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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

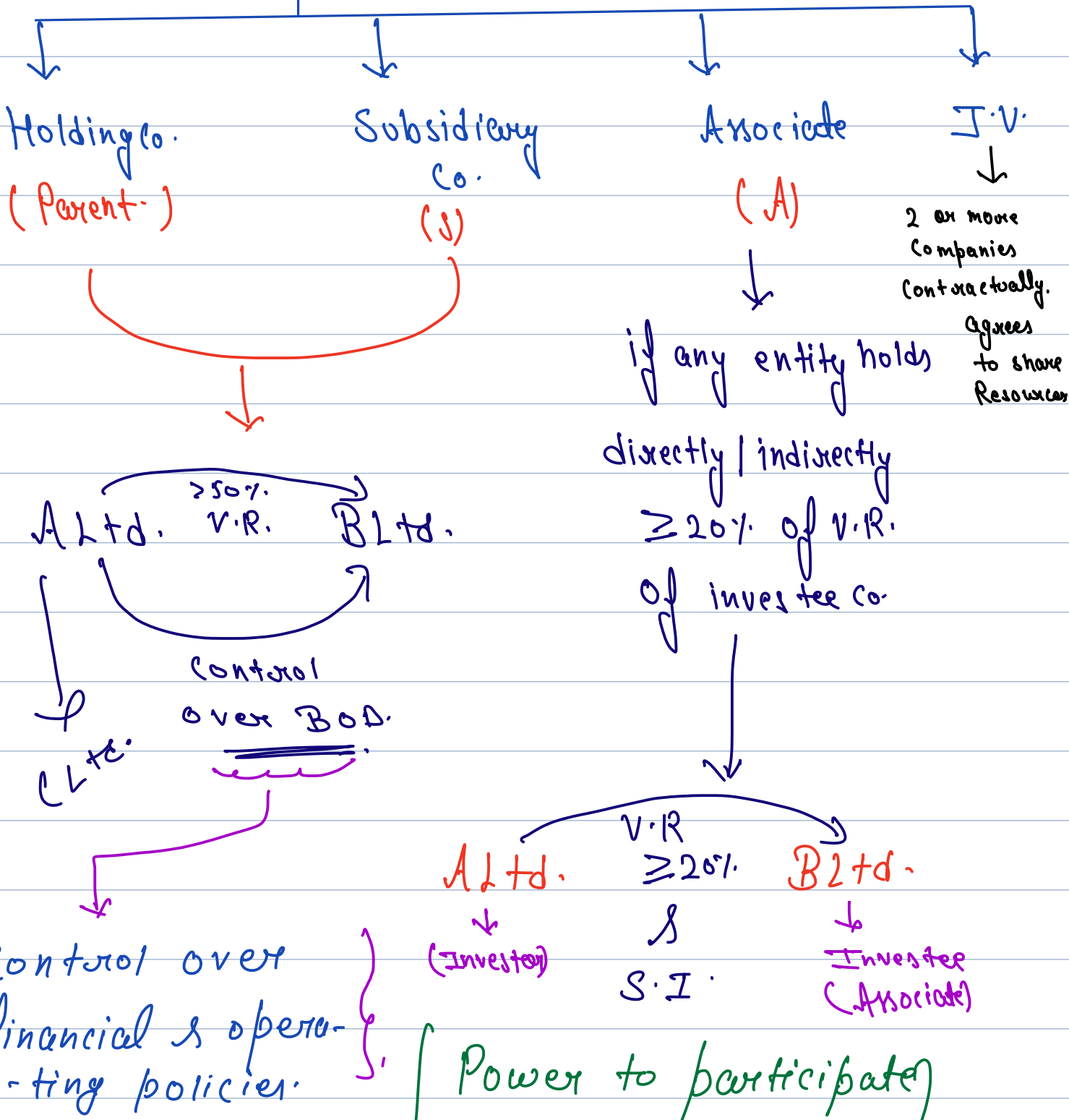


Ind AS N.A.



Refer below

further classified into





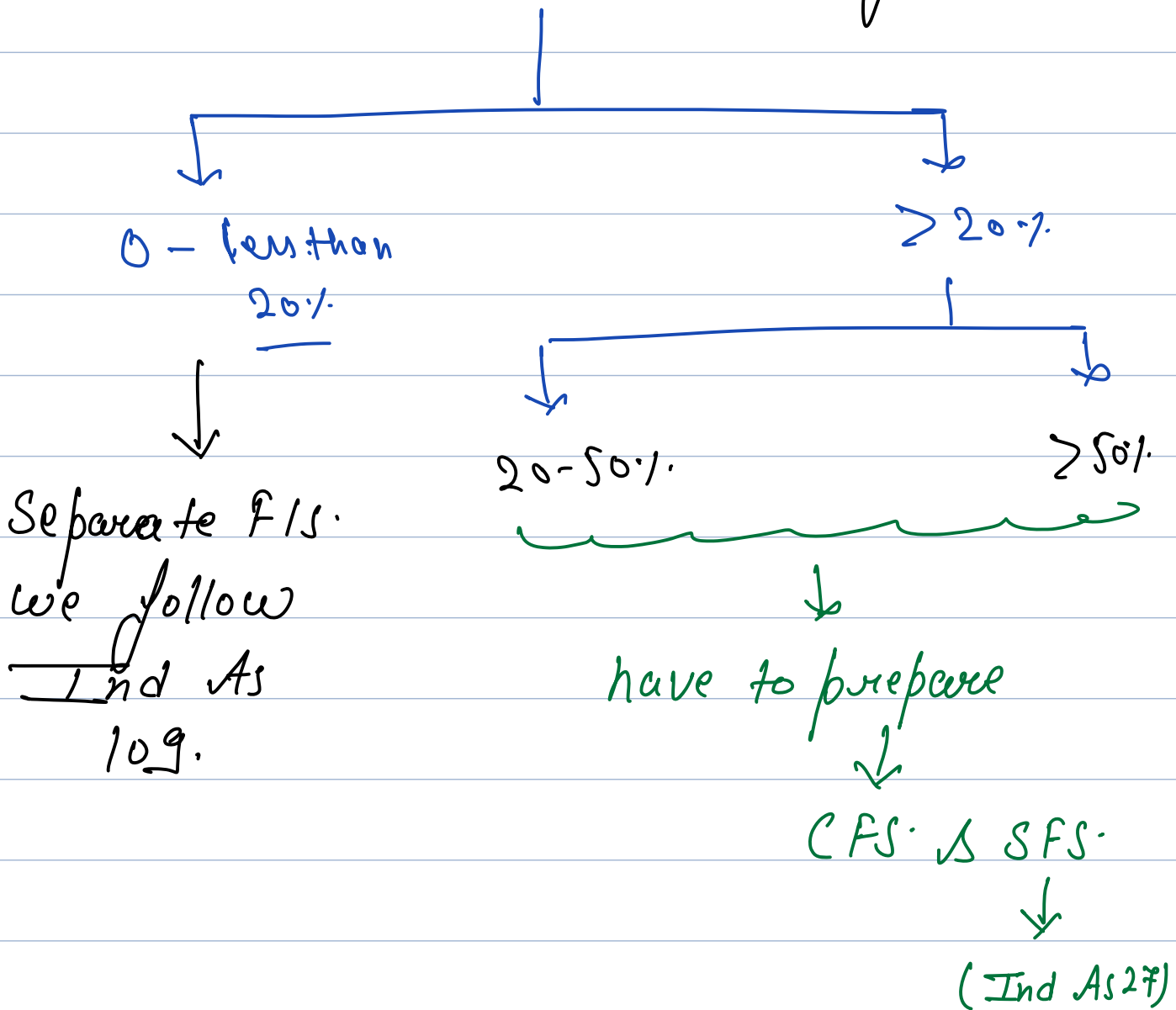
in financial & operating policies



eg →

HD Ltd.

Investment in E. Sh. of B Ltd.



NBFC :- a cash management & financing Co.

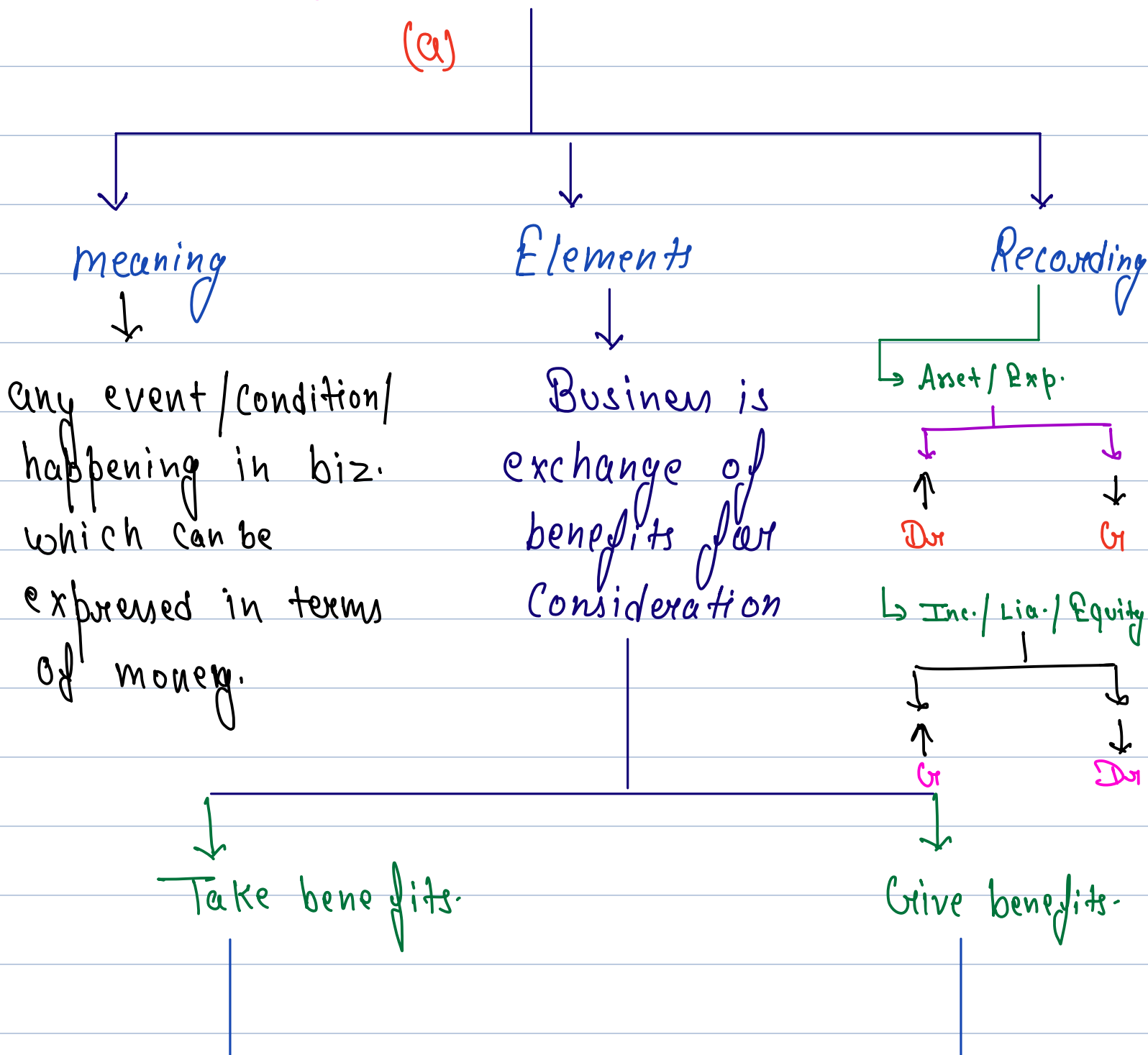


- ↳ Chit fund.
- ↳ Asset mgmt Co.
- ↳ Nidhi Co.
- ↳ mutual benefit Co.
- ↳ Core invt. Co.



#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

settlement

will result

in outflow

of Resources

or

Asset

FEB

Sale / Exch. /

Control

stop anybody



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

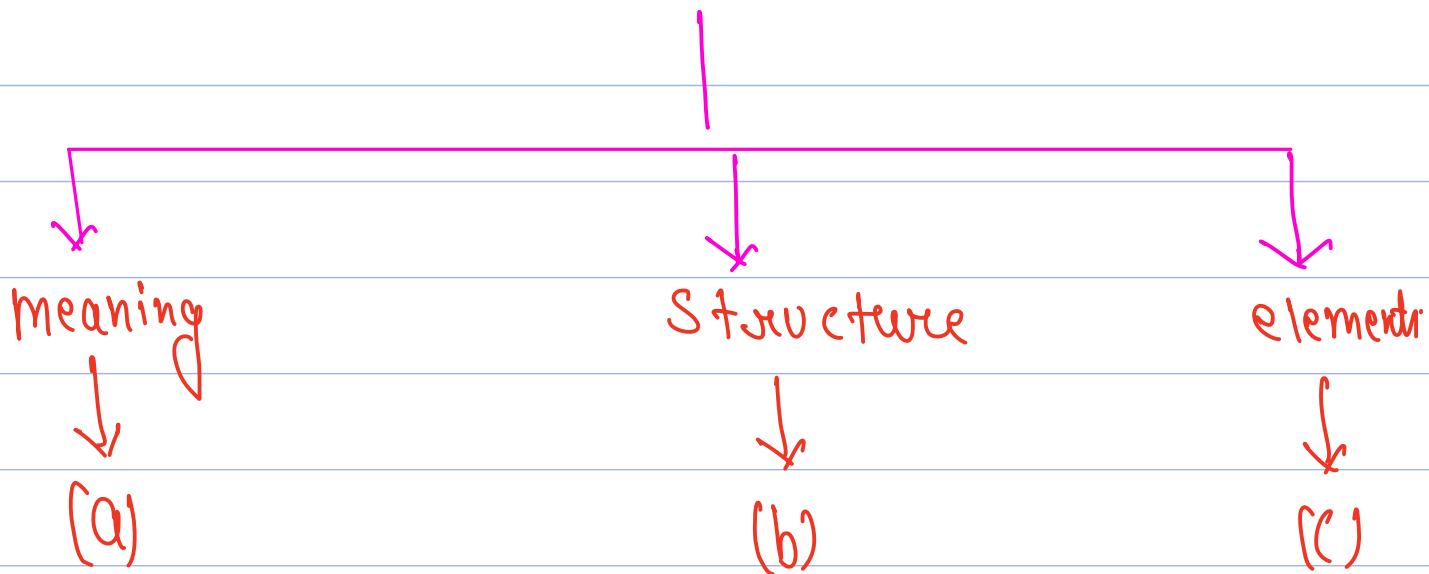
measurement \Rightarrow amount.

Recognition Criteria \Rightarrow I/E/A/L

Recognition \Rightarrow JIE

Presentation \Rightarrow FIS.

#3 Financial statements.



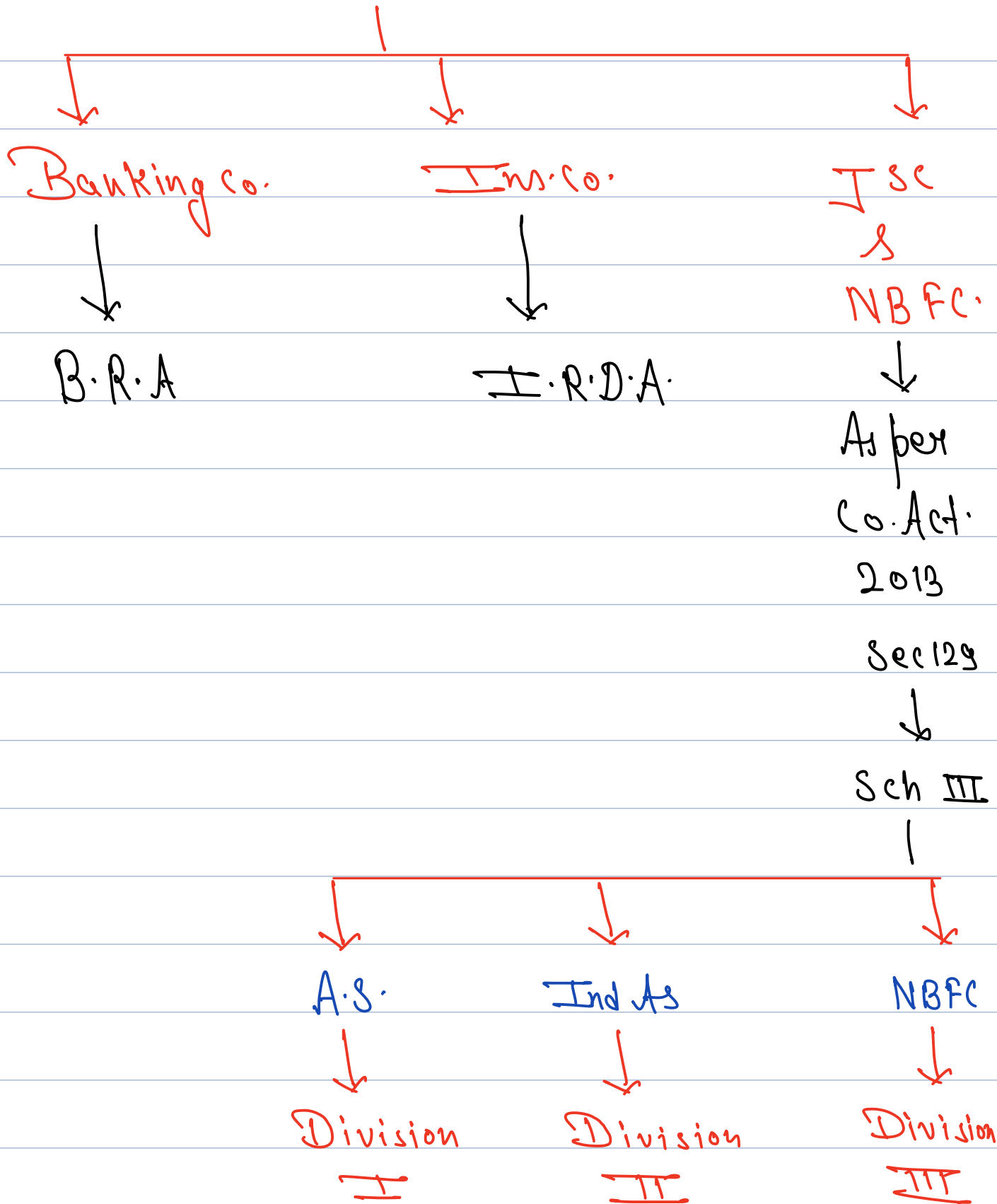
(a) FIS are formal format of financial activities & financial position of business transaction of an entity in structured systematic format.

(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 ASOCI E

Part II - S.O.PIL



c) Consolidated f/s.

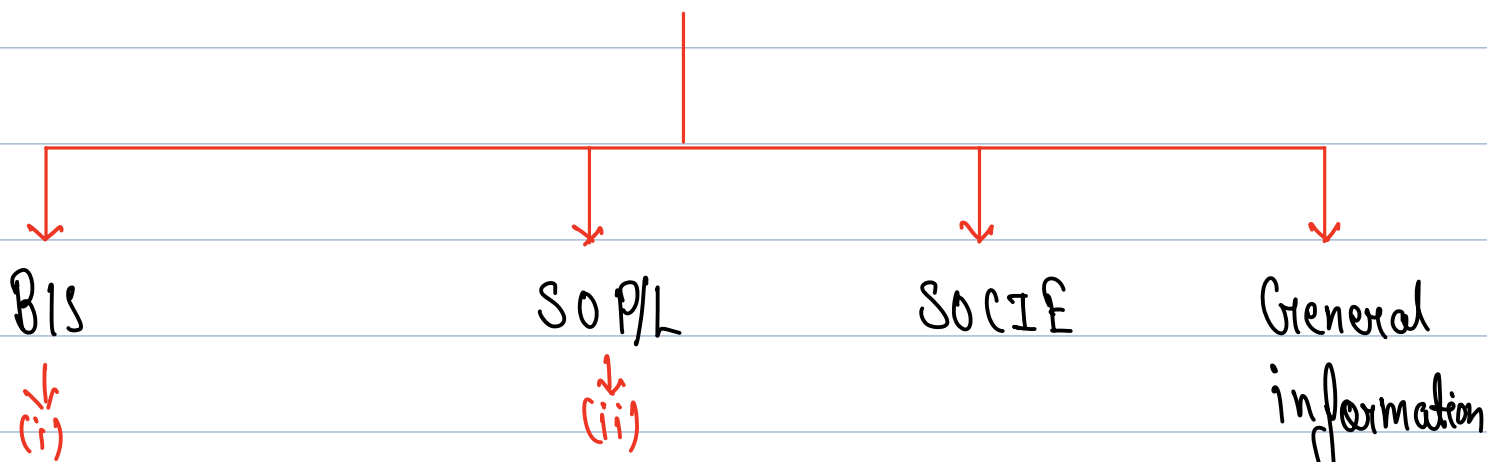


generally we say f/s consists of

- i) B/S. (C.Y. & P.Y.)
(sometimes op. B/S 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.

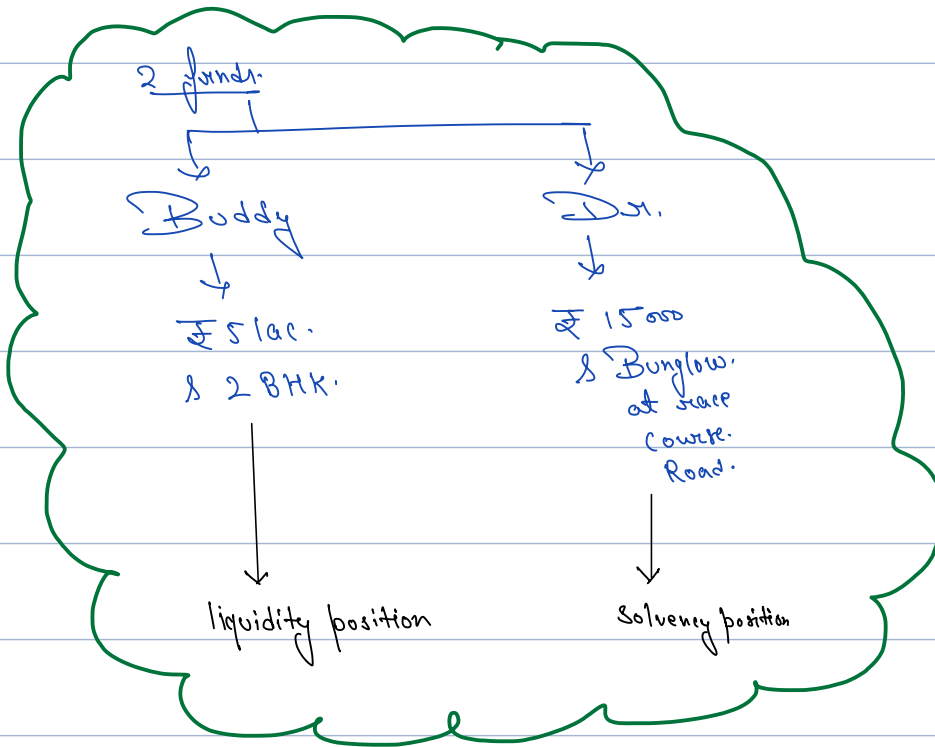




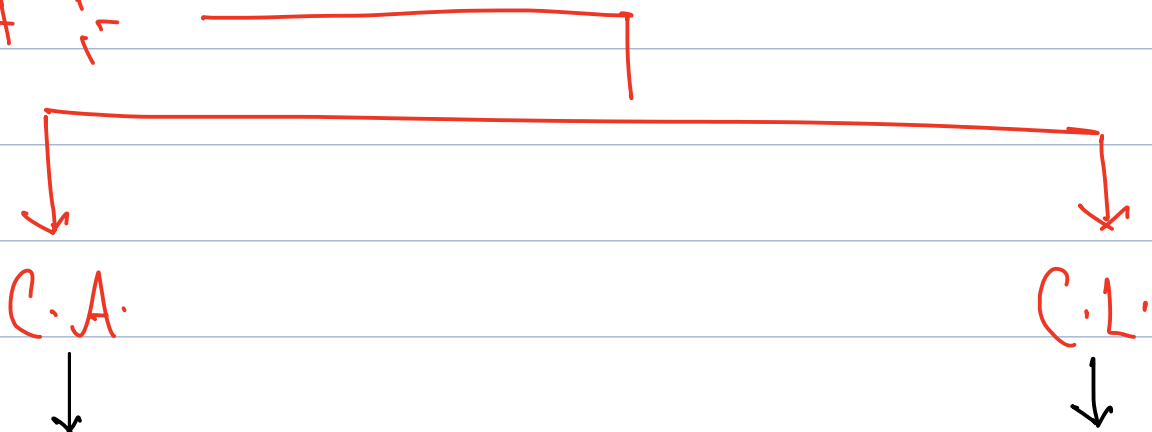
(i) BLS :- In BLS ALL are classified as Current & Non Current.



↓
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 :-

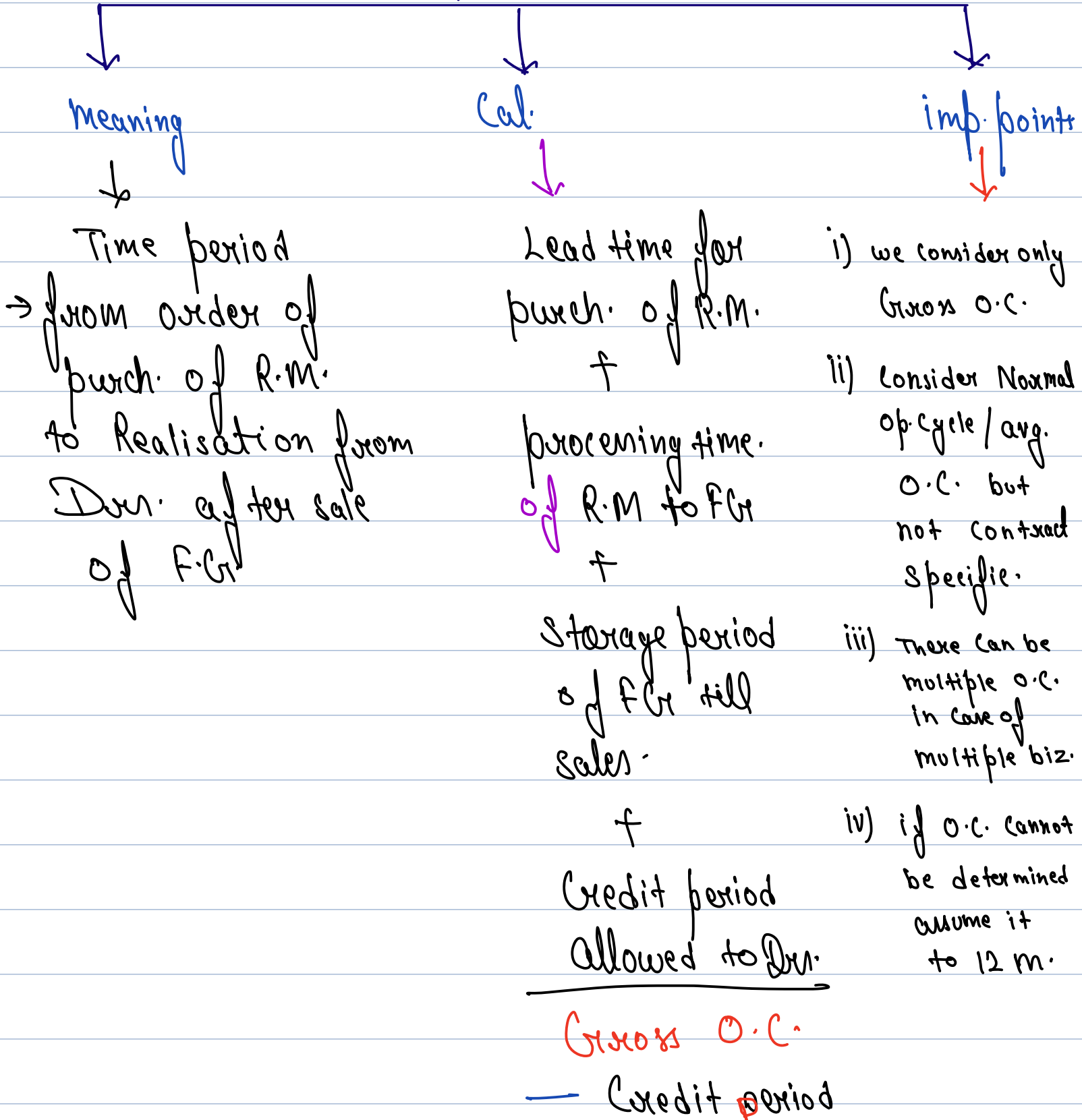


ILLUSTRATION # 2

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. Ordinary

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

HD
MENTORING
HARSHIT DWIVEDI
CA FOUNDATION | CA INTERMEDIATE | CA FINAL

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.

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	CL	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.

Non F.A.

F.A.

Other

inventory

F.A.

- P PPE
- C Cap-wIP
- I Inv-pr.
- G GIW
- O other I.T.A.
- B B.I.A.

- I Investm.
- T T.R.
- O Other

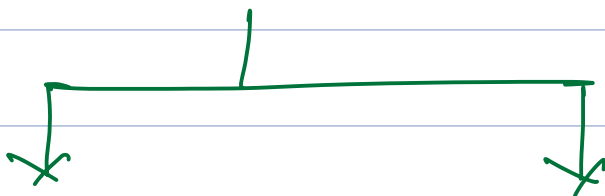
- D DTA
- O Other
- (Gold, Adv-for PPE)

- I investment
- T T.R.
- C C.A.C.E.
- O Other bank Bal. (FD, Em, Escrow, marginar.)

Classification of Liability

NCL

C.L.



F.L.

Non FL

F.L.

Non FL



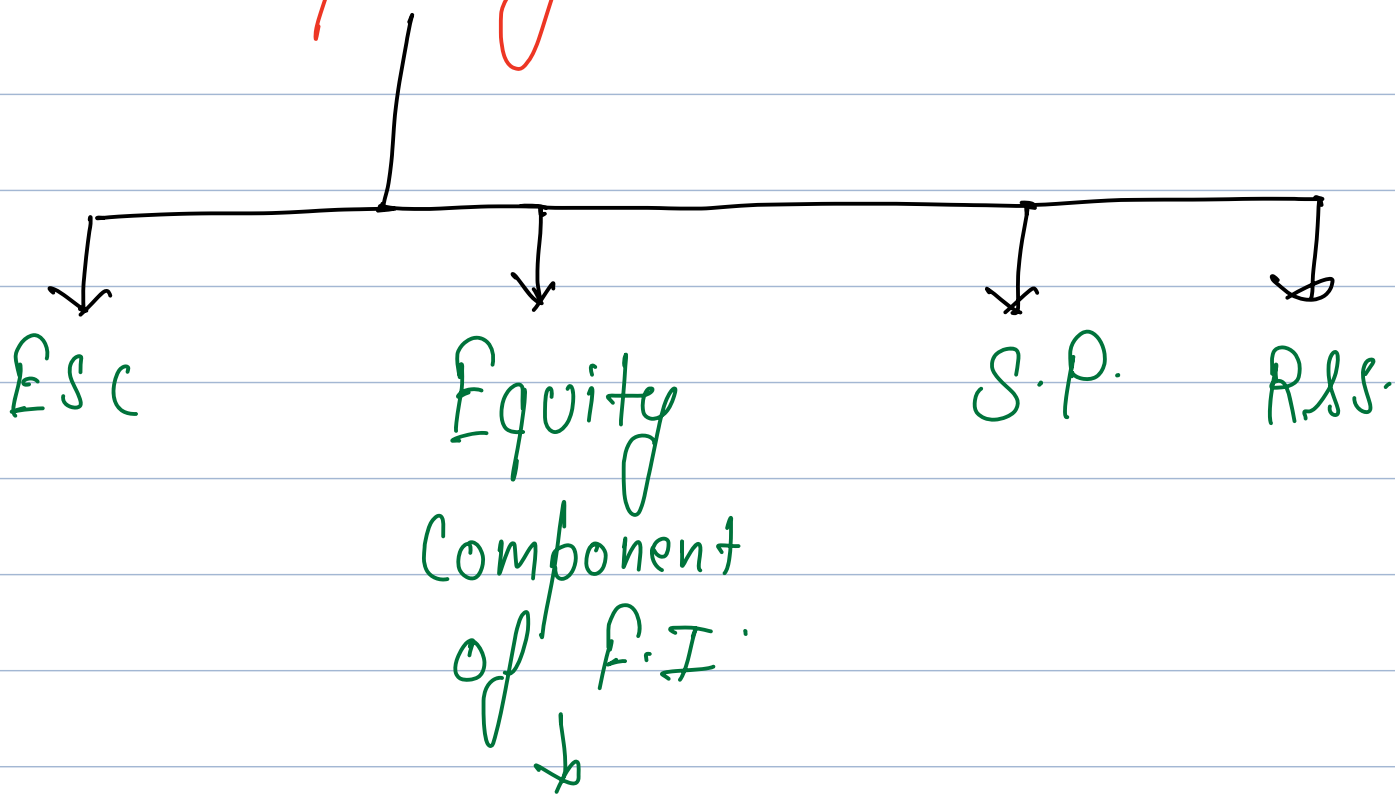
B Borrowing
 T TIP
 O Others

P Provision
 D DT2
 O Other Noncl.

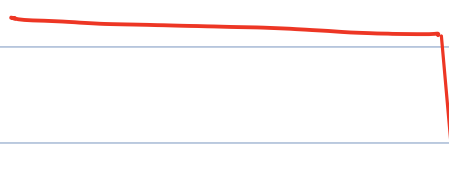
B Borrowing
 T TIP
 O Other

P Prov
 O Othercl.

III Equity & O.E.



(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) Δ in stock
- iv) E.B.E.
- v) Deps 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



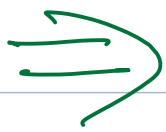
i) These are those gains/losses which does not form part of P/L.



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. applⁿ
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.



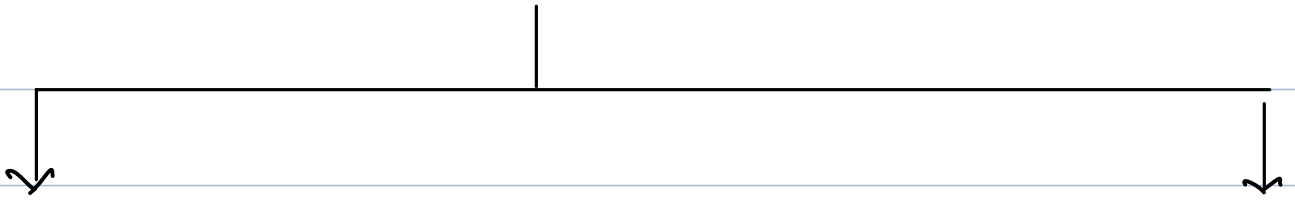
not exercise.
- cir.



S.W. Dr 5

To P.L 5

5 Standards.



Meanings



These are set of
↳ Rules
↳ principles
↳ procedures
that helps in ailing
of ailing 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

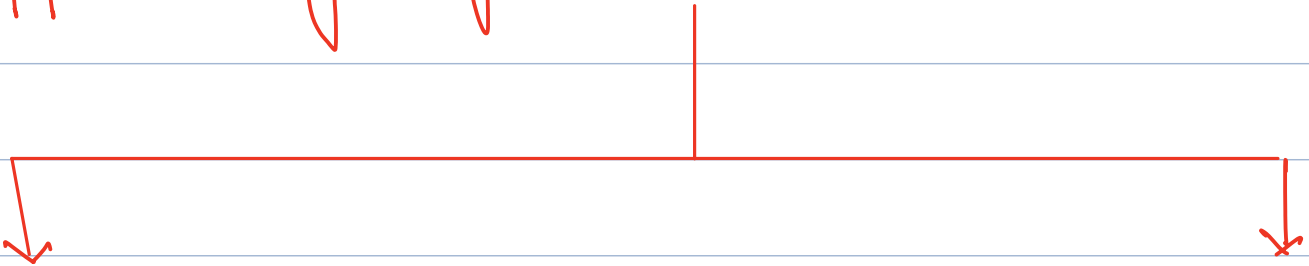


inventory

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.



≥ 500 Cos. or listed.

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



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

A) J.S.C. \rightarrow

Phase I \rightarrow 1-4-16

N.W. ≥ 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.



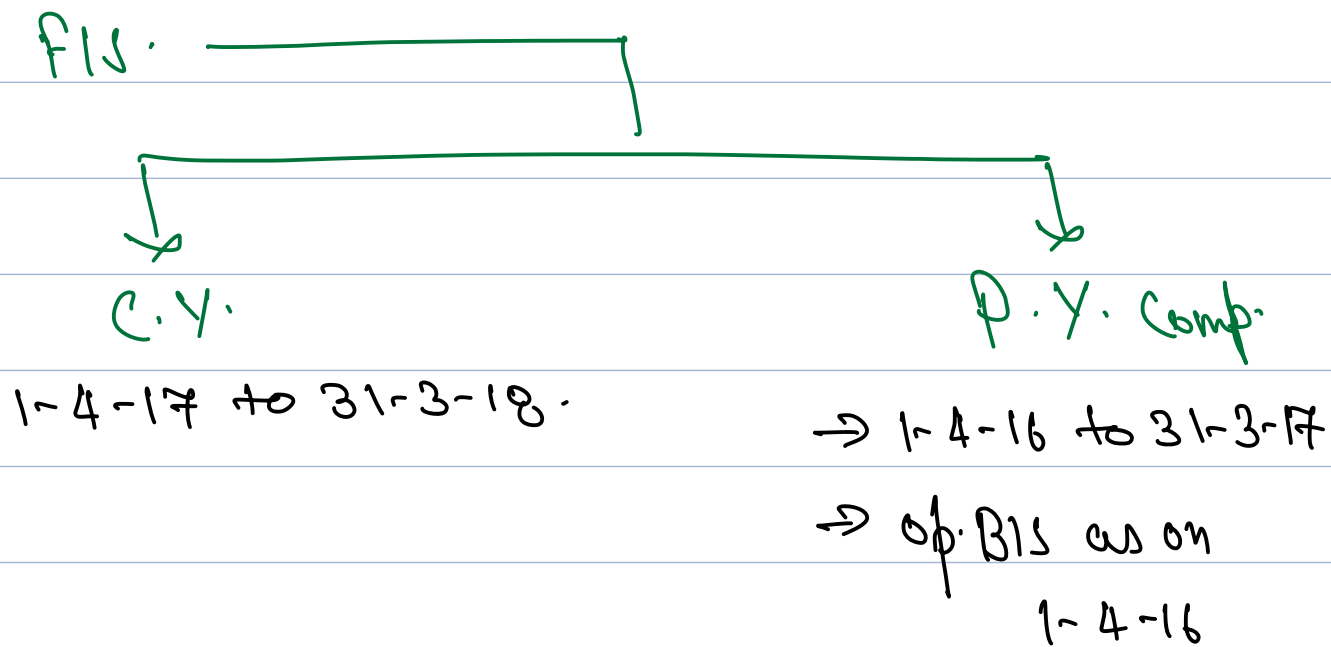
applicable if.



N.W. \geq 250 Cr or more &

listed. or

H/S/A/JV of above.



→ 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.

Solⁿ

A App. since parent.

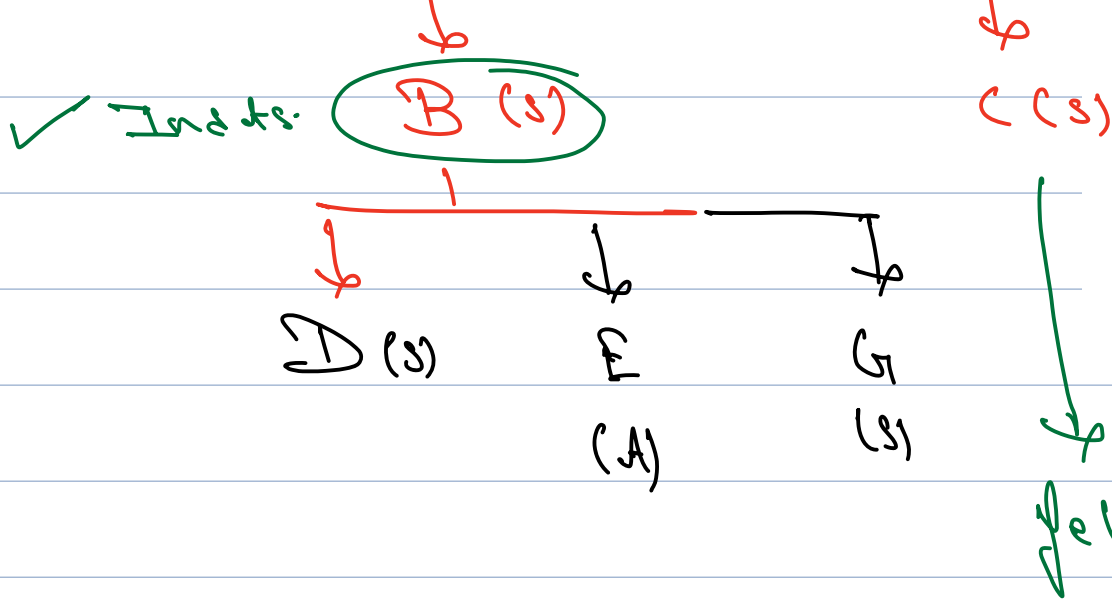
B → ∴ 600 cr N.W.

C App. since sub.

v)

A (H)

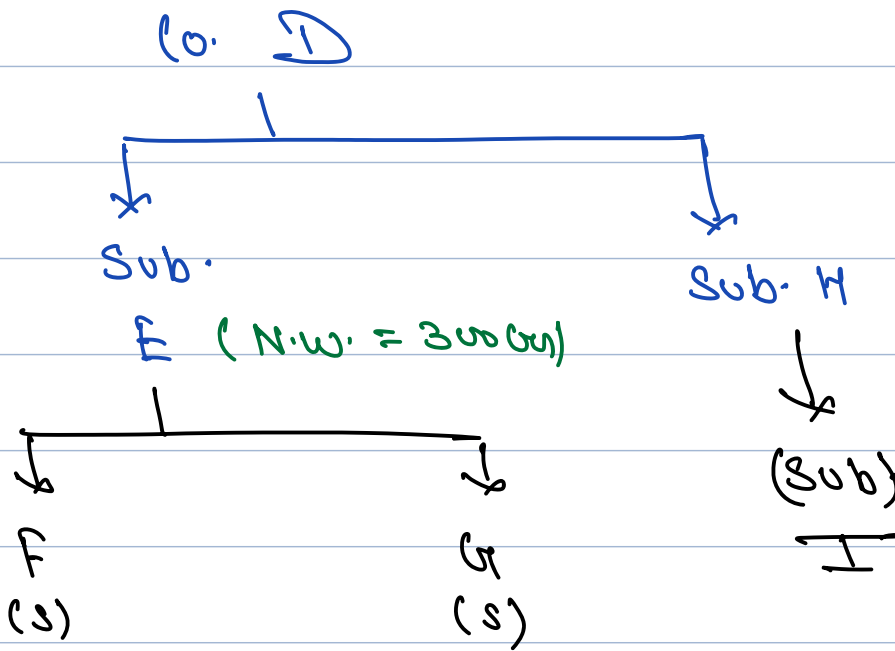




Ind As app ✓ → B, D, E, G & A.

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

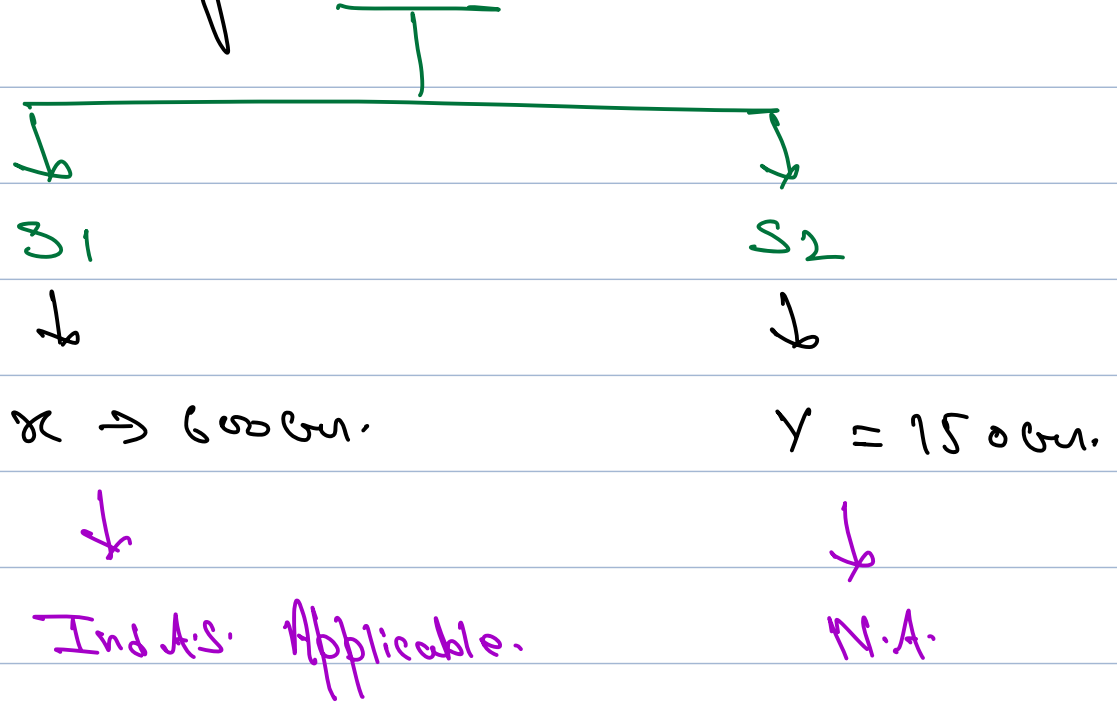
D ⇒ ∴ H/P of E



$H \Rightarrow N.A. \because$ 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.

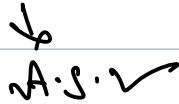
(viii)



Co. (Ind AS ✓)



Bank. (S)



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 31st 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 ?

Solⁿ:- 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?

Solⁿ:- 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?

Solⁿ :-

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?

Solⁿ :-

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