

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

Questions No. 1 is compulsory.

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

Working notes should form part of the respective answers.

**Marks**

1. (a) Given below are the balance sheets of a group of companies comprising LX Limited, MX Limited and NX Limited as on 31<sup>st</sup> March 2021 : **16**

Particulars	₹ in lakhs		
	LX Limited	MX Limited	NX Limited
<b>Assets</b>			
<u>Non-current Assets</u>			
Property, Plant and Equipment	1,500	1,600	1,400
Investment			
17.0 lakh shares in MX Limited	2,620	-	-
9.6 lakh shares in NX Limited	-	1,350	-
<u>Current Assets</u>			
Inventories	1,230	730	1,180
Financial Assets			
Trade Receivables	1,415	270	620
Bills Receivables	650	60	-
Cash in hand and at Bank	1,085	90	150
	<b>8,500</b>	<b>4,100</b>	<b>3,350</b>

LAR

P.T.O.

<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Share Capital (₹ 100 per share)	3,400	2,000	1,600
<b>Other Equity</b>			
– Reserves	1,150	810	580
– Retained earnings	1,030	600	310
<b>Current Liabilities</b>			
<b>Financial Liabilities</b>			
Trade Payables	2,920	690	805
Bills Payable			
– MX Limited	-	-	55
	<b>8,500</b>	<b>4,100</b>	<b>3,350</b>

LX Limited holds 85% shares in MX Limited, which were acquired on 1st April 2020 and MX Limited holds 60% shares in NX Limited, which were acquired on 30<sup>th</sup> September 2020. The following balances stood in the books of MX Limited and NX Limited as on 1<sup>st</sup> April 2020 :

	<b>MX Limited</b>	<b>NX Limited</b>
	<b>₹ in Lakhs</b>	<b>₹ in Lakhs</b>
Reserves	760	520
Retained earnings	480	150

The business activities of NX Limited are not seasonal in nature.

The parent company has adopted an accounting policy to measure non-controlling interest at fair value applying Ind AS 103. The fair value is to be determined at quoted market price. The given market price of MX Limited is ₹ 120 per share and NX Limited is ₹ 125 per share. Prepare the consolidated Balance Sheet as on 31<sup>st</sup> March 2021 of the group of companies LX Limited, MX Limited and NX Limited.

**LAR**



(3)

LAR

Marks

4

(b) Charm Limited (the 'Company') is a manufacturing company, which is into manufacturing of wires and cables and has assessed its operating cycle to be 15 months. The Company has some trade receivables which are receivable within a period of 12 months from the reporting date i.e. 31<sup>st</sup> March 2021.

With respect to the following transactions, which took place during the financial year 2020- 21, give your opinion based on relevant Ind AS :

- The Company has received a contract of ₹ 10 crores on 31<sup>st</sup> March 2021. The terms of the contract require the Company to make a security deposit of 20% of the contract value with the customer. The Company made a security deposit of ₹ 2 crores on 31<sup>st</sup> March 2021. This contract will be completed in about 14 months. 70% of the deposit will be refunded immediately and the balance 30% of the deposit will be refunded after 3 months from the completion of the contract. The Company wants to present the security deposit of ₹ 2 crores as non-current. Is the management's decision correct ?
- The Company has some trade receivables that are due after 14 months from the date of the balance sheet; the management of the Company expects to receive the amount within the period of the operating cycle. Despite the fact that these are receivables in 14 months, the management would like to present these as current. Is the management's decision correct ?
- In the normal course of business, the Company has given 2 contracts and received a total security deposit of ₹ 4 crores. ₹ 3 crores is received from X Limited and ₹ 1 crore is received from Y Limited on 31<sup>st</sup> March 2021. These are repayable on completion of the contract. However, if the contract is cancelled within the contract term of 18 months, then the deposit becomes payable immediately. The Company is positive about the contract with X Limited but is in doubt about the contract received from Y Limited. The Company wants to present the amount of ₹ 3 crores as non-current and ₹ 1 crore as current in the balance sheet. Is the management's decision correct ?

LAR

## LAR

- The Company is planning to replace a machinery. It has given an advance of ₹ 1 crores for purchase of new machinery which will be delivered in 6 months from the date of the balance sheet. It has sold the old machinery for ₹ 0.5 crores, the payment of which is due in 10 months from the date of the balance sheet. The Company wants to present both these amounts as current since they will be settled within twelve months from the end of the reporting period. Is the management's decision correct ?

2. (a) Special Limited is a multinational entity that owns 3 properties. All 3 properties were purchased on 1st April, 2020. The following details were furnished :

8

Particulars	Property 1	Property 2	Property 3
Purchase Price	₹ 750,000	₹ 1,050,000	₹ 1,200,000
Estimated life	10 years	15 years	15 years
Fair value as on 31 <sup>st</sup> March, 2021	₹ 800,000	₹ 950,000	₹ 1,300,000

The Company uses Property 1 and Property 2 for its business purposes. The Company is exploring the opportunity to sell Property 3 if it gets reasonable consideration. Till the time it is not sold, the Company has rented the property.

It has adopted revaluation model for subsequent measurement of these properties. The depreciation is charged on straight line method. However, the Company has not charged any depreciation on Property 1 and Property 3 for the current year since the fair value of properties exceeds their carrying amount. The difference between their fair value and carrying amount has been recognized in the statement of profit and loss. The properties are shown under the head Property, plant and equipment in the Balance sheet.

Analyze whether the accounting policies adopted by the Company in relation to the given properties are in accordance with Ind AS. If not, advise the correct treatment and present an extract of the Balance Sheet for the year ended 31<sup>st</sup> March 2021.

## LAR



- (b) GTM Limited has provided the following 4 independent scenarios. You are advised to respond to the queries mentioned at the end of each scenario. Support your answer with the relevant extracts of the applicable Ind ASs.

### Scenario 1

GTM Limited enters into a contract with a customer to sell product G, T and M in exchange for ₹ 1,90,000. GTM Limited will satisfy the performance obligations for each of the product at different points in time. GTM Limited regularly sells product G separately and therefore the stand-alone selling price is directly observable. The stand-alone selling prices of product T and M are not directly observable.

Because the stand-alone selling prices for Product T and M are not directly observable, the Company has to estimate them. To estimate the stand-alone selling prices, the Company uses the adjusted market assessment approach for product T and the expected cost plus a margin approach for product M. In making these estimates, the Company maximizes the use of observable inputs.

The entity estimated the stand -alone selling prices as follows :

Product	Stand-alone selling price (₹)
Product G	90,000
Product T	44,000
Product M	66,000
Total	2,00,000

Determine the transaction price allocated to each Product.

(6)

LAR

Marks

**Scenario 2**

GTM Limited regularly sells Products G, T and M individually. The stand alone selling prices are as under :

Product	Stand-alone selling price (₹)
Product G	90,000
Product T	44,000
Product M	66,000
Total	2,00,000

In addition the Company regularly sells Products T and M together for ₹ 1,00,000.

The Company enters into a contract with an another customer to sell Products G, T and M in exchange for Rs.1,90,000. GTM Limited will satisfy the performance obligations for each of the products at different points in time; or Product T and M at same point in time.

Determine the allocation of transaction price to Product T and M.

**Scenario 3**

GTM Limited enters into a contract with a customer to sell products G, T and M as described in scenario 2. The contract also includes a promise to transfer product 'Hope'. Total consideration in the contract is ₹ 2,40,000. The stand-alone selling price for product 'Hope' is highly variable because the company sells Product 'Hope' to different customers for a broad range of amounts (₹ 40,000 to ₹ 65,000).

Determine the selling price of Products G, T, M and Hope using the residual approach.

**Scenario 4**

The same facts as in scenario 3 applies to scenario 4 except that the transaction price is ₹ 2,25,000 instead of ₹ 2,40,000.

Discuss how the transaction price should be allocated.

LAR



(7)

LAR

Marks

3. (a) Sewa Dairy Limited prepares financial statements to 31<sup>st</sup> March each year. On 1<sup>st</sup> April 2020 the Company carried out the following transactions :

- Purchased a land for ₹ 60 lakhs.
- Purchased 200 dairy cows (Average age at 1<sup>st</sup> April 2020 – 2 years) for ₹ 20 lakhs. Received a non - refundable grant of ₹ 10 lakhs towards the acquisition of the cows.

During the year ending 31<sup>st</sup> March 2021, the Company on its dairy cows incurred ₹ 8.50 lakhs to maintain their condition (food and protection) and ₹ 4.60 lakhs as breeding fee to a local farmer.

On 1<sup>st</sup> October 2020, 120 calves were born. There were no other changes in the number of animals during the year ended 31<sup>st</sup> March 2021. Sewa Dairy Limited had 3,200 litres of unsold milk in inventory as on 31<sup>st</sup> March 2021. The milk was sold on 1<sup>st</sup> and 2<sup>nd</sup> April 2021 at market prices.

The information regarding fair values is as follows :

Items	Fair values less cost to sell (All values in ₹)		
	1 <sup>st</sup> April 2020	1 <sup>st</sup> Oct. 2020	31 <sup>st</sup> March 2021
Land	60 Lakhs	70 Lakhs	80 Lakhs
New born calves (per calf)	2,000	2,300	2,500
6 months old calves (per calf)	2,200	2,500	2,800
2 years old cow (per cow)	10,000	10,250	10,500
3 years old cow (per cow)	10,500	10,800	11,000
Milk per litre	25	27	30

Prepare extracts from the Balance Sheet (assuming land under cost method) and Statement of Profit and Loss that would be reflected in the financial statements of Sewa Dairy Limited for the year ended 31<sup>st</sup> March 2021. Discuss the relevant Ind AS in support of your workings.

LAR

P.T.O.

(8)

LAR

Marks

- (b) A Limited purchased an asset of ₹ 200 lakh on 1st April 2017. It has useful life of 4 years with no residual value. Recoverable amount of the asset is as follows :

6

As on	Recoverable amount
31 <sup>st</sup> March 2018	₹ 120 lakh
31 <sup>st</sup> March 2019	₹ 80 lakh
31 <sup>st</sup> March 2020	₹ 56 lakh

Calculate the amount of impairment loss or its reversal, if any,

- On 31<sup>st</sup> March 2018;
- On 31<sup>st</sup> March 2019;
- On 31<sup>st</sup> March 2020.

Depreciation is provided on SLM basis under the cost method.

- (c) SB Limited is engaged in the business of producing extracts from the natural plants for pharmaceuticals and Ayurvedic companies. It has a wholly owned subsidiary, UB Limited which is engaged in the business of pharmaceuticals. UB Limited purchases the pharmaceuticals extracts from its parent company. The demand of UB Limited is very high and hence to cater its shortfall, UB Limited also purchases the pharmaceutical extracts from other companies. Purchases are made at the competitive prices.

5

SB Limited sold pharmaceuticals extracts to UB Limited for Euro 10 lakhs on 1<sup>st</sup> February, 2021. The cost of these extracts was ₹ 770 lakhs in the books of SB Limited at the time of sale. At the year-end i.e. 31<sup>st</sup> March 2021, all these pharmaceutical extracts were lying as closing stock and payable with UB Limited.

Euro is the functional currency of UB Limited while Indian Rupee is the functional currency of SB Limited.

LAR



(9)

LAR

Marks

Following additional information is available :

Exchange rate on 1<sup>st</sup> February 2021 1 Euro = ₹ 85

Exchange rate on 31<sup>st</sup> March 2021 1 Euro = ₹ 88

Provide the accounting treatment of the above in the books of SB Limited and UB Limited.

Also show its impact on consolidated financial statements. Support your answer by Journal entries, wherever necessary. Assume NRV to be higher than the cost.

4. (a) Softech Limited has a policy of providing subsidized loans to its employees for the purpose of buying or construction of residential houses. Mrs. B is a Senior Manager in the Company. The Company granted a loan to her on the following terms :

14

- Principal amount : ₹ 25 lakhs
- Interest rate: 4% for the first ₹ 10 lakhs and 7% for the next ₹ 15 lakhs.
- Loan disbursed on: 1<sup>st</sup> January, 2019
- Tenure: 5 Years
- Pre payment : Full or partial pre-payment at the option of the employee.
- The principal amount of loan shall be recovered in 5 equal installments and will be first applied to 7% interest bearing principal.
- The accrued interest shall be paid on an annual basis.
- Mrs. B must remain in service till the term of the loan ends.
- The market rate of a comparable loan available to Mrs. B, is 12% per annum.
- Give your calculations by adopting the present value factor as :

31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023
0.8929	0.7972	0.7118	0.6355	0.5674

LAR

P.T.O.

(10)

LAR

Marks

Following table shows the contractually expected cash flows from the loan given to Mrs. B.

(Amount in ₹)

Date	Outflows	Inflows			Principal outstanding
		Principal	Interest income (7%)	Interest income (4%)	
1 <sup>st</sup> January 2019	(25,00,000)				25,00,000
31 <sup>st</sup> December 2019		5,00,000	1,05,000	40,000	20,00,000
31 <sup>st</sup> December 2020		5,00,000	70,000	40,000	15,00,000
31 <sup>st</sup> December 2021		5,00,000	35,000	40,000	10,00,000
31 <sup>st</sup> December 2022		5,00,000	-	40,000	5,00,000
31 <sup>st</sup> December 2023		5,00,000	-	20,000	-

Mrs. B pre-pays ₹ 5,00,000 on 31<sup>st</sup> December 2020, reducing the outstanding principal as on date to ₹ 10,00,000.

Following table shows the actual cash flows from the loan given to Mrs. B, considering the pre-payment event on 31<sup>st</sup> December, 2020 :

(Amount in ₹)

Date	Outflows	Inflows			Principal outstanding
		Principal	Interest income (7%)	Interest income (4%)	
1 <sup>st</sup> January 2019	(25,00,000)				25,00,000
31 <sup>st</sup> December 2019		5,00,000	1,05,000	40,000	20,00,000
31 <sup>st</sup> December 2020		10,00,000	70,000	40,000	10,00,000
31 <sup>st</sup> December 2021		5,00,000	-	40,000	5,00,000
31 <sup>st</sup> December 2022		5,00,000	-	20,000	-
31 <sup>st</sup> December 2023		-	-	-	-

Record the journal entries (up to 31<sup>st</sup> December, 2020) in the books of Softech Limited considering the requirements of Ind AS 109.

LAR



(11)

LAR

Marks

- b) Government of India provides loans to MSMEs at a below - market rate of interest to fund the set - up of a new manufacturing facility. Sukshma Limited's date of transition to Ind AS is 1<sup>st</sup> April 2020. 6

In financial year 2014 - 15, the Company had received a loan of ₹ 2.0 crores at a below -market rate of interest from the government. Under Indian GAAP, the Company had accounted for the loan as equity and the carrying amount was ₹ 2.0 crores at the date of transition. The amount repayable on 31<sup>st</sup> March 2024 will be ₹ 2.50 crores.

The Company has been advised to recognize the difference of ₹ 0.50 crores in equity by correspondingly increasing the value of various assets under property, plant & equipment by an equivalent amount on proportionate basis. Further, on 31<sup>st</sup> March 2024 when the loan has to be repaid, ₹ 2.50 crores should be presented as a deduction from property, plant & equipment.

Discuss the above treatment and share your views as per applicable Ind ASs.

OR

Nice Limited is a company incorporated on 1<sup>st</sup> April 2019. The Company has a net worth of ₹ 350 crores. The business of the company was affected due to low demand of its products. The following financial data is available as on 31<sup>st</sup> March 2021 : 6

₹ in crores

	31 <sup>st</sup> March 2020 Audited	31 <sup>st</sup> March 2021 Provisional
Net Profit	7.10	4.80
Turnover	550.00	1,050.00

During the financial year 2020 - 21 :

- The Company has spent ₹ 55,000 per month for developing vocational skills of local youth;

LAR

P.T.O.

(12)

Marks

LAR

- The Company has also provided its products at a considerable discount for the benefit of the under-privileged, the cost of which to the Company is ₹ 350,000.

The Company wants to carry forward its entire expenditure to next year as it is of the opinion that it does not have to spend anything on CSR activities during the current year.

Comment on the Company's applicability under Corporate Social Responsibility as per section 135 of the Companies Act, 2013 for the financial year 2020-21. Does it have any obligation to transfer any amount to any fund ?

5. (a) At 31<sup>st</sup> March, 2019 the issued share capital of SB Limited consisted of 20,00,000 ordinary shares of ₹ 1 each. On 1<sup>st</sup> July 2019 the Company issued ₹ 25,00,000 of 8% convertible loan stock for cash at par. Each ₹ 100 nominal of the loan stock may be converted, at any time during the years ended 2024 to 2027, into the number of ordinary shares set out below :

8

- 31<sup>st</sup> March, 2024:135 Ordinary Shares
- 31<sup>st</sup> March, 2025:130 Ordinary Shares
- 31<sup>st</sup> March, 2026:125 Ordinary Shares
- 31<sup>st</sup> March, 2027:120 Ordinary Shares

If the loan stock is not converted by 2027, they would be redeemed at par.

It is assumed that the written equity conversion option is accounted for as a derivative liability and marked to market through profit or loss. The change in the options' fair value reported on 31<sup>st</sup> March 2020 and 31<sup>st</sup> March 2021 amounted to losses of ₹ 5,000 and ₹ 5,300 respectively. Further, it is assumed that there are no tax consequences arising from these losses.

The profit before interest, fair value movements and taxation for the year ended 31<sup>st</sup> March, 2020 and 2021 amounted to ₹ 16,50,000 and ₹ 17,90,000 respectively and relate wholly to continuing operations. The rate of tax for both the periods is 33% (including cess and surcharge if any).

Calculate Basic and Diluted EPS for 31<sup>st</sup> March 2020 & 31<sup>st</sup> March 2021.

LAR



(13)

LAR

Marks

8

- (b) U Limited is operating in paint industry. Its business segments comprise paints (wall paints, lead paints, zinc paints, aluminium paints etc.), and others (consisting of primer, varnish, thinner and related products). Certain information for financial Year 2020-2021 is given below :

₹ In lakhs

Segments	External Revenue (Inc. GST)	GST	Other operating income	Result	Assets	Liabilities
Paints	10,000	250	2000	500	2500	1500
Other	3,500	150	750	200	1500	500

**Additional Information :**

- Unallocated income (Net of expenses) is ₹ 1,50,00,000.
- Interest and bank charges is Rs.1,00,00,000.
- Income tax expenses is ₹ 1,00,00,000 (Current tax ₹ 97,50,000 and deferred tax ₹ 2,50,000).
- Unallocated investments are ₹ 5,00,00,000 and other assets are ₹ 5,00,00,000.
- Unallocated Liabilities, Reserve and surplus and share capital are ₹ 10,00,00,000, ₹ 15,00,00,000 and ₹ 500,00,000 respectively.
- Depreciation amounts for paints and others are ₹ 50,00,000 and ₹ 15,00,000 respectively.
- Capital expenditure for paints and others are ₹ 2,50,00,000 and ₹ 1,00,00,000 respectively.
- Revenue from outside India is ₹ 31,00,00,000 and segment assets outside India is ₹ 5,00,00,000.

Based on the above information, how U Limited would disclose information about reportable segment revenue, profit or loss, assets and liabilities and others for financial year 2020-2021. Ignore corresponding figures for the previous year.

LAR

P.T.O.

(14)

Marks

LAR

4

(c) Ted entered into a lease contract with lessor to lease 2,000 sqm of retail space for 5 years. The rentals are payable monthly in advance. The lease commenced on 1<sup>st</sup> April 2019. In the year 2020, as a direct consequence of Covid 19 pandemic, Ted has negotiated with the lessor which may results in the following situations :

- Lessor agrees a rent concession under which the monthly rent will be reduced by 30% per month for the 12 months commencing 1<sup>st</sup> October 2020.
- Ted is granted a rent concession by the lessor whereby the lease payments for the period October 2020 to December 2020 are deferred. Three months are added to the end of the lease term at same monthly rent.
- Lessor offers to reduce monthly rent by 50% for the months October 2020 to March 2021 on the condition that its space is reduced from 2,000 sq m to 1,500 sq m.

Analyze the given situations in the light of Ind AS 116 and comment on whether rent concession/ deferral is eligible for practical expedient ?

6. (a) Heavy Limited has a plant with normal capacity to produce 90,000 units of a product per annum and expected fixed production overhead for the year is ₹ 18,00,000. There are no quarterly/ seasonal variations. Hence, normal expected production of each quarter is uniform. The actual production of the year is 87,000 units. The production details of each quarter are as under :

5

Quarter I :	20,000 units
Quarter II :	24,000 units
Quarter III :	23,500 units
Quarter IV :	19,500 units

Calculate the allocation of fixed production overhead for all the four quarters. Will the quarterly results affect annual result ?

Give your answer as per Ind AS 34 read with Ind AS 2

LAR



(15)

LAR

Marks

(b) On 1<sup>st</sup> October, 2017 Axe Limited issues preference shares to B Limited for a consideration of ₹ 18 lakhs. The holder has an option to convert these preference shares to a fixed number of equity instruments of the issuer any time up to a period of 4 years. If the holder does not exercise the option, the preference shares are redeemable at the end of 4 years. The preference shares carry a fixed coupon of 5.5% per annum and is payable every year. The prevailing market rate for similar preference shares without the conversion feature is 8% per annum.

5

Axe Limited has an early redemption option to prepay the instrument at ₹ 20 lakhs and on 30<sup>th</sup> September, 2020, it exercised that option. The interest rate has changed on that date.

At that time, Axe Limited could have issued a 1 year (that is maturity 30<sup>th</sup> September, 2021) non-convertible instrument at 6%.

Calculate the value of liability and equity components at the date of initial recognition. Also give amortization schedule.

(Limit discounting factor to 3 decimal places for calculation purpose).

(c) Voya Limited issued 1,000 share options to each of its 200 employees for an exercise price of ₹ 10. The employees are required to stay in employment for next 3 years. The fair value of the option is estimated at ₹ 18.

5

90% of the employees are expected to vest the option.

The Company faced severe crisis during the 2<sup>nd</sup> year and it was decided to cancel the scheme with immediate effect. The market price of the share at the date of cancellation was ₹ 15.

The following information is available :

Fair value of the option at the date of cancellation is ₹ 12

The company paid compensation to the employees at the rate of ₹ 13.50. There were only 190 employees in the employment at that time.

You are required to show how cancellation will be recorded in the books of the Company as per relevant Ind AS.

LAR

P.T.O.

(16)

Marks

LAR

5

(d) As part of its business expansion strategy, UG Limited is in process of setting up a health care intermediates business. The process is at very initial stage. Towards this, UG Limited acquired on 1<sup>st</sup> April 2020, 100% ordinary shares of AG Limited. AG Limited manufactures health care intermediates. The purchase consideration of AG Limited was by way of a share exchange valued at ₹ 1,750 lakhs. The fair value of AG Limited's net assets was ₹ 750 lakhs, but this fair value does not include :

- A patent owned by AG Limited for an established successful intermediate drug that has a remaining life of 10 years. A consultant has estimated the value of this patent at ₹ 500 lakhs. However, the outcome of clinical trials for the same is awaited. If the trials are successful, the value of the drug would fetch estimated ₹ 750 lakhs.
  - AG Limited has developed and patented a new vaccine which has been approved for clinical use. The cost of developing the vaccine was ₹ 600 lakhs. Based on an early assessment of its sales success; its market value has been estimated at ₹ 1,000 lakhs by a valuer.
- UG Limited has requested you to suggest the accounting treatment of the above transaction under applicable Ind AS.

---

LAR