

FINAL EXAMINATION

December 2016

P-18(CFR)  
Syllabus 2012

Corporate Financial Reporting

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*All workings must form part of your answer.*

*Whenever necessary, suitable assumption may be made and disclosed by way of a note.*

*Answer Question No. 1 (carrying 20 marks) which is compulsory and also answer any five questions (carrying 16 marks each) from Question No. 2 to Question No. 8.*

1. Answer any four questions (carrying 5 marks each) from the following:

5×4=20

- (a) SWIFT Ltd. acquired a patent at a cost of ₹ 144 lakh for a period of six years and the product life cycle is also six years. The company capitalized the cost and started amortising at ₹ 24 lakh per annum. After 3 years, it was found that the product life cycle may continue for another 5 years from then. The net cash flows from the product during these 5 years are expected to be ₹ 48 lakh, ₹ 72 lakh, ₹ 60 lakh, ₹ 56 lakh and ₹ 52 lakh respectively.

Find out the amortization cost of the patent for each of the years, as per AS-26.

- (b) PLANTINUM LTD. supplied the following information:

Net profit for 2014-15	₹ 33 lakh
Net profit for 2015-16	₹ 49.50 lakh
No. of shares before rights issue	1,65,000
Rights issue ratio	One for every four held
Right issue price	₹ 270
Date of Exercising Rights Option	30th June, 2015 (fully Subscribed on this date)
Fair value of share before rights issue	₹ 405

*You are required to compute:*

- (i) Basic earnings per share and  
(ii) Adjusted earnings per share as per AS-20.

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- (c) From the following details of Zebra Ltd., calculate the deferred tax asset/liability as per AS-22 and the amount of tax to be debited in the Profit & Loss A/c under different heads for the year ended 31-03-2016.

Particulars	₹
Accounting profit	15,00,000
Book profit as per MAT	13,50,000
Profit as per Income-tax Act	2,00,000
Tax rate	30%
MAT rate	7.50%

- (d) Describe the process of election of public accounts committee.
- (e) Ranjan furnishes the following information about all "Options" at the Balance Sheet date as on 31-03-2016. Determine the total amount of provision to be made in his books of account.

Securities	₹		
	A	B	C
<i>Details of Option bought</i>			
Premium paid	25,000	20,000	15,000
Premium prevailing on Balance Sheet date	20,000	10,000	6,000
<i>Details of Option sold</i>			
Premium received	15,000	26,000	12,000
Premium prevailing on Balance Sheet date	20,000	16,000	8,000

2. The following are the summarized Balance Sheet of ZIN Ltd. and VES Ltd. as on March 31, 2016.

(Amount in ₹)					
Equity and Liability	ZIN Ltd.	VES Ltd.	Assets	ZIN Ltd.	VES Ltd.
<b>1. Shareholders' Funds:</b>			<b>2. Non-Current Assets:</b>		
(a) Share Capital			(a) Fixed Assets	14,00,000	10,00,000
(i) Equity shares of ₹ 10 each	12,00,000	12,00,000	(b) Non-Current investments		
(ii) 10% Pref. Shares of ₹ 10 each	4,00,000	4,00,000	(i) 12,000 equity shares of VES Ltd.	1,60,000	
(b) Reserves & Surplus	6,00,000	8,00,000	(ii) 20,000 equity shares of Zin Ltd.		3,20,000
<b>2. Non-Current liabilities:</b>			<b>2. Current Assets:</b>		
Long term Borrowings (12% Debentures)	4,00,000	6,00,000	(a) Inventories	4,80,000	12,80,000
<b>3. Current Liabilities:</b>			(b) Trade Receivables		
Trade Payables			(i) Debtors	7,20,000	7,60,000
(i) Sundry Creditors	4,40,000	5,00,000	(ii) Bills Receivable	1,20,000	80,000
(ii) Bills payable	60,000	1,00,000	(c) Cash & Cash Equivalents	2,20,000	1,60,000
<b>Total</b>	<b>31,00,000</b>	<b>36,00,000</b>	<b>Total</b>	<b>31,00,000</b>	<b>36,00,000</b>

Fixed assets of both the companies are to be revalued at 15% above Book Values and stock and debtors are to be taken over at 5% less than their book values. Both the companies are to pay 10% equity dividends,

preference dividends having been already paid. After the above transactions are given effect to, Zin Ltd. will absorb Ves Ltd. on the following terms:

- 8 equity shares of ₹ 10 each will be issued by Zin Ltd. at par against 6 shares of Ves Ltd.
- 10% preference share of Ves Ltd. will be paid off at 10% discount, by issue of 10% preference share of ₹ 100 each in Zin Ltd. at par.
- 12% Debenture Holders of Ves Ltd. are to be paid off at a 8% premium by 12% debentures in Zin Ltd. issued at a discount of 10%.
- ₹ 60,000 to be paid by Zin Ltd. to Ves Ltd. for liquidation expenses.
- Sundry Creditors of Ves Ltd. include ₹ 40,000 due to Zin Ltd.

You are required to prepare:

- Statement of purchase consideration payable by Zin Ltd.
  - Balance Sheet of Zin Ltd. as on March 31, 2016 after its absorption of Ves Ltd. as per Schedule-III to the Companies Act, 2013 with Notes to Accounts. 3+13=16
3. BLU LTD. is a holding company and ANU LTD. and TINU LTD. are subsidiaries of BLU LTD., their Balance Sheets as on 31.03.2016 are given below:

(Amount in ₹)							
	BLU LTD.	ANU LTD.	TINU LTD.		BLU LTD.	ANU LTD.	TINU LTD.
Share Capital	6,00,000	6,00,000	3,60,000	Fixed Assets	1,20,000	3,60,000	2,58,000
Reserves	2,88,000	60,000	54,000	Investments:			
Profit & Loss Account	96,000	72,000	54,000	Shares in ANU Ltd.	5,70,000	--	--
TINU Ltd. Balance	18,000			Shares in TINU Ltd.	78,000	3,18,000	--
Trade payables	42,000	30,000		Inventories in Trade	72,000		
BLU Ltd. Balance		42,000		ANU Ltd. Balance	48,000		
				Trade receivables	1,56,000	1,26,000	1,92,000
				BLU Ltd. Balance			18,000
	<b>10,44,000</b>	<b>8,04,000</b>	<b>4,68,000</b>		<b>10,44,000</b>	<b>8,04,000</b>	<b>4,68,000</b>

The following particulars are given:

- The share capital of all companies is divided into shares of ₹ 10 each.
- BLU Ltd. held 48,000 shares of ANU LTD. and 6,000 shares of TINU LTD.
- ANU Ltd. held 24,000 shares of TINU LTD.
- All these investments were made on 30.09.2015

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