FINAL EXAMINATION — SET - 1

MODEL QUESTION PAPER — TERM – DECEMBER 2025

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) XYZ ltd. takes a Machinery on lease for a term of 6 years at a lease rent of ₹5,00,000 p.a. payable at end of each year with guaranteed and unguaranteed residual value of ₹2,00,000. The gross investment will be

a. ₹30,00,000
b. ₹32,00,000
c. ₹3,00,000
d. ₹2,00,000

(ii) 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. Compute Recoverable amount.

a. ₹23,000
b. ₹28,000
c. ₹45,000
d. ₹2,000

(iii) A business estimates for production Overhead of ₹20,00,000 per annum.
Normal Level of Production is 2,00,000 units per annum.
Due to some difficulties the business was only able to make 1,50,000 units in the year 2024. Other cost per unit were ₹124.
Calculate the per unit cost.

a. ₹124
b. ₹137.33
c. ₹134
d. None of these

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

a. Mineral rights and mineral reserves such as oil, natural gas etc.
b. PPE classified as held for sale as per Ind AS 105
c. Biological assets (other than bearer plants) related to agricultural activity (Ind AS 41)
d. All of these

(v) Actual Profit is ₹4,55,000
Capital Employed is ₹31,10,000
Normal dividend expected on equity shares is 8% while fair return on closing capital employed is10%.
Calculate Super Profit.

a. ₹1,44,000
b. ₹3,11,000
c. ₹4,32,000
d. ₹4,55,000

(vi) What is the standard provision requirement for 'standard assets' in NBFCs (as per latest norms)?
   a. 0.25%
   b. 0.40%
   c. 1.00%
   d. 2.00%

(vii) A Ltd. takes over B Ltd. for ₹25,20,000. Fair Value (FV) of B Ltd.'s net assets at the time of acquisition is ₹23,60,000. Calculate Goodwill.
   b. ₹ 25,20,000
   c. ₹ 1,60,000
   d. ₹ 23,60,000
   e. None of these

(viii) On 1 January 2025 M Ltd. acquires 80 per cent of the equity interests of P Ltd. by issue of equity shares of paid-up value of ₹200 Lakhs (market value ₹480 Lakhs). The identifiable assets are measured at ₹760 Lakhs and the liabilities assumed are measured at ₹120 Lakhs. Compute Non-controlling Interest if measured at proportionate net asset value.
   a. ₹64 Lakhs
   b. ₹760 Lakhs
   c. ₹128 Lakhs
   d. ₹480 Lakhs

(ix) If a parent loses control of a subsidiary, it shall follow which these?
   a. Derecognise the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
   b. Derecognise 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. Recognise the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control.
   d. All of these.

(x) In case of exemption from consolidation or use of equity method, the entity shall disclose which of the following?
   a. that the financial statements are separate financial statements
   b. that the exemption is used
   c. a list with details of investments in subsidiaries, joint ventures and associates
   d. All of these

(xi) SS Ltd. has invested in 50% voting power of a joint venture MM Ltd. MM Ltd. has also issued 10% cumulative preference shares, classified as equity, to other investors worth ₹15,00,000. During the year, MM Ltd. had profit of ₹ 6,00,000. MN Ltd. did declare any dividend on the preference shares for current year, calculate SS Ltd.'s share in the net profit of MM Ltd. for the year.
   a. ₹2,50,000
   b. ₹2,25,000
   c. ₹6,00,000
   d. ₹4,50,000

(xii) Company P Ltd. (a listed company) acquires 20% shares (entitling 20% voting power and significant influence) in company Q Ltd. on 1.4.2024 at a cost of ₹46,000, paid by cash. During the financial year 2024-2025, Q made profits of ₹20,000 and other comprehensive income of ₹10,000. Compute the amount of change in investee's net assets.

a. ₹20,000
b. ₹10,000
c. ₹30,000
d. ₹46,000

(xiii) 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

(xiv) International Integrated Reporting Council (IIRC) launched IR as a global framework in ______________.

a. November 2013
b. December 2012
c. November 2012
d. December 2013

(xv) Consolidated Fund of India is the fund referred to in __________ of the Constitution of India.

a. Article 266(1)
b. Article 266(2)
c. Article 266(3)
d. Article 266(4)

SECTION – B

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

[5 x 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) GST applies on supply of plant of 18% (Intra state) and on freight at 18% (intra state)

(ix) Loss amounted to ₹40,000 for low capacity utilization of the plant after installation.

(x) ₹10,000 was paid as cost of launching the product to be produced from the plant.

Compute the value on which the asset is recognised and pass necessary journal entries. (Ignore GST accounting) **[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 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. Demonstrate the accounting treatments. **[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.
Compute the Remunertion expenses to be recognised in each year. **[7]**

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

Companies	**PAT (RS.)**	**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 31st March, a NBFC has its advances classified as follows:

Particulars	₹ in Lakhs
Standard Assets	10,000
Sub Standard Assets	1,000
Secured Positions of Doubtful Debts:	
- Up to one year	160
- one year to three years	70
- more than three years	20
Unsecured Portions of Doubtful debts	90
Loss Assets	30

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

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

Liabilities	Amount (₹)	Assets	Amount (₹)
Share Capital: 8,500 Equity Shares of ₹100 each fully paid up 4,000 Cumulative Preference Shares of ₹ 100 each fully paid up Securities Premium General Reserve Trade Creditors	 8,50,000 4,00,000 20,000 60,000 3,80,000	Fixed Assets (including goodwill of ₹1,00,000) Investments Stock in Trade Trade Debtors Bank Balances	11,80,000 40,000 2,75,000 1,50,000 65,000
	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 Entries in the Books of Hopeful Ltd. **[7]**

5. The summarized Balance Sheet of SMC Limited as at 31st December, 2024, is provided below:

Particulars	**₹ Lakhs**
Assets	
Property, plant & equipment (at cost less depreciation)	125
Debenture Redemption Reserve Investments	24
Cash and cash equivalents	80
Other Current Assets	210
Total	**439**
Liabilities	
Share Capital: 5,00,000 equity shares of ₹ 10 each fully paid	50
Other equity:	95
Profit And loss A/c	19
Debenture Redemption Reserve	20
12.5% Convertible Debentures, 80,000 Debentures of ₹ 100 each	80
Other loans	60
Current Liabilities and Provisions	115
Total	**439**

The debentures are due for redemption on 1st January 2025 at a 10% premium, with an option for debenture holders to convert 20% of their holdings into equity shares at ₹12 per share. The remaining 80% of the debenture amount, along with the 10% premium, will be paid in cash, and debenture holders must exercise the conversion option, failing which the entire amount will be redeemed in cash.

Assuming that:

(a) Except for 90 debenture holders holding a total of 20,000 debentures, the rest exercised the option for maximum conversion.

(b) The investments were realized at par on sale.

(c) All the transactions are put through, without any lag, on 1st January, 2025.

Prepare the balance sheet of the company as of 1st January, 2025, after giving effect to the redemption. Show your calculations for the number of equity shares to be allotted and the necessary cash payment. **[14]**

6. For many years, H Ltd. (H) has held 80% of the ordinary shares of S Ltd. (S) and 30% of the ordinary shares of A Ltd. (A). The following information is needed to prepare the consolidated statement of profit or loss for the year ending 31st March, 2024.

Statements of profit or loss for the year ended 31st March, 2024

Particulars	H	S	A
	₹	₹	₹
Revenue	5,10,000	1,90,000	1,20,000
Total Revenue	5,10,000	1,90,000	1,20,000
Expenses:			
Cost of materials consumed	(98,000)	(62,500)	(55,000)
Employee benefits expense	(1,70,000)	(25,000)	(12,000)
Depreciation and amortization expense	(12,000)	(7,500)	(5,000)
Other expenses	(1,30,000)	(35,000)	(8,000)
Total expenses	(4,10,000)	(1,30,000)	(80,000)
Profit before tax	1,00,000	60,000	40,000
Tax	-33,000	-24,000	-12,000
Profit for the period	67,000	36,000	28,000

Note: There were no items of other comprehensive income in the year.
At the acquisition date, the fair value of S's plant and machinery, which had a remaining useful life of 10 years, exceeded its book value by ₹15,000.
During the year, S sold goods to H for ₹20,000 at a margin of 25%. By the end of the year, H had sold 60% of these goods.
The group's accounting policy is to measure non-controlling interests using the proportionate share of net assets method. The goodwill impairment loss for the current year was ₹1,200 which should be charged to other expenses.
As on 31/03/2024, the investment in A had been impaired by ₹2,500, of which there is no loss in the current year.
On 1 January 2024, H entered into a contract to provide a customer with support services for the next 12 months. H received the full payment of ₹45,000 in advance, and this amount was recognized as revenue.
Prepare the consolidated statement of profit or loss for the year ended 31st March, 2024. **[14]**

7. (a) The Income Statement and Balance Sheet of BQ Ltd. is given below:

INCOME STATEMENT

Particulars	₹ in Lakhs	₹ in Lakhs
Sales	12,500	
Total Income		12,500
Less:		

Manufacturing cost	3,000	
Administration cost	1,600	
Selling and Distribution cost	700	
Depreciation	400	5,700
EBIT		6,800
Less: Interest		300
EBT		6,500
Less: Tax (30%)		1,950
PAT		4,550
EPS		45.5
P/E ratio		3

BALANCE SHEET

LIABILITIES	₹ in Lakhs	ASSETS	₹ in Lakhs
Equity Capital (₹10 share)	1,000	Buildings	1,800
Reserve Surplus	700	Machinery	1,000
Term loan	1,300	Stock	300
Payables	600	Debtors	500
Provisions	260	Bank	260
TOTAL	3,860	TOTAL	3,860

The cost of equity and cost of debt is 14% and 8% respectively. The company pays 30% corporate tax. From the information given you are required to calculate the EVA. **[7]**

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

8. **(a)** Discuss the role of Comptroller and Auditor General to compile accounts of Union and States. **[5]**

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

(c) Investor A holds 40 per cent of the voting rights of an investee and twelve other investors each hold 5 per cent of the voting rights of the investee. Does A have any power over the investee? Analyse. **[4]**