Paper 18 : Corporate Financial Reporting

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

1. Answer any two Questions from Question No.1 **[2×5]**

(a) Write a note on IFRS.

(b) As on 1st April, 2011 the Fair Value of Plan Assets was ₹ 1,00,000 in respect of a pension plan of X Ltd. On 30th September, 2011 the plan paid out benefits of ₹ 20,000 and received inward contributions of ₹ 50,000. On 31st March, 2012 the fair value of plan assets was ₹ 1,50,000 and present value of the defined benefit obligation was ₹ 1,48,000. Actuarial losses on the obligations for the year 2011-12 were ₹ 1,000. On 1 st April, 2011 the company made the following estimates, based on its market studies, understanding and prevailing prices :

Interest & Dividend Income, after tax payable by the fund	9.50%
Realized and unrealized gains on Plan Assets (after tax)	2.00%
Fund Administrative Costs	(1.25%)
Expected Rate of Return	10.25%

Required: Find the Expected & Actual Returns on Plan Assets for the year 2011-12.

(c) A firm of contractors obtained a contract for construction of bridges across a river. The following details are available in the records kept for the year ended 31st March, 2011.

	(₹ in lakhs)
Total Contract Price	2,000
Work Certified	1,000
Work not certified	210
Estimated further Cost to Completion	990
Progress Payment Received	800
To be Received	280

Determine the amount of

- Contract work-in-progress
- Amount due from /to customer.

2. (a) From the following Summary Cash Account of X Ltd. prepare Cash Flow Statement for the year ended 31st March, 2012 in accordance with AS 3 (Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.3.2012

Particulars	Amount ₹ '000	Particulars	Amount ₹ '000
Balance on 1.4.2011	400	Payment to Suppliers	2,600
Issue of Equity Shares	1,000	Purchase of Fixed Assets	1,200
Receipts from Customers	4,500	Overhead expense	200
Sale of Fixed Assets	200	Wages and Salaries	600
		Taxation	450

		Dividend	100
		Repayment of Bank Loan	800
	_____	Balance on 31.3.2012	150
	6,100		**6,100**

[10]

Or,

(b) Mitra Ltd acquired 25% of shares in Friend Ltd as on 31.03.2012 for ₹9 Lakhs. The Balance Sheet of Friend Ltd as on 31.03.2012 is given below-

Liabilities	Amount ₹	Assets	Amount ₹
Share Capital Reserves and Surplus	15,00,000 15,00,000	Fixed Assets Investments Current Assets	15,00,000 6,00,000 9,00,000
Total	**30,00,000**	**Total**	**30,00,000**

Following additional information are available for the year ended 3103.2013 –

i. Mitra Ltd received dividend from Friend Ltd for the year ended 31.03.2012 at 40% from the Reserves.
ii. Friend Ltd made a profit After Tax of ₹ 21 Lakhs for the year ended 31.03.2013.
iii. Friend Ltd declared a dividend @ 50% for the year ended 31.03.2010 on 30.04.2013.

Mitra Ltd is preparing consolidated Financial Statements in accordance with AS – 21 for its various subsidiaries.

- Calculate Goodwill if any on acquisition of Friend Ltd.'s shares.
- How Mitra Ltd will reflect the value of investment in Friend Ltd in the consolidated Financial Statements?
- How the dividend received from Friend Ltd will be shown in the consolidated Financial Statements? **[10]**

3. (a) Globetrotters Ltd. has two divisions – 'Inland' and 'International'. The Balance Sheet as at 31st December, 2010 was as under:

	Inland	International	Total
	(₹ crores)	**(₹ crores)**	**(₹ crores)**
Fixed Assets:			
Cost	300	300	600
Depreciation	250	100	350
W.D.V. (written down value)	50	200	250
Net Current Assets:			
Current assets	200	150	350
Less: Current liabilities	100	100	200
	100	50	150

Total	**150**	**250**	**400**
Financed by:			
Loan funds:			
(Secured by a charge on fixed assets)	–	50	50
Own Funds:			
Equity capital (fully paid up ₹ 10 shares)			25
Reserves and surplus			325
	?	?	350
Total	**150**	**250**	**400**

It is decided to form a new company 'Beautiful World Ltd.' for international tourism to take over the assets and liabilities of international division.

Accordingly 'Beautiful World Ltd.' was formed to takeover at Balance Sheet figures the assets and liabilities of international division. 'Beautiful World Ltd.' is to allot 2.5 crore equity shares of ₹ 10 each in the company to the members of 'Globetrotters Ltd.' in full settlement of the consideration. The members of 'Globetrotters Ltd.' are therefore to become members of 'Beautiful World' as well without having to make any further investment.

i. You are asked to pass journal entries in relation to the above in the books of 'Globetrotters Ltd.' and also in 'Beautiful World Ltd'. Also show the Balance Sheets of both the companies as on 1st January, 2011 showing corresponding figures, before the reconstruction also.
ii. The directors of both the companies ask you to find out the net asset value of equity shares pre and post-demerger.
iii. Comment on the impact of demerger on "shareholders wealth". **[15]**

Or,

(b) The following are the summarized Balance Sheet of AQ Ltd. and BQ Ltd.

Liabilities	**AQ Ltd.**	**BQ Ltd.**	**Assets**	**AQ Ltd.**	**B QLtd.**
Equity Share Capital A/c	64,000	56,000	Sundry assets	84,000	66,000
Profit and Loss A/c	10,000	—	Shares in BQ Ltd.	40,000	—
Creditors	30,000	12,000	Profit and Loss A/c	—	2,000
Loan - CQ Ltd.	20,000	—			
	1,24,000	**68,000**		**1,24,000**	**68,000**

Note : Loan from CQ Ltd. assumed to be of less than 12 months, hence treated as short terms borrowings (ignoring interest)

The whole of the shares of AQ Ltd. are held by CQ Ltd. and the entire Share capital of BQ Ltd. is held by AQ Ltd.

A new company PQ Ltd. is formed to acquire the sundry assets and liabilities of AQ Ltd. and BQ Ltd. For the purpose, the sundry assets of AQ Ltd. are revalued at ₹ 60,000 and those of BQ Ltd. at ₹ 40,000.

Show the journal entries and prepare necessary ledgers A/c to close the books of AQ Ltd. and BQ Ltd. **[15]**

4.(a) K Ltd. furnishes you with the following Balance Sheet as at 31st March, 2012 :

(₹ in Crores)

Sources of Funds		
Share capital :		
Authorised		200
Issued :		
12% redeemable preference shares of ₹ 100 each fully paid	150	
Equity shares of ₹ 10 each fully paid	50	200
Reserves and surplus		
Capital Reserve	30	
Securities Premium	50	
Revenue Reserves	520	600
		800
Funds employed in :		
Fixed assets (Tangible) : cost	200	
Less: Provision for depreciation	200	nil
Investments at cost (Market value ₹ 800 Cr.)		200
Current assets	680	
Less : Current liabilities	80	600
		800

The company redeemed preference shares on 1st April 2012. It also bought back 100 lakh equity shares of ₹ 10 each at ₹ 50 share. The payments for the above were made out of the huge bank balances, which appeared as a part of Current assets.

You are asked to :

i. Pass journal entries to record the above.

ii. Value equity share on net asset basis. **[10]**

Or,

(b) The following are the Balance sheets of Tufan Ltd. and Tuhin Ltd. for the year ending on 31st March, 2012.

(₹ in Crores)

	Tufan Ltd.	Tuhin Ltd.
Equity Share capital. @ ₹ 10 each	100	80
Preference Share capital - in 12% preference shares of ₹ 100 each	–	120
Reserves and surplus	400	300
	500	500
Loan - Secured	200	200
Total	**700**	**700**
Fixed assets (at cost less depreciation) - Tangible	300	300
Current assets less Current liabilities	400	400
Total	**700**	**700**

Note : Secured Loan to repayable within 12 months.

The present worth of Fixed assets of Tufan Ltd. is ₹ 400 crores and that of TUhin Ltd. is ₹ 858 crores. Goodwill of Tufan Ltd. is ₹ 80 crores and of Tuhin Ltd. is 150 crores.

Tuhin Ltd. absorbs Tufan Ltd. by issuing equity shares at par in such a way that intrinsic networth is maintained.

Goodwill account is not to appear in the books. Fixed assets are to appear at old figures

(i) Draft a statement of valuation of shares on intrinsic value basis and prove the accuracy of your workings; and

(ii) Journal entries in the books of Tuhin Ltd. **[10]**

5.(a) On 31st March, 2011 BA Ltd. became the holding company of CA Ltd. and DA Ltd. by acquiring 1,800 lakhs fully paid shares in CA Ltd. for ₹ 27,000 lakhs and 960 lakhs fully paid shares in DA Ltd. for ₹ 8,640 lakhs. On that date, CA Ltd. showed a balance of ₹ 10,200 lakhs in General Reserve and a credit balance of ₹ 3,600 lakhs in Profit and Loss Account. On the same date, DA Ltd. showed a debit balance of ₹ 1,440 lakhs in Profit and Loss Account. While its Preliminary Expenses Account showed a balance of ₹ 120 lakhs.

After one year, on 31st March, 2012 the Balance Sheets of three companies stood as follows:

			(₹ in lakhs)
Liabilities	**BA Ltd.**	**CA Ltd.**	**DA Ltd.**
Fully paid equity shares of ₹ 10 each	1,08,000	30,000	12,000
General Reserve	1,32,000	12,600	-
Profit and Loss Account	36,000	4,800	3,000
60 lakh fully paid 9.5%			
Debentures of ₹ 100 each	-	-	6,000
Loan from CA Ltd.	-	-	300

Bills Payable	-	-	600
Sundry Creditors	56,400	10,800	3,720
	3,32,400	58,200	25,620
Assets			
Machinery	1,56,000	30,000	8,400
Furniture and Fixtures	24,000	6,000	2,400
Investments:			
1,800 lakhs shares in CA Ltd.	27,000	-	-
960 lakhs shares in DA Ltd.	8,640	-	-
12 lakhs debentures in DA Ltd.	1,176	-	-
Stocks	66,000	12,000	6,000
Sundry Debtors	36,000	5,400	5,160
Cash and Bank balances	12,804	4,200	3,600
Loan to DA Ltd.	-	360	-
Bills Receivable	780	240	-
Preliminary Expenses	-	-	60
	3,32,400	58,200	25,620

The following points relating to the above mentioned Balance Sheets are to be noted:

(i) All the bills payable appearing in DA Ltd.'s Balance Sheet were accepted in favour of CA Ltd. out of which bills amounting to ₹ 300 lakhs were endorsed by CA Ltd. in favour of BA Ltd. and bills amounting to ₹ 180 lakhs had been discounted by CA Ltd. with its bank.

(ii) On 29th March, 2012 DA Ltd. remitted ₹ 60 lakhs by means of a cheque to CA Ltd. to return part of the loan; CA Ltd. received the cheque only after 31st March, 2012.

(iii) Stocks with CA Ltd. includes goods purchased from BA Ltd. for ₹ 800 lakhs. BA Ltd. invoiced the goods at cost plus 25%.

(iv) In August, 2011 CA Ltd. declared and distributed dividend @ 10% for the year ended 31st March, 2011. BA Ltd. credited the dividend received to its Profit and Loss Account.

You are required to prepare a Consolidated Balance Sheet of BA Ltd. and its subsidiaries CA Ltd. and DA Ltd. as at 31st March, 2012. **[15]**

Or,

(b) Following are the Balance Sheets of Veer Ltd. and Virat Ltd. as at 31.03.2012 -

Liabilities	Veer Ltd.	Viral Ltd.	Assets	Veet Ltd.	Virat Ltd.
Equity Share Capital of ₹	3,00,000	50,000	Land & Building	1,00,000	50,000

100 each fully paid			Machinery	1,40,000	25,000
General Reserve	25,000	15,000	7000 Shares in Virat Ltd.	50,000	–
Profit & Loss Account	40,000	20,000	Stock in Trade	35,000	20,000
Sundry Creditors	50,000	20,000	Debtors	75,000	10,000
Bills Payable	15,000	22,500	Bills Receivable	15,000	–
			Cash at Bank	15,000	22,500
Total	**8,60,000**	**2,55,000**	**Total**	**8,60,000**	**2,55,000**

Prepare Consolidated Balance Sheet as at 31st March, 2012 and give proper working notes required for the Consolidated Balance Sheet, from the following additional Information -

(i) All the Bills Receivable of Veer Ltd. including those discounted were accepted by Virat Ltd.

(ii) When Veer Ltd. had acquired 300 Shares in Virat Ltd., the latter had ₹ 10,000 in General Reserve and ₹ 2,500 Credit Balance in Profit and Loss Account.

(iii) At the time of acquisition of further 100 Shares by Virat Ltd., the latter had ₹ 12,500 General Reserve and ₹ 14,000 Credit Balance in Profit and Loss Account, from which 20% dividend was paid by Virat Ltd.

(iv) The dividends received by Veer Ltd. on these shares were credited to Profit & Loss Account.

(v) Stock of Virat Ltd. includes goods valued at ₹ 10,000 purchased from Veer Ltd. which has made 25% profit on cost.

(vi) For the financial year ending 31.03.2012, Veer Ltd. had proposed a dividend of 10% and Virat Ltd. has proposed a dividend of 15%, but no effect has yet been given in the above Balance Sheets. **[15]**

6.(a) (i) Mayank buys the following Equity Index option and the seller/writer of this option is Shiva :

- Date of buy — 28th March, 2010
- Type of options — S&P CNX NIFTY-call
- Expiry date — 31st May, 2010
- Premium per Unit — ₹ 21
- Contract Multiplier (No. of units) — 2,500
- Margin per unit — ₹180
- Strike price — ₹ 920 **[9]**

(ii) The following information has been extracted from the Annual Report 2011-12 of STTERAZE LTD.

Balance Sheet as on March 31st

	2011	2012
Sources of Fund:		
Shareholders' Funds	350	350
Reserve and Surplus	13,250	17,450
Secured Loans	-	-
Total	**13,600**	**17,800**
Application of Fund:		
Fixed Assets (Gross Block)	4,500	5,750
Less: depreciation	1,800	2,050
Net Block	2,700	3,700
Capital Work-in-Progress	3,900	4,220
Investments	880	950
Deferred	105	120
Current Assets, Loans and Advances:		
Sundry debtors	3,050	3,400
Cash and Bank	6,500	9,000
Loans & Advances	2,700	3,100
	12,250	15,500
Less: Current liabilities & Provisions:		
Liabilities	1,135	1,240
Provisions	2,400	1,750
	3,535	2,990
Net Current Assets	8,715	12,510
Total	**13,600**	**17,800**

Profit and Loss Account for the year ended on March 31st

	2011	2012
Income:		
Sales and Operational Income	15,600	20,250
Other Income	680	510
Total	16,280	20,760
Expenditure		
Product Development expenses	8,800	11,100

Gross Profit	7,480	9,660
General and Administrative expenses	1,080	1,280
Selling and Marketing expenses	730	920
Profit before Depreciation , Interest and taxes	5,130	7,010
Interest	-	-
Profit after Interest and Depreciation	5,130	7,010
Provision for taxes	650	910
Profit after taxes	4,480	6,100

Other information is available from the Annual Report for 2011-2012.
- Beta variant 1.20
- Return on Risk free Investment 8%
- Equity risk Premium 7.5%

Required:
Calculate the Economic value Added of SITERAZE LTD. for the year 2011-12. **[6]**

Or,

(b) (i) Discuss the process of Triple Bottom Line Reporting. **[8]**

(ii) Life of Debenture = 5 years
Face Value = ₹100 lacs
Interest rate = 14%
Maturity value = ₹ 100 lacs.
Yield = 10%

Conversion option to holder at the end of 3 years. Consideration - ₹132 lacs.

Give required accounting treatments taking the debenture as an embedded derivative instrument. **[7]**

7. (a) (i) Write a note on Sustainability Reporting. **[4]**
(ii) State the disclosures to be made as per AS 24 (Discontinuing Operations). **[6]**

Or,

(b) (i) A factory started it activities on 1st April, 2012. From the following data, compute the value of closing stock on 30th April, 2012.

- Raw Materials purchased during April - 40,000 kg at ₹24 (out of which Excise Duty = ₹ 4 per kg). Stock on hand as on 30th April – 2,500 kg.

- Production during April – 7,000 units (of which 5,000 units were sold). In addition to the production, 500 units were lying as WIP on 30th April (100% complete as to Materials and 60% complete as to conversion).
- Wages and Production Overheads - ₹60
- Selling Price - ₹ 220 per unit (of which Excise Duty is ₹20 per unit). **[5]**

(ii) Explain the term Extensible Business Reporting Language (XBRL). **[5]**

8. (a) (i) Describe the process of election of Public Accounts Committee. **[5]**
(ii) Write a note on Indian Government Accounting Standard 2. **[7]**
(iii) Discuss the applicability of IGAS 10 (Public Debt and Other Liabilities of Governments: Disclosure Requirements). **[3]**

Or,

(b) (i) Discuss the structure of Indian Accounting Standards Advisory Board. **[5]**
(ii) Write a note on -
Methods of Government Accounting,
and Setup of Audit Board in Commercial Audit. **[2×5]**