FINAL EXAMINATION

December 2025

P–18(CFR)
Syllabus 2022

CORPORATE FINANCIAL REPORTING

Time Allowed: 3 Hours　　　　Full Marks: 100

The figures in the margin on the right side indicate full marks.
Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.
All working notes should form part of your answer.

Answer to Question No.1 *in* Section-A *is compulsory.*
Further answer any five *from* Question No. 2 *to* Question No.8 *in* Section-B.

Section - A (Compulsory)

1. Choose the correct alternative: 2×15=30

(i) MEGHNA Ltd. provides you the following information relating to 5,25,225 units of intermediate component held by it on 31.03.2025:

Purchase cost per unit	₹ 100
Estimated selling price	₹ 130
Cost to sell	₹ 10
Cost of conversion	₹ 5

What should be the value of inventory as per the requirements of Ind AS 2, Inventories?

(A) ₹ 5,25,22,500
(B) ₹ 6,30,27,000
(C) ₹ 5,51,48,625
(D) None of the above

(ii) VENUS Ltd. has equity capital of ₹ 40,00,000 consisting of fully paid equity shares of ₹ 10 each. The net profit after tax for the year 2024-25 was ₹ 60,00,000. It has also issued 36,000, 10% convertible debentures of ₹ 50 each. Each debenture is convertible into five equity shares. The tax rate applicable is 30%. The amount of diluted earnings is:

(A) ₹ 60,00,000
(B) ₹ 61,26,000
(C) ₹ 61,80,000
(D) ₹ 43,26,000

(iii) CORE Ltd. operates a production line which is treated as a cash generating unit for impairment review purposes. As at 31st March 2025, the carrying amounts of assets are as follows:

Goodwill	₹ 50,000
Plant & Machinery	₹ 2,00,000
Total	₹ 2,50,000

The recoverable amount is estimated at ₹ 1,75,000. Calculate the revised carrying amount of assets in accordance with Ind AS 36.

(A) Goodwill ₹ 50,000 and Plant & Machinery ₹ 1,25,000
(B) Goodwill ₹ 35,000 and Plant & Machinery ₹ 1,40,000
(C) Goodwill ₹ Nil and Plant & Machinery ₹ 1,75,000
(D) None of the above

(iv) Changes in accounting estimates under Ind AS 8 are applied:

(A) Prospectively
(B) Retrospectively
(C) Both retrospectively and prospectively
(D) At manager's discretion

(v) ROCK Ltd. had earned net income of ₹ 72,000 on an average in last four years. Net assets and capital employed in the business were ₹ 4,80,000 and ₹ 5,00,000 respectively. Similar firms earn 12% net return p.a. normally. The value of Goodwill under 'capitalization of profit' and 'capitalization of super profit' are:

(A) ₹ 6,00,000 and ₹ 1,20,000 respectively
(B) ₹ 1,20,000 and ₹ 12,000 respectively
(C) ₹ 72,000 and ₹ 1,00,000 respectively
(D) ₹ 1,20,000 and ₹ 1,00,000 respectively

(vi) Given, Net assets at their realizable value = ₹ 274.40 lakhs; Equity shares of ₹ 10 each, fully called-up = ₹ 140 lakhs; and Calls-in-arrear @ ₹ 2 per equity share = ₹ 5.60 lakhs. Based on the above pieces of information, the value of a partly paid up equity share of Mohan Ltd. on net assets basis is:

(A) ₹ 20
(B) ₹ 18
(C) ₹ 10
(D) ₹ 8

(vii) Mahesh Ltd. acquired 80% of Suresh Ltd. by paying cash consideration of ₹ 500 lakhs. The fair value of non-controlling interest on the date of acquisition is ₹ 125 lakhs. The fair value of subsidiary's identifiable net assets on the date of acquisition is ₹ 650 lakhs. NCI is measured at proportionate fair value of identifiable net assets method. The value of Gain on bargain purchase/Goodwill is:

(A) Goodwill of ₹ 25 lakhs

(B) Gain on bargain purchase of ₹ 25 lakhs

(C) Gain on bargain purchase of ₹ 20 lakhs

(D) Goodwill of ₹ 20 lakhs

(viii) On October1, 2024 URANUS Ltd. acquired 80% of JUPITER Ltd.'s equity shares by means of a share exchange of two shares in URANUS for every three acquired shares in JUPITER. In addition, URANUS would make deferred cash payment of 88 paise per acquired share on 1 October 2025. Cost of capital is 10%. URANUS has 5,00,00,000 shares outstanding and JUPITER has 90,00,000 shares outstanding. The market value of URANUS's shares at 1st October 2024 was ₹ 6. The amount of purchase consideration for 80% stake is:

(A) ₹ 5,40,00,000
(B) ₹ 4,12,80,000
(C) ₹ 3,30,24,000
(D) ₹ 3,45,60,000

(ix) Business combinations involving entities or businesses under common control shall be accounted for using the __________ method.

(A) Purchase of Assets

(B) Pooling of Interest

(C) Amalgamation

(D) Assets Acquisition

(x) Company P Ltd. acquires 20% of the voting power of Company Q Ltd. for ₹ 46,000. During the financial year, Q Ltd. makes a profit of ₹ 20,000 and has other comprehensive income of ₹ 10,000. Under the equity method, what is the value of the investment account in the consolidated accounts of P Ltd. at the end of the year?

(A) ₹ 46,000

(B) ₹ 52,000

(C) ₹ 40,000

(D) ₹ 30,000

(xi) Anant Ltd. is one of the parties to a joint operation holding 60% interest in the joint operation and the balance 40% interest is held by another joint operator. Anant Ltd. has contributed an asset held by it to the joint operation for the activities to be conducted in the joint operation. The carrying value of the asset was ₹ 30 lakhs and the asset was actually sold for ₹ 24 lakhs i.e., at a loss of ₹ 6 lakhs. The amount of loss on sale to be accounted for by Anant Ltd. is:

(A) ₹ 6 lakhs;

(B) ₹ 2.40 lakhs;

(C) ₹ 3.60 lakhs;

(D) None of the above

(xii) When a parent company loses control of a subsidiary, what is the accounting treatment for any investment retained in the former subsidiary?

(A) It is derecognized from the consolidated balance sheet.

(B) It is recognized at its fair value when control is lost.

(C) It is measured at cost plus the parent's share of post-acquisition profits.

(D) It is accounted for as a gain on bargain purchase.

(xiii) ____________ report is an analytical tool for displaying human resources-related facts, insights, and metrics to improve workforce performance, recruiting procedures, and other important HR operations.

(A) Environmental, Social and Governance

(B) Corporate Social Responsibility

(C) Human Resources

(D) Integrated

(xiv) IGAS 2 is related to ____________.

(A) Accounting and Classification of Grants-in-aid

(B) Guarantees given by Governments: Disclosure Requirements

(C) Government Investments in Equity

(D) None of the above

(xv) External benefits of sustainability reporting can include:

(A) Enhanced link between financial and non-financial performance

(B) Improving reputation and brand loyalty

(C) Enhanced perception on organisation's value

(D) Both (B) and (C)

Section – B

Answer any five questions from the following. Each question carries 14 marks.

14×5=70

2. (a) Ketan Ltd. has a block of assets with a written down value of ₹ 15,00,000 on 1st April, 2023 for tax purposes. The carrying amount of the assets for accounting purposes is also ₹ 15,00,000. Depreciation is charged @ 20% p.a. as per Diminishing Balance Method for accounting purposes and at the same rate p.a. on written down value for tax purposes. Of the entire block, assets with the carrying amount of ₹ 1,50,000 (for both accounting and tax purpose) on 1st April, 2023 were sold for ₹ 3,00,000 on 31st March, 2025.

   Based on the above details, you are required to compute the deferred tax asset/liability as per Ind AS 12 assuming tax rate of 35%. 7

   (b) On 30th January, 2024, Raju Ltd. purchased a machinery for $ 15,000 from an USA supplier on credit basis. The functional currency of Raju Ltd. is Indian rupee. The exchange rate on 30th January, 2024 is 1$ = ₹ 60. The fair value of the machinery determined on 31st March, 2024 is $ 16,500. The exchange rate on 31st March, 2024 is 1 $ = ₹ 65. The payment to the USA supplier is made on 31st March, 2025 and the exchange rate on that date is 1 $ = ₹ 67. The fair value of the machinery remains unchanged for the year ended on 31st March, 2025. The tax rate is 30%. Raju Ltd. allows revaluation in respect of plant and machinery.

   Based on the above, you are required to pass the journal entries (narration not required) for the years ended on 31st March, 2024 and on 31st March, 2025 as per the Ind AS 21. 7

3. (a) An enterprise operates through eight segments, namely, A, B, C, D, E, F, G and H. The relevant information about these segments is given in the following table (amounts in ₹'000):

	A	B	C	D	E	F	G	H
1. Segment Revenue								
(i) External Sales	-	255	15	10	15	50	20	35
(ii) Inter Segment Sales	100	60	30	5	-	-	5	-
2. Segment Results Profit/(Loss)	5	(90)	15	(5)	8	(5)	5	7
3. Segment Assets	15	47	5	11	3	5	5	9

   No additional segment has been identified by the management as per their discretion. Identify the reportable segments as per Ind AS 108. 7

(b) The following is the Balance Sheet of ABC Ltd. as at 31st March, 2025:

Particulars	Note No.	₹ in lakhs
I ASSETS	-	-
(1) Non-current assets	-	-
(a) Property, plant and equipment	-	61.60
(b) Financial assets (Investments)	-	11.20
(2) Current assets	-	-
(a) Inventories (Stock-in-trade)	-	22.40
(b) Financial assets	-	-
(i) Trade receivables (Trade debtors)	-	11.20
(ii) Cash and cash equivalents (Cash at bank)	-	11.20
Total assets	-	**117.60**
II EQUITY AND LIABILITIES	-	-
(1) Equity	-	-
(a) Equity share capital	1	75.60
(b) Other equity	2	(36.40)
(2) Non-current liabilities	-	-
(a) Financial liabilities	-	-
Borrowings (18% term loan)	-	39.20
(b) Other financial liabilities (1,68,000, 9% cumulative pref. shares of ₹ 10 each)	-	16.80
(3) Current liabilities	-	-
Financial liabilities	-	-
Trade payables (Trade creditors)	-	22.40
Total equity and liabilities		**117.60**

Notes to accounts (₹ in lakhs)

1. Equity share capital

Authorized	Rs.
Issued, subscribed, and fully paid	-
4,20,000 equity shares of ₹10 each	42.00
Issued, subscribed but not fully paid	-
5,60,000 equity shares of ₹10 each, ₹ 6 paid	33.60
Total	**75.60**

2. Other equity

Retained earnings (Deficit balance in statement of profit and loss)	(36.40)

The other pieces of information are as under:

(i) Current cost of Property, Plant and Equipment is ₹104.16 lakhs and that of stock is ₹ 28 lakhs.

(ii) Investments could fetch only ₹ 2.80 lakhs.

(iii) 50% of the trade debtors are doubtful.

(iv) Preference dividend was in arrear for the last 5 years.

Based on the above details, you are required to compute the value of an equity share of ABC Ltd. on net assets basis. 7

4. (a) Rakesh Ltd. borrowed ₹ 18,75,00,000 from Central Bank of India on 1st January, 2024. The terms of the loan were as under:

(i) Interest rate: 11% p.a.;

(ii) Repayment of principal in 5 equal annual instalments;

(iii) Payment of interest annually on accrual basis; and

(iv) Upfront processing fees: ₹ 22,01,286.

The effective interest rate on the loan is 11.50% p.a.

Based on the above details, you are required to:

(i) Prepare a statement showing the amortisation of loan based on effective interest rate for a period of 5 years of the term of the loan; and

(ii) Pass the journal entries (narration not required) in the books of Rakesh Ltd. for availing of loan from bank on 1st January, 2024 and for payment of first instalment of loan and interest on 31st December, 2024. 7

(b) The summarized Balance Sheet of BEAS Ltd. as on 31st March, 2025 was as follows:

Particulars	**Note No.**	**Amount (₹)**	**Amount (₹)**
A. Asset			
1. Non-current assets			
(a) Property, Plant & Equipment			
(i) Tangible assets	5	10,10,000	
(ii) Intangible assets	6	95,000	11,05,000
2. Current Assets			
(a) Inventories			13,00,000
(b) Financial Assets			
(i) Trade Receivables		12,00,000	
(ii) Loans & Advances		77,000	12,77,000
Total			36,82,000

Particulars	Note No.	Amount (₹)	Amount (₹)
B. Equity and Liabilities			
1. Equity			
(a) Share Capital	1	26,00,000	
(b) Other Equity	2	(7,18,000)	18,82,000
2. Non-current Liabilities			
(a) Long Term Borrowings	3		10,00,000
3. Current Liabilities			
(a) Short Term Borrowings	4	1,80,000	
(b) Trade Payables		6,20,000	8,00,000
Total			36,82,000

Notes to Accounts:

	Particulars	Amount (₹)	Amount (₹)
1	Share Capital		
	Authorized, issued & fully paid		
	1,80,000 equity shares of ₹10 each	18,00,000	
	8,000, 8% preference shares of ₹100 each	8,00,000	26,00,000
2	Other Equity		
	Retained Earnings (i.e. Profit and Loss balance)		(7,18,000)
3	Long Term Borrowings		
	8% A Debentures (Secured by assets of Uttarakhand Factory) (Face value ₹100)	9,00,000	
	10% B Debentures (Unsecured) (Face value ₹100)	1,00,000	10,00,000
4	Short Term Borrowings		
	Loan from Directors	1,15,000	
	Bank overdraft	65,000	1,80,000
5	Tangible Assets		
	Property, Plant & Equipment of Uttarakhand Factory	8,50,000	
	Furniture at Head Office	1,60,000	10,10,000
6	Intangible Assets		
	Goodwill	35,000	
	Patents & Copyrights	60,000	95,000

Due to heavy losses and overvaluation of assets, the following scheme of internal reconstruction was framed:

(i) Preference shareholders would sacrifice 20% of their claim, and they would be allotted 9% (new) preference shares for remaining amount.

(ii) A class Debenture holders having a charge on plant and machinery of Uttarakhand Factory would accept plant and machinery in full settlement. Unsecured Debenture holders agreed for 20% reduction and the remaining amount is to be converted into 9% (new) preference shares of ₹ 100 each.

(iii) Trade creditors agreed to take over the stock up to the value of ₹ 6,20,000.

(iv) The paid-up value of equity shares would be reduced to ₹ 6 per share.

(v) An amount of ₹ 60,000 was receivable against Loans & Advances.

(vi) Trade Receivables and remaining stock would be valued at 90% of their book value.

(vii) Directors would forgo their loan in full.

(viii) Patents and copyrights and Goodwill had no value.

Pass necessary Journal entries (narration not required) in the books of BEAS Ltd. assuming that all the legal formalities have been completed. 7

5. On 1st April 2025, Alpha Ltd. acquired 100% equity shares of Beta Ltd. The consideration was discharged by issue of equity shares of Alpha Ltd. The summarized Balance Sheets of the companies as at 31st March 2025 were as follows (₹ in lakhs):

Particulars	Alpha Ltd. (₹)	Beta Ltd. (₹)
Assets		
Property, Plant & Equipment (PPE)	1,500	800
Investments	400	200
Inventories	600	300
Trade Receivables	350	200
Cash & Bank	150	100
Total Assets	3,000	1,600
Equity & Liabilities		
Equity Share Capital (₹ 10 each)	1,200	600
Other Equity (Retained Earnings)	1,200	500
Trade Payables	600	500
Total Equity & Liabilities	3,000	1,600

Additional Information:

1. Purchase consideration was settled by issuing 80,00,000 equity shares of ₹ 10 each, issued at a premium of ₹ 2 per share, to the shareholders of Beta Ltd.

2. Alpha Ltd. also agreed to pay contingent consideration of ₹ 50 lakhs (payable after 2 years).The fair value of the contingent consideration at acquisition date is estimated at ₹ 40 lakhs.

3. Fair values of Beta Ltd.'s assets and liabilities are as follows:
   (i) PPE: ₹ 950 lakhs
   (ii) Inventories: ₹ 280 lakhs
   (iii) Trade Receivables: ₹ 190 lakhs (₹ 10 lakhs considered doubtful)
   (iv) Trade Payables: ₹ 500 lakhs
   (v) Investments: Nil
4. There were inter-company balances: Alpha Ltd. had a receivable of ₹ 20 lakhs from Beta Ltd. (appearing in Alpha's Trade Receivables).
5. Expenses related to issue of shares amounted to ₹ 12 lakhs (debited to Bank A/c).

You are required to:

(a) Compute the **Purchase Consideration.**
(b) Compute the **Net Assets of Beta Ltd. at fair value.**
(c) Calculate the **Goodwill or Gain from bargain purchase** arising on acquisition.
(d) Pass **Journal Entries (narration not required) in the books of Alpha Ltd.** to record the business combination. 14

6. The balance sheets of H Ltd. and S Ltd. as on 31.03.2025 were as follows:

Particulars	**H Ltd.**	**S Ltd.**
	Carrying Amount (₹ in lakh)	**Carrying Amount (₹ in lakh)**
Assets		
Non-current Assets		
PPE	29,600	12,000
Investment in Shares of S Ltd.	11,600	--
Investment in Debentures of S Ltd.	2,500	--
Current Assets		
Inventories	5,200	8,000
Trade Receivables	4,140	2,000
Cash and Cash Equivalent	2,000	2,000
Total	55,040	24,000
Equity & Liabilities		
Equity		
Share Capital (₹ 10)	20,000	8,000
Other Equity (Retained Earnings)	32,640	10,000
Non-current Liabilities		
10% Debentures (₹ 100)	--	4,000
Current Liabilities		
Trade Payables	2,400	2,000
Total	55,040	24,000

Additional Information:

(a) On 01.04.2024, S Ltd. had 800 lakh shares of ₹ 10 each and ₹ 6,000 lakh in its Retained Earnings in Other Equity. H Ltd. acquired 80% share of S Ltd. on 01.04.2024 at a consideration of ₹ 11,600 lakh payable in cash. In addition, H Ltd. also acquired 60% of debentures issued by S Ltd. in cash on 01.04.2024.

(b) The aggregate identifiable net assets of S Ltd. as on 01.04.2024 included PPE and inventory standing in the books of S Ltd. at ₹ 5,000 lakh and ₹ 1,000 lakh having fair value of ₹ 5,600 lakh and ₹ 400 lakh respectively. The rate of depreciation on PPE is 10% p.a.

(c) NCI was to be measured at fair value at par value basis.

(d) Goodwill was impaired by ₹ 200 lakh.

(e) H Ltd. sold goods worth ₹ 200 lakh to S Ltd. on credit at a profit of 20% on sales. 50% of the goods were still laying unsold.

(f) On 01.04.2024, H Ltd. sold an item of PPE worth ₹ 400 lakh to S Ltd. at a profit of 25% on cost. This PPE is still included in the balance of PPE of S Ltd. on 31.03.2025.

(g) Interest on debentures is payable quarterly. Last quarter's interest is still outstanding.

Prepare the Consolidated Balance Sheet of the Group on 31.03.2025. 14

7. (a) ALAKANANDA Ltd., a listed company, seeks to evaluate its financial performance using the Economic Value Added (EVA) metric for the year ended March 31, 2025. The following financial and market data are available (all figures are in ₹ Lakhs):

	Amount (₹ in Lakhs)
I. Income Statement Extract (for the year 2024-25)	
Net Sales	4,000
Operating Expenses (excluding Depreciation, Interest and R&D)	1,800
Depreciation (Accounting)	400
Research & Development (R&D) Expensed	200
Interest on 10% Term Loan	300
Tax @ 30%	390
Profit After Tax (PAT)	910
II. Balance Sheet Extract (as on 31.03.2025)	
Equity Share Capital (₹10 paid up)	500
Other Equity	1,500
Total Equity	2,000
10% Term Loan	1,000
Non-Interest-Bearing Current Liabilities (NIBCL)	200
Total Liabilities and Equity	3,200
Net Fixed Assets	1,300
Net Working Capital	1,700
Total Assets	3,200

III. Additional Information:

1. Cost of Capital Data:
   - Risk-free Rate (R_f): 6%
   - Market Return (R_m): 14%
   - Beta (β) of the company: 1.25
   - Tax Rate: 30%
2. The entire R&D expenditure of ₹ 200 Lakhs is considered a capital investment (Asset) with an estimated economic life of 4 years. The closing balance of the capitalised R&D asset should be included in the invested capital. (Assume the opening balance of the R&D asset was Nil).
3. The Economic Depreciation (true decline in value of fixed assets) for the year is ₹ 300 Lakhs, as against the accounting depreciation of ₹ 400 Lakhs.

Required:

Calculate the Economic Value Added (EVA) for ALAKANANDA Ltd. for the year ended March 31, 2025. 7

(b) Briefly explain the various categories of capital as mentioned in the Integrated Reporting Framework issued by the IIRC. 7

8. (a) Briefly discuss the role of Public Accounts Committee. 5

(b) How was Government Accounting Standards Advisory Board (GASAB) constituted in India? Explain its structure. 5

(c) On 01.04.2024, A Ltd. acquired 90% shares of D Ltd. for ₹ 10,80,000 when the fair value of D Ltd.'s net assets was ₹ 10,00,000. During the period from 01.04.2024 to 31.03.2025, D Ltd. made total comprehensive income (TCI) of ₹ 2,00,000. On 31.03.2025, A Ltd. sold 15% holding to outsiders for ₹ 2,20,000 but retained control. Pass the necessary journal entries (narration not required) in the consolidated financial statements (group books) for the sale of partial holding retaining control. 4