

FINAL EXAMINATION

Syllabus 2016

Paper 17: CORPORATE FINANCIAL REPORTING (CFR)

Time Allowed: 3 Hours

Full Marks: 100

There are Sections A, B, C and D to be answered subject to instructions given against each.

Section A				20 Marks
1.	<p>You are required to answer all the questions. Each question carries 1 mark.</p> <p>Instructions: Each question is followed by 4 Answer choices and only one is correct. You are required to select the choice which according to you represents the correct answer.</p>			20 X 1 = 20
	a.	A business combination is a transaction or other event in which an acquirer obtains _____ of one or more businesses.		
	(i)	Responsibility	A	
	(ii)	Control		
	(iii)	Only Assets		
	(iv)	Goodwill		
	b.	A Ltd. acquires 80% of B Ltd. for Rs.9,60,000 paid by equity at par. Fair Value (FV) of B's net assets at time of acquisition amounts Rs.8,00,000. What will be the Non-Controlling-Interest (NCI)?		
	(i)	Rs. 1,60,000	A	
	(ii)	Rs. 6,40,000		
	(iii)	Rs. 9,60,000		
	(iv)	Rs. 76,800		
	c.	<p>Depreciation as per accounting records Rs. 12,00,000,</p> <p>Depreciation as per income tax records Rs. 30,00,000.</p> <p>Unamortized preliminary expenses as per income tax records Rs. 1,80,000,</p> <p>Tax rate 40%.</p> <p>There is adequate evidence of future profit sufficiency.</p> <p>As per AS 22, Deferred Tax Asset/ Liability to be recognized will be _____.</p>		

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	(i)	Rs. 7,20,000 (DTA)		
	(ii)	Rs. 6,48,000 (DTL)	A	
	(iii)	Rs. 72,000 (DTL)		
	(iv)	None of the above		
d.	ABC Ltd. Acquired 80% Equity shares of XYZ Ltd. on 1st April, 2020. On 31 st March, 2021, goods worth Rs. 65,000 purchased from ABC Ltd., were included in stock of XYZ Ltd. ABC Ltd. Made a profit of 25% on cost. At the time of preparation of Consolidated Balance Sheet, the amount of unrealized profit on stock will be _____.			
	(i)	Rs. 21,667		
	(ii)	Rs. 13,000	A	
	(iii)	Rs. 26,000		
	(iv)	Rs. 44 Lakhs		
e.	A company that does not have a subsidiary, associate or investment in joint venture shall prepare _____.			
	(i)	individual financial statements	A	
	(ii)	consolidated financial statements		
	(iii)	separate financial statements		
	(iv)	All of the above		
f.	When a company combines with the supplier of material, it is called a _____.			
	(i)	backward merger	A	
	(ii)	horizontal merger		
	(iii)	product extension		
	(iv)	none of the above		

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	g.	A joint venture shall recognise its interest in a joint venture as an investment and shall account for that investment using the _____ method in accordance with Ind AS 28.		
	(i)	debt		
	(ii)	net assets		
	(iii)	equity	A	
	(iv)	none of the above		
	h.	In India, Ind AS converged with IFRSs have been implemented on voluntary basis from _____.		
	(i)	1st April 2014		
	(ii)	1st April 2015	A	
	(iii)	1st April 2016		
	(iv)	1st April 2017		
	i.	An asset is impaired when the carrying amount of the asset exceeds its _____		
	(i)	fair value		
	(ii)	recoverable amount	A	
	(iii)	value in use		
	(iv)	fair value less cost to sell		
	j.	X Ltd. holds 69% of Y Ltd., Y Ltd. holds 51% of W Ltd., Z Ltd. holds 49% of W. Ltd. As per AS 18, Related Parties are _____.		
	(i)	X Ltd., Y Ltd. & W Ltd	A	
	(ii)	X Ltd. & Z Ltd		
	(iii)	Y Ltd. & Z Ltd		
	(iv)	X Ltd. & Y Ltd		

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	K.	Ind AS 113 is related with _____.		
	(i)	fair value measurement	A	
	(ii)	insurance contracts		
	(iii)	financial instruments		
	(iv)	consolidated statements		
	I.	Capital Employed is Rs. 255 Lakhs; Annual average profits are Rs. 57 Lakhs; Normal rate of return is 12%. What will the value of goodwill on the basis of Capitalization of super profits?		
	(i)	Rs. 220 Lakhs	A	
	(ii)	Rs. 475 Lakhs		
	(iii)	Rs. 6.84 Lakhs		
	(iv)	Rs. 26.40 Lakhs		
	m.	Which of the following is constituted under Article 266(2) of the Constitution of India?		
	(i)	Contingency funds of India		
	(ii)	Consolidated funds of India		
	(iii)	Public Accounts of India	A	
	(iv)	All of the above		
	n.	A firm values goodwill under 'Capitalization of Profits' method. Average profit of the firm for past 4 years has been determined at Rs. 1,00,000 (before tax). Capital employed in the business is Rs. 4,80,000 and its normal rate of return is 12%. Tax rate is 28% on average. What will the value of Goodwill based on capitalization of average profit?		
	(i)	Rs. 1,20,000	A	
	(ii)	Rs. 6,00,000		
	(iii)	Rs. 5,00,000		
	(iv)	Rs. 4,80,000		

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	o.	The phrase 'Triple Bottom Line' was first coined in _____.	
	(i)	1994	A
	(ii)	1995	
	(iii)	1992	
	(iv)	1993	
	p.	As per the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015, which of the following companies are exempt from XBRL filing of their financial statement and other documents?	
	(i)	Banking companies	
	(ii)	Insurance companies	
	(iii)	NBFCs	
	(iv)	All of the above	A
	q.	Which of the following is myth about XBRL?	
	(i)	XBRL is freely licensed and available to the public	
	(ii)	XBRL deals with business reporting information	
	(iii)	XBRL provides a mechanism for facilitating a drilldown of existing GAAP information into lower levels of information	A
	(iv)	XBRL is not a set of Accounting Standards	
	r.	Members of Public Accounts Committee are elected by Lok Sabha and Rajya Sabha and comprise of not more than _____.	
	(i)	15 members of Lok Sabha and 7 members of Rajya Sabha.	A
	(ii)	7 members of Lok Sabha and 15 members of Rajya Sabha.	
	(iii)	15 members of Lok Sabha and 10 members of Rajya Sabha.	
	(iv)	10 members of Lok Sabha and 7 members of Rajya Sabha.	

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	s.	Under Ind AS 103, at what value the non-controlling interest is recorded in the books of the acquiree at the time of a business combination transaction?	
	(i)	It is recognised at fair value only	
	(ii)	It is recognised at proportionate fair value of identified net assets only	
	(iii)	It is not recognised at all	
	(iv)	It is recognised either at fair value or at proportionate fair value of identified net assets	A
	t.	A joint arrangement has the following characteristics:	
	(i)	The parties are bound by a contractual arrangement.	
	(ii)	The contractual arrangement gives two or more of those parties joint control of the arrangement.	
	(iii)	Both (i) and (ii)	A
	(iv)	None of the above	
Section B You are required to answer all the questions. Each question carries 2 marks. Instructions: Each question is followed by a space where you are required to type your answer.			10 X 2= 20 Marks
3.	a.	XYZ Ltd. obtained a Loan from a Bank for Rs. 240 lakhs on 30 th April, 2019. It was utilized for construction of a shed Rs. 120 lakhs, Purchase of Machinery Rs. 80 lakhs and Working Capital Rs. 40 lakhs. Construction of shed was completed on 31 st March, 2021. The machinery was installed on the same date. Total interest charged by the Bank for the year ended 31 st March, 2021 was Rs. 36 lakhs. What would be the amount of interest to be debited to Profit & Loss Account as per AS- 16?	
		Type your answer here Amount of interest to be debited to Profit & Loss Account as per AS- 16=Rs. 18 lakhs ROUGH WORK Qualifying Asset as per AS16 = Rs. 120 lakhs (construction of a shed) Borrowing cost to be capitalized = $36 \times 120/240$ = Rs. 18 lakhs Interest to be debited to Profit or Loss Account = Rs. (36 – 18) lakhs = Rs. 18 lakhs	

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b.	G Ltd. obtained a contract for a construction of a building for Rs. 95 Lakhs. As on 31 st March, 2021, it incurred a cost of Rs. 22 Lakhs and expected that there will be Rs. 58 Lakhs more needed for completing the building. It has received Rs. 18 Lakhs as progress payment. What will be the degree of completion of the construction contract?	
	Type your answer here Degree of completion of the construction contract = 27.5%	
c.	Super Profit of ABC Ltd (Computed): Rs.18,00,000 Normal rate of return: 12% Present value of annuity of ₹1 for 4 years @ 12%: 3.0374 What will be the value of goodwill ?	
	Type your answer here Goodwill= Rs.54,67,320 ROUGH WORK Value of goodwill = Super profit × P.V of Annuity of 1 for 4 years @ 12% = Rs. 18,00,000 × 3.0374 = Rs. 54,67,320	
d.	A Ltd. acquires B Ltd. for Rs. 9,60,000. Fair Value (FV) of B's net assets at time of acquisition amounts Rs. 8,00,000. Calculate the purchase consideration.	
	Type your answer here Purchase consideration = Rs.1,60,000 ROUGH WORK Purchase consideration Rs. 9,60,000 FV of Net Assets Rs. 8,00,000 Goodwill = Consideration – Net Assets = Rs. (9,60,000 – 8,00,000) = Rs. 1,60,000	
e.	What are the three dimensions of 'triple bottom line' ?	
	Type your answer here The three dimensions of 'triple bottom line' are as follows: <ol style="list-style-type: none"> 1. social equity 2. economic 3. environmental factors 	

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f.	Is the preparation of Consolidated Financial Statement is mandatory for companies having subsidiary in India?	
	Type your answer here Yes. Companies Act, 2013 requires preparation of CFS.	
g.	As per which Ind AS, a parent company in a group of companies shall prepare consolidated financial statements? Further, as per which Ind AS it shall prepare separate financial statements?	
	Type your answer here IND AS 110 and IND AS 27	
h.	Mr. X is an employee of P Ltd. and also holder of equity shares of P Ltd. P Ltd. makes a right issue on equity and X receives his right. Is it a share based payment transaction?	
	Type your answer here No. For the purpose of Ind AS 102, a transaction with an employee (or other party) in his/her capacity as a holder of equity instruments of the entity is not a share based payment transaction.	
i.	State the three types of financial statements.	
	Type your answer here 1. Individual financial statements, 2. Consolidated financial statements and 3. Separate financial statements	
j.	Who holds the contingency fund of India?	
	Type your answer here Contingency Fund of India is held on behalf of President by the Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs	
Section C You are required to answer any 4 out of 6 questions in this section Instructions: Each question is followed by a space where you are required to type your answer.		12 X 4 = 48 Marks

3.

a.

The Chief Accountant of XYZ Ltd. gives the following data regarding its six segments:

Rs. in lakhs							
Particulars	M	N	O	P	Q	R	Total
Segment Assets	50	25	10	5	5	5	100
Segment Results	-50	-140	80	10	-10	10	-100
Segment Revenue	200	320	200	90	90	100	1000

Identify the Reportable Segments as per AS-17.

Type your answer here

Reportable Segment(s) as per AS 17: Reportable Segments of XYZ Ltd. as per AS 17 are M, N, O and R only.

ROUGH WORK

Criteria For Reportable Segment	Reportable Segment fulfilling Criteria
10% of Total Revenue (i.e.10% of Rs.1,000 Lakhs)	M, N, O and R
10% of Total Result (i.e.10% of Rs.200 Lakhs)	M, N, O
10% of Total Assets (i.e.10% of Rs.100 Lakhs)	M, N, O

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	<p>b. B Infrastructures Limited obtained a contract for construction of a bridge for Rs. 100 Lakhs. The contract will be completed within 3 years for which total cost to be incurred is Rs. 85 Lakhs. The following data pertain to the construction period:</p> <table><tr><th></th><th colspan="3">(Rs. in Lakhs)</th></tr><tr><th>Particulars/Year</th><th>I</th><th>II</th><th>III</th></tr><tr><td>Cumulative Costs Incurred till the year-end</td><td>30</td><td>70</td><td>85</td></tr><tr><td>Estimated Cost yet to be incurred at year-end</td><td>60</td><td>10</td><td>—</td></tr><tr><td>Progressive billing made during the year</td><td>20</td><td>65</td><td>15</td></tr><tr><td>Collections of billings</td><td>15</td><td>60</td><td>25</td></tr></table>		(Rs. in Lakhs)			Particulars/Year	I	II	III	Cumulative Costs Incurred till the year-end	30	70	85	Estimated Cost yet to be incurred at year-end	60	10	—	Progressive billing made during the year	20	65	15	Collections of billings	15	60	25	8
	(Rs. in Lakhs)																									
Particulars/Year	I	II	III																							
Cumulative Costs Incurred till the year-end	30	70	85																							
Estimated Cost yet to be incurred at year-end	60	10	—																							
Progressive billing made during the year	20	65	15																							
Collections of billings	15	60	25																							
(i)	Calculate the stage of completion (%) of the construction contract.	4																								

Type your answer here

Stage of Completion of Year 1=33.33 %

Stage of Completion of Year 2=87.50%

Stage of Completion of Year 3=100%

ROUGH WORK

Calculation of Stage of Completion (Rs. in Lakhs)

Particulars	Year I	Year II	Year III
Cumulative Cost Incurred till the year-end	30	70	85
Estimated Cost yet to be incurred at year-end	60	10	0
Total Completion Cost of Project at year-end	90	80	85
Stage of Completion (%)	33.33	87.50	100

Working Notes:

Formula applied for Computing:

Total Completion Cost of Project at year-end = Cumulative Cost Incurred till year-end + Estimated Cost yet to be incurred at year-end

Stage of Completion (%) = [Cumulative Cost Incurred till year-end / Total Completion Cost of Project at year-end] X 100

(ii) Calculate the amount of profit to be recognized in Statement of Profit and Loss as per AS-7.

4

Type your answer here

Year I – Rs 3.33 lakhs,

Year II – Rs.14.17 lakhs,

Year III – Rs.(2.50) lakhs

ROUGH WORK

Profit to be recognized in statement of profit as per AS – 7

(Rs. in Lakhs)

Particulars	Year I	Year II	Year III
Total Contract Revenue	100	100	100
Stage of Completion (%)	33.33	87.50	100
Revenue to be Recognized each year	33.33	87.50	100.00
Cumulative Cost Incurred till the year-end	30.00	70.00	85.00
Cumulative Profit to be recognized at year-end	3.33	17.50	15.00
Profit/(Loss) to be recognized each year	3.33	14.17	(2.50)

Formula applied for Computing:

Revenue to be recognized = Total Contract Revenue x Stage of Completion

Cumulative Profit to be recognized at year-end = Revenue to be Recognized each year – Cumulative Cost Incurred till the year-end

Profit/(Loss) to be recognized each year = Cumulative Profit to be recognized at year-end (Current year) - Cumulative Profit to be recognized at the year-end (previous year)

4.	a.	D has acquired 100% of the equity of F on March 31, 20X7. The purchase consideration comprises of an immediate payment of Rs 10 lakhs and two further payments of Rs 1.21 lakhs if the Return on Equity exceeds 20% in each of the subsequent two financial years. A discount rate of 10% is used. Compute the value of total consideration at the acquisition date.	4
		<p>Type your answer here</p> <p>Total consideration at the acquisition date=Rs.12.10 lakhs</p> <p>ROUGH WORK</p> <p>Immediate cash payment Rs 10.00 lakhs</p> <p>Fair value of contingent consideration (1.21/1.1 + 1.21/1.12)= Rs 2.10 lakhs</p> <p>Total purchase consideration = Rs12.10 lakhs</p>	
	b.	Entity A acquired 35 % of Entity B in 2015 for Rs 35,000. In 2016, fair value of shares of entity B is Rs 42,000, thus Rs 7,000 reported under OCI. In 2016, A further acquired 40% stake in B. Consideration paid Rs. 60,000. Entity A identifies the net assets of B as Rs 120,000, value 35% shares at Rs 45,000. NCI is valued at proportionate net assets.	

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	(i)	Calculate the transfer made by A to P& L.	4
		<p>Type your answer here Total transfer to P & L Rs.10,000</p> <p>ROUGH WORK</p> <p>A will make transfer to P&L:</p> <p>Gain on disposal of 35% investment Rs. (45,000 – 42,000) = Rs.3,000</p> <p>Gain previously reported in OCI Rs. (42,000 – 35,000) = Rs.7,000</p> <p>Total transfer to P & L Rs.10,000</p>	
	(iii)	A's measurement of Goodwill	4
		<p>Type your answer here Goodwill= Rs. 15,000</p> <p>ROUGH WORK</p> <p>A will measure goodwill as follows:</p> <p>Fair Value of consideration given for controlling interest= Rs.60,000</p> <p>Non-controlling interest (25% × Rs.1,20,000) =Rs.30,000</p> <p>Fair Value of previously-held interest Rs.45,000 Rs.1,35,000</p> <p>Less : Fair value of net assets of acquiree= Rs.1,20,000</p> <p>Goodwill Rs.15,000</p>	
5	a.	State the Objectives and Scope of Ind AS-105: Non-current Assets Held for Sale and Discontinued Operations.	6

	<p>Type your answer here</p> <p>Ind AS-105: Non-current Assets Held for Sale and Discontinued Operations Objectives are as follows: The objective of this Indian Accounting Standard (Ind AS) is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. In particular, this Ind AS requires:</p> <ul style="list-style-type: none"> i. assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and ii. assets that meet the criteria to be classified as held for sale to be presented separately in the balance sheet and the results of discontinued operations to be presented separately in the statement of profit and loss. <p>The scope of this Ind AS are as follows:</p> <ul style="list-style-type: none"> ii. The classification and presentation requirements of this Ind AS apply to all recognized non-current assets and to all disposal groups of an entity. iii. The measurement requirements of this Ind AS apply to all recognized non-current assets and disposal groups (as set out in paragraph-4), except for those assets listed in paragraph 5 which shall continue to be measured in accordance with the Standard noted. iv. Assets classified as non-current in accordance with Ind AS 1, Presentation of Financial Statements, shall not be reclassified as current assets until they meet the criteria to be classified as held for sale in accordance with this Ind AS. v. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this Ind AS. 	
b.	<p>X Company commits a plan on 1st July, 2020 to sell its head office building to a buyer after it vacates the building. For vacating ordinarily one-month time is required. Should the building be classified as asset held for sale on 1st July or one month later?</p> <p>If X Company commits a plan on 1st July, 2020 to sell its head office building to a buyer after it constructs a new building. Should the building be classified as asset held for sale on 1st July?</p>	3
	<p>Type your answer here</p> <ul style="list-style-type: none"> i. It should be classified as held for sale on 1st July as it is available for immediate sale in its present condition since the time necessary to vacate the building is usual and customary for sales of such assets. ii. In this case the answer will be No. It is not classified as held for sale on July 1st as it is not available for sale immediately on 1st July and it remains not available for sale until the new construction is completed. 	
c.	<p>A company is committed to a plan to sell a factory to a buyer on 30th September with back log of uncompleted customer order with a condition that</p> <ul style="list-style-type: none"> (a) the factory will be transferred immediately along with the back log orders to the buyer. (b) the factory will be transferred after finishing the back log orders. <p>Should the factory be classified as available for sale on 30th in case of (a) and (b)?</p>	3

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		Type your answer here In case of (a) it is available for immediate sale at its present condition on 30th and hence on that date it should be classified as available for sale. In case of (b) it is not available for immediate sale on 30th rather it is not available for sale until the back log customer orders are completed.	
6.	a.	Give four examples of Financial Assets.	4
		Type your answer here The examples of financial assets are the following: (a) Cash: Cash is by definition a financial asset. It includes cash held in foreign currency. (b) An equity instrument of another entity: Suppose X purchases 200 shares in Y, the investment will meet the definition of financial asset. (c) a contractual right to receive cash or another financial asset from another entity: A simple example of such an asset is trade receivable as it represents contractual right to receive cash. (d) a contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity: Example of such an asset is a contract held by an entity to buy 100 kg oranges for Rs. 100/kg while the current selling price of oranges is Rs. 120/kg.	

- b. While closing its books of account on March 31st of a financial year, a Non-banking Finance company has its advances classified as follows:

4

Particulars	Rs. in Lakhs
Standard Assets	10,000
Sub-Standard Assets	1,000
Secured Positions of Doubtful Debts:	
- Up to one year	160
- one year to three years	70
- more than three years	20
Unsecured Portions of Doubtful debts	90
Loss Assets	30

Calculate the amount of provision which must be made against the advances.

Type your answer here:

Amount of provision =Rs. 323 Lakhs

ROUGH WORK

Particulars	Loan (Rs. in Lakhs)	Provision (%)	Provision (Rs. In Lakhs)
Standard Assets	10,000	0.40	40
Sub-Standard Assets	1,000	10	100
Secured Positions of Doubtful Debts:			
- Up to one year	160	20	32
- one year to three years	70	30	21
- more than three years	20	50	10
Unsecured Portions of Doubtful debts	90	100	90
Loss Assets	30	100	30
Total			323

c. Explain any 3 terminologies of XBRL.

4

		<p>Type your answer here</p> <p>XBRL is a language for the electronic communication of business and financial data which is revolutionizing the business reporting around the world. The term XBRL includes four terminologies – Extensible, Business, Reporting and Language.</p> <p>These terms are briefly discussed hereunder:</p> <p>(a) Extensible: This term implies that the user can extend the application of a particular business data beyond its original intended purpose. The major advantage in it is that the extended use can be determined even by the users and not just the ones who merely prepare the business data. This is achieved by adding tags which are both human and machine readable – describing what the data is.</p> <p>(b) Business: This platform is relevant to any type of business transaction. It is to be noted that XBRL focus is on describing the financial statements for all kinds of entities.</p> <p>(c) Reporting: The intention behind promoting the use of XBRL is to have all companies report their financial statements in a consolidated manner using the specified formats.</p> <p>(d) Language: XBRL is based on ‘eXtensible Markup Language’ (XML). It is one of a family of “XML” languages which is becoming a standard means of communicating information between businesses and on the internet. It prescribes the manner in which the data can be “marked-up” or “tagged” to make it more meaningful to human readers as well as to computers-based system.</p>	
7.	a.	State the scope of Ind AS 102.	3
		<p>Type your answer here</p> <p>Scopes of Ind AS 102 are:</p> <p>An entity shall apply it to all share-based payment transactions, in which an entity acquires or receives goods or services.</p> <p>There are following three types of Share-based payments:</p> <p>(a) equity-settled share-based payment transactions, (b) cash-settled share-based payment transactions, and (c) share based payment transaction with cash alternatives</p> <p>Non-applicability of Ind AS 102:</p> <p>i. Share issued as consideration in a business combination ii. Certain contract transactions falling within Ind AS 32 or Ind AS 109 relating to Financial Instruments</p>	
	b.	Explain the features of Government Accounting.	9

		<p>Type your answer here</p> <p>Government Accounting is a unique application area which has certain characteristics of its own. Some of the main features of Government Accounting are discussed as under:</p> <ol style="list-style-type: none"> Specific system of accounting: It is a specific accounting system which is followed by government in its departments, offices and institutions. Reporting of utilization of public funds: The government and its institutions are public institution whose main objective is to provide services to the society and also to maintain law and order in the country, so the accounting system used by such institutions has to reveal how public funds and properties have been used for that purpose. It is to be noted that government accounting is not done for revealing any profit and loss. Government Regulations: Government accounting is maintained according to government rules and regulations. The financial policies, rules and regulations as determined from time to time provide the system of government accounting. Double Entry System: Government accounting is based on the principles and assumptions of double entry system of book keeping. Accordingly, every financial transaction entered into by a government/ government office/ institution are recorded showing their double effects. It implies that for each government financial transaction one aspect of the transaction is debited and the other aspect is credited. Budget Heads: All the expenses of government offices are classified into different budget heads and expenditures are made only on approved budget heads. Budgetary Regulation: Government expenditures are governed by budgetary regulations, in other words, no government office can make expenditure more than the amount allocated in the budget. Thus, in effect, government accounting gets regulated by the budget. Mode of Transaction: All government transactions are supposed to be performed through banks. Fund-based Accounting: A peculiar characteristic of governmental accounting is the employment of separate funds. The government is engaged in an ever-growing number of operations and activities which are quite unrelated to each other. The particular sources of revenue or income often are dedicated to use for a particular phase of the government's operations. The accounts must segregate these specially dedicated resources and isolate them from all other transactions in a separate "fund." Auditing: The audit the books of accounts maintained by government departments, offices or institutions are to be audited by a recognized department of the government so as to ensure proper governance and also to prevent misuse and misappropriation of public funds. 	
8.		You are required write Short Notes on any 4 out of 5 questions	4 X 3 = 12 Marks
	a.	Features of International Financial Reporting Standards (IFRS).	3

		<p>Type your answer here</p> <ul style="list-style-type: none"> i. The characteristics of IFRS are: ii. These are global accounting standards. iii. These standards are 'principle based', and not 'rule-based'. iv. IFRS are developed and maintained by the IASB. v. These are issued with the intention of applying these standards across the globe on a consistent basis. vi. It ensures high quality transparent reporting that would ensure comparability among the entities across the globe. vii. Every standard has a specific structure to ensure uniformity and facilitate reading, interpretation and application. They are: Introduction, Standards, Basis of Conclusion (BC), Implementation Guidelines (IG), Illustrative Examples (IE), and Dissenting Opinions of board members. 	
	b.	Reverse Acquisition	3
		<p>Type your answer here</p> <p>A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. For example, reverse acquisitions sometimes occur when a private operating entity wants to become a public entity but does not want to register its equity shares. To accomplish that, the private entity will arrange for a public entity to acquire its equity interests in exchange for the equity interests of the public entity. In this example, the public entity is the legal acquirer because it issued its equity interests, and the private entity is the legal acquiree because its equity interests were acquired. However, application of the guidance in paragraphs B13–B18 of Ind AS 103 results in identifying: (a) the public entity as the acquiree for accounting purposes (the accounting acquiree); and (b) the private entity as the acquirer for accounting purposes (the accounting acquirer). The accounting acquiree must meet the definition of a business for the transaction to be accounted for as a reverse acquisition, and all of the recognition and measurement principles in Ind AS103, including the requirement to recognise goodwill, apply. A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition.</p>	
	c.	Objectives of Ind AS-110.	3

		<p>Type your answer here</p> <p>The objective of this Indian Accounting Standard (Ind AS) is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>For the purpose of meeting the above stated objective, this Ind AS:</p> <ul style="list-style-type: none"> (a) requires an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated financial statements; (b) defines the principle of control, and establishes control as the basis for consolidation; (c) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; (d) sets out the accounting requirements for the preparation of consolidated financial statements; and (e) defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. 	
	d.	Meaning and Advantages of Triple Bottom Line Reporting (TBL).	3
		<p>Type your answer here</p> <p>Meaning of Triple Bottom Line Reporting</p> <p>TBL reporting refers to providing information on the economic, environmental and social dimensions of the activities carried on by an organization.</p> <p>Thus, The Triple Bottom Line is made up of "Social (People), Economic (Profit) and Environmental (Planet)".</p> <p>In the private sector, a commitment to CSR implies a commitment to some form of TBL reporting.</p> <p>Advantages of Triple Bottom Line Reporting</p> <ol style="list-style-type: none"> 1. enhancement of reputation and brand 2. securing a social license to operate 3. attraction and retention of high caliber employees 4. improved access to investors 5. reduced risk profile 6. identification of potential cost savings 7. increased scope for innovation 8. aligning stakeholder needs with management focus, and 9. creating of sound basis for stakeholder dialogue 	
	e.	Responsibility of GASAB	3

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		Type your answer here GASAB has the following responsibilities: <ul style="list-style-type: none">i. To formulate and improve standard of Government accounting and financial reporting in order to enhance accountability mechanisms.ii. To formulate and propose standards that improve the usefulness of financial reports based on the needs of the users.iii. To keep the standards current and reflect change in the Governmental environment.iv. To provide guidance on implementation of standards.v. To consider significant areas of accounting and financial reporting that can be improved through the standard setting process.vi. To improve the common understanding of the nature and purpose of information contained in the financial reports.	
		Section D You are required to answer all the questions in this section Instructions: Each question is followed by a space where you are required to type your answer.	12 X 1 = 12 Marks

9. RR Ltd. is a company that is rapidly making its mark in the field of information technology. The IT industry has been booming in recent times. With the immense opportunity of off-shore work being pushed to the Indian market for its less expensive human resource, it has been possible for companies in this industry to benefit from the huge deal of work being outsourced to countries like India. The country with its immense population, educated and skilled in IT, the government steering education to bring in information technology to lower classes of education and the companies creating space with innovative coding, has allowed the IT sector to expand beyond bounds.

With the need to constantly evolve, research and development has been at its core. To allow adequate research facilities and to create an environment of appreciation of the hard work and effort of its employees, the company has invested heavily in the infrastructure. The company doesn't feel like a traditional workplace. The employees get to experience an informal work set up.

With amenities ranging from basketball court, gaming zones, library, food experimentation area, a cafeteria to relax, small sleeping pods for quick relaxation etc.

The company is aware that providing just these amenities does not only promote good work habits, but also keeps the employees from getting frustrated with blockages. The need to constantly create and be updated requires ample opportunity to release stress.

Along with this great deal of opportunities for the employees, the company has also carefully taken note to grant adequate rights to the employees, so as to establish the feeling of belonging among them. To keep attrition at bay, the employees are provided with share appreciation rights.

It grants 80 cash share appreciation rights (SARs) to each of its 400 employees, on condition that the employees remain in its employment for the next three years. During year 2017-2018, 30 employees leave. The entity estimates that a further 50 will leave during years 2018-2019 and 2019-2020. During year 2018-2019, 40 employees leave and the entity estimates that a further 30 will leave during year 3. During year 2019-2020, 40 employees leave. At the end of year 2019-2020, 100 employees exercise their SARs, another 120 employees exercise their SARs at the end of year 2020-2021 and the remaining employees exercise their SARs at the end of year 2021-2022. The entity estimates the fair value of the SARs at the end of each year in which a liability exists as shown below. At the end of year 2019-2020, all SARs held by the remaining employees vest. The intrinsic values of the SARs at the date of exercise (which equal the cash paid out) at the end of years 2019-2020, 2020-2021 and 2021-2022 are also shown below:

Year	Fair Value (Rs.)	Intrinsic Value (Rs.)
2017-2018	15	
2018-2019	16	
2019-2020	18	15
2020-2021	21	20
2021-2022		
The Institute of Cost Accountants of India (Statutory Body under an Act of Parliament)		24

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	a.	Compute the total expenses during these 5 years.	3
		Type your answer here Total expenses =Rs. 4,46,400	
	b.	Compute the yearly employee expenses for these 5 years.	3
		Type your answer here 2017-2018= Rs. 1,28,000 2018-2019= Rs. 2,56,000 2019-2020= Rs. 1,37,600, 2020-2021= Rs. 36,000 2021-2022= Rs.16,800	
	c.	Compute the yearly employee liabilities for these 5 years.	3

Type your answer here

2017-2018= Rs. 1,28,000

2018-2019= Rs. 2,56,000

2019-2020= Rs. 2,73,600,

2020-2021= Rs. 1,17,600

2021-2022= Nil

ROUGH WORK

Calculation of estimated reduction in number of employees, SAR exercised and the remaining employees

At the end of Year	[Actual]+Estimated reduction in no. of employees	Expense and liability recognized for	SAR exercised by	Remaining Employees
2017-2018	$[30]+50=80$	320 employees at Rs.15		
2018-2019	$[30+40]+30=100$	300 employees at Rs.16		
2019-2020	$[30+40+40]=110$	290 employees at Rs.18	100 employees at Rs.15	190
2020-2021			120 employees at Rs.20	70
2021-2022			70 employees at Rs.24	0

Calculation of employee expense and liability

Year	Calculation	Rs.	Expense Rs.	Liability Rs.
2017-2018	$(400-80) \times 80 \times 15 \times 1/3$		1,28,000	1,28,000 L ¹
2018-2019	$(400-100) \times 80 \times 16 \times 2/3 - L^1$		1,28,000	2,56,000 L ²
2019-2020	$(400-100-110) \times 80 \times 18 - L^2$	17,600		2,73,600 L ³
	$100 \times 80 \times 15$	1,20,000	1,37,600	
2020-2021	$(190-120) \times 80 \times 18 - L^3$	-1,56,000		1,17,600 L ⁴
	$120 \times 80 \times 20$	1,92,000	36,000	
2021-2022	$0 - L^4$	-1,17,600		0
	$70 \times 80 \times 24$	1,34,400	16,800	
			4,46,400	

	d.	Discuss the disclosures required to be made as per Ind AS 102 for year 2017-2021.	3
		<p>Type your answer here</p> <p>(a) A description of each type of share based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement,</p> <p>(b) The number and weighted average exercise prices of share options for each of the following groups of options:</p> <ul style="list-style-type: none"> (i) outstanding at the beginning of the period (ii) granted during the period (iii) forfeited during the period (iv) exercised during the period (v) expired during the period (vi) outstanding at the end of the period (vii) exercisable at the end of the period <p>(c) For share options exercised during the period, the weighted average share price at the date of exercise. For share options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life.</p> <p>(d) (d) An entity shall disclose information that enables users of the financial statements to understand how the FV of the goods or services received or the FV of the equity instruments granted, during the period was determined.</p>	

END