FINAL EXAMINATION **SET - 1**

MODEL QUESTION PAPER **TERM – JUNE 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 × 2 = 30]**

(i) Ind AS 113 deals with ________________________.

a. Fair Value Measurement

b. Share Based payments

c. Joint Arrangements

d. Statement of Cash Flows

(ii) Ind AS 16 does not apply to which of the following?

a. Biological assets (other than bearer plants) related to agricultural activity

b. Assets in exploration for and evaluation of Mineral Resources

c. Mineral rights and mineral reserves such as oil, natural gas etc.

d. All of the above

(iii) Property Plant and Equipment (PPE) are initially recognized at __________

a. purchase price

b. fair value

c. cost

d. future economic benefits

(iv) X Ltd. borrowed $6000 for construction of a qualifying asset at 3% interest p.a. on 01.04.2021 when $1 = ₹60, which is due for payment on 31.03.2023. The company could borrow the amount in rupees at 12% interest p.a. Interest is payable on 31st 2023. Construction of asset will continue till 31.03.2023. If on 31.03.2022 $1 =₹70 which of the following statements is not true?

a. Exchange loss=₹ (60– 70) × $6,000 = ₹60,000

b. Cost of borrowing in foreign currency = 3% × $6,000 ×₹70 = ₹12,600

c. Cost of borrowing in functional currency = 12% × $ 6,000 ×₹60 = ₹43,200

d. Cost of borrowing in foreign currency = 3% × $ 6000 ×₹60 =₹10,800

(v) The following details relates 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 value of goodwill on the basis of annuity of super profit.

a. ₹ 4,75,485
b. ₹4,85,585
c. ₹1,50,000
d. None of the above

(vi) Indian Accounting Standards relevant for recognition, measurement and disclosure of financial instruments are:
a. Financial instruments: Presentation (Ind AS 32)
b. Financial instruments: Disclosure (Ind AS 107)
c. Financial instruments: (Ind AS 109)
d. All of the above

(vii) Q Ltd. acquired a 75% interest in R Ltd. on January 1, 2021. 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₹ 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.

(viii) On March 31,201X, A Ltd Absorbed B Ltd. A Ltd. issued 60,000 equity shares (₹10 par value) that were trading at ₹25 on March 31. The book value of B's net assets was ₹12,00,000, Equity Share Capital ₹5,00,000 and Other Equity ₹7,00,000 on March 31. The fair value of net assets of B Ltd. was assessed at ₹13,00,000. Compute purchase consideration as per Ind AS 103.
a. ₹15,00,000
b. ₹17,00,000
c. ₹20,00,000
d. ₹18,00,000

(ix) On 1 January 2021 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 per cent non-controlling interest in P is ₹ 90 lakhs. The gain on bargain purchase will be -
a. ₹90 lakhs
b. ₹85 lakhs
c. ₹105 lakhs
d. ₹75 lakhs

(x) Consolidated financial statements are required to be prepared by an Ind AS complied company if it holds shares in the investee company _______________.

a. Entailing 20% or more voting rights having significant influence over the investee company (called Associate as per Ind AS 28)
b. Entailing joint control over the investee company (called a Joint Venture as per Ind AS 28)
c. Entailing control over investee company (called subsidiary company as per Ind AS 110)
d. All of the above

(xi) On the year ended 31st March, 2024, a Non-Banking Financial Company (NBFC) had following advances-

Assets Classification	₹ in lakhs
Standard	1050
Sub – standard	750
Doubtful up to one year	200
Doubtful for one year to two year	220

The amount of provision which must be made against the advances will be________.

a. ₹254.70 Lakhs
b. ₹159 Lakhs
c. ₹163 Lakhs
d. ₹181 Lakhs

(xii) A Company takes a Machinery on lease for a term of 6 years at a lease rent of ₹4,00,000 p.a. payable at end of each year with guaranteed and unguaranteed residual value of ₹3,00,000. The gross investment will be ______________.

a. ₹24,00,000
b. ₹7,00,000
c. ₹1,00,000
d. ₹27,00,000

(xiii) XY Ltd, a partnership firm, earned profits during the past 5 years as follows:

Year	2017	2018	2019	2020	2021
Profits (₹)	27,000	36,000	37,200	42,000	46,800

Determine the value of goodwill on the basis of 3 years' purchase of weighted average profit of last five years giving maximum weightage to the recent results

a. ₹ 1,22,520
b. ₹1,15,000
c. ₹1,46,000
d. ₹ 142,520

(xiv) The three pillars of sustainability are often referred to as ________________________.

a. Planet – People – Profit
b. People – Planet – Profit
c. People–Profit–Planet
d. People – Plant – Profit

(xv) NUPUR Ltd has equity share capital of ₹30 lakhs consisting of fully paid equity shares of ₹10 each. Net profit for the year 2023-24 was ₹45 lakhs. It has also issued 27,000, 10% convertible Debentures of ₹50 each. Each Debenture is convertible into 5 equity shares. The applicable tax rate is 30%. Compute the diluted earnings.

a. ₹46,35,000
b. ₹44,59,500
c. ₹45,94,500
d. ₹45,00,000

SECTION-B

(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.) [5×14 = 70]

2. (a) **A** company measured accounting profit of ₹80,000 after charging depreciation of ₹12,000. On interest receivable income tax is levied on cash basis. Included in accounting profits Interest accrued ₹5,000, which is not included in taxable profit of ₹67,000. Tax rate is 30%. For tax purpose depreciation admissible is ₹20,000. Carrying amount of fixed assets was ₹68,000 and tax base of fixed assets ₹60,000 before charging depreciation for the current year.

Find:

(a) Carrying amount and tax base of the fixed assets and tax base of Interest accrued at the end of the year.
(ii) Temporary Differences for fixed assets and interest accrued
(iii) Current tax expenses and deferred tax expenses
(iv) Deferred tax liabilities and deferred tax assets, if any.

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

Determine impairment loss and revised carrying amount of all the assets stated above. Show the accounting treatment. **[7+7=14]**

3. (a) On 31.03.2023A Ltd. enter into a contract with a customer for sale of goods of ₹4,000 granting 50% discount voucher to be availed in future purchase up to ₹ 3,000 within 30 days. Ordinarily 10% discount is allowed on sales. Ordinary discount will not be available to avail the 50% discount voucher. There is 60% probability that the customer will redeem the discount voucher and the estimated amount of purchase is ₹2,000. In April 2023 the discount vouchers are redeemed for purchase of additional goods of ₹2,800. Find revenue recognition in2023-24 and in 2023-24.

(b)

Forthcoming Year 1	**₹ inLakh**
Data provided:	
EBIT	700
Depreciation	120
Capex	180
Interest	60
Increase in non-cash working capital	100
Debt Capital	3,000

Tax rate = t	25%
WACC	10%
No of equity shares	50,00,000

Compute:

(a) NOPAT,

(b) CF,

(c) FCFF,

(d) Value of business based on

(i) CF;

(ii) FCFF,

(e) Value of business when growth rate is 5% based on

(i) CF;

(ii) FCFF,

(f) Value per share based on FCFF when growth rate id 5% and

(g) Value per share based on FCFE when constant growth rate is 5%.

[7+7=14]

4. (a) While closing its books of accounts on 31st March, a NBFC has its advances classified as follows:

Particulars	₹ Lakhs
Standard Assets	40,000
Sub Standard Assets	4,000
Secured Positions of Doubtful Debts:	
- Up to one year	1000
- one year to three years	600
- more than three years	200
Unsecured Portions of Doubtful debts	160
Loss Assets	120

Calculate the amount of provision which must be made against the advances.

(b) On 01.04.2021 the summarised balance sheets of S Ltd. and P Ltd. are provided as:

(₹'000)

	S Ltd.		P Ltd.
	B/S (₹)	**Fair Value (₹)**	**B/S (₹)**
Equity Share Capital (₹10)	8,000		12000
Other Equity	6,000		4000
Borrowings	2,000	2,050	3000
Trade Payables	2,500	2,400	2000
Property, Plant and Equipment	9,000	10000	12000
Investment Property	5,000	7000	1000
Investments	1,000		3500
Current Assets	3,500	3200	4500
Contingent Liabilities	800	750	

Market price of equity shares of P Ltd. and S Ltd. are ₹ 16 and ₹ 15 respectively on the day. P Ltd. and S Ltd. are amalgamated into SP Ltd. control of which retained with the same parties as before. SP Ltd. issues 1050000 shares and 1250000 shares to take over the businesses of S Ltd. and P Ltd. Respectively On the basis of the above data, you are required to make the necessary accounting for the following case. Pass journal entries and draft balance sheet in the books of the SP Ltd.

[7+7=14]

5. On March 31,2021, P Ltd acquired Q Ltd. By issue of 3,00,000 equity shares (₹10) that were trading at ₹16 on March 31. The summarized Balance Sheets of the companies as at March 31, 2021 (before acquisition):

[Amount in ₹]

	(Book Value)		(Market Value)	
	P Ltd.	**Q Ltd.**	**P Ltd.**	**Q Ltd.**
Net Assets	80,00,000	42,00,000	110,00,0000	45,00,000
Equity Sh. Cap	60,00,000	25,00,000		
Other Equity	20,00,000	17,00,000		

Show acquisition journal entry under Ind AS 103 and summarized balance sheet after business combination. Also show the necessary accounting in the books of the Acquiree. **[14]**

6. The financial data of the companies P and S at 31.03.2023 and at 31.03.2024 are stated below.

(₹ in Lakhs)

Particulars	**On 31.03.2023**		**On31-3-2024**	
	S (Individual B/S) (₹)	**Fair Value of S (₹)**	**P (Separate B/S) (₹)**	**S (Individual B/S) (₹)**
PPE	480	700	750	500
Investment in S (60% shares acquired on 01.04.2020 by issue of Equity)			480	
CA	350	300	540	400
			1,770	900
Equity	300		1,070	360
Non-current Liability	300	310	360	330
Current Liability	230	200	340	210
			1,770	900

Prepare Consolidated Balance Sheet. **[14]**

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

(₹ ‘000)

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.

(b) Analyze the ESG criteria of corporate reporting. **[7+7=14]**

8. **(a)** Explain the role of Public Accounts Committee. **[5]**

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

(c) Company P Ltd. (a listed company) acquires 20% shares (entitling 20% voting power and significant influence) in company Q Ltd. on 1.4.2022 at a cost of ₹ 46,000, paid by cash. During the financial year 2022-2023, Q made profits of ₹ 20,000 and other comprehensive income of ₹ 10,000. Show the relevant accounting treatment at the end of the year in (i) consolidated and (ii) separate financial statements of P. **[4]**