

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 86
(For candidates admitted from the academic year 2023 – 2024)

B.COM. END SEMESTER EXAMINATION, APRIL 2026
HONOURS
SIXTH SEMESTER

COURSE : MAJOR CORE
PAPER : CORPORATE REPORTING
SUBJECT CODE : 23BH/MC/CR64
TIME : 3 HOURS

MAX. MARKS: 100

SECTION A		CO	KL
Q.NO.	Answer all questions : (5 x 2 =10)		
1.	What is 'Performance Obligation'?	1	1
2.	How are equity instruments measured under IFRS 9?	1	1
3.	Write a short note on 'Substance over Form'.	1	1
4.	Prepare a provision for tax account from the following details. Opening Balance 1 April 2024 \$1,00,000 (Cr.) Tax paid on 8 June 2024 for profit of the last year \$80,000 Profit for the financial year 2024-25 \$2,00,000 Tax rate 30%	1	1
5.	A Manufacturing entity receives a grant of \$1m towards the purchase of a machine on 1 January 2023. The grant will be repayable if the entity sells the asset within 4 years, which it does not intend to do. The asset has a useful life of 5 years. What is the deferred income liability balance on 30 June 2023?	1	1
SECTION B		CO	KL
Q.NO.	Answer any 4 questions : (4 x 5 =20)		
6.	Describe the elements of financial statements.	1	2
7.	What are accounting estimates? Give 2 examples for change in accounting estimate and how it is accounted.	1	2
8.	Explain the revaluation model for the treatment of PPE.	1	2
9.	On 1 April 2016 ABC acquired telephones for their marketing team under a two-year lease agreement. The terms of the lease required an initial payment of \$2,000, followed by two payments of \$8,500 each on 31 March 2017 and 31 March 2018. Show the impact of the lease arrangement in the SOPL of ABC for the year ended 31 March 2016.	1	2
10.	On 1st January 2024, an aircraft engine component costing \$12,00,000 was installed as part of a plane. Useful life of the engine is 4 years. On 1st January 2026, the engine is replaced at a cost of \$14,00,000 Required: I. Calculate the carrying amount of the old engine on the replacement date. II. What is the accounting treatment for the same?	1	2

11.	<p>On 1 January 20X1, Smith entered into a two-year lease for a lorry. The contract contains an option to extend the lease term for a further year. Smith believes that it is reasonably certain to exercise this option. Lorries have a useful life of ten years.</p> <p>Lease payments are \$10,000 per year for the initial term and \$15,000 per year for the option period. All payments are due at the end of the year. To obtain the lease, Smith incurs initial direct costs of \$3,000. The lessor immediately reimburses \$1,000 of these costs.</p> <p>The interest rate within the lease is not readily determinable. Smith's incremental rate of borrowing is 5%.</p> <p>Calculate the initial carrying amount of the lease liability and the right-of-use asset.</p>	1	2																																																																																
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	Answer the following questions: (4 x 10 =40)																																																																																		
12.	<p>A) Discuss the accounting treatment for biological assets and government grants.</p> <p style="text-align: center;">(Or)</p> <p>B) Explain the key differences in accounting treatment between full IFRS and the IFRS for SMEs.</p>	2	3																																																																																
13.	<p>A) Explain clearly how research and development are treated in financial accounting under IAS 38?</p> <p style="text-align: center;">(Or)</p> <p>B) The following trial balance relates to P at 31 March 2021:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%; text-align: right;">\$000</td> <td style="width: 10%; text-align: right;">\$000</td> <td style="width: 20%;"></td> </tr> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">5300</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">1350</td> <td></td> <td></td> </tr> <tr> <td>Dividends received</td> <td></td> <td style="text-align: right;">210</td> <td></td> </tr> <tr> <td>Administration expenses</td> <td style="text-align: right;">490</td> <td></td> <td></td> </tr> <tr> <td>Distribution costs</td> <td style="text-align: right;">370</td> <td></td> <td></td> </tr> <tr> <td>Interest paid</td> <td style="text-align: right;">190</td> <td></td> <td></td> </tr> <tr> <td>Prepayments</td> <td style="text-align: right;">25</td> <td></td> <td></td> </tr> <tr> <td>Dividends paid</td> <td style="text-align: right;">390</td> <td></td> <td></td> </tr> <tr> <td>Property, plant and equipment</td> <td style="text-align: right;">4250</td> <td></td> <td></td> </tr> <tr> <td>Short-term investments</td> <td style="text-align: right;">2700</td> <td></td> <td></td> </tr> <tr> <td>Inventory at 31 March 2021</td> <td style="text-align: right;">114</td> <td></td> <td></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">418</td> <td></td> <td></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">12</td> <td></td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">136</td> <td></td> </tr> <tr> <td>Long-term loans (repayable 2029)</td> <td></td> <td style="text-align: right;">1200</td> <td></td> </tr> <tr> <td>Share capital</td> <td></td> <td style="text-align: right;">1500</td> <td></td> </tr> <tr> <td>Share premium</td> <td></td> <td style="text-align: right;">800</td> <td></td> </tr> <tr> <td>Retained earnings at 31 March 2020</td> <td></td> <td style="text-align: right;">1163</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">10309</td> <td style="text-align: right; border-top: 1px solid black;">10309</td> <td></td> </tr> </table>		\$000	\$000		Revenue		5300		Cost of sales	1350			Dividends received		210		Administration expenses	490			Distribution costs	370			Interest paid	190			Prepayments	25			Dividends paid	390			Property, plant and equipment	4250			Short-term investments	2700			Inventory at 31 March 2021	114			Trade receivables	418			Cash and cash equivalents	12			Trade payables		136		Long-term loans (repayable 2029)		1200		Share capital		1500		Share premium		800		Retained earnings at 31 March 2020		1163			10309	10309		2	3
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	<p>The following information should also be taken into account:</p> <ol style="list-style-type: none"> 1. The tax charge for the year has been estimated at \$470,000. 2. The directors declared a final dividend of \$270,000 on 3 April 2021. <p>Prepare, in a form suitable for publication, the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity for the year ended 31 March 2021.</p>														
14.	<p>A) XYZ Ltd. incurred the following cost on a new product during the year ended 31st March 2025.</p> <table border="1" data-bbox="334 625 1206 873"> <thead> <tr> <th>Particulars</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>Research phase costs</td> <td>2,50,000</td> </tr> <tr> <td>Development cost before the criteria was met</td> <td>1,30,000</td> </tr> <tr> <td>Development cost after the criteria was met</td> <td>3,60,000</td> </tr> <tr> <td>Patent registration fees</td> <td>50,000</td> </tr> <tr> <td>Staff training cost</td> <td>20,000</td> </tr> </tbody> </table> <p>The project was completed on 31st March 2025 and expected to generate benefits for six years.</p> <p>Required:</p> <ol style="list-style-type: none"> I. Identify which costs can be capitalised under IAS 38 and the reasons for the same. (4 marks) II. Calculate the carrying amount of the intangible assets on 31st March 2025. (1 mark) III. Pass relevant Journal entries. (3 marks) IV. Calculate amortisation for the year ended 31st March 2026. (2 marks) <p style="text-align: center;">(Or)</p> <p>B) On 1 January 2021, Martyn entered a contract with a customer to construct a specialised building for consideration of \$2m plus a bonus of \$0.4m, if the building is completed within 18 months. Estimated costs to construct the building were \$1.5m. If the contract is terminated by the customer, Martyn can demand payment for the costs incurred to date plus a mark-up of 30%. On 1 January 2021, because of factors outside of its control, Martyn was not sure whether the bonus would be achieved.</p> <p>At 31 December 2021 Martyn had incurred costs of \$1m and was still unsure whether the bonus target would be met. Martyn measures progress towards completion based on costs incurred.</p> <p>At 31 December 2021 Martyn had received \$1 million from the customer.</p> <p>How should this transaction be accounted for in the year ended 31 December 2021?</p>	Particulars	\$	Research phase costs	2,50,000	Development cost before the criteria was met	1,30,000	Development cost after the criteria was met	3,60,000	Patent registration fees	50,000	Staff training cost	20,000	2	3
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15.	<p>A) The following information is provided in relation to a defined benefit plan operated by Boucher. At 1 January 2024, the present value of the obligation was \$140 million and the fair value of the plan assets amounted to \$80 million.</p> <table border="1" data-bbox="344 415 1242 703"> <thead> <tr> <th></th> <th>2024</th> <th>2025</th> </tr> </thead> <tbody> <tr> <td>Discount rate at the start of the year</td> <td>4%</td> <td>3%</td> </tr> <tr> <td>Current and past service cost (\$m)</td> <td>30</td> <td>32</td> </tr> <tr> <td>Benefits paid (\$m)</td> <td>20</td> <td>22</td> </tr> <tr> <td>Contributions into plan (\$m)</td> <td>25</td> <td>30</td> </tr> <tr> <td>Present value of obligation at 31 December (\$m)</td> <td>200</td> <td>230</td> </tr> <tr> <td>Fair value of plan assets at 31 December (\$m)</td> <td>120</td> <td>140</td> </tr> </tbody> </table> <p>Determine the net plan obligation or asset at 31 December 2024 and 2025 and the amounts to be taken to SOPL & OCI for both financial years.</p> <p style="text-align: center;">(Or)</p> <p>B) An entity has a reporting date of 31 December. On 1 January 2021, the entity grants 100 share appreciation rights (SARs) to each of its 300 employees, on the condition that they continue to work for the entity until 31 December 2023. During 2021, 20 employees leave. The entity estimates that a further 40 will leave during 2022 and 2023. During 2022, 10 employees leave. The entity estimates that a further 20 will leave during 2023. During 2023, 10 employees leave. The fair value of a SAR at each reporting date is shown below:</p> <table border="0" data-bbox="435 1186 1015 1327"> <tr> <td></td> <td style="text-align: center;">\$</td> </tr> <tr> <td style="padding-left: 20px;">2021</td> <td style="text-align: right;">10.00</td> </tr> <tr> <td style="padding-left: 20px;">2022</td> <td style="text-align: right;">12.00</td> </tr> <tr> <td style="padding-left: 20px;">2023</td> <td style="text-align: right;">15.00</td> </tr> </table> <p>Calculate the expense for each of the three years of the scheme, and the liability to be recognised in the Statement of Financial Position as at 31 December for each of the three years.</p>		2024	2025	Discount rate at the start of the year	4%	3%	Current and past service cost (\$m)	30	32	Benefits paid (\$m)	20	22	Contributions into plan (\$m)	25	30	Present value of obligation at 31 December (\$m)	200	230	Fair value of plan assets at 31 December (\$m)	120	140		\$	2021	10.00	2022	12.00	2023	15.00	3	4
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16.	<p>The S group is made up of two cash generating units (CGUs) (as a result of a combination of various past 100% acquisitions) plus head office which was not allocated to any given CGU as it supports both divisions. Due to the following sales, as a result of an economic crises, an impairment test was conducted at the year end. The Consolidated Statement of Financial Position showed the following net assets at that date.</p>	4	5																													

Particulars	Division A (\$m)	Division B (\$m)	Head Office (\$m)	Unallocated Goodwill (\$m)	Total
PPE	780	620	90	0	1490
Goodwill	60	30	0	10	100
Net Current Assets	180	110	20	0	310
Total	1020	760	110	10	1900

The recoverable amounts (including net current assets at the year-end were as follows):

Particulars	Amount (\$m)
Division A	1000
Division B	720
Group as a whole*	1825

*Including head office PPE at Fair value less cost of disposal of \$85m
The recoverable amount of the two divisions were based on value in use. The fair value less cost of disposal of any individual items was substantially below this.
No impairment losses had previously been recognised.
Discuss with suitable computation showing an allocation of any impairment losses, the accounting treatment of the impairment test.

17.	<p>A) Lee, a company that owns several shops. One of the shops is loss-making. At 31 December 2021, Lee forecasts that this shop will make a loss of \$50,000 in the year ended 31 December 2022.</p> <p>As at 31 December 2021, one of the shop buildings requires repair. The cost has been estimated at the reporting date at \$10,000. The repair is made in the following accounting period at a cost of \$12,000.</p> <p>Discuss the accounting treatment of the above in the financial statements for the year ended 31 December 2021. (8 Marks)</p> <p>B) Under new legislation, an entity is required to fit smoke filter to its factories by 31 December 2023. At the reporting date of 30 June 2023, the entity has not fitted the smoke filter.</p> <p>Should a provision be made at the reporting date for the estimated cost of fitting the smoke filter? Explain your answer. (7 Marks)</p>	4	5
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Q.NO.	SECTION E Compulsory Case Study (1 x 15 = 15)	CO	KL
18.	XYZ Ltd. is manufacturing company and is into the business for the last ten years. They have been making profits consistently and have a sizable surplus cash balance. They are planning to invest in another company's shares or debentures. The accountant is not sure as to how to account for the above investments in case they proceed. They have appointed you, a financial reporting expert, to advise them on the same. Required: If XYZ purchases shares or debentures of another company, how should they be accounted for?	5	6
