The following answers have been compiled faculties @ 1FIN by IndigoLearn

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The solutions have been provided on best effort basis. If you observe any errors/discrepancy, please drop a comment on the YouTube video or send a WhatsApp message to +91 9640111110 or raise a query on our forums section.

Case Study 1

1.1 C - 772,605

(16,00,000 x 0.35 + 5,00,000 x 0.65)*0.873 using appropriate rate of 7%

Note : As per para 40 of Ind AS 37, Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. In this case single most likely outcome is 5,00,000. However if we use it the option does not match.

1.2 B - 11,37,300

PV of Interest = 3.791 x 4,50,000 = 17,05,950

PV of Principal = 0.6209 x 75,00,000 = 46,56,750

Total = 63,62,700

Grant.= 75,00,000 - 63,62,700 = 11,37,300

[Note by Suraj sir - This type of question is generally asked for 4-5 marks like in case of valuation of bond, splitting equity and liability component. ICAI should give present value factors]

1.3 A - Since invoice to be issued at the time of supply or 6 months from the date of removal whichever is earlier

1.4 C

1.5 B - 5,08,000 (2,48,000 + 85,000 + 1,75,000) and interest on NRE account is exempt

Case Study 2

2.1 B - Intraday speculation income and derivative is normal business income

2.2 B - Repayment of loan not allowed and hedging guidelines not followed

2.3 C Ind AS prohibits extraordinary items. Also insignificant changes are not reported.

2.4 A Rs. 60,000 [Calculation given at end]

2.5 B - Income Tax TDS is 2 percent on 20 crore as per Section 194C and GST TDS as per Section 51 is 2 percent on 18 crore

Case Study 3

3.1 C - 23,39,181 [Computation at end]
3.2 B - 10.40 percent as per Section 115AC
3.3 D - Both business loss and unabsorbed depreciation can be claimed since company is in insolvency
3.4 A - Exchange rate is 84 and BCS rate is 10 percent
3.5 C - Penalty is 10 percent of tax or 10K whichever is higher

Case Study 4

4.1 16,76,545 (1000000+500000/1.1+72000+150000)
4.2 D - Interest in excess of 30 percent of EBITDA is disallowed as per Section 94B
4.3 A [Portfolio management page 6.63]
4.4 B - Amount to be transferred is 2 crores [25 * 72/900]
4.5 D To be reported in KAM

Reason- Key Audit Matters as per SA 701 (KAM) , are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. These are areas that involve complex or subjective judgments by the auditor, often due to high estimation uncertainty, significant transactions, or events that could impact the financial statements significantly.

In the given case, shrinkage in inventory was an area of audit focus, which required significant judgements to be made by the auditor to w.r.t ascertaining the amount of provision to be made. Hence , KAM is the appropriate section in the auditors report which should include this matter for information to be provided to the stakeholders .

Case Study 5

5.1 B [Based on decision in case of M/S Ongc Ltd vs Commissioner Of Customs, Mumbai]
5.2 B [Refer solution below]
5.3 D [II, III & IV are not in accordance with GST law.
5.4 D [In case of a public company, the director and relatives should hold more than 2% of share capital. Brother's wife is not relative]
5.5 D 8,01,216 [12,00,000 x 30% x 50%+9,00,000 x 30% x 200%]*1.07*1.04

Case Study -2

Q. 2. 4. (Ans. A)

NP of contract Rs. 2 cr.

Portfolio fee 0.2%. 2 cr × 0.2% = 40000

Investing 1% of gross return in excess of Portfolio Return.

Portfolio Return 2.2 cr.

Total return of portfolio 20%

Org portfolio 2 cr.

Closing value of portfolio 2 cr (1.2)
= 2.4 Cr.

Less Min value of portfolio 2.2 cr

Excess return 0.2 cr.

1% of cross section. = 0.20 × 1%

= Rs. 20,000

Total fees = Rs. 40 K + Rs. 20 K = Rs. 60 K

Case Study 3

Q. 3.1 (Ans- C)

Net fund req = AUD 20 Mio.

Floatation Exp = 5%.

Gross fund req = AUD 20M / 0.95

Price per share 300

Shares / GDR 2

value of shares per GDR 600

Less issue disc 10%

GDR issue price in INR 540

AUD INR 60

GDR issue price in AUD 540/60 = AUD 9

GDR to be issued = AUD 20Mio / 0.95 / AUD 9

= 233 9181

Case Study 4

Q. 4.3 Ans. A.

for Distressed Debt arbitrage

Long debt short Eg. CFM chapter Page 663).

Q 4.6 Same as Q.4.3

Case Study 5

Q.5.2 Ans B

Imports = Euro 85000

BBBBC → for imports select Quoting Ask.

Spot 90.5 & Fwd. 92.6 one selected

Computed Dep. till from Spot.

90.5 (1.04) = 94.12.

Fwd vs. Computed Spot.

92.6 vs. 94.12 Left 1.52.

1.52 INR/Euro × 85000 Euro

Fwd cover gain = 1.52 × 85000 = 129200 INR

Q. 5.7 . Many MK cases.

INR economy

Int rates

Borr	8%	5.5%
Dep.	6.5%	4%

Rental payment in EUR & last tenant should be Govt deposit Mat in Euro.

=> Initial amt should be borrow INR Deposit in Eur & get EUR on Maturity.

Steps

1. Borrow Ins Amt 761336.63 @ 8%.
2. Repay Ins. loan with int @ 8% for 3Y after 3Y. = 776883.316.
3. Convert INR @ 90.50 to get Eur. 8415842.
4. Org Dep $x(1+4\%/4) = 85000$ $x = 85000/1.01$ $= 84158.42$.
5. Dep. + Int @ 4% for 3Y 85000
6. Govt Deposit Maturity ag. Euro-Income 85000 Eur.

(7) pay. INR loan with interest. 7768663.36.

Implied Hedge rate $= \frac{7768663.36}{85000} = 91.396$

$= 91.40$

Money Market is better than Fwd cover

Money Mkt Implied rate = 91.40

3M Fwd rate. 92.60

when to choose Money Mkt vs. Fwd rate.

When Forex premium > Int differential

borrow Longterm.

i.e Money Mkt Hedge

Fwd prem $= \frac{92.6 - 90.5}{90.5} \times \frac{12}{3}$

$= \frac{2.1}{90.5} \times 4. = 9.28\%$ P.A.

Int differential $= \frac{1.08}{104} - 1 = 3.85\%$.

Int differential is < premium hence Money Mkt hedge.