

Chapter Tests of FR of CA Ashish Lalaji 9825856155

FR Test 4: CFS Test 3

Maximum Marks: 30

Time Allowed: 1 hour & 30 minutes

- Q 1** Following are the balance sheets of Mohan Ltd., Rohan Ltd. (subsidiary of Mohan Ltd.) and Sohan Ltd. (associate of Mohan Ltd.) as on 31st March, 2022:

Rs. in lakhs

Particulars	Mohan	Rohan	Sohan
Property, Plant and Equipment	2,180	900	600
Investment in Rohan Ltd. at cost	405		
Investment in Sohan Ltd. at cost	150		
Inventories	20	45	30
Total	2,755	945	630
Equity Share Capital (Rs.10)	1,900	450	300
General Reserve	105	75	50
Retained Earnings	500	225	150
Long-term Borrowings	150	150	100
Trade Payables	100	45	30
Total	2,755	945	630

Mohan Ltd. acquired 60% equity shares of Rohan Ltd. on 30th September, 2021 and 30% of equity shares of Sohan Ltd. on 1st April, 2021.

Following balances prevailed on 1st April, 2021:

Particulars	Mohan	Rohan	Sohan
Equity Share Capital	1,900	450	300
General Reserve	50	25	20
Retained Earnings	200	70	50

During 2021-22, Rohan and Sohan paid dividend at 10% for 2020-21. Mohan Ltd. received its share of dividend and credited it to its retained earnings.

Post-acquisition of shares, Rohan sold goods costing Rs.50 lakhs to Mohan at selling price of Rs.60 lakhs. 30% of the goods are lying unsold at the year-end. Likewise, Mohan sold goods costing Rs.30 lakhs for Rs.40 lakhs to Sohan. 60% of these goods are lying unsold at the year-end.

Mohan Ltd. has decided to value NCI at its fair value on the acquisition date. MPS of Rohan Ltd. on acquisition date was Rs.15, which is considered to be fair value per share.

Prepare consolidated balance sheet of Mohan Ltd. as on 31st March, 2022 providing adequate adjustments as per equity method for its associate.

(16 Marks)

Q 2

- (a) AT Ltd. purchased 100% of BT Ltd. for Rs.50,00,000 on 31st March 2022. On the same date net assets of BT Ltd. carried a fair value of Rs. 40,00,000.

AT Ltd. sold 60% of its investment in BT Ltd. on 31st March 2023 for Rs.67,50,000, leaving AT Ltd. with 40% and significant influence. At the date of disposal, the carrying value of net assets of BT Ltd., excluding goodwill is Rs.80,00,000. Assume the fair value of the investment in associate BT Ltd. retained is proportionate to the fair value of the 60% sold, that is Rs.45,00,000.

In 2023-24, BT made a profit of Rs.1,50,00,000 and declared and paid dividend of Rs.30,00,000.

Required:

- i. Goodwill of BT Ltd. as a subsidiary on 31st March, 2022
- ii. Gain or loss on sale of proportion of BT Ltd. in AT Ltd's consolidated financial statements as on 31st March 2023
- iii. Goodwill of BT Ltd. as an associate on 31st March, 2023
- iv. Carrying Amount of Investment in BT Ltd. for AT Ltd's consolidated financial statements as on 31st March 2024

(6 Marks)

- (b) ECL Limited has a wholly owned subsidiary, entity B, that holds a portfolio of buildings. ECL Limited wishes to reduce its exposure to this market. It sells 50% of its investment in entity B to Investment Bank. ECL Limited and Investment Bank enter into a contractual agreement, whereby decisions regarding entity B's relevant activities are made jointly. ECL Limited continues to act as asset manager of entity B for a specified fee, and decisions are made in line with the entity B's pre- approved budgets and business plan. Is entity B jointly controlled?

(4 Marks)

- (c) NFG Limited is owned by numerous shareholders with the following holdings:

- Shareholder N owns 51%
- Shareholder F owns 30%
- The rest of the shares are widely held by other investors, altogether 19%.

NFG Limited's articles of association require a 75% majority to approve decisions about any of the entity's relevant activities. They also outline that each shareholder is entitled to vote in proportion to its respective ownership interest. Is NFG Ltd jointly controlled?

(4 Marks)

Question Paper set by CA. Ashish Lalaji

