

Question . 1 (a)

IND AS 110 - Consolidated Financial Statements

Purchase Consideration

1. PC in Equity Shares	3,60,000
a. (2,00,000 x 1.8)	
2. PC in Cash	10,00,000
3. Deferred PC in Cash	<u>3,75,000</u>
a. (5,00,000 x 0.75)	17,35,000

Cost of Control (GW/Bargain Purchase)

1. Purchase Consideration	17,35,000
2. NCI (Fair Value)	<u>3,80,000</u>
	21,15,000

1. Fair Value of Net Assets of S Ltd on date of acq.

a. Share Capital	5,00,000
b. Reserves on 1/4/17	1,25,000
c. Revaluation Reserve	<u>2,00,000</u>

8,25,000

Goodwill

12,90,000

Impairment of Goodwill

(2,58,000)

Goodwill in CBS

10,32,000

NCI in CBS

1. NCI on date of acquisition	3,80,000
2. NCI share in post acq. reserve of S Ltd.	
a. [20% x (3,00,000 - 1,25,000)]	<u>35,000</u>
	4,15,000

Reserves for CBS

1. Reserve in A Ltd	14,00,000
2. A Ltd Share in Post Acq. Reserves of S Ltd.	1,40,000
a. [80% x (3,00,000 - 1,25,000)]	
3. Securities Premium	1,60,000
a. (2,00,000 x 0.8)	
4. Impairment of Goodwill	<u>(2,58,000)</u>
	14,42,000
Balance Sheet Total	44,36,250

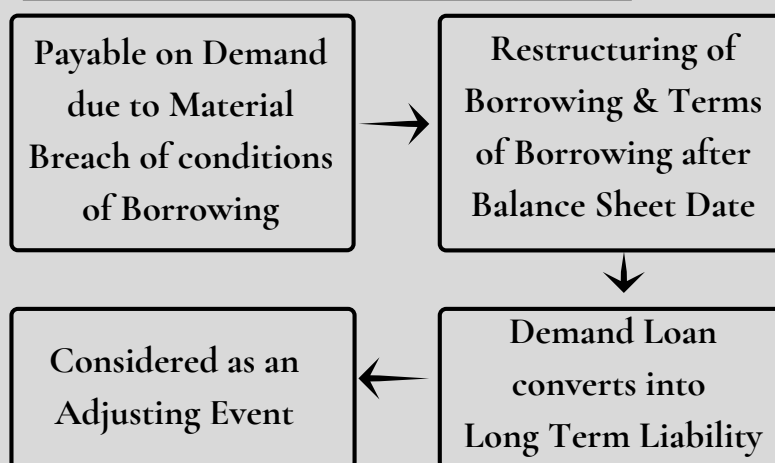
Analysis of Q. 1(a)

Tested Deferred Consideration concept along with all the necessary consolidation procedures.

This will not be a cake walk for students and would have surprised students who did not expect consolidation as a compulsory question.

Question . 1 (b)

IND AS 10 - Events Occuring After Balance Sheet Date

Exception for Non-Adjusting Events

- (i) Bank Loan will be considered as a "Long Term Liability" in Financial Statements.
- (ii) Bank Loan shall be considered as "Long Term Liability" since Entity A expects to rectify the breach of covenant by issue of additional shares.
- (iii) Bank Loan shall be considered as "Current Liability" payable immediately.

Analysis of Q. 1 (b)

Direct Application of a para from IND AS 10 - Exception to Adjusting Events.
Fairly easy interpretation if the student is aware of the provision.

Question . 2 (a)

IND AS 36 - Impairment of Assets

IND AS 10 - Events Occurring after B/S Date

Impairment of Warehouse is an ADJUSTING ITEM since the structural fault was existing on B/S Date and further evidence of fault surfaced after B/S Date.

• Cost of Asset	10,00,000
• Depreciation 2016-19	1,33,333
• Book Value as on 31/12/19	8,66,667
• Recoverable Amount on 31/12/19	6,00,000
• Impairment of Warehouse	2,66,667

(Charged to P&L for the year ending 31/12/2019)
Inventory Loss of Rs.1,00,000 should also be debited to P&L.

It would not have been considered as Adjusting Item if there was no structural fault and hence, would have only required disclosure if material.

Analysis of Q. 2 (a)

Basic concepts of "Events Occurring after Balance Sheet Date" & "Impairment of Assets" are tested.

Question . 2 (b)

IND AS 115 - Revenue from Contracts with Customers

Segregation of Components in Transaction Price

1. Supply of Machine	2,51,927
2. Maintenance of Machine	
a. 30/9/18	45,000
b. 1/4/19	75,000
3. Finance Income	28,073

(Deferred Credit to Customer)

4,00,000

- Supply of Machine shall be recognised as Revenue on the date of transaction i.e. 1/4/18
- Maintenance Revenue shall be recognized when the service is provided i.e. Rs.45,000 on 30/9/18 & Rs.75,000 on 1/4/19.
- Finance Income shall be recognised as Revenue on Time Basis (Accrual) over the period of 1/4/18 - 1/4/19

Analysis of Q. 2 (b)

Components of transaction price (Step 3 in IND AS 115)

- Multiple performance obligations in contract
- Deferred Consideration (Time Value of Money)
- Allocation of transaction price to each obligation

Question . 3 (a)

IND AS 116 - Leases

Computation of Lease Rentals

- PV of GIL = Fair Value of Leased Asset
- Lease Rental p.a. x PVAF(10,3) + RV x PVF(10,3) = Fair Value of Leased Asset
- (Lease Rental p.a x 2.4868) + (50,000 x 0.7513) = 8,00,000
- Lease Rental p.a. = 2,84,134

Lease is a Finance Lease

- PV of Lease Rentals are substantially equal to Fair Value of Leased Asset
- Lease Terms covers majority of useful life of asset

Unearned Financial Income (UFI)

GIL (Lease Rental x 3 +RV)	9,02,402
PV of GIL (Fair Value of Asset)	8,00,000
	<u>1,02,402</u>

Analysis of Q. 3 (a)

The solution for this question would have not been different either under IND AS 17 or IND AS 116.

Solution will depend on whether the student can identify the lease rentals by using the formula of

- PV of GIL = Fair Value of Asset

Question . 3 (b)

IND AS 38 - Intangible Assets

- Goodwill on Business Combination = 3,20,000 should not be amortized but should be tested for Impairment at least annually as per IND AS 36.
- Franchisee Fee of 80,00,000 should be amortized over a maximum of its legal life i.e. 5 years (16,00,000 per annum) while annual fee on music show revenue should be charged to P&L.
- 2,50,000 is eligible to be capitalized & amortized over its legal life of 10 years (25,000 per annum). Cost incurred to prosecute a copyright infringement suit against a competitor shall be charged to P&L.

Analysis of Q. 3 (b)

This question would come across to the students as an easy adaptation of IND AS 38.

Most of the students are expected to get this answer right.

Question . 3 (c)

IND AS 108 - Operating Segments

Test	Reportable Segments
Revenue Test ($\geq 4,575$)	L, M, O, P
Result Test (≥ 600)	L,M,N,O,P,Q
Asset Test ($\geq 10,275$)	L,M,N,O,P

Therefore, All Operating Segments are reportable.

L, M, N, O, P, Q

Analysis of Q. 4 (b)

Simple understanding of thresholds in identifying reportable segments is tested.

Analysis of Q. 4 (a)

Staff Loans at discounted rate of interest has been a regular question featuring in recent examinations of CA Final. Therefore, every student is expected to answer this question with ease.

Question . 4 (b)

CSR

- CSR rules (Sec 135 of Companies Act '13) shall not apply to Sunshine Limited since its Net Profit in the preceding financial year does not exceed 5 Crore.
- Excess CSR expenditure spent cannot be carried forward to subsequent years.

Analysis of Q. 4 (b)

Simple understanding of thresholds in CSR rules & carry forward of excess CSR expenditure.

Question . 4 (a)

INS AS 32 & 109 - Financial Instruments

Amortized Cost & Effective Interest

Year	Cash Flow	DF @ 12%	DCF
1	3,63,000	0.892	3,23,796
2	3,39,000	0.797	2,70,183
3	3,15,000	0.711	2,23,965
			8,17,944

Amortized Cost & Effective Interest considering Pre-Payment

Year	Cash Flow	DF @ 12%	DCF
1	3,63,000	0.892	3,23,796
2	4,39,000	0.797	3,49,883
3	2,10,000	0.711	1,49,310
			8,22,989

Question . 5 (c)

IND AS 41 - Agriculture

- The fair value less cost to sell of sheep's on the date of purchase would be Rs. 9,80,000 (10,00,000-2%). Expense of Rs. 20,000 would be recognised in profit and loss.
- On 31/3/2020 - Fair Value = Rs. 8,82,000 (9,00,000-2%). Expense recognised in P&L = Rs. 98,000

Analysis of Q. 5 (c)

Similar to Question.3 (Page 194) of Module V - Compendium of Solved Illustrations.

Question . 5 (a)

IND AS 102 - Share Based Payments

	2018	2019	2020
No. of SAR expected to be vest	1,35,000	1,42,500	1,39,500
Fair Value/SAR	129	129	129
Total Employee Cost	1,74,15,000	1,83,82,500	1,79,95,500
Vesting Period	3	3	3
Cumulative Already Recognised	58,05,000	1,22,55,000	1,79,95,500
To be Recognised	-	(58,05,000)	(1,22,55,000)
Modification			
Fair Value/SAR	-	30	30
Incremental Employee Cost	-	2	2
Vesting Period			
Employee Cost to be recognized	-	21,37,500	21,37,500
Total Cost	58,05,000	85,87,500	88,77,500

Analysis of Q. 5 (a)

Direct application of illustration from study material illustration.10 (page - 5.65)

Question . 5 (b)

IND AS 12 - Income Tax

Deferred Tax Asset should be recognised along with other assets & liabilities taken over from D Ltd. at Fair Value.

$$DTA = 45 \times 25\% = 11.25\%$$

PPE a/c	Dr.	500	-
Inventory a/c	Dr.	130	-
Trade Receivables a/c	Dr.	200	-
Loans & Advances a/c	Dr.	80	-
Deferred Tax Asset a/c (45 x 25%)	Dr.	11.25	-
Goodwill a/c	Dr.	38.75	-
To Debentures a/c		-	200
To Business Purchase		-	760

Analysis of Q. 5 (b)

Similar to Question.5 (Page 161) of Module V - Compendium of Solved Illustrations.

Question . 6 (a)

IND AS 16 - Property Plant & Equipment

Capitalized Cost -	
1. Purchase Price	50,00,000
2. Transfer Tax	2,50,000
3. Legal Cost	50,000
4. Plan Approval	1,00,000
5. Construction Cost	9,40,000
(Excluding Refundable tax)	63,40,000
Abnormal wastage of material & labour should be charged to P&L	

- Building (PPE) 31,70,000
- Investment Property 31,70,000

Analysis of Q. 6 (a)

Similar to Question.8 (Page 39) of Module V - Compendium of Solved Illustrations.

Question . 6 (b)

IND AS 32 & 109 - Financial Instruments

The transaction should be represented as a Liability in financial statements of Jewel Ltd as on 31/3/2020.

"FIXED FOR FIXED TEST"

- Consideration is variable based on the price of platinum of settlement date i.e. 15/04/2020
- Number of shares are not fixed but shall vary based on the transaction price.

Analysis of Q. 6 (b)

Simple understanding of classification of Financial Liability & Equity Instrument - Fixed for Fixed Test"

Question . 6 (c)

IND AS 21 & IND AS 7 - Forex

Foreign Exchange Gain/Loss - Rs. 10,080
 $[(7,000-280) \times (71.5-70)]$

Extract of Cash Flow Statement -

Cash Flows from Investing Activities

a) Purchase of computers - Rs. 19,880

Analysis of Q. 6 (c)

Casual Application of IND AS 21 & 7

Disclaimer

These answers are provided for reference to the students & should be considered as a key for evaluation of paper by ICAI

Question . 6 (d)

IND AS 28 - Investment in Associates

Goodwill -

1. Cost of Investment	3,00,000
2. Share in Fair Value of Net Assets of Dig Ltd on date of acquisition	2,27,500
3. Goodwill	72,500

Interest in Dig Ltd. as on 31/3/2020

• Share in Fair Value of Net Assets on Date of Acquisition	2,27,500
• Goodwill on Acquisition	72,500
• Cost of Acquisition	3,00,000
• Share in Post Acquisition undistributed Profits post Acquisition	25,900
$(1,00,000-11,000-15,000) \times 35\%$	3,25,900

Overall Assessment

- Almost 90% of the Questions which appeared in the Question paper were direct adaptation of questions already available in the Study Material provided by ICAI and the 5 Module material provided by us to you.
- Honest rating for the paper would be Easy.

Moral from the Paper Pattern

Students are requested to rely on the 5 Module Material provided and solve every problem in Module III- Workbook & Module V - Compendium along with ICAI Study Material to clear the exam successfully.