

Roll No. ....

Total No. of Questions – 6

Total No. of Printed Pages – 16

Maximum Marks – 70



**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 MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same 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 or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

**PART – II**

**70 Marks**

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

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PART – II

1. R Limited is a subsidiary of Z Limited. Their respective balance sheet as at 31<sup>st</sup> March, 2025 is as under :

|                                          | Note<br>No. | Z Ltd.<br>(₹ in lakhs) | R Ltd.<br>(₹ in lakhs) |
|------------------------------------------|-------------|------------------------|------------------------|
| <b>I. <u>Assets</u></b>                  |             |                        |                        |
| <b>(I) Non-current assets</b>            |             |                        |                        |
| (i) Property, plant and equipment        | 4           | 450                    | 248                    |
| (ii) Intangible assets                   | 5           | 75                     | 45                     |
| (iii) Investments                        |             | 375                    | 68                     |
| <b>(II) Current assets</b>               |             |                        |                        |
| (i) Inventories                          |             | 75                     | 75                     |
| (ii) Trade receivables                   | 6           | 110                    | 120                    |
| (iii) Cash and cash equivalents          |             | 85                     | 135                    |
| <b>Total Assets</b>                      |             | <b>1,170</b>           | <b>691</b>             |
| <b>II. <u>Equity and Liabilities</u></b> |             |                        |                        |
| <b>(I) Equity</b>                        |             |                        |                        |
| (i) Share Capital                        | 1           | 720                    | 360                    |
| (ii) Other Equity                        | 2           | 315                    | 225                    |
| <b>(II) Liabilities</b>                  |             |                        |                        |
| (i) Current Liabilities                  |             |                        |                        |
| – Bank overdraft                         |             | 45                     | 30                     |
| – Trade payables                         | 3           | 90                     | 76                     |
| <b>Total Equity and Liabilities</b>      |             | <b>1,170</b>           | <b>691</b>             |

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**GTH2****Notes to the Balance Sheet :**

| <b>Note No.</b> |                                         | <b>Z Ltd.<br/>(₹ in Lakhs)</b> | <b>R Ltd.<br/>(₹ in Lakhs)</b> |
|-----------------|-----------------------------------------|--------------------------------|--------------------------------|
| 1.              | <b>Share capital :</b>                  |                                |                                |
|                 | (i) Equity shares of ₹ 10 each          | 600                            | 300                            |
|                 | (ii) 10% Preference shares of ₹ 10 each | 120                            | 60                             |
|                 |                                         | 720                            | 360                            |
| 2.              | <b>Other equity :</b>                   |                                |                                |
|                 | (i) General reserve                     | 120                            | 75                             |
|                 | (ii) Retained earnings                  | 195                            | 150                            |
|                 |                                         | 315                            | 225                            |
| 3.              | <b>Trade payables :</b>                 |                                |                                |
|                 | (i) Sundry creditors                    | 90                             | 69                             |
|                 | (ii) Bills payable                      | Nil                            | 7                              |
|                 |                                         | 90                             | 76                             |
| 4.              | <b>Property, plant and equipment :</b>  |                                |                                |
|                 | (i) Machinery                           | 210                            | 135                            |
|                 | (ii) Furniture and fixture              | 240                            | 113                            |
|                 |                                         | 450                            | 248                            |
| 5.              | <b>Intangible asset :</b>               |                                |                                |
|                 | Goodwill                                | 75                             | 45                             |
| 6.              | <b>Trade receivables :</b>              |                                |                                |
|                 | (i) Sundry debtors                      | 106                            | 120                            |
|                 | (ii) Bills receivable                   | 4                              | Nil                            |
|                 |                                         | 110                            | 120                            |

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**Additional Information :**

- (a) Z Ltd. acquired 12,00,000 equity shares of R Ltd. on 1<sup>st</sup> April, 2024 and further acquired 13,50,000 equity shares of R Ltd. on 1<sup>st</sup> January, 2025 at a cost of ₹ 1,44,00,000 and ₹ 1,55,25,000 respectively.
- (b) The Preference share capital of R Ltd. includes nominal value of ₹ 22,50,000 held by Z Ltd. acquired on 1<sup>st</sup> April, 2024 at a cost of ₹ 54,00,000.
- (c) The retained earnings of R Ltd. had a credit balance of ₹ 45,00,000 as on 1<sup>st</sup> April, 2024 and that of General reserve on that date was ₹ 30,00,000.
- (d) R Ltd. had paid dividend @ 12% on its paid-up equity share capital out of its retained earnings' balance on 1<sup>st</sup> April, 2024 for the year 2023-24. The entire dividend received by Z Ltd. in August 2024 has been credited to its retained earnings.
- (e) On 1<sup>st</sup> October, 2024, machinery of R Ltd. was overvalued by ₹ 15,00,000 for which necessary adjustments are to be made. The Company charges depreciation @ 10% on W.D.V. basis.
- (f) Bills receivables of Z Ltd. were drawn upon R Ltd. out of which bills amounting to ₹ 3,00,000 have been discounted with bank.

You are required to prepare consolidated balance sheet (In ₹ Without rounding off) of Z Ltd. and its subsidiary R Ltd. as on 31<sup>st</sup> March, 2025 with the assumption that the group has adopted fair value method to measures NCI and the fair value of each equity share of R Ltd. is ₹ 14 per share as on the date of acquisition of control by Z Ltd. and also on 31<sup>st</sup> March 2025. Ignore taxation and adjustment, if any, of preference dividend.

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2. (a) On 1<sup>st</sup> April, 2021, Galaxy Limited issued 15,000, 8% Convertible Debentures with a face value of ₹ 100/- each maturing on 31<sup>st</sup> March, 2026. The debentures are convertible into equity shares of Galaxy Limited at the option of the holder at a conversion price of ₹ 105/- per share or are redeemable at face value of ₹ 100/- each. Interest is payable annually in cash. At the date of issue, Galaxy Limited could have issued non-convertible debt with a 5 years term bearing a coupon interest rate of 12%. On 1<sup>st</sup> April, 2024, the convertible debentures have a fair value of ₹ 15,75,000/-. Galaxy Limited made a tender offer to debenture holders to repurchase the debentures for ₹ 15,75,000/-, which the holders accepted. At the date of repurchase, Galaxy Limited could have issued non-convertible debt with a 2 years term bearing a coupon interest rate of 9%.

You are required to :

- Provide the appropriate accounting entries for initial recognition as per the relevant Ind AS in the books of Galaxy Limited.
- Calculate the stream of Interest Expenses across the five years of the term of the Debentures. (Rounding off adjustment, if any, be made in the interest calculation of financial year 2025-206)
- Provide the accounting entries at the time of repurchase of the convertible debentures.

The following present values of ₹ 1 at 8%, 9%, and 12% are supplied to you :

| Interest Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------|--------|--------|--------|--------|--------|
| 8%            | 0.926  | 0.857  | 0.794  | 0.735  | 0.681  |
| 9%            | 0.917  | 0.842  | 0.772  | 0.708  | 0.650  |
| 12%           | 0.893  | 0.797  | 0.712  | 0.636  | 0.567  |

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- (b) Modern Limited, whose functional currency is Indian Rupee, had a 4  
balance of cash and cash equivalents of ₹ 5,00,000/-, but there are no  
other assets or liabilities in its financial statements as on 1<sup>st</sup> April, 2024.

During the year 2024-25, the company has entered into the following  
foreign currency transactions :

- (i) It purchased goods for resale from Spain for Euro 1,00,000 when  
the exchange rate was 1 Euro = ₹ 77. This balance is still unpaid at  
31<sup>st</sup> March, 2025 when the exchange rate was 1 Euro = ₹ 72. An  
exchange gain of ₹ 5,00,000/- on the retranslation of Trade Payables  
is recorded in the Statement of Profit and Loss.
- (ii) It sold the goods to an American client for US \$ 1,00,000 when the  
exchange rate was 1 US \$ = ₹ 82. This amount was settled when the  
exchange rate was 1 US \$ = ₹ 85. The exchange gain regarding the  
Trade Receivable is recorded in the Statement of Profit and Loss.
- (iii) Modern Limited also borrowed Euro 1,00,000 under a long term  
loan agreement when the exchange rate was 1 Euro = ₹ 75 and  
immediately converted it into ₹ 75,00,000/-. The loan was  
retranslated at 31<sup>st</sup> March, 2025 at ₹ 72, with an exchange gain  
recorded in the Statement of Profit and Loss. The loan is still  
payable.

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Modern Limited, therefore, records a cumulative exchange gain of ₹ 11,00,000/- (5,00,000 + 3,00,000 + 3,00,000) in arriving at its profit for the year. Besides it also records a trading profit of ₹ 5,00,000/- (₹ 82,00,000 – ₹ 77,00,000) on the sale of goods.

How would the cash flows arising from the above transactions be reported in the Statement of Cash flows of Modern Limited prepared under Indirect Method as per applicable Ind AS ? Ignore taxation.

3. (a) XYZ Ltd. operates a defined retirement benefits plan on behalf of current and former employees. XYZ Ltd. receives advice from actuaries regarding contribution levels and overall liabilities of the plan to pay benefits. On 1<sup>st</sup> April, 2024, the actuaries advised that the present value of the defined benefit obligation was ₹ 90 lakhs. On the same day, the fair value of the assets of the defined benefit plan was ₹ 78 lakhs. On 1<sup>st</sup> April, 2024, the annual market yield on high quality corporate bonds was 6%. During the year ended 31<sup>st</sup> March, 2025, XYZ Ltd. made contributions of ₹ 10,50,000 into the plan and the plan paid out benefits of ₹ 6,30,000 to retired members. Assume that both these payments were made on 31<sup>st</sup> March, 2025. The actuaries advised that the current service cost for the year ended 31<sup>st</sup> March, 2025 was ₹ 9,30,000.

On 28<sup>th</sup> February, 2025, the rules of the plan were amended with retrospective effect. These amendments meant that the present value of defined benefit obligation was increased by ₹ 2,25,000 from that date. During the year ended 31<sup>st</sup> March, 2025 XYZ Ltd. was in negotiation with employees' representatives regarding redundancies. The negotiations were completed shortly before the year and the redundancy

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packages were agreed. The impact of these redundancies was to reduce the present value of the defined benefit obligation by ₹ 12,00,000. Before 31<sup>st</sup> March, 2025, XYZ Ltd. made payments of ₹ 11,25,000 to the employees affected by the redundancies in compensation for the curtailment of their benefits. These payments were made out of the assets of the retirement benefits plan. On 31<sup>st</sup> March, 2025, the actuaries advised that the present value of the defined benefit obligation was ₹ 1,02,00,000. On the same day the fair value of the assets of the defined benefit plan were ₹ 84,00,000.

You are required to suggest the accounting treatment of the above under the provisions of relevant Ind AS. Please note that the finance cost is to be computed on the opening balance.

- (b) On 31<sup>st</sup> March, 2024, Vanshika Ltd. granted options to its employees that gave them right to subscribe for equity shares in next 3 years at ₹ 112 per share. It also issued 2 lakhs warrants convertible into shares at ₹ 84. 6

As on 31<sup>st</sup> March, 2025 :

|                                                       |             |
|-------------------------------------------------------|-------------|
| Options outstanding                                   | 1,40,000    |
| Profit after Tax, attributable to equity shareholders | ₹ 91,20,000 |
| Average market price of equity shares                 | ₹ 140       |
| Issued Equity share capital (Face value ₹ 10 each)    | ₹ 50,00,000 |

There were no grants, exercises or lapses of options during the year. Also, none of the warrants was converted into shares during the year.

You are required to calculate Basic and Diluted EPS as at 31<sup>st</sup> March 2025.

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4. (a) R Limited commenced the construction of a factory building on 1<sup>st</sup> January, 2023. The construction process is expected to take about 18 months from 1<sup>st</sup> January, 2023 to 30<sup>th</sup> June, 2024. The factory building meets the definition of a qualifying asset. R Limited has incurred the following expenditure for the construction :

| Date                          | Amount<br>(₹/lakhs) |
|-------------------------------|---------------------|
| 1 <sup>st</sup> January, 2023 | 10                  |
| 30 <sup>th</sup> June, 2023   | 40                  |
| 31 <sup>st</sup> March, 2024  | 30                  |
| 30 <sup>th</sup> June, 2024   | 20                  |

On 1<sup>st</sup> July, 2023, R Limited obtained a term loan of ₹ 100 lakhs from a nationalized bank at an interest rate of 12% per annum. The proceeds from the loan form a part of the company's general borrowings, which it uses to finance the construction of the factory building. R Limited had no borrowings (general or specific) before 1<sup>st</sup> July, 2023 and did not incur any borrowing costs before that date. R Limited incurred ₹ 50 lakhs of construction costs before obtaining general borrowings on 1<sup>st</sup> July, 2023 and ₹ 50 lakhs after obtaining the general borrowings.

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You are required to calculate the borrowing costs that R Limited is permitted to capitalize as a part of the building cost for each of the financial years ended 31<sup>st</sup> March, 2023, 31<sup>st</sup> March, 2024 and 31<sup>st</sup> March, 2025.

- (b) Drape Ltd. took a long-term loan of USD 30,000 from an entity registered in U.S.A. on 1<sup>st</sup> April, 2024. Interest of USD 2,400 is payable annually on 31<sup>st</sup> March, starting from 31<sup>st</sup> March, 2025. The loan is repayable in USD on 31<sup>st</sup> March, 2030 and the effective annual interest rate implicit in the loan is 11%. The appropriate measurement basis for this loan is amortised cost. Relevant exchange rates are as follows :

- 1<sup>st</sup> April, 2024 – USD 1 = ₹ 74.
- 31<sup>st</sup> March, 2025 – USD 1 = ₹ 78.
- Average rate for the year ended 31<sup>st</sup> March, 2025 – USD 1 = ₹ 72.

The functional currency of the group is Indian Rupee.

Calculate (a) the initial measurement amount for the loan, (b) finance cost for the year 2024-25, (c) closing balance of loan as at 31<sup>st</sup> March 2025 and (d) exchange gain / loss for the year 2024-25.

5. (a) On 1<sup>st</sup> April, 2023, Shivank Limited entered into a contract with Amey Limited to build an asset for consideration of ₹ 1,20,00,000 with a bonus of ₹ 35,00,000 if the asset is completed within 30 months. At the inception of the contract, Shivank Limited correctly accounted for the promised bundle of goods and services as a single performance obligation

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in accordance with Ind AS 115 and expected the costs to be ₹ 71,00,000. At the same time, it was concluded that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will occur. Completion of the asset was highly susceptible to factors outside of the Company's influence, mainly due to difficulties with the supply of components.

At 31<sup>st</sup> March, 2024, Shivank Limited had satisfied 60% of its performance obligation on the basis of costs incurred to date and concluded that the variable consideration was still constrained in accordance with Ind AS 115. However, on 30<sup>th</sup> April, 2024, the contract was modified with the result that the fixed consideration and expected costs increased by ₹ 15,50,000 and ₹ 7,60,000 respectively. The time allowable for achieving the bonus was extended by four months with the result that Shivank Limited concluded that it is highly probable that the bonus will be achieved and that the contract remained a single performance obligation.

You are required to give your opinion on the accounting treatment of contract for the years 2023-2024 and 2024-2025 with reference to the provisions of Ind AS 115.

- (b) Bee Kay Limited has voluntarily opted to adopt Indian Accounting Standards (Ind AS) from 1<sup>st</sup> April, 2025 in accordance with the Companies (Indian Accounting Standards) Rules, 2015. 5

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The management has identified the following issues and has sought your guidance so that the Opening Ind AS Balance Sheet as on the date of transition can be prepared :

- (i) Property, Plant and Equipment (PPE) comprise land held for capital appreciation purposes costing ₹ 15,00,000/- and qualifies to be treated as Investment Property as per Ind AS. Besides Exchange differences of ₹ 1,50,000/- were capitalized to depreciable PPE on which accumulated depreciation of ₹ 37,500/- was recognized. The management intends to avail deemed cost exemption for using the previous GAAP carrying values as deemed cost at the date of transition.
- (ii) Bee Kay Limited had acquired 70% shares of X Private Limited a few years ago thereby acquiring the control upon it at that time. It recognized a goodwill of ₹ 1,25,000/- as per the erstwhile Accounting Standard by accounting the excess of consideration paid over the net assets acquired at the date of acquisition. Fair value exercise was not done at the time of acquisition.
- (iii) Company had given a loan of ₹ 10,00,000/- at an interest rate of 7% per annum to an entity six years ago. Transaction costs were incurred separately for this loan. The loan is repayable in 10 equal instalments over the period of ten years along with accrued interest at the close of each year. The fair value of the loan as on the date of transition is ₹ 5,00,000/- against the carrying amount of ₹ 4,00,000/-. The management says that it is a tedious task to compute the value of the loan by applying the effective interest rate method and has expressed its reluctance in doing so.

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You are required to state necessary explanation for each of the items presented by the management of Bee Kay Limited in the form of notes, which may or may not require the adjustment on the date of transition.

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As per the statutory requirements, exceptional items are required to be disclosed whereas Ind AS requires separate disclosure of material items and how these are to be presented in financial statements. Does that imply that "exceptional" means "material" ? How should these exceptional / material items be presented in the financial statements ? Give four examples of exceptional items.

**OR**

Define Equity, Income and Expenses as per 'Conceptual Framework' to Ind AS. How the information with respect to income and expenses helps the users in understanding of the financial statements ?

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6. (a) Which specific Computer Technology can be used in under-mentioned scenarios to reduce burden and streamline the process ? Give reasons in support of your answer. **5**

(i) Koyal Ltd. has 8 subsidiaries including 2 foreign subsidiaries and 2 foreign associate companies, each maintaining their own financial data independently. Koyal Ltd. prepares consolidated financial statements in accordance with Ind AS 110 every year. This whole process needs to be accurate, consistent and completed in time, but Koyal Ltd. is struggling for the same.

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- (ii) Doham Ltd. is a financial institution which deals with high-profile people and Mr. Salil, who works for Doham Ltd. handles sensitive customer data, such as personal information and transaction records. He is under stress all the time and needs support.
- (b) Nancy Ltd. owns various machines including a machine used in the manufacture of air conditioners. The performance of this machine deteriorated significantly in last few months. This machine is expected to work for next five years after 31<sup>st</sup> March, 2025 at a reduced level and after that it will be scrapped. The cash flow projections for the machine for the next five years are as follows :

| Year        | 2025-26   | 2026-27   | 2027-28   | 2028-29   | 2029-30  |
|-------------|-----------|-----------|-----------|-----------|----------|
| Amount in ₹ | 24,70,000 | 18,60,000 | 16,30,000 | 10,10,000 | 8,50,000 |

**Additional Information :**

- (i) The above cash inflows should be assumed to occur on the last day of each financial year.
- (ii) The pre-tax discount rate is 10%. Present value factor of ₹ 1 at 10% is as under :

| 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
|---------|---------|---------|---------|---------|
| 0.909   | 0.826   | 0.751   | 0.683   | 0.621   |

- (iii) The machine could have been sold at 31<sup>st</sup> March, 2025 for ₹ 60,00,000 and related selling expenses in this regard could have been ₹ 11,50,000.

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- (iv) The machine had been revalued previously, and at 31<sup>st</sup> March, 2025 an amount of ₹ 3,80,000 was held in revaluation surplus in respect of this machine.
- (v) The carrying value of the machine at 31<sup>st</sup> March, 2025 was ₹ 68,20,000.

You are required to calculate impairment loss for the year 2024-25, if any and revised depreciation of the machine for subsequent years. The machine is depreciated on SLM basis.

- (c) While preparing the financial statements for the year ended 31<sup>st</sup> March, 2025, Gama Ltd. observed two issues in the previous year Ind AS financial statements (i.e. 31<sup>st</sup> March, 2024) which are as follows :

4

**Issue 1 :**

The company had presented certain material liabilities as non-current in its financial statements as on 31<sup>st</sup> March, 2024. While preparing annual financial statements for the year ended 31<sup>st</sup> March, 2025, management discovers that these liabilities should have been classified as current. The management intends to restate the comparative amounts for the prior period i.e. as at 31<sup>st</sup> March, 2024.

**Issue 2 :**

The company had charged off certain expenses as finance costs in the year ended 31<sup>st</sup> March, 2024. While preparing annual financial statements for the year ended 31<sup>st</sup> March, 2025, it discovered that these expenses should have been classified as other expenses instead of finance costs. The error occurred because the management inadvertently misinterpreted certain facts. The entity intends to restate the comparative amounts for the prior period in which the error occurred i.e. year ended 31<sup>st</sup> March, 2024.

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You are required to analyse the above issues and give your recommendation as to their treatment in preparation of the financial statements for the financial year 2024-25.

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