

FINAL EXAMINATION

June 2017

P-17(CFR)
Syllabus 2016

Corporate Financial Reporting

Time Allowed: 3 Hours

Full Marks: 100

The figures in the right side indicate full marks.

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

Both the sections are to be answered subject to instructions given against each.

[All working must form part of your answer.]

SECTION – A

Answer the following questions.

1. Choose the most appropriate answer from the four alternatives given: (1 Mark for right choice & 1 Mark for justification): 2×10=20
- (i) Jaggu Ltd. obtained a contract for a construction of a building for ₹ 95 Lakhs. As on 31st March, 2017, it incurred a cost of ₹ 22 Lakhs and expected that there will be ₹ 58 Lakhs more needed for completing the building. It has received ₹ 18 Lakhs as progress payment. Degree of completion will be
- (A) 23.16%
- (B) 27.5%
- (C) 22.5%
- (D) 84.21%
- (ii) In case of amalgamation in the nature of purchase, Fixed Assets; Current Assets; Total Debts; Debit balance of Profit and Loss A/c and Purchase Consideration are ₹ 25,60,000; ₹ 12,50,000; ₹ 11,30,000; ₹ 2,20,000; and ₹ 24,00,000 respectively. The amount of Capital Reserve of Goodwill will be
- (A) Goodwill ₹ 60,000
- (B) Goodwill ₹ 2,80,000
- (C) Capital Reserve ₹ 60,000
- (D) Capital Reserve ₹ 1,60,000

Please Turn Over

- (iii) Chandra Ltd. acquired a machine for ₹ 65 Lakhs on 1st July, 2014. It has a life of 5 years with a salvage value of ₹ 7 Lakhs. As on 31st March, 2017, if present value of future cash flows is ₹ 28 Lakhs and net selling price is ₹ 25 Lakhs, impairment loss will be
- (A) ₹ 3 Lakhs
 - (B) ₹ 30 Lakhs
 - (C) ₹ 18.15 Lakhs
 - (D) ₹ 5.10 Lakhs
- (iv) Roshan Ltd. agreed to absorb Richa Ltd. For this purpose Richa Ltd's 5000, 9% Preference shares are valued at ₹ 124.50 each and 65,000 Equity shares are valued at ₹ 32 each. If Roshan Ltd. discharged purchase consideration by issuing its Equity shares of ₹ 10 each which is having intrinsic value of ₹ 46 each. No. of Equity shares issued by Roshan Ltd. to Richa Ltd. will be
- (A) 45214
 - (B) 270250
 - (C) 58750
 - (D) 70000
- (v) At the time of absorption of B Ltd. by A Ltd., trade receivable of both companies shown in their Balance Sheets were ₹ 35 Lakhs and ₹ 18 Lakhs. On that date trade payable of B Ltd. includes payable to A Ltd. ₹ 4.5 Lakhs. After absorption, the amount of trade receivables will be shown in the A Ltd.'s Balance Sheet as
- (A) ₹ 35 Lakhs
 - (B) ₹ 53 Lakhs
 - (C) ₹ 48.50 Lakhs
 - (D) ₹ 44 Lakhs
- (vi) X Ltd. holds 69% of Y Ltd., Y Ltd. holds 51% of W Ltd., Z Ltd. holds 49% of W Ltd. As per AS 18 related parties are:
- (A) X Ltd., Y Ltd. & W Ltd.
 - (B) X Ltd. & Z Ltd.
 - (C) Y Ltd. & Z Ltd.
 - (D) X Ltd. & Y Ltd.

(vii) Peeru Ltd. acquired 80% Equity shares of Pimo Ltd. on 1st April, 2016. On 31st March, 2017, goods worth ₹ 65,000 purchased from Peeru Ltd., were included in stock of Pimo Ltd. Peeru Ltd. made a profit of 25% on cost. At the time of preparation of consolidated Balance Sheet the amount of unrealized profit on stock will be

- (A) ₹ 1,62,500
- (B) ₹ 21,667
- (C) ₹ 13,000
- (D) NIL

(viii) Nikku Ltd. is a Non-banking finance company. It made a provision against the advances as on 31st March, 2017 of ₹ 248 Lakhs. Out of its advances, Sub-standard assets, Doubtful up to one year and one to three years were ₹ 910 Lakhs; ₹ 150 Lakhs and ₹ 210 Lakhs respectively. The amount of Doubtful Assets more than three years will be

- (A) ₹ 1210 Lakhs
- (B) ₹ 121 Lakhs
- (C) ₹ 64 Lakhs
- (D) NIL

(ix) In a company net assets available for share holders is ₹ 1450 Lakhs; Equity share capital 60 Lakhs shares of ₹ 10 each; An average dividend is ₹ 3.20 per equity share and normal rate of dividend for the company is 10%. The fair value of each share will be

- (A) ₹ 32
- (B) ₹ 24.17
- (C) ₹ 27.81
- (D) ₹ 28.09

(x) Members of Public Accounts Committee are elected by Lok Sabha and Rajya Sabha and comprise of not more than

- (A) 15 members of Lok Sabha and 7 members of Rajya Sabha.
- (B) 22 members of Lok Sabha and 7 members of Rajya Sabha.
- (C) 22 members of Lok Sabha and 15 members of Rajya Sabha.
- (D) No any limit.

SECTION – B

Answer any five questions out of seven questions.

16×5=80

2. (a) Shiva Infrastructures Limited obtained a contract for construction of a bridge for ₹ 100 Lakhs. The contract will be completed within 3 years for which total cost to be incurred is ₹ 85 Lakhs. The following data pertain to the construction period:

(₹ in Lakhs)

Particulars/Year	I	II	III
Cumulative costs incurred to date	30	70	85
Estimated cost yet to be incurred at year end	60	10	—
Progressive billing made during the year	20	65	15
Collections of billings	15	60	25

You are required to calculate the stage of completion and profit recognized in Statement of Profit and Loss as per AS-7

- (b) Compute Basic and Adjusted Earnings per share from the following information:

Net Profit for 2015-16	₹ 44 Lakhs
Net Profit For 2016-17	₹ 65 Lakhs
No. of shares before Rights Issue	110000
Right Issue Ratio	Two for every four held
Right Issue Price	₹ 180
Date of exercising Rights Option	31st July 2016
Fair Value of shares before Right Issue	₹ 270

3. (a) Sewada Ltd. made the following payments during the year ended 31st March 2017:

	Payment made for	₹ in Lakhs
(i)	To acquire a Software	204
(ii)	To acquire a Website for a period of 8 years	165
(iii)	To acquire a Copyright for a period of 15 years	135
(iv)	To acquire Goodwill of a firm	155
(v)	To acquire Goodwill arising under amalgamation in the nature of purchase	110
(vi)	To acquire a Patent for a period of 5 years. The net cash flows from the product during these 5 years are expected to be ₹ 36 lakhs; ₹ 46 Lakhs; ₹ 44 Lakhs; ₹ 40 Lakhs and ₹ 34 Lakhs	60

You are required to find out the amortization cost of the each of the item to be charged to Statement of Profit and Loss as per AS-26. 8

(b) State the scope of Ind AS-102. 8

4. A Ltd. and B Ltd. were amalgamated on and from 1 April, 2017. A new company AB Ltd. was formed to take over the business of the existing companies. The Balance Sheets of A Ltd. and B Ltd. as on 31 March, 2017 are given below:

(Amount ₹ in Lakhs)

A Ltd. B Ltd.

Particulars	Note No.	Amount(₹)	Amount(₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital:			
Equity shares of ₹ 100 each		800	750
8% Preference shares of ₹ 100 each		300	200
(b) Reserve and Surplus:			
Capital Reserve		200	150
General Reserve		170	150
Profit and Loss Account		50	30
2. Non-Current Liabilities:			
Long term Borrowings (10% Debentures)		48	24
3. Current Liabilities and Provisions:			
(a) Trade Payables		270	120
(b) Bills Payables		150	70
Total		1988	1494
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets:			
<i>Tangible Assets</i>			
Land and Building		550	400
Plant and Machinery		350	250
<i>Intangible Assets</i>			
(b) Non-Current Investment		150	50
2. Current Assets:			
(a) Inventories		350	250
(b) Trade Receivable		250	300
(c) Bills Receivables		50	50
(d) Cash and Cash Equivalents		288	194
Total		1988	1494

Additional Information:

- (1) 10% Debenture holders of A Ltd. and B Ltd. are discharged by AB Ltd., issuing such number of its 12% Debentures of ₹ 100 each, so as to maintain the same amount of interest.
- (2) Preference shareholders of the two companies are issued equivalent number 10% preference shares of AB Ltd., at a price of ₹ 150 per share (face value of ₹ 100).
- (3) AB Ltd. will issue 3 equity shares for every 2 equity shares of A Ltd. and 4 equity shares for every 3 equity shares of B Ltd. The shares are to be issued at ₹ 15 each, having a face value of ₹ 10 per share.

Prepare the Balance Sheet of AB Ltd. as on 1 April, 2017 in the revised Schedule III format, after amalgamation has been carried out on the basis of amalgamation in the nature of purchase. 16

5. A Limited is a holding company and B Limited and C Limited are subsidiaries of A Limited. Their summarized Balance Sheets as on 31.03.2017 are given below:

	A Ltd. (₹)	B Ltd. (₹)	C Ltd. (₹)		A Ltd. (₹)	B Ltd. (₹)	C Ltd. (₹)
Share capital	1,00,000	1,00,000	60,000	Fixed Assets	20,000	60,000	43,000
Reserves	48,000	10,000	9,000	Investment Shares in B Ltd.	95,000		
Profit & Loss Account	16,000	12,000	9,000	Shares in C Ltd.	13,000	53,000	
Trade Payables	7,000	5,000		Inventory in Trade	12,000		
A Ltd. Balance		7,000		B Ltd. Balance	8,000		
C Ltd. Balance	3,000			Trade Receivables	26,000	21,000	32,000
				A Ltd. Balance			3,000
	1,74,000	1,34,000	78,000		1,74,000	1,34,000	78,000

The following particulars are given:

- (i) The face value of share of all companies is ₹ 10 each.
- (ii) A Ltd. held 8000 shares of B Ltd. and 1000 shares of C Ltd.
- (iii) B Ltd. held 4000 shares of C Ltd.
- (iv) All these investments were made on 30.09.2016.

- (v) On 31.03.2016, the position was as shown below:

	B Ltd. (₹)	C Ltd. (₹)
Reserve	8,000	7,500
Profit & Loss Account	4,000	3,000
Trade payables	5,000	1,000
Fixed Assets	60,000	43,000
Inventory in Trade	4,000	35,500
Trade receivables	48,000	33,000

- (vi) 10% dividend is proposed by each company.
- (vii) The whole of inventory in trade of B Ltd. as on 30.09.2016 (₹ 4,000) was later sold to A Ltd. for ₹ 4,400 and remained unsold by A Ltd. as on 31.03.2017.
- (viii) Cash-in-transit from B Ltd. to A Ltd. was ₹ 1,000 as at the close of business.

You are required to prepare the consolidated Balance Sheet of the group as per Schedule III as on 31.03.2017. 16

6. (a) Dhooora Ltd. granted 1500 stock options to its employees on 01.04.2013 at ₹ 50 per share. The vesting period is 2½ years and the maximum exercise period is one year. Market price on that date is ₹ 190 per share. All the options were exercised on 30.06.2016. Pass journal entries in the books of company, if the face value of equity share is ₹ 10 per share and account books are closed on 31st March in every year. 8
- (b) Following balances as on 31st March, 2017, are obtained from the account books of Gunnu Ltd.:

	₹ in Lakhs
200 Lakhs Equity Shares of ₹ 10 each	2000
10 Lakhs, 10% Preference Shares of ₹ 100 each	1000
General Reserve	1600
Profit and Loss Account	1400
12% Debentures	1000
Creditors	800
Goodwill	1000
Land and Buildings	2500
Plant and Machinery	1500
Investment in 10% Stock	480
Stock-in-trade	1600
Debtors	400
Cash and Bank	220
Preliminary expenses	100

Additional information are given below:

- (a) Nominal value of investment is ₹ 500 Lakhs and its market value is ₹ 520 Lakhs.
(b) Following assets are revalued:

	₹ in Lakhs
(i) Land and Building	3200
(ii) Plant and Machinery	1800
(iii) Stock-in-trade	1450
(iv) Debtors	360

- (c) Average profit before tax of the company is ₹ 2400 Lakhs and 12.50% of the profit is transferred to general reserve, rate of taxation being 30%.
(d) Normal dividend expected on equity shares is 18% while fair return on closing capital employed is 12%.
(e) Goodwill may be valued at two year's purchase of super profits.

You are required to calculate the value of goodwill.

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7. (a) What are the objectives of Government Accounting?

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(b) Discuss the role of Public Accounts Committee.

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8. Write short notes on *any four* of the following:

4×4=16

- (a) Features of International Financial Reporting Standards (IFRS).
(b) Conditions for applying Hedge Accounting.
(c) Objectives of Ind AS-110.
(d) Responsibility of GASAB.
(e) Conditions as per AS-14 amalgamation in the nature of merger.