No. of Printed Pages : **4**

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M.Com. I Semester Degree Examination, April/May - 2024

COMMERCE

Indian Accounting Standards (IND AS)

(NEP)

Time : 3 Hours | Maximum Marks : 70

Note : *Answer **any five** of the following questions with Q. No. **1 (Q.1) Compulsory**. Each question carries **equal** marks.*

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1. Describe the challenges for implication of Ind-AS in India. **14**

2. (a) B Ltd. owns an asset with an original cost of Rs. 2,00,000. On acquisition, management determined that the useful life was 10 years and the residual value would be Rs. 20,000. The asset is now 8 years old, and during this time there have been no revisions to the assessed residual value. **7**

At the end of year 8, management has reviewed the useful life and residual value and has determined that the useful life can be extended to 12 years in view of the maintenance program adopted by the company. As a result, the residual value will reduce to Rs. 10,000. How would the above changes in estimate be accounted by B Ltd. ?

(b) A company, XYZ Ltd., is engaged in the development of new technologies. During the financial year ended March 31, 2023, the company incurred significant costs related to the development of a new software product. The total development costs amounted to Rs. 2,00,00, 000. However, the company is uncertain about whether the software product will generate future economic benefits. Discuss how XYZ Ltd. should account for the development costs incurred in compliance with Indian Accounting Standard 38 (Ind AS 38) - Intangible Assets, considering the uncertainty regarding the future economic benefits. **7**

3. How do Contingent Liabilities differs from Provisions ? Discuss the criteria for Recognising provisions under Ind AS 37. **14**

4. ABC Ltd. is a publicly traded company engaged in the manufacturing and distribution of electronic goods. The company's financial statements for the year ended 31st December 2023 are as follows : **14**

Income Statement for the year ended 31st December 2023 :

Revenue	:	Rs. 500,000,000
Cost of Goods Sold	:	Rs. 300,000,000
Gross Profit	:	Rs. 200,000,000
Operating Expenses	:	Rs. 100,000,000
Operating Income	:	Rs. 100,000,000
Interest Expense	:	Rs.20,000,000
Profit Before Tax (PBT)	:	Rs. 80,000,000
Income Tax Expense	:	Rs. 20,000,000
Net Profit	:	Rs. 60,000,000

Balance Sheet as at 31st December 2023

Total Assets	:	Rs. 600,000,000
Total Liabilities	:	Rs. 400,000,000
Equity	:	Rs. 200,000,000

Number of Ordinary Shares Outstanding : 10,000,000 shares

Additional Information :

The company has no preferred shares outstanding.

The weighted average number of ordinary shares outstanding during the year was 8,000,000 shares.

ABC Ltd. issued 1,000,000 additional ordinary shares on 1st July 2023 for Rs. 50 per share.

Required :

(a) Calculate the basic earnings per share (EPS) for the year ended 31st December 2023

(b) Calculate the diluted earnings per share (EPS) for the year ended 31st December 2023, assuming that the company has potential dilutive securities in the form of convertible bonds that would result in the issuance of an additional 1,000,000 shares upon conversion. The convertible bonds have a coupon rate of 5% and a face value of Rs. 10,000,000.

5. ABC Corporation is a diversified conglomerate operating in various industries, including manufacturing, retail, and services. The company prepares its financial statement in accordance with Ind AS (Indian Accounting Standards). As of December 31, 2018, ABC Corporation has identified three reportable operating segments based on its internal management reporting system : Segment A (Manufacturing), Segment B (Retail), and Segment C (Services). **14**

Segment A (Manufacturing) primarily manufactures automotive components and industrial machinery. Segment B (Retail) operates a chain of retail stores specializing in consumer electronics and home appliances. Segment C (Services) provides consulting and IT services to clients across various industries.

For the year ended December 31, 2018, ABC Corporation provided the following segment information :

(1) Segment Revenue :

(a)	Segment A (Manufacturing)	:	Rs. 500 million
(b)	Segment B (Retail)	:	Rs. 300 million
(c)	Segment C (Services)	:	Rs. 200 million

(2) Segment Expenses (excluding depreciation and amortization) :

(a)	Segment A (Manufacturing)	:	Rs. 350 million
(b)	Segment B (Retail)	:	Rs. 200 million
(c)	Segment C (Services)	:	Rs. 150 million

(3) Segment Assets :

(a)	Segment A (Manufacturing)	:	Rs. 1,000 million
(b)	Segment B (Retail)	:	Rs. 800 million
(c)	Segment C (Services)	:	Rs. 600 million

(4) Segment Liabilities :

(a)	Segment A (Manufacturing)	:	Rs. 500 million
(b)	Segment B (Retail)	:	Rs. 400 million
(c)	Segment C (Services)	:	Rs. 300 million

Additional Information :

(a) ABC Corporation's total revenue for the year ended December 31, 2018, amounted to Rs. 1,000 million.

(b) The total expenses (excluding depreciation and amortization) for the year amounted to Rs. 700 million.

(c) The company's total assets as of December 31, 2018, amounted to Rs. 3,000 million.

(d) The total liabilities as of December 31, 2018, amounted to Rs. 1,800 million.

Required :

(a) Prepare a schedule, reconcile the segment revenues and segment expenses to the total revenue and total expenses of ABC Corporation for the year ended December 31, 2018.

(b) Calculate the segment profit or loss for each operating segment.

(c) Prepare a schedule, reconcile the segment assets and segment liabilities to the total assets and total liabilities of ABC Corporation as of December 31, 2018.

6. Heaven Ltd. had purchased a machinery on 1.4. 2011 for Rs. 30,00,000, which is reflected in its books at written down value of Rs. 17,50,000 on 1.4. 2016. The company has estimated an upward revaluation of 10% on 1.4. 2016 to arrive at the fair value of the assets. Heaven Ltd. availed the option by IND AS of transferring some of the surplus as the asset is used by an enterprise. **14**

On 1.4. 2018, the machinery was revalued downward by 15% and the company also re-estimated the machinery's remaining life to be 8 years. On 31.3.2020, the machinery was sold for Rs. 9,35,000. The company charges depreciation on straight line method.

Prepare machinery account in the books of Heaven Ltd. over its useful life to record the above transactions.

7. (a) Discuss the disclosure requirements for events after the reporting period in the financial statements. **7**

(b) Explain the objectives and key requirements of Ind AS 34 : Interim Financial Reporting. Discuss the importance of interim financial reporting in providing timely and relevant information to stakeholders, and highlight the differences between interim financial statements and annual financial statements. **7**

8. Write short notes on the following :

(a) Inventories (IND AS - 02) **5**

(b) Provisions, Contingent Liabilities and Contingent Assets (IND AS 37) **5**

(c) Accounting Policies, Changes in accounting estimates and errors (IND AS 08) **4**

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