CA-FINAL

FINANCIAL REPORTING

Module-8:

(As per Latest Amendments Made by ICAI & MCA)

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Dedicated to

BABA VISHAN PURI JI MAHARAJ

BABA LAKSHMAN PURI JI MAHARAJ

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IND AS 2 - INVENTORIES

1. At the end of an accounting period, the cost of a company's inventory is ₹ 4,50,000. This includes damaged items with a cost of ₹ 25,000 which are expected to be sold for only ₹ 10,000 (less selling expenses of 5%). All other items of inventory have a net realisable value which exceeds cost. As per Ind AS 2, the amount at which the company's inventory should be recognized at the end of the period is :

   (a) ₹ 4,25,000

   (b) ₹ 4,50,000

   (c) ₹ 4,34,500

   (d) ₹ 4,35,000

2. A Ltd. shipped inventory on consignment to B Ltd. How should the consigned inventory to be treated assuming the in inventory is unsold by B Ltd.?

   (a) To be measured as Inventory in A Ltd. book

   (b) To be measured as Inventory in B Ltd. book

   (c) To be recognized as revenue in A Ltd.

   (d) To be recognized as liability in B Ltd.

3. Vanessa Private Ltd. has appointed you as an auditor for financial year 20X1-20X2. They are into trading of cake mix. The cake mix is bought in boxes. Whether these boxes will fall within the meaning of inventory, as per Ind AS 2, and how will they be valued?

   (a) Yes, Since, they are used in the process of production for sale. They will be valued at lower of cost or NRV.

   (b) No. They will not qualify as inventory and will be valued at NRV.

   (c) No. They will not qualify as inventory and will be valued at lower of cost or NRV.

   (d) Yes. Since, they are used in the process of production for sale. They will be value at NRV.

4. Normal Annual Capacity of the Plant X is 1,000 Units. During the year ended 31st March 20X2, the company is able to produce only 700 units (due to sudden strike of union labour). During the current year, company have incurred ₹ 21,000 of fixed overheads. Inventory Quantity as at 31.3.20X2 is 200 Units. Determine the amount of fixed overheads allocation that needs to be done on the inventory lying in hand as at 31.3.20X2 as per Ind AS 2?

   (a) ₹ 6,000

   (b) ₹ 10,000

(c) ₹ 4,200

(d) ₹ 21,000

5. Which of the following inventory would be measured at lower of cost and net realisable value?

(a) Sand

(b) Barite

(c) Plastic

(d) Limestone

6. XYZ Ltd. has been valuing inventory on a first-in-first-out basis but in line with methods used by industry peers, the company has decided to move to weighted average method. What is your advice with regard to the disclosure of the change under Ind AS?

(a) Reasons for change in accounting policy must be disclosed and comparative information for prior period must be Restated.

(b) Reasons for change must be disclosed, the amount of adjustments must be presented but comparative information for prior period must not be restated.

(c) Reasons for change need not be disclosed, the amount of adjustments must be presented and comparative information for prior period must be restated.

(d) Reasons for change must be disclosed, the amount of adjustments must be presented and comparative information for prior period must be restated.

7. W Limited, a company manufacturers and sells towels and bedsheets using cotton, yarn, dyes and chemicals. W Limited also sells cotton and inter-mediator product yarn occasionally in exceptional cases. Which of the following items are to be classified as inventories in books of accounts of W Limited :

(a) Cotton, Yarn, Towel, Bedsheets, Dyes and Chemicals

(b) Towel and Bedsheets only

(c) Coton, Yarn, Dyes and Chemicals only

(d) None of the above

8. P Ltd. has a plant with the normal capacity to produce 5,00,000 units of a product per annum and the expected fixed overhead is ₹ 15,00,000. However, actual production is 3,75,000 units. Amount of fixed overhead to be included in the cost of inventory would be

(a) ₹ 15,00,000

(b) ₹ 11,25,000

(c) ₹ 3,75,000

(d) Nil

9. V Ltd. purchases cars from several countries and sells them to Asian countries. V Ltd. incurred many expenses during the period on such cars from their purchase to sale. Which of the following cost is allowed for inclusion in the cost of inventory?

(a) ₹ 20,00,000 as Salaries of accounting department

(b) ₹ 15,00,000 of Sales commission paid to sales agents

(c) ₹ 30,00,000 as after sales warranty costs

(d) ₹ 10,00,000 as Insurance of purchases

10. Hari Limited is a manufacturer of Carton Boxes. The cost of the stock as on 31.12.20X1 was ₹ 50 per box. The accountant noted that the subsequent sale was made on 31.1.20X2 at ₹ 40 per box. The accountant also noted that there were subsequent expenses for some rectification on the entire physical stock that was available as at year end at the rate of ₹ 15per box to saleable condition. The company seeks your opinion as to the amount of net realisable value and written down loss for the closing stock as per Ind AS 2.

(a) ₹ 25 and ₹ 10

(b) ₹ 25 and ₹ 25

(c) ₹ 40 and ₹ 15

(d) ₹ 50 and ₹ 0

ANSEWRS :

1.	(c)	2.	(a)	3.	(b)	4.	(c)	5.	(c)	6.	(d)
7.	(a)	8.	(b)	9.	(d)	10.	(b)				

NOTES

IND AS 16 - PROPERTY PLANT AND EQUIPMENT

1. When an asset is sold or disposed of, where is the gain or loss recognized?
   (a) Asset disposal account
   (b) Profit and loss
   (c) Revaluation reserve
   (d) Depreciation
2. Progress Ltd. chooses to revalue property under Ind AS 16. On 31st March 20X1, their head office building is valued at ₹ 30 lakh when it is recorded in the financial statements at historical cost of ₹ 25 lakh with ₹ 4.5 lakh of accumulated depreciation charged against it. Which of the following statement is true regarding the accounting treatment of the property?
   (a) A revaluation gain of ₹ 5 lakh should be recorded through other comprehensive income, grouped with other items that will not subsequently be reclassified to profit or loss
   (b) A revaluation gain of ₹ 5 lakh should be recorded through profit or loss
   (c) A revaluation gain of ₹ 9.5 lakh should be recorded through other comprehensive income, grouped with other items that will not subsequently be reclassified to profit or loss
   (d) A revaluation gain of ₹ 9.5 lakh should be recorded through other comprehensive income, grouped with other items that will subsequently be reclassified to profit or loss
3. If one large asset has a number of individual components with different useful lives, how should this be depreciated?
   (a) Treat as one asset and depreciate in accordance with highest useful life of the component
   (b) Break down into different components and depreciate every component separately as per the useful life of that component
   (c) Expense it all
   (d) Treat as one asset, but disclose only in the notes to the financial statements
4. When the revaluation model is used for PPE the gain on revaluation should be treated as
   (a) Income in the Statement of profit and loss for the period
   (b) Gain from revaluation in the income statement

(c) A revaluation surplus accounted in OCI

(d) An extraordinary gain or loss in the income statement

5. What it is __________ that future economic benefits associated with an asset will flow to the entity, and the cost of the asset can be __________ measured, it should be recognized as an asset.

(a) Possible, reasonably

(b) Possible, reliably

(c) Probable, reliably

(d) Probable, reasonably

6. Which of these is an allowable cost of an asset for capitalisation under Ind AS 16?

(a) Professional fees

(b) General overheads

(c) Initial operating losses

(d) Administration expenses

7. A Limited has stopped manufacturing operations in its plant for 3 months in the year ended 31st March, 20X1. How should A limited account for depreciation relating to the 3 months in which plant was idle under Ind AS 16?

(a) No depreciation should be charged for 3 months

(b) Depreciation for 3 months in which plant was idle should be recognized in other comprehensive income

(c) Depreciation for 3 months in which plant was idle should be recognized in retained earnings

(d) Depreciation for 3 months in which plant was idle should be recognized in profit or loss

8. India Turnings Limited has adopted revaluation model, as per Ind AS, since 1st April, 20X1 to measure its property, plant and equipment (PPE) and have revalued it as follows:

(i) As on 1st April, 20X1 – PPE has been revalued up by ₹ 3,00,000.

(ii) As on 31st March, 20X2 – PPE has been revalued down by ₹ 3.60.000.

(iii) As on 31st March, 20X3 – PPE has been revalued up by ₹ 5,00,000.

How will the increase in year 20X2-20X3 be recognized in the financials of India Turnings Limited?

(a) ₹ 5,00,000 is credited to other comprehensive income

(b) ₹ 60,000 is credited to profit and loss account and ₹ 4,40,000 is credited to other comprehensive income

(c) ₹ 60,000 is credited to other comprehensive income and ₹ 4,40,000 is credited to profit and loss account

(d) ₹ 5,00,000 is credited to profit and loss account

9. Under Ind AS 16, how often should the useful life of an asset be reviewed?

(a) At least at each financial year end

(b) Every six months

(c) At management's discretion

(d) Never

10. Under Ind AS 16, which two subsequent accounting treatments are allowed subsequently to initial recognition?

(a) Cost model and present value model

(b) Cost model and revaluation model

(c) Fair value model and revaluation model

(d) Fair value model and cost model

ANSEWRS :

1.	(b)	2.	(c)	3.	(b)	4.	(c)	5.	(c)	6.	(a)
7.	(d)	8.	(b)	9.	(a)	10.	(b)				

NOTES

IND AS 23 - BORROWING COSTS

1. Which of the following is not a qualifying asset?
   (a) Financial assets
   (b) Investment properties
   (c) Intangible plants
   (d) Bearer plants
2. Adit Labs are planning to expand their business and open two more branches in the vicinity of two new hospitals being built in the area. The enterprise is using funds from their general borrowings for this expansion project. The finance director of the company has briefly read about the capitalisation of the interest paid on the borrowings. He has sought your clarification on this matter if his entity can capitalise interest of 10% which is the highest interest rate of all the borrowings they have made during the year. Which of the following are correct about the capitalisation of interest on borrowings made by a company as per Ind AS 23 'Borrowing Costs'?
   (a) Finance director is right, and he can use 10% as capitalisation rate for calculating the eligible borrowing costs to be capitalised on the qualifying asset
   (b) Capitalisation rate should be weighted average of all the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset
   (c) Interest paid on general borrowing have to be calculated in accordance with ICDS (Income Computation and Disclosure Standards) which is also required for calculation of current tax and deferred tax
   (d) Entity should use the lowest interest rate of all the borrowings outstanding during the period as capitalisation rate to calculate the eligible borrowing costs
3. The capitalisation rate is
   (a) The weighted average of the borrowing costs applicable to all the general borrowings of the entity that are outstanding during the period
   (b) The weighted average of the borrowing costs applicable to all the general and specific borrowings of the entity that are outstanding during the period
   (c) The weighted average of the borrowing costs applicable to all the specific borrowings of the entity that are outstanding during the period
   (d) The weighted average of the borrowing costs applicable to those general borrowings of the entity only that are used during the period for construction of that particular qualifying asset

4. In determining the borrowing costs to be capitalised, the amount of expenditure on a qualifying asset include only those expenditures that have resulted in
   (a) Payments of cash
   (b) Transfers of other assets
   (c) The assumption of interest-bearing liabilities
   (d) All of the above
5. When will the specific borrowings be considered as general borrowings?
   (a) When substantially all the activities necessary to prepare the qualifying asset (for which specific borrowings was taken) for its intended use or sale are complete
   (b) When activities necessary to prepare the qualifying asset (for which specific borrowings was taken) for its intended use or sale have been started
   (c) When substantially all the activities necessary to prepare the qualifying asset (for which specific borrowings was taken) for its intended use or sale are near to complete
   (d) Specific borrowing are never considered as general borrowings in any circumstances
6. Borrowing costs do not include
   (a) Interest expense calculated using the effective interest rate method as described in Ind AS 109 Financial Instruments
   (b) Interest in respect of lease liabilities recognized in accordance with Ind AS 116, Leases
   (c) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
   (d) Interest expenses on own finance resources or interest notional expenses
7. In determining the borrowing costs to be capitalised, the amount of expenditure on a qualifying asset are not reduced by
   (a) Progress payments received
   (b) Grants received in connection with the asset
   (c) Income on temporary investment of specific borrowings
   (d) Both (a) and (b)
8. What will be the treatment of exchange difference resulting into unrealised gain while capitalising the borrowing cost on foreign currency borrowings taken for construction of a qualifying asset?
   (a) It would not be adjusted to interest even if there was an adjustment to interest in the previous year on account of unrealised exchange loss on settlement or translation of same borrowings

(b) It would be adjusted to interest to the extent of an adjustment to interest in the previous year on account of unrealised exchange loss on settlement or translation of same borrowings

(c) It will be adjusted to interest irrespective of the fact that whether there was an adjustment to interest in the previous year on account of unrealised exchange loss (on settlement or translation of same borrowings) or not

(d) It will be adjusted to interest fully only if there was an adjustment to interest in the previous year on account of unrealised exchange loss on settlement or translation of same borrowings

9. In case of specific borrowings, the borrowing cost is capitalized –

(a) To the extent the borrowings are utilised for construction of the qualifying asset

(b) To the extent of the expenditure incurred on construction of the qualifying asset

(c) On total amount of specific borrowings from commencement date less income on temporary investment made out of such borrowings

(d) On half of the specific borrowing amount

10. Which of the following would be considered as borrowing cost to be capitalised?

(a) Interest on working capital

(b) Interest on borrowings used for manufacturing inventories in large quantities on a repetitive basis

(c) Interest on borrowings utilised to acquire biological assets measured at fair value

(d) Dividend paid on redeemable preference shares used to fund the development of a qualifying asset

ANSEWRS :

1.	(a)	2.	(b)	3.	(a)	4.	(d)	5.	(a)	6.	(d)
7.	(c)	8.	(b)	9.	(c)	10.	(d)				

NOTES

IND AS 36 - IMPAIRMENT OF ASSETS

1. __________ is considered as recoverable amount when it is not possible to measure the fair value less costs of disposal for an asset.
   (a) Market value
   (b) Replacement value
   (c) Value in use
   (d) Carrying amount
2. When an impairment loss occurs, the carrying amount of the asset should be reduced to its __________.
   (a) Fair Value
   (b) Recoverable amount
   (c) Fair Value less cost to disposal
   (d) Value in use
3. In measuring value in use, cash flow projections should be based on the budgets / forecasts covering a maximum period of __________, unless a longer period can be justified.
   (a) Three years
   (b) Five years
   (c) Ten years
   (d) Life of asset which is subject to impairment assessment
4. Recoverable amount of an asset or cash generating unit is __________.
   (a) Higher of 'Fair value less costs of disposal' and 'Value in use'
   (b) Lower of net realisable value and cost
   (c) Higher of fair value and value in use
   (d) Higher of market value less costs of disposal and value in use
5. Smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets is known as __________.
   (a) Cash-generating unit
   (b) Branch
   (c) Department
   (d) Operating Segment

6. Which of the following is not an internal indication of impairment?
   (a) Economic performance of the asset is worse than expected
   (b) Physical damage of the asset
   (c) Decline in market value
   (d) Asset is part of a plans to discontinue or restructure the operation

7. Which of the following is required to be tested for impairment annually irrespective of the presence of indications of impairment or not?
   (a) Intangible asset with an indefinite useful life
   (b) Intangible asset not yet available for use
   (c) Goodwill acquired in a business combination
   (d) All of the above

8. Which of the following is not covered by Ind AS 36, Impairment of Assets?
   (a) Deferred tax assets
   (b) Inventory
   (c) Financial assets
   (d) All of the above

9. In case of estimation of cash flows for calculating value in use, future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. An entity translates the present value using the ___________ at the date of the value in use calculation.
   (a) Closing rate
   (b) Spot exchange rate
   (c) Average rate
   (d) Incremental borrowing rate

10. When a cash-generating unit has an impairment loss, the loss must be firstly applied to ___________.
   (a) Asset with obvious impairment
   (b) Goodwill
   (c) Other assets of CGU on a pro-rata basis
   (c) Based on management discretion

ANSEWRS :

1.	(c)	2.	(b)	3.	(b)	4.	(a)	5.	(a)	6.	(c)
7.	(d)	8.	(d)	9.	(b)	10.	(b)				

IND AS 38 - INTANGIBLE ASSETS

1. AG Limited has purchased a computer with various additional software. These are integral part of the computer. Which of the following are true in the context of Ind AS 38?
   (a) Recognize Computer and software as tangible asset
   (b) Recognize tangible and intangible separately
   (c) Recognize computer and software as intangible asset
   (d) None of the above

2. With respect to valuation of goodwill and recognition of the same on acquisition of another entity. Ind AS 38 'Intangibles assets' establishes general principles for the recognition and measurement of intangible assets in the financial statements. The standard requires any entity to recognize the intangible assets in the financial statements if and only if :
   i) it is probable that the future economic benefits which are attributable to the asset will flow to the enterprise;
   ii) the cost of the asset can be reliably measured

   Which of the following is NOT correct about the intangible assets?
   (a) The above recognition criteria are applicable to both the costs incurred to acquire intangible assets and those generated internally
   (b) Internally generated goodwill is prohibited to be recognized by the standard. Only acquired goodwill can be recognized as an intangible asset in the financial statements
   (c) In case of brands, mastheads, publishing titles, and similar intangible assets can be recognized both when generated internally as well as acquired separately
   (d) In case of research and development phase of an internally generated assets, standard permits capitalisation only in the development phase

3. A newly set up dot-com entity has recently completed one of its highly publicized research and development projects. It seeks your advice on the accuracy of the following statements made by one of its stakeholders. State which one is true?
   (a) Costs incurred during the 'research phase' can be capitalized
   (b) Costs incurred during the 'development phase' can be capitalized if criteria such as technical feasibility of the project being established are met
   (c) Training costs of technicians used in research can be capitalized
   (d) Designing of jigs and tools qualify as research activities

4. Which of the following items qualify as an intangible asset under Ind AS 38?
   (a) Advertising and promotion on the launch of a huge product
   (b) Operating losses during the initial stages of the project
   (c) College tuition fees paid to employees who decide to enrol in an executive M.B.A. program at Harvard University while working with the company
   (d) Legal costs paid to intellectual property lawyers to register a patent
5. Which of the following is not covered within the scope of Ind AS 38?
   (a) Intangible assets held-for-sale in the ordinary course of business
   (b) Assets arising from employee benefits
   (c) Non-current intangible assets held for sale
   (d) All of the above
6. AG Limited is developing a new production process. During 20X1-20X2, expenditure incurred was ₹ 11 lakhs of which ₹ 8 lakhs was incurred before 1st January, 20X2 and ₹ 3 lakhs was incurred between January and March 20X2. The company is liable to demonstrate that on 1st January, 20X2, the production process met the criteria for recognition as an intangible asset. The recoverable amount of the know-how embodied in the process (including future cash outflows to complete the process before it is available for use) is estimated to be ₹ 2 lakhs as at 31st March, 20X2. What is the carrying value of intangible asset at the end of the year?
   (a) ₹ 11 lakhs
   (b) ₹ 8 lakhs
   (c) ₹ 2 lakhs
   (d) ₹ 3 lakhs
7. An intangible asset with a finite useful life should be amortised over
   (a) Its expected useful life
   (b) A period determined by management
   (c) Five years
   (d) No foreseeable limit
8. Which of the following is required to be tested for impairment annually irrespective of the presence of indications of impairment or not?
   (a) Intangible asset with an indefinite useful life
   (b) Intangible asset not yet available for use
   (c) Goodwill acquired in a business combination
   (d) All of the above

9. Amortisation of an intangible asset ceases __________.
   (a) When the asset is derecognized
   (b) When the asset is withdrawn from use
   (c) At the earlier when the asset is classified as held for sale or when the asset is derecognized
   (d) At the later of asset is classified as held for sale or derecognized

10. AG Ltd. acquired copyrights for ₹ 7,50,000 on 1st April, 20X1. The Management assessed the copyright's useful life at 25 years from the date of acquisition. The entity will consume the copyright's future economic benefits evenly over 25 years from the date of acquisition. The fair value of the copyright at 31st March, 20X3 is ₹ 7,00,000. The entity shall measure the carrying amount of the copyright on 31st March, 20X3 at
    (a) ₹ 7,00,000
    (b) ₹ 6,90,000
    (c) ₹ 7,20,000
    (d) ₹ 7,50,000

ANSEWRS :

1.	(a)	2.	(c)	3.	(b)	4.	(d)	5.	(d)	6.	(c)
7.	(a)	8.	(d)	9.	(c)	10.	(b)				

NOTES

IND AS 40 - INVESTMENT PROPERTY

1. Which of the following is an example of Investment Property?
   (a) Property held for sale in the ordinary course of sale or in the process of construction or development for such sale
   (b) Right of use asset related to property used for business purposes
   (c) Property leased to another entity for finance lease
   (d) Right of use asset related to building held by the entity and leased out under one or more operating leases
2. Which of the following characteristics distinguish investment property from owner-occupied property?
   (a) Property held for sale in the ordinary course of sale
   (b) Property held to earn rental or capital appreciation
   (c) Property classified as held for sale
   (d) Property held for use in the production or supply of goods or services or for administrative purposes
3. Which of the following is an example of investment property?
   (a) Land held for construction of factory
   (b) Building rented out to employees as staff quarters
   (c) Lawn rented out to third parties for events / private functions
   (d) Parking lot attached to land on which the Company's factory is constructed
4. At what value the reclassification or transfers between investment property and property, plant and equipment are made?
   (a) Transfers are made at the carrying amount of the property transferred
   (b) Transfers are made at the fair value of the property transferred
   (c) Transfers are made at the revalued amount of the property transferred
   (d) Transfers are made at the higher of fair value and carrying amount of the property transferred
5. On 1st April 20X1, ABC Limited purchased a new head office building for ₹ 60 crore and on the same day leased out top 3 floors to its subsidiary on a long-term operating lease. The annual rent receivables was ₹ 2 crore starting from 31st March 20X2. On 1st April 20X1, the Directors of the Company estimated that the initial cost of the building should be allocated - ₹ 15 million to the top 3 floors, remainder of the building ₹ 20 million and land component ₹ 25 million. On 31st March 20X2, the property had a fair value of ₹ 64 million out of which 25% was attributable to the top 3 floors.

The useful life of the building is 60 years. The carrying value of investment property in the separate / standalone financial statements of ABC Limited at 31st March 20X2 is :

(a) ₹ 16 million

(b) ₹ 15 million

(c) ₹ 14.75 million

(d) No investment property is recognized in the financial statements as the asset is leased out to a subsidiary

6. AG Limited has purchased a commercial building and let out the same to one of its subsidiaries. How it should be reflected in the consolidated financial statements?

(a) Owner-occupied from the perspective of the group

(b) Investment property measured at fair value

(c) Investment property measured at cost

(d) Eliminated as intercompany balance

7. Which of the following is not considered as a transfer from or to investment property?

(a) Commencement of operating lease from undetermined use

(b) Commencement of owner-occupation

(c) Commencement of development with a view to sale

(d) End of owner-occupation

8. Real Estate Limited have acquired an investment property within the meaning of Ind AS 40 'Investment Property'. The company has details of costs and other related expenses, but it is not sure as to what would be the correct accounting treatment of the said items. Identify the correct statement.

(a) Start-up costs are not to be capitalised to cost of the investment property except cases where they are necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by the management

(b) Operating losses incurred before the investment property achieves the planned level of occupancy are not to be capitalised to the cost of investment property

(c) Abnormal amounts of wasted materials, labour and other resources incurred in constructing or developing the property are not to be capitalised to the cost of investment property

(d) All of the above

9. AG India Limited uses portion of building for their administrative use and let out the remainder portion. Which is not the right approach for dealing with this situation while accounting in the books of the company in accordance with Ind AS 40?

(a) Account for the portion separately, if these portions can be sold separately

(b) An investment property, if portions could not be sold separately and insignificant portion can be held for administrative use

(c) As owner occupied property, if portions could not be sold separately and insignificant portion is rent out

(d) It will be treated as right-of-use asset depending upon the significance of self-usage and let out

10. State which of the following statement is true.

(a) An investment property may be a qualifying asset under Ind AS 23 'Borrowing Costs'

(b) An entity is not required to capitalise the borrowing cost in respect of investment properties even if they are qualifying assets

(c) Investment property can be measured at fair value of each reporting date on an asset-by-asset basis

(d) Investment property measured at fair value is not depreciated or tested for impairment under Ind AS 40

ANSEWRS :

1.	(d)	2.	(b)	3.	(c)	4.	(a)	5.	(c)	6.	(a)
7.	(a)	8.	(d)	9.	(d)	10.	(b)				

NOTES

IND AS 105 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

1. How to present a non-current assets (or disposal group) classified as held for sale in the balance sheet?
   (a) Pooled with other current assets
   (b) Pooled with other non-current assets
   (c) Separately from other assets
   (d) Based on management intention
2. Gain or loss on re-measurement of non-current asset classified as held for sale which does not meet the definition of discontinued operation should be included in
   (a) Profit or loss from continuing operations in statement of profit and loss
   (b) Notes to the financial statements
   (c) Statement of changes in equity
   (d) Other comprehensive income
3. A disposal group is a group of assets
   (a) To be disposed in one single transaction
   (b) Falling in cash generating unit
   (c) Being part of discontinuing operation
   (d) Having no disposal cost
4. SA Ltd. bought 30% share in RA Ltd. with a view of selling that investment within six months. The investment has been classified as held for sale in accordance with Ind AS 105. How should the investment be treated in the financial statement of the entity?
   (a) It should be accounted as per the equity method
   (b) The assets and liabilities should be presented separately from other assets in the balance sheet under Ind AS 105
   (c) The investment should be dealt with under Ind AS 29
   (d) Purchase accounting should be used for this investment
5. As per Ind AS 105, which of the following is not allowed as a 'Cost to sell'?
   (a) Finance cost
   (b) Auctioneers commission
   (c) Advertisement cost
   (d) Legal fee for drafting contract of sale

6. The results of discontinued operation should be disclosed under
   (a) Single amount in the statement of profit and loss
   (b) Part of normal trading profit and loss in the statement of profit and loss
   (c) Notes to the financial statements
   (d) Statement of changes in equity
7. Which of the following is not a requirement to classify an asset (or disposal group) as 'held for sale'?
   (a) Appropriate level of management has an intention to sell the asset
   (b) Active programme to locate a buyer have been initiated
   (c) Actively marketed for sale at a reasonable price
   (d) It is likely that significant changes to the plan will be made or that the plan will be withdrawn
8. SA Ltd. acquires a subsidiary RA Ltd. exclusively with a view of selling it. The subsidiary meets the criteria to be classified as held for sale. The subsidiary remains unsold at the end of close of the year. It will be valued at
   (a) Lower of recoverable value or carrying value
   (b) Fair value less cost to sell
   (c) Present value of future cash flows
   (d) Lower of carrying amount and fair value less cost to sell
9. How to measure a non-current asset (or disposal group) that ceases to be classified as held for sale?
   (a) Lower of carrying amount which would have been had the asset not been classified as held for sale (adjsuted for any depreciation, amortisation or revaluations, if any) and recoverable amount at the date of the subsequent decision not to sell or distribute
   (b) Lower of carrying amount on the date the asset ceased to be classified as held for sale and recoverable amount at the date of the subsequent decision not to sell or distribute
   (c) Lower of carrying amount and fair value less cost to disposal
   (c) Lower of carrying amount and the amount which would have been had the asset not been classified as held for sale
10. Non-current asset is classified as held for sale, if it is available for ___________ sale and sale is ___________

(a) Instant, most likely

(b) Immediate, probable

(c) Immediate, highly probable

(d) Distant future, reasonably assured

ANSEWRS :

1.	(c)	2.	(a)	3.	(a)	4.	(b)	5.	(a)	6.	(a)
7.	(d)	8.	(d)	9.	(a)	10.	(c)				

NOTES

IND AS 116 - LEASES

1. An entity is required to assess whether the contract is or contains, a lease at/on ___________
   (a) Commencement of lease term
   (b) Obtaining the possession of identified asset
   (c) Inception of contract
   (d) Beginning of the relevant annual year
2. A lessee is required to measure the right of use asset in the financial statements initially at
   (a) Fair value
   (b) Net realizable value
   (c) Cost
   (d) Present value of lease payment
3. According to Ind AS 116, the right of use asset in the books of Lessee shall be depreciated over the
   (a) Lower of the lease term and the asset's useful life
   (b) Higher of the lease term and the asset's useful life
   (c) Entire lease term
   (d) Useful life of the asset
4. According to Ind AS 116, initial measurement of the right of use asset does not include:
   (a) Lease liability
   (b) Initial direct cost
   (c) Estimate of dismantling and restoration
   (d) Contingent rent
5. The lease payments shall be discounted using the
   (a) Interest rate implicit in the lease or general borrowing rate
   (b) Weighted average cost of capital or interest rate implicit in the lease
   (c) Interest rate implicit in the lease or incremental borrowing rate
   (d) LIBOR or weighted average cost of capital
6. In case of a contract that contains a lease component and one or more additional lease or non-lease component, lessee is required to allocate the contract consideration to each lease component on the basis of their relative:
   (a) Value in use
   (b) Stand-alone price

(c) Market price

(d) Cost

7. According to Ind AS 116, lease liability does not include

(a) Present value of fixed payment

(b) Guaranteed residual value

(c) Unguaranteed residual value

(d) Lease termination penalty

8. An entity shall revise the lease term if there is a change in

(a) Non-cancellable period

(b) Economic life of underlying asset

(c) Secondary period

(d) Useful life of the underlying asset

9. SA Ltd. has taken a building on lease from RA Ltd. for 10 years to operate a restaurant. As per the contract, SA Ltd. has decision-making right regarding all the operations and usage of the restaurant. However, as per the contract, RA Ltd. has a right to restrict SA Ltd. from selling any kind of non-vegetarian item in the restaurant. The restriction rights of RA Ltd. will become exercisable only after 6 years. Whether the contract contains a lease?

(a) Contract contains a lease for 10 years as the rights of the lessor are protective in nature

(b) Contract contains a lease for 6 years as the lessee has a right to control the use of the asset for a portion of period

(c) Contract contains a lease for 4 years as the lessor has rights to control the use of the asset for a portion of period

(d) None of the above

10. Lease term includes the periods covered by an extension option if exercise of that option by the lessee is

(a) Remote

(b) Highly probable

(c) Reasonably certain

(d) Virtually certain

ANSEWRS :

1.	(a)	2.	(c)	3.	(a)	4.	(d)	5.	(c)	6.	(b)
7.	(c)	8.	(a)	9.	(b)	10.	(c)				

IND AS 19 - EMPLOYEE BENEFITS

1. How should we treat maternity or paternity leaves while accruing liability for compensated absences as per actuarial valuation?
   (a) Depends on accounting policy of the company
   (b) Should be included for actuarial valuation
   (c) Should not be included for actuarial valuation
   (d) Only maternity leaves should be included for actuarial valuation
2. While accounting for a defined benefit obligation, there is net interest to be recognized in profit or loss. Based on the prevailing accounting practices, which of the following statement is true?
   (a) Net interest cost shall be recognized as 'Employee Benefit Expenses' in the statement of profit or loss
   (b) Net interest cost shall be recognized as 'Finance Cost' in the statement of profit or loss
   (c) Net interest cost shall be recognized as 'Other Expenses' in the statement of profit or loss
   (d) The Company has an accounting policy choice of recognizing net interest cost either in 'Employee Benefit Expenses' or 'Finance Cost'
3. While recognizing the expenses for paid leave to employees which are carried forward to next year if unutilized. An employee can utilize such carry forward leaves anytime subject to maximum of 30 accumulated leaves. How should the Company recognize re-measurement of liability comprising the actual gain / loss?
   (a) In the statement of profit of loss
   (b) In other comprehensive income as item to be reclassified to profit or loss
   (c) In other comprehensive income as item not to be reclassified to profit or loss
   (d) Directly in equity
4. An entity has decided to improve its defined benefit pension scheme. The benefit payable will be determined by reference to 60 years of service rather than 80 years of service. As a result the deemed benefit pension liability will increase by ₹ 2 Crores. The average remaining service lives of its employees is 10 years. The Company wants to understand as to how should the increase in pension liability by ₹ 2 Crores be treated in the financial statements?
   (a) The past service cost should be charged against retained profit
   (b) The past service cost should be charged against profit or loss for the year

(c) The past service cost should be spread over the remaining working lives of the employees

(d) The past service cost should not be recognised

5. From the following items, identify what must be classified as other long-term benefits under Ind AS 19?

(a) Paid maternity leave

(b) Cash bonus payable in August 20X3 for results obtained up to 31st March, 20X3

(c) Deferred compensation payable 20 months after the period in which it is earned

(d) Lump sum retirement benefit of ₹ 10 lakh that vests after five years of service

ANSEWRS :

1.	(c)	2.	(d)	3.	(a)	4.	(b)	5.	(c)		

IND AS 37 - PROVISIONS CONTINGENT LIABILITIES AND CONTINGENT ASSETS

1. Which one of the following is a correct statement in relation to provisions and contingencies?
   (a) An item of a contingent nature may be recognised, but not disclosed, in the body of the financial statements
   (b) Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets applies to provisions to perform land rehabilitation activity
   (c) Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets applies to contingent liabilities and contingent assets of insurers that result from insurance contracts
   (d) A present obligation exists in all circumstances where a company may have some choice in whether or not to make a future sacrifice of economic benefits in settlement of an obligation
2. As at 31 March 20X1 (reporting date), ABC Ltd. is involved in a legal dispute with one of it's supplier in relation to the early termination of the exclusive licence agreement between the two companies. The supplier seeks damages of ₹ 50 crore. The directors of ABC believe that, they will be successful in defending this claim. ABC's lawyers have advised that there is 90% chances that the entity would not be made liable for this claim. In accordance with Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets, which one of the following is the most appropriate option for ABC while preparing its financial statements for 31 March 20X1?
   (a) Neither recognition of provision nor disclosure of contingent liability is required
   (b) Disclose information about the possible liability as a contingent liability
   (c) Recognise a provision for the best estimate of the obligation to the supplier
   (d) Recognise a contingent liability for the best estimate of the obligation to the supplier
3. As per Ind AS 37 'Provisions, Contingent Liabilities and Contingent Assets', where measurement uncertainty exists, which one of the following methods is NOT an appropriate valuation for a provision based on accounting standards?
   (a) The mid-point of a range of equally likely outcomes of expenditure
   (b) No provision should be recognised where measurement uncertainty exists
   (c) The minimum amount expected to represent a best estimate, where the other option is omission

(d) The most likely amount expected to represent a best estimate, where there is a single obligation

4. Which one of the following represents an appropriate discount rate for measuring a provision based on Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets?

(a) Market yields on national government bonds

(b) Market yields on high-quality corporate bonds

(c) Pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability

(d) Pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the entity

ANSEWRS :

1.	(b)	2.	(b)	3.	(b)	4.	(c)				

IND AS 21 - THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

1. In the context of Ind AS 21, which of the following is not a monetary item?
   (a) Cash and bank balances
   (b) Fixed deposits
   (c) Shareholders' equity
   (d) Accounts payable

2. Pursuant to Ind AS 21, which factor will not be used in determining the entity's functional currency?
   (a) The currency that primarily influences the prices at which goods and services are sold
   (b) The currency in which the costs of the entity are mainly denominated
   (c) The currency which is used mostly for international trading in that industry
   (d) The currency in which funds from financing are generated

3. Casper Ltd. is a New York based company engaged in the business of manufacturing mobile handsets. Casper's functional currency is the dollar. Casper purchased a machine on credit from a European supplier for ₹6 million on 31 January 2018. At this date the exchange rate was ₹ 2 = $1. Casper did not settle the dues until its reporting date i.e. 31 March 20X1. At this date the closing exchange rate was ₹ 1.5 = $1. Casper follows cost model for measuring its non-current assets. Which one of the following statements is correct in accordance with Ind AS 21 'The Effects of Changes in Foreign Exchange Rates for the period ending 31 March 20X1?
   (a) Cost of machine $4 million, trade payable $3 million, exchange gain $1 million
   (b) Cost of machine $3.0 million, trade payable $4 million, exchange loss $1 million
   (c) Cost of machine $3 million, trade payable $4 million, exchange loss $1.2 million
   (d) Cost of machine $4 million, trade payable $4 million, no exchange loss

4. XYZ Ltd., during the financial year ended 31 March 20X2, disposed of an investment in a foreign operation. Up to the date of disposal, XYZ had to translate the financial statement of the foreign operation from another currency for inclusion in its consolidated financial statements. During prior reporting periods, ₹ 14,000 of exchange difference gains net of tax (pre-tax exchange difference gains ₹ 20,000) has been recognised in OCI in the consolidated financial statements of XYZ Ltd. During the year 20X2 reporting period, ₹ 3,500 exchange difference gain net of tax (pre-tax exchange difference gain ₹ 5,000) up to the date of disposal of the foreign operation had been recognised in OCI.

Which one of the following statements is correct in relation to the treatment of the disposal of the foreign operation in the consolidated statement of profit or loss and OCI of XYZ for the year ended 31 March 20X2?

(a) OCI would include an exchange difference net of tax gain of ₹ 3,500

(b) OCI would include a reclassification adjustment net of tax of ₹ 14,000

(c) OCI would include a reclassification adjustment net of tax of ₹ 17,500

(d) No reclassification adjustment from OCI to profit or loss is necessary on disposal of the foreign operation

5. Parent P owns 80% of the net assets of Subsidiary S. S's functional currency is Dinar. S was acquired on 30th September, 20X1 and its net assets fair value was Dinar 40,000. P has recognised a cost of investment amounting to CU 10,675 in its financial statements. The group's accounting policy for goodwill is to recognise it on a proportionate basis. Exchange rates are as follows :

30th September, 20X1 CU 1 = 6.5 Dinar

31st December, 20X2 CU 1 = 6.0 Dinar

Calculate the goodwill to be recognised in the consolidated statement of balance sheet as at 31st December, 20X2 under Ind AS 21

(a) CU 3,207

(b) CU 3,918

(c) CU 5,342

(d) CU 6,231

6. XYZ Ltd. prepares consolidated financial statements. During the financial year ended 31st March 20X2, XYZ disposed of an investment in a foreign operation. Up to the date of disposal, XYZ had to translate the financial statement of the foreign operation from another currency for inclusion in its consolidated financial statements. During prior reporting periods, ₹ 14,000 of exchange difference gains net of tax (pre-tax exchange difference gains ₹ 20,000) had been recognised in other comprehensive income in the consolidated financial statements of XYZ Ltd. During the reporting period ending on 31st March, 20X2, ₹ 3,500 exchange difference gain net of tax (pre-tax exchange difference gain ₹ 5,000) up to the date of disposal of the foreign operation had been recognised in other comprehensive income. Which one of the following statements is correct in relation to the treatment of the disposal of the foreign operation in the consolidated statement of profit and loss and other comprehensive income of XYZ Ltd. for the year ended 31st March 20X2?

(a) Other comprehensive income would include an exchange difference net of tax gain of ₹ 3,500

(b) Other comprehensive income would include a reclassification adjustment net of tax of ₹ 14,000

(c) Other comprehensive income would include a reclassification adjustment net of tax of ₹ 17,500

(d) No reclassification adjustment from other comprehensive income to profit or loss is necessary on disposal of the foreign operation

7. Zed Ltd. imported an item of Property, plant and equipment i.e. machinery costing USD 1,00,000. The exchange rate as at the date of receipt of the Plant and Machinery in India was ₹ 60 = 1 USD. However, at the time of remitting the payment to the foreign vendor [30 days after receipt of the Plant and Machinery in India] the exchange rate was ₹ 62 = 1 USD. Accordingly, ZED Ltd. passed a journal entry debiting Vendor account for ₹ 60,00,000, debiting Exchange loss for ₹ 2,00,000 and crediting bank account for ₹ 62,00,000. At the first balance sheet date after the acquisition of the aforesaid Plant and Machinery, Zed Ltd. opted to use the Revaluation Model. The accounting treatment as per Ind AS 21 as regards the exchange loss of ₹ 2,00,000 is as follows :

(a) ₹ 2,00,000 being a realised exchange loss on a monetary item, it should be recognized in Profit or Loss account

(b) ₹ 2,00,000 being an unrealised exchange loss on a monetary item, it should be recognised in Profit or Loss account

(c) ₹ 2,00,000 being a realised loss on a non-monetary item, it should be recognised in Profit or loss account

(d) ₹ 2,00,000 being a realised loss on a non-monetary item, it should be recognised in other Comprehensive Income as the asset is being accounted under the revaluation model

ANSEWRS :

1.	(c)	2.	(c)	3.	(b)	4.	(c)	5.	(d)	6.	(c)
7.	(a)										

NOTES

IND AS 12 - INCOME TAXES

1. During the year ended 31 March 20X1, Zee Ltd. has acquired 60% shares of Global. In accordance with Ind AS 103 Business Combinations, goodwill arising on acquisition of subsidiary amounted to INR 20 lakh. The tax rate applicable for Zee Ltd. is 30%. The deferred tax liability relating to goodwill will be

   (a) INR 6,00,000

   (b) INR 36,000

   (c) INR 3,60,000

   (d) Zero

2. Entity A has calculated taxable temporary differences of ₹ 50,00,000 and deductible temporary differences of ₹ 20,00,000 on separate items. The tax rate of the current year is 35%. However, tax rate in the previous year is 30% and it is expected that in future the tax rate would be 40%. What basis should be used for measurement of deferred tax assets and liabilities?

   (a) 30%

   (b) 35%

   (c) 40%

   (d) 5%

3. Star Ltd. expects that it will earn a minimum of ₹ 250 lakh per year for the anticipatable future and will be subject to 30% tax. A liability for ₹ 50 lakh in respect of accrued product warranty costs has been recognised by Star Ltd. For tax purposes, the product warranty cots will be deductible when the enterprise claims or incurs the costs. In accordance with Ind AS 12 Income Taxes, which of the following Star Ltd. should recognise as a deferred tax asset / liability?

   (a) A deferred tax asset of ₹ 15 lakh

   (b) A deferred tax liability of ₹ 15 lakh

   (c) A deferred tax liability of ₹ 35 lakh

   (d) Neither a deferred tax asset or liability

4. To calculate the tax base of a liability for employee benefits, which one of the following formulas would be used?

   (a) Carrying amount + Future assessable amounts

   (b) Carrying amount + Future non-assessable amounts of revenue

   (c) Carrying amount + Future deductible amounts + Future assessable amounts

   (d) Carrying amount - Future deductible amounts + Future assessable amounts

ANSEWRS :

1.	(d)	2.	(b)	3.	(a)	4.	(d)				

IND AS 24 - RELATED PARTY DISCLOSURES

1. Era is a director of Titanic Ltd. She also owns 60% of Gracious Ltd. and is a director of, but not a shareholder in, Fortuner Ltd. Era's husband is the sole shareholder in Kite Ltd. Era's daughter holds 6% of the shares in Bluebell Ltd. The only involvement she has in the company is to receive dividends. Which of the following companies would be classified under Ind AS 24 Related Party Disclosures as related parties of Titanic Ltd.?
   (a) Gracious Ltd. and Kite Ltd.
   (b) Gracious Ltd. only
   (c) Bluebell Ltd. and Fortuner Ltd.
   (d) Kite Ltd, Gracious Ltd. and Bluebell Ltd.
2. Mr. K owns all of the issued share capital of entity L. He is also a member of the key management personnel of entity M which, in turn, owns all the issued share capital of entity N. Which of the following is true about the related party relationships from the above structure?
   (a) K is not a related party of L & M
   (b) L & M are related parties
   (c) L & N are related parties
   (d) Both (b) & (c)
3. Sunbeam Ltd. has a 70% subsidiary Hexa Ltd. and is a venture in Texotech, a joint venture company. During the financial year to 31st March 2018, Sunbeam sold goods to both companies. Consolidated financial statements are prepared combining the financial statements of Sunbeam Ltd. and Hexa Ltd. Under Ind AS 24 'Related Party Disclosures', in the separate financial statements of Sunbeam Ltd. for the year ended 31st March 2018, disclosure is required of transactions with
   (a) Neither Nexa Ltd. nor Texotech Ltd.
   (b) Hexa Ltd. only
   (c) Texotech Ltd. only
   (d) Both Hexa Ltd. and Texotech Ltd.

ANSEWRS :

1.	(a)	2.	(d)	3.	(d)						

NOTES

IND AS 33 - EARNINGS PER SHARE

1. A Limited has the following options with regards to its own equity shares. Which of these should be included in the calculation of diluted earnings per share?

   (a) In the money purchased put options

   (b) In the money purchased call options

   (c) In the money written put options

   (d) Out of the money written put options

2. Following information is available for A Ltd. :

   Shares in issue 1,000,000 Profit for the year ended 31st March ₹ 2,000,000 Average fair value during the period ₹ 8 Weighed Average number of shares under options during the year = 6,00,000 shares Exercise price ₹ 6. Calculate Diluted earnings per shares (DEPS) for the year.

   (a) ₹ 2.50

   (b) ₹ 2.10

   (c) ₹ 1.74

   (d) Options would be anti-dilutive and hence DEPS would be ₹ 2.

ANSEWRS :

1.	(c)	2.	(c)								

NOTES

IND AS 108 - OPERATING SEGMENTS

1. As per Ind AS 108 'Operating Segments', if a financial statement contains both the consolidated financial statements of a parent, as well as parent's separate financial statements, segments information is required :
   (a) Only in the consolidated financial statements
   (b) Only in the parent's separate financial statements
   (c) Both sets of financial statements
   (d) Either in the consolidated financial statement or in the parent's separate financial statements
2. As per Ind AS 108 'Operating Segments', if a financial statement contains both the consolidated financial statements of a parent, as well as parent's separate financial statements, segment information is required :
   (a) Only in the consolidated financial statements
   (b) Only in the parent's separate financial statements
   (c) Both sets of financial statements
   (d) Either in the consolidated financial statement or in the parent's separate financial statements
3. Entity A and Entity B both manufacture and distribute furniture and electrical products used in residential and commercial units. Entity A is structured such that decisions are made and performance is evaluated on a regional basis (e.g., India, Asia Pacific), whereas Entity B makes decisions and evaluates performance on a product-line basis (e.g., furniture, electrical products). How should Entity A and Entity B report operating segment as per Ind AS 108, 'Operating Segments'?
   (a) Entity A and B should report similar operating segments
   (b) Entity A should report operating segments based on regions and Entity B should report operating segments based on product lines
   (c) Entity A and B have a choice to report operating segments based on regions or product lines
   (d) Entity A and B have a choice not to report any operating segment

ANSEWRS :

1.	(a)	2.	(a)	3.	(b)						

NOTES

IND AS 20 - ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE

1. How is a grant recognized in profit or loss when it is set up as deferred income?
   (a) It is recognized as income in the year the grant is received
   (b) It is recognized in profit or loss on a systematic basis over the useful life of the asset
   (c) It is recognized as a reduction in depreciation expense over the life of the asset
   (d) It is recognized as a separate item in the other comprehensive income section
2. According to Ind AS 20, which of the following is included in the definition of "Government"?
   (a) Local and National bodies only
   (b) Government agencies only
   (c) International bodies only
   (d) Government, government agencies, and similar bodies whether local, national, or international
3. According to Ind AS 20, when should government grants be recognized by an entity?
   (a) As soon as the grant is offered by the government
   (b) Once the entity fulfills the conditions attached to the grants
   (c) When there is reasonable assurance that the entity will comply with the conditions and receive the grants
   (d) After the entity has received the grants
4. Which Ind AS provides guidance on accounting for government grants and disclosure of government assistance?
   (a) Ind AS 115
   (b) Ind AS 20
   (c) Ind AS 38
   (d) Ind AS 16

ANSEWRS :

1.	(b)	2.	(d)	3.	(c)	4.	(b)				

NOTES

IND AS 41 - AGRICULTURE

1. Which of the following is the criteria for recognizing the biological asset in books according to Ind AS 41?
   (a) Control the asset
   (b) Future economic benefit will flow
   (c) Fair value or cost can be measured reliably
   (d) All of the above
2. Which of the following is not dealt with by Ind AS 41 Agriculture?
   (a) Biological assets
   (b) Agriculture produce at the point of harvest
   (c) Government grants related to biological assets
   (d) Agriculture produce after harvest
3. Which of the following combination is false regarding the definition of a 'Biological Asset' and 'Agriculture Produce' in Ind AS 41?
   (a) Agricultural land, Paddy
   (b) Bushes, Leaf
   (c) Pigs, Carcass
   (d) Vines, Grapes
4. Fresho Vineyards Ltd. owns a vineyard in the outskirts of Satara city in western Maharashtra. The grape vine plants and the grapes have a combined fair value of ₹ 10,00,000. The purchase cost of vine plants was ₹ 3,00,000 and the fair value of grapes on the plants is ₹ 2,40,000. The company uses the cost model to measure assets classified under Ind AS 16 Property, Plant and Equipment. Which of the following options is the measurement of bearer plants and bearer fruits respectively?
   (a) ₹ 3,00,000, ₹ 2,40,000
   (b) ₹ 7,60,000, ₹ 2,40,000
   (c) ₹ 3,00,000, ₹ 7,00,000
   (d) ₹ 5,55,555, ₹ 4,44,445
5. A conditional government grant related to a biological asset measured at its fair value less costs to sell shall be recognised in profit or loss when and only when ___________
   (a) Grant becomes receivable
   (b) Conditions attaching to grant are met

(c) Reasonable assurance that conditions will met

(d) Reasonable assurance that grant will be received

6. Agricultural activity involves biological transformation and harvest of biological asset

(a) For sale

(b) For conversion into agricultural produce

(c) Into additional biological assets

(d) All of the above

7. Generally, biological assets relating to agricultural activity should be measured using

(a) Historical cost

(b) Cost less depreciation has impairment

(c) Net realisable value

(d) Fair value less cost to sell

8. Gain / Loss arising from initial recognition of a biological asset and from a change in the value of biological assets should be recognised in

(a) Statement of profit and loss for the period in which it arises

(b) Recognised through statement of profit and loss as other comprehensive income item

(c) Entered into a deferral account and amortised over the estimated useful life of the biological asset

(d) Recognised on a revaluation reserve

9. Which of the following are considered as bearer plants and not to be accounted in accordance with Ind AS 41?

(a) Plants cultivated to be harvested as agricultural produce (for example trees grown for use as lumber)

(b) Plants which gives fruits in a particular season for more than one year (for example mango tree)

(c) Plants cultivated to produce agricultural produce when there is more than a remote likelihood that the entity will also harvest and sell the plant as agricultural produce, other than as incidental scrap sales (for example trees that are cultivated both for their fruit and their lumber)

(d) Annual crops (for example, maize and wheat)

10. Fair value less costs to sell at the point of harvest of Agricultural produce becomes __________ at that date when applying Ind AS 2 or other Ind AS

    (a) Cost

    (b) Market value

    (c) Net realisable value

    (d) Fair value less cost to sell

ANSEWRS :

1.	(d)	2.	(d)	3.	(a)	4.	(a)	5.	(b)	6.	(d)
7.	(d)	8.	(a)	9.	(b)	10.	(a)				

NOTES

IND AS 102 - SHARE BASED PAYMENT

1. On 1 April 20X1, ABC Ltd. acquired an item of plant for an agreed consideration of its own 1,000 shares. The plant was received on same date and the obligation to transfer shares was to be settled on 1 May 20X1. The fair value of the item of the plant was ₹ 10,000 on 1 April 20X1. ABC Ltd.'s share price was INR 8.00 on 1 April 20X1 and INR 9.00 on 31 March 20X2. In accordance with Ind AS 102 'Share-based payment' ABC Ltd. should :
   - (a) Re-measure the equity to 9,000 on 31 March 20X2
   - (b) Initially recognise the plant and equity at 8,000 on 1 April 20X1
   - (c) Make no entry in relation to the transaction until 1 May 20X1
   - (d) Initially recognise the plant and equity at 10,000 on 1 April 20X1
2. Silver Jubilee Motor granted 2,000 share options to each of its three Branch Manager on 1 April 2017, subject to the Branch Managers being in employment till 31 March 2020. The options will vest on 31 March 2020 only if the company's share price reaches INR 14 per share at that time. The fair value of each option on 1 April 2017 is INR 10. The share price at 31 March 2018 is INR 8 and it is not anticipated that it will rise over the next two years. Further, it is anticipated on 31 March 2018 that only two Branch Managers will be in employment by 31 March 2020. Determine the value of share option to be recorded as per Ind AS 102 Share Based Payment in the Balance Sheet for the year ended 31 March 2018.
   - (a) INR 20,000
   - (b) INR 13,333
   - (c) INR 10,667
   - (d) INR 18,667
3. In respect of an entity which is a first-time adopter of Ind AS, Ind AS 102 would not necessarily be required to be applied to which of the following equity instruments?
   - (a) Equity instruments that vested before date of transition to Ind AS
   - (b) Equity instruments that vested after date of transition to Ind AS
   - (c) Equity instruments that vested on the date of transition of Ind AS
   - (d) All equity instruments that vested before, on and after date of transition to Ind AS

ANSEWRS :

1.	(d)	2.	(b)	3.	(a)						

NOTES

ACCOUNTING AND REPORTING OF FINANCIAL INSTRUMENTS

1. On 1 January 20X6, XYZ Ltd. issues a new instrument with the following characteristics.
   - Face value ₹ 100, issue price ₹ 90.
   - Cumulative dividend payable at 5% per annum for 10 years. After 10 years, the dividend is payable at the discretion of the issuer.
   - The holder of the note has the option to convert to ordinary shares of XYZ Ltd. after 10 years, and conversion will be 10 ordinary shares for each instrument.
   - The holder can demand redemption for the face value at any time, within six months
   - Notice up until the end of 10 years. After 10 years, redemption is at the discretion of the issuer.
   - There is no fixed maturity date.

   How should the instrument be classified by XYZ Ltd. in the first 10 years in accordance with Ind AS 32? Select which one of the following is correct.

   (a) As equity
   (b) As a liability
   (c) As either equity or liability
   (d) As a compound instrument

2. A Ltd. has invested in debentures whose interest rate is floating in nature and as per the terms of the instrument interest will be reset every month. Terms of interest is 0.5 x (MIBOR + 2%). Classify the financial asset and determine the subsequent measurement for the aforesaid instrument.

   (a) Financial asset measured at amortised cost
   (b) Financial asset measured at FVOCI without recycling
   (c) Financial asset measured at FVTPL
   (d) Financial asset measured at FVOCI with recycling

3. From the below list of instruments held by Swan Limited as at 31.03.20X2, you need to identify the financial instrument which does not meet the contractual cash flow characteristics test as per the provisions of Ind AS 109 :

   (a) Variable rate instrument with a stated maturity date that permits the borrower to choose to pay three-month LIBOR for a three-month term or one-month LIBOR for a one-month term

   (b) A fixed term variable market interest rate bond where the variable market interest rate is capped

(c) A financial instrument with an interest rate that is reset to a higher rate if the debtor misses a particular number of payments

(d) A financial instrument with an interest rate that is reset to a higher rate if a specified equity index reaches a particular level

4. Entity A has issued preference shares to the investors which has similar voting rights and dividend rights and will be converted into one is to one equity shares at the time of IPO. As per the terms of the agreement, if the IPO does not happen by the end of the 7th year, then the Company will have to buy back the shares from the investors. The Company is growing very fast and is confident of going through the IPO within 3 years itself. How will the company classify the above instrument in the financial statement?

(a) Equity

(b) Liability

(c) Hybrid

(d) Compound

5. Which of the following categories of financial assets is NOT subject to impairment requirements of Ind AS 109 "Financial Instruments"?

(a) Equity instruments measured at fair value through profit or loss

(b) Investment in debentures where (i) Contractual cash flows represent solely payment of principal and interest; and (ii) entity's business model is to hold financial assets in order to collect contractual cash flows

(c) Lease receivables

(d) Trade debtors

6. New Age Technology Limited has taken loan from a bank which has debt to equity ratio as one of its financial covenants. Any new fund raise could have a direct implication on the covenants of existing loans. Therefore, the CFO wants to understand which amongst the following instruments is an equity instrument as per Ind AS 32 Financial Instruments : Presentation?

(a) Non-redeemable preference shares with payment of dividend at market rates

(b) Preference shares redeemable at the option of the issuer with payment of dividend at the discretion of the issuer

(c) Preference shares redeemable at the option of the holder with payment of dividend at the discretion of the issuer

(d) Preference shares redeemable at the option of the holder with payment of dividend at market rates

ANSEWRS :

1.	(b)	2.	(c)	3.	(d)	4.	(d)	5.	(a)	6.	(b)

IND AS 115 - REVENUE FROM CONTRACT WITH THE CUSTOMERS

1. Ind AS 115 applies to
   (a) Lease contracts within the scope of Ind AS 116 Leases
   (b) Financial instruments and other contractual rights or obligations within the scope of Ind AS 109, Ind AS 110, Ind AS 111, Ind AS 27 and Ind AS 28
   (c) Non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers
   (d) Non-monetary exchanges between entities in different line of business of facilitate sales to customers or potential customers
2. Impairment loss as per Ind AS 115 shall be recognised in
   (a) Other Comprehensive income
   (b) Profit or Loss
   (c) Contract Assets
   (d) Other Reserves
3. An entity has entered into a contract with a customer which does not meet the criteria for identifying the contract and the entity has received consideration from the customer. In such a case the entity shall recognise the consideration as revenue only when
   (a) The entity has no remaining obligations to transfer goods or services to the customer and consideration promised by the customer has been received by the entity and is non-refundable
   (b) The contract has been terminated and the consideration received from the customer is non-refundable
   (c) The entity has no remaining obligations to transfer goods or services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the entity and is refundable
   (d) Either (a) or (b)
4. An entity shall account for a contract modification as a separate contract when
   (a) The scope of the contract increases because of the addition of promised goods or services that are distinct
   (b) The price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods or services

(c) Either (a) or (b)

(d) Both (a) or (b)

5. Which of the following criteria is not correct in case of identification of contract with the customer to be accounted for under Ind AS 115?

   (a) The parties to the contract have approved the contract in writing only

   (b) The entity can identify each party's rights regarding the goods or services to be transferred

   (c) The entity can identify the payment terms for the goods or services to be transferred

   (d) The contract has commercial substance

6. As per Ind AS 115, an entity shall combine two or more contracts entered into at or near the same time with the same customer and account for the contacts as a single contract when

   (a) The contracts are negotiated as a package with a single commercial objective

   (b) The amount of consideration to be paid in one contract depends on the price or performance of the other contract

   (c) The goods or services promised in the contracts are a single performance obligation

   (d) All of the above

7. To determine the transaction price for contracts in which a customer promises consideration in a form other than cash, an entity shall measure the non-cash consideration at

   (a) Actual price

   (b) Transaction price

   (c) Fair value

   (d) Market price

8. ___________ is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties

   (a) Transaction price

   (b) Market price

   (c) Ordinary price

   (d) Fair price

9. Where the penalty is inherent in determination of transaction price of contract, it shall form part of

(a) Fixed consideration

(b) Variable consideration

(c) Non-cash consideration

(d) Not included in consideration

10. Which of the following cost shall be recognises as an asset while obtaining a contract with a customer if the entity expects to recover those costs

(a) Sales commission

(b) General and administrative costs

(c) Costs of wasted materials, labour or other resources

(d) Costs that relate to past performance

ANSEWRS :

1.	(d)	2.	(b)	3.	(d)	4.	(d)	5.	(a)	6.	(d)
7.	(c)	8.	(a)	9.	(b)	10.	(a)				

NOTES

BUSINESS COMBINATION AND CORPORATE RESTRUCTURING

1. Entity C acquires Entity D as per the principles of Ind AS 103 'Business Combination'. Fair Value of identifiable assets is ₹ 10,00,000. Fair Value of Liability assumed is ₹ 6,00,000. Consideration paid for the acquisition of Entity D is ₹ 5,00,000. Goodwill on acquisition is deductible for tax purposes. You need to compute the Goodwill amount to be recognised the books of Acquirer i.e. Entity C at acquisition date? (Assume tax rate @30%)

   (a) ₹ 1,00,000

   (b) ₹ 1,30,000

   (c) ₹ 4,00,000

   (d) ₹ 70,000

2. PQR Holdings Limited enters into a number of transactions each year. The accountant has requested your help to identify which of these must be accounted for as a business combination :

   (a) PQR Holdings Limited purchases 30% equity in TP Ltd., an unlisted company

   (b) PQR Holdings Limited purchases a 45% interest which gives it control over TR Ltd.

   (c) PQR Holdings Limited purchases one of many brand names and products of TQ Ltd.

   (d) PQR Holdings Limited purchases a 30% equity and invests in debentures of TS Ltd.

3. P Ltd. acquires 95% of the issued share capital of S Ltd. on 1 October 2017 by way of a share for share exchange. The profits before tax of P and S for the year ended 31 March 2018 are ₹ 2,00,000 and ₹ 1,50,000 respectively. How much profit before tax would be shown in the consolidated statement of profit or loss of P Ltd. for the year ended 31st March 2018, in accordance with Ind AS 103 'Business Combinations'?

   (a) ₹ 271,250

   (b) ₹ 275,000

   (c) ₹ 342,500

   (d) ₹ 350,000

ANSEWRS :

1.	(a)	2.	(b)	3.	(b)						

NOTES

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (It includes Ind AS 110, Ind AS 111, Ind AS 27, Ind AS 28 & Ind AS 112)

1. You are the finance manager of Vassar, a listed company which prepares consolidated financial statements as per AS. The newly appointed managing director who is not an accountant, reviewed the draft financial statements for the year ended 31 March 20X1 which were due to be published shortly. The managing director had a query out of the review regarding the exclusion of certain investment in subsidiaries from preparing consolidated financial statements. Which of the following statements are correct about the exclusion of subsidiary from consolidation?

   (a) Vassar had acquired a subsidiary Aqua on 1 October 20X0. This acquisition was temporary in nature and that it had held exclusively with a view to its subsequent disposal in near future

   (b) There was another subsidiary acquired in the first quarter of the year, which had huge losses. Vassar believed that due to change in manageinent and other synergies, it could turn around the losses into profits a few years. But, due to the losses in the current year, you had not consolidated this subsidiary.

   (c) If there is an investment acquired without the intention of subsequent disposal in near future, but which was decided to dispose off subsequently, this investment can be excluded from consolidation

   (d) If the relevant investment was acquired with the intention of subsequent disposal in near future but could not be disposed off due to some valid reasons, it will later be included in the consolidation

2. On 1st March 20X2, Quixote Ltd. acquired 30% of the shares of Tintin Ltd. The investment was accounted for as an associate in Quixote's consolidated financial statements. Both Quixote and Tintin have an accounting year ending at 31st October 20X2. Quixote Ltd. has no other investments in associates. Net profit for the year in Tintin's income statement for the year ended 31st October 20X2 was ₹ 2,30,000. It declared and paid dividend of ₹ 1,00,000 on 1st July 20X2. No other dividends were paid in the year. What amount will be shown as an inflow in respect of earnings from the associate in the consolidated cash flow statement of Alpha for the year ended 31st October 20X2?

   (a) ₹ 20,000

   (b) ₹ 26,000

   (c) ₹ 30,000

   (d) ₹ 46,000

3. In consolidated financial statements of PQR Ltd., non-controlling interest should be presented :
   (a) Within long-term liabilities
   (b) In between long-term liabilities and current liabilities
   (c) Within the parent shareholders' equity
   (d) Within equity but separate from the parent shareholders' equity

4. A Ltd. controls another entity B Ltd., owning 60% of its ordinary share capital. At the group's year end, 31st December 20x1, B Ltd. included ₹ 6,000 in its receivables in respect of goods supplied to A Ltd. However, the payables of A Ltd. included only ₹ 4,000 in respect of amounts due to B Ltd. The difference arose because, on 31st December 20X1, A Ltd. sent a cheque ₹ 2,000, which was not received by B Ltd. until 3rd January 20X2. Which one of the following sets of consolidation adjustments to current assets and current liabilities is correct?
   (a) Deduct ₹ 6,000 from both consolidated receivables and consolidated payables
   (b) Deduct ₹ 3,600 from both consolidated receivables and consolidated payables
   (c) Deduct ₹ 6,000 from consolidated receivables and ₹ 4,000 from consolidated payables and include ₹ 2,000 as cash-in-transit
   (d) Deduct ₹ 6,000 from consolidated receivables and ₹ 4,000 from consolidated payables and include inventory in transit of ₹ 2,000

5. P owns a controlling investment of 70% of S. During the year, P sold goods to S for ₹ 60,000 at cost plus 20%. At the year end, S still had half of the goods in their inventory. P's total inventory at the year-end was ₹ 1,20,000 and S's total inventory was ₹ 80,000. How much inventory should be recognised in P's consolidated statement of financial position prepared in accordance with Ind AS?
   (a) ₹ 1,95,000
   (b) ₹ 2,00,000
   (c) ₹ 1,76,000
   (d) ₹ 1,58,500

ANSEWRS :

1.	(a)	2.	(c)	3.	(d)	4.	(c)	5.	(a)		

IND AS 1 – PRESENTATION OF FINANCIAL STATEMENTS

1. Ind AS 1 applies to all entities except :
   (a) Those that present consolidated Financial Statements
   (b) Those present separate financial statements
   (c) Both of the above
   (d) None of the above
2. Application of Ind AS 1 is important for :
   (a) Preparation of general-purpose financial statements
   (b) Presentation of general-purpose financial statements
   (c) Preparation and presentation of general-purpose financial statements
   (d) Preparation, presentation and disclosure in the general-purpose financial statements
3. An inappropriate accounting policy of the entity cannot the rectified by the following ways :
   (a) Disclosure of the accounting policies used
   (b) By notes
   (c) Explanatory material
   (d) All of the above
4. Which of the following information of the entity is not mandatory to be displayed prominently, and is to be repeated when necessary for the information presented to be understandable?
   (a) Name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period
   (b) Whether the financial statements cover the individual entity or a group of entities
   (c) Equity pattern showing the Names of major shareholdings in the entity
   (d) Level of rounding used in presenting amounts in the financial statements
5. An entity shall present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements if :
   (a) It applies an accounting policy retrospectively
   (b) If there is change in accounting estimates
   (c) Correction of previous year error

(d) Both (a) and (c) above

6. An entity presents an analysis of expenses recognised in the profit or loss using a classification based on the nature of expenses method. Which of the following is not the classification using the nature of expense?

   (a) Employee benefits expense

   (b) Selling and distribution expenses

   (c) Amortisation expense

   (d) Depreciation expense

7. As per Ind AS 1, the amount in the other comprehensive income will ________

   (a) Not be reclassified subsequently to profit or loss

   (b) Be reclassified subsequently to profit or loss when specific conditions are met

   (c) Both (a) and (b)

   (d) Directly recognised in equity always

8. An entity whose financial statements comply with Ind AS shall make an ________ statement of such compliance in the notes

   (a) Explicit and reserved

   (b) Implicit and unreserved

   (c) Explicit and unreserved

   (d) Implicit and reserved

ANSWERS :

1.	(d)	2.	(c)	3.	(d)	4.	(c)	5.	(a)	6.	(b)
7.	(c)	8.	(c)								

IND AS 34 – INTERIM FINANCIAL REPORTING

1. Ind AS 34 mandates the following in relation to interim financial reports
   (a) Which entities should publish interim financial reports
   (b) How frequently it should publish
   (c) How soon it should publish after the end of interim period
   (d) None of the above
2. An entity is not required to present basic and diluted earnings per share as the components of profit or loss for an interim period.
   (a) TRUE
   (b) FALSE
3. Which of the following is not the minimum components of an interim financial report?
   (a) Condensed balance sheet
   (b) Condensed statement of changes in equity
   (c) Condensed statement of cash flows
   (d) Comparative information in respect of the preceding period
4. An entity may reverse an impairment loss recognized in a previous interim period in respect of goodwill in the subsequent period.
   (a) TRUE
   (b) FALSE
   (c) Partially True
   (d) Partially False
5. Income tax expense should be accrued using the best estimate of the weighted average annual income tax rate expected for the _______ .
   (a) Interim period
   (b) Year to date period
   (c) Full financial year
   (d) Current period and comparative period
6. If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes as required by this Standard.

(a) TRUE

(b) FALSE

7. According to Ind AS 34, interim period is a financial reporting period

(a) Shorter than 12 months

(b) Shorter than a full financial year

(c) Of 3 months

(d) Of 6 months

8. Which of the following events and transaction is not mandatorily required to disclose in interim financial statements in accordance with Ind AS 34?

(a) The reversal of any provisions for the costs of restructuring

(b) The assumptions used in the actuarial valuation of defined benefit plan

(c) Acquisitions and disposals of items of property, plant and equipment

(d) Litigation settlements

9. An entity prepares quarterly interim financial reports in accordance with AS 25. The entity is engaged in sale of mobile phones and normally 5% of customers claim on their warranty. The provision in the first quarter was calculated as 5% of sales to date, which was ₹ 10 million. However, in the second quarter, a fault was found and warranty claims were expected to be 10% for the whole of the year. Sales in the second quarter were ₹ 15 million. What would be the provision charged in the second quarter's interim financial statements ?

(a) ₹ 1 million

(b) ₹ 2 million

(c) ₹ 1.25 million

(d) ₹ 1.5 million

10. The standard defines Interim Financial Report as a financial report for an interim period that contains a set of ________ financial statements.

(a) Complete

(b) Condensed

(c) Financial statement similar to annual

(d) Complete or condensed

ANSEWRS :

1.	(d)	2.	(b)	3.	(d)	4.	(b)	5.	(c)	6.	(a)
7.	(b)	8.	(b)	9.	(b)	10.	(d)				

IND AS 7 - STATEMENT OF CASH FLOWS

1. Under Indirect Cash Flow Method
   (a) Profit or loss is adjusted for the effects of transactions of a cash nature, any deferrals or accruals of past or future operating cash receipts or payments
   (b) Statement of changes in net assets / equity is adjusted for the effects of transactions of a cash nature, any deferrals or accruals of past or future operating cash receipts or payments.
   (c) Profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments.
   (d) Statement of changes in net assets / equity is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments.
2. Which of the following is not a characteristic of any entity's cash equivalents, as defined by Ind AS 7?
   (a) A short-term investment
   (b) A highly liquid investment
   (c) An investment which is readily convertible into known amounts of cash
   (d) An investment which is subject to significant risk of changes in value
3. As per Ind AS 7, for non-financial entities in the statement of cashflows, interest paid and interest and dividend received is classified as
   (a) Cash flows from financing activities and operating activities respectively
   (b) Cash flows from investing activities and operating activities respectively
   (c) Cash flows from financing activity and investing activity respectively
   (d) There is an option to present both as cash flows from operating activities
4. Cash flow is based upon :
   (a) Accrual basis of accounting
   (b) Cash basis of accounting
   (c) Hybrid basis of accounting
   (d) None of the above

5. During the financial year 20X1-20X2, ABC Limited have paid various taxes & reproduced the below mentioned records for your perusal :

   - Capital gain tax of ₹ 2 crore on sale of office premises at a sale consideration of ₹ 100 crore.
   - Income Tax of ₹ 3 crore on Business profits amounting ₹ 30 crore (assume entire business profit as cash profit).
   - Dividend Distribution Tax of ₹ 1 crore on payment of dividend amounting 10 crore to its shareholders.
   - Income tax Refund of ₹ 2 crore (Refund on taxes paid in earlier periods for business profits)

   Calculate cashflow from investing activities.

   (a) ₹ 29 crore

   (b) ₹ 32 crore

   (c) ₹ 98 crore

   (d) (₹ 11 crore)

6. An entity has bank balance in foreign currency aggregating to USD 100 (equivalent to ₹ 4,500) at the beginning of the year. Presuming no other transaction taking place, the entity reported a profit before tax of ₹ 100 on account of exchange gain on the bank balance in foreign currency at the end of the year. What would be the closing cash and cash equivalents as per the balance sheet ?

   (a) ₹ 4,700

   (b) ₹ 4,500

   (c) ₹ 3,500

   (d) ₹ 5,200

7. An entity shall report

   (a) Separately major classes of net cash receipts or net cash payments as the case may be arising from investing and financing activities

   (b) Separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities

   (c) Collectively major classes of net cash receipts or net cash payments as the case may be arising from investing and financing activities

   (d) Collectively major classes of gross cash receipts and gross cash payments arising from investing and financing activities

8. Cash flows from operations will increase due to :

   (a) Increase in current assets

   (b) Decrease in current liabilities

   (c) Neither of two

   (d) Both (a) and (b) above

9. Which of the following is incorrect ?

   (a) Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preference shares acquired within a short period of their maturity and with a specified redemption date

   (b) Bank borrowings are generally considered to be investing activities

   (c) Where bank overdrafts which are repayable on demand from an integral part of an entity's cash management, bank overdrafts are included as a component of cash and cash equivalents.

   (d) None of the above

10. Under Ind AS 7 'Statement of Cash Flows', cash flows arising from the following operating, investing or financing activities may be reported on a net basis :

   (a) Cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity

   (b) Entity has a legally enforceable right to set off the recognised amounts

   (c) Entity intents to either settle the net cash outflows on a net basis or to realise the cash inflows and settle the liabilities simultaneously

   (d) None of the above

ANSEWRS :

1.	(c)	2.	(d)	3.	(c)	4.	(b)	5.	(c)	6.	(b)
7.	(b)	8.	(c)	9.	(b)	10.	(a)				

NOTES

IND AS 8 - ACCOUNTING POLICIES CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

1. Some new standards and amendments have been issued in the month of March 20X2, but it was effective from 1st April 20X2. In accordance with Ind AS 8, what is the provision in this regard when the entity has not applied a new Ind AS that has been issued but is not yet effective ?

   (a) Treated as change in accounting policy in the subsequent year

   (b) Only disclosure of the facts is required

   (c) Disclose both this fact and any known or reasonably estimable information relevant to assessing the possible impact that application of the new Ind AS will have on the entity's financial statements in the period of initial application

   (d) Disclose both this fact and any known or reasonably estimable information relevant to assessing the possible impact that application of the new Ind AS will have on the entity's financial statements in the current period.

2. Which of the following items are examples of changes in accounting estimates?

   (i) A loss allowance for expected credit losses, applying Ind AS 109, Financial Instruments;

   (ii) The net realisable value of an item of inventory, applying Ind AS 2 Inventories;

   (iii) The depreciation expense for an item of property, plant and equipment, applying Ind AS 16;

   (iv) A provision for warranty obligations, applying Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.

   (a) (i), (ii), (iii)

   (b) (i), (ii), (iv)

   (c) (i), (ii), (iii), (iv)

   (d) (ii), (iii)

3. Which of the following is treated as a change in the accounting policies in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors?

   (a) Change in composition of reportable segments

   (b) Changes in functional currency

   (c) Change in classification of financial assets

   (d) Changes in measurement method of Inventory

4. According to Ind AS 8, prior period errors shall be corrected :
   (a) Prospectively
   (b) Retrospectively
   (c) Entity has a choice to correct prospectively or retrospectively
   (d) Prospectively and disclosure are required
5. The selection and application of accounting policies for similar transactions, other events and conditions shall be :
   (a) Consistent always
   (b) Consistent unless an Ind AS specifically requires or permits categorisation of items for which different policies may be appropriate
   (c) Consistent only if Ind AS specifically requires or permits categorisation of items for which different policies are not appropriate
   (d) Consistent unless the policy is not favourable to the entity
6. In some cases, it is difficult to distinguish between a change of estimate and a change in accounting policy. How should the entity treat the same ?
   (a) Entire change as a change in accounting policy
   (b) Entire change as a change in accounting estimate with appropriate disclosure
   (c) Apportion, on a reasonable basis, between the change in estimate and the change in accounting policy and treat accordingly. Consistency should be there in all the future periods
   (d) Ignore the transaction
7. A company made some changes in accounting policies and accounted for them in financial year 20X1-20X2. Due to changes in accounting policies, retrospective adjustment has tax effect related to previous years along with effect on the transaction. How will this be accounted for and disclosed?
   (a) In accordance with Ind AS 8
   (b) In accordance with Ind As 12
   (c) Tax effect in accordance with Ind As 12 and transaction effect in accordance with Ind AS 8
   (d) Entity has the choice between options (a) and (b)
8. Which of the following shall be considered as a change in accounting policy?
   (a) The application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring;

(b) The application of a new accounting policy for transactions, other events or conditions that occurred previously or material

(c) Both of the above

(d) None of the above

9. Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied is considered as __________

(a) Correction of error

(b) Retrospective application

(c) Retrospective restatement

(d) Prospective application

10. According to Ind AS 8, when a change in accounting policy is applied retrospectively, the entity shall adjust :

(i) Opening balance of each affected component of equity for the earliest prior period presented.

(ii) Other comparative amounts disclosed for earliest prior period presented.

(iii) Other comparative amounts disclosed for each prior period presented.

(iv) Opening balance of each affected component of equity for each prior period presented.

State which of the above statements are correct.

(a) (i) and (ii)

(b) (i) and (iii)

(c) (ii) and (iv)

(d) (iii) and (iv)

ANSEWRS :

1.	(c)	2.	(c)	3.	(d)	4.	(b)	5.	(b)	6.	(b)
7.	(c)	8.	(b)	9.	(b)	10.	(b)				

NOTES

IND AS 10 – EVENTS AFTER THE REPORTING PERIOD

1. According to Ind AS 10, when management of an entity is required to issue its financial statements to a supervisory board for issue, the financial statements are said to be approved when :
   (a) Shareholders approve the financial statements
   (b) Filed with the regulatory authorities
   (c) Approved by the supervisory Board
   (d) Management approve the financial statements for issue to the supervisory Board
2. On 15th January, 20X2, Alpha Ltd. filed a suit against Beta Ltd. for recovery of ₹ 10 lakhs. On 15th April, 20X2, the court case confirms that Beta Ltd. will have to pay the amount to Alpha Ltd. The financial statements are approved by the Board on 20th May, 20X2. What will be the treatment of ₹ 10 lakhs in the financial statements of Beta Ltd. on the reporting date i.e. 31st March, 20X2 as per Ind AS 10?
   (a) Disclose it as a contingent liability
   (b) Recognise liability for ₹ 10 lakhs
   (c) Recognise provision for ₹ 10 lakhs
   (d) No treatment
3. The objective of Ind AS 10 is to prescribe :
   (a) The disclosures that an entity should give about the date when the financial statements were approved for issue
   (b) The disclosures about events after the reporting period
   (c) None of the above
   (d) Both (a) and (b)
4. On 15th April, 20X2, a major earthquake disrupted the entire operations of a reputed company. The Company suffered huge loss due to the damage caused to its factories and other business premises. The Company's insurance policy does not cover the risk of loss arising from natural disasters. The Company does not have sufficient internal funds or the availability of external finance to rebuild the infrastructure necessary for it to resume its business operations. The Board of the company is also not sure about the future of the company. The Company has prepared the financial statements for the year ending 31st March, 20X2 which is approved in the board meeting dated 20th April, 20X2. How this event impact the financial statement of the company ?
   (a) Adjustment in financials are required
   (b) Disclosure is required

(c) Nothing is required

(d) On the discretion of the management

5. The management of a company decided and announced a plan to discontinue the operations and liquidate the company after the reporting date. According to Ind AS 10. 'Events after the reporting period' the company shall :

(a) Prepare its financial statements on a going concern basis

(b) Not prepare its financial statements on a going concern basis

(c) Prepare the financial statement on a going concern basis with disclosures as per Ind As 1

(d) Prepare the financial statement on a going concern basis with no disclosures requirement

6. The financial statements of Star Ltd. for financial year 20X1-20X2 were approved by the Board for issue on 24th May, 20X2. The management discovered a major fraud and decided to reopen the books of account. The financial statements were subsequently approved by the Board of Directors on 31st May, 20X2. What is the date of approval for issue as per Ind As 10 in the given case ?

(a) 24th May, 20X2

(b) 31st May, 20X2

(c) Either (a) or (b)

(d) Neither (a) nor (b)

7. What is the date of approval for issue of the financial statements prepared for the reporting period from 1st April, 20X1 to 31st March, 20X2, in a situation where following dates are available?

(a) Completion of preparation of financial statements 15th April, 20X2

(b) Board reviews and approves for issue 25th April, 20X2

(c) Available to shareholders 16th May, 20X2

(d) Filed with regulatory authority 30th May, 20X2

8. Moon Ltd. having issued share capital of 15,00,000 shares decided to offer two options for dividend per share –

Option (i) – 10 Bottles of perfume (Fair Market Value (FMV) per bottle = ₹ 75)

Option (ii) – Dividend payment of ₹ 700.

The probability of shareholders selecting non-cash vis-à-vis cash option is estimated at 60:40.

Calculate the amount at which dividend shall be initially recognised. Later on, if on date of settlement the FMV of bottle is ₹ 90 and accordingly, the ratio for non-cash vis-à-vis cash option becomes 80:20, then how much amount shall be debited to equity ?

(a) ₹ 1,05,00,00,000' ₹ 24,00,00,000

(b) ₹ 1,12,50,00,000, ₹ 16,50,00,000

(c) ₹ 1,09,50,00,000, ₹ 19,50,00,000

(d) ₹ 1,35,00,00,000, Nil

9. Event after the reporting period are those events that occur between the end of the reporting period and the date __________

(a) When the financial statements are approved by the Board of Directors

(b) Of Annual General Meeting

(c) Of signing of the financial statement by the auditors

(d) Of finalization of the financial statements by the management after final discussion with auditors

10. A company 'XYZ' tok a long-term loan from bank. Before the end of the reporting date there is a breach in the terms which are material for this loan. The amount stands payable on demand by the company to bank. After the reporting date but before approval of the financial statements for issue, company entered into an agreement with the bank, pursuant to which the loan is not payable on demand. This loan will be treated as :

(a) Adjusting event

(b) Non-adjusting event

(c) Principal amount is non-adjusting event and interest portion is adjusting event

(d) The company has the choice to treat it either adjusting event or non-adjusting event

ANSEWRS :

1.	(d)	2.	(c)	3.	(d)	4.	(a)	5.	(b)	6.	(b)
7.	(b)	8.	(c)	9.	(a)	10.	(a)				

NOTES

IND AS 113 - FAIR VALUE MEASUREMENT

1. The highest and best use of a non-financial asset while measuring the fair value takes into account the use of the asset that is
   - (a) Physically possible
   - (b) Legally permissible
   - (c) Financially feasible
   - (d) All of the above
2. Characteristics of the asset or liability are considered if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include :
   - (a) Condition of the asset
   - (b) Location of the asset
   - (c) Restrictions on the sale or use of the asset
   - (d) All of the above
3. The basic rule related to inputs to valuation techniques as per Ind AS 113 are
   - (a) Maximising the use of relevant observable and unobservable inputs
   - (b) Minimising the use of relevant observable and unobservable inputs
   - (c) Maximising the use of relevant observable inputs and minimising the use of unobservable inputs
   - (d) Minimising the use of relevant observable inputs and maximising the use of unobservable inputs
4. The price paid to acquire the asset or received to assume the liability is called
   - (a) Transaction price (any entry price)
   - (b) Transaction price (an exit price)
   - (c) Settlement price (an entry price)
   - (d) Settlement price (an exit price)
5. The market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs is called ___________
   - (a) Principal market
   - (b) Most advantageous market
   - (c) Primary market
   - (d) Active market

6. Revisions resulting from a change in the valuation technique or its application shall be accounted for as
   (a) Change in accounting policy as per Ind AS 8
   (b) Change in accounting estimate as per Ind AS 8
   (c) Change in valuation technique is not permitted
   (d) Prior period error as per Ind AS 8
7. The asset or liability measured at fair value shall be :
   (a) A standalone asset or liability
   (b) A group of assets, a group of liabilities or a group of assets and liabilities
   (c) Either of (a) and (b)
   (d) Neither of (a) and (b)
8. As per Ind AS 113, which of the followings is not a widely used valuation technique?
   (a) Net present value approach
   (b) Cost approach
   (c) Income approach
   (d) Market approach
9. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either :
   (a) In the principal market or in the most advantageous market
   (b) In the principal market or in the primary market
   (c) In the primary market or in the secondary market
   (d) In the primary market or in the most advantageous market
10. The measurement requirements of Ind AS 113 applies to
   (a) Share based payment transactions within the scope of IFRS 2 Share based payment
   (b) Leasing transactions accounted for in accordance with IFRS 16 Leases
   (c) Assets for which recoverable amount is fair value less costs of disposals in accordance with Ind AS 36
   (d) Measurements of net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets

ANSEWRS :

1.	(d)	2.	(d)	3.	(c)	4.	(a)	5.	(b)	6.	(b)
7.	(c)	8.	(a)	9.	(a)	10.	(c)				

IND AS 101 - FIRST-TIME ADOPTION OF IND AS

1. Under Ind AS 101, what is the treatment of items that are not permitted to be recognized as assets or liabilities under Ind AS?
   (a) They should be recognized as assets or liabilities in the opening Ind AS Balance Sheet
   (b) They should not be recognized as assets or liabilities in the opening Ind AS Balance Sheet
   (c) They should be recognized as contingent assets or liabilities in the opening Ind AS Balance Sheet
   (d) They should be recognized as deferred assets or liabilities in the opening Ind AS Balance Sheet
2. What is the purpose of Ind AS 101?
   (a) To prescribe accounting principles for first-time adoption of Ind AS
   (b) To provide exemptions from disclosure requirements in Ind AS
   (c) To mandate retrospective application of Ind AS in all areas
   (d) To lay down transition requirements from Ind AS to Indian GAAP
3. According to Ind AS 101, when should the accounting under Ind AS be applied?
   (a) Prospectively from the date of adoption
   (b) Retrospectively at the time of transition to Ind AS
   (c) Selectively based on management's judgment
   (d) In accordance with Indian GAAP principles

ANSEWRS :

1.	(b)	2.	(a)	3.	(b)						

NOTES

ANALYSIS OF FINANCIAL STATEMENTS

1. An asset had a carrying value of ₹ 10,00,000 as on 1st April 20X1. It was revalued at ₹ 11,00,000 as on 31st March 20X2 by crediting the increase of ₹ 1,00,000 to revaluation surplus. later it was sold for ₹ 12,50,000 on 30 June 20X2. The amount to be taken to retained earnings would be :

   (a) ₹ 2,50,000

   (b) ₹ 1,00,000

   (c) ₹ 1,50,000

   (d) ₹ 1,25,000

2. A Ltd. is a public sector entity under the Ministry of Defence and is in the business of construction of warships. The contracts are awarded on fixed price basis except certain variable components, such as, foreign exchange variation and cost of spares etc. The payment for fixed price part is on the basis of completion of milestones. The payment for variable component is based on actual cost to the shipyard. The payment terms for the fixed price portion of the contract are generally spread over 10-12 milestones starting with initial payment of 10% on signing of the contract. As the gestation period of the contracts for shipbuilding is longer, it so happens that during initial period when funds are made available, at times, become temporary surplus funds, which are deployed in short-term fixed deposits. However, in the later part of the execution of the contract, the cost incurred on the project exceeds the stage payments received on the vessel leading to a negative cash flow. Further, the last stage payment of the project is deferred till one year after the delivery of the vessel. Thus, the interest earned initially on the temporary surplus compensates to a certain extent for the period of deficit cash flow, especially at the later part of the execution of the Project A Limited want to check the presentation requirement of interest earned on deposits made out of temporary surplus as per AS ?

   (a) To be presented as 'Other Income'

   (b) To be presented as 'Other Operating Revenue'

   (c) Option to present either as 'Other Income' or 'Other Operating Revenue'

   (d) To be netted off from costs

3. Jatin purchases investment properties and funds this by issuing bonds in the market. The liability in respect of the bonds is designated to be measured at fair value through profit or loss. The bonds had an overall fair value decline of ₹ 50 crores in the year, out of which ₹ 5 crores relates to decrease in Jatin's credit worthiness. Which of the following is the correct accounting treatment?

   (a) ₹ 50 crores should be recorded in P&L

(b) ₹ 50 crores should be recorded in OCI

(c) ₹ 5 crores should be recorded in OCI and ₹ 45 crores in P&L

(d) ₹ 45 crores should be recorded in OCI and ₹ 5 crores in P&L

ANSEWRS :

1.	(b)	2.	(a)	3.	(c)						

PROFESSIONAL AND ETHICAL DUTIES OF ACCOUNTANTS

1. Which principle is violated if a conflict of interest compromises professional or business judgment?
   (a) Integrity
   (b) Objectivity
   (c) Professional Competence and Due Care
   (d) Confidentiality
2. What is the primary responsibility of a chartered Accountant in relation to pressure to breach the fundamental principles?
   (a) Succumb to the pressure if it comes from a superior
   (b) Resist the pressure and report it to higher management
   (c) Apply pressure on others to ensure compliance with the principles
   (d) Evaluate the level of threat and take appropriate actions
3. What should a Chartered Accountant do to comply with the principle of Professional Behaviour?
   (a) Discredit the profession to raise awareness
   (b) Follow relevant laws and regulations
   (c) Promote personal interests over professional obligations
   (d) Engage in conduct that may compromise business relationships
4. Which principle emphasizes being straight forward and honest in professional and business relationships?
   (a) Integrity
   (b) Objectivity
   (c) Professional Competence and Due Care
   (d) Confidentiality
5. What is the stance of a Chartered Accountant regarding conflicts of interest?
   (a) Conflicts of interest are acceptable if managed properly
   (b) Conflicts of interest should be disclosed but can still compromise judgment
   (c) Conflicts of interest should not compromise professional or business judgment
   (d) Conflicts of interest are unavoidable and should be embraced

ANSEWRS :

1.	(b)	2.	(d)	3.	(b)	4.	(a)	5.	(c)		

INTRODUCTION TO GENERAL PURPOSE FINANCIAL STATEMENTS AS PER INDIAN ACCOUNTING STANDARD (IND AS)

1. Ind AS 103 contains additional guidance on common control transaction which is not there in IFRS 3. How this can be termed ?
   (a) Carve in
   (b) Carve out
   (c) Exception
   (d) None of the above
2. Country X has taken approach of implementing Global Accounting Standards in its country with some significant changes in line with their national economic policies. This would be termed as
   (a) Adoption of Global Accounting Standards
   (b) Convergence with Global Accounting standards
   (c) Adoption of Global Accounting Standards with limitations
   (d) None of the above
3. Company ABC Insurance Pvt. Ld. is engaged in the business of insurance and is having a net worth of ₹ 1,000 crores as on 31st March 2017. From which financial year it is required to apply Ind AS?
   (a) FY 2016-17
   (b) FY 2017-18
   (c) FY 2018-19
   (d) Yet not required to apply Ind AS
4. Which one of the following is the benefit of implementation of Indian Accounting Standards (Ind AS) in India ?
   (a) Increase in net profitability
   (b) Minimised disclosure requirements
   (c) Access to domestic capital market
   (d) Global harmonization helps grow FII and FDI interests
5. For preparing Ind AS based financial statements with transition date 1st April, 20X5, what all guidance needs to be referred by A Ltd.?
   (a) Ind AS 1
   (b) Division II of Schedule III to the Companies Act, 2013

(c) Guidance Note on preparation and presentation of Ind AS based financial statements issued by ICAI

(d) All of the above

6. Company XYZ Pvt. Ltd. was having its net worth of ₹ 230 Crores as on 31st March 2020. It made a profit of ₹ 30 Crores in FY 20-21 and made a loss of ₹ 15 crores in FY 21-22. From which date it is required to apply Ind AS?

(a) Accounting periods beginning on or after 1st April 2020

(b) Accounting periods beginning on or after 1st April 2021

(c) Accounting periods beginning on or after 1st April 2022

(d) It is not required to comply with Ind AS as its Net worth as on 31st March 2022 is below ₹ 250 Cr.

7. A Ltd. is following Ind AS for the first time for the year ended 31st March, 20X4. What all period balance sheet to be covered in its first Ind AS financial statements ?

(a) 1st April 20X2

(b) 31st March 20X3

(c) 31st March 20X4

(d) All of the above

ANSEWRS :

1.	(a)	2.	(b)	3.	(d)	4.	(d)	5.	(d)	6.	(b)
7.	(d)										

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING UNDER INDIAN ACCOUNTING STANDARDS (IND AS)

1. Which of the following statements is FALSE with respect to 'CONTROL' ? An entity controls an economic resource if :
   - (a) It has the present ability to direct the use of the economic resource
   - (b) It obtains the economic benefits that may flow from it.
   - (c) If one party controls an economic resource, other party may also control that resource
   - (d) Control of an economic resource usually arises from an ability to enforce legal rights.
2. Which of the following statements are TRUE with respect to 'The Reporting Entity' ?
   - (a) A reporting entity has to be a single entity only and it cannot comprise more than one entity.
   - (b) A reporting entity is an entity that is required, or chooses, to prepare financial statements
   - (c) If a reporting entity is the parent alone, the reporting entity's financial statements are referred to as 'Consolidated Financial Statements'.
   - (d) If two or more entities are all linked by a parent-subsidiary relationship, they are referred to as 'Combined Financial Statements'.
3. Which of the following statements is FALSE with respect to 'Reporting Period'?
   - (a) Financial statements are prepared for a specified period of time
   - (b) It helps users of financial statements to identify and assess changes and trends
   - (c) Financial statements provide comparative information for at least one preceding reporting period
   - (d) Financial statements should not provide comparative information for more than one preceding reporting periods.
4. Which of the following statements is FALSE for 'Consolidated and unconsolidated financial statements' ?
   - (a) Consolidated financial statements provide information of both the parent and its subsidiaries as a single reporting entity
   - (b) Unconsolidated financial statements are designed to provide parent's information and not about those of its subsidiaries.

(c) Consolidated financial statements are designed to provide separate information of any particular subsidiary

(d) A parent may require / choose, to prepare unconsolidated financial statements in addition to consolidated financial statements.

5. Which of the following statements is FALSE with respect to 'Going concern assumption'?

(a) There is fundamental assumption that the reporting entity is a going concern

(b) Reporting entity will continue in operation for the foreseeable future

(c) There is no need to describe the basis used in financial statements, if the entity has the intention of liquidation

(d) In case of liquidation, financial statements may have to prepared on a different basis

6. Which of the following is true with respect to cost constraint on useful financial information ?

(a) Cost is a pervasive constraint on the information that can be provided by financial reporting

(b) IASB considers costs and benefits in individual reporting entities only

(c) For application of cost constraint, no assessment of benefits of reporting is done

(d) Users do not incur any costs in reporting and analysing financial information.

7. Which of the following is not the limitation of 'General Purpose Financial Reporting' ?

(a) It cannot provide all of the information that existing and potential investors need

(b) The users of reports need to consider pertinent information from other sources

(c) Information given in financial statements help to estimate the value of the reporting entity

(d) Reports are not primarily directed to other parties, such as regulators and lenders etc.

8. The usefulness of financial information is enhanced if it is :

(a) Comparable, verifiable, perfect and understandable

(b) Comparable, verifiable, timely and objective

(c) Effective, verifiable, timely and understandable

(d) Comparable, verifiable, timely and understandable

9. To be a perfectly faithful representation, a depiction would not have the following :

(a) Complete

(b) Unintentional error is allowed

(c) Neutral

(d) Free from error

10. Which of the following definitions is incorrect ?

(a) An Asset is a present economic resource controlled by the entity as a result of past events

(b) A Liability is a past obligation of the entity to transfer an economic resource as a result of present events

(c) An Equity is the residual interest in the assets of the entity after deducting all its liabilities.

(d) Income is the increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims

ANSWERS :

1.	(c)	2.	(b)	3.	(d)	4.	(c)	5.	(c)	6.	(a)
7.	(c)	8.	(d)	9.	(b)	10.	(b)				

NOTES

CASE SCENARIO ASSESSMENT

Case 1

A Ltd. is engaged in the business of manufacturing a number of products including moulds, dies and machinery. They have a wide customer base both within India and abroad.

Typically, a contract is entered into for sale of each product and consideration is received on the event of delivery of goods to the customer place. The cost of each mould is ₹ 400 and the selling price is ₹ 450. The terms of the contract entitle the customer to return any unused moulds within 30 days and receive a full refund.

The Company estimates that the costs of recovering the mould will be immaterial and expects that the returned moulds can be resold at a profit. The company has sold a total of 10,000 moulds during the month ended 31st March, 20X4. From past experience. A Ltd. expects that 3% of the moulds will be returned during the current year.

1. The consideration received from the customer is
   - (a) Variable
   - (b) Fixed
   - (c) Both variable and fixed
   - (d) There is no consideration
2. Upon transfer of control of the 10,000 moulds, the entity will recognise revenue for
   - (a) 10,000 moulds
   - (b) 300 moulds
   - (c) 9,700 moulds
   - (d) 10,300 moulds
3. The entity recognises revenue of
   - (a) ₹ 45.00.000
   - (b) ₹ 43,65,000
   - (c) ₹ 1,35,000
   - (d) ₹ 1,20,000
4. The entity recognises a refund liability of
   - (a) ₹ 45,00,000
   - (b) ₹ 43,65,000
   - (c) ₹ 1,35,000
   - (d) ₹ 1,20,000

5. The entity recognises a return asset of
   (a) ₹ 45.00.000
   (b) ₹ 43,65,000
   (c) ₹ 1,35,000
   (d) ₹ 1,20,000
6. The journal entry for the above would be
   (a) Trade Receivables (Customer) Dr. 45,00,000 To Revenue 45,00,000
   (b) Return asset Dr. 43,65,000 To Revenue 43,65,000
   (c) Trade Receivables (Customer) Dr. 1,35,000 To Return asset 1,35,000
   (d) Trade Receivables (Customer) Dr. 45,00,000 To Revenue 43,65,000 To Refund liability 1,35,000

ANSEWRS :

1.	(a)	2.	(c)	3.	(b)	4.	(c)	5.	(d)	6.	(d)

Case 2

All Limited holds 35% of total equity shares of M Limited, an associate company. The value of investment in M Limited on 31st March 20X3 is ₹ 3,00,00,000 in the consolidated financial statements of All Limited. All Limited sold goods worth ₹ 3,50,000 to M Limited. The cost of goods sold is ₹ 3,00,000. Out of these goods costing ₹ 1,00,000 to M Limited were in the closing stock of M Limited. M Limited declared a dividend of ₹ 75,00,000 to the equity shareholders of the Company. During the year ended 31st Mach 20X4 the statement of profit and loss of M Limited showed a profit of ₹ 1,50,00,000.

1. What is the share of All Limited in the post-acquisition loss of M Limited?
   (a) ₹ 1,50,00,000
   (b) ₹ 52,50,000
   (c) ₹ 75,00,000
   (d) ₹ 26,25,000
2. What is unrealised gain on inventory left unsold with M Limited?
   (a) ₹ 5,000
   (b) ₹ 16,667
   (c) ₹ 50,000
   (d) ₹ 5,833
3. What is the share of All Limited in the Dividend declared from M Limited?
   (a) ₹ 75,00,000
   (b) ₹ 50,00,000
   (c) ₹ 26,25,000
   (d) ₹ 52,50,000
4. What is the value of investment in M Limited as on 31st March 20X4 as per equity method in the consolidated financial statements of All Limited?
   (a) ₹ 3,26,25,000
   (b) ₹ 3,52,50,000
   (c) ₹ 3,52,45,000
   (d) ₹ 3,26,20,000

5. What is the approximate gross margin on goods sold by All Limited to M Limited?

   (a) 14.29%

   (b) 16.67%

   (c) 50%

   (d) 5%

ANSEWRS :

1.	(b)	2.	(a)	3.	(c)	4.	(d)	5.	(a)		

Case 3

Following is the Balance Sheet of XY Limited, one of the subsidiary of BD Limited for the year ended 31st March 20X3

	20X3	20X2
ASSETS		
Non-Current Assets		
Property, plant and equipment	13,000	12,500
Intangible assets	50	30
Other financial assets	145	170
Deferred Tax Asset (net)	855	750
Other non-current Assets	800	770
Total Non-current assets	14,850	14,220
Current Assets		
Financial Assets		
Investments	2,300	2,500
Cash and cash equivalents	220	460
Other current assets	195	85
Total Current assets	2,715	3,045
Total Assets	17,565	17,265
EQUITY AND LIABILITIES		
Equity		
Equity share capital	300	300
Other equity	12,000	8,000
Total equity	12,300	8,300
Liabilities		
Non-current liabilities		
Long term borrowings	2,000	5,000
Other non-current liabilities	2,740	3,615
Total non-current liabilities	4,740	8,615

Current liabilities		
Financial liabilities		
Trade payable	150	90
Bank Overdraft	75	60
Other current liabilities	300	200
Total current liabilities	525	350
Total liabilities	5,265	₹ 8,965
Total Equity and Liabilities	17,565	17,265

Additional Information :

(1) Profit after tax for the year ended 31st March 20X3 - ₹ 4,450 lacs

(2) Interim Dividend paid during the year - ₹ 450 lacs

(3) Depreciation and amortisation charged in the statement of profit and loss during the current year are as under

(a) Property, Plant and Equipment - ₹ 500 lacs

(b) Intangible Assets - ₹ 20 lacs

(4) During the year ended 31st March 20X3 two machineries were sold for ₹ 70 lacs. The carrying amount of these machineries as on 31st March 20X3 is ₹ 60 lacs.

(5) Income taxes paid during the year ₹ 105 lacs.

(6) Other non-current / current assets / liabilities are related to business operations of XY Limited.

1. What is the net cash inflow/outflow from financing activities? (Note : Bracket here denotes outflow)

(a) ₹ 4,025 lacs

(b) ₹ (830) lacs

(c) ₹ (3,450) lacs

(d) ₹ (255) lacs

2. What is the net cash inflow/outflow from investing activities? (Note : Bracket here denotes outflow)

(a) ₹ 4,025 lacs

(b) ₹ (830) lacs

(c) ₹ (3,450) lacs

(d) ₹ (255) lacs

3. What is the net generated cashflow from operating activities? (Note : Bracket here denotes outflow)
   (a) ₹ 4,025 lacs
   (b) ₹ (830) lacs
   (c) ₹ (3,450) lacs
   (d) ₹ (255) lacs
4. Where will the change in the financial asset 'Investment' be reflected in the Statement of Cashflows?
   (a) Operating Activities
   (b) Investing Activities
   (c) Financing Activities
   (d) Will not be reflected any where in the Statement of Cashflows
5. In the given scenario, what will be the treatment of 'other non-current liabilities' while preparing the statement of cash flows?
   (a) Change in the balance of 'other non-current liabilities' will be adjusted for arriving at cash generated from financing activities.
   (b) Change in the balance of 'other non-current liabilities' will be adjusted for arriving at cash generated from investing
   (c) Change in the balance of 'other non-current liabilities' will be adjusted for arriving at cash generated from operating activities
   (d) Change in the balance of 'other non-current liabilities' will not be adjusted in the statement of cash flows.
6. What is the closing cash and cash equivalents, in the given scenario, for the purpose of Statement of Cashflows?
   (a) ₹ 75 lacs
   (b) ₹ 295 lacs
   (c) ₹ 220 lacs
   (d) ₹ 145 lacs
7. What is the opening cash and cash equivalents, in the given scenario, for the purpose of Statement of Cashflows?
   (a) ₹ 460 lacs
   (b) ₹ 400 lacs
   (c) ₹ 60 lacs
   (d) ₹ 520 lacs

8. What is the final amount of machinery purchased during the year, to be reflected in the Statement of cashflows?
   (a) ₹ 500 lacs
   (b) ₹ 1,000 lacs
   (c) ₹ 1,060 lacs
   (d) ₹ 560 lacs

9. What is the net cash inflow/outflow from all activities? (Note : Bracket here denotes outflow)
   (a) ₹ 4,025 lacs
   (b) ₹ (830) lacs
   (c) ₹ (3,450) lacs
   (d) ₹ (255) lacs

10. In the given scenario, what will be treatment of 'Deferred Tax Asset' while preparing the statement of cashflows?
   (a) Change in the balance of 'Deferred Tax Asset' will be adjusted for arriving at cash generated from operating activities
   (b) Change in the balance of 'Deferred Tax Asset' will be adjusted for arriving at cash generated from investing activities
   (c) Change in the balance of 'Deferred Tax Asset' will be adjusted for arriving at cash generated from financing activities
   (d) Change in the balance of 'Deferred Tax Asset' will not be adjusted in the statement of cashflows

ANSEWRS :

1.	(c)	2.	(b)	3.	(a)	4.	(b)	5.	(c)	6.	(d)
7.	(b)	8.	(c)	9.	(d)	10.	(a)				

Case 4

On 1st April 20X1, A Limited acquired 80% of the share capital of S Limited. On acquisition date the share capital and reserves of S Ltd. stood at ₹ 5,00,000 and ₹ 1,25,000 respectively. A Limited paid initial cash consideration of ₹ 10,00,000. Additionally, A Limited issued 2,00,000 equity shares with a nominal value of ₹ 1 per share at current market value of ₹ 1.80 per share.

It was also agreed that A Limited would pay a further sum of ₹ 5,00,000 after three years. A Limited's cost of capital is 10%. The appropriate discount factor for ₹ 1@10% receivable at the end of

1st year : 0.91

2nd year : 0.83

3rd year : 0.75

The shares and deferred consideration have not yet been recorded by A Limited.

Below are the Balance Sheet of A Limited and S Limited as at 31st March, 20X3.

	A Limited (₹ 000)	S Limited (₹ 000)
ASSETS		
Non-Current Assets		
Property, plant and equipment	5,500	1,500
Investment in S Limited at cost	1,000	
Current Assets		
Inventory	550	100
Financial Assets		
Receivables	400	200
Cash	200	50
	7,650	1,850
Equity		
Share capital	2,000	500
Retained earnings	1,400	300
	3,400	800
Non-current liabilities	3,000	400

Current liabilities	1,250	650
	7,650	1,850

Further Information :

(i) On the date of acquisition the fair values of S Limited's plant exceeded its book value by ₹ 2,00,000. The plant had a remaining useful life of five years at this date;

(ii) The consolidated goodwill has been impaired by ₹ 2,58,000; and

(iii) The A Limited Group, values the non-controlling interest using the fair value method. At the date of acquisition, the fair value of the 20% non-controlling interest was ₹ 3,80,000.

1. Compute Post-acquisition gain / (loss) of A Ltd. (after adjustment of impairment on goodwill) as on 31st March 20X3

   (a) Nil

   (b) Loss ₹ 130.40 thousand

   (c) Gain ₹ 76 thousand

   (d) Loss ₹ 206.40 thousand

2. Compute current Liability to be shown in the consolidated balance sheet as on 31st March 20X3.

   (a) ₹ 2,353.75 thousand

   (b) ₹ 1,900 thousand

   (c) ₹ 1,250 thousand

   (d) ₹ 1,703.75 thousand

3. Compute value of NCI as on 31st March 20X3.

   (a) ₹ 380 thousand

   (b) ₹ 399 thousand

   (c) ₹ 347.40 thousand

   (d) ₹ 328.40 thousand

4. Compute consolidated Retained Earnings to be shown in the consolidated financial statements as on 31st March 20X3.

   (a) ₹ 1,400 thousand

   (b) ₹ 1,269.60 thousand

   (c) ₹ 1,321.25 thousand

   (d) ₹ 1,190.85 thousand

5. What will be the value of deferred consideration as on 31st March 20X3?

(a) ₹ 412.50 thousand

(b) ₹ 416.25 thousand

(c) ₹ 453.75 thousand

(d) ₹ 375.00 thousand

6. What will be the amount of Goodwill on reporting date i.e. 31st March, 20X3? (₹ in '000s)

(a) 910

(b) 2,115

(c) 1,290

(d) 1,032

7. What will be the amount of Goodwill at the acquisition date i.e. 1st April, 20X1? (₹ in '000s)

(a) 910

(b) 2,115

(c) 1,290

(d) 1,032

8. What will be amount of purchase consideration at the acquisition date i.e. 1st April, 20X1? (₹ in '000s)

(a) 1,000

(b) 1,360

(c) 1,375

(d) 1,735

9. Compute the finance cost for the year 20X1-20X2 and 20X2-20X3 to be recognised in the books for the respective years.

(a) ₹ 37.50 thousand and ₹ 41.25 thousand

(b) ₹ 41.25 thousand and ₹ 37.50 thousand

(c) ₹ 45.375 thousand and ₹ 37.50 thousand

(d) ₹ 37.50 thousand and ₹ 45.375 thousand

10. What will be the total of consolidated balance sheet as on 31st March, 20X3?

(a) ₹ 9,304.60 thousand

(b) ₹ 9,652.00 thousand

(c) ₹ 9,452.00 thousand

(d) ₹ 9,000.00 thousand

11. What will the net value of Property, Plant and Equipment (after all adjustment) as on 31st March 20X3? (₹ in '000)

(a) 7,000

(b) 7,120

(c) 6,880

(D) 7,200

12. Compute the amount of net assets / net worth at the acquisition date i.e. 1st April, 20X1. (₹ in '000s)

(a) 825

(b) 625

(c) 500

(d) 325

ANSEWRS :

1.	(b)	2.	(a)	3.	(c)	4.	(d)	5.	(c)	6.	(d)
7.	(c)	8.	(d)	9.	(a)	10.	(b)	11.	(b)	12.	(a)

Case 5

Joy Ltd. wishes to calculate tax base of its assets and defer tax as on 31st March 20X5. The balance sheet has been adjusted by current tax expense. The extracts of the Assets part of the Balance Sheet as on 31st March 20X5 is as follows :

ASSETS	₹
Non-current Assets	
Property, Plant and Equipment	12,00,000
Intangible Assets :	
Product Development Costs	60,000
Investment in Subsidiary – Pall Ltd.	4,40,000
Current Assets	
Trade Investments	2,08,000
Trade Receivables	6,26,000
Inventories	3,04,000
Cash and Cash Equivalents	1,80,000
Total Assets	**30,18,000**

Notes :

(a) Depreciation expense for the year 20X4-20X5 allowable in accordance with tax laws is ₹ 2,06,000. Accounting depreciation included in operating costs is ₹ 1,70,000. The Cost of PPE is ₹ 16,00,000 and Joy Ltd. has deducted expenses of ₹ 4,16,000 in its tax returns prior to the financial year 20X4-20X5. Moreover, as on 31st March 20X5, Joy Ltd. for the first time revalued its property, plant and equipment to fair value of ₹ 12,00,000 (revaluation surplus = ₹ 88,000)

(b) In 20X1-20X2, Joy Ltd. incurred product development costs of ₹ 1,00,000. These costs were recognized as an asset and being amortized over a useful period of 10 years. For tax purposes, Joy Ltd. deducted full product development costs in 20X1-20X2.

(c) Trade investments were acquired in 20X3-20X4 with cost of ₹ 2,30,000. These investments are classified at fair value through profit and loss and thus recognized at their fair value. Fair value adjusted are not tax deductible.

Assuming the tax rate of 32% for the year 20X4-20X5.

1. With respect to point (a), determine defer tax on property, plant and equipment for the year 20X4-20X5.
   (a) DTL ₹ 71,040
   (b) DTA ₹ 71,040
   (c) DTL ₹ 28,160
   (d) DTA ₹ 28,160
2. With respect to point (c), determine defer tax on Trade Investment for the year 20X4-20X5.
   (a) DTL ₹ 66,560
   (b) DTA ₹ 66,560
   (c) DTL ₹ 7,040
   (d) DTA ₹ 7,040
3. Determine the net defer tax asset / Liability of Job Ltd. for the year 20X4-20X5.
   (a) DTL ₹ 83,200
   (b) DTA ₹ 83,200
   (c) DTL ₹ 97,280
   (d) DTA ₹ 44,800
4. With respect to point (a), determine the tax base of property, plant and equipment for the year 20X4-20X5
   (a) ₹ 12,00,000
   (b) ₹ 9,78,000
   (c) ₹ 13,94,000
   (d) ₹ 11,84,000
5. With respect to point (b), determine the tax base of Product Development Cost for the year 20X4-20X5.
   (a) ₹ 60,000
   (b) ₹ 1,00,000
   (c) ₹ 40,000
   (d) Nil

6. With respect to point (c), determine the tax base of Trade Investment for the year 20X4-20X5

   (a) ₹ 2,30,000

   (b) ₹ 2,08,000

   (c) ₹ 22,000

   (d) Nil

7. With respect to point (b), determine defer tax on Product Development Cost for the year 20X4-20X5

   (a) DTL ₹ 32,000

   (b) DTA ₹ 32,000

   (c) DTL ₹ 19,200

   (d) DTA ₹ 19,200

ANSEWRS :

1.	(a)	2.	(d)	3.	(a)	4.	(b)	5.	(d)	6.	(a)
7.	(c)										

Case 6

Joy Ltd. wishes to calculate tax base of its assets and defer tax as on 31st March, 20X5. The balance sheet has been adjusted by current tax expense. The extracts of the Assets part of the Balance Sheet as on 31st March 20X5 is as follows :

ASSETS	₹
Non-current Assets	
Property, Plant and Equipment	12,00,000
Intangible Assets :	
Product Development Costs	60,000
Investment In Subsidiary – Pall Ltd.	4,40,000
Current Assets	
Trade Investments	2,08,000
Trade Receivables	6,26,000
Inventories	3,04,000
Cash and Cash Equivalents	1,80,000
TOTAL ASSETS	**30,18,000**

Notes :

(a) Bad debt provision amounts to ₹ 1,30,000 and relates to 2 debtors

- Debtor A - ₹ 80,000 (receivable originated in 20X2-20X3 and 100% provision was recognized in 20X3-20X4) and
- Debtor B – ₹ 50,000 (receivable originated in 20X3-20X4 and 100% provision was recognized in 20X4-20X5).

Tax law allows deduction of 20% of provision for debtors overdue for more than 1 year, another 30% for debtors overdue for more than 2 years and remaining 50% for debtors overdue for more than 3 years.

(b) Joy Ltd. accounts for inventory obsolescence provision. The new provision created in 20X4-20X5 was ₹ 10,800 (total provision : ₹ 18,000). This provision is not tax deductible, as it is a general provision.

Assuming the tax rate of 32% for the year 20X4-20X5.

1. With respect to point (b), determine the tax base of Inventories for the year 20X4-20X5.

   (a) ₹ 3,04,000

   (b) ₹ 3,22,000

   (c) ₹ 3,14,000

   (d) Nil

2. With respect to point (a), determine the tax base of Trade Receivables for the year 20X4-20X5.

   (a) ₹ 7,16,000

   (b) ₹ 7,46,000

   (c) ₹ 7,56,000

   (d) ₹ 7,06,000

3. With respect to point (a), determine defer tax on Trade Receivables for the year 20X4-20X5.

   (a) DTA ₹ 28,800

   (b) DTA ₹ 41,600

   (c) DTA ₹ 25,600

   (d) DTA ₹ 41,600

4. With respect to point (b), determine defer tax on Inventories for the year 20X4-20X5.

   (a) DTA ₹ 5,760

   (b) DTA ₹ 3,456

   (c) Nil

   (d) DTA ₹ 18,000

ANSWERS :

1.	(b)	2.	(d)	3.	(c)	4.	(a)				

Case 7

Joy Ltd. wishes to calculate tax base of its liabilities and defer tax as on 31st March 20X5. The balance sheet has been adjusted by current tax expense. The extracts of equity and liabilities portion of the Balance Sheet as on 31st March 20X5 is as follows :

EQUITY & LIABILITES	₹
Equity	
Share Capital	12,00,000
Accumulated Profits	7,37,438
Revaluation Surplus	88,000
Long-term Liabilities	
Deferred Income – Government Grants	40,000
Liability for Product Warranty Costs	16,000
Deferred Tax Liability (From 20X3-20X4)	22,162
Current Liabilities	
Trade Payables	7,64,000
Health Care Benefits for Employees	70,000
Current Tax Liability	80,400
TOTAL EQUITY & LIABILITIES	30,18,000

Notes :

(a) Government grants are not taxable. Government grants received in 20X4-20X5 is appearing in the balance sheet.

(b) In 20X4-20X5, Joy Ltd. made a further provision for product warranty of ₹ 5,000. Such provisions for product warranty costs are not tax deductible until the claims are paid or settled. During the year 20X4-20X5, warranty claims were paid / settled for ₹ 6,200.

(c) During the year 20X4-20X5, Joy Ltd. introduced health care benefits for employees. The expenses are allowable as a deduction in tax only when benefits are paid but in line with Ind AS 19, such liability is recognized in profit or loss when employees provide service.

Assuming the tax rate of 32% for the year 20X4-20X5.

1. With respect to point (b), determine defer tax on Liability for product warranty costs for the year 20X4-20X5.
   (a) Nil
   (b) DTA ₹ 5,120
   (c) DTL ₹ 5,120
   (d) Liability for product warranty costs will not be taxable.
2. With respect to point (a), determine the tax base of Government grants for the year 20X4-20X5.
   (a) Nil
   (b) ₹ 40,000
   (c) ₹ 12,800
   (d) ₹ 27,200
3. With respect to point (c), determine the temporary differences, as per Ind AS 12, on account of Health care benefits for employees for the year 20X4-20X5.
   (a) ₹ 70,000
   (b) ₹ 80,400
   (c) ₹ 22,162
   (d) Nil
4. With respect to point (a), determine defer tax on Government grants for the year 20X4-20X5.
   (a) Nil
   (b) DTA ₹ 40,000
   (c) DTL ₹ 12,800
   (d) Deferred income – government grant will not be taxable
5. With respect to point (b), determine the tax base of Liability for product warranty costs for the year 20X4-20X5.
   (a) Nil
   (b) ₹ 5,000
   (c) ₹ 16,000
   (d) ₹ 6,200

6. With respect to point (c), determine defer tax on Health care benefits for employees for the year 20X4-20X5.

   (a) Nil

   (b) DTL ₹ 22,400

   (c) DTA ₹ 22,400

   (d) Health care benefits for employees will not be taxable.

ANSWERS :

1.	(b)	2.	(a)	3.	(a)	4.	(d)	5.	(a)	6.	(c)