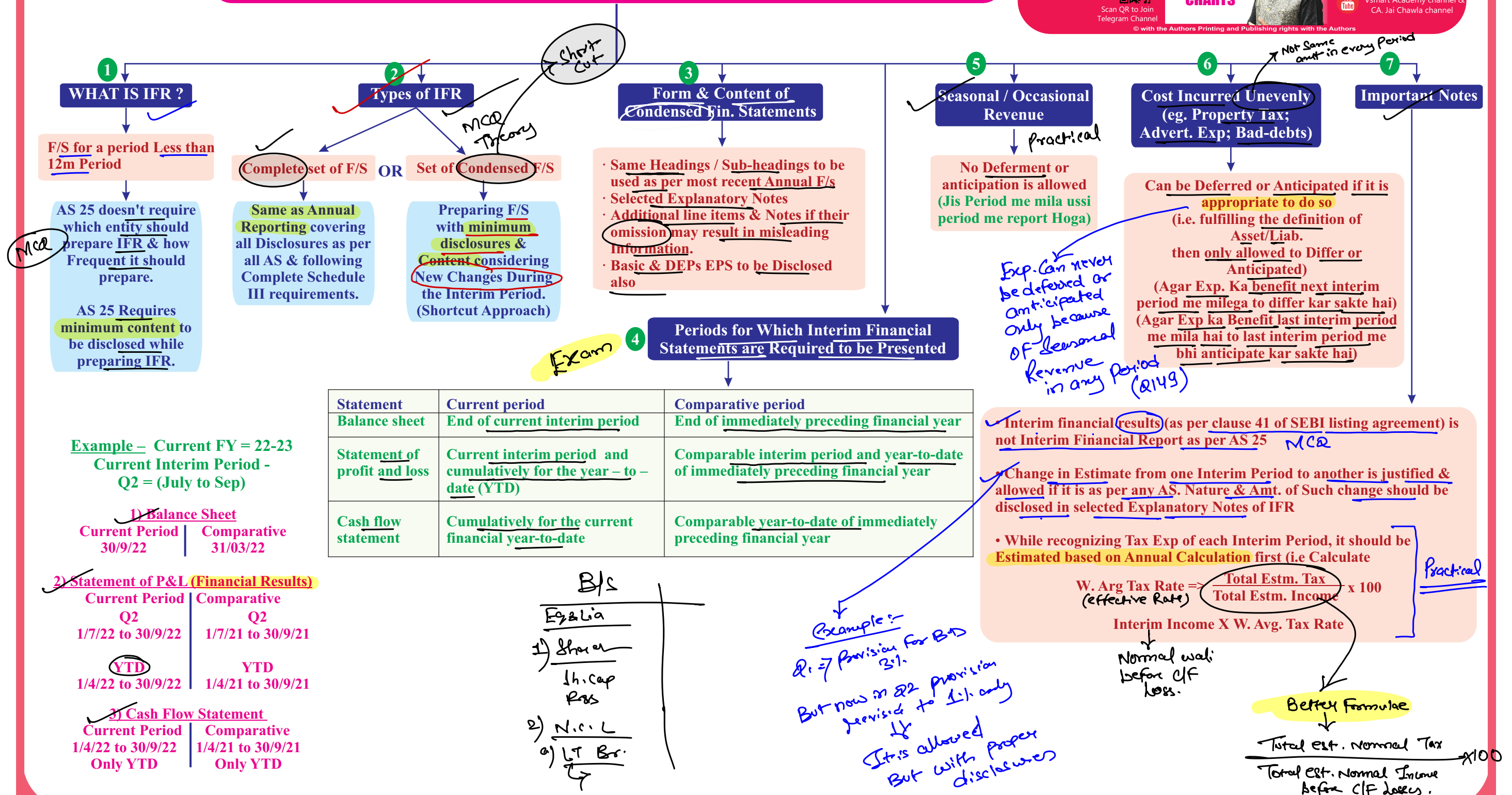


AS 25 - INTERIM FINANCIAL REPORTING



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ACCOUNTING STANDARD – 25

INTERIM FINANCIAL REPORTING

**Always Remember that your present situation is not your final destination,
the Best is yet to come**

PURPOSE OF INTERIM FINANCIAL REPORTING

To update the Shareholders and other stakeholders along with timely information.

1. INTERIM PERIOD MEANS:

Interim period is a financial reporting period **shorter than a full financial year**.

2. INTERIM FINANCIAL REPORT MEANS:

1. Interim financial report means a financial report for less than 1 financial year which contains either a **complete set** of financial statements or a **set of condensed financial statements**.
2. **Annual Financial Reporting** means preparation of financial statements for annual period i.e. 1 year as per Schedule III

Note: During the first year of operations of an enterprise its annual financial reporting period may be shorter than a financial year. In such cases that shorter period is not considered as an interim period.

3. CONTENTS OF AN INTERIM FINANCIAL REPORT – CONDENSED SET:

An Interim Financial Report shall include the following:

- A condensed balance-sheet
 - A condensed statement of profit and loss
 - A condensed statement of changes in equity
 - A condensed statement of cash flows
 - Notes, comprising significant accounting policies and other explanatory information
- ✓ An entity may be required to or may elect to provide less information at interim dates as compared with its annual financial statements.

- ✓ The interim financial report focuses on new activities, events, and circumstances and does not duplicate information previously reported.
- ✓ **Choice with Entity:** Entity has the option to select either to prepare the Complete set of interim financial reporting or to prepare a set of condensed financial report.
- ✓ Condensed statements should include, at a minimum:
 - each of the headings and sub-headings that were included in its most recent annual financial statements;
 - the selected explanatory notes as required by this Statement.
 - Additional line items or notes should be included if their omission would make the condensed interim financial statements misleading.
 - If an enterprise presents basic and diluted earnings per share in its annual financial statements in accordance with AS 20, then it has to present basic and diluted earnings per share as per AS 20 on the face of Statement of Profit and Loss complete for an interim period also.

4. PERIODS FOR WHICH INTERIM FINANCIAL STATEMENTS ARE REQUIRED TO BE PRESENTED:

Example: Suppose entity is preparing Interim Financial Report for the period 1st July 20X2 to 30th September 20X2 i.e. 3 Months, then following should be reported:

	Current Year	Previous Year
Balance Sheet	As at the End of Current Interim Period i.e. 30 th Sep 20X2	Comparative BS as at the end of Previous financial year 31 st March, 20X1
Statement of Profit and Loss	<u>Current Interim Period</u> 01/07/X2 - 30/09/X2	<u>Previous Interim Period</u> 01/07/X1 - 30/09/X1
	<u>Year to Date (CY)</u> 01/04/X2 - 30/09/X2	<u>Year to Date (PY)</u> 01/04/X1 - 30/09/X1
Statement of Cash Flows	Year to Date Only 01/04/X2 - 30/09/X2	Year to Date Only 01/04/X1 - 30/09/X1

5. RECOGNITION AND MEASUREMENT:

Sr. No.	Criteria	Recognition and Measurement
1	Same accounting policies as annual	An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.
2	Recognition of Incomes and Expenses	Incomes and Expenses shall be fully recognised in the same interim period in which they are earned or incurred. Entity should not defer the expenses to next period or anticipate the expenses early from next period on the assumption of higher or lower sales in those periods. Note: Bonus to Employees can be deferred or anticipated. <u>Examples of such items are:</u> Bad-debts, Marketing and promotion, depreciation, employee benefit expenses, interest cost, general and administration overheads etc. Revenues that are received seasonally, cyclically, or occasionally within a financial year shall not be anticipated or deferred. Examples include dividend revenue, royalties, and government grants.
3	Fixed Overheads allocation to Production	Step 1: Calculate Fixed Overhead rate per unit: $\frac{\text{Total Fixed Overheads}}{\text{Higher of Normal or Actual Capacity}}$ Step 2: Allocation of Fixed Overheads Actual Production Year to Date x Fixed OH rate (Step 1) (-) Absorbed till last interim period Step 3: Remaining Fixed Overheads Total Fixed Overheads Less Absorbed overheads are charged to Profit and loss.
4	Tax Expense for Interim Period	Profit/loss of each interim period may contain 2 parts: (a) Normal Business Profit and;

		(b) Special Income (e.g. capital gains) taxable at special rate Tax Expense for Interim Period will be sum of: (a) Normal Profit/loss X WATR (b) Special Income X Special Rate Weighted Average Tax Rate (WATR): $\frac{\text{Estimated Annual Tax Amount} \times 100}{\text{Estimated Annual Income}}$ Note: Estimated Annual Tax will be calculated after w/off carried forward losses if given in the question.
5	Reversal of Impairment Loss	Except for Goodwill, Impairment loss recognised in earlier interim period can be reversed due to change in conditions.

6. SIGNIFICANT EVENTS AND TRANSACTIONS

The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive.

1. The write-down of inventories to Net Realisable value and the reversal of such write down;
2. Recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss
3. Acquisitions and disposals of items of property, plant and equipment.
4. Litigation settlements.
5. Corrections of prior period errors.
6. Any loan default or breach of a loan agreement that has not been rectified on or before the end of the reporting period.
7. Related party transactions.
8. Transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.
9. Changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and
10. Changes in contingent liabilities or contingent assets.

7. (MCQ's from ICAI Material)

1. AS 25 mandates the following in relation to interim financial reports.
 - (a) which entities should publish interim financial reports.
 - (b) how frequently it should publish interim financial reports.
 - (c) how soon it should publish after the end of interim period.
 - (d) none of the above.

2. The standard defines Interim financial Report as a financial report for an interim period that contains a set of financial statements.
 - (a) Complete
 - (b) Condensed
 - (c) Financial statement similar to annual
 - (d) Either complete or condensed

3. ABC Limited has reported ₹ 85,000 as per tax profit in first quarter and expects a loss of ₹ 25,000 each in subsequent quarters. It has corporate tax rate slab of 20% on the first ₹ 20,000 earnings and 40% on all additional earnings. Calculate tax expenses that should report in first quarter interim financial report.
 - (a) ₹ 17,000
 - (b) ₹ 30,000
 - (c) ₹ 2,000
 - (d) AS 25 does not mandate to report tax expenses

4. An entity prepares quarterly interim financial reports in accordance with AS 25. The entity is engaged in sale of mobile phones and normally 5% of customers claim on their warranty. The provision in the first quarter was calculated as 5% of sales to date, which was ₹10 million. However, in the second quarter, a fault was found and warranty claims were expected to be 10% for the whole of the year. Sales in the second quarter were ₹15 million. What would be the provision charged in the second quarter's interim financial statements?
 - (a) ₹1 million
 - (b) ₹ 2 million
 - (c) ₹ 1.25 million
 - (d) ₹ 1.5 million

Answers	1	2	3	4
	d	d	a	b



Student Notes: -

2) IFR (AS25) :- Report it is Financial Statements of Interim period

Choice

Complete Set (or)
OF IFR

Same as Annual
Fin. Statement

i.e. disclose & present
everything in details
Same as Annual F/S.

i.e. Follow Full Schedule III

Condensed
Set of
IFR

↓ IFR

(Short cut)

(Do Not Repeat
the same inform.
of Annual F/S)

Disclose only
those events
which are new
& occurred during
the relevant
Interim period

No need to give
Notes for each
& every B/S part
item

instead provide
only selected
Notes

Only Vo wales Notes
to A/c Show Karo
JinKo agar Show
nahi ki IFR
mistead Ho Jayega
(User ki decision ki
Affect Hoga)

Change in Dep method $\Rightarrow$ Show the effect in same Qtr

Class

Ex:-1 (Tax) We are currently preparing Q₁ P&L

Q₁ Profit is 300000

Estimated Q₂ + Q₃ + Q₄ will be 10,00,000 Profit

Tax Slab :-

0 - 3 lac.	=	Nil
3 - 7 lac.	=	5%.
7 - 10 lac	=	10%.
10 - 12 lac	=	15%.
12 - 15 lac	=	20%.
above 15 lac	=	30%.

Calculate Tax exp. of Q₁ to be presented

Sol) :- Total Tax = on 1300000 Income
10,00,00

$$\text{Effective Tax \%} = \frac{100000}{1300000} \times 100 = 7.69\%$$

$\rightarrow$ on Normal Income only.

$$Q_1 \quad PBT = 300000$$

$$(-) \text{ Tax exp} = 23070 \\ @ 7.69\%$$

$$276930$$

Class Ex!2 (Tax)

Fy 24-25

C/F Business losses = 200000
(to be set off in
(Cy))

Q₁ (Actual)

Income
300000

Q₂ (estimated)

200000

Q₃ (— " —)

400000

Q₄ (— " —)

600000

Q₁ includes

Special Income of 50000 Taxable
at 15%.

Tax slab :- Nil upto 250000
 (Normal Income) 10% 250000 - 500000
 20% 500000 - 800000
 30% above 800000

Calculate Tax Exp of Q,

Sol) :- Consider Annual Worsmg

Normal	Special
250 + 200 + 400 + 600	50000
1450000	X 15%
(-) 200000 Loss Setoff	<u>7500 Q1</u>

Net = 1250000
Income

Tax = 220000

$$\% = \frac{220000}{1450000} \times 100$$

$$= 15.17\%$$

Q1 $\Rightarrow$ Tax exp.

$$\text{Normal Tax} = 250000 \times 15.17\% = 37925$$

$$\text{Special Tax} = 50000 \times 15\% = 7500$$

45425

$\rightarrow$ For Jhandu Kismat

Class Ex:-3

Fy 24-25

During Q1 $\Rightarrow$ Budgeted Annual F. OH = 1500000
Normal Capacity = 50000 units

During Q1 = Actual Production = 12000 units

How much Fixed OH will be absorbed in Q1?

Sol:-

1) FOH Absorption Rate = $\frac{1500000}{50000} = 30/-$

2) FOH absorbed in Q1 = $12000 \times 30 = 360000/-$
in Cost of Inventory.

Now Suppose, During Q2 Annual Budget of F OH is Changed to Rs. 16,50,000

Normal Capacity also Changed to 60000

Actual production in Q2 = 19000 units

Solution

$$1) \text{ Revised F OH Absorption Rate} = \frac{1650000}{60000} \\ = 27.50/-$$

2) Cumulative F OH to be absorbed!—

$$(12+19) \text{ Actual production till date} = 31000 \checkmark \\ (X) \text{ Revised Rate} = 27.50 \checkmark$$

852500

$$(-) \text{ F OH absorbed earlier} = (360000)$$

$$\text{F OH Absorbed in} = \underline{492500}$$

Q2

V'Smart Academy