Roll No. 762831 …………………………….

Total No. of Questions – 6

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 **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.

PART II

1. (a) Following transactions were reported by PQR Ltd. during the year 2020-21:

i.	Tax Rate	30%
		(₹ in lakh)
ii.	Items disallowed in 2019-2020 and allowed for tax purposes in 2020-2021.	20
iii.	Interest to Financial Institutions accounted in the books on accrual basis, but actual payment was made before the due date of filing return and allowed for tax purpose also.	20
iv.	Donations to Private Trust made in 2020-2021 (not allowed under Income Tax Laws).	10

You are required to show impact of the above items in terms of Deferred Tax Assets/Deferred Tax Liability for the year ended 31.03.2021. ***(5 Marks)***

1. (b) ABC Construction Co. obtained a contract for construction of a highway. The following details are available in records of company for the year ended 31st March, 2024:

	₹ in lakhs
Total Contract Price	12,000
Cost of work certified	6,250
Cost of work not certified	1,250
Estimated further cost to completion	8,750
Progress payment received	5,500
Progress payment to be received	1,500

Applying the provisions of Accounting Standard 7 "Accounting for Construction Contracts" you are required to compute:

(i) Profit/Loss for the year ended 31st March, 2024.

(ii) Contract work in progress as at end of financial year 2023-24.

(iii) Revenue to be recognized out of the total contract value.

(iv) Amount due from/to customers as at the year end. ***(4 Marks)***

1. (c) A CGU has 3 assets A, B and C, with carrying amounts ₹ 15 Lakhs, ₹ 25 Lakhs and ₹ 20 Lakhs respectively. Goodwill allocable to this CGU is ₹ 15 Lakhs and the recoverable amount of the entire CGU is ₹ 50 Lakhs. It is also ascertained that the individual net selling price of asset A is ₹ 14 Lakhs. Give the treatment of Impairment Loss. ***(5 Marks)***

2. (a) For Accounting year 2023-24:

Earnings, *i.e.* Net profit attributable to equity shareholders	₹1,00,00,000
No. of equity shares outstanding	20,00,000
Average fair value of one equity share during the year	₹ 75.00
Potential Equity Shares	
Options	1,00,000 with exercise price of ₹ 60
Convertible Preference Shares. Attributable tax *e.g.* corporate dividend tax	8,00,000 shares entitled to a cumulative dividend of ₹8 per share. Each preference share is convertible into 2 equity shares. 10%
12% Convertible Debentures of ₹ 100 each	Nominal amount ₹ 10,00,00,000. Each debenture is convertible into 4 equity shares.
Tax Rate	30%

Calculate diluted earnings per share as per AS 20. ***(7 Marks)***

2. (b) X Ltd. sold JCB Machine having WDV of ₹50 Lakhs to Y Ltd for ₹60 Lakhs and the same JCB was leased back by Y Ltd to X Ltd. The lease is operating lease. Comment according to relevant Accounting Standard if:

(i) Sale price of ₹60 Lakhs is equal to fair value

(ii) Fair Value is ₹50 Lakhs and sale price is ₹45 Lakhs.

(iii) Fair value is ₹55 Lakhs and sale price is₹62 lakhs

(iv) Fair value is ₹45 Lakhs and sale price is ₹48 Lakhs. ***(4 Marks)***

2. (c) Aman started a business on 1st April, 2024 with ₹ 24,00,000 represented by 1,20,000 units of ₹20 each. During the financial year ending on 31st March, 2025, he sold the entire stock for ₹ 30 each. In order to maintain the capital intact, calculate the maximum amount, which can be withdrawn by Aman in the year 2024-25 if Financial Capital is maintained at historical cost. ***(3 Marks)***

3. The statement of affair of H Ltd. and its subsidiary S Ltd. as on 31 March, 2023 are as follows:

Liabilities	**H Ltd.** ₹	**S Ltd.** ₹
Equity Share of ₹ 100 each, fully paid up	10,00,000	5,00,000
General Reserve	1,00,000	1,70,000
Surplus	1,60,000	1,30,000
Current Liabilities	4,40,000	2,00,000
	17,00,000	**10,00,000**

Assets :		
Fixed Assets	4,80,000	2,50,000
Investment in Shares of S Ltd.	5,00,000	--
Current Assets	7,20,000	7,50,000
	17,00,000	**10,00,000**

The following additional information is provided:

i. H Ltd. acquired 3,000 shares in S Ltd. on 1 July, 2022. The Reserves and Surplus position of S Ltd. as on 1 April, 2022 was as under :

General Reserve: ₹ 2,50,000

Surplus: ₹ 1,20,000

ii. On 1 October, 2022 S Ltd. issued one equity share for every four shares held as Bonus shares out of the General Reserve. No entry has been made in the books of H Ltd., for the receipt of these bonus shares. However, entry has been made in the books of S Ltd. for the issue of bonus shares.

iii. On 30 September, 2022, S Ltd. declared a dividend out of pre-acquisition profits @ 25%.

iv. S Ltd. owed H Ltd. ₹ 50,000 for purchase of stock from H ltd. The entire stock is held by S Ltd. on 31 March, 2023. H Ltd. made a profit of 25% on cost.

Prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31 March, 2023. ***(14 Marks)***

4. (a)

(i) AXE Limited purchased fixed assets costing \$ 5,00,000 on 1st Jan. 2018 from an American company M/s M&M Limited. The amount was payable after 6 months. The company entered into a forward contract on 1st January 2018 for five months @ ₹ 62.50 per dollar. The exchange rate per dollar was as follows :

On 1st January, 2018 ₹ 60.75 per dollar

On 31st March, 2018 ₹ 63.00 per dollar

You are required to state how the profit or loss on forward contract would be recognized in the books of AXE Limited for the year ending 2017-18, as per the provisions of AS 11.

(ii) Assets and liabilities and income and expenditure items in respect of integral foreign operations are translated into Indian rupees at the prevailing rate of exchange at the end of the year. The resultant exchange differences in the case of profit, is carried to other Liabilities Account and the loss, if any, is charged to revenue. You are required to comment in line with AS-11. ***(3 + 2 = 5 marks)***

4. (b) A company incorporated in June 2020, has setup a factory within a period of 8 months with borrowed funds. The construction period of the assets had reduced drastically due to usage of technical innovations by the company and the company is able to justify the reasons for the same. Whether interest on borrowings for the period prior to the date of setting up the factory should be capitalized although it has taken less than 12 months for the assets to get ready for use. You are required to comment on the necessary treatment with reference to AS 16. ***(5 Marks)***

4. (c) F Ltd. has finalized their financial statements for the year ending 31st March, 2024 and approved by their approving authority on 30th June, 2024.
   (i) A major fire broke out in the night of 31st May, 2024 destroying factory premises. Loss of property estimated to be ₹25 lakhs.
   (ii) Negotiations with another company started in April 2024 for acquisition of two manufacturing units which may involve additional investments of ₹50 lakhs.
   (iii) Foreign exchange loss during the period 1st April, 2024 and 1st June 2024 has resulted that assets being reduced by ₹30 lakhs.

   You are requested to state how to deal with the above information's in the annual accounts. ***(4 Marks)***

5. (a) Saurav Limited reported a Profit before Tax of ₹ 8.00 Lakhs for the 2nd quarter ending on 30th September 2024. On enquiry, following issues were noticed:
   (a) Property Tax of ₹ 60,000 paid during the quarter for the full year has been recognized in full.
   (b) 1/5th of ₹ 15 Lakhs being Marketing Promotional Expenses incurred on 23rd September, 2024 has been recognized based on past experience of higher sales in the last quarter of the year.
   (c) 50% of the Loss of ₹ 2 Lakhs incurred on disposal of a Business Segment has been allocated to this quarter.
   (d) Cumulative Loss of ₹ 3 Lakhs resulting from the change in the method of Valuation of Inventory was recognised in the 2nd quarter, which included ₹ 2 Lakhs related to earlier quarters.
   (e) Gain of ₹ 15 Lakhs from Sale of Investments sold in the 1st quarter was apportioned equally over the full year.

   You are required to give proper treatment as required by AS-25 on Interim Financial Reporting and to recast the adjusted Profit before Tax for the 2nd quarter. ***(5 Marks)***

5. (b) Star Limited purchased machinery for ₹ 6,80,000 (inclusive of GST of ₹ 40,000). Input credit is available for entire amount of GST paid. The company incurred the following other expense for installation.

	₹
Cost of preparation of site for installation	21,200
Total Labour charges	56,000
(200 out of the total of 500 men hours worked, were spent on installation of the machinery)	
Spare parts and tools consumed in installation	5,000
Total salary of supervisor	26,000
(Time spent for installation was 25% of the total time worked)	
Total technical expense	34,000
(1/10 relates to the plant installation)	
Test run and experimental production expenses	18,000
Consultancy charges to architect for plant set up	11,000
Depreciation on assets used for installation	12,000

The machine was ready for use on 15.01.2021 but was used from 01.02.2021. Due to this delay further expenses of ₹ 8,900 were incurred. Calculate the value at which the plant should be capitalized in the books of Star Limited. ***(4 Marks)***

5. (c) The Chief Accountant of Govind Ltd gives the following data regarding its six segments: (₹ In Lakhs)

Particulars	**M**	**N**	**O**	**P**	**Q**	**R**	**Total**
Segment Assets	40	80	30	20	20	10	200
Segments Results	50	-190	10	10	-10	30	-100
Segment Revenue	300	620	80	60	80	60	1200

The Chief Accountant is of the opinion that Segments 'M' and 'N' alone should be reported. Is he justified in his view? Discuss. ***(5 marks)***

6. (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)***

6. (b) On 01-04-2020, Mr. T. Shekharan purchased 5,000 equity shares of ₹ 100 each in V Ltd. @ ₹ 120 each from a broker, who charged 2% brokerage. He incurred 50 paisa per ₹ 100 as cost of shares transfer stamps. On 31-01-2021 bonus was declared in the ratio of 1: 2. Before and after the record date of bonus shares, the shares were quoted at ₹ 175 per share and ₹ 90 per share respectively. On 31-03-2021, Mr. T. Shekharan sold bonus shares to a broker, who charged 2% brokerage.

Show the Investment Account in the books of T. Shekharan, who held the shares as Current Assets and closing value of investments shall be made at cost or market value whichever is lower. ***(5 Marks)***

6. (c) Rohini Limited is in the business of manufacture of passenger cars and commercial vehicles. The Company is working on a strategic plan to close the production of passenger cars and to produce only commercial vehicles over the coming 5 years. However, no specific plans have been drawn up for sale of neither the division nor its assets. As part of its prospective plan it will reduce the production of passenger cars by 20% annually. It also plans to establish another new factory for the manufacture of commercial vehicles and transfer surplus employees in a phased manner. You are required to comment:

(i) If mere gradual phasing out in itself can be considered as a 'discontinuing operation' within the meaning of AS-24.

(ii) If the Company passes a resolution to sell some of the assets in the passenger car division and also to transfer few other assets of the passenger car division to the new factory, does this trigger the application of AS-24?

(iii) Would your answer to the above be different if the Company resolves to sell the assets of the passenger car division in a phased but time bound manner?

(5 Marks)

OR

6. (c) 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)***