

Mock Test Paper - Series I: July, 2025

Date of Paper: 21st July, 2025

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

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

Time Allowed – 3 Hours

Maximum Marks – 100

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*

PART I – Case Scenario based MCQs (30 Marks)

Part I is compulsory.

Case Scenario

1. Year 1

- Mr. Lal purchased 1,000 equity shares of ₹ 100 each in a X Company @ ₹ 125 each from a stock broker who charged 2% brokerage. At the end of year 1 the market value of these shares is ₹ 1,50,000. He incurred 50 paise per ₹ 100 as cost of shares transfer stamps.
- He also purchased gold for ₹ 5,00,000 for holding for long term perspective and by year end its value became ₹ 5,50,000.

Year 2

- X Company issued bonus shares in the ratio of 1:1. At the end of year 2 market value of 2,000 shares of X Ltd. (including bonus shares) is still ₹ 1,50,000.
- At the end of year 2, value of gold purchased is ₹ 6,50,000
- Mr. Lal sold the bonus shares for ₹ 110 per share during the year.

Answer the following questions on the basis of above information:

- (a) At the end of year 1, what will be the value of the investment in equity shares in the financial statements:
 - (i) ₹ 1,28,125
 - (ii) ₹ 1,25,000

- (iii) ₹ 1,50,000
 - (iv) ₹ 1,52,500
- (b) At the end of year 2, what will be the value of the investment in equity shares in the financial statements:
- (i) ₹ 1,28,125
 - (ii) ₹ 1,25,000
 - (iii) ₹ 1,50,000
 - (iv) ₹ 1,52,500
- (c) At the end of year 2, what will be the value of the investment in Gold in the financial statements:
- (i) ₹ 5,00,000
 - (ii) ₹ 5,50,000
 - (iii) ₹ 6,50,000
 - (iv) None of the above
- (d) How much profit was earned on sale of bonus shares by Mr. Lal:
- (i) ₹1,10,000
 - (ii) ₹ 64062.5
 - (iii) ₹ 45,937.50
 - (iv) Nil

Multiple Choice Questions [4 MCQs of 2 Marks each: Total 8 Marks]

2. A Company acquired an asset for ₹ 60 Lakhs with useful life for 10 years. The remaining useful life of the asset now is 4 years and the current carrying amount is ₹ 30 Lakhs which includes an upward revaluation of ₹ 6 Lakhs done in the asset last year. Recoverable amount from the asset is 20 Lakhs.
- (a) At what value the asset will be carried in the balance sheet after considering above facts:
- (i) ₹ 22,50,000
 - (ii) ₹ 24,00,000
 - (iii) ₹ 20,00,000

- (iv) ₹ 18,00,000
- (b) What is the amount of impairment loss charged to the statement of profit and loss:
 - (i) ₹ 10 Lakhs
 - (ii) ₹ 8 Lakhs
 - (iii) ₹ 6 Lakhs
 - (iv) ₹ 4 Lakhs
- (c) What is the amount of depreciation to be charged to the statement of profit and loss after considering above facts:
 - (i) ₹ 5Lakhs
 - (ii) ₹ 8 Lakhs
 - (iii) ₹ 6 Lakhs
 - (iv) ₹ 4 Lakhs
- (d) What is the amount of revaluation reserve in respect of this asset:
 - (i) Nil
 - (ii) ₹ 10 Lakhs
 - (iii) ₹ 8 Lakhs
 - (iv) ₹ 6 Lakhs

Multiple Choice Questions [4 MCQs of 2 Marks each: Total 8 Marks]

3. Gases Ltd. is installing a 2000 kms long gas pipeline for distribution of gasses (Project is a qualifying asset as per AS 16). For this purpose it borrowed funds for ₹ 700 Lakhs at subsidised rates and has to pay annually an interest of ₹ 70 Lakhs. The Company has also invested unused funds and is earning an income of ₹ 7 Lakhs annually. During the next year the Company used all funds and no income is now being earned.

During the year 5, the Company has completed 1 stretch of 100 kms which is operational between two points and is capable of intended use.

- (a) For the year 1, how much borrowing cost should be capitalised to the project:
 - (i) ₹ 70 Lakhs
 - (ii) ₹ 77 Lakhs
 - (iii) ₹ 63 Lakhs

- (iv) ₹ 60 Lakhs
- (b) For the year 2, how much borrowing cost should be capitalised to the project:
 - (i) ₹ 70 Lakhs
 - (ii) ₹ 77 Lakhs
 - (iii) ₹ 63 Lakhs
 - (iv) ₹ 65 Lakhs
- (c) For the year 5, how much borrowing cost should be expensed:
 - (i) ₹ 7 Lakhs
 - (ii) ₹ 6 Lakhs
 - (iii) ₹ 3.5 Lakhs
 - (iv) Nil
- (d) For the year 5, how much borrowing cost should be capitalised to the project:
 - (i) ₹ 70 Lakhs
 - (ii) ₹ 66.5 Lakhs
 - (iii) ₹ 63 Lakhs
 - (iv) ₹ 53 Lakhs

Multiple Choice Questions [4 MCQs of 2 Marks each: Total 8 Marks]

4. State which of the following statements is true?
 - (i) Buy-back is for more than twenty-five per cent of the total paid-up capital and free reserves of the company.
 - (ii) Partly paid shares cannot be bought back by a company.
 - (iii) Buy-back of equity shares in any financial year shall exceed twenty-five per cent of its total paid-up equity capital in that financial year.
 - (iv) Partly paid shares can be bought back by a company. **(2 Marks)**
5. As per AS 19, unearned finance income is:
 - (i) the difference between (a) the gross investment in the lease and (b) the present value of minimum lease payments under a finance lease from the standpoint of the lessor; and any unguaranteed residual value accruing to the lessor, at the interest rate implicit in the lease.

- (ii) the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor.
- (iii) the aggregate of the minimum lease payments under a finance lease from the standpoint of the lessor and any unguaranteed residual value accruing to the lessor.
- (iv) the lease is the gross investment in the lease less unearned finance income.

(2 Marks)

6. Akash Ltd. is constructing a housing society and for this purpose, it has taken loan from a bank. The housing society consists of 50 units, each of which can be used individually. 20 units have been constructed and can be opened up for public, while construction on the remaining part is continuing. How much borrowing cost should be capitalised:

- (i) Capitalisation of borrowing cost should continue for the whole society until construction continues.
- (ii) Capitalisation of the borrowing costs shall cease to be capitalised for 20 units which are now ready to be used and should continue for 30 units.
- (iii) The entire borrowing cost should be capitalised at the end of the project.
- (iv) The Borrowing cost will not be capitalised at all.

(2 Marks)

PART II – Descriptive Questions (70 Marks)

Question No.1 is compulsory

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions may be made and indicated in answer by the candidates. Working Notes should form part of the answer.

1. (a) The financial statements of Mehta Ltd. for the year 2024-25 approved by the Board of Directors on 15th July, 2025. The following information was provided:
- (i) A suit against the company's advertisement was filed by a party on 20th April, 2025, claiming damages of ₹ 25 lakhs.
 - (ii) The terms and conditions for acquisition of business of another company have been decided by March, 2024. But the financial resources were arranged in April, 2025 and amount invested was ₹ 50 lakhs.
 - (iii) Theft of cash of ₹ 5 lakhs by the cashier on 31st March, 2025 but was detected on 16th July, 2025.

- (iv) Company sent a proposal to sell an immovable property for ₹ 40 lakhs in March, 2025. The book value of the property was ₹ 30 lakhs on 31st March, 2025. However, the deed was registered on 15th April, 2025.
- (v) A, major fire has damaged the assets in a factory on 5th April, 2025. However, the assets are fully insured.

With reference to AS-4 "Contingencies and events occurring after the balance sheet date", state whether the above mentioned events will be treated as contingencies, adjusting events or non-adjusting events occurring after the balance sheet date. **(7 Marks)**

- (b) From the following data, determine Minority Interest on the date of acquisition and on the date of consolidation in each case:

Case	Subsidiary Company	% of Share Owned	Cost	Date of Acquisition		Consolidation date	
				01-01-2024		31-12-2024	
				Share Capital	Profit and Loss A/c	Share Capital	Profit and Loss A/c
				₹	₹	₹	₹
Case-i	X	85%	1,85,000	1,35,000	60,000	1,35,000	70,000
Case-ii	Y	70%	1,60,000	1,25,000	45,000	1,25,000	5,000
Case-iii	Z	65%	83,000	25,000	5,000	25,000	5,000
Case-iv	M	90%	60,000	45,000	20,000	45,000	40,000
Case-v	N	100%	85,000	25,000	25,000	25,000	50,000

(7 Marks)

2. (a) A Ltd. purchased on 1st April, 2024 8% convertible debenture in C Ltd. of face value of ₹ 2,00,000 @ ₹ 108. On 1st July, 2024 A Ltd. purchased another ₹ 1,00,000 debentures @ ₹ 112 cum interest. On 1st October, 2024 ₹ 80,000 debentures were sold @ ₹ 105. On 1st December, 2024, C Ltd. give option for conversion of 8% convertible debentures into equity share of ₹ 10 each. A Ltd. received 5,000 equity shares in C Ltd. in conversion of 25% debentures held on that date. The market price of debenture and equity share in C Ltd. on 31st December, 2024 is ₹ 110 and ₹ 15 respectively. Interest on debenture is payable each year on 31st March, and 30th September. Prepare investment account in the books of A Ltd. on average cost basis for the accounting year ended 31st December, 2024. **(10 Marks)**

- (b) Alpha Chemicals Ltd., a listed company, proposes a buy-back of 12% of its equity share capital from its free reserves under Section 68 of the Companies Act, 2013. On scrutiny of its records, the following details were observed:

1. The company intends to route the buy-back through its wholly-owned subsidiary.
2. The company had defaulted on repayment of a term loan to a public sector bank, which was fully repaid 27 months ago.
3. The company has not filed its Annual Return and Financial Statements for the preceding financial year.
4. The company had declared a dividend in the last year, but the amount remains unpaid for 35 days from the date of declaration.

You are required to:

Examine the compliance of Alpha Chemicals Ltd. with the requirements of Section 70 of the Companies Act, 2013 and state whether the company is eligible to proceed with the proposed buy-back. **(4 Marks)**

3. (a) Constructions Limited is engaged in the business of constructing Flyovers and Railway over bridges. It obtained a contract from Railway Authorities to construct a railway over bridge for ₹ 400 crores. The construction of the railway over bridge is expected to be completed in 4 years.

At the outset of the contract, it was estimated that the total costs to be incurred will be ₹ 370 crores but by the end of year 1, this estimate stands revised to ₹ 375 crores.

During year 3, the Construction Limited has requested for a variation in the contract which is approved by Railway Authorities and accordingly the total contract value will increase by ₹ 10 crores and costs will increase by ₹ 7 crores.

The Constructions Limited 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	₹ 98.8 crores
Year 2	₹ 202.4 crores
Year 3	₹ 310 crores (including unused material of 3 crores)
Year 4	₹ 382 crores

You are required to:

- (1) Calculate stage of completion of contract for each year
- (2) Profit to be recognised for each year. **(7 Marks)**

- (b) Antu Limited and Bantu Limited decided to amalgamate and form a new company Anban Limited as on 31st March, 2025 and provide you the following information:

Particulars	As on 31 st March 2025		Revalued figures for amalgamation	
	Antu Limited (₹)	Bantu Limited (₹)	Antu Limited (₹)	Bantu Limited (₹)
Equity shares of ₹ 10 each	26,88,000	10,08,000		
10% Preference Shares of ₹ 100 each	13,44,000	6,72,000		
Reserve & Surplus	21,76,960	10,61,920		
Trade Payable	3,36,000	7,04,000	3,22,560	6,75,840
Property, Plant & Equipment	30,76,000	17,45,600	42,32,400	20,80,400
Goodwill	6,48,000	-	6,48,000	-
Inventories	7,56,000	4,70,400	11,14,480	8,27,120
Trade Receivables	11,24,000	5,88,000	9,88,560	5,52,720
Cash & Cash Equivalents	9,40,960	6,41,920	-	-

The purchase consideration is to be satisfied as follows:

- (1) By issue of 4 Preference Shares of ₹ 100 each in Anban Limited @ ₹ 85 paid up and at a premium of ₹ 30 per share for every 3 preference shares held in both the companies.
- (2) By issue of 5 Equity shares of ₹ 10 each in Anban Limited @ ₹ 7 paid up and at a premium of ₹ 5 per share for every 3 equity shares held in both the companies.
- (3) In addition, necessary cash should be paid to equity shareholders of both the companies as required to adjust the rights of shareholders of both the companies in accordance with the intrinsic value of the shares of both the companies.

You are required to compute the purchase consideration for both the companies.

(7 Marks)

4. Sky Limited has decided to reconstruct the Balance Sheet since it has accumulated huge losses. The following is the balance sheet of the company as on 31st March, 2025 before reconstruction:

	Particulars	Note No.	Amount (₹ in lakh)
	Equity and Liabilities		
(1)	Shareholders' Funds		
(a)	Share Capital	1	4,200
(b)	Reserves and Surplus	2	(1,566)
(2)	Non-Current Liabilities		
(a)	Long term Borrowings	3	2,100
(3)	Current Liabilities		
(a)	Trade Payables	4	306
(b)	Other Liabilities	5	72
	Total		5,112
[II]	Assets		
(1)	Non-Current Assets:		
(a)	PPE	6	2,250
(2)	Current Assets		
(a)	Current Investments	7	600
(b)	Inventories	8	900
(c)	Trade Receivables	9	1,350
(d)	Cash and Cash Equivalents	10	12
	Total		5,112

Notes to Accounts:

		(₹ in lakh)
(1)	Share Capital	
	Authorised:	
	600 lakh shares of ₹ 10 each	6,000
	24 lakh, 8% Preference Shares of ₹ 100 each	<u>2,400</u>
	Total	<u>8,400</u>

	Issued, Subscribed and Paid up:	
	300 lakh Equity Shares of ₹ 10 each, fully paid up	3,000
	12 lakh 8% Preference Shares of ₹ 100 each, fully paid up	<u>1,200</u>
	Total	<u>4,200</u>
(2)	Reserves and Surplus	
	Debit balance of Profit and Loss A/c	(1,566)
(3)	Long Term Borrowings	
	6% Debentures (Secured by Freehold Property)	1,200
	Director's Loan	<u>900</u>
	Total	<u>2,100</u>
(4)	Trade Payables	
	Trade payables for Goods	306
(5)	Other Liabilities	
	Interest Accrued and Due on 6% Debentures	72
(6)	PPE	
	Freehold Property	1,650
	Plant & Machinery	<u>600</u>
		<u>2,250</u>
(7)	Current Investment	
	Investment in Equity Instruments	600
(8)	Inventories	
	Finished Goods	900
(9)	Trade Receivables	
	Trade receivables for Goods	1,350
(10)	Cash and Cash Equivalents	
	Balance with Bank	12

The Board of Directors of the company decided upon the following scheme of reconstruction:

1. Preference Shares are to be written down to ₹ 75 each and Equity Shares to ₹ 2 each.
2. Preference Shares Dividend in arrears for 3 years to be waived by 2/3rd and for balance 1/3rd, Equity Shares of ₹ 2 each to be allotted.

3. Debenture holders agreed to take one Freehold Property at its book value of ₹ 900 lakh in part payment of their holding. Balance Debentures to remain as liability of the company. The Board of Directors of the company decided upon the following scheme of reconstruction with the consent of respective shareholders:
4. Interest accrued and due on Debentures to be paid in cash.
5. Remaining Freehold Property to be valued at ₹1,100 lakh.
6. All investments sold out for ₹850 lakh.
7. 70% of Directors' loan to be waived and for the balance, Equity Shares of ₹2 each issue.
8. 40% of Trade receivables and 80% of Inventories to be written off.
9. Company's contractual commitments amounting to ₹1,800 lakh have been settled by paying 8% penalty of contract value.

You are required to:

- (a) Pass Journal Entries for all the transactions related to internal reconstruction;
 - (b) Prepare Capital Reduction Account, Bank Account; and
 - (c) Prepare Notes to Accounts on Share Capital & PPE, immediately after the implementation of internal reconstruction. **(14 Marks)**
5. (a) Exe Ltd. acquires 70% of equity shares of Zed Ltd. as on 31st March, 2024 at a cost of ₹70 lakhs. The following information is available from the balance sheet of Zed Ltd. as on 31st March, 2024:

Particulars	₹ in lakhs
Property, plant and equipment	120
Investments	55
Current Assets	70
Loans & Advances	15
15% Debentures	90
Current Liabilities	50

The following revaluations have been agreed upon (not included in the above figures):

Property, plant and equipment	Up by 20%
Investments	Down by 10%

Zed Ltd. declared and paid dividend @ 20% on its equity shares as on 31st March, 2024 (Face value – ₹10 per share). Exe Ltd. purchased the shares of Zed Ltd. @ ₹ 20 per share.

Calculate the amount of goodwill/capital reserve on acquisition of shares of Zed Ltd. **(7 Marks)**

- (b) On 1st April, 2023, Green Limited started the construction of an Office Building (qualified asset). The land under the building is regarded as a separate asset and is not a part of qualifying asset.

For the purpose of construction of building, the company raised a specific loan of ₹ 14 lakhs from a Bank at an interest rate of 12% per annum. An interest income of ₹ 15,000 was earned on this loan while it was held in anticipation of payments.

The company's other outstanding loans on 1st April, 2023 were as follows:

Amount of Loan	Rate of Interest per annum
₹ 20,00,000	15%
₹ 30,00,000	8%

The construction of building started on 1st April, 2023 and was completed on 31st January, 2024 when it was ready for its intended use. Up to the date of completion of the building, the following payments were made to the contractor:

Payment date	Amount in ₹
1 st April, 2023	4,00,000
1 st August, 2023	10,00,000
1 st December, 2023	25,00,000
31 st January, 2024	5,00,000

The life of building is estimated to be 20 years and depreciation is calculated on straight line method.

You are required to:

- Calculate the amount of borrowing cost to be capitalized.
- Pass initial journal entry to recognise the cost of building.
- Depreciation on building for the year ending 31st March, 2024.
- Carrying value of building as on 31st March, 2024. **(7 Marks)**

6. (a) Briefly explain the elements of financial statements.

Or

In the financial statements of the financial year 2023-2024, Alpha Ltd. has mentioned in the notes to accounts that during financial year, 24,000 equity shares of ₹ 10 each were issued as fully paid bonus shares. However, the source from which these bonus shares were issued has not been disclosed. Is such non-disclosure a violation of the Schedule III to the Companies Act? Comment.

(4 Marks)

- (b) Indicate in each case whether revenue can be recognized and when it will be recognized as per AS-9.

- (1) Trade discount and volume rebate received.
- (2) Where goods are sold to distributors or others for resale.
- (3) Where seller concurrently agrees to repurchase the same goods at a later date.
- (4) Insurance agency commission for rendering services.
- (5) On 11-03-2024 cloths worth ₹ 50,000 were sold to X mart, but due to refurbishing of their showroom being underway, on their request, clothes were delivered on 12-04-2024.

(5 Marks)

- (c) Following is the information of the Jammu branch of Best New Delhi for the year ending 31st March, 2025 from the following:

- (1) Goods are invoiced to the branch at cost plus 20%.
- (2) The sale price is cost plus 50%.
- (3) Other information:

	₹
Stock as on 01.04.2024(invoice price)	2,20,000
Goods sent during the year (invoice price)	11,00,000
Sales during the year	12,00,000
Expenses incurred at the branch	45,000

Ascertain

- (i) the profit earned by the branch during the year.
- (ii) branch stock reserve in respect of unrealized profit.

(5 Marks)