



श्री अरुण शर्मा  
श्री अरुण शर्मा:  
श्री अरुण शर्मा



## Chapter-1

### F.R. Fundamentals.

**Definition** :- It is a subject dealing with Reporting of financial Transaction of Corporate entities as per standards prescribed in India through FIS.

#1 Corporate entities :- ownership of any Organisation through Share Capital

↓  
Classified as per regulatory authorities

J.S.C.

Banking Co.

Ins.Co.

NBFC

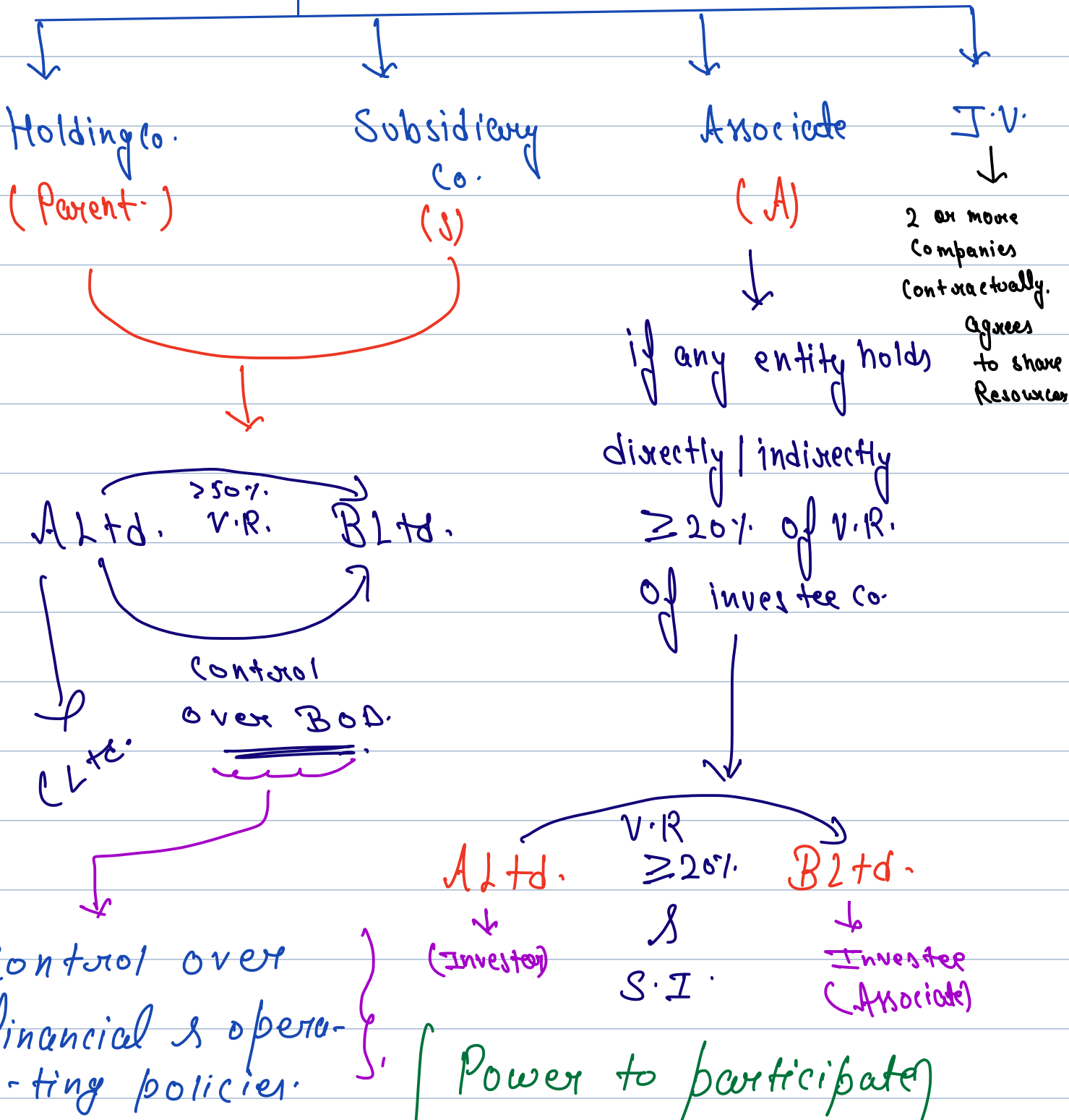


Ind AS N.A.



Refer below

further classified into





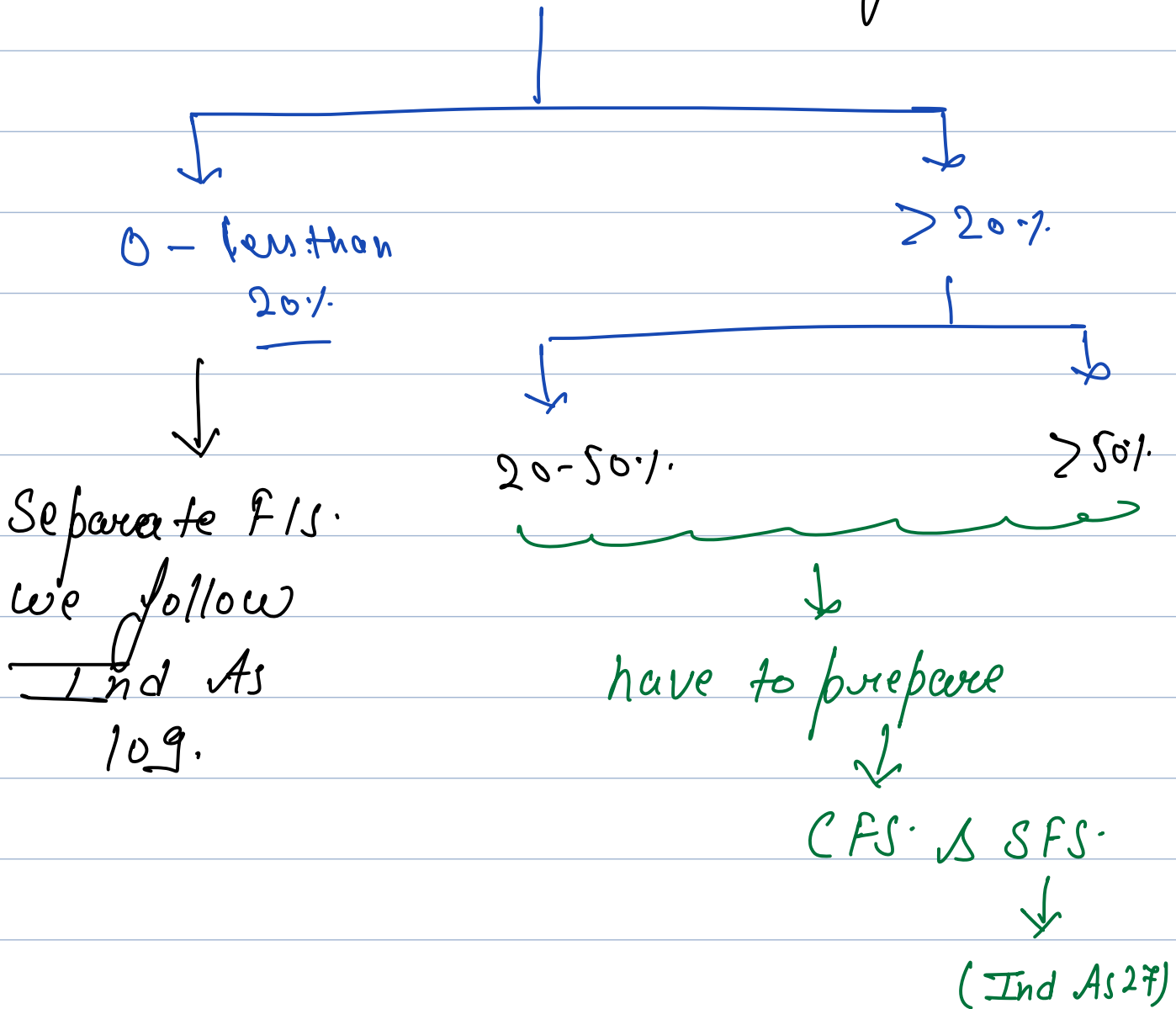
# in financial & operating policies



eg →

HD Ltd.

Investment in E. Sh. of B Ltd.



NBFC :- a cash management & financing Co.

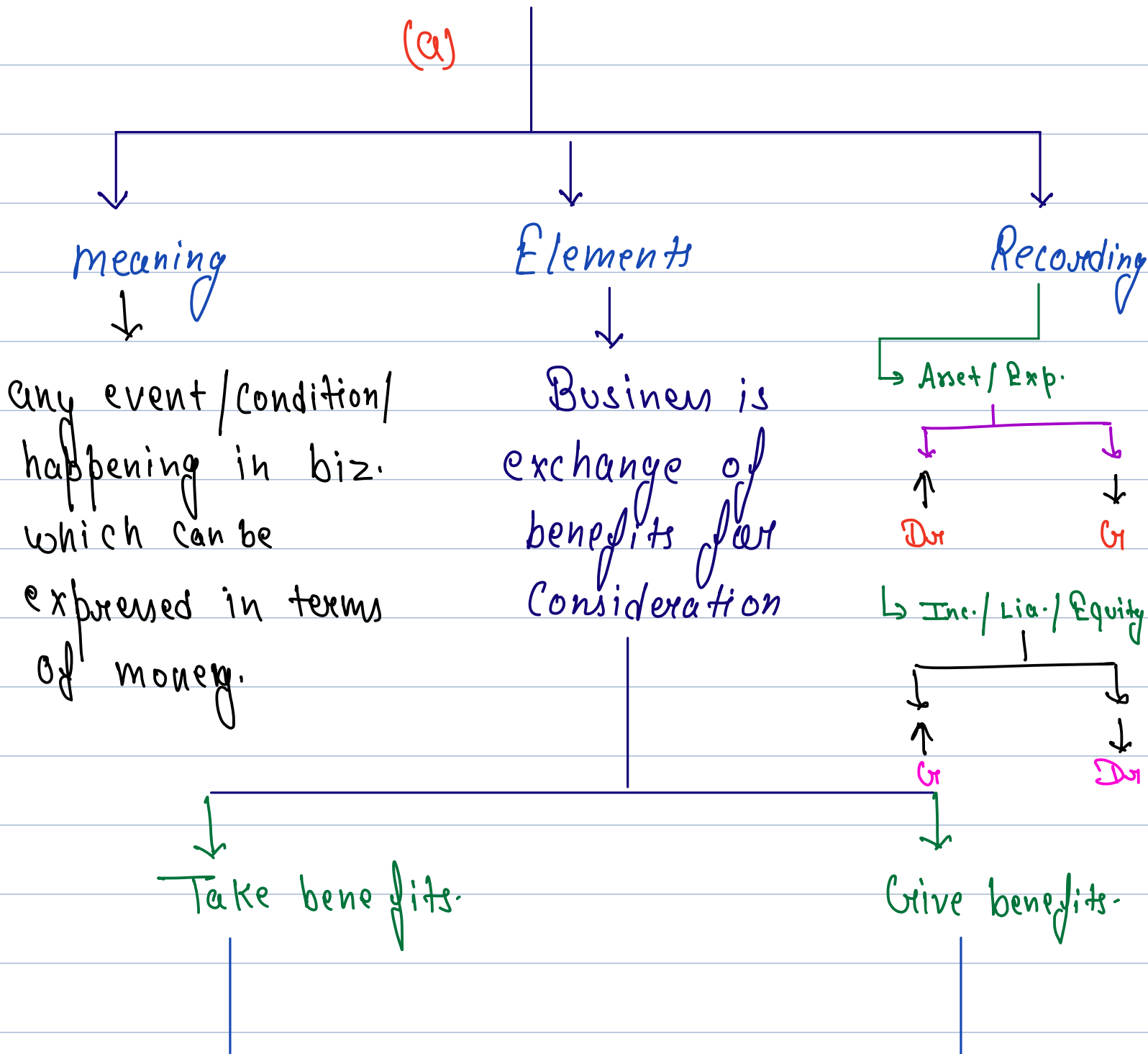


- ↳ Chit fund.
- ↳ Asset mgmt Co.
- ↳ Nidhi Co.
- ↳ mutual benefit Co.
- ↳ Core invt. Co.



## #2 Financial Transaction

(a)



Dr

Resources

Cr

Obligation

benefits gets exhausted before R.D.

Expense

benefits gets exhausted beyond R.D.

Asset

benefit given before R.D.

income

benefit yet to be given till R.D.

Liability

→ Decrease in Economic benefit during the year

→ Outflow of cash

→ Depletion of Asset.

→ decrease in Equity

→ Resources

→ Controlled

by entity

→ life > 1 yr

→ increase

in Economic

benefit during the year.

→ increase in asset

→ decrease in Liability.

→ present

Obligation

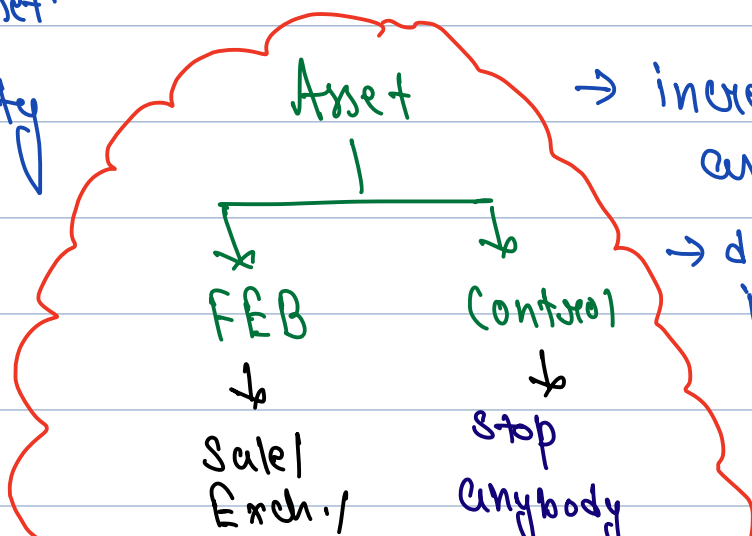
settle-ent

will result

in outflow

of Resour

cor





Leave from using it.

**Equity** :- Residual interest.  
Net Assets.  
money left after all liabilities paid.

eg → Started Biz. with Cash ₹1000

Cash Dr 1000

To Capital

1000

↓  
Biz.

→ if today liq. goes on we may pay more than/less than ₹1000 to Owner.

Ind AS pronouncements.

So.

insight :- Ind AS 32

Any Contract which is to be settled in future by issue of fixed no. of equity shares is treated as equity.



## (b) Flow of every Transaction

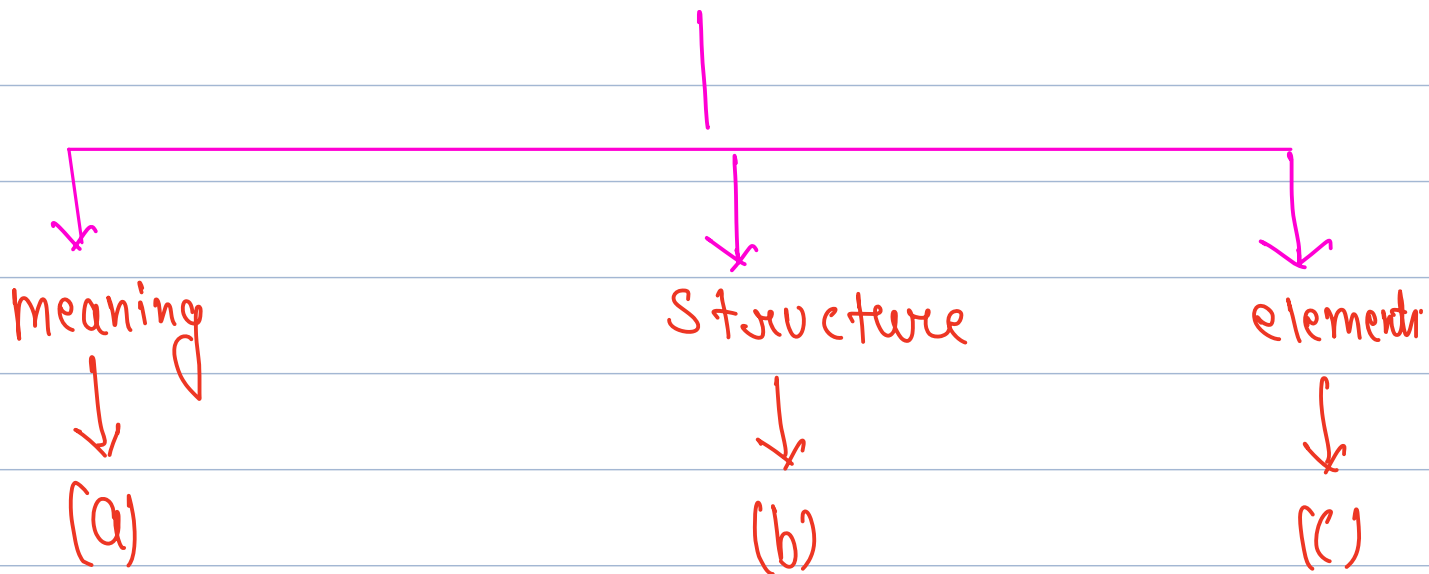
measurement  $\Rightarrow$  amount.

Recognition Criteria  $\Rightarrow$  I/E/A/L

Recognition  $\Rightarrow$  JIE

Presentation  $\Rightarrow$  FIS.

## #3 Financial statements.



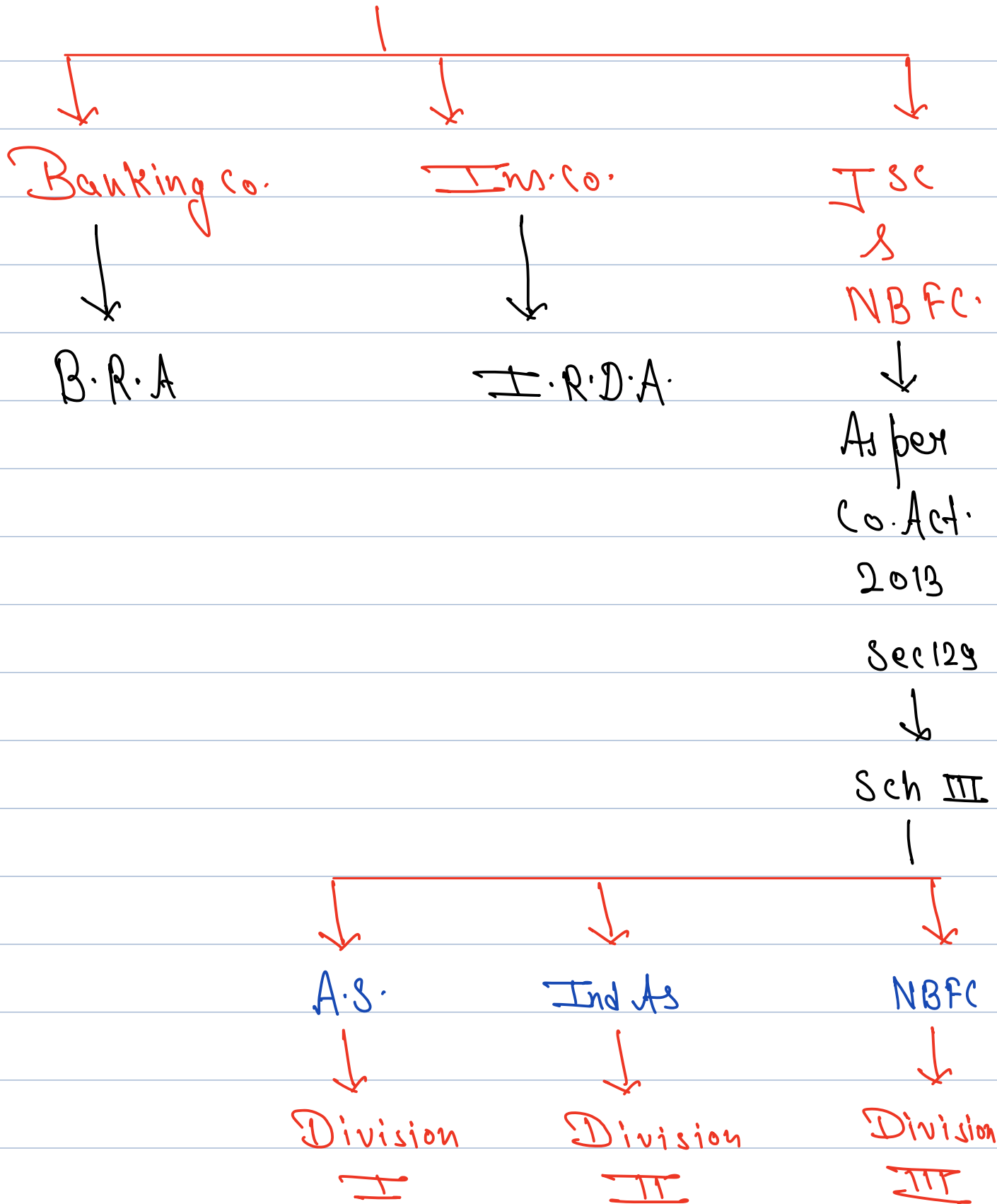
(a) FIS are formal format of financial activities & financial position of business transaction of an entity in structured systematic format.

(b)

## Structure



In India, structure of firms are given by various authorities mentioned below:





↓  
CA Inter

↓  
Final CA.



## Note

i) Flow of authority

I Law

II Ind AS

III sch III

ii) Ind AS overrides sch III

iii) when Ind AS has option where one option is in line with sch III & other option contradicts with sch III then follow the former

c) Elements of FIS.

As per sch III, Div II

A) General information

B) Part I - BIS ASOCIATE

Part II - S.O.PIL



## c) Consolidated f/s.

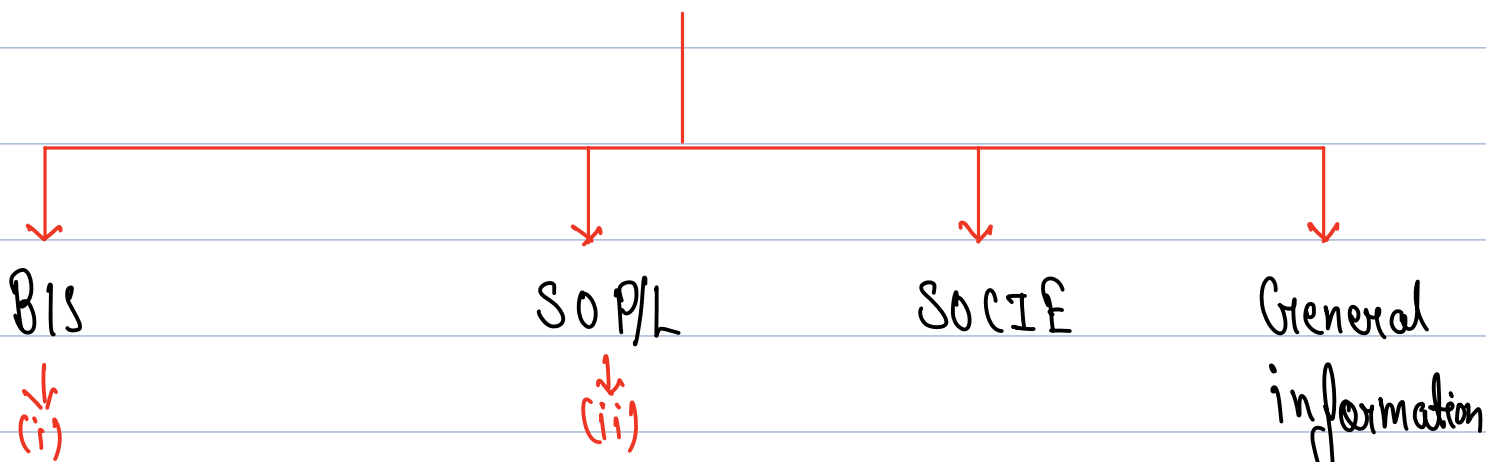


generally we say f/s consists of

- i) BIS. (C.Y. & P.Y.)  
(sometimes op. BIS of P.Y. as per Ind As)
- ii) S.O.P12
- iii) SOCIE
- iv) Cash flow statement (Ind As 7)
- v) Notes to acc.

## ↳ Rounding off.

if  $\text{H/O} \geq 100$  Cr then only rounding off in Crs else in thousands, lakhs or millions.

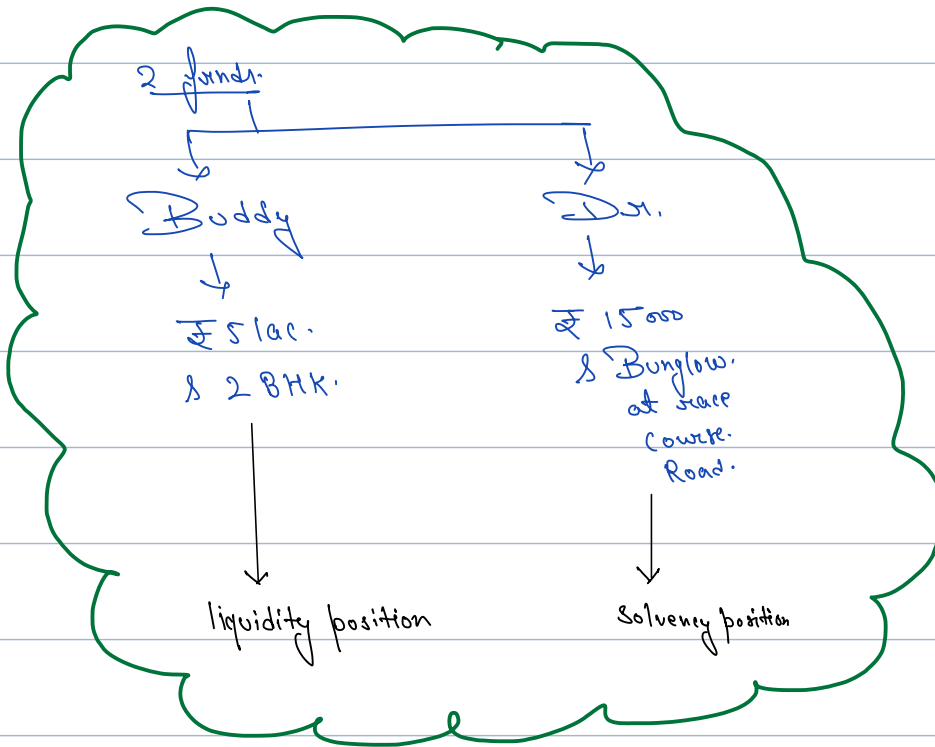




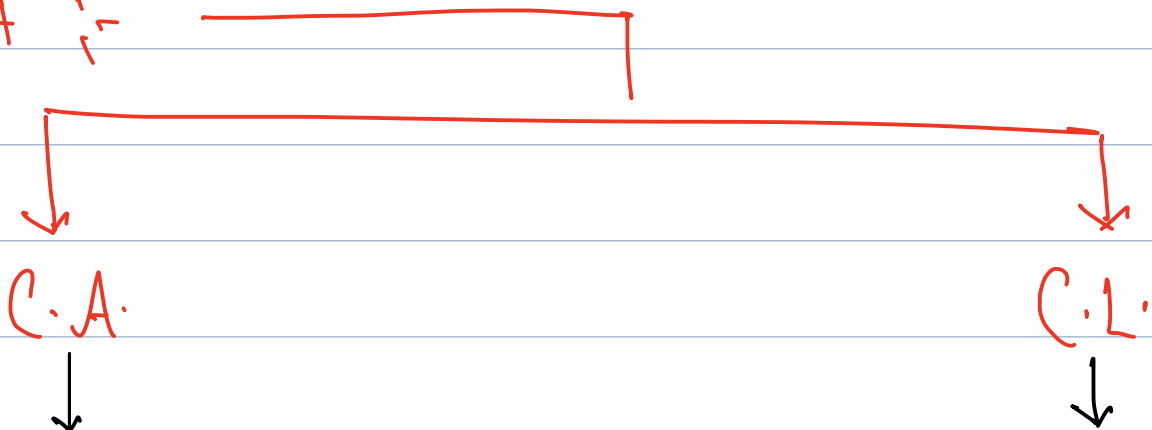
(i) BLS :- In BLS ALL are classified as Current & Non Current.



↓  
Those which are not current.



Current :-



i) Expected to be realised in cash. Or intended to be sold Or

i) Expected to be realised within

Consumed within entity  
normal operating cycle or  
12 m from Rep. date  
whichever is later.

or

ii) Asset held for sale in  
Ordinary Course of Business.

All inventories except  
spare parts which are  
to be consumed in >12m  
↓  
PPE

or

iii) Assets expected to be realized  
within 12m from R.D. incl.  
NCA. held for sale.

or

iv) Cash & cash equivalent.  
(Realisable within 3m  
unless it is used for  
payments within 12m from  
R.D.)

eg → Repatriation Restriction;

12m or entity  
Op. cycle.

whichever is later

or

ii) Primary held for  
Trading.

eg → Derivative F.I.

or

iii) Due to be settled  
within 12m  
from R.D.

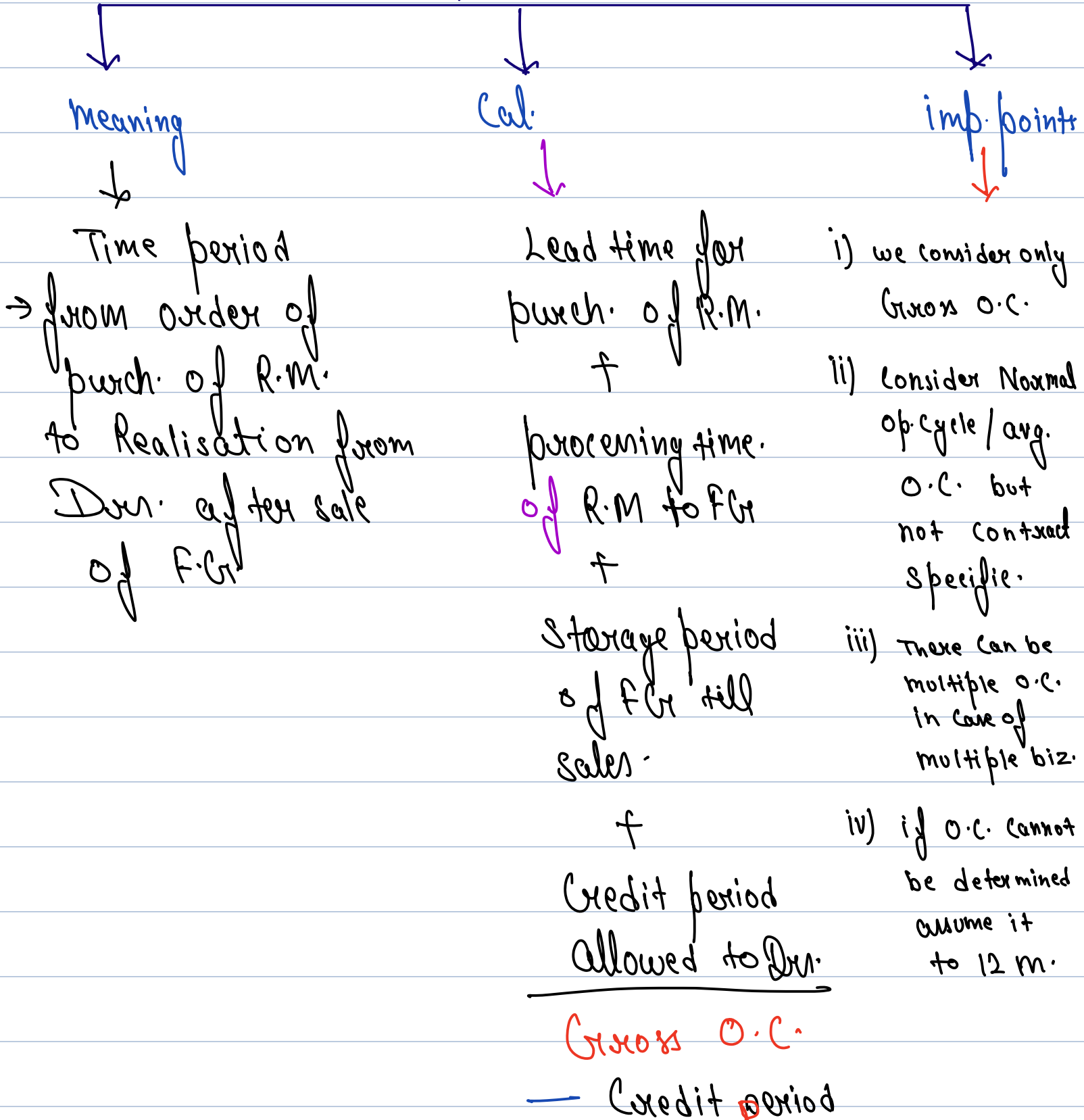
↳ Due date is  
certain

↳ Liability cannot  
be deferred.  
for settlement  
beyond 12m  
by entity itself.

# Dividend.



## Operating Cycle :-



**ILLUSTRATION # 2**

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	C.A.	NCA

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	NCA	NCA

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

C.A. Since advance for R.M. will be converted into R.M. after 6 months.

Intention to sale in ordinary course of B/B

4.

Cases	Particulars	Classification
1.	OC = 12 months ✓	C.A.
2.	OC = 15 months	C.A.
3.	OC = 18 months	C.A.

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
i) Exp. O.C. > 12 M. (15m) > 12m

7.



need. from Gov.

Net O.C.



# Ind As.

## #4 Emergence of global Standards

History :- 1970s.

- UK, Germany,
- France, Canada
- Ireland, US,
- Australia
- Mexico, neth.
- exlands

Common financial language for Reporting.

IASC formed.

issue IAS 1, 2, .... 41

Recommendatory in nature

1977

ICAI

ASB

issues A.S.

Recommended.

1983

IOSCO

International organisation of Securities Commission

world primary forum for sec. Regulators

(Just like SEBI of world)

India is a member

goals like mandatory reporting of fis.

In 2000

IASB formed.

Started issuing

IFRS (IFRS 1, 2, 3)

it adapted IAS also.

till then they were till 41

{ IAS 1....41  
IFRS 1....17 }

In 2002.

In 2006

↓  
All European parliaments.  
Council of ministers

Passed Reg. & adapted  
IFRS.

↓

Till 2005 all  
European countries  
started following  
IFRS

↓  
G20 Summit.

India committed



that we will  
adapt IFRS

but by  
Convergence.

→ MCA notified.

Co. Acting Rules 2006

As 1, 2, 3, 4, 5, 7, 9, 10 ... 29  
↓  
all mandatory.

→ In 2015

↓

MCA Notified.

Co. Ind. Acting std. Rules 2015

↓

Ind As.

Removed few  
accing treatments  
from IFRS.

Curve outs.

Added few  
accing treatments  
to IFRS.

Curve in.

## Curve outs.

Liquidity  
Based BIS

IAS allows  
it but Ind AS  
does not allowed  
it.

DTA/DTL

IAS  
Classifies  
it as C/NC  
But Ind AS  
Classifies it  
as Non

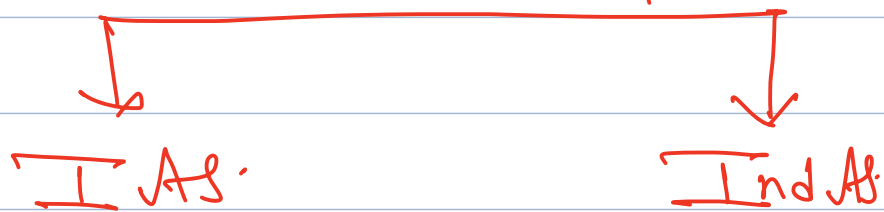
Breach  
of loan

in case  
of long  
term loan  
classified  
it as  
NCL.



C.A / Non CL  
Only.

if there is  
breach  
of TSC  
of loan  
& loan  
becomes  
immediately  
repayable.



↓  
C.L.

if there is renegotiation  
before date of approval  
of f/s & it is not  
repayable now. i.e.

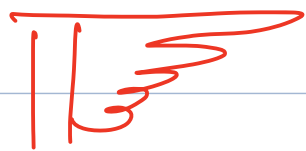
< 12m then

↓  
Consider it as  
NCL.

else C.L.

### ILLUSTRATION # 3

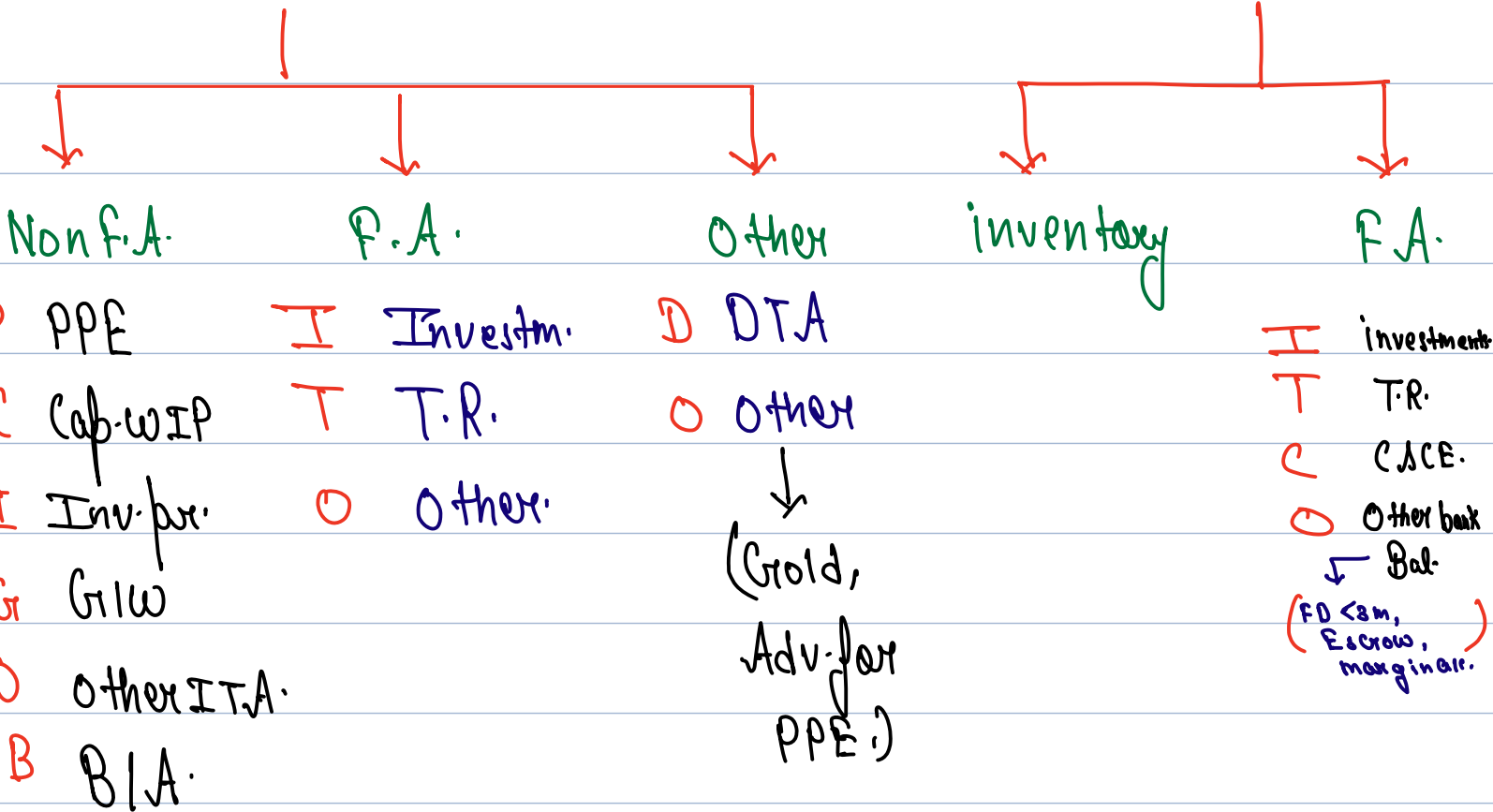
	Case – 1	Case – 2	Case – 3	Case – 4
LOAN	Jan	Jan	Jan	Jan
Conditions to be fulfilled	Feb	Feb	Feb	Feb
Material breach	Yes	yes	yes	No#
Balance sheet date	Repayable	Repayable	Not Repayable Immediately	Not Repayable Immediately
Renegotiations	April*	June*	March*	NO
FS approved on	May	May	May	May
Classification on BS date				
→ IND AS	NCL	C.L.	NCL	NCL.
→ IAS	C.L.	C.L.	NCL	NCL
* 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				

 Classification of Asset

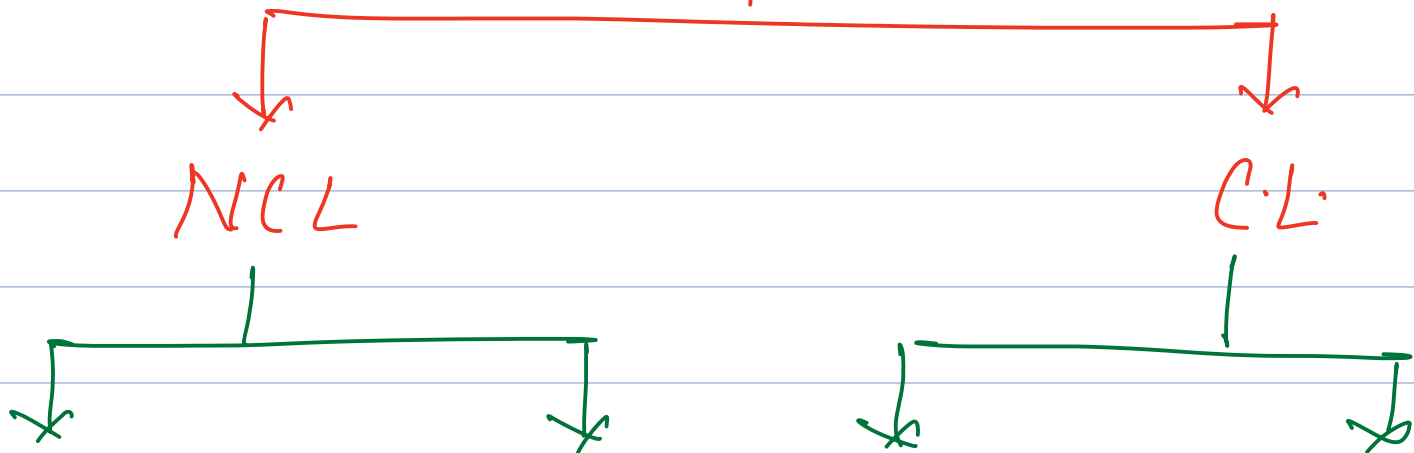


Non C.A.

C.A.



## Classification of Liability



F.L.

Non FL

F.L.

Non FL



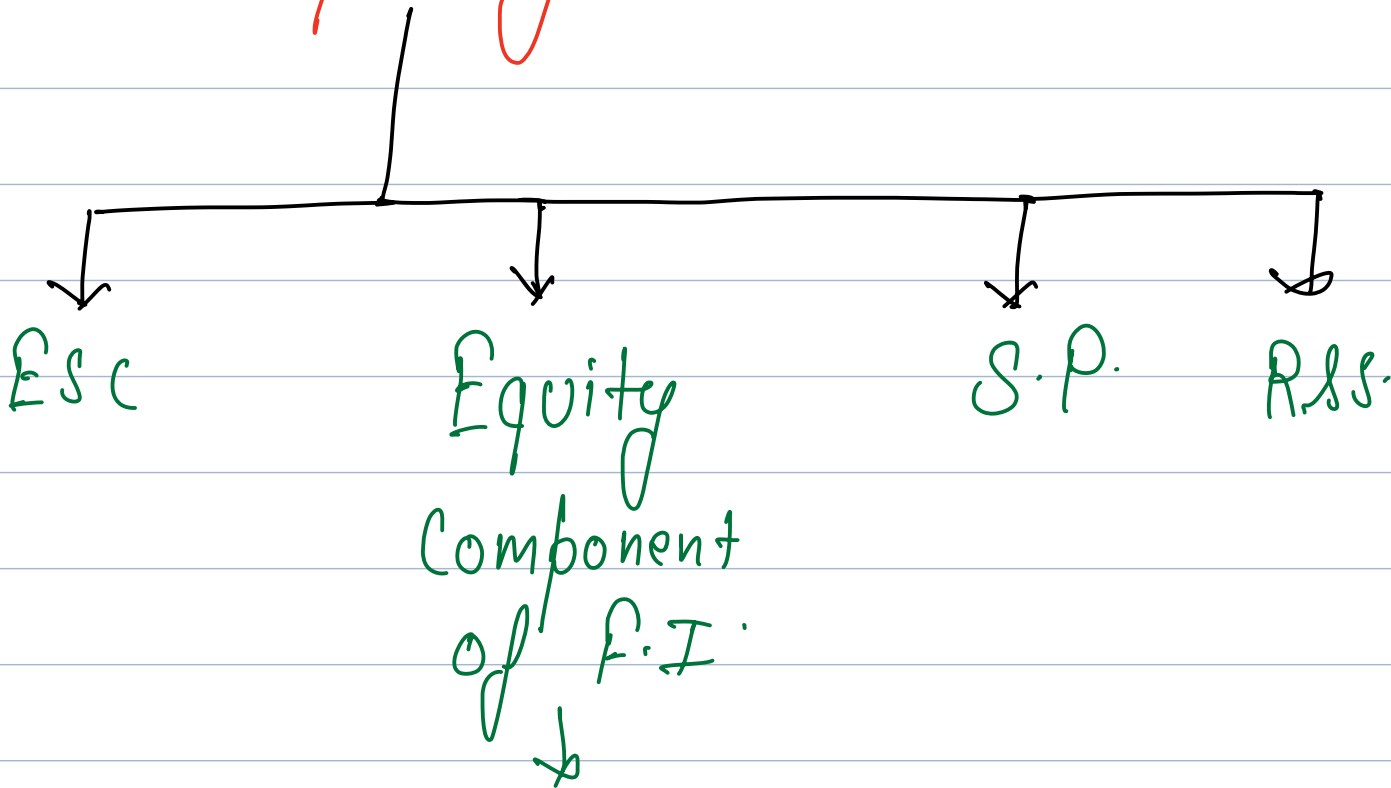
B Borrowing  
 T TIP  
 O Others

P Provision  
 D DT2  
 O Other Noncl.

B Borrowing  
 T TIP  
 O Other

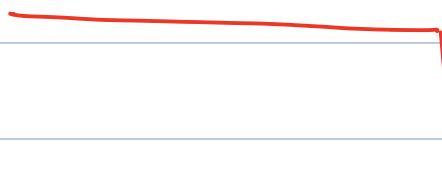
P Prov  
 O Othercl.

# III Equity & O.E.



(contracts to be settled by issue of own equity)

(ii) SPL





## P/L (a)

## O.C.I (b)

### income

- i) R.F.O.
- ii) O.I.
- iii) gain from reclassification of O.C.I

### Expense

- i) R.M.C.
- ii) purchase of S.I.T.
- iii)  $\Delta$  in stock
- iv) E.B.E.
- v) Dep & Amor.
- vi) impairment.
- vii) finance cost.
- viii) other exps.

### Exceptional

we will cover it in Ind AS

- i) Decline in value of inventory
- ii) Litigation & settlement exps.
- iii) Reversal of prov
- iv) profit from sale of invt (L.T.)
- v) profit on sale of PPE

Refer notes below.

Other Comprehensive income



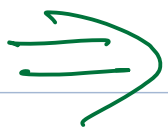
i) These are those gains/losses which does not form part of P/L.



ii) These are generally non operating & non cash.

iii) These gain / losses in OCI may be transferred to P/L if realised

iv) when these items are transferred to P/L on realisation than they are called **Reclassifiable** else **Non Reclassifiable**.



profit from P/L + profit from OCI



To get comprehensive income.

SOCIETY



Equity.

Equity  
Component  
of F.I.



O.E.

Sh. appl<sup>n</sup>  
money  
pending  
allotment.

Share  
warrants.

OCI

Total

eg →

MP = 120

if u give ₹ 5 today  
Co. will give u ESH

after 3 years @ 120  
N.V. = ₹ 10

→ Bank Dr ₹ 5  
To SW ₹ 5

After 3 years.

MP > 120

MP ≤ 120



exercise.

S.W. Dr 5  
Bank Dr 120

To P.S.C 10  
To S.P. 115

↓  
O.E.

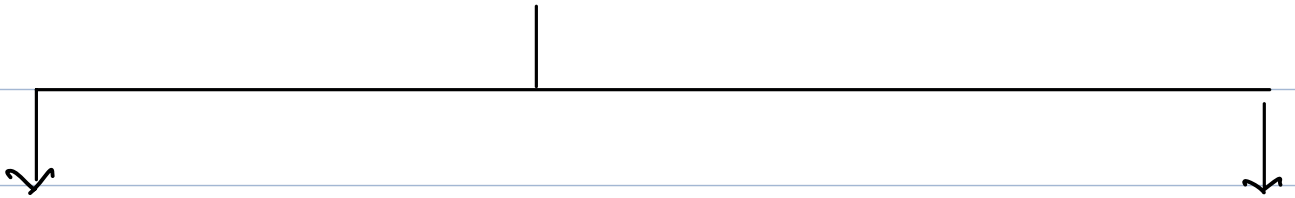


not exercise.  
- cir.



S.W. Dr 5  
To P.L 5

## # 5 Standards.



Meanings



These are set of

↳ Rules

↳ principles

↳ procedures

that helps in a/cing  
of a/cing policies &  
practices.

Set of stds  
in India.



India has 2 sets of  
Standards as per.



Co. A.S.  
Rules (2006)



Co. Ind.  
A.S. Rules  
(2015)



generally standard deals with

- a) scope
- b) measurement
- c) Recognition
- d) Presentation
- e) disclosure

Co. not covered under Roadmap.

Co. will follow A.S.

Co. covered Under Roadmap

Co. will follow Ind AS

## (A) Ind AS

Introduction

why

IS IND AS & IFRS Same

→ Ind AS are converged IFRS standards.

→ So that our FIs are in tune with IFRS

No, Ind AS are in tune with IFRS.

→ Ind AS are issued by C.G. of India under supervision & control of A.S.B. of ICAI in India & in consultation with NFRA.

→ So that our FIs can be analysed globally

eg →  
IAS 1    INDAS 1  
2        2  
7        7

→ to attract foreign

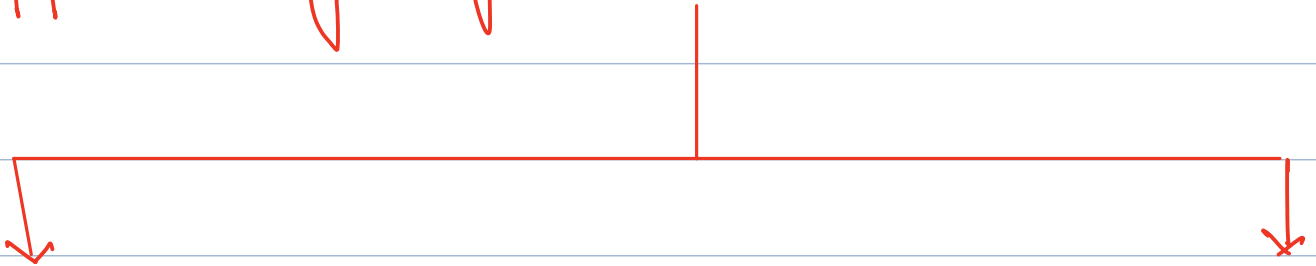


investor.

8	8
...	...
40	40
41	41
IFRS 1	101
2	102
3	103
...	...
...	...
17	116
...	...

Diff. b/w  
Ind As & IFRS  
↓  
Curve ins &  
Curve out.

## (B) Applicability of Ind As & Roadmap.



Mandatory

- 1) banks
  - 2) ins. Co.
  - 3) NBFC
- It is deferred till further notice.

Voluntary

Voluntary adaption is allowed from 1-4-15 But only for J.S.C.

Phase I → 1-4-18 → N.W.



$\geq 500$  Cos. or  
listed.

N.W. to be checked  
for NBFC  $\rightarrow$  31-3-16



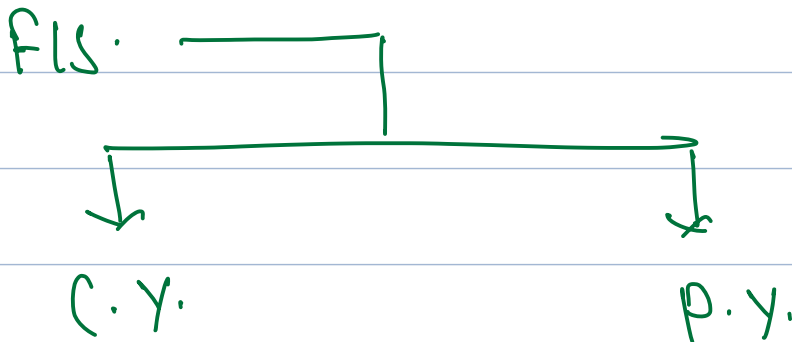
Phase II  $\Rightarrow$  1-4-19  $\rightarrow$  N.W.  
 $\geq 250$  Cos or  
listed.

A) J.S.C.  $\rightarrow$

Phase I  $\rightarrow$  1-4-16

N.W.  $\geq 500$  Cos

or H, S, A, JIV of  
above.



$\rightarrow$  1-4-16 to 31-3-17

Comparative.

$\rightarrow$  1-4-15 to 31-3-16

$\rightarrow$  op. BIS as on 1-4-15

So Transition date  $\Rightarrow$  1-4-15.

$\Rightarrow$  N.W. would be checked on  $\Rightarrow$  31-3-14.

Phase II 1-4-17.

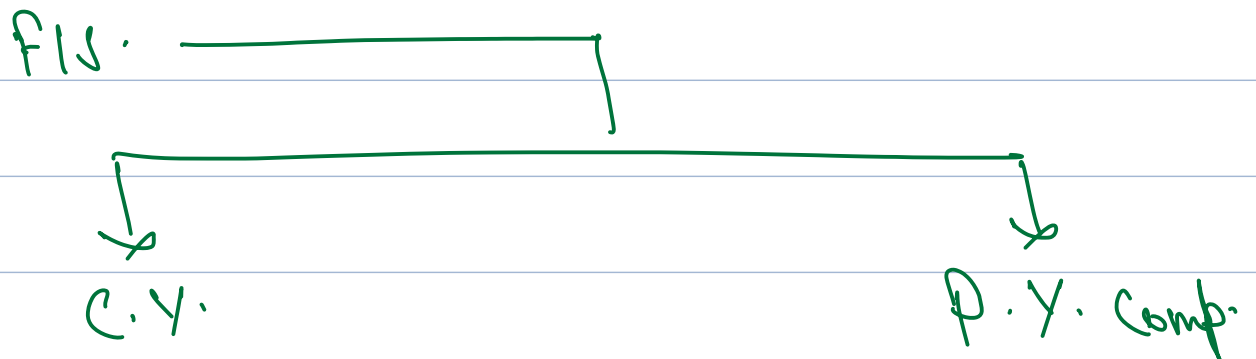


applicable if.

N.W.  $\geq$  250 Cr or more &

listed. or

H/S/A/JV of above.



1-4-17 to 31-3-18.

→ 1-4-16 to 31-3-17

→ op. BIS as on  
1-4-16

→ Transition date ⇒ 1-4-16

→ N.W. to be checked on 31-3-17

N.W. → Refer pg. 15 of textbook.

Listed / to be listed → process started during  
C.Y.

↓  
at beg. of year.

## Note-1 :- Suppose



i) Co. listed at the beginning of year & got delisted before year ends.

Applicable.

ii) Process of listing started during year but delisted before year ends.

N.A.

iii) Can pvt Co. be listed.

Yes, its debt can be listed.

iv) if Ind As is applicable to parent then by default it is applicable to its S/A/J.V. & vice versa.

## Note-2 Situations.

i) a Co. adapted Ind As from 1-4-24 for its a/cing period 2024-25.



Hence.

Ist Ind As FIS  $\rightarrow$  1-4-24 to 31-3-25  
P.Y. Comp.  $\rightarrow$  1-4-23 to 31-3-24 ✓  
T.D.  $\rightarrow$  1-4-23. ✓

Ind As shall be effective  $\rightarrow$  31-3-25

ii) Co. N.W. threshold crossed 1st time on 31-3-17 as per FIS.

Hence.

Ist Ind As FIS  $\rightarrow$  1-4-17 to 31-3-18  
P.Y. Comp.  $\rightarrow$  1-4-16 to 31-3-17  
T.D.  $\rightarrow$  1-4-16

iii) N.W. of Co. Devi Unlisted  $\rightarrow$  600 Crs on 31-3-14. However due to loss in F.Y. 14-15 N.W. of Co. was 400 Crs on 31-3-15.

$\hookrightarrow$  Applicable from Ist phase  $\rightarrow$  F.Y. 16-17

if above case was reversed.  
 $\hookrightarrow$  N.W. on 31-3-14  $\rightarrow$  400 Crs.

↳ N.W. on 31-3-15 → 600 cr.



↳ Applicable from 1st phase → F.Y. 16-17

iv) Co. A (Unlisted) with N.W. 600 cr on 31-3-14.  
Co. B (Unlisted) (Subsidiary of A) with  
N.W. of 600 cr on 31-3-14.

Co. C (Unlisted) (Subs. of B) with  
N.W. of 150 cr on 31-3-14.

Sol<sup>n</sup>

A App. since parent.

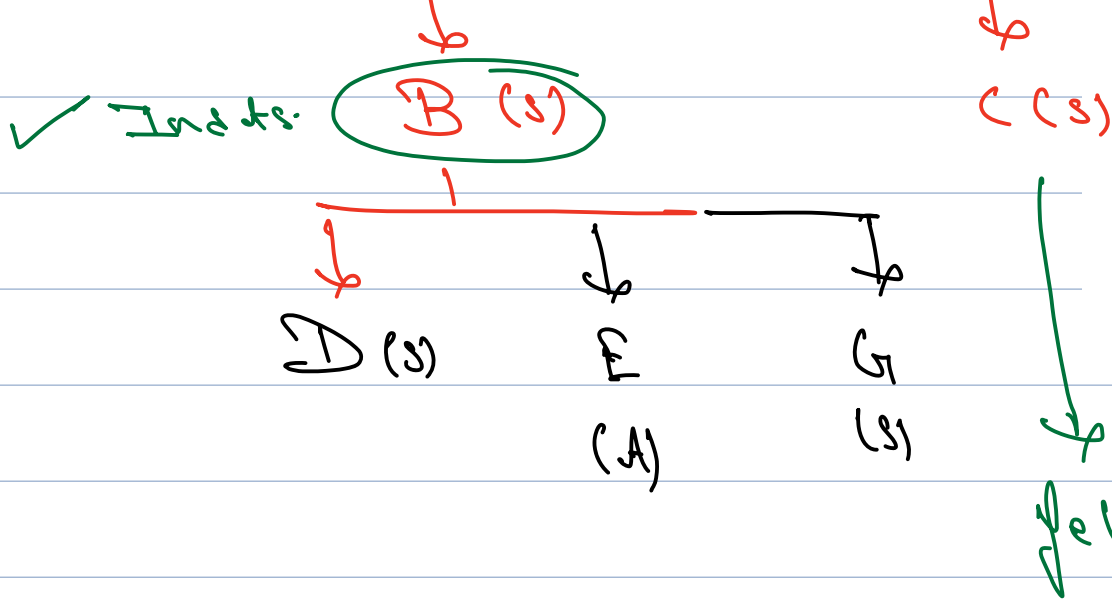
B → ∴ 600 cr N.W.

C App. since sub.

v)

A (H)

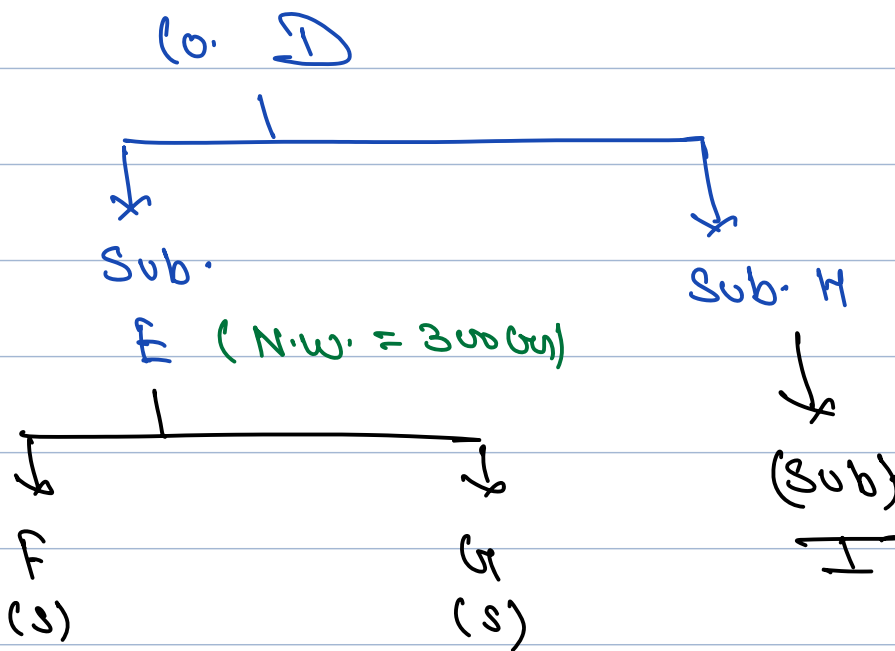




Ind As app ✓ → B, D, E, G & A.

ii N.A x → C due to yellow subsidiary.

vii)



N.W. of all Co. < 250 Cr. as on 1-4-23

Ind As applicable to

E ⇒ ∴ threshold limit.

F & G ⇒ ∴ S of E

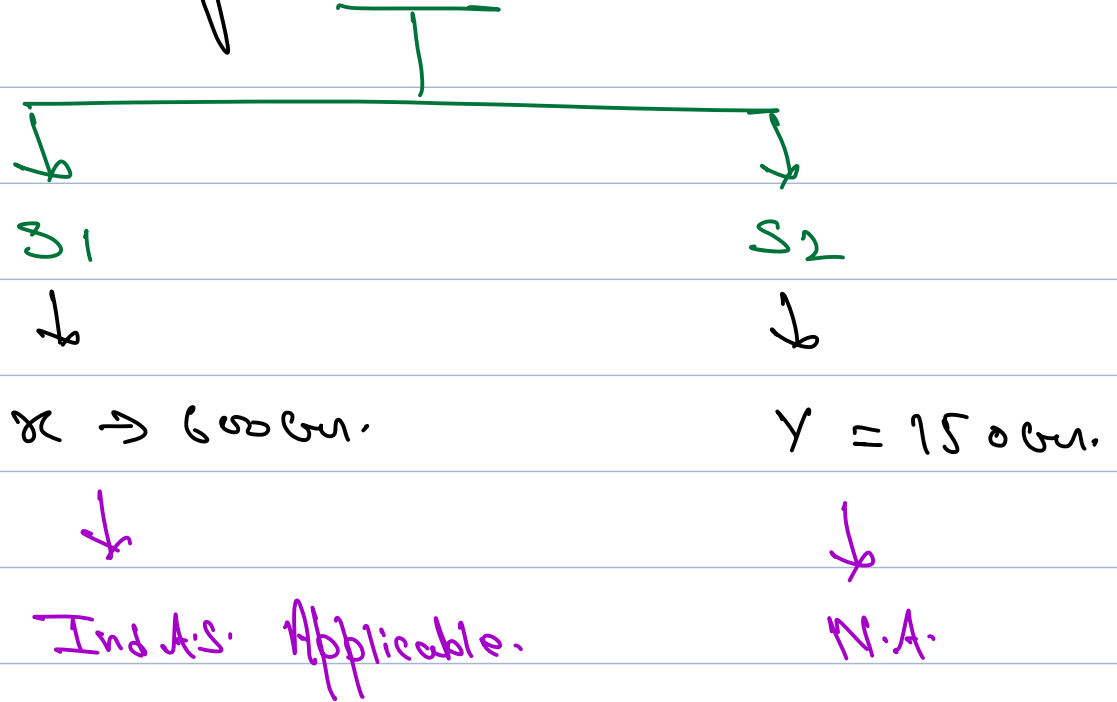
D ⇒ ∴ H/P of E



$H \Rightarrow N.A. \because$  it is fellow subsidiary.  
 $H \Rightarrow N.A. \because$  it is sub. of fellow subsidiary.



(vii) ABC incorporated in foreign country has N.W. of 700 Cr. on 31-3-14.



→ if ABC Ltd. was Indian Co.

then Ind AS will be applicable to all Co.

**ILLUSTRATION # 4**

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

Yes.  
No

What if in above case company was NBFC?

**ILLUSTRATION # 5**

Will the following companies with negative net worth need to comply with Ind AS?

Company A (listed) having negative net worth of ₹ 600 crore.

Yes.

Company B (unlisted) having negative net worth of ₹ 300 crore

N.A.

(viii)



Co. (Ind AS ✓)



Bank. (S)

↓  
A.S. ✓

for Consolidation  
↓

Bank will give  
its data to its  
P Co. as per  
Ind AS.



(ix)

Bank Co. (A.S. ✓)



S1

(Ind AS ✓)

S1 will give its  
data to its  
P Co. as per  
previous Igaap  
i.e. A.S. ✓

→ H.W.

**ILLUSTRATION # 6**

Company B is a listed entity covered is 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?

## ILLUSTRATION # 7

## ICAI STUDY MAT ILLUSTRATION 1

Following is a snapshot of audited balance sheet of company A as on 31<sup>st</sup> march 2014. Company A's equity shares are listed on Bombay Stock Exchange since 2010

Liabilities	Amount	Assets	Amount
Equity share Capital	160 ✓	Fixed Assets	455
Securities Premium	200 ✓	Investments	200
General Reserves	150 ✓	Current Assets	50
Revaluation Reserve	40	Miscellaneous Expenditure not written off	80 ✓
Profit and Loss A/C	75 ✓		
Liabilities	160		
Total	785	Total	785

As per roadmap, which Phase company A fall into ?

Will your answer change if Company A is an unlisted company ?

Sol<sup>n</sup>:- Net worth =  $160 + 200 + 150 + 75 - 80$   
 $= 505$

∴ N.W. Crossed three hold Limit

∴ ~~IND AS~~ will be applicable from phase II.

No our answer will remain same if Co. is unlisted Co.

## ILLUSTRATION # 8

## ICAI STUDY MAT ILLUSTRATION 2

Let's say in illustration 7 the balance of profit and loss account is negative Rs. 375 crores. When Ind AS should be applicable to Company A? Will you change if company A is an unlisted Company?

Sol<sup>n</sup>:- Net worth =  $160 + 200 + 150 - 375 - 80$   
 $= 55$

if Co. mpany A is Listed → IND AS is

applicable



If Co. A. is unlisted  $\rightarrow$  IND is N.A.

**ILLUSTRATION # 9**

**ICAI STUDY MAT ILLUSTRATION 3**

The net worth of Company B (an unlisted company) was 600 crores as on 31st March 2014 However due to losses incurred in FY 14-15, the net worth of the company was 400 Crores as on 31 March 2015 From when company B shall apply Ind AS?

Sol<sup>n</sup> :-

	31-3-14	31-3-15	31-3-16.
	600 Crs	400 Crs.	

1-4-2016 Ind As will be applicable.  
As Co. net worth was more than 500  
Crs as on cut off date. So Ind As  
will be applicable from phase 1.

**ILLUSTRATION # 10**

**ICAI STUDY MAT ILLUSTRATION 4**

The net worth of Company C (an unlisted company) was 400 crores as on 31 March 2014 However, the net worth of the company was 600 Crores as on 31 March 2015. From when company B shall apply ind AS?

Sol<sup>n</sup> :-

	31-3-14.	31-3-15
	400 Crs	600 Crs.

Company C being unlisted company will  
have apply Ind As from phase I i.e. from  
1-4-2016 onwards as it crossed the  
threshold limit of ₹ 500 Crs or more in



last day of preceding financial year of comparative of A's.



**ILLUSTRATION # 11**

**ICAI STUDY MAT ILLUSTRATION 5**

Company A is the parent company of a group Company A is an unlisted company having net worth of 60 crores as on 31 March 2014 Following are the other companies of the group

Name of the company	Relationship	Net worth as on 31 March 2014
Company B (Unlisted)	Subsidiary of Company A	600 Crore
Company C (Unlisted)	Subsidiary of Company B	150 Crore

Whether Ind AS be applicable to companies A, B and C?

Sol<sup>n</sup> :-  
A → 60 Cr. ✓  
B → 600 Cr. ✓ ✓  
C → 150 Cr. ✓

H/S/JV/A. to also follow Ind As.  
but any banking / Ins / NBFC will not follow it until Ind As applies to them. and in this case Company B whose Net worth crossed 500 Cr, hence it will be covered under phase I.

Also Ind As will be applicable to other companies of group i.e. Co. A & Co. C. irrespective of Net worth criteria.

As per the roadmap, Ind AS is applicable to Company X from the financial year 2017-18. Company X (non-finance company) is a subsidiary of Company Y (NBFC). Company Y is an unlisted NBFC company having net worth of 400 crores. What will be the date of applicability of Ind AS for company X and company Y? If Ind AS applicability date for parent NBFC is different from the applicability date of corporate subsidiary, then, how will the consolidated financial statements of parent NBFC be prepared?

Co. Y. (NBFC) (H)  $\Rightarrow$  400 Cr.



Co. X (IND AS)

if in any Co. Ind AS is applicable then its t/s/IV/A. to also follow Ind AS.

but any banking/Ins/NBFC will not follow it until Ind AS applies to them. and

Ind AS gets applicable on NBFC under phase I from 1-4-2019. hence in the

given Ind AS will be applied to Comp. Y from 1-4-2019 as it is holding Co. of Company X on which Ind AS is applicable from 1-4-17.

For Consolidation purpose Co. Y will prepare its individual f/s for years 2017-18, 2018-19 as per A.S. 21.



# (X) How A.S. Drafted by ICAI



ASB → Draft of A.S.

Setting up of  
ICAI established in 1977

exposure for public comments

Approved draft.

ASB recommend the draft to NFRA

no ties

either

A.S.

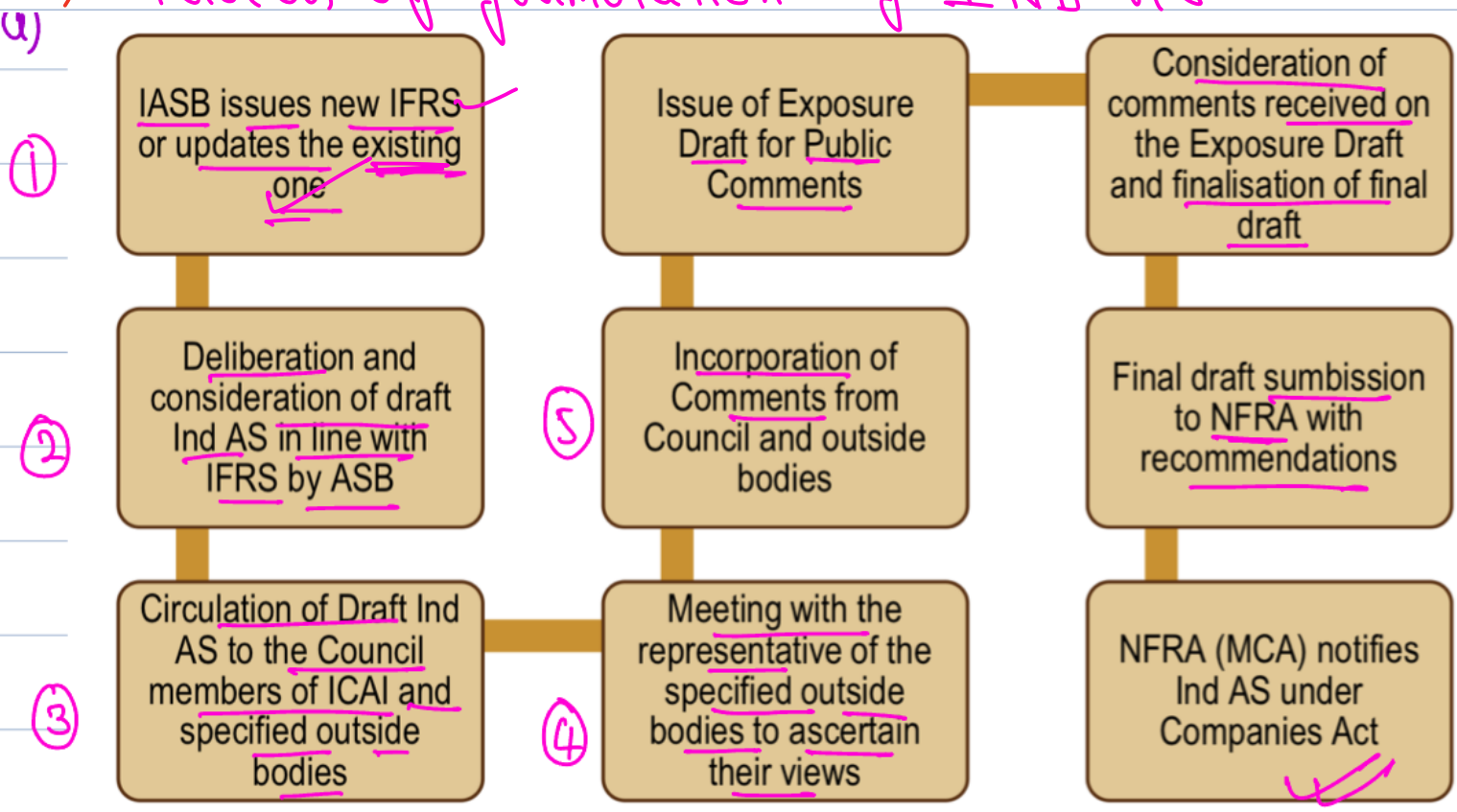
{ Corporate  
& Non Corporate }

Ind As.

{ only for  
Corporate }

# (xi) Indian Scenario prior to Ind AS.

xii) Process of formulation of IND A.S.



- IASB issues updates on IFRS
- ASB considered & prepared Draft for Updates in IND AS.
- Circulate draft to Council members.
- meeting with Rep. of bodies.
- incorp. comments of Council & body
- Draft open for public comments.

→ incour. comm. of public.



→ Final Draft to NFRA.

→ NFRA notified

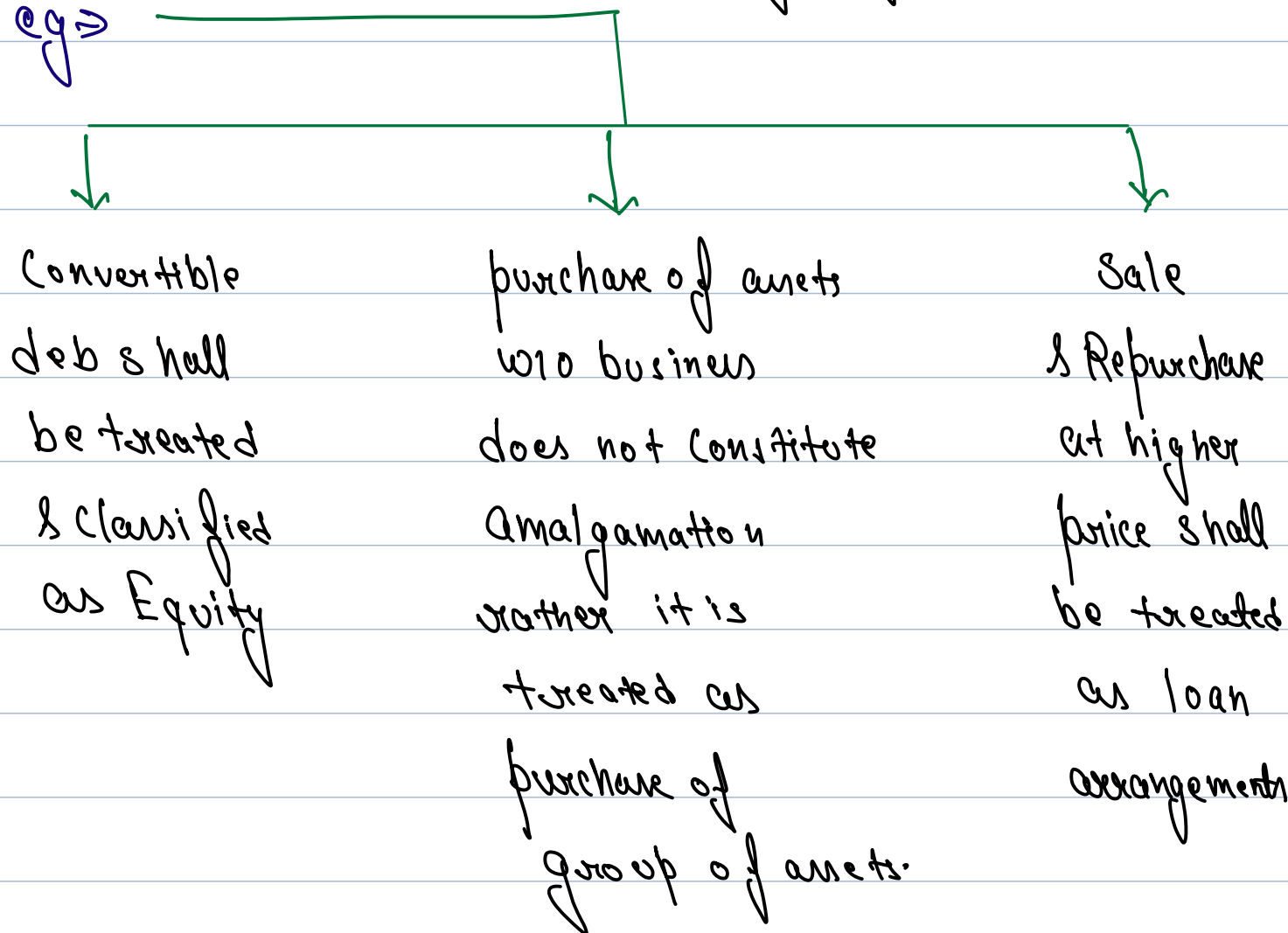


## #6 Fundamentals of IND AS.

### 1) Substance over form

it means Substance (Reality) of transactions would prevail over its legal form.

eg →



## 2) Fair Value Pricing



It is defined under Ind AS 113



Note → Active market means where lot of buyers & sellers

Note :- 1) All Assets are recorded @ F.V.



bearing few exceptions which are discussed in Respective Ind As.



## I. AS PER IND AS

I.R.

S.R.

ASSET	INITIAL RECOGNITION	REPORTING DATE MEASUREMENT
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 ✓ (12)	Accounting value	Accounting value

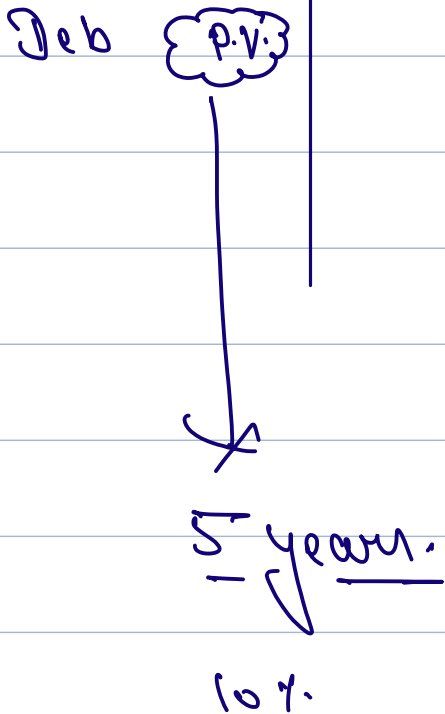
2)  $FV \neq FV - T.P.$

3) Sometimes FV is calculated as per respective Ind As.

4) FV of liability = Exit price.

3) Concept of PV & Unwinding.

if any liability is settled or if any asset is to be realised in future after a fixed determinable manner



Rate of Int. = 10%

$$A = P \left( 1 + \frac{R}{100} \right)^n$$

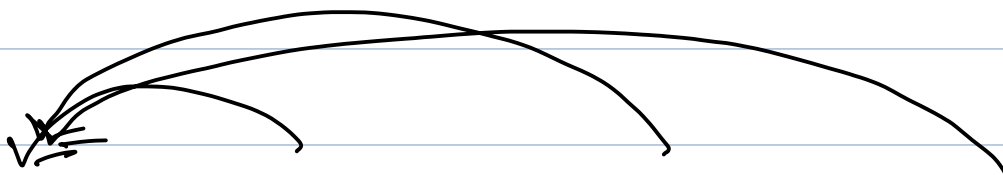
(i)

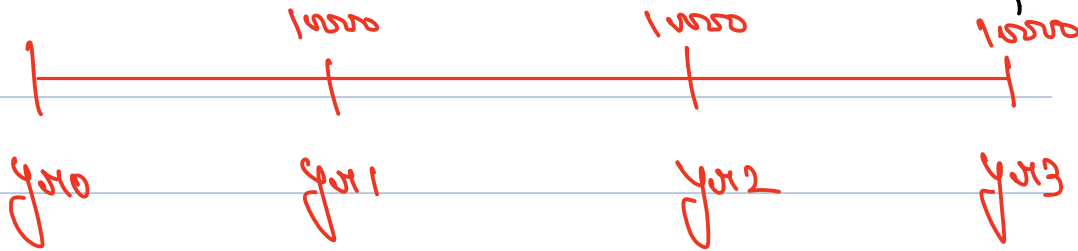
P.V. ↓  
PVA

→ if  $R = 10\%$  then  $i = \frac{10}{100}$

Suppose.

A loan is repaid in 3 equal annual installments of ₹10000 each, R.O.I. = 10%.





Amount of loan = PV of all installments.  
 Cash of loan method



Yr.	Inst.	PVf.	PV
1	10000	0.9091	9091
2	10000	0.8264	8264
3	10000	0.7513	7513
loan =			<u>24868</u>

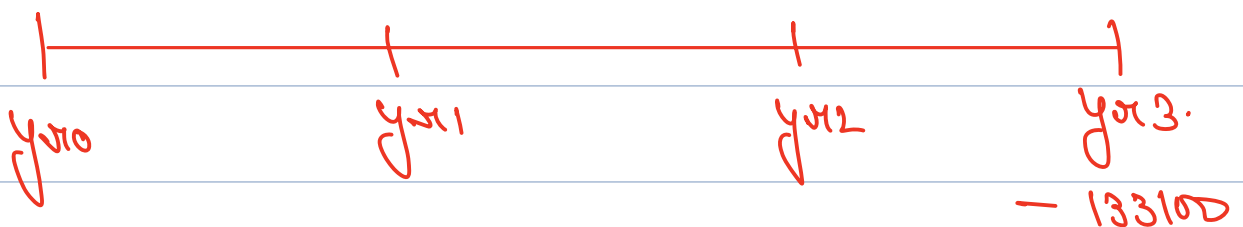
$$\begin{aligned} \text{loan} &= \text{Inst} \times \text{PVAf.} \\ &= 10000 \times 2.4869 \\ &= \underline{\underline{24869}} \end{aligned}$$

### ILLUSTRATION # 14

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

Sol<sup>n</sup>

Step 1 loan amount



loan amount.

$$\begin{aligned}
 &= 133100 \times PV_f (10\% \text{ for } 3 \text{ yrs}) \\
 &= 133100 \times 0.7513 \\
 &= 100000
 \end{aligned}$$



## Step 2 L A T

year (a)	op. bal. (b)	+ Int @ 10% (c)	- Int. (d)	= cl. bal. (b+c-d)
1	100000	10000	0	110000
2	110000	11000	0	121000
3	121000	12100	133100	0

## Step 3 Pricing

Year Bank Dr 100000  
To F.L. 100000

Year 1 Int (PIL) Dr 10000  
To FL 10000

Year 2 Int (PIL) Dr 11000  
To FL 11000

Year 3 Int (PIL) Dr 12100  
To FL 12100

FL Dr 133100

To Bank 133100

Unwinding  
of Int.

BIS → FIL = 11000

BIS → FIL → 12100

BIS → 0





$$115000 = 12000 \times PVA_f (x\%, 3 \text{ years}) + 100000 \times PV_f (x\%, 3^{\text{rd}} \text{ year})$$



Using T & E method.

$$\text{Let } x = 10\%$$

$$\Rightarrow 12000 \times (10\%, 3 \text{ years}) + 1L \times (10\%, 3^{\text{rd}})$$

$$\Rightarrow 12000 \times 2.4868 + 100000 \times 0.7513$$

$$\Rightarrow 104972$$

We want PV to be 115000

but it is 104972

$\therefore$  We need to  $\uparrow$  PV  $\therefore$   $\downarrow$  in ROI

$$\text{Let } x = 6\%$$

$$= 12000 \times 2.6730 + 100000 \times 0.8396$$

$$= 116038$$

Using Interpolation method

$$\Rightarrow \text{L.R.} + \frac{HV - RV}{HV - LV} \times \Delta \text{ in ROI} \quad (\text{H.R.} - \text{L.R.})$$

$$\Rightarrow 6\% + \frac{116038 - 115000}{116038 - 104972} \times 4$$



⇒ 6.38%



Step 3 L.A.T.

yr.	op. bal.	Int @ 6.38%	Install.	cl. bal.
1	115000	7337	12000	110337
2	110337	7040	12000	105377
3	105377	6623	112000	0

Bif.

Step 4 a/cing.

yr 0	Inv in Deb Dr	115000	
	To Bank		115000

	yr 1	yr 2	yr 3
Inv in Deb	7337	7040	6623
To Int (PIL)	7337	7040	6623

Bank Dr	12000	12000	12000
To invt.	12000	12000	12000

Bank Dr	—	—	100000
---------	---	---	--------

To invt in Deb.

105377



B/S  $\Rightarrow$  Invt in Deb

110337

105377

0

(A) OCI

$\hookrightarrow$  already covered in SOP12

Refer page 21 of textbook.

<b>c) Other comprehensive Income (OCI)</b>	
i) Items that <u>cannot be reclassified in P/L in subsequent years</u>	<b>NR</b>
$\rightarrow$ Revaluation reserve	
$\rightarrow$ Measurement loss/gain on Actuary	
$\rightarrow$ Fair value changes on investment in equity	
$\rightarrow$ 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)	<b>R.</b>
$\rightarrow$ Fair value changes in Investment in debts	
$\rightarrow$ Cash flow hedge reserve	
$\rightarrow$ Exchange difference in foreign operation	
$\rightarrow$ Share of profits in JV	
$\rightarrow$ Others	
Tax effects on OCI	
Total comprehensive Income	

Accounting for changes in F.V. through P/L OR OCI.

### ILLUSTRATION # 16

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

CA FOUNDATION | CA INTERMEDIATE | CA FINAL

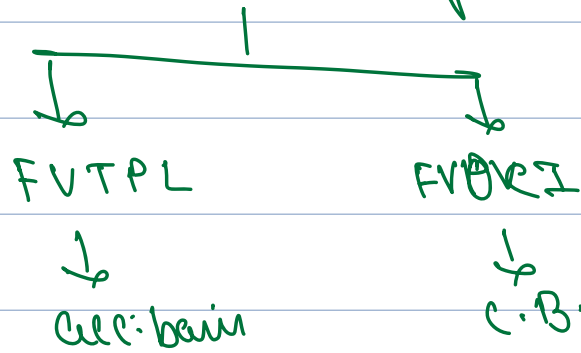
Date	Particulars	FVTPL	FVOCI(R)	FVOCI(NR)
1-3-18	purch.	Invnt Dr 100 To CIB 100	Invnt 100 To CIB 100	Invnt 100 To CIB 100
31-3-18	F.V. change	Invnt Dr 6 To P/L 6	Invnt 6 To OCI 6	Invnt 6 To OCI 6
30-4-18	Sold	CIB Dr 110 To P/L 4 To invnt 106	CIB Dr 110 To Invnt 106 To P/L 4  OCI Dr 6 To P/L 6	CIB Dr 110 To invnt 106 To P/L 4  ₹ 6 OCI bal. will be trsf. to <u>SOCI</u>

OCI (R) is nothing but cash basis of accounting as we



transfer profit to P/L only when it is realised.

its not written anywhere.



HD Logic.

### ILLUSTRATION # 17

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

Sol<sup>n</sup> :-

Yr0 PPE Dr 10000  
To CIB 10000

Yr-3 PPE Dr 4000  
To OCI (NR) 4000

Yr1 Dep. Dr 1000  
To PPE 1000

Yr3 Dep Dr 1500  
To PPE 1500

(  $\frac{12000}{8}$  )

Yr2 Dep. Dr 1000  
To PPE 1000

Yr4 Dep. Dr 1500  
To PPE 1500



Now C.A. = 8000

F.V. = 12000

Rev. Res. 4000

Yr 4 CIB Dr 7000

PIZ Dr 2000 (BIF)

To PPE 9000

∴ OCI (NR) ⇒ ₹ 4000  
will be transf.  
to OCI (R).

5) Reclassification → always prospective effect.

blw equity &  
Liability

blw Cost &  
FV

L to E

E to L

FV to Cost

Cost to FV

C.A. of Liability will  
become C.A. of equity

L. Dr  
To Equity.

then C.A. will remain  
same & FV becomes  
new cost.

then C.A. should  
be F.V. on  
the date of  
Reclassification  
& diff is transf.  
to OCI/PIZ.



then convert equity to Liability  
@ F.V. of liability &  
diff. shall be adj. in  
Res. (O.E.) or P/L.



Equity Dr  
O/E/P/L Dr.  
To L.

## 6) Retrospective Restatement.

As per IND AS, if there is R.O.E. or  $\Delta$  in  
accounting policy then, IND AS requires Co.  
to restate (Revise) previous years Op. bal.  
of A/L/E. instead of accounting for diff. due  
to Retrospective  $\Delta$  in C.Y.

### ILLUSTRATION # 19

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 ✓

Error is 3 years int. income on F.D. was  
not acted i.e. ₹ 10,000 x 3 years = 30,000 of



years 15-16, 16-17, 17-18.

∴ 30000 acc. int. income should be  
added in C.Y. 2018-19. apart from  
recording C.Y. income.



As per AS-5

a) Journal.

Acc. int. Dr 40000  
To Int. 40000

b) SPL.

Particulars	18-19	17-18
-------------	-------	-------

Incomes

O.I.	10000.	
------	--------	--

Exps.

PBT	<u>xxx</u>	
-----	------------	--

+ PPI (AS-5)	30000	
--------------	-------	--

c) BIS.

Assets.	18-19	17-18
---------	-------	-------

Acc. int.	40000	
-----------	-------	--

# 113 As per IIND AS.



## a) Journal.

Acc. Int. Dr	30000	
To Int. (17-18)		10000
To R. E. (15-16, 16-17)		20000

## b) SPL

Particulars	18-19	17-18
Interest Inc.	10000	10000

## c) BIS.

Asset.	31-3-19	31-3-18	1-4-17
Acc. int.	40000	30000	20000

## Liabilities.

### O.E.

R. Earnin.	xxx	↑ 30000	↑ 20000
------------	-----	---------	---------

## d) SOCI E.

	18-19	17-18
Op. Bal.	↑ 30000	xxx



+ Restated.

Rev.  
+ C.Y. profit.

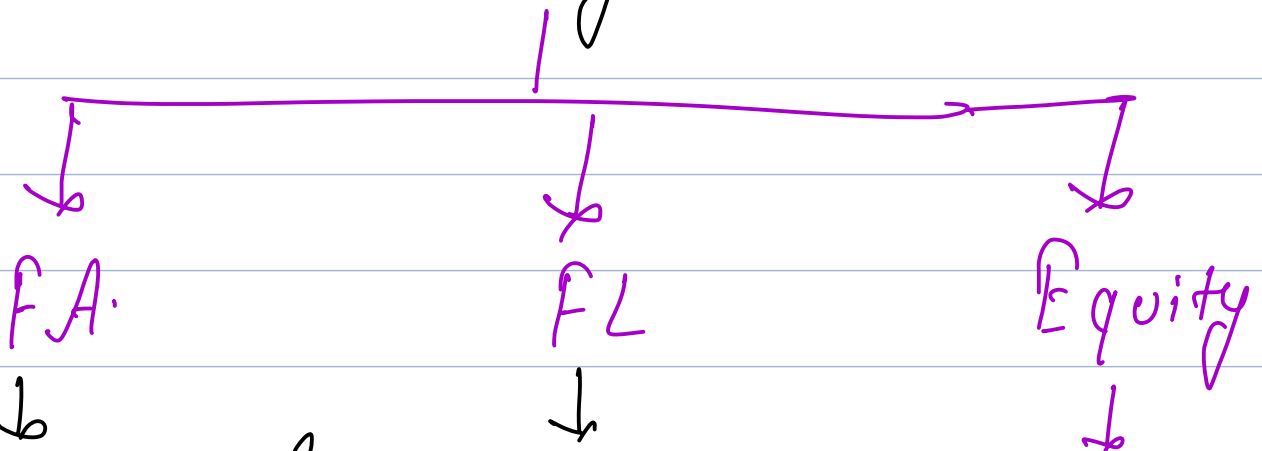
—	<u>+20000</u>
<u>30000</u>	20000
<u>+10000</u>	<u>+10000</u>
<u>40000</u> ✓	<u>30000</u>



## 7) Financial Instrument



is a contract which gives rise to F/A for one entity & F/L / Equity to other entity.



any contractual asset which gives right to receive cash. or Equity sh.

eg → cash, inv. in eq. sh. etc.

Contractual obligation to pay cash or other F.A.

Residual int.

will discuss later in detail under Ind AS 32, 109.



## 8) Impairment

↳ decrease in value of asset.  
(Other than dep. & Rev.)

↓  
defined in Ind AS 36

if  $R.A. < C.A.$

then  $C.A. - R.A. = I.L.$

R.A. is higher of.

a) FV LCD

OR

b) VIU

### Journal.

R.R.  
P/L

Dr.  
Dr

} imp. loss

To Asset.

113 will discuss in details under Ind As 36

### ILLUSTRATION # 20

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

Sol<sup>n</sup> :-

C.A. 27.3

(₹ in lacs)

R.A. 12

I.L. 15.3

RR. Dr 14

PIL Dr 1.3

To Anet 15.3

Revised c.A. = 12 lacs

$$\text{Dep.} = \frac{12}{3} = ₹ 4 \text{ lacs.}$$

g) Deferored Tax { in detail we will discuss under }  
IND As 12 Income taxer.

→ Tax on diff. b/w.

Carrying profit

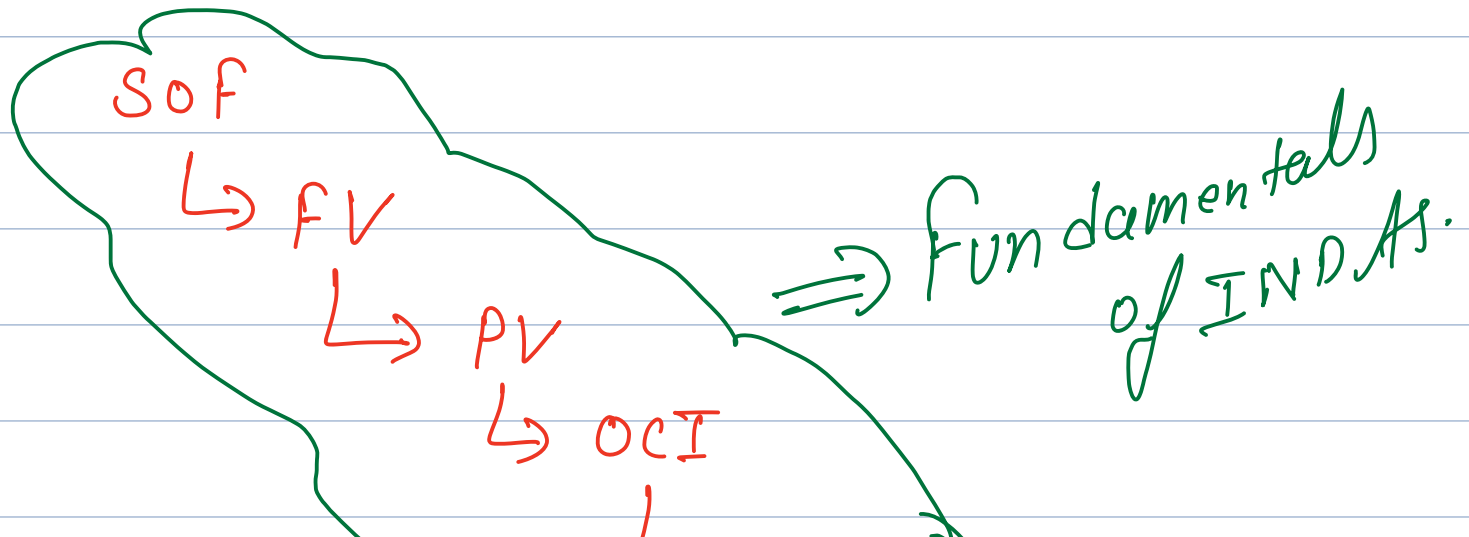
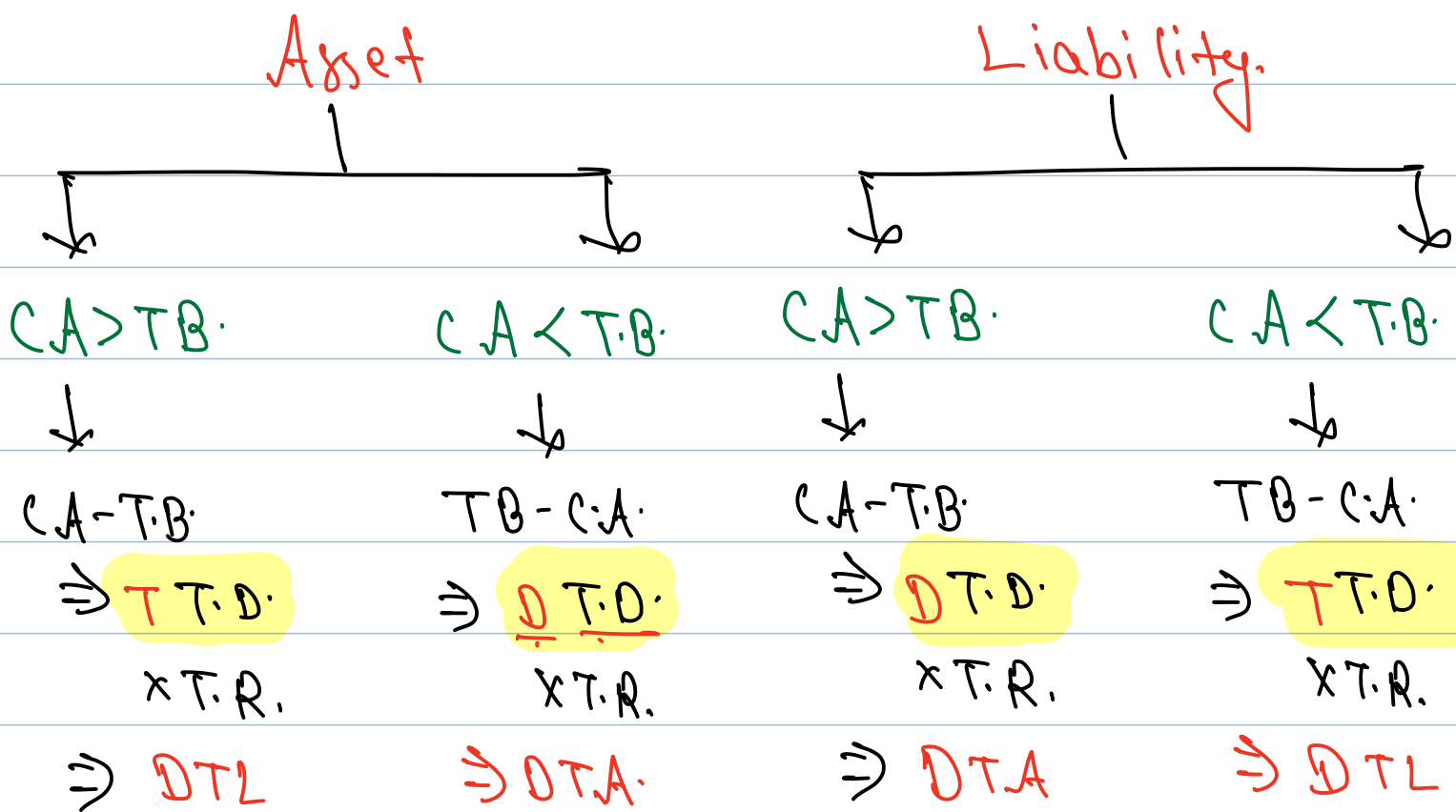
Profit as per  
tax laws.

→ IND As follows BIS approach to calculate

D.T.



- C.A. — Tax base = Temp. diff. (T.D.)
- T.D. x Tax rate = DTA/DTL
- C.A. means value of A/L as per B.O.A.
- T.B. means value of A/L as per tax laws





↳ Recl.

↳ RR.

↳ F.I.

↳ Imp

↳ D.T.



#7 Framework for presentation of FIS.



Concept of Capital



Here our objective is to calculate growth under 3 possibilities.



at

historical  
cost



at

Current  
cost



at

physical  
product cost.

$$\text{Growth} = \text{Cl. Cap} - \text{op. cap.}$$

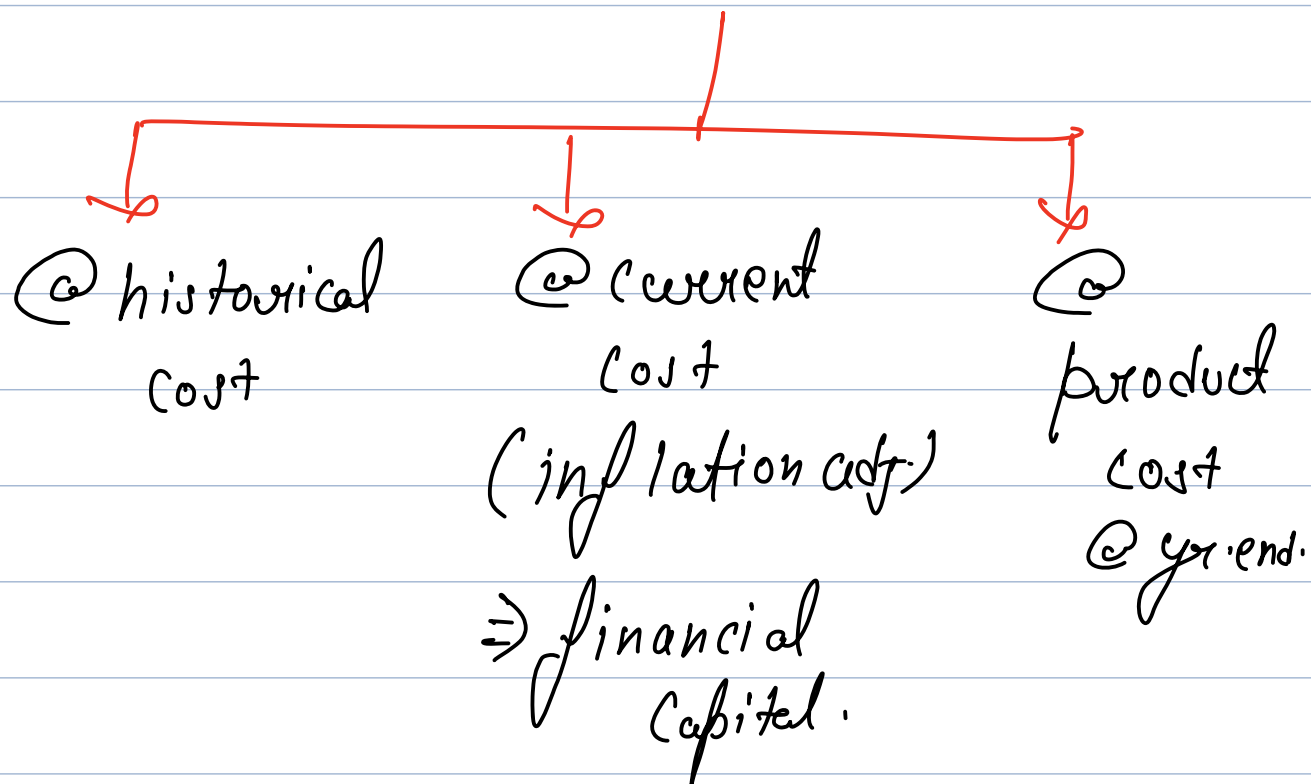
# Steps to calculate growth.



Step 1  $\rightarrow$  Calculate growth (profit)  
 $(S.p.v. - C.p.v.) \times \text{units produced.}$

Step 2  $\rightarrow$  Calculate C.I. Capital.  
Op. Capital.  
@ historical cost + profit - Drawings

Step 3  $\rightarrow$  Cal. of Op. Capital.



Step 4 growth / R.E.



Step 2 → Step 3.



eg → Op. Capital = 12000 (6000 units @ ₹2)  
Sold all units @ ₹3.

Drawings = ₹6000

Δ in price level = 100 to 120

avg. cost p.u. @ yr. end = 2.5

Sol<sup>n</sup>

Step 1 Cal. of profit.

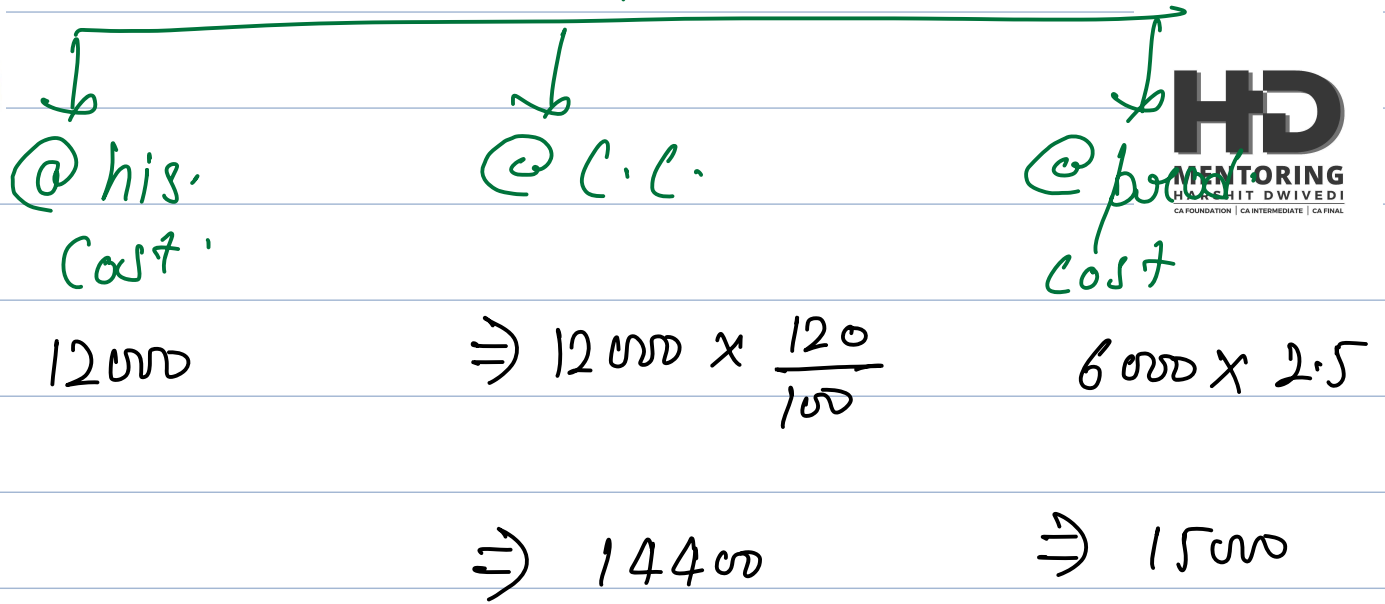
$$= (\text{₹}3 - \text{₹}2) \times 6000$$
$$= \text{₹}6000$$

Step 2 Cl. Cap. @ historical cost

Op. Cap. + profit - Drawings.

$$= 12000 + 6000 - 6000$$
$$= 12000$$

Step 3 Cal<sup>n</sup> of op. Capital



### Step 4. growth.

	1	2	3.
C1.	12000	12000	12000
Op.	<u>12000</u>	<u>14400</u>	<u>15000</u>
	<u>0</u>	<u>(2400)</u>	<u>(3000)</u>
		↓ Nominal growth.	↓ Real growth.
		↓ inflation	↓ in reality

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:

Sol<sup>n</sup> :-

Step 1 Cal<sup>n</sup> of profit

$$(\text{₹}5 - \text{₹}4) \times 5000 = \text{₹}5000$$

Step 2 Cl. Capital

$$= 20000 + 5000 - 4000$$

$$= 21000$$

Step 3 Op. Capital

$$\begin{array}{ccc} \downarrow & & \downarrow \\ 20000 & & 20000 \times \frac{120}{100} \\ & & \downarrow \\ & & 5000 \times 4.6 \end{array}$$

$$\Rightarrow 24000$$

$$\Rightarrow 23000$$

Step 4.

Cl.	21000	21000	21000
Op.	20000	24000	23000
	<u>1000</u>	<u>(3000)</u>	<u>(2000)</u>

#8

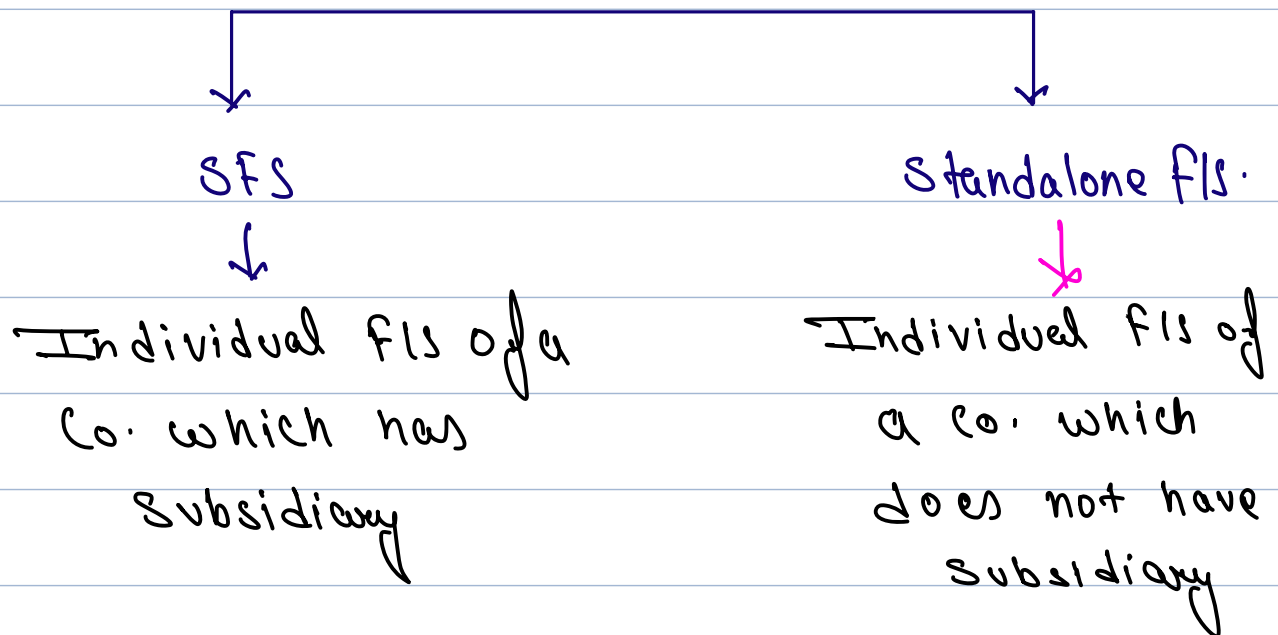
IND AS 1

## Presentation of FIs.



### i) Applicability.

It is applicable on



It is not applicable on interim FIs  
(IND AS 34)

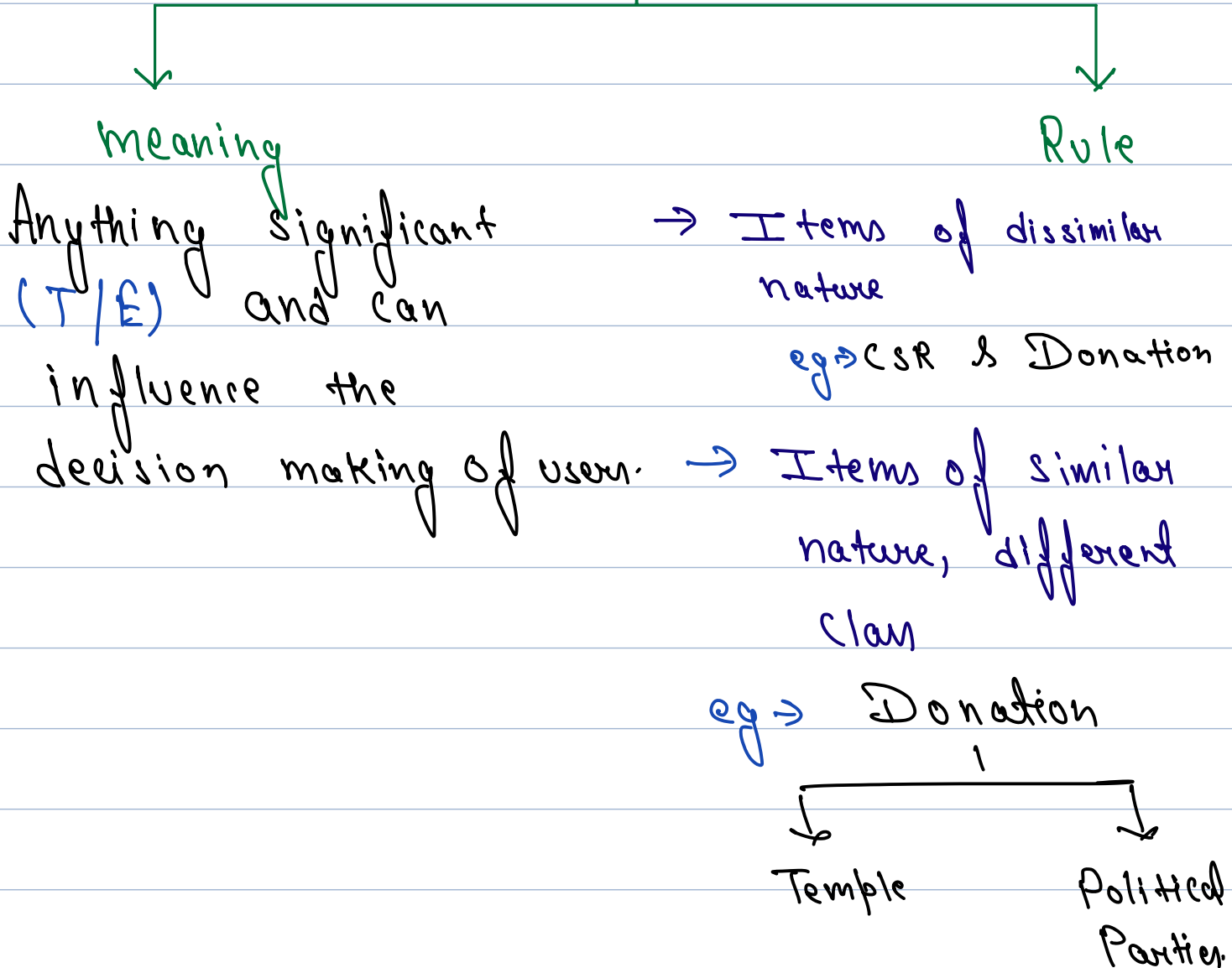
It is applicable to sec-8 Co. which can change names  
like → Surplus for profit,  
Statement of ISE  
instead of SPL.



2) General Instruction: i- To be followed in preparation of f/s.



a) materiality



Should not be clubbed.

→ Do not mix/club material inf. with immaterial inf.



## b) off-setting

### Rules

AS 2 can be net off only if permitted by IND AS.

Provision on Assets should be subtracted from C.A. of Assets.

eg. T.R. → PFD  
PPE → PFD

Substance of trans. required

eg → Ins. claim with loss; C.A. with C.L.

Practice

egs → Jaxen  
GIL  
or  
GIL on PPE

## c) Explicit unreserved statement.

All IND AS are followed (Not selective)

### ILLUSTRATION # 22

### SIMILAR TO ICAI STUDY MATERIAL ILL 1

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





1) Disclosure req. for A in  
acing policy along with  
its financial effect.



g) FIs should be atleast reported annually.  
h) Follow accrual basis

i) GRIC

↳ if uncertain then disclose the facts.

↳ if certain that No more GRIC then  
follow IND AS 105

↳ if GRIC is not followed, all AS2  
should be shown at Realisable value.

J) Disclose Restatement and Reclassification

3) Disclosures → Refer textbook.



### 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} ✓

f Dis.

### 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.

f.

### 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.

f. ✓

### ILLUSTRATION # 24

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 31.3.2012 is ₹ 37,100 before deduction of interest paid on loan
- There is an early repayment penalty for loan of ₹ 2,500
- Trade payables 12,000

Show SPL and BS of the trader in 2 cases

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

Sol<sup>n</sup> :-      B/S.

Particulars	Gr	Not Gr.	WN-1 PPE.	
			Gr	NGr
Assets.				
NCA - PPE. (WN-1)	52000	60000	PPE	65000    65000
C.A.			- Dep ( $\frac{65000}{5}$ )	<u>(13000)</u> <u>(5000)</u>
Inventory	32000	40000		<u>32000</u> <u>6000</u>
F.A.			WN-2	TIR.
TIR. (WN-2)	23000	19000		Gr    NGr
O. Assets.	7500	—	TIR.	25000    25000
C.S.C.F. { $\frac{37100}{-3500}$ }	33600	33600	PFD.D.	<u>(2000)</u> <u>(6000)</u>
<u>Total</u>	<u>148100</u>	<u>152600</u>		<u>23000</u> <u>19000</u>

# Equity & Liability.



Share Capital

O.E.

(PIL + N.P.)

NCL.

10% loan.

C.L.

F.L.

T.P.

Total

60000

41100

12000

148100

60000

43100

12000

152600



WN-3.  $\Delta$  in SIT

Gr. NGr.

op. st. 30000 30000

Cl. stock. 32000 40000

inc. (2000) (1000)

SPL.

Particulars.

Incomes

Revenue

Total (A)

Expenses

Purchase.

$\Delta$  in S.I.T. (WN-3)

PBE

Dep. & Am. (WN-4)

Finance Cost (WN-5)

Other expy. (PFOD)

Gr.

No. Gr.

450000

450000

400000

(2000)

14900

15500

3500

2000

450000

450000

400000

(1000)

14900

15000

6000

6000

WN-4. Dep. & Am.

Gr. NGr.

PPE 13000 5000

O.A. 2500 10000

15500 16000

WN-5 Finance Cost

Gr. NGr.

Int. on loan 3500 3500

prep. p. — 2500

3500 6000



Total (B)	433400	431900
Profit (A-B)	16100	18100

**ILLUSTRATION # 25****ICAI STUDY MAT (OLD SYLLABUS)**

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 ?

Sol<sup>n</sup>:-

- a) entity has a materiality of ₹ 30000, so  
∴ any thing beyond or above should be disclosed separately.
- b) entity needs to show inventory as below in notes to ac.

Spare parts:	30000
WIP:	40000
F.G. (incl. Tools)	30000
	<u>100000</u>