

Question Paper Booklet No. **2511241**

GENERAL INSTRUCTIONS TO CANDIDATES

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 I

30 Marks

1. Answer all questions.
2. Use HB pencil only to darken the circles for answers in the answer sheet.
3. After each question, four alternative answers are given. Choose one of the answers and darken the appropriate circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB pencil.
4. Any answers marked in the question booklet or inside the descriptive answer book will not be considered and no marks will be awarded.
5. If a candidate wants to change the answers already darkened, he should erase it completely, with good quality eraser and ensure that no mark is visible after erasing.
6. No mark will be awarded if no circle is darkened or more than one circle is darkened for a particular question. There is no negative marking for a wrong answer.
7. 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.
8. 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: 7

Maximum Marks: 30

Roll No.

2	6	1	4	8	3
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**Question Paper
Booklet Code**

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Name of the Candidate

Signature of the candidate

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PART I

Case Scenario – 1:

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

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

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

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

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

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

1. Which of the following cost (incurred directly on construction) will be capitalized to the cost of factory building?
 - (a) ₹ 2,00,000 incurred as legal cost
 - (b) ₹ 60,000 – costs of relocating employees
 - (c) ₹ 80,000 costs of inauguration ceremony
 - (d) ₹ 24,000 – allocated general overhead cost

(3)
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2. What amount of employment cost of construction workers will be capitalized to the cost of factory building?
 - (a) ₹ 2,90,000
 - (b) ₹ 3,48,000
 - (c) ₹ 2,32,000
 - (d) ₹ 29,000
3. What is the amount of net borrowing cost capitalized to the cost of the factory?
 - (a) ₹ 1,89,000
 - (b) ₹ 1,68,000
 - (c) ₹ 1,44,000
 - (d) ₹ 1,64,000
4. What will be the carrying amount (i.e. value after charging depreciation) of the factory in the Balance Sheet of Shubham Limited as at 31st March, 2023?
 - (a) ₹ 30,00,000
 - (b) ₹ 57,78,125
 - (c) ₹ 27,78,125
 - (d) ₹ 58,00,000

(2 Marks x 4 = 8 Marks)

Case Scenario – 2:

Mr. Ekadanta gives the following Information relating to items forming part of Inventory as on 31st March. His Factory produces Product X using Raw Material A.

- (a) 600 units of Raw Material A (purchased at ₹ 120). Replacement Cost of Raw Material A as on 31st March is ₹ 90 per unit.
- (b) 500 units of Partly Finished Goods in the process of producing X and Cost incurred till date ₹ 260 per unit. These units can be finished next year by incurring additional cost of ₹60 p.u.
- (c) 1,500 units of Finished Product X and Total Cost incurred ₹ 320 per unit. Expected Selling Price of Product X is ₹ 300 per unit.

Based on the information given in the above case scenario, answer the following Question No. 5 - 6:

5. Value of Raw Materials & Finished Goods =
 - (a) 54,000 & 4,50,000
 - (b) 54,000 & 4,80,000
 - (c) 72,000 & 4,50,000
 - (d) 72,000 & 4,80,000
6. Value of WIP =
 - (a) 54,000
 - (b) 1,20,000
 - (c) 4,50,000
 - (d) 3,30,000

(2 marks x 2 = 4 marks)

Case Scenario – 3:

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

Based on the information given in the above case scenario, answer the following Question No. 7 - 9:

7. On which date the Intangible asset should be recognised:
 - (a) April 2022 (When it was decided that SAP ERP is to be implemented)
 - (b) June 2022 (When the implementation work started)
 - (c) September 2023 (When the implementation work should have completed as per agreed terms)
 - (d) May 2024 (When the SAP actually got implemented)
8. At what amount the SAP ERP should be initially recognised as 'intangible asset':
 - (a) ₹ 25,00,000
 - (b) ₹ 26,00,000
 - (c) ₹ 23,00,000
 - (d) ₹ 32,00,000
9. How should the annual maintenance and updation expenses should be accounted for:
 - (a) Should be capitalised with 'Intangible Asset'
 - (b) Should be recognised as a separate 'Intangible Asset'
 - (c) Should be recognised as expense in Profit and Loss annually.
 - (d) No accounting is required

(2 Marks x 3 = 6 Marks)

Case Scenario – 4:

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

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

Question No. 10 - 13:

10. As per the requirements of AS 3, 'Cash Flow Statements', how the amount for purchase of machinery should be presented:
- (a) ₹ 10 lakhs as 'Cash flows from Investing Activities' and ₹ 30,000 will simply be booked in profit and loss with no presentation in Cash Flow Statement.
 - (b) ₹ 10.30 lakhs as 'Cash flows from Investing Activities' as entire amount is spent on purchase of machinery.
 - (c) ₹ 10 lakhs as 'Cash flows from Investing Activities' and ₹ 30,000 as 'Cash flows from Financing Activities'.
 - (d) ₹ 10.30 lakhs as 'Cash flows from Financing Activities' as the machinery has been purchased on finance.
11. At what amount, the machinery should be recognised in the financial statements:
- (a) ₹ 400,000
 - (b) ₹ 10,30,000
 - (c) ₹ 600,000
 - (d) ₹ 10,00,000
12. How should the income tax paid on sale of land should be disclosed in the Cash Flows Statement:
- (a) Cash flows from Operating Activities
 - (b) Cash flows from Investing Activities
 - (c) Cash flows from Financing Activities
 - (d) No disclosure in Cash Flow Statement
13. How should the interest on income tax refunds should be disclosed in the Cash Flows Statement:
- (a) Cash flows from Operating Activities
 - (b) Cash flows from Investing Activities
 - (c) Cash flows from Financing Activities
 - (d) No disclosure in Cash Flow Statement

(2 Marks x 4 = 8 Marks)

(6)
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14. Which of the following is change in Accounting policy?
- (a) Provision for doubtful debts was created @ 2% till current year. From the next year, the rate of provision has been changed to 3%.
 - (b) Till the previous year, the Furniture was depreciated on straight line basis over a period of 5 years. From current year, the useful life of Furniture has been changed to 3 years.
 - (c) During the year ended 31st March, there was change in cost formula in measuring the cost of inventories.
 - (d) Aarani Ltd finds that the Stock Sheets as on 31.3.2021 have included twice an item, the cost of which was Rs. 55,000. **(2 Marks)**
15. Examples of Adjusting Events -
- (a) Settlement after the Reporting Period, of a Court Case, in a situation where the Entity did not have a present obligation at the end of the Reporting Period.
 - (b) Settlement after the Reporting Period, of a Court Case, that confirms that the Entity had a present obligation at the end of the Reporting Period.
 - (c) Commencing major litigation arising solely out of events that occurred after the Reporting Period.
 - (d) None of the above **(2 Marks)**

(7)
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Space For Rough Work