

GENERAL INSTRUCTIONS TO CANDIDATES



- The question paper comprises two parts, Part I and Part II.
- Part I comprises Multiple Choice Questions (MCQs).
- Part II comprises questions which require descriptive answers.
- Answers to Questions of Part I (i.e., MCQs) are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II (i.e. descriptive questions) are to be written inside the descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.
- OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
- The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.
- You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
- Duration of the examination is 3 hours. You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
- The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
- Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

PART - I

- Answer all MCQs, on the OMR Answer Sheet as given on the cover page of descriptive answer book.
- Use HB pencil only to darken the circles for MCQ answers in the answer sheet.
- After each MCQ, four options have been given. Choose the correct or most appropriate option and darken the corresponding circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB pencil.

Marking the Answers	
Example : For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (Correct Method). 12 (A) (B) (C) (D)	Not as shown below (Wrong method) : 12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) (B) (C) (D)

- Any answer to MCQ marked inside descriptive answer book will not be considered and no marks will be awarded.
- If a candidate wants to change the option already darkened, he should erase it completely, with good quality eraser and ensure that no mark is visible after erasing.
- No mark will be awarded if no circle is darkened or more than one circle is darkened for a particular MCQ. There is no negative marking for a wrong answer.
- Rough work, if any, must be done on the pages, specified as SPACE FOR ROUGH WORK only and nowhere else in the question paper booklet or in the answer sheet.
- Before commencement of the exam, please fill up the necessary information in the space provided below and also in the answer sheet.

Total No. of Printed Pages : 24

Maximum Marks : 100

Roll No.

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Question Paper
Booklet Code

F	H	J
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Name of the Candidate

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Signature of the Candidate



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 :

Aakash Ltd. is a manufacturing company and engaged in the manufacturing of home and industrial appliance products. The company has made considerable growth during last few years as demand of its products has increased substantially. Aakash Ltd. is a diversified group having manufacturing units in different cities of India and other countries.

Following information is available in respect of Aakash Ltd. for the year ended on 31st March, 2026 :

- (1) Aakash Ltd. has two Cash Generating Units viz., CGU '1' and CGU '2' with the carrying value of ₹ 80 lakhs and ₹ 120 lakhs respectively. It has a corporate office building having carrying value of ₹ 40 lakhs which is not included in the carrying value of CGU '1' and CGU '2'. The recoverable amount, based on Value in use is ₹ 72 lakhs for CGU '1' and ₹ 152 lakhs for CGU '2'.
- (2) Aakash Ltd. is having a plot of land which is vacant and the use of this land is not yet determined. The land is situated in the prime area of the city where lot of commercial complexes are coming up without any legal restriction to convert the land into commercial land. Aakash Ltd. has not yet thought of constructing commercial complex on the land as it is not in its business objectives. Aakash Ltd. has let out this land for the purpose of parking lot for the commercial complexes around. The company has classified this property (land) as investment property.



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- (3) Aakash Ltd. acquired 90% stake in subsidiary Oil Ltd. a few years ago. Aakash Ltd. now sells its entire investment in Oil Ltd. for ₹ 2,000 lakhs. The net assets of Oil Ltd. are ₹ 1,500 lakhs and the NCI in Oil Ltd. is ₹ 200 lakhs. The cumulative exchange difference that has arisen during Aakash Ltd.'s ownership are gains of ₹ 300 lakhs, resulting in Aakash Ltd.'s foreign currency translation reserve in respect of Oil Ltd. having a credit balance of ₹ 270 lakhs, while the cumulative amount of exchange differences that have been attributable to NCI is ₹ 30 lakhs.
- (4) In the financial year 2022-23, Aakash Ltd. obtained a term loan of ₹ 25 Crores from DXE Bank. In May 2025, the company availed a fresh loan from BXE Bank to prepay the outstanding facility with DXE Bank. In this process, Aakash Ltd. paid ₹ 5,00,000 to DXE Bank to extinguish the old liability as prepayment charges. Additionally, it also paid 1% of the new loan amount to BXE Bank as origination/processing fees.
- (5) On 1st October, 2025 Aakash Ltd. subscribes 1,000 convertible preference shares of Hawk Limited at ₹ 100 each.
- The preference shares are convertible in the ratio of 10 : 1 i.e. 10 equity shares for each convertible preference share held.
 - On a fully diluted basis, Aakash Ltd. is entitled to 25% stake in Hawk Limited.
 - The agreement stipulates that if Hawk Limited subsequently issues equity shares at a price lower than ₹ 10 per share, the conversion ratio will be adjusted to ensure Aakash Ltd. maintains a 25% stake in Hawk Limited on a fully diluted basis.

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On the basis of information provided in the above case scenario, you are required to choose most appropriate answer to the below mentioned questions from 1 to 5.

1. What is the correct treatment of impairment loss ? 2
 - (A) ₹ 20 lakhs for CGU '1' and ₹ 40 lakhs for CGU '2'
 - (B) ₹ 24 lakhs for CGU '2'
 - (C) Assets in CGU '1' ₹ 4 lakhs : Corporate Office Building ₹ 20 lakhs
 - (D) Assets in CGU '1' ₹ 20 lakhs : Corporate Office Building ₹ 4 lakhs

2. The CFO of Aakash Ltd. seeks your advice for the basis on which will the land be fair valued under Ind AS-113 ? 2
 - (A) Quoted Price
 - (B) Cost Approach
 - (C) Highest and Best use
 - (D) Income Approach

3. What is the amount of Aakash Ltd.'s gain on disposal of its investment in Oil Limited ? 2
 - (A) ₹ 970 lakhs
 - (B) ₹ 1770 lakhs
 - (C) ₹ 500 lakhs
 - (D) ₹ 770 lakhs

4. What will be the treatment of prepayment premium and processing fee of new loan in the financial statements of Aakash Ltd. as per Ind AS 109 ? 2
- (A) Both Prepayment premium and processing fee of new loan would be considered as transaction cost in the nature of origination fees of the new loan and will be included while calculating effective interest rate as per Ind AS 109.
- (B) Prepayment premium shall be recognised as part of the gain or loss on extinguishment of the old loan and processing fee of new loan would be considered as transaction cost in the nature of origination fees of the new loan and will be included while calculating effective interest rate as per Ind AS 109.
- (C) Both Prepayment premium and processing fee of new loan would be recognised as part of the gain or loss on extinguishment of the old loan and required to be charged to the statement of profit and loss.
- (D) Prepayment premium would be considered as transaction cost in the nature of origination fees of the new loan and processing fees of new loan would be charged to profit and loss account.
5. How will the convertible preference shares be classified in the financial statements of Hawk Limited ? 2
- (A) Financial Assets
- (B) Equity
- (C) Non-current Liability
- (D) Financial Liability

Case Scenario-II :

Zest Ltd. is engaged in the manufacturing of Automobiles with its registered office in Pune and is listed on BSE Limited. It also owns a chain of retail stores across 20 different locations in the cities of Pune and Kolhapur. Following are the brief facts about the transactions entered into by Zest Ltd. for which accounting advice is sought by the CFO from you :

Zest Ltd. has recently made various acquisitions and details of each of them are as follows :

- (1) Zest Ltd. acquired 45% stake in Sun Ltd. on 1st April, 2025 for ₹ 50,00,000. This leads to Zest Ltd. having significant influence on Sun Ltd. Since the date of acquisition till 31st March, 2026, Sun Ltd. has earned a profit of ₹ 16,00,000. Also, on 31st March, 2025, Sun Ltd. had revalued one of its property resulting in increase in the value of property by ₹ 8,00,000 and accounted for it in the revaluation reserve in the same financial year. Zest Ltd. has a policy to value its investment in joint ventures and associates based on equity method.
- (2) Zest Ltd. acquired 40% shares in Large Ltd. on 1st April, 2025 for a consideration of ₹ 65,50,000 and balance of retained earnings on the same date was ₹ 52,40,000. It is the group's policy to re-measure its non-controlling interests at fair value and provide for impairment loss, if any, in the value of investment every year end. The retained earnings and issued share capital of Large Ltd. on 31st March, 2026 are ₹ 76,00,000 and ₹ 40,00,000 respectively.

Large Ltd. have not issued any share capital since the acquisition of shareholding by Zest Ltd. The fair value of the net assets of Large Ltd. was the same as their carrying amounts at the date of acquisition. The recoverable amount of net assets of Large Ltd. has been deemed to be ₹ 1,15,00,000 as on 31st March, 2026.

On 1st January, 2026, Zest Ltd. sold inventory costing ₹ 5,00,000 to Large Ltd. for ₹ 15,00,000. The inventory was still unsold by Large Ltd. at 31st March, 2026. This inventory was sold by Large Ltd. to third party on 8th April, 2026.

(3) On 1st April 2025, Zest Ltd. agreed with shareholder of Sour Ltd. to acquire 100% stake in Sour Ltd. for total consideration of ₹ 200 lakhs which includes the following :

- (i) Zest Ltd. will reimburse shareholders of Sour Ltd. for the transaction cost of ₹ 4 lakhs.
- (ii) Two of the shareholders of Sour Ltd. will work as the general managers, even after Sour Ltd. is acquired by Zest Ltd. This arrangement will work for a period of 2 years and for which quarterly salary of ₹ 40,000 is provided to each of these individuals.
- (iii) Further Sour Ltd. had filed a legal case against Zest Ltd. in the past, which was not settled till the date of acquisition. Zest Ltd. agreed to settle the same for ₹ 2,00,000.

On the basis of information provided in the above case scenario, you are required to choose most appropriate answer to the below mentioned questions from 6 to 8.

6. What is the carrying value of Zest Ltd.'s investment in Sun Ltd. (associate) in its books of accounts as on 31st March, 2026 ?

2

- (A) ₹ 10,80,000
- (B) ₹ 23,75,000
- (C) ₹ 57,20,000
- (D) ₹ 60,80,000

7. What will be the impairment loss from investment of Zest Ltd. in associate Large Ltd. for the year ending 31st March, 2026 ?

2

- (A) ₹ 46,00,000
- (B) ₹ 24,94,000
- (C) ₹ 28,94,000
- (D) ₹ 49,90,000

8. Determine the amount of consideration for Business Combination for acquiring Sour Ltd. 2

(A) ₹ 192.40 lakhs

(B) ₹ 187.60 lakhs

(C) ₹ 200 lakhs

(D) ₹ 194 lakhs

Case Scenario-III :

ABC Ltd. is a globally diversified business conglomerate with operations spanning across various business sectors worldwide. The company adheres to Indian Accounting Standards for maintaining its financial records and annually releases its financial statements. As the finance team progresses towards finalizing the financial statements for the fiscal year ending on 31st March, 2026, the team is stuck up in the accounting of the following transactions :

On 1st June, 2025, ABC Ltd. decided to dispose of the business including current and non-current assets of one of its divisions related to the Fertilizer business which it had acquired several years ago. This disposal does not involve ABC Ltd. withdrawing from a particular market sector. The carrying values on 1st June, 2025 of the assets to be disposed of were as follows :

Particulars	₹ in Million
Goodwill	20.0
Property, Plant and Equipment	40.0
Patents and trademarks	16.0
Inventories	30.0
Trade Receivables	20.0

None of the assets of the business had suffered impairment as at 1st June, 2025. At that date the inventories and trade receivables of the business were already stated at no more than their recoverable amounts.



ABC Ltd. offered the business for sale at a price of ₹ 93 million, which was considered to be reasonably achievable. ABC Ltd. estimated that the direct costs of selling the business would be ₹ 10,00,000. These estimates have not changed since 1st June, 2025 and ABC Ltd. estimates that the business will be sold by 31st March, 2026 at the latest.

On 30th April, 2026, the Company discovered that the closing inventory for March 31, 2026 (the previous year) was overvalued by ₹ 10 Lakhs in its cement business due to a calculation error. The financials of the company was approved by competent authority on 15th April, 2026 for the FY 2025-26.

ABC Ltd. enters into an arrangement with a Customer during the year, for providing customized software. Based on its experience, ABC Ltd. determines that writing the software will take approximately 200 Hours in total and charges ₹ 300 per Man-hour. After incurring 100 hours of time, ABC Ltd. and the customer agreed to change in the specification of the Software and thereby increasing the estimated Man-hours by another 50 Hours to be charged at the rate of ₹ 200 per Man-hour by ABC Ltd.

On the basis of information provided in the above case scenario, you are required to choose most appropriate answer to the below mentioned questions from 9 to 12.

9. Compute the value of Fertilizer division's Goodwill at the date of classification after re-measurement. 2

(A) ₹ 14.6 million
(B) ₹ 20 million
(C) ₹ Nil
(D) ₹ 16 million

10. Calculate the closing balance of Fertilizer division's asset – Property, Plant and Equipment at the period end. 2

(A) ₹ 42 million
(B) ₹ 34.72 million
(C) ₹ 12 million
(D) ₹ 30 million

11. How the Inventory valuation error discovered on 30th April, 2026 in respect of the cement unit should be corrected ? 2
- (A) Adjust the opening balance of retained earnings for the current year (April 1, 2026) and restate the comparative figures for the previous year.
- (B) Recognize the ₹ 10 Lakhs loss in the current year's Profit & Loss account as an "exceptional item."
- (C) Treat it as a change in accounting estimate and adjust the current year's profit.
- (D) No adjustment is needed since the amount is from a previous year and the books for that year are already closed.
12. What amount of Cumulative Catch Up Adjustment is required to be done in Revenue of ABC Ltd. ? 2
- (A) ₹ (2,000)
- (B) ₹ (28,000)
- (C) ₹ 30,000
- (D) ₹ 70,000
13. Life line Limited has 10,00,000 Ordinary Shares of ₹ 1 each outstanding. The company has also issued 2,000, 10% Convertible Bonds of ₹ 100 each. Each bond is convertible into 20 Ordinary Shares on demand. For the current period, Life line Ltd. reported a Profit after Tax of ₹ 23,25,000. The applicable Income Tax rate is 25%. The average market price of the equity shares during the period was ₹ 5 per share.
- Based on Ind AS 33 Earnings Per Share, calculate the Diluted Earnings Per Share for the period. 2
- (A) ₹ 2.325
- (B) ₹ 2.25
- (C) ₹ 2.50
- (D) ₹ 2.35

14. XYZ Ltd. is a first-time adopter of Ind AS. The company prepares its opening Ind AS Balance Sheet as at 1st April, 2025. Under previous GAAP, the company had recognized a provision for a lawsuit of ₹ 10 Lakhs as at 31st March, 2025 based on the best estimate available at that time. On 15th April, 2026 (before the approval of financial statements), the lawsuit was settled for ₹ 15 Lakhs. This information was not available on the transition date. How should this be reflected in the opening Ind AS Balance Sheet ? 2

- (A) Adjust the provision to ₹ 15 Lakhs in the opening Ind AS Balance Sheet.
- (B) Keep the provision at ₹ 10 Lakhs in the opening Ind AS Balance Sheet.
- (C) Adjust the difference of ₹ 5 Lakhs in Retained Earnings.
- (D) Reverse the provision and recognize the actual liability of ₹ 15 Lakhs.

15. Which of the following is not an example of circumstances that might make a self-interest threat when a chartered accountant – 2

- (A) Does not have a motive and opportunity to manipulate price-sensitive information in order to gain financially.
- (B) Holds a direct or indirect financial interest in the employing organization and the value of that financial interest might be directly affected by decisions made by the accountant.
- (C) Is eligible for a profit-related bonus and the value of that bonus might be directly affected by decisions made by the accountant.
- (D) Holds, directly or indirectly, deferred bonus shares rights or share options in the employing organization, the value of which might be affected by decisions made the accountant.

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. Panama Pharma Ltd. is a leading company engaged in the manufacturing of generic medicines. The company decided to acquire Bio Gen Research Ltd., a biotech firm specializing in viral vector technology to diversify its portfolio and enter the high-growth vaccine segment. 14

To achieve this, Panama Pharma Ltd. initially acquired a 30% stake in Bio Gen Research Ltd. for ₹ 15,00,000 on 1st July, 2025.

Subsequently, to gain control, Panama Pharma Ltd. acquired a further 40% stake on 1st January, 2026 for ₹ 24,00,000. On the date of acquiring control (1st January, 2026), the fair value of the previously held 30% equity interest was determined to be ₹ 17,50,000.

The summarized Balance Sheets of both the companies as at 1st January, 2026 were as follows :

	Note No.	Bio Gen Research Ltd. ₹	Panama Pharma Ltd. ₹
ASSETS :			
Non-current Assets			
Property, Plant and Equipment (Labs)		18,00,000	60,00,000
Investments in Bio Gen Research Limited		—	39,00,000
Investments in bonds		10,00,000	—
Current Assets			
Inventories		5,00,000	15,00,000
Financial Assets			
Trade Receivables		4,00,000	8,50,000
Cash and cash equivalent		2,00,000	12,50,000
Total		39,00,000	1,35,00,000

EQUITY AND LIABILITIES :			
Equity & Liabilities			
5,000 Equity share capital (of face value of ₹ 100 each)		5,00,000	50,00,000
Other Equity			
Other reserves		24,00,000	60,00,000
Non-current Liabilities			
Long term Borrowings		—	15,00,000
Current Liabilities			
Trade payables		10,00,000	10,00,000
Total		39,00,000	1,35,00,000

Additional Information :

- (i) Bio Gen Research Ltd. has developed a proprietary vaccine formula known as 'Vax-Shield'. This is a self-generated intangible asset and has not been recognized in the books of Bio Gen Research Ltd. The fair value of 'Vax-Shield' as at 1st January, 2026, is assessed at ₹ 8,50,000.
- (ii) The Trade Receivables of Panama Pharma Ltd. include ₹ 1,00,000 due from Bio Gen Research Ltd. for consultancy services provided in December 2025. Bio Gen Research Ltd. has recorded this amount in its Trade Payables.
- (iii) During the year, Panama Pharma Ltd. sold goods to Bio Gen Research Ltd. for ₹ 2,00,000. The cost of these goods to Panama Pharma Ltd. was ₹ 1,50,000. As on 1st January, 2026, 40% of these goods remain in the Inventory of Bio Gen Research Ltd.
- (iv) The fair value of the assets of Bio Gen Research Ltd. as on 1st January, 2026 was as follows :

Assets	Fair Value (₹)
Property, Plant and Equipment (Labs)	26,00,000
Investment in Bonds	11,50,000

- (v) The NCI is to be measured at Fair Value. The Fair Value of NCI on the acquisition date 1st January, 2026 is ₹ 16,00,000.

You are required to :

- (i) Pass necessary journal entries in the books of Panama Pharma Ltd. to account for the business combination in accordance with Ind AS 103 as at 1st January, 2026.
- (ii) Prepare the Consolidated Balance Sheet of Panama Pharma Ltd. and its subsidiary as at 1st January, 2026, incorporating all necessary adjustments for inter-company balances and unrealized profits. Also provide necessary working notes. Ignore tax implications.

2. (a) Power-tech Limited issued 50,000, 5-year, 6% convertible debentures on April 1, 2023. The debentures have a face value of ₹ 100 each. 10

The terms of the debentures are as follows :

- (i) Total Face Value : ₹ 50,00,000
- (ii) Coupon Rate is 6% per annum which is payable annually on March 31.
- (iii) Conversion Option : At the maturity date (March 31, 2028), the debenture holder has the option to convert the debentures into 10 equity shares of Power-tech Limited per debenture.
- (iv) Prepayment Option (Put Option) : The debenture holder has the right to demand early repayment of the debentures at the end of the third year (i.e., on March 31, 2026). The prepayment amount will be at a premium of 5% on the face value.
- (v) Market Interest Rate : The effective market interest rate for a similar non-convertible debenture is 10% per annum.

Required :

- (i) Analyse the nature of instrument and determine whether it contains a liability and an equity component as per Ind AS 32.
- (ii) Compute the value of the liability component and the equity component on the date of issue (April 1, 2023) and pass necessary journal entry to record the issue of the debentures.
- (iii) Assume the debenture holders exercise the prepayment option on March 31, 2026. Pass the necessary journal entry to record the de-recognition of the financial liability and the treatment of the equity component. Show your workings for any gain or loss.

(Present value of an annuity of ₹ 1 for three years @ 10% is 2.4869 and present value of ₹ 1 for 3 years @ 10% is 0.7513)

- (b) Chill-Zone Ltd. is a listed entity manufacturing Air conditioners. The company prepares its financial statements on a quarterly basis. Mr. Das, the new Accounts Manager, is finalizing the quarterly Interim Financial Reports for the year 2025-26.

During the year, the following three independent issues have arisen :

- (i) Due to the summer season, the company earned ₹ 800 Lakhs in revenue in Quarter 1 (Apr-June), which constitutes 80% of its total expected annual revenue. The remaining ₹ 200 Lakhs turnover is expected evenly over the next three quarters. To show a consistent performance trend to investors, the CFO of the company wants to recognize revenue of only ₹ 250 Lakhs in Q1 and defer the balance to Q2, Q3, and Q4.
- (ii) The company expects a total pre-tax profit of ₹ 1 Crore for the full year.
 - Q1 Actual Profit : ₹ 40 Lakhs.
 - Tax Slab : The tax rate is 25% on the first ₹ 50 Lakhs of annual profit and 40% on profit exceeding ₹ 50 Lakhs.
 - Mr. Das has calculated the Q1 tax expense as ₹ 10 Lakhs, treating Q1 as a standalone period.
- (iii) Change in Estimate (The "Restatement" Error) : In Q1, the company estimated a warranty provision at 2% of sales. However, in Quarter 3, due to a defect in a batch of compressors, the warranty estimate was revised to 5% for the entire year's sales. Mr. Das intends to restate the financial statements of Q1 and Q2 to reflect this higher 5% rate, believing that the earlier reports are now "incorrect."

Required : As the Statutory Auditor, evaluate each of the the proposals made by Mr. Das. Advise the correct accounting treatment for each issue in the Interim Financial Reports as per Ind AS 34.

3. (a) Electro Drive Ltd. is a manufacturer of specialized electric buses. The company sells these buses to transport agencies and also offers them on lease. On 1st April, 2022, Electro Drive Ltd. entered into a finance lease agreement with City Transport Corp. for a new model of electric bus. 10

The details of the arrangement are as follows :

- (i) Lease Term is 4 years commencing on 1st April, 2022.
- (ii) Annual Lease Rental is ₹ 18,06,560 payable annually in arrears on 31st March each year.
- (iii) The bus cost Electro Drive Ltd. ₹ 45,00,000 to manufacture.
- (iv) The fair value of the bus at the commencement of the lease is ₹ 60,00,000.
- (v) Residual Value : The bus is expected to have a residual value of ₹ 4,00,000 at the end of the lease term. This residual value is unguaranteed by the lessee.
- (vi) Electro Drive Ltd. incurred legal and documentation charges of ₹ 25,000 to negotiate and arrange the lease.
- (vii) The interest rate implicit in the lease is 10%.
- (viii) PV Factors at 10% for :

Year 1	0.909
Year 2	0.826
Year 3	0.751
Year 4	0.683

- (ix) The present value of annuity of ₹ 1 for 4 years @ 10% is 3.170

You are required to account for this transaction in the books of Electro Drive Ltd. (Lessor) by calculating the Revenue, Cost of Sales and Selling Profit. Also, provide the Lease Amortization Schedule for the entire lease period assuming that the lessor classifies the lease as a finance lease.

- (b) PQR Ltd. has identified 4 Operating Segments for which revenue data is given below :

	External Sales (₹)	Internal Sales (₹)	Total (₹)
Segment L	52,00,000	3,00,000	55,00,000
Segment M	4,00,000	9,00,000	13,00,000
Segment N	17,00,000	2,00,000	19,00,000
Segment O	9,00,000	96,00,000	1,05,00,000
Total Sales	82,00,000	1,10,00,000	1,92,00,000

Additional Information :

Segment N is a new business unit and Management expects this segment to make a significant contribution to External Revenue in coming years.

You are required to identify reportable segments under Ind-AS 108.

4. (a) Saurabh Engineering Ltd. provides the retirement benefit facility to its employees and prepares its financial statements every year on 31st March based on Ind AS. Following information is available in respect of its employees benefit facility :

(₹ in lakhs)

	31/3/2024	31/3/2025	31/3/2026
Current service cost	250	280	310
Benefits paid	260	300	340
Contributions paid	160	180	200
Present value of the obligation at 31 st March	2,430	2,826	3,200
Fair value of plan assets at 31 st March	2,294	2,274	2,400
Discount rate at the start of the year	11%	10%	9%
Expected return on plan assets	13%	12%	11%

The present value of the obligation and the fair value of the plan assets were both ₹ 2,000 lakhs at 1st April, 2023 and there were no actuarial gains or losses at this date. The average remaining lives of the employees was estimated to be 15 years.

In respect of each of the three years, you are required to :

- (i) Calculate the actuarial gain/loss arising in each of the period.
 - (ii) Calculate how the gain or loss should be recognised and in which period.
 - (iii) Calculate the liability to be included in Balance Sheet at each year end.
 - (iv) Explain the composition of amount recognised in profit and loss.
- (b) How will you recognize and present the grants received from the Government in the following cases as per Ind AS 20 ? 8
- (i) A Ltd. received an amount of ₹ 40 lakh for immediate start-up of a business without any condition.
 - (ii) Government gives a grant of ₹ 30 lakh to B Limited for research and development of medicine for lung cancer, even though similar medicines are available in the market but are expensive. The company is to ensure by developing a manufacturing process over a period of two years so that the cost comes down at least to 50%.
 - (iii) C Ltd. received one acre of land free of cost to set-up a plant in backward area (fair value of land ₹ 15 lakh and acquired value by Government is ₹ 5 Lakhs).

- (iv) D Ltd. received an amount of loan for setting up a plant at concessional rate of interest from the Government.
- (v) E Ltd. received ₹ 20 lakh of grant for purchase of machinery costing ₹ 90 lakh. Useful life of machinery is 10 years. Depreciation on this machinery is to be charged on straight line basis.

5. (a) PQR Ltd. enters into a contract with a customer on 01st April, 2023 for the sale of a machine and spare parts. The manufacturing lead time for the machine and spare parts is 3 years. 5

On completion of manufacturing, PQR Ltd. demonstrates that the machine and spare parts meet the specifications agreed in the contract. The promises to transfer the machine and spare parts to the buyer are distinct and result in two performance obligations each of which will be satisfied at a point in time.

On 31st March 2026, the customer pays for the machine and spare parts, but only takes the physical possession of the machine. Although the customer inspects and accepts the spare parts, the customer requests that the spare parts be stored at PQR Ltd's warehouse because of its close proximity to the customer's factory.

The customer has legal title to the spare parts and the parts can be identified as belonging to the customer. PQR Ltd. stores the spare parts in a separate section of its warehouse and the parts are ready for immediate shipment at the customer's request. PQR Ltd. expects to hold the spare parts for one to three years and does not have the authority to use the spare parts or direct them to another customer.

Determine how the revenue will be recognized by PQR Ltd. for the different performance obligations as per Ind AS 115 ?

- (b) On 1st April, 2022, Gama Ltd. issued 1,00,000, 8% convertible, debentures of face value of ₹ 100 per debenture at par. The debentures are redeemable at a premium of 10% on March 31, 2026 or these may be converted into ordinary shares at the option of the holder. The interest rate for equivalent debentures without conversion rights would have been 14%. The date of transition to Ind AS is April 1, 2024. 5

You are required to suggest how Gama Ltd. should account for this compound financial instrument on the date of transition ?

The present value of ₹ 1 receivable at the end of each year based on discount rates of 8% and 14% can be taken as

End of Year	8%	14%
1	0.9259	0.8772
2	0.8573	0.7695
3	0.7938	0.6750
4	0.7350	0.5921

- (c) List and explain the enhancing qualitative characteristics of financial information according to the Ind AS. 4

OR

- (c) As a general principle, the entities should use the same measurement basis for initial recognition and subsequent measurement of an asset or a liability which creates two possible scenarios of 'at-market' transaction and 'off-market' transactions. Explain both scenarios of initial measurement of an asset or a liability. 4

6. (a) Define cloud computing and explain any four common applications of cloud computing. 5
- (b) Real Estate Ltd. is a construction company and decided to construct a huge office building for its use since FY 2022-23. The construction of office building consists of five floors. It is expected that the full office building will be constructed over several years but floor I, floor II and floor III of the building will be operational as soon as they are completed. During the initial stage, the project was funded out of internal accruals. However, the company decided to avail a term loan for the project from 1st April, 2025 and load the same to the project expenses. 5

Following are the details of the work done on different floors of the office building up to the financial year 2025-26 :

(₹ in lakhs)

	Floor I	Floor II	Floor III	Floor IV	Floor V
	(₹)	(₹)	(₹)	(₹)	(₹)
Cash expenditure	60	40	60	100	120
Building Materials purchased	<u>88</u>	<u>70</u>	<u>74</u>	<u>120</u>	<u>152</u>
Total expenditure	<u>148</u>	<u>110</u>	<u>134</u>	<u>220</u>	<u>272</u>
Total expenditure on all phases					884
Loan taken @ 12% in the beginning of the year					900

After taking substantial period for construction floor I, floor II and floor III have become operational, at the mid of the year i.e. on 30th September, 2025. The project was continuing for the rest of the floors.

You are required to find out the total amount to be capitalized and to be expensed during the financial year 2025-26.

- (c) An asset is sold in two different active markets at different prices. An entity enters into transactions in both markets and can access the price in those markets for the asset at the measurement date. 4

In Market C :

The price that would be received is ₹ 88, transaction costs in the market are ₹ 9 and the cost of transport of the asset are ₹ 6.

In Market D :

The price that would be received is ₹ 85, transaction costs in that market are ₹ 3 and the costs of transport of the asset are ₹ 6.

You are required to calculate :

- (i) The fair value of the asset, if market C is the principal market, and
- (ii) The fair value of the asset, if none of the markets is principal market.