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) Carrying amount ₹600 lakhs. Net Selling Price ₹630 lakhs. Value in use ₹ 660 lakhs. What is the impairment loss?
(A) ₹600
(B) ₹660
(C) ₹630
(D) There is no impairment loss

(ii) 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

(iii) 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)

(iv) 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

(v) 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)

(vi) In traditional accounting, the term 'bottom line' means
(A) Operating Results
(B) Total Asset
(C) Total Liabilities
(D) Share Capital

(vii) 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

(viii) 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

(ix) Which of the following is not a software package used in Government Accounts?
- (A) GAINS
- (B) TALLY
- (C) CONTACT
- (D) IMPROVE

(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 –
- (a) Sale price of ₹ 500 lakhs is equal to fair value
- (b) Fair value is ₹ 600 lakhs
- (c) Fair value is ₹ 450 lakhs and sale price is ₹ 380 lakhs
- (d) Fair value is ₹ 400 lakhs and sale price is ₹ 500 lakhs
- (e) Fair value is ₹ 460 lakhs and sale price is ₹ 500 lakhs
- (f) Fair value is ₹ 350 lakhs and sale price is ₹ 390 lakhs **[8]**

3. (a) List the scopes and objectives of Ind AS 21: The Effects of Changes in Foreign Exchange Rates. **[8]**

(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
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. **[8]**

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.

(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) Given below is the Balance Sheet Extract of Mittal Ltd. of on 31st March, 2018:

Equity and Liability	₹ Lakhs	Assets	₹Lakhs
(1) Shareholders' Funds:		(1) Non-Current Assets:	
(a) Share Capital	50.00		
(b) Reserves & Surplus		(a) Fixed Assets (Sundry)	72.00
(i) Reserve	32.00	(b) Non-Current Investments (Non – Trade)	12.00
(ii) P & L Account	3.00		
(2) Current Liabilities:		(2) Current Assets:	
(a) Trade Payables	8.20	(a) Inventories	7.80
(b) Other Current Liabilities – Proposed Dividend	10.00	(b) Trade Receivables	6.20
		(c) Cash & Cash Equivalents	5.20

Other Information:

1. Profit before tax and other relevant information: (₹ Lakhs)

Year	Profit Before Tax	Provision for Gratuity required	Gratuity Paid	Loss of Uninsured Stock
2013-14	42.00	2.20	-	-
2014-15	39.00	2.30	1.67	0.62
2015-16	44.00	2.50	0.32	-
2016-17	42.00	2.60	1.42	-
2017-18	37.00	2.70	0.12	-

2. Past Tax Rate is 51% while Expected Tax Rate is 45%.
3. The Company wants to switch over towards maintaining gratuity provision on actuarial calculation rather than accounting on payment basis. The Company's Non-Trade Investments fetched 11%.

Find out value of Goodwill. It may be assumed that Super Profit, if any, is maintainable for 5 years. 20% should be the appropriate discount factor. Normal Rate of Return may be taken as 16%. **[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