

Mock Test Paper - Series II: April, 2024

Date of Paper: 1 April, 2024

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

ABC 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 financial statements under Indian Accounting Standards. The finance team has been working on closing the books of accounts and generating financial statements for the year ended 31st March 20X3 and are facing issues in the following transactions while finalization of financial statements:

- (i) One of the businesses of ABC Ltd. is of manufacturing sugar and chemicals. The Company has taken a term loan for ₹ 5 crores from State Bank to buy certain plant and machinery during the year ended 31 March 20X2. The loan is repayable over a period of 5 years. The terms and conditions of the loan agreement requires the company to maintain a current ratio of 1.33 : 1 and debt-equity ratio of 1 : 2. If these loan covenants fall below this level, then the bank has a right to recall the entire loan.

The loan outstanding as on 31 March, 20X3 was ₹ 4.25 crores. The current ratio of ABC Ltd. was 1 : 1 and debt equity ratio was 0.5 : 2. State Bank sent a notice on 5 April 20X3 demanding repayment of loan, on account of breach of terms of the loan agreement. The financials were signed on 10 May, 20X3.

On receiving the notice, the CFO of ABC Ltd. negotiated with the bank and ensured to rectify the breach. As a result, on 25 April, 20X3, the Bank has agreed not to recall the loan and allowed the Company to achieve the contracted current and debt-equity ratio by 20X5.

- (ii) ABC Ltd. has inventory of raw material Y of 10,000 units as at 31 March, 20X4 with a carrying amount of ₹ 100 each. The current market value of that raw material is ₹ 95 each. ABC Ltd. will use the raw material to manufacture a component for a customer. The conversion cost for making the finished goods would be ₹ 130 each. ABC Ltd. estimates costs to completion and sale of ₹ 50 each and a selling price for the component is estimated to be ₹ 290 each.

- (iii) ABC Ltd. sold a machinery Z for ₹ 900 thousand to a new customer. To get into long term relationship with the customer, the terms of sale also include after sales service to be provided for next three years free of cost. The company also sells the sales service contract separately where the customer buys it after the initial warranty period at ₹ 100 thousand.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 1 to 4 in line with relevant Ind AS:

1. How the long-term loan from State Bank has to be classified in the financials for the year ended 31 March 20X3 in case ABC Ltd. has not negotiated with the bank for rectification of breach?
 - (a) Other current liabilities
 - (b) Current financial liability
 - (c) Non-current financial liability
 - (d) Other non-current liability
2. After negotiation with State Bank, how the long-term loan has to be classified in the financials for the year ended 31 March 20X3?
 - (a) Other current liabilities
 - (b) Current financial liability
 - (c) Non-current financial liability
 - (d) Other non-current liability
3. At what value the raw material Y be measured in the books of ABC Ltd. as per applicable Ind AS?
 - (a) ₹ 950 thousand.
 - (b) ₹ 1,100 thousand.
 - (c) ₹ 1,000 thousand.
 - (d) ₹ 1,600 thousand.
4. How should the revenue be recognised in the books of account for the sale of machinery Z?
 - (a) ₹ 900 thousand is to be recognised as revenue in the year of sale.
 - (b) ₹ 900 thousand is to be recognised at the end of three years after sale.
 - (c) ₹ 900 thousand is to be recognised in the year of sale and ₹ 100 thousand to be spread over next three years.
 - (d) ₹ 810 thousand is to be recognised in the year of sale and ₹ 90 thousand to be spread over next three years.

(4 MCQs x 2 Marks = 8 Marks)

Case Scenario 2

DEF Ltd. is a globally diversified business conglomerate with operations spanning across various business sectors worldwide. The company adheres to Indian Accounting Standards for maintaining its financial records and annually releases its financial statements. As the finance team progresses towards finalizing the financial statements for the fiscal year ending on 31 March 20X3, the team is stuck up in the accounting of the following transactions:

- (i) On 1 June 20X2, DEF Ltd. decided to dispose of the business and current and non-current assets of one of its divisions related to specialty chemicals business which it had acquired several years ago. This disposal does not involve DEF Ltd. withdrawing from a particular market sector. The carrying values on 1 June 20X2 of the assets to be disposed of were as follows:

Particulars	₹ in Million
Goodwill	10.0
Property, Plant and Equipment	20.0
Patents and trademarks	8.0
Inventories	15.0
Trade Receivables	10.0

None of the assets of the business had suffered impairment as at 1 June 20X2. At that date the inventories and trade receivables of the business were already stated at no more than their recoverable amounts.

DEF Ltd. offered the business for sale at a price of ₹ 46.5 million, which was considered to be reasonably achievable. DEF Ltd. estimated that the direct costs of selling the business would be ₹ 5,00,000. These estimates have not changed since 1 June 20X2 and DEF Ltd. estimates that the business will be sold by 31 March 20X3 at the latest.

- (ii) The government provided DEF Ltd. with a grant of ₹ 21 million to assist it in the development of the factory.

This grant was provided in two parts:

- (1) ₹ 6 million of the grant was a payment by the government as an inducement to DEF Ltd. to begin developing the factory. No conditions were attached to this part of the grant.
- (2) ₹ 15 million of the grant related to the construction of the factory at a cost of ₹ 60 million. The land was leased so the whole of the ₹ 60 million is depreciable over the estimated 40 year useful life of the factory.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 5 to 8 in line with relevant Ind AS:

5. Compute the value of Specialty chemical division's Goodwill at the date of classification after re-measurement.
- (a) ₹ 7.3 million

- (b) ₹ 10 Million
 - (c) ₹ Nil
 - (d) ₹ 8 million
6. Calculate the closing balance of Specialty chemical division's asset – Property, Plant and Equipment at the period end.
- (a) ₹ 21 million
 - (b) ₹ 17.36 million
 - (c) ₹ 6 million
 - (d) ₹ 15 million
7. What would be the treatment for grant of ₹ 15 million related to the construction of the factory at a cost of ₹ 60 million?
- (a) ₹ 15 million grant in respect of the plant and equipment should be recognized immediately in the income statement since the company is certain to build the factory.
 - (b) Deduct the grant received from the cost of the asset and depreciate the net carrying value over its useful economic life.
 - (c) Show the grant as a deferred credit and leave the initial carrying value of the property at ₹ 60 million. Thereafter the deferred credit would be released to the income statement at the end of 40th year.
 - (d) 0.375 million is to be credited in 20X3-20X4 in the income statement over 40 year period as deferred grant income.
8. What would be the treatment of grant of ₹ 6 million received from the government as an inducement to DEF Ltd. to begin developing the factory?
- (a) Grant relating to an inducement to begin developing the factory can be recognized immediately in the Statement of Profit or Loss.
 - (b) 0.15 million amount is to be credited each year in the income statement over 40 year period.
 - (c) 1.2 million amount is to be credited each year in the income statement over 40 year period.
 - (d) Net off the grant received against the cost of the asset and depreciate the net figure over its useful economic life.

(4 MCQs x 2 Marks = 8 Marks)

Case Scenario 3

HIJ Ltd. is a globally diversified business conglomerate with operations spanning multiple business segments across various regions worldwide. For maintaining its financial records, the company follows Indian Accounting Standards. As the finance team diligently finalizes the books of accounts and prepares the financial statements for the financial year ending on 31 March 20X2, it requires insights and accounting suggestions on the following transactions:

- (i) On 1 October 20X1, HIJ Ltd. subscribed for 40 million ₹ 1 loan notes in Z Ltd. The loan notes were issued at 90 paise and were redeemable at ₹ 1.20 on 30 September 20X6. Interest is payable on 30 September in arrears at 4% of par value. This represents an effective annual rate of return for HIJ Ltd. of 9.9%. HIJ Ltd.'s intention is to hold the loan notes until redemption.
- (ii) On 1st April 20X1, HIJ Ltd. commenced joint construction of a property with G Ltd. For this purpose, an agreement has been entered into that provides for joint operation and ownership of the property. All the ongoing expenditure, comprising maintenance plus borrowing costs, is to be shared equally. The construction was completed on 30th September 20X1 and utilisation of the property started on 1st January 20X2 at which time the estimated useful life of the same was estimated to be 20 years.

Total cost of the construction of the property was ₹ 40 crores. Besides internal accruals, the cost was partly funded by way of loan of ₹ 10 crores taken on 1st January 20X1. The loan carries interest at an annual rate of 10% with interest payable at the end of year on 31st December each year. The company has spent ₹ 4,00,000 on the maintenance of such property.

The company has recorded the entire amount paid as investment in Joint Venture in the books of accounts. Suggest the suitable accounting treatment of the above transaction as per applicable Ind AS.

Analyze the transactions mentioned above and choose the most appropriate option in the below questions 9 to 13 in line with relevant Ind AS:

9. What would be the initial measurement of financial instruments as subscription of loan notes in Z Ltd.?
- (a) ₹ 40 million
 - (b) ₹ 37.782 million
 - (c) ₹ 38.4 million
 - (d) ₹ 36 million
10. What would be the closing balance of financial instruments (as subscription of loan notes in Z Ltd.) as on 31 March 20X2?
- (a) ₹ 37.6 million
 - (b) ₹ 34.218 million
 - (c) ₹ 37.782 million
 - (d) ₹ 36.182 million
11. With respect to point (ii), what is the nature of the agreement?
- (a) Agreement is in the nature of Joint venture
 - (b) Agreement is in the nature of Joint Operations
 - (c) Agreement is in the nature of Holding subsidiary relationship
 - (d) Agreement is in the nature of Associates

12. What will the initial cost of PPE appearing in the books of HIJ Ltd.?
- (a) ₹ 40,50,00,000
 - (b) ₹ 40,00,00,000
 - (c) ₹ 20,25,00,000
 - (d) ₹ 20,00,00,000
13. Calculate the depreciation charge for the year ended 31 March 20X2 to be charged by G Ltd. in its books?
- (a) ₹ 50,62,500
 - (b) ₹ 1,01,25,000
 - (c) ₹ 1,00,00,000
 - (d) ₹ 50,00,000
- (5 MCQs x 2 Marks = 10 Marks)**

14. F Ltd. is a first-time adopter of Ind AS. The date of transition is 1st April, 20X1. On 1st April, 20X0, it obtained a 7 year US \$1,00,000 loan. It has been exercising the option provided in paras 46/46A of AS 11 and has been amortising the exchange differences in respect of this loan over the balance period of such loan. On the date of transition, the company intends to continue the same accounting policy with regard to amortisation of exchange differences.

State which of the following true with respect to the above transaction:

- (a) F Ltd. can continue following the existing accounting policy of amortising the exchange differences in respect of loan over the balance period of such long-term liability routed through statement of profit and loss for the period
 - (b) F Ltd. can continue following the existing accounting policy of amortising the exchange differences in respect of loan over the balance period of such long-term liability routed through OCI
 - (c) F Ltd. can continue following the existing accounting policy of amortising the exchange differences in respect of loan over the balance period of such long-term liability routed either through statement of profit and loss or OCI as per the choice of the entity.
 - (d) F Ltd. cannot continue following the existing accounting policy.
- (2 Marks)**
15. X Ltd., a large multinational corporation, needs to prepare its financial statements according to Ind AS. The company has a vast amount of financial data stored in the system in various formats, including spreadsheets, PDFs, and scanned documents. Manually extracting and analysing this data is time consuming and error prone. By implementing AI-driven optical character recognition (OCR) technology, the company automates the data extraction process from diverse sources and converts it into structured formats.

Which of the following problems will not be avoided by implementing AI?

- (a) Manually extraction of data will lead to delay in the process.

- (b) Analysing the data manually might be error prone
 - (c) Scanned documents of several years will acquire unnecessary office space.
 - (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. (Seller-lessee) sells a building to B Ltd. (Buyer-lessor) for cash of ₹ 60,00,000. Immediately before the transaction, the building is carried at a cost of ₹ 30,00,000. At the same time, A Ltd. enters into a contract with B Ltd. for the right to use the building for 20 years, with annual payments of ₹ 4,00,000 payable at the end of each year.

The terms and conditions of the transaction are such that the transfer of the building by A Ltd. satisfies the requirements for determining when a performance obligation is satisfied in Ind AS 115 'Revenue from Contracts with Customers'.

The fair value of the building at the date of sale is ₹ 54,00,000. Initial direct costs, if any, are to be ignored. The interest rate implicit in the lease is 12% p.a., which is readily determinable by A Ltd.

B Ltd. classifies the lease of the building as an operating lease.

How should the said transaction be accounted by A Ltd. and B Ltd.?

(14 Marks)

2. (a) D Limited has a policy of providing subsidized loans to its employees for their personal purposes. Mr. Y, an employee of the Company, took a loan of ₹ 12.00 lakhs on the following terms:
 - Interest rate 4% per annum
 - Loan disbursement date: 1st April, 20X1
 - The principal amount of the loan shall be recovered in 4 equal annual installments commencing from 31st March, 20X2
 - The accumulated interest computed on reducing balance at simple interest is collected in 3 equal annual installments after collection of the principal amount
 - Mr. Y must remain in service till the principal and interest are paid
 - The market rate of a comparable loan to Mr. Y is 9% per annum

The present value of ₹ 1 at 9% per annum at the end of respective years is as follows:

Year ending 31 st March	20X2	20X3	20X4	20X5	20X6	20X7	20X8
Present Value	0.9174	0.8417	0.7722	0.7084	0.6499	0.5963	0.5470

Under the assumption that no probable future economic benefits except the return of loan has been guaranteed by the employee, you are required to provide the journal entries at the time of initial recognition of loan on 1st April, 20X1 and as at 31st March, 20X2 **(10 Marks)**

- (b) An entity's accounting year ends is 31st December, but its tax year end is 31st March. The entity publishes an interim financial report for each quarter of the year ended 31st December, 20X1. The entity's profit before tax is steady at ₹ 50,000 each quarter, and the estimated effective tax rate is 25% for the year ended 31st March, 20X1 and 30% for the year ended 31st March, 20X2.

How the related tax charge would be calculated for the year 20X1 and its quarters. **(4 Marks)**

3. (a) B Ltd. prepares consolidated financial statements upto 31st March each year. On 1st July 20X1, B Ltd. acquired 75% of the equity shares of K Ltd. and gained control of K Ltd. the issued shares of K Ltd. is 60,00,000 equity shares. Details of the purchase consideration are as follows:

- On 1st July, 20X1, B Ltd. issued two shares for every three shares acquired in K Ltd. On 1st July, 20X1, the market value of an equity share in B Ltd. was ₹ 6.50 and the market value of an equity share in K Ltd. was ₹ 6.
- On 30th June, 20X2, B Ltd. will make a cash payment of ₹ 35,75,000 to the former shareholders of K Ltd. who sold their shares to B Ltd. on 1st July, 20X1. On 1st July, 20X1, B Ltd. would have to pay interest at an annual rate of 10% on borrowings.
- On 30th June, 20X3, B Ltd. may make a cash payment of ₹ 1,50,00,000 to the former shareholders of K Ltd. who sold their shares to B Ltd. on 1st July, 20X1. This payment is contingent upon the revenues of B Ltd. growing by 15% over the two-year period from 1st July, 20X1 to 30th June, 20X3. On 1st July, 20X1, the fair value of this contingent consideration was ₹ 1,25,00,000. On 31st March, 20X2, the fair value of the contingent consideration was ₹ 1,10,00,000.

On 1st July, 20X1, the carrying values of the identifiable net assets of K Ltd. in the books of that company was ₹ 3,00,00,000. On 1st July,

20X1, the fair values of these net assets was ₹ 3,50,00,000. The rate of deferred tax to apply to temporary differences is 20%.

During the nine months ended on 31st March, 20X2, K Ltd. had a poorer than expected operating performance. Therefore, on 31st March, 20X2 it was necessary for B Ltd. to recognise an impairment of the goodwill arising on acquisition of K Ltd., amounting to 10% of its total computed value.

Compute the impairment of goodwill in the consolidated financial statements of B Ltd. under both the methods permitted by Ind AS 103 for the initial computation of the non-controlling interest in K Ltd. at the acquisition date. **(8 Marks)**

- (b) An entity has a contract to purchase one million units of gas at 23p per unit, giving a contract price of ₹ 2,30,000. The current market price for a similar contract is 16p per unit, giving a price of ₹ 1,60,000. All of the gas purchased by the entity is used to generate electricity using dedicated assets.

Determine in the following situations whether the contract is onerous and provision is to be made when:

- (i) The electricity is sold at a profit. The electricity is sold to a wide range of customers.
- (ii) The electricity is sold at a loss, and the entity makes an overall operating loss. The electricity is sold to a wide range of customers.
- (iii) The entity sells the gas under contract, which it no longer needs, to a third party for 18p per unit (5p below cost). The entity determines that it would have to pay ₹ 55,000 to exit the purchase contract. **(6 Marks)**

4. (a) On 1st April 20X1, Investor Ltd. acquires 35% interest in XYZ Ltd. thereby exercising significant influence over XYZ Ltd. Investor Ltd. has paid total consideration of ₹ 47,50,000 for acquisition of its interest in XYZ Ltd. At the date of acquisition, the book value of XYZ Ltd.'s net assets was ₹ 90,00,000 and their fair value was ₹ 1,10,00,000. Investor Ltd. has determined that the difference of ₹ 20,00,000 pertains to an item of property, plant and equipment (PPE) which has remaining useful life of 10 years.

During the year, XYZ Ltd. made a profit of ₹ 9,00,000. XYZ Ltd. paid a dividend of ₹ 10,00,000 on 31st March, 20X2. XYZ Ltd. also holds a long-term investment in equity securities. Under Ind AS, investment is classified as at FVTOCI in accordance with Ind AS 109 and XYZ Ltd. recognized an increase in value of investment by ₹ 2,00,000 in OCI during the year. Ignore deferred tax implications, if any.

Calculate the closing balance of Investor Ltd.'s investment in XYZ Ltd. as at 31st March, 20X2 as per the relevant Ind AS. **(5 Marks)**

(b) Following are the facts given for X Ltd.:

- Income from continuing operations:	₹ 90,00,000
- Loss from discontinued operations:	(₹ 1,08,00,000)
- Net loss:	(₹ 18,00,000)
- Weighted average Number of shares outstanding	10,00,000
- Incremental common shares outstanding relating to stock options	2,00,000

(a) You are required to calculate the basic and diluted EPS for Company XY from the above information.

(b) Assume, if in above case, Loss from continued operations is ₹ 30,00,000 and income from discontinued operations is ₹ 1,08,00,000 calculate the diluted EPS. **(9 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:

- Segregate the components of the transaction that A Ltd. shall apply to the revenue recognition criteria separately as per Ind AS 115;
- Calculate the amount of revenue which A Ltd. must allocate to each component of the transaction; and
- 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. **(9 Marks)**

- (b) X Ltd. is a first-time adopter of Ind AS. The date of transition is 1st April, 20X1. It has given 300 stock options to its employees. Out of these, 100 options have vested on 30th November, 20X0 and the remaining 200 will vest on 30th November, 20X1.

What are the options available to X Ltd. at the date of transition?

(5 Marks)

6. (a) As at 31 March 20X4, M Ltd. had a plan to dispose off its 75% subsidiary D Ltd. This plan had been approved by the board and was reported in the media as well as to the Stock Exchange where M Ltd. was listed. It is expected that J Ltd., the non-controlling shareholder in D Ltd. holding 25% stake, will acquire the 75% equity interest as well. The sale is expected to be completed by October 20X4. D Ltd. is expected to have substantial trading losses in the period up to the sale. Mr. X, a chartered accountant, who is an employee in the finance department of M Ltd., wishes to show D Ltd. as held for sale in the financial statements and to create a restructuring provision to include the expected costs of disposal and future trading losses. However, the Chief Operating Officer (COO) does not wish D Ltd. to be categorized as held for sale nor to provide for the expected losses. The COO is concerned as to how this may affect the sales and would surely result in bonus targets not being met. He has argued that as the management, it is his duty to secure a high sales price to maximize the return for shareholders of M Ltd. He has also hinted that Mr. X's job could be at stake if such a provision were to be made in the financial statements. The expected costs from the sale are as follows:

Future Trading Losses:	₹ 50 crores
Various legal costs of sale	₹ 3.75 crores
Redundancy costs for D Ltd.'s employees	₹ 10 crores
Impairment losses on Property, Plant and Equipment	₹ 17.50 crores

Required:

- (i) Discuss the accounting treatment which M Ltd. should adopt to address the issue above for the financial statements.
- (ii) Discuss the ethical issues which may arise in the above scenario, including any actions which M Ltd. and Mr. X should take.

(5 Marks)

- (b) P Ltd., a manufacturing company, prepares consolidated financial statements to 31st March each year. During the year ended 31st March, 20X2, the following events affected the tax position of the group:
- Q Ltd., a wholly owned subsidiary of P Ltd., incurred a loss adjusted for tax purposes of ₹ 10,00,000. Q Ltd. is unable to utilise this loss against previous tax liabilities. Income-tax Act does not allow Q Ltd. to transfer the tax loss to other group companies. However, it allows Q Ltd. to carry the loss forward and utilise it

against company's future taxable profits. The directors of P Ltd. do not consider that Q Ltd. will make taxable profits in the foreseeable future.

- During the year ended 31st March, 20X2, P Ltd. capitalised development costs which satisfied the criteria as per Ind AS 38 'Intangible Assets'. The total amount capitalised was ₹ 20,00,000. The development project began to generate economic benefits for P Ltd. from 1st January, 20X2. The directors of P Ltd. estimated that the project would generate economic benefits for five years from that date. The development expenditure was fully deductible against taxable profits for the year ended 31st March, 20X2.
- On 1st April, 20X1, P Ltd. borrowed ₹ 1,00,00,000. The cost to P Ltd. of arranging the borrowing was ₹ 2,00,000 and this cost qualified for a tax deduction on 1st April 20X1. The loan was for a three-year period. No interest was payable on the loan but the amount repayable on 31st March 20X4 will be ₹ 1,30,43,800. This equates to an effective annual interest rate of 10%. As per the Income-tax Act, a further tax deduction of ₹ 30,43,800 will be claimable when the loan is repaid on 31st March, 20X4.

Explain and show how each of these events would affect the deferred tax assets / liabilities in the consolidated balance sheet of P Ltd. group at 31st March, 20X2 as per Ind AS. The rate of corporate income tax is 30%. **(5 Marks)**

(c)

Either

Entity ABC acquired a building for its administrative purposes and presented the same as property, plant and equipment (PPE) in the financial year 20X1-20X2. During the financial year 20X2-20X3, it relocated the office to a new building and leased the said building to a third party. Following the change in the usage of the building, Entity ABC reclassified it from PPE to investment property in the financial year 20X2-20X3. Should Entity ABC account for the change as a change in accounting policy? **(4 Marks)**

Or

The AGM of ABC Ltd for the year ended 31st March, 20X2 was held on 10th July, 20X2 and Board Meeting has been conducted on 15th May, 20X2. Meanwhile, the company had to disclose certain financial information pertaining to the year ended 31st March, 20X2 to SEBI as per SEBI regulations on 20th April, 20X2. Since, certain financial information pertaining to the year ended 31st March, 20X2 is submitted to SEBI before approval of financial statements by the Board, the management is suggesting that 20th April 20X2 shall be considered as 'after the reporting period'. Whether the management view is correct in accordance with the guidance given in Ind AS 10? **(4 Marks)**

Mock Test Paper - Series II: April, 2024

Date of Paper: 1 April, 2024

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FINAL COURSE: GROUP – I

PAPER – 1: FINANCIAL REPORTING

ANSWER TO PART – I CASE SCENARIO BASED MCQS

1. Option (b) Current financial Liability
2. Option (c) Non-Current financial Liability
3. Option (c) ₹ 1,000 thousand
4. Option (d) ₹ 810 thousand is to be recognised in the year of sale and ₹ 90 thousand to be spread over next three years.
5. Option (c) : ₹ Nil
6. Option (d) : ₹ 15 million
7. Option (b) Deduct the grant received from the cost of the asset and depreciate the net carrying value over its useful economic life
8. Option (a) Grant relating to an inducement to begin developing the factory can be recognized immediately in the Statement of Profit or Loss
9. Option (d) ₹ 36 million
10. Option (c) ₹ 37.782 million
11. Option (b) : Agreement is in the nature of Joint Operations
12. Option (c) : ₹ 20,25,00,000
13. Option (a) : ₹ 50,62,500
14. Option (a) : F Ltd. can continue following the existing accounting policy of amortising the exchange differences in respect of loan over the balance period of such long-term liability routed through statement of profit and loss for the period
15. Option (c) : Scanned documents of several years will acquire unnecessary office space.

ANSWERS OF PART – II DESCRIPTIVE QUESTIONS

1. A Ltd. and B Ltd. will account for the transaction as a sale and leaseback.

Step 1

Since the consideration for the sale of the building is not at fair value, A Ltd. and B Ltd. make adjustments to measure the sale proceeds at fair value. Thus, the amount of the excess sale price of ₹ 6,00,000 (as calculated below) is recognised as additional financing provided by B Ltd. to A Ltd.

Sale Price:	60,00,000
Less: Fair Value (at the date of sale):	<u>(54,00,000)</u>
Additional financing provided by B Ltd. to A Ltd.	<u>6,00,000</u>

Step 2

Calculation of the present value of the annual payments which amounts to ₹ 29,88,000 (calculated considering 20 payments of ₹ 4,00,000 each, discounted at 12% p.a.) of which ₹ 6,00,000 relates to the additional financing (as calculated above) and balance ₹ 23,88,000 relates to the lease — corresponding to 20 annual payments of ₹ 80,320 and ₹ 3,19,680, respectively (refer calculations below).

Proportion of annual lease payments:

Present value of lease payments (as calculated above) (A)	29,88,000
Additional financing provided (as calculated above) (B)	6,00,000
Relating to the Additional financing provided (C) = (E x B / A)	80,320
Relating to the Lease (D) = (E – C)	3,19,680
Annual payments (at the end of each year) (E)	4,00,000

A Ltd.:

At the commencement date, A Ltd. measures the ROU asset arising from the leaseback of the building at the proportion of the previous carrying amount of the building that relates to the right-of-use retained by A Ltd., calculated as follows:

Carrying Amount (A)	30,00,000
Fair Value (at the date of sale) (B)	54,00,000
Discounted lease payments for the 20-year ROU asset (C)	23,88,000
ROU Asset [(A / B) x C]	13,26,667

A Ltd. recognises only the amount of the gain that relates to the rights transferred to B Ltd., calculated as follows:

Fair Value (at the date of sale) (A)	54,00,000
Carrying Amount (B)	30,00,000
Discounted lease payments for the 20-year ROU asset (C)	23,88,000
Gain on sale of building (D) = (A - B)	24,00,000
Relating to the right to use the building retained by A Ltd. (E) = [(D/A) x C]	10,61,333
Relating to the rights transferred to B Ltd. (D - E)	13,38,667

At the commencement date, A Ltd. accounts for the transaction, as follows:

Cash	Dr.	60,00,000	
ROU Asset	Dr.	13,26,667	

To Building		30,00,000
To Financial Liability		29,88,000
To Gain on rights transferred		13,38,667

B Ltd.:

At the commencement date, B Ltd. accounts for the transaction, as follows:

Building	Dr.	54,00,000	
Financial Asset (20 payments of ₹ 80,320 discounted @ 12% p.a.) (approx.)	Dr.	6,00,000	
To Cash			60,00,000

After the commencement date, B Ltd. accounts for the lease by treating ₹ 3,19,680 of the annual payments of ₹ 4,00,000 as lease payments. The remaining ₹ 80,320 of annual payments received from A Ltd. are accounted for as:

- (a) payments received to settle the financial asset of ₹ 6,00,000 and
- (b) interest revenue.

2. (a) Journal Entry

Date	Particulars	Dr.	Cr.
		₹	₹
1/4/20X1	Loan to Mr. Y A/c Dr. Pre-paid employee cost A/c Dr. To Bank A/c (Being loan to employee recorded at fair value)	10,43,638 1,56,362	12,00,000
31/3/20X2	Loan to Mr. Y A/c Dr. To Finance Income A/c (Being finance income @ 9% recorded in the books)	93,927	93,927
31/3/20X2	Bank A/c Dr. To Loan to Mr. Y A/c (Being installment received at the end of the year)	3,00,000	3,00,000

Working Notes:**1. Calculation of initial recognition amount of loan to employee**

Year	Estimated Cash Flows	PV Factor @9%	Present Value
	₹		₹
31/3/20X2	3,00,000	0.9174	2,75,220
31/3/20X3	3,00,000	0.8417	2,52,510
31/3/20X4	3,00,000	0.7722	2,31,660
31/3/20X5	3,00,000	0.7084	2,12,520
31/3/20X6	40,000 (W.N.2)	0.6499	25,996
31/3/20X7	40,000 (W.N.2)	0.5963	23,852
31/3/20X8	40,000 (W.N.2)	0.5470	<u>21,880</u>
Fair Value of Loan			<u>10,43,638</u>

2. Computation of Interest to be paid

Year	Opening outstanding balance a	Cash Flows b	Principal outstanding at year end c	Interest @ 4% on a d	Cumulative Interest e
		₹	₹	₹	₹
31/3/20X2	12,00,000	3,00,000	9,00,000	48,000	48,000
31/3/20X3	9,00,000	3,00,000	6,00,000	36,000	84,000
31/3/20X4	6,00,000	3,00,000	3,00,000	24,000	1,08,000
31/3/20X5	3,00,000	3,00,000	Nil	12,000	1,20,000
31/3/20X6	1,20,000	40,000 (1,20,000/3)			
31/3/20X7		40,000 (1,20,000/3)			
31/3/20X8		40,000 (1,20,000/3)			

3. Computation of finance cost as per amortization table

Year	Opening Balance (1)	Interest @ 9% (2)	Repayment (3)	Closing Balance (1+2-3)
	₹	₹	₹	₹
1/4/20X1				10,43,638
31/3/20X2	10,43,638	93,927	3,00,000	8,37,565

31/3/20X3	8,37,565	75,381	3,00,000	6,12,946
31/3/20X4	6,12,946	55,165	3,00,000	3,68,111
31/3/20X5	3,68,111	33,130	3,00,000	1,01,241
31/3/20X6	1,01,241	9,112	40,000	70,353
31/3/20X7	70,353	6,332	40,000	36,685
31/3/20X8	36,685	3,315*	40,000	Nil

*Difference of ₹ 13 (₹ 3,315 – ₹ 3,302) is due to approximation.

(b) Table showing computation of tax charge:

	Quarter ending 31 st March, 20X1	Quarter ending 30 th June, 20X1	Quarter ending 30 th September, 20X1	Quarter ending 31 st December, 20X1	Year ending 31 st December, 20X1
	₹	₹	₹	₹	₹
Profit before tax	50,000	50,000	50,000	50,000	2,00,000
Tax charge	(12,500)	(15,000)	(15,000)	(15,000)	(57,500)
	<u>37,500</u>	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>1,42,500</u>

Since an entity's accounting year is not same as the tax year, more than one tax rate might apply during the accounting year. Accordingly, the entity should apply the effective tax rate for each interim period to the pre-tax result for that period.

3. (a) Computation of goodwill impairment

	NCI at fair value	NCI at of net assets
	₹ in '000	₹ in '000
Cost of investment		
Share exchange (6,000 x 75% x 2/3 x ₹ 6.50)	19,500	19,500
Deferred consideration (3,575 / 1.10)	3,250	3,250
Contingent consideration	12,500	12,500
Non-controlling interest at date of acquisition:		
Fair value – 1,500 x ₹ 6	9,000	
% of net assets – 34,000 (Refer W.N.) x 25%		8,500
Net assets on the acquisition date (Refer W.N.)	(34,000)	(34,000)
Goodwill on acquisition	10,250	9,750
Impairment @ 10%	1,025	975

Working Note:

Net assets on the acquisition date	₹ '000
Fair value at acquisition date	35,000
Deferred tax on fair value adjustments [20% x (35,000 – 30,000)]	<u>(1,000)</u>
	<u>34,000</u>

- (b) (i) The gas will be used to generate electricity, which will be sold at a profit. The economic benefits from the contract include the benefits to the entity of using the gas in its business and, because the electricity will be sold at a profit, the contract is not onerous.
- (ii) The electricity is sold to a wide range of customers. The entity first considers whether the assets used to generate electricity are impaired. To the extent that there is still a loss after the assets have been written down, a provision for an onerous contract should be recorded.
- (iii) The only economic benefit from the purchase contract costing ₹ 2,30,000 are the proceeds from the sales contract, which are ₹ 1,80,000. Therefore, a provision should be made for the onerous element of ₹ 50,000, being the lower of the cost of fulfilling the contract and the penalty cost of cancellation (₹ 55,000).

4. (a) **Calculation of Investor Ltd.'s investment in XYZ Ltd. under equity method:**

	₹	₹
Acquisition of investment in XYZ Ltd.		
Share in book value of XYZ Ltd.'s net assets (35% of ₹ 90,00,000)	31,50,000	
Share in fair valuation of XYZ Ltd.'s net assets [35% of (₹ 1,10,00,000 – ₹ 90,00,000)]	7,00,000	
Goodwill on investment in XYZ Ltd. (balancing figure)	<u>9,00,000</u>	
Cost of investment		47,50,000
Profit during the year		
Share in the profit reported by XYZ Ltd. (35% of ₹ 9,00,000)	3,15,000	
Adjustment to reflect effect of fair valuation [35% of (₹ 20,00,000/10 years)]	<u>(70,000)</u>	
Share of profit in XYZ Ltd. recognised in income by Investor Ltd.		2,45,000
Long term equity investment		
FVTOCI gain recognised in OCI (35% of ₹		70,000

2,00,000)		
Dividend received by Investor Ltd. during the year [35% of ₹ 10,00,000]		<u>(3,50,000)</u>
Closing balance of Investor Ltd.'s investment in XYZ Ltd.		<u>47,15,000</u>

(b) (i) Calculation of Basic EPS:

Basic EPS = Profit for the year / Weighted average Number of shares outstanding

$$\begin{aligned}\text{Basic EPS (Continued Operations)} &= \text{Profit from continued operations} / \text{Weighted average Number of shares outstanding} \\ &= ₹ 90,00,000 / 10,00,000 \\ &= ₹ 9.00\end{aligned}$$

Basic Loss per share

$$\begin{aligned}\text{(Discontinued operations)} &= \text{Loss from discontinued operations} / \text{Weighted average Number of shares outstanding} \\ &= ₹ (1,08,00,000) / 10,00,000 \\ &= ₹ (10.80)\end{aligned}$$

$$\begin{aligned}\text{Overall Basic Loss per share} &= ₹ (18,00,000) / 10,00,000 \\ &= ₹ (1.80) \quad (i)\end{aligned}$$

Calculation of Diluted EPS

Diluted EPS = Profit for the year / Adjusted Weighted average Number of shares outstanding

$$\begin{aligned}\text{EPS (Continued Operations)} &= \text{Profit from continued operations} / \text{Adjusted Weighted average Number of shares outstanding} \\ &= ₹ 90,00,000 / 12,00,000 = ₹ 7.50\end{aligned}$$

Loss per share

$$\begin{aligned}\text{(Discontinued operations)} &= \text{Loss from discontinued operations} / \text{Adjusted weighted average number of shares outstanding} \\ &= ₹ (1,08,00,000) / 12,00,000 = ₹ (9.00)\end{aligned}$$

$$\begin{aligned}\text{Overall Diluted Loss per share} &= ₹ 18,00,000 / 12,00,000 \\ &= ₹ (1.50) \quad (ii)\end{aligned}$$

The income from continuing operations is the control number, there is a dilution in basic EPS for income from continuing operations (reduction of EPS from ₹ 9.00 to ₹ 7.50). Therefore,

even though there is an anti-dilution [Loss per share reduced from ₹ 1.80 (i) to ₹ 1.50 (ii) above], diluted loss per share of ₹ 1.50 is reported.

- (ii) In case of loss from continuing operations, the potential shares are excluded since including those shares would result into anti-dilution effect on the **control number** (loss from continuing operations). Therefore, the diluted EPS will be calculated as under:

Diluted EPS = Profit for the year / Adjusted weighted average number of shares outstanding

Overall Profit = Loss from continuing operations + Gain from discontinued operations

$$= ₹ (30,00,000) + ₹ 1,08,00,000$$

$$= ₹ 78,00,000$$

Weighted average number of shares outstanding = 10,00,000

Diluted EPS = ₹ 7.80

The dilutive effect of the potential common shares on EPS for income from discontinued operations and net income would not be reported because of the loss from continuing operations.

5. (a) (i) On 1st April, 20X1, entity A entered into a single transaction with three identifiable separate components:
1. Sale of a good (i.e. engineering machine);
 2. Rendering of services (i.e. engineering machine maintenance services on 30th September, 20X1 and 1st April, 20X2); and
 3. Providing finance (i.e. sale of engineering machine and rendering of services on extended period credit).

- (ii) **Calculation and allocation of revenue to each component of the transaction**

Date	Opening balance	Finance income	Goods	Services	Payment received	Closing balance
1 st April, 20X1	–	–	2,51,927	–	–	2,51,927
30 th September, 20X1	2,51,927	12,596 (Note 1)	–	45,000	–	3,09,523
31 st March 20X2	3,09,523	15,477 (Note 2)	–	–	–	3,25,000
1 st April, 20X2	3,25,000	–	–	75,000	(4,00,000)	

Notes:

1. Calculation of finance income as on 30th September, 20X1

$$= 5\% \times 2,51,927$$

$$= ₹ 12,596$$

2. Calculation of finance income as on 31st March, 20X2

$$= 5\% \times 3,09,523$$

$$= ₹ 15,477$$

(iii) Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
1 st April, 20X1	Mr. Anik Dr. To Revenue - sale of goods (Profit or loss A/c) (Being revenue recognised from the sale of the machine on credit)	2,51,927	2,51,927
	Cost of goods sold (Profit or loss) Dr. To Inventories (Being cost of goods sold recognised)	1,60,000	1,60,000
30 th September 20X1	Mr. Anik Dr. To Finance Income (Profit or loss) (Being finance income recognised)	12,596	12,596
	Mr. Anik Dr. To Revenue- rendering of services (Profit or loss) (Being revenue from the rendering of maintenance services recognised)	45,000	45,000
	Cost of services (Profit or loss) Dr. To Cash/Bank or payables (Being the cost of performing maintenance services recognised)	30,000	30,000
31 st March 20X2	Mr. Anik Dr. To Finance Income (Profit or loss) (Being finance income recognised)	15,477	15,477
1 st April, 20X2	Mr. Anik Dr.	75,000	

	To Revenue - rendering of services (Profit or loss) (Being revenue from the rendering of maintenance services recognised)		75,000
	Cost of services (Profit or loss) Dr.	50,000	
	To Cash/Bank or payables (Being the cost of performing maintenance services recognised)		50,000
	Cash/Bank Dr. To Mr. Anik (Being the receipt of cash from the customer recognised)	4,00,000	4,00,000

- (b) Ind AS 101 provides that a first-time adopter is encouraged, but not required, to apply Ind AS 102 on 'Share-based Payment' to equity instruments that vested before the date of transition to Ind AS. However, if a first-time adopter elects to apply Ind AS 102 to such equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102.

Having regard to the above, X Ltd. has the following options:

- For 100 options that vested before the date of transition:
 - (a) To apply Ind AS 102 and account for the same accordingly, provided it has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102.
 - (b) Not to apply Ind AS 102.

However, for all grants of equity instruments to which Ind AS 102 has not been applied, i.e., equity instruments vested but not settled before date of transition to Ind AS, X Ltd. would still need to disclose the information.
- For 200 options that will vest after the date of transition: X Ltd. will need to account for the same as per Ind AS 102.

6. (a) (i) In terms of Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only

to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be *highly probable*.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the **sale should be expected to qualify for recognition as a completed sale within one year from the date of classification**, except in specific cases as permitted by the Standard, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The probability of required approvals (as per the jurisdiction) should be considered as part of the assessment of whether the sale is highly probable.

An entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out above are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

Based on the provisions highlighted above, the disposal of D Ltd. appears to meet the criteria of **held for sale**. J Ltd. is the probable acquirer, and the sale is highly probable, expected to be completed seven months after the year end, well within the 12-months criteria highlighted above. Accordingly, D Ltd. should be treated as a disposal group, since a single equity transaction is the most likely form of disposal. In case D Ltd. is deemed to be a separate major component of business or geographical area of the group, the losses of the group should be presented separately as a discontinued operation within the Financial Statements of M Ltd.

In terms of Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, an entity shall measure a non-current asset (or disposal group) classified as held for sale at the **lower of its carrying amount and fair value less costs to sell**. The carrying amount of D Ltd. (i.e., the subsidiary of M Ltd.) comprises of the net assets and goodwill less the non-controlling interest. The impairment loss recognised to reduce D Ltd. to fair value less costs to sell should be allocated first to goodwill and then on a pro-rata basis across the other non-current assets of the Company.

The Chief Operating Officer (COO) is incorrect to exclude any form of restructuring provision in the Financial Statements. Since the disposal is communicated to the media as well as the Stock Exchange, a constructive obligation exists. However, ongoing costs of business should not be provided for, only

directly attributable costs of restructuring should be provided. Future operating losses should be excluded as no obligating event has arisen, and no provision is required for impairment losses of Property, Plant and Equipment as it is already considered in the remeasurement to fair value less costs to sell. Thus, a provision is required for ₹ 13.75 crores (₹ 3.75 crores + ₹ 10 crores).

(ii) Ethics

Accountants have a duty to ensure that the financial statements are **fair, transparent and comply with the accounting standards**. Mr. X have committed several mistakes. In particular, he was unaware of which costs should be included within a restructuring provision and has failed to recognise that there is no obligating event in relation to future operating losses. A chartered accountant is expected to carry his work with **due care and attention** for lending credibility to the financial statements. Accordingly, he must update his knowledge and ensure that work is carried out in accordance with relevant ethical and professional standards. Failure to do so would be a breach of **professional competence**. Accordingly, Mr. X must ensure that this issue is addressed, for example by attending regular training and professional development courses.

It appears that the chief operating officer is looking for means to **manipulate** the financial statements for meeting the bonus targets. Neither is he willing to reduce the profits of the group by applying held for sale criteria in respect of D Ltd. nor is he willing to create appropriate restructuring provisions. Both the adjustment which comply with the requirements of Ind AS will result in reduction of profits. His argument that the management has a duty to maximize the returns for the shareholders is true, but such maximization must not be achieved at the cost of **objective and faithful representation** of the performance of the Company. In the given case, it appears that the chief operating officer is motivated by bonus targets under the garb of maximizing returns for the shareholders, thereby resulting in misrepresentation of the results of the group.

Further, by threatening to dismiss Mr. X, the COO has acted unethically. **Threatening and intimidating behaviour** is unacceptable and against all ethical principles. This has given rise to an **ethical dilemma** for Mr. X. He has a duty to produce financial statements but doing so in a fair manner could result in a loss of job for him. The chartered accountant should approach the chief operating officer and remind him the basic ethical principles and communicate him to do the necessary adjustments in the accounts so that they are fair and objective.

In case Mr. X, falls under undue influence of COO and applies the incorrect accounting treatment, he will be subject to

professional misconduct under Clause 1 of Part II of Second Schedule of the Chartered Accountants Act, 1949. The Clause 1 states that a member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, for contravening the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council. As per the Guidelines issued by the Council, a member of the Institute who is an employee shall exercise due diligence and shall not be grossly negligent in the conduct of his duties.

(b) Impact on consolidated balance sheet of P Ltd. group at 31st March, 20X2

- The tax loss creates a potential deferred tax asset for the P Ltd. group since its carrying value is nil and its tax base is ₹ 10,00,000. However, no deferred tax asset can be recognised because there is no prospect of being able to reduce tax liabilities in the foreseeable future as no taxable profits are anticipated.
- The development costs have a carrying value of ₹ 19,00,000 ($₹ 20,00,000 - (₹ 20,00,000 \times 1/5 \times 3/12)$). The tax base of the development costs is nil since the relevant tax deduction has already been claimed. The deferred tax liability will be ₹ 5,70,000 ($₹ 19,00,000 \times 30\%$). All deferred tax liabilities are shown as non-current.
- The carrying value of the loan at 31st March, 20X2 is ₹ 1,07,80,000 ($₹ 1,00,00,000 - ₹ 200,000 + (₹ 98,00,000 \times 10\%)$). The tax base of the loan is 1,00,00,000. This creates a deductible temporary difference of ₹ 7,80,000 and a potential deferred tax asset of ₹ 2,34,000 ($₹ 7,80,000 \times 30\%$).

(c) Either

Paragraph 16(a) of Ind AS 8 provides that the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring are not changes in accounting policies.

As per Ind AS 16, 'property, plant and equipment' are tangible items that:

- (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- (b) are expected to be used during more than one period."

As per Ind AS 40, 'investment property' is property (land or a building—or part of a building—or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business.”

As per the above definitions, whether a building is an item of property, plant and equipment (PPE) or an investment property for an entity depends on the purpose for which it is held by the entity. It is thus possible that due to a change in the purpose for which it is held, a building that was previously classified as an item of property, plant and equipment may warrant reclassification as an investment property, or vice versa. Whether a building is in the nature of PPE or investment property is determined by applying the definitions of these terms from the perspective of that entity. Thus, the classification of a building as an item of property, plant and equipment or as an investment property is not a matter of an accounting policy choice. Accordingly, a change in classification of a building from property, plant and equipment to investment property due to change in the purpose for which it is held by the entity is **not** a change in an accounting policy.

Or

As per Ind AS 10, even if partial information has already been published, the reporting period will be considered as the period between the end of the reporting period and the date of approval of financial statements. In the above case, the financial statements for the year 20X1-20X2 were approved on 15th May, 20X2. Therefore, for the purposes of Ind AS 10, ‘after the reporting period’ would be the period between 31st March, 20X2 and 15th May, 20X2.