

FINAL COURSE: GROUP I

PAPER-3: ADVANCED AUDITING, ASSURANCE AND PROFESSIONAL ETHICS

(MTP 13: Ch. 13 – Group Audits)

Suggested Answers

Q. No.	Correct Option	Remarks
1	(d) Unrealised profit in inventory (₹8.4 lakh) must be eliminated, deferred tax of ₹2.1 lakh recognised on this elimination, and the ₹16 lakh gain on inter-company asset transfer must be reversed and depreciated over the remaining life using SLM harmonization.	Margin = (63–42)=21 lakh; closing stock 40% → unrealised profit = ₹8.4 lakh. Deferred tax @25% = ₹2.1 lakh. Inter-company asset gain (₹16 lakh) must be fully eliminated and adjusted over useful life; SLM harmonisation required for subsidiaries.
2	(d) Incremental goodwill of ₹39 lakh (₹60 lakh – ₹21 lakh) must be recognised, NCI must be recomputed for the revised 15% holding, and this adjustment forms part of permanent consolidation adjustments	Permanent adjustments include goodwill/NCI changes from additional stake purchases after control. Share of net assets = 5% of ₹420 lakh = ₹21 lakh → goodwill = ₹39 lakh. NCI reduced to 15%.
3	(a) RMAL cannot claim exemption because its ultimate holding company does not file consolidated financial statements with the Indian Registrar, even though non-controlling shareholders did not object and RMAL is not listed.	Rule 6 exemption requires all conditions to be satisfied, including that the ultimate or intermediate parent must file its CFS with the ROC in India. Jupiter Holdings does not file with ROC → exemption automatically fails.
4	(b) SteelMat need not be consolidated because RMAL lacks majority voting power and cannot direct the financial and operating policies, even though materiality of profits is high.	Under AS-21, consolidation requires control, not merely significant economic influence. RMAL has 48%, cannot direct relevant activities, hence only significant influence, not control → exclusion valid.

5	(c)	<p><i>RMAL does not qualify as an investment entity because its main business purpose is manufacturing, not fair-value-based investment management, and the exemption applies only when the parent itself—not a separate trust—meets investment-entity criteria</i></p>	<p>Ind-AS 110 exemption applies only when the parent itself is an investment entity. RMAL's core business is manufacturing, not investment management; the separate trust does not change RMAL's status → consolidation cannot be avoided.</p>
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Link for Resources (Revision Videos, MTPs, Amendments, Charts, etc.)		
1	Youtube Channel	https://www.youtube.com/@altclassesca9193
2	Telegram Channel	https://t.me/altclasses
3	Whatsapp Group for Doubts	https://chat.whatsapp.com/LSDM362gjy2ErmRgTi7ceA
4	LMS Link	https://altclasses.in/knowledge-forum-ca-final/
5	Contact Number	9319805511, 7206941195
6	Website Link	https://altclasses.in/



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