Question Paper Booklet No. 6023485

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) ● (D)	12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) (B) (C) (D) 12 (A) ● ● (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. | | | | | | |

Question Paper Booklet Code K C E 1

Name of the Candidate

Signature of the Candidate

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1. *(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. *(2) Answer to MCQs, if written inside the descriptive answer book shall not be awarded any mark.*
3. *(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. *(4) Please write your Roll No. and name on the topmost page of the MCQ booklet at the specified place without fail.*

Revenue | Cost
160 | 141
 | 9
Year 1: 160 | 150
80 | 75
Year 2: 240 | 225

Year 1 = $\frac{35.25}{150}$ = 23.5 ⇒ Rev = 37.6

Year 2 = $\frac{146.25}{225}$ = 65.1 ⇒ Rev = 156

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** :

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

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 10^{th} October, 2024 and was scrapped on 15^{th} 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 1^{st} 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.

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

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.

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) ? 2

(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.

(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.

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

8,00,000
8,00,000
11,00,000

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
03
98

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

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 Bank 7500

Bank
To Recon