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Question Paper	
Financial Reporting	**Duration**: 80
Details:Test- 3 (Chapter- 6,8,9 & 14)	**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 2019 the company named “Rock Ltd” purchased a land for 100 Lakhs and 200 dairy cows (average age at 1 April 2019 two years) for INR 20 Lakhs. Rock ltd also received a non-refundable grant of 2 million towards the acquisition of the cow.

For the year ending 31 March 2020, the company has incurred INR 12 Lakh cost to maintain the condition of the animals (food and protection) and 8 Lakh as breeding fee to a local farmer.

On 1 October 2019, 100 calves were born. There were no other changes in the number of animals during the year ended 31 March 2020. As of 31 March 2020, Rock Ltd had 1,500 litres of unsold milk in inventory. The milk was sold shortly after the year end at market prices.

Information regarding fair values is as follows:

Item		**Fair value less cost to disposal**	
	1 april 2019	**1 october 2019**	**31 march 2020**
Land	100 lakhs	120 lakhs	140 lakhs
New born calves (per calf)	2,000	2,200	2,400
Six month old calves (per calf)	2,200	2,400	2,600
Two year old cows (per cow)	10,000	10,200	10,400
Three year old cows (per cow)	10,400	10,600	11,000
Milk (per litre)	40	44	48

Please extracts from the balance sheet and statement of P&L that would be reflected in the financial statements of the entity for the year ended 31 march 2020.

(6 marks)

Question- 2:

Entity A is in the process of finalizing a restructuring plan. As a result it is likely that there will be closure of two units, a reduction in headcount, potential new hires and additional training for developing new skills.

Additionally, they are proposing hiring a new manager for whom the entity will have to bear relocation cost. The entity proposes to sell the assets at the unit on closure. Which of the following costs should be included while determining the provision for restructuring:

- Cost of employee termination
- Staff training cost
- Recruitment and relocation cost of new manager.

Should the provision for restructuring be made net of expected gain on disposal of assets at units?

(4 marks)

Question- 3:

Sai Ltd is a private limited company and it has established a post-employment funded defined benefit plan for its employees. In accordance with the terms of the plan, the employees will receive a pension equal to 2% of the final year salary of employee multiple of year of services with the entity.

Sai Ltd determines the cost for the year using the projected unit credit method which also takes into account some actuarial assumptions regarding employee turnover, mortality rates, inflation rates and discount rates, which are based on the rate of return of high quality corporate bonds.

Following information is available related to the defined benefit plan for the year end of 31 December 2020

- The present value of pension benefit in respect of employee services for the year end of 31 December 2020 is CU 80,000.
- Sai Ltd paid pension benefits of CU84,000 to former employees in the current year
- The entity has contributed an amount of CU40,000 into plan asset in the year end of 31 December 2020.
- The present value of defined benefit liability was CU 6 million at year ended 31 December 2019 and it was CU6.7 million at 31 December 2020.
- The plan asset had a fair value of CU5.8 million at 31 December 2019 and the fair value of plan asset was CU6.15 million at 31 December 2020

Sai Ltd had amended the plan on 31 December 2020 and as a result employees are now entitled to an increased pension benefit. The estimated present value of these benefits is CU 250,000 at 31 December 2020.

The interest rate on government bonds was 6% per annum 31 December 2019.

Sai Ltd recognizes re-measurement gains and losses in 'other comprehensive income (items that will not be reclassified to profit or loss)' in accordance with Ind AS 19.

Required:

Prepare the extracts of financial statements in respect of defined benefit plan of Sai Ltd for the year end of 31 December 2020, along with the movement in Defined benefit liability and plan asset.

(Assume that the pension benefits and the contributions paid were settled at 31 December 2020).

(6 marks)

Question- 4:

Prepare the Consolidated Balance Sheet as on 31stMarch, 2018 of a group of companies comprising Usha Limited, Nisha Limited and Sandhya Limited. Their summarized balance sheets on that date aregivenbelow:

Amounts Rs in lakh

	Usha Ltd.	**Nisha Ltd.**	**Sandhya Ltd.**
Equity and Liabilities			
Shareholder's Equity			
Share capital (Rs 10 per share)	300	200	160
Reserves	90	50	40
Retained earnings	80	25	30
Current Liabilities			
Trade Payables	235	115	90
Bills Payable			
Usha Ltd.	-	35	-
Sandhya Ltd.	15	-	-

Assets	720	425	320
Non-Current Assets			
Tangible assets	160	180	150
Investment:			
16 lakh shares in Nisha Ltd.	170	-	-
12 lakh shares in Sandhya Ltd.	-	140	-
Current Assets			
Cash in hand and at Bank	114	20	20
Bills Receivable	36	-	15
Trade Receivables	130	50	110
Inventories	110	35	25
	720	425	320

The following additional information is available:

(i) Usha Ltd. holds 80% shares in Nisha Ltd. and Nisha Ltd. holds 75% shares in Sandhya Ltd. Their holdings were acquired on 30th September,2017.

(ii) The business activities of all the companies are not seasonal in nature and therefore, it can be assumed that profits are earned evenly throughout theyear.

(iii) On 1st April, 2017, the following balances stood in the books of Nisha Limited and Sandhya Limited.

Rs in lakh

	Nisha Limited	**Sandhya Limited**
Reserves	40	30
Retained earnings	10	15

(iv) Rs 5 Lakh included in the inventory figure of Nisha Limited, is inventory which has been purchased from Sandhya Limited at cost plus25%.

(v) The parent company has adopted an accounting policy to measure Non-controlling interest at fair value (quoted market price) applying Ind AS 103. Assume market prices of Nisha Limited and Sandhya Limited are the same as respective face values.

(vi) The capital profit preferably is to be adjusted against cost of control.

Note: Analysis of profits and notes to accounts must be a part of your answer.

(12 marks)

Question- 5:

Satya Limited and Murti Limited together establish Surya Limited to carry out manufacturing activities using materials and technical know-how supplied by Satya Limited and Murti Limited.

Both the parties own 50% each of the voting rights in Surya Limited. Consequently, each party is entitled to 50% of any dividends and 50% of the net assets upon liquidation. The annual business plan of Surya Limited requires the unanimous approval of the shareholders as per its articles of association. Satya Limited and Murti Limited have three directors each on the board of Surya Limited. The chairman of the board rotates between Satya Limited and Murti Limited and does not have any casting vote. Satya Limited has an option to buy Murti Limited's shareholding in Surya Limited. Such option may be exercised by Satya Limited at any time in the event that both the parties do not agree on any decision relating to relevant activities of Surya Limited. The option is evaluated to be substantive. Whether there is joint control?

(4 marks)

Question- 6:

As at the beginning of its current financial year, Macintosh Limited holds 90% equity interest in Dingwall Limited. During the financial year, Macintosh Limited sells 70% of its equity interest in Dingwall Limited to Gordon Limited for a total consideration of Rs. 56 crore and consequently loses control of Dingwall Limited.

At the date of disposal, fair value of the 20% interest retained by Macintosh Limited is Rs. 16 crore and the net assets of Dingwall Limited are fair valued at Rs. 60 crore. These net assets include the following:

- Debt investments classified as fair value through other comprehensive income (FVOCI)of Rs. 12 crore and related FVOCI reserve of Rs. 6 crore.
- Net defined benefit liability of Rs. 6 crore that has resulted in a reserve relating to net measurement losses of Rs. 3 crore.
- Equity investments (considered not held for trading) of Rs. 10 crore for which irrevocable option of recognising the changes in fair value in FVOCI has been availed and related FVOCI reserve of Rs. 4 crore.

- Net assets of a foreign operation of Rs. 20 crore and related foreign currency translation reserve of Rs. 8 crore.

In consolidated financial statements of Macintosh Limited, 90% of the above reserves were included in equivalent equity reserve balances, with the 10% attributable to the non-controlling interest included as part of the carrying amount of the non-controlling interest.

What would be the accounting treatment on loss of control in the consolidated financial statements of Macintosh Limited?

(8 marks)