

## **Paper 17- Corporate Financial Reporting**

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Full Marks : 100

Time allowed: 3 hours

**Part – I****Answer Question No 1 which is compulsory.**

1. Choose the most appropriate answer from the four alternatives given: (1 Mark for right choice & 1 Mark for justification): [2×10=20]

- (i) 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
- (ii) Which of the following is/are the qualitative characteristic/s of financial statements as per IFRS conceptual framework?  
A. Faithful representation  
B. Comparability  
C. Verifiability  
D. All of the above
- (iii) A building owned by a company and leased out under an operating lease. Which Ind AS/s is/are applicable?  
A. Ind AS 2.  
B. Ind AS 16 and Ind AS 116  
C. Ind AS 40 and Ind AS 116  
D. None of the above.
- (iv) Which of the following is/are type/types of conglomerate merger?  
A. Product extension merger  
B. Strategic extension merger  
C. Pure conglomerate merger  
D. Both A and C
- (v) By purchase of shares the purchaser company entailing voting power of 20% or more, the investor company may have significant influence over the investee company, the investee is called \_\_\_\_\_.  
A. Joint Venture  
B. Associate  
C. Subsidiary  
D. None of the above

- (vi) \_\_\_\_\_ is considered –the best-known framework for voluntary reporting of environmental and social performance by business and other organizations worldwide.
- A. Global Reporting Initiative (GRI)
  - B. Triple Bottom Line Reporting
  - C. Corporate Social Responsibility Reporting
  - D. None of the above.
- (vii) Which of the following is/are the user/s of TBL Reporting?
- A. Businesses
  - B. Non-profit Organisations
  - C. Banks
  - D. Both A and B
- (viii) IR is beneficial as it contributes to
- A. incorporate sustainability into its core business
  - B. Decreased internal collaboration
  - C. address reputational risk
  - D. Both A and C
- (ix) \_\_\_\_\_are the rights that entitle the employees to receive cash or shares for an amount equivalent to the excess of market price on exercise date over a stated price.
- A. Employee Stock Option Plan (ESOP)
  - B. Employee Stock Purchase Plan (ESPP)
  - C. Stock Appreciation Rights (SAR)
  - D. None of the above
- (x) Grants-in-aid is covered under IGAS \_\_\_\_\_
- A. 2
  - B. 3
  - C. 1
  - D. None of the above

**Part – II**

**Answer any five questions out of seven questions.**

**[16×5=80]**

2. (a) A private limited company manufacturing fancy terry towels had valued its closing stock of inventories of finished goods at the realisable value, inclusive of profit and the export cash incentives. Firm contracts had been received and goods were packed for export, but the ownership in these goods had not been transferred to the foreign buyer. Comment on the valuation of the stocks by the company. [6]
- (b) Mr. Joythi of Star Oils Limited has collected the following information for the preparation of cash flow statement for the year ended 30.06.2021 :

	(₹ in lakhs)
Net Profit	25,000
Dividend (including dividend tax) paid	8,535
Provision for Income-tax	5,000
Income tax paid during the year	4,248
Loss on sale of assets (net)	40
Book value of the assets sold	185
Depreciation charged to Profit & Loss Account	20,000
Amortisation of Capital grant	6
Profit on sale of Investments	100
Carrying amount of Investment sold	27,765
Interest income on investments	2,506
Interest expenses	10,000
Interest paid during the year	10,520
Increase in Working Capital (excluding Cash & Bank balance)	56,075
Purchase of fixed assets	14,560
Investment in joint venture	3,850
Expenditure on construction work in progress	34,740
Proceeds from calls in arrear	2
Receipt of grant for capital projects	12
Proceeds from long-term borrowings	25,980
Proceeds from short-term borrowings	20,575
Opening cash and Bank balance	5,003
Closing cash and Bank balance	6,988

Required :

Prepare the Cash Flow statements for the year in accordance with AS-3 on Cash Flow statements issued by the Institute of Chartered Accountants of India (Make necessary assumptions). [10]

3. (a) State what is Investment Property, give two examples of Investment Property and two examples of property which are not Investment Property. [2+2+2=6]
- (b) Z Ltd. took over the business of X Ltd. and Y Ltd. The summarised Balance Sheets of Z Ltd., X Ltd. and Y Ltd. as on 31 March, 2021 are given below:

(₹ in Lakhs)							
Liabilities	Z Ltd. ₹	X Ltd. ₹	Y Ltd. ₹	Assets	Z Ltd. ₹	X Ltd. ₹	Y Ltd. ₹
Share Capital				Fixed Assets:			
Equity shares of ₹ 100 each		800	750	Land and Building	600	550	400
12% Preference shares of ₹ 100 each	1,000	300	200	Plant and Machinery	400	350	250
Reserves and Surplus:				Investments		150	50
Revaluation Reserve		200	150	Current Assets, Loans and Advances:			
General Reserve	600	170	150	Stock	500	350	250
Profit and Loss Account		50	30	Sundry Debtors	300	250	300
Secured Loans:				Bills Receivables		50	50
10% Debentures (₹100 each)		60	30	Cash and Bank	200	300	200
Current Liabilities and Provisions:							
Sundry Creditors	400	270	120				
Bills payables		150	70				
Total	2,000	2,000	1,500	Total	2,000	2,000	1,500

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### Additional Information:

- (1) 10% Debenture holders of X Ltd., and Y Ltd., are discharged by Z Ltd., issuing such number of its 15% Debentures of ₹100 each, so as to maintain the same amount of interest.
- (2) Preference shareholders of the two companies are issued equivalent number 15% preference shares of Z Ltd., at a price of ₹150 per share (face value of ₹100).
- (3) Z Ltd. will issue 5 equity shares for each equity share of X Ltd. and 4 equity shares for each equity share of Y Ltd. The shares are to be issued ₹30 each, having a face value of ₹10 per share.

Prepare the Balance Sheet of Z Ltd. as on 1 April, 2022 in the Schedule III Division II format. [10]

4. (a) What is meant by 'Power' and 'Return' as per Ind AS 110? What is the link between power and returns? [5+2+2=9]
- (b) A Ltd. acquires 80% of B Ltd. for ₹9,60,000 paid by equity at par. Fair Value (FV) of B's net assets at time of acquisition amounts ₹8,00,000. Required:
  1. Calculate Non-Controlling-Interest (NCI) and Goodwill.
  2. Journal Entries in the books of A. [7]
5. (a) P acquires 60% shares in Q on 01.10.2019 at ₹30,000. Q makes profits ₹20,000 in the year 2019- 20 and declared dividend ₹9,000. NCI is valued at proportionate net assets. Abstracts of Separate Balance Sheet of P (Dividend from subsidiary not accounted) and Individual Balance Sheet of Q as at 31.03.2020:

(₹ Lakhs)

	P	Q
PPE	50,000	30,000
Investment in shares of Q at cost	30,000	
Current Assets	20,000	28,000
	1,00,000	58,000
Equity Shares (₹10)	60,000	25,000
Other Equity	25,000	15,000
Current Liabilities		
Trade Payables	15,000	9,000
Dividend Payable		9,000
	1,00,000	58,000

Show Consolidated Balance Sheet and Separate Balance Sheet in books of P. [12]

- (b) List the matters to be disclosed as significant judgments and assumptions by an entity. [4]
6. (a) The following abridged Balance Sheet as on 31st March, 2021 pertains to S Ltd.

Liabilities	₹in lakhs	Assets	₹in lakhs
Equity Share Capital :		Goodwill, at cost	420
180 lakh Equity shares of ₹10 each, fully paid	1,800	Other Fixed Assets	11,166
90 lakh Equity shares of ₹10 each, ₹8 paid up	720	Current Assets	2,910
150 lakh Equity shares of ₹5 each, fully paid- up	750	Loans and Advances	933
Other Equity	5,457		
Borrowings	4,500		
Current Liabilities	1,242		
Provisions	960		
	15,429		15,429

You are required to calculate the following for each one of three categories of equity shares appearing in the above mentioned Balance Sheet:

- (i) Intrinsic value on the basis of book values of Assets and Liabilities including goodwill;
- (ii) Value per share on the basis of dividend yield.

Normal rate of dividend in the concerned industry is 15%, where as Glorious Ltd. has been paying 20% dividend for the last four years and is expected to maintain it in the next few years; and

- (iii) Value per share on the basis of EPS.

For the year ended 31st March, 2021 the company has earned ₹1,371 lakh as profit after tax, which can be considered to be normal for the company. Average EPS for a fully paid share of ₹10 of a Company in the same industry is ₹2. [8]

- (b) At the beginning of year 1, X Ltd. grants options to 200 employees. The share options will vest at the end of year 3, provided that the employees remain in the entity's employment, and provided that revenues of the company increases by at least at an average of 8 percent per year. If the per cent of increase is 8 percent and above but below 10 per cent per year, each employee will receive 120 share options, if 10 percent and above but below 15 percent each year, each employee will receive 240 share options and if on or above 15 percent, each employee will receive 360 share options. On grant date, X Ltd. estimates that the share options have a fair value of and at ₹2,40,000 to Q of Bangalore. Assume GST rate 12% in all cases. At 40 per option and also estimates that 16 per cent of employees will leave before the end of year 3.

By the end of year 1, 12 employees have left and the entity still expects that a total of 32 employees will leave by the end of year 3. In year 1, revenue has increased by 12 per cent and the company expects this rate of increase to continue over the next 2 years. By the end of year 2, a further 10 employees have left, bringing the total to 22 to date. The entity now expects only 5 more employees will leave during year 3, and therefore expects a total of 27 employees will have left during the three-year period. Revenue in year 2 increased by 18 per cent, resulting in an average of 15 per cent over the two years. By the end of year 3, a further 8 employees have left. The revenue increased by an average of 16 per cent per year in the three year period. [8]

- 7. (a) In the month of March, 2021 M of Mumbai purchased goods from C of Chennai costing ₹70,000. M also purchased goods from B of Mumbai costing ₹1,20,000. He paid telephone bill ₹ 6,000. He purchased an air cooler for his office for ₹12,000 from a supplier in Pune. He paid wages ₹26,000 and sold goods at ₹40,000 to T of Thane and at ₹2,40,000 to Q of Bangalore. Assume GST rate 12% in all cases. At the beginning of the month the available Input Tax Credit in the hands of M was: IGST ₹2,400; CGST ₹4,800; SGST ₹4,800. Pass journal entries. [9]

- (b) List the role of Public Accounts Committee (P.A.C). [7]

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

- (a) Balance Sheet and Profit and Loss Account of an NBFC
- (b) Objectives of Government Accounting
- (c) Scopes of Ind AS 21: The Effects of Changes in Foreign Exchange Rates
- (d) Factors affecting Valuation of Shares
- (e) Review of Accounts in case of Government Companies