PAPER 18: CORPORATE FINANCIAL REPORTING

SUGGESTED ANSWER

SECTION - A

1.

(i) (B)

(ii) (C)

(iii) (D)

(iv) (C)

(v) (A)

(vi) (C)

(vii) (D)

(viii) (A)

(ix) (D)

(x) (B)

(xi) (A)

(xii) (C)

(xiii) (A)

(xiv) (C)

(xv) (C)

SECTION - B

2. (a)

Particulars	**(₹)**	**(₹)**
On 01.04.2022: Carrying amount ₹ (4,80,000 – 1,60,000)	3,20,000	
Add. Replacement Cost of New Component (60,000 - Carrying amount of old ₹ 50,000 – 20,000 i.e., ₹ 30,000) [Profit on disposal of old machinery = 36,000 – 30,000 = ₹ 6,000]	30,000	
Carrying amount	3,50,000	
Depreciation for 2022-23: $= \frac{\text{Carrying amount} - \text{residual value}}{\text{Estimated Life}} = \frac{₹\,3,50,000 - ₹\,80,000}{6}$	(45,000)	
On 31.03.2023, Depreciated value		3,05,000
On 31.03.2023: Revalued at	5,00,000	
Depreciation for 2023-24 = $\frac{₹\,5,00,000 - ₹\,80,000}{5}$	(84,000)	
On 31.03.2024, Depreciated value	4,16,000	
Less: Impairment Loss	(90,000)	
On 31.03.2024, Carrying amount after Impairment		3,26,000

In the books of Alka Ltd. for the year 2022 – 2023
Journal

Date	Particulars		Debit (₹)	Credit (₹)
01.04.22	Machinery A/c To Supplier A/c	Dr.	60,000	 60,000
01.04.22	Prov. for Depreciation A/c Supplier A/c To Machinery A/c To Profit on Disposal of Machinery A/c	Dr. Dr.	20,000 36,000	 50,000 6,000
31.03.23	Depreciation A/c To Provision for Depreciation A/c	Dr.	45,000	 45,000
31.03.23	Machinery A/c Provision for Depreciation. A/c To Revaluation Surplus A/c	Dr. Dr.	10,000 1,85,000	 1,95,000
31.03.23	Revaluation Surplus A/c To Retained Earnings (1/5th of Revaluation surplus (500000 – 305000 = 195000) is to be transferred from Revaluation Surplus other comprehensive income (OCI) to Retained earnings for 2022–23 (as depreciation $\frac{1}{5}^{th}$ is realised)	Dr.	39,000	 39,000

Alternative Entry for Revaluation on 31/03/2023

Date	Particulars		Debit (₹)	Credit (₹)
31.03.23	Machinery A/c . To Provision for Depreciation A/c To Revaluation Surplus A/c	Dr	3,13,279	 1,18,279 1,95,000

Gross Carrying Account of Machinery is adjusted as follows:
$= (\frac{₹\ 4,90,000\ x ₹\ 5,00,000}{₹\ 3,05,000} - ₹\ 4,90,000) = ₹\ 3,13,279$

In the books of Alka Ltd. for the year 2023 – 2024
Journal

Date	Particulars		Debit (₹)	Credit (₹)
31.03.24	Depreciation A/c To Provision for Depreciation A/c	Dr.	84,000	 84,000
	Impairment Loss A/c To Machinery A/c.	Dr.	90,000	 90,000
	Revaluation Surplus A/c To Impairment Loss A/c (Impairment loss is charged to P & L A/c but as Revaluation Surplus exists, it is charged to Revaluation surplus on 31.03.2024.)		90,000	 90,000
31.03.24	Revaluation Surplus A/c To Retained Earnings [$\frac{1}{4}^{th}$ of Revaluation surplus (1,95,000 – 39,000 – 90,000 = 66,000) is to be transferred from Revaluation Surplus other comprehensive income (OCI) to Retained earnings for 2023-24 as depreciation $\frac{1}{4}^{th}$ is realised]	Dr.	16,500	 16,500

2. (b)

Recoverable amount in the first case

Particulars	₹ in crore
Estimated net selling price as on 01.04.2024	1.20
Less: Estimated decrease during the year (20% of ₹ 1.20 Cr.)	(0.24)
Estimated net selling price as on 31.03.2025 – (a)	0.96
Estimated value in use as on 1.4.2024	1.40
Less: Estimated decrease during the year (30% of ₹ 1.40 Cr.)	(0.42)
Estimated value in use as on 31.03.2025 – (b)	0.98
Recoverable amount [higher of (a) and (b)]	0.98

Impairment loss in the year 2024 – 2025

Particulars	₹ in crore
Carrying amount as on 01.04.2024 (₹ 20 crore - ₹ 16.60 crore)	3.40
Depreciation for the financial year 2024-25	1.00
Impairment Loss = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Recoverable amount = ₹ 3.40 crores – ₹ 1 crores – 0.98 crores = 1.42 crore	1.42

Carrying amount as on 31.03.2025

Particulars	₹ in crore
Carrying amount as on 01.04.2024 (₹ 20 crore - ₹ 16.60 crore)	3.40
Depreciation for the financial year 2024-25	1.00
Impairment Loss in the year 2024 – 2025	1.42
Carrying amount as on 31.03.2025	0.98

Carrying amount and Impairment loss, if the value in use is zero

If the Value in use was zero	₹ in crore
Value in use (a) - NIL	Nil
Net selling price (b) - ₹ 0.96 cr – ₹ 0.08 cr = ₹ 0.88 cr	0.88
Recoverable amount [higher of (a) and (b)]	0.88
Carrying amount as on 01.04.2024	3.40
Depreciation for the financial year 2024-25	1.00
Impairment Loss = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Recoverable amount = ₹ 3.40 crores – ₹ 1 crores – 0.88 crores	1.52
Carrying amount as on 31.03.2025 = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Impairment loss = ₹ 3.40 crores – ₹ 1 crore – ₹ 1.52 crore = 0.88 crore	0.88

Alternative:

Carrying amount and Impairment loss, if the value in use is zero

If the Value in use was zero	₹ in crore
Value in use (a) - NIL	Nil
Net selling price (b) - ₹ (-) 0.08 Crore	-0.08
Recoverable amount [higher of (a) and (b)]	Nil
Carrying amount as on 01.04.2024	3.40

Depreciation for the financial year 2024-25	1.00
Impairment Loss = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Recoverable amount = ₹ 3.40crore – ₹ 1crore – Nil = ₹ 2.40 crore	2.40
Carrying amount as on 31.03.2025 = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Impairment loss = = ₹ 3.40 crores – ₹ 1 crores – ₹ 2.40 crores = Nil	Nil

3. (a)

There are two performance obligations, one for the sale of goods and the other for the sale of discount vouchers. Their standalone prices are:

Particulars	₹
Goods of ₹ 20,000, less 10% ordinary discount	18,000
Discount Vouchers [Value of vouchers = Discount in excess of ordinary rate of 10%× estimated Purchase amount × probability of purchase = (50 – 10) % × ₹ 10,000 × 60% = ₹ 2,400	2,400
Total	20,400

For Year 2023 – 2024		
The transaction price of ₹ 18,000 is the sale price less the current discount of 10%. It is to be allocated between the performance obligations of goods and discount vouchers proportionately		
The transaction price of ₹ 18,000 is to be allocated to goods to be recognised as Revenue in 2023 – 2024	₹ 18,000 × $\frac{₹\ 18,000}{₹\ 20,400}$	= ₹15,882
The transaction price of ₹ 18,000 is to be allocated to the Discount Voucher to be recognised as a liability.	₹ 18,000 × $\frac{₹\ 2,400}{₹\ 20,400}$	= ₹ 2,118

For Year 2024 – 2025
In 2024-25, this liability on account of Discount Voucher, recognised in the year 2023 – 2024, will be cancelled and revenue will be recognised for ₹ 2,118 when the discount voucher is redeemed or expires.
The Transaction Price for additional sale is ₹ 14,000 less 50% discount voucher = ₹ 7,000; Total Revenue recognised for the year 2024 – 2025 is ₹ 7,000 + ₹ 2,118 = ₹ 9,118

3. (b)

Computation of Past Adjusted Trading Profit Before Tax

Particulars	2022-23 (₹)	2023-24 (₹)	2024-25 (₹)
(A) Profit after tax	1,96,000	2,66,000	3,36,000
(B) Tax @ 50%	1,96,000	2,66,000	3,36,000
(C) Profit before tax (A + B)	3,92,000	5,32,000	6,72,000
(D) Income from non-trade investments	16,800	16,800	16,800
(E) Past Adjusted Trading Profit before Tax (C – D)	3,75,200	5,15,200	6,55,200

Computation of Average Past Adjusted Profit before Tax

Year	Profit (₹)	Weights	Weighted Profit (₹)
2022 – 2023	3,75,200	1	3,75,200
2023 – 2024	5,15,200	2	10,30,400
2024 – 2025	6,55,200	3	19,65,600
Total		6	33,71,200
Average Past Adjusted Profit before Tax = $\frac{₹\ 33,71,200}{6}$			5,61,866.667

In this case, using a simple average is not appropriate**,** as it does not accurately reflect the profit trend. The simple average of past adjusted profits is: $\frac{₹\ 3,75,000 + ₹\ 5,15,200 + ₹\ 6,55,200}{3} = \frac{₹\ 15,45,600}{3}$ = ₹ 5,15,200. This figure is lower than the third year's profit (₹ 6,55,200) and merely equals the second year's profit (₹ 5,15,200). This undermines the upward trend in profitability.

Since the profit after tax has been increasing steadily by ₹ 70,000 per year, applying a weighted average with weights of 1:2:3 provides a more realistic estimate of the Future Maintainable Profit, which is the relevant figure for goodwill valuation, not merely an average of past profits.

Computation of future maintainable profit after tax

Particulars	₹
(A)Weighted average trading profit	5,61,866.667
(B)Tax @50% (50% of A)	2,80,933.333
(C) Future maintainable trading profit after tax	2,80,933.334

Computation of Total Assets relevant for Goodwill

Particulars	₹
Property, Plant and Equipment (₹ 10,92,000+ ₹ 6,72,000 – ₹ 2,80,000)	14,84,000
Trade debtors	5,32,000
Stock-in-trade (630000 x 100/90)	7,00,000
Balance with banks	1,12,000
Total Assets relevant for Goodwill	28,28,000

Computation of Current Liabilities & Provisions

Particulars	₹
Trade creditors	2,94,000
Current tax	3,36,000
Total Current Liabilities & Provisions	6,30,000

Computation of Average Capital Employed relevant for Goodwill

Particulars	₹
A) Total Assets relevant for Goodwill	28,28,000
B) Total Current Liabilities & Provisions	6,30,000
C) Capital Employed relevant for Goodwill (A - B)	21,98,000
D) Half of the current year's trading profit after tax (₹ 6,55,200 x 0.5 x 0.5)	1,63,800
E) Average Capital Employed relevant for Goodwill (C – D)	20,34,200

Computation of Goodwill
Computation of Normal Profit
Normal profit=Average trading capital employed x Normal rate of return
=₹ 20,34,200 x 10% = ₹ 2,03,420

Computation of Super Profit
Super profit = Future maintainable profit after tax – Normal profit
= ₹ 2,80,933.334 – ₹ 2,03,420
= ₹ 77,513.334

Calculation of Goodwill
Goodwill = 3 years' purchase of super profits
= 3 x ₹ 77,513.334 = ₹ 2,32,540

4. (a)

If the entire lot of 2,000 debentures is collectively convertible into 25,000 equity shares, rather than each debenture being individually convertible into 25,000 shares.

Computation of the Liability Component

Year	Interest Payment (₹)	Principal Payment (₹)	Total Payment (₹)	PVF@9%	Present Value (₹)
2022–23	1,20,000	–	1,20,000	0.9174	11,0,088
2023–24	1,20,000	–	1,20,000	0.8417	1,01,004
2024–25	1,20,000	20,00,000	21,20,000	0.7722	16,37,064
Liability component					18,48,156

Computation of the Equity Component

Particulars	(₹)
Proceeds of the Debt issue	20,00,000
Liability component	18,48,156
Equity Component	1,51,844

Computation of the Finance Cost and the Opening and Closing Balance of the Liability Component

Year A	Opening Balance B (₹)	Interest at 9% C = B x 9% (₹)	Payment 6% Coupon D (₹)	Increase in the Liability E = C – D (₹)	Closing Balance F = B+E (₹)
2022–23	18,48,156	1,66,334	1,20,000	46,334	18,94,490
2023–24	18,94,490	1,70,504	1,20,000	50,504	19,44,994
2024–25	19,44,994	1,75,006*	1,20,000	55,006	20,00,000

* The interest for the year 2024–25 is rounded off due to approximations involved in the calculation, and is therefore computed as ₹ 20,00,000 + ₹ 1,20,000 – ₹ 19,44,994 = ₹ 1,75,006

Journal

Date	Particulars		Debit (₹)	Credit (₹)
01.04.22	Bank A/c	Dr.	20,00,000	
	To Conv. Debenture (Liability) A/c			18,48,156
	To Conv. Debenture (Equity component) A/c			1,51,844
31.03.23	Interest Expense A/c	Dr.	1,66,334	
	To Bank A/c			1,20,000
	To Conv. Debenture (Liability) A/c			46,334
31.03.24	Interest Expense A/c	Dr.	1,70,504	
	To Bank A/c			1,20,000
	To Conv. Debenture (Liability) A/c			50,504
31.03.25	Interest Expense A/c	Dr.	1,75,006	
	To Bank A/c			1,20,000
	To Conv. Debenture (liability) A/c			55,006
31.03.25	Conv. Debenture A/c(Liability)	Dr.	20,00,000	
	Conv. Debenture A/c (Equity component)	Dr.	1,51,844	
	To Equity Share Capital A/c			2,50,000
	To Securities Premium A/c			19,01,844

Alternative :

If each debenture is convertible at any time up to maturity into 25,000 equity shares of ₹ 10 each.

Computation of the Liability Component

Year	Interest Payment (₹)	Principal Payment (₹)	Total Payment (₹)	PVF@9%	Present Value (₹)
2022–23	1,20,000	–	1,20,000	0.9174	11,0,088
2023–24	1,20,000	–	1,20,000	0.8417	1,01,004
2024–25	1,20,000	20,00,000	21,20,000	0.7722	16,37,064
Liability Component					18,48,156

Computation of the Equity Component

Particulars	(₹)
Proceeds of the Debt issue	20,00,000
Liability component	18,48,156
Equity Component (₹ 50,00,00,000 – ₹ 20,00,000)	49,80,00,000
Loss on the issue of Debentures (₹ 49,80,00,000 + ₹ 18,48,156 – ₹ 20,00,000)	49,78,48,156

Computation of the Finance Cost and the Opening and Closing Balance of the Liability Component

Year A	Opening Balance B (₹)	Interest at 9% C = B x 9% (₹)	Payment 6% Coupon D (₹)	Increase in the Liability E = C – D (₹)	Closing Balance F = B+E (₹)
2022–23	18,48,156	1,66,334	1,20,000	46,334	18,94,490
2023–24	18,94,490	1,70,504	1,20,000	50,504	19,44,994
2024–25	19,44,994	1,75,006*	1,20,000	55,006	20,00,000

* The interest for the year 2024–25 is rounded off due to approximations involved in the calculation, and is therefore computed as ₹ 20,00,000 + ₹ 1,20,000 – ₹ 19,44,994 = ₹ 1,75,006

Journal

Date	Particulars		Debit (₹)	Credit (₹)
01.04.22	Bank A/c	Dr.	20,00,000	
	Loss on Issue of Debentures	Dr.	49,78,48,156	
	To Conv. Debenture (Liability) A/c			18,48,156
	To Conv. Deb. (Equity component) A/c			49,80,00,000
31.03.23	Interest Expense A/c	Dr.	1,66,334	
	To Bank A/c			1,20,000
	To Conv. Debenture (Liability) A/c			46,334
31.03.23	Profit & Loss A/c	Dr.	16,59,49,385	
	To Loss on Issue of Debentures			16,59,49,385
31.03.24	Interest Expense A/c	Dr.	1,70,504	
	To Bank A/c			1,20,000
	To Conv. Debenture (Liability) A/c			50,504
31.03.24	Profit & Loss A/c	Dr.	16,59,49,385	
	To Loss on Issue of Debentures			16,59,49,385
31.03.25	Interest Expense A/c	Dr.	1,75,006	
	To Bank A/c			1,20,000
	To Conv. Debenture (liability) A/c			55,006
31.03.25	Profit & Loss A/c	Dr.	16,59,49,386	
	To Loss on Issue of Debentures			16,59,49,386
31.03.25	Conv. Debenture A/c (Liability)	Dr.	20,00,000	
	Conv. Deb. A/c (Equity component)	Dr.	49,80,00,000	
	To Equity Share Capital A/c			50,00,00,000

4. (b) **In the books of J Ltd.**

Journal

Particulars		Debit (₹)	Credit (₹)
8% Preference Share Capital A/c (₹ 100 each)	Dr.	15,00,000	
To 8% Preference Share Capital A/c (₹ 25each)			3,75,000
To Reconstruction A/c			11,25,000
(Being the preference shares of ₹ 100 each reduced to ₹ 25 each as per the approved scheme)			
Equity Share Capital A/c (₹ 100 each)	Dr.	20,00,000	
To Equity Share Capital A/c (₹ 5 each)			1,00,000
To Reconstruction A/c			19,00,000
(Being the equity shares of ₹ 100 each reduced to ₹ 5 each as per the approved scheme)			
8% Preference Share Capital A/c (₹ 25)	Dr.	3,75,000	
To 8% Preference share Capital A/c (₹ 100)			3,75,000
(Being conversion of 15000 shares of ₹ 25 each to 3750 shares of ₹ 100 each)			

Equity Share Capital A/c (₹ 5) To Equity Share Capital A/c (₹ 100) (Being conversion of 20,000 shares of ₹ 5 each to 1000 shares of ₹ 100 each)	Dr.	1,00,000	1,00,000
Reconstruction A/c To PPE of Karnataka Factory A/c (Being the value of freehold property reduced to ₹ 7,50,000)	Dr.	12,50,000	12,50,000
9% B Debentures A/c To PPE of Karnataka Factory A/c (Being a claim of Debenture holders settled in part by transfer of property)	Dr.	7,50,000	7,50,000
Accrued Interest on Debentures A/c To Reconstruction A/c (Being interest on debentures waived in full)	Dr.	85,000	85,000
Reconstruction A/c (1125000+1900000+85000-1250000) To Profit and Loss A/c To Provision of Doubtful Debt A/c To Inventories To Goodwill A/c To Trademark To Capital Reserve A/c (b. f) (Being certain values of various assets (tangible & intangible), profit and loss account, Debt balance written off and balance transferred to capital reserve account as per the scheme)	Dr.	18,60,000	 16,35,000 12,500 50,000 1,00,000 50,000 12,500

5.

Calculation of fair value of shares on the acquisition date, i.e. 31/03/2025

Particulars	₹
A) 25% Shares purchase on 31st March, 2025	5,00,000
B) 30% Shares purchase on 1st February, 2025 at ₹ 5,00,000 to be recognized at the Fair value = $\frac{₹\ 5,00,000 \times 30\%}{25\%}$	6,00,000
C) Total consideration at fair value on the acquisition date = A + B	11,00,000
D) Cost of investment (5,00,000 + 5,00,000)	10,00,000
E) Gain recognised to Profit or Loss (C – D)	1,00,000

Measurement of Non-controlling Interest (on fair value basis)

Particulars	Figure
A) Share of NCI = 100% – 30% – 25%	45%
B) Fair Value of Shares as on 31/03/2025 taken as base for Non-Controlling Interest = $\frac{₹\ 11,00,000 \times 45\%}{55\%}$	9,00,000

Computation of Net Identifiable Assets at fair value

Particulars	₹
Plant and Equipment	7,50,000
Investment in bonds	5,00,000
Trade Receivables	50,000
Self-generated Brand	3,50,000
Total Assets	16,50,000
Less: Total Liabilities, i.e. Trade Payables	1,50,000
Net Identifiable Assets at fair value (Total Assets – Total Liabilities)	15,00,000

Computation of Goodwill

Particulars	₹
A) Total Consideration at the Fair Value as on 31/03/2025	11,00,000
B) NCI at the Fair Value as on 31/03/2025	9,00,000
C) Total (A + B)	20,00,000
D) Net Identifiable Assets at fair value	15,00,000
E) Goodwill (C – D)	5,00,000

In the books of TISTA Ltd.
Journal

Particulars		Debit (₹)	Credit (₹)
Plant and Equipment A/c	Dr.	7,50,000	
Investment in bonds A/c	Dr.	5,00,000	
Trade Receivables A/c	Dr.	50,000	
Brand A/c	Dr.	3,50,000	
Goodwill A/c	Dr.	5,00,000	.
To Investment in MAHANANDA Ltd. A/c			10,00,000
To Profit &Loss A/c			1,00,000
To Trade Payables A/c			1,50,000
To NCI A/c			9,00,000
(Being assets and liabilities acquired at fair value and previous investment considered at fair value on the acquisition date)			

Balance Sheet of TISTA Ltd.
as on 31.03.2025

Particulars	(₹)
ASSETS	
Non-current Assets	
Property, Plant & Equipment	21,00,000
Goodwill	5,00,000
Brand Name	3,50,000
Financial Assets	
Investment in Corporate Bonds	5,00,000

Current Assets	
Financial Assets	
Trade Receivables	1,30,000
Cash and Cash equivalents	5,20,000
Total Assets	41,00,000
EQUITY AND LIABILITIES	
Equity	
Equity Share Capital	5,00,000
Other Equity (₹ 15,00,000 + ₹ 1,00,000)	16,00,000
NCI	9,00,000
Non-Current Liabilities	
Financial Liabilities	
Long-term Borrowings	4,00,000
Current Liabilities	
Financial Liabilities	
Trade Payables	7,00,000
Total Liabilities	41,00,000

6.

Calculation of the Fair Value of Identifiable Net Assets on the Date of Acquisition (DOA)

Particulars	(₹ in lakhs)
Share capital as on DOA	7,500
Other Equity (Retained Earnings) as on DOA	7,500
Increase in the Fair Value of PPE (₹ 9,500 lakhs – ₹ 8,750 lakhs)	750
Decrease in the Fair Value of Inventory (₹ 500 lakhs – ₹ 1,250 lakhs)	(750)
Fair Value of Identifiable Net Assets on the DOA	15,000

Measurement of Non-controlling Interest as on DOA

Particulars	Figure
A) Share of NCI = 100% – 80%	20%
B) Fair Value of Shares as on 01/04/2024 taken as base for Non-Controlling Interest = $\frac{₹\ 12{,}500\ \text{lakhs} \times 20\%}{80\%}$	₹ 3,125 lakhs

Computation of Goodwill as on DOA

Particulars	(₹ in lakhs)
A) Total Consideration at the Fair Value as on 01/04/2024	12,500
B) NCI at the Fair Value as on 01/04/2024	3,125
C) Total (A + B)	15,625
D) Net Identifiable Assets at fair value	15,000
E) Goodwill (C – D)	625

Calculation of Post–Acquisition Profit

Particulars	(₹ in lakhs)
A) Retained Earnings as on 31/03/2025	11,250
B) Dividend Paid for the year 2023 – 2024 (₹ 7,500 lakhs x 20%)	1,500
C) Retained Earnings as on 01/04/2024	7,500
D) Profit for the year 2024 – 2025 (A + B – C)	5,250
E) Adjustment of loss of Fair Value in respect of Inventory to be reverted*	750
F) Depreciation on fair value gain on PPE (₹ 750 lakhs x 10%)	75
G) Post Acquisition Profit (D + E – F)	5,925

Note: The corresponding inventory is realised during the year.

Consolidated Other Equity of H Ltd. as on 31/03/2025

Particulars	(₹ in lakhs)
A) Other Equity of H Ltd.	43,750
B) Share of Post-Acquisition Profit (80% of ₹ 5,925 lakhs)	4,740
C) Dividend from Pre-Acquisition Profit (80% of ₹ 1,500 lakhs)	1,200
D) Impairment of goodwill (80% of ₹ 100 lakhs)	80
E) Unrealised profit on inventory*	24
F) Consolidated Other Equity of H Ltd. as on 31/03/2025 = (A + B – C – D – E)	47,186

* Unrealized profit on inventory = 40% of ₹ 300 x 25/125 = ₹ 24 (downstream transaction)

Non-Controlling Interest as on 31/03/2025, i.e. reporting date

Particulars	(₹ in lakhs)
A) Non-Controlling Interest as on DOA	3,125
B) Share of Post-Acquisition Profit (20% of ₹ 5,925 lakhs)	1,185
C) Dividend from Pre-Acquisition Profit (20% of ₹ 1,500 lakhs)	300
D) Impairment of goodwill (20% of ₹ 100 lakhs)	20
E) Non-Controlling Interest as on 31/03/2025 (A + B – C – D)	3,990

Computation of Inventories for Consolidated Balance Sheet as on 31/03/2025

Particulars	(₹ in lakhs)
A) Inventory of H Ltd.	12,500
B) Inventory of S Ltd.	2,000
C) Good–in–Transit	50
D) Unrealised Profit on Inventory	24
E) Inventories for Consolidated Balance Sheet (A + B + C – D)	14,526

Computation PPE for Consolidated Balance Sheet as on 31/03/2025

Particulars	(₹ in lakhs)
A) PPE of H Ltd.	23,000
B) PPE of S Ltd.	11,500
C) Fair Value gain as on DOA	750
D) Adjustment for Depreciation on Fair Value Gain	75
E) Inventories for Consolidated Balance Sheet (A + B + C – D)	35,175

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd.
as on 31.03.2025

Particulars	(₹ in lakhs)
ASSETS	
Non-current Assets	
PPE	35,175
Goodwill (₹ 625 lakhs – ₹ 100 lakhs)	525
Current Assets	
Inventories	14,526
Trade receivables (₹ 2,500 lakhs + ₹ 875 lakhs – ₹ 200 lakhs)	3,175
Cash and Cash Equivalent (₹ 14,500 lakhs + ₹ 5,000 lakhs)	19,500
Total	72,901
EQUITY AND LIABILITIES	
Equity	
Share Capital (₹ 10)	20,000
Other Equity	47,186
Non-Controlling Interest	3,990
Non-current Liabilities	
Current Liabilities	
Trade Payables (₹ 1,250 + ₹ 625 + ₹ 50 – ₹ 200)lakhs	1,725
Total	72,901

Contingent liability for Proposed Dividend to be shown under Notes to Accounts

Particulars	(₹ in lakhs)
A) Dividend proposed by H Ltd. (₹ 20,000 lakhs x 10%)	2,000
B) Dividend proposed by S Ltd. (₹ 7,500 lakhs x 10%)	750
C) Less: Share of H Ltd. in the Dividend of S Ltd. (₹ 750 lakhs x 80%)	600
D) Contingent liability for Proposed Dividend (A + B – C)	2,150

7. (a)

Calculation of Capital Employed

Particulars	(₹ in crores)
A) 12% Debt Capital, i.e. Debt	2,000
B) Equity Share Capital	500
C) Reserve & Surplus	7,500
D) Equity (B + C)	8,000
E) Capital Employed (Debt + Equity) = A + D	10,000

Calculation of Cost of Debt after Tax

Particulars	Figures
A) Cost of Debt in % before Tax	12.00
B) Tax on Cost of Debt in % (A x 0.30)	3.60
C) Cost of Debt in %	8.40

Calculation of Cost of Equity

According to the Capital Asset Pricing Model (CAPM)

Cost of Equity Capital = Risk Free Rate + Beta (Market Rate – Risk Free Rate)

= 6% + 1.50 (15% – 6%)

= 6%+ (1.50 x 9%) = 6% + 13.50% = 19.50%

Calculation of Weighted Average Cost of Capital & Cost of Capital Employed

Particulars	Figure
A) % of Debt to Capital Employed = ₹ 2,000 crores/₹ 10,000 crores	20%
B) % of Equity to Capital Employed = ₹ 8,000 crores/₹ 10,000 crores	80%
C) Weighted Average Cost of Debt = A x 8.40	1.68%
D) Weighted Average Cost of Equity = B x 19.50	15.60%
E) Weighted Average Cost of Capital = C + D	17.28%
F) Cost of Capital Employed = ₹ 10,000 crores x E	₹1,728 crores

Calculation of Economic Value Added

Economic Value Added = Net Operating Profit after Tax – Cost of Capital Employed

= ₹ 2,100 crores – ₹ 1,728 crores = ₹ 372 crores

Calculation of Market Value Added

- Increase in EVA = $\frac{₹\ 372\ crores - ₹\ 250\ crores}{₹\ 250}$ x 100 = 48.80%
- Likely increase in the share price = 25% of ₹ 200 = ₹ 50
- Share price afer increase = ₹ 200 + ₹ 50 = ₹ 250
- Total Number of Shares = $\frac{₹\ 500\ crores}{₹\ 10}$ = 50 crores
- Market Value of Equity = 50 crores x ₹ 250 = ₹ 12,500 crores
- Market Value Added (MVA) = Market Value of Equity – Book Value of Equity
- MVA = ₹ 12,500 crores – ₹ 8,000 crores = ₹ 4,500 crores

7. (b)

Benefits of reporting under XBRL over the traditional form:

1. **Automated Data Processing:**
   The use of XBRL offers major benefits to the preparers and users of business and financial information by enabling this data to be exchanged and processed automatically by the software. XBRL identification tags reduce and eliminate the need for the data entry operator to manually key data into the software.

2. **More accurate and efficient:**
   XBRL makes reporting more accurate and more efficient by using comprehensive definitions and accurate data tags. Such data tags allow the preparation, validation, publication, exchange, consumption and analysis of business information of all kinds.

3. **Data Review:**
   Organisations can use software to automatically validate data electronically received through XBRL. The software can help analyse the data and identify problems that accountants and auditors can examine.

4. **Improved reporting quality:**
   XBRL provides its users with increased data integrity and uniformity. It also allows for increased transparency of publicly owned companies' financial records for view by 'interested'parties.

5. **Interchangeable:**
   Information in reports prepared using the XBRL standard is interchangeable between different information systems in entirely different organisations. This allows for the exchange of business information across a reporting chain. The users who intend to report information, share information, publish information and allow straight-through information processing rely on XBRL.

6. **Cost and time savings:**
   Currently, all companies file their reports with regulators using formats like the Portable Document Format (PDF), which has its inherent limitations. Moreover, the costs of sending, receiving, storing, validating and auditing the financial records in this format are comparatively higher. XBRL reduces the involved time and also the cost.

7. **Tagging of transactions:**
   In addition to allowing the exchange of various business reports, XBRL has the capability to allow the tagging of transactions that can themselves be aggregated into XBRL reports. These transactional capabilities allow system-independent exchange and analysis of significant quantities of supporting data.

8. (a)

Function of CAG with regard to Grants and Loans given to other authorities or bodies:

1) Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly to any authority or body, not being a foreign State or international organisation, the Comptroller and Auditor-General shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given.

2) For this purpose the C&AG shall have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body.

3) However, the President, the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, may, where he is of opinion that it is necessary so to do in the public interest, by order, relieve the Comptroller and Auditor-General, after consultation with him, from making any such scrutiny in respect of anybody or authority receiving such grant or loan.

4) Except where he is authorised so to do by the President, the Governor of a State or the Administrator of Union territory having a Legislative Assembly, as the case may be, the Comptroller and Auditor-General shall not have, while exercising the powers conferred on him by sub-section (1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in subsection (1) is given if the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor-General:

5) Moreover, such authorisation shall be made except after consultation with the Comptroller and Auditor General and except after giving the concerned corporation a reasonable opportunity of making representations with regard to the proposal to give to the Comptroller and Auditor-General right of access to its books and accounts.

8. (b)

GASAB, inter alia, has the following responsibilities:

(i) To formulate and improve the standard of Government accounting and financial reporting in order to enhance accountability mechanisms.

(ii) To formulate and propose standards that improve the usefulness of financial reports based on the needs of the users.

(iii) To keep the standards current and reflect changes in the Governmental environment.

(iv) To provide guidance on the implementation of standards.

(v) To consider significant areas of accounting and financial reporting that can be improved through the standard-setting process.

(vi) To improve the common understanding of the nature and purpose of information contained in the financial reports.

The Indian Government Accounting Standards (IGAS), formulated by the Government Accounting Standards Advisory Board (GASAB) and notified by the Ministry of Finance, Government of India, are:

(i) Guarantees given by Governments: Disclosure Requirements (IGAS 1);

(ii) Accounting and Classification of Grants-in-aid (IGAS 2);

(iii) Loans and Advances made by Governments (IGAS 3)

(iv) Prior Period Adjustments (IGAS 4)

8. (c)

Computation of Share of Venus Ltd. in Post-acquisition Profit after adjustment of Neptune Ltd.

Particulars	₹
A) VENUS Ltd.'s share of Neptune Ltd.'s after-tax profit (35% x ₹ 1,00,000)	35,000
B) VENUS Ltd.'s share of depreciation based on fair value (35% x $\frac{₹\ 1,00,000}{8}$)	4,375
C) Share of Venus Ltd. in Post-acquisition Profit after adjustment of Neptune Ltd. (A – B)	30,625

Computation of VENUS Ltd.'s interest in NEPTUNE Ltd. at the end of the year

Particulars	₹
A) Cost of investment for acquiring 35% interest in NEPTUNE Ltd.	3,00,000
B) Share of Venus Ltd. in Post-acquisition Profit after adjustment of Neptune Ltd. (as calculated above)	30,625
C) Dividend received by VENUS Ltd. from NEPTUNE Ltd. i.e. (35% x ₹ 11,000)	3,850
D) VENUS Ltd.'s share of loss in OCI w.r.t NEPTUNE Ltd.'s loss from re-measurement of defined benefit liability (35% x ₹ 15,000)	5,250
E) VENUS Ltd.'s interest in NEPTUNE Ltd. at the end of the year (A + B – C – D)	3,21,525