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.

8	3	6	1	7	4

Question Paper Booklet Code

A	S	R	1

Name of the Candidate	

Signature of the candidate

PART I

Case Scenario – 1:

Flying Airways Ltd is a company which manufactures aircraft parts and engines and sells them to large multinational companies like Boeing and Airbus Industries.

On 1st April 2023, the Company began the construction of a new production line in its aircraft parts manufacturing shed. Costs relating to the production line are as follows:

	(₹000s)
Costs of the basic materials (list price ₹12.5 million less a 20% trade discount)	10,000
Recoverable Goods and Services Taxes incurred not included in the purchase cost	1,000
Employment costs of the construction staff for 3 months to 30th June 2023	1,200
Other overheads directly related to the construction	900
Payments to external advisors relating to the construction	500
Expected dismantling and restoration costs	2,000

Additional Information:

The construction staff was engaged in the production line, which took 2 months to make ready for use and was brought into use on 31st May 2023.

The other overheads were incurred in 2 months period ended on 31st May 2023. They included an abnormal cost of ₹ 3,00,000 caused by a major electrical fault.

The production line is expected to have a useful economic life of 8 Years.

At the end of that time, Flying Airways Ltd is legally required to dismantle the plant in a specified manner and restore its location to an acceptable standard. The amount of ₹ 2 million mentioned above is the amount that is expected to be incurred at the end of the useful life of the production line. The appropriate rate to use in any discounting calculations is 5%. The present value of ₹ 1 payable in eight years at a discount rate of 5% is approximately ₹ 0.68.

4 Years after being brought into use, the production line will require replacement of a major part to ensure that it generates economic benefits for the second half of its useful life. The estimated cost of the part, at current prices, is ₹ 3 million.

The Company computes its depreciation charge on a monthly basis.

No Impairment of the plant had occurred by 31st March 2024.

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

1. Cost of production line is:

   (a) ₹ 1,32,60,000 (b) ₹ 1,36,60,000 (c) ₹ 1,39,00,000 (d) ₹ 1,43,00,000

2. Depreciation for the year 2023-24 is:

   (a) ₹ 13,81,250 (b) ₹ 16,00,000 (c) ₹ 16,57,500 (d) ₹ 16,93,750

3. Provision for dismantling cost as on 31 March 2024 is:

   (a) ₹ 13,60,000 (b) ₹ 14,16,667 (c) ₹ 20,00,000 (d) ₹ 20,83,333

4. Finance cost to be recognised in statement of P&L for 2023-24:

   (a) Nil (b) ₹ 56,667 (c) ₹ 68,000 (d) ₹ 83,333

(2 Marks x 4 = 8 Marks)

Case Scenario – 2:

A company 'X' Ltd was incorporated under the Companies Act, 1956 in 2010 for carrying out the business of real estate development in the state of Himachal Pradesh. The State Govt. has announced a scheme of Grant of ₹ 1 crore for development of real estate in the State.

It entered in agreements for purchase of lands for developing real estate projects in the state and paid advances worth ₹ 3.50 crore. The company was not able to execute conveyance deeds for those lands in the name of the company and was also refused permissions for initiating development activities in the state. Since then there is no other activity undertaken by the company neither on the said land nor anywhere else.

The company has not prepared Statement of Profit and Loss for any of the Financial Year since 2010-2011 to 2022-2023 considering that the business activities never commenced and therefore capitalized the preliminary expenses of ₹ 35,000, general expense of ₹ 2.50 lakh (such as Book-Keeping, Auditing, Legal Expense) and Interest Costs of approx. 2.50 crore as preoperative expenses incurred during these thirteen years under the head inventories – work-in-progress. The extract of the balance sheet is reproduced below for your reference:

INVENTORIES as at 31.03.2023

Work-in-Progress	
Preliminary Expenses	35,000
Pre-operative Expense	2,52,50,000
Total Inventory	**2,52,85,000**

Now for financial year 2023-2024, the new auditors are of the opinion, that the company shall prepare the Statement of Profit and Loss.

Based on the information given in the above case scenario, answer the following Question No. 5 - 8:

5. At what amount should the above Work-in-progress be presented in the Balance Sheet?

   (a) ₹ 2,52,50,000 (b) ₹ 2,52,85,000 (c) ₹ 6,02,85,000 (d) Nil

6. Amount to be recognised in Statement of Profit & Loss for 2023-24:

   (a) ₹ 2,52,50,000 (b) ₹ 2,52,85,000 (c) ₹ 6,02,85,000 (d) Nil

7. How should the above items be presented in Statement of Profit and Loss for 2023-24, if any?

   (a) Extra-ordinary item

   (b) Prior-period item

   (c) Change in Accounting Estimate

   (d) Change in Accounting Policy

8. Treatment of grant income:

   (a) Recognised in Statement of Profit and Loss

   (b) Disclosed as a Contingent Asset in the Financial Statement

   (c) Can't recognised Grant Income

   (d) Treat it as deferred grant

(2 Marks x 4 = 8 Marks)

Case Scenario – 3:

A claim for damages of ₹ 10 Lakhs for breach of Patents and Copyrights had been served on Radha Ltd in January. The Directors sought competent legal advice on the eligibility of the claim and were advised that the claim was highly frivolous, without any basis and would not survive even in the first Trial Court. The Company, however, anticipates a long drawn legal battle and huge legal costs. The Company's accounts for the year ended 31st March were considered and approved by the Board of Directors on 15th May.

Based on the information given in the above case scenario, answer the following Question No. 9 - 11:

9. In this case, which of the following exists?

   (a) Present obligation

   (b) Possible obligation

   (c) Commitment

   (d) None of the above

10. Which of the following statement is correct?

    (a) Provision should be recognised for liability for damages and the anticipated legal costs.

    (b) Provision should be recognised for liability for damages but no provision should be recognised for the anticipated legal costs.

    (c) Provision should be recognised for the anticipated legal costs but no provision should be recognised for liability for damages.

    (d) Contingent liability should be disclosed.

11. In this case, disclosure as a contingent liability:

    (a) shall be made in the notes to accounts

    (b) shall be made in the report of approving authority

    (c) is not required

    (d) none of the above

(2 Marks x 3 = 6 Marks)

12. Under Accounting Standard 15, method allowed for determining present value of defined benefit obligation is:

    (a) Binomial Model (b) Black Scholes Model

    (c) Projected Unit Credit Method (d) None of the above

(2 Marks)

13. An Entity has acquired an Asset costing ₹ 1,00,000 for production of certain items to be sold by it. It is deductible equally over 2 years in the books of accounts. In Tax Law, ₹ 75,000 is deductible in year 1 and balance is deductible in year 2. Tax rate 10%. In Year 2, the Entity should -

    (a) Create DTL 2,500 (b) Reverse DTL 2,500

    (c) Create DTA 2,500 (d) Reverse DTA 2,500

(2 Marks)

14. Which of the following Companies can be classified as SMC?

    (a) A Pvt Ltd, a Subsidiary of a Multinational Company listed on London Stock Exchange.

    (b) B Pvt Ltd, which has a Turnover of ₹ 450 Crores, Other Income of ₹ 7 Crores, and Borrowings of ₹ 9 Crores

    (c) C Ltd, which has appointed Merchant Bankers to prepare a Red Herring Prospectus for the purpose of filing the same with the SEBI.

    (d) None of the above **_(2 Marks)_**

15. AXE Ltd is facing a financial crunch and entered into a contract with BXE Ltd for sale of goods for ₹ 25 Lakhs at a profit of 20% on cost on 1st January. On the same day, BXE Ltd entered into an agreement with AXE Ltd to resale the same goods at ₹ 31.50 Lakhs on 1st July.

    AXE Ltd recognizes -

    (a) Revenue 25 Lakhs

    (b) Revenue 30 Lakhs

    (c) Loan given & Interest Income

    (d) Loan taken & Interest expenses **_(2 Marks)_**

Space For Rough Work