SUGGESTED ANSWERS TO QUESTIONS

SECTION - A

1.

(i) (D)

(ii) (C)

(iii) (D)

(iv) (D)

(v) (D)

(vi) (D)

(vii) (D)

(viii) (D)

(ix) (C)

(x) (A)

SECTION - B

2. (a)

(i) Journal Entries

Date	Particular	Dr. (₹)	Cr. (₹)
31/03/2021	Amortization A/c Dr.	5,00,000	
	To Patent A/c		5,00,000
31/03/2022	Profit and Loss A/c Dr.	11,00,000	
	Amortization A/c Dr.	8,00,000	
	To Patent A/c		19,00,000
31/03/2023	Amortization A/c Dr.	10,08,000	
	To Patent A/c		10,08,000
31/03/2024	Amortization A/c Dr.	12,88,000	
	To Patent A/c		12,88,000
31/03/2025	Amortization A/c Dr.	33,04,000	
	To Patent A/c		33,04,000

(ii)

As per Plant & Machinery A/c:

Closing balance as on 31-03-2017 = ₹ 9,50,000

Closing balance as on 31-03-2018 = ₹ 6,75,000

Closing balance as on 31-03-2019 = ₹ 5,95,000

Closing balance as on 31-03-2020 = ₹ 4,76,000

Closing balance as on 31-03-2021 = ₹ 3,80,800

Closing balance as on 31-03-2022 = ₹ 2,57,040

Loss on sale of Assets 31-03-2023 = ₹ 64,260

2. (b)

Total Reconstruction A/c (Dr. / Cr. Side) = ₹ 543 Lakh

3. (a)

Total of Balance Sheet of Star Ltd as at 1st April 2023 (Assets / Liabilities side) = ₹ 1,910 Lakh.

3. (b)

AS 14	Ind AS 103
Pooling of Interest /Purchase Method	Only Acquisition Method
Fair Value/Book Value is used as the Basis of Recognition	Fair Value is used as the Basis of Recognition
Goodwill is amortised over a period not exceeding 5 yrs	Goodwill is not amortised.
Does not recognise Contingent Consideration	Recognizes Contingent Consideration.

4. (a)

Expenses to be recognized/(reversed):

Year 1 = ₹ 58,32,000

Year 2 = ₹ 1,45,96,800

Year 3 = (₹ 66,04,800)

Value of Options Forfeited = ₹ 2,24,000

4. (b)

JOURNAL (at acquisition)

Date	Particular	Dr ₹ (In crores)	Cr. ₹ (In crores)
31/3/22	Investments in Associate A/c Dr.	2,560	
	To Equity Share Capital A/c		1,600
	To Securities Premium A/c		960

JOURNAL (on 31-03-2023)

Date	Particular	₹ (In crores)	₹ (In crores)
31/3/23	Investments in Associate A/c Dr.	800	
	To Statement of Profit and Loss A/c		500
	To Other Comprehensive Income A/c		300

5. (a)

Fair Value of Share:-

Equity share (8 paid up) = ₹ 21.00

Equity Share (5 paid up) = ₹ 12.50

Equity Share (3 paid up) = ₹ 8.50

5. (b)

Total PV of Embedded Derivative = ₹ 15,20,090

Journal Entry at Initial Recognition		
Particulars	Debit (₹)	Credit (₹)
Cash/BankA/c Dr.	40,00,000	
To Liability component		24,79,910
To Equity component		15,20,090

6. (a)

Journal			
Date	Particulars	Dr. (₹ In Crores)	Cr. (₹ In Crores)
31-03-23	Property, Plant And EquipmentA/c Dr.	10,000	
	Investment Property A/c Dr.	7,000	
	Investments A/c Dr.	1,000	
	Current Assets A/c Dr.	3,200	
	Goodwill A/c Dr.	800	
	To Borrowings A/c		2,050
	To Trade Payables A/c		2,400
	To Liabilities A/c		750
	To Non-Controlling Interest A/c		4,000
	To Equity Share Capital A/c		8,000
	To Security Premium A/c		4,800

Separate set in the books of P Ltd.

Journal			
Date	Particulars	Dr. (₹ In Crores)	Cr. (₹ In Crores)
31-03-23	Investments In Subsidiary A/c Dr.	12,800	
	To Equity Share Capital A/c		8,000
	To Security Premium A/c		4,800

Case (b)

Journal			
Date	**Particulars**	**Dr.** (₹ In Crores)	**Cr.** (₹ In Crores)
31-03-23	Investments A/c Dr.	1,300	
	To Statement Of Profit And Loss A/c		1,300
31-03-23	Property, Plant And Equipment A/c Dr.	10,000	
	Investment Property A/c Dr.	7,000	
	Investments A/c Dr.	1,000	
	Current Assets A/c Dr.	3,200	
	To Borrowings A/c		2,050
	To Trade Payables A/c		2,400
	To Liabilities A/c		750

	To Non-Controlling Interest A/c		4,000
	To Equity Share Capital A/c		4,500
	To Security Premium A/c		2,700
	To Investment A/c		4,800

Case (c)

Journal			
Date	**Particulars**	**Dr.** (₹ In Crores)	**Cr.** (₹ In Crores)
31-03-23	Property, Plant And Equipment A/c Dr.	12,000	
	Investment Property A/c Dr.	1,000	
	Current Assets A/c Dr.	4,500	
	Investment in Own Shares A/c Dr.	8,361.30	
	To Borrowings A/c		3,000
	To Trade Payables A/c		2,000
	To Non-Controlling Interest A/c		5,291.33
	To Gain on Bargain Purchase A/c		1,169.97
	To Equity Share Capital A/c		9,600
	To Security Premium A/c		4,800

Separate set in the books of S Ltd.

Journal			
Date	Particulars	Dr. (₹ In Crores)	Cr. (₹ In Crores)
31-03-23	Investments In Subsidiary A/c Dr.	14,400	
	To Equity Share Capital A/c		9,600
	To Security Premium A/c		4,800

6. (b)

(i) Characteristics of Joint Arrangement:

A joint arrangement has the following characteristics :

(a) The parties are bound by a contractual arrangement.

(b) The contractual arrangement gives two or more of those parties joint control of the arrangement.

Types of Joint Arrangement As per Ind AS-111

An entity shall determine the type of joint arrangement in which it is involved.

A joint arrangement is either a joint operation or a joint venture.The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

- A Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

(ii) To disclose information that enables users of its financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in other entities; and

(b) the effects of those interest on its financial position, financial performance and cash flows.

For the purpose of meeting the above stated objective, an entity shall disclose :

- the significant judgments and assumption it has made in determining :
- ➢ the nature of its interest in another entity or arrangement;
- ➢ the type of joint arrangement in which it has an interest;
- ➢ that it meets the definition of an investment entity, if applicable; and
- information about its interest in :
- ➢ subsidiaries;
- ➢ arrangements and associates; and
- ➢ structured entities that are not controlled by the entity (unconsoli dated structured entities).

7. (a)

Economic Value Added (₹ in Crores) = 211.875

7. (b)

(i)

Objectives of Public Account Committee

The Public Account Committee is entrusted with the responsibility of examining the accounts of the Government. The Government expenditures are thoroughly examined and ensured that the Parliamentary limits are not breached. It examines the report of Accounts of the union government submitted by the Comptroller and Auditor General of India (C&AG), to the President for the purpose of auditing of the revenue and the expenditure of the Government of India. The Public Accounts Committee in India thus ensures Parliamentary control over government expenditure.

Constitution of Public Account Committee

(i) 15 Members of Lok Sabha:

(ii) 7 Members of Rajya Sabha:

(iii) Chairman: The Chairman of the Committee is appointed by the Speaker from amongst the members of Lok Sabha elected to the Committee. As a convention, starting from the Public Accounts Committee of 1967-68, a member of the Committee belonging to the main opposition party/group in the House is appointed as the Chairman of the Committee.

(iv) Minister not to be Member of Committee: A Minister is not eligible to be elected as a member of the Committee and if a member, after his election to the Committee, is appointed as a Minister, he ceases to be a member of the Committee from the date of such appointment.

(v) Term of Office: The term of office of the members of the Committee is one year.

(vi) Association of Members with Government Committees: A member, on his election to the Committee, has to communicate to the office of the Committee, the particulars regarding the various Committees appointed by Government with which he is associated, for being placed before the Speaker. Where the Speaker considers it inappropriate that a member should continue to serve on the Government Committee, the member is required to resign membership of the Committee constituted by Government. Where the Speaker permits a member to continue to hold membership of the Government Committee, he may require that the report of the Government Committee shall be placed before the Committee on Public Accounts for such comments as the latter Committee may deem fit to make, before it is presented to Government. Whenever the Chairman or any member of the Committee on Public Accounts is invited to accept membership of any Committee constituted by the Government, the matter is likewise to be placed before the Speaker before the appointment is accepted.

(ii)

1. **Consolidated Funds of India**

   The Consolidated Funds is constituted under Article 266 (1) of the Constitution of India. All revenues received by the Government by way of taxes like Income Tax, Central Excise, Customs and other receipts flowing to the Government in connection with the conduct of Government business i.e. Non-Tax Revenues are credited into the Consolidated Fund. Similarly, all loans raised by the Government by the issue of Public notifications, Treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are credited into this fund. All expenditure of the government is incurred from this fund and no amount can be withdrawn from the Fund without authorization from the Parliament. This is the largest of all the three funds.

2. **Public Accounts of India**

   The Public Accounts of India is constituted under Article 266 (2) of the Constitution. The transactions recorded in it relate to debt other than those included in the Consolidated Fund of India. The transactions under Debt, Deposits and Advances in this part are those in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to 'Remittance and Suspense shall embrace all adjusting heads. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments. The receipts under Public Account do not constitute normal receipts of the Government. Parliamentary authorization for payments from the Public Account is therefore not required.

3. **Contingency Funds of India:**

   The Contingency Fund of India Fund set by the Government of India under Article 267 of the Constitution of India. It records the transactions connected with Contingency. It is held on behalf of the President by Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs. The corpus of this fund is ₹ 500 crores. Advances from the fund are made for the purposes of meeting unforeseen expenditures which are resumed to the Fund to the full extent as soon as Parliament authorizes additional expenditure. Thus, this fund acts more or less like an imprest account of the Government of India.

SECTION - C

8. (a)

JOURNAL OF B LTD.

Particulars		Dr. (₹)	Cr. (₹)
Machinery A/c	Dr.	17,25,820	
To A Ltd.'s A/c			17,25,820
Finance Charges A/c	Dr.	2,58,873	
To A Ltd.'s A/c			2,58,873
A Ltd.'s A/c	Dr.	5,00,000	
To Bank A/c			5,00,000
Depreciation A/c	Dr.	1,72,582	
To Machinery A/c			1,72,582
Profit and Loss A/c	Dr.	4,31,455	
To Depreciation A/c			1,72,582
To Finance Charges A/c			2,58,873

JOURNAL OF A LTD.

Particulars		Dr. (₹)	Cr. (₹)
Lease Receivable A/c	Dr.	17,75,540	
To Machinery A/c			17,75,540
Bank A/c	Dr.	5,00,000	
To Lease Receivable A/c			2,33,680
To Finance Income A/c			2,66,320
Finance Income A/c	Dr.	2,66,320	
To P& L A/c			2,66,320

8. (b)

(i)

Year	Accounting Treatment	Reasons as per IND AS 38
(a) 2020-2021	1. Expenditure on research ₹ 44 lakhs should be recognised as an expense when it is incurred. 2. Expenditure on Development i.e. ₹ 56 lakhs incurred since the Date(1.12.2020) when Recognition Criteria met shall be the Carrying amount as of 31-3-2021.	1.No Intangible Asset arising from research should be recognised. 2. An Intangible Asset arising from development should be recognised if, and only if, an enterprise can demonstrate all of the conditions specified in the standard.

(b), (c) and (d) 2021 -2022	Actual Expenditure = ₹ 456 lakhs PV of Future Cash Inflows = 379 lakhs Intangible Asset should be recognised at ₹ 379 lakhs being lower of Fair Value and Book Value.	1. The expenditure incurred before the intangible asset is available for use should be added to the cost of the intangible asset. 2. Intangible Assets should be recognised at lower of Fair Value(estimated by discounting estimated future net cash flows) and Book Value.
	₹ 77 lakhs being the Impairment Loss [i.e. Book Value (₹ 56 lakhs + ₹ 400 lakhs) – Recoverable Amount(₹ 379 lakhs)] should be recognized as an expense in the Statement of Profit and Loss for the year ended 31st March 2022.	3.Excess of Book Value over Fair Value should be recognised as Impairment Loss in the Statement of Profit and Loss.
(e) and (f) 2022-2023	= ₹ 75.8 lakhs should be amortised for each year beginning with 2022-2023. Carrying Amount of the Intangible Asset as at 31.3.2023 =₹ 303.2 lakhs	Depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life(not exceeding 10 years from the date when the asset is available for use). Amortization should commence when the asset is available for use.

(ii)

Particulars	Nature	Treatment of Interest
1. Construction of a Building	Not a Qualifying Asset since the time taken to construct the building is not a substantial period i.e. less than one year.	Interest to be charged to P&L A/c
2. Advance for Purchase of Plant & machinery	Not a Qualifying Asset since Plant & Machinery is ready for its intended use at the time of its acquisition/purchase.	Interest to be charged to P&L A/c
3. Working Capital	Not a Qualifying Asset	Interest to be charged to P&L A/c

Total Interest = ₹ 7,20,000

Journal

Date	Particulars		Dr. ((₹))	Cr. (₹)
31.12.22	Building A/c	Dr.	22,50,000	
	To Bank A/c			22,50,000
31.03.23	Interest on Loan A/c	Dr.	7,20,000	
	To Loan A/c			7,20,000
31.03.23	P & L A/c	Dr.	7,20,000	
	To Interest on Loan A/c			7,20,000