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) Good Wishes Ltd. has an asset, which is carried in the Balance Sheet on 31.3.2017 at ₹ 4,000 lakh. As at that date value in use is ₹ 3,200 lakh. If the net selling price is ₹ 3,000 lakh, Impairment Loss of the asset as per AS-28 will be

A. ₹ 800 lakh
B. ₹ 4,000 lakh
C. ₹ 200 lakh
D. None of the above

(ii) Ind AS 112 — "Disclosure of Interests in Other Entities" applies to an entity that has an interest in ________________.

A. Subsidiaries;
B. Joint arrangements;
C. Associates;
D. All of the above.

(iii) AS per Ind AS 7 _________ activities are the principal revenue-producing activities.

A. Operating
B. Financing
C. Investing
D. None of the above

(iv) High-Rise Construction Ltd. undertook a contract on 1st January, 2018 to construct a building for ₹ 84 lakhs. The company found on 31st March, 2018 that it had already spent ₹58,50,000 on the construction. Prudent estimate of additional cost for completion was ₹31,50,000. Contract Value to be recognized as turnover in the final accounts for the year ended 31st March, 2018 as per AS 7 (revised) will be:

A. ₹ 84 lakhs
B. ₹ 10 lakhs
C. ₹ 54,60 lakhs
D. None of these

(v) Himmat Ltd., has equity capital of ₹ 50,00,000 consisting of fully paid equity shares of ₹ 10 each. The net profit for the year 2016-17 was ₹ 75,00,000. It has also issued 48,000, 10% convertible debentures of ₹ 100 each. Each debenture is convertible into five equity shares. The tax rate applicable is 30%. The diluted earnings is —

A. ₹78,36,000;
B. ₹50,00,000;
C. ₹7,50,000;
D. None of the above.

(vi) Ind AS 113 does not apply to which of the following

A. Share-based payment transactions
B. Leasing transactions
C. Both (a) and (b)

D. None of the above

(vii) At the time of absorption of B Ltd. by A Ltd., trade receivable of both companies shown in their Balance Sheets were ₹ 35 Lakhs and ₹ 18 Lakhs. On that date trade payable of B Ltd. includes payable to A Ltd. ₹ 4.5 Lakhs. After absorption, the amount of trade receivables will be shown in the A Ltd.'s Balance Sheet as
A. ₹ 35 Lakhs
B. ₹ 53 Lakhs
C. ₹ 48.50 Lakhs
D. ₹ 44 Lakhs

(viii) Quick Ltd. has three segments with their assets inclusive of Deferred Tax Assets as shown below:

Segment	Total Assets (₹ in lakh)	Deferred Tax Assets (₹ in lakh)
M	20	10
N	60	8
P	120	6

Reportable segments as per AS-17 are
A. M, N and P
B. M and N only
C. M and P only
D. P and N only

(ix) Ind AS 32 provides rules for classification of a financial instrument into the following:
A. Financial asset, Financial liability & Equity instrument;
B. Financial lease, Financial liability & Equity instrument;
C. Financial asset, Non-financial Liability & Equity instrument;
D. None of the above.

[Need not give any explanation]

(x) 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

Section – B

Answer any five questions out of seven questions.

16x5=80

2. (a) (i) Discuss the application of Equity Method as per Ind AS 28. **[4]**

(ii) A firm (dealer of T.V) has purchased 100 T.Vs on deferred payment basis for ₹5,000 per month per T.V. The amount is to be paid in twelve monthly equal instalments. The cash cost per unit of T.V. is ₹56,000. At the end of year, 25 T.Vs were in the stock. What should be the Cost of Inventories? **[4]**

(b) Rose Ltd. entered into agreement with Tulip Ltd. for sale of goods of ₹8 lakhs at a profit of 20% on cost. The sale transaction took place on 1st February, 2018. On the same day Tulip Ltd. entered into another agreement with Rose Ltd. to resell the same goods at ₹10.80 lakhs on 1st August, 2018. State the treatment of this transaction in the financial statements of Rose Ltd. as on 31.03.18. The pre-determined re-selling price covers the holding cost of Tulip Ltd. Give the Journal Entries as on 31.03.18 in the books of Rose Ltd. **[8]**

3. (a) Hi-Fi Ltd. imported a machine on 04.01.2011 for Euros 12,000, on deferred payment basis, payment in six equal annual instilments at every financial year end, commencing from 31.03.2011 onwards. Use AS – 11 provisions and determine the exchange differences carrying amounts of the liability as the end of each financial year, if the following exchange rates are given. One Euro equals Indian Rupees on —

04.01.2010	31.03.2011	31.03.2012	31.03.2013	31.03.2014	31.03.2015	31.03.2016
₹50.4872	₹45.5208	₹41.8463	₹41.0175	₹42.6400	₹51.4400	₹53.1000

[8]

(b) Tick-Tock Industries Ltd. gives the following estimates of cash flows relating to fixed asset on 31.12.2013. The discount rate is 15%.

Year	Cash flow (₹ in lakhs)
2014	2,000
2015	3,000
2016	3,000
2017	4,000
2018	2,000
Residual value at the end of 2018	500

Fixed Asset purchased on 1.1.2011 for ₹ 20,000 lakhs

Useful life 8 years

Residual value estimated ₹ 500 lakhs at the end of 8 years. Net selling price ₹ 11,000 lakhs.

Calculate on 31.12.2013:

(a) Carrying amount at the end of 2013.

(b) Value in use on 31.12.2013.

(c) Recoverable amount on 31.12.2013.

(d) Impairment loss to be recognized for the year ended 31.12.2013.

(e) Revised carrying amount. **[8]**

4. (a) The following are the Balance Sheets of Andrew Ltd. and Barry Ltd., as at 31.12.2017:

(in ₹ '000s)

Andrew Ltd.

Liabilities		Assets	
Share Capital		Fixed assets	3,400
3,00,000 Equity shares of ₹10 each	3,000	Stock (pledged with secured Loan creditors)	18,400
10,000 Preference shares of ₹10 each	1,000	Other Current assets	3,600
		Profit and Loss account	16,600
General reserve	400		
Secured loans (secured against Pledge of stocks)	16,000		
Unsecured loans	8,600		
Current liabilities	13,000		
	42,000		42,000

Barry Ltd.

Liabilities		Assets	
Share Capital		Fixed assets	6,800

10,00,000 Equity shares of ₹10 each	1,0000	Current assets	9,600
General reserve	2,800		
Secured loans	8,000		
Current liabilities	4,600		
	16,400		16,400

Both the companies go into liquidation and Charlie Ltd., is formed to take over their businesses. The following information is given:

(a) All Current assets of two companies, except pledged stock are taken over by Charlie Ltd. The realizable value of all Current assets are 80% of book values in case of Andrew Ltd. and 70% for Barry Ltd. Fixed assets are taken over at book value.

(b) The break-up of Current liabilities is as follows:

	Andrew Ltd.	Barry Ltd.
	₹	₹
Statutory liabilities (including ₹ 22 lakhs in case of Andrew Ltd. in case of a claim not having been Admitted shown as contingent liability)	72,00,000	10,00,000
Liabilities to employees	30,00,000	18,00,000

The balance of Current liability is miscellaneous creditors.

(c) Secured loans include ₹16,00,000 accrued interest in case of Barry Ltd.

(d) 2,00,000 equity shares of ₹10 each are allotted by Charlie Ltd. at par against cash payment of entire face value to the shareholders of Andrew Ltd. and Barry Ltd. in the ratio of shares held by them in Andrew Ltd. and Barry Ltd.

(e) Preference shareholders are issued Equity shares worth ₹2,00,000 in lieu of present holdings.

(f) Secured loan creditors agree to continue the balance amount of their loans to Charlie Ltd. after adjusting value of pledged security in case of Andrew Ltd. and after waiving 50% of interest due in the case of Barry Ltd.

(g) Unsecured loans are taken over by Charlie Ltd. at 25% of Loan amounts.

(h) Employees are issued fully paid Equity shares in Charlie Ltd. in full settlement of their dues.

(i) Statutory liabilities are taken over by Charlie Ltd. at full values and miscellaneous creditors are taken over at 80% of book value.

Calculate the amount of goodwill/capital reserve that has been realized. **[8]**

(b) **(i)** On 1 January 20X8 Enjoy Ltd. acquires 80 per cent of the equity interests of Healthy Ltd. in exchange of cash of ₹500. The identifiable assets are measured at ₹700 and the liabilities assumed are measured at ₹100. The fair value of the 20 per cent non controlling interest in Healthy Ltd. is ₹86. **[2]**

(ii) List the information an acquirer should disclose to help users of financial statement to evaluate the nature and financial effect of a business combination. **[6]**

5. (a) BLU LTD. is a holding company and ANU LTD. and TINU LTD. are subsidiaries of BLU LTD., their Balance Sheets (drafted) as on 31.03.2017 are given below:

(Amount in ₹)

	BLU LTD.	ANU LTD.	TINU LTD.		BLU LTD.	ANU LTD.	TINU LTD.
Share Capital	6,00,000	6,00,000	3,60,000	Fixed Assets	1,20.000	3,60,000	2,58,000
Reserves	2,88,000	60,000	54,000	Investments:			
Profit & Loss Account	96,000	72,000	54,000	Shares in ANU Ltd.	5,70,000	—	—
TINU Ltd. Balance	18,000			Shares in TINU Ltd.	78,000	3,18,000	—
Trade payables	42,000	30,000		Inventories in Trade	72,000		
BLU Ltd. Balance		42,000		ANU Ltd. Balance	48,000		
				Trade receivables	1,56,000	1,26,000	1,92,000
				BLU Ltd. Balance			18,000
	10,44,000	8,04,000	4,68,000		10,44,000	8,04,000	4,68,000

The following particulars are given:

(a) The share capital of all companies is divided into shares of ₹10 each.

(b) BLU Ltd. held 48,000 shares of ANU LTD. and 6,000 shares of TINU LTD.

(c) ANU Ltd. held 24,000 shares of TINU LTD.

(d) All these investments were made on 30.09.2016

(e) On 31.03.2016 the position was as shown below: (Amount in ₹)

	ANU LTD.	TINU LTD.
Reserve	48,000	45,000
Profit and Loss Account	24,000	18,000
Trade payables	30,000	6,000
Fixed Assets	3,60,000	2,58,000
Inventories in trade	24,000	2,13,000
Trade receivables	2,88,000	1,98,000

(f) 10% dividend is proposed by each company.

(g) The whole of inventories in trade of ANU LTD. as on 30.09.2016 (₹24,000) was later sold to BLU Ltd. for ₹26,400 and remained unsold by BLU LTD. as on 31.03.2017.

(h) Cash-in-transit from ANU LTD. to BLU LTD. was ₹ 6,000 as at the close of business.

Required:
Compute the Cost of Control and Minority Interest.

[10]

(b) Discuss the types of Joint Arrangement. **[6]**

6. **(a) (i)** D Ltd. grants 10 share appreciation rights to Q, an employee, entitling him to receive cash payment for the increase in quoted price of D's shares from the exercise price of ₹ 500 per share after 3 years. How the transaction should be recognized if it is assumed for a) for his past service, b) for his service in future 3 years? **[4]**

(ii) State the objective of Ind AS 32. **[4]**

(b) Future maintainable profit before interest is ₹308 lakhs, normal rate of return on long term fund is 20% and on equity fund is 25%. Long term fund is of the company is ₹1,280 lakhs and equity fund is ₹840 lakhs. Interest on long term fund is 18% . Find out leverage effect of goodwill. **[4+4=8]**

7. **(a)** List the disclosure requirement of IGAS 3 - Loans and Advances . **[8]**

(b) Discuss the general principles of government accounting. **[8]**

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

(a) CSR Reporting ;
(b) Features of XBRL;
(c) Scope of Ind AS 32;
(d) Application of Ind AS 113 to Non-financial Assets;
(e) GASAB.