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AS 21 "Consolidated Financial Statements"

17. Zoom Ltd. acquired 70% shares of Star Ltd. @ ₹ 30 per share. Following is the extract of Balance Sheet of Star Ltd.:

	₹
15,00,000 Equity Shares of ₹ 10 each	1,50,00,000
15% Debentures	15,00,000
Trade Payables	82,50,000
Property, Plant and Equipment	1,05,00,000
Investments	67,50,000
Current Assets	1,02,00,000
Loans and Advances	33,00,000

On the same day Star Ltd. declared dividend at 20% and as agreed between both the companies Property, Plant and Equipment were to be depreciated @ 10% and investment to be taken at market value of ₹ 90,00,000. Calculate the Goodwill or Capital Reserve to be recorded in Consolidated Financial Statements.

Preparation of Financial Statements of Companies

18. Aqua Ltd. has authorized capital of ₹ 50 lakhs divided into 5,00,000 equity shares of ₹ 10 each. Their books show the following ledger balances as on 31st March, 2023:

	₹		₹
Inventory 1.4.2022 ↳ CII	6,65,000	Bank Current Account (Dr. balance) CA: C&CE	20,000
Discounts & Rebates allowed OE	30,000	Cash in hand CA: C&CE	11,000
Carriage Inwards OE	57,500		
Purchases (SIT) Purchase of SIT	12,32,500	Calls in Arrear @ ₹ 2 per share SC:	10,000

Assume :- Inventory : WIP, FG, SIT → CII

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Rate, Taxes and Insurance OE	55,000	Equity share capital SC	20,00,000
Furniture & Fixtures PPE	1,50,000	(2,00,000 shares of ₹ 10 each)	
Business Expenses OE	56,000	Trade Payables CL: TP	2,40,500
Wages EBE	14,79,000	Sales RFO	36,17,000
Freehold Land PPE	7,30,000	Rent (Cr.) OI	30,000
Plant & Machinery PPE	7,50,000	Transfer fees received OI	6,500
Engineering Tools PPE	1,50,000	Profit & Loss A/c (Cr.) R&S	67,000
Trade Receivables CA: TR	4,00,500	Repairs to Building OE	56,500
Advertisement Expenses OE	15,000	Bad debts OE	25,500
Commission & Brokerage Expenses OE	67,500		

Clos. Stk Dr. → CA: Inv
To Trading → CII

Wages Dr. → EBE
To wages pay → CL: OCL

Bus. Exp Dr. → OE
To bus. exp pay → CL: OCL

Depn Dr. → D&A
To A.D. → PPE –

Baddebts Dr. → OE
To P.D.D → CA: TR –

I.T. exp Dr. → PBT
To Prov for tax → CL: STP

P&L: Surplus Dr. } R&S
To General Res

The inventory (valued at cost or market value, which is lower) as on 31st March, 2023 was ₹ 7,05,000. Outstanding liabilities for wages ₹ 25,000 and business expenses ₹ 36,500.

Charge depreciation on written down values of Plant & Machinery @ 5%, Engineering Tools @ 20% and Furniture & Fixtures @10%. Provide ₹ 25,000 as doubtful debts for trade receivables. Provide for income tax @ 30%. It was decided to transfer ₹ 10,000 to reserves.

You are required to prepare a Statement of Profit & Loss for the year ended 31st March, 2023 and Balance Sheet as at that date.

Buy back of Securities

19. Mukti Ltd. (a non-listed company) provide the following information as on 31.3.2023:

	(₹)
Land and Building	21,50,000
Plant & Machinery	15,00,000

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How above investments will be shown in the books of accounts of Innovative Garments Manufacturing Company Limited for the year ending 31st March, 2023 as per the provisions of Accounting Standard 13 "Accounting for Investments"? **(5 Marks)**

(b) Lessee Ltd. took a machine on lease from Lessor Ltd., the fair value being ₹ 7,00,000.

The economic life of machine as well as the lease term is 3 years. At the end of each year Lessee Ltd. pays ₹ 3,00,000. The Lessee has guaranteed a residual value of ₹ 22,000 on expiry of the lease to the Lessor. However, Lessor Ltd., estimates that the residual value of the machinery will be only ₹ 15,000. The implicit rate of return is 15% p.a. and present value factors at 15% are 0.869, 0.756 and 0.657 at the end of first, second and third years respectively.

Calculate the value of machinery to be considered by Lessee Ltd. and the finance charges in each year. **(5 Marks)**

(c) X Ltd. purchased a Property, Plant and Equipment four years ago for ₹ 150 lakhs and depreciates it at 10% p.a. on straight line method. At the end of the fourth year, it has revalued the asset at ₹ 75 lakhs and has written off the loss on revaluation to the profit and loss account. However, on the date of revaluation, the market price is ₹ 67.50 lakhs and expected disposal costs are ₹ 3 lakhs. What will be the treatment in respect of impairment loss on the basis that fair value for revaluation purpose is determined by market value and the value in use is estimated at ₹ 60 lakhs?. **(4 Marks)**

2. Following is the trial balance of Delta limited as on 31.3.2023.

(Figures in ₹ '000)

Particulars	**Debit**	**Particulars**	**Credit**
Land at cost PPE	800	Equity share capital (shares of ₹ 10 each) SC	500
Calls in arrears SC	5	10% Debentures LTB	300
Cash in hand CA: C&CE	2	General reserve R&S	150
Plant & Machinery at cost PPE	824	Profit & Loss A/c (balance on 1.4.22) R&S	75
Trade receivables CA: TR	120	Securities premium R&S	40
Inventories (31-3-23) CA: Inv	96	Sales RFO	1200
Cash at Bank CA: C&CE	28	Trade payables CL: TP	30
Adjusted Purchases Purch of SIT	400	Provision for depreciation PPE	150
Factory expenses OE	80	Suspense Account	10
Administrative expenses OE	45		
Selling expenses OE	25		
Debenture Interest FC	30		
	2455		2455

Additional Information:

(i) The authorized share capital of the company is 80,000 shares of ₹ 10 each. : SC

(ii) The company revalued the land at ₹ 9,60,000. PPE Dr. → PPE
To, Reval Res → R&S

(iii) Equity share capital includes shares of ₹ 50,000 issued for consideration other than cash.
SC : Disclosure

↑ same point covered in class

(iv) Suspense account of ₹ 10,000 represents cash received from the sale of some of the machinery on 1.4.2022. The cost of the machinery was ₹ 24,000 and the accumulated depreciation thereon being ₹ 20,000. The balance of Plant & Machinery given in trial balance is before adjustment of sale of machinery.

(v) Depreciation is to be provided on plant and machinery at 10% on cost.

(vi) Balance at bank includes ₹ 5,000 with ABC Bank Ltd., which is not a Scheduled Bank. → Disclosure

(vii) Make provision for income tax @30%.

(viii) Trade receivables of ₹ 50,000 are due for more than six months. Disclosures

You are required to prepare Delta Limited's Balance Sheet as at 31.3.2023 and Statement of Profit and Loss with notes to accounts for the year ended 31.3.2023 as per Schedule III. Ignore previous year's figures & taxation. **(14 Marks)**

3. (a) Y Ltd., used certain resources of X Ltd. In return X Ltd. received ₹ 10 lakhs and 15 lakhs as interest and royalties respective from Y Ltd. during the year 2022-23. You are required to state whether and on what basis these revenues can be recognized by X Ltd. **(4 Marks)**

(b) Following is the Balance Sheet of ABC Ltd. as at 31st March, 2023:

		Particulars	Notes	₹
		Equity and Liabilities		
1		**Shareholders' funds**		
	A	Share capital	1	26,00,000
	B	Reserves and Surplus	2	(4,05,000)
2		**Non-current liabilities**		
	A	Long-term borrowings	3	12,00,000
3		**Current liabilities**		
	A	Trade Payables		5,92,000
	B	Short term borrowings - Bank overdraft		1,50,000
		Total		41,37,000
		Assets		
1		**Non-current assets**		
	A	Property, plant and equipment	4	11,50,000
	B	Intangible assets	5	70,000
	C	Non-current investment	6	68,000
2		**Current assets**		
	A	Inventory		14,00,000
	B	Trade receivables		14,39,000
	C	Cash and cash equivalents		10,000
		Total		41,37,000

Management hence wants to defer the expenditure write off to future years.

Advise the Company as per the applicable Accounting Standard.

(5 Marks)

(b) Wooden Plywood Limited has a normal wastage of 5% in the production process. During the year 2023-24, the Company used 16,000 MT of Raw material costing ₹ 190 per MT. At the end of the year, 950 MT of wastage was in stock. The accountant wants to know how this wastage is to be treated in the books.

You are required to :

(1) Calculate the amount of abnormal loss.

(2) Explain the treatment of normal loss and abnormal loss in the context of AS-2. **(5 Marks)**

(c) On 15th June, 2024, Y limited wants to re-classify its investments in accordance with AS 13 (revised). Decide and state the amount of transfer, based on the following information:

(1) A portion of long term investments purchased on 1st March, 2023 are to be re-classified as current investments. The original cost of these investments was ₹ 14 lakhs but had been written down by ₹ 2 lakhs (to recognise 'other than temporary' decline in value). The market value of these investments on 15th June, 2024 was ₹ 11 lakhs.

(2) A portion of current investments purchased on 15th March, 2024 for ₹ 7 lakhs are to be re-classified as long term investments, as the company has decided to retain them. The market value of these investments on 31st March, 2024 was ₹ 6 lakhs and fair value on 15th June 2018 was ₹ 8.5 lakhs. **(4 Marks)**

2. The following balance appeared in the books of Oliva Company Ltd. as on 31-03-2024.

Particulars		**₹**	**Particulars**		**₹**
Inventory 01-04-2023	COMC		Sales RFO		17,10,000
-Raw Material	30,000		Interest OI		3,900
-Finished goods	46,500 CII	76,500	Profit and Loss A/c R&S		48,000
Purchases → RM: COMC		12,15,000	Share Capital SC		3,15,000
Manufacturing Expenses	OE	2,70,000	Secure Loans:		
			Short–term	4,500 STB	
			Long-term	21,000 LTB	25,500
Salaries and wages	EBF	40,200	Deposits (unsecured):		
General Charges	OE	16,500	Short -Term	1,500 STB	

100marks → 180 min
1mark → 1.8mins
14marks → x

100m → 160 mins

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Interim Dividend paid P&L: Surplus: less		27,000	Long-term Trade payables	3,300	LTB 4,800
			CL:TP		3,27,000
Building PPE		1,01,000			
Plant and Machinery PPE		70,400			
Furniture PPE		10,200			
Motor Vehicles PPE		40,800			
Inventory: Stores and Spare Parts Consumed	COMC +	45,000			
	OS: RM + Purch of RM + S&SP cons − CS of RM				
Investments:					
CA: CI — Current	4,500				
NCA: NCI — Non Current	7,500	12,000			
CA: TR — Trade receivables		2,38,500			
CA: CCE — Cash in Bank		2,71,100			
		24,34,200			24,34,200

From the above balance and the following information, prepare the company's Profit and Loss Account for the year ended 31st March, 2024 and Company's Balance Sheet as on that date:

Cr. = COMC — Cr. = CII

1. Inventory on 31st March,2024 Raw material ₹ 25,800 & finished goods ₹ 60,000.
   CS Dr. → CA: Inv.
2. Outstanding Expenses: Manufacturing Expenses ₹ 67,500 & Salaries & Wages ₹ 4,500.
   Dr. → OE Cr. → CL: OCL — Dr. → EBE Cr. → CL: OCL
3. Interest accrued on Securities ₹ 300.
   Dr. → CA: OCA Cr. → OI
4. General Charges prepaid ₹ 2,490.
   Prep Exp → OCA; To, Exp → OE −
5. Provide depreciation: Building @ 2% p.a., Machinery @ 10% p.a., Furniture @ 10% p.a. & Motor Vehicles @ 20% p.a.
6. The Taxation provision of 40% on net profit is considered. **(14 Marks)**

3. (a) XYZ Ltd. has not made provision for warrantee in respect of certain goods due to the fact that the company can claim the warranty cost from the original supplier. Hence the accountant of the company says that the company is not having any liability for warrantees on a particular date as the amount gets reimbursed. You are required to comment on the accounting treatment done by the XYZ Ltd. in line with the provisions of AS 29. **(4 Marks)**

(b) The Balance Sheet of Radhika Ltd. as at 31-3-2024 is as follows:

		Particulars	Notes	₹
		Equity and Liabilities		
1		Shareholders' funds		
	a	Share capital	1	13,80,000

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(b) The financial statements of PQ Ltd. for the year 2023-24 approved by the Board of Directors on 15th July, 2024. The following information was provided:

(i) A suit against the company's advertisement was filed by a party on 20th April, 2024, claiming damages of ₹ 25 lakhs.

(ii) The terms and conditions for acquisition of business of another company have been decided by March, 2024. But the financial resources were arranged in April, 2024 and amount invested was ₹ 50 lakhs.

(iii) Theft of cash of ₹ 5 lakhs by the cashier on 31st March, 2024 but was detected on 16th July, 2024.

(iv) Company sent a proposal to sell an immovable property for ₹ 40 lakhs in March, 2024. The book value of the property was ₹ 30 lakhs on 31st March, 2024. However, the deed was registered on 15th April, 2024.

(v) A, major fire has damaged the assets in a factory on 5th April, 2024. However, the assets are fully insured.

With reference to AS-4 "Contingencies and events occurring after the balance sheet date", state whether the above mentioned events will be treated as contingencies, adjusting events or non-adjusting events occurring after the balance sheet date. **(7 Marks)**

2. From the following particulars furnished by the Prashant Ltd., prepare the Balance Sheet as at 31st March, 2024 as required by Schedule III of the Companies Act, 2013:

same question covered in class.

Particulars	Debit (₹)	Credit (₹)
Equity share capital (face value of ₹ 10 each)		15,00,000
Calls-in-arrears	5,000	
Land	5,50,000	
Building	4,85,000	
Plant & machinery	5,60,000	
General reserve		2,70,000
Loan from State Financial Corporation		2,10,000
Inventories	3,15,000	
Provision for taxation		72,000
Trade receivables	2,95,000	
Short-term loans & advances	58,500	
Profit & loss account		1,06,800
Cash in hand	37,300	
Cash at bank	2,85,000	
Unsecured loans		1,65,000

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Trade payables		2,67,000
Total	25,90,800	25,90,800

The following additional information is also provided:

(1) 10,000 equity shares were issued for consideration other than cash.

(2) Trade receivables of ₹ 55,000 are due for more than six months.

(3) The cost of building and plant & machinery is ₹ 5,50,000 and ₹ 6,25,000 respectively.

(4) The loan from State Financial Corporation is secured by hypothecation of plant & machinery. The balance of ₹ 2,10,000 in this account is inclusive of ₹ 10,000 for interest accrued but not due.

(5) Balance at Bank included ₹ 15,000 with Aakash Bank Ltd., which is not a scheduled bank. **(14 Marks)**

3. (a) The following information was provided by PQR Ltd. for the year ended 31st March, 2024 :

(1) Gross Profit Ratio was 25% for the year, which amounts to ₹ 3,75,000.

(2) Company sold goods for cash only.

(3) Opening inventory was lesser than closing inventory by ₹ 25,000.

(4) Wages paid during the year ₹ 5,55,000.

(5) Office expenses paid during the year ₹ 35,000.

(6) Selling expenses paid during the year ₹ 15,000.

(7) Dividend paid during the year ₹ 40,000.

(8) Bank Loan repaid during the year ₹ 2,05,000 (included interest ₹ 5,000)

(9) Trade Payables on 31st March, 2023 were ₹ 50,000 and on 31st March, 2024 were ₹ 35,000.

(10) Amount paid to Trade payables during the year ₹ 6,10,000

(11) Income Tax paid during the year amounts to ₹ 55,000

(Provision for taxation as on 31st March, 2024 ₹ 30,000)·

(12) Investments of ₹ 8,20,000 sold during the year at a profit of ₹ 20,000.

(13) Depreciation on furniture amounts to ₹ 40,000.

(14) Depreciation on other PPE amounts to ₹ 20,000.

(15) Plant and Machinery purchased on 15th November, 2023 for ₹ 3,50,000.

(16) On 31st March, 2024 ₹ 2,00,000, 7% Debentures were issued at face value in an exchange for a plant.

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PART II – Descriptive Questions (70 Marks)

*Question No.**1** is compulsory.*

*Answer any **four** questions from the remaining **five** questions.*

Wherever necessary, suitable assumptions may be made and indicated in answer by the candidates. Working Notes should form part of the answer.

1. (a) A Ltd. purchased on 1st April, 2023 8% convertible debenture in C Ltd. of face value of ₹ 2,00,000 @ ₹ 108. On 1st July, 2023 A Ltd. purchased another ₹ 1,00,000 debentures @ ₹ 112 cum interest. On 1st October, 2023 ₹ 80,000 debentures were sold @ ₹ 105. On 1st December, 2023, C Ltd. give option for conversion of 8% convertible debentures into equity share of ₹ 10 each. A Ltd. received 5,000 equity shares in C Ltd. in conversion of 25% debentures held on that date. The market price of debenture and equity share in C Ltd. on 31st December, 2023 is ₹ 110 and ₹ 15 respectively. Interest on debenture is payable each year on 31st March, and 30th September. Prepare investment account in the books of A Ltd. on average cost basis for the accounting year ended 31st December, 2023. **(10 Marks)**

   (b) A company incorporated in June 2023, has setup a factory within a period of 8 months with borrowed funds. The construction period of the assets had reduced drastically due to usage of technical innovations by the company and the company is able to justify the reasons for the same. Whether interest on borrowings for the period prior to the date of setting up the factory should be capitalized although it has taken less than 12 months for the assets to get ready for use. You are required to comment on the necessary treatment with reference to AS 16. **(4 Marks)**

2. You are required to prepare a Balance Sheet as at 31st March 2024, as per Schedule III of the Companies Act, 2013, from the following information of Vishnu Ltd.:

Short Term

Particulars	Amount (₹)	Particulars	Amount (₹)
Term Loans (Secured) NCL: LTB	40,00,000	Investments (Non-current) NCA: NCI	9,00,000
Trade payables CL: TP	45,80,000	Profit for the year R&S	32,00,000
Cash and Bank Balances CA: C&CE	38,40,000	Trade receivables CA: TR	49,00,000
Staff Advances CA: STL&A	2,20,000	Miscellaneous Expenses R&S: P&L CY: less	2,32,000
Other advances (given by Co.) CA: ST L&A	14,88,000	Loan from other parties LTB	8,00,000
Provision for Taxation STP	10,20,000	Provision for Doubtful Debts TR: less	80,000
Securities Premium R&S	19,00,000	Stores Inv	16,00,000
Loose Tools CA: Inv	2,00,000	Finished Goods : Inv	30,00,000
General Reserve R&S	62,00,000	Plant and Machinery (WDV) PPE	2,14,00,000

P&L: CY → R&S

less:

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Additional Information: -

1. Share Capital consists of-

   (a) 1,20,000 Equity Shares of ₹ 100 each fully paid up. SC

   (b) 40,000, 10% Redeemable Preference Shares of ₹ 100 each fully paid up. SC

2. Write off the amount of Miscellaneous Expenses in full, amounting ₹ 2,32,000. P&L: CY → less

3. Staff Advances and Other Advances are *Considered to be short term.* **(14 Marks)**

3. (a) You are required to give the necessary journal entry at the inception of lease to record the asset taken on finance lease in books of lessee from the following information:

Lease period	=	5 years;
Annual lease rents	=	₹ 50,000 at the end of each year.
Guaranteed residual value	=	₹ 25,000
Fair Value at the inception (beginning) of lease	=	₹ 2,00,000

Interest rate implicit on lease is = 12.6% (Discounted rates for year 1 to 5 are .890, .790, .700, .622 and .552 respectively). **(7 Marks)**

(b) Smile Ltd. purchased machinery for ₹ 80 lakhs (useful life 4 years and residual value ₹ 8 lakhs). Government grant received was ₹ 32 lakhs. The grant had to be refunded at the beginning of third year. Show the Journal Entry to be passed at the time of refund of grant and the value of the fixed assets in the third year and the amount of depreciation for remaining two years, if the grant had been credited to Deferred Grant A/c. **(7 Marks)**

4. A Ltd. and B Ltd. give the following information as at 31.03.2024:

	A Ltd. (₹ in lakhs)	**B Ltd. (₹ in lakhs)**
Equity Share Capital (Fully paid shares of ₹ 10 each)	22,500	9,000
Securities Premium	4,500	-
Foreign Project Reserve	-	465
General Reserve	14,550	4,800
Profit and Loss Account	4,305	1,162.5
12% Debentures	-	1,500
Trade payables	1,800	694.5
Provisions	2,745	1,053
Land and Buildings	9,000	-