FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 18
CORPORATE FINANCIAL REPORTING

SET - 1
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. (a) Choose the correct option: **[15 x 2 = 30]**

(i) 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 Recoverable amount.

A. ₹23,000
B. ₹28,000
C. ₹25,000
D. None of these

(ii) The major bases of asset valuation for a going concern:

A. Book Value
B. Net Replacement Value
C. Net Realisable Value
D. All of these

(iii) Which of the following is/are objective/s of Ind AS 113?

A. To set up a framework for measurement of fair value
B. To specify requirements of disclosure of fair value measurement
C. Both A and B
D. None of these

(iv) Borrowing Costs directly attributable to ______ of a Qualifying asset should be capitalized as part of the cost of that Asset.

A. Acquisition
B. Construction
C. Deduction
D. Both A and B

(v) Capital Employed is ₹255 Lakhs; Annual average profits are ₹57 Lakhs; Normal rate of return is 12%. The value of goodwill on the basis of Capitalization of super profits will be –

A. ₹220 Lakh
B. ₹475 Lakh
C. ₹6.84 Lakh
D. ₹26.40 Lakh

(vi) All NBFCs-ND which have an asset size of ₹500 crore and above and all NBFCs-D shall maintain minimum Tier 1 Capital of _____.

A. 12%
B. 15%
C. 10%
D. 1%

(vii) A Ltd. acquires 80% of B Ltd. for ₹10,00,000 paid by equity at par Fair Value (FV) of B's net assets at time of acquisition amounts ₹9,00,000. The value of goodwill based on NCI valued at proportionate fair value of identified net asset will be:

A. ₹3,00,000
B. ₹2,80,000
C. ₹4.50,000
D. ₹5,00,000

(viii) As per Ind AS 103, while accounting and reporting for business combination goodwill is calculated as ________________.

A. Consideration + Non controlling Interest – Net assets
B. Consideration - Non controlling Interest + Net assets
C. Consideration - Non controlling Interest – Net assets
D. Consideration + Non controlling Interest + Net assets

(ix) On 1 January 2023 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. ₹640 Lakh
B. ₹760 Lakh
C. ₹128 Lakh
D. ₹480 Lakh

(x) In 4P Bottom Line Reporting ______________ bottom line relate business with happiness of stakeholders.

A. first
B. second
C. third
D. forth

(xi) EVA = _________________ - (WACC × Invested Capital)

A. NOPAT
B. PAT
C. EBIT
D. None of these

(xii) Ind AS 103 has a wider scope than –
A. AS 15
B. AS 14
C. AS 16
D. AS 13

(xiii) A joint arrangement is either a _______________ or a joint venture.
A. Joint Operation
B. Joint Control
C. Joint Partnership
D. Partnership

(xiv) IGAS 2 is related to _____________________.
A. Accounting and Classification of Grants-in-aid
B. Guarantees given by Governments: Disclosure Requirements
C. Government Investments in Equity
D. None of these

(xv) Financial assets are _______________________.
A. Cash
B. An equity instrument of another entity
C. A contractual right
D. All of these

SECTION – B

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

[5x14=70]

2. (a) An item of PPE with a cost of ₹200 and a Carrying Amount of ₹160 is revalued to ₹300. No equivalent adjustment is made for tax purposes. Cumulative Depreciation for Tax purposes is ₹60 and Tax Rate is 30%. Compute DTL to be recognised, if the item is sold for more than cost –

(i) Cumulative Depreciation of ₹60 will be included in Taxable Income. Sale proceeds above tax is not taxable.

(ii) Cumulative Depreciation will be included in Taxable Income (Taxed at 30%) and the Sale Proceeds will be taxed at 40% after deducting an Inflation Adjusted Cost at ₹ 220. **[7]**

(b) PP Ltd. borrowed ₹20,00,000 for purchase of Machinery on 01.06.2023. Interest on Loan is 9% p.a. The Machinery was put to use from 01.01.2024. Pass Journal Entry for the year ended 31.03.2024 to record the Borrowing Cost of the Loan as per Ind AS – 23. **[7]**

3. (a) Assume that an Asset has Expected Cash Flows of ₹780 in one year determined on the basis of the possible Cash Flows and probabilities shown below:

Possible Cash Flows	Probability	Probability- Weighted Cash Flows
₹500	15%	₹75
₹800	60%	₹480
₹900	25%	₹225
Expected Cash Flows		₹780

Here the applicable Risk-Free Interest Rate for Cash Flows with a 1 year horizon is 5%, and the Systematic Risk Premium for an Asset with the same risk profile is 3%. Calculate the Fair Value (i.e. Present Value) of the Asset under Expected Present Value Technique if certainty equivalent cash flow method is considered. **[7]**

(b) Following is the Balance Sheet of Z Ltd. as on 31st March, 2023: (₹ in Lakh)

Liabilities	(₹)	Assets	(₹)
1,00,000 Equity Shares of ₹10 each	10,00,000	Preliminary expenses	5,00,000
10,000 12% Preference Shares of ₹100 each	10,00,000	Goodwill	15,00,000
General Reserve	6,00,000	Buildings Plant	10,00,000
Profit and Loss Account	4,00,000	Plant	4,80,000
15% Debentures	10,00,000	Investment in 10% Stock	6,00,000
Creditors	8,00,000	Stock-in - trade	4,00,000
		Debtors	2,20,000
		Cash	1,00,000
	48,00,000		48,00,000

Additional information is given below:

(a) Nominal value of investment is ₹5,00,000 and its market value is ₹5,20,000.

(b) Following assets are revalued: (₹)

(i) Building	32,00,000
(ii) Plant	18,00,000
(iii) Stock-in-trade	4,50,000
(iv) Debtors	3,60,000

I. Average profit before tax of the company is ₹12,00,000 and 12.50% of the profit is transferred to general reserve, rate of taxation being 50%.

II. Normal dividend expected on equity shares is 8% while fair return on closing capital employed is 10%.

III. Goodwill may be valued at three year's purchase of super profits.
Calculate the Super profit for calculation of Goodwill. **[7]**

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. **[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		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 Planet Ltd. and Satellite Ltd. are ₹ 16 and ₹ 15 respectively on the day. On the basis of the above data, you are required to make the necessary accounting for the following cases.

Planet Ltd. takes over Satellite Ltd. and purchase consideration is settled by issue of 1050000 equity shares. Pass journal entries in the books of both the companies. **[7]**

5. On March 31, 2024, P Ltd acquired 100% shares of Q Ltd. P Ltd. issued 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, 2024 (before acquisition):

(Amount in ₹)

Partclars	(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. Company P Ltd. (P) acquires 80% shares of company S Ltd. (S) on 1.10.2023 by issue of equity shares at total Fair Value of ₹440 Lakhs, total paid up value ₹100 Lakhs. Non-Controlling Interest (NCI) should be measured at proportionate Net Assets. The total comprehensive income of P and S in the year ending on 31.3.2024 amounted to

₹120 Lakhs and ₹140 Lakhs respectively. The extracts from balance sheets at book values and at fair values at the date of acquisition and at 31.03.2024 are stated below. (₹ in Lakhs)

Particulars	On 1.10.2023			On 31.3.2024	
	P	S	FV of S	P	S
PPE	680	440	700	720	500
Investment in Shares of Q				440	
Current Assets	420	360	320	500	400
Total Assets	1,100	800		1,660	900
Current Liability	300	200	200	340	220
Noncurrent Liability	300	300	300	320	310
Total Liabilities	600	500		660	530
Net assets at Fair Value			520		

Equity structure of the companies: (₹ in Lakhs)

	P Ltd.		S Ltd.	
	On 01.04.2023	On 31.03.2024	On 01.04.2023	On 31.03.2024
Equity Share Capital	200	300^{x}	100	100
Other Equity	240	700^{x}	130	270

Prepare CBS on 01.10.2023 and on 31.03.2024. **[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. **[7]**

(b) Demonstrate the Importance of ESG Reporting. **[7]**

8. **(a)** Describe the roles of Public Accounts Committee. **[5]**

(b) Describe the responsibilities of GASAB. **[5]**

(c) Company P Ltd. (a listed company) acquires 20% shares (entitling 20% voting power and significant influence) in company Q Ltd. on 1.4.2023 at a cost of ₹ 46,000, paid by cash. During the financial year 2023-2024, Q made profits of ₹ 20,000 and other comprehensive income of ₹ 10,000.

Analyse whether for the investment in shares of Q, P requires preparation of consolidated financial statements and separate financial statements? **[4]**