Q.1

WN 1 — **Calculation of Net Assets on Date of Acquisition**

	Amount in Lakhs
Share capital	4,000
Retained Earnings	3,000
FV adjustment	
Machinery	300
Inventory	(300)
Net Assets on DOA	7,000

WN2 — **Computation of Goodwill**

Purchase consideration	5,800	
NCI based on PC - 20%	1,450	[5800*20%/80%]
Total	7,250	
Less : Net Assets	(7,000)	
Goodwill	250	
Impairment	(100)	[Parent - 80 / NCI -20]
Carrying Amount	150	

WN3	**Post Acquisition profit**
RE on 1/4/23	3,000
Less: Dividend Paid	(400)
	2,600
Closing Balance	5,000
Post Acquisition of S	2,400
Less: Additional Dep on PPE	(30)
Post Acquistion profit for Consolidation	2,370
Parent's share [80%]	1,896
NCI [20%]	474

WN4 -Unrealised Profit on Inventory — **200*20%*50%**

20

WN5 - NCI Balance	
Balance as on 1st April 2023	1,450
Add: Share in Post Acq profit	474
Less: Dividend declared	(80)
Less: Goodwill Impairment	(20)
Closing Balance	1,824

WN6 - Consolidated Other Equity		
Balance of H LTd	16,320	
Post acquisition share	1,896	
Less: Unrealised profit on Inventory	(20)	
Less: Goodwill Impaired	(80)	
Less: Dividend from S	(320)	Already considered in calculation of goodwill
Less: Loss on cancellation of debenture	(1,499)	[1500-1000*100/100000]
	16,297	

Consolidated Balance Sheet				
Assets:	**H**	**S**	**Adjustment**	**Total**
Non-Current Assets				
Property, Plant & Equipment	14,800	6000	270	21,070
Goodwill				150
Current Assets				
Inventories	2,600	2000	-320	4,280
Financial Assets				
Trade Receivables	4,000	3000	-160	6,840
Cash & Cash equivalents	500	2000	40	2,540
				34,880
Equity & Liabilities				
Equity				
Equity Share capital	10,000			10,000
Other Equity				16,297
NCI				1,824
Non Current Liabilities				
13% Debentures				2999
Current Liabilities				
Trade payables	1,700	600	-120	2,180
Dividend Payable	400		-320	80
Other Liabilities	1,500			1,500
				34,880

Q.1 If Dividend Adjustment is not done (Final answer is same)

WN 1	**Calculation of Net Assets on Date of Acquisition**		
	Amount in Lakhs		
	DOA	DOC	Post
Share capital	4,000	4000	-
Retained Earnings	3,000	5000	2,000
FV adjustment			
Machinery	300	300	-
Dep of Machinery		-30	(30)
Inventory	(300)	(300)	-
Net Assets on DOA	7,000		1,970
Parent			1,576
NCI			394

WN5 - NCI Balance	
Balance as on 1st April 2023	1,450
Add: Share in Post Acq profit	394
Less: Goodwill impaired	(20)
Closing Balance	1,824

WN6 - Consolidated Other Equity		
Balance of H LTd	16,320	
Post acquisition share	1,576	
Less: Unrealised profit on Inventory	(20)	
Less: Goodwill Impaired	(80)	
Less: Loss on cancellation of debenture	(1,499)	[1500-1000*100/100000]
	16,297	

2a)
Similar to Question discussed in class.
Instead of bought forward, it's a written put option. So the entity will be obliged to buy at 78/$

Illustration 16 from Class
Comprehensive Illustration 3 - SM

2b)

Similar to Question 2 of Class.

The tax expense to be recognised each quarter is given below

Earnings		Tax Rate	Tax Expense
Q1	650	17.64%	114.69
Q2	360	17.64%	63.52
Q3	-160	17.64%	-28.23
Q4	880	17.64%	155.27
Total	1730		305.25
Less: BF loss	-620		
Taxable	1110		

Tax @25%	277.5
Surcharge	27.75
Total	305.25
Effective Rate	17.64%

There is no consequence of deferred tax since, the same was not recognised in previous year.
The entire loss would be absorbed in current year and hence no deferred tax impact

3a)
Same to Illustration 9 from Class / SM TYK question. Only numbers are changed.
Ind As 40

3b) Carrying Amount

WN 1	All assets	Or Unsold Assets
Particulars	Amount	Amount
Opening balance on 1-4-22	5,00,000	4,50,000
Less: Depreciation for 22-23	(1,00,000)	(90,000)
WDV 31-3-23	4,00,000	3,60,000
Less: Depreciation for 23-24	(80,000)	(72,000)
Less: Carrying amt of asset sold	(32,000)	
[50000*80%*80%]		
Carrying amount	2,88,000	2,88,000

WN2

Tax Base	
Opening balance on 1-4-22	5,00,000
Less: Depreciation for 22-23	(1,00,000)
WDV 31-3-23	4,00,000
Less: Asset sold	-100000
	3,00,000
Less: depreciation for 23-24	(60,000)
Closing WDV for tax	2,40,000

Computation of DTL on Assets

Carrying Amount	2,88,000
Tax Base	2,40,000
Difference	48,000
DTL at Tax rate 35%	16,800

4a) The present value of estimated dismantling and restoration cost will be added to cost of machinery as per Ind AS 16 and be shown as a liability as per Ind AS 37

Expected cost of restoration		600000
PVF	8%,4 Years	0.735
Present value		441000

Amortisation schedule			
Year	Op bal	Interest @ 8%	Closing bal
1	4,41,000.00	35,280.00	4,76,280.00
2	4,76,280.00	38,102.40	5,14,382.40
3	5,14,382.40	41,150.59	5,55,532.99
4	5,55,532.99	44,467.01	6,00,000.00
		(bal fig)	

Depreciation per year 110250

Capitalisation Entry

Machinery A/c Dr.	4,41,000	
To Provision for Restoration		4,41,000

Entry for Interest Expense (every year)

Interest Expense Dr.	As per table	
To Provision for restoration		

Depreciation Entry (each year)

Depreciation Dr.	110250	
To Machinery / Acc. Dep		110250

4b)

No of Employees	750	750	750
Less: Employees left	-25	-300	-350
Less: Employees expected	-35	-135	
No of employees eligible	690	315	400
No of options per employee	250	250	250
Total optins expected to vest	172500	78750	100000
Fair value per option	75	75	75
Total FV	1,29,37,500	59,06,250	75,00,000
Cumulative expenses	1/3	2/3	3/3
	43,12,500	39,37,500	75,00,000
Expense already recognised	-	43,12,500	39,37,500
Expense to be recognised	43,12,500	(3,75,000)	35,62,500
Employee Benefit expense Dr.	43,12,500		35,62,500
To SBP Reserve	43,12,500		35,62,500
SBP Reserve Dr.		3,75,000	
To Employee Benefit Expense		3,75,000	

On exercise of option

Bank A/c Dr.	[375 x 250 x 45]	42,18,750		
SBP Reserve Dr.		70,31,250		[75,00,000/400 x 375]
To Equity Share Capital			9,37,500	
To Securities premium			1,03,12,500	
If balance options lapse				
SBP reserve		4,68,750		
To Retained Earnings			4,68,750	25*75*250
(balance not exercised)				

If balance options are exercised in next year

Bank A/c Dr.	[25 x 250 x 45]	2,81,250	
SBP Reserve Dr.		4,68,750	
To Equity Share Capital			62,500
To Securities premium			6,87,500

5a)
Similar concept of Illustration # 61 - Source ICAI Educational Material and RTP May 19

Particulars			Allocated TP
Total Sales		1,50,00,000	1,48,66,204
Value of Points		1,35,000	1,33,796
Total Standalone Price		1,51,35,000	1,50,00,000

Total Points awarded			2,25,000
Total Points unredeemed			54,000
Expected redemption 75%			40,500
Total Points expected to be redeemed			2,11,500

Revenue to be recognised in 23-24

Sale of Goods		1,48,66,204

Redemption of Points in 23-24

Points redeemed	1,71,000	
Allocated TP	1,33,796	
Revenue for points		1,08,175
[133796/211500*171000]		
Total Revenue to be recognised		1,49,74,380
Revenue deferred for points for Future years		25,620
Total		1,50,00,000

Consolidated Entry

Bank A/c Dr.	1,50,00,000	
To Revenue from Sale		1,48,66,204
To Revenue from redemption of points		1,08,175
To Liability for loyalty programme		25,620

5b) Revaluation of Land as Part of Property, Plant, and Equipment (PPE)

Under IGAAP, Z Limited recorded land at its historical cost of ₹5,00,000. However, under Ind AS fair value as of the transition date, using this amount as the "deemed cost" going forward. Z Lir to be ₹6,00,000 on 1st April 2022. This upward adjustment of ₹1,00,000 aligns with Ind AS 101 a the date of transition.

This adjustment is recognized as follows, with the increase credited to retained earnings:

Journal Entry:

Dr. Property, Plant, and Equipment (Land) ₹1,00,000
Cr. Retained Earnings ₹1,00,000

Fair Valuation of Loan Liability

Z Limited had previously recorded a loan at its historical cost of ₹3,00,000, including any directly transition, If it is impracticable to apply Effective Interest Rate method as required by INd AS 10 ltd finds it impracticable to apply Ind AS 109 retrospectively, the loan would be carried at fair va on 1st April 2022, resulting in a downward adjustment of ₹20,000 from the IGAAP carrying amo

Ind AS 101 stipulates that any adjustments arising from fair value measurement of financial liab transition.

Journal Entry:
Dr. Loan liability ₹20,000
Cr. Retained Earnings ₹20,000

5(c)
RTP - Nov 21

(a) Ind AS 1 requires an entity to present on a net basis gains and losses arising from a group of similar transactions. Accordingly, gains or losses arising on disposal of various items of property, plant and equipment shall be presented on net basis. However, gains or losses should be presented separately if they are material

(b) As per Ind AS 1, offsetting is permitted only when the offsetting reflects the substance of the transaction.
In this case, the agreement/arrangement, if any, between the holding and subsidiary company needs to be considered. If the arrangement is to reimburse the cost incurred by the holding company on behalf of the subsidiary company, the same may be presented net. It should be ensured that the substance of the arrangement is that the payments are actually in the nature of reimbursement.

(c) Ind AS 1 prescribes that assets and liabilities, and income and expenses should be reported separately, unless offsetting reflects the substance of the transaction . As per Ind AS 32, a financial asset and a financial liability should be offset if the entity has legally enforceable right to set off and the entity intends either to settle on net basis or to realise the asset and settle the liability simultaneously.
In accordance with the above, the receivable and payable should be offset against each other and net amount is presented in the balance sheet if the entity has a legal right to set off and the entity intends to do so. Otherwise, the receivable and payable should be reported separately.

6a) Accounting and Technology - Replica of SM question

The revaluation surplus of ₹60,000 will be credited to a revaluation surplus account within other comprehensive income (OCI) and shown in equity.

Journal Entry for Revaluation:

Dr. Accumulated Depreciation ₹1,60,000
Cr. Property, Plant, and Equipment ₹1,60,000
(To eliminate the accumulated depreciation)

Dr. Property, Plant, and Equipment ₹60,000
Cr. Revaluation Surplus (OCI) ₹60,000
(To record the increase to fair value)

Subsequent Depreciation after Revaluation
Following the revaluation, the asset's carrying amount is ₹3,00,000, with a remaining useful life of 6 years (10 years - 4 years already elapsed). The depreciation for subsequent years will be calculated on this revalued amount over the remaining useful life.

New Depreciation Expense (Annually):
Depreciation = Revalued Amount / Remaining Useful Life
=₹3,00,000/6 = ₹50, 000
Journal Entry for Annual Depreciation:
Dr. Depreciation Expense 50,000
Cr. Accumualted Depreciation 50,000

6c)

Prior Period Errors:

Defined as omissions or misstatements in financial statements for one or more prior periods, resulting from a failure to use reliable information that was available at the time.

Changes in accounting estimates arise from new information or developments and are not considered errors.

a) Change in estimate - Management had estimated that wages would not be required to be paid. The payment arose out of a court order which was not available when the financial statements of last year were prepared. It is a new development hence Rs. 15,00,000 of salary paid is a change in accounting estimate.

b) Prior perior error - The ommission of rs. 1,50,000 of expenses of previous year is a prior period error as information availabe at the time when financial statements were prepared was not used.

c) change in estimate - The provision for doubtful debt is based on estimated. Subsequent realisation is a new development. Hence recovery of Rs. 6,00,000 is a change in estimate

d) Change in estimate - Information was not available with the entity and subsequent demand is a new information. Hence it is a change in estimate