FINAL EXAMINATION

June 2023

P–18(CFR)
Syllabus 2022

CORPORATE FINANCIAL REPORTING

Time Allowed: 3 hours Full Marks: 100

The figures in the margin on the right side indicate full marks.

Wherever considered necessary, suitable assumptions may be made and clearly indicated in the answer.

All Working notes must form part of the answer.

Answer to Question No. 1 and 8 are compulsory. Answer any four from Question No. 2, 3, 4, 5, 6 & 7.

SECTION - A

1. Choose the correct alternative. Provide justification in each case. (1 mark is alloted for correct selection and 1 mark is for the justification). 2×10=20

(i) ALOE VERA TULSI Ltd. gives the following data pertaining to its six segments: (₹ in lakhs)

Particulars	A	B	C	D	E	F	Total
Segment Assets	200	336	132	62	96	54	880
Segment Results	260	(760)	40	40	(40)	60	(400)
Segment Revenue	1,200	2,480	300	240	340	240	4,800

Deferred Tax Assets included in the assets of each segment are A— ₹ 20 lakhs, B— ₹ 16 lakhs , C— ₹ 12 lakhs, D— ₹ 2 lakhs, E— ₹ 16 lakhs , F — ₹ 14 lakhs. Identify the Reportable Segments as per Ind AS 108.

(A) A, B, C, D, E, F

(B) A, B, C, D, E

(C) A, B, C, E, F

(D) A, B, C, E

(ii) GILOY TULSI Ltd. has the following Capital Structure as at 31st March, 2023:

Equity Share Capital (fully paid shares of ₹ 10 each)	₹ 300 crores
15% Pref. Share Capital (fully paid shares of ₹ 100 each)	₹ 100 crores
15% Debentures (fully paid of ₹ 100 each)	₹ 800 crores
Retained Earnings	₹ 300 crores

Currently Quoted Prices in the stock exchange: Equity Shares @ ₹ 60, Preference Shares @ ₹ 90, Debentures @ ₹95. Calculate the Market Value Added.

(A) ₹ 1350 crores

(B) ₹ 1250 crores

(C) ₹ 1150 crores

(D) None of the above

(iii) Which of the following is false?

(A) As per Ind AS 103, Business combinations under common control shall be accounted for using the Pooling of Interest Method and other Business combinations shall be accounted for using the Acquisition Method.

(B) As per Ind AS 103, while accounting and reporting for a business combination, Goodwill= Consideration + Non controlling Interest – Net assets

(C) Non-controlling interest is recognised either at fair value or at a proportionate fair value of identified net assets in the books of the Acquiree at the time of a business combination under Ind AS 103 and is shown as an item under Equity in the Balance Sheet.

(D) None of the above

(iv) Which of the following is not true?

(A) XML stands for eXtensible Markup Language.

(B) XBRL stands for eXtensible Business Reporting Language.

(C) Economic Value Added (EVA) is a performance measure developed by Stern Stewart & Co to find the true economic profit generated by a company.

(D) None of the above

(v) AMLA TULSI Ltd. initiated a lease for 5 years in respect of equipment costing ₹ 34,51,640 with an expected useful life of 8 years. The asset would revert to BHARAT Ltd. under the lease agreement. The unguaranteed residual value of the equipment after the expiry of the lease term is estimated at ₹ 2,00,000.The implicit rate of interest is 15%. The annual payments have been determined in such a way that the present value of the lease payment plus the residual value is equal to the cost of the asset. Calculate the Unearned Finance Income. [Present Value of ₹ 1 at 15% rate of Interest at the end of 1st year, 2nd year, 3rd year, 4th year and 5th year are 0.8696, 0.7561, 0.6575, 0.5718 and 0.4972 respectively.]

(A) ₹ 5,00,000
(B) ₹ 10,00,000
(C) ₹ 8,74,180
(D) ₹ 17,48,360

(vi) Which of the following is not true?

(A) Non-fund-based Accounting and Single Entry System are not features of Government Accounting.
(B) GASAB stands for Government Accounting Standards Advisory Board which issues Indian Government Financial Reporting Standards.
(C) Consolidated Fund of India is the Fund referred to in Article 266(1) of the Constitution of India and IGAS 2 is related to Accounting and Classification of Grants-in-aid.
(D) None of the above

(vii) Which of the following is not true?

(A) An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
(B) A puttable instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.
(C) Cash, an equity instrument of another entity and a contractual right are Financial Assets.
(D) None of the above

(viii) Ind AS 109: Financial Instruments classifies the financial assets and financial liabilities into the following categories for recognition and measurement

(A) Measured at fair value through OCI
(B) Measured at amortized cost
(C) Measured at fair value through P & L
(D) All of the above

(ix) NEEM TULSI LTD, a firm of contractors, provides the following details for the year ended 31st March, 2023:

Particulars	(₹ in lakhs)
Fixed Contract Price with an escalation clause	1,000
Work Certified	500
Work not Certified [includes ₹ 75 lacs for Materials issued out of which material lying unused at the end of the period is ₹ 4 lacs]	109
Estimated further Cost to Completion	495
Progress Payment Received	400
Progress Payment to be Received	140
Escalation in cost by 5% and accordingly the contract price is increased by 5%	

Calculate the Expected Loss to be recognized immediately as per Ind AS 115.

(A) ₹ 50 lakhs

(B) ₹ 27 lakhs

(C) ₹ 22.5 lakhs

(D) None of the above

(x) From the given information, you are required to compute the Deferred Tax Assets (DTA) and Deferred Tax Liability (DTL) for CBDT Ltd as on 31st March 2023. The tax rate applicable is 35%.

(i) The company has charged a depreciation of ₹ 7,42,900 in its Books of Accounts while as per Income Tax computation, the depreciation available to the company is ₹ 8,65,400.

(ii) The company has made Provision for Doubtful Debts for ₹ 54,300 during the year.

(iii) The company has debited Share Issue Expenses of ₹ 6,23,500 which will be available for deduction under the Income Tax Act from the next year.

(iv) The expenses of ₹ 7,84,500 has been charged to the Profit and Loss Account which are disallowed under the Income Tax Act.

(v) The company has made a Donation of ₹ 2,00,000 which has been debited to the Profit and Loss Account and only 50% thereof will be allowed as a deduction as per Income Tax Act.

(A) DTA ₹ 2,18,225, DTL ₹ 42,875

(B) DTA ₹ 2,18,225, DTL ₹ 42,857

(C) DTA ₹ 2,18,252, DTL ₹ 42,875

(D) None of the above

SECTION - B

2. (a) (i) GINGER TULSI LTD. acquired a patent at a cost of ₹ 80,00,000 on April 1, 2019. The company started amortizing the asset at ₹ 5,00,000 per annum since 31st March 2021. Since 31st March 2022, the company started amortizing the asset as per Ind AS 38. On 31st March, 2023, it was found that the product life-cycle may continue for another 5 years from then. The net cash flows from the product during another 5 years are expected to be ₹ 36,00,000, ₹ 46,00,000, ₹ 44,00,000, ₹ 40,00,000 and ₹ 34,00,000. On 31st March, 2025, it is felt that no further benefit will accrue in the future. Pass the necessary journal entry to record Amortization of Cost of Patent as per Ind AS 38 for the year 2021-2022 to 2024-2025. 5

(ii) PARMATMA TULSI Ltd provides you the following information:

01.04.2015	Borrowed ₹ 5,00,000 @12% p.a. to construct 10 Machines and incurred ₹ 8,00,000 on Materials, ₹ 2,00,000 on Labour, ₹ 50,000 towards freight & insurance, ₹ 20,000 towards carriage inward, ₹ 10,000 on-site preparation & installation. Estimated total physical life is 10 years but the company considers it is likely that it will sell the property after 4 years.
01.10.2016	Machines became ready for trial run production after incurring Expenses on Trial Run ₹ 20,000. Sale Proceeds of Goods produced during the trial run ₹ 5,000.
01.01.2017	Machines became ready for commercial production. The estimated residual value is ₹ 2,00,000. Govt Grant received for these machines ₹ 2,00,000.
01.04.2017	The company does not begin using the machine until 1st April, 2017. Put the machines to commence the commercial production.
01.10.2017	Sold one machine for ₹ 93,500.
31.03.2019	Remaining useful life of the property is reassessed as 4 years and the residual value is re-estimated at ₹ 2,20,000 and the property is revalued upwards by ₹ 45,000.
31.03.2020	The company decides to adopt written-down value method by charging depreciation @ 20%.

31.03.2021	The Machines became idle and are retired from active use (but not held for disposal).
31.03.2022	The Idle Machines are held for disposal but the Machines could not be disposed off till the end of the year when Realizable Value of Machines is 75% of carrying amount subject to 10% Realizable Expenses.
31.03.2023	The Idle Machines held for disposal during year are actually disposed off for 75% of the carrying amount.

Required: Prepare Plant and Machinery A/c as per Ind AS 16. 5

(b) HALDI TULSI Ltd. provides you the following information as at March 31, 2023:

Particulars	(₹ in lakhs)
Equity Shares of ₹ 10 each	500
6% Cum- Pref. Shares of ₹ 100 each	100
Profit and Loss Account (Dr)	15
10% First Debentures	60
10% Second Debentures	100
Debentures Interest outstanding	16
Trade Creditors	165
Plant & Machinery	719.6

Note: *Dividend on Preference Shares are in arrears for three years.*

The following scheme of internal reconstruction was approved and implemented:

(a) All the equity shares be converted into the same number of equity shares of ₹ 5 each, ₹ 2.50 paid up.

(b) The preference shares are converted from 6% to 15% but revalued in a manner in which the total return on them remains unaffected. Four equity shares of ₹ 5 each, ₹ 2.50 paid up to be issued for each ₹ 100 of arrears of preference dividend.

(c) Mr. A holds 10% first debentures for ₹ 40 lacs and 10% second debentures for ₹ 60 lacs. He is also a creditor for ₹ 10 lakhs. Mr. 'A' is to cancel ₹ 60 lakhs of his total debt and to pay ₹ 10 lakhs to the company and to receive new 12% Debentures for the balance amount. Mr. B holds the remaining 10% first debentures and 10% second debentures and is also a creditor for ₹ 5 lakhs. Mr. 'B' is to cancel ₹ 30 lakh of his total debt and to accept new 12% Debentures for the balance amount.

(d) Trade Creditors (other than A and B) are given the option of either to accept equity shares of ₹ 5, ₹ 2.50 paid up each, for the amount due to them or to accept 80% of the amount due in cash. 40% Creditors accepted equity shares whereas the balance accepted cash in full settlement.

(e) Any surplus after writing off the various losses should be utilized in writing down the value of plant & machinery.

Required: Prepare the Reconstruction Account. 6

3. (a) SUN Ltd. and MOON Ltd. were amalgamated on and from 1st April, 2023. A new company Star Ltd. was formed to take over the business of the existing companies. The Balance Sheets of Sun Ltd. and Moon Ltd. as at 31st March, 2023 are given below: (₹ *in lakhs*)

Particulars	*Sun Ltd.*	*Moon Ltd.*
Equity Shares of ₹ 100 each	400	375
12% Preference Shares of ₹ 100 each	150	100
Revaluation Reserve	75	50
General Reserve	85	75
Investment Allowance Reserve	25	25
Profit and Loss Account	25	15
10% Debentures (₹100 each)	30	15
Trade Payables	210	95
Property, Plant & Equipment	450	325
Investments	75	25
Inventories	175	125
Trade Receivables	150	175
Cash and Bank balances	150	100

Additional Information:

(a) Star Ltd. will issue 5 equity shares for each equity share of Sun Ltd. and 4 equity shares for each equity share of Moon Ltd. The shares are to be issued @ ₹ 30 each, having a face value of ₹ 10 per share.

(b) Preference shareholders of the two companies are issued the equivalent number of 15% preference shares of Star Ltd. at a price of ₹ 150 per share (face value ₹ 100).

(c) 10% Debentureholders of Sun Ltd. and Moon Ltd. are discharged by Star Ltd., issuing such number of its 15% Debentures of ₹100 each so as to maintain the same amount of interest.

(d) Investment allowance reserve is to be maintained for 4 more years.

(e) Liquidation expenses are: Sun Ltd. ₹ 2,00,000 and Moon Ltd. ₹ 1,00,000. It was decided that these expenses would be borne by Star Ltd.

(f) All the assets and liabilities of Sun Ltd. and Moon Ltd. are taken over at book value.

(g) Authorised equity share capital of Star Ltd. is ₹ 5,00,00,000, divided into equity shares of ₹ 10 each. After issuing required number of shares to the Liquidators of Sun Ltd. and Moon Ltd., Star Ltd. issued balance shares to Public. The issue was fully subscribed.

Required: Prepare the Balance Sheet of Star Ltd. as at 1st April, 2023 after amalgamation has been carried out. 10

(b) Distinguish between AS 14 and Ind AS 103. 6

4. (a) On 1.7.2019 AMLA, GILOY & TULSI Ltd grants 200 options to each of its 2,100 employees at ₹ 120 when the market price is ₹ 400. The vesting date is 31st March 2022 and the exercise date is 31st March 2023. At the end of year 1, the company found that 100 employees had left and estimated the expected annual forfeitures rate at 10%. Fair Value of a share issued under ESOP was ₹ 186. At the end of year 2, the company found that 80 employees had left and reestimated the expected annual forfeitures rate at 5%. Fair Value of a share issued under ESOP was ₹ 208. At the end of year 3, the company found that 192 employees had left. Fair Value of a share issued under ESOP was ₹ 160. Only 1,700 employees exercised their options on 31st March,2023. The face value of equity share is ₹ 10 per share. As per Ind AS 102—

(a) Calculate Expenses to be recognised in year 1 by Fair Value Method. 4

(b) Calculate Expenses to be recognised in year 2 by Fair Value Method. 4

(c) Calculate Expenses to be recognised in year 3 by Fair Value Method. 1

(d) Calculate Value of Options Forfeited. 1

(b) Given below are the extracts from the Balance Sheets of S Ltd. and P Ltd. as at 31st March 2022: (₹ crores)

Particulars	S Ltd. Balance Sheet ₹	S Ltd. Fair Value ₹	P Ltd. Balance Sheet ₹
Equity Share Capital (Shares of ₹ 10 each fully paid-up)	8,000		12,000
Other Equity	6,000		4,000
Borrowings	2,000	2,050	3,000
Trade Payables	2,500	2,400	2,000
Property, Plant and Equipment	9,000	10,000	12,000
Investment Property	5,000	7,000	1,000
Investments	1,000		3,500
Current Assets	3,500	3,200	4,500
Contingent Liabilities	800	750	

Market price of equity shares of P Ltd. and S Ltd are ₹ 16 and ₹ 15 respectively on the day. On March 31,2022,P Ltd. acquires 25% stake in S Ltd. having significant influence and purchase consideration is settled by issue of 160 crores equity shares for which No accounting effect has yet been given. During 2022-2023 S Ltd. earns profit ₹ 2000 crores and Other Comprehensive Income ₹ 1200 crores. Pass journal entries in the books of P Ltd. at acquisition and on 31-03-2023. 6

5. (a) From the following information, calculate the Fair Value of an Equity Share of HONEY TULSI Ltd.:

4,00,000 Equity Shares of ₹ 10 each, ₹ 8 paid up
7,00,000 Equity Shares of ₹ 5 each fully called up (Calls–in–arrears @ ₹ 2 on 2,00,000 shares)
10,000, 9.9% Preference Shares of ₹100 each fully paid up
Reserves & Surplus ₹ 73,76,000
Property,Plant & Equipment ₹ 3,00,000. 50% of Total Property, Plant & Equipment are found undervalued by 50% of market value and 50% of the remaining are found overvalued by 50% of market value.
10% Investments: [Face Value ₹ 80,000] ₹ 1,00,000. Of the Investments 10% is trade and the balance non–trade. All trade Investments are to be valued at 10% below cost.
10% Debentures [60% Debentures are to be redeemed prior to valuation of Shares]: ₹ 20,00,000
Average Profits before tax : ₹ 25,00,000.With effect from the next year Rate of Income Tax : 25% and an increase in manager remuneration ₹ 2,20,000 p.a.
Normal Rate of Expectation is 9%.

(b) At the beginning of year 1, BLACK PEPPER TULSI LTD. issued 40,000 convertible debentures with face value ₹ 100 per debenture, at par. The debentures have six-year term. The interest at annual rate of 9% is paid half-yearly. The bondholders have an option to convert half of the face value of debentures into 2 Equity Shares at the end of year 3. The bondholders not exercising the conversion option will be repaid at par to the extent of ₹ 50 per debenture at the end of year 3. The non-convertible portion will be repaid at 10% premium at the end of year 6. At the time of issue, the prevailing market interest rate for similar debt without conversion option was 10.25%.

Required: Compute Value of Embedded Derivative. Pass the Journal Entry at initial recognition.

[Given PV of Annuity of ₹ 1 at 5% for 6 years 5.076, for 12 years 8.863, PV of ₹ 1 at 5% at for 12th year end 0.557] 6

6. (a) Given below are the extracts from the Balance Sheets of S Ltd. and P Ltd. as at 31st March 2023: (₹ crores)

Particulars	S Ltd. Balance Sheet ₹	S Ltd. Fair Value ₹	P Ltd. Balance Sheet ₹
Equity Share Capital (Shares of ₹ 10 each fully paid-up)	8,000		12,000
Other Equity	6,000		4,000
Borrowings	2,000	2,050	3,000
Trade Payables	2,500	2,400	2,000
Property, Plant and Equipment	9,000	10,000	12,000
Investment Property	5,000	7,000	1,000
Investments	1,000		3,500
Current Assets	3,500	3,200	4,500
Contingent Liabilities	800	750	

Market price of equity shares of P Ltd. and S Ltd are ₹ 16 and ₹ 15 respectively on the day.Pass journal entries in the books of P Ltd. in each of the following cases:.

Case (a) P Ltd. acquires 75% stake in S Ltd. on 31-03-2023 and purchase consideration is settled by issue of 800 crores equity shares for which no accounting effect has yet been given.Non-Controlling Interest is measured at proportionate net Asset value.

Case (b) P Ltd. acquires 45% stake in S Ltd. on 31-03-2023 and purchase consideration is settled by issue of 450 crores equity shares for which no accounting effect has yet been given.The investment in the balance sheet of P Ltd. shows the cost of previously held 30% interest in S Ltd. Non-Controlling Interest is measured at fair value.

Case (c) S Ltd. acquires 75% stake in P Ltd. on 31-03-2023 by issue of shares in the ratio based on the market prices for which no accounting effect has yet been given. Non-Controlling Interest is measured at fair value. 10

(b) Write short notes on the following: 3+3=6

(i) Ind AS 111: Joint Arrangements

(ii) Ind AS 112: Disclosure of Interests in Other Entities

7. (a) (i) KADI PATTA TULSI Ltd. provides you the following data to calculate the Economic Value Added:

Particulars	₹ *(In Crores)*
Equity Share Capital (₹ 10 each)	?
15% Preference Share Capital (₹ 100 each)	?
Reserves & Surplus	50
12% Debentures	800
Debt-Equity Ratio (Long-term Debt/Shareholders' Funds) = 2:1	
Capital Gearing Ratio (Funds bearing Fixed Payments to Equity Shareholders' Funds)=3:1	
Financial Leverage = 1.32 times	
Tax Rate: 25%	
Market Rate of Return:15.5%	
Equity Market Risk Premium:9%	

Beta for the last 5 years as follows:

Year	1	2	3	4	5
Beta	1.6	1.7	1.8	1.3	1.1

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(b) (i) State the Objectives and Constitution of Public Accounts Committee. 4

(ii) Explain briefly about Consolidated Fund of India, Contingency Fund and Public Accounts of India. 4

SECTION - C

8. (a) B Ltd acquired machinery on lease from A Ltd on the following terms:

Lease Term	5 Years
Fair Value of Machinery	₹ 20 lakhs
Annual Lease Rental at the end of each year	₹ 5 lakhs
Guaranteed Residual Value (GRV)	₹ 1 lakh
Expected Residual Value	₹ 2 lakhs
Implicit Rate of Return (IRR)	15%

Required: Pass the necessary entries in the books of the Lessee & Lessor for the First year. Depreciation @ 10% per annum is provided on straight line basis .[Present Value of ₹ 1 at 15% rate of Interest at the end of 1st year, 2nd year, 3rd year, 4th year and 5th year are 0.8696, 0.7561, 0.6575, 0.5718 and 0.4972 respectively.] 8

(b) (i) AATMA TULSI Ltd. which is developing a new production process provides the following information:

Year	
2020-2021	The total expenditure incurred on this process was ₹ 100 lakhs of which ₹ 44 lakhs incurred before 1st Dec 2020 when the production process met the criteria for recognition as an intangible asset.

2021-2022	Development Phase began on 1st April, 2021 and completed after incurring an expenditure of ₹ 400 lakhs.
2022-2023	From 1st April, 2022 the company implemented the new process design which will result in a after-tax cost saving of ₹ 100 lakhs per annum for the next five years. The Company's Cost of Capital is 10%.(The present value of annuity factor of ₹ 1 for 5 years @ 10% = 3.79).

You are required to work out the following as per Ind AS 38:

(a) What is the expenditure to be recognized as an expense in the Statement of Profit and Loss for the year ended 31st March 2021?

(b) What is the carrying amount of the Intangible Asset as at 31st March 2021 and 31st March 2022?

(c) What is the Cost of internally generated Intangible Asset to be recognised?

(d) What is the expenditure to be recognized as an expense in the Statement of Profit and Loss for the year ended 31st March 2022?

(e) What is the amount of amortization of the intangible assets to be recognized as an expense in the Statement of Profit and Loss for the year ended 31st March 2023?

(f) What is the carrying amount of the Intangible Asset as at 31st March 2023? 4

(b) (ii) GARLIC TULSI Ltd. began construction of a new building on 1st April, 2022. It obtained ₹ 2 lakh special loan to finance the construction of the building on 1st April, 2022 at an interest rate of 10%. The company's other outstanding non-specific loans were as follows:

Date on which Funds borrowed	Funds Borrowed	Rate of Interest
1/4/2022	₹ 12,00,000	13 %
1/7/2022	₹ 40,00,000	14 %
1/10/2022	₹ 16,00,000	15.5 %

Date on which it is incurred	Expenditure incurred on Construction of a Building
01/04/2022	₹ 6,00,000
01/05/2022	₹ 1,50,000
01/7/2022	₹ 3,00,000
01/12/2022	₹ 12,00,000

The construction of the building completed on 31.12.2022. However, it was put to use only on 01.04.2023. A sum of ₹ 20 lakhs has been advanced for purchase of Plant & machinery which was installed by 31st March, 2023. ₹ 29 lakhs has been utilized for working capital requirements.

Required: Show the treatment of Interest as per Ind AS 23 and pass the Journal Entries relating to Interest. 4

SUGGESTED ANSWERS TO QUESTIONS

SECTION - A

1.

(i) (D)

(ii) (C)

(iii) (D)

(iv) (D)

(v) (D)

(vi) (D)

(vii) (D)

(viii) (D)

(ix) (C)

(x) (A)

SECTION - B

2. (a)

(i) Journal Entries

Date	Particular	Dr. (₹)	Cr. (₹)
31/03/2021	Amortization A/c Dr.	5,00,000	
	To Patent A/c		5,00,000
31/03/2022	Profit and Loss A/c Dr.	11,00,000	
	Amortization A/c Dr.	8,00,000	
	To Patent A/c		19,00,000
31/03/2023	Amortization A/c Dr.	10,08,000	
	To Patent A/c		10,08,000
31/03/2024	Amortization A/c Dr.	12,88,000	
	To Patent A/c		12,88,000
31/03/2025	Amortization A/c Dr.	33,04,000	
	To Patent A/c		33,04,000

(ii)

As per Plant & Machinery A/c:

Closing balance as on 31-03-2017 = ₹ 9,50,000

Closing balance as on 31-03-2018 = ₹ 6,75,000

Closing balance as on 31-03-2019 = ₹ 5,95,000

Closing balance as on 31-03-2020 = ₹ 4,76,000

Closing balance as on 31-03-2021 = ₹ 3,80,800

Closing balance as on 31-03-2022 = ₹ 2,57,040

Loss on sale of Assets 31-03-2023 = ₹ 64,260

2. (b)

Total Reconstruction A/c (Dr. / Cr. Side) = ₹ 543 Lakh

3. (a)

Total of Balance Sheet of Star Ltd as at 1st April 2023 (Assets / Liabilities side) = ₹ 1,910 Lakh.

3. (b)

AS 14	Ind AS 103
Pooling of Interest /Purchase Method	Only Acquisition Method
Fair Value/Book Value is used as the Basis of Recognition	Fair Value is used as the Basis of Recognition
Goodwill is amortised over a period not exceeding 5 yrs	Goodwill is not amortised.
Does not recognise Contingent Consideration	Recognizes Contingent Consideration.

4. (a)

Expenses to be recognized/(reversed):

Year 1 = ₹ 58,32,000

Year 2 = ₹ 1,45,96,800

Year 3 = (₹ 66,04,800)

Value of Options Forfeited = ₹ 2,24,000

4. (b)

JOURNAL (at acquisition)

Date	Particular	Dr ₹ (In crores)	Cr. ₹ (In crores)
31/3/22	Investments in Associate A/c Dr.	2,560	
	To Equity Share Capital A/c		1,600
	To Securities Premium A/c		960

JOURNAL (on 31-03-2023)

Date	Particular	₹ (In crores)	₹ (In crores)
31/3/23	Investments in Associate A/c Dr.	800	
	To Statement of Profit and Loss A/c		500
	To Other Comprehensive Income A/c		300

5. (a)

Fair Value of Share:-

Equity share (8 paid up) = ₹ 21.00

Equity Share (5 paid up) = ₹ 12.50

Equity Share (3 paid up) = ₹ 8.50

5. (b)

Total PV of Embedded Derivative = ₹ 15,20,090

Journal Entry at Initial Recognition		
Particulars	Debit (₹)	Credit (₹)
Cash/BankA/c Dr.	40,00,000	
To Liability component		24,79,910
To Equity component		15,20,090

6. (a)

Journal			
Date	Particulars	Dr. (₹ In Crores)	Cr. (₹ In Crores)
31-03-23	Property, Plant And EquipmentA/c Dr.	10,000	
	Investment Property A/c Dr.	7,000	
	Investments A/c Dr.	1,000	
	Current Assets A/c Dr.	3,200	
	Goodwill A/c Dr.	800	
	To Borrowings A/c		2,050
	To Trade Payables A/c		2,400
	To Liabilities A/c		750
	To Non-Controlling Interest A/c		4,000
	To Equity Share Capital A/c		8,000
	To Security Premium A/c		4,800

Separate set in the books of P Ltd.

Journal			
Date	Particulars	Dr. (₹ In Crores)	Cr. (₹ In Crores)
31-03-23	Investments In Subsidiary A/c Dr.	12,800	
	To Equity Share Capital A/c		8,000
	To Security Premium A/c		4,800

Case (b)

Journal			
Date	**Particulars**	**Dr.** (₹ In Crores)	**Cr.** (₹ In Crores)
31-03-23	Investments A/c Dr.	1,300	
	To Statement Of Profit And Loss A/c		1,300
31-03-23	Property, Plant And Equipment A/c Dr.	10,000	
	Investment Property A/c Dr.	7,000	
	Investments A/c Dr.	1,000	
	Current Assets A/c Dr.	3,200	
	To Borrowings A/c		2,050
	To Trade Payables A/c		2,400
	To Liabilities A/c		750

	To Non-Controlling Interest A/c		4,000
	To Equity Share Capital A/c		4,500
	To Security Premium A/c		2,700
	To Investment A/c		4,800

Case (c)

Journal			
Date	**Particulars**	**Dr.** (₹ In Crores)	**Cr.** (₹ In Crores)
31-03-23	Property, Plant And Equipment A/c Dr.	12,000	
	Investment Property A/c Dr.	1,000	
	Current Assets A/c Dr.	4,500	
	Investment in Own Shares A/c Dr.	8,361.30	
	To Borrowings A/c		3,000
	To Trade Payables A/c		2,000
	To Non-Controlling Interest A/c		5,291.33
	To Gain on Bargain Purchase A/c		1,169.97
	To Equity Share Capital A/c		9,600
	To Security Premium A/c		4,800

Separate set in the books of S Ltd.

Journal			
Date	Particulars	Dr. (₹ In Crores)	Cr. (₹ In Crores)
31-03-23	Investments In Subsidiary A/c Dr.	14,400	
	To Equity Share Capital A/c		9,600
	To Security Premium A/c		4,800

6. (b)

(i) Characteristics of Joint Arrangement:

A joint arrangement has the following characteristics :

(a) The parties are bound by a contractual arrangement.

(b) The contractual arrangement gives two or more of those parties joint control of the arrangement.

Types of Joint Arrangement As per Ind AS-111

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.

(ii) To disclose information that enables users of its financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in other entities; and

(b) the effects of those interest on its financial position, financial performance and cash flows.

For the purpose of meeting the above stated objective, an entity shall disclose :

- the significant judgments and assumption it has made in determining :
- ➢ the nature of its interest in another entity or arrangement;
- ➢ the type of joint arrangement in which it has an interest;
- ➢ that it meets the definition of an investment entity, if applicable; and
- information about its interest in :
- ➢ subsidiaries;
- ➢ arrangements and associates; and
- ➢ structured entities that are not controlled by the entity (unconsoli dated structured entities).

7. (a)

Economic Value Added (₹ in Crores) = 211.875

7. (b)

(i)

Objectives of Public Account Committee

The Public Account Committee is entrusted with the responsibility of examining the accounts of the Government. The Government expenditures are thoroughly examined and ensured that the Parliamentary limits are not breached. It examines the report of Accounts of the union government submitted by the Comptroller and Auditor General of India (C&AG), to the President for the purpose of auditing of the revenue and the expenditure of the Government of India. The Public Accounts Committee in India thus ensures Parliamentary control over government expenditure.

Constitution of Public Account Committee

(i) 15 Members of Lok Sabha:

(ii) 7 Members of Rajya Sabha:

(iii) Chairman: The Chairman of the Committee is appointed by the Speaker from amongst the members of Lok Sabha elected to the Committee. As a convention, starting from the Public Accounts Committee of 1967-68, a member of the Committee belonging to the main opposition party/group in the House is appointed as the Chairman of the Committee.

(iv) Minister not to be Member of Committee: A Minister is not eligible to be elected as a member of the Committee and if a member, after his election to the Committee, is appointed as a Minister, he ceases to be a member of the Committee from the date of such appointment.

(v) Term of Office: The term of office of the members of the Committee is one year.

(vi) Association of Members with Government Committees: A member, on his election to the Committee, has to communicate to the office of the Committee, the particulars regarding the various Committees appointed by Government with which he is associated, for being placed before the Speaker. Where the Speaker considers it inappropriate that a member should continue to serve on the Government Committee, the member is required to resign membership of the Committee constituted by Government. Where the Speaker permits a member to continue to hold membership of the Government Committee, he may require that the report of the Government Committee shall be placed before the Committee on Public Accounts for such comments as the latter Committee may deem fit to make, before it is presented to Government. Whenever the Chairman or any member of the Committee on Public Accounts is invited to accept membership of any Committee constituted by the Government, the matter is likewise to be placed before the Speaker before the appointment is accepted.

(ii)

1. **Consolidated Funds of India**

   The Consolidated Funds is constituted under Article 266 (1) of the Constitution of India. All revenues received by the Government by way of taxes like Income Tax, Central Excise, Customs and other receipts flowing to the Government in connection with the conduct of Government business i.e. Non-Tax Revenues are credited into the Consolidated Fund. Similarly, all loans raised by the Government by the issue of Public notifications, Treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are credited into this fund. All expenditure of the government is incurred from this fund and no amount can be withdrawn from the Fund without authorization from the Parliament. This is the largest of all the three funds.

2. **Public Accounts of India**

   The Public Accounts of India is constituted under Article 266 (2) of the Constitution. The transactions recorded in it relate to debt other than those included in the Consolidated Fund of India. The transactions under Debt, Deposits and Advances in this part are those in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to 'Remittance and Suspense shall embrace all adjusting heads. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments. The receipts under Public Account do not constitute normal receipts of the Government. Parliamentary authorization for payments from the Public Account is therefore not required.

3. **Contingency Funds of India:**

   The Contingency Fund of India Fund set by the Government of India under Article 267 of the Constitution of India. It records the transactions connected with Contingency. It is held on behalf of the President by Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs. The corpus of this fund is ₹ 500 crores. Advances from the fund are made for the purposes of meeting unforeseen expenditures which are resumed to the Fund to the full extent as soon as Parliament authorizes additional expenditure. Thus, this fund acts more or less like an imprest account of the Government of India.

SECTION - C

8. (a)

JOURNAL OF B LTD.

Particulars		Dr. (₹)	Cr. (₹)
Machinery A/c	Dr.	17,25,820	
To A Ltd.'s A/c			17,25,820
Finance Charges A/c	Dr.	2,58,873	
To A Ltd.'s A/c			2,58,873
A Ltd.'s A/c	Dr.	5,00,000	
To Bank A/c			5,00,000
Depreciation A/c	Dr.	1,72,582	
To Machinery A/c			1,72,582
Profit and Loss A/c	Dr.	4,31,455	
To Depreciation A/c			1,72,582
To Finance Charges A/c			2,58,873

JOURNAL OF A LTD.

Particulars		Dr. (₹)	Cr. (₹)
Lease Receivable A/c	Dr.	17,75,540	
To Machinery A/c			17,75,540
Bank A/c	Dr.	5,00,000	
To Lease Receivable A/c			2,33,680
To Finance Income A/c			2,66,320
Finance Income A/c	Dr.	2,66,320	
To P& L A/c			2,66,320

8. (b)

(i)

Year	Accounting Treatment	Reasons as per IND AS 38
(a) 2020-2021	1. Expenditure on research ₹ 44 lakhs should be recognised as an expense when it is incurred. 2. Expenditure on Development i.e. ₹ 56 lakhs incurred since the Date(1.12.2020) when Recognition Criteria met shall be the Carrying amount as of 31-3-2021.	1.No Intangible Asset arising from research should be recognised. 2. An Intangible Asset arising from development should be recognised if, and only if, an enterprise can demonstrate all of the conditions specified in the standard.

(b), (c) and (d) 2021 -2022	Actual Expenditure = ₹ 456 lakhs PV of Future Cash Inflows = 379 lakhs Intangible Asset should be recognised at ₹ 379 lakhs being lower of Fair Value and Book Value.	1. The expenditure incurred before the intangible asset is available for use should be added to the cost of the intangible asset. 2. Intangible Assets should be recognised at lower of Fair Value(estimated by discounting estimated future net cash flows) and Book Value.
	₹ 77 lakhs being the Impairment Loss [i.e. Book Value (₹ 56 lakhs + ₹ 400 lakhs) – Recoverable Amount(₹ 379 lakhs)] should be recognized as an expense in the Statement of Profit and Loss for the year ended 31st March 2022.	3.Excess of Book Value over Fair Value should be recognised as Impairment Loss in the Statement of Profit and Loss.
(e) and (f) 2022-2023	= ₹ 75.8 lakhs should be amortised for each year beginning with 2022-2023. Carrying Amount of the Intangible Asset as at 31.3.2023 =₹ 303.2 lakhs	Depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful life(not exceeding 10 years from the date when the asset is available for use). Amortization should commence when the asset is available for use.

(ii)

Particulars	Nature	Treatment of Interest
1. Construction of a Building	Not a Qualifying Asset since the time taken to construct the building is not a substantial period i.e. less than one year.	Interest to be charged to P&L A/c
2. Advance for Purchase of Plant & machinery	Not a Qualifying Asset since Plant & Machinery is ready for its intended use at the time of its acquisition/purchase.	Interest to be charged to P&L A/c
3. Working Capital	Not a Qualifying Asset	Interest to be charged to P&L A/c

Total Interest = ₹ 7,20,000

Journal

Date	Particulars	Dr. ((₹))	Cr. (₹)
31.12.22	Building A/c Dr.	22,50,000	
	To Bank A/c		22,50,000
31.03.23	Interest on Loan A/c Dr.	7,20,000	
	To Loan A/c		7,20,000
31.03.23	P & L A/c Dr.	7,20,000	
	To Interest on Loan A/c		7,20,000