PAPER – 18 - CORPORATE FINANCIAL REPORTING

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	Learning objectives	Verbs used	Definition
LEVEL C	KNOWLEDGE What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identity	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
	APPLICATION How you are expected to apply your knowledge	Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS How you are expected to analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
		Construct	Build up or compile
		Prioritise	Place in order of priority or sequence for action
		Produce	Create or bring into existence
	SYNTHESIS How you are expected to utilize the information gathered to reach an optimum conclusion by a process of reasoning	Discuss	Examine in detail by argument
		Interpret	Translate into intelligible or familiar terms
		Decide	To solve or conclude
	EVALUATION How you are expected to use your learning to evaluate, make decisions or recommendations	Advise	Counsel, inform or notify
		Evaluate	Appraise or asses the value of
		Recommend	Propose a course of action

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) Sunrise Ltd. has 60% shares in joint venture with Night Ltd. Sunrise Ltd. sold a plant WDV of ₹240 lakhs for ₹300 lakhs. Calculate how much profit the Sunrise Ltd. should recognize in its book in case joint venture is

- **Jointly controlled operation**
- **Jointly controlled asset**
- **Jointly controlled entity** **[5]**

(b) Discuss about the recognition of Share Based Payment as per IFRS-2. **[5]**

Answer:

(a)
As per AS – 27 (refer point 27.2) in case of jointly controlled operation and jointly controlled assets joint venture, the venture should recognize the profit to the extent of other venturer interest.

In the instant case, Sunrise Ltd. should recognize profit of ₹(300 – 240) = ₹60 x 40/100 = ₹24 lakhs only.

However in case of jointly controlled entities Sunrise Ltd. should recognize full profit of ₹60 lakhs in its separate financial statements. However while preparing consolidated financial statements it should recognize the profit only to the extent of 40% i.e. 24 lakhs.

(b) The following are recognition criteria of IFRS-2 :

(i) The goods or services received or acquired in a share-based payment transaction are recognized when the goods are obtained or as the services are received. The entity shall recognise a corresponding increase in equity is recognised if the goods or services were received in an equity settled transaction.

(ii) The goods or services received or acquired in a share-based payment transaction are recognized when the goods are obtained or as the services are received. The entity shall recognise a corresponding increase in liability if the goods or services were acquired in a cash-settled transaction. For example, in case of employee stock option, it is difficult to assess the fair value of the service rendered, and therefore, the transaction should be measured at fair value of the equity.

(iii) The goods or services received in a share-based payment transaction may qualify for recognition as an asset. If they are not so qualified then they are recognised as expense.

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

(a) Y Ltd. decides to absorb X Ltd. The draft Balance Sheet of X Ltd. is as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
3,000 Equity Shares of ₹100 each (fully paid)	3,00,000	Fixed Assets	2,50,000
Preference Shares @ ₹100 each	60,000	Sundry Debtors	1,00,000
Sundry Creditors	60,000	Profit & Loss Account	70,000
	4,20,000		4,20,000

Y Ltd. agrees to take over X Ltd. for this purpose an Equity Share of X Ltd. will be valued at ₹70 . Y Ltd. agrees to pay ₹60,000 in cash for payment to preference shareholders. Equity Shares will be issued at value of ₹120 each.

Calculate the Purchase Consideration. [5]

Answer:

Value of 3,000 shares of X Ltd. @ ₹70 = ₹2,10,000

The purchase consideration will be:

= ₹2,10,000 for Equity Shares + ₹60,000 for Liabilities towards Preference shareholders

=₹2,70,000

₹60,000 out of the above will be in cash and ₹2,10,000 in the form of Equity Shares of Y Ltd. issued at ₹120 per share;

The number of shares that will be issued = 2,10,000/120 = 1,750 Equity Shares.

(b) The following are the summarized Balance Sheets (as at 31.03.2015) of A Ltd. and B Ltd.

Liabilities	A Ltd.(₹)	B Ltd.(₹)	Assets	A Ltd.(₹)	B Ltd.(₹)
Shareholders' Funds			Non-Current assets		
Share Capital:			Fixed Assets	50,00,000	30,00,000
Equity Shares of ₹10 each	36,00,000	18,00,000	Investments	5,00,000	5,00,000
10% Preference shares of ₹100 each	12,00,000		Current Assets		
12% Preference shares of	-	6,00,000	Inventory	18,00,000	12,00,000

₹100 each					
Reserves and Surplus:			Trade receivables	15,50,000	12,10,000
Statutory Reserve	1,00,000	1,00,000	Cash at Bank	1,50,000	90,000
General Reserve	25,00,000	17,00,000			
Non-current Liabilities					
15% Debentures	5,00,000	-			
12% Debentures	-	5,00,000			
Current Liabilities					
Trade payables	11,00,000	13,00,000			
	90,00,000	60,00,000		90,00,000	60,00,000

Contingent liabilities for bills receivables discounted ₹20,000.

(A) The following additional information is provided to you:

	A Ltd. (₹).	B Ltd.(₹)
Profit before Interest and Tax	14,75,000	7,80,000
Rate of Income-tax	40%	40%
Preference dividend	1,20,000	72,000
Equity dividend	3,60,000	2,70,000
Balance profit transferred to Reserve account		

(B) The equity shares of both the companies are quoted on the Mumbai Stock Exchange. Both the companies are carrying on similar manufacturing operations.

(C) A Ltd proposes to absorb business of B Ltd. as on 31.03.2015. The agreed terms for absorption are:

(i) 12% Preference shareholders of B Ltd. will receive 10% Preference shares of A Ltd. sufficient to increase their present income by 20%.

(ii) The Equity shareholders of B Ltd. will receive equity shares of A Ltd. on the following terms:

(a) The Equity shares of B Ltd. will be valued by applying to the earnings per share of B Ltd. 60 per cent of price earnings ratio of A Ltd. based on the results of 2014-15 of both the companies.

(b) The market price of equity shares of A Ltd. is ₹40 per share.

(c) The number of shares to be issued to Equity shareholders of B Ltd. will be based on the 80% of market price.

(d) In addition to equity shares,10% Preference shares of A Ltd. will be issued to the equity shareholders of B Ltd. to make up for the loss in income arising from the above exchange of shares based on the dividends for the year 2014-15.

(iii) 12% debenture holders of B Ltd. are to be paid at 8% premium by 15% debentures in A Ltd. issued at a discount of 10%.

(iv) Details of Trade payables and Trade receivables:

	A Ltd. (₹).	B Ltd.(₹)
Trade payables		
Bills payable	20,000	20,000
Sundry creditors	10,80,000	12,80,000
	11,00,000	13,00,000
Trade receivables		
Debtors	15,00,000	12,00,000
Bills Receivables	50,000	10,000
	15,50,000	12,10,000

(v) ₹16,000 is to be paid by A Ltd. to B Ltd. for liquidation expenses. Sundry creditors of B Ltd. include ₹20,000 due to A Ltd. Bills receivable discounted by A Ltd. were all accepted by B Ltd.

(vi) Fixed assets of both the companies are to be revalued at 20% above book value. Inventory in trade is taken over at 10% less than their book value.

(vii) Statutory reserve has to be maintained for two more years.

(viii) For the next two years no increase in the rate of equity dividend is anticipated.

(ix) Liquidation expense is to be considered as part of purchase consideration.

You are required to find out the purchase consideration. [10]

Answer:

Computation of Purchase Consideration

	₹
For Preference Shareholders	
Present Income of Preference Shareholders of B Ltd. (6,00,000 × 12%)	72,000
Add: Required 20% increase	14,400
	86,400
10% Preference Shares to be issued at ₹ 8,64,000 (86,400/10 × 100)	8,64,000
For Equity Shareholders	
Valuation of Equity shares of B Ltd.=(Number of shares × value of one share)	
(i.e. EPS of B Ltd. × P/E ratio of A Ltd.[w.n.1] × 60/100	
=1,80,000 ×(₹2 × 20 × 60/100) = 1,80,000 × 24 = ₹43,20,000	
Issue of Equity Shares	
No. of Equity shares to be issued at 80% of Market Price i.e.	
80% of ₹40 = ₹32	
43,20,000/32=1,35,000 shares	
Equity Share Capital = 1,35,000 × ₹10 = ₹13,50,000	
Securities Premium = 1,35,000 × ₹22 = ₹22,70,000	43,20,000
Issue of Preference Shares	
Present Equity Dividend	2,70,000
Less: Expected Equity Dividend from A Ltd. (13,50,000 × 10/100)	(1,35,000)
Loss in income	1,35,000
10% Preference shares to be issued of ₹13,50,000 (1,35,000/10 ×100)	13,50,000
Purchase Consideration	
Preference Shares Capital [₹8,64,000 + ₹13,50,000]	22,14,000
Equity share capital (1,35,000 shares of ₹10 each at ₹32 per share)	43,20,000
Liquidation Expenses (in cash)	16,000
	65,50,000

Working Notes:

Calculation of EPS & P/E ratio

	A Ltd. (₹)	B Ltd.(₹)
Profit before Interest and Tax	14,75,000	7,80,000
Less: Interest on debentures	(75,000)	(60,000)
Profit before tax	14,00,000	7,20,000
Less: Tax @ 40%	(5,60,000)	(2,88,000)
	8,40,000	4,32,000
Less: Preference Dividend	(1,20,000)	(72,000)
Earnings available for equity shareholders	7,20,000	3,60,000

Number of shares	3,60,000 shares	1,80,000 shares
EPS (Earnings/No. of shares)	2	2
Market Price	₹40	Not given
P/E ratio	40/2=20	N.A.

(c) The following is the Balance Sheet of Winners Ltd as on 30th June-

Equity and Liabilities	₹
(1) Shareholders' Funds:	
(a) Share Capital – 20,000 Shares of ₹ 10 each	2,00,000
(b) Reserves & Surplus – General Reserve	20,000
(2) Non-Current Liabilities:	
Long Term Borrowings (i) 10% Debentures	1,00,000
(ii) Loan from bank	40,000
(3) Current Liabilities:	
Trade Payables – Sundry Creditors	80,000
Total	4,40,000
Assets	
(1) Non-Current Assets:	
(a) Fixed Assets: (i) Tangible Assets	
- Land & Building	1,00,000
- Plant & Machinery	1,45,000
(ii) Intangible Assets – Goodwill	25,000
(b) Other Non-Current Assets	
- Preliminary expenses	16,000
(2) Current Assets:	
(a) Inventories	55,000
(b) Trade Receivables	65,000
(c) Cash & Cash Equivalents	34,000
Total	4,40,000

The balance of Winners Ltd is taken over by Superb Ltd as on that date on the following terms:

(i) All Assets except Cash and Bank are taken over at Book Value less 10% subject to (b) below.
(ii) Goodwill is to be valued at 4 years' Purchase of the excess of average (five years) Profits over 8% of the combined account of Share Capital and General Reserve.
(iii) Trade Creditors are to be taken over subject to a discount of 5%.
(iv) Loan from Bank is to be repaid by Winners Ltd.
(v) The Purchase Consideration is to be discharged in Cash to the extent of ₹ 1,50,000 and the balance is fully paid Equity Shares of ₹ 10 each valued at ₹ 12.50 per share.

The average of the five years profit is ₹ 30,100. The expenses of Liquidation amount to ₹ 2,000. Prior to 30th June, Winners Ltd sold goods costing ₹ 30,000 to Superb Ltd for ₹ 40,000. Debtors include ₹ 20,000 still due from Superb Ltd. on the date of absorption, ₹ 25,000 worth of Goods were still in Stock of Superb Ltd.

Show the:

A. Realisation Account, Bank Account, Sundry Shareholders Account and Shares in Superb Ltd.
[10]

Answer:

1. Basic Information

Selling Co: Winners Ltd	Date of B/S: 30th June	Nature of Amalgamation:
Buying Co: Superb Ltd	Date of Amalgm:30th June	Purchase (since the Assets are not taken over at Book Value & Purchase consideration discharged is by other than shares)

2. Purchase Consideration

	Particulars		₹
1.	Calculation of Goodwill	Average of 5 years Profit (given)	30,100
	Less:	Normal Profit 8% of Capital + Reserves i.e., ₹ 2,20,000	17,600
		Super Profit	12,500
		Goodwill at 4 years purchase 12,500 × 4	50,000
2.	Calculation of purchase consideration		
	Assets taken over -	Land & Building	1,00,000
		Plant & Machinery	1,45,000
		Stock	55,000
		Debtors	65,000
		Total Assets Taken Over	3,65,000
	Less:	Allowance at 10% of Assets Value	36,500
		Balance Assets Value	3,28,500
	Add:	Goodwill as calculated above	50,000
		Total value of Assets taken over	3,78,500
	Less:	Sundry Creditors less 5% discount =(80,000–5% thereon)	76,000
		Net Purchase Consideration	3,02,500
3.	Discharge of Purchase Consideration: (a) Payable in cash		1,50,000
	(b) Given in Shares – 12,200 Shares of ₹ 10 each valued at ₹ 12.50 per share		1,52,500

3. In the Books of Winners Ltd.

(a) Realisation Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Sundry Assets transferred: Goodwill	25,000	By Sundry Creditors	80,000
Land & Building	1,00,000	By Superb Ltd. – Purc. Consideration	3,02,500
Plant & Machinery	1,45,000	By Sundry Shareholders A/c (Loss)	9,500
Stock	55,000		
Debtors	65,000		
To Bank (Expenses)	2,000		
Total	3,92,000	Total	3,92,000

(b) Bank Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Balance b/d	34,000	By Realisation A/c – Expenses	2,000
To Superb Ltd. – amount paid	1,50,000	By 10% Debentures	1,00,000
		By Loan from Bank	40,000
		By Sundry Shareholders	42,000
Total	1,84,000	Total	1,84,000

(c) Sundry Shareholders Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Preliminary Expenses	16,000	By Share Capital	2,00,000
To Loss-on Realisation	9,500	By General Reserve	20,000
To Bank	42,000		
To Shares in Superb Ltd.	1,52,500		
Total	2,20,000	Total	2,20,000

(d) Shares in Superb Ltd. Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Superb Ltd.	1,52,500	By Sundry Shareholders (transfer)	1,52,500

(d) The following are the Balance sheets of Big Ltd. and Small Ltd. as at 31.03.2015

	Big Ltd.	Small Ltd.		Big Ltd.	Small Ltd.
	(₹)	(₹)		(₹)	(₹)
Share Capital	**40**	**15**	**Sundry Assets**	**56**	**20**
Profit & Loss A/c	**7.5**	**-**	**(including cost of share)**		
Sundry Creditors	**12.5**	**12.5**	**Goodwill**	**4**	**5**
			Profit and Loss A/c	**-**	**2.5**
	60.0	**27.5**		**60.0**	**27.5**

Additional Information:

(i) The two companies agree to amalgamate and form a new company, Medium Ltd.

(ii) Big Ltd. holds 10,000 shares in Small Ltd. acquired at a cost of ₹2,50,000 and Small Ltd. holds 5,000 shares in Big Ltd. acquired at a cost of ₹7,00,000.

(iii) The shares of Big Ltd. are of ₹100 and are fully paid and the shares of Small Ltd. are of ₹50 each on which ₹30 has been paid-up.

(iv) It is agreed that the goodwill of Big Ltd. would be valued at ₹1,50,000 and that of Small Ltd. at ₹2,50,000.

(v) The shares which each company holds in the other are to be valued at book value having regard to the goodwill valuation decided as given in (iv).

(vi) The new shares are to be of a nominal value of ₹50 each credited as ₹25 paid.

You are required to prepare a statement showing the shareholdings in the new company attributable to the shareholders of the merged companies. [10]

Answer:

Statement of Shareholding in Medium Ltd.

	Big Ltd.(₹)	Small Ltd.(₹)
Total value of Assets	44,20,513	8,52,564
Less: Pertaining to shares held by other company	5,52,564	1,70,513
	38,67,949	6,82,051
Rounded off	38,67,950	6,82,050
Shares of new company (at ₹25 per share)	1,54,718	27,282
Total purchase consideration to be paid to Big Ltd and small Ltd. ₹(38,67,950 +6,82,050)=₹45,50,000		

Number of shares in Big Ltd. (40,00,000/100)	40,000 shares
Number of shares in Small Ltd. (15,00,000/30)	50,000 shares
Holding of Small Ltd. in Big Ltd. (5,000/40,000)	1/8
Holding of Big Ltd. in Small Ltd.(10,000/50,000)	1/5
Number of shares held by outsiders in Big Ltd.(40,000-5,000)=	35,000
Number of shares held by outsiders in Small Ltd.(50,000 -10,000)	40,000

Working Note:

Calculation of Book Value of shares

	Big Ltd.(₹)	Small Ltd.(₹)
Goodwill	1,50,000	2,50,000
Sundry Assets other than shares in other company		
(56,00,000 -2,50,000)	53,50,000	
(20,00,000-7,00,000)		13,00,000
	55,00,000	15,50,000
Less: Sundry creditors	12,50,000	12,50,000
	42,50,000	3,00,000

If 'x' is the book value of Assets of Big Ltd and 'y' of Small Ltd.

x= 42, 50,000 +1/5y
y= 3, 00,000 +1/8x

x= 42,50,000 + 1/5 (3,00,000 + 1/8x)
= 42,50,000 + 60,000 +1/40x
(39/40)x = 43,10,000
x = 43,10,000 × 40/39
x = 44,20,513 (approx.)
y= 3,00,000 + 1/8(44,20,513)
= 3,00,000 + 5,52,564 = ₹8,52,564 (approx)

Book value of one share of Big Ltd. = (44, 20,513/40,000) = ₹110.513 (approx)
Book Value of one share of Small Ltd. = (8, 52,564/50,000) = ₹17.05 (approx)

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

(a) Following are the Balance Sheets of Mumbai Limited, Delhi Limited, Amritsar Limited and Kanpur Limited as at 31st December, 2014:

			₹	
Liabilities	**Mumbai Ltd.**	**Delhi Ltd.**	**Amritsar Ltd.**	**Kanpur Ltd.**
Share Capital (₹ 100 face value)	**1,00,00,000**	**80,00,000**	**40,00,000**	**1,20,00,000**
General Reserve	**40,00,000**	**8,00,000**	**5,00,000**	**20,00,000**

Profit & Loss Account	**20,00,000**	**8,00,000**	**5,00,000**	**6,40,000**
Sundry Creditors	**6,00,000**	**2,00,000**	**1,00,000**	**1,60,000**
	1,76,00,000	**98,00,000**	**51,00,000**	**1,48,00,000**
Assets				
Investments :				
60,000 shares in Delhi Ltd.	**70,00,000**	**—**	**—**	**—**
20,000 shares in Amritsar Ltd		**22,00,000**	**—**	**—**
—				
10,000 shares in Amritsar Ltd.		**—**	**10,00,000**	**—**
—				
Shares in Kanpur Ltd. @ ₹ 120		**72,00,000**	**36,00,000**	**12,00,000**
—				
Fixed Assets	**—**	**40,00,000**	**30,00,000**	**1,40,00,000**
Current Assets		**2,00,000**	**12,00,000**	**9,00,000**
8,00,000				
	1,76,00,000	**98,00,000**	**51,00,000**	**1,48,00,000**

Balance in General Reserve Account and Profit & Loss Account, when shares were purchased in different companies were:

	Mumbai Ltd.	Delhi Ltd.	Amritsar Ltd.	Kanpur Ltd.
General Reserve Account	**20,00,000**	**4,00,000**	**2,00,000**	**12,00,000**
Profit & Loss Account	**12,00,000**	**4,00,000**	**1,00,000**	**1,20,000**

Compute the Minority Interest. **[10]**

Answer:

(a)

Analysis of profit —

Analysis of profits of Kanpur Ltd.

	Capital Profit ₹	Revenue Reserve ₹	Revenue Profit ₹
General Reserve on the date of purchase of shares	12,00,000		
Profit and Loss A/c on the date of purchase of shares		1,20,000	
Increase in General Reserve			8,00,000
Increase in profit			5,20,000
	13,20,000	8,00,000	5,20,000
Less : Minority Interest (1/6)	2,20,000	1,33,333	86,667
	11,00,000	6,66,667	4,33,333

Share of Mumbai Ltd. (1/2)	6,60,000	4,00,000	2,60,000
Share of Delhi Ltd. (1/4)	3,30,000	2,00,000	1,30,000
Share of Amritsar Ltd. (1/12)	1,10,000	66,667	43,333

Analysis of profits of Amritsar Ltd.

	Capital Profit ₹	Revenue Reserve ₹	Revenue Profit ₹
General Reserve on the date of purchase of shares	2,00,000		
Profit and Loss A/c on the date of purchase of shares		1,00,000	
Increase in General Reserve			3,00,000
Increase in Profit and Loss A/c			4,00,000
Share in Kanpur Ltd.		66,667	43,333
	3,00,000	3,66,667	4,43,333
Less : Minority Interest (1/4)	75,000	91,667	1,10,833
	2,25,000	2,75,000	3,32,500
Share of Mumbai Ltd. (1/2)	1,50,000	1,83,333	2,21,667
Share of Delhi Ltd. (1/4)	75,000	91,667	1,10,833

Analysis of profits of Delhi Ltd.

	Capital Profit ₹	Revenue Reserve ₹	Revenue Profit ₹
General Reserve on the date of purchase of shares	4,00,000		
Profit and Loss A/c on the date of purchase of shares		4,00,000	
Increase in General Reserve			4,00,000
Increase in Profit and Loss A/c			4,00,000
Share in Kanpur Ltd.		2,00,000	1,30,000
Share in Amritsar Ltd.		91,667	1,10,833
	80,00,000	6,91,667	6,40,833
Less : Minority Interest (1/4)	2,00,000	1,72,917	1,60,208
Share of Mumbai Ltd. (3/4)	6,00,000	5,18,750	4,80,625

Minority interest

	₹	₹
Share Capital:		
Delhi Ltd. (1/4)		20,00,000
Amritsar Ltd. (1/4)	10,00,000	

Kanpur Ltd (1/6)	20,00,000	50,00,000
Share in profits & reserves (Pre and Post-Acquisitions)		
Delhi Ltd.		5,33,125
Amritsar Ltd.	2,77,500	
Kanpur Ltd.	4,40,000	12,50,625
		62,50,625

(b) (i) Mayukh Ltd. wanted to buy 30% equity shares of Omkar Ltd. with an intention to establish an associate relationship between the two on 01.04.2013 Mayukh Ltd. purchased such percentage of equity shares at a cost of ₹15 Lakhs. On that date the balance sheet of Omkar Ltd. Was as under:

Name of the Company: Omkar Ltd.
Balance Sheet as at: 1st April, 2013

(₹ in lakh)

Ref No.		Note No.	As at 1st April, 2013	As at 1st April, 2012
	EQUITY AND LIABILITIES			
	Shareholder's Fund			
	(a) Share capital	**1**	**30.00**	
	(b) Reserves and surplus	**2**	**9.00**	
	Current Liabilities			
	(a) Short-term borrowings	**3**	**1.00**	
	(b) Trade payables	**4**	**3.00**	
	Total		**43.00**	
	ASSETS			
	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	**5**	**36.00**	
	Current assets			
	(b) Inventories	**6**	**3.00**	
	(c) Trade receivables	**7**	**3.00**	
	(d) Cash and cash equivalents	**8**	**1.00**	
	Total (1+2)		**43.00**	

(₹ in lakh)

Note 1. Share Capital	**As at 1st April, 2013**	**As at 1st April, 2012**
Authorized, Issued, Subscribed and paid-up Share capital:		
30,000 Equity share of ₹ 100 each	**30.00**	

Note 2. Reserve & Surplus		
Reserves & Surplus	**9.00**	
Note 3. Short term borrowings		
Bank Overdraft	**1.00**	
Note 4. Trade Payables		
Sundry Creditors	**3.00**	
Note 5. Tangible Assets		
Tangible Assets	**36.00**	
Note 6. Inventories		
Stock in trade	**3.00**	
Note 7. Trade Receivables		
Sundry debtors	**3.00**	
Note 8. Cash and cash equivalents		
Balance at Bank	**1.00**	

During the year 2013-14 Omkar Ltd. earned a profit of ₹15 lakhs and on 2014 – 15 it suffered a loss of ₹90 lakhs. Mayukh Ltd. did not have any subsidiary during 2013-14 but on 01.04.2014 it purchase 60% equity shares of Umang Ltd. for ₹160 lakhs.

Discuss the impact of the associate relationship on the balance sheet of 2013-14 & 2014-15 of Mayukh Ltd. [10]

(ii) "The Holding company may revalue the assets and liabilities of the subsidiary company at the time of acquisition of shares in terms of market prices" – Justify. [5]

Answer:

(b)(i)

As per AS-23 investment in associates will be accounted for as per equity method in consolidated financial statements of the investor. Therefore, Mayukh Ltd. should show the investment as under:

Cost of purchase ₹15 lakhs. 30% of equity fund of Omkar Ltd. 30/100 x ₹(30 + 9) lakhs = ₹11.7 lakhs.

Goodwill identified: ₹15 lakhs – ₹11.7 lakhs = ₹3.3 lakhs. Carrying amount of investment on 31.3.2014 as per equity method ₹15 lakhs + (30/100 x ₹15 lakhs) = ₹19.5 lakhs (including Goodwill).

But here Mayukh Ltd. did not prepared the consolidated balance sheet by Mayukh Ltd. as it did not have any subsidiary at that time i.e., on 31.03.2014.

The amount of investment will be shown in the balance sheet of Mayukh Ltd. at cost i.e. at ₹15 lakhs (as per AS – 13).

On the other hand during 2014-15 Omkar Ltd. suffered a loss of ₹90 lakhs i.e., carrying amount of investment as per equity method will be ₹19.5 lakhs – (30 / 100 x ₹90 lakhs) = (-)₹7.5 lakhs. As the carrying amount of investment (as per equity method) is (-)₹7.5 lakhs, investment will be reported at Nil value in the consolidated balance sheet and any further loss of associates will not be recognized by Mayukh Ltd.

Name of the Company: Consolidated Balance Sheet (Extract) of Mayukh Ltd. and its Subsidiary Umang Ltd.

Balance Sheet as at: 31st March, 2015

(₹ in lakh)

Ref No.		Particulars	Note No.	As at 31st March, 2015	As at 31st March, 2014
		ASSETS			
		Non-current assets			
		(b) Non-current investments		NIL	

(b)(ii)

The Holding company may revalue the Assets and Liabilities of the subsidiary firm at the time of acquisition of shares in terms of market prices. In such a case the rate of revaluation is, assumed to be the same date as acquisition of shares. The profit or loss on revaluation is capital in nature and accordingly will be adjusted for in the analysis of profit under capital profits. The date of acquisition of shares as considered earlier also may not coincide with date of Balance Sheet in which case as stated earlier the current year profit has to be segregated between capital and revenue. Since the date of revaluation of assets is the date of acquisition of shares, a change in depreciation may be required on the revalued assets from the date of acquisition till the closing of Balance Sheet. For, presumably the Balance Sheet of the subsidiary company has been made or complied in terms of its original values. Information with respect to revaluation has to be explicitly stated by an agreement between the firms at the time of acquisition of majority share by the holding company.

(c) A Limited is a holding company and B Limited and C Limited are subsidiaries of A Limited. Their Trial Balance (Extract) as on 31.12.2014 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 30.6.2014.

(v) On 31.12.2013, 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 30.6.2014 (₹ 12,000) was later sold to A Ltd. for ₹13,200 and remained unsold by A Ltd. as on 31.12.2014.

(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,2014. [15]

Answer:

Name of the Company: A Ltd. and its subsidiary B Ltd. and C Ltd.
Consolidated Balance Sheet as at 31st December,2014

Ref No.		Particulars	Note No.	As at 31st December,2014	As at 31st December,2013
				₹	₹
	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		-	-
		(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		-	-

Ref No.		Particulars	Note No.	As at 31st December,2014	As at 31st December,2013
				₹	₹
				-	-
	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, 2014 (₹)**	**As at 31st December, 2013(₹)**
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, 2014 (₹)**	**As at 31st December, 2013(₹)**
Reserves	1,47,975	
Profit & Loss A/c	32,940	
Total	1,80,915	

Note 3. Trade Payables	**As at 31st December, 2014 (₹)**	**As at 31st December, 2013(₹)**
Sundry Creditors (21,000+15,000)	36,000	
Total	36,000	

Note 4. Short term Provision	**As at 31st December, 2014 (₹)**	**As at 31st December, 2013(₹)**
Proposed Dividend	30,000	
	30,000	

Note 5. Tangible Assets	**As at 31st December, 2014 (₹)**	**As at 31st December, 2013(₹)**
Fixed Assets	3,69,000	
Total	3,69,000	

Note 6. Intangible Assets	**As at 31st December, 2014 (₹)**	**As at 31st December, 2013(₹)**
Goodwill	16,575	
Total	16,575	

Note 7. Inventories	**As at 31st December, 2014 (₹)**	**As at 31st December, 2013(₹)**
Stock in Trade	36,000	
Less: Unrealised Profit	1,200	
Total	34,800	

Note 8. Trade Receivables	**As at 31st December, 2014 (₹)**	**As at 31st December, 2013(₹)**
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, 2014 (₹)**	**As at 31st December, 2013(₹)**
Cash in Transit (24,000-21,000)	3,000	
Total	3,000	

Working Notes:

(i) Position on 30.06.2014

	Reserves	**Profit and Loss Account**
B Ltd.	₹	₹
Balance on 31.12.2014	30,000	36,000
Less: Balance on 31.12.2013	24,000	12,000
Increase during the year	6,000	24,000
Estimated increase for half year	3,000	12,000
Balance on 30.06.2014	27,000 (24,000+3,000)	24,000 (12,000 + 12,000)
C Ltd.		

Balance on 31.12.2014	27,000	27,000
Balance on 31.12.2013	22,500	9,000
Increase during the year	4,500	18,000
Estimated increase for half year	2,250	9,000
Balance on 30.06.2014	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 30.6.2014	24,750		
Profit and Loss A/c on 30.6.2014	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 30.6.2014	27,000		
Profit and Loss A/c on 30.6.2014	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 31.12.2014 (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 31.12.2014 (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)) State the internal and external benefits of sustainability reporting. [5]

Answer:

Benefits:

An effective sustainability reporting cycle should benefit all reporting organizations.

Internal benefits for companies and organizations can include:

• Increased understanding of risks and opportunities
• Emphasizing the link between financial and non-financial performance
• Influencing long term management strategy and policy, and business plans
• Streamlining processes, reducing costs and improving efficiency
• Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives
• Avoiding being implicated in publicized environmental, social and governance failures
Comparing performance internally, and between organizations and sectors

External benefits of sustainability reporting can include:

• Mitigating - or reversing - negative environmental, social and governance impacts
• Improving reputation and brand loyalty
• Enabling external stakeholders to understand company's true value, and tangible and intangible assets
• Demonstrating how the organization influences, and is influenced by, expectations about sustainable development

(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.	**₹1,40,000**	**₹1,00,000**
(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:

$$= \frac{1,40,000}{(1+0.15)^{65-62}} + \frac{1,40,000}{(1+0.15)^{65-63}} + \frac{1,40,000}{(1+0.15)^{65-64}}$$

$$= \frac{1,40,000}{(1+0.15)^{3}} + \frac{1,40,000}{(1+0.15)^{2}} + \frac{1,40,000}{(1+0.15)^{1}}$$

$$= ₹(92,052.27 + 1,05,860.11 + 1,21,739.13)$$

= ₹ 3,19,651.51.

Total value of skilled employees is

₹ 3,19,651.51× 30 employees = ₹ 95,89,545.30.

Value of Unskilled Employees:

$$= \frac{80,000}{(1+0.15)^{62-60}} + \frac{80,000}{(1+0.15)^{62-61}}$$

$$= \frac{80,000}{(1+0.15)^{2}} + \frac{80,000}{(1+0.15)^{1}}$$

= ₹ $(60,491.49 + 69,565.22) =$ ₹ 1,30,056.71

Total value of Unskilled employees is

=₹ 1,30,056.71 × 40 employees = ₹ 52,02,268.40.

Total value of human resources (Skilled and Unskilled)
= ₹(95,89,545.30 + 52,02,268.40)= ₹ 147,91,813.70.

(c)

Compute EVA of Santhi Ltd. for 3 years from the information given - (in ₹ Lakhs)

Year	1	2	3
Average Capital Employed	3,000.00	3,500.00	4,000.00
Operating Profit before Interest (adjusted for Tax Effect)	850.00	1250.00	1600.00
Corporate Income Taxes	80.00	70.00	120.00
Average Debt + Total Capital Employed (in %)	40.00	35.00	13.00
Beta Variant	1.10	1.20	1.30
Risk Free Rate (%)	12.50	12.50	12.50
Equity Risk Premium (%)	10.00	10.00	10.00
Cost of Debt (Post Tax) (%)	19.00	19.00	20.00

[10]

Answer:

EVA Statement of Santhi Ltd.

Particulars	**Year 1**	**Year 2**	**Year 3**
(i) Cost of Equity (K_e) = Risk Free Rate + (Beta × Equity risk premium)	12.5 + (1.1 x 10) = 23.50%	12.5 + (1.2 x 10) = 24.50%	12.5 + (1.3 x 10) = 25.50%
(ii) Cost of Debt (K_d) (given)	19.00%	19.00%	20.00%
(iii) Debt-Equity Ratio (Debt=given, Equity is bal.	40% & 60%	35% & 65%	13% & 87%
(iv) WACC = [(K_d) x Debt % + (K_e) x Equity%]	**21.70%** (19 x 40% + 23.50 x 60%)	**22.58%** (19 x 35% + 24.50 x 65%)	**24.79%** (20 x 13% + 25.50 x 87%)
(v) Average Capital Employed (given)	3,000.00	3,500.00	4,000.00
(vi) Capital Charge (Fair Return to Providers of Capital i.e. Average Capital Employed x WACC) (4 x 5)	3,000 x 21.70% = 651.00	3,500 x 22.58% = 790.30	4,000 x 24.79% = 991.60
(vii) Operating Profit before Taxes & Interest	**850.00**	**1,250.00**	**1,600.00**
(viii) **Less:** Taxes Paid	80.00	70.00	120.00
(ix) Operating Profit after Taxes (This is the	770.00	1,180.00	1,480.00
(x) Capital Charge (computed in 6 above)	651.00	790.30	991.60
(xi) Economic Value Added (9 - 10)	**119.00**	**389.70**	**488.40**
(xii) EVA as a % of Average Capital Employed	**3.96%**	**11.13%**	**12.21%**

(d) C Ltd. grants 100 stock options to each of its 1,000 employees on 01.4.2012 for ₹20, depending upon the employees at the time of vesting of options. The market price of the share is ₹50. These options will vest at the end of year 1 if the earning of C Ltd. is 16%, or it will vest at the end of the year 2 if the average earning of two years is 13%, or lastly it will vest at the end of the third year if the average earning of 3 years will be 10%. 5000 unvested options lapsed on 31.03.2013. 4000 unvested options lapsed on 31.03.2014 and finally 3500 unvested options lapsed on 31.03.2015.

Following is the earning of C Ltd.

Year ended on	**Earnings (in %)**
31.03.2013	**14%**
31.03.2014	**10%**
31.03.2015	**7%**

850 employees exercised their vested options within a year and remaining options were unexercised at the end of the contractual life. Pass Journal entries for the above. [10]

Answer:

Journal Entries

Date	Particulars	₹	₹
31.03.2013	Employees compensation expenses A/c Dr.	14,25,000	
	To ESOS outstanding A/c		14,25,000
	(Being compensation expense recognized in respect of the ESOP i.e. 100 options each granted to 1000 employees at a discount of ₹30 each, amortised on st. line basis over vesting years – Refer working note)		
31.03.2013	Profit and Loss A/c Dr.	14,25,000	
	To Employees compensation expenses A/c		14,25,000
	(Being compensation expenses charged to Profit & loss A/c)		

31.03.2014	Employees compensation expenses A/c Dr.	3,95,000	
	To ESOS outstanding A/c		3,95,000
	(Being compensation expense recognized in respect of the ESOP-Refer working note)		
31.03.2014	Profit and Loss A/c Dr.	3,95,000	
	To Employees compensation expenses A/c		3,95,000
	(Being compensation expenses charged to Profit & loss A/c)		
31.03.2015	Employees compensation expenses A/c Dr.	8,05,000	
	To ESOS outstanding A/c		8,05,000
	(Being compensation expense recognized in respect of the ESOP-Refer working note)		
31.03.2015	Bank A/c (85,000 × ₹20) Dr.	17,00,000	
	ESOS outstanding A/c Dr.	25,50,000	
	[(26,25,000/87,000)× 85,000)]		
	To Equity share capital (85,000 × ₹10)		8,50,000
	To Securities premium A/c (85,000 × ₹40)		34,00,000
	(Being 85,000 options exercised at an exercise price of ₹50 each)		
	Profit & loss A/c Dr.	8,05,000	
	To Employees compensation expenses A/c		8,05,000
	(Being compensation expenses charged to Profit & Loss A/c)		
	ESOS outstanding A/c Dr.	75,000	
	To General Reserve A/c		75,000
	(Being ESOS outstanding A/c on lapse of 2,500 options at the end of exercise of option period transferred to General Reserve A/c)		

Working Note:

Statement showing compensation expenses to be recognized

Particulars	Year1(31.03.2013)	Year2(31.03.2014)	Year3(31.03.2015)
Expected vesting period(at the end of the year)			
Number of options expected to vest	95,000 options	91,000 options	87,500 options
Total compensation expenses accrued @30 (i.e. 50-20)	₹28,50,000	₹27,30,000	₹26,25,000
Compensation expenses of the year	28,50,000 × ½=₹14,25,000	27,30,000 × 2/3=₹18,20,000	₹26,25,000
Compensation expenses recognized previously	NIL	₹14,25,000	₹18,20,000
Compensation expenses to be recognized for the year	₹14,25,00	₹3,95,000	₹8,05,000

Question No. 5 (Answer any three):

(a) Discuss the structure of Indian Government Accounting Standards Advisory Board. [5]

(b) State the objective and scope of Indian Government Accounting Standard 1 (Guarantees given by Governments: Disclosure Requirements) [5]

(c) State the benefits of Cash Flow Information as per Indian Government Accounting Standard 3 (Cash Flow Statements) [5]

(d) Discuss about 'Voted & Charged Expenditure'. [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 1 (Guarantees given by governments: Disclosure Requirements)

Objective:

The objective of this Standard is to set out disclosure norms in respect of Guarantees given by the Union and the State Governments in their respective Financial Statements to ensure uniform and complete disclosure of such Guarantees.

Scope:

This Standard applies to preparation of the Statement of Guarantees for inclusion and presentation in the Financial Statements of the Governments. Financial Statements should not be described as complying with this Standard unless these comply with all its requirements.

The Authority in the Government which prepares the Statement of Guarantees for inclusion and presentation in the Financial Statements shall apply this Standard. The Accounting Authority is responsible for inclusion and presentation of the Statement of Guarantees in the Financial Statements as provided by the Authority in the Government.

(c)

Benefits of Cash Flow Information

The Cash Flow Statement provides benefit to the users by giving information about the cash flows of a Government to predict the future cash requirements of the Government. The Cash Flow Statement also gives information about Government's ability to generate cash flows in the future and to determine the changes in the scope and nature of its activities. A Cash Flow Statement also provides the Government means to discharge its accountability for cash inflows and cash outflows during the reporting period.

A cash flow statement, when used in conjunction with other financial statements, provides information that enables users to evaluate the changes in its financial structure (including its liquidity and sustainability) and its ability to affect the amounts of cash flows in order to adapt to changing circumstances and opportunities.

Historical cash flow information is often used as an indicator of the amount, timing and certainty of future cash flows. It is also useful in checking the accuracy of past assessments of future cash flows.

(d)

Voted & Charged Expenditure

- The estimates of expenditure embodied in the annual financial statement shall show separately
  - the sums required to meet expenditure described by this constitution as expenditure charged upon the Consolidated Fund of India and
  - the sums required to meet other expenditure proposed to be made from the Consolidated Fund of India

Estimates relating to charged expenditure not to be submitted to the vote of Parliament.

- Each house competent to discuss such estimates.
- Estimates relating to other expenditure to be submitted in the form of demands for grants to the house of the People
- House of People shall have power to
  - assent
  - refuse to assent to any demand
  - assent to any demand subject to reduction.
- Expenditure on and related to
  - The President & his office
  - Chairman, Deputy Chairman of the Council of States
  - Speaker, Deputy Speaker of House of People
  - Judges of Supreme Court & High Court
  - Comptroller & Auditor General of India

- Debt liability of GOI and related charges
- Sums required to satisfy a Judgment, decree, award
- Any other expenditure declared by Parliament