

Roll No. Global Financial Reporting Standards

Total No. of Case Study Questions – 5

Total No. of Printed Pages – 24

Time Allowed – 4 Hours

Maximum Marks – 100

BMN

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

The Question Paper comprises five case study questions.

The candidates are required to answer any four case study questions out of five.

Answers in respect of Multiple-Choice Questions (MCQs) are to be marked on the OMR Answer Sheet as given on the Cover Page of the answer book.

Answer to MCQs, if written inside the descriptive type answer book, will not be evaluated.

Candidates should answer the Case Study Questions as selected by them in totality i.e. MCQ as well as descriptive question of the same Case Study Question.

Candidates are not permitted to answer MCQs of one Case Study Question and the descriptive questions of another Case Study Questions and vice-versa.

Candidates may use calculator.



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CASE STUDY-1 :

Lucky Ltd. is a big business group with diversified business interests. Some of the products manufactured are Television, Mini TV, Camera, CCTV Camera and the accessories needed for the same. The company follows the International Financial Reporting Standards in preparation and presentation of its financial statements. The company seeks your advice for the following transactions as the CFO of the Company is not certain about their treatment.

Preparation of financial statements:

One of its subsidiary which produces TV remote controller has prepared the following trial balance as on 31st March, 2023 :

Particulars	₹	₹
Sales		5,20,000
Raw Material Purchased	2,54,000	
Production cost	80,000	
Inventories at 31 st March, 2022	72,000	
Distribution Costs	28,000	
Administrative Expenses	30,000	
Goodwill	60,000	
Property, Plant and Equipment	3,00,000	
Accumulated Depreciation at 31 st March, 2022		1,00,000
Trade Receivables	90,000	
Trade Payables		24,000
Cash and Cash Equivalent	50,000	
Equity share capital		2,60,000
Retained earnings		92,000
Equity dividend paid on 1 st June, 2022	32,000	
Total	9,96,000	9,96,000

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It has provided the following information and wants to know the correct adjustments to be made for the same :

- (i) On 31st March, 2023, the value of inventory at cost is ₹ 76,000. This includes 1,600 units of inventory costing ₹ 20 each which has been damaged due to water seepage. The cost to repair the units of inventory is ₹ 4 per piece and it is estimated that the units of inventory will be sold for ₹ 19 each.
- (ii) Building: Cost ₹ 80,000 and accumulated depreciation ₹ 24,000;
Plant and Equipment: Cost ₹ 2,20,000 and accumulated depreciation ₹ 76,000.
- (iii) On 1st April, 2022, Lucky Ltd. has revalued its building which has original cost of ₹ 80,000 to ₹ 1,16,000. Accumulated depreciation at the date of revaluation is ₹ 24,000.

At the time of revaluation, the remaining useful economic life of building is estimated to be ten years and depreciation is to be charged on the revalued amount on straight line basis. Ignore impact of tax/deferred tax. The plant and equipment are being depreciated on a straight-line basis at 20% per annum. No disposals of property, plant and equipment occurred during the year. The effect for the revaluation and depreciation is yet to be given in the above Trial Balance.

- (iv) Depreciation of all property, plant and equipment, being direct expenditure, should be charged to cost of sales. Depreciation has not yet been charged for the year.

Lucky Ltd. owns 500 ordinary shares in Best Ltd., an unquoted company. Best Ltd. has a total share capital of 10,000 shares with nominal value of ₹ 10 each. Best Ltd.'s after-tax maintainable profits are estimated at ₹ 1,40,000 for the year. An appropriate PE ratio determined from published industry data is 15 (before lack of marketability adjustment). The management of Lucky Ltd. estimates that the discount for the lack of marketability of shares of Best Ltd. and restrictions on their transfer is 20%. Lucky Ltd. values its holding in Best Ltd.'s shares based on earnings. Lucky Ltd. also estimates the fair value of the investment in shares of Best Ltd. using a net asset valuation technique. The fair value of Best Ltd.'s net assets is ₹ 17,00,000.

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Lucky Ltd. has sold 1,500 Mini TV to a retailer, namely, Fine View Ltd. for ₹ 97,50,000 (₹ 6,500 per unit). Lucky Ltd. provides price protection to Fine View Ltd. by agreeing to reimburse for the difference between this price and the lowest price that it offers for Mini TV during the next six months. Lucky Ltd. with its experience with similar arrangements makes the estimate of the following outcomes:

Price reduction in next six months (₹)	Probability
0	60%
₹ 750	25%
₹ 1,250	15%

On 1st January, 2023, Lucky Ltd. has received a contract to install 300 CCTV cameras in a multi storey building namely "Apartment Sai" for a price of ₹ 5,00,000. Due to shortage of stock of CCTV camera units, Lucky Ltd. purchased those CCTV camera units from another company at the cost of ₹ 1,000 per camera. Transportation and other installation costs to complete the contract is estimated to be ₹ 1,50,000.

The CCTV cameras purchased by Lucky Ltd. have been delivered to the site in February 2023, i.e. three months before they will be installed. Lucky Ltd. uses an input method based on cost to measure progress towards completion. Lucky Ltd. has incurred actual other installation costs of ₹ 60,000 by 31st March, 2023.

Lucky Ltd., on 15th April, 2023, received a notice of demand for an additional liability of ₹ 30,00,000 from Goods and Service Tax Department on account of wrong claim of Input tax Credit by the company during the financial year 2022-2023. The financial statements for the year 2022-2023 are approved on 30th April, 2023. On 20th April, 2023 the company has appealed against the demand of ₹ 30,00,000 and the company is advised by their indirect tax consultants that ultimately the demand would get settled at ₹ 12,00,000.

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Lucky Ltd. has been awarded a government grant of ₹ 3,00,000 for creation of job opportunity. The said grant would be received over a period of three years viz. ₹ 2,00,000 in year 1 and ₹ 50,000 in each of years 2 and 3. There is condition that the company should give employment to minimum 10 persons and such employment should be maintained for at least 3 years. The company has incurred cost of ₹ 1,50,000 on recruitment of employees and the wage bill for the first year is ₹ 5,00,000 which is estimated to increase every year by ₹ 50,000 in each of the subsequent years.

Lucky Ltd. has purchased a Machinery and in consideration thereof has agreed to allot 10,000 Shares of the Company of ₹ 100 each and to pay ₹ 2,00,000 in money. The fair value of the Machinery is ₹ 15 lakhs and fair value of shares of the company is 140 per share.

MCQs.

5×2
=10

1.1 The Cost of sales of TV remote controller manufacturing unit for the year ended 31st March, 2023 will be :

- (A) ₹ 3,93,600
- (B) ₹ 3,85,600
- (C) ₹ 3,76,000
- (D) ₹ 3,68,000

1.2 Value of Property, Plant and Equipment to be shown in the financial statements of subsidiary of Lucky Ltd. as on 31st March, 2023 will be :

- (A) ₹ 2,00,000
- (B) ₹ 2,04,400
- (C) ₹ 1,62,000
- (D) ₹ 1,76,400

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1.3 Determine the fair value of Lucky Ltd.'s investment in Best Ltd. as on the date of Statement of financial position based on earnings and net asset valuation technique:

- (A) ₹ 21,000 & ₹ 85,000
- (B) ₹ 84,000 & ₹ 85,000
- (C) ₹ 1,05,000 & ₹ 85,000
- (D) ₹ 16,80,000 & ₹ 17,00,000

1.4 Determine the transaction price per Mini TV supplied to Fine View Ltd. :

- (A) ₹ 6,125
- (B) ₹ 5,250
- (C) ₹ 5,750
- (D) ₹ 4,500

1.5 Lucky Ltd. shall account for the Machinery received against allotment of shares as below:

- (A) Machinery to be recorded at ₹ 15,00,000 and equity will get credited with ₹ 13,00,000.
- (B) Machinery to be recorded at ₹ 16,00,000 and equity will get credited with ₹ 14,00,000.
- (C) Machinery to be recorded at ₹ 12,00,000 and equity will get credited with ₹ 10,00,000.
- (D) Machinery to be recorded at ₹ 15,00,000 and equity will get credited with ₹ 15,00,000.

Descriptive questions :

- 1.6 Explain whether event relating to the receipt of demand notice from the Goods and Service Tax department is an adjusting or non-adjusting event. Show how the above event will have a bearing on the financial statements for the year 2022-2023. 4
- 1.7 How the grant received from the government will be accounted for in the Statement of Profit and Loss and deferred income in the books for year 1, 2 and 3. 4

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- 1.8 How will Lucky Ltd. recognize revenue from the contract of installation of CCTV in "Apartment Sai", if performance obligation is met over a period of time ? 7

CASE STUDY 2:

M/s Beauty Ltd. is a diversified group having multiple business interests in many countries. The group publishes its financial statements following International Financial Reporting Standards. During closure of books for the year ended 31st March, 2023, certain transactions were highlighted by the group finance team. The Finance Controller needs your assistance on the treatment of the following transactions.

M/s Beauty Ltd. has commenced construction of a factory building on April 01, 2021. It borrowed ₹ 9 million for construction purposes at 11% annual rate of interest. The construction of the building was completed on October 31, 2022 and was ready for use as on that date. However, the factory production commenced from December 15, 2022.

M/s Beauty Ltd. has granted 500 share options to its 100 employees at a price of ₹ 12 each. The market value is ₹ 22. The fair value of the option at grant date was ₹ 13. The options are to vest after three years from the grant date. The fair values of the options are estimated at ₹ 14, ₹ 15 and ₹ 17 respectively for the next three years.

M/s Beauty Ltd. has acquired a property on lease by paying a premium of ₹ 11,00,000 for a lease term of five years. Fair value of the asset is ₹ 19,50,000. As per the terms, the annual lease rent is ₹ 2,00,000 per annum for the next five years. The present value of annual lease rent is ₹ 7,60,000. The company, having taken this property for further let out, will recognize the same as investment property under IAS 40.

Further, M/s Beauty Ltd., has given on monthly lease an office space at Pune to M/s Akil Ltd. for a period of 10 years, on a monthly rent of ₹ 30,000. Rent will be increased after every 4 years by 10% over the previous rent paid. This lease does not amount to Finance lease.

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P.T.O.

One of the notes to the financial statements gives details of purchases of ₹ 5,98,000 made by M/s Beauty Ltd. from M/s King Ltd. during the financial year 2022-2023. Mr. Praveen, the Managing Director, owns 100% of the shares in M/s King Ltd. However, he feels that there is no requirement for any disclosure to be made in financial statements of M/s Beauty Ltd. since the transaction is carried out on normal commercial terms and is totally insignificant to M/s Beauty Ltd. as it represents less than 1% of M/s Beauty Ltd.'s purchases.

The State Government holds 60% shares in M/s Beauty Ltd. and 55% shares in M/s Fine Ltd. M/s Beauty Ltd. has two subsidiaries namely M/s B Ltd. and M/s L Ltd. M/s Fine Ltd. has two subsidiaries namely M/s F Ltd. and M/s R Ltd. Mr. Dew is one of the Key Management Personnel in M/s Beauty Ltd.

M/s Beauty Ltd. granted 400 Stock Appreciation Rights (SAR) each to 75 employees on 1st April, 2021 with a fair value ₹ 400. The SARS will be settled in cash. The terms of the award require the employee to provide service for four years in order to earn the award. The fair value of each SAR at each reporting date is as follows:

31 st March, 2022	₹ 420
31 st March, 2023	₹ 440
31 st March, 2024	₹ 430
31 st March, 2025	₹ 436

MCQs.

2.1 M/s Beauty Ltd., the company shall recognize lease rent as monthly income for office space at Pune :

5×2
=10

- (A) ₹ 32,400
- (B) ₹ 32,460
- (C) ₹ 33,000
- (D) ₹ 33,100

- 2.2 How much interest should be capitalised for construction of factory building during the year ended March 31, 2023 ?
- (A) ₹ 7,42,500
 (B) ₹ 5,77,500
 (C) ₹ 9,90,000
 (D) ₹ 6,60,000
- 2.3 The employee benefit cost on account of Stock Option granted to employees to be recognised in the income statement for year 1 is :
- (A) ₹ 2,16,666
 (B) ₹ 1,66,666
 (C) ₹ 2,00,000
 (D) ₹ 3,66,667
- 2.4 For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash or by issuing equity instruments, the entity shall account for that transaction as _____ if, and to the extent that, entity has not incurred a liability to settle in cash or other assets.
- (A) cash-settled share-based payment transaction
 (B) equity-settled share-based payment transaction
 (C) share-based payment arrangement
 (D) compound financial instrument
- 2.5 The initial cost of the investment property taken on lease shall be recorded at :
- (A) ₹ 7,60,000
 (B) ₹ 11,00,000
 (C) ₹ 18,60,000
 (D) ₹ 19,00,000

Descriptive Questions:

- 2.6 Explain with reasons whether the contention of Mr. Praveen, Managing Director, not to make any disclosure for purchases made from M/s King Ltd. is in compliance with the provisions of IAS/IFRS. 5
- 2.7 Determine the entity to whom exemption from disclosure of related party transactions is to be given, if the state government has significant influence. Also examine the transactions and with whom such exemption does not apply. 4
- 2.8 Find out the expenses for issue of stock appreciation rights and pass necessary journal entries. 6

CASE STUDY 3:

M/s Universe Ltd. is engaged in construction industry and prepares its financial statements following International Financial Reporting Standards and follows April-March as their financial year. During the year 2022-2023, the company has faced some issues and for their solution seeks your professional advice.

On 1st April, 2019, M/s Universe Ltd. purchased a land property for ₹ 4,00,00,000 and immediately leased the property to Diamond Ltd. on an operating lease. Annual rentals were ₹ 30,00,000. On 31st March, 2022, the fair value of the property was ₹ 5,40,00,000. Under the terms of the lease, Diamond Ltd. is having an option to cancel the lease by giving six months' notice in writing to M/s Universe Ltd. Diamond Ltd. gave this notice on 31st March, 2022 and vacated the property on 30th September, 2022. On 30th September, 2022, the fair value of the property was ₹ 5,80,00,000.

On 1st October, 2022, M/s Universe Ltd. immediately began to convert the property into ten separate flats of equal size for sale in the ordinary course of its business. M/s Universe Ltd. has incurred a total of ₹ 1,20,00,000 on this conversion project during the period from 1st October, 2022 to 31st March, 2023. As on 31st March, 2023, the project was in progress and not yet complete. The directors of M/s Universe Ltd. estimate that for completion of the project, they will be required to further incur a sum of ₹ 80,00,000 and on completion, each flat can be sold for ₹ 1,00,00,000.

On 1 April, 2022, M/s Universe Ltd. acquires 75 percent of the equity interest of Star Pvt. Ltd. for cash consideration of ₹ 750 lakhs. The owners of Star Pvt. Limited has been in dire need of funds and have to dispose of their investments within a short time. Hence, they were constraint of time to search for good buyer. The management of M/s Universe Ltd. initially measured the separately recognizable identifiable assets acquired and the liabilities assumed as on the acquisition date in accordance with the requirement of IFRS 3. The identifiable assets are measured at ₹ 1,250 lakhs and the liabilities assumed are measured at ₹ 300 lakhs. M/s Universe Ltd. has taken consultancy from an independent consultant, who has determined the fair value of 25 per cent non-controlling interest in Star Pvt. Ltd. to be ₹ 150 lakhs.

M/s Universe Ltd. has reviewed the procedures it used to identify and measure the assets acquired and liabilities assumed and to measure the fair value of both the non-controlling interest in Star Pvt. Ltd. and the consideration transferred. After the review, it has come to the conclusion that the procedures and resulting measures were appropriate.

M/s Universe Ltd issued 10,00,000 8% term bonds of ₹ 1 each on April 1, 2022, due for redemption on April 1, 2025. Interest is payable annually on April 1. The expectation of Investors from such an instrument is an effective interest rate of 10%. The Company seeks your assistance for determining the amount of proceeds it can receive from the issue of bond.

The following data was the extract of final statements from the records of M/s Universe Ltd.:

	31.3.2023 (₹)	31.3.2022 (₹)
Current Assets:		
Inventory	4,60,000	5,45,000
Trade receivables	7,15,000	6,14,000
Cash & cash equivalents	2,05,000	1,11,500
Current Liabilities:		
Trade payable	6,85,000	6,95,000
Provision for tax	2,44,000	2,45,000

Summary of Statement of Profit and Loss		
	₹	₹
Sales	2,60,50,000	
Less: Cost of sales	<u>(1,72,00,000)</u>	88,50,000
Other Income		
Interest income	1,10,000	
Fire insurance claim received	<u>3,80,000</u>	4,90,000
		93,40,000
Depreciation	(1,22,000)	
Administrative and selling expenses	(46,70,000)	
Interest expenses	(1,58,000)	
Foreign exchange loss	<u>(1,04,000)</u>	(50,54,000)
Net Profit before tax and extraordinary income		42,86,000
Income Tax		(3,85,000)
Net Profit		39,01,000

Additional information:

Trade receivables and Trade payables represent transactions relating to credit sale and credit purchase only. Foreign exchange loss represents increment in liability of a long-term borrowing due to exchange rate fluctuation between acquisition date and balance sheet date.

M/s Universe Ltd. has 450 employees which are same as it was a year ago. The company has observed average staff attrition rate of 6% per annum. The company has been providing annual bonus to all its employees for the last 10 years. M/s Universe Ltd. has paid bonus to all those employees who have been in service during the whole of the financial year. Bonus is paid in June following the financial year-end. The bonus of ₹ 1,25,000 to each of employee for 2021-2022 was paid in June 2022. There is trend that M/s Universe Ltd. increases amount of bonus based on official inflation rate which is 8% for 2022-2023, although there is no legal obligation to increase the bonus by such inflation rate.

As per HR policy of the Universe Ltd., the employees are entitled to ten working days of paid sick leave for each year. Unused sick leave may be carried forward for one financial year. The employees are entitled to take Sick leave, first out of the current year's entitlement and then out of any balance brought forward from the previous year (a LIFO basis). As per HR department, as on 31 March 2023, the average unused entitlement is two days per employee. The management, based on its past experience, expects that only 15% of the employees will use one (1) day from their carried forward leave. Salary per day is ₹ 2,000.

MCQs.

3.1 The value of flats to be shown in financial statements as on 31st March 2023 will be :

5×2
=10

- (A) ₹ 10,00,00,000
- (B) ₹ 9,20,00,000
- (C) ₹ 5,80,00,000
- (D) ₹ 5,20,00,000

3.2 The carrying value of the reclassified property on 30th September, 2022 will be :

- (A) ₹ 4,00,00,000
- (B) ₹ 5,20,00,000
- (C) ₹ 5,80,00,000
- (D) ₹ 7,00,00,000

3.3 How much bonus should M/s Universe Ltd. recognize as liabilities for the employee benefits as on 31st March, 2023 ?

- (A) ₹ 6,07,05,000
- (B) ₹ 5,71,05,000
- (C) ₹ 5,28,75,000
- (D) ₹ 5,62,50,000

- 3.4 Compute the expenses in respect of the short-term compensated absences, if they are assumed to be (a) vested short-term compensated absences, and (b) non-vested short-term compensated absences.
- (A) ₹ 15,30,000 & ₹ 1,35,000
 (B) ₹ 18,00,000 & ₹ 1,35,000
 (C) ₹ 9,00,000 & ₹ 1,35,000
 (D) ₹ 15,30,000 & ₹ 2,70,000
- 3.5 As per IAS 19, in case of Employee Benefits, accumulating paid absences to be carried forward and allowing the same to be used in the next financial year is classified as
- (A) Post-employment benefits
 (B) Termination benefits
 (C) Short-term employee benefits
 (D) Other long term employee benefits

Descriptive Questions:

- 3.6 Calculate the gain or loss on acquisition of Star Pvt. Ltd. and show the journal entries for accounting of its acquisition. Also calculate the value of the non-controlling interest in Star Pvt. Ltd. on the basis of proportionate interest method, if alternatively applied. 4
- 3.7 Prepare Statement of Cash flows of M/s Universe Ltd., showing cash generated from Operating Activities using direct method. 6
- 3.8 Calculate the selling price (proceeds) of the bonds issue. How should M/s Universe Ltd. account for the bonds on initial recognition, subsequent measurement and on maturity? 5
- Discounting factor :
- 3 years, 10% discounting factor = 0.7513
 3 years cumulative, 10% discounting factor = 2.4869

CASE STUDY 4 :

D Limited is a global company and prepares and presents its financial statements following International Financial Reporting Standards as its securities are listed on NY Stock Exchange. D Limited has number of business segments.

D Limited is manufacturer of defense equipment. It takes about 10 months from the receipt of material for manufacturing to the completion of the product being ready for delivery. The customer for this supply is Ministry of Defence and it takes about 9 months from the date of invoice i.e. the date of sale to make the final payment.

D Limited has entered into a contract with AM Limited for modification of their manufacturing facility which is having single performance obligation.

Based on its experience, D Limited determines that this contract will take approximately 300 hours in total to complete the project and charges ₹ 250 per hour.

After incurring 150 hours of time, D Limited and AM Limited agree to change an aspect of the project and increase the estimate of labour hours by 100 hours at the rate of ₹ 150 per hours. The entity recognizes the effect of the modification on a cumulative catch-up basis.

D Limited is having investment in equity shares in another company F Limited as at the end of the reporting period i.e. 31st March, 2023. After the end of the reporting period but before the authorization of the financial statements, it has been found that value of investment was fraudulently inflated by committing a computation error.

D Limited is in the process of acquisition of shares of MT Limited as part of business reorganization plan. The projected free cash flows of MT Limited for the next 5 years are as follows:

₹ in Crores					
	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flows	180	190	200	210	220
Terminal Value					4000

The weighted average cost of capital of MT Limited is 11%. The total debt as on measurement date is ₹ 1,500 Crores and the surplus cash & cash equivalents is ₹ 100 Crores. Total number of share of MT Limited as on date of measurements is 10,00,00,000 (Ten Crore) Shares.

D Limited is also engaged in the business of manufacturing of corrugated boxes which are used as packing material for cosmetic industry and non-pharmaceutical companies. It has a wholly owned Subsidiary, G Limited, located in Europe, which is engaged in the business of manufacturing cosmetic products. G Limited purchases the packing material from its parent company. The demand of G Limited is very high and hence to cater to its shortfall, G Limited also purchases the packing material from other companies. Purchases are made at the competitive prices.

D Limited sold packing material to G Limited for Euro 25 lakhs on 15th February, 2023. The cost of these packing material was ₹ 1,750 lakhs in the books of D Limited at the time of sale. At the year-end i.e. 31st March, 2023, all these packing materials were lying as closing stock with G Ltd. and the amount was also payable in their books.

Following additional information is available :

Euro is the functional currency of G Limited while Indian Rupee is the functional currency of D Limited. Exchange rate on 15th February, 2023: 1 Euro = ₹ 80 and Exchange rate on 31st March, 2023: 1 Euro = ₹ 83.

D Limited issued 2500 shares to its 10 directors for an exercise price of ₹ 250. The directors are required to stay with the company for next 3 years.

Fair value of the option estimated: ₹ 275

Expected number of directors to vest the option: 8

During the year 2, due to crisis in the company, the management decided to cancel the offer with immediate effect. It was estimated further as below.

Fair value of option at the time of cancellation was ₹ 200

Market price of the share at the cancellation date was ₹ 220

Due to cancellation, a compensation of ₹ 210 per option was paid to 9 directors who were currently in employment.

D Limited has also received the following grants for its newly started venture of manufacturing defence equipment in defence corridor as a result of its commitment to invest in Global Investor Summit :

- (a) ₹ 50 lakhs received as an incentive for setting up an industry.
- (b) ₹ 75 lakhs received for carrying on research and development in the field of innovation of defence equipment.
- (c) Five acres of land (fair Value: ₹ 25 lakhs) received in defence corridor for set up of the plant.
- (d) ₹ 5 lakhs received for purchase of machinery of ₹ 50 lakhs. Useful life of machinery is 10 years. Depreciation on this machinery is to be charged on straight-line basis.

D Limited has purchased a Software from LT Limited in exchange of a Machinery which was not in use by the company. The carrying amount of machinery in the books of D Limited is ₹ 20 lacs and its fair value is ₹ 21 lacs. The carrying amount of Software in the books of LT Limited is ₹ 22 lacs and the fair value of software is ₹ 20.50 lacs.

MCQs.

- 4.1 How the entries shall be passed on purchase of Software in exchange of Machinery in the books of D Limited and LT Limited ?

5×2
=10

	D Limited	LT Limited
(A)	Software Dr. ₹ 20 Lacs To Machinery ₹ 20 Lacs	Machinery Dr ₹ 22 Lacs To Software ₹ 22 Lacs
(B)	Software Dr. ₹ 21 Lacs To Machinery ₹ 20 Lacs To Gain on Sale of Machinery ₹ 1 Lacs	Machinery Dr. ₹ 20.50 Lacs Loss on Sale of Software ₹ 1.50 lacs To Software ₹ 22.00
(C)	Software Dr. ₹ 20.50 Lacs To Machinery ₹ 20 Lacs To Gain on Sale of Machinery ₹ 0.50 Lacs	Machinery Dr. ₹ 21.00 Lacs Loss on Sale of Software ₹ 1.00 lacs To Software ₹ 22.00
(D)	Being Exchange, no entry will be passed	Being Exchange, no entry will be passed.

- 4.2 **Scenario 1** : Production time is 10 months and time lag between the date of sale and collection from the customer is 9 months.

Scenario 2 : Production time was say 15 months and the time lag between the date of sale and collection from customers is 13 months.

- (A) In both the scenario the inventory and trade receivables are current in nature.
- (B) In both the scenario the inventory and trade receivables are non-current in nature.
- (C) In the Scenario 1, inventory and trade receivables are current in nature and in the Scenario 2 inventory and trade receivables are non-current in nature.
- (D) In the Scenario 1, inventory and trade receivables are non-current in nature and in the Scenario 2 inventory and trade receivables are current in nature.

- 4.3 Determine how contract modification with AM Limited will be accounted as per IFRS 15 ?
- (A) Decrease in revenue by ₹ 3,750
 (B) Increase in revenue by ₹ 3,750
 (C) Decrease in revenue by ₹ 15,000
 (D) Increase in revenue by ₹ 15,000
- 4.4 Should the event of fraudulency in value of investment be adjusted in the financial statements for the year ended 31st March 2023 ?
- (A) The event is not an adjusting event, hence no adjustment is required.
 (B) The event is an adjusting event, hence adjustment is required.
 (C) Disclosure of the facts is sufficient in the financial statements and no impact will be given in value of investments.
 (D) Neither any disclosure is required nor any adjustment is required as this has come to knowledge after the end of the reporting period.
- 4.5 Determine the value of shares of MT Limited as per Income Approach as per IRFS 13.
- (A) ₹ 310.55
 (B) ₹ 250.45
 (C) ₹ 170.55
 (D) ₹ 320.55

Descriptive Questions :

- 4.6 Provide the accounting treatment for the sale and purchase of packaging material in books of D Limited and G Limited as the case may be. Also show its impact on consolidated financial statements. Support your answer by Journal entries, wherever necessary, in the books of D Limited. **6**
- 4.7 Please record the cancellation of share option scheme in the books of D Limited. **5**
- 4.8 How should D Limited recognize each government grant in its books of account as per IAS 20 ? **4**

CASE STUDY 5 :

Zebra Limited is a part of multi-national company. It is required to prepare and present its accounts following the International Financial Reporting Standards.

Zebra Limited enters into 10 years contract with Supplier A for the right to transport oil from India to Bangladesh through Supplier A's pipeline. The Contract provides that Zebra Limited will have the right to use 95% of the pipeline capacity throughout the terms of the contract.

Zebra Limited on 01st April, 2022 borrowed @12% ₹ 75 lakhs to finance the construction of two assets viz. factory building and office building which can be identified as qualifying assets. The construction of both the assets started on 01st April, 2022. The loan was availed and disbursed on 01st April, 2022 and was utilized as follows with remaining funds invested temporarily at 8% in government securities.

On Factory Building

On 01st April, 2022 – ₹ 30 lakhs

On 01st October, 2022 – ₹ 20 lakhs

On Office Building

On 01st April, 2022 – ₹ 10 lakhs

On 01st October, 2022 – ₹ 15 lakhs

Zebra Limited has two cash generating units X and Y. There is no goodwill within Unit's carrying value. The carrying value of CGU X is ₹ 10 lakhs and CGU Y is ₹ 40 lakhs. The company has an office building which is being used as an administrative office of the company and has not been included in above values and can be allocated to each of the cash generating units on the basis of their respective carrying values. The office building has a carrying value of ₹ 10 lakhs. The recoverable amounts are based on value in use of ₹ 10 lakhs for CGU X and ₹ 50 lakhs for CGU Y.

Zebra Limited, on 31st March 2023, paid ₹ 125 lakhs for acquisition of 100% interest in Marco Limited. Marco Limited's net assets on the date of acquisition is having a fair value of ₹ 70 lakhs. In addition, Marco Limited also had the following rights which have not been recognized in its books :

BMN

(21)

BMN

Marks

- Trade Mark named “Super” – which using a discounted cash flow technique is valued at ₹ 4.20 lakhs.
- Sole distribution rights for an electronic product; future cash flow from which is estimated to be ₹ 3.00 lakhs per annum for the next 5 years.

10% discount rate is considered appropriate. The annuity factor of 5 years @ 10 % is 3.79.

Zebra Limited has an investment property (building) which is being carried in books as on 31st March, 2022 at ₹ 25 lakhs. The company follows the fair value model for accounting of investment property. During the year ending 31st March 2023, the company Zebra Limited has stopped letting out the building and started using it as its office premises. On 31st March, 2023, management estimates the fair value of building at ₹ 22 lakhs. The cost of building is ₹ 20 lakhs and as per cost model the written down value will be ₹ 15 lakhs.

On 01st April, 2021, Zebra Limited purchased a property at ₹ 120 lakhs, and the company is required to make the payment in three equal installments of ₹ 40 lakhs over a two year period (Payments are made on 01st April 2021, 31st March 2022 and 31st March 2023). Implicit rate of interest is 5.36 percent p.a.

Zebra Limited has done the following expenditure on a new production process in 2022-2023:

- From 01st April 2022 to 31st December, 2022 - ₹ 2,000 lakhs
- From 01st January 2023 to 31st March, 2023 - ₹ 1,000 lakhs
- **Total Expenditure - ₹ 3,000 lakhs**

The production process met the intangible assets recognition criteria for development on 01st January, 2023. The amount estimated to be recoverable from the process is ₹ 1,200 lakhs.

Expenditure incurred for development of the process in FY 2023-2024 is ₹ 11,000 lakhs. Intangible Asset is brought into use on 31st March, 2024 and is expected to be used for 6 years.

As at 31st March, 2025, the recoverable amount of the production process is expected to be ₹ 8,000 lakhs.

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P.T.O.

Zebra Limited has entered into a contract to supply 1,000 computers to IT Company which is setting up its office for ₹ 10 Million. An increase in the cost of inputs has resulted into an increase in the cost of sales to ₹ 15 million. The penalty for non-performance of the contract is expected to be ₹ 2 million.

MCQs.

- 5×2
=10**
- 5.1 **Case 1** : Should Zebra Limited treat the pipeline as identified assets while determining the contract as 'lease' as per IFRS 16 where it has a right to use 95% of the pipeline capacity ?
- Case 2** : Will your answer be different if Zebra Limited has the right to use only 65% of the pipeline capacity throughout the terms of the contract ?
- (A) Zebra Limited should treat the pipeline as identified assets in case 1 only.
- (B) Zebra Limited should treat the pipeline as identified assets in case 2 only.
- (C) Zebra Limited should treat the pipeline as identified assets in both cases.
- (D) Zebra Limited should not treat the pipeline as identified assets in any of the case.
- 5.2 The cost of assets and borrowing cost to be capitalized of two qualifying assets (i.e. Factory Building and Office Building) as per IAS 23 will be :
- (A) ₹ 56,00,000 and ₹ 28,00,000
- (B) ₹ 50,00,000 and ₹ 25,00,000
- (C) ₹ 55,20,000 and ₹ 27,40,000
- (D) ₹ 54,80,000 and ₹ 27,10,000
- 5.3 The amount of impairment loss of CGU X and CGU Y will be :
- (A) ₹ 2 lakhs impairment loss for CGU X only.
- (B) ₹ 2 lakhs impairment loss for CGU Y only.
- (C) ₹ 2 lakhs impairment loss for CGU X and ₹ 2 lakhs impairment loss for CGU Y.
- (D) No impairment loss for any of the CGU.

(23)

BMN

Marks

5.4 Goodwill and other intangible assets arising on the acquisition of Marco Limited as per IAS 38 will be :

- (A) ₹ 55.00 lakhs
- (B) ₹ 39.43 lakhs
- (C) ₹ 50.80 lakhs
- (D) ₹ 43.63 lakhs

5.5 Zebra Limited should reclassify its investment property into owner occupied property as on 31st March, 2023 at :

- (A) ₹ 25 lakhs
- (B) ₹ 22 lakhs
- (C) ₹ 20 lakhs
- (D) ₹ 15 lakhs

Descriptive Question

5.6 Pass the necessary journal entries for treatment of purchase of property on deferred payment basis in the books of Zebra Limited as per IAS 16. 6

5.7 Compute the carrying amount of the intangible assets, namely the new production process, as at 31st March, 2023 and 31st March, 2024. Also determine the charge to the Statement of Profit & Loss for FY 2022-2023. What is the carrying amount of the intangible assets as at 31st March, 2025 and what shall be the amount charged to Statement of Profit & Loss for the year 2024-2025 on account of impairment loss ? 5

5.8 Is the contract to supply 1000 computers, as given in facts of the case, an onerous contract as per IAS 37. If yes, how much provision in this regard is required ? 4

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