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PART - II

R Limited is a subsidiary of Z Limited. Their respective balance sheet as at 31st March, 2025 is as under :

	Note No.	Z Ltd. (₹ in lakhs)	R Ltd. (₹ in lakhs)
I. Assets			
(I) Non-current assets			
(i) Property, plant and equipment	4	450	248
(ii) Intangible assets	5	75	45
(iii) Investments		375	68
(II) Current assets			
(i) Inventories		75	75
(ii) Trade receivables	6	110	120
(iii) Cash and cash equivalents		<u>85</u>	<u>135</u>
Total Assets		1,170	691
II. Equity and Liabilities			
(I) Equity			
(i) Share Capital	1	720	360
(ii) Other Equity	2	315	225
(II) Liabilities			
(i) Current Liabilities			
– Bank overdraft		45	30
– Trade payables	3	<u>90</u>	<u>76</u>
Total Equity and Liabilities		1,170	691

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Notes to the Balance Sheet :

Note No.		Z Ltd. (₹ in Lakhs)	R Ltd. (₹ in Lakhs)
1.	Share capital :		
	(i) Equity shares of ₹ 10 each	600	300
	(ii) 10% Preference shares of ₹ 10 each	120	60
		<u>720</u>	<u>360</u>
2.	Other equity :		
	(i) General reserve	120	75
	(ii) Retained earnings	195	150
		<u>315</u>	<u>225</u>
3.	Trade payables :		
	(i) Sundry creditors	90	69
	(ii) Bills payable	Nil	7
		<u>90</u>	<u>76</u>
4.	Property, plant and equipment :		
	(i) Machinery	210	135
	(ii) Furniture and fixture	240	113
		<u>450</u>	<u>248</u>
5.	Intangible asset :		
	Goodwill	75	45
6.	Trade receivables :		
	(i) Sundry debtors	106	120
	(ii) Bills receivable	4	Nil
		<u>110</u>	<u>120</u>

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Additional Information :

- (a) Z Ltd. acquired 12,00,000 equity shares of R Ltd. on 1st April, 2024 and further acquired 13,50,000 equity shares of R Ltd. on 1st January, 2025 at a cost of ₹ 1,44,00,000 and ₹ 1,55,25,000 respectively.
- (b) The Preference share capital of R Ltd. includes nominal value of ₹ 22,50,000 held by Z Ltd. acquired on 1st April, 2024 at a cost of ₹ 54,00,000.
- (c) The retained earnings of R Ltd. had a credit balance of ₹ 45,00,000 as on 1st April, 2024 and that of General reserve on that date was ₹ 30,00,000.
- (d) R Ltd. had paid dividend @ 12% on its paid-up equity share capital out of its retained earnings' balance on 1st April, 2024 for the year 2023-24. The entire dividend received by Z Ltd. in August 2024 has been credited to its retained earnings.
- (e) On 1st October, 2024, machinery of R Ltd. was overvalued by ₹ 15,00,000 for which necessary adjustments are to be made. The Company charges depreciation @ 10% on W.D.V. basis.
- (f) Bills receivables of Z Ltd. were drawn upon R Ltd. out of which bills amounting to ₹ 3,00,000 have been discounted with bank.

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You are required to prepare consolidated balance sheet (In ₹ Without rounding off) of Z Ltd. and its subsidiary R Ltd. as on 31st March, 2025 with the assumption that the group has adopted fair value method to measure NCI and the fair value of each equity share of R Ltd. is ₹ 14 per share as on the date of acquisition of control by Z Ltd. and also on 31st March 2025. Ignore taxation and adjustment, if any, of preference dividend.

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2. (a) On 1st April, 2021, Galaxy Limited issued 15,000, 8% Convertible Debentures with a face value of ₹ 100/- each maturing on 31st March, 2026. The debentures are convertible into equity shares of Galaxy Limited at the option of the holder at a conversion price of ₹ 105/- per share or are redeemable at face value of ₹ 100/- each. Interest is payable annually in cash. At the date of issue, Galaxy Limited could have issued non-convertible debt with a 5 years term bearing a coupon interest rate of 12%. On 1st April, 2024, the convertible debentures have a fair value of ₹ 15,75,000/-. Galaxy Limited made a tender offer to debenture holders to repurchase the debentures for ₹ 15,75,000/-, which the holders accepted. At the date of repurchase, Galaxy Limited could have issued non-convertible debt with a 2 years term bearing a coupon interest rate of 9%.

You are required to :

- (i) Provide the appropriate accounting entries for initial recognition as per the relevant Ind AS in the books of Galaxy Limited.
- (ii) Calculate the stream of Interest Expenses across the five years of the term of the Debentures. (Rounding off adjustment, if any, be made in the interest calculation of financial year 2025-206)
- (iii) Provide the accounting entries at the time of repurchase of the convertible debentures.

The following present values of ₹ 1 at 8%, 9%, and 12% are supplied to you :

Interest Rate	Year 1	Year 2	Year 3	Year 4	Year 5
8%	0.926	0.857	0.794	0.735	0.681
9%	0.917	0.842	0.772	0.708	0.650
12%	0.893	0.797	0.712	0.636	0.567

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(b) Modern Limited, whose functional currency is Indian Rupee, had a balance of cash and cash equivalents of ₹ 5,00,000/-, but there are no other assets or liabilities in its financial statements as on 1st April, 2024.

During the year 2024-25, the company has entered into the following foreign currency transactions :

- (i) It purchased goods for resale from Spain for Euro 1,00,000 when the exchange rate was 1 Euro = ₹ 77. This balance is still unpaid at 31st March, 2025 when the exchange rate was 1 Euro = ₹ 72. An exchange gain of ₹ 5,00,000/- on the retranslation of Trade Payables is recorded in the Statement of Profit and Loss.
- (ii) It sold the goods to an American client for US \$ 1,00,000 when the exchange rate was 1 US \$ = ₹ 82. This amount was settled when the exchange rate was 1 US \$ = ₹ 85. The exchange gain regarding the Trade Receivable is recorded in the Statement of Profit and Loss.
- (iii) Modern Limited also borrowed Euro 1,00,000 under a long term loan agreement when the exchange rate was 1 Euro = ₹ 75 and immediately converted it into ₹ 75,00,000/-. The loan was retranslated at 31st March, 2025 at ₹ 72, with an exchange gain recorded in the Statement of Profit and Loss. The loan is still payable.

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Modern Limited, therefore, records a cumulative exchange gain of ₹ 11,00,000/- (5,00,000 + 3,00,000 + 3,00,000) in arriving at its profit for the year. Besides it also records a trading profit of ₹ 5,00,000/- (₹ 82,00,000 – ₹ 77,00,000) on the sale of goods.

How would the cash flows arising from the above transactions be reported in the Statement of Cash flows of Modern Limited prepared under Indirect Method as per applicable Ind AS ? Ignore taxation.

3. (a) XYZ Ltd. operates a defined retirement benefits plan on behalf of current and former employees. XYZ Ltd. receives advice from actuaries regarding contribution levels and overall liabilities of the plan to pay benefits. On 1st April, 2024, the actuaries advised that the present value of the defined benefit obligation was ₹ 90 lakhs. On the same day, the fair value of the assets of the defined benefit plan was ₹ 78 lakhs. On 1st April, 2024, the annual market yield on high quality corporate bonds was 6%. During the year ended 31st March, 2025, XYZ Ltd. made contributions of ₹ 10,50,000 into the plan and the plan paid out benefits of ₹ 6,30,000 to retired members. Assume that both these payments were made on 31st March, 2025. The actuaries advised that the current service cost for the year ended 31st March, 2025 was ₹ 9,30,000.
- On 28th February, 2025, the rules of the plan were amended with retrospective effect. These amendments meant that the present value of defined benefit obligation was increased by ₹ 2,25,000 from that date. During the year ended 31st March, 2025 XYZ Ltd. was in negotiation with employees' representatives regarding redundancies. The negotiations were completed shortly before the year and the redundancy

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packages were agreed. The impact of these redundancies was to reduce the present value of the defined benefit obligation by ₹ 12,00,000. Before 31st March, 2025, XYZ Ltd. made payments of ₹ 11,25,000 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. On 31st March, 2025, the actuaries advised that the present value of the defined benefit obligation was ₹ 1,02,00,000. On the same day the fair value of the assets of the defined benefit plan were ₹ 84,00,000.

You are required to suggest the accounting treatment of the above under the provisions of relevant Ind AS. Please note that the finance cost is to be computed on the opening balance.

- (b) On 31st March, 2024, Vanshika Ltd. granted options to its employees that gave them right to subscribe for equity shares in next 3 years at ₹ 112 per share. It also issued 2 lakhs warrants convertible into shares at ₹ 84.

As on 31st March, 2025 :

Options outstanding	1,40,000
Profit after Tax, attributable to equity shareholders	₹ 91,20,000
Average market price of equity shares	₹ 140
Issued Equity share capital (Face value ₹ 10 each)	₹ 50,00,000

There were no grants, exercises or lapses of options during the year.

Also, none of the warrants was converted into shares during the year.

You are required to calculate Basic and Diluted EPS as at 31st March 2025.

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- (a) R Limited commenced the construction of a factory building on 1st January, 2023. The construction process is expected to take about 18 months from 1st January, 2023 to 30th June, 2024. The factory building meets the definition of a qualifying asset. R Limited has incurred the following expenditure for the construction :

Date	Amount (₹/lakhs)
1 st January, 2023	10
30 th June, 2023	40
31 st March, 2024	30
30 th June, 2024	20

On 1st July, 2023, R Limited obtained a term loan of ₹ 100 lakhs from a nationalized bank at an interest rate of 12% per annum. The proceeds from the loan form a part of the company's general borrowings, which it uses to finance the construction of the factory building. R Limited had no borrowings (general or specific) before 1st July, 2023 and did not incur any borrowing costs before that date. R Limited incurred ₹ 50 lakhs of construction costs before obtaining general borrowings on 1st July, 2023 and ₹ 50 lakhs after obtaining the general borrowings.

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You are required to calculate the borrowing costs that R Limited is permitted to capitalize as a part of the building cost for each of the financial years ended 31st March, 2023, 31st March, 2024 and 31st March, 2025.

- (b) Drape Ltd. took a long-term loan of USD 30,000 from an entity registered in U.S.A. on 1st April, 2024. Interest of USD 2,400 is payable annually on 31st March, starting from 31st March, 2025. The loan is repayable in USD on 31st March, 2030 and the effective annual interest rate implicit in the loan is 11%. The appropriate measurement basis for this loan is amortised cost. Relevant exchange rates are as follows :

- 1st April, 2024 – USD 1 = ₹ 74.
- 31st March, 2025 – USD 1 = ₹ 78.
- Average rate for the year ended 31st March, 2025 – USD 1 = ₹ 72.

The functional currency of the group is Indian Rupee.

Calculate (a) the initial measurement amount for the loan, (b) finance cost for the year 2024-25, (c) closing balance of loan as at 31st March 2025 and (d) exchange gain / loss for the year 2024-25.

- (a) On 1st April, 2023, Shivank Limited entered into a contract with Amey Limited to build an asset for consideration of ₹ 1,20,00,000 with a bonus of ₹ 35,00,000 if the asset is completed within 30 months. At the inception of the contract, Shivank Limited correctly accounted for the promised bundle of goods and services as a single performance obligation

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in accordance with Ind AS 115 and expected the costs to be ₹ 71,00,000. At the same time, it was concluded that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will occur. Completion of the asset was highly susceptible to factors outside of the Company's influence, mainly due to difficulties with the supply of components.

At 31st March, 2024, Shivank Limited had satisfied 60% of its performance obligation on the basis of costs incurred to date and concluded that the variable consideration was still constrained in accordance with Ind AS 115. However, on 30th April, 2024, the contract was modified with the result that the fixed consideration and expected costs increased by ₹ 15,50,000 and ₹ 7,60,000 respectively. The time allowable for achieving the bonus was extended by four months with the result that Shivank Limited concluded that it is highly probable that the bonus will be achieved and that the contract remained a single performance obligation.

You are required to give your opinion on the accounting treatment of contract for the years 2023-2024 and 2024-2025 with reference to the provisions of Ind AS 115.

- (b) Bee Kay Limited has voluntarily opted to adopt Indian Accounting Standards (Ind AS) from 1st April, 2025 in accordance with the Companies (Indian Accounting Standards) Rules, 2015.

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The management has identified the following issues and has sought your guidance so that the Opening Ind AS Balance Sheet as on the date of transition can be prepared :

- (i) Property, Plant and Equipment (PPE) comprise land held for capital appreciation purposes costing ₹ 15,00,000/- and qualifies to be treated as Investment Property as per Ind AS. Besides Exchange differences of ₹ 1,50,000/- were capitalized to depreciable PPE on which accumulated depreciation of ₹ 37,500/- was recognized. The management intends to avail deemed cost exemption for using the previous GAAP carrying values as deemed cost at the date of transition.
- (ii) Bee Kay Limited had acquired 70% shares of X Private Limited a few years ago thereby acquiring the control upon it at that time. It recognized a goodwill of ₹ 1,25,000/- as per the erstwhile Accounting Standard by accounting the excess of consideration paid over the net assets acquired at the date of acquisition. Fair value exercise was not done at the time of acquisition.
- (iii) Company had given a loan of ₹ 10,00,000/- at an interest rate of 7% per annum to an entity six years ago. Transaction costs were incurred separately for this loan. The loan is repayable in 10 equal instalments over the period of ten years along with accrued interest at the close of each year. The fair value of the loan as on the date of transition is ₹ 5,00,000/- against the carrying amount of ₹ 4,00,000/-. The management says that it is a tedious task to compute the value of the loan by applying the effective interest rate method and has expressed its reluctance in doing so.

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You are required to state necessary explanation for each of the items presented by the management of Bee Kay Limited in the form of notes, which may or may not require the adjustment on the date of transition.

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As per the statutory requirements, exceptional items are required to be disclosed whereas Ind AS requires separate disclosure of material items and how these are to be presented in financial statements. Does that imply that "exceptional" means "material" ? How should these exceptional / material items be presented in the financial statements ? Give four examples of exceptional items.

OR

Define Equity, Income and Expenses as per 'Conceptual Framework' to Ind AS. How the information with respect to income and expenses helps the users in understanding of the financial statements ?

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6. (a) Which specific Computer Technology can be used in under-mentioned scenarios to reduce burden and streamline the process ? Give reasons in support of your answer.

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- (i) Koyal Ltd. has 8 subsidiaries including 2 foreign subsidiaries and 2 foreign associate companies, each maintaining their own financial data independently. Koyal Ltd. prepares consolidated financial statements in accordance with Ind AS 110 every year. This whole process needs to be accurate, consistent and completed in time, but Koyal Ltd. is struggling for the same.

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(ii) Doham Ltd. is a financial institution which deals with high-profile people and Mr. Salil, who works for Doham Ltd. handles sensitive customer data, such as personal information and transaction records. He is under stress all the time and needs support.

(b) Nancy Ltd. owns various machines including a machine used in the manufacture of air conditioners. The performance of this machine deteriorated significantly in last few months. This machine is expected to work for next five years after 31st March, 2025 at a reduced level and after that it will be scrapped. The cash flow projections for the machine for the next five years are as follows :

Year	2025-26	2026-27	2027-28	2028-29	2029-30
Amount in ₹	24,70,000	18,60,000	16,30,000	10,10,000	8,50,000

Additional Information :

- (i) The above cash inflows should be assumed to occur on the last day of each financial year.
- (ii) The pre-tax discount rate is 10%. Present value factor of ₹ 1 at 10% is as under :

2025-26	2026-27	2027-28	2028-29	2029-30
0.909	0.826	0.751	0.683	0.621

- (iii) The machine could have been sold at 31st March, 2025 for ₹ 60,00,000 and related selling expenses in this regard could have been ₹ 11,50,000.

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- (iv) The machine had been revalued previously, and at 31st March, 2025 an amount of ₹ 3,80,000 was held in revaluation surplus in respect of this machine.
- (v) The carrying value of the machine at 31st March, 2025 was ₹ 68,20,000.

You are required to calculate impairment loss for the year 2024-25, if any and revised depreciation of the machine for subsequent years. The machine is depreciated on SLM basis.

- (c) While preparing the financial statements for the year ended 31st March, 2025, Gama Ltd. observed two issues in the previous year Ind AS financial statements (i.e. 31st March, 2024) which are as follows :

Issue 1 :

The company had presented certain material liabilities as non-current in its financial statements as on 31st March, 2024. While preparing annual financial statements for the year ended 31st March, 2025, management discovers that these liabilities should have been classified as current. The management intends to restate the comparative amounts for the prior period i.e. as at 31st March, 2024.

Issue 2 :

The company had charged off certain expenses as finance costs in the year ended 31st March, 2024. While preparing annual financial statements for the year ended 31st March, 2025, it discovered that these expenses should have been classified as other expenses instead of finance costs. The error occurred because the management inadvertently misinterpreted certain facts. The entity intends to restate the comparative amounts for the prior period in which the error occurred i.e. year ended 31st March, 2024.

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You are required to analyse the above issues and give your recommendation as to their treatment in preparation of the financial

statements for the financial year 2024-25.

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