

Mock Test Paper - Series I: March, 2025

Date of Paper: 8th March, 2025

Time of Paper: 10 P.M. to 1 P.M.

INTERMEDIATE COURSE: GROUP – I
PAPER – 1 : ADVANCED ACCOUNTING

ANSWERS

1. (i) (b)
(ii) (a)
(iii) (d)
(iv) (a)
2. (i) (b)
(ii) (c)
(iii) (b)
(iv) (d)
3. (i) (c)
(ii) (b)
(iii) (c)
(iv) (d)
4. (c)
5. (b)
6. (a)

PART II – Descriptive Questions (70 Marks)

1. (a)
In the books of Mr. Zoom
for the year ending on 31.3.2025
(Scrip: Equity Shares of P Limited)

Date	Particulars	Qty	Amount	Date	Particulars	Qty	Amount
1.4.2024	To Balance b/d	1000	1,20,000	8.04.2024	By Bank A/c (W.N.1)		3,400
5.04.2024	To Bank (200x ₹135)	200	27,000	10.10.2024	By Bank A/c (350x ₹140)	350	49,000

10.10.2024	To Profit & Loss (W.N.2)	A/c	7,117	31.3.2025	By Balance c/d (W.N.3)	850	1,01,717
			1200			1200	1,54,117

Working Notes:

1. Sale of Rights ₹ 4,000

The market price of all shares of P Ltd after shares becoming ex-rights has been reduced by ₹ 3,400

In this case out of sale proceeds of ₹4,000; ₹ 3,400 may be applied to reduce the carrying amount to the market value and ₹ 600 would be credited to the profit and loss account.

2. Profit on sale of 350 shares

	Amount ₹
Sale price of 350 shares (350 shares X 140 each)	49,000
Less: Cost of 350 shares [(1,20,000+27,000-3,400) X350]/1200	<u>41,883</u>
Profit	7,117

3. Valuation of 850 shares as on 31.03.2025

Particulars	Amount
Cost price of 850 shares [(1,20,000 +27,000 -3,400) x 850 /1,200]	₹ 1,01,717
Fair Value as on 31.03.2020 [850 X ₹ 125 each]	₹ 1,06,250
Cost price or fair value whichever is less	₹ 1,01,717

(b)

Cash flow statement

Particulars	₹	₹
<u>Cash Flow from Operating Activities</u>		
Net profit before tax	60,00,000	
<u>Adjustment</u>		
Depreciation on PPE	14,00,000	
Discount on issue of debenture	90,000	
Profit on sale of investment	(50,000)	

Interest income	(1,40,000)	
Interest expense	8,70,000	
Stock adjustment	3,28,000	
Operating profit before WC changes	84,98,000	
<u>Adjustment</u>		
Increase in inventory	(5,80,000)	
Decrease in trade receivable	27,600	
Increase in trade payable	5,200	
Increase in o/s exp	8,800	
Cash generated from operation	79,59,600	
Less: Income tax	<u>(25,60,000)</u>	
Net Cash Flow from Operating Activities		53,99,600
<u>Cash flow from investing Activities</u>		
Sale of investment	7,50,000	
Interest received	1,40,000	
Payment for Purchase of fixed asset	<u>(2,00,000)</u>	6,90,000

2.

**Consolidated Balance Sheet of P Ltd.
and its Subsidiary Q Ltd. as on 31.3.2024**

Sr. No.	Particulars	Note No.	₹
I.	<u>Equities & Liabilities</u>		
(1)	Shareholder's funds		
(a)	Share Capital	1	16,00,000
(b)	Reserve & surplus	2	2,39,600
(c)	Minority interest		55,600
(2)	Current liability		
(a)	Other current liabilities (30,00,000+19,20,000)		<u>49,20,000</u>
	Total		<u>68,15,200</u>
II.	<u>Assets</u>		
(1) (a)	PPE (10,00,000 + 3,80,000 + 80,000 – 4,000)		14,56,000
(b)	Goodwill		99,200

(2)	Current Assets		
(a)	Other current assets (32,40,000 + 20,20,000)		<u>52,60,000</u>
	Total		<u>68,15,200</u>

Notes to accounts:

	Particulars	₹
(1)	<u>Share capital</u>	
	Authorized share capital	-
	<u>Issued, subscribed & paid-up capital</u>	
	16,000 equity shares of ₹100 each	16,00,000
(2)	<u>Reserve & Surplus</u>	
	Profit & Loss A/c (W.N. 5)	2,39,600

Working Notes:

1. Shareholding

Held by P Ltd.	Minority interest
3,600 shares (90%)	400 shares (10%)

2. Analysis of profit

Profit & Loss A/c

Particulars	₹	Particulars	₹
To Bal. c/d	80,000	By Bal. b/d	32,000
		By Profit	<u>48,000</u>
	<u>80,000</u>		<u>80,000</u>
Particulars		Capital profit	Revenue profit
Opening balance in P&L A/c		32,000	
Profit during the year			48,000
Revaluation of equipment (W.N.6)		80,000	
Short depreciation on equipment			<u>(4,000)</u>
	Total	<u>1,12,000</u>	<u>44,000</u>
Q Ltd. (Minority) (10%)		11,200	4,400
P Ltd. (90%)		1,00,800	39,600

3. Cost of Control

Particulars	Computation	₹
Cost of investment	As per balance sheet	5,60,000
Less: Dividend out of pre-acquisition profit		-
	(A)	<u>5,60,000</u>
Share in net assets of Q Ltd.		
Share capital	4,00,000 × 90%	3,60,000
Capital profit	W.N. 2	<u>1,00,800</u>
	(B)	<u>4,60,800</u>
Goodwill	A – B	99,200

4. Calculation of Minority Interest

Particulars	Computation	₹
Share capital	4,00,000 × 10%	40,000
Capital profit	WN 2	11,200
Revenue profit	WN 2	4,400
Total	i + ii + iii	55,600

5. P Ltd.

Particulars	General Reserve	Profit & Loss A/c
Balance As Per Balance sheet	-	2,00,000
Share in profit of Q Ltd.	-	39,600
Total	-	2,39,600

6. Appreciation / Depreciation on revalued asset

Particulars	₹
Book value as on 31.3.24 (as per b/s)	3,80,000
Book value as on 1.4.23 (Given)	<u>4,00,000</u>
Depreciation (iii)	<u>20,000</u>
Depreciation rate (iii/ii×100%)	5%
Revaluation of asset (ii + 20%)	4,80,000
Revaluation reserve	80,000
Depreciation on revalued asset	24,000

(4,80,000 × 5%)	
Short depreciation	4,000

3. (a) **Trading and Profit & Loss Account of the Branch**
for the year ended 31st March, 2024

	₹ in lacs		₹ in lacs
To Opening Stock	120	By Sales	720
To Goods received from		By Closing Stock	124
Head Office	576		
Less: Returns	(10)		
To Carriage Inwards	14		
To Gross Profit c/d	<u>144</u>		
	<u>844</u>		<u>844</u>
To Salaries	50	By Gross Profit b/d	144
To Depreciation on Furniture	4		
To Rent	20		
To Advertising	12		
To Telephone, Postage & Stationery	6		
To Sundry Office Expenses	2		
To Head Office Expenses	2		
To Net Profit Transferred to			
Head Office A/c	<u>48</u>		
	<u>144</u>		<u>144</u>

Balance Sheet as on 31st March, 2024

Liabilities	₹ in lacs		Assets	₹ in lacs	
Head Office	160		Furniture & Equipment	40	
Add: Goods in transit	20		Less: Depreciation	(4)	36
Head Office Expenses	2		Stock in hand		124
Net Profit	<u>48</u>	230	Goods in Transit		20
Outstanding Expenses		6	Debtors		40
		<u>236</u>	Cash at bank and in hand		<u>16</u>
					<u>236</u>

(b) Net assets of B Ltd. as on 31st March, 2024

	₹ in lakhs	₹ in lakhs
Property, plant and equipment		360
Investments		90
Current Assets		140
Loans and Advances		<u>30</u>
Total Assets		620
Less: 15% Debentures	180.0	
Current Liabilities	<u>100.0</u>	<u>(280)</u>
Equity / Net Worth		<u>340</u>
Share of Minority Interest in net assets (30% of 340)		102
A Ltd.'s share in net assets (70% of 340)		238
A Ltd.'s cost of acquisition of shares of B Ltd. (₹140 lakhs)		<u>(140)</u>
Capital reserve		98

4.

Balance Sheet of Amol Ltd. as at 31st March, 2024

	Particulars	Note No	₹
I.	<u>EQUITY AND LIABILITIES</u>		
(1)	Shareholders' Funds		
(a)	Share capital	1	5,00,000
(b)	Reserves and Surplus	2	12,38,231
(2)	Non-current Liabilities		
(a)	Long-term borrowings	3	42,50,000
(3)	Current Liabilities		
(a)	Short term borrowings (Installment of term loan falling due in one year)		8,50,000
(b)	Trade Payables	4	28,16,937
(c)	Other current liabilities	5	88,250
(d)	Short term provisions (provision for tax)		<u>58,494</u>
	Total		<u>98,01,912</u>

II.	<u>ASSETS</u>		
(1)	Non-current assets		
(a)	PPE	6	55,85,350
(2)	Current assets		
(a)	Inventories		5,68,750
(b)	Trade receivables	7	30,75,625
(c)	Cash and bank balances	8	5,53,437
(d)	Short term loans & advances (Advance tax paid)		<u>18,750</u>
	Total		<u>98,01,912</u>

**Statement of Profit & Loss of Amol Ltd.
For the year ended 31st March, 2024**

Particulars	Notes	Amount
Revenue from operations		62,93,500
Other income (Commission income)		<u>36,250</u>
Total Income (i)		<u>63,29,750</u>
Expenses:		
Purchases of Inventory-in-Trade		41,47,500
Changes in inventories of finished goods work-in- progress and Inventory-in-Trade	9	(1,06,250)
Employee benefits expense	10	7,14,250
Finance costs (interest on term loan)		4,02,500
Depreciation		3,90,150
Other operating expenses	11	<u>5,47,625</u>
Total expenses(ii)		<u>60,95,775</u>
Profit (Loss) for the period (i – ii)		2,33,975
Less: Tax (25%)		<u>(58,494)</u>
PAT		<u>1,75,481</u>

Notes to accounts:

	Particulars	₹	₹
1.	Share Capital		
	Equity share capital Authorized		
	1,00,000 equity shares of ₹ 10 each		10,00,000

	Issued & subscribed		
	50,000 equity shares of ₹ 10 each		5,00,000
2.	Reserves and Surplus		
	General Reserve	5,00,000	
	Add: Current year transfer	<u>50,000</u>	5,50,000
	Profit & Loss balance		
	Opening balance	4,37,750	
	Add: Profit for the year	1,75,481	
	Less: Transfer to General reserve	<u>(50,000)</u>	5,63,231
	Securities premium		<u>1,25,000</u>
	Total		<u>12,38,231</u>
3.	Long-term borrowings		
	Term loan from public sector bank		51,00,000
	(Secured by hypothecation)		
	Less: Installment of Term loan falling due within 1 year		<u>(8,50,000)</u>
	Total		<u>42,50,000</u>
4.	Trade payables		
	Trade payables		27,54,437
	Bills payable		<u>62,500</u>
	Total		<u>28,16,937</u>
5.	Other current liabilities		
	Rent outstanding	10,000	
	Wages and Salaries Outstanding	<u>78,250</u>	88,250
6.	PPE (W.N2)		
	Land		12,00,000
	Factory Buildings		16,60,600
	Plant & Machinery		23,90,625
	Furniture & Fittings		<u>3,34,125</u>
	Total		<u>55,85,350</u>
7.	Trade receivables		
	Debtors Outstanding for period exceeding 6 months	42,800	

	Other debts	31,94,700	
	Less: Provision for doubtful debt	<u>(1,61,875)</u>	30,75,625
8.	Cash and bank balance		
	Bank balance	4,87,500	
	Cash on hand	<u>65,937</u>	5,53,437
9.	Changes in Inventories		
	Opening Inventory	4,62,500	
	Less: Closing Inventory	<u>(5,68,750)</u>	(1,06,250)
10.	Employee benefit expense		
	Wages and Salaries	6,36,000	
	Add: Wages and Salaries Outstanding	<u>78,250</u>	7,14,250
11.	Other operating expenses		
	Rent	1,10,000	
	Add: outstanding	<u>10,000</u>	1,20,000
	Rates and Taxes		25,000
	Selling & Distribution expenses		2,18,000
	Bad debts		19,250
	Provision for Doubtful Debts (1,61,875- 12,500)		1,49,375
	Director's fee		<u>16,000</u>
	Total		<u>5,47,625</u>

Note :

- (1) The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards.
- (2) Calculation of Depreciation

Particulars	Book value	Accumulated depreciation	WDV	Current year Depreciation	Current year WDV
Land	12,00,000		12,00,000	-	12,00,000
Factory building	18,40,000	92,000	17,48,000	87,400	16,60,600
Plant & Machinery	31,25,000	4,68,750	26,56,250	2,65,625	23,90,625
Furniture Fittings	4,12,500	41,250	3,71,250	37,125	3,34,125
			Total	3,90,150	55,85,350

5.

Balance Sheet of Heer Ltd. as at 1st April 2024**(₹ in lakhs)**

	Particulars	Notes	Amount
I.	Equity and Liabilities:		
(1)	Shareholder's Funds:		
(a)	Share Capital	1	4,500
(b)	Reserves and Surplus	2	8,400
(2)	Non-current Liabilities:		
(a)	Long Term Borrowing	3	168.75
(3)	Current Liabilities:		
(a)	Trade Payable	4	<u>1,830</u>
	Total		<u>14,898.75</u>
II.	Assets:		
(1)	Non-current assets:		
(a)	PPE	5	4,650
(b)	Intangible	6	1,266.75
(c)	Non-current Investment	7	600
(2)	Current Assets:		
(a)	Inventories	8	1,800
(b)	Trade receivables	9	1,950
(c)	Cash and cash equivalent	10	<u>4,632</u>
	Total		<u>14,898.75</u>

Notes to Accounts:

	Particulars	(₹) lacs	(₹) lacs
1.	Share Capital		
	Authorized Share Capital		
	a) Equity Share Capital		
	300 Lakhs equity shares of ₹ 10 each		3,000
	b) Preference Share Capital		
	15 Lakhs Preference shares of ₹ 100		1,500
			2,250

	Issued, Subscribed & Paid up Capital		
	a) Equity Share Capital		
	300 Lakhs equity shares of ₹ 10 each		3,000
	(out of above 210 lakhs of equity shares are issued for consideration other than cash)		
	b) Preference Share Capital		
	15 Lakhs Preference shares of ₹ 100		1,500
	(all share are issued for consideration other than cash)		
			4,500
2.	Reserves and surplus		
	Investments allowances reserves (450 + 300)		750
	Securities premium (300 × 25) + (15 × 60)		8,400
	Less: Amalgamation adjustment reserve		(750)
		Total	8,400
3.	Long-term borrowings		
	16% Debentures		1,68.75
4.	Trade payables		
	Meet Ltd.	1,260	
	Preet Ltd.	<u>570</u>	1,830
5.	PPE		
	Land and Building	2,700	
	Plant and Machinery	<u>1,950</u>	4,650
6.	Intangible assets		
	Goodwill [W.N. 2]	1248.75	
	Add: Liquidation exp. (12 + 6)	18	1,266.75
7.	Non-current Investments		
	Investments (450 + 150)		600
8.	Inventories		
	Meet Ltd.	1,050	
	Preet Ltd.	750	1,800

9.	Trade receivables		
	Meet Ltd.	900	
	Preet Ltd.	<u>1,050</u>	1,950
10.	Cash & cash equivalents		
	Meet Ltd.	900	
	Preet Ltd.	600	
	Liquidation Expenses (12 + 6)	(18)	
	Share issued for cash (90 lakh shares × ₹35)	<u>3,150</u>	4,632

Working Notes:

1. Calculation of Purchase Consideration:

	Particulars	₹ in lakhs	
		Meet Ltd.	Preet Ltd.
A.	Preference Shareholders:		
	$\left(\frac{9,00,00,000}{100}\right) \times ₹ 160$	1440	
	$\left(\frac{6,00,00,000}{100}\right) \times ₹ 160$		960
B.	Equity Shareholders:		
	$\left(\frac{24,00,00,000 \times 5}{100}\right) \times ₹ 35$ each	4,200	
	$\left(\frac{22,50,00,000 \times 4}{100}\right) \times ₹ 35$ each		3,150
C.	Purchase Consideration (A + B)	5,640	4,110

2. Net Assets

Particulars	Meet Ltd (₹)	Preet Ltd (₹)
Assets taken over:		
Property Plant & Equity	2,700	1,950
Non-Current Investments	450	150
Inventory	1,050	750
Trade receivables	900	1,050
Cash and bank	<u>900</u>	<u>600</u>
	<u>6,000</u>	<u>4,500</u>

B	Liabilities taken over:		
	10% Debentures	112.50	56.25
	Trade payables	<u>1,260</u>	<u>570</u>
		<u>1,372.5</u>	<u>626.25</u>
C	Net assets taken over	4,627.5	3,873.75
D	Purchase consideration (W.N .1)	5.64	4110
E	Goodwill	1,012.5	236.25

3. Issue of Debentures

Debentures	₹ 1,80,00,000	₹ 90,00,000
Interest 10%	₹ 18,00,000	₹ 9,00,000
	$\left(\frac{18,00,000 \times 100}{16}\right) = 1,12,50,000$	$\left(\frac{9,00,000 \times 100}{16}\right) = 56,25,000$

6. (a) (i) Qualitative Characteristics of Financial Statements:

Understandability, Relevance, Comparability, Reliability & Faithful Representation

Elements of Financial Statements:

Asset, Liability, Equity, Income/Gain and Expense/Loss

(ii)

Particulars	Financial Capital Maintenance at Historical Cost (₹)
Closing equity (₹ 30 x 1,20,000 units)	36,00,000 represented by cash
Opening equity	1,20,000 units x ₹ 20 = 24,00,000
Permissible drawings to keep Capital intact	12,00,000 (36,00,000 – 24,00,000)

Or

Capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. An asset is normally ready for its intended use or sale when its physical construction or production is complete even though routine administrative work might still continue. If minor modifications such as the decoration of a property to the user's specification, are all that are outstanding, this indicates that substantially all the activities are complete. When the construction of a qualifying

asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalization of borrowing costs in relation to a part should cease when substantially all the activities necessary to prepare that part for its intended use or sale are complete.

(b) (i) **Share capital - Non-monetary; Trade Payables - Monetary**

Cash balance – Monetary; Property, plant and equipment - Non-monetary

(ii) **Amount of Exchange difference and its Accounting Treatment**

	Foreign Currency Rate	₹
Trade payables		
Initial recognition US \$ 12,500 (₹ 10,00,000/80)	1 US \$ = ₹ 80	10,00,000
Rate on Balance sheet date	1 US \$ = ₹ 85	
Exchange Difference loss US \$ 12,500 x ₹ (85-80)		62,500
Treatment:		
Debit Profit and Loss A/c by ₹ 62,500 and Credit Trade Payables		

Thus, Exchange Difference on trade payables amounting ₹ 62,500 is required to be transferred to Profit and Loss.

(c) The following dates should be considered for consideration of weights for the purpose of calculation of weighted average number of shares in the given situations:

- (i) Date of Cash receivable
- (ii) Date of conversion
- (iii) Date on which settlement becomes effective
- (iv) When the services are rendered
- (v) Date when interest ceases to accrue
- (vi) Date on which the acquisition is recognised.