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Case Scenario

01

CASE SCENARIO**CHAPTER - 38****Question 1 : May 2024 – RTP****Case Scenario - I**

FA Ltd. is a company which manufactures aircraft parts and engines and sells them to large multinational companies like Boeing and Airbus Industries. Following are the details of some of the transactions entered into by the company:

- i. On 1st April 20X2, the company began the construction of a new production line in its aircraft parts manufacturing shed. Costs relating to the production line are as follows:

Details	Amount Rs. in lakhs
Costs of the basic materials (list price Rs. 12.5 lakhs less 20% trade discount)	10.00
Recoverable goods and services tax incurred but not included in the purchase cost	1.00
Employment costs of the construction staff for three months till 30th June 20X2	1.20
Other overheads directly related to the construction	0.90
Payments to external advisors relating to the construction	0.50
Expected dismantling and restoration costs	2.00

The production line took two months to make ready for use and was brought into use on 31st May 20X2.

The other overheads were incurred during the two-month period ended on 31st May 20X2. They included an abnormal cost of Rs. 0.3 lakhs caused by a major electrical fault.

The production line is expected to have a useful economic life of eight years. After 8 years, FA Ltd. is legally required to dismantle the plant in a specified manner and restore its location to an acceptable standard. The amount of Rs. 2 lakhs included in the cost estimates is the amount that is expected to be incurred at the end of the useful life of the production line. The appropriate discount rate is 5%. The present value of Rs. 1 payable in 8 years at a discount rate of 5% is approximately Rs. 0.68.

Four years after being brought into use, the production line will require a major overhaul to ensure that it generates economic benefits for the second half of its useful life. The estimated cost of the overhaul, at current prices, is Rs. 3 lakhs.

No impairment of the plant had occurred by 31st March 20X3.

- ii. During the year ended 31st March 20X3, FA Ltd. provided consultancy services to a customer regarding the installation of a new production system related to aircraft parts. The system has caused the customer considerable problems, so the customer has taken legal action against the Company for the loss of profits that has arisen as a result of the problems with the system. The customer has claimed damages to the tune of Rs. 1.6 lakhs. The legal department of FA Ltd. considers that there is a 25% chance the claim can be successfully defended. The legal department further stated that they are reasonably confident the Company is covered by insurance against these types of loss. The accountant feels nothing needs to be provided for this claim as the Company is suitably covered against any possible losses.
- iii. FA Ltd. has an associate company, Flynet Limited. Following are the information of Flynet Limited for the year ended 31st March 20X3:

Particulars	Rs. in lakhs
Net Income after taxes	120
Decrease in accounts receivables	20
Depreciation	25
Increase in inventory	10
Increase in accounts payable	7
Decrease in wages payable	5
Tax charge for the year (deferred tax liabilities)	15
Profit from sale of land	2

On the basis of the facts given above, chose the most appropriate answer to Questions 1 to 5 below based on the relevant Indian Accounting Standards (Ind AS).

1. Which of the following items need to be capitalized in determining the cost of Production Line?
- (a) Abnormal cost of Rs. 0.3 lakhs
 - (b) Recoverable GST of Rs. 1 lakhs
 - (c) Initial estimate of the costs of dismantling and removing the item and restoration of site of Rs. 2 lakhs
 - (d) Initial estimate of the costs of dismantling and removing the item and restoration of site of Rs. 1.36 lakhs
2. Calculate the company's associate Flynet Ltd.'s cash flow from operations.
- (a) Rs. 158 lakhs
 - (b) Rs. 170 lakhs
 - (c) Rs. 174 lakhs
 - (d) None of the above
3. What accounting treatment should be done in FA Ltd.'s books for the year ending 31st March 20X3, as the customer has taken legal action against the Company on the loss of profits that has arisen as a result of the problems with the system?
- (a) Nothing needs to be provided for claim instituted by the customer as the Company is suitably covered against any possible losses.
 - (b) Provision of Rs. 1.6 lakhs should be recognised with a corresponding charge to profit or loss.

- (c) Provision of Rs. 0.4 lakhs as per best possible outcome should be recognised with a corresponding charge to profit or loss.
- (d) Contingent Liability would be disclosed in the 31st March 20X3 financial statements. Charge to profit or loss if any would be recognised in the period when the claim is settled.
4. Compute the total amount to be charged to the Statement of Profit and Loss with respect to Production Line for the year ending 31st March 20X3 and the balance of Provision for Dismantling Cost carried to Balance Sheet.
- (a) Rs. 1.70 lakhs; Rs. 1.36 lakhs
 (b) Rs. 1.42 lakhs; Rs. 1.70 lakhs
 (c) Rs. 1.76 lakhs; Rs. 1.42 lakhs
 (d) Rs. 1.42 lakhs; Rs. 1.76 lakhs
5. Compute the cost of the production Line to be capitalized initially on 31st May, 20X2.
- (a) Rs. 13.26 lakhs (b) Rs. 14.60 lakhs
 (c) Rs. 13.96 lakhs (d) Rs. 15.76 lakhs

Solution :

1. **Option (d):** Initial estimate of the costs of dismantling and removing the item and restoration of site of Rs. 1.36 lakhs

Reason:

As per para 16(c) of Ind AS 16, elements of cost of PPE includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period

2. **Option (b):** Rs. 170 lakhs

Reason:

Cash flow from operating activities – Indirect method

Particulars	Rs. in lakhs
Net Income after taxes	120
Add /(Less) No- cash or non-operating item:	
Depreciation	25
Profit from sale of land	(2)
Tax charges for the year (deferred tax liabilities)	<u>15</u>
	158
Decrease in accounts receivables	20
Increase in inventory	(10)
Increase in accounts payable	7
Decrease in wages payable	<u>(5)</u>
Cash flow from operations	<u>170</u>

3. **Option (b):** Provision of Rs. 1.6 lakhs should be recognized with a corresponding charge to profit or loss.

Reason:

In accordance with Ind AS 37 'Provisions, Contingent Liabilities and Contingent Assets', the claim made by the customer needs to be recognised as a liability in the financial statements for the year ended 31st March 20X3.

The standard stipulates that a provision should be made when, at the reporting date:

- An entity has a present obligation arising out of a past event.
- There is a probable outflow of economic benefits.
- A reliable estimate can be made of the outflow.

Since, all three of the above conditions are satisfied here, a provision is required to be made.

The provision should be measured at the amount the entity would rationally pay to settle the obligation at the reporting date.

Where there is a range of possible outcomes, the individual most likely outcome is often the most appropriate measure to use.

In this case, a provision of Rs. 1.6 lakhs seems appropriate, with a corresponding charge to profit or loss.

4. **Option (c):** Rs. 1.76 lakhs; Rs. 1.42 lakhs

5. **Option (a):** Rs. 13.26 lakhs

Reason for 4 & 5:

Statement showing computation of cost of production line

Particulars	Rs. in lakhs
Purchase cost	10.00
GST – recoverable goods and services tax not included	-
Employment costs during the period of getting the production line ready for use [(1.2/3 month) x 2 month]	0.80
Other overheads – abnormal costs of Rs. 0.3 lakhs has been excluded (0.90- 0.30)	0.60
Payment to external advisors – directly attributable cost	0.50
Dismantling costs – recognized at present value (2 lakhs x 0.68)	<u>1.36</u>
Total	<u>13.26</u>

Provision for dismantling cost carried to Balance Sheet

Particulars	Rs. in lakhs
Non-current liabilities (Rs. 2 lakhs x 0.68)	1.36
Add: Finance cost (1.36 x 5% x 10/12)	<u>0.06</u>
Net book value carried to Balance Sheet	<u>1.42</u>

Extract of Statement of Profit and Loss

Particulars	Rs. in lakhs
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Depreciation (W.N.)	1.70
Finance cost (1.36 x 5% x 10/12)	<u>0.06</u>
Amounts carried to Statement of Profit & Loss	<u>1.76</u>

Working Note:

Calculation of depreciation charge

Particulars	Rs. in lakhs
The asset is split into two depreciable components out of the total capitalization amount of 13.26 lakhs:	
<ul style="list-style-type: none"> • Depreciation for Rs. 3 lakhs with a useful economic life of four years (3 lakhs x $\frac{1}{4}$ x 10/12). (This is related to a major overhaul to ensure that it generates economic benefits for the second half of its useful life)	0.63
<ul style="list-style-type: none"> • Depreciation for Rs. 10.26 lakhs (13.26 – 3.00) with a useful economic life of eight years will be: Rs. 10.26 lakhs x $\frac{1}{8}$ x 10/12 	<u>1.07</u>
Total depreciation to be charged to Statement of Profit and Loss for the year ended 31st March 20X3	<u>1.70</u>

Case Scenario - II

HS Limited (HSL) is a car manufacturing company. During the year, HSL has entered into many transactions, details of which are given below.

- i. With the intention to expand, HSL has entered into a Share Purchase Agreement ("SPA") with the shareholders of FM Limited to purchase 30% stake in FM Limited as at 1st June 20X2 at a price of Rs. 30 per share. As per the terms of SPA, HSL has an option to purchase an additional 25% stake in FM Limited on or before 15th June 20X2 at a price of Rs. 30 per share. Similarly, the selling shareholder has an option to sell additional 25% stake in FM Limited on or before 15th June, 20X2 to HSL at a price of Rs. 30 per share. The decisions on relevant activities of FM Limited are made in Annual General Meeting / Extraordinary General Meeting (AGM / EGM). A resolution in AGM / EGM is passed when more than 50% votes are cast in favour of the resolution. An AGM / EGM can be called by giving atleast 21 days advance notice to all shareholders.
- ii. During the year, HSL issued Compulsory Convertible Debentures ("CCDs") on a private placement basis for Rs. 100 lakh. Each CCD is convertible into 5 shares at the end of 4 years from the date of issue and an annual interest is payable at the rate of 6% p.a. At initial recognition, HSL recognized a liability component of compound instrument at Rs. 20,79,063. HSL also incurred expenses of Rs. 2,00,000 in connection with the issue of the instrument. Nature of expenses includes fees paid to legal advisors, registration and regulatory fees.
- iii. HSL acquired a 40% stake in NM Limited as at 1st January, 20X2 for Rs. 8,00,000 and classified the investment in NM Limited as an associate. As at 1st January, 20X2, the

carrying amount and fair value of plant & equipment of NM Limited is Rs. 3,00,000 and Rs. 5,00,000 respectively with remaining useful life of 5 years (i.e. 20 quarters). From 1st January, 20X2 to 31st March, 20X2, NM Limited generated a profit of Rs. 50,000.

- iv. While selling a car, HSL provides a trade discount of 1% on sale price which is mentioned on the invoice. HSL provides a credit period of 7 days to its customers, however if paid upfront then HSL gives an additional cash discount of 2%. HSL also provides a voucher worth Rs. 500 with a validity of 1 year which can be used at an apparel store.

On the basis of the facts given above, chose the most appropriate answer to Questions 6 to 10 below based on the relevant Indian Accounting Standards (Ind AS).

6. At what amount HSL shall carry its investments in NM Limited in its consolidated financial statements as at 31st March, 20X2?
- (a) Rs. 8,00,000 (b) Rs. 8,20,000
(c) Rs. 8,16,000 (d) Rs. 8,10,000
7. How should HSL account for the trade discount, cash discount and voucher given to customers on sale of a car?
- (a) Trade discount shall be reduced from the revenue however cash discount and value of voucher shall be charged as expenses.
(b) Trade discount and cash discount both shall be reduced from the revenue however value of voucher shall be charged as expenses.
(c) Trade discount, cash discount and value of voucher shall be charged as expenses.
(d) Trade discount, cash discount and value of voucher shall be reduced from revenue.
8. What shall be the accounting treatment of directly attributable expenses of Rs. 2 lakh incurred in connection with the issue of Compulsory Convertible Debentures?
- (a) Entire Rs. 2,00,000 shall be recognized as expenses in the statement of profit and loss in the current year.
(b) Entire Rs. 2,00,000 shall be reduced from equity in the current year.
(c) A proportion of Rs. 1,58,419 shall be reduced from equity and Balance of Rs. 41,581 shall be recognized as interest cost over the period of 4 years using an effective interest method.
(d) Entire Rs. 2,00,000 shall be recognized as interest cost over the period of 4 years using effective interest method.
9. With more acquisitions, at the end of the year, HSL has investments in 2 subsidiaries, 3 associates and 1 joint venture. Which of the following statements is correct in relation to accounting of these investments in separate financial statements?
- (a) HSL is required to measure all such investments at cost.
(b) HSL has an option to account for the investments in associates and joint ventures using equity method of accounting and carry the investments in subsidiaries at cost.
(c) HSL has an option for each investment to measure either at cost or in accordance with Ind AS 109.
(d) HSL has an option to measure all such investments either at cost or in accordance with Ind AS 109. The option is available for each category of investments separately (i.e. subsidiaries, associates and joint venture).

10. With respect to the SPA entered by HSL, determine the date when HSL gained control over FM Limited
- 1st June, 20X2.
 - 15th June, 20X2.
 - On the date of AGM/EGM
 - On the date when the resolution for AGM/EGM is issued.

Solution :

6. **Option (c):** Rs. 8,16,000

Reason:

As per para 10 of Ind AS 28, under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

Accordingly,

Cost of investment for 40% stake on acquisition date	Rs. 8,00,000
Add: Share of post-acquisition profit and loss (50,000 x 40%)	Rs. 20,000
Less: Share of post-acquisition loss due to additional depreciation $[(5,00,000 - 3,00,000)/20] \times 40\%$	<u>(Rs. 4,000)</u>
	Rs. 8,16,000

7. **Option (d):** Trade discount, cash discount and value of voucher shall be reduced from revenue

Reason

Discounts and vouchers are incentives given to customers. For Incentives, Paragraph 70 of Ind AS 115, inter-alia, states that consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer (or to other parties that purchase the entity's goods or services from the customer). Consideration payable to a customer also includes credit or other items (for example, a coupon or voucher) that can be applied against amounts owed to the entity (or to other parties that purchase the entity's goods or services from the customer). An entity shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue. Therefore, cash incentives (payments given to the customer) would be considered as a reduction in the transaction price and in the measurement of revenue when the goods are delivered.

8. **Option (c):** A proportion of Rs. 1,58,419 shall be reduced from equity and balance of Rs. 41,581 shall be recognised as interest cover over the period of 4 years using effective interest method

Reason

Compulsory convertible debentures with annual interest payout is a compound financial instrument. As per the information given in the question the liability element to be initially recognised is Rs. 20,79,063. Hence the equity element would be Rs. 79,20,937 (1,00,00,000 – 20,79,063). Transaction cost of Rs. 2,00,000 will be apportioned in equity and liability component in the ratio of 79,20,937 : 20,79,063, which would be as follows:

Transaction cost attributable to equity = $2,00,000 \times (79,20,937 / 1,00,00,000) = \text{Rs. } 1,58,419$

Transaction cost attributable to liability = $2,00,000 \times (20,79,063 / 1,00,00,000) = \text{Rs. } 41,581$

9. **Option (d):** HSL has an option to measure all such investments either at cost or in accordance with Ind AS 109. The option is available for each category of investments separately (i.e. subsidiaries, associates and joint venture)

Reason

As per para 10 of Ind AS 27, when an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either: (a) at cost, or (b) in accordance with Ind AS 109. The entity shall apply the same accounting for each category of investments.

In the present case, investment in subsidiaries, associates and joint ventures are considered to be different categories of investments. Further, Ind AS 27 requires accounting for the investment in subsidiaries, joint ventures and associates either at cost, or in accordance with Ind AS 109 for each category of Investment. Thus, an entity can carry its investments in subsidiaries at cost and its investments in associates or joint ventures as financial assets in accordance with Ind AS 109 in its separate financial statements.

10. **Option (a):** 1st June, 20X2

Reason

Paragraph 10 of Ind AS 110 'Consolidated Financial Statements', states that an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns.

As per the facts given in the question, HSL. has 15 days to exercise the option to purchase 25% additional stake in FM Ltd. which will give it majority voting rights of 55% (30% + 25%). This is a substantive potential voting rights which is currently exercisable.

Further, the decisions on relevant activities of FM Ltd. are made in AGM / EGM. An AGM / EGM can be called by giving atleast 21 days advance notice. A resolution in AGM / EGM is passed when more than 50% votes are casted in favour of the resolution. Thus, the existing shareholders of FM Ltd. are unable to change the existing policies over the relevant activities before the exercise of option by HSL. HSL can exercise the option and get voting rights more than 50% at the date of AGM / EGM. Accordingly, the option contract gives HSL the current ability to direct the relevant activities even before the option contract is settled. Therefore, HSL controls FM Ltd. as at 1st June, 20X2.

Question 2 : Nov 2024 – RTP

Case Scenario I

D Ltd. prepares financial statements to 31st March each year. Following information on revenue transactions are relevant to the year ended 31st March 20X7.

- (i) On 1st October 20X6, D Ltd. sold a product to a customer for Rs. 1,21,000. This amount is payable on 31st December, 20X8. The manufacturing cost of the product for D Ltd. was Rs. 80,000. The customer had a right to return the product for a full refund at any time up to and including 31st December 20X6. At 1st October 20X6, D Ltd. had no reliable evidence

regarding the likelihood of the return of the product by the customer. The product was not returned by the customer before 31st December 20X6 and so the right of return for the customer expired. On both 1st October 20X6 and 31st December 20X6, the cash selling price of the product was Rs.1,00,000. A relevant annual rate to use in any discounting calculations is 10%.

- (ii) On 1st July 20X5 D Ltd. began an arrangement to sell goods to a third party B Ltd. The price of the goods was set at Rs.100 per unit for all sales in the two-year period ending 30th June 20X7. However, if sales of the product to B Ltd. exceed 60,000 units in the two-year period ending 30th June 20X7, then the selling price of all units is retrospectively set at Rs.90 per item.

Sales of the goods to B Ltd. in the nine-month period ending on 31st March, 20X6 totalled 20,000 units and this volume of sales per month was not expected to change before 30th June 20X7.

However, in the year ended 31st March, 20X7, total sales of the goods to B Ltd. were 35,000 and based on current orders from B Ltd., the estimate was revised. The directors of D Ltd. estimated that the total sales of the goods to B Ltd. in the two-year period ending 30th June 20X7 would be more than 60,000 units.

On the basis of the facts given above, chose the most appropriate answer to Questions 1 to 5 below based on the relevant Indian Accounting Standards (Ind AS).

1. When and by what amount the revenue be recognized with respect to sales made on 1st October, 20X6?
 - (a) On 1st October, 20X6 by Rs. 1,21,000
 - (b) On 1st October, 20X6 by Rs. 1,00,000
 - (c) On 1st October, 20X6 by Rs. 80,000
 - (d) On 31st December, 20X6 by Rs. 1,00,000
2. What will be the amount of finance income to be recognized with respect to sales in the year 20X6-20X7?

(a) Rs. 5,000	(b) Rs. 2,500
(c) Rs. 10,000	(d) Rs. 2,000
3. What will be the amount of Trade Receivable as on 31st March 20X7, against the sale made on 1st October 20X6?

(a) Rs. 1,21,000	(b) Rs. 1,00,000
(c) Rs. 1,02,500	(d) Rs. 1,05,000
4. What will be the amount of revenue to be recognized in the year 20X5-20X6 with respect to sales arrangement with B Ltd.?

(a) Rs. 20,00,000	(b) Rs. 18,00,000
(c) Rs. 55,00,000	(d) Rs. 49,50,000
5. What will be the amount of revenue to be recognized in the year 20X6-20X7 with respect to sales arrangement with B Ltd.?

(a) Rs. 35,00,000	(b) Rs. 29,50,000
(c) Rs. 55,00,000	(d) Rs. 49,50,000

Solution :

1. **Option (d):** On 31st December, 20X6 by Rs. 1,00,000
2. **Option (b):** Rs. 2,500
3. **Option (c):** Rs. 1,02,500

Reason for 1 -3: Under the principles of Ind AS 115, revenue cannot be recognised on 1st October 20X6 because at that date the consideration is variable and the amount of the variable consideration cannot be reliably estimated.

However, on 1st October 20X6 Rs. 80,000 would be removed from inventory and included as a 'right to recover asset'.

Revenue of Rs. 1,00,000 (the present value of Rs. 121,000 receivable in two years) is recognised on 31st December, 20X6 when the uncertainty regarding potential returns is resolved.

On the same day, the 'right to recover asset' will be de-recognised and transferred to cost of sales.

D Ltd. will also recognise finance income of Rs. 2,500 ($\text{Rs. } 1,00,000 \times 10\% \times 3/12$) in the year ended 31st March 20X7.

At 31st March, 20X7, D Ltd. will recognise a trade receivable of Rs. 1,02,500 ($\text{Rs. } 1,00,000 + \text{Rs. } 2,500$).

4. **Option (a):** Rs. 20,00,000
5. **Option (b):** Rs. 29,50,000

Reason for 4 & 5

The consideration payable by the customer is variable as it depends on the volume of sales in the two-year period. However, D Ltd. can reliably estimate the outcome and that the volume discount threshold will not be exceeded (sales for 9 months: $20,000 \times 24/9 = 53,333$). The revenue included for the year ended 31st March, 20X6 will be booked at Rs. 100 per unit and will be Rs. 20,00,000 ($20,000 \times \text{Rs. } 100$).

During the year ended 31st March, 20X7, actual sales volumes and estimates change such that the cumulative revenue should now be booked at Rs. 90 per unit. It is now expected that the volume discount threshold will be exceeded. This means that the cumulative revenue relating to these goods at 31st March, 20X7 will be Rs. 49,50,000 ($(20,000 + 35,000) \times \text{Rs. } 90$).

The revenue which will actually be booked by D Ltd. for the year ended 31st March, 20X7 will be Rs. 29,50,000 ($\text{Rs. } 49,50,000 - \text{Rs. } 20,00,000$ recognised in 20X5-20X6).

Case Scenario II

M/s XYZ & Co. is an auditing firm. During his audit, the firm is facing difficulty in accounting of the following transaction for which, it seeks your answer:

- (i) A Ltd. has established a defined benefit pension plan for its eligible employees. The balance sheet of A Ltd. at 31st March, 20X7 currently includes the estimated net liability at 31st March, 20X6 amounting Rs.18.75 crore. The following matters relate to the plan for the year ended 31st March, 20X7:
 - The estimated current service cost was advised by the actuary to be Rs.6 crore.
 - On 31st March, 20X7, A Ltd. paid contributions of Rs. 7 crore into the plan and charged this amount as an operating expense.

- The annual market yield on high quality corporate bonds on 1 April, 20X6 was 8%.
- The estimated net liability at 31st March, 20X7 was advised by the actuary to be Rs.20.5 crore.

No benefits have been paid to date.

- (ii) On 1st April 2XX0, E Ltd. completed the construction of a non-current asset with an estimated useful life of 20 years. The costs of construction were recognised in property, plant and equipment and depreciated appropriately. E Ltd. has a legal obligation to restore the site on which the non-current asset is located on 31st March 2X20. The estimated cost of this restoration work, at 31st March 2X20 prices is Rs.2.5 crore. The directors of E Ltd. have made a provision of Rs. 0.125 crore ($1/20 \times \text{Rs. } 2.5 \text{ crore}$) in the draft balance sheet at 31st March, 2XX1. An appropriate annual discount rate to use in any relevant calculations is 6% and at this rate the present value of Rs. 1 payable in 20 years is 0.312.

On the basis of the facts given above, chose the most appropriate answer to Questions 6 to 10 below based on the relevant Indian Accounting Standards (Ind AS).

6. What is the amount of net adjustment to be made in the statement of profit and loss for the year 20X6-20X7 with respect to defined benefit pension plan?
- (a) Rs. 7 crore added back to the profit of the year 20X6-20X7
 - (b) Rs. 6 crore deducted from the profit of the year 20X6-20X7
 - (c) Rs. 0.5 crore deducted from the profit of the year 20X6-20X7
 - (d) Rs. 1.5 crore deducted from the profit of the year 20X6-20X7
7. What is the amount of actuarial gain/(loss) on defined benefit pension plan for the year 20X6-20X7?
- (a) Rs. 1.5 crore
 - (b) Rs. 1.25 crore
 - (c) Rs. 1 crore
 - (d) Rs. 0.5 crore
8. What is the original provision required to be made on account of restoration of non-current asset in the year 2XX0-2XX1?
- (a) Rs. 0.78 crore
 - (b) Rs. 0.125 crore
 - (c) Rs. 0.039 crore
 - (d) No provision was required in the year 2XX0-2XX1 as it is the expense of the year 2X19-2X20
9. What will be the amount of adjustment to be made in the retained earnings on account of restoration provision?
- (a) Rs. 0.0468 crore
 - (b) Rs. 0.0390 crore
 - (c) Rs. 0.0392 crore
 - (d) Rs. 0.125 crore
10. What will be the amount of one year's unwinding of discount on account of restoration provision?
- (a) Rs. 0.0468 crore
 - (b) Rs. 0.0390 crore
 - (c) Rs. 0.0392 crore
 - (d) Rs. 0.125 crore

Solution :

6. **Option (c):** Rs. 0.5 crore deducted from the profit of the year 20X6-20X7
Reason

Computation of net adjustment for defined benefit pension plan in the statement of profit and loss

	Rs. in crore
Current service cost	6
Interest cost (8% x 18.75)	1.5
Contributions incorrectly charged to profit or loss	-7
So adjustment equals	0.5

7. **Option (b):** Rs. 1.25 crore

Reason

Computation of actuarial gain/(loss) on defined benefit pension plan

	Rs. in crore
Opening liability	18.75
Current service cost	6
Interest cost	1.5
Contributions paid into plan	<u>(7)</u>
Actuarial loss on re-measurement (balancing figure)	19.25
Closing liability	<u>1.25</u>
	<u>20.5</u>

8. **Option (a) :** Rs. 0.78 crore

9. **Option (c):** Rs. 0.0392 crore

10. **Option (a):** Rs. 0.0468 crore

Reason for 8-10

Adjustment for restoration provision

	Rs. in crore
Originally required provision (2.5 crore x 0.312)	0.7800
One year's unwinding of discount (0.78 x 6%)	(0.0468)
One year's depreciation of capitalised cost (0.78 x 1/20)	(0.0390)
Original provision incorrectly made	<u>0.1250</u>
So retained earnings adjustment equals	<u>0.0392</u>

Question 3 : Nov 2024 – Paper

Case Study 1

Tara Ltd. is engaged in mining and many other industries and prepares its financial statements following Indian Accounting Standards and follows April- March as their financial year. During the year 2023-2024, the Company has faced some issues and for their solution seeks your professional advice.

(i) Tara Ltd. and Zara Ltd. are partners of a joint operation engaged in the business of mining precious metals. The entity uses a jointly owned drilling plant in its operations. During the year ended 31st March, 2024, an inspection was conducted by the government authorities in the mining fields. The inspection authorities concluded that adequate safety measures

were not followed by the entity. As a consequence, a case was filed and a penalty of Rs. 100 crores has been demanded from Tara Ltd. on 1st September, 2023.

The legal counsel of the company has assessed the demand and opined that appeals may not be useful, and the appeal orders will be unfavourable to the joint arrangement. As per the terms of the joint operations agreement, out of Rs. 100 crores (to be paid by Tara Ltd.), Rs. 60 crores will be reimbursed by Zara Ltd. to Tara Ltd within three months from the date of any demand made in respect of joint operations by any government authorities. However, till the year end, actual reimbursement was not received from Zara Ltd.

- (ii) On 1st April, 2023, Tara Ltd. leased a machine from Dara Ltd. on a three year lease. The expected future economic life of the machine on 1st April, 2023 was eight years. If the machine breaks down, then under the terms of the lease, Dara Ltd would be required to repair the machine or provide a replacement.

Dara Ltd agreed to allow Tara Ltd. to use the machine for the first six months of the lease without the payment of any rent as incentive to Tara Ltd. to sign the lease agreement. After this initial period, lease rentals of Rs. 4,20,000 were payable six monthly in arrears, the first payment falling due on 31st March, 2024.

- (iii) Tara Ltd. has invested in debentures whose interest rate is floating in nature and as per terms of the instrument, interest will be reset every month. As per terms, rate of interest is MIBOR plus 2%.

- (iv) On 1st January, 2024, Tara Ltd. took a contract for installation of new elevator at a factory of its customer. The entity estimates the following with respect to the contract:

Particulars	Amount (Rs.)
Transaction price	30,00,000
Expected costs:	
(a) Elevators	10,00,000
(b) Other costs	12,00,000
Total	22,00,000

It purchased the elevator and delivered the same to the site six months before it is required for installation. The entity uses an input method based on cost to measure progress towards completion. Tara Ltd. has incurred actual other costs of Rs. 3,00,000 by 31st March, 2024.

- (v) Tara Ltd. has classified its business in 5 operating segments namely A, B, C, D and E. The profit/(loss) of respective segments for the year ended 31st March, 2024, are as follow:

Segment Profit/ (Loss)	(Rs. in lakhs)
A	1,280
B	2,624
C	(280)
D	315
E	(2,620)
Total	1,319

On the basis of the information provided above, you are required to choose the most appropriate answer to the below-mentioned questions 1 to 5 in line with the relevant Ind AS:

1. With respect to a joint operation engaged in the business of mining precious metals, how will the liability be disclosed in the books of Tara Ltd.?
 - A. Provision for Rs. 40 crores and a contingent liability for Rs. 60 crores.
 - B. Contingent Liability for Rs. 100 crores.
 - C. Provision for Rs. 60 crores and a contingent liability for Rs. 40 crores.
 - D. Provision for Rs. 100 crores.
2. Classify the financial asset and determine the subsequent measurement for the aforesaid debenture instrument?
 - A. Financial asset measured at amortised cost
 - B. Financial asset measured at FVOCI without recycling
 - C. Financial asset measured at FVTPL
 - D. Financial asset measured at FVOCI with recycling
3. Which of the following option will be considered as Reportable Segments for Tara Ltd.?
 - A. A, B, D and E
 - B. A, B and E
 - C. A and E
 - D. B and E
4. Calculate the current liability for machine from Dara Ltd., to be shown in the balance sheet as at 31st March, 2024.
 - A. Rs. 1,40,000
 - B. Rs. 2,80,000
 - C. Rs. 7,00,000
 - D. Rs. 8,40,000
5. What is the amount of revenue to be recognized by Tara Ltd. for elevator contract during the financial year 2023-2024?
 - A. Rs. 8,00,000
 - B. Rs. Nil
 - C. Rs. 15,00,000
 - D. Rs. 18,00,000

You are required to choose the most appropriate answer to the below mentioned questions (6 to 8) in line with the relevant Ind AS:

6. When should the government grant be recognized by an entity according to Ind AS 20?
 - A. As soon as the grant is offered by the government
 - B. Once the entity fulfills the conditions attached to the grant
 - C. When there is reasonable assurance that the entity will comply with the conditions and receive the grants
 - D. After entity has received the grants
7. What is the stance of a Chartered Accountant regarding conflicts of interest?
 - A. Conflicts of interest should not compromise professional or business judgement
 - B. Conflicts of interest are acceptable if managed properly
 - C. Conflicts of interest are unavoidable and should be accepted

- D. Conflicts of interest should be disclosed but can still compromise judgement
8. Following statements are given to you in context of Ind AS 101 'First Time Adoption of Ind AS':
- (i) An entity shall not make estimates in accordance with Ind AS at the date of transition to Ind AS that were not required at that date under previous GAAP.
 - (ii) In particular, estimates at the date of transition to Ind AS of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date.
 - (iii) An entity may need to make estimates in accordance with Ind AS at the date of transition in Ind AS that were not required at that date under previous GAAP.
 - (iv) To achieve consistency with Ind AS 10, estimates in accordance with Ind AS shall reflect conditions that existed at the date of transition to Ind AS.
- Which of the above statements are true in context of Ind AS 101?
- A. Only (i), (ii) and (iii) are true B. Only (i) and (ii) are true
C. Only (ii), (iii) and (iv) are true D. Only (iii) and (iv) are true

Solution :

1. **Option (D):** Provision for Rs. 100 crores
2. **Either Option (C):** Financial asset measured at FVTPL
Or Option (A): Financial asset measured at amortised cost
Or Option (D): Financial asset measured at FVOCI with recycling
3. **Option (B):** A, B and E
4. **No correct option**
5. **Option (C):** Rs. 15,00,000
6. **Option (C):** When there is reasonable assurance that the entity will comply with the conditions and receive the grants.
7. **Option (A):** Conflicts of interest should not compromise professional or business judgement
8. **Option (C):** Only (ii), (iii) and (iv) are true

Case Study 2

Planet Ltd. is a multinational company engaged into the business of manufacturing of various products of different segments. One of the segments is the manufacturing of agricultural equipment. The company raised a term loan for Rs. 1 crore from a Nationalized Indian Bank to purchase certain plant and machinery for agricultural segment during the year ended 31st March, 2023. The loan is repayable over a period of 5 years. The terms and conditions of the loan agreement is that the company should maintain a current ratio of 1.5:1 and debt-equity ratio of 1:2. If these covenants fall below this level, then the bank has a right to recall the entire loan. The unpaid loan as on 31st March, 2024 was Rs. 85 lakhs. The current ratio of Planet Ltd. was 0.9:1 and debt-equity ratio was 0.65:2. The bank has sent a notice on 7th April, 2024 demanding repayment of loan, on account of breach of terms of the loan agreement. The financials of the company were approved and signed on 15th May, 2024.

After receiving the notice, the Chief Finance Officer of the company contacted the bank and ensured to rectify the breach. Consequently, on 28th May, 2024, the Bank agreed not to recall the loan and allowed the company to achieve the

contracted current and debt equity ratio by the year ending on 31st March, 2025

Planet Ltd. has recently acquired shares in Bean Ltd. and Camel Ltd. and prepared draft consolidated financial statements in accordance with Ind AS for the year ended on 31st March, 2024. It is the group's policy to value its non-controlling interests at fair value. The fair value of the non-controlling interest in Bean Ltd. on the date of acquisition was measured at Rs. 1,430 lakhs. The following information is relevant regarding the acquisition of shares in Bean Ltd. and Camel Ltd.:

Date of acquisition	Holding acquired	Retained earnings at acquisition date	Purchase consideration
	%	Rs. (in lakhs)	Rs. (in lakhs)
Bean Ltd - 01.04.2023	85	5,400	10,200
Camel Ltd - 01.04.2023	40	6,240	5,760

In the draft Consolidated Financial Statements prepared on 31st March, 2024 the financials relating to Bean Ltd. and Camel Ltd. appeared as follows:

	Bean Ltd. (Rs. in lakhs)	Camel Ltd. (Rs. in lakhs)
Issued ordinary shares of Rs. 10 each	3,600	4,000
Retained earnings	7,200	7,400

Bean Ltd. and Camel Ltd. have not issued any share capital since the acquisition of shareholding by Planet Ltd. The fair value of the net assets of Bean Ltd. and Camel Ltd. were the same as their carrying amounts at the date of acquisition. Planet Ltd. has significant influence over Camel Ltd. An impairment loss of Rs. 204 lakhs have been identified in respect of goodwill arising on the acquisition of Bean Ltd. for the year ended on 31st March, 2024. The recoverable amount of net assets of Camel Ltd. has been deemed to be Rs. 11,760 lakhs as on 31st March, 2024.

On 1st January, 2024, Planet Ltd. sold inventory costing Rs. 45 lakhs to Camel Ltd. for Rs. 63 lakhs. The inventory was still unsold by Camel Ltd. at 31st March, 2024. This inventory was sold by Camel Ltd. to third party on 8th April, 2024.

Planet Ltd. has constructed a shopping mall earlier. The company renovated a portion of mall by constructing a food court, spa and gaming zone. The food court and gaming zone are expected to result in a significant increase in sales for the shops and outlets of the mall.

On the basis of the information provided above, you are required to choose the most appropriate answer to the below-mentioned questions 9 to 12 in line with the relevant Ind AS:

9. After negotiation with the Nationalized Bank, how long-term loan has to be classified in financials for the year ended on 31st March, 2024?
- A. Non-current financial liability B. Other non-current liability
C. Current financial liability D. Other current liability
10. What will be the impairment loss from investment in associate for the year ending 31st March, 2024?

- A. Rs. 1,440 lakhs
 B. Rs. 1,432.80 lakhs
 C. Rs. 1,055.20 lakhs
 D. Rs. 1,512.80 lakhs
11. What will be the amount of Goodwill as on 31st March, 2024, arising from the acquisition of Bean Ltd.?
- A. Rs. 2,530 lakhs
 B. Rs. 2,630 lakhs
 C. Rs. 2,426 lakhs
 D. Rs. 2,326 lakhs
12. What should be the accounting treatment for the cost incurred for the renovation?
- A. Expenses incurred for food court and gaming should be capitalized
 B. Expenses incurred for food court, spa and gaming should be capitalized
 C. Expenses incurred for food court and gaming zone should be charged to statement of profit and loss
 D. Expenses incurred for food court, spa and gaming zone should be charged to statement of profit and loss

Solution :

9. **Option (C):** Current financial liability
 10. **Option (D):** Rs. 1,512.80 lakhs
 11. **Option (C):** Rs. 2,426 lakhs
 12. **Option (A):** Expenses incurred for food court and gaming zone should be capitalised

Case Study 3

Nikhil Pvt. Ltd. acquired 100% of Pranav Pvt. Ltd. on 1st January, 2023. The fair value of the purchase consideration was Rs. 20 crores consisting of ordinary shares of Rs. 100 each of Nikhil Pvt. Ltd. The fair value of the net assets acquired was Rs. 15 crores. At the time of the acquisition, the value of the ordinary shares of Nikhil Pvt. Ltd. and the net assets of Pranav Pvt. Ltd. were only provisionally determined.

On 30th November, 2023, it was finally determined that the fair value of Nikhil Pvt. Ltd.'s shares was Rs. 22 crores and the fair value of net assets of Pranav Pvt. Ltd. was Rs. 16 crores.

However, the directors of Nikhil Pvt. Ltd. have seen the fair value of the company's shares decline since 1st January, 2023, and wanted to adopt the fair value of the shares as of 1st February, 2024, which will result in the fair value of consideration at being value date Rs. 18 crores.

In addition to the above Purchase Consideration, the acquisition agreement states that an additional Rs. 4 crores will be paid if Pranav Pvt. Ltd. achieves a turnover of Rs. 160 crores in the next two years. On the date of acquisition, the fair value of the said consideration was Rs. 3 crores. In February 2024, due to decline in performance of Pranav Pvt. Ltd., it is determined that it is unlikely that it would meet budgeted turnover of Rs. 160 crores.

On the basis of the information provided above, you are required to choose the most appropriate answer to the below mentioned questions 13 to 15 in line with the relevant Ind AS:

13. The Net Assets Value will be-
- A. Rs. 15 crores
 B. Rs. 16 crores
 C. Rs. 20 crores
 D. Rs. 19 crores
14. The value of Purchase Consideration will be-
- A. Rs. 18 crores
 B. Rs. 20 crores

each, but that they are often settled for small amounts. ABC Ltd. makes an assessment of the court cases and decides that due to the potential variance in outcomes, the contingent liability cannot be measured reliably and accordingly no amount is recognised in respect of the court cases.

On the basis of the facts given above, chose the most appropriate answer to Questions 1 to 5 below based on the relevant Indian Accounting Standards (Ind AS).

1. At what amount would ABC Ltd. account for the identified liability related to contingent liability and the indemnification assets at the time of acquisition of PQR Ltd. related to court case by the customer?

(a) Rs. 2 crores; Rs. 1 crore	(b) Rs. 1 crore; Rs. 1 crore
(c) Rs. 0.70 crore; Rs. 1 crore	(d) Rs. 0.70 crore; Rs. 0.70 crore
2. What will be the impact on goodwill due to recognition of such liability and indemnified asset?

(a) The net impact on goodwill will be Nil	(b) Decrease in the value of Goodwill by Rs. 0.30 crore
(c) Increase in the value of Goodwill by Rs. 0.30 crore	(d) Increase in the value of Goodwill by Rs. 1 crore
3. Suppose in case the fair value of the identified liability is Rs. 1.20 crores instead of Rs. 0.70 crore, then what will be the value of the liability and the indemnification assets at the time of acquisition of PQR Ltd.?

(a) Rs. 2 crores; Rs. 1 crore	(b) Rs. 1.20 crore; Rs. 1 crore
(c) Rs. 1 crore; Rs. 1 crore	(d) Rs. 1.20 crores; Rs. 1.20 crores
4. What will be the impact on goodwill due to recognition of such liability and indemnified asset?

(a) Increase in the value of Goodwill by Rs. 1 crores	(b) Decrease in the value of Goodwill by Rs. 0.20 crore
(c) Increase in the value of Goodwill by Rs. 0.20 crore	(d) The net impact on goodwill will be Nil
5. On acquisition of RST Ltd. at what amount should indemnification asset be accounted for in relation to 10 class actions?

(a) Rs. 10 crores	(b) Rs. 1 crore
(c) Nil	(d) Rs. 9 crores

Solution :

1. **Option (d):** Rs. 0.70 crore; Rs. 0.70 crore
2. **Option (a):** The net impact on goodwill will be Nil
3. **Option (b):** Rs. 1.20 crore; Rs. 1 crore
4. **Option (c):** Increase in the value of Goodwill by Rs. 0.20 crore
5. **Option (c):** Nil

Case Scenario II

Choose the most appropriate answer to Questions 6 to 10, based on below mentioned facts:

Date	Amount (Rs.)	Event
1st January, 20X6	7,500	Asset acquired with depreciation to be charged based on useful life of 10 years
On 31st December, 20X7	240	Indicators of impairment noted and impairment allowance accounted
On 28th February, 20X9		Assets has been classified as held for sale
On 28th February, 20X9	4,600	Fair value less costs to sell
On 30th June, 20X9	5,300	Fair value less costs to sell

6. The amount of depreciation on the asset for the year 20X8 would be-
 - (a) Rs. 750
 - (b) Rs. 720
 - (c) Rs. 240
 - (d) Rs. 120
7. The amount of depreciation on the asset for the year 20X9 would be-
 - (a) Rs. 750
 - (b) Rs. 720
 - (c) Rs. 240
 - (d) Rs. 120
8. What will be the carrying value of the asset immediately before its classification as 'Held for Sale' as on 28th February, 20X9?
 - (a) Rs. 4,920
 - (b) Rs. 5,040
 - (c) Rs. 4,600
 - (d) Rs. 5,300
9. What will be the carrying value of the asset immediately after its classification as 'Held for Sale' as on 28th February, 20X9?
 - (a) Rs. 4,920
 - (b) Rs. 5,040
 - (c) Rs. 4,600
 - (d) Rs. 5,300
10. What will be the amount of reversal of impairment loss and the carrying value of the asset after reversal of impairment loss as on 30th June, 20X9?
 - (a) Rs. 560; Rs. 5,300
 - (b) Rs. 440; Rs. 5,040
 - (c) Rs. 560; Rs. 5,160
 - (d) Rs. 700; Rs. 5,300

Solution :

6. **Option (b):** Rs. 720
7. **Option (d):** Rs. 120
8. **Option (a):** Rs. 4,920
9. **Option (c):** Rs. 4,600
10. **Option (c):** Rs. 560; Rs. 5,160

Question 5 : May 2025 – Paper

Case Study - I:

Raja Limited, a leading public limited company engaged in the manufacture of pharmaceuticals, prepares its accounts as per Ind AS. The company has entered into the following transactions during the financial year ended 31st March, 2025:

- (i) On 1st April, 2024, Raja Limited held 35% of total equity shares of Volga Limited, which is an associate company. The carrying value of the investment in Volga Limited on 31st

March, 2024 is Rs. 1,50,00,000 in the consolidated financial statements of Raja Limited. During financial year 2024-2025, Raja Limited sold goods worth Rs. 3,50,000 to Volga Limited. The cost of goods sold is Rs. 3,00,000. Out of these, goods costing Rs. 1,00,000 to Volga Limited were lying unsold with it on 31st March, 2025. During the year ended 31st March, 2025, the Statement of Profit and Loss of Volga Limited showed a profit of Rs. 25,00,000. Volga Limited declared and paid a dividend of Rs. 10,00,000 to its equity shareholders during 2024-2025.

- (ii) Raja Limited held 50% of the voting power of Sharp Limited, which is a Joint Venture of Raja Limited. The carrying value as on 1st April, 2024 of the investment in Sharp Limited as per Equity Method is Rs. 50,00,000. On 1st July, 2024, out of the 50% stake, Raja Limited sold 20% stake in Sharp Limited to an unrelated entity for a consideration of Rs. 40,00,000. The fair value of the retained 30% interest is Rs. 60,00,000.
- (iii) On 1st August, 2024, Raja Limited acquired 70% Equity Shares of S Limited by paying a cash consideration of Rs. 97,50,000 (including control premium). The fair value of net identifiable assets of S Limited is Rs. 1,30,00,000. The fair value of 30% of the shares owned by the non-controlling shareholders on the date of acquisition is Rs. 25,00,000. The carrying amount of net identifiable assets of S Limited is Rs. 1,20,00,000. Raja Limited chooses to measure the interest of non-controlling shareholders at fair value.

On the basis of the information provided above, you are required to choose the most appropriate answer to the below mentioned questions 1 to 3 in line with the relevant Ind AS.

- Determine the value of Investment in Volga Limited as on 31st March, 2025 in the Consolidated Financial Statements of Raja Limited, if equity method is adopted for valuing the investment in associates.

(A) Rs. 1,55,25,000	(B) Rs. 1,58,75,000
(C) Rs. 1,55,10,714	(D) Rs. 1,55,20,000
- Determine the amount of gain/loss to be recorded by Raja Limited on disposal of its stake in Sharp Limited.

(A) Rs. 20,00,000	(B) Nil
(C) Rs. 50,00,000	(D) Rs. 30,00,000
- Determine the amount of goodwill/gain on bargain purchase arising on the acquisition of S Limited.

(A) Goodwill Rs. 2,50,000	(B) Gain on Bargain Purchase Rs. 7,50,000
(C) Goodwill Rs. 6,50,000	(D) Goodwill Rs. 16,50,000

Solution :

1.	Option (D): Rs. 1,55,20,000
2.	Either Option (A): Rs. 20,00,000 (When Equity method continued) Or Option (C): Rs. 50,00,000 (When Equity method discontinued)
3.	Option (B): Gain on Bargain Purchase Rs. 7,50,000

Case Study - II

XYZ Ltd. is a manufacturing company engaged in the manufacturing of home and kitchen appliance products. Following information is available in respect of XYZ Ltd. for the year ended on 31st March, 2025:

- (i) During the year 2024-2025, XYZ Ltd. purchased a special type of packing material from an USA based company for \$ 14,00,000 on 1st December, 2024 when the exchange rate was \$ 1= Rs. 75. The American company provided XYZ Ltd. with 5-month interest-free credit. At the reporting date i.e. 31st March, 2025, the exchange rate was \$ 1 = Rs. 77.5. As at 31st March, 2025, 60% of the raw material purchased was still in inventory of XYZ Ltd. The functional currency of XYZ Ltd. is Indian Rupee.
- (ii) In order to motivate and retain employees, XYZ Ltd. announced on 1st April, 2022, a scheme of granting 6 stock appreciation rights (SAR) to 400 employees who remain in the organization for the next 3 years. Other information available on the portal relating to this scheme is as under:

Year ended	Fair value of SAR (Rs.)	Employees expected to remain in the organization as at year end
31.03.2023	100	400
31.03.2024	110	390
31.03.2025	116	380

- (iii) The borrowings of XYZ Ltd. include 10% Optionally Convertible Debentures (OCD) issued on 1st October, 2024 for Rs. 50 lakhs. These debentures are convertible into equity shares of XYZ Ltd. at the option of the holder at the end of the tenure of 5 years in the ratio of 1:1 i.e., each OCD will be converted to one equity share. Interest is paid annually on 31st March. The market rate for these debentures without a conversion option is 14% per annum.
- (iv) The share capital of XYZ Ltd. includes 10,00,000 12% cumulative preference shares of Rs. 100 each. The Company has arrears of Rs. 2.40 crores of preference dividend as on 31st March, 2025; it includes current year arrear of Rs. 1.20 crores. The Company did not declare any dividend for equity shareholders as well as for preference shareholders for the year ended on 31st March 2025.

On the basis of the information provided above, you are required to choose the most appropriate answer to the below mentioned questions 4 to 7 in line with the relevant Ind AS.

- 4. Determine the amount of exchange loss/gain to be recognized on 31st March, 2025 in relation to the purchase of raw material from the American Company.
 - (A) Rs. 35,00,000 exchange loss
 - (B) Rs. 33,20,000 exchange loss
 - (C) Rs. 17,40,000 exchange loss
 - (D) Nil
- 5. With respect to share appreciation rights, determine the balance of liability at the end of 31.3.2025 and expense for the financial year 2024-2025.

- (A) Rs. 92,880 and Rs. 72,880 respectively
 (B) Rs. 2,64,480 and Rs. 1,71,600 respectively
 (C) Rs. 2,64,480 and Rs. 92,880 respectively
 (D) Rs. 92,880 and Rs. 2,64,480 respectively
6. With respect to Optionally Convertible Debentures, determine the finance cost that should be charged to Statement of Profit and Loss as per relevant Ind AS for the year ended 31st March, 2025.
 (A) Rs. 6,03,897 (B) Rs. 3,01,949
 (C) Rs. 6,86,450 (D) Rs. 96,103
7. Determine the amount of preference share dividend to be reduced from profit or loss for the year ended 31st March, 2025 to compute the basic Earnings per Share.
 (A) Rs. 2.40 crores
 (B) Rs. 1.20 crores
 (C) Rs. 3.60 crores
 (D) Nothing, as no dividend has been declared by the company

Solution :

4.	Option (A): Rs. 35,00,000 exchange loss
5.	Option (C): Rs. 2,64,480 and Rs. 92,880 respectively
6.	Option (B): Rs. 3,01,949
7.	Option (B): Rs. 1.20 crores

Case Study - III

Savita Limited, a public listed company, is engaged in various types of manufacturing and retail activities. It is also engaged in the real estate business. You are provided with the following information:

- (i) Savita Limited had the following closing stock of raw material* as on 31.03.2025:

Item	Quantity (No.)	Cost (Rs. per pc)	Estimated Selling Price (Rs. per pc)	Selling Cost (Rs. per pc)
Wooden Boards	1000	88	110	5
Iron rods	300	458	495	46

- (ii) On 1st June, 2022, Savita Ltd. purchased land at Kota for Rs. 1,45,60,000 whose future use was not determined. It remained vacant for more than two years. On 30th September, 2024, the fair value of the property was Rs. 1,60,80,000 and on the same date Savita Ltd. began to convert the property into twenty separate flats of equal size which it intended to sell in the ordinary course of its business. Savita Ltd. spent a total of Rs. 1,82,68,000 on this conversion project till 31st March, 2025. The project was incomplete as on 31st March, 2025, and it was estimated that Savita Ltd. need to spend further Rs. 94,00,000 to complete the project, after which each flat could be sold for Rs. 20,00,000.

- (iii) Savita Ltd. developed a new drug that was in the final phase of clinical trials. Beta Ltd. had an equity investment in Savita Ltd.'s shares. Beta Ltd. determined that the shares had a readily determinable fair value and accounted for the investment at fair value through profit and loss. On 31st March, 2025, the drug approval authority notified Savita Ltd.'s management that the drug was not approved. Savita Ltd.'s share closed at Rs. 112 on 31st March, 2025. Savita Ltd. issued a press release after markets closed on 31st March, 2025 announcing the failed clinical trial. Savita Ltd.'s share opened on the next working day at Rs. 85.
- (iv) Omega Ltd. is one of the associate companies of Savita Ltd. Omega Ltd. provided you with the following information for the year ended 31st March, 2025:

Particulars	Rs. Crores
Net Profit after taxes	93.4
Decrease in accounts receivables	42.5
Depreciation	24.9
Increase in inventory	31.3
Increase in accounts payable	12.7
Decrease in wages payable	5.7
Increase in deferred tax asset	1.5
Tax paid	21.8
Profit from sale of land	3.4
Sale of land	85.2

On the basis of the information provided above, you are required to choose the most appropriate answer to the below mentioned questions 8 to 12 in line with the relevant Ind AS.

8. The value of closing inventory of raw material as on 31st March 2025 is:
 (A) Rs. 2,22,700 (B) Rs. 2,39,700
 (C) Rs. 2,25,400 (D) Rs. 2,41,500
9. What is the classification of land at Kota as on 31st March 2024?
 (A) Property, Plant & Equipment
 (B) Investment Property
 (C) Inventory
 (D) Not required to be disclosed in Books
10. Compute the value of flats to be disclosed in the financial statements for the year ended 31st March, 2025.
 (A) Rs. 3,43,48,000 (B) Rs. 3,28,28,000
 (C) Rs. 3,06,00,000 (D) Rs. 4,22,28,000
11. **Assertion (I):** Beta Ltd. will record the share at Rs. 85 and disclose the investment as Level 2 measurement as per Ind AS 113 as on 31st March 2025.
Reason (II): Level 2 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
 (A) Both (I) & (II) are true and (II) is the correct explanation of (I).
 (B) Both (I) & (II) are true but (II) is not the correct explanation of (I).
 (C) (I) is true but (II) is false.

- (D) (I) is false but (II) is true.
12. Omega Ltd.'s cash flow from Operations for financial year 2024-2025 is:
(A) Rs. 135.0 Crores (B) Rs. 216.8 Crores
(C) Rs. 131.6 Crores (D) Rs. 109.8 Crores
13. Bazar Ltd. enters into a contract for the sale of Product H for Rs. 2,000 per piece. As part of the contract, it gives the customer a 40% discount voucher for any future purchase upto Rs. 1,000 in the next 30 days. Bazar Ltd. intends to offer a 10% discount on all sales during the next 30 days as part of a seasonal promotion. The 10% discount cannot be used in addition to the 40% discount voucher. Bazar Ltd. believes there is 90% likelihood that a customer will redeem the voucher and, on an average, a customer will purchase Rs. 1,000 of additional products.
On the basis of above information, determine how many performance obligations does Bazar Ltd. have and the allocated transaction price?
(A) 2 performance obligations, allocated price of product H is Rs. 1,762 and discount voucher is Rs. 238.
(B) 1 performance obligation, allocated price of product H is Rs. 2,000.
(C) 2 performance obligations, allocated price of product H is Rs. 1,850 and discount voucher is Rs. 150.
(D) 2 performance obligations, allocated price of product H is Rs. 1,900 and discount voucher is Rs. 100.
14. Win Limited is a first time adopter of Ind AS. The company has a financial asset classified as held-to-maturity (HTM) under previous GAAP. Under Ind AS 101, the company decides to classify the asset as a Financial Asset at Fair Value through Profit or Loss. Determine the impact of this decision on the first set of Ind AS financial statements of Win Limited.
(A) Win Limited must apply the fair value treatment retrospectively for all the periods, restating the financial asset in the comparative periods.
(B) Win Limited must recognize the financial asset at fair value at the transition date and the difference from the carrying amount under previous GAAP is adjusted through Retained Earnings.
(C) Win Limited must classify all similar financial assets as financial assets at Fair Value through Profit or Loss in future periods under Ind AS.
(D) Win Limited is required to recognize the financial asset at deemed cost in the first Ind AS financial statements.
15. Securities Limited is a financial institution that handles voluminous sensitive data of its clients, such as personal information and records of their financial transactions. At times it is also required by various regulatory bodies to share its clients' data with them. Traditionally it involves reviewing the transactions and extracting data from various sources which is time consuming. Securities Limited wants to ensure secure and transparent storage of its financial data, enhance data privacy and maintain the trust of its stakeholders.
Which technology would be most suitable for Securities Limited to achieve the above?
(A) Artificial Intelligence (B) Blockchain
(C) Cloud Computing (D) Robotic Process Automation

Solution :

8.	Option (A): Rs. 2,22,700
9.	Option (B): Investment Property
10.	Option (C): Rs. 3,06,00,000
11.	Option (C): (I) is true but (II) is false
12.	Option (C): Rs. 131.6 Crores
13.	Option (A): 2 performance obligations, allocated price of product H is Rs. 1,762 and discount voucher is Rs. 238
14.	Option (B): Win Limited must recognize the financial asset at fair value at the transition date and the difference from the carrying amount under previous GAAP is adjusted through Retained Earnings
15.	Option (B): Blockchain

Question 6 : Sept 2025 – RTP

Case Scenario I

HIJ Ltd. is a globally diversified business conglomerate with operations spanning multiple business segments across various regions worldwide. For maintaining its financial records, the company follows Indian Accounting Standards. As the finance team diligently finalizes the books of accounts and prepares the financial statements for the financial year ending on 31st March 20X2, it requires insights and accounting suggestions on the following transactions:

- (i) On 1st October 20X1, HIJ Ltd. subscribed for 40 million Rs. 1 loan notes in Z Ltd. The loan notes were issued at 90 paise and were redeemable at Rs. 1.20 on 30th September 20X6. Interest is payable on 30th September in arrears at 4% of par value. This represents an effective annual rate of return for HIJ Ltd. of 9.9%. HIJ Ltd.’s intention is to hold the loan notes until redemption.
- (ii) On 1st April 20X1, HIJ Ltd. commenced joint construction of a property with G Ltd. For this purpose, an agreement has been entered into that provides for joint operation and ownership of the property. All the ongoing expenditure, comprising maintenance plus borrowing costs, is to be shared equally. The construction was completed on 30th September 20X1 and utilisation of the property started on 1st January, 20X2 at which time the estimated useful life of the same was estimated to be 20 years.
Total cost of the construction of the property was Rs. 40 crores. Besides internal accruals, the cost was partly funded by way of loan of Rs. 10 crores taken on 1st January, 20X1. The loan carries interest at an annual rate of 10% with interest payable at the end of year on 31st December each year. The company has spent Rs. 4,00,000 on the maintenance of such property.
The company has recorded the entire amount paid as investment in Joint Venture in the books of accounts. Suggest the suitable accounting treatment of the above transaction as per applicable Ind AS.

On the basis of the facts given above, chose the most appropriate answer to Questions 1 to 5 below based on the relevant Indian Accounting Standards (Ind AS).

1. What would be the initial measurement of financial instruments as subscription of loan notes in Z Ltd.?

(a) Rs. 40 million	(b) Rs. 37.782 million
(c) Rs. 38.4 million	(d) Rs. 36 million
2. What would be the closing balance of financial instruments (as subscription of loan notes in Z Ltd.) as on 31st March 20X2?

(a) Rs. 37.6 million	(b) Rs. 34.218 million
(c) Rs. 37.782 million	(d) Rs. 36.182 million
3. With respect to point (ii), what is the nature of the agreement?
 - (a) Agreement is in the nature of Joint venture
 - (b) Agreement is in the nature of Joint Operations
 - (c) Agreement is in the nature of Holding subsidiary relationship
 - (d) Agreement is in the nature of Associates
4. What will the initial cost of PPE appearing in the books of HIJ Ltd.?

(a) Rs. 40,50,00,000	(b) Rs. 40,00,00,000
(c) Rs. 20,25,00,000	(d) Rs. 20,00,00,000
5. Calculate the depreciation charge for the year ended 31st March 20X2 to be charged by G Ltd. in its books?

(a) Rs. 50,62,500	(b) Rs. 1,01,25,000
(c) Rs. 1,00,00,000	(d) Rs. 50,00,000

Solution :

1.	Option (d) : Rs. 36 million
2.	Option (c) : Rs. 37.782 million
3.	Option (b) : Agreement is in the nature of Joint Operations
4.	Option (c) : Rs. 20,25,00,000
5.	Option (a) : Rs. 50,62,500

Case Scenario II

FA Ltd. is a company which manufactures aircraft parts and engines and sells them to large multinational companies like Boeing and Airbus Industries. Following are the details of some of the transactions entered into by the company:

- i. On 1st April 20X2, the company began the construction of a new production line in its aircraft parts manufacturing shed.

Costs relating to the production line are as follows:

Details	Amount Rs. in lakhs
Costs of the basic materials (list price Rs. 12.5 lakhs less 20% trade discount)	10.00
Recoverable goods and services tax incurred but not included in the purchase cost	1.00

Employment costs of the construction staff for three months till 30th June, 20X2	1.20
Other overheads directly related to the construction	0.90
Payments to external advisors relating to the construction	0.50
Expected dismantling and restoration costs	2.00

The production line took two months to make ready for use and was brought into use on 31st May, 20X2.

The other overheads were incurred during the two-month period ended on 31st May, 20X2. They included an abnormal cost of Rs. 0.3 lakhs caused by a major electrical fault.

The production line is expected to have a useful economic life of eight years. After 8 years, FA Ltd. is legally required to dismantle the plant in a specified manner and restore its location to an acceptable standard. The amount of Rs. 2 lakhs included in the cost estimates is the amount that is expected to be incurred at the end of the useful life of the production line. The appropriate discount rate is 5%. The present value of Rs. 1 payable in 8 years at a discount rate of 5% is approximately Rs. 0.68.

Four years after being brought into use, the production line will require a major overhaul to ensure that it generates economic benefits for the second half of its useful life. The estimated cost of the overhaul, at current prices, is Rs. 3 lakhs.

No impairment of the plant had occurred by 31st March 20X3.

- ii. During the year ended 31st March 20X3, FA Ltd. provided consultancy services to a customer regarding the installation of a new production system related to aircraft parts. The system has caused the customer considerable problems, so the customer has taken legal action against the Company for the loss of profits that has arisen as a result of the problems with the system. The customer has claimed damages to the tune of Rs. 1.6 lakhs. The legal department of FA Ltd. considers that there is a 25% chance the claim can be successfully defended. The legal department further stated that they are reasonably confident the Company is covered by insurance against these types of loss. The accountant feels nothing needs to be provided for this claim as the Company is suitably covered against any possible losses.

- iii. FA Ltd. has an associate company, Flynet Limited. Following are the information of Flynet Limited for the year ended 31st March 20X3:

Particulars	Rs. in lakhs
Net Income after taxes	120
Decrease in accounts receivables	20
Depreciation	25
Increase in inventory	10
Increase in accounts payable	7
Decrease in wages payable	5
Tax charge for the year (deferred tax liabilities)	15
Profit from sale of land	2

On the basis of the facts given above, chose the most appropriate answer to Questions 6 to 10 below based on the relevant Indian Accounting Standards (Ind AS).

6. Which of the following items need to be capitalized in determining the cost of Production Line?
 - (a) Abnormal cost of Rs. 0.3 lakhs
 - (b) Recoverable GST of Rs. 1 lakhs
 - (c) Initial estimate of the costs of dismantling and removing the item and restoration of site of Rs. 2 lakhs
 - (d) Initial estimate of the costs of dismantling and removing the item and restoration of site of Rs. 1.36 lakhs
7. Calculate the company's associate Flynet Ltd.'s cash flow from operations.
 - (a) Rs. 158 lakhs
 - (b) Rs. 170 lakhs
 - (c) Rs. 174 lakhs
 - (d) None of the above
8. What accounting treatment should be done in FA Ltd.'s books for the year ending 31st March 20X3, as the customer has taken legal action against the Company on the loss of profits that has arisen as a result of the problems with the system?
 - (a) Nothing needs to be provided for claim instituted by the customer as the Company is suitably covered against any possible losses.
 - (b) Provision of Rs. 1.6 lakhs should be recognised with a corresponding charge to profit or loss.
 - (c) Provision of Rs. 0.4 lakhs as per best possible outcome should be recognised with a corresponding charge to profit or loss.
 - (d) Contingent Liability would be disclosed in the 31st March 20X3 financial statements. Charge to profit or loss if any would be recognised in the period when the claim is settled.
9. Compute the total amount to be charged to the Statement of Profit and Loss with respect to Production Line for the year ending 31st March 20X3 and the balance of Provision for Dismantling Cost carried to Balance Sheet.
 - (a) Rs. 1.70 lakhs; Rs. 1.36 lakhs
 - (b) Rs. 1.42 lakhs; Rs. 1.70 lakhs
 - (c) Rs. 1.76 lakhs; Rs. 1.42 lakhs
 - (d) Rs. 1.42 lakhs; Rs. 1.76 lakhs
10. Compute the cost of the production Line to be capitalized initially on 31st May, 20X2.
 - (a) Rs. 13.26 lakhs
 - (b) Rs. 14.60 lakhs
 - (c) Rs. 13.96 lakhs
 - (d) Rs. 15.76 lakhs

Solution :

6.	Option (d): Initial estimate of the costs of dismantling and removing the item and restoration of site of Rs. 1.36 lakhs
7.	Option (b) : Rs. 170 lakhs
8.	Option (b) : Provision of Rs. 1.6 lakhs should be recognized with a corresponding charge to profit or loss.
9.	Option (c) : Rs. 1.76 lakhs; Rs. 1.42 lakhs

10. Option (a) : Rs. 13.26 lakhs

Question 7 : Sept 2025 – Paper

Case Scenario - I

Saumya Limited manufactures and sells various paper products & related machinery and equipment.

- (i) On 1st June, 2024, Saumya Limited sold a machinery for Rs. 42,02,230 to a new customer. To get into a long-term relationship with the customer, the terms of sales include after sales service to be provided free of cost for the next four years after the initial warranty period of 1 year. In general practice, the Company sells the after-sales service contract separately which is purchased by the customer after the initial warranty period of 1 year at Rs. 7,41,570.
- (ii) Saumya Limited had 5,000 packets of computer paper inventory as on 31st March, 2025 recorded at a carrying amount of Rs. 340 per packet. The market price as on 31st March, 2025 was Rs. 280 per packet at which these packets could be sold. Saumya Limited had a firm sales contract with Javin Limited to sell 2,760 packets at Rs. 380 per packet, which cannot be settled net. Estimated incremental selling cost was Rs. 20 per packet.
- (iii) Saumya Ltd. bought 100 acres of land on 30th June, 2024 for growing bamboo to be used for paper production. On 1st October, 2024, Saumya Limited purchased 10 dogs for the security of the aforesaid land.
- (iv) Saumya Limited acquired software for its internal use costing Rs. 3,20,000. The amount paid for the software was Rs. 1,00,000 immediately and Rs. 2,20,000 in one year's time. It also incurred purchase tax of Rs. 24,000, entry tax of 10% (recoverable later from tax department) and legal fees of Rs. 42,000. The cost of capital of the company is 10%.
- (v) Saumya Ltd. obtained a term loan of Rs. 50 lakhs from Wood Cooperative Bank in 2018-2019 and paid 1% as loan processing fees and commitment charges. In May 2024, Saumya Ltd. availed fresh loan of Rs. 30 Lakhs from Iron Cooperative Bank to pay off the old loan taken from Wood Cooperative Bank.
The Company paid Rs. 20,000 as prepayment premium to Wood Cooperative Bank to clear the old term loan and paid 1% as processing fees to Iron Cooperative Bank for the new term loan.
- (vi) Saumya Ltd. purchased a building in Chandigarh on 1st September, 2023 for its administrative purposes and disclosed it as Property, Plant and Equipment in the financial statements of 2023-2024. Due to some policy changes of the government, it relocated its office to Delhi in April 2024. On 1st May 2024, Saumya Ltd. leased out the building to Ms. Lessee.

Answer the below questions 1 – 6 based on the information given above in line with the relevant Ind AS:

- 1. How much revenue be recognised in the books of Saumya Ltd. for the machinery sold on 1st June, 2024 as per Ind AS 115?
 - (A) Rs. 42,02,230
 - (B) Rs. 40,16,838
 - (C) Rs. 34,60,660
 - (D) Rs. 35,71,896

2. The value of closing inventory of computer paper as on 31st March, 2025 is
 (A) Rs. 15,76,000 (B) Rs. 16,76,000
 (C) Rs. 13,00,000 (D) Rs. 14,00,000
3. **Assertion (I):** Purchase of dogs by Saumya Limited will not fall under the scope of Ind AS 41.
Reason (II) : Ind AS 41 applies to agricultural produce at the time of harvest; not prior or subsequent to harvest.
 (A) Both (I) & (II) are true and (II) is the correct explanation of (I).
 (B) Both (I) & (II) are true but (II) is not the correct explanation of (I).
 (C) (I) is true but (II) is false.
 (D) (I) is false but (II) is true.
4. The cost of the software on initial recognition using the principles of Ind AS 38 is
 (A) Rs. 4,18,000 (B) Rs. 3,86,000
 (C) Rs. 3,66,000 (D) Rs. 3,96,000
5. Unamortised processing fees of old loan will be
 (A) Added to new loan amount.
 (B) Charged to Other Comprehensive Income.
 (C) Charged to Statement of Profit and Loss.
 (D) Added as transaction cost while calculating effective interest rate for new loan.
6. **Assertion (I):** Saumya Ltd. should reclassify the leased building from Property, Plant and Equipment to Investment Property in the financial year 2024-2025.
Reason (II) : A change in classification of a building from Property, Plant and Equipment to Investment Property due to a change in purpose for which it is held by the entity is a change in accounting policy.
 (A) Both (I) & (II) are true and (II) is the correct explanation of (I).
 (B) Both (I) & (II) are true but (II) is not the correct explanation of (I).
 (C) (I) is true but (II) is false.
 (D) (I) is false but (II) is true.

Solution :

MCQ No.	Correct Option
2	(A)
3	(B)
4	(C)
5	(C)
6	(C)

Case Scenario - II

Hans Ltd. is engaged in the business of manufacturing of automotive accessories with its registered office in Bhiwadi and is listed on the National Stock Exchange. It also owns a chain of

retail stores across 15 different locations in the twin cities of Delhi and Noida. Following are the brief facts about the transactions entered into by the company for which accounting advice is sought by the Accountant of Hans Ltd. from you:

- (i) As per Company's policy, on 1st April, 2023, Hans Ltd. granted 15,000 share options each to each of its 3,000 key employees. The options are due to vest on 31st March, 2027 provided that the employees remain in employment as at 31st March, 2026. On 1st April, 2023, the directors of Hans Ltd. estimated that 80% of the key employees would satisfy the vesting conditions. However, actual employee turnover was such that this estimate was revised to 82% on 31st March, 2024 and 92% on 31st March, 2025.
On 1st April, 2023 the fair value of each share option was estimated at Rs. 3. The estimate was revised to Rs. 4 on 31st March, 2024 and Rs. 5 on 31st March 2025. Hans Ltd. correctly recognised this transaction in the financial statements for the year ended 31st March, 2024 but, however, the company did not make additional adjustment in the financial statements for the year ended 31st March, 2025.
- (ii) On 1st September, 2024, a local statute was passed which necessitated Hans Ltd. to undertake modifications to its automotive accessories to enable reduction of harmful emissions. The modifications should have been completed by 31st January, 2025 at an estimated cost to Hans Ltd. of Rs. 50 lakhs. As a matter of fact, by 31st March, 2025 none of the accessories had been modified although they continued to be used. It is quite likely that Hans Ltd. will be fined Rs. 3 lakhs per month for the illegal use of the accessories. The directors of Hans Ltd. intend to carry out the modifications during the year to be ended on 31st March, 2026. They expect that a penalty will become payable very shortly as legal action has commenced against Hans Ltd.
- (iii) On 1st April, 2024, Hans Ltd. issued preference shares for a consideration of Rs. 10 lakhs to an investor. The holder has an option to convert these preference shares to a fixed number of equity shares of Hans Limited anytime upto a period of 3 years. If the option is not exercised by the holder, the preference shares are redeemed at the end of 3 years. The preference shares carry a fixed coupon of 6% per annum which is payable at the end of every year. The prevailing market rate for similar preference shares, without the conversion feature, is 9% per annum.
- (iv) On 1st April, 2024, Hans Limited entered into a loan agreement with a bank. The loan is repayable in five equal annual instalments starting from 31st March, 2027. One of the loan covenants is that an amount equivalent to 50% of the loan amount should be contributed by the promoters by 28th February, 2025 failing which the loan becomes payable on demand. In anticipation that the company may not be able to mobilize the promoters' contribution by due date, it approached the bank on 15th January, 2025 and got the compliance date extended up to 31st May, 2025 for getting promoters' contribution.
- (v) Hans Limited entered into a transaction to purchase 1,000 grams of silver on 15th January, 2025. The transaction provides for a price payable which is equal to market value of 1,000 grams of silver on 15th April, 2025 and shall be settled by issue of such number of equity shares of Hans Limited as is required to settle the aforementioned transaction, at a price of Rs. 100 per share on 15th April, 2025.

- (vi) On 1st May, 2024, Hans Limited acquired 100% of the equity and voting rights of MNO Limited, a subsidiary of a property investment group. It paid Rs. 600 lakhs in cash and issued 1,00,000 Equity Shares of the face value of Rs. 100 each at a fair value of Rs. 185 per share to the selling shareholders of MNO Limited. MNO Limited owns three investment properties. Fair values of the said properties are estimated to be Rs. 700 lakhs. The properties are single tenant industrial warehouses subject to long term leases. The leases oblige MNO Limited to provide basic maintenance and security services, which have been outsourced to third party specialist providers. The administration of MNO Limited's leases was carried out by an executive of its former parent company on a part time basis but the said executive does not transfer to the new owner. The financial statements for the year ended and as on 31st March, 2025 are still under finalization.

Answer the below questions 7 – 12 based on the information given above in line with the relevant Ind AS.

7. What will be the amount of share-based payment to be recognised in Statement of Profit or Loss for the financial year 2024-2025?

(A) Rs. 2,76,75,000	(B) Rs. 6,21,00,000
(C) Rs. 3,44,25,000	(D) Rs. 12,42,00,000
8. What will be the amount of provision of fine for illegal use of automotives accessories, which Hans Ltd. should make as on 31st March, 2025?

(A) Rs. 50,00,000	(B) Rs. 2,00,000
(C) Rs. 6,00,000	(D) Rs. 24,00,000
9. What will be the finance cost of convertible loan notes* issued by Hans Ltd., for the year ending 31st March, 2025?

(A) Rs. 60,000	(B) Rs. 55,450 (approx)
(C) Rs. 83,150 (approx)	(D) Rs. 90,000
10. How would the loan be classified in the financials of the Company for the year ended on 31st March, 2025?

(A) Non-current financial liability	(B) Other non-current liability
(C) Current financial liability	(D) Other current liability
11. How would the transaction to purchase silver be classified and measured in the books of Hans Limited as on 31st March, 2025 assuming that the own use assumption does not apply?

(A) Derivative financial liability measured at FVTOCI	(B) Derivative financial liability measured at FVTPL
(C) The contract does not fall within the scope of Ind AS 109	(D) Equity measured at fair value on the date of transaction
12. How would the acquisition of MNO Limited be accounted for in the books of Hans Limited?

(A) As a business combination under Ind AS 103	(B) As a purchase of business with goodwill
(C) As an asset purchase	(D) As a joint arrangement under Ind AS 111
13. Albert Ltd. is a multinational company having various subsidiaries and associate companies. Albert Ltd. approached ABCD Bank for loan of Rs. 100 crores to be utilised for

business purposes, which will enhance company's profits. To lend Rs. 100 crores, bank required strong projected cash flows. However, the current projected statement of cash flows of Albert Ltd. did not satisfy the bank's criteria for lending, but directors assured the bank that the company is in an excellent financial position and the financial results and cash flow projections will meet the criteria. CA Tarun, senior manager in Albert Ltd., prepared a report showing cash flow projections meeting the bank's criteria under directors' pressure and submitted it to the bank. If CA Tarun refuses to do so, he may lose his job. By knowingly disclosing incorrect information to the bank, which fundamental principles were compromised by CA Tarun?

- (A) Objectivity & Confidentiality
- (B) Objectivity & Professional Competence
- (C) Objectivity, Professional Competence & Integrity
- (D) Confidentiality, Professional Competence & Integrity

14. Mohan Limited had made certain investments in the convertible debt instruments of Rohan Limited. The conversion rights are substantive rights and would provide Mohan Limited with control over Rohan Limited. Mohan Limited has evaluated that Rohan Limited would be treated as its subsidiary under Ind AS and hence, would require consolidation in its Ind AS consolidated financial statements. Rohan Limited was not considered as a subsidiary, associate or a joint venture under previous GAAP.

Which of the following statement(s) is / are correct if Rohan Limited is to be consolidated on transition to Ind AS assuming that Mohan Limited has opted to avail the exemption from retrospective restatement of past business combinations?

Statements:

- (i) No adjustment is needed as the investments in the convertible debt instruments of Rohan Limited were made before the transition date.
- (ii) The Assets and Liabilities of the subsidiary would be included in the Opening Consolidated Financial Statements of Mohan Limited at such values as would appear in the separate financial statements of the subsidiary if it were to adopt the Ind AS at the date of transition of Mohan Limited.
- (iii) The subsidiary's financial statements would be prepared as if it was a first-time adopter of Ind AS.
- (iv) The business combination should be restated retrospectively in accordance with Ind AS 103.

Options:

- (A) Statement (i) is correct.
 - (B) Statement (ii) is correct.
 - (C) Statement (ii) and (iii) are correct.
 - (D) Statement (iv) is correct.
15. Zebra Ltd. holds 80% stake of issued equity share capital of Camel Ltd. and 25% of issued irredeemable preference shares. This acquisition was made on 1st October, 2024. Issued equity and preference share capital of Camel Ltd. as on 31st March, 2025 is Rs. 30 crores and Rs. 9 crores respectively; and closing balance of retained earnings as at 31st March, 2025 is Rs. 60 crores. All the book values of assets and liabilities were same as their fair

values except for an asset having a life of 6 years as on the date of acquisition of control. The carrying amount of the asset was Rs. 6 crores on date of acquisition and its fair value was Rs. 9 crores. The asset is depreciated on SLM basis.

Based on aforesaid information, compute non-controlling interest in Camel Ltd. in the consolidated financial statement of Zebra Ltd. You need to undertake adjustment of depreciation on the asset arising due to its fair valuation.

- (A) Rs. 12.75 Crores (B) Rs. 24.70 Crores
 (C) Rs. 24.75 Crores (D) Rs. 12.70 Crores

Solution :

MCQ No.	Correct Option
7	(C)
8	(C)
9	(C)
10	(A)
11	(B)
12	(C)
13	(C)
14	(C)
15	No Correct Option

Question 8 : Jan 2026 – RTP

Case Scenario I

X Ltd. prepares its financial statements based on Indian Accounting Standards.

X Ltd. (lessee) enters into an agreement with Y Ltd. (lessor) to lease an entire floor of a building for a period of 10 years with an option to extend the lease for five years. At the commencement date, X Ltd. is not reasonably certain to exercise the option to extend the lease. Lease payments are Rs. 50,000 per year during the initial term and Rs. 55,000 per year during the optional period. As per the terms of contract, lease payments are required to be paid at the beginning of each year. To obtain the lease, X Ltd. incurred initial direct costs of Rs. 20,000, out of which Rs. 15,000 relates to a payment to a former tenant occupying that floor of the building and Rs. 5,000 relates to commission paid to the real estate agent that arranged the lease. As an incentive to X Ltd. for entering into the lease, Y Ltd. agrees to reimburse to X Ltd. the real estate commission of Rs. 5,000. The interest rate implicit in the lease is not readily determinable by X Ltd. X Ltd.'s incremental borrowing rate is 10%. (Consider discounting factor upto 2 decimals)

X Ltd. has deferred tax assets, recognised in the balance sheet at 31st March, 20X2 in respect of unused tax losses that can be used to reduce taxable income in future years. The income tax rate used to calculate the deferred tax asset was 40%, which was the current rate of tax applicable at the balance sheet date. A new government came to power on 1st April, 20X2 and passed

legislation that, on 17th April, 20X2, the income tax rate was reduced to 33% with immediate effect.

Based on the facts given above, choose the most appropriate answer to Questions 1 to 5 below as per the relevant Ind AS.

1. What would be the lease term in the given case?

(a) 10 years	(b) 5 years
(c) 15 years	(d) Cannot be determined
2. At what value does the lease liability be recognized initially?

(a) Rs. 3,07,000	(b) Rs. 2,87,500
(c) Rs. 3,37,500	(d) Rs. 3,52,500
3. At what value the right of use assets be recognized initially?

(a) Rs. 3,07,000	(b) Rs. 3,57,500
(c) Rs. 3,52,500	(d) Rs. 3,62,500
4. What would be the amount of depreciation to be charged annually on ROU asset?

(a) Rs. 30,700	(b) Rs. 35,750
(c) Rs. 35,250	(d) Rs. 36,250
5. At what rate, would defer tax be calculated for the year ended 31st March, 20X2?

(a) 40%	(b) 33%
(c) 7%	(d) Nil

Solution :

1.	Option (a) : 10 years
2.	Option (b) : Rs. 2,87,500
3.	Option (c) : Rs. 3,52,500
4.	Option (c) : Rs. 35,250
5.	Option (a) : 40%

Case Scenario II

A Ltd. enters into a 3-year contract to provide 1,000 hours of standard call center operator time per annum for Rs. 6,00,000 (Rs. 2,00,000 per year); the stand-alone selling price at inception. At the end of the 1st Year, the contract is extended for another three years @ Rs. 6,60,000 as follows:

- (i) in accordance with the contractual provisions the fee for the 1st year is reduced by Rs. 90,000 because of highly defective service; and
- (ii) the contract is extended for another 3 years for Rs. 7,50,000 (Rs. 2,50,000 per year); when the stand-alone selling price is Rs. 2,30,000.

Further, Government G has significant influence over L Ltd. L Ltd. has significant influence over A Ltd. and controls K Ltd. All the entities have transactions with each other.

On the basis of the facts given above, choose the most appropriate answer to Questions 6 to 10 below based on the relevant Ind AS.

6. What amount of revenue be recognized for Year 1?

(a) Rs. 2,00,000	(b) Rs. 2,25,000
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- (c) Rs. 2,30,000 (d) Rs. 1,10,000
7. What will be the accounting treatment for the contract extended at the end of year 1 with respect to its revenue recognition?
- (a) The modification in the contract will be accounted for prospectively by allocating remaining revenue equally for 5 years
- (b) The modification in the contract will be accounted for retrospectively by allocating total revenue equally for 6 years
- (c) The modification in the contract will be accounted for as two separate contract for 3 years each
- (d) The modification in the contract does not fall under the purview of Ind AS 115
8. What would be the remaining total revenue of the contract for 5 years?
- (a) Rs. 11,50,000 (b) Rs. 10,60,000
- (c) Rs. 12,40,000 (d) Rs. 13,50,000
9. What amount of revenue be recognized for Year 2?
- (a) Rs. 2,00,000 (b) Rs. 2,25,000
- (c) Rs. 2,30,000 (d) Rs. 1,10,000
10. State which of the following statements is correct with respect to transactions between A Ltd. and K Ltd. and between A Ltd. and L Ltd. under Ind AS 24?
- (a) Transactions between both A Ltd. and L Ltd. and A Ltd. and K Ltd. are not disclosable.
- (b) Transactions between A Ltd. and L Ltd. are not disclosable but transactions between A Ltd. and K Ltd. are disclosable.
- (c) Transactions between A Ltd. and L Ltd. are disclosable but transactions between A Ltd. and K Ltd. are not disclosable.
- (d) Transactions between both A Ltd. and L Ltd. and A Ltd. and K Ltd. are disclosable.

Solution :

6.	Option (d) : Rs. 1,10,000
7.	Option (a) : The modification in the contract will be accounted for prospectively by allocating remaining revenue equally for 5 years
8.	Option (a) : Rs. 11,50,000
9.	Option (c) : Rs. 2,30,000
10.	Option (d) : Transactions between both A Ltd. and L Ltd. and A Ltd. and K Ltd. are disclosable.

Thanks



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