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Question Paper	
Financial Reporting	**Duration**: 80
Details:Test- 1 (Chapter- 4, 5 & 7)	**Marks**: 40

Instructions:

- All the questions are compulsory
- Properly mention test number and page number on your answer sheet, Try to upload sheets in arranged manner.
- In case of multiple choice questions, mention option number only Working notes are compulsory wherever required in support of your solution
- Do not copy any solution from any material.Attempt as much as you know to fairly judge your performance.

Question- 1:

On 1 April 2017, Maxwell grants 200 share appreciation rights (SARs) that will be settled incash to each of its 200 employees on the condition that employees will remain employed forthe next four years. The estimated fair value of the SARs as on the below dates is:

	Fair value per SAR (in INR)	Total fair value (INR)
31 March 2018	20	800000
31 March 2019	24	960000

On 31 March 2019, Maxwell cancels the SARs and in their place, grants 200 share options toeach employee on the condition that each employee remain in its employment for the next twoYears. Therefore, the original vesting period is not changed. On this date, the fair value of the options is estimated at INR 26.40 each. All employees are expected to and ultimately do provide the required service.

You need to state the accounting for the share-based payment for the SARs and allied accounting treatments.

(6 Marks)

Question- 2:

Radhika bought a building on 1 Jan 2016. The Purchase Price was INR 87 lakhs, associated legal fees were 3 lakh and general administrative cost allocated to the purchase were 6 lakh. She also paid sales tax of 15 lakhs, which is recovered from tax authority. Building was attributed a useful economic life of 25 years. It was revalued to 1.05 crores on 31 Dec 2019 and was sold for 1.25 crore on 31 Dec 2020.

Required: Explain how the above items of property, plant and equipment would have been accounted for in all relevant reporting periods up until 31 Dec 2020.

(4 Marks)

Question- 3:

(a) Mr. Ram enters into a 10-year lease of retail space in a shopping Centre named "Kessel". The minimum rent is USD 1000 per annum, unless sales exceed USD 10,000 per annum. If sales revenue exceeds USD 10,000 per annum, the lease payments are USD 500,000. The lessee has historically generated sales revenue at its retail locations of between USD 1500,000 and USD 2500,000 per annum. The store must operate within certain specified regular operating hours.

(b) Ms. Shikha enters into a 10-year lease of retail space in a shopping centre. There are no fixed lease payments. Lease payments are 5% of annual sales. The lessee demonstrated to the lessor in negotiating the contract that it generates at least USD 125,000 per annum at each location, and on average, USD 150,000.

State how much the lessee would include the lease payments in its initial measurement of the lease contract.

(3 Marks)

Question- 4 (i):

IA consultants and IND AS specialist own following list of property-

a) Land hold by IA Ltd. for undetermined future use
b) A vacant building owned by IA Ltd. and to be leased out under an operating lease

c) Property held by a subsidiary of IA Ltd, a real estate construction company, in the ordinary course of its business

d) Property held by entity for production of goods

e) A hotel owned by A Ltd., a subsidiary of IA Ltd and for which A ltd provides security services for its guest belong's.

Classify the above properties as per relevant IND AS.

(3 Marks)

Question-4 (ii):

While preparing its financial statements for the year ended 31 stMarch, 20X1, XYZ Ltd. made a general provision for bad debts @ 5% of its debtors. In the last week of February, 20X1 a debtor for Rs. 2 lakhs had suffered heavy loss due to an earthquake; the loss was not covered by any insurance policy. Considering the event of earthquake, XYZ Ltd. made a provision @ 50% of the amount receivable from that debtor apart from the general provision of 5% on remaining debtors. In April, 20X1 the debtor became bankrupt. Can XYZ Ltd. provide for the full loss arising out of insolvency of the debtor in the financial statements for the year ended 31st March,20X1?

Would the answer be different if earthquake had taken place after 31stMarch, 20X1, and therefore, XYZ Ltd. did not make any specific provision in context that debtor and made only general provision for bad debts @ 5% on total debtors?

(4 Marks)

Question-5 (i):

Uber operate a taxi service, but also act as an intermediary for single private taxi drivers to get their own license. As a part of business Uber acquire transferable taxi licenses from the government and sell some of them to the private drivers who buy from Uber, as it's easier to get the license this way. Ala acquired 500 number of taxi licenses. UBER employed 200 taxi drivers and they plan to sell another 300 taxi Licenses to private drivers. State whether the above taxi license can be considered as intangible assets?

Question-5(ii):

UIF Private Ltd acquired a software for its internal use costing Rs. 1,600,000. The amount payable for the software was Rs. 11,00,000 Immediately and Rs. 500,000 in one year time. The other expenditure incurred were:

Purchase tax Rs. 2,00,000 and 10% (recoverable later from tax department)

Entry Tax: Rs 67,000

Legal fees: Rs 110,000

Cost of capital of the company is 10%.

Calculate the cost of the software on initial recognition using the principles of Ind AS 38 Intangible Assets.

(6 marks)

Question-6(i):

Company Tesla has met the requirements for classifying an asset as held for sale at year end.

Accordingly, Tesla has classified the asset as held for sale in its annual financial statementsand adjusted the carrying amount of the asset to its estimated fair value less cost to sell.Subsequent to the end of the reporting period, but prior to the issuance of the financialstatements, Tesla enters into a final agreement to sell the asset at a value less than theadjusted carrying amount. Should Tesla consider the final agreement and adjust the carryingamount of the asset at the end of the reporting period?

(4 marks)

Question-6(ii):

Entity A is a listed entity that holds 120,000 shares that equal in a 12% investment in Entity B.The shares are traded on a public stock exchange in an active market with a daily tradingvolume of approximately 1.5% of the floated share volume.Entity B's quoted price per share is CU5.50 at the measurement date on 31 December 20X3. Entity A considers that it would be ableto sell its holding for CU580,000 in a single transaction (i.e. equating to CU4.83 per share).

What is the fair value of the 12% interest in Entity B in accordance with Ind AS 113?

(4 marks)

Question- 7:

An asset had a carrying amount of 80,000 at December 31, 2018 based on its original cost of 100,000, less accumulated depreciation representing the one-fifth, of its projected useful life of 5 years which already has elapsed. The carrying amount of 80,000 is after depreciation for 2018 has been computed, but before impairment has been addressed. At same date, a determination was made that the asset's recoverable amount was only 64,000 (assume this was properly computed and that recognition of the impairment was warranted). Again as on December 31, 2019, a determination was made that the asset's recoverable amount was only 74,000.

Calculate the net effect of the above stated accounting events on the 2019 profit or loss.

(6 Marks)