



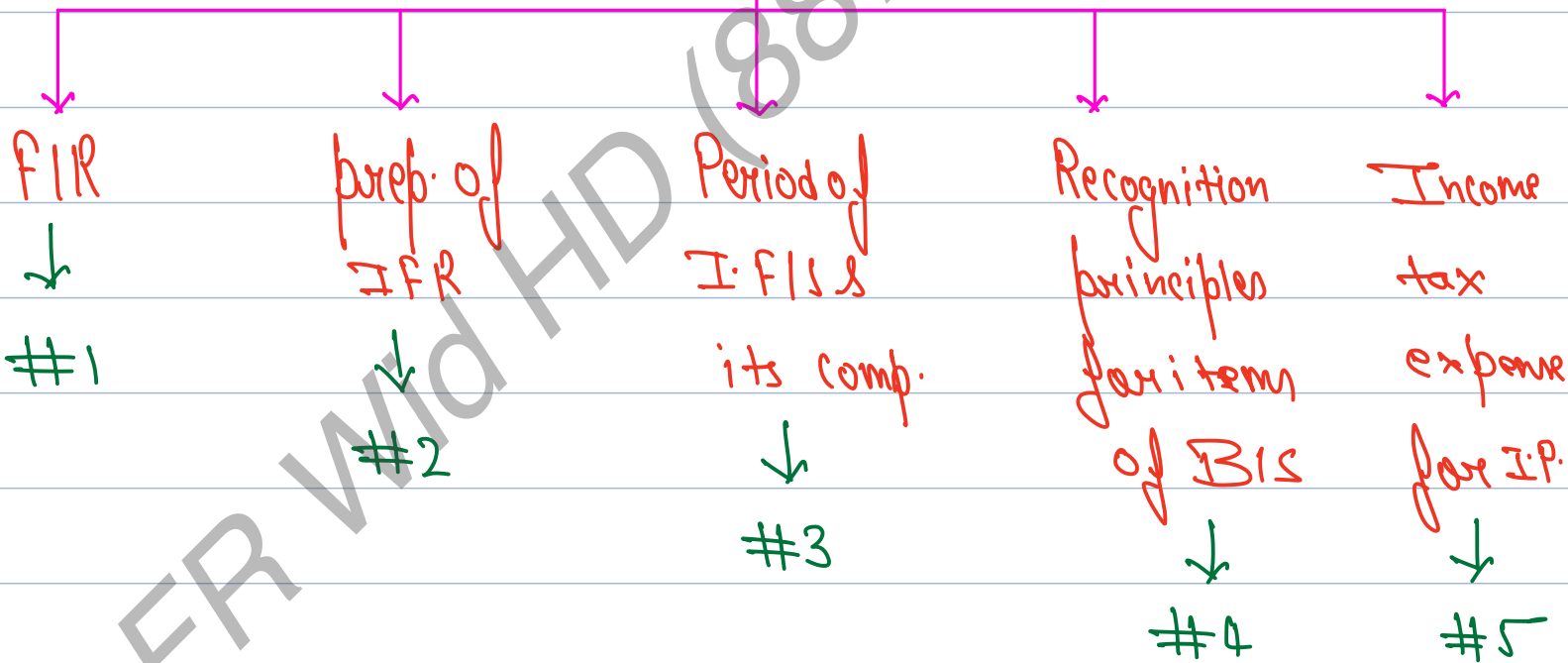
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IND AS - 34

In term Financial Reporting

Overview



#1 Financial Reporting





prep. of f/s for 1 year
eg → 1-4-25 to 31-3-26

prep. of f/s for < 1yr
eg → Qtr. 1-7-25 to
30-9-25.

#2 Preparation of IFR.

Entity can prepare IFS in either of the 2 ways

Complete set of f/s

Detailed f/s as per
IND AS 1 & sch III

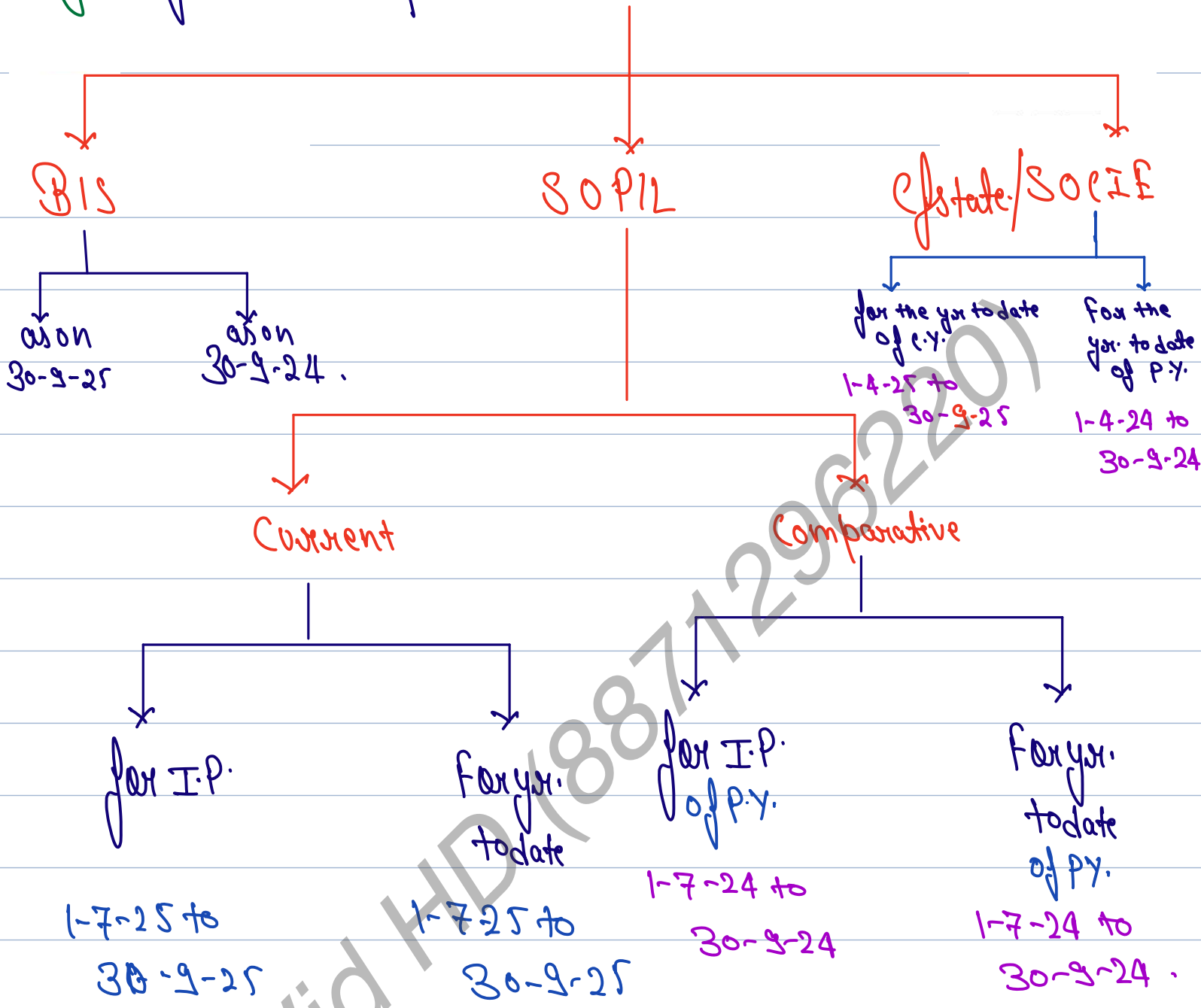
Condensed set of f/s

means few f/s with
heading & sub heading
& with material
notes.

eg → BIS & P/L only
with line items
& No Notes to
A/c.

#3 Period of IFS and its comparatives

eg → if intertm period is 1-7-25 to 30-9-25 (3m)



#4 Recognition principle of items in IFS

All ASL, IAE are recognised in IFS using same principles of Annual FIS as

- i) Any income earned or expense incurred in interim period should be recognised in that same period only w/o deferment or postponement or preponement.



eg → Bad debt, sales promotion, R.B, Finance cost, Depⁿ, Admin exps, exceptional loss.



These should be recognised in respective Interim period in which they occurred.

#5 Income tax expense for I.P.

i) Income tax expense is recognised in IFR using Weighted Avg. Tax rate. (WATR)

ii)
$$WATR = \frac{\text{Estimated Annual tax}}{\text{Estimated Annual income}} \times 100$$
 → T.R. × (Est. Ann. income - C/lons.)

iii) Income tax expense for interim period \Rightarrow profit / loss for interim period \times WATR.

iv) Some important points

a) if estimated annual tax is zero becoz estimated Annual income is zero then I.T. expense will be calculated on actual tax rate and WATR.



b) if interim periods fall in 2 different f.y.

Suppose \rightarrow a/cing year is C.Y.

But I.T. is based on F.Y.



24-25	25-26	25-26	25-26
1-1-25 to 31-3-25	1-4-25 to 30-6-25	1-7-25 to 30-9-25	1-10-25 to 31-12-25
Q1	Q2	Q3	Q4

In such cases Income tax expense should be calculated on actual tax rates & not WATR.

c) if Income under different heads are given in the Question (Income from PGBP & income from C.G.) which are taxable @ diff. rates than 2 different tax rates will be used for calculating I.T. expense for each interim period.

- \rightarrow Normal income \Rightarrow WATR
- \rightarrow for C.G. \Rightarrow Applicable Tax rate.

Innovative Corporation is dealing in seasonal product sales pattern of the product, quarter wise is as follows

1st quarter 30th June	10%
2nd quarter 30th September	10%
3rd quarter 31st December	60%
4th quarter 31st March	20%

Information regarding the 1st quarter ending on 30th June, 20X1 is as follows:

Sales	80 crores
Salary and other expenses	60 crores
Advertisement expenses (routine)	4 crores
Administrative and selling expenses	8 crores

While preparing interim financial report for first quarter Sincere Corporation wants to defer ₹ 10 crores expenditure to third quarter on the argument that third quarter is having more sales therefore third quarter should be debited by more expenditure.

Considering the seasonal nature of business and the expenditures are uniform throughout all quarters.

Calculate the result of the first quarter as per Ind AS 34. Also give a comment on the company's view

Solⁿ:- SPL for 1-4 to 30-6

	(₹ in cr)
Sales	80
Revenue (A)	80
EBE	60
Other exp. (4+8)	12
Exp. (B)	72
Profit (A-B)	8

Deferment of ₹10 Crs expenditure is not allowed as per IND AS-34. from Quarter 1 to Quarter-3.

∴ Contention of Co. is wrong.

Question# 2**SIMILAR TO NOV 18, ILL 15 SM, DEC 21**

Accountants of Poornima Ltd. show a net profit of ₹ 7,20,000 for the third quarter of 20X1 after incorporating the following:

- Bad debts of ₹ 40,000 incurred during the quarter. 50% of the bad debts have been deferred to the next quarter. *incorrect entire in 3rd Q.*
- Extra ordinary loss of ₹ 35,000 incurred during the quarter has been fully recognized in this quarter. ✓
- Additional depreciation of ₹ 45,000 resulting from the change in the method of charge of depreciation assuming that ₹ 45,000 is the charge for the 3rd quarter only. ✓

Ascertain the correct quarterly income

Solⁿ:- *Calcⁿ of correct Quarterly income.*

PBT	₹ 7,20,000
- Further Bad debt (50% of 40,000)	(20,000)
	₹ 7,00,000

As per IND AS 34 exceptional loss, Dep. Bad debt should be recognised or charged to I.P. of P/L in which it occurred.

Question# 3**SIMILAR TO ILL 5 SM ICAI**

Antarbarti Limited reported a Profit Before Tax (PBT) of ₹ 4 lakhs for the third quarter ending 30-09-20X1. On enquiry you observe the following. Give the treatment required under Ind AS 34:

- Dividend income of ₹ 4 lakhs received during the quarter has been recognized to the extent of ₹ 1 lakh only. *recognize 3L.*
- 80% of sales promotion expenses ₹ 15 lakhs incurred in the third quarter has been deferred to the fourth quarter as the sales in the last quarter is high. *80% of 15L = 12L*
- In the third quarter, the company changed depreciation method from WDV to SLM, which resulted in excess depreciation of ₹ 12 lakhs. The entire amount has been debited in the third quarter, though the share of the third quarter is only ₹ 3 lakhs. ✓
- ₹ 2 lakhs extra-ordinary gain received in third quarter was allocated equally to the third and fourth quarter. *recognize addⁿ 1 Lac.*
- Cumulative loss resulting from change in method of inventory valuation was recognized in the third quarter of ₹ 3 lakhs. Out of this, loss ₹ 1 lakh relates to previous quarters. *derecognize loss of 1 Lac.*
- Sale of investment in the first quarter resulted in a gain of ₹ 20 lakhs. The company had apportioned this equally to the four quarters. *derecognize gain of 5 Lac.*

Prepare the adjusted profit before tax for the third quarter

& recognize entire



Solⁿ:- Calculation of correct profit.

PBT	400000
+ Unrecognised dividend income of Q.3 (∵ out of 4 Lac. only 1 Lac was recog.)	300000
- Sales promotion expense (∵ 80% of 15 Lac = 12 Lac was deferred)	(1200000)
+ Extra ordinary gain of Q.3 (only half of gain of ₹200000 was recognised) (In Q.3 as 2 Lac was spread equally between Q.3 & Q.4)	100000
+ Derecognise inventory valuation (∵ it relates to previous Quarters)	100000
- Derecognise gain on sale of Int. (∵ it relates to Q.1)	(800000)
	<u>(800000)</u>

Question# 4

(MAY - 2019)

An enterprise reports quarterly, estimated on annual income of ₹ 10 lacs. Assume tax rate of 1st ₹ 5,00,000 at 30% and balance at 40%. The estimated quarterly income are ₹ 75,000; ₹ 2,50,000; ₹ 3,75,000 and ₹ 3,00,000.

Calculate tax expense to be recognised in each quarter

Solⁿ:- 1) WATR

$$\frac{5L \times 30\% + 5L \times 40\%}{10L} \times 100$$

$$\Rightarrow 35\%$$



2) Calⁿ of Quarterly tax expense.

	Q ₁	Q ₂	Q ₃	Q ₄
a) PBT	75000	25000	37500	30000
b) T. Rate	<u>$\times 35\%$</u>	<u>$\times 35\%$</u>	<u>$\times 35\%$</u>	<u>$\times 35\%$</u>
Tax exp. (axb)	<u>26250</u>	<u>8750</u>	<u>13125</u>	<u>10500</u>

(DEC 20) (6 Marks)

Question# 5

Estimated Annual Income (inclusive of estimated capital gains earned in Q2)	1,00,000
Assumed Tax Rates	
On Capital Gains	10%
First ₹ 40,000	30%
Balance Income 40%	40%
Estimated income of each quarter	₹ 25,000
Income of 2nd quarter includes capital gain of	5,000
Income of 2 nd quarter includes capital gain of	₹ 20,000

Assuming there is no difference between the estimated taxable income and the estimated accounting income calculate tax expense of each quarter.

Solⁿ

$$1. \text{ Calⁿ of WATR} = \frac{40,000 \times 30\% + 55,000 \times 40\%}{25,000 + 5,000 + 25,000 + 25,000} \times 100 = 35.7895\%$$

2) Calⁿ of Tax of Q.2

$$\Rightarrow 20000 \times 35.7895\% = 7158$$

$$\Rightarrow 5000 \times 10\% = 500$$

$$\underline{\underline{7658}}$$



2) Tax exps for each Q1, Q3, Q4.

$$\Rightarrow 25000 \times 35.7895\% = \underline{\underline{8947}}$$



Question# 6

Accounting year : 01.01.16 to 31.12.16
 Tax rate : PY 2015 - 16 - 30%
 PY 2016 - 17 - 40%
 For Q1 : Profit - ₹ 500 lacs
 For Q2, Q3 and Q4 : Expected Profit - ₹ 600 lacs per quarter

Calculate Tax expense for Q1

Solⁿ: Calⁿ of Quarterly tax exp. (₹ lacs)

	Q1	Q2	Q3	Q4
a) PBT	500	600	600	600
b) T. Rate	<u>30%</u>	<u>40%</u>	<u>40%</u>	<u>40%</u>
Tax exp.	<u>150</u>	<u>240</u>	<u>240</u>	<u>240</u>

Question#7

Profit in Q1 is ₹ ¹⁵⁰ lacs. Expected loss in remaining three quarters is ₹ 50 lacs per quarter.
 T.R. is 35%

T.R.

Solⁿ:

∴ expected total income = 0
 ∴ exp. annual tax = 0
 and hence WATR = 0
 ∴ Calculate Tax using actual tax rate.

	Q1	Q2	Q3	Q4
p/l	150	(50)	(50)	(50)
T. Rate.	35%	35%	35%	35%

52.5

(17.5)

(17.5)

(17.5)

Question# 9

Carry forward tax loss : 100 lacs (No DTA created)

Current Year

For Q1 : Profit - ₹ 100 lacs

For Q2; Q3 and Q4 : Expected Profit - ₹ 100 lacs per quarter

Tax Rate : 40%

Solⁿ:-

if DTA was created WATR would be 40%.

Question# 10

(Nov 24 , 4 Marks)

Brought forward loss : ₹ 700 lacs of which 90% is eligible. $\Rightarrow 700 \times 90\% = 630$

For Q1 : Profit - ₹ 700 lacs

For Q2 : Profit - ₹ 300 lacs

For Q3 : anticipated Profit - ₹ 900 lacs

For Q4 : anticipated loss - ₹ 100 lacs

Tax rate : 30% plus surcharge of 10% $\therefore \Rightarrow 33\%$

Solⁿ:-

1) WATR

$$\Rightarrow \frac{(700 + 300 + 900 - 100 - 630) \times 33\%}{700 + 300 + 900 - 100} \times 100$$

$$\Rightarrow \frac{386.1}{1800} \times 100$$

$$\Rightarrow 21.45\%$$

	Q1	Q2	Q3	Q4
Profit	700	300	900	(100)
T.R.	<u>21.45%</u>	<u>21.45%</u>	<u>21.45%</u>	<u>21.45%</u>
	<u>150.15</u>	<u>64.35</u>	<u>193.05</u>	<u>(21.45)</u>

Question# 11

(July 21-5 Marks, Similar to Ill -4 of S.M)

Fixed production overheads for the financial year is ₹ 10,000. Normal expected production for the year, after considering planned maintenance and normal breakdown, also considering the future demand of the product is 2,000 MT. It is considered that there are no quarterly / seasonal variations. Therefore, the normal expected production for each quarter is 500 MT and the fixed production overheads for the quarter are ₹ 2,500.

Actual production achieved	Quantity (In MT)
First quarter	400
Second quarter	600
Third quarter	500
Fourth quarter	400
Total	1,900

Presuming that there are no quarterly / seasonal variation, calculate the allocation of fixed production overheads for all the four quarters as per Ind AS 34 read with Ind AS 2.

Solⁿ :-

$$FOH = \frac{FOH}{\text{normal prod}^n / \text{actual prod}^n}$$

whichever is higher

- Q.1**
- a) FOH Rate up to Q1 = $\frac{₹ 2500}{500} = ₹ 5$
 - b) actual FOH of Q1 = ₹ 500
 - c) FOH absorbed (actual prod × FOH or.) = ₹ 2000
 400×5
 - d) unabsorbed (actual - absorbed) = ₹ 500
PIL (Q1) $(2500 - 2000)$

- Q.2**
- a) FOH Rate up to Q.2 = $\frac{₹ 5000}{1000} = ₹ 5$
 - b) actual FOH of Q2 = ₹ 2500
 - c) FOH absorbed = $600 \times ₹ 5 = ₹ 3000$



d) overabsorbed (2500 - 3000) = ₹ 500
PIL (Cr)



Q.3 a) FOH Rate up to Q3 = $\frac{7500}{1500} = ₹ 5$
b) actual FOH of Q3 = ₹ 2500
c) FOH absorbed (500 x ₹ 5) = 2500

d) unabsorbed = 0
PIL (Dr)

Q.4 a) FOH Rate up to Q.4 = $\frac{10000}{2000} = ₹ 5$
b) actual FOH of Q4 = ₹ 2500
c) FOH absorbed (400 x 5) = ₹ 2000

d) unabsorbed (2500 - 2000) = ₹ 500
PIL (Dr)