

**ALL MTPs CASES AT ONE PLACE****CASE SCENARIO 1 – MTP MAY'24**

U Ltd. is engaged in mining and many other industries and prepares its financial statements following Indian Accounting Standards and follows April-March as their financial year. During the year 20X2 -20X3, the company has faced some issues and for their solution seeks your professional advice.

- (i) U Ltd. and F Ltd. are partners of a joint operation engaged in the business of mining precious metals. The entity uses a jointly owned drilling plant in its operations. During the year ended 31 st March 20X3, an inspection was conducted by the government authorities in the mining fields. The inspection authorities concluded that adequate safety measures were not followed by the entity. As a consequence, a case was filed and a penalty of ₹ 50 crores has been demanded from U Ltd.

The legal counsel of the company has assessed the demand and opined that appeals may not be useful, and the appeal orders will be unfavourable to the joint arrangement. Out of ₹ 50 crores (to be paid by U Ltd.), ₹ 30 crore will be reimbursed by F Ltd. later, as per the terms of the Joint Operation Agreement. At the year end, actual reimbursement was not received from F Ltd.

- (ii) On 1st April 20X2, U Ltd. leased a machine from D Ltd. on a three-year lease. The expected future economic life of the machine on 1st April 20X2 was eight years. If the machine breaks down, then under the terms of the lease, D Ltd. would be required to repair the machine or provide a replacement.

D Ltd. agreed to allow U Ltd. to use the machine for the first six months of the lease without the payment of any rental as an incentive to U Ltd. to sign the lease agreement. After this initial period, lease rentals of ₹ 2,10,000 were payable six-monthly in arrears, the first payment falling due on 31st March 20X3.

- (iii) U Ltd. has issued 10,00,000, 9% cumulative preference shares. The Company has arrears of ₹ 15 crores of preference dividend as on 31st March 20X3, it includes current year arrears of ₹ 1.75 crores. The Company did not declare any dividend for equity shareholders as well as for preference shareholders.

Further U Ltd. has also issued certain optionally convertible debentures, which are outstanding as at the year end.

- (iv) On 1st January 20X3, U Ltd. acquired 30% of the shares of T Ltd. The investment was accounted for as an associate in U Ltd.'s consolidated financial statements. Both U Ltd. and T Ltd. have an accounting year end of 31st March 20X3. U Ltd. has no other investments in associates.

Net profit for the year in T Ltd.'s income statement for the year ended 31 st March 20X3 was ₹ 0.23 crores. It declared and paid dividend of ₹ 0.1 crore on 1st March 20X3. No other dividends were paid in the year.

- (v) On 1st January, 20X3, U Ltd. also acquired a 60% stake in S Ltd. The cash consideration payable was ₹ 1 crore to be paid immediately, and ₹ 1.21 crores after two years. The fair value of net assets of S Ltd. at acquisition date was ₹ 3 crores. U Ltd. has calculated that its cost of capital is 10%. Non-controlling interest is measured at the proportionate share of identifiable net assets.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 1 to 5 in line with relevant Ind AS:

1. **With respect to a joint operation engaged in the business of mining precious metals, how will the liability be disclosed in the books of U Ltd.?**
  - (a) Provision for ₹ 20 crores and a contingent liability for ₹ 30 crores
  - (b) Contingent liability for ₹ 50 crores
  - (c) Provision for ₹ 30 crores and a contingent liability for ₹ 20 crores
  - (d) Provision for ₹ 50 crores.
  
2. **Calculate the current liability of leased machine from D Ltd. to be shown in the balance sheet as at 31st March 20X3.**
  - (a) ₹ 70,000
  - (b) ₹ 1,40,000
  - (c) ₹ 3,50,000
  - (d) ₹ 4,20,000
  
3. **What is the amount of preference dividend to be reduced from profit or loss for the year for calculating Basic Earnings Per Share?**
  - (a) ₹ 15 crores
  - (b) ₹ 1.75 crores
  - (c) ₹ 13.25 crores
  - (d) Nothing, as no dividend has been declared by the entity.
  
4. **What amount will be shown as an inflow in respect of earnings from the associate in the statement of cash flows of U Ltd. for the year ended 31st March 20X3?**

- (a) ₹ 0.020 crores
- (b) ₹ 0.026 crores
- (c) ₹ 0.030 crores
- (d) ₹ 0.046 crores

5. Calculate the amount of goodwill / gain on bargain purchase arising upon acquisition of S Ltd.

- (a) ₹ 1 crore gain on bargain purchase
- (b) ₹ 80 lakhs gain on bargain purchase
- (c) ₹ 20 lakhs goodwill
- (d) ₹ 41 lakhs goodwill

1	2	3	4	5
d	a	b	c	c

**CASE SCENARIO 2 – MTP MAY'24**

G Ltd. is a multi-national company and prepares and presents its financial statements following Indian Accounting Standards as its securities are listed on National Stock Exchange. G Ltd. has a number of business segments.

- (i) H Ltd. is one of the recently acquired Indian subsidiary of G Ltd. It has to adopt Ind AS for the first time as at 31st March, 20X4, with 1st April, 20X2 as the date of transition. As at 31st March, 20X2, the value of raw material inventories was incorrectly reported due to an error. The amounts are significant.
- (ii) G Ltd. is also engaged in software development. It enters into a contract with a customer to transfer a software license, perform an installation service and provide unspecified software updates and technical support (online and telephone) for a two-year period. G Ltd. sells the license, installation service and technical support separately. The installation service includes changing the web screen for each type of user (for example, marketing, inventory management and information technology). The installation service is routinely performed by other entities and does not significantly modify the software. The software remains functional without the updates and the technical support.
- (iii) G Ltd. sells a 20% interest in a wholly owned subsidiary K Ltd. to outside investors for ₹ 100 lakh in cash. The carrying value of K Ltd.'s net assets is ₹ 300 lakh, including goodwill of ₹ 65 lakh from the subsidiary's initial acquisition.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 6 to 8 in line with relevant Ind AS:

**1. With respect to H Ltd. state whether the error should be reported in the Ind AS financial statements and how to rectify it.**

- (a) H Ltd. shall report the impact of the error as a correction to Statement of Profit and Loss for the comparative period i.e., the year ended 31st March, 20X3.
- (b) The correction shall be reflected in a reconciliation as at the end of the first Ind AS reporting period i.e., as at 31st March, 20X3.
- (c) The impact of the correction is significant and it shall be amortized on a rational and systematic basis in the first two periods of Ind AS reporting i.e., years ended 31 st March, 20X3 and 31st March, 20X4.
- (d) The first Ind AS financial statements shall distinguish the correction of errors from changes in accounting policies and reported as part of the reconciliations as at 1 st April, 20X2.

**2. How many performance obligations G Ltd. has, with respect to the contract with the customer to transfer software license?**

- (a) 4 performance obligations

- (b) 3 performance obligations
- (c) 2 performance obligations
- (d) 1 performance obligation

**3. What is the amount of gain on sale of interest in subsidiary K Ltd.?**

- (a) ₹ 100 lakhs
- (b) ₹ 60 lakhs
- (c) ₹ 53 lakhs
- (d) ₹ 40 lakhs

1	2	3
d	a	d

**CASE SCENARIO 3 – MTP MAY'24**

A Ltd. is a diversified business group operating in multiple business segments across different parts of the world. It maintains its books of accounts and publishes its annual consolidated financial statements under Indian Accounting Standards.

The central finance team has been working on closing the books of accounts and generating consolidated financial statements for the year ended 31st March 20X3. You are the Finance Controller and your assistants want your views on following transactions for finalization of financial statements:

- (i) B Ltd., one of the subsidiaries of A Ltd., reported net income of ₹ 25 lakhs, which equals the company's comprehensive income. The company has no outstanding debt. Following is the information from the comprehensive balance sheet (₹ in lakhs) related to cash flows:

Extract of Balance Sheet	31.03.20X2	31.03.20X3
Equity share capital	100	100
Further issue of equity shares	100	140
Retained earnings	100	115
Total shareholders' equity	300	357

- (ii) A Limited also operates in the travel industry and incurs costs unevenly through the financial year. Advertising costs of ₹ 40 lakhs were incurred on 1st July 20X2, and staff bonuses are paid at year-end based on sales. Staff bonuses are expected to be around ₹ 400 lakhs for the year; of that a sum of ₹ 60 lakhs would relate to the period ending 30th September 20X2.
- (iii) An item of equipment X was acquired by A Ltd. on 1st April 20X1 for ₹ 1,00,000 having an estimated useful life of 10 years, with a residual value of zero. The asset is depreciated on a straight-line basis. The asset was revalued to ₹ 1,04,000 on 31st March 20X3.
- (iv) A Ltd. has spent ₹ 15,00,000 in developing a new product during the year ended 31st March, 20X3. The development costs incurred were recognised as an intangible asset as per Ind AS 38. For the purposes of computing the taxable income, these expenses are allowable in full in the year of incurring the expenses. At the year end, the Company recognised an impairment loss of ₹ 75,000 against the intangible asset.
- (v) The company has issued preference shares that are redeemable at the option of the holder. Three months before the end of the year, it was probable that the holders would require redemption.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 9 to 13 in line with relevant Ind AS:

- What cash flow should B Ltd. report, as financing activity in the statement of cash flows?
  - Issuance of equity shares ₹ 240 million; dividends paid ₹ 10 million
  - Issuance of equity shares ₹ 100 million; dividends paid ₹ 10 million
  - Issuance of equity shares ₹ 140 million; dividends paid ₹ 10 million
  - Issuance of equity shares ₹ 40 million; dividends paid ₹ 10 million

2. With respect to point (ii), what costs should be included in the entity's financial report for the quarter ended 30th September 20X3?
- Advertising costs ₹ 40 lacs; staff bonuses ₹ 100 lacs
  - Advertising costs ₹ 10 lacs; staff bonuses ₹ 100 lacs
  - Advertising costs ₹ 10 lacs; staff bonuses ₹ 60 lacs
  - Advertising costs ₹ 40 lacs; staff bonuses ₹ 60 lacs
3. What will be the annual depreciation charge on equipment X for years 3 to 10 and the amount of the revaluation surplus that can be transferred to retained earnings annually?
- Annual depreciation charge will be ₹ 10,000 and an annual transfer of ₹ 3,000 can be made from revaluation surplus to retained earnings.
  - Annual depreciation charge will be ₹ 10,000, however, annual transfer from revaluation surplus to retained earnings is not permitted.
  - Annual depreciation charge will be ₹ 13,000 and an annual transfer of ₹ 3,000 may be made from revaluation surplus to retained earnings.
  - Annual depreciation charge will be ₹ 13,000, however, annual transfer from revaluation surplus to retained earnings is not permitted.
4. With respect to point (iii), What is the tax base of the intangible asset?
- ₹ 15,00,000
  - ₹ 75,000
  - ₹ 14,25,000
  - ₹ 0
5. Which one of the following is the appropriate classification for the annual payment of ₹ 12,000 to preference shareholders at year-end?
- Dividend ₹ 12,000
  - Interest expense ₹ 12,000
  - Dividend ₹ 3,000, interest expense ₹ 9,000
  - Dividend ₹ 9,000, interest expense ₹ 3,000

1	2	3	4	5
d	d	c	d	b

**CASE SCENARIO 4 – MTP Nov'24**

A Ltd. is a diversified business group operating in multiple business segments across different parts of the world. It maintains its books of accounts and publishes its annual financial statements under Indian Accounting Standards.

The finance team has been working on closing the books of accounts and generating financial statements for the year ended 31st March 20X2 and are facing issues in the following transactions while finalization of financial statements:

- (i) A Ltd. owns 250 ordinary shares in X Ltd., an unquoted company. X Ltd. has a total share capital of 5,000 shares with nominal value of ₹ 10. X Ltd.'s after-tax maintainable profits are estimated at ₹ 70,000 per year. An appropriate price/earnings ratio determined from published industry data is 15 (before lack of marketability adjustment). A Ltd.'s management estimates that the discount for the lack of marketability of X Ltd.'s shares and restrictions on their transfer is 20%. A Ltd. values its holding in X Ltd.'s shares based on earnings.
- (ii) A Ltd. has a telecom segment. It entered into an agreement with B Ltd. which is engaged in generation and supply of power. The agreement provided that A Ltd. will provide 1,00,000 minutes of talk time to employees of B Ltd. in exchange for getting power equivalent to 20,000 units. A Ltd. normally charges ₹ 0.50 per minute and B Ltd. charges ₹ 2.5 per unit.
- (iii) A Ltd. began construction of a new building at an estimated cost of ₹ 7 lakh on 1st April, 20X1. To finance construction of the building it obtained a specific loan of ₹ 2 lakh from a financial institution at an interest rate of 9% per annum.

The company's other outstanding loans were:

Amount	Rate of Interest per annum
₹ 7,00,000	12%
₹ 9,00,000	11%

The expenditure incurred on the construction was:

April, 20X1	₹ 1,50,000
August, 20X1	₹ 2,00,000
October, 20X1	₹ 3,50,000
January, 20X2	₹ 1,00,000

The construction of building was completed by 31st January, 20X2.

The construction of building started on 1st April, 20X1 and all the expenditures on construction of building had been incurred at the beginning of the respective month.

**Analyze the transactions mentioned above and choose the most appropriate option in the below questions 1 to 6 in line with relevant Ind AS:**

**1. What is the value of a share of X Ltd.?**

- (a) ₹ 8,40,000
- (b) ₹ 10,50,000
- (c) ₹ 8,00,000
- (d) ₹ 10,00,000

**2. What is the fair value of A Ltd.'s investment in X Ltd.'s shares?**

- (a) ₹ 50,000
- (b) ₹ 42,000

- (c) ₹ 10,50,000  
(d) ₹ 10,00,000
3. **By what amount the revenue be measured and recognised by A Ltd. in case of telecom segment?**  
(a) ₹ 10,000  
(b) ₹ 2,50,000  
(c) ₹ 2,00,000  
(d) ₹ 50,000
4. **What will be the capitalization rate for computation of borrowing cost on the building based on general borrowings?**  
(a) 9%  
(b) 11%  
(c) 11.4375%  
(d) 12%
5. **What will be the total amount of borrowing cost on specific borrowing?**  
(a) ₹ 11,250  
(b) ₹ 13,500  
(c) ₹ 15,000  
(d) ₹ 37,875
6. **What will be the total amount of borrowing cost on general borrowing?**  
(a) ₹ 22,875  
(b) ₹ 15,000  
(c) ₹ 37,875  
(d) ₹ 13,500

1	2	3	4	5	6
a	b	d	c	c	a

**CASE SCENARIO 5 – MTP NOV'24**

D Ltd. is a globally diversified business conglomerate with operations spanning across various business sectors worldwide. The company adheres to Indian Accounting Standards for maintaining its financial records and annually releases its financial statements. As the finance team progresses towards finalizing the financial statements for the fiscal year ending on 31st March 20X2, the team is stuck up in the accounting of the following transactions:

- (i) D Ltd., for its dairy business, purchased cattle at an auction on 30th June 20X1
- |  |            |
|--|------------|
| Purchase price at 30th June 20X1                           | ₹ 1,00,000 |
| Costs of transporting the cattle back to the entity's farm | ₹ 1,000    |
| Sales price of the cattle at 31st March, 20X2              | ₹ 1,10,000 |

The company would have to incur similar transportation costs if it were to sell the cattle at auction, in addition to an auctioneer's fee of 2% of sales price. The auctioneer charges 2% of the selling price, from both, the buyer as well as the seller.

(ii) D Ltd. has certain financial instruments:

- Irredeemable preference shares with face value of ₹ 10 each and premium of ₹ 90. These shares carry dividend @ 8% per annum, however dividend is paid only when D Ltd declares dividend on equity shares.
- Borrowings from Z Ltd. for ₹ 10,00,000 with settlement against issue of a certain number of equity shares of D Ltd. whose value equals ₹ 10,00,000. Fair value per share (to determine total number of equity shares to be issued) be determined based on the market price of the shares of D Ltd. at a future date, upon settlement of the contract.

**Analyze the transactions mentioned above and choose the most appropriate option in the below questions 7 to 10 in line with relevant Ind AS:**

- What will be the gain/(loss) on initial recognition of biological asset i.e. cattle at the time of purchase on 30th June 20X1?**
  - Gain on initial recognition of biological asset ₹ 9,800
  - Loss on initial recognition of biological asset ₹ 9,800
  - Gain on initial recognition of biological asset ₹ 6,000
  - Loss on initial recognition of biological asset ₹ 6,000
- What will be the gain/(loss) on remeasurement of biological asset i.e. cattle at the time of sale on 31st March 20X2?**
  - Gain on remeasurement of biological asset ₹ 9,800
  - Loss on remeasurement of biological asset ₹ 9,800
  - Gain on remeasurement of biological asset ₹ 6,000
  - Loss on remeasurement of biological asset ₹ 6,000
- Irredeemable preference shares would be accounted for in the books of D Ltd. as**
  - Financial Asset
  - Financial Liability
  - Equity
  - Will not be accounted for in the books

4. Borrowings from Z Ltd. for ₹ 10,00,000 with settlement against issue of a certain number of equity shares of D Ltd. would be accounted for in the books of D Ltd. as
- (a) Financial Asset
  - (b) Financial Liability
  - (c) Equity
  - (d) Will not be accounted for in the books

1	2	3	4
d	a	c	b

**CASE SCENARIO 6 – MTP NOV'24**

H Ltd. is a globally diversified business conglomerate with operations spanning multiple business segments across various regions worldwide. For maintaining its financial records, the company follows Indian Accounting Standards. As the finance team diligently finalizes the books of accounts and prepares the financial statements for the financial year ending on 31st March 20X2, it requires insights and accounting suggestions on the following transactions:

- (i) H Ltd. holds 12% of the voting shares in Z Ltd. Z Ltd.'s board comprises of eight members and two of these members are appointed by H Ltd. casting significant influence. Each board member has one vote at the meeting.
- (ii) H Ltd. holds 10% of the voting power of G Ltd. The balance 90% voting power is held by nine other investors each holding 10%.  
The decisions about the relevant activities (except decision about taking borrowings) of G Ltd. are taken by the members holding majority of the voting power. The decisions about taking borrowings are required to be taken by unanimous consent of all the investors. Further, decisions about taking borrowing are not the decisions that most significantly affect the returns of G Ltd.
- (iii) H Ltd. is also engaged in the business of pharmaceuticals. It has invested in the share capital of Y Ltd. and is holding 15% of Y Ltd.'s total voting power.  
Y Ltd. is engaged in the business of producing packing materials for pharmaceutical entities. One of the incentives for H Ltd. to invest in Y Ltd. was the fact that Y Ltd. is engaged in the business of producing packing materials which is also useful for H Ltd. Since last many years, almost 90% of the output of Y Ltd. is procured by H Ltd.

**Analyze the transactions mentioned above and choose the most appropriate option in the below questions 11 to 13 in line with relevant Ind AS:**

**1. What is the relationship of Z Ltd. with H Ltd.?**

- (a) Z Ltd. is a subsidiary of H Ltd.  
(b) Z Ltd. is an associate of H Ltd.  
(c) Z Ltd. is in joint arrangement with H Ltd.  
(d) H Ltd. has invested in Z Ltd. with no further relationship as subsidiary, associate or joint arrangement.

**2. What is the relationship of G Ltd. with H Ltd.?**

- (a) G Ltd. is a subsidiary of H Ltd.  
(b) G Ltd. is an associate of H Ltd.  
(c) G Ltd. is in joint arrangement with H Ltd.  
(d) H Ltd. has invested in G Ltd. with no further relationship as subsidiary, associate or joint arrangement.

**3. What is the relationship of Y Ltd. with H Ltd.?**

- (a) Y Ltd. is a subsidiary of H Ltd.  
(b) Y Ltd. is an associate of H Ltd.

- (c) Y Ltd. is in joint arrangement with H Ltd.
- (d) H Ltd. has invested in Y Ltd. with no further relationship as subsidiary, associate or joint arrangement.

1	2	3
b	b	b

**CASE SCENARIO 7 – MTP NOV'24**

ABC Ltd. maintains its accounts and prepares its annual financial statements in accordance with Indian Accounting Standards (Ind AS). It is a diversified global business group with operations spanning multiple sectors. The finance team while working on finalizing the books for the year ending 31st March, 20X3, encountered challenges with the following transactions:

- (i) ABC Ltd. manufactures automobile parts. It has shown a net profit of ₹ 20,00,000 for the third quarter of 20X2-20X3.

Following adjustments are made while computing the net profit:

- (1) Bad debts of ₹ 1,00,000 incurred during the quarter. 50% of the bad debts have been deferred to the next quarter.
- (2) ₹ 5,00,000 expenditure on account of administrative expenses pertaining to the third quarter is deferred on the argument that the fourth quarter will have more sales; therefore, fourth quarter should be debited by higher expenditure. The expenditures are uniform throughout all quarters.

- (ii) ABC Ltd. enters into a contract to build a power plant for a customer. The entity will be responsible for the overall management of the project including services to be provided like engineering, site clearance, foundation, procurement, construction of the structure, piping and wiring, installation of equipment and finishing.

- (iii) In financial year 20X1-20X2, ABC Ltd. incurred the following expenditure in acquiring property consisting of 6 identical houses each with separate legal title including the land on which it is built.

The expenditure incurred on various dates is given below:

- On 1st April, 20X2 - Purchase cost of the property ₹ 1,80,00,000
  - On 1st April, 20X2 – Non-refundable transfer taxes ₹ 20,00,000 (not included in the purchase cost)
  - On 2nd April, 20X2- Legal cost related to property acquisition ₹ 5,00,000
  - On 6th April, 20X2- Advertisement campaign to attract tenants ₹ 3,00,000
  - On 8th April, 20X2- Opening ceremony function for starting business ₹ 1,50,000
- Throughout 20X2-20X3, incurred ₹ 1,00,000 towards day-to-day repair maintenance and other administrative expenses.

ABC Ltd. uses one of the six houses for office and accommodation of its few staffs. The other five houses are rented to various independent third parties.

**Analyze the transactions mentioned above and choose the most appropriate option in the below questions 1 to 6 in line with relevant Ind AS:**

**1. What will be the treatment of bad debts incurred during the third quarter?**

**The treatment of bad debts is not correct as the expenses incurred during an interim reporting period should be recognised in the same period.**

**Accordingly, ₹ 50,000 should be deducted from ₹ 20,00,000.**

- (a) Bad debts expenses incurred during third quarter should be recognised in the same quarter. Accordingly, ₹ 50,000 should be deducted from ₹ 20,00,000.
- (b) Bad debts expenses incurred during third quarter should be recognised equally in the third and fourth quarter. Accordingly, the treatment done in the books is correct and no further adjustment in this regard is required.
- (c) Bad debts expenses incurred during third quarter should be recognised at the end of the financial year in the last quarter. Accordingly, ₹ 50,000 already deducted should be added back from ₹ 20,00,000.

- (d) No bad debt accounted in the interim financial statements in any of the quarter.
2. **The correct net profits to be shown in Interim Financial Report of the third quarter shall be**
- (a) ₹ 15,00,000
  - (b) ₹ 20,00,000
  - (c) ₹ 19,50,000
  - (d) ₹ 14,50,000
3. **How many performance obligations does the entity have?**
- (a) Three performance obligations
  - (b) Two performance obligations
  - (c) A single performance obligation
  - (d) More than three performance obligations
4. **What is the cost of the entire property?**
- (a) ₹ 1,80,00,000
  - (b) ₹ 2,05,00,000
  - (c) ₹ 2,06,00,000
  - (d) ₹ 1,85,00,000
5. **What is the cost of the investment property?**
- (a) ₹ 1,70,83,333
  - (b) ₹ 2,05,00,000
  - (c) ₹ 34,16,667
  - (d) ₹ 1,80,00,000
6. **What is the cost of the owner-occupied property?**
- (a) ₹ 1,70,83,333
  - (b) ₹ 2,05,00,000
  - (c) ₹ 34,16,667
  - (d) ₹ 1,80,00,000

1	2	3	4	5	6
a	d	c	b	a	c

**CASE SCENARIO 8 – MTP NOV'24**

DEF Ltd. is a diversified business group operating in multiple business segments across different parts of the world with multiple subsidiaries. It maintains its books of accounts and publishes its annual financial statements under Indian Accounting Standards. The finance team has been working on closing the books of accounts and generating financial statements for the year ended 31st March 20X1 and are facing issues in the following transactions while finalization of financial statements:

(i)

Profit attributable to ordinary equity holders of the parent entity for year 20X1	₹ 1,200,000
Weighted average number of ordinary shares outstanding during year 20X1	500,000 shares
Average market price of one ordinary share during year 20X1	₹ 20.00
Weighted average number of shares under option during year 20X1	100,000 shares
Exercise price for shares under option during year 20X1	₹ 15.00

- (ii) DEF Ltd. enters into a contract to buy 100 tonnes of cocoa beans at 1,000 per tonne for delivery in 12 months. On the settlement date, the market price for cocoa beans is 1,500 per tonne. The contract cannot be settled net in cash and is entered for delivery of cocoa beans in line with DEF Ltd.'s expected purchase/ usage requirements.
- (iii) DEF Ltd. invests in compulsorily convertible preference shares (CCPS) issued by its subsidiary B Ltd. at ₹ 1,000 each (₹ 10 face value + ₹ 990 premium). Under the terms of the instrument, each CCPS is compulsorily convertible into one equity share of B Ltd at the end of 5 years. Such CCPS carry dividend @ 12% per annum, payable only when declared at the discretion of B Ltd.

**Analyze the transactions mentioned above and choose the most appropriate option in the below questions 7 to 10 in line with relevant Ind AS:**

- Based on the facts given in scenario (i), what will be basic EPS of the entity?**
  - 2.29
  - 2.40
  - 2.00
  - 1.77
- Based on the facts given in scenario (i), what will be diluted EPS of the entity?**
  - 2.29
  - 2.40
  - 2.00
  - 1.77
- What is the nature of the contract entered into for cocoa beans?**
  - Cash contract
  - Non-executory and derivative contract
  - Derivative contract
  - Executory and non-derivative contract
- What is the nature of the financial instrument mentioned in point (iii)?**

- (a) Financial Asset
- (b) Financial Liability
- (c) Equity
- (d) Not a financial instrument

1	2	3	4
b	a	d	c

**CASE SCENARIO 9 – MTP Nov '24**

PQR Ltd. is required to adopt Ind AS from 1st April, 20X1, with comparatives for one year, i.e., for 20X0-20X1. On 1st April, 20X1, PQR Ltd. acquired 30% of the voting ordinary shares of XYZ Ltd. for ₹ 8,000 crore. PQR Ltd. accounts its investment in XYZ Ltd. using equity method as prescribed under Ind AS 28. At 31st March, 20X2, PQR Ltd. recognised its share of the net asset changes of XYZ Ltd. using equity accounting as follows:

	(₹ in crore)
Share of profit or loss	700
Share of exchange difference in OCI	100
Share of revaluation reserve of PPE in OCI	50

The carrying amount of the investment in the associate on 31st March, 20X2 was therefore ₹ 8,850 crore (8,000 + 700 + 100 + 50).

On 1st April, 20X2, PQR Ltd. acquired the remaining 70% of XYZ Ltd. for cash ₹ 25,000 crore. The following additional information is relevant at that date:

	(₹ in crore)
Fair value of the 30% interest already owned	9,000
Fair value of XYZ's identifiable net assets	30,000

**Analyze the transactions mentioned above and choose the most appropriate option in the below questions 11 to 15 in line with relevant Ind AS:**

- What is the fair value of the total consideration transferred by PQR Ltd. to XYZ Ltd.?**
  - ₹ 34,000 crores
  - ₹ 33,850 crores
  - ₹ 33,000 crores
  - ₹ 25,000 crores
- What is the amount of goodwill in the said business combination?**
  - ₹ 3,000 crores
  - ₹ 4,000 crores
  - ₹ 2,150 crores
  - ₹ 3,850 crores
- What is the gain on previously held interest in XYZ Ltd. recognised in profit or loss?**
  - ₹ 150 crores
  - ₹ 100 crores
  - ₹ 250 crores
  - Nil
- What is the transition date for PQR Ltd. for adopting Ind AS?**
  - 1st April, 20X0
  - 1st April, 20X1
  - 1st April, 20X2
  - 1st April, 20X3
- PQR Ltd. present its comparatives financial statements for the year-**
  - 20X1-20X2
  - 20X2-20X3

- (c) 20X0-20X3
- (d) 20X0-20X1

1	2	3	4	5
a	b	c	a	d

**ALL RTPs CASES AT ONE PLACE****CASE SCENARIO 10 – RTP MAY'24**

FA Ltd. is a company which manufactures aircraft parts and engines and sells them to large multinational companies like Boeing and Airbus Industries. Following are the details of some of the transactions entered into by the company:

- i. On 1st April 20X2, the company began the construction of a new production line in its aircraft parts manufacturing shed.

**Costs relating to the production line are as follows:**

Details	Amount ₹ in lakhs
Costs of the basic materials (list price ₹ 12.5 lakhs less 20% trade discount)	10.00
Recoverable goods and services tax incurred but not included in the purchase cost	1.00
Employment costs of the construction staff for three months till 30th June 20X2	1.20
Other overheads directly related to the construction	0.90
Payments to external advisors relating to the construction	0.50
Expected dismantling and restoration costs	2.00

The production line took two months to make ready for use and was brought into use on 31st May 20X2. The other overheads were incurred during the two-month period ended on 31st May 20X2. They included an abnormal cost of ₹ 0.3 lakhs caused by a major electrical fault.

The production line is expected to have a useful economic life of eight years. After 8 years, FA Ltd. is legally required to dismantle the plant in a specified manner and restore its location to an acceptable standard. The amount of ₹ 2 lakhs included in the cost estimates is the amount that is expected to be incurred at the end of the useful life of the production line. The appropriate discount rate is 5%. The present value of ₹ 1 payable in 8 years at a discount rate of 5% is approximately ₹ 0.68.

Four years after being brought into use, the production line will require a major overhaul to ensure that it generates economic benefits for the second half of its useful life. The estimated cost of the overhaul, at current prices, is ₹ 3 lakhs.

No impairment of the plant had occurred by 31st March 20X3.

- ii. During the year ended 31st March 20X3, FA Ltd. provided consultancy services to a customer regarding the installation of a new production system related to aircraft parts. The system has caused the customer considerable problems, so the customer has taken legal action against the Company for the loss of profits that has arisen as a result of the problems with the system. The customer has claimed damages to the tune of ₹ 1.6 lakhs.

The legal department of FA Ltd. considers that there is a 25% chance the claim can be successfully defended. The legal department further stated that they are reasonably confident the Company is covered by insurance against these types of loss. The accountant feels nothing needs to be provided for

this claim as the Company is suitably covered against any possible losses.

- iii. FA Ltd. has an associate company, Flynet Limited. Following are the information of Flynet Limited for the year ended 31st March 20X3:

Particulars	₹ in lakhs
Net Income after taxes	120
Decrease in accounts receivables	20
Depreciation	25
Increase in inventory	10
Increase in accounts payable	7
Decrease in wages payable	5
Tax charge for the year (deferred tax liabilities)	15
Profit from sale of land	2

On the basis of the facts given above, chose the most appropriate answer to Questions 1 to 5 below based on the relevant Indian Accounting Standards (Ind AS).

- Which of the following items need to be capitalized in determining the cost of Production Line?**

  - Abnormal cost of ₹ 0.3 lakhs
  - Recoverable GST of ₹ 1 lakhs
  - Initial estimate of the costs of dismantling and removing the item and restoration of site of ₹ 2 lakhs
  - Initial estimate of the costs of dismantling and removing the item and restoration of site of ₹ 1.36 lakhs
- Calculate the company's associate Flynet Ltd.'s cash flow from operations.**

  - ₹ 158 lakhs
  - ₹ 170 lakhs
  - ₹ 174 lakhs
  - None of the above
- What accounting treatment should be done in FA Ltd.'s books for the year ending 31st March 20X3, as the customer has taken legal action against the Company on the loss of profits that has arisen as a result of the problems with the system?**

  - Nothing needs to be provided for claim instituted by the customer as the Company is suitably covered against any possible losses.
  - Provision of ₹ 1.6 lakhs should be recognised with a corresponding charge to profit or loss.
  - Provision of ₹ 0.4 lakhs as per best possible outcome should be recognised with a corresponding charge to profit or loss.
  - Contingent Liability would be disclosed in the 31st March 20X3 financial statements. Charge

to profit or loss if any would be recognised in the period when the claim is settled.

4. **Compute the total amount to be charged to the Statement of Profit and Loss with respect to Production Line for the year ending 31st March 20X3 and the balance of Provision for Dismantling Cost carried to Balance Sheet.**
- (a) ₹ 1.70 lakhs; ₹ 1.36 lakhs  
(b) ₹ 1.42 lakhs; ₹ 1.70 lakhs  
(c) ₹ 1.76 lakhs; ₹ 1.42 lakhs  
(d) ₹ 1.42 lakhs; ₹ 1.76 lakhs
5. **Compute the cost of the production Line to be capitalized initially on 31st May, 20X2.**
- (a) ₹ 13.26 lakhs  
(b) ₹ 14.60 lakhs  
(c) ₹ 13.96 lakhs  
(d) ₹ 15.76 lakhs

1	2	3	4	5
d	b	b	c	a

**CASE SCENARIO 11 – RTP MAY'24**

HS Limited (HSL) is a car manufacturing company. During the year, HSL has entered into many transactions, details of which are given below.

- i. With the intention to expand, HSL has entered into a Share Purchase Agreement ("SPA") with the shareholders of FM Limited to purchase 30% stake in FM Limited as at 1st June 20X2 at a price of ₹ 30 per share. As per the terms of SPA, HSL has an option to purchase an additional 25% stake in FM Limited on or before 15th June 20X2 at a price of ₹ 30 per share. Similarly, the selling shareholder has an option to sell additional 25% stake in FM Limited on or before 15th June, 20X2 to HSL at a price of ₹ 30 per share. The decisions on relevant activities of FM Limited are made in Annual General Meeting / Extraordinary General Meeting (AGM / EGM). A resolution in AGM / EGM is passed when more than 50% votes are cast in favour of the resolution. An AGM / EGM can be called by giving atleast 21 days advance notice to all shareholders.
- ii. During the year, HSL issued Compulsory Convertible Debentures ("CCDs") on a private placement basis for ₹ 100 lakh. Each CCD is convertible into 5 shares at the end of 4 years from the date of issue and an annual interest is payable at the rate of 6% p.a. At initial recognition, HSL recognized a liability component of compound instrument at ₹ 20,79,063. HSL also incurred expenses of ₹ 2,00,000 in connection with the issue of the instrument. Nature of expenses includes fees paid to legal advisors, registration and regulatory fees.
- iii. HSL acquired a 40% stake in NM Limited as at 1st January, 20X2 for ₹ 8,00,000 and classified the investment in NM Limited as an associate. As at 1st January, 20X2, the carrying amount and fair value of plant & equipment of NM Limited is ₹ 3,00,000 and ₹ 5,00,000 respectively with remaining useful life of 5 years (i.e. 20 quarters). From 1st January, 20X2 to 31st March, 20X2, NM Limited generated a profit of ₹ 50,000.
- iv. While selling a car, HSL provides a trade discount of 1% on sale price which is mentioned on the invoice. HSL provides a credit period of 7 days to its customers, however if paid upfront then HSL gives an additional cash discount of 2%. HSL also provides a voucher worth ₹ 500 with a validity of 1 year which can be used at an apparel store.

On the basis of the facts given above, chose the most appropriate answer to Questions 6 to 10 below based on the relevant Indian Accounting Standards (Ind AS).

**1. At what amount HSL shall carry its investments in NM Limited in its consolidated financial statements as at 31st March, 20X2?**

- (a) ₹ 8,00,000
- (b) ₹ 8,20,000
- (c) ₹ 8,16,000
- (d) ₹ 8,10,000

- 2. How should HSL account for the trade discount, cash discount and voucher given to customers on sale of a car?**
- (a) Trade discount shall be reduced from the revenue however cash discount and value of voucher shall be charged as expenses.
  - (b) Trade discount and cash discount both shall be reduced from the revenue however value of voucher shall be charged as expenses.
  - (c) Trade discount, cash discount and value of voucher shall be charged as expenses.
  - (d) Trade discount, cash discount and value of voucher shall be reduced from revenue.
- 3. What shall be the accounting treatment of directly attributable expenses of ₹ 2 lakh incurred in connection with the issue of Compulsory Convertible Debentures?**
- (a) Entire ₹ 2,00,000 shall be recognized as expenses in the statement of profit and loss in the current year.
  - (b) Entire ₹ 2,00,000 shall be reduced from equity in the current year.
  - (c) A proportion of ₹ 1,58,419 shall be reduced from equity and Balance of ₹ 41,581 shall be recognized as interest cost over the period of 4 years using an effective interest method.
  - (d) Entire ₹ 2,00,000 shall be recognized as interest cost over the period of 4 years using effective interest method
- 4. With more acquisitions, at the end of the year, HSL has investments in 2 subsidiaries, 3 associates and 1 joint venture. Which of the following statements is correct in relation to accounting of these investments in separate financial statements?**
- (a) HSL is required to measure all such investments at cost.
  - (b) HSL has an option to account for the investments in associates and joint ventures using equity method of accounting and carry the investments in subsidiaries at cost.
  - (c) HSL has an option for each investment to measure either at cost or in accordance with Ind AS 109.
  - (d) HSL has an option to measure all such investments either at cost or in accordance with Ind AS 109. The option is available for each category of investments separately (i.e. subsidiaries, associates and joint venture).
- 5. With respect to the SPA entered by HSL, determine the date when HSL gained control over FM Limited**
- (a) 1st June, 20X2.
  - (b) 15th June, 20X2.

- (c) On the date of AGM/EGM
- (d) On the date when the resolution for AGM/EGM is issued.

1	2	3	4	5
c	d	c	d	a

**CASE SCENARIO 12 – RTP NOV'24**

D Ltd. prepares financial statements to 31st March each year. Following information on revenue transactions are relevant to the year ended 31st March 20X7

- (i) On 1st October 20X6, D Ltd. sold a product to a customer for ₹ 1,21,000. This amount is payable on 31st December, 20X8. The manufacturing cost of the product for D Ltd. was ₹ 80,000. The customer had a right to return the product for a full refund at any time up to and including 31st December 20X6. At 1st October 20X6, D Ltd. had no reliable evidence regarding the likelihood of the return of the product by the customer. The product was not returned by the customer before 31st December 20X6 and so the right of return for the customer expired. On both 1st October 20X6 and 31st December 20X6, the cash selling price of the product was ₹ 1,00,000. A relevant annual rate to use in any discounting calculations is 10%.
- (ii) On 1st July 20X5 D Ltd. began an arrangement to sell goods to a third party B Ltd. The price of the goods was set at ₹ 100 per unit for all sales in the two-year period ending 30th June 20X7. However, if sales of the product to B Ltd. exceed 60,000 units in the two-year period ending 30th June 20X7, then the selling price of all units is retrospectively set at ₹ 90 per item.

Sales of the goods to B Ltd. in the nine-month period ending on 31st March, 20X6 totalled 20,000 units and this volume of sales per month was not expected to change before 30th June 20X7.

However, in the year ended 31st March, 20X7, total sales of the goods to B Ltd. were 35,000 and based on current orders from B Ltd., the estimate was revised. The directors of D Ltd. estimated that the total sales of the goods to B Ltd. in the two-year period ending 30th June 20X7 would be more than 60,000 units.

On the basis of the facts given above, chose the most appropriate answer to Questions 1 to 5 below based on the relevant Indian Accounting Standards (IndAS).

- 1. When and by what amount the revenue be recognized with respect to sales made on 1st October, 20X6?**
  - (a) On 1st October, 20X6 by ₹ 1,21,000
  - (b) On 1st October, 20X6 by ₹ 1,00,000
  - (c) On 1st October, 20X6 by ₹ 80,000
  - (d) On 31st December, 20X6 by ₹ 1,00,000
  
- 2. What will be the amount of finance income to be recognized with respect to sales in the year 20X6-20X7?**
  - (a) ₹ 5,000
  - (b) ₹ 2,500
  - (c) ₹ 10,000
  - (d) ₹ 2,000
  
- 3. What will be the amount of Trade Receivable as on 31st March 20X7, against the sale made on 1st October 20X6?**
  - (a) ₹ 1,21,000
  - (b) ₹ 1,00,000
  - (c) ₹ 1,02,500
  - (d) ₹ 1,05,000
  
- 4. What will be the amount of revenue to be recognized in the year 20X5-20X6 with respect to sales arrangement with B Ltd.?**
  - (a) ₹ 20,00,000
  - (b) ₹ 18,00,000

- (c) ₹ 55,00,000
- (d) ₹ 49,50,000

5. What will be the amount of revenue to be recognized in the year 20X6-20X7 with respect to sales arrangement with B Ltd.?

- (a) ₹ 35,00,000
- (b) ₹ 29,50,000
- (c) ₹ 55,00,000
- (d) ₹ 49,50,000

1	2	3	4	5
d	b	c	a	b

**CASE SCENARIO 13 – RTP NOV'24**

M/s XYZ & Co. is an auditing firm. During his audit, the firm is facing difficulty in accounting of the following transaction for which, it seeks your answer:

- (i) A Ltd. has established a defined benefit pension plan for its eligible employees. The balance sheet of A Ltd. at 31st March, 20X7 currently includes the estimated net liability at 31st March, 20X6 amounting ₹ 18.75 crore. The following matters relate to the plan for the year ended 31st March, 20X7:
- The estimated current service cost was advised by the actuary to be ₹ 6 crore
  - On 31st March, 20X7, A Ltd. paid contributions of ₹ 7 crore into the plan and charged this amount as an operating expense.
  - The annual market yield on high quality corporate bonds on 1 April, 20X6 was 8%.
  - The estimated net liability at 31st March, 20X7 was advised by the actuary to be ₹ 20.5 crore.
- No benefits have been paid to date
- (ii) On 1st April 2XX0, E Ltd. completed the construction of a non-current asset with an estimated useful life of 20 years. The costs of construction were recognised in property, plant and equipment and depreciated appropriately. E Ltd. has a legal obligation to restore the site on which the non-current asset is located on 31st March 2X20. The estimated cost of this restoration work, at 31st March 2X20 prices is ₹ 2.5 crore. The directors of E Ltd. have made a provision of ₹ 0.125 crore ( $1/20 \times ₹ 2.5$  crore) in the draft balance sheet at 31st March, 2XX1. An appropriate annual discount rate to use in any relevant calculations is 6% and at this rate the present value of ₹ 1 payable in 20 years is 0.312

On the basis of the facts given above, chose the most appropriate answer to Questions 6 to 10 below based on the relevant Indian Accounting Standards (Ind AS)

1. **What is the amount of net adjustment to be made in the statement of profit and loss for the year 20X6-20X7 with respect to defined benefit pension plan?**
- (a) ₹ 7 crore added back to the profit of the year 20X6-20X7
  - (b) ₹ 6 crore deducted from the profit of the year 20X6-20X7
  - (c) ₹ 0.5 crore deducted from the profit of the year 20X6-20X7
  - (d) ₹ 1.5 crore deducted from the profit of the year 20X6-20X7
2. **What is the amount of actuarial gain/(loss) on defined benefit pension plan for the year 20X6-20X7?**
- (a) ₹ 1.5 crore
  - (b) ₹ 1.25 crore
  - (c) ₹ 1 crore
  - (d) ₹ 0.5 crore
3. **What is the original provision required to be made on account of restoration of non-current asset in the year 2XX0-2XX1?**
- (a) ₹ 0.78 crore
  - (b) ₹ 0.125 crore
  - (c) ₹ 0.039 crore
  - (d) No provision was required in the year 2XX0-2XX1 as it is the expense of the year 2X19-2X20

4. What will be the amount of adjustment to be made in the retained earnings on account of restoration provision?
- (a) ₹ 0.0468 crore
  - (b) ₹ 0.0390 crore
  - (c) ₹ 0.0392 crore
  - (d) ₹ 0.125 crore
5. What will be the amount of one year's unwinding of discount on account of restoration provision?
- (a) ₹ 0.0468 crore
  - (b) ₹ 0.0390 crore
  - (c) ₹ 0.0392 crore
  - (d) ₹ 0.125 crore

1	2	3	4	5
c	b	a	c	a

**ALL EXAM'S CASES AT ONE PLACE****CASE SCENARIO 14 – EXAM MAY'24**

Sea-link Limited is a company which manufactures ship and vessel parts and sells them to large companies across the globe. The company prepares financial statements under Ind AS Reporting Standards.

The accountant of the company Mr. Lalit needs your guidance in closing the books and preparation of the financial statements. Mr. Lalit is confused as to how he should treat the transactions for the year ended 31st March 2023 and explained you the transactions.

On 1st May 2022, Sea-link Limited acquired 75% of the equity shares of Sea Hawk Limited and gained control of Sea Hawk Limited. Sea Hawk Limited has 90 lakh equity shares in issue. Details of the purchase consideration are as follows:

On 1st May 2022, Sea-link Limited issued two shares for every three shares acquired in Sea Hawk Limited.

On 1st May 2022, the market value of an equity share in Sea-link Limited was ₹ 7.00 and the market value of an equity share in Sea Hawk Limited was ₹ 6.25.

On 30 April 2023, Sea-link Limited shall make a cash payment of ₹ 75.60 lakh to the former shareholders of Sea Hawk Limited who sold their shares to Sea-link Limited on 1st May 2022. On 1st May 2022, Sea link Limited would have needed to pay interest at an annual rate of 8% on borrowings.

On 30 April 2024, Sea-link Limited may make a cash payment of ₹ 250 lakhs to the former shareholders of Sea Hawk Limited who sold their shares to Sea-link Limited on 1st May 2022. This payment is contingent upon the revenues of Sea link Limited growing by 14% or more over the two-year period from 1st May 2022 to 30th April 2024. On 1st May 2022, the fair value of this contingent consideration was ₹ 230 lakh. On 31st March 2023, the fair value of the contingent consideration was ₹ 240 lakhs.

Sea-link Limited sold some ship and vessel components to a customer on 31st December 2022. The invoiced amount was ₹ 8,00,000. The company expected to receive the payment on 28th February 2023.

However, no cash was received till 31st March 2023. On 30th April 2023, the credit control department informed that the customer has major cash flow problems because of the failure of one of its projects, sometime in January 2023. They have agreed to allow the customer to settle the debt until 31st March 2024, by which time the customer is confident that the cash flow problems will be resolved.

Though Sea-link Limited currently expects that an annual interest of 6% (i.e., effective interest rate) can be received against any money lent out, yet it allowed this customer an interest free payment period.

Sea-link Limited acquired 25% share capital of Boat Limited on 1st April 2022 for ₹ 1,40,000. The carrying value of net assets of Boat Limited was ₹ 4,00,000 and fair value was ₹ 5,00,000 on the date of acquisition.

Boat limited which became an Associate company of Sea-link Limited provided the following information relating to Boat Limited for the year ended 31st March 2023 :

<b>Particulars</b>	<b>(₹ in lakh)</b>
Net Income after taxes	200
Decrease in accounts receivables	40
Depreciation	25
Increase in inventory	20
Tax charge for the year (including deferred tax liabilities)	10
Profit from sale of land	5

Sea-link. Limited holds a financial asset that is actively traded in two different markets. The company transacts in both markets equally. The price of the asset in market A is ₹ 60 lakhs. If the company sells the asset in market A, it incurs a transaction cost of ₹ 4 lakh. The price of the asset in market B is ₹ 58 lakhs. If the company sells the asset in market B, it incurs a transaction cost of ₹ 1 lakh.

Sea link limited also deals in and sells the satellite communication software license for ships, perform its

installation, provide software updates and technical support activities separately and so each performance obligation has a direct selling price and item-wise orders can be procured from the buyers based on their requirements.

Particulars	(₹ in lakh)
Software License	250
Installation service	50
Software updates	60
Technical support	40
Total	400

The customer wanted to place a composite contract for all the activities but did not agree to pay installation service charges. Sea-link Limited finally, after negotiations, agreed to waive installation service charges in full. Sea-link Limited enters into a contract with a customer to provide all above goods and services at a lump sum amount of ₹ 350 lakhs transaction price for all the four performance obligations as part of the contract during the financial year 2022-23. You are required to assist Mr. Lalit on account of the above transaction for the year ended 31st March 2023 by:

**Analyzing the transactions mentioned above and choose the correct option in the below questions 1 to 6 in line with the relevant Ind AS :**

- Calculate the company's Associate Boat Ltd.'s cash flow from operations ?**
  - ₹ 230 lakhs
  - ₹ 250 lakhs
  - ₹ 255 lakhs
  - ₹ 240 lakhs
- What is the amount of purchase consideration of acquisition of Sea Hawk Limited by Sea-link Limited in the business combination ?**
  - ₹ 315 lakhs
  - ₹ 385 lakhs
  - ₹ 615 lakhs
  - ₹ 390.60 lakhs
- How shall the Goodwill and investment in Boat Limited be recorded on the date of acquisition by Sea-link Limited in the books the company ?**
  - Goodwill ₹ 40,000 and investment ₹ 1,00,000.
  - Goodwill ₹ 15,000 and investment ₹ 1,25,000.
  - Goodwill or ₹ 15,000 will be shown separately along with carrying amount of investment of ₹ 1,40,000,
  - Goodwill of ₹ 15,000 will not be shown separately and will be recorded as part of carrying amount of investment ₹ 1,40,000,
- What amount be allocated as the transaction price of installation service as per the provisions of the relevant Ind AS?**
  - ₹ 50 lakh
  - Nil
  - ₹ 43.75 lakhs
  - ₹ 90 lakh
- Sea-link Limited holds a financial asset that is actively traded in two different markets. The company transacts in both markets equally. The selling price of the financial asset and transaction**

cost to be incurred are different in both the markets, which have already been given in above narration. You are required to determine the fair value of the financial asset ?

- (a) ₹ 56 lakh
- (b) ₹ 57 lakh
- (c) ₹ 58 lakhs
- (d) ₹ 60 lakh

6. Ind AS are applicable for accounting treatment for the year ended 31st March 2023, in transaction of ship vessel components delivery to a customer as on December 2022 ?

- (a) Ind AS 37 / Ind AS 109
- (b) Ind AS 10 / Ind AS 32
- (c) Ind AS 109 / Ind AS 32
- (d) Ind AS 109 / Ind AS 10

7. Which of the following common characteristics of derivative financial instruments distinguishes them from other types of financial instruments?

- (a) They impose a contractual obligation by one entity to deliver cash to another entity, to convey a contractual right.
- (b) They are financial investments in stocks, bonds, or other securities that are marketable.
- (c) They have a notional amount or payment provision that is based on the changes in one or more underlying variables.
- (d) Most financial instruments are valued on the balance sheet at fair value, but derivatives are valued on the balance sheet at cost.

8. When applying conceptual framework, the Chartered Accountant shall :

(i) Exercise professional judgment.

(ii) Remain alert for new information and to changes in facts and circumstances,

(iii) Use the reasonable and informed third party test,

- (a) (i) & (iii)
- (b) (ii) & (iii)
- (c) (i) & (ii)
- (d) (i), (ii) & (iii)

9. The Fancy Store inventory records, at March 31, revealed the following:

Particulars	₹
Inventory on hand, March 31st	3,00,000
Inventory purchased F.O.B Shipping point, shipped by vendor on March 25th, expected delivery date - April 1 <sup>st</sup>	1,00,000
inventory shipped to customers on March 28, F.O.B. destination, expected delivery date - April 2 <sup>nd</sup>	50,000
Goods held on consignment by Fancy Store, not included in inventory on hand	30,000

What is the value of Fancy Store's closing inventory at March 31st ?

- (a) ₹ 3,30,000
- (b) ₹ 3,00,000
- (c) ₹ 4,80,000
- (d) ₹ 4,50,000

1	2	3	4	5	6	7	8	9
b	c	d	c	c	d	c	d	d

**CASE SCENARIO 15 – EXAM MAY'24**

The Financial Statement of Brown Limited for the year ended 31st March 2024 are being viewed and the accountant has requested you to share your views on the following issues.

Brown Limited is engaged in agricultural plantation and farming on a large scale. On 1st April, 2023, the company received a government grant for ₹ 10 Lakhs subject to a condition that it will continue to engage in plantation of eucalyptus tree for a forthcoming period of four years. Eucalyptus trees are not considered as bearer plant in this case. The management has a reasonable assurance that the entity will comply with condition of engaging in the plantation of eucalyptus tree for specified period of four years.

Brown Limited started construction of a godown on 1st October 2022 and had taken a loan of US \$ 10,000 on 1st April, 2023, specifically for construction of the godown at an interest rate of 5% per annum for a tenure of one year. The exchange rate on 1st April 2023 was ₹ 75 per US\$. The exchange rate on 31st March 2024 was increased to ₹ 80 per US\$. The same amount could have been borrowed by Brown Limited on 1st April, 2023 in the local currency Rupee at an interest rate of 10% per annum for the same tenure. No other loan was taken by the company for construction of the godown and the construction of the godown was completed on 31st March, 2024

Brown Limited Purchased an office building on 1 April, 2021 and recorded it in the books at value of ₹ 5,00,000, under cost model, based on the IND AS 16 Property, Plant and Equipment. The building is being depreciated over a period of 20 years. Brown Limited no longer needs the office building space and on 1<sup>st</sup> April 2023, it entered into an agreement to lease the building to another company for 20 years. The valuation of the building was not changed and it stands at ₹ 4,25,000 in the books of the company after depreciation as at 31 March, 2024. The fair market value of the office building is pegged at ₹ 6,00,000 as on 31st March 2024,

Brown Limited acquired 10% additional shares in its existing subsidiary company namely, Black Limited at closing of the financial year 2023-24. As at the close of 31-03-2023, Brown Limited held 60% in Black Limited. The following relevant information is available in respect of the change in non-controlling interest in the subsidiary on the basis financial statements.

Separate Financial Statements	₹
Investment in subsidiary (60% interest) at cost as on 31 March 2023	1,20,000
Purchase price for additional 10% interest paid in financial year 2023-24	30,000
Consolidated Financial Statements	₹
Non-controlling interests (40%) as on 31 March 2023	84,000
Other Equity	2,00,000

Brown Limited has opened a new office in Gangtok under a lease. A specific requirement of the lease is that the asset is returned in good condition. The directors agreed for the same at a cost of ₹ 1.30 crores based on current price levels. The lease agreement was signed on 31st March 2024 and will last for five years. Due to severe cold weather, Brown Limited will have to spend ₹ 45,00,000. at the end of next year on renovating the building. In the directors' opinion, this expenditure will reduce, by an equivalent amount, against the overall refurbishment costs payable at the end of the lease term. Relevant discount rate applicable in this case is 10%.

**Analyze the transactions mentioned above and choose the correct option in the below questions 10 to 15 in line with the relevant Ind AS**

**1. What is the amount of the revaluation surplus that will be recognised by the company in respect of the building used as office and now given under lease as per applicable Ind AS ?**

- (a) ₹ 1,00,000
- (b) ₹ 1,75,000
- (c) ₹ 75,000

- (d) Nil
2. How much amount of provision should be recognized as at 31 st March 2024 for the office held on lease in Gangtok?
- (a) ₹ 93,69,000  
 (b) ₹ 52,78,500  
 (c) ₹ 1,30,00,000  
 (d) ₹ 40,90,500
3. What amount would be capitalized as borrowing cost of godown as per Ind AS 23 ?
- (a) ₹ 37,500  
 (b) ₹ 40,000  
 (c) ₹ 90,000  
 (d) ₹ 75,000
4. What is the amount if any that would be considered as the exchange difference to be accounted for against the loan taken for construction of godown as per Ind AS-21 –“The Effects of Changes in Foreign Exchange Rates” for the financial year 2023-24 ?
- (a) ₹ 15,000  
 (b) ₹ 50,000  
 (c) ₹ 25,000  
 (d) Nil
5. At what value non- controlling interest and other equity will be shown in consolidated financial statement immediately after the change in the non- controlling interest in Black Limited?
- (a) ₹ 1,05,000 and ₹ 2,00,000 respectively  
 (b) ₹ 54,000 and ₹ 2,00,000 respectively  
 (c) ₹ 63,000 and ₹ 1,91,000 respectively  
 (d) ₹ 84,000 and ₹ 2,00,000 respectively
6. What is the correct accounting treatment by the company for the Government grant and is in accordance with the applicable Ind AS provisions?
- (a) Recognise proportionate grant for ₹ 2.50 lakhs in Statement of Profit and Loss for the year ending 31st March 2024 as income following the principles laid down under Ind AS 20  
 (b) Recognise the grant ₹ 10 lakhs in Statement of Profit and Loss for the year ending 31st March 2024 as income following the principles laid down under Ind AS 20.  
 (c) Government grant for ₹10 lakhs shall be recognised in profit or loss when, and only when, the conditions attaching to the government grant are met i.e., after the expiry of specified period of four years of continuing engagement in the plantation of eucalyptus tree following the principles laid down under Ind AS 41.  
 (d) Recognise proportionate grant for ₹ 2.50 lakhs in Statement of Profit and Loss for the year ending 31st March 2024 as income following the principles laid down under Ind AS 41.

1	2	3	4	5	6
d	a	d	a	c	c

## MTP General MCQ

1. On 1st April 20X1, J Ltd. subscribed for 40 million ₹ 1 loan notes in C Ltd. The loan notes were issued at 90 paise and were redeemable at ₹ 1.20 on 31st March 20X6. Interest is payable on 31st March in arrears at 4% of par value. This represents an effective annual rate of return for J Ltd. of 9.9%.

J Ltd.'s intention is to hold the loan notes until redemption. Until 31st October, 20X2 C Ltd. was a successful company with a good reputation for settling all its liabilities on their due dates. However, due to an event which occurred on 31st October 20X2, three of C Ltd.'s major customers became insolvent and this caused liquidity problems for C Ltd. During November 20X2, C Ltd. entered into negotiations with all its creditors, including J Ltd.

J Ltd. agreed to forego the interest payments due on 31st March 20X2 and 20X3, with the payments from 31st March 20X4 onwards resuming as normal.

What would be the initial measurement of financial instruments as subscription of loan notes in C Ltd.?

- (a) ₹ 40 million
- (b) ₹ 37.782 million
- (c) ₹ 38.4 million
- (d) ₹ 36 million

2. ABC Ltd., a manufacturing entity, wants to forecast its financial performance based on various scenarios to comply with Ind AS guidelines. It took aid of Artificial Intelligence (AI), which can assist the company in generating accurate financial forecasts by analysing historical data, market trends, and relevant external factors. By leveraging machine learning algorithms, the company can simulate different scenarios, such as changes in market demand, input costs, or regulatory requirements.

How will AI help the management of the company?

- (a) With the help of AI, the company can make informed decisions,
- (b) With the help of AI, the company can assess potential risks
- (c) With the help of AI, the company can develop robust financial strategies in accordance with Ind AS principles.
- (d) All of the above

3. With respect to the best practices applicable to all companies, which of the following statements is incorrect?

- (a) Comply with the standards and regulations but also ensure that financial statements are an effective part of wider communication with stakeholders.
- (b) Disclose complete information in the financial to avoid any further cross questioning in the mind of the users.

- (c) Reduce generic disclosures and focus on company specific disclosures that explain how the company applies the policies.
- (d) Do not disclose assumptions and bases, so that users are not misled.

**4. Which of the following proactive measures do not mitigate cybersecurity risks?**

- (a) Ensure that all passwords are simple and are not changed regularly.
- (b) Include procedures for detecting, containing, and mitigating the impact of a cyberattack
- (c) Ensure that firewalls and other security measures are in place to prevent unauthorized access to the network.
- (d) Ensure that data backups are performed regularly and that backups are stored securely

1	d
2	d
3	d
4	a