

CMA Final

Corporate Financial Reporting (CFR)

MCQ Booklet

CA BISHNU KEDIA



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IND AS 8 - ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

+ PREVIOUS YEARS QUESTIONS

1. PEARL Ltd. changes its method of valuation of inventories from weighted-average method to first-in, first-out (FIFO) method. The Accountant opines that Ind AS 8 is applicable. PEARL Ltd. should account for this change as:
- A. A change in estimate and account for it prospectively.
 - B. A change in accounting policy and account for it prospectively.
 - C. A change in accounting policy and account for it retrospectively.
 - D. Account for it as a correction of an error and account for it retrospectively.

Answer: C

2. Pindari Ltd. changes its method of valuation of inventories from weighted-average method to first-in first-out (FIFO) method. The accountant opines that Ind AS 8 is applicable. Pindari Ltd. should account for it prospectively.
- A. A change in estimate and account for it prospectively.
 - B. A change in accounting policy and account for it prospectively.
 - C. A change in accounting policy and account for it retrospectively.
 - D. Account for it as a correction of an error and account for it retrospectively.

Answer: C

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3. Changes in Accounting Estimates result from-
- A. new information
 - B. new developments
 - C. they are not corrections of errors
 - D. All of these

Answer: D

4. Ind AS _____ shall be applied in:
- selecting and applying accounting policies,
 - accounting for changes in accounting policies,
 - changes in accounting estimates and
 - corrections of prior period errors.

A. 12

- B. 16
- C. 8
- D. 21

Answer: C

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5. According to IND AS 8, prior period errors shall be corrected:
- A. Prospectively
 - B. Retrospectively
 - C. Entity has a choice to correct prospectively or retrospectively
 - D. Prospectively and disclosure are required

Answer: B

6. Revisions resulting from a change in the valuation technique or its application shall be accounted for as-
- A. Change in accounting policy as per IND AS 8
 - B. Change in accounting estimate as per IND AS 8
 - C. Change in valuation technique is not permitted
 - D. Prior period error as per IND AS 8

Answer: B

7. Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied is considered as –
- A. Correction of error
 - B. Retrospective application
 - C. Retrospective restatement
 - D. Prospective application

Answer: B

8. Which of the following is treated as a change in the accounting policies in accordance with IND AS 8, Accounting Policies, Changes in Accounting Estimates and Errors?
- A. Change in composition of reportable segments
 - B. Changes in functional currency
 - C. Change in classification of financial assets
 - D. Changes in measurement method of Inventory

Answer: D

9. Which of the following shall be considered as a change in accounting policy?
- A. The application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring;
 - B. The application of a new accounting policy for transactions, other events or conditions that occurred previously or material
 - C. Both of the above
 - D. None of the above

Answer: B

10. In some cases, it is difficult to distinguish between a change of estimate and a change in accounting policy. How should the entity treat the same?
- A. Entire change as a change in accounting policy
 - B. Entire change as a change in accounting estimate with appropriate disclosure
 - C. Apportion, on a reasonable basis, between the change in estimate and the change in accounting policy and treat accordingly. Consistency should be there in all the future periods
 - D. Ignore the transaction

Answer: B

11. The selection and application of accounting policies for similar transactions, other events and conditions shall be:
- A. Consistent always
 - B. Consistent unless an IND AS specifically requires or permits categorisation of items for which different policies may be appropriate
 - C. Consistent only if IND AS specifically requires or permits categorisation of items for which different policies are not appropriate
 - D. Consistent unless the policy is not favourable to the entity

Answer: B

12. A company Bijay Ltd. made some changes in accounting policies and accounted for them in financial year 20X1-20X2. Due to changes in accounting policies, retrospective adjustment has tax effect related to previous years along with effect on the transaction. How will this be accounted for and disclosed?
- A. In accordance with IND AS 8
 - B. In accordance with IND AS 12
 - C. Tax effect in accordance with IND AS 12 and transaction effect in accordance with IND AS 8

D. Entity has the choice between options (A) and (B)

Answer: C

13. Which of the following items are examples of changes in accounting estimates?
- A loss allowance for expected credit losses, applying IND AS 109, Financial Instruments;
 - The net realisable value of an item of inventory, applying IND AS 2 Inventories;
 - The depreciation expense for an item of property, plant and equipment, applying IND AS 16; and
 - A provision for warranty obligations, applying IND AS 37, Provisions, Contingent Liabilities and Contingent Assets
- (i), (ii), (iii)
 - (i), (ii), (iv)
 - (i), (ii), (iii), (iv)
 - (ii), (iii)

Answer: C

14. Some new standards and amendments have been issued in the month of March 20X2, but it was effective from 1st April 20X2. In accordance with IND AS 8, what is the provision in this regard when the entity has not applied a new IND AS that has been issued but is not yet effective?
- Treated as change in accounting policy in the subsequent year
 - Only disclosure of the facts is required
 - Disclose both this fact and any known or reasonably estimable information relevant to assessing the possible impact that application of the new IND AS will have on the entity's financial statements in the period of initial application
 - Disclose both this fact and any known or reasonably estimable information relevant to assessing the possible impact that application of the new IND AS will have on the entity's financial statements

Answer: C

15. According to IND AS 8, when a change in accounting policy is applied retrospectively, the entity shall adjust:
- Opening balance of each affected component of equity for the earliest prior period presented.
 - Other comparative amounts disclosed for earliest prior period presented.
 - Other comparative amounts disclosed for each prior period presented.

- iv. Opening balance of each affected component of equity for each prior period presented.

State which of the above statements are correct –

- A. (i) and (ii)
- B. (i) and (iii)
- C. (ii) and (iv)
- D. (iii) and (iv)

Answer: B

16. While preparing the annual financial statements for the year ended 31st March 20X2, Buildings & Co. Limited charged certain expenses as finance cost (assume the expenses to be material on overall level). While preparing the annual financial statements for the year ended 31st March 20X3, management discovered that these expenses should have been classified as other expenses instead of finance costs. The error occurred because the management inadvertently misinterpreted certain facts. The management restated the comparative amount for the prior period presented i.e. for the year ended 31st March, 20X2.

Would the error of classifying certain other expenses instead of finance costs in the comparative amounts (31st March, 20X2) be considered as correction of an error? Would the entity need to present a third balance sheet in its financial statements for the year ended 31st March, 20X3?

- A. Reclassifications of previous year numbers is permissible in case of both balance sheet and statement of profit and loss and is not considered as an error.
- B. Reclassifications of previous year numbers shall be considered as an error and in case of an error it is mandatory to present a third balance sheet at the beginning of the period.
- C. Reclassifications of previous year numbers shall be considered as an error and since the retrospective restatement in statement of profit and loss has no impact on the information in balance sheet at the beginning of the preceding year i.e. 1st April, 20X1, the entity is not required to present the third balance sheet.
- D. Reclassifications of previous year numbers is permissible in case of only statement of profit and loss and is not considered as an error.

Answer: C

IND AS 12 – INCOME TAXES**PREVIOUS YEARS QUESTIONS**

1. From the given information, you are required to compute the Deferred Tax Assets (DTA) and Deferred Tax Liability (DTL) for CBBDT Ltd. as on 31st March, 2023. The tax rate applicable is 35%.
- (a) The company has charged a depreciation of ₹ 7,42,900 in its Books of Accounts while as per Income Tax computation, the depreciation available to the company is ₹ 8,65,400.
 - (b) The company has made Provision for Doubtful Debts for ₹ 54,300 during the year.
 - (c) The company has debited Share Issue Expenses of ₹ 6,23,500 which will be available for deduction under the Income Tax Act from the next year.
 - (d) The expenses of ₹ 7,84,500 has been charged to the Profit and Loss Account which are disallowed under the Income Tax Act.
 - (e) The company has made a Donation of ₹ 2,00,000 which has been debited to the Profit and Loss Account and only 50% thereof will be allowed as a deduction as per Income Tax Act.
- A. DTA ₹ 2,18,225, DTL ₹ 42,875
 - B. DTA ₹ 2,18,225, DTL ₹ 42,857
 - C. DTA ₹ 2,18,252, DTL ₹ 42,875
 - D. None of the above

Answer: A

2. ABC Ltd. reports quarterly and in the quarter ended 30.06.2023, it earned pre-tax profit of 3 crore but it expects to incur losses of ₹ 1 crore in each of three remaining quarter of the financial year. The tax rate on income is 30%. The management believes that since the company has zero income for the financial 2023-24, its income-tax expenses for the year will be zero. Calculate the amount of tax expenses to be reported in the first and fourth quarters.
- A. ₹ 90 lakh and ₹ Nil
 - B. ₹ Nil and ₹ Nil
 - C. ₹ 90 lakh and ₹ (30) lakh
 - D. None of the above

Answer: C

MODEL TEST PAPERS

3. A company creates provision for Gratuity and Leave encashment and recognises liability of ₹50,000. This is the only difference between taxable profits and accounting profits. The company measures current tax of ₹48,000 at tax rate of 25%. What will be the Tax Expenses.
- A. ₹ 35,500
 - B. ₹ 48,500
 - C. ₹ 12,000
 - D. ₹ 62,000

Answer: A

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4. An Entity recognize a Liability of ₹ 100 for Gratuity and Leave Encashment Expenses by creating a Provision. For Tax purposes, such amount will not be deductible until the Entity pays the same. Tax Rate is 25%. The Entity should –
- A. Recognise DTA ₹ 100
 - B. Recognise DTL ₹ 100
 - C. Recognize DTA ₹ 25
 - D. Recognize DTL ₹ 25
5. Tax Depreciation is accelerated, i.e. Tax Depreciation is higher than Accounting Depreciation. The entity should recognize –
- A. DTA
 - B. DTL
 - C. Both (A) and (B)
 - D. None of these

Answer: B

ICAI RESOURCES

6. To calculate the tax base of a liability for employee benefits, which one of the following formulas would be used?
- A. Carrying amount + Future assessable amounts
 - B. Carrying amount - Future non-assessable amounts of revenue
 - C. Carrying amount + Future deductible amounts for tax purpose w.r.t that liability

- D. Carrying amount - Future deductible amounts for tax purpose w.r.t that liability

Answer: D

7. 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. What is the tax base of the intangible asset?
- A. ₹ 15,00,000
B. ₹ 75,000
C. ₹ 14,25,000
D. Nil

Answer: D

8. Vikash Retail Private Limited had suffered heavy losses in previous periods. These losses are accumulated and eligible for setoff from future taxable income while calculating tax liabilities for future periods. However, there is no convincing evidence available which conveys that sufficient taxable profits will be available against which tax losses can be utilized.

What shall be the right accounting of tax losses accumulated by Vikash Retail Private Limited in its financial statements?

- A. The entity shall recognize the deferred tax asset on accumulated tax losses.
B. The entity shall not recognize the deferred tax asset on accumulated tax losses nor it shall disclose in financial statements.
C. The entity shall not recognize the deferred tax asset on accumulated tax losses however it shall disclose in financial statements the amount of accumulated tax losses and period by which it expires.
D. The entity shall recognize the deferred tax asset on accumulated losses and shall also provide the justification in financial statements for recognition of deferred tax assets.

Answer: C

9. Entity A has calculated taxable temporary differences of ₹ 50,00,000 and deductible temporary differences of ₹ 20,00,000 on separate items. The tax rate of the current year is 35%. However, tax rate in the previous year is 30% and it is expected that in future the tax rate would be 40%. What basis should be used for measurement of deferred tax assets and liabilities?

- A. 30%
- B. 35%
- C. 40%
- D. 5%

Answer: B

10. During the year ended 31st March 20X1, Zee Ltd has acquired 60% shares of Global. In accordance with IND AS 103 Business Combinations, goodwill arising on acquisition of subsidiary amounted to ₹ 20 lakhs. The tax rate applicable for Zee Ltd is 30%. The deferred tax liability relating to goodwill will be:

- A. ₹ 6,00,000
- B. ₹ 36,000
- C. ₹ 3,60,000
- D. ₹ 0

Answer: D

11. Star Ltd expects that it will earn a minimum of ₹ 250 lakhs per year for the anticipatable future and will be subject to 30% tax. A liability for ₹ 50 lakh in respect of accrued product warranty costs has been recognised by Star Ltd. For tax purposes, the product warranty costs will be deductible when the enterprise claims or incurs the costs. In accordance with IND AS 12 Income Taxes, which of the following Star Ltd should recognise as a deferred tax asset / liability?

- A. A deferred tax asset of ₹ 15 lakhs
- B. A deferred tax liability of ₹ 15 lakhs
- C. A deferred tax liability of ₹ 35 lakhs
- D. Neither a deferred tax asset or liability

Answer: A

12. New Age Technology Limited issued additional shares on 31st March, 20X3. Cost associated with the issue of equity were ₹ 50,00,000 and recorded directly in equity. Under Indian tax laws, deduction can be claimed over five-year period from the date of share issue. Assuming a tax rate of 30%.

What would be the amount of Deferred Tax Asset or Liability that the Company should recognize as on 31st March, 20X3 on the cost incurred on the issue of equity shares during the year?

- A. No DTA or DTL should be recognized
- B. DTA of ₹ 15,00,000
- C. DTL of ₹ 15,00,000
- D. DTA of ₹ 50,00,000

Answer: B

13. Joy Ltd. wishes to calculate tax base of its assets and defer tax as 31st March 20X5. The balance sheet has been adjusted by current tax expense. The extracts of the Assets part of the Balance Sheet as on 31st March 20X5 is as follows:

Assets	Amount (₹)
Non-current Assets	
Property, Plant and Equipment	12,00,000
Intangible Assets - Product Development Costs	60,000
Investment in Subsidiary - Pall Ltd.	4,40,000
Current Assets	
Trade Investments	2,08,000
Trade Receivables	6,26,000
Inventories	3,04,000
Cash and Cash Equivalents	1,80,000
Total Assets	30,18,000

Notes:

- (a) Depreciation expense for the year 20X4-20X5 allowable in accordance with tax laws is ₹ 2,06,000. Accounting depreciation included in operating costs is ₹ 1,70,000. The cost of PPE is ₹ 16,00,000 and Joy Ltd has deducted expenses of ₹ 4,16,000 in its tax returns prior to the financial year 20X4-20X5. Moreover, as on 31st March 20X5, Joy Ltd for the first time revalued its property, plant and equipment to fair value of ₹ 12,00,000 (revaluation surplus = ₹ 88,000).
- (b) In 20X1-20X2, Joy Ltd incurred product development costs of ₹ 1,00,000. These costs were recognized as an asset and being amortized over a useful period of 10 years. For tax purposes, Joy Ltd deducted full product development costs in 20X1-20X2.
- (c) Trade investments were acquired in 20X3-20X4 with a cost of ₹ 2,30,000. These investments are classified at fair value through profit and loss and thus recognized at their fair value. Fair value adjustments are not tax deductible.

Assuming the tax rate of 32% for the year 20X4-20X5.

- i. With respect to point (a), determine the tax base of property, plant and equipment for the year 20X4-20X5.
- A. ₹ 12,00,000
 B. ₹ 9,78,000
 C. ₹ 13,94,000

D. ₹ 11,84,000

Answer: B

ii. With respect to point (a), determine defer tax on property, plant and equipment for the year 20X4-20X5.

- A. DTL ₹ 71,040
- B. DTA ₹ 71,040
- C. DTL ₹ 28,160
- D. DTA ₹ 28,160

Answer: A

iii. With respect to point (b), determine the tax base of Product Development Cost for the year 20X4-20X5.

- A. ₹ 60,000
- B. ₹ 1,00,000
- C. ₹ 40,000
- D. Nil

Answer: D

iv. With respect to point (b), determine defer tax on Product Development Cost for the year 20X4-20X5.

- A. DTL ₹ 32,000
- B. DTA ₹ 32,000
- C. DTL ₹ 19,200
- D. DTA ₹ 19,200

Answer: C

v. With respect to point (c), determine the tax base of Trade Investment for the year 20X4-20X5.

- A. ₹ 2,30,000
- B. ₹ 2,08,000
- C. ₹ 22,000
- D. Nil

Answer: A

vi. With respect to point (c), determine defer tax on Trade Investment for the year 20X4-20X5.

- A. DTL ₹ 66,560
- B. DTA ₹ 66,560
- C. DTL ₹ 7,040
- D. DTA ₹ 7,040

Answer: D

vii. Determine the net defer tax asset / liability of Joy Ltd. for the year 20X4 20X5.

- A. DTL ₹ 83,200
- B. DTA ₹ 83,200
- C. DTL ₹ 97,280
- D. DTA ₹ 44,800

Answer: A

14. Joy Ltd. wishes to calculate tax base of its assets and defer tax as on 31st March 20X5. The balance sheet has been adjusted by current tax expense. The extracts of the Assets part of the Balance Sheet as on 31st March 20X5 is as follows:

Assets	Amount (₹)
Non-current Assets	
Property, Plant and Equipment	12,00,000
Intangible Assets - Product Development Costs	60,000
Investment in Subsidiary - Pall Ltd.	4,40,000
Current Assets	
Trade Investments	2,08,000
Trade Receivables	6,26,000
Inventories	3,04,000
Cash and Cash Equivalents	1,80,000
Total Assets	30,18,000

Notes:

(a) Bad debt provision amounts to ₹ 1,30,000 and relates to 2 debtors:

Debtor A ₹ 80,000 (receivable originated in 20X2-20X3 and 100% provision was recognized in 20X3-20X4) and

Debtor B - ₹ 50,000 (receivable originated in 20X3-20X4 and 100% provision was recognized in 20X4-20X5).

Tax law allows deduction of 20% of provision for debtors overdue for more than 1 year, another 30% for debtors overdue for more than 2 years and remaining 50% for debtors overdue for more than 3 years.

- (b) Joy Ltd accounts for inventory obsolescence provision. The new provision created in 20X4-20X5 was ₹ 10,800 (total provision: ₹ 18,000). This provision is not tax deductible, as it is a general provision.

Assume the tax rate of 32% for the year 20X4-20X5.

- i. With respect to point (a), determine the tax base of Trade Receivables for the year 20X4-20X5.
- A. ₹ 7,16,000
 - B. ₹ 7,46,000
 - C. ₹ 7,56,000
 - D. ₹ 7,06,000

Answer: D

- ii. With respect to point (a), determine defer tax on Trade Receivables for the year 20X4-20X5.
- A. DTA ₹ 28,800
 - B. DTA ₹ 41,600
 - C. DTA ₹ 25,600
 - D. DTA ₹ 41,600

Answer: C

- iii. With respect to point (b), determine the tax base of Inventories for the year 20X4-20X5.
- A. ₹ 3,04,000
 - B. ₹ 3,22,000
 - C. ₹ 3,14,800
 - D. Nil

Answer: B

- iv. With respect to point (b), determine defer tax on Inventories for the year 20X4-20X5.
- A. DTA ₹ 5,760
 - B. DTA ₹ 3,456
 - C. DTA ₹ 18,000

D. Nil

Answer: A

15. Joy Ltd. wishes to calculate tax base of its liabilities and defer tax as on 31st March 20X5. The balance sheet has been adjusted by current tax expense. The extracts of equity and liabilities portion of the Balance Sheet as on 31st March 20X5 is as follows:

Equity & Liabilities	Amount (₹)
Equity	
Share Capital	12,00,000
Accumulated Profits	7,37,438
Revaluation Surplus	88,000
Long-term Liabilities	
Deferred Income - Government Grants	40,000
Liability for Product Warranty Costs	16,000
Deferred Tax Liability (From 20X3-20X4)	22,162
Current Liabilities	
Trade Payables	7,64,000
Health Care Benefits for Employees	70,000
Current Tax Liability	80,000
Total Equity & Liabilities	30,18,000

Notes:

- Government grants are not taxable. Government grants received in 20X4-20X5 is appearing in the balance sheet.
- In 20X4-20X5, Joy Ltd made a further provision for product warranty of ₹ 5,000. Such provisions for product warranty costs are not tax deductible until the claims are paid or settled. During the year 20X4-20X5, warranty claims were paid/settled for ₹ 6,200.
- During the year 20X4-20X5, Joy Ltd introduced health care benefits for employees. The expenses are allowable as a deduction in tax only when benefits are paid but in line with Ind AS 19, such liability is recognized in profit or loss when employees provide service.

Assume the tax rate of 32% for the year 20X4-20X5.

- With respect to point (a), determine the tax base of Government grants for the year 20X4-20X5.
 - ₹ 40,000
 - ₹ 12,800

- C. ₹ 27,200
- D. Nil

Answer: D

- ii. With respect to point (a), determine defer tax on Government grants for the year 20X4-20X5.
 - A. DTA ₹ 40,000
 - B. DTL ₹ 12,800
 - C. Deferred income - Government Grant will not be taxable
 - D. Nil

Answer: C

- iii. With respect to point (b), determine the tax base of liability for product warranty costs for the year 20X4-20X5.
 - A. ₹ 5,000
 - B. ₹ 16,000
 - C. ₹ 6,200
 - D. Nil

Answer: D

- iv. With respect to point (b), determine defer tax on Liability for product warranty costs for the year 20X4-20X5.
 - A. DTA ₹ 5,120
 - B. DTL ₹ 5,120
 - C. Liability for product warranty costs will not be taxable
 - D. Nil

Answer: A

- v. With respect to point (c), determine the temporary difference, as per Ind AS 12, on account of Health care benefits for employees for the year 20X4-20X5.
 - A. ₹ 70,000
 - B. ₹ 80,400
 - C. ₹ 22,162
 - D. Nil

Answer: A

- vi. With respect to point (c), determine defer tax on Health care benefits for employees for the year 20X4-20X5.
- A. DTL ₹ 22,400
 - B. DTA ₹ 22,400
 - C. Health care benefits for employees will not be taxable
 - D. Nil

Answer: B

IND AS 16 – PROPERTY, PLANT & EQUIPMENT**✚ ICMAI STUDY MATERIAL**

1. The _____ of an item of property, plant and equipment shall be recognised as an asset if, and only if: (i) it is probable that _____ associated with the item will flow to the entity; and (ii) the _____ of the item can be measured reliably.
- A. cost, future economic benefits, cost
B. future economic benefits, cost, future economic benefits
C. cost, cost, cost
D. future economic benefits, future economic benefits, future economic benefits

Answer: A

2. Property Plant and Equipment (PPE) are initially recognized at _____
- A. purchase price
B. fair value
C. cost
D. future economic benefits

Answer: C**✚ PREVIOUS YEARS QUESTIONS**

3. CORE Ltd. has a plant with a carrying amount of ₹ 1,20,000 as on April 1, 2022. Useful life is 10 years of which 4 years remains on the date. The company decides to revalue the plant to ₹ 2,00,000 on April 1, 2022 and recognize revaluation reserve of ₹ 80,000. Calculate depreciation to be accounted for in the Statement of Profit or Loss in 2022-23.
- A. ₹ 30,000
B. ₹ 50,000
C. ₹ 12,000
D. ₹ 10,000

Answer: B

4. On April 1, 2019, RIHAND Ltd. purchased heavy-duty equipment for ₹ 4,00,000. On the date of installation, it was estimated that the machine has a useful life of 10 years and a residual value of ₹ 40,000. Accordingly, the annual depreciation worked out to ₹ 36,000 = $[\text{₹ } 4,00,000 - \text{₹ } 40,000] / 10$. On April 1, 2023, after four years of using the equipment, the company decided to review the useful life of the

equipment and its residual value. Technical experts were consulted. According to them, the remaining useful life of the equipment at April 1, 2023 was seven years and its residual value was ₹46,000. Compute the revised annual depreciation for the year 2023-24 and future years.

- A. ₹ 40,000
- B. ₹ 36,000
- C. ₹ 50,571
- D. ₹ 30,000

Answer: D

5. Narmada Ltd. owns a machinery which is carried in its Balance Sheet at the carrying amount of ₹ 15 million. The fair value of the machinery is ₹ 22.5 million. It exchanges this machinery for a building having a fair value of ₹ 30 million and pays additional cash of ₹ 4.5 million. As per the relevant Ind AS, the profit on exchange of machinery is:

- A. ₹ 7.5 million
- B. ₹ 12 million
- C. ₹ 19.5 million
- D. None of the above

Answer: A

MODEL TEST PAPERS

6. The carrying value of PPE at 1 July 2023 was ₹15,780 (cost ₹20,580 and accumulated depreciation ₹4,800). During the year to 30 June 2024 PPE costing ₹4,530 were purchased. The depreciation policy is to charge depreciation at 20% on all assets held at the year-end on the diminishing balance basis. Accumulated depreciation for the balance sheet as at 30 June 2025 would be:

- A. ₹ 8,862
- B. ₹ 10,782
- C. ₹ 9,822
- D. ₹ 12,978

Answer: B

7. Ind AS 16 does not apply to which of the following?
- A. Biological assets (other than bearer plants) related to agricultural activity
 - B. Assets in exploration for and evaluation of Mineral Resources
 - C. Mineral rights and mineral reserves such as oil, natural gas etc.
 - D. All of the above

Answer: D

ICAI RESOURCES

8. When it is _____ that future economic benefits associated with an asset will flow to the entity, and the cost of the asset can be _____ measured, it should be recognized as an asset.
- A. Possible, reasonably
 - B. Possible, reliably
 - C. Probable, reliably
 - D. Probable, reasonably

Answer: C

9. Which of these is an allowable cost of an asset for capitalisation under IND AS 16?
- A. Professional fees
 - B. General overheads
 - C. Initial operating losses
 - D. Administration expenses

Answer: A

10. Under IND AS 16, how often should the useful life of an asset be reviewed?
- A. At least at each financial year end
 - B. Every six months
 - C. At managements discretion
 - D. Never

Answer: A

11. When an asset is sold or disposed of, where is the gain or loss recognized?
- A. Asset disposal account
 - B. Profit and Loss
 - C. Revaluation reserve
 - D. Depreciation

Answer: B

12. Under IND AS 16, which two subsequent accounting treatments are allowed subsequently to initial recognition?

- A. Cost model and present value model
- B. Cost model and revaluation model
- C. Fair value model and revaluation model
- D. Fair value model and cost model

Answer: B

13. When revaluation model is used for PPE, gain on revaluation should be treated as:
- A. Income in the Statement of profit and loss for the period
 - B. Gain from revaluation in the income statement
 - C. A revaluation surplus accounted in OCI
 - D. An extraordinary gain or loss in the income statement

Answer: C

14. TI Private Limited has adopted revaluation model, as per IND AS, since 1st April, 20X1 to measure its property, plant and equipment (PPE) and have revalued it as follows:
- As on 1st April, 20X1, PPE has been revalued up by ₹ 3,00,000.
 - As on 31st March, 20X2, PPE has been revalued down by ₹ 3,60,000
 - As on 31st March, 20X3, A PPE has been revalued up by ₹ 5,00,000
- How will the increase in year 20X2-20X3 be recognized in the financials of TI Private Limited?
- A. ₹ 5,00,000 is credited to Other Comprehensive Income
 - B. ₹ 60,000 is credited to Profit and Loss Account and ₹ 4,40,000 is credited to Other Comprehensive Income
 - C. ₹ 60,000 is credited to Other Comprehensive Income and ₹ 4,40,000 is credited to Profit and Loss Account
 - D. ₹ 5,00,000 is credited to Profit and Loss Account

Answer: B

15. Slow Ltd. chooses to revalue property under Ind AS 16. On 31st March, 20X1, their head office building is valued at ₹ 30 Lakhs when it is recorded in the financial statements at historical cost of ₹ 25 Lakhs with ₹ 4.5 Lakhs of accumulated depreciation charged against it. Which of the following statement is true regarding the accounting treatment of the property?
- A. A revaluation gain of ₹ 5 Lakhs should be recorded through Other Comprehensive Income, grouped with other items that will not subsequently be reclassified to Profit and Loss
 - B. A revaluation gain of ₹ 5 Lakhs should be recorded through Profit and Loss

- C. A revaluation gain of ₹ 9.5 Lakhs should be recorded through Other Comprehensive Income, grouped with other items that will not subsequently be reclassified to Profit and Loss
- D. A revaluation gain of ₹ 9.5 Lakhs should be recorded through Other Comprehensive Income, grouped with other items that will subsequently be reclassified to Profit and Loss

Answer: C

16. If one large asset has a number of individual components with different useful lives, how should this be depreciated?
- A. Treat as one asset and depreciate in accordance with highest useful life of the component
 - B. Break down into different components and depreciate every component separately as per the useful life of that component
 - C. Expense it all
 - D. Treat as one asset, but disclose only in the notes to the financial statements

Answer: B

17. Kedia Private Limited has stopped manufacturing operations in its plant for 3 months in the year ended 31st March, 20X1. How should Kedia Private Limited account for depreciation relating to the 3 months in which plant was idle under Ind AS 16?
- A. No depreciation should be charged for 3 months.
 - B. Depreciation for 3 months in which plant was idle should be recognized in Other Comprehensive Income
 - C. Depreciation for 3 months in which plant was idle should be recognized in Retained Earnings
 - D. Depreciation for 3 months in which plant was idle should be recognized in Profit and Loss

Answer: D

18. New Age Technology Limited is an IT infrastructure Company which provides customize IT solutions to its customers.

New Age Technology Limited enters into a barter transaction to exchange its existing server for new high-end laptop with its vendor, Sunshine Limited. The server has a fair value of ₹ 2,00,000 and a carrying amount of ₹ 1,75,000. Whereas, the high-end laptop has a fair value of ₹ 2,50,000 and carrying amount of ₹ 2,10,000 in the books of Sunshine Limited.

At what value should New Age Technology Limited record the high-end laptop purchased in exchange for its existing server in its books of accounts?

- A. ₹ 2,00,000
- B. ₹ 1,75,000
- C. ₹ 2,50,000
- D. ₹ 2,10,000

Answer: A

19. Bunty 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:

An item of equipment X was acquired by Bunty 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.

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?

- A. Annual depreciation charge will be ₹ 10,000 and an annual transfer of ₹ 3,000 can be made from revaluation surplus to retained earnings
- B. Annual depreciation charge will be ₹ 10,000, however, annual transfer from revaluation surplus to retained earnings is not permitted
- C. Annual depreciation charge will be ₹ 13,000 and an annual transfer of ₹ 3,000 may be made from revaluation surplus to retained earnings
- D. Annual depreciation charge will be ₹ 13,000, however, annual transfer from revaluation surplus to retained earnings is not permitted

Answer: C

20. Mr. H is a Chartered Accountant and is working in GHI & Co., Chartered Accountants as a Manager. GHI & Co. has recently been approached by A Ltd. for providing advice on certain accounting matters (discussed below). A Ltd. is an automotive supplier having a registered office in New Delhi and is listed on the Bombay Stock Exchange (BSE).

A Ltd. has a machinery costing ₹ 15,00,000 having a useful life 10 years. Estimated cost of major overhaul planned after 3 years is ₹ 2,00,000.

Considering the principles of Ind AS, determine the accounting for machinery held by A Ltd.

- A. Machinery of ₹ 15,00,000 should be depreciated over a period of 10 years.
- B. Machinery of ₹ 13,00,000 should be depreciated over a period of 10 years; major overhaul cost of ₹ 2,00,000 should be depreciated over a period of 3 years.
- C. Machinery of ₹ 15,00,000 should be depreciated over a period of 10 years and cost of major overhaul of ₹ 2,00,000 should be recognised at the end of third year.
- D. Machinery of ₹ 13,00,000 should be depreciated over a period of 10 years; major overhaul cost of ₹ 2,00,000 should be recognised at the end of third year.

Answer: B

21. NM Limited is a huge machine manufacturer. It has to overhaul its machinery every 3 years. It has purchased machinery worth ₹ 50,00,000. It is estimated that the overhaul costs will be ₹ 5,00,000. It is expected that the machine will have a useful life of 10 years. How should NM Limited initially recognise the purchase of its machinery?
- A. Recognise the machine at its cost of ₹ 50,00,000 and depreciate over 10 years.
 - B. Recognise two assets - the machine worth ₹ 45,00,000 to be depreciated over 10 years and costs related to overhaul of ₹ 5,00,000 to be depreciated over 3 years.
 - C. Recognise two assets - the machine worth ₹ 50,00,000 to be depreciated over 10 years and costs related to overhaul of ₹ 5,00,000 to be depreciated over 3 years.
 - D. Recognise an asset for ₹ 45,00,000 to be depreciated over 10 years and expense ₹ 5,00,000 immediately.

Answer: B

22. FA Ltd. is a company which manufactures aircraft parts and engines and sells them to large multinational companies like Boeing and Airbus Industries.

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:

(₹ in Lakhs)

Sl. No.	Details	Amount
1	Costs of the basic materials (list price ₹ 12.5 lakhs less 20% trade discount)	10.00
2	Recoverable goods and services tax incurred but not included in the purchase cost	1.00
3	Employment costs of the construction staff for three months till 30 th June, 20X2	1.20
4	Other overheads directly related to the construction	0.90
5	Payments to external advisors relating to the construction	0.50
6	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. Basis the above information, answer the following questions:

- i. Which of the following items need to be capitalized in determining the cost of Production Line?
 - A. Abnormal cost of ₹ 0.3 lakhs
 - B. Recoverable GST of ₹ 1 lakhs
 - C. Initial estimate of the costs of dismantling and removing the item and restoration of site of ₹ 2 lakhs
 - D. Initial estimate of the costs of dismantling and removing the item and restoration of site of ₹ 1.36 lakhs

Answer: D

- ii. 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

Answer: C

- iii. 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

Answer: A

23. 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.

- i. 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

Answer: A

- ii. 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

Answer: C

iii. 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

Answer: A

IND AS 21 - THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

PREVIOUS YEARS QUESTIONS

1. An entity purchases plant from a foreign supplier for \$3 million on January 31, 2025, when the exchange rate was ₹ 72 = \$1. At the entity's year-end on March 31, 2025, the amount has not been paid. The closing exchange rate was ₹ 75 = \$1. The entity's functional currency is the INR. Which of the following statements is correct?
- A. Cost of plant ₹ 216 million, exchange loss ₹ 9 million, trade payable ₹ 225 million.
- B. Cost of plant ₹ 225 million, exchange loss ₹ 9 million, trade payable ₹ 225 million.
- C. Cost of plant ₹ 216 million, exchange loss ₹ 9 million, trade payable ₹ 216 million.
- D. Cost of plant ₹ 216 million, exchange loss ₹ nil, trade payable ₹ 216 million.

Answer: A

MODEL TEST PAPERS

2. Peta Ltd. declares the following information:

Particulars	Exchange Rate (USD/₹)
Purchased goods on 12.03.2022 of USD 1,00,000	76.76
Exchange rate as on 31.03.2022	75.91
Date of actual payment is 12.04.2022	75.98

What will be the gain/loss to be booked in the financial year 2021-22?

- A. ₹ 90,000 (loss)
- B. ₹ 40,000 (loss)
- C. ₹ 1,30,000 (loss)
- D. None of the above

Answer: D

3. Utkarsh Ltd. declares the following information:

Particulars	Exchange Rate (USD/₹)
Purchased goods on 12.03.2022 of USD 1,00,000	78.60
Exchange rate as on 31.03.2022	79.00

Date of actual payment is 12.04.2022	79.50
--------------------------------------	-------

What will be the gain/loss to be booked in the financial year 2021-22?

- A. ₹ 90,000 (loss)
- B. ₹ 40,000 (loss)
- C. ₹ 1,30,000 (loss)
- D. None of the above

Answer: B

ICMAI MCQ BANK

4. _____ are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money.
- A. Non Money Items
 - B. Monetary Items
 - C. Financial Items
 - D. Current Items

Answer: B

ICAI RESOURCES

5. In the context of IND AS 21, which of the following is not a monetary item?
- A. Cash and bank balances
 - B. Fixed deposits
 - C. Shareholders equity
 - D. Accounts payable
6. Pursuant to IND AS 21, which factor will not be used in determining the entity's functional currency?
- A. The currency that primarily influences the prices at which goods and services are sold
 - B. The currency in which the costs of the entity are mainly denominated
 - C. The currency which is used mostly for international trading in that industry
 - D. The currency in which funds from financing are generated

Answer: C

7. Parent P owns 80% of net assets of Subsidiary S. S's functional currency is Dinar. S was acquired on 30th September, 20X1 and its net assets fair value was Dinar 40,000. P has recognised a cost of investment amounting to CU 10,675 in its financial statements. The groups accounting policy for goodwill is to recognise it on a proportionate basis.

Exchange rates are as follows:

30th September, 20X1 CU 1= 6.5 Dinar

31st December, 20X2 CU 1= 6.0 Dinar

Calculate the goodwill to be recognised in the consolidated statement of balance sheet as at 31st December, 20X2 under IND AS 21

- A. CU 3,207
- B. CU 3,918
- C. CU 5,342
- D. CU 6,231

Answer: D

8. Cast Ltd is a New York based company engaged in the business of manufacturing mobile handsets. Cast's functional currency is the dollar.

Cast purchased a machine on credit from a European supplier for Euro\$6 million on 31st January, 2018. At this date the exchange rate was Euro\$2 = \$1.

Cast did not settle the dues until its reporting date i.e. 31st March, 20X1. At this date the closing exchange rate was Euro\$1.5= \$1. Cast follows cost model for measuring its non-current assets.

Which one of the following statements is correct in accordance with IND AS 21- The Effects of Changes in Foreign Exchange Rates for the period ending 31st March 20X1?

- A. Cost of machine \$ 4 million, trade payable \$ 3 million, exchange gain \$ 1 million
- B. Cost of machine \$ 3 million, trade payable \$ 4 million, exchange loss \$ 1 million
- C. Cost of machine \$ 3 million, trade payable \$ 4 million, exchange loss \$ 1.2 million
- D. Cost of machine \$ 4 million, trade payable \$ 4 million, no exchange loss

Answer: B

9. Zee Ltd. imported an item of Property, plant and equipment i.e. machinery costing USD 100,000. The exchange rate as at the date of receipt of the Plant and Machinery in India was ₹ 60 = 1 USD.

However, at the time of remitting the payment to the foreign vendor [30 days after receipt of the Plant and machinery in India] the exchange rate was ₹ 62 = 1 USD. Accordingly, Zee Ltd. passed a journal entry debiting Vendor account for ₹ 60,00,000, debiting Exchange loss for ₹ 2,00,000 and crediting bank account for ₹ 62,00,000.

At the first balance sheet date after the acquisition of the aforesaid Plant and Machinery, Zee Ltd. opted to use the Revaluation model.

The accounting treatment as per IND AS 21 as regards the exchange loss of ₹ 2,00,000 is as follows:

- A. ₹ 2,00,000 being a realised exchange loss on a monetary item, it should be recognized in Profit or Loss account
- B. ₹ 2,00,000 being an unrealised exchange loss on a monetary item, it should be recognised in Profit or Loss account
- C. ₹ 2,00,000 being a realised loss on a non-monetary item, it should be recognised in Profit or Loss account
- D. ₹ 2,00,000 being a realised loss on a non-monetary item, it should be recognised in Other Comprehensive Income as the asset is being accounted under the revaluation model

Answer: A

10. ABC Ltd., during the financial year ended 31st March 20X2, disposed of an investment in a foreign operation. Up to the date of disposal, ABC had to translate the financial statement of the foreign operation from another currency for inclusion in its consolidated financial statements.

During prior reporting periods, ₹ 14,000 of exchange difference gains net of tax (pre-tax exchange difference gains ₹ 20,000) had been recognised in OCI in the consolidated financial statements of ABC Ltd.

During the year 20X2 reporting period, ₹ 3,500 exchange difference gain net of tax (pre-tax exchange difference gain ₹ 5,000) up to the date of disposal of the foreign operation had been recognised in OCI.

Which one of the following statements is correct in relation to the treatment of the disposal of the foreign operation in the consolidated statement of profit or loss and OCI of ABC for the year ended 31st March 20X2?

- A. OCI would include an exchange difference net of tax gain of ₹ 3,500

- B. OCI would include a reclassification adjustment net of tax of ₹ 14,000
- C. OCI would include a reclassification adjustment net of tax of ₹ 17,500
- D. No reclassification adjustment from OCI to profit or loss is necessary on disposal of the foreign operation

Answer: C

11. Ganga Ltd. (herein after referred to as ‘the Company’) is currently engaged in different business segments and is also looking to expand its operations overseas. The Company is also exploring investment from an overseas investor to carry out the expansion plan. The functional currency of G Ltd. is Rupees. The Company is required to submit its financial statements for the year ended 31st March, 20X2 as per Ind AS.

On 30th September, 20X1, the Company acquired 70% of the share capital of Mahanadi Ltd., an entity registered as company in Germany. The fair value of the net assets of Mahanadi Ltd. was 23 million EURO and the purchase consideration paid was 17.5 million EURO on 30th September, 20X1.

The exchange rates as at 30th September, 20X1 was ₹ 82 / EURO and at 31st March, 20X2 was ₹ 84 / EURO. NCI is valued at proportionate share of fair value of net assets of Mahanadi Limited.

- i. What will be the value of goodwill on the acquisition of Mahanadi Ltd., in Euro, as on 30th September, 20X1?
 - A. 5.5 million EURO
 - B. 2 million EURO
 - C. 1.4 million EURO
 - D. Nil

Answer: C

- ii. What will be the value of goodwill to be recognised in the financial statements of Ganga Ltd. as on 31st March, 20X2?
 - A. ₹ 117.6 million
 - B. ₹ 114.8 million
 - C. ₹ 451 million
 - D. ₹ 462 million

Answer: A

IND AS 23 – BORROWING COSTS**✚ ICAI STUDY MATERIAL**

1. X Ltd. borrowed \$6000 for construction of a qualifying asset at 3% interest p.a. on 01.04.2019 when \$1 = ₹ 60, which is due for payment on 31.03.2021. The company could borrow the amount in rupees at 12% interest pa. Interest is payable on 31st March, 2021. Construction of asset will continue till 31.03.2021. Answer Q (i) to Q (ix).

- i. If on 31.03.2020 \$1 = ₹ 70 which of the following statements is not true?
- Exchange loss = ₹ $(60 - 70) \times \$ 6,000 = ₹ 60,000$
 - Cost of borrowing in foreign currency = $3\% \times \$ 6,000 \times ₹ 70 = ₹ 12,600$
 - Cost of borrowing in functional currency = $12\% \times \$ 6,000 \times ₹ 60 = ₹ 43,200$
 - Cost of borrowing in foreign currency = $3\% \times \$ 6000 \times ₹ 60 = ₹ 10,800$

Answer: D

- ii. If on 31.03.2019 \$1 = ₹ 70, borrowing cost = Cost of borrowing in foreign currency plus
- Exchange loss of ₹ 60,000
 - Exchange loss less cost of borrowing in foreign currency = ₹ 60,000 – ₹ 12,600 = ₹ 47,400
 - Cost of borrowing in functional currency less Cost of borrowing in foreign currency = ₹ 43,200 – ₹ 12,600 = ₹ 30,600 (not exceeding exchange loss)
 - ₹ 60,000 – ₹ 43,200 = ₹ 16,800

Answer: C

iii. If on 31-03-2020 \$1 = ₹ 70, borrowing cost is

- ₹ 60,000
- ₹ 12,600 + ₹ 30,600 = ₹ 43,200
- ₹ 12,600 + ₹ 16,800 = ₹ 29,400
- ₹ 30,000

Answer: C

iv. If on 31-03-2020 \$1 = ₹ 63, borrowing cost is

- Exchange loss of ₹ 18,000

- B. Cost of borrowing in foreign currency = $3\% \times 6000 \times ₹ 63 = ₹ 11,340$
- C. Cost of borrowing in functional currency = $12\% \times 6000 \times ₹ 60 = ₹ 43,200$
- D. $₹ 11,340 + ₹ 18,000 [(c-b) \text{ not exceeding } (a)] = ₹ 29,340$

Answer: D

- v. If on 31-03-2020 \$1 = ₹ 70 and on 31-03-2021 \$1 = ₹ 54, borrowing cost in the year ending on 30 03-2021 is
 - A. reduced by exchange gain = $₹ (60 - 54) \times \$ 6000 = ₹ 36,000$
 - B. reduced by exchange gain not exceeding exchange loss previously recognised as adjustment = ₹ 30,600
 - C. increased by exchange gain = $₹ (60 - 54) \times \$ 6000 = ₹ 36,000$
 - D. increased by ₹ 30,600

Answer: B

- vi. If on 31-03-2020 \$1 = ₹ 70 and on 31-03-2021 \$1 = ₹ 57, borrowing cost in the year ending on 30 03-2021 is
 - A. reduced by exchange gain not exceeding exchange loss previously recognised as adjustment = $₹ (60 - 57) \times \$ 6000 = ₹ 18,000$
 - B. exchange loss previously recognised as adjustment = ₹ 30,600
 - C. increased by exchange gain = ₹ 18,000
 - D. increased by ₹ 30,600

Answer: A

- vii. If on 31-03-2020 \$1 = ₹ 70, in the year ending on 31-03-2020:
 - A. borrowing cost capitalised is ₹ 12,600 and Exchange loss expensed in SOPL is ₹ 60,000
 - B. borrowing cost capitalised is $₹ 12,600 + ₹ 30,600 = ₹ 43,200$ and Exchange loss expensed in SOPL is $₹ (60,000 - 30,600) = ₹ 29,400$
 - C. borrowing cost capitalised is ₹ 30,600 and Exchange loss expensed in SOPL is $₹ (60,000 - 30,600) = ₹ 29,400$
 - D. None of the above

Answer: D

- viii. If on 31-03-2020, \$1 = ₹ 70 and on 31-03-2021, \$1 = ₹ 54, in the year ending on 30-03-2021:
 - A. borrowing cost capitalised is $₹ 9,720 - ₹ 36,000 = - ₹ 26,280$.
 - B. borrowing cost capitalised is ₹ 9,720

- C. borrowing cost capitalised is ₹ 9,720 - ₹ 30,600 = - ₹ 20,880
- D. Nil

Answer: C

- ix. If on 31-03-2020 \$1 = ₹ 70 and on 31-03-2021 \$ 1 = ₹ 57, in the year ending on 30-03-2021:
- A. borrowing cost capitalised is ₹ 10,260 - ₹ 18,000 = - ₹ 7,740
 - B. borrowing cost capitalised is ₹ 10,260
 - C. borrowing cost capitalised is ₹ 10,260 - ₹ 30,600 = ₹ 20,340.
 - D. Nil

Answer: A

2. X Ltd. borrowed ₹6,00,000 at 15% interest from bank and issued 12% Debenture of ₹ 4,00,000 for construction of a factory and an office building on 01.04.2021. The amount was utilised for construction of factory ₹3,00,000 on 01.07.2021 and for construction of building ₹ 7,00,000 on 01.10.2021, the unutilised amount was invested at 10% Bonds. Answer Q (i) to Q (ii).

- i. Which of the following statements is not true?
- A. The capitalisation rate is $15 \times 0.6 + 12 \times 0.4 = 13.8\%$
 - B. Borrowing cost for factory without adjusting investment income is $13.8\% \times ₹ 3,00,000 = ₹ 41,400$
 - C. Borrowing cost for building without adjusting investment income is $13.8\% \times ₹ 7,00,000 = ₹ 96,600$
 - D. Borrowing cost for building without adjusting investment income is $13.8\% \times 7,00,000 \times 6/12 = ₹ 48,300$

Answer: D

- ii. Which of the following statements is not true?
- A. The investment income is $₹ 3,00,000 \times 3/12 \times 7\% + ₹ 7,00,000 \times 6/12 \times 7\% = ₹ (5,250 + 24,500) = ₹ 29,750$
 - B. The investment income is $₹ 3,00,000 \times 6/12 \times 7\% + ₹ 7,00,000 \times 3/12 \times 7\% = ₹ (10,500 + 12,250) = ₹ 22,750$
 - C. borrowing cost capitalised for factory is $₹ 41,400 - ₹ 5,250 = ₹ 36,150$
 - D. borrowing cost capitalised for building is $₹ 96,600 - ₹ 24,500 = ₹ 72,100$

Answer: B

✚ ICMAI MCQ BANK

3. Hari Ltd has purchased a Ship during the year on deferred payments basis, payable over next 10 years. This ship is –
- A. Qualifying asset as per Ind AS 23
 - B. Non Qualifying Asset as per Ind As 23
 - C. Qualifying Asset as per Ind AS 29
 - D. Non qualifying Asset as per Ind AS 29

Answer: B

4. Borrowing Costs directly attributable to _____ of a Qualifying asset should be capitalized as part of the cost of that Asset.
- A. Acquisition
 - B. Construction
 - C. Production
 - D. All of these

Answer: D

✚ PREVIOUS YEARS QUESTIONS

5. Harish Ltd. has taken a loan of USD 22,000 @ 5% p.a., for constructing a plant, interest payable on which is annual. On 1st April, 2023, the exchange rate was ₹ 45 per USD. The exchange rate on 31st March, 2024 is ₹ 48 per USD. Had Harish Ltd. borrowed the corresponding amount from Union Bank of India, the rate of interest would have been 11% p.a. The borrowing cost to be capitalized for the year ended 31st March, 2024 as per the relevant Ind AS is:
- A. ₹ 52,800
 - B. ₹ 1,08,900
 - C. ₹ 56,100
 - D. ₹ 66,000

Answer: B

✚ ICAI RESOURCES

6. Which of the following is not a qualifying asset?
- A. Financial assets
 - B. Investment properties
 - C. Intangible plants
 - D. Bearer plants

Answer: A

7. Which of the following would be considered as borrowing cost to be capitalised?
- A. Interest on working capital
 - B. Interest on borrowings used for manufacturing inventories in large quantities on a repetitive basis
 - C. Interest on borrowings utilised to acquire biological assets measured at fair value
 - D. Dividend paid on redeemable preference shares used to fund the development of a qualifying asset

Answer: D

8. Borrowing costs do not include:
- A. Interest expense calculated using the effective interest rate method as described in IND AS 109, Financial Instruments
 - B. Interest in respect of lease liabilities recognized in accordance with IND AS 116, Leases
 - C. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
 - D. Interest expenses on own finance resources or interest notional expenses

Answer: D

9. In determining the borrowing costs to be capitalised, the amount of expenditure on a qualifying asset include only those expenditures that have resulted in
- A. Payments of cash
 - B. Transfers of other assets
 - C. The assumption of interest-bearing liabilities
 - D. All of the above

Answer: D

10. In determining the borrowing costs to be capitalised, the amount of expenditure on a qualifying asset are not reduced by
- A. Progress payments received
 - B. Grants received in connection with the asset
 - C. Income on temporary investment of specific borrowings
 - D. Both (A) and (B)

Answer: C

11. When will the specific borrowings be considered as general borrowings?
- A. When substantially all the activities necessary to prepare the qualifying asset (for which specific borrowings was taken) for its intended use or sale are complete
 - B. When activities necessary to prepare the qualifying asset (for which specific borrowings was taken) for its intended use or sale have been started
 - C. When substantially all the activities necessary to prepare the qualifying asset (for which specific borrowings was taken) for its intended use or sale are near to complete
 - D. Specific borrowing are never considered as general borrowings in any circumstances

Answer: A

12. In case of specific borrowings, the borrowing cost is capitalized _____.
- A. To the extent the borrowings are utilised for construction of the qualifying asset
 - B. To the extent of the expenditure incurred on construction of the qualifying asset
 - C. On total amount of specific borrowings from commencement date less income on temporary investment made out of such borrowings
 - D. On half of the specific borrowing amount

Answer: C

13. The capitalisation rate is –
- A. The weighted average of the borrowing costs applicable to all the general borrowings of the entity that are outstanding during the period
 - B. The weighted average of the borrowing costs applicable to all the general and specific borrowings of the entity that are outstanding during the period
 - C. The weighted average of the borrowing costs applicable to all the specific borrowings of the entity that are outstanding during the period
 - D. The weighted average of the borrowing costs applicable to those general borrowings of the entity only that are used during the period for construction of that particular qualifying asset

Answer: A

14. What will be the treatment of exchange difference resulting into unrealised gain while capitalising the borrowing cost on foreign currency borrowings taken for construction of a qualifying asset?

- A. It would not be adjusted to interest even if there was an adjustment to interest in the previous year on account of unrealised exchange loss on settlement or translation of same borrowings
- B. It would be adjusted to interest to the extent of an adjustment to interest in the previous year on account of unrealised exchange loss on settlement or translation of same borrowings
- C. It will be adjusted to interest irrespective of the fact that whether there was an adjustment to interest in the previous year on account of unrealised exchange loss (on settlement or translation of same borrowings) or not
- D. It will be adjusted to interest fully only if there was an adjustment to interest in the previous year on account of unrealised exchange loss on settlement or translation of same borrowings

Answer: B

15. SK Labs are planning to expand their business and open two more branches in the vicinity of two new hospitals being built in the area. The enterprise is using funds from their general borrowings for this expansion project. The finance director of the company has briefly read about the capitalisation of the interest paid on the borrowings. He has sought your clarification on this matter if his entity can capitalise interest of 10% which is the highest interest rate of all the borrowings they have made during the year.

Which of the following are correct about the capitalisation of interest on borrowings made by a company as per IND AS 23 Borrowing Costs?

- A. Finance director is right, and he can use 10% as capitalisation rate for calculating the eligible borrowing costs to be capitalised on the qualifying asset
- B. Capitalisation rate should be weighted average of all the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset
- C. Interest paid on general borrowing have to be calculated in accordance with ICDS (Income Computation and Disclosure Standards) which is also required for calculation of current tax and deferred tax
- D. Entity should use the lowest interest rate of all the borrowings outstanding during the period as capitalisation rate to calculate the eligible borrowing costs

Answer: B

16. On 1st April 20X1, Hari Ltd. commenced joint construction of a property with Gulshan Ltd. For this purpose, an agreement has been entered into that provides for joint operation and ownership of the property. All the ongoing expenditure, comprising maintenance plus borrowing costs, is to be shared equally.

The construction was completed on 30th September 20X1 and utilisation of the property started on 1st January, 20X2 at which time the estimated useful life of the same was estimated to be 20 years.

Total cost of the construction of the property was ₹ 40 crores. Besides internal accruals, the cost was partly funded by way of loan of ₹ 10 crores taken on 1st January, 20X1. The loan carries interest at an annual rate of 10% with interest payable at the end of year on 31st December each year.

What will the initial cost of PPE appearing in the books of Hari Ltd.?

- A. ₹ 40,50,00,000
- B. ₹ 40,00,00,000
- C. ₹ 20,25,00,000
- D. ₹ 20,00,00,000

Answer: C

17. Buildings & Co. Limited has taken a loan of USD 15,00,000 as on 1st April 20X2 taken for construction of its fabrication plant at an interest rate of 6% per annum payable on annual basis.

On 1st April, 20X2, the exchange rate between the currencies i.e. USD vs. Rupees was ₹ 72 per USD. The exchange rate on the reporting date i.e. 31st March, 20X3 is ₹ 76 per USD.

The corresponding amount could have been borrowed by Buildings & Co. Limited from and Indian bank in Rupees at an interest rate of 11% per annum as on 1st April, 20X2.

What is the amount of borrowing cost eligible for capitalization for the construction of the fabrication plant (assume eligibility conditions related to capitalization of borrowing cost are met)?

- A. ₹ 1,18,80,000
- B. ₹ 68,40,000
- C. ₹ 1,25,40,000
- D. ₹ 1,28,40,000

Answer: A

18. Aarti 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
7,00,000	12% p.a.
9,00,000	11% p.a.

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

i. 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%

Answer: C

ii. What will be the total amount of borrowing cost on specific borrowing?

- A. ₹ 11,250
- B. ₹ 13,500
- C. ₹ 15,000
- D. ₹ 37,875

Answer: C

iii. What will be the total amount of borrowing cost on general borrowing?

- A. ₹ 22,875
- B. ₹ 15,000
- C. ₹ 37,875
- D. ₹ 13,500

Answer: A

IND AS 36 – IMPAIRMENT OF ASSETS**PREVIOUS YEARS QUESTIONS**

1. GALAXY Ltd. is developing a new production process. During the financial year ended 31st March, 2022, the total expenditure incurred was ₹ 50 lakhs. This process met the criteria for recognition as an intangible asset on 1st December, 2021. Expenditure incurred till this date was ₹ 22 lakhs. Further expenditure incurred on the process for the financial year ending 31st March, 2023 was ₹ 80 lakhs. As at 31st March, 2023, the recoverable amount of knowhow embodied in the process is estimated to be ₹ 72 lakhs. This includes estimates of future cash outflows as well as inflows. The amount of impairment loss for the year ended 31st March, 2023 is:
- e. ₹ 80 lakhs
 - f. ₹ 36 lakhs
 - g. ₹ 28 lakhs
 - h. ₹ 72 lakhs

Answer: B

2. EARTH Ltd. purchased an equipment for ₹ 51 lakh on April 1, 2023. The useful life of the equipment is 5 years and the residual value is estimated to be ₹ 1 lakh. The company adopts straight line method of depreciation. On March 31, 2024, a test for impairment was conducted after obtaining the following information:
Fair value less costs to sell - ₹ 36 lakh
Value in use - ₹ 32 lakh
Having regard to Ind AS 36, calculate the impairment loss to be recognized for the year ending March 31, 2024.
- A. ₹ 4,00,000
 - B. ₹ 9,00,000
 - C. ₹ 5,00,000
 - D. None of the above

Answer: C

3. A Ltd. has a machine whose original cost was ₹ 1,20,000. The accumulated depreciation on the machine is ₹ 45,000. Similar machine has recently been sold in the same locality at ₹ 65,000 with selling expenses ₹ 4,000. Management determined the entity specific present value of future cash flows of the machine as ₹ 68,000. Impairment loss will be:
- A. ₹ 10,000
 - B. ₹ 6,000

- C. ₹ 14,000
- D. ₹ 7,000

Answer: B

MODEL TEST PAPERS

4. An asset's carrying amount is ₹ 25,000. Its fair value less costs of disposal is ₹ 15,000 and its value in use is ₹ 19,000. There is an impairment loss of:
- A. ₹6,000
 - B. Nil
 - C. ₹10,000
 - D. ₹4,000

Answer: A

5. Details for an Asset are as under: Cost of Assets ₹ 60 lakhs, Useful life period 10 years, Salvage value ₹ 4 lakhs, Useful Life remaining 3 years. Upward revision done in last year by 50%. Current value in use is ₹ 12 lakhs, Current selling price ₹ 11 lakhs, Current disposal cost ₹ 1 lakh. Impairment Loss to be charged to Profit and Loss Account as per applicable Ind AS would be
- A. ₹ 18.7 lakhs
 - B. ₹ 13.2 lakhs
 - C. ₹ 5.5 lakhs
 - D. None of the above

Answer: C

ICMAI MCQ BANK

6. A Ltd. Has a machine whose original cost was ₹ 45,000. The accumulated depreciation on the machine is ₹ 15,000. Similar machine has recently been sold in the same locality at ₹ 25,000 with selling expenses ₹ 2,000. Management determined the entity specific present value of future cash flows of the machine as ₹ 28,000. Find Recoverable amount.
- A. ₹ 23,000
 - B. ₹ 28,000
 - C. ₹ 25,000
 - D. None of the above

Answer: A

ICAI RESOURCES

7. Which of the following is not covered by IND AS 36, Impairment of Assets?
- A. Deferred tax assets
 - B. Inventory
 - C. Financial assets
 - D. All of the above

Answer: D

8. Which of the following is not an internal indication of impairment?
- A. Economic performance of the asset is worse than expected
 - B. Physical damage of the asset
 - C. Decline in market value
 - D. Asset is part of a plans to discontinue or restructure the operation

Answer: C

9. Which of the following is required to be tested for impairment annually irrespective of the presence of indications of impairment or not?
- A. Intangible asset with an indefinite useful life
 - B. Intangible asset not yet available for use
 - C. Goodwill acquired in a business combination
 - D. All of the above

Answer: D

10. When an impairment loss occurs, the carrying amount of the asset should be reduced to its:
- A. Fair Value
 - B. Recoverable amount
 - C. Fair Value less cost to disposal
 - D. Value in use

Answer: B

11. Recoverable amount of an asset or cash generating unit is _____.
- A. Higher of Fair value less costs of disposal and Value in use
 - B. Lower of net realisable value and cost
 - C. Higher of fair value and value in use
 - D. Higher of market value less costs of disposal and value in use

Answer: A

12. _____ is considered as recoverable amount when it is not possible to measure the fair value less costs of disposal for an asset.
- A. Market value
 - B. Replacement value
 - C. Value in use
 - D. Carrying amount

Answer: C

13. Smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets is known as _____.
- A. Cash-generating unit
 - B. Branch
 - C. Department
 - D. Operating Segment

Answer: A

14. When a cash-generating unit has an impairment loss, the loss must be firstly applied to:
- A. Asset with obvious impairment
 - B. Goodwill
 - C. Other assets of CGU on a pro-rata basis
 - D. Based on management discretion

Answer: B

15. In measuring value in use, cash flow projections should be based on the budgets/forecasts covering a maximum period of _____ unless a longer period can be justified.
- A. Three years
 - B. Five years
 - C. Ten years
 - D. Life of asset which is subject to impairment assessment

Answer: B

16. In case of estimation of cash flows for calculating value in use, future cash flows are estimated in the currency in which they will be generated and then discounted

using a discount rate appropriate for that currency. An entity translates the present value using the _____ at the date of the value in use calculation.

- A. Closing rate
- B. Spot exchange rate
- C. Average rate
- D. Incremental borrowing rate

Answer: B

IND AS 38 – INTANGIBLE ASSETS

PREVIOUS YEARS QUESTIONS

1. MILKYWAY Ltd. is conducting research in respect of attaching self-charging batteries in all its vehicles. It has already incurred ₹ 15 lakh last year for this research. During the year (2023-24), it incurs ₹ 5,00,000 each month as a part of its research expenditure. On 01.05.2023, directors found that the research is successful and is going to bring a cash flow of ₹ 300 lakh in the coming years to the company. Calculate the impact of the above transaction in the financial year ended 31st March, 2024 in the books of MILKYWAY Ltd.
- A. Expenses ₹ 70 Lakh and Intangible Asset ₹ 300 Lakh
 - B. Expenses ₹ 55 Lakh and Intangible Asset ₹ 15 Lakh
 - C. Expenses ₹ 5 Lakh and Intangible Asset ₹ 55 Lakh
 - D. None of the above

Answer: C

ICAI RESOURCES

2. Which of the following items qualify as an intangible asset under IND AS 38?
- A. Advertising and promotion on the launch of a huge product
 - B. Operating losses during the initial stages of the project
 - C. College tuition fees paid to employees who decide to enrol in an executive M.B.A. program at Harvard University while working with the company
 - D. Legal costs paid to intellectual property lawyers to register a patent
3. Which of the following is not covered within the scope of IND AS 38?
- A. Intangible assets held-for-sale in the ordinary course of business
 - B. Assets arising from employee benefits
 - C. Non current Intangible assets held for sale
 - D. All of the above

Answer: D

4. An intangible asset with a finite useful life should be amortised over _____.
- A. Its expected useful life
 - B. A period determined by management
 - C. Five years

D. No foreseeable limit

Answer: A

5. Amortisation of an intangible asset ceases _____.
- A. When the asset is derecognized
 - B. When the asset is withdrawn from use
 - C. At the earlier when the asset is classified as held for sale or when the asset is derecognized
 - D. At the later of asset is classified as held for sale or derecognized

Answer: C

6. A newly set up dot-com entity has recently completed one of its highly publicized research and development projects. It seeks your advice on the accuracy of the following statements made by one of its stakeholders. State which one is true?
- A. Costs incurred during the research phase can be capitalized
 - B. Costs incurred during the development phase can be capitalized if criteria such as technical feasibility of the project being established are met
 - C. Training costs of technicians used in research can be capitalized
 - D. Designing of jigs and tools qualify as research activities

Answer: B

7. Bheema Limited has purchased a computer with various additional software. These are integral part of the computer. Which of the following are true in the context of IND AS 38?
- A. Recognize Computer and software as tangible asset
 - B. Recognize tangible and intangible separately
 - C. Recognize computer and software as intangible asset
 - D. None of the above

Answer: A

8. With respect to valuation of goodwill and recognition of the same on acquisition of another entity. IND AS 38, Intangible assets + establishes general principles for the recognition and measurement of intangible assets in the financial statements.

The standard requires any entity to recognize the intangible assets in the financial statements if and only if:

- (a) it is probable that the future economic benefits which are attributable to the asset will flow to the enterprise; and

- (b) the cost of the asset can be reliably measured

Which of the following is not correct about the intangible assets?

- A. The above recognition criteria are applicable to both the costs incurred to acquire intangible assets and those generated internally
- B. Internally generated goodwill is prohibited to be recognized by the standard. Only acquired goodwill can be recognized as an intangible asset in the financial statements
- C. In case of brands, mastheads, publishing titles, and similar intangible assets can be recognized both when generated internally as well as acquired separately
- D. In case of research and development phase of an internally generated assets, standard permits capitalisation only in the development phase

Answer: C

9. AG Ltd acquired copyrights for ₹ 7,50,000 on 1st April 20X1. The Management assessed the copyrights useful life at 25 years from the date of acquisition. The entity will consume the copyrights future economic benefits evenly over 25 years from the date of acquisition. The fair value of the copyright at 31st March, 20X3 is ₹ 7,00,000. The entity shall measure the carrying amount of the copyright on 31st March, 20X3 at –
- A. ₹ 400,030
 - B. ₹ 6,90,000
 - C. ₹ 7,20,000
 - D. ₹ 7,50,000

Answer: B

10. AG Limited is developing a new production process. During 20X1-20X2, expenditure incurred was ₹ 11 lakhs of which ₹ 8 lakhs was incurred before 1st January, 20X2 and ₹ 3 lakhs was incurred between January and March, 20X2. The company is able to demonstrate that on 1st January, 20X2, the production process met the criteria for recognition as an intangible asset.

The recoverable amount of the know-how embodied in the process (including future cash outflows to complete the process before it is available for use) is estimated to be ₹ 2 lakhs as at 31st March, 20X2. What is the carrying value of intangible asset at the end of the year?

- A. ₹ 11 lakhs
- B. ₹ 8 lakhs
- C. ₹ 2 lakhs
- D. ₹ 3 lakhs

Answer: C

11. New Age Technology Limited acquired copyrights for certain patented software on 1st April, 20X1 for ₹ 50,00,000. The software would assist the Company to develop an entire new range of IT solutions to its customers. Management basis its internal assessment, determined the useful life of the acquired software to be 10 years from the date of purchase. Further management performed a fair value assessment of the acquired software based on the active market and determined it to be ₹ 48,00,000 as at 31st March, 20X2 and ₹ 43,00,000 as at 31st March, 20X3. What would be carrying amount of the acquired software in the books of accounts of New Age Technology Limited as at 31st March, 20X3?
- A. ₹ 43,00,000
 - B. ₹ 45,00,000
 - C. ₹ 40,00,000
 - D. ₹ 48,00,000

Answer: A

IND AS 102 – SHARE BASED PAYMENT**PREVIOUS YEARS QUESTIONS**

1. On 01.04.2022 AURA Ltd. granted 100 share options to each of its 200 employees. The options will vest on 31.03.2025 subject to the condition that they remained as employees for the three years ending 31.03.2025. On 01.04.2022, the fair value of one share option was ₹ 200 and this had increased to ₹ 240 by 31.03.2023. On 01.04.2022, the directors estimated that 180 employees would qualify for these options. At 31.03.2023, this estimate was 190 employees. Calculate the amount to be recognized as expense for the year ended 2022-23.
- A. ₹ 13,33,330
B. ₹ 12,66,667
C. ₹ 15,20,000
D. None of the above

Answer: B

2. Puwa Ltd. grants 100 equity share options to each of its 4000 employees conditional on their continuing in service for 3 years Fair value of equity share option on the grant date is ₹60. Nominal value of each share is ₹10. The Remuneration Expense for each year will be:
- A. ₹ 2,40,00,000
B. ₹ 80,00,000
C. ₹ 40,00,000
D. ₹ 13,33,333

Answer: B

ICMAI MCQ BANK

3. Share-based Payment is dealt with by _____.
- E. Ind AS 101
F. Ind AS 102
G. Ind AS 113
H. Ind AS 108

Answer: B

ICAI RESOURCES

4. Silver Jubilee Motors granted 2,000 share options to each of its three Branch Manager on 1st April 20X7, subject to the Branch Managers being in employment till 31 March 20Y0. The options will vest on 31st March 20Y0 only if the company's share price reaches ₹ 14 per share at that time. The fair value of each option on 1st April 20X7 is ₹ 10. The share price at 31st March 20X8 is ₹ 8 and it is not anticipated that it will rise over the next two years. Further, it is anticipated on 31st March 20X8 that only two Branch Managers will be in employment by 31st March 20Y0.

Determine the value of share option to be recorded per IND AS 102 Share Based Payment in the Balance Sheet for the year ended 31 March 20X8.

- A. ₹ 20,000
- B. ₹ 13,333
- C. ₹ 10,667
- D. ₹ 18,667

Answer: B

5. On 1st April, 20X1, ABC Ltd acquired an item of plant for an agreed consideration of its own 1,000 shares. The plant was received on same date and the obligation to transfer shares was to be settled on 1st May, 20X1. The fair value of the item of the plant was ₹ 10,000 on 1st April, 20X1. ABC Ltd.'s share price was ₹ 8 on 1st April, 20X1 and ₹ 9 on 31st March, 20X2. In accordance with IND AS 102, Share-based Payment, ABC Ltd should:
- A. Remeasure the equity to 9,000 on 31st March, 20X2
 - B. Initially recognise the plant and equity at 8,000 on 1st April, 20X1
 - C. Make no entry in relation to the transaction until 1st May, 20X1
 - D. Initially recognise the plant and equity at 10,000 on 1st April, 20X1

Answer: D

IND AS 108 – OPERATING SEGMENTS

PREVIOUS YEARS QUESTIONS

1. Aloe Vera Tulsi Ltd. gives the following data pertaining to its six segments:

Particulars	(₹ in Lakhs)						Total
	A	B	C	D	E	F	
Segment Assets	200	336	132	62	96	54	880
Segment Results	260	(760)	40	40	(40)	60	(400)
Segment Revenue	1200	2480	300	240	340	240	4800

Deferred Tax Assets included in the assets of each segment are A - ₹ 20 Lakhs, B - ₹ 16 Lakhs, C - ₹ 12 Lakhs, D - ₹ 2 Lakhs, E - ₹ 16 Lakhs, F - ₹ 14 Lakhs. Identify the reportable segments are per Ind AS 108.

- A. A, B, C, D, E, F
- B. A, B, C, D, E
- C. A, B, C, E, F
- D. A, B, C, E

Answer: D

2. If total External Revenue reported by Operating Segments constitutes _____ of the Entity's Revenue, additional Operating Segments should be identified as Reportable Segments.

- A. Less than 75%
- B. 75% or less
- C. Less than 90%
- D. 90% or less

Answer: A

ICMAI MCQ BANK

3. An Opening Segment is a component of an Entity that engage in business activities from which it –
- A. May earn Revenues
 - B. May incur Expenses
 - C. Either of the above
 - D. Both (A) and (B)

Answer: D

4. The term “Chief Operating Decision-Maker” (CODM) identifies a –
- A. Function
 - B. Designation
 - C. Person
 - D. Title

Answer: A

5. An Operating Segment is a component of an Entity that engages in business activities from which it –
- A. May earn Revenues or incur Expenses
 - B. May earn Revenues and incur Expenses
 - C. Earns Revenues and incurs Expenses
 - D. Earns Revenues or incurs Expenses

Answer: B

6. Mohini Ltd has 3 Segments namely X, Y, Z. The Total assets of the Company are ₹ 10 Crores. Segment X has ₹ 2 crores, Segment Y has ₹ 3 Crores and Segment Z has ₹ 5 crores. The Accountant contends that all the three Segments are Reportable Segments. In this case:
- A. X & Y segments are Reportable Segments
 - B. Y & Z segments are Reportable Segments
 - C. Z segment is a Reportable Segment
 - D. All segments are Reportable Segments

Answer: D

ICAI RESOURCES

7. As per IND AS 108 Operating Segments, if a financial statement contains both the consolidated financial statements of a parent, as well as parent’s separate financial statements, segment information is required:
- A. Only in the consolidated financial statements
 - B. Only in the parent’s separate financial statements
 - C. Both sets of financial statements
 - D. Either in consolidated financial statement or in parents separate financial statements

Answer: A

8. Entity A and Entity B both manufacture and distribute furniture and electrical products used in residential and commercial units. Entity A is structured such that decisions are made and performance is evaluated on a regional basis (e.g., India, Asia Pacific), whereas Entity B makes decisions and evaluates performance on a product-line basis (e.g., furniture, electrical products). How should Entity A and Entity B report operating segments as per IND AS 108, Operating Segments?
- A. Entity A and B should report similar operating segments
 - B. Entity A should report operating segments based on regions and Entity B should report operating segments based on product lines
 - C. Entity A and B have a choice to report operating segments based on regions or product lines
 - D. Entity A and B have a choice not to report any operating segment

Answer: B

IND AS 113 – FAIR VALUE MEASUREMENT**+ MODEL TEST PAPERS**

1. Ind AS 113 applies to:
 - A. Share-based payment transactions within the scope of Ind AS 102
 - B. Measurements that have some similarities to fair value but are not fair value such as net realizable value in Ind AS 2, or value in use in Ind AS 36
 - C. When another Ind AS requires or permits fair value measurements or disclosures about fair value measurements
 - D. Leasing transactions within the scope of Ind AS 17

Answer: C

+ ICAI MCQ BANK

2. Ind AS 113 stands for _____.
 - A. Fair Value Measurement
 - B. Consolidated Financial Statements
 - C. Share Based Payments
 - D. Financial Instruments: Presentation

3. Which of the following is/are objective/s of Ind AS 113?
 - A. To set up a framework for measurement of fair value
 - B. To specify requirements of disclosure of fair value measurement
 - C. Both (A) and (B)
 - D. None of these

4. As per Ind AS 113 three widely used valuation techniques are _____.
 - A. market approach, cost approach and income approach
 - B. market approach, cost approach and profit approach
 - C. customer approach, cost approach and profit approach
 - D. market approach, inventory approach and profit approach

Answer: A

5. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an _____.
- A. fair transaction
 - B. influenced transaction
 - C. arm's length transaction
 - D. All of these

Answer: C

6. Ind AS 113 establishes a fair value hierarchy that categorises into three levels of the inputs to valuation techniques for measuring fair value. The hierarchies are _____.
- A. inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
 - B. inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
 - C. inputs are unobservable inputs for the asset or liability.
 - D. All of the above

Answer: D



ICAI RESOURCES

7. The measurement requirements of IND AS 113 applies to
- A. Share based payment transactions within the scope of IND AS 102 Share based Payment
 - B. Leasing transactions accounted for in accordance with IND AS 116 Leases
 - C. Assets for which recoverable amount is fair value less costs of disposals in accordance with IND AS 36
 - D. Measurement of net realisable value in IND AS 2 Inventories or value in use in IND AS 36 Impairment of Assets

Answer: C

8. As per IND AS 113, which of the followings is not a widely used valuation technique?
- A. Net present value approach
 - B. Cost approach
 - C. Income approach
 - D. Market approach

Answer: A

9. The asset or liability measured at fair value shall be:
- A. A stand-alone asset or liability
 - B. A group of assets, a group of liabilities or a group of assets and liabilities
 - C. Either of (A) and (B)
 - D. Neither of (A) and (B)

Answer: C

10. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:
- A. In the principal market or in the most advantageous market
 - B. In the principal market or in the primary market
 - C. In the primary market or in the secondary market
 - D. In the primary market or in the most advantageous market

Answer: A

11. The market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs is called _____.
- A. Principal market
 - B. Most advantageous market
 - C. Primary market
 - D. Active Market

Answer: B

12. The basic rule related to inputs to valuation techniques as per IND AS 113 are:
- A. Maximising the use of relevant observable and unobservable inputs
 - B. Minimising the use of relevant observable and unobservable inputs
 - C. Maximising the use of relevant observable inputs and minimising the use of unobservable inputs
 - D. Minimising the use of relevant observable inputs and maximising the use of unobservable inputs

Answer: C

13. The price paid to acquire the asset or received to assume the liability is called –
- A. Transaction price (an entry price)
 - B. Transaction price (an exit price)

- C. Settlement price (an entry price)
- D. Settlement price (an exit price)

Answer: A

14. The highest and best use of a non-financial asset while measuring the fair value takes into account the use of the asset that is –
- A. Physically possible
 - B. Legally permissible
 - C. Financially feasible
 - D. All of the above

Answer: D

15. Characteristics of the asset or liability are considered if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include:
- A. Condition of the asset
 - B. Location of the asset
 - C. Restrictions on the sale or use of the asset
 - D. All of the above

Answer: D

IND AS 115 - REVENUE FROM CONTRACTS WITH CUSTOMERS

PREVIOUS YEARS QUESTIONS

1. Neem Tulsi Ltd., a firm of contractors, provides the following details for the year ended 31st March, 2023:

Particulars	₹ in Lakhs
Fixed Contract Price with an escalation clause	1,000
Work Certified	500
Work Not Certified [includes ₹ 75 Lakhs for Materials issued out of which material lying unused at end of the period is ₹ 4 Lakhs]	109
Estimated further Cost to Completion	495
Progress Payment Received	400
Progress Payment to be Received	140
Escalation in cost by 5% and accordingly the contract price is increased by 5%	

Calculate the Expected Loss to be recognized immediately as per Ind AS 115.

- A. ₹ 50 Lakhs
- B. ₹ 27 Lakhs
- C. ₹ 22.5 Lakhs
- D. None of the above

Answer: C

2. ALAKANANDA Ltd. is engaged in manufacturing and selling of designer furniture. It sells goods on extended credit. ALAKANANDA Ltd. sold furniture for ₹ 80,00,000 to a customer on 01.04.2023, the payment against which was receivable after 12 months with interest at the rate of 3% per annum. The market interest rate on the date of transaction was 8% per annum. Calculate the amount of revenues to be recognized for the above transaction in 2023-24 financial year.

- A. Revenue from sale ₹ 80,00,000 and Interest income ₹ 2,40,000
- B. Revenue from sale ₹ 80,00,000 and Interest income ₹ 6,40,000
- C. Revenue from sale ₹ 76,29,630 and Interest income ₹ 6,10,370
- D. None of the above

Answer: C

3. On 1st January, 2025, Shiva Ltd: entered into a contract with Kalpit Ltd. to sell 50 Laptops at a price of ₹ 50,000 per Laptop and the goods were delivered in February, 2025. Determine revenue. to be recognized by Shiva Ltd. in 2024-25, if

4 sets were found damaged at the time of receiving and hence returned by Kalpit Ltd.

- A. ₹ 25,00,000
- B. ₹ 27,00,000
- C. ₹ 23,00,000
- D. ₹ 24,00,000

Answer: C

MODEL TEST PAPERS

4. X. ltd sells goods to Y ltd, a retailer, at ₹100 per item. Y ltd. in turn sells the goods to the public at large through its chain of retail outlets at ₹120. Any inventory remaining unsold can be returned by Y ltd to X Ltd. As per Ind AS 115, Revenue should be recognised by X ltd when:
- A. goods are delivered to Y ltd at ₹100
 - B. goods are sold by Y ltd. at ₹120
 - C. goods are delivered to Y ltd at ₹120
 - D. goods are sold by Y ltd. at ₹100

Answer: B

5. On 01.08.2021 A Ltd. enter into a contract with a hotel for daily sanitisation of the building for 3 years at ₹12,000 per month. The customer receives and consume benefits each day. Determine the revenue to be recognized in 2021-22.
- A. ₹ 12,000
 - B. ₹ 4,32,000
 - C. ₹ 96,000
 - D. None of the above

Answer: C

ICAI RESOURCES

6. IND AS 115 applies to –
- A. Lease contracts within the scope of IND AS 116 Leases
 - B. Financial instruments and other contractual rights or obligations within the scope of IND AS 109, IND AS 110, IND AS 111, IND AS 27 & IND AS 28
 - C. Non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers
 - D. Non-monetary exchanges between entities in different line of business to facilitate sales to customers or potential customers

Answer: D

7. Impairment loss as per IND AS 115 shall be recognized in-
- A. Other Comprehensive Income
 - B. Profit or Loss
 - C. Contract Assets
 - D. Other Reserves

Answer: B

8. To determine the transaction price for contracts in which a customer promises consideration in a form other than Cash, an Entity shall measure the non-cash consideration at –
- A. Actual price
 - B. Transaction price
 - C. Fair value
 - D. Market price

Answer: C

9. Which of the following criteria is not correct in case of identification of contract with the customer to be accounted for under IND AS 115?
- A. The parties to the contract have approved the contract in writing only
 - B. The entity can identify each party's rights regarding the goods or services to be transferred
 - C. The entity can identify the payment terms for the goods or services to be transferred
 - D. The contract has commercial substance

Answer: A

10. As per IND AS 115, an entity shall combine two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract when:
- A. The contracts are negotiated as a package with a single commercial objective
 - B. The amount of consideration to be paid in one contract depends on the price or performance of the other contract
 - C. The goods or services promised in the contracts are a single performance obligation
 - D. All of the above

Answer: D

11. An entity shall account for a contract modification as a separate contract when:
- A. The scope of the contract increases because of the addition of promised goods or services that are distinct
 - B. The price of the contract increases by an amount of consideration that reflects the entity stand-alone selling prices of the additional promised goods or services
 - C. Either (A) or (B)
 - D. Both (A) or (B)

Answer: D

12. _____ is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties
- A. Transaction price
 - B. Market price
 - C. Ordinary price
 - D. Fair price

Answer: A

13. Where the penalty is inherent in determination of transaction price of a contract, it shall form part of
- A. Fixed consideration
 - B. Variable consideration
 - C. Non-cash consideration
 - D. Not included in consideration

Answer: B

14. Which of the following cost shall be recognised as an asset while obtaining a contract with a customer if the entity expects to recover those costs?
- A. Sales commission
 - B. General and administrative costs
 - C. Costs of wasted materials, labour or other resources
 - D. Costs that relate to past performance

Answer: A

15. An entity has entered into a contract with a customer which does not meet the criteria for identifying the contract and the entity has received consideration from the customer. In such a case the entity shall recognise the consideration as revenue only when:
- A. The entity has no remaining obligations to transfer goods or services to the customer and consideration promised by the customer has been received by the entity and is non-refundable
 - B. The contract has been terminated and the consideration received from the customer is non-refundable
 - C. The entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is refundable
 - D. Either (A) or (B)

Answer: D

16. Mercury Ltd. has sold goods to Mars Ltd. at a consideration of ₹ 10 lakhs, the receipt of which receivable in three equal instalments of ₹ 3,33,333 over a two-year period (receipts on 1st April, 20X1, 31st March, 20X2 and 31st March, 20X3).

The company is offering a discount of 5% (i.e. ₹ 50,000) if payment is made in full at the time of sale. The sale agreement reflects an implicit interest rate of 5.36% p.a. The total consideration to be received from such sale is at ₹ 10 lakhs and hence, the management has recognised the revenue from sale of goods for ₹ 10 lakhs. The revenue from sale of goods on 1st April, 20X1 will be recognized at-

- A. ₹ 10,00,000
- B. ₹ 3,33,333
- C. ₹ 9,50,000
- D. ₹ 6,16,667

Answer: C

17. Gangotri Ltd. is 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. Gangotri 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.

How many performance obligations Gangotri 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

Answer: A

18. ABC Ltd. sold machinery Z for ₹ 900 thousand to a new customer. To get into long term relationship with the customer, the terms of sales also include after sales service to be provided for next three years free of cost. The company also sells the sales service contract separately where the customer buys it after the initial warranty period at ₹ 100 thousand.

How should the revenue be recognised in the books of account for the sale of machinery Z?

- A. ₹ 900 thousand is to be recognised as revenue in the year of sale.
- B. ₹ 900 thousand is to be recognised at the end of three years after sale.
- C. ₹ 900 thousand is to be recognised in the year of sale and ₹ 100 thousand to be spread over next three years.
- D. ₹ 810 thousand is to be recognised in the year of sale and ₹ 90 thousand to be spread over next three years.

Answer: D

19. JK Ltd. has a telecom segment. It entered into an agreement with KK Ltd. which is engaged in generation and supply of power. The agreement provided that JK Ltd. will provide 1,00,000 minutes of talk time to employees of KK Ltd. in exchange for getting power equivalent to 20,000 units. JK Ltd. normally charges ₹ 0.50 per minute and KK Ltd. charges ₹ 2.5 per unit. By what amount the revenue be measured and recognised by JK Ltd. in the case of telecom segment?

- A. ₹ 10,000
- B. ₹ 2,50,000
- C. ₹ 2,00,000
- D. ₹ 50,000

Answer: D

20. On 1st April, 20X1, M Ltd. sells gym memberships for ₹ 7,500 per member for 1st year to 100 customers, with an option to renew at a discount in 2nd and 3rd year at ₹ 6,000 per year. M Ltd. estimates an annual attrition rate of 50% each year. What is the amount of revenue to be recognized per membership in the first year and the amount of contract liability per membership against the option given to the customer for renewing the membership at discount?

- A. ₹ 7,500; Nil
- B. ₹ 6,500; ₹ 1,000
- C. ₹ 6,857; ₹ 643
- D. ₹ 7,500; ₹ 12,000

Answer: C

21. Avani Ltd. is engaged in the business of manufacturing a number of products including moulds, dies and machinery. They have a wide customer base both within India and abroad. Typically, a contract is entered into for sale of each product and consideration is received on the event of delivery of goods to the customer place. The cost of each mould is ₹ 400 and the selling price is ₹ 450. The terms of the contract entitle the customer to return any unused moulds within 30 days and receive a full refund. The Company estimates that the costs of recovering the mould will be immaterial and expects that the returned moulds can be resold at a profit. The company has sold a total of 10,000 moulds during the month ended 31st March, 20X4. From past experience, Avani Ltd. expects that 3% of the moulds will be returned during the current year.

- i. The consideration received from the customer is:

- A. Variable
- B. Fixed
- C. Both variable and fixed
- D. There is no consideration

Answer: A

- ii. Upon transfer of control of the 10,000 moulds, the entity will recognise revenue for:

- A. 10,000 moulds
- B. 300 moulds
- C. 9,700 moulds
- D. 10,300 moulds

Answer: C

- iii. The entity recognises revenue of:

- A. ₹ 45,00,000
- B. ₹ 43,65,000
- C. ₹ 1,35,000
- D. ₹ 1,20,000

Answer: B

- iv. The entity recognises a refund liability of:
- A. ₹ 45,00,000
 - B. ₹ 43,65,000
 - C. ₹ 1,35,000
 - D. ₹ 1,20,000

Answer: C

- v. The entity recognises a return asset of:
- A. ₹ 45,00,000
 - B. ₹ 43,65,000
 - C. ₹ 1,35,000
 - D. ₹ 1,20,000

Answer: D

- vi. The journal entry for the above would be:
- A. Trade Receivables (Customer) Dr. ₹ 45,00,000
To Revenue ₹ 45,00,000
 - B. Trade Receivables (Customer) Dr. ₹ 43,65,000
To Revenue ₹ 43,65,000
 - C. Trade Receivables (Customer) Dr. ₹ 1,35,000
To Refund liability ₹ 1,35,000
 - D. Trade Receivables (Customer) Dr. ₹ 45,00,000
To Revenue ₹ 43,65,000
To Refund liability ₹ 1,35,000

Answer: D

22. D Ltd. prepares financial statements to 31st March each year. Following information on revenue transactions are relevant to the year ended 31st March 20X7.
- (a) 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%.

- (b) 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.

- i. 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

Answer: D

- ii. 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

Answer: B

- iii. 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

Answer: C

- iv. 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

Answer: A

- v. 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

Answer: B

IND AS 116 – LEASES

PREVIOUS YEARS QUESTIONS

1. AMLA TULSI Ltd. initiated a lease for 5 years in respect of equipment costing ₹ 34,51,640 with an expected useful life of 8 years. The asset would revert to BHARAT Ltd. under the lease agreement. The unguaranteed residual value of the equipment after the expiry of the lease term is estimated at ₹ 2,00,000. The implicit rate of interest is 15%. The annual payments have been determined in such a way that the present value of the lease payment plus the residual value is equal to the cost of the asset. Calculate the Unearned Finance Income. [Present Value of ₹ 1 at 15% rate of Interest at the end of 1st year, 2nd year, 3rd year, 4th year and 5th year are 0.8696, 0.7561, 0.6575, 0.5718 and 0.4972 respectively.]
- A. ₹ 5,00,000
 B. ₹ 10,00,000
 C. ₹ 8,74,180
 D. ₹ 17,48,360

Answer: D

2. AURA Ltd. leased a machine with a fair value of ₹ 1,65,000 for a period of 5 years under a finance lease. The initial direct costs incurred in negotiating the lease were ₹ 1,250. The present value of the minimum lease payments discounted at the rate implicit in the lease is ₹ 1,58,400. Under the requirements of Ind AS 116 leases, the amount for which the machine be recognized in AURA's financial statements is:
- A. ₹ 1,66,250
 B. ₹ 1,58,400
 C. ₹ 1,59,650
 D. ₹ 1,65,000

Answer: C

3. ALAKANANDA Ltd. took an asset on a 5 years lease from MANDAKINI Ltd. for which relevant details are as under:

Payment over the lease term	₹ 1,000 per month
Contingent Rent	₹ 20,000
Cost for service given by MANDAKINI Ltd.	₹ 40,000
Taxes to be reimbursed to MANDAKINI Ltd.	₹ 15,000
Residual Value guaranteed by ALAKANANDA Ltd.	₹ 5,000
Fair value of the asset after 5 years	₹ 6,000

Also, ALAKANANDA Ltd. has an option to purchase the asset after a period of 5 years at ₹ 2,000. It is reasonably certain that ALAKANANDA Ltd. will exercise the option. Calculate Minimum Lease Payment.

- A. ₹ 67,000
- B. ₹ 87,000
- C. ₹ 86,000
- D. ₹ 65,000

Answer: A

MODEL TEST PAPERS

4. A Company takes a Machinery on lease for a term of 6 years at a lease rent of ₹4,00,000 p.a. payable at end of each year with guaranteed and unguaranteed residual value of ₹3,00,000. The gross investment will be _____.
- A. ₹ 24,00,000
 - B. ₹ 7,00,000
 - C. ₹ 1,00,000
 - D. ₹ 27,00,000

Answer: D

ICAI RESOURCES

5. An entity is required to assess whether the contract is or contains, a lease at/on –
- A. Commencement of lease term
 - B. Obtaining the possession of identified asset
 - C. Inception of contract
 - D. Beginning of the relevant annual year
6. According to IND AS 116, initial measurement of the right of use asset does not include:
- A. Lease liability
 - B. Initial direct cost
 - C. Estimate of dismantling and restoration
 - D. Contingent rent

Answer: D

7. A lessee is required to measure the right of use asset in the financial statements initially at:
- A. Fair Value
 - B. Net Realizable Value
 - C. Cost
 - D. Present Value of Lease Payment

Answer: C

8. Lease term includes the periods covered by an extension option if exercise of that option by the lessee is –
- A. Remote
 - B. Highly Probable
 - C. Reasonably Certain
 - D. Virtually Certain

Answer: C

9. In case of a contract that contains a lease component and one or more additional lease or non-lease component, lessee is required to allocate the contract consideration to each lease component on the basis of their relative:
- A. Value in Use
 - B. Stand-Alone Price
 - C. Market Price
 - D. Cost

Answer: B

10. According to IND AS 116, lease liability does not include _____
- A. Present value of fixed payment
 - B. Guaranteed residual value
 - C. Unguaranteed residual value
 - D. Lease termination penalty

Answer: C

11. According to IND AS 116, the right of use asset in the books of Lessee shall be depreciated over the:
- A. Lower of the lease term and the asset's useful life
 - B. Higher of the lease term and the asset's useful life
 - C. Entire lease term

D. Useful life of the asset

Answer: A

12. An entity shall revise the lease term if there is a change in _____

- A. Non-cancellable period
- B. Economic life of underlying asset
- C. Secondary period
- D. Useful life of the underlying asset

Answer: A

13. The lease payments shall be discounted using the:

- A. Interest rate implicit in the lease or general borrowing rate
- B. Weighted average cost of capital or interest rate implicit in the lease
- C. Interest rate implicit in the lease or incremental borrowing rate
- D. LIBOR or weighted average cost of capital

Answer: C

14. SA Ltd. has taken a building on lease from RA Ltd. for 10 years to operate a restaurant. As per the contract, SA Ltd. has decision-making right regarding all the operations and usage of the restaurant. However, as per the contract, RA Ltd. has a right to restrict SA Ltd. from selling any kind of non-vegetarian item in the restaurant. The restriction rights of RA Ltd. will become exercisable only after 6 years. Whether the contract contains a lease?

- A. Contract contains a lease for 10 years as the rights of the lessor are protective in nature
- B. Contract contains a lease for 6 years as the lessee has a right to control the use of the asset for a portion of period
- C. Contract contains a lease for 4 years as the lessor has rights to control the use of the asset for a portion of period
- D. None of the above

Answer: B

15. G Ltd has made an interest-free security deposit against a lease of 5 years redeemable at the end of the lease term, when the market interest rate for a deposit for similar period was 12% per annum. Following are the details of the deposit made by G Ltd.:

Particulars	Details
Date of Security Deposit (Starting Date)	1st April, 20X1

Date of Security Deposit (Finishing Date)	31st March, 20X6
Discount rate	12.00%
Security deposit	₹ 10,00,000
Present value factor at the end of 5th year	0.567427

What will be the initial amount of prepaid lease payment in the lease contract to be recognised by G Ltd.?

- A. ₹ 5,67,427
- B. ₹ 4,32,573
- C. ₹ 10,00,000
- D. Nil

Answer: B

16. Full & Final Limited (the Company) is into manufacturing and retailing of FMCG products listed on stock exchanges in India. You being an Ind AS expert, CFO of the Company have appointed you to analyse the transaction based on following details:

The Company has entered into a lease agreement for its retail store as on 1st April, 20X2 for a period of 10 years. A lease rental of ₹ 56,000 per annum is payable in arrears. The Company recognized a lease liability of ₹ 3,51,613 at inception using an incremental borrowing rate of 9.5% p.a. as at 1st April 20X2. As per the terms of the lease agreement the lease rental shall be adjusted every 2 years to give effect of inflation. Inflation cost index as notified by the Income tax department shall be used to derive the lease payments. The inflation cost index was 280 for financial year 20X2-20X3 and 301 for financial year 20X4 20X5. The current incremental borrowing rate is 8% p.a.

Which of the following statements correctly describe the accounting of lease arrangement for the retail store?

- A. Increase in lease liability by ₹ 22,820 with corresponding debit to profit or loss
- B. Increase in lease liability by ₹ 22,820 with corresponding increase in right of use asset
- C. Increase in lease liability by ₹ 41,675 with corresponding debit to profit or loss
- D. Increase in lease liability by ₹ 41,675 with corresponding increase in right of use asset

Answer: B

ACCOUNTING FOR BUSINESS COMBINATIONS**✚ ICMAI STUDY MATERIAL**

1. As per Ind AS 103, accounting and reporting for business combination transactions is done under_____.
- A. Acquisition Method
 - B. Purchase method
 - C. Pooling of interest method
 - D. None of the above

Answer: A

2. As per Ind AS 103, while accounting and reporting for business combination goodwill is calculated as
- A. Consideration + Non controlling Interest – Net assets
 - B. Consideration - Non controlling Interest + Net assets
 - C. Consideration - Non controlling Interest – Net assets
 - D. Consideration + Non controlling Interest + Net assets

Answer: A

3. How is non-controlling interest shown in the financial statements of the acquirer at the time of a business combination under Ind AS 103?
- A. It is shown as a liability
 - B. It is shown as an item under equity
 - C. It is not shown in balance sheet
 - D. Non-controlling interest is not recognized

Answer: B

4. At what value is non-controlling interest recorded in the books of the Acquiree at the time of a business combination transaction under Ind AS 103?
- A. It is recognized at fair value only
 - B. It is recognized at proportionate fair value of identified net assets only
 - C. It is not recognized at all
 - D. It is recognized either at fair value or at proportionate fair value of identified net assets

Answer: D

5. As per Ind AS 103, while accounting and reporting for business combination goodwill is calculated as
- A. Consideration + Non controlling Interest + Fair value of previously held interest in the Acquiree – Net assets
 - B. Consideration + Non controlling Interest - Fair value of previously held interest in the Acquiree – Net assets
 - C. Consideration - Non controlling Interest + Fair value of previously held interest in the Acquiree – Net assets
 - D. Consideration - Non controlling Interest - Fair value of previously held interest in the Acquiree – Net assets

Answer: A

6. Transactions sometimes referred to as _____ or _____ are also business combinations as that term is used in this Ind AS.
- A. True Mergers, Mergers of Equals
 - B. Business Combination, Business Combination under Common Control
 - C. Internal reconstruction, Financial restructuring
 - D. None of the above

Answer: A

7. Ind AS 103 has a wider scope than _____.
- A. AS 15
 - B. AS 14
 - C. AS 16
 - D. AS 13

Answer: B

8. If a parent loses control of a subsidiary, it shall derecognize
- A. the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost
 - B. the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them)
 - C. the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control
 - D. Both (A) and (B)

Answer: D

9. In business combination, control of business can be obtained by
- A. acquiring assets and assuming liabilities (such assets and liabilities must constitute a business, otherwise it is not a business combination)
 - B. by acquisition of shares
 - C. by other legal process
 - D. All of the above

Answer: D

10. When after business combination, acquiree ceases to exist, it is to be recorded in the books of the _____ in one set only, in its stand-alone accounts
- A. acquirer
 - B. acquiree
 - C. both (A) and (B)
 - D. either (A) or (B)

Answer: A

11. As per Ind AS 103, accounting and reporting for business combination is done under
- A. Acquisition Method
 - B. Purchase method
 - C. Pooling of interest method
 - D. None of the above

Answer: A

12. As per Ind AS 103 Appendix C, accounting and reporting for business combination under common control is done under
- A. Acquisition Method
 - B. Purchase method
 - C. Pooling of interest method
 - D. None of the above

Answer: C

13. A Ltd. acquires 80% of B Ltd. for ₹ 12,80,000 paid by equity at par. Fair Value (FV) of B's net assets at time of acquisition amounts ₹ 9,00,000. NCI is measured at proportionate net asset. The value of goodwill will be:
- A. ₹ 3,00,000
 - B. ₹ 3,80,000

- C. ₹ 4,50,000
- D. ₹ 5,60,000

Answer: D

14. Q Ltd. acquired a 60% interest in R Ltd. on January 1, 2021. Q Ltd. paid ₹ 900 Lakhs in cash for their interest in R Ltd. The fair value of R Ltd.'s assets is ₹ 2,000 Lakhs, and the fair value of its liabilities is ₹ 1,000 Lakhs.

i. If NCI is valued at proportionate net asset, value of Goodwill:

- A. ₹ 300 lakhs
- B. ₹ 250 lakhs
- C. ₹ 400 lakhs
- D. ₹ 350 lakhs

Answer: A

ii. If NCI is valued at fair value, goodwill amounts to:

- A. ₹ 300 lakhs
- B. ₹ 250 lakhs
- C. ₹ 500 lakhs
- D. ₹ 350 lakhs

Answer: C

15. A Ltd. acquires 80% of B Ltd. for ₹ 10,00,000 paid by equity at par. Fair Value (FV) of B's net assets at time of acquisition amounts ₹ 9,00,000. The value of goodwill based on NCI valued at proportionate fair value of identified net asset will be:

- A. ₹ 3,00,000
- B. ₹ 2,80,000
- C. ₹ 4,50,000
- D. ₹ 5,00,000

Answer: B

16. On 1 January 2021 A Ltd. acquires 80 per cent of the equity interests of B Ltd in exchange of cash of ₹ 600 lakhs. The identifiable assets are measured at ₹ 925 lakh and the liabilities assumed are measured at ₹150 lakh. The fair value of the 20 per cent non-controlling interest in P is ₹ 90 lakhs. The gain on bargain purchase will be –

- A. ₹ 90 lakhs

- B. ₹ 85 lakhs
- C. ₹ 105 lakhs
- D. ₹ 75 lakhs

Answer: B

17. X has acquired 100% of the equity of Y on March 31, 2018. The purchase consideration comprises of an immediate payment of ₹ 50 lakhs and three further payments of ₹ 2.5 lakhs if the Return on Equity exceeds 20% in each of the subsequent three financial years. A risk adjusted discount rate of 20% is used. Compute the value of total consideration at the acquisition date.

- A. ₹ 50 lakhs
- B. ₹ 55.266 lakhs
- C. ₹ 55 lakhs
- D. ₹ 57.5 lakhs

Answer: B

18. Q Ltd. acquired a 75% interest in R Ltd. on January 1, 2021. Q Ltd. paid ₹ 900 Lakhs in cash for their interest in R Ltd. The fair value of R Ltd.'s assets is ₹ 2,000 Lakhs, and the fair value of its liabilities is ₹ 920 Lakhs. NCI valued at Fair Value and at Proportionate Value are:

- A. ₹ 300 lakhs and ₹ 360 lakhs
- B. ₹ 225 lakhs and ₹ 270 lakhs
- C. ₹ 300 lakhs and ₹ 270 lakhs
- D. ₹ 225 lakhs and ₹ 360 lakhs

Answer: C

19. On 1 January 2021 A Ltd. acquires 80 per cent of the equity interests of B Ltd for ₹560 lakh. The identifiable assets are measured at ₹ 960 lakh and the liabilities assumed are measured at ₹160 lakh. The non-controlling interest in B Ltd. is measured at fair value. The gain on bargain purchase will be:

- A. ₹ 90 lakh
- B. ₹ 100 lakh
- C. ₹ 55 lakh
- D. ₹ 75 lakh

Answer: B

20. P Ltd. acquires $\frac{3}{4}$ th equity shares of Q Ltd. at consideration of ₹ 24,00,000 payable by issue of equity shares of ₹ 10 (market price ₹ 30) and exchanges of Debentures of Q by P's own Debenture ₹ 2,00,000. Net assets of Q amounts to ₹

27,00,000 at fair value. NCI is measured at fair value. Transaction cost borne by P is ₹ 25,000. Ind AS 103 is applicable.

i. In separate set of accounting:

- A. Investment is debit by ₹ 24,00,000.
- B. Investment is debit by ₹ 26,00,000.
- C. Net asset is debit by ₹ 27,00,000.
- D. Non-controlling interest is recognized at ₹ 8,00,000

Answer: B

ii. In consolidated set of accounting:

- A. Investment is debit by ₹ 24,00,000.
- B. Investment is debit by ₹ 26,00,000.
- C. Net asset is debit by ₹ 27,00,000.
- D. Goodwill is recognized at ₹ 8,00,000.

Answer: C

iii. In consolidated set of accounting:

- A. Equity is credit by ₹ 26,00,000
- B. Purchase consideration is ₹ 26,25,000
- C. Goodwill is debit by ₹ 7,00,000
- D. Non-controlling interest is recognized at ₹ 8,00,000

Answer: D

iv. In consolidated set of accounting:

- A. Other Equity is credit by ₹ 24,00,000
- B. Investment is debit by ₹ 26,00,000
- C. Goodwill is debit by ₹ 5,00,000
- D. Non-controlling interest is recognized at ₹ 7,00,000

Answer: C

v. In consolidated set of accounting:

- A. Equity share capital is credit by ₹ 8,00,000
- B. Purchase consideration is ₹ 26,00,000
- C. Goodwill is debit by ₹ 3,75,000
- D. Non-controlling interest is recognized at ₹ 6,75,000

Answer: A

- vi. In consolidated set of accounting
- A. Other Equity is credit by ₹ 15,75,000
 - B. Purchase consideration is ₹ 24,25,000
 - C. Goodwill is debit by ₹ 3,75,000
 - D. Non-controlling interest is recognized at ₹6,75,000

Answer: A

- vii. In consolidated set of accounting
- A. Equity is credit by ₹ 16,00,000
 - B. Purchase consideration is ₹ 24,00,000
 - C. Goodwill is debit by ₹ 3,75,000
 - D. Non-controlling interest is recognized at ₹6,75,000

Answer: B

21. X Ltd. acquires 20% shares of B Ltd. on 01.04.2021. X Ltd. further acquires on 01.04.2021, 60% shares of B Ltd. at a consideration of ₹ 3,60,000 in cash and by issue of 10000 shares of ₹ 10 (market price ₹15). Debentures of B Ltd. are exchanged for 12% Debenture of X Ltd. A contingent consideration is also payable, fair value of which at the date of acquisition is estimated at ₹ 60,000. X Ltd. pays transaction cost ₹ 20,000. Non-Controlling Interest is recognized at fair value. The fair values of assets and liabilities of B Ltd. are stated below:

Particulars	Fair Value (₹)
PPE	3,00,000
Current Assets	4,20,000
Creditors	38,000

The abstracts of consolidated balance sheet of X Ltd. and individual balance sheet of B Ltd. on 31.03.20X2 are given below:

Particulars	X Ltd.	B Ltd.	Particulars	X Ltd.	B Ltd.
Equity Share Capital	4,60,000	2,50,000	PPE	1,80,000	1,60,000
Other Equity	2,70,000	3,00,000	Investment in 20% shares in B Ltd. ¹	2,00,000	
12% Debenture	60,000	10,000	Current Assets	4,60,000	4,40,000
Creditors	50,000	40,000			
Total	8,40,000	6,00,000	Total	8,40,000	6,00,000

¹valued under equity method with share of post- acquisition profits ₹ 20,000

Choose the correct alternative.

i. Identifiable net assets at fair value is

- A. ₹ 7,58,000
- B. ₹ 6,82,000
- C. ₹ 6,72,000
- D. None of the above

Answer: C

ii. Purchase consideration is

- A. ₹ 3,60,000
- B. ₹ 4,60,000
- C. ₹ 5,10,000
- D. ₹ 5,70,000

Answer: D

iii. Fair value of previously held interest

- A. ₹ 1,80,000
- B. ₹ 1,90,000
- C. ₹ 1,60,000
- D. None of the above

Answer: B

iv. Non-controlling interest is recognised at

- A. ₹ 1,34,800
- B. ₹ 1,90,000
- C. ₹ 72,000
- D. None of the above

Answer: B

v. Goodwill is recognised at

- A. ₹ 88,000
- B. ₹ 2,78,000
- C. ₹ 1,56,000
- D. None of the above

Answer: A

- vi. Revaluation profit (loss) on Previously held interest
- A. ₹ 30,000
 - B. ₹ (10,000)
 - C. ₹ 20,000
 - D. None of the above

Answer: B

- vii. Consolidated other equity at acquisition is
- A. ₹ 2,70,000
 - B. ₹ 3,20,000
 - C. ₹ 2,90,000
 - D. ₹ 3,00,000

Answer: C

- viii. Investment in the separate balance sheet of X Ltd:
- A. ₹ 7,50,000
 - B. ₹ 6,80,000
 - C. ₹ 7,60,000
 - D. None of the above

Answer: C

PREVIOUS YEARS QUESTIONS

22. Which of the following is false?
- A. As per Ind AS 103, Business combinations under common control shall be accounted for using the Pooling of Interest Method and other Business combinations shall be accounted for using the Acquisition Method.
 - B. As per Ind AS 103, while accounting and reporting for a business combination, $\text{Goodwill} = \text{Consideration} + \text{Non-Controlling Interest} - \text{Net assets}$
 - C. Non-controlling interest is recognized either at fair value or at a proportionate fair value of identified net assets in the books of the Acquiree at the time of a business combination under Ind AS 103 and is shown as an item under Equity in the Balance Sheet.
 - D. None of the above

Answer: D

23. X has acquired 100% of the equity of Y on March 31, 2023. The purchase consideration comprises of an immediate payment of ₹ 100 lakhs and three further payments of ₹ 5.0 lakhs if the Return on Equity exceeds 20% in each of the subsequent three financial years. A risk adjusted discount rate of 20% is used. The value of total consideration at the acquisition date is
- A. ₹ 100 lakhs
 - B. ₹ 110.532 lakhs
 - C. ₹ 110 lakhs
 - D. ₹ 115 lakhs

Answer: B

24. Q Ltd. acquired a 60% interest in R Ltd. on January 1, 2022. Q Ltd. paid ₹ 1,800 Lakhs in cash for their interest in R Ltd. The fair value of R Ltd.'s assets is ₹ 4,000 Lakhs, and the fair value of its liabilities is ₹ 2,000 Lakhs. If NCI is valued at fair value, goodwill amounts to:
- A. ₹ 600 lakhs
 - B. ₹ 500 lakhs
 - C. ₹ 1000 lakhs
 - D. ₹ 700 lakhs

Answer: C

25. DAWN Ltd. has acquired 100% of the equity of NIGHT Ltd. on March 31, 2024. The purchase consideration comprises of an immediate payment of ₹ 20 lakh and three further payments of ₹ 2 lakh each if the return on equity exceeds 16% in each of the subsequent three financial years. On the acquisition date, the aggregate value of DAWN's identifiable net assets is ₹ 22,00,000. Calculate purchase consideration and Goodwill/ gain on bargain purchase. Assume discount rate @10%.
- A. Purchase consideration ₹ 20,00,000 and gain on bargain purchase ₹ 2,00,000
 - B. Purchase consideration ₹ 26,00,000 and goodwill ₹4,00,000
 - C. Purchase consideration ₹ 24,97,360 and goodwill ₹ 4,97,360
 - D. Purchase consideration ₹ 24,97,360 and goodwill ₹ 2,97,360

Answer: D

26. Mohan Ltd. held 50% of the voting power of Sohan Ltd. which is a joint venture of Mohan Ltd. The carrying value of the investment in Sohan Ltd. is ₹ 1,50,000. Now, out of the 50% stake, Mohan Ltd. sells 20% stake in Sohan Ltd. to a third

party for a consideration of ₹ 1,20,000. The fair value of the retained 30% interest is ₹ 1,80,000. The gain or loss recorded by Mohan Ltd. in its profit or loss is:

- A. Gain of ₹ 1,50,000
- B. Loss of ₹ 1,50,000
- C. Gain of ₹ 90,000
- D. None of the above

Answer: A

27. At what value is non-controlling interest recorded in the books of the Acquirer at the time of a business combination transaction under Ind AS 103?
- A. It is recognized at fair value only
 - B. It is recognized at proportionate fair value of identified net assets only
 - C. It is not recognized at all
 - D. It is recognized either at fair value or at proportionate fair value of identified net assets.

Answer: D

28. On 1 January 2021, A Ltd. acquires 80 per cent of the equity interests of B Ltd for ₹560 lakh. The identifiable assets are measured at ₹ 960 lakh and the liabilities assumed are measured at ₹160 lakh. The non-controlling interest in B Ltd. is measured at fair value. The gain on bargain purchase will be
- A. ₹ 90 lakh
 - B. ₹ 100 lakh
 - C. ₹ 55 lakh
 - D. ₹ 75 lakh

Answer: B

29. C Ltd. acquires 60% of N Ltd. for ₹ 97,50,000. The fair value of its identifiable net assets is ₹ 1,50,00,000. The fair value of 40% of the equity shares owned by the non-controlling shareholders is ₹ 65,00,000. Carrying amount of N Ltd.'s net assets is ₹ 1,20,00,000. Calculate the value of goodwill when NCI is measured as proportionate share of identifiable net asset.
- A. ₹ 12,50,000
 - B. ₹ 30,00,000
 - C. ₹ 7,50,000
 - D. ₹ 32,50,000

Answer: C

30. Mahi Ltd. and Pooja Ltd. amalgamated from 1st January, 2025. A new Company Majoo Ltd. with shares of ₹ 10 each was formed to take over the businesses of the existing companies. Net Assets taken over of Mahi Ltd. and Pooja Ltd. are ₹ 90.5 Lakhs and ₹ 97.0 Lakhs respectively. Total purchase consideration payable is ₹ 130 Lakhs. How many shares in Majoo Ltd. will be issued to Mahi Ltd.?
- A. 6,27,467 Shares
 - B. 6,72,533 Shares
 - C. 9,70,000 Shares
 - D. 6,50,000 Shares

Answer: A

31. On 01.04.2024, BM Ltd. acquired 90% share of CM Ltd. at ₹ 10,80,000, when the fair value of its Net Assets was ₹ 10,00,000. During 01.04.2024 to 31.03.25, CM Ltd. made total comprehensive income of ₹ 2,00,000. On that date BM Ltd. sold 15% holding to outsiders at ₹ 2,20,000. Gain credited to Other Equity will be:
- A. ₹ 1,80,000
 - B. ₹ 80,000
 - C. ₹ 40,000
 - D. ₹ 33,000

Answer: C

MODEL TEST PAPERS

32. A Ltd acquires B Ltd by purchasing 70% of its equity for ₹ 17.5 lakh in cash. The fair value of non – controlling interest is determined as ₹12 lakh. The value of net identifiable assets and liabilities, as measured in accordance with Ind-AS 103 is determined as ₹ 8 Lakh. How much goodwill is recognized?
- A. ₹ 21.5 Lakh
 - B. ₹ 19.5 Lakh
 - C. ₹ 12.7 Lakh
 - D. None

Answer: A

33. In a conglomerate merger of two companies into a new company, the merging companies operate _____. Provide justification for your selection.
- A. in related markets having similar products lines.
 - B. in unrelated markets having no functional economic relationship.
 - C. in related markets and merging companies are complimentary to each other.

D. in two countries and one of them use the product of the others as raw materials.

Answer: B

34. Kaa Ltd. absorbs Baa Ltd. and shares are issued by Kaa Ltd. using swap ratio 3:7. The face value of each share is ₹ 10 for both the companies. The intrinsic value of each shares of Kaa Ltd. is ₹ 14. Baa Ltd. has 70000 shares. Total purchase consideration is equal to

- A. ₹ 4,20,000
- B. ₹ 6,82,000
- C. ₹ 3,78,000
- D. ₹ 2,70,000

Answer: A

35. Cee Ltd. acquired a 60% interest in Jee Ltd. on January 1, 2021. Cee Ltd. paid ₹ 700 Lakhs in cash for their interest in Jee Ltd. The fair value of Jee Ltd.'s assets is ₹ 1,800 Lakhs and the fair value of its liabilities is ₹ 900 Lakhs. Compute the Non-controlling interest (NCI) at fair value.

- A. ₹ 360 Lakhs
- B. ₹ 700 Lakhs
- C. ₹ 280 Lakhs
- D. None of the above

Answer: A

ICMAI MCQ BANK

36. The pooling of interest method is considered to involve which the following?

- A. The assets and liabilities of the combining entities are reflected at their carrying amounts
- B. The assets and liabilities of the combining entities are reflected at their Net realisable value
- C. No adjustments are made to reflect fair values, or recognize any new assets or liabilities
- D. Both (A) and (C)

Answer: D

37. A Ltd. acquires 80% shares of B Ltd. for ₹ 12,80,000. Fair Value (FV) of B Ltd.'s net assets at time of acquisition amounts ₹ 14,80,000. Non-Controlling Interests are recognized at fair value. Compute Non Controlling Interests.

- A. ₹ 12,80,000
- B. ₹ 3,20,000
- C. ₹ 2,56,000
- D. ₹ 10,24,000

Answer: B

38. On 1 January 2023 P Ltd. acquires 80 per cent of the equity interests of Q Ltd. by issue of equity shares of paid-up value of ₹ 50 Lakhs (market value ₹ 120 Lakhs). The identifiable assets are measured at ₹ 190 Lakhs and the liabilities assumed are measured at ₹ 30 Lakhs. Non-controlling Interest is measured at proportionate net asset value. Compute the amount of Gain on Bargain Purchase.

- A. ₹ 8 Lakhs
- B. ₹ 160 Lakhs
- C. ₹ 190 Lakhs
- D. ₹ 32 Lakhs

Answer: A

39. On 1 January 2023 M Ltd. acquires 80 per cent of the equity interests of P Ltd. by issue of equity shares of paid-up value of ₹ 200 Lakhs (market value ₹ 480 Lakhs). The identifiable assets are measured at ₹ 760 Lakhs and the liabilities assumed are measured at ₹ 120 Lakhs. Compute Non-controlling Interest if measured at proportionate net asset value.

- A. ₹ 640 Lakhs
- B. ₹ 760 Lakhs
- C. ₹ 128 Lakhs
- D. ₹ 480 Lakhs

Answer: C

40. Entity A acquired 35 % of Entity B on 01.04.2023 for ₹ 35,000. On 31.03.2024, fair value of shares of Entity B is ₹ 42,000, thus ₹ 7,000 reported under OCI in 2023-24. On 01.07.2020 Entity A further acquired 40% stake in Entity B. Consideration paid is ₹ 60,000. Entity A identifies the net assets of Entity B at fair value of ₹ 1,20,000 at the acquisition date, value 35% shares at ₹ 45,000. NCI is valued at proportionate net assets. Compute the total amount to be transferred to P&L A/c of Entity A.

- A. ₹ 3,000
- B. ₹ 10,000
- C. ₹ 7,000
- D. ₹ 45,000

Answer: B

41. D Ltd. has acquired 100% of the equity of F Ltd. on March 31, 2023. The purchase consideration comprises of an immediate payment of ₹ 10 lakhs and two further payments of ₹ 1.21 lakhs if the Return on Equity exceeds 20% in each of the subsequent two financial years. A discount rate of 10% is used. Compute the value of total consideration at the acquisition date.
- A. ₹ 10 lakhs
 - B. ₹ 2.10 Lakhs
 - C. ₹ 12.10 Lakhs
 - D. None of these

Answer: C

42. On 01.04.2020 Gold Ltd. acquired 75% share of Coal Ltd. at ₹ 10,80,000, when the fair value of its net assets was ₹ 10,00,000. During 01.4.2022 to 31.3.2023 Coal Ltd. made TCI ₹ 2,00,000. On 31.3.2023 Gold Ltd. purchased 15% holding from outsiders at ₹ 2,20,000.

iii. Compute NCI at Proportionate net asset value.

- A. ₹ 1,80,000
- B. ₹ 1,92,000
- C. ₹ 2,46,000
- D. ₹ 2,20,000

Answer: A

iv. Compute gain/loss credited/debited to Other Equity.

- A. Loss of ₹ 40,000
- B. Gain of ₹ 40,000
- C. Loss of ₹ 28,000
- D. Gain of ₹ 28,000

Answer: A

43. On March 31, 201X, A Ltd absorbed B Ltd. A Ltd. issued 60,000 equity shares (₹ 10 par value) that were trading at ₹ 25 on March 31. The book value of B's net assets was ₹ 12,00,000. Equity Share Capital ₹ 5,00,000 and Other Equity ₹ 7,00,000 on March 31. The fair value of net assets of B Ltd. was assessed at ₹ 13,00,000. Calculate Purchase Consideration.

- A. ₹ 2,00,000

- B. ₹ 15,00,000
- C. ₹ 6,00,000
- D. None of these

Answer: B

44. Q Ltd. acquired a 60% interest in R Ltd. on January 1, 2023. Q Ltd. paid ₹ 900 Lakhs in cash for their interest in R Ltd. The fair value of R Ltd.'s assets is ₹ 2,000 Lakhs, and the fair value of its liabilities is ₹ 1,000 Lakhs. If NCI is valued at proportionate net asset, value of Goodwill:

- a. ₹ 300 Lakhs
- b. ₹ 250 Lakhs
- c. ₹ 400 Lakhs
- d. ₹ 350 Lakhs

Answer: A

45. A Ltd. takes over B Ltd. for ₹ 12,60,000. Fair Value (FV) of B's net assets at time of acquisition amounts ₹ 11,80,000. Calculate Goodwill.

- A. ₹ 12,60,000
- B. ₹ 80,000
- C. ₹ 11,80,000
- D. None of these

Answer: B



ICAI RESOURCES

46. PQR Holdings Limited enters into a number of transactions each year. The accountant has requested your help to identify which of these must be accounted for as a business combination:

- A. PQR Holdings Limited purchases 30% equity in TP Ltd, an unlisted company
- B. PQR Holdings Limited purchases a 45% interest which gives it control over TR Ltd.
- C. PQR Holdings Limited purchases one of many brand names and products of TQ Ltd.
- D. PQR Holdings Limited purchases a 30% equity and invests in debentures of TS Ltd.

Answer: B

47. On 15th November, 20X2, Buildings & Co. Limited acquired Concrete Mixers Private Limited for a purchase consideration of ₹ 10 crores. Concrete Mixers Private Limited is in the process of setting up a plant to make ready mix concrete and expects the plant to become operational by 30th April, 20X3. Other than the plant in construction, there are no other operations in the Concrete Mixers Private Limited.

The CFO of the Company has requested you to evaluate whether the acquisition of Concrete Mixers Private Limited will be covered in Ind AS 103 'Business combinations' or whether the under-construction plant should be accounted for as an asset acquisition? What factors will you consider in your evaluation?

- A. Whether Concrete Mixers Private Limited has begun planned principal activities or is pursuing a plan to produce outputs
- B. Will the entity be able to obtain access to customers that will purchase the outputs
- C. Whether Concrete Mixers Private Limited has employees, intellectual property and other inputs and processes that could be applied to those inputs
- D. All of the above

Answer: D

48. Piramal Ltd. acquires 95% of the issued share capital of Siddhi Ltd. on 1st October, 2017 by way of a share for share exchange. The profits before tax of Piramal and Siddhi for the year ended 31st March, 2018 are ₹ 2,00,000 and ₹ 1,50,000 respectively. How much profit before tax would be shown in the consolidated statement of profit or loss of Piramal Ltd. for the year ended 31st March, 2018, in accordance with IND AS 103 'Business Combinations'?

- A. ₹ 271,250
- B. ₹ 275,000
- C. ₹ 342,500
- D. ₹ 350,000

Answer: B

49. Entity C acquires Entity D as per the principles of IND AS 103 Business Combinations. Fair Value of identifiable assets is ₹ 10,00,000. Fair Value of Liability assumed is ₹ 6,00,000. Consideration paid for the acquisition of Entity D is ₹ 5,00,000 Goodwill on acquisition is deductible for tax purposes.

You need to compute the Goodwill amount to be recognised the books of Acquirer i.e. Entity C at acquisition date. (Assume tax rate @ 30%)

- A. ₹ 1,00,000
- B. ₹ 1,30,000

- C. ₹ 4,00,000
- D. ₹ 70,000

Answer: A

50. On 1st January, 20X3, Unnati Ltd. also acquired a 60% stake in Shraddha 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 Shraddha Ltd. at acquisition date was ₹ 3 crores. Unnati Ltd. has calculated that its cost of capital is 10%. Non-controlling interest is measured at the proportionate share of identifiable net assets.

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

- A. ₹ 1 crore gain on bargain purchase
- B. ₹ 80 lakhs gain on bargain purchase
- C. ₹ 20 lakhs goodwill
- D. ₹ 41 lakhs goodwill

Answer: C

51. 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 Crores)

Particulars	Amount
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 Crores)

Particulars	Amount
Fair value of the 30% interest already owned	9,000
Fair value of XYZ's identifiable net assets	30,000

- i. What is the fair value of the total consideration transferred by PQR Ltd. to XYZ Ltd.?
 - A. ₹ 34,000 crores

- B. ₹ 33,850 crores
- C. ₹ 33,000 crores
- D. ₹ 25,000 crores

Answer: A

ii. What is the amount of goodwill in the said business combination?

- A. ₹ 3,000 crores
- B. ₹ 4,000 crores
- C. ₹ 2,150 crores
- D. ₹ 3,850 crores

Answer: B

iii. What is the gain on previously held interest in XYZ Ltd. recognised in profit or loss?

- A. ₹ 150 crores
- B. ₹ 100 crores
- C. ₹ 250 crores
- D. Nil

Answer: C

CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS

ICMAI STUDY MATERIAL

1. Consolidated financial statements are required to be prepared by an Ind AS complied company if it holds shares in the investee company
 - A. entailing 20% or more voting rights having significant influence over the investee company (called Associate as per Ind AS 28)
 - B. entailing joint control over the investee company (called a Joint Venture as per Ind AS 28)
 - C. entailing control over investee company (called subsidiary company as per Ind AS 110)
 - D. All of the above

Answer: D

2. _____ requires that when consolidated financial statements are prepared the investor company shall also prepare individual/standalone financial statements, which are named as separate financial statements.
 - A. Ind AS 27
 - B. Ind AS 28
 - C. Ind AS 110
 - D. Ind AS 112

Answer: A

3. An investment entity is an entity that
 - A. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services
 - B. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
 - C. measures and evaluates the performance of substantially all of its investments on a fair value basis
 - D. All of the above

Answer: D

4. Ind AS 103 states that the acquirer obtaining control over acquiree, recognises and measures in its consolidated financial statements at the acquisition date
 - A. the identifiable assets acquired, the liabilities assumed at Fair Value

- B. any non-controlling interest in the acquiree at Fair Value or at Proportionate Value
- C. the goodwill acquired in the business combination or a gain on bargain purchase
- D. All of the above

Answer: D

5. As per Ind AS 112: Disclosure of Interests in Other Entities, an entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining
- A. that it has control of another entity, i.e. an investee as described in paragraphs 5 and 6 of Ind AS 110, Consolidated Financial Statements
 - B. that it has joint control of an arrangement or significant influence over another entity
 - C. the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle
 - D. All of the above

Answer: D

PREVIOUS YEARS QUESTIONS

6. On April 1, 2022 GANGA Ltd. purchased a 30% interest in SAGAR Ltd. for ₹ 2,50,000. On that date SAGAR's shareholders' equity was ₹ 5,00,000. The carrying value of SAGAR's identifiable net assets was equal to book value. GANGA correctly reports this significant influence investment using equity method. Both companies have a March 31 year end. For the year ended 31.03.2023, SAGAR Ltd. reported net income of ₹ 1,50,000 and paid total dividends of ₹ 40,000. Calculate the amount that GANGA Ltd. would report as its investment in SAGAR Ltd. on March 31, 2023.
- A. ₹ 3,60,000
 - B. ₹ 2,95,000
 - C. ₹ 2,83,000
 - D. ₹ 2,50,000

Answer: C

7. As per Ind AS 112 certain disclosures are required to be made about non-controlling interests. Some items of disclosures are given below:
- (a) The name of the subsidiary.
 - (b) Accumulated non-controlling interest at the beginning of the reporting period.
 - (c) The proportion of ownership interests held by non-controlling interests.

(d) Accumulated non-controlling interest at the end of the reporting period.
Choose correct option:

- A. All the items are to be disclosed.
- B. Items (a), (b) and (c) are to be disclosed.
- C. Items (b), (c) and (d) are to be disclosed.
- D. Items (a), (c) and (d) are to be disclosed.

Answer: D

8. On 1st April, 2023, Rita Ltd. invested in the equity shares of Sita Ltd. at a cost of ₹ 2,00,000 to acquire 25% share in the voting power of Sita Ltd. Rita Ltd. concluded that Sita Ltd. is now an associate of Rita Ltd. On 31st March, 2024, Sita Ltd. earned the net profit of ₹ 20,000 and other comprehensive income of ₹ 4,000. In the year 2023-24, Sita Ltd. also declared dividend of ₹ 8,000. The carrying amount of investment in Sita Ltd. as at 31st March, 2024 as per the relevant Ind AS is:

- A. ₹ 2,00,000
- B. ₹ 2,05,000
- C. ₹ 2,06,000
- D. ₹ 2,04,000

Answer: D

9. Surendra Ltd., a parent, sold goods costing ₹ 400 lakh to its 80% subsidiary, Narendra Ltd. at ₹ 480 lakh. 50% of these goods are lying in stock as at 31st March, 2024. Narendra Ltd. has measured this inventory at cost i.e., at ₹ 240 lakh. The tax rate is 30%. The deferred tax to be shown in the consolidated financial statements is:

- A. ₹ 12 lakh
- B. ₹ 60 lakh
- C. ₹ 72 lakh
- D. ₹ 120 lakh

Answer: A

10. Consolidated financial statements are required to be prepared by an Ind AS complied company if it holds shares in the investee company
- A. entailing 20% or more voting rights having significant influence over the investee company (called Associate as per Ind AS 28)
 - B. entailing joint control over the investee company (called a Joint Venture as per Ind AS 28)

- C. entailing control over investee company (called subsidiary company as per Ind AS 110)
- D. All of the above

Answer: D

11. As per Ind AS-28, an entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the
- A. Acquisition method
 - B. Purchase method
 - C. Equity method
 - D. Pooling of Interest method

Answer: C

12. _____ requires that when consolidated financial statements are prepared the investor company shall also prepare individual/standalone financial statements, which are named as separate financial statements.
- a. Ind AS 27
 - b. Ind AS 28
 - c. Ind AS 110
 - d. Ind AS 112

Answer: A

13. Consolidated Financial Statements are required to be prepared by an Ind AS complied company having:
- A. sole control over the investee company
 - B. significant influence over the investee company
 - C. joint control over the investee company
 - D. All of the above

Answer: D

ICMAI MCQ BANK

14. Rajesh Ltd. has acquired 30% shares of Suresh Ltd. as on 01.04.2023 at ₹50,00,000 giving Rajesh Ltd. significant influence over Suresh Ltd. From the date of acquisition till 31st march 2024, Suresh Ltd. has earned a profit of ₹2,50,00,000 and revalued its property for ₹30,00,000 and also accounted for it in the revaluation reserve. Calculate the carrying value of Rajesh's investment in Suresh Ltd. in its consolidated books of accounts as on 31st march 2024:

- A. ₹2,50,00,000
- B. ₹ 30,00,000
- C. ₹ 1,34,00,000
- D. ₹ 1,25,00,000

Answer: C

15. _____ is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

- A. Joint Control
- B. Joint Arrangement
- C. Joint Operation
- D. None of these

Answer: A

16. A joint arrangement is either a _____ or a joint venture

- A. joint operation
- B. joint control
- C. joint partnership
- D. None of these

Answer: A

17. Which of the following is not a type of joint arrangement recognised under Ind AS 111?

- A. Joint Venture
- B. Joint Operation
- C. Joint Control Entity
- D. Joint Contribution Entity

Answer: D

18. How is the investor's share of profit or loss from a joint venture recognised?

- A. As a revenue
- B. As a liabilities
- C. As an expense
- D. As a part of equity

Answer: D

19. An _____ is an entity over which the investor has significant influence.
- A. Associate
 - B. Joint Venture
 - C. Partnership
 - D. All of these

Answer: A

20. _____ is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investors share of the investees net assets.
- A. equity method
 - B. pooling interest method
 - C. purchase method
 - D. None of these

Answer: A

ICAI RESOURCES

21. _____ are the rights designed to protect the interest of the party holding rights without giving power over the entity to which those rights relate.
- A. Substantive Rights
 - B. Potential voting rights
 - C. Minority voting rights
 - D. Protective rights

Answer: D

22. In consolidated financial statements, non-controlling interest should be presented:
- A. Within long-term liabilities
 - B. In between long-term liabilities and current liabilities
 - C. Within the parent shareholders' equity
 - D. Within equity but separate from the parent shareholders' equity

Answer: D

23. P owns a controlling investment of 70% of S. During the year, P sold goods to S for ₹ 60,000 at cost plus 20%. At the year end, S still had half of the goods in their inventory. P's total inventory at the year-end was ₹ 120,000, and S's total

inventory was ₹ 80,000. How much inventory should be recognised in P's consolidated statement of financial position prepared in accordance with IND AS?

- A. ₹ 1,95,000
- B. ₹ 2,00,000
- C. ₹ 1,76,000
- D. ₹ 1,58,500

Answer: A

24. On 1st March 20X2, Quixote Ltd acquired 30% of the shares of Tintin Ltd. The investment was accounted for as an associate in Quixote's consolidated financial statements. Both Quixote and Tintin have an accounting year ending at 31st October 20X2. Quixote Ltd has no other investments in associates. Net profit for the year in Tintin's income statement for the year ended 31st October 20X2 was ₹ 2,30,000. It declared and paid dividend of ₹ 100,000 on 1st July 20X2. No other dividends were paid in the year.

What amount will be shown as an inflow in respect of earnings from the associate in the consolidated cash flow statement of Quixote for the year ended 31st October 20X2?

- A. ₹ 20,000
- B. ₹ 26,000
- C. ₹ 30,000
- D. ₹ 46,000

Answer: C

25. A Ltd. controls another entity B Ltd., owning 60% of its ordinary share capital. At the group's year end, 31st December 20X1, B Ltd. included ₹ 6,000 in its receivables in respect of goods supplied to A Ltd. However, the payables of A Ltd. included only ₹ 4,000 in respect of amounts due to B Ltd. The difference arose because, on 31st December 20X1, A Ltd. sent a cheque of Rs. 2,000, which was not received by B Ltd. until 3rd January 20X2.

Which one of the following sets of consolidation adjustments to current assets and current liabilities is correct?

- A. Deduct ₹ 6,000 from both consolidated receivables and consolidated payables
- B. Deduct ₹ 3,600 from both consolidated receivables and consolidated payables
- C. Deduct ₹ 6,000 from consolidated receivables and ₹ 4,000 from consolidated payables and include ₹ 2,000 as cash-in- transit
- D. Deduct ₹ 6,000 from consolidated receivables and ₹ 4,000 from consolidated payables and include inventory in transit of ₹ 2,000

Answer: C

26. 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 at least 21 days advance notice to all shareholders.

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

Answer: A

27. 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. 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

Answer: D

28. 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. 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

Answer: C

29. X Ltd. is a listed entity in India and prepares consolidated financial statements as per the requirements of Ind AS. X Ltd. has a wholly owned subsidiary A Ltd. which is an unlisted entity with a net worth of ₹ 280 crore. A Ltd. is not in the process of listing any of its instruments in public market. A Ltd. has two wholly owned subsidiaries B Ltd. and C Ltd.
- i. State which of the following is true for A Ltd. as per the requirements of Ind AS 110?
- A. Since A Ltd. is an unlisted entity, it is mandatory for it to prepare Consolidated Financial Statements (CFS)
 - B. Even if X Ltd. does not object to A Ltd. for not preparing CFS, A Ltd. has to mandatory prepare CFS
 - C. Even if A Ltd. is an unlisted entity and X Ltd. objects A Ltd. for not preparing CFS, A Ltd. is not required to prepare CFS
 - D. Since A Ltd. is not a listed entity and if X Ltd. does not object to A Ltd. for not preparing CFS, A Ltd. will not be required to prepare CFS.

Answer: D

- ii. Assume the same facts as given in the scenario for wholly owned subsidiaries A Ltd., X Ltd. is a foreign entity and is listed in stock exchange of a foreign country and it prepares its financial statements as per the generally accepted accounting principles (GAAP) applicable to that country. Now state which of the following is true for A Ltd. as per the requirements of Ind AS 110?
- A. Since A Ltd. is an unlisted entity, preparation of CFS is not mandatory to it
 - B. Since X Ltd. is not preparing CFS under Ind AS, A Ltd. is mandatorily required to prepare CFS under Ind AS
 - C. Even if X Ltd. does not object to A Ltd. for not preparing CFS, A Ltd. is not required to mandatory prepare CFS
 - D. Even if A Ltd. is an unlisted entity and X Ltd. objects A Ltd. for not preparing CFS, A Ltd. is not required to prepare CFS

Answer: B

- iii. Assume the same facts as given in the scenario except that 100% of the investment in A Ltd. is held by Mr. X (an individual) instead of X Ltd. Now

state which of the following is true for A Ltd. as per the requirements of Ind AS 110?

- A. A Ltd. is not required to prepare CFS as it is an unlisted entity
- B. Even if Mr. X is an individual, A Ltd. is not mandatorily required to prepare CFS under Ind AS
- C. A Ltd. will prepare consolidated financial statements under AS and not Ind AS
- D. Even if A Ltd. is an unlisted entity, it is mandatorily required to prepare CFS

Answer: D

30. All Limited holds 35% of total equity shares of M Limited, an associate company. The value of investments in M Limited on 31st March, 20X3 is ₹ 3,00,00,000 in the consolidated financial statements of All Limited. All Limited sold goods worth ₹ 3,50,000 to M Limited. The cost of goods sold is ₹ 3,00,000. Out of these goods costing ₹ 1,00,000 to M Limited were in the closing stock of M Limited. M Limited declared a dividend of ₹ 75,00,000 to the equity shareholders of the Company. During the year ended 31st March, 20X4 the statement of profit and loss of M Limited showed a profit of ₹ 1,50,00,000.

- i. What is the share of All Limited in the post-acquisition profit of M Limited?
- A. ₹ 1,50,00,000
 - B. ₹ 52,50,000
 - C. ₹ 75,00,000
 - D. ₹ 26,25,000

Answer: B

- ii. Compute unrealised gain on unsold inventory for All Limited.
- A. ₹ 5,000
 - B. ₹ 16,667
 - C. ₹ 50,000
 - D. ₹ 5,833

Answer: A

- iii. What is the share of All Limited in the dividend declared from M Limited?
- A. ₹ 75,00,000
 - B. ₹ 50,00,000
 - C. ₹ 26,25,000
 - D. ₹ 52,50,000

Answer: C

- iv. What is the value of investment in M Limited as on 31st March, 20X4 as per equity method in the consolidated financial statements of All Limited?
- A. ₹ 3,26,25,000
 - B. ₹ 3,52,50,000
 - C. ₹ 3,52,45,000
 - D. ₹ 3,26,20,000

Answer: D

- v. What is the approximate gross margin on goods sold by All Limited to M Limited?
- A. 14.29%
 - B. 16.67%
 - C. 50%
 - D. 5%

Answer: A

ACCOUNTING FOR FINANCIAL INSTRUMENTS**✚ ICMAI STUDY MATERIAL**

2. The Indian Accounting Standards relevant for recognition, measurement and disclosure of financial instruments are:
- A. Financial instruments: Presentation (Ind AS 32)
 - B. Financial instruments: Disclosure (Ind AS 107)
 - C. Financial instruments: (Ind AS 109)
 - D. All of the above

Answer: D

3. Financial assets are:
- A. cash
 - B. an equity instrument of another entity
 - C. a contractual right
 - D. All of the above

Answer: D

4. Ind AS 109: Financial Instruments classifies the financial assets and financial liabilities into the following categories for recognition and measurement
- A. Measured at fair value through OCI
 - B. Measured at amortized cost
 - C. Measured at fair value through P & L
 - D. All of the above

Answer: D

5. Ind As 109 deals with
- A. recognition and measurement of financial instruments and hedge accounting
 - B. presentation of financial instruments
 - C. disclosure of financial instruments
 - D. None of the above

Answer: A

6. An _____ is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

- A. equity instrument
- B. puttable instrument
- C. financial instrument
- D. None of the above

Answer: A

PREVIOUS YEARS QUESTIONS

7. Which of the following is not true?
- A. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
 - B. A puttable instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.
 - C. Cash, an equity instrument of another equity and a contractual right are Financial Assets.
 - D. None of the above.

Answer: D

8. Ind AS 109: Financial Instruments classifies the financial assets and financial liabilities into the following categories for recognition and measurement
- A. Measured at fair value through OCI
 - B. Measured at amortized cost
 - C. Measured at fair value through P & L
 - D. All of the above

Answer: D

9. When objective of holding financial assets does not include collection of cash flows by selling of financial assets, such financial assets are measured at-
- A. Fair value through other comprehensive income (OCI)
 - B. Amortized cost
 - C. Fair value through profit and loss (P&L)
 - D. None of the above

Answer: B

MODEL TEST PAPERS

10. J Ltd. purchased a plant for US \$ 50,000 on 31st October, 2020 payable after 6 months. The company entered into a forward contract for 6 months @ ` 64.25 per

Dollar. On 31st October, 2020 the exchange rate was ₹ 61.50 per Dollar. The profit or loss on forward contract for the year ended 31st March, 2021 is

- A. ₹ 1,14,538
- B. ₹ 1,14,583
- C. ₹ 1,37,500
- D. None of these

Answer: B

ICAI RESOURCES

11. Which of the following categories of financial assets is NOT subject to impairment requirements of IND AS 109 "Financial Instruments"?
- A. Equity instruments measured at fair value through profit or loss
 - B. Investment in debentures where (i) Contractual cash flows represent solely payment of principal and interest; and (ii) entity's business model is to hold financial assets in order to collect contractual cash flows
 - C. Lease receivables
 - D. Trade debtors

Answer: A

12. Entity A has issued preference shares to the investors which has similar voting rights and dividend rights and will be converted into one is to one equity shares at the time of IPO. As per the terms of the agreement, if the IPO does not happen by the end of the 7th year, then the Company will have to buy back the shares from the investors. The Company is growing very fast and is confident of going through the IPO within 3 years itself. How will the company classify the above instrument in the financial statement?
- A. Equity
 - B. Liability
 - C. Hybrid
 - D. Compound

Answer: D

13. A Ltd. has invested in debentures whose interest rate is floating in nature and as per the terms of the instrument interest will be reset every month. Terms of interest is $0.5 \times (\text{MIBOR} + 2\%)$. Classify the financial asset and determine the subsequent measurement for the aforesaid instrument.
- A. Financial asset measured at amortised cost
 - B. Financial asset measured at FVOCI without recycling

- C. Financial asset measured at FVTPL
- D. Financial asset measured at FVOCI with recycling

Answer: C

14. From the below list of instruments held by Swan Limited as at 31.03.20X2, you need to identify the financial instrument which does not meet the contractual cash flow characteristics test as per the provisions of IND AS 109:
- A. Variable rate instrument with a stated maturity date that permits the borrower to choose to pay three month LIBOR for a three-month term or one-month LIBOR for a one-month term
 - B. A fixed term variable market interest rate bond where the variable market interest rate is capped
 - C. A financial instrument with an interest rate that is reset to a higher rate if the debtor misses a particular number of payments
 - D. A financial instrument with an interest rate that is reset to a higher rate if a specified equity index reaches a particular level

Answer: D

15. New Age Technology Limited has taken loan from a bank which has debt to equity ratio as one of its financial covenants. Any new fund raise could have a direct implication on the covenants of existing loans. Therefore, the CFO wants to understand which amongst the following instruments is an equity instrument as per IND AS 32 Financial Instruments: Presentation?
- A. Non-redeemable preference shares with payment of dividend at market rates
 - B. Preference shares redeemable at the option of the issuer with payment of dividend at the discretion of the issuer
 - C. Preference shares redeemable at the option of the holder with payment of dividend at the discretion of the issuer
 - D. Preference shares redeemable at the option of the holder with payment of dividend at market rates

Answer: B

16. On 1 January 20X6, XYZ Ltd issues a new instrument with the following characteristics.
- Face value 100, issue price 90.
 - Cumulative dividend payable at 5% per annum for 10 years. After 10 years, the dividend is payable at the discretion of the issuer.
 - The holder of the note has the option to convert to ordinary shares of XYZ Ltd. after 10 years, and conversion will be 10 ordinary shares for each instrument.

- The holder can demand redemption for the face value at any time, with six months' notice up until the end of 10 years. After 10 years, redemption is at the discretion of the issuer.
- There is no fixed maturity date.

How should the instrument be classified by XYZ Ltd. in the first 10 years in accordance with IND AS 32? Select which one of the following is correct.

- A. As equity
- B. As a liability
- C. As either equity or liability
- D. As a compound instrument

Answer: D

17. 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 the 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).

Answer: D

18. 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. What is the nature of the contract entered into for cocoa beans?
- A. Cash contract
 - B. Non-executory and derivative contract
 - C. Derivative contract
 - D. Executory and non-derivative contract

Answer: D

19. 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. What is the nature of the financial instrument?

- A. Financial Asset
- B. Financial Liability
- C. Equity
- D. Not a financial instrument

Answer: C

20. 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.
- i. Irredeemable preference shares 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

Answer: C

- ii. 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

Answer: B

21. On 1st October, 20X1, HIJ Ltd. subscribed for 40 million ₹ 1 loan notes in Z Ltd. The loan notes were issued at 90 paise and were redeemable at ₹ 1.20 on 30th

September 20X6. Interest is payable on 30th September in arrears at 4% of par value. This represents an effective annual rate of return for HIJ Ltd. of 9.9%. HIJ Ltd.'s intention is to hold the loan notes until redemption.

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

- A. ₹ 40 million
- B. ₹ 37.782 million
- C. ₹ 38.4 million
- D. ₹ 36 million

Answer: D

ii. What would be the closing balance of financial instruments (as subscription of loan notes in Z Ltd.) as on 31st March 20X2?

- A. ₹ 37.6 million
- B. ₹ 34.218 million
- C. ₹ 37.782 million
- D. ₹ 36.182 million

Answer: C

22. On 1st October, 20X1, Skywalk Ltd. signed a contract to purchase a machine from a foreign supplier on 31st March, 20X2.

The purchase price of the machine, payable in cash on 31st March, 20X2, was USD 2 million. On 1st October, 20X1, Skywalk Ltd. entered into a forward contract to purchase USD 2 million on 31st March, 20X2 for ₹ 140.0 million. On 31st December, 20X1, a contract to buy USD 2 million on 31st March, 20X2 would have required a payment of ₹ 150.0 million. On 31st March, 20X2, the spot rate of exchange was ₹ 70 = USD 1. The forward contract was settled by the other party making a payment of ₹ 15 million to Skywalk Ltd. on that date.

Skywalk Ltd. estimated that the useful economic life of the machine was five years from 31st March, 20X2, with no residual value. Skywalk Ltd. uses hedge accounting whenever permitted by Ind AS 109. The currency contract fully complies with the criteria and conditions for hedge accounting as set out in Ind AS 109.

i. Calculate the gain on revaluation of the derivative for the year ended 31st December, 20X2.

- A. ₹ 5 million
- B. ₹ 10 million

- C. ₹ 15 million
- D. ₹ 11.25 million

Answer: A

- ii. At which time the hedging instrument as derivative in this case is to be derecognized from books?
 - A. When the property, plant and equipment has been purchased
 - B. When the forward contract is settled
 - C. When the company starts charging depreciation to property, plant and equipment
 - D. At the end of relevant financial year when the contract is entered

Answer: B

23. Z Ltd. is a multi-national company and prepares and presents its financial statements following Indian Accounting Standards.

- (a) Z Ltd. makes sale of goods to customers on credit of 45 days. The customers are entitled to earn a cash discount @ 2% per annum if payment is made before 45 days and an interest @ 10% per annum is charged for any payments made after 45 days.
- (b) Z Ltd. makes sale of goods to customers on credit. Goods are carried in large containers for delivery to the dealers' destinations. All dealers are required to deposit a fixed amount of ₹ 10,000 as security for the containers, which is returned only when the contract with Company terminates. The deposits carry 8% per annum which is payable only when the contract terminates.

If the containers are returned by the dealers in broken condition or any damage caused, then appropriate adjustments shall be made from the deposits at the time of settlement.

- (c) Z Ltd. has following three types of interests in an associate:
 - Equity shares: 25% of the equity shares to which equity method of accounting is applied
 - Preference shares: Non-cumulative preference shares that form part of net investment in the associate. Such preference shares are measured at fair value as per Ind AS 109.
 - Long-term loan: The loan carrying interest of 10% p.a. The interest income is received at the end of each year. The long-term loan is accounted as per amortised cost as per Ind AS 109. This loan also forms part of net investment in the associate.

At the start of year 1, the carrying value of each of the above interests is as follows:

- Equity shares – ₹ 10,00,000
- Preference shares – ₹ 5,00,000
- Long-term loan – ₹ 3,00,000

Following table summarises the changes in the fair value of preference shares as per Ind AS 109, impairment loss on long-term loan as per Ind AS 109 and entity's share in profit/loss of associate for year 1:

Increase / (Decrease) in fair value of preference shares as per Ind AS 109	Impairment loss / (reversal) on long-term loan as per Ind AS 109	Entity's share in profit / (loss) of associate
(50,000)	(50,000)	(16,00,000)

Throughout year 1 to 5, there has been no objective evidence of impairment in the net investment in the associate. The entity does not have any legal or constructive obligation to share the losses of the associate beyond its interest in the associate.

Based on above, determine the closing balance of each of the above interests at the end of each year.

- i. What will be the classification of such trade receivables in the books of Z Ltd.?
 - A. Non-current, non-financial asset
 - B. Non-current, financial asset
 - C. Current financial asset
 - D. Current non-financial asset

Answer: C

- ii. What will be the classification of such deposits in the books of dealers?
 - A. Non-current, non-financial asset
 - B. Non-current, financial asset
 - C. Current financial asset
 - D. Current non-financial asset

Answer: B

- iii. The closing balance of equity share interest in an associate at the end of year 1 will be:

- A. ₹ 10,00,000
- B. ₹ (6,00,000)
- C. ₹ 2,00,000
- D. Nil

Answer: D

iv. The closing balance of preference share interest in an associate at the end of year 1 will be:

- A. ₹ 5,00,000
- B. ₹ 4,50,000
- C. Nil
- D. ₹ (50,000)

Answer: C

v. The closing balance of long-term loan interests in an associate at the end of year 1 will be:

- A. ₹ 3,00,000
- B. ₹ 2,50,000
- C. Nil
- D. ₹ 1,00,000

Answer: D

VALUATION OF SHARES (INCLUDING DETERMINATION OF GOODWILL, POST-VALUATION OF TANGIBLE AND INTANGIBLE ASSETS)

✚ ICMAI STUDY MATERIAL

1. The major three approaches to valuation of shares are:

- a. Income Approach
- b. Net Assets Approach
- c. Market Approach
- d. All of the above

Answer: D

2. The major bases of asset valuation for a going concern:

- A. Book Value
- B. Net Replacement Value
- C. Net Realisable Value
- D. All of the above

Answer: D

3. The Income approach for Valuation of Shares includes the models/Techniques:

- A. Discounted Cash Flow
- B. Dividend Discount Model
- C. Maintainable Profits Basis
- D. All of the above

Answer: D

4. Some of the methods of Goodwill Valuation are:

- A. Capitalisation method
- B. Super profits method
- C. Average Maintainable Profits method
- D. All of the above

Answer: D

5. The ways of determining the value of goodwill using the capitalisation approach:

- A. Capitalisation of Average Profits
- B. Capitalisation of Super Profits
- C. Both (A) and (B)
- D. Capitalisation of Average Future maintainable profit

Answer: C

PREVIOUS YEARS QUESTIONS

6. Given by the Poova Mart:

Average trading profit of last four years: ₹ 7,00,000

Average capital employed by the firm: ₹ 45,00,000

Normal rate of return: 10%

Present value of annuity of ₹ 1 for 4 years @ 10%: 3.1699

The value of goodwill on the basis of annuity of super profit will be

- A. ₹ 22,18,930
- B. ₹ 7,92,475
- C. ₹ 2,20,827
- D. ₹ 6,21,575

Answer: B

7. Normal dividend expected on equity shares of A Ltd. is 8%. The profit available to equity shareholders is ₹ 3,83,125 and value of net asset for equity shareholders is ₹ 40,82,000. Calculate value of each equity share under fair value method if number of outstanding equity share is 1,00,000 and face value is ₹ 10.

- A. ₹ 44.36
- B. ₹ 46.26
- C. ₹ 47.89
- D. None of the above

Answer: A

MODEL TEST PAPERS

8. The value of a share under the net asset approach is determined by _____.
- A. accessible net assets to equity owners
 - B. net assets accessible to holders of debentures
 - C. the value of preference shareholders' net assets
 - D. none of the preceding

Answer: A

9. Net asset value method is based on the assumption that the company is _____.
- A. going concern
 - B. going to be liquidated.
 - C. Both (A) & (B)
 - D. None of the above

Answer: B

10. XY Ltd, a partnership firm, earned profits during the past 5 years as follows:

Year	2017	2018	2019	2020	2021
Profits (₹)	27,000	36,000	37,200	42,000	46,800

Determine the value of goodwill on the basis of 3 years' purchase of weighted average profit of last five years giving maximum weightage to the recent results

- A. ₹ 1,22,520
- B. ₹ 1,15,000
- C. ₹ 1,46,000
- D. ₹ 142,520

Answer: A

11. A firm values goodwill under 'Capitalisation of Profits' method. Average profit of the firm for past 4 years has been determined at ₹ 1,00,000 (before tax). Capital employed in the business is ₹ 4,80,000 and its normal rate of return is 12%. Tax rate is 28% on average. Value of Goodwill based on capitalisation of average profit will be:
- A. ₹ 1,20,000
 - B. ₹ 6,00,000
 - C. ₹ 5,00,000
 - D. ₹ 4,80,000

Answer: A

ICMAI MCQ BANK

12. A firm values goodwill under 'Capitalisation of Profits' method Average profit of the firm for past 4 years has been determined at ₹ 1,00,000 (before tax). Capital employed in the business is ₹ 4,80,000 and its normal rate of return is 12%. Tax rate is 28% on average. Value of Goodwill based on capitalisation of average profit will be:

- A. ₹ 1,20,000
- B. ₹ 6,00,000
- C. ₹ 5,00,000
- D. ₹ 4,80,000

Answer: A

13. Super Profit = Average Future Maintainable Profit – _____

- A. Normal Profit
- B. Estimated Profit
- C. Future Maintainable Profit
- D. Average Capital Employed

Answer: A

14. From the following particulars you are required to determine value of goodwill of ABX Ltd. Super Profit (Computed): ₹ 4,50,000 Normal rate of return: 12% Present value of annuity of ₹ 1 for 4 years @ 12%: 3.0374

- A. ₹ 13,66,830
- B. ₹ 4,50,000
- C. ₹ 8,00,000
- D. None of the above

Answer: A

15. Capital Employed is ₹ 255 Lakhs; Annual average profits are ₹ 57 Lakhs; Normal rate of return is 12%. The value of goodwill on the basis of Capitalization of super profits will be:

- A. ₹ 220 Lakhs
- B. ₹ 475 Lakhs
- C. ₹ 6.84 Lakhs
- D. ₹ 26.40 Lakhs

Answer: A

NBFCs – PROVISIONING NORMS, ACCOUNTING AND REPORTING

✚ ICMAI STUDY MATERIAL

1. IND AS is applicable to NBFCs on and from

- A. 1.4.2016
- B. 1.4.2017
- C. 1.4.2015
- D. 1.4.2018

Answer: D

2. As per Sec. 45I(f) of RBI Act, 1934, a non-banking financial company means

- A. a financial institution which is a company
- B. a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner
- C. such other non-banking institution or class of such institutions, as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify
- D. All of the above

Answer: D

3. The term 'Public Funds' includes

- A. Debentures
- B. Funds raised directly or indirectly through public deposits
- C. Bank finance
- D. All of the above

Answer: D

4. As per Prudential Regulations for NBFCs-ND, the NBFCs-ND with asset size of less than ₹ 500 crores shall be

- A. Exempted from the requirement of maintaining CRAR
- B. Exempted from complying with Credit Concentration Norms
- C. Maintain a leverage ratio (Total Outside Liabilities Owned Funds) of 7 to link Asset Growth with the Capital
- D. All of the above

Answer: D

5. Non-Performing Asset (NPA) in case of Lease Rental and Hire-Purchase Assets if
- A. Overdue for 9 Months as on 31st March 2016
 - B. Overdue for 6 Months as on 31st March 2017
 - C. Overdue for 3 Months as on 31st March 2018 and Onwards
 - D. All of the above

Answer: D

PREVIOUS YEARS QUESTIONS

6. Lease Rental and Hire-Purchase Assets will be treated as Non-Performing Assets (NPA) in case of NBFCs for the financial year ended 31st March, 2024 if _____.
- A. Overdue for 3 months as on 31st March, 2024
 - B. Overdue for 6 months as on 31st March, 2024
 - C. Overdue for 9 months as on 31st March, 2024
 - D. Overdue for 4 months as on 31st March, 2024

Answer: A

MODEL TEST PAPERS

7. On the year ended 31st March, 2024, a Non-Banking Financial Company (NBFC) had following advances-

Assets Classification	₹ in lakhs
Standard	1050
Sub – standard	750
Doubtful up to one year	200
Doubtful for one year to two year	220

The amount of provision which must be made against the advances will be_____.

- A. ₹ 254.70 Lakhs
- B. ₹ 159 Lakhs
- C. ₹ 163 Lakhs
- D. ₹ 181 Lakhs

Answer: A

ICAI MCQ BANK

8. All NBFCs-ND which have an asset size of ₹ 500 crore and above and all NBFCs-D shall maintain minimum Tier 1 Capital of _____.
- A. 12%
 - B. 15%
 - C. 10%
 - D. 1%

Answer: C

9. The term 'Public Funds' includes:
- A. Debentures
 - B. Funds raised directly or indirectly through public deposits
 - C. Bank Finance
 - D. All of these

Answer: D

RECENT DEVELOPMENTS IN FINANCIAL REPORTING

ICMAI STUDY MATERIAL

1. The three pillars of sustainability are often referred to as

- A. Planet – People – Profit
- B. People – Planet – Profit
- C. People – Profit – Planet
- D. People – Plant – Profit

Answer: B

2. External benefits of sustainability reporting can include

- A. Mitigating – or reversing – negative environmental, social and governance impacts
- B. Improving reputation and brand loyalty
- C. Enhanced perception on organisation's value
- D. All of the above

Answer: D

3. International Integrated Reporting Council (IIRC) launched IR as a global framework in _____.

- A. November 2013
- B. December 2012
- C. November 2012
- D. December 2013

Answer: D

4. As per the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011, the following classes of companies were required to file the Financial Statements in XBRL Form only from the year 2010-2011

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

Answer: D

5. A company required to furnish cost audit report and other documents to the Central Government under Section 148(6) of the Companies Act, 2013 and rules made thereunder, shall file such report and other documents using the XBRL taxonomy given in Annexure-III to the said Rule for the financial years on or after April 1, 2014 in e-Form _____ specified under the Companies (Cost Records and Audit) Rules, 2014
- A. CRA-2
 - B. CRA-3
 - C. CRA-4
 - D. CRA-1

Answer: C

PREVIOUS YEARS QUESTIONS

6. 4P Bottom Line Reporting concept requires an organization to report on:
- A. Social, Environmental, Sustainability and Spiritual dimension
 - B. Social, Environmental, Economic and Political dimension
 - C. Social, Environmental, Economic and Spiritual dimension
 - D. None of the above

Answer: C

7. In India, Government Accounting Standards are issued by
- A. Government Accounting Standards Advisory Board
 - B. Government Accounting Standards Applicability Board
 - C. Government Auditing Standards Advisory Board
 - D. Government Accounting for States Advisory Board

Answer: A

8. Market value added (MVA) is
- A. the difference between the current book value of a company and capital contributed by investors (both the shareholders and debt holders).
 - B. the difference between the current total market value of a company and capital contributed by investors (both the shareholders and debt holders).
 - C. the difference between the current total market value of a company and capital contributed by investors (i.e., the shareholders).
 - D. None of the above.

Answer: B

9. Which of the following is not true?
- A. XML stands for eXtensible Markup Language.
 - B. XBRL stands for eXtensible Business Reporting Language.
 - C. Economic Value Added (EVA) is a performance measure developed by Stern Stewart & Co to find the true economic profit generated by a company.
 - D. None of the above

Answer: D

10. With respect to Integrated Reporting which of the following is not true?
- A. An integrated report is necessarily to be a stand-alone report.
 - B. The framework of integrated reporting is written primarily for private companies.
 - C. A report prepared as required by local law containing a management commentary or other report that provides context for its financial statements can serve the purpose of integrated reporting.
 - D. All of the above

Answer: D

11. Which of the following is not a part of an earnings call?
- A. Safe harbour statement.
 - B. Presentation and discussion of the financial results.
 - C. Question and answer session.
 - D. Examination of audit report.

Answer: D

12. Mogari Ltd. provides the following financial data for the year ended 31st March, 2024: Net Operating Profit Before Interest and Tax: ₹ 17,50,000; Total Capital Employed: ₹ 80,00,000; Corporate Tax Rate: 30%; Weighted Average Cost of Capital (WACC): 12%. The Economic Value Added (EVA) for Mogari Ltd. will be:
- A. ₹ 7,90,000
 - B. ₹ 5,25,000
 - C. ₹ 2,65,000
 - D. ₹ 6,50,000

Answer: C

13. The following information is available from EX Ltd.
 Sales Revenue: ₹ 1,055 Lakh; Purchase of Raw Materials: ₹ 530 Lakhs
 Decrease in the Stock of Raw Materials, WIP and Finished Goods: ₹ 25 Lakhs
 Printing and Stationery: ₹ 35 Lakhs; Auditor's Fees: ₹ 5 Lakhs
 Rent, Rates and other Expenses: ₹ 10 Lakhs; Wages & Salaries: ₹ 100 Lakh
 Depreciation: ₹ 30 Lakhs.
 The amount of Total Value Added is
- A. ₹ 1,055 Lakhs
 B. ₹ 500 Lakhs
 C. ₹ 450 Lakhs
 D. ₹ 320 Lakhs

Answer: A

14. Giloy Tulsi Ltd. has the following Capital Structure as at 31st March, 2023:

Equity Share Capital (fully paid shares of ₹ 10 each)	₹ 300 Crores
15% Preference Share Capital (fully paid shares of ₹ 100 each)	₹ 100 Crores
15% Debentures (fully paid of ₹ 100 each)	₹ 800 Crores
Retained Earnings	₹ 300 Crores

Currently Quoted Prices in the stock exchange: Equity Shares ₹ 60, Preference Shares ₹ 90, Debentures ₹ 95. Calculate the Market Value Added.

- A. ₹ 1350 Crores
 B. ₹ 1250 Crores
 C. ₹ 1150 Crores
 D. None of the above

Answer: C

MODEL TEST PAPERS

15. Net Profits of J Ltd. for the years 2020-2021, 2019-2020, 2018-2019, 2017-2018, 2016-2017 are ₹ 25 crore, ₹ 20 crore, ₹ 15 crore, ₹ 10 crore and ₹ 5 crore respectively. During 2020-2021, the company incurred ₹ 7,00,000 and ₹ 3,00,000 on free education and medical treatment of the employees of the company and their families respectively under CSR projects. Calculate the short fall of expenditure on Corporate Social Responsibility as per The Companies Act, 2013.
- A. ₹ 23,00,000
 B. ₹ 20,00,000
 C. ₹ 30,00,000

D. None of these

Answer: A

16. Which of the following criteria is not used in the context of ESG? Why?

- A. Environmental test criterion
- B. Social test criterion
- C. Governance test criterion
- D. Competitive test criterion

Answer: D



ICMAI MCQ BANK

17. External benefits of sustainability reporting can include _____.

- A. Enhanced link between financial and non-financial performance
- B. Improving reputation and brand loyalty
- C. Enhanced perception on organisation's value
- D. Both (B) and (C)

Answer: D

18. Which of the following is / are benefit/s of XBRL Reporting?

- A. Automated Data Processing
- B. Improved reporting quality
- C. Cost and time savings
- D. All of these

Answer: D

19. XBRL stands for

- A. eXtended Business Reporting Language
- B. eXtensible Business Reporting Language
- C. eXtensible Business Reporting Laws
- D. eXtended Business Reported Language

Answer: B

20. $EVA = \underline{\hspace{2cm}} - (WACC \times \text{Invested Capital})$

- A. NOPAT
- B. PAT

- C. EBIT
- D. None of these

Answer: A

21. Corporate sustainability reporting helps companies to _____.
- A. assess and manage their sustainability impacts
 - B. report their contributions to sustainable development
 - C. integrate sustainability into their business strategies
 - D. All of these

Answer: D

22. _____ report is an analytical tool for displaying human resources-related facts, insights, and metrics to improve workforce performance, recruiting procedures, and other important HR operations.
- A. Environmental, Social and Governance
 - B. Corporate Social Responsibility
 - C. Human Resources
 - D. Integrated

Answer: C

23. The key challenges for implementation of QBL reporting framework are _____.
- A. Awareness of relevant issues associated with QBL reporting
 - B. Understanding stakeholder requirements
 - C. Aligning QBL reporting with objectives and risks
 - D. All of these

Answer: D

24. In 4P Bottom Line Reporting _____ bottom line relate business with happiness of stakeholders
- E. first
 - F. second
 - G. third
 - H. forth

Answer: D

GOVERNMENT ACCOUNTING IN INDIA**✚ ICMAI STUDY MATERIAL**

1. The Financial Statements of the Union Government shall disclose the following details under 'Loans and Advances made by the Union Government' in the Annual Finance Accounts of the Union Government
 - A. the summary of Loans and Advances showing loanee group-wise details
 - B. the summary of Loans and Advances showing Sector-wise details
 - C. the summary of repayments in arrears from Governments and other loanee entities
 - D. All of the above

Answer: D

2. Consolidated Fund of India is the fund referred to in _____ of the Constitution of India
 - A. Article 266(1)
 - B. Article 266(2)
 - C. Article 266(3)
 - D. Article 266(4)

Answer: A

3. The financial statements of the Union Government, State Governments and the Union Territories with legislature shall disclose the following details concerning Public Debt and other obligations
 - A. the opening balance, additions and discharges during the year, closing balance and net change in rupee terms with respect to internal debt
 - B. the opening balance, additions and discharges during the year, closing balance and net change in rupee terms with respect to external debt, wherever applicable
 - C. the opening balance, receipts and disbursements during the year, closing balance and net change in rupee terms with respect of other obligations
 - D. All of the above

Answer: D

4. As per The Constitution of India, the Accounts of the Government are kept in
 - A. Consolidated Funds of India
 - B. Public Accounts of India

- C. Contingency Funds of India
- D. All of the above

Answer: D

5. The standards being developed for accrual system of accounting in the Government are called the _____.
- A. Indian Government Accounting Standards
 - B. Indian Government Reporting Standards
 - C. Indian Government Financial Reporting Standards
 - D. Indian Government Accounting and Reporting Standards

Answer: C

6. Which of the following is not a general principal of Government Accounting?
- A. Reporting of Utilisation of Public Funds
 - B. Expenditures are classified under Sectors, major heads, minor heads, sub-heads and detailed heads of Accounts
 - C. Budget Based
 - D. Single Entry System

Answer: D

7. IGAS 2 is related to _____.
- A. Accounting and Classification of Grants-in-aid
 - B. Guarantees given by Governments: Disclosure Requirements
 - C. Government Investments in Equity
 - D. None of the above

Answer: A

8. Which of the following is/ are responsibility/responsibilities of GASAB?
- A. Formulating and proposing standards that improve the usefulness of financial reports
 - B. Keeping the standards up to date and reflect change in the Governmental environment
 - C. Improving standard of Government accounting and financial reporting
 - D. All of the above

Answer: D

9. GASAB stands for _____.

- A. Government Accounting Standards Advisory Board
- B. Government Accounting Standards Applicability Board
- C. Government Auditing Standards Advisory Board
- D. Government Accounting for States Advisory Board

Answer: A

10. Which of the following is not a feature of Government Accounting?

- A. Non-fund based Accounting
- B. Double Entry System
- C. Adherence to Government Regulations
- D. Transacting through Banks

Answer: A

PREVIOUS YEARS QUESTIONS

11. Chairman of the Public Accounts Committee and the C&AG are appointed by:

- A. the Speaker of the Lok Sabha and the Prime Minister of India respectively
- B. the Prime Minister of India and the Speaker of the Lok Sabha respectively
- C. the Speaker of the Lok Sabha and the President of India respectively
- D. the President of India and the Speaker of the Lok Sabha respectively

Answer: C

12. Indian Government Accounting Standard (IGAS)-1 deals with _____.

- A. Guarantees given by Governments: Disclosure Requirements
- B. Accounting and Classification of Grants-in-Aid
- C. Loans and Advances made by Government
- D. Foreign Currency Transactions and Loans or Gain by Exchange Rate Variation

Answer: A

13. Which of the following is not an objective of Government Accounting?

- A. To provide reliable data regarding the operation of the public funds.
- B. To avoid excess expenditure beyond the budgetary approval.
- C. To prevent misappropriation of government properties.
- D. To facilitate tax collection by the concerned government department.

Answer: D

14. Which of the following is not true?

- A. Non-fund-based Accounting and Single Entry System are not features of Government Accounting.
- B. GASAB stands for Government Accounting Standards Advisory Board which issues Indian Government Financial Reporting Standards.
- C. Consolidated Fund of India is the Fund referred to in Article 266(1) of the Constitution of India and IGAS 2 is related to Accounting and Classification of Grants-in-aid.
- D. None of the above

Answer: D

ICMAI MCQ BANK

15. The financial statements of the Union Government, State Governments and the Union Territories with legislature shall disclose the following details concerning Public Debt and other obligations

- A. the opening balance, additions and discharges during the year, closing balance and net change in rupee terms with respect to internal debt
- B. the opening balance, additions and discharges during the year, closing balance and net change in rupee terms with respect to external debt, wherever applicable
- C. the opening balance, receipts and disbursements during the year, closing balance and net change in rupee terms with respect of other obligations
- D. All of the above

Answer: D

16. The Financial Statements of the Union Government shall disclose the following details under 'Loans and Advances made by the Union Government' in the Annual Finance Accounts of the Union Government

- A. the summary of Loans and Advances showing loanee group wise details
- B. the summary of Loans and Advances showing Sector-wise details
- C. the summary of repayments in arrears from Governments and other loanee entities
- D. All of the above

Answer: D

17. Standards developed for accrual system of accounting in the Government are called the _____.

- A. Indian Government Accounting Standards
- B. Indian Government Reporting Standards
- C. Indian Government Financial Reporting Standards
- D. Indian Government Accounting and Reporting Standards

Answer: C