

46 marks

You got the highest marks in this test paper. Your presentation and conceptual understanding is outstanding. Give reference to relevant para also wherever required. Your practical understanding is good but always attempt the question completely, show all the required parts properly as per the question requirement. Your presentation and handwriting is good. Apply the same approach in your final exams. You can get better score by more and more practice.

Q1 As per IND AS 34 revenue and expenses should be recognised in the period in which they are incurred. The expenses can be deferred only if it relevant to defer such type of expenses or the expenses incurred are unevenly throughout the year

- (i) Bad debts should not be deferred to next quarter. Entire amount incurred of ₹ 1L should be recorded in third quarter
- (ii) The treatment given for extraordinary by recognizing it fully in the quarter is correct
- (iii) The treatment given for additional dep of ₹ 45L is appropriate
- (iv) Based on the discussion the ₹ 5L expenditure pertaining to third quarter should be charged in the respective quarter itself as the expenditure incurred are uniform throughout all the quarters.

knowledge of concept is good, all the issues are accurately treated

∴ Revised net profit to be shown in third quarter

$$\begin{aligned} &= 20,00,000 - 50000 - 500000 \\ &= 1450000 \end{aligned}$$

4.5 marks

Q2 Cashflow statement for the year ended 31<sup>st</sup> Mar 2022  
of Kuber Ltd (Indirect method)

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Cashflow from operating activities

Net profit after tax

4450

Add - Depreciation (500+20)

520

Add - Income tax paid

✓ 105

Less - Increase in DTA

(105)

Less - Profit on sale (70-60)

(10)

✓ 4160

Less - Income tax paid

(105)

4855

Changes in operating assets &

Liabilities

Decrease in other financial assets

25

(170 - 145) **you have good understanding of this question**

Increase in other CA (800 - 770)

(30)

Increase in current asset (195 - 85)

(110)

Decrease in non-current Liab (3615 - 2740)

(875)

Increase in trade payable (150 - 90)

60

Increase in other current Liab (300 - 200)

100

Cashflow from operating activities (A)

4025

Cashflow from investing activities

Purchase of PPE

(105)

Sale of Inv	200		
Purchase of intangible asset	(40)		
Sale of PPE	=	(B)	(720)
Cashflow from investing activities			(820)
Cashflow from financing activities			
Long term borrowing	(5000 - 2000)		(3000)
Dividend paid			(450)
<b>all the items are well adjusted</b>			
Cashflow from financing activities		(C)	(3450)
Net increase / (ded) in cashflow			(255)
Op cash & cash equivalents for year	(460 - 60)		400
C1 cash & cash equivalent for year	(200 - 75)		125

WN1

## PPE A/C

Op	12500	D/P	500
P/B/F	00	Sale	60
Pur	(1050)	C1	13000

6 marks

WN2

## Intangible asset

Op	30	D/P	20
Pur	40	C1	50

**Note** Bank a/d normally form part of financing activities however when they are repayable on demand they are included in cash & cash equivalents.

Here, in the solution we have included them in cash & cash equivalents.

Q.5

Q.4 (i) C/Bank CU 1000  
To Loan CU 1000  
(Being loan taken)

(ii) Effective interest rate

$$\frac{100}{(1+r)} + \frac{250}{(1+r)^2} + \frac{[300 - 1000]}{(1+r)^3} = 1000$$

$$r = 20\%$$

?

2.5 marks

attempt the answer completely, answer to part (iii) of the question is missing

Q5

On initial recognition - 1/1/20x1

Financial asset 1000 cu  
 To C/B 1000 cu

(Being financial asset purchase )

On 31/12/x1

C/B 60  
 To Interest income 60  
 (Being interest recorded)

Impairment loss 30  
 OCI 20  
 To financial asset 50

(Being asset recorded at FV and impairment loss recognised )

Asset is shown at 950 which is the fair value on 31/12/x1  
 hence the ~~balance~~ amt of 20 impairment loss is not  
 reduced from value of asset and recognised in OCI

On 1/1/x2

**you have performed well in this question**

C/B 950  
 To Financial asset 950  
 (Being asset sold)

**4 marks**

The loss accumulated in OCI will be transferred to P/L and shown  
 as loss on sale i.e. P/L 20

To OCI 20

Q.6

This is a compound financial instrument which consists of both debt and equity component.

We need to separate the two component by finding PV of cashflows.

The preference shares are compulsory convertible hence the redemption at the end of the year will not take place.

∴ Only cashflows will be of interest

$$50000 \times 180 = 9000000 @ 10\% \\ = \checkmark 900000$$

PV of int of ₹ 900000 for 5 yrs @ 15%

$$\therefore 900000 \times 3.3522 \\ = 3016980$$

$$\text{Equity component} = 9000000 - 3016980 \\ = \checkmark 5983020$$

Allocation of transaction cost @ 2%

Liab	3016980	(rounded off) 60340	2956640
Equity	5983020	119610	5863360
good practical understanding	9000000	180000	8820000

Calculation of amortization of maturity component

YR	Int @ 15.86%	Paid	O/S Balance
1/4/2017	all the required steps are well shown		2956640
31/3/18	468923	(900000)	2525563
31/3/19	400554	(900000)	2026117
31/3/20	821342	(900000)	1447459
31/3/21	229567	(900000)	777026
31/3/22	* 122974	(900000)	— adj fig

1/4/17 Bank 8820000  
 To Pref share 2956640  
 To Equity component 5863360  
 (Being the compound instrument split up and recorded)

31/3/18 Int exp 468923  
 Pref share 431077  
 To C/B 900000  
 (Being int & amort paid recorded)

31/3/18 Int 400554  
 Pref share 449446  
 To C/B 900000

(Being int & amt paid recorded)

31/3/20 Rent exp 321342  
Pref share 578658

To C/B 900000

(Being int & amt paid recorded)

31/3/20 Rent exp 229567

Pref share 670433

To C/B 900000

(Being int & amt paid recorded)

31/3/21 Rent exp 122874

Pref share 777026

To C/B 900000

(Being int & amt paid recorded)

31/3/22 Equity component 58633.60

To Escap 125000

To Securities 572836.6

(Being preference shares converted into equity shares at the end of 5<sup>th</sup> yr)

6 marks

well attempted

### Q 3 (i) Evaluation of errors

1. A contingent liability is recorded when outflow of resources embodying economic benefit is not remote.  
There is no liability as on the date  
Hence no contingent liability is to be recorded.  
There is no onerous contract as a onerous contract is the one in which unavoidable cost of meeting the contract exceeds the economic benefit arising from the contract.  
Hence, this note can be removed.
2. The particular tax assessment wherein it has received demand notice and company is contesting makes it clear that contingent liability exists.  
Accordingly, the note should specify that it is a contingent liability.
3. P/L should include circulation ▷ Basic EPS & diluted EPS
4. Reserve of foreseeable loss should not be included in reserves and surplus. It will form part of short term provision.
5. Share capital should be shown under shareholders fund and R&S should be shown as other equity
6. Fixed assets should be shown under Property, plant & equipment
7. Balance sheet should be presented by first presenting

assets and then liabilities

8. DTA & DTL can be shown net off only if it is legally permissible to be done

**you are performing very well, all the required notes are well attempted**

9. Int accrued on term loan is due as on reporting date hence it should be shown under other Current liabilities

10. Trade receivable should be bifurcated into due more than and less than 6 months

11. Trade payable should be bifurcated into msme & other than msme

(ii) Statement of Profit & Loss

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YR ended 31/3/18

Revenue from operations 5500

Expenses

Employee benefit exp 1200

Depreciation

2200

Operating cost

999

TOTAL EXPENSES

4399

Profit before tax 1101

Tax exp

**well prepared**

(150)

Profit after

951

Basic EPS

9.51

Diluted EPS

9.51

Balancesheet as on 31 Mar 2018

PARTICULARS	NOTE	₹
<u>Assets</u>		
<u>Non current asset</u>		
Property , Plant equipment		5655
Deferred tax asset	1	✓ 300
<u>Current assets</u>		
Inventories		1000
Trade receivable	2	1100 ✓
Cash & cash balance		1200
		<u>9255</u>
<u>Liabilities</u>		
<u>Shareholders fund</u>		
ESI capital		1000
Other equity	3	✓ 1500
<u>Non current Liabilities</u>		
long term borrowing	4	5000
Current Liabilities		✓ 2000
Short term provisions	5	✓ 750
Other current liabilities	6	765
Trade payable	7	300
		<u>9255</u>

you can easily get good score in this type of questions

NOTE 1 Deferred tax asset - DTL

$$\begin{aligned}
 &= 500 - 200 \\
 &= \checkmark 300
 \end{aligned}$$

<u>NOTE 2</u>	<u>Trade receivable</u>	
	Outstanding for 6 months	1065
	Outstanding for more than 6 months (40-5)	35
		1100
<u>NOTE 3</u>	<u>Other equity</u>	
	Cap reserve	500
	Op balance	49
	Addition - Profit	951
		1000
		1500
<u>NOTE 4</u>	<u>Long term borrowings</u>	
	Term loan from bank	5000
<u>NOTE 5</u>	<u>Short term provisions</u>	
	Short term	250
	Reserve for foreseeable loss	500
		750
<u>NOTE 6</u>	<u>Other current liabilities</u>	
	Unclaimed dividend	3
	Interest on term loan	555
	Billing in advance	147
		705

NOTE 7 Trade Payables

Outstanding balance for MSME  
Outstanding balance other than MSME  
(assumed)

**16 marks**

300  
300

Q. 7 (i) Present value of principal value at initial recognition

$$10,00,000 \times PVIF (10\% \text{ for } 3 \text{ yrs})$$

$$10L \times 0.751315$$

$$= 751315$$

**well done**

(ii) Present value of interest payment

$$10L \times 8\% = 80000$$

$$80000 \times 2.48685$$

$$= 1989484$$

(iii) Proceeds from sale of bond

$$(i) + (ii) = 950263$$

**5 marks**

(iv) Accounting entry

Int exp 95026 (950263 x 10%)

To C/B 80000  
To Bonds (Liab) 15026

Q. 7 (b) <sup>2</sup> PV of int payments (80000 x 2.48685) 198948  
PV of principal (102 x 0.751315) 751315  
950263

C/B 10,00,000  
To Bonds 950263  
To Bonds 49737  
(equity component)

b) Bond (equity component) 49737  
S/Bonds 10,00,000  
To Share cap 10,00,000  
To Share premium 49737

(Being bonds converted)

**you missed to give reason for the same**

**2 marks**