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

Answer:

B — Cash Flow Statement

A Cash Flow Statement reports on a company's cash flow activities, particularly its operating, investing and financing activities.

(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.

Answer:

C — Cost of Sale

Cost of Inventory consists:

1. Cost of purchase
2. Cost of conversion
3. Other costs incurred in bringing the inventories to their present location and condition.

(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.

Answer:

D — Both A. and B.

The GST replaced the following taxes levied and collected by the Centre

a. Central Excise duty
b. Duties of Excise (Medicinal and Toilet Preparations)
c. Additional Duties of Excise (Goods of Special Importance)

d. Additional Duties of Excise (Textiles and Textile Products)
e. Additional Duties of Customs (commonly known as CVD)
f. Special Additional Duty of Customs (SAD)
g. Service Tax
h. Central Surcharges and Cesses so far as they relate to supply of goods and services

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

Answer:

D — Accounting and Classification of Grants-in-aid is IGAS 2.

(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

Answer:

D — All of the above

Corporate sustainability reporting helps companies:
- assess and manage their sustainability impacts,
- report their contributions to sustainable development
- integrate sustainability into their business strategies
- identify and manage sustainability risks,
- improve governance and
- enhance reputation

(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

Answer:

C. — ₹27,33,660

Value of goodwill = Super profit × P.V of Annuity of ₹ 1for 4 years @ 12% = ₹ 9,00,000 × 3.0374 = ₹ 27,33,660.

(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

Answer:

C. — ₹1,60,000

Purchase consideration ₹ 9,60,000
FV of Net Assets ₹8,00,000

Goodwill = Consideration – Net Assets = ₹ (9,60,000– 8,00,000) = ₹1,60,000

(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

Answer:

A — 28,27.

A company having investments in associates or joint ventures prepares consolidated financial statements using equity method of accounting as per Ind AS 28; in addition it shall also prepare separate financial statements as per Ind AS 27.

(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.

Answer:

A — Control

A joint arrangement is an arrangement of which two or more parties have joint control. (Ind AS 111).

(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

Answer:

D — All of the above.

GASAB, inter alia, has the following responsibilities:

1. To formulate and improve standard of Government accounting and financial reporting in order to enhance accountability mechanisms.
2. To formulate and propose standards that improve the usefulness of financial reports based on the needs of the users.
3. To keep the standards current and reflect change in the Governmental environment.

4. To provide guidance on implementation of standards.
5. To consider significant areas of accounting and financial reporting that can be improved through the standard setting process.
6. To improve the common understanding of the nature and purpose of information contained in the financial reports.

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]

Answer:

As per AS-26 "Intangible Assets" research cost is to be expensed when incurred.

Further no intangible assets is created on account of publicity cost incurred on product proved to be a failure, therefore publicity expenses also to be expensed.

₹ 90 lakhs spent on publicity and research to be expensed in the year 2017-2018.

(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]

Answer:

As per transitional provisions of AS-10, where on the date of this Standard becoming mandatory, the spare parts, which hitherto were being treated as inventory under AS-2, Valuation of Inventories, and are now required to be capitalised in accordance with the requirements of this Standard, should be capitalised at their respective carrying amounts. The spare parts so capitalized should be depreciated over their remaining useful lives prospectively as per requirements of this AS.

Therefore, if an item of spare part meets the definition of 'property, plant and equipment' and satisfies the recognition criteria as per AS-10, such an item of spare part has to be recognised as property, plant and equipment separately from the equipment at their respective carrying amounts. If that spare part does not meet the definition and recognition criteria that spare part is to be recognised as inventory.

In determination of the balance useful life of the spare part, the life of the machine in respect of which it can be used can be one of the determining factors. The depreciation will be calculated on the remaining useful life of the spare part so capitalized prospectively.

(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]**

Answer:

(a) Basic EPS: Profit available to equity shareholders/ No. of shares

	2016 – 2017	2017 – 2018
Basic EPS	$\frac{33,00,000}{1,65,000}$ = ₹20 per share	$\frac{49,50,000}{1,65,000}$ = ₹30 per share
Adjusted earnings per share	$\frac{33,00,000}{1,65,000 \times 1.070}$ = ₹18.69 per share	$\frac{49,50,000}{(1,65,000 \times 1.07 \times 0.25)+(2,06,250 \times 0.75)}$ $= \frac{49,50,000}{1,98,825}$ = ₹24.90 per share
Right factor = $\frac{\text{Fair value per share prior to right issue}}{\text{Theoretical ex-right fair value per share}}$	405/378 = 1.071	

Right factor:

Theoretical Ex-right

$$\text{Fair Value} = \frac{\text{Aggregate fair Value of share prior to right issue + Proceeds from right issue}}{\text{No. of shares outstanding after right issue}}$$

$$= \frac{(₹405 \times 1,65,000)+(₹270 \times 41,250)}{2,06,250} = \frac{7,79,62,500}{2,06,250}$$

= ₹378.

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

Answer:

An entity shall apply this Ind AS to:

(a) insurance contracts that it issues and reinsurance contracts that it holds.
(b) financial instruments that it issues with a discretionary participation feature.

Ind AS 107, Financial Instruments: Disclosures, requires disclosure about financial instruments, including financial instruments that contain such features.

This Ind AS does not address other aspects of accounting by insurers, such as accounting for financial assets held by insurers and financial liabilities issued by insurers.

An entity shall not apply this Ind AS to:

(a) product warranties issued directly by a manufacturer, dealer or retailer.
(b) employers' assets and liabilities under employee benefit plans and retirement benefit obligations reported by defined benefit retirement plans.
(c) contractual rights or contractual obligations that are contingent on the future use of,

or right to use, a non-financial item, as well as a lessee's residual value guarantee embedded in a finance lease.

(d) financial guarantee contracts unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts.

(e) contingent consideration payable or receivable in a business combination.

(f) direct insurance contracts that the entity holds. However, a cedant shall apply this Standard to reinsurance contracts that it holds.

(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]**

Answer:

WN 1.

Investment at cost	₹9,000
Share of Net Asset Change ₹(600+300)	₹ 900
Carried amount at 31-03-20X2	= ₹ 9,900
Fair Value at 01-04-20X2	₹10,200

WN 2. A will make transfer to P&L:

Gain on disposal of 30% investment ₹ (10,200 – 9,900)	= ₹300
Gain previously reported in OCI	= ₹300
Total transfer to P & L	= ₹ 600

WN 3. A will measure goodwill as follows:

Fair Value of consideration given for controlling interest	₹13,600
Non-controlling interest at Fair Value (30%/40% × ₹13,600)	₹10,200
Fair Value of previously-held interest	₹10,200
	₹34,000
Less : Fair value of net assets of acquiree	₹32,000
Goodwill	**₹2,000**

Journal Entries in the books of T

Particulars		**Dr. (₹)**	**Cr. (₹)**
Investment A/c	Dr.	300	
OCI A/c	Dr.	300	
To, P&L A/c			600
Net Assets A/c	Dr.	32,000	
Goodwill A/c	Dr.	2,000	

To, Consideration A/c To, Investment A/c To, NCI A/c			13,600 10,200 10,200
Consideration A/c To, Equity Share Capital A/c	Dr.	13,600	 13,600

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

Answer:

- An entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method.
- An entity shall discontinue the use of the equity method from the date when its investee is no more an associate or a joint venture.
- An investment in an associate or a joint venture shall be accounted for in the entity's separate financial statements in accordance with paragraph 10 of Ind AS 27.

(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]

Answer:

An entity shall disclose the following for each of its subsidiaries that have non-controlling interests which are material to the reporting entity:

(a) the name of the subsidiary.
(b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary.
(c) the proportion of ownership interests held by non-controlling interests.
(d) the proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held.
(e) the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period.
(f) accumulated non-controlling interests of the subsidiary at the end of the reporting period.
(g) summarised financial information about the subsidiary.

(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]

Answer:

	(ia) ₹	(ib) ₹	(iia) ₹	(iib) ₹
Consideration (1)	3,00,000	3,00,000	3,00,000	3,00,000

NCI (2) 300000*40/60 = 200000	2,00,000	2,00,000	176,000x	2,12,000y
Net assets (3)	4,40,000	5,30,000	4,40,000	5,30,000
Goodwill (1+2-3)	60,000		36,000	
Gain on Bargain Purchase (3-1-2)		30,000		18000

x 40% × 440000 = 176,000

y 40% × 530000 = 212,000

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]

Answer:

Working Notes:

1. Date of Acquisition: 01.10.2015
2. Holding Company Share: 800/1000 ×100 = 80%
3. Non-Controlling Interest (NCI): 200/1000×10 =20%
4. Analysis of profit (of S)

Particulars	Pre-acquisition Profit	Post-Acquisition Profit
General Reserve of 01.04.15	4000.00	-
Profit & Loss of 01.04.15	4000.00	-
Profit for the year [9,000] #	4500.00	4500.00
	12500.00	4500.00
Less: Loss on fire in June	–2000.00	-
Other Equity at acquisition	10500.00	4500.00
Holding Company's share (80%)		3600.00*

NCI share (20%)		900.00$

# Profit for the year	6,000
Adj for loss on fire	2,000
Transfer to Reserve	1,000
	9,000

5. fair value of net assets identified

Equity Share Capital of S	10,000
Other Equity at acquisition	10,500
Total Equity representing fair value of net assets =	20,500

6. **Gain on Bargain Purchase**

Net asset identified		20,500
Less: NCI at acquisition [20% × 20,500]	4,100 *	
Less: Consideration for acquiring control	10,000	14,100
Gain on Bargain Purchase		**6,400**

7. NCI at reporting date = NCI at acquisition + NCI share in Post-acquisition profit
= 4,100 (*) + 900 ($)
= 5,000

Name of the Company: H Ltd.
Consolidated Balance Sheet as at 31st March, 2016

Ref No.	Particulars	Note No.	As at 31st March, 2016 (`)
	ASSETS		
1	**Non-current assets**		
	(a) PPE	4	45,000.00
2	**Current assets**		
	(a) Other current assets	5	60,000.00
	TOTAL (4+5)		105,000.00
A	**EQUITY AND LIABILITIES**		
1	**Equity**		
	(a) Equity Share capital		20,000.00
	(b) Other Equity	1	35,000.00
	(c) NCI		5,000.00
4	**Non-current liabilities**		
	(a) Long-term borrowings (10% debentures)	2	30,000.00
5	**Current liabilities**		
	(a) Trade payables	3	15,000.00

B	TOTAL (1+2+3)		105,000.00

Note: Relevant items of Assets/ Liabilities are reflected in Balance Sheet as per Div II of Schedule III. Hence sub-item not having any value for the given illustration is not shown/ represented in Balance Sheet.

Note 1. Other Equity			Note 2. Long Term Borrowings	
	Current Year	**Previous Year**		**Current Year**
General Reserve	10,000.00	-	12% Debenture	
P/L A/c	-	-	H	20,000.00
H	15,000.00	-	S	10,000.00
S	3,600.00*	-		30,000.00
Gain on Bargain Purchase	6,400.00	-		
	35,000.00	-		

Note 3. Trade Payable			Note 4. Tangible Assets	
	Current Year	**Previous Year**		**Current Year**
H	10,000.00	-	H	30,000.00
S	5,000.00	-	S	15,000.00
	15,000.00	-		45,000.00

Note 5. Other Current Assets	
	Current Year
H	35,000.00
S	25,000.00
	60,000.00

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: **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]

Answer:

Valuation of shares

Particulars	**₹**
Net tangible assets	6,88,000
Add: Goodwill	1,22,000
Net assets available to equity shareholders	8,10,000
Number of shares outstanding	5,000
Value per share	162.00

Net tangible assets or Net trading assets

Particulars	**₹**	**₹**
A. Assets		
(i) Land and Buildings	2,50,000	
(ii) Plant and Machinery	1,50,000	
(iii) Stock	2,75,000	
(iv) Sundry Debtors	1,55,000	8,30,000
B. Less: Liabilities		
(i) Bank Overdraft	20,000	
(ii) Creditors	77,000	
(iii) Provision for taxation	45,000	(1,42,000)
C. Net Tangible Assets	**6,88,000**	

Future Maintainable Profit:

$$\text{Average profits of 5 years} = \frac{85,000 + 96,000 + 90,000 + 1,00,000 + 95,000}{5}$$

$$= \frac{4,66,000}{5} = ₹93,200$$

Valuation of Goodwill (Super Profit Method)

	Particulars	₹
(i)	Capital Employed	6,88,000
(ii)	NRR	10%
(iii)	Normal profit	68,800
(iv)	Future maintainable profit	93,200
(v)	Super profits (D – C)	24,400
(vi)	Number of years of purchase	5 years
(vii)	Goodwill (E – F)	1,22,000

(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]

Answer:

Year	Calculation (#)	Cumulative remuneration expense (₹)	Remuneration expense for the year (₹)
1	168×240×40×1/3	5,37,600	5,37,600
2	173×360×40×2/3	16,60,800	11,23,200
3	170×360×40×3/3	24,48,000	7,87,200

#	At the end of		No. of employee	No. of share options	
	Year	1	200 – (32) = 168	240	since revenue increase is 12% (10 - 15)%
	Year	2	200 – (22 + 5) = 173	360	since revenue increase is 18% (>15%)
	Year	3	200 – (22 + 8) = 170	360	since revenue increase is 16% (>15%)

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

Answer:

(i) Examples of financial assets:

(a) Cash: Cash is by definition a financial asset. It includes cash held in foreign currency.
(b) An equity instrument of another entity: Suppose X purchases 200 shares in Y, the investment will meet the definition of financial asset.
(c) a contractual right to receive cash or another financial asset from another entity: A simple example of such an asset is trade receivable as it represents contractual right to receive cash.
(d) a contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity: Example of such an asset is a contract held by an entity to buy 100 kg oranges for ₹ 100/kg while the current selling price of oranges is ₹ 120/kg.

(ii) This Standard shall be applied by all entities to all types of financial instruments except those specified in the standard:
- Interests in subsidiaries, associates and joint ventures
- Leasing commitments
- Employee benefits
- Financial instruments resulting in business combination
- Insurance contracts

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

Answer:

Disclosure requirement of GAS – 1:

The Financial Statements of the Union Government, the State Governments and the Union Territory Governments (with legislature) shall disclose the following:
- maximum amount for which Guarantees have been given during the year, additions and deletions (other than invoked during the year) as well as Guarantees outstanding at the beginning and end of the year;
- amount of Guarantees invoked and discharged or not discharged during the year:
- details of Guarantee commission or fee and its realisation; and
- other material details.

The Financial Statements of the Union Government, the State Governments and the Governments of Union Territories (with legislature) shall disclose in the notes the following details concerning class or sector of Guarantees:

- limit, if any, fixed within which the Government may give Guarantee;
- whether Guarantee Redemption or Reserve Fund exists and its details including disclosure of balance available in the Fund at the beginning of the year, any payments made and balance at the end of the year;
- details of subsisting external foreign currency guarantees in terms of Indian rupees on the date of Financial Statements;
- details concerning Automatic Debit Mechanism and Structured Payment Arrangement, if any;
- whether the budget documents of the Government contain details of Guarantees:
- details of the tracking unit or designated authority for Guarantees in the Government; and
- other material details.

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

Answer:

(a) CSR Activities:

Following are the activities which may be included by the company in their CSR Policy as per Schedule VII of the Companies Act, 2013:

(i) Eradicating extreme hunger and poverty;
(ii) Promotion of education;
(iii) Promoting gender equality and empowering women;
(iv) Reducing child mortality and improving maternal health;
(v) Combating HIV, AIDS, malaria and other diseases;
(vi) Ensuring environmental sustainability;
(vii) Employment enhancing vocational skills;
(viii) Social business projects;
(ix) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
(x) Such other matters as may be prescribed.

(b) Benefits of Sustainability Reporting:

Internal benefits for companies and organizations can include:

- Increased understanding of risks and opportunities
- Enhanced link between financial and non-financial performance
- More focus on 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

External benefits of sustainability reporting can include:

- Mitigating – or reversing – negative environmental, social and governance impacts
- Improving reputation and brand loyalty
- Enhanced perception on organisation's value

Sustainability reporting does also have the potential to deliver financial returns and related competitiveness benefits. It contributes to positive results in both financial and non-financial areas including reputation and brand, human resources, and risk management, good governance, business climate, supply chain, social and environmental matters.

(c) Objectives of Government Accounting

The objectives of government accounting are the financial administration of the activities of the government to promote maximisation of welfare in the form of various services. The specific objectives can be stated as under:

1. To record financial transactions of revenues and expenditure relating to the government organizations.
2. To provide reliable financial data and information about the operation of public

fund.
3. To record the expenditures as per the appropriate Act, Rules, and legal provisions as set by the government.
4. To avoid the excess expenditures beyond the limit of the budget approved by the government.
5. To help in the preparation of various financial statements and reports.
6. To facilitate the auditing by the concerned government department.
7. To prevent misappropriation of government properties by maintaining the systematic records of cash and store items.
8. To facilitate for estimating the annual budget by providing historical financial data of government and expenditures.

(d) Financial Lease

It is a lease, which transfers substantially all the risks and rewards incidental to ownership of an asset to the Lessee by the Lessor but not the legal ownership. In following situations, the lease transactions are called Finance Lease.

- The lessee will get the ownership of leased asset at the end of the lease term.
- The lessee has an option to buy the leased asset at the end of term at price, which is lower than its expected fair value at the date on which option will be exercised.
- The lease term covers the major part of the life of asset.
- At the beginning of lease term, present value of minimum lease rental covers substantially the initial fair value of the leased asset.
- The asset given on lease to lessee is of specialized nature and can only be used by the lessee without major modification.

(e) An entity shall determine the type of joint arrangement in which it is involved. A joint arrangement is either a joint operation or a joint venture.

The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.