Skillshort

Self-Study Preparation Pack

CA INTERMEDIATE

Paper 1: Advanced Accounting

Mock Test 1 – Full Paper with Detailed Solutions

ICAI new-scheme pattern: 100 marks · 3 hours · Part I 15 MCQs (30) + Part II Q1 compulsory + any 4 of Q2–Q6 (70) · Original Skillshort questions

Time: 3 hours | Max marks: 100 | No negative marking | Solutions follow the question paper

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

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Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

Part I – Multiple Choice Questions (30 marks)

Instructions: Each MCQ carries 2 marks. Choose the most appropriate option. Financial year is 1 April – 31 March; amounts in ₹ unless stated. Answer key with workings is given at the end of Part I.

CASE LAW Case Scenario I – Neptune Infra Ltd. (MCQs 1–5)

Neptune Infra Ltd. builds highways and commercial complexes. On 1 April 2025: (1) it bought a crusher plant for ₹240 lakh for a project in a notified backward area and immediately received a government grant of ₹60 lakh, which it deducts from the cost of the asset; useful life 10 years, residual value ₹9 lakh, straight-line method. (2) It signed a fixed-price contract for a flyover for ₹120 lakh; by 31 March 2026 costs incurred were ₹63 lakh and estimated further costs ₹42 lakh. (3) It took a specific 10% loan of ₹50 lakh for an office tower that will take two years to build; ₹20 lakh of the loan remained idle for the first three months and was placed in a 6% deposit. (4) It acquired 30% of Zeta Ltd. for ₹150 lakh, obtaining significant influence, when Zeta's net assets were ₹440 lakh; Zeta earned ₹60 lakh in 2025-26 and paid a dividend of ₹20 lakh. (5) Until construction of the tower began, the site was rented out as a car park, earning ₹3 lakh.

1. Annual depreciation on the crusher plant for 2025-26 is

(a) ₹24.0 lakh
(b) ₹23.1 lakh
(c) ₹17.1 lakh
(d) ₹18.0 lakh

2. Revenue to be recognised on the flyover contract for 2025-26 under AS 7 is

(a) ₹63 lakh
(b) ₹72 lakh
(c) ₹120 lakh
(d) ₹9 lakh

3. Borrowing cost to be capitalised on the office tower for 2025-26 is

(a) ₹5,00,000
(b) ₹4,70,000
(c) ₹4,40,000
(d) ₹3,75,000

4. Carrying amount of the investment in Zeta Ltd. in Neptune's consolidated statements on 31 March 2026 is

(a) ₹150 lakh
(b) ₹168 lakh
(c) ₹144 lakh
(d) ₹162 lakh

5. The car-park income of ₹3 lakh should be

(a) deducted from the cost of the office tower
(b) recognised in the statement of profit and loss
(c) credited to capital reserve
(d) deferred over the life of the tower

CASE LAW Case Scenario II – Orbit Foods Ltd. (MCQs 6–10)

Orbit Foods Ltd. makes packaged snacks. At 31 March 2026: (1) it holds 30,000 kg of raw material bought at ₹50 per kg (replacement cost now ₹45). Each finished unit uses 2 kg of material plus conversion cost of ₹40; finished units sell for a net ₹160. (2) Normal capacity is 1,00,000 units a year; actual output was 80,000 units; fixed production overheads were ₹20 lakh. Closing finished goods are 10,000 units. (3) Current investments in equity shares: Shares A – cost ₹5,00,000, fair value ₹4,20,000; Shares B – cost ₹3,00,000, fair value ₹3,60,000. (4) On 20 April 2026 (before the Board approved the accounts on 15 May 2026), a customer owing ₹6,00,000 was declared insolvent; its financial difficulties had begun in February 2026. (5) A customer has sued Orbit for a defective batch; lawyers estimate a probable outflow between ₹10 lakh and ₹14 lakh, most likely ₹12 lakh.

6. Value of the closing raw material under AS 2 is

(a) ₹13,50,000
(b) ₹15,00,000
(c) ₹14,25,000
(d) ₹12,00,000

7. Fixed production overhead included in the cost of the 10,000 closing finished units is

(a) ₹2,50,000
(b) ₹2,00,000
(c) ₹1,60,000
(d) ₹4,00,000

8. Carrying amount of the current investments on 31 March 2026 is

(a) ₹7,20,000
(b) ₹8,00,000
(c) ₹7,80,000
(d) ₹8,40,000

9. The customer's insolvency on 20 April 2026 is

(a) a non-adjusting event – disclose only
(b) an adjusting event – provide for the loss in 2025-26 accounts
(c) not an event after the balance-sheet date
(d) a contingent asset

10. The provision for the lawsuit should be

(a) ₹10 lakh
(b) ₹14 lakh
(c) ₹12 lakh
(d) Nil – disclose as contingent liability

CASE LAW **Case Scenario III – Comet Ltd. (MCQs 11–14)**

Comet Ltd.'s profit before tax for 2025-26 is ₹30,00,000 after charging depreciation ₹5,00,000 and interest ₹2,00,000 and after crediting profit on sale of machinery ₹1,00,000 and dividend income ₹50,000. Trade receivables rose by ₹3,00,000, inventory fell by ₹1,50,000, trade payables fell by ₹1,00,000; income-tax paid was ₹7,00,000. During the year it bought machinery for ₹12,00,000, sold machinery (book value ₹3,00,000) for ₹4,00,000, bought investments for ₹2,00,000 and received the dividend in cash.

Comet's equity on 31 March 2026: equity share capital ₹1 crore (10 lakh shares of ₹10), securities premium ₹20 lakh, general reserve ₹60 lakh, P&L ₹20 lakh. Secured and unsecured loans total ₹3 crore. It proposes a buy-back at ₹40 per share.

11. Net cash from operating activities is

(a) ₹33,00,000
(b) ₹28,00,000
(c) ₹24,50,000
(d) ₹26,00,000

12. Net cash used in investing activities is

(a) ₹9,50,000
(b) ₹10,00,000
(c) ₹14,00,000
(d) ₹8,50,000

13. Maximum number of shares Comet can buy back under section 68 is

(a) 1,25,000
(b) 2,50,000
(c) 1,20,000
(d) 1,00,000

14. Comet buys back 80,000 shares at ₹40, financing part of it by a fresh issue of 20,000 equity shares of ₹10 at ₹40. The amount to be transferred to CRR is

(a) ₹8,00,000
(b) ₹2,00,000
(c) ₹6,00,000
(d) ₹32,00,000

15. For an amalgamation to be in the nature of merger, equity shareholders of the transferor holding at least ____ of the face value of its equity shares must become equity shareholders of the transferee.

(a) 75% (b) 51%
(c) 90% (d) 100%

Part I – Answer key with workings

Q	Ans	Explanation / working
1	(c)	Net cost = 240 − 60 = 180; depreciable amount = 180 − 9 = 171; ÷ 10 = ₹17.1 lakh (AS 12 – grant deducted from cost; AS 10).
2	(b)	Total estimated cost 105; stage = 63/105 = 60%; revenue = 60% × 120 = ₹72 lakh (profit ₹9 lakh).
3	(b)	Specific borrowing: interest 5,00,000 – income on temporary investment (20 lakh × 6% × 3/12 = 30,000) = ₹4,70,000 (AS 16).
4	(d)	Equity method (AS 23): 150 + 30% × 60 − 30% × 20 = ₹162 lakh. Goodwill of 150 − 132 = ₹18 lakh is included in this amount.
5	(b)	Income from incidental operations not necessary to bring the asset to working condition is recognised in P&L (AS 10).
6	(b)	Cost of FG = 2 × 50 + 40 = ₹140 < NRV ₹160, so FG will be sold above cost; RM is not written down: 30,000 × 50 = ₹15,00,000.
7	(b)	Fixed overhead absorbed on normal capacity: 20,00,000 ÷ 1,00,000 = ₹20 per unit × 10,000 = ₹2,00,000; unabsorbed ₹4,00,000 is expensed.
8	(c)	Lower of cost and fair value on a category basis (both are equity shares): cost 8,00,000 vs fair value 7,80,000 → ₹7,80,000. (Individual basis ₹7,20,000 is also permitted only if chosen as policy; global basis is not allowed – category basis is the ICAI-preferred answer here.)
9	(b)	It gives evidence of a condition (financial difficulty) existing at the balance-sheet date – adjusting event under AS 4.
10	(c)	Single obligation – best estimate is the most likely outcome, ₹12 lakh (AS 29); outflow is probable, so recognise a provision.
11	(d)	30 + 5 − 1 + 2 − 0.5 = 35.5 lakh; −3 + 1.5 − 1 = 33 lakh; − tax 7 = ₹26 lakh.
12	(a)	−12 + 4 − 2 + 0.5 = −₹9.5 lakh (dividend received is investing for a non-financial company).
13	(d)	Shares test 2,50,000; resources test 25% × 200 lakh ÷ 40 = 1,25,000; debt–equity test: minimum equity 300 ÷ 2 = 150 lakh; reduction allowed 50 lakh ÷ (40 + 10 CRR) = 1,00,000. Least = 1,00,000.
14	(c)	Nominal value bought back 8,00,000 – nominal value of fresh issue 2,00,000 = ₹6,00,000 (section 69).
15	(c)	AS 14 condition (ii): 90% by face value, excluding shares already held by the transferee or its subsidiaries/nominees.

Part II – Descriptive Questions (70 marks)

Instructions: Question 1 is **compulsory**. Attempt **any four** of Q2–Q6. Working notes should form part of the answer. Make suitable assumptions and state them.

QUESTION Question 1 (compulsory)

(a) Polaris Ltd. reports profit after tax of ₹45,00,000 for 2025-26. It has 10% cumulative preference capital of ₹20,00,000 (no dividend declared). Equity shares of ₹10: 10,00,000 on 1 April 2025; 3,00,000 issued at full market price on 1 August 2025; bonus issue of 1 for 5 on 1 January 2026. It also has 8% convertible debentures of ₹25,00,000 outstanding throughout the year, convertible into 1,50,000 equity shares (bonus-adjusted). Tax rate 25%. EPS reported for 2024-25 was ₹3.30. Compute basic and diluted EPS for 2025-26 and the restated EPS for 2024-25. (5 marks)

(b) From the following data of a gratuity plan of Lyra Ltd. for 2025-26, compute the expense to be recognised in P&L and the net liability in the balance sheet under AS 15: PV of obligation 1 April 2025 ₹25,00,000; past service cost (vested) on an amendment on 1 April 2025 ₹1,00,000; current service cost ₹3,00,000; discount rate 8%; benefits paid on 31 March 2026 ₹2,00,000; PV of obligation 31 March 2026 ₹28,80,000. Plan assets 1 April 2025 ₹20,00,000; expected return 9%; contribution on 31 March 2026 ₹2,50,000; fair value of plan assets 31 March 2026 ₹22,10,000. (5 marks)

(c) Vega Ltd. reports PBT of ₹20 lakh for 2025-26 after charging depreciation ₹6 lakh (tax depreciation ₹10 lakh), a provision for doubtful debts ₹2 lakh (allowable for tax only when written off) and a penalty of ₹1 lakh (never allowable). Tax rate 25%. Compute current tax, deferred tax and tax expense, and pass the journal entry. (4 marks)

QUESTION Question 2

The following balances (₹ '000) of Arcturus Ltd. are extracted on 31 March 2026 after preparing the statement of profit and loss: Equity share capital (₹10 each) 6,000; 10% preference share capital (₹100 each) 1,500; securities premium 800; general reserve 1,200; surplus in P&L – opening 600, profit for the year 1,100; 12% debentures 2,000; term loan from bank 1,500; trade payables 1,250 (including dues to micro and small enterprises 250); interest accrued but not due on debentures 60; unpaid dividend 30; provision for tax 350; provision for gratuity 280; advances from customers 120. Land 3,000; buildings (net) 2,950; plant and machinery (net) 3,200; furniture (net) 400; computer software 300; capital work-in-progress 650; long-term investments 1,000; investments in liquid mutual funds 400; inventories – raw material 600, WIP 300, finished goods 900, loose tools 50; trade receivables 1,900 (of which 300 outstanding over six months) less provision for doubtful debts 100; cash in hand 40; balance in current account 410; fixed deposit with original maturity of 3 months 200; fixed deposit maturing in 15 months 300; advances to suppliers 160; prepaid expenses 30; security deposits (long-term) 100.

Additional information: (i) ₹200 thousand is to be transferred from surplus to general reserve. (ii) ₹400 thousand of debentures are redeemable on 30 September 2026; term-loan instalments of ₹300 thousand fall due within 12 months. (iii) ₹40 thousand of the gratuity provision is payable within 12 months. (iv) A claim of ₹180 thousand against the company is not acknowledged as debt. (v) The Board has proposed an equity dividend of 10% for 2025-26.

Prepare the balance sheet of Arcturus Ltd. as at 31 March 2026 as per Schedule III (Division I), with notes to accounts. (14 marks)

QUESTION Question 3

Summarised balance sheets as at 31 March 2026 (₹ lakh):

Particulars	P Ltd.	Q Ltd.
Equity shares of ₹10 each	100	40
8% preference shares of ₹100 each	–	10
General reserve	30	12
Export profit reserve (statutory, to be kept for 3 more years)	–	3
Profit and loss	20	5
12% debentures / 10% debentures	20	15
Trade payables	18	9
Total	**188**	**94**
PPE	96	50
Investments	15	8
Inventory	25	16
Trade receivables	22	14
Bank	30	6
Total	**188**	**94**

P Ltd. absorbs Q Ltd. on 1 April 2026 on these terms: (i) Q's preference shareholders receive 11,000 9% preference shares of ₹100 each in P; (ii) Q's equity shareholders receive 4 equity shares of P (₹10 each, issued at ₹15) for every 5 shares held, plus ₹4 in cash per share held in Q; (iii) Q's 10% debentures are discharged by issue of an equal amount of 12% debentures of P; (iv) P values Q's PPE at ₹55 lakh, investments at ₹7 lakh, inventory at ₹15 lakh, and makes a 5% provision on Q's receivables; (v) Q's trade payables include ₹2 lakh due to P; (vi) P's inventory includes goods costing P ₹3 lakh bought from Q, on which Q earned 20% on cost; (vii) the statutory reserve is to be maintained.

Compute the purchase consideration, pass journal entries in the books of P Ltd. and prepare its balance sheet after absorption. (14 marks)

QUESTION Question 4

Balance sheets as at 31 March 2026 (₹ lakh): **H Ltd.** – equity shares of ₹10: 100; general reserve 20; P&L 25; trade payables 15 (total 160); PPE 70; investment in 3,00,000 shares of S Ltd. 50; inventory 18; trade receivables 14; bank 8. **S Ltd.** – equity shares of ₹10: 40; general reserve 10; P&L 14; trade payables 12 (total 76); PPE 30; inventory 20; trade receivables 16; bank 10.

Additional information: (i) H acquired the shares on 1 October 2025. On 1 April 2025 S's general reserve was ₹10 lakh and P&L ₹6 lakh; S's profit for 2025-26 (₹8 lakh) accrued evenly. (ii) On 1 October 2025 S's PPE was worth ₹4 lakh more than book value; the revaluation is to be reflected in consolidation, with depreciation at 10% p.a. on the increase. (iii) S owes H ₹3 lakh for goods. (iv) S's inventory includes goods bought from H for ₹2.4 lakh, invoiced at cost + 20%.

Prepare the consolidated balance sheet of H Ltd. and its subsidiary as at 31 March 2026. (14 marks)

QUESTION Question 5

(a) Balance sheet of Rigel Ltd. as at 31 March 2026 (₹ lakh): 3,00,000 equity shares of ₹10 each 30; 5,000 10% preference shares of ₹100 each 5; 11% debentures 8; trade payables 6 (total 49). Goodwill 4; patents 1; PPE 20; inventory 6; trade receivables 5; bank 1; P&L (debit balance) 12. Scheme approved: (i) equity shares reduced to ₹3 each fully paid; (ii) preference shares reduced to ₹75 each; (iii) goodwill, patents and P&L debit written off; (iv) PPE written down by ₹3 lakh, inventory by ₹1 lakh and receivables by 10%; (v) reconstruction expenses ₹25,000 paid. Pass journal entries, prepare the Capital Reduction Account and the revised balance sheet. (8 marks)

(b) A cash-generating unit of Deneb Ltd. has carrying amounts: goodwill ₹10 lakh, building ₹50 lakh, machinery ₹30 lakh, patent ₹10 lakh. Its recoverable amount is ₹70 lakh. The patent's net selling price is ₹9 lakh; the other assets' individual recoverable amounts cannot be determined. Allocate the impairment loss as per AS 28. (6 marks)

QUESTION Question 6

(a) EITHER State the "initial disclosure event" and the initial disclosures required under AS 24. **OR** Who are related parties under AS 18? Name four parties not deemed to be related. (4 marks)

(b) Sirius Ltd. has paid-up equity capital of ₹80 lakh and free reserves of ₹40 lakh (latest audited). It has incurred a loss of ₹3 lakh in 2025-26 and wants to declare a 12% equity dividend out of reserves. Dividend rates for the last three years were 10%, 12% and 14%. Determine the maximum dividend it can declare under Rule 3 of the Companies (Declaration and Payment of Dividend) Rules, 2014. (4 marks)

(c) Mumbai HO sends goods to its Pune branch at cost + 25%. For 2025-26 (at invoice price unless stated): opening stock at branch ₹50,000; opening debtors ₹40,000; goods sent ₹3,00,000; goods returned by branch ₹10,000; cash sales ₹1,20,000; credit sales ₹1,80,000; cash collected from debtors ₹1,60,000; discount allowed ₹2,000; bad debts ₹1,000; branch expenses paid by HO ₹30,000. Closing stock is to be found (no shortage). Prepare the Branch Account in HO books under the debtors system. (6 marks)

Solutions and Working Notes

SOLUTION Q1(a) EPS – AS 20

Earnings for equity = 45,00,000 − 2,00,000 (cumulative preference dividend for the year, deducted even if not declared) = **₹43,00,000**.

Weighted shares: (10,00,000 + 3,00,000 × 8/12) × 6/5 (bonus treated as from 1 April 2025) = 12,00,000 × 1.2 = **14,40,000**.

Basic EPS = 43,00,000 ÷ 14,40,000 = ₹2.99.

Diluted: earnings + after-tax interest = 43,00,000 + 2,00,000 × 75% = 44,50,000; shares = 14,40,000 + 1,50,000 = 15,90,000. **Diluted EPS = ₹2.80** (dilutive, since 2.80 < 2.99).

Restated EPS 2024-25 = 3.30 ÷ 1.2 = **₹2.75** (bonus is adjusted retrospectively).

SOLUTION Q1(b) AS 15

Obligation (₹)	Amount	Plan assets (₹)	Amount
Opening PV of DBO	25,00,000	Opening fair value	20,00,000
Past service cost (1 April)	1,00,000	Expected return 9%	1,80,000
Interest cost 8% × 26,00,000	2,08,000	Contributions	2,50,000
Current service cost	3,00,000	Benefits paid	(2,00,000)
Benefits paid	(2,00,000)	Expected closing	22,30,000
Expected closing	29,08,000	Actual closing	22,10,000
Actual closing	28,80,000	**Actuarial loss on assets**	**20,000**
Actuarial gain on DBO	**28,000**	Actual return (22,10,000 − 20,00,000 − 2,50,000 + 2,00,000)	1,60,000

P&L expense = 3,00,000 + 1,00,000 + 2,08,000 − 1,80,000 − (28,000 − 20,000) = **₹4,20,000**.

Net liability = 28,80,000 − 22,10,000 = **₹6,70,000** (check: opening 5,00,000 + expense 4,20,000 − contribution 2,50,000 = 6,70,000 ✔).

SOLUTION Q1(c) AS 22 (₹ lakh)

Taxable income = 20 + 6 − 10 + 2 + 1 = 19 → **current tax 4.75**.

Timing differences: depreciation 4 (DTL 1.00); provision for doubtful debts 2 (DTA 0.50) → **net DTL 0.50**. Penalty is a permanent difference.

Tax expense = 5.25. Entry: Tax expense A/c Dr 5.25; To Provision for tax 4.75; To Deferred tax liability (net) 0.50.

SOLUTION **Q2 Balance sheet of Arcturus Ltd. as at 31 March 2026 (₹ '000)**

Particulars	Note	Amount
I. Equity and liabilities		
Shareholders' funds – Share capital	1	7,500
– Reserves and surplus	2	3,700
Non-current liabilities – Long-term borrowings	3	2,800
– Long-term provisions (gratuity)		240
Current liabilities – Short-term borrowings	4	700
– Trade payables: MSE 250; others 1,000		1,250
– Other current liabilities	5	210
– Short-term provisions (tax 350 + gratuity 40)		390
Total		**16,790**
II. Assets		
Non-current – PPE (land 3,000 + buildings 2,950 + plant 3,200 + furniture 400)		9,550
– Intangible assets (software)		300
– Capital work-in-progress		650
– Non-current investments		1,000
– Long-term loans and advances (security deposits)		100
– Other non-current assets (FD maturing after 12 months)		300
Current – Current investments (liquid MF)		400
– Inventories (600 + 300 + 900 + 50)		1,850
– Trade receivables (1,900 − 100)	6	1,800
– Cash and cash equivalents (40 + 410 + 200)		650
– Short-term loans and advances (suppliers)		160
– Other current assets (prepaid)		30
Total		**16,790**

Notes: (1) Share capital: 6,00,000 equity shares of ₹10 = 6,000; 15,000 10% preference shares of ₹100 = 1,500. (2) Reserves and surplus: securities premium 800; general reserve 1,200 + 200 = 1,400; surplus 600 + 1,100 − 200 = 1,500 → 3,700. (3) Long-term borrowings: 12% debentures 2,000 − 400 = 1,600; term loan 1,500 − 300 = 1,200. (4) Short-term borrowings: current maturities of debentures 400 and term loan 300. (5) Other current liabilities: interest accrued but not due 60; unpaid dividend 30; advances from customers 120. (6) Trade receivables: outstanding > 6 months 300; others 1,600; less provision 100. **Contingent liability:** claim not acknowledged as debt ₹180 thousand. **Proposed dividend** 10% on equity = ₹600 thousand – disclosed in notes, not provided (AS 4).

SOLUTION Q3 Amalgamation – P Ltd. absorbs Q Ltd. (purchase method, ₹ lakh)

Purchase consideration: preference 11.00 + equity shares (40 lakh ÷ 10 × 4/5 = 3,20,000 shares × ₹15) 48.00 + cash (4,00,000 × ₹4) 16.00 = **₹75.00 lakh**. Debentures are excluded.

Net assets taken over: PPE 55 + investments 7 + inventory 15 + receivables 13.30 + bank 6 = 96.30, less debentures 15 and trade payables 9 = **72.30** → goodwill 2.70; add unrealised profit eliminated 0.50 (3 × 20/120) → **goodwill 3.20**.

Journal entries in P Ltd.	Dr	Cr
Business Purchase A/c Dr; To Liquidator of Q Ltd.	75.00	75.00
PPE 55, Investments 7, Inventory 15, Trade receivables 14, Bank 6, Goodwill 2.70 Dr; To Provision for doubtful debts 0.70, Debentures of Q 15, Trade payables 9, Business Purchase 75	99.70	99.70
Amalgamation Adjustment Reserve Dr; To Export Profit Reserve	3.00	3.00
Liquidator of Q Dr; To 9% Pref. Share Capital 11, Equity Share Capital 32, Securities Premium 16, Bank 16	75.00	75.00
Debentures of Q Dr; To 12% Debentures	15.00	15.00
Trade payables Dr; To Trade receivables (mutual owing)	2.00	2.00
Goodwill Dr; To Inventory (unrealised profit 3 × 20/120)	0.50	0.50

Balance sheet of P Ltd. after absorption (₹ lakh): Share capital – equity 132, 9% preference 11; Reserves – securities premium 16, export profit reserve 3, amalgamation adjustment reserve (3), general reserve 30, P&L 20 = 66; 12% debentures 35; trade payables 25 → **total 269**. Assets – goodwill 3.20; PPE 151; investments 22; inventory 39.50; trade receivables 33.30 (36 − 2 mutual − 0.70 provision); bank 20 (30 − 16 + 6) → **total 269**.

SOLUTION Q4 Consolidated balance sheet of H Ltd. and S Ltd. (₹ lakh)

Analysis of S's profits: pre-acquisition = GR 10 + opening P&L 6 + 6 months' profit 4 = **20** (capital); post-acquisition = 4 − extra depreciation 0.20 (4 × 10% × 6/12) = **3.80** (revenue). Revaluation 4 = capital.

Cost of control: 50 − 75% × (40 + 20 + 4) = 50 − 48 = **goodwill 2.00**.

Minority interest: 25% × (40 + 10 + 14 + 4 − 0.20) = **16.95**.

Consolidated P&L: 25 + 75% × 3.80 − unrealised profit 0.40 (2.4 × 20/120, downstream) = **27.45**.

Equity and liabilities	₹ lakh	Assets	₹ lakh
Share capital	100.00	Goodwill	2.00
General reserve	20.00	PPE (70 + 30 + 4 − 0.20)	103.80
Surplus (P&L)	27.45	Inventory (18 + 20 − 0.40)	37.60
Minority interest	16.95	Trade receivables (14 + 16 − 3)	27.00
Trade payables (15 + 12 − 3)	24.00	Bank	18.00
Total	**188.40**	**Total**	**188.40**

SOLUTION Q5(a) Internal reconstruction of Rigel Ltd. (₹ lakh)

Entries: (1) Equity Share Capital (₹10) Dr 30; To Equity Share Capital (₹3) 9; To Capital Reduction 21. (2) 10% Pref. Share Capital (₹100) Dr 5; To Pref. Share Capital (₹75) 3.75; To Capital Reduction 1.25. (3) Capital Reduction Dr 21.75; To P&L 12, Goodwill 4, Patents 1, PPE 3, Inventory 1, Trade receivables 0.50, Bank 0.25. (4) Capital Reduction Dr 0.50; To Capital Reserve 0.50.

Capital Reduction A/c – Dr	₹ lakh	Cr	₹ lakh
P&L 12; goodwill 4; patents 1	17.00	Equity share capital	21.00
PPE 3; inventory 1; receivables 0.50	4.50	Preference share capital	1.25
Bank (expenses)	0.25		
Capital reserve (balance)	0.50		
Total	**22.25**	**Total**	**22.25**

Revised balance sheet: equity 9.00; preference 3.75; capital reserve 0.50; 11% debentures 8.00; trade payables 6.00 → **27.25** = PPE 17.00 + inventory 5.00 + receivables 4.50 + bank 0.75.

SOLUTION Q5(b) AS 28 – allocation of impairment loss (₹ lakh)

Impairment loss = 100 − 70 = **30**. First to goodwill **10**. Balance 20 pro rata on building 50, machinery 30, patent 10: 11.11, 6.67, 2.22. But the patent cannot go below its NSP 9, so its loss is capped at **1**; the excess 1.22 is re-allocated to building and machinery (50 : 30).

Asset	Carrying	Loss	Revised
Goodwill	10	10.000	0
Building	50	11.875	38.125
Machinery	30	7.125	22.875
Patent	10	1.000	9.000
Total	**100**	**30.000**	**70.000**

SOLUTION Q6(a)

EITHER (AS 24): The initial disclosure event is the earlier of (i) a binding sale agreement for substantially all the assets of the operation, or (ii) the Board's approval and announcement of a detailed formal plan for discontinuance. Initial disclosures: description of the operation; business/geographical segment; date and nature of the event; expected timing of completion; carrying amounts of assets and liabilities to be disposed of; revenue, expenses, pre-tax profit/loss and tax for the period; net cash flows from operating, investing and financing activities.

OR (AS 18): Parties are related if one can control or significantly influence the other – holding/subsidiaries/fellow subsidiaries, associates and JVs, individuals with control/significant influence and their relatives, KMP and relatives, and enterprises influenced by such persons. Not deemed related: two companies merely having a common director; providers of finance, trade unions, public utilities and Government departments in normal dealings; a single customer, supplier, franchisor, distributor or agent with significant business.

SOLUTION Q6(b) Dividend out of reserves (₹ lakh)

Condition	Limit	Result
1. Rate ≤ average of 3 years (10, 12, 14)	12%	12% allowed on rate test
2. Drawal ≤ 10% of (80 + 40)	12.00	Maximum drawal 12.00
3. First set off current-year loss	3.00	Available for dividend 9.00
4. Reserves after drawal ≥ 15% of capital	40 − 12 = 28 ≥ 12	Satisfied

Maximum dividend = ₹9 lakh = 11.25% of equity capital. The proposed 12% (₹9.6 lakh) cannot be declared.

SOLUTION Q6(c) Pune Branch A/c in HO books (debtors system, ₹)

Dr	₹	Cr	₹
Balance b/d – stock	50,000	Stock reserve (loading on opening stock 50,000 × 25/125)	10,000
Balance b/d – debtors	40,000	Goods sent to branch – returns	10,000
Goods sent to branch	3,00,000	Goods sent to branch – loading (3,00,000 × 25/125)	60,000
Bank – expenses	30,000	Bank – cash sales 1,20,000 + collections 1,60,000	2,80,000
Goods sent to branch – loading on returns	2,000	Balance c/d – stock	40,000
Stock reserve (loading on closing stock)	8,000	Balance c/d – debtors	57,000
Net profit to General P&L	27,000		
Total	**4,57,000**	**Total**	**4,57,000**

Working: closing stock = 50,000 + 3,00,000 − 10,000 − (1,20,000 + 1,80,000) = ₹40,000; closing debtors = 40,000 + 1,80,000 − 1,60,000 − 2,000 − 1,000 = ₹57,000. Check: GP at cost basis = 3,00,000 − 2,40,000 = 60,000; less expenses 30,000, discount 2,000, bad debts 1,000 = **₹27,000** ✔.