

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 Questions of Part I are to be marked on the OMR answer sheet given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written inside the descriptive answer book. Answers to MCQs, if written inside the descriptive answer book 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 books 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 descriptive answer book.
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 MCQs.
2. Use HB pencil only to darken the circles for MCQ answers in the answer sheet.
3. After each MCQ, four options have been given. Choose the correct and most appropriate option and darken the corresponding circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB pencil.

Marking the Answers	
Example : For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (Correct Method)	Not as shown below (Wrong method) :
12 (A) (B) (C) (D)	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)
	12 (A) (B) (C) (D)

4. Any answer to MCQ marked inside descriptive answer book will not be considered and no marks will be awarded.
5. If a candidate wants to change the option 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 MCQ. 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 : 16

Maximum Marks : 30

Roll No.

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Question Paper
Booklet Code

K C E 1

Name of the Candidate

Signature of the Candidate

This booklet is the property of the Examination Body. Any unauthorized and illegal circulation of its contents in part or in full in any manner whatsoever is strictly prohibited. Candidates involved in such unauthorized and illegal acts are liable to be prosecuted besides being disqualified to appear in any further examinations of the Examination Body.

- (1) After each MCQ, four options have been given. Choose the correct and most appropriate option and darken the corresponding circle against the MCQ number in the OMR answer sheet.*
- (2) Answer to MCQs, if written inside the descriptive answer book shall not be awarded any mark.*
- (3) Please ensure to write and darken correct MCQ booklet number in the OMR answer sheet. The correct MCQ booklet number must also be written in the attendance register.*
- (4) Please write your Roll No. and name on the topmost page of the MCQ booklet at the specified place without fail.*

	Revenue	Cost
Year 1	160	141
	<u>100</u>	<u>9</u>
	80	150
Year 2	<u>240</u>	<u>75</u>
		225

$$\text{Year 1} = \frac{35.25}{150} = 0.235 \Rightarrow \text{Rev} = 37.6$$

$$\text{Year 2} = \frac{146.25}{225} = 0.65 \Rightarrow \text{Rev} = 156$$

(3)

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PART - I

Case Scenario - I :

Gray Ltd is engaged in the business of constructing towers since 15 years. Alpha Ltd gave a contract to Gray Ltd for construction of 2 towers.

Contract price for 2 towers is agreed at ₹ 160 crore. (each tower has contract price of 80 crore)

At the time of contract, Gray Ltd has estimated that the contract cost will be ₹ 141 crore. It is assumed that construction will be completed in 3 years.

At the end of year 1, Gray Ltd has revised the construction cost to ₹ 150 crore.

At the beginning of year 2, the customer has requested for a variation in the contract. Customer now wants construction of 3 towers instead of 2 towers. The term of the contract will not change, construction of all the towers will be completed simultaneously.

As a result of this variation, contract price will increase by ₹ 80 crore and contract costs will increase by ₹ 75 crore.

Gray Ltd has decided to measure the stage of completion on the basis of the proportion of contract costs incurred to the total estimated contract costs.

Contract costs incurred at the end of each year is:

Year 1 : ₹ 35.25 crore

Year 2 : ₹ 148.5 crore (including unused material of ₹ 2.25 crore)

Year 3 : Total Revised contract costs

Based on the information given in above Case Scenario, answer the following

Question 1 - 3 :

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1. What is the stage of completion of contract on the basis of proportion of contract costs incurred to the total estimated contract costs at the end of year 1 and Year 2 respectively ?

2

- (A) Year 1 : 23.5 % and Year 2 : 66%
(B) Year 1 : 23.5 % and Year 2 : 65%
(C) Year 1 : 25 % and Year 2 : 66%
(D) Year 1 : 25 % and Year 2 : 65%

2. What is the amount of the profit to be recognized at the end of Year 1 ?

2

- (A) ₹ 2.35 crore
(B) ₹ 44.75 crore
(C) ₹ 4.75 crore
(D) ₹ 21 crore

3. What is the amount of contract revenue recognized in each year of contract ?

2

- (A) Year 1 : ₹ 80 crore , Year 2 : ₹ 80 crore and Year 3 : ₹ 80 crore
(B) Year 1 : ₹ 40 crore , Year 2 : ₹ 116 crore and Year 3 : ₹ 84 crore
(C) Year 1 : ₹ 37.60 crore , Year 2 : ₹ 118.40 crore and Year 3 : ₹ 84 crore
(D) Year 1 : ₹ 37.60 crore , Year 2 : ₹ 120.80 crore and Year 3 : ₹ 81.60 crore

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4. X Ltd. has entered into a binding agreement with Beta Ltd. to buy a custom-made machine for ₹ 2 lakhs. During the year 2024-25 X Ltd has to change its method of production due to changes in market trend. Before the delivery of the machine, X Ltd had already changed its method of production and the new method will not require the machine ordered. Now the company decides to scrap it after delivery. The expected scrap value is ₹ 25,000. Machine was received on 10th October, 2024 and was scrapped on 15th October, 2024. The correct accounting treatment for above machine in the year 2024-25 is

2

- (A) Machine A/c to be debited with ₹ 2 lakhs and Bank A/c to be credited with ₹ 2 lakhs.
- (B) Impairment A/c to be debited with ₹ 1.75 lakhs and Bank A/c to be credited with ₹ 1.75 lakhs.
- (C) Profit and Loss A/c to be debited with ₹ 2 lakhs and Bank A/c to be credited with ₹ 2 lakhs.
- (D) Profit and Loss A/c to be debited with ₹ 1.75 lakhs and Bank A/c to be credited with ₹ 1.75 lakhs.

ABC Ltd., is in the business of creating contents for various OTT platforms. The company has developed a technical know-how (the asset) by incurring expenditure of ₹ 25 lakhs. The company started using the asset from 1st April 2019. The management of the company is of the view that the asset has infinite lifetime and therefore has not amortized the asset till date.

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What should be the total amortization amount (including current as well as the previous years amortization) to be charged to Profit and loss account for the year ended March 31st 2024, with reference to AS 26 ?

2

- (A) Nil, as per the management the know how has infinite life and the management is correct.
- (B) ₹ 25 lakhs as the know how is an intangible asset as per AS 26.
- (C) ₹ 12.5 lakhs (including current year's amortization of ₹ 2.5 lakhs) to be charged to Profit and loss Account.
- (D) ₹ 15 lakhs (including current year's amortization of ₹ 2.5 lakhs) to be charged to Profit and Loss account.

Case Scenario – II :

Health India Limited (HIL), incorporated under the The Companies Act, 2013, is engaged in the production and distribution of medicines. It has manufacturing plants at Baddi (Himachal Pradesh) and Bhopal (Madhya Pradesh). It also imports medicines from Pharma Inc. New York (United States).

On 1st Jan 2024, HIL sold 2,00,000 strips of Medicine to Dee Limited for ₹ 50 Lakhs on 60 days of credit. Cost per strip of this medicine, was ₹ 20. (i.e.) total cost ₹ 40 Lakhs (2,00,000 strips@₹ 20). Dee Ltd paid 20% of the amount due on 5th January, 2024. In March 2024, Dee Limited is having significant cash flow issues

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and is trying to raise funds through bank loan to run its operations. However, it is unable to do so and not able to release payment to HIL on due date. Subsequent to this, it has gone under liquidation on 15th March, 2024. At the time when medicine was sold by HIL to Dee Limited, there was no reason for HIL to believe that it will not be able to collect the sales proceeds from Dee Limited in future.

On 1st April, 2023 HIL has made an investment of ₹ 200 Lakhs in the equity shares of Rose Limited of which 50% is made in the long-term category i.e. long-term investment and rest as temporary investment i.e. current investment. The realisable value of all such investments on 31st March, 2024 becomes ₹ 50 Lakhs as Rose Limited lost a copyright. From the given market conditions, it is apparent that the reduction in the value of investment is not temporary in nature.

HIL imported medicine from Pharma Inc. for a sum of US \$ 2,50,000 on 1st January, 2024. HIL released full payment on 17th April, 2024 to Medicine Ltd.

The exchange rates are as follows :

	Exchange rate per \$
1 st April, 2023	₹ 76
1 st January, 2024	₹ 81
31 st March, 2024	₹ 80
17 th April, 2024	₹ 79

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HIL is working on a strategic plan to close the production unit of Bhopal due to change in technology. The board of directors approved the closure of Bhopal Plant on 1st March, 2024. The company did a formal announcement regarding closure to the affected parties on 10th March, 2024. The company entered into a binding-sale agreement on 21st April, 2024.

Reporting date of the company is 31st March, 2024.

Based on the information given in the above Case Scenario, answer the following Question No. 6 – 9 :

6. How the recognition of revenue from sales of medicine to Dee Limited will be done by HIL under AS 9 and what would be the treatment of unrealised amount for the year ended 31st March, 2024 ?

2

- (A) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealised amount ₹ 50 lakhs will be debited to bad debts A/c.
- (B) Revenue will be recognised for ₹ 40 Lakhs, subsequently unrealised amount ₹ 40 lakhs will be debited to bad debts A/c.
- (C) Revenue will be recognised for ₹ 50 Lakhs, subsequently unrealised amount ₹ 40 lakhs will be debited to bad debts A/c.
- (D) Revenue will be recognised for ₹ 40 Lakhs, unrealised amount of ₹ 40 lakhs will be shown in Sundry Debtors list.

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7. How will you recognise the reduction in the value of the investments in the financial statements for the year ended 31st March 2024 as per AS 13 (Revised) ?

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(A) The reduction of ₹ 50 Lakhs in the carrying value of current investment will be charged to the profit and loss account. There will be no impact on the value of long-term investments.

(B) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. There will be no impact on the value of long-term investments.

(C) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. The reduction of ₹ 75 Lakhs in the carrying value of long-term investment will also be charged to the profit and loss account.

— (D) The reduction of ₹ 75 Lakhs in the carrying value of current investment will be charged to the profit and loss account. The reduction of ₹ 75 Lakhs in the carrying value of long-term investment will also be charged to capital reserve account.

8. Ascertain the loss/gain due to change in foreign exchange rates to be recognised in the financial statements for the year ended 31st March, 2024 as per AS 11.

2

(A) ₹ 2,50,000 Exchange gain should be credited to profit and loss account.

(B) ₹ 5,00,000 Exchange gain should be credited to profit and loss account.

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(10)

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(C) ₹ 5,00,000 Exchange loss should be debited to profit and loss account.

~~(D) ₹ 2,50,000 Exchange loss should be debited to profit and loss account.~~

9. What would be the date of "initial disclosure of event" be considered for Bhopal Plant ?

2

(A) 31st March, 2024

(B) 1st March, 2024

(C) 21st April, 2024

~~(D) 10th March, 2024~~

10. X Ltd. sold Plant & Machinery having WDV of ₹ 60 lakhs to Y Ltd. for ₹ 75 lakhs (Fair value of ₹ 75 Lakhs) and the same plant was leased back by Y Ltd. to X Ltd. The lease back is in the nature of operating lease. The treatment will be :

2

(A) X Ltd. should amortize the profit of ₹ 15 lakhs over the lease term.

~~(B) X Ltd. should recognize the Profit of ₹ 15 lakhs immediately.~~

(C) No profit/loss, as fair value is equal to sale price.

(D) Y Ltd. should recognize the profit of ₹ 15 lakhs immediately.

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Case Scenario -III :

Following information is given by Z Ltd as on 31st March 2025 :

	₹ in lakhs
Share Capital	
Equity shares of ₹ 10 each fully paid up	800
11% Redeemable Preference shares of ₹ 100 each fully paid up	200
Reserve and surplus	
Capital redemption Reserve	50
Securities Premium	100
General Reserve and profit and Loss (Combined balance)	600
Secured Loans	
9 % Debentures	250
Current Liabilities	10
Fixed Assets	1200
Investments	95
Cash at bank	320
Other Current Assets	840

On 1st April 2024 Z Ltd redeemed all its preference shares at a premium of

5%.

200,000
 10,000
 210,000

(12)

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Z Ltd bought back 8,00,000 equity shares @ ₹ 20 per share.

Buy back is fully authorized by Z Ltd's articles and necessary resolution has been passed for this. The payment for buy back of shares will be made through available balance in bank account.

To finance Redemption of preference shares and buy back of shares, company has decided to sell its investments for ₹ 98 Lakhs.

95
73
—
28

Z Ltd had 80,000 Equity stock options outstanding on the above mentioned date, to the employees @ ₹ 15 per share when the market price was ₹ 20 per share. (This was included under the head current liabilities). On 1st April, 2024, 70% of the employees exercised their options.

Based on the information given in the above Case Scenario, answer the following Question No. 11 – 13 :

11. What will be the balance of capital redemption reserve as on 31st March 2025 ? 2
- (A) ₹ 280 Lakhs
- (B) ₹ 330 Lakhs
- (C) ₹ 250 Lakhs
- (D) ₹ 130 Lakhs

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12. What will be the Cash and Bank Balance as on 31st March 2025 ?

2

(A) ₹ 56.40 Lakhs

(B) ₹ 66.40 Lakhs

(C) ₹ 59.20 Lakhs

(D) ₹ 48 Lakhs

13. What will be the Balance of Reserves as on 31st March 2025 excluding capital redemption Reserve ?

2

(A) General Reserve and Profit Loss ₹ 323 Lakhs and securities Premium ₹ 10 lakhs

(B) General Reserve and Profit Loss ₹ 243 Lakhs and securities Premium ₹ 10 lakhs

*(C) General Reserve and Profit Loss ₹ 323 Lakhs and securities Premium ₹ 15.60 lakhs

(D) General Reserve and Profit Loss ₹ 243 Lakhs and securities Premium ₹ 15.60 lakhs



14. Past Ltd. had the following items under the head "Reserves and Surplus" in the Balance Sheet as on 31st March 2025 :

2

(Amount ₹ in lakhs)

Securities Premium Account	90
Capital Reserve	40
Revaluation Reserve	70

The company had an accumulated loss of ₹ 280 lakhs on the same date, which was disclosed under the head "Statement of Profit and Loss" as asset in its Balance Sheet. What should be disclosed on the face of Balance Sheet as per Schedule III to the Companies Act, 2013 ?

- (A) Reserve and Surplus - Securities premium ₹ 90 lakhs; others ₹ 110 lakhs and Accumulated loss ₹ 280 lakhs in the Asset side.
- (B) Reserve and Surplus - ₹ 200 lakhs; and Accumulated loss ₹ 280 lakhs in the Asset side.
- (C) Reserve and Surplus - ₹ 200 lakhs only
- (D) Reserve and Surplus - (₹ 80) lakhs only

15. During the process of Internal Reconstruction, JAY Ltd has come across the following adjustment :

2

There is a contingent liability for which no provision had been made. This contingent liability was settled at ₹ 7,500 and also ₹ 6,000 was recovered from the insurance company in this regard.

Which of the following is the correct treatment for the above adjustment ?

- ~~(A)~~ Reconstruction A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500
- (B) Reconstruction A/c Dr ₹ 7,500 and Bank A/c Cr ₹ 7,500
- (C) Contingent Liability A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500
- (D) Profit and Loss A/c Dr ₹ 1,500 and Bank A/c Cr ₹ 1,500

Recon . 7500
To P/L 7500

Bank
To P/L



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Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 15



Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

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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.

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P.T.O.

(2)

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PART – II

1. (a) Hardy Ltd. intends to extend the factory set up on the adjacent plot with disintegrated old premises. It acquired the land having an area of 250 hectares at a cost of ₹ 25,000 per hectare. 7

Hardy Ltd. incurred Stamp duty and registration charges of 5% of land value. Legal fees were paid ₹ 4,75,000 for land acquisition.

Hardy Ltd. incurred ₹ 37,85,000 for demolishing old premises thereon. A sum of ₹ 12,60,000 (including 5% GST thereon) was realized from the sale of material salvaged from the site.

Till the new site with extended factory premises is ready, the company needs to move the present production facilities to another (temporary) site. The following incremental costs will be incurred.

- (1) Set up costs of ₹ 7,50,000 to install machinery in the new location.
- (2) Rent of ₹ 12,00,000.
- (3) Removal costs of ₹ 2,50,000 to transport the machinery from the old location to the temporary location.

- (i) Management is of the opinion that the cost of moving the production facilities to another temporary location can be capitalised.

You are required to advise.

- (ii) You are also required to compute the cost of land acquired.

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$$250 \times 25000 = 6250000$$

① 5.1.06

$$\begin{aligned} &= 475000 \\ &= 3785000 \\ &= 1260000 \\ &= 7000000 \end{aligned}$$

(3)

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- (b) Ms. Neha had 20,000 Equity shares in Nexus Ltd. at a book value of ₹ 2,40,000 on 01.04.2024. Face value of shares is ₹ 10 per share.

7

The Directors of Nexus Ltd. announced a bonus of equity shares in the ratio of one share for every 5 shares held on 30/04/2024.

On 31/07/2024 the company made a right issue in the ratio of three shares for every 4 shares held, on payment of ₹ 14 per share. The due date for payment was 31/08/2024. Ms. Neha opted to subscribe 50% of the right shares and sold the remaining of her entitlement to Ms. Rewa for a consideration of ₹ 3 per share.

On 08/10/2024, Ms. Neha received dividend from Nexus Ltd. @ 15% for the year ended 31/03/2024.

On 01/11/2024, Neha sold 11500 shares at a premium of ₹ 16 per share.

You are required to prepare Investment A/c as per AS -13 in the books of Ms. Neha for the year ended 31/03/2025 assuming that the shares are being valued at average cost.

2. Following particulars are furnished by Bela Ltd for the year ended 31st March 2025 :-

14

Particulars	Debit ₹	Credit ₹
Equity Share Capital (Face Value 100)		6,00,000
8% Preference Share Capital (Face Value 100)		3,00,000
Factory Building	6,20,000	
Plant & Machinery	4,98,000	
Furniture & Fittings	1,52,000	
General Reserve		88,000
Term Loan from Public Financial Corp.		3,40,000

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<u>Inventory</u>		
Raw Material	1,35,000	
Finished Goods	66,000	
Provision for taxation		12,000
Dividend Payable		10,000
Preliminary Expenses	21,000	
Profit & Loss A/c		99,000
Cash in hand	16,000	
Cash at Bank	39,000	
Trade Receivables	2,38,000	
Unsecured Loan		85,000
Trade Payables		2,45,000
Outstanding Expenses		6,000
	17,85,000	17,85,000

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Other Information :

(1) The cost of assets was :

Factory Building	₹ 6,94,000
Plant & Machinery	₹ 5,35,000
Furniture & Fittings	₹ 1,76,000

(2) The Equity Capital on 01/04/2024 stood at 5,000 shares fully paid up and 1,000 shares ₹ 70 paid up. The directors made final call of ₹ 30 per share on 01/10/2024.

A shareholder could not pay the call on 75 shares and his shares were forfeited. They were reissued @ ₹ 70 per share as fully paid.

(3) Profit on reissue of forfeited equity shares was included in profit and loss account.

(4) Bills discounted but not yet matured ₹ 15,000

(5) The balance of Term Loan from Public Finance Corporation includes ₹ 8,000 for interest accrued but not due. The loan is secured against hypothecation of Plant and Machinery.

(6) The directors declared a dividend of 5% on Equity shares on 10/04/2025.

You are required to prepare the Balance sheet as at 31st March, 2025 as required under Part-1 of the schedule III of the Companies Act.

Workings should form part of the answer.

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3. (a) The Balance Sheet of Moon Ltd as on 31st March 2025 and 2024 were given as :

Particulars	Notes	31 st March, 2025	31 st March, 2024
		₹	₹
Equity and Liabilities			
1. Shareholder Funds			
(a) Share Capital	1	8,00,000	6,00,000
(b) Reserves and Surplus	2	80,000	50,000
2. Non-Current Liabilities			
(a) Deferred Tax Liability		6,000	-
3. Current liabilities			
(a) Trade payable		40,000	25,000
(b) Short term provisions (Provision for tax)		15,000	10,000
	Total	9,41,000	6,85,000
Assets			
1. Non-Current Assets			
(a) Property Plant and Equipment	3	3,95,000	2,90,000
2. Current Assets			
(a) Trade Receivable		20,000	10,000
(b) Inventories		2,50,000	2,00,000
(c) Cash and cash equivalent	4	2,76,000	1,85,000
	Total	9,41,000	6,85,000

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Notes to Accounts

Notes	Particulars	2025 (₹)	2024 (₹)
1	Share Capital		
	Equity Shares of ₹ 10 each	8,00,000	6,00,000
2	Reserve & Surplus		
	Profit and loss Account	80,000	50,000
3	Property, Plant and Equipment (at WDV)		
	Building	1,00,000	1,00,000
	Furniture and fixtures	2,95,000	1,90,000
	Total	3,95,000	2,90,000
4	Cash & Cash equivalents	2,76,000	1,85,000

Further information related to Profit and loss A/c for the year ended March 2025 is as under :-

- (i) Profit before tax is ₹ 45,000
- (ii) Tax expense during the year ₹ 15,000 (it includes deferred tax liability of ₹ 6,000 created during the year)

290,000	35,000
8,000	17,000
149,000	29,000
	947,000

(8)

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(iii) Depreciation charged on furniture and fixture for the year was ₹ 35,000. One old furniture item was sold for ₹ 17,000 and the profit on such disposal amounting to ₹ 8,000 was booked in the current year.

Prepare a Cash Flow Statement for the year ended 31st March, 2025.

(b) XY Limited reported a Profit Before Tax (PBT) of ₹ 18 lakhs for the third quarter ending 31st December 2024. Following observations are noted;

7

- Dividend income of ₹ 8 lakhs received during the quarter has been recognized to the extent of ₹ 2 lakh only.
- Sales promotion expenses ₹ 15 lakhs incurred in the third quarter, 70% has been deferred to the fourth quarter as the sales in the last quarter is high.
- In the third quarter, the company changed depreciation method from WDV to SLM, which resulted in excess depreciation of ₹ 4 lakhs. The entire amount has been debited in the third quarter, though the share of the third quarter is only ₹ 1 lakhs.
- ₹ 3 lakhs extra-ordinary gain received in third quarter was allocated equally to the third and fourth quarter.
- Cumulative loss resulting from change in method of inventory valuation was recognized in the third quarter of ₹ 5 lakhs. Out of this loss ₹ 2 lakhs relates to previous quarters.
- Sale of investment in the first quarter resulted in a gain of ₹ 30 lakhs. The company had apportioned this equally to the four quarters.

Calculate the result of the third quarter as per AS – 25 and also comment on the company's view on each observation.

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4. The following is summarized Balance Sheet of Pickles Ltd. as on 31/03/2025. 14

		Particulars	Notes	₹
		Equity and Liabilities		
1		Shareholders' Funds		
	A	Share Capital	1	11,00,000
	B	Reserves and Surplus	2	2,10,000
2		Non-current liabilities		
	A	Long term borrowings	3	1,00,000
	B	Long term Provisions	4	60,000
3		Current liabilities		
	A	Trade Payables		1,75,000
	B	Other Current Liabilities		65,000
		Total		17,10,000
		Assets		
1		Non-current Assets		
	A	Property, Plant and Equipment	5	7,50,000
	B	Intangible assets	6	75,000
2		Current Assets		
	A	Inventories		5,25,000
	B	Trade receivables		3,00,000
	C	Cash and Cash equivalents		60,000
		Total		17,10,000

KCE2

P.T.O.

		Notes to Accounts		₹
	1	Share Capital		
		6000 Equity Shares of ₹ 100 each		6,00,000
		5000 6% Preference Shares of ₹ 100 each		5,00,000
				11,00,000
	2	Reserves and Surplus		
		General reserve		1,00,000
		Profit and Loss account		1,10,000
				2,10,000
	3	Long term borrowings		
		8 % Debentures		1,00,000
	4	Long term Provisions		
		Retirement Gratuity Fund		<u>60,000</u>
	5	Property, Plant and Equipment		
		Land and Building		3,50,000
		Plant and Machinery		3,00,000
		Furniture and Fittings		<u>1,00,000</u>
				7,50,000
	6	Intangible Assets		
		Patents		75,000

KCE2

On 31/03/2025, Foods Ltd. acquires the business of Pickles Ltd. on the following terms :

- Foods Ltd. to take over all assets (except cash) and liabilities at their book values.
- Part of the Furniture and Fixtures is disposed off by Pickles Ltd. for ₹ 55,000 at cost.
- The retirement of employees was due on 31/03/2025. A portion of ₹ 35,000 from Retirement Gratuity Fund was earmarked towards the payment due to them.
- Foods Ltd. decided to pay for each Preference share in Pickles Ltd., ₹ 27 in cash and one 8% Preference share of ₹ 100 in Foods Ltd.
- For each Equity share in Pickles Ltd., it was decided to pay ₹ 30 in cash and one Equity share of Foods Ltd. for ₹ 145. (Face value of each share of Foods Ltd. is ₹ 100)
- Liquidation expenses of ₹ 22,500 paid by Pickles Ltd. were subsequently reimbursed by Foods Ltd.
- The fixed assets of Pickles Ltd were not revalued for the purpose of amalgamation.

You are required to pass the necessary Journal entries and also prepare Realisation Account and cash account in the books of Pickles Ltd.

KCE2**P.T.O**

5. (a) Birds Ltd. and its subsidiary Rooster Ltd provided the following information for the year ended 31/03/2025. 10

Particulars	Birds Ltd. (₹)	Rooster Ltd. (₹)
Equity Share Capital	10,00,000	3,00,000
Sales	28,40,000	10,40,000
Purchases (Finished Goods)	9,15,000	1,75,000
Salaries	7,75,000	3,78,000
Rent received	5,40,000	0
General and Administration expenses	2,81,500	1,98,000
Selling and Distribution Expenses	2,21,000	90,000
Dividend Income	1,35,000	28,000
Finished Goods Inventory on 01/04/2024	3,35,000	1,20,000
Finished Goods Inventory on 31/03/2025	7,85,000	2,90,000
Other Non-operating Income	2,38,000	57,000

Other Information :

- On 1st April, 2022 Birds Ltd. acquired 2,500 shares of ₹ 100 each fully paid up in Rooster Ltd.
- Rooster Ltd. paid a dividend of 12% for the year ended 31/03/2024. The dividend was correctly accounted for by Birds Ltd.
- Rooster Ltd. pays ₹ 11,250 per month to Birds Ltd. towards rent for the portion of premises occupied.
- Selling and Distribution Expenses of Rooster Ltd. include ₹ 15,000 received from Birds Ltd.

Prepare Consolidated Profit and Loss Account of Birds Ltd. and its subsidiary Rooster Ltd. for the year ended 31/03/2025.

- (b) Rubber Ltd. purchased 70% of shares of Tyre Ltd. on 31/03/2024 for ₹ 4,05,000. The following is the position of Tyre Ltd. as on that date :

Particulars	Amount (₹)
Issued share capital of Tyre Ltd. on 31/03/2024	5,00,000
Balance in Profit and Loss A/c of Tyre Ltd. on 31/03/2024	70,000
Profit earned during the year 2024-25	45,000
5% Dividend declared and paid by Tyre Ltd. for 2023-24	25,000

You are required to calculate :

- The capital reserve / goodwill at the date of acquisition.

The calculations are to be made under the following assumptions:

Case (i) It is assumed that the dividend is paid out of post-acquisition profits.

Case (ii) It is assumed that the dividend is received for pre-acquisition period.

6.

EITHER

- (a) What are Accounting standards ? Explain the objectives of "Accounting Standards" in brief; also state the advantages of setting Accounting Standards.

OR

- (a) A machine was acquired by Zest Ltd. on 01/04/2019 for ₹ 60 lakhs. It had a useful life of 6 years. The machine is depreciated on straight line basis and does not carry any residual value. On 01/04/2022, the carrying value of the machine was reassessed at ₹ 36 lakhs.

(14)

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The surplus arising out of the revaluation being credited to revaluation reserve.

For the year ended March 2024, conditions indicating an impairment of the existed machine and the amount recoverable ascertained to be ₹ 9 lakhs.

You are required to calculate the loss on impairment of the machine and show how this loss is to be treated in the books of Zest Ltd. The company had followed the policy of writing down the revaluation surplus by the increased charge of depreciation resulting from the revaluation.

- (b) Due to inadequacy of profits during the year ended 31st March, 2025, DAY Ltd proposes to declare 9% dividend out of General reserves.

4

From the following particulars, ascertain the amount that can be utilized from the General reserves according to the Companies (Declaration of dividend) rules, 2014.

	₹
9,50,000 , Equity shares of ₹ 10 each fully paid up	95,00,000
General reserves as on 1 st April , 2024	18,50,000
Revaluation Reserve as on 1 st April, 2024	4,25,000
Net profit for the year ended 31 st March, 2025	3,75,000
Average rate of dividend during the last 3 years has been	12.5 %

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(15)

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- (c) M/s Marena, having head office at Chennai has a branch at Hyderabad. The head office does wholesale trade only at cost plus 60%. The goods are sent to branch at the wholesale price i.e. cost plus 60%. The branch at Hyderabad is wholly engaged in retail trade and the goods are sold at cost to H.O. plus 80%. 6

Following details are furnished for the year ended 31st March, 2025 :-

	Chennai office ₹	Hyderabad Office ₹
Opening Stock	75,000	--
Purchases	9,25,000	--
Goods sent to branch (Cost plus 60%)	3,60,000	--
Sales	10,25,000	2,70,000
Office expenses	9,000	3,000
Staff Salary	13,700	2,500

Prepare Trading and Profit and Loss Account of the head office and branch for the year ended 31st March, 2025.

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