TM = 37

Your overall performance is good. You have good conceptual clarity. You have done all the questions very well. Just need to focus on little points appropriately, try to cover short supporting descriptions in your answer. 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.

(A-Part 3)

Pg 1

Ans to Q 1.

Extract of P&L of Rock Ltd for the year 31.3.20

6 marks

Particulars	WN.	Amount.
Income.		
Change in fair value of cow	WN1	200000
Government Grant	WN2.	20,00,000
Fair value of calves.	WN3	260,000
~~Fa~~ Value of milk	WN4.	72000
Total Income (A)		25,32,000
Expense		
Maintenance cost	WN5	12,00,000
Breeding fees.		800,000
Total Expense (B)		20,00,000
Income A-B.		532,000

You can easily score good marks in these types of questions

Extract of Balance Sheet for Rock Ltd as at 31.3.20

Non Current Assets		(₹ in lakh) ~~(₹ in L)~~
P&PE		
Land.	WN6.	100
Cow	WN1.	~~20.8~~ 22
Calves.		2.6
		124.6
Inventory		
Milk	WN4.	0.72

WN1 Fair value of Cow ...

Pg2

WN1 Fair value of cow.
three yr old.

Value of per cow on 31.3.20 → 11000
No of cows. × 200
Value of Cows on 31.3.20. 22,00,000.
Acquisition cost 20,00000
Gain on change in value 200,000.

This change in fair value is due to
(a) physical change → (10400 - 10000) × 200 → 80,000
(b) price change (11000 - 10400) × 200 → 1,20,000
200,000.

WN2

Government Grant received for acquisition of cow shall be treated as ~~per~~ income and should be credited to the P&L account since it is a non-refundable grant and as of Ind AS 41 such grant would not amortised over a period ~~rathe~~ of time rather should be credited as and when received.

~~WN2~~ WN3
Fair value of calves born should be ~~charged~~ credited to P&L at the value ~~of~~ on the end of reporting date.

Value of six month old calves → 2600.
No of calves 100
FV of 100 six-month old calves 260,000

WN4 Fair value of milk. → 1500 × 48 → 72000

WN5 Maintenance cost and breeding ~~set~~ cost are expenses under Ind AS 41 and shall be charged to P&L.

WN6 Land acquired shall be treated as per Ind AS 16, and the entity has option to value the acquired asset as per cost model or revaluation model, here we opted to measure 'Land' at cost method.

Pg 2

WN1 Fair value of cow.
three yr old.

Value of per cow on 31.3.20 →	11000
No. of cows.	× 200
Value of Cows on 31.3.20.	22,00,000
Acquisition cost	20,00,000
Gain on change in value	200,000

This change in fair value is due to
(a) physical change → (10400 - 10000) × 200 → 80,000
(b) price change (11000 - 10400) × 200 → 120000
200,000.

WN2

Government Grant received for acquisition of cow shall be treated as ~~per~~ income and should be credited to the P&L account since it is a non-refundable grant and as of Ind AS 41 such grant would not amortised over a period ~~rathe~~ of time rather should be credited as and when received.

same sheet uploaded

~~WN2~~ WN3
Fair value of calves born should be ~~charged~~ credited to P&L at the value of on the end of reporting date.

Value of six month old calves →	2600
No of calves	100
FV of 100 six-Month old calves	260,000

WN4 Fair value of milk. → 1500 × 48 → 72000

WN5 Maintenance cost and breeding ~~set~~ cost are expenses under Ind AS 41 and shall be charged to P&L.

WN6 Land acquired shall be treated as per Ind AS16, and the entity has option to value the acquired asset as per cost model or revaluation model, here we opted to measure 'Land' at cost method.

Pg 2

WN 1 Fair value of cows.

three yr old.

Value of per cow on 31.3.20 →	11000
No of cows.	× 200
Value of Cows on 31.3.20.	22,00,000
Acquisition cost	20,00000
Gain on change in value	200,000

This change in fair value is due to
(1) physical change → (10400 - 10000) × 200 → 80,000
(2) price change (11000 - 10400) × 200 → 1,120000
200,000.

WN 2

Government Grant received for acquisition of cow shall be treated as ~~for~~ income and should be credited to the P&L account since it is a non-refundable grant and as of Ind AS 41 such grant would not amortised over a period ~~rathe~~ of time rather should be credited as and when received.

~~WN2~~ WN3

Fair value of calves born should be ~~charged~~ credited to P&L at the value of on the end of reporting date.

Value of six month old calves →	2600
No of calves	100
FV of 100 six-month old calves	260,000

WN 4 Fair value of milk → 1500 × 48 → 72000

WN 5 Maintenance cost and breeding ~~cost~~ cost are expenses under Ind AS 41 and shall be charged to P&L.

WN 6 Land acquired shall be treated as per Ind AS 16, and the entity has option to value the acquired asset as per cost model or revaluation model, here we opted to measure 'Land' at cost method.

Pg-2

WN1 Fair value of cow.

three yr old.

Value of per cow on 31.3.20 →	11000
No of cows.	× 200
Value of Cows on 31.3.20.	22,00,000.
Acquisition cost	20,00,000
Gain on change in value	200,000.

This change in fair value is due to

(a) physical change → (10400 - 10000) × 200 → 80,000

(b) price change (11000 - 10400) × 200 → 1,20,000

200,000.

WN2

Government Grant received for acquisition of cow shall be treated as ~~for~~ income and should be credited to the P&L account since it is a non-refundable grant and as of Ind AS 41 such grant would not amortised over a period ~~rathe~~ of time rather should be credited as and when received.

~~WN2~~ WN3

Fair value of calves born should be ~~charged~~ credited to P&L at the value ~~of~~ on the end of reporting date.

Value of six month old calves →	2600
No of calves	100
FV of 100 six-Month old calves	260,000

WN4 Fair value of milk. → 1500 × 48 → 72000

WN5 Maintenance cost and breeding ~~set~~ cost are expenses under Ind AS 41 and shall be charged to P&L.

WN6 Land acquired shall be treated as per Ind AS 16, and the entity has option to value the acquired asset as per cost model or revaluation model, here we opted to measure 'Land' at cost Method.

Pg 3

Ans to Q2 3.5 marks

As per Ind AS 37, Provisions, Contingent Assets and Contingent Liabilities, any provision ~~to~~ be created shall be made as per this Ind AS.

give reference to relevant Paragraph 80

The provision for restructuring shall include only the expense to be incurred only ~~those~~ expense which would be incurred as a part of restructure plan and shall not include any type of advertisment marketing, ~~gain of disp~~ and any type of gain / income on disposal of asset.

Therefore, the ~~restructuring~~ Provision for restructuring plan ~~sho~~ should include the cost of termination of employee, whereas no amount shall be included for any expense on -

(a) training cost for staff.
(b) Recruitment & relocation of ~~employee~~ new manager.

You have correctly described this.

Moreover no credit of gain on disposal of assets of unit shall be ~~cred~~ credited to provision to made for restructuring.

Pg 4

6 marks

Ans to Q3.

	Plan Assets	Plan Liabilities (CV)
Opening FV	58,00,000	60,00,000
Contribution made.	40,000	
(-) Pension paid	(84,000)	(84,000)
Present benefit.	-	80000
Interest @ 6%.	348,000	360,000
Increased benefits.		250,000
Decrease/Increase. Remeasurement (bal fig).	[46000]	94000
Closing FV	61,50,000	67,00,000

Pg 5

Statement of P&L.

	Amt (₹ Cr)
Current Service cost	80,000.
Past serviceo Cost	250,000.
Net Interest exp (360,000 - 348,000)	12000.
Total Changed to P&L.	342,000.

OCI :

Remeasurement of Gain on DB Assets.	46000
loss on DB Liabilities	(94000)
OCI balance.	(48,000)

Net Defined Benefit liabilities Shown in Balance Sheet -

DB Liabilities.	67,00,000
DB Assets	61,50,000.
DB Liabilities.	5,50,000.

You have good practical understanding of this question

Pg 6

Ans to Q-4 — 12 marks

Balance (Consolidated) Sheet as on 31st March 2018.

	WN	Amt (₹ in lakhs)
Assets		
Non Currents Assets.		
PPE (160+180+150)		490.
Current Assets.		
Inventories (110+35+25 − 1(x))	1	169
Financial Asset Cash and Cash Equivalents (114+20+20).		154
Trade Receivables. (130+50+110)		290.
Bills Receivable. (36+15−35−15).		1.
Total Assets.		1104
Equities and Liabilities.		
Equity		
Equity share capital. (10 per share)		300
Other Equity		
Reserves	2	97
Retained Earnings.	3	89.9.
Capital Reserve.	4	94
NCI	5	
Total Equity		
Liabilities.		
Current Liabilities.		
Financial Liabilities.		
Trade Payables. (25 235+115+90).		440
Total equity & Liabilities		1104.

WN1

Inventories of ₹ 5 lakhs in Nisha Ltd has been purchased from Sandhya Ltd @ cost plus ~~17~~ 25%

∴ 25% of $\frac{5L}{125\%}$ would be deducted from Inventories.

Pg 7

WN2 Cal of Reserves to be taken for consolidation

	N	S
Opening balances.	40	30
Closing	50	40
During the yr	10	10
Post acquisition for 6mths	5	5
% of to be included in CFS	80%	60% (75×80%)
⇒	~~3~~ 4	3

∴ Total Reserves ⇒ 90 + 4 + 3 = 97 lakhs

WN3 Cal of RE Similarly.

Opening	10	15
Closing	25	30
During the year	15	~~20~~ 15
Post acq.	7.5	7.5
(–) unrealised Gain on stock.		(1)
% to be included	80%	60%
⇒	6	3.9

Total RE ⇒ 80 + 6 + 3.9 ⇒ 89.9 lakhs.

WN4 Cal of ~~Gain on Barg~~ Capital Reserve on Acquisition.

	Nikke	Sandhya
Acquisition cost for 80% / 60%	170	~~140~~ 112 (140 × 80%)
Add NCI @ FV. 200 × 80% 20% / 160 × 40% 40%	40 ~~160~~	64
	~~330~~ 210	176
(–) Share Capital + Reserves + RE till date of acquisition (200 + 40 + 5 + 10 + 7.5) (160 + 30 + 5 + 15 + 7.5)	(262.5)	(217.5)
Capital Reserve	52.5	41.5

Total CR ⇒ 52.5 + 41.5 = 94 lakhs

Pg 8

WN5 Calculation of NCI	Nishe	Sandhya.
At fair value	40	64
Add Post acq. Reserve.	1 (5×20%)	2 (5× 40%)
Add Post acq. RE	1.5 (7.5×20%)	2.6. (6.5×40%)
less NCI share invested in Sandhye Ltd.	(28) (140×20%)	
	14.5	68.6
Total NCI -	83.1	

You have attempted this answer very nicely.

It is assumed that sale of inventory from Sandhya to Nisha is a part of post acquisition activity

83.1

Total NCI -

It is assumed that sale of inventory from Sandhya to Nisha is a part of post acquisition activity

Pg 9

Ans to Q5 2.5 marks

A. In an joint arrangement, two or more parties have joint control, Ex. the arrangement contains the following-

(a) a contractual agreement binds the parties,
(b) the contractual agreement gives joint control to two or more parties.

- joint control exists where decision about the activities and operations are unanimously agreed between the parties.

- In determining the control of an a party, voting rights alongwith decision making right as well as potential right (any) held by a party over the investee. Potential voting rights are considered only when the substantive and it gives the party the ability to direct the relevant activities.

In the given case, Satya an Ltd and Murti Ltd both holds 50% each shares of Surya Ltd, However, Surya Ltd also has the substantive right to purchase the 50% Shares of Surya Ltd held by Murti Ltd. Therefore we can that Satya Ltd has the control over Surya Ltd whereas the same cannot be said about for Murti Ltd.

practice this concept to understand properly

Hence Murti Ltd should determine if they have any joint control or significant influence over Surya Ltd.

Murti Limited does not have joint control of Surya Limited. Entity Murti Limited needs to evaluate whether it has _significant influence' over Surya Limited within the meaning of Ind AS 28.

content is not properly visible ... should determine if they have any ... or significant influence over Surya Ltd.

Pg 10

Ans to Q - 6

7 marks

As per Ind AS 110, whenever a parent loses control over the subsidiary, they should -

(a) derecognise the asset and liabilities of the subsidiary from its CFS.

(b) If any investment is retained after losing control, then such relevant Ind AS. Any amount due or owed to that subsidiary shall be accounted for as per relevant Ind AS

give reference to relevant para also wherever required

(c) recognise the gain / loss on the sale of subsidiary.

As per Ind AS 110, a parent shall reclassify to P&L or directly transf to retained earnings, any amount recognised in OCI in relation to that subsidiary. If any revaluation surplus has been recognised in OCI earlier, then now such amount should be transferred to Retained Earnings upon loss of control.

Therefore Macintosh Ltd ~~AI~~ shall on the loss of control:-

(a) reclassify the FVOCI reserve of debt instruments amt to ₹ 5.4 cr (6cr × 90%) to the profit & loss a/c.
As per Ind AS 109, Financial Instruments, ~~as part~~ upon derecognition of a financial asset, its related OCI previously accounted would be ~~transferred to~~ recycled to profit and loss a/c. This shall be reflected in the gain of disposal.

Remaining 0.6 cr (10% of 6 cr) shall be included in the carrying amount of non-controlling interest that will be ~~der~~ derecognised in the calculation of gain/loss on sale of subsidiary.

(b) the reserve relating to the ~~dm~~ net measurement of defined benefits liability shall be transferred to retained earnings upto the extent of parents share (90% of 3cr) = 2.7 cr.

The remaining 10% shall be part of NCI that is derecognised, no such ~~of~~ amount is classified to P&L or retained earnings.

(c) ~~ce.~~ Cumulative Gain of ₹ 3.6 cr (90% of 4 cr) shall be reclassified from OCI to retained earnings.

Remaining 10% shall be part of NCI to be derecognised.

(d) FCTR of ~~₹~~ ₹ 7.2 cr (8 cr × 90%) shall be reclassified to profit ~~&~~ & loss a/c. as per Ind AS 21

Remaining 10% of shall form part of NCI to be derecognised

Impact of loss of control on P&L & RE.

Journal Entry. Amt (in Cr).

Bank A/c. - Dr	56	
NCI A/c.. Dr	6	
Investment A/c.. Dr	16	
@ FV (Retained)		
To Gain on Disposal (P&L) A/c (bal fig)		18
To Net Asset of subsidiary A/c.		60
(Being the subsidiary sold).		

~~on debt~~

FVTOCI Reserve A/c. Dr	5.4	
Foreign Currency Translation Res A/c. Dr	7.2	
To Profit & Loss A/c.		12.6
(Reserve on Debt instruments & FCTR trf to P&L)		

apply same approach towards your exams

FVTOCI Reserve A/c. Dr	3.6	
To Net measurement loss Reserve A/c		~~0.9~~ 2.7
To Reserve & Surplus. (RE).		0.9

(Being FVTOCI for Equity instruments & net measurement loss trf to Retained Earnings).