AS 22

Q70 (₹ in lakhs)

Impact on DTA | DTL and Calculation of Closing Balance

Particulars	DTA	DTL	Remarks
1/4/20 Opng. Bal.	14	28	-
DTL Reversal on Depreciation 28 x 40%	-	(11.2)	Generally WDV method is followed in Income Tax which leads to Higher Dep in earlier years.
Expense allowed not earlier disallowed 14 x 40%	(5.6)	-	In 19-20, DTA must have been Created due to disallowance of expense in 19-20 in 20-21, Exp is allowed Hence Reversal of DTA.
Share issue exp (1/10) 7 x 40%	(2.8)	-	Earlier years, Exp. was disallowed Hence DTA must have been Created. Now exp (1/10) is allowed Hence DTA is Reversed

Repairs Exp 70 x 40%	—	28	100% Exp. allowed in CY. In next year 21-22, Exp of 70 will be disallowed Hence DTL.
Closing DT	5.60	44.8	

Q71 plus Figures in Timing Differences are expenses disallowed in that year. Will be allowed in future.

Minus Figure represents Incomes not Chargeable to Tax in that year. Will be Chargeable in Future.

WN-1 Calculation of DTA/DTL

Particulars	X1-X2	X2-X3	X3-X4	X4-X5
Opng. Differences	0	9000 (A)	15000 (A)	7000 (A)
(+) Timing Diff. Created	+9000 (A)	+6000 (A)	2000 (L)	—
(-) T.D Reversed	-	-	6000 (A-R)	9000 (A-R) 2000 (L-R)

Closing Bal. (T. Diff)	9000 (A)	15000 (A)	7000 (A)	0
Tax Rate	35%	40%	50%	–
DT in B/s (closing)	3150 (A)	6000 (A)	3500 (A)	0
Opng DT	0	3150 (A)	6000 (A)	3500 (A)
DT Created	3150 (A)	2850 (A)	–	–
DT Reversed	–	–	2500 (A·R)	3500 (AR)
Journal entry	DTA Dr. To P&L	DTA Dr. To P&L	P&L Dr. To DTA	P&L Dr. To DTA

WN-2 Calculation of Current Tax

Particulars	X1-X2	X2-X3	X3-X4	X4-X5
Accounting Income (PBT)	80000	90000	110000	40000
(+) Permanent Difference (disallowed)	10000	2000	6000	12000
(+/-) Timing Diff.	9000	6000	(6000) (2000)	(9000) 2000

Taxable Income	99000	98000	108000	45000
Tax Rates	30%	35%	40%	50%
Current Tax	29700	34300	43200	22500

Tax → P&L → Exp.
Tax → B/s → Liability

Statement of P&L (extract)

Particulars	X1-X2	X2-X3	X3-X4	X4-X5
a) Accounting Income (PBT)	80000	90000	110000	40000
Tax exp:-				
CT Exp.	29700	34300	43200	22500
(-) DT Income	(3150)	(2850)	–	–
(+) DT Exp.	–	–	2500	3500
b) Tax exp	26550	31,450	45,700	26000

Profit After Tax (A - B)	53450	58550	64300	14000

Balance Sheet (Extract)

Particulars	X1-X2	X2-X3	X3-X4	X4-X5
Current Liab.				
STP	29700	34300	43200	22500
Non Current Asset				
DTA (net)	3150	6000	3500	—

Q72

Given information

Machine Cost = 150000
Useful life = 3 yrs
Books Depreciation = SLM
Tax Depreciation = 150000 in 1st yr.

Profit before Dep & Taxes = 200000 P.a. each year

Tax Rate = 40%

Calculation of Deferred & Current Taxes

	Particulars	22-23	23-24	24-25
a)	Profit before Dep & Taxes	2,00,000	2,00,000	2,00,000
b)	Dep. (in Books)	(50,000)	(50,000)	(50,000)
c)	Profit Before Tax (Accounting Income)	150000	150000	150000
d)	Dep. (Books) Disallowed	50000	50000	50000
e)	Dep (IT)	(150000)	—	—
f)	Taxable Income (c+d−e)	50000	200000	200000
g)	Current Tax @ 40%	20000	80000	80000

h) Timing Difference (C – F) | 100000 (L) Taxable Difference | 50000 (L-R) | 50000 (L-R)

i) Deferred Taxes @ 40% | 40000 (L) | 20000 (L-R) | 20000 (L-R)

Journal entries

31/3/23	Current Tax exp (P&L) Dr.	20000	
	To CT Liab. a/c		20000
31/3/23	DT exp. (P&L) Dr.	40000	
	To DTL a/c		40000

31/3/24	Current Tax exp (P&L) Dr.	80000	
	To CT Liab. a/c		80000
31/3/24	DTL a/c Dr.	20000	
	To DT Income (P&L)		20000

31/3/25 HW

(ii) If next years Tax Rates are Known in CY

Change in DT

	22-23	23-24	24-25
Opng TD	—	100000 (L)	50000 (L)
TD Created	100000 (L)	—	—
TD Reversed	—	50000 (L-R)	50000 (L-R)
Closg TD	100000 (L)	50000 (L)	—
	35%	38%	—
DT (B/S)	35000 (L)	19000 (L)	0
DT opng	—	35000 (L)	19000 (L)
DT Created	35000 (L)	—	—
DT Reversed	—	16000 (L-R)	19000 (L-R)

* For CT Calculation Same year Tax Rates are applicable Hence no Change

Q73

Item wise Impact on DT

1) Provision For Legal Damages shall be disallowed in Cy & will be allowed when it will be paid in Cash

Hence DTA shall be Created :-
40000 × 32.33 % = 12932/-

2) Interest & Service Tax payable will be disallowed in Cy & will be allowed in Future when paid in Cash.

Hence DTA will be Created :-
80000 × 32.33 % = 25,864/-

3) Depreciation Charged in Cy = 40000
But For Tax purpose 100% Dep. will be allowed in Cy = 120000

Hence DTL will be Created on 80000

80000 × 32.33 % = 25864/-

4) Hence Net DTA to be Created = 12932/-

DTA
To P&L

Calculation OF CT

A/c Income =	730000
(+) Disallowed exp.	
Provision for Legal Dem.	40000
Interest not yet paid	30000
ST — " —	50000
Dep (Books)	40000
(-) items Allowed in Tax	
Dep. (100%)	(120000)
Taxable Income =	770000
CT @ 32.33% =	248941

P&L Dr. 248941
To CTL 248941

Statement of P&L

Revenue from oper.	20,00,000
(+) Other Incomes	100000
	21,00,000
Expenses	
COGS	1100000
Emp. Benf exp	100000
Depreciation	40000
Finance Cost	30000
Other exp.	100000
ST 50000	
Scient R.exp 10000	
Provision 40000	
Total exp.	1370000
Profit before Taxes	730000
Tax expense:-	(236009)
CT 248941	
(-) DTA (12932)	
PAT	493991

AS 11

Q30(b)

As per AS 11 (Name), Foreign Currency monetary items (fcmi) shall be remeasured at Closing Ex. Rate & difference is transferred to P&L a/c

Calculation & Treatment

Particulars	FC Amt.	Ex. Rate	Remarks
Initial Recog.	$12500	80	Rs. 10,00,000
Subsequent measurement	$12500	85	Rs. 1062,500
Ex. difference (Loss)			Rs. 62500

Transfer to P&L a/c
Tr. Payable will be credited & Ex. Loss (P&L) will be debited.

Q31 Given information

a) 1/4/19 PPE purchased at $ 50 lacs. through 5 yrs. Loan (FC Loan)

b) Entity exercised the option to adjust Ex. gain/Loss to Cost of Asset (Para 46)

c) Exchange difference is wrongly adjusted to the Cost of Goods Sold.

Para 46 of AS 11 :- If FC Loan is related to purchase of Depreciable Asset then Ex. Gain/Loss is adjusted to the Cost of Asset.

Calculation of Ex. Gain/Loss :-

Initial Recog. on 1/4	$ 50 lacs. @ 60	= Rs. 3000 lacs.
Subseq. measurement 31/3	$ 50 lacs. @ 62	= Rs. 3100 lacs.
	Ex. Loss	= Rs. 100 lacs.

Note :- Loss of Rs. 100 lacs. shall be added to the Cost of PPE & Depreciation shall be charged on revised value.

Calculation OF 1st yr. Depreciation :-

Cost OF Machine (PPE) ($50 x 60)	Rs. 3000 lacs.
(+) Exchange Loss	Rs. 100 lacs.
Revised Carrying Amt =	Rs. 3100 lacs.
(-) Dep @ 20% =	Rs. 620 lacs.
Closing Carrying Amt =	Rs. 2480 lacs.

OFU (not a Part OF Solution)

Fc Loan a/c

To Bank $10x62	620	By Bank ($50x60)	3000
To Closg. ($40x62)	2480	By Ex. Loss	100

~~$50 - $10 = $40x62 = 2480 — 3000 = 520 Diff~~

Q32

As per AS 11, Ex. Gain/Loss on translation of FC Loans (Long Term) which are related to purchase of Depreciable Assets, can be adjusted to the Cost of Asset.
However, this is an irrevocable option.

Earlier in similar kinds of Loans, entity has not opted to adjust Cost of Asset with Ex. Gains/Losses; but now entity intends to do so.
Entity can avail para 46 option on each Loan wise.

Rest part HW

Similar to Q31

Q33A

Forward Ex. Contracts (Speculative Nature)

As per AS 11, any gain/loss on forward exchange Contracts of Speculative nature is recognised in P&L as Under :-

Contract value $100000 @ 47.10 = ₹ 4710000
Settlement Value $100000 @ 47.18 = ₹ 4718000

Net Cash Settlement = 8000 (Gain)

Transfer to P&L.

Note:- Out of 8000, Rs 5000 gain shall be recognised in year ending 31/12 & Remaining 3000 gain in next year.

Q33B

Forward Rate = 49.15
Spot Rate = 48.85

As per AS 11, forward exchange Contract in the nature of Hedging, difference of spot Rate & Forward Rate is deferred over the Contract period.

Forward premium = $100000 × (49.15 − 48.85)
= ₹ 30000

30000 Shall be Recognised as Under :-

For Fy ending March 20X1 = $\frac{30000}{3} \times 2$ = 20000 P&L

For next Fy = 10000 P&L.