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Register Number:

Date:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.COM IFA- VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2022**

**(Examination conducted in July-August 2022)**

**BC IFA 6119 - Corporate Reporting** II

**Time-2 and 1/2 hours Max Marks-70**

**This paper contains three printed pages and four parts**

**SECTION A**

**Answer any FIVE questions. Each question carries two marks (5x2=10)**

1. What is an associate as per IAS 28?
2. State any two situations of disposal of a subsidiary which can result in loss of control.
3. Mention the meaning and recognition of termination benefit as per IAS 19.
4. What is step acquisition.
5. Identify any two criticisms of IAS 21.
6. Recognise prior period items as per IAS 8 and how they should be corrected.

**SECTION B**

**Answer any THREE questions. Each question carries five marks. (3x5=15)**

1. During the reporting period, Novel acquired 80% of the equity shares of Series. The consideration comprised two forms: cash and 1 million of Novel’s own shares. Novel shares had a fair value of $5 each at the acquisition date. Goodwill arising on the acquisition was correctly measured and recognised at $50 million. The Novel Group values non-controlling interests at acquisition at fair value. This was $7 million. The carrying amount of Series net assets at acquisition was $20 million. This included inventories with a carrying amount of $4 million and a fair value of $6 million. The tax base of the inventories is $4 million. All group companies pay tax at 20%. At the acquisition date, Series had cash and cash equivalents of $1 million. Calculate the impact of the subsidiary acquisition on the statement of cash flows.
2. Mention the types of employee benefits as per IAS 19.
3. Siving hires out industrial plant on long-term operating leases. On 1 January 20X1, it entered into a seven-year lease on a mobile crane. The terms of the lease are $180,000 payable on 1 January 20X1, followed by six rentals of $75,000 payable on 1 January 20X2 – 20X7. The crane will be returned to Siving on 31 December 20X7. The crane originally cost $9,20,000 and has a 23-year useful life with no residual value. Discuss the accounting treatment of the above in the year ended 31 December 20X1.
4. The ALARM group has sold its entire 100% holding in an overseas subsidiary for proceeds of $50,000. The net assets at the date of disposal were $200,000 and the carrying amount of goodwill at that date was $100,000. The cumulative balance on the group foreign currency reserve is a gain of $50,000. Discuss how the disposal should be accounted for in the consolidated financial statements.

**SECTION C**

**Answer any TWO questions. Each question carries fifteen marks. (2x15=30)**

1. A. On 1 January 20X1, Napa purchased a bond for $1 million which is measured at amortised cost. Interest of 10% is payable in arrears. Repayment is due on 31 December 20X3. The effective rate of interest is 10%.

On 31 December 20X1, Napa received interest of $100,000. It estimated that the probability of default on the bond within the next 12 months would be 0.5%. If default occurs within the next 12 months then Napa estimated that no further interest will be received and that only 50% of the capital will be repaid on 31 December 20X3.

The asset’s credit risk at 31 December 20X1 is low. Discuss the accounting treatment of the financial asset at 31 December 20X1. (10 marks)

B. List out the different elements of a financial asset and a financial liability as per IAS 32. (5 marks)

1. On 1 January 20X5, L group purchased 80% of H for $500,000. The fair value of the identifiable net assets of H at the date of acquisition amounted to $590,000.

The carrying amount of H net assets at 31 December is $520,000 (excluding goodwill). H is a cash-generating unit.

At 31 December 20X5 the recoverable amount of H net assets is $530,000.

Required:

Calculate the impact of the impairment review if:

(a) the NCI at acquisition was measured at its fair value of $130,000.

(b) the NCI at acquisition was measured at its share of the fair value of H identifiable net assets.

1. ‘Under IFRS 8, an operating segment is a component whose results are regularly reviewed by the entity's chief operating decision maker. This means that the segments reported in the financial statements should be the same as those reviewed in internal management reports.

Management may use more than one set of segment information. For example, they might analyse information by classes of business (different products or services) and by geographical areas. If this is the case then management must identify a singleset of components on which to base the segmental disclosures. The basis of reporting information should be the one that best enables users to understand the business and the environment in which it operates.’ In this regard answer the following questions:

* 1. Give the disclosure requirements of IFRS 8.
	2. Analyse the possibility of aggregation in segment reporting as per IFRS 8
	3. Describe the criteria of quantitative thresholds in segment reporting. (5+5+5)

**SECTION D**

**Answer the following compulsory question. (1x15=15)**

1. The statements of profit or loss and extracts from the statements of changes in equity for the year ended 31 December 20X9 are as follows:

**Statements of profit or loss for the year ended 31 December 20X9**

|  |  |  |
| --- | --- | --- |
|  | UAE group | Dubai |
| Revenue | 1,106,000 | 900,000 |
| Operating costs | (900,000) | (800,000) |
| **Operating profits** | 206,000 | 100,000 |
| Investment income | 16,000 | --- |
| **Profit before tax** | 222,000 | 100,000 |
| Tax | (80,000) | (28,000) |
| **Profit for the period** | 142,000 | 72,000 |

**Extracts from SOCIE for year ended 31 December 20X9**

|  |  |  |
| --- | --- | --- |
|  | UAE group | Dubai |
| Retained earnings b/f | 200,000 | 160,000 |
| Profit for the period | 142,000 | 72,000 |
| Dividend paid | (50,000) | (20,000) |
| Retained earnings c/f | 292,000 | 212,000 |

There were no items of other comprehensive income during the year.

Additional information

* The accounts of the UAE group do not include the results of Dubai.
* On 1 January 20X5 UAE acquired 70% of the shares of Dubai for $200,000 when the fair value of Dubai's net assets was $220,000. Dubai has equity capital of $100,000. At that date, the fair value of the non-controlling interest was $80,000. It is group policy to measure the NCI at fair value at the date of acquisition.
* Dubai paid its 20X9 dividend in cash on 31 March 20X9.
* Goodwill has not been impaired.

You are required to:

1. Prepare the group statement of profit or loss for the year ended 31 December 20X9 for the UAE group on the basis that UAE plc sold its holding in Dubai on 1 July 20X9 for $400,000. This disposal is not yet recognised in any way in UAE group’s statement of profit or loss. Assume that Dubai does not represent a discontinued operation per IFRS 5.
2. Explain and illustrate how the presentation of the group statement of profit or loss would differ from part (a) if Dubai represented a discontinued activity per IFRS 5. (9+6=15 marks)

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