

**Paper 17- Corporate Financial Reporting**

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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) FF Ltd. Has three segments namely M, N and O. The total assets of the company are ₹ 10.00 Crs. Segment M has ₹4.00 Crs. Segment N has ₹6.00 Crs. and Segment O has ₹10.00 Crs. Deferred tax assets included in the assets of each segments are M – ₹1.00 Crs. N- ₹ 0.80 Crs. O- ₹ 0.60 Crs. Which of the following is/are reportable segment/s?
- A. M & N  
B. N  
C. M & O  
D. M,N & O
- (ii) Net profit for 2020-21: ₹ 18,00,000; Net profit for 2021-22: ₹60,00,000; Equity shares as on 31.12.21: ₹20,00,000. Bonus issued on 1.1.22 is 2 equity shares for each Equity Share outstanding at 31.12.22 i.e. ₹40,00,000. Compute the EPS for 2021-22 and the Adjusted EPS of 2020-21.
- A. ₹3.00, ₹0.30  
B. ₹1.00, ₹0.90  
C. ₹1.00, ₹1.00  
D. ₹1.00, ₹0.30
- (iii) A Ltd. acquires B Ltd. for ₹ 9,60,000. Fair Value (FV) of B's net assets at time of acquisition amounts ₹ 8,00,000. Calculate Goodwill.
- A. ₹1,60,000  
B. ₹80,000  
C. ₹9,60,000  
D. ₹8,00,000
- (iv) An entity sold a machinery (Book Value ₹2,00,000) for ₹1,44,000. The loss of ₹56,000 debited to the Profit & Loss Account. ₹1,44,000 will be classified as Cash flow from \_\_\_\_\_.
- A. Investing Activity  
B. Operating Activity  
C. Financing Activity  
D. None of the above
- (v) Which of the following is not a feature of Government Accounting?
- A. Reporting of utilisation of public funds  
B. Double Entry System  
C. Non- fund Based Accounting  
D. Both A and B

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- (vi) A Ltd. acquires 100% of B Ltd. for ₹4,80,000. Fair Value (FV) of B's net assets at time of acquisition amounts ₹ 4,00,000. Goodwill is \_\_\_\_\_
- A. ₹4,00,000
  - B. ₹4,80,000
  - C. ₹80,000
  - D. None of the above
- (vii) Which of the following is/are not an objective of Government Accounting?
- A. To record financial transactions of revenues and expenditure relating to the Government organizations
  - B. To record the expenditures as per the appropriate Act, Rules, and legal provisions as set by the Government.
  - C. To accommodate the excess expenditures beyond the limit of the budget approved by the Government
  - D. To help in the preparation of various financial statements and reports.
- (viii) In case of exemption from consolidation or use of equity method, an entity shall disclose \_\_\_\_\_
- A. that the financial statements are separate financial statements
  - B. a list with details of investments in subsidiaries, joint ventures and associates.
  - C. Both A and B
  - D. None of the above
- (ix) Ind AS 32 provides rules for classification of a financial instrument into \_\_\_\_\_.
- A. Financial asset
  - B. Financial liability
  - C. Equity instrument
  - D. All of the above
- (x) Which of the following activities may be included by the company in their CSR Policy as per Schedule VII of the Companies Act, 2013?
- A. Eradicating extreme hunger and poverty
  - B. Promotion of education
  - C. Employment enhancing vocational skills
  - D. All of the above

### Section – B

**Answer any five questions out of seven questions.**

**[16x5=80]**

2. (a) Enumerate the users of Financial Statement and what information they require from a Financial Statement? **[6]**
- (b) (i) List the disclosures to be made as per AS 18 – Related Party Disclosures?
- (ii) P Ltd. holds 75% of voting power of Q Ltd. and Q Ltd. owns 50% voting interest in R Ltd. Further, P Ltd. also holds 25% of the voting interest in R Ltd. Would P Ltd. deem to have control over R Ltd. or would it only be considered as exercising significant influence as per AS 18? **[6+4=10]**

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3. (a) (i) As per Ind AS 116 what a lessor needs to disclose?  
(ii) A loss of ₹8,00,000 on account of embezzlement of cash was suffered by the Company and it was debited to Salary Account, discuss in the context of Ind AS 1.

**[4+2=6]**

- (b) The summarized Balance Sheet of PP Ltd. and QQ Ltd. as at 31st March, 2022 were as under:

Particulars	PP Ltd. (₹)	QQ Ltd. (₹)
Fully paid up equity shares of ₹ 10 each	10,00,000	6,00,000
Share Premium Account	2,00,000	—
General Reserve	2,60,000	2,50,000
Profit and Loss Account	1,80,000	1,60,000
10% Debentures	5,00,000	—
Secured Loan	3,00,000	3,00,000
Sundry Creditors	—	1,70,000
	24,40,000	14,80,000
Land and Buildings	9,00,000	4,50,000
Plant and Machinery	5,00,000	3,80,000
Investments (5,000 shares in QQ Ltd.)	80,000	—
Stock	5,20,000	3,50,000
Debtors	4,10,000	2,60,000
Bank	30,000	40,000
	24,40,000	14,80,000

RR Ltd., an existing company took over both PP Ltd. and QQ Ltd.

- (i) The shares of PP and QQ are to be valued as under:
- PP Ltd. — ₹ 18 per share  
QQ Ltd. — ₹ 20 per share
- (ii) A contingent liability of PP Ltd. of ₹ 60,000 is to be treated as real liability.
- (iii) The shareholders of PP Ltd. and QQ Ltd. are to be paid by issuing sufficient number of shares of RR Ltd. at par.
- (iv) The shares of RR Ltd. are issued at ₹10 each.

Required:

- I. Show the computation of the number of shares RR Ltd. will issue to the shareholders of PP Ltd. and QQ Ltd.
- II. Pass the journal entries in the books of RR Ltd.

**[10]**

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4. (a) List the main objectives of Ind AS 110.

[6]

(b) (i) X Ltd. agreed to takeover Y Ltd. as on 1 October, 2022. No Balance Sheet of Y Ltd. was prepared on that date. Summarised Balance Sheets of X Ltd. and Y Ltd. as at 31st March, 2022 were as follows:

Liabilities	X Ltd (₹)	Y Ltd (₹)	Assets	X Ltd (₹)	Y Ltd (₹)
Equity of ₹10 each fully paid	20,00,000	15,00,000	Fixed assets	15,50,000	12,60,000
Reserves and Surplus:			Current Assets:		
Reserve	3,60,000	3,17,500	Stock	5,35,500	3,81,500
Profit & Loss A/c	3,30,000	1,60,000	Debtors	3,49,500	2,31,000
Creditors	85,000	75,000	Bank	3,40,000	1,80,000
Total	28,05,000	20,75,000	Total	28,05,000	20,75,000

Additional information available:

- I. For the six months period from 1st April 2022, X Ltd. and Y Ltd. made profits of ₹ 5,10,000 and ₹ 3,37,500 respectively, after writing off depreciation @ 10% per annum on their fixed assets.
- II. Both the companies paid on 1 August 2022, equity dividends of 10%.
- III. Goodwill of Y Ltd. was valued at ₹1,68,900 on the date of takeover. Stock of Y Ltd., subject to an abnormal item of ₹8,500 to be fully written off, would be appreciated by 20% for purpose of takeover.
- IV. X Ltd. would issue to Y Ltd.'s shareholders fully paid equity shares of ₹10 each, on the basis of the comparative intrinsic values of the shares on the date of takeover.

You are required to:

- A. Calculate consideration to be transferred by X Ltd.
- B. Calculate Number of shares to be issued by X Ltd. to Y Ltd.
- C. Ascertain closing bank balance which will appear in the Balance Sheet of X Ltd. (After absorption of Y Ltd.).

[4+2+2=8]

- (ii) V has acquired 100% of the equity of K on March 31, 2021. The purchase consideration comprises of an immediate payment of ₹10 lakhs and two further payments of ₹1.21 lakhs if the Return on Equity exceeds 20% in each of the subsequent two financial years. A discount rate of 10% is used. Compute the value of total consideration at the acquisition date.

[2]

5. (a) P acquires 60% shares in Q on 1.10.2021. Q makes profits ₹10,000 in the year 2021-22 and declared dividend ₹6,000. NCI is valued at ₹12,000.

(₹ Lakhs)

	P	Q
PPE	50,000	30,000
Investment in shares of Q	21,000	
Current Assets	20,000	14,000
	91,000	44,000
Equity Shares	60,000	25,000
Other Equity	16,000	4,000
Current Liabilities		
Trade Payables	15,000	9,000
Dividend Payable		6,000
	91,000	44,000

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Draft the Consolidated and Separate Balance Sheet in books of P. [8]

**(b) (i)** What are the criteria for application of Equity Method as per Ind AS 28? [3]

**(ii)** Discuss about the Financial Statements of parties to a joint arrangement classified as Joint operations. [5]

**6. (a)** X Ltd. has EPS ₹15 and no. of shares 1,200. Its CF ₹15,600 and Sales ₹90,000. Find value per share of X Ltd. using simple average of market values based on three base values (PAT, CF and Sales) of similar other companies as provided below:

Companies	PAT (₹)	CF (₹)	Sales (₹)	MC (₹)
A	24,000	30,000	1,50,000	1,80,000
B	18,000	20,000	1,80,000	2,16,000
C	30,000	36,000	1,60,000	1,80,000
D	20,000	25,000	1,50,000	1,80,000

[8]

**(b) (i)** What disclosures an entity is required to make to highlight the information that enables users of the Financial Statements to understand the nature and extent of share-based payment arrangements that existed during the period

**(ii)** Mr. Z is granted share options conditional upon completing 2 years' service. How is the transaction recognised? [5+3=8]

**7. (a) (i)** Discuss the meaning of XBRL.

**(ii)** Discuss the initial and subsequent measurement of financial asset ? [5+4=9]

**(b)** Write a note on Consolidated Fund of India, Contingency Fund and Public Account of India. [7]

**8. Write short notes on any four of the following:** [4x4=16]

- (a)** Factors affecting valuation of shares;
- (b)** State taxes that are subsumed under the GST;
- (c)** Review of accounts of a Government Company;
- (d)** Objectives of Government Accounting;
- (e)** Finance Lease as per AS-19.