# Paper 17- Corporate Financial Reporting

# Paper 17- Corporate Financial Reporting

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

## Section – A

**Answer the following questions.**

1. **Choose the most appropriate answer from the four alternatives given: (1 Mark for right choice & 1 Mark for justification): [2x10=20]**

**(i)** A _______________ ____________ reports on a company's cash flow activities, particularly its operating, investing and financing activities.
A. Balance Sheet
B. Cash Flow Statement
C. Notes to Accounts
D. None of the above

**(ii)** Cost of Inventory includes the following except __________________.
A. Cost of purchase
B. Cost of conversion
C. Cost of Sale
D. Both A. and B.

**(iii)** The GST replaced the following taxes levied and collected by the Centre
A. Central Excise duty
B. Service Tax
C. Income Tax
D. Both A. and B.

**(iv)** Accounting and Classification of Grants-in-aid is IGAS _________
A. 7
B. 9
C. 2
D. None of the above

**(v)** Corporate sustainability reporting helps companies to__________
A. assess and manage their sustainability impacts
B. report their contributions to sustainable development
C. improve governance
D. All of the above

**(vi)** Super Profit (Computed) : ₹ 9,00,000
Normal rate of return : 12%
Present value of annuity of ₹1 for 4 years @ 12% : 3.0374
Value of Goodwill is —
A. ₹2,96,306
B. ₹1,08,000
C. ₹27,33,660
D. None of the above

**(vii)** Viplab Ltd. acquires 100% of B Ltd. for ₹9,60,000. Fair Value (FV) of B's net assets at time of acquisition amounts ₹ 8,00,000. Calculate Goodwill as per Ind AS 103.
A. ₹9,60,000
B. ₹1,60,000

C. ₹17,60,000
D. ₹8,00,000

**(viii)** A company having investments in associates or joint ventures prepares consolidated financial statements using equity method of accounting as per Ind AS ________; in addition it shall also prepare separate financial statements as per Ind AS ____________.

A. 28,27;
B. 27,28;
C. 23,27;
D. None of the above

**(ix)** A joint arrangement is an arrangement of which two or more parties have joint _____________.

A. Control
B. Interest
C. Account
D. None of the above.

**(x)** Which of the following is/are the responsibility/ responsibilities of GASAB?

A. To formulate and propose standards that improve the usefulness of financial reports
B. To keep the standards current and reflect change in the Governmental environment
C. To provide guidance on implementation of standards
D. All of the above

**Section – B**
**Answer any five questions out of seven questions.**

**[16x5=80]**

**2. (a) (i)** State how you will deal with the following matter in the accounts of Utsav Ltd for the year ended 31st March 2018 with reference to Accounting Standard:
"The company had spent ₹ 90 lakhs for publicity and research expenses on one of its new consumer product, which was marketed in the accounting year 2017-2018, but proved to be a failure". **[2]**

**(ii)** A Company has a spare part, which it terms as 'insurance spare', is required to be used along with equipment. Whether the spare part is required to be recognised as part of that equipment at the time AS-10 becomes applicable first time? Whether depreciation is required to be calculated separately for that spare part or along with the equipment for which it has been used? **[6]**

**(b)** Diamond Ltd. supplied the following information:

| | |
|---|---|
| Net profit for 2016 – 17 | ₹33 lakh |
| Net profit for 2017 – 18 | ₹49.50 lakh |
| No. of shares before rights issue | 1,65,000 |
| Rights issue ratio | One for every four held |
| Right issue price | ₹270 |
| Date of Exercising rights option | 30th June, 2017 (Fully Subscribed on this date) |
| Fair value of share before rights issue | ₹405 |

You are required to compute:

(i) Basic earnings per share and

**(ii)** Adjusted earnings per share as per AS- 20. **[8]**

**3. (a)** Discuss the scope of Ind AS 104: Insurance Contracts. **[8]**

**(b)** Entity T acquired 30 % of Entity B at 31-03-20X1 for ₹9,000 and accounted investments under equity method. At 31-03-20X2, T recognized share of Net Asset changes in B as follows: Share of Profit and Loss amounted to ₹600 and share of OCI amounted ₹ 300.

At 01-04-20X2, T further acquired 40% stake in B. Consideration paid ₹13,600 by equity shares issued at par. Entity T identifies the net assets of B as ₹32,000, Fair value of investment in 30% shares ₹10,200. NCI is valued at Fair Value.

Show workings and Journal entries. **[8]**

**4. (a) (i)** Application of equity method – discuss. **[3]**

**(ii)** List the items that an entity shall disclose for each of its subsidiaries that have non-controlling interests which are material to the reporting entity. **[7]**

**(b)** C Ltd acquires 60% share in D Ltd. for cash payment of ₹300,000. This amount was determined with reference of market price of D's ordinary shares before the acquisition date.

Calculate NCI and goodwill following:

(i) Fair Value approach

(ii) Proportionate shares of identified net asset in acquiree approach when on the acquisition date, the aggregate value of D's identifiable net assets is:

(a) ₹4,40,000;

(b) ₹5,30,000. **[6]**

**5.** The following are the extract of Balance Sheet of H company and S Company as on 31.03.2016

(in ₹)

| Liabilities | H | S | Assets | H | S |
|---|---|---|---|---|---|
| Share Capital @ ₹ 10 each | 20,000 | 10,000 | Fixed Assets (Tangible) | 30,000 | 15,000 |
| General Reserve | 10,000 | 5,000 | Current Assets | 35,000 | 25,000 |
| P/L A/c (1.4.15) | 5,000 | 4,000 | Shares in S Ltd. (8000) | 10,000 | |
| 12% Debenture | 20,000 | 10,000 | | | |
| S. creditors | 10,000 | 5,000 | | | |
| Profit for the year | 10,000 | 6,000 | | | |
| | 75,000 | 40,000 | | 75,000 | 40,000 |

H Limited acquired shares in S Limited on 01-10-2015. S limited has a balance of ₹ 4,000 in General Reserve on 01.04.2015. On the account fire goods costing ₹ 2,000 of S Limited were destroyed in June, 2015. The loss has been charged to the Profit and Loss Account for the year. Required to prepare a consolidated Balance Sheet. **[16]**

**6.** **(a)** On 31st March, 2017 the balance sheet of IQ Ltd. was as follows:

| Equity and Liabilities | ₹ |
|---|---|
| (1) Shareholders' Funds: | |
| Share Capital Authorise and Issued 5,000 Equity Shares of ₹100 each fully paid | 5,00,000 |
| Reserves & Surplus – Profit and Loss A/c | 1,03,000 |
| (2) Current Liabilities: | |
| Trade Payables – Sundry Creditors | 77,000 |
| Other Current Liabilities (Bank Overdraft) | 20,000 |
| Short-term provisions | 45,000 |
| Total | 7,45,000 |
| Assets | |
| (1) Non-Current Assets: | |
| Fixed Assets:<br>Tangible Assets | |
| - Land & Building | 2,20,000 |
| - Plant & Machinery | 95,000 |
| (2) Current Assets: | |
| Inventories | 2,75,000 |
| Trade Receivables | 1,55,000 |
| Total | 7,45,000 |

The net profits of the company, after deducting all working charges and providing for depreciation and taxation, were as under:

| Year ended 31st March | ₹ |
|---|---|
| 2013 | 85,000 |
| 2014 | 96,000 |
| 2015 | 90,000 |
| 2016 | 1,00,000 |
| 2017 | 95,000 |

On 31st March,2017 , Land and Buildings were valued at ₹2,50,000 and Plant and Machinery ₹1,50,000.

In view of the nature of business, it is considered that 10% is a reasonable return on tangible capital.

Compute the value of the company's shares after taking into account the received values of fixed assets and the valuation of goodwill based on five year's purchase of the super profit based on the average profit of the last five years. **[8]**

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

By the end of year 1, 12 employees have left and the entity still expects that a total of 32 employees will leave by the end of year 3. In year 1, revenue has increased by 12 per cent and the company expects this rate of increase to continue over the next 2 years. By the end of year 2, a further 10 employees have left, bringing the total to 22 to date. The entity now expects only 5 more employees will leave during year 3, and therefore expects a total of 27 employees will have left during the three-year period. Revenue in year 2 increased by 18 per cent, resulting in an average of 15 per cent over the two years. By the end of year 3, a further 8 employees have left. The revenue increased by an average of 16 per cent per year in the three year period.Compute remuneration expenses to be recognized in the annual accounting as per Ind AS 102. **[8]**

7. **(a) (i)** Give four examples of Financial Assets. **[4]**
   **(ii)** State the exceptions of applicability of Ind AS 107. **[5]**

   **(b)** Write a note on disclosure requirement of IGAS 1. **[7]**

8. **Write short notes on *any four* of the following:** **[4x4=16]**
   **(a)** CSR Activities;
   **(b)** Benefits of Sustainability Reporting;
   **(c)** Objectives of Government Accounting;
   **(d)** Financial Lease;
   **(e)** Type of Joint Arrangement.