Question Paper Booklet No. 1612241

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. | | | | | | |

Question Paper Booklet Code | A | M | R | 1 |

Name of the Candidate	

Signature of the candidate

PART I

Case Scenario – 1:

Heaven Ltd had purchased a Machinery on 1st April 2016 for ₹ 30,00,000, which is reflected in its books at Written Down Value of ₹ 17,50,000 at 31st March 2021. The company has estimated an upward revaluation of 10% on 1st April 2021 to arrive at the fair value of the asset. Heaven Ltd availed the option given by Accounting Standard of transferring some of the surplus as the asset is used by an enterprise. On 1st April 2024, the Machinery was revalued downward by 15% and the company also re-estimated the machinery's remaining life to be 8 years. The Machinery was sold for ₹ 9,35,000 on 31st March 2025. The Company charges depreciation on plant and machinery on straight line method.

The Company acquired a Patent on 1 April 2022 at a cost of ₹ 160 Lakhs for a period of 5 years and the product life cycle is also 5 years. The Company capitalized the cost and started amortising the asset at ₹ 16 lakhs per year. After 2 Years, it was found that the product life cycle may continue for another 5 years from then (the Patent is renewable and the Company can get it renewed after 5 Years). The Net Cash Flows from the product during these 5 years were expected to be ₹ 50 Lakhs, ₹ 30 Lakhs, ₹ 60 Lakhs, ₹ 70 Lakhs and ₹ 40 Lakhs.

The Company has acquired a Generator [useful life 5 years] on 01.04.2023 for ₹ 50 Lakhs. On 02.04.2023, it applied to the IREDA (Indian Renewable Energy Development Authority) for a Subsidy of 10% of the cost, as the Generator was using Solar Energy. The Subsidy was granted in June 2024, after the accounts for 2023-2024 were finalized. The Company has not accounted for the subsidy for the year ended 31.03.2024. The auditor is of the view that the company that the Company should have recognised the subsidy on application i.e. during 2023-24.

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

1. Amount of depreciation to be debited to Profit and Loss Account for the year ended 31 March 2022:
   (a) ₹ 2,50,000
   (b) ₹ 2,75,000
   (c) ₹ 1,75,000
   (d) None of the above
2. Amount to be debited to revaluation surplus on 1st April 2024:
   (a) ₹ 1,75,000
   (b) ₹ 1,65,000
   (c) ₹ 1,27,273
   (d) ₹ 1,00,000

3. Amount of amortization to be charged in 2024-25:
   (a) ₹ 19,20,000
   (b) ₹ 25,60,000
   (c) ₹ 51,20,000
   (d) ₹ 57,60,000
4. Amount of subsidy that should have been recognised during 2023-24:
   (a) ₹ 50,000
   (b) ₹ 1,00,000
   (c) ₹ 5,00,000
   (d) Nil

(2 Marks x 4 = 8 Marks)

Case Scenario 2

Babar Ltd. signed on 01/04/2024, a construction contract for ₹ 1,50,00,000. Following particulars are extracted in respect of contract, for the year ended 31/03/2025.

- Materials used ₹ 71,00,000
- Labour charges paid ₹ 36,00,000
- Hire charges of plant ₹ 10,00,000
- Other contract cost incurred ₹ 15,00,000
- Labour charges of ₹ 2,00,000 are still outstanding on 31.3.2025.
- It is estimated that by spending further ₹ 33,50,000 the work can be completed in all respect.

The company's income tax assessment for assessment year 2022-23 has been completed on 14th February, 2025 with a demand of ₹ 5.40 crore. The company paid the entire due under protest without prejudice to its right of appeal. The company files its appeal before the appellate authority wherein the grounds of appeal cover tax on additions made in the assessment order for a sum of ₹ 3.70 crore.

The Company acquired the business of Akbar Ltd. on 01/05/2024 in an all cash deal for ₹ 5,00,000. The assets and liabilities of Akbar Ltd. were valued as under:

	₹
Property, plant & equipments	3,82,500
Current Assets	1,83,875
	5,66,375
Less: Current Liabilities	90,125
Representing Capital	**4,76,250**

Based on the information given in the above case scenario, answer the following Question No. 5 - 7:

5. Amount of provision for foreseeable loss to be recognised with respect to the construction contract during 2024-25:
   (a) ₹ 3,50,000
   (b) ₹ 4,50,000
   (c) ₹ 14,00,000
   (d) ₹ 15,00,000

6. Treatment of tax demand paid during the year:
   (a) ₹ 5.40 crores to be expensed off
   (b) ₹ 5.40 crores to be disclosed as a contingent liability
   (c) ₹ 3.70 crores to be expensed off and ₹ 1.70 crores to be presented as 'Loans and Advances' alongwith disclosure as a contingent liability.
   (d) ₹ 1.70 crores to be expensed off and ₹ 3.70 crores to be presented as 'Loans and Advances' alongwith disclosure as a contingent liability.

7. In the Cash flow statement (indirect method) to be prepared by Babar Ltd., the Current Assets and Current Liabilities taken over from Akbar Ltd. will be classified as:
   (a) Operating Activity
   (b) Investing Activity
   (c) Financing Activity
   (d) Cash and Cash Equivalent **_(2 Marks x 3 = 6 Marks)_**

8. Which of the following is one of the fundamental accounting assumptions:
   (a) Substance over form
   (b) Conservatism
   (c) Consistency
   (d) Materiality **_(2 Marks)_**

9. Management decided to pay pension to those employees who have retired after completing 5 years of service in the organization. Such employees will get pension of Rs. 20,000 per month. Earlier there was no such scheme of pension in the organization. It is a
   (a) Change in Accounting Policy
   (b) Change in Accounting Estimates
   (c) Introduction of Accounting Policy
   (d) Prior Period Item **_(2 Marks)_**

Case Scenario 3

Virat Ltd took a machine on lease from Rohit Ltd, the fair value being ₹ 7,00,000. The economic life of the machine as well as the lease term is 3 years. At the end of each year, Virat Ltd pays ₹ 3,00,000. The Lessee has guaranteed a Residual Value of ₹ 22,000 on expiry of the lease. However, Rohit Ltd estimates that the Residual Value of the machinery will be only ₹ 15,000. Implicit Rate of Return is 15% p.a. and present value factors at 15% are 0.869,0.756 and 0.657 at the end of first, second and third years respectively.

The following information is available for Virat Ltd for the Accounting year 2023-24 and 2024-2025:

Net Profit for Year 2023-24	₹ 22,00,000
Net Profit for Year 2024-25	₹ 30,00,000

No of Shares Outstanding prior to Right Issue: 10,00,000

Virat Ltd. announced a right issue of one share for every five shares outstanding at an exercise price of ₹ 25. Fair Value of one Share immediately prior to exercise of right was ₹ 32. Last date to exercise right was 31.07.2024

Virat Ltd. provides the following information for tax purposes:

Book Profit as per MAT for 2024-25 = ₹ 54.35 Lakhs
Accounting Profit for 2024-25 = ₹ 61.80 Lakhs
Taxable Income = ₹ 8.55 Lakhs
Tax Rate = 30.9%
MAT Rate = 10.3%

Based on the information given in the above case scenario, answer the following Question No. 10 - 12:

10. Value of Machine to be capitalized in the books of Virat Ltd:
    (a) ₹ 7,00,000
    (b) ₹ 6,99,054
    (c) ₹ 6,94,455
    (d) The machine will be capitalized in the books of the lessor.
11. Basic Earnings per share for 2024-25 is:
    (a) ₹ 2.62
    (b) ₹ 2.50
    (c) ₹ 2.20
    (d) ₹ 2.12
12. Deferred Tax Asset/ Deferred Tax Liability as at 31 March 2025, based on the tax information:
    (a) DTL of ₹ 22.05 lakhs
    (b) DTA of ₹ 16.45 lakhs
    (c) DTL of ₹ 16.45 lakhs
    (d) DTA of ₹ 5.60 lakhs

(2 Marks x 3 = 6 Marks)

13. How will you recognize the liability / asset of a Defined Benefit Plan from the data below?

PV of Defined Benefit Obligation	1,400 Lakhs
Fair Value of Plan Assets	1,190 Lakhs
Unrecognised Past Service Cost	70 Lakhs

(a) Assets 1,190 Lakhs, Liabilities 1,400 Lakhs, P&L Debit 70 Lakhs
(b) Assets 1,190 Lakhs, Liabilities 1,400 Lakhs, P&L Credit 70 Lakhs
(c) Net Liability 140 Lakhs
(d) Net Liability 210 Lakhs ***(2 Marks)***

14. Q Ltd is in the business of manufacture of Passenger Cars and Commercial Vehicles. The Company is working on a strategic plan to shift from the Passenger Car segment 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 plan, it will reduce the production of Passenger Cars by 20% annually. It also plans to commence another New Factory for the manufacture of Commercial Vehicles and transfer surplus employees in a phased manner. It is -
(a) Not a Discontinuing Operation
(b) Discontinuing Operation
(c) Disposal Group
(d) Assets Held for Sale ***(2 Marks)***

15. Oil Pipelines jointly controlled and operated by a number of Oil Production Companies. Each Venturer uses the pipeline to transport its own products and bears an agreed proportion of the operating expenses. It is an example for -
(a) Jointly Controlled Operations
(b) Jointly Controlled Assets
(c) Jointly Controlled Entities
(d) All of the above ***(2 Marks)***

Space For Rough Work