



FINAL EXAMINATION
ANSWERS TO PRACTICE TEST PAPER
PAPER – 18
CORPORATE FINANCIAL REPORTING

TERM – JUNE 2026
SYLLABUS 2022

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 option: [15×2 = 30]
- (i) A Ltd. enters into a contract to (i) construct a machine for ₹8,00,000, and (ii) supply spare parts worth ₹1,60,000 in the next financial year, which will be stored in A Ltd.'s warehouse and delivered over the following three years. An additional ₹20,000 per year is charged for custodial services. When should A Ltd. recognize revenue as per the contract?
- (a) Entire revenue of ₹9,80,000 should be recognized in the year of contract.
- (b) ₹8,00,000 and ₹1,60,000 should be recognized in the next year upon completion of construction, and ₹20,000 per year for the next 3 years for custodial services.
- (c) ₹8,00,000 should be recognized over 3 years, ₹1,60,000 when spare parts are delivered, and ₹20,000 per year over 3 years.
- (d) No revenue is recognized until all obligations—including delivery of spare parts over 3 years—are completed.
- (ii) A Ltd. enters into a contract on 01.08.2024 to provide daily sanitisation services to a hotel for 3 years at ₹12,000 per month. The customer receives and consumes the benefit each day. What amount of revenue should A Ltd. recognize in the financial year 2024–25?
- (a) ₹36,000
- (b) ₹48,000
- (c) ₹96,000
- (d) ₹1,44,000
- (iii) A Ltd. Has a machine whose original cost was ₹45,000. The accumulated depreciation on the machine is ₹15,000. Similar machine has recently been sold in the same locality at ₹25,000 with selling expenses ₹2,000. Management determined the entity specific present value of future cash flows of the machine as ₹ 28,000. Find Recoverable amount.
- (a) ₹23,000
- (b) ₹28,000
- (c) ₹25,000
- (d) None of these



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- (iv) As per Ind AS 112: Disclosure of Interests in Other Entities, an entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining
- that it has control of another entity, i.e. an investee as described in paragraphs 5 and 6 of Ind AS 110, Consolidated Financial Statements
 - that it has joint control of an arrangement or significant influence over another entity
 - the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle
 - All of the above
- (v) The ways of determining the value of goodwill using the capitalisation approach
- Capitalisation of Average Profits
 - Capitalisation of Super Profits
 - Both a and b
 - Capitalisation of Average Future maintainable profit
- (vi) C Ltd. acquires 60% of N Ltd. for ₹ 97,50,000. The fair value of its identifiable net assets is ₹1,50,00,000. The fair value of 40% of the equity shares owned by the non-controlling shareholders is ₹65,00,000. Carrying amount of N Ltd.'s net assets is ₹1,20,00,000. Calculate the value of goodwill when NCI is measured as proportionate share of identifiable net asset.
- ₹12,50,000
 - ₹30,00,000
 - ₹7,50,000
 - ₹32,50,000
- (vii) ABX Ltd. wants to determine the value of its goodwill using the annuity method. The given details are: Super Profit: ₹4,50,000; Normal Rate of Return: 12%; Present Value of an annuity of ₹1 for 4 years @ 12%: 3.0374. What will be the value of goodwill?
- ₹12,75,000
 - ₹13,66,830
 - ₹14,20,000
 - ₹15,00,500
- (viii) On 1 January 2025 A Ltd. Acquires 80 percent of the equity interests of B Ltd in exchange of cash of ₹ 600 lakhs. The identifiable assets are measured at ₹925 lakh and the liabilities assumed are measured at ₹150 lakh. The fair value of the 20 per cent non-controlling interest in P is ₹ 90 lakhs. The gain on bargain purchase will be:
- ₹90 lakhs
 - ₹85 lakhs
 - ₹105 lakhs
 - ₹75 lakhs



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- (ix) At what value is non-controlling interest recorded in the books of the Acquiree at the time of a business combination transaction under Ind AS 103?
- (a) It is recognised at fair value only
 - (b) It is recognised at proportionate fair value of identified net assets only
 - (c) It is not recognised at all
 - (d) It is recognised either at fair value or at proportionate fair value of identified net assets.
- (x) Surendra Ltd., a parent, sold goods costing ₹400 lakhs to its 80% subsidiary, Narendra Ltd., at ₹480 lakhs. 50% of these goods are lying in stock as of 31st March, 2025. Narendra Ltd. has measured this inventory at cost i.e., at ₹240 lakhs. The tax rate is 30%. The deferred tax to be shown in the consolidated financial statements is:
- (a) ₹12 lakhs
 - (b) ₹60 lakhs
 - (c) ₹72 lakhs
 - (d) ₹120 lakhs
- (xi) A Ltd acquires B Ltd by purchasing 70% of its equity for ₹ 17.5 lakh in cash. The fair value of non – controlling interest in determined as ₹12 lakh. The value of net identifiable assets and liabilities, as measured in accordance with Ind-AS 103 is determined as ₹ 8 Lakh. How much goodwill is recognized?
- (a) ₹21.5 Lakh
 - (b) ₹ 19.5 Lakh
 - (c) ₹ 12.7 Lakh
 - (d) None
- (xii) _____ requires that when consolidated financial statements are prepared the investor company shall also prepare individual/standalone financial statements, which are named as separate financial statements.
- (a) Ind AS 28
 - (b) Ind AS 27
 - (c) Ind AS 110
 - (d) Ind AS 112
- (xiii) The Quadruple Bottom Line concept requires an organisation to measure and report on which four dimensions?
- (a) Social, Environmental, Economic/Financial, and Legal
 - (b) Social, Ethical, Economic/Financial, and Spiritual
 - (c) Social, Environmental, Economic/Financial, and Spiritual
 - (d) Environmental, Ethical, Spiritual, and Cultural



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(xiv) International Integrated Reporting Council (IIRC) launched IR as a global framework in

- (a) November 2013
- (b) December 2012
- (c) November 2012
- (d) December 2013

(xv) Which of the following is not a feature of Government Accounting?

- (a) Non-fund based Accounting
- (b) Double Entry System
- (c) Adherence to Government Regulations
- (d) Transacting through Banks

Answers:

i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv
b	c	b	d	c	c	b	b	c	a	a	b	c	d	a

SECTION – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks.)

[5x14=70]

2. (a) Mohan Ltd. purchased a machinery on 01.04.2021 costing 4,00,000. The useful life of the machine was 10 years and the company decided to charge depreciation under straight line method. Accordingly, on 01.04.2025, the carrying amount of the asset was determined as follows:

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

On 01.04.2025, the company performed a revaluation of all of its plant and machinery. On that date, the fair value of the machine under consideration was 3,00,000. The total useful life, however, remained unchanged.

Analyze how the company should account for revaluation and depreciation per annum subsequent to revaluation if the company decides that:

- (i) the gross carrying amount of the asset will be adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) the accumulated depreciation will be eliminated against the gross carrying amount of the asset.

Prepare journal entries to support the answer (narration not required).

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(b) A machine was acquired by S Ltd. 15 years ago at a cost of 20 crores. Its accumulated depreciation as at 31st March, 2024 was 16.60 crores. Depreciation estimated for the financial year 2024-25 is ₹ 1 crores. Estimated Net Selling Price of the machine as on 31st March, 2024 was 1.20 crores, which is expected to decline by 20 per cent by the end of the next financial year.

Its value in use has been computed at 1.40 crores as on 1st April, 2024, which is expected to decrease by 30 per cent by the end of the financial year. Assume that other conditions of relevant Accounting Standard for applicability of the impairment are satisfied and no impairment test was carried on till 31.03.2024.

- (i) Calculate the carrying amount of this machine as at 31st March, 2025?
- (ii) Examine, how much will be the amount of write off (impairment loss) for the financial year ended 31st March, 2025?
- (iii) If the value in use was zero and the company was required to incur a cost of 8 lakhs to dispose of the plant, Calculate the carrying amount of the machine and impairment loss as at 31.03.2025.

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Answer:

(a)

- (i) Under this approach, the gross carrying amount may be restated by reference to the observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any impairment losses.

Computation of the revised gross carrying amount and accumulated depreciation and Net carrying amount under treatment (A)

Particulars	₹
Gross carrying amount	5,00,000
Accumulated depreciation	2,00,000
Net carrying amount	3,00,000

Accumulated depreciation to be credited = ₹ 40,000

Depreciation per annum subsequent to revaluation = ₹ 50,000.

Journal

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Plant and Machinery A/c	Dr.	1,00,000	
To Accumulated Depreciation A/c			40,000
To Revaluation Reserve A/c			60,000



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Depreciation A/c	Dr.		50,000	
To Accumulated depreciation A/c				50,000

(ii) In this case, the gross carrying amount is restated to ₹ 3,00,000 to reflect the fair value and the accumulated depreciation is set to zero.

Journal

Particulars	L.F.	Dr. (₹)	Cr. (₹)
Accumulated Depreciation A/c	Dr.	1,60,000	
To Plant and Machinery A/c (Gross Block)			1,60,000
Plant and Machinery A/c	Dr.	60,000	
To Revaluation Reserve A/c			60,000
Depreciation A/c	Dr.	50,000	
To Accumulated depreciation A/c			50,000

Since the revalued amount is the revised gross block, the useful life to be considered is the remaining useful life which is 6 years. Thus, the same depreciation charge per annum is ₹ 50,000.

(b)

Recoverable amount in the first case

Particulars	₹ in crore
Estimated net selling price as on 01.04.2024	1.20
Less: Estimated decrease during the year (20% of ₹ 1.20 Cr.)	(0.24)
Estimated net selling price as on 31.03.2025 – (a)	0.96
Estimated value in use as on 1.4.2024	1.40
Less: Estimated decrease during the year (30% of ₹ 1.40 Cr.)	(0.42)
Estimated value in use as on 31.03.2025 – (b)	0.98
Recoverable amount [higher of (a) and (b)]	0.98

Impairment loss in the year 2024 – 2025

Particulars	₹ in crore
Carrying amount as on 01.04.2024 (₹ 20 crore - ₹ 16.60 crore)	3.40
Depreciation for the financial year 2024-25	1.00
Impairment Loss = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Recoverable amount = ₹ 3.40 crores – ₹ 1 crores – 0.98 crores = 1.42 crore	1.42

Carrying amount as on 31.03.2025

Particulars	₹ in crore
Carrying amount as on 01.04.2024 (₹ 20 crore - ₹ 16.60 crore)	3.40
Depreciation for the financial year 2024-25	1.00
Impairment Loss in the year 2024 – 2025	1.42



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Carrying amount as on 31.03.2025	0.98
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Carrying amount and Impairment loss, if the value in use is zero

If the Value in use was zero	₹ in crore
Value in use (a) - NIL	Nil
Net selling price (b) - ₹ 0.96 cr – ₹ 0.08 cr = ₹ 0.88 cr	0.88
Recoverable amount [higher of (a) and (b)]	0.88
Carrying amount as on 01.04.2024	3.40
Depreciation for the financial year 2024-25	1.00
Impairment Loss = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Recoverable amount = ₹ 3.40 crores – ₹ 1 crores – 0.88 crores	1.52
Carrying amount as on 31.03.2025 = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Impairment loss = ₹ 3.40 crores – ₹ 1 crore – ₹ 1.52 crore = 0.88 crore	0.88

Alternative:

Carrying amount and Impairment loss, if the value in use is zero

If the Value in use was zero	₹ in crore
Value in use (a) - NIL	Nil
Net selling price (b) - ₹ (-) 0.08 Crore	-0.08
Recoverable amount [higher of (a) and (b)]	Nil
Carrying amount as on 01.04.2024	3.40
Depreciation for the financial year 2024-25	1.00
Impairment Loss = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Recoverable amount = ₹ 3.40crore – ₹ 1crore – Nil = ₹ 2.40 crore	2.40
Carrying amount as on 31.03.2025 = Carrying amount as on 01.04.2024 – Depreciation for the financial year 2024-25 – Impairment loss = ₹ 3.40 crores – ₹ 1 crores – ₹ 2.40 crores = Nil	Nil

3. (a)

An enterprise operates through eight segments, namely, A, B, C, D, E, F, G and H. The relevant information about these segments is given in the following table.

(Amounts in ₹'000)

Particulars	A	B	C	D	E	F	G	H	Total (Segment)



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1. Segment Revenue									
(a) External Sales	-	663	37	25	13	125	50	87	1000
Inter Segment Sales	250	150	75	13	-	-	12	-	500
2. Segment Results									
Profit/ (Loss)	15	(270)	45	(15)	24	(15)	15	21	
3. Segment Assets									
	15	5	5	60	3	5	5	2	100

Examine the reportable segments as per Ind AS 108.

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(b) Following is the Balance Sheet of Z Ltd. as on 31st March, 2025:

Liabilities	(₹)	Assets	(₹)
1,00,000 Equity Shares of ₹10 each	10,00,000	Preliminary expenses	5,00,000
10,000, 12% Preference Shares of ₹100 each	10,00,000	Goodwill	15,00,000
General Reserve	6,00,000	Buildings Plant	10,00,000
Profit and Loss Account	4,00,000	Investment in 10% Stock	4,80,000
15% Debentures	10,00,000	Stock	6,00,000
Creditors	8,00,000	Stock-in - trade	4,00,000
		Debtors	2,20,000
		Cash	1,00,000
	48,00,000		48,00,000

Additional information is given below:

(i) Nominal value of investment is ₹5,00,000 and its market value is ₹5,20,000.

(ii)

Following assets are revalued:	(₹)
(i) Building	32,00,000
(ii) Plant	18,00,000
(iii) Stock-in-trade	4,50,000
(iv) Debtors	3,60,000

(iii) Average profit before tax of the company is ₹12,00,000 and 12.50% of the profit is transferred to general reserve, rate of taxation being 50%.

(iv) Normal dividend expected on equity shares is 8% while fair return on closing capital employed is 10%.

(v) Goodwill may be valued at three year's purchase of super profits.

Calculate the value of each equity share under fair value method.

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Answer:

(a)

₹ in '000

(i) Segment Revenue Criterion:

Threshold = 10% of total revenue = 10% of (1,000 + 500) = ₹150

Reportable Segments are A and B.

(ii) Result Criterion:

Threshold = 10% of total profit (₹120) or total loss (₹300) – higher of the two = ₹30

Reportable Segments are B and C.

(iii) Asset Criterion:

Threshold = 10% of total assets = 10% of 100 = ₹10

Reportable Segments are A and D.

Total external revenue of A, B, C and D = Nil + 663 + 37 + 25 = ₹725 which is lower than 75% of total external revenue of ₹1000 (i.e., ₹750).

No additional segment has been identified by the management as per their discretion. It is assumed that the company will select segment F to meet the 75% threshold criteria.

Hence the reportable segments are A, B, C, D and F.

(b)

1. Calculation of Capital Employed

Assets	₹	₹
Buildings		32,00,000
Plant		18,00,000
Stock		4,50,000
Debtors		3,60,000
Cash		1,00,000
Total		59,10,000
Less : liabilities		
Creditors	8,00,000	
10,000 12% preference shares of ₹ 100 each	10,00,000	
Debenture	10,00,000	28,00,000
Total capital employed		31,10,000

2. Calculation of Actual Profit	₹	₹
Average Profit before Tax (given)	12,00,000	
Less : Income from investment (5,00,000x10%)	50,000	11,50,000
Less: Income Tax @ 50%		5,75,000
Less :Preference dividend		1,20,000
Actual Profit		4,55,000



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3.	Profit for Equity Shareholders	₹
	Actual Profit (as calculated above)	4,55,000
	Less: Transfer to Reserve @12.50%	(56,875)
	Profit available to Equity Shareholders.	3,98,125

4.	Normal Profit	₹
	10% of Capital Employed	3,11,000
	10% of ₹31,10,000	
	Actual Profit – Normal Profit	4,55,000
	Super Profit	1,44,000

5.	Goodwill	₹
	1,44,000 × 3	4,32,000

6.	Net Assets for Equity Shareholders	₹
	Capital Employed	31,10,000
	Goodwill	4,32,000
	Investment	4,80,000
		40,22,000

Value per share (Based on Intrinsic Value Method) = ₹ 40,82,000/1,00,000 Shares = ₹ 40.22

Value per share (Based on Yield Method) = [Profit for Equity Shareholders / Equity Share Capital] × 100

Yield on Equity Share = ₹ 3,98,125 ÷ 10,00,000 = 39.81%

Value per share = (39.81 ÷ 8) × 10 = ₹ 49.77

Value of Equity Share under Fair Value Method = (Intrinsic value yield value + yield value) ÷ 2
= (40.22 + 49.77) ÷ 2 = ₹ 44.36 (approx.)

4. (a) While closing its books of accounts on 31st March, 2025, a Non-Banking Financial Company (NBFC) has its advances classified as follows:

Particulars	Amount (₹ in Lakh)
Standard Assets	16,800
Sub-Standard Assets	1,780
Secured Portions of Doubtful Debts:	
-Up to one year	350
- One year to three years	140
-more than three years	30
Unsecured Portion of Doubtful Debts	175
Loss Assets	51

Calculate the amount of provision which must be made against the advances.

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(b) The summarized balance sheet of NR Ltd. as on 31st March, 2025 was as follows:

Balance Sheet of NR Ltd. as on 31st March, 2025:

Particulars	Amount (₹)
ASSETS:	
Land and Building	15,36,000
Plant and Machinery	14,40,000
Goodwill	8,96,000
Inventories	2,56,000
Trade Receivables	5,12,000
Cash at Bank	38,400
Total	46,78,400
EQUITY AND LIABILITIES	
3,84,000 Equity Shares of ₹ 5 each	19,20,000
1,28,000, 6% Preference Shares of ₹ 10 each	12,80,000
General Reserve	6,400
P/L Balance i.e., Retained Earnings (Debit)	(5,76,000)
5% Debentures	7,68,000
Trade Payables	12,80,000
Total	46,78,400

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

Land and Building was overvalued by ₹2,56,000 and Plant and Machinery was overvalued by ₹3,52,000. A provision for doubtful debts to the extent of ₹32,000 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 revalued figure and the debit balance of statement of Profit and Loss account to be wiped out.

Prepare journal entries (without narration) to give effect to the above scheme and also prepare the Revised Balance Sheet of NR Ltd. [7]

Answer:

(a)

Calculation of the amount of Provision

Particulars	Advances (₹ in Lakh)	Provision (%)	Provision (₹ in Lakh)
Standard Assets	16,800	0.40%	67.2
Sub-Standard Assets	1,780	10%	178



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Secured Portions of Doubtful Debts:			
- Up to one year	350	20%	70
- One year to three years	140	30%	42
- more than three years	30	50%	15
Unsecured Portion of Doubtful Debts	175	100%	175
Loss Assets	51	100%	51
Total			598.2

(b)

Journal of NR Limited

Date	Particulars	L.F	Debit(₹)	Credit(₹)
31.03.2025	Trade Payables A/c To 6% Debentures A/c	Dr.	6,40,000	6,40,000
31.03.2025	6% Preference Share Capital A/c Equity Share Capital A/c To Capital Reduction A/c	Dr. Dr.	6,40,000 15,36,000	21,76,000
31.03.2025	General Reserve A/c To Capital Reduction A/c	Dr.	6,400	6,400
31.03.2025	Capital Reduction A/c To Retained Earnings A/c To Provision for Doubtful Debts A/c To Goodwill A/c To Land and Building A/c To Plant and Machinery A/c To Capital Reserve A/c	Dr.	21,82,400	5,76,000 32,000 8,96,000 2,56,000 3,52,000 70,400

Revised Balance Sheet of NR Ltd. as on 31st March, 2025

Particulars	Amount (₹)
II. ASSETS	
(1) Non-current Assets	
(a) PPE:	
Land and Building	12,80,000
Plant and Machinery	10,88,000
(2) Current Assets:	
Inventories	2,56,000
Trade Receivables 5,12,000	



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Less: Provision for Doubtful Debts (32,000)	4,80,000
Cash at Bank	38,400
Total	31,42,400
I. EQUITY AND LIABILITIES	
(1) Equity	
(a) Equity Share Capital	
Issued and Subscribed:	
3,84,000 Equity Shares of ₹5 each, ₹1 paid-up	3,84,000
(b) Other Equity:	
1,28,000 6% Preference Shares of ₹10 each, ₹ 5 paid-up	6,40,000
Capital Reserve	70,400
(2) Non-current Liabilities:	
5% Debentures	7,68,000
6% Debentures	6,40,000
(3) Current Liabilities: Trade Payables	
Total	31,42,400

5. TISTA Ltd. manufactures and sells cars. The company wants to foray into the two-wheeler business and therefore it acquires 30% interest in MAHANANDA Ltd. for ₹ 5,00,000 as at 1st February, 2025 and an additional 25% stake as at 31st March, 2025 for ₹5,00,000 at its fair value. The summarised Balance Sheets of the two companies as at 31st March, 2025 are as under:

Particulars	TISTA Ltd. (₹)	MAHANANDA Ltd. (₹)
Assets		
Non-current Assets		
Property, Plant & Equipment	13,50,000	3,50,000
Financial Assets		
Investment in Mahananda Ltd.	10,00,000	--
Investment in Corporate Bonds	---	4,00,000
Current Assets		
Financial Assets		
Trade Receivables	80,000	50,000
Cash and Cash equivalents	5,20,000	-----
Total Assets	29,50,000	8,00,000
Equity and Liabilities		
Equity		
Equity Share Capital	5,00,000	1,00,000
Other Equity	15,00,000	5,50,000
Non-Current Liabilities		
Long-term Borrowings	4,00,000	-----

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Current Liabilities		
Financial Liabilities		
Trade Payables	5,50,000	1,50,000
Total Equity and Liabilities	29,50,000	8,00,000

Additional Information:

(a) MAHANANDA Ltd. sells the motorcycles under the brand name 'Moving Star' which has a fair value of ₹3,50,000 as at 31st March, 2025. As this is a self-generated brand, therefore MAHANANDA Ltd. has not recognized the brand in its books of accounts.

(b) For the purpose of acquisition, fair values of following assets of MAHANANDA Ltd. are estimated as under:

- Property, Plant & Equipment - ₹ 7,50,000
- Investment in Corporate Bonds - ₹ 5,00,000

(c) Book value of other asset and liabilities of MAHANANDA Ltd. represents their fair value.

Prepare necessary journal entries to give effect of business combination in accordance with Ind AS 103 as at the acquisition date i.e. 31st March, 2025.

Also prepare the Balance Sheet after the business combination. NCI is measured by the entity at fair value. Justify it by working notes, ignore deferred tax implication.

[14]

Answer:

Calculation of fair value of shares on the acquisition date, i.e. 31/03/2025

Particulars	₹
A) 25% Shares purchase on 31 st March, 2025	5,00,000
B) 30% Shares purchase on 1 st February, 2025 at ₹ 5,00,000 to be recognized at the Fair value = (₹ 5,00,000 x 30%) ÷ 25%	6,00,000
C) Total consideration at fair value on the acquisition date = A + B	11,00,000
D) Cost of investment (5,00,000 + 5,00,000)	10,00,000
E) Gain recognised to Profit or Loss (C – D)	1,00,000

Measurement of Non-controlling Interest (on fair value basis)

Particulars	Figure
A) Share of NCI = 100% – 30% – 25%	45%
B) Fair Value of Shares as on 31/03/2025 taken as base for Non- Controlling Interest = (₹ 11,00,000 x 45%) ÷ 55%	9,00,000

Computation of Net Identifiable Assets at fair value

Particulars	₹
Plant and Equipment	7,50,000
Investment in bonds	5,00,000



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Trade Receivables	50,000
Self-generated Brand	3,50,000
Total Assets	16,50,000
Less: Total Liabilities, i.e. Trade Payables	1,50,000
Net Identifiable Assets at fair value (Total Assets – Total Liabilities)	15,00,000

Computation of Goodwill

Particulars	₹
A) Total Consideration at the Fair Value as on 31/03/2025	11,00,000
B) NCI at the Fair Value as on 31/03/2025	9,00,000
C) Total (A + B)	20,00,000
D) Net Identifiable Assets at fair value	15,00,000
E) Goodwill (C – D)	5,00,000

In the books of TISTA Ltd.

Journal

Particulars	Debit (₹)	Credit (₹)
Plant and Equipment A/c	Dr. 7,50,000	
Investment in bonds A/c	Dr. 5,00,000	
Trade Receivables A/c	Dr. 50,000	
Brand A/c	Dr. 3,50,000	
Goodwill A/c	Dr. 5,00,000	
To Investment in MAHANANDA Ltd. A/c		10,00,000
To Profit & Loss A/c		1,00,000
To Trade Payables A/c		1,50,000
To NCI A/c		9,00,000
(Being assets and liabilities acquired at fair value and previous investment considered at fair value on the acquisition date)		

Balance Sheet of TISTA Ltd.
as on 31.03.2025

Particulars	(₹)
ASSETS	
Non-current Assets	
Property, Plant & Equipment	21,00,000
Goodwill	5,00,000



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Brand Name	3,50,000
Financial Assets	
Investment in Corporate Bonds	5,00,000
Current Assets	
Financial Assets	
Trade Receivables	1,30,000
Cash and Cash equivalents	5,20,000
Total Assets	41,00,000
EQUITY AND LIABILITIES	
Equity	
Equity Share Capital	5,00,000
Other Equity (₹ 15,00,000 + ₹ 1,00,000)	16,00,000
NCI	9,00,000
Non-Current Liabilities	
Financial Liabilities	
Long-term Borrowings	4,00,000
Current Liabilities	
Financial Liabilities	
Trade Payables	7,00,000
Total Liabilities	41,00,000

6. Prepare Consolidated Balance Sheet (CBS) of a group of P Ltd., Q Ltd. and R Ltd. for which the abstracts of Balance sheets on 31.03.2025 are given below:

Particulars	(₹ in Lakhs)		
	P	Q	R
PPE	400	500	320
Investment in Q (80%)	480		
Investment in R (75%)		300	
Current Assets:			
Inventory	250	80	60
Trade Receivables	280	120	200
Bills Receivables	70		50
Cash and Bank	180	50	60
Total Assets	1660	1050	690
Equity and Liabilities:			
Equity Share Cap (₹10)	600	500	300
Other Equity	460	160	120
Current Liabilities:			

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Trade Payables	500	250	200
Dividend Payable		50	
Bills Payables	100	90	70
Total	1660	1050	690

Control was acquired on 01.10.2024 when fair value of PPE was in excess of carrying amount by Q: 50 and R:30. On 01.04.2024 the balances of Other Equity were Q : 100 and R : 50 NCI is measured at fair value.

Inventory of Q included 16 purchased from R at cost plus 33.33%.

Bills Receivables of R includes 30 from P and Bills Receivables of R includes 40 from Q.

[14]**Answer:**

Consolidated Balance sheet of the group as at 31-03-2025 (₹ in Lakhs)

Assets	Workings(₹)	(₹)
Non-Current:		
PPE	400 + 500 + 320 + 50 + 30	1,300
Current Assets:		
Inventory	250 + 80 + 60 - 4	386
Trade Receivables	280 + 120 + 200	600
Bills Receivables	70 + 50 - 30 - 40	50
Cash and Bank	180 + 50 + 60	290
Total Assets		2,626
Equity and Liabilities		
Equity Share Capital		600
Other Equity	Note 2	641
NCI of Q	Note 3	61
NCI of R	Note 2	174
Current Liabilities		
Trade Payables	500+250+200	950
Dividend Payable		10
Bills Payables	100+90+70-30-40	190
Total		2,626

Workings:

I. Share of parent and NCI Share of P in Q = 80% Share of Q in R = 75%

Share of Group in R = 80% × 75% = 60% NCI in R = 40%

II. Analysis of Profits



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(₹ in Lakhs)

Particulars	P	Q	R
Other Equity at the yearend + dividend payable	4 6 0	210	120
Other Equity at the beginning		100	50
Profits during the year		110	70
Pre-acquisition upto 30.09.2024		55	35
Post-acquisition Profits		55	35
Share from Q = 80% × ₹ 55	44		
Share from R = 60% × ₹ 35	21		
	525		
Less: Unrealised Profits in inter-company Inventory = 16 × 1/4	4		
Other Equity	521		

III. Net Assets on acquisition

Particulars	Q (₹)	R (₹)
Share Cap	500	300
Other Equity on 01.04.2024	100	50
Revaluation	50	30
Add Profits	55	35
Net Assets	705	415

IV. NCI on 01-10-2024

Consideration × (NCI Share/Parent Share)	Q (₹)	R (₹)
NCI - Q = 480 × 20%/80%	120	
NCI - R = 300 × 40%/75%		160

Note 1: Goodwill/ Bargain Purchase

Particulars		Q (₹)	R (₹)	Consolidated (₹)
Net Assets	a	705	415	
Consideration	b	480	240 ^s	
NCI on acquisition at fair value	c	120	160	
Gains on bargain Purchase	a- (b + c)	105	15	
Net amount to Other Equity				120



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\$ 80% × ₹300

Note 2: Consolidated Other Equity = Other Equity (II) + Net Gains on Bargain Purchase
= (₹521+ ₹120) Lakhs = ₹641 lakhs

Note 3: NCI on 31.03.2025

Particulars	Q (₹)	R (₹)
NCI on acquisition	120	160
Post-acquisition profit = Q: ₹55 × 20%; R: ₹35 × 40%	11	14
Less: NCI share in investment in R = 20% × ₹300	-60	
Less; Dividend payable	-10	
NCI on Reporting date	61	174

7. (a) Maahi Ltd. has the following financial data for the year ending 31st March, 2025:

- (i) Sales Revenue ₹ 1,000 Lakh
- (ii) Purchase of Raw Materials ₹ 530 Lakh
- (iii) Total Stock of Raw Materials, WIP and Finished Goods:
Opening Stock ₹ 60 Lakh
Closing Stock ₹ 90 Lakh
- (iv) Printing and Stationery ₹ 35 Lakh
- (v) Auditor's Fees ₹ 5 Lakh
- (vi) Rent, Rates and other Expenses ₹ 10 Lakh
- (vii) Wages & Salaries ₹ 100 Lakh
- (viii) Depreciation ₹ 30 Lakh
- (ix) Interest ₹ 20 Lakh
- (x) Taxes ₹ 25 Lakh
- (xi) Dividend ₹ 110 Lakh
- (xii) Retained Earnings for the year ₹ 165 Lakh

Prepare a Value Added Statement for Maahi. Ltd. for the year ended 31st March, 2025. [7]

(b) Describe the Integrated Reporting? Briefly discuss the objectives of integrated reporting. [7]

Answer:

(a)

Value Added Statement for Maahi. Ltd. for the year ended 31st March, 2025

Generation of Value Added	(₹ in Lakh)	(₹ in Lakh)
Sales Revenue		1,000
Add: Increase in Stock of Raw Materials, WIP & FG		30
Total		1,030
Less: Cost of brought-in-materials and services:		



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Purchase of Raw Material	530	
Printing and Stationery	35	
Auditor's Fees	5	
Tent, Rates & Other Exp.	10	580
Total Value Added		450

Distribution of Value Added

Particulars	(₹ in Lakh)	(₹ in Lakh)
Total Value Added (Generated)		450
A. To Employees: Wages & Salaries		100
B. To Government: Taxes		25
C. To Providers of Capital:		
Interest	20	
Dividend	110	130
D. To Re-investment in Business:		
Depreciation	30	
Retained Earnings	165	195
Total Distribution (A+B+C+D)		450

(b)

As per the Integrated Reporting Framework issued by International Integrated Reporting Council (IIRC), an integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term.

The objectives of integrated reporting are:

1. To improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital
2. To promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time.
3. To enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies.
4. To support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

Integrated reporting is consistent with all the developments in corporate reporting over time across the world. It has the potential to synthesise all of them and can accelerate these individual initiatives and provide impetus to greater innovation in corporate reporting.

8. (a) Discuss the functions of CAG with regard to grants or loans given to other authorities or bodies. [5]

(b) Describe the responsibilities of Government Accounting Standards Advisory Board (GASAB). Discuss



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the Indian Government Accounting Standards (IGAS) notified by the Ministry of Finance, GOI. [5]

(c) A Ltd. acquired 35% of B Ltd. in 2024-25 for ₹ 3,50,000. Fair value of shares of B Ltd. (35%) being ₹4,20,000, ₹ 70,000 was reported under OCI. In April 2025, A Ltd. further acquired 40% stake in B Ltd. for a consideration of ₹ 6,00,000. A Ltd. identifies the assets of B Ltd. as ₹ 12,00,000 and values 35% shares (previously held) at ₹ 4,50,000.

(i) Calculate the amount to be transferred to Profit and Loss Statement in 2024-25.

(ii) Also calculate value of Goodwill/Gain on bargain purchase on acquisition of control. [4]

Answer:

(a)

Function of CAG with regard to Grants and Loans given to other authorities or bodies:

1) Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union territory having a Legislative Assembly to any authority or body, not being a foreign State or international organisation, the Comptroller and Auditor-General shall scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given.

2) For this purpose the C&AG shall have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body.

3) However, the President, the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, may, where he is of opinion that it is necessary so to do in the public interest, by order, relieve the Comptroller and Auditor-General, after consultation with him, from making any such scrutiny in respect of anybody or authority receiving such grant or loan.

4) Except where he is authorised so to do by the President, the Governor of a State or the Administrator of Union territory having a Legislative Assembly, as the case may be, the Comptroller and Auditor-General shall not have, while exercising the powers conferred on him by sub-section (1), right of access to the books and accounts of any corporation to which any such grant or loan as is referred to in subsection (1) is given if the law by or under which such corporation has been established provides for the audit of the accounts of such corporation by an agency other than the Comptroller and Auditor-General:

5) Moreover, such authorisation shall be made except after consultation with the Comptroller and Auditor-General and except after giving the concerned corporation a reasonable opportunity of making representations with regard to the proposal to give to the Comptroller and Auditor-General right of access to its books and accounts.

(b)

GASAB, inter alia, has the following responsibilities:

(i) To formulate and improve the standard of Government accounting and financial reporting in order to enhance accountability mechanisms.

(ii) To formulate and propose standards that improve the usefulness of financial reports based on the needs of the users.

(iii) To keep the standards current and reflect changes in the Governmental environment.



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- (iv) To provide guidance on the implementation of standards.
- (v) To consider significant areas of accounting and financial reporting that can be improved through the standard-setting process.
- (vi) To improve the common understanding of the nature and purpose of information contained in the financial reports.

The Indian Government Accounting Standards (IGAS), formulated by the Government Accounting Standards Advisory Board (GASAB) and notified by the Ministry of Finance, Government of India, are:

- (i) Guarantees given by Governments: Disclosure Requirements (IGAS 1);
- (ii) Accounting and Classification of Grants-in-aid (IGAS 2);
- (iii) Loans and Advances made by Governments (IGAS 3)
- (iv) Prior Period Adjustments (IGAS 4)

(c)

Amount to be transferred to P& L

Gain on disposal of 35% investment	₹ 30,000
Gain previously reported in OCI	₹ 70,000
Total transfer to P& L	₹ 1,00,000

Computation of goodwill/Gain from bargain purchase

Fair value of consideration given for controlling interest	₹ 6,00,000
Non-controlling interest	₹ 3,00,000
Fair value of previously held interest	₹ 4,50,000
	₹ 13,50,000
Less: Fair value of net assets of acquiree	₹ 12,00,000
	₹ 1,50,000