FINAL EXAMINATION

December 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 one from given four alternatives (1 Mark for right choice & 1 Mark for justification): 2×10=20

(i) On 1, April, 2017, H Ltd. acquired 120000 shares out of 150000 equity shares of ₹ 10 each of S Ltd. at ₹ 16,30,000. On that date balance of General Reserve; Capital Reserve; and Preliminary Expenses in S Ltd. were ₹ 2,42,000; ₹ 3,20,000; and ₹ 70,000 respectively. The amount of cost of control will be

(A) Capital Reserve ₹ 19,600

(B) Capital Reserve ₹ 3,62,000

(C) Capital Reserve ₹ 2,89,600

(D) Goodwill ₹ 36,400

(ii) A company undertook to pay contract for a building for ₹ 90 lakhs. As on 31.03.2017, it incurred a cost of ₹ 15 lakhs and expects that there will be ₹ 68 lakhs more for completing the building. It has received ₹ 12 lakhs as progress payment. What is the degree of completion?

(A) 16·67%

(B) 22·06%

(C) 18·07%

(D) 14·46%

Please Turn Over

(iii) Shiva Ltd. has obtained an institutional loan of ₹ 60 Crores for machinery on 01.06.2016. The machinery installed on 1st February, 2017 with cost of ₹ 52 Crores and balance loan has been utilized for working capital. Interest on above loan is @ 11% per annum. As per AS-16 the amount of interest to be capitalized for the year ended 31st March, 2017 will be

(A) ₹ 4·7667 Crores

(B) ₹ 3·8133 Crores

(C) ₹ 5·50 Crores

(D) ₹ 4·40 Crores

(iv) Chandra Ltd. purchased a machinery on 01.04.2013 for ₹ 35 Lakhs. Written down value of the machinery as on 31st March, 2017 is ₹ 18·27 Lakhs. The recoverable amount of the machinery is ₹ 12·45 Lakhs. The impairment loss as per AS-28 will be

(A) ₹ 16·73 Lakhs

(B) ₹ 22·55 Lakhs

(C) ₹ 5·82 Lakhs

(D) ₹ 4·28 Lakhs

(v) Kovid Ltd. agreed to absorbs Shiva Ltd. Shiva Ltd. has been issued 120000 Equity Shares of ₹ 10 which having intrinsic value of ₹ 32 each. If intrinsic value of Kovid Ltd.'s equity share is ₹ 64 each, then how many equity shares should be issued by Kovid Ltd. to Shiva Ltd. to meet out the purchase consideration?

(A) 240000

(B) 120000

(C) 18750

(D) 60000

(vi) At the time of absorption of B Ltd. by A Ltd., 9% debenture-holders of ₹ 480,00,000 of ₹ 100 each in B Ltd. are to be paid off at 10% premium by 8% debentures in A Ltd. issued at a premium of 20%. How many debentures of ₹ 100 each are to be issued by A Ltd?

(A) 480000

(B) 440000

(C) 528000

(D) 400000

(vii) Patel Ltd. purchases 75% shares out of 60000 Equity Shares of ₹ 10 each in Chandu Ltd. at ₹ 7,95,000. On that date balance of Capital Reserve; Securities Premium; General Reserve and Discount on issue of Debentures were ₹ 69,000; ₹ 1,20,000; ₹ 2,15,000; and ₹ 40,000 respectively. The amount of minority interest will be

(A) ₹ 2,51,000

(B) ₹ 2,41,000

(C) ₹ 1,98,750

(D) ₹ 1,95,000

(viii) On the year ended 31st March, 2017, 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) ₹ 403 Lakhs

(B) ₹ 159 Lakhs

(C) ₹ 163 Lakhs

(D) ₹ 181 Lakhs

(ix) 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

(x) Which of the following is constituted under Article 266(2) of the Constitution of India?

(A) Contingency funds of India

(B) Consolidated funds of India

(C) Public Accounts of India

(D) All of the above

SECTION – B

Answer any five *questions out of* seven *questions.* 16×5=80

2. (a) N. Ram Co. are heavy engineering contractors specializing in construction of dams. From the records of the company the following data is available pertaining to year ended 31st March, 2017:

	₹ in Crores
Total Contract Price	720
Work Certified	300
Work pending certification	60
Estimated further cost to completion	420
Stage wise payments received	264
Progress payments in pipe line	72

Using these data and applying the relevant accounting standard you are required to

(i) compute the amount of profit/loss for the year ended 31st March, 2017.

(ii) arrive at the contract work in progress as at the end of financial year 2016–2017.

(iii) determine the amount of revenue to be recognized out of the total contract value.

(iv) work out the amount due from/to customers as at year end.

(v) list down relevant disclosures with figures as per relevant accounting standard. 8

(b) Mahi Ltd. began construction of a new building on 1st April, 2016. It obtained ₹ 50 Lakhs special loan from State Bank of India to finance the construction of the building on 1st April, 2016 at an interest rate of 10%. The company's other outstanding two non-specific loans were:

Amount	Rate of Interest
₹ 80 Lakhs	11%
₹ 150 Lakhs	13%

The expenditures that were made on the building project were as follows:

	₹ in Lakhs
April 2016	50
July 2016	55
Oct. 2016	125
March 2017	36

Building was completed by 31st March, 2017. Following the principles prescribed in AS-16 Borrowing Cost, calculate the amount of interest to be capitalized and pass one Journal entry for capitalizing the cost and borrowing cost in respect of the building. 8

3. (a) Sanwar Ltd. made a loss of ₹ 50 Lakhs for the year ending 31st March, 2015. For the year ending 31st March, 2016 and 31st March, 2017 it made profits of ₹ 25 Lakhs and ₹ 32 Lakhs respectively. It is assumed that the loss of a year can be carried forward for eight years and tax rate is 30%. By the end of the 31.03.2015, the company feels that there will be sufficient taxable income in the future years against which carry forward loss can be set off. There is no difference between taxable income and accounting income except that the carry forward loss is allowed in the years ending on 31st March, 2016 and 2017 for tax purposes. Prepare a statement showing Profit and Loss before Tax and after Tax for the years ending 31st March, 2015, 2016 and 2017. 8

(b) Describe the objectives and scope of Ind AS – 105. 8

4. B Ltd. was merged with A Ltd. with effect from 1st April, 2017 and the merger was in nature of purchase. The Balance Sheets of A Ltd. and B Ltd. as on 31st March, 2017 are given below:

(₹ in Lakhs)

Particulars	**A Ltd. (Amount)**	**B Ltd. (Amount)**
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital:		
Equity Shares of ₹ 10 each	160	60
(b) Reserves and Surplus:		
General Reserve	60	40
Profit and Loss Account	50	16
Less: Preliminary Expenses	(4)	
2. Non-Current Liabilities:		
Long term Borrowings (10% Debentures)	40	20
3. Current Liabilities and Provisions		
(a) Trade Payables	12	10
(b) Provision for taxation	18	10
Total	336	156

Particulars	A Ltd. (Amount)	B Ltd. (Amount)
II. ASSETS		
1. Non-Current Assets		
(a) Fixed Assets:		
Tangible Assets	200	90
Intangible Assets	—	—
(b) Non-Current Investment	30	10
2. Current Assets		
(a) Inventories	32	10
(b) Trade Receivable	16	18
(c) Advance Tax	12	6
(d) Cash and Cash Equivalents	46	22
Total	336	156

A Ltd. would issue 10% Debentures to discharge the claims of the debenture holders of B Ltd. at par. Non-trade investments of A Ltd. fetched @8% while those of B Ltd. fetched @10%. Profit(Pre-tax) of A Ltd. and B Ltd. during 2014-15; 2015-16; and 2016-17 were as follows:

(₹ in Lakhs)

Year	A Ltd.	B Ltd.
2014-15	67.60	20.00
2015-16	70.00	25.00
2016-17	85.00	26.82

Goodwill may be calculated on the basis of 5 years purchase of super profit method taking 15% as the pre-tax normal rate of return. Purchase consideration is discharged by A Ltd. on the basis of intrinsic value per share. Prepare Balance Sheet of A Ltd. after merger as per revised Schedule III of the Companies Act, 2013. 16

5. The following are the summarized Balance Sheets of A Ltd., B Ltd. and C Ltd. as at 31.03.2017:

Liabilities	A Ltd. (₹)	B Ltd. (₹)	C Ltd. (₹)
Share Capital (Shares of ₹ 100 each)	6,00,000	4,00,000	2,40,000
Reserves	80,000	40,000	30,000
Profit and Loss Account	2,00,000	1,20,000	1,00,000
Trade payables	80,000	1,00,000	60,000
A Ltd.	—	40,000	32,000
Total	9,60,000	7,00,000	4,62,000

Assets	A Ltd. (₹)	B Ltd. (₹)	C Ltd. (₹)
Goodwill	80,000	60,000	40,000
Fixed Assets	2,80,000	2,00,000	2,40,000
Shares in :			
B Ltd. (3,000 Shares)	3,60,000	—	—
C Ltd. (400 Shares)	60,000	—	—
C Ltd. (1,400 Shares)	—	2,08,000	—
Due from : B Ltd.	48,000	—	—
C Ltd.	32,000	—	—
Current Assets	1,00,000	2,32,000	1,82,000
Total	9,60,000	7,00,000	4,62,000

(i) All shares were acquired on 01.10.2016 by A Ltd.

(ii) On 01.04.2016 the balances to the various accounts were as under:

Particulars	A Ltd. (₹)	B Ltd. (₹)	C Ltd. (₹)
Reserves	40,000	40,000	20,000
Profit and Loss account	20,000	(Dr.) 20,000	12,000

(iii) During 2016-17, Profits accrued evenly.

(iv) In November, 2016, each company paid interim dividend of 10%. A Ltd. and B Ltd. have credited their profit and loss account with the dividends received.

(v) During 2016-17, C Ltd. sold an equipment costing ₹ 40,000 to B Ltd. for ₹ 48,000 and B Ltd. in turn sold the same to A Ltd. for ₹ 52,000.

Prepare the consolidated Balance Sheet as at 31.03.2017 of A Ltd. and its subsidiaries as per Schedule III. 16

6. (a) A company has its share capital divided into shares of ₹ 10 each. On 1st April, 2016 it granted 10,000 employees' stock options (ESOP) at ₹ 40, when the market price was ₹ 130. The options were to be exercised between 16th December, 2016 and 15th March, 2017. The employees exercised their options for 9,500 shares only; the remaining options lapsed. The company closes its books on 31st March every year. Show Journal entries up to the year ended 31.03.2017. 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:

(i) Nominal value of investment is ₹ 500 Lakhs and its market value is ₹ 520 Lakhs.

(ii) Following assets are revalued:

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

(iii) 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%.

(iv) Normal dividend expected on equity shares is 18% while fair return on closing capital employed is 12%.

(v) Goodwill may be valued at ₹ 2000 Lakhs.

You are required to ascertain the value of each equity share under the fair value method. 8

7. (a) What do you understand by Government Accounting Standards Advisory Board (G A S A B)? State its Responsibilities. 8

(b) Discuss the main features of Government Accounting. 8

8. Write short notes on *any four* of the following: 4×4=16

(a) Concept of triple bottom line reporting.

(b) Features of XBRL Reporting.

(c) Role of Controller General of Accounts (CGA).

(d) Disclosure requirement as per AS–21.

(e) IFRS–2 : Shear–based payments.