**FINAL EXAMINATION** **SET - 1**

**MODEL ANSWERS** **TERM – DECEMBER 2024**

**PAPER – 18** **SYLLABUS 2022**

# CORPORATE FINANCIAL REPORTING

**Time Allowed: 3 Hours** **Full Marks: 100**

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

## SECTION – A (Compulsory)

**1. Choose the correct option:** **[15 x 2 =30]**

**(i) Ind AS is applicable in India for a company with net worth of ₹250 cr or more from the date on:**
- a. 01.04.2022
- b. 01.04.2021
- c. 01.04.2020
- d. 01.04.2017

**(ii) Ind AS '113 applies to:**
- a. Share-based payment transactions within the scope of Ind AS 102
- b. Measurements that have some similarities to fair value but are not fair value such as net realizable value in Ind AS 2, or value in use in Ind AS 36
- c. When another Ind AS requires or permits fair value measurements or disclosures about fair value measurements
- d. Leasing transactions within the scope of Ind AS 17

**(iii) The carrying value of PPE at 1 July 2023 was ₹15,780 (cost ₹20,580 and accumulated depreciation ₹4,800). During the year to 30 June 2024 PPE costing ₹4,530 were purchased. The depreciation policy is to charge depreciation at 20% on all assets held at the year-end on the diminishing balance basis. Accumulated depreciation for the balance sheet as at 30 June 2025 would be:**
- a. ₹8,862
- b. ₹10,782
- c. ₹9,822
- d. ₹12,978

**(iv) An asset's carrying amount is ₹25,000. Its fair value less costs of disposal is ₹15,000 and its value in use is ₹19,000. There is an impairment loss of:**
- a. ₹6,000
- b. nil
- c. ₹10,000
- d. ₹4,000

**(v) The value of a share under the net asset approach is determined by ______.**
- a. accessible net assets to equity owners
- b. net assets accessible to holders of debentures
- c. the value of preference shareholders' net assets
- d. none of the preceding

(vi) From the following particulars you are required to determine value of goodwill of ABX Ltd.

| | | |
|---|---|---|
| 1. Super Profit (Computed) | : | ₹4,50,000 |
| 2. Normal rate of return | : | 12% |
| 3. Present value of annuity of ₹1 for 4 years @ 12% | : | 3.0374 |

a. ₹ 13,66,830
b. ₹11,66,800
c. ₹14,00,000
d. ₹ 7,00,000

(vii) Net asset value method is based on the assumption that the company is ___________.
a. a going concern
b. going to be liquidated.
c. a. & b. both
d. none of the above

(viii) Ind As 109 deals with:
a. recognition and measurement of financial instruments and hedge accounting.
b. presentation of financial instruments
c. disclosure of financial instruments
d. None of the above

(ix) X has acquired 100% of the equity of Y on March 31,2023. The purchase consideration comprises of an immediate payment of 100 lakhs and three further payments of 5.0 lakhs if the return on equity exceeds 20% in each of the subsequent three financial years. A risk adjusted discount rate of 20% is used. The value of total consideration at the acquisition date is _____
a. ₹100 lakhs
b. ₹110.532 lakhs
c. ₹110 lakhs
d. ₹115 lakhs

(x) As per the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules,2011, the following classes of companies were required to file the Financial Statements in XBRL Form only from the year 2010-2011
a. All companies listed in India and their subsidiaries
b. All companies having a paid up capital of ₹5 crore (₹50 million) and above
c. All companies having turnover of ₹100 crore (₹ in 1billion) or above, excluding power and banking companies, insurance companies, Non- Banking Financial Companies and overseas subsidiaries of these companies.
d. Any of the above

(xi) 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

(xii) If a parent loses control of a subsidiary, it shall derecognise:
a. the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost.

b. **the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them).**
c. **the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control.**
d. **Both A and B.**

**(xiii) On 1 January 2024 A Ltd. Acquires 80 percent of the equity interests of B Ltd in exchange of cash of ₹600 lakhs. The identifiable assets are measured at ₹925 lakh and the liabilities assumed are measured at₹150 lakh. The fair value of the 20 percent non-controlling interest in P is₹90lakhs.The gain on bargain purchase will be –**
a. **₹90 lakhs**
b. **₹85 lakhs**
c. **₹105 lakhs**
d. **₹75 lakhs**

**(xiv) Ind AS 103 states that the acquirer obtaining control over acquiree, recognises and measures in its consolidated financial statements at the acquisition date:**
a. **the identifiable assets acquired, the liabilities assumed at Fair Value**
b. **any non-controlling interest in the acquiree at Fair Value or at Proportionate Value**
c. **goodwill acquired in the business combination or a gain on bargain purchase**
d. **All of the above**

**(xv) Q Ltd. acquired a 75% interest in R Ltd on January 1, 2023.Q Ltd. paid ₹900 Lakhs in cash for their interest in R Ltd. The fair value of R Ltd.'s assets is ₹2000 Lakhs, and the fair value of its liabilities is ₹920 Lakhs. NCI valued at Fair Value and at Proportionate Value are:**
a. **₹300 lakhs and ₹360 lakhs**
b. **₹225 lakhs and ₹270 lakhs.**
c. **₹300 lakhs and ₹270 lakhs.**
e. **₹225 lakhs and ₹360 lakhs.**

**Answer:1.**

| i | ii | iii | iv | v | vi | vii | viii | ix | x |
|---|---|---|---|---|---|---|---|---|---|
| d | c | b | a | a | a | b | a | b | d |
| **xi** | **xii** | **xiii** | **xiv** | **xv** | | | | | |
| a | d | b | d | c | | | | | |

## SECTION-B

**(Answer any five questions out of seven questions given. Each question carries 14 Marks.)**
**[5x14=70]**

**2.(a) Company Y follows revaluation model to measure its property, plant and equipment. The Company acquires an item of PPE for a cost of INR 20,00,000 on April 1, 2022. The useful life of the said PPE for accounting purpose is 10 years (nil residual value). On March 31, 2023, the PPE is revalued to INR 28,80,000 (no change in residual value and remaining useful life). As per Ind AS 16, Property, Plant and Equipment if an asset's carrying amount is increased as a result of revaluation, increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. For tax purposes the value of the PPE is its cost i.e., INR 20,00,000. The useful life for tax purpose is 8 years (nil residual value). Examine the amount of temporary difference and deferred tax (considering a tax rate of 30%) as per Ind AS 12 as of March 31, 2023 and as of March 31, 2024? [7]**

**Answer:**

The temporary difference and deferred tax liability as per Ind AS 12 is calculated as below:

| Particulars | Book base | Tax base | Temporary difference | DTL @ 30% |
|---|---|---|---|---|
| As on April 1, 2022 | 20,00,000 | 20,00,000 | - | - |
| Depreciation/ tax allowance | (2,00,000) | (2,50,000) | - | - |
| As on March 31, 2023 | 18,00,000 | 17,50,000 | 50,000 | 15,000 |
| Revaluation | 10,80,000 | - | - | - |
| As on March 31, 2023 | 28,80,000 | 17,50,000 | 11,30,000 | 3,39,000 |
| Depreciation/ tax allowance | (3,20,000) | (2,50,000) | - | - |
| As on 31 March 2024 | 25,60,000 | 15,00,000 | 10,60,000 | 3,18,000 |

The deferred tax liability of INR 15,000 arising as on March 31, 2023 (before revaluation) will be recognised in profit and loss. The deferred tax liability of INR 3,24,000 arising on revaluation during year ended 31 March 2023 will be recognised in other comprehensive income as per paragraph 61A of Ind AS 12.

The reduction of deferred tax liability of INR 21,000 due to reduction of temporary difference from depreciation/ tax allowance during the year ended March 31, 2024 will be recognised in profit and loss.

**2.(b) On 1st January 2023, P Ltd. purchased a machine for $ 2 lakhs. The functional currency of P Ltd. is Rupees. At that date the exchange rate was $1 = ₹ 68. P Ltd. is not required to**

**pay for this purchase until 30th June, 2023. Rupees strengthened against the $ in the three months following purchase and by 31st March, 2023 the exchange rate was $1 = ₹ 65. CFO of P Ltd. Feels that these exchange fluctuations would not affect the financial statements because P Ltd. has an asset and a liability denominated in rupees. which was initially the same amount. He also feels that P Ltd. depreciates this machine over four years so the future year-end amounts will not be the same. Examine the impact of this transaction on the financial statements of P Ltd. for the year ended 31st March, 2023 as per Ind AS. [7]**

**Answer:** As per Ind AS 21 'The Effects of Changes in Foreign Exchange Rates' the asset and liability would initially be recognised at the rate of exchange in force at the transaction date i.e. 1st January, 2023. Therefore, the amount initially recognised would be ₹ 1,36,00,000 ($ 2,00 000 x ₹68). The liability is a monetary item so it is retranslated using the rate of exchange in force at 31st March, 2023. This makes the closing liability of ₹1,30,00,000 ($ 2,00,000 x ₹65). The Gain on re-translation of ₹6,00,000 (₹1,36,00,000 – ₹1,30,00,000) is recognised in the Statement of profit or loss.

The machine is a non-monetary asset carried at historical cost. Therefore, it continues to be translated using the rate of ₹68 to $ 1.

Depreciation of ₹8,50,000 (₹1,36,00,000 x ¼ x 3/12) would be charged to profit or loss for the year ended 31st March, 2023.

The closing balance in property, plant and equipment would be ₹1,27,50,000 (₹1,36,00,000– ₹1,30,00,000). This would be shown as a non-current asset in the statement of financial position.

**3(a) At the beginning of year 1, an entity grants to a senior executive 10,000 share options, conditional upon the executive remaining in the entity's employment until the end of year 3. However, the share options cannot be exercised unless the share price has increased from ₹50 at the beginning of year 1 to above ₹65. If the share price is above ₹65 the share options can be exercised at any time till the end of year 10. The entity applies a binomial option pricing model, which takes into account the possibility that the share price will exceed ₹65 (and hence the share options become exercisable) and the possibility that the share price will not exceed ₹65 (and hence the options will be forfeited). It estimates the fair value of the share options with this market condition to be ₹24 per option.**

**Find the remuneration expenses to be recognised in each year. [7]**

**Answer:**

The entity expects the executive to complete the three-year service period, and the executive does so, the entity recognises the following amounts in years 1, 2 and 3:

| Year | Calculation | Cumulative Remuneration Expense (₹) | Remuneration expense for the year (₹) |
|---|---|---|---|
| 1 | 10,000 options × ₹24 × 1/3 | 80,000 | 80,000 |

| | | | |
|---|---|---|---|
| 2 | 10,000 options × ₹24 × 2/3 | 1,60,000 | 80,000 |
| 3 | 10,000 options × ₹24 × 3/3 | 2,40,000 | 80,000 |

**3.(b) Following is the Balance Sheet of Z Ltd. as on 31st March, 2024:**

**(₹ in Lakh)**

| Liabilities | (₹) | Assets | (₹) |
|---|---|---|---|
| **1,00,000 Equity Shares of ₹10 each** | **10,00,000** | **Preliminary expenses** | **5,00,000** |
| **10,000 12% Preference Shares of ₹100 each** | **10,00,000** | **Goodwill** | **15,00,000** |
| **General Reserve** | **6,00,000** | **Buildings Plant** | **10,00,000** |
| **Profit and Loss Account** | **4,00,000** | **Investment in10%Stock** | **4,80,000** |
| **15% Debentures** | **10,00,000** | **Stock** | **6,00,000** |
| **Creditors** | **8,00,000** | **Stock-in - trade** | **4,00,000** |
| | | **Debtors** | **2,20,000** |
| | | **Cash** | **1,00,000** |
| | **48,00,000** | | **48,00,000** |

**Additional information is given below:**

**(1) Nominal value of investment is ₹5,00,000 and its market value is ₹5,20,000.**

| **(2) Following assets are revalued:** | **(₹)** |
|---|---|
| **(i) Building** | **32,00,000** |
| **(ii) Plant** | **18,00,000** |
| **(iii) Stock-in-trade** | **4,50,000** |
| **(iv) Debtors** | **3,60,000** |

**(3) Average profit before tax of the company is ₹12,00,000 and 12.50% of the profit is transferred to general reserve, rate of taxation being 50%.**

**(4) Normal dividend expected on equity shares is 8% while fair return on closing capital employed is 10%.**

**(5) Goodwill may be valued at three year's purchase of super profits.**

**(6) Calculate the value of each equity share under fair value method.** **[7]**

**Answer:**

1. Calculation of Capital Employed

| Assets: | ₹ | ₹ |
|---|---|---|
| Buildings | | 32,00,000 |

| | | |
|---|---|---|
| Plant | | 18,00,000 |
| Stock | | 4,50,000 |
| Debtors | | 3,60,000 |
| Cash | | 1,00,000 |
| Total | | 59,10,000 |
| Less : liabilities | | |
| Creditors | 8,00,000 | |
| 10,000 12% preference shares of ` 100 each | 10,00,000 | |
| Debenture | 10,00,000 | 28,00,000 |
| Total capital employed | | 31,10,000 |

| 2. Calculation of Actual Profit | ₹ | ₹ |
|---|---|---|
| Average Profit before Tax (given) | 12,00,000 | |
| Less : Income from investment (5,00,000x10%) | 50,000 | 11,50,000 |
| Less: Income Tax @ 50% | | 5,75,000 |
| Less :Preference dividend | | 1,20,000 |
| Actual Profit | | 4,55,000 |

| 3. Profit for Equity Shareholders | | ₹ |
|---|---|---|
| Actual Profit (as calculated above) | | 4,55,000 |
| Less: Transfer to Reserve @12.50% | | (56,875) |
| Profit available to Equity Shareholders. | | 3,98,125 |

| 4. Normal Profit | | ₹ |
|---|---|---|
| 10% of Capital Employed | | 3,11,000 |
| 10% of ₹31,10,000 | | |
| Actual Profit – Normal Profit | | 4,55,000 |
| Super Profit | | 1,44,000 |

| 5. Goodwill | | ₹ |
|---|---|---|
| 1,44,000 × 3 | | 4,32,000 |

| 6. Net Assets for Equity Shareholders | | ₹ |
|---|---|---|
| Capital Employed | | 31,10,000 |
| Goodwill | | 4,32,000 |
| Investment | | 4,80,000 |
| | | 40,22,000 |

Value per share (Based on Intrinsic Value Method) = ₹ 40,82,000/1,00,000Shares
= ₹ 40.22

Value per share (Based on Yield Method) = $\frac{\text{Profit for Equity Shareholders}}{\text{Equity Share Capital}} \times 100$

Yield on Equity Share = $\frac{\text{`}3{,}98{,}125}{10{,}00{,}000}$ = 39.81%

Value per share $= \frac{39.81}{8} \times 10 =$ ₹ 49.77

Value of Equity Share Under Fair Value Method

$= \frac{\text{Intrinsic value yield value} + \text{yield value}}{2} = \frac{40.22 + 49.77}{2} =$₹44.36(approx.)

**4.(a) Samvedan Ltd is a non-banking finance company. It accepts public deposit and also deals in the hire purchase) business. It provides you with the following information regarding major hire purchase deals as on 31.3.22. few machines were sold on hire-purchase basis. The hire purchase price was set as ₹100lakhs as against cash price of ₹80 lakhs. The amount was payable as ₹20 lakhs down payment and balance in 5 equal installments. The Hire vendor collected first installment as on 31.3.23, but could not collect the second installment which was due on 31.3.24. the company was finalizing accounts for the year ending 31.3.24. till 15.5.24, the date on which the Board of Directors signed the accounts, the second installment was not collected. Presume IRR to be 10.42%.**

**Required:**

**(i) What should be the principal outstanding on 1.4.23? Should the company recognise finance charge for the year 2023-24 as income?**

**(ii) What should be the net book value of assets as on 31.3.24 so far Samvedan Ltd. is concerned as per NBFC prudential norms requirement for provisioning?**

**(iii) What should be the amount of provision to be made asper prudential norms for NBFC laid down by RBI? [7]**

**Answer:**

(i) Since, the hire-purchaser paid the first instalment due of 31.3.23, the notional principal outstanding **o**n 01.04.2023 was ₹50.25 lakhs. [WN:I]

In theyear ended 31.3.24, the installment due of ₹16 lakhs have not been received. However, it was due on 31.3.24 i.e. on the Balance Sheet date,and therefore, it will be classified as Standard Asset. Samvedan Ltd. will recognise ₹5.24 lakhs as interest income included in that due installment.

(ii) The net book value of the assets as on 31.3.2023

| **Particulars** | **₹ Lakhs** |
|---|---|
| Overdue installment | 16 |
| Installments not due (₹16 lakhs × 3) | 48 |
| | 64 |
| Less: finance charge not matured and not credited to P/L A/c [4.11 +2.88+ 1.52] | (8.51) |
| | 55.49 |
| Less: Provision as per NBFC prudential norms | 7.49 |
| ∴ Net Book Value of assets for Samvedan Ltd. | 48.00 |

(iii) Amount of Provision

| Particulars | ₹ Lakhs |
|---|---|
| Overdue installment | 16 |
| Installments not due (₹16 lakhs × 3) | 48 |
| | 64 |
| Less: finance charge not matured and not credited to P/L A/c [4.11 + 2.88 + 1.52] | (8.51) |
| | 55.49 |
| Less: Depreciated value (Cash Price Less Depreciation for 2 years on SLM @ 20%) | 48 |
| Provision as per NBFC prudential norms | 7.49 |

Since, the instalment of ₹16 lakhs not paid, was due on 31.03.2023only, the asset is classified as standard asset. therefore, no additional provision has been made for it.

**Workings:** It is necessary to segregate the instalments into principal outstanding and interest components by using IRR @ 10.42%

| Time | Opening outstanding amount (a) | Cash flow (b) | Interest @ 10.42% (c) = (a) × 10.42% | Principal repayment (d) = (b) – (c) | Closing outstanding (e) = (a) – (d) |
|---|---|---|---|---|---|
| 31.3.22 | 80 | 20 | — | 20 | 60 |
| 31.3.23 | 60 | 16 | 6.25 | 9.75 | 50.25 |
| 31.3.24 | 50.25 | 16 | 5.24 | 10.76 | 39.49 |
| 31.3.25 | 39.49 | 16 | 4.11 | 11.89 | 27.6 |
| 31.3.26 | 27.6 | 16 | 2.88 | 13.12 | 14.48 |
| 31.3.27 | 14.48 | 16 | 1.52 | 14.48 | 0 |

**4.(b) The following is the Balance Sheet as at 31st March, 2024 of Hopefull Ltd.**

| Liabilities | (₹) | Assets | (₹) |
|---|---|---|---|
| **Share Capital:** | | **Fixed Assets (including goodwill of ₹1,00,000)** | **11,80,000** |
| **8,500 Equity Shares of ₹100 each fully paid up** | **8,50,000** | **Investments** | **40,000** |
| **4,000 Cumulative Preference** | | **Stock** | **2,75,000** |

| | | | |
|---|---|---|---|
| Shares of ₹ 100 each fully paid up | 4,00,000 | in Trad e | |
| Securities Premium | 20,000 | Trade Debtors | 1,50,000 |
| General Reserve | 60,000 | Bank Balances | 65,000 |
| Trade Creditors | 3,80,000 | | |
| | 17,10,000 | | 17,10,000 |

**Contingent liability: Preference Dividends in arrears ₹ 60,000.**

**The Board of Directors of the company decided upon the following scheme of reconstructions, which was duly approved by all concerned and put into effect from 1st April, 2024.**

**(i) The Preference Shares are to be converted into 12% unsecured debentures of ₹100 each with regard to 70% of the dues (inducing arrears of dividends) and for the balance Equity Shares of ₹50 paid up would be issued. The authorized Capital of the company permitted the issue of additional shares.**
**(ii) Equity Shares would be reduced to share of ₹50 each paid up.**
**(iii) Since goodwill has no value, the same is to be written of the fully.**
**(iv) The market value of investments are to be reflected at ₹60,000.**
**(v) Obsolete items in Stock of ₹75,000 are to be written off. Bad Debts to the. extent of 5% of the tot debtors would be provided for. Fixed assets to be written down by ₹1,80,000.**

**The company carried on trading, for six months upto 30th September 2024, and made a net profit of ₹1,00,000 after writing off depreciation at 25% p.a. on the revised value of fixed assets. The half yearly working resulted in an increase of Sundry Debtors by ₹80,000, stock by ₹70,000 and Cash by ₹50,000.**

**You are required to show the Journal [7]**

**Books of Hopeful Ltd.**

**Journal**

| Particulars | | (₹) | (₹) |
|---|---|---|---|
| Cumulative Preference Share Capital A/c | Dr. | 4.00.000 | |
| Capital Reduction A/c | Dr. | 60,000 | |
| To, Cumulative Preference Shareholders A/c | | | |
| (Being Cumulative preference shares and Preference Shareholders A/c) | | | 4,60,000 |
| Cumulative Preference Shareholders A/c | Dr. | 4,60,000 | |
| To, 12% Unsecured Debentures A/c | | | 3,22,000 |
| | | | 1,18,000 |

| | | |
|---|---|---|
| To, Equity Share Capital A/c<br>(Being the issue of 12% Unsecured Debentures and 2,760 Equity Shares of ₹100 each issued as ₹50 paid up) | | |
| Equity Share Capital A/c Dr.<br>To, Capital Reduction A/c<br>(Being the entry for reducing every share of ₹100 each as ₹50 fully paid up, 8,500 Equity shares) | 4,25,000 | 4,25,000 |
| Investments A/c Dr.<br>Capital Reduction A/c (Balancing figure) Dr.<br>To, Goodwill A/c<br>To, Stock A/c<br>To, Fixed Assets A/c<br>To, Provision for Doubtful Debts A/c<br>(Being the change in value of assets) | 20,000<br>3,42,500 | 1,00,000<br>75,000<br>1,80,000<br>7,500 |
| Capital Reduction A/c Dr.<br>To, Capital Reserve A/c<br>(Being transfer of Capital Reduction A/c balance to Capital Reserve) | 22,500 | 22,500 |

**Balance Sheet of Hopeful Ltd.**
**as at 30.09.2024**

| Particulars | Note No. | ₹ (in Lakh) |
|---|---|---|
| I. Assets | | |
| Non Current Assets | | |
| PPE | 3 | 7,87,500 |
| Other Non Current Assets | | 60,000 |
| 2. Current Assets | | 6,07,500 |
| Total | | 14,55,000 |
| II. Equity and Liabilities | | |
| 1. Equity | | |
| (a) Equity Share Capital | 1 | 5,63,000 |
| (b) Other Equity | 2 | 2,02,500 |
| 2. Non Current Liabilities | | |
| 12% Unsecured Debenture | | 3,22,000 |
| Current Liabilities | | 3,67,500 |
| Total | | 14,55,000 |

| | | |
|---|---|---|
| **Note -1:** | Equity Share Capital As on 30th September 2024 | **(₹)** |
| | Authorized, issued subscribed and paid up capital 11,260 equity shares of ₹50 each | 5,63,000 |
| **Note -2:** | Other Equity As on 30th September 2024 | |
| | Securities Premium | 20,000 |
| | Capital Reserve | 22,500 |

| | | | |
|---|---|---|---|
| | General Reserve | | 60,000 |
| | Profit and Loss A/c | | 1,00,000 |
| | Total | | 2,02,500 |
| **Note -3:** | PPE As on 30th September 2024 | | |
| | PPE | 9,00,000 | |
| | Less: Depreciation | 1,12,500 | 7,87,500 |
| **Note -4:** | Current Assets As on 30th September 2024 | | |
| | Stock in trade | (2,75,000-75,000 + 70,000) | 2,70,000 |
| | Trade Receivables | 2,300,00 | |
| | Less: Provision for doubtful debt | 7,500 | 2,22,500 |
| | Cash and Bank Balance | | 1,15,000 |
| **Total** | | | **6,07,500** |

**5.Alpha ltd and Beta ltd were amalgamated on and from 1st April ,2024. A new company Gamma ltd was formed to take over the business of the existing companies. The balance sheet of Alpha ltd and beta ltd as on 31st march 2024 given below:**

**( ₹ in lakhs)**

| Liabilities | Alpha | Beta | Assets | Alpha | Beta |
|---|---|---|---|---|---|
| Share capital | | | Fixed assets | 1200 | 1000 |
| Equity shares of ₹ 100 each | 1000 | 800 | Current assets, loans and advances | 880 | 565 |
| 15% preference capital | 400 | 300 | | | |
| (preference shares of ₹ 100 each) | | | | | |
| Reserve and surplus | | | | | |
| Revaluation reserve | 100 | 80 | | | |
| General reserve | 200 | 150 | | | |
| Profit and Loss A/c | 80 | 60 | | | |
| Secured loan : | | | | | |
| 12% debentures of ₹100 each | 96 | 80 | | | |
| Current liabilities and provisions | 204 | 95 | | | |
| | 2080 | 1565 | | 2080 | 1565 |

**Other information:**

1. **1.12% Debentures holders of Alpha ltd and Beta ltd are discharged by Gamma ltd by issuing adequate of 16% Debentures of ₹100 each to ensure that they continue to receive the same amount of interest.**
2. **Preference shareholders of Alpha ltd and Beta ltd have received same number of 15% preference share of ₹100 each of Gamma ltd.**
3. **Gamma ltd has issued 1.5 equity shares for each equity shares of Alpha ltd and 1 equity share for each equity share of Beta ltd. The face value of shares issued by Gamma ltd is ₹ 100 each. Calculate the purchase consideration and also Prepare the balance sheet of Gamma ltd as on 1st April 2024. [14]**

**Answer:**

Under Ind AS 103, there is no concept of amalgamation in the nature of merger. All Amalgamation/Business combination are accounted only under the purchase method/acquisitions:

1. Calculation of legal purchase consideration:

| Particulars | ₹ | ₹` |
|---|---|---|
| Equity shares: | | |
| i. No. of shares outstanding | 10 | 8 |
| ii. Exchange ratio | 1: 1.5 | 1:1 |
| iii. No of shares to be issued [(i) x(ii)] | 15 | 8 |
| iv. Issue price per share (`) | 100 | 100 |
| v. Purchase consideration | 1500 | 800 |

2. Determination of Accounting Acquirer:

(i) Alpha ltd is considering acquirer as they hold 15/23 lakh equity shares in the combined entity Gamma.

(ii) Calculation of deemed purchase consideration, As Alpha ltd absorbed Beta ltd, its dilution would be: 10/10+X = 15/23

$$X = \frac{15}{23} - \frac{10}{10} = 5.33 \text{ lakh equity shares}$$

(iii) Alpha ltd original shareholders having 10 lakh equity shares have received legal consideration of 15 lakh shares 100 each. Therefore, they have received 1500 lakhs. Hence fair value per share of X derived at 1500/10 lakh shares = ₹150 per share. Fair value of PC (deemed PC) = 5.33 lakh shares x ₹150 per share = ₹800 shares.

Note: Any payment made to pref shareholders are taken as a part of PC in Ind AS.it is treated as financial liability.

3. Calculation of goodwill/ capital reserve on acquisition

| Particulars | Amount |
|---|---|
| Fixed Assets of Beta (FV) | 1,000 |
| Current Assets/Loans and advances | 565 |
| Less: Current Liabilities/ Provisions | (95) |
| Debentures(FV) | (60) |
| Preference holders (fin Liab at FV) | (300) |
| Net assets taken over | 1,110 |
| Deemed PC | 800 |
| Capital reserve or bargain purchase | 310 |

4. Ind As 103 Balance sheet as on 1st April 2024 ₹ in thousands

| Particulars | Note | ₹ |
|---|---|---|
| I. Assets | | |

| | | |
|---|---|---|
| A. Non-current assets | | |
| 1. Property, Plant and Equipment (1200+1000) | | 2200 |
| Total Non-current assets | | 2200 |
| B. Current Assets | | |
| 1. Financial Assets | | |
| Loans and advances (880+565) | | 1445 |
| Total Current Assets | | 1445 |
| Total | | 3645 |
| | | |
| II. Equity and Liabilities | | |
| A. Equity | | |
| 1. Equity share capital (1500+800) | | 2300 |
| 2. Other Equity | | |
| a. Reserve and surplus | 1 | 214 |
| Total equity | | 2514 |
| B. Liabilities | | |
| 1. Non- current liabilities | | |
| a. Financial liability | | |
| Borrowings<br>16% debentures (60+72)<br>15% Preference shares (300+400) | | <br>132<br>700 |
| 2. Current Liabilities | | |
| a. current liabilities and provisions (204+95) | | 299 |
| Total liabilities | | 1131 |
| Total | | 3645 |

Notes to the financial statements

1. Reserves and Surplus ₹in lakhs

| Particulars | ₹ |
|---|---|
| a. Revaluation reserve | 100 |
| b. Profit & Loss account | 80 |
| c. General Reserves | (276) |
| d. Capital Reserve | 310 |
| Total | 214 |

2. Settlement of Debentures

| Particulars | ₹ |
|---|---|
| a. Value of 12% debentures | 96 |
| b. Interest payable | 11.52 |
| c. 16% Debentures to be issued (11.52/16 x 100) | 72 |
| Total | 24 |

**6. D Co. Ltd acquired 60% shares of G Co. Ltd. on 1st October 2023. The Retained Earnings balance of G on 01.04.2023 was₹5,000. G declared dividend for 2023-2024 ₹6,000 (accounted in books of G but not accounted in books of D).**
**Abstracts from balance sheets of D and Gas at 31.03.2024 are: Amount in ₹**

| Particulars | D | | G | |
|---|---|---|---|---|
| PPE | | 60,000 | | 30,000 |
| Investments: Shares in G | | 24,000 | | |
| Current Assets | | 20,000 | | 16,000 |
| Total Assets | | 1,04,000 | | 46,000 |
| Equity Shares | | 50,000 | | 25,000 |
| Other Equity (Retained Earnings) | | 25,000 | | 11,000 |
| Current Liabilities | | 29,000 | | 10,000 |
| Total of Equity and Liabilities | | 1,04,000 | | 46,000 |

**Required: Separate and Consolidated Balance sheet as at 31.03.2024 [14]**

**Answer:**

(Amount in ₹)

**WN 1**: **Share of parent and NCI in subsidiary:**
Share of D = 60%
NCI = 40%

**WN 2: Pre-acquisition profits of G**:

| Particulars | (₹) | Pre (₹) | Post (₹) |
|---|---|---|---|
| Retained Earnings on 01.04.2023 | | | 5,000 |
| Retained Earnings on 31.03.2024 | 11,000 | | |
| Add: dividend declared | 6,000 | | |
| Earnings before dividend | 17,000 | | |
| Less: Opening balance | 5,000 | | |
| Profits during the year | 12,000 | 6,000 | 6,000 |
| | | 11,000 | 6,000 |

Acquisition being made in the mid of the year profits during the year is divided equally between Pre and Post. Share of NCI in post-acquisition profits = ₹6,000×40% = ₹2,400

**WN 3: FV of net assets identified as at 01.10.2023**:

| Particulars | (₹) |
|---|---|
| Equity Shares | 25,000 |
| Pre-acquisition Profits | 11,000 |
| Book Value of Net Assets as at 01.10.2023 | 36,000 |
| It is assumed that Fair value is same as Book value. | |
| Thus fair value of Net Assets identified = ₹36,000 | |
| **WN 4: Goodwill:** | |
| Purchase consideration (investment) | 24,000 |
| NCI (FV) at acquisition (40/60) × ₹24,000 | 16,000 |
| Total | 40,000 |
| Less: Net Assets identified (WN3) | 36,000 |
| **Goodwill** | 4,000 |
| **WN 5: NCI at acquisition** | 16,000 |
| Add: share of Post-acquisition profit 40% × ₹6,000 (WN2) | 2,400 |
| Less: Dividends payable to NCI 40% × ₹6,000 (to be shown as current liability) | 2,400 |
| **NCI at reporting date** | 16,000 |
| **WN 6: Consolidated other equity**: Other equity of D | 25,000 |
| Share of post-acquisition profit of G (60% × `6,000) | 3,600 |
| | 28,600 |
| **WN 7: Current liabilities of G:** | |
| Balance as per B/S | 10,000 |
| Less: Dividend payable (included in CL) | 6,000 |
| Other current liabilities | 4,000 |
| Dividend payable to NCI 40% × ₹6,000 | 2,400 |
| | 6,400 |

**Consolidated Balance Sheet as at 31.03.2024**

| Assets | Separate (₹) | Consolidated (₹) | |
|---|---|---|---|
| Non-current Assets | | | |
| PPE | 60,000 | 60,000+30,000 | 90,000 |
| Investment (24000-1800) | 22,200 | | |
| Goodwill (WN 4) | | | 4,000 |
| Current Assets (20,000+3,600) | 23600 | 20,000+16,000 | 36,000 |
| Total | 1,05,800 | | 1,30,000 |
| Equity and Liabilities | | | |
| Equity | | | |
| Equity Share Capital | 50,000 | | 50,000 |
| Consolidated Other Equity (WN 6) | 26,800 | | 28,600 |
| NCI (WN 5) | | | 16,000 |
| Current Liabilities (WN 7) | 29,000 | 29,000+6,400 | 35,400 |
| Total | 1,05,800 | | 1,30,000 |

**7.(a) The following are the balances in the account statements of X Ltd. for the year ended 31st March, 2024**

| **Particulars** | **(₹)** |
|---|---|
| Turnover | 4,600 |
| Plant and machinery net | 2,160 |
| Loss on sale of machinery | 150 |
| Depreciation on plant and machinery | 400 |
| Dividends to ordinary shareholders | 292 |
| Debtors | 390 |
| Creditors | 254 |
| Total stock of all materials, WIP and finished goods: | |
| Opening stock | 320 |
| Closing stock | 400 |
| Raw materials purchased | 1,250 |
| Cash at bank | 196 |
| Printing and stationery | 44 |

| | |
|---|---|
| Auditor's remuneration | 56 |
| Retained profits (opening balance) | 1998 |
| Retained profits for the year | 576 |
| Rent, rates and taxes | 330 |
| Other expenses | 170 |
| Ordinary share capital issued | 3,000 |
| Interest on/borrowings | 80 |
| Income-tax for the year | 552 |
| Wages and salaries | 654 |
| Employees state insurance | 70 |
| P.F. contribution | 56 |

**Prepare a Value Added Statement for the company for the year 2023-24.** **[7]**

**Answer:**

**Value Added Statement**

**For the year ended on 31.03.2024**

| Particulars | (₹) | (₹) |
|---|---|---|
| **Generation of Value Added** | | |
| Turnover | | 4,600 |
| Add: Increase in Stock of raw materials, WIP and FG | | 80 |
| | | 4,680 |
| Less. Cost of bought-in materials and services | | |
| Raw materials purchased | 1,250 | |
| Printing and Stationery | 44 | |
| Auditor's remuneration | 56 | |
| Rent, rates and taxes | 330 | |
| Other expenses | 170 | 1,850 |
| Total Value Added | | 2,830 |
| **Distribution of Value Added** | | |
| **To Employees** | | |
| Wages and salaries | 654 | |
| Employees state insurance | 70 | |
| P.F. contribution | 56 | |
| | | 780 |
| **To Government** | | |
| Income-tax for the year | | 552 |
| **To Providers of Capital** | | |
| Interest on borrowings | 80 | |
| Dividends | 292 | |
| | | 372 |

| | | |
|---|---|---|
| **Re-invested in Business** | | |
| Depreciation on plant and machinery | | |
| Retained profit for the year | 400 | |
| | 576 | 976 |
| **Loss on sale of machinery** | | 150 |
| Total Disposal of Added Value | | 2,830 |

**7.(b) Explain how XBRL provides a digital reporting format that transmits not only "Content" but also "Context". [7]**

**Answer:**

XBRL stands for 'eXtensible Business Reporting Language'. XBRL is the open international standard for digital business reporting. It is one of a family of "XML" languages which is becoming a standard means of communicating information between businesses and on the internet.

The basic idea behind XBRL is that instead of treating financial information as a block of text or numeric items, a unique electronically readable tag is attached to each individual financial term. It is not just the data or text that floats around, these individual items move along with an electronic tag. Thus, it is not just the 'content' but also the 'context' is being transmitted XBRL is the international standard for digital reporting of financial, performance, risk and compliance information, although it is also used for many other types of reporting. It offers major benefits to all those who have to create, transmit, use or analyse such business information.

It has been developed and refined over more than a decade ago and supports almost every kind of conceivable reporting. Moreover, it also provides a wide range of features that enhance the quality and consistency of reports, as well as their usability. It provides benefits in the preparation, analysis and communication of business information and is fast becoming an accepted reporting language across the globe.

The change from paper, PDF and HTML based reports to XBRL ones is a little bit like the change from film photography to digital photography, or from paper maps to digital maps. The new format allows you to do all the things that used to be possible, but also opens up a range of new capabilities because the information is clearly defined, platform-independent, testable and digital. Just like digital maps, digital business reports, in XBRL format,

simplify the way that people can use, share, analyse and add value to the data. Millions of XBRL documents are getting generated every year, replacing older, paper-based reports with more useful, more effective and more accurate digital versions. XBRL is today used for multiple purposes, some of which include:

- Accounting (individual transactions tagged with XBRL Global Ledger);
- Internal Reporting (for drafting of management reports);
- External Reporting (for drafting of financial statements, regulatory reports, corporate tax filings, statistical reports etc.)

**8.(a) Interpret the roles of Public Accounts Committee (P.A.C). [5]**

**Answer:**

1. **Role regarding examination of the C&AG report:** The chief function of P.A.C. is to examine the audit report of Comptroller and Auditor General (C&AG) after it is laid in the Parliament. C&AG assists the Committee during the course of investigation.
2. **Role regarding unauthorized expenditures or excess expenditures:** In examining the report of the Comptroller and Auditor General of India (C&AG), the committee has to satisfy itself that:
   - the expenditures made by the government, were authorized by the Parliament; and
   - the expenditures under any head has not crossed the limits of parliamentary authorization.

   It is to be noted that, every expenditure made by the government must be sanctioned by the Parliament. Thus, it is the role of the committee to bring to the notice of the Parliament instances of unauthorized expenditures or expenditures beyond sanctioned limits.
3. **Role regarding spending of money by ministries:** The committee not only ensures that ministries spend money in accordance with parliamentary grants, it also brings to the notice of the Parliament instances of extravagance, loss, in fructuous expenditure and lack of financial integrity in public services. However, the committee cannot question the polices of the government. It only concerns itself with the execution of policy on its financial aspects.
4. **Scrutinizing the audit reports of public corporations:** A new dimension has been added to the function of the P.A.C. by entrusting it with the responsibility of scrutinizing the audit report of public corporations.
5. **Scrutinising the working process of ministries and public corporations:** In examining the accounts and audits of the ministries and public corporations, the Committee gets the opportunity to scrutinize the process of their working. It points out the weakness and shortcomings of the administration of ministries and public corporations Criticisms of the P.A.C. draw national attention. This keeps the ministries and public corporations' sensitive to the criticisms of the P.A.C. Thus, it is wrong to suppose that the P.A.C. is only an instrument of financial control, it is as well an instrument of administrative control.

**8.(b) Discuss the Objectives of government accounting. [5]**

**Answer:**

The objectives of government accounting are the financial administration of the activities of the government to promote maximisation of welfare in the form of various services. The specific objectives can be stated as under:

1. To record financial transactions of revenues and expenditure relating to the government organizations.
2. To provide reliable financial data and information about the operation of public fund.
3. To record the expenditures as per the appropriate Act, Rules, and legal provisions as set by the government.
4. To avoid the excess expenditures beyond the limit of the budget approved by the government.
5. To help in the preparation of various financial statements and reports.
6. To facilitate the auditing by the concerned government department

**8.(c) On 01.04.2023 BB Ltd. acquired 90% share of CM Ltd. at ₹10,80,000, when the fair value of its Net Assets was 1000000. During 01.04.2023 to 31.03.24 CM Ltd made TCI ₹2,00,000. On that date**

**BM sold 15% holding to outsiders at₹2,20,000. Pass journal entries for sale of partial holding retaining control.** **[4]**

**Answer:**

**Workings:**

Net Assets on 31.03.2024 = ₹10,00,000 + ₹2,00,000 (TCI) = ₹12,00,000

Carrying amount of 15% holding sold i.e. NCI recognized (assumed at proportionate net asset) = 15% ×₹12,00,000 = ₹1,80,000

Sale Price = ₹2,20,000

Gain credited to Other Equity = ₹2,20,000 – ₹1,80,000 = ₹40,000

**Journal:** Dr. Cr.

| Particulars | | (₹) | (₹) |
|---|---|---|---|
| Bank A/c | Dr. | 2,20,000 | |
| To, NCI A/c | | | 1,80,000 |
| To, Other Equity A/c | | | 40,000 |

**Alternative:**

NCI assumed to be recognized at fair value:

Carrying amount of 15% holding sold i.e. NCI recognized (at fair value) = 15% × ₹10,80,000 + 15% of ₹2,00,000 (TCI) = ₹1,92,000

Sale price = ₹2,20,000

Gain credited to Other Equity = ₹2,20,000 – ₹1,92,000 = ₹28,000

**Journal:** Dr. Cr.

| Particulars | | (₹) | (₹) |
|---|---|---|---|
| Bank A/c | Dr. | 2,20,000 | |
| To, NCI A/c | | | 1,92,000 |
| To, Other Equity A/c | | | 28,000 |