

PAPER - 18: CORPORATE FINANCIAL REPORTING

SUGGESTED ANSWERS

SECTION - A

1.

- (i) (C)
- (ii) (B)
- (iii) (C)
- (iv) (A)
- (v) (D)
- (vi) (B)
- (vii) (C)
- (viii) (D)
- (ix) (B)
- (x) (B)
- (xi) (B)
- (xii) (B)
- (xiii) (C)
- (xiv) (A)
- (xv) (D)

SECTION - B

2. (a)

Computation of the carrying amount and tax based of the assets on 31st March, 2025

Particulars	Carrying amount (₹)	Tax base (₹)
(A) Balance on 1 st April, 2023	15,00,000	15,00,000
(B) Less: Depreciation for the year 2023-24	(3,00,000)	(3,00,000)
(C) Balance as at 31 st March, 2024	12,00,000	12,00,000
(D) Temporary difference on 31 st March, 2024	Nil	Nil
(E) Less: Carrying amount of the asset disposed of deducted for accounting purposes	(96,000)	-
(F) Less: Sale proceeds of the asset to be deducted for tax purposes	-	(3,00,000)
(G) Less: Depreciation for accounting purposes for 2024-25 (C x 20%)	(2,40,000)	-
(H) Less: Depreciation for tax purposes=[(C-F) x 20%]	-	(1,80,000)
(I) Balance of the asset on 31 st March, 2025	8,64,000	7,20,000

Computation of the Deferred tax asset/liability

Since the carrying amount of the asset for Balance Sheet purposes (₹ 8,64,000) is greater than the tax base of the asset (₹ 7,20,000), there is a taxable temporary difference of ₹ 1,44,000 (₹ 8,64,000-₹ 7,20,000).

Hence, deferred tax liability=₹ 50,400 (₹ 1,44,000 x 35%).

Working Note:**Computation of the carrying amount of the asset sold on 31st March, 2025**

Particulars	₹
(A) Cost of the asset on 1 st April, 2023	1,50,000
(B) Depreciation for 2023-24 (₹ 1,50,000 x 20%)	30,000
(C) Carrying amount on 31 st March, 2024 (A-B)	1,20,000
(D) Depreciation for 2024-25 (₹ 1,20,000 x 20%)	24,000
(E) Carrying amount on 31 st March, 2025 (C-D)	96,000

Note: The above figure of ₹ 96,000 may also be alternatively computed as ₹ 1,50,000 x 80% x 80% = ₹ 96,000.

2. (b)**Journal entries in the books of Raju Ltd. for the year ended on 31st March, 2024**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
30.01.2024	Machinery A/c (15,000 x 60) Dr. To Vendor/Creditor for Machinery A/c		9,00,000	9,00,000
31.03.2024	Profit and Loss A/c [15,000 (65-60)] Dr. To Vendor/Creditor for Machinery A/c		75,000	75,000
31.03.2024	Machinery A/c [16,500 x 65 - 15,000 x 60] Dr. To Revaluation Surplus A/c (OCI)		1,72,500	1,72,500
31.03.2024	Revaluation Surplus (OCI) A/c Dr. To Deferred Tax Liability A/c (1,72,500 x 30%)		51,750	51,750

Note: In the second journal entry above, instead of debiting “Profit and Loss A/c”, “Exchange Difference A/c” or “Loss on Exchange Fluctuation A/c” may also be alternatively debited.

Journal entries in the books of Raju Ltd. for the year ended on 31st March, 2025

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
31.03.2025	Vendor/Creditor for Machinery A/c Dr. Profit and Loss A/c [15,000 (67-65)] Dr. To Bank A/c (15,000 x 67)		9,75,000 30,000	10,05,000
31.03.2025	Machinery A/c [16,500 (67-65)] Dr. To Revaluation Surplus A/c (OCI)		33,000	33,000
31.03.2025	Revaluation Surplus (OCI) A/c Dr. To Deferred Tax Liability A/c (33,000 x 30%)		9,900	9,900

Note: In the first journal entry above, instead of debiting “Profit and Loss A/c”, “Exchange Difference A/c” or “Loss on Exchange Fluctuation A/c” may also be alternatively debited.

3. (a)

Particulars	A	B	C	D	E	F	G	H	Total (₹ in '000)
1. Segment Revenue									
(i) External Sales	-	255	15	10	15	50	20	35	400
(ii) Inter Segment Sales	100	60	30	5	-	-	5	-	200
2. Segment Results:									
Profit	5		15		8		5	7	40
(Loss)		(90)		(5)		(5)			(100)
3. Segment Assets	15	47	5	11	3	5	5	9	100

- (i) Segment Revenue Criterion:
Threshold = 10% of total revenue = 10% of (₹ 400 thousands + ₹ 200 thousands) = ₹ 60 thousands
Reportable Segments are A and B.
- (ii) Result Criterion:
Threshold = 10% of total profit (₹ 40 thousands) or total loss (₹ 100 thousands) whichever is higher
i.e., ₹ 10 thousands
Reportable Segments are B and C
- (iii) Asset Criterion:
Threshold = 10% of total assets = 10% of ₹ 100 thousands = ₹ 10 thousands
Reportable Segments are A, B and D.
Total external revenue of A, B, C and D = Nil + 255 + 15 + 10 = 280 which is lower than 75% of total external revenue of ₹ 400 i.e. ₹ 300.

Hence, the enterprise should identify any one or more segment(s) by considering which, the total external revenue should be reach minimum 75% of total external revenue.

Hence, the reportable segments may be any one of the following six combinations of segments:

- (i) A, B, C, D and F; or
- (ii) A, B, C, D and H; or
- (iii) A, B, C, D and G; or
- (iv) A, B, C, D, E and F; or
- (v) A, B, C, D, E and G; or
- (vi) A, B, C, D, E and H.

3. (b)

Computation of the value of an equity share based on the net assets (based on the assets side of the Balance sheet)

Computation of total assets

Particulars	₹ in lakhs
(i) Property, Plant and Equipment	104.16
(ii) Investments	2.80
(iii) Stock	28.00
(iv) Trade debtors [₹ 11.20 lakhs- 50% of ₹ 11.20 lakhs]	5.60
(v) Cash and bank	11.20
(vi) Notional calls on 5,60,000 equity shares @ ₹ 4 each	22.40
Total assets at their currently realizable amounts	174.16

Computation of total liabilities

Particulars	₹ in lakhs
(i) 18% term loan	39.20
(ii) Trade creditors	22.40
Total liabilities at their currently payable amounts	61.60

Computation of the value of an equity share

Particulars	₹ in lakhs
(A) Net assets available for shareholders (174.16-61.60)	112.56
(B) Claims of preference shareholders ((16.80 + 16.80 x 9% x 5)	24.36
(C) Net assets available for equity shareholders (A-B)	88.20
(D) Total number of equity shares of ₹ 10 each=9.80 lakhs	-
(E) Value of an equity share of ₹ 10 each fully paid (C/D) =₹ 9.00	-
(F) Value of an equity share of ₹ 10 each, ₹ 6 paid = ₹ 9- ₹ 4 = ₹ 5.00	-

Alternative

**Statement showing computation of the value of an equity share on net Asset basis
(based on the equity and liabilities side of the balance sheet)**

Computation of Net Assets available for Shareholders

Particulars	₹ in lakhs
(A) Paid-up equity share capital (₹ 42 lakhs + ₹ 33.60 lakhs)	75.60
(B) Paid-up preference share capital	16.80
(C) Reserves and surplus (i.e., other equity)	(36.40)
(D) Net profit on valuation of property, plant and equipment (₹ 104.16 lakhs- ₹ 61.60 lakhs)	42.56
(E) Net profit on valuation of inventories (stock-in-trade) (₹ 28 lakhs- ₹ 22.40 lakhs)	5.60
(F) Net loss on valuation of investments (₹ 11.20 lakhs- ₹ 2.80 lakhs)	(8.40)
(G) Net loss on the valuation of trade debtors (₹ 11.20 lakhs/2)	(5.60)
(H) Notional calls on 5,60,000 equity shares @ ₹ 4 each	22.40
(I) Net assets available for shareholders	112.56

Computation of the value of an equity share

Particulars	₹ in lakhs
(A) Net assets available for shareholders	112.56
(B) Claims of preference shareholders [₹ 16.80 lakhs + (₹ 16.80 lakhs x 9% x 5)]	24.36
(C) Net assets available for equity shareholders (A-B)	88.20
(H) Total number of equity shares of ₹ 10 each (fully paid) =9.80 lakhs	-
(I) Value of a fully paid equity share of ₹ 10 (G/H) = ₹ 9	-
(J) Value of a partly paid equity share of ₹ 6 (I- ₹ 4) = ₹ 5	-

4 (a)

Statement showing the amortization of loan based on effective interest rate (₹)

Date	Cash flows (Principal)	Cash flows (Interest and fee)	Opening amortized cost+ Interest at EIR-Cash flow towards principal repaid- cash flow toward interest paid	Interest at the effective interest rate of 11.50% p.a.
1 st January, 2024	(18,75,00,000)	22,01,286	18,52,98,714	0
31 st December, 2024	3,75,00,000	2,06,25,000	14,84,83,066	2,13,09,352
31 st December, 2025	3,75,00,000	1,65,00,000	11,15,58,619	1,70,75,553
31 st December, 2026	3,75,00,000	1,23,75,000	7,45,12,860	1,28,29,241
31 st December, 2027	3,75,00,000	82,50,000	3,73,31,839	85,68,979
31 st December, 2028	3,75,00,000	41,25,000	0	42,93,161

Journal entries in the books of Rakesh Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
01.01.2024	Bank A/c Dr. Transaction Cost A/c Dr. To Loan from Central Bank of India A/c		18,52,98,714 22,01,286	18,75,00,000
31.12.2024	Interest Expense A/c Dr. To Loan from Central Bank of India A/c To Bank A/c		2,13,09,352	6,84,352 2,06,25,000
31.12.2024	Loan from Central Bank of India A/c Dr. To Bank A/c		3,75,00,000	3,75,00,000

4. (b)

Journal entries in the books of Beas Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	8% Preference Share Capital (₹ 100 each) A/c Dr. To 9% Preference Share Capital (₹ 100 each) A/c To Capital Reduction/Reconstruction A/c		8,00,000	6,40,000 1,60,000
	8% A Debentures A/c Dr. To PPE of Uttarakhand A/c To Capital Reduction/Reconstruction A/c		9,00,000	8,50,000 50,000
	10% B Debentures A/c Dr. To Capital Reduction/Reconstruction A/c To 9% Preference Share Capital (₹ 100 each) A/c		1,00,000	20,000 80,000
	Trade Payables A/c Dr. To Inventories A/c		6,20,000	6,20,000
	Equity Share Capital (₹ 10 each) A/c Dr. To Capital Reduction/Reconstruction A/c To Equity Share Capital (₹ 6 each) A/c		18,00,000	7,20,000 10,80,000
	Capital Reduction/Reconstruction A/c Dr. To Loans and Advances A/c		17,000	17,000
	Capital Reduction/Reconstruction A/c Dr. To Trade Receivables A/c To Inventories A/c		1,88,000	1,20,000 68,000
	Loan from Directors A/c Dr. To Capital Reduction/Reconstruction A/c		1,15,000	1,15,000
	Capital Reduction/Reconstruction A/c Dr. To Patents and Copyright A/c To Goodwill A/c		95,000	60,000 35,000
	Capital Reduction/Reconstruction A/c Dr. To Retained Earnings A/c To Capital Reserve A/c		7,65,000	7,18,000 47,000

Working Note:**Capital Reduction/Reconstruction A/c****Dr.****Cr.**

Particulars	₹	Particulars	₹
To Loans and Advances A/c	17,000	By 8% Pref. Share Capital (₹ 100 each) A/c	1,60,000
To Trade Receivables A/c	1,20,000	By 8% A Debentures A/c	50,000
To Inventories A/c	68,000	By 10% B Debentures A/c	20,000
To Patents and Copyrights A/c	60,000	By Equity Share Capital (₹ 10 each) A/c	7,20,000
To Goodwill A/c	35,000	By Loan from Directors A/c	1,15,000
To Retained Earnings A/c	7,18,000		
To Capital Reserve A/c (Bal. fig.)	47,000		
Total	10,65,000	Total	10,65,000

5.**(a) Purchase Consideration**

- Equity Shares issued: 80,00,000 shares $\times$ (₹10 + ₹2) = ₹960,00,000 = ₹ 960 lakhs
- Contingent Consideration (fair value) = ₹ 40 lakhs

Total Purchase Consideration = ₹ 960 + ₹40 = ₹ 1000 lakhs

(b)**Net Assets of Beta Ltd. at Fair Value**

Particulars	₹ in lakhs
PPE (Fair value)	950
Inventories	280
Trade Receivables (190 – 10 doubtful)	180
Cash & Bank	100
Total Assets	1,510
Less: Trade Payables	(500)
Net Assets (Fair Value)	1,010

(c) Goodwill / Gain from bargain purchase

Purchase Consideration = ₹ 1,000 lakhs

Fair Value of Net Assets acquired = ₹ 1,010 lakhs; Non-controlling Interest (NCI) = ₹ Nil

As (P.C + NCI) < Fair Value of Net Assets

Gain from Bargain Purchase = 1,010 – 1,000 = ₹10 lakhs

(d) Journal Entries in the Books of Alpha Ltd.

Journal (₹ in lakhs)

Particulars	Dr.	Cr.
Business Purchase A/c Dr. To Liquidator of Beta Ltd. A/c	1,000	1,000
PPE A/c Dr.	950	
Inventories A/c Dr.	280	
Trade Receivables A/c Dr.	180	
Cash & Bank A/c Dr.	100	
To Trade Payables A/c		500
To Business Purchase A/c		1,000
To Gain from Bargain Purchase A/c		10
Liquidator of Beta Ltd. A/c. Dr.	1000	
To Equity Share Capital A/c		800
To Securities Premium A/c		160
To Contingent Consideration Payable A/c		40
Trade Payables A/c Dr.	20	
To Trade Receivables A/c		20
Share Issue Expenses A/c Dr.	12	
To Bank A/c		12
Securities Premium A/c Dr.	12	
To Share Issue Expenses A/c		12

Alternative

(a) Purchase Consideration

- Equity Shares issued: 80,00,000 shares × (₹10 + ₹2) = ₹960,00,000 = ₹960 lakhs
 - Contingent Consideration (fair value) = ₹40 lakhs
- Total Purchase Consideration = ₹960 + ₹40 = ₹1000 lakhs

(b) Net Assets of Beta Ltd. at Fair Value

Particulars	₹ in lakhs
PPE (Fair value)	950
Inventories	280
Trade Receivables (200 – 10 doubtful)	190
Cash & Bank	100
Total Assets	1,520
Less: Trade Payables	(500)
Net Assets (Fair Value)	1,020

(c) Goodwill / Gain from bargain purchase

Purchase Consideration = ₹ 1,000 lakhs

Fair Value of Net Assets acquired = ₹ 1,020 lakhs; Non-controlling Interest (NCI) = ₹ Nil

As (P.C + NCI) < Fair Value of Net Assets

Gain from Bargain Purchase = 1,020 – 1,000 = ₹20 lakhs

(d) Journal Entries in the Books of Alpha Ltd.

Journal (₹ in lakhs)

Particulars	Dr.	Cr.
Business Purchase A/c Dr. To Liquidator of Beta Ltd. A/c	1,000	1,000
PPE A/c Dr.	950	
Inventories A/c Dr.	280	
Trade Receivables A/c Dr.	190	
Cash & Bank A/c Dr.	100	
To Trade Payables A/c		500
To Business Purchase A/c		1,000
To Gain from Bargain Purchase A/c		20
Liquidator of Beta Ltd. A/c Dr.	1000	
To Equity Share Capital A/c		800
To Securities Premium A/c		160
To Contingent Consideration Payable A/c		40
Trade Payables A/c Dr.	20	
To Trade Receivables A/c		20
Share Issue Expenses A/c Dr.	12	
To Bank A/c		12
Securities Premium A/c Dr.	12	
To Share Issue Expenses A/c		12

6.

Consolidated Balance Sheet of H Ltd. and its subsidiary, S Ltd., as at 31st March, 2025

Particulars	Note No.	₹ in lakhs
I ASSETS	-	-
(1) Non-current assets	-	-
(a) Property, plant and equipment	1	42,068
(b) Goodwill	2	300
(2) Current assets	-	-
(a) Inventories	3	13,180
(b) Financial assets	-	-
(i) Trade receivables	4	6,140
(ii) Cash and cash equivalents	5	4,000
(iii) Other financial assets (Accrued interest)	6	Nil
Total assets	-	65,688
II EQUITY AND LIABILITIES	-	-
(1) Equity	-	-
(A) Equity attributable to the owners of the parent	-	-
(i) Equity share capital	-	20,000
(ii) Other equity	7	35,898.40
Sub-total	-	55,898.40
(B) Non-controlling interest	8	3,749.60
Total equity	-	59,648
(2) Non-current liabilities	-	-
Financial liabilities	-	-
Borrowings	9	1,600
(3) Current liabilities	-	-
Financial liabilities	-	-
(2) Trade payables	-	-
Total outstanding dues of creditors other than micro and small enterprises	10	4,400
(b) Outstanding interest	11	40
Total equity and liabilities	-	65,688

Notes to accounts (₹ in lakhs)

1. Property, plant and equipment

Combined value (29,600 + 12,000)	41,600
Add: Fair value gain	600
Less: Fair value adjustment	60
Less: Unrealized profit on sale of PPE (400 x 25/125)	80
Add: Depreciation overcharged on unrealized profit on PPE	8
Total	42,068

2. Goodwill

Goodwill on the date of acquisition	500
Less: impairment of goodwill	(200)
Balance	300

3. Inventories

Combined value (5,200+8,000)	13,200
Less: unrealised profit on unsold inventories	(20)
Balance	13,180

4. Trade receivables

Combined value (4,140+2,000)	6,140
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5. Cash and cash equivalents

Combined amount (2,000+2,000)	4,000
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6. Other financial assets (Accrued interest)

Accrued interest	60
Less: intra group adjustment	(60)
Balance	Nil

7. Other equity (Retained earnings)

H Ltd.'s balance of Retained Earnings	32,640.00
Add: Share of post-acquisition profit (4,448 x 80%)	3,558.40
Less: Share of impairment loss on goodwill (200 x 80%)	160.00
Less: unrealized profit on stock (200 x 50% x 20%) [downstream]	20.00
Less: unrealized profit on sale of PPE (400 x 25/125)	80.00
Add: Accrued interest on debenture [(4000 x 60%) x 10% x ¼]	60.00
Less: Difference between cost and face value of inter-co. debentures (2,500 – 4,000 x 60%)	100.00
	35898.40

8. Non-controlling interest

Acquisition date NCI	2,900.00
Add: Share of post-acquisition profit (4,448 x 20%)	889.60
Less: Share of impairment loss on goodwill (200 x 20%)	40.00
	3,749.60

9. Borrowings

10% debentures (of S Ltd)	4,000
Less: 60% debentures held by H Ltd.	(2,400)
Balance	1,600

10. Total outstanding dues of creditors other than micro and small enterprises

Combined amount (2,400+2,000)	4,400
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11. Outstanding interest

Outstanding interest on 10% debentures of S Ltd. (4,000 x 10% x 3/12)	100
Less: outstanding interest due to H Ltd.	(60)
Balance	40

Working Notes (₹ in lakhs)

1. Calculation of Goodwill on the acquisition date (i.e., on 01.04.2024)

Fair value of identifiable net assets (represented by equity)

= Equity Share Capital + Other Equity ± Fair value changes

= 8,000 + 6,000 + (5,600 – 5,000) – (1,000 – 400) = ₹ 14,000

Purchase consideration (for 80% share) = 11,600

NCI (at fair value) = 11,600 x 20%/80% = ₹ 2,900

Goodwill = Purchase Consideration + NCI – Fair value of identifiable net assets

= 11,600 + 2,900 – 14,000 = ₹ 500

2. Post-acquisition profit

Closing balance – Opening balance (10,000 – 6,000)	4,000
Add: Reversion of loss on current items (1,000 – 400)	600
Less: Fair value adjustment (600 x 10%)	60
	4,540
Add: Depreciation overcharged on unrealized profit on PPE (400 x 25/125 x 10%)	8
Less: Debenture interest outstanding (4,000 x 10% x ¼)	100
	4,448

7. (a)

The Economic Value Added (EVA) is calculated using the formula:

EVA = Adjusted NOPAT – (WACC × Adjusted Invested Capital)

Calculation of Economic Value Added (EVA)

EVA = NOPAT – (WACC × IC)

EVA = 1,370 – (13.00% × 3,150)

EVA = 1,370 – 409.50

EVA = ₹ 960.50 Lakhs

Working Notes

(A) Cost of Equity (Ke) using CAPM:

$$K_e = R_f + \beta(R_m - R_f)$$

$$K_e = 6\% + 1.25(14\% - 6\%) = 6\% + 1.25(8\%) = 6\% + 10\% = 16\%$$

(B) After-tax Cost of Debt (Kd):

$$K_d = \text{Pre-tax Cost of Debt} \times (1 - t)$$

$$K_d = 10\% \times (1 - 0.30) = 10\% \times 0.70 = 7\%$$

(C) WACC Calculation (Based on Book Value Weights):

Source of Capital	Amount	Weight (Wi)	Cost (Ki)	Ki x Wi
Equity (Share Capital + Reserves)	2,000	2,000/3,000=0.6667	16%	10.67%
Debt (10% Term Loan)	1,000	1,000/3,000=0.3333	7%	2.33%
Total	3,000	1.00		13.00%
WACC=13.00%				

(D) Calculation of Adjusted Net Operating Profit After Tax (NOPAT)

EVA adjustments are made to NOPAT to reflect economic reality.

Particulars	Calculation	Amount (₹ Lakhs)
PAT (Profit After Tax)		910
Add: Interest (Net of Tax) → To reverse the effect of financing costs on operating profit.	$300 \times (1 - 0.30)$	210
NOPAT (Unadjusted)		1,120
Add: EVA Adjustment 1: R&D Expensed (Add back R&D, as it is an investment)		200
Add: EVA Adjustment 2: Accounting Depreciation (Add back)		400
Deduct: EVA Adjustment 3: Amortization of R&D (Economic Amortization)	$200/4 \text{ years}$	(50)
Deduct: EVA Adjustment 4: Economic Depreciation (Charge)		(300)
Adjusted NOPAT (NOPAT)		1,370

(E) Calculation of Adjusted Invested Capital (IC)

Adjusted Invested Capital includes all capital employed, plus the cumulative effect of capitalized expenses (like R&D).

(1) Unadjusted Invested Capital (IC):

$$IC = \text{Total Assets} - \text{Non-Interest-Bearing Current Liabilities (NIBCL)}$$

$$IC = ₹ (3,200 - 200) \text{ Lakhs} = ₹ 3,000 \text{ Lakhs}$$

$$(\text{Alternatively, } IC = \text{Equity} + \text{Debt} = 2,000 + 1,000 = ₹ 3,000 \text{ Lakhs})$$

(2) Closing Balance of Capitalized R&D Asset:

$$\text{Closing R\&D Asset} = \text{Opening Balance} + \text{R\&D Expenditure} - \text{Amortization}$$

$$\text{Closing R\&D Asset} = ₹ (0 + 200 - 50) \text{ Lakhs} = ₹ 150 \text{ Lakhs}$$

$$\text{Adjusted Invested Capital (IC)} = \text{Unadjusted IC} + \text{Closing R\&D Asset}$$

$$IC = ₹ (3,000 + 150) \text{ Lakhs} = ₹ 3,150 \text{ Lakhs}$$

7. (b)

The IIRC framework used the term “capitals” to denote various resources, with six capitals identified as: financial; manufactured; intellectual, human, social and relationship; and natural. A brief explanation of six capitals identified in the IIRC framework is given below.

- (i) **Financial Capital:** It is broadly understood as the pool of funds available to an organization. This includes both debt and equity finance. This description of financial capital focuses on the source of funds, rather than its application which result in the acquisition of manufactured or other forms of capital.
- (ii) **Manufactured Capital:** It is seen as human-created, production-oriented equipment and tools. A distinction is drawn between inventory (as a short-term asset) and plant and equipment (tangible capital). Although the identification of these items is generally agreed, their accounting treatment, particularly in terms of valuation, depreciation and taxation, is more contentious.
- (iii) **Intellectual Capital:** It refers to organizational, knowledge-based intangibles, including intellectual property such as patent and copyrights and organizational capital such as tacit knowledge, systems, procedures and protocols.
- (iv) **Human Capital:** It includes people’s competencies, capabilities and experience as well as their motivations to innovate.
- (v) **Social and Relationship Capital:** it refers to the institutions and the relationship within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. For example, shared norms, key stakeholder relationships, social license to operate etc.
- (vi) **Natural Capital:** It includes all renewable and non-renewable environmental resources and processes that provide goods or services.

8. (a)

The role of Public Accounts Committee (P.A.C) is discussed below:

- 1. **Role regarding examination of the C&AG report:** The chief function of P.A.C. is to examine the audit report of Comptroller and Auditor General (C&AG) after it is laid in the Parliament. C&AG assists the Committee during the course of investigation.
- 2. **Role regarding unauthorized expenditures or excess expenditures:** In examining the report of the Comptroller and Auditor General of India (C&AG), the committee has to satisfy itself that:
 - i. the expenditures made by the government, were authorized by the Parliament; and
 - ii. the expenditure under any head has not crossed the limits of parliamentary authorization.

It is to be noted that, every expenditure made by the government must be sanctioned by the Parliament- Thus, it is the role of the committee to bring to the notice of the Parliament instances of unauthorized expenditures or expenditures beyond sanctioned limits.

3. **Role regarding spending of money by ministries:** The committee not only ensures that ministries spend money in accordance with parliamentary grants, it also brings to the notice of the Parliament instances of extravagance, loss, in fructuous expenditure and lack of financial integrity in public services. However, the committee cannot question the policies of the government. It only concerns itself with the execution of policy on its financial aspects.
4. **Scrutinizing the audit reports of public corporations:** A new dimension has been added to the function of the PAC by entrusting it with the responsibility of scrutinizing the audit report of public corporations.
5. **Scrutinizing the working process of ministries and public corporations:** In examining the accounts and audits of the ministries and public corporations, the Committee gets the opportunity to scrutinize the process of their working. It points out the weakness and shortcomings of the administration of ministries and public corporations. Criticisms of the PAC draw national attention. This keeps the ministries and public corporations sensitive to the criticisms of the P.A.C. Thus, it is wrong to suppose that the P.A.C. is only an instrument of financial control, it is as well an instrument of administrative control.

8. (b)

Constitution of GASAB

The Government Accounting Standards Advisory Board (GASAB) was constituted by the Comptroller and Auditor General of India (C&AG) with the support of Government of India through a notification dated August 12, 2002. This Board was constituted to establish and improve the standards of governmental accounting and financial reporting, and enhance the accountability mechanisms. The decision to set-up GASAB was taken in the backdrop of the new priorities emerging in the Public Finance Management and to keep pace with international trends. The new priorities focus on good governance, fiscal prudence, efficiency & transparency in public spending.

Structure of GASAB

The Board has high level representation from the important accounting heads in Government, Ministry of Finance, Department of Post, Finance Secretaries of states, RBI and heads of premier accounting & research organizations. The board consists of the following members:

1. Deputy Comptroller and Auditor General (Government Accounts) as Chairperson
2. Financial Commissioner, Railways
3. Member (Finance) Telecom Commission, Department of Telecom
4. Secretary, Department of Post
5. Controller General of Defence Accounts
6. Controller General of Accounts
7. Additional/ Joint Secretary (Budget), Ministry of Finance, Government of India
8. Deputy Governor, Reserve Bank of India, or his nominee
- 9-12. Principal Secretary (Finance) of four States, by rotation
13. Director General, National Council of Applied Economic Research (NCAER), New Delhi
14. President, Institute of Chartered Accountants of India (ICAI), or his nominee
15. Principal Director in GASAB, as Member secretary.

8. (c)

Journal entry

Particulars	Debit (₹)	Credit (₹)
Bank A/c (Cash inflow) Dr.	2,20,000	
To Non-Controlling Interest A/c (Increase in NCI's claim on Net Assets)		1,80,000
To Other Equity (Gain transferred to Parent's Reserves)		40,000

Working Note

Particulars	Calculation	Amount (₹)
Net Assets of Delta Ltd. at 31.03.2025	₹ 10,00,000 + ₹ 2,00,000	₹ 12,00,000
Carrying value of 15% interest sold (to be transferred to NCI)	15% × ₹ 12,00,000	₹ 1,80,000
Sale proceeds received	Given	₹ 2,20,000
Difference (Gain to Parent's Equity)	₹ 2,20,000 – ₹ 1,80,000	₹ 40,000