Roll No. 2 6 1 4 8 3 ……………………………

Total No. of Questions – 5

Total No. of Printed Pages – 7 Maximum Marks - 70

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I 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 are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I Question Paper, will not be evaluated.
6. 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.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. 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.
9. 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.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/ using mobile phone or smart watch will be expelled from the examination and will also be liable for further punitive action.

PART II **70 Marks**

1. Question paper comprises **5** questions. All questions are compulsory
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.

PART II

1. (a) An Entity has acquired a heavy machinery at a cost of ₹100 Lakhs (with no breakdown of the component parts). The estimated useful life is 10 years. At the end of the 6th year, one of the major components, the Turbine, requires replacement, as further maintenance is uneconomical. The remainder of the Machine is perfect and is expected to last for the next 4 years. The cost of a New Turbine is ₹45 Lakhs. Assume SLM Depreciation and appropriate Discount Rate is 5%. Compute the carrying amount of machinery after replacement. ***(5 Marks)***

1. (b) A Pharma Company spent ₹ 33 lakhs during the accounting year ended 31st March, 2016 on a research project to develop a drug to treat "AIDS". Experts are of the view that it may take four years to establish whether the drug will be effective or not and even if found effective it may take two to three more years to produce the medicine, which can be marketed. The company wants to treat the expenditure as deferred revenue expenditure. Comment. ***(5 Marks)***

1. (c) Explain the meaning of the terms 'cash' and 'cash equivalent' for the purpose of Cash Flow Statement as per AS-3.

Ruby Exports had a bank balance of USD 25,000, stated in books at ₹ 16,76,250 using the rate of exchange ₹ 67.05 per USD prevailing on the date of receipt of dollars. However, on the balance sheet date, the closing rate of exchange was ₹ 67.80 and the bank balance had to be restated at ₹ 16,95,000.

Comment on the effect of change in bank balance due to exchange rate fluctuation and also discuss how it will be disclosed in Cash Flow Statement of Ruby Exports with reference to Accounting Standard - 3. ***(4 Marks)***

2. (a) Preet Ltd. presents you the following information for the year ended 31st March, 2024:

		(` in lacs)
(i)	Net profit before tax provision	72,000
(ii)	Dividend paid	20,404
(iii)	Income-tax paid	10,200
(iv)	Book value of assets sold	444
	Loss on sale of asset	96
(v)	Depreciation debited to P & L account	48,000

(vi)	Capital grant received - amortized to P & L A/c	20
(vii)	Book value of investment sold	66,636
	Profit on sale of investment	240
(viii)	Interest income from investment credited to P & L A/c	6,000
(ix)	Interest expenditure debited to P & L A/c	24,000
(x)	Interest actually paid (Financing activity)	26,084
(xi)	Increase in working capital	1,34,580
	[Excluding cash and bank balance]	
(xii)	Purchase of fixed assets	44,184
(xiii)	Expenditure on construction work	83,376
(xiv)	Grant received for capital projects	36
(xv)	Long term borrowings from banks	1,11,732
(xvi)	Provision for Income-tax debited to P & L A/c	12,000
	Cash and bank balance on 1.4.2023	12,000
	Cash and bank balance on 31.3.2024	16,000

You are required to prepare a cash flow statement as per AS-3 (Revised). ***(9 Marks)***

2. (b) As per provisions of AS-26, how would you deal to the following situations:

(i) ₹ 23,00,000 paid by a manufacturing company to the legal advisor for defending the patent of a product is treated as a capital expenditure.

(ii) During the year 2018-19, a company spent ₹ 7,00,000 for publicity and research expenses on one of its new consumer product which was marketed in the same accounting year but proved to be a failure.

(iii) A company spent ₹ 25,00,000 in the past three years to develop a product, these expenses were charged to profit and loss account since they did not meet AS-26 criteria for capitalization. In the current year approval of the concerned authority has been received. The company wishes to capitalize ₹ 25,00,000 by disclosing it as a prior period item.

(iv) A company with a turnover of ₹ 200 crores and an annual advertising budget of ₹ 50,00,000 had taken up for the marketing of a new product by a company. It was estimated that the company would have a turnover of ₹ 20 crore from the new product.

(v) The company had debited to its Profit & Loss Account the total expenditure of ₹ 50,00,000 incurred on extensive special initial advertisement campaign for the new product. ***(5 Marks)***

3. (a) In the books of Rani Ltd., closing inventory as on 31.03.2022 amounts to ₹ 1,75,000 (valued on the basis of FIFO method).

The Company decides to change from FIFO method to weighted average method for ascertaining the costs of inventory from the year 2021-22. On the basis of weighted average method, closing inventory as on 31.03.2022 amounts to ₹ 1,59,000. Realizable value of the inventory as on 31.03.2022 amounts to ₹ 2,07,000.

Discuss disclosure requirements of change in accounting policy as per AS 1. ***(4 Marks)***

3. (b) Akshay Pharma Ltd ordered 16,000 kg of certain material at ₹ 160 per unit. The Purchase Price includes GST ₹ 10 per kg in respect of which full Input Tax Credit is admissible. Freight incurred amounted to ₹ 1,40,160. Normal transit loss is 2%. The Company actually received 15,500 kg and consumed 13,600 kg of material. Compute the Cost of Inventory under AS-2 and the amount of Abnormal Loss. ***(5 marks)***

3. (c) *The following data is provided for M/s. Raj Construction Co.*

(i) Contract Price - ₹ 85 lakhs

(ii) Materials issued - ₹ 21 Lakhs out of which Materials costing ₹ 4 Lakhs is still lying unused at the end of the period.

(iii) Labour Expenses for workers engaged at site - ₹ 16 Lakhs (out of which ₹ 1 Lakh is still unpaid)

(iv) Specific Contract Costs - ₹ 5 Lakhs

(v) Sub-Contract Costs for work executed - ₹ 7 Lakhs, Advances paid to sub-contractors - ₹ 4 Lakhs

(vi) Further Cost estimated to be incurred to complete the contract - ₹ 35 Lakhs

You are required to compute the Percentage of Completion, the Contract Revenue and Cost to be recognized as per AS-7. ***(5 Marks)***

4. (a) Hygiene Ltd. had received a grant of ₹ 50 lakh in 2012 from a State Government towards installation of pollution control machinery on fulfilment of certain conditions. The company, however, failed to comply with the said conditions and consequently was required to refund the said amount in 2022. The company debited the said amount to its machinery account in 2022 on payment of the same. It also reworked the depreciation for the said machinery from the date of its purchase and passed necessary adjusting entries in the year 2022 to incorporate the retrospective impact of the same. State whether the treatment done by the company is correct or not.

(4 Marks)

4. (b) *Following information of M/s BS Products Ltd. is given :*

(i) Goods of ₹ 2,00,000 sold to M/s Den Ltd. on 20-03-2020 but at the request of the buyer these were delivered on 10-04-2020.

(ii) On 15-01-2020 goods of ₹ 3,00,000 were sent on consignment basis, of which 20% of the goods unsold are lying with the consignee as on 31-03-2020.

(iii) ₹ 4,00,000 worth of goods were sold on approval basis on 01-12-2019. The period of approval was 3 months after which they were considered as sold. Buyer sent approval for 75% goods upto 31-01-2020 and no approval or disapproval received for the remaining goods till 31-03-2020.

(iv) Apart from the above, M/s BS Products Ltd. sells goods to dealers also. One of the condition of sale is that interest is payable @ 2% p.m. for delayed payments by dealers. Percentage of interest recovery is only 10% i.e. ₹ 50,000 on such overdue outstanding due to various reasons. During the year 2019-20, company wants to recognize the entire interest receivable of ₹ 60,000.

You are required to advise the accountant of M/s BS Products Ltd., with valid reasons, the amount to be recognized as revenue in above cases in the context of AS-9 and also determine the total revenue to be recognized for the year ending 31-03-2020. ***(5 Marks)***

4. (c) State whether the following items are examples of change in Accounting Policy / Change in Accounting Estimates / Extraordinary items / Prior period items / Ordinary Activity:

(i) Actual bad debts turning out to be more than provisions.

(ii) Change from Cost model to Revaluation model for measurement of carrying amount of PPE.

(iii) Government grant receivable as compensation for expenses incurred in previous accounting period.

(iv) Treating operating lease as finance lease.

(v) Capitalisation of borrowing cost on working capital.

(vi) Legislative changes having long term retrospective application.

(vii) Change in the method of depreciation from straight line to WDV.

(viii) Government grant becoming refundable.

(ix) Applying 10% depreciation instead of 15% on furniture.

(x) Change in useful life of fixed assets. ***(5 Marks)***

5. (a) A Ltd. purchased on 1st April, 2024 8% convertible debenture in C Ltd. of face value of ₹ 2,00,000 @ ₹108. On 1st July, 2024 A Ltd. purchased another ₹ 1,00,000 debenture @ ₹112 cum interest.

On 1st October, 2024 ₹ 80,000 debenture was sold @ ₹ 105. On 1st December, 2024, C Ltd. gave option for conversion of 8% convertible debentures into equity share of ₹10 each. A Ltd. received 5,000 equity shares in C Ltd. in conversion of 25% debenture held on that date. The market price of debenture and equity share in C Ltd. at the end of year 2024 is ₹110 and ₹15 respectively.

Interest on debenture is payable each year on 31st March, and 30th September. The accounting year of A Ltd. is calendar year.

Prepare investment account in the books of A Ltd. on average cost basis. ***(7 Marks)***

5. (b) Tee Ltd. closes its books of accounts every year on 31st March. The financial statements for the year ended 31st March 2020 are to be approved by the approving authority on 30th June 2020. During the first quarter of 2020-2021, the following events / transactions has taken place. The accountant of the company seeks your guidance for the following:

(i) Tee Ltd. has an inventory of 50 stitching machines costing at ₹ 5,500 per machine as on 31st March 2020. The company is expecting a heavy decline in the demand in next year. The inventories are valued at cost or net realizable value, whichever is lower. During the month of April 2020, due to fall in demand, the prices have gone down drastically. The company has sold 5 machines during April, 2020 at a price of ₹ 4,000 per machine.

(ii) A fire has broken out in the company's godown on 15th April 2020. The company has estimated a loss of ₹ 25 lakhs of which 75% is recoverable from the Insurance company.

(iii) A suit against the company's advertisement was filed by a party on 10th April, 2020 10 days after the year end claiming damages of ₹ 20 lakhs.

You are required to state with reasons, how the above transactions will be dealt with in the financial statements for the year ended 31 March 2020.

(5 Marks)

5. (c) ABC Limited wants to reclassify its investments in accordance with AS-13. Decide and state on the amount of transfer, based on the following information:

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

(b) Another portion of current investments purchased for ₹ 15 lakhs, to be reclassified as long term investments. The market value of these investments as on the date of Balance Sheet was ₹ 6.50 lakhs.

(c) Certain long-term investments no longer considered for holding purposes, to be reclassified as current investments. The original cost of these was ₹ 18 lakhs but had been written down to ₹ 12 lakhs to recognize permanent decline as per AS-13.

(3 Marks)