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CA FINAL

Test Code – JKN-GFR-21

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Answers

Case Study 1

1.1 (c)

1.2 (a)

1.3 (b)

1.4 (c)

1.5 (b)

1.6 On initial measurement, Entity X will measure the lease liability and ROU asset as under:

Year	Lease Payment s (USD)	Present Value factor *@ 5%	Present Value of Lease Payment	Conversion rate (spot rate)	INR value
1	10,000	0.95	9,524	68	6,47,618
2	10,000	0.91	9,070	68	6,16,780
3	10,000	0.86	8,638	68	5,87,410
4	10,000	0.82	8,227	68	5,59,438
5	10,000	0.78	7,834	68	5,32,798
Total			**43,295**		**29,44,044**
For simplicity the Present value factor is rounded of up to two places, however the calculation is done as per exact value.					

As per Ind AS 21, The Effects of Changes in Foreign Exchange Rates, monetary assets and liabilities are restated at each reporting date at the closing rate and the difference due to foreign exchange movement is recognised in profit and loss whereas non-monetary assets and liabilities carried measured in terms of historical cost in foreign currency are not restated.

Accordingly, the ROU asset in the given case being a non-monetary asset measured in terms of historical cost in foreign currency will not be restated but the lease liability being a monetary liability will be restated at each reporting date with the resultant difference being taken to profit and loss.

At the end of Year 1, the lease liability will be measured in terms of USD as under:

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Lease Liability:

Year	Initial Value (USD)	Lease Payment	Interest @5%	Closing Value (USD)
1	43,295	10,000	2,165	35,460

Interest at the rate of 5% will be accounted for in profit and loss at average rate of INR 69 (i.e., USD 2,165 *69) = INR 1,49,385

Interest Expense………………Dr. INR1,49,385
To Lease liability (INR 1,49,385)

Lease payment would be accounted for at the reporting date exchange rate, i.e. INR 70/- at the end of year 1

Lease liability………………………..Dr INR 700,000
To Cash INR 700,000

As per the guidance above under Ind AS 21, the lease liability will be restated using the reporting date exchange rate i.e., INR 70/- at the end of Year 1. Accordingly, the lease liability will be measured at INR 24,82,165 with the corresponding impact due to exchange rate movement of INR 88,736 (24,82,165 – (29,44,044 + 1,49,385 – 700,000) will be taken to profitand loss.

ROU asset will be measured during year 1 as follows:

Year	Opening Balance	Depreciation	Closing Balance
1	29,44,044	5,88,809	23,55,235

1.7 Classification

The investment property will be bifurcated for developing of units which will be sold in the ordinary course of business. Hence, the investment property will be reclassified as inventory on 1st January, 2019.

However, as per para 59 of Ind AS 40, transfers between investment property, owner- occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. Hence, the carrying value of the reclassified property as inventory will beRs. 40 crore only.

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Measurement

The additional costs of Rs. 12 crore for developing the units which were incurred up to and including 31st March, 2019 would be added to the cost of inventory to give a closing cost of Rs. 52 crore.

The total selling price of the units is expected to be Rs. 100 crore (10 units x Rs. 10 crore). Since the further costs to develop the units total Rs. 8 crore, the net realisable value of inventory (consisting of 10 units) would be Rs. 92 crore (Rs. 100 crore - Rs. 8 crore). The inventory (consisting of 10 units) will be measured at a cost of Rs. 52 crore (cost Rs. 52 crore or NRV Rs. 92 crore whichever is less).

Disclosure

"During the year, the operating lease has been cancelled with respect to investment property. On the date of cancellation of the operating lease, the company has started the process of bifurcating the property into 10 identical units of equal size to sell in the ordinary course of business. Hence, Rainbow Limited has reclassified as the property as inventory on the date of cancellation and measured it at the reporting date on cost or NRV whichever is less. The units are shown as inventory under current assets in the Balance Sheet."

1.8 Scenario A

Since the loan is repayable on demand, it has fair value equal to cash consideration given. Rainbow Ltd. and Canyons Ltd. should recognize financial asset and liability, respectively, at the amount of loan given (assuming that loan is repayable within a year). Upon, repayment, both the entities should reverse the entries that were made at the origination.

Journal entries in the books of Rainbow Ltd.

At origination		
BankA/c Dr. To Loan From CanyonsLtd A/c	Rs. 20,00,000	Rs. 20,00,000
On repayment		
Loan From CanyonsLtdA/c Dr. To Bank A/c	Rs. 20,00,000	Rs. 20,00,000

Journal entries in the books of Canyons Ltd.

At origination		
Loan to Rainbow Ltd A/c Dr.	Rs. 20,00,000	Rs.

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To Bank A/c		20,00,000
On repayment		
BankA/c Dr. To Loan to Rainbow Ltd Bank A/c	Rs. 20,00,000	Rs. 20,00,000

Scenario B

Applying the guidance in Ind AS 109 'Financial Instruments', a 'financial asset' shall be recorded at its fair value upon initial recognition. Fair value is normally the transaction price. However, if a long-term loan or receivable that carries no interest while similar instruments if exchanged between market participants carry interest, then fair value for such loan receivable will be lower from its transaction price owing to the loss of interest that the holder bears.

Both Rainbow Ltd. and Canyons Ltd. should recognise financial liability and Asset, respectively, at fair value on initial recognition, i.e., the present value of Rs. 20,00,000 payable at the end of 5 years using discounting factor of 12%. The difference between the loan amount and its fair value is treated as an Dividend Income from the subsidiary.

Journal entries in the books of Rainbow Ltd. (for one year)

At origination		
Bank A/c Dr. To Loan FromCanyonsLtd A/c (20,00,000 x 0.5674) To Dividend Income A/c	Rs. 20,00,000	 11,34,800 8,65,200
During periods to repayment- to recognise interest Year 1 – For Interest		
Interest Expense. A/c (Rs. 11,34,800 x 12%) Dr. To Loan FromCanyons A/c	Rs. 1,36,176	 Rs. 1,36,176
Transferring of interest to Profit and Loss		
Profit and LossA/c Dr. To Interest Expense. A/c	Rs. 1,36,176	 Rs. 1,36,176
Note: Interest needs to be recognised in Statement of profit and loss.		

Journal entries in the books of Canyons Ltd. (for one year)

At origination

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Particulars		Dr. (Rs.)	Cr. (Rs.)
Loan to Rainbow Ltd. A/c	Dr.	Rs.	
Dividend Distribution to Rainbow Ltd	Dr.	11,34,800	
To Bank A/c		8,65,200	20,00,000
During periods to repayment- to recognise interest			
Year 1			
Loan to Rainbow Ltd. A/c	Dr.	Rs. 1,36,176	
To Interest Income A/c			Rs. 1,36,176
Note: Further, there may be variation in figures on account of discounting factor taken.			

Case Study 2

2.1 **(b)**

2.2 **(a)**

2.3 **(d)**

2.4 **(d)**

2.5 **(b)**

2.6 Since the deposit is paid at the commencement of the lease, the difference between the present value of deposit and the amount of deposit paid will form the part of right of use asset and will be depreciated over the lease term.
Entity Makers Ltd. accounts for the deposit as follows:
On the date of lease commencement:

Security Deposit	Dr.	6,20,000	
ROU asset	Dr.	3,80,000	
To Bank			(10,00,000)
Years 1 to Year 5			
Depreciation	Dr.	76,000	
To ROU asset			(76,000)

Years 1			
Security Deposit	Dr.	62,092	
To Interest Income			(62,092)

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Years 2			
Security Deposit	Dr.	68,301	
To Interest Income			(68,301)
Years 3			
Security Deposit	Dr.	75,131	
To Interest Income			(75,131)
Years 4			
Security Deposit	Dr.	82,644	
To Interest Income			(82,644)
Years 5			
Security Deposit	Dr.	90,909	
To Interest Income			(90,909)
At the end of 5 years			
Bank	Dr.	10,00,000	
To Security Deposit			(10,00,000)

2.7 "A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease".

In accordance with above paragraph, Makers Ltd shall account for the modification in the lease contract as follows:

(i) Determine if the lease modification is to be accounted for a separate new lease

Because the change in pricing of the lease is not commensurate with the stand-alone price for the additional right-of-use asset, Makers Ltd does not account for the modification as a new lease, separate from the original 10-year lease.

(ii) Account for the modified lease

Makers Ltd accounts for the modified lease prospectively from the effective date of the modification, recognising the lease payments to be recd. under

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the modified lease of INR 750,000 (INR 150,000 × 5 years), net of Makers Ltd 's accrued rent asset of INR 76,331 (refer note 1), on a straight-line basis over the remaining 5-year lease term, i.e.

INR 673,669 ÷ 5 years = INR 134,734 per year

At the end of the lease, Makers Ltd will have recognised as lease income the INR 13,02,564 in lease payments it receives from lessee during the 10-year lease term.

Note 1

At the effective date of the modification (the beginning of Year 6), Makers Ltd has an accrued lease rental asset of INR 76,331 as follows:

Rental income recognised on a straight-line basis for the first 5 years of the lease [see (a) below]	628,895
Less: Lease payments received for the first 5 years [see (b) below]	552,564
	76,331

(a) INR 1,257,789 ÷ 10 years = INR 125,779 per year * 5

(b) Lease payments for the first 5 years

- **(i)** Year 1- INR 1,00,000
- **(ii)** Year 2- INR 1,05,000
- **(iii)** Year 3- INR 1,10,250
- **(iv)** Year 4- INR 1,15,763
- **(v)** Year 5- INR 1,21,551 Total INR 5,52,564

Year	Annual rental payment (A)	Straight lining of rent income (B)	Accrued lease rental asset recognised during the year (C=B–A)
Year 1	100,000	1,25,779	25,779
Year 2	105,000	1,25,779	20,779
Year 3	110,250	1,25,779	15,529
Year 4	115,763	1,25,779	10,016
Year 5	121,551	1,25,779	4,228
Year 6	127,628	1,25,779	-1,849
Year 7	134,010	1,25,779	-8,231
Year 8	140,710	1,25,779	-14,931
Year 9	147,746	1,25,779	-21,967
Year 10	155,132	1,25,779	-29,354
Total	**1,257,789**	**12,57,790**	**-**

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Accrued lease rental at the beginning of 6th year is INR 76,331 (25,779 + 20,779 + 15,529 + 10,016 + 4,228).

2.8

Computation of Goodwill / Capital reserve on consolidation as per Ind AS 103

Particulars	INR
Cost of investment:	
Share exchange (50,000 x 25)	12,50,000
Cash consideration	75,00,000
Contingent consideration	10,,00,000
Consideration transferred at date of acquisition [A]	97,50,000
Fair value of non-controlling interest at date of acquisition (1,00,000 x 35% x 12) [B]	4,20,000
Total [C] = [A] + [B]	1,01,70,000
Net assets acquired at date of acquisition [D]	(1,05,20,000)
Gain on Bargain Purchase [D] – [C]	3,50,000

In a business combination, acquisition-related costs (including stamp duty) are expensed in the period in which such costs are incurred and are not included as part of the consideration transferred. Therefore, Rs. 1,50,000 incurred by D Ltd. in relation to acquisition, will be ignored by Makers Ltd.

Journal entry at the date of acquisition by Makers Limited as per Ind AS 103

	Rs.	Rs.
Identifiable net assets Dr.	1,05,20,000	
To Equity share capital (50,000 x 10)		5,00,000
To Securities Premium (50,000 x 15)		7,50,000
To Cash		75,00,000
To Provision for contingent consideration to D Ltd.		10,00,000
To Non-controlling Interest		4,20,000
To Capital Reserve		3,50,000

Note: Since Rs. 1,50,000 is incurred by D Ltd., no entry is passed for it in the books of Makers Ltd.

Case Study 3

3.1 (a)

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3.2 (d)

3.3 (d)

Note: Since the question specifically asks for treatment of policy on return of Products and options mentioned are on the basis of Ind AS 37, the above answer has been given strictly on the basis of the options provided. However, after issuance of Ind AS 115, sales revenue shall be recognised after adjusting estimate of refund as per company's past practice (considering it as a variable element). In such a case, no question of creating a provision shall arise.

3.4 (c)

3.5 (a)

3.6 Basic EPS as on 31.3.2015 = Rs. 600 million/500 = Rs.1.20
Diluted EPS as on 31.3.2015 = Rs.623.10 million/525 = Rs.1.19
Basic EPS as on 31.3.2016 = Rs.800 million/500 = Rs.1.60
Diluted EPS as on 31.3.2016 = Rs.892.40 million/600 = Rs.1.49

Notes:

Rs.in million

(1) Adjustment to earnings available to equity holders	**31.3.2016**	**31.3.2015**
PAT	800.00	600.00
Add Interest	120.00	30.00
Deduct Tax effect (5)23% an interest	–27.60	–6.90
Adjusted earnings	**892.40**	**623.10**
(2) Adjustment to weighted average No. of shares	**31.3.2016**	**31.3.2015**
Outstanding shares at the beginning of the year	500	500
Outstanding shares at the end of the year	500	500
Weighted average number of shares	500	500
Adjustments for shares to be issued on conversion of convertible debentures assuming all convertible debentures are converted into equity shares	100	25
Weighted average number of shares plus potential shares	**600**	**525 [(500 x 9 + 600 x 3)]/**

3.7

Balance Sheet (Extract)

Financial assets	**Amt. (Rs.)**

Interest rate options (WN 1)	15,250
6% Debentures in Y Ltd. (WN2)	1,53,000
Shares in X Ltd.	1,87,500

Profit and loss account (Extract)

Finance income:	**Amt. (Rs.)**
Gain on interest rate option (WN I)	5,250
Effective interest on 6% debentures (WN2)	12,000
OCI	
Fair Value Gain (Without Recycling)	12,500

(2) **Debentures:** On the basis of the information provided, this can he treated as a held to-maturity investment.

Initial measurement (at fair value)

Financial assets Dr. Rs. 1,50,000

To Cash Rs. 1,50,000

At 31st Mar-2020 (amortized cost)

Financial assets (Rs. 1,50,000 x 8%) Dr. Rs. 12,000

To Finance Income Rs. 12,000

Cash (Rs. 1,50,000x 6%) Dr. Rs. 9,000

To Finance asset Rs. 9,000

Amortized cost at 31st Mar- 2020

(1,50,000 +12,000-9,000)= Rs. 1,53,000

(3) **Shares:** These are treated as FVTPL (share cannot normally be held to maturity and they are clearly not loans or receivables)

Initial measurement (at fair value)

Financial asset (50,000 x Rs. 3.5) Dr. Rs. 1,75,000

To Cash Rs.1,75,000

31st Mar-2020 (re-measured to fair value)

Financial asset (50,000 xRs. 3.75) -Rs. 1,75,000 Dr. Rs. 12,500

TO OCI Rs. 12,500

3.8 As per paragraph 41 of Ind AS 8, errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements.

Financial statements do not comply with Ind AS if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are approved for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequentperiod.

Issue 1

In accordance with para 41, the reclassification of liabilities from non-current to current would be considered as correction of an error under Ind AS 8. Accordingly, in the financial statements for the year ended 31st March, 2020, the comparative amounts as at 31st March 2019 would be restated to reflect the correctclassification.

Ind AS 1 requires an entity to present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements, if, inter alia, it makes a retrospective restatement of items in its financial statements and the restatementhas a material effect on the information in the balance sheet at the beginning of the preceding period. Accordingly, the entity should present a third balance sheet as at the beginning of the preceding period, i.e., as at 1st April, 2018 in addition to the comparatives for the financial year2017-2018.

Issue 2

In accordance with para41, the reclassification of expenses from finance costs to other expenses would be considered as correction of an error under Ind AS 8. Accordingly, inthe financial statements for the year ended 31st March, 2020, the comparative amounts for theyearended31st March,2019wouldberestatedtoreflectthecorrectclassification.

Ind AS 1 requires an entity to present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements if, inter alia, it makes a retrospective restatement of items in its financial statements and the restatement has a material effect on the information in the balance sheet at the beginning of the precedingperiod.

In the given case, the retrospective restatement of relevant items in statement of profit and loss has no effect on the information in the balance sheet at the beginning of the preceding period (1st April, 2018). Therefore, the entity is not required to present a third balance sheet.

Case Study 4

4.1 (a)

4.2 (b)

4.3 (b)

4.4 (a)

4.5 (b)

4.6 **Notes to Accounts for adjustments on account of variable components:**

Contract Value		xxxxxxx
Adjustments on account of variable components:		
Less: Attrition Penalty	(4,83,02,719)	
Add: Performance Bonus	4,68,89,521	
Net adjustments		(14,13,198)

(1 Mark)

Working Note: (not part of disclosure)

Quarter (1)	Billable hours in ODC (2)	ODC invoice amount (3)	Performance Bonus (4)	Attrition Penalty (5)
1	160 x 500 x 3 = 2,40,000	240000 x 27.5 x 65 = 42,90,00,000	Not eligible	42,90,00,000 x 3.5% = 150,15,000
2	2,62,319 (as per final approval)	2,62,319 x 27.5 x 65 = 46,88,95,213	(3) x 10% = 4,68,89,521	Not liable
3	160 x 500 x 3 = 2,40,000	2,40,000 x 27.5 x 65 = 42,90,00,000	Not eligible	42,90,00,000 x 4.5% = 193,05,000
4	2,23,500 (as per final approval)	2,23,500 x 27.5 x 65 = 39,95,06,250	Not eligible	39,95,06,250 x 3.5% = 139,82,719
		1,72,64,01,463	**4,68,89,521**	**483,02,719**

(5 Marks)

4.7

Since invoice cannot be raised without final approval, the bonus element can't be treated as revenue. However, based on the substance of the case, the company can treat the same as unbilled revenue and show it as part of current assets in the balance sheet as on the end of Quarter 2 Financial Year 2019-2020. However, the unbilled amount and final billed revenue may vary since Kapsch many times approve less hours then the hours approved by SasTech.

(1 Mark)

Facts of the case:

There's a contractual right of the company to be entitled for performance bonus since the

company has in-principle satisfied the basic condition and thus has fulfilled its performance obligation under the contract.

(1 Mark)

Requirement of relevant IFRS:

Para 105 of IFRS 15, when either party to the contract has performed, an entity shall present the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. An entity shall present any unconditional rights to consideration separately as a receivable.

(1 Mark)

Application and justification:

Since the company has already provided the services and met the basic conditions of eligibility for performance bonus the same can be recognized as unbilled revenue. The act of getting the formal approval is only a matter of time and hence does not impair the substance of the case. As per the principles of IFRS 15, the company has fulfilled its performance obligations by rendering the required services to the customer and also satisfied the criteria for performance bonus by keeping the attrition lower than the threshold and also by making its employees more than the standard number of working hours.

(1 Mark)

4.8

Segment Information: Special Contracts:

This segment consists of contracts with customers which have special performance obligations which are different from other contracts in terms of nature, timing, amount and certainty of revenues and cash flows from the contracts.

Particulars	Rs. in Crores
Segment Revenue	181.08
Segment Assets	1.29
Segment Liabilities	1.40

(2 Marks)

Working Notes (not part of disclosure)

a. Segment Revenue

Onsite 10 (FTEs) x 12 (months) x USD 11,000 x 65 (Rs. per USD) =		858,00,000
ODC (as per working notes in answer for Q.6 above) –		
Invoice Value	Rs. 172.64 crore	
Less: Adjustments (net) on account of variable components	(Rs. 0.14 Crore)	
Net ODC revenue (as per para 50-54 of IFRS 15)		Rs. 172.50 Crore
Total Contract Revenue		Rs. 181.08 Crore

(2 Marks)

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b. Segment Assets refer to ODC's carrying value of assets as given in the case i. e Rs. 129 lacs.

Segment liability is the provision for Attrition Penalty for Q4FY19-20 which has been worked out as per working notes in answer for Q.6 above ie. 1,39,82,719

(1 Mark)

Case Study 5

5.1 (c)

5.2 (d)

5.3 (c)

5.4 (b)

5.5 (a)

5.6

Fair Value of securitised component of the loan **(1 Mark)**

	Rs.	Rs.
Fair value of loan		11,000
Less: Fair value of servicing asset	350	
Fair value of interest strip	650	1,000
Fair value of securitised component of loan		10,000

Apportionment of carrying amount based on relative fair values

Particulars	**Fair Values**	**% age based on Total Fair Value**	**Carrying Amount / Cost**
Securitised component of loan	10,000	90.91	9,091
Servicing Asset	350	3.18	318
Interest Strip Receivable	650	5.91	591
	11,000	100	10,000

(2 Marks)

3.	**The profit arising on securitisation should be computed as follows:**	Rs.
	Net proceeds of securitisation	10,000
	Less: Cost (apportioned carrying amount) of securitised component of loan	9,091

	Profit on securitisation	909

(1 Mark)

4.	**Based on the above, the following journal entries would be passed in the books of the Originator:**			
			Rs.	Rs.
(a)	To record securitisation of principal plus right to 14% interest			
	Cash A/c	Dr.	10,000	
	To Loans A/c (cost of securitised component)			9,091
	To Profit on Securitisation			909
(b)	To record the creation of servicing asset and interest strip receivable			
	Servicing asset A/c	Dr.	318	
	Interest strip A/c	Dr.	591	
	To Loans A/c			909

(2 Marks)

5.7

Calculation of loss rate approach

Group	Number of loans	Estimated per client gross carrying amount at default	Total estimated gross carrying amount at default	Historic per annum average defaults	Estimated total gross carrying amount at default	Present value of observed loss*	Loss rate
	A	B	C = A x B	D	E = B x D	F	G = F / C
Individual	1,000	2,000	20,00,000	4	8,000	7,272	0.36%
Non-Individual	1,000	3,000	30,00,000	2	6,000	5,454	0.18%

* Expected credit losses have been discounted using the effective interest rate at 10%.

(4 Marks)

5.8

Hedge accounting may be helpful to Main Bank's corporate clients:

Corporates regularly enter into derivatives (mainly forward contracts and options) to manage the volatility on their cash inflows / outflows which may arise typically from

forecast sale or purchase transactions. A purchase order placed for import of materials or assets (or, purchase order received for export transactions), is typically a trigger for a company to enter into a foreign exchange derivative (such as a forward or option). This helps the company to protect any ups and downs in the currency markets and lock in the value of sale or purchase and thereby protect the revenues and limit the costs. This is commonly known as economic hedging.

While these purchase and sale transactions will happen in future and are (rightly) not yet accounted for in the books of account, the derivative contract must be measured at fair value through profit and loss account. Any gains and losses must be recognized. However, the offsetting purchase or sale is yet to happen and there is no matching loss or gain. Therefore, there is a misconception that derivatives cause volatility.

In order to mitigate this, may entities choose to reflect their economic hedging activity in the books of account by adopting hedge account. In order to defer the gains and losses arising from the fair value movement of a derivative and match the timing of gains and losses to the appropriate asset / liability or receivable / payable, entities need to comply with the requirements of hedge accounting as described in Ind AS 109. These include detailed risk management policies, hedge documentation with the qualifying criteria, effectiveness testing and measurement of ineffectiveness.

In respect of External Commercial Borrowings (ECB loans), the variable rate loan and the floating-to-fixed interest rate swap are often structured with the same contract. In line with the offsetting requirements of Ind AS 109, these would be considered as two separate instruments – i.e. the borrowing separately and the interest rate swap separately and accounted for at amortised cost and FVTPL respectively. Once again, in order to mitigate the mismatch in the measurement basis of the two instruments, it would be beneficial for a company to adopt hedge accounting. This would also mean that the finance cost line item in the company's profit and loss would effectively comprise the variable rate interest expense and the fair value gains / losses from the interest rate swap.

Requirements of CVA and DVA for derivative contracts:

Assets and liabilities managed by an entity would be affected by its market risk i.e., interest rate risk, currency risk and credit risk relating to its respective counterparties. In respect of derivatives, as provided by Ind AS 113, entities need to consider the non-performance risk and credit risk of both counterparties involved. Valuation techniques include the use of credit valuation adjustment and other internal / external information in order to arrive at the credit valuation adjustment and debit valuation adjustment (CVA and DVA) for derivatives. Accordingly, the fair value of a derivative in accordance with Ind AS 113 is determined after considering CVA and DVA.

(5 Marks)

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