FINAL EXAMINATION

P–18(CFR)

DECEMBER 2013

Syllabus 2012

CORPORATE FINANCIAL REPORTING

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

*Answer **all** the questions.*

1. Answer *any two* of the following: 5×2=10

(a) X has 60% interest in a joint venture with Y. X sold a plant with w.d.v. ₹ 60 lacs for ₹ 80 lacs. Calculate how much profit X should recognize in its books as per AS-27 in case the joint venture is

(i) jointly controlled operation

(ii) jointly controlled asset

(iii) jointly controlled entity

(b) Jupiter Ltd. has an asset, which is carried in the Balance Sheet on 31.03.2012 of ₹ 500 lakhs. As of that date, the value in use is ₹ 400 lakhs and the net selling price is ₹ 375 lakhs.

From the above data:

(i) Calculate Impairment Loss

(ii) Prepare Journal Entries for adjustment of Impairment Loss

(iii) Show how the Impairment Loss will be shown in the Balance Sheet

(c) From the following information for Rishab Ltd. for the year ended 31.03.2013, calculate the deferred tax asset/liability as per AS-22.

Accounting Profit	₹ 10,00,000
Book Profit as per MAT (Minimum Alternate Tax)	₹ 9,00,000
Profit as per Income Tax Act	₹ 1,00,000
Tax Rate	30%
MAT Rate	10%

2. (a) The summarized Balance Sheets of A Ltd. and its subsidiary B Ltd. as on 31.03.2013 are as follows:

	A Ltd.		B Ltd.	
Equity and Liabilities Shareholder's Funds				
Share Capital in equity shares of Rs. 10 each		40,00,000		8,00,000
Reserves and Surplus				
General reserve	30,00,000		20,00,000	
Profit and Loss A/c	20,00,000	50,00,000	10,00,000	30,00,000
Non-Current liabilities				
Secured loans		10,00,000		3,00,000
Current Liabilities				
Trade payables		18,00,000		2,00,000
Total		**118,00,000**		**43,00,000**

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	A Ltd.		B Ltd.	
Assets				
Non-current assets				
Tangible assets		40,00,000		15,00,000
Non-current investments				
Equity shares in B Ltd. (60,000 shares)		6,00,000		
Current Assets				
Inventories	27,00,000		20,00,000	
Trade receivables	30,00,000		5,00,000	
Cash and cash equivalents	15,00,000	72,00,000	3,00,000	28,00,000
Total		**118,00,000**		**43,00,000**

A Ltd. holds 75% of the paid-up capital of B Ltd. and the balance is held by a foreign company.

A memorandum of understanding has been entered into with the foreign company by A Ltd. to the following effect:

(i) The shares held by the foreign company will be sold to A Ltd. at a price per share to be calculated by capitalizing the yield at 25%. Yield for this purpose would mean 60% of the average pre-tax profits for the last 4 years, which were ₹ 14 lacs, 20 lacs, 22 lacs and 24 lacs respectively.

(ii) The actual cost of shares to the foreign company was ₹ 2,00,000 only. Gains accruing to the foreign company are taxable at 20%. The tax payable will be deducted from the sale proceeds and paid to the Government by A Ltd. 60% of the consideration (after payment of tax) will be remitted by A Ltd. to the foreign company.

(iii) A Ltd. will issue its shares at their intrinsic value for the balance consideration. Cash will be paid for any fractional shares in the computation.

(iv) It was also then decided that A Ltd. would absorb B Ltd. by simultaneously writing down the fixed assets of B Ltd. by 10%. Stock of A Ltd. included stock of ₹ 1,00,000 purchased from B Ltd., which sold it at cost + 25%.

The entire arrangement was approved and made effective from 1.4.2013.

You are required to show the Balance Sheet of A Ltd. after the arrangement was made effective as at 1.4.2013. Present the Balance Sheet in the revised Schedule VI format. Fill in the figures to the extent available. Workings should form part of your answer. 15

OR