Paper – 18 - Corporate Financial Reporting

This paper contains 5 questions, divided in sub-questions. Each question represents the specified weightage in sections as prescribed syllabus for this paper. Answers must be given against all questions. However, students are requested to read the instructions against each individual question also. All workings must form part of your answer. Assumptions, if any, must be clearly indicated.

Question No. 1 is compulsory.

(a) From the following details of an asset

(i) Find out impairment loss
(ii) Treatment of impairment loss
(iii) Current year depreciation

Particulars of Asset:	
Cost of asset	₹224 lakhs
Useful life period	10 years
Salvage value	Nil
Current carrying value	₹109.20 lakhs
Useful life remaining	3 years
Recoverable amount	₹48 lakhs
Upward revaluation done in last year	₹56 lakhs

[6]

(b) Write a note on IFRS. **[4]**

Answer:

(a) According to Para 59 of AS 28 "Impairment of Assets". An impairment loss on a revalued asset is recognised as an expense in the statement of profit and loss. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset.

Impairment Loss and its treatment

Particulars	₹
Current carrying amount (including revaluation of ₹28 lakhs)	1,09,20,000
Less: Current recoverable amount	48,00,000
Impairment Loss	61,20,000
Impairment loss charged to revaluation reserve	56,00,000
Impairment loss charged to profit and loss account	5,20,000

As per para 61 of AS 28, "after the recognition of an impairment loss, the depreciation (amortization) charge for the asset should be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life".
In the given case, the carrying amount of the asset will be reduced to ₹48,00,000 after impairment. This amount is required to be depreciated over remaining useful life of 3 years (including current year). Therefore, the depreciation for the current year will be ₹16,00,000.

(b) The term IFRS refers to the International Financial Reporting Standards issued by International Accounting Standard Board (IASB). It also encompasses the International Accounting Standards (IAS) issued by the International Accounting Standard Committee (IASC). Interpretations of IASs and IFRSs are developed by the International Financial Reporting Interpretations Committee (IFRIC). IFRIC is the new name for the Standing Interpretations Committee (SIC) approved by the IASC Foundation Trustees. IFRS includes these interpretations also.

Question No. 2 : Answer to Question No. 2(a) is Compulsory. Answer any two from the remaining sub-questions.

(a) P Ltd is considering the acquisition of R Ltd. The financial data at the time of acquisition being-

Particulars	P Ltd	R Ltd
Net Profit after Taxes	**₹ 60 Lakhs**	**₹ 12 Lakhs**
Number of Shares	**12 Lakhs**	**5 Lakhs**
Earnings Per Share	**₹ 5 per Share**	**₹ 2.40 per Share**
Market Price per Share Price	**₹ 150 per Share**	**₹ 48 per Share**
Earning Ratio	**30**	**20**

It is expected that the Net Profit after Tax of the two Companies would continue to be ₹ 72 Lakhs, even after the amalgamation. Explain the effect on EPS of the merged Company under each of the following situations -

- **P Ltd offers to pay ₹ 60 per Share to the Shareholders of R Ltd.**
- **P Ltd offers to pay ₹ 78 per Share to the Shareholders of R Ltd.**

The amount in both cases is to be paid in the form of Shares of P Ltd. **[5]**

Answer:

Particulars	Situation 1	Situation 2
1. Consideration paid to Shareholders of R Ltd	₹ 60 x 5 Lakh Shares = ₹ 300 Lakhs	₹ 78 x 5 Lakh Shares = ₹ 390 Lakhs
2. Current Market Capitalisation of R Ltd	₹ 48 x 5 Lakh Shares = ₹ 240 Lakhs	₹ 48 x 5 Lakh Shares = ₹ 240 Lakhs
3. Synergy Gain / (Loss) of P Ltd on acquisition	(₹ 60) Lakhs	(₹ 150) Lakhs
4. Number of Equity Shares to be issued by P Ltd (Note: Issue Price assumed as Current Market Price)	$\frac{₹300\ \text{Lakh}}{₹150}$ = 2 Lakh Shares	$\frac{₹390\ \text{Lakh}}{₹150}$ = 2.6 Lakh Shares
5. Total Number of Equity Shares of P Ltd (post- merger)	12 + 2 = 14 Lakhs	12 + 2.6 = 14.6 Lakhs
6. PAT (Post Merger)	₹ 72 Lakhs	₹ 72 Lakhs
7. EPS (Post Merger) = (6 ÷ 5)	**₹ 5.14 per Share**	**₹ 4.93 per Share**

(b) J Ltd., and K Ltd., had the following balances as at 31st March, 2014.

I. Equity &Liabilities	J Ltd. ₹	K Ltd. ₹
Share Capital Equity shares of ₹100 each fully paid	48,00,000	36,00,000
Reserves and Surplus –		
General Reserve	18,00,000	12,00,000
Investment Allowance Reserve	-	18,00,000
Other Current Liabilities	24,00,000	9,00,000
Total	90,00,000	75,00,000
II. Assets		
Non-current assets		
Fixed Assets		
– Tangible assets	24,00,000	42,00,000
- Intangible assets	30,00,000	6,00,000
Non-current Investments – at cost	18,00,000	12,00,000
Current assets	18,00,000	15,00,000
Total	90,00,000	75,00,000

It was decided that J Ltd. will take over the business of K Ltd., on that date, on the basis of the respective share values adjusting, wherever necessary, the book values of assets and liabilities on the strength of information given below:

- **Investment of K Ltd., included 6,000 shares in J Ltd., acquired at a cost of ₹ 150 per share. The other investments of K Ltd., have a market value of ₹ 1,50,000;**
- **Investment Allowance Reserve was in respect of additions made to Fixed assets by K Ltd., in the years 2009-2014 on which Income Tax relief has been obtained. In terms of the Income Tax Act, the company has to carry forward till 2016, reserve of ₹ 9,00,000 for utilisation;**
- **Goodwill of J Ltd., and K Ltd., are to be taken at ₹ 24,00,000 and ₹ 12,00,000 respectively;**
- **The market value of investments of J Ltd., was ₹ 12,00,000;**
- **Current assets of J Ltd., included ₹ 4,80,000 of stock in trade obtained from K Ltd. which company sold at a profit of 25% over cost ;**
- **Fixed assets of J Ltd., and K Ltd., are valued at ₹ 30,00,000 and ₹ 45,00,000 respectively.**

Suggest the scheme of absorption and show the journal entries necessary in the books of J Lt.

[10]

Answer:

Part I: Purchase Consideration

WN # 1: Intrinsic Value of Shares

Particulars	J Ltd. (₹)	K Ltd. (₹)
Goodwill	24,00,000	12,00,000
Fixed assets	30,00,000	45,00,000
Investment-Outside	12,00,000	1,50,000
-Inter Co [6,000 Shares @₹125 each]	------	7,50,000
Current assets	18,00,000	15,00,000

Liabilities	(24,00,000)	(9,00,000)
Net assets	60,00,000	72,00,000
No. of shares outstanding	48,000	36,000
Intrinsic Value per share (60,00,000/48,000); (72,00,000/36,000)	125	200

WN # 2 : Purchase Consideration

Particulars	K Ltd. (₹)
Total no. of Shares outstanding in K Ltd.	36,000
Value of Shares @₹200 each	72,00,000
No. of shares issuable on the basis of intrinsic value of share (72,00,000÷125)	57,600
Less: Shares already held	(6,000)
No. of Shares to be issued	51,600
Shares price	125
Purchase Consideration (51,600×125)	64,50,000

Part II : In the Books of J Ltd.

- Nature of Amalgamation-Purchase
- Method of Accounting-Purchase

	Particulars		Debit (₹)	Credit (₹)
1.	For Purchase Consideration Due Business Purchase A/C To Liquidator of K Ltd. A/C	 Dr.	 64,50,000	 64,50,000
2.	For Assets and Liabilities taken over: Goodwill A/C Fixed Assets A/C Investment A/C Current Assets A/C To Liabilities A/C To Business Purchase A/C	 Dr. Dr. Dr. Dr.	 12,00,000 45,00,000 1,50,000 15,00,000	 9,00,000 64,50,000
3.	For Discharge of purchase consideration Liquidator of K Ltd. A/C To Equity Share Capital A/C To Securities Premium A/c	 Dr.	 64,50,000	 51,60,000 12,90,000
4.	Contra entry for statutory reserve Amalgamation adjustment A/C To Investment allowance A/c	 Dr.	 9,00,000	 9,00,000
5.	For adjustment of stock reserve Goodwill A/C To Stock reserve A/C	 Dr.	 96,000	 96,000

(c) The Trial Balance (Extract) of X Ltd. before reconstruction is:

Particulars	Debit (₹)	Credit (₹)
12,000 7% Preference Shares of ₹50 each		**6,00,000**
7,500 Equity Shares of ₹100 each		**7,50,000**
Loan		**5,73,000**
Sundry Creditors		**2,07,000**
Other Liabilities		**35,000**
Building (at Cost less Depreciation)	**4,00,000**	
Plant (at Cost less Depreciation)	**2,68,000**	

Trade Marks and Goodwill at Cost	**3,18,000**	
Stock (Opening)	**4,00,000**	
Sundry Debtors	**3,28,000**	
Preliminary Expenses	**11,000**	
Profit & Loss A/c	**4,40,000**	
	21,65,000	**21,65,000**

Note:

- **Loan is assumed to be of less than 12 months, hence treated as short term borrowings (ignoring interest).**
- **Preference dividend is in arrear for five years.**

The Company is now earning profits short of working capital and a scheme of reconstruction has been approved by both classes of shareholders. A summary of the scheme is as follows:

a. **Closing Stock of X Ltd. is also ₹4,00,000.**
b. **The Equity Shareholders have agreed that their ₹100 shares should be reduced to ₹5 by cancellation of ₹95 per share. They have also agreed to subscribe in each for the six new Equity Shares of ₹5 each for two Equity Share held.**
c. **The Preference Shareholders have agreed to cancel the arrears of dividends and to accept for each ₹50 share, 4 new 5% Preference Shares of ₹10 each, plus 3 new Equity Shares of ₹5 each, all credited as fully paid.**
d. **Lenders to the Company of ₹1,50,000 have agreed to convert their loan into share and for this purpose they will be allotted 12,000 new preference shares of ₹10 each and 6,000 new equity share of ₹5 each.**
e. **The Directors have agreed to subscribe in cash for 20,000, new Equity Shares of ₹5 each in addition to any shares to be subscribed by them under (b) above.**
f. **Of the cash received by the issue of new shares, ₹ 2,00,000 is to be used to reduce the loan due by the Company.**
g. **The equity Share capital cancelled is to be applied:**

   i. **to write off the preliminary expenses;**
   ii. **to write off the debit balance in the Profit and Loss A/c ; and**
   iii. **to write off ₹ 35,000 from the value of Plant.**

Any balance remaining is to be used to write down the value of Trade Marks and Goodwill.

Show by journal entries how the financial books are affected by the scheme of reconstruction The nominal capital as reduced is to be increased to the old figures of ₹6,00,000 for Preference capital and ₹7,50,000 for Equity capital. [10]

Answer:

Journal Entries

	Particulars		Debit(₹)	Credit(₹)
1.	Equity Share capital A/c (Face Value ₹ 100)	Dr.	7,50,000	
	To Equity Share capital (Face value ₹ 5) A/c			37,500
	To Reconstruction A/c			7,12,500
	[Being Reduction of Equity capital]			
2.	(a)Bank A/c	Dr.	1,12,500	

	To Equity Share Application A/c			1,12,500
	(b) Equity Share Application A/c Dr		1,12,500	
	To Equity Share Capital A/c			1,12,500
	[Being Right issue : (7,500 × 3 = 22,500 Shares)]			
3.	Cancellation of arrears of preference dividend NO ENTRY (as it was not provided in the Books of Accounts) (a) On cancellation, it ceases to be a contingent liability and hence no further disclosure (b) Preference shareholders have to forego voting rights presently enjoyed at par with equity share holders			
4.	7% Preference Share Capital A/c	Dr.	6,00,000	
	Reconstruction A/c (balancing figure)	Dr.	60,000	
	To 5% Preference Share Capital (12,000×4×10)			4,80,000
	To Equity Share Capital (12,000 × 3 × 5)			1,80,000
	[Conversion of preference shares]			
5.	Loan A/c	Dr.	1,50,000	
	To 5% Preference Share Capital A/c			1,20,000
	To Equity Share Capital A/c			30,000
	[Conversion of Loan]			
6.	(a) Bank A/c	Dr.	1,00,000	
	To Equity Share Application A/c			1,00,000
	(b) Equity Share Application A/c	Dr.	1,00,000	
	To Equity Share Capital A/c			1,00,000
	[Subscription by directors]			
7.	Loan A/c	Dr.	2,00,000	
	To Bank			2,00,000
	[Repayment of loan]			
8.	Reconstruction A/c	Dr.	6,52,500	
	To Preliminary Expenses A/c			11,000
	To Profit and Loss A/c			4,40,000
	To Plant A/c			35,000
	To Trademark and Goodwill A/c			1,66,500
	[Utilisation of reconstruction surplus]			

Reconstruction Account

Dr. **Cr.**

Particulars	Amount	Particulars	Amount
To Preference shareholders	60,000	By Equity Share capital (FV ₹ 50)	7,12,500
To Preliminary expenses	11,000		
To Profit and Loss A/c	4,40,000		
To Plant A/c	35,000		
To Trademark and Goodwill	1,66,500		
	7,12,500		7,12,500

(d) D Ltd. and S Ltd. propose to amalgamate. Their balance sheets as at 31st March, 2014 were as follows:

Equity and Liabilities	Note	D Ltd. (₹)	S Ltd. (₹)
Shareholders' funds			
Share Capital			
Equity share capital (in shares of ₹10 each)		7,50,000	3,00,000
Reserves and Surplus	1	4,50,000	75,000
Current Liabilities:			
Trade Payables - Creditors		1,50,000	75,000
Total		13,50,000	4,50,000
Assets			
Non-current Assets:			
Fixed Assets (less depreciation)		6,00,000	1,50,000
Investments (Face value of ₹1.5 lakhs, 6% Tax free G.P notes)		1,50,000	
Current Assets:			
Inventories		3,00,000	1,95,000
Trade receivables - Debtors		2,55,000	90,000
Cash and cash equivalents		45,000	15,000
Total		13,50,000	4,50,000

Note 1: Reserves and Surplus	D Ltd. (₹)	S Ltd. (₹)
General Reserves	3,00,000	30,000
Profit and Loss Account	1,50,000	45,000

Their Net Profit (after taxation) were as follows:

Year	D Ltd.	S Ltd.
2011-12	(₹)1,95,000	(₹)67,500
2012-13	(₹)1,87,500	(₹)60,000
2013-14	(₹)2,25,000	(₹)84,000

Normal trading profit may be considered as 15% on closing capital invested. Goodwill may be taken as 4 year's purchase of average super profit. The stock of Red Ltd. and Blue Ltd. are to be taken at ₹ 3,06,000 and ₹ 2,13,000 respectively for the purpose of amalgamation. A Ltd. is formed for the purpose of amalgamation of two companies. Assume Tax Rate 40%.

(i) Ascertain the number of shares to be issued by A Ltd. in the form of equity shares of ₹10 each.

(ii) Draft the opening balance sheet of A Ltd. after amalgamation [10]

Answer:

(i) Computation of shares to be issued by A Ltd.

Computation of Net Assets of amalgamating companies

	D Ltd. (₹)	S Ltd. (₹)
Goodwill (W.N 2)	1,59,600	60,600
Fixed Assets	6,00,000	1,50,000
6% investments (Non- trade)	1,50,000	----
Inventories	3,06,000	2,13,000
Debtors	2,55,000	90,000

Cash and cash equivalents	45,000	15,000
	15,15,600	5,28,600
Less: Creditors	1,50,000	75,000
Net Assets	13,65,600	4,53,600
No. of Equity Shares	75,000	30,000
Intrinsic value of a share	₹18.208	₹15.12
No of shares to be issued by Green Ltd. to		
Red Ltd. 75,000 X 18.208/10	1,36,560 shares	
Blue Ltd. 30,000 X 15.12/10		45,360 shares

In total 1,36,560+ 45,360 i.e. 1,81,920 shares will be issued by A Ltd.

Ratio of exchange of shares will be as follows:
A. Holders of 75,000 equity shares of D Ltd. will get 1,36,560 shares in A Ltd.
B. Similarly, holders of 30,000 equity shares of S Ltd. will get 45,360 shares in A Ltd.

(ii)

A Ltd. (Opening Balance Sheet)
as on 01.04.2014

Equity and Liabilities	Note	Current Year	Previous Year
Shareholders' funds			
Share Capital			
Equity share capital (in shares of ₹10 each)		18,19,200	
Current Liabilities:			
Trade Payables-Creditors(1,50,000+75,000)		2,25,000	
Total		20,44,200	
Assets			
Non-current Assets:			
Fixed Assets (less depreciation)			
Tangible assets(6,00,000+ 1,50,000)		7,50,000	
Intangible assets(1,59,600 + 60,600)		2,20,200	
Investments (Face value of ₹ 3 lakhs, 6% Tax free G.P notes)		1,50,000	
Current Assets:			
Inventories(3,06,000+2,13,000)		5,19,000	
Trade receivables-debtors(2,55,000+ 90,000)		3,45,000	
Cash and cash equivalents(45,000+15,000)		60,000	
Total		20,44,200	

Working Notes:

A. Calculation of Closing trading capital employed on the basis of net assets

	D Ltd. (₹)	S Ltd. (₹)
Fixed Assets Inventories Debtors Cash and cash equivalents	6,00,000 3,06,000 2,55,000 45,000	1,50,000 2,13,000 90,000 15,000
	12,06,000	4,68,000
Less: Creditors	1,50,000	75,000
Net Assets	10,56,000	3,93,000

B. Calculation of value of Goodwill

Average trading profit

	D Ltd. (₹)	S Ltd. (₹)
2011-12 2012-13 2013-14	1,95,000 1,87,500 2,25,000	67,500 60,000 84,000
Profit after tax	6,07,500	2,11,500
Profit before tax Add: Under valuation of closing stock	10,12,500 6,000	3,52,500 18,000
	10,18,500	3,70,500
Average of 3 years' profit before tax	3,39,500	1,23,500
Less: Income from non-trade investments (1,50,000 X 6%)	9,000	--
Average profit before tax Less: 40% tax	3,30,500 1,32,200	1,23,500 49,400
Average profit after tax	1,98,300	74,100

Super Profits

	D Ltd. (₹)	S Ltd. (₹)
Average trading profit Less: Normal Profit Red Ltd. ₹21,12,000 X 15% Blue Ltd. ₹ 7,86,000 X 15%	1,98,300 1,58,400 --	74,100 -- 58,950
	39,900	**15150**

Value of Goodwill

	D Ltd. (₹)	S Ltd. (₹)
Value of Goodwill at 4 years' purchase of super profits	1,59,600	60,600

Question No. 3: Answer to question No. 3(a) is Compulsory. Also answer any one from the remaining sub-questions

(a) A Ltd acquired 70% of the Shares of V Ltd on 1st January Year 1 when V Net Worth was ₹21,60,000, represented by ₹20,00,000 in Equity Capital and ₹1,60,000 in Reserves. Cost of Investment to A was ₹12,00,000. The subsidiary reported the following Losses/Profits (after acquisition) -

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Loss ₹ 5,00,000	**Loss ₹ 8,00,000**	**Loss ₹10,00,000**	**Loss ₹ 2,40,000**	**Profit ₹ 1,00,000**	**Profit ₹ 2,00,000**	**Profit ₹ 3,00,000**

Calculate the amount to be shown as Minority Interest and Goodwill / Capital Reserve at the end of every year. [10]

Answer:

1. Cost of Control

Particulars	₹

Cost of Investment	12,00,000
Less: Nominal Value of Equity Capital (70% x ₹ 20,00,000)	(14,00,000)
Less: Share of Capital Profit (on acquisition date) (70% x ₹ 1,60,000)	(1,12,000)
Capital Reserve on Consolidation	3,12,000

Note: Capital Reserve on Consolidation will be reflected on the Liabilities side of the Consolidated Balance Sheet from Year 1 to Year 7 at the same amount, i.e. ₹ 3,12,000.

2. Closing Balance in P&L of Subsidiary, without considering Opening Balance of ₹ 1,60,000

(₹ 000's)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Opening Balance Add: Profits for the year	NIL (5,00)	(5,00) (8,00)	(13,00) (10,00)	(23,00) (2,40)	(25,40) 1,00	(24,40) 2,00	(22,40) 3,00
Closing Balance	(5,00)	(13,00)	(23,00)	(25,40)	(24,40)	(22,40)	(19,40)
Minority Share at 30%	(1,50)	(3,90)	(6,90)	(7,62)	(7,32)	(6,72)	(5,82)

Note: In Minority Interest calculation, the balance in P&L A/c as on the date of acquisition is treated as Capital Profit and considered separately.

3. Minority Interest (₹ 000's)

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
(a) Opening Balance	6,48	4,98	2,58	NIL	NIL	NIL	NIL
(b) Share in Revenue Profits	(1,50)	(2,40)	(3,00)	(72)	30	60	90
(c) Balance MI taken to CBS (a)-(b)	4,98	2,58	NIL	NIL	NIL	NIL	66
(d) Loss Adjusted in A Share	-	-	42	72	-	-	-
(e)Gain trfd. to A for losses absorbed	-	-	-	-	(30)	(60)	(24)
(f) Cumulative Adj. against A	-	-	42	1,14	84	24	Nil

Note:

- Opening Balance ₹ 6,48,000 = (Equity Capital ₹ 20,00,000 + Reserves ₹ 1,60,000) x 30%
- Year 7: Profit for the year is ₹ 90,000. Balance of Minority Loss adjusted against A Share is ₹ 24,000. Therefore, Minority's Share for Year 7 = Profit for the year ₹ 90,000 Less Profit transferred to A to the extent not recovered ₹ 24,000 = ₹ 66,000.

(b) Sun Ltd owns 80% of Issued Capital of Moon Ltd and 90% of Issued Capital of Star Ltd. The following are the balances of all the Companies as on 31st December –

Equity and Liabilities	Sun(₹)	Moon(₹)	Star(₹)
(1) Shareholders' Funds:			

(a) Share Capital	**3,20,000**	**20,000**	**25,000**
(b) Reserves & Surplus			
- Revenue Reserves	**68,000**	**6,000**	**15,000**
(2) Current Liabilities:			
(a) Short Term Borrowings			
-Current Account - Star	**-**	**-**	**18,000**
(b) Other Current Liabilities			
(i) Proposed Dividend	**20,000**	**-**	**-**
(ii) Current Liabilities	**40,000**	**28,000**	**10,000**
Total	**4,48,000**	**54,000**	**68,000**
Assets			
(1)Non-Current Assets:			
(a)Tangible Fixed Assets	**1,70,000**	**10,000**	**27,000**
Less: Depreciation	**70,000**	**6,000**	**9,000**
Net Fixed Assets	**1,00,000**	**4,000**	**18,000**
(b)Non-Current Invt			
- Shares in Moon Ltd	**15,000**	**-**	**-**
- Shares in Star Ltd	**25,000**	**-**	**-**
(2) Current Assets:			
(a) Short Term L& A			
-Current Account- Star	**20,000**	**-**	**-**
(b)Other Current Assets	**2,88,000**	**50,000**	**50,000**
Total	**4,48,000**	**54,000**	**68,000**

Prepare the Consolidated Balance Sheet from the following additional information -

1. **At time of acquiring of Shares, the Subsidiary had the following Revenue Reserves: Moon Ltd ₹ 6,000, Star Ltd ₹ 3,000.**
2. **Neither of the Subsidiaries has paid any Dividend since acquisition of Shares.**
3. **A remittance of ₹ 2,000 by Star Ltd has not yet been adjusted in the books of Sun Ltd.**
4. **Stock of Moon Ltd includes ₹ 3,000 purchased from Sun Ltd which made 45% Profit on Cost.**

[15]

Answer:

1. Basic Information

Company Status	Dates	Holding Status	
		Held by Sun	Minority
Holding Company = Sun	Acquisition (DOA): Details not available Consolidation (DOC): 31st December		
Subsidiary 1 = Moon		80%	20%
Subsidiary 2 = Star		90%	10%

Moon Ltd: Balance as per B/s ₹ 6,000

As on date of acquisition ₹ 6,000

From DOA to DOC (bal. fig.) ₹ NIL Revenue Reserve

GI - Pre = 6,000 x 80% = 4,800

MI = 6,000 x 20% = 1,200

Star Ltd: Balance as per B/s ₹ 15,000

As on date of acquisition ₹ 3,000

- GI - Pre = 3,000 x 90% = 2,700
- MI = 3,000 x 10% = 300

From DOA to DOC (bal. fig.) ₹ 12,000 Revenue Reserve

- GI - Post = 12,000 x 90% = 10,800
- MI = 12,000 x 10% = 1,200

3. Consolidation of Balances

Particulars	Total	Minority Interest	Pre-Acqn.	Post Acqn. Rev. Res.
Moon Ltd (Holding - 80%, Minority - 20%)				
Equity Capital	20,000	4,000	16,000	---
Revenue Reserves	6,000	1,200	4,800	---
Minority Interest		5,200		
Star Ltd (Holding - 90%, Minority - 10%)				
Equity Capital	25,000	2,500	22,500	---
Revenue Reserve	15,000	1,500	2,700	10,800
Minority Interest		4,000		
Total [Cr]			46,000	10,800
Cost of Investment [Dr.] In Moon Ltd			(15,000)	
In Star Ltd			(25,000)	
Parent's Balances				68,000
Stock Reserve Downstream = ₹3,000 x 25/125				(600)
For Consolidated Balance Sheet		9,200	Cap. Res.=6,000	78,200

4. Consolidated Balance Sheet of Sun Ltd and its Subsidiaries Moon Ltd & Star Ltd as at 31st December

	Particulars as at 31st December	Note	This Year	Prev. Yr
I	EQUITY AND LIABILITIES			
(1)	Shareholders' Funds:			
	(a) Share Capital	1	3,20,000	
	(b) Reserves&Surplus	2	84,200	
(2)	MinorityInterest		9,200	
(3)	Current Liabilities			
	(a) Other Current Liabilities (40,000 + 28,000 + 10,000)		78,000	
	(b) Short Term Provisions - Proposed Dividend of Sun Ltd		20,000	
	Total		5,11,400	
II	ASSETS			
(1)	Non-Current Assets: Fixed Assets (1,00,000 + 4,000 + 18,000)		1,22,000	
(2)	Current Assets: computed as per Note below		3,89,400	
	Total		5,11,400	

Notes to the Balance Sheet:

Note 1: Share Capital

Particulars	This Year	Prev. Year
Authorised: …………………Equity Shares of ₹ ……..each		
Issued, Subscribed & Paid up: ……….Equity Shares of ₹ …… each	3,20,000	

Note 2: Reserves and Surplus

Particulars	This Year	Prev.Year
(a) Capital Reserve (5,800 + 200) (on Consolidation)	6,000 78,200	
Total	84,200	

Computation Note for Current Assets:

Particulars	₹
Balance of Sun Ltd	2,88,000
Add: Balance of Moon Ltd	50,000
Balance of Star Ltd	50,000
Cash in Transit	2,000

Sub-Total	3,90,000
Less: Stock Reserve	(600)
Total	3,89,400

(c) A Limited is a holding company and B Limited and C Limited are subsidiaries of A Limited. Their Trial Balance (Extract) as on 31.12.2013 are given below:

Particulars	A Ltd.		B Ltd.		C Ltd.	
	Debit (₹)	Credit (₹)	Debit (₹)	Credit (₹)	Debit (₹)	Credit (₹)
Share Capital	-	3,00,000	-	3,00,000	-	1,80,000
Reserves	-	1,44,000	-	30,000	-	27,000
Profit and Loss A/c	-	48,000	-	36,000	-	27,000
C Ltd. Balance	-	9,000	-	-	-	-
Sundry Creditors	-	21,000	-	15,000	-	-
A Ltd.	-	-	-	21,000	-	-
Fixed Assets	60,000	-	1,80,000	-	1,29,000	-
Investments:						
Shares in B Ltd.	2,85,000	-	-	-	-	-
Shares in C Ltd.	39,000	-	1,59,000	-	-	-
Stock in Trade (Opening)	36,000	-	-	-	-	-
B Ltd. Balance	24,000	-	-	-	-	-
Sundry Debtors	78,000	-	63,000	-	96,000	-
A Ltd. Balance	-	-	-	-	9,000	-
Total	5,22,000	5,22,000	4,02,000	4,02,000	2,34,000	2,34,000

The following particulars are given:

(i) The Share Capital of all companies is divided into shares of ₹ 10 each.

(ii) A Ltd. held 24,000 shares of B Ltd. and 3,000 shares of C Ltd.

(iii) B Ltd. held 12,000 shares of C Ltd.

(iv) All these investments were made on 30.6.2013.

(v) On 31.12.2012, the position was as shown below:

	B Ltd.	C Ltd.
	₹	₹
Reserve	24,000	22,500
Profit & Loss Account	12,000	9,000
Sundry Creditors	15,000	3,000
Fixed Assets	1,80,000	1,29,000
Stock in Trade	12,000	1,06,500
Sundry Debtors	1,44,000	99,000

(vi) 10% dividend is proposed by each company.

(vii) The whole of stock in trade of B Ltd. as on 30.6.2013 (₹ 12,000) was later sold to A Ltd. for ₹13,200 and remained unsold by A Ltd. as on 31.12.2013.

(viii) Cash-in-transit from B Ltd. to A Ltd. was ₹ 3,000 as at the close of business.

(ix) Closing Stock of A Ltd. is also ₹36,000.

You are required to Prepare the Consolidated Balance Sheet of the group as on 31st December,2013. [15]

Answer:

Name of the Company: A Ltd. and its subsidiary B Ltd. and C Ltd.
Consolidated Balance Sheet as at 31st December,2013

Ref No.		Particulars	Note No.	As at 31st December,2013	As at 31st December,2012
				₹	₹
	A	**EQUITY AND LIABILITIES**			
	1	**Shareholders' funds**		-	
		(a) Share capital	1	3,00,000	-
		(b) Reserves and surplus	2	1,80,915	-
		(c)Money received against share warrants		-	-
				-	-
	2	**Minority Interest**		1,13,460	-
	3	**Non-current liabilities**		-	
		(a) Long-term borrowings (10% debentures)		-	-
		(b) Deferred tax liabilities (net)		-	-
		(c) Other long-term liabilities		-	-
		(d) Long-term provisions		-	-
					-
	4	**Current liabilities**			
		(a) Short-term borrowings		-	-
		(b) Trade payables	3	36,000	-
		(c) Other current liabilities			-
		(d) Short-term provisions	4	30,000	-
					-
		TOTAL (1+2+3+4)		6,60,375	-
	B	**ASSETS**			
	1	**Non-current assets**			
		(a) Fixed assets		-	
		(i) Tangible assets	5	3,69,000	-
		(ii) Intangible assets	6	16,575	-
		(iii) Capital work-in-progress		-	-
		(iv) Intangible assets under development		-	-

Ref No.		Particulars	Note No.	As at 31st December,2013	As at 31st December,2012
				₹	₹
		(v) Fixed assets held for sale		-	-
		(b) Non-current investments		-	
		(c) Deferred tax assets (net)		-	-
		(d) Long-term loans and advances		-	-
		(e) Other non-current assets		-	-
				-	-
	2	**Current assets**		-	
		(a) Current investments		-	-
		(b) Inventories	7	34,800	-
		(c) Trade receivables	8	2,37,000	-
		(d) Cash and cash equivalents	9	3,000	-
		(e) Short-term loans and advances		-	-
		(f) Other current assets		-	-
				-	-
		TOTAL (1+2)		6,60,375	-

Annexure

Note 1. Share Capital	**As at 31st December, 2013 (₹)**	**As at 31st December, 2012(₹)**
Authorised,issued, Subscribed and paid –up Share Capital:		
1,00,000 Equity Shares of ₹10 each	3,00,000	
Total	3,00,000	

Note 2. Reserves and Surplus	**As at 31st December, 2013 (₹)**	**As at 31st December, 2012(₹)**
Reserves	1,47,975	
Profit & Loss A/c	32,940	
Total	1,80,915	

Note 3. Trade Payables	**As at 31st December, 2013 (₹)**	**As at 31st December, 2012(₹)**
Sundry Creditors (21,000+15,000)	36,000	

Total	36,000	

Note 4. Short term Provision	As at 31st December, 2013 (₹)	As at 31st December, 2012(₹)
Proposed Dividend	30,000	
	30,000	

Note 5. Tangible Assets	As at 31st December, 2013 (₹)	As at 31st December, 2012(₹)
Fixed Assets	3,69,000	
Total	3,69,000	

Note 6. Intangible Assets	As at 31st December, 2013 (₹)	As at 31st December, 2012(₹)
Goodwill	16,575	
Total	16,575	

Note 7. Inventories	As at 31st December, 2013 (₹)	As at 31st December, 2012(₹)
Stock in Trade	36,000	
Less: Unrealised Profit	1,200	
Total	34,800	

Note 8. Trade Receivables	As at 31st December, 2013 (₹)	As at 31st December, 2012(₹)
Sundry Debtors (78,000+63,000+96,000)	2,37,000	
Total	2,73,000	

Note 9. Cash and Cash Equivalents	As at 31st December, 2013 (₹)	As at 31st December, 2012(₹)
Cash in Transit (24,000-21,000)	3,000	
Total	3,000	

Working Notes:

(i) Position on 30.06.2013

	Reserves	Profit and Loss

		Account
B Ltd.	₹	₹
Balance on 31.12.2013	30,000	36,000
Less: Balance on 31.12.2012	24,000	12,000
Increase during the year	6,000	24,000
Estimated increase for half year	3,000	12,000
Balance on 30.06.2013	27,000 (24,000+3,000)	24,000 (12,000 + 12,000)
C Ltd.		
Balance on 31.12.2013	27,000	27,000
Balance on 31.12.2012	22,500	9,000
Increase during the year	4,500	18,000
Estimated increase for half year	2,250	9,000
Balance on 30.06.2013	24,750 (22,500+2,250)	18,000 (9,000 + 9,000)

(ii) Analysis of Profits of C Ltd.

	Capital Profit	Revenue Reserve	Revenue profit
	₹	₹	₹
Reserves on 30.6.2013	24,750		
Profit and Loss A/c on 30.6.2013	18,000		
Increase in reserves		2,250	
Increase in profit			9,000
	42,750	2,250	9,000
Less: Minority interest (1/6)	7,125	375	1,500
	35,625	1,875	7,500
Share of A Ltd. (1/6)	7,125	375	1,500
Share of B Ltd. (4/6)	28,500	1,500	6,000

(iii) Analysis of Profits of B Ltd.

	Capital Profit	Revenue Reserve	Revenue profit
	₹	₹	₹
Reserves on 30.6.2013	27,000		
Profit and Loss A/c on 30.6.2013	24,000		
Increase in reserves		3,000	
Increase in profit			12,000
Share in C Ltd.		1,500	6,000
	51,000	4,500	18,000

Less: Minority interest (2/10)	10,200	900	3,600
Share of A Ltd. (8/10)	40,800	3,600	14,400

(iv) Cost of control

	₹	₹
Investments in		
B Ltd.	2,85,000	
C Ltd.	1,98,000	
		4,83,000
Paid up value of investments in		
B Ltd.	2,40,000	
C Ltd.	1,50,000	
		(3,90,000)
Capital profits in		
B Ltd.	40,800	
C Ltd.	35,625	
		(76,425)
Goodwill		16,575

(v) Minority Interest

Share Capital:	₹	₹
B Ltd.	60,000	
C Ltd.	30,000	90,000
Share in profits and reserves (Pre and Post-Acquisitions)		
B Ltd.	14,700	
C Ltd.	9,000	23,700
		1,13,700
Less: Provision for unrealized profit (20% of ₹ 1,200)		240
		1,13,460

(vi) Reserves – A Ltd.

		₹
Balance as on 31.12.2013 (given)		1,44,000
Share in		
B Ltd.		3,600
C Ltd.		375
		1,47,975

(vii) Profit and Loss Account – A Ltd.

		₹
Balance as on 31.12.2013 (given)		48,000
Share in		
B Ltd.		14,400
C Ltd.		1,500
		63,900
Less: Proposed dividend (10% of ₹ 3,00,000)		30,000
Provision for unrealised profit on stock 80% of (₹ 13,200 – ₹ 12,000)		960
		32,940

Question No. 4: Answer to Question No. 4(a) is Compulsory. Also answer any two from the remaining sub-questions.

(a)) Explain the term Extensible Business Reporting Language (XBRL). [5]

Answer:

XBRL stands for e**X**tensible **B**usiness **R**eporting **L**anguage. It is one of a family of "XML" (Extensible Markup Language) languages which is becoming a standard means of communicating information between businesses and on the internet. XBRL provides major benefits in the preparation, analysis and communication of business information and is fast becoming an accepted reporting language globally. It offers major benefits to all those who have to create, transmit, use or analyse such information.

Meaning of the term:

i. Extensible: It means the user can extend the application of a particular business data beyond its original intended purpose and the major advantage is that the extended use can be determined even by the users and not just the ones who merely prepare the business data. This is achieved by adding tags which are both human and machine readable – describing what the data is.
The property of extensibility is very handy in situations when list of items reported for various elements of the financial statements are not the same across firms, industries, and countries. For example, many of item constituting non-current assets in Oil and Gas Industry (items like rigs, exploratory oil and gas wells) may not be applicable to companies in general. In a situation of this kind, XBRL may prepare a taxonomy called a 'Global Common Document' (GCD) for items common to all the firms, industries, and countries, and, any country specific, industry specific and firm-specific variations (extensions / limitations) can, then, be written as independent taxonomies that can be imported and incorporated with the GCD.
ii. Business: It means relevant to the type of business transaction. XBRL focus is on describing the financial statements for both public and private companies.

iii. Reporting: The intention behind promoting use of XBRL is to have all companies report their financial statements in a consolidated manner using the specified formats.

iv. Language: XBRL is based on XML, which prescribes the manner in which the data can be "marked-up" or "tagged" to make it more meaningful to human readers as well as to computers-based system.

(b) From the following details, compute the total value of human resources of skilled and unskilled group of employees according to Lev and Schwartz (1971) model:

	Skilled	Unskilled
(i) Annual average earning of an employee till the retirement age.	**₹70,000**	**₹40,000**
(ii) Age of retirement	**65 years**	**62 years**
(iii) Discount rate	**15%**	**15%**
(iv) No. of employees in the group	**30**	**40**
(v) Average age	**62 years**	**60 years**

[10]

Answer:

According to Lev and Schwartz, the value of human capital embodied in a person of age τ is the present value of his remaining future earnings from employment. Their valuation model for a discrete income stream is given by the following formula:

$$V = \sum_{t=r}^{t} \frac{I(t)}{(1+r)^{t-\tau}}$$

Where,

V = the human capital value of a person

I(t) = the person's annual earnings up to retirement.

r = a discount rate specific to the person.

t = retirement age.

Value of Skilled Employees:

$$= \frac{70{,}000}{(1+0.15)^{65-62}} + \frac{70{,}000}{(1+0.15)^{65-63}} + \frac{70{,}000}{(1+0.15)^{65-64}}$$

$$= \frac{70{,}000}{(1+0.15)^{3}} + \frac{70{,}000}{(1+0.15)^{2}} + \frac{70{,}000}{(1+0.15)^{1}}$$

= ₹ $(46{,}026.14 + 52{,}930.06 + 60{,}869.57)$ = ₹ 1,59,825.77.

Total value of skilled employees is

₹ 1,59,825.77× 30 employees = ₹ 47,94,773.

Value of Unskilled Employees:

$$= \frac{40{,}000}{(1+0.15)^{62-60}} + \frac{40{,}000}{(1+0.15)^{62-61}}$$

$$= \frac{40{,}000}{(1+0.15)^{2}} + \frac{40{,}000}{(1+0.15)^{1}}$$

= ₹ $(30{,}245.75 + 34{,}782.61)$ = ₹ 65,028.36

Total value of Unskilled employees is
=₹ 65,028.36 × 40 employees = ₹ 26,01,134.40.

Total value of human resources (Skilled and Unskilled)
= ₹(47,94,773 + 26,01,134.40)= ₹ 73,95,907.40.

(c) The following figures for a period were called out from the books of AD Corporation:

Particulars	₹
Sales	**12,40,000**
Purchase of raw materials	**5,00,000**
Agent's commission	**10,000**
Consumable stores	**12,500**
Packing material	**5,000**
Stationery	**5,000**
Audit fees	**2,000**
Staff welfare expenses	**79,000**
Insurance	**13,000**
Rent rate & taxes	**8,000**
Managing director's remuneration	**42,000**
Traveling expenses	**10,500**
Fuel and oil	**4,500**
Electricity	**2,500**
Material used in repairs:	
1. Materials to plant and machinery	**12,000**
2. Materials to buildings	**5,000**
Advertisement	**12,500**
Salaries and wages	**3,15,000**
Postage and telegraphs	**7,000**
Contribution to provident fund, etc.	**30,000**
Directors' sitting fees & traveling expenses	**20,000**
Subscription paid	**1,000**
Carriage	**11,000**
Interest on loans taken	**9,000**
Dividend to shareholders	**15,000**
Depreciation provided	**27,500**
Income-tax provided	**50,000**
Retained earnings	**62,500**
Opening stock : raw Material	**42,500**
Finished goods	**1,00,000**
Closing Stock: raw Material	**54,000**
Finished goods	**1,20,000**

From the above you are required to prepare a statement detailing the source and disposal to added value. [10]

Answer:

Statement showing the sources and disposal of Added Value

Sources:	**Amount (₹)**	**Amount (₹)**
Sales		12,40,000
Less: Agents' commission		10,000
Add: change in finished stocks (W.N 1)		20,000
Gross Output		12,50,000
Less:		
(a) Raw Materials :		
Purchases	5,00,000	
Less: Change in Stock	11,500	
	4,88,500	
Other Materials:		
Consumables	12,500	
Packing Materials	5,000	
Stationary	5,000	
Fuel & oil	4,500	
Electricity	2,500	
Repair – Plant & Machinery	12,000	
Repair – Building	5,000	
Cost of brought in inputs	5,35,000	
(b) Purchased Services:		
Audit Fees	2,000	
Insurance	13,000	
Rent, Rates & Taxes	8,000	
Traveling Expenses	10,500	
Advertisement	12,500	
Postal & Telegraph	7,000	
Subscription	1,000	
Staff Welfare Expenses	79,000	
Carriage	11,000	
		6,79,000
Added Value		5,71,000
Disposal:		
To Employee Costs		
MD Remuneration	42,000	
Director Sitting Fees & Expenses	20,000	
Salaries & Wages	3,15,000	
Contribution to PF	30,000	4,07,000
To Government		
Tax Provided		50,000
Provider of Finance		
Interest on Loan		9,000
To, Pay Share Holders		
Dividend		15,000
To Entity		
Depreciation	27,500	

Retained Earnings	62,500	90,000
Added Value		5,71,000

W.N 1 This adjustment is necessary because the cost relating to this closing stock stands included in purchase.

(d) Discuss the process of Triple Bottom Line Reporting. [10]

Answer:

The major steps involved in undertaking the reporting process are:

1. Planning for Reporting

• Understand the national, international and industry sector trends in Triple Bottom Line Reporting (TBL) reporting

• Identify key stakeholders

• Establish the 'business case' and set high-level objectives for TBL reporting

• Secure support from the Board and senior executives

• Identify resource requirements and determine budget

2. Setting the Direction for TBL Reporting

• Engage with stakeholders to understand their requirements

• Prioritise stakeholder requirements and concerns

• Set overall objectives for TBL reporting

• Review current approach and assess capability to deliver on reporting objectives

• Identify gaps and barriers associated with current approach, and prioritise risks associated with overall reporting objective

• Review of associated legal implications

• Develop TBL reporting strategy

• Determine performance indicators for inclusion in report

• Establish appropriate structure and content of the report

3. Implementation of TBL Reporting Strategy

• Implementation of TBL reporting strategy (including required data collection and review processes)

• Clarify relationship to statutory financial reporting

4. Publication of TBL Report

• Prepare draft report

• Review content and structure of report internally, and modify accordingly

• Obtain independent assurance - external verification

• Publish TBL report

• Seek feedback from stakeholders and incorporate into planning for the next period's reporting.

Question No. 5 (Answer any three):

(a) Discuss the structure of Indian Government Accounting Standards Advisory Board. [5]
(b) State the scope of Indian Government Accounting Standard 3 (Cash Flow Statement) [5]
(c) Write a note on Methods of Government Accounting. [5]
(d) Discuss the "Standard – setting procedure" of Government Accounting Standards Advisory Board. [5]

Answer:

(a) Government Accounting Standards Advisory Board (GASAB) is a representative body and is represented by main stakeholders connected with accounting reforms of Union Government of India and States.

The board consists of the following members:

1. Deputy Comptroller and Auditor General (Accounts) as Chairperson
2. Controller General of Accounts
3. Financial Commissioner, Railways
4. Controller General of Defence Accounts
5. Member (Finance) Telecom Commission, Department of Telecom
6. Additional / Joint Secretary (Budget), Ministry of finance, Govt. of India
7. Secretary, Department of Post
8. Deputy Governor, Reserve Bank of India or his nominee
9. Director General, National Council of Applied Economic Research (NCAER)
10. President, Institute of Chartered Accountants of India (ICAI) or his nominee
11. President, Institute of Cost and Works Accountants of India or his nominee

12-15. Principal Secretary (Finance) of four States by rotation

16. Principal Director in GASAB as Member secretary.

(b) Scope of Government Accounting Standard 3 (Cash Flow Statements)

The cash flow statement should be presented as an integral part of Financial Statements of the Union and State Governments for each period for which such Financial Statements are presented. It should be prepared in accordance with the requirements of this Standard. The Financial Statements should not be described as complying with this Standard unless they comply with all its requirements. The transactions that do not require the use of cash or cash equivalents (non-cash transactions) should be excluded from a cash flow statement.

Information about cash flows may be useful to users of the Government Financial Statements in assessing its cash flows and assessing compliance with legislation and regulations (including authorized budgets where appropriate). Accordingly this Standard requires Governments to present a cash flow statement.

Some activities undertaken by Government do not have direct impact on their current cash flows. The exclusion of non-cash transactions from the cash flow statement is consistent with the objective of a cash flow statement as these items do not involve cash flows in the current period. Examples of non-cash transactions include accounting for interest payable on provident fund deposits of employees, conversion of debt into equity of an entity. Summary and impact of such non-cash transactions should be disclosed in the notes to Cash Flow Statement forming part of the Financial Statements in a way that provides all the relevant information about these activities.

(c) The mass of the Government accounts being on cash basis is kept on Single Entry. There is, however, a portion of the accounts which is kept on the Double Entry System, the main purpose of which is to bring out by a more scientific method the balance of accounts in regard to which Government acts as banker or remitter, or borrower or lender. Such balances are, of course, worked out in the subsidiary accounts of single entry compilations as well but their accuracy can be guaranteed only by a periodical verification with the balance brought out in the double entry accounts.

Business and merchant accounting methods are different than government accounting system because government accounting system is ruling over the nation and keeps various departments i.e. production, service utility or entertainment industry etc. The operations of department of government sometimes include under taking of a commercial or quasi-commercial character and industrial factory or a store. It is still necessary that the financial results of the undertaking should be expressed in the normal commercial form so that the cost of the services or undertaking may be accurately known.

(d) Standard-setting Procedure for Government Accounting Standards

A. The following procedures are adopted by the Government Accounting Standards Advisory Board (GASAB) for formulating Standards:

(i) The GASAB Secretariat identifies areas for Standard formulation and places them before the GASAB for selection and approval. While doing so, the Secretariat places before the GASAB all important suggestions, references, proposals received from various sections of the Union and State Governments, members of GASAB, members of Civil Society, Professional Bodies and other stakeholders. The priorities, as approved by the GASAB, guide further functioning of the GASAB Secretariat.

(ii) The GASAB Secretariat thereafter prepares the discussion paper on the selected issues for consideration of the GASAB.

(iii) While doing so, the Secretariat studies the existing rules, codes and principles as internal sources, and documents/pronouncements/Standards issued by other national and international Standard setting and regulatory bodies. The Secretariat may also hold consultation with such other persons as are considered necessary for this purpose.

(iv) On consideration of the Discussion paper and the comments received thereon, the GASAB finalizes the Exposure Draft.

(v) The GASAB may constitute Standing Committee and/or Task based Groups from amongst the Members or their representatives to consider specific areas before finalization.

(vi) The Exposure Draft, as approved for issue by the GASAB, are widely circulated in the public domain and forwarded to all stakeholders. The Exposure Draft is required to be hosted at the website of GASAB.

(vii) Based on the comments received on the Exposure Draft, the Standards are finalized by the GASAB. The Standards, as finalized, are forwarded to the Government for notification in accordance with the provisions of the Constitution of India.

B. The meetings are normally chaired by the Chairperson. In unforeseen circumstances when Chairperson is unable to attend, the senior-most member from the Central Government will chair the meeting. The Comptroller & Auditor General of India will be kept informed of the important developments in the meetings of GASAB.

C. The GASAB may meet as often as is deemed necessary but generally not less than four times in a financial year. The decisions of the GASAB may preferably be by general consensus. In case differences persist, the decision shall be on the basis of voting favoring the recommendation. The dissenting views should also be forwarded to the Government along with the recommendations.

D. GASAB allows an exposure period of 90 days for inviting comments on Exposure Draft.