FINAL EXAMINATION

June 2025

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.

SECTION - A (Compulsory)

1. Choose the correct option from the four alternatives given. 2×15=30

(i) When objective of holding financial assets does not include collection of cash flows by selling financial assets, such financial assets are measured at ____________.

(A) fair value through other comprehensive income (OCI)
(B) amortized cost
(C) fair value through profit and loss (P&L)
(D) None of the above

(ii) Chairman of the Public Accounts Committee and the C&AG are appointed by ________.

(A) the Speaker of the Lok Sabha and the Prime Minister of India respectively
(B) the Prime Minister of India and the Speaker of the Lok Sabha respectively
(C) the Speaker of the Lok Sabha and the President of India respectively
(D) the President of India and the Speaker of the Lok Sabha respectively

(iii) ____________ requires that when consolidated financial statements are prepared the investor company shall also prepare individual/standalone financial statements, which are named as separate financial statements.

(A) Ind AS 112
(B) Ind AS 110
(C) Ind AS 28
(D) Ind AS 27

(iv) PINDARI Ltd. changes its method of valuation of inventories from weighted-average method to first-in first-out (FIFO) method. The accountant opines that Ind AS 8 is applicable. PINDARI Ltd. should account for this change as ____________

(A) a change in estimate and account for it prospectively.
(B) a change in accounting policy and account for it prospectively.
(C) a change in accounting policy and account for it retrospectively.
(D) account for it as a correction of an error and account for it retrospectively.

(v) ALAKANANDA Ltd. took an asset on a 5 years lease from MANDAKINI Ltd. for which relevant details are as under:

Payments over the lease term	₹ 1,000 per month
Contingent rent	₹ 20,000
Cost for service given by MANDAKINI Ltd.	₹ 40,000
Taxes to be reimbursed to MANDAKINI Ltd.	₹ 15,000
Residual value guaranteed by ALAKANANDA Ltd.	₹ 5,000
Fair value of the asset after 5 years	₹ 6,000

Also, ALAKANANDA Ltd. has an option to purchase the asset after a period of 5 years at ₹ 2,000. It is reasonably certain that ALAKANANDA Ltd. will exercise the option. Calculate Minimum Lease Payment.

(A) ₹ 67,000
(B) ₹ 87,000
(C) ₹ 86,000
(D) ₹ 65,000

(vi) C Ltd. acquires 60% of N Ltd. for ₹ 97,50,000. The fair value of its identifiable net assets is ₹ 1,50,00,000. The fair value of 40% of the equity shares owned by the non-controlling shareholders is ₹ 65,00,000. Carrying amount of N Ltd.'s net assets is ₹ 1,20,00,000. Calculate the value of goodwill when NCI is measured as proportionate share of identifiable net asset.

(A) ₹ 12,50,000
(B) ₹ 30,00,000
(C) ₹ 7,50,000
(D) ₹ 32,50,000

(vii) Indian Government Accounting Standard (IGAS) 2 deals with ______________.

(A) Loans and advances made by the Government
(B) Guarantees given by Governments: Disclosure Requirements
(C) Government Investment in Equity
(D) Accounting and Classification of Grants-in-aid

(viii) An entity purchases plant from a foreign supplier for $3 million on January 31, 2025, when the exchange rate was ₹ 72 = $1. At the entity's year-end on March 31, 2025, the amount has not been paid. The closing exchange rate was ₹ 75 = $1. The entity's functional currency is the INR. Which of the following statements is correct?

(A) Cost of plant ₹ 216 million, exchange loss ₹ 9 million, trade payable ₹ 225 million.
(B) Cost of plant ₹ 225 million, exchange loss ₹ 9 million, trade payable ₹ 225 million.
(C) Cost of plant ₹ 216 million, exchange loss ₹ 9 million, trade payable ₹ 216 million.
(D) Cost of plant ₹ 216 million, exchange loss ₹ nil, trade payable ₹ 216 million.

(ix) Consolidated Financial Statements are required to be prepared by an Ind AS complied company having ______________.

(A) sole control over the investee company

(B) significant influence over the investee company

(C) joint control over the investee company

(D) All of the above

(x) Puwa Ltd. grants 100 equity share options to each of its 4000 employees conditional on their continuing in service for 3 years Fair value of equity share option on the grant date is ₹60. Nominal value of each share is ₹10. The Remuneration Expense for each year will be ______________.

(A) ₹ 2,40,00,000

(B) ₹ 80,00,000

(C) ₹ 40,00,000

(D) ₹ 13,33,333

4000 × 100 × 60
2,40,00,000
80
1,6,66,

(xi) Mahi Ltd. and Pooja Ltd. amalgamated from 1st January, 2025. A new Company Majoo Ltd. with shares of ₹ 10 each was formed to take over the businesses of the existing companies. Net Assets taken over of Mahi Ltd. and Pooja Ltd. are ₹ 90.5 Lakhs and ₹ 97.0 Lakhs respectively. Total purchase consideration payable is ₹ 130 Lakhs. How many shares in Majoo Ltd. will be issued to Mahi Ltd.?

(A) 6,27,467 Shares

(B) 6,72,533 Shares

(C) 9,70,000 Shares

(D) 6,50,000 Shares

(xii) The following information is available from EX Ltd.

Sales Revenue: ₹ 1,055 Lakh; Purchase of Raw Materials: ₹ 530 Lakhs

Decrease in the Stock of Raw Materials, WIP and Finished Goods: ₹ 25 Lakhs

Printing and Stationery: ₹ 35 Lakhs; Auditor's Fees: ₹ 5 Lakhs

Rent, Rates and other Expenses: ₹ 10 Lakhs; Wages & Salaries: ₹ 100 Lakh

Depreciation: ₹ 30 Lakhs.

The amount of Total Value Added is _______.

(A) ₹ 1,055 Lakhs

(B) ₹ 500 Lakhs

(C) ₹ 450 Lakhs

(D) ₹ 320 Lakhs

(xiii) On 31st March,2025, a Non-Banking Financial Company (NBFC) has its advances classified as follows:

Particulars	Amount (₹ in Lakhs)
Standard Assets	16,000
Sub-Standard Assets	1,780
Secured Portions of Doubtful Debts:	
– Up to one year	350
– One year to three years	140

The amount of provision which must be made against the advances will be_______.

(A) ₹ 354 Lakhs

(B) ₹ 930 Lakhs

(C) ₹ 979 Lakhs

(D) ₹ 370 Lakhs

(xiv) On 1st January,2025, Shiva Ltd. entered into a contract with Kalpit Ltd. to sell 50 Laptops at a price of ₹ 50,000 per Laptop and the goods were delivered in February, 2025. Determine revenue to be recognised by Shiva Ltd. in 2024-25, if 4 sets were found damaged at the time of receiving and hence returned by Kalpit Ltd.

(A) ₹ 25,00,000

(B) ₹ 27,00,000

(C) ₹ 23,00,000

(D) ₹ 24,00,000

(xv) On 01.04.2024, BM Ltd. acquired 90% share of CM Ltd. at ₹ 10,80,000, when the fair value of its Net Assets was ₹ 10,00,000. During 01.04.2024 to 31.03.25, CM Ltd. made total comprehensive income of ₹ 2,00,000. On that date BM Ltd. sold 15% holding to outsiders at ₹ 2,20,000. Gain credited to Other Equity will be ____________.

(A) ₹ 1,80,000

(B) ₹ 80,000

(C) ₹ 40,000

(D) ₹ 33,000

SECTION - B

(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.)

14×5=70

2. (a) Alka Ltd. has machinery at cost ₹4,80,000 and provision for depreciation ₹1,60,000 as on 1st April, 2022. On that date, the remaining life of the machine is 6 years with residual value of ₹ 80,000. On the same date, one component of the machine is replaced, the price of the new component is ₹60,000 and the cost of the old component was ₹50,000 with accumulated depreciation ₹20,000. The supplier of the new component took the old component at a fair value of ₹36,000.

On 31st March,2023 the machine is revalued as per the company policy at ₹5,00,000. On 31st March, 2024 an impairment loss of ₹90,000 has been recognized for the machine.

Pass necessary journal entries in the books of Alka Ltd. (narrations not required) for all of the above transactions after carrying out workings in detail as per Ind AS 16. Depreciation is to be charged under straight line method. 7

(b) A machine was acquired by S Ltd. 15 years ago at a cost of ₹ 20 crores. Its accumulated depreciation as at 31st March, 2024 was ₹ 16.60 crores. Depreciation estimated for the financial year 2024-25 is ₹ 1 crores. Estimated Net Selling Price of the machine as on 31st March, 2024 was ₹ 1.20 crores, which is expected to decline by 20 per cent by the end of the next financial year.

Its value in use has been computed at ₹1.40 crores as on 1st April, 2024, which is expected to decrease by 30 per cent by the end of the financial year. Assume that other conditions of relevant Accounting Standard for applicability of the impairment are satisfied and no impairment test was carried on till 31.03.2024.

(i) What should be the carrying amount of this machine as at 31st March, 2025?

(ii) How much will be the amount of write off (impairment loss) for the financial year ended 31st March, 2025?

(iii) If the value in use was zero and the company was required to incur a cost of ₹8 lakhs to dispose of the plant, compute the carrying amount of the machine and impairment loss as at 31.03.2025. 7

3. (a) On 31.03.2024, A Ltd. entered into a contract with a customer for sale of goods of ₹20,000 granting 50% discount voucher to be availed in future purchase up to ₹15,000 within 30 days. Ordinarily 10% discount is allowed on sales. Ordinary discount will not be available to avail the 50% discount voucher. There is 60% probability that the customer will redeem the discount voucher and the estimated amount of purchase is ₹10,000. In April 2024, the discount vouchers are redeemed for purchase of additional goods of ₹14,000. Find revenue to be recognised in 2023-24 and in 2024-25 as per Ind AS115. 7

(b) The Balance Sheet of Famous Ltd. as at 31st March, 2025 is as under:

Particulars	Note No.	₹
I. ASSETS	-	-
(1) Non-current assets	-	-
(a) Property, Plant and Equipment	-	10,92,000
(b) Financial assets (Investments in 6% Government securities–Face value ₹2,80,000)	-	2,24,000
(c) Other non-current assets (Shares issue expenses)	-	84,000
(2) Current assets	-	-
(a) Inventories (Stock-in-trade, taken at 90% of the market value)	-	6,30,000
(b) Financial assets	-	
(i) Trade receivables (Trade debtors)	-	5,32,000
(ii) Cash and cash equivalents (Balances with banks)	-	1,12,000
Total assets	-	**26,74,000**
	-	
II. EQUITY AND LIABILITIES		-
(1) Equity		-
(a) Equity share capital	1	11,20,000
(b) Other equity	2	9,24,000
(2) Current liabilities	-	-
(a) Financial liabilities	-	-
Trade payables (total outstanding dues of creditors other than micro enterprises and small enterprises)	-	2,94,000
(b) Provisions (current tax)	-	3,36,000
Total equity and liabilities	-	**26,74,000**

Notes to accounts (₹)

1. Equity Share capital	**₹**
Authorized	**?**
Issued, subscribed, and fully paid	-
11,200 equity shares of ₹ 100 each	11,20,000
Total	**11,20,000**

2. Other equity (Reserves and surplus)		**₹**
Other reserves (General reserve)		4,20,000
Retained earnings		-
Opening balance	1,68,000	-
Add: Net profit after tax	3,36,000	5,04,000
Total		**9,24,000**

Additional information:

(i) The property, plant and equipment are understated by ₹6,72,000 and have suffered a further depreciation of ₹2,80,000; (ii) The companies doing similar business as that of Famous Ltd. are earning a market return of 10% on capital employed; (iii) Profits over previous 3 years have been increasing @ ₹ 70,000 p.a.; (iv) For valuation purpose, stock is to be considered at market price; (v) Consider 50% tax rate.

Based on the above details, you are required to compute the value of goodwill based on 3 years' purchase of super profits. 7

4. (a) D Ltd. issues 2,000 convertible debentures at on 1st April,2022. The debentures have a three-year term, and are issued at par with a face value of ₹1,000 per debenture, giving total proceeds of ₹20,00,000. Interest is payable annually at a nominal annual interest rate of 6 per cent. Each debenture is convertible at any time up to maturity into 25000 ordinary shares of ₹10. When the debentures are issued, the prevailing market interest rate for similar debt without conversion options is 9 per cent. The holders of the debentures elected to convert the debentures into equity at maturity. Examine the liability component, equity component and finance cost and also pass necessary journal entries in the books of D Ltd for the three-year term of the debentures (narration not required).

Present value of ₹1.00 @ 9% p.a. is as follows:

Year	1	2	3
PVIF @ 9%	0.9174	0.8417	0.7722

7

(b) The summarized Balance Sheet of J Ltd. as on 31st March, 2025 was as follows:

	Note No.	Amount (₹)	Amount (₹)
(A) Asset			
1. Non-current assets			
(a) Property, Plant & Equipment			
(i) Tangible assets	5	40,00,000	
(b) Intangible assets	6	1,50,000	41,50,000
2. Current Assets			
(a) Inventories			7,15,000
(b) Financial Assets			
(i) Trade Receivables		75,000	
(ii) Loans & Advances		25,000	1,00,000
Total			**49,65,000**
(B) Equity and Liabilities			
1. Equity			
(a) Share Capital	1	35,00,000	
(b) Other Equity	2	(16,35,000)	18,65,000
2. Non-current Liabilities			
(a) Long-Term borrowings	3		20,00,000
3. Current Liabilities			
(a) Short-Term Borrowings	4	5,00,000	
(b) Trade Payables		6,00,000	11,00,000
Total			**49,65,000**

Notes to Accounts:

		Amount (₹)	Amount (₹)
1	Share Capital		
	Authorized, issued & fully paid		
	20,000 equity shares of ₹100 each	20,00,000	
	15,000 8% preference shares of ₹100 each	15,00,000	35,00,000
2	Other Equity		
	Retained Earnings (Profit and Loss Account)		(16,35,000)
3	Long-Term borrowings		
	8% A Debentures (Secured by assets of Bihar Factory)	10,00,000	
	9% B Debentures (Secured by assets of Karnataka Factory)	10,00,000	20,00,000

		Amount (₹)	Amount (₹)
4	Short-Term Borrowings		
	Accrued interest on Debentures	85,000	
	Bank overdraft	4,15,000	5,00,000
5	Tangible Assets		
	Property, Plant & Equipment of Bihar Factory	20,00,000	
	Property, Plant & Equipment of Karnataka Factory	20,00,000	40,00,000
6	Intangible Assets		
	Goodwill	1,00,000	
	Trademark	50,000	1,50,000

The following scheme of internal reconstruction was framed, approved by the Court and all the concerned parties and implemented:

(i) The preference shares are to be written down to ₹25 each and the equity shares to ₹ 5 each. Each class of shares are then to be converted into shares of ₹100 each.

(ii) The B class debenture holders decided to take over assets of Karnataka Factory at a valuation of ₹7,50,000 in part repayment of their holdings.

(iii) Debenture holders agreed to waive accrued interest in full.

(iv) Stock of ₹50,000 are to be written off and ₹12,500 is to be provided for bad debts.

(v) Profit and Loss Account balance, Trademark and Goodwill are to be written off in full.

Prepare Journal Entries for all the above-mentioned transactions. 7

5. TISTA Ltd. manufactures and sells cars. The company wants to foray into the two-wheeler business and therefore it acquires 30% interest in MAHANANDA Ltd. for ₹5,00,000 as at 1st February, 2025 and an additional 25% stake as at 31st March, 2025 for ₹5,00,000 at its fair value. The summarised Balance Sheets of the two companies as at 31st March, 2025 are as under:

Particulars	**TISTA Ltd. (₹)**	**MAHANANDA Ltd. (₹)**
Assets		
Non-current Assets		
Property, Plant & Equipment	13,50,000	3,50,000
Financial Assets		
Investment in Mahananda Ltd.	10,00,000	--
Investment in Corporate Bonds	--	4,00,000

Particulars	TISTA Ltd. (₹)	MAHANANDA Ltd. (₹)
Current Assets		
Financial Assets		
Trade Receivables	80,000	50,000
Cash and Cash equivalents	5,20,000	---
Total Assets	**29,50,000**	**8,00,000**
Equity and Liabilities		
Equity		
Equity Share Capital	5,00,000	1,00,000
Other Equity	15,00,000	5,50,000
Non-Current Liabilities		
Long-term Borrowings	4,00,000	---
Current Liabilities		
Financial Liabilities		
Trade Payables	5,50,000	1,50,000
Total Equity and Liabilities	**29,50,000**	**8,00,000**

Additional Information:

(a) MAHANANDA Ltd. sells the motorcycles under the brand name 'Moving Star' which has a fair value of ₹ 3,50,000 as at 31st March, 2025. As this is a self- generated brand, therefore MAHANANDA Ltd. has not recognized the brand in its books of accounts.

(b) For the purpose of acquisition, fair value of following assets of MAHANANDA Ltd. are estimated as under:

- Property, Plant & Equipment – ₹ 7,50,000
- Investment in Corporate Bonds – ₹ 5,00,000

(c) Book value of other asset and liabilities of MAHANANDA Ltd. represents their fair value.

Pass necessary journal entries to give effect of business combination in accordance with Ind AS 103 as at the acquisition date i.e. 31st March, 2025. Also prepare the Balance Sheet after the business combination. NCI is measured by the entity at fair value. Provide working notes, ignore deferred tax implication. 14

6. On 31.03.2025, the Balance Sheets of H Ltd. and S Ltd. were as follows:

Particulars	H Ltd. (₹ in lakh)	S Ltd. (₹ in lakh)
Assets		
Non-current Assets		
PPE	23,000	11,500
Investment in S Ltd.	12,500	--
Current Assets		
Inventories	12,500	2,000
Trade receivables (including ₹200 Lakh due from S Ltd.)	2,500	875
Cash and Cash Equivalent	14,500	5,000
Total	65,000	19,375
Equity and Liabilities		
Equity		
Share Capital (₹ 10)	20,000	7,500
Other Equity (Retained Earnings)	43,750	11,250
Non-current Liabilities	--	--
Current Liabilities		
Trade Payables (including ₹ 150 Lakh due to H Ltd.)	1,250	625
Total	65,000	19,375

Additional Information:

(i) On 01.04.2024, S Ltd. had an issued and subscribed capital of 750 lakhs shares of ₹10 each fully paid and a balance of ₹7,500 lakhs in its Other Equity (as Retained Earnings). On that date H Ltd. acquired 80% shares of S Ltd. by issuing equity shares of ₹12,500 lakhs.

(ii) The aggregate identifiable net assets of S Ltd. as on 01.04.2024 included PPE and inventory standing in the books of S Ltd. at ₹8,750 lakhs and ₹1,250 lakhs having fair value of ₹9,500 lakhs and ₹500 lakhs respectively. The rate of depreciation on PPE is 10% p.a.

(iii) NCI was valued at fair value calculated at per share value basis (i.e., taking purchase consideration paid by H Ltd. as the base).

(iv) Goodwill was impaired by ₹100 lakhs.

(v) H Ltd. sold goods worth ₹300 lakhs to S Ltd. on credit at a profit of 25% on cost. S Ltd., however, received ₹250 lakhs worth of goods till 31.03.2025. 40% of the total inter-company sale of goods were still unsold.

(vi) On 30.06.2024, S Ltd. paid a final dividend @ 20% for the financial year 2023-24 on its paid-up capital. H Ltd. received its share and treated the same as per Ind AS 28.

(vii) The directors of both the companies have proposed a dividend @10% for the financial year 2024-25.

Prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2025. 14

7. (a) BRHAMAPUTRA Ltd. is interested to calculate Economic Value Added (EVA) of the Company. You are provided the following information:

Share price at the beginning of the year was ₹ 200 per share and face value of each share is ₹ 10. Last year EVA was ₹ 250 crores. From the trend of share price it is likely that an increase EVA from 26% to 50% leads to 25% increase in the share price. Any increase up to 25% leads to no change and an increase beyond 50% leads to 30% increase in the share price as compared to that in the beginning of the year. There was no issuance of fresh equity shares during the year.

12% Debt capital	₹2,000 crores
Equity share capital	₹500 crores
Reserve and surplus	₹7,500 crores
Capital employed	₹10,000 crores
Risk-free rate	6%
Beta factor	1.50
Market rate of return	15%
Operating profit after tax	₹2,100 crores
Tax rate	30%

Calculate Economic Value Added (EVA) and Market Value Added (MVA) of BRHAMAPUTRA Ltd. 7

(b) Analyse the benefits of XBRL reporting. 7

8. (a) Discuss the functions of CAG with regard to grants or loans given to other authorities or bodies. 5

(b) Briefly discuss the responsibilities of Government Accounting Standards Advisory Board (GASAB). Mention the Indian Government Accounting Standards (IGAS) notified by the Ministry of Finance, GOI. 5

(c) On 1st April 2024, VENUS Ltd. acquired a 35% interest in NEPTUNE Ltd. and achieved a significant influence. The cost of the investment was ₹ 3,00,000. NEPTUNE Ltd. has net assets of ₹ 5,50,000 as on 1st April, 2024. The fair value of those net assets is ₹ 6,50,000 since the fair value of property, plant and equipment is ₹ 1,00,000 higher than its book value. This property, plant and equipment have a remaining useful life of 8 years For the financial year 2024-25 NEPTUNE Ltd. earned a profit (after tax) of ₹ 1,00,000 and paid a dividend of ₹ 11,000 out of these profits. NEPTUNE Ltd. has also recognized the loss of ₹ 15,000 that arose from re-measurement of defined benefit directly in "Other Comprehensive Income."

Calculate VENUS Ltd.'s interest in NEPTUNE Ltd. as at 31st March, 2025 under the relevant Ind AS. 4