PAPER - 18 : CORPORATE FINANCIAL REPORTING

SUGGESTED ANSWERS

SECTION – A

1.

(i) (C)

(ii) (A)

(iii) (B)

(iv) (C)

(v) (C)

(vi) (A)

(vii) (D)

(viii) (C)

(ix) (B)

(x) (C)

(xi) (B)

(xii) (A)

(xiii) (C)

(xiv) (A)

(xv) (C)

SECTION – B

2. (a)

(i) Computation of Taxable Profit

Particulars	₹
Profit before tax	18,00,000
Add: Provision for warranty	1,20,000
Add: Preliminary expenses written off	40,000
Add: Book depreciation	3,00,000
Less: Tax depreciation	(4,20,000)
Less: Warranty actually paid	(70,000)
Less: Brought-forward loss set off	(1,50,000)
Taxable Profit	16,20,000

(ii) Computation of Current Tax

Particulars	₹
Taxable Profit	16,20,000
Current tax (30% of taxable profit)	4,86,000

(iii) Computation of Deferred Tax Asset/Liability

Particulars	₹
Deferred Tax Liability on depreciation (₹1,20,000 × 30%)	36,000
Deferred Tax Liability on revaluation surplus – recognised in OCI (₹2,00,000 × 30%)	60,000
Total Deferred Tax Liability	96,000
Less: Deferred Tax Asset on warranty provision (₹50,000 × 30%)	(15,000)
Net Deferred Tax Liability	81,000

(iv) Computation of Total Tax Expense in Statement of Profit and Loss

Particulars	₹	₹
Current Tax	-	4,86,000
Deferred Tax Expense (P&L):	-	-
DTL on depreciation difference (₹1,20,000 × 30%)	36,000	-
Less: DTA on warranty provision (₹50,000 × 30%)	(15000)	-
-	-	21,000
Total Tax Expense	-	5,07,000

2. (b)

(i) Computation of the carrying amount and amount to be charged to Profit or loss

Expenditure during development phase will be capitalized = ₹90,000

Since, Recoverable Amount (₹1,00,000) is higher than the carrying amount as above, there is no impairment.

Thus, carrying amount on 31.03.2024 = ₹90,000.

Amount to be charged to profit or loss during 2023-24 = Expenses during research phase (01.04.23 to 31.12.23) = ₹2,70,000

Carrying amount of Intangible Asset on 31st March,2025

Carrying amount on 31.03.2024	= ₹90,000
Add: Further expenses in 2024-25	= ₹6,00,000
Carrying amount on 31.03.2025	₹6,90,000

(ii) Computation of the charge to profit or loss and carrying amount

Particulars	₹
Opening Balance of Intangible Asset	6,90,000
Less: Amortisation for the year (6,90,000/6)	(1,15,000)
Carrying amount of Intangible Asset before impairment test	5,75,000
Less: Recoverable Amount	(5,00,000)
Amount to be charged to profit or loss for Impairment Loss in 2025-26	75,000

Carrying amount of Intangible Asset on 31st March,2026 = ₹5,00,000

3. (a)

Fair value per option = ₹20, determined at the grant date (1st April, 2025). Since the plan is equity-settled, the fair value is not re-measured subsequently.

Total Expected Options Vesting

Particulars	Year 1	Year 2	Year 3
Total options granted	1,00,000	1,00,000	1,00,000
Less: Expected / Actual forfeiture	10,000	5,000	8,000
Options expected / confirmed to vest	90,000	95,000	92,000

Total Cumulative Compensation Cost

Particulars	Year 1 (₹)	Year 2 (₹)	Year 3 (₹)
Options expected / confirmed to vest	90,000	95,000	92,000
Fair value per option (₹)	20	20	20
Total cumulative compensation cost (₹)	**18,00,000**	**19,00,000**	**18,40,000**

Employee Compensation Expense — Year-wise

Particulars	Year 1 (₹)	Year 2 (₹)	Year 3 (₹)
Cumulative expense required (cost × elapsed/total years)	6,00,000 (1800000/3)	12,66,667 (1900000 x 2/3)	18,40,000 (1840000 x 3/3
Less: Expense already recognised in prior years	—	(6,00,000)	(12,66,667)
Expense for the year	6,00,000	6,66,667	5,73,333

Journal Entries as per Ind AS 102

Year 1 — 31st March, 2026

Particulars	Dr. (₹)	Cr. (₹)
Employee Compensation Expense A/c ....Dr.	6,00,000	
To Equity-settled Employee Benefits Reserve A/c		6,00,000

Year 2 — 31st March, 2027

Particulars	Dr. (₹)	Cr. (₹)
Employee Compensation Expense A/c ....Dr.	6,66,667	
To Equity-settled Employee Benefits Reserve A/c		6,66,667

Year 3 — 31st March, 2028

Particulars	Dr. (₹)	Cr. (₹)
Employee Compensation Expense A/c ....Dr.	5,73,333	
To Equity-settled Employee Benefits Reserve A/c		5,73,333

Tutorial Note: The alternative terms to be used for the credit account in the journal entries may be "Share-based Payment Reserve A/c", or "Employee Stock Option Reserve A/c". Another alternative term "Employee Stock Option Outstanding A/c" may also be used but it is less preferable. The alternative term to be used for the debit account in the journal entries may be "Employee Benefits Expenses A/c". However, the better term is "Employee Compensation Expense A/c" which has been used in the solution.

3. (b)

Computation of the Value of goodwill as per Super Profits method

Computation of closing capital employed

(based on the assets side of the balance sheet but without considering proposed dividend as a liability)

Particulars	₹ in lakh
(A) Total assets at their currently realizable amounts	-
(i) Property, Plant and Equipment	4,637.50
(ii) Patents and Trademarks	239.40
(iii) Other non-current assets	14.00
(iii) Current assets	898.10
Total assets	5,789
(B) Current liabilities at their currently payable amounts	-
(i) Trade payables	397.60
(ii) Current tax	15.40
Current liabilities	413
(C) Closing capital employed (A-B)	5,376

Computation of past adjusted profits before tax (₹ in lakh)

Particulars	2021-22	2022-23	2023-24	2024-25
(A) Profit before tax	2,233	1,750	2,175.60	2,030
(B) Extraordinary income from foreign contract	70	-	-	-
(C) Abnormal loss due to fire	-	35	-	-
(D) Income from non-trade investments	-	-	37.80	37.80
(E) Past adjusted profit before tax (A-B+C-D)	2,163	1,785	2,137.80	1,992.20

Computation of average of past adjusted profits before tax

Average profit = (₹2,163 lakhs+₹1,785 lakhs+₹2,137.80 lakhs+₹1,992.20 lakhs)/4
= ₹2,019.50 lakhs.

Computation of future maintainable profit after tax

Particulars	₹ in lakhs
(A) Average of past adjusted profits before tax	2,019.50
(B) Additional remuneration to directors	35
(C) Future maintainable profit before tax (A-B)	1,984.50
(D) Tax @ 35% (35% of C)	694.575
(E) Future maintainable profit after tax (C-D)	1,289.925

Computation of the value of goodwill as per Super Profits method

Particulars	₹ in lakh
(A) Future maintainable profit after tax	1,289.925
(B) Normal profits (20% of ₹5,376 lakhs)	1,075.20
(C) Super profit (A-B)	214.725
(D) Goodwill = 3 years’ purchase of super profits (3 x C)	644.175

First alternative solution:

Computation of closing capital employed
(based on the equity and liabilities side of the balance sheet but without considering proposed dividend as a liability)

Particulars	₹ in lakh
(A) Share capital	3,500
(B) Other equity (Reserves and surplus)	2,296
(C) Investments (9% non-trade)	420
(D) Closing capital employed (A +B-C)	5,376

Computation of past adjusted profits before tax (₹ in lakh)

Particulars	2021-22	2022-23	2023-24	2024-25
(A) Profit before tax	2,233	1,750	2,175.60	2,030
(B) Extraordinary income from foreign contract	70	-	-	-
(C) Abnormal loss due to fire	-	35	-	-
(D) Income from non-trade investments	-	-	37.80	37.80
(E) Past adjusted profit before tax (A-B+C-D)	2,163	1,785	2,137.80	1,992.20

Computation of average of past adjusted profits before tax

Average profit = (₹2,163 lakhs+₹1,785 lakhs+₹2,137.80 lakhs+₹1,992.20 lakhs)/4
= ₹2,019.50 lakhs.

Computation of future maintainable profit after tax

Particulars	₹ in lakhs
(A) Average of past adjusted profits before tax	2,019.50
(B) Additional remuneration to directors	35
(C) Future maintainable profit before tax (A-B)	1,984.50
(D) Tax @ 35% (35% of C)	694.575
(E) Future maintainable profit after tax (C-D)	1,289.925

Computation of the value of goodwill as per Super Profits method

Particulars	₹ in lakh
(A) Future maintainable profit after tax	1,289.925
(B) Normal profits (20% of ₹5,376 lakhs)	1,075.20
(C) Super profit (A-B)	214.725
(D) Goodwill = 3 years' purchase of super profits (3 x C)	644.175

Second alternative solution:

Computation of closing capital employed
(based on the assets side of the balance sheet but also considering proposed dividend as a liability)

Particulars	₹ in lakh
(A) Total assets at their currently realizable amounts	-
(i) Property, Plant and Equipment	4,637.50
(ii) Patents and Trademarks	239.40
(iii) Other non-current assets	14.00
(iii) Current assets	898.10
Total assets	5,789
(B) Current liabilities at their currently payable amounts	-
(i) Trade payables	397.60
(ii) Current tax	15.40
(iii) Proposed dividend	525
Current liabilities	938
(C) Closing capital employed (A-B)	4,851

Computation of past adjusted profits before tax (₹ in lakh)

Particulars	2021-22	2022-23	2023-24	2024-25
(A) Profit before tax	2,233	1,750	2,175.60	2,030
(B) Extraordinary income from foreign contract	70	-	-	-
(C) Abnormal loss due to fire	-	35	-	-
(D) Income from non-trade investments	-	-	37.80	37.80
(E) Past adjusted profit before tax (A-B+C-D)	2,163	1,785	2,137.80	1,992.20

Computation of average of past adjusted profits before tax

Average profit = (₹2,163 lakhs+₹1,785 lakhs+₹2,137.80 lakhs+₹1,992.20 lakhs)/4
= ₹2,019.50 lakhs.

Computation of future maintainable profit after tax

Particulars	₹ in lakhs
(A) Average of past adjusted profits before tax	2,019.50
(B) Additional remuneration to directors	35
(C) Future maintainable profit before tax (A-B)	1,984.50
(D) Tax @ 35% (35% of C)	694.575
(E) Future maintainable profit after tax (C-D)	1,289.925

Computation of the value of goodwill as per Super Profits method

Particulars	₹ in lakh
(A) Future maintainable profit after tax	1,289.925
(B) Normal profits (20% of ₹4,851 lakhs)	970.20
(C) Super profit (A-B)	319.725
(D) Goodwill = 3 years' purchase of super profits (3 x C)	959.175

Third alternative solution:

Computation of closing capital employed
(based on the equity and liabilities side of the balance sheet but also considering proposed dividend as a liability)

Particulars	₹ in lakh
(A) Share capital	3,500
(B) Other equity (Reserves and surplus)	2,296
(C) Net loss on reassessment of liabilities (proposed dividend)	525
(D) Investments (9% non-trade)	420
(E) Closing capital employed (A +B-C-D)	4,851

Computation of past adjusted profits before tax (₹ in lakh)

Particulars	2021-22	2022-23	2023-24	2024-25
(A) Profit before tax	2,233	1,750	2,175.60	2,030
(B) Extraordinary income from foreign contract	70	-	-	-
(C) Abnormal loss due to fire	-	35	-	-
(D) Income from non-trade investments	-	-	37.80	37.80
(E) Past adjusted profit before tax (A-B+C-D)	2,163	1,785	2,137.80	1,992.20

Computation of average of past adjusted profits before tax

Average profit = (₹2,163 lakhs+₹1,785 lakhs+₹2,137.80 lakhs+₹1,992.20 lakhs)/4
= ₹2,019.50 lakhs.

Computation of future maintainable profit after tax

Particulars	₹ in lakhs
(A) Average of past adjusted profits before tax	2,019.50
(B) Additional remuneration to directors	35
(C) Future maintainable profit before tax (A-B)	1,984.50
(D) Tax @ 35% (35% of C)	694.575
(E) Future maintainable profit after tax (C-D)	1,289.925

Computation of the value of goodwill as per Super Profits method

Particulars	₹ in lakh
(A) Future maintainable profit after tax	1,289.925
(B) Normal profits (20% of ₹4,851 lakhs)	970.20
(C) Super profit (A-B)	319.725
(D) Goodwill = 3 years' purchase of super profits (3 x C)	959.175

4. (a)

1. Calculation for Liability and Equity Components at Initial Recognition (before Transaction Costs)

Particulars	₹
A. Liability Component = 40000 x (0.8929+0.7972+0.7118) + 500000 x 0.7118	4,51,976
B. Total proceeds from issue	5,00,000
C. Equity component (before transaction costs) (B – A)	48,024

2. Allocation of Transaction Costs

Transaction costs of ₹10,000 are allocated between the liability and equity components in proportion to their initial values.

Component	Gross Amount (₹)	Ratio	Transaction Cost Allocated (₹)	Carrying Amount after TC (₹)
Liability component	4,51,976	90.3952%	9,040	4,42,936
Equity component	48,024	9.6048%	960	47,064
Total	5,00,000	100%	10,000	4,90,000

3. Amortisation Table of Liability Component (EIR = 12.82% p.a.)

Year ended	Opening Carrying Amount (₹)	Finance Cost @ 12.82% (₹)	Interest Paid (₹)	Closing Carrying Amount (₹)
31.03.2026	4,42,936	56,784	(40,000)	4,59,720
31.03.2027	4,59,720	58,936	(40,000)	4,78,656
31.03.2028	4,78,656	61,344*	(40,000)	5,00,000

4. Journal Entries in the Books of C Ltd. (First Year Only)

Entry 1 — On issue of convertible debentures:

Particulars	Dr. (₹)	Cr. (₹)
Bank A/c ………………………………...Dr.	5,00,000	
To Liability Component of Convertible Debentures A/c	-	4,51,976
To Equity Component of Convertible Debentures A/c	-	48,024

Entry 2 — On payment of transaction costs

Particulars	Dr. (₹)	Cr. (₹)
Liability Component of Convertible Debentures A/c …Dr.	9,040	-
Equity Component of Convertible Debentures A/c ……Dr.	960	-
To Bank A/c	-	10,000

Entry 3 – Accrual of finance cost and payment

Particulars	Dr. (₹)	Cr. (₹)
Finance Cost A/c ………………………….……. ….. Dr.	56,784	-
To Bank A/c	-	40,000
To Liability Component of Convertible Debentures A/c	-	16,784

Tutorial Note: The first credit in entry no. 1 may alternatively be "8% Debentures (Liability Component) A/c" and the second credit in entry no. 1 may alternatively be "8% Debentures (Equity Component) A/c". The alternative account names concerned may appear accordingly in entry no. 2 and entry no. 3 also.

In the first journal entry, the two accounts to be credited may alternatively be "Liability A/c" and "Equity A/c" respectively. In the second journal entry, the two accounts to be debited may alternatively be "Liability A/c" and "Equity A/c" respectively. In the third journal entry, the second account to be credited may alternatively be "Liability A/c" instead of "Liability component of Convertible Debentures A/c".

Alternative solution:

1. Calculation for Liability and Equity Components at Initial Recognition (before Transaction Costs)

Particulars	₹
A. Liability Component = 40000 x (0.8929+0.7972+0.7118) + 500000 x 0.7118	4,51,976
B. Total proceeds from issue	5,00,000
C. Equity component (before transaction costs) (B – A)	48,024

2. Allocation of Transaction Costs

Transaction costs of ₹10,000 are allocated between the liability and equity components in proportion to their initial values.

Component	Gross Amount (₹)	Ratio	Transaction Cost Allocated (₹)	Carrying Amount after TC (₹)
Liability component	4,51,976	90.3952%	9,039.52	4,42,936.48
Equity component	48,024	9.6048%	960.48	47,063.52
Total	5,00,000	100%	10,000	4,90,000

3. Amortisation Table of Liability Component (EIR = 12.82% p.a.)

Year ended	Opening Carrying Amount (₹)	Finance Cost @ 12.82% (₹)	Interest Paid (₹)	Closing Carrying Amount (₹)
31.03.2026	4,42,936.48	56,784.46	(40,000)	4,59,720.94
31.03.2027	4,59,720.94	58,936.22	(40,000)	4,78,657.16
31.03.2028	4,78,657.16	61,342.84*	(40,000)	5,00,000

4. Journal Entries in the Books of C Ltd. (First Year Only)

Entry 1 — On issue of convertible debentures:

Particulars	Dr. (₹)	Cr. (₹)
Bank A/c ……………………………...Dr.	5,00,000	
To Liability Component of Convertible Debentures A/c	-	4,51,976
To Equity Component of Convertible Debentures A/c	-	48,024

Entry 2 — On payment of transaction costs

Particulars	Dr. (₹)	Cr. (₹)
Liability Component of Convertible Debentures A/c …Dr.	9,039.52	-
Equity Component of Convertible Debentures A/c ……Dr.	960.48	-
To Bank A/c	-	10,000

Entry 3 – Accrual of finance cost and payment

Particulars	Dr. (₹)	Cr. (₹)
Finance Cost A/c ……………………….……. ….. Dr.	56,784.46	-
To Bank A/c	-	40,000
To Liability Component of Convertible Debentures A/c	-	16,784.46

Tutorial Note: The first credit in entry no. 1 may alternatively be "8% Debentures (Liability Component) A/c" and the second credit in entry no. 1 may alternatively be "8% Debentures (Equity Component) A/c". The alternative account names concerned may appear accordingly in entry no. 2 and entry no. 3 also. This alternative solution is based on the fact that the allocation of transaction cost of ₹ 10,000 between the liability component and equity component is made by computation of transaction cost for both the components in ₹ up to two decimal points.

In the first journal entry, the two accounts to be credited may alternatively be "Liability A/c" and "Equity A/c" respectively. In the second journal entry, the two accounts to be debited may alternatively be "Liability A/c" and "Equity A/c" respectively. In the third journal entry, the second account to be credited may alternatively be "Liability A/c" instead of "Liability component of Convertible Debentures A/c".

4. (b)

Journal entries in the books of Unlucky Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Equity Share Capital (₹ 10 each) A/c Dr.		5,00,000	
	To Equity Share Capital (₹ 5 each) A/c			2,50,000
	To Reconstruction A/c			2,50,000
(ii)	12% Preference Share Capital (₹ 10 each) A/c Dr.		2,00,000	
	To 12% Preference Share Capital (₹ 5 each) A/c			1,00,000
	To Reconstruction A/c			1,00,000
(iii)	12% Debentures A/c Dr.		5,00,000	
	To Reconstruction A/c			1,40,000
	To Equity Share Capital A/c			3,00,000
	To Bank A/c			60,000
(iv)	Trade Creditors A/c Dr.		80,000	
	To Bank A/c			40,000
	To Equity Share Capital A/c			40,000
(v)	Bills Payable A/c Dr.		20,000	
	To Equity Share Capital A/c			20,000

Journal entries in the books of Unlucky Ltd. (contd.)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(vi)(a)	Reconstruction A/c Dr.		2,90,000	
	To Goodwill A/c			50,000
	To Profit and Loss A/c			2,00,000
	To Building A/c			20,000
	To Plant and Machinery A/c			20,000
(vi)(b)	Freehold Land A/c Dr.		50,000	
	To Reconstruction A/c			50,000
(vii)	Bank A/c Dr.		50,000	
	To Equity Share Capital A/c			50,000
-	Reconstruction A/c Dr.		2,50,000	
	To Capital Reserve A/c			2,50,000

Working Note

Reconstruction Account

Particulars	₹	Particulars	₹
To Goodwill A/c	50,000	By Equity Share Capital (₹ 10 each) A/c	2,50,000
To Profit and Loss A/c	2,00,000	By 12% Pref. Share Capital (₹ 10 each) A/c	1,00,000
To Building A/c	20,000	By 12% Debentures A/c	1,40,000
To Plant and Machinery A/c	20,000	By Freehold Land A/c	50,000
To Capital Reserve A/c (Bal. fig.)	2,50,000	-	-
Total	5,40,000	Total	5,40,000

Tutorial Note: The alternative terms to be used in the journal entries in place of "Reconstruction A/c" may be "Internal Reconstruction A/c" or "Internal Reconstruction Adjustment A/c" or "Reconstruction Surplus A/c" or "Capital Reduction A/c".

5.

XY Ltd.

Balance Sheet ss at 31st March, 2026

(₹ in lakh)

Particulars	Note No.	Figures as at 31st March, 2026
I ASSETS	-	-
(1) Non-current assets	-	-
(a) Property, plant and equipment	1	32,000
(b) Financial assets (Investments)	2	2,600
(2) Current assets	3	23,000
Total assets	-	57,600
II EQUITY AND LIABILITIES	-	-
EQUITY	-	-
Equity share capital	4	30,000
Other equity	5	11,600
Liabilities	-	-
(1) Non-current liabilities	-	-
Financial liabilities (Borrowings)	6	10,000
(2) Current liabilities	7	6,000
Total equity and liabilities	-	57,600

Notes to Accounts (₹ in lakh)

1.Property, plant and equipment

Carrying amount of PPE of Y Ltd.	16,000
Fair value of PPE of X Ltd.	16,000
Total	32,000

2.Financial assets (Investments)

Carrying amount of investments of Y Ltd.	1,000
Fair value of investments of X Ltd.	1,600
Total	2,600

3. Current assets

Carrying amount of current assets of Y Ltd.	13,000
Fair value of current assets of X Ltd.	10,000
Total	23,000

4. Equity share capital

Authorised	?
Issued	?
Subscribed and fully paid	-
3,000 lakh equity shares of ₹ 10 each	30,000

5. Other equity

Other equity of Y Ltd.	2,000
Capital reserve (Gain on bargain purchase) [Working Note (iv)]	4,600
Securities premium (on issue of 1,000 lakh shares @ ₹ 5 each) [Working Note (iii)]	5,000
Total	11,600

6. Financial liabilities (Borrowings)

Carrying amount of borrowings of Y Ltd.	6,000
Fair value of borrowings of X Ltd.	4,000
Total	10,000

7. Current liabilities

Carrying amount of current liabilities of Y Ltd.	2,000
Fair value of current liabilities of X Ltd.	4,000
Total	6,000

Working Notes

(i) Identifying Nature of business combination and acquirer and acquiree

Y Ltd. is the legal acquiree but it is the accounting acquirer as per Ind AS 103 because the previous shareholders of Y Ltd. obtain control over the merged entity XY Ltd. X Ltd. is both the legal acquiree and accounting acquiree. Hence, the business combination indicates a reverse acquisition as per Ind AS 103. Consequently, the assets and liabilities of Y Ltd. would be recorded at their carrying amounts and those of X Ltd. would be recorded at fair values in the Balance Sheet of XY Ltd. after merger.

(ii) Computation of share of X Ltd. and Y Ltd. in the merged company, XY Ltd.

Particulars	X Ltd. (₹ in lakh)	Y Ltd. (₹ in lakh)
Fair value of business	15,000	30,000
Share of each company in the merged company	1/3 (15,000/45,000)	2/3 (30,000/45,000)

(iii) Computation of consideration payable by Y Ltd. to X Ltd.

Fair value per share of Y Ltd. (₹ 30,000 lakh/2,000 lakh)	₹15
Consideration payable by Y Ltd. to X Ltd. (₹15,000 lakh/₹15)	1,000 lakh shares
Number of shares held by Y Ltd. in XY Ltd. for 2/3rd share	2,000 lakhs
Number of shares held by X Ltd.in XY Ltd. for 1/3rd share	1,000 lakhs
Total consideration payable by Y Ltd. to X Ltd. (1,000 equity shares of ₹ 10 each at ₹ 15 each)	₹15,000 lakh

(iv) Computation of gain on bargain purchase

Particulars	₹ in lakh
(A) Total identifiable assets acquired at fair values	-
Property, plant and equipment	16,000
Investments	1,600
Current assets	10,000
Total assets	27,600
(B) Total identifiable liabilities acquired at fair values	-
Borrowing	4,000
Current liabilities	4,000
Total liabilities	8,000
(C) Net assets acquired at fair values (A-B)	19,600
(D) Purchase consideration [Working Note (iii) above]	15,000
(E) Gain on bargain purchase (C-D)	4,600

6.

M Ltd. and its subsidiary, N Ltd.
Consolidated Balance Sheet as at 31st March, 2026]

(₹ in lakh)

Particulars	Note No.	Figures as at 31st March, 2026
I ASSETS	-	-
(1) Non-current assets	-	-
(a) Property, plant and equipment [Working Note (vii)]	1	21,070
(b) Goodwill	2	120
(2) Current assets	-	-
(a) Inventories	3	6,590
(b) Financial assets	-	-
(i) Trade receivables	4	3,050
(ii) Cash and cash equivalents	5	2,010
(iii) Other financial assets (Accrued interest on debentures*)	-	Nil
Total assets	-	32,840
II EQUITY AND LIABILITIES	-	-
EQUITY	-	-
(i) Equity attributable to the owners of M Ltd.	-	-
(a) Equity share capital	6	10,000
(b) Other equity [Working note (v)]	-	17,968
(ii) Non-controlling interest [Working note (iv)]	-	1,862
LIABILIITES	-	-
(1) Non-current liabilities	-	-
Financial liabilities (Borrowings)	7	800
(2) Current liabilities	-	-
Financial liabilities	-	-
(i) Trade payables (Total outstanding dues of creditors other than	8	2,190
micro enterprises and small enterprises)	-	-
(ii) Other financial liabilities	9	20
Total equity and liabilities	-	32,840

*Interest accrued on debentures (₹30 lakh)-Interest company owing (₹ 30 lakh).

Notes to Accounts (₹ in lakh)

1.Property, plant and equipment

(A) Balance sheet figures of M Ltd. and N Ltd. on 31.03.2026 (₹ 14,800 +₹6,000)	20,800
(B) Fair value gain (₹2,800-₹2,500) lakh	300
(C) Depreciation on fair value gain (₹300 lakh x 10%)	30
(D) Balance on 31.03.2026 (A+B-C)	21,070

2. Goodwill

(A) Goodwill on 1st April, 2025 [Working Note (i)]	240
(B) Impairment of goodwill during 2025-26	120
(C) Goodwill on the reporting date (i.e., on 31st March, 2026) (A-B)	120

3. Inventories

(A) Combined figure of M Ltd. and N Ltd. (₹ 2,600+₹4,000) lakh	6,600
(B) Unrealised profit (₹100 lakh x 20% x 50%)	10
(C) Inventories on 31.03.2026 (A-B)	6,590

4. Trade receivables

(A) Combined figure of M Ltd. and N Ltd. (₹2,070 lakh +₹ 1,000 lakh)	3,070
(B) Inter Co. owing (Due from M Ltd.)	10
(C) Cash-in-transit (from M Ltd. to N Ltd.)	10
(D) Balance (A-B-C)	3,050

5. Cash and cash equivalents

(A) Combined balance of M Ltd. and N Ltd. (₹ 1,000 lakh +₹ 1,000 lakh)	2,000
(B) Cash-in-transit from M Ltd. to N Ltd.)	10
(C) Balance	2,010

6. Equity share capital

Authorised	?
Issued	?
Subscribed and fully paid	-
Equity share capital (1,000 lakh equity shares of ₹ 10 each)	10,000

7. Financial liabilities (Borrowings)

10% debentures of N Ltd.	2,000
Less: inter-company owing (held by M Ltd.) (60% of ₹ 2,000 lakh)	1,200
Balance	800

8. Trade payables (Total outstanding dues of creditors other than micro enterprises and small enterprises)

Combined figure of M Ltd. and N Ltd. (₹ 1,200 lakh +₹ 1,000 lakh)	2,200
Less: inter-company owing (due to N Ltd. from M Ltd.)	10
Balance	2,190

9. Other financial liabilities

Outstanding interest on debentures issued by N Ltd. (₹ 2,000 lakh x 10% x ¼)	50
Less: inter-company owing (due to M Ltd.) (60% of ₹ 50 lakh)	30
Balance	20

Working Notes

(i) Computation of goodwill on the date of acquisition (i.e., on 1st April, 2025)

Particulars	₹ in lakh
(A) Fair value of identifiable net assets (represented by equity)	-
Equity share capital (400 lakh equity shares of ₹ 10 each)	4,000
Other equity (Retained earnings)	3,000
Increase in fair value of property, plant and equipment (2,800-2,500)	300
Decrease in fair value of inventories (500-200)	(300)
Total fair value of identifiable net assets	7,000
(B) Purchase consideration for 80% share in N Ltd.	5,800
(C) Non-controlling interest for 20% share in N Ltd. (400 lakh x20% x ₹18)	1,440
(D) Goodwill on the date of acquisition (i.e., on 1st April, 2025) [B+C-A]	240

(ii) Computation of Share of M Ltd. and non-controlling interest in the impairment of goodwill

Particulars	₹ in lakh
(A) Share of goodwill of M Ltd. on 1st April, 2025 [₹5,800 lakh- (₹7,000 lakh x 80%)]	200
(B) Share of goodwill of non-controlling interest on 1st April, 2025 [₹1,440 lakh- (₹7,000 x 20%)]	40
(C) Ratio of share of M Ltd. and non-controlling interest=200:40=5:1	-
(D) Share of impairment of goodwill for M Ltd. (₹120 lakh x5/6)	100
(E) Share of impairment of goodwill for non-controlling interest (₹120 lakh x 1/6)	20

(iii) Computation of post-acquisition profit

Particulars	₹ in lakh
(A) Closing balance of retained earnings-opening balance of retained earnings (₹5,000 lakh-₹3,000 lakh)	2,000
(B) Reversion of loss on current assets (₹500 lakh-₹200 lakh)	300
(C) Depreciation on increase in the fair value of PPE [(₹2,800 lakh-₹2,500 lakh) x 10%]	30
(D) Interest on debenture for the last quarter (₹2,000 lakh x 10% x ¼)	50
(E) Post-acquisition profit (A+B-C-D)	2,220

(iv) Computation of non-controlling interest (NCI) on the reporting date (i.e., on 31st March, 2026)

Particulars	₹ in lakh
(A) NCI on 1st April, 2025	1,440
(B) Share of post-acquisition profit (20% of ₹2,220 lakh)	444
(C) Share of impairment loss of goodwill	20
(D) Share of unrealised profit on inventories (₹ 100 lakh x 50% x 20% x 20%)	2
(E) NCI on 31st March, 2026 (A+B-C-D)	1,862

(v) Computation of consolidated other equity on the reporting date (i.e., on 31st March, 2026)

Particulars	₹ in lakh
(A) M Ltd.'s balance of retained earnings on 31.03.2026	16,320
(B) Share of post-acquisition profit (₹2,220 lakh x 80%)	1,776
(C) Share of impairment loss of goodwill (₹ 120 lakh x 5/6)	100
(D) Interest on debentures (₹ 2,000 lakh x 60% x 10% x ¼)	30
(E) Unrealised profit on unsold stock (₹ 100 lakh x 50% x 20% x 80%)	8
(F) Difference between face value and cost of debentures of N Ltd. [(₹1,250 lakh-₹1,200 lakh)	50
(G) Consolidated other equity on 31.03.2026 (A+B-C+D-E-F)	17,968

7. (a)

Computation of Economic Value Added (EVA) of Rajat Industries Ltd. (RIL)

Particulars	₹ in lakh
(A) Net operating profit after tax [Working Note (vi)]	1,293.60
(B) Cost of operating capital employed = [Weighted average cost of capital x operating capital employed] = [₹7,000 lakh x 13.68%]	957.60
(C) Economic Value Added (EVA) [A-B]	336

Working Notes:

(i) Computation of cost of debt

Cost of debt=Interest rate (1- tax rate) =12% (1-0.30) =**8.40%**.

(ii) Computation of cost of equity

Cost of equity=Risk-free rate + (Beta x equity market rate risk premium) = 9% + [1.5 x (13%-9%)]) =9%+ 6%=15%.

(iii) Computation of total capital employed

Total capital employed=Share capital+12% debentures+ Securities premium+ Free reserve+ Capital reserve= ₹ 4,429.60 lakh (4,42,960 x ₹1,000) + ₹1,400 lakh (1,40,00,000 x ₹10) +₹434 lakh+₹431.20 lakh+₹305.20 lakh =₹7,000 lakh.

(iv) Computation of weighted average cost of capital

[(₹1,400 lakh/₹7,000 lakh) x 8.40 %] + [₹5,600 lakh/₹7,000 lakh) x 15%] =1.68% +12%=13.68%

(v) Computation of profit before interest and tax

Financial leverage=Profit before interest and tax/ (Profit before interest and tax-interest)

i.e., 1.1=PBIT/ (PBIT-₹168 lakh)

or, 1.1 PBIT-₹184.8 lakh=PBIT; or 0.1 PBIT=₹184.8 lakh; or PBIT=₹184.8 lakh/0.1=₹1,848 lakh.

(vi) Computation of net operating profit after tax

Net operating profit after tax=Profit before interest and tax-tax=₹1,848 lakh- (₹ 1,848 lakh x 30%) =₹1,293.60 lakh

(vii) Computation of operating capital employed

It is equal to total capital employed i.e., ₹ **7,000 lakh** because there are no non-operating assets to be deducted from and no other non-interest-bearing operating liabilities to be added to total capital employed.

7. (b)

XBRL is the international standard for digital reporting. It offers benefits to all those who have to create, transmit, use or analyze such information. XBRL is used in many different ways, for many different purposes. The significant users of XBRL include:

1. **Companies**: Companies are required to provide relevant information to various stakeholders, and to accurately move information amongst them.

2. **Not-for-profit Organizations**: Several not-for-profit organizations, like universities, municipalities etc. opt for reporting under XBRL format.

3. **Accountants**: Accountants use XBRL in support of clients reporting requirements and are required to prepare and present financial statements using XBRL.

4. **Analysts**: Analysts that need to understand relative risk and performance.

5. **Investors**: Investors that need to compare potential investments and understand the underlying performance of existing investments.

6. **Regulatory Authorities**: The different regulatory authorities that use XBRL include:

- Financial regulators that need significant amounts of complex performance and risk information about the institutions that they regulate.

- Securities regulators and stock exchanges that need to analyze the performance and compliance of listed companies and securities, and need to ensure that this information is available to markets to consume and analyze.

- Business registrars that need to receive and make publicly available a range of corporate data about private and public companies, including annual financial statements.

7. **Government agencies**: Government agencies that are in the process of simplifying the process of businesses reporting, reducing red tape (either by harmonizing data definitions or consolidating reporting obligations, or both), or improving government reporting by standardizing the way that consolidated or transactional reports are prepared.

8. **Tax authorities**: The tax authorities need financial statements and other compliance information from companies in order to process and review their corporate tax affairs.

9. **Statistical and monetary policy authorities**: These authorities that need financial performance information from many different organizations.

10. **Specialist Data Providers**: Specialist data providers that use published information for the purpose of creating comparisons, ratings and other value-added information products for various market participants.

8. (a)

Following are the roles of Public Accounts Committee:

1. **Role regarding examination of the C&AG report:** The chief function of P.A.C. is to examine the audit report of Comptroller and Auditor General (C&AG) after it is laid in the Parliament. C&AG assists the Committee during the course of investigation.
2. **Role regarding unauthorized expenditures or excess expenditures:** In examining the report of the Comptroller and Auditor General of India (C&AG), the committee has to satisfy itself that:

- the expenditures made by the government, were authorized by the Parliament; and

- the expenditures under any head has not crossed the limits of parliamentary authorization.

It is to be noted that, every expenditure made by the government must be sanctioned by the Parliament. Thus, it is the role of the committee to bring to the notice of the Parliament instances of unauthorized expenditures or expenditures beyond sanctioned limits.

3. **Role regarding spending of money by ministries:** The committee not only ensures that ministries spend money in accordance with parliamentary grants, it also brings to the notice of the Parliament instances of extravagance, loss, in fructuous expenditure and lack of financial integrity in public services. However, the committee cannot question the polices of the government. It only concerns itself with the execution of policy on its financial aspects.
4. **Scrutinizing the audit reports of public corporations:** A new dimension has been added to the function of the P.A.C. by entrusting it with the responsibility of scrutinizing the audit report of public corporations.

5. **Scrutinizing the working process of ministries and public corporations:** In examining the accounts and audits of the ministries and public corporations, the Committee gets the opportunity to scrutinize the process of their working. It points out the weakness and shortcomings of the administration of ministries and public corporations Criticisms of the P.A.C. draw national attention. This keeps the ministries and public corporations sensitive to the criticisms of the P.A.C. Thus, it is wrong to suppose that the P.A.C. is only an instrument of financial control, it is as well an instrument of administrative control.

8. (b)

Consolidated Fund of India:

The Consolidated Funds is constituted under Article 266 (1) of the Constitution of India. All revenues received by the Government by way of taxes like Income Tax, Central Excise, Customs and other receipts flowing to the Government in connection with the conduct of Government business i.e. Non-Tax Revenues are credited into the Consolidated Fund. Similarly, all loans raised by the Government by issue of public notifications, treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are credited into this fund. All expenditure of the government is incurred from this Fund and no amount can be withdrawn from the Fund without authorization from the Parliament. This is the largest of all three funds.

Contingency Fund of India

The Contingency Fund of India Fund has been set up by the Government of India under Article 267 of the Constitution of India. It records the transactions connected with Contingency. lt is held on behalf of President by the Secretary to the Government of India, Ministry' of Finance, Department of Economic Affairs. The corpus of this fund is ₹ 500 crores. Advances from the Fund are made for the purposes of meeting unforeseen expenditure which are resumed to the Fund to the full extent as soon as Parliament authorizes additional expenditure. Thus, this fund acts more or less like an imprest account of Government of India.

8. (c)

(i) Computation of gain on Remeasurement of Previously Held Interest

Particulars	₹
Fair value of previously held 20% interest on acquisition date	2,40,000
Less: Carrying amount of previously held 20% interest	(1,80,000)
Gain on Remeasurement (recognised in Statement of Profit and Loss)	60,000

(ii) Computation of Goodwill / Gain on bargain purchase on acquisition

Particulars	₹
Consideration for further 60% acquired	7,20,000
Add: Fair value of previously held 20% interest (remeasured)	2,40,000
Add: Fair value of non-controlling interest (*20%*)	2,20,000
Aggregate consideration	11,80,000
Less: Fair value of identifiable net assets of Matrix Ltd.	(11,00,000)
Goodwill on Acquisition	80,000