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) 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)	8,00,000
Fair market value of plan assets	11,40,000
Employer Contribution	2,80,000
Benefit Paid	2,00,000

Calculate the actual return on plan assets.

A. ₹11,40,000
B. ₹2,60,000
C. ₹8,00,000
D. ₹3,40,000

(ii) Miss Dimpy purchased 1,000 shares in M Ltd. at ₹ 600 per share in 2015. There was a rights issue in 2017 at one share for every two held at price of ₹150 per share. If Miss Dimpy 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

(iii) 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.

(iv) 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.

(v) 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

(vi) 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.

(vii) Amrit 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

(viii) 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

(ix) During 2018, Avishkar 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

(x) 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.

Section – B

Answer any five questions out of seven questions.

[16x5=80]

2. (a) (i) Happy 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? **[3]**

(ii) Discuss the scopes of Ind AS 18 Revenue. **[5]**

(b) Arrange and redraft the following Cash Flow Statement in proper order keeping in mind the requirements of AS 3:

Particulars		₹ in Lakhs	₹ in Lakhs
Net Profit			60,000
Add:	Sale of Investments		70,000
	Depreciation on Assets		11,000
	Issue of Preference Shares		9,000
	Loan raised		4,500
	Decrease in Stock		12,000
			1,66,500
Less:	Purchase of Fixed Assets	65,000	
	Decrease in Creditors	8,000	
	Increase in Debtors	6,000	
	Exchange gain	8,000	
	Profit on sale of investments	12,000	
	Redemption of Debenture	5,700	
	Dividend paid	1,400	
	Interest paid	945	1,07,045
			59,455
Add:	Opening cash and cash equivalent		12,345
Closing cash and cash equivalent			71,800

[8]

3. (a) Following details are given for Sumangal Ltd. for the year ended 31st March, 2017:

(₹ 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 Income from investments Interest expenses		2,248 528 260
Identifiable assets: Food Products Plastic and Packing Health and Scientific Others General Corporate Assets	 29,280 5,280 4,200 2,660	 41,420 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 Sumangal Ltd.'s operations in different industry segments. **[8]**

(b) Fat Ltd. and Thin Ltd. have set up a joint venture, JV, in the ratio of 40% and 60% respectively. Both Fat Ltd. and Thin Ltd. are required to prepare consolidated financial statements. The balance sheets of both co-venturers and JV are given below:

	Fat Ltd. ₹	Thin Ltd. ₹	JV ₹
Share Capital	5,00,000	3,00,000	1,00,000
Reserves	3,00,000	1,00,000	50,000
Loans	2,00,000	1,00,000	30,000
	10,00,000	5,00,000	1,80,000
Fixed Assets	8,00,000	3,50,000	1,20,000
Investment in JV	40,000	60,000	-
Net Working Capital	1,60,000	90,000	60,000
	10,00,000	5,00,000	1,80,000

Show the reporting of JV in the consolidated financial statements of Fat Ltd. and Thin Ltd. **[8]**

4. (a) The following was the balance sheet of Mukta Ltd. as on 31st December:

Equity and Liabilities	₹
1. Shareholders Fund:	
(a) Share capital 24,000 shares of ₹ 10 each	2,40,000
Less: calls unpaid (₹ 3 per share on 6,000 sh)	(18,000)
(b) Reserves & Surplus – P & A/c	
As per Last B/Sheet (Loss b/f) 44,000	
(Less) Profit for the year 2,400	(41,600)
2. Current Liabilities:	
(a) Trade Payables – sundry creditors	30,850
(b) short term provisions – provision for taxation	8,000
Total	2,19,250
Assets	
1. Non- current Assets:	
(a) fixed Assets:	
(i) Tangible Assets	
- Land & Buildings	41,000
- Machinery	1,01,700
(ii) Intangible Assets – goodwill	23,000
2. Current Assets:	
(a) Inventories	20,550
(b) Trade receivables – book debts	30,000
(c) Cash & cash equivalents	3,000
Total	2,19,250

Note: Authorized Capital is ₹4,00,000 being 40,000 equity shares of ₹ 10 each.

The directors have had a valuation made for the Machinery and find it overvalued by ₹ 20,000. It is proposed to write down this asset to its true value and to extinguish the deficiency in the Profit and Loss Account and to write off goodwill, by adoption of the following course –

(i) Forfeit the shares on which the calls outstanding.
(ii) Reduce the paid-up capital by ₹ 3 per share.
(iii) Reissue the forfeited shares at ₹ 5 per share.
(iv) Utilize the provision for taxes, if necessary.

The shares on which the calls were in arrears were duly forfeited and reissued on payment of ₹ 5 per share. Give the journal entries and the Balance Sheet of the company after carrying out the above scheme. **[4+4=8]**

(b) (i) 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]**

(ii) Discuss the types of Vertical Merger. **[2]**

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? **[2]**

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

(b) Eagle Ltd. has acquired 51% in Sparrow Ltd. for ₹ 75.80 lakhs on April 1st, 2016. On date of the acquisition, Sparrow Ltd's Assets stood at ₹ 196 lakhs and Liabilities at ₹ 16 lakhs. The net assets position of Sparrow Ltd. as on 31st March, 2017 and 30th September, 2017 were ₹ 280 lakhs and ₹ 395 lakhs respectively, the increase resulting from profits earned during the period. On 01.10.2017, 25.5% holdings were sold for the ₹125 lakhs.

Required:

(i) State the nature of the relationship between the two companies on the relevant dates.

(ii) Calculate the profit arising on part sale of investment.

(iii) Calculate the Carrying value of the portion unsold.

Calculate the Goodwill/Capital reserve that arises on change in nature of the investment. **[8]**

6. (a) (i) 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 ₹ 25.

i. Is there any share based payment transaction as per Ind AS 102?
ii. Is the transaction equity settled or cash settled?
iii. At what value the transaction will be recognized?
iv. When will the transaction be recognized? **[4]**

(ii) While closing its books of accounts on 31st March, a NBFC has its advances classified as follows:

Particulars	₹ Lakhs
Standard Assets	10,000
Sub- Standard Assets	1,000
Secured Positions of Doubtful Debts:	
- Up to one year	160
- one year to three years	70
- more than three years	20
Unsecured Portions of Doubtful debts	90
Loss Assets	30

Calculate the amount of provision which must be made against the advances. **[4]**

(b) The following draft Balance Sheet as at 31.03.2017 pertains to Jupiter Ltd.

(₹Lakhs)

Equity & Liabilities	₹
(1) Shareholders' Funds:	
(a) Share Capital - Equity Share Capital	
(i) 180 Lakhs Shares of ₹10, fully paid up	1,800
(ii) 90 Lakhs Shares of ₹10, ₹8 paid up	720
(iii) 150 Lakhs Shares of ₹5, fully paid up	750
(b) Reserves & Surplus	5,457
(2) Non-Current Liabilities:	
Long Term Borrowings - Secured Loans	4,500
(3) Current Liabilities:	
(a) Other Current Liabilities	1,242
(b) Short Term Provisions	960
Total	15,429
Assets	
(1) Non-Current Assets:	
(a) Fixed Assets:	
(i) Tangible Assets	11,166
(ii) Intangible Assets - Goodwill	420
(2) Current Assets:	
(a) Short Term Loans & Advances	943
(b) Other Current Assets	2,900
Total	15,429

You are required to calculate the following for each one of three categories of Equity Shares appearing in the above mentioned Balance Sheet -

Intrinsic Value on the basis of Book Values of Assets and Liabilities including Goodwill and value per Share on the basis of Dividend Yield. Normal Rate of Dividend in the concerned Industry is 15%, whereas Jupiter Ltd has been paying 20% Dividend for the last four years and is expected to maintain it in the next few years. **[4+4=8]**

7. **(a)** Discuss the "Accounts of the Government of India". **[8]**

(b) Compare between Government Accounting and Commercial Accounting. **[8]**

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

(a) Objectives of Government Accounting;

(b) Users of Triple Bottom Line Reporting;

(c) Financial liability as per Ind AS 32;

(d) Meaning of XBRL;

(e) Fair value hierarchy as per Ind AS 113.