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

Answer:

(i) B — ₹6,75,000.

Cost of original holding (Purchase) (1000 x 600)	= ₹6,00,000
Amount paid for Rights (500 x 150)	= ₹75,000
Total carrying cost of 1500 shares:	₹6,75,000

(ii) A — 110,27.

A parent company in a group of companies shall prepare consolidated financial statements as per Ind AS 110, and further it shall prepare separate financial statements as per Ind AS 27.

(iii) B — ₹1,30,000.

The actual return is computed as follows:

Particulars	Amount (₹)	Amount (₹)
Fair market value of plan assets (end of year)		5,70,000
Fair market value of plan assets (beginning of year)		4,00,000
Change in plan assets		1,70,000
Adjusted for		
Employer contributions	1,40,000	
Less: Benefit Paid	1,00,000	40,000
Actual return on plan assets		1,30,000

(iv) C — ₹ 1.80.

Adjusted Net Profit for the current year (199.2+24-7.2) = ₹ 216 lakhs
No. of equity shares resulting from conversion of debentures: 20,00,000 Shares
No. of equity shares used to compute diluted EPS:
(100,00,000 + 20,00,000) = 120,00,000 Shares
Diluted earnings per share: (216,00,000/120,00,000) = ₹ 1.80

(v) B — ₹70,000.

Costs incurred after establishing technological feasibility should be capitalized i.e. (₹39,000+₹31,000)=₹70,000 is to capilised and costs incurred before establishing technological feasibility is to be expensed as and when it is incurred.

(vi) D — All of the above.

AS per Ind AS 2 Inventories are assets:

(i) held for sale in the ordinary course of business;
(ii) in the process of production for such sale;
(iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

(vii) C — Both (a) and (b)

Following are the objectives of Ind AS 113:
(a) To define fair value;
(b) To set up a framework for measurement of fair value;
(c) To specify requirements of disclosure of fair value measurement

(viii) D — All of the above

Applying the acquisition method requires the following:

(a) identifying the acquirer;
(b) determining the acquisition date;

(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising and measuring goodwill or a gain from a bargain purchase.

(ix) D — All of the above except (b)

As per Ind AS 1 a complete set of Financial Statement includes the following:

1. A balance Sheet at the end if the period
2. Statement of Profit and Loss Statement for the period
3. Statement of changes in Equity
4. Statement of Cash Flows
5. Significant Accounting Policies and other explanatory notes as a separate statement
6. Comparative information with the previous periods
7. A balance sheet at the beginning of the earliest comparative period if the company applies an accounting policy retrospectively or makes retrospective statement.

(x) B — ₹ 23.76 lakhs

The difference between taxable income and accounting income. Excess depreciation as per tax (240 - 160) = ₹ 80.00 lakhs Less, Expenses provided to taxable income = ₹ 0.80 lakhs Timing difference = ₹ 79.20 lakhs So, deferred tax liability = ₹ 79.20 lakhs x 30% = ₹ 23.76 lakhs.

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 30th 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]

Answer:

(a) (i) In case of - (a) it is available for immediate sale at its present condition on 30th and hence on that date it should be classified as available for sale.

In case of (b) it is not available for immediate sale on 30th rather it is not available for sale until the back log customer orders are completed.

(ii) Objectives of Ind AS 20

Ind AS-20 deals with the accounting treatment and disclosure requirements of grants received by entities from government. It also mandates disclosure requirements of other forms of government assistance.

Scopes

Non applicability:

(a) Special problems in relation with the effects of changing prices on financial statements or similar supplementary information.
(b) Government assistance provided in the form of tax benefits (including income tax holidays, investment tax credits, accelerated depreciation allowances, and concessions in tax rates)
(c) Government participation in the ownership
(d) Government grants covered by Ind AS-41.

(b) (i) Operating Activities are the principal revenue generating activities. Investing Activities relate to the acquisition and disposal of long-term assets and other investments that are not Cash Equivalents. However, Cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as per Para 68A of Ind AS 16, are Cash Flows from Operating Activities. Cash receipts from rents and subsequent sales of such assets are also Cash Flows from Operating Activities.
The amount of ₹72,000 i.e. the sale proceeds should be shown as an Inflow under Investing Activities. ₹28,000 i.e. loss on sale of asset should be added back to derive Operating Cash Flow, under Indirect Method.

(ii) Prior Period relating to 2021-22: Treatment: Financial Statements of 2022-2023, which will have comparative figures of Financial Year 2019-2020 will re-state comparative amounts of Salary Expense correctly. Prior Period relating to 2019-20: Treatment: Since comparative figures of 2019-2020 are not presented as comparative figures now, the difference of ₹15 Lakhs will be shown by re-stating the Opening Balances of Equity, at reduced amount. Financial statements of subsequent periods need not repeat these disclosures

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]

Answer:

(a) Information about Sumangal Ltd.'s operations in different Industry segments is furnished in the following table :

	Food Products	**Plastic & Packaging**	**Health & Scientific**	**Others**	**Inter-segment Elimination**	**Consolidated**
External Sales	22,380	2,212	1,296	620	—	26,508
Inter-segment	220	288	84	28	620	-
Total	22,600	2,500	1,380	648	620	26,508
Segment Expenses	13,340	1,700	888	800	488	16,240
Operating Profit	9,260	800	492	(152)	132	10,268
General Corporate Expenses						(2,248)
Income from Invest.						728
Interest						(260)
Income from continuing operations						8,488
Identifiable assets	29,280	5,280	4,200	2,660		41,420
Corporate assets	—	—	—	—	—	2,888
Total assets						44,308

(b) A will make transfer to P&L:

Gain on disposal of 35% investment ₹(45,000 – 42,000)	= ₹3,000
Gain previously reported in OCI ₹ (42,000 – 35,000)	= ₹7,000
Total transfer to P & L	₹10,000

A will measure goodwill as follows:

Fair Value of consideration given for controlling interest	₹60,000
Non-controlling interest (25% × ₹1,20,000)	₹30,000
Fair Value of previously-held interest	₹45,000
	₹1,35,000
Less : Fair value of net assets of acquiree	₹1,20,000
Goodwill	₹15,000

Particulars		Dr. ₹	Cr. ₹
Investment A/c	Dr.	3,000	
OCI A/c	Dr.	7,000	
To, P&L A/c			10,000
Net Assets A/c	Dr.	1,20,000	
Goodwill A/c	Dr.	15,000	
To, Consideration A/c			60,000
To, Investment A/c			45,000
To, NCI A/c			30,000

Note: If we already have control of the acquiree (e.g. already own 70% of the equity and purchase the remaining 30%) then this is NOT a step acquisition.

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	1,84,000	2,00,000	1,96,000	2,76,000	3,00,000
Investment in Q					1,38,000
Inventories	45,000	50,000	58,000	68,000	80,000
Financial Assets	78,000	60,000	88,000	1,00,000	1,20,000
Total assets	3,07,000		3,42,000	4,44,000	6,38,000
Equity Share Capital	1,30,000		1,30,000	2,00,000	3,38,000
Other Equity	87,000		1,17,000	1,20,000	1,50,000
Borrowings	60,000	60,000	64,000	80,000	1,00,000
Trade Paybles	30,000	30,000	31,000	44,000	50,000
Total of Equity and Liabilities	3,07,000		3,42,000	4,44,000	6,38,000

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]**

Answer:

(a) Journal Entry

Assets, liabilities and NCI are recognized at Fair value.		(₹ in Lakhs)	(₹ in Lakhs)
PPE in Q	Dr.	₹2,00,000	
Inventories in Q	Dr.	₹ 50,000	
Financial assets in Q	Dr.	₹ 60,000	
Goodwill (balancing Figure#) Dr.		₹ 10,000	
To Equity share capital ₹1,38,000			
To NCI@			₹ 92,000
To Borrowings in Q			₹ 6,0000
To Trade Payables in Q			₹ 30,000

[Notes: @ NCI recognized at Fair Value: 40%* 138000/60% = ₹92,000;

Goowill = Consideration + NCI – Fair Value of Identifiable Net Assets = ₹1,38,000 + ₹92,000 – ₹2,20,000 = ₹10,000.

@NCI can be measured at proportionate share of identifiable net assets = 40%*220000 = 88000.]

Balance sheet abstracts of Q and P based on Ind AS 103, Ind AS 110 and Ind AS 27.

(₹ in Lakhs)

	Q (Fair Value)	P		
Particulars		**Before acquisition**	**After acquisition**	
			Consolidated	Separate
PPE	2,00,000	2,76,000	4,76,000	2,76,000
Goodwill			10,000	
Investment in Q				1,38,000
Inventories	50,000	68,000	1,18,000	68,000
Financial Assets	60,000	1,00,000	1,60,000	1,00,000
Total assets		**4,44,000**	**7,64,000**	**5,82,000**
Equity Share Capital		2,00,000	3,38,000	3,38,000
NCI			92,000	
Other Equity		1,20,000	1,20,000	1,20,000
Borrowings	60,000	80,000	1,40,000	80,000
Trade Paybles	30,000	44,000	74,000	44,000
Total of Equity and Liabilities		**4,44,000**	**7,64,000**	**5,82,000**

Working Notes: Balance sheet data of Q (₹ in Lakhs)

	1	2	3	4	5	6
	1-4-22	**1-4-22 Fair Value**	**Change on**	**Reversal of change in**	**Change in Bk Value**	**Adj. B/S on**

			acquisiti on	Current items to Retained Earnings [see 5d]	carried to subsequen t B/S	31-3-23 (1+3+4+5) or (2+4+5)
PPE	1,84,00 0	2,00,000	+16,000	-	12,000	2,12,000[x]
Inventories	45,000	50,000	+5,000	-5,000	13,000	58,000[Y]
Financial Assets	78,000	60,000	-18,000		10,000	70,000[Z]

Goodwill is recognised in (a) above.
&NCI at the time of acquisition = ₹92,000
Post acquisition total comprehensive income of Q = ₹1,17,000 – ₹87,000 - ₹5,000 = ₹25,000;
Share of NCI = 40% x ₹25,000 = ₹10,000;
Total NCI at the year end = ₹92,000 + ₹10000 = ₹102000.
$Other Equity of P at the end of the year = ₹1,50,000;
Share of post acquisition Total comprehensive income of Q = 60% x ₹25,000 = ₹15,000;
Other equity consolidated = ₹1,50,000 + ₹15,000 = ₹1,65,000.

(b)

Particulars	**(ia)** `	**(ib)** `	**(iia)** `	**(iib)** `
Consideration (1)	2,00,000	2,00,000	2,00,000	2,00,000
NCI (2)	2,00,000	2,00,000	96,000x	1,32,000y
Net assets (3)	2,40,000	3,30,000	2,40,000	3,30,000
Goodwill (1+2-3)	60,000		56,000	2,000
Gain on Bargain Purchase (3-1-2)		30,000		

x 40% × ₹2,40,000 = ₹96,000

y 40% × 3,30,000 = ₹1,32,000

[Under Ind AS 103, Goodwill is not amortised but tested for annual impairment in accordance with Ind AS 36.]

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]

Answer:

(a) (i) It should be classified as held for sale on 1st July as it is available for immediate sale in its present condition since the time necessary to vacate the building is usual and customary for sales of such assets.

(ii) Non applicability of Ind AS 112:

(a) post-employment benefit plans or other long-term employee benefit plans to which Ind AS 19, Employee Benefits, applies.

(b) an entity'sseparate financialstatementsto which Ind AS 27, Separate Financial Statements, applies. However, if an entity has interests in unconsolidated structured entities and prepares separate financial statements as its only financial statements, it shall apply the requirements in paragraphs 24–31 when preparing those separate financial statements.

(c) an interest held by an entity that participates in, but does not have joint control of, a joint arrangement unless that interest results in significant influence over the arrangement or is an interest in a structured entity.

(d) an interest in another entity that is accounted for in accordance with Ind AS 109, Financial Instruments. However, an entity shall apply this Ind AS:

(i) when that interest is an interest in an associate or a joint venture that, in accordance with Ind AS 28, Investments in Associates and Joint Ventures, is measured at fair value through profit or loss; or

(ii) when that interest is an interest in an unconsolidated structured entity.

(b)

(₹ Lakhs)

At the end of the years	31-03-20x3	31-03-20x4	31-03-20x5
TCI		(15)	25
Other Equity of Y Ltd.	80	65*	90@
Net Asset = Share Capital + Other Equity	120	105	130
Consideration	100		
NCI = Net Asset*20%	24	21	26
Goodwill = Consideration + NCI – Net Assets (at acquisition)	4	4	4
X Ltd's share in post-acquisition profits = 80%* TCI	-	(12)	15

@ Other Equity of Y Ltd. = Closing balance of the last year + TCI for the current year

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]

Answer:

(a)

(a) **Capitalisation of Average Profits** In this case,
Capitalised Value of the Business

= Expected Average Profit/ Normal Rate of Return = `72,000 /12% = ` = ` 6,00,000

∴Value of Goodwill
= Capitalised Value of the Business **Less** Net Assets
= ` 6,00,000 – `4,80,000 = ` 1,20,000

(b) **Capitalisation of Super Profits** In this case,
Value of Goodwill = Super Profit Normal rate of return (%) Super profit
= Average profit – Normal Profit = Average profit – (Capital employed X Normal rate of return) = ` 72,000 – (` 5,00,000 × 12%) = ` 72,000 – 60,000 = ` 12,000
∴ Value of Goodwill = Super Profit Normal rate of return (%) = 12,000 12% = ` 1,00,000

(b) Calculation of Expenses recognized during the vesting period:

Year	Calculation	Cumulative remuneration expense (`)	Remuneration expense recognized in each year (`)
1	400*100*30*84%*1/3 (Note #)	336000	336000[1]
2	400*100*30*87%*2/3 (Note #)	696000	360000[2]
3	348*100*30*3/3 (Note #)	1044000[4]	348000[3]
	Total		1044000[4]

Note #: At the end of year 1, 16% is revised estimated departure, balance 84% is taken for calculation, at the end of year 2, 13% is revised estimated departure, balance 87% is taken for calculation and at the end of year 3, 52 is actual departure, and balance 348 is taken for calculation.

Journal entries (without narration) in the books of Z Ltd.:

During the vesting period:

Particulars	Dr. ₹	Cr. ₹
Year 1: Employee Expenses Dr.	3,36,000	
To, Share based payment reserve (Other Equity)		336000[1]
Year 2: Employee Expenses Dr.	3,60,000	
To, Share based payment reserve (Other Equity)		3,60,000[2]
Year 3: Employee Expenses Dr.	3,48,000	
To, Share based payment reserve (Other Equity)		3,48,000[3]

At the time option is exercised:

Particulars	Dr. ₹	Cr. ₹
Bank [348*100*50] Dr.	17,40,000	
Share based payment reserve (Other Equity) Dr.	10,44,000[4]	
To Equity Share Capital [348*100*10]		3,48,000
To Other Equity (Security Premium) [348*100*70]		2436000

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

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

Answer:

(a) This section clarifies certain myths regarding XBRL. In other words, it is discussed what XBRL is not:

(i) XBRL is not a set of Accounting Standards: It needs to be clearly understood that XBRL does not represent a set of accounting standards, which remain the prerogative of the regulatory standards bodies. XBRL is merely a platform on which reporting standards content will reside and be represented.

(ii) XBRL is not a chart of accounts: It is not a detailed universal chart of accounts. Formulation of a company's chart of accounts is an exercise conducted by its management with regard to its specific business intricacies. XBRL can facilitate the implementation of such structures through its ability to transport data between disparate software applications that might be used within an organizations operational structures.

(iii) XBRL is not a GAAP translator: It does not provide a mechanism for facilitating a drilldown of existing GAAP information into lower levels of information that would be necessary for translating financial statements from one GAAP to another. The business-reporting document contains the same GAAP information, be it in an XBRL format or an MS word or PDF format.

(iv) XBRL is not a proprietary technology: XBRL is freely licensed and available to the public.

(v) XBRL is not a Transaction Protocol: XBRL deals with business reporting information, not with data capture at the transaction level. It is designated to address issues related to generation and usage of information contained within business reports and begin at the accounting classification level.

(b) Government Accounting is a unique application area which has certain characteristics of its own. Some of the main features of Government Accounting are discussed as under:

1. Specific system of accounting: It is a specific accounting system which is followed by government in its departments, offices and institutions.
2. Reporting of utilisation of public funds: The government and its institutions are public institution whose main objective is to provide services to the society and also to maintain law and order in the country. So, the accounting system used by such institutions has to reveal how public funds and properties have been used for that purpose. It is to be noted that government accounting is not done for revealing any profit and loss.
3. Government Regulations: Government accounting is maintained according to government rules and regulations. The financial policies, rules and regulations as determined from time to time provide the system of government accounting.
4. Double Entry System: Government accounting is based on the principles and assumptions of double entry system of book keeping system. Accordingly, every financial transactionentered into by a government/ government office/ institution are recorded showing their double effects. It implies that for each government financial transaction one aspect of the transaction is debited and the other aspect is credited.
5. Budget Heads: All the expenses of government offices are classified into different budget heads and expenditures are made only on approved budget heads.
6. Budgetary Regulation: Government expenditures are governed by budgetary regulations. In other words, no government office can make expenditure more than the amount allocated in the budget. Thus, in effect, government accounting gets regulated by the budget.
7. Mode of Transaction: All government transactions are supposed to be performed through banks.
8. Fund-based Accounting: Apeculiar characteristic of governmental accounting is the employment of separate funds. The government is engaged in an ever-

growing number of operations and activities which are quite unrelated to each other. The particular sources of revenue or income often are dedicated to use for a particular phase of the government's operations. The accounts must segregate these specially dedicated resources and isolate them from all other transactions in a separate "fund."

9. Auditing: The audit the books of accounts maintained by government departments, offices or institutions are to be audited by a recognised department of the government so as to ensure proper governance and also to prevent misuse and misappropriation of public funds.

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

Answer:

(a) Benefits of Sustainability Reporting

Internal benefits for companies and organizations can include:

- Increased understanding of risks and opportunities
- Enhanced link between financial and non-financial performance
- More focus on long term management strategy and policy, and business plans
- Streamlining processes, reducing costs and improving efficiency
- Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives

External benefits of sustainability reporting can include:

- Mitigating – or reversing – negative environmental, social and governance impacts
- Improving reputation and brand loyalty
- Enhanced perception on organisation's value

(b) Financial Reporting vis-a-vis Triple Bottom Line Reporting

Origin: The origination of financial reporting precedes that of Triple bottom line reporting, the latter being just a few decades old.

Nature: It is mandatory for corporates to prepare and present their financial reports; while preparation of full TBL reports including social and environmental dimension is voluntary in nature.

Scope: Triple bottom line reporting is broader in scope than financial reporting, as the former includes the reporting of social and environmental performances in addition to the financial performance of an organisation.

Contents: The information contained within a TBL report is of a different nature to that included in a financial report. Thus, TBL reporting enables environmental and social risks that have the capacity to materially affect long-term financial performance to be identified and, therefore, taken into consideration when preparing financial reports.

(c) Responsibilities of GASAB

GASAB, inter alia, has the following responsibilities:

(i) To formulate and improve standard of Government accounting and financial reporting in order to enhance accountability mechanisms.
(ii) To formulate and propose standards that improve the usefulness of financial reports based on the needs of the users.
(iii) To keep the standards current and reflect change in the Governmental environment.
(iv) To provide guidance on implementation of standards.
(v) To consider significant areas of accounting and financial reporting that can be improved through the standard setting process.
(vi) To improve the common understanding of the nature and purpose of information contained in the financial reports.

(d) Bearer plant as per AS 10

Bearer plant is a plant that:

a) is used in the production or supply of agricultural produce;
b) is expected to bear produce for more than a period of twelve months; and
c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The following are not bearer plants:

a) plants cultivated to be harvested as agricultural produce (for example, trees grown for use as lumber);
b) plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example, trees that are cultivated both for their fruit and their lumber); and
c) annual crops (for example, maize and wheat).

When bearer plants are no longer used to bear produce they might be cut down and sold as scrap, for example, for use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a bearer plant.

(e) Objectives and scope of Ind AS 7- Statement of Cash Flows

Objectives

(a) Information about the cash flows of an entity is useful in providing users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows.
(b) The economic decisions that are taken by users require an evaluation of the ability of an entity to generate cash and cash equivalents and the timing and certainty of their generation.
(c) The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows.

Scopes

An entity shall prepare a statement of cash flows in accordance with the requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented.