Mock Test Paper - Series II: December, 2025

Date of Paper: 6th December, 2025

Time of Paper: 10 P.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. Sun Limited has acquired 40% share in Moon Ltd. for ₹ 5,00,000 on 01.07.2024. Moon Ltd. is holding 40% stake in Star Limited. Now, Sun limited can exercise significant influence on Moon Limited. Moon limited declared dividend of ₹ 80,000 for the Financial Year 2023-24 on 15.09.2024. For the year 2024-25, Moon Ltd. earned profit of ₹ 4,00,000 and declared dividend for ₹ 90,000 on 15.09.2025.

   Answer the following questions based on above:

   1. With respect to relationship between Companies, it can be said that:

      (a) Star Ltd. is associate of Sun Ltd.

      (b) Moon Ltd. and Star Ltd. both are associates of Sun Ltd.

      (c) Moon Ltd. is an associate of Sun Ltd.

      (d) Sun Ltd. is Parent of both Moon Ltd. and Star Ltd.

   2. What will be the carrying amount of investment in Separate Financial Statements of Sun Limited as on 31.03.2025?

      (a) ₹ 5,00,000

      (b) ₹ 5,80,000

      (c) ₹ 4,68,000

      (d) ₹ 5,32,000

3. What will be the carrying amount of investment in Consolidated Financial Statements of Sun Limited as on 31.03.2025?

   (a) ₹ 9,00,000

   (b) ₹ 5,88,000

   (c) ₹ 4,52,000

   (d) ₹ 6,20,000

4. As per AS 23, the existence of significant influence by an investor is usually evidenced in one or more of the following ways:

   (i) Participation in policy making processes

   (ii) Interchange of managerial personnel

   (iii) Right to receive dividend

   (iv) Provision of essential technical information

   (a) All the statements are correct

   (b) Statements (i), (ii) and (iii) are correct

   (c) Statements (ii), (iii) and (iv) are correct

   (d) Statements (i), (ii) and (iv) are correct

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

2. Anshul manufacturers purchased 20,000 Kg. of raw material at ₹ 170 per Kg. Direct transit cost incurred ₹ 5,00,000 and normal transit loss is 3%. Anshul manufacturers actually received 19,000 kg of raw material. During the year it consumed 17,600 kg of raw material.

   Further information:

   (i) The purchase price includes ₹ 15 per kg as GST in respect of which full credit is allowed and will be availed by Anshul manufacturers.

   (ii) Assume that there is no opening stock.

   Answer the following questions based on above:

5. What will be the cost of material:

   (a) ₹ 36,00,000

   (b) ₹ 34,00,000

(c) ₹ 39,00,000

(d) ₹ 31,00,000

6. what will be the value of the closing stock:

   (a) ₹ 1,70,000

   (b) ₹ 1,85,500

   (c) ₹ 2,38,000

   (d) ₹ 2,59,700

7. What will be the cost per Kg of raw material:

   (a) ₹ 180

   (b) ₹ 183.6

   (c) ₹ 185.5

   (d) ₹ 189.4

8. How much amount as abnormal loss will be debited in P&L:

   (a) ₹ 72,000 approx

   (b) ₹ 73,440 approx

   (c) ₹ 74,200 appox

   (d) ₹ 75,760 approx

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

3. Jay Ltd. submits the following data extracted from the Final Accounts as on 31st March, 2024:

	₹
Equity Share Capital 50,000 Equity shares of ₹ 10 each	5,00,000
Profit & Loss (Dr. balance)	(50,000)
9% Debentures	2,00,000
Loan from Bank	3,00,000
Advance given to suppliers of goods	45,000
Provision for tax	14,000
Plant & Machinery	4,50,000

Furniture & Fixtures	85,000
Investment in Star Ltd. 10,000 equity shares of ₹ 10 each	1,25,000
Sundry Debtors	70,000
Cash & Bank Balance	65,500

Additional information given by Jay Ltd.:

On 31st March, 2024 Jay Ltd. decided to reconstruct the company for which necessary resolution was passed. Accordingly, it was decided that:

(i) 9% Debentures to be settled in full by issuing them 15,000 Equity shares of ₹ 10 each.

(ii) Equity shareholders will give up 40% of their capital in exchange for allotment of new 11% Debentures of ₹ 1,00,000.

(iii) Balance of Profit & Loss to be written off.

(iv) Equity shares issued for ₹ 1,00,000.

In addition to above, following information was also presented by Jay Ltd. on 1st April, 2024:

(1) Interest is received on advances given to suppliers of goods ₹ 3,000.

(2) Taxation liability is settled at ₹ 14,000.

(3) A debtor of ₹ 40,000 is insolvent, only 40% of his dues are recovered from his estate.

(4) Dividend is received on Investment in Star Ltd. ₹ 1 per equity share invested.

(5) Part of Plant and Machinery is sold at a loss of ₹ 3,000 (book value ₹ 15,000)

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

9. The amount of Cash Flow from operating activity is:

   (a) ₹ 2,000

   (b) ₹ 5,000

   (c) ₹ 12,000

   (d) ₹ 15,000

10. The amount of Cash Flow from investing Activity is

   (a) ₹ 28,000

(b) ₹ 25,000

(c) ₹ 15,000

(d) ₹ 22,000

11. What is the amount of closing Cash and Cash equivalents as on 1 April, 2024?

(a) ₹ 1,92,500

(b) ₹ 92,500

(c) ₹ 1,27,000

(d) ₹ 1,98,500

12. The Balance of Equity Share Capital after internal reconstruction is :

(a) ₹ 6,50,000

(b) ₹ 4,50,000

(c) ₹ 5,50,000

(d) ₹ 7,50,000

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

13. Vijay Ltd. borrowed ₹ 30 lakh at interest rate of 5% per annum and purchased plant and machinery for ₹ 60 lakh (using borrowed funds) and started production. It took 1 year time for Vijay Ltd. to create optimum market for the goods manufactured and generate revenue. How much borrowing cost can be capitalised with cost of plant and machinery:

(a) ₹ 1.5 lakh

(b) ₹ 3 Lakh

(c) Nil

(d) ₹ 5 Lakh **(2 Marks)**

14. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects should be assigned using following cost formula

(a) By specific identification of their individual costs

(b) First-in, First-out (FIFO) Method

(c) Weighted average cost formula

(d) The formula used should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition. **(2 Marks)**

15. A Ltd. had 1,50,000 shares of common stock outstanding on 1 April, 2024. Additional 50,000 shares were issued on 1 November, 2024 and 32,000 shares were bought back on 1 February, 2025.

Calculate the weighted average number of shares outstanding at the year ended on 31 March, 2025 is:

(a) 1,34,500 shares

(b) 1,65,500 shares

(c) 1,76,167 shares

(d) 1,23,833 shares **(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) Jared Limited purchased a machine for US$ 20,000 on 31 December 2024, payment being due after four months. On the same date the company entered into a four-month forward contract at ₹78.85 per US$. The spot exchange rate on 31 December 2024 was ₹ 77.50 per US$.

(i) How should Jared Limited recognise the profit or loss on the forward contract in its books for the year ended 31 March 2025? Explain the accounting treatment and point out when and where the gain or loss should be recorded.

Additional transaction

Trade payables of Jared Limited include an amount due to Sterling Limited of ₹ 9,75,000, which was recorded at the prevailing exchange rate on the date of purchase. The original transaction was recorded using US$ 1 = ₹ 75.00. The exchange rate on the balance-sheet date (31 March 2025) was US$ 1 = ₹ 79.00. The payment was actually made on 1 May 2025, when the exchange rate was US$ 1 = ₹ 78.30.

(ii) Calculate:

- the exchange difference as at 31 March 2025, and
- the exchange difference on 1 May 2025 (on settlement).

Also explain the required accounting treatment in Jared Limited's books in accordance with AS 11 — The Effects of Changes in Foreign Exchange Rates.

(b) As per provisions of AS-26, how would you deal to the following situations:

(1) ₹ 23,00,000 paid by a manufacturing company to the legal advisor for defending the patent of a product is treated as a capital expenditure.

(2) During the year 2024-2025, a company spent ₹ 7,00,000 for publicity and research expenses on one of its new consumer product which was marketed in the same accounting year but proved to be a failure.

(3) A company spent ₹ 25,00,000 in the past three years to develop a product, these expenses were charged to profit and loss account since they did not meet AS-26 criteria for capitalization. In the current year approval of the concerned authority has been received. The company wishes to capitalize ₹ 25,00,000 by disclosing it as a prior period item.

(4) A company with a turnover of ₹ 200 crores and an annual advertising budget of ₹ 50,00,000 had taken up for the marketing of a new product by a company. It was estimated that the company would have a turnover of ₹ 20 crore from the new product. The company had debited to its Profit & Loss Account the total expenditure of ₹ 50,00,000 incurred on extensive special initial advertisement campaign for the new product.

(c) Kumar Ltd. is engaged in the manufacture of both passenger cars and commercial vehicles. The management has recently developed a long-term strategic vision under which the company intends to gradually shift its focus away from the passenger car segment and move more strongly toward the commercial vehicles business over the next five years. As part of this broad strategy, the management has informally discussed a plan to reduce the production of passenger cars by approximately 20% every year and, in parallel, to establish a new manufacturing facility dedicated to commercial vehicles. It is also envisaged that certain employees will be transferred in phases to support the expansion of the commercial vehicle division.

However, despite these strategic intentions, no specific or detailed plan has been formulated or approved for the sale, closure, or complete discontinuance of the passenger car division. There is no formal plan regarding the disposal of its assets, and no proposal has been placed before or approved by the Board of Directors. Further, the proposed new commercial vehicle factory has not commenced operations, nor have any binding commitments been made.

In light of the above circumstances, you are required to comment on whether such gradual scaling down of activities, without a formal and approved plan for disposal, can be regarded as a 'Discontinuing Operation' within the meaning of AS 24 – Discontinuing Operations. **(5 + 5 + 4 = 14 Marks)**

2. (a) Prem Ltd. holds 2,000, 15% Debentures of ₹ 100 each in Mehar Ltd. as on April 1, 2024 at a cost of ₹ 2,50,000.

Interest is payable on June, 30 and December, 31 each year.

Following are the details of 15% Debentures purchased and sold during the year 2024-25.

Particulars
On May 1, 2024, 1,000 debentures are purchased cum-interest at ₹ 1,05,000.
On November 1, 2024, 1200 debentures are sold ex-interest at ₹ 1,28,200.
On November 30, 2024, 500 debentures are purchased ex-interest at ₹ 54,500.
On December 31, 2024, 900 debentures are sold cum-interest for ₹ 1,18,000

You are required to prepare the investment Account showing value of holdings on March 31, 2025 at cost, using FIFO Method.

(b) Care who carried on a retail business opened a branch Omega on January 1st, 2025 where all sales were on credit basis. All goods required by the branch were supplied from the Head Office and were invoiced to the branch at 10% above cost.

The following were the transactions:

	Jan. 2025	**Feb. 2025**	**March 2025**
	₹	₹	₹
Goods sent to Branch (Purchase Price)	60000	75000	90000
Sales as shown by the branch monthly report	57000	63000	82500

Cash received from Debtors and remitted to H.O.	30000	76500	52500
Returns to H.O. (Invoice price to Branch)	1800	900	3600

The stock of goods held by the branch on March 31, 2025 amounted to ₹ 80,100 at invoice to branch.

Record these transactions in the Head Office books, showing balances as on 31st March, 2025 and the branch gross profit for the three months ended on that date.

All workings should form part of your solution. **(7 + 7 = 14 Marks)**

3. Hari Ltd., OM Ltd. and Bhakti Ltd. decided to jointly construct a pipeline to transport the gas from one place to another that was manufactured by them. For the purpose following expenditure was incurred by them: Buildings ₹ 18,00,000 to be depreciated @ 5% p.a., Pipeline for ₹ 90,00,000 to be depreciated @ 15% p.a., computers and other electronics for ₹ 4,50,000 to be depreciated @ 40% p.a. and various vehicles of ₹ 13,50,000 to be depreciated @ 20% p.a.

   They also decided to equally bear the total expenditure incurred on the maintenance of the pipeline that comes to ₹ 9,00,000 each year.

   You are required to show the Extract of consolidated balance sheet and the extract of Statement of Profit & Loss and Balance Sheet for each venturer. **(14 Marks)**

4. Following is the summarized Balance Sheet of Star Ltd. as on 31st March, 2025.

Particulars	**Amount (₹)**
Liabilities	
Authorized and Issued Share Capital	
(a) 15,000 8% Preference shares of ₹ 50 each	7,50,000
(b) 18,750 Equity shares of ₹ 50 each	9,37,500
Profit and Loss Account	(5,63,750)
Loan	7,16,250
Trade Payables	2,58,750
Other Liabilities	43,750
Total	21,42,500
Assets	
Building at cost less depreciation	5,00,000
Plant at cost less depreciation	3,35,000

Trademarks and goodwill at cost	3,97,500
Inventory	5,00,000
Trade Receivables	4,10,000
Total	21,42,500

(Note: Preference shares dividend is in arrear for last five years).

The Company is running with the shortage of working capital and not earnings profits. A scheme of reconstruction has been approved by both the classes of shareholders. The summarized scheme of reconstruction is as follows:

(i) The equity shareholders have agreed that their ₹ 50 shares should be reduced to ₹ 5 by cancellation of ₹ 45.00 per share. They have also agreed to subscribe for three new equity shares of ₹ 5.00 each for each equity share held.

(ii) The preference shareholders have agreed to forego the arrears of dividends and to accept for each ₹ 50 preference share, 4 new 6% preference shares of ₹ 10 each, plus 3 new equity shares of ₹ 5.00 each, all credited as fully paid.

(iii) Lenders to the company for ₹ 1,87,500 have agreed to convert their loan into shares and for this purpose they will be allotted 15,000 new preference shares of ₹ 10 each and 7,500 new equity shares of ₹ 5.00 each.

(iv) The directors have agreed to subscribe in cash for 25,000 new equity shares of ₹ 5.00 each in addition to any shares to be subscribed by them under (i) above.

(v) Of the cash received by the issue of new shares, ₹ 2,50,000 is to be used to reduce the loan due by the company.

(vi) The equity share capital cancelled is to be applied:

  (a) To write off the debit balance in the Profit and Loss A/c, and

  (b) To write off ₹ 43,750 from the value of plant.

Any balance remaining is to be used to write down the value of trademarks and goodwill. The nominal capital, as reduced, is to be increased to ₹ 8,12,500 for preference share capital and ₹ 9,37,500 for equity share capital.

You are required to pass journal entries to show the effect of above scheme and prepare the Balance Sheet of the Company after reconstruction. **(14 Marks)**

5. The following is the Trial Balance of Madhav Ltd.as on 31st March, 2024 :

Particulars	Dr. (₹ 000)	Particulars	Cr. (₹ 000)
Land at Cost	148	Equity Share of ₹ 10 each	200
Plant & Machinery at Cost	520	10% Debenture of ₹ 100 each	135
Debtors	65	General Reserve	90
Closing Stock	58	Profit & Loss Ale	48
Bank	14	Security Premium	27
Adjusted Purchases	226	Sales	473
Factory Expenses	40	Creditors	35
Administration Expenses	22	Provision for Depreciation	116
Selling Expenses	20	Suspense A/c	3
Debenture Interest	14		
Total	1,127	Total	1,127

Additional Information:

- On 31st March, the Company issued Bonus Shares to the Shareholders on 1 : 2 basis (one equity share issued as bonus for every 2 equity shares held). No entry relating to this has yet been made.
- The Authorized Share Capital of the Company is 35,000 Equity Shares of ₹ 10 each.
- The Company, on the advice of an independent valuer, revalued the Land at ₹ 2,45,000.
- The Directors declared a Dividend of 10% on 5th April, 2025 and also transferred profit @ 10% to General Reserve.
- Suspense Account of ₹ 3,000 represents cash received for the Sale of some Machinery on the 1st day of the financial year 2023-24. Cost of this Machinery was ₹ 10,000 and Accumulated Depreciation thereon being ₹ 8,000.
- Depreciation is to be provided on Plant & Machinery at 10% on Cost.
- Provision for Income tax is required@ 30%.

You are required to prepare Shivam Ltd.'s Profit and Loss A/c for the year ended 31st March, 2025 and Balance Sheet as at that date as per the provisions of the Companies Act, 2013 after considering the above information. Ignore previous year figures. **(14 Marks)**

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

(i) Delivery is delayed at buyer's request but buyer takes title and accepts billing.

(ii) Instalment Sales,

(iii) Trade discounts and volume rebates

(iv) Insurance agency commission for rendering services.

(v) Advertising commission.

OR

"In determining the cost of inventories, it is appropriate to exclude certain costs and recognise them as expenses in the period in which they are incurred."

Provide examples of such costs as per AS 2 (Revised) 'Valuation of Inventories.

(4 Marks)

(b) In the following cases, record Journal Entries for amortization in the books of Huge Ltd. for the year ended 31st March, 2025 with reference to AS-26:

The company had acquired Patent Rights for ₹ 340 lakhs on 01.04.2023. The estimated product life is 4 years. Amortization was decided in the ratio of estimated future cash flows which are as under:

1st Year ₹ 140 Lakhs

2nd Year ₹ 350 Lakhs

3rd Year ₹ 280 Lakhs

4th Year ₹ 420 Lakhs **(5 Marks)**

(c) Pendora Ltd. has given the following details in respect of employee benefit pension plan:

Particulars	**Amount ₹**
The fair value of plan assets as on 01-04-2024	5,00,000
The benefits paid out on 30-11-2024	63,000
Inward contributions received on 30-09-2024	1,42,000
The fair value of plan assets as on 31-03-2025	7,50,000

On 01.04.2024, the company made following estimates, based on its market studies and prevailing prices:

Particulars	**%**
Interest and dividend income (after tax) payable by fund	10.50
Realised gains on plan assets (after tax)	2.00
Fund administrative costs	-2.00
Expected rate of annual return (Interest is compounded annually)	10.50

You are required to find the expected and actual returns on plan assets as on 31.03.2025 as per AS 15. **(5 Marks)**