



*From the
Author*

*Dedicated to My Parents Shri Girish Chawla & Smt. Kanchan Chawla &
My Life long Support My Wife Dammini Chawla.*

*Special thanks to my Mentor CA. Vishal Bhattad Sir from whom I have derived an idea to create this book.
I also want to Thank my Team who supported me Day & Night to create this Masterpiece.*

Special Message to Students,

I am delighted and overwhelmed to share that the belief and love of you students has inculcated more enthusiasm and courage to do better and best for you all.

*The Best example is My “**CHART BOOK**” and I really want that every student should have something handy and précised form of the syllabus so that substantial portion can be revised in a jiffy. So, I along with the support of **V'Smart Team**, has decided to provide you this A-3 Size (Very Popular among CA FINAL Students) Chart Book.*

*This book is not only provided to my registered students but also to the students buying other subjects of CA Final such as IDT from **V'Smart Academy**. Those students can consider this as a Gift from my side.*

It is my strong belief that if you revise the syllabus from Chart Book with the help of short revision videos uploaded on YouTube, will not only boost your confidence and will also help you to get a proper understanding of the concepts, so that even the off-track questions may also be solved within the prescribed time in Exam.

*I also urge you, to score good marks, so as to sail through the entire CA Final, u must watch all the **revision videos available on YouTube** covering all Important Topics of Financial Reporting.*

Also feel free to give ur feedback to me and recommend to your friends and juniors.

“A Small Request to all the Students that in Case You receive more than 1 chart books, kindly gift it to your Friend/Junior who is in CA/CMA Final”



*From My Pen
CA. Jai Chawla & Team*

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INDAS 1 - PRESENTATION OF FINANCIAL STATEMENTS

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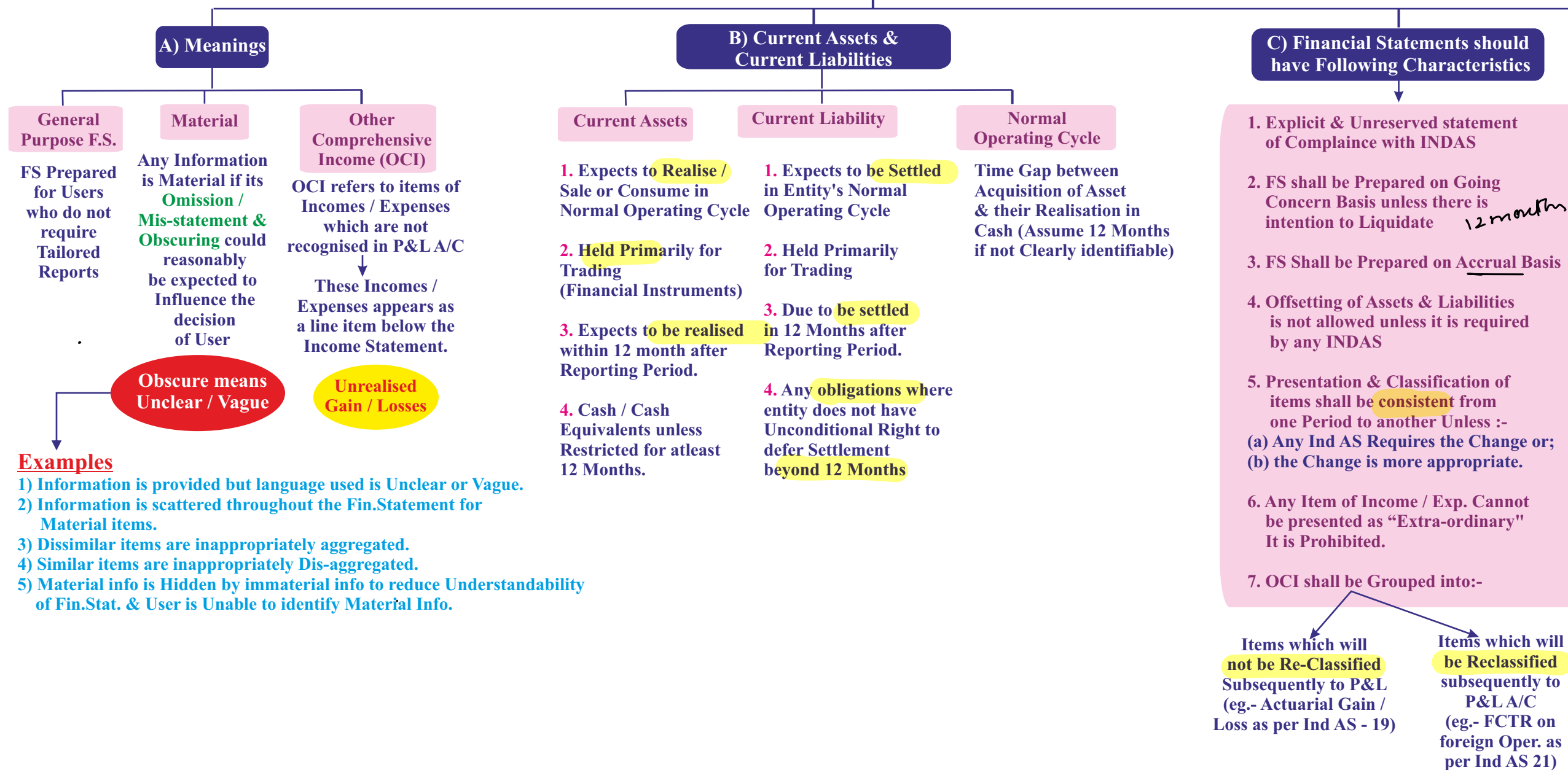


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INDAS 1 - PRESENTATION OF FINANCIAL STATEMENTS

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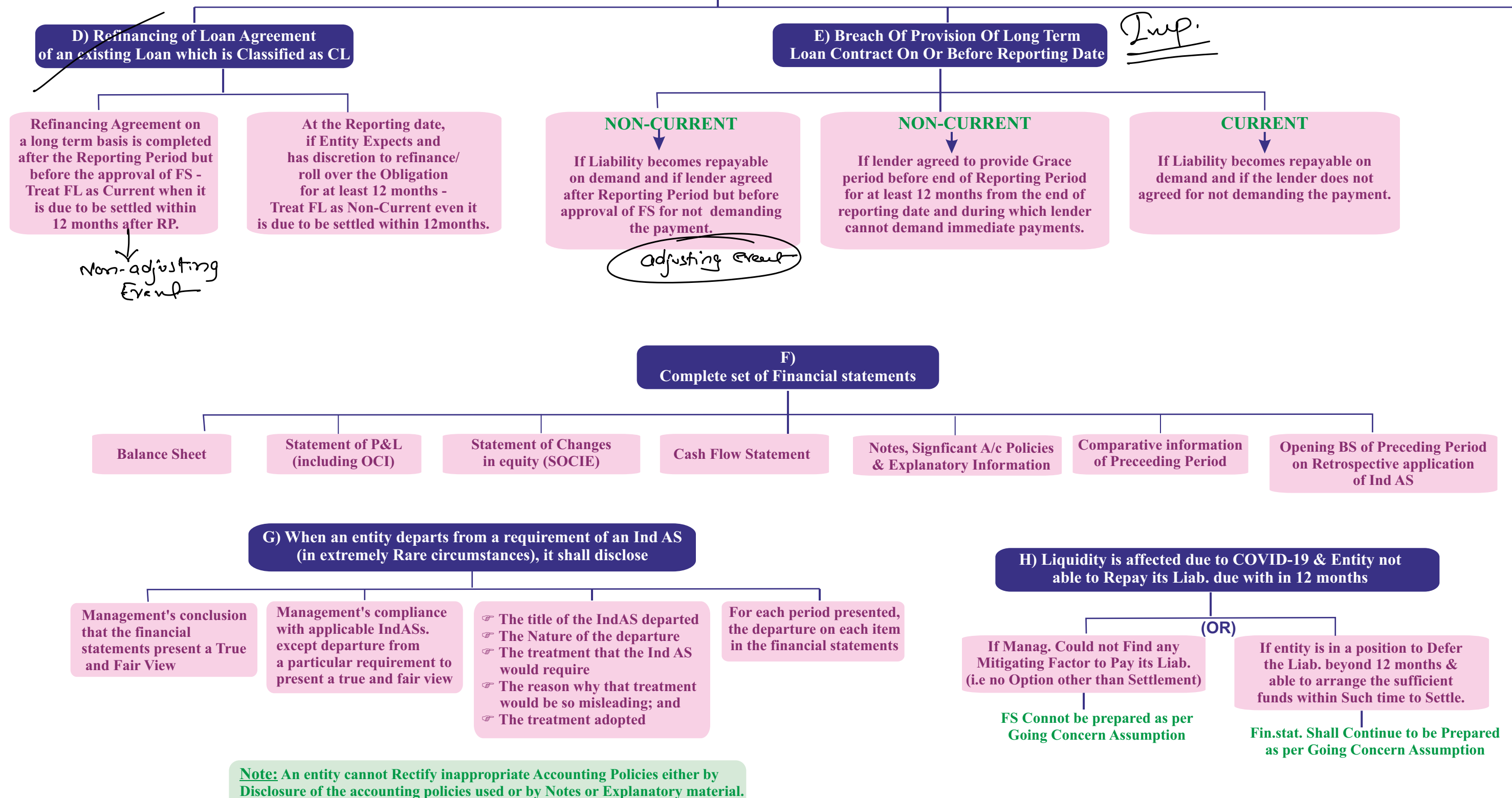


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INDAS 2 - INVENTORIES

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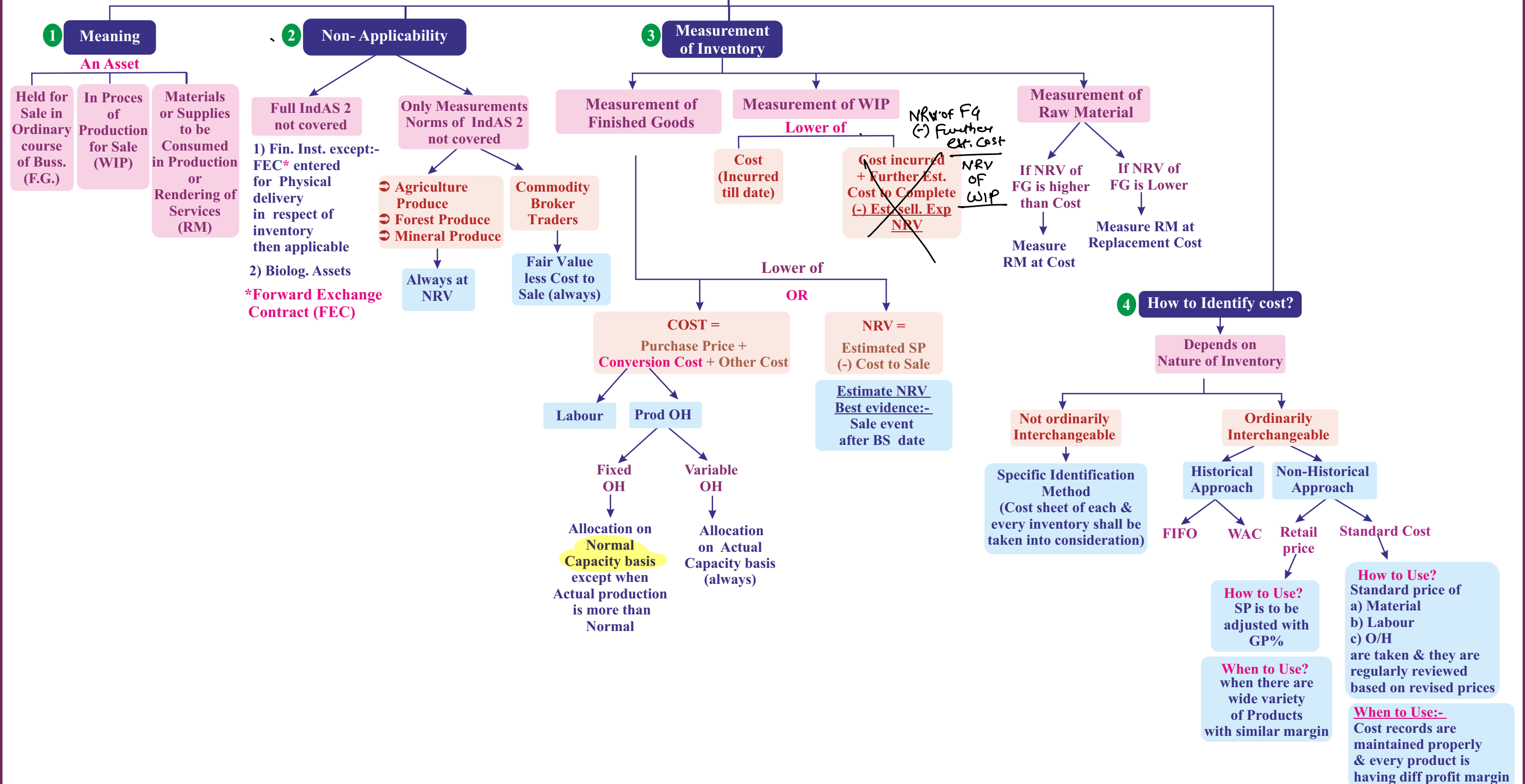
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INDAS 2 - INVENTORIES

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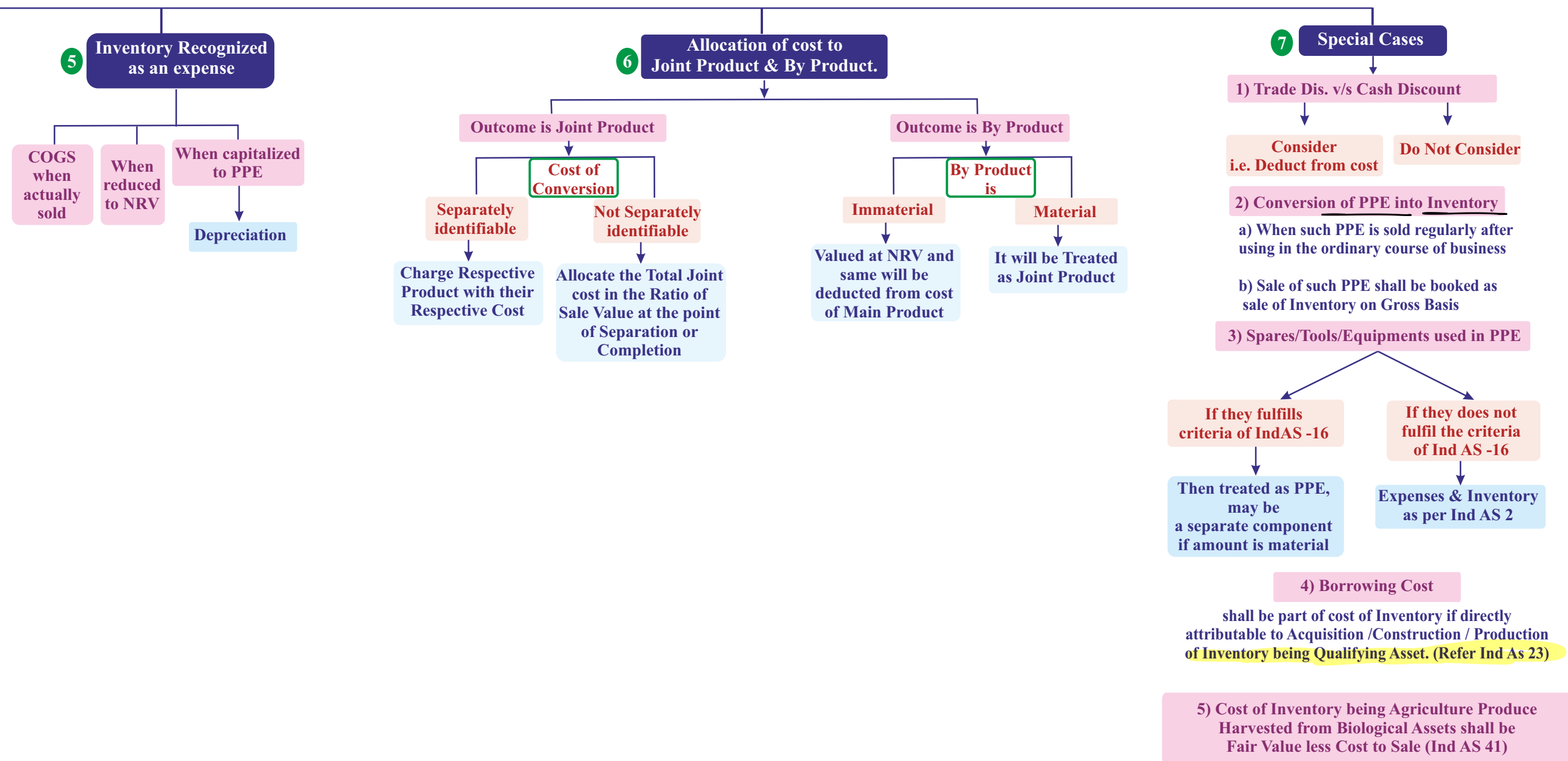
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INDAS 7 - STATEMENT OF CASH FLOWS

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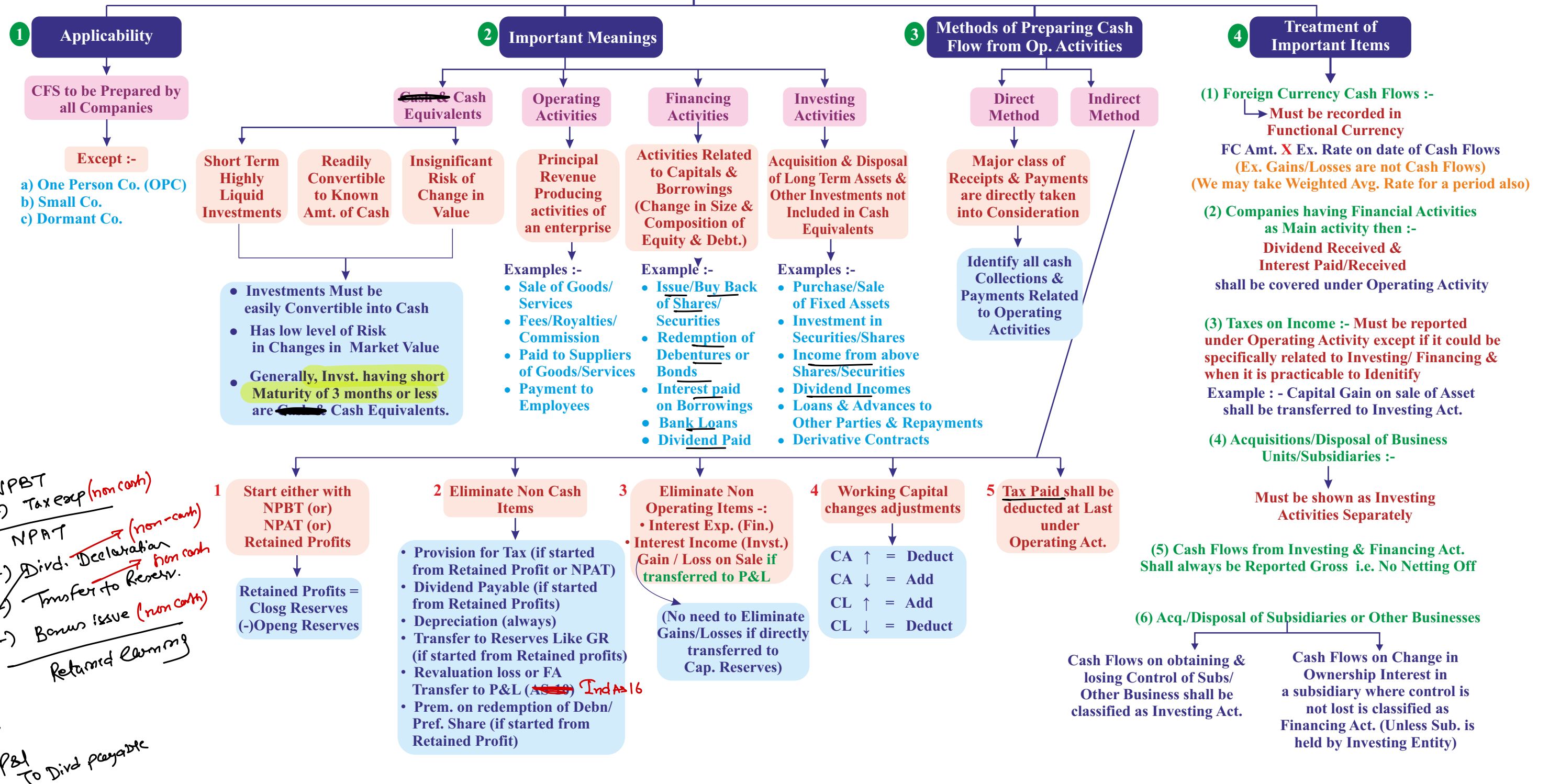


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NPBT
(-) Tax Exp (non cash)
NPAT
(-) Divd. Declaration (non-cash)
(-) Transfer to Reserv.
(-) Bonus issue (non cash)
Retained Earnings
P&L To Divd payable

SUMMARY OF CASH FLOW STATEMENT

(Page 2)

- Net Cash Inflow means Cash Generated & Net Cash Outflow means Cash Used
- If nothing is specified about Cash Sales & Cash Purchases then we would always assume the Total Sales & Purchases in Credit Only.
- To Calculate Tax Payment, we should prepare following A/c
- Tax Paid shall be shown under Cash Flow from Operating Activities after all Adjustments (Sabse Last me likhna hai)
- If Debentures are shown in BS with % of Interest is also given even if nothing is mentioned about interest then also we have to make adjustment of Interest.

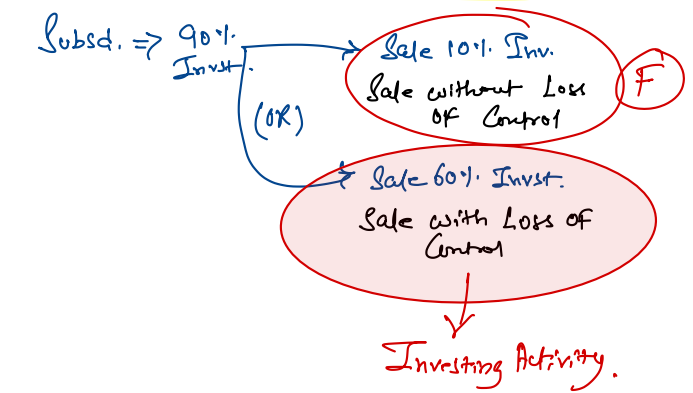
TAX A/c

To Opening Balance of Advance Tax	By Opening Balance of Provision for Tax
To Cash Payment of Tax	By Tax Provision made in CY thru P&L
To Closing Provision for Tax	By Closing Bal. of Advance Tax

Bank OD is a part of Cash & Cash Equivalent

But in B/L it is F/L under Current Liab.

Investment in Subsidiary/Asso./JV is Cash outflow Under Investing activity.



Investing Entity Suchⁿ Venture Capital Co. or Mutual Fund Co., IF They obtain or Sale any Investment then it is Operating Activity.

6 If Debenture or Pref. Shares are redeemed during the year at Premium, such premium must have been written off from P&L after Tax (as appropriation), then in such case Premium shall be added back under Operating Activities as elimination if solution started from Retained Earnings.

7 Grant Received

- For Capital Projects Financing Activities
If such grant is amortised in P&L Then less back under Operating Activities
- For Revenue Expenses Operating Activities

INDAS 8 - Accounting Policies, Changes in Accounting Estimates & Errors



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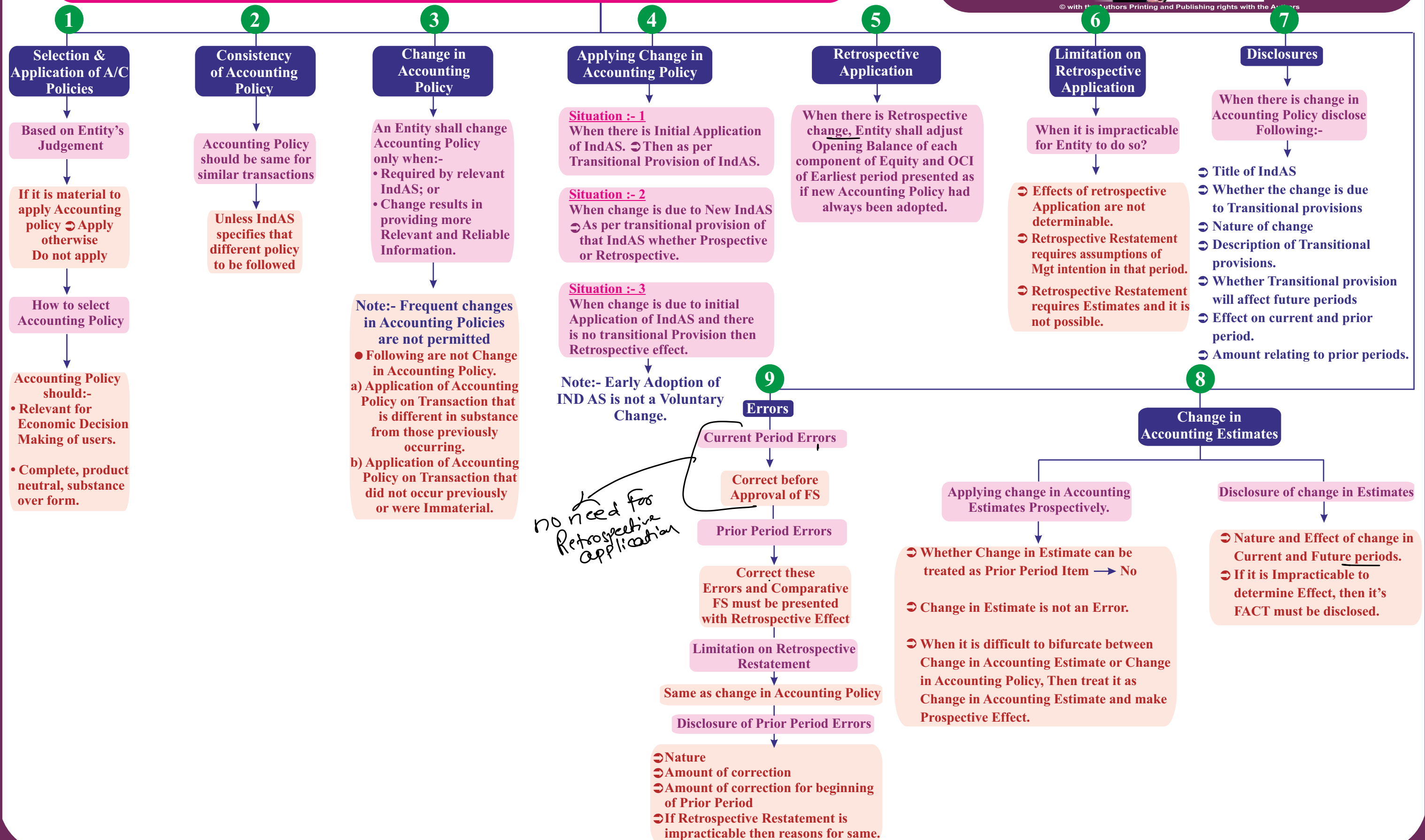
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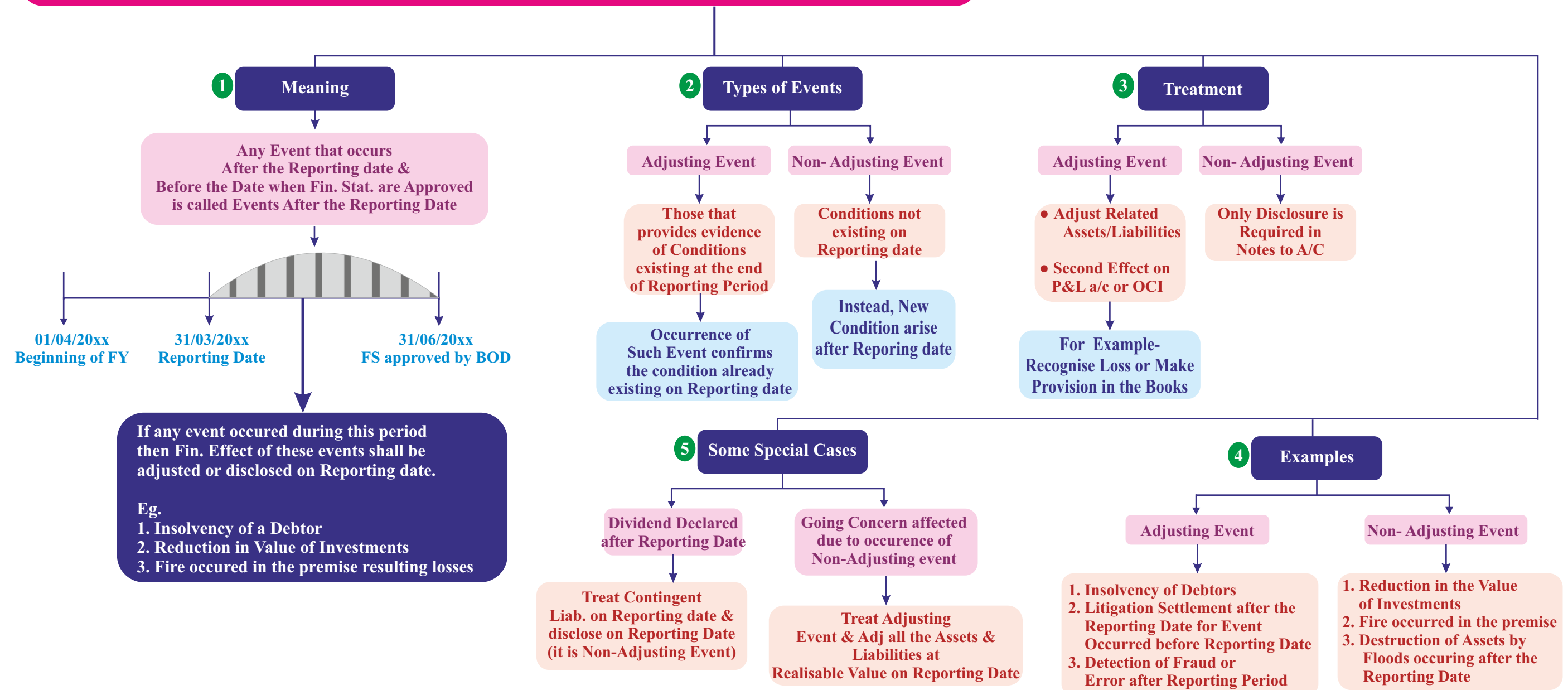
- Ind AS
8
- 1) Change in purpose \Rightarrow Not a Change in A/c Policy
 - 2) Functional Currency is not a matter of A/c Policy
 - 3) But Change in presentation Currency will be change in A/c Policy \Rightarrow Retrospective
 - 4) Change in Inventory Cost Formula is Change in A/c Policy
 - 5) Applying wrong Classification of A/c (Current/noncurrent) is Error.

6) applying Voluntary application
OF A/c Policy or Int A/s

↓
Retrospective
Restatement

7) Change in Business model
is not Change in
A/c policy

INDAS 10 - EVENTS AFTER THE REPORTING DATE



IND AS 12 - INCOME TAXES



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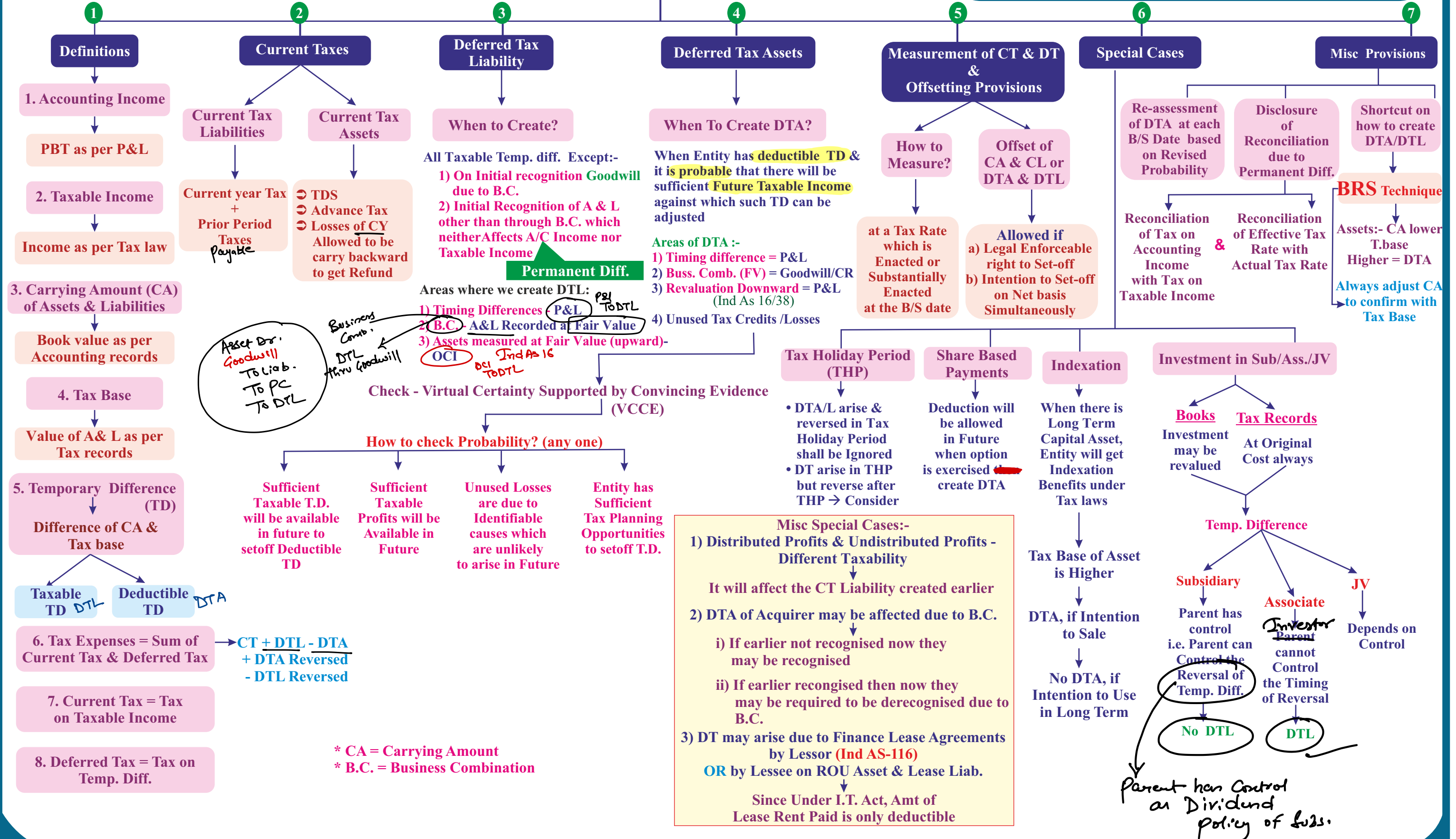
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INDAS 16 - PPE

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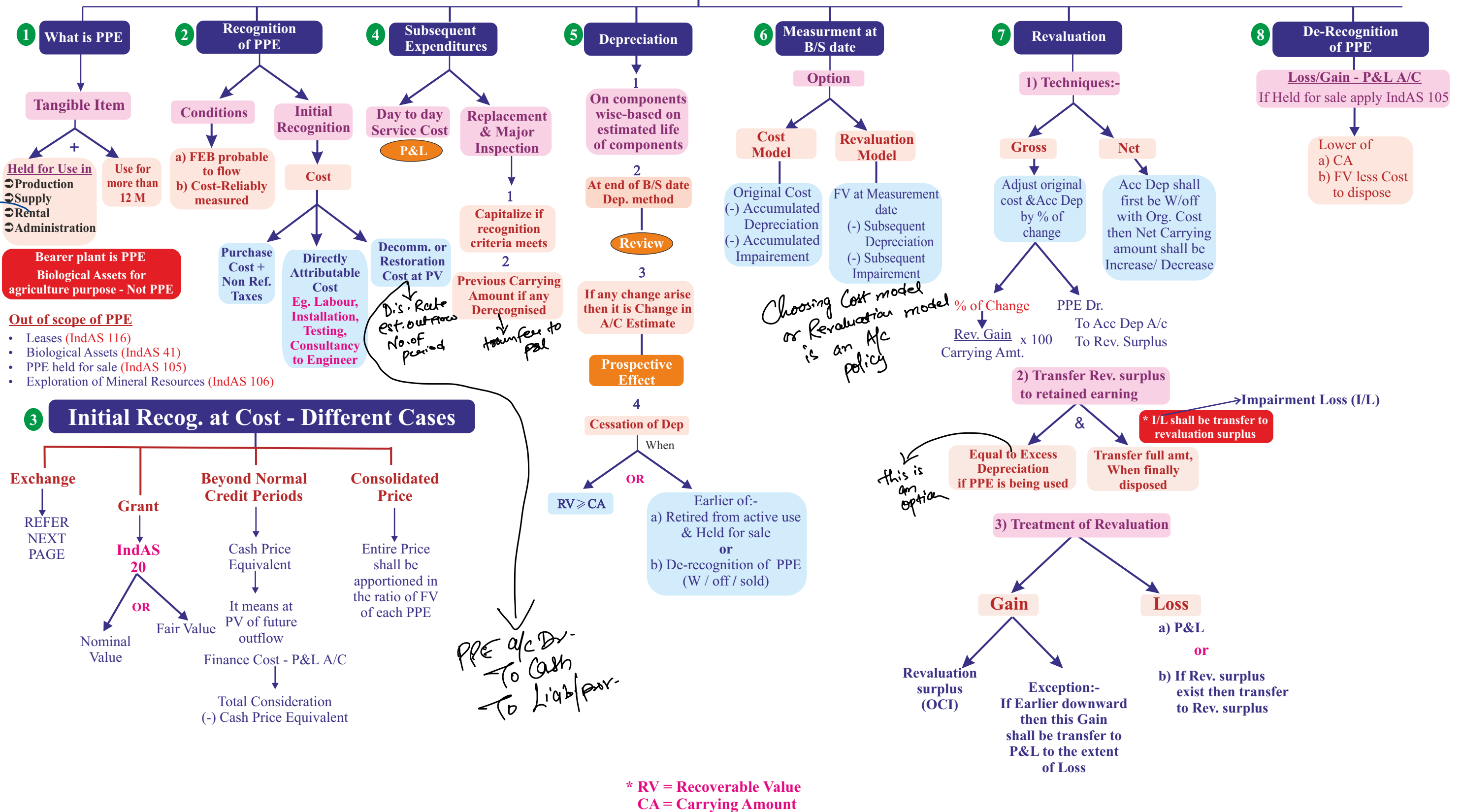


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INDAS 16 - PPE

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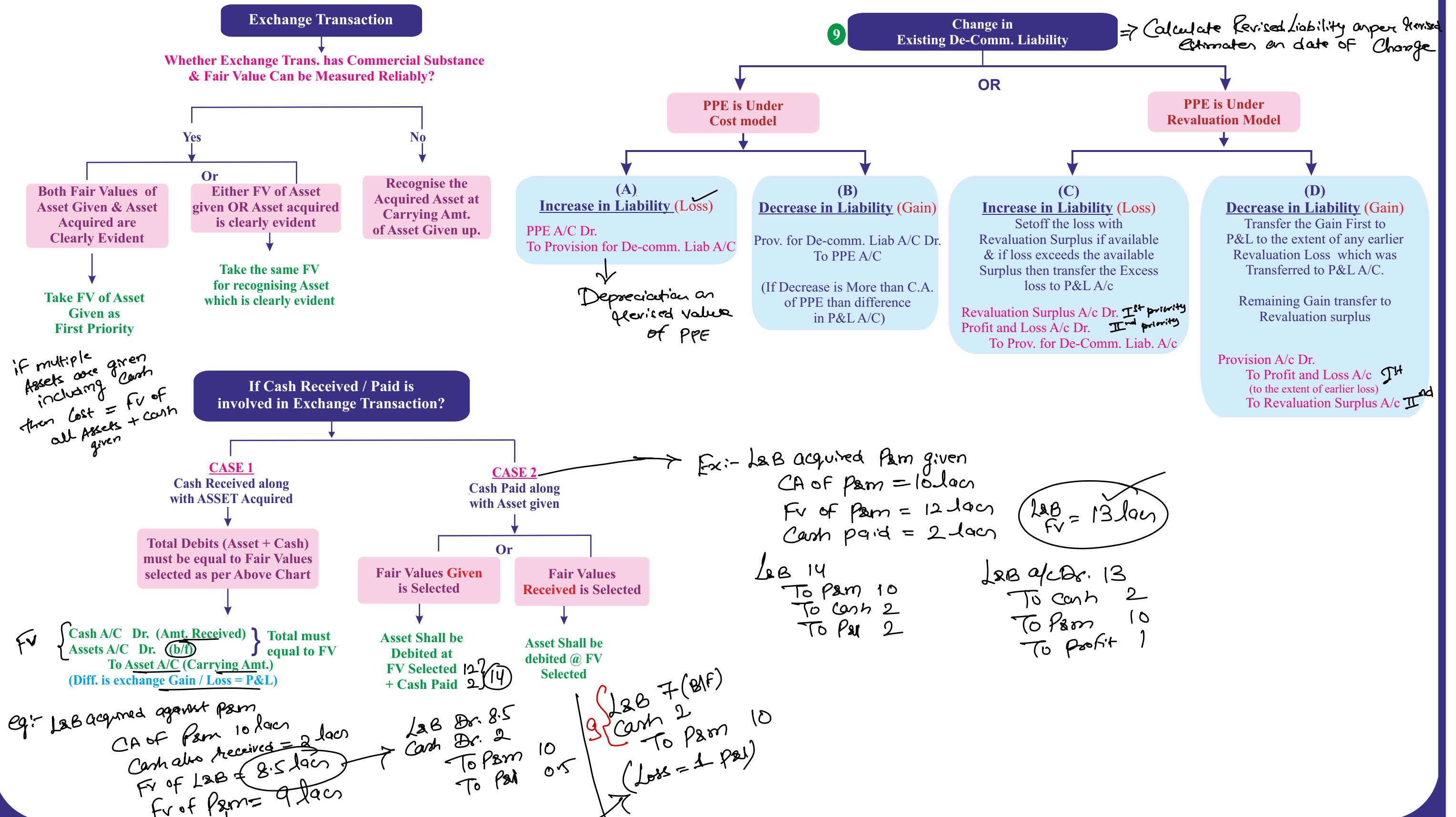


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IND AS 19 - EMPLOYEE BENEFITS

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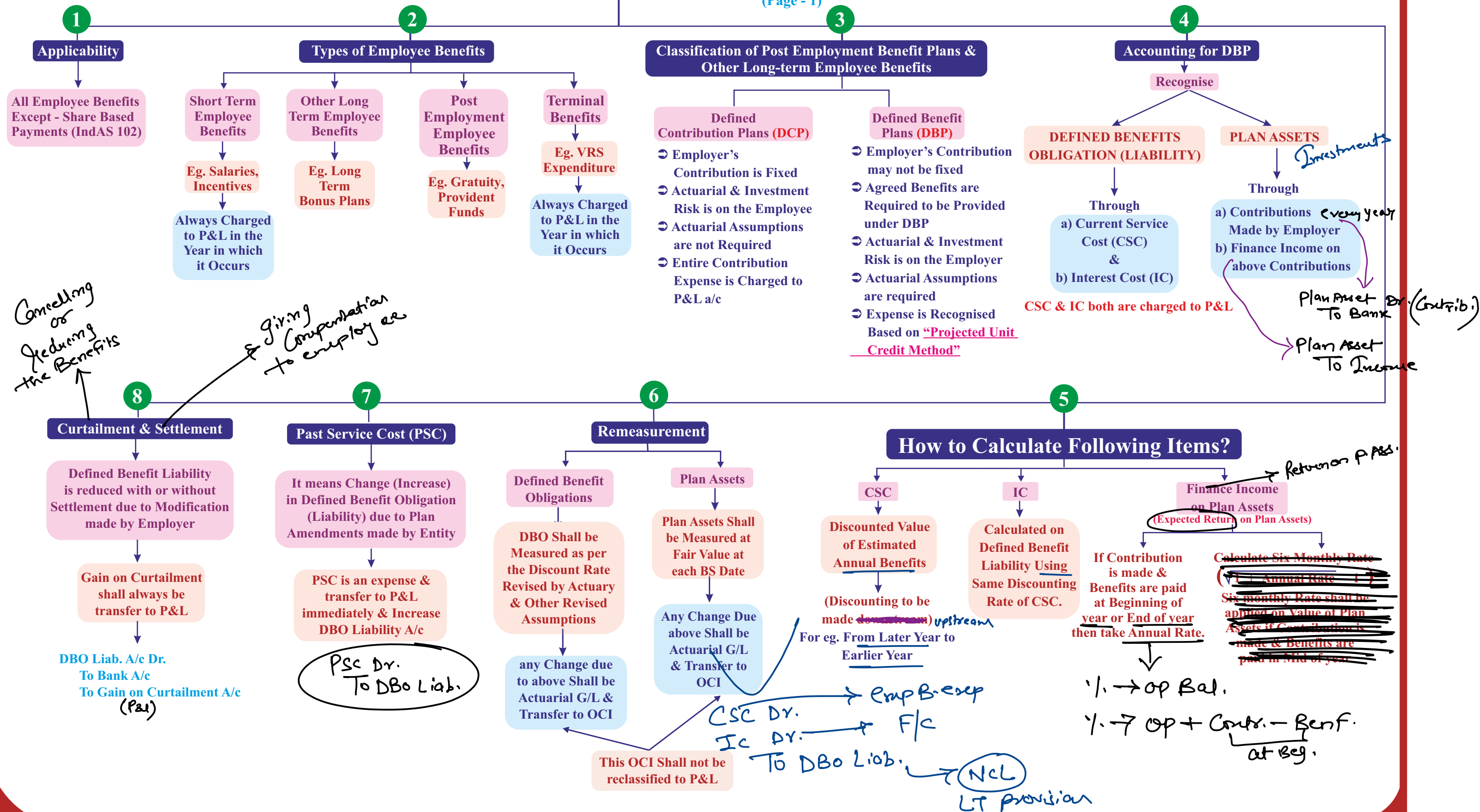
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IND AS 19 - EMPLOYEE BENEFITS

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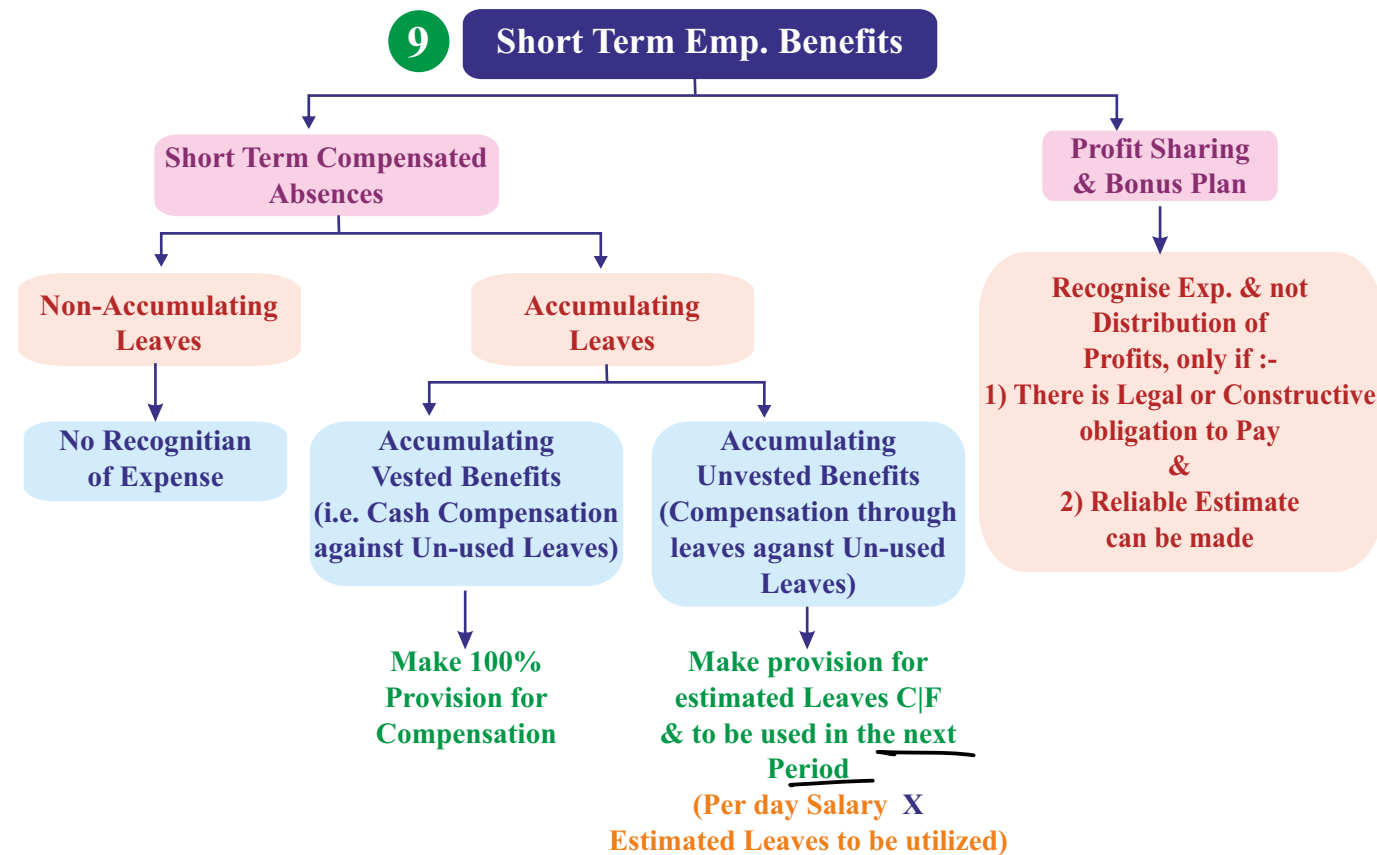
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Summary

P&L

Employee Benf :- CSC
Exp :- PSC
Gain on Curtailm.

Fin. Cost :- IC
- Return on P. Ass.

OCI

Actuarial G/L on DBO
Actuarial G/L on P. Asset

To Bal. (FV)

B/L

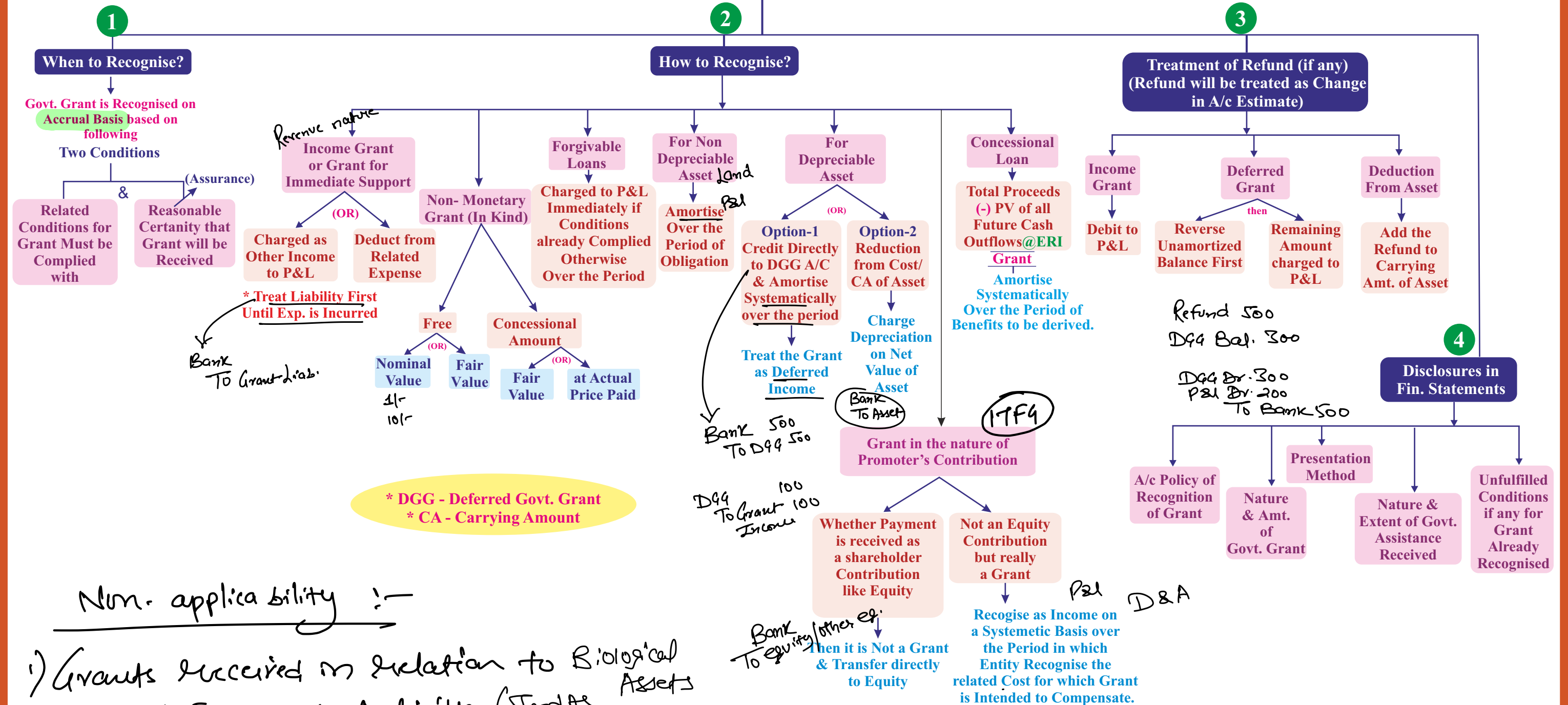
NCL :-
DBO Liab
(-) P. Asset
Net Liab.

IND AS 20 - GOVERNMENT GRANTS

Govt Grants & Govt Assistances

Recognition & Disclosure

Only Disclosure



Non-applicability :-

1) Grants received in relation to Biological Assets used for agr. Activity (Ind AS 41)

2) Tax Benefits are not Grant

5	Grant receivable as compensation for expenses or losses already incurred or for immediate financial support with no future related costs	<ul style="list-style-type: none"> • Shall be recognised in profit or loss of the period in which it becomes receivable • Provide disclosure to ensure that its effect is clearly understood.
---	--	---

INDAS 21 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

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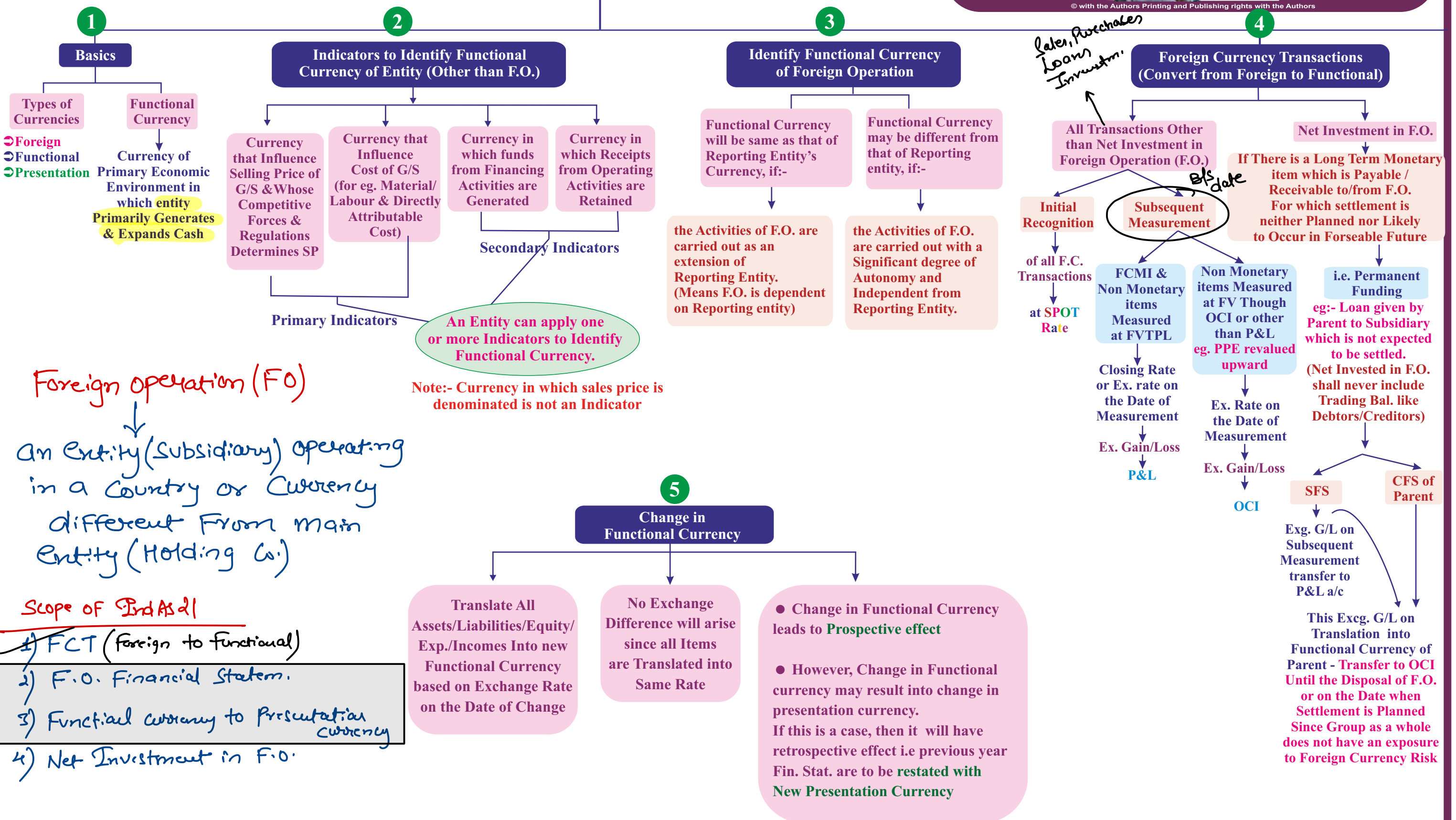
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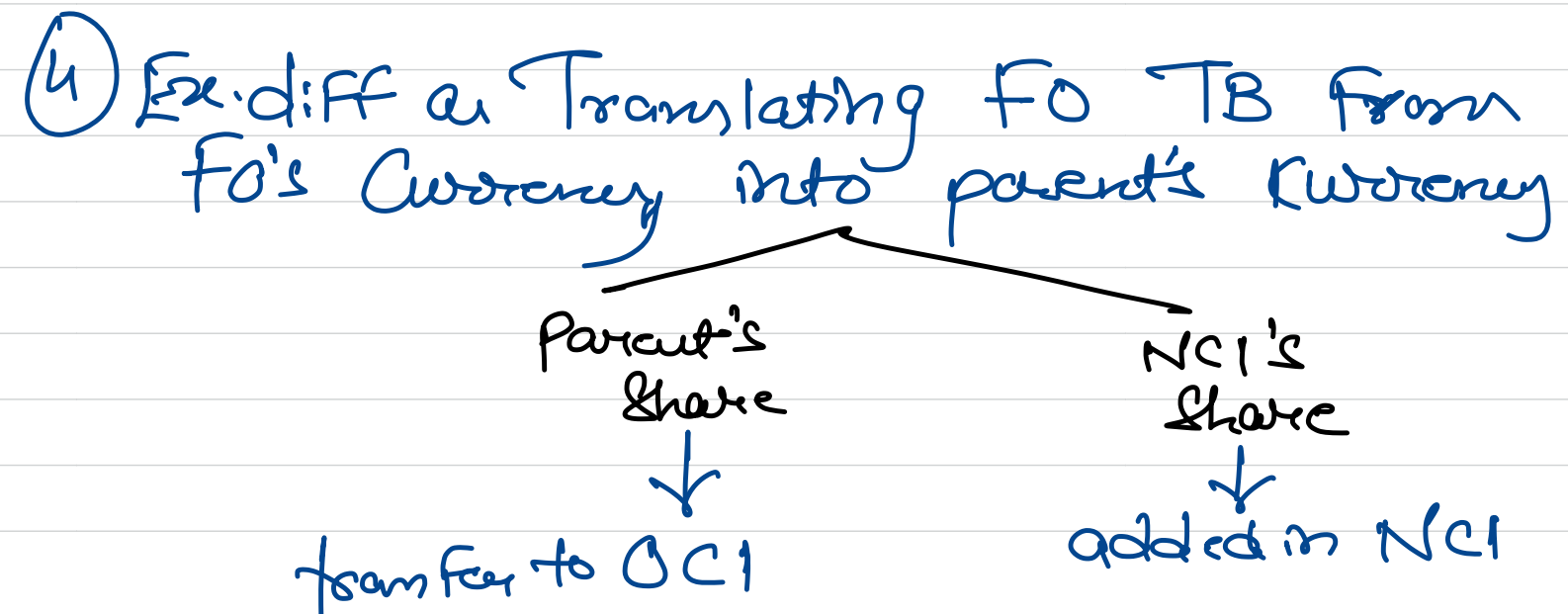
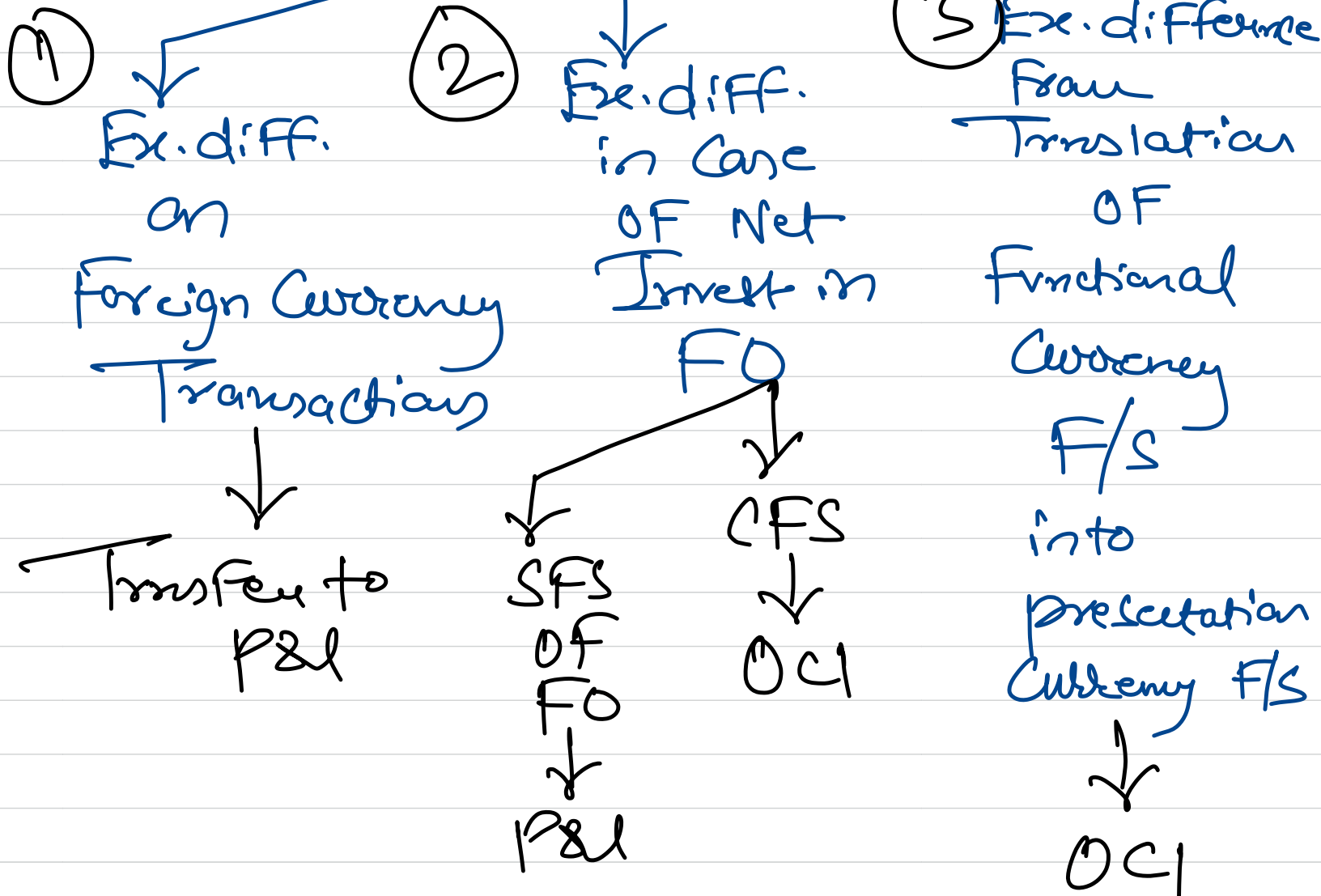


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Sales, Purchases, Loans, Investments



Summary of Ex. Diff.



Holding
(₹)

Foreign
Subsd.
(\$)

LT loan (Net Invest in
in ₹) (Net Invest in
Fo)

Translated in ₹
Avg Rate

Fo
For Subsd its
a F.C.T

Ex. P&L of
Subsd.

P&L of Subsd/Grp
Income ₹
Exp ₹

OCI

Ex. diff ₹
Ex. diff

P&L	
Exp \$	Income \$
Ex. diff \$	Ex. diff \$

INDAS 21 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

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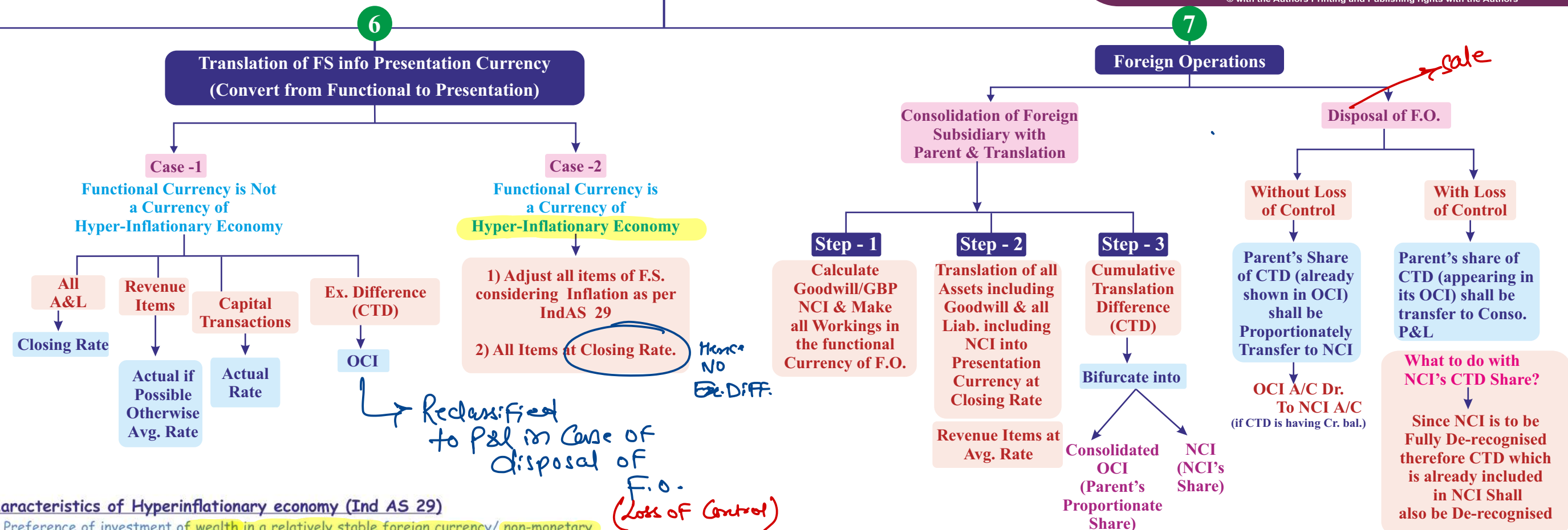


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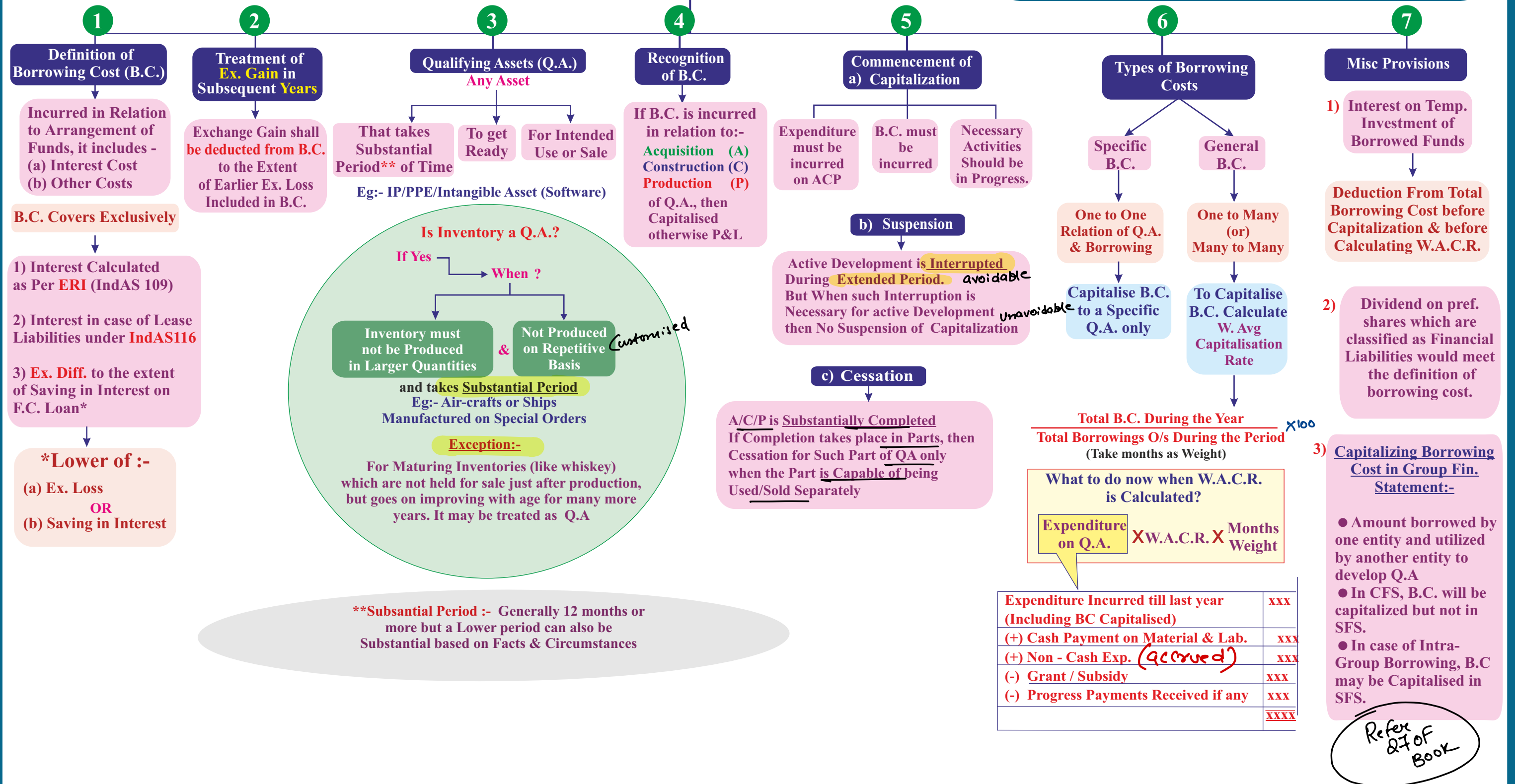
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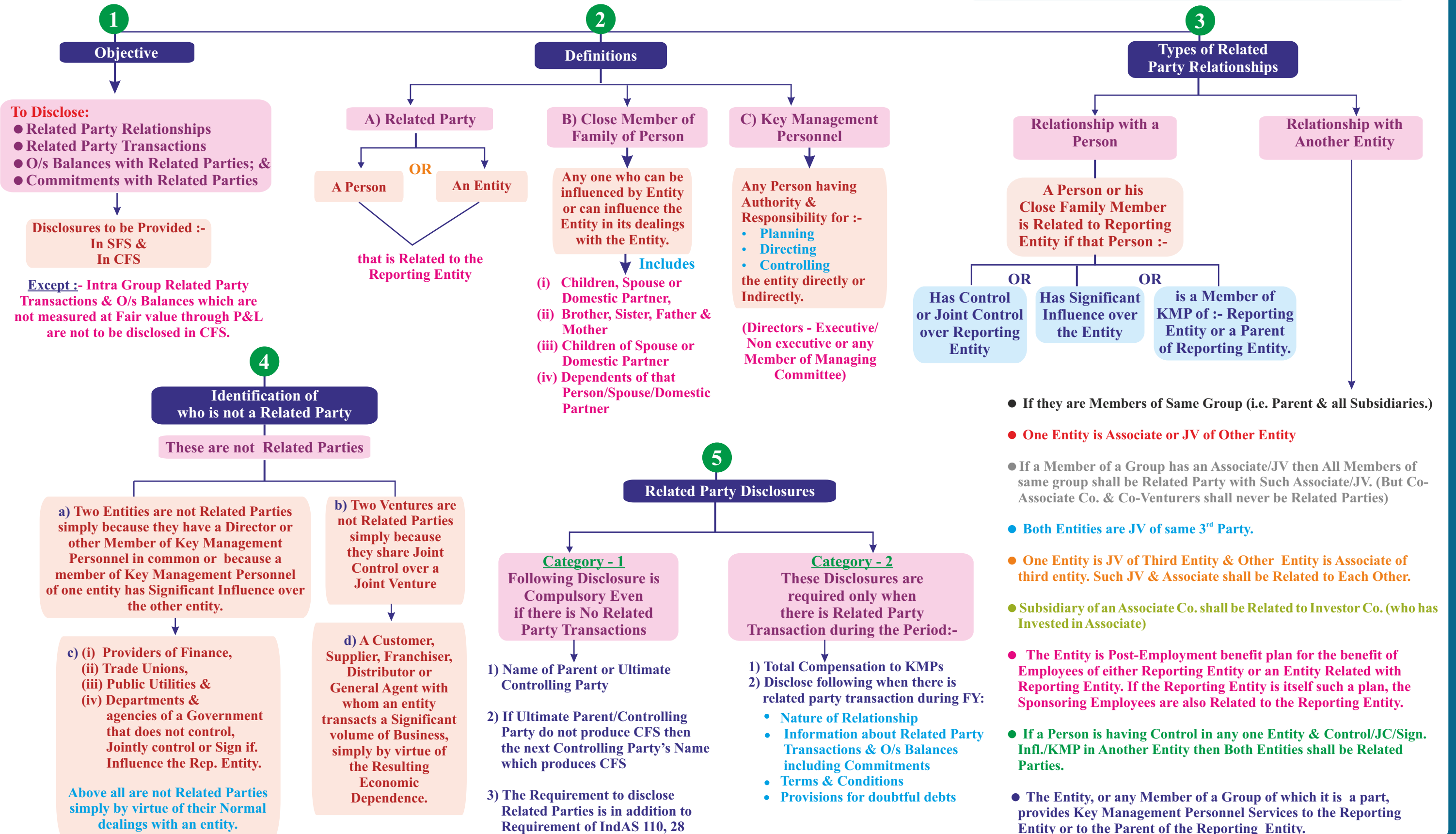
Characteristics of Hyperinflationary economy (Ind AS 29)

- Preference of investment of wealth in a relatively stable foreign currency/ non-monetary assets
- All monetary amounts are quoted in relatively stable currency rather than local currency
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short
- Interest rates, wages and prices are linked to a price index
- The cumulative inflation over three years is approaching, or exceeds, 100 percent

IND AS 23 - BORROWING COSTS



INDAS 24 - RELATED PARTY DISCLOSURES



FINANCIAL INSTRUMENTS

A

BASICS

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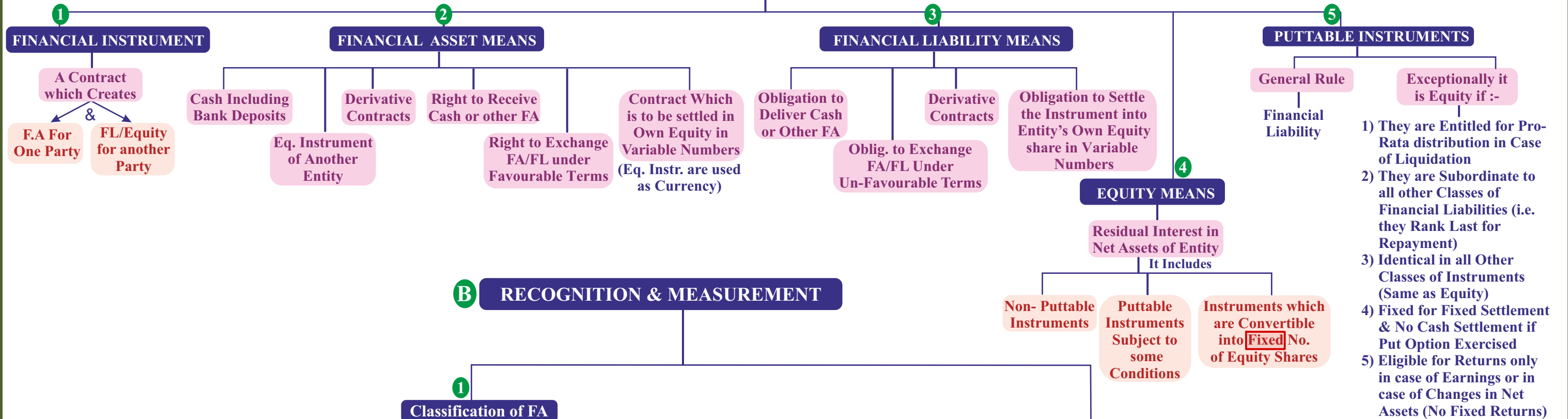
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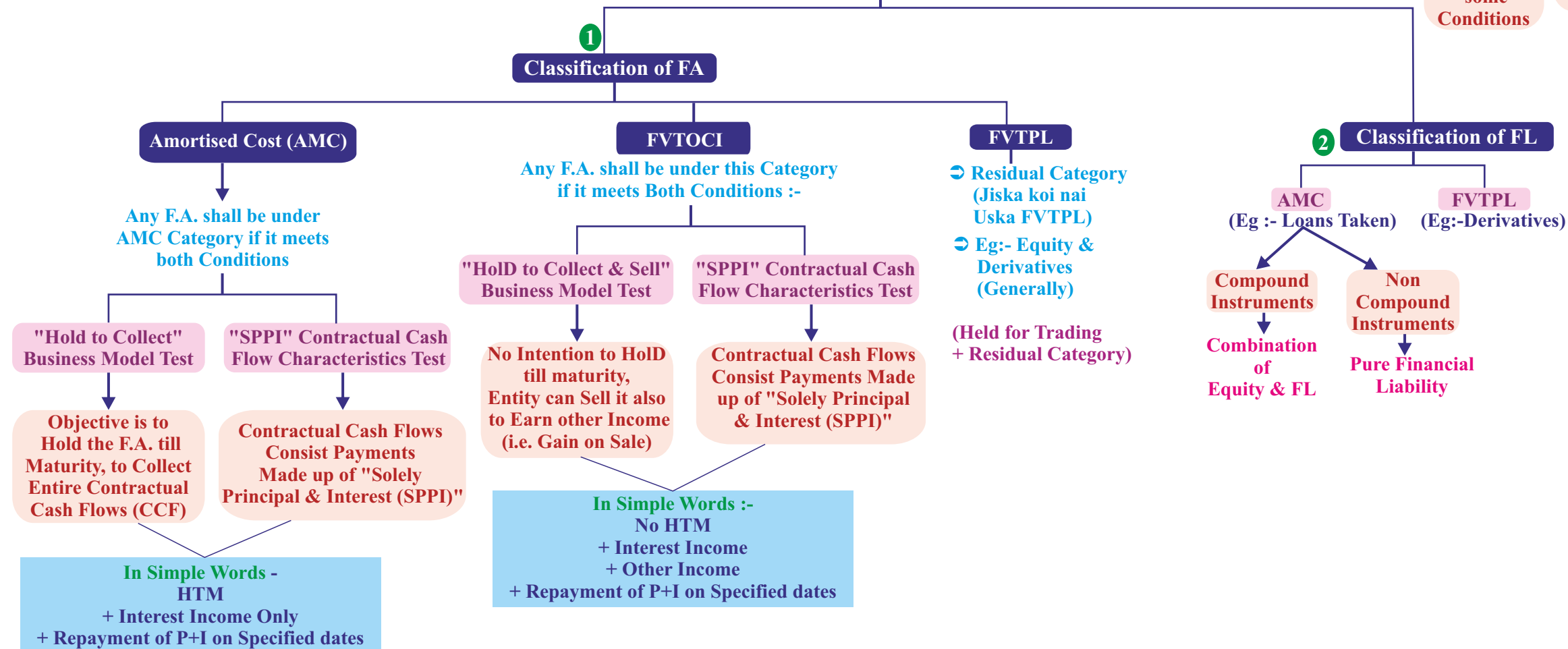
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B

RECOGNITION & MEASUREMENT



** Equity doesn't have any classification Since it is a Residual Interest.*

FINANCIAL INSTRUMENTS

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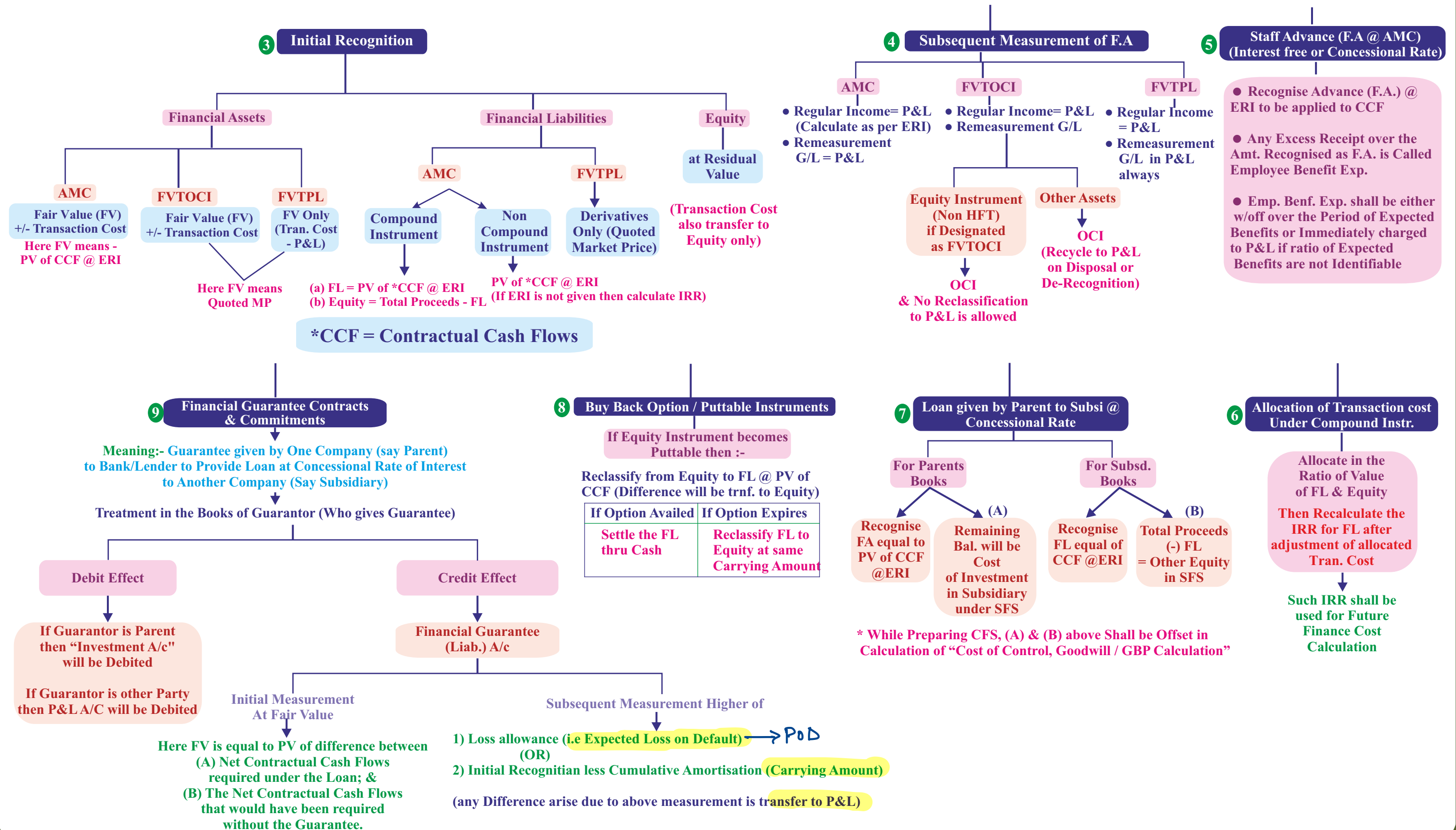


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FINANCIAL INSTRUMENTS

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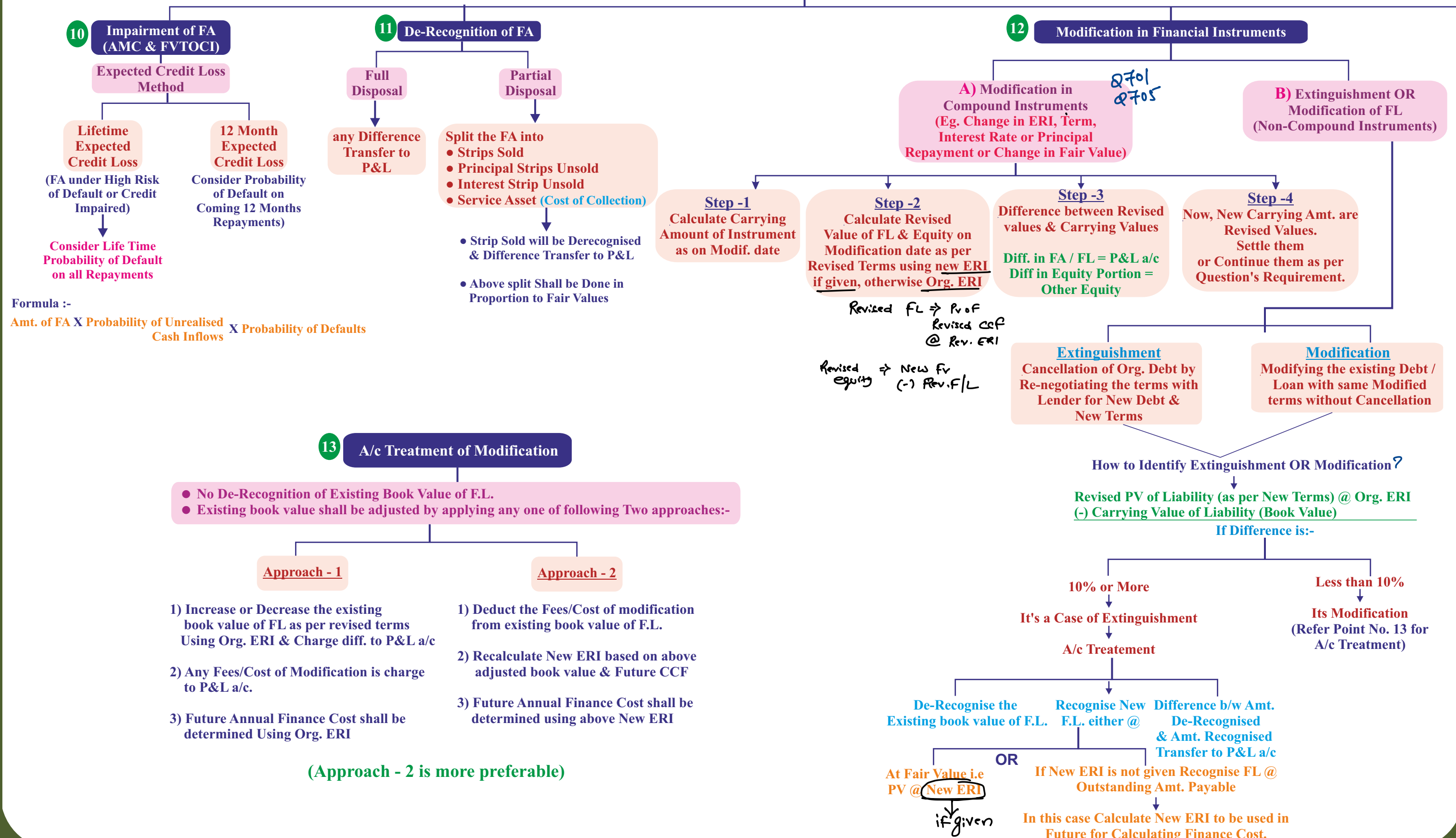
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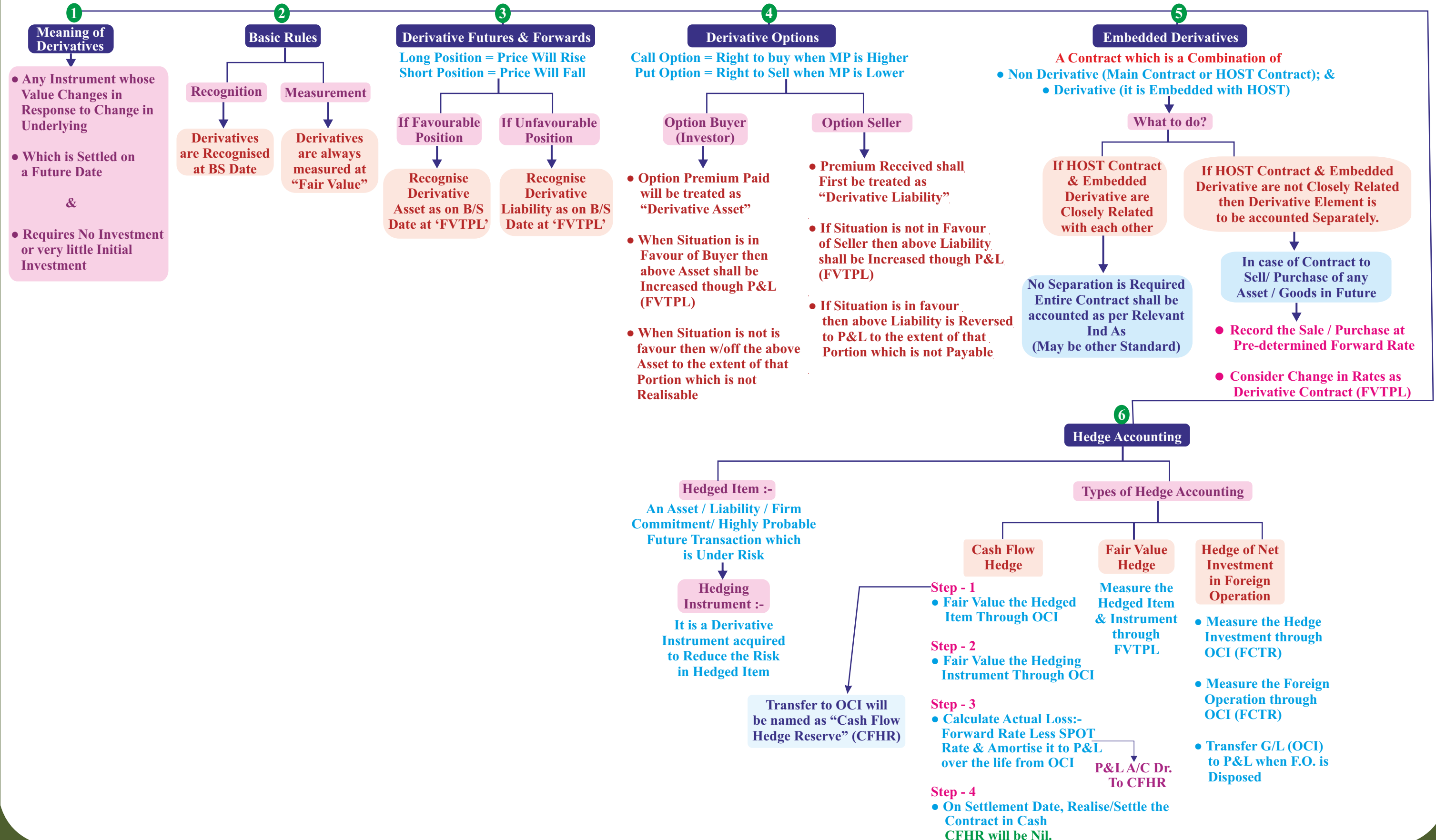
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FINANCIAL INSTRUMENTS

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FINANCIAL INSTRUMENTS

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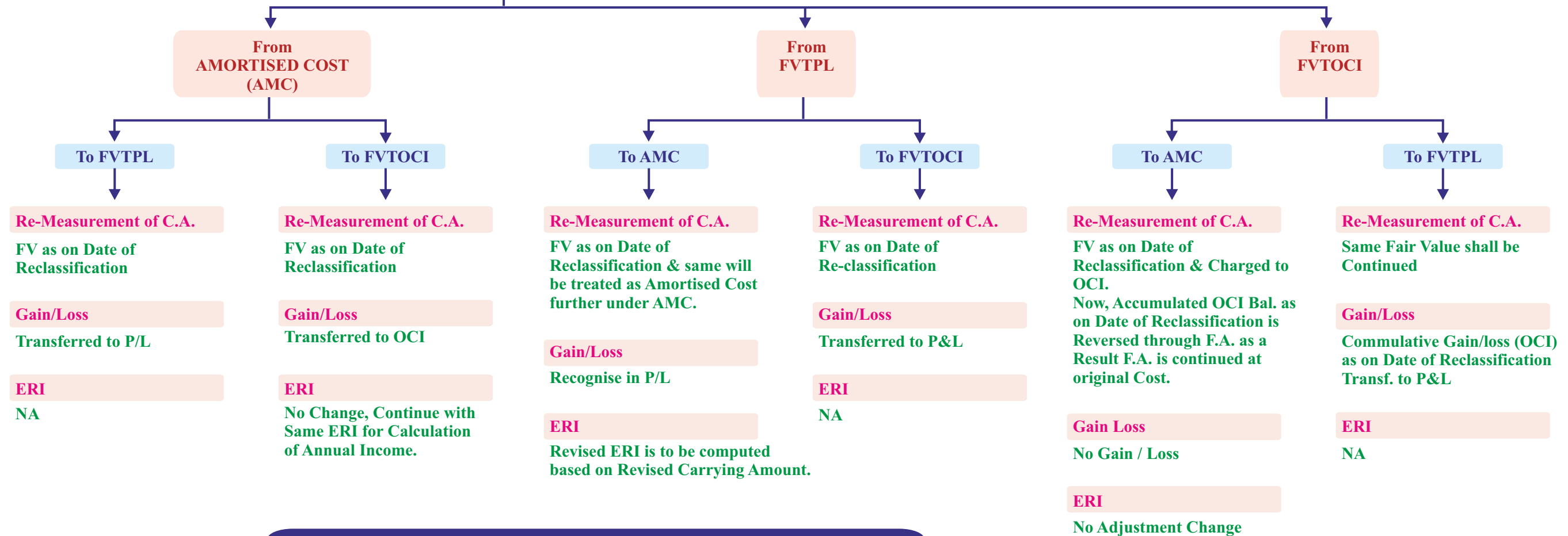
Reclassification from One Category to Another

FINANCIAL ASSETS

Reclassification of FA is possible only when Entity Changes its Business Model

FINANCIAL LIABILITY

Reclassification of FL is not allowed



Reclassification from Financial Liability to Equity and Vice Versa

From FL to Equity

Measured at Same Carrying Amount

From Equity to FL

- Measured at Fair Value on the Date of Reclassification (PV of CCF@ ERI)
- Difference if any charged to Equity Only

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IND AS 33 - EARNINGS PER SHARE (EPS)

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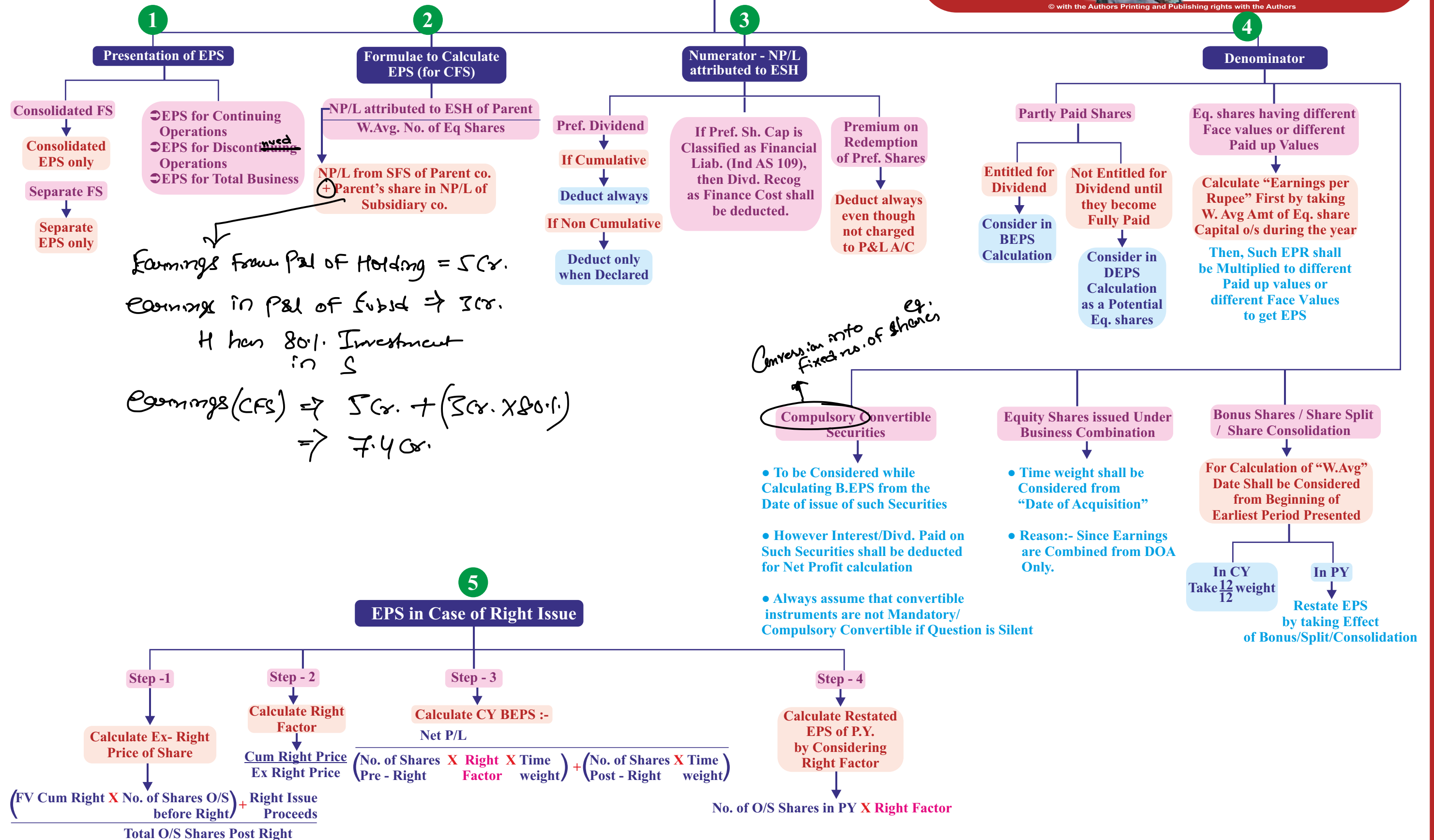
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Earnings from P&L of Holding = 5 Cr.
Earnings in P&L of Subid \Rightarrow 3 Cr.
H has 80% Investment in S
Earnings (CFS) \Rightarrow 5 Cr. + (3 Cr. \times 80%)
 \Rightarrow 7.4 Cr.

Conversion into fixed no. of shares eg.

IND AS 33 - EARNINGS PER SHARE (EPS)

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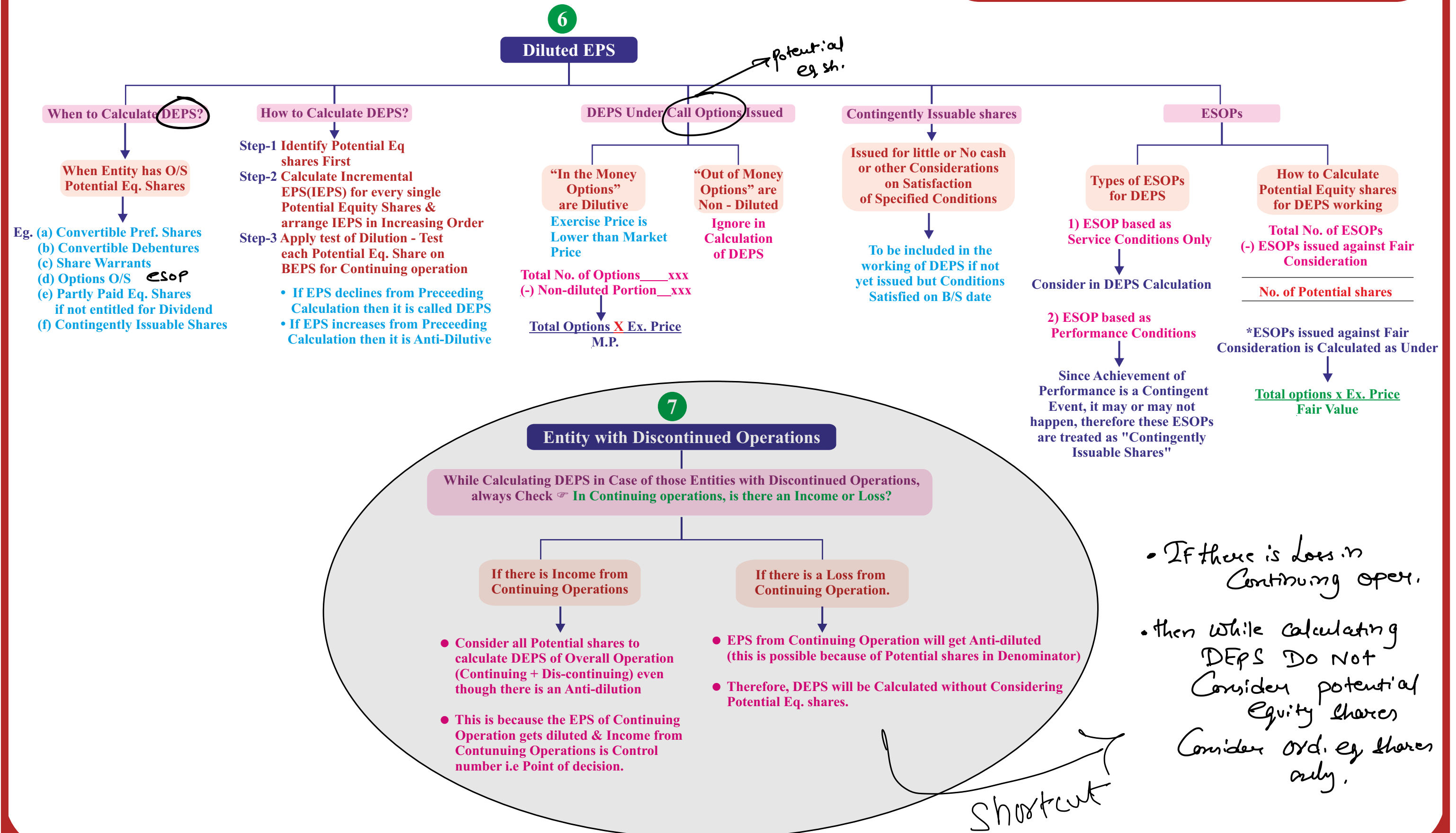
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- If there is Loss in Continuing oper.
- then while calculating DEPS Do Not Consider potential Equity shares Consider ord. eq shares only.

Shortcut

IND AS 34 - Interim Financial Reporting (I.F.R)

I.F.R can be Presented by any one out of Two ways:-
1) A Complete set of FS as per IndAS - 1; or
2) A Condensed set of FS as per IndAS - 34



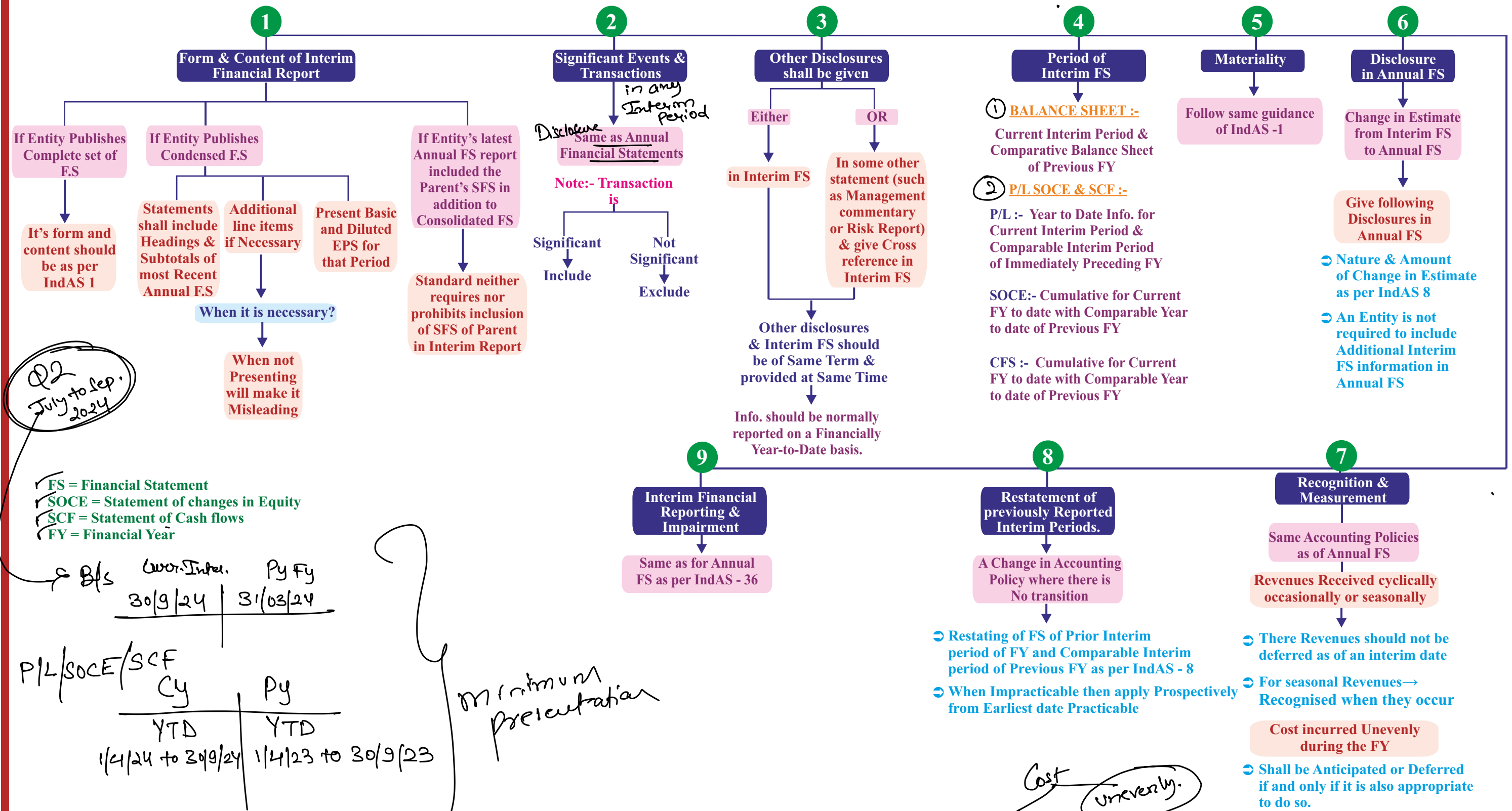
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FS = Financial Statement
SOCE = Statement of changes in Equity
SCF = Statement of Cash flows
FY = Financial Year

Q2 July to Sep. 2024

B/S		Over Inter.		Py FY	
		30/9/24		31/03/24	
P/L/SOCE/SCF					
		Cy		Py	
		YTD		YTD	
		1/4/24 to 30/9/24		1/4/23 to 30/9/23	

Minimum presentation

Cost unevenly.
Evening Salaries Rent
Yearly Bonus Advertising. loss
Bad-debts

Q2 (July to Sep 2024)

P/L			
Cy	Cy	Py	Py
Current IP	YTD	Current IP	YTD
1/7/24 to 30/9/24	1/4/24 to 30/9/24	1/7/23 to 30/9/23	1/4/23 to 30/9/23

Tax aspects

- 1) Calculate Estimated Total Tax & Est. Total Annual Income
- 2) Calculate W. Avg. Tax Rate if there are different Slab Rates, (excluding Cap. gain / special Income)
- 3) Apply that W. Avg Rate to each Quarter

IND AS 36 - IMPAIRMENT

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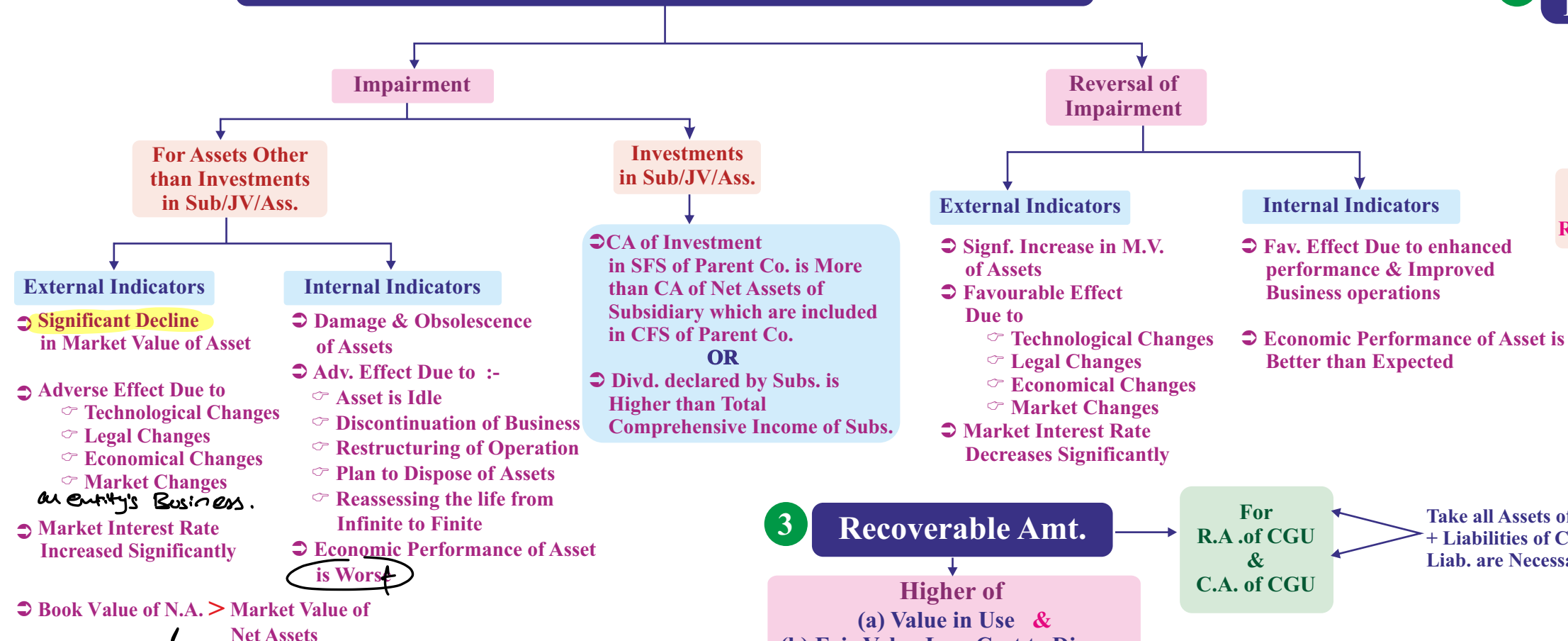
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1 Indications of Impairment & Indications of Reversal



Assets may be overvalued

How to Estm. Cash Flows?

- Reasonable / Supportable Assumptions of Management
- Greater Weight to External Evidences
- Take most Recent Financial Forecasts Approved by Mang.
- Projections not more than 5 years unless Evidenced

3 Recoverable Amt.

Higher of
(a) Value in Use &
(b) Fair Value Less Cost to Dispose

Value in Use depends on -

Projected Cash Flows

Discount Rate

Consider

- Time Value of Money &
- Risk Specific to Asset

When Asset specific rate is not available then consider following

- WACC
- Incremental Borr. Rate
- Other Market Borr. Rate

How to Estimate Fair Value Less Cost to Dispose

Check Binding Sale Agreement

Not Available

Check Active Market & Identify Current Bid Price of Asset

Not Available

Price From Most Recent Transaction From Active Market

No Active Market

Best Estimate of Management

Agar Humse No Ho Payega then Take Value in Use Only.

For R.A. of CGU & C.A. of CGU

Take all Assets of CGU + Liabilities of CGU if such Liab. are Necessary Part of CGU

2 How to Calculate Impairment Loss & its Reversal

Impairment Loss

Carrying Amt. (C.A.)
Less
Recoverable Amt. (R.A.)

Reversal of Imp. Loss

Alternative - 1

Lower of :-
(a) R.A. - C.A. &
(b) Org. Imp. Loss - Saving in Dep. for further years due to Impairment

Alternative - 2

After Reversal the Revised CA should be lower of :-

Lower of
(a) Recoverable Amount &
(b) C.A. after Dep. had there been no Impairment

IND AS 36 - IMPAIRMENT

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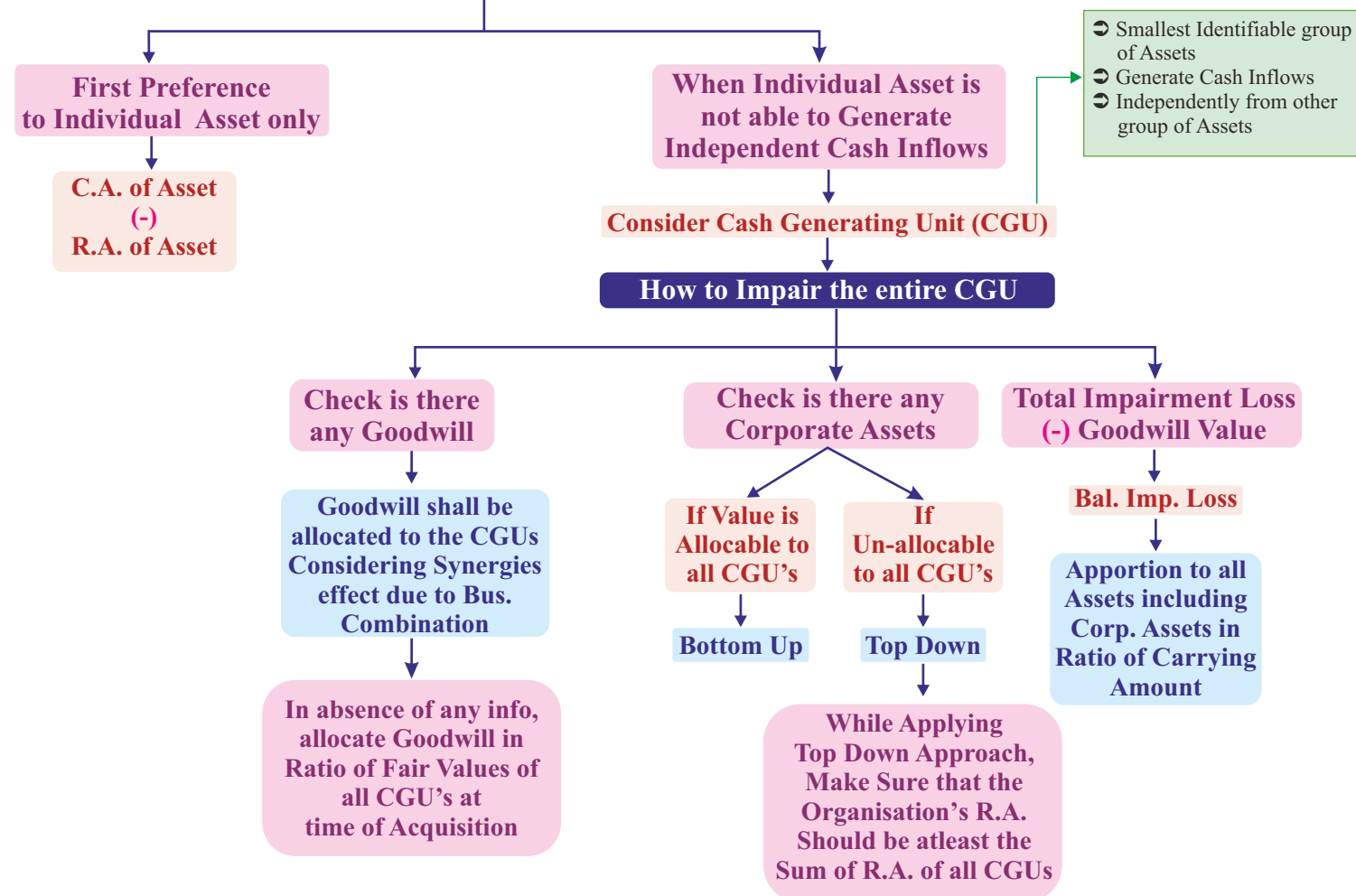
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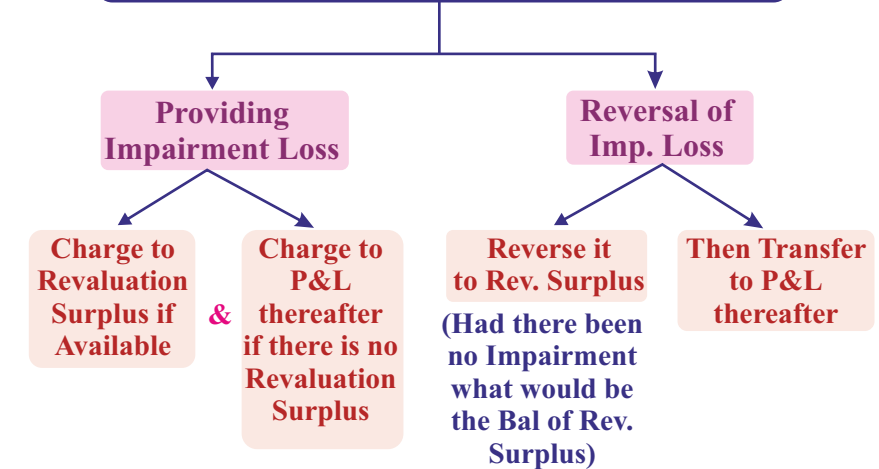
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Impairment Testing



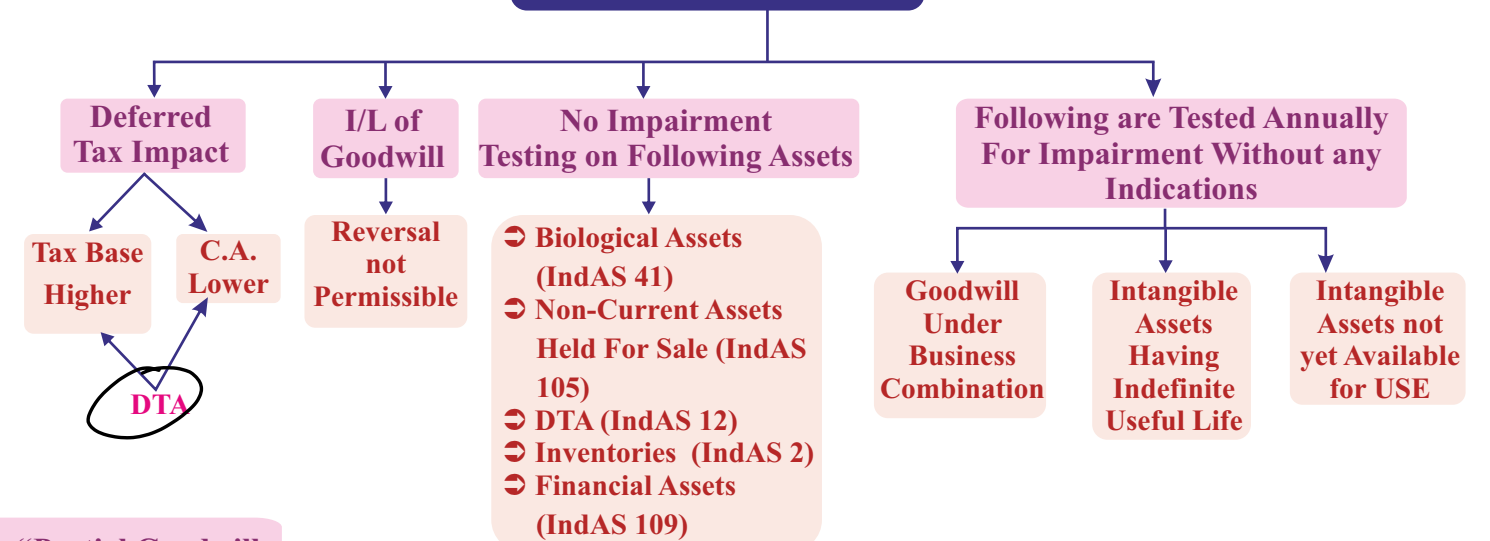
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Treatment of Impairment Loss



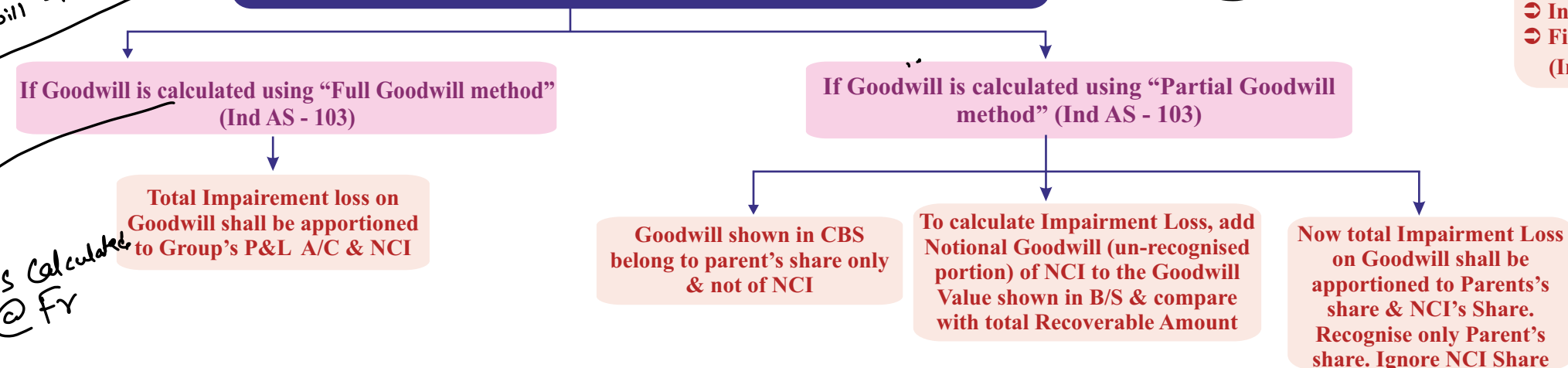
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Misc. Provisions



6

Goodwill Impairment Testing - Impact on NCI



CA + Goodwill
IRA

Partial Goodwill (Net)

NCI is Calculated @ Fr

INDAS 37 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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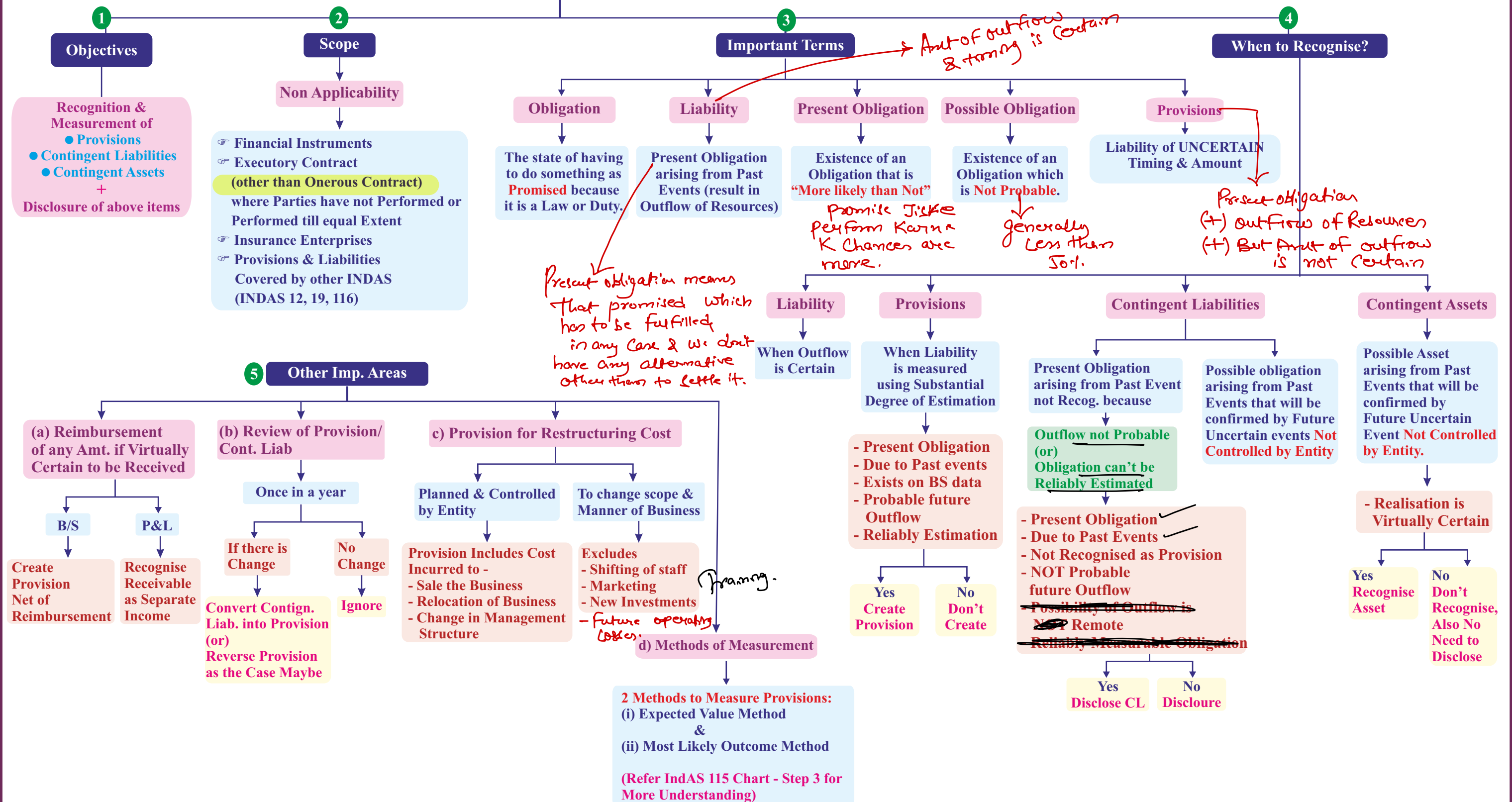
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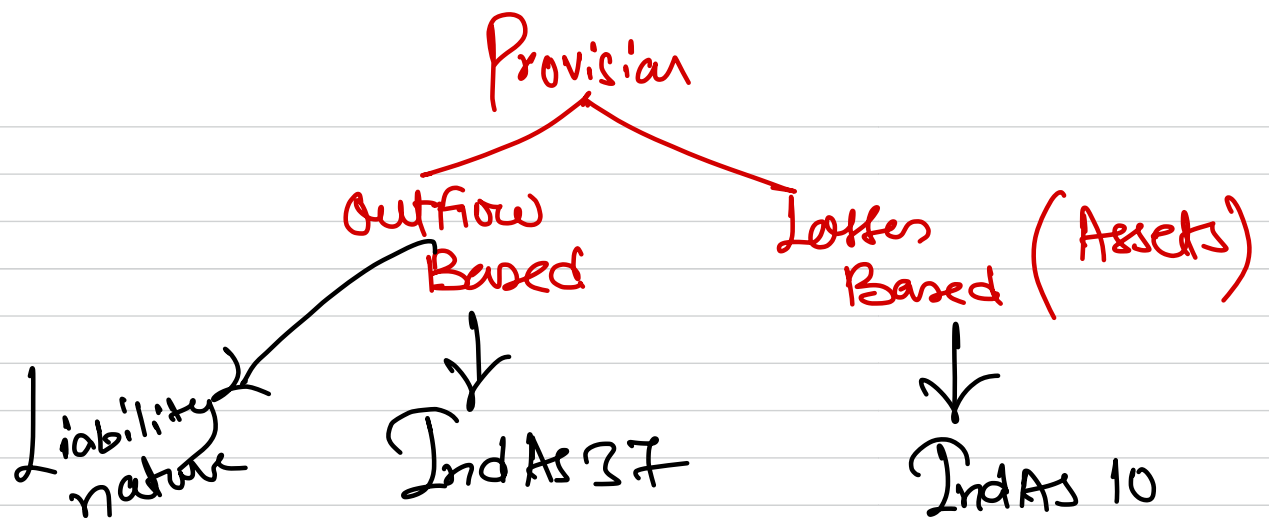
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Provisions
↓
Which Can-not be
reasonably estimated
are
Disclosed as Cont. Liab.

INDAS 38 - INTANGIBLE ASSETS

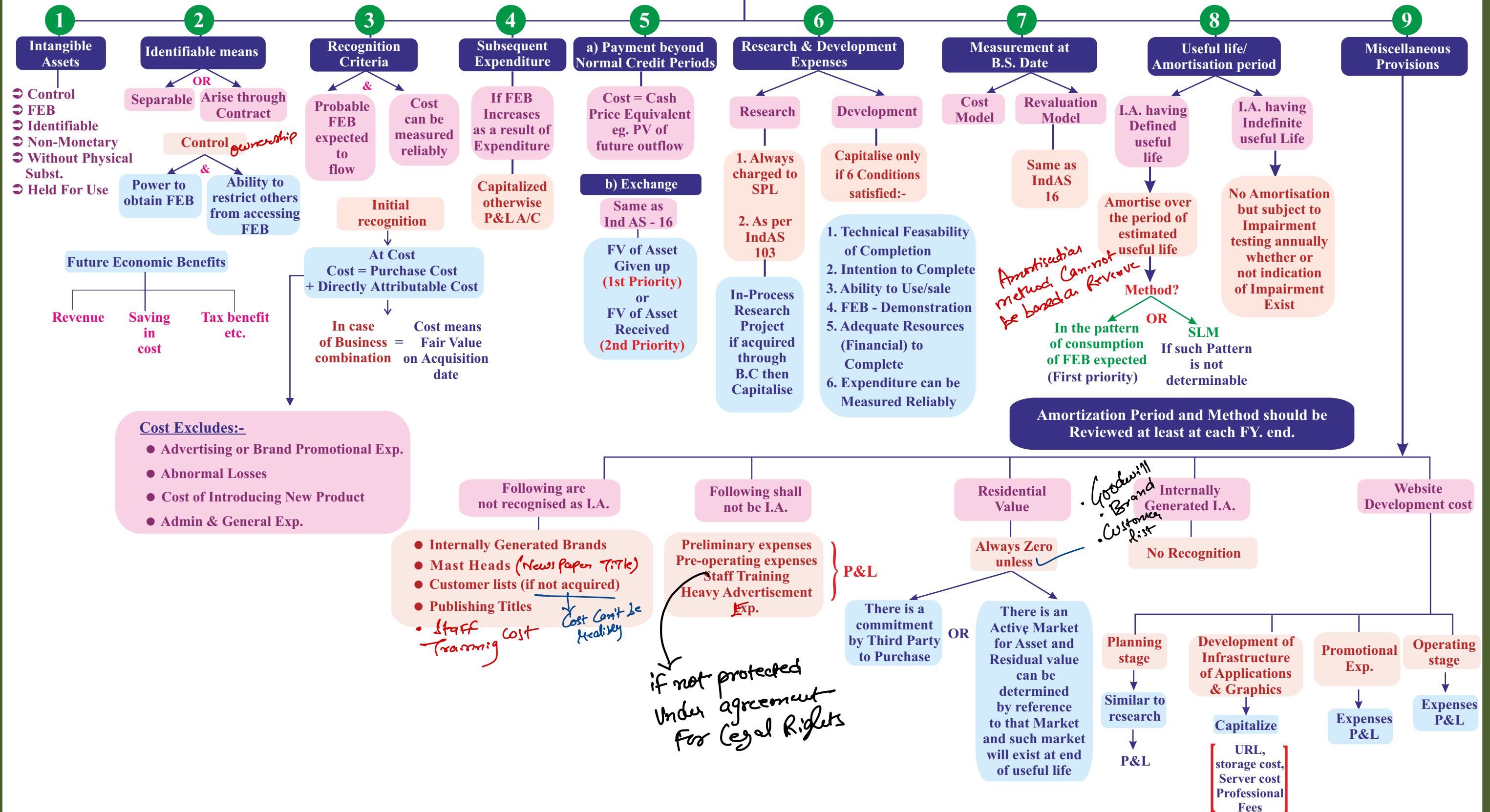


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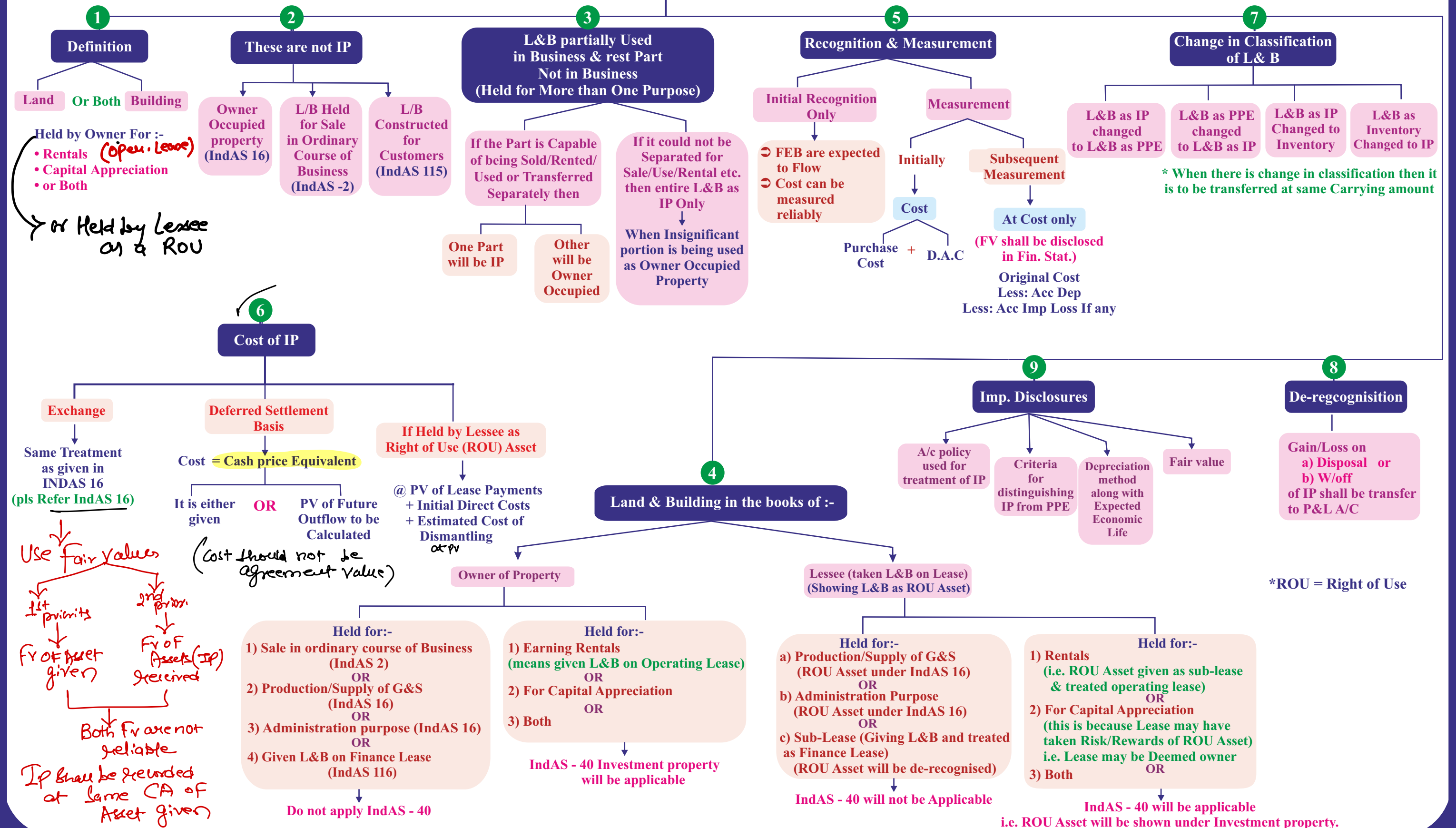


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INDAS 40 - INVESTMENT PROPERTIES (IP)



INDAS 41 - AGRICULTURE



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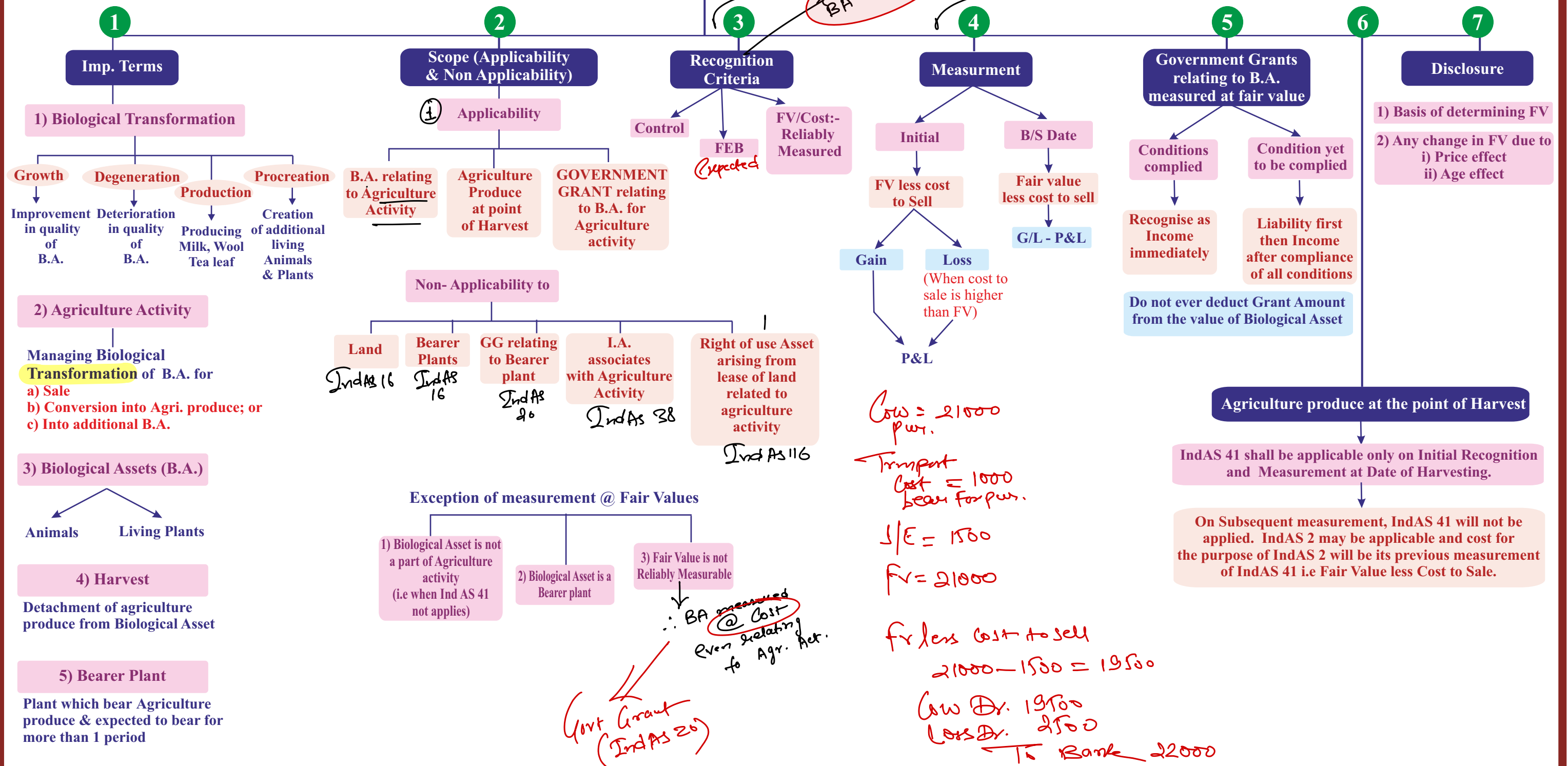
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INDAS 101 - FIRST TIME ADOPTION OF INDAS

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A Basics

1

IMP Definitions

- 1) **Transition Date:-** Beginning of Earliest Period for which entity Presents Full Comparative Information.
- 2) **Opening Ind AS B/S :-** B/S at the Date of Transitions

2

Objective of INDAS

First Ind AS Financial Statements including Interim Reports should contain High Quality Information that :-

- (a) is Transparent & Comparable
- (b) Provides Starting Point for Accounting with Ind AS; &
- (c) Can be Generated at a Cost that does not Exceed the Benefits.

Note :- Ind AS 101 Applies when an Entity Adopts Ind AS for the First Time by an "Explicit and Un-reserved" Statement of Compliance

B

Process of First Time Adoption of Ind AS

1

Apply Ind AS w.e.f. Transition Date

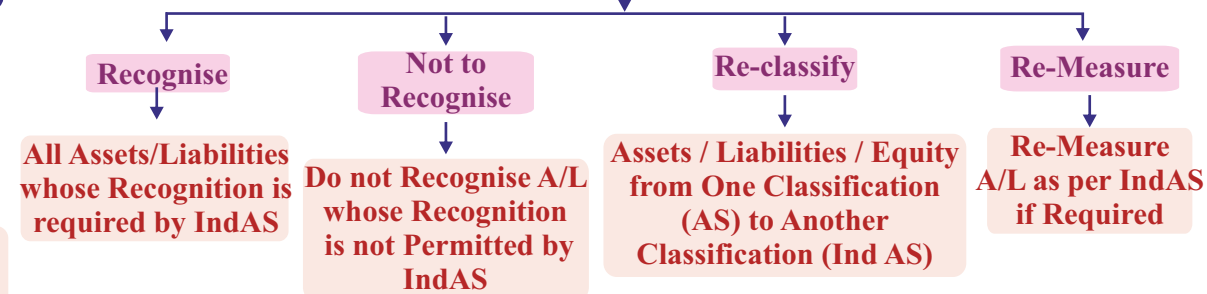
Prepare Opening Ind AS B/S as on Transition Date

All Assets & Liabilities as on Transition date Must be shown as per IndAS

This is required for Smooth Transition

2

Specific Requirements



3

Follow All Ind AS Requirements

The General Rule is to Follow Requirements of all IndAS on First Ind AS Financial Statements **Retrospectively**

However Ind AS 101, Sets Some "Mandatory Exceptions" & "Optional Exemptions" where No Retrospective Application is Required.

C

Mandatory Exceptions

Exceptions from Applying Specific Ind AS Transitional Provisions.

1

Estimates

Estimates taken by Entity in accordance with Previous GAAP shall not be Changed in view of developments after the Transition date.

2

Non - Controlling Interest

Apply following Requirements of Ind AS 110 Prospectively from Transition date:-

- Total Comprehensive Income is attributed to the Owners of Parent & NCI
- Accounting for Change in Parent's Ownership Interest either with Loss of Control or without Loss of Control

3

Government Loans

Apply IndAS 109 & IndAS 20 Requirements on Outstanding Amt. of Govt. Loans Prospectively from Transition date. Whatever we did before that, Ignore it.

Determine ERI as on Transition Date.

4

Hedge Accounting

Apply Hedge A/c of IndAS only to those Transactions which occurred on or after Transition date.

5

Classification & Measurement of FA/FL as per Ind AS 109

Categorization of FA or FL into:

- AMC
- FVTOCI
- FVTPL

Only from Transition date not earlier.

6

De-Recognition of FA/FL

- Apply De-Recognition provisions of Ind AS only to those Transactions which occurred on or after Transition to Ind AS.
- It Means FA/FL De-recognised before Transition date as per Previous GAAP (although as per Ind AS, No De-Recognition is required), it shall not Recognise Such FA/FL again on Transition date which is already De-recognised.

INDAS 101 - FIRST TIME ADOPTION OF INDAS

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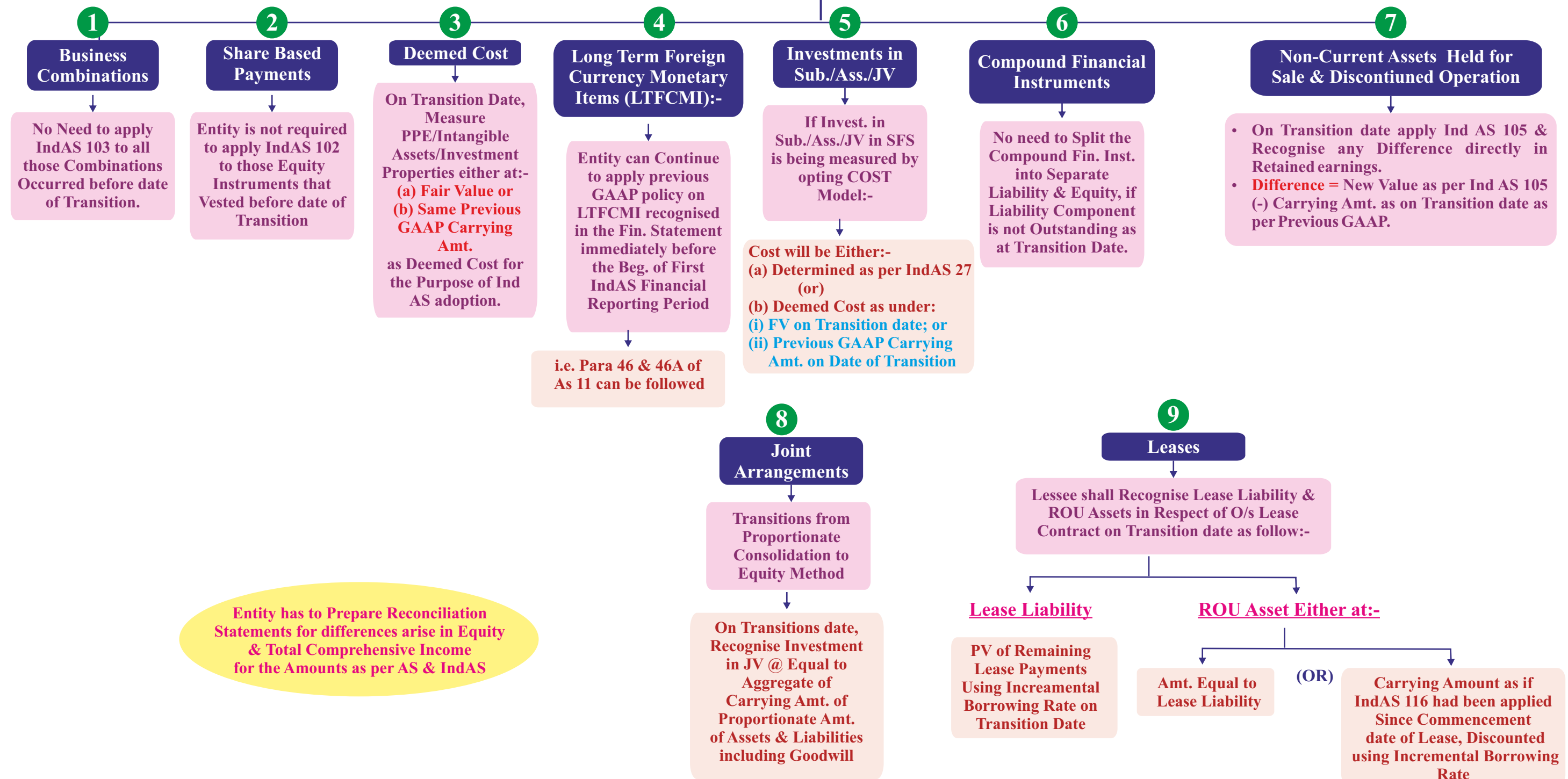
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D Optional Exemptions

Exemptions from applying Retrospective requirements of Ind AS.



INDAS 102 - SHARE BASED PAYMENTS (SBP)



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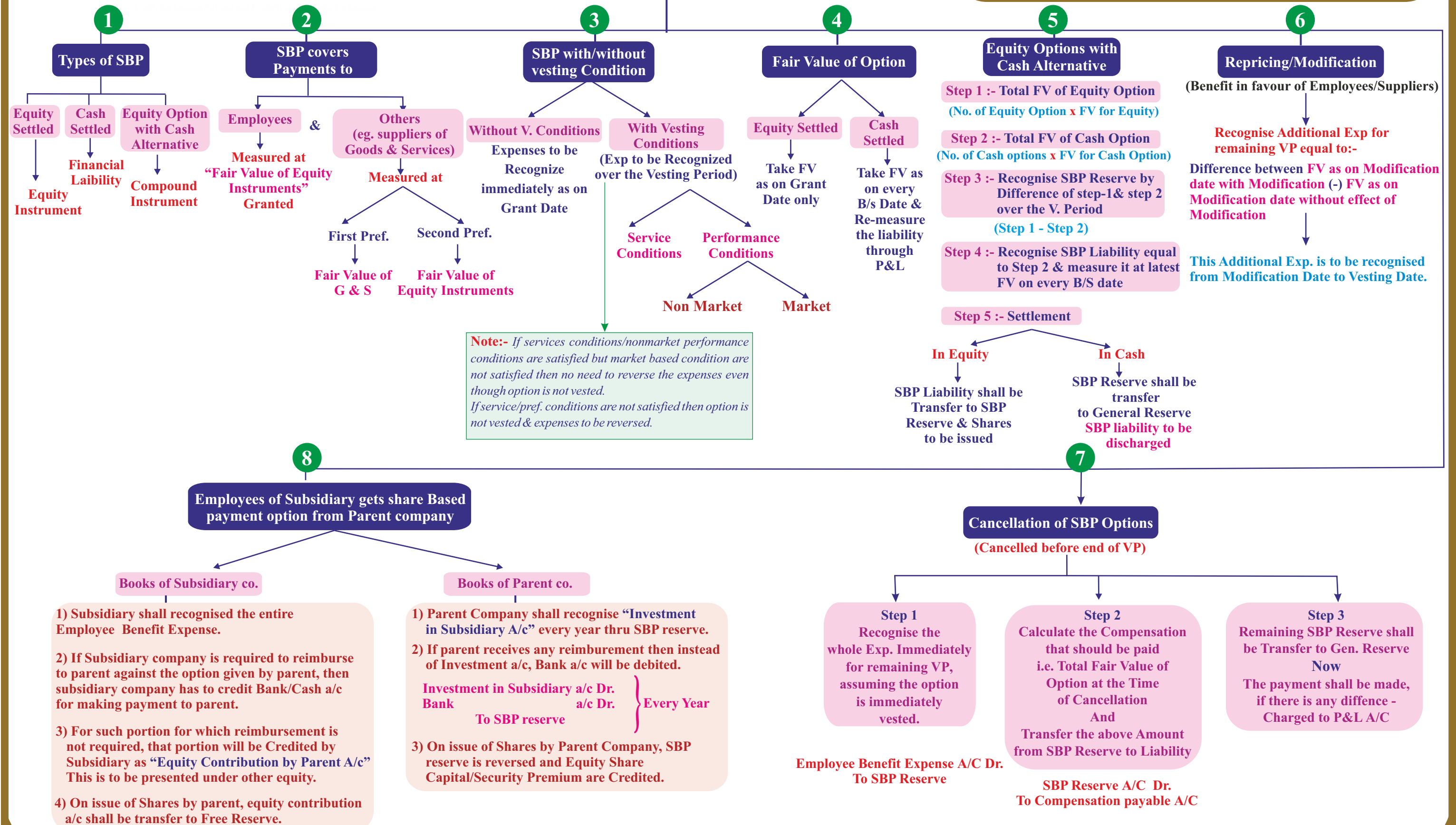
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IND AS 27 - SEPARATE FINANCIAL STATEMENTS (SFS)

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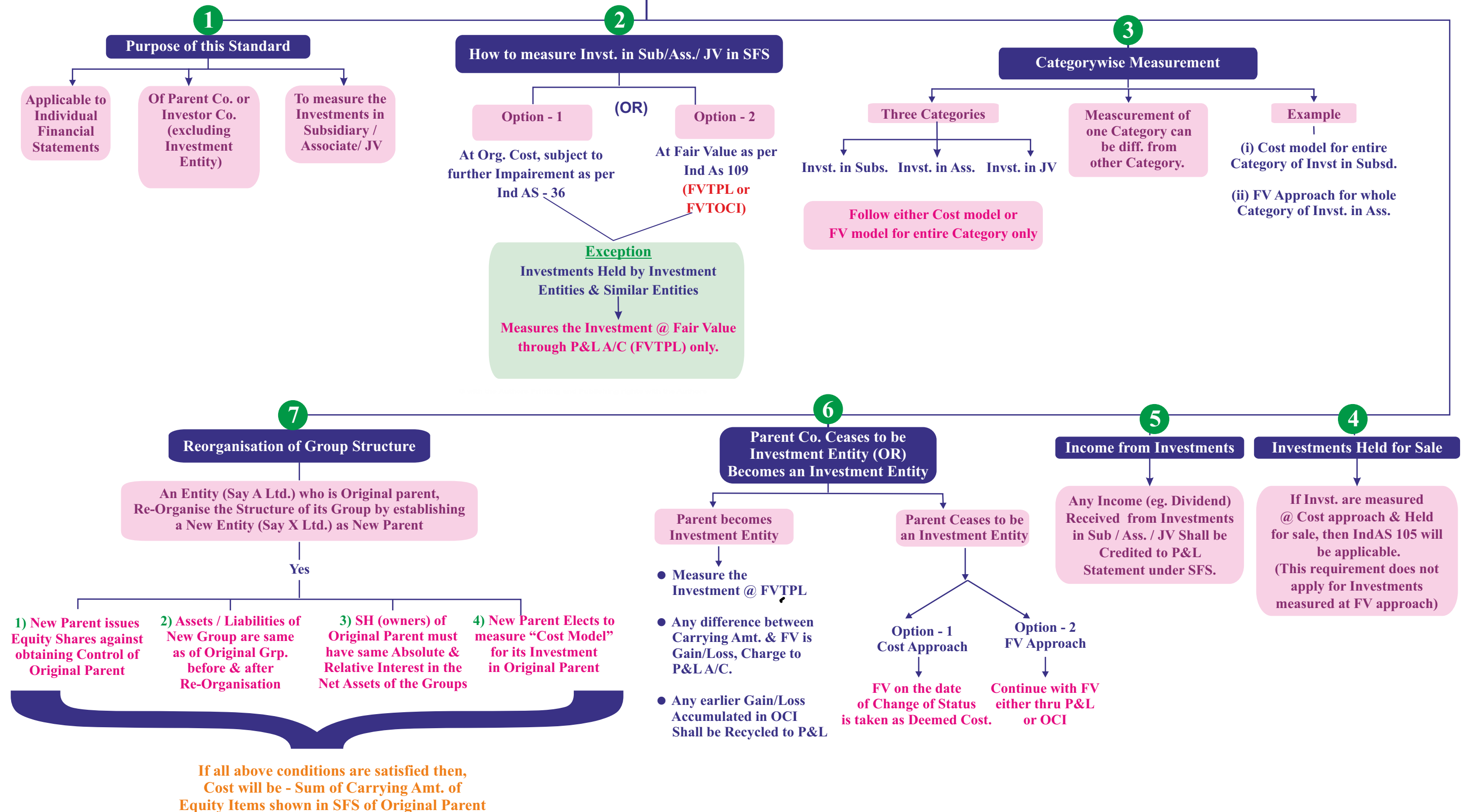
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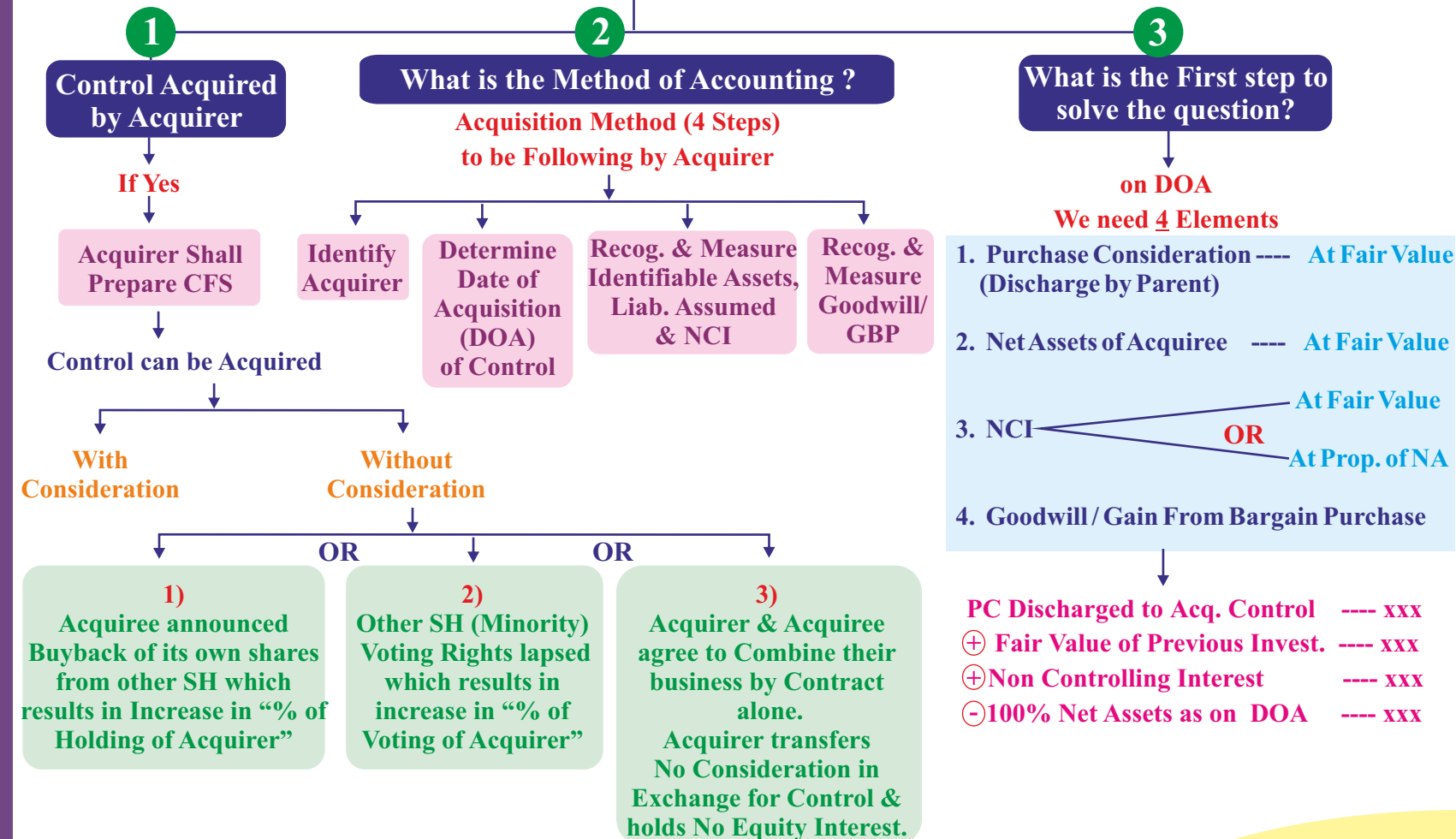


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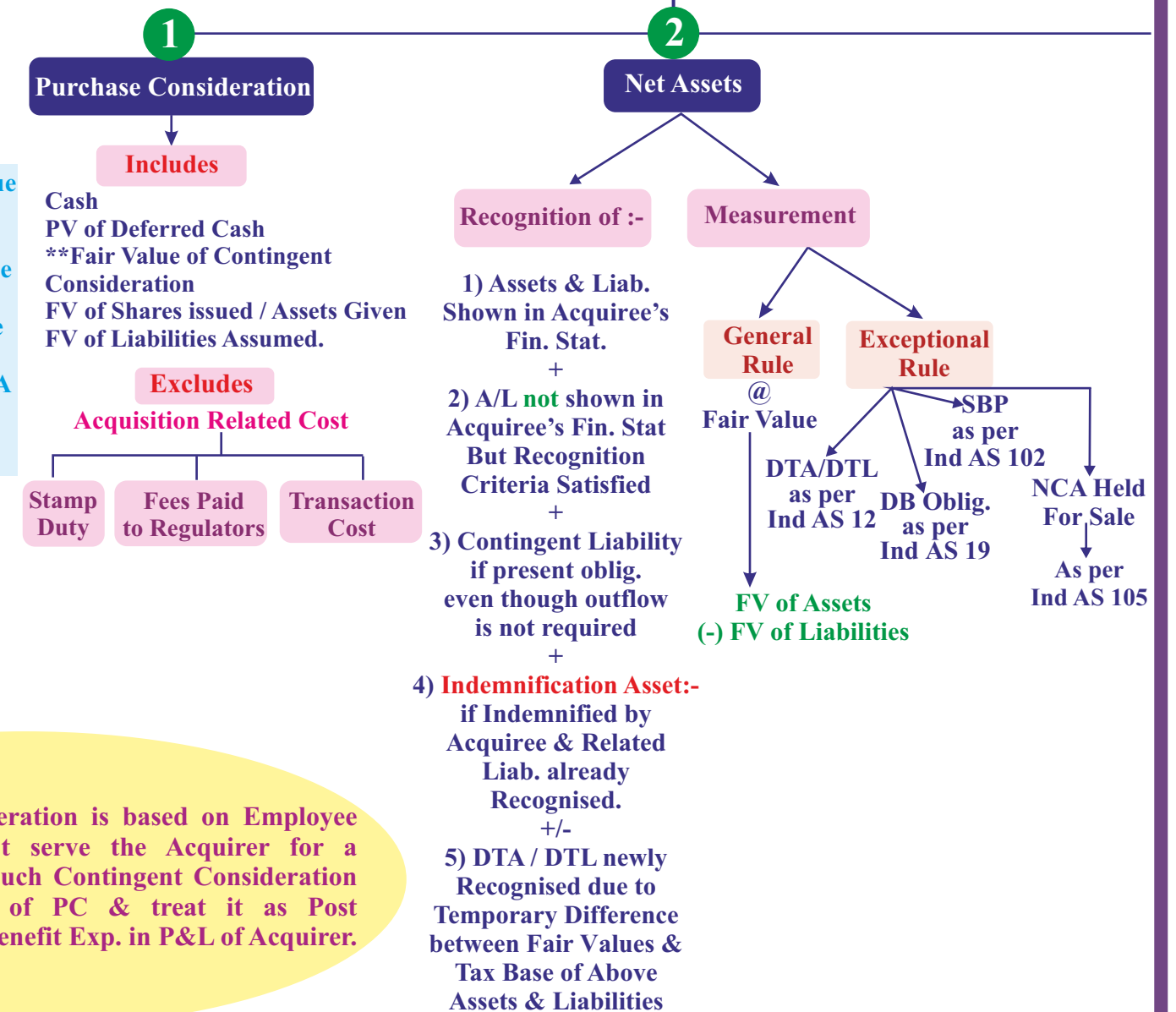
IndAS 103 & 110

(Page 1)

A Basics



B Four Elements as on DOA



** If Contingent Consideration is based on Employee services (eg. KMP must serve the Acquirer for a Particular period) then Such Contingent Consideration shall not become part of PC & treat it as Post Combination Employee Benefit Exp. in P&L of Acquirer.

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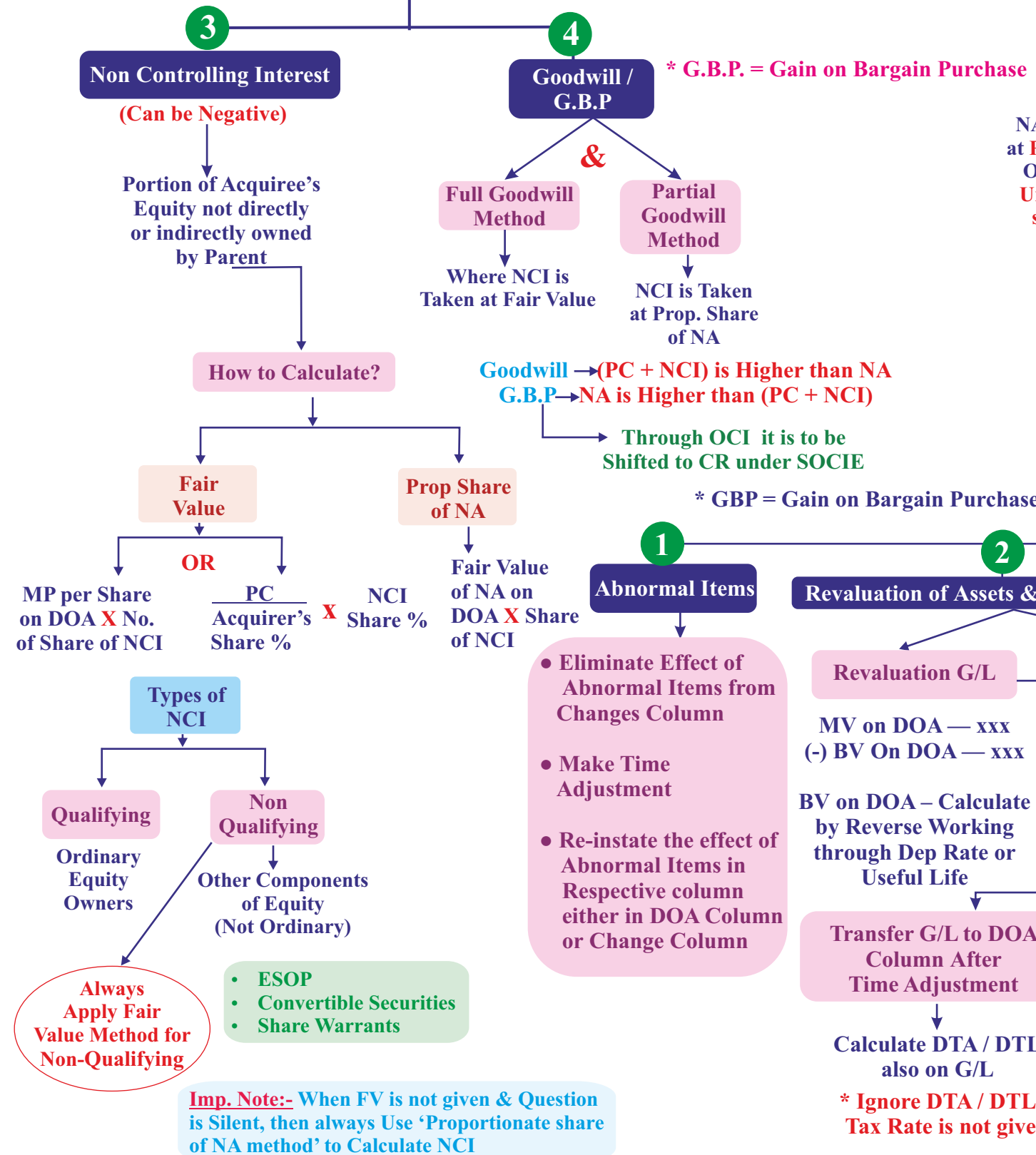
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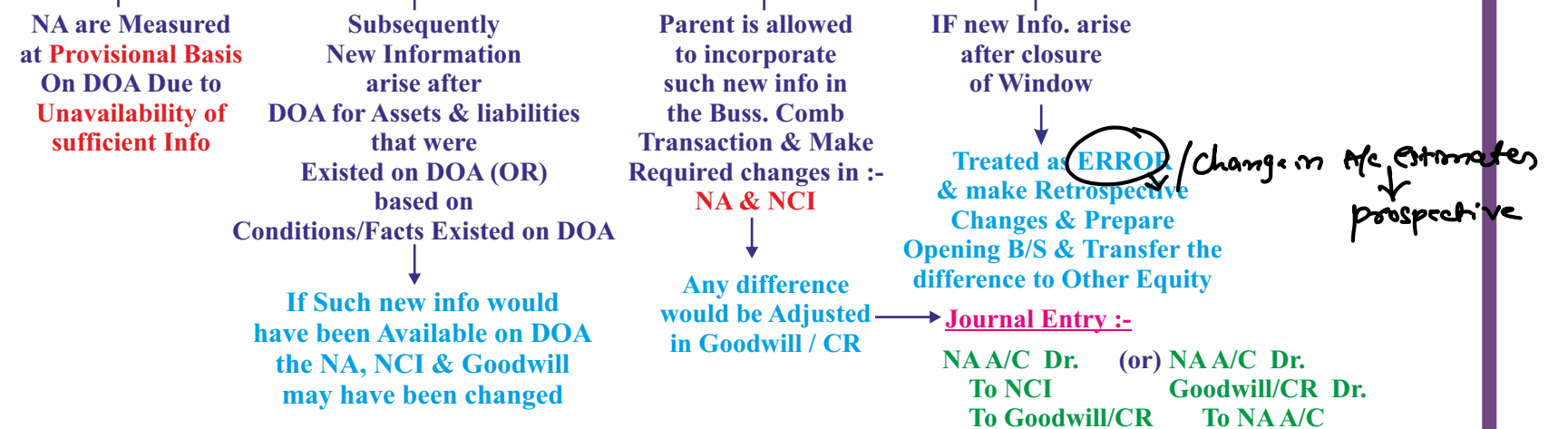
Four Elements as on DOA

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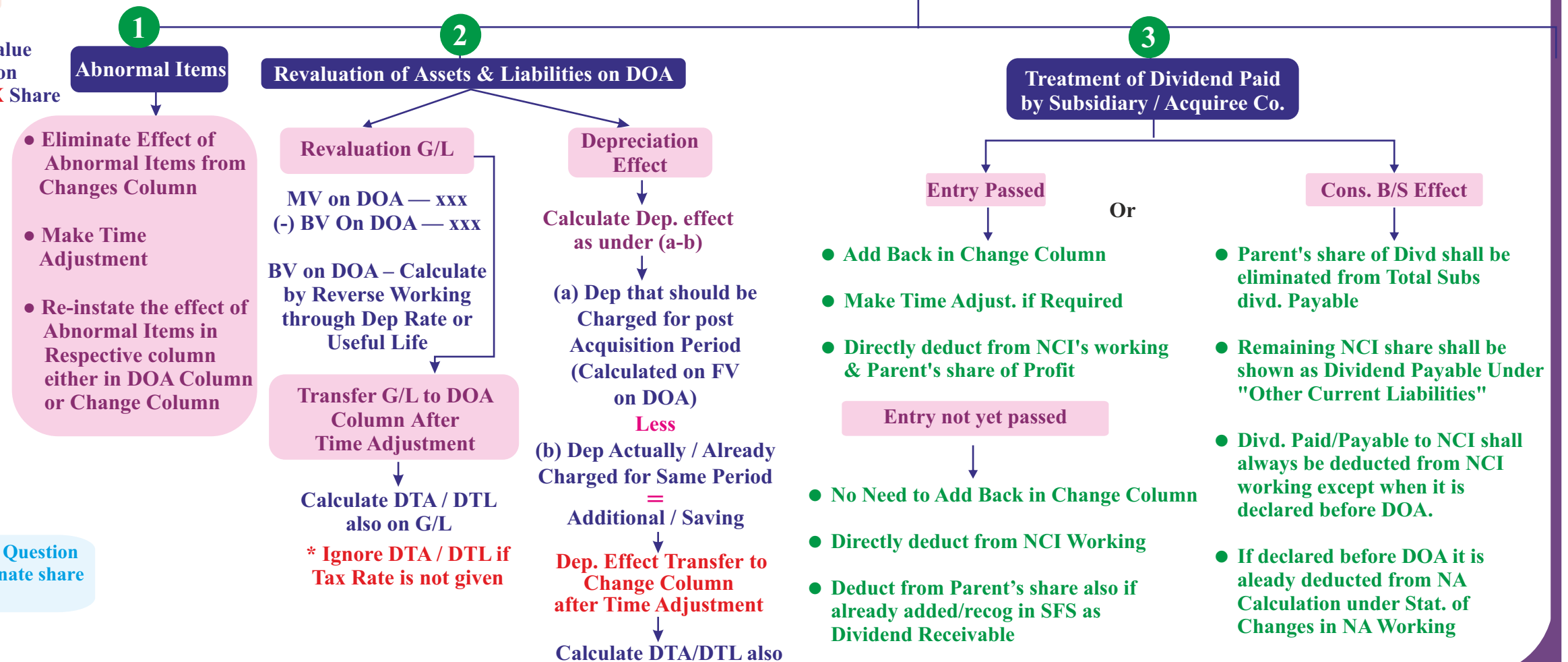


C Measurement Period Window

(Max. Period 12m)



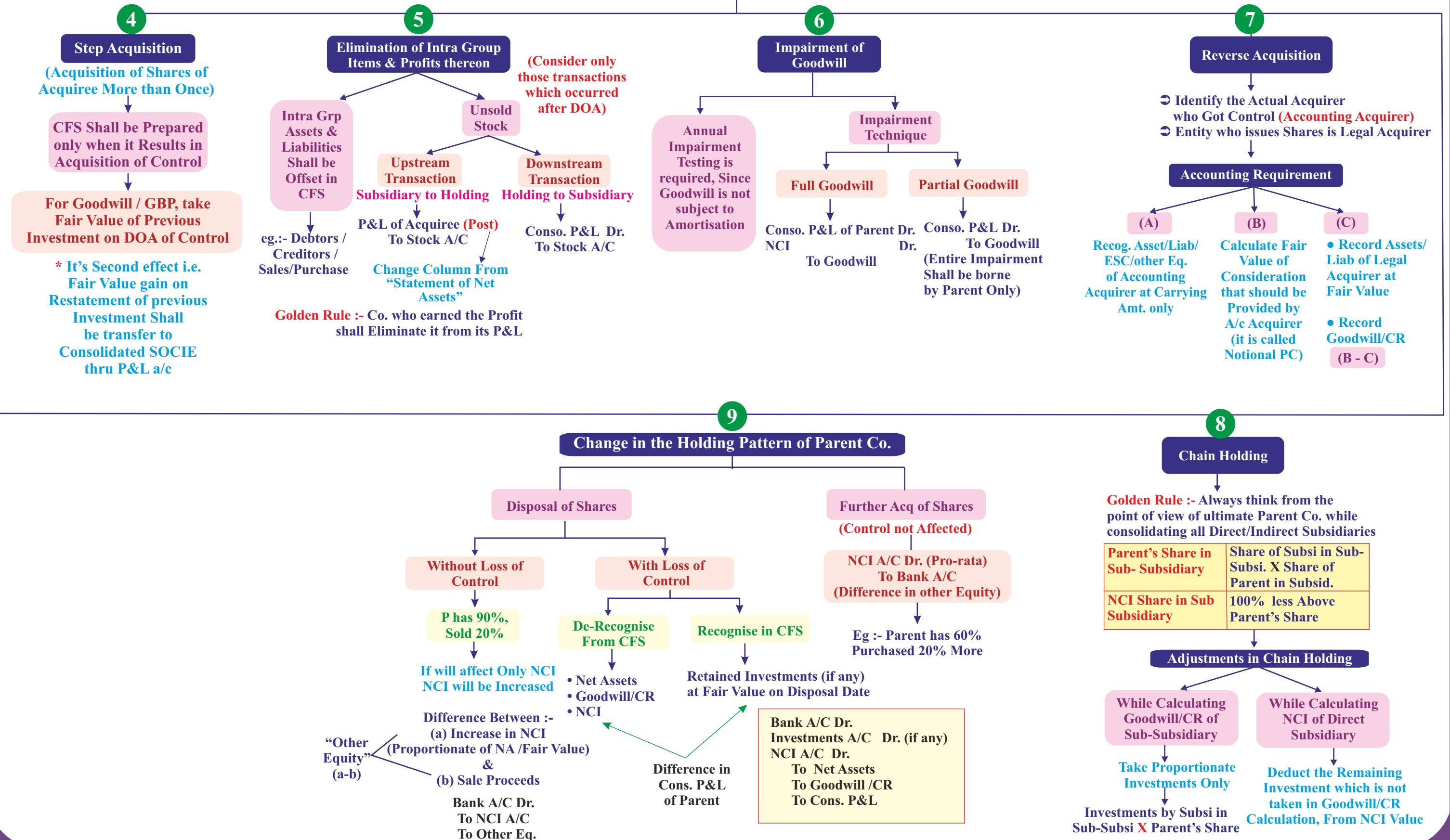
D Special Adjustments



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Special Adjustments



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Special Adjustments



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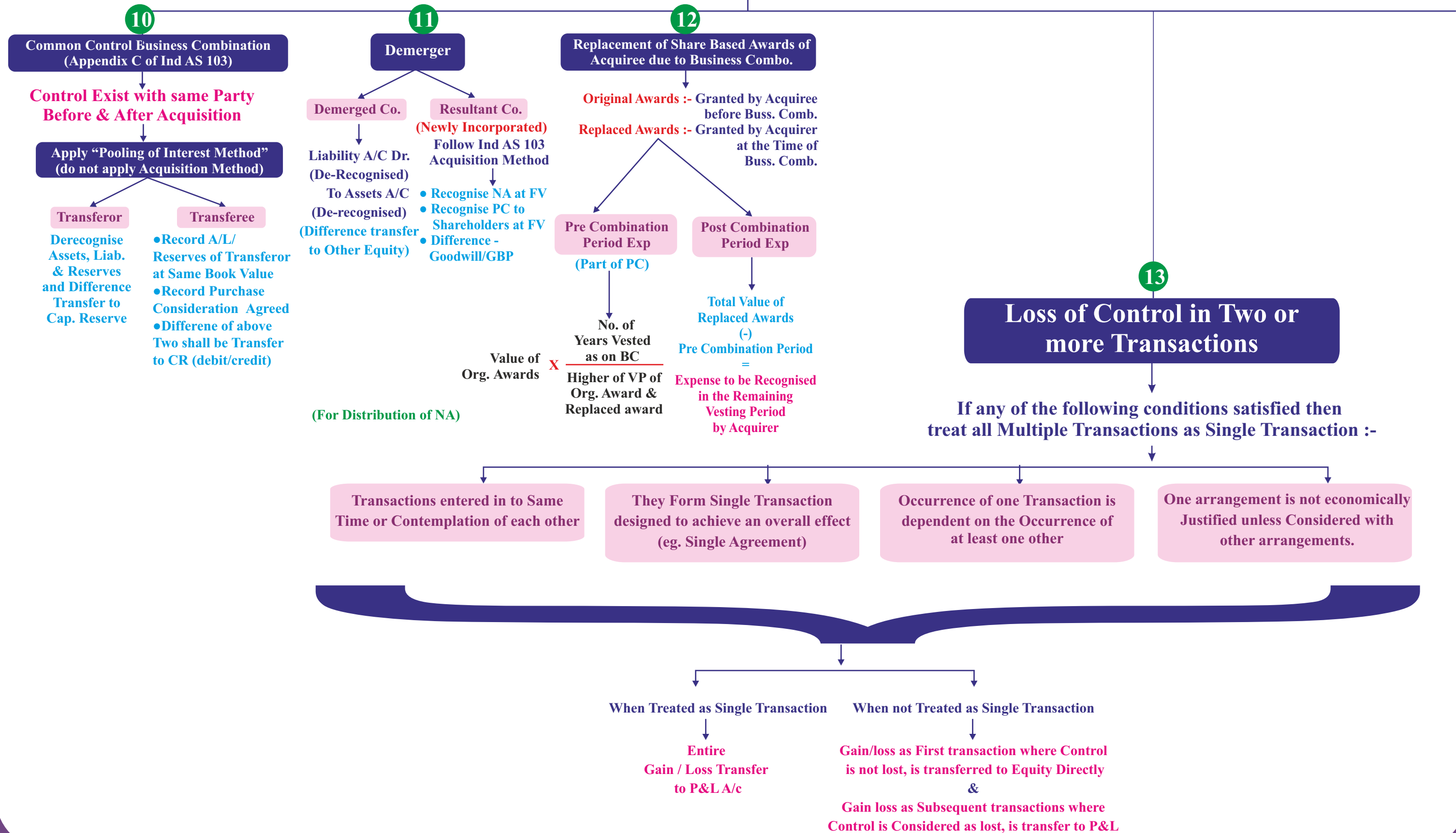


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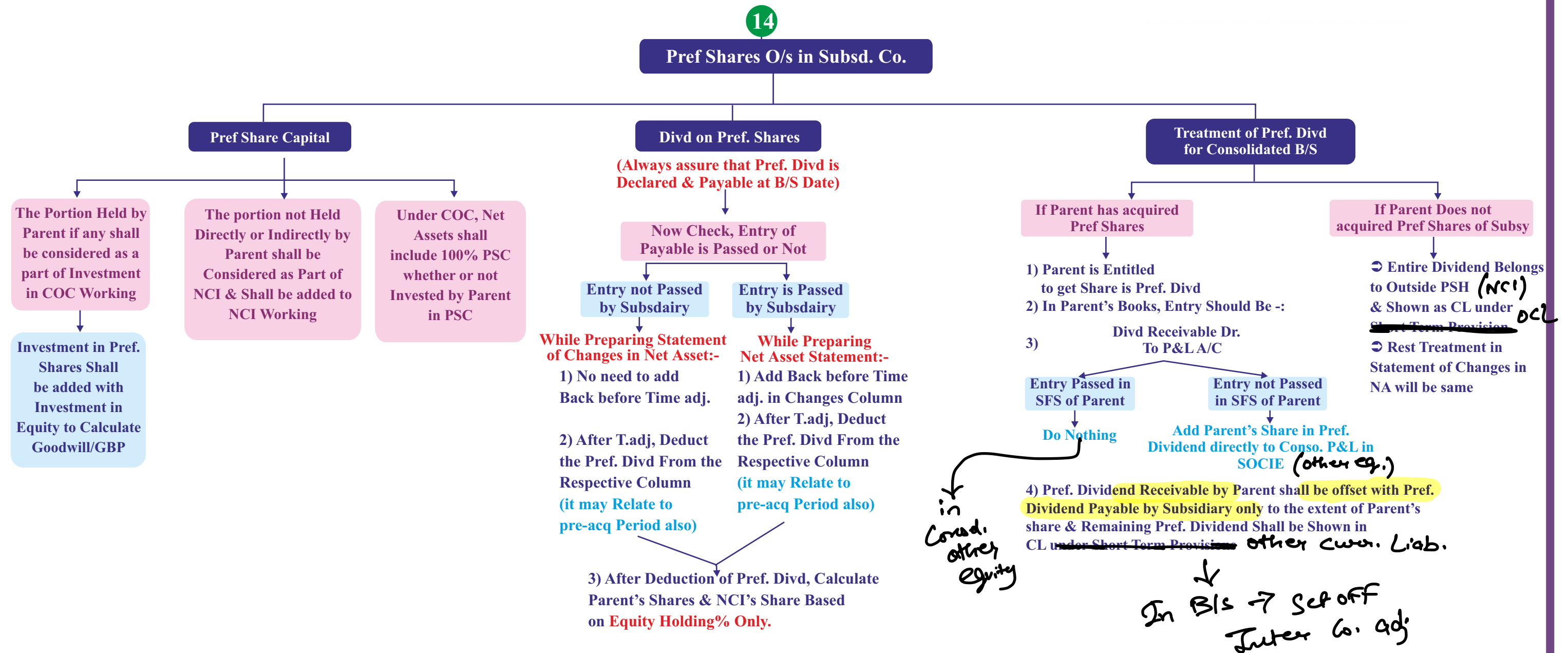


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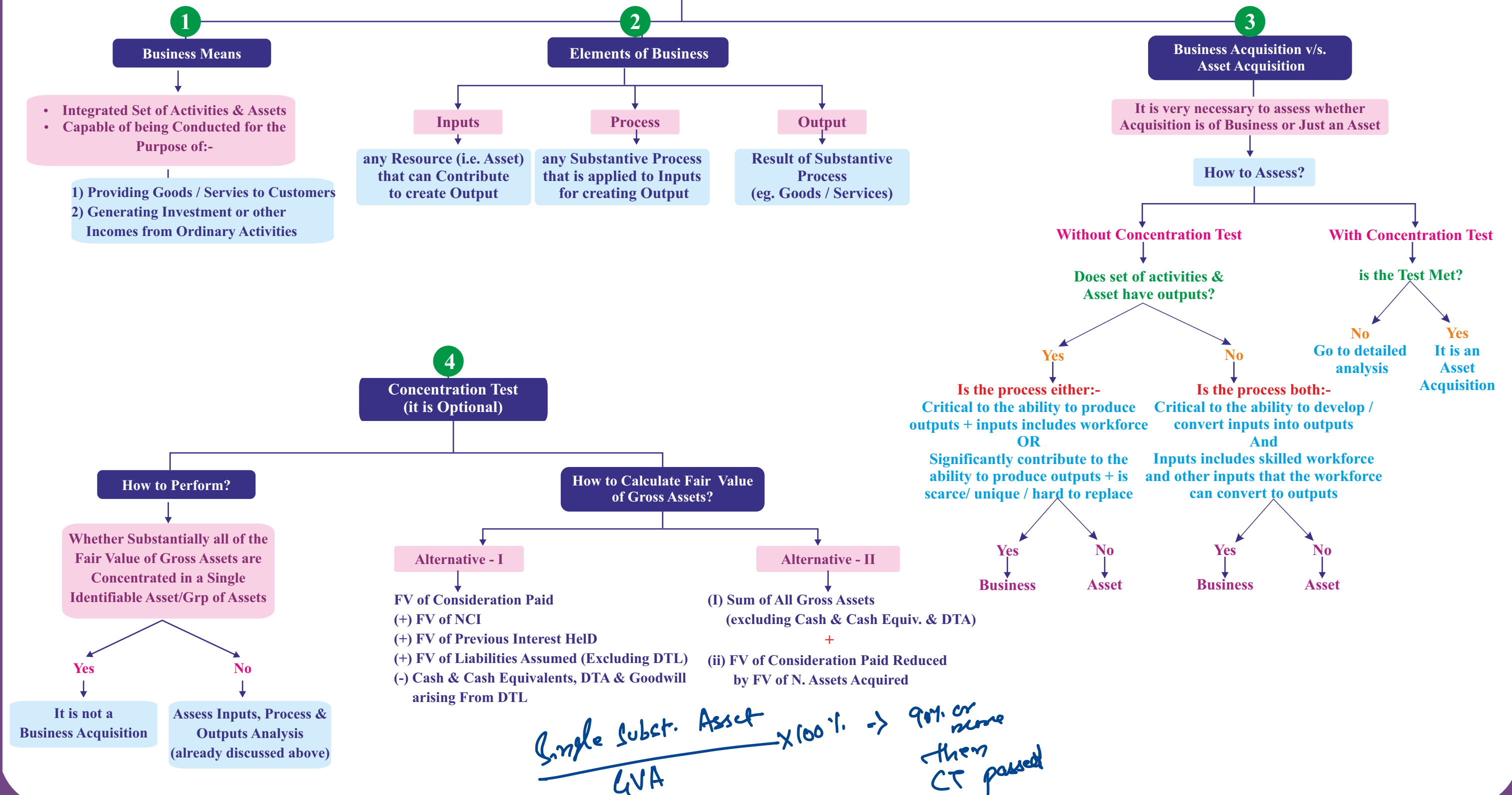
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E Business & Business Combination



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F Investing Entities (I.E.)



FOLLOWING ARE CHARACTERISTICS:

- Invests in more than one Investments
- Has more than one Investors as its Customers & that too Un-related
- Holds Ownership interest in the form of Equity or Similar Interests.
- Does not plan to hold its investments Indefinitely
- Has its Business Purpose to Invest Funds solely for returns from Capital Appreciations & Investment Incomes.
- Measures its Investments, Evaluates the Performance of its Invst. & Provides Informations related to its Invest in "Fair Value"

All other Subsd.
1) No need to Consolidate
2) Measures Investments at FV.

Subsidiary which is not itself an I.E. & whose main Buss. objective is to provide Services related to the Invest. Entity's Investment Activity (eg. KYC Check, BPO, Data Base Management)

Since this is a Permanent Subsidiary

"Parent Invest. Entity" must Consolidate this Subsidiary

G Change in Classification



Investment Entity Becomes Non- Investment Entity

- DOA will be Date of Change in Status
- PC = Fair Value of Investment in Subsidiary as on DOA
- Recognise Net Assets, NCI, Goodwill/GBP
- De-recognise Investments

Non-Investment Entity Becomes Investment Entity

Treat loss of Control

- De-recognise Net Assets, NCI, Goodwill/GBP
- Recognise Investments @ Fair Value
- Difference if any transfer to P&L A/c

H Exemptions to Prepare CFS

Following Companies are not required to prepare CFS

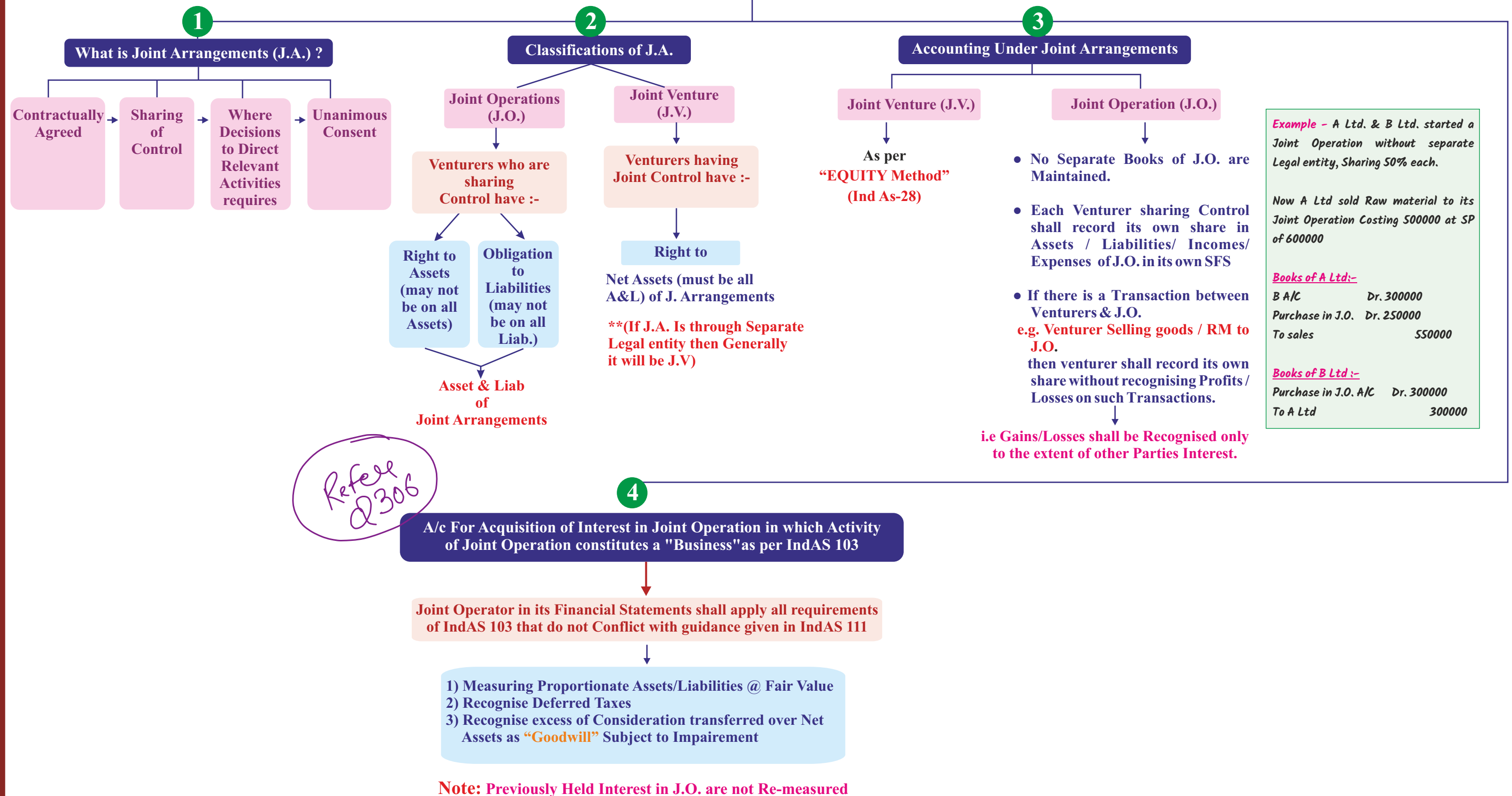
A Holding Co. if meets all the below Conditions:-

- It is a Subsidiary Co. of Another entity & its Owners Agrees for not preparing CFS
- It must be Unlisted Co.
- It's Ultimate or Intermediate Parent Produces CFS available for Public Use that comply with IndAS.

Past Employment Benefit Plans or other Long Term Employee Benefit Plans

Investment Entity

IND AS 111 - Joint Arrangements



IND AS 28 - INVESTMENT IN ASSOCIATES AND JV



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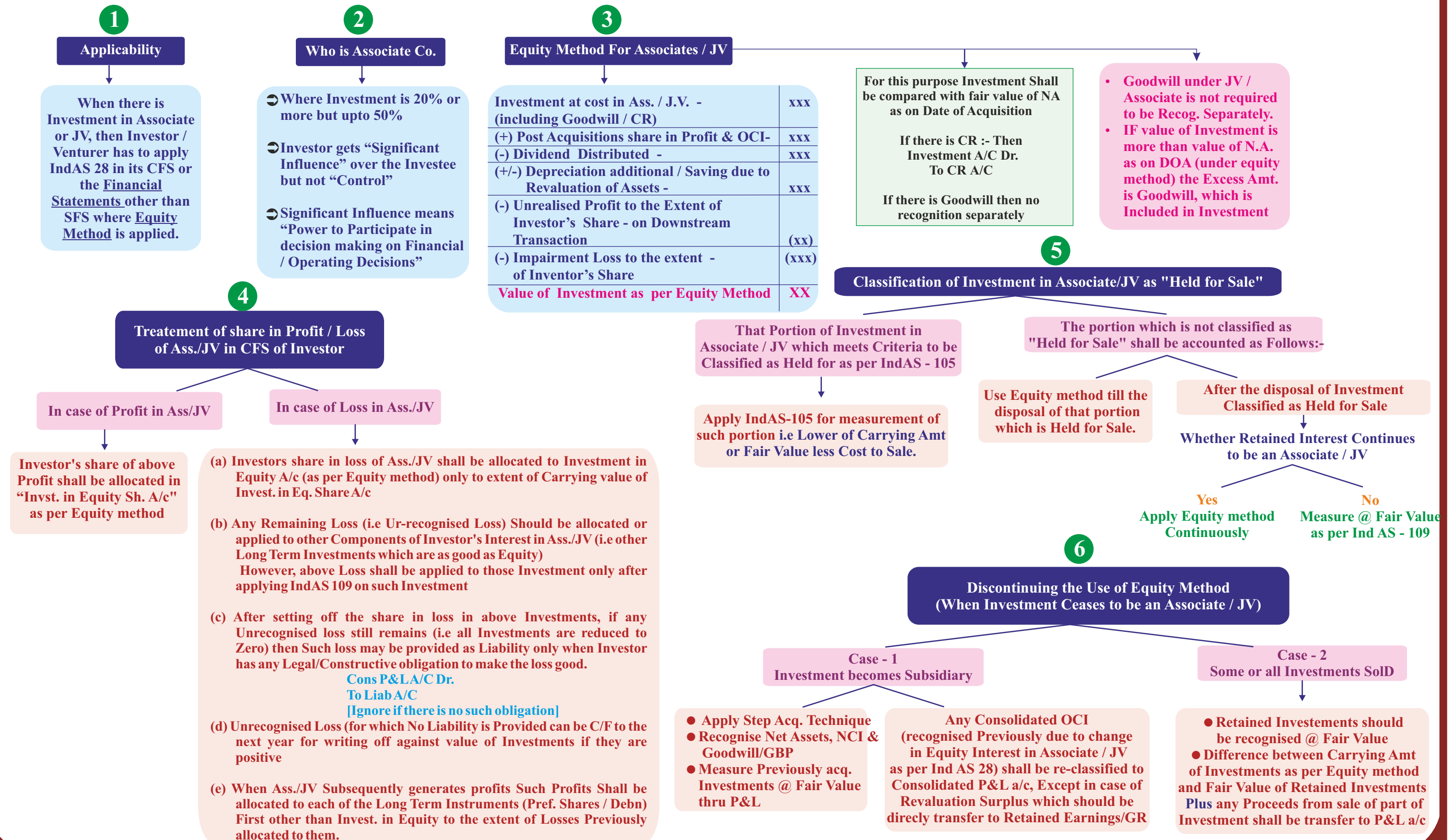
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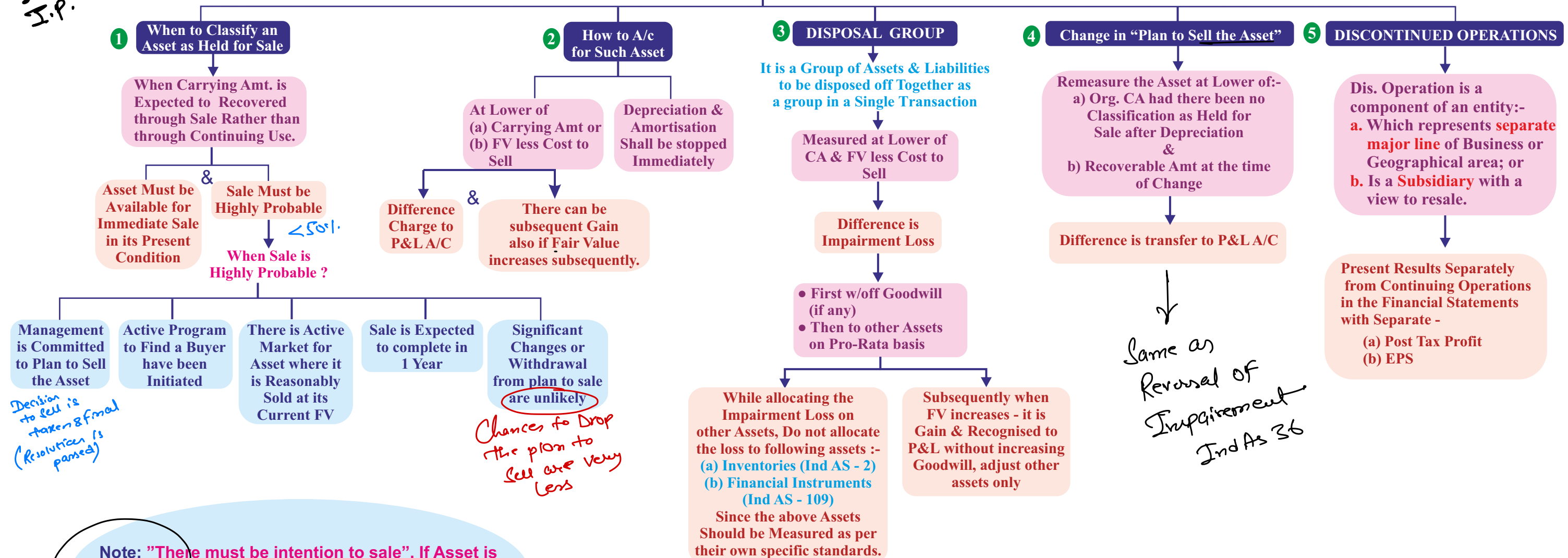
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IND AS 105 - NON CURRENT ASSETS HELD FOR Sale & DISCONTINUED OPERATIONS

PPE
I.t. As.
I.P.



Note: "There must be intention to sale". If Asset is being abandoned from use but no intention to sale then we cannot classify an Asset as Held for Sale.

Temporary Unavailable for Use

* When we Classify Asset on HFS, then before such Classification we shall apply all relevant Ind AS to that Asset First.

Eg. First we apply Depreciation & Impairment before HFS Classification

INDAS 108 - OPERATING SEGMENTS

1 Segment Report

Preparing Segment wise report of entire Business to Understand & Evaluate the Performances

Segment Report is not a part of Financial Statements

Segment Information is Required only in CFS, if Financial Report contains both Financial Statements CFS & SFS.

There are 4 Steps, we should follow to prepare Segment Report

2 Who is CODM

Chief Operating Decision Maker can be a Function (not necessarily an Individual Person or a Manager)

Who is responsible to Allocate Resources to & Assess the Performance of Operating Segments (CODM can be CEO)

3 Step - 1 Identify Operating Segments

Following 3 Conditions are required to be satisfied for Operating Segment:

- Earns Revenue & Incurs Expenditure
- Operating Results (P/L) are Regularly reviewed by Chief Operating Decision Maker (CODM)
- Discrete Financial Info. is available (Like Incomes, Expenses, Assets, Liab.)

A) Not Every Part/Activity is an Operating Segment. Following can-not be Operating Segment:-

- Corporate Headquarters
- Post Employee Benefit Plans

B) Following can be Operating Segments :-

- Research & Development Function of a Company if it is an Integral part of Business

2) Dis-continued Operation if :-

- Continues to Engage in Business
- Whose Results are reviewed by CODM
- & Discrete Fin. Info is available

4 Step - 2 Aggregation of Similar Operating Segments

Two or More Operating Segments may be aggregated if following conditions are satisfied

- Similar Products & Services
- Similar Production Process
- Similar Type or Category of Customers
- Similar Methods Needed to Distribute Products/Services
- Similar Regulators Requirements

6 Step 4 - Prepare Segment Report (Disclosures)

Following Disclosures are required in a Segment Report:-

- General Information:
 - Factors used to Identify Segment
 - Mgmt. Judgements for Aggregation
 - Types of Products & Services
- Information about P/L, Assets & Liab. & basis of Measurement.

(c) Reconciliations of Seg. Info

With Annual Fin. Records.

5 Step 3 - Which Operating Segment Should be Presented?

Any Operating Segments which meets following Quantitative Thresholds shall be presented separately:

- Revenue of Segment (Internal + External) Should be Equal to or More than Combined Revenue of the Entity (Internal + External)
- Absolute Amount of Profit or Loss should be 10% or more of the Greater of:
 - Combined Profits of All Profitable Segments; &
 - Combined Losses of All Loss Making Segments (in absolute terms)
- Segment Assets is 10% or more of Total Assets of All Operating Segments.

Notes

- Those Segments which are not Fulfilling the above criteria can also be Reported if Management Intends to do so.
- If Total External Revenue of Reported Operating Segments as per the above threshold limit is less than 75% of Entity's Revenue, Then Additional Segments are required to be Reported until at least 75% of Entity's Revenue is Included.

Format:- 1) General info

2) Financial Info :-

a) Revenue segmentwise with Reconciliation

b) Results segmentwise with Reconciliation

c) Other Info :- a) Asset with Reconciliation
b) Liab. with Reconciliation
c) Cap. exp. & Dep

d) Geographical wise reporting.

INDAS 113- FAIR VALUE MEASUREMENT

1 Applicability

Applies only in situation where FV measurement is required by other INDAS eg. 109, 16, 41, 105 etc.

2 Objective

To Determine how FV to be calculated for a specific Asset or Liability

3 Meaning of FV (Exit Price)

- Price Received to Sell an Asset or Price Paid to Settle a Liability
- In an orderly Transaction
- Between Market Participants
- At Measurement Date

4 Meaning of Important terms

Orderly Transaction

A Transaction is orderly only when 2 conditions are satisfied:
(1) Adequate Market Exposure for a Market Based Exchange &
(2) Not a Forced Sale

Market

1st Priority
Principal Market - Where Greatest volume and Level of Activity in Present

2nd Priority
Most Advantageous Market - Where Maximum Amt is Received for Sale of Amt and Minimum Amt is to be Paid for Settlement of Liability

Note - In case of more than 1 Principal Market, take the Most Advantageous Market

Market Participants

Buyer & Seller should have the following characteristics :-

- Independent
- Knowledgeable
- Able to Enter into Transaction
- Willing to Enter into Transactions (not forced sale)

Note: IND AS 113 applies only to Exit price and not to entry price

Note: IND AS 113 Consider only market based situations and not entity based situation

5 Fair Valuation

Assets

Financial Assets

Use Valuation Techniques i.e.

- Market Approach
- Cost Approach
- Income Approach

Non-Financial Assets

Based on Highest & best use

- Physically Possible
- Legally Permissible
- Financially Feasible

Liabilities

Is there a Quoted Price

Yes → Use Quoted Price

No

Is there Identical Item held as Asset by Another Party?

Yes

Use FV of Identical Asset

No

Use Valuation Technique

Present Value Technique

Transaction Cost: Do not consider it to determine Fair Value

Transportation Cost: If Location is Characteristics of Asset, then consider it to determine Fair Value

6 Fair Value Hierarchy

Categorizes Inputs to Valuation Techniques into Three Levels

Level 1 Input

Quoted Price in Active Market

Eg. Quoted Price of Shares in Stock Market

Level 2 Inputs

Other than Quoted Price of Level 1 which are Observable Either Directly or Indirectly

Eg. Quoted Price of Similar Asset in Active Markets

Other Observable Inputs

Market Corroborated Inputs

Level 3 Inputs

- Unobservable Inputs
- Financial Forecasts

IND AS 115 - REVENUE FROM CONTRACTS WITH CUSTOMER

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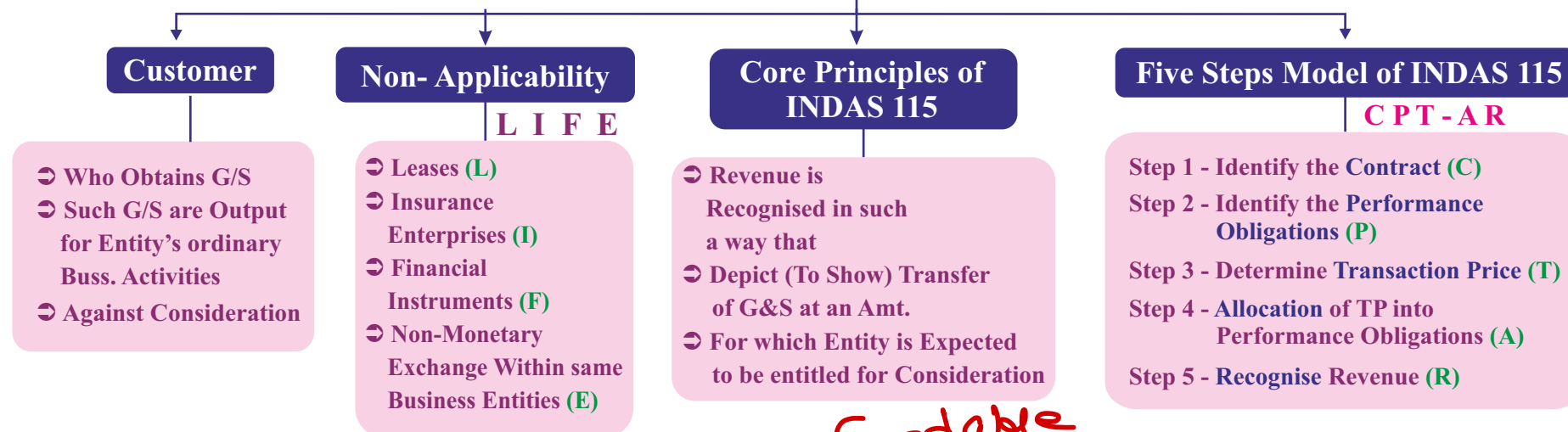
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A

BASICS



B

FIVE STEP MODEL IN DETAIL

1

CONTRACT (STEP-1)

ARCTC

Contract Must be Enforceable by Law

- Contract must be Approved by Both Parties (A)
- Each Party's Rights must be Identified (R)
- Contract must have Commercial Substance (C) (i.e Profit Motive)
- Payment Terms are Identified (T)
- Probability of Collecting the Consideration (C) (To Check Ability & Intention to Pay of Customer)

Step-1 if Failed -
No Recognition of Revenue Until & Unless the Received Consideration is Non-Refundable (Substantial) & All P.O. are Fulfilled or Contract is Terminated.

Contract Modification

V. Imp.

Situation - 1
Distinct Goods/Services are added @ Standalone Selling Price

- Treat the Modification as Separate Contract (this is a new contract, not a Modification)
- Now, there will be Two Separate Contracts

Situation - 2
Distinct Goods/Services are added but not @ Standalone S.P.

- Terminate the Org. Contract i.e we Shall assume that Org. Contract is over as on the date of Modification & G/S Supplied till date are done.
- Revenue already recognised shall not be adjusted
- Now Create a New Contract for Remaining G/S to be Supplied, even though it includes old G/S still to be supplied of earlier Terminated Contract
- Prospective Treatment For New Contract

Situation - 3
Same Goods/Services are Increased or Decreased (i.e No Distinct G/S) with or without Standalone SP

- Modify the Existing Contract with Such Increase or Decrease on Cumulative basis.
- Any Revenue Recognised shall be Adjusted with Retrospective Effect.
- The Idea is, if the Added G/S could have become part of Contract at Inception only then, How much Revenue would have been recognised till date.
- Retrospective Effect will be given in Existing Contract (Also Known as Cumulative Catch Up Approach)

Contract Combination

Two or More Contracts with same Customer may be combined when all following conditions are fulfilled

Contracts are Negotiated as a Single Package

or

Amt. of 1 Depends on Performance or Price of Other

or

All G&S Promised are a Single Perf. Obligation

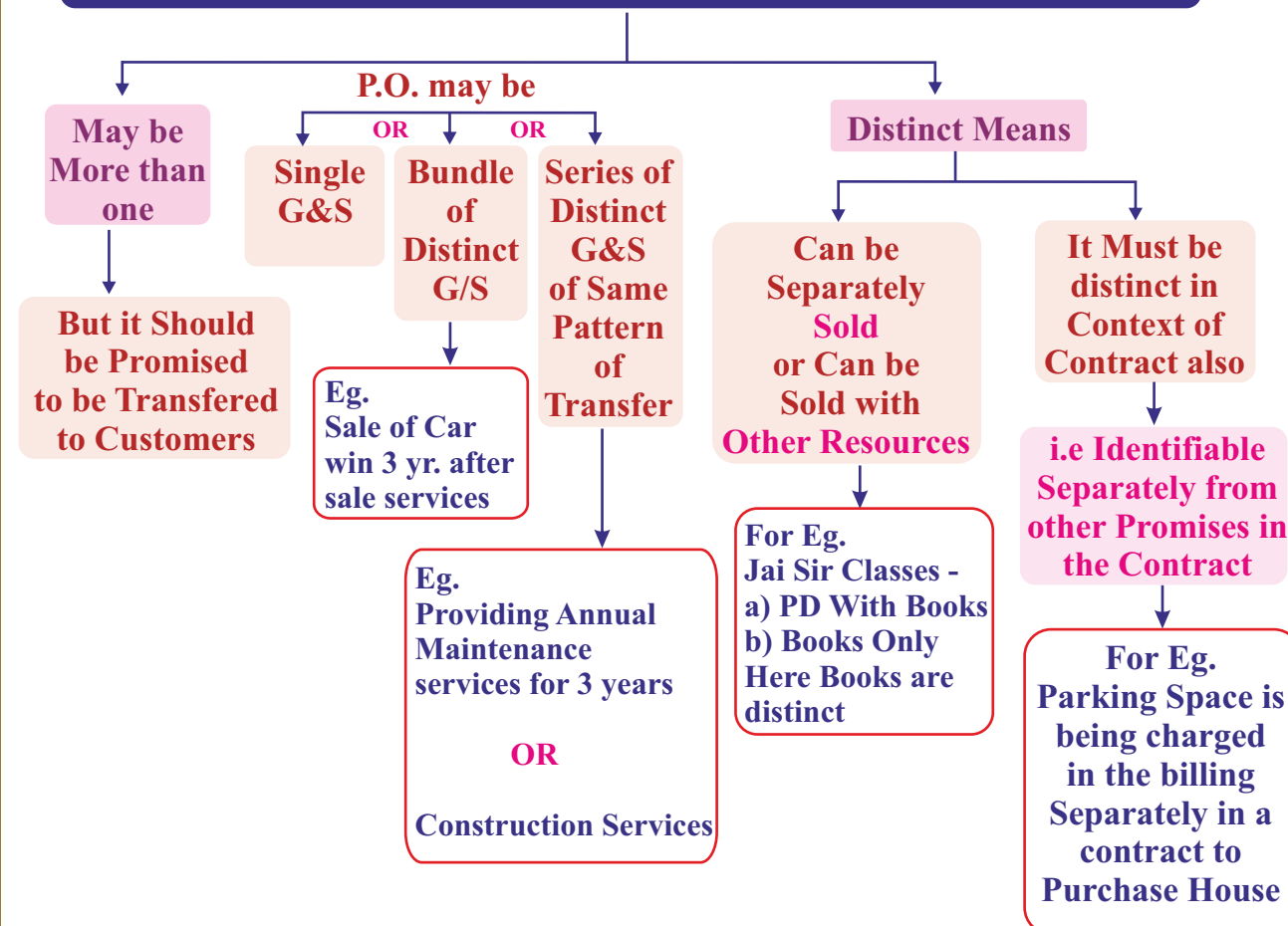
*Amt received is non-refundable
Substantial amt is received
Substantial = P.O. are fulfilled
Revenue can be recognised*

IND AS 115 - REVENUE FROM CONTRACTS WITH CUSTOMER

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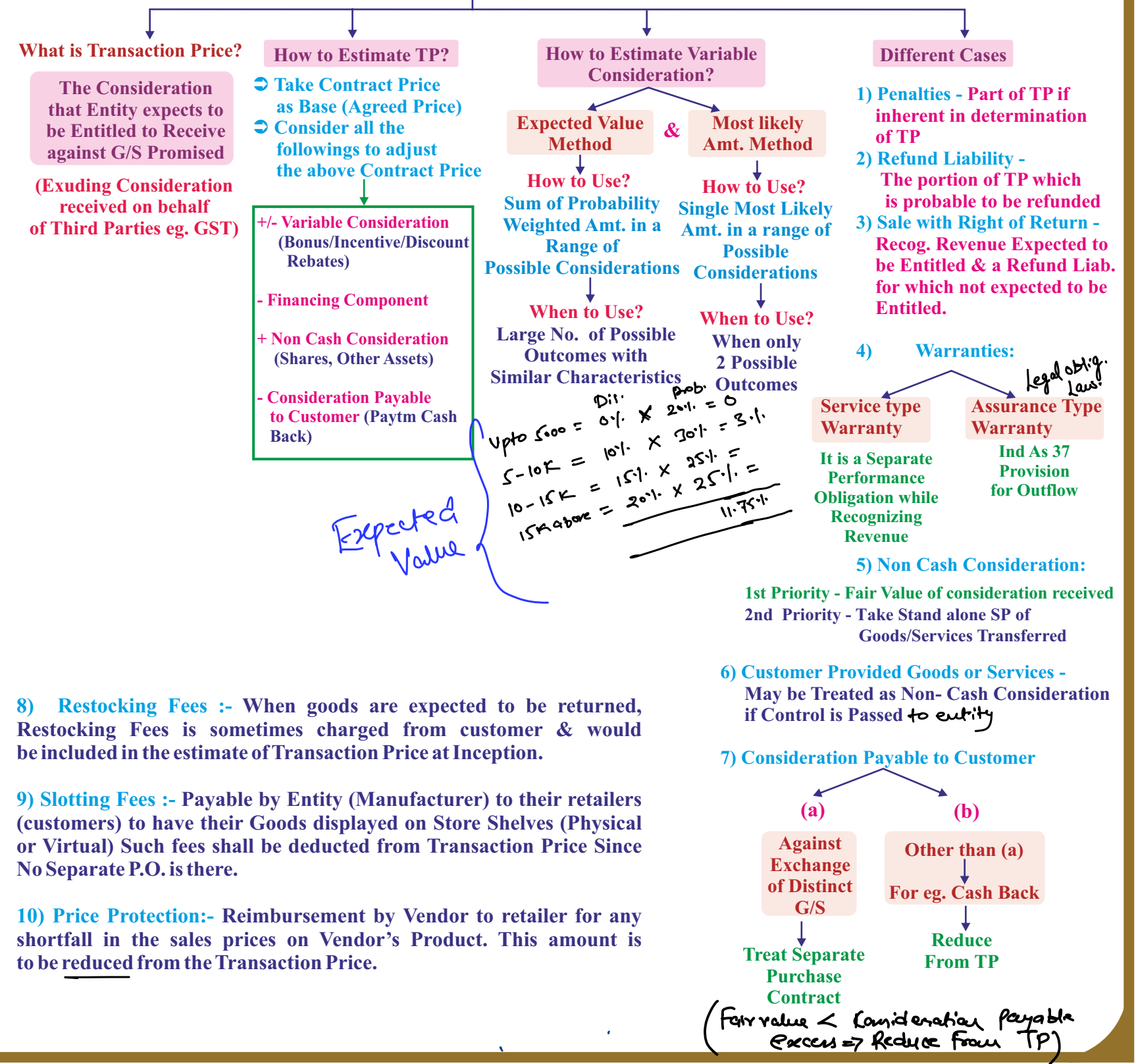
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PERFORMANCE OBLIGATIONS (P.O.) (STEP - 2)



3

TRANSACTION PRICE (TP) (STEP -3)



IND AS 115 - REVENUE FROM CONTRACTS WITH CUSTOMER

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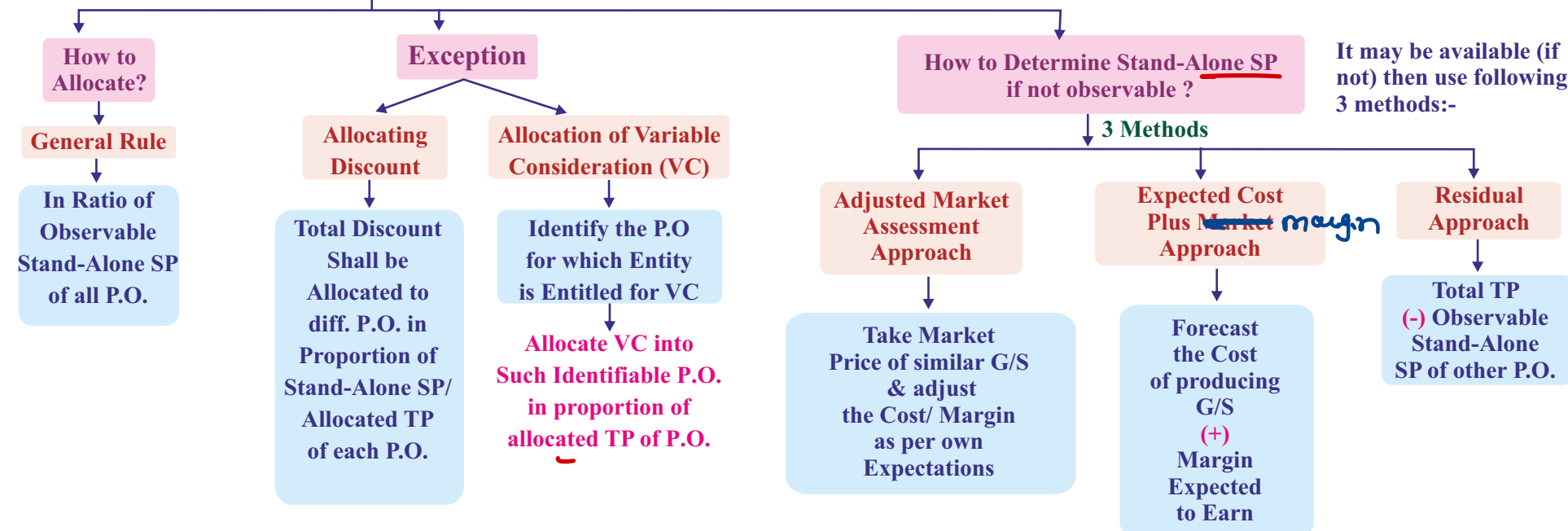
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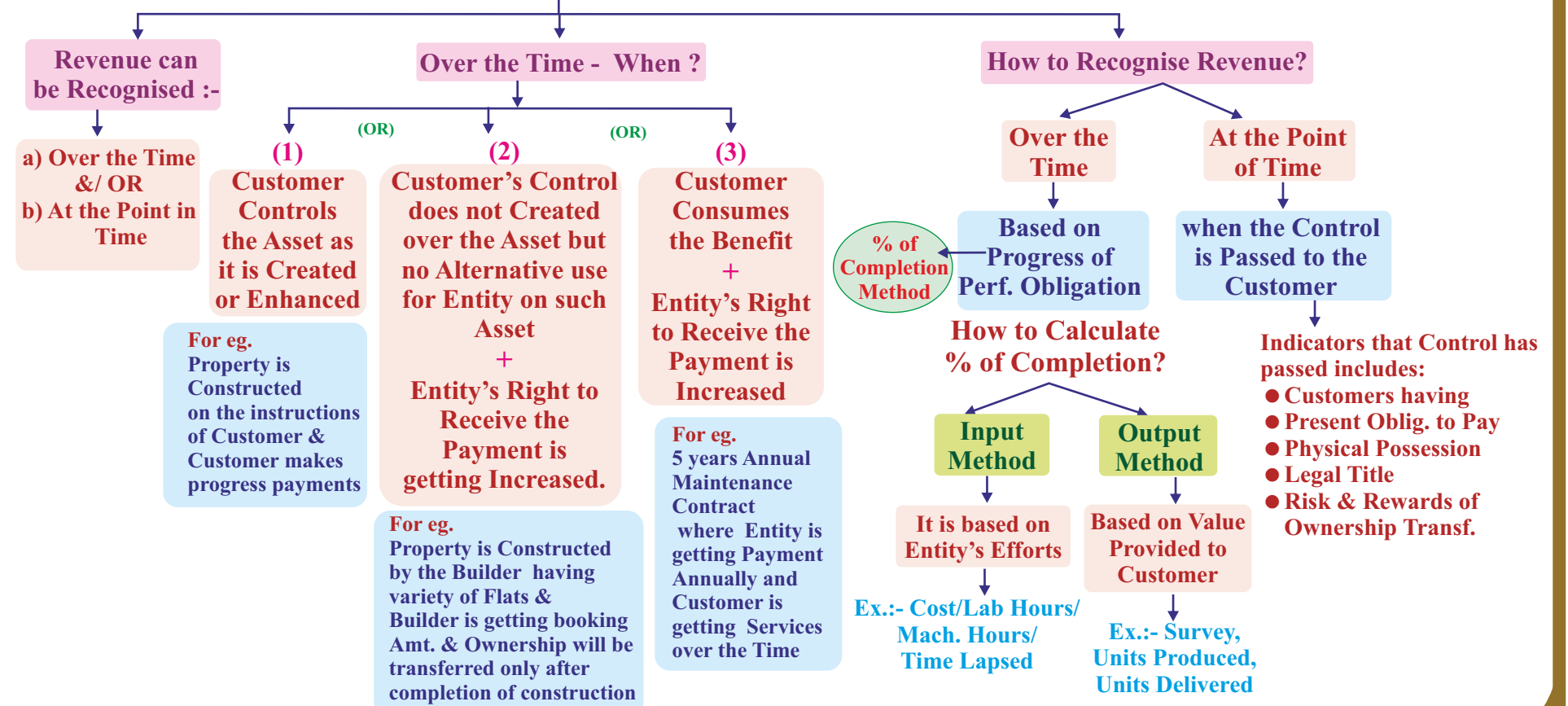
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ALLOCATION OF TP to P.O. (STEP-4)



5

RECOGNISE REVENUE AS OR WHEN ENTITY SATISFIES P.O. (STEP-5)



IND AS 115 - REVENUE FROM CONTRACTS WITH CUSTOMER

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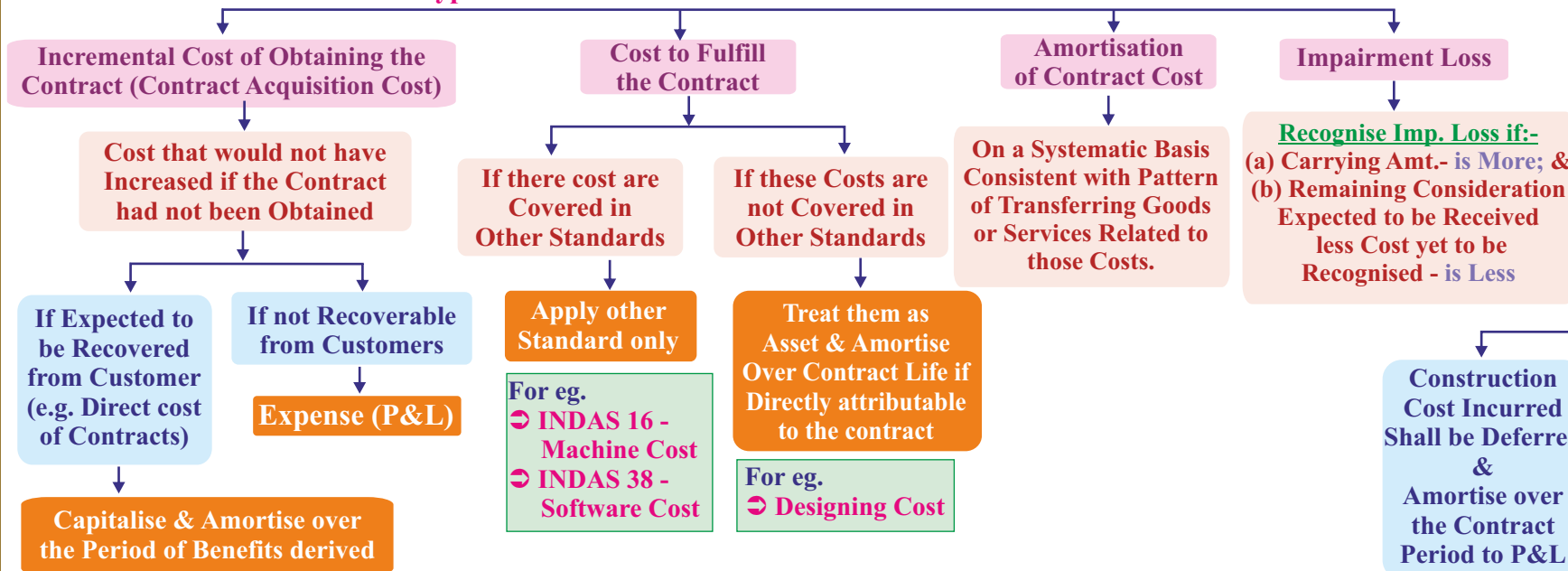
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MISC. PROVISIONS

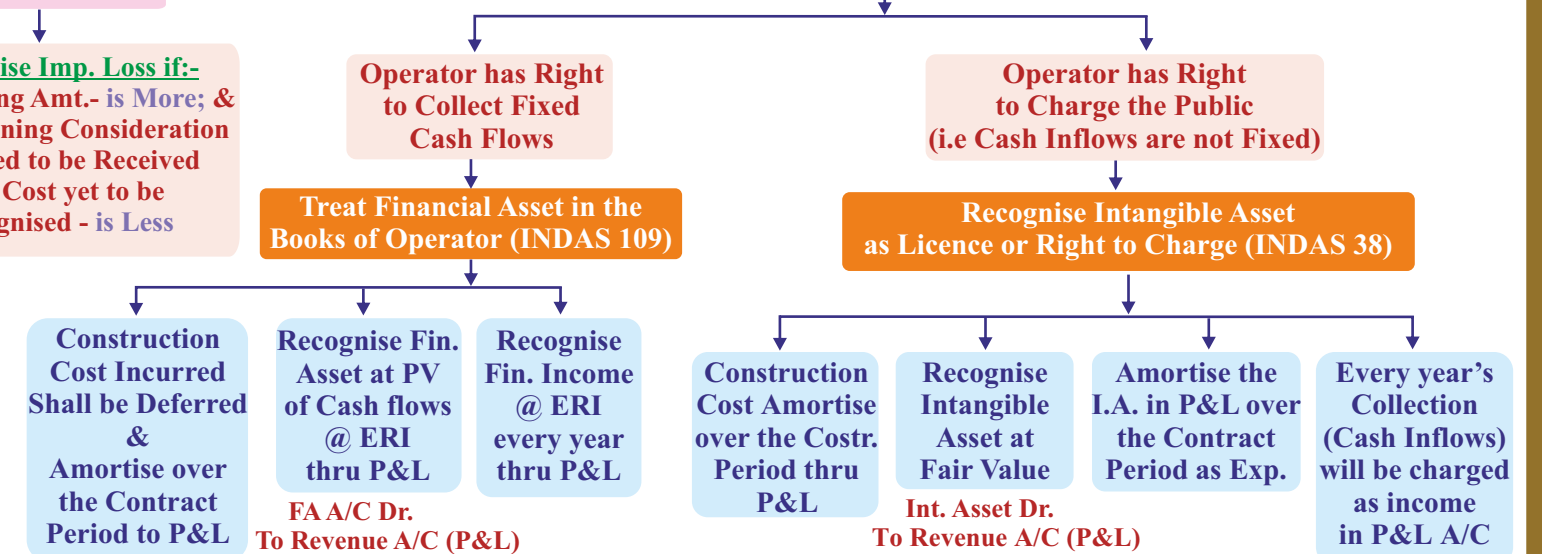
1 CONTRACT COST

2 Types of Cost



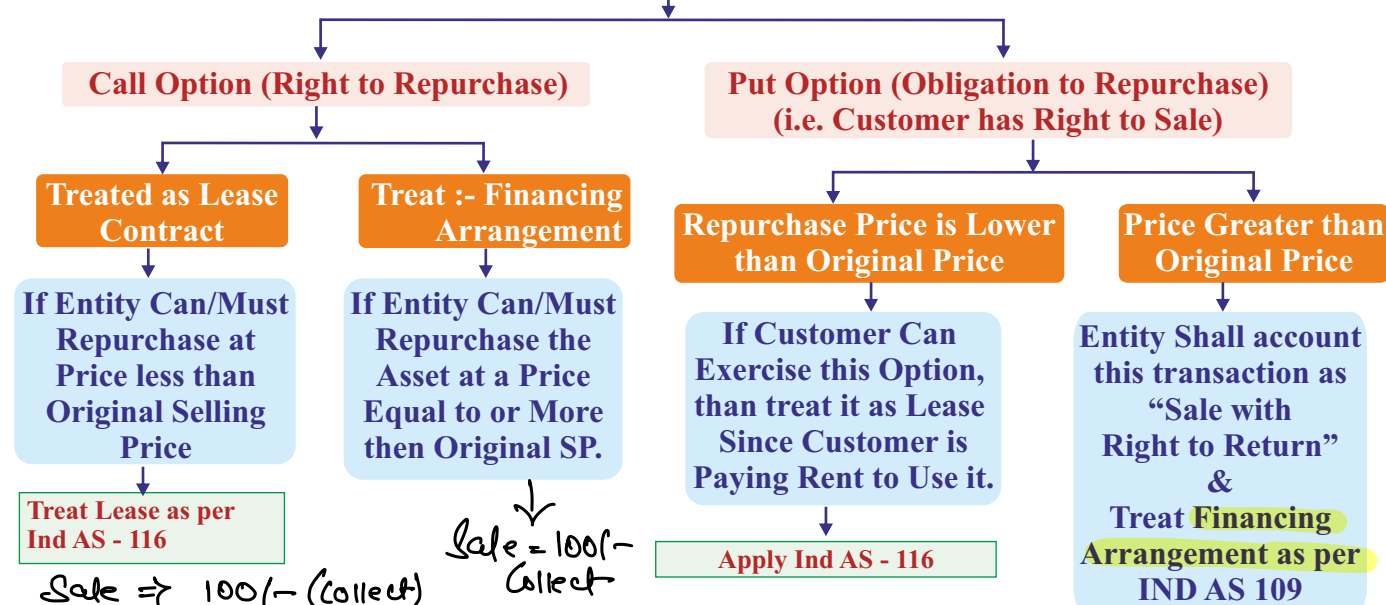
2 SERVICE CONCESSION ARRANGEMENTS

Accounting in the Books of Operator as per IndAS-115



3 REPURCHASE AGREEMENT

Entity Sells the Asset first then has Right or Obligation to Repurchase



Entity

Sale ⇒ 100/- (Collect)

Repurchase ⇒ 80/- (Pay)

Lease Rent ⇒ 20/- Benefit

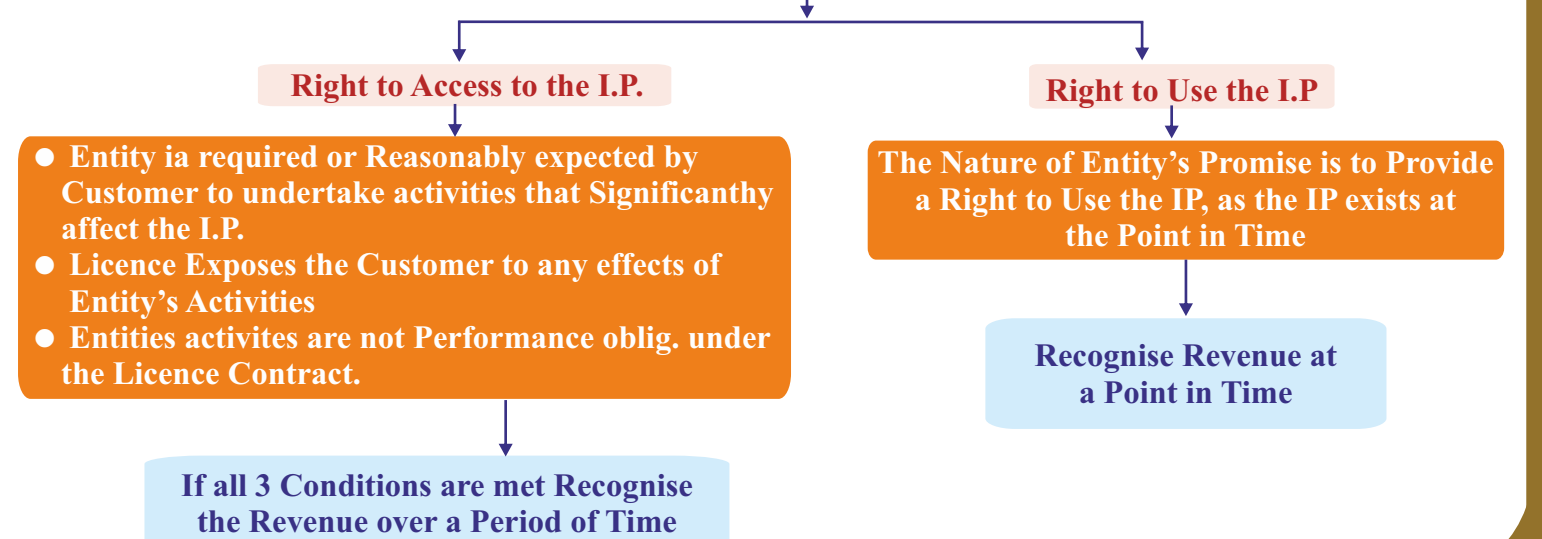
Sale = 100/- Collect

Repurchase ⇒ 120/- (Pay)

20/-

4 Licences of Intellectual Property

Evaluate the Nature of its Promise to Grant Licence

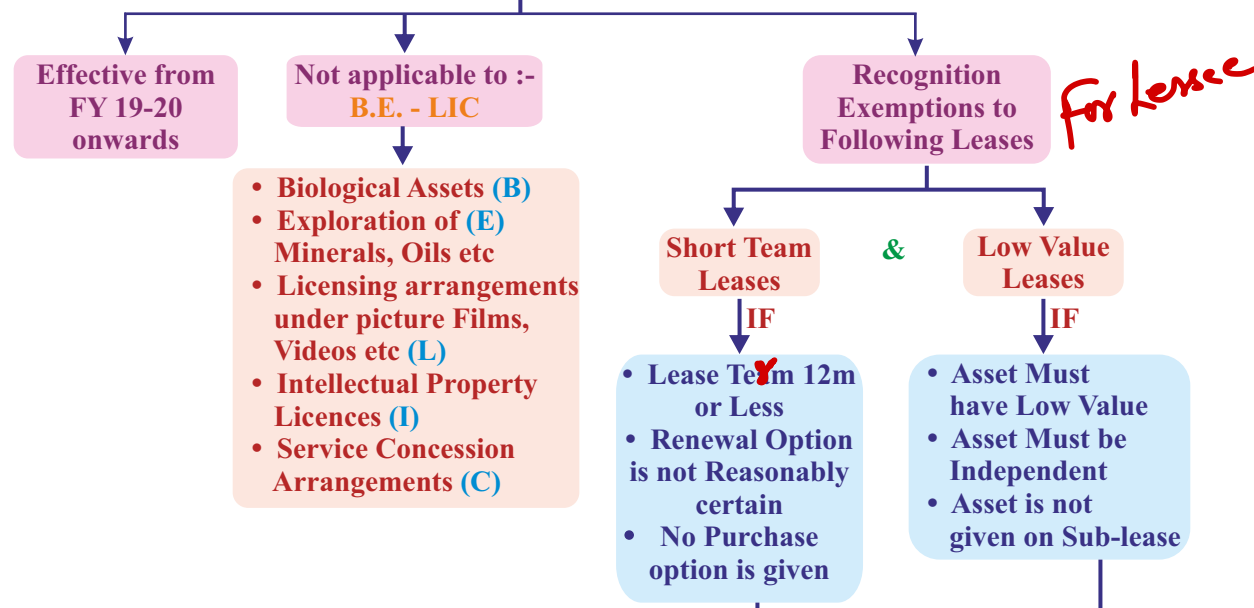


IND AS 116 - LEASES

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Part - 1 APPLICABILITY & SCOPE



Accounting Treatment

Lease Payment directly charged to P&L A/c
on SLM/any other Systematic Basis

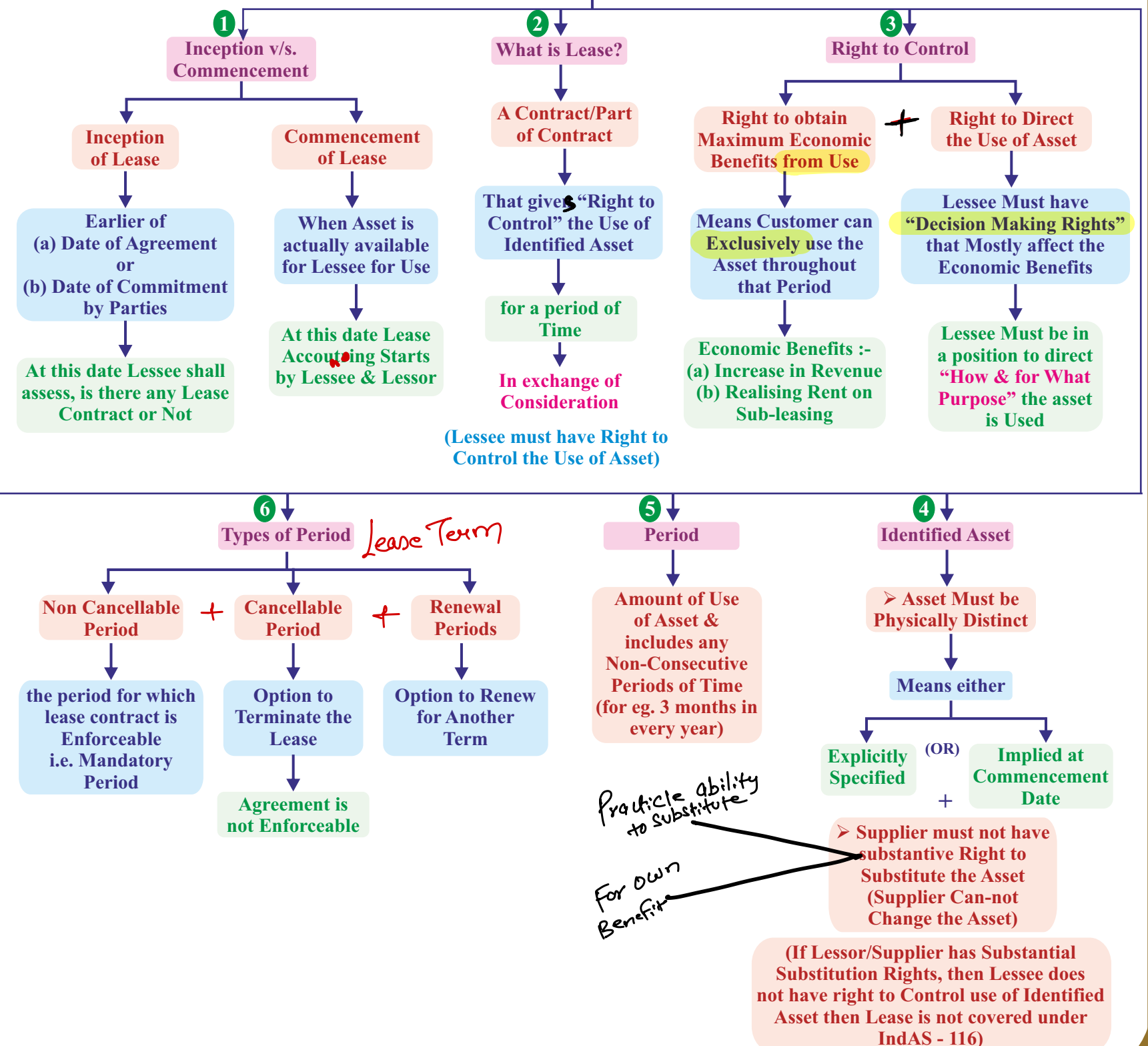
Lease Term

Sum of

- (1) Non-Cancellable Period (+)
- (2) Renewal Period (If certain to exercise) (+)
- (3) Cancellable Period (if certain to be terminated) (+)

will be terminated
cancel option

Part - 2 IMPORTANT DEFINITIONS



IND AS 116 - LEASES

(Page 2)

Part - 3 BOOKS OF LESSEE

Recognise (a) Right of use Asset (ROU Asset)
&
(b) Lease Liability

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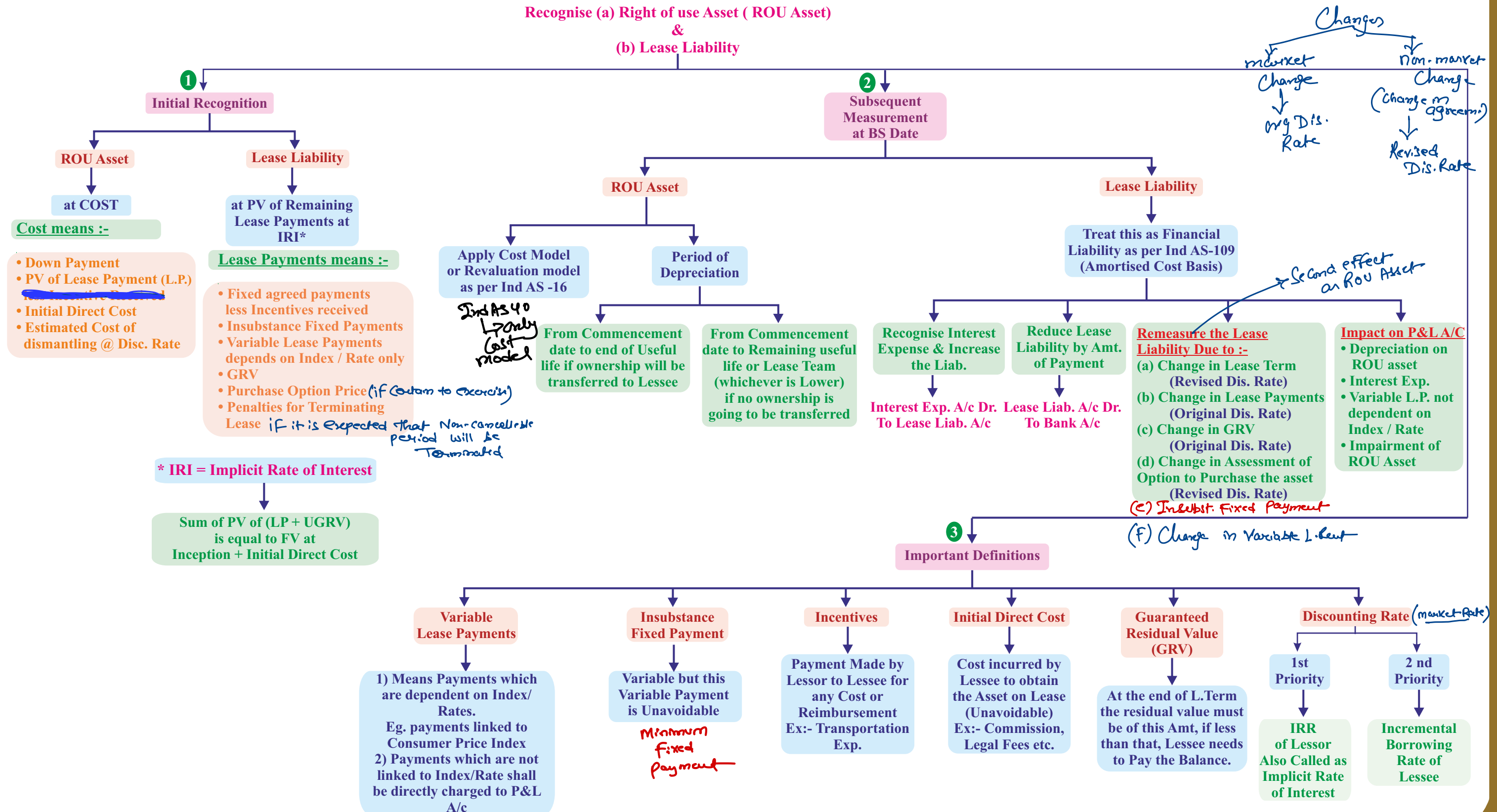


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Part - 4 IMPORTANT POINTS FOR LESSEE

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1 "Lease of Multiple Assets"

Treat Separate
Lease Contract for
each Asset if:-

Each Asset Provides
Benefits on its own or
together with other
Resources

&
Each Asset should
be Independent

2 Lease & Non-Lease Components

To Supply other
Goods or Services
may be Non-Lease
Component

eg:- Providing Driving
Services along with
Leasing of a Car

How to Allocate
total Consideration
to Lease & Non-Lease
Components

In Proportion of
Observable **Stand - Alone**
Prices of Lease &
Non-Lease Components

How to Account for
Non-Lease Component

As per other applicable
Standards

Optional Exemption
to Lessee

Lessee can treat
entire contract
as a Single Lease
contract and No
need to separate
Non - Lease
Component

3 Contract Combination

• Two or more Contracts
• Entered with same Party
• Entered at same Time
will be Combined and treated
as Single Contract if :-

all Contracts
are Negotiated
as a Single Package

(OR)

Consideration
of one depends
on Price or
Performance of
another

(OR)

All or Maximum
Rights to Use
the Assets are -
Single Lease
Component

4

Lease Modification (No Separate Lease Contract)

Case - 1

INCREASE IN LEASE TERM

- 1) Calculate Revised PV of LP @ Revised Dis. Rate for Increased Term
- 2) Compare the above Revised LL with existing CA of LL
- 3) Difference to be adjusted thru ROU Asset

ROU Asset A/c Dr.
To LL A/c

Case - 2

DECREASE IN LEASE TERM

Step - 1

(A)
Decrease the CA of ROU Asset
Proportionately with decrease in
Lease Term

Revised ROU
Should be $\gg \frac{\text{CA of ROU at Modif. date}}{\text{Org. Lease Term}} \times \text{New Revised Lease Term}$

Difference in A & B will be Gain / Loss due to modification
LL A/c Dr.
To ROU Asset A/c
To Gain A/c

(B)
Decreases the CA of Lease Liab. based on Revised Lease Term

Revised LL Should be
PV of LP for Revised
LT @ Org. Dis. Rate

Step - 2

Remeasure the LL as per modified Term &
Remeasure thru ROU Asset A/c

Case - 3

Change in Consideration only,
without change in Lease Term

Same as Case - 1

Case - 4

DECREASE IN ROU i.e. DECREASE IN SCOPE

Step - 1

(A)
Decrease CA
of Prop ROU

$\frac{\text{CA of ROU}}{\text{Org Rights}} \times \text{Revised Rights}$

(B)
Decrease Prop.
CA of LL

$\frac{\text{CA of LL}}{\text{Org Rights}} \times \text{Revised Rights}$

Difference in (A) & (B) => Gain / Loss to P&L

Step - 2

Calculate Revised LL as Per modified Terms thru ROU
i.e. Revised Lease Payment
Revised Dis. Rate

Case - 5

Increase in Scope of ROU
(additional ROU Granted)

Calculate the Lease Liab.
of additional ROU only
as per Modified Terms

ROU A/c Dr.
To Lease Liab A/c

AMENDMENTS IN IND AS 116 - LEASES

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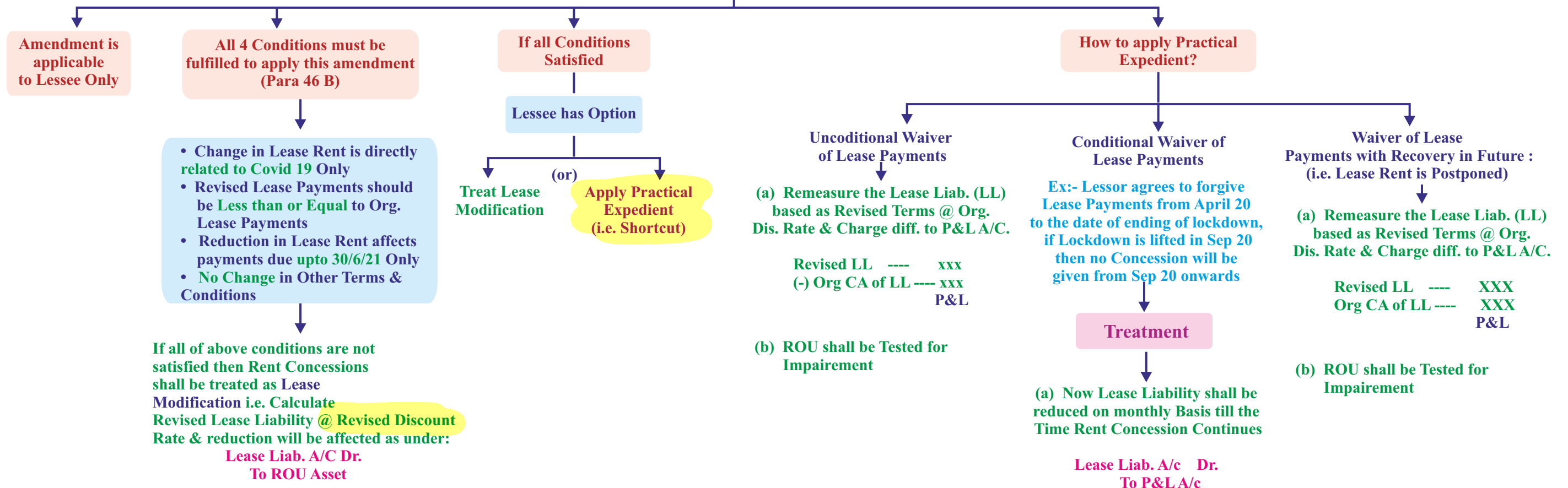
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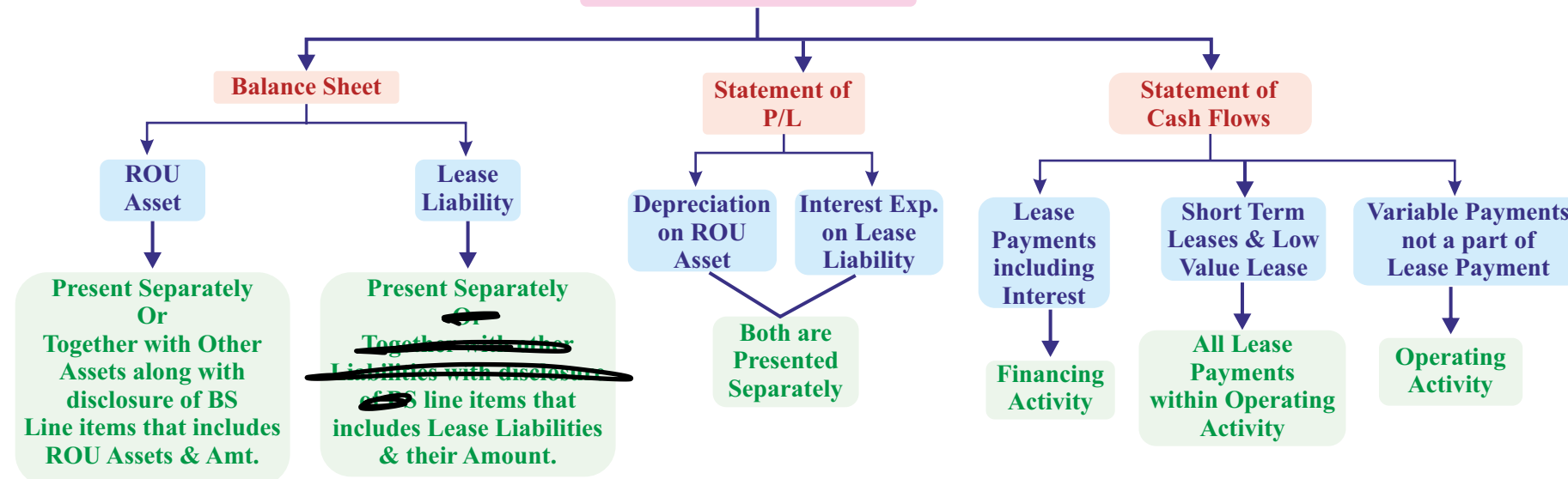
New Para Introduced - 46 A & 46 B Covid 19 Related Rent Concession

→ Not applicable now



6

Presentation in F.S. of Lessee



IND AS 116 - LEASES

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Part - 5 BOOKS OF LESSOR

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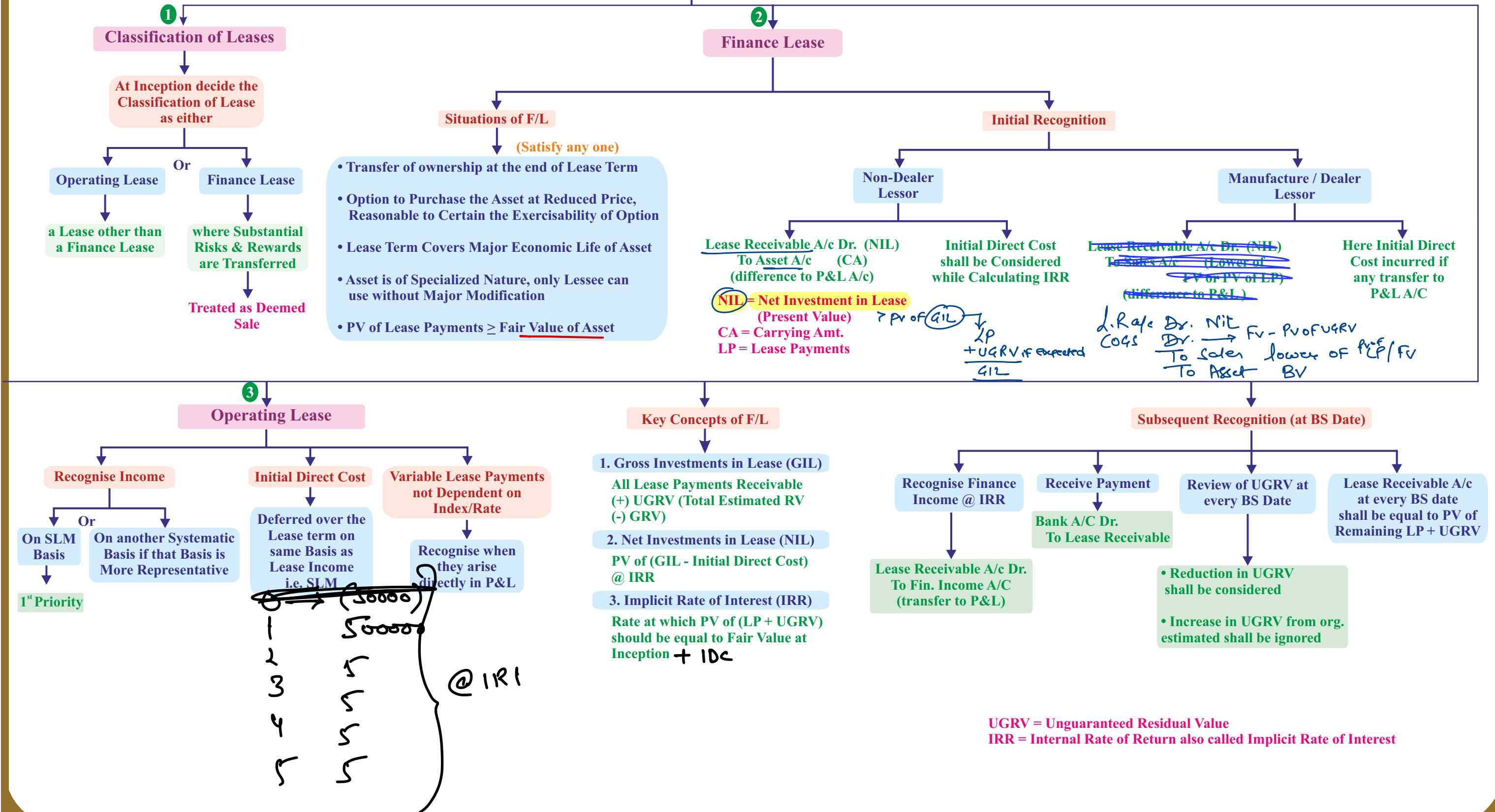
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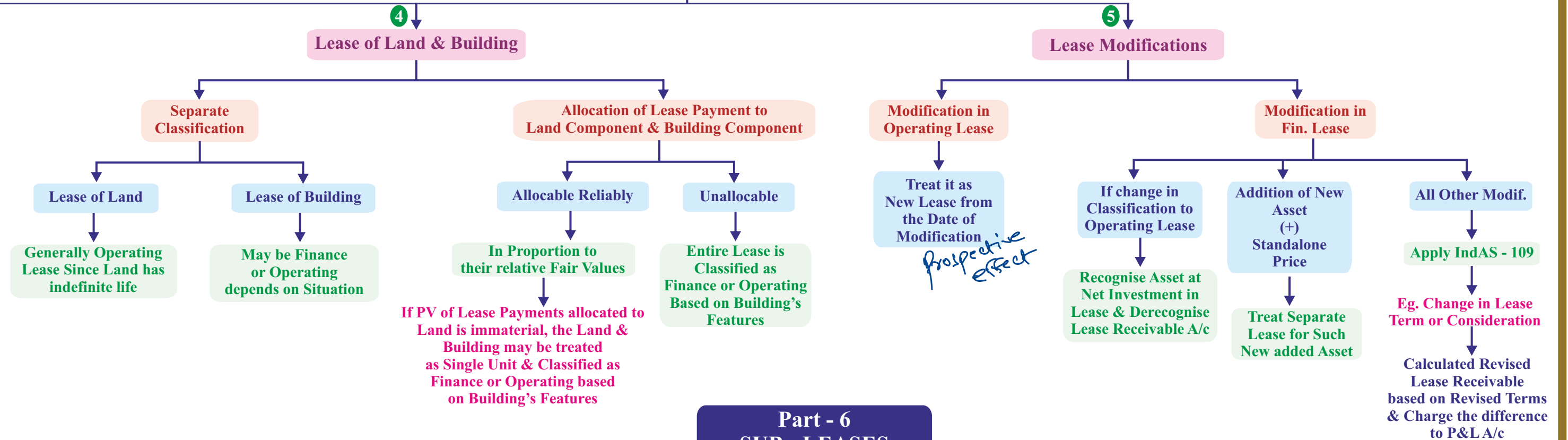
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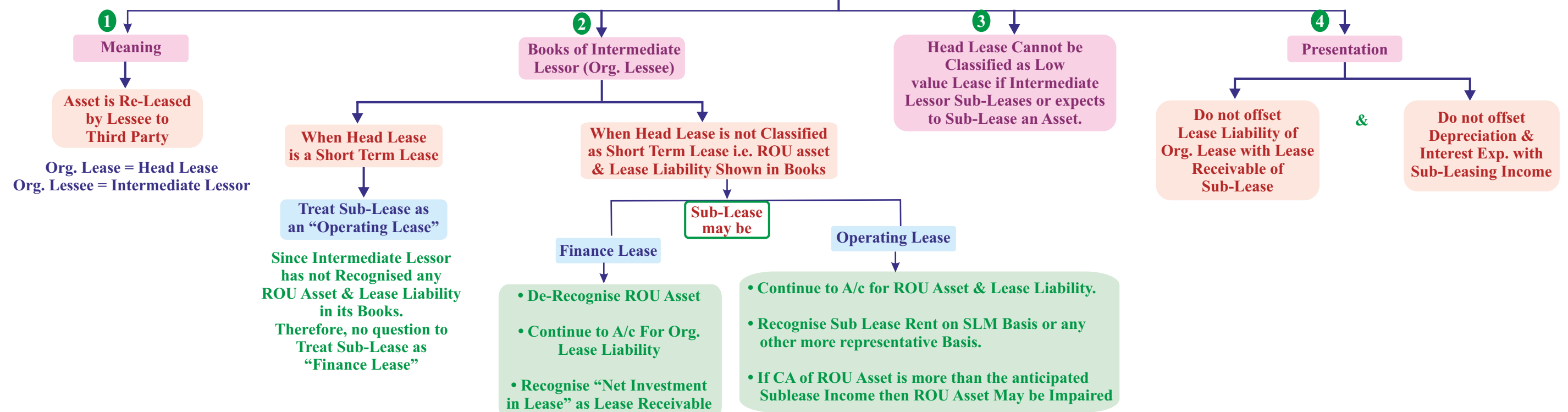
IND AS 116 - LEASES

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Part - 5 BOOKS OF LESSOR



Part - 6 SUB - LEASES



Diff. \Rightarrow P&L

IND AS 116 - LEASES

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Part - 7 SALE & LEASE BACK

Treatment of Sale Transaction

Control is Passed i.e.
Sale / Purchase Transaction

Seller Lessee

- Recognise ROU Asset at this value -
 $CA \times \frac{PV \text{ of LP}}{FV \text{ of Asset}}$

- De-Recognise the Main Asset at CA
- Recognise Lease Liab. at PV of LP

- Recognise the Gain/Loss on Sale as Under-

$$\text{Total} - \frac{\text{Total G/L} \times \text{PV of LP}}{\text{FV of Asset}}$$

$$\text{Total G/L} = \text{FV} - \text{CA}$$

- Journal Entry :-
Bank A/C Dr. (Proceeds)
ROU Asset Dr.
To PPE A/C (CA)
To Lease Liability
To Gain on Sale

Buyer Lessor

- Recognise Purchase of Asset
- Classify the Lease as Finance or Operating depends on situations

Control is not Passed i.e. Transfer of Asset is not a Sale

Do not apply Ind AS 116

Treat the entire Transaction as Finance Arrangement as per Ind AS - 109

Seller - Lessee

- Treat the Proceeds Received as Financial Liability as per Ind AS - 109.
- Recognise Interest Exp. @ ERI (%)
- Continue to Recognise the Underlying Asset at same Carrying Amount & Charge Depreciation accordingly

Buyer - Lessor

- Treat the Proceeds Paid as Financial Asset (Ind AS 109)
- Recognise Interest Income @ ERI (%)
- Do not Recognise any Tangible Asset

SP \Rightarrow 20 lac
FV \Rightarrow 22 lac
Gain \Rightarrow 7 lac
CA \Rightarrow 13 lac
Total life \Rightarrow 15 yr.
Lease term \Rightarrow 5 yr.
PV-F \Rightarrow 6.5 lac

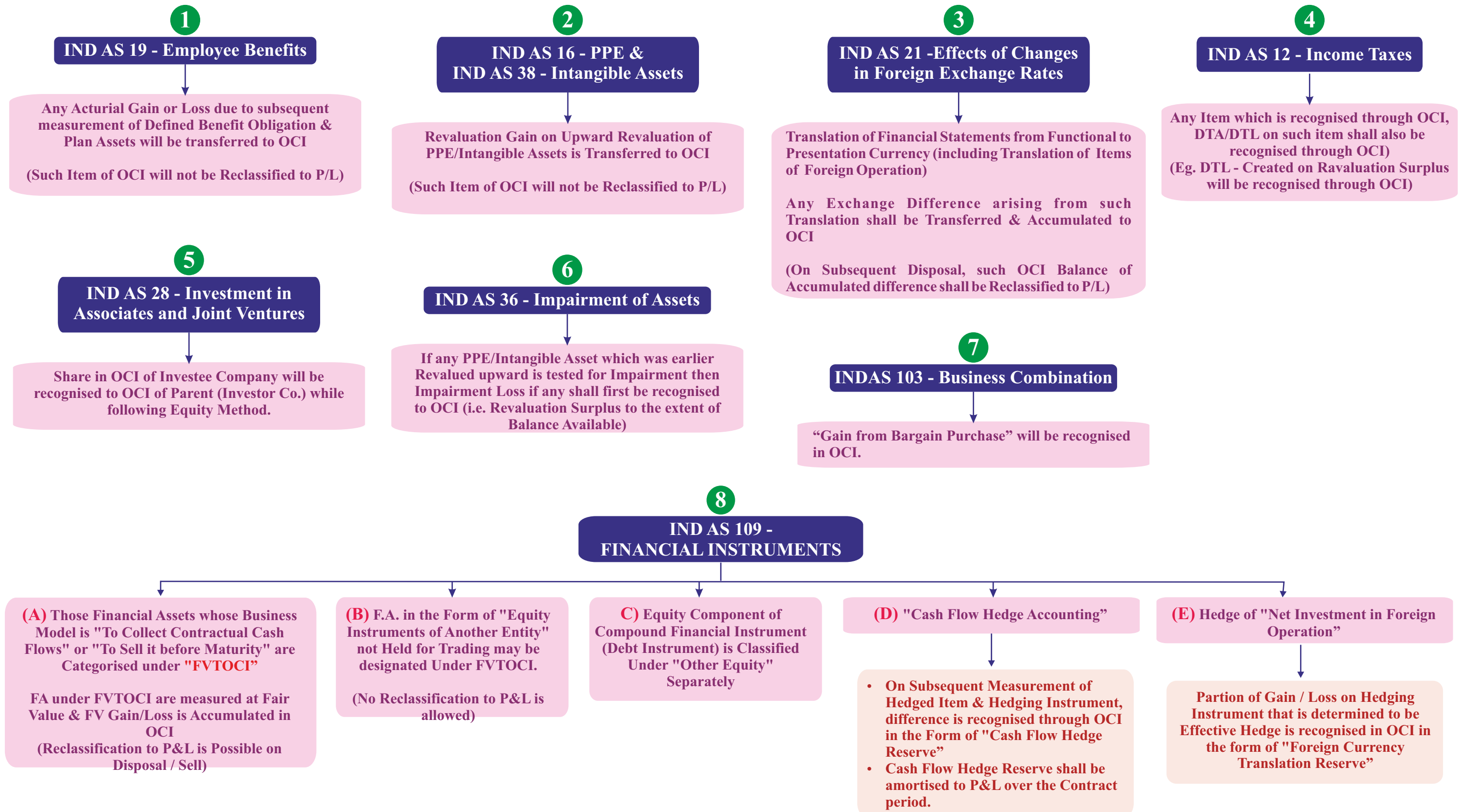
$$700000 \times \frac{650000}{2200000}$$

Gain = 206819

2000000
384091
1300000
650000
493181

2 loan
4.5%
Payment of L. Rent is treated as repayment of loan

IMPORTANT ITEMS OF OCI



IMPORTANT CARVE OUTS (INDAS vs IFRS)

