Mock Test Paper - Series II: April, 2026

Date of Paper: 2nd April , 2026

Time of Paper: 10 A.M. to 1 P.M.

INTERMEDIATE COURSE: GROUP - I

PAPER – 1 : ADVANCED ACCOUNTING

ANSWERS

Case Scenario

1	**(c)**
2	**(a)**
3	**(c)**
4	**(b)**
5.	**(b)**
6	**(c)**
7	**(b)**
8	**(c)**
9	**(d)**
10	**(a)**
11	**(d)**
12	**(c)**
13	**(c)**
14	**(c)**
15.	**(c)**

PART II – Descriptive Questions (70 Marks)

1. (a) Calculation of Purchase Consideration (Net payment method)

	Particulars	**Antu Ltd. (₹)**	**Bantu Ltd. (₹)**
1.	Preference Shares in Anban Ltd. (₹ 100 each @85 paid up at premium of ₹ 30 each) (W.N.1)	20,60,800	10,30,400
2.	Equity Shares in Anban Ltd. (₹ 10 each @ ₹ 7 paid up at premium of ₹ 5 each) (W.N.2)	53,76,000	20,16,000

3.	Cash paid (W.N.3)	1,65,040	3,79,920
	Purchase Consideration	76,01,840	34,26,320

Working notes

1. Consideration for preference shares:

   Antu Ltd. = $\left(13{,}440\times\frac{4}{3}\right)$ = 17,920 shares × (85 + 30) = ₹ 20,60,800

   Bantu Ltd. = $\left(6{,}720\times\frac{4}{3}\right)$ = 8,960 shares × (85 + 30) = ₹ 10,30,400

2. Consideration for equity shares:

   Antu Ltd. = $\left(2{,}68{,}800\times\frac{5}{3}\right)$ = 4,48,000 shares × (7 + 5) = ₹ 53,76,000

   Bantu Ltd. = $\left(1{,}00{,}800\times\frac{5}{3}\right)$ = 1,68,000 shares × (7 + 5) = ₹ 20,16,000

3. Value of Net Assets

Particulars	**Antu Ltd**	**Bantu Ltd.**
PPE	42,32,400	20,80,400
Add: Goodwill	6,48,000	-
Inventories	11,14,480	8,27,120
Trade Receivables	9,88,560	5,52,720
Cash & Cash Equivalents	9,40,960	6,41,920
(Less) Trade Payables	(3,22,560)	(6,75,840)
	76,01,840	34,26,320
(less) Payable in shares	(74,36,800)	(30,46,400)
	1,65,040	3,79,920

(b) In the books of Mr. Zoom

for the year ending on 31.3.2026

(Scrip: Equity Shares of P Limited)

Date	**Particulars**	**Qty**	**Amount**	**Date**	**Particulars**	**Qty**	**Amount**
1.4.2025	To Balance b/d	1000	1,20,000	8.04.2025	By Bank A/c (W.N.1)		3,400
5.04.2025	To Bank (200x ₹135)	200	27,000	10.10.2025	By Bank A/c (350x ₹140)	350	49,000

10.10.2025	To Profit & Loss A/c (W.N.2)		7,117	31.3.2026	By Balance c/d (W.N.3)	850	1,01,717
		1200	1,54,117			1200	1,54,117

Working Notes:

1. Sale of Rights ₹ 4,000

The market price of all shares of P Ltd after shares becoming ex-rights has been reduced by ₹ 3,400.

In this case out of sale proceeds of ₹4,000; ₹ 3,400 may be applied to reduce the carrying amount to the market value and ₹ 600 would be credited to the profit and loss account.

2. Profit on sale of 350 shares

	Amount ₹
Sale price of 350 shares (350 shares X 140 each)	49,000
Less: Cost of 350 shares [(1,20,000+27,000-3,400) X350]/1200	41,883
Profit	7,117

3. Valuation of 850 shares as on 31.03.2026

Particulars	**Amount**
Cost price of 850 shares [(1,20,000 +27,000 -3,400) x 850 /1,200]	₹ 1,01,717
Fair Value as on 31.03.2020 [850 X ₹ 125 each]	₹ 1,06,250
Cost price or fair value whichever is less	₹ 1,01,717

2. (a) Present value of minimum lease payment is computed below:

Year	**MLP ₹**	**DF (12.6%)**	**PV ₹**
1	50,000	0.890	44,500
2	50,000	0.790	39,500
3	50,000	0.700	35,000
4	50,000	0.622	31,100
5	50,000	0.552	27,600
5	25,000	0.552	13,800
			1,91,500

Present value of minimum lease payment = ₹ 1,91,500

Fair value of leased asset = ₹ 2,00,000

As per AS 19, on the date of inception of Lease, Lessee should show it as an asset and corresponding liability at lower of Fair value of leased asset at the inception of the lease and present value of minimum lease payments from the standpoint of the lessee. The accounting entry at the inception of lease to record the asset taken on finance lease in books of lessee is suggested below:

	₹	₹
Asset A/c Dr.	1,91,500	
To Lessor (Lease Liability) A/c		1,91,500
(Being recognition of finance lease as asset and liability)		

(b) **Trading and Profit & Loss Account of the Branch**

for the year ended 31st March, 2026

		₹ in lacs		***₹ in lacs***
To Opening Stock		120	By Sales	720
To Goods received from			By Closing Stock	124
Head Office	576			
Less: Returns	(10)	566		
To Carriage Inwards		14		
To Gross Profit c/d		144		
		844		844
To Salaries		50	By Gross Profit b/d	144
To Depreciation on Furniture		4		
To Rent		20		
To Advertising		12		
To Telephone, Postage & Stationery		6		
To Sundry Office Expenses		2		
To Head Office Expenses		2		
To Net Profit Transferred to				
Head Office A/c		48		
		144		144

Balance Sheet as on 31st March, 2026

Liabilities	*₹ in lacs*		*Assets*	*₹ in lacs*	
Head Office	160		Furniture & Equipment	40	
Add: Goods in transit	20		*Less:* Depreciation	(4)	36
Head Office Expenses	2		Stock in hand		124
Net Profit	48	230	Goods in Transit		20
Outstanding Expenses		6	Debtors		40
			Cash at bank and in hand		16
		236			236

3. Consolidated Balance Sheet of P Ltd.

and its Subsidiary Q ltd. as on 31.3.2026

Sr. No.	Particulars	Note No.	₹
I.	Equities & Liabilities		
(1)	Shareholder's funds		
(a)	Share Capital	1	16,00,000
(b)	Reserve & surplus	2	2,39,600
(c)	Minority interest		55,600
(2)	Current liability		
(a)	Other current liabilities (30,00,000+19,20,000)		49,20,000
	Total		68,15,200
II.	Assets		
(1) (a)	PPE (10,00,000 + 3,80,000 + 80,000 – 4,000)		14,56,000
(b)	Goodwill		99,200
(2)	Current Assets		
(a)	Other current assets (32,40,000 + 20,20,000)		52,60,000
	Total		68,15,200

Notes to accounts:

	Particulars	₹
(1)	Share capital	
	Authorized share capital	-
	Issued, subscribed & paid-up capital	

	16,000 equity shares of ₹100 each	16,00,000
(2)	Reserve & Surplus	
	Profit & Loss A/c (W.N. 5)	2,39,600

Working Notes:

1. **Shareholding**

Held by P Ltd.	Minority interest
3,600 shares (90%)	400 shares (10%)

2. **Analysis of profit**

Profit & Loss A/c

Particulars	₹	Particulars	₹
To Bal. c/d	80,000	By Bal. b/d	32,000
		By Profit	48,000
	80,000		80,000

Particulars	Capital profit	Revenue profit
Opening balance in P&L A/c	32,000	
Profit during the year		48,000
Revaluation of equipment (W.N.6)	80,000	
Short depreciation on equipment		(4,000)
Total	1,12,000	44,000
Q Ltd. (Minority) (10%)	11,200	4,400
P Ltd. (90%)	1,00,800	39,600

3. **Cost of Control**

Particulars	Computation	₹
Cost of investment	As per balance sheet	5,60,000
Less: Dividend out of pre-acquisition profit		-
	(A)	5,60,000
Share in net assets of Q ltd.		
Share capital	4,00,000 × 90%	3,60,000
Capital profit	W.N. 2	1,00,800
	(B)	4,60,800
Goodwill	A – B	99,200

4. **Calculation of Minority Interest**

Particulars	Computation	₹
Share capital	4,00,000 × 10%	40,000
Capital profit	WN 2	11,200
Revenue profit	WN 2	4,400
Total	i + ii + iii	55,600

5. **P Ltd.**

Particulars	**General Reserve**	**Profit & Loss A/c**
Balance As Per Balance sheet	-	2,00,000
Share in profit of Q ltd.	-	39,600
Total	-	2,39,600

6. **Appreciation / Depreciation on revalued asset**

Particulars	**₹**
Book value as on 31.3.26 (as per b/s)	3,80,000
Book value as on 1.4.25 (Given)	4,00,000
Depreciation (iii)	20,000
Depreciation rate (iii/ii×100%)	5%
Revaluation of asset (ii + 20%)	4,80,000
Revaluation reserve	80,000
Depreciation on revalued asset (4,80,000 × 5%)	24,000
Short depreciation	4,000

4. (a) **Net assets of B Ltd. as on 31st March, 2026**

	₹ in lakhs	***₹ in lakhs***
Property, plant and equipment		360
Investments		90
Current Assets		140
Loans and Advances		30
Total Assets		620
Less: 15% Debentures	180.0	
Current Liabilities	100.0	(280)

Equity / Net Worth		340
Share of Minority Interest in net assets (30% of 340)		102
A Ltd.'s share in net assets (70% of 340)		238
A Ltd.'s cost of acquisition of shares of B Ltd.		
(₹140 lakhs)		(140)
Capital reserve		98

(b) Cash Flow Statement for the year ended 31.3.2026

	₹	₹
Cash flow from operating activities		
Cash received on account of trade receivables	3,50,000	
Cash paid on account of trade payables	(90,000)	
Cash paid to employees (salaries and wages)	(25,000)	
Other cash payments (overheads)	(15,000)	
Cash generated from operations	2,20,000	
Income tax paid	(1,55,000)	
Net cash generated from operating activities		65,000
Cash flow from investing activities		
Payment for purchase of machinery	(4,00,000)	
Proceeds from sale of machinery	70,000	
Net cash used in investment activities		(3,30,000)
Cash flow from financing activities		
Proceeds from issue of share capital	5,00,000	
Bank loan repaid	(2,50,000)	
Debentures redeemed	(50,000)	
Net cash used in financing activities		2,00,000
Net decrease in cash and cash equivalents		(65,000)
Cash and cash equivalents at the beginning of the year		80,000
Cash and cash equivalents at the end of the year		15,000

5. **Balance Sheet of Amol Ltd. as at 31st March, 2026**

	Particulars	Note No	₹
I.	EQUITY AND LIABILITIES		
(1)	Shareholders' Funds		
(a)	Share capital	1	5,00,000
(b)	Reserves and Surplus	2	12,38,231
(2)	Non-current Liabilities		
(a)	Long-term borrowings	3	42,50,000
(3)	Current Liabilities		
(a)	Short term borrowings (Installment of term loan falling due in one year)		8,50,000
(b)	Trade Payables	4	28,16,937
(c)	Other current liabilities	5	88,250
(d)	Short term provisions (provision for tax)		58,494
	Total		98,01,912
	ASSETS		
(1)	Non-current assets		
(a)	PPE	6	55,85,350
(2)	Current assets		
(a)	Inventories		5,68,750
(b)	Trade receivables	7	30,75,625
(c)	Cash and bank balances	8	5,53,437
(d)	Short term loans & advances (Advance tax paid)		18,750
	Total		98,01,912

Statement of Profit & Loss of Amol Ltd.

For the year ended 31st March, 2026

Particulars	Notes	Amount
Revenue from operations		62,93,500
Other income (Commission income)		36,250
Total Income (i)		63,29,750
Expenses:		
Purchases of Inventory-in-Trade		41,47,500

Changes in inventories of finished goods work-in-progress and Inventory-in-Trade	9	(1,06,250)
Employee benefits expense	10	7,14,250
Finance costs (interest on term loan)		4,02,500
Depreciation		3,90,150
Other operating expenses	11	5,47,625
Total expenses(ii)		60,95,775
Profit (Loss) for the period (i – ii)		2,33,975
Less:Tax (25%)		(58,494)
PAT		1,75,481

Notes to accounts:

	Particulars	**₹**	**₹**
1.	Share Capital		
	Equity share capital Authorized		
	1,00,000 equity shares of ₹ 10 each		10,00,000
	Issued & subscribed		
	50,000 equity shares of ₹ 10 each		5,00,000
2.	Reserves and Surplus		
	General Reserve	5,00,000	
	Add: Current year transfer	50,000	5,50,000
	Profit & Loss balance		
	Opening balance	4,37,750	
	Add: Profit for the year	1,75,481	
	Less: Transfer to General reserve	(50,000)	5,63,231
	Securities premium		1,25,000
	Total		12,38,231
3.	Long-term borrowings		
	Term loan from public sector bank		51,00,000
	(Secured by hypothecation)		
	Less: Installment of Term loan falling due within 1 year		(8,50,000)
	Total		42,50,000

4.	Trade payables		
	Trade payables		27,54,437
	Bills payable		62,500
	Total		28,16,937
5.	Other current liabilities		
	Rent outstanding	10,000	
	Wages and Salaries Outstanding	78,250	88,250
6.	PPE (W.N2)		
	Land		12,00,000
	Factory Buildings		16,60,600
	Plant & Machinery		23,90,625
	Furniture & Fittings		3,34,125
	Total		55,85,350
7.	Trade receivables		
	Debtors Outstanding for period exceeding 6 months	42,800	
	Other debts	31,94,700	
	Less: Provision for doubtful debt	(1,61,875)	30,75,625
8.	Cash and bank balance		
	Bank balance	4,87,500	
	Cash on hand	65,937	5,53,437
9.	Changes in Inventories		
	Opening Inventory	4,62,500	
	Less: Closing Inventory	(5,68,750)	(1,06,250)
10.	Employee benefit expense		
	Wages and Salaries	6,36,000	
	Add: Wages and Salaries Outstanding	78,250	7,14,250
11.	Other operating expenses		
	Rent	1,10,000	
	Add: outstanding	10,000	1,20,000
	Rates and Taxes		25,000
	Selling & Distribution expenses		2,18,000
	Bad debts		19,250

	Provision for Doubtful Debts (1,61,875- 12,500)		1,49,375
	Director's fee		16,000
	Total		5,47,625

Note :

(1) The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards.

(2) Calculation of Depreciation

Particulars	Book value	Accumulated depreciation	WDV	Current year Depreciation	Current year WDV
Land	12,00,000		12,00,000	-	12,00,000
Factory building	18,40,000	92,000	17,48,000	87,400	16,60,600
Plant & Machinery	31,25,000	4,68,750	26,56,250	2,65,625	23,90,625
Furniture Fittings	4,12,500	41,250	3,71,250	37,125	3,34,125
			Total	3,90,150	55,85,350

6. (a) (i) Qualitative Characteristics of Financial Statements:

Understandability, Relevance, Comparability, Reliability & Faithful Representation

Elements of Financial Statements:

Asset, Liability, Equity, Income/Gain and Expense/Loss

(ii)

Particulars	Financial Capital Maintenance at Historical Cost (₹)
Closing equity (₹ 30 x 1,20,000 units)	36,00,000 represented by cash
Opening equity	1,20,000 units x ₹ 20 = 24,00,000
Permissible drawings to keep Capital intact	12,00,000 (36,00,000 – 24,00,000)

Or

Capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. An asset is normally ready for its intended use or sale when its physical construction or production is complete even though routine administrative work might still continue. If minor modifications such as the decoration of a property to the user's specification, are all that are outstanding, this indicates that substantially all the activities are complete. When the construction of a qualifying asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, capitalization of borrowing costs in relation to a part should cease when substantially all the activities necessary to prepare that part for its intended use or sale are complete.

(b) The following dates should be considered for consideration of weights for the purpose of calculation of weighted average number of shares in the given situations:

(i) Date of Cash receivable

(ii) Date of conversion

(iii) Date on which settlement becomes effective

(iv) When the services are rendered

(v) Date when interest ceases to accrue

(vi) Date on which the acquisition is recognised.

(c) As per Section 70 of the Companies Act, 2013, the company cannot buy back its own shares under the following conditions, all of which apply to Alpha Chemicals Ltd.:

1. Buy-back through Subsidiary – Prohibited

- Section 70(1)(a): A company shall not buy back shares through any subsidiary, including wholly owned subsidiaries.

2. Default in Term Loan – Three-Year Cooling Off Required

- Section 70(1)(c): A company that has defaulted in repayment of a term loan can buy back shares only after 3 years from the cessation of default.
- Alpha repaid the loan only 27 months ago — still short of the required 36-month period. Hence, not eligible.

3. Non-Filing of Annual Return and Financial Statements

- Section 70(2): Buy-back is prohibited if the company has not complied with Sections:
  - 92 (Annual Return)
  - 129 (Financial Statements)
- Alpha has failed to file both which disqualifies it from buy-back.

4. Unpaid Dividend for More Than 30 Days

- Section 127 read with Section 70(2): Non-distribution of declared dividend within 30 days is a punishable offence.

Dividend unpaid for 35 days, this is a default.

Alpha Chemicals Ltd. is not eligible to proceed with the buy-back under Section 70 due to multiple violations.