

MODEL TEST PAPER 6
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 Study 1

Tara Ltd. is engaged in mining and many other industries and prepares its financial statements following Indian Accounting Standards and follows April-March as their financial year. During the year 20X3-20X4, the Company has faced some issues and for their solution seeks your professional advice.

- (i) Tara Ltd. and Zara Ltd. are partners of a joint operation engaged in the business of mining precious metals. The entity uses a jointly owned drilling plant in its operations. During the year ended 31st March, 20X4, an inspection was conducted by the government authorities in the mining fields. The inspection authorities concluded that adequate safety measures were not followed by the entity. As a consequence, a case was filed and a penalty of ₹ 100 crores has been demanded from Tara Ltd. on 1st September, 20X3.

The legal counsel of the company has assessed the demand and opined that appeals may not be useful, and the appeal orders will be unfavourable to the joint arrangement. As per the terms of the joint operations agreement, out of ₹ 100 crores (to be paid by Tara Ltd.), ₹ 60 crores will be reimbursed by Zara Ltd. to Tara Ltd. within three months from the date of any demand made in respect of joint operations by any

government authorities. However, till the year end, actual reimbursement was not received from Zara Ltd.

- (ii) Tara Ltd. issued on 1st April 20X2, 10% (interest paid annually and having maturity period of 4 years) bonds with a face value of ₹ 2,00,000 at a discount of 10% to finance a qualifying asset which is ready for intended use at the end of year 2. The company amortizes discount using Effective Interest Rate (EIR) method by applying 13.39% p.a. of EIR.
- (iii) Tara Ltd. has invested in debentures whose interest rate is floating in nature and as per terms of the instrument, interest will be reset every month. As per terms, rate of interest is MIBOR plus 2%. It has invested in the debentures to take the advantage of leverage of interest.
- (iv) On 1st January, 2024, Tara Ltd. took a contract for installation of new elevator at a factory of its customer. The entity estimates the following with respect to the contract:

Particulars	Amount (₹)
Transaction price	30,00,000
Expected costs:	
(a) Elevators	10,00,000
(b) Other costs	12,00,000
Total	22,00,000

It purchased the elevator and delivered the same to the site six months before it is required for installation. The entity uses an input method based on cost to measure progress towards completion. Tara Ltd. has incurred actual other costs of ₹ 3,00,000 by 31st March, 2024.

- (v) Tara Ltd. has classified its business in 5 operating segments namely A, B, C, D and E. The profit/(loss) of respective segments for the year ended 31st March, 2024, are as follow:

Segment Profit/ (Loss)	(₹ in lakhs)
A	1,280
B	2,624
C	(280)

D	315
E	<u>(2,620)</u>
Total	<u>1,319</u>

On the basis of the information provided above, you are required to choose the most appropriate answer to the below-mentioned questions 1 to 5 in line with the relevant Ind AS:

1. With respect to a joint operation engaged in the business of mining precious metals, how will the liability be disclosed in the books of Tara Ltd.?
 - (a) Provision for ₹ 40 crores and a contingent liability for ₹ 60 crores.
 - (b) Contingent Liability for ₹ 100 crores.
 - (c) Provision for ₹ 60 crores and a contingent liability for ₹ 40 crores.
 - (d) Provision for ₹ 100 crores.

2. Classify the financial asset and determine the subsequent measurement for the aforesaid debenture instrument?
 - (a) Financial asset measured at amortised cost
 - (b) Financial asset measured at FVOCI without recycling
 - (c) Financial asset measured at FVTPL
 - (d) Financial asset measured at FVOCI with recycling

3. Which of the following option will be considered as Reportable Segments for Tara Ltd.?
 - (a) A, B, D and E
 - (b) A, B and E
 - (c) A and E
 - (d) B and E

4. Compute the amount of borrowing costs to be capitalized related to qualifying assets.
 - (a) ₹ 48,753
 - (b) ₹ 24,651

- (c) ₹ 24,102
(d) ₹ Nil
5. What is the amount of revenue to be recognized by Tara Ltd. for elevator contract during the financial year 20X3-20X4?
- (a) ₹ 8,00,000
(b) ₹ Nil
(c) ₹ 15,00,000
(d) ₹ 18,00,000 **(5 x 2 = 10 Marks)**

You are required to choose the most appropriate answer to the below mentioned questions (6 to 8) in line with the relevant Ind AS:

6. When should the government grant be recognized by an entity according to Ind AS 20?
- (a) As soon as the grant is offered by the government
(b) Once the entity fulfills the conditions attached to the grant
(c) When there is reasonable assurance that the entity will comply with the conditions and receive the grants
(d) After entity has received the grants **(2 Marks)**
7. What is the stance of a Chartered Accountant regarding conflicts of interest?
- (a) Conflicts of interest should not compromise professional or business judgement
(b) Conflicts of interest are acceptable if managed properly
(c) Conflicts of interest are unavoidable and should be accepted
(d) Conflicts of interest should be disclosed but can still compromise judgement **(2 Marks)**
8. Following statements are given to you in context of Ind AS 101 'First Time Adoption of Ind AS':
- (i) An entity shall not make estimates in accordance with Ind AS at the date of transition to Ind AS that were not required at that date under previous GAAP.

- (ii) In particular, estimates at the date of transition to Ind AS of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date.
- (iii) An entity may need to make estimates in accordance with Ind AS at the date of transition in Ind AS that were not required at that date under previous GAAP.
- (iv) To achieve consistency with Ind AS 10, estimates in accordance with Ind AS shall reflect conditions that existed at the date of transition to Ind AS.

Which of the above statements are true in context of Ind AS 101?

- (a) Only (i), (ii) and (iii) are true
- (b) Only (i) and (ii) are true
- (c) Only (ii), (iii) and (iv) are true
- (d) Only (iii) and (iv) are true

(2 Marks)

Case Study 2

Planet Ltd. is a multinational company engaged into the business of manufacturing of various products of different segments. One of the segments is the manufacturing of agricultural equipment. The company raised a term loan for ₹ 1 crore from a Nationalized Indian Bank to purchase certain plant and machinery for agricultural segment during the year ended 31st March, 20X3. The loan is repayable over a period of 5 years. The terms and conditions of the loan agreement is that the company should maintain a current ratio of 1.5:1 and debt-equity ratio of 1:2. If these covenants fall below this level, then the bank has a right to recall the entire loan.

The unpaid loan as on 31st March, 20X4 was ₹ 85 lakhs. The current ratio of Planet Ltd. was 0.9:1 and debt-equity ratio was 0.65:2. The bank has sent a notice on 7th April, 20X4 demanding repayment of loan, on account of breach of terms of the loan agreement. The financials of the company were approved and signed on 15th May, 20X4.

After receiving the notice, the Chief Finance Officer of the company contacted the bank and ensured to rectify the breach. Consequently, on 28th May, 20X4, the Bank agreed not to recall the loan and allowed the company to achieve the contracted current and debt equity ratio by the year ending on 31st March, 20X5

Planet Ltd. has recently acquired shares in Bean Ltd. and Camel Ltd. and prepared draft consolidated financial statements in accordance with Ind AS for the year ended on 31st March, 2024. It is the group's policy to value its non-controlling interests at fair value. The fair value of the non-controlling interest in Bean Ltd. on the date of acquisition was measured at ₹ 1,430 lakhs. The following information is relevant regarding the acquisition of shares in Bean Ltd. and Camel Ltd.:

Date of acquisition	Holding acquired %	Retained earnings at acquisition date ₹ (in lakhs)	Purchase consideration ₹ (in lakhs)
Bean Ltd - 1.4.20X3	85	5,400	10,200
Camel Ltd - 1.4.20X3	40	6,240	5,760

In the draft Consolidated Financial Statements prepared on 31st March, 2024 the financials relating to Bean Ltd. and Camel Ltd. appeared as follows:

	Bean Ltd. (₹ in lakhs)	Camel Ltd. (₹ in lakhs)
Issued ordinary shares of ₹ 10 each	3,600	4,000
Retained earnings	7,200	7,400

Bean Ltd. and Camel Ltd. have not issued any share capital since the acquisition of shareholding by Planet Ltd. The fair value of the net assets of Bean Ltd. and Camel Ltd. were the same as their carrying amounts at the date of acquisition. Planet Ltd. has significant influence over Camel Ltd. An impairment loss of ₹ 204 lakhs have been identified in respect of goodwill arising on the acquisition of Bean Ltd. for the year ended on 31st March, 2024. The recoverable amount of net assets of Camel Ltd. has been deemed to be ₹ 11,760 lakhs as on 31st March, 2024.

On 1st January, 2024, Planet Ltd. sold inventory costing ₹ 45 lakhs to Camel Ltd. for ₹ 63 lakhs. The inventory was still unsold by Camel Ltd. at 31st March, 2024. This inventory was sold by Camel Ltd. to third party on 8th April, 2024.

Planet Ltd. has constructed a shopping mall earlier. The company renovated a portion of mall by constructing a food court, spa and gaming zone. The food court and gaming zone are expected to result in a significant increase in sales for the shops and outlets of the mall.

On the basis of the information provided above, you are required to choose the most appropriate answer to the below-mentioned questions 9 to 12 in line with the relevant Ind AS:

9. After negotiation with the Nationalized Bank, how long-term loan has to be classified in financials for the year ended on 31st March, 2024?
- (a) Non-current financial liability
 - (b) Other non-current liability
 - (c) Current financial liability
 - (d) Other current liability
10. What will be the impairment loss from investment in associate for the year ending 31st March, 2024?
- (a) ₹ 1,440 lakhs
 - (b) ₹ 1,432.80 lakhs
 - (c) ₹ 1,055.20 lakhs
 - (d) ₹ 1,512.80 lakhs
11. What will be the amount of Goodwill as on 31st March, 2024, arising from the acquisition of Bean Ltd.?
- (a) ₹ 2,530 lakhs
 - (b) ₹ 2,630 lakhs
 - (c) ₹ 2,426 lakhs
 - (d) ₹ 2,326 lakhs
12. What should be the accounting treatment for the cost incurred for the renovation?
- (a) Expenses incurred for food court and gaming should be capitalized
 - (b) Expenses incurred for food court, spa and gaming should be capitalized
 - (c) Expenses incurred for food court and gaming zone should be charged to statement of profit and loss
 - (d) Expenses incurred for food court, spa and gaming zone should be charged to statement of profit and loss **(4 x 2 = 8 Marks)**

Case Study 3

Nikhil Pvt. Ltd. acquired 100% of Pranav Pvt. Ltd. on 1st January, 20X3. The fair value of the purchase consideration was ₹ 20 crores consisting of ordinary shares of ₹ 100 each of Nikhil Pvt. Ltd. The fair value of the net assets acquired was ₹ 15 crores. At the time of the acquisition, the value of the ordinary shares of Nikhil Pvt. Ltd. and the net assets of Pranav Pvt. Ltd. were only provisionally determined.

On 30th November, 20X3, it was finally determined that the fair value of Nikhil Pvt. Ltd.'s shares was ₹ 22 crores and the fair value of net assets of Pranav Pvt. Ltd. was ₹ 16 crores.

However, the directors of Nikhil Pvt. Ltd. have seen the fair value of the company's shares decline since 1st January, 20X3, and wanted to adopt the fair value of the shares as of 1st February, 20X4, which will result in the fair value of consideration at being value date ₹ 18 crores.

In addition to the above Purchase Consideration, the acquisition agreement states that an additional ₹ 4 crores will be paid if Pranav Pvt. Ltd. achieves a turnover of ₹ 160 crores in the next two years. On the date of acquisition, the fair value of the said consideration was ₹ 3 crores. In February 2024, due to decline in performance of Pranav Pvt. Ltd., it is determined that it is unlikely that it would meet budgeted turnover of ₹ 160 crores.

On the basis of the information provided above, you are required to choose the most appropriate answer to the below mentioned questions 13 to 15 in line with the relevant Ind AS:

13. The Net Assets Value will be-
 - (a) ₹ 15 crores
 - (b) ₹ 16 crores
 - (c) ₹ 20 crores
 - (d) ₹ 19 crores
14. The value of Purchase Consideration will be-
 - (a) ₹ 18 crores
 - (b) ₹ 20 crores
 - (c) ₹ 22 crores
 - (d) ₹ 25 crores

15. How should Nikhil Pvt. Ltd. treat the contingent consideration linked to achieving sales?
- Nikhil Pvt. Ltd. should not recognize the consideration as it is unlikely that it would be paid.
 - Nikhil Pvt. Ltd. should disclose the consideration as it is contingent liability in its financial statements which will be met only upon Pranav Pvt. Ltd. earning a turnover of ₹ 160 crores.
 - Nikhil Pvt. Ltd. should recognise the fair value of the consideration as part of the business combination, thus increasing goodwill and re-measure it at the end of each reporting period. The impact of change in fair value is recognised in the statement of profit and loss.
 - There is no specific treatment prescribed under Ind AS. Nikhil Pvt. Ltd. should decide the appropriate accounting treatment based on the facts and circumstances of the case. **(3 x 2 = 6 Marks)**

PART-II Descriptive Questions

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

Working notes should form part of the answer.

Maximum Marks – 70 Marks

1. The balance sheets of H Ltd. and S Ltd. as on 31st March, 2024 were as follows:

Particulars	H Ltd.	S Ltd.
	₹ in Lakhs	
Assets:		
Non-Current Assets		
Property, plant and equipment	14,800	6,000
Financial Assets: Investment		
Investment in S Ltd.	5,800	
1,000 Debentures in S Ltd.	1,500	
Current Assets		
Inventories	2,600	2,000
Financial Assets		

Trade receivables (due from S Ltd. ₹ 160 lakh)	4,000	3,000
Dividend receivable	320	-
Cash and cash equivalent	<u>500</u>	<u>2,000</u>
Total	<u>29,520</u>	<u>13,000</u>
Equity and Liabilities		
Equity		
Equity Share Capital (₹ 10 per share)	10,000	4000
Other Equity (Retained Earnings)	16,320	5,000
Non-current Liabilities		
13% Debenture of ₹ 100 each		3,000
Current Liabilities		
Financial Liabilities:		
Trade Payables (due to H Ltd. ₹ 120 lakh)	1,700	600
Dividend Payable		400
Other Liabilities	<u>1,500</u>	<u> </u>
Total	<u>29,520</u>	<u>13,000</u>

Additional Information:

- (i) On 1st April, 20X3, S Ltd. had 400 lakh shares of ₹ 10 each and ₹ 3,000 lakh in its Retained Earnings in Other Equity. H Ltd. acquired 80% share of S Ltd. on 1st April, 20X3 at a consideration of ₹ 5,800 lakh in cash.
- (ii) The following changes in book value of identifiable net assets of S Ltd. as on 1st April, 20X3 are to be considered for arriving the fair value of identifiable net assets and to record the changes in their fair value on the said date. These changes in fair values are to be considered while drawing consolidated Financial Statement of the Group.

Assets	Book value	Fair value
PPE	₹ 2,500 lakhs	₹ 2,800 lakhs
Inventory	₹ 500 lakhs	₹ 200 lakhs

The rate of depreciation on PPE is 10% p.a.

- (iii) NCI was to be measured at fair value based on purchase consideration.
- (iv) Goodwill was impaired by ₹ 100 lakh.
- (v) H Ltd. sold goods costing ₹ 200 lakh, to S Ltd. on credit at a profit of 20% on sales. 50% of the goods were still lying unsold.
- (vi) S Ltd. issued a cheque of ₹ 40 lakh in favour of H Ltd. as a part payment of the goods purchased from it in March, 2024. The cheque is yet to be received by H Ltd.
- (vii) Dividend payable represents the dividend declared out of pre-acquisition profit. H Ltd. credited its share of dividend from S Ltd. to its profits.

Prepare the Consolidated Balance Sheet of the Group as at 31st March, 2024. **(14 Marks)**

2. (a) On 1st January, 20X3, Joe & Co Ltd., an Indian company which prepares its financial statements on a quarterly basis has entered into a written put option for USD (\$) 40,000 with Box Ltd. to be settled in future on 31st December, 20X3 for a rate equal to ₹ 78 per USD at the option of Box Ltd. Joe & Co. Ltd. did not receive any amount upon entering into the contract.

For the purpose of accounting, use the following information representing marked to market fair value of put option contract at each reporting date.

As at 31st March, 20X3 - ₹ (50,000)

As at 30th June, 20X3 - ₹ (30,000)

As at 30th September, 20X3 - ₹ NIL

Spot rate of USD on 31st December, 20X3 - ₹ 76 per USD.

Evaluate and explain whether the above option meets the definition of derivatives as laid down in Ind AS 109 and record the entries for each quarter ended till the date of actual purchase of USD.

(10 Marks)

- (b) Spicer Ltd., a listed company, prepares interim financial reports at the end of each quarter.

The following information is provided:

- (i) On 1st April, 20X3, Spicer Ltd. has brought forward losses of ₹ 620 lakh under Income Tax Act. No Deferred Tax Asset has been recognized by the management of the company for such losses in view of the uncertainty over company's ability to earn profits in the foreseeable future and set off these losses.
- (ii) Due to sudden change in government policies, the company's business turned around and it has reported quarterly earnings of ₹ 650 lakh and ₹ 360 lakh respectively for the first two quarters of financial year 20X3-20X4 and anticipates net earnings of ₹ 720 lakh in the coming half year ended March 20X4 of which ₹ 160 lakh will be the loss in the quarter ended December 20X3.
- (iii) The tax rate for the company is 25% with a 10% surcharge.

You are required to calculate the amount of Tax Expenses to be reported for each quarter of the financial year 20X3-20X4.

(4 Marks)

3. (a) Anand Ltd. owns a Building X which is specifically used for the purpose of earning rentals. The Company has not been using the Building X or any of its facilities for its own use for a long time. The company is also exploring the opportunities to sell the building if it gets the reasonable amount in consideration.

Following information is relevant for Building X for the year ending 31st March, 2024:

Building X was initially purchased at the cost of ₹ 120 crores. At that time, the useful life of the building was estimated to be 10 years; out of which 5 years have been expired as on 1st April, 20X3: The company follows straight line method for depreciation.

During the year, the company has invested in another Building Y with the purpose to hold it for capital appreciation. The property was purchased on 1st April, 20X3 at the cost of ₹ 20 crores. Expected life of the building is 20 years. As usual, the company follows straight line method of depreciation

Further, during the year 20X3-20X4, the company earned/incurred the following, directly relating to Building X and Building Y:

Rental income from Building X = ₹ 15 crores

Rental income from Building Y	= ₹ 5 crores
Sales promotion expenses	= ₹ 0.50 crores
Fees and Taxes	= ₹ 0.10 crores
Ground Rent	= ₹ 0.25 crores
Repairs and Maintenance	= ₹ 0.15 crores
Legal and Professional	= ₹ 0.20 crores
Commission and Brokerage	= ₹ 0.10 crores

The company does not have any restrictions and contractual obligations against Property X and Y. For complying with the requirements of Ind AS, the management sought an independent report from the specialists so as to ascertain the fair value of buildings X and Y. The independent valuer has valued the fair value of property as per the valuation model recommended by international valuation standards committee. Fair value has been computed by the method by streamlining present value of future cash flows namely, discounted cash flow method.

The estimated rent per month per square feet for the period is expected to be in range of ₹ 50 to ₹ 60. And it is further expected to grow at the rate of 10 percent per annum for each of 3 years. The weightage discount rate used is 12% to 13%.

Assume that the fair value of properties based on discounted cash flow method is measured at ₹ 105 crores. The treatment of fair value of properties is to be given in the financials as per the requirements of Indian Accounting Standards

You are required to:

- (i) Show how the Building X and Building Y would be the treated in the Balance Sheet of Anand Ltd. and how the income generated and expenses incurred on this building be presented in Profit and Loss Account.
- (ii) Provide detailed disclosures and computations in line with relevant Ind AS. (Treat it as if you are preparing a separate note or schedule of the given assets in the Balance Sheet.)

(8 Marks)

- (b) Mahadev Ltd. has a block of assets with a written down value of ₹ 5,00,000 on 1st April, 20X2 for tax purposes. The book value of the assets for accounting purposes is also ₹ 5,00,000. Depreciation is charged on written down value @ 20% p.a. for both accounting and tax purposes. Of the entire block, assets costing ₹ 50,000 on 1st April, 20X2 were sold for ₹ 1,00,000 on 31st March, 20X4. You are required to compute the deferred tax asset/liability assuming tax rate of 35%. **(6 Marks)**

4. (a) On 1st April, 20X0, Peacock Ltd. started its manufacturing operations by installing a machine in the rented premises. The estimated life of the machine is 4 years. As per the terms of the rent agreement, Peacock Ltd. has a present obligation to dismantle the machine and restore the premises into its original shape. The company estimates to incur ₹ 6,00,000 at the end of 4th year to restore the premises into the original shape. The borrowing rate applicable to the company is 8%.

(Note: PV Factor for 4th year discounted @ 8% = 0.735)

You are required to:

- (i) Advise the accounting treatment of the above; and
- (ii) Pass necessary journal entries across all four years.

(6 Marks)

- (b) Greater Ltd., in order to reward its employees launched a scheme effective from 1st April, 20X1, in which employees will be granted equity shares of the company at a price less than the market price subject to satisfaction of certain conditions. Following details are provided to you:

- (a) According to scheme, each employee has an option to purchase 250 equity shares of the company at ₹ 45 per share provided that the employee does not leave the company for 3 years from the date of launch of the scheme i.e. up to 31st March, 2024.
- (b) Once 3 years are completed by an employee, the employee can exercise the option within 1 year i. e. by 31st March, 2025.
- (c) The closing share price on stock exchange as at 1st April, 20X1 is ₹ 91 per share with face value of ₹ 10 per share. A

registered valuer has been appointed by the company who derived the price of option at ₹ 75 using Black Scholes model of option pricing.

- (d) There are 750 employees eligible for the scheme. As at 31st March, 20X2, 25 employees left the company and further 35 employees are expected to leave over the next 2 years. During the year 20X2-20X3, a foreign based company entered into the market and started hiring experienced employees and therefore retention of existing employees has been problematic and a high attrition rate is observed in the market. 275 employees left the company during the year ended 31st March, 20X3 and further 135 employees are expected to leave in the next one year. As at 31st March, 20X4, only 400 employees remained with the company out of 750 employees.
- (e) Out of it only 375 employees exercised the option to purchase the equity shares during the year ended 31st March, 2024.

You are required to provide necessary accounting entries during the life of share-based payment scheme to account the scheme implemented by the company. **(8 Marks)**

5. (a) Big Deal Ltd. is a marketing company having its departmental stores in 'A' class city of India. The company sells diversified products. For the purpose of increasing sales and attract customers, the company during the financial year 20X3-20X4, has adopted the following policy:
- (i) For every purchase of ₹ 400 the customer is awarded with 6 points.
 - (ii) Each point is redeemable on any future purchases of company's same departmental store situated in any of 'A' class city within 3 years i.e. up to 31st March, 2026
 - (iii) Value of each award point is ₹ 0.60

During the financial year 20X3-20X4, the Big Deal Ltd:

- (i) Assessed that the sales of the company during the year 20X3-20X4 is ₹ 150 lakhs.
- (ii) Awarded 2,25,000 points to various customers during the year.

- (iii) Estimated that out of the awarded points, 54,000 points will remain unredeemed as at 31st March, 20X4 which shall be eligible for redemption till 31st March, 20X6 and;
- (iv) Expects only 75% points will be redeemed in the future.

As an accountant of the company, you are required to suggest accounting treatment (Consolidated Journal Entries) in the following case:

How should the sales and redemption transactions be recognized and recorded as independent transactions in the FY 20X3-20X4 as per Ind AS 115? **(5 Marks)**

- (b) Z Ltd. having net worth of ₹ 25 crores has opted voluntarily to adopt Ind AS from 1st April, 20X2 in accordance with the Companies (Indian Accounting Standard) Rules 2015.

Mr. A, the senior manager, of Z Ltd. has identified following issues which need specific attention of CFO so that opening Ind AS balance sheet as on the date of transition can be prepared:

- (i) As part of Property, Plant and Equipment, Company has elected to measure land at its fair value and want to use this fair value as deemed cost on the date of transition. The land was acquired for a consideration of ₹ 5,00,000. However, the fair value of land as on the date of transition was ₹ 6,00,000.
- (ii) Company had taken a loan from another entity. The loan carries an interest rate of 7% and it had incurred certain transaction costs while obtaining the same. It was carried at cost on its initial recognition. The principal amount is to be repaid in equal instalments over the period of loan. Interest is also payable at each year end. The fair value of loan as on the date of transition is ₹ 2,80,000 as against the carrying amount of loan which at present equals ₹ 3,00,000,

Management wants to know the impact of Ind AS in the financial statements of company for its general understanding. Prepare Ind AS Impact Analysis Report (Extract) for Z Ltd. for presentation to the management wherein you are required to discuss the corresponding differences between Earlier IGAAP (AS) and Ind AS against each identified issue and its impact there upon for preparation of transition date balance sheet.

Also pass journal entry for each of the issues mentioned above. **(5 Marks)**

- (c) Define the concept of 'Offsetting'. In offsetting permitted under the following circumstances:
- (a) Whether profit on sale of an asset against loss on sale of another asset can be offset?
 - (b) Expenses incurred by a holding company on behalf of subsidiary, which is reimbursed by the subsidiary - whether in the separate books of the holding company, the expenditure and related reimbursement of expenses can be offset?
 - (c) When services are rendered in a transaction with an entity and services are received from the same entity in two different arrangements, can the receivable and payable be offset?

Or

Explain how enhancing qualitative characteristics can improve the usefulness of financial information. **(4 Marks)**

6. (a) An entity provides broadband services to its customers along with voice call service. Customer buys modem from the entity. However, customer can also get the connection from the entity and modem from any other vendor. The installation activity requires Ltd. effort and the cost involved is almost insignificant. It has various plans where it provides either broadband services or voice call services or both.

Comment on how to identify whether the performance obligations under the contract are distinct by using an automated process?

(5 Marks)

- (b) Creative Ltd. performed a revaluation of all of its plant and machinery at the beginning of 1st April, 2024. The following information relates to one of its Machinery:

	Amount in ₹
Gross carrying amount	4,00,000
Accumulated depreciation (straight-line method)	1,60,000
Net carrying amount	2,40,000
Fair Value	3,00,000

The useful life of the machinery is 10 years, and the company uses Straight line method of depreciation. The revaluation was performed at the end of 4 years.

You are required to advise how the company should account for revaluation of plant and machinery and depreciation subsequent to revaluation. Also pass journal entries in relation to the above.

(5 Marks)

(c) You are required to analyse the following cases and advise whether they are related with prior period errors or change in accounting estimate

(a) As per the judgement of the court an arrear of salaries and wages relating to previous year amounting to ₹ 15,00,000 will be paid in the current year. At the end of the previous year, the management of the company was of the opinion that arrears of salaries and wages would not be required to be paid and accordingly no provision was made at the end of previous year.

(b) Expenses of ₹ 1,50,000 of the previous year which were omitted from books of accounts of the previous year due to an oversight.

(c) The amount of provision for doubtful debts as at the end of the previous year was ₹ 10,00,000 of which debts of ₹ 6,00,000 were realized during the current year.

(d) Company had taken a Group Insurance policy. During the previous year due to a mistake of Insurance Company the company paid less premium, which insurance company is demanding to pay now.

(4 Marks)