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IND AS - 110, 28 & 111 Consolidated & Separate FS of Group Entities

Answer (1.)

Step 1:- % Share of DEF Ltd. in XYZ Ltd. ⇒ 100%.

Step 2:- % Share of NCI ⇒ 100% - 100% = 0%

Step 3:- DoA - 1.10.2001

Step 4:- DoC - 31.3.2002

Step 5:- Analysis of Reserves of subsidiary Co. [XYZ Ltd.]:-

Particulars	Pre Acquisition Reserves of XYZ Ltd-	Post Acquisition Reserves of XYZ Ltd.	
		Retained Earnings	other Reserve
Bal. of R/E on 1.4.2001	300000	–	–
↑in R/E [820000-300000] = 520000 in 1:1 Ratio	260000	260000	–
Bal. of other Res. on 1.4.01	1000000	–	–
↑ in other Res. [1000000-1000000]	–	–	0
Div. Add back (1:1)	100000	100000	–
TIP FV Increase	(100000)	–	–
L&B FV Increase	1000000	–	–
Inventory FV Increase	150000	–	–
P&M FV Increase	575000		
Additional Dep^{n} on P&M	–	(250000)	–
TOTAL	3285000	335000	–
Share of (DEF Ltd.) @	100%	335000	0

W.N. :-

(i) Dividend paid by Subsidiary Adjustment ⇒ ₹2000000 × 10% (ESC)

⇒ ₹ 200000

(+) R|E of Subsidiary in Pre & Post in 6M : 6M or 1:1 Ratio (S.5)

(-) Group R|E (S.9)

(ii) Adj. of FV in A & L of Subsidiary Co. ⇒

→ T/P ⇒ Increase in FV of ₹100000 (Liability)
- (-) Pre Reserve (S.5)
- (+) Liab. in B/S (S.10)

→ L&B ⇒ Increase in FV of ₹1000000 (Asset)
- (+) Pre Res. (S.5)
- (+) Asset in B/S (S.10)

→ Inventory ⇒ Increase in FV of ₹ 150000 (Asset)
- (+) Pre Res. (S.5)
- (+) Asset in B/S (S.10)

→ P&M [Depreciable Asset]

Carrying Amt. on 1.4.01 ⇒ 1350000 / 90%

⇒ ₹ 1500000

∴ Carrying Amt. on 1.10.01 (Acq. date) ⇒ $1500000 - \left[1500000 \times 10\% \times \frac{6}{12}\right]$

⇒ ₹1425000

→ Increase in FV = 2000000 − 1425000 = ₹575000
- (+) Pre Res. (S.5)
- (+) Asset in BS (S.10)

Additional Dep^{n} to be charged on P&M :

Dep^{n} on FV (2000000 × 10% × 6/12)	100000
(-) Dep^{n} on Original Amt. (1500000 × 10% × 6/12)	(75000)
	25000

(+) Post Acq. R/E (S.5) ← 25000 → (-) Asset in B/S (S.10)

Final Amt. of XYZ's P&M to be taken for consolidation :-

C.A. on 31.3.02	1350000
(+) F.V. Increase	575000
(-) Additional Dep^{n}	(25000)
	1900000

Step 6 :- N.A. of XYZ Ltd. on 1.10.2001 :-

Share Capital	2000000
(+) Pre Acq. Res. (S.5)	3285000
	5285000

Step 7 :- NCI → Not Applicable

Step 8 :- Goodwill or Capital Res. —

P.C.	(₹) 3400000
(-) Net Assets (S.6)	(5285000)
Capital Res. →	1885000

step 9:- Group Reserves / consolidated other Equity :-

Particulars	R/E	C/R	O/R	Total
Parents Co. own Bal. on 31.3.02	572000	-	2400000	2972000
(+) Share of Parent Co. in Post Acq. Res. (S.5)	335000	-	-	335000
(-) Share of Parent Co. in Div. paid by Subs. (S.5)	(200000)	-	-	(200000)
(+) Capital Res. (Gain on Bargain Purchase) (S.8)	-	1885000	-	1885000
	707000	1885000	2400000	4992000

step 10:- Consolidated B/s as on 31.3.02 :-

Particulars	(₹)
ASSETS	
1. Non Curr. Assets :-	
PPE [L&B = 1500000+1800000+1000000 / P&M = 2400000+1350000+575000-25000]	8600000
2. Curr. Assets	
(i) Inventory [1200000+364000+150000]	1714000
(ii) Financial Assets :	
(a.) Trade Receivables (598000+400000]	998000
(b.) Cash (145000+80000)	225000
TOTAL	15,37,000

Equity & Liabilities

1. Equity

(i) Eq. Sh. Cap.	5000000
(ii) Other Equity (S.9)	4992000

2. Current Liability

(i) financial Liabilities	
(a.) Trade Payables (471000 + 174000 + 100000)	745000
(b.) Bank O/D	800000
TOTAL	11537000

Answer (2.) S.1) % Holding of Ram Ltd. in Krishna Ltd. = 60%.

S.2) Non Controlling Interest (NCI) = 100% - 60% => 40%.

S.3) DOA = 1.10.2001

S.4) DOC = 31.03.2002

S.5) Analysis of Reserves of Subsidiary Co. (Krishna Ltd):-

Particulars	Pre Acq.	Post Acq.	
		Retained Ear.	Other Res.
Bal. of R/E on 1.4.01	60000	–	–
↑ in R/E [164000 - 60000]	52000	52000	–
⇒ 104000 in 1:1			
Bal. of O/R on 1.4.01	200000	–	–
↑ in O/R [200000 - 200000]	–	–	–
Div. add back	20000	20000	–
T/P FV Inc.	(20000)	–	–
L&B FV Inc.	200000	–	–
Invent. FV Inc.	30000	–	–

P&M FV Inc.	115000	–	–
Add. Dep^n on P&M	–	(5000)	–
TOTAL	57000	67000	0
Share of Ram Ltd. @ 60%.		→ 40200 → S.9	0
Share of NCI @ 40%.		→ 26800	0
		(+) S7	

Working Note :–

(i) Dividend paid by Subsidiary Co. Adjustment = 400000 × 10%
= ₹40000

- (–) NCI (S.7) (Share of NCI) = 40000 × 40% => ₹16000
- (+) R/E of Subsidiary company (Krishna Ltd.) in Pre & Post in 1:1 Ratio (S.5)
- (–) Group R/E (S.9) (Share of Parent Co.) = 40000 × 60% => 24000

(ii) Adjustment of Fair Value in Assets & Liabilities of Subs. Co.–

→ T/P → Inc. in FV of ₹20000 (Liability)
- (–) Pre Res. (S.5)
- (+) Liab. in B/S (S.10)

→ L&B → Inc. in FV of ₹200000 (Asset)
- (+) Pre Res. (S.5)
- (+) Asset in B/S (S.10)

→ Inventories → Inc. in FV ₹30000 (Asset)
- (+) Pre Res. (S.5)
- (+) Asset in B/S (S.10)

→ P&M (Dep. Asset) :⇒ C.A. on 1.4.01 = 270000 / 90% = ₹300000

C.A. on 1.10.01 = 300000 – (300000 × 10% × 6/12)

⇒ 285000

Inc. in Fair Value of P&M = 400000 – 285000 = ₹115000
- (+) Pre Res. (S.5)
- (+) Asset in B/S (S.10)

Additional Dep^{n} to be charged on P&M :—

Dep^{n} on FV (400000 X10% X 6/12)	20000
(-) Dep^{n} on Orig. Amt. (300000 X10% X 6/12)	(15000)
	5000

(-) Post R/E (S.5) (-) Asset in B/S (S.10)

S.6) Cal. of N.A taken over of Krishna Ltd. on Acq. date —

Share Capital	400000
(+) Pre Acquisition Reserve (S.5)	657000
	1057000

S.7) Cal. of NCI on Consolidation date —

NCI on Acquisition Date (1.10.2001) [PSNA Method] (1057000 X 40%)	422800
(+) NCI share in Post Acq. Res. (S.5)	26800
(-) Dividend Paid to NCI (S.5)	(16000)
NCI →	433600

S.8) Goodwill or Capital Reserve — (₹)

Purchase consideration	800000
(+) NCI on Acq. date (S.7)	422800
	1222800
(-) Net Assets taken over (S.6)	(1057000)
Goodwill →	165800

S.9) Group Reserve / Consolidated Other Equity —

Particulars	O/R	R/E	Total
Parents Co. own balance on 31.3.02	600000	114400	714400
(+) Sh. of Par. Co. in Post Acq. Res. (S.5)	-	40200	40200
(-) Sh. of Par. Co. Dividend (S.5)	-	(24000)	(24000)
	600000	130600	730600

S.10) Consolidated B/S as on 31.3.2002 —

Particulars	(₹)
ASSET	
I. Non current Assets :-	
(i) PPE [L&B → (300000+360000+200000); P&M → (480000+270000+115000-5000)]	1720000
(ii) Goodwill (S.8)	165800
II. Current Assets :-	
(i) Inventory (240000+72800+30000)	342800
(ii) Financial Assets	
(a.) Trade Receivables (119600+80000)	199600
(b.) Cash (29000+16000)	45000
TOTAL	2473200
EQUITY & LIABILITIES	
I. Equity	
(i) Equity Share Capital	1000000
(ii) Other Equity (S.9)	730600
(iii) NCI (S.7)	43360
II. Current Liabilities	
(i) Trade Payable (94200+34800+20000)	149000
(ii) Short Term Borr. (Bank OD)	160000
TOTAL	2473200

Answer (3.) S.1) % Share of PN Ltd. in SR Ltd. ⇒ 70%.

S.2) % Share of NCI ⇒ 100% - 70% = 30%.

S.3) DOA ⇒ 1.10.2001

S.4) DOC ⇒ 31.3.2002

S.5) Analysis of Reserves of SR Ltd. [Subsidiary Co.] -

Particulars	Pre Acq. Reserve	O/R	Post Acq. Reserve R/E
% of R/E on 1.4.01	93600	-	-
in R/E [255800 - 93600] = 162200 in the (1:1) Ratio	81100	-	81100
% of O/R on 1.4.01	312000	-	-
in O/R (312000 - 312000) = 0	-	0	-
Div. add back	37440	-	37440
L&B FV Increase	312000	-	-
Inventories FV Increase	46800	-	-
T/P FV Increase	(31200)	-	-
M FV Increase	179400	-	-
Additional Dep^n	-	-	(7800)
TOTAL	1031140	0	110740
Share of Parent Co. (PN Ltd) @ 70% (S.9)		0	77518
Share of NCI @ 40% (S.7)		0	33222

N.B. -

1 Adjustment of Dividend paid by SR Ltd. = 624000 × 12% = ₹74880

(+) R/E of Subsidiary Co. (SR Ltd.) in Pre Res. & Post Res. in (1:1) Ratio (S.5)

(-) Group R/E (S.9) (Share of Parent Co. (PN Ltd.)) ⇒ 74880 × 70% ⇒ ₹52416

(-) NCI share (S.7) @ 30% ⇒ 74880 × 30% ⇒ 22464

(ii) Adjustment of FV of Assets & Liabilities of Subs. Co. [SR Ltd.] –

→ L & B ⇒ Increase in FV of ₹312000
(Asset)
- (+) Pre Acq. Res. (S.5)
- (+) Asset in Cons. B/S (S.10)

→ Inventories ⇒ Increase in FV of ₹46800
(Asset)
- (+) Pre Acq. Res. (S.5)
- (+) Asset in Cons. B/S (S.10)

→ T/P ⇒ Increase in FV of ₹31200
(Liabilities)
- (-) Pre Acq. Res. (S.5)
- (+) Liab. in Cons. B/S (S.10)

→ P&M (Depreciable Asset) –

C.A. of P&M on 1.4.01 = $\frac{421200}{90\%}$ ⇒ ₹468000

C.A. of P&M on 1.10.01 = 468000 − (468000 × 10% × $\frac{6}{12}$)

= ₹444600

Increase in FV of P&M on Acq. date –

FV of P&M on 1.10.01	624000
(-) CA of P&M on 1.10.01	(444600)
	179400

- (+) Pre Acq. Res. (S.5) ← 179400
- (+) Asset in Cons. B/S (S.10) ← 179400

Additional Depⁿ to be charged on P&M –

Depⁿ on FV (624000 × 10% × 6/12)	31200
Depⁿ on Original Amt. (468000 × 10% × 6/12)	(23400)
	7800

Treatment of Addⁿ Depⁿ to be charged = ₹ 7800

(→) Post Acq. R/E (S.5) | (→) Asset in Cons. B/S (S.10)

S.6) N.A. taken over :—

	(₹)
Share Capital	624000
(+) Pre Acquisition Reserve (S.5)	1031140
	1655140

S.7) NCI on ~~Acquisition~~ consolidation Date (31.03.2002) :—

NCI on Acquisition Date (1.10.2001) (PSNA Method) (1655140 × 30%)	496542
(+) Share of NCI in Post Acq. (S.5)	33222
(→) NCI share in dividend paid by SR Ltd. (S.5)	(22464)
NCI on Consolidation Date (S.10)	507300

S.8) Goodwill or Capital Reserve :—

	(₹)
Purchase Consideration	1248000
(+) NCI on Acquisition Date (1.10.01) (S.7)	496542
(→) Net Assets taken over (S.6)	(1655140)
Goodwill (S.10) ⟶	89,402

S.9) Group Reserve / Consolidated Other Equity —

Particulars	O/R	R/E	Total
Parent Co. own balance on 31.3.02	936000	178400	1114400
(+) Parent Co. sh. in Post Acq. Res (S.5)	-	77518	77518
(-) Dividend share of PN Ltd. (S.5)	-	(52416)	(52416)
	936000	203502	1139502

S.10) Consolidated B/S as on 31.03.2002 :—

Particulars	(₹)
Assets	
I. Non current Assets :—	
(i) PPE [L+B → 468000 + 561600 + 312000; P&M → 748800 + 421200 + 179400 - 7800]	2683200
(ii) Goodwill (S.8)	89402
II. Current Assets :—	
(i) Inventories (374400 + 113600 + 46800)	534800
(ii) Financial Assets	
(a) Trade Receivables (186500 + 124800)	311300
(b) Cash & Cash Equivalents (45200 + 24900)	70100
TOTAL	3688802
Equity & Liabilities	
I. Equity :—	
(i) Equity Share Capital	1560000
(ii) Other Equity	1139502
(iii) NCI	507300
II. Current Liabilities :—	
(i) Trade Payables (146900 + 34300 + 31200)	212400
(ii) Short Term Borrowing (249600 + 20000)	269600
TOTAL	3688802

31.3.02 ⇒ Cons. B/S → Ind AS 103 [B.C.]

Answer (4.) S.1) Acquirer → Blue Heaven Ltd.

S.2) DoA → 31.03.2002

S.3) Purchase Consideration ⇒ ₹6000 lakhs

S.4) NA taken over :—

	₹ in lakhs
PPE	3300
Inv.	600
T/R	250
Cash	700
	4850
(–) T/P	(150)
Net Assets	4700

S.5) NCI → N/A

S.6) Goodwill or CGR :—

	₹ in lakhs
PC	6000
(–) NA	(4700)
G/w →	1300

S.7) J.E. → Not Required (₹) in lakhs

Bding & PPE	Dr	3300	
Inv.	Dr	600	
T/R	Dr	250	
Cash	Dr	700	
Goodwill	Dr	1300	
To T/P			150
To Cash			6000

S.8) Consolidated B/S on 31.3.2002

₹ in lakhs

Assets

I. NCA

(i) PPE (7000 + 3340) — 10340

(ii) Goodwill — 1300

II. CA

(i) Inventory (700+600) — 1300

(ii) F.A.:

(a) T/R (300 + 250) — 550

(b) Cash (1500+710) — 2200

TOTAL — 15650

Equity & Liabilities

I. Equity

(i) ESC — 5000

(ii) Other Equity — 10200

II. CL

(i) T/P (300 +150) — 450

TOTAL — 15650

Answer (5.) 31.3.02 → Cons. B/S [Ind AS 103]

S.1) to S.4) Same as Answer (4.)

S.5) NCI → 4700 × (100% - 75%) = ₹ 1175 Lakhs
(PSNA Method)

S.6) Goodwill or Capital Reserve —

	(₹) in lakhs
Purch. Cons.	4500
(+) NCI	1175
	5675
(-) NA	(4700)
Goodwill →	975

S.7) J.E. :— Not Reqd.

S.8) Consolidated B/S on 31.3.02 — ₹ in lakhs

Assets	
I. NCA	
(i.) PPE (7000 + 3300)	10300
(ii.) Goodwill	975
II. CA	
(i.) Inventories (700 + 600)	1300
(ii) FA:	
(a) T/R (300 + 250)	550
(b.) Cash [(1500 + (6000 - 4500)) + 700]	3700
TOTAL	16825
Equity & Liabilities	
I. Equity	
(i.) ESC	5000
(ii.) Other Equity	10200
(iii.) NCI	1175

II. CL

(i) T/P (300+150)	:	450
TOTAL		16825

Answer (6.) S.1) % holding of Blue Heaven Ltd in Orange County Ltd. = 75%.

S.2) % holding NCI = 100% - 75% = 25%.

S.3) ~~Am~~ DoA ⇒ 31.3.2002

S.4) DoC ⇒ 31.3.2003

S.5) Analysis of Reserve of Subsidiary Co. [Orange County Ltd.] —

(₹) in lakhs

Particulars	Pre	Post
Balance as on 31.3.02	2300	-
↑in R/E [2850 - 2300]	-	550
↑in FV of Inventories	100	-
~~Profit~~ TOTAL	2400	550
Share of Blue Heaven Ltd @ 75%	→	412.5
Share of NCI @ 25%	→	137.5

~~(6)~~ Particulars	Pre	Post
Balance as on 31.3.02	2300	-
↑ in R/E (2850 - 2300)	-	550
↑ in FV of Inventories	100	-
↑ in FV of Building	300	(100)
Inv. FV Reversal	-	
Additional Dep" on B/ding	-	(15)
TOTAL	2700	435
Share of Blue Heavens Ltd @ 75%		~~401.25~~ 326
Share of NCI @ 25%		~~133.75~~ 109

W.N. — i) Adjustment of FV of A&L of Subs. Co. —

→ Inventories ⇒ Inc. in FV of ₹100 lakhs
(Asset)
(+) Pre Acq. (S.5)
(+) Asset in cons. B/S (S.10)
This Inv. has been sold before 31.3.03. So, FV inc. effect needs to be reversed
(-) Post R/E (S.5)
(-) Asset in cons. B/S (S.10)

→ Building (Dep. Asset) :

Increase in FV. = 3300 − 3000 = ₹300 lakhs

(+) Pre Acq. Res. (S.5) | (+) Asset in cons. B/S (S.10)

Addl^n Dep^n to be charged to P&L —

	(₹) in lakhs
Dep^n on FV (3300/20)	165
Dep^n on Orig. Amt (3000/20)	(150)
	15

(-) Post Acq. R/E (S.5) | (-) Asset in cons. B/S (S.10)

S.6) Net Assets :

	(₹) in lakhs
Share Capital	2000
(+) Pre Acq. Res. (S.5)	2700
N.A. taken over	4700

S.7) NCI on Consolidation date —

	(₹) in lakhs
NCI on Acq. date (31.3.02) [4700 × 25%]	1175.00
(+) Share of NCI in Post Acq. R/E (S.5)	109.00
NCI as on consolidation date →	~~1308.75~~ 1284

S.8) Goodwill or Capital Res. —

	(₹) in lakhs
P.C.	4500
(+) NCI on Acq. date	1175
(−) N.A taken over	(4700)
Goodwill ⟶	975
(−) Impairment loss	(98) → (−) Group R/E (S.9)
Goodwill on Consolidation date	877 → (+) Asset in cons. B/S (S.10)

S.9) Group Reserve / Consolidated other Equity

Particulars	₹ in lakhs
Parent Co. owns balance on 31.3.03	11000
(+) Parent Co. share in Post Acq. R/E (S.5)	326 ~~401.25~~
(−) Impairment of Goodwill (S.8)	(98)
	11228 ~~11303.25~~

S.10) Consolidated B/S on 31.3.2003 —

Particulars	(₹) in Lakhs
A. ASSETS	
I. NCA:	
(i) PPE (6500 + 2750 + 300 − 15)	9535
(ii) G/W (S.8)	877
II. CA	
(i) Inventories (800 + 550 + 100 − 100)	1350
(ii) FA:	
(a) T/R (380 + 300)	680
(b) Cash (4170 + 1420)	5590
TOTAL	18032

Equity & liabilities

I. Equity

(i) ESC	5000
(ii) other Equity	11229
(iii) NCI	1284

II. CL:

(i) TIP (350 + 170)	520
	18032

S.11) Consolidated P&L on 31.03.2003 — ₹ in lakhs

Particulars	Blue Heavens	Orange County	CFS Adjustments	Consolidated P&L
Revenue	3000	1900	-	4900
Cost of Sales	(1800)	(1000)	(100)	2900
Admin Expense	(400)	(350)	(98+15)	(863)
Profit ⟶	800	550	(213)	1137

Profit of ₹1137 lakhs attributable to

Parent Co. [Blue Heavens] → 800 + (550 × 75%) - 98 - (115 × 75%) = 1028 lakh

NCI → (550 × 25%) - (115 × 25%) = 109 lakhs

Answer (7.1) S.1) % holding of A Ltd. in S Ltd. ⇒ 80%

S.2) % holding of NCI = 100% - 80% = 20%

S.3) DOA ⇒ 1.4.2001

S.4) DOC ⇒ 31.3.2003

S.5) Analysis of Reserves of subsidiary Co. [S Ltd.] :-

Particulars	Pre Acq. Res.	Post Acq. Res (R/E)
Balance on 1.4.2001	125000	–
↑ in R/E [300000 - 125000] = 175000	–	175000
PPE FV Increase (WN)	200000	–
(-) Additional Dep^{n} on PPE (WN)	–	(80000)
TOTAL	325000	95000
Share of A Ltd. [Parent Co.] @ 80%		76000
Share of NCI @ 20%		19000

W.N.:-

(i) Adjustment of FV in A & L of Subsidiary Co. [S Ltd.] :-

PPE (Depreciable Asset) :- Inc. in FV of ₹200000
- (+) Pre Acq. Res. (S.5)
- (+) Asset in Cons. B/S (S.10)

Additional Dep^{n} to be charged on Plant — (1.4.01 - 31.3.03)

~~Carrying Amt. of PPE on Acq. date (1.4.01)~~

Dep^{n} on Inc. in FV = $\frac{200000}{5 \text{ yrs}}$ × 2 yrs. = 80000

- (-) Post Acq. R/E (S.5)
- (-) Asset in Cons. B/S (S.10)

(ii) P.C. →

	₹
Cash	1000000
ESC + Sec. Prem.	200000 + 160000
Def. Cons. (500000 × .75)	375000
	1735000

S.6) ~~Goodwill or Capital Reserve~~ — ~~₹ in '000~~

P.C.	~~1735~~

S.6) Net Assets taken over :—

	(₹) in '000
Share Capital	500
(+) Pre Acq. Res. (S.5)	325
	825

S.7) NCI on Consolidation Date :— [31.3.2003]

	(₹) in '000
NCI on Acq. date [1.4.2001] [FV method]	380
Post Acq. Reserve share	19
(-) Impairment of G/W share (258000 × 20%)	(51.6)
NCI on Consolidation date	347.4

S.8) Goodwill or Capital Reserve —

	(₹) in '000
P.C. (W.N.)	1735
(+) NCI as on Acq. date	380
	2115
(-) NA taken over	(825)
Goodwill as on Acq. Date	1290
(-) Impairment	(258)
Goodwill as on Consolidation Date	1032

S.9) Group Reserve / Consolidated other Equity —

Particulars	(₹) in '000 R/E (Total)
Parent Co. own balance on 31.3.03	1400
(+) share of Parent Co. in Post Acq. Res. (S.5)	76
(-) share of Impairment of G/W (258000 × 80%)	(201.4)
(-) Finance cost on def. consideration (Amort. Sch.)*	(78.75)
	1195.85

Amortisation Schedule* :-

Year	Op. Bal.	Int @ 10%	Actual Payment	Cl. Bal.	
1	375000	37500	-	412500	
2	412500	41250	-	453750	(S.10) Cons. Liab.
Finance Cost →		78750			

S.10) Consolidated B/S as on 31.3.2003 :- ₹ in '000

ASSETS

I. NCA
- (i) PPE (5500 + 1500 + 200 - 80) — 7120
- (iii) Goodwill — 1032

II. CA
- (i) Inventories (550 + 100) — 650
- (ii) FA :
  - (a) T/R (400 + 200) — 600
  - (b) Cash (200 + 50) — 250

TOTAL — 9652

EQUITY & LIABILITIES

I. Equity
- (i) ESC (2000 + 200) — 2200
- (ii) Other Equity (1190.85 + SP 160) — 1350.85
- (iii) NCI — 347.4

II. NCL (3000 + 400) — 3400

III. CL (1250 + 50 + 453.75) — 2353.75 + 400

Def. Cons. as on 31.3.03 (Am. Schedule)

TOTAL — 9652

Answer (8.)

S.1) % holding of P Ltd. in Q Ltd. → 70%

S.2) % holding of NCI = 100% - 70%

S.3) DoA → 01.04.2001

S.4) DOC → 31.03.2002

S.5) Analysis of Reserves of subsidiary Co. [Q Ltd.] :-

(₹) in Lakhs

Particulars	Pre Acq. Res.	Post Acq. Res. G/R	P/L	FV Res.
Bal. of G/R on 1.4.01	30000	–	–	–
Inc. in G/R [35000-30000] = 5000	–	5000	–	–
Bal. of P/L on 1.4.01	10000	–	–	–
Inc. in P/L [11160 - 10000]	–	–	1160	–
Bal. of FV Res. on 1.4.01	0	–	–	0
Inc. in FV Res. [250 - 0)	–	–	–	250
Dividend Add Back	–	–	2400	–
DDT Add Back	–	–	400	–
TOTAL	40000	5000	3960	250
Share of P Ltd. [Parent Co.] @ 70%		3500	2772	175
Share of NCI @ 30%		1500	1188	75

S.6) NA taken over :-

₹ in Lakhs

Share Capital	10000
(+) Pre Acquisition Res. (S.5)	40000
	50000

S.7) NCI as on Consolidation Date —

		₹ in Lakhs
NCI as on Acq. Date (300 Lakh Sh. × ₹55)		16500
(+) Share in Post Acq. Profit :		
G/R	1500	
P/L	1188	
FV Res.	75	2763
(-) share of Divident of subs. [2400 × 30%]		(720)
(-) share of DDT of subs. [400 × 30%]		(120)
NCI as on ~~Acq~~ Cons. date →		18423

S.8) Goodwill or Capital Reserve —

	₹ in Lakhs
PC	36000
(+) NCI on Acq. date	16500
	52500
(-) NA	(50000)
G/W →	2500

S.9) Group Reserves / Consolidated Other Equity ₹ in lakhs

Particulars	G/R	P/L	FV Res.	Total
Parent Co. own bal. as on 31.3.02	120000	23280	1500	144780
(+) Parent Co. share in Post Acq. Res.	3500	2772	175	6447
(-) share of Divident (2400 × 70%)	-	(1680)	-	(1680)
(-) share of DDT (400 × 70%)	-	(280)	-	(280)
(-) FV gain on Investment in Subs*	-	-	(1000)	(1000)
	123500	24092	675	148267

S.10) Consolidated B/S as on 31.03.2002 — ₹ in Lakhs

ASSETS

I. NCA		
(i) PP&E (117000+45000)		162000
(ii) FA:		
(a) Non Curr Inv. (5500+1250)		6750
(b) Long Term Loans (10000 - 10000)		~~10000~~
(iii) Goodwill (S.7)		2500
II. CA		
(i) Inventories (35000+15000)		50000
(ii) Cash & Cash Equivalents (930+4200)		5130
(iii) T/R (10000+8000-3000)		15000
	TOTAL	241380

EQUITY & LIABILITIES

I. Equity		
(i) ESC		20000
(ii) Other Equity		148267
(iii) NCI		18423
II. NCL		
(i) FL:		
(a) Borrowings (30000+10000-10000)		30000
(ii) DTL (7000+2000)		9000
(iii) Long Term Prov. (4600+930)		5530
III. CL		
(i) FL:		
(a) T/P (8000+4000-3000)		9000
(ii) Short Term Prov. (1050+110)		1160
	TOTAL	241380

5.11) Consolidated ~~P&L~~ Statement of P&L as on 31.3.2002 —

Particulars	P Ltd.	Q Ltd.	CFS Adjustments	Consolidated P&L
I. St. of P&L for the year ended on 31 March 2002				
Sales	200000	80000	(20000)	260000
Other Income	3000	-	(3000)	-
TOTAL REVENUE	203000	80000	(23000)	260000
Expenses				
Raw Material Cons.	110000	48000	(20000)	138000
Change in Inven. FG	(5000)	(3000)	-	(8000)
EBE	30000	10000	-	40000
Finance cost	2700	1000	(1000)	2700
Depreciation	7000	4000	-	11000
Other Exp.	10350	6040	(2000)	14390
TOTAL EXPENSES	155050	61040	(23000)	198090
PBT	47950	13960	0	61910
Tax Expense:				
CT	(15000)	(4000)	-	(19000)
DT	(2000)	(1000)	-	(3000)
PAT	30950	8960	-	39910

Profit of ₹ 39910 lakhs attributable to:
~~Profit of OCI~~ Parent Co. [P Ltd.] = 37222 (B/F)
NCI = (1500 + 1188) [ES.5)] ⇒ 2688

II. St. of OCI

FV gain on Inv. in Subs.	1000	0	(1000)	-
FV gain on other NCI	500	250	~~(500)~~ -	750
	1500	250	(1000)	750

~~Profit of~~ OCI attributable to:
Parent Co. (P Ltd.) = 675 (B/F)
& NCI = 75 (S5)

Answer (10.) DoA ⇒ 1.4.2001 DoC ⇒ 31.3.2002 NCI = 20%.

NCI on 1.4.2001 [PSNA] = 150000 × 20% = ₹30000

J.E. on Acq. Date —

Net Assets A/c	Dr	150000	
Goodwill A/c (B/F)	Dr	20000	
To Cash (P.C.)			140000
To NCI			30000

NCI on 31.3.02 —

NCI on Acq. date	30000
(+) Sh. of NCI in Post Acq. Res. (20000 × 20%)	4000
	₹ 34000

Answer (11.) DoA ⇒ 1.4.2001 DoC ⇒ 31.3.2002 NCI = 20%

NCI on 1.4.2001 [PSNA] ⇒ ₹160000 × 20% = ₹32000

J.E. on Acquisition Date —

Net Assets A/c	Dr	160000	
Goodwill A/c (B/F)	Dr	12000	
To Cash A/c (P.C.)			140000
To NCI			32000

NCI on 31.3.2002 —

NCI on Acquisition Date	₹32000
(+) share of NCI in Post Reserve (20000 × 20%)	4000
	36000

Answer (12.) DOA → 1.4.2001 DOC → 31.3.2002 NCI → 20%.

J.E. for dividend recd. by XYZ Ltd. in Next Year :—

Bank A/c (30000 × 80%)	Dr	24000	
To Dividend Income (P&L A/c)			24000

NCI on Acq. Date (1.4.2001) ⇒ ₹ $\frac{140000}{80\%}$ × 20% = ₹ 35000

J.E. on Acq. Date —

Net Assets A/c	Dr	150000	
Goodwill A/c (B/F)	Dr	25000	
To Cash (PC)			140000
To NCI			35000

NCI on 31.3.2002 —

NCI on Acq. Date	35000
(+) share of NCI in Post Reserve (20000 × 20%)	4000
	39000

Answer (13.) DOA → 1.4.2001 DOC → 31.3.2002 NCI → 20%.

NCI on Acq. Date (1.4.2001) ⇒ $\frac{140000}{80\%}$ × 20% ⇒ 35000

J.E. on Acq. Date —

Net Assets A/c	Dr	160000	
Goodwill A/c (B/F)	Dr	15000	
To Cash (P.C.)			140000
To NCI			35000

NCI on 31.3.2002 —

NCI on Acq. Date	35000
(+) share of NCI in Post Res. (20000 × 20%)	4000
	39000

Answer (14.) ~~NCI on Acquisition Date = ₹1080000 x 30%~~

~~PC~~ ~~1080000~~

~~NCI~~ ~~NA~~

G/W :-

PC	1000000
(+) NCI on Acq. Date	324000
	1324000
(-) NA	1080000
G/W → (for every year)	244000

Net Assets of Subs. Co. on Acq. date -

Share capital	1000000
Other Equity	80000
NA	1080000

NCI on Acq. Date — [PSNA]

Acq. Date [1.4.01] → 1080000 x 30% →	₹324000
(-) Sh. of NCI in Post Loss [250000 x 30%]	(75000)
NCI on 31.03.2002	249000
(-) Sh. of NCI in Post Loss [400000 x 30%]	(120000)
NCI on 31.03.2003	129000
(-) Sh. of NCI in Post Loss [500000 x 30%]	(150000)
NCI on 31.03.2004	(21000)
(-) Sh. of NCI in Post Loss [120000 x 30%]	(36000)
NCI on 31.03.2005	(57000)
(+) Sh. of NCI in post Profit [50000 x 30%]	15000
NCI on 31.03.2006	(42000)
(+) Sh. of NCI in Post Profit [100000 x 30%]	30000
NCI on 31.03.2007	(12000)
(+) Share of NCI in Post Profit [150000 x 30%]	45000
NCI on 31.3.2008	33000

Answer (15)

(1) NCI :-

	Case 1	Case 2	Case 3	Case 4
NCI Stake	10%	15%	20%	0%
	[100% - 90%]	[100% - 85%]	[100% - 80%]	[100% - 100%]
Acq. Date	15000	19500	14000	-
	[150000 × 10%]	[130000 × 15%]	[70000 × 20%]	[90000 × 0%]
(+) Share of NCI in Post R/E	2000	(1500)	~~(4000)~~ -	-
	[(70000 - 50000) × 10%]	[(20000 - 30000) × 15%]	[(20000 - 20000) × 20%]	[(56000 - 40000) × 0%]
Cons. Date	17000	18000	14000	NIL

(2) Goodwill / Gain on Bar. Pur.

	Case 1	Case 2	Case 3	Case 4
P.C.	140000	104000	56000	100000
(+) NCI on Acq. Date	15000	19500	14000	-
	155000	123500	70000	100000
(-) Net Assets on Acq. Date	(150000)	(130000)	(70000)	(90000)
Goodwill &	5000	-	-	10000
Gain on B.P.	-	6500	-	-

(3) Consolidated other Equity

	Case 1	Case 2	Case 3	Case 4
Parent Co. own Bal.	200000	200000	200000	200000
(+) Share of P. Co. in Post R/E	18000	(8500)	-	16000
	[(70000 - 50000) × 90%]	[(20000 - 30000) × 85%]	[(20000 - 20000) × 80%]	[(56000 - 40000) × 100%]
	218000	191500	200000	216000

Answer(16) ₹15000 Unrealised gain on Inventory on an upstream txn..

- Deduct Post R/E of subsidiary
- Deduct Inventory in B/S

J.E. :—

₹ in '000

Post R/E of Subsidiary	Dr	15
To Inventory		15

Answer (17) ₹15000 unrealised gains on Inventory on downstream txn.

- Deduct from Group R/E
- Deduct Inventory in B/S

J.E. :—

(₹)'000

Group R/E A/c	Dr	15
To Inventory		15

Answer(18) ₹ 20 Lakhs (₹120 Lakhs - ₹100 Lakhs) unrealised gain on PPE on Downstream transaction

- Deduct from Group R/E
- Deduct from PPE in cons. B/S

Addition Dep^{n} charged by Subsidiary Co. on unrealised gain Portion i.e. ₹2 Lakhs [(120 Lakh - 100 Lakh)/10]

- Add to Post R/E of Subsidiary Co.
- Add to PPE in consolidated B/S

J.E.:- (₹) Lakhs

① Group R/E A/c	Dr	20	
To PPE A/c			20
② PPE A/c	Dr	2	
To (Post R/E A/c) Dep^{n} A/c			2

[OR]

Group R/E A/c	Dr	20	
To PPE			18
To Dep^{n} (Post R/E of Subs.)			2

Answer (19.) J.E.:—

I. Airtel Infra. Pvt. Ltd. [Subsidiary Co.] —

1.4.2000	Building A/c	Dr	1025000	
	To Cash A/c			1025000
31.3.2001	Dep^{n} A/c [(1025000 − 500000)/21]	Dr	25000	
	To Building A/c			25000
1.4.2001	Cash A/c	Dr	1100000	
	To Building A/c			1000000
	To Gain on Sale (P/L)			100000

II. Airtel Telecommunications Ltd. [Parent Co.] –

1.4.2001	Building A/c	Dr	1100000	
	To Cash A/c			1100000
31.3.2002	Dep^n A/c [(1100000 - 350000)/20]	Dr	37500	
	To Building A/c			37500

III. Consolidated Books :– (W.N.)

31.3.2002	Post R/E of Subsidiary (Gain on Sale)	Dr	100000	
	To BBuilding A/c			100000
31.3.2002	Building A/c	Dr	5000	
	To Cons./Group R/E or P/L [Dep^n]			5000

W.N. :–

(i) Unrealised gain of ₹ 100000 on Building on Downstream Txn. :–
(1100000 – 1000000)

Deduct from Post R/E of Subsidiary Co.

Deduct from Building in consolidated B/S

(ii) Add^n Dep^n on unrealised gain to be Reversed –

Dep^n on Purchased Amt. within group ((1100000 - 350000)/20)	37500
(–) Dep^n on Orignal cost ((1000000 - 350000)/20)	32500
	5000

Add to Group R/E

Add to Building in Cons. B/S

Answer (9.) S.1) Share % of P Ltd. in S Ltd. & SS Ltd. —

In S Ltd. → 80%.

In SS Ltd. → 80% x 75% = 60%.

S.2) Share % of NCI in S Ltd. & SS Ltd. –

In S Ltd. ⇒ 100% - 80% ⇒ 20%.

In SS Ltd. ⇒ 100% - 60% ⇒ 40%.

S.3) DoA < S Ltd. ⇒ 30.09.2001
SS Ltd. ⇒ 30.09.2001)

S.4) DOC → 31.03.2002

S.5) Analysis of Reserves of subsidiary Co. [S Ltd.] :- (₹) in Lakh

Particulars	Pre Res.	Post Acq. Res.	
		Res.	R/E
Bal. of Res. on 1.4.2001	80	–	–
Inc. in Res. [100-80]	10	10	–
= 20 in Pre & Post in the ratio of 1:1			
Bal. of R/E on 1.4.2001	20	–	–
Inc. in R/E [50-20]	15	–	15
= 30 in Pre & Post in the ratio of 1:1			
	125	10	15
Share of P Ltd. @ 80%		8	12
Share of NCI @ 20%		2	3

Analysis of Reserves of SS Ltd. (Subsidiary Co.) — (₹) in Lakhs

Particulars	Pre Acq. Res.	Post Acq. Res.	
		Res.	R/E
Balance of Res. on 1.4.2001	60	-	-
↑ in Reserves [80 - 60]			
=20 in Pre & Post in 1:1 Ratio	10	10	-
Balance of R/E on 1.4.2001	30	-	-
↑ in R/E [60 - 30]			
=30 in Pre & Post in 1:1 Ratio	15	-	15
(-) Unrealised Gain on Inventory [10 Lakhs × 25/125]	-	-	(2)
	115	10	13
Share of P Ltd. @ 60%		6	7.80
Share of NCI @ 40%		4	5.20

S.6) Net Assets

	S Ltd.	SS Ltd.
		(₹) in Lakhs
Share Capital	400	320
(+) Post Acquisition share (S.5)	125	115
	525	435

S.7) NCI on Consolidation Date —

	S Ltd.	SS Ltd.
		(₹) in Lakhs
NCI on Acq. Date	80 (400 X 20%)	128 (320 X 40%)
(+) Share in Post Acq. Res.	5 (2+3)	9.20 (4+5.20)
(-) Share of NCI in S Ltd. on Inv. Amt in SS Ltd. (280 X 20%)	(56)	-
NCI on consolidation Date →	29	137.20

S.8) Goodwill or Capital Reserve —

		(₹) in lakhs
@	S Ltd.	SS Ltd.
P.C.	340	224 (280 × 80%)
(+) NCI on Acq. Date	80	128
	420	352
(-) NA (S.6)	(525)	(435)
Capital Reserve	105	83

S.9) Consolidated Group Equity / Group Reserves (₹) in lakhs

	CR	Res.	R/E	Total
Parent Co. own Balance as on 31.3.2002	-	180	160	340
(+) Share of Parent Co. in Post Res. of S Ltd.	-	8	12	20
(+) Share of Parent Co. in Post Res. of SS Ltd.	-	6	7.80	13.80
(+) Cap. Res. (Gain on Bargain Purchase) - S Ltd.	105	-	-	-
- SS Ltd.	83	-	-	-
	188	194	179.80	581.80

S.10) Consolidated B/S as on 31.3.2002 ₹ in lakhs

ASSETS

I. NCA	
(i) PPE (320+360+300)	980
II. CA	
(i) Inventories (220+70+50-2)	338
(ii) FA:	
(a) T/R (260+100+220)	580
(b) B/R* (72+30⅔-70+30)	2
(c) Cash & Cash Equivalents (228+40+40)	308
TOTAL	2208

Equity & Liabilities

1. Equity		
(i) ESC		600
(ii) Other Equity		561·80
(iii) NCI (29 + 137·20)		166·20
II. CL		
(i) FL:		
(a) TIP (470 + 230 + 180)		880
	TOTAL	2208

Answer (20.) Existing stake in B = 60%.
Additional stake = 20%.
Cash paid for Additional stake = ₹4000
Carrying Amt. of NCI = ₹4000

J.E. in CFS :-

NCI [4000 × 20%/40%.]	Dr 2000	
Loss [Other Equity] (B/F)	Dr 2000	
To Cash		4000

Answer (21.) Existing Stake = 70%. Additional Stake Purchase = 10% at ₹2600
CA of NCI = ₹6600 [30%.]

NCI to be reduced = $\frac{6600}{30\%.} \times 10\% \Rightarrow$ ₹2200

G/W should not be adjusted.

J.E. in CFS —

		₹ in 000
NCI	Dr 2200	
Other Equity (Loss) (B/F)	Dr 400	
To Cash A/c		2600

Answer (22) Existing Stake = 70%. Addition Stake = 10% at ₹32 Lakh

NCI Carrying Amount = ₹90 Lakh [30%]

NCI to be reduced = $\frac{90 \text{ Lakh}}{30\%} \times 10\% = ₹30$ Lakh

J.E. in CFS —

NCI	Dr 30 Lakhs	
Other Equity (Loss) (B/F)	Dr 2 Lakhs	
To Cash A/c		32 Lakhs

J.E in SFS of A Ltd. —

Investment in B Ltd.	Dr 32 Lakh	
To Cash A/c		32 Lakh

B/S on 1.4.2001

	A Ltd.	B Ltd.	Consolidated
Assets	-	-	10
G/W	627	200	827
PPE			
FA'.			
Investments (150+32)	182		-
Cash (200-32)	168	30	198
Other CA	23	70	93
TOTAL	1000	300	1128

Equity & Liabilities			
Share Capital	200	100	200
Other Equity	800	200	868
			₹ (870 - 2)
NCI	–	–	60
			(90 - 30)
	1000	300	1128

Answer (23.)

₹ in Lakhs

J.E. in CFS :-

Cash A/c	Dr	100	
To NCI [300 × 20%]			60
To Gain [Other Equity] [B/F]			40

* Entity P ~~stake~~ stake after sale = 100% - 20% = 80%.
[No loss of control]

Answer (24.) Entity A stake after sale = 100% - 30% = 70%.
[No loss of control]

J.E. in CFS

₹ in Crores

Cash A/c	Dr	500	
To NCI [(1300 + 200) × 30%]			450
To Gain [Other Equity] (B/F)			50

Answer (25.) Amla Ltd. [Parent Co.] stake after sale = 100% - 40% = 60%
[NO Loss of Control]

In SFS :- (₹) in 000

Cash A/c	Dr	900	
To Investment in subs. [1000000 × 40%/100%]			400
To Gain (P&L) (B/F)			500

∴ Gain on Sale of stake in Parent's Separate Books is ₹ 500000

In CFS :- (₹) in '000

Cash A/c	Dr	900	
To NCI [1800000 × 40%]			720
To Gain [Other Equity] (B/F)			180

∴ Gain on sale of stake in CFS is ₹ 180000

Answer (26.)
Existing stake 100%
sale 60% stake
∴ AT Ltd. stake after sale = 100% - 60% = 40% [Loss of Control]

In SFS :- ₹ in Lakhs

Cash A/c	Dr	67.5	
To Investment [5000000 × 60%/100%]			30
To Gain [P&L] (B/F)			37.5

In CFS :-

		₹ in Lakhs	
Cash A/c	Dr	67.5	
Investment [Retained]	Dr	45	
To Net Assets			80
To Goodwill			10
To Gain [P&L] (B/F)			22.50

Answer (27.) Existing stake = 100%

sale 90% stake

∴ AT Ltd. stake after sale = 100% - 90% = 10% [Loss of Control]

In SFS :-

		₹ in Lakhs	
Cash A/c	Dr	85.50	
To Investment [5000000 × 90%/100%]			45
To Gain [P&L] (B/F)			40.50

In CFS :-

		₹ in Lakhs	
Cash A/c	Dr	85.50	
Investment (Retained)	Dr	9.50	
To Net Assets			80
To Goodwill			10
To Gain [P&L] (B/F)			5

Answer (28) Parents stake 80%.

sale 80% stake

Stake after sale = 80% - 80% = 0 [loss of control]

In CFS :-

			(₹) in '000
Cash A/c	Dr	200	
To Investment [160000 × 80%/80%]			160
To Gain [P&L] (BIF)			40

In CFS :-

		₹ '000
Cash A/c	Dr 200	
NCI A/c [225000 × 20%]	45	
To Net Assets		225
To goodwill		12
To gain [P&L] (BIF)		8

Answer (29.1) Shareholding structure before exercise of option by Minority

~~Parent Co.~~	No. of Shares	%
Parent Co. [50000 × 60%]	30000	60%
NCI	20000	40%
	50000	100%

New Structure

Parent Co.	30000	40%
NCI [20000 + 25000]	45000	60%
	75000	100%

So, there is Deemed loss of control in subsidiary

In CFS :-

		₹'000	₹'000
Investment [30000 Sh. x ₹12] – Retained	Dr	360	
NCI [450000 x 40%]	Dr	180	
To Net Assets			450
To Goodwill			20
To Gain [P&L] (B/F)			70

Answer (30.) In CFS :-

Cash A/c [250000 + 550000]	Dr	800000	
NCI	Dr	180000	
To Net Assets			900000
To Gain [P&L] (B/F)			80000

[Since, NO info. regarding Goodwill is provided in Question, we will assume there is No goodwill in the books]

Answer (31.) In CFS :-

₹ in Crore

(1) Cash A/c	Dr	56	
NCI [60 crore x 10%]	Dr	6	
Investment A/c [Retained]	Dr	16	
To Net Assets			60
To Gain [P&L] (B/F)			18
(2) OCI Reserve for Debt Investments	Dr	5.40	
To P&L [6 crore x 90%]			5.40
(3) ~~OCI~~ Retained Earnings (3 crore x 90%)	Dr	2.70	
To Actuarial Loss in OCI			2.70

(4) OCI Reserve for Equity Investments [4cr × 90%] Dr 3.6
To Retained Earnings 3.6

(5) FCTR in OCI (8crore × 90%) Dr 7.2
To P&L A/c 7.2

⇒ Impact in P&L ⇒ 18 crore + 5.40 crore + 7.20 crore
⇒ 30.60 crores [Credit]

⇒ Impact in R/E ⇒ −2.70 crore + 3.60 crore = 0.90 crores [Credit]

Answer(32.) J.E. in CFS :- ₹ in millions

Cash A/c	Dr	3000	
NCI [Not Applicable]	Dr	-	
To Net Assets [(3460-180)-900]			2380
To Goodwill			180
To Gain [P&L] (B/F)			440

BIS after Disposal :- ₹ in Millions

ASSETS :-

1. NCA :-
   (i.) PPE (3240 − 1340) 1900
   (ii) GIW (380 − 180) 200
2. CA :-
   (i.) Inventories (140 − 40) 100
   (ii.) Fin Assets
      (a) T/R (1700 − 900) 800
      (b) Cash (3100 − 1000 + 3000) 5100
   TOTAL 8100

EQUITY & LIABILITIES :-

1. Equity :-

(i.) ESC	1600
(ii.) O/E (4260 + 440)	4700

2. CL :-

TIP (2700 - 900)	1800
TOTAL	8100

Answer (33.) J.E. in CFS :- (₹) in '000

Cash A/c	Dr	1000	
Investment [Retained] [(1730-450) x 10%]	Dr	128	
Loss [P&L] (B/F)	Dr	152	
To Net Assets [(1730 - 90) - 450]			1190
To Goodwill			90
~~To Gain [P&L] (B/F)~~			

Cash A/c	Dr	1000	
Investment A/c [Retained] [(1730-450) x 10%]	Dr	128	
Loss [P&L] (B/F)	Dr	152	
To Net Assets [(1730 - 90) - 450]			1190
To goodwill			90

B/S after Disposal

		₹'000
ASSETS		
1. NCA:-		
(i.) PPE (1620 - 670)		950
(ii.) Goodwill (190 - 90)		100
(iii.) F.A.:-		
(a) Inv. in Jio Info. Ltd.		128
2. CA:-		
(i.) Inventories (70 - 20)		50
(ii) F.A.:-		
(a) T/R (850 - 450)		400
(b) Cash (1550 - 500 + 1000)		2050
	TOTAL	3678
EQ. + LIAB.		
1. Equity:-		
(i.) ESC		800
(ii.) Other Equity (2130 - 152)		1978
2. C.L:-		
(i) F.L.:		
(a) T/P (1350 - 450)		900
	TOTAL	3678

Answer (34.) Ind AS 103 :

S.1) Acquirer = A Ltd.

S.2) DoA = 1.4.2001

S.3) PC = ₹400000 [Deemed]

S.4) NA = ₹450000

S.5) NCI = ₹ 100000

S.6) Goodwill :-

		(₹)
	PC	400000
(+)	NCI	100000
		500000
(-)	NA	(450000)
	Glw →	50000

S.7) J.E. :-

Net Assets		Dr	450000	
Glw		Dr	50000	
To Investment in B Ltd. [PC]				400000
To NCI				100000

Answer (36.) In CFS :-

Investment in K Ltd. at FVTPL	Dr	2500000
To NA		1900000
To Glw		400000
To Gain [P/L] (B/F)		200000

Answer (37.) As per Ind AS 111, PQ is a Joint Operation [Individual Asset & Liabilities]

∴ Proportionate Consolidation Method will apply

P will account it as follows :-

ASSETS :-

Machinery	250000
Cash [50000 × 50%]	25000
	225000

EQ. & LIAB. :-

Bank Loan	75000
Other Loan [75000 × 50%]	37500
Capital [other Equity] (B/F)	← 112500
	225000

ICAI ⇓ 150000 × 50% = 75000

↓

wrong Solution as per ICAI

Answer (38.) As per IND AS 111, PQR is a Joint Operation [Individual Assets & Liabilities]

∴ Proportionate Consolidation Method will apply

AB Ltd. will account it as follows :-

ASSETS :-

Building 1	240
Cash (40 × 50%.)	20
Building 2 (200 × 50%.)	100
	360

EQ. & LIAB.

Debt owned ~~by~~ XYZ	240
Employee benefit plan obligation (100 × 50%.)	50
Equity (B/F)	70
	360

Answer (39.)

Alpha Ltd. — 50% →
Gama Ltd. — 50% →
Property
↓
Joint Operation

Construction Starting Date - 1.4.01
Construction Completion Date - 30.9.01 [Ready to Use]
Useful life ⇒ 20 years

Cost of Construction of PPE ⇒ Ind AS 16:

Cost of construction	400000000
(+) Borrowing Cost [100000000 × 10% × 6/12]	5000000
Total cost of PPE	405000000

Alpha Ltd. ↓ PPE ⇒ 405000000 × 50% = 202500000
Gama Ltd. ↓ ⇒ 202500000

Expenses :-

Depreciation = $\frac{405000000}{20 \text{ years}} \times \frac{6}{12}$ ⇒ 1,01,25,000
[6 Months in CY]

Alpha Ltd. (50%) ↓ 5062500
Gama Ltd. (50%) ↓ 5062500

→ ~~Maintenance Cost~~ Other Expenses :-

Maintenance Cost	400000
(+) Borrowing Cost [100000000 × 10% × 6/12]	5000000
(30.9.01 to 31.3.02)	

Alpha Ltd. (50%) 2700000
Gama Ltd. (50%) 2700000
5400000

50

Answer (40.) J.E. :-

Bank A/c (80 × 40%.)	Dr	32	
Loss on Sale (B/F).	Dr	8	
To Asset [100 × 40%.]			40

Answer (41.) J.E. :-

Asset A/c [80₹ × 40%.]	Dr	32	
To Bank A/c			32

Answer (42.) J.E. in Books of A Ltd. [CFS]

1. Investment in B Ltd. A/c	Dr	100000	
To Bank A/c			100000
2. Investment in B Ltd. A/c	Dr	2500	
To sh. in Profit [P&L] (10000 × 25%.)			2500
3. Investment in B Ltd. A/c	Dr	500	
To sh. in OCI [OCI] (2000 × 25%.)			500
4. Dividend Receivable A/c [4000 × 25%.]	Dr	1000	
To Investment in B Ltd. A/c			1000

~~Answer (43.) J.E. in~~

Answer (43.) J.E. in Amar Ltd. [CFS] → [Ques. मे पुछा नहीं है पर knowledge purpose के लिये]

(1) Investment in ~~Amar~~ Ram Ltd. [40% Stake] Dr 1000000
  To Bank A/c 1000000

(2) Investment in Ram Ltd. Dr 80000
  To Sh. in Profit [P&L] (200000 x 40%) 80000

(3) Bank A/c (100000 x 40%) Dr 40000
  To Investment in Ram Ltd. 40000

Ledger A/c ⇒ Inv. in Ram Ltd.

To Bank A/c	1000000	By Bank	40000
To P&L	80000	By Balance c/d (B/F)	1040000
	1080000		1080000

→ Cal^n of Closing Balance of Inv. in Ram Ltd. A/c :—
(Exam में नोटिस्ड करना Statement format में)

	(₹)
Cost of Investment	1000000
(+) Share in Profit [P&L]	80000
(−) Dividend Share	(40000)
	1040000

Answer (44.) J.E. in Blue Ltd. [CFS]

(1) Investment in Green Ltd. Dr 125000
To Bank A/c 125000

(2) Investment in Green Ltd. Dr 10000
To Sh. in Profit (P&L) (40000 × 25%) 10000

(3) Investment in Green Ltd. Dr 2500
To Share in OCI [OCI] (10000 × 25%) 2500

(4) Share in Profit [P&L] [100000 ₹ / 20 yrs × 25%] Dr 1250
To Investment in Green Ltd. 1250

→ Cal^{n} of G/w or C/R :-

Cost	125000
(-) Sh. in Net Assets FV [400000 × 25%]	(100000)
Goodwill ⟹	25000

→ Cal^{n} of Sh. in Profit [P&L] :-

Profits (40000 × 25%)	10000
(-) Additional Dep^{n} [100000 ₹ / 20 yrs. × 25%]	(1250)
	8750

→ Cal^{n} of Share in OCI ; 10000 × 25% = 2500

→ Cal^n of Closing Balance of Investment :-

Cost		125000
(+) Profit share	10000	
(-) Additional Dep^n	(1250)	8750
(+) share in OCI		2500
		136250

Answer (45.) → Cal^n of G/W or CIR :-

Cost	4750000
(-) Sh. in NA Fair value (11000000 × 35%)	(3850000)
Goodwill →	900000

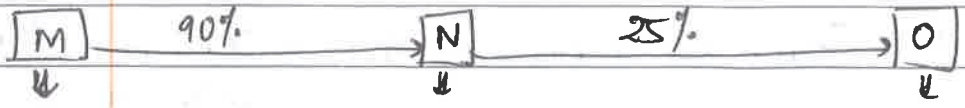
→ Cal^n of Closing Balance of Investment in XYZ Ltd as at 31.3.02 :-

Cost		4750000
(+) Profit share (800000 × 35%.)	280000	
(-) Addition Dep^n [2000000 ₹ × 35% / 10 years]	(70000)	210000
(-) Dividend share [1200000 × 35%.]		(420000)
(+) share in OCI [200000 × 35%.]		70000
		4610000

Answer (46.) Cal^n of Big Ltd. interest in Dig Ltd. as at 31.3.02 :-

Cost		300000
(+) share in Profit (100000 × 35%.)	35000	
(-) Additional Dep^n [100000 ₹ / 8 yrs. × 35%.]	(4375)	30625
(-) Dividend share (11000 × 35%.]		(3850)
(-) share in Loss in OCI [15000 × 35%.]		(5250)
		321525

Answer (49.)



CFS [M+N] — Subsidiary — Associate of 'N'

Investment in O → 300 Lakhs × 25% = ₹75 Lakhs

[Cost = [300 Lakh - 40 lakh] × 25% = ₹65 lakhs
Sh. in Profit (P&L) = 40 Lakh × 25% = ₹ 10 Lakhs]

As it is

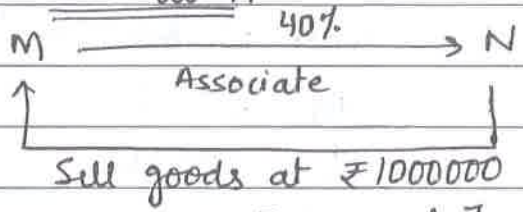
(i) Investment in 'O' = ₹75 Lakhs

(ii) Share of M Ltd. in Profit of N Ltd. [Post Acq. Profits]

⇒ 10 Lakhs × 90% = ₹9 Lakhs

Share of NCI in Post Acq. Profits of N Ltd. ⇒ 10 Lakhs × 10% = ₹1 Lakh

Answer (50.) Scenario A



Profit earned by N [Associate] = 1000000 × 10% = ₹100000

Investment in N Ltd.	Dr	40000
To Sh. in Profit of N Ltd. [100000 × 40%]		40000

M Ltd. sold goods of ₹600000 to outside customers. Hence, Profit on these goods [600000 × 10% = ₹60000] has been realised.

Remaining Inventory of ₹ 400000 has unrealised profit of ₹40000 [400000 ₹ × 10%.]

∴ Investor's [M Ltd.] Share in Unrealised gain ⇒ 40000 ₹ × 40%.
⇒ ₹16000
[to be eliminated]

Share in Profit of N Ltd. [P&L] Dr 16000
To Inventory A/c 16000

Scenario B

Elimination of Unrealised Gain ⇒ 40000 ₹ [400000 × 10%.]
×
40%.
⇒ ₹16000

P&L A/c Dr 16000
To Investment in N Ltd. 16000

Answer (51.) Scenario A

J.E. in X Ltd. [Investor] Books :- Sale of Asset to J.V.

Bank A/c Dr 800000
Loss on Sale of Asset A/c (P&L) CB/F Dr 200000
To Asset A/c 1000000

Scenario B

J.E. in X Ltd. [Investor] Books :- Purchase of Asset from J.V.

• Asset A/c Dr 800000
To Bank A/c 800000

• Sh-in Loss of Y Ltd Dr 100000
To Inv. in Y Ltd. 100000
(200000 × 50%.)

[* J.E. in Y Ltd. Books :-
Bank A/c Dr 800000
Loss (P&L) CB/F Dr 200000
To Asset A/c 1000000]

Answer (52) Investment in Associate [Sh. in Consideration]
⇒ 800 lakhs ₹ × 20% ⇒ ₹160 lakhs

Inv. in Associate (Sh. in Corp.)	Dr	160 lakhs	
To Inv. in Associate (Prop. CA) [360 lakhs ₹ × 30%/30%]			120 lakhs
To Gain (P&L) (B/F)			40 lakhs

Answer (53)

Bank A/c	Dr	80000	
Investment in RS Ltd. (Retained)	Dr	120000	
To Investment in RS Ltd.			100000
To gain [P&L] (B/F)			100000

Answer (54)

Year 1:-

Types of Investments in Associate	Open. Bal.	Adj. as per Ind AS 109	Bal. after applying IND AS 109	Sh. in P/(L) of Associate	Closing Balance
Investment in Eq. Sh.	1000000	-	1000000	(1000000)	-
Investment in Pr. Sh.	500000	(50000)	450000	(450000)	-
Investment in Long T. Loans	300000	(50000)	250000	(150000)	100000

Year 2 :-

Types of Inv. in Associate	opening Balance	Adj as per Ind AS 109	Bal. after applying Ind AS 109	Share in P/(L) of Associate	Closing Balance
Inv. in Eq. Sh.	-	-	-	-	-
Inv. in P. Sh.	-	(50000)	(50000)	50000*	-
Inv. in Long Term Loans	100000	-	100000	(100000)	-
				(50000)	-

* Pref. Sh. loss allocated of ₹50000 has been reversed so that balance doesn't become negative

NOTE :- In 2nd year, there is unrecognised loss of ₹150000 [200000 - 50000]

Year 3 :-

Types of Inv. in Associate	Opening Balance	Adj. as per Ind AS 109	Bal. after applying Ind AS 109	Sh. in P/(L) of Associate	Closing Balance
Inv. in Eq. Sh.	-	-	-	-	-
Inv. in Pref. Sh.	-	100000	100000	(100000)	-
Inv. in Long Term Loans	-	50000	50000	(50000)	-
				(150000)	-

NOTE :- Whole unrecognised loss has been allocated.

Year 4:-

Types of Inv. in Associate	Opening Balance	Adj. as per Ind AS 109	Bal. after applying Ind AS 109	Share in P/(L) of Associate	Closing Balance
Inves. in Eq. Sh.	-	-	-	200000 (3rd)	200000
Inv. in P. Sh.	-	50000	50000	500000 (2nd)	550000
Inv. in Long Term Loans	-	-	-	300000 (1st)	300000
				1000000	1050000

Year 5:-

Types of Inv. in Associate	Opening Balance	Adj. as per Ind AS 109	Bal. after applying Ind AS 109	Sh. in P/(L) of Associate	Closing Balance
Inv. in E.S.	200000	-	200000	1000000	1200000
Inv. in P.S.	550000	30000	580000	-	580000
Inv. in Long Term Loans	300000	-	300000	-	300000
				1000000	2080000

IND AS - 19 Employee Benefits

Answer (1.) Current FY = 2002 - 03

No. of Employees who met the condition ⇒ 350 Emp. - 6%.
⇒ 329 Employees

Bonus per Employee ⇒ 125000 + 8.5%. ⇒ ₹135625

∴ Total Bonus ⇒ ₹135625 × 329 ⇒ ₹44620625

J.E. :-

31.03.2003

Bonus A/c [P&L → EBE]	Dr	44620625
To Prov. for Bonus A/c		44620625

June 2003

Prov. for Bonus A/c	Dr	44620625
To Bank A/c		44620625

Answer (2.)

Leaves

- Casual Leaves [30]
  - 10 Paid Leaves [Acc.] ⇓ 5 Unused ⇓ Liability ⇒ 30 Employees × 5 Days = 150 days Salary
  - 20 Paid Leaves [Non Acc.] ⇓ No Alcing Treatment
- Sick Leaves [10]
  - 2 Leave [Accumulative] ⇓ 1 Unused ⇓ Liability ⇒ 10 Employees × 1 days ⇒ 10 days Salary
  - 8 Leaves [Non Acc.] ⇓ No Alcing Treatm

Answer (3.) 100 Employees → 10 days paid leaves per employee
[Accumulating] ~~Non Vesting~~

Unused Leaves per employee ⇒ 2 Days (Carry fwd.)

Compensating Absences Amount :-

(a.) Vested ⇒ 100 Emp. × 2 days × ₹2500 = ₹500000

(b) Non Vested ⇒ (100 Emp. × 20%) × 1 day × ₹2500 = ₹ 50000

Answer (4.)

Annual Salary ⇒ ₹3000000
Working Days ⇒ 300 days
∴ Salary per day ⇒ $\frac{3000000}{300}$ = ₹10000 per day

Paid Leaves Allowed = 10 days
∴ Work to be done by him to get full Salary ⇒ 300 - 10
⇒ 290 days

Work done by him = 300 - 8 = 292 days
∴ Unused Leaves = 10 - 8 ⇒ 2 days [Vested Accumulating]

J.E.:- Salary (EBE) Dr 3000000
To Bank A/c 3000000

Leave Compensation (EBE) Dr 20000
To Prov. for Leave Comp. 20000
(2 days × 1 Emp. × ₹10000)

So, Total EBE ⇒ 3000000 + 20000 ⇒ ₹ 3020000

Answer (5.) Accounting treatment done by Infotech Ltd. is Not correct. It is in violation of Ind AS 19.

Correct Acing Treatment :-

Annual Salary ⇒ ₹3000000 ; Working Days = 300

∴ Salary per Day ⇒ $\frac{30 \text{ Lakh}}{300}$ = ₹ 10000 per day

Paid Leaves ⇒ 10 days

Year 1

Full Sal. Days work = 300 - 10 ⇒ 290 days

Work done by him = 300 - 7 ⇒ 293 days

∴ Unused Leaves = 10 - 7 = 3 days

[Accumulating Leaves]

Salary (EBE)	Dr 3000000	
To Bank A/c		3000000
Leave Comp. (EBE)	Dr 30000	
To Prov. for Le. Comp.		30000
(1 emp. × 3 days × ₹10000)		

So, Total EBE ⇒ 3000000 + 30000

⇒ 3030000 ₹

Year 2

Full Sal. day work = 290 days

Work done By him = 300 - 13 = 287 days

∴ Unused Leaves = 10 - 10 = 0

Salary (EBE)	Dr 2970000	
(3000000 - 30000)		
Prov. for L.C.	Dr 30000	
To Bank A/c		3000000

∴ Total EBE = ₹ 2970000

Date: / /
MON TUE WED THR FRI SAT SUN

Answer (6.) Annual Salary ⇒ ₹ 3000000 ; Working Days = 300 days
∴ Salary per day ⇒ $\frac{3000000}{300}$ = ₹ 10000 per day

Paid Leaves ⇒ 10 days

Year 1:- Full Salary days work = 300 - 10 = 290 days
Work done by Mr. Niranjan = 300 - 7 = 293 days
∴ Unused Leaves = 10 - 7 = 3 days
[Accumulating Leaves]

Salary (EBE)	Dr	3000000	
To Bank A/c			3000000

Leave Comp. A/c (EBE)	Dr	20000	
To Prov. for L.C. A/c			20000
(1 Emp. × 2 days × ₹ 10000)			

So, Total EBE = 3000000 + 20000 = ₹ 3020000

Year 2:- Full Salary days work = 300 - 10 = 290 days
Work done by Mr. Niranjan = 300 - 13 = 287 days
∴ Unused Leaves = 10 - 10 = 0

Salary (EBE)	Dr	2980000	
Provision for Leave Comp. A/c	Dr	20000	
To Bank A/c			3000000

So, Total EBE = ₹ 2980000

Answer (7.) Total Employees ⇒ 350

(Year 20X1-X2)

Existing Employees (94%) ⇒ 350 × 94% ⇒ 329

New Employees Hired (6%) ⇒ 350 × 6% ⇒ 21

Cal^{n} of Unused Leaves to be C/F :-

Allowed Paid Leaves =	10
C/F Leave from PY =	3
	13
(-) Leaves taken	(9)
Leaves to be C/F	4 days

Cal^{n} of Unused Leaves to be C/F :-

Allowed Leaves	10
(-) Leaves taken	(9)
Leaves to be C/F	1 day

∴ Salary per Day ⇒ 15000 + 10% ⇒ ₹ 16500

Now, Amount of Leave Compensation to be booked in 20X1-X2 :-

Existing Employees [329 × 4 × 16500]	⇒	₹ 21714000
New Employees [21 × 1 × 16500]	⇒	₹ 346500
		₹ 22060500

J.E. :-

i) Leave Compensation [EBE]	Dr	22060500	
To Prov. for L.C.			22060500
ii) Prov. for L.C.	Dr	6500000	
To Bank A/c			6500000

Answer (8.) 20X0 - X1 ⇒ Annual Salary ⇒ ₹50 Crores

∴ Contribution made for FY ⇒ 50 Crore ₹ × 12%

⇒ ₹6 Crore

Nov 20X0	June 20X1
₹2.8 Crores	₹6 Crores - ₹2.8 Crores
	⇒ ₹3.20 Crores

J.E. :-

20X0-X1	Defined Contribution Expense [P&L - EBE]	Dr	6 Crore
31.3.X1	To Bank A/c		2.8 Crore
	To Defined Contribution Payable A/c [Liability]		3.2 Crore
June X1	Defined Contribution Payable A/c	Dr	3.2 Crore
	To Bank A/c		3.2 Crore

Answer (9.) (i.) Short Term Compensating Absences :-

PL	SL
⇒ 200 emp. × 5 days	⇒ 200 emp × 2 days
+	+
800 emp. × 10 days	800 emp. × 5 days
⇒ 9000 days	∴ ⇒ 4400 days
[Leave Compensation]	[Leave Compensation]

(ii.) Profit sharing Plan [Bonus] :-

Bonus ⇒ ₹2000 Crores × 3.5 % ⇒ ₹70 Crores

(iii.) Defined contribution Plan :—

Total contribution ⇒ ₹ 100 Crores [P&L – EBE]

₹ 20 Crores paid

Remaining ⇒ ₹ 80 Crores ⇓ Liability

I.E. :- (Ques. ने I.E. करने को नहीं कहा है)

EBE	Rs 100 Cr.
To Bank	20 Cr.
To Liability	80 Cr.

Answer (10.) (i) Total Benefits to be paid

⇒ 1% × 13108 × 5 years ⇒ ₹655

W.N. :- Final Salary at end of Year 5

⇒ Year 1 = ₹ 10000

Year 2 = 10000 + 7% = ₹ 10700

Year 3 = 10700 + 7% = ₹ 11449

Year 4 = 11449 + 7% = ₹ 12250

Year 5 = 12250 + 7% = ₹ 13108

OR ⇒ $10000\ (1 + 0.07)^4$ = ₹ 13108

(ii) Benefits Attributed to each year :-

⇒ $\frac{655}{5 \text{ years}}$ = ₹ 131

(iii) Current service cost [P&L - EBE] :-

Year	Benefit accrue to each year	Payable after	PVF @10%	Present value
1	131	4 years	0.683	89
2	131	3 years	0.751	98
3	131	2 years	0.826	108
4	131	1 years	0.909	119
5	131	0	1	131

(ix.) DBO A/c

Year 1 end			
To Balance c/d	89	By curr. ser. cost (CSC)	89
Year 2 end			
To Bal c/d	196	By Bal. b/d	89
		By Interest (89 × 10%.)	9
		By CSC	98
Year 3 end			
To Balance c/d	324	By Balance b/d	196
		By Interest (196 × 10%.)	20
		By CSC	108
Year 4 end			
To Bal. c/d	475	By Bal. b/d	324
		By Interest (324 × 10%.)	32
		By CSC	119
Year 5 end			
To Bal c/d	606	By Bal b/d	475
		By Interest [(475 × 10%.) (B/F)]	47
		By CSC	131

Answer (11.)

₹ ' lakhs

Closing Balance of DBO :-	31·12·X2	31·12·X1
Op. Bal.	63·25	47·08
(+) CSC	5·84	4·97
(+) Interest Cost	4·27	3·56
(+) Demographic Assump. (Actuarial Loss)	0·62	1·86
(+) Financial Assump. (Actuarial Loss)	3·58	1·93
(-) Experience Variance (Actuarial Gain)	(2·49)	-
(+) Exp. Variance (Actuarial Loss)	-	4·46
(-) Payment of Benefits	-	(0·61)
	75·07	63·25

Closing Balance of Plan Assets :-	31·12·X2	31·12·X1
Opening Balance	21·80	14·65
(-) Payment of Benefits	-	(0·61)
(+) Expected Inv. Income	1·47	1·12
(+) Contribution	8	7
(±) Actuarial Gain or Actuarial (Loss)	2·12	(0·36)
	33·39	21·80

→ Net Defined Liability :-	31·12·X2	31·12·X1
Closing Bal. of DBO	75·07	63·25
(-) Closing Bal. of Plan Assets	(33·39)	(21·80)
NDL →	41·68	41·45

→ P&L - EBE :-	31·12·X2	31·12·X1
Current Service Cost	5·84	4·97
(+) Net Interest cost (W.N.)	2·80	2·44
Net Expense	8·64	7·41

WN. :- Net Interest Cost :-	31.12.X2	31.12.X1
Interest Cost on DBO	4.27	3.56
(-) Expected Int. Inc. on PA	(1.47)	(1.12)
	2.80	2.44

Answer (12.) Reconciliation of Plan Assets :-

	(₹)
Opening Balance	2040000
(+) Contribution	425000
(-) Benefits	(255000)
(+) Expected Interest Income (2040000 × 5%)	102000
	2312000
Closing Balance [Fair Value]	2380000
Acturial Gain [OCI] (B/F)	68000

Reconciliation of DBO :-

	(₹)
Opening Balance	2125000
(-) Benefits	(255000)
(+) CSC	510000
(+) Interest Cost (2125000 × 5%)	106250
	2486250
Closing Balance	2720000
Acturial Loss [OCI] (B/F) →	233750

→ Net Defined Liability in Balance Sheet :-

DBO	2720000
(-) Planned Asset	2380000
NDL →	340000

→ Net EBE in P/L :-

CSC	510000
(+) Net Int. Cost [106250 - 102000]	4250
	514250

→ Net Remeasurement Gain / (Loss) in OCI —

Actuarial (Loss) on DBO	(233750)
Actuarial Gain on Plan Asset	68000
Net Remeasurement loss in OCI →	165750

Answer (13.) Reconciliation of Plan Assets & Defined Ben. obligation :-

₹ lakhs

Particulars	Plan Asset	Defined Ben. obligation
Opening Balance	1140	1400
(+) CSC	-	55
(+) Contribution	111	-
(+) Interest Cost (1400 × 8%)	-	112
(+) Expected Interest Income (1140 × 8%)	91	-
	1342	1567
Closing Balance	1275	1580
Actuarial Loss	67	13

a) Net Defined Liability to be included in B/S as at 31.03.20X2 :-

DBO	1580
(-) Plan Asset	(1275)
NDL →	305

Net EBE in P/L :—

CSC	55
(+) Net Interest Cost [112 - 91]	21
	76

Net Remeasurement Gain / (Loss) in OCI :-

Actuarial loss on DBO	(67)
Actuarial loss on Plan Asset	(13)
Net Reameasurement loss in OCI	80

(b.) J.E. :-

(i) Interest cost (P&L)	Dr	112	
To DBO			112
(ii) CSC (P&L)	Dr	55	
To DBO			55
(iii) Actuarial Loss (OCI)	Dr	13	
To DBO			13
(iv) Plan Asset	Dr	91	
To Exp. Int. Income			91
(v) Plan Asset	Dr	111	
To Bank			111
(vi) Actuarial Loss (OCI)	Dr	67	
To Plan Asset			67

OK

Alternatively Single Entry :-

P&L	Dr	76	
OCI	Dr	80	
To Bank A/c			111
To NDL (180 - 135) (Par C4)			45

(180 → DBO, 135 → PA)

Answer (14.) Reconciliation of PA :-

	₹'000
Op. Bal.	52000
(+) Expected Int. Income [52000 × 5%]	2600
(+) Contribution	7000
(-) Benefits	(4200)
(-) Withdrawal for Payment of Compensation for Curtailment	(7500)
	49900
Closing Balance	56000
Actuarial gain [OCI] →	6100

Reconciliation of DBO :-

Opening Balance	60000
(+) Interest Cost (60000 × 5%) [P&L]	3000
(-) Benefits	(4200)
(+) CSC [P&L]	6200
(+) Past service cost [Liability Increased] [P&L]	1500
(-) Curtailment	(8000)
	58500
Closing Balance	68000
Actuarial ~~gain~~ Loss [OCI] →	9500

→ Net Defined Liability in B/S :-

Closing Bal. of DBO	68000
(-) Closing Bal. of PA	(56000)
NDL →	12000

→ Net Interest Cost :-

Int. Cost on DBO	3000
(-) Expected Int. Income on PA	(2600)
	400

→ Net EBE in P&L :—

CSC	6200
(+) Net Int. Cost	400
(+) Past Service Cost	1500
(-) Gain on Settlement (Curtailment) [8000 - 7500]	(500)
	7600

→ Net Remeasurement Gain / (Loss) in OCI :—

Actuarial gain on PA	6100
(-) Actuarial Loss on DBO	(9500)
Net Remeasurement loss in OCI →	3400

Answer (15.)

(i) Net Interest Cost in P&L :—

Interest cost on DBO [12000 x 10%.]	1200
Expected Interest Income on PA [10000 x 10%.]	(1000)
	200

(ii) Cal^{n} of Actuarial Gain on PA :—

Actual Return on PA = Expected Int. Income on PA + Actuarial Gain on PA

2000 = 1000 + Actuarial gain on PA

∴ AG on PA = 1000

(iii) Net Remeasurement Gain in OCI :—

AG on PA	1000
(-) AL on DBO	(100)
Net Rem. Gain in OCI →	900

Answer (16.) Expected Return on PA :-

On Op. Bal. of PA [1000000 X 10.25%.]	102500
On Net Contribution on 30.09.20X1 for 6 Months [(490000 - 190000) X 10% X 6/12]	15000
	117500

Reconciliation of P.A. :-

Opening Balance	1000000
(+) Contribution	490000
(-) Benefits	(190000)
(+) Expected Int. Income	117500
	1417500
Closing Balance	1500000
Actuarial Gain [OCI]	82500

Actual Return on P.A. →

→ 117500 + 82500 = 200000

Net Remeasurement Gain in OCI :-

Actuarial Gain on P.A.	82500
(-) Actuarial Loss on D.B.O	(6000)
Net Remeasurement Gain →	76500

Answer (17.) Net Defined Liability :-

	₹' lakhs
Defined Ben. Obligation	3500
(-) Plan Asset	(3332)
NDL →	168

Answer (18.) Net Defined (Asset) / Liability :-

	₹' lakhs
Defined Benefit Obligation	2750
(-) Plan Asset	(2975)
NDA	(225)
Asset Ceiling [Given]	(175)

Least of above is treated as NDA i.e. ₹175 lakhs

∴ NDA ⇒ ₹175 lakhs

Loss on PA due to Asset Ceiling ⇒ 225 - 175 = ₹50 lakhs

J.E.!-

Loss on PA [OCI]		Dr	50
To PA			50

IND AS 34 Interim Financial Reporting

Answer (1.) Contention of ICPL is incorrect to defer expenditure

Cal^{n} of Result of 1st Quarter :-

	₹' Crores
Sales	70
(-) EBE	(25)
(-) Admin Exp.	(12)
(-) Finance Cost	(4)
Profit →	29

Answer (2.)

(i) Bad Debts :- Not Correct
50% amt deferred to next quarter should be deducted from NP of ₹ 2000000.

(ii) Additional Dep^{n} :- Correct

(iii) Exceptional Loss :- Not Correct
50% amt. of exceptional loss deferred to next quarter should be deducted from NP of ₹ 2000000

(iv) Admin Expenses :- Not Correct
₹ 500000 should be deducted from ₹ 2000000 N.P.

→ Cal^{n} of Correct NP of 3rd Quarter :-

	(₹)
NP (Given)	2000000
(-) Bad Debts [100000 × 50%.]	(50000)
(-) Exceptional Loss [28000 × 50%.]	(14000)
(-) Admin Expenses	(500000)
Correct N.P. →	1436000

Answer (3.)

(i) Bad Debts :- Not Correct

75% of the amt deferred to next three Quarters should be deducted from NP of ₹ 1500000.

(ii) Sales Promotion Expenses :- Not Correct

90% amt deferred to next three Quarters should be deducted from NP of ₹ 1500000.

(iii) Additional Depreciation :- Correct

(iv) Exceptional Loss :- Correct

→ Cal^{n} of Correct NP for the first Quarter :-

	(₹)
NP	1500000
(-) Bad Debts [164000 × 75%.]	(123000)
(-) Sales Promotion Expenses [500000 × 90%.]	(450000)
Correct Net Profit →	927000

Answer (4) S.1) Estimated Annual Income ⇒ ₹15000 × 4 ⇒ ₹60000

S.2) Estimated Annual Tax → Slab :- 20000 → 20%.
20000+ → 40%.

First	20000 ₹	20000 × 20% ⇒	₹ 4000
Next	40000 ₹	40000 × 40% →	₹ 16000
			₹ 20000

S.3) WATR = $\frac{20000}{60000}$ × 100 ⇒ 33.33%.

S.4) Cal^n of Income Tax Expense for each Quarter :-

	Q_1	Q_2	Q_3	Q_4
PBT	15000	15000	15000	15000
(-)Tax @ 33.33%	(5000)	(5000)	(5000)	(5000)
PAT →	10000	10000	10000	10000

Answer (5) S.1) Estimated Annual Income ⇒ ₹60000 - (15000×3)
⇒ ₹15000

S.2) Annual Tax = ₹15000 × 20% ⇒ ₹3000

S.3) WATR = $\frac{3000}{15000}$ × 100 = 20%.

S.4) Cal^n of Income Tax expense for each Quarter :-

	Q_1	Q_2	Q_3	Q_4
PBT	60000	(15000)	(15000)	(15000)
Tax @20%	(12000)	₹3000	₹3000	₹3000
PAT	4800	(12000)	(12000)	(12000)

Answer (6.) S.1) Estimated Ann. Income ⇒ 900 Lakhs ₹ × 4
⇒ ₹ 3600 Lakhs

S.2) Estimated Annual Tax :-
⇒ [3600 − 600] Lakhs × 40% = ₹1200 Lakhs

S.3) WATR = $\frac{1200 \text{ Lakhs}}{3600 \text{ Lakhs}} \times 1 = 33.33\%$

S.4) Cal^{n} of Income Tax Expense for each Quarter :— ₹' Lakhs

PBT	900	900	900	900
Tax @ 33.33%	(300)	(300)	(300)	(300)
PAT	600	600	600	600

→ Mgt's view is not correct.

Answer (7.) S.1) Estimated Annual Income ⇒ 150000 − (50000 × 3)
⇒ 0

S.2) Estimated Annual Tax = 0 × 30% = 0

S.3) WATR = Avg. Ann. Tax Rate = 30%
[Since, Estd. Ann. Tax is 'Nil']

S.4) Correct Tax Expense for each Quarter :—

	PBT	Tax Exp. @ 30%
Q_1	150000	(45000)
Q_2	(50000)	15000
Q_3	(50000)	15000
Q_4	(50000)	15000
		NIL

Answer (8.) FY end 31·3·X1 ⇒ 25%.
FY end 31·3·X2 ⇒ 30%.

Qtr. 1 ⇒ 1. Jan. 20X1 to 31·3·20X1 ⇒ 25%.
Qtr. 2 ⇒ 1·4·X18 to 30·6·20X1 ⇒ 30%.
Qtr. 3 ⇒ 1·7·X1 to 30·9·20X1 ⇒ 30%.
Qtr. 4 ⇒ 1·10·X1 to 31·12·20X1 ⇒ 30%.

Cal^n of Tax Expense :—

	Q_1	Q_2	Q_3	Q_4	Year
PBT	10000	10000	10000	10000	40000
Tax	(2500)	(3000)	(3000)	(3000)	(11500)
PAT	7500	7000	7000	7000	28500

Answer (9.) Total estimated Annual Income ⇒ ₹3300000

- Normal Income ₹2500000
- Capital Gain ₹800000

Cal^n of WATR for Normal Income :—

S.1) Estd. Ann. Income (Normal) = ₹2500000
S.2) Estd. Ann. Tax (Normal) ⇒
First ₹500000 × 30% = ₹150000
Next ₹2000000 × 40% = ₹800000
₹950000
S.3) WATR = $\frac{950000}{2500000} \times 100 = 38\%$.

Cal^{n} of Tax Expense in each Quarter :-

Q_1 ⇒	₹ 700000 × 38%	₹ 266000
Q_2 ⇒	₹ 800000 × 38%	₹ 304000
Q_3 ⇒	Normal Income [1200000 - 800000] × 38%	₹ 152000 = ₹ 248000
	Capital Gain ₹ 800000 × 12%	+ ₹ 96000
Q_4 ⇒	₹ 600000 × 38%	₹ 228000
		₹ 1046000

Answer (10.)

Qtr. 1

Total F.O. (Year to Date) ⇒ ₹ 2500

Nrml. Prod. (Y T D) ⇒ 500 MT

Actual Prod. (Y T D) ⇒ 400 MT

F.OH. per Unit = ₹ 2500 / 500 MT ⇒ ₹ 5 p.u.

Allocation of Fix. OH. :-

Actual Prod^{n} Units (YTD)
400 MT × ₹ 5
⇒ ₹ 2000

Remaining Fix OH (B/F)
₹ 2500 - ₹ 2000
⇒ ₹ 500
↓
Charge as Expense in P&L

Qtr. 2

Total F.O. (YTD) = ₹ 5000

NP (YTD) = 500 MT + 500 MT = 1000 MT

Actual Prod^{n} (YTD) = 400 MT + 600 MT = 1000 MT

F. OH p.u. = ₹ 5000 / 1000 MT = ₹ 5 p.u.

Allocation of Fix. OH :-

Actual Prodⁿ (YTD)

1000 MT × ₹5

₹5000

Rem. F.O. (B/F)

₹5000 − ₹5000

⇒ 0

In 2nd Qtr., Reverse ₹500 of fix OH charged to P&L in Qtr 1

Qtr 3 Total F.OH = 2500 + 2500 + 2500 = ₹7500

NP (YTD) = 500 + 500 + 500 = 1500 MT

Actual Prodⁿ (YTD) = 400 MT + 600 MT + 500 MT = 1500 MT

F.OH p.u. = ₹7500 / 1500 MT = ₹5 p.u.

Allocation of F. OH. :-

Actual Prodⁿ (YTD)

1500 MT × ₹5 = ₹7500

Rem. F. OH (B/F)

⇒ ₹750 − ₹750

⇒ 0

There is no under or over recovery of fix OH.

Qtr 4 Total F.OH. = 2500 + 2500 + 2500 + 2500 = ₹10000

NP (YTD) = 500 MT + 500 MT + 500 MT + 500 MT = 2000 MT

AP (YTD) = 400 MT + 600 MT + 500 MT + 400 MT = 1900 MT

F. OH. P.U. = ₹10000 / 2000 MT = ₹5 p.u.

Higher ⇒ 2000 MT

Allocation of F.OH. :-

Actual Prodn (YTD)
⇒ 1900 MT × ₹5
⇒ ₹9500

Rem. F.OH (B/F)
⇒ ₹10000 − ₹9500
⇒ ₹500

Charge to exp. in P&L in 4th Quarter.

Annual Results :-

Total F.O. = ₹10000

NP Units = 2000 MT AP Units = 1900 MT

Higher ⇒ 2000 MT

F. OH. p.u. = 10000 ₹ / 2000 MT = ₹5 p.u.

Fix. OH. Allocation :-

AP Units
1900 × 5 ⇒ 9500 ₹

Remaining P&L (B/F)
⇒ ₹10000 − ₹9500
= ₹500

∴ Quarterly results does not affect the annual result

IND AS - 108 Operating Segments

Answer (1.)

	Seg. A	Seg. B	Seg. C	Seg. D	Total
Sales	3000000	650000	950000	5400000	10000000
% of Sales	30%	6.5%	9.5%	54%	
Reportable Segments	Yes	No	No	Yes	

Since, Segments A & D meets the criteria, hence, these are Reportable segments

External Revenue Criteria :-

ER of A + D = 3000000 + 500000 = ₹ 35,00,000

Total ER of Entity = ₹ 5000000

$\therefore$ % of Total ER = $\frac{3500000}{5000000} \times 100 = 70\%$

So, we have to report additional segments also to reflect 75% ER.

If we Report segment C also, then

% of Total ER = $\frac{3500000 + 850000}{5000000} \times 100 = 87\%$

Hence, Reportable Segments are A, C and D.

Answer (2.) Combined Results :-

Profit

780 + 1500 + 6000 ⇒ 8280 Crores

Loss

2300 + 4500 = 6800 Crores

Higher ⇒ 8280 Crores

Criteria Check :-

Segment	Profit / (Loss)	% of Combined Result	Reportable
A	780	9.42 %	No
B	1500	18.12 %	Yes
C	(2300)	27.78 %	Yes
D	(4500)	54.35 %	Yes
E	6000	72.46 %	Yes

Since, Seg. B, C, D & E meets the criteria. Hence, these are Reportable Segments.

Answer (3.)

Sales Criteria:-

Segments	A	B	C	D	E	F	G	H	Total
Total Sales	100	315	45	15	15	50	25	35	600
% of Sales	16.67%	52.5%	7.5%	2.5%	2.5%	8.33%	4.17%	5.83%	
Reportable	Yes	Yes	No	No	No	No	No	No	

Profit / (Loss) Criteria:-

Combined Result → Profit ⇒ 5 + 15 + 8 + 5 + 7 ⇒ 40
Loss ⇒ 90 + 5 + 5 ⇒ 100
→ Higher ⇒ ₹100

Segments	A	B	C	D	E	F	G	H	Result
Profit/(Loss)	5	90	15	5	8	5	5	7	100
% Com. Res.	5%	90%	15%	5%	8%	5%	5%	7%	
portable	No	Yes	Yes	No	No	No	No	No	

Assets :-

Segments	A	B	C	D	E	F	G	H	Total
Assets	15	47	5	11	3	5	5	9	100
% of Assets	15%	47%	5%	11%	3%	5%	5%	9%	
Reportable	Yes	Yes	NO	Yes	NO	NO	NO	NO	

so, Segments A, B, C & D are reportable on the basis of above 3 criterias.

External Revenue Criteria :-

ER of A, B, C & D = 0 + 255 + 15 + 10 = ₹280

Total ER of Entity = 0 + 255 + 15 + 10 + 15 + 50 + 25 + 35 = ₹405

$\therefore$ % of Total ER = $\frac{280}{405} \times 100 \Rightarrow 69.14\%$.

so, we have to report additional segments also to reflect 75% ER.

Answer (4.)

Sales Criteria :-

Segment	Total Sales	% of Sales	Reportable
Pharma	9700000	63.40%	Yes
FMCG	400000	2.61%	NO
Ayurveda	300000	1.96%	NO
Allopathy	4900000	32.03%	Yes
Total →	15300000		

Profit / (Loss) Criteria :-

Combined Result — [Profit = 3000000] Higher = 3000000
[Loss = Nil]

Segment	Pharma	FMCG	Ayurveda	Allopathy	Result
Profit / (Loss)	2000000	250000	200000	5500000	3000000
% of Com. Res.	66.67%	8.33%	6.67%	18.33%	
Reportable	Yes	No	No	Yes	

Assets Criteria :-

Segments	Pharma	FMCG	Ayurveda	Allopathy	Total
Assets	5500000	2500000	400000	600000	9000000
% of Assets	61.11%	27.78%	4.44%	6.67%	
Reportable	Yes	Yes	No	No.	

So, segments Pharma, FMCG & Allopathy are Reportable on the basis of above 3 Criterias.

External Revenue Criteria :-

ER of Rep. Seg. = 9700000 + 0 + 800000 = ₹ 10500000

Total ER of Entity = ₹ 10800000

∴ % of Total ER = $\frac{10500000}{10800000} \times 100 = 97.22\%$

Since, it is more than 75% ER they met the External Revenue Criteria.

Answer (5.)

₹ Lakhs

Particulars	Coating	Others	Total
1. Segment Profit / Loss :-			
Segment Revenue (Gross)	200000	70000	270000
(-) GST	(5000)	(3000)	(8000)
Segment Revenue (Net)	195000	67000	262000
(+) Other operating Income	40000	15000	55000
Total Revenue	235000	82000	317000
Segment Result [Profit/(Loss)]	10000	4000	14000
(+) Unallocated Income net of Exp.	-	-	3000
PBIT			17000
(-) Interest & Bank charges			(2000)
PBT			15000
(-) Tax Expense			
CT			(1950)
DT			(50)
PAT [X Utd.]			13000
2. Segment Assets & Liabilities			
(i) Assets			
Segment Asset	50000	30000	80000
Unallocated Investments			10000
Unallocated other Investments			10000
Total [X Utd.]			100000
(ii) Equity & Liabilities			
Segment Liabilities	30000	10000	40000
Unallocated Liabilities			20000
Share Capital			10000
Reserves & Surplus			30000
Total [X Utd.]			100000

5. Other Information :-

Capital Expenditure	5000	2000	7000
Depreciation	1000	300	1300

Geographical Information :-

Particulars	Home (India)	foreign [outside India]	Total
Total Revenue	(B/F) 55000	62000	317000
Total Asset	(B/F) 90000	10000	100000
Total Cap. Exp. [Assume India]	7000	-	7000

IND AS - 113 Fair Value Measurement

Answer (1.) (i) If 'A' is Principal Mrkt. :-

	(₹)
Price of Asset	26
(-) Transportation Cost	(2)
Fair Value	24

(ii) If None of the Mrkt. is Principal Mrkt :-

So, we have to find Most Advantageous Market

Cal^{n} of Net Amt. recd. from selling the Asset!

	A	B
Price	26	25
(-) Transaction Cost	(3)	(1)
(-) Transportation Cost	(2)	(2)
	21	22

∴ Mrkt. B is Most Advantageous Mrkt.

Now, Cal^{n} of Fair Value :-

	(₹)
Price in Mrkt. B	25
(-) Transportation Cost	(2)
fair value	23

Answer (2.)

(i) If Mumbai Mrkt. is Principal Mrkt. :-

	₹
Price	290
(-) Transportation Cost	(30)
Fair Value	260

If None of the Mrkt. is Principal Mrkt. :-

Net Amt. recd. from selling the Asset

Mumbai = 220

Kolkata = 230 → Most Advantageous Mrkt.

Now, Cal^n of Fair value :-	₹
Price in Kolkata	280
(-) Transportation cost	(30)
Fair Value	250

(ii) Since Net Amt. Realised is Maximum in Export Mrkt.; so, export Mrkt. is most Advantageous Mrkt.
But only 15% can be exported, so highest volume of Sale (i.e., 85%) is to be done in domestic mrkt. only.
Hence, Domestic Mrkt. is the Principal Mrkt. Price that would be received in domestic mrkt. will be used for cal^n of fair Value.

Answer (8)

	₹' crores
Enterprise Value of XYZ [8 × 40]	320
(-) Adjustments [5% + 5% = 10%]	(32)
Equity value of XYZ	₹ 288

∴ FV of Inv. in XYZ (5%) = ₹ 288 crore × 5%

= ~~₹ 14.4 crore~~ = ₹ 14.40 crore

Answer (4) (i) Price of shares [70000 ₹ X 15] → ₹1050000
(-) Adjustment (Lack of Mrkt. @ 20%) → (210000)
Equity value of XYZ ⟶ ₹840000

∴ Value per Equity Share of XYZ = $\frac{840000}{5000}$ = ₹168 per share

Now, F.V. of Investment → 250 share x ₹168
→ ₹42000

(ii) Price of Shares = F.V. of Net Assets of the Company
Eq. value of XYZ = ₹850000

∴ Value per Eq. sh. of XYZ = $\frac{850000}{5000}$ = ₹170 per share

Now, f.V. of Investment = 250 share x ₹170
→ ₹42500

Answer (5.) Cal^{n} of P.V. of Projected free Cash Flows using WACC :—
₹' (crores)

Year	Cash Flows	PVF @ 11%	Present value
1	187.1	0.9009	168.56
2	187.6	0.8116	152.26
3	121.8	0.7312	89.06
4	269	0.6587	177.19
5	278.8	0.5935	165.47
5	3965	0.5935	2353.23
			3105.76

Cal^{n} of Equity Value of PT Ltd. :—

	(₹' crores)
PV of Projected Cash Flows	3105.76
(-) Market Value of Debt	(1465)
(+) Surplus Cash & Cash Eq.	106.14
Equity Value of PT Ltd.	1746.90

∴ Value per Share of PT Ltd. = ₹1746.90 Cr. / 85284223 Shares = ₹204.83 per share

Answer (6)

	(₹' crores)
Enterprise Value $\left[\frac{5268.2 + 3235.2}{2}\right]$	4251.7
(-) Debt	(1465.9)
(+) Cash & Cash Equivalent	106.14
(+) Surplus Asset	312.4
Equity Value of KK →	3204.33

∴ Value per Share of KK Ltd. = ₹3204.33 Crore / 85284223 Sh. = ₹375.72

Answer (7) Since, timing of receiving cash is similar in Inv. 2, so, Inv. 2 is more comparable to Inv. 1.

Dis. Rate for Inv. 2 :—

PV $(1+r)^t$ = Future Value

$1083 (1+r)^1 = 1200$

$r = 10.80\%$

Now, FV of Inv. 1 → $\frac{₹800}{(1+0.1080)^1}$ = ₹722

Answer (8.)

	(₹' crores)
Expected Labour Cost [(100 Cr. × 25%.) + (125 Cr. × 50%.) + (175 × 25%.)]	131.25
(+) Overheads [131.25 × 80%.]	105
(+) Profit mark up [(131.25 + 105) × 20%.]	47.25
Expected Cash Flow	283.50
(+) Risk Prem. @5%. [283.50 × 5%.]	14.18
. Real Cash Flow	297.68

Now, Calculate Inflated CF ⇒ $297.68 (+ 0.04)^{10} = 297.68 \times 1.4802$

= ₹440.63 Crores

∴ Fair Value of Liability [Discounting Rate ⇒ 5%. + 3.5%.]

= 8.5%.

$\Rightarrow \frac{440.63 \text{ Crore}}{(1+0.085)^{10}} \Rightarrow 194.88$ Crores

IND AS - 20 Alcing for Govt. Grant & Disclosure of Government Assistance

Answer (1.) Grant recd. is monetary grant related to Asset

Option 1

Deduct the grant of ₹50 Lakh from the cost of Asset

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so, Asset will be shown in Books at:

Cost of Asset =	₹ 10000000
(-) Grant =	(₹ 5000000)
	₹ 5000000

Dep^{n} will be charged on this Amt.

Option 2

Since Grant is for Depreciable Asset

Recognise ₹50 Lakhs Grant as deferred income in B/S & transfer to P&L as income in ratio of dep^{n} over the useful life of Asset i.e.,

₹ 500000 [₹ 5000000 / 10 years]

grant will be credited to P&L over next 10 years.

Statement of Cash Flows :-

→ Acq. of Solar Panel (Asset) of ₹ 10000000 → Investing Act. [Outflow]

→ Grant Recd. of ₹ 5000000 → Financing Activity [Inflow]

Answer (2.) Grant Recd. is Non Monetary grant related to Asset

Option 1

Recognise the Asset recd. at nominal Value i.e. ₹ 50000
[5 acre × ₹10000 per Acre]

Asset	Dr 50000	
To Bank		50000

Option 2

Asset recd. is Non Depreciable (Land)

If Grant is conditional, then
→ Recognise Asset at FV ₹500000
[5 acre × ₹100000 per Acre]
→ Recognise Deferred Grant at FV i.e. ₹450000 [500000 - 50000] in B/S & transfer To P&L in ratio of Obligation

Asset	Dr 500000	
To Bank		50000
To Deferred Grant		450000

Answer (3.) Grant of ₹ 1000000 is related to Income [for rehabilitation of Artisans]. since, it is for future expenses, grant of ₹ 1000000 is ~~rig~~ recognised as Deferred grant & transfer to P&L as Income in ratio of future related expenses over the pd. of 3 years.

Answer (4.) Total Grant Receivable ⇒ ₹60000

Since, Grant related to Income is conditional. so, It is recognised in Deferred ~~Income~~ Grant and tfd. to P&L in ratio of ~~future~~ related future expense as follows:—

Year	Expense to be incurred in each year		Grant Income to be trfd. to P&L in each year	
1	₹130000	[30000+100000]	21667	$[60000 \times \frac{130000}{360000}]$
2	₹110000	[100000+10000]	18333	$[60000 \times \frac{110000}{360000}]$
3	₹120000	[110000+10000]	20000	$[60000 \times \frac{120000}{360000}]$
	₹360000		₹60000	

Cal^{n} of Balance of Deferred Grant A/c :-

Dr	Deferred Grant A/c		Cr
0 time [Year 1 Beginning]		By Grant Receivable A/c	40000
Year 1 end			
To P&L A/c	21667		
To Bal c/d (C/F)	18333		
Year 2 end		Beg. By Bal b/d	18333
To P&L A/c	18333	By Grant Rec. A/c	10000
To Bal c/d (C/F)	10000		
Year 3 end			
To P&L A/c	20000	Beg. By Bal c/d	10000
		By Grant Rec. A/c	10000

Alternatively, in Statement form :-

Year	opening Balance	Addn grant Rec.	T/F to P&L	Cl. Bal.
1	-	40000	21667	18333
2	18333	10000	18333	10000
3	10000	10000	20000	-

Date: __/__/____

MON TUE WED THU FRI SAT SUN

Subject: _____

Answer (5.) (i.) It will be recognised in P&L as income immediately.

(ii) It will be recognised as Deferred Grant and tfd. to P&L in ratio of expenses to be incurred related to project in future

(iii.) Grant (Non Monetary) related to Asset [Land]

- **Option 1** ⇓ Recognise asset at Nominal value, i.e. ₹1
- **Option 2** ⇓ Recognise Asset & Deferred Grant at F.V., i.e., ₹1000000 in B/S and Deferred Grant will be tfd. to P&L in ratio of Obligation

(iv.) Monetary Grant related to Asset [Machinery]

- **Option 1** ⇓ Deduct the grant of ₹200000 from Cost of Machine i.e., Asset will be shown at
  - ⇒ 1000000 − 200000
  - ⇒ ₹800000

  ⇓ Depⁿ will be charged on this ~~Asset~~ amt. in future
- **Option 2** ⇓ Recognise ₹200000 as Deferred grant and tfr. to P&L in ratio of Depⁿ over the useful life of Asset i.e. ₹40000 $\left[\frac{200000}{5}\right]$

Answer (6.) (i.) Grant recd. is Non Monetary Grant related to Asset [Land]

Option 1	Option 2
Recognise the Asset recd. at Nominal value, i.e., ₹ 1	Recognise Asset & Deferred Grant at FV, i.e., ₹ 12 00 000 in B/S and Deferred Grant will be tfd. to P&L in ratio of Obligation.

(iii) It will be recognised in P&L as income immediately.

(iv.) Monetary Grant related to Asset [Machinery]

Option 1	Option 2
Deduct the grant of ₹10 Lakh from cost of Machine i.e, Asset will be shown at ⇒ ₹ 80 Lakh − ₹ 10 Lakh ⇒ ₹ 70 Lakh Depⁿ will be charged on this amt. in future	Recognise ₹ 10 Lakh as Deferred Grant and tfd. to P&L in ratio of Depⁿ over the useful life of Asset. i.e., ₹ 1 Lakh $\left[\frac{10 \text{ Lakh}}{10}\right]$

(v.) Entire grant of ₹25 Lakh will be recognised as Deferred Grant and tfd. to P&L in ratio of expenses to be incurred related to project in future.

Date: __/__/____

MON TUE WED THR FRI SAT SUN

Subject: _____

Answer 4 (7) (i) First grant related to clean River Project :-

If it is unconditional

↓

∴ ₹100000 of Grant should be recognised immediately in P&L as income

If it is conditional

↓

₹100000 will be recognised as Deferred Grant & tf. to P&L in ratio of related futures expenses over the period

(ii) Second Grant related to Development of Equipment :-

Option 1

↓

Deduct ₹100000 from the cost of Equipment in April 20X3

Till April 20X3, this Grant will be recognised as deferred grant

option 2

↓

₹100 of Grant is recognised as deferred grant & tf. to P&L in ratio of Dep^{n} over the useful life of Asset

For Flood related compensation :-

Since, Application is not filed till 31st March, 20X2; this grant has not become receivable for the F.Y. 1.4.20X1 to 31.3.20X2 Hence, it cannot be recognised in the year 20X1 - X2. Application can be filed only in next year, i.e. 20X2 - X3; so, Grant will become receivable in that year & will be recognised in that year only.

Answer (8) Grant recd. is ₹1000000 related to Income.

→ Deferred Grant in B/S [Liability]

1st Year → 200000 Current Liability

→ 800000 Non Curr. Liability

→ Grant tfd to P&L each year → $\left[\frac{1000000}{5}\right]$ → ₹200000

Option 1	Option 2
Shown ₹200000 in Other Income in P&L	Shown as ded^{n} from respective expense in P&L i.e., Environment Protection Exp. of each year is shown in P&L at ₹100000

Answer (9) Grant of ₹30,000 related to Income recd. in 31·3·X1

⇓

Recognised as Deferred Grant in 31·3·X1 & transfer to P&L in ratio of related future expenses over the period

Cal^{n} of Grant Income to be tfd. to P&L in each Year :-

Year	Expense	Grant tfd. to P&L	
20X1 - X2	50000	20000	[30000 × 50000/75000]
20X2 - X3	25000	10000	[30000 × 25000/75000]
	75000	30000	

Balance Sheet

Liabilities	31·3·X3	31·3·X2	31·3·X1
CL [Deferred Grant]	-	10000	20000
NCL [Deferred Grant]	-	-	10000

P&L (Extract)

	31·3·X3	31·3·X2
Option 1 :-		
Other Income (Grant)	10000	20000
(-) EBE (Staff Training Expense)	(25000)	(50000)
Option 2 :-		
EBE [~~50000 - 20000~~]	15000 (25000 - 10000)	30000 (50000 - 20000)

Answer (10)

Grant related to Asset in Monetary form

Option 1

₹ 15000 deduct from cost of Asset

∴ Net Amt. of Asset

⇒ 100000 - 15000

⇒ 85000

Dep^{n} will be charged on this

Option 2

₹ 15000 recognised as deferred grant in B/s and tf. to P&L in ratio of Dep^{n} over useful life i.e. ₹3000 [₹15000 × 20%]

Extracts under Option 1 :-

B/s

NCA	
PPE [100000 - 15000]	85000
(-) Dep^{n} for 1st year	(17000)
	68000

P&L

Depⁿ [85000 x 20%.) (17000)

Extract under option 2 :-

B/S

NCA

PPE 100000

(-) Depⁿ for 1st Year (100000 x 20%.) (20000) 80000

xxx

NCL

Deferred Grant ~~[15000 - 3000]= 12000~~ 9000

CL

Deferred Grant 3000

xxx

W.N.:-

Total DG ₹15000

T/F to P&L in 1st yr. (₹3000)

Bal. in D.G. at 1st year end ₹12000

- Curr. Liab. = 3000
- Non Curr. Liab. = 9000

P&L

Other Income (Grant) 3000

Depⁿ Exp. (100000 x 20%.) (20000)

Answer (11.) since Grant of ₹10 Crore was recognised as deferred grant in 20X1-X2 & has been tfd. to P&L over the next 2 years as Income

In 20X5-X6, this Grant has become repayable but there is no deferred grant balance existing, since it has been already tfd. to P&L.

So, J.E. for Repayment of Grant are as follows :-

Repayment of Grant A/c (P&L)		Dr	10 Crore
To Grant Repayable A/c			10 Crore
Grant Repayable A/c		Dr	10 Crore
To Bank A/c			10 Crore

Answer (12.)

Cal^{n} of F.V. of Loan :-

Year	Cash Flow	PVF @ 12%	Present Value
1-5	250000 [50L x 5%]	3.604772	901193
5	5000000	0.567427	2837135
			3738328

∴ Govt. Grant = 5000000 - 3738328
= ₹1261672

J.E. :-

Bank A/c		Dr	5000000
To Loan A/c			3738328
To Deferred Grant			1261672

₹1261672 Govt. Grant will be recognised as per Ind AS 20 in P&L [according to the purpose of the loan, i.e. on systematic basis]

(a.) ₹1261672 immediately recognised in P&L.
(b.) Deferred Grant will be tfd. to P&L equally over the next 4 years.
(c.) Deferred Grant will be tfd. to P&L in ratio of depⁿ over the useful life of Asset

Answer (12) Amortisation Table :-

Year	Op. Bal.	Int @ 12%	Actual Payment	Closing Balance
1	3738328	448500	250000	3936928
2	3936928	472431	250000	4159359
3	4159359	499123	250000	4408482
4	4408482	529018	250000	4687500
5	4687500	562500	5250000	-

Answer (13.)

Calⁿ of F.V. of Loan :-

Year	Cash Flow	PVF @ 12%	Present Value
1 - 5	500000	3.604772	1802386
5	10000000	0.567427	5674270
			7476656

∴ Government Grant = 10000000 - 7476656 = 2523344

J.E. :-

Bank A/c	Dr 10000000	
To Loan A/c		7476656
To Deferred Grant		2523344

₹ 2523344 Govt. Grant will be recognised as per Ind AS 12 in P&L [according to the purpose of the Loan, i.e., on systematic basis]

Deferred Grant will be tfd. to P&L in ratio of depⁿ over the useful life of Asset

Answer (14) Fair Value of Loan :-

Year	Cash Flow	PVF @ 5%	PV
3	500000	0.864	432000
			432000

∴ Govt. Grant = 500000 − 432000 ⇒ ₹ 68000

Since, Grant recd. for Non Depreciable Asset [No info. of Depⁿ in Question] and Grant is Unconditional

So, it is immediately recognised in P&L as income

Amortisation Table :-

Year	opening Balance	Int. @ 5%	Actual Payment	Closing Balance
1	432000	21600	–	453600
2	453600	22680	–	476280
3	476280	23720	500000	–

Journal Entries

Year 1 Beginning :-

Bank	Dr	500000
To Loan A/c		432000
To Grant Income (P&L)		68000

Year 1 End :-

Finance Cost (P&L)	Dr 21600	
To Loan		21600

Year 2 end :-

finance Cost (P&L)	Dr 22680	
To Loan		22680

Year 3 end :-

finance Cost (P&L)	Dr 23720	
To Loan		23720
Loan	Dr 500000	
To Bank A/c		500000

Answer (15)

Cal^{n} of FV of Loan :-

Year	Cash Flow	PVF @ 12%	Present value
5	2500000	0.567	1417500
			1417500

$\therefore$ Govt Grant = 2500000 - 1417500 $\Rightarrow$ ₹ 1082500

$\Downarrow$

Deferred Grant recognise in B/s & tfd to P&L in ratio of Dep^{n} over the useful life of Asset.

i.e. $\frac{1082500}{5}$ = ₹ 216500

Amortisation Table :-

Year	Op. Bal.	Interest @12%	Actual Payment	Cl. Bal.
31.03.X2	1417500	170100	–	1587600
31.03.X3	1587600	190512	–	1778112

J.E. :-

1.4.X1	Bank A/c	Dr 2500000	
	To Loan A/c		1417500
	To Deferred grant		1082500
31.3.X2	Deferred grant	Dr 216500	
	To grant Income (P&L)		216500
	Depⁿ (P&L)	Dr 1000000	
	To PPE (5000000/5)		1000000
	Finance cost (P&L)	Dr 170100	
	To Loan A/c		170100
31.3.X3	Deferred Grant	Dr 216500	
	To Grant Income (P&L)		216500
	Depⁿ (P&L)	Dr 1000000	
	To PPE		1000000
	Finance Cost (P&L)	Dr 190512	
	To Loan A/c		190512

Repayment

Loan A/c	Dr	1778112	
Deferred Grant [1082500 - 216500 - 216500]	Dr	649500	
P&L (B/F)	Dr	1072388	
To Bank A/c (2500000 + 1000000)			3500000
(2500000 = Loan, 1000000 = Penalty)			

So, Total Loss debited in P&L on 31.03.X3 will be ₹ 1072388

IND AS - 21 The Effects of Changes in Foreign Exchange Rates

Answer (1.) CFO is not correct

Initially foreign currency Txn. [1.1.X1] ⇒ 200000 $ × 68 ₹

PPE	Dr	13600000	⇒ ₹13600000
To Creditors		13600000	[PPE & Creditors]

Subsequent at B/s date [31.3.X1]

(i.) PPE ⇒ Non-Monetary (Cost Model) ⇒ Not Remeasured

(ii.) Creditors ⇒ Monetary ⇒ Remeasured at 1 $ = ₹65

⇒ 200000 $ × ₹65 = ₹ 13000000

Decrease in Creditors [Exchange Gain] = 13600000 − 13000000

= ₹600000

Creditors	Dr	600000
To Exch. Gain (P&L)		600000

Depⁿ on PPE during the year :-

⇒ ₹13600000 / 4 years × 3 Months / 12 Months ⇒ ₹850000

∴ Closing Balance of PPE on 31.3.X1 ⇒ 13600000 − 850000

⇒ ₹ 12750000

Answer (2.) Functional Currency → ₹

Foreign Currency ⇒ $

J.E. :-

Initially 30·1·X1

PPE	Dr	300000	
To Creditors A/c [5000 $ × ₹60]			300000

Subsequently at 31·3·X1

(i.) PPE = Non Monetary Item [Revaluation Model] ⇒ Remeasured on FV determination date (i.e. B/s Date) using exchange rate on this date

F.V. Gain	Exch. Gain
5500 $ - 5000 $	5500 $ × (65₹ - 60₹)
⇒ 500 $ × 60 ₹	⇒ ₹27500
⇒ ₹30000	

(ii) Creditors = Monetary Item ⇒ Remeasured at B/s date Exch. Rate
⇒ 5000 $ × ₹65 ⇒ ₹325000

∴ Increase in Creditors = 325000 - 300000 = ₹25000

· Exchange Loss A/c (P&L)	Dr	25000	
To Creditors A/c			25000
· PPE	Dr	30000	
To Rev. Surplus (OCI)			30000
· PPE	Dr	27500	
To Rev. Surplus (OCI) [Exch. Gain]			27500
· Revaluation Surplus (OCI)	Dr	17250	
To DTL [(357500 - 300000) × 30%]			17250

(Since यें DTL Asset के Respect में बना। तो ये भी Rev. Surplus (OCI) में जायेगा।)

* DTA / DTL will not be created on Creditors since their Carrying Amt. & Tax Base will always be same because it reflects actual payment.

Subsequently at 31.3.X2

(i.) PPE = Non-Monetary Item [Rev. Model] ⇒ Remeasured at FV determination date (i.e. B/S date) using exch. rate on this date [1 $ = ₹67]

Fair Value Gain	Exch. Gain
⇓	5500 $ (₹67 - 65)
5500 $ - 5500 $	⇓
= 0	₹11000

(ii.) Creditors ⇒ Monetary Item ⇒ Remeasured at B/S date Exch. Rate

⇒ 5000 $ × ₹67 = ₹335000

∴ Increase in Creditor = 335000 - 325000

= ₹10000

• Exchange Loss (P&L)	Dr 10000	
To Creditors A/c		10000
• PPE	Dr 11000	
To Rev. Surplus (OCI) (Exch. Gain)		11000
• Creditors A/c	Dr 335000	
To Bank		335000
• Rev. Surplus (OCI)	Dr 3300	
To DTL [(11000 × 30%)]		3300

Answer (3.) Date of Advance consideration => 1.1.20X1 => $ 20 Million

⇓

Initially recorded at 1 $ = ₹72

⇒ 20 Million $ × ₹72 = ₹1440 Million

1.1.X1	Bank A/c	Dr	1440 Million
	To Unearned Income		1440 Million

Date of Revenue Recording ⇒ 31.3.X1 [As per Ind AS 115]

Subsequent Recognition of Initial Foreign Currency Txn. :-

(i.) Bank → Neither Monetary nor Non Monetary → Not Remeasured

(ii.) Unearned Income → Non Monetary [Cost Model] → Not Remeasured

31.3.X1

Revenue Recognition [50 Million $]

- 20 Million $ ⇒ ₹1440 Million @ ₹72
- 30 Million $ ⇒ ₹2250 Million Initially @ ₹75

Unearned Income	Dr	1440 Million
Debtors A/c (30 Mill. $ × ₹75)	Dr	2250 Million
To Sales (Revenue) [1440+2250]		3690 Million

Self Note :- J.E. सीर्फ understanding purpose से की है बाकी असल Question में J.E. की Requirement नहीं है तो नहीं करनी है Entries

Now, Debtors of $ 30 million is a monetary Item & it will be remeasured at closing Rate till its Settlement

Answer (4.)

Initial Recognition of FCY Loan ⇒ 6000000 FCY - 200000 FCY
⇒ 5800000 FCY

Amortisation Table:-

Currency	Year	op. Bal.	Int. @ 12%	Actual Payment	Exch. (Gain)/ Loss	Cl. Bal.
FCY	20X1-X2	5800000	696000	600000		5896000
		@ 2.50 ₹	@ 2.42 ₹	@ 2.75 ₹		@ 2.75 ₹
₹	20X1-X2	14500000	1684320	1650000	1679680 (CB/F)	16214000

⇓

₹ 14534320

In terms of functional Currency [₹]:-

Opening Balance [Initial] ⇒ ₹ 14500000
Interest @ 12% ⇒ ₹ 1684320
Actual Payment ⇒ ₹ 1650000
Closing Balance ⇒ ₹ 16214000
Exchange Loss ⇒ ₹ 1679680 [16214000 - (14500000 + 1684320 - 1650000)]

⇓

It will be recognised in P&L

Parent → Infotech Inc. [L $]

Subsidiary [Foreign operation] ⇒ Ifotech. Global [US $]

Answer (5) Translation of FS of Infotech Global for CFS :-

1L$ = $

Particulars	USD	Rate	L $
PPE	50000	1.13	44248
Receivables	935000	1.13	827434
TOTAL ASSETS	985000		871682
Issued Capital	50000	-	30055
op. R/E	28000	-	15274
Profit	20000	1.175	17021
Accounts Payable	840000	1.13	743363
Accrued Liabilities	47000	1.13	41593
	985000		847306
FCTR [OCI] (B/F)			24376
			871682

Working Note :- FCTR :-

Particulars	If Converted at 1.13 USD → L$		Convert as per Ind AS 21	FCTR
Capital	50000	44248	30055	14193
op. R/E	28000	24779	15274	9505
Profit	20000	17699	17021	678
		86726	62350	24376

FCTR = 86726 − 62350 = 24376

Answer (6.) Parent Co. ⇒ PQR Holdings Ltd. [GBP]
Subsidiary Co. ⇒ PQR India Ltd. [₹] → Foreign Operation

(a.) Classification :-

Particulars	Monetary (M) / Non-M (NM)
Share Cap.	NM
Sec. Prem.	NM
R/E	NM
Long Term Borr.	M
DTL	NM
Income Tax Payable	M
Import Duty Payable	M
Employee Benefits payables	M
Sundry T/P	M
PPE	NM
Computer Software	NM
Inventories	NM
Cash & Bank Balances	M
Sundry T/R	M
Allowance for Doubtful Debts	M

(b.) Translation of T.B. of PQR India from ₹ to GBP :

Particulars	₹ 'crores	Rate (1₹ = GBP)	GBP 'crores
Share Capital	500	0.0123	6.15
Securities Premium	150	0.0123	1.845
R/E	110	0.0116	1.276
Long Term Borr.	30	0.0109	0.327
DTL	10	0.0109	0.109

Income Tax Payable	25	0.0109	0.2725
Import Duty Payable	5	0.0109	0.0545
Emp. Benefits Payable	7.5	0.0109	0.08175
Sundry T/P	2.5	0.0109	0.02725
	840		10.143
FCTR (OCI) (B/F)			(0.987)
			9.156
PPE	550	0.0109	5.995
~~Goodwill~~ Computer Software	70	0.0109	0.763
~~Rec~~ Inventories	200	0.0109	2.18
~~Investments~~ Cash & Bank Bal.	5	0.0109	0.0545
T/R (17 - 2)	15	0.0109	0.1635
	840		9.156

Answer (7.)

J.E. in CFS :-

		₹ 'Lakhs
Bank	Dr 1500	
~~NCE~~ NCI	Dr 100	
FCTR (OCI)	Dr 180	
To Net Assets		1000
To Gain on Sale (P&L) (B/F)		780

Cal^{n} of Gain on Disposal :-

	₹ 'Lakhs
Sale Proceeds	1500
(+) NCI Derecognised	100
(+) FCTR (OCI) Parent's Share	180
(-) Net Assets	(1000)
Gain on Disposal	780

Answer (8.) (i.) Parent → Global Ltd. [₹]
Subsidiary [FO] → Mark Ltd. [Euro]

30.9.X1 Cal^{n} of G/W in Euro —

Net Assets	Dr	23 Million €
Goodwill (B/f)	Dr	1.4 Million €
To Purch. Cons.		17.5 Million €
To NCI (23 Million × 30%)		6.9 Million €

Goodwill in ₹ in CFS of Global Ltd. on 31.3.X2 —
⇒ 1.4 Million € × ₹84 = ₹117.60 Million

(ii.) Subsidiary sold goods to Parent.

Cal^{n} of Unrealised Profit :-

	Euro' Million
Sales Price	4.20
(-) Cost	(2.40)
Unrealised Profit [Foreign curr.]	1.80

∴ Convert it into functional currency of Parent [CFS ⇒ ₹]
@ ₹83 / Euro [i.e. txn. date]
⇒ 1.80 million Euro × ₹83 ⇒ ₹149.40 Million

Answer (9)

J.E. in Books of 'P' (Parent Co.) [$]

30.9.20X1

		Dr	Cr
Loan		100	
To Bank A/c			100

€

J.E. in Books of 'S' (Subsidiary) (Euro)

£

30.9.20X1

		Dr	Cr
Bank A/c		150	
To Loan [100 $ × ₹1.5]			150

31.3.20X2

Loan → Monetary Item → Remeasured at 1$ = 2 Euro

⇒ 100 $ × €2 = 200 Euro

∴ Increase in Loan = 200 - 150 = 50 Euro

[Exch. Loss (P&L)]

		Dr	Cr
Exchange Loss (P&L)		50	
To Loan A/c			50

CFS

Intra Group Loan txn. will be eliminated [i.e. Loan Receivable + Loan Payable]

→ But Exchange Loss of 50 Euro will not be eliminated & it will be recognised in P&L in CFS

Answer (10.) Parent → M Ltd. [₹]
Subs. [For. Op.] → G Ltd. [Euro]

J.E. in 'M' Ltd. (₹)

			₹' Lakhs	
1.2.20X1	Debtor (G Ltd.)	Dr	996	
	To Sales (12 Lakh × 83)			996
31.3.20X1	Debtor → Monetary Item → Remeasured @ 1 Euro = ₹85			
	⇒ 12 Lakh Euro × ₹85 = ₹1020 Lakhs			
	∴ Inc. in Debtor = ~~1202~~ ₹1020 − ₹996			
	(Exch. Gain (P&L)) ⇒ ₹24 Lakh			
	Debtor (G Ltd.)	Dr	24	
	To Exchange gain (P&L)			24

J.E. in 'G' Ltd. (Euro)

			Euro' Lakhs	
1.2.20X1	Purchase (M Ltd.)	Dr	12	
	To Creditors			12

CFS

Debtors [In books of Parent] → ₹1020 Lakh [996 + 24]
Creditors [In books of Subsidiary] ⇒ 12 Lakh Euro × ₹85
⇒ ₹1020 Lakh

→ These will be eliminated in CFS as per Ind AS 110
→ Exchange Gain of ₹24 Lakh will Not be eliminated in CFS. It is recognised in P&L in CFS

→ There is some unrealised profit on Sale of Goods which needs to be eliminated in CFS :-

Sale (12 Lakh Euro × ₹83)	= ₹996 Lakh
(-) Cost	= (₹830 Lakh)
Profit →	₹166 Lakh

⇓

Eliminate it from

↓ Group R/E

↓ Inventory in consolidated B/S

→ Now, value of Inventory in Consolidated B/S :-

Inventory of G Ltd. (Subs.) Converted in ₹ at year end

↓ Cost

⇓

12 Lakh Euro
@ ₹83
⇒ ₹996 Lakh

↓ NRV

⇓

12 Lakh Euro
@ ₹85
⇒ ₹1020 Lakh

⇓

Lower = ₹996 Lakh

So, Inventory in Consolidated B/S ⇒ ₹996 Lakh − ₹166 Lakh
⇒ ₹830 Lakh

31.3.20X1	Consolidated P&L (Group R/E)	Dr	166
	To Inventory		166

IND AS - 23 Borrowing Cost

Answer (1.)

S.1) Specific Borr. Cost = Nil

S.2) General Borr. Cost :-

(i) Capitalisation Rate :-

$$\Rightarrow \frac{165000}{1500000} \times 100 = 11\%$$

(ii) Eligible Gen. Borr. Cost :-

1st July → $250000 \times 11\% \times \frac{9}{12} = 20625$

1st December → ~~300000~~ $\times 11\% \times \frac{4}{12} =$ ~~11000~~

₹ 31625

(iii) General Borr. cost to be capitalised :

Eligible = 31625] → lower, i.e, ₹31625

OR

Actual = 165000]

S.3) Total Capital Cost to be Cap. during the year

→ Nil + 31625 = ₹31625

Q.A. → Plant

Commencement Date of Cap. = 1st April, 20x1

Answer (2.) S.1) Specific Borr. Cost = Nil [Since No Specific Borrowing for plant]

S.2) General Borr. Cost :-

(i) Capitalisation Rate :-

→ $\frac{(1000 \times 18\%) + (3000 \times 16\%)}{1000 + 3000} = \frac{180 + 480}{4000} \times 100$

→ 16.5%

(ii) Eligible General Borr. Cost :-

1st April, 20x1 → 500000 × 16.5% × $\frac{12}{12}$ ⇒ ₹82500

1st Jan, 20x2 ⇒ 2500000 × 16.5% × $\frac{3}{12}$ → ₹103125

185625

(iii) Gen. Borr. Cost to be capitalised :-

Eligible → 185625

OR

Actual → 666000

} Lower, i.e. ₹185625

(iv) Total cost to be capitalised for the plant

→ Nil + 185625 → ₹185625

FY → 1st Jan 20x1 to 31st Dec. 20x1

Date: / /

Subject:

Answer (3.) Calⁿ of Cap. Rate :-

Total Actual Interest on all General Borr.

				Interest (₹)
10% Deb.	2000000	12 Months	=	200000
15% O/D	500000	9 Months	=	56250
16% O/D	500000	2 Months	=	13333
16% O/D	750000	1 Month	=	10000
				279583

Working of Overdraft (O/D) :-

500000	500000	750000
@ 15%	@ 16%	@ 16%
⇓	⇓	⇓
9 Months	2 Months	1 Month
(Jan. to Sept.)	(Oct. to Nov.)	(December)

Weighted Avg. General Borr. during the year →

10% Deb.	2000000	12 Months	2000000
15% O/D	500000	9 Months	375000
16% O/D	500000	2 Months	83333
16% O/D	750000	1 Month	62500
			2520833

⇒ Capitalisation Rate = $\frac{279583}{2520833} \times 100$ ⇒ 11.09% p.a.

Answer (4.) S.1) Nil

S.2) Gen. Borr Cost :-

(i.) Cap. Rate = 11%

(ii) Eligible Gen. Borr. Cost :

Case 1 : If Accrual Basis is considered

1st Sept = 1.50 Crore × 11% × 7/12 = 0.09625 Crores

1st Oct. = 0.50 Crore × 11% × 6/12 = 0.0275 Crore

1st Nov. = 1.50 Crore × 11% × 5/12 = 0.06875 Crore

1st Dec = 0.50 Crore × 11% × 4/12 = 0.01833 Crore

1st Jan = 1.80 Crore × 11% × 3/12 = 0.0495 Crore

1st Feb = 0.70 Crore × 11% × 2/12 = 0.01283 Crore

1st Mar = 3 Crore × 11% × 1/12 = 0.0275 Crore

₹ 0.30067 Crore

Case 2 : If Actual Outflow basis is considered

1st Sept. = 3 Cr × 11% × 7/12 = 0.19250 Crore

1st Oct. = 1.75 Cr × 11% × 6/12 = 0.09625 Crore

1st Nov. = 2.5 Cr × 11% × 5/12 = 0.11458 Crore

1st Jan. = 1 Cr × 11% × 3/12 = 0.0275 Crore

1st Mar. = 1.5 Cr × 11% × 1/12 = 0.01375 Crore

~~0.1111 Crore~~ 0.44458 Crore

(iii) General Borr. Cost to be Capitalised :-

Eligible OR Actual GBC → lower

Case 1	Case 2
⇓	⇓
Accrual	Actual Outflow
⇓	⇓
0.30067 Crore	0.44458 Crore
OR	OR
0.5 Crore	0.5 Crore
⇓	⇓
Lower, i.e., 0.30067 Crore	Lower, i.e. 0.44458 Crore

Suggestion :- Appropriate Borr. cost to be Capitalised during the year should be based on Actual Cash Outflow basis i.e. ₹ 0.44458 Crore

Answer(5.) Commencement Date of Capitalisation → 1.1.20X1 (OR) 1.1.20X1 (OR) 1.7.20X1

↓ Date of 1st Expenditure; ↓ Date of Rev. Act.; ↓ Date of Loan taken

Later = 01.07.20X1

Cessation Date → 30.06.20X2

FY : 1.4.X0 to 31.3.01 :

31.03.X1 → General Borr. cost

(i) Cap. Rate ⇒ 10%

(ii) Eligible Gen. Borr. Cost

1st Jan 20X1 = 5 Crore × 10% × $\frac{0}{12}$ = 0

(iii.) Gen. Borr. Cost to be Capitalised :-

Eligible = 0

OR

Actual = 50 Crore × 10% × $\frac{9}{12}$ = 3.75 Crore

→ lower ↓ 0

FY: 1.4.X1 to 31.3.X2:

31.3.X2 → Gen. Borr. Cost

(i.) Cap. Rate ⇒ 10%.

(ii.) Eligible Gen. Borr. Cost

1st Jan 20X1 = 5 Crore × 10% × $\frac{9}{12}$ = 0.375 Crore

30th June 20X1 = 20 Crore × 10% × $\frac{9}{12}$ = 1.5 Crore

31st March 20X2 = 20 Crore × 10% × $\frac{0}{12}$ = 0

∑ 1.875 Crore

(iii.) General Borrowing Cost to be Capitalised

Eligible = 1.875 Crore

OR

Actual = 50 Crore × 10% × $\frac{12}{12}$ = 5 Crore

→ lower ↓ 1.875 Crore

FY: 1.4.X2 to 31.3.X3:

31.03.X3 → Gen. Borr. Cost

(i) Cap. Rate => 10%.

(ii) Eligible GBC

1st Jan 20X1 = 5 Crore × 10% × $\frac{3}{12}$ = 0.125 Crore

30th June 20X1 = 20 Crore × 10% × 3/12 = 0.5 Crore

31st March 20X2 = 20 Crore × 10% × 3/12 = 0.5 Crore

★ 31st March 20X2 = 1.875 Crore × 10% × 3/12 = 0.046875 Crore
(Special point) [Last Year Interest]

30th June 20X2 = 5 Crore × 10% × 0/12 = 0

1.171875 Crore

(iii) GBC to be Cap. :-

Eligible = 1.171875 Crore
OR
Actual = 50 Crore × 10% × 12/12 = 5 Crore

} Lower, i.e., ₹1.171875 Crore

Answer (6) Commencement Date ⇒ 1st April 20X1
Cessation Date ⇒ 31st March 20X2

S.1) Specific Borr. Cost :-

Actual Interest	65000
(-) Investment Income	(20000)
	45000

S.2) GBC :-

(i) Cap. Rate = $\frac{(1000000 \times 12.5\%) + (1500000 \times 10\%)}{1000000 + 1500000} \times 100$

$\Rightarrow \frac{125000 + 150000}{2500000} = \frac{275000}{2500000} \times 100$

→ 11%

(ii.) Eligible GBC :-

1st April = 200000 - 200000 (Specific) = 0

30th June = 600000 - 500000 (Specific) = 100000 × 11% × 9/12 = 8250

31st Dec. = 1200000 × 11% × 3/12 = 33000

31st March = 200000 × 11% × 0/12 = 0

41250

(iii.) GBC to be Capitalised :

Eligible = ₹ 41250
OR
Actual = ₹ 275000

} lower, i.e. ₹ 41250

S.3) Total Borr. Cost to be Cap.
= 45000 + 41250 = ₹ 86250

Answer (7.)

Commencement Date = 01.04.20X1
Cessation Date = 31.01.20X2

S.1) SBC :-

Actual Interest [200000 × 9% × 10/12] = 15000

S.2) GBC :-

(i.) Cap. Rate = $\frac{(700000 \times 12\%) + (900000 \times 11\%)}{700000 + 900000} \times 100 = \frac{84000+99000}{1600000} \times 100$

$\Rightarrow \frac{183000}{1600000} \times 100 = 11.4375\%$

(ii.) Eligible GBC :-

1st April = 150000 - 150000 (Specific) ⇒ 0

1st August = 200000 - 50000 (Specific) = $150000 \times 11.4375\% \times \frac{6}{12}$ = 8578.125

1st October = $350000 \times 11.4375\% \times \frac{4}{12}$ = 13343.75

1st January = $100000 \times 11.4375\% \times \frac{1}{12}$ = 953.125

22875

(iii.) GBC to be Capitalised :-

Eligible = 22875
OR
Actual = 183000

⇒ Lower, i.e., ₹ 22875

S.3) Total Borr. Cost to be Cap.
= 15000 + 22875 ⇒ ₹ 37875

Cost of Building ⇒ 150000 + 200000 + 350000 + 100000
⇒ 800000
(+) Int. Cap. 37875
837875

J.E.:- Building Dr 837875
To Bank 800000
To Interest Payable 37875

(OR)

Building Dr 837875
To Bank 837875
(Assumed → Interest is paid on Cap. date)

Answer (8.) Commencement Date = 01.04.20X1

SBC :-

⇒ Actual Interest Cost = 3000000 × 9% × 12/12 = ₹270000

(1000000 : 2000000)

	factory	office
	90000	180000
(-) Investment Income	(17500)	(35000)
	[500000 × 7% × 6/12]	[1000000 × 7% × 6/12]
Interest to be Capitalised →	72500	145000

∴ Cost of Asset

Expenses	1000000	2000000
Borr. cost	72500	145000
	1072500	2145000

Answer (9.)

(i.) Construction Completed on 30.04.20X2 :-

Total Specific Borrowing = ₹ 620 lacs

Plant & Machinery	Additional Assets	Working Capital
510 Lacs	54 Lacs	56 Lacs

Total Specific Borrowing Cost = ₹68.20 Lacs

Plant & Mach. (Qualifying)	Addn Assets (Qualifying)	working Cap. (Not Qualifying)
68.20 × 510/620 = 56.1 Lacs	68.20 × 54/620 = 5.94 Lacs	68.20 × 56/620 = 6.16 Lacs
(Capitalise)	(Capital)	(Expense (P&L))

(ii) Construction completed on 28th February 20X2

In this Case :- Process gets completed within 12 Months, so All P&M and Addn Assets will NOT be considered as Qualifying Assets.

So, Interest Cost of complete ₹68.20 Lacs will be expensed off to P&L.

Answer (10.1) Specific Borrowing = ₹ 20000000 @ 15%.

∴ Specific Borr. Cost → 20000000 × 15% ⇒ ₹3000000

Total Cost of Phase 1 + Phase 2 → 3400000 + 6400000 → ₹9800000

Total Cost of Phase 3 + Phase 4 → 5500000 + 6800000 ⇒ ₹12300000

₹22100000

Allocation of SBC :-

Phase 1 + Phase 2

⇓

3000000 × 9800000 / 22100000

= ₹ 1330317

⇓

It become operational at mid of the year

⇓

So, Interest will be Capitalised for mid of the Year only [6 Months]

1330317 × 6/12

⇒ ₹665158.50 Capitalise in Assets of Phase 1 + Phase 2

Phase 3 + Phase 4

⇓

3000000 × 12300000 / 22100000

= ₹ 1669683

⇓

Cap. in Assets of Phase 3 + Phase 4 in ratio of their cost (55 : 68)

Phase 3 (55:68) Phase 4

₹665158.50

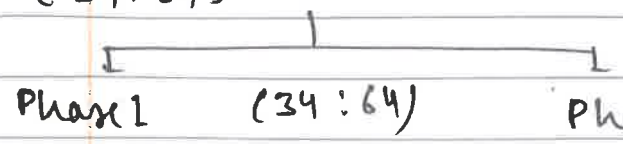
⇓

[Expense off to P&L]

⇒ ₹665158.50

⇓

Capitalise in Assets of Phase 1 & Phase 2 in ratio of their cost [34 : 64]



Answer (11.) Capitalisation :- Interest on Qualifying Assets will be capitalised using effective Interest Rate (EIR) if borrowing is in the nature of Bonds issued at discount.

Commencement Date = 0 time
Cessation Date = 2 Year End

So, Interest of Year 1 & Year 2 will be Capitalised
and
Interest of Year 3 & Year 4 will be Expensed off to P&L

Specific Borrowing = 200000 − 10% = ₹180000

Calⁿ of Interest to be Capitalised

Year	Op. Bal.	Int. @ EIR	Actual Payment	Cl. Bal.
1	180000	24102	20000	184102
2	184102	24651	20000	188753
		48753		

∴ Interest Cap. will be ₹ 48,753

Answer (12.) Real Estate Company :- [SFS]

Borrowing = 1000000 @ 7% p.a. [General Borrowing]

Expenditure on Qualifying Asset = ₹1540000

Cap. of Borr. Cost :-

S.1) SBC = Nil

S.2) GBC :-

(i.) Cap. Rate = 7%.

(ii.) Eligible GBC

$$1540000 \times 7\% \times \frac{12}{12} = ₹107800$$

(iii.) GBC to be Cap. :-

Eligible = 107800

OR

Actual = $1000000 \times 7\% \times \frac{12}{12} = 70000$

⇒ lower i.e. ₹70000

S.3) Total Borr. Cost to be Cap.

⇒ Nil + 70000 = ₹70000

Construction Company :- (SFS)

Borrowings = Nil

QA Exp. = ₹1000000

Since, no interest expense has been incurred so, it can not capitalise anything.

Finance Company :- (SFS)

Borrowings = 2000000 @ 7% p.a. (Gen. Borr.)

QA Expense = Nil

Since, No Exp. has been incurred on any QA by fin-Co. So, It cannot capitalise anything.

Total Interest Expense will be rec- in P&L.

CFS of Parent Co. :-

→ Total Borrowings :

Real Estate @ 7%.	1000000
Finance Co. @ 7%.	2000000
	3000000

→ Total Exp. on Q.A. :-

Real Estate $\left[1540000 - \left(1540000 \times \frac{1}{11}\right)\right]$ = ₹ 1400000

Construction Company = ₹ 1000000

₹ 2400000

→ Capitalisation of B.C. —

S.1) SBC = Nil

S.2) GBC :-

(i) Cap. Rate = 7%. [Since all Borr. are @ 7%.]

(ii) Eligible GBC :-

⇒ $2400000 \times 7\% \times \frac{12}{12}$ ⇒ ₹ 168000

(iii) GBC to be Cap.

Eligible = 168000

OR

Actual = $3000000 \times 7\% \times \frac{12}{12}$ = 210000

→ Lower i.e. ₹ 168000

S.3) Total Borr. Cost to be Cap.

= Nil + 168000 ⇒ ₹ 168000

Answer (13.) 31st March, 20X2

Foreign Currency Borrowing = 1000 $ @ 4% [01.04.20X1]
[1 $ = ₹40]

Functional Curr. Int. Rate @ 12%
31.3.X2 ⇒ 1 $ = ₹50

S.1) Actual Interest on For. Curr. Borr.
⇒ 1000 $ × 4% × ₹50 ⇒ ₹2000

S.2) Saving in Interest cost
Interest Cost in func. curr. Borr. [1000 $ × ₹40 × 12%]
= ₹4800
(-) Interest Cost on For. Curr. Borr. (S.1) (2000)
Saving in Interest Cost → ₹2800

S.3) Exchange Loss on For. Curr. Borr. ⇒ 1000 $ [50₹ - 40₹]
= ₹10000

To be treated as Borr. Cost
⇓
Lower of Exch. Loss & Saving in Int. Cost
[10000 ₹ & 2800 ₹]
⇓
₹2800

Remaining Exch. Loss will be recognised in P&L as per Ind AS 21
(B/F)
⇓
10000 - 2800
⇒ ₹7200

S.4) Total Borr. Cost to be Cap.
⇒ ₹2000 (S.1) + ₹2800 (S.3) ⇒ ₹4800

31st March, 20X3 :-

(i) 1 $ = ₹48

S.1) Actual Int. Cost = 1000 $ × 4% × ₹48 = ₹1920

S.2) Saving in Int. Cost

⇒ 4800 − 1920 = ₹2880

S.3) Exchange Gain on For. Curr. Borr. ⇒ 1000 $ [48₹ − 50₹]

= ₹2000

Upto Exch. Loss treated as BC in P.Years will be ~~treated~~ deducted from Borr. Cost (i.e. upto ₹2800)

⇓

Complete ₹2000 Exch. Gain will be Adjusted from Borr. Cost

Remaining

⇓

0

S.4) Total B.C. to be capitalised ⇒ 1920 − 2000 = − 80 ₹

(ii) 1 $ = ₹44

S.1) Actual Int. Cost = 1000 $ × 4% × 44 ₹ = ₹1760

S.2) Saving in Interest Cost ⇒ 4800 − 1760 = ₹3040

S.3) Exch. Gain on FCB ⇒ 1000 $ (44 ₹ − 50 ₹) ⇒ ₹6000

Upto Exch. Loss treated as B.C. in Prev. Years will be deducted from B.C. (i.e. upto ₹2800)

⇓

∴ ₹2800

Remaining

Exch. ~~Loss~~ Gain of ₹3200 [6000 − 2800] will be recog. in P&L as per Ind AS 21

S.4) Total B.C. to be cap. ⇒ 1760 − 2800 = − ₹1040

(iii) 1$ = ₹44

Part Loan Repaid = $600 on 31.3.X2

* Working of Year ended 31.3.X2 will NOT change

Working for Year ended 31.3.X3 :-

S.1) Actual Int. Cost = 400$ × 4% × ₹44 = ₹704

S.2) Saving in Int. Cost

→ Int. cost on ~~FCB~~ Fun. C.B. (400$ × ₹40 × 12%)

OR $\left(\frac{4800₹}{1000\$} \times 400\$\right)$ 1920

(-) Int. Cost on FCB (S.1) (704)

Saving in Int. Cost → 1216

S.3) Exch. Gain on FCB → 400$ × [44₹ - 50₹] = ₹2400

Upto Exch. Loss treated as B.C. on loan of $400 will be adjusted from B.C. [i.e. upto ₹1120 $\left(\frac{2800}{1000\$} \times 400\$\right)$]

∴ ₹1120

Remaining Exch. Gain of ₹1280 (2400 - 1120) will be recognised in P&L as per Ind AS 21

S.4) Total B.C. to be capitalised = 704 - 1120 = -₹416

Answer (14.1) Loan (1.4.20X1) = 20000 $

Interest @5% p.a.

Exch. Rates —

1.4.20X1 ⇒ 1 $ = ₹45

31.3.20X2 ⇒ 1 $ = ₹48

Interest Rate on fun. Curr Borr. = 11% p.a.

31st March, 20X2

S.1) Actual Interest Cost = 20000 $ × 5% × ₹48 = ₹48000

S.2) Saving in Int. Cost :—

Interest cost on fun. curr. Borr. (20000 $ × ₹45 × 11%)	99000
(-) Int. on FCB (S.1)	(48000)
Saving in Int. Cost	51000

S.3) Exchange Loss on FCB ⇒ 20000 $ (48 − 45) ⇒ ₹60000

To be treated as B.C.

Exchange Loss = 60000

&

Saving in Int. Cost = 51000

⇒ lower i.e. ₹51000

Remaining Exch. loss will be recognised in P&L as per Ind AS21 (C.B/F)

60000 − 51000

⇒ ₹9000

S.4) Total B.C. to be cap.

→ ₹48000 + ₹51000 = ₹99000

IND AS-41 Agriculture

Answer (1.) Initial Recognition : 1st Nov. 20X1

Fair Value on 1st Nov. 20X1 = ₹1000000

Scenario (i): Txn. Cost borne by Seller

FVLCTS ⇒	(₹)
Fair Value	1000000
(-) Cost to Sale [By Seller] (1000000 × 2%)	(20000)
FVLCTS	980000

Total Payment to buy the Bio. Asset (BA) :–

Purchase Price ₹1000000

J.E. ⇒

Biological Asset A/c	Dr	980000	
Loss on Initial Recog. (P&L) (B/F)	Dr	20000	
To Bank A/c			1000000

Scenario (ii): Txn. Cost to be incurred by Seller & buyer

FVLCTS [1000000 - 20000] ⇒ 980000

Total Payment ⇒

Purchase Price	1000000
(+) Txn. Cost by buyer (1000000 × 2%)	20000
	₹ 1020000

J.E. ⇒

Biological Asset A/c	Dr	980000	
Loss on Initial Recog. (P&L) (B/F)	Dr	40000	
To Bank A/c			1020000

Subsequent Recognition : 31st March 20X2

Fair value on 31st March 20X2 = ₹900000

Scenario (i) & Scenario (ii)

FVLCTS →	₹
Fair Value	900000
(-) Cost to Sale [By Seller] (900000 × 2%)	(18000)
FVLCTS	₹882000

Loss on Remeasurement of Biological Asset [under Scenario (i) & (ii) both]

→ 882000 − 980000 ⇒ ₹98000 [P&L]

J.E. under Scenario (i.) & (ii.) both →

Loss on Remeasurement (P&L)	Dr	98000	
To Biological Asset A/c			98000

Answer (2.) Initial Recognition : 1st December, 20X3

Fair value of 100 Sheeps = ₹ 500000

Txn. cost = 2% [By Seller]

FVLCTS ⟹	(₹)
Fair value	500000
(-) Cost to sale (500000 × 2%)	(10000)
	490000

Total Payment to buy BA :—

Purchase Price ⇒ ₹500000

J.E. →

Biological Asset A/c	Dr	490000	
Loss on Initial Recog. [P&L] (B/F)	Dr	10000	
To Bank A/c			500000

Subsequent Recognition : 31st March, 20X4

Fair Value = ₹600000

FVLCTS →

	₹
Fair Value	600000
(-) Cost to Sale (600000 × 2%.)	(12000)
	588000

Gain on Remeasurement of BA :—

→ 588000 − 490000 → ₹98000

J.E. →

Biological Asset A/c	Dr	98000	
To Gain on Remeasurement			98000

Answer (3.) Initial Recognition : 30th June 20X1

FVLCTS →

	₹
Sales Price	100000
(-) Transportation Cost (by Seller)	(1000)
Fair Value	99000
(-) Cost to Sale (100000 × 2%.)	(2000)
	97000

Total Payment to buy B.A. ⇒	₹
Purchase Price	100000
(+) Transportation Cost (by buyer)	1000
(+) Txn. cost (100000 × 2%)	2000
	103000

∴ Loss on Initial Recognition = 103000 − 97000 = ₹6000 [P&L]

Subsequent Recognition: 31st March 20X2

FVLCTS ⇒	₹
Sales Price	110000
(−) Transportation Cost by Seller	(1000)
Fair Value	109000
(−) Txn. cost by seller (110000 × 2%)	(2200)
FVLCTS	106800

Gain on Remeasurement of B.A. [P&L] ⇒ 106800 − 97000
⇒ ₹9800

Answer (4.) No. of Cattles = 250

3 Year Old Cattle [Fair Value on 1.4.20X1] = ₹13750 = ₹55 per Cattle
250

Fair Value per Cattle:

	1.4.20X1		31.3.20X2	
3 Year Old Cattle	₹55	Price change →	₹60	↓ Physical change
4 Year Old Cattle		[75 − 55] →	₹75	

↓ Total Gain

Subject :

Date : __/__/____

MON TUE WED THU FRI SAT SUN

Calⁿ of FV of Cattle at 31·3·20X2 :-

		₹
	FV on 1·4·20X1 [250 × ₹55]	13750
(+)	Gain on Price Change [250 × (₹60 - ₹55)]	1250
(+)	Gain on Physical Change [250 × (₹75 - ₹60)]	3750
	Fair Value on 31·3·20X2 [250 × (₹75)]	18750

Answer (5.) No. of Cow = 15

4 year Old Cows [Fair Value on 1·4·20X1] = ₹500 Thousand per Cow

Initial Recognition : 1st October, 20X1 (4.5 Years Cow Purchased)

FVLCTS ⇒ ₹520 Thousand

Total Payment to buy B.A. (Cow) ⇒ ₹520 Thousand

∴ No Loss on Initial Recognition

Recognition of New Born Calf : 1st October, 20X1

FVLCTS → ₹400 Thousand

For Initial 15 Cows (₹'000)

	1·4·20X1	Price change	31·3·20X2	
4 Year Old Cows	₹500	→	₹516	Physical change ↓
5 Year Old Cows		(560 - 500) →	₹560	

Total Gain

For 1 Cow Purchased (₹'000)

	1·10·20X1	Price change	31·3·20X2	
4.5 Years Old Cow	₹520	→	₹540	Physical change ↓
5 Years Old Cow		(580 - 520) →	₹560	

Total Gain

For 1 New Calf Born

	1.10.20X1		31.3.20X2
Newly Born	₹400	Price Change →	₹410 ↓ Physical Change
0.5 year old	₹440 (Also physical change)		

(₹'000)

(i) & (ii) FVLCTS of 15 cows on 1.4.20X1 [15 × ₹500] 7500
Cow purchased on 1.10.20X1 [1 × 520] 520
8020

(+) Gain on Price Change

15 cows × (516 - 500)	240	
1 cow × (540 - 520)	20	
1 calf × (410 - 400)	10	270

(+) Gain on Physical Change

15 cows × (560 - 516)	660	
1 cow × (560 - 540)	20	
1 calf × (440 - 410)	30	
1 calf Phy. change on Born time	400	1110
FVLCTS on 31.3.20X2 →		9400

(ii) Alternate :—

FVLCTS on 31.3.X2 →		₹'000
15 cows (15 × 560)	=	8400
1 cow (1 × 560)	=	560
1 calf (1 × 440)	=	440
		9400

(iii.) Ledger A/c of Livestock [Biological Asset] :-

₹'000

Particulars	₹	Particulars	₹
To Balance b/d (Op. St.)	7500	By Balance c/d (Cl. St.)	9400
To Bank (Purch.)	520		
To Gain on Price Change	270		
To Gain on Phys. Change	1110		

Answer (6.) Initial Recognition on 30.9.20X1 :-

FVLCTS ⇒

	₹
Sales Price	100000
(-) Transport Cost by Seller	(1000)
Fair Value	99000
(-) Trn. Cost by Seller (100000 × 2%)	(2000)
FVLCTS →	97000

Total Payment to buy ⇒

	₹
Purchase Price	100000
(+) Transport Cost by buyer	1000
	101000

J.E. ⇒

Biological Asset A/c	Dr	97000	
Loss on Initial Recog. (P&L) [B/F]	Dr	4000	
To Bank A/c			101000

Subsequent Recognition on 31.03.20X2 :-

FVLCTS ⇒

	₹
Sales Price	110000
(-) Transportation cost by seller	(1000)
Fair value	109000
(-) Txn. cost by seller (110000 × 2%)	(2200)
FVLCTS ⇒	106800

Gain on Remeasurement of B.A. ⇒ 106800 − 97000
= ₹9800

J.E. ⇒

Biological Asset A/c	Dr	9800	
To Gain on Remeasurment (P+L) [B/F]			9800

Sale on 1.6.20X2 :-

Net Amt. recd. on Sale ⇒

	₹
Sales Price	20000
(-) Transportation cost	(150)
(-) Txn. cost (20000 × 2%)	(400)
	19450

Proportionate CA of 18 Goats Sold ⇒
Total CA of 100 Goats ⇒ ₹106800
∴ Proportionate = $\frac{106800}{100} \times 18$ = ₹19224

J.E. ⇒

Bank A/c	Dr	19450	
To Biological Assets			19224
To Gain on Sale [P&L] (B/F)			226

Conversion of BA into Agricultural Produce : 15.9.20X2

Proportionate CA of 42 Goats slaughtered →	₹
Total CA of 100 Goats	106800
(-) Prop. CA of 18 Goats sold	(19224)
Total CA of Rem. 82 Goats	87576

∴ Prop. CA of 42 Goats = $\frac{87576}{82} \times 42$ → ₹44856

FVLCTS of Agricultural Produce →	(₹)
~~Fair Value~~ Price	48340
(-) Transport Cost	(420)
Fair Value	47880
(-) Txn. Cost	Nil
FVLCTS →	47880

J.E. →

Agricultural Produce	Dr	47880	
Loss on Initial Recg. of Agri. Prod. (P&L) [BIF]	Dr	1176	
To Biological Asset A/c			44856
To Bank A/c (conversion cost)			4200

Subsequent Recognition on 30.9.20X2

FVLCTS →	₹
Sales Price	44800
(-) Transportation cost	(400)
Fair Value	44400
(-) Txn Cost (44800 × 2%)	(896)
FVLCTS	43504

Carrying Amt. of rem. 40 Goats → 106800 - 19224 - 44856
→ 42720

Alternatively, CA of rem. 40 Goats = $\frac{106840}{100} \times 40$

= ₹ 42720

∴ Gain on Remeasurement (P&L) = 43504 - 42720 = ₹784

J.E. ⇒

Biological Asset A/c	Dr	784	
To Gain on Remeasurement (P&L) [BIF]			784

Answer (7.)

1st April 20X1 ⇒ 500 Cows @ FVLCTS of ₹ 26000 (27000 - 1000)

⇒ ₹ 13000000

30th Sept. 20X1 ⇒ 20 Cows died

⇓

Proportionate CA = $\frac{13000000}{500 \text{ Cows}} \times 20 \text{ Cows}$ = ₹520000

J.E. ⇒

Loss on Death (P&L)	Dr	520000	
To Biological Asset			520000

1st Oct. 20X1 ⇒ Purchased 20 Cows

FVLCTS ⇒	₹
Fair value	21000
(-) Cost to sell	(1000)
FVLCTS	20000 per cow

∴ Total FVLCTS = 20 cows × ₹ 20000 = ₹4000000

Total Payment to buy ⇒

Purchase Price ⇒ ₹ 21000 per cow

∴ Total Payment ⇒ 20 cow × ₹ 21000 ⇒ ₹ 420000

J.E. ⇒

Biological Asset A/c		Dr	400000
~~Cash~~ Loss on Initial Recog. (P&L) (B/F)		Dr	20000
To Bank A/c			420000

31st March, 20X2 : Subsequent Remeasurement

FVLCTS :-

Initial 480 cows [500 - 20] (1.4.20X1)
⇓
Age on 31.03.20X2 ⇒ 4 years
⇓
FVLCTS = 26500 - 1100
⇒ 25400 per cow
∴ Total FVLCTS ⇒ 480 cows × ₹25400
⇒ ₹12192000

Purchase 20 cows (1.10.20X1)
⇓
Age on 31.03.20X2 ⇒ 1.5 years
⇓
FVLCTS = 23500 - 1100
= ₹22400 per cow
∴ Total FVLCTS ⇒ 20 cows × ₹22400
⇒ ₹448000

⇓
₹12640000

CA in books
⇒ 13000000 - 520000
⇒ ₹12480000

CA in books
⇒ ₹400000

⇓
₹12880000

∴ Loss on Remeasurement [P&L] = ₹12880000 - 12640000 = ₹240000

J.E. ⇒ Loss on Remeasurement (P&L)		Dr	240000
To Biological Asset			240000

Loss on Initial 480 Cows = 12480000 - 12192000 ⇒ ₹288000
Gain on Purchased 20 Cows = 448000 - 400000 ⇒ ₹48000

Amt. of Inventory [Milk] on 31.3.20X2 :—
Since, its Initial FVLCTS is not available, it will be measured at its NRV on year end.
∴ NRV = ₹20 - ₹1 = ₹19 per litre
Total Amt. ⇒ 1000 litres Milk X ₹19 ⇒ ₹19000

Answer (8.) PPE ⇒ Land (Ind AS-16) ⇒ ₹5000000 [Cost] → B/S
Cows ⇒ Biological Asset (Ind AS-41) : 200 Cows
1.4.20X1 ⇒ FVLCTS ⇒ ₹5000 per Cow
∴ Total FVLCTS = 200 Cows X ₹5000 = ₹1000000

31.3.20X2 ⇒ FVLCTS ⇒ ₹5500 per Cow
∴ Total FVLCTS = 200 Cows X ₹5500 = ₹1100000

Gain on Remeasurement [P&L] ⇒ 1100000 - 1000000 ⇒ ₹100000 [P&L]

Grant on Cows [Non Refundable] = ₹1000000
Recognised in P&L as Income

Expenses on Cows (P&L) =

Maintenance Cost	600000
Breeding Fees	400000
	₹1000000 → P&L

Calves Born = 100 Calves born on 1st October, 20X1

1.10.20X1 ⇒ FVLCTS = ₹1100 per Calf

∴ Total FVLCTS = 100 Calves × ₹1100 = ₹110000

↓

P&L

(Gain)

31.3.20X2 ⇒ FVLCTS = ₹1300 per Calf

∴ Total FVLCTS = 100 Calves × ₹1300 = ₹130000

- B/S

Gain on Remeasurement [P&L] = 130000 - 110000 = ₹20000

[P&L]

Milk (Inventory) :-

Recognised at its NRV on 31.03.20X2 ⇒ ₹24 per litre

∴ Total Amt. = 3000 litres × ₹24

⇒ ₹ 72000

P&L — Balance Sheet

* Inventory को P&L में दिखाते हैं, Tradition P&L के Cr. side में 'By C.St.' आता है

Balance Sheet (Extract)

	₹
PPE	5000000
Biological Asset :	
Cow	1100000
Calves	130000
Inventory :	
Milk	72000

P&L (Extract)

	(₹)
Revenue	
Gain on Remeasurement:	
Cows	100000
~~Calves~~	~~20000~~
Grant Income	1000000
Gain on Newly Born Calves (110000 + 20000)	130000
Inventory	72000
	1302000
Expenses	
Maintenance	600000
Breeding	400000
Total Expenses	1000000
Profit (1302000 - 1000000)	302000

IND AS-36 Impairment of Assets

Answer (1) S.1) Impairment Testing

CA = ₹ 250 lakh

Recoverable Amt.:

FVLCTS = 200 − 13 = ₹ 187 Lakhs
Value in use = ₹ 200 Lakhs
⇒ Higher i.e., ₹ 200 Lakhs

∴ CA > Recov. Amt.; Impairment loss is there

S.2) Impairment Loss = CA − Rec. Amt. = 250 − 200
→ ₹ 50 Lakhs

Answer (2) S.1) Impairment Testing

CA = ₹ 500 Lakhs

Recoverable Amt.:

FVLCTS = ₹ 375 Lakhs
Value in use = ₹ 400 Lakhs
⇒ Higher i.e. ₹ 400 Lakhs

∴ CA > Rec. Amt.; Impairment loss is there

S.2) Impairment Loss = 500 − 400 = ₹ 100 Lakh

S.3) J.E.:- (₹ 1 lakh)

Impairment Loss	Dr	100	
To Asset			100
P&L	Dr	100	
To Impairment Loss			100

Answer (3.) S.1) Impairment Testing

CA = ₹ 27.30 Lakh

Rec. Amt.: → ₹ 12 Lakh

∴ CA > Rec. Amt. ; Imp. loss is there

S.2) Imp. loss = 27.30 - 12 = ₹ 15.30 Lakh

S.3) Treatment of Imp. Loss = ₹ 15.30 Lakh

Revaluation Surplus [OCI]	P&L (B/F)
⇓	⇓
₹ 14 Lakh	₹ 1.30 Lakh

S.4) Revised CA = 27.30 Lakh - 15.30 Lakh = ₹ 12 Lakh

Rem. Useful life = 3 Years

∴ Depⁿ p.a. = ₹ 12 Lakh / 3 years = ₹ 4 Lakh p.a.

Answer (4.)

(a.) CA on end of Year 2 :—

	₹
Cost (Year 1 Beginning)	240000
(-) Depⁿ for 2 years [240000/20 X2]	(24000)
	216000

Revaluation Surplus at beg. of Year 3 :-

	(₹)
CA at beg. of year 3	216000
Revalued Amt.	250000
Revaluation surplus (OCI)	34000

(b.) CA at end of year 3 :-

	₹
CA at beg. of year 3	250000
(-) Depⁿ for the year [250000 / 18 years]	(13889)
	236111

(c.) ~~Impairment Testing~~ Calⁿ of Imp. loss on beg. of year 4 :-

	₹
Carrying Amt. on beg. of year 4	236111
Recovrable Amt.	100000
Imp. loss →	136111

Imp. loss → 136111

- Revaluation Surplus (OCI) = ₹ 34000
- P&L (B/F) = ₹ 102111

(d.) Depⁿ in year 4 :-

Rev. CA at beg. of year 4 = 236111 − 136111 = ₹100000

Rem. Useful life = 10 years

∴ Depⁿ p.a. = ₹100000 / 10 years = ₹ 10000 p.a.

Answer (5.) S.1) Imp. Testing : 31st March 20X4

CA =	₹' Lakh
Cost [1.4.20X1]	20000
(-) Depⁿ for 3 Years [[20000 − 500 / 8] × 3]	(7313)
	12687

Recoverable Amt. =

Value in Use :

₹ in Lakhs

Year	Cash Flow	PVF @ 15%	Present Value
x4-x5	2000	0.870	1740
x5-x6	3000	0.756	2268
x6-x7	3000	0.658	1974
x7-x8	4000	0.572	2280
x8-x9	2000	0.497	994
Residual Value (x9)	500	0.497	249
			9513

FVLCTS = ₹ 10000 Lakh

So, Rec. Amt. = Higher ⇒ ₹ 10000 Lakh

∴ CA > Rec. Amt. ; Imp. Loss is there

S.2) Imp. Loss = 12687 - 10000 = ₹ 2687 Lakh

S.3) Not Required

S.4) Rev. Carr. Amt. = 12687 - 2687 = ₹ 10000 Lakh

∴ Subsequent Depⁿ p.a. = ~~₹ 10000~~ / 5 years ⇒ ~~₹ 2000 Lakh~~ p.a.

$\frac{10000 - 500}{5 \text{ years}}$ = ₹ 1900 Lakh p.a.

Answer (6.) S.1) Impairment Testing : 31.03.20X6

Carrying Amt. = ₹ 660000

Recoverable Amt. —

Years	Cash Flow	PVF @ 9%	Present Value
x6-x7	276000	0.9174	253202
x7-x8	192000	0.8417	161606
x8-x9	120000	0.7722	92664
x9-Y0	114000	0.7084	80758
		Value in Use	588230

FVLCTS —

⇒ 600000 - 96000 = ₹504000

So, Recoverable Amt. = Higher = ₹588230

∴ CA > Rec. Amt. ; Impair. loss is there

S.2) Imp. Loss = 660000 - 588230 = ₹71770

~~S.3) Not Required~~

S.4) Revised CA = 660000 - 71770 = ₹588230

∴ Revised Depn p.a. = ₹588230 / 4 years ⇒ ₹147058 p.a.

S.3) Treatment of Imp. loss. = ₹71770

Revaluation Surplus (OCI)	P&L (B/P)
₹36000	₹35770

⇒ Accounting of Compensation from Government —

It would be accounted when such compensation becomes receivable, i.e., Accounting for potential receipt cannot be done

~~Ansat~~

Answer (7.) Cal^{n} of Value in Use

Particulars	Year 1 x3-x4	Year 2 x4-x5	Year 3 x5-x6	Year 4 x6-x7	Year 5 x7-x8
Qty. sold	10000	10500	11025	11576	12155
Price p.u.	₹200	₹206	₹212	₹219	₹225
Sales Volume	2000000	2163000	2337300	2535144	2734875
Net Residual Value					80000
Total Inflow (A.)	2000000	2163000	2337300	2535144	2814875
Cost p.u.	₹160	₹162	₹165	₹168	₹171
Total Cost	1600000	1701000	1819125	1944768	2078505
Maint. Cost			50000		
Total Outflow (B.)	1600000	1701000	1869125	1944768	2078505
Net Inflow (A-B)	400000	462000	468175	590376	736370
PVF @ 8%	0.9259	0.8573	0.7938	0.7350	0.6806
PV	370360	396073	371637	[illegible]	501173

Total PV → Value in Use = ₹2073169

Answer (8.) Cal^{n} of Value in Use

Year	Cash Flow [$]	PVF @10%	PV [$]
20X1-X2	80	0.9091	72.73
X2-X3	100	0.8264	82.64
X3-X4	20	0.7513	15.03
			170.40 $

Now, Value in Use in ₹

⇒ 170.40$ × ₹45

⇒ ₹7668

Answer (9.) UK Entity ⇒ £ functional currency
Asset ⇒ $ foreign currency

Cost of Asset = 1800000 $ [Carrying Amt.]
Recoverable Amt. = 1620000 $

S.1) Imp. Testing : [CA > Rec. Amt. ; Imp. loss is there]
since, Asset is in foreign currency. Hence, Ind AS 21 to be applied for calculating Imp. Loss.

	Carrying Amt.	Recoverable Amt.
	⇓	⇓
Foreign	1800000 $	1620000 $
Convert in functional	1 £ = 1.60 $ ⇓	1 £ = 1.80 $ ⇓
	1800000 $ / 1.60 $ = 1125000 £	1620000 $ / 1.80 $ = 900000 £

∴ CA > Rec. Amt. ; Imp. Loss is there

S.2) Imp. loss = 1125000 − 900000 = 225000 £

Impairment component	Exchange Rate component (B/F)
1800000 $ − 1620000 $	⇓
⇒ 180000 $ @	@ 125000 £
1 £ = 1.80 $	OR
⇒ 180000 $ / 1.80 $ = 100000 £	[1800000 $ / 1.60 $ − 1800000 $ / 1.80 $]
	⇒ 125000 £

Answer (10.1) CA = ₹1000 Rec. Amt. = ₹650

∴ CA > Rec. Amt.; Imp. Loss is there

Imp. Loss = 1000 − 650 = ₹350

Rev. CA = 1000 − 350 = ₹650 [Books]

Tax Base = ₹800 [Income Tax]

Since, CA of Asset < Tax Base of Asset

So, it is DTD. Hence DTA will be created

DTD = 800 − 650 = ₹150

∴ DTA = ₹150 × 30% = ₹45

Answer (11)

(a) S.1) Imp. Testing [31.3.X2]

CA = 100 Crore − 100 Crore / 5 = ₹80 Crore

Rec. Amt. =

Value in Use

Year	Cash Flow	PVF @ 10%	PV
X2−X3	15	0.9091	13.64
X3−X4	30	0.8264	24.79
X4−X5	40	0.7513	30.05
X5−X6	10	0.6830	6.83
			75.31 Crore

FVLCTS = 70 Crore

∴ RA = Higher ⇒ 75.31 Crore

Since, CA > Rec. Amt., Imp Loss is there

S.2) Imp. Loss = 80 − 75.31 = ₹4.69 Crore

S.3) Not Reqd.

S.4) Revised CA = 80 − 4.69 = ₹75.31 Crore

Subs. Dep^{n} = 75.31 Crore / 4 Years ⇒ ₹18.83 Crore p.a.

(b.) CA on 31.3.20X3 = 75.31 crore - 18.83 crore
⇒ ₹ 56.48 crore

Rec. Amt. on 31-3-20X3 =
Value in Use –

year	Cash Flow	PVF @ 10%	PV
X3 – X4	30	0.9091	27.27
X4 – X5	40	0.8264	33.06
X5 – X6	10	0.7513	7.51
			67.84 crore

FVLCTS = 40 Crore
Rec. Amt. = Higher ⇒ ₹ 67.84 crore
Since CA < Rec. Amt., Reversal of Imp. Loss can be there
But Value in Use is increased today only due to passage of time. so, Imp. Loss of ₹ 4.69 crore cannot be reversed.

Answer (12.) 31.3.X1
CA = 100 Lakh - 100 Lakh / 4 = ₹ 75 Lakh
Rec. Amt. = ₹ 60 Lakh
∴ CA > Rec. Amt; Imp. Loss is there
Imp. loss = 75 - 60 = ₹ 15 Lakh
Rev. CA = 75 - 15 = ₹ 60 Lakh

31.3.X2
CA = 60 Lakh - 60 Lakh / 3 = ₹ 40 Lakh
Rec. Amt. = ₹ 40 Lakh
No, Imp. Loss

31.3.X3

CA = 40 Lakh − $\frac{40 \text{ Lakh}}{2}$ = ₹ 20 Lakh

Rec. Amt. = ₹ 28 Lakh

∴ CA < Rec. Amt.; Reversal of Imp. Loss

S.1) CA on 31.3.X3 = ₹20 Lakh

S.2) CA at which it is shown after Reversal

Rec. Amt.
⇒ ₹28 Lakh

CA if never Impaired
= 100 Lakh − $\left(\frac{100 \text{ Lakh} \times 3}{4}\right)$
= ₹25 Lakh

Lower ⇒ i.e. ₹25 Lakh

S.3) Reversal of Imp Loss = ~~₹20 Lakh~~
⇒ ₹25 Lakh − ₹20 Lakh = ₹5 Lakh

S.4) Not Reqd.

S.5) Revised CA = ₹20 Lakh + ₹5 Lakh = ₹25 Lakh

~~Subsequent Dep~~

Answer (13.)

S.1) Impairment Test

		CGU$_A$	CGU$_B$
		₹' Million	
CA of Assets		20	30
Corporate Asset [20:30 or 2:3]		4	6
		$\left[10 \times \frac{2}{5}\right]$	$\left[10 \times \frac{3}{5}\right]$
CA of CGU	→	24	36
Rec. Amt. of CGU	→	18	38

	CGU_A	CGU_B
Impairment loss	Yes	NO

S.2) Imp. loss on CGU_A = 24 − 18 = 6 million

⇓

Allocated to all Asset in CGU in ratio of their Carrying Amt.

[20 : 4] or (5 : 1)

Other Asset	Corporate Asset [Building]
⇓	
$6 \times \frac{5}{6}$ = 5 Million	$6 \times \frac{1}{6}$ = 1 Million

Answer (14.) S.1) Impairment Test

₹ Crore

	CGU_A	CGU_B	CGU_C
CA of Asset	500	750	1100
Corp. Asset 'X'	72	216	312
	[600 × 12%]	[600 × 36%]	[600 × 52%]
CA of CGU	572	966	1412
Rec. Amt. of CGU	< 600	> 900	> 1400
Imp. loss	NO	Yes	Yes

W.N. :–

Ratio for Allocation of Corp. Asset 'X' to CGU

	CGU_A	CGU_B	CGU_C
CA of Other Assets	500	750	1100
× Useful life of CGU	× 10	× 20	× 20
	5000	15000	22000

∴ Ratio = 5000 : 15000 : 22000 or 5 : 15 : 22

	CGU$_A$	CGU$_B$	CGU$_C$
%	$5/42 \times 100$	$15/42 \times 100$	$22/42 \times 100$
%	12%	36%	52%

S.2) Impairment loss

CGU$_B$ = 966 − 900 = 66

↓

In Ratio of CA of all Assets [750 : 216]

Other Asset	Corporate Asset 'x'
$66 \times 750/966$	$66 \times 216/966$
⇒ 51 Crore	⇒ 15 Crore

CGU$_C$ = 1412 − 1400 = 12

↓

In ratio of CA of all Asst [1100 : 312]

Other Asset	Corporate Asset 'x'
$12 \times \frac{1100}{1412}$	$12 \times \frac{312}{1412}$
⇒ 9 Crore	⇒ 3 Crore

S.3) Imp. Loss on Unallocable Corp. Asst 'Y' : ₹ Crore

Particulars	CGU$_A$	CGU$_B$	CGU$_C$	Corp. Asst (Y)	Total
C.A.	572	966	1412	200	3150
(-) Imp. loss on CGU	-	(66)	(12)	-	(78)
RCA (A)	572	900	1400	200	3072
Rec. Amt of ABC Ltd. (B)					3200

Since CA of ABC Ltd. [3072 Crore] < Rec. Amt. of ABC Ltd. [3200 Crore]

So, No Imp. loss on Corp. Asset 'Y'.

Answer (15.)

Allocation of G/W :-

	CGU_1	CGU_2	₹' Million Total
Purch. Cons.	33	17	50
(-) Net Assets	(25)	(10)	(35)
Goodwill	8	7	15

Answer (16.)

₹' Crore

S.1) Imp. Testing [31.3.20X2]

CA of CGU

Plant A = $1000 - \frac{1000}{10}$ (Depⁿ) = 900

G/W 200

1100

Rec. Amt. of CGU 600

∴ CA > Rec. Amt ; Imp. loss is there

S.2) Imp. loss on CGU = 1100 − 600 => 500 Crore

Firstly to Goodwill
↓
200 Crore

Rem. Imp. Loss to other Asset [Plant A]
500 − 200 = 300 Crore

S.3) Not Applicable

S.4) Not Required

S.5) Rev. CA

₹' Crore

	G/W	Plant A	other Asset	Total of CGU
CA	200	900		1100
(-) Imp. Loss	(200)	(300)		(500)
	-	600		600

Answer (17.) Cal^{n} of Goodwill on Acquisition

		₹'000
Purchase Cons.	$\left[800000 \times \frac{2}{5} \times ₹4\right]$	1280
(+) NCI	$\left[\frac{800000}{80\%} \times 20\% \times ₹1.40\right]$	280
		1560
(-) Net Assets		(1300)
	Goodwill →	260

Cal^{n} of Imp. Loss :—

S.1) Impairment Testing

	CGU$_A$	CGU$_B$	CGU$_C$
			₹'000
CA of other Assets	600	550	450
G/W Allocation (2:2:1)	104	104	52
	$\left(206 \times \frac{2}{5}\right)$	$\left(206 \times \frac{2}{5}\right)$	$\left(206 \times \frac{1}{5}\right)$
CA of CGU	704	654	502
	<	>	>
Rec. Amt. of CGU	740	650	480
Impairment Loss	No	Yes	Yes

S.2) Impairment Loss (₹'000)

CGU$_B$ = 654 − 650 = 4

↓

Allocated to Goodwill only i.e., It will be borne by Goodwill only

CGU$_C$ = 502 − 480 = 102

Firstly to G/W → 52

Rem. Imp. Loss to Other Asset → 102 − 52 ⇒ 50

(i.) CA of Goodwill after Impairment :- RCA of Goodwill

	₹'000
Goodwill on Acquisition	260
(-) Total Imp. Loss on G/W [4+52]	56
	204

(ii.) Total Impairment loss :-

	₹'000
CGUB	4
CGUC	102
	106

OR

G/W (4+52)	56
Other Asset	50
	106

Imp. loss : ₹'000

Borne by NCI = 106 × 20% = 21.2

and balance allocated to shareholders of Sun Ltd.

Answer (18) Goodwill Acquired in Biz Combination [1.4.20X1 → 80%] :-

Purch. cons.	2100
(+) NCI (1500 × 20%)	300
	2400
(-) NA taken over	(1500)
Partial G/W	900

Allocation to Multiple CGU

CGU of Parent → ₹500

CGU of Subsidiary → 900 - 500 = ₹400

Cal^{n} of Imp. Loss on CGU of Subsidiary :-

S.1) Imp. Testing

	G/w	other Assets	Total
Carrying Amt. in Books	400	1350	1750
(+) Unrecognised G/w of NCI $\left[\frac{400}{80\%} \times 20\%\right]$	100	-	100
CA of CGU	500	1350	1850
Rec. Amt. of CGU			1000

∴ CA > Rec. Amt ; Imp. loss is there

S.2) Imp. loss = 1850 - 1000 = 850

500 → Goodwill

Rem. = 350 (B/F) → Other Assets

S.3) Not Applicable

S.4) Not Required

S.5) RCA :-

	G/w	Net Asset	Total
CA	500	1350	1850
(-) Impairment Loss	(500)	(350)	(850)
	-	1000	1000

Answer (19) Goodwill Acquired in Buz. Combination :-

	₹'000
Purchase Consideration	3200
(+) NCI (3000 × 20%)	600
(-) Net Assets taken over	(3000)
Partial Goodwill →	800

Case (i) If Rec. Amt. = ₹2000 thousand

	G/W	NA	₹'000 Total
CA	800	2700	3500
(+) Unrec. G/W for NCI [800 × 20% / 80%]	200	-	200
CA of CGU	1000	2700	3700
Rec. Amt. of CGU			2000
Total Imp. Loss			1700
Imp. Loss Allocation	(1000)	(700)	
	-	2000	2000

Imp. Loss allocable to:

	Parent	NCI
On G/W	800 [1000 × 80%]	-
On other Asset	560 [700 × 80%]	140 [700 × 20%]
	1360	140

Case (ii) If Rec. Amt. = ₹2800 thousand

	G/W	NA	₹'000 Total of CGU
CA	800	2700	3500
(+) Unrec. G/W for NCI (800 × 20% / 80%)	200	-	200
CA of CGU	1000	2700	3700
Rec. Amt. of CGU			2800
Total Imp. Loss			900
Imp. Loss Allocation	(900)		
	100	2700	2800

Since only G/W attributable to Parent has been recorded in books ⇒

	G/W	Net Assets	Total of CGU
Revised CA in Books	80 [100×80%]	2700	2780

Imp. Loss allocable to: ₹'000

	Parent	NCI
On Goodwill	720 [900×80%]	-
On Other Assets	-	-
	720	-

Answer (20) Goodwill Acq. in B.C. [80% → 31.03.X1]:- ₹'million

	PC
(+) NCI (200×20%)	190
(-) Net Assets	40
Partial Goodwill →	(200)
	30

Cal^{n} of Imp. Loss :-

S.1) ~~Cal^{n} of~~ Imp. Testing of CGUs of Mission Ltd.

	CGU$_A$	CGU$_B$	CGU$_C$
CA of Assets	170	90	100
Rec. Amt. of Asset	180	66	104
Imp. Loss	NO	yes	NO

S.2) Cal^{n} of Imp. Loss on CGU$_B$ ⇒ 90 - 66 ⇒ 24 ₹

Allocate to Int. Asset & PPE in ratio of CA (10:50)

Intangible Asset: $24 \times \frac{10}{60} = ₹4$

PPE: $24 \times \frac{50}{60} = ₹20$

S.3) Cal^{n} of Imp. Loss on Unallocable Goodwill :— ₹' Million

	CGU$_A$	CGU$_B$	CGU$_C$	Unallocable Goodwill	Total Entity
Carrying Amount	170	90	100	30	390
(+) Unrec. G/w of NCI [30/80% × 20%]				7.5	7.5
CA of CGU	170	90	100	37.5	397.5
(-) Imp. Loss	-	(24)	-	-	(24)
Entity CA (A)	170	66	100	37.5	373.5
Rec. Amt. of Entity (B)					350

∴ CA > Recoverable Amt. ∴ Imp. Loss is there on Unallocable Goodwill
(A) (B)

Impairment Loss on Unallocable Goodwill
⇒ 373.50 − 350 ⇒ 23.50

Imp. loss to be booked on Goodwill = 23.50 × 80% = ₹18.80 Million

Now, Revised CA of G/w in books
⇒ 30 − 18.80 ⇒ ₹11.20 Million

Alternatively Presentation :—

Total Goodwill	37.50 Million
(-) Total Imp. Loss	(23.50 Million)
	14 Million

RCA in books = 14 Million × 80% = ₹11.20 Million
Imp. Loss borne by Parent ⇒ 23.50 × 80% = ₹18.80 Million

Answer (21.) Imp. loss [31.03.X3] :-

S.1) Imp. Testing of CGU of Saturn

CA of other Assets = $320000 - \left[\frac{320000}{20} \times 2\right]$ Depn

= 288000

CA of G/W	80000
CA of CGU	368000
Rec. of CGU	212000

∴ CA > Rec. Amt. ; Imp. loss is there

S.2) Impairment Loss = 368000 - 212000 ⇒ ₹156000

Firstly to G/W	Rem. to other Asset
⇒ 80000	⇒ 156000 - 80000 ⇒ 76000

S.3) Not Applicable

S.4) Not Required

S.5) Revised CA :-

	G/W	other Asset	Total of CGU
Carrying Amount	80000	288000	368000
(-) Impairment Loss	(80000)	(76000)	(156000)
	-	212000	212000

Reversal of Impairment loss [31.03.X5] :-

S.1) CA of each Asset on 31.03.X5

	G/W	other Asset	Total of CGU
Revised CA on 31.3.X3	-	212000	212000
(-) Depn $\left[\frac{212000}{18 \text{ years}} \times 2\right]$	-	(23556)	(23556)
	-	188444	188444

S.2) Maximum Reversal of Imp. Loss on CGU

Rec. Amt. of CGU ⇒ Higher [Value in Use = 304000 ; FVLCTS = 290000] → ₹304000

∴ Maximum Reversal = 304000 − 188444 = 115556

⇓

Reversal to be done in other Asset only

Now,

CA of other Asset if never Impaired as on 31.03.X5

Cost on 1.4.X1	320000
(−) Dep^n $\left[\frac{320000}{20} \times 4\right]$	(64000)
	256000

∴ Reversal to be done in other Asset
⇒ 256000 − 188444 = 67556

S.3) Not Required

S.4) Revised CA after Reversal

	G/w	Other Asset	Total of CGU
CA	-	188444	188444
(+) Reversal	-	67556	67556
	-	256000	256000

Rem. Useful life = 20 years − 4 years = 16 years

Subsequent Dep^n p.a. = $\frac{256000}{16 \text{ years}}$ = ₹ 16000 p.a.

Answer (22.)

(a.) S.1) Imp. Testing of CGU on 31.3.X6

CA of CGU ⇒

Machine A = $1000000 - \left[\frac{1000000 - 50000}{10} \times 5\right]$ = 525000

Machine B = $500000 - \left[\frac{500000}{10} \times 3\right]$ = 350000

Inventory	=	200000
Goodwill	=	150000
		1225000
Rec. Amt of CGU		1000000

∴ CA > Rec. Amt; Imp. Loss is there

S.2) Imp. loss ⇒ 1225000 − 1000000 = 225000

Firstly to Goodwill	Machine A	Rem. to machine B
⇒ ₹150000	525000 − 489650 (WN)	225000 − 150000
	⇒ ₹35350	− 35350
		⇒ ₹39650

S.3) Not Applicable

S.4) Not Required

S.5) Rev. CA :−

	Goodwill	M_A	M_B	Inv.	Total
CA	150000	525000	350000	200000	1225000
(−) Imp. loss	(150000)	(35350)	(39650)	−	(225000)
	−	489650	310350	200000	1000000

W.N. :−

Recoverable Amt. of Machine A —

Value in Use

Year	Cash Flow	PVF @ 10%	P.V.
1	150000	0.909	136350
2	100000	0.826	82600
3	100000	0.751	75100
4	150000	0.683	102450
5	100000+50000 (RV)	0.621	93150
			489650

FVLCTS

fair Value	700000
(-) Cost to sell [150000 + 25000 + 75000]	(250000)
	450000

∴ Rec. Amt ⇒ Higher ⇒ 489650

(b.) CA of Assets after charging Depⁿ for 20X6 - X7 :-

	G/W	M_A	M_B	Inventory	Total
Rev. CA on 31.03.X6	-	489650	310350	200000	1000000
(-) Depⁿ for 1 years	-	(87930) [489650/5 − 50000]	(44336) [310350/7]	-	(132266)
CA on 31.03.X7	-	401720	266014	200000	867734

(C.) Rev. CA on 31.03.X7 after Reversal :-

(S.1) CA on 31.03.X7

Goodwill	M_A	M_B	Invent.	Total
-	401720	266014	200000	867734

S.2) Maximum Reversal of Imp. Loss on CGU

⇒ 1100000 - 867734 = ₹ 232266

Allocation of this Reversal

→ firstly to Assets which has individual Rec. Amt.

Machine A

Individual Rec. Amt.

450000

Machine B

Individual Rec. Amt.

760000 - 450000 ⇒ 310000

450000

⇓

Individual Reversal of Imp. Loss

⇓

430000 - 401720

→ 28280

310000

⇓

Individual Reversal of Imp. Loss

⇓

300000 - 266014

→ 33986

W.N.:-

Carrying Amt. if Asset were never Impaired

Machine A		Machine B	
Cost [1.4.X1]	1000000	Cost [1.4.X3]	500000
(-) Dep^{n} $\left[\frac{1000000 - 50000}{10} \times 6\right]$	570000	(-) Dep^{n} $\left[\frac{500000}{10} \times 4\right]$	(200000)
	430000		300000

∴ It can be shown at after Reversal

⇓	⇓
430000	300000

S.3) Not Applicable

S.4) Not Required

S.5) Revised CA:-

	CGU	M_A	MB	Inventory	Total
CA	-	401720	266014	200000	867734
(+) Imp. Loss Reversal	-	28280	33986	-	62266
RCA →	-	430000	300000	200000	930000