

Duration: 2.5 hours

Marks-75

- Note:** 1) All questions are compulsory.  
 2) Working Notes should form part of your answer.  
 3) Give working notes wherever necessary.  
 4) Use of Simple Calculator is allowed.

**Q.1 A) Choose Correct Alternative and rewrite the sentence: (Any 8)**

(8)

1. As per the Companies Act, the final accounts of a company should include:
  - a) Balance Sheet and Notes only
  - b) Profit and Loss Account only
  - c) Balance Sheet, Profit and Loss Account, and Notes to Account
  - d) Cash Flow Statement only
2. Which schedule of the Companies Act, 2013, prescribes the format of financial statements?
  - a) Schedule VIII
  - b) Schedule IV
  - c) Schedule III
  - d) Schedule VI
3. An underwriter's commission rate for shares is 2.5%. If shares issued = 50,000 at Rs.10 each, what is the maximum commission payable?
  - a) Rs.12,500
  - b) Rs.1,25,000
  - c) Rs.10,000
  - d) Rs.25,000
4. Marketed applications are those:
  - a) Directly linked to underwriters
  - b) Not linked to underwriters
  - c) Made by promoters
  - d) Issued to government
5. Exchange differences on settlement of foreign transactions are:
  - a) To be ignored
  - b) Adjusted in reserves
  - c) Recognized in Profit and Loss Account
  - d) Added to sales value
6. A loan received in foreign currency is recorded in books at:
  - a) Closing rate
  - b) Forward rate
  - c) Transaction date rate
  - d) Average monthly rate
7. Investments are classified into current and long-term based on:
  - a) Holding period intent
  - b) Profit earned on investment
  - c) Method of purchase
  - d) Valuation of assets
8. Current investments are valued in Balance Sheet at:
  - a) Market value only
  - b) Cost
  - c) Lower of cost or fair value
  - d) Higher of cost or market value
9. The IFAC Code of Ethics is primarily meant for:
  - a) Directors of companies
  - b) Professional Accountants
  - c) Shareholders
  - d) Credit rating agencies
10. Which approach links ethics closely with professional judgment in accounting standards?
  - a) Rule-based approach
  - b) Principle-based approach
  - c) Tax-based approach
  - d) Standards override approach

**Q.1 B) State whether the following statements are True or False: (Any 7)**

(7)

1. AS 1 mandates disclosure of all significant accounting policies used in preparing company accounts.
2. Underwriting of shares ensures that a company will receive a minimum subscription.
3. Marked applications in an underwriting contract are those not directly attributable to any underwriter.
4. All foreign currency transactions must be recorded at the closing rate at the end of the period.
5. Exchange gains and losses resulting from foreign currency transactions are recorded in the Profit & Loss Account.
6. As per AS 13, current investments are always valued at cost.
7. Weighted average cost method is one method used for calculating the carrying amount of investments.
8. Corporate social responsibility (CSR) is linked to ethics in financial reporting.
9. Whistle-blowing is the act of reporting unethical or illegal accounting practices.
10. A company accountant is not required to follow any ethical standards while preparing financial reports

**Q.2 A) AY Ltd. Provide you the following Trial Balance as on 31<sup>st</sup> March, 2025**

(15)

Particulars	(Rs.)	Particulars	(Rs.)
Land and Building	13,68,000	Share Capital	25,00,000
Bank Account	5,00,000	General Reserve	1,50,000
Accounts Receivable	4,00,000	Profit and Loss A/c	4,00,000
Intangible Assets (Trademark)	4,00,000	Long-Term Loan	1,50,000
Investments (at Cost)	1,00,000	Bank Overdraft	80,000
Machinery	2,80,000	Outstanding Expenses	20,000
Cash in Hand	90,000	Creditors for Goods	1,20,000
Bills Receivable	2,00,000	Creditors for Expenses	2,00,000
Advances	1,00,000	Tax Provision	18,000
Inventory (at Cost)	5,00,000	Bank Loan	3,00,000
	<b>39,38,000</b>		<b>39,38,000</b>

**Additional Information:**

1. Authorised Share Capital consists of 3,00,000 Equity Shares of Rs.10 each and 30,000 9% Preference Shares of Rs.100 each.
2. Share Capital consists of 1,50,000 Equity Shares of Rs.10 each and 9% Preference Shares of Rs.100 each.
3. Transfer Rs.1,80,000 to General Reserve.
4. Out of the Accounts Receivable, Rs.1,20,000 are overdue for more than six months. All debtors are unsecured and considered good.
5. Investments represent equity shares in Y Ltd., Rs.10 each, Rs.7 paid up.
6. Bills discounted with bank worth Rs.1,20,000 are not matured till the Balance Sheet date.

You required to Prepare the Balance Sheet of AY Limited as on 31 March, 2025 as per Schedule III of the Companies Act, 2013.

OR

**Q.2 B)** MN Ltd. decided to issue 2,40,000 equity shares of Rs.25 each. The shares were underwritten equally by three underwriters: Rina, Tina, and Jian. In addition, there was firm underwriting as follows:

Rina: 3,000 shares;                      Tina: 2,000 shares;                      Jian: 4,000 shares

The company received applications for 2,10,000 shares, which includes firm underwriting and marked applications. The number of marked applications credited to each underwriter was:

Rina: 50,000 shares;                      Tina: 40,000 shares;                      Jian: 30,000 shares

You are required to calculate the liability of each underwriter under the following conditions:

- When credit is given for firm underwriting (benefit is given).
- When credit is not given for firm underwriting (benefit is not given). (15)

**Q.3 A)** MY Ltd., exported machinery to NK Trading Company USA worth US \$15,00,000 on 10th February, 2024, on which date the exchange rate of 1 US \$ was Rs. 83.75. (15)

The payments were received as follows:

On 15/03/2024, payment of \$5,00,000 received when the exchange rate was Rs. 83.50.

On 20/04/2024, payment of \$5,00,000 received when the exchange rate was Rs. 84.25.

On 05/06/2024, payment of \$5,00,000 received when the exchange rate was Rs. 82.00.

MY Ltd. closes its books on 31st March every year. The exchange rate on 31st March, 2024 was Rs. 82.25 per US \$.

Pass journal entries for the above transactions in the books of MY Ltd. and prepare the Foreign Exchange Fluctuation Account for the year ended 31<sup>st</sup> March, 2024 and 31<sup>st</sup> March, 2025.

OR

**Q.3 B)** Following is the Trial Balance extract of AIS Ltd. as on 31st March, 2025: (15)

Particulars	Rs.	Particulars	Rs.
Interest Income	3,00,000	Employee Bonus	28,000
Freight Inward	1,40,000	Rent and Taxes	60,000
Utility Expenses	85,000	Depreciation on Machinery	90,000
Depreciation on Buildings	3,50,000	Depreciation on Office Furniture	45,000
Discounts Received	1,10,000	Maintenance Costs	78,000
Sales Commission	15,000	Revenue from Sales	50,00,000
Employee Salaries	1,90,000	Labor Costs	65,000
Inventory (Opening)	8,50,000	Total Purchases	22,00,000
Marketing Expenses	70,000	Accounting Fees	32,000
Telephone Charges	80,000	Interest Expenses	5,50,000
Purchase Returns	45,000		

**Additional Information**

1. Closing stock is valued at Rs. 18,00,000.

2. Provision for Tax to be made is Rs. 4,50,000.

You are required to Prepare the Statement of Profit and Loss for AIS Ltd. for the year ended 31st March, 2025. (15)

**Q. 4 A)** On 1st April, 2024, Mr. Rohan Kapoor holds 6,000 12% debentures of Rs. 100 each issued by Maple Ltd. as investments at a cost of Rs. 5,70,000. The following transactions occurred related to purchase and sale of these debentures during the year ending 31st March, 2025: (15)

**Purchase:**

1<sup>st</sup> July, 2024: Purchased 1,800 debentures at Rs. 97 Ex-Interest

30<sup>th</sup> October, 2024: Purchased 2,200 debentures at Rs. 103 Cum-Interest

**Sales:**

31<sup>st</sup> January, 2025: Sold 3,000 debentures at Rs. 105 Cum-Interest

28<sup>th</sup> February, 2025: Sold 1,200 debentures at Rs. 95 Ex-Interest

Maple Ltd. pays interest on 30th September and 31st March every year.

You are required to prepare the Investment in 12% Debentures of Maple Ltd. Account for the year ending 31st March, 2025, in the books of Mr. Rohan Kapoor. Apply AS-13 for accounting treatment.

**OR**

**Q.4 B)** On 1st April, 2024, Ms. Anaya Verma holds 60,000 Equity Shares of Rs. 15 each in Horizon Technologies Ltd. at a cost of Rs. 9,00,000. (08)

The following transactions took place during the year ending 31st March, 2025:

On 25th June, 2024, she purchased 25,000 additional shares of the same company at a cost of Rs. 3,75,000.

On 10th August, 2024, the company issued a bonus of three shares for every ten shares held on that date.

On 15th September, 2024, she subscribed to rights shares offered by the company at the rate of four shares for every ten shares held on that date at Rs. 18 per share.

On 5th March, 2025, she sold 8,000 shares for Rs. 25 each.

Prepare the Investment in Equity Shares Account in the books of Ms. Anaya Verma for the year ended 31st March, 2025.

**Q.4 C)** GreenField Ltd. issued 30,000 debentures of Rs. 100 each. The underwriting responsibility among three underwriters was as follows: (07)

Aman: 15,000 debentures; Varun: 5,000 debentures; Neha: 10,000 debentures

The company received applications for 27,000 debentures. The marked applications from each underwriter were:

Aman: 10,000 debentures; Varun: 4,000 debentures; Neha: 5,000 debentures

You are required to show the allocations of liability of each underwriter.

**Q.5 A)** discuss how ethics influence the development and implementation of accounting standards. (08)

**Q.5 A)** How do rule-based and principle-based approaches to accounting standards differ in terms of their ethical implications for professional accountants? (07)

**OR**

**Q.5 B) Write Short Notes: (Any 3)** (15)

1. liability of underwriters
2. Company Codes of Ethics
3. Gross Block
4. Fixed Interest-Bearing Securities
5. Accounting Treatment for sale of Goods in Foreign Currency

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