

GENERAL INSTRUCTIONS TO CANDIDATES



- The question paper comprises two parts, Part I and Part II.
- Part I comprises Multiple Choice Questions (MCQs).
- Part II comprises questions which require descriptive answers.
- 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.
- Answers to Questions of Part I are to be marked on the OMR answer sheet given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written inside the descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.
- 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.
- The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.
- 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.
- 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.
- The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
- 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 - I

30 marks

- Answer all MCQs.
- Use HB pencil only to darken the circles for MCQ answers in the answer sheet.
- 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	
<p>Example : For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (Correct Method)</p> <p>12 (A) (B) (C) (D)</p>	<p>Not as shown below (Wrong method) :</p> <p>12 (A) (B) (C) (D)</p> <p>12 (A) (B) (C) (D)</p> <p>12 (A) (B) (C) (D)</p> <p>12 (A) (B) (C) (D)</p> <p>12 (A) (B) (C) (D)</p>

- Any answer to MCQ marked inside descriptive answer book will not be considered and no marks will be awarded.
- 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.
- 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.
- 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.
- 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 : 12

Maximum Marks : 30

Roll No.

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Question Paper
Booklet Code

C	A	M	1
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Name of the Candidate

Signature of the Candidate

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This booklet is the property of the Examination Body. Any unauthorized and illegal circulation of its contents in part or in full in any manner whatsoever is strictly prohibited. Candidates involved in such unauthorized and illegal acts are liable to be prosecuted besides being disqualified to appear in any further examinations of the Examination Body.

- (1) After each MCQ, four options have been given. Choose the correct or most appropriate option and darken the corresponding circle against the MCQ number in the OMR answer sheet.*
- (2) Answer to MCQs, if written inside the descriptive answer book shall not be awarded any mark.*
- (3) Please ensure to 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.*
- (4) Please write your Roll No. and name on the topmost page of the MCQ booklet at the specified place without fail.*



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PART – I

Case Scenario – I

You are auditing Fortunate Limited for the financial year ended 31st March 2025. Fortunate Limited prepares its financial statements on Companies (Indian Accounting Standards) Rules, 2015 (Ind AS). The following information is made available to you :

- (i) On 1st April 2024, Fortunate Limited had issued a 2 year mandatorily convertible (single) bond of ₹ 20,00,000. There are no transaction costs. The terms require Fortunate Limited to make interest payment of ₹ 1,00,000 each at the end of the financial year 2024-25 and 2025-26. The bond will mandatorily convert into 10,000 ordinary shares on 31st March 2026.
- (ii) On 1st October 2024, Fortunate Limited had issued 5 years, 9% per annum Optionally Convertible Debentures (OCD) for ₹ 400,00,000. The OCDs are convertible into ordinary shares of Fortunate Limited, at the option of the holder, at the end of the tenure of 5 years in the ratio of 1:1 i.e. each OCD will be converted to one ordinary share. Interest is paid annually on 30th September, each year. The market rate for issuance of OCDs without a conversion option is 12% per annum.
- (iii) Fortunate Limited had issued ₹ 200,000, 5% per annum loan bonds on 1st April 2023. The issue cost amounted to ₹ 8,000. These bonds are redeemable at a premium. Hence, the effective rate of interest is 8% per annum on bonds.

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On the basis of information provided above, you are required to choose the most appropriate answer to the below mentioned questions 1 to 3 in line with relevant Ind AS :

1. If the market interest rate for similar bond without conversion option is 9% per annum on initial recognition, then in the bond : 2
 - (A) There is no liability component.
 - (B) There is no equity component.
 - (C) The equity component is ₹ 18,24,090.
 - (D) The liability component is ₹ 18,24,090.

2. With respect to Optionally Convertible Debentures, the finance cost to be charged to Statement of Profit or Loss for the year ended on 31st March 2025 is : 2
 - (A) ₹ 36.00 lakhs
 - (B) ₹ 18.00 lakhs
 - (C) ₹ 42.80 lakhs
 - (D) ₹ 21.40 lakhs

3. With respect to loan bonds of ₹ 2,00,000, the finance cost to be charged to Statement of Profit or Loss for the year ended on 31st March 2025 is : 2
 - (A) ₹ 16,480
 - (B) ₹ 15,789
 - (C) ₹ 15,360
 - (D) ₹ 16,000

Case Scenario – II

You have recently qualified as a Chartered Accountant and being recruited by Star Limited. You are being interviewed by the CFO of the Company. You are provided with the following situations :

- (i) Star Limited acts as a mediator between a lessee and a lessor wherein lessee has taken a commercial property on lease from the lessor. As per the lease agreement, the rent will be paid by the lessee to Star Limited. Star Limited will then pay the rent to the lessor.

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- (ii) Star Limited had, on 1st April 2024, purchased a machine for ₹ 110.00 lakhs. The useful life of the machinery is 10 years and the residual value is estimated to be ₹ 10.00 lakhs. The machine is depreciated on straight line method. On 31st March 2025, a test for impairment was conducted. With respect to the aforesaid machine, the fair value less costs to sell is ₹ 82.00 lakhs and value in use is ₹ 72.00 lakhs.
- (iii) Star Limited had incurred following expenditure for the development of its first and only software product, customized to Indian environment, which is to be offered to its Indian customers. The development commenced on 1st April 2024 and ended on 31st December 2024 when the software was ready for sale. However, the first sale of the product was made on 1st April 2025. The following information is made available to you :

Particulars	Amount (₹ in lakhs)
Purchase price of imported software	1,800.00
Direct employee costs of software engineers for full financial year 2024-25	3,600.00
Testing costs paid to retainers	5,400.00
Other costs directly related to customization (which includes an abnormal cost of ₹ 15.00 lakhs in respect of repairing the damage as a result of a security breach)	1,350.00
Professional fees paid for external software developers	660.00
Cost of training provided to sales staff	585.00
Cost of marketing & promotion	4,680.00
Administrative and general overheads	2,475.00

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- (iv) Star Ltd. has certain cases pending before various forums under different laws. The following table is a summary of such pending cases :

Particulars	No. of case	Outcome	Probability	Estimated damages per case
Filed by employees	28	Lose	60%	₹ 2.00 lakhs
Filed by customers	12	Lose	70%	₹ 1.00 lakh
Filed by vendors	2	Lose	50%	Extremely difficult to make reliable estimate
Filed against vendor	1	Win	90%	

On the basis of information provided above, you are required to choose the most appropriate answer to the below mentioned questions 4 to 7 in line with relevant Ind AS :

4. In respect of the lease, choose the most appropriate option in preparation of the Statement of Cash Flow (as per Ind AS 7) of Star Limited : 2
- (A) There is no guidance available in Ind ASs;
(B) Offsetting in cash flow is not permitted by Ind AS 1;
(C) As per Ind AS 7, the transaction may be reported on net basis;
(D) As per Ind AS 7, the transaction must be reported on net basis.
5. With respect to machine purchased on 1st April 2024, determine impairment loss (as per Ind AS 36) to be recognized in financial year 2024-25 and depreciation (as per Ind AS 16) in the financial year 2025-26 (assuming revised residual value of ₹ 1.00 lakh); 2
- (A) Impairment loss of ₹ 8.00 lakhs and depreciation of ₹ 10.00 lakhs
(B) Impairment loss of ₹ 18.00 lakhs and depreciation of ₹ 9.00 lakhs
(C) Impairment loss of ₹ 8.00 lakhs and depreciation of ₹ 9.00 lakhs
(D) Impairment loss of ₹ 18.00 lakhs and depreciation of ₹ 10.00 lakhs.

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6. The total cost as per Ind AS 38 of the software developed by the Company is : 2
- (A) ₹ 7,080.00 lakhs (B) ₹ 13,380.00 lakhs
- (C) ₹ 11,895.00 lakhs (D) ₹ 12,480.00 lakhs
7. As per Ind AS 37, the Company should recognize a provision in its financial statement with respect to pending legal matters aggregating to : 2
- (A) ₹ 68.00 lakhs (B) ₹ 44.20 lakhs
- (C) ₹ 42.00 lakhs (D) ₹ Nil

Case Scenario – III

The following information of H Limited which regularly prepares its financial statements on Ind AS, is made available to you :

- (i) The share capital of H Limited since its incorporation is ₹ 1.00 lakh divided into 10,000 ordinary shares of ₹ 10 each. The Company, on 1st June 2024, issued 3,600 compulsorily convertible debentures (CCD) of ₹ 10 each. At the end of 18 months, CCDs will be converted into ordinary shares in the ratio of 1 ordinary share for 6 CCDs.
- (ii) H Limited, on 1st April 2024, acquired 40% of the ordinary share capital of C Limited at a cash consideration of ₹ 1,95,000 when the carrying value of the net assets of C Limited was ₹ 3,00,000 and the fair value was ₹ 4,00,000. The excess of fair value over the carrying value was attributable to one of the buildings owned by C Limited having a remaining useful life of 10 years with Nil residual value. C Limited, after taxes, earned profit of ₹ 80,000 and other comprehensive income of ₹ 20,000 during the financial year 2024-25.

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(iii) H Limited is also required to publish quarterly information. Some of the expenses are however incurred on an uneven basis. For the financial year 2024-25,

- the entire advertising costs of ₹ 30.00 lakhs, in one bullet payment was incurred on 1st August 2024;
- Bonus to sales staff paid at the year end, was budgeted to be ₹ 40.00 lakhs for the entire year out of which ₹ 8.00 lakhs relate to the quarter ending 30th September 2024.

On the basis of information provided above, you are required to choose the most appropriate answer to the below mentioned questions 8 to 12 in line with relevant Ind AS :

8. Choose the most appropriate option for calculation of earnings per share of H Limited for the year ended 31st March, 2025 :

2

- (A) 10,500 shares shall be used as denominator for calculation of both basic and diluted earnings per share.
- (B) 10,000 shares shall be used as denominator for calculation of basic earnings per share. However, 10,500 shares shall be used as denominator for calculation of diluted earnings per share.
- (C) 10,600 shares shall be used as denominator for calculation of both basic and diluted earnings per share.
- (D) 10,000 shares shall be used as denominator for calculation of basic earnings per share. However, 10,600 shares shall be used as denominator for calculation of diluted earnings per share.

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9. The amount of the goodwill to be recorded as part of carrying amount of investment by H Limited on acquisition of C Limited on 1st April 2024 as per fair value method is 2
- (A) ₹ 1.00 lakhs (B) ₹ 1.05 lakhs
(C) ₹ 1.95 lakhs (D) ₹ 0.35 lakhs
10. The share of H Limited in the profit and other comprehensive income of C Limited for the financial year 2024-25 is : 2
- (A) ₹ 28,000 & ₹ 8,000 respectively
(B) ₹ 32,000 & ₹ 8,000 respectively
(C) ₹ 8,000 & ₹ 28,000 respectively
(D) ₹ 8,000 & ₹ 32,000 respectively
11. The amount of H Limited's closing balance of investment in C Limited at the end of the financial year 2024-25 is : 2
- (A) ₹ 1.95 lakhs (B) ₹ 1.55 lakhs
(C) ₹ 2.31 lakhs (D) ₹ 2.35 lakhs
12. The costs that should have been included in the interim financial results of H Limited for quarter ended 30th September 2024 are : 2
- (A) Advertising costs ₹ 30 lakhs, staff bonuses ₹ 10 lakhs
(B) Advertising costs ₹ 15 lakhs; staff bonuses ₹ 10 lakhs
(C) Advertising costs ₹ 7.5 lakhs; staff bonuses ₹ 8 lakhs
(D) Advertising costs ₹ 30 lakhs; staff bonuses ₹ 8 lakhs

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13. A Ltd. and B Ltd. are engaged in the manufacturing of homogeneous plastic bottles.

A Ltd. operates in the northern, eastern, and central regions of India. B Ltd. operates in the western and southern regions. To fulfill the demand across India, the companies have a non-monetary exchange arrangement where :

- A Ltd. supplies bottles to B Ltd. for B Ltd.'s customers in the north, east, and central regions.
- B Ltd. supplies bottles to A Ltd. for A Ltd.'s customers in the west and south.
- This arrangement is solely to facilitate regional customer orders, and the products are homogeneous.
- During the year 2024-25, for exactly same quantities :
 - Fair value of bottles supplied by A Ltd. : ₹ 5,00,000
 - Fair value of bottles supplied by B Ltd. : ₹ 5,20,000

How should A Ltd. and B Ltd. recognize revenue for the exchange for the year 2024-25 as per Ind AS 115 ?

2

- (A) A Ltd. should recognize a revenue of ₹ 5,20,000 and B Ltd. should recognize a revenue of ₹ 5,00,000, based on the fair value of bottles received, as this represents the value of the goods acquired for customer delivery.
- (B) A Ltd. should recognize a revenue of ₹ 5,00,000 and B Ltd. should recognize a revenue of ₹ 5,20,000, based on the fair value of bottles transferred, as they satisfy performance obligations through the exchange.
- (C) No revenue should be recognized by either A Ltd. or B Ltd. for the exchange, despite the fair values being ₹ 5,00,000 and ₹ 5,20,000 respectively, because Ind AS 115 explicitly excludes such non-monetary exchanges between entities in the same line of business conducted to facilitate customer sales.
- (D) B Ltd. should recognize a revenue of ₹ 20,000 for the excess fair value received (₹ 5,20,000 – ₹ 5,00,000), since the exchange is not at par and reflects an arm's length transaction.

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14. X Ltd. as the reporting entity has net investment in foreign operations in its two foreign subsidiaries, B Ltd. and C Ltd. Loans made between group entities are permanent in nature (that is, settlement is neither planned nor likely to occur). X Ltd., with sterling (£) as its functional currency, is preparing its financial statements for the financial year ending on 31st March 2025. It has a loan receivable of US\$ 1 million from its subsidiary C Ltd. that has been outstanding for some time. The parent notified the subsidiary at the beginning of the financial year that no repayment of the amount will be requested for the foreseeable future. The relevant exchange rates are as follows :

Date	Exchange Rate (£1 = US\$)
31 st March 2024	1.45
31 st March 2025	1.82

Determine the foreign exchange loss to be recognized in Parent X Ltd.'s standalone financial statements at 31 March 2025 with respect to loan receivable from subsidiary C Ltd. ?

2

- (A) £140,204 (B) £370,000
(C) £689,655 (D) £549,451

15. You, a Chartered Accountant, have been approached by two partners of a firm who are in the process of dissolving their partnership. Both partners wish to engage you to assist with the financial aspects of the dissolution.

Which statement out of the following statements best describes the ethical concern in this situation under the Code of Ethics of the Institute of Chartered Accountants of India ?

2

- (A) There is no ethical issue as long as both partners pay equal fees for the service.
(B) You must refuse the engagement from both the parties, as assisting both parties is strictly prohibited under all circumstances.
(C) This situation creates a potential conflict of interest, and you may proceed only if informed consent is obtained from both parties and appropriate safeguards are applied.
(D) You can act for both parties freely, as they are no longer in a business relationship.

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SPACE FOR ROUGH WORK

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CHARTERED ACCOUNTANTS FINAL JANUARY 2026 EXAM
PAPER 1 : FINANCIAL REPORTING
CODE : CAM1

Set-A	CORRECT OPTION
1	C
2	D
3	B
4	C
5	B
6	C
7	A OR C
8	A
9	D
10	A
11	C
12	D
13	C
14	A
15	C

*Answer key
Chartered
HOD(Exam)*