

2024

COMMERCE

Paper : DSE-305A

(Corporate Financial Accounting and Reporting)

Full Marks : 40

The figures in the margin indicate full marks.

*Candidates are required to give their answers in their own words
as far as practicable.*

Module - I

Answer *any two* questions.

1. (a) Tamil Nadu Shipbuilding and Engineering Ltd. is a container ship manufacturing company. The normal operating cycle of the company is 2.5 years. During the financial year ended 31.03.2025, the company has manufactured a fleet of advanced container ships which will be sold only after 3 years from the reporting date, 31.03.2025. The credit period is expected to be 1 year from the date of sale. State, with reason, how you will classify the item on 31.03.2025. Is there any additional disclosure to be provided under Ind AS 1?
- (b) ABC Ltd. purchased goods on credit from XYZ Ltd. for ₹ 5,00,000 on 01.01.2025. As per the terms of the purchase, the amount is payable in 14 months. However, ABC Ltd. expects to settle it after another 2 months from the due date because of some working capital crunch. The normal operating cycle of ABC Ltd. is 15 months. State with reason, how ABC Ltd. will present the liability in its Balance Sheet on 31.03.2025.
- (c) On 1st May, 2023 MN Ltd. took a loan from IDBI Bank for ₹ 18,00,000. The loan is due to be repaid in 12 equal quarterly installments. The first repayment was due on 1st August 2023. All payments till 31.03.2025 have been made on due date. Determine the outstanding balance of loan on 31.03.2025. How should the outstanding balance on 31st March, 2025 be reported in the Balance Sheet? (Ignore interest) 4+3+3

Please Turn Over

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2. Following is the Balance Sheet of P Ltd. as at 31st March, 2025 :

Particulars	Amount (₹)
Assets	
Non-current Assets	
Property, Plant and Equipment	13,30,000
Goodwill	2,00,000
Patent	1,00,000
Investments (at face value)	4,20,000
Current Assets	
Inventories	1,00,000
Trade Receivables (Sundry debtors)	7,00,000
Cash and Cash Equivalent	1,00,000
Total	29,50,000
Equity and Liabilities	
Equity	
Equity Share Capital of ₹ 10 each, fully paid	10,00,000
8%, Compulsorily Convertible Preference Shares (₹ 100)	4,00,000
General Reserve	3,60,000
Retained Earnings	2,50,000
Non-current Liabilities	
10% Debentures	2,00,000
Current Liabilities	
Trade Payables (Sundry creditors)	5,40,000
Bank Overdraft	2,00,000
Total	29,50,000

Additional information :

- (i) PPE are worth 25% above their actual book value. Depreciation on appreciated value of PPE is not to be considered for valuation of goodwill. Patent is valueless.
- (ii) 70% of the Investments are non-trading and the balance is trading. All investments are to be valued at 20% above cost. Dividend at uniform rate of 20% is earned on all investments.
- (iii) Goodwill is to be valued based on super profit which is likely to be sustained for next 3 years. Profit (after 40% tax) are as follows :

Year	2022-2023	2023-2024	2024-2025
₹	3,20,000	2,90,000	3,10,000

- (iv) In 2022-2023, one item of machinery costing ₹ 20,000 was purchased but wrongly charged to revenue. No effect has been given yet to rectify the same. Depreciation is charged on machinery @ 10% p.a. under straight line method.
- (v) In similar businesses, return on capital employed is 10%.
- (vi) Applicable weights for calculation of weighted average profits are 1, 2 and 3 for 2022-23, 2023-24 and 2024-25.
- (vii) Preference shares are participatory in nature. The ratio of participation by equity and preference shareholders in surplus assets is 2 : 1.

Find out the net asset backing value of each equity and preference share.

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3. (a) Determine the reportable segments as per Ind AS 108 from the following information of DS Ltd. for 2024-25 (₹ in Crore).

	A	B	C	D	E	F	G
1. Segment Revenue							
(a) External Sales	500	-	250	400	1,200	500	150
(b) Inter Segment Sales	7,500	2,000	850	800	-	570	280
2. Segment Results Profit / (Loss)	850	(200)	(80)	(175)	(50)	50	(25)
3. Segment Assets	1,000	250	150	50	20	20	10

Segment E is a high-growth business and management expects it to make a significant contribution to external revenue in the coming years. Accordingly, management has determined that Segment E should be treated as a reportable segment.

- (b) What is impairment of assets as per Ind AS 36?
- (c) Briefly discuss three characteristics of intangible assets as per Ind AS 38. 5+2+3
4. (a) When will a company assess whether an asset is impaired in accordance with Ind AS 36?
- (b) ABC Ltd. acquired a business on 01.04.2022 for a purchase consideration of ₹ 880 crore. CGU W, X, Y and Z were acquired having fair values of ₹ 450, ₹ 125, ₹ 150, ₹ 75 crore respectively. The life of the CGUs was 10 years and Goodwill is to be amortized over 5 years.

On 31.03.2025, ABC Ltd. undertook an impairment test. Cash flows were estimated as follows :

- (i) CGU of W ₹ 70 crore p.a. for the balance number of years.
- (ii) CGU of X ₹ 20 crore p.a. for the balance number of years.
- (iii) CGU of Y ₹ 25 crore p.a. for the balance number of years.
- (iv) CGU of Z ₹ 10 crore p.a. for the balance number of years.

Discounting factor is 12% and PVIFA (12%, 7) = 4.57.

Calculate revised value of goodwill and carrying amount of all CGUs, and revised depreciation and amortization p.a. 3+7

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Module - IIAnswer *any two* questions.

5. On 31.03.2025, the balance sheets of H Ltd. and S Ltd. were as follows :

Particulars	H Ltd. (₹ in lakh)	SLtd. (₹ in lakh)
Assets		
Non-current Assets		
PPE	46,000	23,000
Investment in S Ltd.	25,000	—
Current Assets		
Inventories	25,000	4,000
Trade Receivables (including ₹ 400 due from H Ltd.)	5,000	1,750
Cash and Cash Equivalent	29,000	10,000
Total	1,30,000	38,750
Equity and Liabilities		
Equity		
Share Capital (₹ 10)	40,000	15,000
Other Equity (Retained Earnings)	87,500	22,500
Non-current Liabilities	—	—
Current Liabilities		
Trade Payables (including ₹ 300 due to S Ltd.)	2,500	1,250
Total	1,30,000	38,750

Additional Information :

- (i) On 01.04.2024, S Ltd. had an issued and subscribed capital of 1500 lakh shares of ₹ 10 each fully paid and a balance of ₹ 15,000 lakh in its Other Equity (as Retained Earnings). On that date H Ltd. acquired 80% shares of S Ltd. by issuing equity shares of ₹ 25,000 lakh.
- (ii) The aggregate identifiable net assets of S Ltd. as on 01.04.2024 included PPE and inventory standing in the books of S Ltd. at ₹ 17,500 lakh and ₹ 2,500 lakh having fair value of ₹ 19,000 lakh and ₹ 1,000 lakh respectively. The rate of depreciation on PPE is 10% p.a.
- (iii) NCI was valued at proportionate fair value of identified net assets.
- (iv) Goodwill was impaired by ₹ 200 lakh.
- (v) S Ltd. sold goods worth ₹ 600 lakh to H Ltd. on credit at a profit of 25% on cost. 50% of the goods were still unsold.

- (vi) H Ltd. paid ₹ 100 lakh by cheque in March, 2025 which is yet to be received by S Ltd.
- (vii) On 30.06.2024, S Ltd. paid a final dividend @ 20% for the financial year 2023-24 on its paid-up capital. H Ltd. received its share and treated the same as per Ind AS 27.
- (viii) The directors of both the companies have proposed a dividend @ 10% for the financial year 2024-25.

Prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31.03.2025. 10

6. X Ltd. went into voluntary liquidation on June 30, 2024. Its liabilities on that date were as follows :

	(₹)
6% Debenture with floating charge on all assets of the company	21,00,000
Interest o/s on Debentures	1,26,000
Sundry Creditors	25,30,500
The Capital of the company consisted of :	
6% Pref. Share Capital of ₹ 10 each, fully paid	10,50,000
Equity Share of ₹ 10 each, ₹ 9 Paid	13,50,000
Equity Share of ₹ 10 each, ₹ 5 Paid	15,00,000

The assets realized as follows :		(₹)	(₹)
Date	Stock	Other Asset	
July 31, 2024	2,10,000	15,75,000	
Aug 31, 2024	2,10,000	14,71,050	
Sept 30, 2024	4,20,000	15,75,000	

The break up of Sundry Creditors is as follows :

	(₹)
Bank OD (with lien on stock)	5,25,000
Trade Creditors	15,75,000
Outstanding wages	1,05,000
PF dues to employees	3,15,000
ESI Premium due	10,500

The liquidator is entitled to 2% on the amount distributed among unsecured creditors excluding preferential creditors and 25% on the savings that equity shareholders would have from their maximum legal liability. The debenture holders as well as the bank waived interest after 30th June, 2024.

After reserving ₹ 30,000 for liquidation expenses (which ultimately amounted ₹ 23,859 and paid on September 30, 2024) the liquidator distributed the cash among various parties according to their rights.

You are required to prepare Liquidator's Final Statement of Accounts.

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7. (a) XY Ltd. makes a borrowing of ₹ 15,00,000 from ABC bank. The terms of the loan were as follows :

- (A) Tenure of the loan is for 5 years.
 (B) The rate of interest is 10% and is to be paid annually at the end of the year.
 (C) On the expiry of 5 years the principal amount has to be repaid.

XY Ltd. defaults at the end of the 5th year and consequently a rescheduling of the payment made. The terms of the rescheduling is that at the end of the 6th year, XY Ltd. would pay ₹ 19,00,000 in lieu of the defaults made in the 5th year.

- (i) You are required to calculate the cost of default for XY Ltd.
 (ii) Explain how this cost of default is to be accounted for in the books of account of XY Ltd.

(b) S Ltd. a subsidiary, issued redeemable Preference Shares to the Holding Company H Ltd. The terms of the issue have been given below :

Repayment	Redeemable after 5 years
Date of Allotment	April 1, 2020
Date of Redemption	March 31, 2025
Value of Preference Shares Issued (₹)	1,00,000
Dividend rate	0%
Dividend Rate of similar Preference Shares	10%
Present Value Factor at 10% at the end of 5th year	0.6209

- (i) Explain how this instrument is to be initially recognised by H Ltd. in its books of accounts.
 (ii) Give Journal Entries (Narration not required) at each year ending date. Workings must be shown neatly and no marks will be awarded if your answers are not supported by proper workings. (1+1)+(2+6)

8. (a) "From the viewpoint of the holder, cryptocurrency may be treated as an intangible asset." — Do you agree? Justify your answer with reason.

(b) On 01.01.2024, Mr. Q purchased 4,000 units of TrueCoin, a popular cryptocurrency, at ₹ 380.50 per unit. He paid an irrecoverable tax @ 0.5% of the transaction value and additionally paid blockchain processing fees @ 1.5% of the transaction value. On 31.03.2024, the value of TrueCoin increased to ₹ 430.50 per unit. Thereafter the value of TrueCoin declined continuously following a cryptocurrency scam. The value of TrueCoin on 31.03.2025 was ₹ 360.00 per unit. Mr. Q still holds 4,000 units of TrueCoin.

Assume that Mr. Q is not a trader or commodity trader-broker of TrueCoin but is an investor looking for some capital appreciation and that he follows Revaluation Model while accounting for his investment in TrueCoin.

Show necessary journal entries in the books of Mr. Q (working should form part of your answer).

4+6