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) PP Private Limited has taken machinery on lease from RR Ltd. The information is as under:

Lease term = 4 years
Fair value at inception of lease = ₹ 20,00,000
Lease rent = ₹ 6,25,000 p.a. at the end of year
Guaranteed residual value = ₹ 1,25,000
Expected residual value = ₹ 3,75,000
Implicit interest rate = 15%

Discounted rates for 1st year, 2nd year, 3rd year and 4th year are 0.8696, 0.7561, 0.6575, 0.5718 respectively. Calculate the value of lease liability as per AS-19.

(b) The following details relate to M/s XYZ, a firm:

Average profit of last four years	: 7,00,000
Average capital employed by the firm	: ₹ 55,00,000
Normal rate of return	: 10%
Present value of annuity of ₹1 for 4 years @ 10%	: 3.1699

Determine the value of goodwill on the basis of annuity of super profit.

(c) Discuss in brief the types of Share Based Payment Transactions.

(d) (i) X Company commits a plan on 1st July, 2018 to sell its head office building to a buyer after it vacates the building. For vacating ordinarily one month time is required. Should the building be classified as asset held for sale on 1st July or one month later?

(ii) X Company commits a plan on 1st July, 2018 to sell its head office building to a buyer after it constructs a new building. Should the building be classified as asset held for sale on 1st July?

(e) Write a note on "features of Equity Method of Accounting as per AS – 23".

2. (a) The summarized Balance Sheet of A Ltd. and B Ltd. as at 31st March, 2020 were as under:

	A Ltd. (₹)	B Ltd. (₹)
Fully paid up equity shares of ₹ 10 each	20,00,000	12,00,000
Share Premium Account	4,00,000	—

General Reserve	5,20,000	5,00,000
Profit and Loss Account	3,60,000	3,20,000
10% Debentures	10,00,000	—
Secured Loan	6,00,000	6,00,000
Sundry Creditors	—	3,40,000
	48,80,000	29,60,000
Land and Buildings	18,00,000	9,00,000
Plant and Machinery	10,00,000	7,60,000
Investments (10,000 shares in B Ltd.)	1,60,000	—
Stock	10,40,000	7,00,000
Debtors	8,20,000	5,20,000
Bank	60,000	80,000
	48,80,000	29,60,000

Z Ltd., an existing company took over both A Ltd. and B Ltd.

(a) The shares of A and B are to be valued as under:
A Ltd. — ₹ 18 per share
B Ltd. — ₹ 20 per share

(b) A contingent liability of A Ltd. of ₹ 1,20,000 is to be treated as real liability.

(c) The shareholders of A Ltd. and B Ltd. are to be paid by issuing sufficient number of shares of Z Ltd. at par.

(d) The shares of Z Ltd. are issued at ₹10 each.

Required:

(i) Show the computation of the number of shares Z Ltd. will issue to the shareholders of A Ltd. and B Ltd.

(ii) Pass the journal entries in the books of Z Ltd. **[12]**

(b) What is the meaning of "Disposal groups" and how it is measured as per Ind AS 105? **[4]**

3. The following are the Balance Sheets of Good Ltd. and Bad Ltd. as on 31.03.2019:

		Good Ltd. (₹in crores)		Bad Ltd. (₹ in crores)
Equity and Liabilities:				

Equity Share Capital:				
Authorised		25		5
Issued and Subscribed Equity Shares of ₹ 10 each fully paid		12		5
Other Equity		88		10
Equity		100		15
Unsecured loan from Good Ltd.		---		10
		100		25
PPE at cost		80		40
Less: Depreciation		60		34
Written down value		20		6
Investments at Cost:				
30 lakhs equity shares of ₹10.each of Bad Ltd.		3		---
Long term loan to Bad Ltd.		10		
Current Asset:	200		134	---
(Less Current Liabilities)	(-)133	67	(-)115	19
		100		25

On that day Good Ltd. absorbed Bad Ltd. The Members of Bad Ltd. are to get one equity share of Good Ltd. issued at a premium of ₹ 2 per share for every five equity share held by them in Bad Ltd. The necessary approvals are obtained;

You are asked to pass Journal entries in the books of the two companies to give effect to the above. **[16]**

4. (a) Z Ltd. grants 100 share options to each of its 400 employees conditional on their continuing in service for 3 years. Fair value of share option on the grant date is ₹ 30. Z Ltd. estimates that 20 per cent of employees will leave during the three-year period and therefore forfeit their rights to the share options.

During year 1, 18 employees leave. The entity revises its estimate of total employee departures over the three-year period from 20 per cent to 16 per cent.

During year 2, a further 20 employees leave. The entity revises its estimate of total employee departures over the three-year period from 16 per cent to 13 per cent.

During year 3, a further 14 employees leave.

All the continuing employees exercised the option to subscribe in the equity shares of ₹ 10 each at ₹ 50 only, when market price stands at ₹ 80. The fair value of the option at the grant date is taken at ₹ 30 only.

Pass journal entries with working notes. **[8]**

(b) ABC Ltd. has three segments viz. A, B and C. The total assets of the company is ₹ 20 crores. The assets of each of the above segments are as under:

	₹ in crores
Segment A	2.10
Segment B	8.90
Segment C	9.00
	20.00

Assets of each segment include deferred tax assets of ₹ 0.60 crores in A, ₹ 0.50 crores in B and ₹ 0.40 crores in C.

The accountant of ABC Ltd. contends that all the segments are reportable segments. Comment. **[8]**

5. Prepare Consolidated Balance Sheet (CBS) of a group of P Ltd., Q Ltd. and R Ltd. for which the abstracts of Balance sheets on 31-03-20x6 are given below. (₹ In lakhs)

	P	Q	R
PPE	400	500	320
Investment in Q (80%)	480		
Investment in R (75%)		300	
Current Assets:			
Inventory	250	80	60
Trade Receivables	280	120	200
Bills Receivables	70		50
Cash and Bank	180	50	60
Total Assets	1660	1050	690
Equity and Liabilities			
E. Share Cap (₹ 10)	600	500	300
Other Equity	460	160	120
Current Liabilities			

Trade Payables	500	300	200
Bills Payables	100	90	70
Total	1660	1050	690

Control was acquired on 30-09-20x5. On 01-04-20x5 the balances:

	Q	R
Other Equity	100	50

NCI is measured at fair value.

Inventory of Q included 16 purchased from R at cost plus 33.33%.

Bills Receivables of R includes 30 from P and Bills Receivables of R includes 40 from Q. **[16]**

6. (a) Discuss the features of XBRL Reporting. **[8]**

(b) List the benefits of GST. **[8]**

7. (a) While closing its books of accounts on 31st March, a NBFC has its advances classified as follows:

Particulars	₹ Lakhs
Standard Assets	10,000
Sub- Standard Assets	1,000
Secured Positions of Doubtful Debts:	
- Up to one year	160
- one year to three years	70
- more than three years	20
Unsecured Portions of Doubtful debts	90
Loss Assets	30

Calculate the amount of provision which must be made against the advances. **[6]**

(b) Define financial liability Ind AS 32. Give examples. **[10]**

8. (a) List the features of Government Accounting. **[8]**

(b) Write a note on "Comparison between Government Accounting and Commercial Accounting. **[8]**