b) CGU with Corporate Assets.

Question#21

Hd ltd has 2 CGU consisting of 3 assests each as under

CGU	P/M	FURNITURE	EQUIP
CA	10 L	5 L	5 L
CA	8 L	4 L	4 L

HD LTD has 1 corporate asset of RS. 10 lacs

CASE 1 – corp asset is allocable to only

CGU 1 & RA of CGU_1 = 24 L

RA OF CGU_2 = 18 L

CASE 2 - Corp Asset is allocable to both CGU in the ratio of 3: 7

R A of CGU1 = 2000000

R A of CGU 2 = 2500000

CASE 3 - CA is unallocable &

R.A of CGU1 =1800000

R A of CGU2 = 1700000

R.A of entity = 4100000

Soln :- Case 1 C.A. is allocable to CGU 1

Step 1 Cal^n of I.L. of CGU.

	CGU1		CGU2.
P/M	1000000	laptop	800000
Eq.	500000	software	400000
Furniture	500000	A.V. Equipment	400000
C. Assets.	1000000		
C. A.	3000000	C. A	1600000
R. A.	2400000	R. A.	1800000
I.L.	600000	No I. lon	

∵ CA < R.A.

Step 2 Cal^n of Revised C.A.

	Total	PIM	Equip.	Furnite	C.A.
i) C.A.	300000	100000	50000	50000	100000
2) I.L. (2:1:1:2)	(60000)	(20000)	(10000)	(10000)	(20000)
Rev. C.A.	240000	80000	40000	40000	80000

Case 2 C.A. is allocable to both CGU1 & CGU2

Step 1 Cal^n of I.L. of CGU

CGU1		CGU2.	
PIM	100000	laptop	800000
Eq.	50000	software	400000
Furniture	50000	A.V. Equipment	400000
C. Assets.	300000	Comp. Assets.	800000
C.A.	1300000	C.A	2300000
R.A.	2000000	R.A.	2500000
I.L.	300000	I.L.	No I.L.

$\because$ C.A < R.A.

Step 2 Cal^n of Revised C.A. of Ind. Ass. in CGU1

	Total	PIM	Furni	Eq.	C.A.
i) C.A.	230000	100000	50000	50000	30000
ii) I.L. (10:5:5:3)	(30000)	(13043)	(6521)	(6521)	(3913)

Rev. C.A.	200000	869565	434783	434783	26087

Case 3 :- C.A. is unallocable.

When C.A. is unallocable then 2 stage I.L. process is carried as under

Stage 1 Cal^{n} of Rev. C.A. of CGU w/o C.A.

Step 1 Cal^{n} of I.L. of CGU1 & CGU2

CGU1		CGU2	
P/M	1000000	Laptop	800000
Eq.	500000	Software	400000
Furniture	500000	A.V. Equipment	400000
C.A.	2000000	C.A.	1600000
R.A.	1800000	R.A.	1700000
I.L.	200000	No I.L.	∵ CA < R.A.

Step 2 Cal^{n} of Rev. C.A. of CGU1 ind. Ass.

	Total	P/M	Eq.	Furniture
i) C.A.	2000000	1000000	500000	500000
ii) I.L. (2:1:1)	(200000)	(100000)	(50000)	(50000)

Rev. C.A.	1800000	900000	450000	450000

Stage 2 cal^{n} of I.L. of Corp. Assets:

Rev. C.A. of CGU1	1800000
R.A. of CGU2	1600000
C.A. of Corporate asset	1000000
C.A. of entity	4400000
R.A. of entity	4100000
I.L. of Corp. Assets	300000

c) CGU with goodwill

i) goodwill should be allocated on arbitrary basis or Non arbitary basis to each CGU to which it helps to generate extra cfs through synergy effect.

Arbitary basis ⇒ any ratio

Non arbitary basis ⇒ ratio of extra cfs generated through synergy.

ii) Each unit / group of unit to which goodwill is allocated shall → smallest group/segment (CGU)

represent the **lowest level** within the entity at which goodwill is monitored for internal mgmt purpose.

&

not for **larger** than operating segment.

↓

if benefit comes to one of 3 CGU but 3 CGU is put together is one operating segment.

Eg-5 HD Ltd. has 2 CGU consisting of 3 assets each.

CGU1		PM	Furniture	Equipment.
	C.A	10L	5L	5L
CGU2		laptop	software	A.V. System.
	C.A.	8L	4L	4L

HD Ltd has also goodwill = ₹ 200000

Case I GW is allocable to CGU1

& R.A. of CGU1 = 16L

& R.A. of CGU2 = 18L.

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Soln :- Step 1 Cal^{n} of I.L. of CGU1 & CGU2

CGU1		CGU2	
PM	1000000	laptop	800000
Eq.	500000	software	400000
Furniture	50000	A.V. Equipment	400000
goodwill	200000		
C.A.	2200000	C.A	1600000
R.A.	1600000	R.A.	1800000
I.L.	600000	No I.loss	
– gw.	(200000)	∵ CA < R.A.	
I.L. of other Ass	400000		

Step 2 Rev. C.A.

	Total	PM	furniture	equipment.	GW
C.A.	2200000	1000000	500000	500000	200000
–I.L. (4Lin 2:1:1)	(600000)	(200000)	(100000)	(100000)	(200000)
	1600000	800000	400000	400000	₹ 0

Case 2 goodwill is allocable in CGUs @ 1:3

ratio.

R.A. of CGU1 = 18 Lac.

R.A. of CGU2 = 20 Lac.

Soln:- Step1 Cal^{n} of I.L. of CGU1 & CGU2.

CGU1		CGU2	
P/M	1000000	laptop	800000
Eq.	500000	software	400000
Furniture	50000	A.V. Equipment	400000
Goodwill	50000	Goodwill	150000
C.A	2050000	C.A.	1750000
R.A.	1800000	R.A	2000000
I.L.	250000	No I.L.	
- G/W.	(50000)	∵ CA < R.A.	
I.L. of other A's.	200000		

Step2 Cal^{n} of Rev. C.A.

	Total	P/M	Furniture	Equip	- G/W
C.A.	2050000	1000000	50000	500000	50000
- I.L.(2L) (in 2:1:1)	(250000)	(100000)	(50000)	(50000)	(50000)
	1800000	900000	450000	450000	0

Case 3 GW is unallocable.

R.A. of CGU1 = 18L.
R.A. of CGU2 = 17L.
R.A. of entity = 35.5L.

When GW is unallocable then I.L. is done in 2 stages as carried below.

Soln :- Stage 1 Cal^{n} of Rev. C.A. of CGU.

Step1 Cal^{n} of I.L. of CGU1 & CGU2

CGU1		CGU2	
PlM	1000000	laptop	800000
Eq.	500000	software	400000
Furniture	500000	A.V. Equipment	400000
C.A.	2000000	C.A.	1600000
R.A.	1800000	R.A.	1700000
I.L.	200000	No IL ∵ RA>CA.	

Step2 Cal^{n} of Rev. C.A. of CGU1 ind. Amt

	Total	PlM	Furniture	Equip.
C.A.	2000000	1000000	500000	500000
I.L.(2:1:1)	(200000)	(100000)	(50000)	(50000)
	1800000	900000	450000	450000

Stage 2 Cal^{n} of I.L. of GW.

Rev. C.A. of CGU 1	1800000
C.A. of CGU 2	1600000
C.A. of GW	200000
C.A. of entity	3600000
R.A. of entity	3350000
I.L.	250000
– GW w/off	(50000)
Unallocable I.L.	0

max. till C.A. of GW i.e. ₹ 22.

eg → on 31st-3-1990 HDL Ltd has a CGU with following Assets

PM A	525000
PM B	250000
PM C	100000
Inventory	200000
GW	150000

R.A. of CGU = ₹ 1000000

P.M. A can be tested for impairement

individually also its R.A = 50000

Calculate Rev. C.A of each asset after impairement.

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Soln :-

Step 1 :- Calⁿ of Rev. C.A. of PIM A

a)	C.A.	75000
b)	R.A.	50000
c)	I.L. (a-b)	25000
d)	Rev. C.A.	50000

Step 2 :- Calⁿ of IL of CGU

Rev. C.A. of PIM A 50000
PIM B 75000
PIM C 10000
inventory 20000
goodwill 15000

a) C.A. of CGU 120000
b) R.A. of CGU 100000
IL of CGU 20000
i) IL of goodwill (15000)

ii) I.L. of inventory — Always.

I.L. of PMB & C 50000

in the ratio of 25:10

iii) Share of I.L. of P.M.B = $\frac{25}{35} \times 50000 = 35714$

iv) Share of I.L. of P.M.C = $\frac{10}{35} \times 50000 = 14286$

Step 3 Cal. of Rev. C.A. of Ind. Asset.

	Total	PMA	PMB	PMC	Inv.	g/w.
C.A.	1225000	525000	250000	100000	200000	150000
I.L.	(225000)	(25000)	(35714)	(14286)	—	(150000)
Rev.C.A.	1000000	500000	214286	85714	2L.	0

Conclusion :- when goodwill & Corp. Asset is allocable

Step1 :- Revised C.A. of Ind. Asset.

which can impair individually i.e. I.A. whose VIU & FVLCD is available.

Step2 :- Cal^{n} of max. I.L. of Ind. Asset.

C.A	xxx
FVLCD	(xxx)
	xxx

Step 3 :- Calⁿ of I.L. of CGU

Rev. C.A. of Ind. Aset (Step 1) xxx
C.A. of other Aset xxx
C.A. of other Comp. Aset. xxx
C.A. of Current Aset xxx
C.A. of goodwill xxx

a) Total C.A. of CGU xxx
b) Total R.A. of CGU xxx

c) I.Los of CGU xxx
- I.los of C.A. xxx
- I.los of goodwill xxx
(max. upto its C.A.)

I.los of other Aset & Comp. Aset of CGU. xxx

other Aset — Comp Aset.
(in ratio of their C.A.)

Conclusion :- when GW & Corporate Aset is unallocable

In this Case Step 1 & Step 2 are same.

Step 1 :- Revised C.A. of Ind. Asset. which can impair individually I.A. whose VIU is FVLCD is available.

Step 2 :- Cal^{n} of max. I.L. of Ind. Asset.

C.A	xxx
FVLCD	(xxx)
	xxx

Stage I

Step 3 Cal^{n} of I.L. of CGU

Revised C.A. of I.A. (as per step 1)	xxx
C.A. of other I.A.	xxx
C.A. of Current Asset.	xxx
a) C.A. of CGU	xxx
b) R.A. of CGU	xxx
c) I.L. of CGU	xxx

Step 4 :- Cal^{n} of Rev. C.A. of CGU

C.A. of CGU	xxx
- I Loss of CGU	(xxx)
Rev. C.A. of CGU	xxx

Stage 2

Step 5 Calculate I.L. of gw & C/A.

Revised C.A. of all CGU	xxx
Corporate Assets	xx
Goodwill	xxx
a) Total C.A. of entity.	xx
b) Total R.A of entity	x x
Total I.L ors.	xxx
— gw wioff.	(xxx)
	xxx
— Corp. Asset wioff	(xxx)
Unallocable I.L.	xxx

Question# 16

1. Carrying amount of license of a Coal mine is ₹ 50 lacs
2. Carrying amount of roads constructed for mine is ₹ 10 lacs
3. Net FV of CGU is ₹ 35 lacs
4. Cash inflow for CGU for first 5 years is ₹ 15 lacs per annum
5. Salvage value of CGU is ₹ 1,00,000 and discounting rate is 10%

Soln :- Step 1 :- Cal^n of I.L. of Ind. Asset.

N.A.

Step 2 :- Cal^n of max. I.L. of ind. Asset.

N.A.

Step 3 :- Cal^n of I.L. of CGU

C.A. of Coal mine 5000000

C.A. of Road. 1000000

6000000

a) C.A of CGU

b) R.A. of CGU

1) FVLCD 3500000

2) VIU. 5748290 5748290

{ 15L × PVAf@10% for 5yrs
+
1Lac × Df @10% for 5yrs } 251710

I.L. 251710

Grift.

Step 4 Rev. C.A. of CGU

	Coal mine	Road.
a) C.A.	5000000	1000000
b) I.L. (251710 in 5:1)	(209758)	(41952)
	4790242	958048

Question# 17

ABC ltd has three CGU namely A,B and C and corporate assets X and Y. The details of which are given below

Particulars	Carrying amount	Remaining life recoverable	Recoverable amount
A	500	10 years	600
B	750	20 years	900
C	1100	20 years	1400
X	600	-	-
Y	200	-	-

Recoverable amount of ABC is ₹ 3,200

X is allocable and Y is not allocable

Calculate revised carrying amount

Soln :- Since Ratio of allocation is not given in Q.

∴ we should allocate it in ratio of C.A × life of Individual Anet

		A	B	C
a)	C.A.	500	750	1100
b)	life	10	20	20
	(a×b)	5000	15000	22000
	Ratio	5	: 15	: 22

Step 1 Calⁿ of I.L of Ind Anet.

N.A.

∵ details of Ind. Anet not given.

Step 2 Calⁿ of max. I. Loss of Ind. Anet

N.A.

Step 3 Calⁿ of I.L. of CGU along with Comp. Anet ×

CGU A CGU B CGU C

C.A.	500	750	1100	
CIA x (600 in 5:15:22)	71	214	315	
C.A.	571	964	1415	
R.A.	600	900	1400	
IL	—	64	15	

Step 4. Cal^n of Rev. C.A.

	CGU A	CGU B	CGU C	X
C.A.	500	750	1100	600
IL (64 in blw CGU B & X in 750:214)	—	(50)	—	(14)
IL (15 in blw CGU C & y in 1100:315)	—	—	(12)	(3)
Rev. C.A.	500	700	1088	583

Step 5 Cal^n of I.L. of CGU y.

Rev. C.A. of CGU A. 500

B 700

C 1088

C/A X 583.

C.A of C/A 200

Total C.A. 3071

R.A. of entity 3200

I.loss of corp. Ass. 0

Question# 18

Goodwill is ₹ 6,00,000 in A 40% and B 60%

	A	B
Carrying Amount	10 lacs	15 Lacs
Recoverable amount	9 lacs	12 lacs

Calculate IL of corporate asset.

Soln :- Step 1 :- Cal^n of I.L. of Ind. Aset.

N.A.

Step 2 :- Cal^n of max. I.L. of ind. Aset.

N.A.

Step 3 Cal^n of I.L. of CGU

	CGU A	CGU B.
C.A.	1000000	1500000
+ goodwill (6 Lac in 40:60)	240000	360000
C.A (incl. gw)	1240000	1860000
R.A.	900000	1200000

N.A.

IL of CGU	340000	300000

Step 4 Revised C.A.

	CGU A	CGU B	Goodwill
C.A.	1000000	1500000	600000
I.L.	(340000)	(300000)	(600000)
Rev. C.A.	660000	1200000	—

Question# 20

A. Goodwill is ₹ 200 lacs

B. CA of CGU is ₹ 1,000 lacs (life – 10 years) as on 1.4.01

C. RA of CGU is ₹ 600 lacs as on 31.3.02

Calculate revised CA

₹ in lacs.

Soln :- Step 1 :- Caln of I.L. of Ind. Asset.

N.A.

Step 2 :- Caln of max. I.L. of ind. Asset.

N.A.

Step 3 :- Caln of I.L. of CGU

C.A. as on 31-3-02 ($1000 \times \frac{9}{10}$)	900
Goodwill	200
C.A. incl. goodwill	1100

R.A. 600

I.L. 500

– GW w/off 100

I.L. of CGU 300

Step 4 Revised C.A. of CGU

C.A. of CGU	900
– I.L. of CGU	(300)
	600

Question# 19

A. Goodwill is ₹ 80,000 on 1.4.2001
B. Carrying amount of CGU is ₹ 3,20,000 on 1.4.2001 (20 years)
C. Recoverable amount of CGU on 31.3.03 - ₹ 2,12,000
D. Recoverable amount of CGU on 31.3.05 - ₹ 3,04,000

Calculate revised CA as on 31.3.2005

Soln :- Step 1 :- Calⁿ of I.L. of Ind. Aset.

N.A.

Step 2 :- Calⁿ of max. I.L. of ind. Aset.

N.A.

Step 3 Calⁿ of I.L. of CGU on 31-3-03.

C.A. of CGU on 31-3-03 (320000 × 18/20)	288000
+ goodwill	80000

C.A incl. goodwill	368000
R.A.	212000
	156000
I.L	(80000)
— Giw w/off I.L. of CGU	76000

Step 4 Rev. C.A. of CGU on 31-3-03.

C.A on 31-3-03	288000
I.L.	(76000)
Rev. C.A.	212000

Step 5 Calⁿ of Reversal of I.L. on 31-3-05

a) original C.A. = $288000 \times \frac{16}{18}$ = 256000

b) R.A. 305000

c) max. R.A. after Reversal — lower of a & b 256000

d) C.A. = $212000 \times \frac{16}{18}$ = 188444

e) Rev. of I.L. = (256000 − 188444) 67556

Step 6 Rev. C.A. as on 31-3-05

C.A.	188444.

+ Rev. of I.L.

64556
256000

Question# 21 **ICAI STUDY MATERIAL**

Elia limited is a manufacturing company which deals into a manufacturing of cold drinks and beverages. It is having various plants across India. There is a machinery A in the Baroda Plant which is used for purpose of bottling. There is one more machinery which is machinery B clubbed with machinery A. Machinery A can individually have an output and also sold independently in the open market. Machinery B cannot be sold in isolation and without clubbing with machine A it cannot produce output as well. The company considers this group of assets as CGU and an Inventory amounting to ₹ 2,00,000 and goodwill amounting to ₹ 1,50,000 is included in such CGU.

Machinery A was purchased on 1st Aril 2013 for ₹ 10,00,000 and residual value is ₹ 50,000. Machinery B was purchased on 1st April 2015 for ₹ 5,00,000 with no residual. The useful life of both Machine A and B is 10 years. The company expects following cashflows in the next 5 years pertaining to Machinery A. the incremental borrowing rate of the company is 10%

YEAR	Cashflows from Machine A
1	1,50,000
2	1,00,000
3	1,00,000
4	1,50,000
5	1,00,000 (excluding residual value)
TOTAL	6,00,000

On 31st March,2018, the professional valuers have estimated the current market value of machinery A is ₹ 7,00,000. The valuation fee was 1,00,000. There is need to dismantle the machinery before delivering it to buyer. Dismantling cost is ₹ 1,50,000. Specialised packaging cost would be ₹ 25,000 and legal fees would be ₹ 75,000. The inventory has been valued in accordance with Ind AS 2. The recoverable value of CGU is ₹ 10,00,000 as on 31st March, 2018. In the next year, the company has done the assessment of recoverability of the CGU and found that the value of such CGU is ₹ 11,00,000 i.e on 31st March, 2019. The recoverable value of machine A is ₹ 4,50,000 and combined Machine A and B is ₹ 7,60,000 as on 31st March, 2019.

Required

(a) Compute the impairment loss on CGU and carrying value of each asset after charging impairment loss for the year ending 31st March, 2018 by providing all the relevant notes to arrive at such calculation.

(b) Compute the prospective depreciation for the year 2018-19 bon above assets

(c) Compute carrying value of CGU as at 31st March, 2019.

Soln :-

CGU

PIM (A) → 1-4-13
Cost 10L.
S.V 50000
life = 10yrs

PIM (B) → 1-4-15
cost ⇒ 5L.
life = 10years.

CGU → 150000

Inventory → 200000

Other information

31-3-18

FV of PIM A = 700000
Valn fees = 100000
DSR 150000
legal fees 45000
Packaging 25000
RoI 10%.

cfs ⇒ given 5yrs.
R.A. of CGU = 10L.

31-3-19.

a) R.A. of PIM A 450000
b) R.A. of PIM A+B 760000
c) R.A. of CGU 1100000

b-a. → R.A. of B ⇒ 310000

c-b → R.A. of Inventory 340000

Step 1 :- Cal^n of I.L. of PIM A as on 31-3-18

a) C.A. as on 31-3-18 = $1000000 - \left(\frac{10L - 50K}{10}\right) \times 5yrs \Rightarrow 525000$

b) R.A. as on 31-3-18 higher of.

FVLCD

FV 700000

- CTD

a) DSR (150000)

b) Packaging (250000)

c) legal cost (75000)

450000

VIU

yrs	cfs	PV@10%	PV
1	150000	0.9091	
2	150000	0.8264	
3	150000	0.7513	
4	150000	0.6830	
5	150000	0.6209	
			489720

c) I.L. (a-b) 35280

d) Rev. C.A. as on 31-3-18 (a-c) 489720

Step2 Cal^{n} of I.L. of CGU on 31-3-18

Revised C.A. of mach. A. (Step 1) 489720

C.A. of Mach. B 350000

$\left(\frac{500000}{10} \times 3\right)$

Inventory 200000

Goodwill 150000

C.A of CGU 1189720

R.A. of CGU 1000000

I.L. of CGU 189720

- I.L. of PM A —
- I.L. of Inv. —
- I.L. of GIW (15000)

∴ IL of machine B. 39720

Step 3. C.A. of Ind. Asset on 31-3-18

	PM A	PM B	GIW	Inv	Total
C.A.	525000	350000	150000	200000	1225000
I L.	(35280)	(39720)	(150000)	—	(225000)
Rev C.A.	489720	310280	—	200000	1000000

Step 4. Cal^{n} of Reversal of I.L. as on 31-3-19.

A	B	Inv.	GIW	Total

a) C.A. 489720 310280

$\frac{489720 - 5000}{5 \text{ yrs.}}$ $\frac{310280}{7 \text{ yrs}}$

401776 265954 20000 — 867334

b) O.C.A. if there is No I. Loss.

$\frac{525000 - 5000}{5 \text{ yrs.}}$ $\frac{35000}{7 \text{ yrs}}$

43000 30000 20000 —

c) R.A. 45000 31000 34000 —

d) max. Revised C.A. after Rev. (b/s ↓)

43000 30000 20000

e) amt. of Rev. (d − a)

28224 34096 —

Cal^{n} of C.A. after Reversal on 31-3-19.

	PIM A.	PMB	Inv.
Rev. C.A. bef. Rev.	401776	265954	200000
+ Rev.	28224	34046	—
C.A. after (a+b)	430000	300000	200000

8 Investment in Subsidiary

In B/C · 2 possibilities

A'ee Co. does not exist.
↓
Absorption
↓
SFS
↓
gw
↓
we have covered in #7 (c)

A'ee Co. exist.
↓
Subsidiary.
↓
CFS.
↓
gw.
↓
#8.

we will see how gw in Cons. fs gets impaired.

Step1 Cal. of gw

N.A. of S. as on DoA.	xxx
— Investment or P.C.	(xx)
— NCI (PSNA / FV)	(xx)
gw	xxx

gw

- NCI @ PSNA → Partial gw
- NCI @ FV → Full gw

Step2 Calⁿ of I.L.

Net assets of S. as on Date of imp.	xxx
Add: Full goodwill (which is allocable to S's CGU)	xxx
C.A. of S. including gw	xxx
Recoverable amount.	xxx
I.L.	

H.D. → SFS.
H.D. → group. → CFS. → g/w.

Buddy. → Stand / SFS. → g/w. ✓✓

Step 3. Allocation of I.L.

₹ xxx

- 1st g/w ₹ xxx
  - P. — α
  - NCI — β
- Net Assets of S. ₹ xxx
  - P — (a)
  - NCI — (b)

Should be recognised only if NCI @ FV.

∵ we take Recoverable amount of S

∴ we require g/w of entire S. not partial g/w.

↓ Full g/w → NCI @ FV.

partial g/w → NCI @ PSNA.

HD cloud:

means. Subsidiary all i Net Assets.
+ g/w (full)

C.A. R.A.

→ I.L.

Step 4 Journals.

a) I.L. Dr xxx
To g/w xxx (only recognised part)
To N.A. of S. xxx

b) P's P/L Dr (α + a) xxx
NCI Dr (β + b) xxx
To I.L. xxx

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eg → goodwill = ₹ 5000

⇓

Attributable to

P	S.
₹ 3000	₹ 2000
↓	↓
This is impaired with P's CGU as we have done in # ₹	∴ this ₹ 2000 Should be impaired along with s's CGU in Consolidation

if Q.R.S.A. entire goodwill belongs to S's CGU.

Question# 22

A. Cost of Investment of P is ₹ 4,00,000 (80% share)
B. Fair value of Investment of NCI ₹ 2,00,000
C. Net Assets of S is ₹ 5,00,000 on Date of acquisition
D. Net Assets of S is ₹ 3,00,000 on Date of Balance Sheet and its
E. Recoverable Amount is ₹ 1,80,000

Calculate Impairment loss and show is accounting treatment.

Soln :- Step 1 Calⁿ of GIW

N.A. of S. as on DoA.		500000
− Investment	400000	
− NCI @ FV	200000	600000
	Full giw	100000

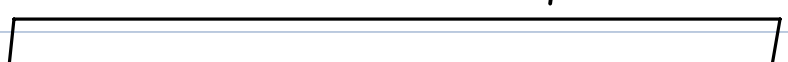
∵ Q.R.S. entire giw belongs to S's CGU.

Step 2 Calⁿ of I.L.

N.A. of S. as on DOI.	300000
+ Full giw	100000
C.A	400000
R.A.	180000
I.L.	220000

Step 3. Allocation of I.L.

I.L. ⇒ ₹ 220000



GIW
100000

N.A of S.
120000

P	NCI	P	NCI
80%	20%	80%	20%
80000	20000	96000	24000

Step 4 Journals.

i) I.L. Dr 220000
To GIW 100000
To N.A. of S. 120000

ii) P's PIL Dr (80000 + 96000) 176000
NCI Dr (20000 + 24000) 44000
To I.L. 220000

CFS

I 11-11

Question# 25 **ICAI STUDY MATERIAL**

A Ltd acquires 80% shares of a subsidiary B Ltd. for ₹ 3,200 thousand. At the date of

acquisition, B Ltd.'s identifiable net assets is ₹ 3,000 thousand. A elects to measure NCI at proportionate share of net identifiable assets.

	₹ in Thousand
Purchase Consideration	3,200
NCI (3,000 x 20%) 600	600
	3,800
Less: Net Assets	(3000)
Goodwill	800

At the end of next financial year, B Ltd.'s carrying amount is reduced to ₹ 2,700 thousand (excluding goodwill).
Recoverable amount of B Ltd.'s assets is
Case (i) ₹ 2,000 thousand, Case (ii) ₹ 2,800 thousand
Calculate impairment loss allocable to Parent and NCI in both the cases

Soln :- Case I. (₹ in '000)

Step 1 Cal^n of glw.

N.A. of S. as on DOA		3000
– inv. in S.	3200	
– NCI @ PSNA.	600	3800
(3000 x 20%)	Partial glw	800

Cal^n of Full glw for S's CGU

Partial glw	80%	800	Recognised
NCI glw	20%	??	
		200	Notional glw.
Full glw		1000	

∵ Q.R.S. asume Glw belongs to S's CGU

Step 2 Calⁿ of I.L.

N.A. of S. as on	D.O.I.	2700
Full giw (step 1)		1000
C.A.		3700
R.A.		2000
I.L.		1700

Step 3 Allocation of I.L.

⇒ 1700

giw		N.A. of S.	
1000		700	
P	NCI	P	NCI
80%	20%	80%	20%
800	200	560	140

↓

Since its not recognised.

∴ it cannot be impaired

Step 4 Alcing.

i) I.L. Dr 1500 (B/f)
To gw 800
To N.A. of S. 700

ii) P's P/L Dr (800 + 560) 1360
NCI Dr 140
To I.L. 1500

Case - 2.

Step 1 Cal^n of gw (same as in Case 1)

Step 2. Cal^n of I.L.

N.A. of S. as on DOI.		2700
Full gw		1000
C.A.		3700
R.A.		2800
	I.L.	900

Step 3. Allocation of I.L.

⇒ ₹ 900

GIW

GOD

NA of S.

P

80%.

₹20

NCI

20%

180

Cannot be recognised.

Step 4 ALCing

i) I.L. ₹20

To GIW ₹20

ii) P's PL Dr ₹20

To I.L. ₹20

Question# 23 **SIMILAR TO TYK Q.3 ICAI SM**

A. P acquires 80% share in S for ₹ 2,100 on 1.4.01, on which date S's Net Assets were ₹ 1,500.
B. NCI is valued on PSNA basis.
C. On 31.3.02 CA of NA of S is ₹ 1,350 and its RA is ₹ 1,000

Calculate IL

d) Share of GIW attributable to P's CGU of ₹500

Soln :- Step 1 Calⁿ of GIW

N.A. of S as on DoA.	1500
– Invt. in S.	(2100)
– NCI @ PSNA (1500 x 20%)	(300)
	(2400)
Partial GIW.	900

belongs to

P's CGU	S's CGU
500	400 (Bif)

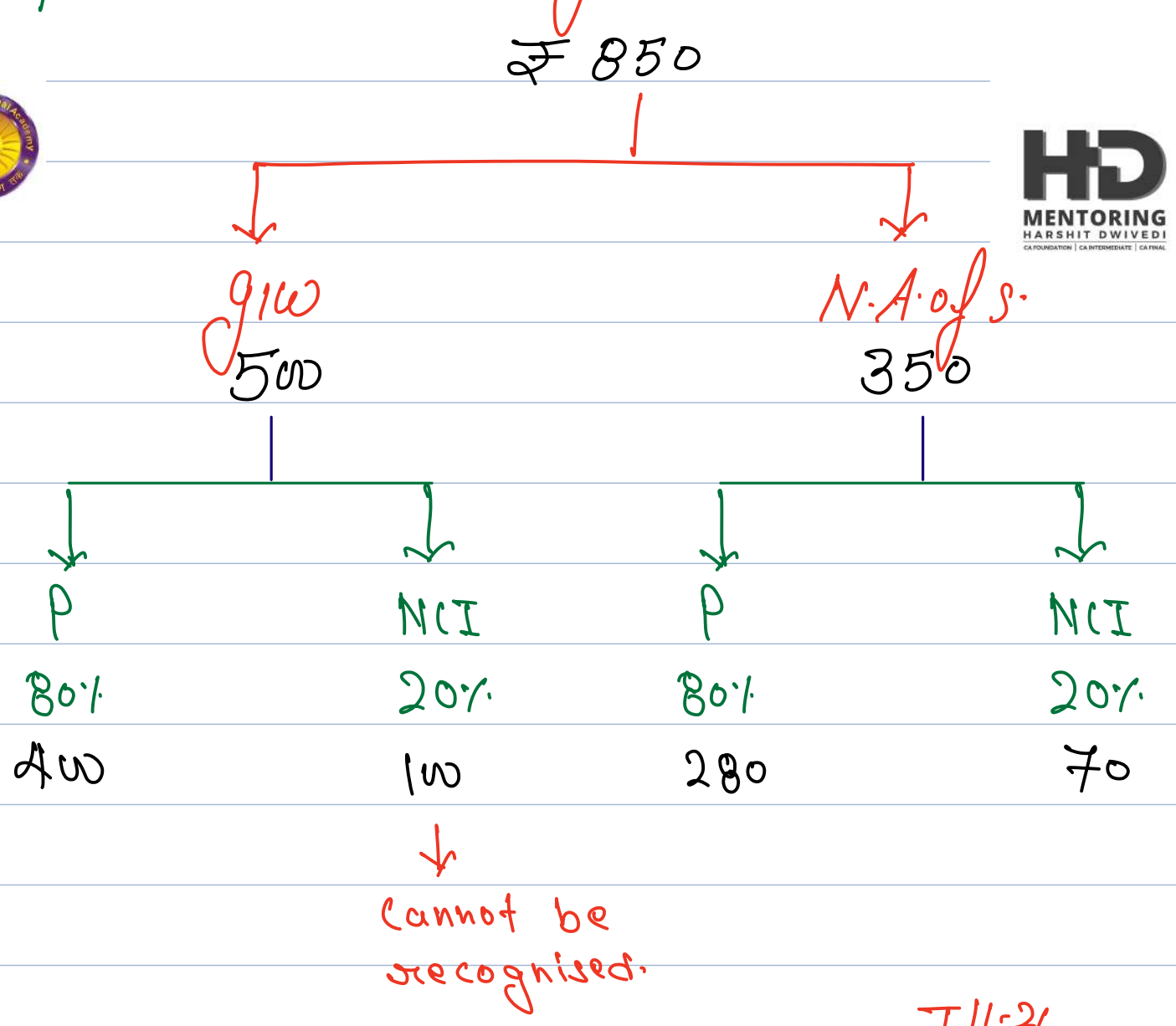
Calⁿ of full GIW.

∵ Partial GIW	80%	400
NCI	20%	?? 100
Full GIW.		500

Step 2 Calⁿ of I.L.

N.A. of S as on DoI.	1350
Full GIW	500
C.A.	1850
R.A.	1000
I.L.	850

Step 3. Allocation of I.L.



II-21.

Question# 24 **ICAI STUDY MATERIAL**

Sun ltd acquired 80% interest in Pluto Ltd. Sun ltd acquired 8,00,000 shares in Pluto by issuing 2 equity shares for every 5 equity shares acquired. The FV of Sun ltd.'s share was ₹ 4 per share and the FV of Pluto's share ₹ 1.4 per share. The cost of issue were 5% per share. Sun limited incurred legal and professional Cost directly related to acquisition of ₹ 1, 00,000. The FV of NA of Pluto was ₹ 13, 00,000. NCI is measured on FV basis. They used market value of shares of Pluto for this purpose. ~~Pluto~~ Sun acquired 3 CGU namely A,B and C and Goodwill on acquisition to be allocated on 2:2:1

	A	B	C
CA	6,00,000	5,50,000	4,50,000
RA	7,40,000	6,50,000	4,00,000

Calculate IL

Soln:-

① Sun Ltd acquired 80% in Pluto Ltd = 8 L Sh.

② NCI 20% Stake in Pluto Ltd := 2L'sh

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Step 1 Calⁿ of g/w

N.A. of S as on DoA.		1300000
− Invt. in S. (8L × 2/5 × ₹4)	1280000	
− NCI @FV (2L × ₹1.4)	280000	1560000
Full g/w		260000

↓

S's CGU

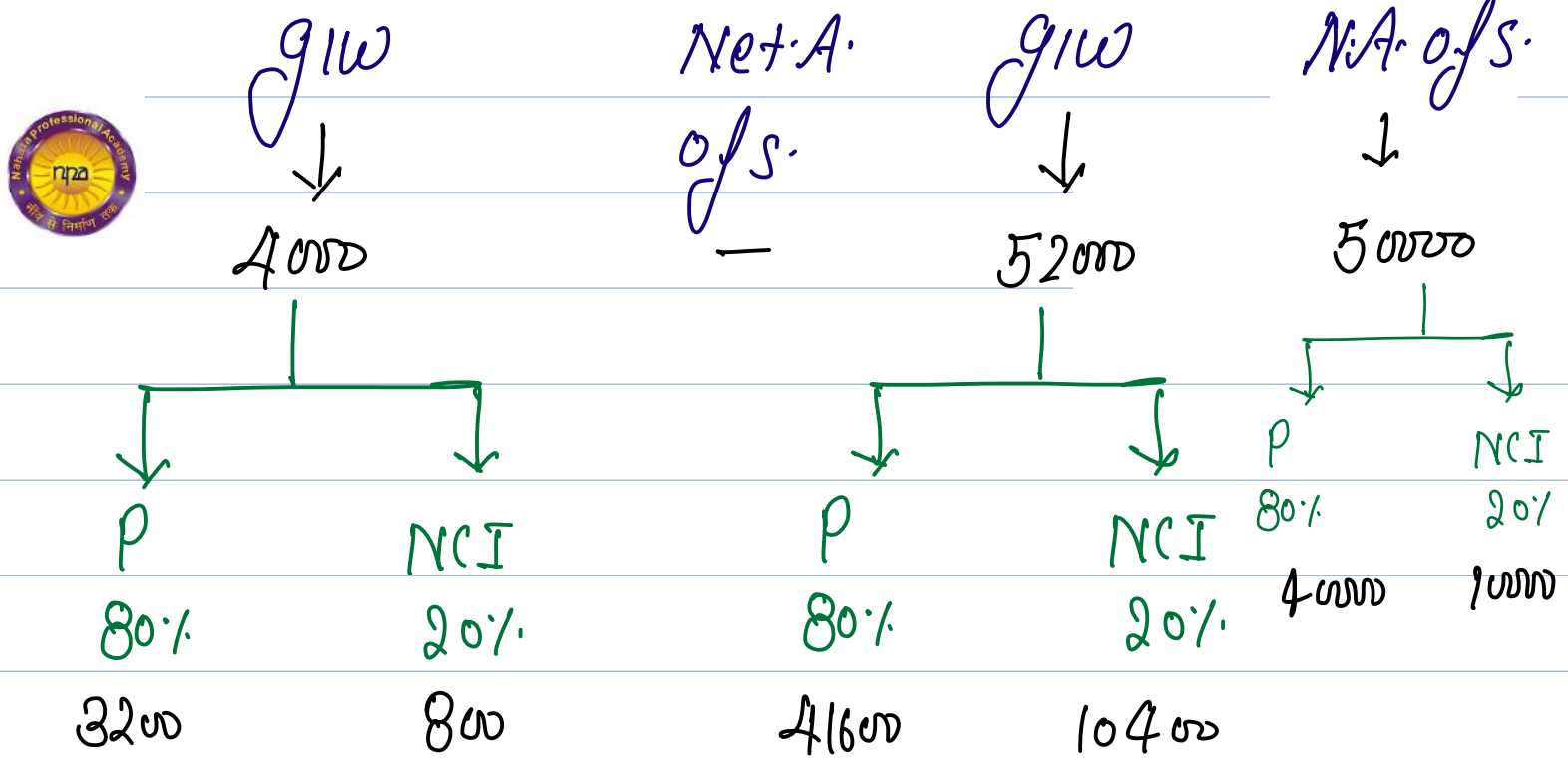
Step 2 Calⁿ of I.L.

	A	B	C.
C.A. as on DoI.	600000	550000	450000
G/W (260000 in 2:2:1)	104000	104000	52000
C.A.	704000	654000	502000
R.A.	740000	650000	400000
I.L.	—	4000	102000

Step 3 Allocation of I.L.

B: 4000

C.: 102000



Step 4 Alcing.

a) I.L. 106000

To GIW (40000 + 52000) 56000

To N.A. 50000

b) P's P/L (32000 + 41600 + 40K) 84800

NCI (8000 + 10400 + 10000) 21200

To I.L. 106000

PQ 8 OF SM, RTP MAY 21 & RTP Nov 23.

On 31 March 20X1, Vision Ltd acquired 80% of the equity shares of Mission Ltd for ₹ 190 million. The fair values of the net assets of Mission Ltd that were included in the consolidated statement of financial position of Vision Ltd at 31 March 20X1 were ₹ 200 million. It is the Group's policy to value the noncontrolling interest in subsidiaries at the date of acquisition at its proportionate share of the fair value of the subsidiaries' identifiable net assets. On 31 March 20X4, Vision Ltd carried out its annual review of the goodwill on consolidation of Mission Ltd and found evidence of impairment. No impairment had been evident when the reviews were carried out at 31 March 20X2 and 31 March 20X3. The review involved allocating the assets of Mission Ltd into three cash- generating units and computing the value in use of each unit. The carrying values of the individual units before any impairment adjustments are given below

	Unit A ₹ in million	Unit B ₹ in million	Unit C ₹ in million
Intangible assets	30	10	-
Property, Plant and Equipment	80	50	60
Current Assets	60	30	40
TOTAL	170	90	100
VALUE IN USE	180	66	104

gw: Unallocable

It was not possible to meaningfully allocate the goodwill on consolidation to the individual cash generating units but all the other net assets of Mission Ltd are allocated in the table shown above. The intangible assets of Mission Ltd have no ascertainable market value but all the current assets have a market value that is at least equal to their carrying value. The value in use of Mission Ltd as a single cash- generating unit on 31 March 20X4 is ₹ 350 million. Discuss and compute the accounting treatment of impairment of goodwill as per Ind AS 36?

Soln:- Step 1 Cal^n of giw. (₹ in millions)

N.A. of S as on DoA. 200
— Inv. in S. 190
— NCI @ PSNA 40 230
(200 x 20%) partial giw 30

∵ Q.R.S. So ∴ giw belongs to S's CGU

Cal^n of Full giw

Partial gIw 80% 30

NCI 20% ?? 7.5

Full gIw. 37.5

∵ gIw is un allocable

∴ 2 Stage I.L. should be done.

Step 2 Cal^n of I.L. of Ind. Assets.

N.A.

Step 3 Cal^n of max. I.L. of Ind. Assets.

N.A.

Stage I. i.e. R.V.C.A. w/o gIw

Step 4. Cal^n of I.L. of CGU w/o gIw

	A	B	C
C.A	170	90	100
R.A.	180	66	104
I.L.	—	24	—

Step 5 Cal^n of Rev. C.A.

	A	B	C.
C.A.	170	90	100
- I.L.	—	(24)	—
Rev. C.A.	170	66	100

Stage 2. C.A. with glw

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Step 6 Cal^{n} of I.L. of unallocable glw

Rev. C.A. of CGU	A	170
	B	66
	C	100
		37.5
goodwill	C.A.	373.5
	R.A.	350
	I.L.	23.5

Step 7 Allocation of I.L.

I.L. = 23.5

- glw 23.5
  - P
  - NCI
- N.A. of S.

80% | 20%

18·80 | 4·7

Cannot be recognised.

Step 8 Journal

i) I·L· Dr 18·8
To giw 18·8

ii) P's P/L 18·8
To I L 18·8

iii) I·L· Dr 24
To N·A·of S· 24·

iv) P's P/L (80%) 19·2
NCI (20%) 4·8
To IL 24

HD gift· (not asked)

Step 9. Cal^{n} of Revised C·A· of unit B·

	I·T·A·	PPE	C·A·
C·A·	10	50	30
I·L· (24 in 1:5)	(4)	(20)	-
Rev·C·A·	6	30	30

CFS gIw ⇒ unallocable & allocable.

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Steps to Solve

S.I ⇒ gIw & Fullgiw

S II ⇒ I.L. of Ind.A.

S III ⇒ max.ILoss of Ind.A.

gIw

- Allocable
  - S4 I.L.
  - S5 All. of I.L.
  - S6 AlCing
- Unallocable
  - Stage I
    - S4 IL w/o gIw.
    - S5 Rev.C.A.
  - Stage II
    - S6 IL of GIw.
    - S7 allocat of gIw.
    - S8 AlCing

Question# 26 **ILL 10 OF ICAI SM**

On 1st April 20X1, Venus ltd acquired 100% of Saturn ltd for ₹ 4,00,000. The fair value of the net identifiable assets of Saturn ltd was ₹ 3,20,000 and goodwill was ₹ 80,000. Saturn ltd is in coal mining business. On 31st March, 20X3 the government has cancelled licenses given to it in few states.

As a result Saturn's ltd revenue is estimated to get reduce by 30%. The adverse change in market place and regulatory conditions is an indicator of impairment. As a result, Venus ltd has to estimate the recoverable amount of goodwill and net assets of Saturn ltd on 31st March, 20X3.

Venus ltd uses straight line depreciation. The useful life of Saturn's ltd assets is estimated to be 20 years with no residual value. No independent cash inflows can be identified to any individual assets. So the entire operation of Saturn ltd is to be treated as a CGU. Due to the regulatory entangle it is not possible to determine the selling price of Saturn ltd as a CGU. Its value in use is estimated by the management at ₹ 2,12,000.

Suppose by 31st March, 20X5 the government reinstates the licenses of Saturn Ltd. The management expects a favourable change in net cash flows. This is an indicator that an impairment loss may have reversed. The recoverable amount of Saturn's ltd net asset is re-estimated. The value in use is expected to be ₹ 3,04,000 and net selling price is expected to be ₹ 2,90,000

calculate the impairment loss if any

↓

Same as Q.19.

#9 Captive Consumption

↓

INTER DEPT TRANSFER

↓

If output of one department is input for another department then it will be considered as case of CAPTIVE CONSUMPTION (IDT)

↓

No Q. on it.

Solve all Volume-3 Questions.