent for installation was 25% of the total time worked)	34,000
Interest charges paid to supplier of machinery for deferred credit	8,000
Test run and experimental production expenses	28,200
Consultancy charges to architect for plant set up	18,800
Depreciation on assets used for installation	8,000

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The machine was ready for use on October 1, 2022 but was put to use from February 1, 2023. Due to this delay further expenses of ₹ 10,800 were incurred. The estimated useful life of machine is 10 years. The machine is depreciated on straight line basis and does not carry any residual value.

On September 30, 2025, the company has revalued the machine at ₹ 7 lakhs and the surplus arising out of the revaluation being credited to revaluation reserve. For the year ended March 31, 2026, conditions indicating an impairment of the machine existed and the amount recoverable ascertained to be only ₹ 3 Lakhs.

You are required to :

- (i) Calculate the value at which the machine should be capitalized and the amount of depreciation to be charged for the year ending March 31, 2023 in the books of Sky Limited.
- (ii) Calculate the loss on impairment of the machine and show how this loss is to be treated in the books of Sky Limited. The company had followed the policy of writing down the revaluation surplus by the increased charge of depreciation resulting from the revaluation.

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2. Following is the trial balance of Vinayak Ltd. as on 31<sup>st</sup> March 2026 :

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	Dr. ₹ '000	Cr. ₹ '000
Equity share capital (shares of ₹ 100 each)		7,500
General Reserve		2,250
P&L A/c (on 1-04-2025)		1,125
Securities premium		600
10% Debentures		4,500
Calls in arrear	75	
Plant and machinery at cost • @ 10%	12,360	
Land at cost	12,000	
Cash in hand • P&M	30	
Cash at Bank sch. Unsch 0.75	420	
Sales		18,000
Trade payables		450
Trade receivables > 6m < 6m	1,800	
Inventories (31-03-2026)	1,440	
Purchases	6,000	
Provision for Depreciation		2,250
Debenture interest	450	
Factory expenses	1,200	
Administrative expenses	675	
Selling expenses	375	
Suspense account		150
<b>Total</b>	<b>36,825</b>	<b>36,825</b>

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**Additional information :**

- (a) The authorized share capital of the company is 1,20,000 shares of ₹ 100 each.
- (b) The company revalued the land at ₹ 1,44,00,000.
- (c) Equity share capital includes shares of ₹ 7,50,000 issued for consideration other than cash.
- (d) Suspense account of ₹ 1,50,000 represents cash received from the sale of some of machinery on 1<sup>st</sup> April, 2025. The cost of the machinery was ₹ 3,60,000 and the accumulated depreciation thereon being ₹ 3,00,000. The balance of Plant and Machinery given in the trial balance is before adjustment of sale of machinery.
- (e) Depreciation is to be provided on plant and machinery at 10% p.a. on cost.
- (f) Balance at bank includes ₹ 75,000 with XYZ Bank Ltd., which is not a Scheduled Bank.
- (g) Make provision for income tax @ 40%
- (h) Trade receivables of ₹ 7,50,000 are due for more than six months.

On the basis of the above information, you are required to prepare Vinayaka Ltd.'s Balance Sheet as on 31<sup>st</sup> March, 2026 and Statement of Profit and Loss with notes to accounts for the year ended 31<sup>st</sup> March, 2026 as per Schedule III (ignore previous year's figures).

3. (a) Maharishi Ltd. gives you the following information for the year ended 31<sup>st</sup> March, 2026 :

OP (i) The company sells goods for cash only. Cost of goods sold was 60% of sales. Closing inventory was higher than opening inventory by ₹ 34,400. Trade payables on 31<sup>st</sup> March, 2026 exceed the balance of trade payables on 31<sup>st</sup> March, 2025 by ₹ 18,400.

OP (ii) Net profit before taxation was ₹ 11,04,000. Tax paid amounted to ₹ 5,60,000. Depreciation on fixed assets for the year was ₹ 2,52,000. Outstanding expenses on 31<sup>st</sup> March, 2025 and 31<sup>st</sup> March, 2026 totalled ₹ 65,600 and ₹ 72,800 respectively.

Inv. (iii) New machinery costing ₹ 8,22,000 was purchased during the year 2025-26.

Fin. (iv) Issued Bonds of ₹ 5,00,000 at face value in an exchange for plant assets on 30<sup>th</sup> March, 2026.

Fin. (v) A right issue was made of 40,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The entire money was received with application.

Inv. (vi) Investment costing ₹ 1,20,000 were sold at a profit of ₹ 20,000.

OP (vii) Dividends paid during the year ₹ 3,31,200.

OP (viii) Cash and cash Equivalents on 31<sup>st</sup> March, 2025 ₹ 1,71,040.

You are required to prepare a statement of cash flows as per AS-3 (Revised), using indirect method and ascertain the closing balance of cash and cash equivalent on 31<sup>st</sup> March, 2026.

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(b) Given below is the Balance Sheet of ABC Ltd. as at March 31, 2026 :

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	Particulars	Notes	₹
	<b>Equity and Liabilities :</b>		
1	<b>Shareholders' fund</b>		
A	Share Capital	1	18,50,000
B	Reserve and Surplus	2	(6,53,000)
2	<b>Non-Current Liabilities</b>		
A	Long-term borrowings	3	6,78,000
3	<b>Current Liabilities</b>		
A	Trade Payables		3,57,000
B	Other Current Liabilities	4	85,000
	<b>Total</b>		<b>23,17,000</b>
	<b>Assets :</b>		
1	<b>Non-current Assets</b>		
A	Property, plant and equipment	5	9,78,000
B	Intangible assets	6	4,50,000
2	<b>Current Assets</b>		
A	Inventories		5,39,000
B	Trade Receivables		3,50,000
	<b>Total</b>		<b>23,17,000</b>

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## Notes to accounts :

		₹
1	<b>Share Capital</b>	
	<u>Equity Share Capital</u>	
	21,000 Equity Shares of ₹ 50 each	10,50,000
	<u>Preference Share Capital</u>	
	16,000, 8% Cumulative Preference Shares of ₹ 50 each	8,00,000
	(Preference dividend is in arrears for 3 years)	
	Total	18,50,000
2	<b>Reserve and Surplus</b>	
	Debit balance of Profit and Loss Account	(6,53,000)
3	<b>Long-term borrowings</b>	
	6% Debentures	6,78,000
4	<b>Other current liabilities</b>	
	Interest payable on debentures	40,680
	Outstanding wages & salaries	44,320
	Total	85,000
5	<b>Property, plant and equipment</b>	
	Building at cost less depreciation	5,00,000
	Plant and machinery at cost less depreciation	4,78,000
	Total	9,78,000
6	<b>Intangible Assets</b>	
	Goodwill	1,25,000
	Trademarks	3,25,000
	Total	4,50,000

Since the company was not earning profits, it was decided to reconstruct the company for which necessary resolution was passed and sanctions were obtained from appropriate authorities.

A summary of the reconstruction scheme is as follows :

- (i) The equity shareholders have agreed that their ₹ 50 shares should be reduced to ₹ 10 by cancellation of ₹ 40 per share. They have also agreed to subscribe for three new equity shares of ₹ 10 each for each equity share held.
- (ii) The preference shareholders have agreed to waive off the arrear of dividends. They also agreed to accept for each ₹ 50 share, 4 new 5% preference shares of ₹ 10 each fully paid up, plus one new equity share of ₹ 10 each fully paid up.
- (iii) The debenture holders accepted the inventories at an agreed figure of ₹ 5,20,000 and ₹ 1,48,680 in cash and forego the remaining amount due to them.
- (iv) Building is to be revalued at ₹ 6,50,000.
- (v) A contingent liability for which no provision had been made was settled at ₹ 10,800 and of this amount, ₹ 4,800 was recovered from insurance.
- (vi) The debit balance of Profit and Loss account is to be written off.
- (vii) Any balance remaining is first used to write down the value of goodwill and then applied to trademarks.

You are required to pass necessary journal entries to record the above reconstruction in the books of ABC Limited.

4. Blue Limited and Green Limited had been carrying on business independently. They agreed to amalgamate and form a new company BG Ltd. with an authorized share capital of ₹ 12,00,000 divided into 2,40,000 equity shares of ₹ 5 each. On 31<sup>st</sup> March, 2026 the Balance sheets of both the companies were as follows :

Particulars	Blue Ltd.	Green Ltd.
<b>I. Equity and Liabilities :</b>		
<b>(a) Shareholder's Fund</b>		
(i) Share capital	10,95,000	10,57,500
<b>(b) Current liabilities</b>		
(i) Trade Payables	3,50,000	2,25,000
(ii) Short term borrowings	14,41,000	3,15,750
	<b>28,86,000</b>	<b>15,98,250</b>
<b>II. Assets :</b>		
<b>(a) Non-current assets</b>		
(i) Property, plant and equipment	19,05,000	10,95,000
<b>(b) Current assets</b>		
(i) Inventories	8,56,000	3,53,250
(ii) Trade receivables	1,25,000	1,50,000
	<b>28,86,000</b>	<b>15,98,250</b>

**Additional Information :**

(a) Details of trade receivables and trade payables is given as under :

	<b>Blue Limited</b>	<b>Green Limited</b>
(i) Trade Payables		
Bills Payables	1,00,000	—
Trade Creditors	2,50,000	2,25,000
	<b>3,50,000</b>	<b>2,25,000</b>
(ii) Trade receivables		
Bills receivables	—	50,000
Trade Debtors	1,25,000	1,00,000
	<b>1,25,000</b>	<b>1,50,000</b>

(b) Revalued figures of non-current and current assets as on 31<sup>st</sup> March, 2026 were as follows :

	<b>Blue (₹)</b>	<b>Green (₹)</b>
Property, Plant and Equipment	21,30,000	11,70,000
Inventories	7,73,500	3,23,250

- (c) The trade debtors and trade creditors include ₹ 75,000 owed by Blue Limited to Green Limited.
- (d) All the bills receivables held by Green Limited were Blue Limited's acceptances.

(e) The purchase consideration is satisfied by issue of the following shares and debentures :

- (i) 1,80,000 equity shares of ₹ 5 each in BG Ltd. to Blue Limited and Green Limited in the proportion to the profitability of their respective business based on the average net profit of previous three years which were as follows :

	Blue (₹)	Green (₹)
2022-23 Profit	13,48,700	8,21,700
2023-24 (Loss) / Profit	(7,500)	10,26,300
2024-25 Profit	11,33,800	10,77,000

- (ii) 15% debenture in BG Ltd. at par to provide an income equivalent to 8% return on capital employed in their respective business as on 31<sup>st</sup> March, 2026 after revaluation of assets.

You are required to :

- (A) Compute the number of debentures and shares to be issued to Blue Limited and Green Limited.
- (B) A Balance Sheet of BG Ltd. as at 31<sup>st</sup> March, 2026 showing the position immediately after amalgamation.

5. (a) Glamour Ltd. and its subsidiary Fashion Ltd. has provided you the following information for the year ended 31<sup>st</sup> March, 2026 : 10

Particulars	Glamour Ltd.	Fashion Ltd.
	₹ in '000	₹ in '000
Equity share capital	1,000	750
Sales and other operating revenue • •	4,500	2,800
Inventory as on 1.04.2025	545	390
Inventory as on 31.03.2026 • •	750	615
Dividend income •	125	80
Raw materials consumed	1,550	940
Production expenses	710	680
Administrative expenses •	314	129
Selling & Distribution expenses • •	285	230
Interest expenses	150	95
Depreciation	70	45
Wages & salaries	880	740
Loss on sale of investment	—	35
Other non-operating income	74	22

**Other information :**

- (i) On 1<sup>st</sup> April, 2024 Glamour Ltd. acquired 6,000 equity shares of ₹ 100 each fully paid up in Fashion Ltd.
- (ii) Fashion Ltd. paid a dividend of 12% <sup>72</sup> for the year ended 31<sup>st</sup> March, 2025, the same was correctly accounted for by Glamour Ltd.

- (iii) Glamour Ltd. purchased goods worth ₹ 5,00,000 (Invoice Price) from Fashion Ltd. at a profit of 25% on cost. 50% of these goods are still in stock of Glamour Ltd.
- (iv) Selling & Distribution expenses of Fashion Ltd. includes ₹ 45,000 paid to Glamour Ltd. as brokerage fees.
- (v) Administrative expenses of Glamour Ltd. include ₹ 65,000 paid to Fashion Ltd. as consultancy fees.
- (vi) Consultancy fees and brokerage fee is to be considered as operating revenues.

You are required to prepare consolidated Profit and Loss Account of Glamour Ltd. and its subsidiary Fashion Ltd. for the year ended 31<sup>st</sup> March, 2026 as per Schedule III of the Companies Act, 2013.

- (b) Oasis Limited runs a famous chain of super markets and restaurants. Restaurant division constitutes 35% of total group revenue. 4

The management of the company decides to close the business of restaurants as the company has been experiencing declining profitability due to increased competition. On 1<sup>st</sup> April, 2025, the management announced its intention to discontinue the restaurant business and concentrate on Super market segment only. The decision was made through strategic review and the management started actively seeking buyers for the restaurant division. During the year 2025-26, the company has sold 5 restaurants out of 12 restaurants so far as part of the sale.

Comment, whether it will be considered as discontinuing operation or not as per the provisions of AS-24 ?

6. (a) Explain the key aspects which required the need for convergence towards global standards of financial reporting. 4

OR

- (a) ABC Ltd. borrowed 10,000 US \$ in foreign currency on 1<sup>st</sup> April, 2025 at 6% p.a. annual interest and acquired a depreciable asset. The exchange rates are as under : 4

Date	Rate per US \$
01-04-2025	85.00
31-03-2026	90.00

(Assume interest accrued on 31<sup>st</sup> March, 2026 is paid on the same date.)

You are required to :

- (i) Pass the journal entries in case option under Para 46 A of AS 11 is availed by the company.
  - (ii) Explain the difference in treatment of exchange difference if Para 46 A of AS 11 is not availed.
  - (iii) Would your answer be different regarding treatment of exchange difference if the loan was taken to finance the operations of the entity, not to procure a depreciable asset and option under Para 46 A of AS 11 is availed by the company ?
- (b) The accountant of Moon Limited provides you the following information : 4
- (i) Provision for doubtful debts was created @ 3% till 31<sup>st</sup> March, 2025. From the Financial Year 2025-26, the rate of provision has been changed to 5%.
  - (ii) During the year ended 31<sup>st</sup> March, 2026 the management has introduced a formal gratuity scheme in place of ad-hoc ex-gratia payments to employees on retirement.

- (iii) During the year 2025-26, there was change in cost formula in measuring the cost of inventories.
- (iv) Management of Moon Limited 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 ₹ 25,000 per month. Earlier there was no such scheme of pension in the organization.

You are required to advise the accountant of Moon Limited, with valid reasons, whether the above transactions would be treated as change in accounting policy or not, for the year ended 31<sup>st</sup> March, 2026 in the context of AS 5.

- (c) (i) Why goods are marked on invoice price by the head office while sending goods to the branch ?
- (ii) Rama Ltd. has a branch at Delhi, that closes its books of accounts every year on 31<sup>st</sup> March. This is an independent branch, which maintains comprehensive books of accounts for recording their transactions. You are required to show Journal Entries in the books of branch on 31<sup>st</sup> March, 2026 to rectify or adjust the following :
- (A) Head Office allocates ₹ 2,70,000 to the Branch as Head Office Expenses, which have not yet been recorded by Branch.
- (B) Depreciation of Branch Fixed Assets, whose accounts are kept by Head Office in its books, not yet recorded in the Branch Books ₹ 2,30,000.

- (C) Branch paid ₹ 2,80,000 as salary to a Head Office manager the amount paid has been debited by the branch to its Salaries A/c.
- (D) Head Office collected ₹ 2,60,000 directly from a Branch Customer on behalf of the Branch. The intimation of the fact has been received by the branch only now. It is not recorded in the branch books till now.
- (E) A remittance of ₹ 3,00,000 sent by the Branch has not yet been received by Head Office.
- (F) The Branch incurred Advertisement Expenses of ₹ 60,000 on behalf of another Branch.
- (G) Goods worth ₹ 1,50,000 dispatched by the head office, but the branch has received the goods worth ₹ 1,10,000 till date of reconciliation. Rest goods have been received subsequently by the branch.
- (H) Goods worth ₹ 25,000 returned by the branch to head office yet not received by the head office.
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