

Mock Test Paper - Series II: April, 2026

Date of Paper: 2nd April , 2026

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 - I

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.

1. For the year 1, how much borrowing cost should be capitalised to the project:
 - (a) ₹ 70 Lakhs
 - (b) ₹ 77 Lakhs
 - (c) ₹ 63 Lakhs
 - (d) ₹ 60 Lakhs
2. For the year 2, how much borrowing cost should be capitalised to the project:
 - (a) ₹ 70 Lakhs

- (b) ₹ 77 Lakhs
 - (c) ₹ 63 Lakhs
 - (d) ₹ 65 Lakhs
3. For the year 5, how much borrowing cost should be expensed:
- (a) ₹ 7 Lakhs
 - (b) ₹ 6 Lakhs
 - (c) ₹ 3.5 Lakhs
 - (d) Nil
4. For the year 5, how much borrowing cost should be capitalised to the project:
- (a) ₹ 70 Lakhs
 - (b) ₹ 66.5 Lakhs
 - (c) ₹ 63 Lakhs
 - (d) ₹ 53 Lakhs

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

5. State which of the following statements is true?
- (a) Buy-back is for more than twenty-five per cent of the total paid-up capital and free reserves of the company.
 - (b) Partly paid shares cannot be bought back by a company.
 - (c) 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.
 - (d) Partly paid shares can be bought back by a company. **(2 Marks)**

Case Scenario - II

Mars Ltd. is a manufacturing enterprise which is starting a new manufacturing plant at X Village. It has commenced construction of the plant on April 1, 2023 and has incurred following expenses:

- ◆ It has acquired land for installing Plant for ₹ 50,00,000

- ◆ It incurred ₹ 35,00,000 for material and direct labour cost for developing the Plant.
- ◆ The Company incurred ₹ 10,00,000 for head office expenses at New Delhi which included rent, employee cost and maintenance expenditure.
- ◆ The Company borrowed ₹ 25,00,000 for construction work of Plant @12% per annum on April 1, 2023. Director finance of the Company incurred travel and meeting expenses amounting to ₹ 5,00,000 during the year for arranging this loan.
- ◆ On November 1, 2023, the construction activities of the plant were interrupted as the local people alongwith the activists have raised issues relating to environmental impact of plant being constructed. Due to agitation the construction activities came to standstill for 3 months.
- ◆ With the help of Government and NGOs, the agitation was over by February 28, 2024 and the work resumed. However, to balance the impact on environment, government ordered the company to install certain devices for which the Company had to incur ₹ 6,00,000 in March 2024.
- ◆ The rate of depreciation on Plant is 10%.

Based on the above information, answer the following questions.

6. Which of the following expenses cannot be included in the cost of plant:
 - (a) Cost of Land
 - (b) Construction material and labour cost
 - (c) Head office expenses
 - (d) Borrowing cost
7. How much amount of borrowing cost can be capitalised with the plant:
 - (a) ₹ 300,000
 - (b) ₹ 2,00,000
 - (c) ₹ 7,00,000
 - (d) ₹ 6,00,000

8. The total cost of plant as on March 31, 2024 will be:
- (a) ₹ 85,00,000
 - (b) ₹ 98,00,000
 - (c) ₹ 93,00,000
 - (d) ₹ 95,00,000
9. The amount of depreciation to be charged for the year end March 31, 2024
- (a) ₹ 4,30,000
 - (b) ₹ 9,30,000
 - (c) ₹ 9,80,000
 - (d) Nil

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

Case Scenario - III

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:

10. What will be the cost of material:
- (a) ₹ 36,00,000
 - (b) ₹ 34,00,000
 - (c) ₹ 39,00,000
 - (d) ₹ 31,00,000

11. 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
12. What will be the cost per Kg of raw material:
- (a) ₹ 180
 - (b) ₹ 183.6
 - (c) ₹ 185.5
 - (d) ₹ 189.4
13. How much amount as abnormal loss will be debited in P&L:
- (a) ₹ 72,000 approx
 - (b) ₹ 73,440 approx
 - (c) ₹ 74,200 approx
 - (d) ₹ 75,760 approx

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

14. 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)

15. P Ltd. has 60% voting right in Q Ltd. Q Ltd. has 20% voting right in R Ltd. Also, P Ltd. directly enjoys voting right of 14% in R Ltd. R Ltd. is a Listed Company and regularly supplies goods to P Ltd. The Management of R Ltd. has not disclosed its relationship with P Ltd. While preparing Financial Statements of P Ltd., which entities would you disclose as related parties with reference to AS-18?

While preparing Financial Statements of P Ltd., which entities would you disclose as related parties with reference to AS-18?

- (a) Q Ltd.
- (b) R Ltd.
- (c) Q Ltd. and R Ltd.
- (d) Neither of Q Ltd. or R Ltd.

(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) Antu Limited and Bantu Limited decided to amalgamate and form a new company Anban Limited as on 31st March, 2026 and provide you the following information:

Particulars	As on 31 st March 2026		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.

- (b) On 1st April, 2025 Mr. Zoom had an opening balance of 1,000 equity shares of P Ltd. ₹ 1,20,000 (face value ₹ 100 each).

On 5.04.2025 he further purchased 200 cum-right shares for ₹ 135 each. On 8.04.2025 the director of P Ltd announced right issue in the ratio of 1:6.

Mr. Zoom waived off 100% of his entitlement of right issue in the favour of Mr. X at the rate of ₹ 20 each.

All the shares held by Mr. Zoom had been acquired on cum right basis and the total market price (ex-right) of all these shares after the declaration of rights got reduced by ₹ 3,400.

On 10.10.2025 Zoom sold 350 shares for ₹ 140 each.

31.03.2026 The market price of each share is ₹ 125 each.

You are required to prepare the Investment account in the books of Mr. Zoom for the year ended 31.03.2026 assuming that the shares are being valued at average cost. **(7+7= 14 Marks)**

2. (a) You are required to give the necessary journal entry at the inception of lease to record the asset taken on finance lease in books of lessee from the following information:

Lease period = 5 years;

Annual lease rents = ₹ 50,000 at the end of each year.

Guaranteed residual value = ₹ 25,000

Fair Value at the inception (beginning) of lease= ₹ 2,00,000

Interest rate implicit on lease is = 12.6% (Discounted rates for year 1 to 5 are .890, .790, .700, .622 and .552 respectively).

- (b) On 31st March, 2026 Delhi Branch submits the following Trial Balance to its Head Office at Mumbai:

Debit Balances	₹ in lacs
Furniture and Equipment	36
Depreciation on furniture	4
Salaries	50
Rent	20
Advertising	12
Telephone, Postage and Stationery	6
Sundry Office Expenses	2
Stock on 1st April, 2025	120
Goods Received from Head Office	576
Debtors	40
Cash at bank and in hand	16
Carriage Inwards	14
	<u>896</u>
Credit Balances	
Outstanding Expenses	6
Goods Returned to Head Office	10
Sales	720
Head Office	<u>160</u>
	<u>896</u>

Additional Information:

Stock on 31st March, 2026 was valued at ₹ 124 lacs. On 29th March, 2026 the Head Office dispatched goods costing ₹ 20 lacs to its branch. Branch did not

receive these goods before 1st April, 2026. Hence, the figure of goods received from Head Office does not include these goods. Also the head office has charged the branch ₹ 2 lac for centralized services for which the branch has not passed the entry.

You are required to prepare Final Accounts of the Branch including Balance Sheet. **(7 + 7 = 14 Marks)**

3. The following are the extract of balance sheet of P Ltd., and its subsidiary Q Ltd., as at 31 March 2026:

	Particulars	P Ltd. ₹	Q Ltd. ₹
I	<u>Equity & Liabilities</u>		
(1)	Shareholders' Funds		
(a)	Share capital (Equity shares of ₹100 each fully paid up)	16,00,000	4,00,000
(b)	Reserve & Surplus	2,00,000	80,000
(2)	Current liability	<u>30,00,000</u>	<u>19,20,000</u>
	Total	<u>48,00,000</u>	<u>24,00,000</u>
II	<u>Assets</u>		
(1)	Non-current assets		
(a)	PPE	10,00,000	3,80,000
(2)	Investment:		
	3,600 equity shares in Q Ltd. on 1 April 2025	5,60,000	---
(3)	Current Assets		
(a)	Other current assets	<u>32,40,000</u>	<u>20,20,000</u>
	Total	<u>48,00,000</u>	<u>24,00,000</u>

On 1 April 2025 Profit & Loss A/c of Q Ltd. showed a credit balance of ₹ 32,000 and equipment of Q Ltd., was revalued by P Ltd., 20% above its book value of ₹ 4,00,000 (but no such adjustment effected in the books of Q Ltd.)

Prepare the consolidated balance sheet as at 31st March 2026. **(14 Marks)**

4. (a) A Ltd. acquired 70% equity shares of B Ltd. @ ₹ 20 per share (Face value - ₹ 10) on 31st March, 2026 at a cost of ₹ 140 lakhs. Calculate the amount of share of A Ltd. and minority interest in the net assets of B Ltd. on this date. Also compute goodwill/capital reserve for A Ltd. on acquisition of shares of B Ltd. from the following information available from the balance sheet of B Ltd. as on 31st March, 2026:

	₹ in lakhs
Property, plant and equipment	360
Investments	90
Current Assets	140
Loans & Advances	30
15% Debentures	180
Current Liabilities	100

- (b) Following is the cash flow abstract of Alpha Ltd. for the year ended 31st March, 2026:

Cash Flow (Abstract)

Inflows	₹	Outflows	₹
Opening cash and bank balance	80,000	Payment for Account Payables	90,000
Share capital – shares issued	5,00,000	Salaries and wages	25,000
Collection from Trade Receivables	3,50,000	Payment of overheads	15,000
Sale of Machinery	70,000	Machinery acquired	4,00,000
		Debentures redeemed	50,000
		Bank loan repaid	2,50,000
		Tax paid	1,55,000
		Closing cash and bank balance	<u>15,000</u>
	<u>10,00,000</u>		<u>10,00,000</u>

Prepare Cash Flow Statement for the year ended 31st March, 2026 in accordance with AS 3. **(7 + 7 = 14 Marks)**

5. The Following is the Trial Balance of Amol Limited as on 31st March, 2026.

Particulars	Amount (₹)	Particulars	Amount (₹)
Purchases	41,47,500	Sales	62,93,500
Wages & Salaries	6,36,000	Commission	36,250
Rent	1,10,000	Equity Share Capital	5,00,000

Rate & Taxes	25,000	General Reserve	5,00,000
Selling & Distribution Expenses	2,18,000	Surplus (P & L A/c) 01.04.2025	4,37,750
Directors Fees	16,000	Securities Premium	1,25,000
Bad Debts	19,250	Term Loan from Public sector Bank	51,00,000
Interest on term loan	4,02,500		
Land	12,00,000	Trade Payables	27,54,437
Factory Building	18,40,000	Provision for Depreciation:	
Plant & Machinery	31,25,000	~ On Plant	4,68,750
Furniture and fittings	4,12,500	~ On Furniture and fittings	41,250
Trade Receivables	32,37,500	~ On Factory Building	92,000
Advance Income Tax Paid	18,750	Provision for Doubtful Debts	12,500
Stock (1 st April, 2025)	4,62,500	Bill Payable	62,500
Bank Balances	4,87,500		
Cash on Hand	<u>65,937</u>		
Total	<u>1,64,23,937</u>	Total	<u>1,64,23,937</u>

Following information is provided :

- (1) The Authorized Share Capital of the Company is 1,00,000 Equity Shares of ₹ 10 each. The company has issued 50,000 Equity Shares of ₹10 each.
- (2) Rent of ₹ 10,000 and wages of ₹ 78,250 are outstanding as on 31st March, 2026.
- (3) Provide Depreciation @10% per annum on Plant & Machinery, 10% on Furniture and Fittings and 5% on factory Building on written down value basis.
- (4) Closing Stock as on 31st March, 2026 is ₹ 5,68,750.
- (5) Make a provision for Doubtful Debts @ 5% on Debtors.
- (6) Make a provision of 25% for Corporate Income Tax.
- (7) Transfer ₹ 50,000 to General Reserve.

- (8) Term Loan from Public Sector Bank is secured against Hypothecation of Plant & Machinery Instalment of Term Loan falling due within one year is ₹ 8,50,000.
- (9) Trade Receivables of ₹ 42,800 are outstanding for more than six months.
- (10) The Board declared a dividend @10% on Paid up Share Capital on 5th April, 2026.

You are required to prepare Balance Sheet as on 31st March, 2026 and Statement of Profit and Losses with Note to Accounts for the year ending 31st March, 2026 as per Schedule III of the Companies Act, 2013. Ignore previous year's figures. **(14 Marks)**

6. (a) (i) With regard to financial statements, name any five qualitative characteristics and elements.
- (ii) Aman started a business on 1st April 2025 with ₹ 24,00,000 represented by 1,20,000 units of ₹ 20 each. During the financial year ending on 31st March, 2026, he sold the entire stock for ₹ 30 each. In order to maintain the capital intact, calculate the maximum amount, which can be withdrawn by Aman in the year 2025-26 if Financial Capital is maintained at historical cost.

Or

When capitalisation of borrowing cost should cease as per Accounting Standard 16? Explain in brief. **(4 Marks)**

- (b) In the following list of shares issued, for the purpose of calculation of weighted average number of shares, from which date, weight is to be considered:
- (i) Equity Shares issued in exchange of cash,
 - (ii) Equity Shares issued as a result of conversion of a debt instrument,
 - (iii) Equity Shares issued in exchange for the settlement of a liability of the enterprise,
 - (iv) Equity Shares issued for rendering of services to the enterprise,
 - (v) Equity Shares issued in lieu of interest and/or principal of an other financial instrument,
 - (vi) Equity Shares issued as consideration for the acquisition of an asset other than in cash. **(5 Marks)**

(c) 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. **(5 Marks)**