Corrigendum to Old MCQ File

(Don't Refer this if Your MCQ File has Heading Edition I (Revised)

IND AS 10

QUESTIONS	ANSWER GIVEN	CORRECT ANSWER
Q 10	-	D

IND AS 16

MCQ 5 (Fill in the Blanks Space was missing in old file)

When it is ______ that future economic benefits associated with an asset will flow to the entity, and the cost of the asset can be ______ measured, it should be recognized as an asset.

A : Possible, reasonably

B : Possible, reliably

C : Probable, reliably

D : Probable, reasonably

Answer - 5 : C

IND AS 40

(Refer this Revised Answer Key)

Answer Key : 1 : A 2 : C 3 : A 4 : C 5 : A 6 : A 7 : D 8 : D 9 : D 10 : B

IND AS 113

QUESTIONS	ANSWER GIVEN	CORRECT ANSWER
Q 4	A	C

IND AS 12

(Refer Case Scenario 2 & 3 from this File)
Note: Case Scenario 1 is already there in IND AS 12 Old File

CASE SCENARIO - 02

Marvel Ltd. Wishes to calculate tax base of its liabilities and defer tax as on 31st March 20X5. The balance sheet has been adjusted by current tax expense. The extracts of equity and liabilities portion of the Balance Sheet as on 31st March 20X5 is as follows:

EQUITY & LIABILITIES	Rs.
Equity	
Share Capital	12,00,000
Accumulated Profits	7,37,438
Revaluation Surplus	88,000
Long term Liabilities	
Deferred Income – Government Grants	40,000
Liability for Product Warranty Costs	16,000
Deferred Tax Liability (From 20X3-20X4)	22,162
Current Liabilities	
Trade Payable	7,64,000
Health Care Benefits for Employees	70,000
Current Tax Liability	80,400
TOTAL EQUITY & LIABILITIES	30,18,000

Notes:

1. **Government grants are not taxable. Government grants received in 20X4-20X5 is appearing in the balance sheet.**
2. **In 20X4-20X5, Marvel Ltd made a further provision for product warranty of Rs. 5,000. Such provisions for product warranty costs are not tax deductible until the claims are paid or settled. During the year 20X4-20X5, warranty claims were paid / settled for Rs. 6,200.**
3. **During the year 20X4-20X5, Marvel Ltd introduced health case benefits for employees. The expenses are allowable as a deduction in tax only when benefits are paid but in line with IND AS 19, such liability is recognized in profit or loss when employees provide service.**

Assuming the tax rate of 32% for the year 20X4-20X5.

Question – 1 : With respect to point (a), determine tax base of Government grants for the year 20X4-20X5.

A : Rs. 0

B : Rs. 40,000

C : Rs. 12,800

D : Rs. 27,200

Question – 2 : With respect point (a), determine defer tax on Government grants for the year 20X4-20X5.

A : Nil

B : DTA Rs. 40,000

C : DTL Rs. 12,800

D : Deferred income – government grant will not be taxable

Question - 3 : With respect to point (b), determine the tax base of liability for product warranty costs for the year 20X4-20X5.

A : Rs. 0

B : Rs. 5,000

C : Rs. 16,000

D : Rs. 6,200

Question - 4 : With respect point (b), determine defer tax on liability for product warranty costs for the year 20X4-20X5.

A : Nil

B : DTA Rs. 5,120

C : DTL Rs. 5,120

D : Liability for product warranty cost will not be taxable

Question - 5 : With respect point (c), determine the temporary difference ,as per IND AS 12 , on account of health care benefits for employees for the year 20X4-20X5

A : Rs. 70,000

B : Rs. 80,400

C : Rs. 22,162

D : Nil

Question - 6 : With respect point (c), determine defer tax on Health care benefits for employee for the year 20X4-20X5.

A : Nil

B : DTL Rs. 22,400

C : DTA Rs. 22,400

D : Health care benefits for employees will not be taxable

Answer Key / Description :

1: A

Calculation of temporary differences and deferred tax for Marvel Ltd. as on 31' March, 20X5

Item	Carrying amount	Tax base	Temporary Difference	Taxable} Deductible	DTA / (DTL) at 32%
Deferred income — Government grants	(40,000)	0	(40,000)	Excluded	0

2 : D

Calculation of temporary differences and deferred tax for Marvel Ltd, as on 31" March, 20X5

Item	Carrying amount	Tax *base*	Temporary Difference	Taxable/ Deductible	DTA /(DTL) at 32%
Deferred income – Government grants	(40,000)	0	(40,000)	Excluded	0

3 : A

Calculation of temporary differences and deferred fax for Marvel Ltd. as on 31st March, 20X5

Item	Carrying amount	*Tax base*	Temporary Difference	Tamable/ Deductible	DTA /(DTL) at 32%
Liability for product warranty costs	(16,000)	0	(16,000)	Deductible	5,120

4 : B

Calculation of temporary differences and deferred tax for Marvel Ltd. as on 31st March, 20X5

Item	Carrying amount	*Tax base*	Temporary Difference	Tamable/ Deductible	DTA /(DTL) at 32%
Liability for product warranty costs	(16,000)	0	(16,000)	Deductible	5,120

5 : A

Calculation of temporary differences and deferred tax for Marvel Ltd. as on 31' March, 20X5

Item	Carrying amount	*Tax base*	Temporary Difference	Tamable/ Deductible	DTA /(DTL) at 32%
Health care benefits: for employees	(70,000)	0	(70,000)	Deductible	22,400

6 C

Calculation of temporary differences and deferred tax for Marvel Ltd. as on 31st March, 20X5

Item	Carrying amount	*Tax base*	Temporary Difference	Tamable/ Deductible	DTA /(DTL) at 32%
Health care benefits for employees	(70,000)	0	(70,000)	Deductible	22,400

CASE SCENARIO - 03

Lal Ltd. Wishes to calculate tax base of its assets and defer tax as on 31st March 20X5. The balance sheet has been adjusted by current tax expense. The extracts of equity and liabilities portion of the Balance Sheet as on 31st March 20X5 is as follows:

EQUITY & LIABILITIES	Rs.
Non current Assets	
Plant , Property and Equipment	12,00,000
Intangible assets	
Product development costs	60,000
Investment in subsidiary- Pall. ltd	4,40,000
Current Assets	
Trade Investments	2,08,000
Trade Receivables	6,26,000
Inventories	3,04,000
Cash and cash equivalents	1,80,400
TOTAL ASSETS	30,18,000

Notes:

(a) Bad debt provision amounts to Rs. 1,30,000 and relates to 2 debtors :

  a. **Debtor A Rs. 80,000 (receivable originated in 20X2-20X3 and 100% provision was recognised in 20X3-20X4) and**

  b. **Debtor B Rs. 50,000 (receivable originated in 20X3-20X4 and 100% provision was recognised in 20X4-20X5)**

Tax law allows deduction of 20% of provision for debtors overdue for more than 1 year, another 30% for debtors overdue for more than 2 years and remaining 50% for debtors overdue for more than 3 years.

(b) Lal Ltd accounts for inventory obsolescence provision. The new provision created In 20X4-20X5 was Rs. 10,800 (total provision :Rs. 18,000), this provision is not tax deductible as it is a general provision.

Assuming the tax rate of 32% for the year 20X4-20X5.

Question – 1 : With respect to point (a), determine tax base of Trade Receivables for the year 20X4-20X5.

A : Rs. 7,16,000

B : Rs. 7,46,000

C : Rs. 7,56,000

D : Rs. 7,06,000

Question – 2 : With respect point (a), determine defer tax on Trade Receivables for the year 20X4-20X5.

A : DTA Rs. 28,800

B : DTL Rs. 41,600

C : DTA Rs. 25,600

D : DTA Rs. 41,600

Question - 3 : With respect to point (b), determine the tax base of Inventories for the year 20X4-20X5.

A : Rs. 3,04,000

B : Rs. 3,22,000

C : Rs. 3,14,800

D : Nil

Question - 4 : With respect point (b), determine defer tax on Inventories for the year 20X4-20X5.

A : DTA Rs. 5,760

B : DTA Rs. 3,456

C : Nil

D : DTA Rs. 18,000

Answer Key / Description :

1 : D

Trade receivables – Provision for doubtful debts:

		Rs.
Calculation of Cost for tax records		
Carrying amount		6,26,000
Add Back : Bad Debt provision		1,30,000
Cost		7,56,000
Debtor A – Rs.80,000 from 20x2-20x3		
>1 year – 20% deducted in 20x3-20x4	16,000	
>2year – 30% deducted in 20x4-20x5	24,000	
Already deducted for tax:	40,000	
Debtor B – Rs.50,000 from 20x4		
> 1 year -20% deducted in 20X5	10,000	
Total deducted for tax purposes (B)		50,000
Tax base of trade receivables: (A-B)		7,06,000

2 : C

Calculation of temporary differences and deferred tax for Lal Ltd. as on 31st March, 20X5

Item	Carrying amount	Tax base	Temporary Difference	Taxable Deductible	DTA/(DTL) at 32%
Trade receivables	6,26,000	7,06,000	(80,000)	Deductible	25,600

3 : B

Calculation of temporary differences and deferred tax for Lal Ltd. as on 31st March, 20X5

Item	Carrying amount	Tax base	Temporary Difference	Taxable Deductible	DTA/(DTL) at 32%
Inventories	3,04,000	3,22,000	(18,000)	Deductible	5,760

4 : A

Calculation of temporary differences and deferred tax for Lal Ltd. as on 31st March, 20X5

Item	Carrying amount	Tax base	Temporary Difference	Taxable Deductible	DTA/(DTL) at 32%
Inventories	3,04,000	3,22,000	(18,000)	Deductible	5,760

Integrated Case Studies Involving Multiple IND AS (Newly Added)

CASE SCENARIO – 01

A Ltd. is a diversified business group operating in multiple business segments across different parts of the world. It maintains its books of accounts and publishes its annual consolidated financial statements under Indian Accounting Standards.

The central Finance team has been working on closing the books of accounts and generating consolidated financial statements for the year ended 31' March 20X3. You are the Finance Controller and your assistants want your views on following transactions for Finalization of financial statements:

(i) B Ltd., one of the subsidiaries of A Ltd., reported net income of ₹ 25 lakhs, which equals the company's comprehensive income. The company has no outstanding debt. Following is the information From the comprehensive balance sheet (₹ in lakhs} related to cash flows:

Extract of Balance Sheet	31.03.20X2	31.03.20X3
Equity share capital	100	100
Further issue of equity shares	100	140
Retained earnings	100	115
Total shareholders equity	300	357

(ii) A Limited also operates in the travel industry and incurs costs unevenly through the financial year. Advertising costs of 40 lakhs were incurred on 1st July 20X2, and staff bonuses are paid at year-end based on sales. Staff bonuses are expected to be around 400 lakhs For the year; of that a sum of ₹ 60 lakhs would relate to the period ending 30th September 20X2

(iii) An item of equipment *X* was acquired by A Ltd. on 1s April 20X1 for 1,00,000 having an estimated useful life of 10 years, with a residual value of zero. The asset is depreciated on a straight-line basis_ The asset was revalued to 1,04,000 on 31st March 20X3.

(iv) A Ltd. has spent ₹ 15,00,000 in developing a new product during the *year* ended 3r March, 20X3 The development costs incurred were recognised as an intangible asset as per End AS 38. For the purposes of computing the taxable income, these expenses are allowable in full in the year of incurring the expenses. Al the year end, the Company recognised an impairment loss of ₹ 75,000 against the intangible asset.

(v) The company has issued preference shares that are redeemable at the option of the holder. Three months before the end of the year, it was probable that the holders would require redemption.

Question 1

What cashflow should it Ltd- report, as financing activity in the statement of cash flows?

A: Issuance at equity shares Rs. 240 laths; dividends paid Rs. 10 lakhs

B: Issuance at equity shares Rs. 100 lakhs; dividends pad Rs. I0 lakhs

C: Issuance of equity shares Rs. 140 lakhs; dividends paid Rs. 10 lakhs

D: Issuance of equity shares Rs. 40 lakhs; dividends paid Rs. 10 lakhs

Question 2

With respect to point ii), what costs should be included in the entity's financial report for the quarter ended 30' September 20X2?

A: Advertising costs 40 lakhs, staff bonuses Rs. 100 lakhs

B: Advertising costs 10 lakhs; staff bonuses Rs. 130 lakhs

C: Advertising costs Rs.10 lakhs: staff bonuses Rs. 60 lakhs

D. Advertising costs Rs. 40 lakhs; staff bonuses Rs. 60 lakhs

Question 3

What will be the annual depreciation charge on equipment X for years 3 to 10 and the amount of the revaluation surplus that can be transferred to retained earnings annually?

A: Annual depreciation charge will be Rs. 10,000 and an annual transfer of Rs. 3000 can be made from revaluation surplus to retained earnings.

B: Annual depreciation charge will be Rs. 10,000, however, annual transfer from revaluation surplus to retained earnings is not permitted.

C: Annual depreciation charge will be Rs. 13,000 and an annual transfer of Rs, 3,000 may be made from revaluation surplus to retained earnings.

D: Annual depreciation charge will be Rs. 13,000, however, annual transfer from revaluation surplus to retuned earnings is not permitted.

Question 4

With respect to point iii), What is the tax base of the intangible asset?

A: Rs. 15,00,000

B: Rs. 75,000

C: 14,25,000

D: Nil

Question - 5

Which one of the following is the appropriate classification for the annual payment of Rs. 12,000 to preference shareholders at year-end?

A: Dividend Rs. 12000

B: Interest expense Rs. 12,000

C: Dividend Rs. 3,000. interest expense Rs. 9,000

D: Dividend Rs. 9,000, interest expense Rs. 3,000

Answer Key / Description:

1: D

Description:

Issuance of equity shares including further issue of equity shares (240 - 200] = Rs. 40 lakhs.
Dividends paid worked out as under.

Particulars	Rs. Lakhs
Opening Retained Earnings	100
Add: Net Income	25
Less: Cash Dividend paid (Balancing Figure)	(10)
Closing Retained Earnings	115

2: D

As per para 39 of Ind AS 34 'Interim Financial Reporting', costs that are incurred unevenly during an entity's financial year shall be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.
A bonus is anticipated for interim reporting purposes if and only if,
(a) The bonus is a legal obligation or past practice would make the bonus a constructive obligation for which the entity has no realistic alternative but to make the payments and
(b) a reliable estimate of the obligation can be made.
Accordingly, in the given case, while advertising costs cannot be deferred, bonus expenses are accrued relating to the period to which they relate.

3: C

The annual depreciation charge for years 3 to 10 will be Rs, 13,000 (i.e. 104,000/ 8). The amount that may be transferred from revaluation surplus to retained earnings in accordance with pare 41 of
Ind AS I6, will be the difference between the depreciation expense based on historic cost {i.e., Rs_ 10,000), and the depreciation expense based on the revalued amount Rs. 13,000). So, an annual transfer of Rs. 3,000 may be made from revaluation surplus to retained earnings as the asset is used by an entity.

4: D

As per para 7 of IND AS 12 'Income Taxes', the tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset.
In the given case, since the entire cost of intangible asset is fully allowed as expense for tax purposes, the tax base will be nil.

5: B

Under IND AS 32, the redeemable preference shares are classified as a liability from the date of issue because the holder has the right to demand redemption. Therefore, the instruments are a liability and the payment for the year is classified as interest. The probability of conversion makes no difference to the classification of the instruments.

CASE SCENARIO – 02

U Ltd_ is engaged in mining and many other industries and prepares its financial statements following Indian Accounting Standards and follows April March as their financial year During the year 20X2 20X3, the company has Faced some issues and for their solution seeks your professional advice.

(i) U Ltd. and F Ltd. are partners of a taint operation engaged in the business of mining precious metals. The entity uses a jointly owned drilling plant in its operations_ During the year ended 31st March 20X3, an inspection was conducted by the government authorities in the mining fields. The inspection authorities concluded that adequate safety measures were not followed by the entity. As a consequence, a case was filed and a penalty of Rs. 50 crores has been demanded from U Ltd.

The legal counsel of the company has assessed the demand and opined that appeals may not be useful, and the appeal orders will be unfavourable to the joint arrangement. Out of Rs. 50 crores (to be paid by U Ltd.), Rs. 30 crores will be reimbursed by F Ltd. later, as per the terms of the Joint Operation Agreement. At the year end, actual reimbursement was not received from F Ltd.

(ii) On 01 April 20X2, U Ltd. leased a machine from D Ltd. on a three year lease. The expected future economic life of the machine on April 20X2 was eight years. IF the machine breaks down, then under the terms of the lease, D Ltd. would be required to repair the machine or provide a replacement.

D Ltd. agreed to allow U Ltd. to use the machine for the first six months of the lease without the payment of any rental as en incentive to U Ltd_ to sign the lease agreement. After this Initial period, lease rentals of R. 2,10,000 were payable six monthly in arrears, the first payment falling due on 31' March 20X3.

(iii) U Ltd. has issued 10,00,000, 9% cumulative preference shares. The Company has arrears of Rs. 15 crores of preference dividend as on 31" March 20X3, it includes current year arrears of Rs. 1.75 crapes. The Company did riot declare any dividend for equity shareholders as well as for preference shareholders.

Further U Ltd. has also issued certain optionally convertible debentures, which are outstanding as at the year end.

(iv) On January 20X3, LI Ltd. acquired 30% of the shares of T Ltd_ The investment was accounted for as an associate in U Ltd.'s consolidated financial statements, Both U Ltd. arid T Ltd. have an accounting year end of 31. March 20X3. U Ltd. has no other investments in associates.

Not profit for the year in T Ltd.'s income statement for the year ended 31" March 20X3 was Rs. 0023 crores. It declared and paid dividend of Rs. 0.1 crore on 1st March 20X3. No other dividends were paid in the year.

(v) On 1st January, 20X3, U Ltd. also acquired a 60% stake in S Ltd_ The cash consideration payable was Re. 1 crore to be paid immediately, and Rs. 1.21 crores after two years. The Fair value of net assets of S Ltd. at acquisition date was Rs. 3 crores. U Ltd. has calculated that its cost of capital is 10%. Non controlling interest is measured at the proportionate share of identifiable not assets.

Question – 1: With respect to a joint operation engaged in the business of mining precious metals, how will the liability be disclosed in the books of U Ltd.?

A : Provision For Rs. 20 crores and a contingent liability for 30 crores

B : Contingent Liability for Rs. 50. crores

C : Provision For Rs. 30 crores and a contingent liability for Rs. 20 crores

D : Provision For Rs. 50 crores,

Question - 2 : Calculate the current liability of leased machine from D Ltd. to be shown in the balance sheet as at 31st March 20X3.

A : Rs. 70,000

B : Rs. 1,40,000

C : Rs. 3,50,000

D : Rs. 4,20,000

Question - 3 : What is the amount of preference dividend to be reduced From profit or loss for the year for calculating Bask Earnings Per Share?

A : Rs. 7.5 crores

B : Rs 1.75 crores

C : Rs. 13.25 crones

D : Nothing, as no dividend has been declared by the entity.

Question - 4 : What amount will be shown as an inflow in respect of earnings from the associate in the statement of cash flows of U Ltd. for the year ended 31st March 20X3?

A : Rs. 0.020 crores

B : Rs. 0.026 crores

C : Rs. 0.030 crores

D : Rs. 0.016 crores

Question 5: Calculate the amount of goodwill / gain on bargain purchase arising upon acquisition of S ltd.

A: Rs. 1 crore on Gain on bargain purchase

B: Rs. 80 lakhs gain on bargain purchase

C: Rs. 20 lakhs goodwill

D: Rs. 41 lakhs goodwill

Answer Key / Description :

1: D

As per para 53 of End AS 37, 'Provisions, Contingent Liabilities and Contingent Assets, when some or all of the expenditure required to settle a provision is expected to be reimbursed by another parry, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the Obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. In the statement of profit arid loss, the expense relating to a provision may be presented net of the amount recognised fora reimbursement.

In the given case, U Ltd. will record provision by Rs. 50 crores in it books and Rs. 30 crores will be reimbursed by F Ltd. Hence Rs. 50 crore will be recognised as provision and Rs. 30 crore is disclosed as a contingent asset, if it is virtually certain that reimbursement will be received if the *entity* settles the obligation

2 : A

In accordance with the principles of Ind AS 116 'Leases: the lease of the machine is an operating lease because the risks and rewards of ownership of the machine remain with D Ltd, The lease is for only three years of the eight-year life and 0 Ltd is responsible for breakdowns, etc.

Therefore, U 1td will recognize lease rentals as an expense in the statement of profit or loss. Ind AS 116 stipulates that this should normally be done on a straight-line basis.

The total lease rentals payable over the whole lease term are Rs.10,50,000 (Rs- 2,10,000 x 5). Therefore, the charge For the current year is Rs. 3,50,000 {Rs. 10,50,044 x 1/3}.

The difference between the charge for the period (Rs, 3,50.000) and the rent actually paid (Rs. 2,10,000) will be shown as a liability in the balance sheet at 31st March 20X3. This amount will be Rs. 1,40,000.

Rs. 70, 000 (2 x Rs. 2,10, 000 - Rs. 3,50, 000) of this liability will be current and Rs. 70,000 non-current

3 : B

As per pars 14(b) of Ind AS 33 'Earnings per Share', the after-tax amount of preference dividends that is deducted from profit or loss is the after-tax amount of the preference dividends for cumulative preference shares required For, the period, whether or not the dividends have been declared. The amount of preference dividends for the period does not include the amount of any preference dividends for cumulative preference shares paid or declared during the current period in respect of previous periods.

In the given case, the amount of preference dividends of Rs. *1.75* crore declared for the year ended 31st March 20X3 (i.e. the current period) is to be deducted from profit or loss for calculating EPS.

4 : C

As per para 57 of Ind AS 7, when accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity or cost method, an investor restricts its reporting in the statement of cash flows to the cash Flows between itself and the investee, for example, to dividends and advances.

Accordingly,

Dividend paid by associate T Ltd.	= Rs, 0.110 crores
U Ltd.'s share of dividend 30% x Rs 0.10 lakhs	= Rs. 0.030 crores

This is the amount that should appear in the statement of cash Rows. of U Ltd. as this is the share of LP Ltd.'s dividend From the associate T Ltd

Answer Key / Description :

5: C

Total Consideration Paid

Cash	1cr
PV of Deferred Consideration (1.21 x 0.826)	1cr
	2 cr

NCI by Proportionate Share Method 3cr x 40% = 1.2 cr

Calculation of Goodwill		**(Rs. In Crore)**		
Net Identifiable Assets	Dr.	3		
Goodwill (B/F)		Dr.	0.20	
To Consideration Payable			2	
To Non Controlling Interest				1.20

CASE SCENARIO – 03

G 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 G Ltd_ has a number of business segments_

(i) H Ltd. is one of the recently acquired Indian subsidiary of G Ltd. It has to adopt Ind AS For the first time as a' 31st March, 20X4, with 1st April, 20X2 as the date of transition. As at 31st March, 20X2, the value of raw material inventories was incorrectly reported due to an error. The amounts are significant.

(ii) G Ltd. is also engaged in software development. It enters into a contract with a customer to transfer a software license, perform an installation service and provide unspecified software updates and technical support (online and telephone) for a two-year period. G Ltd. sells the license, installation service and technical support separately. The installation service includes changing the web screen for each type of user (for example, marketing, inventory management and information technology). The installation service is routinely performed by other entities and does not significantly modify the software. The software remains functional without the updates and the technical support.

(iii) G Ltd. sells a 20% interest in a wholly owned subsidiary K Ltd. to outside investors for Rs. 100 lakh in cash The carrying value of K Ltd.'s net assets is Rs. 300 lakh, including goodwill of Rs. 65 lakh from the subsidiary's initial acquisition_

Question - 1 : With respect to H Ltd. state whether the error should be reported in the Ind AS financial statements and Now to rectify it

A : H Ltd. shall report the impact of the error as a correction to Statement Profit and Loss for the comparative period i.e., the year ended 31st March, 2.3X3.

B : The correction shall be reflected in a reconciliation as at the end of the first Ind AS reporting period i.e., as at 31st March, 20X3.

C : The impact of the correction is significant and it shall be amortized on a rational and systematic basis in the first two periods of Ind AS reporting i.e., years ended 31st March, 20-X3 and 31st March, 20X4.

D : The first Ind AS Financial statements shall distinguish the correction of errors from changes in accounting policies and reported as part of the reconciliations as at 1st April, 20X2,

Question - 2 : How many performance obligations G Ltd, has, with respect *to* the contract with the customer to transfer software license?

A : 4 performance obligations

B : 3 performance obligations

C : 2 performance obligations

D : 1 performance obligation

Question - 3 : What is the amount of gain on sale of interest in subsidiary K Ltd.?

A : Rs. 100 lakhs

B : Rs. 60 lakhs

C : Rs. 63. lakhs

D : Rs. 40 lakhs

Answer Key / Description :

1 : D

Refer pare 26 of Ind AS 101 which states that if an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 24(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.

2 : A

The entity assesses the goods and services promised to the customer to determine which goods and services are distinct. The entity observes that the software is delivered before the other goods and services and remains functional without the updates and the technical support, Thus, the entity concludes that the customer can benefit from each of the goods and services either on their own or together with the other goods and services that are readily available.

The entity also considers the factors of Ind AS 115 and determines that the promise to transfer each goods and service to the customer is separately identifiable from each of the other promises. In particular, the entity observes that the installation service does not significantly modify or customise the software itself and, as such, the software and the installation service are separate outputs promised by the entity instead of inputs used *to* produce a combined output_

On the basis of this assessment, the entity identifies four performance obligations in the contract for the Following goods or services:

- The software license
- An installation service
- Software updates
- Technical support

3 : D

	Rs. in lakhs	
	Dr.	**Cr.**
Cash Dr.	**100**	
To Non-controlling interest (20% x 300 lakh)		**60**
To Other Equity (Gain on sale of interest in subsidiary)		**40**

As per pars B96 of Ind A5 110, where proportion of the equity of MCI changes, then group shall adjust controlling and non-controlling interest and any difference between amount by which NCI (Rs. 60 lakh) is adjusted arid Fair value of consideration received IRs. 100 lakh) to be attributed to parent in other equity ie. Rs. 40 lakh