Paper – 17: Corporate Financial Reporting

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Full Marks: 100 **Time allowed: 3 hours**

Question No.1 which is compulsory and carries 20 Marks and answer any 5 Question from Q. No 2 to Q No 8

1. Answer any four questions from the following. **[4×5= 20]**

(a) A private limited company manufacturing fancy terry towels had valued its closing stock of inventories of finished goods at the realisable value, inclusive of profit and the export cash incentives. Firm contracts had been received and goods were packed for export, but the ownership in these goods had not been transferred to the foreign buyer. Comment on the valuation of the stocks by the company.

(b) List the scope of Ind AS 36 Impairment of Assets.

(c) Omega Limited is working on different projects which are likely to be completed within 3 years period. It recognizes revenue from these contracts on percentage of completion method for financial statements during 2017, 2018 and 2019 for ₹11,00,000, ₹16,00,000 and ₹21,00,000 respectively. However, for income-tax purpose, it has adopted the completed contract method under which it has recognized revenue of ₹7,00,000, ₹18,00,000 and ₹23,00,000 for the years 2017, 2018 and 2019 respectively. Income-tax rate is 35%. Compute the amount of deferred tax asset/liability for the years 2017, 2018 and 2019.

(d) Write down the strategy for implementation of triple bottom line reporting.

(e) M Ltd. has equity capital of ₹40,00,000 consisting of fully paid equity shares of ₹10 each. The net profit for the year 2018-19 was ₹60,00,000. It has also issued 36,000, 15% convertible debentures of ₹50 each. Each debenture is convertible into five equity shares. The tax rate applicable is 30%. Compute the diluted earnings.

2. A Z Ltd. took over the business of X Ltd. and Y Ltd. The summarised Balance Sheets of Z Ltd., X Ltd. and Y Ltd. as on 31 March, 2019 are given below:

(₹in Lakhs)

Liabilities	Z Ltd. ₹	X Ltd. ₹	Y Ltd. ₹	Assets	Z Ltd. ₹	X Ltd. ₹	Y Ltd. ₹
Share Capital				Fixed Assets:			
Equity shares of ₹ 100 each		800	750	Land and Building	600	550	400
12% Preference shares of ₹ 100 each	1,000	300	200	Plant and Machinery	400	350	250
Reserves and Surplus:				Investments		150	50

Revaluation Reserve		200	150	Current Assets, Loans and Advances:			
General Reserve	600	170	150	Stock	500	350	250
Profit and Loss Account		50	30	Sundry Debtors	300	250	300
Secured Loans:				Bills Receivables		50	50
10% Debentures (₹100 each)		60	30	Cash and Bank	200	300	200
Current Liabilities and Provisions:							
Sundry Creditors	400	270	120				
Bills payables		150	70				
Total	2,000	2,000	1,500	Total	2,000	2,000	1,500

Additional Information:

(1) 10% Debenture holders of X Ltd., and Y Ltd., are discharged by Z Ltd., issuing such number of its 15% Debentures of ₹100 each, so as to maintain the same amount of interest.

(2) Preference shareholders of the two companies are issued equivalent number 15% preference shares of Z Ltd., at a price of ₹150 per share (face value of ₹100).

(3) Z Ltd. will issue 5 equity shares for each equity share of X Ltd. and 4 equity shares for each equity share of Y Ltd. The shares are to be issued ₹30 each, having a face value of ₹10 per share.

Prepare the Balance Sheet of Z Ltd. as on 1 April, 2020 in the Schedule III Division II format. **[16]**

3. (a) What is meant by 'Power' and 'Return' as per Ind AS 110? What is the link between power and returns? **[9]**

(b) A Ltd. acquires 80% of B Ltd. for ₹ 9,60,000 paid by equity at par. Fair Value (FV) of B's net assets at time of acquisition amounts ₹ 8,00,000.

Required:

1. Calculate Non-Controlling-Interest (NCI) and Goodwill.

2. Journal Entries in the books of A. **[7]**

4. (a) Discuss the scopes of Ind AS 21: The Effects of Changes in Foreign Exchange Rates. **[8]**

(b) Write a note on "Users of Triple Bottom Line Reporting" **[8]**

5. (a) P acquires 60% shares in Q on 1.10.20x7 at ₹30,000. Q makes profits ₹20,000 in the year 20X7-X8 and declared dividend ₹9,000. NCI is valued at proportionate net assets. Abstracts of Separate Balance Sheet of P (Dividend from subsidiary not accounted) and Individual Balance Sheet of Q as at 31.03.20X8: (₹ Lakhs)

	P	Q
PPE	50,000	30,000
Investment in shares of Q at cost	30,000	
Current Assets	20,000	28,000
	1,00,000	58,000
Equity Shares (₹10)	60,000	25,000
Other Equity	25,000	15,000
Current Liabilities		
Trade Payables	15,000	9,000
Dividend Payable		9,000
	1,00,000	58,000

Show Consolidated Balance Sheet and Separate Balance Sheet in books of P. **[12]**

(b) List the matters to be disclosed as significant judgments and assumptions by an entity. **[4]**

6. (a) In the month of March, 2109 M of Mumbai purchased goods from C of Chennai costing ₹70,000. M also purchased goods from B of Mumbai costing ₹1,20,000. He paid telephone bill ₹ 6,000. He purchased an air cooler for his office for ₹12,000 from a supplier in Pune. He paid wages ₹26,000 and sold goods at ₹40,000 to T of Thane and at ₹2,40,000 to Q of Bangalore. Assume GST rate 12% in all cases. At the beginning of the month the available Input Tax Credit in the hands of M was: IGST ₹2,400; CGST ₹4,800; SGST ₹ 4,800. Pass journal entries. **[10]**

(b) List the Factors affecting Valuation of Shares. **[6]**

7. (a) Give four examples of Investment Property as per Ind AS 40. **[4]**

(b) At the beginning of year 1, X Ltd. grants options to 200 employees. The share options will vest at the end of year 3, provided that the employees remain in the entity's employment, and provided that revenues of the company increases by at least at an average of 8 percent per year. If the per cent of increase is 8 percent and above but below 10 per cent per year, each employee will receive 120 share options, if 10 percent and above but below 15 percent each year, each employee will receive 240 share options and if on or above 15 percent, each employee will receive 360 share options. On grant date, X Ltd. estimates that the share options have a fair value of ₹ 40 per option and also estimates that 16 per cent of employees will leave before the end of year 3.

By the end of year 1, 12 employees have left and the entity still expects that a total of 32 employees will leave by the end of year 3. In year 1, revenue has increased by 12 per cent and the company expects this rate of increase to continue over the next 2 years. By the end of year 2, a further 10 employees have left, bringing the total to 22 to date. The entity now expects only 5 more employees will leave during year 3, and therefore expects a total of 27 employees will have left during the three-year period. Revenue in year 2 increased by 18 per cent, resulting in an average of 15 per cent over the two years. By the end of year 3, a further 8 employees have left. The revenue increased by an average of 16 per cent per year in the three year period. **[12]**

8. **(a)** Discuss the role of Comptroller and Auditor General (CAG) in the context of Government Accounting in India. **[8]**

(b) List the role of Public Accounts Committee (P.A.C) **[8]**