PG – 262

**I Semester M.Com. (FA) Examination, May 2024**
**(CBCS Scheme) (2020-21 and Onwards)**
**FINANCIAL ANALYSIS**
**Paper – 1.1 : Indian Accounting Standards (IND AS)**

Time : 3 Hours                                                                 Max. Marks : 70

SECTION – A

Answer **any seven** out of ten. **Each** question carries **two** marks : **(7×2=14)**

1. a) State the objectives of accounting standards.

   b) What do you mean by convergence with IFRS ?

   c) Define investment property as per Ind AS 40. Give an example.

   d) What are qualifying assets ? List out any four qualifying assets.

   e) Distinguish between provisions and liability.

   f) What is obligating event ?

   g) When an entity shall recognize the revenue from a contract with a customer ?

   h) A gymnasium enters into a contract with a new member to provide access to its gym for a 12-month period at ₹ 4,500 per month. The member can cancel his or her membership without penalty after three months. Specify the contract term.

   i) How do you classify financial instruments as a liability or as equity as per Ind AS 32 ?

   j) Write the conditions that an entity should derecognize a financial asset.

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SECTION – B

Answer **any four** questions out of six. **Each** question carries **five** marks : **(4×5=20)**

2. Write the process of formulation of accounting standards in India.

3. Briefly explain the recognition criteria of provisions as per Ind AS 37.

4. How the entity determining transaction price as per Ind AS 115 ? Explain in brief.

5. A firm bought inventory at a cost of Rs. 5,00,000. The goods have been damaged and in order to sell them, the firm expects selling cost of Rs. 1,60,000 and additional cost of Rs. 2,00,000 to put them into saleable condition. The firm also estimates selling price of these goods as Rs. 8,00,000. How should the inventory be valued in the statement of financial position ? Find the value of inventory as per Ind AS 2.

6. Arjun Ltd. invested in equity shares of Karna Ltd. on $15^{th}$ March 2022 for Rs. 1,00,000. Transaction cost was Rs. 50,000 in addition to the basic cost of Rs. 1,00,000. On $31^{st}$ March 2023, the fair value of the equity shares was Rs. 1,12,000 and market rate of interest is 10% P.A. for a 10 years loan. Determine the value of equity shares to be recognized initially and pass necessary journal entries according Ind AS – 109.

7. What are the two models of measurement of 'Property, Plant and Equipment' after recognition ?

SECTION – C

Answer **any two** questions out of four. **Each** question carries **twelve** marks : **(2×12=24)**

8. What are financial statements ? Briefly explain the recognition of the elements in financial statements.

9. Briefly explain the objectives and scope of Ind AS 37.

10. Manasi Private Limited has the following loans outstanding as at December 31, 2023.

| | |
|---|---|
| Loan 1 @ 6% (Due since opening date) | Rs. 3,00,000 |
| Loan 2 @ 8% (Due since opening date) | Rs. 2,00,000 |
| Loan 3 @ 9% (Due since opening date) | Rs. 1,50,000 |

The company spent following amounts on construction of an asset.

| | |
|---|---|
| January 31, 2023 | Rs. 70,000 |
| April 1, 2023 | Rs. 80,000 |
| December 1, 2023 | Rs. 10,000 |

**Calculate :**

a) Capitalization rate.

b) Borrowing cost eligible for capitalization.

11. Highwood issued 8% Rs. 30,00,000 convertible loan note on 1/4/2020 at par. Interest is payable in arrears on 31st march each year. The loan note is redeemable at par on 31st March 2023 or convertible into equity shares at the option of the loan note holders on the basis of 30 equity shares for each Rs. 100 of loan note. Highwood finance director has calculated that to issue an equivalent loan note without conversion rights it would have to pay an interest rate of 10% p.a. to attract the investors.

Applicable discount rates are as follows :

| **Year** | **Discount factor at 10%** |
|---|---|
| 1. | 0.91 |
| 2. | 0.83 |
| 3. | 0.75 |

**Required :**

a) Split the loan between debt and equity at inception.

b) Calculate the finance charges and liability for each year until conversion or redemption.

## SECTION – D

Answer the following : **(1×12=12)**

12. Janaki Ltd. gives the following estimates of cash flows relating to property, plant and equipment on 31st March, 2024. The discount rate is 15%. Calculate impairment loss using following information.

| Year | Cash Flow (Rs. in lakh) |
|---|---|
| 2024-2025 | 200 |
| 2025-2026 | 300 |
| 2026-2027 | 300 |
| 2027-2028 | 400 |
| 2028-2029 | 200 |
| Residual Value at 31st March, 2029 | 50 |

1) Property, plant and equipment was purchased on 1st April, 2021 for Rs. 2,000 lakh.

2) Useful Life was 8 years.

3) Residual value estimated at the end of 8 years Rs. 80 lakh.

4) Fair value less cost to disposal Rs. 1,000 lakh.

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