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Roll No. .....

Total No. of Questions – **6**

Time Allowed – **3** Hours

Total No. of Printed Pages – **16**

Maximum Marks – **100**

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Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his / her answers in Hindi will not be valued.

Question No. **1** is compulsory.

Candidates are also required to answer any **four** from the remaining **five** questions.

Working Notes should form part of the respective answer.

Marks

1. (a) The draft Balance Sheet of JAY Ltd and KAY Ltd as at 31st March 2021 is given below: **15**

PARTICULARS	**JAY Limited (₹ In lakhs)**	**KAY Limited (₹ In lakhs)**
ASSETS		
NON CURRENT ASSETS		
Property, Plant & Equipment	400	500
Investments	450	120
CURRENT ASSETS		
Inventories	180	130

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PARTICULARS	JAY Limited (₹ In lakhs)	KAY Limited (₹ In lakhs)
Financial Assets		
- Trade Receivables	520	270
- Cash & Cash Equivalents	260	145
- Others	350	175
TOTAL	**2,160**	**1,340**
EQUITY AND LIABILITIES		
EQUITY		
Share Capital - JAY Limited : Equity Shares of ₹ 10 each - KAY Limited : Equity Shares of ₹ 100 each	600	450
OTHER EQUITY	725	210
NON CURRENT LIABILITIES		
Financial Liabilities		
- Long Term Borrowings	350	250
Long Term Provisions	70	80
Deferred Tax	40	20
CURRENT LIABILITIES		
Financial Liabilities		
- Short Term Borrowings	125	145
- Trade Payables	250	185
TOTAL	**2,160**	**1,340**

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Other information:

a. JAY Ltd acquired 75% shares of KAY Ltd on 1st April 2021 by issuing its own shares in the ratio of 2 shares of JAY Ltd for every 3 shares of KAY Ltd. The fair value of the shares of JAY Ltd was ₹ 50 per share.

b. The fair value exercise resulted in the following :

i. Fair value of Property, Plant & Equipment of KAY Ltd on 1st April, 2021 was ₹ 425 Lakhs;

ii. JAY Ltd also agreed to pay an additional payment as consideration that is higher of ₹ 45 Lakhs and 30% of any excess profits in the first year, after acquisition, over its profits in the preceding 12 months made by KAY Ltd. This additional amount will be due after 3 years. KAY Ltd has earned ₹ 15 Lakhs profit in the preceding year and expects to earn another ₹ 20 Lakhs;

iii. In addition to the above, JAY Ltd also had agreed to pay one of the founder shareholder a payment of ₹ 22 Lakhs provided he stays with the Company for 3 years after acquisition;

iv. KAY Ltd had certain equity settled share based payment award (original award) which got replaced by the new awards issued by JAY Ltd. As per the original terms, the vesting period was 5 years and as of the acquisition date the employees of KAY Ltd have already served 2 years of service. As per the replaced awards, the vesting period has been reduced to 1 year (1 year from the acquisition date). The fair value of the award on the acquisition date was as follows :

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- Original award – ₹ 6 Lakhs
- Replacement award – ₹ 9 Lakhs

v. KAY Ltd had a lawsuit pending with a customer who made a claim of ₹ 70 Lakh. Management reliably estimated the fair value of the liability to be ₹ 7.5 Lakhs

vi. The applicable tax rate for both entities is 30%

You are required to prepare consolidated Balance sheet of JAY Ltd as on 1st April, 2021. Assume 10% per annum discount rate. Management and working notes should form part of your answer.

(b) In November 2021, an Ind AS compliant Company entered into a loan agreement with a bank. The loan is repayable in 6 equal annual installments starting from November 2026. One of the loan covenants is that an amount equivalent to the loan amount should be contributed by the promoters of the Company by 4th March, 2022, failing which the loan becomes payable on demand. 5

As on 4th March, 2022, the Company has not been able to get the promoter's contribution. On 5th March, 2022, the Company approached the Bank and immediately obtained a grace period up to 30th June, 2022 to get the promoter's contribution.

The bank cannot demand immediate repayment during the grace period.

The annual reporting period of the Company ends on 31st March, 2022.

You are required to respond to the following :

(i) As at 31st March, 2022, how should the Company classify the loan ?

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(ii) Assume that it may not be able to get the promoter's contribution by the due date, the Company approached the Bank in January 2022 and got the compliance date extended up to 30th June, 2022 for getting promoter's contribution. Will the loan classification as at 31st March, 2022 be different from (i) above ?

2. (a) PK Ltd has a net worth of ₹ 450 crores. It manufactures bathroom accessories. The sales of the Company are affected due to low demand. Company has provided following information : **6**

Particulars	**Amount (₹ In crores) for Year Ended**			
	31.3.2022	**31.3.2021**	**31.3.2020**	**31.3.2019**
Net Profit	3.50	7.75	4.25	4.00
Sales (Turnover)	600.00	850.00	700.00	710.00

During the financial year 2021 – 22, PK Ltd decided that on sale of certain selected items of bathroom accessories @ ₹ 0.50 paisa per unit sold will be contributed to the 'Save Water Foundation' which will qualify as a Corporate Social Responsibility (CSR) expense as per Schedule VII of the Companies Act, 2013.

Consequently, by the year end, the Company recognized ₹ 150,000 as CSR expenditure. However, only 50% of the aforesaid amount was paid to the Foundation by the end of the year ending 31st March, 2022.

Discuss :

(i) Whether PK Ltd has an obligation to form a CSR committee as the applicability criteria is not satisfied in the financial year 2021 – 22? The net worth has always remained below the applicability threshold.

(ii) Whether ₹ 150,000 will qualify as CSR expenditure under section 135 of the Companies Act, 2013 ?

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(b) ANANDAM Ltd enters into a contract with a customer on 1st April, 2019 for the sale of a machine and spare parts. The manufacturing lead time for the machine and spare parts is 3 years. 6

On completion of manufacturing, ANANDAM Ltd demonstrates that the machine and spare parts meet the agreed-upon specifications in the contract. The promises to transfer the machine and spare parts are distinct and result in two performance obligations each of which will be satisfied at a point in time.

On 31st March, 2022, the customer pays for the machine and spare parts, but only takes the physical possession of the machine. Although the customer inspects and accepts the spare parts, the customer requests that the spare parts be stored at ANANDAM Ltd's warehouse because of its close proximity to the customer's factory.

The customer has legal title to the spare parts and the parts can be identified as belonging to the customer. ANANDAM Ltd stores the spare parts in a separate section of its warehouse and the parts are ready for immediate shipment at the customer's request. ANANDAM Ltd expects to hold the spare parts for one to three years and does not have the authority to use the spare parts or direct them to another customer.

Determine how the revenue will be recognized by ANANDAM Ltd for the different performance obligations as per Ind AS 115 ?

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(c) Card Ltd. is engaged in the business of manufacturing of car locks and nut bolts. 8

Car Locks: Typically, a contract is entered into for sale of car locks and consideration is received in the event of delivery of goods to the customer place. The cost of each car lock is ₹ 1,500 and the selling price is ₹ 1,800. The terms of the contract entitles the customer to return any unused car locks within 30 days and receive a full refund. The Company estimates that the costs of recovering the car lock will be immaterial and expects that the returned car locks can be resold at a profit. The Company has sold a total of 20,000 car locks during the month ended 31st March, 2022. From past experience, Card Ltd expects that 4% of the car locks will be returned in the financial year 2022 - 23.

Nut Bolts: On 1st April, 2021, Card Ltd enters into an one year contract with a customer to deliver nut bolts. The contract stipulates that the price per piece will be adjusted retrospectively once the customer reaches certain sales volume, defined, as follows:-

Price per piece	Cumulative Sales Volume
₹ 200	1 – 50,000
₹ 190	50,001 – 1,00,000
₹ 180	100,001 & above

Volume is determined based on sales during the financial year. There are no minimum purchase requirements. Card Ltd estimates that the total sales volume for the year will be 90,000 based on its experience with similar contracts and forecasted sales to the customer.

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Card Ltd sells 24,000 pieces to the customer during the first quarter of the financial year 2021-22 for a contract price of ₹ 200 per piece.

You are required to :

(i) Analyze the terms of the revenue contracts with customers for sale of car locks as per Ind AS 115. Determine the amount of revenue, refund liability and the asset to be recognized by Card Ltd for the said contracts of car locks.

(ii) Determine the transaction price, revenue and liability, if any for nut bolts as per Ind AS 115 at the end of first quarter of the financial year 2021 – 22.

3. (a) On 1st April, 2021, the fair value of the assets of Raj Ltd's defined benefit plan were valued at ₹ 20,40,000 and the present value of the defined obligation was ₹ 21,25,000. On 31st March, 2022 the plan received contributions from Raj Ltd amounting to ₹ 4,75,000 and paid out benefits of ₹ 2,65,000. The current service cost for the financial year ending 31st March, 2022 is ₹ 5,10,000. An interest rate of 5% per annum is to be applied to the plan assets and obligations. The fair value of the plan assets at 31st March, 2022 was ₹ 23,90,000, and the present value of the defined benefit obligation was ₹ 27,20,000.

7

Provide a reconciliation from the opening balance to the closing balance for Plan assets and Defined benefit obligation. Also show how much amount should be recognized in the statement of profit and loss, other comprehensive income and balance sheet ?

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(b) Zera Limited obtained a term loan of ₹ 1,080 lakhs for complete renovation and modernization of its factory on 1st April, 2021. Plant and Machinery was acquired under the modernization scheme and installation was completed on 30th April, 2022. An expenditure of ₹ 910 lacs was incurred on installation of Plant and Machinery and the balance loan was used for working capital purposes. Management of Zera Limited considers the 12 months period as substantial period of time to get the asset ready for its intended use. 7

The company has paid total interest of ₹ 94.40 lacs during financial year 2021-2022 on the above loan.

Discuss the treatment in the books of account of Zera Limited of interest paid of ₹ 94.40 lakhs during the financial year 2021 – 22.

Will your answer be different, if the whole process of renovation and modernization gets completed by 31st December, 2021?

(c) GEM Ltd, an Indian company acquired 75% of the share capital of VEW Ltd on 30th September, 2020, an entity registered as company in USA. The functional currency of GEM Ltd is Rupees and its financial year end on 31st March, 2021. The functional currency of VEW Ltd is USD. 6

(i) On 30th September, 2020, the fair value of the Net Assets of VEW Ltd was USD 10 million and the purchase consideration paid was USD 7.8 million. The exchange rate as at 30th September, 2020 was ₹ 71.5 per USD and at 31st March, 2021 was ₹ 73.5 per USD.

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(ii) VEW Ltd sold goods costing USD 1.9 million to GEM Ltd for USD 3.1 million during the year ended 31st March, 2021. The exchange rate on the date of purchase by GEM Ltd was ₹ 70.5 per USD and on 31st March, 2021 was ₹ 73.5 per USD. 50% of the goods purchased by GEM Ltd from VEW Ltd were unsold as at 31st March, 2021.

For (i) determine the value at which the Goodwill should be recognized in the financial statements of GEM Ltd as at 31st March, 2021.

For (ii) determine the unrealized profit to be eliminated in the preparation of consolidated financial statements of GEM Ltd for the year ending on 31st March, 2021.

4. (a) X Ltd issues ₹ 1.5 crores convertible bonds on 1st April, 2018. The bonds have a life of 8 years and a face value of ₹ 10 each, and offer interest @ 5.5% p.a payable at the end of each financial year. Bonds are issued at their face value and each bond can be converted into one ordinary shares of X Ltd at any time in the next eight years. Companies of a similar risk profile have recently issued debt with similar terms, without the option for conversion, at a rate of 7% p.a. You are required to : **14**

(i) Provide the journal entries from financial year 2018-19 to financial year 2021-22;

(ii) Calculate the interest expenses across all eight years of the life of the convertible bonds;

(iii) Give the accounting entries if the holders of the bonds elect to convert the bonds to ordinary shares at the end of the fourth year (after receiving interest for the fourth year).

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(b) Discuss the following in the context of 'Conceptual Framework for Financial Reporting under Indian Accounting Standards' : **6**

(i) The cost constraint on useful financial information

(ii) Executory contracts.

OR

What is Integrated Reporting ? Discuss any 5 salient features of Integrated Reporting Framework.

5. (a) Shagun Ltd received two different grants from State government as per details below: **8**

(i) A cash grant of ₹ 24 lakhs was received on 31st March, 2020 towards the skill development of employees over a period of 18 months, starting from 1st April, 2020. Actual costs of the skill development program in financial year 2020-2021 was ₹ 30 lakhs and in financial year 2021-2022 was ₹ 20 lakhs.

State, how this grant should be accounted for in the books of account in financial year 2019-20, 2020-21 & 2021-22 ?

(ii) A grant of ₹ 10 lakhs receivable over three years (₹ 5 lakhs in financial year 2019-20, ₹ 2 lakhs in financial year 2020-21 and ₹ 3 lakhs in financial year 2021-22), contingent on developing 5 gardens and maintaining them for three years. The gardens are developed in financial year 2019-20 at a total cost of ₹ 6 lakhs, and the maintenance cost for financial year 2019-20 is ₹ 12 lakhs, for financial year 2020-21 is ₹ 15 lakhs and for financial year 2021-22 is ₹ 17 lakhs.

Calculate the grant income and deferred income to be accounted for in the books for financial years 2019-20, 2020-21 & 2021-22.

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(b) Black Ltd is a manufacturing company. The following balances as at 31st March, 2021 are from the audited Financial Statements and as at 30th September, 2021 & 31st March, 2022 are provided by the accountant of Black Ltd : 8

Asset / (Liability)	Carrying Amount as at (₹ In lakhs)		
	31.03.2021	30.09.2021	31.03.2022
Attributed goodwill	2,560	2,560	
Intangible assets	12,680	11,080	
Financial assets measured at Fair Value through other Comprehensive Income	4,310	5,260	7,310
Property, plant & equipment	16,820	18,670	
Deferred tax assets	3,120	3,120	2,970
Current assets : inventory, receivables, cash & cash equivalents	8,640	7,040	4,860
Current liabilities	(11,110)	(13,230)	(16,190)
Non-current liabilities : provisions	(3,670)	(4,610)	(4,610)
Total	**33,350**	**29,890**	**(5,660)**

Black Ltd decided to sell the business on 30th September, 2021. The business meets the condition of disposal group classified as held for sale on that date in accordance with Ind AS 105. However, it does not

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₹ In lakhs)	
31.03.2022	
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0	
20	2,970
040	4,860
230)	(16,190)
,610)	(4,610)
29,890	(5,660)

eptember, 2021. The
classified as held for
However, it does not

Marks

meet the conditions to be classified as discontinued operations in accordance with Ind AS 105. Black Ltd. proposed to sell the disposal group at ₹ 26,000 lakhs. The costs to sell is estimated at ₹ 200 lakhs. As at 31st March, 2022, there has been no change to the plan to sell the disposal group and Black Ltd. still expects to sell it within one year of initial classification. The disposal group has not been trading well and its fair value less costs to sell has fallen to ₹ 19,738 lakhs.

You are asked to calculate the value of all assets/ liabilities within the disposal group as at 30th September, 2021 and 31st March, 2022 in accordance with Ind AS 105.

(c) GOLD Ltd, a manufacturing company, prepares its financial statements on 31st March every year. On 1st April, 2021, it had issued (a) 10,00,000 ordinary shares and (b) 6% convertible bonds amounting to ₹ 100,000, the terms of conversion being 120 ordinary shares for every ₹ 100. On 30th June, 2021, ₹ 50,000 bonds converted to ordinary shares. The profit for the year ended 31st March, 2022 is ₹ 250,000. The applicable tax rate is 25%. 4

Calculate basic and diluted EPS. Ignore the need to split the convertible bonds into liability and equity element.

6. (a) Shravan Ltd owns 6,800 ordinary shares in PQR Ltd, an unquoted company. PQR Ltd has a total share capital of 2,00,000 shares with nominal value of ₹ 10. PQR Ltd's after tax maintainable profits are estimated at ₹ 28,00,000 per year. An appropriate price/earnings ratio determined from published industry data is 12 (before lack of marketability adjustment). Shravan Ltd's management estimates that 5

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the discount for the lack of marketability of PQR Ltd's shares and restrictions on their transfer is 18%.

Shravan Ltd values its holding in PQR Ltd's shares based on earnings. Determine the fair value of Shravan Ltd's investment in PQR Ltd's shares.

(b) X Ltd. has made a borrowing from RGD Bank for ₹ 20,000 at a fixed interest of 12% per annum. Loan processing fees were paid additionally amounting to ₹ 1,000 and the loan is payable in 4 half-yearly installments of ₹ 5,000 each. 5

Details are as follows:

Particulars	Details
Loan amount	₹ 20,000
Date of loan (Starting Date)	1-Apr-2020
Date of loan (Finishing Date)	31-March-2022
Description of repayment	Repayment of loan starts from 30-Sept-2020 (To be paid on half yearly basis)
Installment amount	₹ 5,000
Interest rate	12.00% per annum
Interest charge	Interest to be charged and paid quarterly
Upfront fees	₹ 1,000

Compute the interest to be charged to the statement of profit & loss every quarter over the period of loan. The effective interest rate is 16.60% per annum.

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(c) F Ltd owned a land property whose future use was not determined as at 31 March, 2021. How should the property be classified in the books of F Ltd as at 31 March, 2021? 5

During June 2021, F Ltd commenced construction of office building on it for own use. Presuming that the construction of the office building is still in progress as at 31 March, 2022.

(i) How should the land property be classified by F Ltd in its financial statements as at 31 March, 2022 ?

(ii) Will there be a change in the carrying amount of the property resulting from any change in use of the investment property ?

(iii) Whether the change in classification to, or from, investment properties is a change in accounting policy to be accounted for in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors ?

(iv) Would your answer to (i) above be different if there were to be a management intention to commence construction of an office building for own use; however, no construction activity was planned by 31 March, 2022 ?

(d) RST Ltd prepares consolidated financial statements as at 31st March each year. On 1st July, 2021, RST Ltd acquired 75% of the equity shares of the DHF Ltd and gained control of DHF Ltd. The issued shares of DHF Ltd is 1,20,00,000 equity shares. Details of the purchase consideration are as follows: 5

– On 1st July 2021, RST Ltd. issued two shares for every three shares acquired in DHF Ltd. On 1st July 2021, the market value of an equity share in RST Ltd. was ₹ 6.50 and the market value of an equity share in DHF Ltd. was ₹ 5.50.

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– On 30th June 2022, RST Ltd will make cash payment of ₹ 71,50,000 to the former share holders of DHF Ltd. who sold their shares to RST Ltd. on 1st July 2021. On 1st July, 2021 RST Ltd would have to pay interest at an annual rate of 10% on borrowings.

– On 30th June 2023, RST Ltd may make a cash payment of ₹ 3,00,00,000 to the former share holders of DHF Ltd who sold their shares to RST Ltd on 1st July 2021. This payment is contingent upon the revenues of RST Ltd growing by 15% over the two-year period from 1st July 2021 to 30 June, 2023. On 1st July 2021, the fair value of this contingent consideration was ₹ 2,50,00,000. On 31st March 2022, the fair value of the contingent consideration was ₹ 2,20,00,000.

On 1st July 2021, the carrying values of the identifiable net assets of DHF Ltd in the books of that company was ₹ 6,00,00,000. On 1st July 2021, the fair values of these net assets was ₹ 7,00,00,000. The rate of deferred tax to apply to temporary differences is 20%.

During the nine months ended on 31st March 2022, DHF Ltd. had a poorer than expected operating performance. Therefore, on 31st March 2022 it was necessary for RST Ltd. to recognize an impairment of the goodwill arising on acquisition of DHF Ltd amounting to 12.50% of its total computed value.

Compute the impairment of goodwill in the consolidated financial statements of RST Ltd. under the methods permitted by Ind AS 103 for the initial computation of the non-controlling interest in DHF Ltd at the acquisition date.

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