FR test-1

TM = 35

Q1

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.

The accounting for [illegible] for the SAR's applied be-

Year

2017-18 Employees compensation A/c Dr 2,100,000

To SBP Liability 2,100,000

5.5 marks

(200 x 200 x 20 x 1/4)

2018-19

Employees compensation A/c Dr 2,80,000

SBP Liability Dr 2,100,000

To Equity 4,80,000

((200 x 200 x 24 x 2/4) - 2,100,000)

there is no need to show journal entries, so this part is not considered while marking but calculations to the entries are considered

At the modification date (31, march, 2019), company A applies paragraph

- From the date of the modification, the share options are measured by reference to their modification date fair value & at the modification date, the share options are recognized in equity to the extent to which the employees have rendered services.
- The liability for SAR's is derecognized at modification date &
- The Difference b/w the carrying amt of the liability derecognized & the equity amount recognized at the modification date is recognised immediately in P&L.

give reference to relevant paragraph B44A

Year

2018-19 Employees compensation A/c Dr 48,000

to Equity share cap. 48,000

((200 x 200 x 26.40 x 2/4) - 4,80,000)

2019-20 Employees compensation A/c Dr 2,64,000

To Eq. share cap. 2,64,000.

(200 x 200 x 26.40 x 3/4 - 5,28,000)

2020-21 Employees compensation A/c Dr 2,64,000

To Eq. Share Cap. 2,64,000.

((200 x 200x 26.40 x 4/4) - 792000)

total Equity = 10,56,000 /-

P2 Building would be have been recognized on 1st Jan, 2016.

cost = 90 lakhs (87 lakhs + 3 lakhs)

Recoverable sales tax is excluded from the cost of PPE.
General administrative cost of ₹ 6 lakhs will have been expensed to profit & loss as incurred.

Depreciation = $\frac{90 \text{ lakhs}}{25}$ = 3.6 lakhs would have been charged to P&L in each of year ended 31st Dec, 2016, 17, 18, 19.

Revaluation on 31st dec, 2019, carrying Amount of the building was $\left(90 \text{ lakhs} \times \frac{21}{25}\right)$ = 75.6 lakhs.

In the year ended 2019, a gain on revaluation of ₹ 29.4 lakhs would have been recognized in OCI & held within equity.

In the year ended 2020, building would have been depreciated over its remaining useful life of 21 yrs. The dep. charge in the year ended 31, dec, 2020, would have been $\left(\frac{(75.6 + 29.4)}{21}\right)$ = 5 lakhs. & carrying amount on 31st dec, 2020 is ₹ 1 crore.

on 31st dec., a profit on disposale of 25 lakh would be recorded in the statement of P&L.

The revaluation gain previously recognized within OCI & held within equity are not reclassified to P&L on the disposal of the asset.
However Radhika could do a transfer with in equity as follows:

OCI a/c Dr 29.4 lakhs
To Retained Earnings 29.4 lakhs.

You have good understanding of this topic, well done

4 marks

Q3 (a) The lease contract technically specified variable payments in that
1 mark
rental payments can be either USD 1000 or USD 5,100,000. However
it is not realistically possible that Mr. Ram will have less than
USD10,000 in sales per annum given its history with past retail
locations.
good attempt

In the given case, there is no true variability in the lease payments
as only one outcome is realistically probable to occur. The lessee
would include the lease payments of USD 5,100,000 p.a in its initial
measurement of the lease contract.

(b) Although there is a high degree of certainty that the lessee will
1 mark
incur a lease expense of at least USD 6,250 (125,000 x 5%) p.a.,
variable lease payments that are
You described it well.
linked to the future performance
or use of an underlying asset are excluded from the definition
of lease payment. So, no liability is recognised for those variable
lease payments.

Q4 (ii) Properties described under items (a), (b), & (e) would qualify as
investment properties under IND AS 40. With respect to item (e), it
is to be noted that Ind AS-40 requires that when ancillary services
are provided by the entity & they are considered relatively
insignificant component of the arrangement then the property
is considered an investment property.

These properties qualify as investment property because they are
being held for rental or for capital appreciation as opposed to
You can easily score good marks in these types of questions
actively managed properties that are used in the prodn of
goods. Whereas properties described under c is treated as inventory
& Properties described in ~~column~~ column D shall treated as
PPE under IND AS 16.

3 marks

P4 (ii) 3 marks

~~As per 'Events after the Reporting Period' Ind AS-10,~~

As per Ind AS-10, Events after the Reporting Period, Financial statements should be adjusted for events occurring after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

give reference to relevant para where ever required

In the given case, the earthquake took place in Feb. 20X1. (ie, before the end of the reporting period). So, the condition exists at the end of the reporting date though the debtor is declared insolvent after the reporting ~~date~~ period.

So, Full provision for bad debt amounting to ₹ 2 lakhs should be made to cover the loss arising due to bankruptcy of the debtor in the financial statements for the year ended 31st March, 20X1.

In this case, assuming that the financial statements are approved by the approving authority after April 20X1, XYZ Ltd should provide ~~the~~ for the remaining amount as a consequence of declaration of this debtor as bankrupt.

If in case, earthquake take place after the reporting period, ie, after 31st March, 20X1. & XYZ Ltd. had not made any specific provision for the debtor who was declared bankrupt later on, since the earthquake occurred after the end of the reporting period no condition existed at the end of the reporting period. The co. had made only general provision for baddebts in the ordinary business course. ~~without taking cognizance of~~ So, Bankruptcy of the debtor in this case is a non-adjusting event.

As per Ind AS-10, if non-adjusting events after the reporting period are material, their non-disclosure could influence the economic decisions that were make based on the financial statements.

you have good knowledge of this concept

so entity shall disclose the following for each material category of non-adjusting event after the reporting period:

a) the nature of the event and

b) an estimate of its financial effect, ~~or~~ a statement that such an estimate cannot be made.

If the amount of b/d is considered to be material, the nature of non-adjusting event, ie., event of bankruptcy of the debtor should be disclosed ~~as~~ alongwith the estimated financial effect of the same in the financial statements.

2.5 marks

Q5 (i) As per Ind AS 38, Intangible asset, when purchased or self-created if, only if: it is probable that future economic benefits that are attributable to the asset will flow to the entity, & the cost of the asset can be measured reliably. If an intangible asset/item does not meet both the criteria for recognition as an intangible asset as above.

Ind AS 38 requires the expenditure on this item to be recognized as an expense, when it is incurred.

You have correctly described this.

so, you won't account for all of them as for intangible assets under Ind AS-38. Instead;

1- 200 is used by your own employees are intangible assets &

2- 300 licenses to be sold are your inventories under Ind AS-2, because you hold them for sale in the ordinary course of business.

Q5 (ii) As per Ind AS-38, Intangible Assets shall be recognized if future economic benefits is expected from the same. In the given case, purchase of intangible asset, all direct expenses shall also be capitalised.

The tax which is recoverable from Income-tax shall not be capitalised.

	(₹)
cash paid	11,00,000
+ Deferred Payment (5,00,000 x 0.909)	4 54 545.50
+ Purchase Fee (2,00,000 - 10% of 2,00,000)	1,80,000
+ Legal Fees	1,10,000
+ Entry Fees	67,000
Total amount to be capitalized.	19,11,545.50

apply same approach towards your exams

3 marks

Q6 (i) company tesla would need to evaluate the factors that led to the decrease in the value of the asset b/w its classification as held for sale and the determination of the actual sales price.

Effects & circumstances related to the value of the asset changed after the end of the Tesla's reporting period to cause the decrease in value, Tesla should not adjust the value of the asset as of the end of the reporting period.

So, if facts & circumstances related to the asset remain unchanged b/w the time tesla classified asset as held for sale & the determination of the final sales price, & the sales price determined after the end of the reporting period provided additional evidence of conditions that existed at the end of the reporting period, which were indicative of the true estimate of the fair value, then tesla should write down the fair value of the asset to the price determined by the sales agreement, less costs to sell the asset, as of the end of the reporting period.

You have good conceptual clarity of this question

3 marks

Q6 (ii) The Fair value of Entity A's holding in Entity B is (1,20,000 X CU 5.5)

= CU 6,60,000.

The blockage factor is not taken into account. the unit of account and the unit of valuation are the individual shares held, not the 12% shareholding (Ind AS - 113)

As per Ind AS -113, requires the use of level 1 inputs where quoted price are unadjusted - if they are available, bcz a quoted price on an active market represents the most reliable available information.

So, where level 1 inputs are available, the fair value is equal to price & quantity. The blockage factor equal to (CU 6,60,000 - CU 5,50,000) = CU 80,000 results as a specific attribute of Entity A's overall 12% holding, rather than the nature of each individual share. So, the blockage factor should not be incorporated as a discount in determining the Fair value measurement.

well explained

3 marks

Q7 At Dec, 31, 2018, carrying amount = 80,000
Asset Recoverable amount = 64,000
Adjustment must be made = 16,000

For simplicity, assume this was added to accumulate depreciation, so, Dec 31, 2018, asset cost remains 1,00,000 & Accumulated depreciation is ~~stated~~ stated as 36,000.

At Dec 31, 2019, before any adjustment
carrying amount = 64,000
Dep. 2019 = 16,000
$\left(\frac{64,000}{4}\right)$
Net carrying Amt. = 48,000

However, determination the Asset recoverable amount on Dec 31, 2019 = 74,000

Before making an adjustment to reverse some or all of the impairment loss previously recognized, the carrying amt. at Dec 31, 2019. as it would have existed had the impairment not been recognized in 2018 must be computed.

Dec 31, 2018. Pre-impairment carrying amount = 80,000
" " 2019 Depreciation based on above = 20,000
" " 2019 Indicated carrying value = 60,000 (80,000 - 20,000)

In Dec 31, 2019. carrying amount would have been 60,000, this is maximum carrying amount which can be reflected in the Dec 31, 2019, Statement of Financial Position.

Thus the full recovery cannot be recognized, instead the 2019 statement of P&L will reflect (net) a -ve depreciation charged of 16,000 - 12,000 = 4,000. which can be recorded as follows :-

Actual Dec. 31, 2018 carrying amount = 64,000
2019 depreciation base on above = 16,000
Dec, 31 2019 carrying amount = 48,000 (64,000 - 16,000)
Actual Dec 31, 2019 carrying amount = 60,000
Recovery of previously recognized impairment = 12,000 (60,000 - 48,000)

So, the net effect in ~~xxx~~ profit & loss = (4,000). The asset cannot be restored to its indicated recoverable amount at Dec 31, 2019, amounting to 74,000, as ~~this exceeds~~ the carrying amount that would ~~ha~~ existed at this date had impairment in 2018 never been recognized.

The reversal of revaluation is allowed only upto 4,000.

Presentation and concept is quite good

6 marks