

# ***UDES*H REGULAR**

## **FOR GROUP-1, MAY 2024**

- Subject- Advanced Accounting
- Chapter- *Accounting Standards : AS 15 Part 3*
- Lecture No.- *49*

# Recap of Previous Lecture



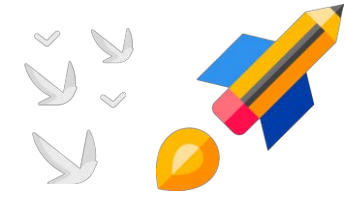
Topic

*Basic concepts & questions*



PHYSICS  
WALLAH

# Topics to be Covered

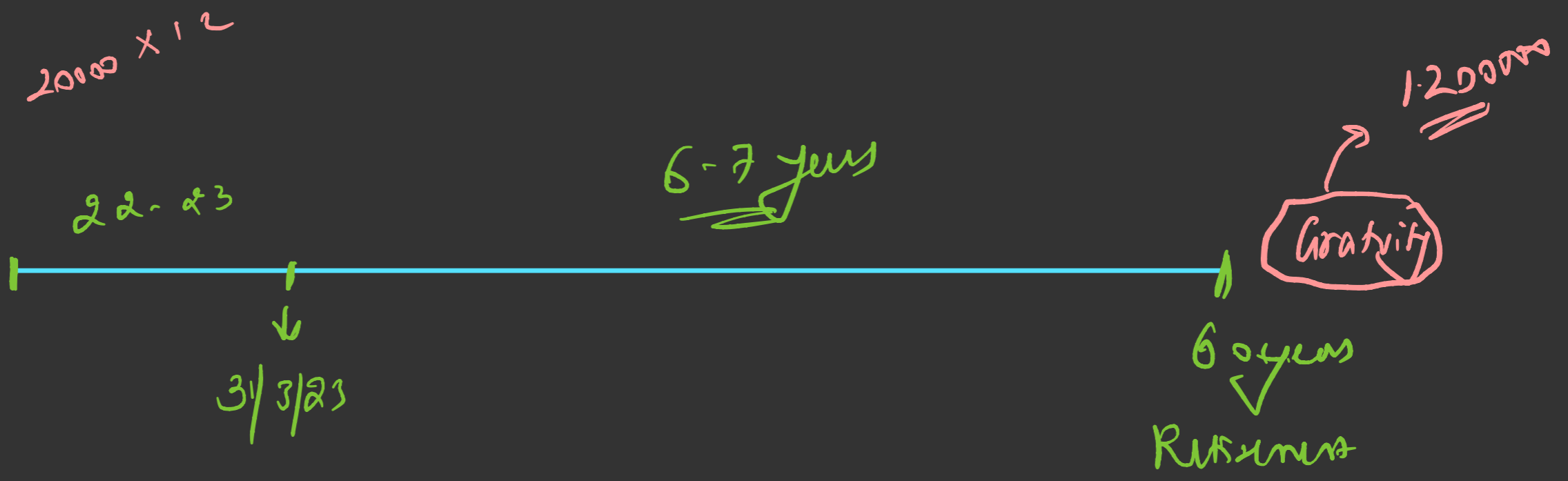


Topic

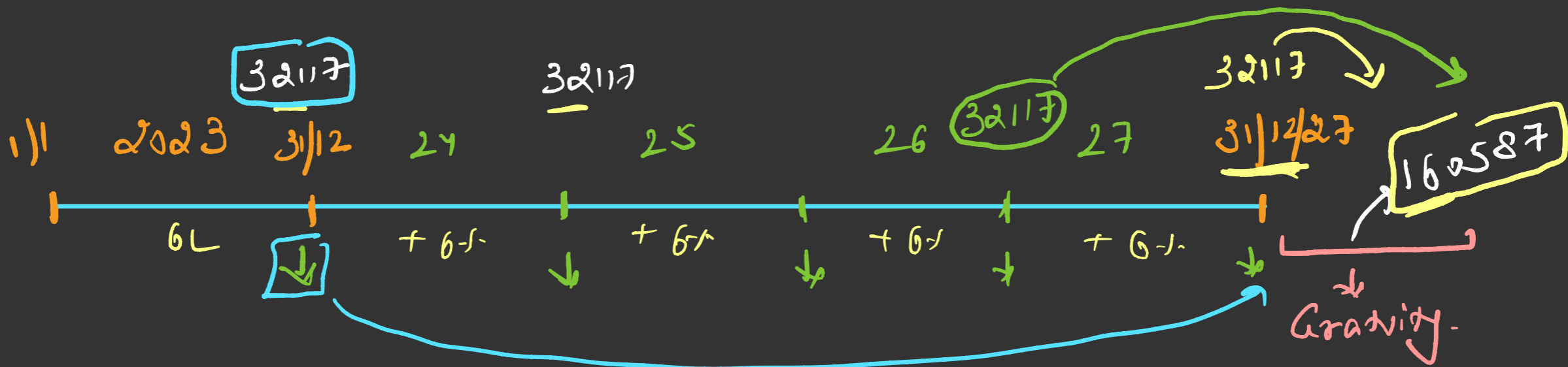
*Basic concepts of motion*



PHYSICS  
WALLAH



Eg: 1



Computation of Expected Benefit (Defined Benefit Obligation)

Sahi hai  
 $6L \times (1.06)^4$

$$\left[ 600000 \times (1.06) \times (1.06) \times (1.06) \times (1.06) \times (1.06) \right] \times 4. \times 5$$

Last drawn salary  
 $600000 \times (1.06)^5$

Completed year of service

$$\Rightarrow 160587$$

Create Provision / Reward Expense

at Present value & not absolute amount.

Computation of Allocated Benefit

$$\Rightarrow \frac{160587}{5} = 32117$$

## Computation of Current Service Cost

<u>Year</u>	Allocated Benefit	PRF @ 10%	<u>Current Service Cost</u> <sup>Expense</sup>
2023	32117	0.909	21936
2024	32117	0.826	24120
2025	32117	0.751	26529
2026	32117	0.683	29194
2027	32117	0.621	32117
			<u>133896</u>

$\rightarrow$  Int/ = 26691  
 Finamu cost  
~~160587~~

## Computation of Finamu cost / Interest cost

	2023	2024	2025	2026	2027
(1) Opening	-	21936	48250	79604	116758
(2) Interest costs (1) x 10%	-	2194	4825	7960	11676
(3) Current Service Cost	21936	24120	26529	29194	32117
(4) Closing	21936	48250	79604	116758	160551

# Accounting Entry:

2024

PA/A/c  
AS  
Exp/In ← [ Current service cost A/c - Dr  
Fin cost/Interest cost A/c - Dr

24120

2194

B/S ← TO PY DBO / DBO / Prov. for DBO

26314

Under LTP (Non curr. liab.)

DBO: Defined Benefit Obligation

# Q 8.

Computation of Expected Benefit / Defined Benefit Obligation

$$\left[ 1490210 \times (1.10)^5 \right] \times 25\% \times 5$$

Last drawn salary ↓  
Completed year of service

⇒ 3000000

$$\text{Allocated Benefit (Amount)} = \frac{3000000}{5} = 600000 \text{ p.a.}$$

<u>Year</u>	Allocated Amount	PVF @ 8%	Current Service Cost
1	600000	0.735	441000
2	600000	0.794	476400
3	600000	0.857	514200
4	600000	0.926	555600
5	600000	1	<u>600000</u>
			<u>2587200</u>



$$\text{Total Finance/Interest Cost} = 3000000 - 2587200 = 412800$$

	Year 1	Year 2	Year 3	Year 4	Year 5
(1) Opening	-	441000	952680	1543094	2222142
(2) Interest Cost $(1) \times 8\%$	-	35280	76214	123448	177771 (177858) B.p.
(3) Current Service Cost	441000	476400	514200	555600	600000
(4) Closing $(4) = (1) + (2) + (3)$	441000	952680	1543094	2222142	2999913 or 3000000

Eg: 2

- 1) Contribution A/c Dr 25000  
    To Bank 25000
- 2) Plan Assets A/c Dr 25000  
    To Contribution 25000

Plan Assets : B/S

	Y <sub>1</sub>	Y <sub>2</sub>	Y <sub>3</sub>	Y <sub>4</sub>	Y <sub>5</sub>
	25000	50000	75000	100000	125000

B/S:

	Y <sub>1</sub>	Y <sub>2</sub>	Y <sub>3</sub>	Y <sub>4</sub>	Y <sub>5</sub>
Prorata DBO	21936	48250	79604	116758	160551
- Plan Assets	<u>(25000)</u>	<u>(50000)</u>	<u>(75000)</u>	<u>(100000)</u>	<u>(125000)</u>

Eg:

Year 2

Change in DBO on basis of Actuarial revaluation.

DBO A/c

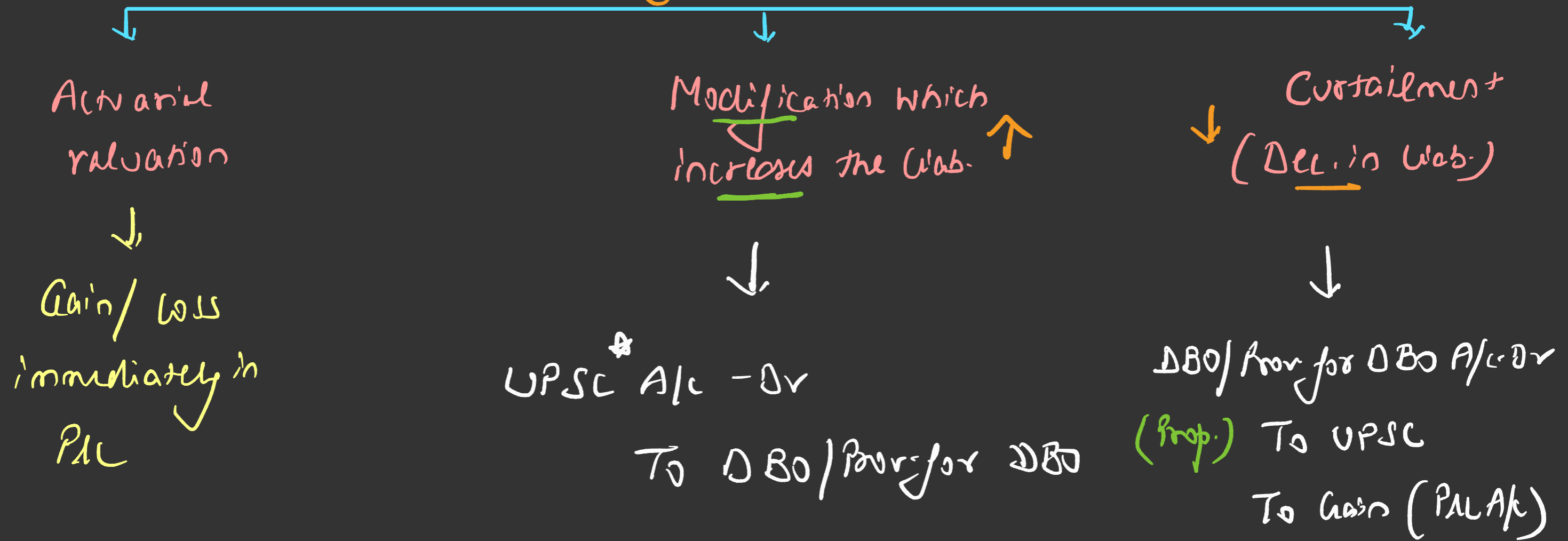
Actuary.

		By Bal b/d	21936
		By Cur. service cost	24120
		By Int. cost	2194
To Bal c/d	<del>48250</del> 51000	By Actuarial loss (B.P.)	2750

Actuary cost: 51000

Diff: Actuarial loss/gain → Immediately in P&L A/c  
↓  
Cannot be deferred.

# Change in DBO Liability



\* Unamortized Past service cost  
↓  
(W/OFF over the period)

# Q7

Before Curtailment

DBO = 6000

Plan Assets = 5100

UPSL = 180

B/s	
<u>Liab.</u>	
LTP	6000
	(5100)
	<u>(180)</u>
	720

Curtailment : 10% of Gross obligation

$6000 \times 10\% = 600$

UPSL (Prop. Red.)  $(180 \times 10\%)$

18

Entry:

DBO A/c Dr 600

To UPSL 18

To Gain 582

B/s : Disclosure

DBO $(6000 - 600)$	5400
- Plan Assets	(5100)
- UPSL $(180 - 18)$	(162)
	<u>138</u>

Plan Assets → (Investment)

(F.V.)			
← To Bal b/d	5000	By Benefits Paid (Bmu)	7000
To Contribution (Bank)	19000		
Return (Actual) (B.F.)	4000	By Bal b/d	12000 → (At Fair value)

Expected Return ± Variation

3200	+ 800
4000	- 200

# Q5

Plan Assets A/c

Alt-1

To Bal b/d	800000	By Benefits Paid	200000
To Contribution	280000		
To <u>Actual Return</u> (B.P.)	<u>260000</u>	By Bal b/d	1140000
			<u>          </u>

Alt-2

Fair value of Plan Assets on 31/3/21 = 800000

+ Contribution during year = 280000

- Benefits Paid = (200000)

---

Fair value of Plan Assets 31/3/22 = 880000 (A)

---

Fair value of Plan Assets 31/3/22 = 1140000 (B)

Actual Return (B) - (A) = 260000

# Expected Return

(Compounded half yearly)

First Year end  
 $Y_0$   $Y_1$

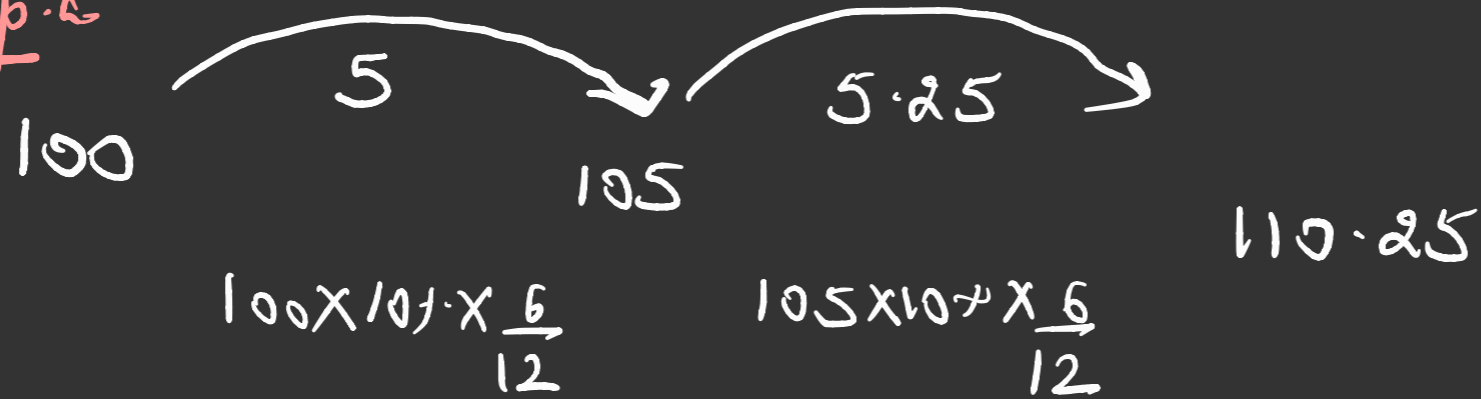
Without compounding

100

110

Return 10%

(1) 10% p.a.  
Compounding Half yearly.



Effective Return

10.25% ✓

(2) 16% p.a.



16.64% ✓



Half yearly



Effective Return

12.36%



12% p.a. Compounding half yearly



6% direct rate: 6 months

Rate 12%

$$\sqrt{1+r} - 1$$

$$\sqrt{1.1236} - 1 = 1.06 - 1 = 6\%$$

$$\sqrt{1.15} - 1 = 1.0723 - 1 = 7.23\%$$

Comp 2

Epp. Rate

15%



14.46% p.a. Compounding half yearly



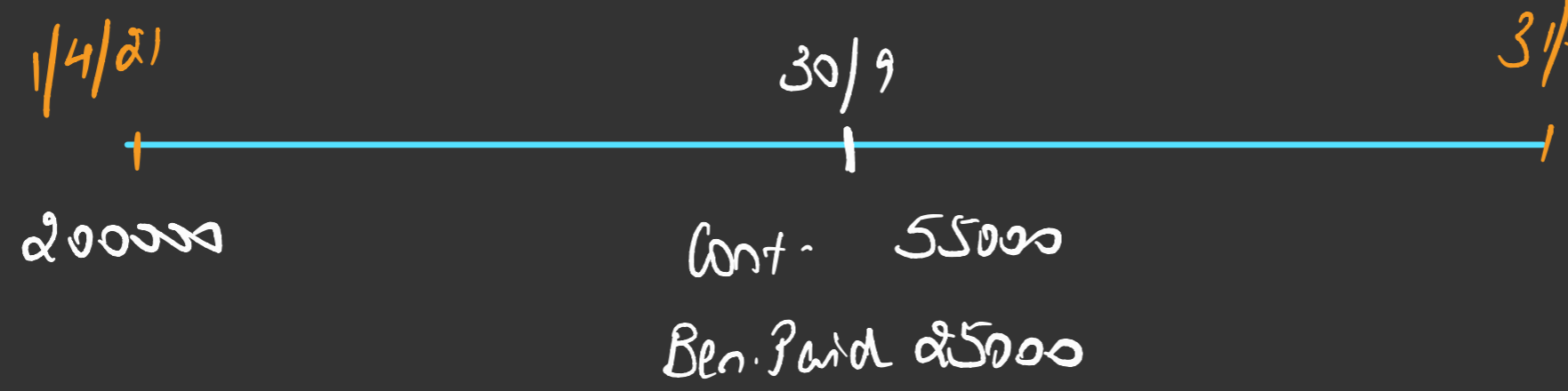
7.23% direct rate

PQ4

Fair value of Plan Assets 1/1/21	200000	
+ Contribution	55000	
- Benefits paid	(25000)	
	<hr/>	
	230000	(A)
	<hr/>	
Fair value of Plan Assets 3/3/22	300000	(B)
Actual Return (B-A)	70000	

Exp. Rate = 10.25%

(Effective Rate of Return)



Charging rate

$$\sqrt{1.1025} - 1 = \underline{5\%}$$

OR

[10% p.a. compounded half yearly.]

Expected Return

$10\% \times 6/12$   
↑

For Ist 6 months =  $200000 \times 5\% = 10000$

Next 6 months =

200000
+ 10000
+ 55000
- (25000)
240000

$10\% \times 6/12$   
↑

$240000 \times 5\% = 12000$

22000

Actual Return = 7000  
Variation = 48000

#26.

$$\begin{array}{r} 100000 \\ 49000 \\ \underline{(19000)} \\ 130000 \\ 150000 \end{array} \quad \text{J Actual } 20000$$

Expected    Return

$$6M: \quad 100000 \times 5\% = 5000$$

$$\begin{array}{r} 6M = \quad 100000 \\ \quad + 5000 \\ \quad + 49000 \\ \quad - 19000 \\ \hline \quad 135000 \times 5\% = \frac{6750}{11750} \end{array}$$

[ Doubts session  
→ 27/1/24

Strategy session  
↓  
8:30 am  
→

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## 2 mins Summary



Topic

Basic Concepts & Questions



PHYSICS  
WALLAH



***Thank You***

