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CA FINAL NOVEMBER 2018 EXAM

SUBJECT-FINANCIAL REPORTING

Test Code - FNJ 7016 N

BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Answer 1:
(A)

Items impacting the Statement of Profit and Loss for the year ended 31st March, 20X1

Rs.

Current service cost	1,75,000
Gains and losses arising from translating the monetary assets in foreign currency	75,000
Income tax expense	35,000
Share based payments cost	3,35,000

Items impacting the other comprehensive income for the year ended 31st March,20X1

Rs.

Remeasurement of defined benefit plans	2,57,000
Changes in revaluation surplus	1,25,000
Gains and losses arising from translating the financial statements of a foreign operation	65,000
Gains and losses from investments in equity instruments designated at fair value through other comprehensive income	1,00,000

(B)

As per para C1 of AppendixC of Ind AS 101, a first-time adopter may elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurredbeforethedateoftransitiontoIndAS).However,ifafirst-timeadopterrestates any business combination to comply with Ind AS 103, it shall restate all later business combinations and shall also apply Ind AS 110 from that same date.

Based on the above, if X Ltd. restates past business combinations, it would have to be applied to all business combinations of the group including those by subsidiary Y Ltd. for the purpose of Consolidated Financial Statements.

Para D17 of Appendix D of Ind AS 101 states that if an entity becomes a first-time adopter later than its subsidiary the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiary at the same carrying amounts as in the financial statements of the subsidiary, after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary. Thus, in case where the parent adopts Ind AS later than the subsidiary thenitdoesnotchangetheamountsalreadyrecognisedbythesubsidiary.

(C)

Paragraph 37 of Ind AS 103, inter alia, provides that the consideration transferred in a business combination should be measured at fair value, which should be calculated as the sum of (a) the acquisition-date fair values of the assets transferred by the acquirer,
(b) the liabilities incurred by the acquirer to former owners of the acquiree and (c) the equity interests issued by the acquirer.

Further, paragraph 39 of Ind AS 103 provides that the consideration the acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

With respect to contingent consideration, obligations of an acquirer under contingent consideration arrangements are classified as equity or a liability in accordance with Ind AS 32 or other applicable Ind AS, i.e., for the rare case of non-financial contingent consideration. Paragraph 40 provides that the acquirer shall classify an obligation to pay contingent consideration that meets the definition of a financial instrument as a financial liability or as equity on the basis of the definitions of an equity instrument and a financial liability in paragraph 11 of Ind AS 32, *Financial Instruments: Presentation*. The acquirer shall classify as an asset a right to the return of previously transferred consideration if specified conditions are met. Paragraph 58 of Ind AS 103 provides guidance on the subsequent accounting for contingent consideration.

i) In the given case the amount of purchase consideration to be recognised on initial recognition shall be as follows:

Fair value of shares issued (10,00,000 x Rs. 20)	Rs. 2,00,00,000
Fair value of contingent consideration	Rs. 25,00,000
Total purchase consideration	Rs. 2,25,00,000

Subsequent measurement of contingent consideration payable for business combination

In general, an equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ind AS 32 describes an equity instrument as one that meets both of the following conditions:

- There is no contractual obligation to deliver cash or another financial asset to another party, or to exchange financial assets or financial liabilities with another party under potentially unfavourable conditions (for the issuer of the instrument).
- If the instrument will or may be settled in the issuer's own equity instruments, then it is:
  - a non-derivative that comprises an obligation for the issuer to deliver a fixed number of its own equity instruments; or

- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

In the given case, given that the acquirer has an obligation to issue fixed number of shares on fulfilment of the contingency, the contingent consideration will be classified as equity as per the requirements of Ind AS 32.

As per paragraph 58 of Ind AS 103, contingent consideration classified as equity should not be re-measured and its subsequent settlement should be accounted for within equity.

Here, the obligation to pay contingent consideration amounting to Rs. 25,00,000 is recognised as a part of equity and therefore not re-measured subsequently or on issuance of shares.

ii) The amount of purchase consideration to be recognised on initial recognition is shall be as follows:

Fair value shares issued (10,00,000 x Rs. 20)	Rs. 2,00,00,000
Fair value of contingent consideration	Rs. 25,00,000
Total purchase consideration	Rs. 2,25,00,000

Subsequent measurement of contingent consideration payable for business combination

The contingent consideration will be classified as liability as per Ind AS 32.

As per paragraph 58 of Ind AS 103, contingent consideration not classified as equity should be measured at fair value at each reporting date and changes in fair value should be recognised in profit or loss.

As at 31 March 2017, (being the date of settlement of contingent consideration), the liability would be measured at its fair value and the resulting loss of Rs. 15,00,000 (Rs. 40,00,000 - Rs. 25,00,000) should be recognised in the profit or loss for the period. A Ltd. would recognise issuance of 160,000 (Rs. 40,00,000/ 25) shares at a premium of Rs. 15 per share.

Answer 2:

(A)

1. Consolidated Balance Sheet as on 31.3.20X1

Particulars	Note No.	Rs.
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	1,00,000
(b) Reserves and Surplus	2	1,20,700
(2) Minority Interest		20,000

	(3) Current Liabilities		
	(a) Trade Payables	3	23,000
	(b) Short Term Provisions	4	24,500
	Total		2,88,200
II.	Assets		
	(1) Non-current assets		
	(a) Fixed assets		
	Tangible assets	5	2,15,500
	(b) Non-current investment	6	17,200
	(2) Current assets	7	55,500
	Total		2,88,200

Notes to Accounts

			Rs.
1.	Share Capital		
	Called up equity shares of Rs. 1 each		1,00,000
2.	Reserves and Surplus		
	General Reserve	40,000	
	Profit and Loss A/c (W.N.3)	80,700	1,20,700
3.	Trade Payables		
	Holding & Subsidiary	20,000	
	Joint Venture (50%)	3,000	23,000
4.	Short term provisions		
	Provisions for Tax		
	Holding & Subsidiary	19,000	
	Joint Venture (50%)	5,500	24,500
5.	Tangibles Assets		
	Holding & Subsidiary	1,95,000	
	Joint Venture (50%)	20,500	2,15,500
6.	Non-current investment		
	Investment in Associate (W.N.4)		17,200
7.	Current Asset		
	Holding & Subsidiary	21,000	

	Joint Venture (50%)	34,500	55,500

Working Notes:

1. Analysis of Profit & Loss of Associate / Joint Venture

	Pre-acquisition	Post-acquisition
	Rs.	**Rs.**
Profit as on 31.3.20X1 27,000	16,000	11,000
Share of Associate company (20%)	3,200	2,200
Analysis of Profit and Loss of Joint Venture	Nil	83,000
Share of Joint Venture (50%)		41,500

2. Calculation of Goodwill/Capital Reserve

	Associate		Joint Venture	
		Rs.		**Rs.**
Investment		15,000		5,000
Less: Nominal Value	8,000		5,000	
Capital Profit	3,200	(11,200)	-	(5,000)
Goodwill		3,800		Nil

3. Calculation of Consolidated Profit and Loss Account

	Rs.
Profit and Loss Account of Holding & Subsidiary	37,000
Add: Share of Associate (W.N.1)	2,200
Joint Venture (W.N.1)	41,500
	80,700

4. Calculation of Investment in Associate

	Rs.
Goodwill (W.N.2)	3,800
Net worth	11,200
Cost	15,000
Add: Share of Revenue Profit	2,200
	17,200

Note: Out of Rs. 17,000 existed at the time of acquisition, only Rs. 16,000 (Opening Balance) is continuing in the books of the associate. Therefore, Rs. 16,000 is taken as capital profit assuming that it is a part of that Rs. 17,000 existed at the time of acquisition.

(B)

Section 135 (5) of the Companies Act, 2013, requires that the Board of every eligible company, "shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy". A proviso to this Section states that "if the company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount".

Further, **Rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014**, prescribes that the Board Report of a company under these Rules shall include an Annual Report on CSR, in the prescribed format.

The above provisions of the Act/Rules clearly lay down that the **expenditure on CSR activities is to be disclosed only in the Board's Report** in accordance with the Rules made thereunder.

In view of this, **no provision for the amount which is not spent**, (i.e., any shortfall inthe amount that was expected to be spent as per the provisions of the Act on CSR activities and the amount actually spent at the end of a reporting period) may be made in the financialstatements.

The proviso to section 135 (5) of the Act, makes it clear that if the specified amount is not spent by the company during the year, the Directors' Report should disclose the reasons for not spending the amount.

However, if a company has already undertaken certain CSR activity for which a liability has been incurred by entering into a contractual obligation, then in accordance with the generally accepted principles of accounting, a provision for the amount representing the extent to which the CSR activity was completed during the year, needs to be recognised in the financialstatements.

Answer 3:

(A)

3. Therepaymentschedulefortheoriginaldebttillthedateofrenegotiationisasbelow:

Date / year ended	Opening balance	Interest accrual	Cash flows	Closing balance
1 January 20X0	10,00,000			10,00,000
31 December 20X0	10,00,000	1,00,000	(1,00,000)	10,00,000
31 December 20X1	10,00,000	1,00,000	(1,00,000)	10,00,000

31 December 20X2	10,00,000	1,00,000	(1,00,000)	10,00,000
31 December 20X3	10,00,000	1,00,000	(1,00,000)	10,00,000
31 December 20X4	10,00,000	1,00,000	(1,00,000)	10,00,000

On 1 January 20X5, the discounted present value of the remaining cash flows of the original financial liability is Rs. 10,00,000.

On this date, Preet Ltd. will compute the present value of:

- cash flows under the new terms – i.e. Rs.15,00,000 payable on 31 December20Y1 and Rs. 50,000 payable for each of the 7 years ending 31 December 20Y1.
- any fee paid (net of any fee received) – i.e. Rs.1,00,000

using the original effective interest rate of10%.

The total of these amounts to Rs.11,13,158 (Refer Working Note). This differs fromthe discounted present value of the remaining cash flows of the original financial liability by 11.32%i.e. by more than 10%. Hence, extinguishment accounting applies.

The next step is to estimate the fair value of the modified liability. This is determined as the present value of the future cash flows (interest and principal), usingan interest rate of 11% (the market rate at which Preet Ltd. could issue new bonds with similar terms). The estimated fair value on this basis is Rs.958,097 (Refer Working Note). A gainor loss on modification is then determinedas:

Gain (loss) = carrying value of existing liability - fair value of modified liability - fees and costs incurred i.e. Rs. 10,00,000 – Rs. 9,58,097 – Rs. 1,00,000 = Loss of Rs. 58,097

Working Note:

Year	**Discount factor @ 10%**	**Discount factor @ 11%**
1	0.909091	0.900901
2	0.826446	0.811622
3	0.751315	0.731191
4	0.683013	0.658731
5	0.620921	0.593451
6	0.564474	0.534641
7	<u>0.513158</u>	<u>0.481658</u>
Annuity	<u>4.868418</u>	<u>4.712195</u>

Amount	**Discounting factor @ 10%**	**Present value**	**Discounting factor @ 11%**	**Present value**

15,00,000	0.513158	7,69,737	0.481658	7,22,487
1,00,000		1,00,000		
50,000 for 7 years	4.868418	2,43,421	4.712195	2,35,610
		11,13,158		9,58,097
PV of original cash flows @ original EIR		(10,00,000)		
Difference		1,13,158		
Difference %		11.32%		

(B)

Gain from curtailment is estimated asunder:

	Rs.
Reduction in gross obligation	600
Less: Proportion of unamortised past service cost	(18)
Gain from curtailment	582

The liability to be recognised after curtailment in the balance sheet is estimated as under:

	Rs.
Reduced gross obligation (90% of Rs. 6,000)	5,400
Less: Fair value of plan assets	(5,100)
	300
Less: Unamortised past service cost (90% of Rs. 180)	(162)
Liability to be recognised in the balance sheet	138

Answer 4:

(A)

Since theearnings of theentity is non-market related, hence it will not be considered in fair value calculation of the shares given. However, the same will be considered while calculating number of shares to bevested.

Workings:

	20X1	20X2	20X3
Total employees	500	500	500
Employees left (Actual)	(29)	(58)	(79)
Employees expected to leave in the next year	(31)	(23)	-
Year end – No of employees	440	419	421
Shares per employee	100	100	100
Fair value of share at grant date	122	122	122
Vesting period	1/2	2/3	3/3
Expenses-20X1 (Note 1)	26,84,000		
Expenses-20X2 (Note 2)		7,23,867	
Expenses-20X3 (Note 3)			17,28,333

Note 1:

Expenses for 20X1 = No. of employees x Shares per employee x Fair value of share x Proportionate vesting period

= 440 x 100 x 122 X ½

= 26,84,000

Note 2:

Expenses for 20X2 = (No of employees x Shares per employee x Fair value of share x Proportionate vesting period) – Expenses recognized in year 20X1

= (419 x 100 x 122 x 2/3) – 26,84,000 = 7,23,867

Note 3:

Expenses for 20X3 = (No of employees x Shares per employee x Fair value of share x Proportionate vesting period) – Expenses recognized in year 20X1 and 20X2

= (421 x 100 x 122 x 3/3) – (26,84,000 + 7,23,867) = 17,28,333.

Journal Entries

31-Dec-20X1			
Employee benefits expenses To Share based payment reserve (equity) (Equity settled shared based payment expected vesting	Dr.	26,84,000	26,84,000

amount)			
31-Dec-20X2			
Employee benefits expenses To Share based payment reserve (equity) (Equity settled shared based payment expected vesting amount)	Dr.	7,23,867	7,23,867
31-Dec-20X3			
Employee benefits expenses To Share based payment reserve (equity) (Equity settled shared based payment expected vesting amount)	Dr.	17,28,333	17,28,333
Share based payment reserve (equity) To Share Capital (Share capital Issued)	Dr.	51,36,200	51,36,200

(B)

Statement of cashflows

Particulars		**Amount (Rs.)**
Cash flows from operating activities		
Profit before taxation (10,00,000 + 18,00,000)	28,00,000	
Adjustment for unrealised exchange gains/losses:		
Foreign exchange gain on long term loan [€ 2,00,000 x Rs. (50 – 45)]	(10,00,000)	
Decrease in trade payables [1,00,000 x Rs. (50 – 45)]	(5,00,000)	
Operating Cash flow before working capital changes	13,00,000	

Changes in working capital (Due to increase in trade payables)	50,00,000	
Net cash inflow from operating activities		63,00,000
Cash inflow from financing activity		50,00,000
Net increase in cash and cash equivalents		1,13,00,000
Cash and cash equivalents at the beginning of the period		2,00,000
Cash and cash equivalents at the end of the period		1,15,00,000

Answer 5:

(A)

Measurement of the fair value of its decommissioningliability

	Expected cash flows(Rs.) 1st April2017
Expected labour costs (Refer W.N.)	65,625
Allocated overhead and equipment costs (0.80 × Rs. 65,625)	52,500
Contractor's profit mark-up [0.20 × (Rs. 65,625 + Rs. 52,500)]	23,625
Expected cash flows before inflation adjustment	1,41,750
Inflation factor (4% for 10 years) on compounding	1.4802
Expected cash flows adjusted for inflation	2,09,818
Market risk premium (Rs. 2,09,818 x 5%)	10,491
Expected cash flows adjusted for market risk	2,20,309
Expected present value using discount rate of (5 +3.5) 8.5% for 10 years	97,443

Working Note:

Cash flow estimate (Rs.)	**Probability assessment**	**Expected cash flows (Rs.)**
50,000	25%	12,500
62,500	50%	31,250

87,500	25%	21,875 65,625

(B)

(i) For classification ofassets

Para 6 of Ind AS 16 '*Property, Plant and Equipment' inter alia,* states that Property, plant and equipment are tangible items are held for use in the production or supply of goods or services, for rental to others, or foradministrative purposes.

As per para 6 of Ind AS 40 'Investment property', Investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supplyof goods or services or for administrative purposes; or sale in the ordinary course ofbusiness.

According, to the facts given in the questions, since Property 1 and 2 are used as factory buildings, their classification as PPE is correct. However, Property 3 isheld to earn rentals; hence, it should be classified as Investment Property. Thus, its classification as PPEis not correct. Property '3' shall be presented as separate line item as Investment Property as per Ind AS1.

(ii) For valuation ofassets

Paragraph 29 of Ind AS 16 states that an entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. Also, paragraph 36 of Ind AS 16 states that If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall berevalued.

However, for investment property, paragraph 30 of Ind AS 40 states that an entity shall adoptasitsaccountingpolicythecostmodeltoallofitsinvestmentproperty".

Also, paragraph 79 (e) of Ind AS 40 *inter alia* requires that an entity shall disclose the fair value of investment property.

Since property 1 and 2 is used as factory building, they should be classified under same category or class i.e. 'factory building'. Therefore, both the properties should be valued either at cost model or revaluation model. Hence, the valuation model adopted by A Ltd. isnotconsistentandcorrectasperIndAS16.

In respect to property '3' being classified as Investment Property, there is no alternative of revaluation model i.e. only cost model is permitted forsubsequent measurement. However, A Ltd. is required to disclose the fair value of the investment property in theNotes toAccounts.

(iii) For changes in value on account of revaluation and treatment thereof

Paragraph 39 of Ind AS 16 states that if an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading 'revaluation surplus'. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the sameasset previously recognised in profit or loss. Accordingly, the revaluationgainshall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

(ii) For treatment ofdepreciation

Paragraph 52 of Ind AS 16 states that Depreciation is recognisedeven ifthe fair value of the asset exceeds its carrying amount, as long as the asset's residual value does notexceed its carryingamount.

Accordingly, A Ltd. is required to depreciate these properties irrespective of that their fair value exceeds the carrying amount.

(iii) Rectified presentation in the balancesheet

As per the provisions of Ind AS 1, Ind AS 16 and Ind AS40, the presentation of thesethree properties in the balance sheet should be asfollows:

Case 1: If A Ltd. has applied the Cost Model to an entire class of property, plant and equipment.

Balance Sheet extracts as at 31st March20X2 **INR inlakhs**

Assets		
Non-Current Assets		
Property, Plant and Equipment		
Property'1'	450	
Property'2'	180	630
Investment Property		
Property '3' (Fair value being 330 lakhs) (Cost = 300-30)		270

Case 2: If A Ltd. has applied the Revaluation Model to an entire class of property, plant andequipment.

Balance Sheet extracts as at 31st March20X2 **INR inlakhs**

Assets	

Non-Current Assets		
Property, Plant and Equipment		
Property'1'	550	
Property'2'	220	770
Investment Properties		
Property '3' (Fair value being 330 lakhs) (Cost = 300-30)		270
Equity and Liabilities		
Other Equity		
Revaluation Reserve*		
Property'1'(550-450)	100	
Property'2'(220-180)	40	140

*The revaluation reserve should be routed through Other Comprehensive Income (OCI) (subsequently not reclassified to Profit and Loss) in the Statement of Profit and Loss and shown as a separate column in Statement of Changes in Equity.

Answer 6:

(A)

1. **Computation of goodwill onacquisition**

Particular		**Amount (Rs.'000)**
Cost of investment (8,00,000 x 2/5 x Rs. 4)		1,280
Less: Fair value of identifiable net assets acquired by OceanLtd.		
Fair value of non-controlling interest (2,00,000 x Rs.1·4)	280	
Fair value of identifiable net assets at date of acquisition	(1,300)	(1,020)
Goodwill		260

Acquisition costs are not included as part of the fair value of the consideration given under Ind AS 103, Business Combination.

2. Calculation ofimpairmentloss **(Rs.'000)**

Unit	Carrying value			Recoverable Amount	Impairment Loss
	Before Allocation	**Allocation of goodwill (2:2:1)**	**After Allocation**		
A	600	104	704	740	Nil
B	550	104	654	650	4
C	400*	52	452	400	52

***** After writing down assets in the individual CGU to recoverable amount.

3. Calculation ofclosinggoodwill **(Rs'000)**

Goodwill arising on acquisition (W1)	260
Impairment loss (W2)	(56)
Closing goodwill	204

4. Calculation of overallimpairmentloss **(Rs.'000)**

On goodwill (W3)	56
On assets in unit C (450 – 400)	50
Total loss	106

20% of total loss i.e. Rs. 21.20 thousand is allocated to the NCI with the balance allocated to the shareholders of Ocean ltd.

(B)

(i) Value Added Statement of A Ltd. for the period ended on31.3.20X1

		(Rs.in lakhs)
Sales (net) (2,500 – 35)		2,465
Less: Cost of Bought in Materials and Services:		
Raw material consumed (180 + 714 – 240)	654	
Printing and stationary	24	
Auditors' remuneration	15	

Rent paid	172	
Other expenses	88	(953)
Value added by manufacturing and tradingactivities		1,512

Application of Value Added

		(Rs.in lakh)	(Rs.in lakh)	%
To	Pay Employees:			
	Wages and salaries	352		
	Employees state insurance	32		
	Provident fund contribution	26	410	27.12
To	Pay Government:			
	Income-tax		280	18.52
To	Pay Providers of Capital:			
	Interest on borrowings	40		
	Dividend	85	125	8.27
To	Provide for maintenance and expansion of the company:			
	Depreciation	132		
	Transfer to reserve	120		
	Retained profit	445	697	46.09
			1,512	100

(ii) ValueAddedPerEmployee=ValueAdded/No.ofEmployees

= 1,512 \ 87 = 17.38

(iii) Average Earnings Per Employee = Average Earnings of Employee / No. of Employees

= 410/87 = 4.71

(C)

This contract comprises of twocomponents:

- Host contract to purchase solar panels denominated in Rs. i.e. a notional payment inRs.at6-monthforwardrate(Rs.3,250millionorRs.325crores)

- Forward contract to pay US Dollars and receive Rs. i.e. a notional receipt in Rs. In otherwords,aforwardcontracttosellUSDollarsatRs.65perUSDollar.

It may be noted that the notional Rupees payment in respect of host contract and the notional Rupees receipt in respect of embedded derivative create an offsetting position.

Subsequently, the host contract is not accounted for until delivery. The embedded derivative is recorded at fair value through profit or loss. This gives rise to a gain or loss on the derivative, and a corresponding derivative asset or liability.

On delivery *XYZ* records the inventory at the amount of the host contract (Rs. 325 crores). The embedded derivative is considered to expire. The derivative asset or liability (i.e. the cumulative gain or loss) is settled by becoming part of the financial liability that arises ondelivery.

In this case the carrying value of the currency forward at 30thSeptember 2017 on maturity is Rs. 50 million X (66 minus 65) = Rs. 5 crores (liability/loss). The loss arises because *XYZ* has agreed to sell US Dollars at Rs. 65 per US Dollar whereas in the open market,USDollarcanbesoldatRs.66perUSDollar.

No accounting entries are passed on the date of entering into purchase contract. On that date, the forward contract has a fair value of zero (refer section “option and non- option based derivatives”below).

Subsequently, say at 30thSeptember 2017, the accounting entries are as follows:

(all Rs. in crores):

	Dr.	Cr.
1. Loss on derivativecontract	5	
To Derivativeliability		5
(Being loss on currency forward)		
2. Inventory	325	
To Trade payables (financial liability)		325
(Being inventory recorded at forward exchangerate determined on date of contract)		
3.Derivativeliability	5	
To Trade payables(financialliability)		5
(Being reclassification of derivative liability to trade payables upon settlement)		

The effect is that the financial liability at the date of delivery is Rs. 330 crores (Rs. 325 crores + Rs. 5 crores), equivalent to US$ 50 million at the spot rate on 30th September2017.

Going forward, the financial liability is a US$ denominated financial instrument. It is retranslated at the dollar spot rate in the normal way, until it is settled.