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Question Paper	
Financial Reporting	**Duration**: 70
Details:Test- 2 (Chapter- 11, 3 & 13)	**Marks**: 35

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:

Neetika Gupta has a 100% investment in SA limited. He is also a member of the key management personnel (KMP) of SB limited. SC limited has a 100% investment in SB limited. Required:

(a) Examine related party relationships from the perspective of SB limited for SA limited.

(b) Examine related party relationships from the perspective of SB limited for SA limited if Neetika is a KMP of SC limited and not SB limited.

(c) Will the outcome in (a) & (b) would be different if Neetika Gupta has joint control over SA limited.

(d) Will the outcome in (a) & (b) would be different if Neetika Gupta has significant influence over SA limited.

(5 marks)

Question- 2:

The following information pertains to the financial statements of Hindustan Unilever limited (HUL), a listed company, for the year ended 31 December 2019:

(i) Profit after tax for the year:

Rs. in million

Profit from continuing operations – net of tax	1530
Profit from discontinued operations – net of tax	310
Profit after tax	1840

(ii) Shareholder's equity as on 1 January 2019 comprised of:

- 20 million ordinary shares of Rs. 10 each, having market value of Rs. 50 each.
- 8 million cumulative preference shares of Rs. 10 each entitled to a cumulative dividend at 10%.

(iii) On 31 March 2019, HUL announced 40% right shares to its ordinary shareholders at Rs. 50 per share. The entitlement date of right shares was 31 May 2019. The market price per share immediately before the announcement date and entitlement date was Rs. 56 and Rs. 64respectively.

(iv) On 2 August 2019, HUL announced 20% bonus issue. The entitlement date of bonus shares was 31 August 2019.

(v) On 1 February 2020, the board of directors announced 20% cash dividend and 10% bonus issue being the final dividend to the ordinary shareholders and 10% cash dividend for preference shareholders.

Required:

Calculate basic earnings per share for inclusion in HUL's financial statements for the year ended 31 December 2019. Show all relevant calculations

(5 marks)

Question- 3:

Seeds Ltd. is operating in oil industry. Its business segments comprise crushing and refining. Certain information for financial year 2017-18 is givenbelow:

(Rs. in lakh)

Segments	External Sale	Tax	Other Operating Income	Result	Assets	Liabilities
Crushing	1,00,000	2,500	20,000	5,000	25,000	15,000
Refining	35,000	1,500	7,500	2,000	15,000	5,000

Additional Information: (Rs. in lakh)

- Unallocated revenue net of expenses is Rs.1,500.
- Interest and bank charges is Rs.1,000
- Income-tax expense is Rs.1,000 (current tax Rs.975 and deferred tax Rs.25)
- Investments Rs.5,000 and unallocated assets Rs.5,000
- Unallocated liabilities, Reserves &Surplus and Share capital are Rs.10,000;
- Rs. 15,000 and Rs. 5,000 respectively.
- Depreciation amounts for crushing and refining are Rs.500 and Rs.150 respectively.
- Capital expenditure for crushing and refining are Rs.2,500 and Rs.1,000respectively.
- Revenue from outside India is Rs.15,000 and segment assets outside India Rs.5,000.

Based on the above information, how Seeds Ltd. would disclose information about reportable segment revenue, profit or loss, assets and liabilities for financial year 2017-18?

(6 marks)

Question- 4:

A contractor enters into a construction contract with a customer to build an oil refinery on the customer‘s land. The contract has the following characteristics:

a. The oil refinery is highly customized to the owner's specifications and changes to thesespecifications by the owner are expected over the contract term.
b. Non-refundable, interim progress payments are required as a mechanism to finance the contract.
c. The customer can cancel the contract at any time (with a termination penalty); any work in process is the property of the owner.
d. Physical possession and title do not pass until completion of the contract

The contractor determines that the contract has a single performance obligation to build the refinery.

At the beginning of the contract, the contractor incurs certain mobilization costs amounting to CU1 million and bid costs of CU100,000. The contractor has concluded that such costs should not beaccounted for in accordance with other standards (for example, inventory, fixed assets, or intangible assets). The contractor expects that construction performance will occur evenly over a two-year period.

How should the contractor account for the mobilization and bid costs?

(5 Marks)

Question- 5:

The statement of financial position of entity ABC and entity PQR immediately before the business combination are:

	Entity ABC (legal parent, accounting acquiree)	Entity PQR (legal subsidiary, accounting acquirer)
Current assets	1000	1400
Non- current assets	2600	6000
Total assets	3600	7400
Current liabilities	600	1200
Non- current liabilities	800	2200
Total Liabilities	1400	3400
Shareholder equity		
Retained earning	1600	2800
Issues equity		
100 ordinary shares	600	
60 ordinary shares		1200
Total shareholder equity	2200	4000
Total liabilities and shareholder equity	3600	7400

Entity ABC issues the 2.5 shares in exchange for each ordinary share of Entity PQR on September 30, 2020. All of entity PQR's shareholders exchange their shares in Entity PQR. Therefore, Entity ABC issues 150 ordinary shares in exchange for all 60 ordinary shares of Entity PQR.

The fair value of each ordinary share of entity PQR at September 30, 2020 is 80. The quoted market price of entity ABC ordinary shares at the date is 32.

The fair value of Entity ABC's identifiable assets and liabilities at September 30, 2020 are the same as their carrying amounts, except that the fair value of Entity ABC's non- current assets at September 30, 2020 is 3000.

You are required to prepare the balance sheet as on September 30, 2020 and also calculate the effect on EPS?

(10 marks)

Question- 6:

ABC Ltd. prepares consolidated financial statements upto 31st March each year. On 1st July 2017, ABC Ltd. acquired 75% of the equity shares of JKL Ltd. and gained control of JKL Ltd. the issued shares of JKL Ltd. is 1,20,00,000 equity shares. Details of the purchase consideration are asfollows:

- On 1stJuly, 2017, ABC Ltd. issued two shares for every three shares acquired in JKL Ltd. On 1st July, 2017, the market value of an equity share in ABC Ltd. was Rs. 6.50 and the market value of an equity share in JKL Ltd. was Rs. 6.

- On 30thJune, 2018, ABC Ltd. will make a cash payment of Rs.71,50,000 to the former shareholders of JKL Ltd. who sold their shares to ABC Ltd. on 1stJuly, 2017. On 1st July, 2017, ABC Ltd. would have to pay interest at an annual rate of 10% on borrowings.

- On 30thJune, 2019, ABC Ltd. may make a cash payment of Rs.3,00,00,000 to the former shareholders of JKL Ltd. who sold their shares to ABC Ltd. on 1stJuly, 2017. This payment is contingent upon the revenues of ABC Ltd. growing by 15% over the two-year period from 1st

July, 2017 to 30th June, 2019. On 1stJuly, 2017, the fair value of this contingent consideration was Rs.2,50,00,000. On 31stMarch, 2018, the fair value of the contingent consideration was Rs.2,20,00,000.

On 1stJuly, 2017, the carrying values of the identifiable net assets of JKL Ltd. in the books of that company was Rs.6,00,00,000. On 1stJuly, 2017, the fair values of these net assets was Rs.7,00,00,000. The rate of deferred tax to apply to temporary differences is 20%.

During the nine months ended on 31stMarch, 2018, JKL Ltd. had a poorer than expected operating performance. Therefore, on 31stMarch, 2018 it was necessary for ABC Ltd. to recognize an impairment of the goodwill arising on acquisition of JKL Ltd., amounting to 10% of its total computed value.

Compute the impairment of goodwill in the consolidated financial statements of ABC Ltd. under both the methods permitted by Ind AS 103 for the initial computation of the non- controlling interest in JKL Ltd. at the acquisition date.

(4 marks)