Paper 17- Corporate Financial Reporting

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Full Marks : 100 **Time allowed: 3 hours**

Section – A

Answer the following questions.

1. Choose the most appropriate answer from the four alternatives given: (1 Mark for right choice & 1 Mark for justification): [2x10=20]

(i) Mr. Dumpty purchased 1,000 shares in A Ltd. at ₹ 600 per share in 2020. There was a rights issue in 2022 at one share for every two held at price of ₹150 per share. If Mr. Dumpty has subscribed to the rights, what would be carrying cost of 1,500 shares as per AS-13.
A. ₹ 6,00,000
B. ₹ 6,75,000
C. ₹ 7,00,000
D. Data insufficient

(ii) A parent company in a group of companies shall prepare consolidated financial statements as per Ind AS ______ , and further it shall prepare separate financial statements as per Ind AS ______.
A. 110,27;
B. 115,27;
C. 2,27;
D. None of the above.

(iii) The following data apply to a company's defined benefit pension plan for the year:

	Amount (₹)
Fair market value of plan assets (beginning of year)	4,00,000
Fair market value of plan assets	5,70,000
Employer Contribution	1,40,000
Benefit Paid	1,00,000

Calculate the actual return on plan assets.

A. ₹5,70,000
B. ₹1,30,000
C. ₹4,00,000
D. ₹1,70,000

(iv) As per records of Pelf Fin Stock Ltd. Net Profit for the current year ₹ 199.20 lakhs, No. of Equity Shares outstanding 100 lakhs, No. of 12% Convertible Debentures of ₹ 100 each 2 lakhs, Each Debenture is convertible into 10 equity shares, Tax Rate 30%, As per AS 20, Diluted
Earnings Per Share is :
A. ₹ 1.66
B. ₹ 1.86
C. ₹ 1.80
D. None of these

(v) During 2022, Mahaveer Ltd. incurred costs to develop and produce a routine, low-risk computer software product, as follows:

Completion of detailed program design	₹23,000
Cost incurred for coding and testing to establish technological feasibility	₹20,000
Other coding costs after establishing technological feasibility	₹39,000

Other testing costs after establishing technological feasibility ₹31,000

What amount should be capitalized as software cost?

A. ₹43,000
B. ₹70,000
C. ₹23,000
D. ₹14,000

(vi) AS per Ind AS 2 Inventories are _______________.

A. Assets held for sale in the ordinary course of business;
B. Assets in the process of production for such sale;
C. Assets in the form of materials or supplies to be consumed in the production process or in the rendering of services.
D. All of the above.

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

A. To define fair value;
B. To set up a framework for measurement of fair value;
C. Both A and B
D. None of the above.

(viii) Application of acquisition method as per Ind AS 103 requires which of the following?

A. identifying the acquirer;
B. determining the acquisition date;
C. recognising and measuring goodwill or a gain from a bargain purchase;
D. All of the above

(ix) As per Ind AS 1 a complete set of Financial Statement includes which of the following?

A. A balance Sheet at the end if the period
B. Statement of Fund Flow
C. Comparative information with the previous periods
D. All of the above except B.

(x) Vayu Ltd. has provided depreciation in accounts for ₹ 160 lakhs, but as per tax records it is ₹240 lakhs. Unamortized preliminary expenses, as per tax records is ₹80,000. There is adequate evidence of future profit sufficiently. Tax rate is 30%. How much deferred tax assets/liability should be recognized as per AS-22?

A. ₹ 24.00 lakhs
B. ₹ 23.76 lakhs
C. ₹ 11.88 lakhs
D. Nil

Section – B

Answer any five questions out of seven questions.

[16x5=80]

2. (a) (i) Mitra Ltd. is committed to a plan to sell a factory to a buyer on 30th September with back log of uncompleted customer order with a condition that —

A. the factory will be transferred immediately along with the back log orders to the buyer.
B. the factory will be transferred after finishing the back log orders.

Should the factory be classified as available for sale on 30^{th} in case of A and B? **[4]**

(ii) Discuss the objectives and scopes of Ind AS 20. **[5]**

(b) (i) An entity sold a machinery (Book Value ₹1,00,000) for ₹72,000. The loss of ₹28,000 debited to the

Profit & Loss Account. Is this transaction as Operating Activity? **[4]**

(ii) There was a Material Prior Period Error by way of understatement of Salary Expense ₹15 Lakhs. How will you disclose it in the Financial Statements for the Financial Year 2022-2023, if the Salary Expense related to - (a) Financial Year 2021-2022 or (b) Financial Year 2019-2020? **[3]**

3. (a) Following details are given for Mangal Ltd. for the year ended 31st March, 2022:

(₹ in lakhs)

Sales:		
Food Products	22,600	
Plastic and Packing	2,500	
Health and Scientific	1,380	
Others	648	27,128
Expenses:		
Food Products	13,340	
Plastic and Packing	1,700	
Health and Scientific	888	
Others	800	16,728
Other Items:		
General corporate Expenses		2,248
Income from investments		528
Interest expenses		260
Identifiable assets:		
Food Products	29,280	
Plastic and Packing	5,280	
Health and Scientific	4,200	
Others	2,660	41,420
General Corporate Assets		2,888

Other Information:

- Inter-segment sales are as below:

(₹ in lakhs)

Food Products	220
Plastic and Packing	288
Health and Scientific	84
Others	28

- Operating profit includes ₹132 lakhs on inter-segment sales.
- Information about inter-segment expenses are not available.

You are required to prepare a statement showing financial information about Mangal Ltd.'s operations in different industry segments. **[8]**

(b) Entity A acquired 35 % of Entity B in 2021 for ₹35,000. In 2022, fair value of shares of entity B is ₹42,000, thus ₹7,000 reported under OCI

In 2022, A further acquired 40% stake in B. Consideration paid ₹60,000. Entity A identifies the net assets of B as ₹120,000, value 35% shares at ₹45,000. NCI is valued at proportionate net assets.

Show workings and Journal entries. **[8]**

4. (a) Company P Ltd. (a listed company) acquires 60% shares in company Q Ltd. on 1.4.22 at a cost of ₹ 1,38,000 Lakhs, paid by issue of shares of ₹10 at par, when fair value of identifiable net assets of Q was ₹ 2,20,000 Lakhs. The abstract of balance sheets of Q (along with fair values at the acquisition date) and P at the beginning and at the end of the year are as follows:

	Q (₹ in Lakhs)			P (₹ in Lakhs)	
	1.4.22 book value	1.4.22 Fair Value	31.3.23 book value	1.4.22	31.3.23
PPE	184000	200000	196000	276000	300000
Investment in Q					138000
Inventories	45000	50000	58000	68000	80000
Financial Assets	78000	60000	88000	100000	120000
Total assets	**307000**		**342000**	**444000**	**638000**
Equity Share Capital	130000		130000	200000	338000
Other Equity	87000		117000	120000	150000
Borrowings	60000	60000	64000	80000	100000
Trade Paybles	30000	30000	31000	44000	50000
Total of Equity and Liabilities	**307000**		**342000**	**444000**	**638000**

Pass journal entries in consolidated accounts of P and show consolidated balance sheet of P on 1.4.22 based on Ind AS 103 and Ind AS 110. **[10]**

(b) C Ltd acquires 60% share in D Ltd. for cash payment of ₹200,000. The fair value of non-controlling interest is ₹1,00,000. This amount was determined with reference of market price of D's ordinary shares before the acquisition date.
Calculate NCI and goodwill following:

i. Fair Value approach
ii. Proportionate shares of identified net asset in acquire approach when on the acquisition date, the aggregate value of D's identifiable net assets is:
   (a) ₹2,40,000;
   (b) ₹3,30,000. **[6]**

5. (a) (i) X Company commits a plan on 1st July, 2022 to sell its head office building to a buyer after it vacates the building. For vacating ordinarily one month time is required. Should the building be classified as asset held for sale on 1st July or one month later? **[2]**

(ii) Discuss the non applicability of Ind AS 112. **[6]**

(b) X Ltd. acquires 80% of equity of Y Ltd. on 31.03.20x3 at cost of ₹ 100 Lakhs, when the Equity Share Capital and Other Equity of Y Ltd. were ₹40 Lakhs and ₹80 Lakhs respectively. For the years ending on 31.03.20x4 and 31.03.20x5, Y Ltd accounted Total Comprehensive income of ₹(15) Lakhs and ₹25 Lakhs. Find NCI (Proportionate Net Asset Method), X Ltd's share in post-acquisition profits of Y Ltd. and Goodwill to be shown in CFS of X Ltd. at the end of the years.

[8]

6. (a) A firm values goodwill under 'Capitalisation of profits' method. Its average profits for past 4 years has been determined at ₹72,000. Net Assets and Capital employed in the business is ₹4,80,000 and ₹5,00,000 respectively; and its normal rate of return is 12%. Determine value of goodwill based on: (a) Capitalisation of Average Profits (b) Capitalisation of Super Profits. **[7]**

(b) Z Ltd. grants 100 share options to each of its 400 employees conditional on their continuing in service for 3 years. Fair value of share option on the grant date is ₹30. Z Ltd. estimates that 20 per cent of employees will leave during the three-year period and therefore forfeit their rights to the share options. During year 1, 18 employees leave. The entity revises its estimate of total employee departures over the three-year period from 20 per cent to 16 per cent. During year 2, a further 20 employees leave. The entity revises its estimate of total employee departures over the three-year period from 16 per cent to 13 per cent. During year 3, a further 14 employees leave. All the continuing employees exercised the option to subscribe in the equity shares of ₹ 10 each at ₹50 only, when market price stands at ₹ 80. The fair value of the option at the grant date is taken at ₹30 only. Pass journal entries with working notes. **[9]**

7. (a) Discuss the Myths Regarding XBRL. **[6]**

(b) List the features of Government Accounting. **[10]**

8. Write short notes on *any four* of the following: **[4x4=16]**

(a) Benefits of Sustainability Reporting
(b) Financial Reporting vis-a-vis Triple Bottom Line Reporting
(c) Responsibilities of GASAB
(d) Bearer plant as per AS 10
(e) Objectives and scope of Ind AS 7- Statement of Cash Flows