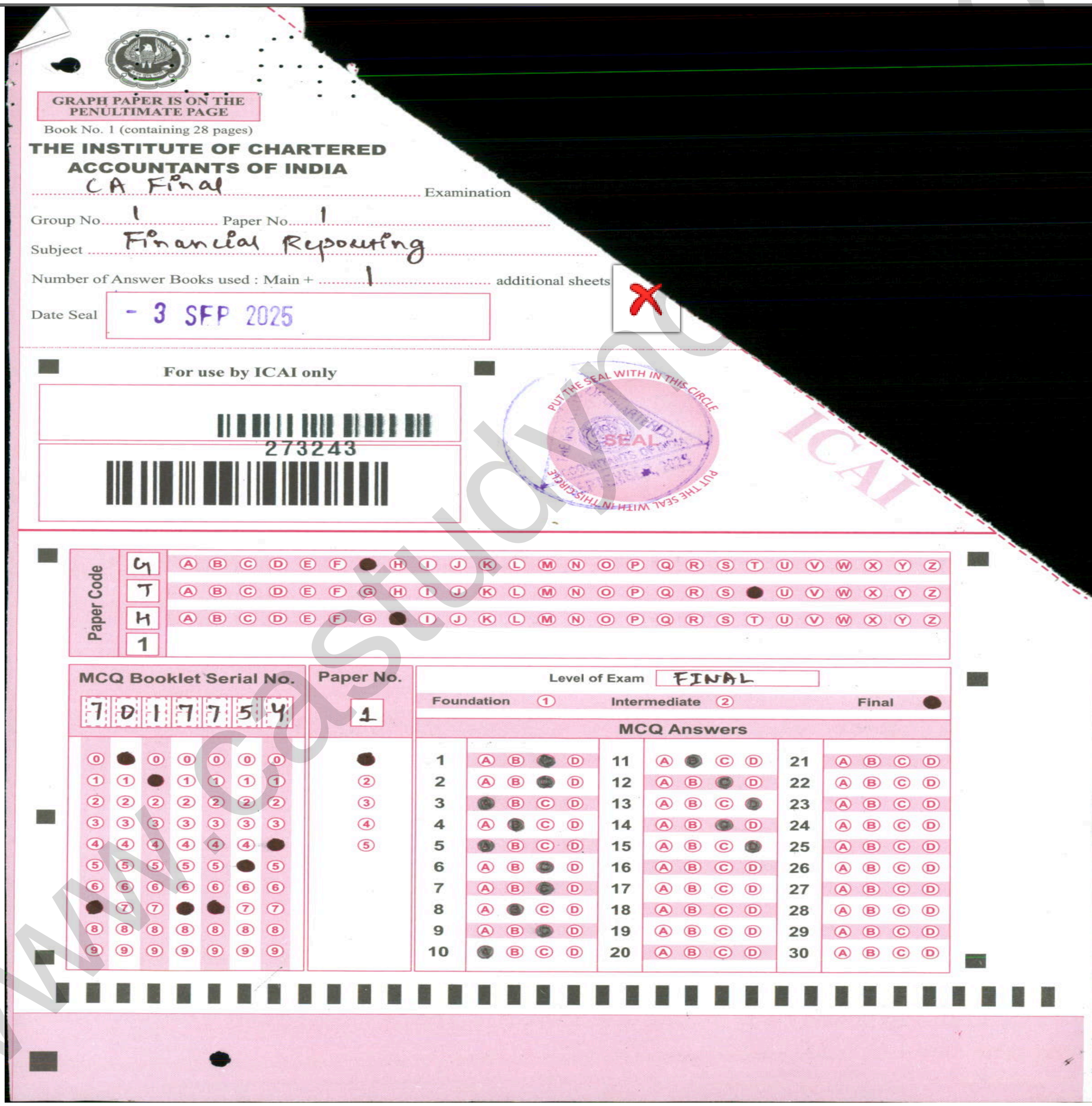
The Institute of Chartered Accountants of India

Code:	FN1FR273243	Total Marks:	70
Subject :	01 Financial Reporting	Marks Obtained :	62



GRAPH PAPER IS ON THE PENULTIMATE PAGE

Book No. 1 (containing 28 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

CA Final Examination

Group No. 1 Paper No. 1

Subject Financial Reporting

Number of Answer Books used : Main + 1 additional sheets

Date Seal - 3 SEP 2025

For use by ICAI only

273243

PUT THE SEAL WITH IN THIS CIRCLE

Paper Code: GTH1

MCQ Booklet Serial No. 7017754

Paper No. 1

Level of Exam FINAL

Foundation ① Intermediate ② Final

MCQ Answers

The Institute of Chartered Accountants of India

Code:	FN1FR273243	Total Marks:	70
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Illustration for Filling the MCQ Booklet Serial No.

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1	●	1	1	1	1	1	1	1	1
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...darken the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation.

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7. Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers

CORRECT METHOD: Ⓐ ● Ⓒ Ⓓ

WRONG METHOD

Q. No.	To be ticked ✓ by the candidate against the Questions answered (Descriptive Type)		
1	✓	8	
2	✓	9	
3	✓	10	
4	✓	11	
5	✓	12	
6		13	
7		14	
Total		Total	

Code: FN1FR273243 Total Marks: 70
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03

Q1

Consolidated Balance sheet of P Ltd.
(with subsidiary R Ltd.)
as on 31st March, 2025

Particulars	Note No.	Amount
I. Assets		
(I) Non current Assets		
(i) Property, Plant & Equipment	1	6,83,37,500
(ii) Intangible Assets	2	1,20,00,000
(iii) Investments	3	~~3,89,00,000~~ 89,75,000
(II) Current Assets		
(i) Inventories		1,50,00,000
(ii) Trade Receivables	4	2,26,00,000
(iii) Cash & cash Equivalents		2,20,00,000
Total		~~17,88,37,500~~ 14,89,12,500
II. Equity and Liabilities		
~~(i) Share Capital~~	~~5~~	
~~(ii) Other Equity~~	~~6~~	
(I) Equity		
(i) Share Capital	5	6,00,00,000
(ii) Other Equity	6	~~4,32,99,375~~ 4,29,99,375

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04

(II) Non Controlling Interest	(WN-(3))	84,63,125
(III) Non Current Liabilities		
(A) Financial Liabities		
i) Long Term Borrowings	7	1,57,50,000
(IV) Current Liabilities		
(A) Financial Liabilities -		
i) Bank Overdraft		75,00,000
(ii) Trade payables		1,62,00,000
Total		14,89,12,500

2 1Step1

Notes to Accounts! -

(1) Property, Plant & Equipment -

Z Ltd.	1,50,00,000
R Ltd.	2,48,00,000
(-) Decrease in fair value	(15,00,000)
(+) Depⁿ adjustment	37,500
	3,83,37,500

DO NOT WRITE ANYTHING HERE

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05

(2) Intangible Assets -
Goodwill

Z Ltd.	75,00,000
R Ltd.	45,00,000
	1,20,00,000

(3) Investments -

Z Ltd. (375 - 299.25)	~~3,75,75,000~~
R Ltd.	68,00,000
(-) Investment in pref. shares of R Ltd.	(54,00,000)
	~~3,89,75,000~~

(4) Trade Receivables -

Sundry Debtors	2,26,00,000
Bills Receivable (42 - 42)	—
	2,26,00,000

(5) Equity share capital -

Equity shares @ ₹10 each	6,00,00,000

R
2 1Step2

Note - Pref. shares are assumed as financial liability & hence reclassified in long term borrowings.

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Code: FN1FR273243
Subject : 01 Financial Reporting
Total Marks: 70
Marks Obtained : 62

06

(6) Other equity –

– General Reserve			
Z Ltd.	1,20,00,000		
Share of R Ltd.	9,56,250		1,29,56,250
– Retained Earnings			
Z Ltd.	1,95,00,000		
Share of R Ltd.	30,28,125		
(–) Dividend	(30,60,000)		
(–) Loss on derecognition of investment in pref. shares of R Ltd.	(31,50,000)		
	24,00,000		1,87,18,125
– Capital Reserve (WN-2)			1,13,25,000
(Gain on De-recognition of 12,00,000 shares)			4,29,99,375

(7) Long Term Borrowings –

10% Preference shares –		
Z Ltd.		1,20,00,000
R Ltd.		60,00,000
(–) Acquired by Z Ltd.		(22,50,000)
		1,57,50,000

(8) Trade payables –

Sundry Creditors (90 + 69)	1,59,00,000
Bills Payables (7 – 4)	3,00,000
	1,62,00,000

1Step3

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07

Working Notes :-

① Calculation of Pre and Post acquisition profits :-

	General Reserve	Retained Earnings
Cl. Balance as on 31.3.25	75,00,000	1,50,00,000
Op. Balance as on 1.4.24	(30,00,000)	(45,00,000)
Profit during 24-25	45,00,000	1,05,00,000
Add: Dividend (3,00,00,000 × 12%)	—	36,00,000
	45,00,000	1,41,00,000
Less: Pre acq. profits upto 30.12.24 (3/4th)	(33,75,000)	(1,05,75,000)
Post acq. profits	11,25,000	35,25,000
Add: Depn on overvalued machinery (15,00,000 × 10% × 1/4)	—	37,500
Post acq. profits	11,25,000	35,62,500
Share of Z Ltd. (85%)	9,56,250	30,28,125
NCI (15%)	1,68,750	5,34,375

3.5 1Step6

Note – In question it is mentioned that machine was overvalued on 1st Oct, 2024. However date of acquisition is 1st Jan, 2025. Hence depreciation adjustment is taken from 1st Jan, 2025 for 3 months only. Alternative assumption is also possible.

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08

② Calculation of Goodwill / Capital Reserve:-

Purchase consideration	
For 12,00,000 shares on 1.4.24 (12,00,000x14)	1,68,00,000
For 13,50,000 shares on 1.4.25	1,55,25,000
P/c	3,23,25,000
Add: Non controlling Interest (4,50,000 x 14)	63,00,000
	3,86,25,000
Less: Net Assets on 1.1.2025 -	
Equity share capital 3,00,00,000	
General Reserve 63,75,000 (…0,00,000 + 33,75,000)	
Retained earnings 1,50,75,000 (45,00,000 + 1,05,75,000)	
Fair value adjustment of machinery (15,00,000)	(4,99,50,000)
Capital Reserve	1,13,25,000

Note - Pref. share capital is not taken in equity net assets as it is financial liability.

R 1.5 1Step4

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Subject : 01 Financial Reporting

Total Marks: 70
Marks Obtained : 62

09

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(3) Calculation of NCI as on 31.3.25 :-

NCI as on 1.1.25 (4,50,000 x 14)	63,00,000
(+) Post acq. profits	
General Reserve	1,68,750
R.E.	5,34,375
(-) Dividend (4,50,000 x 1.2)	(5,40,000)
As on 31.3.25	64,63,125

R 0.5 1Step5

R 0 1Step7

R 10.5 1

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Subject : 01 Financial Reporting Marks Obtained : 62

10

Q2(a)

i) Initial Recognition –

Year	Outflow	PVF @ 12%	PV
31.3.22	1,20,000	0.893	1,07,160
31.3.23	1,20,000	0.797	95,640
31.3.24	1,20,000	0.712	85,440
31.3.25	1,20,000	0.636	76,320
31.3.26	16,20,000 (15,00,000 + 1,20,000)	0.567	9,18,540

1.5 2aStep1

Liability component	12,83,100
(–) Proceeds from Debentures	(15,00,000)
Equity component	2,16,900

Entry for initial recognition in the books of Galaxy Limited –

1 2aStep2

Bank a/c Dr	15,00,000	
To 8% Debentures (Liability)		12,83,100
To 8% Debentures (Equity)		2,16,900

[Being 15,000 8% Debentures @ ₹100 each issued]

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Subject : 01 Financial Reporting Marks Obtained : 62

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(ii) Amortisation Table

Year	Opening Balance	Interest @ 12%	Payment	Closing Balance
2021-22	12,83,100	1,53,972	(1,20,000)	13,17,072
2022-23	13,17,072	1,58,049	(1,20,000)	13,55,121
2023-24	13,55,121	1,62,615	(1,20,000)	13,97,736
2024-25	13,97,736	1,67,728	(1,20,000)	14,45,464
2025-26	14,45,464	1,74,536 (B/f.)	(16,20,000)	—

2.5 2aStep3

(iii) Accounting for repurchase -

Amount paid on repurchase				15,75,000
(-) Payment for liability component (Present value of remaining outflows @ 9%)				
~~31.3.25~~	~~1,20,000~~	~~0.926~~	~~1,11,120~~	
~~31.3.26~~	~~16,20,000~~	~~0.857~~	~~13,88,340~~	~~14,99,460~~
Year	Outflows	PVF @ 9%	PV	
31.3.25	1,20,000	0.917	1,10,040	
31.3.26	16,20,000	0.842	13,64,040	(14,74,080)
Payment for equity component				1,00,920

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Accounting entries for repurchase –

1.4.2024

① 8% Debentures (Liability) a/c	Dr	13,97,736	
Loss on Repurchase (P&L) a/c	Dr	76,344	
To Bank			14,74,080
[Being 8% Debentures repurchase recorded for liab. component]			

② 8% Debentures (Equity) a/c	Dr	2,16,900	
To Gain on repurchase (P&L)			1,15,980
To Bank			1,00,920
[Being 8% Debentures repurchase recorded for equity component]			

R 3 2aStep4

R 2 2aStep5

R 10 2a

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Subject : 01 Financial Reporting Marks Obtained : 62

ICAI 13

Q 2(b)

Cash Flow Statement
of Modern Ltd.
₹ ~~as on~~
for the year ended 31st March, 2025

Particulars	Amount	Amount
A. Cash Flow from Operating Activities		
Profit During the year (11,00,000 + 5,00,000)	16,00,000	
Less:- Unrealised foreign currency gains		
– On Trade payables	(5,00,000)	
– On Borrowings	(3,00,000)	
	8,00,000	
Adjustment for changes in working capital –		
Increase in Trade Payables	77,00,000	
Increase in Inventories	—	
Cash flow from Operating activities		85,00,000
B. Cash Flow from Financing activities		—

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Subject : 01 Financial Reporting Marks Obtained : 62

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C. Cash Flow from Financing Activities		
Proceeds from Long Term Borrowings (₹ 1,00,000 × 75)	75,00,000	
Cash flow from financing activities		75,00,000
Net Cash Generated during the year (A+B+C)		1,60,00,000
Add: Opening Balance of CCE as on 1.4.24		5,00,000
Cash & cash equivalents as on 31st March, 2025		1,65,00,000

R 4 2bStep1

R 4 2b

R 14 2

Q 3 (a)

(i) Accounting for Present value of Defined Benefit obligation (PVDBO) :-

PVDBO a/c

Particulars	₹	Particulars	₹
31.3.25		1.4.24	
To Bank a/c (Benefits paid)	6,30,000	By balance b/d	90,00,000
To Bank a/c (Paid on settlement)	11,25,000	28.2.25 By Past service cost (Amendments)	2,25,000
To Gain on settlement (12,00,000 − 11,25,000)	75,000	31.3.25 By current service cost	9,30,000
		By Interest cost (90,00,000 × 6%)	5,40,000
To balance c/d (as per actuarial valuation)	1,02,00,000	By Actuarial Loss (B.f.) (OCI)	13,35,000
	1,20,30,000		1,20,30,000

16

(ii) Accounting Accoo for Plan Assets :-

Plan Assets a/c

Particulars	Amount	Particulars	Amount
1.4.24		31.3.25	
To balance b/d	78,00,000	By Bank (Benefits paid)	6,30,000
31.3.25		By Bank (Settlement)	11,25,000
To Interest Income (78,00,000 x 6%)	4,68,000		
To Bank (Contributions)	10,50,000	By balance c/d (As per actuarial valuation)	84,00,000
To Actuarial Gain (OCI) (B/f)	8,37,000		
	1,01,55,000		1,01,55,000

5 R 3aStep1

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Presentation in Financial Statements -

Balance Sheet

Present value of Defined Benefit Obligation	1,02,00,000
(-) Fair value of Plan Assets	(84,00,000)
Net Defined Benefit obligation	18,00,000

Profit and Loss a/c

Net Interest Expenses / ~~Fin~~ Finance cost (5,40,000 - 4,68,000)	72,000
Current service cost	9,30,000
Past service cost	2,25,000
Gain on settlement of Benefits	(75,000)
Net Expenses Debited to P&L a/c	11,52,000

R 3 3aStep2

R 8 3a

Other comprehensive Income

Actuarial loss on PVDBO	(13,35,000)
Actuarial Gain on plan Assets	8,37,000
Net Actuarial loss on Defined Benefit obligation	(4,98,000)

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Q3(b)

A. Calculation of Basic EPS -

BEPS = $\frac{\text{Earning Available for Equity shareholders}}{\text{Weighted Average no. of shares}}$

= $\frac{91,20,000}{\cancel{50},00,000}$

~~BEPS = 1.824~~ $\boxed{\text{BEPS} = 18.24}$ Ans

B. Calculation of Diluted EPS -

DEPS = $\frac{\text{Adjusted Earning Available for Equity shareholders (Note-1)}}{\text{Adjusted weighted Average no. of shares (Note-2)}}$

= $\frac{91,20,000}{6,08,000}$

$\boxed{\text{DEPS} = 15}$ Ans

Notes -

① Adjusted Earning Available for equity shareholders

There are no adjustments for Diluted shares, hence, it will be Rs. 91,20,000.

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(2) Adjusted weighted Average number of shares –

(i) Issued equity shares (50,00,000/10) 5,00,000

(ii) Free shares in options granted to employees 28,000

$$\left[\frac{1,40,000 \times (140-112)}{140}\right]$$

(iii) Free shares in convertible warrants 80,000

$$\left[\frac{2,00,000 \times (140-84)}{140}\right]$$

Adjusted weighted Average No. of shares 6,08,000

R 6 3b

(3) Incremental EPS –

R 6 3bStep1

Incremental EPS = Adjustments in earnings / Dilutive shares

$$= \frac{0}{1,08,000}$$

$$= 0$$

R 14 3

Since, it is less than BEPS, hence the DEPS will be dilutive

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Q 4(a)

As per Ind AS 23 'Borrowing Costs', general borrowings cost can be capitalised in the cost of Qualifying assets ~~from the~~ date when–
(i) The expenditure is incurred out of such borrowings
(ii) Borrowing cost has been actually incurred
(iii) Necessary activities for completion of qualifying assets are going on.

A. Borrowing costs to be capitalised for year ended 31st March, 2023 :–

~~Since~~, The expenditure ~~of~~ Rs. 10 lakhs incurred on 1st January, 2023 during the year ended 31st March, 2023.
However, the borrowings are taken on 1st July, 2023 and there was no borrowings (general or specific) before 1st July, 2023. So, there was no borrowing cost incurred during the year ended 31st March, 2023.

Hence, no borrowing cost will be capitalised during the year ended 31st March, 2023.

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B. Borrowing Costs to be capitalised for the year ended 31st March, 2024 :-

The capitalisation will commence from 1st July, 2023 when borrowings are taken. The amount of borrowings cost that will be capitalised are -

Date	Amount (in lakhs)	Period during the year ended 31st March, 2024	Effective expenditure (in lakhs)
1.1.2023	10	9/12	7.5
30.6.2023	40	9/12	30
31.3.2024	30	0/12	—
Effective expenditure for capitalisation for year ended 31st March, 2024			37.5
Capitalisation Rate / Borrowings Rate p.a.			12%

Borrowing cost to be capitalised to cost of building during the year ended 31st March, 2024 (37.5 × 12%) $\boxed{4.5 \text{ lakhs}}$

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C. Borrowings cost to be capitalised for the year ended 31st March, 2025 :-

The borrowing cost will be capitalised upto 30th June, 2024 when the building get ready ~~and~~ i.e., for 3 months only.

Date	Amount (in lakhs)	period during the year ended 31st March, 2025	Effective Expenditure (in lakhs)
1.1.23	10	3/12	2.5
30.6.23	40	3/12	10
31.3.24	30	3/12	7.5
31.3.24	4.5 (Borrowing cost capitalised in 23-24)	3/12	1.125
30.6.24	20	0/12	—
Effective expenditure for capitalisation of borrowing cost for year ended 31st March, 2025			21.125
Capitalisation Rate p.a.			12%
Borrowing cost to be capitalised to cost of building for the year ended 31st March, 2025			2.535 lakhs

R 4a 1
R 4aStep1 3
R 4aStep2 3

23

Q4(b)

(a) Initial measurement for the loan :-

Date	Outflows (in USD)	PVF @ 11%	P.V. (in USD)	Conversion in Rupees @ ₹74 / $
~~31.3.~~				
31.3.25	2400	0.901	2162.40	1,60,017.60
31.3.26	2400	0.812	1948.80	1,44,211.20
31.3.27	2400	0.731	1754.40	1,29,825.60
31.3.28	2400	0.659	1581.60	1,17,038.40
31.3.29	2400	0.593	1423.20	1,05,316.80
31.3.30	32400*	0.535	17334.00	12,82,716
Fair value of loan to be recognised (R/off)			26,204.~~40~~	19,39,126.~~60~~
Amount received from long term loan			30,000	22,20,000
Gain recognised in profit and loss account			3796.~~60~~	2,80,874.~~40~~

Entry - (in INR) (Decimals rounded off)

Bank a/c	Dr	22,20,000	
To Term loan			19,39,126
To Gain on recognition (P&L a/c)			2,80,874

[Being Term loan from USA recognised]

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Subject : 01 Financial Reporting Marks Obtained : 62

(b) Finance cost for the year 2024-25 –

The accounting for loan during 2024-25 will be as under –

(in USD)

Date	Op. Balance	Interest @ 11%	Payment	Closing Balance
31-3-2025	26,204	2882	(2400)	26,686

The finance cost for the year 2024-25 will be recognised in INR at average rate of ₹72/USD.

Hence, Finance cost for 2024-25 = 2882 × 72
= ₹2,07,504

Entry –

Finance cost (P&L) a/c	Dr	2,07,504	
To Term Loan			2,07,504
[Being finance cost for year charged]			

(c) Closing Balance of loan as at 31st March, 2025 :–

(in INR)

Opening Balance as on 1.4.2024	19,39,096
Add: Interest Cost during the year	2,07,504
	21,46,600
Less: Payments made during the year (2400 × 78)	(1,87,200)

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Closing Balance as on 31st March, 2025 — 19,59,400

Closing Balance on translation of USD on 31st March, 2025 (26686 × 78) — 20,81,508

(d) Exchange Gain / loss for the year 2024-25 :-

Exchange loss on opening balance of loan [26204 × (78-74)]	1,04,816
Exchange loss on Finance cost [2882 × (78-72)]	17,292
Exchange loss for the year 2024-25.	1,22,108

R 2.5 4bStep1

R 5 4bStep2

R 7.5 4b

R 13.5 4

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Total Marks: 70
Marks Obtained : 62

26

Rough

32.69

18.55

18.55
6.75

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Addl. Book No. ....
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS ADDITIONAL ANSWER BOOK

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8

5 (a)

(i) ~~Revised Contract Revenue = 1,20,00,000 + 35,00,000 +~~

(i) As at 31st March, 2024, the revenue and cost of Shivalik Ltd. would be -

Contract Revenue (1,20,00,000 x 60%)	72,00,000
Contract Cost (71,00,000 x 60%)	(42,60,000)
Profit recognised	29,40,000

R 1.5 5aStep1

(ii) Accounting for modification as on 30th April, 2024:-

Revised Contract Revenue = 1,20,00,000 + 35,00,000 + 15,50,000
= 1,70,50,000

Revised contract cost = 71,00,000 + 7,60,000
= 78,60,000

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Subject : 01 Financial Reporting

Total Marks: 70
Marks Obtained : 62

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Revised % of completion = $\frac{42,60,000}{78,60,000}$

= 54.20%

Hence, Actual Revenue to be recognised till date = 1,70,50,000 x 54.20%

= 92,41,100

∴ Additional Revenue to be recognised as Cummulative catch up adjustment

= 92,41,100 − 72,00,000

= ₹ 20,41,100

2 5aStep2

3.5 5a

Q5-(b)

The following adjustments will be made on transition as per Ind AS 101 -

(i) The PPE held for capital appreciation was classified as Investment property and the entity has availed deemed cost exemption for using carrying value as per previous GAAP.

So, the Investment property will be recognised

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at the carrying value of Rs. 16,12,500 (15,00,000 + 1,50,000 − 37,500) at the transition in Ind AS.

(ii) As per Ind AS 101, the entity has an option either to restate the previous business combinations before transitions date, in the transitioned financial statements as per Ind AS 103 or to avail exemption from restatement and to carry the carrying amounts as per previous GAAP in the Ind AS.

So, here entity has two options –
- Avail exemption and carry forward carrying amount of assets, liabilities and goodwill of ₹1,25,000, or
- Restate the business combination as per Ind AS 103 retrospectively.

(iii) As per Ind AS 101, the loan given by company of Rs. 10,00,000 having the carrying value of Rs. 4,00,000 is to be taken in Ind AS by ~~apply~~ applying effective interest method at fair value.
Since, management is reluctant to do so, we can take the loan at fair value of Rs. 5,00,000 in the Ind AS. The difference of Rs. 1,00,000

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(5,00,000 − 4,00,000) will be transferred in retained earnings.

Entry −

Retained earning a/c Dr 1,00,000
To Loan 1,00,000
[Being loan transitioned in Ind AS]

4 5bStep1

4 5b

Q.5(c)

− Exceptional items are those items or transactions that have occurred during normal course of business but due to their nature that they don't occur frequently.

− However material items are those which can impact the fundamental decisions of users.

Hence, exceptional items and material items are different.

Examples of exceptional items −

(1) Loss on inventory measured at NRV
(2) Gain or loss on sale of PPE
(3) Gain on loss on sale of ~~non~~ − current investments.
(4) Provisions for foreseeable losses.
(5)

2.5 5cStep1

2.5 5c

10 5

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Result Overview

Awarded Marks: 62

Max Marks:70

NA Not Attempted O Optional M Marked

Q1_Compulsory (Score: 10.5/14)

Question No	Awarded Marks	Maximum Marks	Status
1	10.5	14	M

Q2_Q6 (Score: 51.5/56)

Question No	Awarded Marks	Maximum Marks	Status
2	14	14	M
2a	10	10	M
2b	4	4	M
3	14	14	M
3a	8	8	M
3b	6	6	M
4	13.5	14	M
4a	6	6	M
4b	7.5	8	M
5	10	14	M
5a	3.5	5	M
5b	4	5	M
5c	2.5	4	M
6	0	14	O
6a	0	5	O
6b	0	5	O
6c	0	4	O