PART – I 30 Marks

(MCQ Portion)

- *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 Question paper booklet number in the OMR answer sheet. The correct Question paper booklet number must also be written in the attendance register.*

Case Scenario-I :

The summarized Balance Sheet of Gram Dynamics Limited as on 31st March, 2026 is as follows :

S.N.	Particulars	Note No.	Amount ₹
	Equity and Liabilities		
1.	**Shareholders' Funds**		
	(a) Share Capital	1	50,00,000
	(b) Reserves and Surplus	2	63,50,000
2.	**Non-current liabilities**		
	(a) Long-term borrowings	3	4,00,000
3.	**Current liabilities**		
	(a) Trade Payables		40,000
	Total		**1,17,90,000**
	Assets		
1.	**Non-current assets**		
	Property, Plant and Equipment		37,50,000
	Non-Current Investments (at cost)		40,00,000
2.	**Current assets**		
	(a) Inventories		15,40,000
	(b) Trade receivables		15,00,000
	(c) Cash and cash equivalents		10,00,000
	Total		**1,17,90,000**

Notes to Accounts :

Note No.	Particulars	₹
1.	**Share Capital**	
	Authorized, Issued and subscribed Capital	
	3,00,000 Equity share capital of ₹ 10 each fully paid up	30,00,000
	20,000, 8% Preference shares of ₹ 100 each fully paid up	20,00,000
	Total	**50,00,000**
2.	**Reserves and Surplus**	
	Capital Reserve	50,000
	Revaluation Reserve	3,00,000
	Revenue Reserve 34l = 6l	40,00,000
	Securities Premium	~~2,00,000~~
	Profit & Loss Account 12l = 1l − 13l = 5l	18,00,000
	Total	**63,50,000**
3.	**Long-term borrowings**	
	10% Debentures	4,00,000
	Total	**4,00,000**

On 1st April, 2026 Gram Dynamics Limited passed a special resolution and received all necessary approvals to execute a buy-back of its equity shares. The company decided to buy back 20% of its equity shares (face value of ₹ 10 each) at a buy-back price of ₹ 15 per share.

For this purpose, the directors of the company decided to :

(i) Sell its investments of ₹ 30 Lakhs for ₹ 25 Lakhs.

(ii) Utilize the Securities Premium account to its maximum available extent to provide for the premium payable on the buy-back. Any remaining shortfall for the premium payable on buy-back was to be written off against the balance of Profit and Loss account.

(iii) The statutory transfer required for the Capital Redemption Reserve (CRR) under Section 69 of the Companies Act, 2013 was to be funded entirely out of the revenue reserve.

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

1. How would Gram Dynamics Limited classify the items of buy back if it prepares Cash Flow Statement as per AS-3 after completion of buy-back of its equity shares ? **2**

   (A) Entire amount of buy-back ₹ 9,00,000 should be classified as cash flow from financing activities and sale of investments ₹ 25,00,000 as cash flow from investing activities.

   (B) Entire amount of buy-back ₹ 9,00,000 should be classified as cash flow from financing activities and sale of investments ₹ 30,00,000 as cash flow from investing activities.

   (C) Face value of shares ₹ 6,00,000 should be classified as cash flow from financing activities, Premium paid ₹ 3,00,000 as cash flow from operating activities and sale of investments ₹ 25,00,000 as cash flow from investing activities.

   (D) Entire amount of buy-back ₹ 9,00,000 should be disclosed as Extraordinary items under cash flow from operating activities and sale of investments ₹ 25,00,000 as cash flow from investing activities.

2. Immediately after completion of buy back, what is the strictly permitted utilization of the newly created Capital Redemption Reserve ? 2

(A) It can be utilized to write off preliminary expenses or the direct expenses incurred during the buy-back process.

(B) It can be utilized to declare and pay dividends to the remaining equity shareholders in future financial years.

(C) It can be utilized to set off any subsequent capital losses incurred on the sale of the company's fixed assets.

(D) It can be utilized by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

3. What should be the exact amount that must be transferred to the Capital Redemption Reserve (CRR) and what will be the closing balance of the Revenue reserve immediately after the buy-back is recorded ? 2

(A) ₹ 6,00,000 will be transferred to Capital Redemption Reserve (CRR) and closing balance of Revenue Reserve after recording buy-back will be ₹ 40,00,000.

(B) ₹ 9,00,000 will be transferred to Capital Redemption Reserve (CRR) and closing balance of Revenue Reserve after recording buy-back will be ₹ 31,00,000.

(C) ₹ 3,00,000 will be transferred to Capital Redemption Reserve (CRR) and closing balance of Revenue Reserve after recording buy-back will be ₹ 37,00,000.

(D) ₹ 6,00,000 will be transferred to Capital Redemption Reserve (CRR) and closing balance of Revenue Reserve after recording buy-back will be ₹ 34,00,000.

4. According to Division I of Schedule III of the Companies ACT, 2013, what will be the total value of "Reserves & Surplus" to be disclosed under shareholders' funds in the Balance Sheet immediately after passing all the entries relating to the buy back ? 2

(A) ₹ 57,50,000

(B) ₹ 55,50,000

(C) ₹ 60,50,000

(D) ₹ 52,50,000

5. Due to inadequacy of profits during the year ended 31st March, 2026, Aditya Ltd. proposes to declare 10% dividend out of General Reserves. Following details are available from the books of Aditya Ltd. 2

Particulars	₹
70,000, 9% Preference share capital of ₹ 100 each, fully paid up	70,00,000
32,00,000 Equity share capital of ₹ 10 each, fully paid up	3,20,00,000
General Reserve as on 1st April, 2025	1,00,00,000
Capital Reserve as on 1st April, 2025	12,00,000
Revaluation Reserve as on 1st April, 2025	14,00,000
Net profit for the year 31st March, 2026	12,00,000

Average rate of dividend during last 3 years has been 12%.

What will be balance amount of General Reserve after withdrawal for dividend from reserves according to Companies (Declaration of Dividend out of Reserves) Rules, 2014, assuming all the conditions are satisfied for payment of dividend out of free reserves ?

(A) ₹ 32,00,000

(B) ₹ 68,00,000

(C) ₹ 73,70,000

(D) ₹ 44,00,000

Case Scenario-II :

Earth Ltd. is a listed company with diversified operations. The financial statements of the company are prepared on 31st March every year. While finalising the financial statements for the year 2025-26, following transactions appeared before the accountant of the company :

Earth Ltd. purchased fixed assets (PPE) costing US \$ 3,00,000 on 1st January, 2026 from an American company. The amount was payable after 6 months. Earth Ltd. entered into a forward contract on 1st January, 2026 for six months @ ₹ 93 per US \$. On 1st January, 2026 the exchange rate was 1 US \$ = ₹ 90.

On 1st April, 2024, Earth Ltd., received a government Grant of ₹ 50 lakhs for acquisition of machinery costing ₹ 250 lakhs. The grant was credited to the cost of asset. The estimated useful life of the machinery is 8 years. The machinery is depreciated @ 15% on written down value basis. Earth Ltd. had to refund the government grant on 1st April, 2026 due to non-compliance of certain conditions.

The fair value of plan assets of Earth Ltd. was ₹ 10,00,000 in respect of employee benefit pension plan as on 1st April, 2025. During the year 2025-26, the plan paid out benefits of ₹ 1,25,000 and received inward contribution of ₹ 2,75,000. On 31st March, 2026, the fair value of plan assets was ₹ 15,00,000. On 1st April, 2025, expected rate of return was 10.5%.

Earth Limited provides a comprehensive 2-year after-sales warranty to its customers. As per its documented accounting policy under AS-29, warranty provisions are measured on the outstanding invoice balances at the reporting date based on the remaining warranty window :

- Remaining warranty period of less than 1 year : 2% provision
- Remaining warranty period of more than 1 year : 3% provision

The company has raised following invoices :

Invoice date	₹
20th Dec, 2024	₹ 3,00,000
25th October, 2025	₹ 2,50,000

Based on the information given in the above case scenario, answer the following questions from **6** to **9** as per relevant accounting standards :

6. In respect of plan assets of Earth Ltd., what will be the actual returns on plan assets as on 31st March, 2026 ? **2**

   (A) ₹ 1,00,000

   (B) ₹ 3,50,000

   (C) ₹ 5,00,000

   (D) ₹ 6,50,000

7. Compute the amount to be transferred to provision for warranties A/c from profit and loss account on 31st March, 2026, if opening balance of provision for warranties as on 1st April, 2025 is ₹ 9,000. 2

(A) ₹ 7,500

(B) ₹ 9,000

(C) ₹ 13,500

(D) ₹ 4,500

8. In respect of the asset purchased from an American Company, what will be the amount of profit or loss on forward contract to be recognised by Earth Ltd. for the year 2025-26 ? 2

(A) Loss of ₹ 4,50,000

(B) Profit of ₹ 4,50,000

(C) Loss of ₹ 9,00,000

(D) Profit of ₹ 3,00,000

9. What will be the book value of the machinery after the refund of the government grant on 1st April, 2026 ? 2

(A) ₹ 140.00 lakhs

(B) ₹ 194.50 lakhs

(C) ₹ 144.50 lakhs

(D) ₹ 180.63 lakhs

10. Dee Ltd. offers its employees a sabbatical leave policy. Employees who complete 5 years of continuous service are entitled to 3 months of paid sabbatical leave. The leave can be availed once every 5 years. 2

As per AS-15, sabbatical leave will be treated as a

(A) Short-term employee benefits (B) Long-term employee benefits

(C) Post employment benefits (D) Terminal benefits

Case Scenario-III :

Starline Ltd. is engaged in manufacturing of steel bars and also in construction of residential and commercial units. The company is preparing its financial statements for the year ended March 31, 2026. Following are the transactions that took place in FY 2025-26.

On 1st April, 2025, Starline Ltd. took a specific bank term loan of ₹ 50,00,000 carrying interest @ 12% p.a. exclusively to construct an automated steel plant (a qualifying asset). The structural layout and physical installation of the plant was fully completed on 31st January, 2026, making it ready for active operations. Due to subsequent testing schedules, commercial production was commenced on 1st April, 2026. During the construction phase, unutilized liquid funds from this loan were temporarily placed in fixed bank deposits, earning an interest income of ₹ 40,000.

On October 1, 2025, Starline Limited purchased 10,000 equity shares of a listed entity, Zenex Ltd., at ₹ 150 per share, intended to be held for short-term trading. Brokerage of 1% was paid on the purchase. On October 11, 2025 (10 days after purchase), Starline Limited received a dividend of ₹ 10 per share from Zenex Ltd. This dividend was declared by Zenex Ltd. for the financial year ended March 31, 2025. On March 31, 2026, the market price of Zenex Ltd. dropped to ₹ 130 per share.

15,15,000

14,15,000

In January 2026, a customer filed a lawsuit against Starline Limited claiming damages of ₹ 8,00,000 due to supply of inferior quality of steel bars. The company's legal counsel estimates a 70% chance that the court will rule against company. However, the final payout is yet to be decided.

The company discovered a minor chemical leak at its factory site in March 2026. While there is no legal obligation to clean up the local soil under current laws, but the company has widely publicized the policy stating that it will clean up all environmental contamination it causes. The estimated cost of clean-up is ₹ 2,50,000.

6,00,000

On 31st March, 26, in the construction business of Starline Limited, the company finds that at the end of the year 10 flats are semi-finished and cost of each flat till date is ₹ 15,90,000. These flats can be completed in 2026-27 by an additional expenditure of ₹ 9,30,000 per flat. The completed flat can be sold out for ₹ 22,50,000 per flat subject to a payment of 5% brokerage on selling price. The semi-finished flats cannot be sold in partly finished form and net realisable value is zero without further construction.

25,20,000

21,37,500

Based on the information given in the above case scenario, answer the following questions from **11** to **14** :

11. How should Starline Limited handle the Customer Lawsuit and the Environmental Clean-up in its financial statements ? **2**

    (A) Recognize a provision for the lawsuit based on the customer's claim of ₹ 8,00,000; Recognize a provision of ₹ 2,50,000 for the environmental clean-up.

    (B) Disclose the lawsuit as a Contingent Liability in the Notes to Accounts; Recognize a provision of ₹ 2,50,000 for the environmental clean-up in the Balance Sheet.

    (C) Disclose both the lawsuit and the environmental clean-up as Contingent Liabilities since the court has not passed a final order on either.

    (D) Recognize a provision for the lawsuit at a nominal/estimated amount of ₹ 5,60,000; Ignore the environmental clean-up entirely because there is no legal obligation.

12. The Starline Ltd. seeks your advice regarding the amount at which the semi-finished flat should be valued. What will be the value of semi-finished flats as at 31st March, 2026 under the provisions of AS 2 (Revised) "Valuation of Inventories" ? **2**

    (A) ₹ 1,59,00,000

    (B) ₹ 1,32,00,000

    (C) ₹ 1,20,75,000

    (D) ₹ 1,47,75,000

13. In accordance with AS 16, what amount of borrowing cost can be capitalized as a part of the cost of automated steel plant ? 2

(A) ₹ 6,00,000

(B) ₹ 5,00,000

(C) ₹ 4,60,000

(D) ₹ 5,60,000

14. What should be the carrying amount of the short-term investment in Zenex Ltd. in the books of Starline Ltd. as on 31st March, 2026 ? 2

(A) ₹ 13,00,000

(B) ₹ 14,15,000

(C) ₹ 14,00,000

(D) ₹ 15,15,000

15. As per Accounting Standard Framework, Income : 2

(A) Decreases in economic benefits during the accounting period in the form of inflow, or enhancement of assets or decreases in liabilities that result in decreases in equity, other than those relating to contributions from equity participants.

(B) Increases in economic benefits during the accounting period, in the form of inflow, or enhancement of liabilities, or decreases in assets that result in decreases in equity, other than those relating to contributions from equity participants.

(C) Increases in economic benefits during the accounting period in the form of inflow, or enhancement of assets, or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity participants.

(D) A resource controlled by the enterprise as a result of past events from which future economic benefits are expected to flow to the enterprise.

70 Marks

PART – II

(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. Atul wants to build a new office building. For this purpose, he borrowed a loan of USD 50,000 on April 1, 2025 at an interest rate of 8% p.a. payable annually. On the same day, he purchased land for ₹ 40 lakhs and incurred ₹ 1 lakh to demolish old structure built thereon. A sum of ₹ 12,000 was realized from the sale of material salvaged from the office site. He also paid stamp duty and registration charges @ 6% of land value. Following other expenses were incurred in construction of office building during the year 2025-2026 : **5**

Legal fees	₹ 23,000
Architect's fees	₹ 65,000
Labour and material charges	₹ 18,00,000
Interior designer fees	₹ 1,25,000

The office will take substantial period of time to get ready. On April 1, 2025 the exchange rate was 1 USD = ₹ 92 and on March 31, 2026, 1 USD = ₹ 96. The corresponding amount could have been borrowed by Mr. Atul in local currency at an interest rate of 12% p.a. as on April 1, 2025.

You are required to calculate :

(i) Value of office building which should be capitalized in the books of Mr. Atul as per the provisions of AS-10 and AS-16 as on 31st March, 2026.

15,09,000
32,000
1,65,000

(ii) Discuss the treatment of exchange difference incurred on loan amount as on 31st March, 2026.

(b) On 1st April, 2025 a dealer Breeze Limited purchased a machine for ₹ 12,00,000. The economic life of the machine is estimated 5 years. The estimated output from the machine over its useful life is as follows : **5**

Year	Estimated output (In units)
1	12,000
2	24,000
3	36,000
4	48,000
5	30,000

On the same day, the machine was given on a 3 years operating lease to Cool Limited. The terms and conditions of lease are as follows :

(i) The lease rental were fixed to yield a 25% margin on cost.

(ii) Lease rentals would be receivable in equal annual instalment over the lease term.

The directors of Breeze Limited decided that the lease rentals would be recognised in the books as income in proportion of output during the lease period. The company will charge depreciation on machine on straight line method @ 20% p.a.

You are required to :

(i) Compute the annual lease rent.

(ii) Lease rent income to be recognised in each operating year.

(iii) Journal entries in the books of Breeze Limited for the year ended 31st March, 2026.

(c) Z Technologies Ltd. reports the following financial structure details for the year ended 1st April, 2026 : 4

10,00,000 equity shares of ₹ 10 each fully paid-up	₹ 1,00,00,000
50,000, 8% Preference Shares of ₹ 100 each fully paid up	₹ 50,00,000

Other Information :

(i) Profit after tax ₹ 58,00,000 for the financial year 2025-2026.

(ii) Employee Share Options (ESOPs) : On 1st April, 2025, the company granted 1,50,000 stock options to its employees at an exercise price of ₹ 20 per share. The options remained unexercised as of 31st March, 2026.

(iii) Bonus Issue : On 1st October, 2025, the board approved a bonus issue of 1 new equity share for every 5 existing shares outstanding.

(iv) The average fair market value of one equity share of Z Technologies Ltd. during the year 2025-2026 was ₹ 25.

You are required to :

Compute the Basic Earnings Per Share and Diluted Earnings Per Share for Z Technologies Ltd. for the financial year ended 31st March, 2026, in accordance with AS 20.

2\. (a) Following is the information provided by Gama Ltd. on 31st March, 2026 : **10**

(₹ in Lakhs)

Particulars	Debit (₹)	Credit (₹)
Equity Share Capital (of ₹ 10 each fully paid up)		15,000
Calls in Arrears	15	
Inventory of Raw Material	750	
Inventory of Finished Goods	3,000	
Trade Receivables	3,000	
Short term Advances	640	
Cash in hand	450	
Cash at Bank	3,705	
Land and Building	8,250	
Plant and Machinery	7,875	
Furniture	750	
Profit and Loss Account		1,300
General Reserve		3,150
Loan from State Financial Corporation		2,250
Unsecured Loan		1,815
Trade payables (for Goods and expenses)		2,400
Loans and advances from related parties		600
Provision for Taxation		1,920
Total	**28,435**	**28,435**

The following additional information is also provided in respect of the above balances :

(i) The balance of ₹ 2,250 Lakhs in the Loan Account with State Financial Corporation includes ₹ 110 Lakhs for interest Accrued but not Due. The loan is secured by hypothecation of Plant and Machinery.

(ii) Trade receivables of ₹ 780 Lakhs are due for more than 6 months.

(iii) The cost of the assets are as follows :

Building ₹ 9,000 Lakhs; Plant and Machinery ₹ 10,500 Lakhs and Furniture ₹ 950 Lakhs.

(iv) Inventory of finished goods includes loose tools costing ₹ 50 Lakhs (which do not meet the definition of property, plant and equipment as per AS 10)

(v) Bills receivables for ₹ 48 Lakhs maturing on 11th May, 2026 have been discounted with bank.

(vi) Balance at bank includes ₹ 30 Lakhs in a bank which is not a Scheduled Bank.

(vii) A transfer of ₹ 60 Lakhs to general reserve is proposed by Board of Directors.

From the above information, you are required to prepare Balance Sheet of Gama Ltd. as required by Division I, Schedule III of Companies Act, 2013.

(b) B Limited provides you the following balances for the year ended 31st March, 2026. **4**

3,000, 9% preference shares of ₹ 100 each (fully paid up)	₹ 3,00,000
72,000 Equity Shares of ₹ 10 (fully paid up)	₹ 7,20,000
6% Debentures (4000 Debentures of ₹ 100 each)	₹ 4,00,000
Unsecured Loan	₹ 60,000

On 1st April, 2026 A Ltd. takes over the business of B Ltd. and discharge the purchase consideration as follows :

(i) 9% Preference shareholders of B Ltd. will be discharged at premium of 15% by issuing necessary number of 8% Preference shares of ₹ 100 each in A Ltd.

(ii) 6% Debenture holders of B Ltd. will be issued 7% Debentures of A Ltd. at 5% premium.

(iii) Equity shareholders of B Ltd. will be issued 5 equity shares in A Ltd. of ₹ 10 each in lieu of every 6 equity shares held in B Ltd.

(iv) Equity Shareholders of B Ltd. will also be given cash @ ₹ 2 per equity share on number of shares issued by A Ltd.

(v) Expenses of Liquidation of B Limited are to be reimbursed by A Limited to the extent of ₹ 20,000. Actual expenses amounted to ₹ 25,000.

You are required to calculate purchase consideration as per AS 14.

3. The following are the Balance Sheets of Big Ltd. and Small Ltd. as on March 31, 2026 : **14**

(₹ in lakhs)

		Particulars	Notes	Big Ltd. (₹)	Small Ltd. (₹)
		Equity and Liabilities			
1.		**Shareholders' funds**			
	(a)	Share Capital	1	1,600	800
	(b)	Reserve and Surplus	2	600	400
2.		**Non-Current Liabilities**			
	(a)	Long-term borrowings	3	400	300
3.		**Current Liabilities**			
	(a)	Trade Payables		500	300
	(b)	Other Current Liabilities		100	80
		Total		**3,200**	**1,880**
		Assets			
1.		**Non-current Assets**			
	(a)	Property, Plant and Equipment	4	1,500	580
	(b)	Non-current investments		160	160
2.		**Current Assets**			
	(a)	Inventories		480	640
	(b)	Trade Receivables		840	420
	(c)	Cash and Cash Equivalents		220	80
		Total		**3,200**	**1,880**

(₹ in lakhs)

Notes to accounts :

		Big Ltd.	Small Ltd.
1.	Share capital :		
	Equity share capital of ₹ 10 each	1,200	600
	12% preference share capital of ₹ 10 each	400	200
		1,600	**800**
2.	Reserve and Surplus :		
	General reserve	450	350
	Profit & Loss account	150	50
		600	**400**
3.	Long term borrowings :		
	10% Debentures of ₹ 100 each	400	300
		400	**300**
4.	Property, Plant and Equipment :		
	Land and Building	1,000	300
	Plant & Machinery	400	180
	Furniture and Fixtures	100	100
		1,500	**580**

Big Ltd. agreed to acquire the business of Small Ltd. as on March 31, 2026. While computing the agreed consideration, the directors of Big Ltd. revalued the following assets and liabilities of Small Limited :

	₹ in lakhs
Land and Building	400
Plant and Machinery	162
Furniture and Fixtures	90
Non-current Investments	180
Trade Receivables	399

485000
(128600)
(82500)
(50,000)

The consideration payable by Big Ltd. was agreed as follows :

(i) Cash payment of ₹ 3 per share for every 12% Preference share and ₹ 2 each to equity shares in Small Ltd.

(ii) Big Limited will issue 64 lakhs shares of ₹ 10 per share, fully paid up in Big Ltd. at an agreed value of ₹ 25 per share to be divided among equity and preference shareholders in the ratio of number of shares held in small Limited.

(iii) Big Limited also agreed to discharge the 10% Debentures of Small Ltd. at a premium of 15% by allotment of 12% Debentures of ₹ 100 each at par.

Other information :

(I) The cost of liquidation of Small Ltd. came to ₹ 1,00,000 which was borne by Small Ltd. The cash balance of Small Ltd. after deducting cost of liquidation is taken over by Big Ltd.

(II) The non-current investments of Big Ltd. consist of 1.6 lakhs, 10% debentures of small Ltd. purchased at par.

(III) On 1st April, 2026 Big Limited issued 20 lakh equity shares of ₹ 10 each fully paid up for cash.

You are required to :

(i) Prepare necessary Ledger Accounts to close the books of Small Ltd.

(ii) Pass required journal entries on acquisition in the books of Big Ltd.

4. (a) The Extracts from the Balance Sheets of Joy Limited for the year ended 31st March, 26 and 31st March, 25 are as follows : 10

(Amount in ₹)

	31st March, 26	31st March, 25
Equity and Liabilities :		
Shareholders' Funds		
Equity Share Capital (of ₹ 100 each fully paid)	10,00,000	10,00,000
Reserves and Surplus		
General Reserve	4,20,000	3,84,000
Profit and Loss Account	1,56,000	90,000
Current Liabilities		
Trade Payables	63,800	97,500
Provision for Tax	2,10,000	1,90,000
Provision for Doubtful Debts	12,000	10,000
Total	**18,61,800**	**17,71,500**
Assets		
Non-Current Assets		
(i) **Property, Plant and Equipment**		
Building	4,50,000	4,68,000
Plant and Machinery	4,20,300	3,82,800
(ii) **Intangible Assets**		
Goodwill	1,30,000	1,30,000
(iii) **Non-current investments**		
Investment	1,12,500	1,00,000
Current Assets		
Inventories	2,80,000	3,00,000
Trade Receivables	2,23,000	2,20,700
Cash	2,46,000	1,70,000
Total	**18,61,800**	**17,71,500**

4\. (a) The Extracts from the Balance Sheets of Joy Limited for the year ended 31st March, 26 and 31st March, 25 are as follows : **10**

(Amount in ₹)

	31st March, 26	31st March, 25
Equity and Liabilities :		
Shareholders' Funds		
Equity Share Capital (of ₹ 100 each fully paid)	10,00,000	10,00,000
Reserves and Surplus		
General Reserve	4,20,000	3,84,000
Profit and Loss Account	1,56,000	90,000
Current Liabilities		
Trade Payables	63,800	97,500
Provision for Tax	2,10,000	1,90,000
Provision for Doubtful Debts	12,000	10,000
Total	**18,61,800**	**17,71,500**
Assets		
Non-Current Assets		
(i) **Property, Plant and Equipment**		
Building	4,50,000	4,68,000
Plant and Machinery	4,20,300	3,82,800
(ii) **Intangible Assets**		
Goodwill	1,30,000	1,30,000
(iii) **Non-current investments**		
Investment	1,12,500	1,00,000
Current Assets		
Inventories	2,80,000	3,00,000
Trade Receivables	2,23,000	2,20,700
Cash	2,46,000	1,70,000
Total	**18,61,800**	**17,71,500**

Additional Information :

(1) During the current year i.e. 2025-26, Company charged depreciation of ₹ 30,500 on plant and machinery and ₹ 18,000 on building. The Company had created a further provision for doubtful debts for ₹ 2,000.

76,000

(2) ₹ 1,80,000 were paid towards the income tax.

(3) An interim dividend of ₹ 50,000 was paid in the month of January 2026.

(4) Investment costing ₹ 50,000 were sold in February 2026 for ₹ 48,000 and on 1st March new investments were made for ₹ 62,500.

On the basis of the above information, you are required to prepare Cash Flow Statement as per AS-3 for the year ending 31st March 2026.

(b) Matrix Ltd. provides the following operational data for a production plant as on 31st March, 2026 : 4

Cost of Plant	:	₹ 70,00,000
Carrying Amount	:	₹ 36,00,000 (This includes a revaluation surplus of ₹ 8,00,000 credited to the revaluation reserve in the year 2024-25).
Recoverable Amount	:	₹ 20,00,000.
Remaining Useful Life	:	4 years
Estimated Salvage Value	:	4,00,000

You are required to :

Calculate the Impairment Loss for the plant, show its accounting treatment as per the provisions of AS 28 and also compute the current year's depreciation charge.

5. Following are the summarized balance sheets of Himalaya Ltd. and Sagar Ltd. for the year ended 31st March, 2026 : **14**

(₹ in 000)

Particulars	**Himalaya Ltd. (₹)**	**Sagar Ltd. (₹)**
Equity and Liabilities		
Shareholders' Funds		
Equity Share Capital (of ₹ 100 each fully paid)	2,400	400
Reserves and Surplus		
General Reserve	870	310
Profit and Loss Account	560	130
Current Liabilities		
Trade Payables	650	250
Total	**4,480**	**1,090**

Assets		
Non-Current Assets		
Property, Plant and Equipment		
Plant and Machinery	1,280	360
Furniture	750	68
Non-current Investments		
Shares in Sagar Ltd : 3,000 shares @ 200 each	600	–
Current Assets		
Inventories	536	124
Trade Receivables	946	474
Cash and bank	368	64
Total	**4,480**	**1,090**

(i) On 1st April, 2025, Himalaya Ltd. acquired 75% shares of Sagar Ltd. On the same date, the balance of General Reserve and Profit and Loss Account of Sagar Ltd. stood as follows :

General Reserve : ₹ 1,00,000

Profit and Loss Account : ₹ 60,000

(ii) On 1st April, 2025, the Plant and machinery of Sagar Ltd. whose book value was ₹ 4,00,000 had been revalued at ₹ 6,00,000. Similarly, on 1st April, 2025, the furniture of Sagar Ltd. whose book value was ₹ 80,000 had been revalued at ₹ 60,000.

(iii) The rate of Depreciation computed on the useful lives of Plant and Machinery and Furniture are 10% and 15% respectively.

(iv) Trade receivables of Sagar Ltd. include ₹ 80,000 to be received from Himalaya Ltd. for the goods supplied during the year 2025-26.

(v) The inventories of Himalaya Ltd. includes goods costing ₹ 1,23,000 (cost to Himalaya Ltd.) purchased from Sagar Ltd. These goods were sold by Sagar Limited at 23% above cost.

On the basis of the above information, you are required to prepare the Consolidated Balance Sheet of Himalaya Ltd. with its subsidiary Sagar Ltd. as at 31st March, 2026.

6. (a) Who are related parties under AS 18 ? What are the related party disclosure requirements ? Explain. 4

OR

(a) State with reasons, how the following independent cases should be treated in the financial statements of the respective entities as per provisions of relevant Accounting Standards, for the financial year 2025-26.

(i) On 15th February, 2026, Zeal Garments Limited dispatched goods costing ₹ 6,00,000 (with selling price ₹ 8,00,000) on consignment to its agent Trendz retails. Up to 31st March, 2026 Trendz retails

(ii) On 1st April, 2025, the Plant and machinery of Sagar Ltd. whose book value was ₹ 4,00,000 had been revalued at ₹ 6,00,000. Similarly, on 1st April, 2025, the furniture of Sagar Ltd. whose book value was ₹ 80,000 had been revalued at ₹ 60,000.

(iii) The rate of Depreciation computed on the useful lives of Plant and Machinery and Furniture are 10% and 15% respectively.

(iv) Trade receivables of Sagar Ltd. include ₹ 80,000 to be received from Himalaya Ltd. for the goods supplied during the year 2025-26.

(v) The inventories of Himalaya Ltd. includes goods costing ₹ 1,23,000 (cost to Himalaya Ltd.) purchased from Sagar Ltd. These goods were sold by Sagar Limited at 23% above cost.

On the basis of the above information, you are required to prepare the Consolidated Balance Sheet of Himalaya Ltd. with its subsidiary Sagar Ltd. as at 31st March, 2026.

6. (a) Who are related parties under AS 18 ? What are the related party disclosure requirements ? Explain. **4**

OR

(a) State with reasons, how the following independent cases should be treated in the financial statements of the respective entities as per provisions of relevant Accounting Standards, for the financial year 2025-26.

(i) On 15th February, 2026, Zeal Garments Limited dispatched goods costing ₹ 6,00,000 (with selling price ₹ 8,00,000) on consignment to its agent Trendz retails. Up to 31st March, 2026 Trendz retails had managed to sell 75% of the stock to final third party customers for ₹ 6,00,000. Trendz retails sent a sale confirmation to Zeal Garments Limited on 5th April, 2026. Zeal Garments Limited wants to recognise the entire amount ₹ 8,00,000 as revenue for the financial year 2025-26 on the basis of the fact that the goods had been physically dispatched from the factory.

(ii) Super Nova Motors Limited sold a fleet of delivery vans to a logistics firm AXE Limited on 28th March, 2026. AXE Limited took legal title, signed the invoice and accepted the billing on the same date but AXE Limited requested Super Nova Motors Limited to delay physical delivery until 15th April, 2026 because their new parking facility was under construction. The delivery vans were fully complete, identified and kept ready for delivery in Super Nova Motors Limited's yard on 28th March, 2026.

(b) Green Ltd. has been suffering from losses for past few years. To strengthen its financial position, following scheme of reconstruction has been approved by the Court : 4

(i) The shareholders to receive in lieu of their present holding of 1,00,000 shares of ₹ 10 each, the following :

(I) New fully paid ₹ 10 equity shares equal to 2/5 of their holding.

(II) 8% Preference shares of ₹ 10 each fully paid to the extent of 2/5 of the above new equity shares.

(III) ₹ 50,000, 10% Debentures

(ii) An issue of ₹ 2,00,000, 10% first debentures were made and allotted, payment for the same being received in cash.

(iii) Goodwill which stood at ₹ 1,20,000 was completely written off.

(iv) Plant and machinery which stood at ₹ 3,00,000 was written down to ₹ 2,50,000.

(v) Freehold property which stood at ₹ 2,00,000 was written down by ₹ 50,000.

(vi) Balance, if any left in capital reduction account be transferred to Capital reserve account.

You are required :

(i) To draw up the necessary journal entries in the books of Green Ltd. For the above reconstruction scheme with suitable narration.

(ii) To prepare Capital Reduction Account.

(c) A firm with Head Office at Mumbai has two branches – one at Delhi and another at Bangalore. Goods are sent to branches at 25% above cost. Both branches make cash and credit sales. Branch expenses are partly met by the Head Office and partly by the branches themselves. Monthly statements of expenses are sent to the Head Office for recording. 6

The following details are available for the year ended March 31, 2026 :

Particulars	Delhi (₹)	Bangalore (₹)
Goods sent to Branches (at cost)	2,00,000	2,00,000
Goods received by Branch till March 31, 2026 at invoice price	2,50,000	2,30,000
Cash sales	1,80,000	1,50,000
Credit sales	70,000	80,000
Cash remitted to Head office	2,35,000	2,10,000
Expenses paid by Head office	15,000	12,000
Bad Debts written off	1,000	500

Balances as on	Delhi (₹)		Bangalore (₹)	
	1-4-2025	31-3-2026	1-4-2025	31-3-2026
Stock (at Cost)	30,000	35,000	25,000	32,000
Debtors	40,000	32,000	35,000	30,000
Cash	6,000	3,000	5,000	2,500

Additional Information :

- During the year, Delhi Branch transferred goods worth ₹ 20,000 (invoice price) to Bangalore Branch.
- Head Office maintains Branch Accounts under the Debtors Method.

Prepare the Branch Ledger Accounts in the books of the Head Office and determine the Profit or Loss of each Branch for the year ended March 31, 2026.