MODEL TEST PAPER 1

FINAL COURSE GROUP - I

PAPER – 1: FINANCIAL REPORTING

Time Allowed – 3 Hours **Maximum Marks – 100**

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs). Each MCQ is of 2 Marks.*
3. *Part II comprises questions which require descriptive type answers.*

PART I – Case Scenario based MCQs (30 Marks)

All MCQs are compulsory.

Case Scenario 1

Mr. Deepak Goel, a chartered accountant with 10 years of experience was earlier working with a big Indian practicing firm having clientele of IND AS and auditing assurance. Recently he left his job and started his own consultancy firm. He has received certain Ind AS based projects wherein his opinion and guidance on applicability of Ind AS has been sought for on following issues:

1. Narayan Ltd. requires to calculate the tax expense for each quarter, assuming that there is no difference between the estimated taxable income and the estimated accounting income:

	₹
Estimated Gross Annual Income (inclusive of Estimated Capital Gains of ₹ 8,00,000)	33,00,000
Estimated Income of Quarter I	7,00,000
Quarter II	8,00,000
Quarter III (including estimated Capital Gain of ₹ 8,00,000)	12,00,000
Quarter IV	6,00,000

Tax Rates:

On Capital Gains		12%
On Other Income:	First ₹ 5,00,000	30%
	Balance Income·	40%

2. C Ltd. is a construction company. It enters into a contract with Customer E to build an asset. Depending on when the asset is completed, C will receive either ₹ 1,10,000 or ₹ 1,30,000.

Outcome	Consideration (₹)	Probability
Project completes on time	1,30,000	90%
Project is delayed	1,10,000	10%

3. In the financial year 20X1-20X2, X Ltd. incurred the following expenditure in acquiring property consisting of 6 identical houses each with separate legal title including the land on which it is built.

   The expenditure incurred on various dates is given below:

   On 1st April, 20X1 - Purchase cost of the property ₹ 1,80,00,000.

   On 1st April, 20X1 – Non-refundable transfer taxes ₹ 20,00,000 (not included in the purchase cost).

   On 2nd April, 20X1- Legal cost related to property acquisition ₹ 5,00,000.

   On 6th April, 20X1- Advertisement campaign to attract tenants ₹ 3,00,000.

   On 8th April, 20X1 - Opening ceremony function for starting business ₹ 1,50,000.

   Throughout 20X1-20X2, incurred ₹ 1,00,000 towards day-to-day repair maintenance and other administrative expenses.

   X Limited uses one of the six houses for office and accommodation of its few staffs. The other five houses are rented to various independent third parties.

   How will X Limited account for all the above-mentioned expenses in the books of account?

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 1 to 6 in line with relevant Ind AS:

1. What will be the weighted average annual income tax rate for Narayan Ltd.

   (a) 29%

   (b) 38%

   (c) 30%

   (d) 40%

2. What will be the tax expense for quarter III and quarter IV?

   (a) ₹ 2,66,000; ₹ 3,04,000

   (b) ₹ 3,04,000; ₹ 2,48,000

   (c) ₹ 2,48,000; ₹ 2,28,000

   (d) ₹ 2,28,000; ₹ 10,46,000

3. What will be the transaction price for C Ltd.?

   (a) ₹ 1,10,000

   (b) ₹ 1,20,000

   (c) ₹ 1,17,000

   (d) ₹ 1,30,000

4. What will be the total cost of the property to X Ltd.?

   (a) ₹ 2,05,00,000

   (b) ₹ 2,09,50,000

   (c) ₹ 1,85,00,000

   (d) ₹ 1,89,50,000

5. What will be the cost of the investment property to be reflected in the balance sheet of X Ltd.?

   (a) ₹ 2,05,00,000

(b) ₹ 2,09,50,000

(c) ₹ 1,70,83,333

(d) ₹ 34,16,667

6. What will be the cost of the owner-occupied property to be reflected in the balance sheet of X Ltd.?

    (a) ₹ 2,05,00,000

    (b) ₹ 2,09,50,000

    (c) ₹ 1,70,83,333

    (d) ₹ 34,16,667

Case Scenario 2

G Ltd. (herein after referred as 'the Company') is currently engaged in different business segments and is also looking to expand its operations overseas. The Company is also exploring investment from an overseas investor to carry out the expansion plan. The functional currency of G Ltd. is Rupees. The Company is required to submit its financial statements for the year ended 31st March, 20X2 as per Ind AS.

On 30th September, 20X1, the Company acquired 70% of the share capital of M Ltd., an entity registered as company in Germany. The fair value of the net assets of M Ltd. was 23 million EURO and the purchase consideration paid was 17.5 million EURO on 30th September, 20X1. The exchange rates as at 30th September, 20X1 was ₹ 82 / EURO and at 31st March, 20X2 was ₹ 84 / EURO. NCI is valued at proportionate share of fair value of net assets of M Limited.

G Ltd has made an interest free security deposit against a lease of 5 years redeemable at the end of the lease term, when market interest rate for a deposit for similar period was 12% per annum. Following are the details of the deposit made by G Ltd.:

Particulars	Details
Date of Security Deposit (Starting Date)	1st April, 20X1

Date of Security Deposit (Finishing Date)	31st March, 20X6
Discount rate	12.00%
Security deposit	10,00,000
Present value factor at the end of 5th year	0.567427

The accountant of the company is facing challenge in the accounting treatment of the above issues.

Therefore, analyse the transactions mentioned above and choose the most appropriate option in the below questions 7 to 10 in line with relevant Ind AS:

7. What will be the value of goodwill on acquisition of M Ltd., in Euro, as on 30th September, 20X1?

   (a) 5.5 million EURO

   (b) 2 million EURO

   (c) 1.4 million EURO

   (d) Nil

8. What will be the value of goodwill to be recognised in the financial statements of G Ltd. as on 31st March, 20X2?

   (a) ₹ 117.6 million

   (b) ₹ 114.8 million

   (c) ₹ 451 million

   (d) ₹ 462 million

9. What will be the initial amount of prepaid lease payment in the lease contract to be recognised by G Ltd.?

   (a) ₹ 5,67,427

   (b) ₹ 4,32,573

   (c) ₹ 10,00,000

   (d) Nil

10. What will be the amount of interest income on security deposit to be recognised in the financial statements of G Ltd. as on 31st March, 20X2?

    (a) ₹ 1,20,000

(b) ₹ 68,091

(c) ₹ 51,909

(d) Nil

Case Scenario 3

X Ltd. is a listed entity in India and prepares consolidated financial statements as per the requirements of Ind AS. X Ltd. has a wholly owned subsidiary A Ltd. which is an unlisted entity with a net worth of ₹ 280 crore. A Ltd. is not in the process of listing any of its instruments in public market. A Ltd. has two wholly owned subsidiaries B Ltd. and C Ltd.

Analyse the transactions mentioned above and choose the most appropriate option in the below questions 11 to 13 in line with relevant Ind AS:

11. State which of the following is true for A Ltd. as per the requirements of Ind AS 110?

    (a) Since A Ltd. is an unlisted entity, it is mandatory for it to prepare Consolidated Financial Statements (CFS)

    (b) Even if X Ltd. does not object to A Ltd. for not preparing CFS, A Ltd. has to mandatory prepare CFS

    (c) Even if A Ltd. is an unlisted entity and X Ltd. objects A Ltd. for not preparing CFS, A Ltd. is not required to prepare CFS

    (d) Since A Ltd. is not a listed entity and if X Ltd. does not object to A Ltd. for not preparing CFS, A Ltd. will not be required to prepare CFS.

12. Assume the same facts as given in the scenario for wholly owned subsidiaries A Ltd., X Ltd. is a foreign entity and is listed in stock exchange of a foreign country and it prepares its financial statements as per the generally accepted accounting principles (GAAP) applicable to that country. Now state which of the following is true for A Ltd. as per the requirements of Ind AS 110?

    (a) Since A Ltd. is an unlisted entity, preparation of CFS is not mandatory to it

    (b) Since X Ltd. is not preparing CFS under Ind AS, A Ltd. is mandatorily required to prepare CFS under Ind AS

(c) Even if X Ltd. does not object to A Ltd. for not preparing CFS, A Ltd. is not required to mandatory prepare CFS

(d) Even if A Ltd. is an unlisted entity and X Ltd. objects A Ltd. for not preparing CFS, A Ltd. is not required to prepare CFS

13. Assume the same facts as given in the scenario except that 100% of the investment in A Ltd. is held by Mr. X (an individual) instead of X Ltd. Now state which of the following is true for A Ltd. as per the requirements of Ind AS 110?

    (a) A Ltd. is not required to prepare CFS as it is an unlisted entity

    (b) Even if Mr. X is an individual, A Ltd. is not mandatorily required to prepare CFS under Ind AS

    (c) A Ltd. will prepare consolidated financial statements under AS and not Ind AS

    (d) Even if A Ltd. is an unlisted entity, it is mandatorily required to prepare CFS

Case Scenario 4

Deepak started a new company S Pvt. Ltd. with T Ltd. wherein investment of 55% is done by T Ltd. and rest by Deepak. Voting powers are to be given as per the proportionate share of capital contribution. The new company S Pvt. Ltd. formed was the subsidiary of T Ltd. with two directors, and Deepak eventually becomes one of the directors of company. The company, S Pvt. Ltd. was incorporated on 1st April 20X1. The financials of T Ltd. are prepared as per Ind AS. However, S Pvt. Ltd. is preparing its financial statements as per Accounting Standards.

Further, Deepak has started using accounting software and other tools to automate manual processes in S Pvt. Ltd. He is evidencing major change in accounting due to automation of the accounting process. However, at the same time, he also realised that automation comes with its own set of potential drawbacks and challenges.

Analyse the transactions mentioned above and choose the most appropriate option in the below questions 14 and 15 in line with relevant Ind AS:

14. Which of the following statements is true with respect to preparation of financial statements?

(a) S Pvt. Ltd. has to mandatorily prepare its financial statements as per Ind AS

(b) S Pvt. Ltd. is not at all required to prepare its financial statements as per Ind AS

(c) S Pvt. Ltd. has to prepare its financial statements both as per AS and Ind AS

(d) T Ltd. has to prepare its financial statements as per AS.

15. State which of the following is the challenge of the automation process:

(a) Software can automatically categorize transactions into the appropriate accounts

(b) Optical character recognition (OCR) or barcode recognition technology, is automating the entry of data from source documents such as receipts and invoices.

(c) Automation process enables accountants to focus on higher-level tasks such as analysis and planning instead of routine manual entry

(d) Automation requires ongoing training and education to keep up with the latest technology

PART – II DESCRIPTIVE QUESTIONS

Question No.1 is compulsory. Candidates are required to answer any four questions from the remaining five questions.

Wherever necessary, suitable assumptions may be made and disclosed by way of a note.

Working notes should form part of the answers.

Maximum Marks – 70 Marks

1. Flywing Airways Ltd is a company which manufactures aircraft parts and engines and sells them to large multinational companies like Boeing and Airbus Industries.

On 1st April 20X1, the company began the construction of a new production line in its aircraft parts manufacturing shed.

Costs relating to the production line are as follows:

Details	Amount ₹'000
Costs of the basic materials (list price ₹12.5 million less a 20% trade discount)	10,000
Recoverable goods and services taxes incurred not included in the purchase cost	1,000
Employment costs of the construction staff for the three months to 30th June 20X1	1,200
Other overheads directly related to the construction	900
Payments to external advisors relating to the construction	500
Expected dismantling and restoration costs	2,000

Additional Information

The construction staff was engaged in the production line, which took two months to make ready for use and was brought into use on 31st May 20X1.

The other overheads were incurred in the two-months period ended on 31st May 20X1. They included an abnormal cost of ₹3,00,000 caused by a major electrical fault.

The production line is expected to have a useful economic life of eight years. At the end of that time Flywing Airways Ltd is legally required to dismantle the plant in a specified manner and restore its location to an acceptable standard. The amount of ₹ 2 million mentioned above is the amount that is expected to be incurred at the end of the useful life of the production line. The appropriate rate to use in any discounting calculations is 5%. The present value of ₹ 1 payable in eight years at a discount rate of 5% is approximately Re.0·68.

Four years after being brought into use, the production line will require a major overhaul to ensure that it generates economic benefits for the second half of its useful life. The estimated cost of the overhaul, at current prices, is ₹ 3 million.

The Company computes its depreciation charge on a monthly basis.

No impairment of the plant had occurred by 31st March 20X2.

Analyze the accounting implications of costs related to production line to be recognized in the balance sheet and profit and loss for the year ended 31st March, 20X2. **(14 Marks)**

2. Summarized Balance Sheets of PN Ltd. and SR Ltd. as on 31st March 20X2 were given as below: (Amount in ₹)

Particulars	PN Ltd.	SR Ltd.
Assets		
Land & building	4,68,000	5,61,600
Plant & Machinery	7,48,800	4,21,200
Investment in SR Ltd.	12,48,000	-
Inventories	3,74,400	1,13,600
Trade Receivables	1,86,500	1,24,800
Cash & Cash equivalents	45,200	24,900
Total Assets	**30,70,900**	**12,46,100**
Equity & Liabilities		
Equity Share Capital (Shares of ₹ 100 each fully paid)	15,60,000	6,24,000
Other Reserves	9,36,000	3,12,000
Retained Earnings	1,78,400	2,55,800
Trade Payables	1,46,900	34,300
Short-term borrowings	2,49,600	20,000
Total Equity & Liabilities	**30,70,900**	**12,46,100**

(i) PN Ltd. acquired 70% equity shares of ₹ 100 each of SR Ltd. on 1st October 20X1.

(ii) The Retained Earnings of SR Ltd. showed a credit balance of ₹ 93,600 on 1st April 20X1 out of which a dividend of 12% was paid on 15th December 20X1.

(iii) PN Ltd. has credited the dividend received to its Retained Earnings.

(iv) Fair value of Plant & Machinery of SR Ltd. as on 1st October 20X1 was ₹ 6,24,000. The rate of depreciation on Plant & Machinery was 10% p.a.

(v) Following are the increases on comparison of Fair Value as per respective Ind AS with book value as on 1st October 20X1 of SR Ltd. which are to be considered while consolidating the Balance Sheets:

(a)	Land & Buildings	₹ 3,12,000
(b)	Inventories	₹ 46,800
(c)	Trade Payables	₹ 31,200

(vi) The inventory is still unsold on Balance Sheet date and the Trade Payables are not yet settled.

(vii) Other Reserves as on 31st March 20X2 are the same as was on 1st April 20X1.

(viii) The business activities of both the company are not seasonal in nature and therefore, it can be assumed that profits are earned evenly throughout the year.

Prepare the Consolidated Balance Sheet as on 31st March 20X2 of the group of entities PN Ltd. and SR Ltd. **(14 Marks)**

3. (a) Blueberry Ltd entered into the following transactions during the year ended 31st March, 20X2:

(i) Entered into a speculative interest rate option costing ₹ 10,000 on 1st April, 20X0 to borrow ₹ 6,000,000 from Exon Bank commencing 30th June,20X2 for 6 months at 4%.

The value of the option at 31st March, 20X2 was ₹15,250.

(ii) Purchased 6% debentures in Fox Ltd on 1st April, 20X1 (their issue date) for ₹ 150,000 as an investment. Blueberry Ltd. intends to hold the debentures, until their redemption at a premium, in 5 years' time. The effective rate of interest of the bond is 8%.

(iii) Purchased 50,000 shares in Cox Ltd on 1st October, 20X2 for ₹ 3.50 each as an investment. The share price on 31st March, 20X2 was ₹ 3.75.

Show the accounting treatment and relevant extracts from the financial statements for the year ended 31st March, 20X2 of transactions related to financial instruments. Blueberry Ltd. designates financial assets at fair value through Profit or loss only when this is unavoidable. **(10 Marks)**

(b) The entity has an identifiable asset ASSOTA with a carrying amount of ₹ 10,00,000. Its recoverable amount is ₹ 6,50,000. The tax base of ASSOTA is ₹ 8,00,000 and the tax rate is 30%. Impairment losses are not tax deductible. Entity expects to continue to earn profits in future.

For the identifiable asset ASSOTA, what would be the impact on the deferred tax asset/ liability at the end of the period?

(4 Marks)

4. (a) KK Ltd. runs a departmental store which awards 10 points for every purchase of ₹ 500 which can be discounted by the customers for further shopping with the same merchant. Unutilised points will lapse on expiry of two years from the date of credit. Value of each point is ₹ 0.50. During the accounting period 20X1-20X2, the entity awarded 1,00,00,000 points to various customers of which 18,00,000 points remained undiscounted. The management expects only 80% will be discounted in future of which normally 60-70% are redeemed during the next year.

The Company has approached your firm with the following queries and has asked you to suggest Journal Entries under the applicable Ind AS for these award points:

(a)	How should the recognition be done for the sale of goods worth ₹ 10,00,000 on a particular day?
(b)	How should the redemption transaction be recorded in the year 20X1-20X2? The Company has requested you to

	present the sale of goods and redemption as an independent transaction. Total sales of the entity is ₹ 5,000 lakhs.
(c)	How much of the deferred revenue should be recognized at the year-end (20X1-20X2) because of the estimation that only 80% of the outstanding points will be redeemed?
(d)	In the next year 20X2-20X3, 60% of the outstanding points were discounted. Balance 40% of the outstanding points of 20X1-20X2 still remained outstanding. How much of the deferred revenue should the merchant recognize in the year 20X2-20X3 and what will be the amount of balance deferred revenue?
(e)	How much revenue will the merchant recognized in the year 20X3-20X4, if 3,00,000 points are redeemed in the year 20X3-20X4?

(9 Marks)

(b) **Either**

Mr. Atul is an independent director of a company X Ltd. He plays a vital role in the management of X Ltd. and contributes to major decision making process of the organisation. X Ltd. pays sitting fee of ₹ 2,00,000 to him for every Board of Directors' (BOD) meeting he attends. Throughout the year, X Ltd. had 5 such meetings which was attended by Mr. Atul.

Similarly, a non-executive director, Mr. Naveen also attended 5 BOD meetings and charged ₹ 1,50,000 per meeting. The Accountant of X Ltd. believes that they being not the employees of the organisation, their fee should not be disclosed as per related party transaction.

Examine whether the sitting fee paid to independent director and non-executive director is required to be disclosed in the financial statements prepared as per Ind AS? **(5 Marks)**

Or

How will you recognize and present the grants received from the Government in the following cases as per Ind AS 20?

(i) A Ltd. received one acre of land to setup a plant in backward area (fair value of land ₹ 12 lakh and acquired value by Government is ₹ 8 lakhs).

(ii) B Ltd. received an amount of loan for setting up a plant at concessional rate of interest from the Government.

(iii) D Ltd. received an amount of ₹ 25 lakh for immediate start-up of a business without any condition.

(iv) S Ltd. received ₹ 10 lakh for purchase of machinery costing ₹ 80 lakh. Useful life of machinery is 10 years. Depreciation on this machinery is to be charged on straight line basis.

(v) Government gives a grant of ₹ 25 lakh to U Limited for research and development of medicine for breast cancer, even though similar medicines are available in the market but are expensive. The company is to ensure by developing a manufacturing process over a period of two years so that the cost comes down at least to 50%. **(5 Marks)**

5. (a) An entity issues 2,000 convertible bonds at the beginning of Year 1. The bonds have a three-year term and are issued at par with a face value of ₹ 1,000 per bond, giving total proceeds of ₹ 20,00,000. Interest is payable annually in arrears at a nominal annual interest rate of 6%. Each bond is convertible at any time up to maturity into 250 ordinary shares. The entity has given an option to settle the principal amount of the convertible bonds in ordinary shares or in cash.

When the bonds are issued, the prevailing market interest rate for similar debt without a conversion option is 9%. At the issue date, the market price of one ordinary share is ₹ 3. Income tax is ignored.

Calculate basic and diluted EPS when

Profit attributable to ordinary equity holders of the parent entity Year 1	₹ 10,00,000
Ordinary shares outstanding	12,00,000
Convertible bonds outstanding	2,000

(4 Marks)

(b) Entity A acquired a subsidiary, entity B, during the year. Summarised information from the consolidated statement of profit and loss and balance sheet is provided, together with some supplementary information.

Consolidated statement of profit and loss	**Amount (₹)**
Revenue	3,80,000
Cost of sales	(2,20,000)
Gross profit	1,60,000
Depreciation	(30,000)
Other operating expenses	(56,000)
Interest cost	(4,000)
Profit before taxation	**70,000**
Taxation	(15,000)
Profit after taxation	**55,000**

Consolidated balance sheet	**20X2**	**20X1**
	Amount (₹)	**Amount (₹)**
Assets		
Cash and cash equivalents	8,000	5,000
Trade receivables	54,000	50,000
Inventories	30,000	35,000
Property, plant and equipment	1,60,000	80,000
Goodwill	18,000	—
Total assets	**2,70,000**	**1,70,000**
Liabilities		
Trade payables	68,000	60,000
Income tax payable	12,000	11,000

Long term debt	1,00,000	64,000
Total liabilities	**1,80,000**	**1,35,000**
Shareholders' equity	**90,000**	**35,000**
Total liabilities and shareholders'	**2,70,000**	**1,70,000**

Other information

All of the shares of entity B were acquired for ₹ 74,000 in cash. The fair values of assets acquired, and liabilities assumed were:

Particulars	Amount (₹)
Inventories	4,000
Trade receivables	8,000
Cash	2,000
Property, plant and equipment	1,10,000
Trade payables	(32,000)
Long term debt	(36,000)
Goodwill	18,000
Cash consideration paid	**74,000**

Prepare statement of cash flows of Entity A. **(10 Marks)**

6. (a) Astra Ltd. is a listed entity which operates in the defence and fibre optics sector. It supplies fibre optic cables and racks in the domestic country. This activity is only a trading activity for Astra Ltd. as it procures goods from pre-approved suppliers, and after inspection, sells the goods to IT companies. The sale contract requires Astra Ltd. to deliver these goods to the IT companies' locations (i.e., delivery on site). Payment terms are 30 days after the invoice date to Astra Ltd.

Ms. Suparna Dasgupta, a chartered accountant, has recently joined Astra Ltd. as the Head of the Finance Department.

The Chief Operating Officer (also the executive director) of Astra Ltd. is Ms. Padmaja Srinivasan, a mechanical engineer with an MBA from Harvard University, who rose through the ranks through her excellent skills in project management, marketing, and customer management. Her remuneration includes a bonus computed as a percentage of turnover achieved during the year, and an additional incentive for achieving an EBITDA in excess of 15% of turnover.

Astra Ltd. has sold fibre optic cables amounting to ₹ 2 crores (invoice dated 31st March 20X2) to Ethernet Bullet Ltd., a company providing high-speed internet connectivity services through fibre optic cables as well as dedicated leased lines. The service unit of Ethernet Bullet Ltd. is located next to the factory of Astra Ltd. Though the goods were not moved to Ethernet Bullet Ltd.'s service unit, Astra Ltd. recognized the sale for the year, based on the contention that the service unit is adjacent, and hence the transfer can happen within a few minutes.

The annual results are due for board approval, for the year ending 31st March, and require the sign-off of Ms. Suparna Dasgupta.

Ms. Suparna Dasgupta has been given a 40% increment on joining Astra Ltd., which enables her to comfortably pay off her housing loan mortgage every month. Additionally, she is also given perquisites in the form of business class travel, an exclusive chauffeur-driven car and stock options of the company. Accordingly, she has stated that she cannot afford to lose this job as the salary and perquisites are among the best in the country.

Ms. Padmaja Srinivasan has communicated to Ms. Suparna Dasgupta that many more benefits will accrue if she agrees to present the numbers without any modifications. She has also said that the company would not hesitate to replace Ms. Suparna Dasgupta should she disagree with the contentions above.

Required:

Discuss the potential conflicts which are arising in the above scenario and the ethical principles that would guide Ms. Suparna Dasgupta in responding to the situation. **(9 Marks)**

(b) On 1st April 20X1, Nuogen Ltd. had granted 1,20,000 share options to its employees with the vesting condition being a service condition as follows:

- Vesting date : 31st March 20X2 - 80,000 share options (1-year vesting period since grant date)
- Vesting date : 31st March 20X5 - 40,000 share options (4-year vesting period since grant date)

Each option can be converted into one equity share of Nuogen Ltd. The fair value of the options on grant date, i.e., on 1st April 20X1 was ₹ 20.

Nuogen Ltd. is required to prepare financial statements in Ind AS for the financial year ending 31st March 20X4. The transition date for Ind AS being 1st April 20X2.

The entity has disclosed publicly the fair value of both these equity instruments as determined at the measurement date, as defined in Ind AS 102.

The previous applicable GAAP for the entity was IGAAP (AS) and therein, the entity had not adopted intrinsic method of valuation.

The share options have not been yet exercised by the employees of Nuogen Ltd.

How the share-based payment should be reflected in, the books of Nuogen Ltd. as on 31st March 20X4, assuming that the entity has erred by not passing any entry for the aforementioned transactions in the books of Nuogen Ltd. on grant date, i.e. 1st April 20X1?

(5 Marks)