FINAL EXAMINATION — SET - 1

MODEL QUESTION PAPER — 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. (a) Choose the correct option:** **[15 x 2 = 30]**

**(i)** Ind AS is applicable in India for a company with net worth of ₹250 Crore 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. a.₹8,862
b. b.₹10,782
c. c.₹9,822
d. 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 (₹50million) and above
c. All companies having turnover of ₹100 crore (₹1billion) or above, excluding power and banking companies, insurance companies, Non-Banking Financial Companies and overseas subsidiaries of these companies.
d. All 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. 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.
d. ₹225 lakhs and ₹360 lakhs.

## SECTION - B

**(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.)**

**[5 x 14 = 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]**

**(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]**

**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]**

**(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:

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

**(ii)**

| 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 |

**(iii)** 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%.

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

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

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

**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) Compute the principal outstanding on 1.4.23. Should the company recognise finance charge for the year 2023-24 as income?

(ii) Compute 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]**

**(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 Shares of | 4,00,000 | Stock in Trade | 2,75,000 |

| | | | |
|---|---|---|---|
| ₹ 100 each fully paid up | | | |
| 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]**

**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:

i. 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.

ii. Preference shareholders of Alpha ltd and Beta ltd have received same number of 15% preference share of ₹100 each of Gamma ltd.

iii. 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]**

**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 |

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

**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]**

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

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

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

**(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]**