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ANSWER 1(A)

Calculation of Basic Earning Per Share

$$\textbf{Basic EPS} = \frac{\text{Net Profit for the current year}}{\text{No. of Equity Shares}}$$

$$= \frac{2,50,00,000}{50,00,000}$$

Basic EPS per share = Rs. 5

Calculation of Diluted Earning Per Share

$$\textbf{Diluted EPS} = \frac{\text{Adjusted net profit for the current year}}{\text{Weighted average no. of Equity Shares}}$$

Adjusted net profit for the current year	Rs.
Net profit for the current year	2,50,00,000
Add: Interest expenses for the current year	6,00,000
Less: Tax saving relating to interest Expenses	(1,80,000)
	2,54,20,000

No. of equity shares resulting from conversion of debentures: 4,00,000 Shares

Weighted average no. of equity shares used to compute diluted EPS: (50,00,000 + 4,00,000) = 54,00,000 Equity Shares

Diluted earnings per share: (2,54,20,000/54,00,000) = Rs. 4.71 (Approx.)

(5 Marks)

ANSWER 1(B)

(i) Suit filed against the company is a contingent liability but it was not existing as on balance sheet date as the suit was filed on 20th April after the balance Sheet date. As per AS 4, 'Contingencies' used in the Standard is restricted to conditions or situations at the balance sheet date, the financial effect of which is to be determined by future events which may or may not occur. Hence, it will have no effect on financial statements and will be a non-adjusting event.

(ii) In the given case, terms and conditions for acquisition of business were finalised and carried out before the closure of the books of accounts but transaction for payment of financial resources was effected in April, 2018. This is clearly an event occuring after the balance sheet date. Hence, necessary adjustment to assets and liabilities for acquisition of business is necessary in the financial statements for the year ended 31st March 2018.

(iii) Only those significant events which occur between the balance sheet date and the date on which the financial statements are approved, may indicate the need for adjustment to assets and liabilities existing on the balance sheet date or may require disclosure. In the given case, theft of cash was detected on 16th July, 18 after approval of financial statements by the Board of Directors, hence no treatment is required.

(iv) Adjustments to assets and liabilities are not appropriate for events occurring after the balance sheet date, if such events do not relate to conditions existing at the balance sheet date. In the given case, sale of immovable property was under proposal stage (negotiations also not started) on the balance sheet date. Therefore, no adjustment to assets for sale of immovable property is required in the financial statements for the year ended 31st March, 2018.

(v) The condition of fire occurrence was not existing on the balance sheet date. Only the disclosure regarding event of fire and loss being completely insured may be given in the report of approving authority.

(5 Marks)

ANSWER 1(C)

As per AS 7 on 'Construction Contracts', when a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when:

(a) separate proposals have been submitted for each asset;

(b) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and

(c) the costs and revenues of each asset can be identified.

In the given case, each outlet is submitted as a separate proposal to different Zonal Office, which can be separately negotiated, and costs and revenues thereof can be separately identified. Hence, each asset will be treated as a "single contract" even if there is one document of contract.

Therefore, four separate contract accounts have to be recorded and maintained in the books of X Ltd. For each contract, principles of revenue and cost recognition have to be applied separately and net income will be determined for each asset as per AS7.

(5 Marks)

ANSWER 1(D)

(i) Annual lease rent

Total lease rent

$$= 130\% \text{ of Rs. } 1,50,000 \times \frac{\text{Output during lease period}}{\text{Total output}}$$

= 130% of Rs. 1,50,000 x (40,000 +50,000+ 60,000)/(40,000 + 50,000 + 60,000 + 80,000 + 70,000)

= 1,95,000 x 1,50,000 units/3,00,000 units = Rs. 97,500

Annual lease rent = Rs. 97,500 / 3 = Rs. 32,500

(ii) Lease rent Income to be recognized in each operating year

Total lease rent should be recognized as income in proportion of output during lease period, i.e. in the proportion of 40 : 50 : 60.

Hence income recognized in years 1, 2 and 3 will be as:

Year 1 Rs. 26,000,

Year 2 Rs. 32,500 and

Year 3 Rs. 39,000.

(5 Marks)

ANSWER 2(A)

Consolidated Profit & Loss Account of A Ltd. and its subsidiary B Ltd.

for the year ended on 31st March, 2020

Particulars		*Note No.*	*Rs. in Lacs*
I.	Revenue from operations	1	8,797
II.	Total revenue		8,797
III.	Expenses		
	Cost of Material purchased/consumed	3	1,770
	Changes of Inventories of finished goods	2	(1,794)
	Employee benefit expense	4	1,425

	Finance cost	6	225
	Depreciation and amortization expense	7	225
	Other expenses	5	802
	Total expenses		2,653
IV.	Profit before Tax(II-III)		6,144
V.	Tax Expenses	8	2,100
VI.	Profit After Tax		4,044

(8 Marks)

Notes to Accounts

		Rs. in Lacs	*Rs. in Lacs*
1.	Revenue from Operations		
	Sales and other income		
	A Ltd.	7,500	
	B Ltd.	1,500	
		9,000	
	Less: Inter-company Sales	(180)	
	Consultancy fees received by A Ltd. from B Ltd.	(8)	
	Commission received by B Ltd. from A Ltd.	(15)	8,797
2.	Increase in Inventory		
	A Ltd.	1,500	
	B Ltd.	300	
		1,800	
	Less: Unrealized profits Rs. 180×1/6 x 25/125	(6)	1,794
3.	Cost of Material purchased/consumed		
	A Ltd.	1,200	
	B Ltd.	300	
		1,500	
	Less: Purchases by B Ltd. from A Ltd.	(180)	1,320
	Direct Expenses		
	A Ltd.	300	
	B Ltd.	150	450
			1,770
4.	Employee benefits and expenses		
	Wages and Salaries:		
	A Ltd.	1,200	
	B Ltd.	225	1,425
5.	Other Expenses		
	Administrative Expenses		
	A Ltd.	300	
	B Ltd.	150	
		450	
	Less: Consultancy fees received by A Ltd. from B Ltd.	(8)	442
	Selling and Distribution Expenses:		

	A Ltd.	300	
	B Ltd.	75	
		375	
	Less: Commission received from B Ltd. from A Ltd.	(15)	360
			802
6.	Finance Cost		
	Interest:		
	A Ltd.	150	
	B Ltd.	75	225
7.	Depreciation and Amortization		
	Depreciation:		
	A Ltd.	150	
	B Ltd.	75	225
8.	Provision for tax		
	A Ltd.	1800	
	B Ltd.	300	2100

(7 Marks)

ANSWER 2(B)

Calculation of Total Remuneration payable to Liquidator

		Amount in Rs.
2% on Assets realised	25,00,000 x 2%	50,000
3% on payment made to Preferential creditors	75,000 x 3%	2,250
3% on payment made to Unsecured creditors (Refer W.N)		39,255
Total Remuneration payable to Liquidator		91,505

(3 Marks)

Working Note:

Liquidator's remuneration on payment to unsecured creditors =

Cash available for unsecured creditors after all payments including liquidation expenses, payment to secured creditors, preferential creditors & liquidator's remuneration

= Rs. 25,00,000 – Rs. 25,000 – Rs. 10,00,000 – Rs. 75,000 – Rs. 50,000 – Rs. 2,250 = Rs. 13,47,750.

Liquidator's remuneration on payment to unsecured creditors = 3/103 x Rs. 13,47,750 = Rs. 39,255

(2 Marks)

ANSWER 3(A)

Determination of maximum no. of shares that can be bought back as per the Companies Act, 2013

1. **Shares Outstanding Test**

Particulars	*(Shares)*
Number of shares outstanding	1,70,000
25% of the shares outstanding	42,500

(1 mark)

2. **Resources Test: Maximum permitted limit 25% of Equity paid up capital + Free Reserves**

Particulars	
Paid up capital (Rs.)	17,00,000
Free reserves (Rs.) (23,50,000 + 2,50,000 + 2,00,000)	28,00,000
Shareholders' funds (Rs.)	45,00,000
25% of Shareholders fund (Rs.)	11,25,000
Buy back price per share	Rs. 30
Number of shares that can be bought back (shares)	37,500
Actual Number of shares proposed for buy back	35,000

(3 Marks)

3. **Debt Equity Ratio Test: Loans cannot be in excess of twice the Equity Shareholder's Funds post Buy Back**

	Particulars	Rs.
(a)	Loan funds (Rs.) (22,50,000+8,50,000+15,50,000)	46,50,000
(b)	Minimum equity to be maintained after buy back in the ratio of 2:1 (Rs.) (a/2)	23,25,000
(c)	Present equity/shareholders fund (Rs.)	45,00,000
(d)	Future equity/shareholders fund (Rs.) (see W.N.) (45,00,000 – 5,43,750)	39,56,250*
(e)	Maximum permitted buy back of Equity (Rs.) [(d) – (b)]	16,31,250
(f)	Maximum number of shares that can be bought back @ Rs. 30 per share	54,375 shares
(g)	Actual Buy Back Proposed	35,000 Shares

(3 Marks)

Summary statement determining the maximum number of shares to be bought back

Particulars	Number of shares
Shares Outstanding Test	42,500
Resources Test	37,500
Debt Equity Ratio Test	54,375
Maximum number of shares that can be bought back [least of the above]	37,500

Company qualifies all tests for buy-back of shares and it can buy back maximum 37,500 shares on 1st April, 2018.

However, company wants to buy-back only 35,000 equity shares @ Rs. 30. Therefore, buy-back of 35,000 shares, as desired by the company is within the provisions of the Companies Act, 2013.

(2 Marks)

Working Note:

Amount transferred to CRR and maximum equity to be bought back will be calculated by simultaneous equation method.

Suppose amount transferred to CRR account is 'x' and maximum permitted buy-back of equity is 'y'.

Then

$(45,00,000 - x) - 23,25,000 = y$ (1)

$\left(\frac{y}{30} \times 10\right) = x$ Or $3x = y$ (2)

by solving the above equation, we get

x = Rs. 5,43,750

y = Rs. 16,31,250

(1 Mark)

**As per Section 68 (2) (d) of the Companies Act 2013, the ratio of debt owed by the company should not be more than twice the capital and its free reserves after such buy-back. Further under Section 69 (1), on buy-back of shares out of free reserves a sum equal to the nominal value of the share bought back shall be transferred to Capital Redemption Reserve (CRR). As per section 69 (2) utilization of CRR is restricted to fully paying up unissued shares of the Company which are to be issued as fully pai d-up bonus shares only. It means CRR is not available for distribution as dividend. Hence, CRR is not a free reserve. Therefore, for calculation of future equity i.e. share capital and free reserves, amount transferred to CRR on buy-back has to be excluded from the present equity.*

ANSWER 3(B)

(i) Journal Entries in the Books of VT Ltd.

		Dr. Rs.	*Cr.* Rs.
Fixed Assets	Dr.	2,10,000	
To Revaluation Reserve			2,10,000
(Revaluation of fixed assets at 15% above book value)			
Reserve and Surplus	Dr.	1,20,000	
To Equity Dividend			1,20,000
(Declaration of equity dividend @ 10%)			
Equity Dividend	Dr.	1,20,000	
To Bank Account			1,20,000
(Payment of equity dividend)			
Business Purchase Account	Dr.	9,80,000	
To Liquidator of MG Ltd.			9,80,000
(Consideration payable for the business taken over from MG Ltd.)			
Fixed Assets (115% of Rs. 5,00,000)	Dr.	5,75,000	
Inventory (95% of Rs. 6,40,000)	Dr.	6,08,000	
Debtors	Dr.	3,80,000	
Bills Receivable	Dr.	40,000	
Investment	Dr.	1,60,000	
Cash at Bank	Dr.	20,000	
(Rs. 80,000 –Rs. 60,000 dividend paid)			
To Provision for Bad Debts (5% of Rs. 3,80,000)			19,000
To Sundry Creditors			2,50,000
To 12% Debentures in MG Ltd.			3,24,000
To Bills Payable			50,000
To Business Purchase Account			9,80,000
To Capital Reserve (Balancing figure)			1,60,000
(Incorporation of various assets and liabilities taken over from MG Ltd. at agreed values and difference of net assets and purchase consideration being credited to capital reserve)			

Liquidator of MG Ltd.	Dr.	9,80,000	
To Equity Share Capital			8,00,000
To 10% Preference Share Capital			1,80,000
(Discharge of consideration for MG Ltd.'s business)			
12% Debentures in MG Ltd. (Rs. 3,00,000 × 108%)	Dr.	3,24,000	
Discount on Issue of Debentures	Dr.	36,000	
To 12% Debentures			3,60,000
(Allotment of 12% Debentures to debenture holders of MG Ltd. at a discount of 10%)			
Sundry Creditors	Dr.	20,000	
To Sundry Debtors			20,000
(Cancellation of mutual owing)			
Goodwill	Dr.	60,000	
To Bank			60,000
(Being liquidation expenses reimbursed to MG Ltd.)			
Capital Reserve/P&L A/c	Dr.	60,000	
To Goodwill			60,000
(Being goodwill set off)			

(8 Marks)

(ii) Statement of Consideration payable by VT Ltd. for 60,000 shares (payment method)

Shares to be allotted 60,000/12 × 16 = 80,000 shares of VT Ltd.

Issued 80,000 shares of Rs. 10 each i.e. Rs. 8,00,000 (i)

For 10% preference shares, to be paid at 10% discount

Rs. 2,00,000x 90/100 Rs. 1,80,000 (ii)

Consideration amount [(i) + (ii)] Rs. 9,80,000

(2 Marks)

ANSWER 4(A)

Realization Account

		Rs.			Rs.
To	Land and Building	90,000	By	Provision for bad debts	4,000
To	Plant and Machinery	30,000	By	Loan from D	80,000
To	Furniture	17,000	By	Trade creditors	20,000
To	Investments	10,000	By	Bills payable	8,000
To	Book debts	40,000	By	Outstanding salary	5,000
To	Stock	24,000	By	R - Furniture taken over (9,000 x 0.9)	8,100
To	Bank (Realization expenses)	10,000	By	Bank A/c	
				Stock Realized 28,800	
To	P – Realization expenses	2,000		Land & Building 1,10,000	

				Debtors	32,000	1,70,800
To	Bank A/c -					
	Bill payable	7,960	By	P (Investment taken over)		8,500
	D's Loan	5,000				
	D's Loan	36,000				
	Creditors	12,000				
	Salary	5,000				
To	Profit trs/f to partners' capital Accounts					
	P 6,176					
	Q 6,176					
	R 3,088	15,440				
		3,04,400				3,04,400

(5 Marks)

Bank Account

		Rs.			Rs.
To	Balance b/d	9,000	By	Realization A/c (payment of liabilities: 7,960+ 5,000 + 36,000 + 10,000 + 12,000 + 5,000)	75,960
To	Realization A/c (assets realized)	1,70,800	By	P	52,876
To	R	8,412	By	Q	59,376
		1,88,212			1,88,212

(2 Marks)

Partners' Capital Accounts

		P	Q	R			P	Q	R
		Rs.	Rs.	Rs.			Rs.	Rs.	Rs.
To	Balance b/d.			20,000	By	Balance b/d	40,000	40,000	
To	Realization A/c (Investment taken over)	8,500			By	R's Loan			10,000
					By	General Reserve	13,200	13,200	6,600
To	Realization A/c (Furniture taken over)			8,100	By	Realization A/c (expense)	2,000		
To	Bank A/c	52,876	59,376		By	Realization A/c (profit)	6,176	6,176	3,088
					By	Bank			8,412
		61,376	59,376	28,100			61,376	59,376	28,100

(4 Marks)

Working Notes:

1. Payment for Bills Payable

Particulars	Amount (Rs.)
Bills Payable as per Balance Sheet	8,000.00
Less: Discount for early payment {8,000 x 6% x (1/12)}	40.00
Amount Paid in Cash	7,960.00

2. Payment for D's Loan

Particulars	Amount (Rs.)
D's Loan as per Balance Sheet	80,000.00
50% of Loan adjusted as below:	
Plant & Machinery accepted at Book Value (Rs. 30,000) and Rs. 5,000 in cash.	5,000.00
Balance 50% of Loan adjusted as below:	
In cash after allowing discount of 10% i.e. Rs. 40,000 – Rs. 4,000 = Rs. 36,000.	36,000.00

3. Payment to Trade Creditors

Particulars	Amount (Rs.)
Trade Creditors as per Balance Sheet	20,000.00
Less: Furniture of Book Value Rs. 8,000 accepted at value Rs. 7,200	7,200.00
	12,800.00
Less: Discount @ 6.25%	800.00
Amount paid in Cash	12,000.00

4. Furniture taken over by R

Particulars	Amount (Rs.)
Furniture as per Balance Sheet	17,000.00
Less: Furniture of Book Value Rs. 8000 accepted by trade creditors	8,000.00
	9,000.00
Less: 10% of Book Value	900.00
Value of Furniture taken over by R	8,100.00

(4 × 1 mark = 4 Marks)

ANSWER 4(B)

Fair value of an option = Rs. 67(considered on grant date) – Rs. 60 = Rs. 7

Number of shares issued = 600 employees x 150 shares/employee = 90,000 shares

Fair value of ESOP = 90,000 shares x Rs. 7 = Rs. 6,30,000

Vesting period = 1 year

Expenses recognized in 2018-19 = Rs. 6,30,000

(2 Marks)

Date	Particulars		Rs.	Rs.
31.03.2019	Bank (90,000 shares x Rs. 60)	Dr.	54,00,000	
	Employees stock compensation expense A/c	Dr.	6,30,000	
	To Share Capital (90,000 shares x Rs. 10)			9,00,000
	To Securities Premium (90,000shares xRs. 57) (Being option accepted by 600 employees & payment made @ Rs. 60 per share)			51,30,000
	Profit & Loss A/c	Dr.	6,30,000	

	To Employees stock compensation expense A/c (Being Employees stock compensation expense transferred to Profit & Loss A/c)		6,30,000

(3 Marks)

ANSWER 5(A)

Indus Bank Limited

Profit & Loss Account for the year ended 31st March, 2020

		Schedule	Rs. '000s
I.	Income		
	Interest earned	13	8,971
	Other income	14	2,419
	Total		11,390
II.	Expenditure		
	Interest expended	15	4,120
	Operating expenses	16	3,703
	Provisions (Refer W.N.)		1,013.8
	Total		8,836.8
III.	Profit/Loss		2,553.20

(3 Marks)

Schedule 13 – Interest Earned

	Rs. '000s
Interest / discount on advances / bills	
Interest on term loans [2,550- (731-238)]	2,057
Interest on cash credits and overdrafts (5,663-923)	4,740
Income on investments	2,174
	8,971
Note: Interest on non-performing assets is recognized on receipt basis.	

(1 Mark)

Schedule 14 – Other Income

	Rs. '000s
Commission, exchange and brokerage	201
Profit on sale of investments	1,876
Profit on revaluation of investments	342
	2,419

(1 Mark)

Schedule 15 – Interest Expended

	Rs. '000s
Interest on deposits	4120

(0.5 Mark)

Schedule 16 – Operating Expenses

	Rs. '000s
Payments to and provision for employees - salaries, bonus and allowances	2,745
Rent, taxes and lighting	385
Printing & stationery	62

Director's fee, allowances and expenses	313
Depreciation Charges	99
Repairs & maintenance	56
Insurance	43
	3703

(3 Marks)

Working notes

Provisions		Rs. '000s
Provision for standard and non-performing assets		
Standard (4,700 x 0.4%)		18.8
Sub-standard (1900 x 15%)		285
Doubtful (400 x 100%)		400
Doubtful (40 x25%)		10
Loss assets (300 x 100%)		300
		1,013.8

(1.5 Marks)

ANSWER 5(B)

Journal Entries in the books of SK Ltd.

			Rs. '000	*Rs. '000*
(i)	Equity share capital (Rs. 10) A/c	Dr.	35,000	
	To Equity Share Capital (Rs. 4) A/c			14,000
	To Capital Reduction A/c			21,000
	(Being conversion of equity share capital of Rs. 10 each into Rs. 4 each as per reconstruction scheme)			
(ii)	8% Cumulative Preference Share capital (Rs. 100) A/c Dr.		17,500	
	To 8% Cumulative Preference Share Capital (Rs. 60) A/c			10,500
	To Capital Reduction A/c			7,000
	(Being conversion of 6% cumulative preference shares capital of Rs. 100 each into Rs. 60 each as per reconstruction scheme)			
(iii)	6% Debentures (Rs. 100) A/c	Dr.	14,000	
	To 9% Debentures (Rs. 80) A/c			11,200
	To Capital Reduction A/c			2,800
	(Being 9% debentures of Rs. 80 each issued to existing 6% debenture holders. The balance transferred to capital reduction account as per reconstruction scheme)			
(iv)	Sundry Creditors A/c	Dr.	7,000	
	To Equity Share Capital (Rs. 4) A/c			3,500
	To Capital Reduction A/c			3,500
	(Being a creditor of Rs. 70,00,000 agreed to surrender his claim by 50% and was allotted 8,75,000 equity shares of Rs. 4 each in full settlement of his dues as per reconstruction scheme)			
(v)	Provision for Taxation A/c	Dr.	350	
	Capital Reduction A/c	Dr.	175	
	To Liability for Taxation A/c			525

	(Being conversion of the provision for taxation into liability for taxation for settlement of the amount due)		
(vi)	Liability for Taxation A/c Dr.	525	
	To Current Assets (Bank A/c)		525
	(Being the payment of tax liability)		
(vii)	Capital Reduction A/c Dr.	34,125	
	To P & L A/c		2,100
	To Fixed Assets A/c		8,750
	To Current Assets A/c		18,725
	To Investments A/c		175
	To Capital Reserve A/c (Bal. fig.)		4,375
	(Being amount of Capital Reduction utilized in writing off P & L A/c (Dr.) Balance, Fixed Assets, Current Assets, Investments and the Balance transferred to Capital Reserve)		

(8 Marks)

Working Note:

Capital Reduction Account

To	Liability for taxation A/c	175	By	Equity share capital	21,000
To	P & L A/c	2,100	By	8% Cumulative preferences Share capital	7,000
To	Fixed Assets	8,750			
To	Current assets	18,725	By	6% Debentures	2,800
To	Investment	175	By	Sundry creditors	3,500
To	Capital Reserve (Bal. fig.)	4,375			
		34,300			34,300

(2 Marks)

ANSWER 6(A)

As per para 4 of the 'General Instructions for preparation of Statement of Profit and Loss' given in the Schedule III to the Companies Act, 2013, 'other income' does not include operating income.

The term "Revenue from operations" has not been defined under Schedule III to the Companies Act 2013. However, as per Guidance Note on Schedule III to the Companies Act 2013 this would include revenue arising from a company's operating activities i.e. either its principal or ancillary revenue-generating activities. Whether a particular income constitutes "Revenue from operations" or "other income" is to be decided based on the facts of each case and detailed understanding of the company's activities. The classification of income would also depend on the purpose for which the particular asset is acquired or held.

As per the information given in the question, X Ltd is a group engaged in manufacture and sale of industrial and FMCG products and its one of the division deals in leasing of properties- Mobile Towers. Since its one division is continuously engaged in leasing of properties, it shall be considered as its principal or ancillary revenue-generating activities. Therefore, the rent arising from such leasing shall be shown under the head "Revenue from operations" and not as "Other Income".

Hence the presentation of rent arising from the leasing of such properties as "other income" in the statement of Profit and Loss is not correct. It should be shown under the head "Revenue from operations".

(5 Marks)

ANSWER 6(B)

L, M, N and O hold Equity capital is held by in the proportion of 30:40:20:10 and A, B, C and D hold preference share capital in the proportion of 40:30:10:20. As the paid up equity share capital of the company is Rs. 60 Lakhs and Preference share capital is Rs. 30 Lakh (2:1), then relative weights in the voting right of equity shareholders and preference shareholders will be 2/3 and 1/3.

The respective voting right of various shareholders will be

L	=	2/3X30/100	=	3/15 = 20%
M	=	2/3X40/100	=	4/15 = 26.67%
N	=	2/3X20/100	=	2/15 = 13.33%
O	=	2/3X10/100	=	1/15 = 6.67%
A	=	1/3X40/100	=	4/30 = 13.33%
B	=	1/3X30/100	=	3/30 = 10%
C	=	1/3X10/100	=	1/30 = 3.33%
D	=	1/3X20/100	=	2/30 = 6.67%

(5 Marks)

ANSWER 6(C)

Tax as per accounting profit	9,00,000×30%= Rs. 2,70,000
Income-tax Profit	95,000×30% =Rs. 28,500
Tax as per MAT	5,25,000×7.5%= Rs. 39,375

Tax expense= Current Tax +Deferred Tax

Rs. 2,70,000 = Rs. 28,500+ Deferred tax

Deferred Tax liability as on 31-03-2019

= Rs. 2,70,000 – Rs. 28,500 = Rs. 2,41,500

Amount of tax to be debited in Profit and Loss account for the year 31-03-2019

Current Tax + Deferred Tax liability + Excess of MAT over current tax

= Rs. 28,500 + Rs. 2,41,500+ Rs. 10,875 (39,375 – 28,500)

= Rs. 2,80,875

(5 Marks)

ANSWER 6(D)

Income Recognition in case of NBFC

(1) The income recognition shall be based on recognised accounting principles.

(2) Income including interest/ discount or any other charges on NPA shall be recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed.

(3) In respect of hire purchase assets, where instalments are overdue for more than 12 months, income shall be recognised only when hire charges are actually received. Any such income taken to the credit of profit and loss account before the asset became nonperforming and remaining unrealized, shall be reversed.

(4) In respect of lease assets, where lease rentals are overdue for more than 12 months, the income shall be recognised only when lease rentals are actually received. The net lease rentals* taken to the credit of profit and loss account before the asset became non-performing and remaining unrealised shall be reversed.

*'Net lease rentals' mean gross lease rentals as adjusted by the lease adjustment account debited/credited to the profit and loss account and as reduced by depreciation at the rate applicable under Schedule XIV of the Companies Act, 1956 (1 of 1956)/ 2013.

(5 Marks)

ANSWER 6(E)

An enterprise should include the following information relating to a discontinuing operation in its financial statements beginning with the financial statements for the period in which the initial disclosure event occurs:

A. A description of the discontinuing operation(s)

B. The business or geographical segment(s) in which it is reported as per AS 17

C. The date and nature of the initial disclosure event.

D. The date or period in which the discontinuance is expected to be completed if known or determinable

E. The carrying amounts, as of the balance sheet date, of the total assets to be disposed of and the total liabilities to be settled

F. The amounts of revenue and expenses in respect of the ordinary activities attributable to the discontinuing operation during the current financial reporting period

G. The amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto

H. The amounts of net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation during the current financial reporting period

(5 Marks)