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## PART - II

1. The Accountant Mr. Ramesh Kanna of 'H' Limited submitted to you the following Standalone Balance Sheet extracts as at 31<sup>st</sup> March 2024 :

Amount in ₹

Assets	H Ltd.		S Ltd.		A Ltd.	
<i>Non-current assets</i>						
Property, Plant and Equipment	5,50,000		4,80,000		2,50,000	
Financial Assets:						
Investments:						
14,000 shares in S Ltd.	5,60,000		—		—	
4,000 shares in A Ltd.	1,00,000	12,10,000	—	4,80,000	—	2,50,000
(a) Current assets						
Inventory	4,85,000		3,82,500		2,45,500	
(b) Financial Assets						
Cash and cash equivalents	89,000		98,000		1,77,000	
Trade receivables	3,95,000	9,69,000	3,05,000	7,85,500	1,78,500	6,01,000
<b>Total Assets :</b>		<b>21,79,000</b>		<b>12,65,500</b>		<b>8,51,000</b>
<b>Equity &amp; Liabilities</b>						
<i>Shareholder's Equity</i>						
Equity Share Capital (₹ 10 per share)	5,00,000		2,00,000		1,00,000	
Other Equity						
Retained earnings	9,00,000	14,00,000	7,50,000	9,50,000	4,24,000	5,24,000
<i>Non-current liabilities</i>						
Financial Liabilities						
Borrowings-Term Loans		4,00,000		1,50,000		1,00,000
<i>Current liabilities</i>						
Financial Liabilities						
Trade payables		3,79,000		1,65,500		2,27,000
<b>Total Liabilities :</b>		<b>21,79,000</b>		<b>12,65,500</b>		<b>8,51,000</b>

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The following additional information is made available in respect of these companies :

- (i) H Limited purchased the shares in S Limited on 31<sup>st</sup> October 2023 when retained earnings of S Limited was ₹ 500,000 and the shares in A Limited were acquired on 30<sup>th</sup> June 2023 when its retained earnings stood at ₹ 1,75,000.
- (ii) Inventory of A Limited as on 31<sup>st</sup> March, 2024 include inventory valued at ₹ 60,000 which had been purchased from H Limited, on 01-01-2024 at cost plus 20%.
- (iii) Trade Payable of H Limited includes ₹ 25,000 payable to A Limited, the amount receivable being recorded in the receivables of A Limited.
- (iv) Goodwill in respect of the acquisition of S Limited has been fully impaired. The recoverable amount of the investment in A Limited exceeds its' carrying value at 31<sup>st</sup> March 2024. Non-controlling interest is valued at the proportionate share of the identifiable net assets.
- (v) 10% dividends were declared by both H Limited and S Limited whereas A Limited declared 15% dividend for the year 2023-24.
- (vi) On 31<sup>st</sup> March, 2024, S Limited made a bonus issue of one equity share for every two shares held by the shareholders of S Limited.
- (vii) Dividends were declared but were not accounted for by all these companies in the books before the year end. Similarly, the bonus issued by S Limited was not reflected in the statement of financial position as on 31<sup>st</sup> March, 2024.

You are required to take note of the above available information and draw the consolidated Balance-Sheet of H Limited as at 31<sup>st</sup> March 2024. Notes to accounts are not required.

2. (a) Dark Limited is engaged in the construction and operation of thermal power plants in the country. It has entered into a purchase contract for USD 2,00,000 with Bright Limited, on 1<sup>st</sup> October, 2023 for purchase of power plant equipment on 31<sup>st</sup> March 2024. It is pertinent to note that the functional currency of both companies is INR. Dark Limited and Bright Limited are listed companies in India and prepare their financial statements on a quarterly basis as per Ind AS. 10

Spot Rate as on 1 <sup>st</sup> October 2023 ₹/USD	75
Spot Rate as on 31 <sup>st</sup> December 2023 ₹/USD	82
Three month forward rate on 31 <sup>st</sup> December 2023 ₹/USD	70
Six month forward rate on 1 <sup>st</sup> October 2023 ₹/USD	80
Spot Rate on 31 <sup>st</sup> March, 2024 ₹/USD	85

Assume that this contract has an embedded derivative that is not closely related and requires separation. You are required to pass the necessary Journal Entries in the books of Bright Limited from the inception of the contract till the actual sale of equipment.

- (b) In December 2022, X Limited entered into a loan agreement with a Bank. The loan is repayable in five annual installments commencing from 1<sup>st</sup> October 2024. One of the material provisions of the loan agreement is that X limited should create an equitable mortgage on its assets in favour of the Bank by 31<sup>st</sup> March, 2023 failing which the loan would become payable on demand. X Limited is not able to create the equitable mortgage by 31<sup>st</sup> March 2023. In April, 2023 X Limited started negotiation with the Bank and requested it not to demand payment due to non-creation of the equitable mortgage. 4



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Meanwhile the financial statements of X Limited for the year ended 31<sup>st</sup> March, 2023 were approved for issue on 30<sup>th</sup> May, 2023. In the month of June 2023, the Bank agreed that the payment would not be demanded immediately as a consequence of breach of the material provision. How would the loan liability be classified by X Limited as at 31<sup>st</sup> March 2023 ?

3. (a) Sun Limited has entered into a Lease Agreement with Moon Limited for taking on lease an office building of 1000 square feet at the rate of ₹ 500 per square feet per annum for a period of 10 years. The annual lease payments are payable at the end of each year. The interest rate implicit in the lease cannot be readily determined. Sun Limited's incremental rate of borrowing at the commencement date is 6% per annum. At the beginning of the year 7, the lessor and the lessee agree to amend the original lease by extending the contractual lease term by another four years. The annual lease payments are unchanged for the extended period also. Sun Limited's incremental rate of borrowing at the commencement of Year 7 is 7 % per annum.

How should the said modification be accounted for in the books of Sun Limited ? Give your calculation by adopting the Present Value factor as under :

Year	1	2	3	4	5	6	7	8	9	10	Cumul.
7%	0.935	0.873	0.816	0.763	0.713	0.666	0.623	0.582	0.544	0.508	7.023
6%	0.943	0.890	0.840	0.792	0.747	0.705	0.665	0.627	0.592	0.558	7.359

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- (b) The CFO of GOLD Limited, a manufacturing company, provided you the following information for your valuable opinion.

The Company had issued 8% convertible debentures amounting to ₹ 320 Lakhs on 1<sup>st</sup> April 2022 and repayable on 31<sup>st</sup> March 2026 at par. Interest is payable annually. As an alternative to repayment at par, the holder on maturity can elect to exchange their convertible debentures for 250 Lakhs ordinary shares in the company. On 1<sup>st</sup> April 2022 the prevailing market interest rate for four-year convertible debentures which had no right of conversion was 10%. Using an annual discount rate of 10%, the present value of ₹ 1 payable in 4<sup>th</sup> year is 0.683 and the cumulative present value of ₹ 1 payable at the end of years one to four is 3.169. From the above information you are required to calculate the finance cost of convertible debentures and its closing balance as on 31<sup>st</sup> March 2024 to be presented in the financial statements.

4. (a) Based on the advice from actuaries regarding contribution levels and overall liabilities of the defined benefit retirement plan to pay benefits to past and present employees, the Accountant Mr. Krishna of M/s. TUNA Limited provides the following information :

- (i) On 1<sup>st</sup> April 2023, the actuaries of the company advised that the present value of the defined obligation was ₹ 2,88,420. On the same date, the fair value of the assets of the defined benefit plan was ₹ 2,49,670 and the annual market yield on government bonds was 8%.

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- (ii) During the year ended 31<sup>st</sup> March 2024, TUNA Limited made contributions of ₹ 33,650 into the plan and the plan paid out benefits of ₹ 20,160 to retired members. Both these payments were made on 31<sup>st</sup> March 2024.
- (iii) The actuaries advised that the current service cost for the year ended 31<sup>st</sup> March 2024 was ₹ 29,760. On 28<sup>th</sup> February 2024, the rules of the plan were amended with retrospective effect. These amendments meant that the present value of the defined obligation was increased by ₹ 7,280 from that date.
- (iv) During the year ended 31<sup>st</sup> March, 2024, TUNA Limited was in negotiation with employee representatives regarding planned redundancies. The negotiations were completed shortly before the year end and redundancy packages were agreed. The impact of these redundancies was to reduce the present value of the defined benefit obligation by ₹ 38,390. Before 31<sup>st</sup> March 2024, TUNA Limited made payments of ₹ 36,270 to the employees affected by the redundancies in compensation for the curtailment of their benefits. These payments were made out of the assets of the retirement benefits plan.
- (v) On 31<sup>st</sup> March, 2024, the actuaries advised that the present value of the defined benefit obligation was ₹ 3,26,480. On the same date, the fair value of the assets of the defined benefits plan were ₹ 2,68,340.

Examine and present how the above events would be reported in the financial statements of TUNA Ltd. for the year ended 31<sup>st</sup> March 2024 as per Ind AS. Please note that the finance cost is to be computed on the opening balance.

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(b) ABC Limited has received the following grants for its newly started venture of manufacturing defense equipment in the defense corridor : 6

- (i) ₹ 25 lakhs received as an incentive for setting up industry in the defense corridor without any further condition.
- (ii) ₹ 50 lakhs received for carrying out research and development in the field of innovation of defense equipment.
- (iii) Besides ABC Limited is awarded a government grant of ₹ 6 lakhs payable over three years (₹ 4 lakhs in the first year, ₹ 1 lakh each in year 2 and 3), on the condition of creating 10 new jobs and maintaining them for 3 years. The employees are recruited at a cost of ₹ 3,60,000 and the wage bill for the first year is ₹ 8,00,000, rising by ₹ 80,000 in each of the next 2 years. ABC Limited has a reasonable assurance that it will comply with the conditions attached to them and the grants will be received.

How should ABC Limited account for the above grants including the deferred income if any in its books of account ?

5. (a) Q Limited offers a new product X for sale to its customers at a price of ₹ 1,500. As a part of the Scheme, Q Limited gives the customers a discount voucher which entitles them a 30% discount on any future purchases up to ₹ 1,500 in the next 30 days. Q Limited intends to offer a 5% discount on all sales during the next 30 days as a part of the seasonal promotion. The 5% discount cannot be used in addition to the 30% discount voucher. 5



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Q Limited believes that there is 80% likelihood that a customer will redeem the voucher and on an average, a customer will purchase ₹ 1,000 of additional products.

Find out is there any performance obligation on the part of Q Limited and if so calculate the stand alone and allocated transaction price.

- (b) A Limited has chosen to elect the deemed cost exemption for carrying value of its property, plant and equipment as per previous GAAP in accordance with Ind AS 101. However, it does not wish to select the exemption available as per Ind AS 101 of capitalising exchange fluctuation on long-term foreign currency monetary items to property, plant and equipment and accordingly, it did not opt to avail the exemption available as per Ind AS 101 for previous GAAP policy of capitalizing exchange fluctuation to PPE.

In such a case, how would the company be required to treat the foreign exchange fluctuation already capitalised to the cost of property, plant and equipment under previous GAAP and also what will be the treatment of fluctuation on long-term foreign currency monetary items on transition date and after the transition date to Ind AS by the company in light of the above options exercised by the company ?

EITHER

- (c) Explain the criteria in the Conceptual Framework for Financial Reporting for the recognition and de-recognition of an asset.

OR

List out the entities which were covered under Phase I & II under the Companies (Indian Accounting Standards) Rules 2015 as notified by the MCA along with the specific date of coverage with its exclusions, if any.

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6. (a) Discuss how "Cloud Computing" has positively impacted the accounting function and list out the challenges faced by the users of it in cloud computing environment. 5

(b) Y Limited purchased a building for ₹ 30,00,000 on 1<sup>st</sup> April 2021. The useful life of the building is estimated at 15 years. On 31<sup>st</sup> March 2023, Y Limited classified the said building as held for sale. The impairment testing provides the estimated recoverable amount as ₹ 23,50,000. 5

The fair value less cost to sell on 31<sup>st</sup> March, 2023 was ₹ 23,00,000. On 31<sup>st</sup> March, 2024 the management of Y Limited changed the plan, as the building no longer met the criteria of held for sale. The recoverable amount as at 31<sup>st</sup> March 2024 is ₹ 25, 00,000.

You are required to recommend the accounting treatment of events for the year ending 31<sup>st</sup> March 2023 and 31<sup>st</sup> March 2024 and value the property at the end of 31<sup>st</sup> March 2023 and 31<sup>st</sup> March 2024.

(c) Dhruv Limited, a production company, sells television to various companies all over India. Company's financial year ends on 31<sup>st</sup> March. For the financial year 2022-23, the company had a net profit after taxes of ₹ 2.4 crores. It prepares and publishes an interim financial report for each quarter of the year. The net profit of the company for the second quarter of 2023-24 is ₹ 56 Lakhs. 4

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Following adjustments are to be made while computing the net profit of second quarter :

- (i) The company has a practice of declaring bonus of 5% of its profit after taxes of previous financial year. It has a history of doing so and the amount is recognised equally in each quarter. It declared bonus on 1<sup>st</sup> June 2023 but recognised the full amount in second quarter.
- (ii) The company intends to incur major repair and renovation expense for the office building. For this purpose, it has started seeking quotations from vendors. It also has tentatively identified a vendor and expected costs are ₹ 34 lakhs. It provided for the same in this quarter.
- (iii) Exceptional loss of ₹ 4.2 Lakhs incurred during the second quarter due to workers strike. 50% of exceptional loss has been deferred to next quarter.

Ascertain the correct net profit with reasons to be shown in the Interim Financial Report of second quarter to be presented to the Board of Directors.

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