FINAL EXAMINATION | SET - 2

MODEL ANSWER | TERM – JUNE 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) The _____________ of an item of property, plant and equipment shall be recognised as an asset if, and only if: (I) it is probable that ___________ associated with the item will flow to the entity; and (II) the ___________ of the item can be measured reliably.

(a) cost, future economic benefits, cost

(b) future economic benefits, cost, future economic benefits

(c) cost, cost, cost

(d) future economic benefits, future economic benefits, future economic benefits

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

(iii) Lease Rental and Hire-Purchase Assets will be treated as Non-Performing Assets (NPA) in case of NBFCs for the financial year ended 31st March, 2025 if __________.

(a) overdue for 3 months as on 31st March, 2025

(b) overdue for 6 months as on 31st March, 2025

(c) overdue for 9 months as on 31st March, 2025

(d) overdue for 4 months as on 31st March, 2025

(iv) 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

(v) 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) Manager
(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

(vi) GASAB stands for ______________.
(a) Government Accounting Standards Advisory Board
(b) Government Accounting Standards Applicability Board
(c) Government Auditing Standards Advisory Board
(d) Government Accounting for States Advisory Board

(vii) On 1 January 2024, A Ltd. acquires 80 percent of the equity interests of B Ltd. in exchange for cash of ₹600 lakhs. The identifiable assets are measured at ₹925 lakhs and the liabilities assumed are measured at ₹150 lakhs. The fair value of the 20 percent 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

(viii) MILKYWAY Ltd. is conducting research in respect of attaching self-charging batteries in all its vehicles. It has already incurred ₹15 lakhs last year for this research. During the year (2024-25), it incurs ₹5,00,000 each month as a part of its research expenditure. On 01.05.2024, directors found that the research is successful and is going to bring a cash flow of ₹300 lakhs in the coming years to the company. Calculate the impact of the above transaction in the financial year ended 31st March, 2025 in the books of MILKYWAY Ltd.
(a) Expenses ₹70 Lakh and Intangible Asset ₹300 Lakh
(b) Expenses ₹55 Lakh and Intangible Asset ₹15 Lakh
(c) Expenses ₹5 Lakh and Intangible Asset ₹55 Lakh
(d) None of the above

(ix) A Ltd. has a machine whose original cost was ₹1,20,000. The accumulated depreciation on the machine is ₹45,000. Similar machine has recently been sold in the same locality at ₹65,000 with selling expenses ₹4,000. Management determined the entity specific present value of future cash flows of the machine as ₹68,000. Impairment loss will be
(a) ₹10,000
(b) ₹6,000
(c) ₹14,000
(d) ₹7,000

(x) Narmada Ltd. owns a machinery which is carried in its Balance Sheet at the carrying amount of ₹15 million. The fair value of the machinery is ₹22.5 million. It exchanges this machinery for a building having a fair value of ₹30 million and pays additional cash of ₹4.5 million. As per the relevant Ind AS, the profit on exchange of machinery is:

(a) ₹7.5 million
(b) ₹12 million
(c) ₹19.5 million
(d) None of the above

(xi) Mohan Ltd. held 50% of the voting power of Sohan Ltd. which is a joint venture of Mohan Ltd. The carrying value of the investment in Sohan Ltd. is ₹1,50,000. Now, out of the 50% stake, Mohan Ltd. sells 20% stake in Sohan Ltd. to a third party for a consideration of ₹1,20,000. The fair value of the retained 30% interest is ₹1,80,000. The gain or loss recorded by Mohan Ltd. in its profit or loss is:
(a) Gain of ₹1,50,0006
(b) Loss of ₹1,50,000
(c) Gain of ₹90,000
(d) None of the above

(xii) ABC Ltd. reports quarterly and in the quarter ended 30.06.2024, it earned pre-tax profit of ₹3 crores but it expects to incur losses of ₹1 crore in each of three remaining quarters of the financial year. The tax rate on income is 30%. The management believes that since the company has zero income for the financial 2024-25, its income-tax expenses for the year will be zero. Calculate the amount of tax expenses to be reported in the first and fourth quarters.
(a) ₹90 lakhs and ₹Nil
(b) ₹Nil and ₹Nil
(c) ₹90 lakhs and ₹(30) lakhs
(d) None of the above

(xiii) Mogari Ltd. provides the following financial data for the year ended 31st March, 2025: Net Operating Profit Before Interest and Tax: ₹17,50,000 Total Capital Employed: ₹80,00,000 Corporate Tax Rate: 30% Weighted Average Cost of Capital (WACC): 12%. The Economic Value Added (EVA) for Mogari Ltd. will be ________.
(a) ₹7,90,000
(b) ₹5,25,000
(c) ₹2,65,000
(d) ₹6,50,000

(xiv) Surendra Ltd., a parent, sold goods costing ₹400 lakhs to its 80% subsidiary, Narendra Ltd., at ₹480 lakhs. 50% of these goods are lying in stock as of 31st March, 2024. Narendra Ltd. has measured this inventory at cost i.e., at ₹240 lakhs. The tax rate is 30%. The deferred tax to be shown in the consolidated financial statements is:
(a) ₹12 lakhs
(b) ₹60 lakhs
(c) ₹72 lakhs
(d) ₹120 lakhs

(xv) Which of the following is not a general principal of Government Accounting?
(a) Reporting of Utilisation of Public Funds
(b) Expenditures are classified under Sectors, major heads, minor heads, sub-heads and detailed heads of Accounts

(c) Budget Based
(d) Single Entry System

Answer:

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

SECTION – B

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

[5 x 14 = 70]

2) (a) X Ltd. Sets up a plant at the purchase price of ₹5,00,000 plus GST at 18% (Intra-state). Freight paid ₹20,000 plus GST at 18% (Intra-state). Paid ₹10,000 as employee expenses for installation of the planet. After the plant was put to use maintenance cost incurred ₹5,000. Calculate the initial cost to be recognized and pass journal. Estimated dismantling cost ₹30,000, present value ₹12,000.

[7]

(b) Z Ltd. gives the following estimates of cash flows relating to property, plant and equipment on 31st March, 20X4. The discount rate is 15%.

Year	Cash Flow (₹ in lakh)
20X4-20X5	2000
20X5-20X6	3000
20X6-20X7	3000
20X7-20X8	4000
20X8-20X9	2000
Residual Value at 31st March, 20X9	500

Property, plant & equipment was purchased on 1st April, 20X1 for ₹20,000 lakh
Useful Life was 8 Years
Residual Value estimated at the end of 8 years ₹500 lakh
Fair value less cost to disposal ₹10,000 lakh

Calculate impairment loss, if any on the property, plant and equipment. Also calculate the revised carrying amount and revised depreciation of property, plant and equipment. [7]

Answer:

(a) Asset is recognized in the class Machinery under PPE as non-current asset. It is valued at initial cost measured as follows:

Particulars	(₹)
Purchase Price	5,00,000
Freight	20,000
Installation cost	10,000
Present value of dismantling cost	12,000
	5,42,000

GST and maintenance cost not to be recognized in initial cost of asset.

Journal **Dr.** **Cr.**

Particulars	(₹)	(₹)
Machinery A/c Dr.	5,42,000	
Input CGST A/c Dr.	46,800	
Input SGST A/c Dr.	46,800	
Maintenance Exp. A/c Dr.	5,000	
To Bank A/c		6,28,600
To Liability for Dismantling A/c		12,000

Working:

GST	SGST(9%)	CGST(9%)
On ₹5,00,000	₹45,000	₹45,000
On ₹20,000	₹1800	₹1800
Total	₹46,800	₹46,800

(b)

(1) Calculation of Carrying Amount on 31st March, 20X4 **(₹ in lakh)**

Particular	Amount
Original Cost on 1st April, 20X1	**20,000**
Less: Depreciation $\frac{20,000-500}{8} \times 3$	**(7,313)**
Carrying Amount	**12,687**

(2) Calculation of Value in Use

Year	Cash Flows	P.V	Amount
20X4-20X5	2,000	0.870	1,740
20X5-20X6	3,000	0.756	2,268

20X6-20X7	3,000	0.658	1,974
20X7-20X8	4,000	0.572	2,288
20X8-20X9 (including residual value)	2,500	0.497	1,243
Total			**9,513**

(3) Calculation of Recoverable Amount

Particular	Amount
Value in use	9,513
Fair value less costs of disposal	10,000
Recoverable Amount	**10,000**

(4) Calculation of Impairment Loss

Carrying Amount - Recoverable Amount

12,687 –10,000 = 2,687

(5) Calculation of Revised Carrying Amount

Particular	Amount
Carrying Amount	12,687
Less: Impairment Loss	(2,687)
Revised Carrying Amount	10,000

(6) Calculation of Revised Depreciation

$$\frac{\textbf{Revised Carrying Amount} - \textbf{Residual Value}}{\textbf{\textit{Remaining Life}}}$$

$$\frac{10{,}000 - 500}{5} = 1{,}900$$

3) (a) An enterprise operates through eight segments, namely, A, B, C, D, E, F, G and H. The relevant information about these segments is given in the following table. (Amounts in ₹'000)

Particulars	A	B	C	D	E	F	G	H	Total (Segment)
1. Segment Revenue									
(a) External Sales	-	663	37	25	13	125	50	87	1000
Inter Segment Sales	250	150	75	13	-	-	12	-	500
2. Segment Results Profit/ (Loss)	15	(270)	45	(15)	24	(15)	15	21	
3. Segment Assets	15	5	5	60	3	5	5	2	100

Examine the reportable segments as per Ind AS 108. [7]

(b) **The following is the Balance Sheet of K Ltd. as on 31st March, 2025:**

Balance Sheet (₹ in Lakh)

Liabilities	Amount	Assets	Amount
3,00,000 Equity shares of ₹10 each fully paid	30,00,000	Goodwill	3,00,000
12.5% Redeemable preference shares of ₹100 each fully paid	19,00,000	Building	20,00,000
General Reserve	15,00,000	Plant & Machinery	22,00,000
Profit & Loss A/c	3,00,000	Furniture	10,00,000
Secured Loan	10,00,000	Investments	16,00,000
Creditors	30,00,000	Stock	12,00,000
		Debtors	20,00,000
		Bank Balance	4,00,000
	1,07,00,000		1,07,00,000

Additional Information:

(i) Fixed assets are worth 20% more than book value. Stock is overvalued by ₹1,00,000. Debtors are to be reduced by ₹40,000. Trade investments, which constitute 10% of the total investments are to be valued at 10% below cost.

(ii) Trade investments were purchased on 1.4.2024. 50% of non-trade investments were purchased on 1.4.2023 and the rest on 1.4.2024. Non-trade investments yielded 15% return on cost.

(ii) In 2023-2024 Furniture with a book value of ₹1,00,000 was sold for ₹50,000. This loss should be treated as non- recurring or extraordinary item for the purpose of calculating adjusted average profit.

(iv) In 2022-2023 new machinery costing ₹2,00,000 was purchased, but wrongly charged to revenue. This amount should be adjusted taking depreciation at 10% on reducing value method.

(v) Return on capital employed is 20% in similar business.

(vi) Goodwill is to be valued at two years purchase of super profits based on simple average profits of last four years.

Profits of last four years are as under:

Year	₹
2021-22	13,00,000
2022-23	14,00,000
2023-24	16,00,000
2024-25	18,00,000

(vii) It is assumed that preference dividend has been paid till date.

(viii) Depreciation on the overall increased value of assets (worth 20% more than book value) need not be considered. Depreciation on the additional value of only plant and machinery to be considered taking

depreciation at 10% on reducing value method while calculating average adjusted profit.

Calculate the intrinsic value of the equity share. Ignore income tax and dividend tax.

[7]

Answer:

(a) **₹ in '000**

(i) Segment Revenue Criterion:

Threshold = 10% of total revenue = 10% of (1,000 + 500) = ₹150

Reportable Segments are A and B.

(ii) Result Criterion:

Threshold = 10% of total profit (₹120) or total loss (₹300) – higher of the two = ₹30

Reportable Segments are B and C.

(iii) Asset Criterion:

Threshold = 10% of total assets = 10% of 100 = ₹10

Reportable Segments are A and D.

Total external revenue of A, B, C and D = Nil + 663+ 37+ 25 = ₹725 which is lower than 75% of total external revenue of ₹1000 (i.e., ₹750).

No additional segment has been identified by the management as per their discretion. It is assumed that the company will select segment F to meet the 75% threshold criteria.

Hence the reportable segments are A,B, C, D and F.

(b)

1. **Calculation of Goodwill**

i. Capital Employed

Particulars	₹	₹
Fixed assets:		
Building	20,00,000	
Plant and machinery (₹22,00,000 + ₹1,45,800)	23,45,800	
Furniture	10,00,000	
	53,45,800	
Add: 20% Appreciation	10,69,160	
	64,14,960	
Trade investments (₹16,00,000 × 10% × 90%)	1,44,000	
Debtors (₹20,00,000 - ₹40,000)	19,60,000	
Stock (₹12,00,000 - ₹1,00,000)	11,00,000	

Bank Balance	4,00,000	1,00,18,960
Less: Outside liabilities:		
Redeemable preference shares of ₹100 each fully paid	19,00,000	
Secured Loan	10,00,000	
Creditors	30,00,000	(59,00,000)
Capital employed		**41,18,960**

ii. Future Maintainable Profit

Calculation of Average Adjusted Profit

Particulars	2021-2022 (₹)	2022-2023 (₹)	2023-2024 (₹)	2024-2025 (₹)
Profit	13,00,000	14,00,000	16,00,000	18,00,000
Add: Capital Expenditure of Machinery charged to revenue		2,00,000		
Loss on sale of furniture			50,000	
	13,00,000	**16,00,000**	**16,50,000**	**18,00,000**
Less: Depreciation on machinery		(20,000)	(18,000)	(16,200)
Income from non-trade investments (W.N.2)			(1,08,000)	(2,16,000)
Reduction in the value of stock				(1,00,000)
Bad debts				(40,000)
Adjusted Profit	13,00,000	15,80,000	15,24,000	14,27,800
Total adjusted profit for four years				58,31,800
Average profit (₹ 58,31,800/4)				14,57,950
Less: Depreciation at 10% on Additional Value of Machinery (22,00,000 + 1,45,800) × 20% × 10%				(46,916)
Average Adjusted Profit				**14,11,034**

iii. Normal Profit 20% on Capital Employed, i.e. 20% on ₹41,18,960 = ₹8,23,792

iv. Super Profit = Average Adjusted profit – Normal profit
= ₹14,11,034 – ₹ 8,23,792 = ₹5,87,242

v. Goodwill
= 2 years purchase of super profit
= ₹5,87,242 × 2 = ₹11,74,484

2. Trade investments = ₹16,00,000 × 10% × 90% = ₹1,44,000
Non-trade investment = ₹16,00,000 – ₹ 1,60,000 = ₹14,40,000
Non-trade investment purchased on 1.4.2023 = 50% of ₹ 14,40,000 = ₹7,20,000
Non-trade investment purchased on 1.4.2024 = ₹14,40,000 - ₹7,20,000 = ₹ 7,20,000

Income from non-trade investment:
In the year 2021-2022 : 7,20,000 × 15% = ₹ 1,08,000
In the year 2022-2023 : 7,20,000 × 15% = ₹ 1,08,000
= ₹ 2,16,000

Calculation of Intrinsic Value of Equity Shares of K Ltd.

Net Assets available for Equity Shareholders.

Particulars	₹	₹	₹
Goodwill (W.N.1)			11,74,484
Sundry fixed assets			64,14,960
Trade and non-trade investments (₹1,44,000 + ₹14,40,000)			15,84,000
Debtors			19,60,000
Stock			11,00,000
Bank balance			4,00,000
Total Assets			**1,26,33,444**
Less: Outside liabilities			
Redeemable preference shares of ₹100 each fully paid	19,00,000		
Secured loan	10,00,000		
Creditors	30,00,000	59,00,000	
			(59,00,000)
Net assets available for equity shareholders			67,33,444

Value of a equity shares = $\frac{Net\ Assets\ available\ to\ Equity\ Shareholders}{Number\ of\ Equity\ Shares}$

$= \frac{₹\ 67,33,444}{3,00,000}$ = ₹22.44 (approx)

4) **(a) Water 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 31.3.23. Few machines were sold on hire-purchase basis. The hp price was set as ₹200 lakhs as against cash price of ₹160 lakhs. The amount was payable as ₹20 lakhs down payment and balance in 5 equal installments. The Hire-vendor collected first installment as on 31.3.24, but could not collect the second installment which was due on 31.3.25. the company was finalizing accounts for the year ending 31.3.25. till 15.5.25, the date on which the Board of Directors signed the accounts, the second installment was not collected. Presume IRR to be 11.32%.**
Required:

1. **Calculate the principal outstanding as on 1.4.24. Should the company recognise finance charge for the year 2024-25 as income?**
2. **Examine whether the company should recognise the finance charge for the year 2024–25 as income, in accordance with the prudential norms applicable to NBFCs.**
3. **Also Calculate the net book value of assets as on 31.3.25 in the books of Water Ltd. after considering the required provisioning under the NBFC prudential norms.** **[7]**

(b) The summarized balance sheet of NR Ltd. as on 31st March, 2025 was as follows:

Balance Sheet of NR Ltd. as on 31st March, 2025

Particulars	Amount (₹)
ASSETS:	
Land and Building	15,36,000
Plant and Machinery	14,40,000
Goodwill	8,96,000
Inventories	2,56,000
Trade Receivables	5,12,000
Cash at Bank	38,400
Total	46,78,400
EQUITY AND LIABILITIES	
3,84,000 Equity Shares of ₹ 5 each	19,20,000
1,28,000, 6% Preference Shares of ₹ 10 each	12,80,000
General Reserve	6,400
P/L Balance i.e., Retained Earnings (Debit)	(5,76,000)
5% Debentures	7,68,000
Trade Payables	12,80,000
Total	46,78,400

On revaluation of the assets, on 31st March, 2025, it was found that Goodwill was worthless and that other assets were overvalued to the following extent:
Land and Building was overvalued by ₹2,56,000 and Plant and Machinery was overvalued by ₹3,52,000.
A provision for doubtful debts to the extent of ₹32,000 was considered necessary.

The following scheme of reorganization was sanctioned by the Court:

i. **The trade payables to accept 6% debentures to the extent of 50% of their claims, the balance to be paid in cash six months after the date of implementation of this scheme.**
ii. **The paid-up value of preference shares to be reduced to ₹5 each.**
iii. **The paid-up value of equity shares to be reduced to ₹ 1 each.**
iv. **The Assets to be reduced to revalued figure and the debit balance of statement of Profit and Loss account to be wiped out.**

Draft journal entries (without narration) to give effect to the above scheme and prepare the Revised Balance Sheet of NR Ltd. [7]

Answer:

(a)

Cash Price ₹160 lakhs

HP Price ₹200 lakhs

Down Payment ₹20 lakhs

Annual Installment (200 – 20)/5 = 36

(i) Since, the hire-purchaser paid the first installment due of 31.3.24, the notional principal outstanding on 01.04.2024 was ₹116.61 lakhs. [WN: I]

In the year ended 31.3.25, the installment due of ₹36 lakhs has not been received. However, it was due on 31.3.25 i.e. on the Balance Sheet date, and therefore, it will be classified as Standard Asset. Water Ltd. will recognise ₹12.61 lakhs as interest income included in that due installment as this should be treated as finance charge.

(ii) Amount of Provision

Particulars	₹ in lakhs
Overdue instalment	36
Installments not due (₹36 lakhs × 3)	108
	144
Less: Finance charge not matured and not credited to P/L A/c [8.21+5.70 + 2.97]	(16.89)
	127.11
Less: Depreciated value (Cash Price Less Depreciation for 2 years on SLM @ 20% = 160 – 2 × 160/5 = 96)	96
Provision as per NBFC prudential norms	31.11

Since, the installment of ₹36 lakhs not paid, was due on 31.03.2025 only, the asset is classified as standard asset. therefore, no additional provision has been made for it.

(iii) The net book value of the assets as on 31.3.2025

Particulars	₹ in lakhs
Overdue instalment	36
Installments not due (₹36 lakhs × 3)	108
	144
Less: Finance charge not matured and not credited to P/L A/c [8.21+5.70 + 2.97]	(16.89)
	127.11
Less: Provision as per NBFC prudential norms	31.11

Net Book Value of assets for Water Ltd.	96.00

Working Note 1:

It is necessary to segregate the installments into principal outstanding and interest components by using IRR @9%

Time	**Opening Outstanding amount (a)**	**Cash Flow (b)**	**Interest @ 9% (c) = (a) × 9%**	**Principal repayment (d) = (b) – (c)**	**Closing outstanding (e) = (a) – (d)**
31.03.2023	160	20	___	20	140
31.03.2024	140	36	12.61	23.39	116.61
31.03.2025	116.61	36	10.50	25.5	91.11
31.03.2026	91.11	36	8.21	27.79	63.32
31.03.2027	63.32	36	5.70	30.30	33.03
31.03.2028	33.03	36	2.97	33.03	0.00

(b)

Journal of NR Limited

Date	Particulars		L.F	Debit(₹)	Credit(₹)
31.03.2025	Trade Payables A/c	Dr.		6,40,000	
	To 6% Debentures A/c				6,40,000
31.03.2025	6% Preference Share Capital A/c	Dr.		6,40,000	
	Equity Share Capital A/c	Dr.		15,36,000	
	To Capital Reduction A/c				21,76,000
31.03.2025	General Reserve A/c	Dr.		6,400	
	To Capital Reduction A/c				6,400
31.03.2025	Capital Reduction A/c	Dr.		21,82,400	
	To Retained Earnings A/c				5,76,000
	To Provision for Doubtful Debts A/c				32,000
	To Goodwill A/c				8,96,000
	To Land and Building A/c				2,56,000
	To Plant and Machinery A/c				3,52,000
	To Capital Reserve A/c				70,400

Revised Balance Sheet of NR Ltd. as on 31st March, 2025

Particulars	**Amount (₹)**
II. ASSETS	
(1) Non-current Assets	
(a) PPE:	
Land and Building	12,80,000

Plant and Machinery		10,88,000
(2) Current Assets:		
Inventories		2,56,000
Trade Receivables	5,12,000	
Less: Provision for Doubtful Debts	(32,000)	4,80,000
Cash at Bank		38,400
Total		**31,42,400**
I. EQUITY AND LIABILITIES		
(1) Equity		
(a) Equity Share Capital		
Issued and Subscribed:		
3,84,000 Equity Shares of ₹5 each, ₹1 paid-up		3,84,000
(b) Other Equity:		
1,28,000 6% Preference Shares of ₹10 each, ₹ 5 paid-up		6,40,000
Capital Reserve		70,400
(2) Non-current Liabilities:		
5% Debentures		7,68,000
6% Debentures		6,40,000
(3) Current Liabilities: Trade Payables		6,40,000
Total		**31,42,400**

5) **Reverse Acquisition takes place as H Ltd. acquires 100% equity shares of S Ltd on 31.03.2024. From the following data pass journal entries and prepare consolidated and separate Balance Sheet in the books of H Ltd.** **[₹ in Lakhs]**

Particulars	H Ltd. (₹)	S Ltd. (₹)
on-current Assets	**2,000**	**3,000**
urrent Assets	**1,000**	**1,000**
otal	**3,000**	**4,000**
quity Share Capital H: 100 shares; S: 80 shares	**1,000**	**800**
ther Equity	**500**	**1,600**
on-current Liabilities	**700**	**1,200**
urrent Liabilities	**800**	**400**
otal	**3,000**	**4,000**

H Ltd. and S Ltd. shares are quoted at ₹ 20 and ₹ 50 respectively on 31.03.2024. H Ltd. issues shares in exchange ratio based on quoted price. Fair Value of NC asset of H ₹2,400, S ₹3,200. **[14]**

Answer:

I. It is a business combination. H Ltd. issues 2.5 shares for every one share of S Ltd. (50/20). Thus 200 shares (80 × 2.5) of H Ltd. are issued to owners of S Ltd., who become 2/3 rd owner of the group interest (200 out of total 300 shares, 100 shares belonging to the owners of H Ltd.). For accounting purpose, the subsidiary company S Ltd., (holding 2/3 rd of the group interest) the legal acquiree is considered as the accounting acquirer. It is a reverse acquisition. As 100% shares of S Ltd. are acquired there is no non-controlling interest.

II. Consideration transferred:

Of the group 100 shares are held by owners of H Ltd. and 200 shares are held by owners of S Ltd. Effective consideration from the view point of accounting acquirer S Ltd. is the fair value of 100 shares held by H = 20×₹100 = ₹2,000 , which is equivalent to 40 shares of S Ltd. at ₹ 50. In the consolidated set maintained by H Ltd., recording will be made as if S Ltd. is acquiring H Ltd. Thus, net assets of H Ltd. will be recognised at fair value and net assets and equity of S Ltd. will be recognised at carrying amount.

III. Goodwill:	**(₹) in Lakhs**
Net Assets of H identified ₹(2,400 + 1,000 - 700 - 800)	1,900
Consideration transferred	2,000
Goodwill ₹(2,000 – 1,500)	100

IV. Journal assuming S Ltd. as the Accounting acquirer :

Particulars		**Dr. (₹ in Lakhs)**	**Cr. (₹ in Lakhs)**
Non-Current Assets A/c	Dr.	2,400	
Current Assets A/c	Dr.	1,000	
Goodwill A/c	Dr.	100	
To, Non-current Liabilities A/c To,			700
Current Liabilities A/c			800
To, Consideration A/c			2,000
Consideration A/c	Dr.	2,000	
To, Equity Share Capital A/c			2,000

IV. Consolidated Balance Sheet on 31-03-2021 (in books of H Ltd.) (₹ in Lakhs)

Particulars	**Separate (₹)**	**Consolidated (Bk Value of S + FV of H Ltd.) (₹)**
Non-current Assets	2,000	5,400
Goodwill		100
Financial asset – Investment	2,000	
Current Assets	1,000	2,000
Total	5,000	7,500

Particulars	Separate (₹)	Consolidated (Bk Value of S + FV of H Ltd.) (₹)
Equity Share Capital – 300 shares of H Ltd. (Carrying amount of S Ltd. + Issue by H Ltd. = 800 + 2000)	3,000	2,800
Other Equity	500	1,600
Non-Current Liabilities	700	1,900
Current Liabilities	800	1,200
Total	5,000	7,500

*** Equity structure i.e. Number of shares reflects the legal parent H Ltd, although amount of equity is the carrying value of S plus purchase consideration by issue of shares.**

[Note: There is mismatch between the number of shares and the Balance Sheet amount if nominal value is considered. This is maintained in the standard without any explanation.]

6) Prepare Consolidated Balance Sheet (CBS) of a group of P Ltd., Q Ltd. and R Ltd. for which the abstracts of Balance sheets on 31.03.2025 are given below:

(₹ in Lakhs)

Particulars	P	Q	R
PPE	400	500	320
Investment in Q (80%)	480		
Investment in R (75%)		300	
Current Assets:			
Inventory	250	80	60
Trade Receivables	280	120	200
Bills Receivables	70		50
Cash and Bank	180	50	60
Total Assets	1660	1050	690
Equity and Liabilities:			
Equity Share Cap (₹10)	600	500	300
Other Equity	460	160	120
Current Liabilities:			
Trade Payables	500	250	200
Dividend Payable		50	
Bills Payables	100	90	70
Total	1660	1050	690

Control was acquired on 01.10.2024 when fair value of PPE was in excess of carrying amount by Q: 50 and R:30. On 01.04.2024 the balances of Other Equity were Q : 100 and R : 50 NCI is measured at fair value.

Inventory of Q included 16 purchased from R at cost plus 33.33%.
Bills Receivables of R includes 30 from P and Bills Receivables of R includes 40 from Q. [14]

Answer:

Consolidated Balance sheet of the group as at 31-03-2025 (₹ in Lakhs)

Assets	Workings(₹)	(₹)
Non-Current:		
PPE	400 + 500 + 320 + 50 + 30	1,300
Current Assets:		
Inventory	250 + 80 + 60 - 4	386
Trade Receivables	280 + 120 + 200	600
Bills Receivables	70 + 50 - 30 - 40	50
Cash and Bank	180 + 50 + 60	290
Total Assets		**2,626**
Equity and Liabilities		
Equity Share Capital		600
Other Equity	Note 2	641
NCI of Q	Note 3	61
NCI of R	Note 2	174
Current Liabilities		
Trade Payables	500+250+200	950
Dividend Payable		10
Bills Payables	100+90+70-30-40	190
Total		**2,626**

Workings:

I. Share of parent and NCI Share of P in Q = 80% Share of Q in R = 75%

Share of Group in R = 80% × 75% = 60% NCI in R = 40%

II. Analysis of Profits

(₹ in Lakhs)

Particulars	P	Q	R
Other Equity at the yearend + dividend payable	460	210	120
Other Equity at the beginning		100	50
Profits during the year		110	70
Pre-acquisition upto 30.09.2024		55	35

Post-acquisition Profits		55	35
Share from Q = 80% × ₹ 55	44		
Share from R = 60% × ₹ 35	21		
	525		
Less: Unrealised Profits in inter-company Inventory = 16 × 1/4	4		
Other Equity	521		

III. Net Assets on acquisition

Particulars	Q (₹)	R (₹)
Share Cap	500	300
Other Equity on 01.04.2024	100	50
Revaluation	50	30
Add Profits	55	35
Net Assets	705	415

IV. NCI on 01-10-2024

Consideration × (NCI Share/Parent Share)	Q (₹)	R (₹)
NCI - Q = 480 × 20%/80%	120	
NCI - R = 300 × 40%/75%		160

Note 1: Goodwill/ Bargain Purchase

Particulars		Q (₹)	R (₹)	Consolidated (₹)
Net Assets	a	705	415	
Consideration	b	480	240$	
NCI on acquisition at fair value	c	120	160	
Gains on bargain Purchase	a- (b + c)	105	15	
Net amount to Other Equity				120

$ 80% × ₹300

Note 2: Consolidated Other Equity = Other Equity (II) + Net Gains on Bargain Purchase
= (₹521+ ₹120) Lakhs = ₹641 lakhs

Note 3: NCI on 31.03.2025

Particulars	Q (₹)	R (₹)
NCI on acquisition	120	160

Post-acquisition profit = Q: ₹55 × 20%; R: ₹35 × 40%	11	14
Less: NCI share in investment in R = 20% × ₹300	-60	
Less; Dividend payable	-10	
NCI on Reporting date	61	174

7. (a) Maahi Ltd. has the following financial data for the year ending 31st March, 2025

(i) Sales Revenue	**₹ 1,000 Lakh**
(ii) Purchase of Raw Materials	**₹ 530 Lakh**
(iii) Total Stock of Raw Materials, WIP and Finished Goods:	
Opening Stock	**₹ 60 Lakh**
Closing Stock	**₹ 90 Lakh**
(iv) Printing and Stationery	**₹ 35 Lakh**
(v) Auditor's Fees	**₹ 5 Lakh**
(vi) Rent, Rates and other Expenses	**₹ 10 Lakh**
(vii) Wages & Salaries	**₹ 100 Lakh**
(viii) Depreciation	**₹ 30 Lakh**
(ix) Interest	**₹ 20 Lakh**
(x) Taxes	**₹ 25 Lakh**
(xi) Dividend	**₹ 110 Lakh**
(xii) Retained Earnings for the year	**₹ 165 Lakh**

Prepare a value-added statement for Maahi Ltd. for the year ended 31st march ,2025.

[7]

(b) What is Integrated Reporting? Briefly discuss the objectives of integrated reporting.

[7]

Answer:

(a)

Value Added Statement for Maahi. Ltd. for the year ended 31st March, 2025

Generation of Value Added	(₹ in Lakh)	(₹ in Lakh)
Sales Revenue Add: Increase in Stock of Raw Materials, WIP & FG		1,000 30
Total		1,030
Less: Cost of brought-in-materials and services:		
Purchase of Raw Material	530	
Printing and Stationery	35	
Auditor's Fees	5	
Rent, Rates & Other Exp.	10	580
Total Value Added		**450**

Distribution of Value Added:

Particulars	(₹ in Lakh)	(₹ in Lakh)
Total Value Added (Generated)		450
A. To Employees: Wages & Salaries		100
B. To Government: Taxes		25
C. To Providers of Capital:		
Interest	20	
Dividend	110	130
D. To Re-investment in Business:		
Depreciation	30	
Retained Earnings	165	195
Total Distribution (A+B+C+D)		**450**

(b)

As per the Integrated Reporting Framework issued by International Integrated Reporting Council (IIRC), an integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term.

The objectives of integrated reporting are:

1. To improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital
2. To promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time.
3. To enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies.
4. To support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

Integrated reporting is consistent with all the developments in corporate reporting over time across the world. It has the potential to synthesise all of them and can accelerate these individual initiatives and provide impetus to greater innovation in corporate reporting.

8. (a) Discuss the Objectives and Constitution of Public Accounts Committee (P.A.C). [5]

(b) Briefly discuss the role of the Controller General of Accounts. [5]

(c) AB Ltd. purchased a 100% subsidiary for ₹50,00,000 on 31st March 20X1 when the fair value of the net assets of BB Ltd. was ₹40,00,000. Therefore, goodwill is ₹10,00,000. AB Ltd. sold 60% of its investment in BB Ltd. on 31st March 20X3 for ₹67,50,000, leaving the AB Ltd. with 40% and significant influence. At the date of disposal, the carrying value of net assets of BB Ltd. excluding

goodwill is ₹80,00,000. Assume the fair value of the investment in associate BB Ltd. retained is proportionate to the fair value of the 60% sold, that is ₹45,00 000.
Calculate gain or loss on sale of proportion of BB Ltd. in AB Ltd.'s consolidated financial statements as at 31st March 20X3. **[4]**

Answer:

(a) Public Accounts Committee is a committee of the selected members of Parliament of India, constituted by the Parliament of India.

Objectives:
The purpose of the Public Accounts Committee is to examine and ensure that the appropriated money is spent economically, judiciously and for the purpose for which it was sanctioned. Its other objectives are to examine the accounts of the government, to examine the reports of the accounts of the government submitted by the CAG of India etc. Thus, its basic objective is to ensure Parliamentary control over the government expenditure.

Constitution:
The Public Accounts Committee consists of not more than 22 members comprising 15 members elected by Lok Sabah every year from amongst its members according to the principle of proportional representation by means of a single transferrable vote and not more than 7 members of Rajya Sabha elected by that House in the like manner. Thus, the present committee is a joint committee of the two Houses. The Chairman is appointed by the Speaker of Lok Sabha from amongst the members of Lok Sabha. The Chairman of the Committee is selected from the opposition. Any Minister cannot become a member of this committee. If a member of the Committee becomes a Minister, he/she ceases to be the member of this committee.

(b) Role of CGA:
Consolidating monthly accounts of the government of India and reporting on the fiscal deficit is the primary responsibility of the CGA. The monthly accounts are compiled in the CGA office and a monthly review indicating flow of expenditure, revenue collection, internal and external borrowing and fiscal deficit is prepared for Minister of Finance. A summary of the monthly accounts is also placed on the web. He prepares a critical analysis of expenditures, revenues, borrowings and the deficit for the finance minister every month. He also prepares annual Appropriation Accounts and Union Finance Accounts for presentation to the parliament. Ministers, Departments approach the Controller General of Accounts for advice on accounting procedures for new schemes, programmes or activities undertaken by them. The advice rendered by the CGA generally covers aspects related to maintenance of accounts, collection of receipts and it's crediting into Government account, release of payment and it's accounting, creation and operation of funds within Government accounts, banking arrangements for making payments and collecting receipts etc. The advice of the Controller General of Accounts is binding on the Ministries/Departments.

(c)

In the consolidated financial statements, all of the assets, including goodwill are derecognized when control is lost. This is compared to the proceeds received and the fair value of the investment retained.

Particulars	₹ in lakh
Sales proceeds	85.5
Fair value of 10%interest retained	9.5
	95
Less: Net assets disposed, including goodwill (80,00,000 + 10,00,000)	(90)
Gain on sale in the group's financial statements	5

The gain on loss of control would be recorded in profit or loss. The gain or loss includes the gain of ₹ 4,50,000 related to the 90% portion sold [₹85,50,000 – (₹90,00,000 × 90%)] as well as ₹50,000 related to the remeasurement of fair value of 10% retained interest (₹9,00,000 to ₹ 9,50,000).