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%

Answer:

B — All of the above.

$$= \frac{\text{Cost to Date}}{\text{Accumulated Cost Incurred + Estimated Cost to Complete}} \times 100$$

$$= \frac{₹22 \text{ lakhs}}{₹22 \text{ lakhs} + ₹58 \text{ lakhs}} \times 100 \quad = 27.5\%$$

(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

Answer:

D — ₹75,000.

As per AS-26, intangible assets should be measured initially at cost therefore, A Ltd. should amortize the trademark at its cost of ₹ 7,50,000. The unamortised cost on the seller's books (₹5,70,000) 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. Therefore, the 2022 amortization expense and accumulated amortization is ₹ 75,000 (₹ 7,50,000 ÷ 10 years).

(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

Answer:

D — All of the above

Ind AS 17 shall not be applied as the basis of measurement for:
(a) property held by lessees that is accounted for as investment property;
(b) investment property provided by lessors under operating leases;
(c) biological assets by lessees under finance leases; or
(d) biological assets within the scope of Ind AS 41 provided by lessors under operating leases.

(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.

Answer:

A — Vertical merger occurs between firms which are complementary to each other, e.g. one of the companies is engaged in the manufacture of a particular product and the other is established and expert in the marketing of that product.

(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

Answer:

D — **All of the above**

An investment entity is 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

(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

Answer:

D — Ind AS 32 shall be applied by all entities to all types of financial instruments except

- Share based payments
- Insurance contracts
- employers' rights and obligations under employee benefit plans, to which Ind AS 19 Employee Benefits applies.
- Interests in subsidiaries, associates and joint ventures

(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

Answer:

D — Following are the feature of Government Accounting

A. Reporting of utilisation of public funds
B. Double Entry System
C. Fund Based Accounting

(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

Answer:

C — ₹40,000

Purchase consideration ₹ 2,40,000
FV of Net Assets ₹ 2,00,000
Goodwill = Consideration – Net Assets = ₹ (2,40,000 – 2,00,000) = ₹ 40,000

(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.

Answer:

A — Commissioner of Police

Financial Commissioner, Railways is a part of GASAB.

(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.

Answer:

D — Both A. and C.

Three forms of sustainability that are considered for sustainability reporting which includes:

- Social sustainability
- Environmental sustainability and
- Economic sustainability

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]**

Answer:

Accounting treatment of borrowing cost as per AS-16 —

(i) Borrowing costs should either be capitalized or charged to P/L Account depending on the situation but deferment is not permitted.

(ii) Borrowing costs are capitalized as part of cost of qualifying asset when it is probable that they will result in future economic benefits and cost can be measured reliably - other borrowing costs are charged to P/L Account in the accounting period in which they are incurred.

(iii) Capitalization, on one hand reflects closely the total investment in the asset and on the other hand to charge the cost to future period against accrual of revenue.

(iv) Notional interest costs are not allowed to be capitalized.

(v) A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

(vi) Capitalization should be suspended during extended period in which active development is interrupted.

(vii) Capitalization should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

(viii) Capitalization also ceases when part is completed, which is capable of being used independent of the whole.

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

(₹ in lakhs)

Sales: **Food Products** **Plastic and Packing** **Health and Scientific** **Others**	**22,600** **2,500** **1,380** **648**	**27,128**
Expenses: **Food Products** **Plastic and Packing** **Health and Scientific** **Others**	 **13,340** **1,700** **888** **800**	**16,728**
Other Items: **General Corporate Expenses** **Income from Investments** **Interest Expenses**		 **2,248** **728** **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**
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 WW Ltd. operations in different industry segments. **[8]**

Answer:

Information about WW Ltd.'s operations in different Industry segments is furnished in the following table :

	Food Products	**Plastic & Packaging**	**Health & Scientific**	**Others**	**Inter-segment Elimination**	**Consolidated**
External Sales	22,380	2,212	1,296	620	—	26,508
Inter-segment	220	288	84	28	620	-
Total	22,600	2,500	1,380	648	620	26,508
Segment Expenses	13,340	1,700	888	800	488	16,240
Operating Profit	9,260	800	492	(152)	132	10,268
General Corporate Expenses						(2,248)
Income from Invest.						728
Interest						(260)
Income from continuing operations						8,488
Identifiable assets	29,280	5,280	4,200	2,660		41,420
Corporate assets	—	—	—	—	—	2,888
Total assets						44,308

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

Answer:

This Standard shall be applied in accounting for the impairment of all assets, other than:

(i) Inventories (Ind AS 2, Inventories);
(ii) Contract assets and assets arising from costs to obtain or fulfill a contract that are recognised in accordance with Ind AS 115;
(iii) deferred tax assets (Ind AS 12, Income Taxes);
(iv) assets arising from employee benefits (Ind AS 19, Employee Benefits);
(v) financial assets that are within the scope of Ind AS 109, Financial Instruments;
(vi) biological assets related to agricultural activity within the scope of Ind AS 41 Agriculture that are measured at fair value less costs to sell ;
(vii) deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of Ind AS 104, Insurance Contracts; and
(viii) non-current assets (or disposal groups) classified as held for sale in accordance with Ind AS 105.

(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	MS ₹	DS ₹
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]**

Answer:

The combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination. It is a business combination under common control, and pooling of interest method of accounting is followed.

Journal in the books of MS Ltd.

Particulars		Dr. (₹)	Cr. (₹)
Current Liabilities A/c	Dr.	2,000	
Borrowings A/c	Dr.	2,000	
Realisation A/c	Dr.	9,000	
To PPE A/c			7,500
To Current Assets A/c			4,700
To Financial Assets A/c			800
(Transferred to Realisation A/c)			

Shares in MSDS Ltd A/c #	Dr.	6,300	
To Realisation A/c			6,300
(Consideration)			
Equity Shareholders A/c	Dr.	2,700	
To Realisation A/c			2,700
(Loss on Realisation)			
Equity Share Capital A/c	Dr.	6,000	
Other Equity	Dr.	3,000	
To Equity Shareholders A/c			9,000
Equity Shareholders A/c	Dr.	6,300	
To Shares in MSDS Ltd. A/c			6,300

Journal in the books of DR Ltd.

Particulars		Dr. (₹)	Cr. (₹)
Current Liabilities A/c	Dr.	1,000	
Borrowings A/c	Dr.	3,000	
Realisation A/c	Dr.	11,000	
To PPE A/c			8,000
To Current Assets A/c			6,500
To Financial Assets A/c			500
(transferred to Realisation A/c)			
Shares in MSDS Ltd A/c #	Dr.	7,700	
To Realisation A/c			7,700
(Consideration)			
Equity Shareholders A/c	Dr.	3,300	
To Realisation A/c			3,300
(Loss on Realisation)			
Equity Share Capital A/c	Dr.	8,000	
Other Equity	Dr.	3,000	
To Equity Shareholders A/c			11,000
Equity Shareholders A/c	Dr.	7,700	
To Shares in MSDS Ltd. A/c			7,700

#

	MS ₹	DS ₹
Net Assets	9,000	11,000

Proportion	9/20	11/20
Consideration = Equity share Capital =14,000		
Payable to Transferee	$14,000 \times \frac{9}{20}$ = 6,300	$14,000 \times \frac{11}{20}$ =7,700

Journal in the books of Transferee Company MSDS Ltd.

Particulars		Amount ₹	Amount ₹
PPE A/c	Dr.	15,500	
Current Assets A/c	Dr.	11,200	
Financial Assets A/c	Dr.	1,300	
To Consideration A/c			14,000
To Borrowings A/c			5,000
To Current Liabilities A/c			3,000
To Other Equity*A/c			6,000
Consideration A/c	Dr.	14,000	
To Equity Share Capital A/c			14,000

*Carried in the same A/c name of the transferor companies. The identity of the reserves shall be preserved and shall appear in the financial statements of the transferee in the same form in which they appeared in the financial statements of the transferor.

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]

Answer:

(i) Consolidation procedures with respect to Consolidated financial statements:

(a) Combining of like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries.

(b) Offsetting (elimination) of the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (Note that Ind AS 103 explains how to account for any related goodwill).

(c) Elimination of full intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intra-group transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS12, Income Taxes, applies to temporary differences that arise from the elimination of profits and losses resulting from intra group transactions.

If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

(ii) In this case, on the basis of the absolute size of its holding and the relative size of the other shareholdings, the investor concludes that it has a sufficiently dominant voting interest to meet the power criterion without the need to consider any other evidence of power.

(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]

Answer:

a) In cases I, II and III, M Ltd. requires preparation of consolidated financial statements for its investment in P Ltd. In case I, P Ltd. is an Associate because M Ltd. has significant influence in P by virtue of its 20% voting power through holding of 20% shares in P. In case II, P Ltd. is a joint venture in which M Ltd. has joint control. In case III, P Ltd. is a joint venture in which M Ltd. does not have joint control, but has significant influence. For each of the above cases, Ind AS 28 requires that accounting for investment in associate or in joint venture (having joint control or significant influence) should be made under equity method in the consolidated financial statement.

Ind AS 28 also requires M Ltd. the investor company to prepare separate financial statement as per Ind AS 27.

For cases IV and V, M Ltd. requires preparation of Individual financial statements.

b) Journal Entry for cases I, II and III for Consolidated and Separate Financial Statements:

Investment A/c. Dr. ₹46,000

To Cash A/c. ₹46,000

Journal Entry for cases IV and V: For Individual financial statements. At initial measurement:

Investment A/c. Dr. ₹46,000

To Cash A/c. ₹46,000

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]

Answer:

Working Notes:

1. Goodwill = B+C - A = ₹12,000 + ₹21,000 – ₹30,000 = ₹3,000

Where:

A. Net Assets identified on acquisition in the mid of the year, represented by Value of Equity of Q = ₹25,000 + Pre acquisition profits (50% of yearly profit) = ₹25,000+₹5,000 = ₹30,000.
B. NCI = ₹12,000
C. Consideration = Investment in shares of Q = 21,000.

2. NCI at the reporting date = NCI at acquisition + Share of NCI in post acquisition profits of Q – Dividend payable to NCI = ₹12,000 + [40% × ₹5,000 (i.e. 50% of yearly profit] - 40% × ₹6,000 (dividend payable to be shown separately) = ₹12,000 + ₹2,000 - ₹2,400 = ₹11,600.

3. Consolidated Other Equity = P's Other Equity + Share from Post acquisition profits of Q = ₹16,000 + (60% × ₹5,000) = ₹19,000

In books of P
Consolidated and Separate Balance Sheet

(₹ Lakhs)

	In P's Book	
	Separate	Consolidated
Goodwill (1)		3,000
PPE	50,000	80,000
Investment in shares of Q (₹21,000 – ₹1,800 Pre-acquisition Dividend)	19,200	
Current Assets (20,000+1,800 Div Receivable)	21,800	34,000#
	91,000	1,17,000
Equity Shares	60,000	60,000
Other Equity (3)	16,000	19,000
NCI (2)		11,600
Current Liabilities		
Trade Payables	15,000	24,000
Dividend Payable (to NCI)		2,400
	91,000	1,17,000

₹(20,000+14,000 = ₹34,000); In Consolidated balance sheet Inter-company dividend is set off and does not appear.

(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]

Answer:

(i) Disposal groups: Sometimes an entity disposes of a group of assets, possibly with some directly associated liabilities, together in a single transaction. Such a disposal group may be a group of cash-generating units, a single cash-generating unit, or part of a cash-generating unit.

The measurement requirements of Ind AS 105 apply to this disposal group as a whole, so that the group is measured at the lower of its carrying amount and fair value less costs to sell.

(ii) Objectives of Ind AS 111 Joint Arrangements:

(a) The objective of Ind AS 111 is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

(b) To meet the objective this Ind AS defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

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]

Answer:

1. Calculation of Capital Employed

		₹ in Lakhs
Assets: Land and Buildings		3,200
Plant and Machinery		1,800
Stock		1,450
Debtors		360
Cash and Bank		220
		7,030
Less: Liabilities:		
Debentures	1,000	
Creditors	800	1,800
Capital Employed		5,230

2. Calculation of Actual Profit

	₹ in Lakhs
Average Profit before Tax (given)	2,400
Less: Income from Investment (₹ 5,00,00,000 × 10%)	50
	2,350
Less: Income Tax @ 30%	705
Average Actual Profit	1,645

3. Normal Profit = 12% of Capital Employed
   = ₹ 5,230 Lakhs ×12% = ₹ 627.60 Lakhs

4. Super Profit = Average Actual Profit - Normal Profit
   = ₹ 1,645 Lakhs – ₹ 627.60 Lakhs = ₹ 1,017.40 Lakhs

5. Goodwill = Super Profit × 2 = ₹ 1,017.40 Lakhs × 2 = ₹ 2,034.80 Lakhs

(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]

Answer:

(i) Types of Share Based Payment Transactions

There are three types of share-based payment transactions:

- **Equity-settled share-based payment transactions:** Under this type of Share-based Payment transaction, an entity receives services, as consideration for its own equity instruments or it has no obligation to settle the transaction with the supplier.

- **Cash-settled share-based payment transactions:** Under this type of Share-based Payment transaction, the entity acquires services by incurring liabilities for amounts that are based on the price (or value) of equity instruments of the entity or another group entity.

- **Share-based payment transactions with cash alternatives:** Here an entity has a choice of issuing shares or paying cash then the entity shall recognise a liability if it determines that it has an obligation to settle the liability in cash. If on settlement the entity issues shares rather than paying cash then the value of the liability should be transferred to equity.

(ii) The transaction will be recognized as equity-settled share based payment transaction. The services from the employee will be assumed to be rendered in future during the vesting period. In each financial statements falling in the vesting period the fair value of the share options as on the grant date will be recognized in proportion of the period expired to the total vesting period.

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

Answer:

Consolidated Fund of India

Subject to assignment of certain taxes to the States,
- all revenues received by the Government of India,
- all loans raised by the Government and
- all moneys received by that Government in repayment of loans

Shall form one consolidated fund to be called "the Consolidated Fund of India"
- No moneys shall be appropriated out of the Consolidated Fund of India except in accordance with law.
- No money can be issued out of Consolidated Fund of India unless the expenditure is authorised by an Appropriation Act.

Contingency Fund (Article 267) and Contingency Fund of India Act, 1950

- Parliament may by law establish a Contingency Fund in the nature of an imprest to be called "the Contingency Fund of India.
- Fund shall be placed at the disposal of the President to enable advances to be made for meeting unforeseen expenditure, pending authorization by Parliament

Public Account of India Article 266(2)

All other public moneys received by or on behalf of the Government of India shall be credited to the Public Account of India

Revenue Account (Article 112)

- The estimates of expenditure embodied in the annual financial statement shall show separately and shall distinguish expenditure on revenue account from other expenditure.
- Proceeds of taxation and other receipts classed as revenue and Expenditure met there from

Capital Heads

- Expenditure met usually from borrowed funds with the object of increasing concrete assets of a material and permanent character. Includes receipts of capital nature intended to be applied as a set off to capital expenditure.
- Receipts of capital nature which cannot be applied as a set off to capital expenditure.

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

Answer:

1. Clear Definitions
   XBRL allows the creation of reusable, authoritative definitions, called taxonomies, which

capture the meaning contained in all of the reporting terms used in a business report, as well as the relationships between all of the terms. Taxonomies are developed by regulators, accounting standards setters, government agencies and other groups that need to clearly define information that needs to be reported upon. XBRL doesn't limit what kind of information is defined: it's a language that can be used and extended as needed.

2. Testable Business Rules

XBRL allows the creation of business rules that constrain what can be reported. Business rules can be logical or mathematical, or both. These business rules can be used to:

- Prevent poor quality information being sent to a regulator or third party, by being run by the preparer while the report is in draft stage.
- Prevent poor quality information being accepted by a regulator or third party, by being run at the point that the information is being received. Business reports that fail critical rules can be sent back to the preparer for review and resubmission.
- Identifying or highlighting questionable information, allowing prompt follow up, correction or explanation.
- Creation of ratios, aggregations and other kinds of value-added information, based on the fundamental data provided.

3. Multi-lingual Support

XBRL allows concept definitions to be prepared in as many languages as necessary. Translations of definitions can also be added by third parties. This means that it's possible to display a range of reports in a different language to the one that they were prepared in, without any additional work. The XBRL community makes extensive use of this capability as it can automatically open up reports to different communities.

4. Strong Software Support

XBRL is supported by a very wide range of software from vendors large and small, allowing a very wide range of stakeholders to work with the standard.

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

Answer:

(a) Constitution of Public Accounts Committee

1. The Committee consists of not more than 22 members comprising 15 members elected by Lok Sabha every year from amongst its members according to the principle of proportional representation by means of single transferable vote and not more than 7 members of Rajya Sabha elected by that House in like manner are associated with the Committee.
2. The Chairman is appointed by the Speaker from amongst its members of Lok Sabha. The Speaker, for the first time, appointed a member of the Opposition as the Chairman of the Committee for 1967-68. This practice has been continued since then.
3. A Minister is not eligible to be elected as a member of the Committee. If a member after his election to the Committee is appointed a Minister, he ceases to be a member of the Committee from the date of such appointment.

(b) Benefits of GST

Overall Reduction in Prices

Reduction in Cascading of Taxes
Common National Market
Benefits to Small Taxpayers
Self-Regulating Tax System
Non-Intrusive Electronic Tax System
Decrease in Inflation
Ease of Doing Business
Simplified Tax Regime
Reduction in Multiplicity of Taxes
Consumption Based Tax

(c) The Committee on Public Undertakings exercises the same financial control on the public sector undertakings as the Public Accounts Committee exercises over the functioning of the Government Departments. The functions of the Committee are:-

(a) to examine the reports and accounts of public undertakings.
(b) to examine the reports of the Comptroller & Auditor General on public undertakings.
(c) to examine the efficiency of public undertakings and to see whether they are being managed in accordance with sound business principles and prudent commercial practices.

The examination of public enterprises by the Committee takes the form of comprehensive appraisal or evaluation of performance of the undertaking. It involves a thorough examination, including evaluation of the policies, programmes and financial working of the undertaking.
The objective of the Financial Committees, in doing so, is not to focus only on the individual irregularity, but on the defects in the system which led to such irregularity, and the need for correction of such systems and procedures.

(d) Significance of Integrated Reporting

IR is beneficial as it contributes to

- incorporate sustainability into its core business
- communicate the impact of a company's operations on environment and community
- identify ESG related risks and opportunities
- provide a competitive edge over its peers in the long term
- informed decisions and improved overall performance
- identify cost savings by analyzing financial and non-financial metrics together
- increase internal collaboration
- increase engagement with internal and external stakeholders through consistent and balanced reporting
- address reputational risk.
- increase brand value and customer loyalty.

(e) Scope of Ind AS 21: The Effect of Changes in Foreign Exchange Rates

Scopes This Standard shall be applied:

(i) Reporting foreign currency transactions in the functional currency;
(ii) Translation of foreign operations;
(iii) Translation of the presentation currency.

Non applicability:

(i) To the presentation in a statement of cash flows of the cash flows arising from transaction in a foreign currency or of a foreign operation.
(ii) To long-term foreign currency monetary items for which an entity has opted for the exemption given in Ind AS 101.