

## **Paper 17- Corporate Financial Reporting**

**Paper 17- Corporate Financial Reporting**

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) Ind AS 18 is not applicable to which of the following?  
(A) Extraction of mineral ores  
(B) Insurance contracts  
(C) Changes in fair values of financial instruments  
(D) All of the above
- (ii) As per Ind AS 1 a complete set of Financial Statement includes which of the following?  
(A) A balance Sheet at the end of the period  
(B) Statement of Fund Flow  
(C) Comparative information with the previous periods  
(D) All of the above except (B)
- (iii) A Ltd. acquired a 70% interest in B Ltd. on January 1, 2018. A Ltd. paid ₹1800 Lakhs in cash for their interest in B Ltd. The fair value of B Ltd.'s assets is ₹4000 Lakhs, and the fair value of its liabilities is ₹2000 Lakhs. NCI is equal to...  
(A) ₹ 600 lakhs  
(B) ₹ 1,400 lakhs  
(C) ₹ 1,200 lakhs  
(D) ₹ 857.14 lakhs
- (iv) Which of the following is true as per Ind AS 111?  
(A) In a joint arrangement the parties are bound by a contractual arrangement.  
(B) In a joint arrangement the parties enjoy joint control of the arrangement.  
(C) A joint arrangement is either a joint operation or a joint property.  
(D) Both (A) and (B)
- (v) In traditional accounting, the term 'bottom line' means  
(A) Operating Results  
(B) Total Asset  
(C) Total Liabilities  
(D) Share Capital
- (vi) Which of the following is not a variant of conglomerate merger:  
(A) Product extension merger  
(B) Market extension merger  
(C) Cogeneric Merger  
(D) Both A and B
- (vii) An investor controls an investee if and only if the investor has the following:  
(A) power over the investee  
(B) exposure, or rights, to variable returns from its involvement with the investee  
(C) ability to use its power over the investee to affect the amount of the investor's returns  
(D) All of the above
- (viii) Which of the following is not a software package used in Government Accounts?

## MTP\_Final\_Syllabus 2016\_June 2020 & December 2020\_Set1

- (A) GAINS
- (B) TALLY
- (C) CONTACT
- (D) IMPROVE

(ix) Which of the following statements is true?

- (A) Property held for earning rental is owner occupied property
- (B) Plant leased out on operating lease is investment property
- (C) Property leased out on finance lease is investment property
- (D) Land held for a currently undetermined future use is investment property

(x) Statement - Preparation of CFS is not mandatory for companies having subsidiary in India. Choose correct option:

- (A) Statement is correct as the Companies Act, 2013 does not require preparation of CFS.
- (B) Statement is correct as AS 21 allows it if financial statement of subsidiary is attached with the stand-alone financial statements of the holding Company.
- (C) Statement is incorrect as the Companies Act, 2013 requires preparation of CFS.
- (D) Statement is incorrect as the Government of India by notification has imposed the requirement of preparation of CFS.

### Section – B

Answer any five questions out of seven questions.

[16x5=80]

2. (a) Describe Long-term Investment as per AS 13. Discuss Investment Property.

[6+2=8]

(b) H Ltd. sold machinery having WDV of ₹ 400 Lakhs to B Ltd. for ₹ 500 Lakhs and the same machinery was leased back by B Ltd. to H Ltd. The Lease back is operating lease. Comment if –

- (i) Sale price of ₹ 500 lakhs is equal to fair value
- (ii) Fair value is ₹ 600 lakhs
- (iii) Fair value is ₹ 450 lakhs and sale price is ₹ 380 lakhs
- (iv) Fair value is ₹ 400 lakhs and sale price is ₹ 500 lakhs
- (v) Fair value is ₹ 460 lakhs and sale price is ₹ 500 lakhs
- (vi) Fair value is ₹ 350 lakhs and sale price is ₹ 390 lakhs

[8]

3. (a) When an entity shall recognise the revenue from a contract with a customer? What are the stages involved in revenue recognition and measurement in case of a contract with a customer?

[2+4=6]

(b) The following are the Balance Sheets of Good Ltd. and Bad Ltd. as on 31.03.2018:

	Good Ltd. (₹ in crores)	Bad Ltd. (₹ in crores)
Equity and Liabilities:		
Equity Share Capital:		
Authorised	25	5
Issued and Subscribed Equity Shares of ₹ 10 each fully paid	12	5
Other Equity	88	10
Equity	100	15
Unsecured loan from Good Ltd.	---	10
	100	25

## MTP\_Final\_Syllabus 2016\_June 2020 & December 2020\_Set1

PPE at cost		80		40
Less: Depreciation		60		34
Written down value		20		6
Investments at Cost:				
30 lakhs equity shares of ₹10.each of Bad Ltd.		3		---
Long term loan to Bad Ltd.		10		
Current Asset:	200		134	---
(Less Current Liabilities)	(-)133	67	(-)115	19
		100		25

On that day Good Ltd. absorbed Bad Ltd. The Members of Bad Ltd. are to get one equity share of Good Ltd. issued at a premium of ₹ 2 per share for every five equity share held by them in Bad Ltd. The necessary approvals are obtained;

You are asked to pass Journal entries in the books of the two companies to give effect to the above. **[10]**

**4. (a)** Discuss the objectives of Ind AS 112: Disclosure of interests in other entities. **[6]**

**(b)** The summarized Balance Sheet of A Ltd. and B Ltd. as at 31st March, 2017 were as under:

	A Ltd. (₹)	B Ltd. (₹)
Fully paid up equity shares of ₹ 10 each	20,00,000	12,00,000
Share Premium Account	4,00,000	—
General Reserve	5,20,000	5,00,000
Profit and Loss Account	3,60,000	3,20,000
10% Debentures	10,00,000	—
Secured Loan	6,00,000	6,00,000
Sundry Creditors	—	3,40,000
	48,80,000	29,60,000
Land and Buildings	18,00,000	9,00,000
Plant and Machinery	10,00,000	7,60,000
Investments (10,000 shares in B Ltd.)	1,60,000	—
Stock	10,40,000	7,00,000
Debtors	8,20,000	5,20,000
Bank	60,000	80,000
	48,80,000	29,60,000

Z Ltd., an existing company took over both A Ltd. and B Ltd.

(a) The shares of A and B are to be valued as under:

A Ltd. — ₹ 18 per share

B Ltd. — ₹ 20 per share

(b) A contingent liability of A Ltd. of ₹ 1,20,000 is to be treated as real liability.

(c) The shareholders of A Ltd. and B Ltd. are to be paid by issuing sufficient number of shares of Z Ltd. at par.

## MTP\_Final\_Syllabus 2016\_June 2020 & December 2020\_Set1

(d) The shares of Z Ltd. are issued at ₹10 each.

Required:

- (i) Show the computation of the number of shares Z Ltd. will issue to the shareholders of A Ltd. and B Ltd.
- (ii) Pass the journal entries in the books of Z Ltd. [10]

5. (a) (i) X Company commits a plan on 1st July, 2018 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?

(ii) X Company commits a plan on 1st July, 2018 to sell its head office building to a buyer after it constructs a new building. Should the building be classified as asset held for sale on 1st July? [2+2=4]

(b) The following are the extract Balance Sheet of H & S Company as on 31-03-2016

(in ₹)

Liabilities	H	S	Assets	H	S
Share Capital @ ₹ 10 each	20,000	10,000	Fixed Assets (Tangible)	30,000	15,000
General Reserve	10,000	5,000	Current Assets	35,000	25,000
P/L A/c (1.4.15)	5,000	4,000	Shares in S Ltd. (8000)	10,000	
12% Debenture	20,000	10,000			
S. creditors	10,000	5,000			
Profit for the year	10,000	6,000			
	75,000	40,000		75,000	40,000

H Limited acquired shares in S Limited on 01-10-2015. S limited has a balance of ₹4,000 in General Reserve on 01-04-2015. On the account fire goods costing ₹2,000 of S Limited were destroyed in June, 2015. The loss has been charged to the Profit and Loss Account for the year.

Required to prepare a consolidated Balance Sheet.

[12]

6. (a) XY Ltd, a partnership firm, earned profits during the past 5 years as follows:

Year	2014	2015	2016	2017	2018
Profit (₹)	27,000	36,800	37,200	42,200	46,800

Determine the value of goodwill in each of the following independent cases:

Case (a): It was decided to value the Goodwill on the basis of 2 years' purchase of average profit of last five years.

Case (b): It was decided to value the Goodwill on the basis of 3 years' purchase of average profit of last five years after giving weights of 1, 2, 3, 6 and 8 to the profits chronologically.

Case (c): It was decided to value the Goodwill on the basis of 3½ years' purchase of weighted average profit of last five years giving maximum weightage to the recent results.

## MTP\_Final\_Syllabus 2016\_June 2020 & December 2020\_Set1

---

Case (d): It was decided to value the Goodwill on the basis of 2½ years' purchase of simple average profit of last five years. In this regard the following were observed:

- (i) an abnormal loss of ₹1,800 was charged against the profit of 2016;
- (ii) Profit of 2017 included a non-recurring receipt of ₹ 2,500.
- (iii) closing stock of 2018 was over-valued by ₹ 2,400.

[1+2+2+3=8]

- (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.

[8]

7. **(a)** Define financial liability Ind AS 32. Give examples.

[9]

- (b)** List the features of Government Accounting.

[7]

8. **Write short notes on any four of the following:**

[4x4=16]

**(a)** CRS Activities;

**(b)** Benefits of GST;

**(c)** Responsibilities of GASAB;

**(d)** General principles of Government Accounting;

**(e)** Internal vs. External Reconstruction