Mock Test Paper - Series I: March, 2025

Date of Paper: 10th March, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP – I

PAPER – 1: FINANCIAL REPORTING

Time Allowed – 3 Hours **Maximum Marks – 100**

1. *The question paper comprises two parts, Part I and Part II.*
2. *Part I comprises Case Scenario based Multiple Choice Questions (MCQs)*
3. *Part II comprises questions which require descriptive type answers.*

PART I – Case Scenario based MCQs (30 Marks)

Part I is compulsory.

Case Scenario 1

M Ltd. is engaged in production and agricultural activities. It also runs a chain of gyms. M Ltd. prepares its financial statements following Indian Accounting Standards and follows April-March as its financial year. During the year 20X1-20X2, the company has faced following issues and for their solution seeks your professional advice:

(i) Fixed production overheads for the financial year is ₹ 10,000. Normal expected production for the year, after considering planned maintenance, normal breakdown and also considering the future demand of the product is 2,000 MT. It is considered that there are no quarterly / seasonal variations. Therefore, the normal expected production for each quarter is 500 MT and the fixed production overheads for the quarter are ₹ 2,500.

Actual production achieved	Quantity (In MT)
First quarter	400
Second quarter	600
Third quarter	500
Fourth quarter	400
Total	**1,900**

There are no quarterly / seasonal variation.

(ii) On 1st April, 20X1, M Ltd. sells gym memberships for ₹ 7,500 per member for 1st year to 100 customers, with an option to renew at a discount in 2nd and 3rd year at ₹ 6,000 per year. M Ltd. estimates an annual attrition rate of 50% each year.

(iii) On 1st November, 20X1, M Ltd. purchased 100 goats of special breed from a market for ₹ 10,00,000 with a transaction cost of 2%. Goats fair value decreased from ₹ 10,00,000 to ₹ 9,00,000 as on 31st March, 20X2.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 1 to 5 in line with relevant Ind AS:

1. As per Ind AS 34 read with Ind AS 2, what will be the amount of fixed production overhead allocated to actual production and the amount of expenses to be debited/credited to profit and loss account by the end of first quarter?

   (a) ₹ 2,000 capitalised to the cost of inventory; ₹ 500 debited to profit and loss account

   (b) ₹ 2,500 capitalised to the cost of inventory; No amount is debited/credited to profit and loss account

   (c) Nothing is capitalised to the cost of inventory; ₹ 2,500 debited to profit and loss account

   (d) ₹ 500 capitalised to the cost of inventory; ₹ 2,000 debited to profit and loss account

2. As per Ind AS 34 read with Ind AS 2, what will be the amount of fixed production overhead allocated to actual production and the amount of expenses to be debited/credited to profit and loss account by the end of second quarter?

   (a) ₹ 5,000 capitalised to the cost of inventory; No amount is debited/credited to profit and loss account

   (b) ₹ 5,000 capitalised to the cost of inventory; ₹ 500 credited to profit and loss account

   (c) ₹ 5,000 capitalised to the cost of inventory; ₹ 500 debited to profit and loss account

   (d) ₹ 3,000 capitalised to the cost of inventory; ₹ 500 credited to profit and loss account

3. What is the amount of revenue to be recognized per membership in the first year and the amount of contract liability per membership against the option given to the customer for renewing the membership at discount?

(a) ₹ 7,500; Nil

(b) ₹ 6,500; ₹ 1,000

(c) ₹ 6,857; ₹ 643

(d) ₹ 7,500; ₹ 12,000

4. What is the amount of the biological asset recognised on the date of purchase?

(a) ₹ 10,00,000

(b) ₹ 9,00,000

(c) ₹ 10,20,000

(d) ₹ 9,80,000

5. What is the amount of gain or loss recognised on fair valuation of biological asset as on financial year ended 31st March, 20X2?

(a) ₹ 1,00,000

(b) ₹ 18,000

(c) ₹ 1,20,000

(d) ₹ 98,000 **(5 x 2 = 10 Marks)**

Case Scenario II

P Ltd. is a multi-national company and prepares and presents its financial statements following Indian Accounting Standards as its securities are listed on National Stock Exchange. P Ltd. has a number of business segments and requires guidance on following matters.

(i)

Particulars		**Kg.**	**₹**
Opening Inventory:	Finished Goods	1,000	25,000
	Raw Materials	1,100	11,000
Purchases		10,000	1,00,000
Labour			76,500
Overheads (Fixed)			75,000
Sales		10,000	2,80,000
Closing Inventory:	Raw Materials	900	
	Finished Goods	1200	

The expected production for the year was 15,000 kg of the finished product. Due to fall in market demand the sales price for the finished goods was ₹ 20 per kg and the replacement cost for the raw material was ₹ 9.50 per kg on the closing day. Calculate the closing inventory as on that date.

(ii) P Ltd has made a security deposit whose details are described below. The market interest rate for a deposit for similar period is 12% per annum.

Particulars	**Details**
Date of Security Deposit (Starting Date)	1-Apr-20X1
Date of Security Deposit (Finishing Date)	31-Mar-20X6
Description	Lease
Total Lease Period	5 years
Discount rate	12.00%
Security deposit	10,00,000
Present value factor at the 5th year	0.567427

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 6 to 10 in line with relevant Ind AS:

6. What is the total cost of production during the year?

   (a) ₹ 2,62,500

   (b) ₹ 2,51,500

   (c) ₹ 2,53,500

   (d) ₹ 2,29,500

7. What is the value of closing inventory of finished goods at the end of the year?

   (a) ₹ 27,000

   (b) ₹ 29,823

   (c) ₹ 24,000

   (d) ₹ 32,550

8. What is the value of closing inventory of raw materials at the end of the year?

   (a) ₹ 8,550

   (b) ₹ 9,000

   (c) ₹ 18,000

(d) ₹ 32,550

9. Security deposit will be initially recognized at

    (a) ₹ 10,00,000

    (b) ₹ 5,67,427

    (c) ₹ 4,32,573

    (d) Nil

10. Prepaid lease payment will be initially recognized at

    (a) ₹ 10,00,000

    (b) ₹ 5,67,427

    (c) ₹ 4,32,573

    (d) Nil **(5 x 2 = 10 Marks)**

Case Scenario III

ABC Ltd. acquires XYZ Ltd. in a business combination on 15th January, 20X1. Few days before the date of acquisition, one of XYZ Ltd.'s customers had claimed that certain amounts were due by XYZ Ltd. under penalty clauses for completion delays included in the contract.

ABC Ltd. evaluates the dispute based on the information available at the date of acquisition and concludes that XYZ Ltd. was responsible for at least some of the delays in completing the contract. Based on the evaluation, ABC Ltd. recognises ₹ 1 crore towards this liability which is its best estimate of the fair value of the liability to the customer based on the information available at the date of acquisition.

In October, 20X1 (within the measurement period), the customer presents additional information as per which ABC Ltd. concludes the fair value of liability on the date of acquisition to be ₹ 2 crore.

ABC Ltd. continues to receive and evaluate information related to the claim after October, 20X1. Its evaluation doesn't change till February, 20X2 (i.e. after the measurement period), when it concludes that the fair value of the liability for the claim at the date of acquisition is ₹ 1.9 crore. ABC Ltd. determines that the amount that would be recognised with respect to the claim under Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets as at February, 20X2 is ₹ 2.2 crore.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 11 to 13 in line with relevant Ind AS:

11. At what amount the contingent liability in relation to customer claim should be included in the consolidated balance sheet as on 31st March, 20X1, on accounting of acquisition of XYZ Ltd.?

(a) ₹ 1 crore

(b) ₹ 2 crores

(c) ₹ 1.90 crores

(d) ₹ 2.20 crores

12. At what amount the contingent liability be valued after making the adjustment for measurement period and in what account the adjustment is to be made with the difference in the value to previous valuation?

(a) ₹ 1 crore; adjustment to retained earnings by ₹ 1 crore

(b) ₹ 2 crores; adjustment to goodwill account by ₹ 1 crore

(c) ₹ 1.90 crores; adjustment to goodwill account by ₹ 0.9 crore

(d) ₹ 2.20 crores; adjustment to retained earnings by ₹ 1.20 crore

13. At what amount the contingent liability be valued in the consolidated balance sheet as on 31st March, 20X2, and in what account the adjustment is to be made with the difference in the value to previous valuation?

(a) ₹ 1 crore; adjustment to goodwill by ₹ 1 crore

(b) ₹ 2 crores; adjustment to retained earnings by ₹ 1 crore

(c) ₹ 1.90 crores; crediting retained earnings by ₹ 0.1 crore

(d) ₹ 2.20 crores; debiting retained earnings by ₹ 0.20 crore **(3 x 2 = 6 Marks)**

14. Mercury Ltd. has sold goods to Mars Ltd. at a consideration of ₹ 10 lakhs, the receipt of which receivable in three equal installments of ₹ 3,33,333 over a two-year period (receipts on 1st April, 20X1, 31st March, 20X2 and 31st March, 20X3).

The company is offering a discount of 5% (i.e. ₹ 50,000) if payment is made in full at the time of sale. The sale agreement reflects an implicit interest rate of 5.36% p.a.

The total consideration to be received from such sale is at ₹ 10 lakhs and hence, the management has recognised the revenue from sale of goods for ₹ 10 lakhs.

The revenue from sale of goods on 1st April, 20X1 will be recognized at-

(a) ₹ 10,00,000

(b) ₹ 3,33,333

(c) ₹ 9,50,000

(d) ₹ 6,16,667 **(2 Marks)**

15. _______and ______ are technologies that enable computers to learn and perform tasks without being explicitly programmed to do so. They are having a significant impact on the accounting profession, enabling accounting professionals to automate routine tasks, improve decision-making processes, and reduce errors.

(a) Artificial Intelligence (AI) and Machine Learning (ML)

(b) Blockchain

(c) Enterprise Resource Planning (ERP)

(d) All of the above **(2 Marks)**

PART – II DESCRIPTIVE QUESTIONS

Question No.1 is compulsory. Candidates are required to answer any four questions from the remaining five questions.

Wherever necessary, suitable assumptions may be made and disclosed by way of a note.

Working notes should form part of the answers.

Maximum Marks – 70 Marks

1. A Ltd. and B Ltd. are companies registered under the Companies Act, 2013. A Ltd. is an Ind AS compliant entity and follows year ended March as its financial reporting period.

On 1st April 20X1, they entered into an agreement to jointly engage in the hospitality business. For this purpose, they formed a partnership firm with the name of M/s. Star Hotel ("the Firm"). Under the relevant laws, the partners and the Firm are not considered as separate legal entities.

To regulate the operations of the Firm, A Ltd. and B Ltd. entered into a partnership deed whose relevant terms and conditions are as follows:

- A Ltd. and B Ltd. shall be the partners of the Firm.
- Consent of both partners shall be required for taking decisions on any matter which may affect the returns of the business.

- The Firm shall operate a three-storied hotel as follows:

Floor	Rights and obligations relating to the floor
Ground floor (Ground floor will comprise of reception, lobby, restaurant, laundry division, and general administration office)	Both partners shall jointly and equally own the legal and beneficial ownership of the ground floor including all of its assets and related liabilities. All the costs relating to the operation of the ground floor shall be jointly and equally shared by both the partners.
First floor (First floor will comprise of Indian themed rooms for customers)	A Ltd. shall have legal and beneficial ownership of the first floor including all of its assets and related liabilities. The net profit for the period attributable to the renting of rooms of first floor shall accrue solely to the account of A Ltd..
Second floor (Second floor will comprise of Italian themed rooms for customers)	B Ltd. shall have legal and beneficial ownership of the second floor including all of its assets and related liabilities. The net profit for the period attributable to the renting of rooms of second floor shall accrue solely to the account of B Ltd..
Third floor (Third floor will comprise of a banquet hall)	Both the partners shall jointly and equally own legal and beneficial ownership of the third floor including all of its assets and related liabilities. The net profit for the period attributable to the renting of the banquet hall shall accrue equally to the account of both the partners.

During the first year of operation of the hotel, A Ltd. many time doubted and objected to the manner in which the guests were preferentially convinced by the reception desk to occupy the Italian-themed rooms of the second floor.

To avoid the repetitive disputes, on 1st April 20X2, A Ltd. and B Ltd. converted the partnership firm into a company named Star Hotel Pvt. Ltd. ("the Company"). Under the relevant laws, the shareholders and the Company are considered as separate legal entities.

To regulate the operations of the Company, A Ltd. and B Ltd. entered into a shareholders' agreement with the following relevant terms and conditions:

i. A Ltd. and B Ltd. shall transfer their individual rights regarding the respective floors of the hotel in favour of the Company such that the Company becomes the legal and beneficial owner thereof.

ii. The Company shall assume all the liabilities of A Ltd. and B Ltd. in relation to the hotel business.

iii. In consideration of transfer of rights and obligations by A Ltd. and B Ltd. in favour of the Company, A Ltd. and B Ltd. shall receive equity shares of the Company in equal proportion.

iv. Each equity share shall entitle the holder thereof one vote in the general meetings of the Company.

v. The Company's Board shall consist of·6 directors. All the matters in relation to the operations of the Company, except certain reserved matters, shall be decided by the Board by a vote of simple majority. In case of equality of votes in respect of any matter other than the reserved matters, the chairman shall have a casting vote.

vi. Following are the Reserved Matters in respect of which decisions shall be taken only by unanimous consent of all the directors:

    a. Approval of the operating plan for each financial year;

    b. Capital expenditure exceeding ₹ 20 crore in a year;

    c. Entering into borrowing arrangements for an amount which is equal to or more than 30% of the Company's net worth; and

    d. Any matter which may affect the returns of the business.

vii. A Ltd. and B Ltd. shall have the right to nominate 3 directors each in the Board. A Ltd. and B Ltd. shall have the right to replace the directors being nominated by them respectively with any other directors of their choice. The chairman of the Board shall be nominated by A Ltd.

viii. The profits of the business may be distributed by the Company to the shareholders in the form of dividends which shall be approved by a simple majority of votes in a general meeting of the Company.

ix. Shareholders shall be entitled to dividends in the proportion of the share capital held by them.

x. Upon liquidation of the Company, its net assets, after repayment of all of its liabilities, shall be distributed to the shareholders in the proportion of share capital held by them.

xi. During the period 1st April, 20X2 to 31st March, 20X7, A Ltd. shall have the right to sell all the equity shares held in the Company to B Ltd. at a price which is 10% more than the fair value determined by an independent valuer. If such right is exercised by A Ltd., B Ltd. shall be under obligation to purchase the shares in accordance with this clause.

Required

How should the arrangement with B Ltd. be classified and recognised in the financial statements of A Ltd. for the year ended 31st March, 20X2? Explain the basis of your conclusion.

Additionally, describe the changes, if any, to the classification and recognition in the consolidated financial statements of A Ltd. for the year ended 31st March, 20X3.

(14 Marks)

2. (a) ABC Ltd. issues 4% 1,00,000 OCPS at a face value of ₹ 100 per share on 1st April, 20X1 and these are redeemable after 5 years, ie, on 31st March, 20X6. Dividend is non- cumulative. Each preference shares entitles the holders to 10 equity shares and the preference shares are optionally convertible by the holder at any time until maturity.

Required

How will the preference shares be classified at initial recognition assuming that a comparable instrument carries a market interest rate of 7%? Provide journal entries for year 1.

Will this classification be changed subsequently in case there is a likelihood that OCPS will be encashed at the end of the maturity period? **(10 Marks)**

(b) ABC Inc., incorporated in a foreign country has a net worth of ₹ 700 crores. It has two Indian subsidiaries X Ltd. whose net worth as on 31st March 2014 is ₹ 600 crores and Y Ltd. whose net worth is ₹ 150 crores. Whether X Ltd. and Y Ltd. would be required to follow Ind AS from the accounting period commencing on or after 1st April 2016 on the basis of their own net worth or on the basis of the net worth of ABC Inc.? **(4 Marks)**

3. (a) X Ltd. has taken a plant on lease from Y Ltd. for 5 years to use in its manufacturing process for which it has to pay annual rentals in arrears of USD

10,000 every year. On the commencement date, exchange rate was USD = ₹ 68. The average rate for Year 1 was ₹ 69 and at the end of year 1, the exchange rate was ₹ 70. The incremental borrowing rate of X Ltd. on commencement of the lease for a USD borrowing was 5% p.a.

How will entity X measure the right of use (ROU) asset and lease liability initially and at the end of Year 1? **(8 Marks)**

(b) Infotech Global Ltd. has a functional currency of USD and needs to translate its financial statements into the functional and presentation currency of Infotech Inc. (L$).

The following balances appear in the books of Infotech Global Ltd. at the year-end prior to translation:

	USD	**L$**
Property, plant and equipment	50,000	
Receivables	9,35,000	
Total assets	**9,85,000**	
Issued capital	50,000	30,055
Opening retained earnings	28,000	15,274
Profit & Loss A/c (Profit for the year)	20,000	
Accounts payable	8,40,000	
Accrued liabilities	47,000	
Total equity and liabilities	**9,85,000**	

Translate the above balances of Infotech Global Ltd. into L$ ready for consolidation by Infotech Inc. (Share capital and opening retained earnings have been pre-populated.)

Prepare a working of the cumulative balance of the foreign currency translation reserve.

Additional information:

Relevant exchange rates are:

Rate at beginning of the year L$ 1 = USD 1.22

Average rate for the year L$ 1 = USD 1.175

Rate at end of the year L$ 1 = USD 1.13 **(6 Marks)**

4. (a) To reward its employees, the Company had launched a scheme effective 1st April, 20X1, in which the employees will be granted equity shares of the Company at below market price subject to certain conditions. Following details are provided:

(i) As per the scheme, each employee has an option to purchase 100 equity shares of the Company at ₹ 30 per share if the employee does not leave the Company for 3 years from the date of launch of the scheme i.e. 31st March 20X4.

(ii) Once 3 years completed by an employee, he/she can exercise the option within 1 year i.e. by 31st March 20X5.

(iii) The closing share price on stock exchange as at 1st April, 20X1 is ₹ 62 per share with face value of ₹ 10 per share. The Company had appointed a registered valuer who derived the price of option at ₹ 50 using the Black Scholes model of option pricing.

(iv) There are a total of 300 employees eligible for the scheme. As at 31st March, 20X2, 10 employees left the Company and further 14 employees are expected to leave over the next 2 years. During the year 20X2-20X3, a multi-national company entered into the retail industry which is hiring experienced workforce and therefore a high attrition is observed in the retail industry. 110 employees left the Company during the year ended 31st March, 20X3 and further 54 employees are expected to leave in the next one year. As at 31st March, 20X4; only 160 employees are remaining with the Company out of 300.

(v) Only 150 employees exercise the option to purchase the equity share during the year ended 31st March 20X5.

Provide necessary accounting entries during the life of share based payment scheme to account the scheme implemented by the Company. Provide working notes. **(8 Marks)**

(b) On 1st April, 20X1, A Ltd. contracted for the construction of a building for ₹ 22,00,000. The land under the building is regarded as a separate asset and is not part of the qualifying assets. The building was completed at the end of March, 20X2, and during the period the following payments were made to the contractor:

Payment date	**Amount (₹ '000)**
1st April, 20X1	200

30th June, 20X1	600
31st December, 20X1	1,200
31st March, 20X2	200
Total	2,200

A Ltd.'s borrowings at its year end of 31st March, 20X2 were as follows:

a. 10%, 4-year note with simple interest payable annually, which relates specifically to the project; debt outstanding on 31st March, 20X2 amounted to ₹ 7,00,000. Interest of ₹ 65,000 was incurred on these borrowings during the year, and interest income of ₹ 20,000 was earned on these funds while they were held in anticipation of payments.

b. 12.5% 10-year note with simple interest payable annually; debt outstanding at 1st April, 20X1 amounted to ₹ 1,000,000 and remained unchanged during the year; and

c. 10% 10-year note with simple interest payable annually; debt outstanding at 1st April, 20X1 amounted to ₹ 1,500,000 and remained unchanged during the year.

Determine the amount of the borrowing costs which can be capitalized at the year end as per relevant Ind AS. **(6 Marks)**

5. (a) A Ltd. is a company which is in the business of manufacturing engineering machines and providing after sales services. The company entered into a contract with Mr. Anik to supply and install a machine, namely 'model pi' on 1st April 20X1 and to service this machine on 30th September 20X1 and 1st April 20X2. The cost of manufacturing the machine to A Ltd. was ₹ 1,60,000.

It is possible for a customer to purchase both the machine 'model pi' and the maintenance services separately. Mr. Anik is contractually obliged to pay A Ltd. ₹ 4,00,000 on 1st April, 20X2.

The prevailing rate for one-year credit granted to trade customers in the industry is 5 percent per six-month period.

As per the experience, the servicing of the machine 'model pi' sold to Mr. Anik is expected to cost A Ltd. ₹ 30,000 to perform the first service and ₹ 50,000 to perform the second service. Assume actual costs equal expected costs. When A Ltd. provides machine services to customers in a separate transaction it earns a margin of 50% on cost. On 1st April, 20X1, the cash selling price of the machine 'model pi' sold to Mr. Anik is ₹ 2,51,927.

The promised supply of machine 'model pi' and maintenance service obligations are satisfactorily carried out in time by the company.

You are required to:

(i) Segregate the components of the transaction that A Ltd. shall apply to the revenue recognition criteria separately as per Ind AS 115;

(ii) Calculate the amount of revenue which A Ltd. must allocate to each component of the transaction; and

(iii) Prepare journal entries to record the information set out above in the books of accounts of A Ltd. for the years ended 31st March·20X2 and 31st March 20X3. **(10 Marks)**

(b) **Either**

A post-employment medical plan reimburses 10 percent of an employee's post-employment medical costs if the employee leaves after more than ten and less than twenty years of service and 50 per cent of those costs if the employee leaves after twenty or more years of service.

Determine how will the benefit be attributed to the years of service. **(4 Marks)**

Or

XYZ Limited (the 'Company') is into the manufacturing of tractor parts and mainly supplying components to the Original Equipment Manufacturers (OEMs). The Company does not have any subsidiary, joint venture or associate company. During the preparation of financial statements for the year ended 31st March, 20X1, the accounts department is not sure about the treatment / presentation of below mentioned matters. Accounts department approached you to advice on the following matters.

S. No.	**Matters**
(i)	There are qualifications in the audit report of the Company with reference to two Ind AS.
(ii)	Is it mandatory to add the word "standalone" before each of the components of financial statements?
(iii)	The Company is Indian Company and preparing and presenting its financial statements in ₹. Is it necessary to write in the financial statements that the financial statements have been presented in ₹.
(iv)	The Company had sales transactions with 10 related party parties during previous year. However, during current year, there are no

	transactions with 4 related parties out of aforesaid 10 related parties. Hence, Company is of the view that it need not disclose sales transactions with these 4 parties in related party disclosures because with these parties there are no transactions during current year.

Evaluate the above matters with respect to preparation and presentation of a general-purpose financial statement. **(4 Marks)**

6. (a) Sunshine Ltd., a listed company in the cosmetics industry, has debt covenants attached to some of its borrowings which are included in Financial Liabilities in the Balance Sheet. These covenants mandate the company to repay the debt in full if Sunshine Ltd. fails to maintain a liquidity ratio and operating margin above the specified limit.

The directors alongwith the CFO of the Company who is a chartered accountant are considering entering into a fresh five-year leasing arrangement but are concerned about the negative impact any potential lease obligations may have on the above-mentioned covenants. Accordingly, the directors and CFO propose that the lease agreement be drafted in such a way that it is a series of six ten-month leases rather than a single five-year lease in order to utilize the short-term lease exemption available under Ind AS 116, Leases. This would then enable accounting for the leases in their legal form. The directors believe that this treatment will meet the requirements of the debt covenant, though such treatment may be contrary to the accounting standards.

Required:

Discuss the ethical and accounting implications of the above issue from the perspective of CFO. **(5 Marks)**

(b) Mathur India Private Limited has to present its first financials under Ind AS for the year ended 31st March, 20X3. The transition date is 1st April, 20X1.

The following adjustments were made upon transition to Ind AS:

(i) The Company opted to fair value its land as on the date on transition.

The fair value of the land as on 1st April, 20X1 was ₹ 10 crores. The carrying amount as on 1st April, 20X1 under the existing GAAP was ₹ 4.5 crores.

(ii) The Company has recognised a provision for proposed dividend of ₹ 60 lacs and related dividend distribution tax of ₹ 18 lacs during the year ended 31st March, 20X1. It was written back as on opening balance sheet date.

(iii) The Company fair values its investments in equity shares on the date of transition. The increase on account of fair valuation of shares is ₹ 75 lacs.

(iv) The Company has an Equity Share Capital of ₹ 80 crores and Redeemable Preference Share Capital of ₹ 25 crores.

(v) The reserves and surplus as on 1st April, 20X1 before transition to Ind AS was ₹ 95 crores representing ₹ 40 crores of general reserve and ₹ 5 crores of capital reserve acquired out of business combination and balance is surplus in the Retained Earnings.

(vi) The company identified that the preference shares were in nature of financial liabilities.

What is the balance of total equity (Equity and other equity) as on 1st April, 20X1 after transition to Ind AS? Show reconciliation between total equity as per AS (Accounting Standards) and as per Ind AS to be presented in the opening balance sheet as on 1st April, 20X1. Ignore deferred tax impact. **(5 Marks)**

(c) ABC Ltd. acquired 5% equity shares of XYZ Ltd. for ₹ 10 crores in the year 20X1-20X2. The company is in process of preparing the financial statements for the year 20X2-20X3 and is assessing the fair value at subsequent measurement of the investment made in XYZ Ltd. Based on the observable input, ABC Ltd. identified a similar nature of transaction in which PQR Ltd. acquired 20% equity shares in XYZ Ltd. for ₹ 60 crores. The price of such transaction was determined on the basis of Comparable Companies Method (CCM)- Enterprise Value (EV) / EBITDA which was 8. For the current year, the EBITDA of XYZ Ltd. is ₹ 40 crores. At the time of acquisition, the valuation was determined after considering 5% of liquidity discount and 5% of non-controlling stake discount. What will be the fair value of ABC Ltd.'s investment in XYZ Ltd. as on the balance sheet date? **(4 Marks)**