FINAL EXAMINATION | SET - 2

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

(i) A ____________________ is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

a) equity instrument
b) puttable instrument
c) financial instrument
d) None of the above

(ii) X. ltd sells goods to Y ltd, a retailer, at ₹100 per item. Y ltd. in turn sells the goods to the public at large through its chain of retail outlets at ₹120. Any inventory remaining unsold can be returned by Y ltd to X Ltd. As per Ind AS 115, Revenue should be recognised by X ltd when:

a) goods are delivered to Y ltd at ₹100
b) goods are sold by Y ltd. at ₹120
c) goods are delivered to Y ltd at ₹120
d) goods are sold by Y ltd. at ₹100

(iii) Which of the following is not a general principal of Government Accounting?

a) Reporting of Utilisation of Public Funds.
b) Maintained according to the government rules and regulations.
c) Budget Based.
d) Single Entry System.

(iv) The term 'Public Funds' in government accounting includes:

a) Debentures
b) Funds raised directly or indirectly through public deposits
c) Bank finance
d) All of the above.

(v) The major basis of asset valuation for a going concern is:

a) Book Value
b) Net Replacement Value
c) Net Realisable Value
d) All of the above

(vi) Q Ltd. acquired a 60% interest in R Ltd. on 31st march, 2024. Q Ltd. paid ₹900 Lakhs in cash for their interest in R Ltd. The fair value of R Ltd.'s assets is ₹2,000 Lakhs, and the fair value of its liabilities is ₹1,000 Lakhs. If NCI is valued at proportionate net asset, value of Goodwill:

a) ₹300 lakhs
b) ₹250 lakhs
c) ₹400 lakhs
d) ₹350 lakhs

(vii) As per Ind AS 112 Disclosure of Interests in Other Entities, an entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:
a) that it has control of another entity, i.e. an investee as described in paragraphs 5 and 6 of Ind AS 110, Consolidated Financial Statements
b) that it has joint control of an arrangement or significant influence over another entity
c) the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle
d) All of the above

(viii) Rajesh ltd. has acquired 30% shares of Suresh ltd. as on 01.04.2023 at ₹50,00,000 giving Rajesh Ltd. significant influence over Suresh ltd. From the date of acquisition till 31st march 2024, Suresh Ltd. has earned a profit of ₹2,50,00,000 and revalued its property for ₹30,00,000 and also accounted for it in the revaluation reserve. Calculate the carrying value of Rajesh's investment in Suresh Ltd. in its consolidated books of accounts as on 31st march 2024:
a) ₹2,50,00,000
b) ₹30,00,000
c) ₹1,34,00,000
d) ₹1,25,00,000

(ix) On 1st January 2024, P ltd. acquired a 100% voting interest of S ltd. for ₹2,00,000. On acquisition date, the fair value of identifiable net assets of S ltd. was Assets ₹3,50,000, liabilities ₹1,50,000, Equity ₹2,00,000 and contingent liabilities ₹50,000. The amount of goodwill/bargain purchase in the books of P ltd as at January 1st 2024 as follows:
a) ₹50,000 – goodwill
b) ₹20,000 – goodwill
c) ₹1,00,000 – bargain purchase
d) ₹80,000 – bargain purchase

(x) A company creates provision for Gratuity and Leave encashment and recognises liability of ₹50,000. This is the only difference between taxable profits and accounting profits. The company measures current tax of ₹48,000 at tax rate of 25%. What will be the Tax Expenses.
a) ₹35,500
b) ₹48,500
c) ₹12,000
d) ₹62,000

(xi) A firm values goodwill under 'Capitalisation of profits' method. Its average profits for past 4 years has been determined at ₹72,000. Net Assets and Capital employed in the business is ₹4,80,000 and ₹5,00,000 respectively, and its normal rate of return is 12%. Determine value of goodwill based on Capitalisation of Average Profits
a) ₹57,600
b) ₹1,20,000
c) ₹6,00,000
d) ₹1,00,000

(xii) D Ltd. has acquired 100% of the equity of F Ltd. on March 31, 2024. The purchase consideration comprises of an immediate payment of ₹10 lakhs and two further payments of ₹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.
a) ₹12.42 lakhs
b) ₹12.10 lakhs
c) ₹11.21 lakhs
d) ₹10 lakhs

(xiii) A Ltd. takes over B Ltd. for ₹12,60,000. Fair Value (FV) of B's net assets at time of acquisition amounts ₹11,80,000.
a) ₹50,500
b) ₹60,000
c) ₹80,000
d) None of the above

(xiv) A Ltd. Has a machine whose original cost was ₹45,000. The accumulated depreciation on the machine is ₹15,000. Similar machine has recently been sold in the same locality at ₹25,000 with selling expenses ₹2,000. Management determined the entity specific present value of future cash flows of the machine as ₹28,000. Find impairment loss
a) ₹23,000
b) ₹28,000
c) ₹5,000
d) ₹2,000

(xv) The following details relate to M/s XYZ, a firm:
Average profit of last four years : ₹7,00,000
Average capital employed by the firm : ₹55,00,000
Normal rate of return : 10%
Present value of annuity of ₹1 for 4 years @ 10% : 3.1699
Determine the super profit.
a) ₹7,00,000
b) ₹5,50,000
c) ₹1,50,000
d) ₹4,75,485

SECTION-B

(Answer any five questions out of seven questions given. Each question carries 14 Marks.)

[5×14=70]

2. (a) B Ltd. has incurred the following transactions in respect of acquiring a plant is exchange of an old plant :
i) The old site was dismantled at a cost of ₹8,000, No estimated dismantling cost was capitalized for the old plant. Scrap from the old site sold at ₹1,000.
ii) The new site was constructed at a cost of ₹48,000.
iii) The supplier of the new plant agreed to take away the old plant at fair value of ₹1,26,000.
iv) The new plant price was ₹3,20,000. The carrying amount of the old plant was ₹1,00,000.
v) The present value estimate of dismantling the site is ₹16,000.
vi) Wages paid for installation of the plant ₹4,000 for trial run ₹1,600.
vii) Freight paid ₹8,000.

viii) Loss amounted to ₹40,000 for low capacity utilization of the plant after installation.
ix) ₹10,000 was paid as cost of launching the product to be produced from the plant. Calculate the asset value at the initial time and pass journal. **[7]**

(b) An entity has the following assets with relevant data on the reporting data :

(₹ in Lakhs)

Assets	Carrying Amount	Fair value less cost to sell	Value-in-use
A	280	300	250
B	460	400	390
C	220	240	270
D	180	150	170
E	100	80	—

Assets C and D were revalued before. The carrying amounts of revaluation surplus are ₹40 Lakhs and ₹30 Lakhs respectively. Asset E falls in the cash generating unit (CGU) consisting of goodwill ₹50 Lakhs and intangible asset ₹90 lakhs. The fair value less cost to sell of the CGU is ₹180 Lakhs and value-in-use is ₹170 Lakhs.
Calculate impairment loss and revised carrying amount of all the assets stated above and show the accounting treatment. **[7]**

3. **(a)** Z Ltd. grants 100 share options to each of its 400 employees conditional on their continuing in service for 3 years. Fair value of share option on the grant date is ₹30. During year 1, 18 employees leave. The entity revises its estimate of total employee departures over the three- year period from 20 per cent to 16 per cent. During year 2, a further 20 employees leave. The entity revises its estimate of total employee departures over the three-year period from 16 per cent to 13 per cent. During year 3, a further 14 employees leave. All the continuing employeesexercised the option to subscribe in the equity shares of ₹10 each at ₹50 only, when market price stands at ₹84. Pass Journal Entries of all the years and demonstrate the working. **[7]**

(b) X Ltd. has EPS ₹12 and no. of shares 1000. Its CF ₹15,000 and Sales ₹80,000. Calculate the value per share of X Ltd.based on the data of similar other companies as provided below:

Companies	PAT (₹)	CF (₹)	Sales (₹)	MC (₹)
A	20,000	25,000	1,20,000	1,50,000
B	16,000	20,000	1,40,000	1,75,000
C	25,000	32,000	1,60,000	2,00,000
D	18,000	24,000	1,44,000	1,92,000

[7]

4. **(a)** While closing its books of accounts on 31stMarch 2024, a NBFC has its advances classified as follows-

Particulars	₹ Lakhs	Particulars	₹ Lakhs

Standard Assets	8,400	Unsecured Portion of Doubtful Debts	87
Sub-Standard Assets	910	Loss Assets	24
Secured Portions of Doubtful Debts:			
- Up to one year	160		
- One year to three years	70		
- more than three years	20		

Calculate the amount of provision which must be made against the advances. **[7]**

(b) On 01.04.2024 the summarised balance sheets of Satellite Ltd. and Planet Ltd. are provided as:
(₹000)

	Satellite Ltd.		Planet Ltd.
	B/S (₹)	Fair Value (₹)	B/S (₹)
Equity Share Capital (₹10)	8,000		12,000
Other Equity	6,000		4,000
Borrowings	2,000	2,050	3,000
Trade Payables	2,500	2,400	2,000
Property, Plant and Equipment	9,000	10000	12,000
Investment Property	5,000	7000	1,000
Investments	1,000		3,500
Current Assets	3,500	3200	4,500
Contingent Liabilities	800	750	

Market price of equity shares of Planet Ltd. and Satellite Ltd. are ₹16 and ₹15 respectively on the day. On the basis of the above data, Prepare necessary accounting for the following cases.

Planet Ltd. takes over Satellite Ltd. and purchase consideration is settled by issue of 10,50,000 equity shares. Pass journal entries in the books of both the companies and redraft the balance sheet of Planet Ltd. after the business combination. **[7]**

5. DA Ltd. and TA Ltd. were amalgamated to form a new company DATA Ltd. on 31.03.2024 who issued requisite number of equity shares of ₹10 to take over the businesses of DA and TA. The abstract of balance sheets of the companies on 31.03.2024: (₹in Lakhs)

Particulars	DA Ltd.	TA Ltd.	DATA Ltd.
PPE	7,500	8,000	15,500
Financial Assets	800	500	1,300
Current Assets	4,700	6,500	11,200
Equity Share Capital	6,000	8,000	14,000
Other Equity	3,000	3,000	6,000
Borrowings	2,000	3,000	5,000

Current Liabilities	2,000	1,000	3,000

Calculate the purchase consideration and pass journal entries in the books of DA, TA and DATA Ltd. and show balance sheet abstract after merger. **[14]**

6. Company P Ltd. (a listed company) invests in shares of company Q Ltd. on 01.04.2023 at a cost of ₹66,000, paid by cash. During the financial year 2023-2024, Q made profits of ₹20000 and other comprehensive income of ₹10,000. The following alternative scenarios are presented:

I. Investment entails 25% voting power and significant influence over Q.

II. P does have joint control of Q, a joint venture.

III. Investment entails significant influence over Q, which is a Joint Venture and P does not have joint control of Q.

IV. P does not have significant influence over Q.

V. P does not have joint control of or significant influence over Q, which is a joint venture. For each of the cases I, II , III, IV and V:

(a) State whether for the investment in shares of Q, P requires preparation of consolidated financial statements and separate financial statements.

(b) Pass the journal entries in books of P at the time of purchase of shares.

(c) Demonstrate the relevant accounting treatment at the end of the year for

(i) consolidated financial statements,

(ii) separate financial statements and

(iii) Individual financial statements of P. **[14]**

7. **(a)** From the following Profit and Loss Account of Kalyani Ltd, prepare a Gross Value Added Statement. Show also the reconciliation between Gross Value Added and Profit before Taxation.

Profit and Loss Account for the year ended 31st March, 2024

	(₹ in lakhs)	Amount (₹ in lakhs)
Sales		619.26
Other Income		30.60
		649.86
Expenditure		
Production and Operational Expenses	499.71	
Administration Expenses	18.36	
Interest and Other Charges	24.00	
Depreciation	17.07	599.14
Profit before Taxes		90.72
Provision for Taxes		9
		81.72
Investment Allowance Reserve Written Back		1.38
Balance as per Last Balance Sheet		4.05
		87.15
Transferred to:		

General Reserve	72.9	
Proposed Dividend	9.00	81.90
Surplus Carried to Balance Sheet		5.25
		87.15
Notes:		
(1) Production and Operational Expenses		
Increase in Stock		91.50
Consumption of Raw Materials		241.71
Consumption of Stores		15.90
Salaries, Wages, Bonus and Other Benefits		38.40
Other Taxes and Duties		9.60
Other Manufacturing Expenses		102.60
		499.71
(2) Administration expenses		
Audit fees		3
Salaries and commission to directors		6.60
Provision for doubtful debts		7.50
		17.1
(3) Interest and Other Charges:		
On Fixed Loans from Financial Institutions		11.70
Debentures		5.40
On Working Capital Loans from Bank		6.90
		24.00

[7]

(b) Discuss the benefits of Sustainable Reporting. **[7]**

8. **(a)** Explain the Role and Duties of the Comptroller and Auditor General of India(C&AG). **[5]**

(b) Describe the responsibilities of Government Accounting Standard Advisory Board (GASAB). **[5]**

(c) On 1 January 2024 M Ltd. acquires 80 per cent of the equity interests of P Ltd. by issue of equity shares of paid-up value of ₹100 Lakhs (market value ₹240 Lakhs). The identifiable assets are measured at ₹380 Lakhs and the liabilities assumed are measured at ₹60 Lakhs. Non-controlling Interest is measured at proportionate net asset value. Calculate goodwill/ Gain on Bargain Purchase(GBP) and Pass the necessary journals. **[4]**