Paper-16: Advanced Financial Accounting & Reporting

Time Allowed: 3 Hours **Full Marks: 100**

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

Working Notes should form part of the answer.

"Whenever necessary, suitable assumptions should be made and indicated in answer by the candidates."

Part A questions are compulsory. Attempt all of them

Part B has seven question. Attempt any five of them

Part A (25 marks)

1.(a) In each of the cases given below, one out of four alternatives is correct. Indicate the correct answer (= 1 mark)and give workings/reasons briefly in support of your answer (= 1 mark): [10×2=20]

(i) On 1st December, 2012, VC Ltd. undertook a contract to construct a building for ₹ 85 lakhs. ON 31st March, 2013 the company found that it had already spent ₹ 64,99,000 on the construction. Prudent estimate of additional cost for completion was ₹ 32,01,000. What is the additional provision for foreseeable loss, which must be made in the final accounts for the year ended 31st March, 2013 as per provisions of AS-7 on "Accounting for Construction Contracts".

A. ₹64,99,000

B. ₹ 32,01,000

C. ₹ 3,96,000

D. ₹ 8,04,000

Answer:—C. ₹ 3,96,000

		₹
	Contract Price	85 lakhs
	Cost incurred	65.99 lakhs
	Estimated cost to completion	32.01 lakhs
Loss to be provided for the year ending 97-85		
As per AS-7 – 31-3-2009		= 12 lakhs
Loss to be recognized 64.99/97 × 100 = 67/100 × 12		= 8.04 lakhs
Additional provision to be made for foreseeable loss		3.96 lakhs

(ii) D Ltd. incurred costs to modify its building and to rearrange its production line. As a result, an overall reduction in production costs is expected. However, the modifications did not increase the building's market value, and the rearrangement did not extend the production line's life.

Should the building modification costs and the production line rearrangement costs be capitalized?

	Building modification costs	Production line rearrangement costs
A.	Yes	No
B.	Yes	Yes
C.	No	No
D.	No	Yes

Answer:— B. Yes,Yes.

As per AS-10, Only expenditure that increases the benefits from the existing asset beyond its previously assessed standard of performance is included in the gross book value. In this case future benefits from the existing asset appear to have increased beyond its previously assessed standard of performance as there is overall reduction in production cost which is expected. Therefore both the building modification and production line rearrangement contributed to the improved efficiency in the production process. Therefore, both costs should be capitalized and answer **B** is correct.

(iii)

	Exchange Rate
Goods purchased on 24-2-2011 of US $ 10000	**₹ 46.60**
Exchange rate on 31-3-2011	**₹ 47.00**
Date of actual payment 5-6-2012	**₹ 47.50**

Calculate the loss/gain for the financial years 2012-13.

A. ₹ 4,66,000
B. ₹ 4,70,000
C. ₹ 4,75,000
D. ₹ 5,000

Answer:—D: ₹ 5,000

As per AS-11 all foreign currency transactions should be recorded by applying the exchange rate at the date of transaction. Therefore goods purchased on 24-2-2011 and corresponding creditor would be recorded at ₹ 46.60 = US $ 1, i.e.

$$10,000 \times 46.60 = ₹\ 4,66,000$$

As per AS-11 at the balance sheet date all monetary items should be reported using the closing rate therefore creditors of US $ 10,000 outstanding on 31-3-2012 will be reported.

$$10,000 \times 47.00 = ₹\ 470,000$$

Exchange loss (470,000 - 466,000) should be debited in profit and loss account for 2010-11.

As per AS-11 exchange difference on settlement on monetary items should be transferred to profit and loss account as gain or loss therefore 10,000 × 47.50 = 475,000 - 470,000 = ₹ 5000 will be debited to profit or loss for the year 2012-13.

(iv) The following data apply to a company's defined benefit pension plan for the year:

Amount (₹)

Fair market value of plan assets (beginning of year)	**400,000**
Fair market value of plan assets	**5,70,000**
Employer Contribution	**1,40,000**
Benefit Paid	**1,00,000**

Calculate the actual return on plan assets.

A. ₹5,70,000
B. ₹1,30,000
C. ₹4,00,000
D. ₹1,70,000.

Answer:—B: ₹1,30,000.

The actual return is computed as follows:

Particulars	Amount (₹)	Amount (₹)
Fair market value of plan assets (end of year)		5,70,000
Fair market value of plan assets (beginning of year)		4,00,000
Change in plan assets		1,70,000
Adjusted for		
Employer contributions	1,40,000	
Less: Benefit Paid	1,00,000	40,000
Actual return on plan assets		1,30,000

(v) On 1-1-2013 Ashwin Ltd. has 3,600 equity shares outstanding. On 31-5-2013, it issued 1,200 equity shares for cash (without bonus claim). On 1-11-2013 it bought back 600 equity shares. Calculate the weighted average number of shares as on 31-12-2013?
A. 4,200 shares
B. 5,400 shares
C. 4,800 sahres
D. None of the above

Answer:—A: 4,200 shares.
Computation of weighted average number of shares as per AS-20 is as follows:
$(3{,}600 \times \frac{5}{12}) + (4{,}800 \times \frac{5}{12}) + (4{,}200 \times \frac{2}{12}) = 4.200$ shares.

(vi) UV Ltd. had 20,00,000 equity shares outstanding as on 1-1-2013. On 1-10-2013 it issued 2 equity shares bonus for each share outstanding on 30-9-2013. Net profit for 2012 was ₹ 18,00,000, net profit for 2013 was ₹60,00,000. Calculate Basic EPS 2013 and adjusted EPS for 2012.

A. ₹1.00, ₹0.30
B. ₹0.30, ₹1.00
C. ₹1.30, ₹2.00
D. None of the above

Answer:—A: ₹1.00, ₹0.30

Earning per share for the year 2013 (refer point 20.2-1)

$$\frac{₹\ 60,00,000}{(20,00,000+40,00,000)} = ₹\ 1.00$$

Adjusted earning per share for the year 2012

$$\frac{₹\ 18,00,000}{(20,00,000+40,00,000)} = ₹\ 0.30$$

Since the bonus issue is an issue without consideration, the issue is treated as if it had occurred in the beginning of the year 2013, the earliest period reported.

(vii) From the following details of PQ Ltd. for the year ended 31-3-2013, Calculate the deferred tax asset/liability as per AS-22.

	₹
Accounting Profit	**5,00,000**
Book profit as per MAT	**4,50,000**
Profit as per Income-tax Act	**50,000**
Tax rate	**30%**
MAT rate	**7.50%**

A. ₹1,50,000
B. ₹33,750
C. ₹15,000
D. ₹1,35,000

Answer:—D: ₹1,35,000

Tax as per accounting profit	5,00,000 × 30%	= 1,50,000
Tax as per Income-tax, profit	50,000 × 30%	= 15,000
Tax as per MAT	4,50,000 × 7.50%	= 33,750

Tax expense = Current tax + deferred tax

1,50,000 = 15,000 + deferred tax

Therefore, Deferred tax liability as on 31-3-2013

= 1,50,000 - 15,000 = ₹1,35,000

(viii) Uday Ltd. presents interim financial report quarterly. On 1-4-2013. Uday Ltd. has carried forward loss of ₹400 lakhs for income-tax purpose for which deferred tax asset has not been recognized. The Uday Ltd. earns ₹ 500 lakhs in each for quarter ending on 30-6-2013,30-9-2013,31-12-2013 and 31-3-2014 excluding the loss carried forward. Income-tax rate is expected to be 40% Calculate the amount of tax expense to be reported in each quarter.

A. ₹500

B. ₹640

C. ₹160

D. ₹1,600

Answer:—C: ₹160

The estimated payment of the annual tax on ₹ 2,000 lakhs earnings for the current year.

(2,000 lakhs - ₹ 400 lakhs) = ₹ 1,600 lakhs

₹ 1,600 × 40/100 = ₹ 640 lakhs.

Average annual effective tax rate = (640/2,000) × 100 = 32%

Tax expense to be shown each quarter will be 500 × 32/100 = ₹ 160 lakhs.

(ix) On January 2, 2012 Virat Ltd. bought a trademark from Mithil Ltd. for ₹ 5,00,000. Virat Ltd. retained an independent consultant, who estimated the trademark's remaining life to be 20 years. Its unamortised cost on Mithil Ltd. accounting records was ₹ 3,80,000. Virat Ltd. decided to amortize the trademark over the maximum period allowed. In Virat's December 31,2012 balance sheet, what amount should be reported as accumulated amortization?

A. ₹ 7,600

B. ₹ 9,500

C. ₹ 25,000

D. ₹ 50,000

Answer: —D:₹ 50,000

As per para 23 of AS-26 (refer point 26.8), intangible assets should be measured initially at cost therefore, Virat Ltd. should amortize the trademark at its cost of ₹ 5,00,000. The unamortised cost on the seller's books (₹3,80,000) is irrelevant to the buyer. Although the trademark has a remaining useful life of 20 years, intangible assets are generally amortized over a maximum period of 10 years per AS-26 (refer point 26.16-2). Therefore, the 2012 amortization expense and accumulated amortization is 50,000 (₹ 5,00,000 ÷ 10 years).

(x) Swift Ltd. has an asset, which is carried in the Balance Sheet on 31.3.2014 at ₹ 1,200 lakh. As at that date value in use is ₹ 800 lakh. If the net selling price is ₹ 900 lakh, Recoverable amount of the asset as per AS-28 will be

A. ₹ 900 lakh

B. ₹ 300 lakh

C. ₹ 100 lakh
D. None of (A), (B), (C)

Answer:— A:₹900 lakh

Recoverable amount is higher of Value in use ₹800 lakh and net selling price ₹900 lakh.
Recoverable amount = ₹900 lakh.

(b) From the following information compute diluted earnings per share.

Net profit for the year 2012	**₹12,00,000**
Weighted average number of equity shares outstanding during year 2012	**5,00,000 shares**
Average fair value of one equity share during the year 2012	**₹20**
Weighted average number of shares under option during the year 2012	**1,00,000 shares**
Exercise price per share under option during the year 2012	**₹15**

[5]

Answer:

Particulars	Earnings ₹	Shares	Earning per share ₹
Net profit for the year 2012	12,00,000		
Weighted average number of equity shares outstanding during the year 2012		5,00,000	
Basic earnings per share (12,00,0000/5,00,000)			2.40
Weighted average number of shares under option		1,00,000	
Number of shares that would have been issued at fair value (1,00,000 × 15.00)/20.00	*	(75,000)	
Diluted earnings per share (12,00,0000/5,25,000)	12,00,000	5,25,000	2.29

*The earnings have not been increased as the total number of shares has been increased only by the number of shares (25,000) deemed for the purpose of computation to have been issued for no consideration (Para 37(b) of AS 20).

Part B (75 marks)

2. The business of P Ltd. was being carried on continuously at losses. The following are the extracts from the Balance Sheet of the Comapny as on 31st March, 2012.

Balance Sheet as on 31st March, 2012

Liabilities	Amount ₹	Assets	Amount ₹
Authorised, Issed and		**Goodwill**	**50,000**

Subscribed Capital :		Plant	3,00,000
30,000 Equity Shares of ₹ 10		Loose Tools	10,000
each fully paid	3,00,000	Debtors	2,50,000
2,000 8% Cumulative Pref.		Stock	1,50,000
Shares of ₹ 100 each fully paid	2,00,000	Cash	10,000
Securities Premium	90,000	Bank	35,000
Unsecured Loan(From Director)	50,000	Preliminary Expenses	5,000
Sundry creditors	3,00,000	Profit & Loss Account	2,00,000
Outstanding Expenses (including Directors' remuneration ₹ 20,000)	70,000		
	10,10,000		10,10,000

Note : 1) Dividends on Cumulative Preference Shares are in arrears for 3 years.

2) Unsecured loans (from director) is assumed to be of less than 12 months hence, treated as short term borrowings. (ignoring interest)

The following scheme of reconstruction has been agreed upon and duly approved by the Court.

i. Equity shares to be converted into 1,50,000 shares of ₹ 2 each.

ii. Equity shareholders to surrender to the Company 90 per cent of their holding.

iii. Preference shareholders agree to forego their right to arrears to dividends inconsideration of which 8 percent Preference Shares are to be converted into 9 per cent Preference Shares.

iv. Sundry creditors agree to reduce their claim by one fifth in consideration of their getting shares of ₹ 35,000 out of the surrendered equity shares.

v. Directors agree to forego the amounts due on account of unsecured loan and Director's remuneration.

vi. Surrendered shares not otherwise utilised to be cancelled.

vii. Assets to be reduced as under :

Goodwill by	₹ 50,000
Plant by	₹ 40,000
Tools by	₹ 8,000
Sundry Debtors by	₹ 15,000
Stock by	₹ 20,000

viii. Any surplus after meeting the losses should be utilised in writing down the value of the plant further.

ix. Expenses of reconstruction amounted to ₹10,000.

x. Further 50,000 Equity shares were issued to the existing members for increasing the working capital. The issue was fully subscribed and paid-up.

A member holding 100 equity shares opposed the scheme and his shares were taken over by the Director on payment of ₹ 1,000 as fixed by the Court.

You are required to pass the journal entries for giving effect to the above arrangement and also to draw up the resultant Balance Sheet of the Company. [15]

Answer:

Particulars		**Debit** ₹	**Credit** ₹
a. Sub Division of Shares			
Equity Share Capital (₹ 10 each) A/c	Dr.	3,00,000	
To Equity Share Capital (₹ 2 each) A/c			3,00,000
b. Surrender of Shares			
Equity Share Capital (₹ 2) A/c	Dr.	2,70,000	
To Shares Surrendered A/c			2,70,000
c. Conversion of Preference Share Capital			
8% Cumulative Preference Share Capital A/c	Dr.	2,00,000	
To 9% Cumulative Preference Share Capital A/c			2,00,000
d. Surrendered shares issued to creditors under reconstruction scheme			
Shares Surrendered A/c	Dr.	35,000	
To Equity Share Capital A/c			35,000
e. Expenses Paid			
Expenses A/c	Dr.	10,000	
To Bank A/c			10,000
f. Cancellation of unissued surrendered shares			
Shares Surrendered A/c	Dr.	2,35,000	
To Capital Reduction A/c			2,35,000
g. Amount sacrificed by Directors			
Unsecured Loan A/c	Dr.	50,000	
Sundry Creditors A/c	Dr.	60,000	
Outstanding Expenses A/c	Dr.	20,000	
To Capital Reduction A/c			1,30,000
h. Assets Written off			
Capital Reduction A/c	Dr.	3,65,000	
To Goodwill A/c			50,000
To Loose tools A/c			8,000
To Sundry debtors A/c			15,000

Particulars	**Debit** ₹	**Credit** ₹
To Stock – in – trade A/c		20,000
To Profit and Loss A/c		2,00,000

To Preliminary expenses A/c			5,000
To Expenses A/c			10,000
To Plant A/c			57,000

i. Issue of Shares

Applications received			
Bank A/c	Dr.	1,00,000	
To Share Application A/c			1,00,000
Allotment of Shares			
Share Application A/c	Dr.	1,00,000	
To Share Capital A/c			1,00,000
(Being 50000 equity shares of ₹ 2 each issued as fully paid as per Board's Resolution dated…)			

Note 1 : a. Cancellation of Preference dividend need not be journalized; on cancellation it cease to be contingent liability and hence no further disclosure.

b. Preference shareholders have to forego policy rights presently enjoyed at par with Equity Shareholders.

Note 2 : The transfer of 100 shares by the dissentient shareholders to the director concerned need not be journalized.

Note 3 : It has been assumed that the share premium account is to be kept in fact since the scheme is silent about it.

Name of the Company: P Ltd.					
Balance Sheet as at 31.03.2012					
Ref No.	Particulars		Note No.	**As at 31st March, 2012**	**As at 31st March, 2011**
				₹	₹
	I.	Equity and Liabilities			
	1	Shareholders' funds			
		(a) Share capital	1	3,65,000	

		(b) Reserves and surplus	2	90,000	
		(c) Money received against share warrants			
	2	Share application money pending allotment			
	3	Non-current liabilities			
		(a) Long-term borrowings			
		(b)Deferred tax liabilities (Net)			
		(c) Other Long term liabilities			
		(d) Long-term provisions			
	4	Current Liabilities			
		(a) Short-term borrowings			
		(b) Trade payables	3	2,40,000	
		(c)Other current liabilities	4	50,000	
		(d) Short-term provisions			
		Total		7,45,000	
	II.	Assets			
	1	Non-current assets			
		(a) Fixed assets			
		(i) Tangible assets	5	2,43,000	
		(ii) Intangible assets			
		(iii) Capital work-in-progress			
		(iv) Intangible assets under development			
		(b) Non-current investments			
		(c)Deferred tax assets (Net)			
		(d) Long-term loans and advances			
		(e) Other non-current assets			

	2	Current assets			
		(a)Current investments			
		(b) Inventories	6	1,32,000	
		(c) Trade receivables	7	2,35,000	
		(d) Cash and cash equivalents	8	1,35,000	
		(e) Short-term loans and advances			
		(f) Other current assets			
		Total		7,45,000	

		(₹)
Note 1. Share Capital	**As at 31st March, 2012**	**As at 31st March, 2011**
Particulars	**Amount (₹)**	**Amount (₹)**
Authorised : 1,50,000 equity shares of ₹ 12 each fully paid up 2,000 8% cumulative preference shares of ₹ 100 each	3,00,000 2,00,000	
	5,00,000	
Issued, Subscribed and paidup Subscribed Capital: 82,500 Equity shares of ₹ 2 each fully paid up (of the above 17,500 shares have been issued other than cash under the scheme of reconstruction) 2,000 9% Cumulative Pref. Shares of ₹ 100 each fully paid up	1,65,000 2,00,000	
Total	3,65,000	

RECONCILIATION OF SHARE CAPITAL				
FOR EQUITY SHARE :-	**As at 31st March, 2012**		**As at 31st March, 2011**	
	Nos	**Amount (₹)**	**Nos**	**Amount (₹)**
Opening Balance as on 01.04.11	82,500	165,000,000	NIL	NIL
Add: Fresh Issue (Incld Bonus shares, Right shares, split shares, shares issued other than cash)			NIL	NIL
	82,500	165,000,000	NIL	NIL
Less: Buy Back of shares	-	-	-	-

	82,500	165,000,000	NIL	NIL

Note 2. Reserves and Surplus	As at 31st March, 2012	As at 31st March, 2011
Securities Premium	90,000	
Total	90,000	

Note 3. Trade Payables	As at 31st March, 2012	As at 31st March, 2011
Sundry creditors	2,40,000	
Total	2,40,000	

Note 4.Other Current Liabilities	As at 31st March, 2012	As at 31st March, 2011
Outstanding Expenses	50,000	
Total	50,000	

Note 5. Tangible assets		As at 31st March, 2012	As at 31st March, 2011
Plant less: Amount written off under the sceme of reconstruction	₹ 3,00,000 ₹ 57,000	2,43,000	
Total		2,43,000	

Note 6. Inventories	As at 31st March, 2012	As at 31st March, 2011
Stock-in trade	1,30,000	
Loose tools	2,000	

Total	1,32,000	
Note 7. Trade receivables	As at 31st March, 2012	As at 31st March, 2011
Debtors	2,35,000	
Total	2,35,000	
8. Cash and Cash Equivalents	As at 31st March, 2012	As at 31st March, 2011
Cash at Bank	1,25,000	
Cash in Hand	10,000	
Total	1,35,000	

3. X Ltd. has 2 divisions A and B.
Division A has been making constant profits while Division B has been invariably suffering losses. On 31st March, 2012 the division wise Balance Sheet was:

(₹ Crores)

		A	B	Total
Fixed Assets cost (Tangible)		250	500	750
Depreciation		225	400	625
	(i)	25	100	125
Current Assets:		200	500	700
Less: Current liabilities		25	400	425
	(ii)	175	100	275
	(i) + (ii)	200	200	400
Financed by :				
Loan		—	300	300
Capital : Equity ₹ 10 each		25	_	25
Surplus		175	(100)	75
		200	200	400

Division B along with its assets and liabilities was sold for ₹ 25 crores to Y Ltd. a new comapny, who allotted 1 crore equity shares of ₹ 10 each at a premium of ₹ 15 per share to the memebers of X Ltd. in full settlement of the consideration in proportion to their shareholding in the company. Asssuming that there are no other transactions, you are asked to :

i. **Pass journal entries in the books of X Ltd.**
ii. **Prepare the Balance Sheet of X Ltd. after the entires in (i).** **[6+9=15]**

Answer:

Part I - Books of X Ltd :

Basic Information :

X Ltd.

Division A	Division B
Profit Making	Loss Making
Retained by X Ltd	Assets and Liabilites transferred to Y Ltd for consideration of ₹ 25 Crores.

I. ***Journal Entries***

(₹ Crores)

	Particulars		***Debit***	***Credit***
i.	Sale of Assets and Liabilities to Y Ltd.			
	Y Ltd A/c	Dr.	25	
	Loan A/c	Dr.	300	
	Current liabilities A/c	Dr.	400	
	Provision for depreciation A/c	Dr.	400	
	To Fixed Assets A/c			500
	To Current Assets A/c			500
	To Capital Reserve A/c (bal fig)			125
ii.	Receipt of consideration from B Ltd.			
	Equity shares in Y Ltd.	Dr.	25	
	To Y Ltd. A/c		25	

II.

Name of the Company: X Ltd.

Balance Sheet as at 31.03.2012

Ref No.		**Particulars**	**Note No.**	**As at 31st March, 2012**	**As at 31st March, 2011**
				(**₹ in Crore**)	(**₹ in Crore**)
	I.	Equity and Liabilities			
	1	Shareholders' funds			
		(a) Share capital	1	25.00	
		(b) Reserves and surplus	2	200.00	
		(c) Money received against share warrants			
	2	Share application money pending allotment			
	3	Non-current liabilities			
		(a) Long-term borrowings			
		(b)Deferred tax liabilities (Net)			
		(c) Other Long term liabilities			
		(d) Long-term provisions			

	4	Current Liabilities			
		(a) Short-term borrowings			
		(b) Trade payables			
		(c) Other current liabilities	3	25.00	
		(d) Short-term provisions			
		Total		250.00	
	II.	Assets			
	1	Non-current assets			
		(a) Fixed assets			
		(i) Tangible assets	4	25.00	
		(ii) Intangible assets			
		(iii) Capital work-in-progress			
		(iv) Intangible assets under development			
		(b) Non-current investments	5	25.00	
		(c) Deferred tax assets (Net)			
		(d) Long-term loans and advances			
		(e) Other non-current assets			
	2	Current assets			
		(a)Current investments			
		(b) Inventories			
		(c) Trade receivables			
		(d) Cash and cash equivalents			
		(e) Short-term loans and advances			
		(f) Other current assets	6	200.00	
		Total		250.00	

Note:
Division 'B' was sold to M/s. Y Ltd. The consideration received for the transfer was equity shares of Y Ltd. of ₹ 10 each fully paid, issued at a premium of ₹ 15.

Total value of consideration = 1 Crore shares × (₹ 10 + ₹ 15)
= 1 Crore × ₹ 25

= ₹ 25 Crores

Note 1. Share Capital	As at 31st March, 2012	As at 31st March, 2011
		(₹ in Crore)
Authorised, Issued, Subscribed and paid up:-	-	
2.5 crores Equity share of ₹ 10 Each	25.00	
Total	25.00	

RECONCILATION OF SHARE CAPITAL				
FOR EQUITY SHARE :-	As at 31st March, 2012		As at 31st March, 2011	
	Nos	Amount (₹)	Nos	Amount (₹)
Opening Balance as on 01.04.11	-	-	NIL	NIL
Add: Fresh Issue (Incld Bonus shares , Right shares, split shares, shares issued other than cash)	2.50	25.00	NIL	NIL
	2.50	25.00	NIL	NIL
Less: Buy Back of shares	-	-	-	-
	2.50	25.00	NIL	NIL

Note 2. Reserve and Surplus	As at 31st March, 2012	As at 31st March, 2011
Capital Reserve	125.00	
Profit & loss(existing)	75.00	
Total	200.00	

Note 3. Other Current liabilities	As at 31st March, 2012	As at 31st March, 2011
Current liabilities	25.00	-
Total	25.00	-

Note 4. Tangible Assets	As at 31st March, 2012	As at 31st March, 2011
Fixed Assets	250.00	-
Less : Provision for Depreciation	225.00	
Total	25.00	-

(It is assumed that all Fixed Asset are Tangible Fixed Assets)

Note 5. Non Current Investment	**As at 31st March, 2012**	**As at 31st March, 2011**
Investment in Equity Share of Y Ltd. (Face value of ₹ 10 subscribed at a Premium of ₹ 15 each)	25.00	-
Total	25.00	-

Note 6. Other Current Assets	**As at 31st March, 2012**	**As at 31st March, 2011**
Current Assets	200.00	-
Total	200.00	-

Part II - In the books of Y Ltd.
Journal Entries

(₹ in Crore)

	Particulars		**Debit**	**Credit**
a.	For Business purchase			
	Business Purchase A/c	Dr.	25	
	To X Ltd A/c			25
b.	Assets and liabilities taken over			
	Fixed Assets A/c	Dr.	100	
	Current Assets A/c	Dr.	500	
	Goodwill A/c (Balancing Figure)	Dr.	125	
	To Loan A/c			300
	To Current liabilities A/c			400
	To Business Purchase A/c			25
c.	Discharge of liability			
	X Ltd A/c	Dr.	25	
	To Equity Share capital A/c			10
	To Securities premium A/c			15

4. (a) The following is the Balance Sheet of P Ltd.

Liabilities		**₹**
Equity Share Capital		**2,00,000**
Reserves and Surplus		**4,00,000**
Secured Loan		**2,00,000**
Unsecured Loans		**6,00,000**
		14,00,000
Assets	**₹**	**₹**

Fixed Assets		**7,00,000**
Investments		**4,00,000**
(Market Value ₹ 9,00,000)		
Current Assets	**4,00,000**	
Less: Current liabilities	**(1,00,000)**	**3,00,000**
		14,00,000

The company consists of three divisions. The scheme was agreed upon, according to which a new company B Ltd. is to be formed. It will take over investments at ₹9,00,000 and unsecured loans at balance sheet value. It is to allot equity shares of ₹ 10 each at par to the shareholders of P Ltd. in satisfaction of the amount due under the arrangement. The scheme was duly approved by the High Court. Pass journal entries in the books of P Ltd. [6]

Answer:

In the Books of P Ltd.

	Particulars		**Debit ₹**	**Credit ₹**
1.	B Ltd. A/c	Dr.	9,00,000	
	To Investments A/c			4,00,000
	To Shareholders A/c			5,00,000
	[Being investments transferred at agreed value of ₹ 9,00,000]			
2.	Unsecured Loans A/c	Dr.	6,00,000	
	To B Ltd. A/c			6,00,000
	[Being unsecured loan taken over by B Ltd.]			
3.	Shareholders A/c	Dr.	3,00,000	
	To B Ltd. A/c			3,00,000
	[Being allotment by B Ltd. of 30,000 Equity shares of ₹ 10 each to shareholders of the company]			
4.	Shareholders A/c	Dr.	2,00,000	
	To Capital Reserve			2,00,000
	[Being balance in Shareholders A/c transferred to Capital Reserve]			

(b) The draft balance Sheets of A and its American subsidiary B Inc. as at 30.06.2013 are as under –

Liabilities	**A Ltd**	**B Inc.**	**Assets**	**A Ltd**	**B Inc.**
	₹	**US $**		**₹**	**US $**

Share Capital in Equity shares	**30,00,000**	**30,000**	**Fixed assets**	**18,00,000**	**20,000**
Profit & Loss Account	**20,00,000**	**40,000**	**Investments in B**	**17,00,000**	**-**
Loan Funds	**13,00,000**	**20,000**	**Stocks**	**12,00,000**	**30,000**
Trade Creditors	**6,00,000**	**10,000**	**Debtors**	**24,00,000**	**60,000**
Provision for Taxation	**10,00,000**	**20,000**	**Cash and Bank**	**8,00,000**	**10,000**
Total	**79,00,000**	**1,20,000**	**Total**	**79,00,000**	**1,20,000**

1. **A Ltd. acquired 80% of shares in B Inc. on 01.07.2009, when the P & L A/c showed a balance of $20,000.**
2. **Exchange rates per $ prevalent dates were: 01.07.2009: ₹30, 01.07.2012 = ₹ 36 : 30.06.2013: ₹42.**
3. **A Ltd decided to amortise goodwill, if any, over a period of eight years.**

Determine (i) the exchange rate gain and the amount to be transferred to the translation reserve

(ii) Minority interest, and

Show analysis of profit as integral and non-integral operation. **[9]**

Answer:

Basic information

Company Status	**Dates**	**Holding Status**
Holding Company = A Ltd. Subsidiary = B Inc.	Acquisition: 01.07.2009 Consolidation: 30.06.2013	Holding Company = 80% Minority Interest = 20%

Analysis of Profit and Loss Account of B Inc. (for Translation Purposes)

Balance on 30.06.2013 $40,000

01.07.2009 (Acquisition) **$20,000** Addition between 01.07.09 & 30.06.13 **$20,000**

Capital (balancing figure) **Revenue**

Translation into ₹

Particulars	**Pre Acquisition reserve**	**Post Acquisition Reserve**	**Total**
In American Dollar Conversion rate Per $	20,000 30 (date of Acqn.)	20,000 (30 + 42)/2 = 36 (Average rate)	40,000

In Indian ₹	6,00,000	7,20,000	13,20,000

Translation of B Inc's Balance sheet into Indian Rupees

Particulars			Integral Operations			Non – Integral Operations		
	Debit ($)	Credit ($)	₹ per $	Debit (₹)	Credit (₹)	₹ per $	Debit (₹)	Credit (₹)
Share Capital		30,000	30		9,00,000	30		9,00,000
Reserves		40,000	WN 2		13,20,000	WN 2		13,20,000
Loan Funds		20,000	42		8,40,000	42		8,40,000
Creditors		10,000	42		4,20,000	42		4,20,000
Taxation		20,000	42		8,40,000	42		8,40,000
Fixed Assets	20,000		30	6,00,000		42	8,40,000	
Stock in Trade	30,000		42	12,60,000		42	12,60,000	
Debtors	60,000		42	25,20,000		42	25,20,000	
Cash in Bank	10,000		42	4,20,000		42	4,20,000	
Total	**1,20,000**	**1,20,000**		**48,00,000**	**43,20,000**		**50,40,000**	**43,20,000**
Exch. Rate Gain					**4,80,000**			**-**
Translation reserve					**-**			**7,20,000**
Total				**48,00,000**	**48,00,000**		**50,40,000**	**50,40,000**

Analysis of Reserves & Surplus on B Inc. (for Consolidation Purposes)

(a) **Profit & Loss Account:** Balance on 30.6.2013 ₹13,20,000

As on date of Acquisition

01.07.2009 ₹**6,00,000**

Capital Profits

Acquisition to consolidation

Profit between 01.07.09 & 30.06.13 ₹ **7,20,000**

(balancing figure) **Revenue**

(b) **Exchange Gain (Only for Integral Operation) = ₹4,80,000 = Revenue Profit**

Consolidation of Balances

Particulars	Integral Operations				Non Integral Operations			
	Total	Minority Interest	Pre. Acqn.	Post. Acqn. P& L A/c	Total	Minority Interest	Pre. Acqn	Post. Acqn.
								P& L A/c

Equity Capital	9,00,000	1,80,000	7,20,000		9,00,000	1,80,000	7,20,000		
Profit & Loss A/c	13,20,000	2,64,000	4,80,000	5,76,000	13,20,000	2,64,000	4,80,000	5,76,000	
Exchange. Rate	4,80,000	96,000		3,84,000	-	-			
Gain					7,20,000	1,44,000			5,76,000
Trans. Reserve									
Sub Total		5,40,000	12,00,000	9,60,000		5,88,000	12,00,000		
Cost of Investment			(17,00,000)				(17,00,000)		
Part's balances				20,00,000				20,00,000	
Consolidated Balance		5,40,000	(5,00,000) (Goodwill)	29,60,000		5,88,000	(5,00,000) (Goodwill)	25,76,000	5,76,000
Goodwill Already Amortized			2,00,000	(2,00,000)			2,00,000	(2,00,000)	
For CBS		5,40,000	(3,00,000)	27,60,000		5,88,000	(3,00,000)	23,76,000	5,76,000

5. The following are the Balance Sheets of Sky Ltd. and Star Ltd. as on 31.03.2012 -

Liabilities	Sky (₹)	Star (₹)	Assets	Sky (₹)	Star (₹)
Share Capital:			**Fixed Assets:**		
Equity Shares of ₹ 10 each	**5,00,000**	**2,00,000**	**Goodwill (Purchased)**	**60,000**	**40,000**
			Machinery	**1,00,000**	**60,000**
12% Pref. Shares of ₹ 100 each	**1,00,000**	**50,000**	**Vehicles**	**1,80,000**	**70,000**
Reserves:			**Furniture**	**50,000**	**30,000**
General Reserve	**1,00,000**	**60,000**	**Investment:**		
Profit & Loss A/c	**1,50,000**	**90,000**	**Shares of Star (Cost)**	**3,80,000**	**–**
Current Liabilities & Provisions:			**Current Assets:**		
Creditors	**60,000**	**70,000**	**Stock**	**70,000**	**1,40,000**
			Debtors	**1,00,000**	**1,65,000**
Income Tax	**70,000**	**60,000**	**Bank Balance**	**40,000**	**25,000**
Total	**9,80,000**	**5,30,000**	**Total**	**9,80,000**	**5,30,000**

The following further information is furnished:

i. **Sky Ltd. acquired 12,000 Equity Shares and 400 Preference Shares on 01.04.2011 at a cost of ₹2,80,000 and ₹ 1,00,000 respectively.**
ii. **The Profit & Loss Account of Star Ltd. had a credit balance of ₹ 30,000 as on 01.04.2011 and that of General Reserve on that date was ₹ 50,000.**
iii. **On 01.07.2011, Star Ltd. declared dividend out of its pre-acquisition profit, 12% on its Share Capital; Sky Ltd. credited the receipt of dividend to its Profit & Loss Account.**
iv. **On 01.10.2011 Star Ltd. issued one Equity Share for every three shares held, as Bonus Shares, at a face value of ₹ 100 per share out of its General Reserve. No entry has been made on the books of Sky Ltd. for the receipt of these bonus shares.**
v. **Star Ltd. owed Sky Ltd. ₹ 20,000 for purchase of goods from Sky Ltd. The entire stock of goods is held by Star Ltd. on 31.03.2012. Sky Ltd. made a profit of 25% on cost. [15]**

Prepare a Consolidated Balance Sheet as at 31.03.2012.

Answer:

A. Basic Information

Company Status	Dates	Holding Status
Holding Company = Sky Ltd. Subsidiary = Star Ltd	Acquisition: 01.04.2011 Consolidation: 31.03.2012	Holding Company = 80% Minority Interest = 20%

Shareholding Status: Shares held on 31.03.2012 = 12,000+ 1/3 x 12,000 (Bonus) = 16,000 out of 20,000 = 80%.

Note**:** Share distribution pattern can be determined as under –

Date	Particulars	Held by Sky Ltd.	% of Holding	Total Shares
01.04.2011	Opening Balance	12,000	NIL	15,000
01.10.2011	Bonus Shares (1/3 x 12,000)	4,000	80%	5,000
31.03.2012	Closing Balance	16,000	80% (16,000/20,000)	20,000 (From Balance Sheet Given)

B. Analysis of Reserves & Surplus of Star Ltd.
(a) General Reserve
Balance on 31.03.2012 ₹ 60,000

	Balance on 01.04.2011 (acquisition)	50,000	Transfer during 2011-12 (bal. fig) 60,000 Revenue Reserve
Less:	Bonus Issue (1/3 x 15,000 Shares x ₹ 10)	50,000	
	Capital Profit	**Nil**	

(b) Profit & Loss Account
Balance on 31.03.2012 ₹ 90,000

Balance on 01.04.2011 (acquisition)	30,000	Profit for 2011-12	₹ 84,000
Less: Dividend on pre-acquisition profit		Less: Preference Dividend	₹ 6,000
(12% x 15,000 shares x ₹ 10 each)	(18,000)		**₹ 78,000**
Less: Preference dividend (50,000 x 12%)	(6,000)		**Revenue Profit**
Balance Capital Profits	₹ 6,000		

C. Analysis of Net Worth of Star Ltd.

Particulars		Total	Sky Ltd	Minority
		100%	**80%**	**20%**
(a) Share Capital:	Equity	2,00,000	1,60,000	40,000

		Preference	50,000	40,000	10,000
(b)	Capital Profits:	General Reserve	Nil		
		Profit & Loss Account	6,000		
			6,000	4,800	1,200
(c)	Revenue Reserve:		60,000	48,000	12,000
(d)	Revenue Profit:	Profit & Loss Account of Star Ltd. for the year	78,000	62,400	15,600
(e)	Preference Dividend		6,000	4,800	1,200
	Minority Interest				80,000

D. Cost of Control

Particulars		₹
Cost of Investment: Equity Shares of Star Ltd.		2,80,000
Preference Shares of Star Ltd.		1,00,000
Total Cost of Investment		**3,80,000**
Less: Dividend out of Pre-acquisition profits		
Preference Shares (400 Shares x ₹ 100 each x 12%)	4,800	
In Equity Shares (12,000 Shares x ₹ 10 each x 12%)	14,400	(19,200)
Adjusted Cost of Investment		3,60,800
Less: (1) Nominal Value of Equity Share Capital	1,60,000	
(2) Nominal Value of Preference Share Capital	40,000	
(3) Share in Capital Profit of Star Ltd.	4,800	(2,04,800)
Goodwill on Consolidation		**1,56,000**

E. Consolidation of Reserves & Surplus

Particulars	Gen. Res	P&L A/c
Balance as per Balance Sheet of Sky Ltd.	1,00,000	1,50,000
Add: Share of Revenue Profits/ Reserves of Star Ltd.	48,000	62,400
Add: Share of Preference Dividend from Star Ltd.	–	4,800
Less: Dividend out of Pre-acquisition Profits (₹ 4,800 + ₹ 14,400)	–	(19,200)
Less: Preference Dividend payable for the current year by Sky Ltd.	–	(12,000)
Less: Stock Reserve on Closing Stock (20,000 x 25 /125)	–	(4,000)
Adjusted Consolidated Balance	**1,48,000**	**1,82,000**

Name of the Company: Sky Ltd. And its subsidiary Star Ltd.
Consolidated Balance Sheet as at 31st March 2012

Ref No.	Particulars	Note No.	As at 31st March, 2012	As at 31st March, 2011
			₹	₹

	A	**EQUITY AND LIABILITIES**			
	1	**Shareholders' funds**			
		(a) Share capital @ ₹ 10 each	1	6,00,000	-
		(b) Reserves and surplus	2	3,30,000	-
		(c) Money received against share warrants		-	-
				9,30,000	-
	2	**Minority Interest**		80,000	-
	3	**Non-current liabilities**			
		(a) Long-term borrowings		-	-
		(b) Deferred tax liabilities (net)		-	-
		(c) Other long-term liabilities		-	-
		(d) Long-term provisions		-	-
				-	-
	4	**Current liabilities**			
		(a) Short-term borrowings		-	-
		(b) Trade payables	3	1,10,000	-
		(c) Other current liabilities		-	-
		(d) Short-term provisions	4	1,42,000	-
				2,52,000	-
		TOTAL (1+2+3+4)		12,62,000	-
	B	**ASSETS**			
	1	**Non-current assets**			
		(a) Fixed assets			
		(i) Tangible assets	5	4,90,000	-
		(ii) Intangible assets (goodwill)	6	2,56,000	-
		(iii) Capital work-in-progress		-	-
		(iv)Intangible assets under development		-	-
		(v) Fixed assets held for sale		-	-
		(b) Non-current investments		-	
		(c) Deferred tax assets (net)		-	-
		(d) Long-term loans and advances		-	-
		(e) Other non-current assets		-	-
				7,46,000	-
	2	**Current assets**			

		(a) Current investments		-	-
		(b) Inventories	7	2,06,000	-
		(c) Trade receivables	8	2,45,000	-
		(d) Cash and cash equivalents	9	65,000	-
		(e) Short-term loans and advances		-	-
		(f) Other current assets		-	-
				5,16,000	-
		TOTAL (1+2)		12,62,000	-

Note 1. Share Capital			**Note 2. Reserve and Surplus :-**		
	Current Year	**Previous Year**		**Current Year**	**Previous Year**
Authorised Capital	-	-	General Reserve	1,48,000	-
Issued and Paid Up	-		Profit and loss	1,82,000	-
Equity Share capital @ ₹ 10	5,00,000	-		-	-
12% Preference Share	1,00,000	-		3,30,000	-
	6,00,000	-			

Note 3. Trade Payable			**Note 4. Short Term Provisions**		
	Current Year	**Previous Year**		**Current Year**	**Previous Year**
Sundry Debtors			Prov. For taxations (70000+60000)	1,30,000	-
Sky	60,000	-	Proposed Pref. Dividend payable Sky Ltd.	12,000	-
Star	70,000	-		1,42,000	-
	1,30,000	-			
Less: set off	20,000	-			
	1,10,000	-			

Note 5. Tangible Assets :			**Note 6. Intangible Assets:**		
	Current	**Previous**		**Current**	**Previous**

	Year	Year		Year	Year
Fixed Assets			**Goodwill**		
Machinery (100000+60000)	1,60,000	-	Sky	60,000	-
Vehicles			Star	40,000	-
(180000+70000)	2,50,000	-		1,00,000	-
Furniture (50000+30000)	80,000	-	Goodwill on consolidation	1,56,000	-
	-	-		2,56,000	-
	4,90,000	-			

Note 7. Inventories :			**Note 8. Trade Receivable :**		
	Current Year	**Previous Year**		**Current Year**	**Previous Year**
Stock			Sky	1,00,000	-
Sky	70,000	-	Star	1,65,000	-
Star	1,40,000	-		2,65,000	-
	2,10,000	-	Less: Set off	20,000	-
Less: Stock Reserve	4,000	-		2,45,000	-
	2,06,000	-			

Note 9. Cash and cash equivalent :		
	Current Year	**Previous Year**
sky	40,000	-
star	25,000	-
	65,000	-

Notes:

- Stock Reserve i.e. unrealized profits on Closing Stock have been eliminated in full against Holding Company's Profits, as it arose from downstream transaction (i.e. Holding to Subsidiary).
- Inter Company Owings have been eliminated in full.

6. (a) Arrange and redraft the following Cash Flow Statement in proper order keeping in mind the requirements of AS 3:

Particulars		₹ in Lakhs	₹ in Lakhs
Net Profit			**60,000**
Add:	**Sale of Investments**		**70,000**
	Depreciation on Assets		**11,000**
	Issue of Preference Shares		**9,000**
	Loan raised		**4,500**
	Decrease in Stock		**12,000**
			1,66,500
Less:	**Purchase of Fixed Assets**	**65,000**	
	Decrease in Creditors	**6,000**	
	Increase in Debtors	**8,000**	
	Exchange gain	**8,000**	
	Profit on sale of investments	**12,000**	
	Redemption of Debenture	**5,700**	
	Dividend paid	**1,400**	
	Interest paid	**945**	**1,07,045**
			59,455
Add:	**Opening cash and cash equivalent**		**12,341**
Closing cash and cash equivalent			**71,796**

[9]

Answer:

Cash Flow Statement

Cash flows from operating activities		(₹ in Lakhs)
Net profit		60,000
Less: Exchange gain		(8,000)

Less: Profit on sale of investments		(12,000)
		40,000
Add: Depreciation on assets		11,000
Change in current assets and current liabilities		51,000
(-) Increase in debtors	(8,000)	
(+) Decrease in stock	12,000	
(-) Decrease in creditors	(6,000)	(2,000)
Net cash from operating activities		49,000
Cash flows from investing activities		
Sale of investments	70,000	
Purchase of fixed assets	(65,000)	
Net cash from Investing activities		5,000
Cash flows from financing activities		
Issue of preference shares	9,000	
Loan raised	4,500	
Redemption of Debentures	(5,700)	
Interest paid	(945)	
Dividend paid	(1,400)	
Net cash from financing activities		5,455
Net increase in cash & cash equivalents		59,455
Add: Opening cash and cash equivalents		12,341
Closing cash and cash equivalents		71,796

(b) Future maintainable profit before interest is ₹380 lakhs, normal rate of return on long term fund is 20% and on equity fund is 25%. Long term fund is of the company is ₹1,280 lakhs and equity fund is ₹840 lakhs. Interest on long term fund is 18% . Find out leverage effect of goodwill. [6]

Answer:

Valuation of Goodwill **(₹ in lakhs)**

Particulars		Shareholders fund approach	Long term funds approach
a.	Future maintainable profits (WN#2)	228.80	308
b.	Normal rate of return	25%	20%
c.	Normal capital employed	915.20	1,540
d.	Actual capital employed	840.00	1,280
e.	Goodwill	75.20	260.00
f. Leverage effect of Goodwill		184.80	

WN # 1: Ascertainment of Long Term Fund (interest thereon)

(₹ in lakhs)

Particulars		Amount
a.	Total long term funds	1,280.00
b.	Less: Equity funds	(840.00)
c.	Long term fund (excluding Equity)	440.00
d.	Interest @ 18%	79.20

WN # 2: Future Maintainable Profit **(₹ in lakhs)**

Particulars		Shareholders fund approach	Long term funds approach
a.	Profit before interest	308.00	308.00
b.	Less: Interest	79.20	N.A.
c.	Future maintainable profits	228.80	308.00

7. (a) Mr. Sen buys the following Equity Stock Options and the seller/writer of the options is Mr. Ghosh.

Date of purchase	Type of option	Expiry date	Market lot	Premium per unit ₹	Strike price ₹
29 June,2013	PQ Co. Ltd.	30 Aug.,2013	100	30	460
30 June ,2013	MN Co. Ltd.	30 Aug.,2013	200	40	550

Assume the price of PQ Co. Ltd. and MN Co. Ltd. on 30th August,2013 is ₹470 and 500 respectively. Pass journal entries in the books of Mr. Ghosh. [6]

Answer:

In the books of Mr. Ghosh
Journal

Date	Particulars	Debit (₹)	Credit (₹)
30.06.2013	Bank A/c Dr. To, Option premium A/c [Being option premium received(₹3,000+₹8,000)]	11,000	 11,000
30.08.2013	Loss on Derivatives A/c Dr. To, Bank A/c (Being Loss recognised) (₹470 - ₹460)×100 = ₹1,000 (₹550 - ₹500)×200 = ₹10,000	11,000	 11,000
30.08.2013	Option premium A/c Dr. To, Profit & Loss A/c (Being Premium transferred to income)	11,000	 11,000

(b) From the following details, compute the total value of human resources of skilled and unskilled group of employees according to Lev and Schwartz (1971) model:

		Skilled	Unskilled
(i)	Annual average earning of an employee till the retirement age.	₹70,000	₹50,000
(ii)	Age of retirement	65 years	62 years
(iii)	Discount rate	15%	15%
(iv)	No. of employees in the group	30	40
(v)	Average age	62 years	60 years

[9]

Answer:

Valuation of Employees as per Lev and Schwartz method:

$$V = \sum_{t=r}^{t} \frac{I(t)}{(1+r)^{t-r}}$$

Where,
V = the human capital value of a person
I(t) = the person's annual earnings up to retirement.
r = a discount rate specific to the person.
t = retirement age.

Value of Skilled Employees:

$$= \frac{70{,}000}{(1+0.15)^{65-62}} + \frac{70{,}000}{(1+0.15)^{65-63}} + \frac{70{,}000}{(1+0.15)^{65-64}}$$

$$= \frac{70{,}000}{(1+0.15)^{3}} + \frac{70{,}000}{(1+0.15)^{2}} + \frac{70{,}000}{(1+0.15)^{1}}$$

= ₹ $(46{,}026.14 + 52{,}930.06 + 60{,}869.57)$ = ₹ 1,59,825.77.

Total value of skilled employees is
₹ 1,59,825.77× 30 employees = ₹ 47,94,773.

Value of Unskilled Employees:

$$= \frac{50{,}000}{(1+0.15)^{62-60}} + \frac{50{,}000}{(1+0.15)^{62-61}}$$

$$= \frac{50{,}000}{(1+0.15)^{2}} + \frac{50{,}000}{(1+0.15)^{1}}$$

= ₹ $(37{,}807.18 + 43{,}478.26)$ = ₹ 81,285.44

Total value of Unskilled employees is
=₹ 81,285.44 × 40 employees = ₹ 32,51,417.6.

Total value of human resources (Skilled and Unskilled)
= ₹(47,94,773 + 32,51,417.60)= ₹ 80,46,190.60.

8. Write short notes on any three of the following: [5x3=15]

(a) Disclosure requirement as per AS 24 (Discontinuing Operations);
(b) Jaggi and Lau model on valuation of group basis of Human Resources;
(c)Basic Structure of the Form of the Government Accounts;
(d) The concept of Materiality.

Answer:

(a) Disclosures required to be made as per AS 24 are as follows:

Initial Disclosure Event

Information about planned discontinuance must be disclosed in the first set of financial statement immediately after the "initial disclosure event", initial disclosure event is the event out of these two and whichever occurs earlier –

• Entering into an agreement to sell substantially all the assets of the discontinuing operation.
• Approving and announcing of the discontinuance plan.

Presentation and Disclosure

• Initial disclosure:
First disclosure after initial disclosure event occurs about the discontinuing operations.
Description of the discontinuing operation.
Business or geographical segments in which it is reported.
Date and nature of initial disclosure event.
Timing of expected completion of discontinuance.
Carrying amount of total assets and liabilities to be disposed of.
Amount of revenue and expense attributable to discontinuing operation.
Amount of pre-tax profit or loss and tax expense attributable to discontinuing operation.
Net cash flows after initial disclosure event occurs about the discontinuing operations.

• Other disclosure:
When an enterprise disposes of assets or settles liabilities attributable to a discontinuing operation, the following other informations are also disclosed.
- Amount of gain or loss recognized on the disposal of assets or settlement of liabilities and related income-tax.
- Net selling price from the sale of those net assets for which the enterprise has entered into binding sale agreements and the expected timing thereof and carrying amount of those assets.

(b) According to Jaggi and Lau Model, proper valuation of human resources is not possible unless the contributions of individuals or individuals as a group are taken into consideration. A group usually refers to a homogenous employee whether working in the same department or division of the organisation or not. An individual‟s expected service tenure in the organisation is difficult to predict. On a group basis it is relatively easy to estimate the percentage of people in a group likely to leave the organisation in future. This model is designed to calculate the present value of all existing employees in each rank. Such relevant present value is measured with the help of the following steps.
Ascertain the number of employees in each rank.
Estimate the probability that an employee will be in his rank within the within the organisation or being terminated promoted in the next period. This probability will be estimated for a specified group for a significant time period.
Ascertaining the economic value of an employee in a specified rank during each time period.
The present of existing employees in each rank can be obtained by multiplying the above three factors and applying an appropriate discounting rate.
Jaggi and Lau simplified the process of measuring the value of human resources by considering a group of employees as a valuation base. But in the process, they ignored the exceptional qualities of some skilled employees.

(c) Basic Structure of the Form of the Government Accounts :

i. Period of Accounts : the annual accounts of the central, state and union territory Government shall record transactions, which take place during financial year running from 1" April to 31s` March.
ii. Cash Basis Accounts: With exception of such book adjustment as may be authorized by these rules on the advice of the comptroller and Auditor General of India(CAG), the transaction in

Government Accounts shall represent the actual cash receipt and disbursement during a financial year.
iii. Form of Accounts: There are three parts i.e. Consolidated Fund, Contingency Fund and Public Account. In Consolidated fund, there are two divisions i.e. revenue consisting of section for receipt heads and expenditure heads(Revenue Accounts) capital, Public debt, loan consisting of section of receipt heads (Capital Accounts), whereas, Contingency Fund Accounts shall be recorded for the transactions connected with the Government Set up under Article 267 of the constitution. In Public Account, transactions relating to debt deposit, advances, remittances and suspense shall be recorded.

(d) AS-1 'Disclosure of Accounting Policies', states that financial statements should disclose all material items, i.e., items the knowledge of which might influence the decisions of the user of the financial statements. Materiality depends on the size of item or error judged in the particular circumstances of its omission or misstatement. From a positive perspective, materiality has to do with the significance of an item or event to warrant attention in the accounting process. From a negative view point, materiality is critical because otherwise a great deal of time might be spent on trivial matters in the accounting process. Individual judgements are required to assess materiality, or to decide what the appropriate minimum quantitative criteria are to be set for given situations. What is material to one organisation, may not be material for another organisation.

The relevance of information is affected by its materiality. Information is material if its misstatements (i.e., omission or erroneous statement) could influence the economic decisions of users taken on the basis of the financial information. Materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which the information must have if it is to be useful.