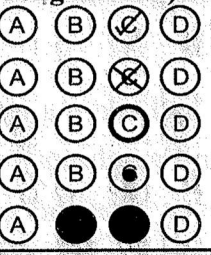
GENERAL INSTRUCTIONS TO CANDIDATES

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. **Answers to Questions of Part I (i.e., MCQs) 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 (i.e. descriptive questions) are to be written inside the descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.**
5. 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.
6. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.
7. 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.
8. **Duration of the examination is 3 hours.** You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
9. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
10. 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 liable for punitive action.

PART – I

1. Answer all MCQs, on the OMR Answer Sheet as given on the cover page of descriptive answer book.
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 or 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) :** 

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 : 32

Roll No.

Name of the Candidate	

Signature of the Candidate

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PART – I 30 Marks

(MCQ Portion)

- ***Answers to MCQs are to be marked on the OMR answer sheet as given on the cover page of the descriptive answer book only. Answer to MCQs, if written inside the descriptive answer book shall not be evaluated.***
- ***Please 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.***

Case Scenario I :

Diversified Limited is a diversified group of various businesses. The business of Diversified Limited is spread across various countries of the world. Diversified Limited maintains its accounts and prepares its annual financial statements in accordance with Indian Accounting Standards (Ind AS). The CFO of the Company while working on finalization of the books of accounts for the year ending 31st March 2026, encountered challenges with the following transactions :

(i) The Company had taken a term loan of ₹ 8.00 crores from Delite Bank to buy certain plant and machinery during the year ended 31st March 2025. The loan is repayable over a period of 5 years. The terms and conditions of the loan agreement requires the Company to maintain a current ratio of 1.5 : 1 and debt-equity ratio of 1 : 2. If these loan covenants fall below this level, then the Bank has a right to recall the entire loan. The loan outstanding as on 31st March 2026 was ₹ 6.90 crores. The current ratio of the Company as on 31st March 2026 was 1 : 1 and debt-equity ratio was 0.8 : 2. Delite Bank has sent a notice on 7th April 2026 demanding repayment of loan on account of breach of terms of the loan agreement. The financial statements were approved on 18th May 2026. On receiving the notice, the CFO of Diversified Limited negotiated with the Bank and assured to rectify the breach. As a result, on 23rd April 2026, the Bank agreed not to recall the loan and allowed the Company to achieve the contracted current and debt-equity ratio by 31st March 2028.

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(ii) An equipment being the major part of a machine suffered a significant and unexpected deterioration in performance during the year ended 31st March 2026. Management expects that it will be able to use the machine for a further period of four years after 31st March 2026 but at a reduced level. The equipment will be scrapped after four years. The accountant of Diversified Limited has prepared a set of cash-flow projections for the equipment for the next four years as under :

Year ending	31.03.2027	31.03.2028	31.03.2029	31.03.2030
₹ (000)	4,14	2,88	1,80	1,71

The above cash inflows should be assumed to occur on the last day of each financial year. The pre-tax discount rate is 9% per annum. The machine could have been sold at 31st March 2026 for ₹ 7,56,000, net of selling expenses. The carrying value of the machine as at 31st March 2026 was ₹ 9,90,000. The machine had been revalued previously and as at 31st March 2026 an amount of ₹ 54,000 was held in revaluation surplus in respect of the machine. The present value factor of ₹ 1 at 9% per annum is 0.917; 0.842; 0.772 and 0.708 for the four years starting from 31st March 2027 respectively.

(iii) 10 years back, Diversified Limited acquired a trademark for a product from Y Limited at a cost of ₹ 40,00,000. The trademark is expected to have an indefinite useful life. The carrying amount as on 1st April 2025 was ₹ 40,00,000. Now due to competition, the sales of the product have declined by 25%. The management of Diversified Limited has made assessment and ascertained that the trademark will continue to have indefinite useful life. The recoverable amount as at 31st March 2026 is ascertained at ₹ 30,00,000.

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(iv) Diversified Limited purchased a loading truck on 1st April 2025 for ₹ 15,00,000. As at 31st March 2026, the carrying amount is ₹ 7,00,000 after an impairment write down of ₹ 3,00,000 and cumulative depreciation of ₹ 5,00,000. Depreciation rate for accounting and tax laws is equal. Impairment loss is not deductible for tax purposes. Tax rate applicable to the Company is 30%.

Analyze the above transactions and choose the most appropriate option in the below questions from **1** to **4** in line with relevant Ind AS :

1. After negotiation with Delite Bank, how should the long-term loan be classified in the financial statements by Diversified Limited for the year ended 31st March 2026 ? **1**

   (A) Current financial liability

   (B) Non-current financial liability

   (C) Other current liabilities

   (D) Other non-current liability

2. What is the recoverable amount of impaired machine of Diversified Limited as at 31st March 2026 ? **2**

   (A) ₹ 7,56,000

   (B) ₹ 9,90,000

   (C) ₹ 8,82,162

   (D) ₹ 7,02,000

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3. Choose the most appropriate option out of the following : 2

(A) Diversified Limited has to test the asset for impairment only as on 31st March 2026, as an external unfavourable event had occurred and reduce the carrying amount to ₹ 30,00,000.

(B) Diversified Limited, from 31st March 2026, is required to test the trademark for impairment every year and accordingly, the carrying amount will be reduced to ₹ 30,00,000.

(C) Diversified Limited can continue with the same carrying amount of ₹ 40,00,000.

(D) Diversified Limited should amortize the trademark by ₹ 10,00,000, and reduce the carrying amount to ₹ 30,00,000.

4. Determine the amount of deferred tax on the loading truck as on 31st March 2026. 1

(A) Deferred tax asset of ₹ 90,000

(B) Deferred tax liability of ₹ 90,000

(C) No deferred tax should be recognized.

(D) Deferred tax asset of ₹ 60,000

Case Scenario II :

XYZ Limited is a public limited company listed on the Bombay Stock Exchange and prepares its accounts as per Ind AS. The Company has sought your advice on accounting treatment in relation to the following transactions entered into by it during the financial year ended 31st March 2026 as per the applicable Indian Accounting Standards (Ind AS) :

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(i) On 1st April 2025, XYZ Limited issued 1,00,000 Convertible Debentures of ₹ 100 each at par to G Limited for a consideration of ₹ 100,00,000. Interest is payable annually in arrears @ 6% per annum. The holder has an option to convert these debentures to a fixed number of equity instruments of the issuer at the end of 3 years. If the option is not exercised by the holder, the debentures are redeemed at par at the end of 3 years. The prevailing market rate for similar debentures, without the conversion feature is 10% per annum. The following discounting factors may be used where required :

Rate (per annum)	Year 1	Year 2	Year 3	Annuity (3 years)
6%	0.9434	0.8900	0.8396	2.6730
10%	0.9091	0.8264	0.7513	2.4869

(ii) On 8th September 2025, XYZ Limited entered into a contract to purchase 10,000 MT of thermal coal for Euros 2,00,000 for its captive power plant from an unrelated supplier in Indonesia. Neither party has Euro as its functional currency. International coal trade is routinely denominated in USD and Euro is not a currency currently used for such contracts in India. Payment is due to the supplier on physical delivery of the coal. The Euro/INR Spot rate and Forward rate on 8th September 2025 for 31st December 2025 maturity are ₹ 84.00 and ₹ 86.00 respectively. The Euro/INR Spot rate on 31st December 2025 is ₹ 87.00.

(iii) XYZ Limited has a portfolio of trade receivables of ₹ 8,500.00 lakhs as on 31st March 2026 and operates only in one geographical region. The trade receivables result from transactions that are within the scope of Ind AS 115 having no significant financing component and are categorized by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix as on 31st March 2026 is as follows :

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Ageing	Gross Carrying Amount (₹/lakhs)	Default Rate
Current	5,000.00	0.5%
1-45 days past due	2,000.00	2.0%
46-90 days past due	1,000.00	5.0%
More than 90 days past due	500.00	15.0%

(iv) On 30th November 2025, XYZ Limited acquired 70% of the share capital of Spencer Inc., an entity registered as company in Atlanta, USA. The fair value of the net assets as on that date of Spencer Inc. was USD 46 Million and the purchase consideration paid was USD 35 Million on 30th November 2025. The exchange rate as at 30th November 2025 was ₹ 82 per USD and at 31st March 2026 was ₹ 84 per USD. Non-controlling Interest is valued at proportionate share of fair value of net assets of Spencer Inc.

On the basis of the information provided in the above case scenario, you are required to choose the most appropriate answer to the below mentioned questions from **5** to **8** :

5. What would be the carrying amount of the liability component of the convertible debentures as at 31st March 2026 ? 1

(A) ₹ 90,05,140

(B) ₹ 93,05,654

(C) ₹ 93,99,800

(D) ₹ 100,00,000

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6. What would be the appropriate accounting of the contract for purchase of coal entered into by XYZ Limited as per the provisions of the relevant Ind AS ? **1**

(A) The entire contract would be accounted for as a derivative at FVTPL since it is denominated in foreign currency.

(B) The contract meets the criteria for "own-use" exemption and would be considered as an executory contract not falling within the scope of Ind AS 109.

(C) The host contract is a purchase contract (non-financial) in nature but the embedded foreign currency feature is a derivative which is required to be separated from the host purchase contract and recognized separately as a derivative.

(D) The contract is an own-use executory contract outside the scope of Ind AS 109. However the exchange differences would be recognized in the Statement of Profit and Loss as per Ind AS 21.

7. What is the amount of credit loss allowance that should be recognized on the trade receivables by XYZ Limited as at 31st March 2026 ? **1**

(A) ₹ 90.00 lakhs

(B) ₹ 115.00 lakhs

(C) ₹ 165.00 lakhs

(D) ₹ 190.00 lakhs

8. What will be the value of goodwill that should be recognised in the financial statements of XYZ Limited as on 31st March 2026 ? **2**

(A) ₹ 235.20 million

(B) ₹ 229.60 million

(C) ₹ 902.00 million

(D) ₹ 924.00 million

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Case Scenario III :

Aar Limited is a listed public limited company engaged in infrastructure and manufacturing businesses and prepares its accounts as per Ind AS. The Company is in an acquisition spree and has sought your advice on accounting treatment in relation to the following transactions entered into by it during the financial year 2025-26 :

(i) On 1st July 2025, Aar Limited acquired 80 percent of the equity interest in Kay Limited in exchange for cash of ₹ 5,000 lakhs. It was also agreed that Aar Limited would pay a further sum of ₹ 1,100 lakhs on 30th June 2027. Further, Aar Limited also agreed to pay additional consideration of ₹ 750 lakhs if the cumulative profits of Kay Limited exceeded ₹ 2,500 lakhs over the next two years. The fair value of the contingent consideration is determined to be ₹ 400 lakhs at the acquisition date. Aar Limited also incurred a sum of ₹ 120 lakhs towards legal, due diligence and valuation fees paid to external advisors. The value of the subsidiary's identifiable net assets as per Ind AS 103 on the date of acquisition is ₹ 6,000 lakhs. It is the group's policy to measure non-controlling interests at the proportionate share of the acquiree's net identifiable assets. As at 31st March 2026, the fair value of the contingent consideration has increased to ₹ 550 lakhs entirely on account of Kay Limited's post acquisition trading performance exceeding the earlier expectations. Aar Limited's cost of capital is 10% per annum. The appropriate discount factor for ₹ 1 @ 10% per annum receivable at the end of Year 1 and Year 2 is 0.9091 and 0.8264 respectively.

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(ii) Aar Limited has a number of own stores across India and also offers franchise to other companies. Four years ago, it had granted a ten year license allowing Zen Limited to operate in South India. The cost of the license was ₹ 5,00,000. The contract allows either party to terminate the franchise at a cost of the unexpired initial fee plus 20%. On 1st April 2025, the settlement amount is ₹ 3,60,000. i.e. [₹ 5,00,000 × 6/10] + 20%. On 1st April 2025, Aar Limited decides to acquire Zen Limited because it sees huge potential in the Southern Region and wants to exploit it. Accordingly it purchases the outstanding shares of Zen Limited for a consideration of ₹ 200 lakhs on 1st April 2025. Aar Limited calculates that under current economic conditions and at current prices it could grant the franchise for a further period of six years at ₹ 9,00,000.

(iii) Aar Limited has 6 subsidiaries including 2 foreign subsidiaries and 1 foreign associate company, each maintaining their own financial data independently. Aar Limited prepares consolidated financial statements in accordance with Ind AS 110 every year. The whole process needs to be accurate, consistent and completed in time, but Aar Limited is struggling for the same.

On the basis of the information provided in the above case scenario, you are required to choose the most appropriate answer to the below mentioned questions from **9** to **13** :

9. What is the amount of Goodwill arising on the acquisition of Kay Limited on 1st July 2025 ? **1**

(A) ₹ 1,109.04 lakhs

(B) ₹ 1,509.04 lakhs

(C) ₹ 1,629.04 lakhs

(D) ₹ 1,700.00 lakhs

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10. How should the increase of ₹ 150 lakhs in the fair value of contingent consideration be accounted for in consolidated financial statements for the year ended 31st March 2026 ?

(A) Increase the amount of goodwill by ₹ 150 lakhs.

(B) Recognize a loss of ₹ 150 lakhs in the Statement of Profit and Loss.

(C) Recognize ₹ 150 lakhs in Other Comprehensive Income.

(D) Recognize a loss of ₹ 120 lakhs in the Statement of Profit and Loss and adjust ₹ 30.00 lakhs against non-controlling interest.

11. At what value would the license be recognized by Aar Limited as a part of the business combination ?

(A) The licence is recognized at ₹ 5,00,000 at the original cost price.

(B) The licence is recognized at ₹ 4,00,000, the difference of fair value at market rates of a license based on the remaining contractual life and the original cost price.

(C) The licence is recognized at ₹ 14,00,000, the sum of fair value at market rates of a license based on the remaining contractual life and the original cost price.

(D) The licence is recognized at ₹ 9,00,000, the fair value at market rates of a license based on the remaining contractual life.

12. What is the amount of purchase consideration to be recognized for acquisition of Zen Limited ?

(A) ₹ 200.00 lakhs

(B) ₹ 196.40 lakhs

(C) ₹ 191.00 lakhs

(D) ₹ 195.00 lakhs

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13. Which specific computer technology can be used by Aar Limited to reduce the burden and streamline its financial reporting process ? 1

(A) Cloud computing

(B) Machine learning

(C) Robotic process automation

(D) Enterprise resource planning

14. X Limited is engaged in the business of sale of broadband services along with voice call service. Customers can also buy modem from X Limited. However, customers can also get the connection from X Limited and modem from another entity. The installation activity requires limited effort and the cost involved is almost insignificant. X Limited has various plans where it provides either broadband services or voice call service or both. To identify the performance obligation under the contract and determine if they are distinct, an automated process can be implemented using technology.

Which of the following step is not a part of automated process ? 1

(A) Analyse the clauses in the contract related to the services provided (broadband services, voice call services, modem sales).

(B) Each clause should be codified using appropriate parameters or tags to capture the relevant information.

(C) Assign Boolean value (0 or 1) to each parameter or tag in codified clauses.

(D) Use "0" to represent "Yes" and "1" to represent "No" for each parameter.

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15. In its first annual Ind AS financial statements, the entity should state :

(A) By an explicit statement in those financial statements of it's compliance with the Ind AS.

(B) By an explicit and unreserved statement in those financial statements of it's compliance with most of the Ind AS.

(C) By an explicit and unreserved statement in those financial statements of it's compliance with Ind AS.

(D) By an explicit and unreserved statement in the Director's report of it's compliance with Ind AS.

16. ABC Limited enters into a contract to build a power plant for a customer. The services to be provided by ABC Limited includes engineering, site clearance, foundation, procurement, construction of the structure, piping and wiring, installation of equipment and finishing.

How many performance obligations ABC Limited has ?

(A) Three performance obligations

(B) Two performance obligations

(C) A single performance obligation

(D) More than three performance obligations

17. Deferred tax liabilities are the amount of income tax payable in future period in respect of :

(A) Deductible temporary difference.

(B) Carry forward of unused tax losses.

(C) Taxable temporary difference.

(D) Carry forward of unused tax credits.

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18. NG Ltd. acquired all the shares of a foreign entity SG Inc. at a consideration of €18 million on 15th August 2024. The fair value of the net assets of the foreign entity at that date was €12 million. The functional currency of the entity is US$. The exchange rates at 15th August 2024 and 31st March 2025 were €1.5 = US1 and €2 = US1 respectively. What amount of goodwill should be included in the financial statements for the year ended 31st March 2025 ? **2**

(A) $4 million (B) €3 million

(C) $1.5 million (D) $3 million

19. An entity presents an analysis of expenses in the statement of profit or loss using a classification based on the nature of expenses method. Which of the following is not the classification using the nature of expense method ? **1**

(A) Employee benefits expense

(B) Selling and distribution expense

(C) Amortisation expense

(D) Depreciation expense

20. Which of the following topic is not included in the mandatory exceptions to the retrospective application of other Ind ASs as per Ind AS 101 ? **1**

(A) Derecognition of financial assets and liabilities

(B) Classification and measurement of financial instruments

(C) Embedded derivatives

(D) Share based payment transactions

21. Which of the following topic is not included in optional exemptions from retrospective application of other Ind ASs as per Ind AS 101 ? **1**

(A) Embedded derivatives

(B) Business combination

(C) Compound financial instruments

(D) Cumulative translation difference

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22. Which of the following correctly identifies circumstances under which a Chartered Accountant may or must disclose confidential information ?

(A) Disclosure is always prohibited unless a court orders it.

(B) Disclosure is allowed only with client permission, regardless of legal or regulatory demands.

(C) Disclosure may be required or appropriate when mandated by law, permitted by law with client authorization or when there is a professional duty or right to disclose not prohibited by law.

(D) Disclosure is never appropriate under any circumstances unless it benefits the client directly.

23. On 1st April 2011, K Limited subscribed for 40 million 1% loan notes in C Limited. The loan notes were issued at 90 paise and were redeemable at ₹ 1.20 on 31st March 2016. Interest is payable on 31st March in arrears at 4% of par value. This represents an effective annual rate of return for K Limited of 9.9%. K Limited's intention is to hold the loan notes until redemption. Until 31st October 2012, C Limited was a successful company with a good reputation for settling all its liabilities on their due dates. However, due to an event which occurred on 31st October 2012 three of C Limited's major customers became insolvent and this caused liquidity problems for C Limited. In November 2012, C Limited entered into negotiations with all its creditors, including K Limited. K Limited agreed to forego the interest payments due on 31st March 2012 and 2013, with the payments from 31st March 2014 onwards resuming as normal. What would be the initial measurement of financial instruments as subscription of loan notes in C Limited in its books of account by K Limited ?

(A) ₹ 40 million (B) ₹ 37.782 million

(C) ₹ 38.4 million (D) ₹ 36 million

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PART – II 70 Marks

(Descriptive Portion)

(Candidates are required to give descriptive answers for this part inside the answer book)

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.*
4. *Candidates are required to write the question number legibly.*

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1. Mercury Limited and Venus Limited are both engaged in the manufacture of personal care products. Following are the summarized Balance Sheets of the two companies as on 30th June 2026 : **14**

Particulars	Note No.	Mercury Limited (₹ In lakhs)	Venus Limited (₹ In lakhs)
Non-current Assets			
Property, Plant and Equipment	1	3,000	3,200
Financial Assets			
Investments		320	200
Current Assets			
Inventories		1,180	1,550
Financial Assets			
Trade Receivables		625	970
Cash and Cash Equivalents		75	80
Total		**5,200**	**6,000**
Equity and Liabilities			
Equity			
Equity Share Capital (Face value ₹ 10 per share)		2,400	4,000
Other Equity	2	1,200	400
Liabilities			
Non-current liabilities			
Financial Liabilities			
Long Term Borrowings (9% Debentures)		1,000	1,200
Current Liabilities			
Financial Liabilities			
Short Term Borrowings		100	100
Trade Payables		500	300
Total		**5,200**	**6,000**

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Notes to the Balance Sheet :

1	Property, Plant and Equipment	Mercury Limited (₹ In lakhs)	Venus Limited (₹ In lakhs)
	Land	850	700
	Building	350	300
	Plant and Machinery	1,800	2,200
	Total	**3,000**	**3,200**

2	**Other Equity**		
	Capital Reserve	200	-
	General Reserve	600	225
	Profit and Loss	400	175
	Total	**1,200**	**400**

In order to diversify the business and achieve economies of scale, the shareholders of both the companies approved a scheme of amalgamation. Accordingly, a new company, Planet Limited, was incorporated to take over the businesses of the existing companies with effect from 1st July 2026.

The fair values of the net assets of Mercury Limited and Venus Limited as on the date of acquisition are arrived at as follows :

	Mercury Limited (₹ In lakhs)	Venus Limited (₹ In lakhs)
Property, Plant and Equipment		
Land	1,100	1,000
Building	300	250
Plant and Machinery	1,800	2,250
Total	**3,200**	**3,500**
Inventories	**1,300**	**1,700**
Fair value of the business	**3,000**	**6,000**
Fair value of remaining Assets and Liabilities as on date of acquisition is equal to their carrying value.		

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Additional information :

* Planet Limited issued the requisite number of shares of the face value of ₹ 10 each to discharge the claims of the equity shares of the transferor companies.
* Planet Limited issued fresh 9% debentures of the face value of the same amount to the existing debenture holders of both the companies.
* Mercury Limited and Venus Limited are not under common control.
* Management of larger entity out of the two (Mercury Limited and Venus Limited) would take over the control of the new entity Planet Limited.

Based on the above, you are required to :

(i) Compute the purchase consideration and discharge thereof by preparing a note; and

(ii) Draft the Balance Sheet of Planet Limited as on 1st July 2026.

2. (a) Vindhyachal Refineries Limited is engaged in the production and trading of natural gas and oil. On 1st April 2022, to meet the financial requirements for expansion of it's production activities, Vindhyachal Refineries Limited issued 1,00,000 Compulsory Convertible Cumulative Preference Shares (CCCPS) of ₹ 100 each. These preference shares carry a coupon rate of 12% per annum and is payable every year. The Company has substantial profits for payment of preference dividend. Under the terms of instrument, every two preference shares are convertible into 1 equity share of ₹ 100 each at the end of 4th year. The prevailing annual market interest rate for a similar debt without conversion option is 15% per annum. The transaction cost of completing the issue process of the CCCPS is 3% of the value of the proceeds. The effective interest rate is 16.60% per annum. **10**

You are required to :

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(i) Compute the liability and equity component as on 1st April 2022; and

(ii) Pass necessary journal entries for the entire term of arrangement i.e. from the issue of preference shares till their conversion into equity shares;

keeping in view the provisions of the relevant Ind ASs.

Note : Use the following present values of ₹ 1 at different discounting factors for the purpose of calculation, wherever required.

Year	1	2	3	4
12%	0.8929	0.7972	0.7118	0.6355
15%	0.8696	0.7561	0.6575	0.5718
18%	0.8475	0.7182	0.6086	0.5158

(b) Discuss & conclude whether as per Ind AS, offsetting is permitted in the following cases :

(i) Expenses incurred by a holding company H on behalf of subsidiary company S are reimbursed by the subsidiary company. Whether in the standalone financial statements of the holding company H, the expenditure and related reimbursement of expenses by S can be offset ?

(ii) Whether profit on sale of an asset can be offset by loss on sale of another asset in financial statements ?

(iii) Where Entity A renders services to Entity B and Entity A also receives services from Entity B but under two different agreements. Can Entity A in its financial statements offset receivables from Entity B and payables to Entity B ?

(iv) Entity Z acts as an agent for Entity ZA. It has further appointed sub-agents to sell the products of Entity ZA. When presenting its revenue from operations, can Entity Z offset commission paid to sub-agents from commission received from Entity ZA ?

Note : All the aforesaid entities / companies present their financial statements as per Ind AS.

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3. (a) Y Limited is a manufacturing company. It prepares its financial statements as per Ind AS. It has numerous immovable assets such as land, office space, townships etc. in excess of its operational requirements. **8**

The details of these assets are as under :

Property	Details
Y Limited's office building (registered office)	Y Limited's registered office in New Delhi, is a 15 storey building. 3 floors are occupied by Y Limited. Remaining 12 floors are given on rent to other companies. The rent agreements are usually for a period of 3 years. As per Y Limited, these 12 floors will continue to be let out on rent to external parties. Y Limited has no plans to occupy any of these 12 floors, at least in the near future.
Flats in township located in location 1 built primarily for Y Limited's employees	There are 2,000 flats in the said township. 80% of the flats are allotted to employees and remaining flats are either kept vacant or given on rent to other external parties. All rent agreements are signed between Y Limited and tenants for 12 months which are then renewable on mutual terms and conditions. These rent agreements are cancellable. In addition to monthly rent, additional charges are also levied by Y Limited for electricity, water, cable connection, etc. Y Limited has no intention of selling such excess flats or allotting it to employees.

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Flats in township located in location 2	There are 1,000 flats in location 2 township of which : 400 flats are given to employees for accommodation; 350 flats are given on rent to Central & State Government for accommodation of their employees (average 12 months cancellable lease); 250 flats are kept vacant.
Hostel located in location 1	60 rooms in the hostel have been let out to G Limited, to give accommodation to their personnel. Lease agreement is prepared for every 11 months. Besides monthly rent, charges are levied towards water, electricity and cable connection.

Y Limited wants to classify all the aforesaid immovable properties as part of its Property, Plant and Equipment. Can it do so ? If not, what is the correct classification of each of the aforesaid properties as per applicable Ind AS as per available information ?

(b) Parag Limited prepares its Ind AS financial statements as on 31st March of every year. The following information relates to transactions, assets and liabilities of Parag Limited during the year ended 31st March 2026 :

(i) Parag Limited owns a freehold land with carrying value of ₹ 10,00,000 which is not depreciated for tax purposes but is indexed for inflation. As on 31st March 2026, indexed value and fair value of such land is ₹ 16,00,000 and ₹ 22,00,000 respectively. The Company follows the revaluation model for the freehold land. The intention is to sell the land as a standalone asset and not as a part of

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any slump sale. As per the applicable tax laws, indexation benefit is not available if freehold land is sold as a part of slump sale but indexation benefit is available if free hold land is sold as a standalone asset or kept vacant or used for company's business. However, Parag Limited has no intention of selling the land in the foreseeable future. The land is in excess of company's requirement.

(ii) On 31st October 2025, Parag Limited received ₹ 3,00,000 from a customer in respect of services to be provided by Parag Limited from 1st November 2025 to 31st August 2026. Parag Limited recognized revenue of ₹ 1,50,000 in respect of this transaction in the year ended 31st March 2026. It will recognize the balance revenue in the year ending 31st March 2027. Under the tax jurisdiction in which Parag Limited operates, ₹ 3,00,000 received on 31st October 2025 shall be included in its taxable income for the year ended 31st March 2026.

(iii) Just before 31st March 2026 Parag Limited committed itself to closing its Scooters Division after the year end, making a number of employees redundant. It recognized a provision for closure costs of ₹ 25,00,000 in its balance sheet as at 31st March 2026. Income Tax Act allows tax deduction for closure costs only when the closure actually takes place.

In the year ended 31st March 2027, Parag Limited expects to earn taxable profits in excess of ₹ 25,00,000. On 31st March 2026 it had taxable temporary differences from other items which were in excess of ₹ 25,00,000.

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Discuss how the tax consequences (current and deferred) of each of the above events would be reported in the Statement of Profit and Loss and Other Comprehensive Income of Parag Limited for the year ended 31st March 2026 as per applicable Ind AS.

Assume the rate of Corporate Income Tax is 25%.

4. (a) Entity A Limited prepares its financial statements as per Ind AS. It enters into a contract to supply 3000 television sets for ₹ 6 million. An increase in the cost of inputs has resulted into an increase in the cost of sales to ₹ 7.5 million. The penalty for non-performance of the contract is expected to be ₹ 0.75 million.

Evaluate whether the contract is onerous. Also determine the amount of provision to be made in this regard as per applicable Ind AS.

(b) Z Limited purchased 100 goats at an auction for ₹ 1,00,000 on 30th September 2025. Subsequent transportation costs were ₹ 1,000. Similar cost would have to be incurred by Z Limited if it has to sell the goats at the auction. Additionally, the seller has to incur a 2% selling fee on the market price of the goats.

On 31st March 2026, the market value of the goat in the most relevant market increases to ₹ 1,10,000. Transportation costs of ₹ 1,000 would have to be incurred by the seller to get the goats to the relevant market. An auctioneer's fee of 2% on the market price of the goat would be payable by the seller.

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On 1st June 2026, Z Limited sells 18 goats for ₹ 20,000 and incurs transportation charges of ₹ 150. In addition, there was a 2% auctioneer's fee on the market price of the goat which was paid by Z Limited.

On 15th September 2026, the fair value of the remaining goats was ₹ 82,820. 42 goats were slaughtered on that day at a cost of ₹ 4,200. The carcasses were sold for ₹ 48,300. The transportation cost to sell the carcasses was ₹ 420. No other costs were incurred.

On 30th September 2026 the market price in the most relevant market of the remaining 40 goats was ₹ 44,800. If Z Limited were to sell these goats, it had to incur a transportation cost of ₹ 400 and 2% auctioneer's fee on the market price.

The Company prepares its financial statements (including annual and interim) as per Ind AS as on 31st March and 30th September of every year. Pass the relevant journal entries with narration and working notes as on :

* 30th September 2025
* 31st March 2026
* 1st June 2026
* 15th September 2026
* 30th September 2026

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5. (a) Flying Limited, an Indian Company, is engaged in the manufacturing of flying cars and providing after sales services thereon. The Company had entered into a contract with Sanskar Tours to supply a flying car namely 'FC1' on 1st April 2025 and to service this flying car on 30th September 2025 and 1st April 2026. The cost of manufacturing the flying car was ₹ 3 crores.

A customer can also purchase the flying car and the maintenance services separately.

Sanskar Tours is contractually obliged to pay ₹ 5,83,55,800 on 1st April 2026. The prevailing rate for one-year credit granted to trade customers in the industry is 6% per six-month period.

Flying Limited expected that the servicing of the flying car sold to Sanskar Tours would cost ₹ 5,70,000 for first service and ₹ 9,50,000 for second service. Actual costs were as per expected cost. When Flying Limited provides maintenance service to customers in a separate transaction it earns a margin of 40% on cost.

On 1st April 2025, the cash selling price of Flying car sold to Sanskar Tour was ₹ 5 crores. The promised supply of Flying Car and maintenance service obligations were satisfactorily carried out in time by the company.

You are required to :

(i) Segregate the components of the transaction that Flying Limited shall apply to the revenue recognition criteria separately as per Ind AS 115.

(ii) Calculate the amount of revenue which Flying Limited must allocate to each component of the transaction.

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(b) Company X, an unlisted entity, being parent company of the group has a net worth of ₹ 180 crores as on 31st March 2026. 5

Following are the other companies of the group :

Name of the company	Relationship	Net worth as on 31st March 2026
Company Y (Unlisted)	Subsidiary of Company X	₹ 1,800 Crore
Company N (Unlisted)	Subsidiary of Company Y	₹ 300 Crore

Discuss and conclude whether Ind AS would be applicable to any or all of the aforesaid entities

(c) **EITHER**

Explain the process of development and finalization of Indian Accounting Standards. 4

OR

(c) Neptune Limited is a manufacturing company. It prepares its financial statements as on 31st March every year as per Ind AS. The balance sheet prepared by the Company as on 31st March 2026 includes trade receivables of ₹ 180 lakhs. Looking at the immediate fund's requirement, the company approached an NBFC on 31st March 2026 and made a factoring agreement. In accordance with the agreement Neptune Limited transferred its entire trade receivables to the NBFC & received ₹ 160 lakhs from the NBFC.

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As per the agreement :

* Any shortfall between the amount collected by NBFC and ₹ 160 lakhs disbursed by NBFC shall be borne and reimbursed by Neptune Limited to NBFC.

* Any amount collected by NBFC in excess to ₹ 160 lakhs shall be refunded to Neptune Limited after deducting interest on ₹ 160 lakhs.

The directors of Neptune Limited are of the opinion that the trade receivable should be derecognized in its financial statements as on 31st March 2026.

You are required to suggest an appropriate accounting treatment of the above transaction in the financial statements of Neptune Limited for the year ending 31st March 2026 as per Ind AS 109. Also discuss whether the treatment as per Ind AS 109 and the principles laid down in conceptual framework are in conflict with each other.

6. (a) What proactive measures should be taken to mitigate cybersecurity risks in respect of cyber security in accounting ?

(b) G Limited enters into a lease agreement with H Limited for a machinery.

Following information is available :

* The lease is initiated on 1st April 2023. The useful life of the machinery is 3 years. The machinery reverts back to H Limited on expiry of lease agreement.

* The fair market value of the machinery as on 1st April 2023 was ₹ 2,70,000.

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* Three annual payments of ₹ 1 lakh each were to be paid to H Limited beginning 31st March 2024.

* An additional sum of ₹ 2,000 was to be paid annually by G Limited for insurance.

* G Limited guarantees ₹ 20,000 as residual value on 31st March 2026 to H Limited.

* Irrespective of the residual value guarantee, the leased asset had a salvage value of ₹ 2,000 on 31st March 2026.

* The incremental borrowing rate of G Limited is 10% per annum. (implicit rate is unknown).

In the books of accounts of G Limited, you are required :

(i) To classify the lease according to its nature.

(ii) To measure the ROU asset and lease liability at the origin of lease and in subsequent years.

(c) Discuss and conclude the following scenarios in accordance with Ind AS 10 : 4

(i) The Board of Directors of Reyo Limited approved the financial statements for the reporting period being financial year 2025-26 for issue on 16th June 2026. Subsequently, the management of Reyo Limited discovered a major fraud in the financial year 2025-26 and reopened the books of accounts in accordance with Companies Act, 2013 and other applicable regulations. The financial statements were subsequently approved by the Board of Directors on 3rd August 2026. Determine the date on which financial statements were approved for issuance.

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(ii) Construction Limited entered in financial year 2024–25 a civil construction contract with public sector undertaking (PSU) at ₹ 400.00 lakhs. It started executing the project within financial year 2024–25. The execution continued in the next financial year also. On 30th June 2025 while working on the foundation, Construction Limited met a rocky surface. Construction Limited determined that due to the rocky surface the cost of the contract had gone up by ₹ 25 lakhs. This is not recoverable from the PSU. The financial statements of Construction Limited for the financial year ended on 31st March 2025 were considered and approved by the Board of Directors on 18th July 2026 without making any provision of increase in costs due to rocky surface. Whether the additional cost should have been recognized in the financial year 2024–25 being an adjusting event ?

(iii) A Limited sells goods to its customer at list price with a promise to give discount of 5% on list price of the goods provided that the payments are received from customer within 15 days. A Limited sold good of ₹ 10 lakhs to B Limited between 10th March 2026 and 31st March 2026. The financial statements for financial year 2025–26 were approved for issue by the Board of Directors on 28th May 2026. Should A Limited recognize the sales at list price or list price less discount of 5% in financial year 2025–26.

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(iv) There is a breach of a material covenant by the borrower of a long-term loan arrangement before the end of the reporting period by Entity D. Accordingly, the loan liability became payable on demand on the reporting date. However, the lender after the reporting date but before the approval of the financial statements of Entity D for issue, agrees to waive the breach. State whether this event is adjusting or non-adjusting event. Entity D prepares its financial statements as per Ind AS.

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