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IND AS - 105 Non-Current Assets Held for Sale & Discontinued operations

Answer (1.)

(1) Disposal Group is classified as held for sale only if

Available for immediate sale + Sale is highly probable

In this Case,

Disposal Group is available for immediate sale on 31st July, 20X1 [since, BOD approves it]

&

Sale is expected by 31st March, 20X2 [within 9 months]

Hence, Disp. Group is classified as held for Sale on 31st July, 20X1.

(2) Measurement on 31st July, 20X1

CA of Disp. Group = ₹2600

FVLCTS of Disp. Group = 1850 - 100 = ₹1750

∴ Measured at Lower of above, i.e. ₹1750

Now, Imp. Loss as per Ind AS 105 = 2600 - 1750 = ₹850

Allocation of Imp. Loss :-

Firstly to G/W
⇒ 500

Then to other scoped in Asset (Non Curr. Asset) in ratio of CA [900 : 1850]

Plant & Mach.	Building
₹350 × 900/2750	₹350 × 1850/2750
⇒ 115	⇒ 235

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Revised CA :-

Particulars	C.A. on 31.7.X1	Impairment Loss	Rev. CA on 31.7.X1
Goodwill	500	(500)	-
P+M	900	(115)	785
Building	1850	(235)	1615
Debtors	1050	-	1050
Inventory	400	-	400
Creditors	(250)	-	(250)
Loans	(1850)	-	(1850)
Total	2600	850	1750

(3.) Measurement at year end (i.e. 31st December, 20X1) will be done similarly as above.
Since fair value is less than CA of Disp. group on 31.12.X1 (as mentioned in question), then Imp. Loss will be calculated & allocated in same way as done in above part.

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Answer (2.)

(a.) 15th Sept 20X1 :- [₹'000]

CA of disp. group = 2160

FVLCTS of disp group = 1900 - 70 = 1830

Lower, i.e. ₹1830

∴ Imp. loss = 2160 - 1830 = ₹330

Allocation of Imp. Loss :-

Goodwill → 200

Remaining = 330 - 200 ⇒ 130

in Intangible Asset & PPE in ratio of CA [930 : 1020]

Intangible Asset: 130 × 930/1950 ⇒ 62

PPE: 130 × 1020/1950 ⇒ 68

Revised CA :-

Particulars	CA on 15.9.X1	Impairment Loss	Rev. CA on 15.9.X1
Goodwill	200	(200)	-
Intangible Asset	930	(62)	868
Fin. Asset	360	-	360
PPE	1020	(68)	952
DTA	250	-	250
Curr. Asset	520	-	520
Curr. Liab.	(870)	-	(870)
Non Curr. Liab.	(250)	-	(250)
	2160	330	1830

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(b.) 31st March, 20X2 :-

CA of Disp. Group = 868 + 952 + 410 + 230 + 400 − 900 − 250

(IA, PPE, Fin Asset, DTA, CA, CL, NCL)

⇒ 1710

FVLCTS of Disp. Group ⇒ 1650

∴ Lower = 1650

Now, Imp. Loss = 1710 − 1650 = ₹60

Allocation of Imp. Loss :- in IA & PPE in ratio of 868 : 952

Intangible Asset ⇓

$60 \times \frac{868}{1820} \Rightarrow 29$

PPE ⇓

$60 \times \frac{952}{1820} \Rightarrow 31$

Revised C.A. :-

Particulars	CA on 31.3.20X2	Imp. Loss	Rev. CA on 31.3.20X2
Goodwill	-	-	-
Intangible Asset	868	(29)	839
PPE	952	(31)	921
Fin. Asset	410	-	410
DTA	230	-	230
CA	400	-	400
CL	(900)	-	(900)
NCL	(250)	-	(250)
Total	1710	(60)	1650

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Answer (3.)

Initial date of classification :-

CA = 2550000]
FVLCTS = 2500000] Lower, i.e. ₹2500000

∴ Imp. Loss as per Ind AS 105 = 2550000 - 2500000
⇒ ₹50000

Next B/S date :-

CA = 2500000
FVLCTS = 2650000

Now, FVLCTS has been increased.

So, Reversal of Imp. Loss = 2650000 - 2500000 = ₹150000

Maximum Reversal of Imp. Loss ⇒ Imp. Loss as per Ind AS 36 + Imp. Loss as per Ind AS 105
⇒ 350000 + 50000
⇒ 400000

Hence, ₹150000 Imp. Loss will be reversed. Then, PPE will be shown at ₹2650000 [2500000 + 150000]
(2500000 = CA, 150000 = Reversal)

After 6 Months :-

CA = 2650000
FVLCTS = 3000000

There is reversal of Imp. Loss ⇒ 3000000 - 2650000 ⇒ ₹350000

Maximum Reversal of Imp. Loss → 350000 + 50000 - 150000
(Ind AS 36) (Ind AS 105) (Already Reversed)
⇒ ₹250000

Hence, ₹250000 Imp. Loss will be reversed. Then PPE will be shown at ₹2900000 [2650000 + 250000]
(2650000 = CA, 250000 = Reversal)

Gain on (Loss) at time of Sale :-

Sale Amt. - Carrying Amt.

⇒ 3000000 - 2900000

⇒ ₹ 100000 [Gain on Sale of PPE]

Answer (4.)

On 31.3.X3 :-

CA on 31.3.X3 ⇒

Purchase on 1.4.X1	600000
(-) Dep^{n} for 2 years $\left[\frac{600000}{15} \times 2\right]$	(80000)
CA	520000
Rec. Amt	470000

Imp. Loss as per Ind AS 36 = 520000 - 470000 = ₹ 50000

∴ Rev. CA = 520000 - 50000 = ₹ 470000

Now, this Asset is classified as held for sale

so, Initial Measurement :-

CA = ₹ 470000] → lower, i.e. ₹ 460000

FVLCTS = ₹ 460000]

∴ Imp. Loss as per Ind AS 105 = 470000 - 460000

⇒ ₹ 10000

∴ Rev. CA = ₹ 460000

31.3.X4

Change in Plan of Asset [i.e. no longer meet criteria for held for sale]

Now, Asset should be shown at C.A. if it were never held for sale. It is calculated as follows:-

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C.A. just before classification as held for sale [31.3.X3] = 470000

(-) Depⁿ for 1 year $\left[\frac{470000}{13 \text{ years}} \times 1 \text{ year}\right]$ = (36154)

433846

CA. of Asset in Books on 31.3.X4 ⇒ ₹ 460000

So, Loss on change of Plan to be recog. in P&L

⇒ 460000 − 433846 ⇒ ₹ 26154

Applicability of Ind AS 36 on 31.3.X4

Rec. Amt. on 31.3.X4 = ₹ 500000

CA. on 31.3.X4 = ₹ 433846

Since, Rec. Amt. > C.A.; Imp. Loss recog. as per Ind AS 36 on 31.3.X3 will be reversed

S.1) CA on date of reversal - 433846

S.2) CA at which it will be shown after Reversal of Imp. Loss

Rec. Amt.	CA if never Impaired	
500000	Purchase (1.4.X1)	= 600000
	(-) Depⁿ (3 years) $\left[\frac{600000}{15} \times 3\right]$	= (120000)
		480000

Lower, i.e. ₹ 480000

S.3) Reversal of Imp. Loss = 480000 − 433846 = ₹ 46154

S.4) Not Required

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S.5) Rev. CA → 433846 + 46154 ⇒ ₹480000

Answer(5.)

Division of Entity is offered for sale on 1st April, 20X1. So, it will be classified as held for sale on this date.

It is a division [i.e. disposal group representing separate line of business] & hence it is shown as Discontinued Operation.

Initial Measurement on 1.4.X1 :-

C.A. of Discontinued operation → 60000 (Goodwill) + 2000000 (PPE) + 1000000 (Inventory)

→ ₹3060000

FVLCTS of Discontinued Operation → ₹3200000

Since, CA is lower, there is no Imp. Loss as per Ind AS 105

Subsequent Measurement on 30.6.X1 :-

C.A. of Discontinued operation → 60000 (Goodwill) + 2000000 (PPE) + 900000 (Inventory)

PPE: since it will not be depreciated thereafter

→ ₹2960000

FVLCTS of Discontinued Operation → ₹3300000

Since, CA is lower, there is no Imp. Loss as per Ind AS 105.

Disclosures for Discontinued operation :-

→ Assets of Division needs to be separately presented from other Assets in B/S

→ Post Tax Profit / (Loss) of division shall be disclosed separately

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in P&L as single amount

→ EPS of division will be disclosed separately [Ind AS 33]

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IND AS - 33 Earning Per Share

Answer (1.)

WANES :-

	No. of shares
Opening Bal. of share [1.4.x1] ⇒ $100000 \times \frac{365}{365}$	100000
Issue of shares [15.6.x1] ⇒ $75000 \times \frac{290}{365}$	59589
Conversion of shares [8.11.x1] ⇒ $50000 \times \frac{144}{365}$	19726
(-) Buy Back [22.2.x2] ⇒ $20000 \times \frac{38}{365}$	(2082)
	177233

Answer (2.)

BAF = $1 + \frac{1}{3} = \frac{4}{3}$

WANES :-

1. Jan	⇒ $1000000 \times \frac{4}{3} \times \frac{12}{12}$ =	1333333.33
28. Feb	⇒ $200000 \times \frac{4}{3} \times \frac{10}{12}$ =	222222.22
30. Nov.	⇒ $250000 \times \frac{1}{12}$ =	20833.33
		1576389

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Answer (3.)

Profit attributable to Eq. sh. :-

	20X2-X3 (CY)	₹ '000 20X1-X2 (PY)
PAT	550	450
(-) Pref. Div. (500000 × 10%)	(50)	(50)
	500	400

No. of Eq. sh. o/s as on beginning → ₹ 100000000 / ₹ 25 = 4000000 shares

WANES :-

	20X2-X3	₹ '000 20X1-X2
Share in beginning	4000	4000
BAF [1 + 1/4 = 5/4]	× 5/4	
	= 5000 shares	

Basic EPS for 20X2-X3 = 500 / 5000 = ₹ 0.10 or 10 paise

Basic EPS for 20X1-X2 [Original] = 400 / 4000 = ₹ 0.10 or 10 paise

Basic EPS for 20X1-X2 [Restated] = 400 / 4000 × 5/4 = ₹ 0.08 or 8 paise

Answer (4.)

Profit for Eq. sh. :-

	₹
N.P.	4600000
(-) Pref. Div. [(500000 × ₹ 1.20) (1 - 0.30)]	(420000)
	4180000

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WANES:-

BAF = [5% i.e 5:100] ⇒ $\frac{105}{100}$

1st April ⇒ $[3000000 - 500000] \times \frac{105}{100} \times \frac{12}{12}$ = 2625000

1st May ⇒ $\frac{200000 \times 11}{12}$ = (183333.33)

1st Nov. ⇒ $\frac{400000 \times 5}{12}$ = 166666.66

2608333

BEPS = $\frac{4180000}{2608333}$ = ₹ 1.60

Answer (5)

Theoretical Ex Right → $\frac{(1000000 \times 1) + (200000 \times 0.90₹)}{1000000 + 200000}$

⇒ ₹ 0.9833

* Right shares = $1000000 \times \frac{1}{5}$ = 200000 shares

RAF = $\frac{1}{0.9833}$

WANES:-

⇒ $(1000000 \times 1/0.9833 \times 3/12) + (1200000 \times 9/12)$ ⇒ 1154246 shares

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Answer (6.)

Theoretical Ex Right → $\frac{(1800000 \times ₹60) + (450000 \times ₹30)}{1800000 + 450000}$

→ 54

* Right shares = $1800000 \times \frac{1}{4}$ = 450000 shares

RAF → $\frac{60}{54} = \frac{10}{9}$

WANES :-

→ $\left(1800000 \times \frac{10}{9} \times \frac{3}{12}\right) + \left(2250000 \times \frac{9}{12}\right)$ → 2187500 shares

Original for 20X1 [PY] → 1800000 shares

Restated for 20X1 [PY] → $1800000 \times \frac{10}{9}$ = 2000000 shares

Basic EPS for 20X2 [CY] = $\frac{875000}{2187500}$ ⇒ 0.40 ₹ or 40 paise

Basic EPS for 20X1 [original] = $\frac{630000}{1800000}$ ⇒ 0.35 ₹ or 35 paise

Basic EPS for 20X1 [Restated] = $\frac{630000}{2000000}$ ⇒ 0.315 ₹ or 31.5 paise

Answer (7.)

Theoretical Ex Right → $\frac{(500 \times ₹11) + (100 \times ₹5)}{500 + 100}$ → ₹10

* Right shares = $500 \times \frac{1}{5}$ = 100 shares

RAF → $\frac{11}{10}$

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WANES:-

$\Rightarrow \left[\frac{500 \times 11}{10} \times \frac{2}{12}\right] + \left[\frac{600 \times 10}{12}\right] \Rightarrow$ 592 shares

Basic EPS for 20X1 [CY] $\Rightarrow \frac{1500}{592} =$ ₹2.534

Basic EPS for 20X0 [Original] $\Rightarrow \frac{1100}{500} =$ ₹2.2

Basic EPS for 20X0 [Restated] $= \frac{1100}{500 \times 11/10} =$ ₹2

Basic EPS for 20X2 [FY] $= \frac{1800}{500+100} =$ ₹3

(Future Year)

Answer (8.)

S.1) Undistributed Earnings :-

	₹
PAT	100000
(-) Preference Dividend [5000 sh. × ₹5]	(25000)
(-) Equity Dividend [10000 sh. × ₹2]	(20000)
Undis. Earning	55000

S.2) Allocation per Eq. sh. = 'x' per share

∴ Allocation per pref. sh. = 50% of x = 0.50x per share

₹ 55000 = (x × 10000) + (0.50x × 5000)

x = ₹ 4.40 per share

Pref. sh. in undistributed Earning $\Rightarrow$ 0.50x $\Rightarrow$ 0.50 × 4.40 $\Rightarrow$ ₹2.20 per share

S.3) Basic EPS for Eq. sh.

$\Rightarrow$ ₹2 + ₹4.40 = ₹6.40 per share

Basic EPS for Pref. sh.

$\Rightarrow$ ₹5 + ₹2.20 $\Rightarrow$ ₹7.20 per share

Proof! (5000 × ₹7.20) + (10000 × ₹6.40) $\rightarrow$ ₹100000

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Answer (9.)

S.1) Undistributed Earnings :-

		₹
	PAT	100000
(-)	Preference Div. (6000 × ₹5.50)	(33000)
		67000
(-)	Equity Div. (10000 × ₹2.10)	(21000)
	Undistributed Earnings	46000

S.2) Allocation per Equity sh. = 'x' per share

∴ Allocation per Pref. sh. = $\frac{20}{80}$ of x = 0.25x per share

46000 = (10000 × x) + (6000 × 0.25x)

x ⇒ ₹4 per share

Preference sh. in Undistributed Earning = 0.25x = 0.25 × 4 ⇒ ₹1 per share

S.3) Basic EPS for Eq. sh. ⇒ ₹2.10 + ₹4 = ₹6.10 per share

Basic EPS for Pref. sh. ⇒ ₹5.50 + ₹1 ⇒ ₹6.50 per share

Proof: (6000 × ₹6.50) + (10000 × ₹6.10) ⇒ ₹100000

Answer (10.)

Earning in Diluted EPS [Numerator] :-

			₹
	PAT		64000
(+)	Interest on Debentures [25000 × ₹1 × 4%]	1000	
	Less :- Tax (1000 × 20%)	(200)	800
(-)	Increase in Mgt. Bonus (1000 × 1%)	10	
	Less :- Tax (10 × 20%)	(2)	(8)
			64792

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Answer (11.)

Basic EPS = ₹500000 / 1000000 = ₹0.50 per share

Adjustments in earnings due to PES ⇒ (1000 × ₹100 × 10%) (1 − 0.21)
⇒ ₹7900

Adjustment in sh. due to PES ⇒ 1000 × 20 = 20000 shares

∴ Incremental EPS = 7900 / 20000 ⇒ ₹0.395

Diluted EPS = (₹500000 + ₹7900) / (1000000 + 20000) = ₹0.498 per share

Answer (12.)

BEPS

Profit for BEPS :-

		30.6.20×3 [CY]	30.6.20×2 [PY]
PBIFT	(A.)	895000	825000
(-) Interest	(B.)	(100000) [1250000 × 8%]	(75000) [1250000 × 8% × 9/12]
(-) Fair Value Loss [No Tax Effect]		(2650)	(2500)
PBT		792350	747500
(-) Tax @ 33% on [A. − B.]		(262350)	(247500)
PAT	(C.)	530000	500000
WANES :-		30.6.×3 (CY)	30.6.×2 (PY)
No. of shares	(D.)	1500000	1500000
BEPS :- [C./D.]		₹0.35 or 35 paise	₹0.33 or 33 paise

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BEPS

Adjusted Earnings :-		30.6.X3 [CY]		30.6.X2 [PY]
Profit used in BEPS		530000		500000
(+) Interest	100000		75000	
(-) Tax @ 33% on Interest	(33000)	67000	(24750)	50250
(+) Fair Value Loss		2650		2500
		599650		552750

Adjusted WANES :-

No. of sh. in BEPS	1500000	1500000
No. of sh. on Conversion (Max.)	1687500	1265625
	[₹1250000 × 135 / ₹100]	[₹1250000 × 135 × 9 / ₹100 12]
	3187500	2765625

Diluted EPS	₹0.19 or 19 paise	₹0.20 or 20 paise
	[₹599650 / 3187500]	[₹552750 / 2765625]

Answer (13)* (Ind AS 109 Adjustment) (Medium Important)

Basic EPS = ₹1000000 / 1200000 = ₹0.83 per Eq. sh.

Cal^{n} of Liab. Component in Bond

Year	Cash Flow	PVAF @ 9%	Present Value
1-3	₹120000 [2000000 × 6%]	2.5313	₹303756

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∴ Rem. in Equity Component = 2000000 − 303756
⇒ 1696244

Amortisation Table

Year	Opening Balance	Interest @9%	Actual Payment	Closing Balance
1	303756	27338	120000	211094

↓
P&L

∴ Adjustment in shares ⇒ 2000 Bonds × 250 shares = 500000 shares

Diluted EPS = ₹1000000 + ₹27338 / 1200000 + 500000 = ₹0.60 per share

Answer (14.)

Basic EPS = ₹4600000 / 3000000 = ₹1.53

Adjustment in Earnings ⇒ ₹1800(1 − 0.40) ⇒ ₹1080

Adjustment in shares ⇒ 2000000 Bonds / 10 = 200000 shares

Incremental EPS = ₹1080 / 200000 = 0.01

Diluted EPS = ₹4600000 + ₹1080 / 3000000 + 200000

= ₹4601080 / 3200000

= ₹1.44

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Answer (15.) * (Important)

Basic EPS = ₹200000 / [1000000 × 12/12] + [30000 × 9/12] = ₹0.196 per share

↓

1022500 shares

* Bonds converted in shares on 31st March

⇒ ₹25000/₹100 × 120 ⇒ 30000 shares

Adjustments for Diluted EPS :-

Convertible Bonds → ₹100000 [₹100000/₹100 × 120 = 120000 shares]

Unconverted	Converted [31st March]
₹75000 [₹75000/₹100 × 120 = 90000 shares]	₹25000 [i.e. 30000 shares]
Adj. in Earn. [₹75000 × 5% × 12/12] (1 - 0.30)	[₹25000 × 5% × 3/12] (1 - 0.30)
⇒ 2625	⇒ 219
Adj in sh. 90000 sh. × 12/12 → 90000 sh.	30000 sh. × 3/12 → 7500 sh.

Diluted EPS = ₹200000 + ₹2625 + ₹219 / 1022500 + 90000 + 7500 = ₹202844 / 1120000

=> ₹0.181 per share

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Answer (16.)

Basic EPS - $\frac{₹\ 1200000}{500000}$ ⇒ ₹ 2.40

Diluted EPS :-

Adjustment in Earnings = 0

Adjustment in shares = $100000 \times \frac{20-15}{20}$ ⇒ 25000 shares

∴ Diluted EPS = $\frac{₹\ 1200000+0}{500000+25000}$ = ₹ 2.29

Answer (7.)

Diluted EPS :-

Adjustment in Earnings = 0

Adjustment in shares = $200000 \times \frac{8-6}{8}$ ⇒ 50000 shares

∴ Diluted EPS = $\frac{100000+0}{1000000+50000}$ ⇒ ₹0.095

Answer (18.)

	20X8 [CY]	20X7 [PY]
Profit	₹600000	₹ 500000
WANES	4000000	4000000
BEPS ⇒	600000 / 4000000	500000 / 4000000
	⇒0.15 ₹ or 15 Paisa	⇒ ₹0.125 or 12.5 Paisa

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Diluted EPS :-	20x8 [CY]	20x7 [PY]
Profit	₹ 600000	₹ 500000
Adjustment in Earning	-	-
	₹ 600000	₹ 500000
WANES in BEPS	4000000	4000000
Adj. in shares	354375	262500
	[630000 × 160 − 70 / 160]	[630000 × 120 − 70 / 70]
	4354375	4262500
DEPS ⇒	600000 / 4354375	500000 / 4262500
	⇒0.14 ₹ or 14 paise	⇒₹0.12 or 12 paise

Answer (19.) (Most Important)

FY ⇒ 1.1.x1 to 31.12.x1

BEPS

(i.) For 1st Qtr. [1.1.x1 to 31.3.x1]

BEPS = ₹ 1100000 / 1000000 = ₹ 1.10

(ii.) For 2nd Qtr. [1.4.x1 to 30.6.x1]

Profit ⇒ 2300000 − 1100000 ⇒ ₹ 1200000

WANES → Ordinary shares + Retail site open on 1st May 20x1

→ (1000000 × 12/12) + (5000 × 2/3) ⇒ 1003333

BEPS = ₹ 1200000 / 1003333 ⇒ ₹ 1.20

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(iii) For 3rd Qtr. [1.7.X1 to 30.9.X1]

Profit / (Loss) ⇒ 1900000 − 2300000 => (400000)

WANES ⇒ Ordinary shares + Sh. issued on Retail site opened on 1st May 20X1 + Retail site open on 1st Sept. 20X1

⇒ (1000000 × 3/3) + (5000 × 3/3) + (5000 × 1/3)

⇒ 1006667

BEPS = (₹400000) / 1006667 = (₹0.40)

(iv) For 4th Qtr. [1.10.X1 to 31.12.X1]

Profit ⇒ 2900000 − 1900000 = 1000000

WANES ⇒ Ordinary shares + Sh. issued on Retail site opened on 1st May, 20X1 + Sh. issued on Retail site opened on 1st Sept. 20X1

⇒ (1000000 × 3/3) + (5000 × 3/3) + (5000 × 3/3)

⇒ 1010000

BEPS = ₹1000000 / 1010000 = ₹0.99

(V) For Full year [1.1.X1 to 31.12.X1]

Profit ⇒ ₹2900000

WANES ⇒ Ordinary shares + Sh. issued on Retail site opened on 1st May 20X1 + Sh. issued on Retail site opened on 1st Sept. 20X1

⇒ (1000000 × 12/12) + (5000 × 8/12) + (5000 × 4/12) ~~₹1004583~~

⇒ 1005000

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$$BEPS = \frac{₹2900000}{1005000} = ₹2.89$$

Diluted EPS :-

~~For 1st Qtr.~~ Since, there is only Contingent shares as PES; so, there will be no adjustments in Earnings [Hence, Profit used in BEPS is considered]

(i.) For 1st Qtr. [1·1·X1 to 31·3·X1]

Profit ⇒ ₹1100000

WANES ⇒ 1000000 shares

$$PEPS = \frac{₹1100000}{1000000} = ₹1.10'$$

(ii.) For 2nd Qtr. [1·4·X1 to 30·6·X1]

Profit ⇒ ₹1200000

WANES → Used in BEPS	1003333
(+) Contingent on Retail site Open on 1·5·X1 [5000 × 1/3]	1667
(+) Contingent for Profit exceeding ₹2000000 [(2300000 − 2000000) × 3/3]	300000
	1305000

$$DEPS = \frac{₹1200000}{1305000} = ₹0.92'$$

(iii.) For 3rd Qtr. [1·7·X1 − 30·9·X1]

Profit / (Loss) ⇒ (₹400000)

WANES ⇒ Used in BEPS	1006667
(+) Contingent for Retail Site Open on 1·9·X1 (5000 × 2/3)	3333
(+) Contingent for Profit [Since full date profit < 20L]	1010000

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1. DEPS = (₹400000) / 1010000 ⇒ (₹0.40)'

(iv.) For 4th Qtr. [1.10.X1 to 31.12.X1]

Profit → ₹1000000

WANES →

Used in BEPS	1010000
(+) Contingent for Profit exceeding ₹2000000 [(2900000 - 2000000) × 3/3]	900000
	1910000

DEPS = ₹1000000 / 1910000 = ₹0.52'

A

(V) For full year [1.1.X1 to 31.12.X1]

Profit → ₹2900000

WANES →

Used in BEPS	1005000
(+) Contingent for Retail Sites opened during the year	
1st May, 20X1 → 5000 × 4/12	1667
1st Sept., 20X1 → 5000 × 8/12	3333
(+) Contingent for Profit Exceeding ₹2000000 [(2900000 - 2000000) × 12/12]	900000
	1910000

DEPS = ₹2900000 / 1910000 = ₹1.52'

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Answer (20.)

Basic EPS = $\frac{₹90000}{16000}$ = ₹ 5.625

DEPS :-

S.1) Incremental EPS for each PES :-

Options ⇒ $\frac{0}{\frac{900 \times (90-75)}{90}}$ ⇒ 0

Convertible Pref. Sh. ⇒ $\frac{(7500 \times ₹9)}{7500 \times 2}$ ⇒ ₹4.5

Convertible Debentures ⇒ $\frac{(₹1000000 \times 10\%)(1-0.25)}{\left[\frac{₹1000000}{₹100} \times 4 \text{ Eq. Sh.}\right]}$ ⇒ ₹1.875

S.2) Ranking of PES :-

Options ⇒ Rank 1
Conv. Deb. ⇒ Rank 2
Conv. Pre. Sh. ⇒ Rank 3

S.3) DEPS by considering each PES one by one on the basis of rank

→ Consider only Rank 1

DEPS = $\frac{₹90000 + 0}{16000 + 150}$ = ₹ 5.572

→ Consider only Rank 1 & Rank 2

DEPS = $\frac{₹90000 + 0 + ₹75000}{16000 + 150 + 40000}$ = ₹ 2.939

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→ Consider Rank 1, Rank 2 and Rank 3

$$DEPS = \frac{₹90000 + 0 + ₹75000 + ₹67500}{16000 + 150 + 40000 + 15000} = ₹3.268$$

5.4) Lowest EPS in '5.3' is represented as DEPS :-

→ ₹2.939

Answer (21.)

(a.) Basic EPS :-

$$\text{Continuing Operation} = \frac{₹3000000}{1000000} = ₹3$$

$$\text{Discont. operation} = \frac{(₹3600000)}{1000000} = (₹3.60)$$

$$\text{Total Operations} = \frac{(₹600000)}{1000000} = (₹0.60)$$

Diluted EPS :-

$$\text{Continuing Operation} = \frac{₹3000000 + 0}{1000000 + 200000} = ₹2.5$$

since, DEPS of Cont. op. is Dilutive [Less than BEPS] ; so, DEPS for Discont. op. & Total op. will be calculated & presented even if it will be anti dilutive.

$$\text{Discontinuing operation} = \frac{(₹3600000) + 0}{1000000 + 200000} = (₹3)$$

$$\text{Total operation} = \frac{(₹600000) + 0}{1000000 + 200000} = (₹0.50)$$

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(b.) Loss from Cont. op. = (₹1000000)
Income from Discont. op. = ₹3600000
Income from Total op. = ₹2600000

Basic EPS :-

Continuing operation = $\frac{(₹1000000)}{1000000}$ = (₹1)

Discontinuing operation = $\frac{₹3600000}{1000000}$ = ₹3.60

Total operation = $\frac{₹2600000}{1000000}$ = ₹2.60

Diluted EPS :-

Continuing operation = $\frac{(₹1000000) + 0}{1000000 + 200000}$ = (₹0.83)

Since, DEPS from Cont. op. is Anti Dilutive [Because Loss per share is reducing]; so, DEPS will be considered same as BEPS, i.e. ₹ (1)

Further, DEPS of Discont. op. & Total op. will also be reported same as their Basic EPS

∴ DEPS of Discont. op. = BEPS; i.e. ₹ 3.60
DEPS of Total op. = BEPS; i.e. ₹ 2.60

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Answer (22.)

(a.) Finance Cost & Cl. Bal. of Convertible Deb. on 31.3.X3 :-

Cal^n of Fin. Liab. :- ₹ '000

Year	Cash Flow	PV Factor	Present Value
1-4	10800	3.31	35748
4	180000	0.74	133200
		Fin. Liab.	168948

∴ Equity Component ⇒ 180000 - 168948 = ₹11052

Amortisation Table :

Year	Op. Bal.	Int @ 8%	Actual Payment	Closing Bal.
31.3.X2	168948	13515.84	10800	171663.84
31.3.X3	171663.84	13733.11	10800	174596.95

(b) Cal^n of EPS :- [CFS → Group EPS]

[BEPS] ₹ '000

Profit attributable to	
PAT for Parent Entity	39000
(-) Divident on Pref. sh. [80000 × ₹0.05] (8 Crore)	(4000)
	35000

WANES :

⇒ [20 Crore × 12/12] + [5 Crore × 9/12] ⇒ 237500

BEPS = ₹35000 / 237500 = ₹0.147

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[DEPS]

Profit [Adjusted] :	₹'000
Profit used in Basic EPS	35000
(+) Interest on Deb. [13733.11 (1−0.25)]	10299.83
	45299.83

WANES [Adjusted]:	
Used in basic EPS	237500
(+) Conversion of shares (10 Crore Shares)	100000
	337500

$$DEPS \Rightarrow \frac{₹45299.83}{337500} = ₹0.134$$

Answer (23.)

Cal^n of Diluted EPS for Subsidiary :-

Profit (Adjusted):	₹
Used in BEPS	30000
Adj. in Earnings	-
	30000

WANES (Adjusted):	
Used in BEPS	10000
Adj. in Sh. $\left[1000 \times \frac{(50-40)}{50}\right]$	200
	10200

$$DEPS_{Subs.} \Rightarrow \frac{₹30000}{10200} = ₹2.94 \text{ per share}$$

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Calⁿ of Diluted EPS of Group :-

Profit Attributable to Eq. Sh. of Parent Entity [Adjusted]:

	₹
Parent's profit used in BEPS	7000
(+) Adj. in Earnings for Parent's PES [No PES]	-
(+) Sh. in DEPS of Subs. [₹2.94 × 9100*]	26754
	33754

* Total shares of subsidiary (including Diluted) held by parent:

No. of Ordinary Eq. Sh. held	9000
(+) Options held of Subs. $\left[\frac{500 \times (50-40)}{50}\right]$	100
	9100

WANES [Adjusted]:

Parent WANES used in BEPS	5000
(+) Adj. in Sh. of Parent's PES	-
	5000

DEPS of Group = $\frac{₹33754}{5000}$ ⇒ ₹6.75

Answer (24.)

Subsidiary

BEPS :-

Profit :	₹
PAT	5400
(-) Preference Dividend (400 × ₹1)	(400)
	5000

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WANES: 1000 shares

$$BEPS_{subs.} \Rightarrow \frac{₹5000}{1000} = ₹5$$

DEPS :- [Multiple PES]

~~Profit (Adjusted)~~ : ~~₹~~
~~Used in BEPS~~ ~~5000~~

S.1) Incremental EPS for each PES

$$\text{warrants} = \frac{0}{\left[\frac{150 \times 20 - 10}{20}\right]} = 0$$

$$\text{Convertible Pref. sh.} = \frac{₹400}{400 \times 1 \text{ Eq. sh.}} = ₹1$$

S.2) Ranking :

Warrants → Rank 1
Convertible Pref. sh. → Rank 2

S.3) DEPS by considering each PES one by one on the basis of rank

→ Consider only Rank 1

$$DEPS = \frac{₹5000 + 0}{1000 + 75} = ₹4.65$$

→ Consider Rank 1 and Rank 2

$$DEPS = \frac{₹5000 + 0 + ₹400}{1000 + 75 + 400} = ₹3.66$$

S.4) Lowest eps in 'S.3' is represented as DEPS → ₹3.66

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Group

Group's BEPS :-

Profit attributable to Eq. sh. of Parent:	₹
Profit of Parent	12000
(+) sh. in BEPS of subs. [₹5 × 800 sh.]	4000
(+) Dividend recd. from subs. [₹1 × 300]	300
	16300

WANES : 10000 shares

$$\text{BEPS [Group]} = \frac{₹16300}{10000} = ₹1.63$$

Group's DEPS :-

Profit [Adjusted]:	₹
Profit used in BEPS [Parent's Profit]	12000
(+) Adj. in Earning due to Parent's PES [No PES]	-
(+) sh. in DEPS of subs. (₹3.66 × 1115)	4080.9
	16080.9

* Total sh. of subs. (incl. diluted) held by Parent :

No. of Ordinary Eq. sh. held	800
(+) Warrants held of subs. $\left[\frac{30 \times (20-10)}{20}\right]$	15
(+) Convertible Pref. sh. [300 × 1 Eq. sh.]	300
	1115

WANES [Adjusted]:

Used in Basic EPS	10000
(+) Adj. in sh. due to PES of Parent [No PES]	-
	10000

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Group DEPS = $\frac{₹\ 16080.9}{10000}$ = ₹ 1.61

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IND AS 8 Accounting Policies, Change in Accounting Estimates and Errors

Answer(1.)

As per Ind AS 8 - Accounting Policies, Change in Acing estimates & Errors Followings are **not** considered as change in Acing Policy :-

(i) Application of Acing Policy for txn. that differ in substance from previous.

(ii) Application of New Acing Policy for txn. that did not occur previously

As per Ind AS 16 - Property, Plant & Equipment are tangible ~~Assets~~ items

- Held for
  - Use in production or supply Goods or Services
  - (OR) Rental to others
  - (OR) Administrative Purpose
- and Expected to be used for More than one period

As per Ind AS 40 - Investment Property, is Land & Building [i.e. Property] held for

- Rental to others [Operating Lease]
- (OR) Capital Appreciation
- (OR) Undetermined Use

Hence, Reclassification from PPE to Investment property by ABC is Not a Change in Accounting Policy. It is only due to change in use of Property [Change in use should be Actual, mere Mgt's intention of Change in use are Not considered]

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Answer (2)

Rough work for Understanding Purpose

20X0 - X1		20X1 - 20X2		20X2 - X3	
Tr. A/c		Tr A/c		Trad. A/c	
		To op. St. +10		To op. St. +15	
By GP +10	By Cl. St. +10	To Profit +5	By Cl St +15	To Profit +5	By Cl. St. +20

↓

Retai. Ear +10

Actual Solution

P&L [WAC Method]: ₹ 'million

	20X2 - X3 (CY)	20X1 - X2 (PY)
Revenue	324	296
(-) COGS [Open. + Pur. - Cl.]	(168)	(159)
	[173+15-20]	[164+10-15]
Gross Profit (GP)	156	137
(-) Expenses	(83)	(74)
Net Profit (NP)	73	63

Statement of Changes in Equity [R/E] ₹ 'millions

1.4.20X1	423
(+) Adjustment in Profit of 31.03.20X1	10
	433
(+) Profit of 20X1 - X2	63
31.3.20X2	496
(+) Profit of 20X2 - X3	73
31.3.20X3	569

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Answer (3.)

Note:-

- From start of 20X2, Delta Ltd. change its Accounting Policy for PPE to measure at Revaluation Model from Cost Model

- Impact / Effect of change in Acing Policy

→ Inc. in CA of PPE [17000 - 11000]	→	6000
→ Inc. in DTL [6000 × 30%]	→	1800
[since CA > Tax Base]		
→ Inc. in Rev. Surplus [OCI] (6000 - 1800)	→	4200
→ Inc. in Depⁿ [2000 - 1500]	→	500
→ Decrease in Tax Exp. due to Depⁿ [500 × 30%]	→	150
→ Decrease in Profit due to Depⁿ [500 - 150]	→	350

- Retrospective Effect is impracticable to account for a change to the fuller component; Therefore it is accounted for Prospectively

Answer (4.)

As per Ind AS 8:

Accounting Estimates means; many items in FS cannot be measured but only can be estimated. Estimation involves judgement on the basis of latest available information.

Change in Accounting Estimates: Entity shall revise an Acing Estimates if circumstances change as a result of new information or more experience. Entity shall account for change in Acing Estimates prospectively.

The defect was neither known nor reasonably possible to detect

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at 31.03.20X3 or before the FS were approved. So, understatement of the warranty provision ₹100000 and overstatement of Inventory ₹20000 [Inventory is measured at lower of cost OR NRV whichever is less ; i.e. Cost = ₹15000 and NRV = ₹18000 - 5000 = ₹13000
∴ It will be measured at ₹13000. Hence, Inventory is overstated by ₹2000 (15000 - 13000)] in the 31st March, 20X3 FS are NOT a prior period Error.

* Therefore, The effects of the latent defect at 31.03.20X3 are change in A/cing Estimates.

Hence, the Additional Costs are expensed in calculating Profit or Loss for 20X3 - X4.

Answer (5.)

Rough work for Understanging Purpose

20X3 - X4 Trading A/c		20X4 - X5 Trading A/c	
		To Op. St. -6500	
To profit bef. Tax -6500	By Cl. St. -6500	To Profit bef. Tax +6500	

Actual Solution

P&L

	20X4-X5	20X3 - X4
Sales	104000	73500
(-) COGS	(80000)	(60000)
	[86500-6500]	[53500+6500]
PBT	24000	13500
(-) Tax @ 30%	(7200)	(4050)
PAT	16800	9450
EPS	3.36	1.89

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SOCE

	Share Cap.	Ret. Earning	Total
1.4.20X3	50000	20000	70000
(+) Profit (X3-X4)	-	9450	9450
	50000	29450	79450
(+) Profit (X4-X5)	-	16800	16800
31.3.20X5	50000	46250	96250

Notes

Impact of prior Pd. Error!

Dec. in Cl. St.	6500
Inc. in COGS	6500
Dec. in Tax Exp. & Tax payable [6500 X 30%]	1950
Dec. in Profit (6500 - 1950)	4550
Dec. in EPS [2.80 - 1.89]	0.91
Dec. in Ret. Earning	4550

Answer (C.)

P&L

	20X2-X3	20X1-X2
Sales	104000	73500
(-) Cost of Sales	(79100)	(60000)
	[86500 - 6500]	[53500 + 6500]
	[- 1500 + 600]	
	Dep^n	
	24900	13500
F.V. Gain on Inv. [other Inc.]	5000	2000
	[25000 - 20000]	[20000 - 18000]
PBT	29900	15500

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PBT	29900	15500
(-) Tax @30%	(8970)	(4650)
PAT	20930	10850

W.N.1:-

Depⁿ as per Old Estimate → ₹6000 / 4 years → ₹1500 p.a.

C.A. as on 01.04.20X2 → ₹6000 − (₹1500 × 2 years) → ₹3000 p.a.

Depⁿ as per New Estimate → ₹3000 / 5 years (Rem. Useful years) → ₹600 p.a.

SOCE (Ret. Earnings)

	₹
1.4.20X1	20000
(+) Inc. in R/E due to FV Gain of 20X0-X1 [(18000 − 3000) × 70% → (100-30)]	10500
	30500
(+) Profit 20X1-X2	10850
	41350
(+) Profit 20X2-X3	20930
31.3.X3	62280

Notes:

* Change in Acing Estimates:

Useful life → 4 years to 7 years

Impact CY [20X2-X3] Depⁿ exp. red. by ₹900 [1500-600]
Profit Inc. by [900 × 70%] ₹630

FY [20X3-X4] Depⁿ exp. red. by ₹900 [1500-600]
Profit Inc. by [900 × 70%] ₹630

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20X4 - X5 20X5 - X6 20X6 - X7	Dep^{n} Exp inc. by ₹600 Profit Dec. by (600 × 70%) ₹420

★ Correction of Prior Pd. Items

₹6500 cl. Inventory incorrectly included in 20X1 - X2

Dec in cl. stock of 20X1 - X2	6500
Inc. in COGS of 20X1 - X2	6500
Profit dec. of 20X1 - X2 [6500 × 70%]	4550
R/E dec of 20X1 - X2	4550

★ Change in Acing Policy

Investm. measured at FV

20X0 - X1 → Fair value Gain ₹15000
& Inc. in Profit (15000 × 70%) → ~~₹4500~~ ₹10500

20X1 - X2 → Fair value Gain ₹2000
& Inc. in Profit (2000 × 70%) ⇒ ₹1400

20X2 - X3 → Fair value Gain ₹5000
& Inc. in Profit (5000 × 70%) ⇒ ₹3500

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IND AS-10 Events Occuring after Reporting Period

Answer (i) As per Ind AS 10, 'Events after the reporting period' are those favourable & unfavourable events occuring after the end of Reporting period [i.e. B/S date] but & before approval of FS by BODs.

There are 2 types of Events :-

Adjusting Events	Non Adjusting Events
Events which provide evidence of conditions existing on B/S date. Therefore, Adjust the respective amt. recognised in FS.	Events which are indicative of conditions after B/S date. Therefore, do not adjust the amt. in FS. However if the Event is Material, then disclose in FS : → Nature of Event & → Estimate of its financial Effect OR Statement that such estimate cannot be made

In the given case Earthquake took place in February 20x1 (i.e. before the end of reporting period). Therefore, the conditions exists on B/S date. Accordingly, full provision for bad debts amounting to ₹ 2 lakhs should be made in the FS for the year ended 31st March, 20x1 as it is an Adjusting Event.

In case, if Earthquake took place after 31st March 20x1, that will be the conditions after B/S date so it will be Non Adjusting Event

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Therefore there will be no adjustment in amount of FS. However if this Event is considered to be material, then disclose —
→ Nature of Event and
→ Estimate of its financial Effect or statement that such estimate cannot be made

Answer (2.) Same (Check Soln from Ques. Bank) as above

Answer (3.) Same as above (Check Soln from Ques. Bank)

Answer (4.) Same as above (Check Soln from Ques. Bank)

Answer (5.) Ind AS 10 defines 'Events after the reporting pd.' as follows:
Those events [Favorable & Unfavourable] occuring after the end of Reporting Period but before approval of FS by BODs.

Two types of Events can be identified —
(a) Adjusting → those provide evidence of conditions existing at the end of reporting period (i.e. B/S date)
(b) Non-Adjusting → that are indicative of conditions after end of reporting period (i.e. B/S date)

In the given case, the demand notice is received on 15th June 20X2. It provide evidence of conditions existing at B/S date as goods are already manufactured during the reporting period. Therefore, it is an Adjusting Event.
Accordingly, the Company should make provision of ₹ 1500000 in FS for the year 20X1 - 20X2.

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Answer (c)

(i.) As per Ind AS 10 the FS will be treated as approved when BODs approves the FS. Hence, in the given case, FS are approved by BODs on 26th June, 20x2 so the same date will be considered the date on which FS were approved.

(ii.) General Provision explaination [[Same as above] – Q.1]

In the given case, court order recd. after reporting period but before approval of FS provides evidence of liability existing at the end of reporting period. Therefore, it is an Adjusting Event & accordingly, amt. will be adjusted in FS for the FY 20x5 – 20x6.

(iii.) Same Question as Question 1

(iv) General Prov. Explaination [Same as in Q.1]

A decline in FV of Investment after the end of reporting pd. and before approval of FS does NOT relate to conditions existing at the B/S date. Hence, it is a Non Adjusting Event. Therfore, D Ltd. should value Investments at ₹ 35 Lakhs on 31st March, 20x1.

(v.) General Provision Explain. [Same]

since on Reporting date, the condition was only at proposal state and txn. was completed on last week of April 20x2 so, it does not relate to condition existing on B/S date and hence it is a Non Adjusting Event. Purchase of Land will be recognised in FS in the year 20x2 – x3. However it may be disclosed in Notes if it is Material.

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Answer (Q.1)

B/S date
31·12·X5

Approval date of FS
28·2·X6

↓

Events after Reporting Pd.

(ii) Damage to warehouse :- Adjusting Event since structural fault already existed before B/S date.
Effect of damage (Dep^n & Imp. Loss) recognised in year end 31·12·X5

Damage to Inventory :- Non Adjusting Event since Inventory was in good condition at 31·12·X5 and damaged by water leakage after 31·12·X5. so, NO Adjustment.
But disclose financial Effect (i.e. ₹100000 loss) in Notes

(i) J.E. :-

Original Dep^n till 31·12·X4 → ₹1000000 / 30 years → ₹33,333 per year

∴ CA of warehouse at 31·12·20X4 → 1000000 - (33,333 X3)
→ ₹900000

Now Dep^n to be charged in 20X5 → ₹900000 / 17 years ← Rem. Useful life → ₹52941

∴ Add^n Dep^n to be charged in 20X5 → 52941 - 33333
→ ₹19608

[because dep^n of ₹33,333 is already booked in FS]

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Impairment Checking on 20X5 → CA ⇒ 900000 − 52941 = 847509
→ Rec. Amt ⇒ 600000

lower i.e. ₹600000

∴ Imp. Loss = 847509 − 600000
⇒ ₹247059

J.E :−

(i) Dep^{n}	Dr	19608	
To warehouse			19608
(ii) Imp. Loss	Dr	247059	
To warehouse			247059

(iii) Damage to warehouse after 31st Dec. 20X5 would be considered as a Non Adjusting Event because the ~~Inventory~~ warehouse was in a good condition at 31st Dec. 20X5.

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IND AS - 37 Provisions, Contingent Liabilities & Contingent Assets

Answer (3)

(b.) Expected Value :-

Outflow	×	Probability	⇒	Expected Value
2000000	×	15%	⇒	300000
5000000	×	5%	⇒	250000
0	×	80%	⇒	Nil
		Provision		550000

Answer (4)

Cal^n of Total sales made during the year :-

₹30000 = Gross Margin × 1%

∴ Gross Margin = $\frac{30000}{1\%}$ = ₹3000000

Since, Gross Margin is 40% of Sales,

∴ Sales = $\frac{3000000}{40\%}$

⇒ ₹7500000

Now, warranty is of 6 Months, so return of product under warranty can be of last 6 Months sale $\left[₹3750000 \left(\frac{7500000}{12 \text{ Months}} \times 6 \text{ Months}\right)\right]$

∴ Warranty Provision ⇒ 3750000 × 1% ⇒ ₹37500

Provision already made ⇒ ₹30000

∴ Addⁿ Provision ⇒ 37500 - 30000 = ₹7500

O/S pd. of warranty is 6 Months, so No discounting is required

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If warranty Period is 2 years :-

warranty provision will be made on sale of full year

∴ Provision to be made = 7500000 × 1% = ₹75000

Additional Prov. → 75000 - 30000 = ₹45000

However, in this case expenditure is to be incurred after 1 year, then provision should be recognised at PV by discounting the provision using pre tax dis. Rate.

Answer (6)

Provision → ₹1000000 × 0.907 → ₹907000

⇓

PVF @ 5% for 2nd year

Finance cost :-

Year	Op. Bal.	Int. @ 5%	Actual Payment	Cl. Bal.
31.3.X2	907000	45350	-	952350
31.3.X3	952350	47650	-	1000000

Answer (10)

Onerous Contract :-

Cost → 10000 × ₹50 → ₹500000

Benefit → 10000 × ₹45 → ₹450000

Loss on fulfillment of Contract → 500000 - 450000 = ₹50000

Provision → Loss - 50000, Penalty - 60000 → lower, i.e. ₹50000

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Answer (12.)

Onerous Contract :-

Cost - ₹400000 Benefit = ₹0 [Since Scrap Value is Nil]

∴ Loss = ₹400000

Penalty = Not Given since binding Agreement

so, Provision → ₹400000

J.E. →

Onerous Contract Exp. A/c [P&L]	Dr	400000
To Prov. for Onerous Contract		400000

Answer (14.)

Restructuring Constructive Obligation arise on 15.02.20X2

∴ Discontinued Operation ; Prov. for Res. Cost to be made at 31.3.X2

Prov. for Res. Cost :-

Staff Termination Cost [Actual known before approval of FS]	520 Lakh
Staff Relocation Cost [No Provision]	-
Lease Contract [W.N.]	410 Lakh
Future Operating Loss [No Provision]	-
	930 Lakh

W.N.:- Lease became an onerous contract since

Cost → ₹430 Lakh, Benefit - Nil [Since Operation discontinue]

∴ Loss → ₹430 Lakh

Penalty → ₹410 Lakh

→ Lower, i.e. ₹410 Lakh

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Answer (15)

Prov. for Res. cost :-	₹ 'Million
Redundancy cost	1.9
Retraining cost [No provision]	-
Impairment Loss [8 - 1.5 ⇒ 6.5 Million ⇒ No Provision]	-
Compensation to Customer [known bef. approval of FS]	0.55
Future operating losses [No Provision]	-
Lease [W.N.]	4.51
	₹ 6.96

W.N.:- Lease became an Onerous Contract :-

Cost ⇒ 1.5 Million × 4.32 = 6.48 Million

Benefit = [0.3 Million × 0.95] + [0.5 Million × [4.32 − 0.95]] = 1.97 Million

[$PVAF_{2\text{ to }4\text{ years}} = PVAF_{5\text{ yrs.}} - PVAF_{1\text{ year}}$]

Loss ⇒ 6.48 − 1.97 ⇒ 4.51 Million

Penalty ⇒ Not Allowed

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Date
Page

IND AS - 1 Presentation of Financial Statements

Answer (6.)

100000 Bonds @ ₹10 → ₹1000000

31.3.X4 → Interest on Bond (10 lakh × 8%) = ₹80000
Current Portion of Liab. [10000 × ₹10) = ₹100000
Current Liability ₹180000
and
₹900000 Bond → Non Current Liability

Answer (7.)

Operating Cycle = 15 Months

(i.) Security Deposit → ₹ 2 Crore

70%	30%
₹1.40 Crore	₹0.60 Crore
within 14 Months	within 17 Months (14+3)
Current	Non Current

So, Mgt. decision to show ₹ 2 Crore as Non current is not correct.

(ii.) Mgt. is correct

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(iii.) Since Liability becomes immediately payable if contract is cancelled, Entity cannot defer liab. for atleast 12 Months so, ₹4 Crore is a ~~Non~~ Current Liability
Hence, Mgt. decision is not correct

(iv.) Sale of Old Machine ₹0.5 Crore is current Asset. Hence, Mgt. is correct
Advance for purchase of PPE [Capital Advance] of ₹1 Crore is Non current Asset. Hence, Mgt. is Not correct

Answer (12.)

Balance Sheet [31.3.X1]

Particulars	31.3.X1	31.3.X0
I. Assets		
1. NCA :-		
(a.) PPE	3590	3460
	[5200-1610]	[4700-1240]
(b.) Investment Property	3100	3100
2. CA :-		
(a.) Inventories	1680	1780
	[1500+180]	[1650+130]
(b.) Fin. Asset:		
(i.) Trade Rec.	2100	1735
	[2300-200]	[1800-65]
(ii.) Cash & Cash Eq.	320	200
	[250+70]	[170+30]
TOTAL	10790	10275

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II. Equity & Liab.

1. Equity :-

(a.) Share Cap.	1130	1050
(b.) Other Equity	2825	2350
	[1875+1200-160-90]	[1740+830-150-70]
(c.) NCI	830	540

2. NCL :-

(a.) Fin. Liab. :

(i.) Borrowings	2800	3385
	[3300-500]	[3885-500]

(b.) Provisions

(i.) Long Term Prov.	765	640

3. CL :-

(a.) Fin. Liab. :

(i.) Trade & other Payables	895	820
	[880+15]	[790+30]
(ii.) Curr. Portion of LT Debt	500	500
(iii.) Int. on LT Debt	260	290
(iv.) Div. Payable	150	230

(b.) Provisions

(i.) Warranty Prov.	600	445
(ii.) Prov. for Leave	35	25
TOTAL	10790	10275

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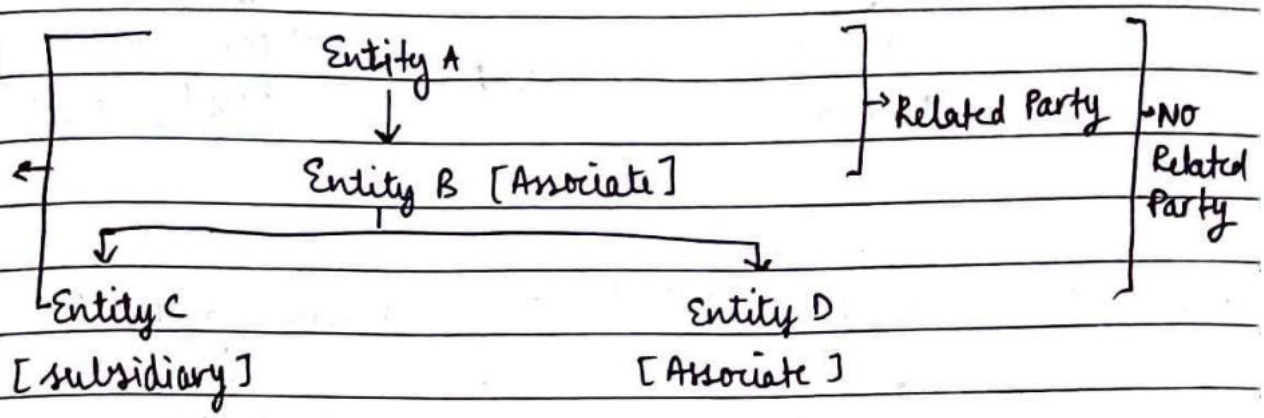
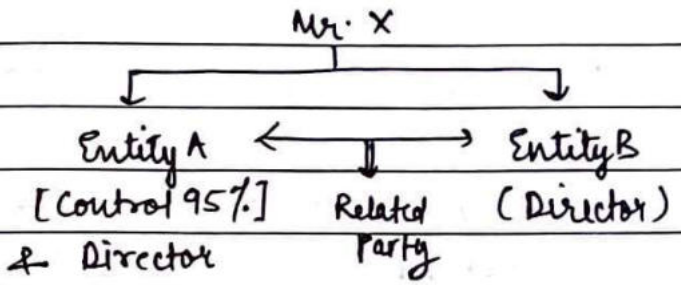
IND AS - 24 Related Party Disclosures

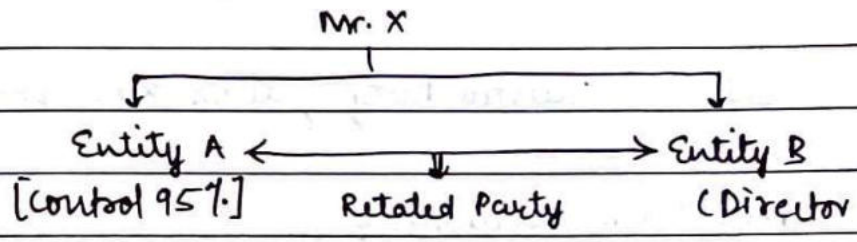
Answer (2.)



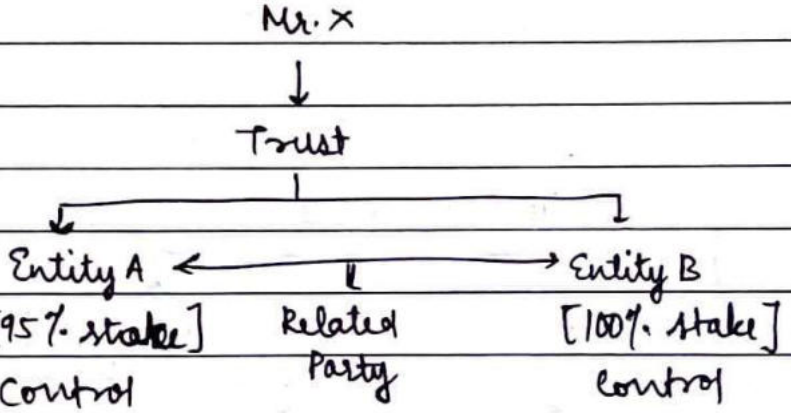
Answer (4.)



(a.)



(b.)



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Answer (5)

Mr. Y

ABC Ltd. ← Related Party → PQR Ltd.
(Director) (100% Control)

Answer (9)

Mrs. P —Close Member→ Husband of Mrs. P

ABC Ltd. ← Related Party → XYZ Ltd.
(Control) (Director)
1.6.X1

XYZ Ltd. Sale
- 1.4.X1 to 31.5.X1 → ₹800000
- 1.6.X1 to 31.3.X2 → ₹6000000

Total Revenue ₹6800000
Trade Receivable ₹1800000 → Balance Sheet

Since, ABC Ltd. & PQR Ltd. are Related Party, then XYZ Ltd. shall disclose:
- → Nature of Related Party Relationship
- → Revenue of ₹6000000 from ABC Ltd. since 1.6.20X1
- → O/s balance of TR amounting ₹1800000 at 31.3.20X2.

Answer (11.1)

UP Government

Mr. KM —KMP→ PQR Ltd. (Control) | ABC Ltd. (Control)

PQR Ltd.: P Ltd. (Sub.), Q Ltd. (Sub.)
ABC Ltd.: A Ltd. (Sub.), B Ltd. (Sub.)

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Conceptual Framework for Financial Reporting under Ind AS

Answer (7.)

(i.) Financial Cap. Maint. at Historical Cost :-

	₹
Closing Capital [₹12000 + [(6000 × 3) - (6000 × 2)] - 6000]	12000
(-) Capital to be Maintained [Same as open. Cap.]	(12000)
	Nil

(ii.) Fin. Cap. Main. at Current Purch. Power :-

	₹
Closing Capital [₹12000 + [(6000 × 3) - (6000 × 2)] - 6000]	12000
(-) Capital to be maintained $\left[12000 \times \frac{120}{100}\right]$	(14400)
Less Capital	(2400)

(iii.) Fin. Cap. Maintenance at Physical Cap. Maintenance :-

	₹
Closing Capital	12000
(-) Capital to be maintained $\left[12000 \times \frac{2.5}{2}\right]$	(15000)
Less Capital	(3000)

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IND AS-7 Statement of Cash Flows

Answer (1)

W.N.:-

(i) Cash Recd. from T/R

Trade Rec.

To Bal b/d	188000	By Bank (B/F)	8533000
To Sales	855000	By Bal c/d	210000

(ii) Cash Paid to T/P

Trade Pay.

To Bank (B/F)	5575000	By Bal b/d	215000
To Bal c/d	195000	By Purch. (5600000 - 165000 + 120000)	5555000

(iii) Payment of Income Tax

Prov. for Tax

To Bank A/c (B/F)	112000	By Bal b/d	65000
To Bal c/d	48000	By P&L	95000

Statement of CFs:-

Cash Flow from Op. Act. (Direct Method):	₹
· Cash from T/R	8533000
(-) Cash paid to T/P	(5575000)
(-) Cash Paid for Admin & Selling Exp.	(1540000)
	1418000
(-) Income Tax	(112000)
	1306000
(+) Fire Insurance Recd.	110000
	1416000

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Answer (2.)

Statement of CFs for the Year ended 31.03.20X1

	(₹)'000
(A.) Cash Flow from Op. Act.	
Receipt from Customers	2800
Payment to Creditors	(2000)
Overhead Expenses	(200)
Payroll Expenses	(100)
	500
Income Tax	(250)
Net CF from Op. Act. [A]	250
(B.) Cash Flow from Inv. Act.	
Sale of FA	100
Purchase of FA	(200)
Net CF from Inv. Act. [B]	(100)
(C.) Cash Flow from Fin. Act.	
Issue of Shares	300
Dividend Paid	(50)
Repayment of Bank Loan	(300)
Net CF from Fin. Act [C]	(50)
Net CF from All the Activities [A+B+C]	100
(+) Opening bal. of C & CE	50
Closing Bal. of C & CE.	150

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Answer (3.)

Statement of Cash Flows

	₹ Lakh
(A.) CF from Op. Act.:	
PAT	4450
(+) Tax	105
PBT	4555
(+) Dep^n & Amort. [500 + 20]	520
(-) Profit on Sale of PPE [70 - 60]	(10)
(+) Dec. in Other FA [170 - 145]	25
(-) Inc. in DTA [855 - 750]	(105)
(-) Inc. in other NCA [800 - 770]	(30)
(-) Inc. in other CA [195 - 85]	(110)
(-) Dec. in other NCL [3615 - 2740]	(875)
(+) Inc. in other CL [300 - 200]	100
(+) Inc. in TIP [150 - 90]	60
	4130
(-) Tax Paid	(105)
Net CF from operating Activities [A]	4025
(B.) CF from Investing Activities:	
Sale of Machine	70
Purchase of PPE	(1060)
Purchase of Int. Asset	(40)
Sale of Investments	200
Net CF from Inv. Act. [B]	(830)
(C.) CF from Financing Act.:	
Dividend Paid	(450)
Repayment of Loan	(3000)
Net CF from Fin. Act. [C]	(3450)

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Net CF from all the Activities [A + B + C]	(255)
Op. Bal. of Cash & Cash Eq. [460 - 60]	400
Cl. Bal. of Cash & Cash Eq. [220 - 75]	145

Working Note :-

(i.)

PPE

To Bal b/d	12500	By Dep^n	500
To Bank (B/F)	(1060)	By Sale of PPE	60
		By Bal c/d	13000

(ii.)

Int. Asset

To Bal b/d	30	By Amortisation	20
To Bank (B/F)	(40)	By Bal c/d	50

(iii.)

Investment A/c

To Bal b/d	2500	By Bank A/c (B/F)	(200)
		By Bal c/d	2300

(iv.)

Long Term Borr. A/c

To Bank A/c (B/F)	(3000)	By Bal b/d	5000
To Bal c/d	2000		

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Answer (4.) Statement of Cash Flows :- (₹)

(A.) CF from Op. Act. :	
PAT	840000
(+) Tax	880000
PBT	1720000
(+) Depⁿ	600000
(-) Profit on Sale of Equipment	(120000)
	2200000
(-) Inc. in Inventories (1860000 - 1680000)	(180000)
(+) Dec. in T/R (2640000 - 960000)	1680000
(-) Inc. in Advances (90000 - 78000)	(12000)
(-) Dec. in T/P (2400000 - 2340000)	(60000)
(+) Inc. in O/S Expenses (480000 - 240000)	240000
	3868000
(-) Income Tax Paid	(868000)
Net CF from operating Act. [A]	3000000
(B.) CF from Invest. Act. :	
Purchase of Land	(480000)
Purchase of Equipment	(2880000)
Sale of Equipment	360000
Net CF from Inv. Act. [B]	(3000000)
(C.) CF from Fin. Act. :	
Issue of Sh. Cap. [4440000 - 3600000]	840000
Div. Paid	(720000)
Net CF from Fin. Act [C]	120000
Net CF from All Activities [A+B+C]	120000
(+) Op. Bal. of Cash & Cash Eq.	600000
Cl. Bal. of Cash & C. Equ.	720000

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W.N.:-

(i.) **Income Tax Payable**

To Bank A/c (B/F)	868000	By Bal b/d	120000
To Bal c/d	132000	By P&L	880000

(ii.) **Land A/c**

To Bal b/d	480000		
To Bank (B/F)	480000	By Bal c/d	960000

(iii.) **Accumulated Dep^n A/c**

To Build. & Eq. A/c (B.F)	480000	By Bal b/d	1200000
To Bal c/d	1320000	By Dep^n (P&L)	600000

* Sale Proceeds = 720000 − 480000 + 120000 = 360000

(iv.) **Building & Eq. A/c** [Gross Cost]

To Bal b/d	3600000	By Sale of Asset	720000
To Bank (B/F)	2880000	By Bal c/d	5760000

OR

Building & Eq. A/c

To Bal. b/d	3600000	By Bank (Sale Proceeds)	360000
To Profit on Sale	120000	By Acc. Dep^n	480000
To Bank A/c (B.F.)	2880000	By Bal c/d	5760000

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Answer (5.)

W.N. :-

(i.) Cash Recd. from T/R

T/R A/c

To Bal b/d	7000	By Bank A/c (B.F)	497000
To Sales	500000	By Bal c/d	10000

(ii.) Cash Paid to T/P

T/P A/c

To Bank A/c (B.F.)	345000	By Bal b/d	8000
To Bal c/d	12000	By Purch. [350000 - 13000 + 12000]	349000

(iii.) Expenses (Operating)

Adm. & Selling OH

To Bank (B.F.)	52000	By Bal. b/d	7000
To Bal c/d	100000	By P&L	145000

Statement of CFs :-

Cash flow from Op. Act. (Direct Method) :	₹
Cash from T/R	497000
Cash Paid to T/P	(345000)
Overhead Exp. paid	(52000)
	100000
(-) Tax	(30000)
	70000

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Statement of CFs :-

Cash Flow from Operating Act. (Indirect Method):	₹
PAT	53000
(+) Tax	30000
PBT	83000
(+) Depⁿ	~~7000~~
(+) Loss on Sale of Asset	2000
(+) Interest Paid	3000
	95000
(+) Dec. in Inventories (13000 - 12000)	1000
(-) Inc. in T/R (10000 - 7000)	(3000)
(+) Inc. in T/P (12000 - 8000)	4000
(+) Inc. in Payable for Expenses (10000 - 7000)	3000
	100000
(-) Tax	(30000)
	70000

Answer (6.)

Statement of CFs [Direct Method]	₹
(A) Cash Flow from Op. Act.	
Cash Recd. from T/R	207500
Cash Paid to T/P	(124000)
Insurance Payment	(9000)
Wages Paid	(53000)
Net CF from Op. Act [A]	21500
(B.) Cash Flow from Invest. Act.	
Purchase of FA	(46000)
Net CF from Inv. Act. [B.]	(46000)

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(C.) Cash Flow from Fin. Act.

Issue of Shares [88000 - 84000)	4000
Issue of Debentures [173000 - 160000]	13000
Dividend Paid	(2500)
Net CF from financing Act. [C]	14500
Net CF from all Activities [A+B+C]	(10000)
Op. Bal. of C & CE	14000
Cl. Bal. of C & CE	4000

Statement of Cash Flows [Indirect Method] (₹)

(A). CF from Op Act.	
PAT	1000
(+) Tax	-
PBT	1000
(+) Depⁿ	15000
	16000
(+) Dec. in Acc. Rec. (32500 - 25000)	7500
(+) Dec. in P/P Insurance (7000 - 5000)	2000
(-) Inc in Inventory (37000 - 34000)	(3000)
(+) Inc. in Acc. Pay. (18000 - 16000)	2000
(-) Dec. in Wages Payable (7000 - 4000)	(3000)
Net CF from Op Act. [A]	21500

(B.) CF from Inv. Act.

Purchase of FA	(46000)
Net CF from Inv Act [B]	(46000)

(C) Cf from Fin. Act.

Issue of shares (88000 - 84000)	4000
Issue of Deb. (173000 - 160000)	13000
Dividend Paid.	(2500)
Net CF from fin Act. [C]	14500

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Net CF from all Activities [A + B + C]	(10000)
Op. Bal. of C & CE	14000
Cl. Bal of C & CE	4000

W.N.:-

(i.) Cash Recd. from T/R

T/R

To Bal b/d	32500	By Bank A/c (B.F.)	207500
To sales	200000	By Bal c/d	25000

(ii.) T/P

To Bank A/c (B.F.)	124000	By Bal b/d	16000
To Bal c/d	18000	By Purch. (123000 - 34000 + 37000)	126000

(iii.) P/P Insurance

To Bal. b/d	7000	By P&L	11000
To Bank A/c (B.F.)	9000	By Bal. c/d	5000

(iv.) Wages Payable

To Bank A/c (B.F.)	53000	By Bal. b/d	7000
To Bal. c/d	4000	By P&L	50000

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Answer (7.) Statement of Cash Flows ₹' crore

(A) Op. Act.	
Cash Profit	30
(-) Tax	(3)
(+) Refund of Tax	1.5
	28.50
(B) Inv. Act.	
Sale of Office Premises	100
(-) Cap. Gain Tax	(20)
	80
(C) Fin. Act.	
Div. Paid	(20)
(-) DDT	(2)
	(22)
Net CF (A+B+C)	86.50

Answer (8.)

Indirect Method (Silent Situation) :- ₹

(A) CF from Op. Act. :-	
PAT	55000
(+) Tax	15000
PBT	70000
(+) Dep^n	30000
(+) Interest Exp.	4000
~~(+) Dec in T/R~~	104000
(+) Dec. in T/R [58000 - 54000]	4000
(+) Dec. in Inv. [39000 - 30000]	9000
(-) Dec. in T/P [92000 - 68000]	(24000)

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	93000
(-) Tax Paid in Cash	(14000)
Net CF from Op. Act. [A]	79000
(B) CF from Inv. Act. :-	
Cash Paid to Acquire Subsidiary [74000 - 2000]	(72000)
Net CF from Inv. Act. [B]	(72000)
(C) CF from Fin. Act. :-	
Int. Exp.	(4000)
Net CF from fin. Act. [C]	(4000)
Net CF from all Activities (A+B+C)	3000
opening Bal. of C&CE	5000
closing Bal. of C&CE	8000

W.N.:-

(a.) Cal^{n} of consolidated Op. Bal. of Assets + Liabilities :-

(i.) T/R ⇒ 50000 + 8000 = ₹ 58000

(ii.) Inventory ⇒ 35000 + 4000 = ₹ 39000

(iii.) T/P ⇒ 60000 + 32000 = ₹ 92000

(iv.) PPE ⇒ 80000 + 110000 = ₹ 190000

(v) Long Term Debt ⇒ 64000 + 36000 ⇒ ₹ 100000

(b.)

Income Tax Payable A/c

To Bank A/c (B.F.)	14000	By Bal. b/d	11000
To Bal. c/d	12000		15000

(c.)

PPE A/c

To Bal. b/d	190000	By Depⁿ (P&L)	30000
		By Bal. c/d	160000

(d.)

Long Term Debt

To Bal. b/d	100000	By Bal. b/d	100000

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Answer (9.)

Operating Activities [Indirect Method] :	₹' Lakh
PBT	1840
(+) Renovation Cost [Wrong Adj.]	30
(+) Dep^n	290
(-) Construction Cost [Wrong Adj.]	40
(+) Interest Exp.	₹110
(-) Gain on Sale of PPE [630 - 490]	(140)
(-) Sh. in Profit of Associate	(120)
(+) Impairment Loss [265 + 900]	1165
	3215
(+) Dec in Inventories [1960 - 1550]	410
(+) Dec. in T/R [1830 - 1250]	580
(-) Dec. in T/P [3660 - 1550]	(2110)
	2095

W.N.:-

Cal^n of Consolidated Op. Bal. of Operating Assets & Liabilities :- ₹' Lakh

Inventory = 1900 + 60 = 1960

T/R = 1800 + 30 = 1830

T/P = 3610 + 50 = 3660

Answer (10.)

B/S

	31·3·X2	1·4·X1
Cash		200000
T/R (Settled)	-	-
T/P (100000€ X ₹45)	4500000	-
Loan Liability (100000 € X ₹45)	4500000	-

P&L

	31·3·X2
Sales (150000$ X ₹40)	6000000
Purch (111€ X ₹50)	(5000000)
GP	1000000
(+) Exch. Gain:	
T/P [€100000 X (50-40)]	500000
T/R [150000$ X (42-40)]	300000
Loan [100000 € X (50-45)]	500000
PROFIT →	2300000

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Statement of CFs [Indirect Method]:-

	₹
(A) CF from Op. Act.:	
Profit	2300000
(-) EG on Loan	(500000)
	1800000
(+) Inc. in T/P [4500000 - 0]	4500000
Net CF from Op. Act. [A]	6300000
(B) CF from Inv. Act.:	Nil
(C) CF from Fin. Act.:	
Cash Recd. from Loan [100000 € × ₹50]	5000000
Net CF from Fin. Act. [C]	5000000
Net CF from all Activities [A+B+C]	11300000
(+) Op. Bal. of Cash & Cash Eq.	200000
Cl. Bal. of Cash & Cash Eq.	11500000

Answer (ii.)

Interest Income => 2000 $ × ₹50 =>	₹100000	[P&L]
Exch. Gain on Bank Bal. => 100000 $ × (50-45) =>	₹500000	[P&L]
	₹600000 → P&L	

→ ₹100000 Int. Income deduct from Profit in CF from Op. Act. & it should be shown under Cash Flow from Investing Act.

→ ₹ 500000 Exch. Gain on Bank Bal. deduct from Profit in CF from Op. Act. & it should be added to open. bal of Cash & Cash Equiv.

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Answer (2.)

W.N.:-

Cal^n of Foreign Exchange Gain / (Loss) :-	₹
Op. Bal. of Bank [7000 $ × ₹70]	490000
(-) Purchase of PPE [280 $ × ₹71]	(19880)
Closing Bank Balance [7000 $ - 280 $ = 6720 $]	470120
Closing Bank Balance Remeasured [6720 $ × ₹71.50]	480480
Exchange Gain (P&L)	10360

CFS

	(₹)
(A) CF from OA :-	
Profit	10360
(-) EG on Bank Bal.	(10360)
Net CF from OA [A]	-
(B) CF from IA :-	
Purchase of PPE	(19880)
Net CF from IA [B]	(19880)
(C) CF from FA :-	NIL
Net CF from all Activities [A + B + C]	(19880)
(+) Op. C&CE (490000 + 10360)	500360
Cl. C&CE	480480

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IND AS - 101 First-Time Adoption of Ind AS

Answer (1.)

→ Prospectively

→ Previous GAAP Carrying Amt. (₹2 Crore) → Liability as per Ind AS on 1.4.X5 [Date of Transition]

1st April 20X5 - ₹ 20000000

Now Apply Ind AS 109 & find EIR

$$PV = \frac{\text{Future Value } 4^{th} \text{ year}}{(1+R)^{4} \text{ } 4^{th} \text{ year}}$$

$$20000000 = \frac{25000000}{(1+R)^4}$$

$$(1+R)^4 = \frac{25000000}{20000000}$$

$$(1+R)^4 = 1.25$$

$$1+R = \sqrt[4]{1.25}$$

$$1+R = 1.0574$$

$$R = 0.0574 \text{ or } 5.74\%$$

Amortisation Table :-

Year	Op. Bal.	Int. @ EIR	Actual Payment	Cl. Bal.
31.3.X6	20000000	1148000	-	21148000
31.3.X7	21148000	1213895	-	22361895
31.3.X8	22361895	1283573	-	23645468
31.3.X9	23645468	1354532	25000000	-

So, Accounting Treatment done by Co. is not in line as per Ind AS 101.

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Answer (2.)

Cal^{n} of Initial FL & Equity Component on 1.4.20x1 [Ind AS 109]

Year	Cash flow	PVF @ 10%	Present Value
1-4	180000 (30000 x 100 x 6%)	3.17	570600
4	3300000 (30000 x 100 x 110%)	0.68	2244000
		F.L.	2814600

∴ Equity Component = 3000000 − 2814600
= 185400

DOT = 1.4.20x3

F.L. (Amortisation Table)

Year	Op. Bal.	Int. @ 10%	Actual Payment	Cl. Bal.
31.3.x2	2814600	281460	180000	2916060
31.3.x3	2916060	291606	180000	3027666

Equity → 185400

Carrying Amt. of Liability as per Previous GAAP [on 1.4.x3]:

→ 30000 x ₹100 = 3000000 Debenture Liab. Initial
(+) 30000 x ₹100 x 10% x 2/4 = 150000 Prem. on Redemption
3150000

Adjustment on Transition Date [1.4.20x3]

Deb. Liab. [As per Prev.]	3150000	
Retained Earnings (B.F.)	630666	
To Debenture [F.L.]		3027666
To Debenture [Equity]		185400

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Answer (3.)

Earlier Acing as per previous GAAP was not done; so, this led to an error. As per Ind AS, retrospective restatement needs to be done

For 80000 options :- [DOT ⇒ 1.4.X2] §

Restatement Retrospective on DOT

SBP Reserve [Equity] Credit by ₹1600000 & debit Retained Earnings since, no Employees exercise ESOP till 31.3.X4; Same bal. will continue

For 40000 options :-

Retrospective on 1.4.X2

SBP Reserve = $\frac{40000 \times 20}{4 \text{ years}} \times 1 \text{ year} \rightarrow$ ₹ 200000

& Debit Retained Earnings by ₹ 200000

Further on 31.3.X3

EBE ⇒	$\frac{40000 \times 20 \times 2 \text{ years}}{4 \text{ years}}$ =	₹ 400000
(-) Already Recognised		(200000)
		₹ 200000

Credit SBP Reserve by ₹200000 & Debit EBE A/c (P&L)

Further on 31.3.X4

EBE →	$\frac{40000 \times 20 \times 3 \text{ years}}{4 \text{ years}}$ =	₹ 600000
(-) Already Recognised		(400000)
		₹ 200000

Credit SBP Reserve by ₹200000 & Debit EBE A/c (P&L)

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Answer (4.1)

Investment in J.V. in CFS ⇒ Deemed cost on DOT [1.4.X1]

Cal^{n} of CA of NA of J.V. in CFS :-

	₹' Lakh
PPE	1200
LT Loan	405
T/R	280
Other Curr. Asst	50
(-) T/P	(75)
(-) Short Term Prov.	(35)
	1825

Cal^{n} of Total Relative NA including GIW :-

	₹' Lakh
PPE	22288
GIW	1507
LT Loan	6350
T/R	1818
Other Curr. Asst	104
(-) T/P	(8455)
(-) Short Term Prov.	(475)
	23137

$\therefore$ Prop. GIW of J.V. $\Rightarrow 1507 \times \frac{1825}{23137} \Rightarrow$ ₹119 Lakh

Investment in J.V. in CFS [Deemed Cost] ⇒ 1825 + 119

⇒ 1944 Lakh

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Opening Ind AS B/S [1.4.X1]

Particulars	Previous GAAP	Adjustment	Ind AS
ASSETS			
I. NCA :-			
PPE	22288	(1200)	21088
Investment Property	5245	-	5245
G/W	1507	(119)	1388
FA			
LT Loans	6350	(405)	5945
Inves. In J.V. A/c	-	1944	1944
II. CA :-			
FA	~~1818~~		
T/R	1818	(280)	1538
Investments	3763	-	3763
OCA	104	(50)	54
	41075	(110)	40965
LIABILITIES			
I. EQUITY :-			
ESC	7953	-	7953
Other Eq.	16597	-	16597
II. NCL :-			
FL			
LT Borrowing	1000	-	1000
Prov.	691	-	691
Other NCL	5904	-	5904
III. CL :-			
FL : T/P	8455	(75)	~~8380~~
STP	475	(35)	440
	41075	(110)	40965

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Answer (5.)

Transition Date B/S [1.4.X1]

		₹
Assets		
1. NCA :-		
(a.) PPE [13450000 - 450000]		13000000
(b.) Inv. Property [0 + 450000]		450000
2. CA :-		
(a.) Inventory		800000
(b.) Fin. Assets		
R/E ← Inv. in Subs. [4800000 + 2000000] → R/E में Impact होगा (इस पंक्ति को हटाना)		6800000
T/R		200000
Cash		49000
(C.) Other CA		50000
	TOTAL	27299000
Equity & Liab.		
1. Equity :-		
(a.) Sh. Cap.		13000000
(b.) Other Equity :		
R/E ← Cumul. Trans. Diff. [100000 - 100000]	-	-
R/E ← SBP Reserve [20000 + (9000 - 8000)]	21000	
Ret. Earnings [179000 + 2000000 + 100000 - 1000]	2278000	
		2299000
2. NCL :-		
(a.) FL		
Vat Loan [6000000 - 2274472]		3725528
(b.) Other NCL [Def. Govt. Grant]		2274472

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3. CL :-

(a.) F.L.

Creditors	3000000
Borrowings	800000
(b.) Provisions	1200000
TOTAL	26299000

Answer (6.)

B/S [1.4.X1 Transition Date]

	₹
Assets	
1. NCA :-	
RIE (a.) PPE [2000000 + 500000]	2500000
(b.) I.A.	200000
(c.) G/W	100000
(d.) F.A. :	
Investments	500000
RIE Loans [40000 + 10000]	50000
Other Fin. Asset [Advance to Staff]	110000
(e) Other NCA [Cap. Advances]	200000
2. CA :-	
(a.) Inventories	1250000
(b.) F.A. :	
RIE Investments [1800000 + 30000]	1830000
T/R	900000
Cash	1000000
Other FA	350000
(c.) Other CA	50000
	9040000

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Eq. & Liab.

1. Equity :-

(a.) Sh. Cap		1000000
(b.) other Eq.	[2500000 + 500000 + 10000 + 30000 + 50000 + ~~200000~~]	3290000

2. NCL :-

(a.) FL		
	Borrowings [Govt. Loan less than Mrkt. Int. Rate]	450000
(b.) Provision		350000
R/E (c.) DTL	[350000 - 50000]	300000

3. CL :-

(a.) FL		
	T/P	2200000
	other FL ₹	390000
(b.) other CL	[Statutory Govt. Dues]	60000
R/E (c.) Provision	[1200000 - 200000]	1000000
		9040000

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Answer (8):

Total Equity as per Ind AS :-			₹ 'Crore
Equity share Capital			80
Other Equity :			
• G/R		40	
• CR		5	
• R/E [95-40-5]	50		
(+) Dividend	0.78		
(+) Inc. in FV of Invest.	0.75	51.53	
• OCI [Inc. in FV of Land) [10 - 4.5]		5.5	102.03
			182.03

Reconciliation :-

Sh. Cap. (Eq. + Pref.) [80+25]		105
Res. & Surplus		95
	As per AS	200
(-) Pref. Sh. Cap. [Fin. Liab.]		(25)
(+) Inc. in Land		5.5
(+) Inc. in Investment		0.75
(+) Dividend write back		0.78
	As per Ind AS	182.03

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Analysis of Financial Statement

Answer (1.)

Property 1 & 2 → PPE [Ind AS 16]
Property 3 → Investment Property [Ind AS 40]

Alcing treatment by Venus Ltd. is not correct

For Property 1 & 2 :- Co. shall apply same alcing policy, since these are same class of PPE
→ Cost Model, or
→ Revaluation Model

For Property 3 :- Co. shall apply only Cost Model, since, it is an Investment Property.

Company shall Depreciated these properties.

CASE 1 :- If Co. applies Cost Model to entire class of PPE :-

Carrying Amt. on 31.3.X2

$PPE_1 \Rightarrow 15000 - \left[\frac{15000}{10 \text{ years}} \times 1\right] \Rightarrow 13500$

$PPE_2 \Rightarrow 10000 - \left[\frac{10000 \times 1}{10}\right] \Rightarrow 9000$

Inv. Property $\Rightarrow 12000 - \left[\frac{12000}{10} \times 1\right] \Rightarrow 10800$

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B/S at 31.3.X2 (Extract)

			₹
Assets			
1. NCA :-			
PPE			
Property 1		13500	
Property 2		9000	22500
Investment Prop.			10800

CASE 2 :- If Co. applies Revaluation Model to entire class of PPE :-

	Value
Property 1 => [Rev. Gain (OCI) = 16000 - 13500 = 2500]	16000
Property 2 => [Rev. Gain (OCI) = 11000 - 9000 = 2000]	11000
Property 3 => [Investment Prop.] Cost Model	10800

B/S at 31.3.X2 (Extract)

			₹
Assets			
1. NCA :-			
PPE			
P_1		16000	
P_2		11000	27000
Invest. Prop.			10800
Equity & Liab.			
1. Equity :-			
Other Equity			
Revaluation Res.			
P_1		2500	
P_2		2000	4500

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Answer (2.)

→ Lease is for 3 years & Property's useful life is 50 years.
→ PV of Lease Payments does not recover FV of Property leased out [i.e. 15 Crore × 30% = 4.50 Crore]

Hence, 3 floors leased out are Operating Lease & classified as Investment Property

Land & Starting 7 floors are used for business & classified as PPE.

(₹ in Crore)

	PPE [7 Crore]		Investment Property
	↓ 25%	↓ 75%	[Top 3 Floors]
	(Land)	(Building)	
Model followed	Cost	Cost	Cost
1.4.X1 [Cost]	1.75	5.25	3
(-) Dep^n on Building	-	(0.105)	(0.06)
		[5.25 × 1 / 50 yrs.]	[3 × 1 / 50 yrs.]
31.3.X2 (Carrying Value) →	1.75	5.145	2.94

Answer (3.)

Intangible Assets :-

(i.) Goodwill

Acquired at 1.4.X1 [PC 1320000 − NA 1000000] = 320000

Since, No Amortisation in G/W as per Ind AS.

∴ Value at 31.3.X2 ⇒ ₹ 320000

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(ii.) Franchise

Acquired at 4.5.X1	8000000
(-) Amortisation [8000000/5 × 1]	(1600000)
31.3.X2	6400000

(iii.) Copyright

Acquired at 4.7.X1	250000
(-) Amortisation [250000/10 × 1]	(25000)
31.3.X2	225000

B/S Extract

Asset

1. NCA :-

Intangible Asset [6400000 + 225000]	6625000
Goodwill	320000

P&L Extract

Revenue from Operations		1000000
Expenses :-		
Amortisation Exp. [1600000 + 25000]	1625000	
Other Exp. [700000 + (1000000 × 2%)]	720000	2345000

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Answer (4.)

Accountant of Pluto Ltd. is Not Correct

Plant shall not be treated as held for sale & it should not stop charging dep" on it

Cal" of CA of Plant 31.3.X4 :-

Purchase [1.4.X1]	600000
(-) Dep" [600000/10yrs. X3]	(180000)
CA	420000

Recoverable Amt → 350000 [Higher of 350000 (PVLCTS) or NIL (Value in Use)]

∴ There is Impairment loss → 420000 − 350000
→ ₹ 70000

∴ Revised CA → 420000 − 70000 → ₹ 350000

B/S (Extract)

(₹)

Assets

1. NCA :-

PPE 350000

Answer (6)

Accounting Treatment → Not Correct

Cash Selling Price → 1000000 − 50000 = 950000

OR

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Year	CF	PVF @ 5.36%	Present value
0	333333	1	333333
1	333333	0.949	316333
2	333334	0.901	300334
			950000

Amortisation Table [Debtor's A/c]

Date	Op. Bal.	Int. @ 5.36%	Actual Payment	Cl. Bal.
[0] 1.4.X1	950000	-	333333	616667
[1] 31.3.X2	616667	33053	333333	316387
[2] 31.3.X3	316387	16947	333334	-

J.E. :-

1.4.X1	Debtor	Dr	950000	
	To Sales			950000
1.4.X1	Cash	Dr	333333	
	To Debtors			333333
31.3.X2	Debtors	Dr	33053	
	To Int. Income			33053
	Cash	Dr	333333	
	To Debtors			333333
31.3.X3	Debtors	Dr	16947	
	To Int. Income			16947
	Cash	Dr	333334	
	To Debtors			333334

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B/S (Extract)

	31·3·X2	31·3·X3
Assets		
current Assets:		
Financial Assets		
T/R	316387	–

P&L (Extract)

	31·3·X2	31·3·X3
Revenue	950000	–
Other Income	33053	18947

Answer (7·)

Treatment done by Accountant is Not correct

Cal^{n} of FV of Loan :-

→ Cal^{n} of Actual Payments to be recd. at each year end :-

Year	Op. Bal.	Int.	Actual Pay.	Cl. Bal.	~~Instalments~~
1	1500000	90000	390000	1200000	
2	1200000	72000	372000	900000	
3	900000	54000	354000	600000	
4	600000	36000	336000	300000	
5	300000	18000	318000	-	

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→ Cal^{n} of FV of loan

Year	Cash Flow	PVF @ 10%	Present value
1	390000	0.909	354510
2	372000	0.826	307272
3	354000	0.751	265854
4	336000	0.683	229488
5	318000	0.621	197478
		FV of loan →	1354602

P/P Staff Cost = 1354602 - 1500000

⇒ 145398

↓

write off over 5 years in P/L

∴ Each year = 145398 / 5 year = 29080

Amortisation Table

Year	Op. Bal.	Int. @ 10%	Actual Payment	Cl. Bal.
1	1354602	135460	390000	1100062
2	1100062	110006	372000	838068
3	838068	83807	354000	567875
4	567875	56788	336000	288663
5	288663	29337	318000	-

This portion of loan will be treated as NCL because it will be due for more than 12 months as on 31.3.20X2

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J.E.

1.4.X1	Loan to Staff	Dr	1354602	
	P/P Staff Cost	Dr	145398	
	To Bank			1500000
31.3.X2	Loan to Staff	Dr	135460	
	To Int. Inc.			135460
	Bank	Dr	390000	
	To Loan to Staff			390000
31.3.X2	Staff Cost (P&L)	Dr	29080	
	To P/P Staff Cost			29080

B/S (Extract) [31.3.X2]

	₹
Assets	
1. NCA :-	
· FA	
Loan to Employee	838068
· Other NCA [P/P Staff cost] [145398 - 29080 - 29080]	87238
2. CA :-	
· FA	
Loan to Employee [1100062 - 838068]	261994
· Other CA [P/P Staff cost]	29080

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Answer (8.)

P&L	₹' Lakh
Revenue from operation	6000
other Income [Interest Income]	300
(A.)	6300
Expense:	
Emp. Benefit	1200
Op. Cost [3199 + 300] ← Inventory	3499
Dep^n	450
(B.)	5149
PBT (A - B)	1151
(-) Tax Expense	(201)
PAT	950
EPS	
Basic $\left[\frac{950}{100}\right]$	9.50
Diluted	9.50

B/S	₹' Lakh
Assets	
1. NCA :-	
PPE	5000
DTA (700 - 400) (NCT)	300
2. CA :-	
Invent. [1500 - 300]	1200
Fin. Asst	
T/R	1100
CA CE	2000
Other FA [Acc. Int Income]	300
	9900

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Equity & Liabilities

1. Equity :-

ESC	1000
Other Equity [2400+300-300-400]	2000

2. NCL :-

FL	
Borrowings	5000

3. CL :-

FL	
T/P	300
Other FL [Int. Acc.] → Unclaimed Dividend	710
[700 +10] → Foreseeable Loss	
Provisions [300 +400]	700
Other CL [150 +40]	190
	9900

SOCE

Other Equity	Cap. Res.	Ret. Ear.	Total
Beg.	500	550	1050
(+) During the year	-	950	950
	500	1500	2000

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Answer (9)

P&L	₹
Revenue from Operation	1000000
Other Income [100000 + 20000] ← FV Gain on Investment	120000
(A)	1120000
Expenses:	
Purchases	500000
(Inc.)/Dec. in SIT	(50000)
EBE	175000
Depn	30000
Other Exp.	90000
(B)	745000
PBT [A - B]	375000
(-) Tax Expense:	
Current Tax	(125700)
Deferred Tax	(4800)
PAT	244500
Other Comprehensive Income:	
Actuarial gain	1000
DTL on Actuarial gain	(300)
Net OCI	700
Total Comprehensive Income [244500 + 700]	245200

W.N.:-

Cal^{n} of DTL:-

PPE → DTL [(100000 - 80000) × 30%]	6000
Pre. Inc. Exp → DTA [(0 - (30000 - 6000)) × 30%]	(7200)
DTL on Invest. [20000 × 30%]	6000
DTL [P&L]	4800
DTL on Defined Ben. obligation [1000 × 30%]	300
DTL [B/S]	5100

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B/S (₹)

Assets

1. **NCA** :-

PPE	100000
FA	
Loan	40000
Other NCA	50000

2. **CA** :-

Inventories	80000
FA	
Investments [30000+20000]	50000
T/R	55000
C&CE	115000
Other FA [Int. Rec.]	51000
TOTAL	541000

Equity & Liab.

1. **Equity** :-

Sh. Cap.	100000
Other Eq. [227500 + 15000 (Div.) + 20000 (FV Gain) + 700 (Ac. Gain) − 125700 − 4800 + 106500 + 6000]	245200

[Amt. of other Equity can be taken directly from P&L in this Question]

2. **NCL** :-

Provisions [Def. Ben. Obl.] (25000 − 1000 (Ac. Gain))	24000
DTL	5100

3. **CL** :-

FL

T/P	11000
Other FL [45000 − 15000 (Other CL) − 15000 (Div.)] (Govt. Dues)	

~~Other CL~~

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Other CL (Govt. Dues)	15000
Current Tax Liab.	125700
TOTAL	541000

Answer (10):

B/S ₹

Assets

1. NCA :-

PPE [Bldng 3750250 + Vehicle 1237500]	4987750
CWIP [Factory]	2001600
Inv. Prop. [Land]	1548150
F.A:	
Other FA (Sec. Dep.)	462500
Other NCA (Cap. Advances)	1733480

2. CA :-

Inventories	598050
F.A:	
T/R	725000
Investments (55000 + FV Gain 5000)	60000
Other FA [217370 - 90000 P/P Expenses] or [57720 + 69650 Int Acc. Royalty]	127370
C&CE	116950
Other CA (90000 → P/P Expenses)	90000
TOTAL	12450850

Eq. & Liab.

1. Equity :-

Sh. Cap.	1000000
Other Equity [2500150 + 5000 + FV Inc. 424960 + Eq. comp. (597504 - 512000)]	2844606

(597504 - Int. to be charged; 512000 - Int. already charged in P/L)

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2. NCL :-

FL	
8% Convertible Loan (Amortisation Table)	6060544
DTL (Net) [474850 - 254150]	220700
Provisions	524436

3. CL :-

FL	
TIP	669180
Other FL [200564 - 81265] OR [21890 + 61845 + 35564] (TDS, Wages, Salary, Int. Acc.)	119299
Other CL [TDS Payable]	81265
Curr. Tax Liab.	930820
TOTAL	1250850

W.N. :-

8% Convertible Loan :-

Calⁿ of FV of Loan :- [FL]

Year	Cash Flow	PVF @ 10%	PV (₹)
1 - 4	512000	3.17	1623040
4	6400000	0.68	4352000
		FL	5975040

∴ Equity Component = 6400000 - 5975040 = ₹424960

Amortisation Table

Year	Op. Bal.	Int. @ 10%	Actual Payment	Cl. Bal.
31.3.X2	5975040	597504	512000	6060544
31.3.X3	6060544	606054	512000	6154598

Self Note :- Compound Instrument ki Cash ki which Liab. ko considered as Non current and treatment will be done according and not as Question. 7

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SOCE (Optional)

Other Equity	RIE	Equity CFI	Total
Op. Bal.	2125975	-	2125975
During the year CFI	-	424960	424960
Income during the yr.	29371	-	29371
[2500150 - 2125975 + 5000 (-597504+572000)]			
	-85504		
	2419646	424960	2844606