



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 18
CORPORATE FINANCIAL REPORTING

SET - 1
TERM – JUNE 2025
SYLLABUS 2022

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

- 1. (a) Choose the correct option:** **[15 x 2 = 30]**
- (i)** A Ltd. Has a machine whose original cost was ₹45,000. The accumulated depreciation on the machine is ₹15,000. Similar machine has recently been sold in the same locality at ₹25,000 with selling expenses ₹2,000. Management determined the entity specific present value of future cash flows of the machine as ₹28,000. Find Recoverable amount.
- A. ₹23,000
B. ₹28,000
C. ₹25,000
D. None of these
- (ii)** The major bases of asset valuation for a going concern:
- A. Book Value
B. Net Replacement Value
C. Net Realisable Value
D. All of these
- (iii)** Which of the following is/are objective/s of Ind AS 113?
- A. To set up a framework for measurement of fair value
B. To specify requirements of disclosure of fair value measurement
C. Both A and B
D. None of these
- (iv)** Borrowing Costs directly attributable to _____ of a Qualifying asset should be capitalized as part of the cost of that Asset.
- A. Acquisition
B. Construction
C. Deduction
D. Both A and B
- (v)** Capital Employed is ₹255 Lakhs; Annual average profits are ₹57 Lakhs; Normal rate of return is 12%. The value of goodwill on the basis of Capitalization of super profits will be –
- A. ₹220 Lakh
B. ₹475 Lakh
C. ₹6.84 Lakh
D. ₹26.40 Lakh



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- (vi) All NBFCs-ND which have an asset size of ₹500 crore and above and all NBFCs-D shall maintain minimum Tier 1 Capital of ____.
- A. 12%
B. 15%
C. 10%
D. 1%
- (vii) A Ltd. acquires 80% of B Ltd. for ₹10,00,000 paid by equity at par Fair Value (FV) of B's net assets at time of acquisition amounts ₹9,00,000. The value of goodwill based on NCI valued at proportionate fair value of identified net asset will be:
- A. ₹3,00,000
B. ₹2,80,000
C. ₹4.50,000
D. ₹5,00,000
- (viii) As per Ind AS 103, while accounting and reporting for business combination goodwill is calculated as ____.
- A. Consideration + Non controlling Interest – Net assets
B. Consideration - Non controlling Interest + Net assets
C. Consideration - Non controlling Interest – Net assets
D. Consideration + Non controlling Interest + Net assets
- (ix) On 1 January 2023 M Ltd. acquires 80 per cent of the equity interests of P Ltd. by issue of equity shares of paid-up value of ₹200 Lakhs (market value ₹480 Lakhs). The identifiable assets are measured at ₹760 Lakhs and the liabilities assumed are measured at ₹120 Lakhs. Compute Non-controlling Interest if measured at proportionate net asset value.
- A. ₹640 Lakh
B. ₹760 Lakh
C. ₹128 Lakh
D. ₹480 Lakh
- (x) In 4P Bottom Line Reporting _____ bottom line relate business with happiness of stakeholders.
- A. first
B. second
C. third
D. forth
- (xi) $EVA = \text{____} - (WACC \times \text{Invested Capital})$
- A. NOPAT
B. PAT
C. EBIT
D. None of these



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- (xii) Ind AS 103 has a wider scope than –
A. AS 15
B. AS 14
C. AS 16
D. AS 13
- (xiii) A joint arrangement is either a _____ or a joint venture.
A. Joint Operation
B. Joint Control
C. Joint Partnership
D. Partnership
- (xiv) IGAS 2 is related to _____.
A. Accounting and Classification of Grants-in-aid
B. Guarantees given by Governments: Disclosure Requirements
C. Government Investments in Equity
D. None of these
- (xv) Financial assets are _____.
A. Cash
B. An equity instrument of another entity
C. A contractual right
D. All of these

SECTION – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks.)

[5x14=70]

2. (a) An item of PPE with a cost of ₹200 and a Carrying Amount of ₹160 is revalued to ₹300. No equivalent adjustment is made for tax purposes. Cumulative Depreciation for Tax purposes is ₹60 and Tax Rate is 30%. Compute DTL to be recognised, if the item is sold for more than cost –
(i) Cumulative Depreciation of ₹60 will be included in Taxable Income. Sale proceeds above tax is not taxable.
(ii) Cumulative Depreciation will be included in Taxable Income (Taxed at 30%) and the Sale Proceeds will be taxed at 40% after deducting an Inflation Adjusted Cost at ₹ 220. [7]
- (b) PP Ltd. borrowed ₹20,00,000 for purchase of Machinery on 01.06.2023. Interest on Loan is 9% p.a. The Machinery was put to use from 01.01.2024. Pass Journal Entry for the year ended 31.03.2024 to record the Borrowing Cost of the Loan as per Ind AS – 23. [7]



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3. (a) Assume that an Asset has Expected Cash Flows of ₹780 in one year determined on the basis of the possible Cash Flows and probabilities shown below:

Possible Cash Flows	Probability	Probability- Weighted Cash Flows
₹500	15%	₹75
₹800	60%	₹480
₹900	25%	₹225
Expected Cash Flows		₹780

Here the applicable Risk-Free Interest Rate for Cash Flows with a 1 year horizon is 5%, and the Systematic Risk Premium for an Asset with the same risk profile is 3%. Calculate the Fair Value (i.e. Present Value) of the Asset under Expected Present Value Technique if certainty equivalent cash flow method is considered.

[7]

- (b) Following is the Balance Sheet of Z Ltd. as on 31st March, 2023:

(₹ in Lakh)

Liabilities	(₹)	Assets	(₹)
1,00,000 Equity Shares of ₹10 each	10,00,000	Preliminary expenses	5,00,000
10,000 12% Preference Shares of ₹100 each	10,00,000	Goodwill	15,00,000
General Reserve	6,00,000	Buildings Plant	10,00,000
Profit and Loss Account	4,00,000	Plant	4,80,000
15% Debentures	10,00,000	Investment in 10% Stock	6,00,000
Creditors	8,00,000	Stock-in - trade	4,00,000
		Debtors	2,20,000
		Cash	1,00,000
	48,00,000		48,00,000

Additional information is given below:

- (a) Nominal value of investment is ₹5,00,000 and its market value is ₹5,20,000.

- (b) Following assets are revalued: (₹)

(i) Building	32,00,000
(ii) Plant	18,00,000
(iii) Stock-in-trade	4,50,000
(iv) Debtors	3,60,000

- I. Average profit before tax of the company is ₹12,00,000 and 12.50% of the profit is transferred to general reserve, rate of taxation being 50%.
- II. Normal dividend expected on equity shares is 8% while fair return on closing capital employed is 10%.
- III. Goodwill may be valued at three year's purchase of super profits.
- Calculate the Super profit for calculation of Goodwill.

[7]



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

Particulars	₹ Lakhs
Standard Assets	40,000
Sub Standard Assets	4,000
Secured Positions of Doubtful Debts:	
- Up to one year	1000
- one year to three years	600
- more than three years	200
Unsecured Portions of Doubtful debts	160
Loss Assets	120

Calculate the amount of provision which must be made against the advances.

[7]

- (b) On 01.04.2024 the summarised balance sheets of Satellite Ltd. and Planet Ltd. are provided as: (₹'000)

	Satellite Ltd.		Planet Ltd.
	B/S (₹)	Fair Value (₹)	B/S (₹)
Equity Share Capital (₹ 10)	8,000		12000
Other Equity	6,000		4000
Borrowings	2,000	2,050	3000
Trade Payables	2,500	2,400	2000
Property, Plant and Equipment	9,000	10000	12000
Investment Property	5,000	7000	1000
Investments	1,000		3500
Current Assets	3,500	3200	4500
Contingent Liabilities	800	750	

Market price of equity shares of Planet Ltd. and Satellite Ltd. are ₹ 16 and ₹ 15 respectively on the day. On the basis of the above data, you are required to make the necessary accounting for the following cases.

Planet Ltd. takes over Satellite Ltd. and purchase consideration is settled by issue of 1050000 equity shares. Pass journal entries in the books of both the companies.

[7]



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5. On March 31, 2024, P Ltd acquired 100% shares of Q Ltd. P Ltd. issued 3,00,000 equity shares (₹ 10) that were trading at ₹ 16 on March 31.

The summarized Balance Sheets of the companies as at March 31, 2024 (before acquisition):

(Amount in ₹)

Partclars	(Book Value)		(Market Value)	
	P Ltd.	Q Ltd.	P Ltd.	Q Ltd.
Net Assets	80,00,000	42,00,000	110,00,0000	45,00,000
Equity Sh. Cap	60,00,000	25,00,000		
Other Equity	20,00,000	17,00,000		

Show acquisition journal entry under Ind AS 103 and summarized balance sheet after business combination. Also show the necessary accounting in the books of the Acquiree. **[14]**

6. Company P Ltd. (P) acquires 80% shares of company S Ltd. (S) on 1.10.2023 by issue of equity shares at total Fair Value of ₹440 Lakhs, total paid up value ₹100 Lakhs. Non-Controlling Interest (NCI) should be measured at proportionate Net Assets. The total comprehensive income of P and S in the year ending on 31.3.2024 amounted to

₹120 Lakhs and ₹140 Lakhs respectively. The extracts from balance sheets at book values and at fair values at the date of acquisition and at 31.03.2024 are stated below. (₹ in Lakhs)

Particulars	On 1.10.2023			On 31.3.2024	
	P	S	FV of S	P	S
PPE	680	440	700	720	500
Investment in Shares of Q				440	
Current Assets	420	360	320	500	400
Total Assets	1,100	800		1,660	900
Current Liability	300	200	200	340	220
Noncurrent Liability	300	300	300	320	310
Total Liabilities	600	500		660	530
Net assets at Fair Value			520		



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Equity structure of the companies:

(₹ in Lakhs)

	P Ltd.		S Ltd.	
	On 01.04.2023	On 31.03.2024	On 01.04.2023	On 31.03.2024
Equity Share Capital	200	300 ^x	100	100
Other Equity	240	700 ^x	130	270

Prepare CBS on 01.10.2023 and on 31.03.2024.

[14]

7. (a) The following are the balances in the account statements of X Ltd. for the year ended 31st March, 2024:
(₹'000)

Particulars	(₹)
Turnover	4,600
Plant and machinery net	2,160
Loss on sale of machinery	150
Depreciation on plant and machinery	400
Dividends to ordinary shareholders	292
Debtors	390
Creditors	254
Total stock of all materials, WIP and finished goods:	
Opening stock	320
Closing stock	400
Raw materials purchased	1,250
Cash at bank	196
Printing and stationery	44
Auditor's remuneration	56
Retained profits (opening balance)	1998
Retained profits for the year	576
Rent, rates and taxes	330
Other expenses	170
Ordinary share capital issued	3,000
Interest on/borrowings	80
Income-tax for the year	552
Wages and salaries	654
Employees state insurance	70
P.F. contribution	56

Prepare a Value Added Statement for the company for the year 2023-24.

[7]

- (b) Demonstrate the Importance of ESG Reporting.

[7]

8. (a) Describe the roles of Public Accounts Committee.

[5]



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- (b) Describe the responsibilities of GASAB. [5]
- (c) Company P Ltd. (a listed company) acquires 20% shares (entitling 20% voting power and significant influence) in company Q Ltd. on 1.4.2023 at a cost of ₹ 46,000, paid by cash. During the financial year 2023-2024, Q made profits of ₹ 20,000 and other comprehensive income of ₹ 10,000.
- Analyse whether for the investment in shares of Q, P requires preparation of consolidated financial statements and separate financial statements? [4]



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SECTION – A (Compulsory)

1. (a) Choose the correct option: [15 x 2 = 30]
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- (vi) All NBFCs-ND which have an asset size of ₹500 crore and above and all NBFCs-D shall maintain minimum Tier 1 Capital of ____.
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B. 15%
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D. 1%
- (vii) A Ltd. acquires 80% of B Ltd. for ₹10,00,000 paid by equity at par Fair Value (FV) of B's net assets at time of acquisition amounts ₹9,00,000. The value of goodwill based on NCI valued at proportionate fair value of identified net asset will be:
- A. ₹3,00,000
B. ₹2,80,000
C. ₹4.50,000
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- (viii) As per Ind AS 103, while accounting and reporting for business combination goodwill is calculated as ____.
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- (ix) On 1 January 2023 M Ltd. acquires 80 per cent of the equity interests of P Ltd. by issue of equity shares of paid-up value of ₹200 Lakhs (market value ₹480 Lakhs). The identifiable assets are measured at ₹760 Lakhs and the liabilities assumed are measured at ₹120 Lakhs. Compute Non-controlling Interest if measured at proportionate net asset value.
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B. ₹760 Lakh
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D. ₹480 Lakh
- (x) In 4P Bottom Line Reporting _____ bottom line relate business with happiness of stakeholders.
- A. first
B. second
C. third
D. forth
- (xi) $EVA = \text{____} - (WACC \times \text{Invested Capital})$
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- D. None of these**
- (xii) Ind AS 103 has a wider scope than –
A. AS 15
B. AS 14
C. AS 16
D. AS 13
- (xiii) A joint arrangement is either a _____ or a joint venture.
A. Joint Operation
B. Joint Control
C. Joint Partnership
D. Partnership
- (xiv) IGAS 2 is related to _____.
A. Accounting and Classification of Grants-in-aid
B. Guarantees given by Governments: Disclosure Requirements
C. Government Investments in Equity
D. None of these
- (xv) Financial assets are _____.
A. Cash
B. An equity instrument of another entity
C. A contractual right
D. All of these

Answer:

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

SECTION – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks.)

[5x14=70]

2. (a) An item of PPE with a cost of ₹200 and a Carrying Amount of ₹160 is revalued to ₹300. No equivalent adjustment is made for tax purposes. Cumulative Depreciation for Tax purposes is ₹60 and Tax Rate is 30%. Compute DTL to be recognised, if the item is sold for more than cost –
- (i) Cumulative Depreciation of ₹60 will be included in Taxable Income. Sale proceeds above tax is not taxable.



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(ii) Cumulative Depreciation will be included in Taxable Income (Taxed at 30%) and the Sale Proceeds will be taxed at 40% after deducting an Inflation Adjusted Cost at ₹ 220. [7]

- (b) PP Ltd. borrowed ₹20,00,000 for purchase of Machinery on 01.06.2023. Interest on Loan is 9% p.a. The Machinery was put to use from 01.01.2024. Pass Journal Entry for the year ended 31.03.2024 to record the Borrowing Cost of the Loan as per Ind AS – 23. [7]

Answer:

- (a) (i) If the entity expects to recover the carrying amount by using the Asset, DTL to be recognized will be the same in both the case-

Tax base = Amount deductible for determining Taxable profit = Cost – Depreciation provided	200-60 = ₹140
Taxable Temporary Difference (Taxable Income ₹300, Amount deductible as Depreciation of ₹140)	300 -140 = ₹160
Tax rate applicable	30%
DTL to be recognised	₹48

- (ii) If the entity expects to recover the Carrying Amount by selling the item, then DTL is computed as follows:-

Particulars	Case A	Case B
Cumulative depreciation Taxable in future at 30%	60	60
Sale Proceeds Taxable in future	Nil, since sale proceeds above cost is not taxable	Sale Proceeds 300 – Indexed Cost 220 = ₹80 taxable at 40%
DTL to be recognised	$60 \times 30\% = ₹18$	$(60 \times 30\%) + (80 \times 40\%) = ₹50$

(b)

- The Machinery purchased was not ready for its intended use on the date of acquisition. It was ready for intended use only on the on which it was put to use. Hence, the machinery is a “Qualifying Asset” for the period of 7 months from 01.06.2023 to 01.01.2024
- Six months is assumed to be “substantial period of time” for the Asset under consideration.
- Hence, Interest Cost for the period of construction, i.e. from 01.06.2023 to 01.01.2024 is capitalized as part of the asset. The amount to be capitalized = ₹20,00,000 × 9% × 7/12 = ₹1,05,000

Particulars	Dr.(₹)	Cr.(₹)
Interest A/c Dr. To Interest Payable A/c (Being total interest accrued for year, i.e. ₹20,00,000 × 9% × 10/12)	1,50,000	1,50,000
Machinery A/c Dr.	1,05,000	

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To Interest A/c (Being amount of interest capitalized as per Ind AS-23)		1,05,000
Interest Payable A/c Dr.	1,50,000	
To Bank A/c (Being Total Interest on Loan paid)		1,50,000
Profit & Loss A/c Dr.	45,000	
To Interest A/c (Being balance amount of interest debited to Profit & Loss)		45,000

3. (a) Assume that an Asset has Expected Cash Flows of ₹780 in one year determined on the basis of the possible Cash Flows and probabilities shown below:

Possible Cash Flows	Probability	Probability- Weighted Cash Flows
₹500	15%	₹75
₹800	60%	₹480
₹900	25%	₹225
Expected Cash Flows		₹780

Here the applicable Risk-Free Interest Rate for Cash Flows with a 1 year horizon is 5%, and the Systematic Risk Premium for an Asset with the same risk profile is 3%. Calculate the Fair Value (i.e. Present Value) of the Asset under Expected Present Value Technique if certainty equivalent cash flow method is considered. [7]

- (b) Following is the Balance Sheet of Z Ltd. as on 31st March, 2023:

(₹in Lakh)

Liabilities	(₹)	Assets	(₹)
1,00,000 Equity Shares of ₹10 each	10,00,000	Preliminary expenses	5,00,000
10,000 12% Preference Shares of ₹100 each	10,00,000	Goodwill	15,00,000
General Reserve	6,00,000	Buildings Plant	10,00,000
Profit and Loss Account	4,00,000	Plant	4,80,000
15% Debentures	10,00,000	Investment in 10% Stock	6,00,000
Creditors	8,00,000	Stock-in - trade	4,00,000
		Debtors	2,20,000
		Cash	1,00,000
	48,00,000		48,00,000

Additional information is given below:

- (a) Nominal value of investment is ₹5,00,000 and its market value is ₹5,20,000.



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(b) Following assets are revalued: (₹)

(i) Building	32,00,000
(ii) Plant	18,00,000
(iii) Stock-in-trade	4,50,000
(iv) Debtors	3,60,000

- I. Average profit before tax of the company is ₹12,00,000 and 12.50% of the profit is transferred to general reserve, rate of taxation being 50%.
- II. Normal dividend expected on equity shares is 8% while fair return on closing capital employed is 10%.
- III. Goodwill may be valued at three year's purchase of super profits.
Calculate the Super profit for calculation of Goodwill.

[7]

Answer:

(a)

Step	Method 1	Method 2
Cash flow	Certainty Equivalent Cash Flow = ₹780 × 1.05 (5% Risk Free Rate) / 1.08 (5% Risk Free Rate + 3% Premium) = ₹758 (Note: The difference between Expected Cash Flows ₹780 and its Certainty Equivalent ₹758 = ₹22 represents the Cash Risk Premium)	Cash Flows are not adjusted for Risk. Hence, Expected Cash Flows ₹780 shall be taken.
Disc.Rate	Risk Free Rate 5% should be used for Discounting.	Expected Rate of Return = 5% Risk – Free rate + 3% Systematic Risk Premium = 8%
PV or FV	Fair value = ₹758 / 1.05 = ₹722	Fair Value = ₹780 / 1.08 = ₹722

(b) Calculation of Capital Employed

Assets:	(₹)
Buildings	32,00,000
Plant	18,00,000
Stock	4,50,000
Debtors	3,60,000
Cash	1,00,000
	59,10,000
Less: Liabilities:	(₹)
Creditors	8,00,000
10,000 12% Preference Shares of `100 each	10,00,000
Debentures	10,00,000
Total Capital Employed	31,10,000



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Calculation of Actual Profit

Average Profit before Tax (given)	12,00,000
Less: Income from Investment (5,00,000 × 10%)	50,000
	11,50,000
Less: Income Tax @ 50%	5,75,000
Preference dividend	1,20,000
Actual Profit	4,55,000

Profit for Equity Shareholders

Actual Profit (as calculated above)	4,55,000
Less: Transfer to Reserve @ 12.50%	(56,875)
Profit available to Equity Shareholders.	3,98,125

- **Normal Profit**

10% of Capital Employed = 10% of ₹31,10,000 = ₹3,11,000

- **Super Profit = Actual Profit – Normal Profit**

= ₹4,55,000 – ₹3,11,000 = ₹1,44,000

- **Goodwill = ₹1,44,000 × 3 = ₹4,32,000**

- **Net Assets for Equity Shareholders**

= Capital Employed + Goodwill + Investment

= ₹31,10,000 + ₹4,32,000 + ₹4,80,000

= ₹40,22,000

- **Value per share (Based on Intrinsic Value Method)**

= ₹ $\frac{40,22,000}{1,00,000 \text{ Shares}}$ = ₹40.22

- **Value per share (Based on Yield Method)**

Yield on Equity Share = Profit for Equity Shareholders / Equity Share Capital × 100

= ₹3,98,125 / 10,00,000 × 100 = 39.81%

Value per share = ₹39.81 / 8 × 10 = ₹49.77

- **Value of Equity Share Under Fair value Method**

= Intrinsic value + yield value / 2 = ₹40.22 + ₹49.77 / 2 = ₹45 (appx)



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

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Secured Positions of Doubtful Debts:	
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- more than three years	200
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Loss Assets	120

Calculate the amount of provision which must be made against the advances.

[7]

- (b) On 01.04.2024 the summarised balance sheets of Satellite Ltd. and Planet Ltd. are provided as:

(₹'000)

	Satellite Ltd.		Planet Ltd.
	B/S (₹)	Fair Value (₹)	B/S (₹)
Equity Share Capital (₹10)	8,000		12000
Other Equity	6,000		4000
Borrowings	2,000	2,050	3000
Trade Payables	2,500	2,400	2000
Property, Plant and Equipment	9,000	10000	12000
Investment Property	5,000	7000	1000
Investments	1,000		3500
Current Assets	3,500	3200	4500
Contingent Liabilities	800	750	

Market price of equity shares of Planet Ltd. and Satellite Ltd. are ₹16 and ₹15 respectively on the day. On the basis of the above data, you are required to make the necessary accounting for the following cases. Planet Ltd. takes over Satellite Ltd. and purchase consideration is settled by issue of 1050000 equity shares. Pass journal entries in the books of both the companies.

[7]

Answer:

(a)

Particulars	Loan (₹Lakhs)	Provision (%)	Provision (₹Lakhs)
Standard Assets	40,000	0.4	160
Sub-Standard Assets	4,000	10%	400



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Secured Portions of Doubtful Debts:			
- Up to one year	1,000	20%	200
- 1 year to 2 years	600	30%	180
- more than three years	200	50%	100
Unsecured Portions of Doubtful Assets	160	100%	160
Loss Assets	120	100%	120
Total			1320

(b)

WN 1. Net Assets of Satellite Ltd. at fair value:

(₹'000)

	(₹)	(₹)
Property, Plant and Equipment	10,000	
Investment Property	7,000	
Investments	1,000	
Current Assets	3,200	
Total Assets		21,200
Borrowings	2,050	
Trade Payables	2,400	
Liabilities (Recognised)	750	
Total Liabilities		5,200
Net assets		16,000

In the books of Planet Ltd.

Journal

(₹'000)

Date	Particulars	Dr.	Cr.
01.04.2021	Property, Plant and Equipment	Dr. 10,000	
	Investment Property	Dr. 4,000	
	Investments	Dr. 4,000	
	Current Assets	Dr. 3,200	
	Goodwill	Dr. 800	
	To Borrowings		2,050
	To Trade Payables		2,400
	To Liabilities (Contingent liabilities recognised)		750
	To Equity Share Capital (₹10)		10,500
	To Security Premium (₹6)		6,300



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Summarised Balance sheet as at 01.04.2021 (after take over) (₹'000)

	Workings (₹)	Amount (₹)
Property, Plant and Equipment	12,000 + 10,000	22,000
Goodwill		800
Investment Property	4,000 + 4,000	8,000
Investments	3,500 + 1,000	4,500
Current Assets	4,500 + 3,200	7,700
Total Assets		43,000
Equity Share Capital	12,000 + 10,500	22,500
Other Equity	4,000 + 6,300	10,300
Borrowings	3,000 + 2,050	5,050
Trade Payables	2,000 + 2,400	4,400
Liabilities (contingent recognised)		750
Total of equity and liabilities		43,000

In the books of Satellite Ltd.

Journal (₹'000)

Date	Particulars		Dr. (₹)	Cr. (₹)
	Realisation A/c	Dr.	18,500	
	To, Property, Plant and Equipment			9,000
	A/c To, Investment Property A/c			5,000
	To, Investments A/c			1,000
	To, Current Assets A/c			3,500
	Equity Shares in Planet Ltd.	Dr.	16,800	
	Borrowings	Dr.	2,000	
	Trade Payables	Dr.	2,500	
	To Realisation A/c			21,300
	Realisation A/c	Dr.	2,800	
	To Equity Shareholders A/c			2,800
	Equity Share Capital A/c	Dr.	8,000	
	Other Equity	Dr.	6,000	
	To Equity Shareholders A/c			14,000
	Equity Shareholders A/c	Dr.	16,800	
	To Equity Shares in Planet Ltd.			16,800



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5. On March 31, 2024, P Ltd acquired 100% shares of Q Ltd. P Ltd. issued 3,00,000 equity shares (₹10) that were trading at ₹16 on March 31.

The summarized Balance Sheets of the companies as at March 31, 2024 (before acquisition):

(Amount in ₹)

Partclars	(Book Value)		(Market Value)	
	P Ltd.	Q Ltd.	P Ltd.	Q Ltd.
Net Assets	80,00,000	42,00,000	110,00,000	45,00,000
Equity Sh. Cap	60,00,000	25,00,000		
Other Equity	20,00,000	17,00,000		

Show acquisition journal entry under Ind AS 103 and summarized balance sheet after business combination. Also show the necessary accounting in the books of the Acquiree. [14]

Answer:

Purchase consideration (at fair value) = $3,00,000 \times ₹16 = ₹48,00,000$; FV of Net Assets ₹45,00,000

Goodwill = Consideration – Net Assets = ₹ (48,00,000 – 45,00,000) = ₹3,00,000.

Particulars	Dr. (₹)	Cr. (₹)
Net Assets A/c Dr.	45,00,000	
Goodwill A/c Dr.	3,00,000	
To, Consideration A/c		48,00,000
Consideration A/c Dr.	48,00,000	
To, Equity Share Capital		30,00,000
A/c To, Security Premium		18,00,000
A/c		

Summarized Individual Balance sheet of K Ltd. as at March 31 (Post-acquisition)

Workings:

Particulars	₹	₹
Net Assets:		
Carrying amount of Acquirer P Ltd.	80,00,000	
Fair Value of Acquiree Q Ltd.	45,00,000	
		125,00,000
Goodwill		3,00,000
Total Net Assets		1,28,00,000
Equity:		
Equity Share Capital		
Existing	60,00,000	



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Issue for consideration	30,00,000	
		90,00,000
Other Equity:		
Carrying amount	20,00,000	
Security Premium on issue of shares)	18,00,000	
		38,00,000
Total Equity		1,28,00,000

No consolidated or separate set is required.

In books of Q:

Accounts are closed through Realisation Account

Particulars	Dr. (₹)	Cr. (₹)
Realisation A/c Dr. To, Net Assets A/c	42,00,000	42,00,000
Equity Shares in K Ltd. A/c Dr. To, Realisation A/c	48,00,000	48,00,000
Realisation A/c Dr. To, Equity Shareholders' A/c	6,00,000	6,00,000
Equity Share Capital A/c Dr. Other Equity A/c Dr. To, Equity Shareholders' A/c	25,00,000 17,00,000	42,00,000
Equity Shareholders' A/c Dr. To, equity Shares in K Ltd.	48,00,000	48,00,000

Dr.	Realisation Account		Cr.
Particulars	(₹)	Particulars	(₹)
Net Assets A/c	42,00,000	Equity Shares in P A/c	48,00,000
Equity Shareholders' A/c	6,00,000		
	48,00,000		48,00,000

Dr.	Equity Shareholders' Account		Cr.
Particulars	(₹)	Particulars	(₹)
Equity Shares in P Ltd. A/c	48,00,000	Equity Share Capital A/c	25,00,000
		Other Equity A/c	17,00,000
		Realisation A/c	6,00,000
	48,00,000		48,00,000



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Now, what changes take place in accounting in the books of the Acquirer and the Acquiree if the following changes take place:

- P Ltd acquired 100% shares of Q Ltd.
- P Ltd acquired 80% shares of Q Ltd.

6. Company P Ltd. (P) acquires 80% shares of company S Ltd. (S) on 1.10.2023 by issue of equity shares at total Fair Value of ₹440 Lakhs, total paid up value ₹100 Lakhs. Non-Controlling Interest (NCI) should be measured at proportionate Net Assets. The total comprehensive income of P and S in the year ending on 31.3.2024 amounted to ₹120 Lakhs and ₹140 Lakhs respectively. The extracts from balance sheets at book values and at fair values at the date of acquisition and at 31.03.2024 are stated below. (₹in Lakhs)

Particulars	On 1.10.2023			On 31.3.2024	
	P	S	FV of S	P	S
PPE	680	440	700	720	500
Investment in Shares of Q				440	
Current Assets	420	360	320	500	400
Total Assets	1,100	800		1,660	900
Current Liability	300	200	200	340	220
Noncurrent Liability	300	300	300	320	310
Total Liabilities	600	500		660	530
Net assets at Fair Value			520		

Equity structure of the companies:

(₹in Lakhs)

	P Ltd.		S Ltd.	
	On 01.04.2023	On 31.03.2024	On 01.04.2023	On 31.03.2024
Equity Share Capital	200	300	100	100
Other Equity	240	700	130	270

Prepare CBS on 01.10.2023 and on 31.03.2024.

[14]

Answer:

Working Notes:

(₹ in Lakhs)

1. Analysis of profits of S:	Pre-acquisition	Post-acquisition
Other Equity on 01.04.2023	130	
Revaluation Profit/Loss `(260-40) Lakhs	220	
Profits during the year `140 Lakhs		



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50% × ₹140 Lakhs pre and 50% post	70	70
Revaluation loss on Current Asset reverted		40
Other Equity on 01.10.2017	420	110
Share of P 80%		88
Share of NCI 20%		22

2. Net Assets of S at Fair Value represented by Equity Share Capital + Pre-acquisition Profits (Other Equity at acquisition):

Equity Share Capital ₹100 Lakhs

Other Equity on 01.10.2020 ₹420 Lakhs

Net Assets ₹520 Lakhs

3. NCI at acquisition = $20\% \times 520 = 104$
4. Goodwill = Purchase Consideration + NCI – Net Assets = ₹ (440 + 104 – 520) = ₹ 24 Lakhs

Consolidated Balance Sheet of P Ltd. and its subsidiary S Ltd as on 01.10.2023

Particulars	Workings	(₹ in Lakhs)
PPE	680 + 700	1,380
Goodwill		24
Current Assets	420 + 320	740
Total Assets		2,144
Equity Share Capital	(200 + 100)	300
Other Equity on 01.10.2020	(240 + 60 + 340)	640
NCI		104
Noncurrent Liability	300+300	600
Current Liability	300+200	500
Total of Equity and Liabilities		2,144

Consolidated Balance Sheet of P Ltd. and its subsidiary S Ltd. as on 31.03.2024

Particulars	Workings	(₹ in Lakhs)
PPE	720 + 500 + 260	1,480
Goodwill		24
Current Assets	500 + 400 - 40 + 40	900
Total Assets		2,404
Equity Share Capital		300
Other Equity	700 + 88	788
NCI	104 + 22	126



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Noncurrent Liability	320 + 310	630
Current Liability	340 + 220	560
Total of Equity and Liabilities		2,404

7. (a) The following are the balances in the account statements of X Ltd. for the year ended 31st March, 2024:

(₹'000)

Particulars	
Turnover	4,600
Plant and machinery net	2,160
Loss on sale of machinery	150
Depreciation on plant and machinery	400
Dividends to ordinary shareholders	292
Debtors	390
Creditors	254
Total stock of all materials, WIP and finished goods:	
Opening stock	320
Closing stock	400
Raw materials purchased	1,250
Cash at bank	196
Printing and stationery	44
Auditor's remuneration	56
Retained profits (opening balance)	1998
Retained profits for the year	576
Rent, rates and taxes	330
Other expenses	170
Ordinary share capital issued	3,000
Interest on/borrowings	80
Income-tax for the year	552
Wages and salaries	654
Employees state insurance	70
P.F. contribution	56

Prepare a Value Added Statement for the company for the year 2023-24. [7]

- (b) Demonstrate the importance of ESG Reporting. [7]



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Answer:

(a)

Value Added Statement

For the year ended on 31st March, 2024

Particulars	(₹)	(₹)
Generation of Value Added		
Turnover		4,600
Add: Increase in Stock of raw materials, WIP and FG		80
		4,680
Less. Cost of bought-in materials and services		
Raw materials purchased	1,250	
Printing and Stationery	44	
Auditor's remuneration	56	
Rent, rates and taxes	330	
Other expenses	170	1,850
Total Value Added		2,830
Distribution of Value Added		
To Employees		
Wages and salaries	654	
Employees state insurance	70	
P.F. contribution	56	
		780
To Government		
Income-tax for the year		552
To Providers of Capital		
Interest on borrowings	80	
Dividends	292	
		372
Re-invested in Business		
Depreciation on plant and machinery		
Retained profit for the year	400	
	576	976
Loss on sale of machinery		150
Total Disposal of Added Value		2,830

- (b)** ESG reporting refers to the disclosure of data covering the company's operations in three areas: environmental, social and corporate governance. The importance of ESG Reporting can be assessed based on the following five broad aspects:



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- ESG risks and opportunities have potential impact on shareholder's value.
- Today, most of the investors wish to integrate the business with environment and society to generate sustainable profits in responsible manner.
- ESG Reporting analyses how the business operations of the company impact the environment both directly as well as indirectly.
- ESG Reporting analyses how a company manages relationships with its stakeholders, regardless of where it operates.
- ESG reporting highlights on various dimensions of corporate governance.

Annual report, in spite of incorporating many mandatory reporting tools, often fails to identify the corporates' ESG performance. A separate ESG reporting can do a lot to meet this gap.

8. (a) Describe the roles of Public Accounts Committee. [5]
- (b) Describe the responsibilities of GASAB. [5]
- (c) Company P Ltd. (a listed company) acquires 20% shares (entitling 20% voting power and significant influence) in company Q Ltd. on 1.4.2023 at a cost of ₹46,000, paid by cash. During the financial year 2023-2024, Q made profits of ₹20,000 and other comprehensive income of ₹10,000. Analyse whether for the investment in shares of Q, P requires preparation of consolidated financial statements and separate financial statements. [4]

Answer:

(a)

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:
 - the expenditures made by the government, were authorized by the Parliament; and
 - the expenditures 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 P.A.C. by entrusting it with the responsibility of scrutinizing the audit report of public corporations.
5. **Scrutinising the working process of ministries and public corporations:** In examining the

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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 P.A.C. 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.

(b) GASAB, inter alia, has the following responsibilities:

- (i) To formulate and improve 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 change in the Governmental environment.
- (iv) To provide guidance on 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.

- (c) P Ltd. requires preparation of consolidated financial statements because it has investment in Associate Q Ltd. Ind AS 28 requires that accounting for investment in associate and in joint venture should be made under equity method in the consolidated financial statement. Q is an Associate because P has significant influence in Q by virtue of its 20% voting power through holding of 20% shares in Q.

Ind AS 28 also requires P the investor company to prepare separate financial statement as per Ind AS 27.