



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER – 18**

**SET - 2**  
**TERM – JUNE 2026**  
**SYLLABUS 2022**

**CORPORATE FINANCIAL REPORTING**

**Time Allowed: 3 Hours**

**Full Marks: 100**

The figures in the margin on the right side indicate full marks.

**SECTION – A (Compulsory)**

**1. Choose the correct alternative:**

**[15 × 2=30]**

- (i) An entity purchases plant from a foreign supplier for \$3 million on January 31, 2023, when the exchange rate was ₹ 72 = \$1. At the entity's year-end of March 31, 2023, the amount has not been paid. The closing exchange rate was ₹ 75 = \$1. The entity's functional currency is the INR. Which of the following statements is correct?
- A. Cost of plant ₹ 216 million, exchange loss ₹ 9 million, trade payable ₹ 225 million.  
B. Cost of plant ₹225 million, exchange loss ₹9 million, trade payable ₹ 225 million.  
C. Cost of plant ₹216 million, exchange loss ₹9 million, trade payable ₹ 216 million.  
D. Cost of plant ₹ 216 million, exchange loss ₹ nil, trade payable ₹ 216 million.
- (ii) On 1<sup>st</sup> July,2024 Guddu Ltd. sold goods at a price of ₹ 3,60,000 plus interest at the rate of 20% per annum payable on 31<sup>st</sup> October,2024 at the end of normal credit period of 4 months. According to Ind AS-115, what would be the revenue to be recognized for the year 2024-25?
- A. ₹ 3,60,000  
B. ₹ 3,84,000  
C. ₹ 3,96,000  
D. ₹4,32,000
- (iii) A company creates provision for gratuity and leave encashment and recognizes liability of ₹ 5,00,000. This is the only difference between taxable profits and accounting profits. The company measures current tax of ₹4,80,000 at tax rate of 25%. As per Ind AS-12, tax expenses will be -
- A. ₹ 5,00,000  
B. ₹ 4,80,000  
C. ₹ 3,55,000  
D. ₹ 3,75,000
- (iv) A seller-lessee shall apply *Lease Liability in a Sale and Leaseback* retrospectively in accordance with \_\_\_\_\_ to sale and leaseback transactions entered into after the date of initial application.
- A. Ind AS 116  
B. Ind AS 115  
C. Ind AS 109  
D. Ind AS 8
- (v) A firm values goodwill under 'Capitalization of profits' method. Its average profits for past 4 years has been determined at ₹3,60,000. Capital employed in the business is ₹25,00,000; and its normal rate of return is 12%. The value of goodwill based on Capitalization of Super Profits will be-
- A. ₹ 30,00,000  
B. ₹ 11,00,000  
C. ₹ 5,00,000  
D. ₹ 3,00,000



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- (vi) Given:  
Net assets for equity shareholders ₹ 40,22,000  
Value per share based on Yield Method ₹ 49.77  
No. of Equity Shares 1,00,000  
The value of Equity Share under Fair Value Method will be -  
A. ₹ 49.77  
B. ₹ 40.22  
C. ₹ 44.995  
D. ₹ 89.99
- (vii) D Ltd. has acquired 100% of the equity of F Ltd. on March 31, 2023. The purchase consideration comprises of an immediate payment of ₹10 lakhs and two further payments of ₹1.21 lakhs if the Return on Equity exceeds 20% in each of the subsequent two financial years. A discount rate of 10% is used. Compute the value of total consideration at the acquisition date.  
A. ₹ 10 lakh  
B. ₹ 2.10 lakh  
C. ₹12.10 lakh  
D. None of the above
- (viii) Arjun Ltd. acquires 60% of the ordinary shares of Babu Ltd. a private entity, for ₹97.5 crore. The fair value of its identifiable net assets is ₹150 crore. The fair value of the 40% of the ordinary shares owned by non-controlling shareholders is ₹65 crore. Carrying amount of Arjun Ltd.'s net assets is ₹ 120 crore. If the non-controlling interests are measured at fair value, then the value of goodwill will be-  
A. ₹ 12.5 crore  
B. ₹ 19.5 crore  
C. ₹ 30 crore  
D. ₹ 67.5 crore
- (ix) As per Ind AS 103, while accounting and reporting for business combination, goodwill is calculated as \_\_\_\_\_.  
A. Consideration + Non-controlling Interest – Net assets  
B. Consideration – Non-controlling Interest + Net assets  
C. Consideration – Non-controlling Interest – Net assets  
D. Consideration + Non-controlling Interest + Net assets
- (x) Q Ltd. acquired a 60% interest in R Ltd. on January 1, 2023. Q Ltd. paid ₹ 900 Lakhs in cash for their interest in R Ltd. The fair value of R Ltd.'s assets is ₹ 2,000 Lakhs, and the fair value of its liabilities is ₹ 1,000 Lakhs. If NCI is valued at proportionate net asset, value of Goodwill:  
A. ₹ 300 lakhs  
B. ₹ 250 lakhs  
C. ₹ 400 lakhs  
D. ₹ 350 lakhs



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- (xi) If in a Group of P Ltd, Q Ltd and R Ltd, P Ltd.'s investment in Q Ltd is 80% and Q Ltd.'s investment in R Ltd is 70% then the share of Group in R Ltd is-
- A. 75%
  - B. 70%
  - C. 56%
  - D. 44%
- (xii) Consolidated financial statements are required to be prepared by an Ind AS complied company if it holds shares in the investee company -
- A. entailing 20% or more voting rights having significant influence over the investee company (called Associate as per Ind AS 28)
  - B. entailing joint control over the investee company (called a Joint Venture as per Ind AS 28)
  - C. entailing control over investee company (called subsidiary company as per Ind AS 110)
  - D. All of the above
- (xiii) When a company has unspent CSR funds on an ongoing project at year-end, the unspent amount must be:
- A. Adjusted against next year's CSR obligation
  - B. Transferred within 30 days to a separate "Unspent CSR Account"
  - C. Donated to any NGO of Board's choice
  - D. Shown as deferred CSR expenditure in Balance Sheet
- (xiv) Which of the following is NOT a feature of XBRL Reporting?
- A. Machine-readable electronic tags attached to individual data items
  - B. Multi-lingual support for concept definitions
  - C. Automated translation between different GAAP frameworks
  - D. Testable business rules for data validation
- (xv) IGAS-7 on foreign currency transactions mandates recognition of exchange differences as:
- A. Capital loss or gain under public debt head
  - B. Revenue expenditure (loss or gain)
  - C. Deferred credit in Public Account
  - D. Adjustment to carrying cost of assets



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**Section – B**

**Answer any five questions from the following. Each question carries 14 marks.**

**[5 × 14 = 70]**

2. (a) Mohan Ltd. performs a revaluation of all of its plant and machinery on 01.04.2023. The following information relates to one of its machineries:

Particulars	₹
Gross carrying amount	4,00,000
Accumulated depreciation (as per straight line method)	1,60,000
Net carrying amount	2,40,000
Fair value	3,00,000

The useful life of the machinery is 10 years and the company uses straight-line method of depreciation. The revaluation was performed at the end of 4 years.

Critically assess how should the company account for revaluation and depreciation per annum subsequent to revaluation. The answer should be supported by journal entries. [7]

- (b) Anuj Ltd. submits the following estimates of cash flows relating to an item of property, plant and equipment on 31<sup>st</sup> March, 2024:

Year/Date	Cash flows (₹ in lakhs)
2024-25	3,000
2025-26	4,500
2026-27	4,500
2027-28	6,000
2028-29	3,000
31.03.2029 (Residual value)	750

The other details are as under:

- The property, plant and equipment was purchased on 01.04.2021 for ₹30,000 lakhs;
- Useful life was 8 years;
- Residual value estimated at the end of 8 years was ₹ 750 lakhs;
- The discount rate is 15%;
- Fair value less costs of disposal is ₹ 15,000 lakhs;
- The present value factors at 15 % p.a. for 5 years are 0.870, 0.756, 0.658, 0.572 and 0.497

Based on the above details, you are required to Calculate:

- (i) Impairment loss, if any, of the item of property, plant and equipment;
- (ii) The revised carrying amount of property, plant and equipment; and
- (iii) The revised depreciation per annum of the property, plant and equipment. [7]



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3. (a) On 1<sup>st</sup> April, 2023, PLANET Ltd. has sold goods to SKY Ltd. at a consideration of ₹15,00,000. The amount is receivable in three equal instalments of ₹5,00,000 each over a two-years period (receipts on 1<sup>st</sup> April, 2023; 31<sup>st</sup> March 2024 and 31<sup>st</sup> March 2025).  
The company is offering a discount of 5% (i.e. ₹75,000), if payment is made in full at the time of sale. The sale agreement reflects an implicit interest rate of 5.358% p.a.  
The accountant of the company has recognized the revenue from sale of goods for ₹15,00,000 being the full consideration.  
You are required to analyse whether the above accounting treatment made by the accountant is in compliance of Ind AS. If not, advice the correct treatment along with journal entries for 2023-24 and 2024-25. The PV factors of Re. 1.00 at 5.358% for year 1, 2 are 0.949 and 0.901. [7]
- (b) The following is the Balance Sheet of Ranjan Ltd. as at 31<sup>st</sup> March, 2024:

Particulars	Note No.	₹ in lakhs
<b>I. ASSETS</b>	-	-
(1) Non-current assets	-	-
(i) Property, Plant and Equipment	-	-
Property, Plant and Equipment	-	30.80
(ii) Financial Assets: Non-current investments	-	5.60
(2) Current assets	-	-
(i) Inventories (Stock)	-	11.20
(ii) Trade receivables (Trade debtors)	-	5.60
(iii) Cash and cash equivalents (cash and bank)	-	5.60
<b>Total</b>	-	<b>58.80</b>
<b>II. EQUITY AND LIABILITIES</b>	-	-
(1) Equity	-	-
(i) Equity Share capital	1	37.80
(ii) Other Equity: (Deficit balance in P&L)	-	(18.20)
(2) Non-current liabilities	-	-
Long term borrowings (18% term loan)	-	19.60
84,000, 9% Cumulative redeemable preference shares of ₹10 each	-	8.40
(3) Current liabilities	-	-
Trade payables (Trade creditors)	-	11.20
<b>Total</b>	-	<b>58.80</b>

**Notes to Account (₹ in lakhs)**

**1. Equity Share Capital**

Authorized	₹
<b>Issued, subscribed, and fully paid</b>	-
2,10,000 Equity shares of ₹10 each	21.00
<b>Issued, subscribed but not fully paid</b>	-
2,80,000 equity shares of ₹10 each, ₹ 6 paid	16.80
<b>Total</b>	<b>37.80</b>



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The other pieces of information are as under:

- (i) Current cost of Property, Plant and Equipment is ₹52.08 lakhs and that of stock is ₹14 lakhs.
- (ii) Investments could fetch only ₹ 1.40 lakhs.
- (iii) 50% of the trade debtors are doubtful.
- (iv) Preference dividend was in arrear for the last 5 years.

Based on the above details, you are required to calculate the value of an equity share of Ranjan Ltd. on net assets basis. [7]

4. (a) CRUST Ltd. issued 10,000 compulsory cumulative convertible preference shares (CCCPS) as on 1st April 2023 @ ₹150 each. The rate of dividend is 10% payable every year. The preference shares are convertible into 5,000 equity shares of the company at the end of 5<sup>th</sup> year from the date of allotment. When the CCCPS are issued, the prevailing market interest rate for similar debt without conversion options is 15% per annum. Transaction cost on the date of issuance is 2% of the value of the proceeds.

Key terms:

Date of Allotment	01-Apr-2024
Date of Conversion	01-Apr-2029
Number of Preference Shares	10,000
Face Value of Preference Shares	150
Rate of dividend	10%
Market Rate for Similar Instrument	15%
Face value of equity shares after conversion	10
Number of equity shares to be issued	5,000
Effective interest rate	15.86%

You are required to calculate the liability and equity component and pass journal entries for the year ended 31.03.2025 (workings should be part of the answer). PV of an annuity of ₹ 1.00 for 5 years at 15% is 3.353.

[7]

- (b) The Summarized Balance Sheet of XR Ltd. as on 31<sup>st</sup> March, 2025 was as follows:

Balance Sheet of NR Ltd. as on 31<sup>st</sup> March, 2025

	Amount (₹)
<b>I. ASSETS</b>	
Land and Building	7,68,000
Plant and Machinery	7,20,000
Goodwill	4,48,000
Inventories	1,28,000
Trade Receivables	2,56,000
Cash at Bank	19,200
Total	23,39,200
<b>II. EQUITY AND LIABILITIES</b>	
1,92,000 Equity Shares of ₹5 each	9,60,000
64,000 6% Preference Shares of ₹10 each (treated as equity)	6,40,000



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	Amount (₹)
General Reserve	3,200
P/L Balance i.e., Retained Earnings (Debit)	(2,88,000)
5% Debentures	3,84,000
Trade Payables	6,40,000
Total	23,39,200

On revaluation of the assets, on 31<sup>st</sup> March, 2025, it was found that goodwill was worthless and that other assets were overvalued to the following extent:

Land and building by ₹ 1,28,000 and Plant and Machinery by ₹ 1,76,000.

A provision for doubtful debts to the extent of ₹16,000 was considered necessary.

The following scheme of reorganization was sanctioned by the Court:

- (i) The trade payables to accept 6% debentures to the extent of 50% of their claims, the balance to be paid in cash six months after the date of implementation of this scheme.
- (ii) The paid-up value of preference shares to be reduced to ₹ 5 each.
- (iii) The paid-up value of equity shares to be reduced to ₹ 1 each.
- (iv) The assets to be reduced to the revalued figures and the debit balance of Statement of Profit and Loss to be wiped out.

Prepare journal entries (without narration) to give effect to the above scheme and prepare the revised Balance Sheet of the company. [7]

5. Following are the extract from the Balance Sheets of two companies, PLANET Ltd. and EARTH Ltd. as at 31<sup>st</sup> March, 2025.

(₹ in crore)

Particulars	PLANET Ltd.	EARTH Ltd.
<b>Assets</b>		
<b>Non-current Assets</b>		
Property, Plant & Equipment (Net)	100	25
Financial Assets		
2,00,00,000 Shares in EARTH Ltd. (at cost)	32	
10%, 25,00,000 Debentures of ₹100 each	24	
<b>Current Assets</b>		
Inventory	500	200
Financial Assets		
Trade Receivables	<u>300</u>	<u>100</u>
<b>Total Assets</b>	<u>956</u>	<u>325</u>
<b>Equity and Liabilities</b>		
Equity Share Capital (₹10)	80	25
<b>Other Equity</b>		
Reserve	400	75



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Particulars	PLANET Ltd.	EARTH Ltd.
<b>Non-current Liabilities</b>		
10%, 25,00,000 Debentures of ₹100 each	120	25
8%, 120,00,000 Debentures of ₹100 each		
<b>Current Liabilities</b>	<u>356</u>	
Trade Payables	<u>956</u>	<u>200</u>
<b>Total Equity and Liabilities</b>		<u>325</u>

PLANET Ltd. purchased a large stake in EARTH Limited on 01.03.2025. It also purchased entire issued debentures of EARTH Ltd. on the same date. In a duly approved scheme of absorption, PLANET Ltd. took over the assets of EARTH Ltd. at an agreed value of ₹ 330 crore and the liabilities were taken over at book value. PLANET Ltd. attributed a value of ₹ 40 crores to the fixed asset of EARTH Ltd. based on the professional valuation report. All other assets and liabilities are recorded at book value. External shareholders of EARTH Ltd. were allotted equity shares in PLANET Ltd. at a premium of ₹ 90 per share in satisfaction of their claim, absorption was completed on 31.03.2025.

You are required to prepare the Balance Sheet of PLANET Ltd. after acquisition of EARTH Ltd. (Workings relating to purchase consideration and the number of shares to be issued by PLANET Ltd. to the external shareholder and amount of goodwill or gain on bargain purchase should form part of your answer). [14]

6. The balance sheets of P Ltd. and Q Ltd. as on 31.03.2025 were as follows:

Particulars	P Ltd.	Q Ltd.
	Carrying Amount (₹ in lakh)	Carrying Amount (₹ in lakh)
<b>Assets</b>		
<b>Non-current Assets</b>		
PPE	22,200	9,000
Investment in Q Ltd.	8,700	--
<b>Current Assets</b>		
Inventories	3,900	3,000
Trade Receivables	6,000	3,000
Dividend Receivable	480	---
<b>Total</b>	41,280	15,000
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Share Capital (₹ 10)	15,000	6,000
Other Equity (Retained Earnings)	24,480	7,500
<b>Non-current Liabilities</b>	--	--
<b>Current Liabilities</b>		
Trade Payables	1,800	900
Dividend Payable	---	600
<b>Total</b>	41,280	15,000



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**Additional Information:**

- (i) On 01.04.2024, Q Ltd. had 600 lakh shares of ₹10 each and ₹4,500 lakh in its Retained Earnings in Other Equity. P Ltd. acquired 80% share of Q Ltd. on 01.04.2024 at a consideration of ₹8,700 lakh payable in cash.
- (ii) The aggregate identifiable net assets of Q Ltd. as on 01.04.2024 included PPE and inventory standing in the books of Q Ltd. at ₹3,750 lakh and ₹750 lakh having fair value of ₹4,200 lakh and ₹300 lakh respectively. The rate of depreciation on PPE is 10% p.a.
- (iii) NCI was to be measured at fair value based on the purchase consideration.
- (iv) Goodwill was impaired by ₹150 lakh.
- (v) Dividend payable represents the dividend declared out of pre-acquisition profit. P Ltd. credited its share of dividend from Q Ltd. to its profits.

Prepare the Consolidated Balance Sheet of the Group on 31.03.2025.

[14]

7. (a) The following is the Statement of Profit and Loss of Krishan Ltd. for the year ended 31<sup>st</sup> March, 2025:

**Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2025**

Particulars	Note No.	₹ in '000
I Revenue from operations	-	-
Turnover (Gross)	41,820.80	-
Less: Excise duty	(2,732.80)	-
Turnover (Net)	-	39,088
II Other income	-	1,458.80
III Total income (I +II)	-	40,546.80
IV Expenses	-	-
(a)Consumption of raw materials	-	15,772
(b)Employee benefits expenses	-	20,665.40
(c)Finance cost	1	1,593.20
(d)Depreciation and amortization expense	-	478.80
(e)Other expenses	-	1,000
<b>Total expenses</b>	-	<b>39,509.40</b>
V Profit before tax (III-IV)	-	1,037.40
VI Tax expense	-	-
(a)Current tax	-	450.80
(b)Deferred tax	-	75.60
VII Profit after tax (V-VI)	-	511

**Notes to Accounts (₹ in '000)**

1. Finance cost

Interest on 9% debentures	1,381.80
Interest on cash credit*	211.40
<b>Total</b>	<b>1,593.20</b>

\*Cash credit is a temporary source of finance. It has not been considered as a part of capital.



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2. Reserves and Surplus

(a) Profit after tax	-	511
(b) Appropriations	-	-
Transfer to Property, Plant, and Equipment Reserve	91	-
Interim dividend	<u>175</u>	266
(c) Retained profit (a -b)	-	245

Based on the above, you are required to prepare:

(i) Value Added Statement (VAS) for the year ended 31<sup>st</sup> March, 2025; and (ii) Reconciliation between value Added and Profit before taxation. [7]

(b) Explain 'Earnings call'? Discuss about its frequency, timing and importance. [7]

8. (a) Discuss the role of Public Accounts Committee. [5]

(b) Discuss IGAS 2 - Accounting and classification of Grants-In-Aid. [5]

(c) M Ltd. has two subsidiaries viz., A Ltd. and B Ltd. Both the subsidiaries were acquired on 01.04.2024. The details of share capital and retained earnings are as under.

Subsidiary Company	% of Shares Owned by M Ltd.	Cost (₹)	Date of Acquisition 1.4.2024		Consolidation Date 31.3.2025	
			Share Capital (₹)	Retained Earnings (₹)	Share Capital (₹)	Retained Earnings (₹)
A	90%	2,90,000	2,00,000	1,00,00	2,00,000	1,40,000
B	85%	2,08,000	2,00,000	60,000	2,00,000	40,000

Required: Calculate for each subsidiary

(i) NCI at the date of acquisition (using proportionate share method) and at the date of consolidation.

(ii) Goodwill or gain on bargain purchase. [4]