Paper 17- Corporate Financial Reporting

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Full Marks : 100 **Time allowed: 3 hours**

Section – A

Answer the following questions.

1. **Choose the most appropriate answer from the four alternatives given: (1 Mark for right choice & 1 Mark for justification): 2x10=20**

(i) C Ltd. offers shares to its employees as bonus for meeting a target. Is it a —
A. share based payment transaction
B. equity settled transaction
C. cash settled transaction
D. Both A and B

(ii) On January 2, 2017 Abir Ltd. bought a trademark from Rang Ltd. for ₹ 7,50,000. Abir Ltd. retained an independent consultant, who estimated the trademark's remaining life to be 20 years. Its unamortised cost on Rang Ltd. accounting records was ₹ 5,70,000. Abir Ltd. decided to amortize the trademark over the maximum period allowed. In Abir's December 31, 2017 balance sheet, what amount should be reported as accumulated amortization?
A. ₹ 50,000
B. ₹ 1,90,000
C. ₹ 18,000
D. ₹ 75,000

(iii) Aman Ltd. acquired 3,000 equity shares of Ayan Ltd. on April, 01,2015 for a price of ₹ 4,50,000. Ayan Ltd. made a net profit of ₹ 1,20,000 during the year 2015-16. Ayan Ltd. issued bonus shares of one share for every five shares held out of the post acquisition profits earned during the year 2015-16. The Share Capital of Ayan Ltd. is ₹ 3,75,000 consisting of shares of ₹ 100 each. If the share of Aman Ltd. in the pre-acquisition profit of Ayan Ltd. is ₹ 84,000, the amount of Goodwill/Capital Reserve to be shown in the Consolidated Balance Sheet as on March 31, 2015 is —
A. ₹ 6,000 (Goodwill)
B. ₹ 6,000 (Capital Reserve)
C. ₹ 66,000 (Goodwill)
D. ₹ 75,000 (Goodwill)

(iv) Tulip Ltd. holds 25% share in Lotus Ltd. at a cost of ₹ 7.50 lakhs as on 31.3.2016 out of Lotus's Share Capital and Reserve of ₹ 30 lakhs each. For the year ended 31.3.2017, Lotus Ltd. made a profit of ₹ 2,40,000 and 30% of it was distributed as dividend.

In the Consolidated Financial Statement, the carrying amount of investment as at 31.3.2017 will be —
A. ₹ 15.00 lakhs
B. ₹ 15.60 lakhs
C. ₹ 15.42 lakhs
D. ₹ 14.82 lakhs

(v) From the following information determine the amount of unrealized profit to be eliminated. Thank You Ltd. holds 80% Equity shares of Wel Come Ltd.

— Thank You Ltd. sold goods costing ₹80,00,000 to Wel Come Ltd. at a profit of 25% on Cost Price. Entire stock were lying unsold as on the date of Balance Sheet.

A. ₹20,00,000
B. ₹80,00,000
C. ₹64,00,000
D. None of the above

(vi) FICKLE LTD. has five business segments with operating profits and losses as shown below:

Segment	Operating Profit / (loss) ₹ in Lakhs
P	3
Q	(3)
R	20
X	(9)
Y	(20)

Reportable segments as per AS-17 are

A. P,Q,R,X,Y
B. P,Q,R,Y
C. P, Q, R only
D. R, X, Y only

(vii) How would you value the inventory per Kg. of finished goods consisted of :

Particulars	
Material Cost	₹100 per Kg.
Direct Labour Cost	₹20 per Kg.
Direct variable production overhead	₹10 per Kg.

Fixed production charges for the year on normal capacity of 1 lakhs kgs. Is ₹10 lakhs 2500 Kgs of finished goods are on stock at the year end.
Value of inventory per Kg. of finished goods —

A. ₹2,80,000
B. ₹3,50,000
C. ₹3,25,000
D. None of the above

(viii) 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)	2,00,000
Fair market value of plan assets	3,85,000
Employer Contribution	70,000
Benefit Paid	50,000

Calculate the actual return on plan assets.

A. ₹3,85,000
B. ₹1,65,000
C. ₹2,00,000
D. None of the above

(ix) BB Ltd. obtained a Loan from a bank for ₹ 480 lakhs on 30.04.2015. It was utilized for : Construction of a shed ₹ 200 lakhs, Purchase of a machinery ₹ 160 lakhs, Working Capital ₹ 80 lakhs, Advance for purchase of truck ₹ 40 lakhs, Construction of shed was completed in March 2016. The machinery was installed on the same date. Delivery truck was not received. Total interest charged by the bank for the year ending 31.03.2016 was ₹ 72 lakhs. As per AS 16, Interest to be debited to Profit & Loss account will be :

A. ₹ 42 lakhs;
B. ₹ 40.50 lakhs;
C. ₹ 30 lakhs;
D. None of the above.

(x) On 1st April, 2015 Good Morning Ltd. offered 100 shares to each of its 500 employees at ₹50 per share. The employees are given a month to decide whether or not to accept the offer. The shares issued under the plan (ESPP) shall be subject to lock-in on transfers for three years from grant date. The market price of shares of the company on the grant dated is ₹60 per share. Due to post-vesting restrictions on transfer, the fair value of shares issued under the plan is estimated at ₹56 per share.
On 30th April, 2015, 400 employees accepted the offer and paid ₹30 per share purchased. Normal value of each share is ₹10.
Compute the expenses to be recognized in 2014-2015.

A.₹6.00
B. ₹2,40,000
C.₹56
D.₹50

Section – B
Answer any five questions out of seven questions.

[16x5=80]

2. (a) (i) State how you will deal with the following matter in the accounts of Uttara Ltd. For the year ended 31 st March, 2018 with reference to Ind AS-8, "The Company finds that the stock sheets of 31.03.2017 did not include two pages containing details of inventory worth ₹17.8 lakhs." **[4]**

(ii) An entity has Opening Bank Balance in Foreign Currency aggregating to US$ 300 (equivalent to ₹21,000). The Entity also reported a Profit before Tax which included ₹300 on account of Exchange Gain on the Bank Balance in Foreign Currency. What would be the closing Cash and Cash Equivalents as per the Balance Sheet (assuming no other transaction)? [Ind AS 7] **[5]**

(b) Discuss disclosure requirement as per AS 11. **[7]**

3.(a)

Cost of asset	₹112 akhs
Useful life period	10 years
Salvage value	Nil
Current carrying value	₹54.60 lakhs
Useful life remaining	3 years
Recoverable amount	₹24 lakhs
Upward revaluation done in last year	₹28 lakhs

From the information

(i) Find out impairment loss

(ii) Treatment of impairment loss

(iii) Current year depreciation **[7]**

(b) Pipli University has received the following Grants during a yeas —

(i) From Ministry of Human Resources to be used for AIDS research — ₹45,00,000, which includes ₹3,00,000 to cover Indirect Expenses incurred in administering the Grant.
(ii) From a Reputed Trust to be used to set up a Centre to conduct seminars on AIDS related matters from time to time — ₹35,00,000.

During the year, the University spent ₹32,25,000 of the Government Grant and incurred ₹3,00,000 as Overhead Expenses. ₹28,00,000 were spent from the grant received from the Trust. Show the necessary Journal Entries. **[9]**

4. The following is the Balance Sheet of Winners Ltd as on 30th June-

Equity and Liabilities	₹
(1) Shareholders' Funds:	
(a) Share Capital – 20,000 Shares of ₹ 10 each	2,00,000
(b) Reserves & Surplus – General Reserve	20,000
(2) Non-Current Liabilities:	
Long Term Borrowings (i) 10% Debentures	1,00,000
(ii) Loan from bank	40,000
(3) Current Liabilities:	
Trade Payables – Sundry Creditors	80,000
Total	4,40,000
Assets	
(1) Non-Current Assets:	
(a) Fixed Assets: (i) Tangible Assets	
- Land & Building	1,00,000
- Plant & Machinery	1,45,000
(ii) Intangible Assets – Goodwill	25,000
(b) Other Non-Current Assets	
- Preliminary expenses	16,000
(2) Current Assets:	
(a) Inventories	55,000
(b) Trade Receivables	65,000
(c) Cash & Cash Equivalents	34,000
Total	4,40,000

The balance of Winners Ltd is taken over by Superb Ltd as on that date on the following terms:

(i) All Assets except Cash and Bank are taken over at Book Value less 10% subject to (b) below.
(ii) Goodwill is to be valued at 4 years' Purchase of the excess of average (five years) Profits over 8% of the combined account of Share Capital and General Reserve.
(iii) Trade Creditors are to be taken over subject to a discount of 5%.
(iv) Loan from Bank is to be repaid by Winners Ltd.
(v) The Purchase Consideration is to be discharged in Cash to the extent of ₹ 1,50,000 and the balance is fully paid Equity Shares of ₹ 10 each valued at ₹ 12.50 per share.

The average of the five years profit is ₹ 30,100. The expenses of Liquidation amount to ₹ 2,000.

Show the:

A. Realisation Account, Bank Account, Sundry Shareholders Account and Shares in Winner Ltd and
B. Journal Entries in the books of Superb Ltd. **[16]**

5.(a) The draft consolidated data of A Ltd., and its 100% subsidiary B Ltd. and also information of C Ltd. relating for the year ended 31st March, 2017 is given below:

DRAFT BALANCE SHEET (₹ in thousand)

	CBS of A Ltd. and its 100% Subsidiary B Ltd.	C Ltd.
Issued ordinary share capital	2,000	1,000
Reserves	3,450	2,000
Debentures	2,000	1,500
Current liabilities	4,550	2,500
Total	12,000	7,000
Fixed assets (net)	6,500	4,000
Investment in C Ltd. at cost	2,000	-
Current assets	3,500	3,000
Total	12,000	7,000

PROFIT AND LOSS ACCOUNT (DRAFT)

	A Ltd and its 100% Subsidiary B Ltd.	C Ltd.
Sales	2,000	1,000
Expenses	(900)	(500)
Trading profit before tax	1,100	500
Dividend from C Ltd.	100	—
Taxation	(600)	(200)
Profit after tax	600	300
Opening Balance	3,150	1,100
Dividends paid	(300)	(200)
Retained Profit	3,450	1,200

A Ltd. acquired 50% of the ordinary share capital of C Ltd. on 1st April, 2016 for ₹2,000 thousands when its reserves were ₹1,900 thousands.

You are required to prepare the 'Group' Profit and Loss account (draft) and Balance Sheet (draft) on three bases as follows:

A. When C Ltd. is treated as a subsidiary
B. When C Ltd. is treated as an investment

[6+4=10]

(b) Mili Ltd purchased 100% share of its subsidiary Lily Ltd for ₹25,00,000 on 31st March 2015 when fair value of the Lily Ltd net asset was ₹20,00,000. It disposes of a 90% interest for ₹ 42,75,000 leaving the Mili Ltd with a 10% investment. At the date of disposal, the carrying value of net asset of Lily Ltd excluding goodwill is ₹40,00,000. The fair value of the remaining interest is ₹ 4,75,000 (assumed for simplicity to be pro rate to the fair value of the 90% sold). Calculate gain or loss on sale in Mili Ltd's separate financial statements as on 31st March 2018. **[6]**

6. **(a)** Fresh Ltd. announced a Stock Appreciation Right (SAR) on 01.04.2014 for each of its employees. The scheme gives the employees the right to claim cash payment equivalent to an excess of market price of company shares on exercise date over the exercise price of ₹125 per share in respect of 100 shares, subject to a condition of continuous employment of 3 years. The SAR is exercisable after 31.03.2017 but before 30.06.2017.

The fair value of SAR was ₹21 in 2014-15, ₹23 2015-16 and ₹24 in 2016-17. In 2014-15 the company estimated that 2% of its employees shall leave the company annually. This was revised to 3% in 2015-16. Actually 15 employees left the company in 2014-15, 10 left in 2015-16 and 8 left in 2016-17. The SAR therefore actually vested in 492 employees on 30.06.2017; when SAR was exercised the intrinsic value was ₹25 per share.

Show the provision for SAR account by fair value method. Is this provision a liability or equity? **[8]**

(b) On 31st March, 2017 the balance sheet of IQ Ltd. was as follows:

Equity and Liabilities	₹
(1) Shareholders' Funds:	
Share Capital Authorise and Issued 5,000 Equity Shares of ₹100 each fully paid	5,00,000
Reserves & Surplus – Profit and Loss A/c	1,03,000
(2) Current Liabilities:	
Trade Payables – Sundry Creditors	77,000
Other Current Liabilities (Bank Overdraft)	20,000
Short-term provisions	45,000
Total	7,45,000
Assets	
(2) Non-Current Assets:	
Fixed Assets: Tangible Assets	
- Land & Building	2,20,000
- Plant & Machinery	95,000
(2) Current Assets:	
Inventories	2,75,000
Trade Receivables	1,55,000
Total	7,45,000

The net profits of the company, after deducting all working charges and providing for depreciation and taxation, were as under:

Year ended 31st March	₹
2013	85,000
2014	96,000
2015	90,000
2016	1,00,000
2017	95,000

On 31st March,2017 , Land and Buildings were valued at ₹2,50,000 and Plant and Machinery ₹1,50,000.

In view of the nature of business, it is considered that 10% is a reasonable return on tangible capital.

Compute the value of the company's shares after taking into account the received values of fixed assets and the valuation of goodwill based on five year's purchase of the super profit based on the average profit of the last five years. **[8]**

7. (a) List the general principles of Government Accounting. **[8]**

(b) Discuss the functions of Comptroller and Auditor General in the case of grants or loans given to other authorities or bodies. **[8]**

8. Write short notes on *any four* of the following: [4x4=16]

(a) Meaning of XBRL;
(b) Objective of Ind AS 103;
(c) Objectives and Scopes of IGAS 3 – Loans and Advances Made by Government;
(d) Concept of Triple Bottom Line Reporting (TBLR);
(e) Investment Property.