

FINAL EXAMINATION

December 2024

P-18(CFR)
Syllabus 2022

CORPORATE FINANCIAL REPORTING

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
Where considered necessary, suitable assumptions may be made and
clearly indicated in the answer.*

*Answer to Question No.1 in Section-A is compulsory.
Further answer any five from Question No. 2 to Question No.8 in Section-B*

Section - A (Compulsory)

1. Choose the correct alternative:

2×15=30

- (i) 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
- (ii) 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
- (iii) 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

- (iv) Which of the following is not a general principle of Government Accounting?
- (A) Reporting of Utilization 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
- (v) 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 recognized either at fair value or at proportionate fair value of identified net assets.
 - (D) It is not recognized at all.
- (vi) Financial assets are _____.
- (A) cash
 - (B) an equity instrument of another entity
 - (C) a contractual right
 - (D) All of the above
- (vii) 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
- (viii) _____ 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

(ix) 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

(x) 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

(xi) 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 recognised in AURA's financial statements is _____.

- (A) ₹ 1,66,250
- (B) ₹ 1,58,400
- (C) ₹ 1,59,650
- (D) ₹ 1,65,000

- (xii) 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
- (xiii) On 1st January 2024, 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 lakhs and the liabilities assumed are measured at ₹ 150 lakhs. The fair value of the 20 per cent non-controlling interest in B Ltd. is ₹ 90 lakhs. The gain on bargain purchase will be _____.
- (A) ₹ 90 lakhs
(B) ₹ 85 lakhs
(C) ₹ 105 lakhs
(D) ₹ 75 lakhs
- (xiv) 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
- (xv) 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

Section – B

Answer any five questions from the following. Each question carries 14 marks.

14×5=70

2. (a) Mohan Ltd. purchased a machinery on 01.04.2019 costing ₹ 4,00,000. The useful life of the machine was 10 years and the company decided to charge depreciation under straight line method. Accordingly, on 01.04.2023, the carrying amount of the asset was determined as follows:

Particulars	₹.
Gross carrying amount	4,00,000
Accumulated depreciation (as per straight line method)	1,60,000
Net carrying amount	2,40,000

On 01.04.2023, the company performed a revaluation of all of its plant and machinery. On that date, the fair value of the machine under consideration was ₹ 3,00,000. The total useful life, however, remained unchanged.

Show how the company should account for revaluation and depreciation per annum subsequent to revaluation if the company decides that:

- the gross carrying amount of the asset will be adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- the accumulated depreciation will be eliminated against the gross carrying amount of the asset.

The answer should be supported by journal entries (narration not required).

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- (b) A major depreciable asset of PADMA Ltd. was purchased at a cost of ₹ 45,000 million on 1st July, 2021. The asset has useful life till 31st March, 2029. The estimated residual value is ₹ 650 million. The selling price of the asset on 31st March, 2024 is expected to be ₹ 25,000 million and the cost of disposal as on this date is expected to be ₹ 500 million. The expected cash flows from the asset are as under:

Financial year	Cash Flow (₹ in million)
2024-2025	7,500
2025-2026	7,000
2026-2027	6,500
2027-2028	6,000
2028-2029	5,000

The company expects the discount rate of 9%. The company provides depreciation on straight line basis. You are required to determine the following as at 31st March, 2024.

- Carrying amount of asset
- The value in use of the asset

- (iii) The impairment loss, if any
(iv) The revised carrying amount after impairment.

Discount factor @ 9% for 1,2,3,4 and 5 years are 0.917, 0.842, 0.772, 0.708 and 0.650 respectively. 7

3. (a) Z Ltd. granted 100 share options to each of its 800 employees conditional on their continuing in service for 3 years. Fair value of share option on the grant date was ₹ 30. During the first year, 36 employees left. The entity revised its estimate of total employee departures over the three-year period from 20 per cent to 16 per cent. During the second year, a further 40 employees left. The entity revised its estimate of total employee departures over the three-years period from 16 per cent to 13 per cent. During the third year, a further 28 employees left. All the continuing employees exercised the option to subscribe in the equity shares of ₹ 10 each at ₹ 50 only, when market price stands at ₹ 84. Pass Journal Entries of all the years and show the workings. 7

- (b) Following is the Balance Sheet of Rukamani Ltd. as on 31st March, 2024:

Particulars	Amount (₹)
ASSETS	
Non-current Assets:	
(a) Property, Plant and Equipment (PPE)	24,00,000
(b) Financial Assets: Investment in 10% Securities	4,80,000
Current Assets:	
(a) Inventories	10,00,000
(b) Trade Receivables	15,00,000
(c) Cash at Bank	4,20,000
Total	58,00,000
EQUITY AND LIABILITIES	
Equity: (a) Share Capital: 2,00,000 Equity Shares of ₹ 10 each	20,00,000
(b) Other Equity (Reserves)	15,00,000
Liabilities:	
Non-current Liabilities: 10% Debentures	15,00,000
Current Liabilities: Trade Payables	8,00,000
Total	58,00,000

Additional information is given below:

- (i) Nominal value of investment is ₹ 5,00,000.
- (ii) Following assets are revalued:

Particulars	(₹)
Property, Plant and Equipment (PPE)	36,00,000
Inventories	11,00,000
Trade Receivables	13,50,000

- (iii) Average profit before tax of the company is ₹12,00,000 and rate of taxation being 30%.
- (iv) Goodwill may be valued at three year's purchase of average trading profits after tax.

Ascertain the value of each equity share under Intrinsic Value method.

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4. (a) While closing its books of accounts on 31st March, 2024, a Non-Banking Financial Company (NBFC) has its advances classified as follows:

Particulars	Amount (₹ in Lakh)
Standard Assets	16,800
Sub-Standard Assets	1,780
Secured Portions of Doubtful Debts:	
- Up to one year	350
- One year to three years	140
- more than three years	30
Unsecured Portion of Doubtful Debts	175
Loss Assets	51

Calculate the amount of provision which must be made against the advances.

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(b) The Summarized Balance Sheet of NR Ltd. as on 31st March, 2024 was as follows:

Balance Sheet of NR Ltd. as on 31st March, 2024

Particulars	Amount (₹)
ASSETS	
Land and Building	15,36,000
Plant and Machinery	14,40,000
Goodwill	8,96,000
Inventories	2,56,000
Trade Receivables	5,12,000
Cash at Bank	38,400
Total	46,78,400
EQUITY AND LIABILITIES	
3,84,000 Equity Shares of ₹ 5 each	19,20,000
1,28,000, 6% Preference Shares of ₹ 10 each	12,80,000
General Reserve	6,400
P/L Balance i.e., Retained Earnings (Debit)	(5,76,000)
5% Debentures	7,68,000
Trade Payables	12,80,000
Total	46,78,400

On revaluation of the assets, on 31st March, 2024, it was found that goodwill was worthless and that other assets were overvalued to the following extent:

Land and building by ₹ 2,56,000 and Plant and Machinery by ₹ 3,52,000.

A provision for doubtful debts to the extent of ₹ 32,000 was considered necessary.

The following scheme of reorganization was sanctioned by the Court:

- The trade payables to accept 6% debentures to the extent of 50% of their claims, the balance to be paid in cash six months after the date of implementation of this scheme;

- (ii) The paid-up value of preference shares to be reduced to ₹ 5 each;
- (iii) The paid-up value of equity shares to be reduced to ₹ 1 each;
- (iv) The assets to be reduced to the revalued figures and the debit balance of Statement of Profit and Loss to be wiped out.

Draft journal entries (without narration) to give effect to the above scheme and prepare the revised Balance Sheet of the company. 7

5. LS Ltd. and MS Ltd. were amalgamated to form a new company LMS Ltd. on 31st March, 2024, who issued requisite number of equity shares of ₹ 10 to take over the businesses of LS Ltd. and MS Ltd. The abstract of balance sheets of the companies on 31st March, 2024 were as:

Particulars	LS Ltd. (₹ in Lakhs)	MS Ltd. (₹ in Lakhs)
Property, Plant and Equipment (PPE)	15,000	16,000
Financial Assets	1,600	1,000
Current Assets	9,400	13,000
Equity Share Capital (₹ 10 each share)	12,000	20,000
Other Equity	6,000	2,000
Borrowings	4,000	6,000
Current Liabilities	4,000	2,000

Fair value of the following items is given:

Particulars	LS Ltd. (₹ in Lakhs)	MS Ltd. (₹ in Lakhs)
PPE	16,000	12,000
Current Assets	10,000	14,000
Fair Value of Business	15,000	30,000

However, the control of LMS Ltd. is taken by the management of MS Ltd.

Show the Balance Sheet after amalgamation.

6. Summarized balance sheets of a group of companies comprising P Ltd., Q Ltd. and R Ltd. as on 31st March, 2024 are as under:

(₹ in lakhs)

Particulars	P Ltd.	Q Ltd.	R Ltd.
Assets			
<u>Non-current Assets</u>			
Property, plant and equipment	1,120	1,260	1,050
Investment:			
112 lakh shares in Q Ltd.	1,190	—	—
84 lakh shares in R Ltd.	—	980	—
<u>Current assets</u>			
Inventories	770	245	175
Financial assets:			
Trade receivables	910	350	770
Inter co. Bills receivables			
P Ltd.	—	—	105
Q Ltd.	252	—	—
Cash and Cash Equivalent	798	140	140
	<u>5,040</u>	<u>2,975</u>	<u>2,240</u>
Equity and Liabilities			
<u>Equity</u>			
Equity Share Capital (₹ 10 per share)	2,100	1,400	1,120
Other equity:			
Reserves	630	350	280
Retained earnings	560	175	210
<u>Current liabilities</u>			
Financial liabilities:			
Trade payables	1,645	805	630
Inter co. Bills payable			
P Ltd.	—	245	—
R. Ltd.	105	—	—
	<u>5,040</u>	<u>2,975</u>	<u>2,240</u>

The following additional information is available:

- (i) P Ltd. holds 80% shares in Q Ltd. and Q Ltd. holds 75% shares in R Ltd. Their holdings were acquired on 30th September, 2023.
- (ii) The business activities of all the companies are not seasonal in nature and therefore, it can be assumed that profits are earned evenly throughout the year.
- (iii) On 1st April, 2023, the following balances stood in the books of Q Ltd. and R Ltd:

(₹ in lakhs)		
Particulars	Q Ltd.	R Ltd.
Reserves	280	210
Retained earnings	70	105

- (iv) ₹ 35 lakhs included in the inventory figure of Q Ltd. is inventory which has been purchased from R Ltd. at cost plus 25%.
- (v) The parent company has adopted an accounting policy to measure non-controlling interest at fair value (quoted market price) applying Ind AS 103. Assume that market price of the shares of Q Ltd. and R Ltd. are the same as their respective face values.

Required:

- (a) Calculate Goodwill/Gain from Bargain Purchase and Non-controlling Interest for preparation of Consolidated Balance Sheet.
- (b) Prepare Consolidated Balance Sheet, as at 31st March, 2024, of the group of companies P Limited, Q Limited and R Limited.

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7. (a) Maahi Ltd. has the following financial data for the year ending 31st March, 2024:

(i) Sales Revenue	₹ 1,000 Lakh
(ii) Purchase of Raw Materials	₹ 530 Lakh
(iii) Total Stock of Raw Materials, WIP and Finished Goods:	
Opening Stock	₹ 60 Lakh
Closing Stock	₹ 90 Lakh
(iv) Printing and Stationery	₹ 35 Lakh
(v) Auditor's Fees	₹ 5 Lakh
(vi) Rent, Rates and other Expenses	₹ 10 Lakh
(vii) Wages & Salaries	₹ 100 Lakh
(viii) Depreciation	₹ 30 Lakh
(ix) Interest	₹ 20 Lakh
(x) Taxes	₹ 25 Lakh
(xi) Dividend	₹ 110 Lakh
(xii) Retained Earnings for the year	₹ 165 Lakh

Prepare a Value Added Statement for Maahi. Ltd. for the year ended 31st March, 2024. 7

- (b) How does the corporate sustainability reporting help companies? What are the internal and external benefits of sustainability reporting? 7
8. (a) Write a note on the Role of the Controller General of Accounts. 5
- (b) Briefly explain the concept of Consolidated Funds, Public Accounts and Contingency Funds of India. 5
- (c) A Ltd. acquired 35% of B Ltd. in 2023-24 for ₹ 3,50,000. Fair value of shares of B Ltd. (35%) being ₹ 4,20,000, ₹ 70,000 was reported under OCI. In April 2024, A Ltd. further acquired 40% stake in B Ltd. for a consideration of ₹ 6,00,000. A Ltd. identifies the assets of B Ltd. as ₹ 12,00,000 and values 35% shares (previously held) at ₹ 4,50,000.
- (i) Calculate the amount to be transferred to Profit and Loss Statement in 2023-24.
- (ii) Also calculate value of Goodwill/Gain on bargain purchase on acquisition of control. 4