

Ind AS 1 - Presentation of Financial Statements.

Objective of Ind AS

The standard prescribes basis for presentation of General Purpose FIs to ensure comparability :-

- (i) With entity's FIs of previous periods.
- (ii) With FIs of other entities.

Total Comprehensive Income comprises all components of Profit or Loss and Other Comprehensive Income.

Other Comprehensive Income comprises items that are not recognised in P/L.

The Components of OCI include the following :-

Items not reclassified to P/L

- (i) Changes in Revaluation Surplus - Ind AS 16.
- (ii) Remeasurement Gain/Loss of Defined Benefit Plan - Ind AS 19.
- (iii) Gains/losses from investment in Equity instrument if designated as OCI - Financial Instruments.

Items reclassified to P/L

- (i) Gains/losses on Financial Asset measured at FVOCI - Financial Instt.
- (ii) " on Translation of Foreign operation - Ind AS 21.
- (iii) Net movement on Cash Flow Hedge - Ind AS 109
- (iv) Net Gain on Hedge of a Net Investment - Ind AS 109.

→ investment in Debt instrument

Purpose of Financial statements

To provide information about ^{→ B/Sheet} Financial Position, ^{→ P/L} Financial Performance and Cash Flows of an entity that is useful to wide range of users in making economic decisions.

Financial statements provide information about entity's :

- (i) Assets
- (ii) Liabilities
- (iii) Equity
- (iv) Income and expenses incl. Gains and losses
- (v) Cash flows
- (vi) Contribution by and distribution to owners.

Complete set of Financial Statements

- (i) Balance sheet as at end of the period *(including comparative info from preceeding period)*
- (ii) Statement of Profit or loss for the period. *< " >*
- (iii) Statement of changes in Equity *< " >*
- (iv) Statement of Cash Flows for the period. *< " >*
- (v) Notes and other Explanatory Information *< " >*

An Entity shall present single statement of Profit or loss with Profit or loss and other comprehensive Income presented in two sections.

Statement of Profit or loss

	<u>Current year</u>	<u>Preceding year</u>
Revenue	xx	xx
Other Income	xx	xx
<u>Expenses</u>		
Cost of Goods Sold	xx	xx
E.B.E.	xx	xx
Depreciation & Amortisation	xx	xx
Finance Cost	xx	xx
Impairment of Non Current Asset	xx	xx
Other Expenses	xx	xx

Profit or loss before tax

xx

xx

(-) Current tax & deferred tax

xx

xx

Profit or loss for the period (A)

xx

xx

Other Comprehensive Income

Items not reclassified to P/L & related income tax

xx

xx

Items reclassified to P/L related income tax

xx

xx

Other Comprehensive Income for the period (B)

xx

xx

Total Comprehensive Income (P/L + OCI) (A + B)

xx

xx

General Features of Financial Statements

1. Presentation of True and Fair view and Compliance with all Ind AS.
{ An Entity whose FIs comply with Ind AS shall make an **explicit and unreserved statement** of such compliance in the notes. }
2. Going concern { FIs prepared on going concern basis unless management intends to liquidate the entity or ceases trading }
3. Accrual basis of accounting { Except for cash flows }
4. Materiality and aggregation
5. Offsetting { Entity shall not offset assets and liabilities or income and expenses unless required or permitted by Ind AS. }
6. Frequency of Reporting { Present complete set of FIs at least annually }
7. Comparative Information.
8. Consistency of presentation { unless change in nature of entity's operation or Ind AS requires change in presentation }

Balance sheet

At minimum, the Balance Sheet shall include following line items.

- 1) PPE
 - 2) Investment Property
 - 3) Intangible Assets
 - 4) Financial Assets.
 - 5) Biological Assets
 - 6) inventories
 - 7) Trade and other Receivables
 - 8) Cash & Cash Equivalents
 - 9) The total of Assets classified as Held for sale and Assets included in Disposal Group classified as Held for sale
 - 10) Trade and other Payables
 - 11) Provisions
 - 12) Financial liabilities
 - 13) Liabilities and assets from current tax (CTA/CTC)
 - 14) Deferred tax Asset / Liab.
 - 14) Liabilities included in Disposal Group classified as Held for sale.
 - 15) Non controlling interest (Presented within Equity)
 - 16) Issued capital and reserve attributable to owners of parent.
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Balance Sheet (As per Schedule III)

	Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
	1	2	3	4
(1)	ASSETS			
	Non-current assets			
	(a) Property, Plant and Equipment (b) Capital work-in-progress (c) Investment Property (d) Goodwill (e) Other Intangible assets (f) Intangible assets under development (g) Biological Assets other than bearer plants (h) Financial Assets (i) Investments (ii) Trade receivables (iii) Loans (i) Deferred tax assets (net) (j) Other non-current assets			
(2)	Current assets			
	(a) Inventories (b) Financial Assets (i) Investments (ii) Trade receivables (iii) Cash and cash equivalents (iv) Bank balances other than (iii) above (v) Loans (vi) Others (to be specified) (c) Current Tax Assets (Net) (d) Other current assets			
	Total Assets			

	<p>EQUITY AND LIABILITIES</p> <p>Equity</p> <p>(a) Equity Share capital</p> <p>(b) Other Equity</p>			
(1)	<p>LIABILITIES</p> <p>Non-current liabilities</p> <p>(a) Financial Liabilities</p> <p>(i) Borrowings</p> <p>(ia) Lease liabilities</p> <p>(ii) Trade Payables:</p> <p>(A) total outstanding dues of micro enterprises and small enterprises; and</p> <p>(B) total outstanding dues of creditors other than micro enterprises and small enterprises.</p> <p>(iii) Other financial liabilities (other than those specified in item (b), to be specified)</p> <p>(b) Provisions</p> <p>(c) Deferred tax liabilities (Net)</p> <p>(d) Other non-current liabilities</p>			
(2)	<p>Current liabilities</p> <p>(a) Financial Liabilities</p> <p>(i) Borrowings</p> <p>(ia) Lease liabilities</p> <p>(ii) Trade payables:</p> <p>(A) total outstanding dues of micro enterprises and small enterprises; and</p>			
	<p>(B) total outstanding dues of creditors other than micro enterprises and small enterprises</p> <p>(iii) Other financial liabilities (other than those specified in item (c))</p> <p>(b) Other current liabilities</p> <p>(c) Provisions</p> <p>(d) Current Tax Liabilities (Net)</p>			
	Total Equity and Liabilities			

Distinction between Current and Non Current

Current Assets

An Entity shall classify an asset as current when :-

- * (i) It expects to realise the asset, or intends to sell or consume it, in its normal operating cycle.
 - (ii) It holds the asset primarily for the purpose of trading.
 - (iii) It expects to realise the asset within 12 months after the reporting period.
 - (iv) the asset is cash or cash equivalent.
- a unless there is no restriction*

An Entity shall classify all other assets as Non Current.

This Standard uses the term Non Current to include tangible, intangible and financial asset of a long term nature. *(PPE, Intangible Assets, Investment Property)*

Deferred tax asset and liabilities are classified as Non Current.

Operating Cycle

Time between acquisition of assets for processing and their realisation in cash or cash equivalents.

When normal operating cycle is not clearly identifiable, assume 12 months.

Current Liabilities

An Entity shall classify liabilities as current when :-

- (i) It expects to settle the liability in its normal operating cycle.
- (ii) It holds the liability primarily for the purpose of trading.

(iii) The liability is due to be settled within 12 months after the reporting period.

(iv) No Unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

An Entity shall classify all other liabilities as Non Current.

Breach of contract of long term loan on or before end of reporting period and loan becomes repayable on demand on reporting date.

However, lender agreed before approval of F/S, not to demand repayment as a consequence of breach *(carve outs)*

↓

No need to classify as current liability

↓

Classify as Non Current Liability.

Lender agreed by the end of reporting period to provide a period of grace ending at least 12 months after the end of reporting period, within which entity can rectify the breach and during which lender cannot demand immediate repayment.

↓

Classify the liability as Non Current.

However if Grace period of 12 months is allowed after end of reporting period, classify the liability as Current.

An Entity classifies its Financial liabilities as **Current** if due to be settled within 12 months after Reporting period even if:

(i) Original term was for period longer than 12 months.

(ii) An agreement to refinance, on reschedule payments on long term basis is completed after R.P. and before approval of F/S.

If Entity Expects, and has discretion, to refinance or roll over obligation for at least 12 months after R.P. under existing loan facility, it classifies obligation as Non Current even if due within shorter period.

However when refinancing or rolling over obligation is not at discretion of entity (For Eg. No agreement on refinancing) → Entity does not consider potential to refinance the obligation and classify as **Current**

Enmans

2001-02

Revenue = 500 CM

But mistakenly Revenue shown as ₹ 550 CM.

2002-03

P.Y. Revenue = 600 CM

Revenue

C.Y. (2002-03)

600 CM

P.Y. (2001-02)
~~550 CM~~ 500 CM

Third Block

1.4.01

Statement of P/L

Revenue

other income

75000

Expenses

EBE

(175000)

other exp.

335000

Income tax

(35000)

Profit or loss for the period

!

Other Comprehensive Income

Items not reclassified to P/L

Rem. of defined benefit plan

257000

changes in avail. surplus

125000

Gain/loss on inv in eq. instr

100000

Items reclassified to P/L

Transfer of F.O.

650000

Total OCI

Total Comprehensive Income (P/L + OCI)

XX

Illustration 8

100000 Nos. x 10 each = 1000000

On 1st April, 20X3, Charming Ltd issued 100,000 ₹ 10 bonds for ₹ 1,000,000. On 1st April, each year interest at the fixed rate of 8 percent per year is payable on outstanding capital amount of the bonds (i.e., the first payment will be made on 1st April, 20X4). On 1st April each year (i.e., from 1st April, 20X4), Charming Ltd has a contractual obligation to redeem 10,000 of the bonds at ₹ 10 per bond. In its statement of financial position at 31st March, 20X4. How should this be presented in the financial statements?

31.3.04

$$\text{Interest Accrued} = 1000000 \times 8\% = \underline{80000}$$

Finance cost (P/L) 80000

TO Interest Accrued (LL) 80000

Balance Sheet (approx) - 31.3.04

Non Current Liab

A.P. Bonds (90000 x 10) 900000

Current Liab

Interest Accrued 80000

A.P. Bonds (10000 x 10) 100000

Statement of P/L 1.4.03 -
31.3.04

Interest Expenses

80000