FINAL EXAMINATION

MODEL QUESTION PAPER

PAPER – 18

CORPORATE FINANCIAL REPORTING

SET - 2

TERM – JUNE 2025

SYLLABUS 2022

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

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]**

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]

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:

(i) Calculate the principal outstanding as on 1.4.24. Should the company recognise finance charge for the year 2024-25 as income?

(ii) 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.

(iii) 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]**

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 31.03.2021. H Ltd. issues shares in exchange ratio based on quoted price. Fair Value of NC asset of H ₹2,400, S ₹3,200. **[14]**

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]**

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]**

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

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

(b) 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]**