



FINAL EXAMINATION **SET - 1**
MODEL QUESTION PAPER **TERM – DECEMBER 2024**
PAPER – 18 **SYLLABUS - 2022**
CORPORATE FINANCIAL REPORTING

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) Ind AS is applicable in India for a company with net worth of ₹250 Crore or more from the date on:
- 01.04.2022
 - 01.04.2021
 - 01.04.2020
 - 01.04.2017
- (ii) Ind AS - 113 applies to:
- Share-based payment transactions within the scope of Ind AS 102
 - Measurements that have some similarities to fair value but are not fair value such as net realizable value in Ind AS 2, or value in use in Ind AS 36
 - When another Ind AS requires or permits fair value measurements or disclosures about fair value measurements
 - Leasing transactions within the scope of Ind AS 17
- (iii) The carrying value of PPE at 1 July 2023 was ₹15,780 (cost ₹20,580 and accumulated depreciation ₹4,800). During the year to 30 June 2024 PPE costing ₹4,530 were purchased. The depreciation policy is to charge depreciation at 20% on all assets held at the year-end on the diminishing balance basis. Accumulated depreciation for the balance sheet as at 30 June 2025 would be:
- ₹8,862
 - ₹10,782
 - ₹9,822
 - ₹12,978
- (iv) An asset's carrying amount is ₹25,000. Its fair value less costs of disposal is ₹15,000 and its value in use is ₹19,000. There is an impairment loss of:
- ₹6,000
 - nil
 - ₹10,000
 - ₹4,000
- (v) The value of a share under the net asset approach is determined by ____.
- accessible net assets to equity owners
 - net assets accessible to holders of debentures
 - the value of preference shareholders' net assets
 - none of the preceding
- (vi) From the following particulars you are required to determine value of goodwill of ABX Ltd.
- | | | |
|----------------------------|---|-----------|
| 1. Super Profit (Computed) | : | ₹4,50,000 |
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2. Normal rate of return : 12%
3. Present value of annuity of ₹1 for 4 years @ 12% : 3.0374
- a. ₹ 13,66,830
- b. ₹11,66,800
- c. ₹14,00,000
- d. ₹ 7,00,000

(vii) Net asset value method is based on the assumption that the company is _____.

- a. a going concern
- b. going to be liquidated.
- c. a. & b. both
- d. none of the above

(viii) Ind AS - 109 deals with:

- a. recognition and measurement of financial instruments and hedge accounting.
- b. presentation of financial instruments
- c. disclosure of financial instruments
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(ix) X has acquired 100% of the equity of Y on March 31,2023. The purchase consideration comprises of an immediate payment of 100 lakhs and three further payments of 5.0 lakhs if the return on equity exceeds 20% in each of the subsequent three financial years. A risk adjusted discount rate of 20% is used. The value of total consideration at the acquisition date is _____.

- a. ₹100 lakhs
- b. ₹110.532 lakhs
- c. ₹110 lakhs
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(x) As per the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules,2011, the following classes of companies were required to file the Financial Statements in XBRL Form only from the year 2010-2011

- a. All companies listed in India and their subsidiaries
- b. All companies having a paid up capital of ₹5 crore (₹50million) and above
- c. All companies having turnover of ₹100 crore (₹1billion) or above, excluding power and banking companies, insurance companies, Non-Banking Financial Companies and overseas subsidiaries of these companies.
- d. All of the above

(xi) 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 the above

(xii) If a parent loses control of a subsidiary, it shall derecognise:

- a. the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost.
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- c. the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control.
- d. Both a and b.
- (xiii) On 1 January 2024 A Ltd. Acquires 80 percent of the equity interests of B Ltd in exchange of cash of ₹600 lakhs. The identifiable assets are measured at ₹925 lakh and the liabilities assumed are measured at ₹150 lakh. The fair value of the 20 percent non-controlling interest in P is ₹90 lakhs. The gain on bargain purchase will be –
- ₹90 lakhs
 - ₹85 lakhs
 - ₹105 lakhs
 - ₹75 lakhs
- (xiv) Ind AS-103 states that the acquirer obtaining control over acquiree, recognises and measures in its consolidated financial statements at the acquisition date:
- the identifiable assets acquired, the liabilities assumed at Fair Value
 - any non-controlling interest in the acquiree at Fair Value or at Proportionate Value
 - goodwill acquired in the business combination or a gain on bargain purchase
 - All of the above
- (xv) Q Ltd. acquired a 75% interest in R Ltd on January 1, 2023. Q Ltd. paid ₹900 Lakhs in cash for their interest in R Ltd. The fair value of R Ltd.'s assets is ₹2000 Lakhs, and the fair value of its liabilities is ₹920 Lakhs. NCI valued at Fair Value and at Proportionate Value are:
- ₹300 lakhs and ₹360 lakhs
 - ₹225 lakhs and ₹270 lakhs.
 - ₹300 lakhs and ₹270 lakhs.
 - ₹225 lakhs and ₹360 lakhs.

SECTION - B

(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.)

[5 x 14 = 70]

2. (a) Company Y follows revaluation model to measure its property, plant and equipment. The Company acquires an item of PPE for a cost of INR 20,00,000 on April 1, 2022. The useful life of the said PPE for accounting purpose is 10 years (nil residual value). On March 31, 2023, the PPE is revalued to INR 28,80,000 (no change in residual value and remaining useful life). As per Ind AS 16, Property, Plant and Equipment if an asset's carrying amount is increased as a result of revaluation, increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. For tax purposes the value of the PPE is its cost i.e., INR 20,00,000. The useful life for tax purpose is 8 years (nil residual value). Examine the amount of temporary difference and deferred tax (considering a tax rate of 30%) as per Ind AS 12 as of March 31, 2023 and as of March 31, 2024? **[7]**



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- (b) On 1st January 2023, P Ltd. purchased a machine for \$ 2 lakhs. The functional currency of P Ltd. is Rupees. At that date the exchange rate was \$1 = ₹ 68. P Ltd. is not required to pay for this purchase until 30th June, 2023. Rupees strengthened against the \$ in the three months following purchase and by 31st March, 2023 the exchange rate was \$1 = ₹ 65. CFO of P Ltd. feels that these exchange fluctuations would not affect the financial statements because P Ltd. has an asset and a liability denominated in rupees. which was initially the same amount. He also feels that P Ltd. depreciates this machine over four years so the future year-end amounts will not be the same. Examine the impact of this transaction on the financial statements of P Ltd. for the year ended 31st March, 2023 as per Ind AS. [7]

3. (a) At the beginning of year 1, an entity grants to a senior executive 10,000 share options, conditional upon the executive remaining in the entity's employment until the end of year 3. However, the share options cannot be exercised unless the share price has increased from ₹50 at the beginning of year 1 to above ₹65. If the share price is above ₹65 the share options can be exercised at any time till the end of year 10. The entity applies a binomial option pricing model, which takes into account the possibility that the share price will exceed ₹65 (and hence the share options become exercisable) and the possibility that the share price will not exceed ₹65 (and hence the options will be forfeited). It estimates the fair value of the share options with this market condition to be ₹24 per option.

Find the remuneration expenses to be recognised in each year.

[7]

- (b) Following is the Balance Sheet of Z Ltd. as on 31st March, 2024: (₹ 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	Investment in 10% Stock	4,80,000
15% Debentures	10,00,000	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



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Additional information is given below:

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

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

- (iii) 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%.
- (iv) Normal dividend expected on equity shares is 8% while fair return on closing capital employed is 10%.
- (v) Goodwill may be valued at three year's purchase of super profits.
- (vi) Calculate the value of each equity share under fair value method. [7]

4. (a) Samvedan Ltd is a non-banking finance company. It accepts public deposit and also deals in the hire purchase) business. It provides you with the following information regarding major hire purchase deals as on 31.3.22. few machines were sold on hire-purchase basis. The hire purchase price was set as ₹100lakhs as against cash price of ₹80 lakhs. The amount was payable as ₹20 lakhs down payment and balance in 5 equal installments. The Hire vendor collected first installment as on 31.3.23, but could not collect the second installment which was due on 31.3.24. the company was finalizing accounts for the year ending 31.3.24. till 15.5.24, the date on which the Board of Directors signed the accounts, the second installment was not collected. Presume IRR to be 10.42%.

Required:

- (i) Compute the principal outstanding on 1.4.23. Should the company recognise finance charge for the year 2023-24 as income?
- (ii) Compute the net book value of assets as on 31.3.24 so far Samvedan Ltd. is concerned as per NBFC prudential norms requirement for provisioning.
- (iii) What should be the amount of provision to be made as per prudential norms for NBFC laid down by RBI? [7]

- (b) The following is the Balance Sheet as at 31st March, 2024 of Hopefull Ltd.

Liabilities	(₹)	Assets	(₹)
Share Capital:		Fixed Assets (including goodwill of ₹1,00,000)	11,80,000
8,500 Equity Shares of ₹100 each fully paid up	8,50,000	Investments	40,000
4,000 Cumulative Preference Shares of	4,00,000	Stock in Trade	2,75,000



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₹ 100 each fully paid up			
Securities Premium	20,000	Trade Debtors	1,50,000
General Reserve	60,000	Bank Balances	65,000
Trade Creditors	3,80,000		
	17,10,000		17,10,000

Contingent liability: Preference Dividends in arrears ₹ 60,000.

The Board of Directors of the company decided upon the following scheme of reconstructions, which was duly approved by all concerned and put into effect from 1st April, 2024.

- (i) The Preference Shares are to be converted into 12% unsecured debentures of ₹100 each with regard to 70% of the dues (including arrears of dividends) and for the balance Equity Shares of ₹50 paid up would be issued. The authorized Capital of the company permitted the issue of additional shares.
- (ii) Equity Shares would be reduced to share of ₹50 each paid up.
- (iii) Since goodwill has no value, the same is to be written off the fully.
- (iv) The market value of investments are to be reflected at ₹60,000.
- (v) Obsolete items in Stock of ₹75,000 are to be written off. Bad Debts to the extent of 5% of the total debtors would be provided for. Fixed assets to be written down by ₹1,80,000.

The company carried on trading, for six months upto 30th September 2024, and made a net profit of ₹1,00,000 after writing off depreciation at 25% p.a. on the revised value of fixed assets. The half yearly working resulted in an increase of Sundry Debtors by ₹80,000, stock by ₹70,000 and Cash by ₹50,000.

You are required to show the Journal.

[7]

5. Alpha Ltd and Beta Ltd were amalgamated on and from 1st April, 2024. A new company Gamma Ltd was formed to take over the business of the existing companies. The balance sheet of Alpha Ltd and Beta Ltd as on 31st March 2024 given below:

(₹ in lakhs)

Liabilities	Alpha	Beta	Assets	Alpha	Beta
Share capital			Fixed assets	1200	1000
Equity shares of ₹ 100 each	1000	800	Current assets, loans and advances	880	565
15% preference capital	400	300			
(preference shares of ₹ 100 each)					
Reserve and surplus					
Revaluation reserve	100	80			
General reserve	200	150			
Profit and Loss A/c	80	60			
Secured loan :					
12% debentures of ₹100 each	96	80			
Current liabilities and provisions	204	95			



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	2080	1565		2080	1565
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Other information:

- i. 12% Debentures holders of Alpha ltd and Beta ltd are discharged by Gamma ltd by issuing adequate of 16% Debentures of ₹100 each to ensure that they continue to receive the same amount of interest.
- ii. Preference shareholders of Alpha ltd and Beta ltd have received same number of 15% preference share of ₹100 each of Gamma ltd.
- iii. Gamma ltd has issued 1.5 equity shares for each equity shares of Alpha ltd and 1 equity share for each equity share of Beta ltd. The face value of shares issued by Gamma ltd is ₹ 100 each. Calculate the purchase consideration and also Prepare the balance sheet of Gamma ltd as on 1st April 2024. **[14]**

6. D Co. Ltd acquired 60% shares of G Co. Ltd. on 1st October 2023. The Retained Earnings balance of G on 01.04.2023 was ₹5,000. G declared dividend for 2023-2024 ₹6,000 (accounted in books of G but not accounted in books of D).

Abstracts from balance sheets of D and Gas at 31.03.2024 are:

Amount in ₹

Particulars	D		G	
PPE		60,000		30,000
Investments: Shares in G		24,000		
Current Assets		20,000		16,000
Total Assets		1,04,000		46,000
Equity Shares		50,000		25,000
Other Equity (Retained Earnings)		25,000		11,000
Current Liabilities		29,000		10,000
Total of Equity and Liabilities		1,04,000		46,000

Prepare Separate and Consolidated Balance sheet as at 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

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



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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) Explain how XBRL provides a digital reporting format that transmits not only “Content” but also “Context”. [7]

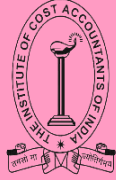
8. (a) Interpret the roles of Public Accounts Committee (P.A.C). [5]

(b) Discuss the Objectives of government accounting. [5]

(c) On 01.04.2023 BB Ltd. acquired 90% share of CM Ltd. at ₹10,80,000, when the fair value of its Net Assets was 1000000. During 01.04.2023 to 31.03.24 CM Ltd made TCI ₹2,00,000. On that date BM sold 15% holding to outsiders at ₹2,20,000. Pass journal entries for sale of partial holding retaining control. [4]



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FINAL EXAMINATION
MODEL ANSWERS
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SET - 1
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SYLLABUS 2022

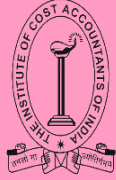
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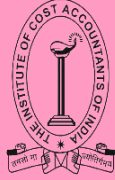
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- c. ₹300 lakhs and ₹270 lakhs.
- e. ₹225 lakhs and ₹360 lakhs.

Answer:1.

i	ii	iii	iv	v	vi	vii	viii	ix	x
d	c	b	a	a	a	b	a	b	d
xi	xii	xiii	xiv	xv					
a	d	b	d	c					



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SECTION-B

(Answer any five questions out of seven questions given. Each question carries 14 Marks.)
[5x14=70]

- 2.(a) Company Y follows revaluation model to measure its property, plant and equipment. The Company acquires an item of PPE for a cost of INR 20,00,000 on April 1, 2022. The useful life of the said PPE for accounting purpose is 10 years (nil residual value). On March 31, 2023, the PPE is revalued to INR 28,80,000 (no change in residual value and remaining useful life). As per Ind AS 16, Property, Plant and Equipment if an asset's carrying amount is increased as a result of revaluation, increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. For tax purposes the value of the PPE is its cost i.e., INR 20,00,000. The useful life for tax purpose is 8 years (nil residual value). Examine the amount of temporary difference and deferred tax (considering a tax rate of 30%) as per Ind AS 12 as of March 31, 2023 and as of March 31, 2024? [7]

Answer:

The temporary difference and deferred tax liability as per Ind AS 12 is calculated as below:

Particulars	Book base	Tax base	Temporary difference	DTL @ 30%
As on April 1, 2022	20,00,000	20,00,000	-	-
Depreciation/ tax allowance	(2,00,000)	(2,50,000)	-	-
As on March 31, 2023	18,00,000	17,50,000	50,000	15,000
Revaluation	10,80,000	-	-	-
As on March 31, 2023	28,80,000	17,50,000	11,30,000	3,39,000
Depreciation/ tax allowance	(3,20,000)	(2,50,000)	-	-
As on 31 March 2024	25,60,000	15,00,000	10,60,000	3,18,000

The deferred tax liability of INR 15,000 arising as on March 31, 2023 (before revaluation) will be recognised in profit and loss. The deferred tax liability of INR 3,24,000 arising on revaluation during year ended 31 March 2023 will be recognised in other comprehensive income as per paragraph 61A of Ind AS 12.

The reduction of deferred tax liability of INR 21,000 due to reduction of temporary difference from depreciation/ tax allowance during the year ended March 31, 2024 will be recognised in profit and loss.

- 2.(b) On 1st January 2023, P Ltd. purchased a machine for \$ 2 lakhs. The functional currency of P Ltd. is Rupees. At that date the exchange rate was \$1 = ₹ 68. P Ltd. is not required to



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pay for this purchase until 30th June, 2023. Rupees strengthened against the \$ in the three months following purchase and by 31st March, 2023 the exchange rate was \$1 = ₹ 65. CFO of P Ltd. feels that these exchange fluctuations would not affect the financial statements because P Ltd. has an asset and a liability denominated in rupees. which was initially the same amount. He also feels that P Ltd. depreciates this machine over four years so the future year-end amounts will not be the same. Examine the impact of this transaction on the financial statements of P Ltd. for the year ended 31st March, 2023 as per Ind AS. [7]

Answer: As per Ind AS 21 'The Effects of Changes in Foreign Exchange Rates' the asset and liability would initially be recognised at the rate of exchange in force at the transaction date i.e. 1st January, 2023. Therefore, the amount initially recognised would be ₹ 1,36,00,000 (\$ 2,00,000 x ₹68). The liability is a monetary item so it is retranslated using the rate of exchange in force at 31st March, 2023. This makes the closing liability of ₹1,30,00,000 (\$ 2,00,000 x ₹65). The Gain on re-translation of ₹6,00,000 (₹1,36,00,000 – ₹1,30,00,000) is recognised in the Statement of profit or loss.

The machine is a non-monetary asset carried at historical cost. Therefore, it continues to be translated using the rate of ₹68 to \$ 1.

Depreciation of ₹8,50,000 (₹1,36,00,000 x $\frac{1}{4}$ x $\frac{3}{12}$) would be charged to profit or loss for the year ended 31st March, 2023.

The closing balance in property, plant and equipment would be ₹1,27,50,000 (₹1,36,00,000 – ₹8,50,000). This would be shown as a non-current asset in the statement of financial position.

- 3(a) At the beginning of year 1, an entity grants to a senior executive 10,000 share options, conditional upon the executive remaining in the entity's employment until the end of year 3. However, the share options cannot be exercised unless the share price has increased from ₹50 at the beginning of year 1 to above ₹65. If the share price is above ₹65 the share options can be exercised at any time till the end of year 10. The entity applies a binomial option pricing model, which takes into account the possibility that the share price will exceed ₹65 (and hence the share options become exercisable) and the possibility that the share price will not exceed ₹65 (and hence the options will be forfeited). It estimates the fair value of the share options with this market condition to be ₹24 per option.

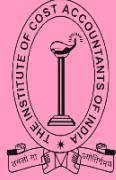
Find the remuneration expenses to be recognised in each year.

[7]

Answer:

The entity expects the executive to complete the three-year service period, and the executive does so, the entity recognises the following amounts in years 1, 2 and 3:

Year	Calculation	Cumulative Remuneration Expense (₹)	Remuneration expense for the year (₹)
1	10,000 options × ₹24 × $\frac{1}{3}$	80,000	80,000

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2	10,000 options $\times$ ₹24 $\times$ 2/3	1,60,000	80,000
3	10,000 options $\times$ ₹24 $\times$ 3/3	2,40,000	80,000

3.(b) Following is the Balance Sheet of Z Ltd. as on 31st March, 2024:

(₹ 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	Investment in 10% Stock	4,80,000
15% Debentures	10,00,000	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:

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

(2) 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

(3) 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%.

(4) Normal dividend expected on equity shares is 8% while fair return on closing capital employed is 10%.

(5) Goodwill may be valued at three year's purchase of super profits.

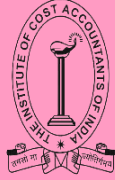
(6) Calculate the value of each equity share under fair value method.

[7]

Answer:

1. Calculation of Capital Employed

Assets:	₹	₹
Buildings		32,00,000



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Plant		18,00,000
Stock		4,50,000
Debtors		3,60,000
Cash		1,00,000
Total		59,10,000
Less : liabilities		
Creditors	8,00,000	
10,000 12% preference shares of ` 100 each	10,00,000	
Debenture	10,00,000	28,00,000
Total capital employed		31,10,000

2. Calculation of Actual Profit	₹	₹
Average Profit before Tax (given)	12,00,000	
Less : Income from investment (5,00,000x10%)	50,000	11,50,000
Less: Income Tax @ 50%		5,75,000
Less :Preference dividend		1,20,000
Actual Profit		4,55,000

3. 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

4. Normal Profit		₹
10% of Capital Employed		3,11,000
10% of ₹31,10,000		
Actual Profit – Normal Profit		4,55,000
Super Profit		1,44,000

5. Goodwill		₹
1,44,000 × 3		4,32,000

6. Net Assets for Equity Shareholders		₹
Capital Employed		31,10,000
Goodwill		4,32,000
Investment		4,80,000
		40,22,000

Value per share (Based on Intrinsic Value Method) = ₹ 40,82,000/1,00,000Shares
= ₹ 40.22

Value per share (Based on Yield Method) = $\frac{\text{Profit for Equity Shareholders}}{\text{Equity Share Capital}} \times 100$

Yield on Equity Share = $\frac{`3,98,125}{10,00,000} = 39.81\%$



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$$\text{Value per share} = \frac{39.81}{8} \times 10 = ₹ 49.77$$

Value of Equity Share Under Fair Value Method

$$= \frac{\text{Intrinsic value} + \text{yield value}}{2} = \frac{40.22 + 49.77}{2} = ₹ 44.36 (\text{approx.})$$

- 4.(a) Samvedan Ltd is a non-banking finance company. It accepts public deposit and also deals in the hire purchase) business. It provides you with the following information regarding major hire purchase deals as on 31.3.22. few machines were sold on hire-purchase basis. The hire purchase price was set as ₹100 lakhs as against cash price of ₹80 lakhs. The amount was payable as ₹20 lakhs down payment and balance in 5 equal installments. The Hire vendor collected first installment as on 31.3.23, but could not collect the second installment which was due on 31.3.24. the company was finalizing accounts for the year ending 31.3.24. till 15.5.24, the date on which the Board of Directors signed the accounts, the second installment was not collected. Presume IRR to be 10.42%.

Required:

- What should be the principal outstanding on 1.4.23? Should the company recognise finance charge for the year 2023-24 as income?
- What should be the net book value of assets as on 31.3.24 so far Samvedan Ltd. is concerned as per NBFC prudential norms requirement for provisioning?
- What should be the amount of provision to be made as per prudential norms for NBFC laid down by RBI?

[7]

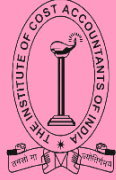
Answer:

- (i) Since, the hire-purchaser paid the first instalment due of 31.3.23, the notional principal outstanding on 01.04.2023 was ₹50.25 lakhs. [WN:I]

In the year ended 31.3.24, the installment due of ₹16 lakhs have not been received. However, it was due on 31.3.24 i.e. on the Balance Sheet date, and therefore, it will be classified as Standard Asset. Samvedan Ltd. will recognise ₹5.24 lakhs as interest income included in that due installment.

- (ii) The net book value of the assets as on 31.3.2023

Particulars	₹ Lakhs
Overdue installment	16
Installments not due (₹16 lakhs × 3)	48
	64
Less: finance charge not matured and not credited to P/L A/c [4.11 + 2.88 + 1.52]	(8.51)
	55.49
Less: Provision as per NBFC prudential norms	7.49
∴ Net Book Value of assets for Samvedan Ltd.	48.00

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(iii) Amount of Provision

Particulars	₹ Lakhs
Overdue installment	16
Installments not due ($₹16 \text{ lakhs} \times 3$)	48
	64
Less: finance charge not matured and not credited to P/L A/c [4.11 + 2.88 + 1.52]	(8.51)
	55.49
Less: Depreciated value (Cash Price Less Depreciation for 2 years on SLM @ 20%)	48
Provision as per NBFC prudential norms	7.49

Since, the instalment of ₹16 lakhs not paid, was due on 31.03.2023 only, the asset is classified as standard asset. therefore, no additional provision has been made for it.

Workings: It is necessary to segregate the instalments into principal outstanding and interest components by using IRR @ 10.42%

Time	Opening outstanding amount (a)	Cash flow (b)	Interest @ 10.42% (c) = (a) $\times$ 10.42%	Principal repayment (d) = (b) – (c)	Closing outstanding (e) = (a) – (d)
31.3.22	80	20	—	20	60
31.3.23	60	16	6.25	9.75	50.25
31.3.24	50.25	16	5.24	10.76	39.49
31.3.25	39.49	16	4.11	11.89	27.6
31.3.26	27.6	16	2.88	13.12	14.48
31.3.27	14.48	16	1.52	14.48	0

4.(b) The following is the Balance Sheet as at 31st March, 2024 of Hopefull Ltd.

Liabilities	(₹)	Assets	(₹)
Share Capital:		Fixed Assets (including goodwill of ₹1,00,000)	11,80,000
8,500 Equity Shares of ₹100 each fully paid up	8,50,000	Investments	40,000
4,000 Cumulative Preference		Stock	2,75,000

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Shares of ₹ 100 each fully paid up	4,00,000	in Trade	
Securities Premium	20,000	Debtors	1,50,000
General Reserve	60,000	Bank Balances	65,000
Trade Creditors	3,80,000		
	17,10,000		17,10,000

Contingent liability: Preference Dividends in arrears ₹ 60,000.

The Board of Directors of the company decided upon the following scheme of reconstructions, which was duly approved by all concerned and put into effect from 1st April, 2024.

- (i) The Preference Shares are to be converted into 12% unsecured debentures of ₹100 each with regard to 70% of the dues (inducing arrears of dividends) and for the balance Equity Shares of ₹50 paid up would be issued. The authorized Capital of the company permitted the issue of additional shares.**
- (ii) Equity Shares would be reduced to share of ₹50 each paid up.**
- (iii) Since goodwill has no value, the same is to be written off the fully.**
- (iv) The market value of investments are to be reflected at ₹60,000.**
- (v) Obsolete items in Stock of ₹75,000 are to be written off. Bad Debts to the extent of 5% of the tot debtors would be provided for. Fixed assets to be written down by ₹1,80,000.**

The company carried on trading, for six months upto 30th September 2024, and made a net profit of ₹1,00,000 after writing off depreciation at 25% p.a. on the revised value of fixed assets. The half yearly working resulted in an increase of Sundry Debtors by ₹80,000, stock by ₹70,000 and Cash by ₹50,000.

You are required to show the Journal

[7]

Books of Hopeful Ltd.**Journal**

Particulars		(₹)	(₹)
Cumulative Preference Share Capital A/c	Dr.	4,00,000	
Capital Reduction A/c	Dr.	60,000	
To, Cumulative Preference Shareholders A/c (Being Cumulative preference shares and Preference Shareholders A/c)			4,60,000
Cumulative Preference Shareholders A/c	Dr.	4,60,000	
To, 12% Unsecured Debentures A/c			3,22,000
			1,18,000



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To, Equity Share Capital A/c (Being the issue of 12% Unsecured Debentures and 2,760 Equity Shares of ₹100 each issued as ₹50 paid up) Equity Share Capital A/c	Dr.	4,25,000	
To, Capital Reduction A/c (Being the entry for reducing every share of ₹100 each as ₹50 fully paid up, 8,500 Equity shares) Investments A/c	Dr.	20,000	
Capital Reduction A/c (Balancing figure)	Dr.	3,42,500	
To, Goodwill A/c			1,00,000
To, Stock A/c			75,000
To, Fixed Assets A/c			1,80,000
To, Provision for Doubtful Debts A/c (Being the change in value of assets) Capital Reduction A/c	Dr.	22,500	
To, Capital Reserve A/c (Being transfer of Capital Reduction A/c balance to Capital Reserve)			22,500
			4,25,000

Balance Sheet of Hopeful Ltd.

as at 30.09.2024

Particulars	Note No.	₹ (in Lakh)
I. Assets		
Non Current Assets		
PPE	3	7,87,500
Other Non Current Assets		60,000
2. Current Assets		6,07,500
Total		14,55,000
II. Equity and Liabilities		
1. Equity		
(a) Equity Share Capital	1	5,63,000
(b) Other Equity	2	2,02,500
2. Non Current Liabilities		
12% Unsecured Debenture		3,22,000
Current Liabilities		3,67,500
Total		14,55,000

Note -1:	Equity Share Capital As on 30th September 2024	(₹)
	Authorized, issued subscribed and paid up capital 11,260 equity shares of ₹50 each	5,63,000
Note -2:	Other Equity As on 30th September 2024	
	Securities Premium	20,000
	Capital Reserve	22,500



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	General Reserve	60,000
	Profit and Loss A/c	1,00,000
	Total	2,02,500
Note -3:	PPE As on 30th September 2024	
	PPE	9,00,000
	Less: Depreciation	1,12,500
		7,87,500
Note -4:	Current Assets As on 30th September 2024	
	Stock in trade	(2,75,000-75,000 + 70,000)
		2,70,000
	Trade Receivables	2,300,00
	Less: Provision for doubtful debt	7,500
		2,22,500
	Cash and Bank Balance	1,15,000
Total		6,07,500

5. Alpha ltd and Beta ltd were amalgamated on and from 1st April ,2024. A new company Gamma ltd was formed to take over the business of the existing companies. The balance sheet of Alpha ltd and beta ltd as on 31st march 2024 given below:

(₹ in lakhs)

Liabilities	Alpha	Beta	Assets	Alpha	Beta
Share capital			Fixed assets	1200	1000
Equity shares of ₹ 100 each	1000	800	Current assets, loans and advances	880	565
15% preference capital	400	300			
(preference shares of ₹ 100 each)					
Reserve and surplus					
Revaluation reserve	100	80			
General reserve	200	150			
Profit and Loss A/c	80	60			
Secured loan :					
12% debentures of ₹100 each	96	80			
Current liabilities and provisions	204	95			
	2080	1565		2080	1565

Other information:

- 1.12% Debentures holders of Alpha ltd and Beta ltd are discharged by Gamma ltd by issuing adequate of 16% Debentures of ₹100 each to ensure that they continue to receive the same amount of interest.
- Preference shareholders of Alpha ltd and Beta ltd have received same number of 15% preference share of ₹100 each of Gamma ltd.
- Gamma ltd has issued 1.5 equity shares for each equity shares of Alpha ltd and 1 equity share for each equity share of Beta ltd. The face value of shares issued by Gamma ltd is ₹ 100 each. Calculate the purchase consideration and also Prepare the balance sheet of Gamma ltd as on 1st April 2024.

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Answer:

Under Ind AS 103, there is no concept of amalgamation in the nature of merger. All Amalgamation/Business combination are accounted only under the purchase method/acquisitions:

1. Calculation of legal purchase consideration:

Particulars	₹	₹'
Equity shares:		
i. No. of shares outstanding	10	8
ii. Exchange ratio	1: 1.5	1:1
iii. No of shares to be issued [(i) x(ii)]	15	8
iv. Issue price per share (₹)	100	100
v. Purchase consideration	1500	800

2. Determination of Accounting Acquirer:

(i) Alpha Ltd is considering acquirer as they hold 15/23 lakh equity shares in the combined entity Gamma.

(ii) Calculation of deemed purchase consideration, As Alpha Ltd absorbed Beta Ltd, its dilution would be: $10/10+X = 15/23$

$$X = \frac{15}{23} - \frac{10}{10} = 5.33 \text{ lakh equity shares}$$

(iii) Alpha Ltd original shareholders having 10 lakh equity shares have received legal consideration of 15 lakh shares 100 each. Therefore, they have received 1500 lakhs. Hence fair value per share of X derived at $1500/10$ lakh shares = ₹150 per share.

Fair value of PC (deemed PC) = 5.33 lakh shares x ₹150 per share = ₹800 shares.

Note: Any payment made to pref shareholders are taken as a part of PC in Ind AS. it is treated as financial liability.

3. Calculation of goodwill/ capital reserve on acquisition

Particulars	Amount
Fixed Assets of Beta (FV)	1,000
Current Assets/Loans and advances	565
Less: Current Liabilities/ Provisions	(95)
Debentures(FV)	(60)
Preference holders (fin Liab at FV)	(300)
Net assets taken over	1,110
Deemed PC	800
Capital reserve or bargain purchase	310

4. Ind As 103 Balance sheet as on 1st April 2024

₹ in thousands

Particulars	Note	₹
I. Assets		



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A. Non-current assets		
1. Property, Plant and Equipment (1200+1000)		2200
Total Non-current assets		<u>2200</u>
B. Current Assets		
1. Financial Assets		
Loans and advances (880+565)		1445
Total Current Assets		<u>1445</u>
Total		<u>3645</u>
II. Equity and Liabilities		
A. Equity		
1. Equity share capital (1500+800)		2300
2. Other Equity		
a. Reserve and surplus	1	214
Total equity		2514
B. Liabilities		
1. Non- current liabilities		
a. Financial liability		
Borrowings		
16% debentures (60+72)		132
15% Preference shares (300+400)		700
2. Current Liabilities		
a. current liabilities and provisions (204+95)		299
Total liabilities		1131
Total		3645

Notes to the financial statements

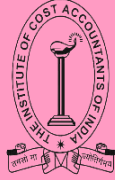
1. Reserves and Surplus

₹in lakhs

Particulars	₹
a. Revaluation reserve	100
b. Profit & Loss account	80
c. General Reserves	(276)
d. Capital Reserve	310
Total	214

2. Settlement of Debentures

Particulars	₹
a. Value of 12% debentures	96
b. Interest payable	11.52
c. 16% Debentures to be issued (11.52/16 x 100)	72
Total	24

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6. D Co. Ltd acquired 60% shares of G Co. Ltd. on 1st October 2023. The Retained Earnings balance of G on 01.04.2023 was ₹5,000. G declared dividend for 2023-2024 ₹6,000 (accounted in books of G but not accounted in books of D).

Abstracts from balance sheets of D and G as at 31.03.2024 are:

Amount in ₹

Particulars	D		G	
PPE		60,000		30,000
Investments: Shares in G		24,000		
Current Assets		20,000		16,000
Total Assets		1,04,000		46,000
Equity Shares		50,000		25,000
Other Equity (Retained Earnings)		25,000		11,000
Current Liabilities		29,000		10,000
Total of Equity and Liabilities		1,04,000		46,000

Required: Separate and Consolidated Balance sheet as at 31.03.2024

[14]

Answer:

(Amount in ₹)

WN 1: Share of parent and NCI in subsidiary:

Share of D = 60%

NCI = 40%

WN 2: Pre-acquisition profits of G:

Particulars	(₹)	Pre (₹)	Post (₹)
Retained Earnings on 01.04.2023			5,000
Retained Earnings on 31.03.2024	11,000		
Add: dividend declared	6,000		
Earnings before dividend	17,000		
Less: Opening balance	5,000		
Profits during the year	12,000	6,000	6,000
		11,000	6,000

Acquisition being made in the mid of the year profits during the year is divided equally between Pre and Post. Share of NCI in post-acquisition profits = ₹6,000 × 40% = ₹2,400



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WN 3: FV of net assets identified as at 01.10.2023:

Particulars	(₹)
Equity Shares	25,000
Pre-acquisition Profits	11,000
Book Value of Net Assets as at 01.10.2023	36,000
It is assumed that Fair value is same as Book value.	
Thus fair value of Net Assets identified = ₹36,000	
WN 4: Goodwill:	
Purchase consideration (investment)	24,000
NCI (FV) at acquisition $(40/60) \times ₹24,000$	<u>16,000</u>
Total	40,000
Less: Net Assets identified (WN3)	<u>36,000</u>
Goodwill	4,000
WN 5: NCI at acquisition	16,000
Add: share of Post-acquisition profit $40\% \times ₹6,000$ (WN2)	2,400
Less: Dividends payable to NCI $40\% \times ₹6,000$ (to be shown as current liability)	2,400
NCI at reporting date	16,000
WN 6: Consolidated other equity:	
Other equity of D	25,000
Share of post-acquisition profit of G $(60\% \times ₹6,000)$	3,600
	28,600
WN 7: Current liabilities of G:	
Balance as per B/S	10,000
Less: Dividend payable (included in CL)	6,000
Other current liabilities	4,000
Dividend payable to NCI $40\% \times ₹6,000$	2,400
	6,400



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Consolidated Balance Sheet as at 31.03.2024

Assets	Separate (₹)	Consolidated (₹)	
Non-current Assets			
PPE	60,000	60,000+30,000	90,000
Investment (24000-1800)	22,200		
Goodwill (WN 4)			4,000
Current Assets (20,000+3,600)	23600	20,000+16,000	36,000
Total	1,05,800		1,30,000
Equity and Liabilities			
Equity			
Equity Share Capital	50,000		50,000
Consolidated Other Equity (WN 6)	26,800		28,600
NCI (WN 5)			16,000
Current Liabilities (WN 7)	29,000	29,000+6,400	35,400
Total	1,05,800		1,30,000

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

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



FINAL EXAMINATION

SET - 1

MODEL ANSWERS

TERM – DECEMBER 2024

PAPER – 18

SYLLABUS 2022

CORPORATE FINANCIAL REPORTING

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]

Answer:

Value Added Statement For the year ended on 31.03.2024

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

**CORPORATE FINANCIAL REPORTING**

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

7.(b) Explain how XBRL provides a digital reporting format that transmits not only “Content” but also “Context”. [7]

Answer:

XBRL stands for ‘eXtensible Business Reporting Language’. XBRL is the open international standard for digital business reporting. It is one of a family of “XML” languages which is becoming a standard means of communicating information between businesses and on the internet.

The basic idea behind XBRL is that instead of treating financial information as a block of text or numeric items, a unique electronically readable tag is attached to each individual financial term. It is not just the data or text that floats around, these individual items move along with an electronic tag. Thus, it is not just the ‘content’ but also the ‘context’ is being transmitted XBRL is the international standard for digital reporting of financial, performance, risk and compliance information, although it is also used for many other types of reporting. It offers major benefits to all those who have to create, transmit, use or analyse such business information.

It has been developed and refined over more than a decade ago and supports almost every kind of conceivable reporting. Moreover, it also provides a wide range of features that enhance the quality and consistency of reports, as well as their usability. It provides benefits in the preparation, analysis and communication of business information and is fast becoming an accepted reporting language across the globe.

The change from paper, PDF and HTML based reports to XBRL ones is a little bit like the change from film photography to digital photography, or from paper maps to digital maps. The new format allows you to do all the things that used to be possible, but also opens up a range of new capabilities because the information is clearly defined, platform-independent, testable and digital. Just like digital maps, digital business reports, in XBRL format,

simplify the way that people can use, share, analyse and add value to the data. Millions of XBRL documents are getting generated every year, replacing older, paper-based reports with more useful, more effective and more accurate digital versions. XBRL is today used for multiple purposes, some of which include:

- Accounting (individual transactions tagged with XBRL Global Ledger);
- Internal Reporting (for drafting of management reports);
- External Reporting (for drafting of financial statements, regulatory reports, corporate tax filings, statistical reports etc.)

8.(a) Interpret the roles of Public Accounts Committee (P.A.C).

[5]

Answer:

**CORPORATE FINANCIAL REPORTING**

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 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.

8.(b) Discuss the Objectives of government accounting.**[5]****Answer:**

The objectives of government accounting are the financial administration of the activities of the government to promote maximisation of welfare in the form of various services. The specific objectives can be stated as under:

1. To record financial transactions of revenues and expenditure relating to the government organizations.
2. To provide reliable financial data and information about the operation of public fund.
3. To record the expenditures as per the appropriate Act, Rules, and legal provisions as set by the government.
4. To avoid the excess expenditures beyond the limit of the budget approved by the government.
5. To help in the preparation of various financial statements and reports.
6. To facilitate the auditing by the concerned government department

8.(c) On 01.04.2023 BB Ltd. acquired 90% share of CM Ltd. at ₹10,80,000, when the fair value of its Net Assets was 1000000. During 01.04.2023 to 31.03.24 CM Ltd made TCI ₹2,00,000. On that date



CORPORATE FINANCIAL REPORTING

BM sold 15% holding to outsiders at ₹2,20,000. Pass journal entries for sale of partial holding retaining control. [4]

Answer:

Workings:

Net Assets on 31.03.2024 = ₹10,00,000 + ₹2,00,000 (TCI) = ₹12,00,000

Carrying amount of 15% holding sold i.e. NCI recognized (assumed at proportionate net asset)

= 15% × ₹12,00,000 = ₹1,80,000

Sale Price = ₹2,20,000

Gain credited to Other Equity = ₹2,20,000 – ₹1,80,000 = ₹40,000

Journal:

Dr.

Cr.

Particulars		(₹)	(₹)
Bank A/c	Dr.	2,20,000	
To, NCI A/c			1,80,000
To, Other Equity A/c			40,000

Alternative:

NCI assumed to be recognized at fair value:

Carrying amount of 15% holding sold i.e. NCI recognized (at fair value) = 15% × ₹10,80,000 + 15% of ₹2,00,000 (TCI) = ₹1,92,000

Sale price = ₹2,20,000

Gain credited to Other Equity = ₹2,20,000 – ₹1,92,000 = ₹28,000

Journal:

Dr.

Cr.

Particulars		(₹)	(₹)
Bank A/c	Dr.	2,20,000	
To, NCI A/c			1,92,000
To, Other Equity A/c			28,000