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The suggested answers were prepared by CA-final students. There a possible of slightly Errors with ICAI answers & for some solutions alternative answers also possible. If you found any Errors kindly send mail to thecababa @ gmail.com.

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FR - NOV (2020)

1 (a)

① Calculation of Initial recognition amount of loan:-

Year	Principal	Int @6%	Total CF	PV factor	PV of CFS
31/3/21	3,00,000	90,000	3,90,000	.909	354510
31/3/22	3,00,000	72,000	3,72,000	.827	307644
31/3/23	3,00,000	54000	3,54,000	.751	265854
31/3/24	3,00,000	36000	3,36,000	.683	229488
31/3/25	3,00,000	18000	3,18,000	.620	197160
			Staff loan		1354656
			Employee benefit Exp [P/L]		145344
					15,00,000

∴ Amount to be Recognised in P/L for 20-21 ⇒ 1,35,466
(1354656 × 10 %)

Amount already Recognised 90,000

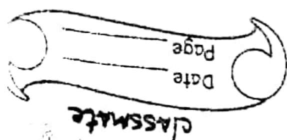
Additional Amt to be recognised. 45466

* Employee benefit Exp was fully charged to P/L since no condition for any specific performance against this benefit.

② Calculation of Amortised Cost of Loan.

year	Amortised Cost [OP]	Interest [P/L]	Repayment CF	Amortised Cost [C/S]
20-21	1354656	135466	3,90,000	1100122
21-22	1100122	110012	3,72,000	838134
22-23	838134	83813	3,54,000	567947
23-24	567947	56795	3,36,000	288742
24-25	288742	29258*	3,18,000	0

* 29258 was neared Eq diff (288742 — 29258) due to approximation.



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Journal Entries

			Dr	Cr
1)	Staff Loan A/c	Dr	1354656	
	Employee benefit Exp A/c	Dr	145344	
	To Cash			1500000
2)	Profit & Loss A/c	Dr	145344	
	To Employee benefit Exp A/c			145344
~~3)~~	~~Int on loan A/c Dr~~			
3)	Staff loan A/c	Dr	135466	
	To Int on loan			135466
4)	Cash A/c	Dr	390000	
	To Staff loan A/c			390000

B/s (Extract)

Non - Current Asset

Staff Loan 838134

Current Asset

Staff loan (838134 - 1100122) 261988

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1 (b)

Basic EPS ⇒ $\frac{\text{Net profit attributable to O/s eq SH}}{\text{No. of Eq SH O/s.}}$

B. EPS. ⇒ $\frac{90,000}{16,000}$ = **5.625**

Calculation of dilution EPS :-

① No of shares for options ⇒ $900 \times \frac{90-75}{90}$ ⇒ 150 Shares.

② Checking the dilution for preference shares

Income ⇒ $\frac{7500 \times 9}{92\%}$ ⇒ 73369

EPS ⇒ $\frac{73369}{15000}$ ⇒ 4.89 (∴ Shares are dilutive)

No of Shares to be issue ⇒ 7500 × 2 ⇒ 15000

③ checking the dilution for Debentures

Income ⇒ 10 Lacs × 10% × 75% ⇒ 75,000

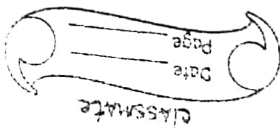
EPS ⇒ $\frac{75000}{40000}$ ⇒ 1.875 (∴ Shares are dilutive).

Diluted EPS :-

① options → $\frac{90,000 + 0}{16000+150}$ ⇒ 5.51

② after Conversion of Debentures ⇒ $\frac{90000+75000}{16150+40000}$ ⇒ **2.93**

③ After pref Shares ⇒ $\frac{165000+73369}{56150+15000}$ ⇒ 3.35



∴ D. EPS ⇒ 2.93

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2 (a)

(i) **Expected value method** [EVM]

Calculation of sale units

Volume	Probability	
9000	15 %	1350
28000	75 %	21000
36000	10 %	3600
Expected Sales		25,950

The Expected sales 25,950 units will fall under braket of 10,000 - 30000 units & Price to be charged is ₹ 80/- p.u.

(ii) **Most likely Method :-** (MLM)

Since the 75 % is most likely to happen sales of total Expected sales 21000 units is charged at ₹ 80/- p.u.

(iii) Journal Entries [EVM]

Cash A/c Dr xxx
 To Revenue (Sales A/c xxx

[Entry will be passed when Actual Sales occur @ 80/- p.u.]

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2 (b)

As per Ind AS 34, Income tax is recognised in each Interim period based on the based Estimate of weighted Avgerage annual Income tax Expected for the full financial year.

(1) Calculation of Weighted Avg Annual Income tax Rate. (WAAITR)

Gross Annual Income [Excl CG] [16,50,000 - 4,00,000]	12,50,000
Tax Expense on Income	
20% on 2,50,000	50,000
30% on 10,00,000	3,00,000
	3,50,000

WAAITR ⇒ $\frac{3,50,000}{12,50,000} \times 100$ ⇒ **28%**

(2) Tax Expense to be recognised Each year

Q - I →	3,50,000 x 28%	98000
Q - II →	4,00,000 x 28%	112000
Q - III →	(6,00,000 - 400000) x 28 → 56000	
	400000 x 12% → 48000	104000
Q - IV →	3,00,000 x 28%	84000
		398000

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3 (a)

Considering the facts of the case, seller - lessee should account for the transaction a sale & lease back

firstly, since the consideration for the sale of building is not at fair value. Adjustment need to measure the sale proceeds at fair value.
Thus Additional sale price 3,00,000 (WN 1)
Recognised as Additional financing provided by buyer-lessor to seller - lessee.

WN-1) Sale price = 28,00,000
(-) fair value = 25,00,000
Additional financing Provided by buyer to seller ⇒ 3,00,000

WN-2) Calculation of Annual lease payment :-

(A) PV of annual lease payments ⇒ 2L × PVIFA [12%, 20 yrs] ⇒ 14,94,000
(B) Additional financing provided by buyer 3,00,000
(C) Discounted lease payment for ROU Asset 11,94,000

(D) Annual lease payment = 2,00,000

Related to lease.
$\left(\frac{D \times B}{A}\right)$ ⇒ 159840

Related to Add^l financing
-40160
(159840 - 2,00,000)

In the books of seller [Venus Ltd]

At the Commencement date. [Cal^n of ROU Asset].
(a) Carrying value → 13,00,000
(b) Fair value → 25,00,000
(c) discounted lease payments → 11,94,000

Date
Page

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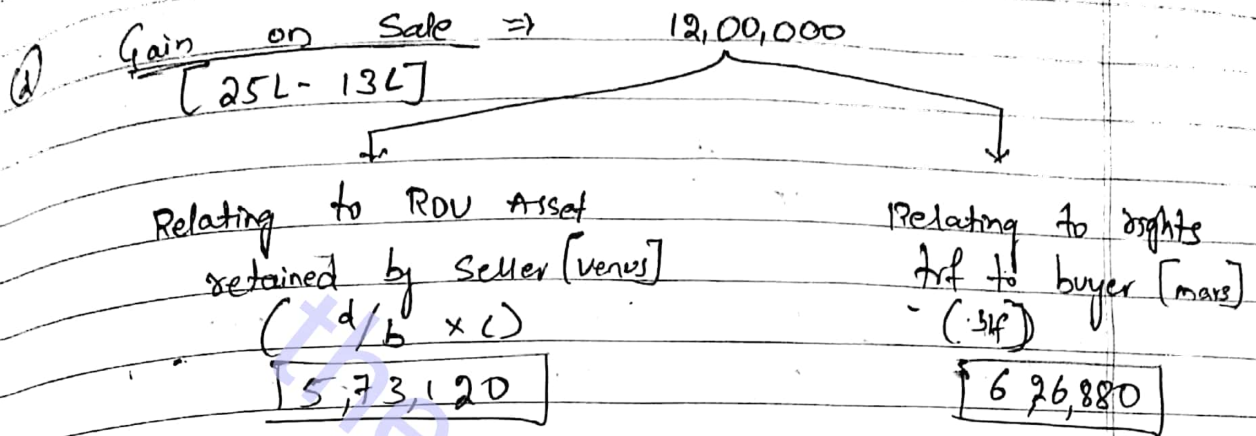
∴ ROU Asset $\left[\frac{a \times c}{b}\right]$ ⇒ 6,20,880/-



Journal Entries at Commencement date :-

		Dr	Cr
Cash A/c Dr		28,00,000	
ROU Asset A/c Dr		6,20,880	
To building A/c			13,00,000
To financial liability A/c			14,94,000
To Gain on rights transferred			6,26,880

3 (b)

(1) Allocation of Corporate Asset to CGU.

Particulars	ST	RS	RT	Total (₹ in cr)
(a) Carrying Amount	1500	2250	3300	7050
(b) Useful life	10	20	20	
(c) weight based on useful life	1	2	2	
(d) Carrying Amount [a×b]	30,000	45000	66000	
(e) Allocation of land [₹1800] (based on 'd')	383	574	843	1800
(f) Carrying value (after Allocation)	1883	2824	4143	8850
(g) Recoverable Amount	1800	2700	4200	
Impairment	83	124	—	207

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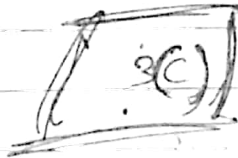
	T	RS	RT	Total
				207
Imp Loss (Total)	83	124		165
Imp loss to CGU	66	99		42
Land Imp loss	17	25		

~~Closing value of CGU~~ ~~1434 (1500-66)~~

Closing Value of	Train	1500 - 66	= 1434
"	RS	2250 - 99	= 2151
"	RT		= 3300
Land	=	1800 - 17 - 25	= 1758
building			= 600
			9243
Company R.V			= 9600

(∴ No More Impair Loss needed).

Total Imp loss ⇒ 207 //



As per Ind AS 2 → Value of Inverter panel [both WIP & finished goods] have to shown at Scrap value because of special design specification made for customer.

If there is no Scrap value, then the value is taken as 'Zero'.

As per Ind AS 37 → Value of Debtor should be Adjusted with full Amount of provision and taken closing debtor balance to NIL.

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4.(a)

PV of loan ⇒ 96000 × PVAF (10%, 4 yr) + 12L × PVF (10%, 4 yr)
⇒ 11,20,320.

∴ PV of loan ⇒ 11,20,320
Value of Equity ⇒ 79,680
Total 12,00,000.

⇒ Interest to be charged for 2nd year ⇒ 1120320×10% ⇒ 1,12,032
(−) Already Recognised finance cost (given) 96000
Add^l Amount to be recognised 16032

B/S (Extracts)

NCL

8% Convertable loan 11,53,987
[11,20,320 − 96,000 − 96,000 + 1,12,032 + 1,13,635]

CL

8% Convertable loan. 17,637
(11 36 352 − 11 53 987)

Other Equity:-

8% Convertable loan 79,680

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4 (b)

Threshold Amount is 1,28,000 [12,80,000 X 10 %]

Segment A :- Exceeds the threshold [4 L > 1.28 L] & hence reportable segment.

Segment D :- Exceeds the threshold [6.92 > 1.28 L] & hence reportable segment.

(*) Segment B & C, do not meet the quantitative threshold Amount & may not be classified as reportable segment.

→ However Total External Revenue of A & D represent only 73.43 % [400 + 70 / 640 L] of Entity. that is < 75 %.

∴ Additional operating segments should be identified as reportable segments until at least 75 % of the revenue is included in reportable segments.

∴ In case of John Ltd, it is given that segment C is a new business unit & management expect this segment to make a significant contribution to external revenue in coming years.

In Accordance with requirement of Ind AS 108, John Ltd designates this start-up segment C as a reportable segment, making the total external revenue attributable to reportable segments 87.5 %. [400 + 70 + 90 / 640] of total Entity External sale.

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4P (C)

(i) Identify the Acquirer
In this Case, P Ltd has Paid Cash Consideration to SH of S Ltd. further the shares ~~of~~ issued to ~~S Ltd~~ to the Acq. of S Ltd. do not trf control of P Ltd to Erstwhile Shareholders of S Ltd.
∴ P Ltd is the Acquirer & S Ltd is the Acquiree.

(ii) Determine Acquisition date. → 31st - 12 - 2019

(iii) Determine Purchase Consideration
The total PC comprises of following

Cash Consideration	50,00,000
Equity Shares issued [90,000 x 10]	9,00,000
Contingent Consideration [fair value]	2,00,000
fair value of Previously held Interest	18,00,000
	79,00,000.

(iv) Determine fair value of INA.
INA ⇒ 45,00,000.

(v) Measure NCI → fair value of NCI = 5,00,000

(vi) Re-measure previously-held Interest.
Amount recognised in P&L ⇒ 18L - 8L = 10L
Income to be recognised in P&L ⇒ 10 Lakhs.

(vii) Determination of Goodwill / GBP.

	Total Consideration	⇒ 79,00,000	[WN 3]
	NCI @ FV	= 500 000	
(-)	INA @ FV	(45,00,000)	
	Goodwill	39,00,000	

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5(a)

(i) Diamond Ltd will Recognise a liability in its books to the Extent of

PL ⇒ 5 days of PL for 200 Employees & 10 days of PL for remaining 800 Employees

SL ⇒ 2 days of SL for 200 Employees & 5 days of SL for remaining 800 Employees.

(ii) Diamond Ltd will recognise 140 cr (4000 cr × 3.5%) as a liability & Expense in books of account.

(iii) When an Employee has rendered service to an Entity during a period, the Entity shall recognise the Contribution payable to a defined contribution plan in Exchange for that Service.

(a) Under Ind AS 19, amount of 160 cr [200 − 40 cr] may be recognised as liability [accrued Expenses] after deducting any Contribution already paid (200−40). However, if contribution already paid would have Exceeded the Contribution due for service before the End of reporting period, an Entity shall recognise that Excess as an Asset (prepaid Expense) &

(b) Also 160 cr. will be recognised as an Expense which will be disclosed as Expense in Statement of profit & Loss.

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5 (b)

Statement of cash flows for 2019-20 (Extract)

	Amt	Amt (₹)
1) Cash flows from operating activities (Gross).		
PBT	35000	
Adjustments for non cash items :-		
Depriciation	15000	
decrease in Inventories (w.n. 1)	4500	
decrease in Trade Receivables (w.n. 2)	2000	
decrease in Trade payables (w.n. 3)	(12000)	
Int paid to be shd in financing Activities	2000	
Taxation (5500 + 7500 - 6000)	(7000)	
Net Cash flows from operating activities		39,500
2) Net Cash flows from Investing activities [37000 - 1000]		(36,000)
3) net Cash flows from financing activities (int paid)		(2000)
Increase in Cash & Cash Equivalents.		1500
Cash & Cash Equivalents, begining of year.		2500
Cash & Cash Equivalents, at the end of year		4000

WN 1) Inventories. [Group's year End - Subsy during year + op Group value]
→ 15000 - 2000 + 17500 ⇒ 4500

2) Trade Receivable [Group's year End - Subsy during year + opening Group]
⇒ 27000 - 4000 - 25000 ⇒ 2000

3) Trade payable [Group's year End - Subsy during year + opening Group]
⇒ 34000 - 16000 - 30,000 ⇒ 24000

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5 (c)

Ind AS 28 defines the Equity method as "method of Accounting whereby the Investment is initially recognised at cost & Adjusted thereafter for the post-Acquisition change in the Investor's share of the Investee's net Assets. The Investor profit or loss Includes its share of its Investee's profit or loss & the the Investors' OCI Includes its Shares of the Investee's OCI.

In the given Case, Entity H recognises 200 as change in other equity Instead of in statement of Profit & Loss and maintains the same classification as of its associate, Entity S i.e. direct credit to Equity as in Consolidated financial Statements.

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6 (a)

Working notes:-

Starting date ⇒ 10,000 Shares × 100/- ⇒ 10,00,000
Year End 1 ⇒ 10,000 × 94 %. × 132 - 10L ⇒ 2,40,800
Year End 2 ⇒ 10,000 × 91%. × 139 - 12,40,800 ⇒ 24,100
Year End 3 ⇒ 10,000 × 85%. × 141 - 1264900 ⇒ (66400)

Journal Entries

Date	Particulars	Dr	Cr
1/4/17	Employee benefit Exp A/c Dr	10,00,000	
	To SBP liability		10,00,000
31/3/18	Employee benefit Exp A/c Dr	240800	
	To SBP Liability		240800
31/3/19	Employee benefit Exp A/c Dr	24100	
	To SBP liability		24100
31/3/20	SBP liability A/c Dr	66400	
	To Employee benefit Exp A/c		66400
	SBP liability A/c Dr	1198500	
	To Cash		1198500

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6 (b)

(i) The tax loss creates a potential deferred tax asset for the group since its carrying value is nil & its tax base is 20,00,000.

However, **NO DTA** can be recognised because there is no prospect of being able to reduce tax liabilities in the foreseeable future as no taxable profits are anticipated.

(ii) The carrying value of loan at 31/3/20 is 53,90,000 (50,00,000 - 100 000 + (492 x 10%))

The tax base of loan is 50,00,000.
This creates a DTD of 3,90,000 (50L - 53.9L)
& a potential DTA of 78000 (3.9L x 20%)

6 (c)

(i) As per Sec 135 of Companies Act, 2013 :- Every company having either
(a) Net worth of 500 cr or more or
(b) Turnover of 1000 cr or more or
(c) a net profit of 5 cr or more
during immediate FY shall constitute a CSR committee of board consisting of three or more directors (incl 1 independent director).

∴ Since the net profit of 31/3/19 is more than 5cr ie 9.5 cr. The company will be required to form a CSR committee.

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(ii) Here, it is assumed that the commercial activities performed at concessional rates are the activities done in the ordinary course of business of the companies. Therefore, the intention of the management to highlight the expenditure incurred on such commercial activities in its financial statement as the expenditure incurred on activities undertaken to discharge CSR, is not correct.

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6 (d) (i)

As per Ind AS 111, para 4, 5, 7 & B9.

In the above case, M Ltd & N Ltd collectively have the ability to direct the activities of Entity K. & a contractual agreement requires them to mutually agree on all decisions in respect of these activities.

∴ Thus M Ltd & N Ltd have Joint Control over Entity K.

The consent of C Ltd is not needed for decisions concerning the relevant activities of P Ltd. The ability of C Ltd to veto the issuance of equity & debt instruments (ie rights to assets & obligations for the liabilities) is in the nature of protective right only because it is designed to protect his interests & does not give it the ability to direct the activities that significantly affect Entity K's returns.

∴ Thus C Ltd is party to Joint arrangement, C Ltd does not have Joint Control over Entity K

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6(d) (ii)

~~As per~~ Ind AS 115 :

In the given Case, Entity Concluded that Each ticket price purchased from airline are Committed, it obtains Control of right to use of tickets.

further Entity can resell the tickets, or obtain all of the proceeds from the Sale or, alternatively, use the tickets for itself. Thus, Entity also has the ability to obtain the remaining benefits from that right.

Entity has Inventory risk with respect of tickets because it Committed itself to obtain the airline tickets from airlines before obtaining a contract with a Customer to purchase the tickets.

Conclusion

Hence, in the given Case, Entity Concludes that it is a principal in the transaction with customers & recognises revenue in the gross amount of Consideration to which it is Entitled to Exchange for the tickets transferred to Customers.

END

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