

Useful for CA, CS, CMA



Accounting Standard

MARATHON



CA RAHUL GARG

B.COM, FCA, LCS, ACMA, DISA (ICAI), CFA (ICFAI), MBA, ADV. DIP. MGT.
5 Times ALL INDIA RANKHOLDER in CA, CS, CMA
3 Times Single Digit Rank (including Rank 1)
GOLD MEDALIST

Tribute to my Beloved Elder Brother

SACHIN GARG

(Inspiration for me and all my students)

who left for heavenly abode on 3rd May, 2015





**"IF YOU WANT TO BE A LION,
YOU MUST TRAIN WITH LIONS."**

COST AND WORKS ACCOUNTS EXAM

“No excuses for go-getters”

Monetary hardship, partial vision loss and a parent's illness, could not stand in the way of 23-year-old Rahul's success. Today, Rahul who is also a qualified CA and CS, is in a position to care for his parents and chart out a successful career for himself. He aspires to start his own practice at the age of 35

by Urmila Rao

This Chandigarh boy appeared for the CWA exam in June 2009, and simultaneously wrote the Company Secretary (CS) final exams. “I had cleared the second levels i.e., the Intermediate Levels of both CWA and CS, securing first rank in the former and fourth in CS,” says Rahul. “One is eligible to attend both the exams, without the dates overlapping,” he adds

CWA course can be completed in three stages; Foundation, Intermediate and Final. Minimum eligibility for the Foundation is Class 12. Graduates are exempted from the Foundation Level

The CWA qualification trains a candidate in areas of accounting, cost and management, audit and tax functions among others, and a CWA professional maintains and scrutinises statutory book of accounts, prepares cash budgets, cash flow statements. Of late, they also provide consultancy services to corporate business houses.

“Enrolment to the Intermediate/Foundation Course is open throughout the year and the exams are conducted in June and December,” he shares.

A certified CWA and CS, Rahul is



Rajesh Thakur/Outlook Group

RAHUL GARG

LOCATION: Chandigarh
 ROLL NO: 900879
 PERCENTAGE: 64.38
 YEAR: 2009

childhood, Rahul's confidence reigns supreme. “For go-getters, there are no excuses,” says Rahul. Inspired by his neighbours whose economic situation improved immensely after a family member became a Chartered Accountant after completing the CA programme successfully, Rahul decided to follow suit. “The fact that a CA has the authority to authenticate a company's balance sheet, also fascinated me,” says Rahul.

Currently pursuing Chartered Financial Analyst (CFA) Programme and an MBA (Finance) from ICFAI, the ambitious young man aims to complete both courses in a span of two years and get a dual degree. Next in the line are, an I.S.A (Information Systems Audit) from Institute of Chartered Accountants of India, followed by certificates from CIMA (Chartered Institutes of Management Accountants, UK) and IMA (Institute of Management Accountants, USA).

“I want to study and be recognised in my area of work,” he says about his acquisitions. Though the CWA qualification is perceived as being a notch below CA with a 40-45 percent of average salary difference, it's the diverse knowledge and increased perspective that is fascinating. “A wider knowledge base will enable me to hold a top corporate position at an early age,” he says.

Despite his doctor's advice not to strain his eyes, Rahul remains academically active. Post work, he coaches CA and CWA aspirants. He has also authored four books for commerce graduates. “I have presented the content in a simple, systematic, interesting format,” says Rahul, who wants to start his own practice by the time he turns 35. □

also a qualified Chartered Accountant, currently working as senior In-charge, Accountant and Assurance at global firm Grant Thornton

After completing Class 12 at the Government Model School in 2004 and topping with 90.20 percent marks, Rahul enrolled in the CA course simultaneously with BCom, graduated in 2006 and obtained CA qualification in 2008.

But the journey to the top was not easy. Rahul, the third and youngest child in the family, was no stranger to financial hardships. His father is a driver by profession and his mother, a homemaker. And by sheer bad luck, Rahul lost partial vision during a game of bow and arrows.

But despite tough times during

RAHUL'S STUDY STRATEGIES

- Allotted five hours a day for two months to his toughest subjects - Management Accounting & Financial Analysis and Direct Taxes. Coaching in these areas also helped
- Referred to books by Munish Bhandari for Law, V K Aggarwal for Auditing, and Bangar for Indirect Taxes. His favourites are Tulsian and G Sekar
- Coaching classes helped but it was his self-study which helped him ace professional exams such as CA, CS and CWA
- A positive attitude was a must, and he put in “200 percent” in attempt 1, as failure and reappearing for an exam was not an option

A BRIEF ABOUT RAHUL GARG


1. Cleared all the 3 professional courses CA, CS, CMA at the age of 22 years 7 months with Ranks.
2. **5 times All India Rankholder in Professional Exams (A Record).**
3. Scored SINGLE DIGIT RANK 3 times (including **All India Rank 1**).
4. Achieved **exemption in 40+ papers** out of total 50 papers held by CA, CS, CMA institutes in his academic career.
5. Awarded by **Mr. Atal Bihari Vajpayee** in 2010 for exceptional performance in Academics.
6. One of the **best motivator** in India.
7. Covered by the National Magazine 'Career 360 - Outlook Group' amongst **12 National Toppers** (across all streams) in 2010.
8. Specialist in **Time management** and **Stress management skills**.

LOVE FOR THE SUBJECT ACCOUNTING, COST AND FM ECO

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2. Only one in India to give **Homework for all Practical Subjects** (to instill discipline and confidence) and check the same even in online class.
3. **Tabular** and **Diagrammatic presentation** of Theory to create interest.
4. Important points of theory Specially marked for **last minute revision**.
5. **Simple and lucid language** in theory for easy understanding.
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9. Maximum students scoring **Exemptions** in each attempt.
10. **Started MARATHON Sessions** in country for benefit of students.
11. **Free Test Series, Doubt Sessions & Revision Support** for all students of the profession.
12. **Outstanding Reviews** by the students regarding all the subjects

RANK Certificate for All India Rank 41 (May 06) in CA PE II Exam (now CA Inter)

Roll No. 07389



**The Institute of
Chartered Accountants of India**

Rank Certificate

This is to certify that

RAHUL GARG

has passed the

Professional Education Examination - II


held by

**The Institute of Chartered
Accountants of India**


in the month of **MAY, 2006**

and that he/she obtained **FORTYFIRST** *rank*

in that Examination.


**Joint Secretary
(Examinations)**

Date **29TH JULY, 2006**



RANK Certificate for All India Rank 4 (June 08) in CS Inter Exam



The Institute of
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

Certificate of Merit

This is to certify that

RAHUL GARG

has passed all the papers of the
INTERMEDIATE EXAMINATION
of Company Secretaryship held in the month of

JUNE, 2008

and has secured

FOURTH RANK

in the order of merit in the said examination.

Date of Issue : *1st December, 2008*

Roll Number : *12715*

MC Number : *473*

Authorised Signatory

Secretary & CEO

RANK Certificate for All India Rank 13 (June 09) in CS Professional (Final) Exam



**THE INSTITUTE OF
Company Secretaries of India**
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

Certificate of Merit

This is to certify that

RAHUL GARG

has passed all the papers of the
PROFESSIONAL PROGRAMME EXAMINATION
of Company Secretaryship held in the month of

JUNE, 2009

and has secured

THIRTEENTH RANK

in the order of merit in the said examination.

Date of Issue : *11 January, 2010*

Roll Number : *57870*

MC Number : *1,053*



Authorised Signatory



Secretary & CEO

RANK Certificate for All India Rank 1 (June 08) in CMA Inter Exams

Regn. No. NRS/012986

The Institute of Cost and Works Accountants of India



This
Rank Certificate
is awarded to

RAHUL GARG

*for his/her having passed in one sitting all the subjects of the **Intermediate** Examination of The Institute of Cost and Works Accountants of India held in the month of **June 2008** and for his/her having secured the **First Rank**.*

*Given under the Common Seal of The Institute of Cost and Works Accountants of India, this **Twenty fourth** day of **August, 2008**.*




President

Institute's Gold Medal for **All India Rank 1** (June 08) in CMA Inter Exams

NRS/012986

No. 19

The Institute of Cost and Works Accountants of India



This is to certify that

Rahul Garg

has been awarded the following prizes for his having passed the Intermediate Examination of the Institute of Cost and Works Accountants of India held in June 2008

NAME OF THE PRIZE	PRIZE AWARDED FOR
Institute's First Prize for General Proficiency	Gold Medal for securing the highest total marks without exemption in Intermediate (Revised) Examination – June 2008
G. Indira Debi Memorial Gold Medal	For securing the highest total marks without exemption in Intermediate (Revised) Examination – June 2008
U.N. Sur Memorial Cash Prize	For securing the highest total marks without exemption in Intermediate (Revised) Examination – June 2008
A.K. Biswas Foundation Book Prize	For securing the highest total marks without exemption in Intermediate (Revised) Examination – June 2008
Northern Coalfields Limited Merit Award – Book Prize	For securing the highest total marks without exemption in Intermediate (Revised) Examination – June 2008
Bikramjit Majumdar Memorial Book Prize	For securing the highest total marks in Stage - I of Intermediate (Revised) Examination – June 2008

Given under the Common Seal of the Institute of Cost and Works Accountants of India, this Twenty eighth day of January 2009.



Rahul Garg
President

RANK Certificate for All India Rank 3 (June 09) in CMA Final Exams

90167

Regn. No. NRS/012986

The Institute of Cost and Works Accountants of India



This
Rank Certificate
is awarded to

RAHUL GARG

for his/her having passed in one sitting all the subjects of the *Final Examination of The Institute of Cost and Works Accountants of India held in the month of June 2009* and for his/her having secured the *Third Rank*.

Given under the Common Seal of The Institute of Cost and Works Accountants of India, this *Twenty Ninth day of August, 2009*.



President
(G. N. VENKATARAMAN)

Preface

Dear Students,

It gives me immense pleasure and satisfaction to present the publication on subject matter "ACCOUNTING STANDARDS MARATHON".

It will cater to the needs of **CA, CS, CMA** Students of all the levels.

The notes have been prepared with deep understanding of the subject matter; topics arranged concept wise in a unique way to keep the content student friendly.

The MARATHON REVISION covers the **practical aspects as well as the theoretical aspects** of the subject matter in an informative and lucid manner.

To facilitate easy and quick understanding, a lot of diagrams, charts and examples have been incorporated during the lecture.

I sincerely believe the Marathon Lecture can do wonders if you use it wisely but remember it is just a Revision Lecture not an alternate to the FULL LECTURES.

Though considerable care has been taken to make the notes error free yet some unintended errors may have crept in for which I feel apologies.

I believe in words of Carlson Gracie "If you want to be a Lion, you must train with Lions".

This publication stands as a tribute to my elder brother Beloved Sachin Garg, who left for heavenly abode on 3rd May, 2015.

With Best Wishes

CA RAHUL GARG

ALL INDIA RANKHOLDER in CA, CS, CMA

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- More than 180 Questions for practice
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CA Rahul Garg



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- All Chapters Covered
- More than 95% concepts covered.
- Important questions of SM, RTP, MTP & past exams.
- More than 180 questions for practice
- Theory & Revision support on YouTube

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All India Rankholder in CA CS CMA

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Unleash Your Potential With Unmatched Skills Of

CA Rahul Garg



- Duration 75 hrs approx.
- All Chapters Covered
- More than 95% concepts covered.
- Important questions of SM, RTP, MTP and Past Exams.
- More than 180 Questions for practice
- Theory & Revision support on YouTube

CA Rahul Garg
All India Rankholder in CA CS CMA

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Aim to score high in less time
Unleash Your Potential With Unmatched Skills Of

CA Rahul Garg



- All Chapters Covered
- All Accounting Standards covered.
- Duration 45 hrs approx.
- More than 95% concepts covered.
- More than 180 questions for practice
- Theory & Revision support on YouTube
- Important questions of SM, RTP, MTP & past exams.

CA Rahul Garg
All India Rankholder in CA CS CMA

INTRODUCTION TO ACCOUNTING STANDARDS

CONCEPT

BASICS OF ACCOUNTING STANDARDS

Meaning of AS	Accounting Standards (ASs) are written policy documents issued by expert accounting body or by government or other regulatory body covering the aspects of recognition, measurement, presentation and disclosure of accounting transactions in the financial statements.
Benefits of AS	<ul style="list-style-type: none"> ❖ Standardization of alternate accounting treatments ❖ Requirement for additional disclosures ❖ Enhances comparability of financial statements, intra as well as inter ❖ Reduction of scope for creative accounting (Creative accounting refers to twisting of accounting policies to produce financial statements favourable to a particular interest group) ❖ Improvement in the quality of financial reporting by promoting comparability, consistency and transparency.

CONCEPT

CRITERIA FOR CLASSIFICATION OF NON-CORPORATE ENTITIES AS DECIDED BY ICAI

Level I	Level II	Level III

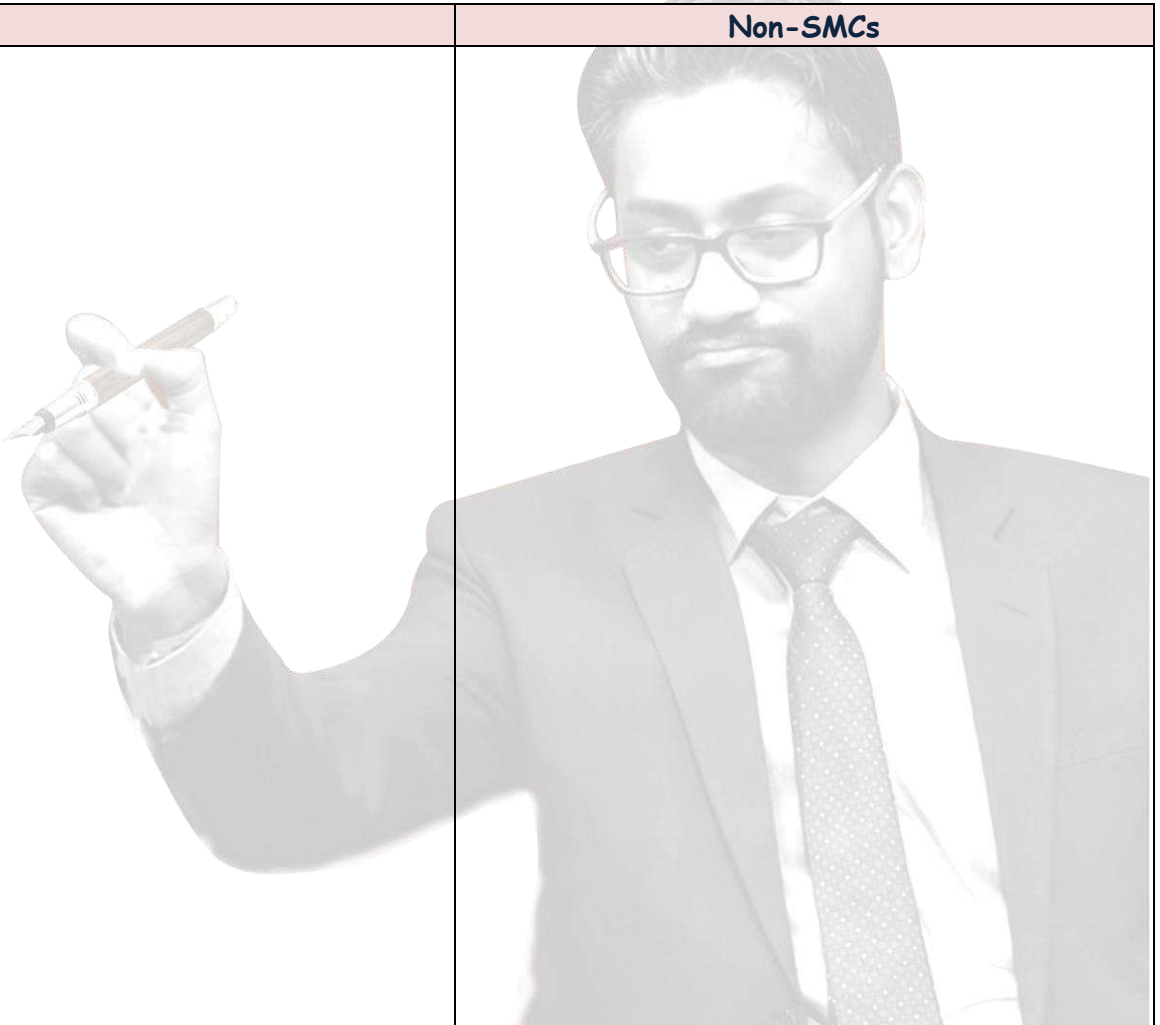
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CONCEPT

CRITERIA FOR CLASSIFICATION OF COMPANIES UNDER THE COMPANIES (ACCOUNTING STANDARDS) RULES, 2006

SMCs	Non-SMCs
	

AS 1**DISCLOSURE OF ACCOUNTING POLICIES****CONCEPT****MEANING OF ACCOUNTING POLICY**

Accounting Policies are

- | | |
|----|--------------------------------------|
| 1. | Specific accounting principles, and |
| 2. | Methods of applying those principles |

which are adopted by an enterprise in the preparation and presentation of financial statements.

CONCEPT**FUNDAMENTAL ACCOUNTING ASSUMPTIONS****CONCEPT****CONSIDERATIONS IN SELECTION OF ACCOUNTING POLICIES**

CONCEPT**DISCLOSURE OF ACCOUNTING POLICIES**

1.	Disclose at one place.
2.	Usually disclosed in Notes to Accounts.
3.	Should form an Integral Part of Financial Statements.

CONCEPT**AREAS IN WHICH DIFFERENT ACCOUNTING POLICIES MAY BE ADOPTED**

1.	Valuation of Inventory
2.	Valuation of Investment
3.	Treatment of Retirement Benefits
4.	Valuation of Fixed Assets
5.	Conversion of Foreign Currency Items

CONCEPT**CHANGE IN ACCOUNTING POLICY**

When Change is Allowed?	<ul style="list-style-type: none"> ✓ Required by statute ✓ Compliance with AS ✓ For better presentation of True & Fair view of Financial Statements
Disclosure Requirement	<ul style="list-style-type: none"> ✓ Old Policy ✓ New Policy ✓ Reason for Change in Policy ✓ Impact of such Change



AS 2**VALUATION OF INVENTORIES****CONCEPT****MEANING AND CLASSIFICATION**

Inventories are the assets held

- | | |
|----|---|
| 1. | for sale in the ordinary course of business, or |
| 2. | in the process of production for such sale, or |
| 3. | for consumption in the production of goods or services for sale, including maintenance supplies and consumables other than machinery spares, servicing equipment and standby equipment meeting the definition of Property, plant and equipment. |

CONCEPT**MEASUREMENT OF INVENTORIES**

- | | |
|----|---|
| 1. | Inventory is to be valued at Cost or NRV, whichever is lower. |
| 2. | Net Realisable Value |
| 3. | NRV is to be seen on each Balance Sheet Date. |
| 4. | Apply the rule on "Item by Item Basis" and not on "Global Basis". |

CONCEPT**NRV IN CASE OF FIRM/ COMMITTED CONTRACT**

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CONCEPT**COMPUTATION OF COST OF INVENTORIES**

Cost of Purchase of Material	Basic Purchase Price - Trade Discount + Taxes & Duties - Recoverable Taxes & Duties + Freight Inwards + Other Expenses directly attributable to purchase		
Conversion Cost	Labour		
	Overheads	Fixed Overheads	
		Variable Overheads	
Other Cost	Incurred in bringing the inventory to their present location and conditions		

CONCEPT**EXCLUSIONS FROM COST OF INVENTORIES**

1.	Storage Costs
2.	Abnormal Loss
3.	Administration Overheads
4.	Selling & Distribution Cost
5.	Interest & Borrowing Cost

CONCEPT

VALUATION OF RAW MATERIAL



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AS 3**CASH FLOW STATEMENT****CONCEPT****BASICS**

Meaning of CFS	<ul style="list-style-type: none"> ❖ It's a statement of change in cash and cash equivalents of an enterprise. ❖ Cash flow Statement (CFS) is an additional information provided to the users of accounts in the form of an statement, which reflects <ul style="list-style-type: none"> • the various sources from where cash was generated (inflow of cash) by an enterprise during the relevant accounting year and • how these inflows were utilised (outflow of cash) by the enterprise.
Cash	<ul style="list-style-type: none"> ❖ It comprises Cash in Hand and Demand Deposits with the bank.
Cash Equivalents	<ul style="list-style-type: none"> ❖ These are short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value. ❖ Any investment will qualify as cash equivalent only if it has short maturity of 3 months or less from the date of acquisition.
Cash Flows	<ul style="list-style-type: none"> ❖ These are inflows and outflows of cash & cash equivalents. ❖ Cash flow arises when the net effect of transaction is to either increase or decrease the amount of cash and cash equivalents. ❖ Any transaction, which does not result in cash flow, should not be reported in the cash flow statement.

CONCEPT**DIVISION INTO ACTIVITIES**

Operating Activity	Meaning	❖ These are the principle revenue producing activities of enterprise and other activities which are not investing or financing.
	Example	<ul style="list-style-type: none"> ❖ Cash purchase and sale of goods ❖ Collection from customers for goods ❖ Payment to suppliers of goods ❖ Payment of salaries, wages etc.
Investing Activity	Meaning	❖ The investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
	Example	<ul style="list-style-type: none"> ❖ Receipts from disposals of fixed assets. ❖ Loan given to/ recovered from other entities (other than loans by financial enterprises). ❖ Payments to acquire fixed assets. ❖ Interests and dividends earned (other than interests and dividends earned by financial institutions).
Financing Activity	Meaning	❖ Financing activities are activities that result in changes in the size and composition of the owners' capital (including preferences share capital in the case of company) and borrowings of the enterprise.
	Example	<ul style="list-style-type: none"> ❖ Issue of shares/ debentures ❖ Redemption of debentures/ preference shares ❖ Payment of dividends and payment of interests (other than interests paid by financial institutions).

CONCEPT**CASH FLOW STATEMENT (INDIRECT METHOD)**

S.No.	Particulars	Amount
A	Cash Flow from Operating Activity	
	Surplus during the year	
	+ Non cash expenses	
	+ Non operating expenses	
	- Non cash income	
	- Non operating income	
	= Cash from Operations (Before Working Capital Changes)	
	+ Decrease in Current Assets	
	- Increase in Current Assets	
	- Decrease in Current Liabilities	
	+ Increase in Current Liabilities	
	= Cash from Operations (Before Tax)	
	- Tax Paid	
	+/- Extraordinary items	
	Total (A)	
B	Cash Flow from Investing Activity	
	+ Sale of Fixed Assets/ Investment	
	- Purchase of Fixed Assets/ Investment	
	+ Interest/ Dividend Received	
	Total (B)	
C	Cash Flow from Financing Activity	
	+ Issue of Share Capital/ Debenture	
	- Redemption of Share Capital/ Debenture	
	- Interest/ Dividend Paid	
	Total (C)	
D	Net Cash and Cash Equivalents Generated during the year	
E	Opening balance of Cash and Cash Equivalents	
F	Closing balance of Cash and Cash Equivalents	

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CONCEPT**CASH FLOW STATEMENT (DIRECT METHOD)**

S.No.	Particulars	Amount
A	Cash Flow from Operating Activity	
	Cash Sales	
	+ Payment received from Debtors	
	- Cash Purchases	
	- Payment made to creditors	
	- Payment made for operating expenses	
	= Cash Generated from Operations	
	- Tax Paid	
	+/- Extraordinary items	
	Total (A)	

CONCEPT**LEDGER ACCOUNTS TO BE PREPARED**

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AS 4

CONTINGENCIES AND EVENTS OCCURRING AFTER BALANCE SHEET DATE

CONCEPT**EVENTS OCCURRING AFTER BALANCE SHEET DATE**

Events occurring after the balance sheet date are those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Board of Directors in the case of a company, and, by the corresponding approving authority in the case of any other entity.

CONCEPT**ADJUSTING EVENTS**

Meaning	These are the events which provide further evidence of conditions that existed at the balance sheet date.
Effect	Adjustments to assets and liabilities are required as at balance sheet date for such events.

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CONCEPT**NON-ADJUSTING EVENTS**

Meaning	These are the events which are indicative of conditions that arose subsequent to the balance sheet date or events which do not relate to conditions existing at the balance sheet date.
Effect	Adjustments to assets and liabilities are not required for such events.

CONCEPT**SIGNIFICANT NON-ADJUSTING EVENTS**

These events don't require disclosure in the financial statements although they may be of such significance that they may require a disclosure in the report of the approving authority to enable users of financial statements to make proper evaluations and decisions like Material changes and commitments affecting the financial position of the enterprise.

CONCEPT**EXCEPTION TO THE GENERAL RULE OF NON-ADJUSTING EVENT**

Applicability	If the going concern assumption is not valid (based on events occurring after the balance sheet date).
Example	Destruction of a major production plant by a fire after the balance sheet date.
General Rule	Don't adjust Assets & Liabilities.
Exception	The financial statements are prepared on a liquidation basis i.e. assets and liabilities are adjusted.

CONCEPT**PROPOSED DIVIDEND**

No more adjusting event.

Proposed dividend shall fall in the financial statements of the year in which it is actually proposed and not in Previous Financial Year to which it belongs.

AS 5**NET PROFIT OR LOSS FOR THE PERIOD, PRIOR PERIOD ITEMS AND CHANGES IN ACCOUNTING POLICIES****CONCEPT NET PROFIT OR LOSS FOR THE PERIOD – ORDINARY ACTIVITIES**

Ordinary Activities	Meaning	These are the activities which are undertaken by an enterprise as part of its business and such related activities in which the enterprise engages in furtherance of, incidental to, or arising from, these activities.
	Example	Profit on sale of Stock
Exceptional Items	Disclosure	When items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately.
	Example	<ul style="list-style-type: none"> ❖ Write-down of inventories to net realisable value ❖ Reversal of such write-downs ❖ Disposals of items of fixed assets ❖ Disposals of long-term investments

CONCEPT NET PROFIT OR LOSS FOR THE PERIOD - EXTRA ORDINARY ACTIVITIES

Meaning	These comprise of the Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.
Disclosure	The nature and the amount of each extraordinary item should be separately disclosed in the statement of profit and loss in a manner that its impact on current profit or loss can be perceived.
Example	<ul style="list-style-type: none"> ❖ Loss by earthquake ❖ Refund of Government Grant

CONCEPT**PRIOR PERIOD ITEMS**

Meaning	Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.
Reason	<ul style="list-style-type: none"> ❖ Mathematical mistakes ❖ Oversight
Disclosure	The nature and amount of prior period items should be separately disclosed in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived.
Example	<ul style="list-style-type: none"> ❖ Revenue Expenditure treated as Capital Expenditure ❖ Wrong totaling of stock

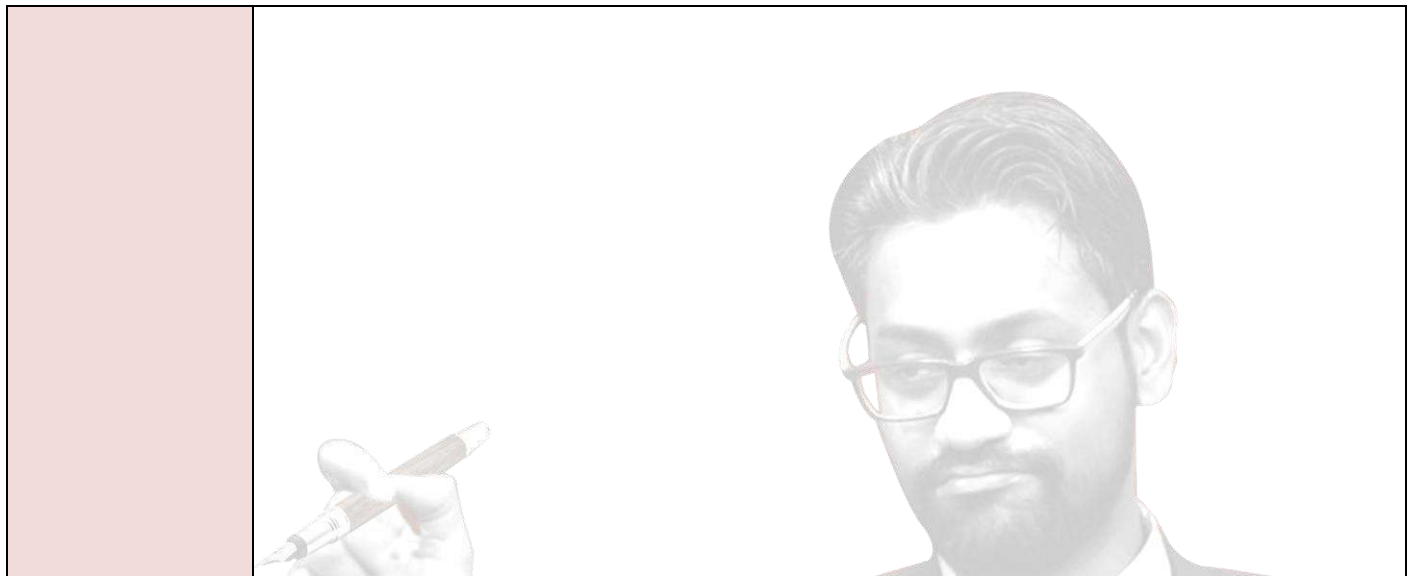
CONCEPT**CHANGE IN ACCOUNTING ESTIMATES**

Meaning and Nature of Accounting Estimate	<p>Due to uncertainties inherent in business, many financial statement items can't be measured with precision but can only be estimated.</p> <p>The use of estimates is an important inherent part of preparing financial statements and does not undermine their reliability.</p>
Example	<ul style="list-style-type: none"> ❖ Estimate of Bad Debts ❖ Estimate of Scrap Value of Fixed Assets ❖ Estimate of Useful Life of Fixed Assets
Need of Change in Estimate	<p>An estimate may have to be revised</p> <ul style="list-style-type: none"> ❖ if changes occur in the circumstances based on which the estimate was made, or ❖ due to new information, ❖ due to more experience or ❖ due to subsequent developments.
No fixed category	The revision of the estimate, by its nature, does not bring the adjustment within the definitions of an extraordinary item or a prior period item.
Same Classification as earlier	The effect of a change in an accounting estimate should be classified using the same classification in the statement of profit and loss as was used previously for the estimate.
Disclosure	

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**CONCEPT****CHANGE IN ACCOUNTING POLICIES**

Meaning of Accounting Policy	Refer AS 1
General Rule	Accounting policies once adopted should be applied consistently (Fundamental Accounting Assumption).
Reason for change in Accounting Policy	Accounting Policies can be changed only : <ul style="list-style-type: none"> ❖ when the adoption of a different accounting policy is required by statute; or ❖ for compliance with an Accounting Standard; or ❖ when it is considered that the change would result in a more appropriate presentation of the financial statements of the enterprise.
Disclosure	

AS 7**CONSTRUCTION CONTRACTS****CONCEPT****MEANING OF CONSTRUCTION CONTRACT**

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

CONCEPT**TYPES OF CONSTRUCTION CONTRACT**

Fixed Price Contract	The price is agreed as fixed sum or a fixed rate per unit of output. In some cases, the contract may require the customer to pay additional sums to compensate the contractor against cost escalations.
Cost Plus Contract	The contractor is reimbursed for defined costs, plus percentage of these costs or a fixed fee.

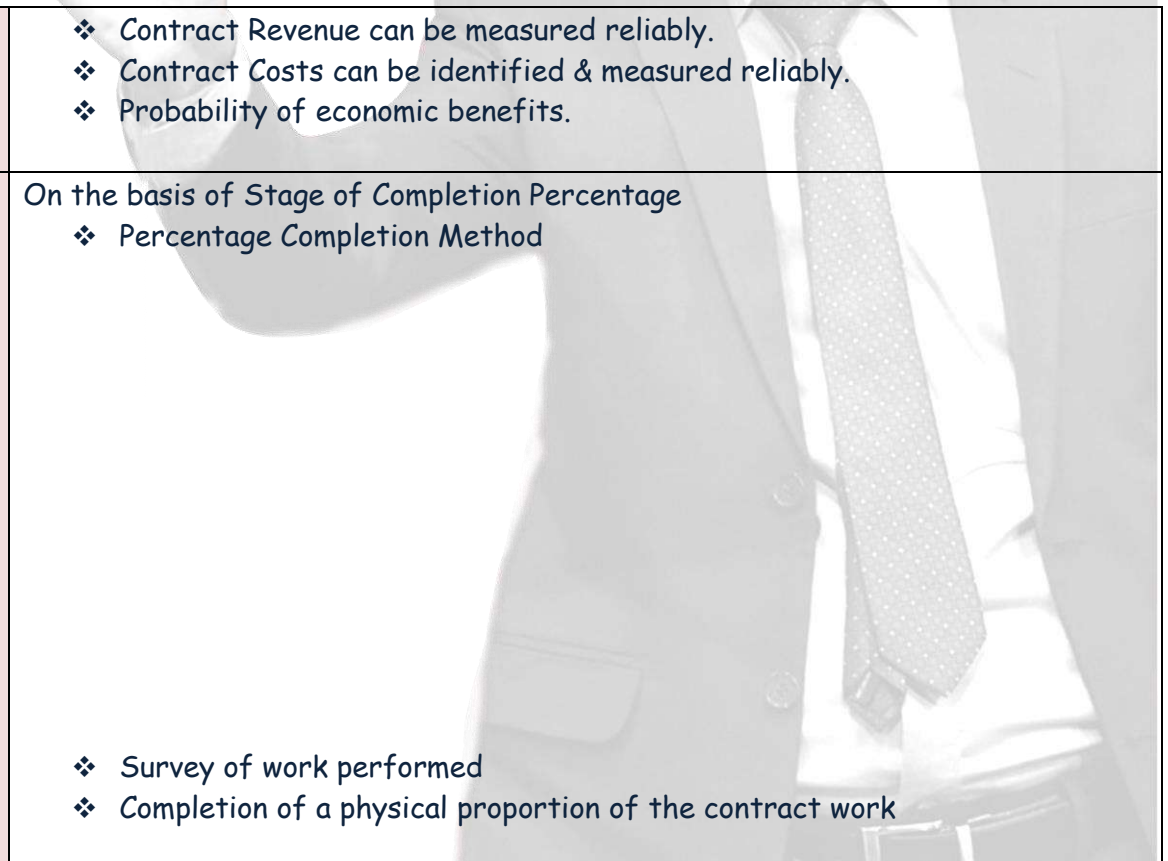
CONCEPT**COMBINING AND SEGMENTING CONSTRUCTION CONTRACTS**

Segmenting or Separating	When a contract covers a number of assets, the construction of each asset should be treated as a separate construction contract when : <ul style="list-style-type: none"> ❖ separate proposals have been submitted for each asset; ❖ separate negotiations have been carried out ❖ costs and revenues of each asset can be identified.
Combining	A group of contracts should be treated as a single construction contract when : <ul style="list-style-type: none"> ❖ the group of contracts is negotiated as a single package; ❖ the contracts are so closely interrelated that they are part of a single project with an overall profit margin; and ❖ the contracts are performed concurrently or in a continuous sequence.

CONCEPT**CONTRACT REVENUE**

It means the revenue as agreed upon between the contractor and the contractee.

S.No.	Particulars	Amount	Remarks
1.	Initial Contract Revenue Agreed		
2.	+/- Variations in contract work		
3.	+ Incentive Payments		
4.	+ Price Escalation		
5.	+ Claims		
6.	Any Penalty		
7.	Final Contract Revenue		

CONCEPT**CONTRACT COSTS****CONCEPT****RECOGNITION OF CONTRACT REVENUE & CONTRACT COSTS**

Conditions	<ul style="list-style-type: none">❖ Contract Revenue can be measured reliably.❖ Contract Costs can be identified & measured reliably.❖ Probability of economic benefits.
Basis of Recognition	<p>On the basis of Stage of Completion Percentage</p> <ul style="list-style-type: none">❖ Percentage Completion Method <ul style="list-style-type: none">❖ Survey of work performed❖ Completion of a physical proportion of the contract work

CONCEPT**COMPUTATION OF WIP**

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CONCEPT

COMPUTATION OF PROFIT



CONCEPT

RECOGNITION OF EXPECTED LOSSES

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AS 9**REVENUE RECOGNITION****CONCEPT****MEANING OF REVENUE**

1.	<p>Revenue is the</p> <ul style="list-style-type: none"> ❖ gross inflow ❖ of cash, receivables or other consideration ❖ arising in the course of the ordinary activities of an enterprise ❖ from the sale of goods, ❖ from the rendering of services, and ❖ from the use by others of enterprise resources yielding interest, royalties and dividends.
2.	<p>In an agency relationship, the revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.</p>
3.	

CONCEPT**REVENUE FROM SALE OF GOODS****CONCEPT****REVENUE FROM RENDERING OF SERVICES**

CONCEPT

USE OF ENTERPRISE RESOURCES BY OTHERS



CONCEPT

UNCERTAINTY REGARDING COLLECTION

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AS 10**PROPERTY, PLANT AND EQUIPMENT****CONCEPT****MEANING OF PPE**

PPE are the tangible items

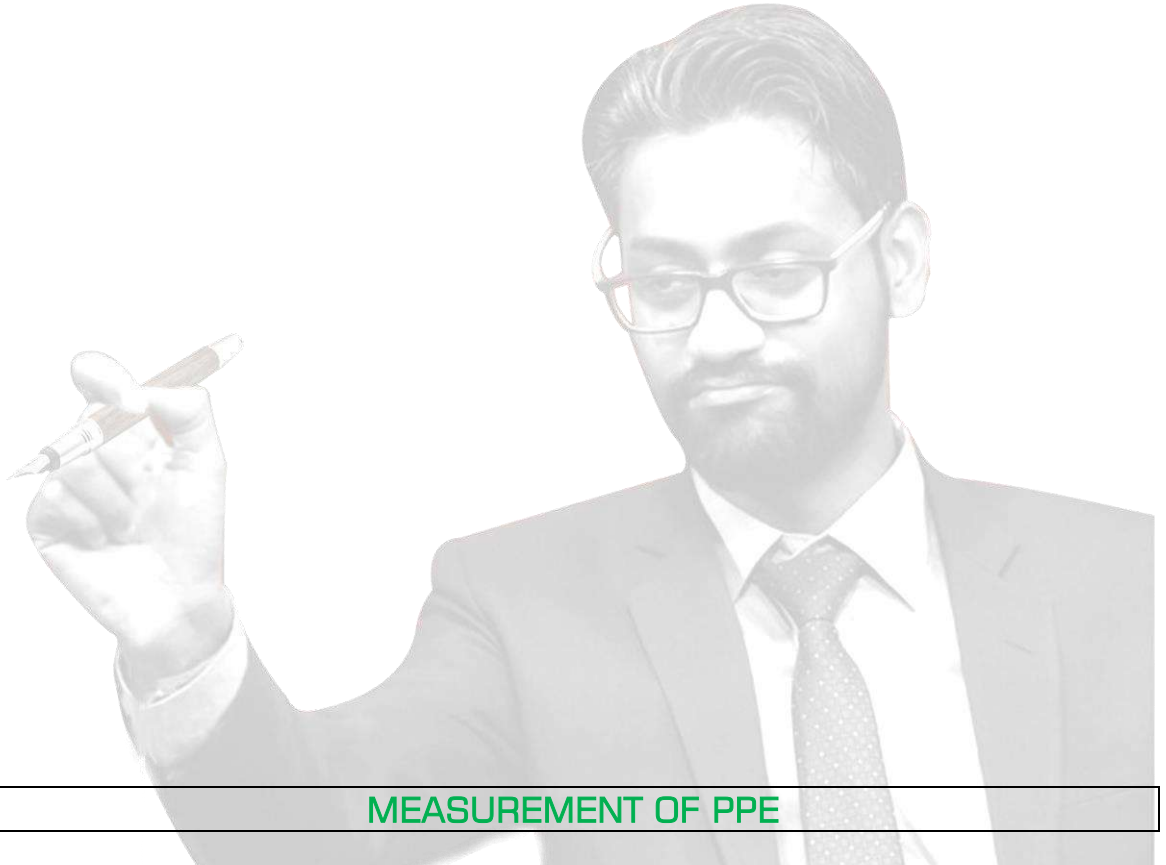
- | | |
|----|---|
| 1. | <p>Held for</p> <ul style="list-style-type: none"> ❖ Use in Production or Supply of Goods or Services ❖ For Rental to others ❖ For Administrative purposes |
| 2. | Expected to be used for more than 12 months. |

CONCEPT**NON-APPLICABILITY OF AS 10**

AS 10 doesn't apply to

- | | |
|----|---|
| 1. | <p>Biological Assets (other than Bearer Plants) related to agricultural activity.</p> <p>Bearer Plant is a plant that</p> <ul style="list-style-type: none"> ❖ Is used in the production or supply of Agricultural produce, & ❖ Is expected to bear produce for more than a period of 12 months, & ❖ Has a remote likelihood of being sold as Agricultural produce, except for incidental scrap sales. |
| 2. | Wasting Assets including Mineral rights, Expenditure on the exploration for and extraction of minerals, oil, natural gas and similar nonregenerative resources. |

CONCEPT**RECOGNITION CRITERIA FOR PPE**

CONCEPT**SUBSEQUENT COSTS****CONCEPT****MEASUREMENT OF PPE**

Measurement at Recognition	Cost Model
Measurement after Recognition	Cost Model Revaluation Model

Inclusions in Cost	Purchase Price - Trade Discount + Import Duty + Non-Refundable Duties or Taxes + Directly Attributable Cost to bring asset in its working condition + Decommissioning, Restoration and similar Liabilities
Exclusions from Cost	<ul style="list-style-type: none"> ❖ Costs of opening a new facility or business (Such as, Inauguration costs) ❖ Costs of introducing a new product or service (including costs of advertising and promotional activities) ❖ Costs of conducting business in a new location or with a new class of customer (including costs of staff training) ❖ Administration and other general overhead costs ❖ Initial Operating Losses ❖ Costs of relocating or reorganising part or all of the operations of an enterprise ❖ Costs incurred when the asset is operated at less than full capacity

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CONCEPT

MEASUREMENT OF PPE AFTER RECOGNITION

CONCEPT

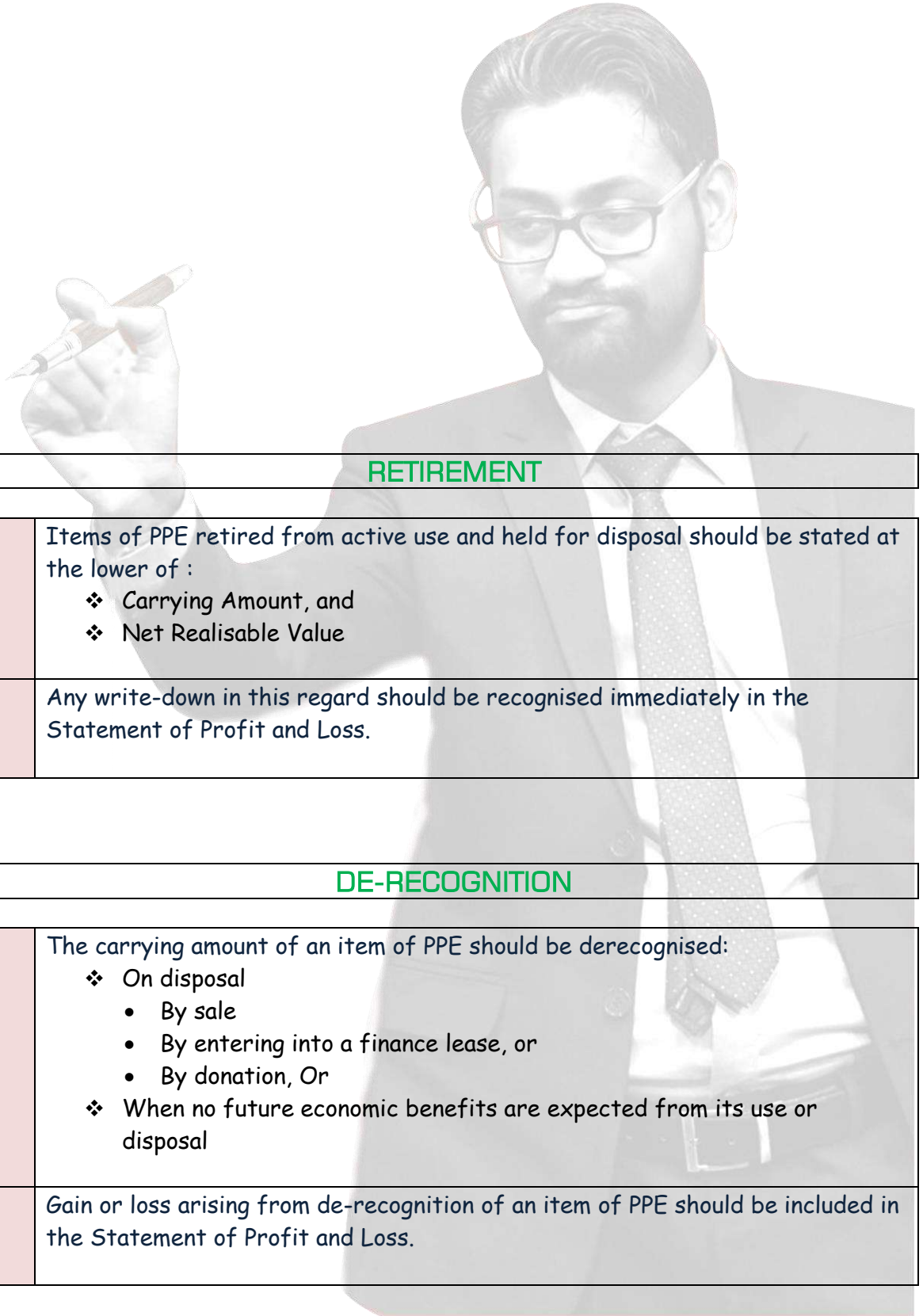
ACCOUNTING TREATMENT OF REVALUATION

CONCEPT

TECHNIQUES OF REVALUATION



CONCEPT	DEPRECIATION
Depreciable Amount	Cost of an asset (or revalued amount) - Residual value
Depreciation Amount	The depreciable amount of an asset should be allocated on a systematic basis over its useful life.
Depreciation Method	<p>The depreciation method used should reflect the pattern in which the future economic benefits of the asset are expected to be consumed by the enterprise.</p> <ul style="list-style-type: none"> ❖ Straight Line Method ❖ Diminishing Balance Method ❖ Units of Production Method
Commencement of period for charging Depreciation	Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.
Review of Residual Value	<ul style="list-style-type: none"> ❖ Should be reviewed at least at each financial year-end. ❖ If expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with AS 5.
Review of Useful Life	
Review of Depreciation Method	<ul style="list-style-type: none"> ❖ Should be reviewed at least at each financial year-end. ❖ If there has been a significant change in the expected pattern of consumption of the future economic benefits embodied, the method should be changed to reflect the changed pattern. ❖ Such change should be accounted for as a change in an accounting estimate in accordance with AS 5.
Component Method	Each part of an item of PPE with a cost, that is significant in relation to the total cost of the item should be depreciated separately.

CONCEPT**LAND & BUILDINGS****CONCEPT****RETIREMENT**

Valuation	Items of PPE retired from active use and held for disposal should be stated at the lower of : <ul style="list-style-type: none"> ❖ Carrying Amount, and ❖ Net Realisable Value
Accounting Treatment	Any write-down in this regard should be recognised immediately in the Statement of Profit and Loss.

CONCEPT**DE-RECOGNITION**

Timing	The carrying amount of an item of PPE should be derecognised: <ul style="list-style-type: none"> ❖ On disposal <ul style="list-style-type: none"> • By sale • By entering into a finance lease, or • By donation, Or ❖ When no future economic benefits are expected from its use or disposal
Accounting Treatment	Gain or loss arising from de-recognition of an item of PPE should be included in the Statement of Profit and Loss.

AS 11**EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES****CONCEPT****FOREIGN CURRENCY TRANSACTIONS**

Meaning	A foreign currency transaction is a transaction which is denominated in or requires settlement in a foreign currency.
Example	<ul style="list-style-type: none"> ❖ Purchase or sale of goods or services whose price is denominated in a foreign currency. ❖ Borrowing or lending of funds when the amounts payable or receivable are denominated in a foreign currency.
Recognition and Exchange Difference	

CONCEPT**APPLICATION OF PARA 46 & 46A**

Applicability to	Company Only
Nature	Optional
Applicable on	Long Term Foreign Currency Monetary Item (LTFCMI)

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Treatment of Exchange Difference



CONCEPT

FORWARD EXCHANGE CONTRACT

Meaning of Forward Exchange Contract

Forward exchange contract means an agreement to exchange different currencies at a forward rate.

Meaning of Forward Rate

Forward rate is the specified exchange rate for exchange of two currencies at a specified future date.

Treatment of Exchange Difference

CONCEPT**FOREIGN CURRENCY OPERATION**

Foreign operation	Foreign operation is a subsidiary, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise.		
Integral foreign operation	Integral foreign operation is a foreign operation, the activities of which are an integral part of those of the reporting enterprise. A foreign operation that is integral to the operations of the reporting enterprise carries on its business as if it were an extension of the reporting enterprise's operations.		
Non-integral foreign operation	Non-integral foreign operation is a foreign operation that is not an integral foreign operation.		
Translation	Item	IFO	NIFO
	Opening Stock		
	Expenses/ Incomes		
	Closing Assets & Liabilities		
	Fixed Assets (including Depreciation)		
	Goods Received from HO/ Remittance to HO/ Inter Units A/c		
	Exchange Difference		

AS 12**ACCOUNTING FOR GOVERNMENT GRANTS****CONCEPT****GOVERNMENT GRANT**

Meaning	<p>Government grants are</p> <ul style="list-style-type: none"> ❖ assistance by government ❖ in cash or kind to an enterprise ❖ for past or future compliance with certain conditions.
Recognition	<p>A government grant is not recognised until there is reasonable assurance that:</p> <ul style="list-style-type: none"> ❖ the enterprise will comply with the conditions attaching to it; and ❖ the grant will be received.

CONCEPT**GOVERNMENT GRANT RELATING TO SPECIFIC FIXED ASSET**



CONCEPT

GOVERNMENT GRANT RELATING TO REVENUE



CONCEPT

GOVERNMENT GRANT RELATING TO PROMOTER'S CONTRIBUTION

CONCEPT

NON-MONETARY GOVERNMENT GRANT

AS 13**ACCOUNTING FOR INVESTMENTS****CONCEPT****MEANING OF INVESTMENT**

Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise.

CONCEPT**CLASSIFICATION OF INVESTMENT****CONCEPT****COST OF INVESTMENT**

Direct Purchase	The cost of an investment includes acquisition charges such as brokerage, fees and duties etc. along with the purchase price.
Acquisition by issue of shares or securities	If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is <ul style="list-style-type: none"> ❖ the fair value of securities issued or ❖ the fair value of asset given up. whichever is more clearly evident.
Acquisition in exchange of another asset	If an investment is acquired in exchange, or part exchange, for another asset, the acquisition cost of the investment is determined by reference to <ul style="list-style-type: none"> ❖ the fair value of asset given up or ❖ the fair value of investment acquired, whichever is more clearly evident.
Interest, Dividend etc.	Interest, dividends and rentals receivables in connection with an investment are generally regarded as income, being the return on the investment. However, in some circumstances, such inflows represent a recovery of cost and do not form part of income (for example, when dividends on equity are declared from pre-

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	acquisition profits).	
Rights Shares	Portion Subscribed	When right shares offered are subscribed for, the cost of the right shares is added to the carrying amount of the original holding.
	Portion not Subscribed but sold	If rights are not subscribed for but are sold in the market, the sale proceeds are taken to the profit and loss statement.

CONCEPT**CARRYING AMOUNT OF INVESTMENTS**

Current Investment	
Long Term Investment	

CONCEPT**INVESTMENT PROPERTY**

Meaning	An investment property is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.
Accounting	An investment property is accounted for in accordance with cost model as prescribed in AS 10 (Revised), 'Property, Plant and Equipment'.

CONCEPT**DISPOSAL OF INVESTMENT**

Profit or Loss i.e. the difference between the carrying amount and the disposal proceeds, is recognised in the profit and loss statement.

CONCEPT

RECLASSIFICATION OF INVESTMENT



AS 14**ACCOUNTING FOR AMALGAMATION****CONCEPT****BASICS**

Amalgamation	Amalgamation means an amalgamation pursuant to the provisions of the Companies Act, 2013 or any other statute which may be applicable to companies and includes 'merger'.
Transferor company	Transferor company means the company which is amalgamated into another company.
Transferee company	Transferee company means the company into which a transferor company is amalgamated.

CONCEPT**TYPES OF AMALGAMATION**

Amalgamation in the Nature of Merger	<ul style="list-style-type: none"> ❖ There is a genuine pooling not merely of the assets and liabilities of the amalgamating companies but also of the shareholders' interests and of the businesses of these companies. ❖ Amalgamation in the nature of merger is an amalgamation which satisfies all the following conditions : <ul style="list-style-type: none"> • All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the transferee company. • Shareholders holding not less than 90% of the face value of the equity shares of the transferor company (other than the equity shares already held therein, immediately before the amalgamation, by the transferee company or its subsidiaries or their nominees) become equity shareholders of the transferee company by virtue of the amalgamation. • The consideration for the amalgamation receivable by those equity shareholders of the transferor company who agree to become equity shareholders of the transferee company is discharged by the transferee company wholly by the issue of equity shares in the transferee company, except that cash may be paid in respect of any fractional shares. • The business of the transferor company is intended to be carried on, after the amalgamation, by the transferee company. • No adjustment is intended to be made to the book values of the assets and liabilities of the transferor company when they are incorporated in the financial statements of the transferee company except to ensure uniformity of accounting policies.
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Amalgamation in the Nature of Purchase

- ❖ These are amalgamations which are in effect a mode by which one company acquires another company.
- ❖ Amalgamation in the nature of purchase is an amalgamation which does not satisfy any one or more of the conditions specified above.

CONCEPT

METHODS OF ACCOUNTING FOR AMALGAMATION



CONCEPT

TREATMENT OF RESERVES OF TRANSFEROR COMPANY

Amalgamation in the Nature of Merger

- ❖ If the amalgamation is an 'amalgamation in the nature of merger', the identity of the reserves is preserved and they appear in the financial statements of the transferee company in the same form in which they appeared in the financial statements of the transferor company.

However, the reserves of transferee company are adjusted to give effect to the following :

- ❖ *Conflicting accounting policies of the transferor and the transferee.*
- ❖ *Difference between the amount of Purchase Consideration and the amount of share capital of the transferor company.*

Amalgamation in the Nature of Purchase

- ❖ If the amalgamation is an 'amalgamation in the nature of purchase', the identity of the reserves, other than the statutory reserves is not preserved.
- ❖ Difference between the amount of Purchase Consideration and the Net Assets of the transferor company results in Goodwill or Capital Reserve.

AS 16**BORROWING COSTS****CONCEPT****BORROWING COST**

Meaning	Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.
Interpretation	<ul style="list-style-type: none"> ❖ Interest ❖ Related Charges ❖ Amortisation of Discount ❖ Finance Charges in case of Finance Lease ❖ Amortisation of Ancillary Costs ❖ Exchange Difference in case of Foreign Borrowings

CONCEPT**QUALIFYING ASSET**

Meaning	A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
Interpretation	Assets that are ready for their intended use or sale when acquired also are not qualifying assets.
Substantial period of time	It primarily depends on the facts and circumstances of each case, but ordinarily a period of twelve months is considered as substantial period of time.
Example	<ul style="list-style-type: none"> ❖ Manufacturing Plants ❖ Power Generation Facilities ❖ Inventories that require a substantial period of time to bring them to a saleable condition

CONCEPT**COMMENCEMENT OF CAPITALISATION****CONCEPT****SPECIFIC BORROWING**

Meaning	When an enterprise borrows funds specifically for the purpose of obtaining a particular qualifying asset, the borrowing costs that directly relate to that qualifying asset can be readily identified.
Income Earned on Idle Funds	In determining the amount of borrowing costs eligible for capitalisation during a period, any income earned on the temporary investment of those borrowings is deducted from the borrowing costs incurred.
Rate Computation	Use Different Rate for all Specific Borrowings.

CONCEPT**GENERAL BORROWING**

Meaning	When an enterprise borrows funds generally, the amount of borrowing costs eligible for capitalisation should be determined by applying a capitalisation rate to the expenditure on that asset.
Rate Computation	Use Single Rate for all General Borrowings.
Insights	

CONCEPT**SUSPENSION OF CAPITALISATION**

Timing	Capitalisation of borrowing costs should be suspended during extended periods in which active development is interrupted.
Exception	<ul style="list-style-type: none"> ❖ When substantial technical and administrative work is being carried out. ❖ When a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale.

CONCEPT**CESSATION OF CAPITALISATION**

Timing	Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
Insights	An asset is normally ready for its intended use or sale when its physical construction or production is complete even though routine administrative work might still continue.

CONCEPT**FOREIGN CURRENCY BORROWINGS**

1.	Interest on Foreign Borrowings is capitalised.
2.	Exchange Differences which arise on the amount of principal of the foreign currency borrowings can be capitalised to the extent of the difference between interest on local currency borrowings and interest on foreign currency borrowings.
3.	The remaining exchange difference, if any, is accounted for under AS 11, 'The Effect of Changes in Foreign Exchange Rates'.

AS 17**SEGMENT REPORTING****CONCEPT****TYPES OF SEGMENTS****CONCEPT****IDENTIFYING PRIMARY & SECONDARY SEGMENTS**

Dominant Risk	Primary Segment	Secondary Segment
Product		
Area		
Both		
None		

CONCEPT**IDENTIFYING REPORTABLE SEGMENTS**

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CONCEPT**SEGMENT REPORT**

Primary	Secondary
Segment Revenue	Segment Revenue
Segment Result	Segment Assets
Segment Assets	Segment Fixed Assets Acquired during the period
Segment Liabilities	
Segment Fixed Assets Acquired during the period	
Depreciation	
Non-Cash Expenses other than Depreciation	

CONCEPT**SEGMENT REVENUE**

Segment Revenue is the aggregate of :

1. Portion of enterprise revenue that is directly attributable to a segment.
2. Portion of enterprise revenue that can be allocated on a reasonable basis to a segment.
3. Revenue from transactions with other segments of the enterprise.

CONCEPT**SEGMENT EXPENSES**

Segment Expenses is the aggregate of :

1. Expense resulting from the operating activities of a segment that is directly attributable to the segment.
2. Portion of enterprise expense that can be allocated on a reasonable basis to a segment.
3. Expense relating to transactions with other segments of the enterprise.

AS 18**RELATED PARTY DISCLOSURES****CONCEPT****RELATED PARTY ISSUE**

Normal Feature	Related party relationships are a normal feature of commerce and business.
General Presumption	Without related party disclosures, there is a general presumption that transactions reflected in financial statements are consummated on an arm's-length basis between independent parties.

CONCEPT**RELATED PARTY RELATIONSHIP**

Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

CONCEPT**RELATED PARTY RELATIONSHIP – INCLUSIONS**

AS 18 deals only with related party relationships described in (a) to (e) below :

a	Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries)
b	Associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture.
c	Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.
d	Key management personnel and relatives of such personnel
e	Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

CONCEPT**RELATED PARTY RELATIONSHIP – EXCLUSIONS**

1.	Two companies simply because they have a director in common (unless the director is able to affect the policies of both companies in their mutual dealings).
2.	A single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence.
3.	Providers of finance, Government Departments etc.

CONCEPT**DISCLOSURE REQUIREMENT**

No Transaction with RP	Transaction with RP
Name of RP	Name of RP
Nature of RP Relationship	Nature of RP Relationship
	Nature of Transaction
	Volume
	Any other elements of such transaction
	Outstanding Balance as at Balance Sheet Date & Provision for Doubtful Debts
	Amount written off or written back

CONCEPT**TRANSACTIONS DURING THE PERIOD WHEN RELATED PARTY RELATIONSHIP DOES NOT EXIST**

AS 19**LEASES****CONCEPT****BASICS OF LEASE**

Meaning	A Lease is an agreement whereby the Lessor (legal owner of an asset) conveys to the Lessee (another party) in return for a payment or series of periodic payments (Lease rents), the right to use an asset for an agreed period of time.	
Parties	Lessor	The party who transfers the asset is called 'Lessor'.
	Lessee	The party to whom the asset is transferred is called 'Lessee'.
Types of Lease	<ul style="list-style-type: none"> ❖ Finance Lease ❖ Operating Lease 	

CONCEPT**FINANCE LEASE – MEANING & IDENTIFICATION**

Meaning	A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. <i>Title may or may not eventually be transferred.</i>	
Identification	Atleast one of the following conditions must be satisfied to recognize the lease as Finance Lease :	
	Condition 1	Transfer of ownership of the asset to the lessee by the end of the lease term.
	Condition 2	Where lessee has purchase option at very reduced rate & lessee is certain to opt for purchase at inception.
	Condition 3	Where lease period covers substantial period of economic life of asset.
	Condition 4	At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
	Condition 5	The leased asset is of a specialised nature such that only the lessee can use it without major modifications being made.

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CONCEPT

FINANCE LEASE – BOOKS OF LESSEE : LEASE LIABILITY



CONCEPT

FINANCE LEASE – BOOKS OF LESSEE : FINANCE CHARGES

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CONCEPT

FINANCE LEASE – BOOKS OF LESSEE : IRR RECOMPUTATION



CONCEPT

FINANCE LEASE – BOOKS OF LESSOR : RECORDING OF ASSET

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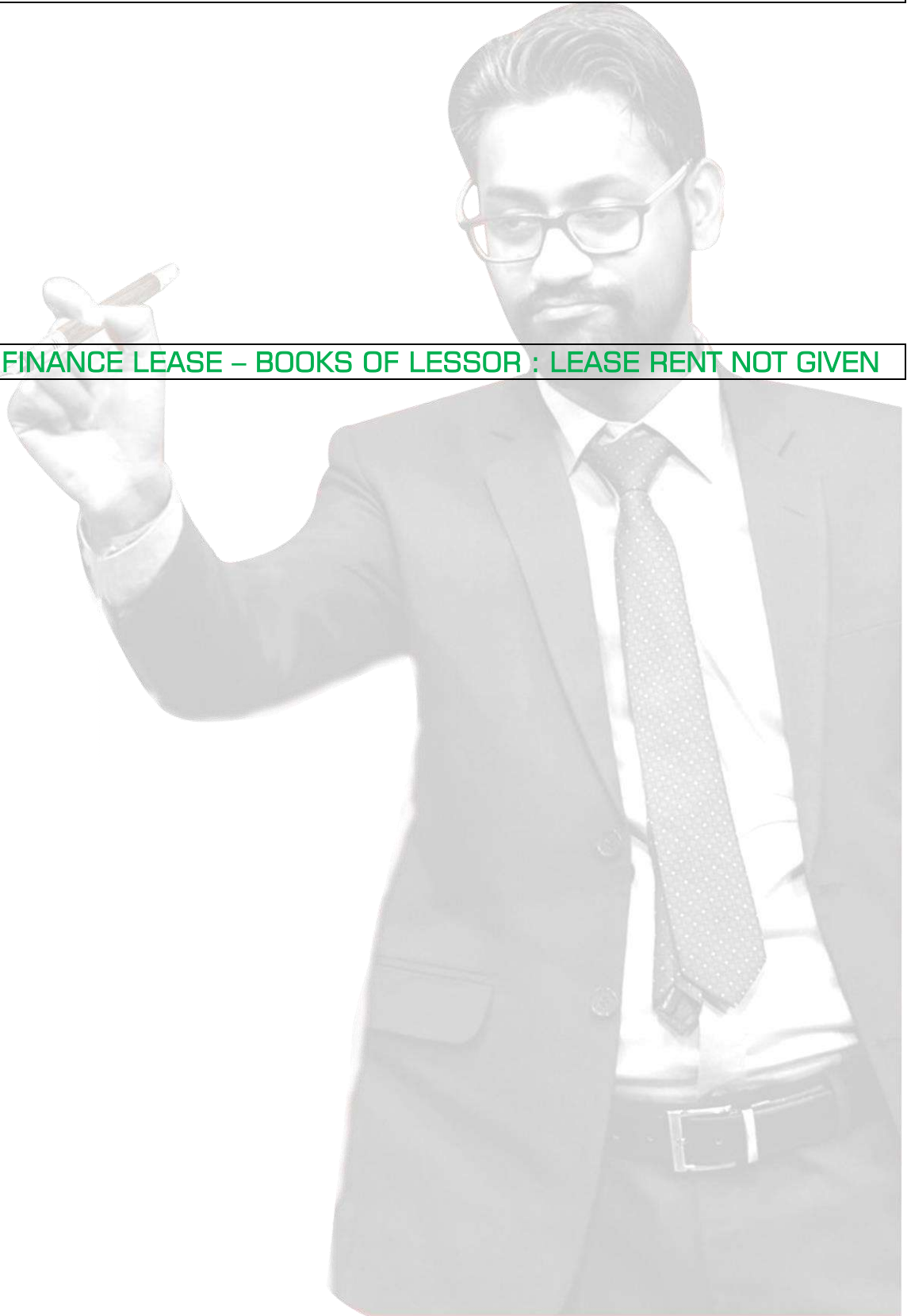
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CONCEPT

FINANCE LEASE – BOOKS OF LESSOR : UNEARNED FINANCE INCOME

CONCEPT

FINANCE LEASE – BOOKS OF LESSOR : LEASE RENT NOT GIVEN



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CONCEPT

FINANCE LEASE – BOOKS OF LESSOR : DETERMINATION OF NATURE OF LEASE



CONCEPT

FINANCE LEASE – BOOKS OF LESSOR : COMPUTATION OF INTEREST RATE IMPLICIT ON LEASE

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CONCEPT

OPERATING LEASE



CONCEPT

SALE & LEASE BACK – OPERATING LEASE

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AS 20**EARNINGS PER SHARE****CONCEPT****EPS – BASICS**

Meaning	Earnings per share (EPS) is a financial ratio indicating the amount of profit or loss for the period attributable to each equity share.
Types	<ul style="list-style-type: none"> ❖ Basic EPS ❖ Diluted EPS

CONCEPT**EPS- PRESENTATION ASPECTS**

1.	To be shown on the face of statement of P/L.
2.	Basic & Diluted EPS, both to be presented.
3.	To be disclosed even if the amounts are negative.

CONCEPT**BASIC EPS**

Formula		
Earnings Available for Equity Shareholders	Particulars	Amount (₹)
	EBIT	
	Less : Interest	
	EAT	
	Less : Tax	
	EAT	
	Less: Preference Dividend : Cumulative - : Non-cumulative -	
	Earnings available for Equity Shareholders	

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Weighted Average Number of Shares	
--	--

CONCEPT**BASIC EPS – PARTLY PAID UP SHARES**

The partly paid up shares should be equated with fully paid up shares.

CONCEPT**BASIC EPS – BONUS ISSUE**

Implication 1	Implication 2

CONCEPT**BASIC EPS – RIGHT ISSUE**

Paid Part	Free Part

Computation of MP Ex-Right or Fair Value Ex-Right or Average Price of Share

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Computation of Paid Part

Computation of Free Part

CONCEPT

DILUTED EPS – BASICS

Meaning of Diluted EPS	When Basic EPS is adjusted for the effect of Potential Equity Shares, it is called Diluted EPS.
Meaning of Potential Equity Share	A potential equity share is a financial instrument or other contract that entitles, or may entitle, its holder to equity shares.
Example	<ul style="list-style-type: none"> ❖ Convertible Preference Shares ❖ Convertible Debentures

CONCEPT

DILUTED EPS – FORMULA & INSIGHTS

Formula	
Comparison with Basic EPS	

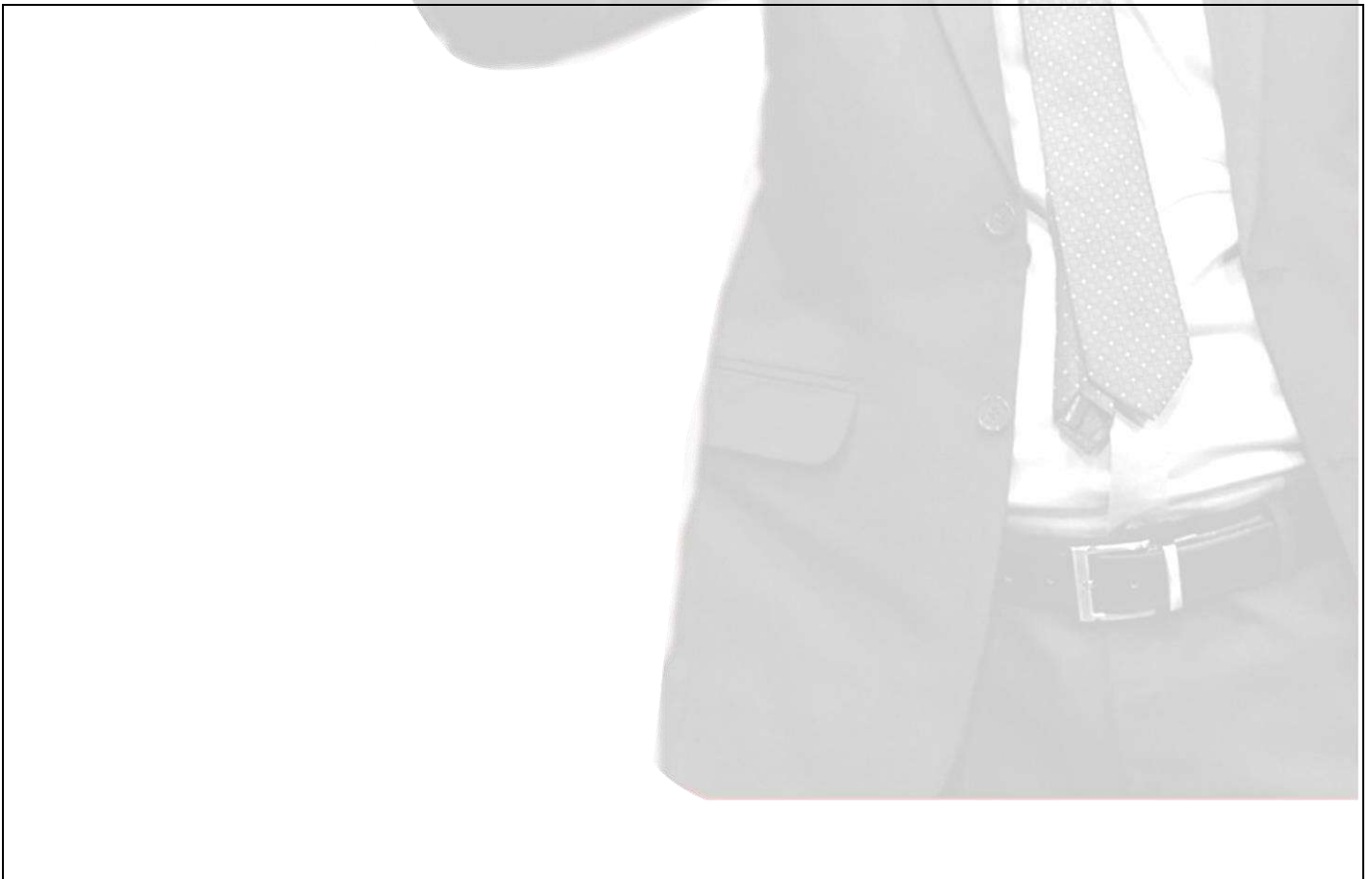
CONCEPT

DILUTED EPS – CONVERTIBLE DEBENTURES



CONCEPT

DILUTED EPS – ESOP



AS 22**ACCOUNTING FOR TAXES ON INCOME****CONCEPT****BASIC TERMS**

Accounting income (loss)	
Taxable income (tax loss)	
Tax expense (tax saving)	
Current tax	
Deferred tax	

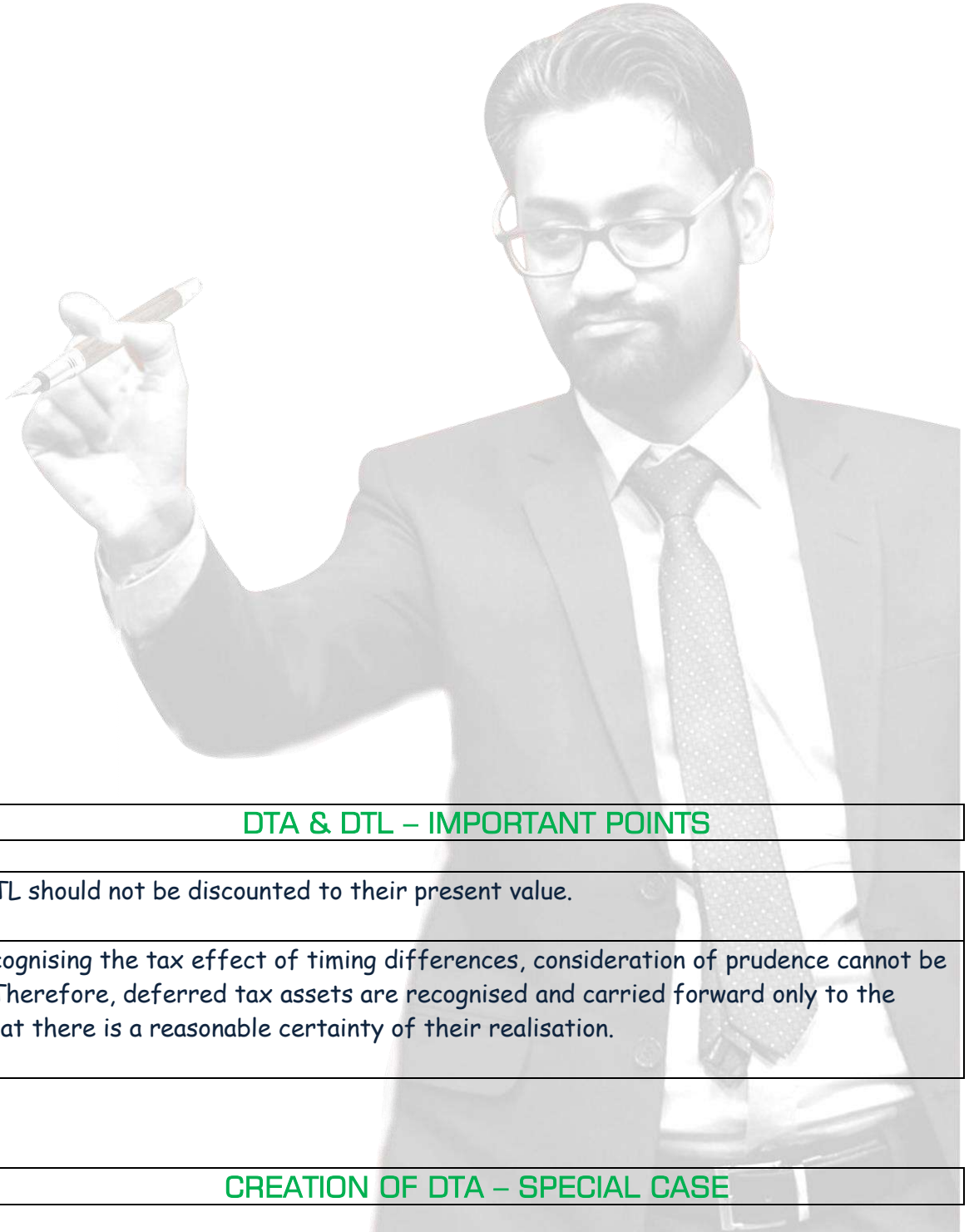
CONCEPT**TIMING VS PERMANENT DIFFERENCES**

Timing Difference	Permanent Difference
Timing differences are the differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.	Permanent differences are the differences between taxable income and accounting income for a period that originate in one period and do not reverse subsequently.
Create DTA/ DTL.	Don't Create DTA/ DTL.

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CONCEPT**DTA & DTL****CONCEPT****DTA & DTL – IMPORTANT POINTS**

- | | |
|----|--|
| 1. | DTA & DTL should not be discounted to their present value. |
| 2. | While recognising the tax effect of timing differences, consideration of prudence cannot be ignored. Therefore, deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty of their realisation. |

CONCEPT**CREATION OF DTA – SPECIAL CASE**

Where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

CONCEPT SPECIAL PROVISION IN CASE OF ENTITIES HAVING TAX HOLIDAY

1.	Deferred Tax in respect of Timing Differences which <ul style="list-style-type: none"> - Originate during Tax Holiday Period, and - Reverse during Tax Holiday Period Should not be recognized.
2.	Deferred Tax in respect of Timing Differences which <ul style="list-style-type: none"> - Originate during Tax Holiday Period, and - Reverse after Tax Holiday Period Should be recognized.
3.	Use FIFO Method for Reversal of Timing Differences.

CONCEPT APPLICABILITY OF MAT

Current Tax	
Deferred Tax	

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AS 24**DISCONTINUING OPERATIONS****CONCEPT****MEANING OF DISCONTINUING OPERATION**

It is that component of an enterprise, which

1. the enterprise, pursuant to a single plan is
 - ❖ Disposing of substantially in its entirety, or
 - ❖ Disposing of piecemeal, or
 - ❖ Terminating through abandonment
2. represents a separate major line of business or geographical area of operations.
3. can be distinguished operationally and for financial reporting purposes.

CONCEPT**ACTIVITIES NOT LEADING TO DISCONTINUING OPERATION**

1. Gradual phasing out of a product line or class of service.
2. Discontinuing several products within an ongoing line of business.
3. Shifting of some production or marketing activities for a particular line of business from one location to another.
4. Closing of a facility to achieve productivity improvements or other cost savings.

CONCEPT**INITIAL DISCLOSURE EVENT**

Occurrence of earlier of the following :

1. Binding Sale Agreement for substantially all of the assets attributable to the discontinuing operation, or
2. Approval of a detailed, formal plan for the discontinuance by BOD & Announcement of same.

AS 26**INTANGIBLE ASSETS****CONCEPT****MEANING OF INTANGIBLE ASSET**

An intangible asset is

- ❖ an identifiable
- ❖ non-monetary asset
- ❖ without physical substance
- ❖ held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
- ❖ under the control of entity.

CONCEPT**RECOGNITION OF INTANGIBLE ASSET****CONCEPT****MEASUREMENT OF INTANGIBLE ASSET**

Separate Acquisition	Purchase Price - Trade Discount + Import Duty + Non-Refundable Duties or Taxes + Directly Attributable Expenditure
Acquisition in exchange for shares or other securities	Record the asset at <ul style="list-style-type: none"> ❖ Fair Market Value of Securities issued, or ❖ Fair Market Value of Asset Acquired whichever is more clearly evident.
Acquisition in exchange for assets	Record the asset at <ul style="list-style-type: none"> ❖ Fair Market Value of Asset given, or ❖ Fair Market Value of Asset Acquired whichever is more clearly evident.

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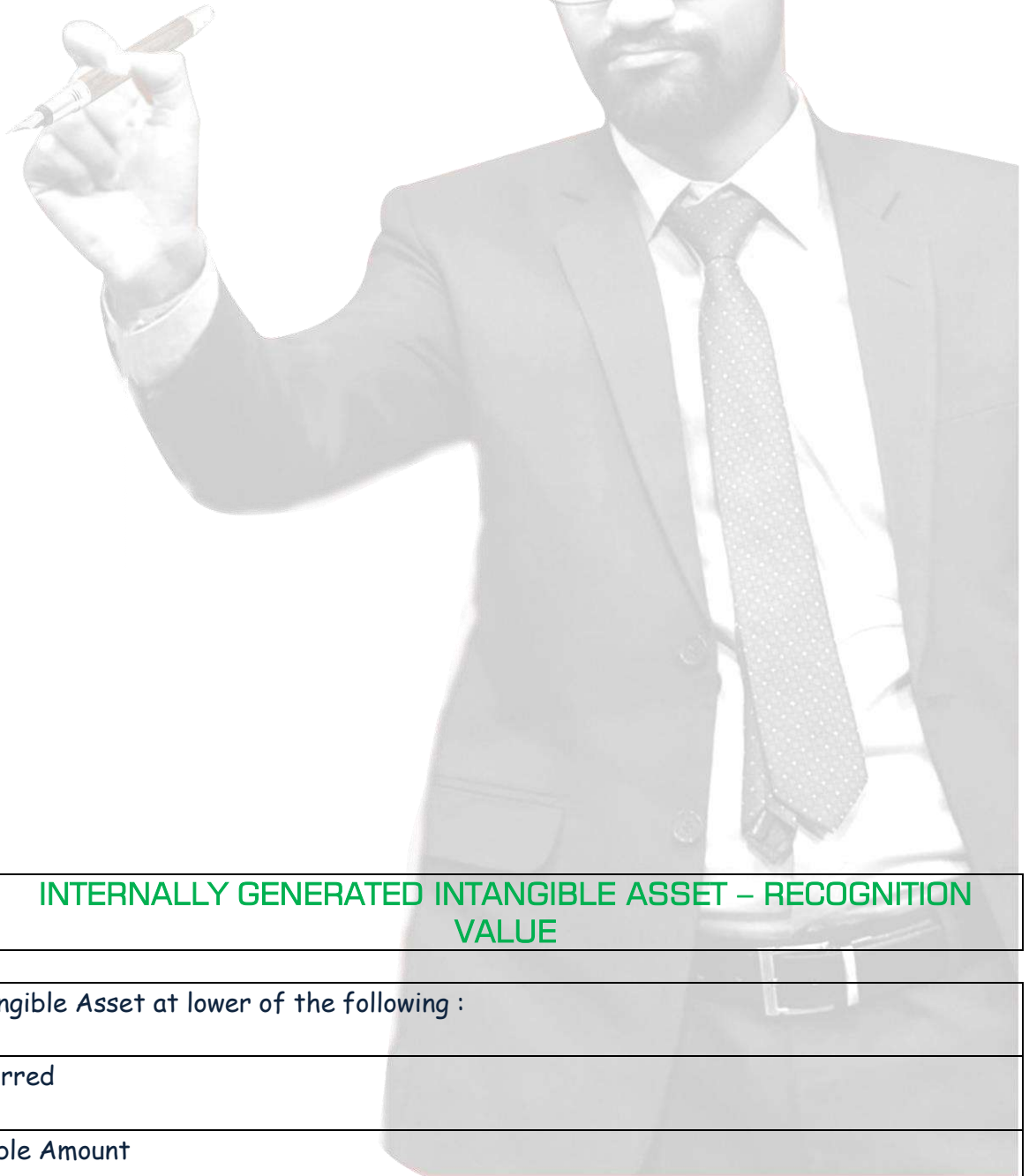
Acquisition by way of Government Grant

Record the asset at

- ❖ Nominal Value
- ❖ Acquisition Cost

CONCEPT

INTERNALLY GENERATED INTANGIBLE ASSET – TREATMENT OF COST INCURRED



CONCEPT

INTERNALLY GENERATED INTANGIBLE ASSET – RECOGNITION VALUE

Record the Intangible Asset at lower of the following :

- | | |
|----|--------------------|
| 1. | Cost Incurred |
| 2. | Recoverable Amount |

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CONCEPT

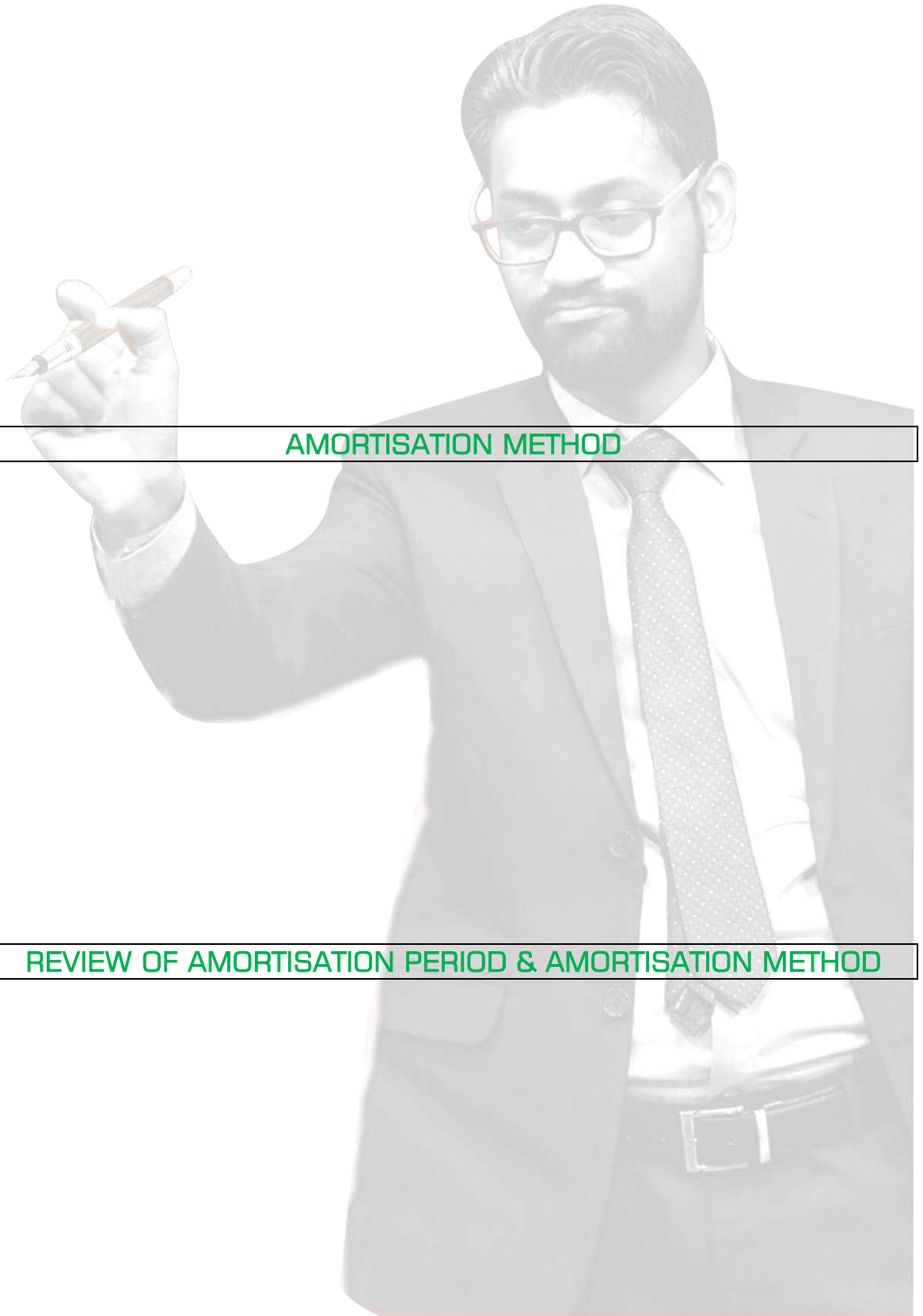
AMORTISATION PERIOD

CONCEPT

AMORTISATION METHOD

CONCEPT

REVIEW OF AMORTISATION PERIOD & AMORTISATION METHOD



AS 29**PROVISIONS, CONTINGENT LIABILITIES AND
CONTINGENT ASSETS****CONCEPT****PROVISION – MEANING**

A Provision is a liability which can be measured only by using a substantial degree of estimation.

CONCEPT**PROVISION – RECOGNITION CRITERIA****CONCEPT****PROVISION – MEASUREMENT**

- | | |
|----|--|
| 1. | The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. |
| 2. | Provision should be measured before tax. |
| 3. | Provision should not be recognised for future operating losses. |
| 4. | Provision should not be discounted to its present value. |

CONCEPT**PROVISION – CHANGE AND USAGE**

- | | |
|----|---|
| 1. | Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate. |
| 2. | A provision should be used only for expenditures for which the provision was originally recognised. |

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CONCEPT**REIMBURSEMENT**

Meaning	Some or all of the expenditure required to settle a provision is expected to be reimbursed by another party.
Recognition	Reimbursement should be recognised only when it is virtually certain that it will be received consequent upon the settlement of the obligation.
Disclosure	

CONCEPT**CONTINGENT LIABILITY – MEANING****CONCEPT****CONTINGENT LIABILITY – RECOGNITION**

General Rule	
Exception	

CONCEPT**CONTINGENT ASSET**

Meaning	A Contingent asset is a possible asset that arises from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.	
Recognition	General Rule	An enterprise should not recognise a contingent asset, since this may result in the recognition of income that may never be realised.
	Exception	When the realisation of income is virtually certain, then its recognition is appropriate.
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