



FINAL EXAMINATION **SET - 1**
MODEL QUESTION PAPER **TERM – DECEMBER 2023**
PAPER – 18 **SYLLABUS 2022**
CORPORATE FINANCIAL REPORTING

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

1. Choose the correct option: **[15 x 2 = 30]**

- (i) The Income approach for Valuation of Shares includes the models/Techniques:
- Discounted Cash Flow
 - Dividend Discount Model
 - Maintainable Profits Basis
 - All of the above
- (ii) Ind As 109 deals with _____.
- recognition and measurement of financial instruments and hedge accounting
 - presentation of financial instruments
 - disclosure of financial instruments
 - None of the above
- (iii) IND AS is applicable to NBFCs on and from _____.
- 1.4.2016
 - 1.4.2017
 - 1.4.2015
 - 1.4.2018
- (iv) In business combination, control of business can be obtained by _____.
- acquiring assets and assuming liabilities (such assets and liabilities must constitute a business, otherwise it is not a business combination)
 - by acquisition of shares
 - by other legal process
 - All of the above
- (v) As per Ind AS 112: Disclosure of Interests in Other Entities, an entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:



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- a. that it has control of another entity, i.e. an investee as described in paragraphs 5 and 6 of Ind AS 110, Consolidated Financial Statements
- b. that it has joint control of an arrangement or significant influence over another entity
- c. the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle
- d. All of the above
- (vi) A Ltd acquires B Ltd by purchasing 70% of its equity for ₹ 17.5 lakh in cash. The fair value of non – controlling interest is determined as ₹12 lakh. The value of net identifiable assets and liabilities, as measured in accordance with Ind-AS 103 is determined as ₹ 8 Lakh. How much goodwill is recognized?
- a. ₹21.5 Lakh
- b. ₹ 19.5 Lakh
- c. ₹ 12.7 Lakh
- d. None
- (vii) Ind AS 16 does not apply to which of the following?
- a. PPE classified as held for sale as per Ind AS 105
- b. Biological assets (other than bearer plants) related to agricultural activity
- c. Assets in exploration for and evaluation of Mineral Resources
- d. All of the above
- (viii) On 01.08.2021 A Ltd. enter into a contract with a hotel for daily sanitisation of the building for 3 years at ₹12,000 per month. The customer receives and consume benefits each day. Determine the revenue to be recognized in 2021-22.
- a. ₹12,000
- b. ₹4,32,000
- c. ₹96,000
- d. None of the above
- (ix) The ways of determining the value of goodwill using the capitalisation approach
- a. Capitalisation of Average Profits
- b. Capitalisation of Super Profits
- c. Both a and b
- d. Capitalisation of Average Future maintainable profit



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- (x) From the following particulars you are required to determine value of goodwill of ABX Ltd.
- | | |
|--|--------------|
| Super Profit (Computed) | : ₹ 4,50,000 |
| Normal rate of return | : 12% |
| Present value of annuity of ₹1 for 4 years @ 12% | : 3.0374 |
- a. ₹13,66,830
b. ₹54,000
c. ₹5,04,000
d. ₹4,50,000
- (xi) An investment entity is an entity that _____.
- a. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services
b. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
c. measures and evaluates the performance of substantially all of its investments on a fair value basis
d. All of the above
- (xii) Which of the following is not a general principal of Government Accounting?
- a. Reporting of Utilisation of Public Funds
b. Expenditures are classified under Sectors, major heads, minor heads, sub-heads and detailed heads of Accounts
c. Budget Based
d. Single Entry System
- (xiii) As per Ind AS 103, accounting and reporting for business combination is done under _____.
- a. Acquisition Method
b. Purchase method
c. Pooling of interest method
d. None of the above
- (xiv) International Integrated Reporting Council (IIRC) launched IR as a global framework in _____.
- a. November 2013
b. December 2012
c. November 2012
d. December 2013



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- (xv) Consolidated Fund of India is the fund referred to in _____ of the Constitution of India.
- a. Article 266(1)
 - b. Article 266(2)
 - c. Article 266(3)
 - d. Article 266(4)

SECTION - B

(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.)

[5 x 14 = 70]

2. (a) On 1.4.2020, Vishnu Limited installed a machine in the rented premises at a cost of ₹ 25 lakh, whose life is 3 years. As per the rental agreement, the machine should be decommissioned and the building should be brought into the original position. The company should incur ₹ 4,00,000 at the end of the 3rd year to restore the premises into the original position. Assume borrowing rate applicable to the entity is 10%. Record the journal entries. **[7]**
- (b) A Ltd. Has a machine whose original cost was ₹45,000. The accumulated depreciation on the machine is ₹15,000. Similar machine has recently been sold in the same locality at ₹25,000 with selling expenses ₹2,000. Management determined the entity specific present value of future cash flows of the machine as ₹28,000.
- Compute:**
- (i) Fair value less cost to sell
 - (ii) Recoverable amount
 - (iii) Impairment loss
 - (iv) Carrying amount of the machine after impairment. **[7]**
3. (a) On 01.01.2022 A Ltd. entered into a contract with B to sell 20 TV sets at a price of ₹50,000 per set and the goods were delivered in February, 2022. Determine revenue to be recognised by A in 2021-22 in the following circumstances:
- (i) 2 sets found damaged at the time of receiving and returned by B.
 - (ii) 4 sets found not properly functioning in March, 2022 and they were replaced by A as per terms of warranty.
 - (iii) It is not a sale but goods sent on consignment and B will sell the TV sets at ₹50,000 per set. 12 sets were sold by B.



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- (iv) It is a contract of sale or return. The TV sets can be returned by B unconditionally within 3 months. The entity expects (a) full return; (b) 50% return [7]

- (b) The Capital Structure of M/s XYZ Ltd. on 31st March, 2022 was as follows:

	₹
Equity Capital 18,000 Shares of ₹100 each	18,00,000
12% Preference Capital 5,000 Shares of ₹100 each	5,00,000
12% Secured Debentures	5,00,000
Reserves	5,00,000
Profit earned before interest and taxes during the year	7,20,000
Tax Rate	40%

Generally the return on equity shares of this type of Industry is 15%. Subject to:

- (i) The profit after tax covers fixed interest and Fixed Dividends at least 4 times.
- (ii) The Debt Equity ratio is at least 2:
- (iii) Yield on shares is calculated at 60% of distributed profits and 10% of undistributed profits.

The Company has been paying regularly an Equity dividend of 15%.

The risk premium for Dividends is generally assumed at 1%.

Find out the value of Equity shares of the Company. [7]

4. (a) While closing its books of accounts as on 31.12.2022 a non-banking finance company (NBFC) has its advances classified as under:

	₹ in lakhs
Standard Assets	10,000
Sub-standard portion of doubtful debts	1,000
Secured portions of doubtful debts:	
- Upto 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 provision to be made against advances by NBFC as per prudential norms. [7]



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- (b) On 01.04.2021 the summarised balance sheets of Satellite Ltd. and Planet Ltd. are provided as:

(₹'000)

Particulars	Satellite Ltd.		Planet Ltd.
	B/S (₹)	Fair Value (₹)	B/S (₹)
Equity Share Capital (₹10)	8,000		12,000
Other Equity	6,000		4,000
Borrowings	2,000	2,050	3,000
Trade Payables	2,500	2,400	2,000
Property, Plant and Equipment	9,000	10,000	12,000
Investment Property	5,000	7,000	1,000
Investments	1,000		3,500
Current Assets	3,500	3,200	4,500
Contingent Liabilities	800	750	

Market price of equity shares of Planet Ltd. and Satellite Ltd. are ₹16 and ₹15 respectively on the day. On the basis of the above data, you are required to make the necessary accounting for the following cases.

Planet Ltd. takes over Satellite Ltd. and purchase consideration is settled by issue of 1050000 equity shares. Pass journal entries in the books of Satellite Ltd. the companies and re-draft the balance sheet of Planet Ltd. after the business combination. [7]

5. On March 31, 2022, P Ltd acquired 100% shares of Q Ltd. P Ltd. issued 3,00,000 equity shares (₹10) that were trading at ₹16 on March 31.

The summarized Balance Sheets of the companies as at March 31, 2022 (before acquisition):

(Amount in ₹)

Partclars	(Book Value)		(Market Value)	
	P Ltd.	Q Ltd.	P Ltd	Q Ltd
Net Assets	80,00,000	42,00,000	110,00,0000	45,00,000
Equity Sh. Cap	60,00,000	25,00,000		
Other Equity	20,00,000	17,00,000		

Show acquisition journal entry under Ind AS 103 and summarized balance sheet after business combination. Also show the necessary accounting in the books of the Acquiree.

[14]



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6. P acquires 60% shares in Q on 01.10. 2021 at ₹30,000. Q makes profits of ₹20,000 in the year 2021-22 and declared dividend of ₹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 31.03.2022:

(₹ in 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 Share Capital (₹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

Prepare: Consolidated Balance Sheet and Separate Balance Sheet of P. [14]

7. (a) LG. and Co. provides you with the following as at 31st March, 2022.

(₹ in lakhs)			
Liabilities	₹	Assets	₹
Share Capital	1,000	Fixed Asset (Net)	3,000
Reserves and surplus	2,000	Investments	150
Long term debt	200	Current assets	100
Sundry creditors	50		
Total	3,250	Total	3,250

Additional information provided is as follows:

- i. Profit before interest and tax is ₹ 1,000 Lakhs
- ii. Interest: ₹ 20 Lakhs
- iii. Tax: 35.875%
- iv. Risk Free Rate – 10%
- v. Market Rate – 15%
- vi. Beta (β) Factor – 1.4

Compute economic value added. [7]

- (b) Discuss the suggested frame work for business responsibilities. [7]



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8. (a) List the responsibilities of GASAB. [5]
- (b) Write briefly about IGAS-3. [5]
- (c) On 01.04.2020 BB Ltd. acquired 90% share of CM Ltd. at ₹10,80,000, when the fair value of its Net Assets was ₹10,00,000. During 01.04.2020 to 31.03.21 CM Ltd. made TCI ₹ 2,00,000. On that date BM sold 15% holding to outsiders at ₹2,20,000. Pass journal entries for sale of partial holding retaining control. [4]