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Answer 1:
(A)

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 recognize 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. **(7 marks)**

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 recognized in the profit or loss for the period. A Ltd. would recognize issuance of 160,000 (Rs. 40,00,000/ 25) shares at a premium of Rs. 15 per share. **(5 marks)**

(B)

			(Amount in Rs.)
	Carrying value	**Tax Base**	**Temporary difference**
Non-current assets			
Assets subject to investment relief	63,000	28,000	35,000
Land	2,00,000	1,50,000	50,000
Plant and Equipment	1,00,000	90,000	10,000

Receivables:			
Trade receivables	73,000	80,000	(7,000)
Interest receivables	1,000	-	1,000
Payables			
Fine	(10,000)	(10,000)	-
Interest payables	(3,300)	-	(3,300)
			85,700

(5 marks)

	Temporary Differences		Deferred tax @ 30%	
Deferred tax liabilities	96,000		28,800	
Deferred tax assets		(10,300)		(3,090)
				25,710

(1 mark)

		Deferred tax @ 30% (Rs.)
Deferred tax as at 1st January 2017		3,600
To other comprehensive income	30% x 50,000	15,000
Profit or loss (balancing figure)		7,110
Deferred tax as at 31st December 2017		25,710

(2 marks)

Answer 2:

(A)

Balance sheets (extract)

	31st Mar 2017 (Rs.)	31st Mar 2016 (Rs.)
In Equity	912,000	304,000

(1 mark)

Statement of Profit and loss

	Year ending 2017 (Rs.)	Year ending 2016 (Rs.)
In operating expenses	608,000	304,000

(1 mark)

As per Ind AS-102 'Share Based Payment':

- The total expected cost at 31st March 2016 = Rs. 912,000 (19 x 10,000 x Rs. 4.80).
- 1/3 is recognized in equity as this is an equity settled share based payment
- The total expected cost at 31st March 2017 = Rs. 1,368,000 (19x15,000 x Rs. 4.80).
- 2/3 is recognized in equity at 31st March 2017. Amounts can be shown as a separate component of equity or credited to retained earnings.
- The vesting condition relating to share price is ignored in the estimation of the total expected cost as it is one of the factors that is used to compute the fair value of the share option at the grant date (i.e. it is a market related vesting condition).

- The cost recognized in 2016 is the cost to date since this the first year of the vesting period.
- The cost recognised in 2017 is the difference between cumulative costs carried and brought forward. **(4 marks)**

(B)

The fair value of the loan is calculated at Rs. 74,76,656.

Year	Opening Balance	Interest calculated @ 12%	Interest paid @ 5% on Rs. 1,00,00,000 + principal paid	Closing Balance
(a)	**(b)**	**(c) = (b) x 12%**	**(d)**	**(e) =(b) + (c) – (d)**
1	74,76,656	8,97,200	5,00,000	78,73,856
2	78,73,856	9,44,862	5,00,000	83,18,718
3	83,18,718	9,98,246	5,00,000	88,16,964
4	88,16,964	10,58,036	5,00,000	93,75,000
5	93,75,000	11,25,000	1,05,00,000	Nil

(2 marks)

A Limited will recognise Rs. 25,23,344 (Rs. 1,00,00,000 – Rs. 74,76,656) as the government grant and will make the following entry on receipt of loan:

Bank Account	Dr.	Rs. 1,00,00,000	
To Deferred Income			Rs. 25,23,344
To Loan Account			Rs. 74,76,656 **(1 mark)**

Rs. 25,23,344 is to be recognised in profit or loss on a systematic basis over the periods in which A Limited recognise the related costs (which the grant intends to compensate) as expenses. **(1 mark)**

If the loan is to finance a depreciable asset, Rs. 25,23,344 will be recognised in profit or loss on the same basis as depreciation. **(1 mark)**

(C)

All figures are Rs. in'000.

On 31st March, 2018, A Ltd. will report a net pension liability in the statement of financial position. The amount of the liability will be 12,000 (68,000 – 56,000).

For the year ended 31st March, 2018, A Ltd. will report the current service cost as an operating cost in the statement of profit or loss. The amount reported will be 6,200. The same treatment applies to the past service cost of 1,500.

For the year ended 31st March, 2018, A Ltd. will report a finance cost in profit or loss based on the net pension liability at the start of the year of 8,000 (60,000 – 52,000). The amount of the finance cost will be 400 (8,000 x 5%).

The redundancy programme represents the partial settlement of the curtailment of a defined benefit obligation. The gain on settlement of 500 (8,000 – 7,500) will be reported in the statement of profit or loss.

Other movements in the net pension liability will be reported as re measurement gains or losses in other comprehensive income. **(3 marks)**

For the year ended 31st March, 2018, the re-measurement loss will be 3,400 (Refer W. N.).

Working Note:

Re measurement of gain or loss

	Rs. in '000
Liability at the start of the year (60,000 – 52,000)	8,000
Current service cost	6,200
Past service cost	1,500
Net finance cost	400
Gain on settlement	(500)
Contributions to plan	(7,000)
Remeasurement loss (balancing figure)	3,400
Liability at the end of the year (68,000 – 56,000)	12,000

(3 marks)

(D)

Major differences between Physical Capital & Financial Capital

- The physical capital maintenance concept requires the adoption of the current cost basis as measurement whereas financial capital maintenance concept does not require the use of a particular basis of measurement.
- Financial capital maintenance where capital is defined in terms of nominal monetary units, profit represents the increase in nominal money capital over the period. When the concept of financial capital maintenance is defined in terms of constant purchasing power units, profit represents the increase in invested purchasing power over the period. Thus, only that part of the increase in the prices of assets that exceeds the increase in the general level of prices is regarded as profit.

Under the concept of physical capital maintenance when capital is defined in terms of the physical productive capacity, profit represents the increase in that capital over the period. All price changes affecting the assets and liabilities of the entity are viewed as changes in the measurement of the physical productive capacity of the entity; hence, they are treated as capital maintenance adjustments that are part of equity and not as profit. **(3 marks)**

Answer 3(A):

To determine whether Pharma Limited can be continued to be classified as an associate on transition to lnd AS, we will have to determine whether Angel Limited controls Pharma Limited as defined under Ind AS110.

An investor controls an investee if and only if the investor has all the following:

(a) Power over investee

(b) Exposure, or rights, to variable returns from its involvement with the investee

(c) Ability to use power over the investee to affect the amount of the investor's returns.

Since Angel Ltd. does not have majority voting rights in Pharma Ltd. we will have to determine whether the existing voting rights of Angel Ltd. are sufficient to provide it power over Pharma Ltd.

Analysis of each of the three elements of the definition of control:

Elements / conditions	**Analysis**
Power over investee	Angel Limited along with its subsidiary Little Angel Limited (hereinafter referred to as "the Angel group")
	does not have majority voting rights in Pharma Limited. Therefore, in order to determine whether Angel group have power over Pharma Limited. we will need to analyse whether Angel group, by virtue of its non- majority voting power, have <u>*practical ability to unilaterally direct the relevant activities*</u> of Pharma Limited. In other words, we will need to analyse whether Angel group has <u>***de facto* power**</u> over Pharma Limited. Following is the analysis of *de facto* power of Angel over Pharma Limited: - The public shareholding of Pharma Limited (that is, 52% represents thousands of shareholders none individually holding material shareholding, - The actual participation of Individual public shareholders in the general meetings is minimal (that is, in the range of 6% to 8%). - Even the public shareholders who attend the meeting do not consult with each other to vote. - Therefore, as per guidance of Ind AS 110, the public shareholders will not be able to outvote Angel group (who is the largest shareholder group) in any general meeting. Based on the above-mentioned analysis, we can conclude that Angel group has *de facto* power over Pharma Limited.
Exposure, or rights, to variable returns from its involvement with the investee	Angel group has exposure to variable returns from its involvement with Pharma Limited by virtue of its equity stake.
Ability to use power over the investee to affect the amount of the investor's returns	Angel group has ability to use its power (in the capacity of a principal and not an agent) to affect the amount of returns from Pharma Limited because it is in the position to appoint

	directors of Pharma Limited who would take all the decisions regarding relevant activities of Pharma Limited. Here, it is worthwhile to evaluate whether certain rights held by the bank would prevent Angel Limited's ability to use the power over Pharma Limited to affect its returns. It is to be noted that, all the rights held by the bank in relation to Pharma Limited are protective in nature as they do not relate to the relevant activities
	(that is, activities that significantly affect he Pharma Limited's returns) of Pharma Limited. As per lnd AS 110, protective rights are the rights designed to protect the interest of the party holding those rights <u>*without giving that party power over the entity to which those rights relate.*</u> Therefore, the protective rights held by the bank should not be considered while evaluating whether or not Angel Group has control over Pharma Limited.
Conclusion: Since all the three elements of definition of control is present, it can be concluded that Angel Limited has control over Pharma Limited.	

Since it has been established that Angel Limited has control over Pharma Limited, upon transition to lnd AS, Angel Limited shall classify Pharma Limited as its subsidiary. **(15 marks)**

Answer 3(B):

In case the expenditure incurred by the company is of such nature which may give rise to an 'Asset', it should be recognised by the company in its balance sheet, provided the control over the asset is with the Company and future economic benefits are expected to flow to the company. Where any CSR asset is recognized in its balance sheet, the same may be classified under natural head (e.g. Building, Plant & Machinery etc.) with specific sub-head of 'CSR Asset' if the expenditure satisfies the definition of 'asset'.

For example, a building used for CSR activities where the beneficial interest has not been relinquished for lifetime by a company and from which any economic benefits flow to a company, may be recognised as 'CSR Building' for the purpose of reflecting the same in the balance sheet.

If an amount spent on an asset has been shown as CSR spend, then the depreciation on such asset cannot be claimed as CSR spend again. Once cost of the asset is included for CSR spend, then the depreciation on such asset will not be included for CSR spend even if the asset is capitalized in the books of accounts and depreciation charged thereon.

(5 marks)

Answer 4:

(A)

The implied annual rate of return (one-year market rate of return) is 7.58% [(Rs. 1250/ Rs. 1080)0S -1] for Asset B which is applied to Asset A after adjustment for the yield curve. In case it is analyzed that the yield curve of the risky asset is just a parallel shift over the zero coupon yield curve (the risk free rate), then adjusted discount rate shall be 7.58% minus 0.40% i.e., 7.18. Fair value of Asset A is Rs. 1 000/1.0718 = Rs. 933.

When the discount rate adjustment technique is applied to fixed receipts or payments, the adjustment for risk inherent in the cash flows of the asset or liability being measured is included in the discount rate. **(4 marks)**

(B)

A finance lease is a lease where the risks and rewards of ownership transfer from the lessor to the lessee.

Key indications that a lease is a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lease term is for the major part of the asset's economic life.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- If the lessee can cancel the lease, the lessor's losses are borne by the lessee.
- The lessee has the ability to lease the asset for a secondary period at a rent that is substantially lower than market rent.

The lease term is only for 60% (30 years/50 years) of the asset's useful life. **Legal title also does not pass at the end of the lease**. These factors suggest that the lease is an operating lease. However, D Ltd can continue to lease the asset at the end of the lease term for a value that is substantially below market value. This suggests that D Ltd will benefit from building over its useful life and is therefore an indication of a finance lease. **D Ltd is also unable to cancel the lease without paying the lessor**. This is an indication that the lessor is guaranteed to recoup their investment and therefore that they have relinquished the risks of ownership: It also seems likely that the present value of the minimum lease payments will be substantially all of the asset's fair value. Contingent rentals should be excluded from minimum lease payments - the impact of the potential rental increase should be ignored as this is contingent upon a future event. The minimum lease payments (ignoring discounting) equate to 40% of the fair value, payable upfront, and then another 180% (30 years x 6%) of the fair value over the lease term. Therefore, this again suggests that the lease is a finance lease.

The fact that there is a contingent rental can be suggestive of an operating or a finance lease. This must be examined more closely to see whether it suggests a transfer of the risks and rewards of ownership. “In this particular case, an increase in the value of the building will mean that the lessor receives greater payments from the lessee. However, a decrease in the value of the building will mean that the rent is fixed at 6% of the fair value at inception. This appears to be guaranteeing the lessor their required return on the investment, suggesting that the risks of ownership have been transferred to the lessee.

All things considered, it appears that the lease is a finance lease. **(6 marks)**

(C)

(i) (1) At the time of initial recognition

	Rs.
Liability component	
Present value of 5 yearly interest payments of Rs. 40,000, discounted at 12% annuity (40,000 x 3.605)	1,44,200
Present value of Rs. 5,00,000 due at the end of 5 years, discounted at 12%, compounded yearly (5,00,000 x 0.567)	2,83,500
	4,27,700
Equity component	
(Rs. 5,00,000 – Rs. 4,27,700)	72,300
Total proceeds	5,00,000

(3 marks)

Since Rs. 105 is the conversion price of debentures into equity shares and not the redemption price, the liability component is calculated @ Rs. 100 each only.

Journal Entry

	Rs.	*Rs.*
Bank Dr.	5,00,000	
To 8% Debentures (Liability component)		4,27,700
To 8% Debentures (Equity component)		72,300
(Being Debentures are initially recorded a fair value)		

(1 mark)

(2) At the time of repurchase of convertible debentures

The repurchase price is allocated as follows:

	Carrying Value @ 12%	**Fair Value @ 9%**	**Difference**
	Rs.	**Rs.**	**Rs.**
Liability component			
Present value of 2 remaining yearly interest payments of Rs. 40,000, discounted at 12% and 9%, respectively	67,600	70,360	
Present value of Rs. 5,00,000 due in 2 years, discounted at 12% and 9%, compounded yearly, respectively	3,98,500	4,21,000	
Liability component	4,66,100	4,91,360	(25,260)
Equity component (5,25,000 -4,91,360)	72,300	33,640*	38,660
Total	**5,38,400**	**5,25,000**	**13,400**

*(5,25,000 – 4,91,360) = 33,640 **(4 marks)**

Journal Entries

	Rs.	Rs.
8% Debentures (Liability component) Dr.	4,66,100	
Profit and loss A/c (Debt settlement expense) Dr.	25,260	
To Bank A/c		4,91,360
(Being the repurchase of the liability component recognised)		
8% Debentures (Equity component) Dr.	72,300	
To Bank A/c		33,640
To Reserves and Surplus A/c		38,660
(Being the cash paid for the equity component recognised)		

(2 marks)

ANSWER 5 A

Profit or loss under weighted average valuation are as follows: Rs. in million

	2017	**2016 (Restated)**
Revenue	324	296
Cost of sales	(168)	(159)
Gross profit	**156**	**137**
Expenses	(83)	(74)
Profit	**73**	**63**

(2 marks)

Statement of changes in equity (extract) Rs. in million

	Retained earnings	**Retained earnings (Original)**
At 1st April, 2015	**423**	**423**
Change in inventory valuation policy	10	-
At 1st April, 2015 (Restated)	**433**	**-**
Profit for 2015-2016	63	58
At 31st March, 2016	**496**	**481**
Profit for 2016-2017	73	68
At 31st March, 2017	**569**	**549**

(3 marks)

ANSWER 5 B

Segment revenues, results and other information

(Rs. in lakh)

	Revenue	**Coating**	**Others**	**Total**
1.	**External sales (gross)**	1,00,000	35,000	1,35,000

	Tax	(2,500)	(1,500)	(4,000)
	External sales (net)	97,500	33,500	1,31,000
	Other operating income	20,000	7,500	27,500
	Total Revenue	1,17,500	41,000	1,58,500
2.	**Results**			
	Segment results	5,000	2,000	7,000
	Unallocated income (net of unallocated expenses)			1,500
	Profit from operation before interest, taxation and exceptional items			8,500
	Interest and bank charges			(1,000)
	Profit before exceptional items			7,500
	Exceptional items			Nil
	Profit before taxation			7,500
	Less: Income Taxes			
	Current taxes			(975)
	Deferred taxes			(25)
	Profit after taxation			6,500
3.	*Other Information*			
(a)	*Assets*			
	Segment Assets	25,000	15,000	40,000
	Investments			5,000
	Unallocated assets			5,000
	Total Assets			50,000
(b)	*Liabilities/Shareholder's funds*			
	Segment liabilities	15,000	5,000	20,000
	Unallocated liabilities			10,000
	Share capital			5,000
	Reserves and surplus			15,000
	Total liabilities / shareholder's funds			50,000
(c)	*Others*			

	Capital Expenditure	2,500	1,000	3,500
	Depreciation	500	150	650

(8 marks)

(2) Geographical Information

			(Rs. in lakh)
	India	**Outside India**	**Total**
Revenue	1,43,500	15,000	1,58,500
Segment assets	35,000	5,000	40,000
Capital expenditure	3,500	-	3,500

Note: Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments.

(2 marks)

ANSWER 5 C.

Zed Ltd. has sold two products viz Deluxe bike and the extended warranty. Revenue earned on sale of each product should be recognised separately.

Calculation of Revenue attributable to both the components:

Total fair value of Deluxe bike and extended warranty (80,000+10,000)	Rs. 90,000
Less: Sale price of the Deluxe bike with extended warranty	(Rs. 87,300)
Discount	Rs. 2,700

Discount and revenue attributable to each component of the transaction:

Proportionate discount attributable to sale of Deluxe bike	Rs. 2,400 (2,700 x 80,000 / 90,000)
Revenue from sale of Deluxe bike (80,000 – 2,400)	**Rs. 77,600**
Proportionate discount attributable to extended warranty	Rs. 300 (2,700 x 10,000 / 90,000)
Revenue from extended warranty (10,000 - 300)	**Rs. 9,700**

Revenue in respect of sale of Deluxe bike of Rs. 77,600 should be recognised immediately and revenue from warranty of Rs. 9,700 should be recognised over the period of warranty ie. 2 years.

(5 marks)

ANSWER 6 A

Ind AS 38 specifically prohibits recognising advertising expenditure as an intangible asset. Irrespective of success probability in future, such expenses have to be recognized in profit or loss. Therefore, the treatment given by the accountant is correct since such costs should be recognised as expenses.

However, the costs should be recognised on an accruals basis.

Therefore, of the advertisements paid for before 31st March, 2018, Rs. 7,00,000 would be recognised as an expense and Rs. 1,00,000 as a pre-payment in the year ended 31st March 2018.

Rs. 4,00,000 cost of advertisements paid for since 31st March, 2018 would be charged as expenses in the year ended 31st March, 2019.

(4 marks)

ANSWER 6 B

A discontinued operation is one that is discontinued in the period or classified as held for sale at the year end. The operations of G Ltd were discontinued on 30th April 2018 and therefore, would be treated as discontinued operation for the year ending 31st March 2019. It does not meet the criteria for held for sale since the company is terminating its business and does not hold these for sale.

Accordingly, the results of G Ltd will be included on a line-by-line basis in the consolidated statement of comprehensive income as part of the profit from continuing operations of U Ltd for the year ending 31st March 2018.

As per para 72 of Ind AS 37 'Provisions, Contingent Liabilities and Contingent Assets', restructuring includes sale or termination of a line of business. A constructive obligation to restructure arises when:

(a) an entity has a detailed formal plan for the restructuring

(b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Board of directors of U Ltd have decided to terminate the operations of G Ltd. from 30th April 2018. They have made a formal announcement on 15th February 2018, thus creating a valid expectation that the termination will be implemented. This creates a constructive obligation on the company and requires provisions for restructuring.

A restructuring provision includes only the direct expenditures arising from the restructuring that are necessarily entailed by the restructuring and are not associated with the ongoing activities of the entity.

The termination payments fulfil the above condition. As per Ind AS 10 'Events after Reporting Date', events that provide additional evidence of conditions existing at the reporting date should be reflected in the financial statements. Therefore, the company should make a provision for Rs. 520 lakhs in this respect.

The relocation costs relate to the future conduct of the business and are not liabilities for restructuring at the end of the reporting period. Hence, these would be recognised on the same basis as if they arose independently of a restructuring.

The operating lease would be regarded as an onerous contract. A provision would be made at the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Hence, a provision shall be made for Rs. 410 lakhs.

Further operating losses relate to future events and do not form a part of the closure provision.

Therefore, the total provision required = Rs. 520 lakhs + Rs. 410 lakhs = Rs. 930 lakhs

(8 marks)

ANSWER 6 C

As per para 39 of Ind AS 7, the aggregate cash flows arising from obtaining control of subsidiary shall be presented separately and classified as investing activities.

As per para 42 of Ind AS 7, the aggregate amount of the cash paid or received as consideration for obtaining subsidiaries is reported in the statement of cash flows net of cash and cash equivalents acquired or disposed of as part of such transactions, events or changes in circumstances.

Further, investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

As per para 42A of Ind AS 7, cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financing activities, unless the subsidiary is held by an investment entity, as defined in Ind AS 110, and is required to be measured at fair value through profit or loss. Such transactions are accounted for as equity transactions and accordingly, the resulting cash flows are classified in the same way as other transactions with owners.

Considering the above, for the financial year ended March 31, 20 X2 total consideration of Rs. 15,00,000 less Rs. 250,000 will be shown under investing activities as " Acquisition of the subsidiary (net of cash acquired)".

There will not be any impact of issuance of equity shares as consideration in the cash flow statement however a proper disclosure shall be given elsewhere in the financial statements in a way that provides all the relevant information about the issuance of equity shares for non-cash consideration.

Further, in the statement of cash flows for the year ended March 31, 20 X3, cash consideration paid for the acquisition of additional 10% stake in Company B will be shown under financing activities.

(8 marks)