

## 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): [2x10=20]
- (i) J Ltd. obtained a contract for a construction of a building for ₹95 Lakhs. As on 31st March, 2021, it incurred a cost of ₹22 Lakhs and expected that there will be ₹58 Lakhs more needed for completing the building. It has received ₹18 Lakhs as progress payment. Degree of completion will be
- A. 23.16%
  - B. 27.5%
  - C. 22.5%
  - D. 84.21%
- (ii) On January 2, 2022 A Ltd. bought a trademark from R Ltd. for ₹7,50,000. A Ltd. retained an independent consultant, who estimated the trademark's remaining life to be 20 years. Its unamortized cost on R Ltd. accounting records was ₹5,70,000. A Ltd. decided to amortize the trademark over the maximum period allowed. In A December 31, 2022 balance sheet, what amount should be reported as accumulated amortization?
- A. ₹ 37,500
  - B. ₹ 28,500
  - C. ₹ 57,000
  - D. ₹ 75,000
- (iii) Ind AS -17 shall not be applied as the basis of measurement for which of the following?
- A. biological assets by lessees under finance leases
  - B. investment property provided by lessors under operating leases
  - C. property held by lessees that is accounted for as investment property
  - D. All of the above
- (iv) Vertical merger means
- A. Merger between firms which are complementary to each other.
  - B. Merger within same industries and taking place at the same level of economic activity.
  - C. Merger between business competitors who are manufacturers or distributors of the same type of products.
  - D. Coming together of two or more companies engaged in different industries or services.
- (v) Investment entity means an entity that \_\_\_\_\_.
- A. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
  - B. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
  - C. measures and evaluates the performance of substantially all of its investments on a Fair Value basis.
  - D. All of the above

(vi) Ind AS 32 shall be applied by all entities to all types of financial instruments except \_\_\_\_\_.

- A. Share based payments
- B. Insurance contracts
- C. Interests in subsidiaries, associates and joint ventures
- D. All of the above

(vii) Which of the following is a feature of Government Accounting?

- A. Reporting of utilisation of public funds
- B. Double Entry System
- C. Non- fund Based Accounting
- D. Both A and B

(viii) RR Ltd. acquires 100% of MM Ltd. for ₹2,40,000. Fair Value (FV) of MM's net assets at time of acquisition amounts ₹ 2,00,000. Goodwill is \_\_\_\_\_.

- A. ₹2,00,000
- B. ₹2,40,000
- C. ₹40,000
- D. ₹80,000

(ix) Who of the following is/are not a part of GASAB?

- A. Commissioner of Police
- B. Secretary, Department of Post
- C. Member (Finance) Telecom Commission, Department of Telecom
- D. None of the above.

(x) What are the three forms of sustainability, that are considered for sustainability reporting?

- A. Social sustainability
- B. Physical sustainability
- C. Economic sustainability
- D. Both A. and C.

**Part – II**

Answer any five questions out of seven questions.

[16x5=80]

2. (a) As per AS 16 discuss the accounting treatment of borrowing cost.

[8]

(b) Below mentioned is the details given for WW Ltd. for the year ended 31st March, 2021:

(₹ in lakhs)

Sales:		
Food Products	22,600	
Plastic and Packing	2,500	
Health and Scientific	1,380	
Others	648	27,128
Expenses:		
Food Products	13,340	
Plastic and Packing	1,700	
Health and Scientific	888	
Others	800	16,728
Other Items:		
General Corporate Expenses		2,248
Income from Investments		728
Interest Expenses		260

Identifiable Assets:		
Food Products	29,280	
Plastic and Packing	5,280	
Health and Scientific	4,200	
Others	2,660	41,420
General Corporate Assets		2,888

Other Information extracted are:

Inter-segment sales are as below: (₹ in lakhs)

Food Products	220
Plastic and packing	288
Health and Scientific	84
Other	28

- Operating profit includes ₹132 lakhs on inter-segment sales.
- Information about inter-segment expenses are not available.

Prepare a statement showing financial information about S Ltd. operations in different industry segments. [8]

3. (a) List the restrictions on application of Ind AS 36 (Impairment of Assets). [6]

(b) MS Ltd. and DS Ltd. were amalgamated to form a new company MSDS Ltd. on 31.03.2022 who issued requisite number of equity shares of ₹10 to take over the businesses of MS and DS. The abstract of balance sheets of the companies on 31.03.2022: ₹ Lakhs

Particulars	MR ₹	DR ₹
PPE	7,500	8,000
Financial Assets	800	500
Current Assets	4,700	6,500
Equity Share Capital	6,000	8,000
Other Equity	3,000	3,000
Borrowings	2,000	3,000
Current Liabilities	2,000	1,000

Pass journal entries in the books of MS, DS and MSDS Ltd. [2½+2½+2+3=10]

4. (a)

- (i) Discuss the Consolidation procedures with respect to Consolidated Financial Statements. [6]
- (ii) An investor acquires 49 per cent of the voting rights of an investee. The remaining voting rights are held by thousands of shareholders, none individually holding more than 1 per cent of the voting rights. None of the shareholders has any arrangements to consult any of the others or make collective decisions. When assessing the proportion of voting rights to acquire, on the basis of the relative size of the other shareholdings, the investor determined that a 49 per cent interest would be sufficient to give it control. Discuss whether the Investor acquiring 49 per cent interest meets the power criteria?

[2]

- (b) M Ltd. (a listed company) acquired 20% shares in company P Ltd. on 1-4-21 at a cost of ₹ 46,000, paid by cash. During the financial year 2020-21, P Ltd. made profits of ₹ 20,000 and other comprehensive income of ₹ 10,000.

- I. Investment entails 20% voting power and significant influence over P Ltd. II. M Ltd. does have joint control of P Ltd. a joint venture.
  - III. Investment entails significant influence over P Ltd., which is a Joint Venture and M Ltd. does not have joint control of P Ltd.
  - IV. M Ltd. does not have significant influence over P Ltd.
  - V. M Ltd. does not have joint control of or significant influence over P Ltd., which is a joint venture.
- a) State whether for the investment in shares of P Ltd., M Ltd. requires preparation of consolidated financial statements and separate financial statements for each of the following cases – I,II,III,IV and V.
- b) Pass the journal entries in books of M Ltd. at the time of purchase of shares. [5+3=8]

5. (a) P Ltd. Acquired 60% shares of Q Ltd. on 1.10.2021. Q makes profits ₹10,000 in the year 2021-22 and declared dividend ₹6,000. NCI is valued at ₹12,000. (₹ Lakhs)

Particulars	P Ltd.	Q Ltd.
PPE	50,000	30,000
Investment in shares of Q	21,000	
Current Assets	20,000	14,000
	91,000	44,000
Equity Shares	60,000	25,000
Other Equity	16,000	4,000
Current Liabilities		
Trade Payables	15,000	9,000
Dividend Payable		6,000
	91,000	44,000

Prepare the consolidated and Separate Balance sheet in books of P Ltd. [10]

- (b) (i) What is meant by disposal groups? How it is measured as per Ind AS 105? [4]  
(ii) Ennumerate the objectives of Ind AS 111 Joint Arrangements. [2]

6. (a) Following balances are extracted in relation to GG Ltd. as on 31st March, 2021:

	₹ in Lakhs
200 Lakhs Equity Shares of ₹ 10 each	2,000
10 Lakhs, 10% Preference Shares of ₹ 100 each	1,000
General Reserve	1,600
Profit and Loss Account	1,400
12% Debentures	1,000
Creditors	800
Goodwill	1,100
Land and Buildings	2,500
Plant and Machinery	1,500
Investment in 10% Stock	480
Stock-in-trade	1,600
Debtors	400
Cash and Bank	220

Additional information are given below:

- a. Nominal value of investment is ₹ 500 Lakhs and its market value is ₹ 520 Lakhs.
- b. Following assets are revalued:

	₹ in Lakhs
(i) Land and Building	3,200
(ii) Plant and Machinery	1,800
(iii) Stock-in-trade	1,450
(iv) Debtors	360

- c. Average profit before tax of the company is ₹ 2,400 Lakhs and 12.50% of the profit is transferred to general reserve, rate of taxation being 30%.
- d. Normal dividend expected on equity shares is 18% while fair return on closing capital employed is 12%.
- e. Goodwill may be valued at two year's purchase of super profits. You are required to calculate the value of goodwill.

[8]

- (b) (i) How many types of Share Based Payment Transactions are there - discuss. [5]
- (ii) Mr. P is granted share options conditional upon completing 2 years' service. How is the transaction recognized? [3]

7. (a) Write a note on Consolidated Fund of India, Contingency Fund and Public Account of India. [7]

(b) List the features of XBRL Reporting. [9]

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

- (a) Constitution of Public Accounts Committee
- (b) Benefits of GST
- (c) Functions of Committee on Public Undertakings
- (d) Significance of Integrated Reporting
- (e) Scope of IndAS 21: The Effect of Changes in Foreign Exchange Rates