Paper 17- Corporate Financial Reporting

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Full Marks : 10 **Time allowed: 3hours**

Section A
(This section is compulsory)

1. Multiple Choice Questions. (1 mark for right choice and 1 mark for justification) [10×2=20]

(a) On 1st December, 2012, VC Ltd. undertook a contract to construct a building for ₹ 85 lakhs. ON 31st March, 2013 the company found that it had already spent ₹ 64,99,000 on the construction. Prudent estimate of additional cost for completion was ₹ 32,01,000. What is the additional provision for foreseeable loss, which must be made in the final accounts for the year ended 31st March, 2013 as per provisions of AS-7 on "Accounting for Construction Contracts".

A. ₹64,99,000
B. ₹ 32,01,000
C. ₹ 3,96,000
D. ₹ 8,04,000

(b) M Ltd., has equity capital of ₹ 40,00,000 consisting of fully paid equity shares of ₹ 10 each. The net profit for the year 2013-14 was ₹ 60,00,000. It has also issued 36,000, 10% convertible debentures of ₹ 50 each. Each debenture is convertible into five equity shares. The tax rate applicable is 30%. The diluted earnings is —

A. ₹61,26,000;
B. ₹40,00,000;
C. ₹18,00,000;
D. None of the above.

(c) X Ltd has Purchased Raw Material from ABC Ltd on 10-Jul-2016 by paying Sum of ₹2,40,000 for 100 tonnes. The above paid sum includes 20% VAT also. Company takes VAT Credit on Inputs. The closing stock of Raw Material on 31-Mar-2017 is 8 tonnes. Then what is the value of Closing Stock?

A. 16,000
B. 20,000
C. 14,000
D. 19,200

(d) X Ltd Acquired, Y Ltd by paying the Purchase consideration of ₹2,000 lakhs. The fair market value of assets of Y Ltd 1280 lakhs. Compute the value of Good will or Capital Reserve value

A. Goodwill 400 Lakhs & Capital Reserve 320Lakhs
B. Goodwill 720 Lakhs & Capital Reserve 0
C. Goodwill 680 Lakhs & Capital Reserve 40 Lakhs s
D. Goodwill 700 Lakhs & Capital Reserve 20Lakhs

(e) WEALTH Ltd. aquired 75,000 shares of SILVER Ltd. on August 1, 2014. The Equity Capital of Silver Ltd. is ₹ 10 lakh of ₹ 10 per share. The machinery of Silver Ltd. is revalued upwards by ₹ 2,00,000. The minority group interest shown in the Consolidated Balance Sheet as at March 31, 2015 was

A. ₹ 3,00,000
B. ₹ 2,00,000
C. ₹ 50,000
D. None of (A), (B) and (C)

(f) Fast Ltd. has an asset, which is carried in the Balance Sheet on 31.3.2014 at ₹1,200 lakh. As at that date value in use is ₹ 900 lakh. If the net selling price is ₹850 lakh, recoverable amount of the Asset as per AS-28 will be:

A. ₹ 850 lakh
B. ₹ 900 lakh
C. ₹ 300 lakh
D. None of the above

(g) B & T Ltd. obtained a Loan from a bank for ₹ 480 lakhs on 30.04.2015. It was utilized for : Construction of a shed ₹ 210 lakhs, Purchase of a machinery ₹ 150 lakhs, Working Capital ₹ 80 lakhs, Advance for purchase of truck ₹ 40 lakhs, Construction of shed was completed in March 2016. The machinery was installed on the same date. Delivery truck was not received. Total interest charged by the bank for the year ending 31.03.2016 was ₹ 72 lakhs. As per AS 16, Interest to be debited to Profit & Loss account will be :

A. ₹ 31.50 lakhs;
B. ₹ 40.50 lakhs;
C. ₹ 210 lakhs;
D. None of the above.

(h) White Ltd. has imported $ 100,000 worth of goods from Chicago Traders of USA on 30.2.2014 when exchange rate was ₹ 54.60 per US $. The payment for imports was made on 30.6.2014 when exchange rate was ₹ 55.50 per US $. If the rate of exchange on 31.3.2014 is ₹ 55.00 per US $, the exchange difference to be charged/debited to Profit & Loss Account for the year 2014-15 as per AS-11 will be –

A. ₹ 50,000 ;
B. ₹ 45,000 ;
C. ₹ 20,000 ;
D. None of the above.

(i) A firm values goodwill under 'Capitalisation of profits' method. Its average profits for past 4 years has been determined at ₹ 72,000. Capital employed in the business is ₹4,80,000; and its normal rate of return is 12%. Value of goodwill based on capitalisation of Average Profits will be —

A. ₹1,20,000
B. ₹6,00,000
C. ₹5,00,000
D. ₹4,80,000

(j) Ramayana Ltd. presents interim financial report quarterly. On 01-04-2015. Ramayana Ltd. has carried forward loss of ₹ 800 lakhs for income-tax purpose for which deferred tax asset has not been recognized. The Ramayana Ltd. earns ₹1,000 lakhs in each for quarter ending on 30.06.2015, 30.09.2015, 31.12.2015 and 31.03.2016 excluding the loss carried forward. Income-tax rate is expected to be 40%. The amount of tax expense to be reported in each quarter will be:

A. ₹1,000 lakhs;
B. ₹1,280 lakhs;
C. ₹320 lakhs;
D. ₹4,000 lakhs.

Section - B

(Answer any five questions out of seven questions) [16×5=80]

2.(a) Advise D Ltd. about the treatment of the following in the final statement of accounts for the year ended 31st March, 2017. A claim lodged with the Railways in March, 2015 for loss of goods of ₹ 5 lakhs had been passed for payment in March, 2017 for ₹ 4 lakhs. No entry was passed in the books of the company, when the claim was lodged. **[8]**

2. (b) The following details are given for Troma Ltd. for the year ended March 31, 2016:

	(Amount in ₹ lakhs)
MP Division:	
Sales to PQ Division	916
Other Domestic Sales	18
Export Sales	1,226
	2,160
PQ Division:	
Sales to HN Division	10
Export Sales to Europe	60
	70
HN Division:	
Export Sales to USA	54

Amount in ₹ Lakh

Particulars	Head Office	MP Division	PQ Division	HN Division
Pre-tax Operating Result	—	48	6	(2)
Head Office Cost Reallocated	—	14	8	6
Interest Costs	—	2	2	2
Fixed Assets	16	60	12	36
Net Current Assets	14	36	12	26
Long-term Liabilities	12	6	4	36

Require:

Prepare a Segmental Report of Troma Ltd. for publication for the year ended March 31, 2016, keeping in view the relevant Accounting Standard (AS-17). **[8]**

3. (a) PQ Ltd has got the license to manufacture particular medicines for 10 years at a license fee of ₹ 400 lakhs, given below is the pattern of expected production and expected operating cash inflow.

Year	Production in bottles (In thousands)	Net operating cash flow (₹ in lakhs)
1	300	900
2	600	1800
3	650	2300
4	800	3200
5	800	3200
6	800	3200
7	800	3200
8	800	3200
9	800	3200
10	800	3200

Net operating cash flow has increased for third year because of better inventory management and handling method. Suggest the amortization method. **[8]**

3.(b) N Ltd has 80% shares in a joint venture with Suzuki Ltd. N Ltd. sold a plant WDV ₹20 lakhs for ₹30 lakhs. calculate how much profit N Ltd. should recognize in its book in case joint venture is: (a) jointly controlled operation; (b) jointly controlled asset; (c) jointly controlled entity. **[8]**

4. AB Ltd. has 2 divisions-A and B. Division A has been making constant profit, while Division B has been suffering losses. The Division wise Balance Sheet as on 31st March, 2014 are as follows:

	(₹ in lakhs)		
	Division A	Division B	Total
Fixed assets: cost (Tangible)	500	1000	1500
Less: Depreciation	450	800	1250
Written Down Value (i)	50	200	250
Current Assets:	400	1000	1400
Less: Current Liabilities	50	800	850
Net Current Assets (ii)	350	200	550
Total (i) + (ii)	400	400	800
Financed by:			
Loan	-	600	600
Capital : Equity Shares of ₹ 10 each	50	-	50
Reserves and Surplus	350	(200)	150
Total	400	400	800

Division B along with its assets and liabilities was sold for ₹ 50 lakhs to X Ltd., a new company which issued 2 lakhs equity shares of ₹ 10 each at a premium of ₹ 15 per share to the members of B Division in full settlement of the consideration in proportion to their shareholding in the company. Assuming that there are no other transactions,

You are required to:

(i) Show journal entries in the books of AB Ltd.
(ii) Prepare the Balance Sheet of AB Ltd. after the entries made in (i) above.
(iii) Show journal entries in the books of X Ltd.
(iv) Prepare the balance Sheet of X Ltd.

In both the cases, Balance Sheets to be prepared in the Scheduled III format. **[16]**

5. A Ltd. owned 80% of B Ltd, 35% of C Ltd. and 30% of D Ltd. C Ltd. is jointly controlled entity and D Ltd. is an associate. Balance Sheet of all four companies as on 31.03.2016 are:

(₹ in lakhs)

Particulars	A Ltd.	B Ltd.	C Ltd.	D Ltd.
Liabilities				
Equity share of ₹ 1/- each fully paid-up	1,500	600	1,200	1,200
Retained Earnings	6,000	5,100	5,400	5,400
Creditors	300	450	380	375
Total	7,800	6,150	6,980	6,975
Assets				
Fixed Assets	1,500	1,200	2,100	1,500
Investment in B Ltd.	1,200			
Investment in C Ltd.	900			
Investment in D Ltd.	900			
Current Assets	3,300	4,950	4,880	5,475

Total	7,800	6,150	6,980	6,975

A Ltd. acquired shares in

(i) B Ltd. many years ago, when the company had retained earnings of ₹ 780 lakhs.

(ii) C Ltd. at the beginning of the year, when the company had retained earnings of ₹ 600 lakhs.

(iii) D Ltd. on 01.04.2015, when the company had retained earnings of ₹ 600 lakhs.

The balance of goodwill relating to B Ltd. had been written off three years ago. The value of goodwill in C Ltd. remains unchanged. Prepare the Consolidated Balance Sheet of A Ltd. as on 31.03.2016 as per AS-21, AS-23 and AS-27. **[16]**

6.(a) X Ltd. granted 500 stock options to its employees on 01.04.2013 at ₹ 50 per share. The vesting period is 2 ½ years and the maximum exercise period is one year. Market price on that date is ₹ 140 per share. All the options were exercised on 30.06.2016. Pass journal entries giving suitable narrations, if the face value of equity share is ₹ 10 per share. Also show the impact of the above items in the Balance Sheet for the year Mar. 31, 2014 to 2016. **[8]**

6.(b) XY Ltd, a partnership firm, earned profits during the past 5 years as follows:

Year	2011	2012	2013	2014	2015
Profits (₹)	27,000	36,000	37,200	42,000	46,800

Determine the value of goodwill in each of the following independent cases:

Case (a): It was decided to value the Goodwill on the basis of 3½ years' purchase of average profit of last five years after giving weights of 1, 2, 3, 6 and 8 to the profits chronologically.

Case (b): It was decided to value the Goodwill on the basis of 2½ years' purchase of simple average profit of last five years. In this regard the following were observed:

(i) an abnormal loss of ₹ 1,800 was charged against the profit of 2013;

(ii) Profit of 2014 included a non-recurring receipt of ₹ 2,500.

(iii) closing stock of 2015 was over-valued by ₹ 2,400. **[4+4=8]**

7.(a) Discuss the objectives of Government Accounting. **[8]**

7.(b) Discuss the structure of Government Accounting Standards Advisory Board. **[8]**

8. Answer the following (any four out of five) [4×4=16]

(a) A Factory started activities on 1st April. From the following data, obtain the Value of Closing Stock on 30th April.

- Raw Materials purchased during April = 80,000 kg at ₹12 (out of which Excise Duty = ₹2 per kg). Stock on hand as on 30th April = 5,000 kg.
- Production during April = 14,000 units (of which 10,000 units were sold). In addition to the production, 1,000 units were lying as WIP on 30th April (100% complete as to Materials and 60% complete as to conversion).
- Wages and Production Overheads =₹30 per completed unit.
- Selling Price=₹110 per unit(of which Excise Duty is ₹10 per unit).

Compute the value of stock.

(b) Write a note on — Types of Share based payment transactions.

(c) Write a note on — Users of XBRL.

(d) Write a note on — Relationship between financial reporting and triple bottom line reporting.

(e) Write a note on — Classification of Financial Assets.