

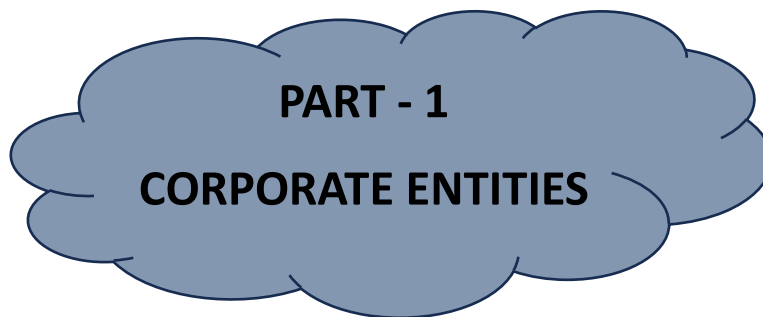


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FINANCIAL REPORTING FUNDAMENTALS

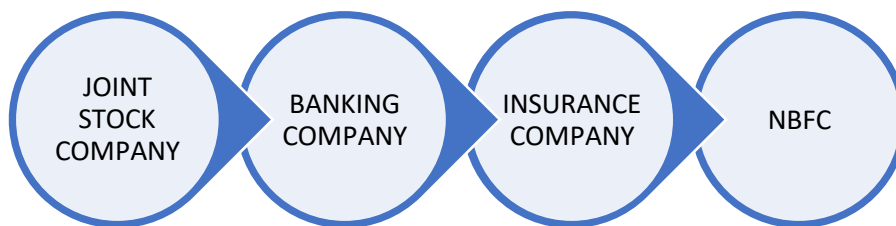
WHAT IS FINANCIAL REPORTING

It is subject which deals with "Reporting" of "Financial Transaction" in "Financial Statements" of "Corporate Entities" (herein also referred to as Entity) as per "Accounting Standards" prescribed in India.



1

Classification of Corporate Entities



2

Further Classification of JSC

HOLDING COMPANY	SUBSIDIARY COMPANY	ASSOCIATE	JOINT VENTURE
A parent corporation that owns enough voting stock (> 50%) in another company, that it can control that company's policies and	A company which is Controlled by Holding Company.	If an entity holds, directly or indirectly (eg. Through subsidiaries), 20 per cent or more of the voting power of the investee	2 or more companies Contractually agree to share control



oversee its management decisions			
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PART - 2

FINANCIAL TRANSACTION

(ANY TRANSACTION; EVENT OR CONDITION IN BUSINESS WHICH CAN BE EXPRESSED IN TERMS OF MONEY)

1 Elements of Financial Transactions

There are 5 basic elements of financial transaction

A. Asset

An Asset is resource controlled by the entity as a result of past events from which future economic benefits are expected to flow to the Entity

FEB means benefits in the form of cash or cash equivalent

- From using the asset for producing goods or providing services
- By selling an asset
- Exchanging asset with another asset
- By settling a liability
- Contribution by owners

Recognition Criteria

- Probable (more likely than not - chances > 50%) FEB should flow to the entity beyond current year
- Cost or Value can measured reliably

B. Liability

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the entity.

Obligation

to Act or perform in a certain way (legally enforceable or statutory requirement or arising from normal business practices) we will discuss obligation little later also



Outflow of economic resources

payment in cash ; transfer of assets ; providing goods or services

Recognition Criteria

- Probable outflow of economic resources
- Amount of settlement can measured reliably

ILLUSTRATION #1

(NOV_2018)

A Ltd has entered into binding agreement with B Ltd to buy a buy custom made machine for ₹ 40,000. At the end of 2016-17, before delivery of the machine A Ltd had to change its method of production, the new method will not require the machine ordered and shall be scrapped after delivery. Expected Scrap value is nil.

Show the treatment in the books of A ltd

C. Income

Income is increase in economic benefits during the accounting period in the form of

- Inflows; or
- Increase in assets or decrease in liabilities

That results increase in Equity,

(other than those relating to contributions from equity participants)

Recognition criteria

- Increases in FEB
- It can be measured reliably

D. Expenses

Expenses are decrease in economic benefits during the accounting period in the form of

- outflow; or
- Depletion of assets or incurrence or increase in liabilities

That results in decrease in Equity

(other than those relating to distributions to equity participants)

Recognition criteria

- Decrease in FEB
- It can be measured reliably

E. Equity

Equity is the residual interest in the net assets of the company after deducting liabilities

Entity has no obligation to pay.



Insight

- Any contract which can be settled in future in equity is termed as Equity
- Any contract which has to be settled in cash or assets in future is an obligation hence a liability.

Is Redeemable Preference Share Capital a part of Equity ??????

2 How to Denote change in Elements of Financial Transactions

→ Increase in Assets → Decrease in Liabilities → Decrease in Equity	DEBIT (Dr)
→ Decrease in Asset → Increase in Liabilities → Increase in Equity	CREDIT (Cr)

PART - 3
FINANCIAL STATEMENTS

(Reporting of Financial Transactions through Financial Statements)

1 What Are Financial Statements?

FS are financial reports.

- These are formal reports of financial activities and position of a business.
- Relevant information is presented in structure manner and in a form in which they are easy to understand.

In India, those companies on which Ind AS is Applicable follow Ind AS based FS i.e

SCHEDULE - III – DIVISION II (As per Companies Act, 2013) and ICAI – GUIDANCE NOTE ON IND AS BASED FS



2 *Applicability on FS AS PER IND AS (SECTION 129)*

A. Applicable as under

SCHEDULE - III		
Division I	Division II	Division III
Applies to all companies following AS	Applies to all companies following IND AS	Applies to NBFC

B. Not applicable to

Banking Companies	Insurance Companies	Companies exempted by CG from Sch III requirements
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C. Companies having S/JV/A to prepare and present consolidated FS as well as per schedule III

3 *AUTHORITY*

A. Order

- 1st - LAW
- 2nd - Ind AS
- 3rd – Schedule III

B. Ind AS prevails over Schedule III

C. When Ind AS has options where in one option is in line with schedule III and other contradicts schedule III, then follow former option.

ILLUSTRATION # 2

Investments in Debenture (for 3 years) purchased on 1.1.2016

Classification	SCH -3 (12 months from BS date)	AS (12 months from date of purchase)	Remarks
31.3.2016	NCA	NCA	
31.3.2017	NCA	NCA	
31.3.2018	CA	NCA	Value at cost and show in CA



4 Structure Of Schedule III

A.		General Instructions (GI)
B.	PART – 1	Format of Balance Sheet and Statement Showing Changes in Equity (SOCIE) AND GI on above
C.	PART – 2	Statement of Profit and Loss (SPL) AND GI on above
D.		General Information (GI) on Consolidated FS

5 FS Includes As Per Section 2(27)

Balance sheet	→ Format and GI given in schedule III → Along with Comparatives (as per sch III + Ind AS -1) AND → PY opening Balance Sheet (if required, as per Ind AS – 1)
statement of Profit and Loss	- Format and GI given in schedule III
SOCIE	- If applicable
Cash Flow Statement	- Ind AS – 7
Notes to Accounts FS	

6 General Information on FS

A. Flexible format of Schedule III

B. Rounding Off

If Turnover is ≥ 100 crore, only then rounding off in crore is permitted else Hundreds; Thousands; Lacs; Millions

7 General Information ON BALANCE SHEET

I. Current Asset

RULE – 1	Expected to be realised or intended to be sold or consumed within entity's normal operating cycle (OC); or
RULE – 2	(primarily) held for trading in ordinary course of business; or Applies to all inventory items including slow moving items except spare parts which if consumed after 12 months from BS date then classify it as PPE
RULE – 3	Expected to be realised (encashed) within 12 months after reporting date; or (including NCA held for sale)
RULE – 4	Cash or cash equivalent (realisable with 3 months – ICAI clarification), unless it is restricted from being used/exchanged to settle a liability for a period > 12 months from reporting date (as that asset is not a current asset hence it will be classified as NCA)



ILLUSTRATION # 3

1.

Date	Particulars	Case – I	Case - II
01.01.18	Credit sales – debtors	16 months	16 months
	Operating cycle	16 months	15 months
31.03.2018	classification		

2.

Date	Particulars	Case – I	Case - II
01.01.18	Machine purchased	Life 15 months	Life 15 months
	Operating cycle	12 months	15 months
31.03.2018	classification		

3.

Date	Particulars
01.01.2018	Advance given for Raw Material → Goods Delivery – after 6 months → Manufacturing – 3 months → Sale – 3 months → Amount realised – 3 months → Operating cycle = 12 months
31.03.2018	Classification

4.

31.03.2018	Goods expected to be sold in 15 months and will be realised after 3 months of sale	
Cases	Particulars	Classification
1.	OC = 12 months	
2.	OC = 15 months	
3.	OC = 18 months	

5.

Loan given to a borrower of 50 lacs, repayable 10 lacs per annum
Classification

6.

Debtors on balance sheet date As per contract – credit period remaining is 10 months, but as per practice, expected to be realised in 15 months, what will be the classification

7.

31.03.2018 – share issue expense (Asset) 30,000 to be written off eventually over next 3 years
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Classification

II. Current Liability

Rule – 1	Expected to be settled in Entity's normal operating cycle
Rule – 2	Primarily held for trading in ordinary course of business Example Derivative Financial Liability
Rule – 3	Due to be settled within 12 months after the reporting date Due date is to be certain not expected due date Liability cannot (not in the hands of entity) be deferred for settlement beyond 12 months from Reporting Date

III. Some Important Points

A. Fictitious Asset if any is always _____

B. CLASSIFICATION

Since assets and Liabilities both are classified on the basis of current and Non- Current, both IAS and Ind AS required entity to disclose information about CA realisable after 12 months

Example: Slow moving Inventory which is not expected to realise within 12 months

C. OPERATING CYCLE

- Means time taken from acquisition of Raw Material to realisation of debtors Order given for acquisition of RM to Realisation from debtors after sale of FG
- Lead time for acquisition of goods + Storage time of RM + Processing Time + Storage time for FG before sale + Credit period given to Trade Receivables on sale of goods = **GROSS OC**
Less
Credit period received from supplier of goods = **NET OC**
- By operating cycle we mean Gross OC and not Net OC
- Consider Normal or average OC and not Contract Specific OC
- There can be multiple OC in case of multiple business (one business one OC)
- If OC cannot be determined , then assume it to be 12 months

8

CARVE OUT

A. LIQUIDITY BASED PRESENTATION

IAS – 1 Allows but Ind AS – 1 does not allow

B. DEFERRED TAX ASSETS AND LIABILITIES

IAS allows DTA/DTL to be classified as CA and NCA but Ind AS allows it to be classified only as Non CA and Non CL



C. BREACH OF LOAN

In case of breach of conditions of Long Term / Non-Current loan agreements (prior to BS date) loan may become repayable immediately, in such cases loan will be classified as CL on BS date unless the breach has been rectified or terms have been renegotiated before the approval of FS, such that the loan is not repayable, post renegotiation, within 12 months from BS date.

ILLUSTRATION # 4				
	Case – 1	Case – 2	Case – 3	Case –4
LOAN	Jan	Jan	Jan	Jan
Conditions to be fulfilled	Feb	Feb	Feb	Feb
Material breach	Yes	yes	yes	No#
Balance sheet date	Repayable	Repayable	Not Repayable Immediately	Not Repayable Immediately
Renegotiations	April*	June*	March*	NO
FS approved on	May	May	May	May
Classification on BS date				
→ IND AS				
→ IAS				
*Loan renegotiated such that extension of 12 months from BS date is at least allowed				
# Because before the due date of loan covenant extension for compliance was not obtained				

9 General Information on SPL

SPL consist of two parts

- (a) Profit or Loss
- (b) OCI {discussed late}

10 FORMATS OF FS

A. BALANCE SHEET

PARTICULARS	NOTE	CY	PY
NON-CURRENT ASSET			
Property, Plant & Equipment {Including Bearer Plants}		XXX	XXX
Capital WIP {Building under construction}		XXX	XXX
Investment Property {These are also depreciated}		XXX	XXX
Goodwill		XXX	XXX
Other Intangible Assets		XXX	XXX
Biological Asset {other than}		XXX	XXX
Financial Assets			
– Investments		XXX	XXX
– Trade Receivables		XXX	XXX
– Others {Bank deposits > 12 months}		XXX	XXX
Deferred Tax {Ind AS – 12}		XXX	XXX



Other Non-Current Assets {Gold, Advance for Machine fictitious assets}		XXX	XXX
CURRENT ASSET			
Inventory {Show RM, WIP and FG} {Policy of Valuation}		XXX	XXX
Financial Assets			
– Investments		XXX	XXX
– Trade Receivable		XXX	XXX
– Cash and Cash Equivalents { FD < 3 months }		XXX	XXX
– Other Bank Balances {FD > 3 months, Earmarked, ESCROW, Margin A/c Balance }		XXX	XXX
EQUITY AND LIABILITIES			
Equity Share Capital		XXX	XXX
Other Equity {Equity Component of Compound FI; Reserves & Surplus}		XXX	XXX
Non-Controlling Interest {Share of NA of S not held by holding}		XXX	XXX
NON-CURRENT LIABILITIES			
Financial Liabilities		XXX	XXX
Borrowing {Disclose Secured/ Unsecured, Classification – Bonds, Debentures, Debt, and if taken from Related Party}		XXX	XXX
Trade Payables		XXX	XXX
Other {Security Deposits received}		XXX	XXX
Provision		XXX	XXX
Deferred Tax Liabilities {Ind AS – 12}		XXX	XXX
Others		XXX	XXX
CURRENT LIABILITIES			
Financial Liabilities		XXX	XXX
Borrowing {Disclose Secured/ Unsecured, Classification – Bonds, Debentures, Debt, and if taken from Related Party}		XXX	XXX
Trade Payables		XXX	XXX
Other {Security Deposits received}		XXX	XXX
Provision		XXX	XXX
Current Tax Payable		XXX	XXX
Other Current liability		XXX	XXX
		XXX	XXX



B. STATEMENT OF PROFIT AND LOSS

PARTICULARS	NOTE	CY	PY
a) Income			
Revenue from operations → (for all division, No adjustment for Excise Duty)		XXX	XXX
Other Income		XXX	XXX
Net gain from reclassification of OCI (Gain on changes in Fair value of investments)		XXX	XXX
TOTAL INCOME		XXX	XXX
(b) Expenses		XXX	XXX
→ Cost of Material Consumed		XXX	XXX
→ Purchase of traded goods			
→ Changes in stock (opening – closing)			
→ Excise duty on sale of goods		XXX	XXX
→ Employee benefits expense		XXX	XXX
→ Depreciation and amortisation		XXX	XXX
→ Impairment of non-current asset		XXX	XXX
→ Finance cost (should be calculated on effective rate of interest method)			
→ Other expenses			
TOTAL EXPENSE			
Profit before exceptional items			
→ Finance cost (should be calculated on effective rate of interest method)			
Add / Less: Exceptional items (Ind AS does not define exceptional items)			
Decline in value of inventory			
→ Litigation and settlement fees			
→ Reversal of provision			
→ Profit on sale of long term investments			
→ Profit on sale of fixed assets			
Profit before tax			
Less : Tax expense (Current tax + adjustment of earlier tax + deferred tax)			
Profit after tax			
→ From continuing operations			
→ From discontinuing operation			
EPS (both basic and diluted)			
c) Other comprehensive Income (OCI)			
i) Items that cannot be reclassified in P/L in subsequent years			
→ Revaluation reserve			
→ Measurement loss/gain on Actuary			
→ Fair value changes on investment in equity			
→ Share of profit or loss in associates and subsidiaries			



(ii) items which can be reclassified (when revenue is realised it will be shown in P/L as Net gain from recycling) → Fair value changes in Investment in debts → Cash flow hedge reserve → Exchange difference in foreign operation → Share of profits in JV → Others			
Tax effects on OCI			
Total comprehensive Income			

C. STATEMENT OF CHANGES IN EQUITY

[A] EQUITY SHARE CAPITAL

Balance at the beginning of the reporting period	Changes in ESC during the year	Balance at the end of reporting period
XXX	XXX	XXX

[B] INSTRUMENTS ENTIRELY EQUITY IN NATURE

Compulsorily Convertible Preference Share/Debentures etc

Balance at the beginning of the reporting period	Changes in ESC during the year	Balance at the end of reporting period
XXX	XXX	XXX

[C] SOCIE

OTHER EQUITY		RESERVES AND SURPLUS			OTHER RESERVES through OCI				Money recd against Share Warrants	Total
Share app. Money	Equity Componet Of Compoud FI	SP	RE	Other Reser ve	Debt /Equity Instrum ents FVOCI	Effective portion of CF hedge	Revalu ation Surplu s	Othe r item s of OCI		



PART - 4

ACCOUNTING STANDARDS PRESCRIBED IN INDIA

1 Meaning Of Accounting Standards

An accounting standard is a common set of principles, rules and procedures that define the basis of financial accounting policies and practices.

2 Set Of Standards In India

India has 2 set of Accounting Standard as per Companies (Accounting Standard Rules), 2006 + 2015

RULE 3 (AS)	RULE 4 (IND AS)
Companies not covered under ROAD MAP	Companies covered under ROAD MAP

3 IND AS

A. What is Ind AS

AS in line and in tune with International Accounting Standards, Ind AS are IFRS converged standards issued by CG of India under the supervision and control of ASB of ICAI and its consultation with National Advisory Committee on Accounting Standards (NACAS)

Ind AS are named and numbered in the same way as the corresponding IFRS

WHY ??

So that our Financial Statements are at par with International Financial Statements

WHY ??

For avoiding confusion to global users of Financial Statements

WHY ??

To attract foreign investment and make global presence of our entities

B. International Accounting Standards

There are broadly 2 set of Accounting Standards which are globally accepted

I. US GAAP – which are supposed to be rigid standards and more in tune with American Economic Environment.

II. IFRS – which are Principle-Based Standards, which has broader rules rather than dictating terms.

IND AS IS IN TUNE WITH IFRS



C. Is Ind AS 100% as per IFRS

NO, there are differences which can be broadly categorised in 2 parts

CARVE-INS	CARVE-OUTS
Terminology changes Restriction of options given in IFRS	Conceptual difference with IFRS

4 Applicability Of Ind AS In India

Companies (Ind AS) Rules, 2015 (Rule 4)

Companies

Phase -1	1.4.2016	Net worth ≥ ₹ 500 Crore
Phase - 2	1.4.2017	All listed + unlisted with Net worth ≥ ₹ 250 Crore

Exception

Banking Companies	1.4.2019
Insurance Companies	1.4.2020
NBFC	Phase – I – 1.4.2018 - Net worth ≥ ₹ 500 Crore Phase – II – 1.4.2019 - All listed + unlisted with Net worth ≥ ₹ 250 Crore

A. Listed means

- Listed or to be listed (application for listing has been filed but listing is pending on recognised stock exchange)
- Listing can be in India or outside India
- Listing can be of debt or equity
- Can Private Company be listed Company?
- Private can never list shares but it may list its debentures in rare cases, hence even a private company be a listed Company

B. Net worth of Company means

As per Section 2(57) of companies Act 2013

Paid up share capital	XXX
Add : Reserves made out of profits	XXX
Add : Security Premium	XXX
Add : P/L (Cr) balance	XXX
Less : Accumulated Losses	(XXX)
	XXX
Includes : ESC; PSC; ESOS Reserve; Capital Grants	
Excludes : Revaluation Reserve; Amalgamation Capital Reserve	

Net worth to be checked on the last day of the preceding FY of comparative FS
Starting from 31.3.2014 / for NBFC – 31.3.2016



Net worth to be checked as per FS prepared under AS

ILLUSTRATION # 5

A is an unlisted company
Net Worth – 31.3.2014 - ₹ 550 crore
 31.3.2015 - ₹ 200 crore
 31.3.2016 - ₹ 150 crore
Is Ind AS Applicable on A from 1.4.2016
What if in above case company was NBFC ?

ILLUSTRATION # 6

Will the following companies with negative net worth need to comply with Ind AS?
Company A (listed) having negative net worth of ₹ 600 crore.
Company B (unlisted) having negative net worth of ₹ 300 crore

ILLUSTRATION # 7

Company B is a listed entity covered in phase II of Ind AS roadmap. Company A is an unlisted entity having net worth less than INR 250 crores and holding Company of Company B. Company D is an unlisted entity and holds 25% in company B (i.e. company D is an investor company of Company B) and has net worth less than INR 250 crores. Company C is a fellow subsidiary of company B i.e. subsidiary of the holding company A. whether Ind AS is applicable to Company C and Company D?

5 *Is Voluntary Early Adoption Of Ind AS- Possible?*

Yes, but no before 1.4.2015
But for
NBFC – earliest application date – 1.4.2018
Banks – earliest application date – 1.4.2019
Insurance Companies – earliest application date – 1.4.2020
These companies cannot adopt Ind AS earlier than earliest application date

ILLUSTRATION # 8

Tata Capital Ltd (stock broker) – not before 1.4.2018 is parent of
Tata BPO (listed Co.) – Ind AS applicable on 1.4.2016 as Net worth \geq ₹500 Crore
Tata BPO to prepare alternative FS as per AS till 31.3.2018 to facilitate preparation of Consolidated FS by Tata Capital using same Accounting Policies as that of Parent

6 *Important Points*

A. An entity covered under Ind AS as per above will make its H/S/JV/A also covered under Ind AS. This also applies to the entity voluntarily follows Ind AS, however in no case Banking/Insurance/NBFC will covered under Ind AS prior to the date when Ind AS have been mandated for them.



- B. H/S/JV/A or listing are to be checked during the financial year (from first date of the FY until the end of FY), unlike net worth that is to be checked on the last day of the preceding FY of comparative FS

Example:

31.3.2015 H Ltd had a subsidiary S, which was covered under Ind AS from 1.4.2017 through net worth criteria. On 31.3.2016, H sold its investment in S therefore H need not follow Ind AS as S is no more H's subsidiary.

- C. Ind AS once applicable are applicable forever (Exit from Ind AS is not possible)
 D. Date of transition: Beginning of PY of comparatives from Ind AS is adopted.

Example:

If Ind AS is applicable from 1.4.2017 then date of transition is 1.4.2016 Comparatives to restate as per Ind AS

	31.3.2018	31.3.2017	1.4.2016
	CY as per Ind AS	Restated as per Ind AS	PY also per Ind AS
Liabilities – PSC	XXX	XXX	XXX

- E. Is fellow Subsidiaries also Covered

Walmart India Ltd (P)			
Flipkart Ltd Ind AS Applicable since Net worth ≥ ₹ 250 Crore		Best Price Shops Foreign Subsidiary Ind AS not applicable since itself is listed or has Net worth ≥ ₹250 Crore	
Jabong Ltd (S)	Myntra Ltd (S)		
Chain Subsidiary Ltd			

PART - 5
FUNDAMENTALS OF IND AS

1 Substance Over Form?

Substance of the transaction shall prevail over the legal form

Example:

- Redeemable Preference Share Capital shall be treated as liability and not Capital.
- Purchase of a company with a single asset and no separate business should not be accounted for under amalgamation but as purchase of fixed Asset.
- Selling Goods and repurchasing them with higher price after a specific time lag shall be treated as loan arrangement with goods as security.



2 Fair Value Accounting – Ind AS – 113

A. Ind AS uses FV basis for measurement of assets at reporting date and even at initial recognition in some cases.

B. DEFINITION

FV is the exit price, the price at which the asset can be sold or liability can be settled between market participants in ordinary course of business

C. THIS IND AS IS NOT APPLICABLE TO

- Ind AS – 102 – Share based payments
- Ind AS – 105 – Assets held for resale
- Ind AS – 41 – Agricultural Activities
- Ind AS – 116 – Leases
- Ind AS – 36 – Impairment
- Ind AS – 2 – Inventory Valuation

D. MARKET

Meaning

Market means active market place where there are lot of buyers and sellers which is known as principle market.

Preference

While calculating FV first preference should be given to principle market, but if principle market is not available then consider most Advantageous Market, where asset can be sold or liability could be settled.

E. BASIC PRINCIPLES

- (a) It is market based valuation and not entity specific valuation
- (b) FV based on observable (market based) inputs preferred over FV on unobservable inputs
- (c) FV is an estimation based on management judgement.

1. Check exit price

- (a) For Asset consider SP not replacement cost
- (b) For Liability consider settlement price and not current value of similar liability

2. FV hierarchy

- LEVEL – I - 1st – Unadjusted market Price
- LEVEL – II - 2nd – Adjusted market price or observable Inputs Adjustment in market price for bulk purchase
- LEVEL – III - 3rd – market price based on unobservable Inputs

3. FV = SP as per market – Transaction Cost



Do not subtract any transaction cost (direct selling cost, brokerage, commission on sales).

F. FV MEASUREMENT TECHNIQUES

1. MARKET BASED – as discussed above
2. INCOME BASED – PV of all future cash flows
3. REPLACEMENT COST – FV = cost of replacing the similar items

G. ASSET AT FV

1. Principle market else most advantageous market where asset can be sold
2. No entity specific values but market based values
3. Highest and best use of asset that is
 - (a) Legally permitted (import of gold from Dubai is not allowed, so we cannot consider that)
 - (b) Financially viable (highest price but very high credit period, hence not viable)
 - (c) Physically possible (low price on purchase of huge quantity but storage capacity not available)

H. LIABILITY AND EQUITY FV

1. Assume liability or equity will not extinguish. (recently redeemable debentures)
2. While Valuation of liability non-performance risk (credit risk) of both parties to be considered.

I. AS PER IND AS

ASSET	INITIAL RECOGNITION	REPORTING DATE MESUREMENT
PPE	Cost	Cost to FV
Investment property	Cost	Cost
Investment in securities	FV	FV
Goodwill	Cost	Cost subject to impairment check
Other intangible assets	Cost	Cost to FV
Bearer plants	FV less cost to SELL	FV less cost to sell
Trade receivable	FV	FV
Loans	FV	Cost to FV
Deferred tax	Accounting value	Accounting value

3

Calculation Present Value And Concept Of Unwinding

Liability to be settled in future or Asset to be realised in future after fixed determinable time than it should be valued at PV and unwound every year.

ILLUSTRATION # 9

Company is settle a financial liability after 3 years at ₹ 1,33,100. Effective Rate of Interest is 10%. Show accounting for 3 years.



ILLUSTRATION # 10

A company acquire 1,000, 12% debentures of ₹ 100 each at ₹ 115 which will be redeemed in 3 years at par. Interest is paid annually.
Show accounting for 3 years.

4 *Concept Of OCI*

- A. OCI is those revenue, gains and losses under all 3 i.e GAAP, Ind AS and IFRS that are excluded from net Income from statement of profit or loss. This means these items are listed after net income in SPL.
- B. These are recognised as OCI when they are unrealised, these will be recognised in PorL once it is realised barring few exceptions,
- C. Hence we can say OCI can be classified into 2 parts
 - Part – 1 –** Reclassified in PorL
Example – Investment in debentures
 - Part – 2 –** Not Reclassified to PorL
Example – Investment in EI; Revaluation gain or loss
- D. LIST OF ITEMS COVERED IN OCI –** Refer format of SPL stated earlier

ILLUSTRATION # 11

Investment purchased for ₹ 100 on 1.3.2018. its FV as on 31.3.2018 is ₹ 106. On 30.4.2018 these investments are sold for ₹ 110.
Show Accounting

ILLUSTRATION # 12

PPE purchased ₹ 10,000 with life 10 years was revalued at ₹ 12,000 at end of Y2. Sold in year Y4 end for ₹ 7,000
Show Accounting

5 *Reclassification*

1. Financial Liability to Equity	At Carrying amount of liability
2. Equity to Financial Liability	At FV of Liability and difference to be adjusted through Reserve not CY's PorL
3. Cost to FV	At FV and difference to be adjusted in PorL or OCI as the case may be
4. FV to Cost	Carrying amount becomes the new cost



6 Retrospective Restatement

Under Ind AS rectification of past errors and change in accounting policy is accounted retrospectively (unless other Ind AS requires otherwise or change in policy is a change in basis of measurement) as if revised policy had been in use since the company initially recorded the financial item or even and condition. The same has been prescribed under Ind AS 8.

Under Retrospective accounting the company restates (revises) previous figures and previous opening balances of asset and liability or equity instead of accounting for complete difference due retrospective change in the current year

ILLUSTRATION # 13

On 01.04.2007 an entity purchases PPE for ₹ 50,000 and depreciates it at 10% SLM. On 01.04.2010 the entity decides to change the method of depreciation to 20% WDV. Assume change as change in change in accounting policy. Show Accounting

ILLUSTRATION # 14

An Entity made an FD with SBI on 01.04.2015 for ₹ 1,00,000. Interest is ₹ 10,000 per annum simple interest. In 2018-2019 the company realised that it has not recognised interest income on above FD at all. Show Accounting

7 Financial Instrument

- A. FI is a contract which gives rise to FA to one entity and FL or Equity instrument to another entity.
- B. It is dealt in detail in Ind AS 32/ 109/107
- C. In simple terms

FA	Cash or Investment in ES or right to receive the same
FL	Contractual obligation to pay cash or other FA
Equity	Residual Interest in NET ASETS of the company. (no obligation to pay)

8 Basics of Impairment

Impairment means decrease in the value of Asset (other than depreciation) due to any external or internal factor

Calculation of Impairment

- Carrying Amount less Recoverable Amount
- Recoverable Amount = Value in use
or
FV less Cost to disposal - whichever is less



- Value in use = PV of future cash flows

Journal Entry

Revaluation Reserve A/c	Dr	XXX	
Impairment Loss A/c	Dr	XXX (Transfer it to PorL)	
To Asset A/c			XXX

ILLUSTRATION # 15

Cost of asset is ₹ 56 lacs with useful life of 10 years. Upward Revaluation done last year of ₹14 lacs. Carrying amount at the beginning of the year is ₹27.3 lacs and recoverable amount was ₹12 lacs with life remaining 3 years.
Calculate IL and depreciation for Current year

9 Basics of Deferred Tax

- For time being learn and remember how DTA/DTL is created, detailed study would be done later in Ind AS – 12
- Value of assets and liabilities as per books is known as Carrying Amount (CA)
- Value of assets and liabilities as per tax laws is known as Tax Base (TB)
- Difference between CA and TB is known as Temporary Difference (TD)
- $TD \times \text{Tax Rate} = \text{DTA or DTL}$

ASSETS			
CA > TB	DTL	CA < TB	DTA
LIABILITY			
CA > TB	DTA	CA < TB	DTL

ILLUSTRATION # 16

Tax Rate 30%

	CA	TB	TD	DTA / DTL



10

List Of Ind AS

S.NO	IND AS	Chapter Name
1.	1	Presentation of Financial Statements
2.	2	Inventory
3.	7	Cash flow statement
4.	8	Accounting policy, Changes in Accounting Estimate and Errors
5.	10	Events after reporting date
6.	12	Income tax
7.	16	PPE
8.	19	Employee Benefits
9.	20	Government grant
10.	21	Foreign currency
11.	23	Borrowing cost
12.	24	Related party
13.	27	Separate financial statements
14.	28	joint venture
15.	29	Hyper inflationary economies
16.	32	Financial instrument
17.	33	EPS
18.	34	Interim Financial Statements
19.	36	Impairment
20.	37	Provisions, contingent liabilities and contingent assets
21.	38	Intangible
22.	40	Investment property
23.	41	Agriculture
24.	101	First time adoption
25.	102	Share based payments
26.	103	Business combination
27.	104	Insurance Contracts
28.	105	Non-Current Asset Held for Sale
29.	106	Evaluation and Exploration of Mineral Resources
30.	107	Financial Instrument
31.	108	Operating Segment
32.	109	Financial Instrument
33.	110	Consolidation
34.	111	Joint arrangement
35.	112	Disclosure of consolidation
36.	113	Fair value
37.	114	Deferral Accounts
38.	115	Revenue Recognition
39.	116	Leases

Ind AS 29, Ind AS 104, Ind AS 106 and Ind AS 114 are not part of CA final FR syllabus



PART - 6

Framework For Presentation And Preparation Of FS

1 ICAI has given framework

ICAI has given framework i.e guidelines for preparation and presentation of FS

2 Framework Covers Matters Like

Qualitative Characteristics	Provides definition of	Measurement basis	Underlying assumption
a) Understandability	a) Assets	a) Cost	a) Going concern
b) Comparability	b) Liability	b) Realisable value	b) Accrual
c) relevance	c) Income	c) NRV	
d) Reliability	d) expense	d) Present value	

3 Capital Maintenance

Financial Capital Maintenance Nominal growth	Physical Capital Maintenance Real Growth
Whether Closing Capital is > Opening Capital, excluding dividends / fresh issue / buy back	Whether closing capital at current cost > Opening Capital at current cost, excluding dividends / fresh issue / buy back (inflation adjusted)

ILLUSTRATION # 17

Mr. Unique commenced business on 1/04/17 with ₹ 20,000 represented by 5,000 units of the product @ ₹4 per unit. During the year 2017-18, he sold 5,000 units @ ₹5 per unit. During 2017-18, he withdraw ₹4,000.

- 31/03/18 : Price of the product @ ₹4.60 per unit
- Average price indices : 1/4/17 : 100
& 31/3/18 : 120

Find out:

Financial capital maintenance at Historical Cost Financial capital maintenance at Current Purchasing power Physical Capital Maintenance



PART - 7

IND AS – 1

1 Applicability

A. Ind AS – 1 is applicable to Standalone/Separate and Consolidated FS

Standalone FS	A company which has no Subsidiary
Separate FS	Individual FS of Parent Company

B. Section 8 of Companies Act to also follow Ind AS with flexibility to change “Nomenclature of Items”

Example:

Instead Profit use Surplus and Instead of SPL use SIE etc

C. Ind AS – 1 is not applicable on Interim FS

D. Ind AS – 1 applies on GPFS

2 General Instruction

A. Definition of Materiality

- Transaction or events and condition that could influence the decision making of users, are considered material items
- Materiality is based on size and/or nature of transaction or other events and conditions judged in surrounding circumstances
- Ind AS – 1 requires
 - Items of Dissimilar nature (CSR and Donation); OR
 - Items of similar nature, different class (Donation to political parties and non-political parties) should not be aggregated to obscure material information being presented/disclosed to users of FS (except if required by law)
- Ind AS – 1 also stats that entity should not combine material information with immaterial information.

B. Off-Setting (netting – off)

MEANING

Netting of Income and expense or asset and liability while preparing FS



RULES

1. Only when permitted by Ind AS

Example:

Ind AS 32 requires FA and FL to be set-off, if entity intends to Off Set it or realise and settle liability simultaneously.

2. Setting of "Provision on Assets" with CA of assets

Example

Trade Receivables and PDD

PPE and Provision for Depreciation

3. Off setting is required when it represents substance of transaction

Examples

Reimbursement of payments on behalf of 3rd parties

Setting of Contingent Asset with Liability

Setting of Insurance Claim with Loss

4. As a practice

Example

FOREX gain/loss OR Gain/loss on PPE

C. Explicit Unreserved Statement (EUS)

- i. Transaction and other events and conditions are presented fairly as per the framework for preparation of FS
- ii. Entity complying with Ind AS to make an EUS of the fact that FS are prepared as per Ind AS (no choice of selective application on Ind AS)

ILLUSTRATION # 18

Company makes a statement in FS that it has complied with all Ind AS except Ind AS 7 Cash Flow Statement. Comment. An entity shall not describe financial statements as complying with Ind AS unless they comply with all the requirements of Ind AS. There may be disagreement of the Company with the auditor on applicability of any Ind AS or particular requirement of any Ind AS and accordingly auditor may qualify the audit report. Even in such a situation, the financial statements will be assumed to be Ind AS compliant.

In instant case the company cannot issue EUS because of selective application

ILLUSTRATION # 19

Company makes a statement in FS that it has complied with all Ind AS and while doing audit you found that Cash Flow Statement is not prepared.

Comment.

In instant case the company can issue EUS because of selective application and Auditors may qualify the audit report.

**iii. Deviation from Ind AS**

Entity may have to deviate from Ind AS to achieve fair presentation	Entity may have to deviate from Ind AS requirements to achieve fair presentation but legal requirements prohibit such deviation
Following disclosure are required (a) Name and Number of Ind AS not complied (b) Reasons there off and description of alternate accounting treatment followed. (c) Financial effect in current year and on comparative, of non- compliance with Ind AS	In such cases disclosure to be given to achieve fair presentation. (follow law + use disclosure to give fair representation of FS)

D. Comparatives

1. Comparatives are required for
 - Balance Sheet
 - Statement of Profit and Loss
 - Cash Flow Statement
 - Schedule of changes in Equity
 - Information given in notes to FS
2. Minimum 1 year + PY opening Balance Sheet {in case of First Time Adoption and Restatement having material effect}
3. Entity can disclose comparatives for > 1 year
4. SA 710 Comparative Information : Comparatives in Ind AS means corresponding year's figures and Comparative FS

E. Consistency

1. Company to use consistent basis of accounting for similar items or items of similar class.
2. Changes to be made only if,
 - Provides Better Presentation
 - Change in Nature of Operation
 - Required by Ind AS
3. Disclosures are required for changes in Accounting Policy along with its financial effect

F. Frequency of Reporting

1. At least Annually; OR
2. If Reporting Period is > 12 months or < 12 months; then disclose
 - The reporting period; and
 - Fact that CY figures are not comparable with PY figure



G. Accrual Basis

Entities following Ind AS to follow only Accrual Basis of accounting Section 128 of Companies Act, 2013 requires books of Accounts to be prepared as per Accrual Basis

H. Going Concern

Business/Entity will continue in foreseeable future
Entity is required to test whether it is going concern or not.

If entity concludes it is		
Going Concern Entity BUT		NOT a Going Concern Entity
Events or Conditions exist that cast "Material Uncertainty" on Entity's ability as GC but management has taken measures to ensure entity remains GC	Entity is GC without any Material Uncertainty	
Such Material Uncertainty and Management measures to be disclosed in notes to FS	NO Disclosure required	Disclose the fact and Ind AS 105 will be relevant.
If company has been made for a specified period, only disclosure is required.		

I. Restatement and Reclassification

Restatement	Reclassification
In Case of Errors and Changes in Accounting Policy	<p>A. Through OCI or PorL as the case may be</p> <p>B. Reclassification of Asset/Liability/Income/Expenditure</p> <ul style="list-style-type: none"> → If Material corresponding comparatives also to be restated Example → Expense now categorised as finance cost, earlier show under employee benefit → Deposits now shown as loan (as per their nature) <p>C. If, Retrospective Reclassification is impractical</p> <p>Since not determinable with reasonable cost and efforts then disclose that restatement is not made due to impracticality AND</p> <p>D. D. Restate from earliest practical date</p>



3

Disclosure under Ind AS – 1**A. Disclose significant Accounting Policies regarding**

1. Basis of Measurement (Cost/FV)
 2. Other Accounting Policies
- Changes in Accounting Policies {See Consistency}
 - Deviation from Ind AS {See EUS}
 - Significant judgements of Managements {Materiality, Impracticability; Going Concern etc}

B. Disclose any material uncertainty/Estimates involving significant uncertainty to be disclosed providing information on Management Policies

1. Qualitative Aspects of Capital
2. Quantitative Aspects of Capital
3. External imposed restriction on capital and violation of it.

C. Puttable FI {Refer Ind AS – 32}**D. Other Disclosures**

1. Proposed Dividend
2. Arrears of Preference Dividend
3. Other
 - Legal Form + Domicile (Registered at) + Registered Address
 - Holding and Ultimate holding company name
 - Nature of Operation
 - If it has any specified life, then disclose it.

ILLUSTRATION # 20

particulars	₹
Assets	
Non-Current Asset – PPE	65,000
Current Asset	
– Inventories	30,000
– Financial Assets	
(a) Trade Receivables	20,000
(b) Other Assets	10,000
(c) Cash and Cash Equivalent	5,000
	1,30,000
Equity and Liabilities	
Equity	
– Share Capital	60,000
– Other Equity – P/L Account 25,000	25,000
Non-Current Liability	
– 10% loan 35,000	35,000
Current Liabilities	
– Financial Liabilities	



(a) Trade Payables	10,000	
	1,30,000	

Additional Information

- The remaining life of PPE is 5 years. The pattern of use is even. The NRV of PPE as on 31.03.2012 is ₹ 60,000
- The traders purchase and sales in 2011-2012 amounted ₹ 4,00,000 and ₹ 4,50,000 respectively
- The cost and NRV of Inventories as on 31.3.2012 were ₹ 32,000 and ₹40,000 respectively
- Employee benefit expense for the year amounted to ₹ 14,900
- Other asset is written off equally over 4 years
- Trade receivables on 31.03.2012 is ₹ 25,000, of which ₹2000 is doubtful. Collection of another ₹ 4,000 depends on successful re-installation of certain product supplied to the customer
- Cash balance on 31.3.2002 is ₹ 37,100 before deduction of interest paid on loan
- There is an early repayment penalty for loan of ₹ 2,500

Show SPL and BS of the trader in 2 cases

- Assuming going concern is followed
- Assuming going concern is not followed

ILLUSTRATION # 21

Entity A is having inventory amounting ₹ 1,00,000 in total with the details as below

NAME	₹
Spare parts	30,000
Finished goods 25,000	25,000
Work in progress 40,000	40,000
Tools	5,000
	1,00,000

Materiality limit has been assessed ₹ 30,000 based on the management's estimation pertaining to annual profit basis.

What should be the presentation requirement under the Materiality Criteria ?



Some ICAI Illustrations for you my dear CHARTEREDS

ILLUSTRATION # 22

An entity has taken a loan facility from a bank that is to be repaid within a period of 9 months from the end of the reporting period. Prior to the end of the reporting period, the entity and the bank enter into an arrangement, whereby the existing outstanding loan will, unconditionally, roll into the new facility which expires after a period of 5 years.

- How should such loan be classified in the balance sheet of the entity?
- Will the answer be different if the new facility is agreed upon after the end of the reporting period?
- Will the answer to (a) be different if the existing facility is from one bank and the new facility is from another bank?
- Will the answer to (a) be different if the new facility is not yet tied up with the existing bank, but the entity has the potential to refinance the obligation?

ILLUSTRATION # 23

In December 2011 an entity entered into a loan agreement with a bank. The loan is repayable in three equal annual instalments starting from December 2015. One of the loan covenants is that an amount equivalent to the loan amount should be contributed by promoters by March 24 2012, failing which the loan becomes payable on demand. As on March 24, 2012, the entity has not been able to get the promoter's contribution. On March 25, 2012, the entity approached the bank and obtained a grace period upto June 30, 2012 to get the promoter's contribution.

The bank cannot demand immediate repayment during the grace period.

The annual reporting period of the entity ends on March 31, 2012.

- As on March 31, 2012, how should the entity classify the loan?
- Assume that in anticipation that it may not be able to get the promoter's contribution by due date, in February 2012, the entity approached the bank and got the compliance date extended upto June 30, 2012 for getting promoter's contribution. In this case will the loan classification as on March 31, 2012 be different from (a) above?

ILLUSTRATION # 22

Company A has taken a long term loan arrangement from Company B. In the month of December 20X1, there has been a breach of material provision of the arrangement. As a consequence of which the loan becomes payable on demand on March 31, 20X2. In the month of May 20X2, the Company started negotiation with the Company B for not to demand payment as a consequence of the breach. The financial statements were approved for the issue in the month of June 20X2. In the month of July 20X2, both company agreed that the payment will not be demanded immediately as a consequence of breach of material provision.

Advise on the classification of the liability as current / non-current.

ILLUSTRATION # 22

An entity has placed certain deposits with various parties. How the following deposits should be classified, i.e., current or non-current?

- Electricity Deposit



- (b) Tender Deposit/Earnest Money Deposit [EMD]
(c) GST Deposit paid under dispute or GST payment under dispute.

ILLUSTRATION # 26

An entity prepares its financial statements that contain an explicit and unreserved statement of compliance with Ind AS. However, the auditor's report on those financial statements contains a qualification because of disagreement on application of one Accounting Standard. In such case, is it acceptable for the entity to make an explicit and unreserved statement of compliance with Ind AS?

Solution:

Yes, it is possible for an entity to make an unreserved and explicit statement of compliance with Ind AS, even though the auditor's report contains a qualification because of disagreement on application of Accounting Standard(s), as the preparation of financial statements is the prerogative of the management. In case the management has a bonafide reason to believe that it has complied with all Ind AS, it can make an explicit and unreserved statement of compliance with Ind AS.

ILLUSTRATION # 27

Entity XYZ is a large manufacturer of plastic products for the local market. On 1 April 20X6 the newly elected government unexpectedly abolished all import tariffs, including the 40 per cent tariff on all imported plastic products. Many other economic reforms implemented by the new government contributed to the value of the country's currency (CU(2)) appreciating significantly against most other currencies. The currency appreciation severely reduced the competitiveness of the entity's products.

Before 20X6 entity XYZ was profitable. However, because it was unable to compete with low priced imports, entity XYZ reported a loss of CU 4,000 for the year ended 31 March 20X7. At 31 March 20X7, entity XYZ's equity was CU 1,000. Management restructured entity B's operations in the second quarter of 20X7. That restructuring helped reduce losses for the third and fourth quarters to CU 400 and CU 380, respectively.

In January 20X7 the local plastic industry and labour union lobbied government to reinstate tariffs on plastic. On 15 March 20X7, the government announced that it would reintroduce limited plastic import tariffs in 20X8. However, it emphasised that those tariffs would not be as protective as the tariffs enacted by the previous government. In its latest economic forecast, the government predicts a stable currency exchange rate in the short term with a gradual weakening of the jurisdiction's currency in the longer term. Management of entity XYZ undertook a going concern assessment at 31 March 20X7. Management projects/forecasts that imposition of a 10 percent tariff on the import of plastic products would, at current exchange rates, result in entity XYZ returning to profitability. How should the management of entity XYZ disclose the information about the going concern assessment in entity XYZ's 31 March 20X7 annual financial statements?

Solution:

Going concern is a general feature of Presentation of Financial Statements. As per Ind AS 1, when preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties.



An entity is required to disclose the facts, if the financial statements are not prepared on a going concern basis. Along with the reason, as to why the financial statements are not prepared on a going concern basis. While assessing the going concern assumption, an entity is required to take into consideration all factors covering atleast but not limited to 12 months from the end of reporting period.

On the basis of Ind AS 1 and the facts and circumstances of this case, the following disclosure is appropriate:

Extracts from the notes to entity XYZ's 31st March, 20X7 financial statements

Note 1: Basis of preparation

On the basis of management's assessment at 31 March 20X7, the financial statements have been prepared on the going concern basis. However, management's assessment assumes that the government will reintroduce limited plastic import tariffs and that the currency exchange rate will remain constant. On 15 March 20X7, the government announced that limited import tariffs will be imposed in 20X8. However, the government emphasized that the tariff would not be as protective as the 40 percent tariff in effect before 20X7.

Provided that the CU does not strengthen, management projects/forecasts that a 10 percent tariff on all plastic products would result in entity XYZ returning to profitability.

At 31 March 20X7 entity XYZ had net assets of CU1, 000. If import tariffs are not imposed and currency exchange rates remain unchanged, entity XYZ's liabilities could exceed its assets by the end of the third quarter of 20X8. On the basis of their assessment of these factors, management believes that entity XYZ is a going concern.

ILLUSTRATION # 28

Is offsetting of revenue against expenses, permissible in case of a company acting as an agent and having sub-agents, where commission is paid to sub-agents from the commission received as an agent?

Solution:

On the basis of the above, net presentation in the given case would not be appropriate, as it would not reflect substance of the transaction and would detract from the ability of users to understand the transaction. The commission received by the company as an agent is the gross revenue of the company. The amount of commission paid by it to the sub-agent should be considered as an expense and should not be offset against commission earned by it.

ILLUSTRATION # 29

Inventory or trade receivables of X Ltd. are normally realised in 15 months. How should X Ltd. classify such inventory/trade receivables: current or non-current if these are expected to be realised within 15 months?

Solution:

These should be classified as current

ILLUSTRATION # 30

B Ltd. produces aircrafts. The length of time between first purchasing raw materials to make the aircrafts and the date the company completes the production and delivery is 9 months. The company receives payment for the aircrafts 7 months after the delivery.

- What is the length of operating cycle?
- How should it treat its inventory and debtors?

**Solution:**

- (a) The length of the operating cycle will be 16 months.
- (b) Assuming the inventory and debtors will be realised within normal operating cycle, i.e., 16 months, both the inventory as well as debtors should be classified as current.

ILLUSTRATION # 31

Entity A has two different businesses, real estate and manufacture of passenger vehicles. With respect to the real estate business, the entity constructs residential apartments for customers and the normal operating cycle is three to four years. With respect to the business of manufacture of passenger vehicles, normal operating cycle is 15 months. Under such circumstance where an entity has different operating cycles for different types of businesses, how classification into current and non-current be made?

Solution:

As per Ind AS 1, an asset should be classified as current if an entity expects to realise the same, or intends to sell or consume it in its normal operating cycle. Similarly, as per paragraph 69(a) of Ind AS 1, a liability should be classified as current if an entity expects to settle the liability in its normal operating cycle. In this situation, where businesses have different operating cycles, classification of asset/liability as current/non-current would be in relation to the normal operating cycle that is relevant to that particular asset/liability. It is advisable to disclose the normal operating cycles relevant to different types of businesses for better understanding.

ILLUSTRATION # 32

An entity develops tools for customers and this normally takes a period of around 2 years for completion. The material is supplied by the customer and hence the entity only renders a service. For this, the entity receives payments upfront and credits the amount so received to "Income Received in Advance". How should this "Income Received in Advance" be classified, i.e., current or non-current?

Solution:

Ind AS 1 provides "Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. An entity classifies such operating items as current liabilities even if they are due to be settled more than twelve months after the reporting period."

In accordance with the above, income received in advance would be classified as current liability since it is a part of the working capital, which the entity expects to earn within its normal operating cycle.

ILLUSTRATION # 32

An entity manufactures passenger vehicles. The time between purchasing of underlying raw materials to manufacture the passenger vehicles and the date the entity completes the production and delivers to its customers is 11 months. Customers settle the dues after a period of 8 months from the date of sale.

- (a) Will the inventory and the trade receivables be current in nature?
- (b) Assuming that the production time was say 15 months and the time lag between the date of sale and collection from customers is 13 months, will the answer be different?



Solution:

Inventory and debtors need to be classified in accordance with the requirement of Ind AS 1, which provides that an asset shall be classified as current if an entity expects to realise the same, or intends to sell or consume it in its normal operating cycle.

(a) In this case, time lag between the purchase of inventory and its realisation into cash is 19 months [11 months + 8 months]. Both inventory and the debtors would be classified as current if the entity expects to realise these assets in its normal operating cycle.

(b) No, the answer will be the same as the classification of debtors and inventory depends on the expectation of the entity to realise the same in the normal operating cycle. In this case, time lag between the purchase of inventory and its realisation into cash is 28 months [15 months + 13 months]. Both inventory and debtors would be classified as current if the entity expects to realise these assets in the normal operating cycle.

ILLUSTRATION # 29

Mike Ltd. has undertaken following various transactions in the financial year ended 31.03.2018:

(a)	Re-measurement of defined benefit plans	1,54,200
(b)	Current Service Cost	1,05,000
(c)	Changes in revaluation surplus	75,000
(d)	Gains and losses arising from translating the monetary assets in foreign currency	45,000
(e)	Gains and losses arising from translating the financial statements of a foreign operation	39,000
(f)	Gains and losses arising from investments in equity instruments designated at fair value through other comprehensive income	60,000
(g)	Income Tax Expense	21,000
(h)	Share based Payments	2,01,000

Identify & present the transactions in the financial statements as per Ind AS 1

Solution:

Items impacting the Statement of Profit and Loss for the year ended 31st March, 2018

(a)	Current Service Cost	1,05,000
(b)	Gains and losses arising from translating the monetary assets in foreign currency	45,000
(c)	Income Tax Expense	21,000
(d)	Share based Payments	2,01,000

Items impacting the other comprehensive income for the year ended 31st March, 2018

(a)	Re-measurement of defined benefit plans	1,54,200
(b)	Changes in revaluation surplus	75,000
(c)	Gains and losses arising from translating the financial statements of a foreign operation	39,000
(d)	Gains and losses arising from investments in equity instruments designated at fair value through other comprehensive income	60,000



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