PART – I

Case Scenario – I :

Rama Limited is a Public Limited Company involved in manufacturing of heavy machines and valves. During the financial year 2024-25, it has carried out many transactions, the details of which are given below:

Rama Limited has only two items of inventory on hand at its reporting date.

Item 1 – Materials costing ₹ 2,40,000 were bought for processing and assembling for a customer, which is expected to produce a high profit margin. After purchasing this material, the cost price of it has fallen to ₹ 2,00,000 due to market condition. Due to recession in the market, the gross profit margin in this order will be only 5% as against 20% as expected.

Item 2 – A specific machine was constructed for another customer at a contracted price of ₹ 4,00,000. An equipment costing ₹ 2,00,000, which is an integral part of this specific machine was purchased on 01.09.2022, under deferred payment basis. Rama Limited had paid 24 installments of ₹ 10,000 each to close the said loan. The said specific machine has been completed at a cost of ₹ 3,36,000 (including the equipment but excluding the finance cost). It has now been discovered that to meet certain health and safety regulations, modifications at an extra cost of ₹ 84,000 will be required. The customer has agreed to meet half the extra cost.

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The Accountant of Rama Limited has the following information in his possession for the purpose of calculating EPS/Diluted EPS, for the financial year 2024-25 :

- Net profit attributable to ordinary shareholders ₹ 12,00,000;
- Weighted average number of equity shares 1,50,000;
- 6% convertible debentures of ₹ 10,00,000 (each ₹ 1,000 and convertible into 20 shares);
- Dividend arrears pertaining to Cumulative preference shareholders of earlier year, paid during the year ₹ 10,000;
- Tax rate @ 25%

Rama Limited owns a property in Mumbai, which comprises land and an old warehouse on it. It is pertinent to note that the warehouse is not in the usable condition. It has been determined that the land could be redeveloped into a leisure park. The carrying value of the land is ₹ 2,00,000 and the carrying value of the warehouse is ₹ 50,000. But the present market value of the property is ₹ 20,00,000. If the land is redeveloped into a leisure park, then the market value of the property would be ₹ 50,00,000 under the 'highest and best use' model approach. The accountant of the Rama Limited informed that the above said ₹ 50,00,000 is the highest value, determined from the market evidence, by considering any other use that is physically possible, legally permissible and financially feasible.

Rama Limited controls another entity, namely Krishna Limited owning 60% of its ordinary share capital. At the group's year-end 31st March, 2025, Krishna Limited included ₹ 60,000 in its receivables in respect of goods supplied to Rama Limited. However, the payables of Rama Limited included only ₹ 40,000 in respect of amounts due to Krishna Limited. The difference arose because on 25th March, 2025, Rama Limited sent a cheque of ₹ 20,000 which was not received by Krishna Limited until 3rd April, 2025.

A 5% loan note was issued on 1st April, 2023 at its face value of ₹ 2,00,00,000. Direct costs of the issue were ₹ 5,00,000. The loan note will be redeemed on 31st March, 2026 at a substantial premium. The effective rate of interest applicable is 10%.

Based on the information provided above, you are required to choose the most appropriate answer to the below mentioned questions **1** to **5** in line with the relevant Ind AS :

1. What should be the total value of items 1 & 2 of inventory in the statement of financial position at the reporting date ? **2**

   (A) ₹ 5,36,000

   (B) ₹ 6,16,000

   (C) ₹ 5,76,000

   (D) ₹ 5,78,000

2. What should be the amount to be added to the numerator for calculating diluted Earnings per Share ? **2**

   (A) ₹ 60,000

   (B) ₹ 45,000

   (C) ₹ 50,000

   (D) ₹ 70,000

3. What amount shall be disclosed as 'fair value' of the land located in Mumbai, as per Ind AS 113 ? 2

(A) ₹ 49,50,000

(B) ₹ 20,00,000

(C) ₹ 50,00,000

(D) ₹ 20,50,000

4. Which one of the following sets of consolidation adjustments to current assets and current liabilities with respect to Krishna Limited is correct ? 2

(A) Deduct ₹ 60,000 from both consolidated receivables and consolidated payables.

(B) Deduct ₹ 60,000 from consolidated receivables and ₹ 40,000 from consolidated payables and include ₹ 20,000 as cash in transit.

(C) Deduct ₹ 40,000 from both consolidated receivables and consolidated payables.

(D) Deduct ₹ 60,000 from consolidated receivables and ₹ 40,000 from consolidated payables and ignore ₹ 20,000.

5. At what amount, the Loan Note will appear in the statement of financial position as at 31st March, 2025 ? 2

(A) ₹ 2,14,95,000

(B) ₹ 2,04,50,000

(C) ₹ 2,21,00,000

(D) ₹ 2,10,00,000

You are required to choose the most appropriate answer to the below mentioned questions (6 to 8) in line with the relevant Ind AS :

6. Grapes Ltd. is one of the recently acquired subsidiaries of Apple Ltd. during 2024-25. Grapes Ltd. has to adopt Ind AS for the first time as at 31st March, 2024, with 1st April, 2022 as the date of transition. As at 31st March, 2022, the value of raw material inventories was incorrectly reported due to an error. The amounts are significant. With respect to Grapes Ltd., choose any one of the following, which will be suitable to make the financial statement as per the provisions of relevant Ind AS. 2

(A) Grapes Ltd. shall report the impact of the error as a correction to Statement of Profit or Loss for the comparative period i.e. for the year ended 31st March, 2023.

(B) The correction shall be reflected in reconciliation as at the end of the first Ind AS reporting period i.e. as at 31st March, 2023.

(C) The impact of the correction is significant and it shall be amortized on a rational and systematic basis in the first two period of Ind AS reporting i.e., years ended 31st March, 2023 and 31st March, 2024.

(D) The first Ind AS Financial Statements shall distinguish the correction of errors from changes in accounting policies and reported as part of the reconciliation as at 1st April, 2022.

7. "Artificial Intelligence (AI) and Machine Learning (ML) are technologies that enable computers to learn and perform tasks without being explicitly programmed to do so. They are having a significant impact on the accounting profession." The Accountant of the company argued that the following are the benefits of AI and ML, when used in accounting, but the management did not concur with his view. The benefits listed out by the accountant are given below :

(i) Automated Data Entry

(ii) Data Privacy

(iii) Fraud Detection

(iv) Financial Forecasting

Identify which of the above benefits is/are not available to the company : 2

(A) (ii) and (iii)

(B) Only (i)

(C) (ii) and (iv)

(D) Only (ii)

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Case Scena

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8. During the financial year 2024-25, Pineapple Ltd. sold a machinery for ₹ 15 lakhs to a new customer i.e. H Ltd. To get into long-term relationship with the customer, the terms of sale also include 'after sales service' to be provided for next three years, at free of cost. Pineapple Ltd. also sells the 'after sales service' contract separately to the customers, for ₹ 3 lakhs.

How the revenue should be recognized in the books of account for the sale of machinery to H Ltd. ? 2

(A) ₹ 15,00,000 is to be recognized as revenue in the year of sale.

(B) ₹ 15,00,000 is to be recognized at the end of the third year, after sale.

(C) ₹ 15,00,000 is to be recognised in the year of sale and ₹ 3,00,000 is to be spread over next three years.

(D) ₹ 12,50,000 is to be recognized in the year of sale and ₹ 2,50,000 is to be spread over to next three years.

Case Scenario – II :

ABC Limited has recognised goodwill worth ₹ 80,00,000 in the past for a business combination. During the current year, it has impaired the goodwill by ₹ 16,00,000 and the carrying amount of goodwill is ₹ 64,00,000. Amortisation or impairment of goodwill is not deductible as per the tax regulations applicable in the jurisdiction, where ABC Limited files its tax returns. Applicable tax rate is 30%.

Property, Plant & Equipment (PPE) of ABC Limited includes factory and head office among other PPE. PPE of factory and head office have the carrying value of ₹ 16 crores and ₹ 22 crores respectively as on 1st April, 2024. The remaining useful lives of both the PPE are 10 years and 20 years respectively. Company carried out an impairment testing on 31st March, 2025 and noted that recoverable amount of factory and head office as on that date is ₹ 15 crores and ₹ 20 crores respectively.

ABC Ltd. holds 70% stake of issued equity share capital of DEF Ltd. and 30% of issued irredeemable preference shares. This acquisition was made on 31st December, 2024. Issued equity and preference share capital of DEF Ltd. as on 31st March, 2025 is ₹ 20 crores and ₹ 6 crores respectively and profit for the year ended 31st March, 2025 is ₹ 40 crores. All the book values of assets and liabilities were same as their fair values except for fixed assets having a life of 5 years. The carrying amount of fixed asset was ₹ 4 crores on the date of acquisition and its fair value was ₹ 6 crores.

ABC Limited has appointed M/s. Raise Limited for carrying out job works on certain intermediate products. The amount invoiced by M/s. Raise Limited for such work, during the year was ₹ 350 lakhs. To carry out the said job work, ABC Limited has let out its premises to M/s. Raise Limited for the whole year for which rentals of ₹ 5,00,000 per month were agreed to be charged. The management had disclosed the job charges as ₹ 290 lakhs net off rent (i.e. ₹ 350 lakhs minus Rental income ₹ 60 lakhs) in their financial statement, since the job work is carried out by M/s. Raise Limited in the premises let out by the company itself.

On the basis of the information provided above, you are required to choose the most appropriate answer to the below mentioned questions **9** to **12** in line with the relevant Ind AS :

9. What is the amount of deferred tax to be recognised by ABC Limited on goodwill ? **2**

(A) Deferred tax liability of ₹ 4,80,000

(B) Deferred tax liability of ₹ 24,00,000

(C) Deferred tax asset of ₹ 4,80,000

(D) No Deferred tax asset/liability.

10. At what amount, Factory and Head Office PPE shall be recorded on 31st March 2025 ? **2**

(A) Factory PPE ₹ 15 crores and Head Office PPE ₹ 20.9 crores

(B) Factory PPE ₹ 15 crores and Head Office PPE ₹ 20 crores

(C) Factory PPE ₹ 14.4 crores and Head Office PPE ₹ 20 crores

(D) Factory PPE ₹ 14.4 crores and Head Office PPE ₹ 20.9 crores

11. For holding shares in DEF Ltd. by ABC Ltd., what will be the value of NCI assuming that no adjustment for depreciation on fair value of fixed assets was done in the books of ABC Ltd. ? 2

(A) ₹ 22.20 crores

(B) ₹ 22.17 crores

(C) ₹ 21.60 crores

(D) ₹ 22.08 crores

12. As per relevant Ind AS, the correct disclosure with regard to 'Job charges' and 'rental income' is :- 2

(A) Disclose job work charges of ₹ 290 lakhs along with necessary disclosure in notes to accounts.

(B) Disclose job work charges of ₹ 290 lakhs with no additional disclosure in notes to accounts.

(C) Disclose job work charges of ₹ 350 lakhs and rental income ₹ 60 lakhs separately along with necessary disclosure in Director's Report.

(D) Disclose job work charges of ₹ 350 lakhs and rental income of ₹ 60 lakhs separately.

Case Scenario – III :

Z Ltd. is engaged in manufacturing of Automobiles with its registered office in Pune and is listed on the Bombay Stock Exchange. It also owns a chain of retail stores across 20 different locations in the twin cities of Pune and Kolhapur. Following are the brief facts about the transactions entered into by the company for which accounting advice is sought by the CFO of Z Ltd. from you.

Z Limited owns two (2) vehicles on 1st July, 2024 and a local statute was passed which necessitated Z Ltd. to undertake modifications to its vehicles to enable reduction of harmful emissions. The modifications should have been completed by 31st December, 2024 at an estimated cost to Z Ltd. of ₹ 20 lakhs. Actually, by 31st March, 2025 none of the vehicles had been modified although they continued to be used. It is quite likely that Z Ltd. will have to pay a penalty of ₹ 2 lakhs per month for the illegal usage of the vehicles. The directors of Z Ltd. intend to carry out the modifications only at the end of March, 2026, due to paucity of funds. They expect that penalty will become payable very shortly as legal action has been initiated against Z Ltd.

On 1st April, 2024, Z Ltd. issued 1,00,000 Loan Notes of ₹ 5 each at par. The loan notes entitle the holders for an interest payment of 8% p.a., payable annually in arrears. The loan notes are repayable at par on 31st March, 2028. As an alternative to repayment, the holders can elect to convert the notes into equity shares in A Ltd. On 1st April, 2024, investors in non-convertible notes expect an annual return of 10%. You are given the following discount factors :

Discount Rate	Present value of ₹ 1 payable	
	At the end of year 4	Cumulative at the end of years 1-4
8%	73.50 paise	₹ 3.31
10%	68.30 paise	₹ 3.17

On 1st April, 2024, Z Ltd. had two equity investments that it designated "as fair value through other comprehensive income" in accordance with Ind AS 109 :

Name	Original Cost (₹ in 000)	Fair value on 31-03-2024 (₹ in 000)	Fair value on 31-03-2025 (₹ in 000)
K Ltd.	30,000	37,500	NA
H Ltd.	27,500	35,000	38,500

On 28th February, 2025, Z Ltd. disposed off its investment in K Ltd. for ₹ 50,000 and shown a profit on sale as part of investment income. Apart from recording the receipt of dividend income, no other entries have been made in the financial statements for the year ended 31st March, 2025 regarding the investment in H Ltd. Both investments had been correctly treated in the financial statements for the year ended 31st March, 2024.

On the basis of the information provided above, you are required to choose the most appropriate answer to the below mentioned questions **13** to **15** in line with the relevant Ind AS :

13. What will be the amount of provision of penalty for illegal use of automobiles, which Z Ltd. have to make as on 31st March, 2025 ? 2

(A) ₹ 12,00,000

(B) ₹ 30,00,000

(C) ₹ 6,00,000

(D) ₹ 60,00,000

14. Calculate the amount, which should be shown in "other comprehensive income" for the period ending 31st March, 2025 on account of equity investment made by Z Ltd. 2

(A) Gain of ₹ 16,000

(B) Gain of ₹ 12,500

(C) Gain of ₹ 20,000

(D) Gain of ₹ 23,500

15. What will be the finance cost of convertible loan notes issued by Z Ltd., for the period ending 31st March, 2025 ? 2

(A) ₹ 34,150

(B) ₹ 40,000

(C) ₹ 46,830

(D) ₹ 50,000

BGE2

PART – II

1. Bulldozer Ltd. is engaged in the business of manufacturing of heavy bulldozers, which are mainly used to dismantle the buildings and concrete structures. The company is willing to enter into the business of manufacturing of excavators for the purpose of digging the plain land. For this purpose, the company acquires 25% stake in HD Excavators Ltd. for ₹ 8,00,000 on 1st October, 2024 and further 35% stake on 1st February, 2025 for ₹ 12,25,000. Following is the summarized Balance Sheet of HD Excavators Ltd. as at 1st February, 2025 : **14**

	Carrying Value (₹)	**Fair Value (₹)**
ASSETS		
Property, Plant and Equipment	15,50,000	22,50,000
Investment in Bonds	12,00,000	15,00,000
Trade Receivables	1,50,000	1,50,000
	29,00,000	
EQUITY AND LIABILITIES		
Share Capital	3,00,000	
Reserves	16,50,000	
Trade Payables	9,50,000	
	29,00,000	

HD Excavators Ltd. sells the small excavators under the brand name 'Mini Shaktiman' which has a fair value of ₹ 4,50,000 as at 1st February, 2025. This is a self-generated brand, therefore HD Excavators Ltd. has not recognised the brand in its books of account.

Following is the summarized separate Balance Sheet of Bulldozer Ltd. as at 1st February, 2025:

	₹
ASSETS	
Property, Plant and Equipment	40,50,000
Investment in HD Excavators Ltd.	20,25,000
Trade Receivables	2,40,000
Cash and Bank balances	15,60,000
	78,75,000
EQUITY AND LIABILITIES	
Share Capital	15,00,000
Reserves	35,25,000
Short Term Loan	12,00,000
Trade Payables	9,00,000
Other Current Liabilities	7,50,000
	78,75,000

In relation to the acquisition of HD Excavators Ltd., you are required to :-

(i) Pass the necessary journal entries in the books of Bulldozer Ltd. to give effect of business combination in accordance with Ind AS 103 as at acquisition date of 1st February, 2025. NCI is measured by the entity at fair value. Provide working notes and ignore tax implications; and

(ii) Prepare a consolidated Balance Sheet of Bulldozer Ltd. as at 1st February, 2025.

2. (a) M/s Vidhi Bank agreed on 15th April, 2023 to sell USD ($) 60,000 to M/s. Satvik Limited in the future date (i.e.) on 31st March, 2024 for a rate equal to ₹ 82 per $. M/s. Vidhi Bank did not receive any amount upon entering into the agreement. M/s. Satvik Ltd. prepares its financial statements on quarterly basis. **10**

Additional Information:

Forward rates and Spot rates :

Forward rates as on	Forward rates (1 $ = ₹ ....) (for 31st March, 2024 maturity)	SPOT rates (1 $ = ₹ ....)
15th April, 2023	82.40	82.00
30th June, 2023	82.10	82.40
30th Sept, 2023	82.15	82.25
31st December, 2023	82.50	82.20
31st March, 2024	82.00	82.05

Using the definition of derivative included in Ind AS-109 and following the principles of recognition and measurement as laid down in Ind AS-109, you are required to

(i) Analyse with reason whether the agreement to sell of USD by M/s. Vidhi Bank contains an embedded derivative.

(ii) Pass the journal entries in the books of M/s. Satvik Limited for each quarter ended for financial year 2023-24 till the date of actual purchase of USD.

(b) Company Zig acquires 70% of the equity stake in Company Zag on July 20, 2023. The consideration paid for this transaction is as below : 4

(i) 4,00,000 Equity Shares having face of ₹ 10 and fair value of ₹ 15 per Share; and

(ii) Cash consideration of ₹ 30,00,000.

On the date of acquisition, Company Zag has a cash and cash equivalent balance of ₹ 5,00,000 in its books of account. On October 10, 2024, Company Zig further acquires 10% stake in Company Zag for cash consideration of ₹ 16,00,000.

Discuss, how the above transactions will be disclosed/presented in the statement of cash flows as per Ind AS-7.

3. (a) On 1st April, 2024, entity 'P' engaged a contractor for the purpose of construction of a building for ₹ 11,00,000. The land on which the building is going to be constructed is a separate asset and is not part of the qualifying assets. The building was completed at the end of March 2025 and during the year following payments were made to the contractor : 8

Payment date	Amount in ₹
1st April 2024	1,00,000
30th June 2024	3,00,000
31st December 2024	6,00,000
31st March 2025	1,00,000
Total	**11,00,000**

Entity P's borrowings at its year end of 31st March 2025 were as follows :

(i) 10%, 4-year Note with simple interest payable annually, which relates specifically to the project; debt outstanding on 31st March, 2025 amounted to ₹ 3,50,000. Interest of ₹ 35,000 was incurred on these borrowings during the year, and interest income of ₹ 10,000 was earned on these funds while they were held in anticipation of payments. These Notes were issued on 01.04.2024.

(ii) 12.5%, 10-year Note with simple interest payable annually; debt outstanding at 1st April, 2024 amounted to ₹ 5,00,000 and remained unchanged during the year; and

(iii) 10%, 10-year Note with simple interest payable annually; debt outstanding at 1st April, 2024 amounted to ₹ 7,50,000 and remained unchanged during the year.

You are required to determine the amount of borrowing costs which can be capitalized at the year-end as per Ind AS-23.

(b) Lotus Limited was incorporated in India and its functional currency is INR (₹). It owns 80% interest in foreign entity, namely, Jasmine Limited, which is functioning in Washington DC with its functional currency as USD ($). Lotus Limited sells its entire investments in Jasmine Limited for ₹ 52,00,000. The following information is provided to you by the Accountant of Lotus Limited for your perusal and advice : 6

(₹ In 000)

Particulars	Net Assets	Foreign currency translation reserve gain
Lotus Limited share (80%)	4,800	1,080
NCI Portion (20%)	1,200	270
Total of Jasmine Limited	**6,000**	**1,350**

The Accountant of Lotus Limited seeks your help in accounting the cumulative translation adjustment (CTA) on disposal of its foreign subsidiary, namely Jasmine Limited with detailed explanation for such accounting treatment.

4. (a) From the following information relating to XYZ Ltd., you are required to compute the "net defined benefit liability" for Balance Sheet and "expense to be recognized" in Profit and Loss Statement for the year ended 31.03.2024 and 31.03.2025 : 6

(₹ In lakhs)

Particulars	Defined benefit Obligation		Plan Assets	
	31st March 2024	31st March 2025	31st March 2024	31st March 2025
Opening Balance	70.62	94.88	21.98	32.70
Current service cost	7.45	8.76	–	–
Interest cost	5.34	6.40	–	–
Changes in demographic assumptions	2.79	0.93	–	–
Changes in financial assumptions	2.90	5.37	–	–
Experience variance	6.69	(3.73)	–	–
Benefits paid	(0.91)	–	(0.91)	–
Investment income	–	–	1.66	2.20
Employer's contribution	–	–	10.50	12.00
Return on plan assets	–	–	(0.53)	3.18

(b) On 1st April, 2020, Alpha Ltd. had granted 3,00,000 share options to its employees with the vesting conditions being a service condition as follows : 8

- Vesting date: 31st March 2021- 2,00,000 share options (1- year vesting period since grant date)
- Vesting date: 31st March, 2025- 1,00,000 share options (5-year vesting period since grant date)

Each option can be converted into one equity share of Alpha Ltd. The fair value of the options on grant date i.e. on 1st April 2020 was ₹ 21.

Alpha Ltd. is required to prepare financial statements in Ind AS for financial year ending 31st March, 2025. The transition date for applying Ind AS for this entity being 1st April, 2023.

The entity has disclosed publicly the fair value of both these equity instruments as determined at the measurement date, as defined in Ind AS 102. The previous applicable GAAP for the entity was IGAAP (AS) and therein, the entity had not adopted intrinsic method of valuation. The employees of Alpha Ltd. have not yet exercised the share options.

Assuming that the entity has not passed any entry for the aforementioned transactions in the books of account on grant date, i.e. 1st April 2020, you are required to show :-

(i) Accounting treatment with reason, for 2,00,000 share-based option vested before transition date;

(ii) Accounting treatment with reason, for 1,00,000 share-based option to be vested on 31st March, 2025; and

(iii) Expenses to be recognised from 2020-21 to 2024-25.

(b) On 1st April, 2020, Alpha Ltd. had granted 3,00,000 share options to its employees with the vesting conditions being a service condition as follows : 8

- Vesting date: 31st March 2021- 2,00,000 share options (1- year vesting period since grant date)
- Vesting date: 31st March, 2025- 1,00,000 share options (5-year vesting period since grant date)

Each option can be converted into one equity share of Alpha Ltd. The fair value of the options on grant date i.e. on 1st April 2020 was ₹ 21.

Alpha Ltd. is required to prepare financial statements in Ind AS for financial year ending 31st March, 2025. The transition date for applying Ind AS for this entity being 1st April, 2023.

The entity has disclosed publicly the fair value of both these equity instruments as determined at the measurement date, as defined in Ind AS 102. The previous applicable GAAP for the entity was IGAAP (AS) and therein, the entity had not adopted intrinsic method of valuation. The employees of Alpha Ltd. have not yet exercised the share options.

Assuming that the entity has not passed any entry for the aforementioned transactions in the books of account on grant date, i.e. 1st April 2020, you are required to show :-

(i) Accounting treatment with reason, for 2,00,000 share-based option vested before transition date;

(ii) Accounting treatment with reason, for 1,00,000 share-based option to be vested on 31st March, 2025; and

(iii) Expenses to be recognised from 2020-21 to 2024-25.

5. (a) Jupiter Limited, whose financial year ending is on 31st March, entered into a contract with its customer, Venus Limited, to build a manufacturing facility. Jupiter Limited determines that the contract contains one performance obligation satisfied over the time. Construction is scheduled to be completed by the end of the 36th month for an agreed price of ₹ 50 crores. Jupiter Limited has the opportunity to earn a performance bonus for early completion as follows: 5

- 20% bonus of the contract price, if completed by the 30th month (30% likelihood).
- 15% bonus of the contract price, if completed by the 32nd month (40% likelihood).
- 10% bonus of the contract price, if completed by the 34th month (15% likelihood).

In addition to the potential performance bonus for early completion, Jupiter Limited is also entitled to a quality bonus of ₹ 4 crores, if a health and safety inspector assigns the facility a gold star rating as defined by Venus Limited in terms of the contract. Jupiter Limited concludes that it has 45% likely chance that it will receive the quality bonus.

You are required to analyse and determine the amount of variable consideration that Jupiter Limited should recognize in its contract with Venus Limited.

(b) Mars Ltd.'s warehouse was engulfed in a fire accident which took place on 15th April, 2024 and damaged the inventory, which had been manufactured prior to 31st March, 2024. Cost of the inventory which got damaged was ₹ 12 lakhs. Its net realisable value prior to damage was estimated at ₹ 14.5 lakhs. The repairing and re-packaging charges of the damaged inventory was ₹ 3.5 lakhs. The inventory was sold on 10th May, 2024 for price of ₹ 13 lakhs. 5

The accountant of Mars Ltd. treats the damage to inventory as an adjusting event in its financial statements for 2023-24 and accordingly re-measures the inventory as follows :

Cost	₹ 12.00 lakhs
Net Realisable value (₹ 14.5 lakhs - ₹ 3.5 lakhs)	₹ 11.00 lakhs
Inventories (lower of cost and realisable value)	₹ 11.00 lakhs

Analyse whether the above accounting treatment made by the accountant with regard to financial year ended on 31.03.2024 is in compliance with the relevant Ind AS. If not, advise the correct treatment along with working for the same.

(c) **EITHER** 4

Explain the substance of contractual rights and contractual obligations in respect to assets and liabilities.

OR

BGE2

The Accountant of M/s. Hansa Ltd. is in confusion for the presentation to be made in the financial statement, with respect to the following ledger balances of the company, for the financial year ended 31st March, 2025 :

S.No.	Transactions	₹
1.	Re-measurement of defined benefit plan	3,08,400
2.	Current service cost	2,10,000
3.	Changes in revaluation surplus	1,50,000
4.	Gains arising from translating the monetary assets in foreign currency	90,000
5.	Gains arising from translating the financial statements of a foreign operation	78,000
6.	Gains arising from investments in equity instruments designated at fair value through other comprehensive income	1,20,000
7.	Income tax expenses	42,000
8.	Share based payments	4,02,000

You are required to identify and present the above transactions in the financial statements of M/s. Hansa Ltd. for the year ended 31st March, 2025 as per relevant Ind AS.

6. (a) Ayush Ltd. is engaged in manufacturing of Solar Panels. Due to current changes in Government policies regarding solar energy, directors expect a huge demand for solar panels. Ayush Ltd.'s directors feels that their current production plant needs up-gradation to increase the production capacity to meet the up-coming huge demand. 5

The Company needs a significant amount of capital to upgrade the production plant. The current lending policies of the banks require prospective borrowers to demonstrate strong projected cash flows. However, Ayush Ltd.'s current projected statement of cash flow does not satisfy the bank's criteria for lending.

The directors of Ayush Ltd. have told the lending bank that the company is in an excellent financial position and cash flow projections will meet the bank criteria for lending.

Ayush Ltd.'s draft financial statements include an amount of ₹ 2 crore, which was given as loan to one of its directors. The said loan has no specific repayment terms, but the same loan is repayable on demand.

Directors of Ayush Ltd. forced CA Suraj, an employee of the company, to submit the projected statements of cash flows after including director's loan of ₹ 2 crore under the head 'Cash and Cash Equivalent' instead of showing it as loan under financial asset, as the said loan is repayable on demand. By presenting director's loan in such a way, the cash flow projections will meet the bank's criteria of lending.

You are required to :-

(i) Discuss the ethical and accounting implications of the above presentation from the perspective of CA Suraj ; and

(ii) Also, discuss the ethical principles which would guide how the Chartered Accountant should respond to the situation.

(b) The following is the expenditure on a new production process incurred during the financial year 2022-23: **5**

	in ₹
1st April, 2022 to 31st December, 2022	27,00,000
1st January, 2023 to 31st March, 2023	9,00,000
	36,00,000

The production process met the intangible asset recognition criteria for development on 1st January, 2023. The amount estimated to be recoverable from the process is ₹ 9,00,000.

Expenditure incurred for development of the process in financial year 2023-24 is ₹ 60,00,000. Asset was put into use on 31st March, 2024 and is expected to be useful for 10 years. On 31st March, 2025, the amount estimated to be recoverable from the process is ₹ 50,00,000.

What is the carrying amount of the intangible asset on 31st March 2023, 31st March, 2024 and 31st March, 2025 ? In addition, determine the expenditure to be charged to Statement of Profit or Loss for the year ended 31.03.2023 and 31.03.2025.

(c) M/s. Better Limited is in the process of preparing the financial statements for the current year 2024-25 and assessing the fair value at subsequent measurement of the investment made in Alpha Ltd. M/s. Better Limited acquired 10% equity shares of Alpha Limited for ₹ 15 crores, in the year 2023-24. Based on the observable input, Better Ltd. identified a similar nature of transaction in which Best Ltd. acquired 20% equity shares in Alpha Ltd. for ₹ 50 crores. The price for each transaction was determined on the basis of "Comparable Companies Method (CCM) minus Enterprise Value (EV) / (EBITDA)" which was 6. For the current year, the EBITDA of Alpha Ltd. is ₹ 60 crores. At the time of acquisition, the valuation was determined after considering 3% of liquidity discount and 5% non-controlling stake discount. 4

What will be the fair value of Better Ltd.'s investment in Alpha Ltd. as on the balance sheet date ?