Skillshort

Self-Study Preparation Pack

CA INTERMEDIATE

Paper 1: Advanced Accounting

Chapter-wise Practice Questions with Answers

For January 2027 attempt · 48 MCQs (5 sets) + 12 descriptive questions with solutions · Original Skillshort questions

48 MCQs with key | 12 descriptive with solutions | Solve after each chapter

Contents

Part A – Chapter-wise MCQs 2

Part B – Descriptive Practice Questions 10

This subject pack has 6 parts

1 Chapter-wise notes | 2 Important topics & weightage | 3 Past papers: trends & links

4 Mock tests + solutions | 5 Chapter practice questions | 6 Last-week plan & strategy

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 A – Chapter-wise MCQs

Each set is followed by its answer key. Attempt a set in 20 minutes after finishing the related chapters.

Set 1 – Chapters 1–4 (Framework, applicability, AS 1, 3, 17, 18, 20, 24, 25)

1. Which of the following is NOT part of the process of formulating an AS in India?

(a) Preparation of an exposure draft for public comments
(b) Consideration by the ICAI Council
(c) Approval by shareholders of listed companies
(d) Notification by the Central Government for companies after consulting NFRA

2. A trader starts with ₹2,00,000, buys 200 units at ₹1,000 and sells all for ₹2,60,000. Replacement cost rises to ₹1,150 per unit. Profit under physical capital maintenance is

(a) ₹60,000
(b) ₹30,000
(c) ₹40,000
(d) ₹2,30,000

3. A partnership firm had turnover of ₹200 crore and borrowings of ₹55 crore during the previous year. Under ICAI's revised criteria (from 1 April 2024) it is

(a) an MSME
(b) a Large entity
(c) a Level II entity
(d) exempt from all AS

4. Under AS 1, disclosure is required in respect of fundamental accounting assumptions

(a) always
(b) only when they are followed
(c) only when they are not followed
(d) never

5. A 6-month fixed deposit placed with a bank is, for AS 3,

(a) cash
(b) a cash equivalent
(c) not a cash equivalent – investing activity
(d) a financing activity

6. Segment X has assets of ₹70 crore; total assets of all segments are ₹800 crore. On the assets test, X is

(a) reportable – 8.75%
(b) not reportable on this test – 8.75% is below 10%
(c) reportable – exceeds 75%
(d) always reportable

7. A company has 1,00,000 fully paid shares of ₹10 and 50,000 shares of ₹10 with ₹5 paid (entitled to dividend in proportion to paid-up value), all outstanding throughout the year. Weighted shares for basic EPS are

(a) 1,50,000
(b) 1,25,000
(c) 1,00,000
(d) 75,000

8. 1,00,000 options are exercisable at ₹60; the average market price is ₹80. Shares treated as issued for no consideration for diluted EPS are

(a) 1,00,000
(b) 75,000
(c) 25,000
(d) Nil

9. Under AS 24, the initial disclosure event is

(a) the date the operation is finally sold
(b) the earlier of a binding sale agreement and the Board's approval and announcement of a detailed formal plan
(c) the balance-sheet date
(d) the date losses begin

10. A retailer earns 40% of its revenue in Q3 (festive season). Under AS 25, Q1 revenue should be

(a) deferred to smooth results
(b) recognised as earned – seasonal revenue is not anticipated or deferred
(c) estimated as 25% of annual revenue
(d) recognised only at year end

Set 1 – Answer key

Q	Ans	Explanation / working
1	(c)	Shareholders have no role; the ASB, Council and (for companies) the Central Government with NFRA are involved.
2	(b)	Capital to maintain = 200 × 1,150 = 2,30,000; profit = 2,60,000 − 2,30,000 = ₹30,000.
3	(b)	Borrowings exceed ₹50 crore, so it fails the MSME test and is a Large entity, complying with all AS.
4	(c)	If going concern, consistency and accrual are followed, no disclosure is needed; non-compliance must be disclosed.
5	(c)	Cash equivalents generally have an original maturity of 3 months or less.
6	(b)	70 ÷ 800 = 8.75% < 10%; it may still qualify on the revenue or result test.
7	(b)	Partly paid shares count as fractions: 1,00,000 + 50,000 × 5/10 = 1,25,000.
8	(c)	1,00,000 − (1,00,000 × 60 ÷ 80) = 25,000.
9	(b)	Paragraph on initial disclosure event – whichever occurs earlier.
10	(b)	Seasonal revenues are not anticipated or deferred at interim dates if that would not be appropriate at year end.

Set 2 – Chapter 5 (AS 2, 10, 13, 16, 19, 26, 28)

11. Which cost formula is NOT permitted under AS 2?

(a) FIFO
(b) Weighted average
(c) Specific identification
(d) LIFO

12. The present value of an obligation to dismantle a plant at the end of its life is ₹5 lakh. Under AS 10 it is

(a) expensed when incurred
(b) added to the cost of the plant, with a corresponding provision
(c) ignored
(d) disclosed only

13. Land carried at ₹40 lakh is revalued to ₹52 lakh; two years later it is revalued to ₹45 lakh. The decrease of ₹7 lakh is

(a) charged to P&L
(b) debited to revaluation surplus
(c) added to cost
(d) credited to capital reserve

14. A current investment (cost ₹10 lakh, fair value ₹8 lakh) is reclassified as long-term. It is transferred at

(a) ₹10 lakh
(b) ₹8 lakh
(c) ₹9 lakh
(d) market value on the date of sale

15. Construction of a bridge stops for 4 months because of a court injunction. Under AS 16, borrowing costs for those 4 months are

(a) capitalised
(b) expensed – capitalisation is suspended during extended interruption
(c) deferred
(d) added to inventory

16. An operating lease of 3 years has rentals of ₹1 lakh, ₹2 lakh and ₹3 lakh. Lease income recognised each year by the lessor is

(a) ₹1, 2, 3 lakh
(b) ₹2 lakh each year
(c) ₹3 lakh each year
(d) ₹6 lakh in year 1

17. An internally generated brand valued by experts at ₹50 crore is

(a) recognised at ₹50 crore
(b) recognised at cost of advertising
(c) not recognised as an intangible asset
(d) recognised as goodwill

18. An asset has carrying amount ₹120 lakh, net selling price ₹90 lakh and value in use ₹100 lakh. The impairment loss is

(a) ₹30 lakh
(b) ₹20 lakh
(c) ₹10 lakh
(d) Nil

19. Input GST of ₹1,80,000 paid on a machine, for which full credit is availed, is

(a) included in the cost of the machine
(b) excluded from the cost
(c) expensed
(d) treated as deferred revenue

20. Interest on a cum-interest purchase of debentures for the period before purchase is

(a) income of the buyer
(b) deducted from the cost of the investment
(c) added to cost
(d) credited to capital reserve

Set 2 – Answer key

Q	Ans	Explanation / working
11	(d)	LIFO is not permitted.
12	(b)	Initial estimate of dismantling and restoration costs is part of the cost of PPE.
13	(b)	A decrease is first set off against any surplus on the same asset (₹12 lakh available).
14	(b)	Current → long-term: lower of cost and fair value on the date of transfer.
15	(b)	Temporary delays that are a necessary part of the process do not suspend capitalisation; an injunction is an extended interruption.
16	(b)	Straight-line basis: 6 ÷ 3 = ₹2 lakh, unless another systematic basis is more representative.
17	(c)	Internally generated brands, mastheads, titles and customer lists are not recognised (AS 26).
18	(b)	Recoverable amount = higher of 90 and 100 = 100; loss = 120 − 100 = ₹20 lakh.
19	(b)	Recoverable taxes are excluded from the cost of PPE (AS 10) and inventories (AS 2).
20	(b)	Pre-acquisition interest is a capital receipt and reduces cost (AS 13).

Set 3 – Chapters 6–8 (AS 15, 29, 4, 5, 11, 22, 7, 9)

21. Under AS 15, accumulating compensated absences are recognised

(a) only when the leave is taken
(b) as service is rendered that increases the entitlement
(c) only on retirement
(d) never

22. Contributions payable to a defined contribution plan are

(a) actuarially valued
(b) expensed as the employee renders service, at the contribution payable
(c) deferred
(d) recognised as an asset

23. A contingent asset whose inflow is probable is

(a) recognised
(b) disclosed in the financial statements
(c) not recognised or disclosed in the financial statements; may be disclosed in the Board's report
(d) shown as a reserve

24. A reimbursement from an insurer for a provision is recognised as a separate asset when it is

(a) probable
(b) possible
(c) virtually certain
(d) remote

25. A dividend proposed by the Board after the balance-sheet date is

(a) a liability at the balance-sheet date
(b) disclosed in the notes, not provided
(c) an adjusting event
(d) a prior period item

26. A change from straight-line to WDV depreciation is

(a) a change in accounting policy applied retrospectively
(b) a change in accounting estimate applied prospectively
(c) a prior period item
(d) an extraordinary item

27. Under AS 11, inventory bought for USD 10,000 when ₹83 = USD 1 is reported at the balance-sheet date (rate ₹85) at

(a) ₹8,50,000
(b) ₹8,30,000
(c) ₹8,40,000
(d) the average rate

28. Tax depreciation exceeds book depreciation by ₹8 lakh; tax rate 25%. The deferred tax effect is

(a) DTA ₹2 lakh
(b) DTL ₹2 lakh
(c) DTL ₹8 lakh
(d) Nil – permanent difference

29. DTA on unabsorbed depreciation is recognised only if there is

(a) reasonable certainty
(b) virtual certainty supported by convincing evidence
(c) a Board resolution
(d) a tax holiday

30. A contract under which the contractor is reimbursed for allowable costs plus a fixed fee is a

(a) fixed price contract
(b) cost plus contract
(c) turnkey contract
(d) lease

31. Under AS 9, dividend income is recognised when

(a) received in cash
(b) the shareholder's right to receive payment is established
(c) the investee earns profits
(d) the year ends

32. In an instalment sale, the interest element is recognised

(a) at the date of sale
(b) as it is earned, on a time-proportion basis
(c) on receipt of the last instalment
(d) never

Set 3 – Answer key

Q	Ans	Explanation / working
21	(b)	Accumulating absences are expensed as employees render service.
22	(b)	No actuarial assumptions are required for defined contribution plans.
23	(c)	AS 29 (revised) treatment.
24	(c)	Recognised only when virtually certain; not to exceed the provision.
25	(b)	AS 4 (revised): proposed dividends are not recognised as a liability.
26	(b)	AS 10 read with AS 5.
27	(b)	Inventory is a non-monetary item carried at historical cost → transaction-date rate.
28	(b)	Lower taxable income now and higher later → timing difference creating a DTL of 8 × 25%.
29	(b)	AS 22 stricter test for losses and unabsorbed depreciation.
30	(b)	AS 7 definition.
31	(b)	Right to receive payment established (declaration).
32	(b)	Sale price excluding interest is revenue on the date of sale; interest is recognised over time.

Set 4 – Chapters 9–11 (AS 12, 14, 21, 23, 27, Schedule III, dividends)

33. A grant received as promoters' contribution towards the total capital outlay is credited to

(a) P&L
(b) capital reserve
(c) the cost of assets
(d) deferred income

34. A revenue grant becomes refundable. The refund is first charged against

(a) P&L
(b) any unamortised deferred credit
(c) capital reserve
(d) cost of assets

35. Under AS 14, purchase consideration excludes

(a) shares issued to equity shareholders
(b) cash paid to preference shareholders
(c) amounts paid to debenture holders of the transferor
(d) debentures issued to equity shareholders

36. A subsidiary acquired exclusively with a view to its disposal within 12 months is

(a) consolidated
(b) excluded from consolidation and accounted for under AS 13
(c) treated as an associate
(d) proportionately consolidated

37. Under AS 21, the reporting dates of the parent and subsidiary may differ by not more than

(a) 3 months
(b) 6 months
(c) 9 months
(d) 12 months

38. Dividend received from an associate is, under the equity method,

(a) income in P&L
(b) a reduction in the carrying amount of the investment
(c) added to goodwill
(d) credited to capital reserve

39. In the venturer's separate financial statements, an interest in a jointly controlled entity is accounted for

(a) by proportionate consolidation
(b) as per AS 13
(c) by the equity method
(d) line-by-line in full

40. A debit balance in the statement of profit and loss is shown in the balance sheet

(a) on the assets side
(b) as a negative figure under "Surplus" in reserves and surplus
(c) under other current assets
(d) as a deferred tax asset

41. Under Rule 3, after a withdrawal from reserves for dividend, the balance of reserves must be at least

(a) 10% of paid-up capital
(b) 15% of paid-up capital
(c) 25% of free reserves
(d) 50% of capital

42. A company with turnover of ₹80 crore may round off figures in its financial statements to the nearest

(a) crore only
(b) hundreds, thousands, lakhs or millions, or decimals thereof
(c) rupee only
(d) billions

Set 4 – Answer key

Q	Ans	Explanation / working
33	(b)	AS 12 – capital approach for promoters' contribution.
34	(b)	Balance, if any, is charged to P&L.
35	(c)	Debenture holders are creditors; their settlement is not part of PC.
36	(b)	AS 21 exclusion – control is temporary.
37	(b)	Adjustments are made for significant transactions in between.
38	(b)	AS 23 – distributions reduce the carrying amount.
39	(b)	Proportionate consolidation applies only in consolidated statements.
40	(b)	Schedule III requirement, even if reserves and surplus becomes negative.
41	(b)	Fourth condition of Rule 3.
42	(b)	Turnover below ₹100 crore – any of these units; ₹100 crore or more – lakhs, millions or crores.

Set 5 – Chapters 12–15 (buy-back, amalgamation, reconstruction, branches)

43. Shares bought back must be extinguished and physically destroyed within
(a) 7 days of completion of buy-back
(b) 30 days
(c) 6 months
(d) 1 year

44. A Board resolution (without a special resolution) is sufficient for a buy-back up to
(a) 25% of paid-up capital + free reserves
(b) 10% of paid-up equity capital + free reserves
(c) 5% of turnover
(d) any amount

45. Capital Redemption Reserve can be used for
(a) paying dividend
(b) writing off losses
(c) issuing fully paid bonus shares
(d) buy-back premium

46. The balance remaining in the Capital Reduction Account after writing off losses is transferred to
(a) general reserve
(b) P&L
(c) capital reserve
(d) securities premium

47. Reduction of share capital under section 66 requires a special resolution and confirmation by
(a) the Registrar
(b) SEBI
(c) the National Company Law Tribunal
(d) the Central Government

48. Under the purchase method, the transferor's statutory reserve is recorded in the transferee's books by
(a) crediting capital reserve
(b) Dr Amalgamation Adjustment Reserve, Cr Statutory Reserve
(c) ignoring it
(d) crediting P&L

49. Goods are sent to a branch at an invoice price of ₹1,80,000, being cost + 20%. Loading is
(a) ₹36,000
(b) ₹30,000
(c) ₹1,50,000
(d) ₹20,000

50. For an integral foreign branch, fixed assets are translated at
(a) the closing rate
(b) the rate on the date of acquisition (historical)
(c) the average rate
(d) the opening rate

Set 5 – Answer key

Q	Ans	Explanation / working
43	(a)	Section 68(7).
44	(b)	Proviso to section 68(2)(b).
45	(c)	Section 69(2).
46	(c)	It is a capital profit, not available for dividend.

Q	Ans	Explanation / working
47	(c)	NCLT confirms the reduction after notice to creditors and regulators.
48	(b)	AS 14 – to maintain the statutory reserve until its requirement is fulfilled.
49	(b)	1,80,000 × 20/120 = ₹30,000.
50	(b)	Non-monetary items carried at cost use the historical rate.

Part B – Descriptive Practice Questions

QUESTION D1 – AS 17 reportable segments

Data (₹ crore) – Segment: external revenue / inter-segment revenue / result / assets. A: 300 / 100 / 60 / 300. B: 80 / – / (30) / 40. C: 50 / – / 5 / 30. D: 70 / – / 6 / 90. E: 400 / – / 40 / 340. Identify the reportable segments and check the 75% test.

SOLUTION D1

Totals: revenue 1,000 (10% = 100); profits 111 vs losses 30 → 10% of 111 = 11.1; assets 800 (10% = 80). A (revenue 400) and E (400) pass the revenue test; B passes the result test (|30| ≥ 11.1); D passes the assets test (90 ≥ 80); C fails all. **Reportable: A, B, D, E.** External revenue of reportable segments = 300 + 80 + 70 + 400 = 850 ≥ 75% × 900 = 675 ✔; C is shown under "others".

QUESTION D2 – AS 20 diluted EPS with options and convertible preference shares

PAT ₹60 lakh; 20 lakh equity shares outstanding all year; 9% cumulative convertible preference shares of ₹100 lakh (dividend ₹9 lakh), convertible into 3 lakh equity shares; 2 lakh options exercisable at ₹40, average market price ₹50. Compute basic and diluted EPS.

SOLUTION D2

Basic = (60 − 9) ÷ 20 = **₹2.55**. Incremental EPS: options 0 ÷ 0.40 lakh free shares = 0 (most dilutive); preference shares 9 ÷ 3 = ₹3.00 (> basic → anti-dilutive). With options: 51 ÷ 20.40 = **₹2.50**. Adding preference shares: 60 ÷ 23.40 = 2.56 > 2.50 → anti-dilutive, excluded. **Diluted EPS = ₹2.50.**

QUESTION D3 – AS 2 with normal capacity

Per unit: material ₹50, labour ₹30, variable overhead ₹10. Fixed production overhead ₹6,00,000; normal capacity 60,000 units; actual output 50,000 units. Closing stock 8,000 units; selling price ₹120, selling costs ₹10 per unit. Value the closing stock and state the treatment of fixed overhead.

SOLUTION D3

Fixed overhead rate = 6,00,000 ÷ 60,000 = ₹10; cost per unit = 50 + 30 + 10 + 10 = **₹100**; NRV = 110 → value at cost: 8,000 × 100 = **₹8,00,000**. Fixed overhead absorbed 50,000 × 10 = 5,00,000; **unabsorbed ₹1,00,000 expensed** in the period.

QUESTION D4 – AS 16 with suspension

A specific 12% loan of ₹1 crore was taken on 1 April 2025 to build a mall (a qualifying asset). ₹20 lakh of it was invested for April–May at 9%. Work was stopped from 1 July to 30 September 2025 by a court stay. Compute the borrowing cost to be capitalised for 2025-26.

SOLUTION D4

Interest for the year 12,00,000. Suspension (extended interruption) for 3 months → 3,00,000 expensed. Capitalised = 9,00,000 − investment income (20,00,000 × 9% × 2/12 = 30,000) = **₹8,70,000**; P&L **₹3,00,000**.

QUESTION D5 – AS 11 settlement of a foreign payable

Goods bought on 1 February 2026 for USD 10,000 (₹83); unpaid on 31 March 2026 (₹84.50); paid on 30 April 2026 (₹84). Pass the entries.

SOLUTION D5

1-2-2026: Purchases Dr 8,30,000; To Supplier 8,30,000. 31-3-2026: Exchange loss Dr 15,000; To Supplier 15,000 (payable now 8,45,000). 30-4-2026: Supplier Dr 8,45,000; To Bank 8,40,000; To Exchange gain 5,000.

QUESTION D6 – AS 7 amount due from customers

Contract price ₹200 lakh; costs to date ₹90 lakh; estimated further costs ₹60 lakh; progress billings ₹100 lakh. Compute revenue, profit recognised and the amount due from/to customers.

SOLUTION D6

Total cost 150; stage = 90/150 = 60%; **revenue ₹120 lakh**; profit recognised = 120 − 90 = **₹30 lakh**. Amount due **from** customers = 90 + 30 − 100 = **₹20 lakh** (shown as an asset).

QUESTION D7 – AS 12 refund under the deferred income approach

A machine costing ₹100 lakh (life 5 years, SLM) was bought with a grant of ₹20 lakh treated as deferred income. After 2 years the full grant becomes refundable. Show the treatment.

SOLUTION D7

Deferred income recognised in 2 years = 20 × 2/5 = 8; unamortised balance = **12**. On refund of 20: debit deferred income 12 and **P&L 8**.

QUESTION D8 – Buy-back with a fresh issue

A company buys back 50,000 equity shares of ₹10 at ₹30, partly financed by a fresh issue of 20,000 equity shares of ₹10 at ₹15. Securities premium before the issue is ₹5 lakh; general reserve ₹20 lakh. Pass journal entries.

SOLUTION D8

(1) Bank Dr 3,00,000; To Equity Share Capital 2,00,000; To Securities Premium 1,00,000. (2) Equity Share Capital Dr 5,00,000; Premium payable on buy-back Dr 10,00,000; To Equity Shares Buy-back 15,00,000. (3) Securities Premium Dr 6,00,000; General Reserve Dr 4,00,000; To Premium payable 10,00,000. (4) Buy-back A/c Dr 15,00,000; To Bank 15,00,000. (5) General Reserve Dr 3,00,000; To CRR 3,00,000 (nominal 5,00,000 − fresh issue nominal 2,00,000).

QUESTION D9 – Stock and debtors system

Goods are sent to a branch at cost + 20%. At invoice price: opening branch stock ₹36,000; goods sent ₹2,40,000; cash sales ₹1,00,000; credit sales ₹1,50,000; closing stock ₹24,000. Branch expenses ₹15,000. Compute the shortage, gross profit (via Branch Adjustment A/c) and net profit.

SOLUTION D9

Shortage at IP = 36,000 + 2,40,000 − 2,50,000 − 24,000 = **₹2,000** (cost ₹1,667). Branch Adjustment: loading realised on goods sold = (36,000 + 2,40,000 − 24,000 − 2,000) × 20/120 = **₹41,667** gross profit. Net profit = 41,667 − shortage at cost 1,667 − expenses 15,000 = **₹25,000**.

QUESTION D10 – AS 28 reversal

A machine cost ₹100 lakh on 1 April 2023 (life 10 years, SLM). On 31 March 2024 it was impaired to ₹72 lakh. On 31 March 2026 its recoverable amount is ₹70 lakh. Compute the reversal.

SOLUTION D10

After impairment: depreciation 72 ÷ 9 = 8 p.a.; carrying on 31-3-2026 = 72 − 16 = **56**. Carrying without impairment = 100 − 30 = **70**. Reversal = min(70, recoverable 70) − 56 = **₹14 lakh**, credited to P&L.

QUESTION D11 – Theory: AS 14 conditions

State the conditions for an amalgamation in the nature of merger.

SOLUTION D11

All assets and liabilities transferred; holders of ≥ 90% (face value) of equity shares (excluding those already held by the transferee) become its equity shareholders; consideration wholly in equity shares except cash for fractions; business intended to be continued; no adjustment to book values except to ensure uniform accounting policies.

QUESTION D12 – Theory: buy-back restrictions (section 70)

State the circumstances in which a company cannot buy back its shares.

SOLUTION D12

Through a subsidiary or an investment company (or group of them); if it has defaulted in repaying deposits or interest, redeeming debentures or preference shares, paying dividends, or repaying term loans or interest to a financial institution or bank (allowed only 3 years after the default is remedied); if it has not complied with sections 92 (annual return), 123 (dividend), 127 (failure to distribute dividend) and 129 (financial statements).