

About the Author



CA. Jai Chawla

CA JAI CHAWLA is the core faculty of D7 Fortune Classes, Bhopal and V'Smart Academy, Pune

He has a leading experience of more than 10 years of CA INTER ACCOUNTS AND ADVANCE ACCOUNTS & CA FINAL FINANCIAL REPORTING and has guided more than 1,00,000 students across India. His quality of teaching and friendly behavior along with the tendency to guide and help each student in the best possible ways, makes him so loving among the students

His vision is to share his knowledge and skills to benefit the students and inculcate the tendency of learning and enchanting knowledge which may lead them towards the success.

He is also the author of Books of CA FINAL FINANCIAL REPORTING on INDAS and INTER ACCOUNTS & ADVANCED ACCOUNTS



Dammini Jai Chawla

DAMMINI JAI CHAWLA is the co-founder and proud owner of D7 FORTUNE CLASSES, BHOPAL. She is the student of CA Final and also pursuing CS and MBA course.

Her management and communication skills made D7 FORTUNE, a known brand in a short span of 2 years. She is also engaged in counseling & management and doubt clearing sessions of IPCC/INTER in D7 FORTUNE CLASSES. She has devoted and dedicated her crucial time in supporting her husband to all the possible extent. She believes in CA JAI CHAWLA'S dream and vision as her own.

She is the Co-author of Books, CA FINAL - FINANCIAL REPORTING and CA INTER ACCOUNTS and ADVANCE ACCOUNTS



*From the
Author*

*Dedicated to My Parents Shri Girish Chawla & Smt. Kanchan Chawla &
My Life long Support My Wife Dammini Chawla.*

*Special thanks to my Mentor CA. Vishal Bhattad Sir from whom I have derived an idea to create this book.
I also want to Thank my Team who supported me Day & Night to create this Masterpiece.*

Special Message to Students,

I am delighted and overwhelmed to share that the belief and love of you students has inculcated more enthusiasm and courage to do better and best for you all.

The Best example is My “Eagle View CHART BOOK” and I really want that every student should have something handy and précised form of the syllabus so that substantial portion can be revised in a jiffy. So, I along with the support of V'Smart Team, has decided to provide you this Chart Book (Which is Already Very Popular among CA FINAL Students).

It is my strong belief that if you revise the syllabus from Chart Book with the help of short revision videos uploaded on YouTube, will not only boost your confidence, It will also help you to get a proper understanding of the concepts, so that even the off-track questions may also be solved within the prescribed time in Exam.

I also urge you, to score good marks, so as to sail through the entire CA Inter, u must watch all the revision videos available on YouTube covering all Important Topics of AS and Other Topics.

Also feel free to give ur feedback to me and recommend to your friends and juniors.



*From My Pen
CA. Jai Chawla & Team*

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AS 1 - DISCLOSURE OF A/C POLICIES


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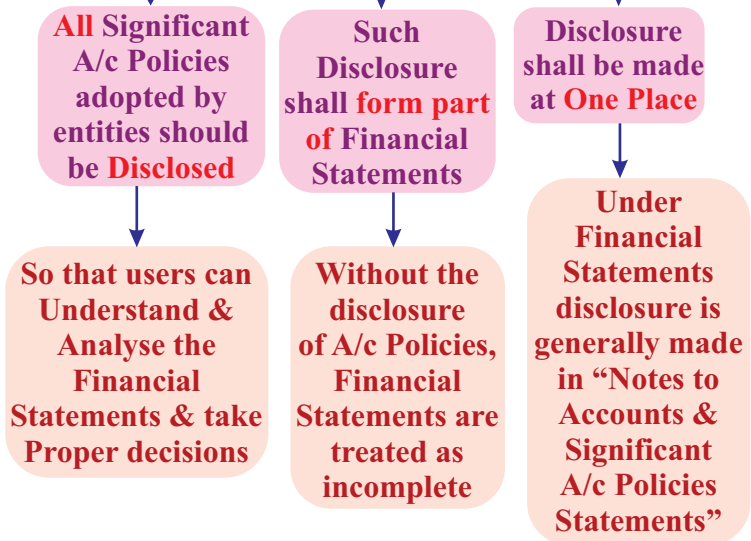

1 Meaning of Accounting Policy

• Specific Accounting Principles &
 • the Methods of applying those Principles
 Adopted by enterprise in Preparation & Presentation of Financial Statements

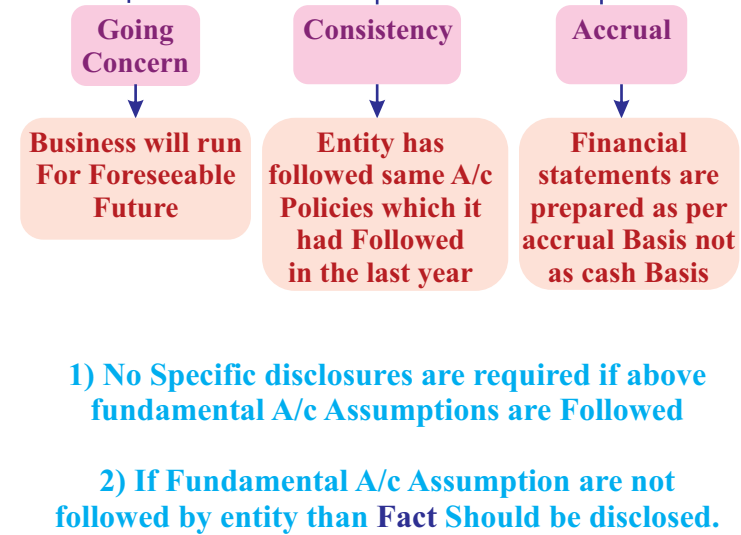
Examples :-

- 1) Inventories Valuation Method - FIFO, Weighted Avg.
- 2) Cash Flow Statement Presentation - Direct Method & Indirect Method

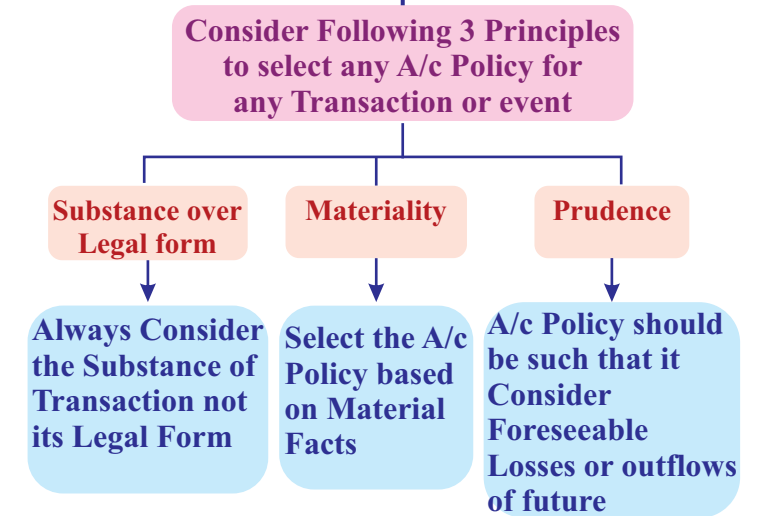
2 Basic Requirements of AS - 1



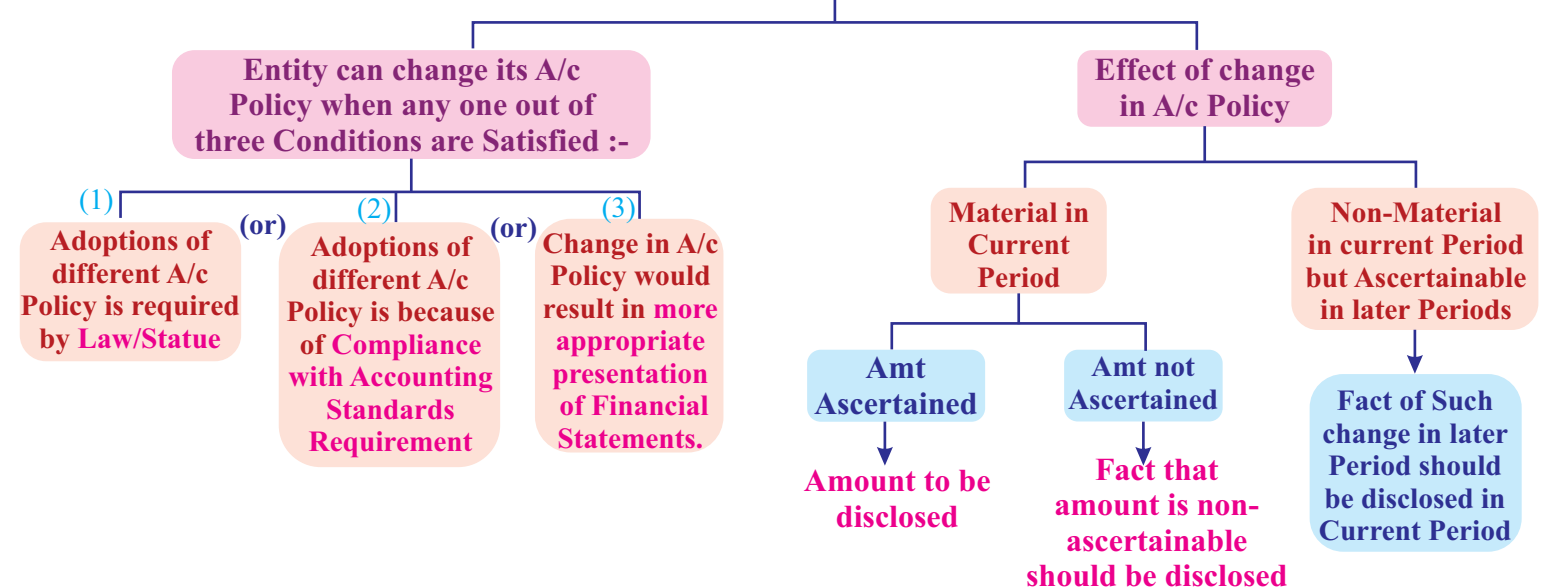
3 "Fundamental Accounting Assumptions"



4 Selection of Accounting Policy



5 Change in Accounting Policies

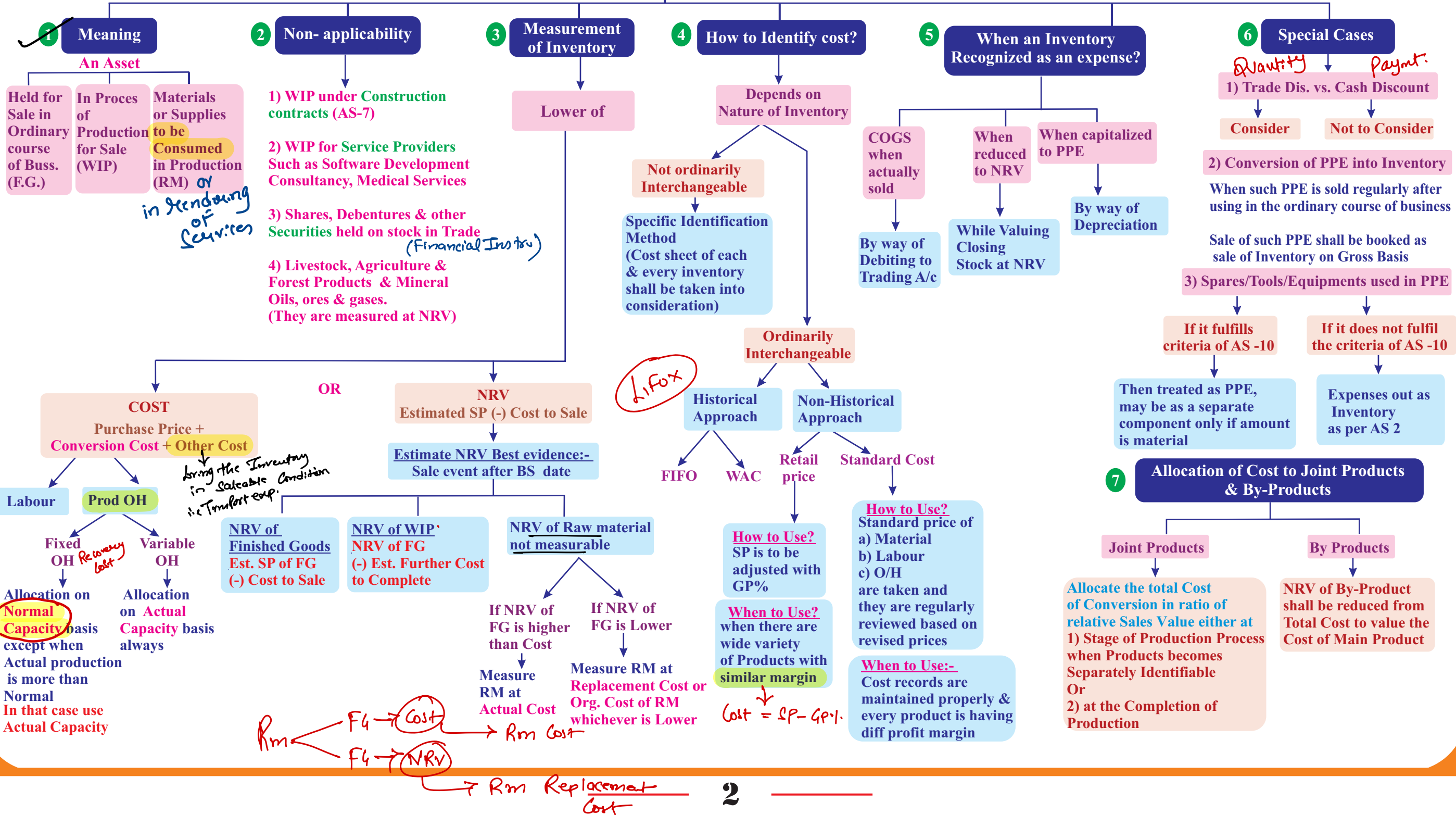


AS 2 - INVENTORIES

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AS 3 - CASH FLOW STATEMENT

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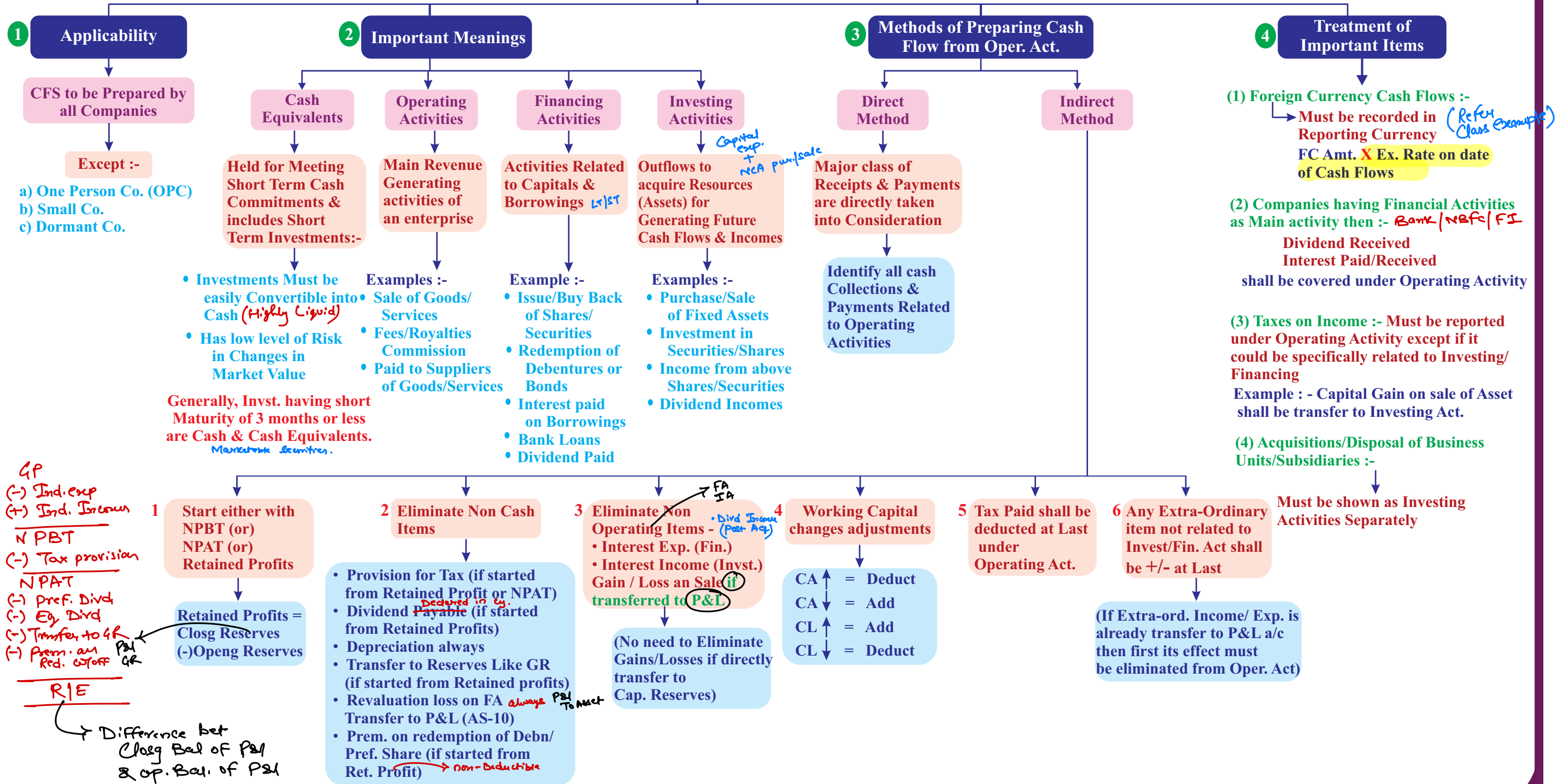


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1) Insurance claim $\begin{cases} \text{mach./PPE} \Rightarrow I \\ \text{others/stock} \Rightarrow O \end{cases}$

2) TDS on Interest deduct \Rightarrow non Cash

3) ^{loan to} Supplier & Interest there \Rightarrow Oper.

Loan from Debtors \Rightarrow OP.

4) Extra. ord.

Income from Law Suit

Compensation/Penalty

VRP

Insur. claim

5) Pref Divd (%)

Divd amt paid \checkmark

Ignore

6) Bank | NBFC | FI \downarrow

Loans \rightarrow Oper.

Int \rightarrow Oper.

7) NP \Rightarrow NPAT assume always

SUMMARY OF CASH FLOW STATEMENT

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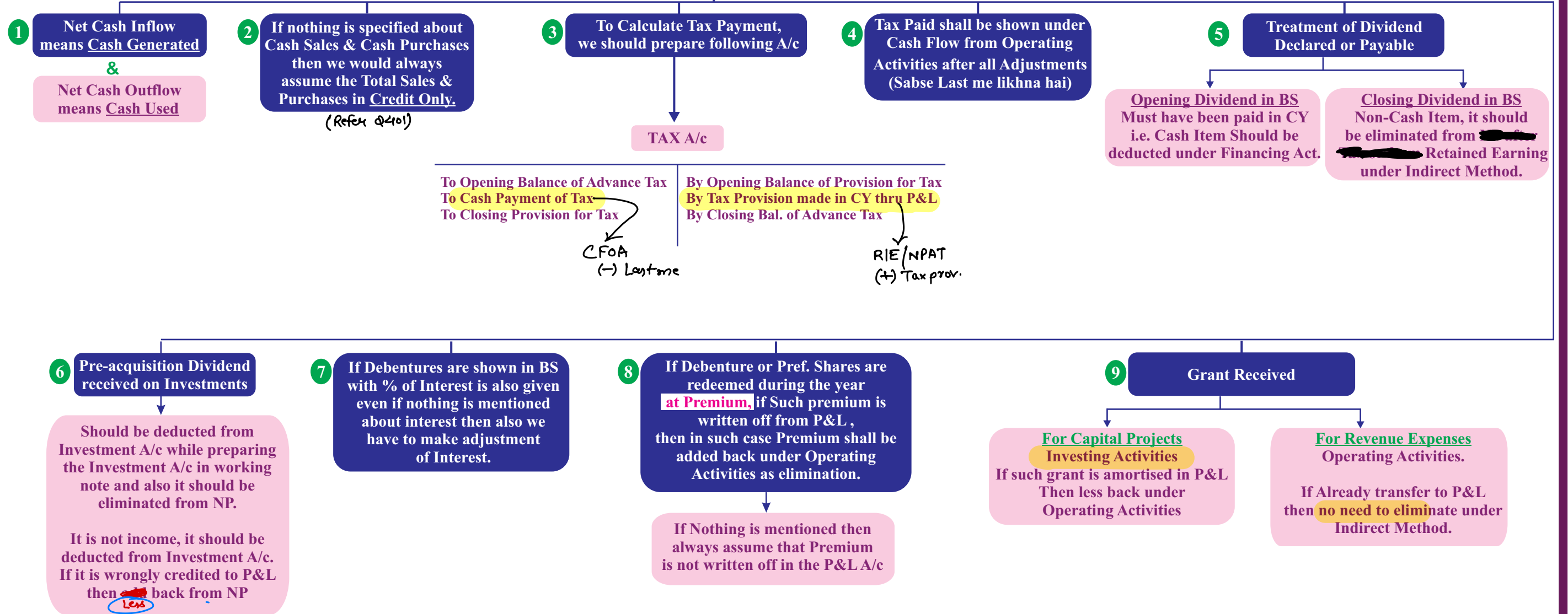
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Bank A/c
To Investment (Pre Acq. Divd)
To P&L (Post Acq. Divd)

CFOI

less

AS 4 - Contingencies and Events Occurring after the Balance Sheet date.

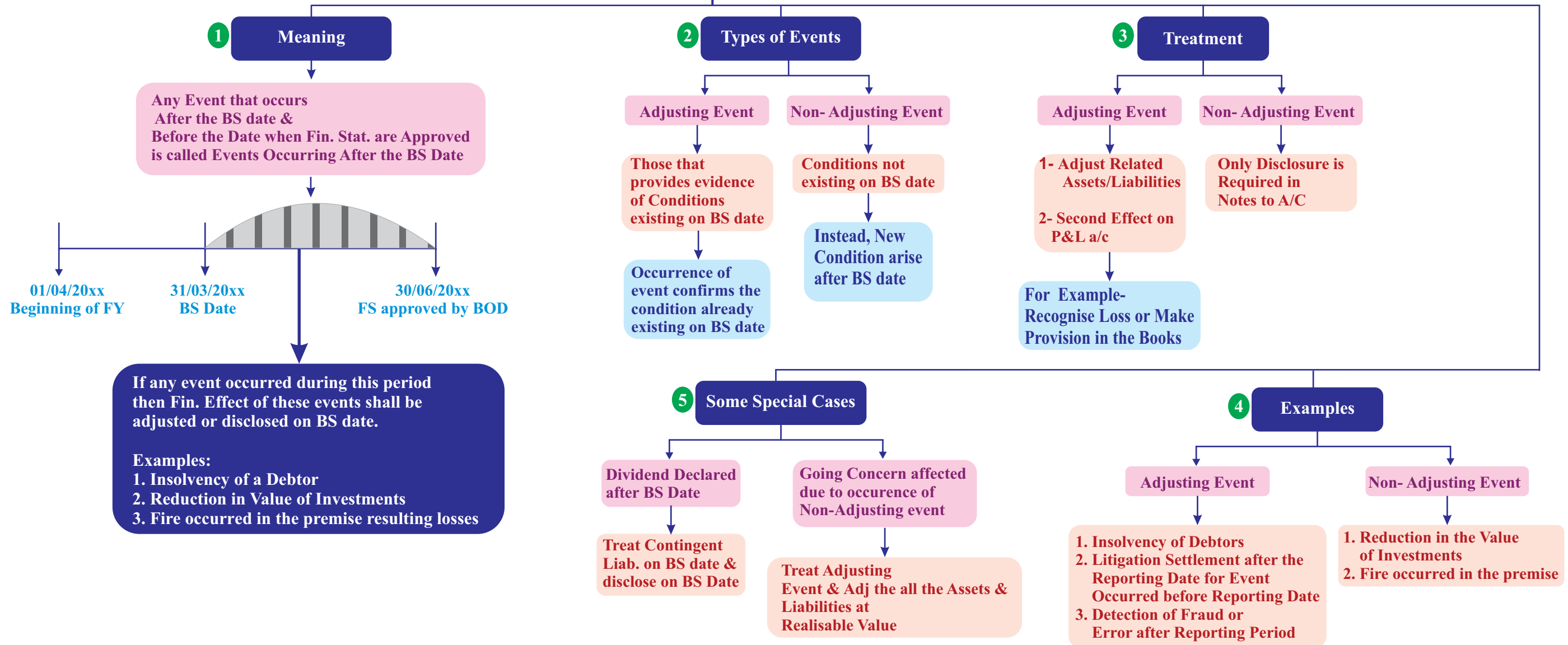
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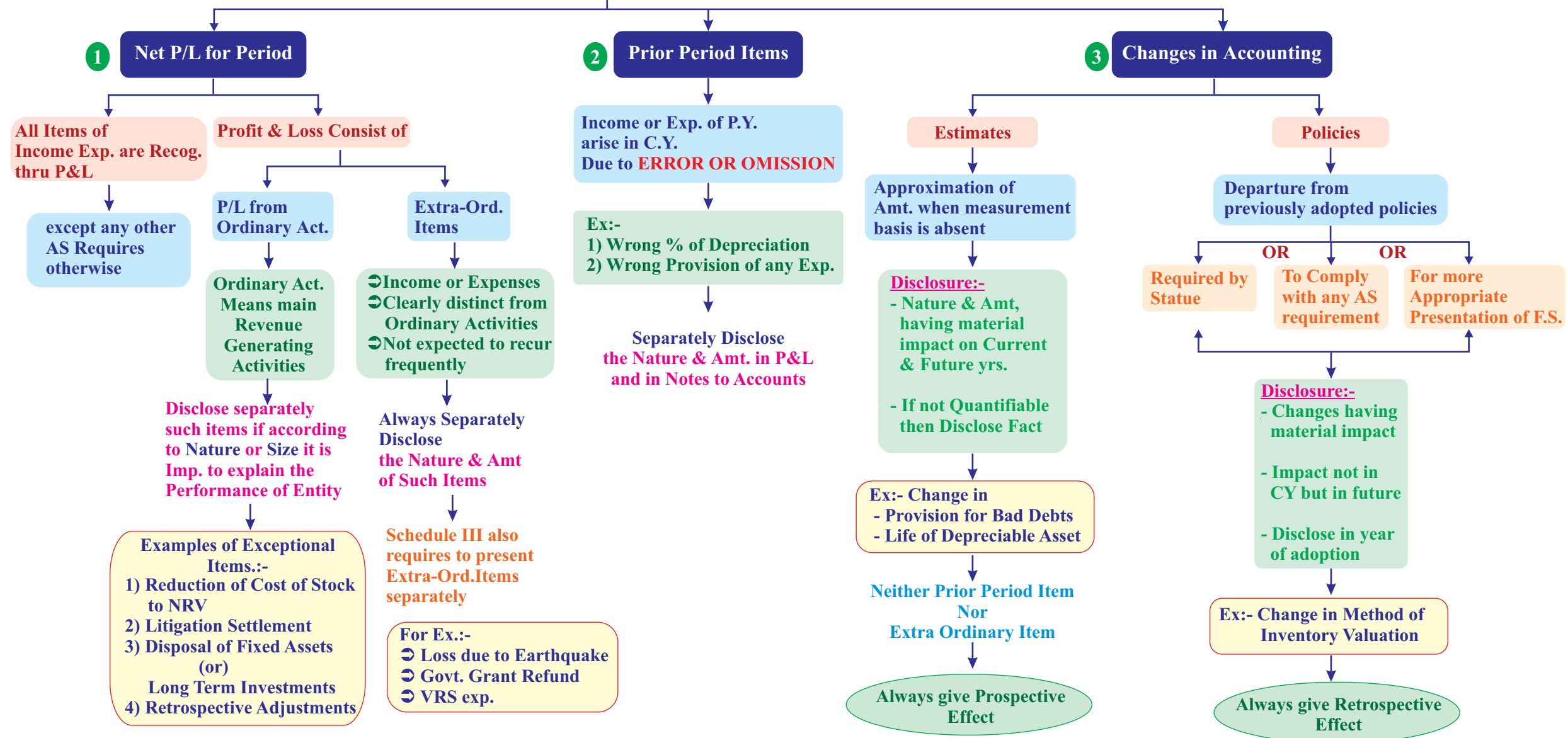
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AS-5 Net Profit or loss for the Period, Prior Period Items & Changes in Accounting Policies


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AS 7 - CONSTRUCTION CONTRACTS

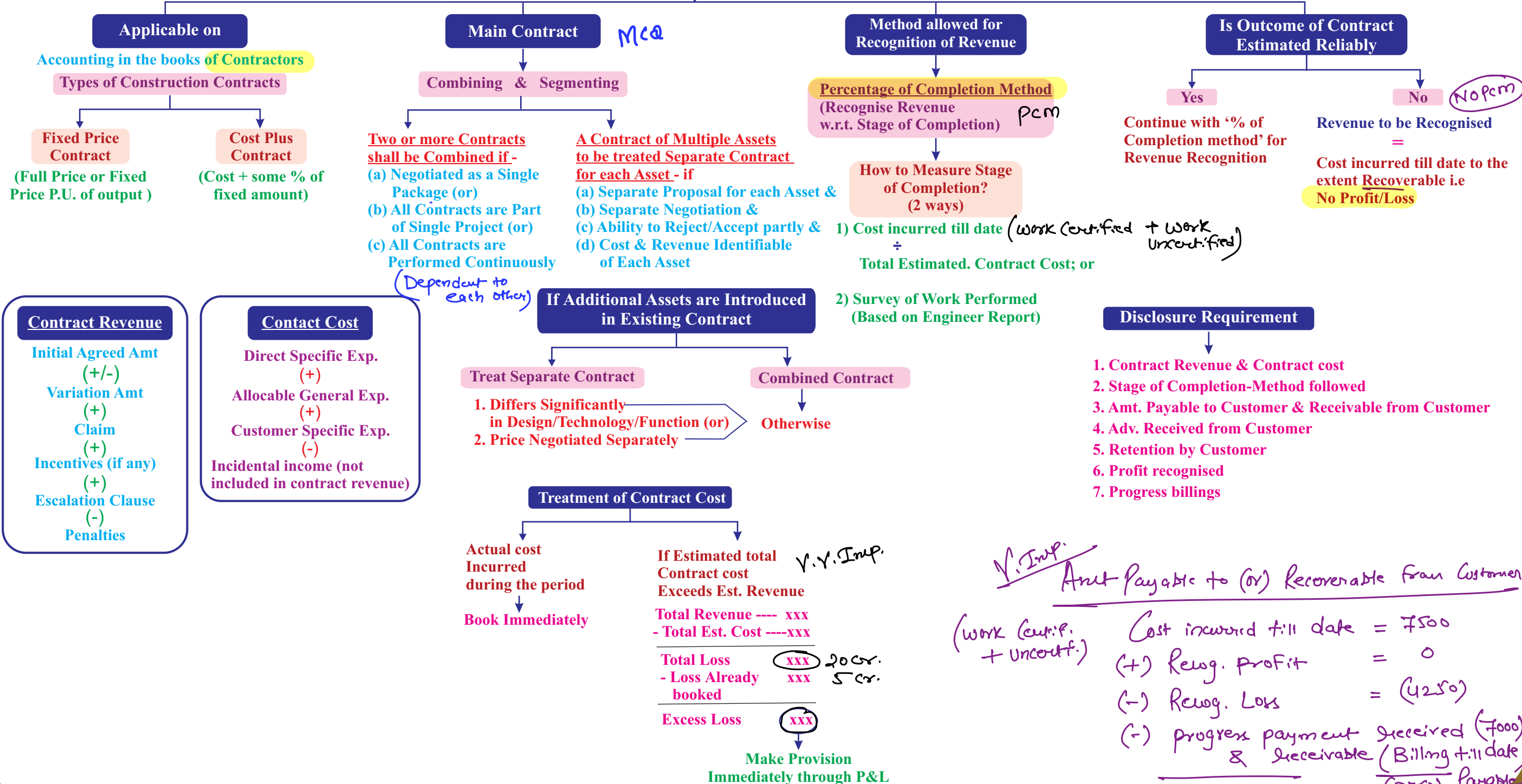
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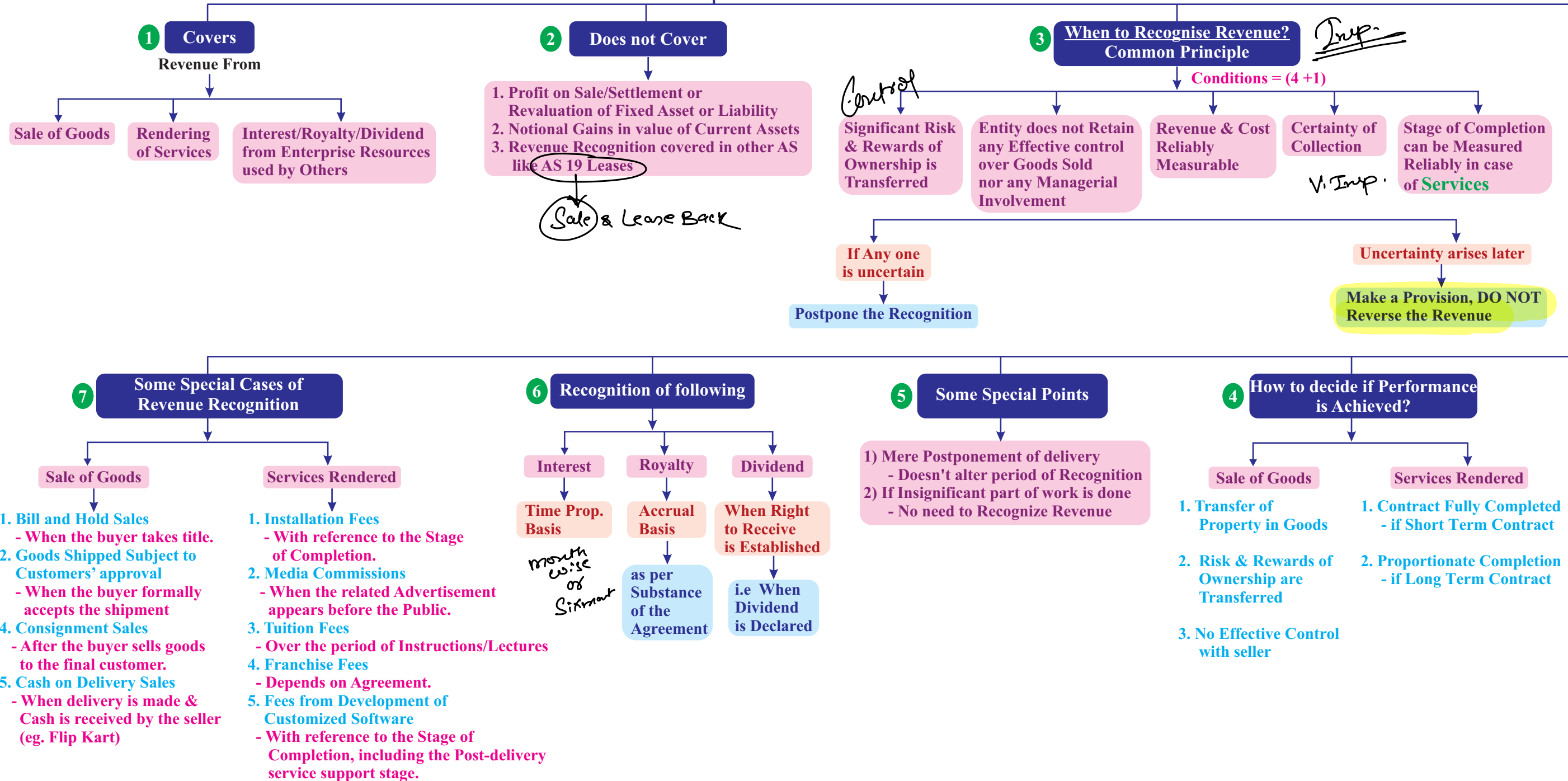
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AS 9 - REVENUE RECOGNITION


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AS 10 - Property, Plant & Equipment (PPE)

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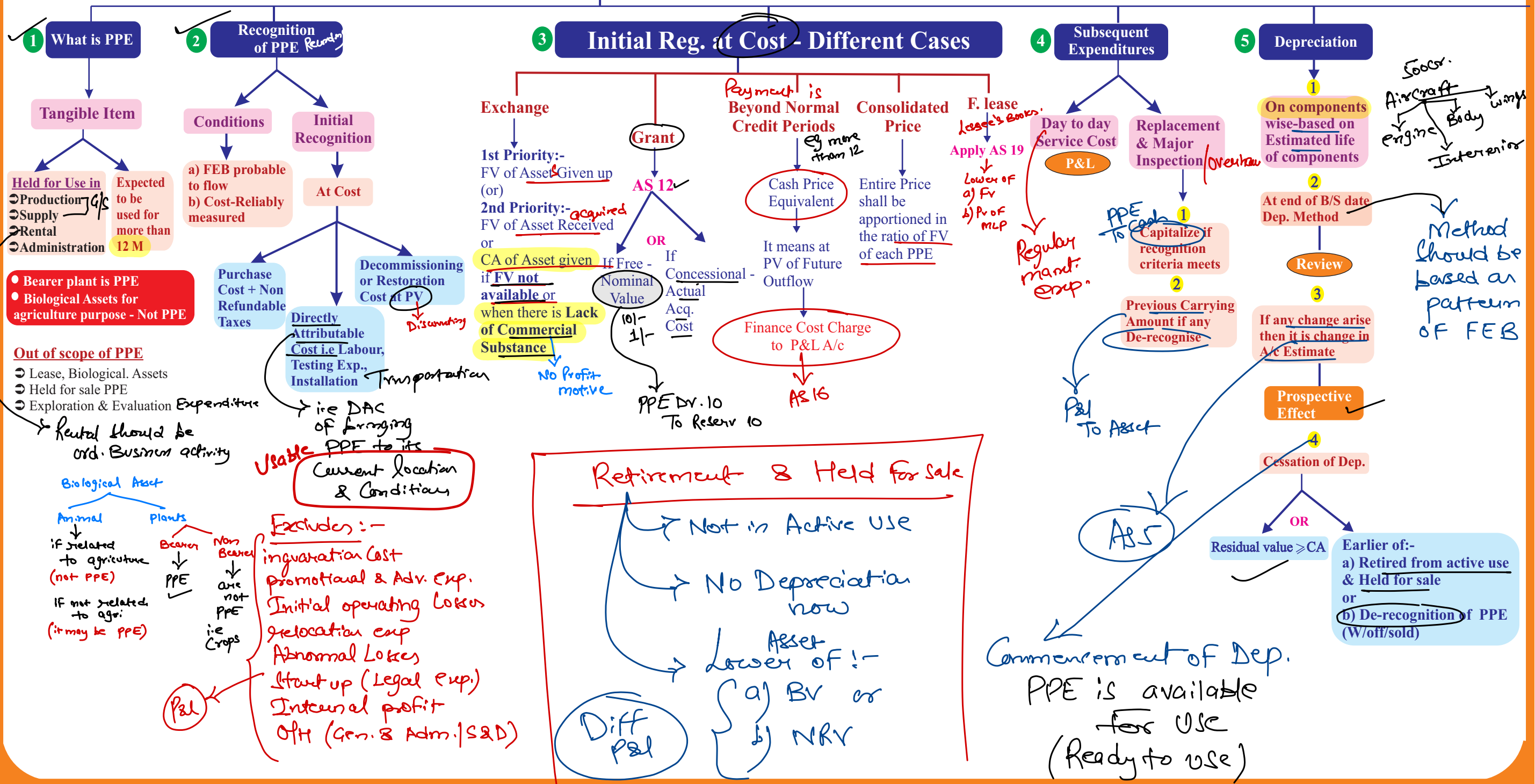
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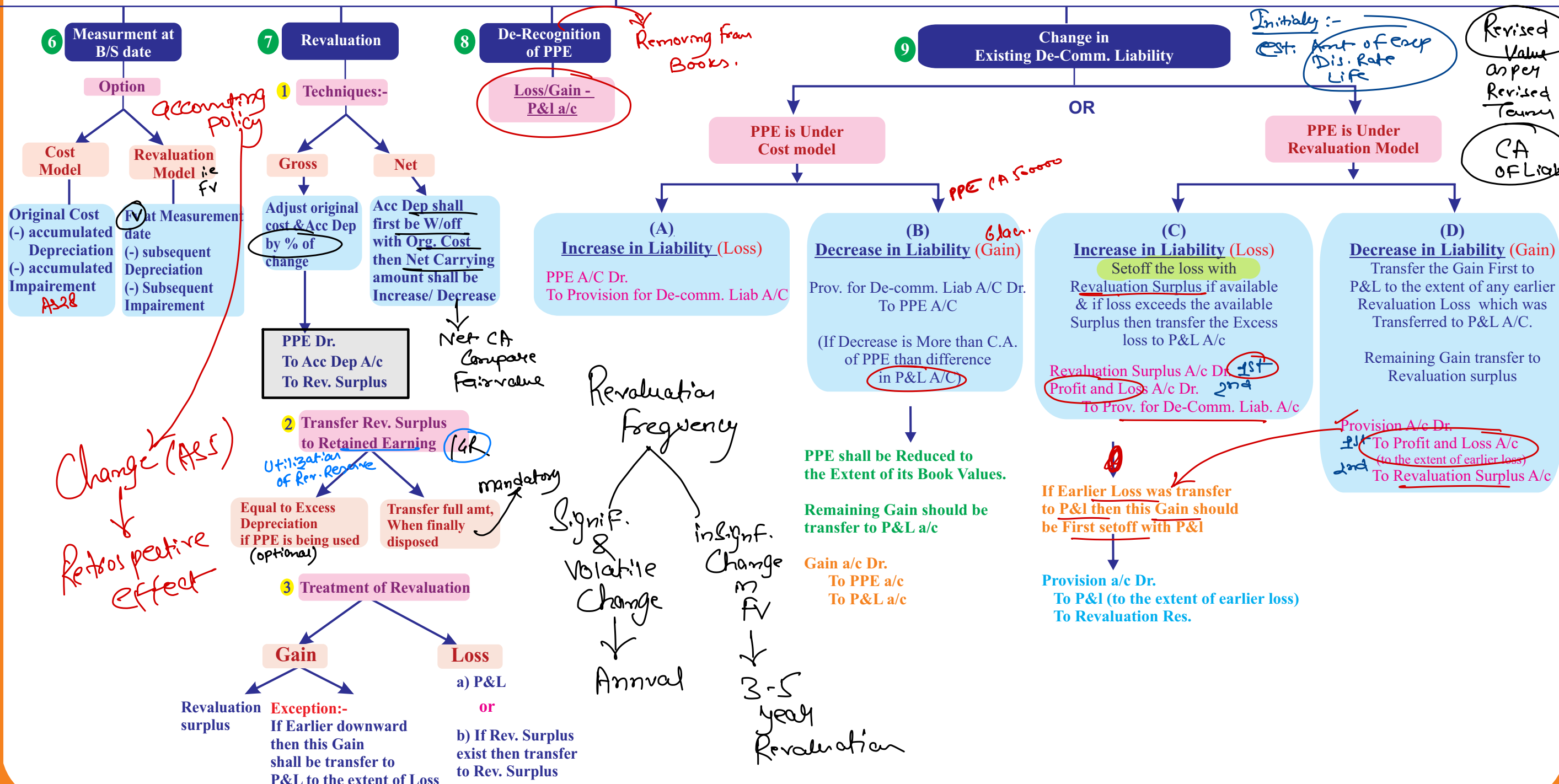
AS 10 - Property, Plant & Equipment (PPE)

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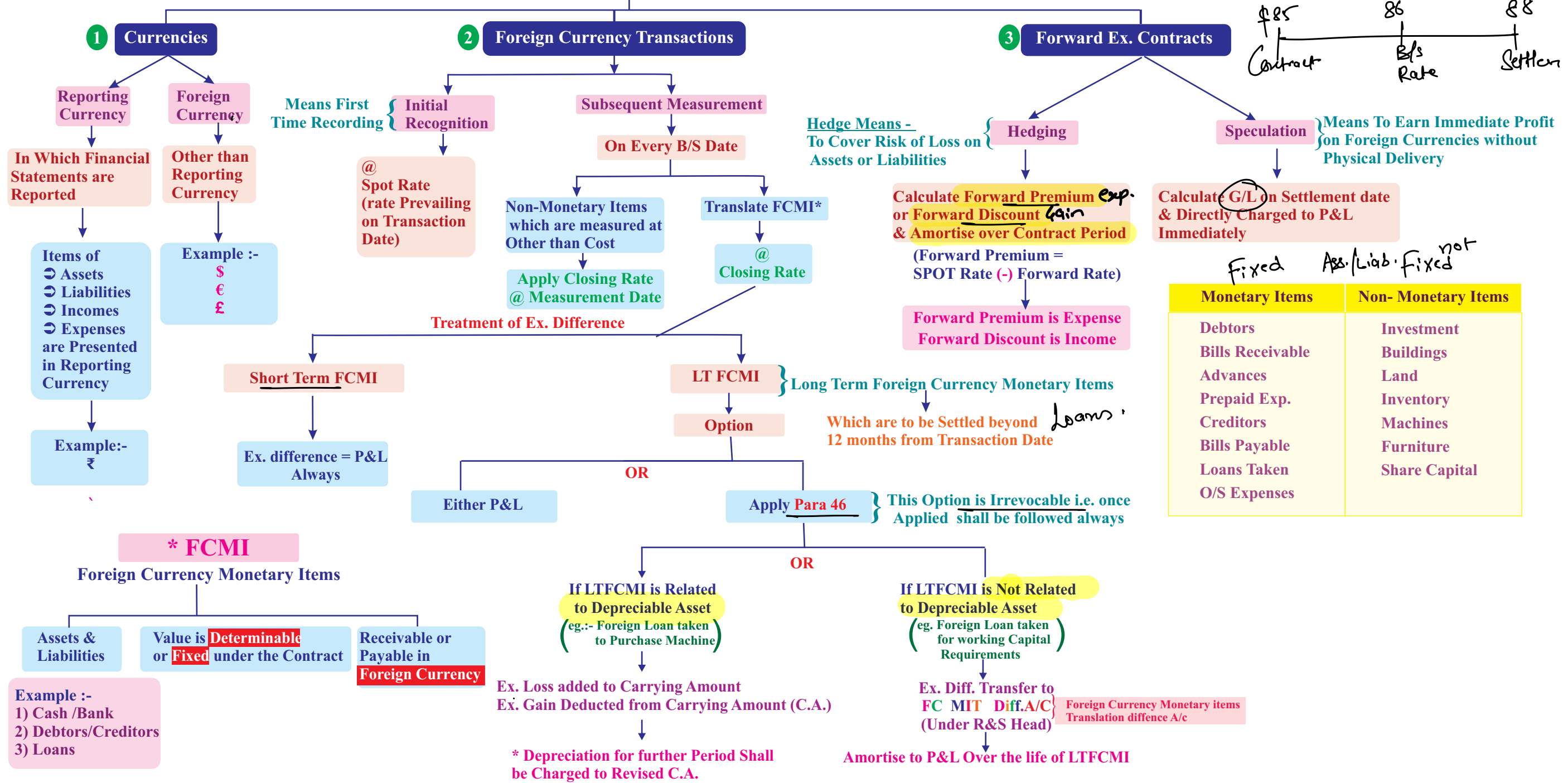
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AS 11 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES



For. oper. (FO)

Integral



$$MI(A/L) = \text{Closeg Rate}$$

$$\text{Norm. (A/L)} = \text{Same Spot}$$

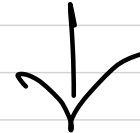
$$\text{Revenue item} = \text{Avg. Rate}$$

OP₁₉ Stock = op rate

Ex. Diff



Non-Integral



$$\text{all A/L} \Rightarrow \text{Closeg. Rate}$$

Revenue ↓

actual rate
or
Avg Rate

Ex. Diff



FC TR

(R&S)


FO → Sale

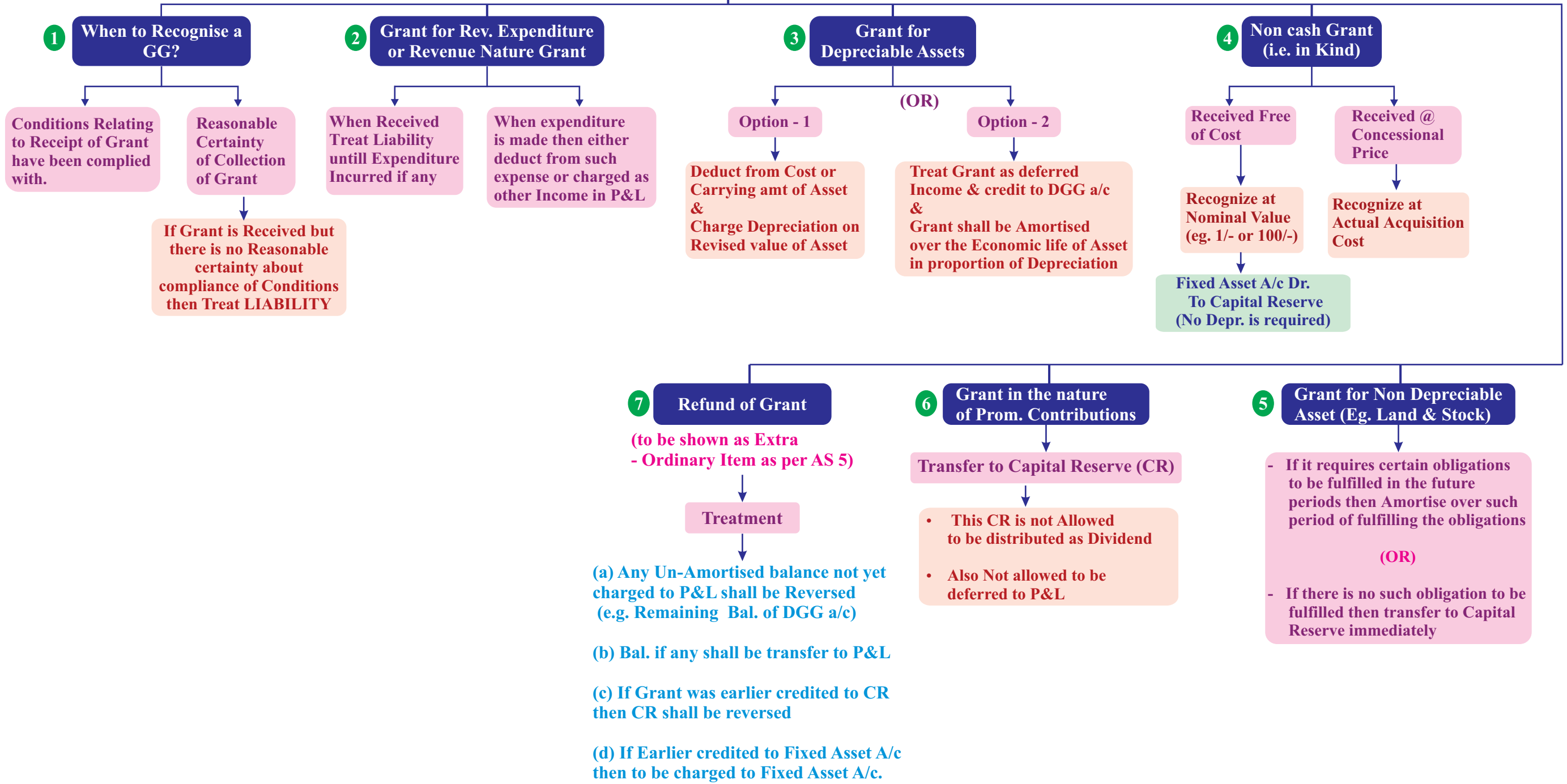
P&I

AS 12 - GOVERNMENT GRANTS



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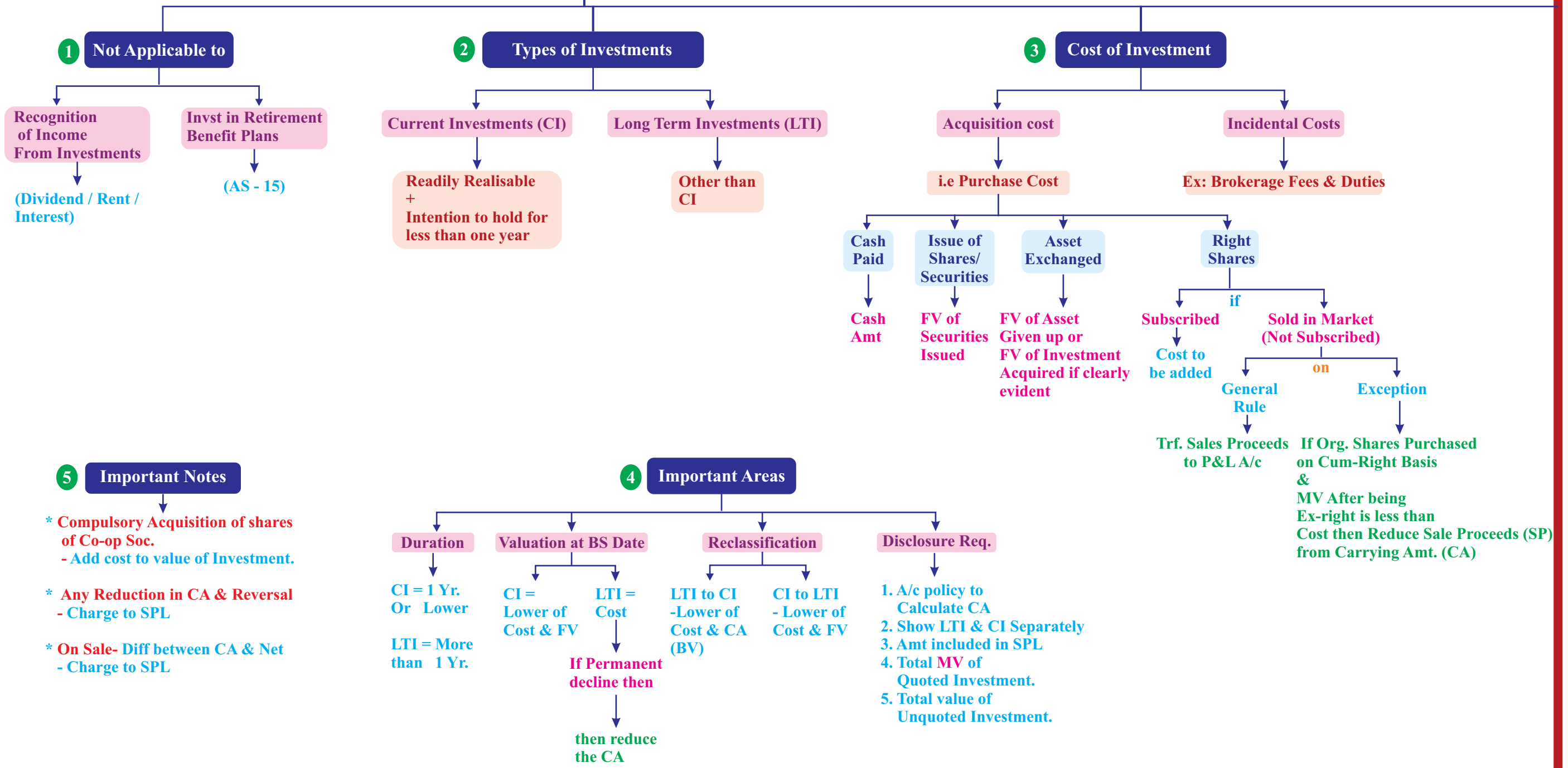


AS 13 - ACCOUNTING FOR INVESTMENTS


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AS 14 - AMALGAMATION

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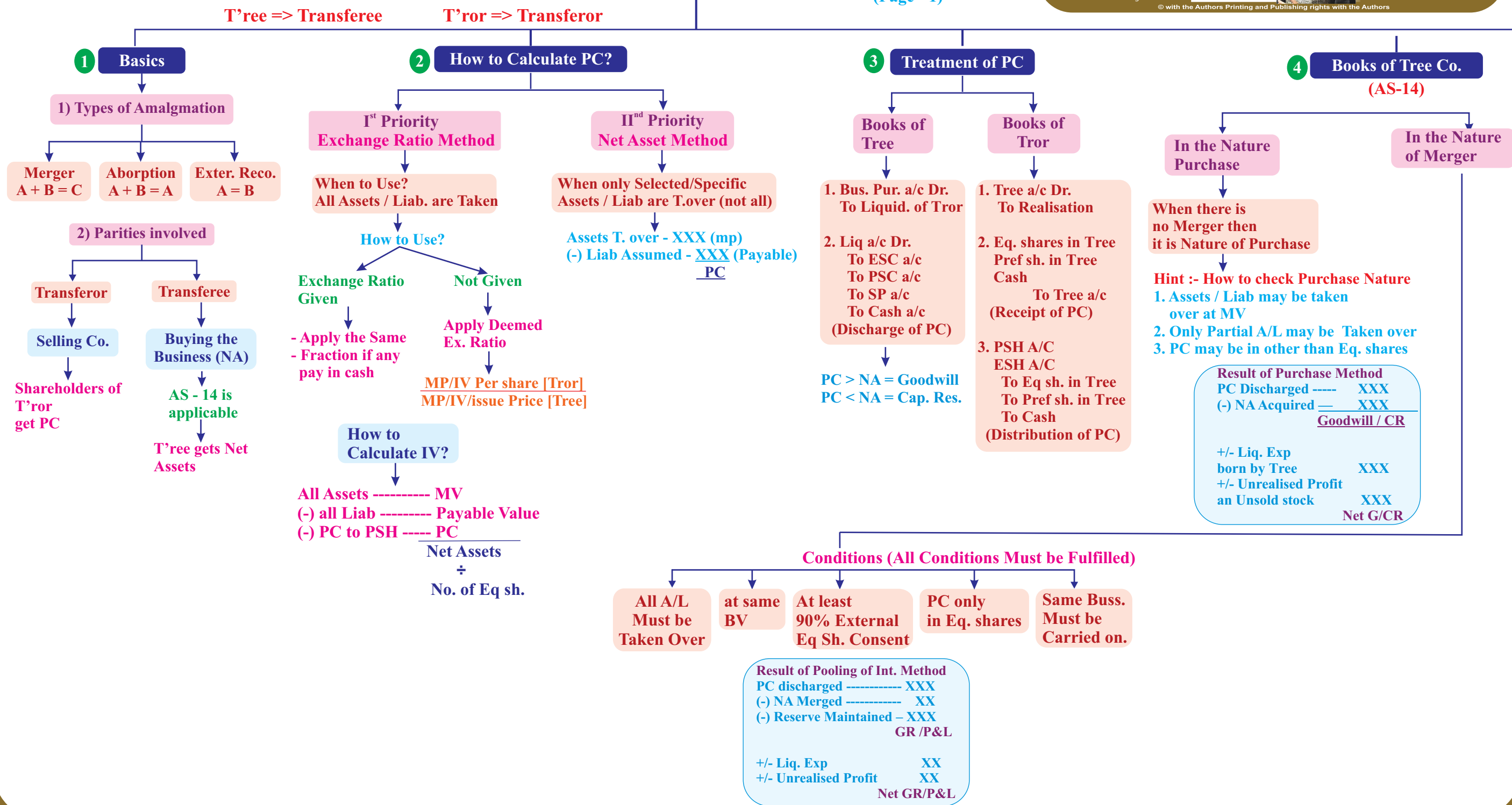
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AS 14 - AMALGAMATION

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5 Treatment of Reserve & Surplus of T'ror in the books of T'ree

Purchase Method

Ignore all Reserves Except Statutory Reserves

Amalg. Adj Res. Dr.
To St. Res.

Pooling of Interest Method

Maintain all Reserves; Statutory Reserves & Other Reserves

any Diff will be adjusted in Free Reserves

Example of Statutory Reserves

- 1) Investment Allw. Reserve
- 2) Export Profit Reserve
- 3) Revaluation Reserve
- 4) Tea Development Fund

Note : Amal. Adj. Res. Must be shown Separately Under R&S in BS

6 Tree Co. is making settlement with Debⁿ Holders of Tror

Book the Liability towards Debⁿ Holders at Agreed Value

(Under 2nd entry of A/L Recog.)

Settlement Entry

Debⁿ Holders a/c Dr. (Agreed Value)
To New Debⁿ (Face Value)
(Diff in above - Goodwill/CR/FR)

7 Inter Co. Stock (unsold)

Stock in Transferee Books

Upstream

G/w Dr
To Stock
(if Purchase method)

General Res. Dr
To Stock
(if Merger method)

Only Profit Component.

Stock in Transferor Books

Downstream

General Res. Dr
To Stock

Merger & Purchase Both

8 Inter Co. Debts


Cancellation of Inter Company Loans / Payables

Give Opposite Effect to the Original Entry

Payables A/c Dr.
To Receivables A/c


AS 15 - EMPLOYEE BENEFITS

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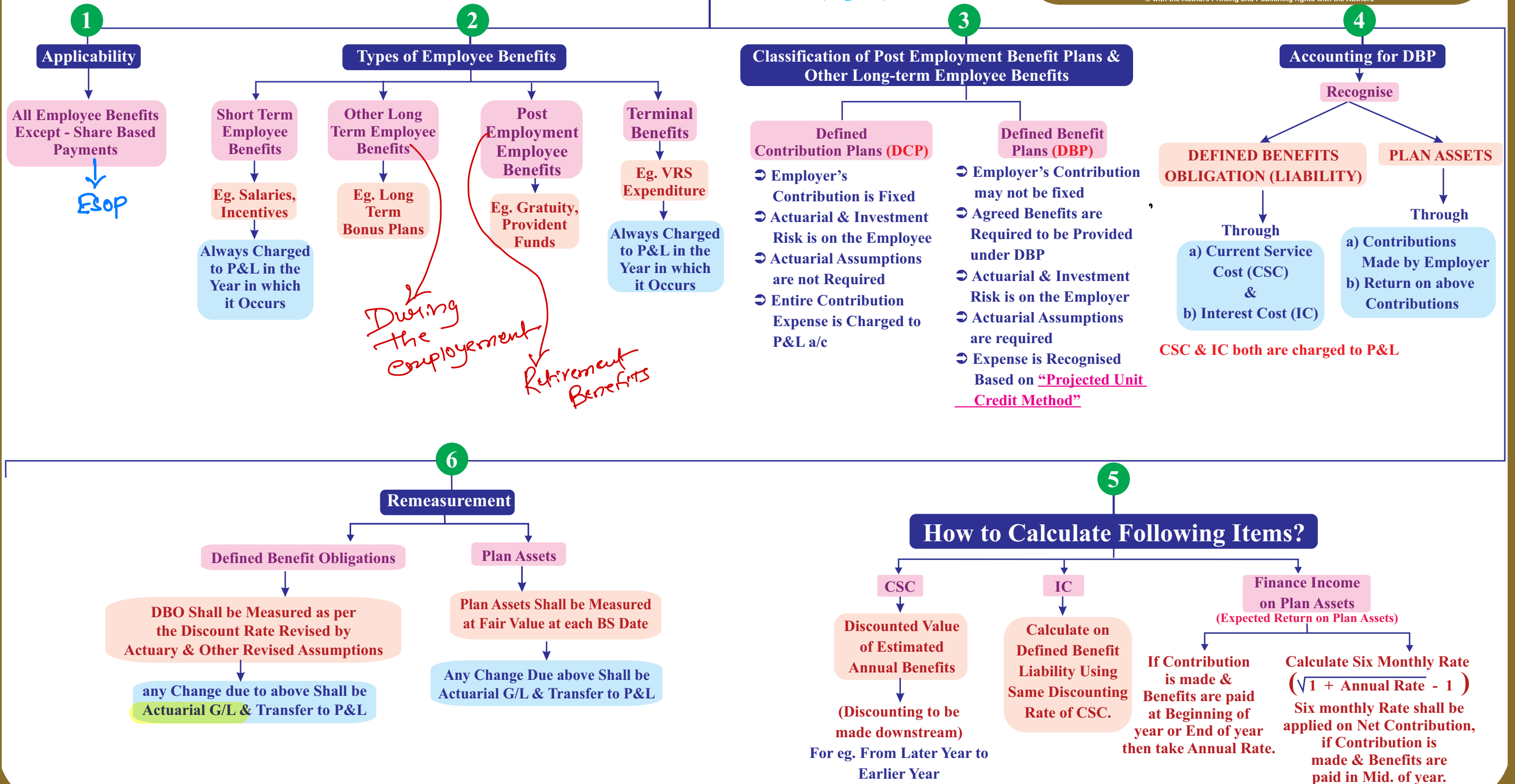
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AS 15 - EMPLOYEE BENEFITS

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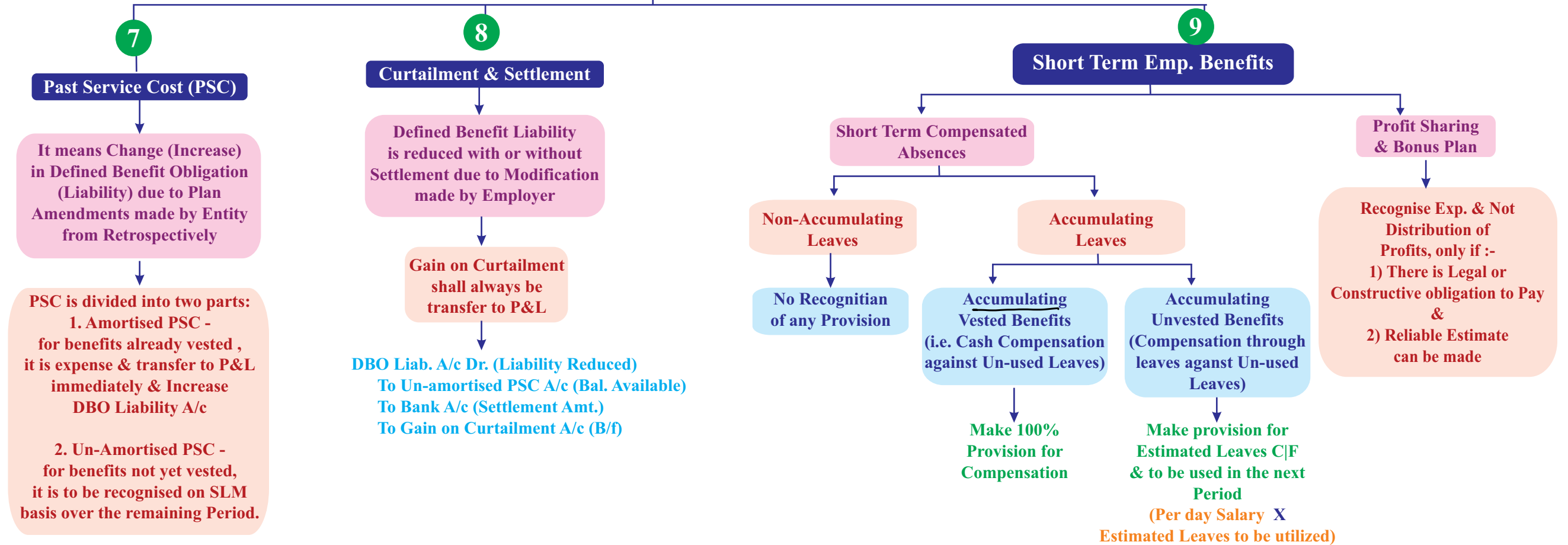
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AS 16 - BORROWING COSTS

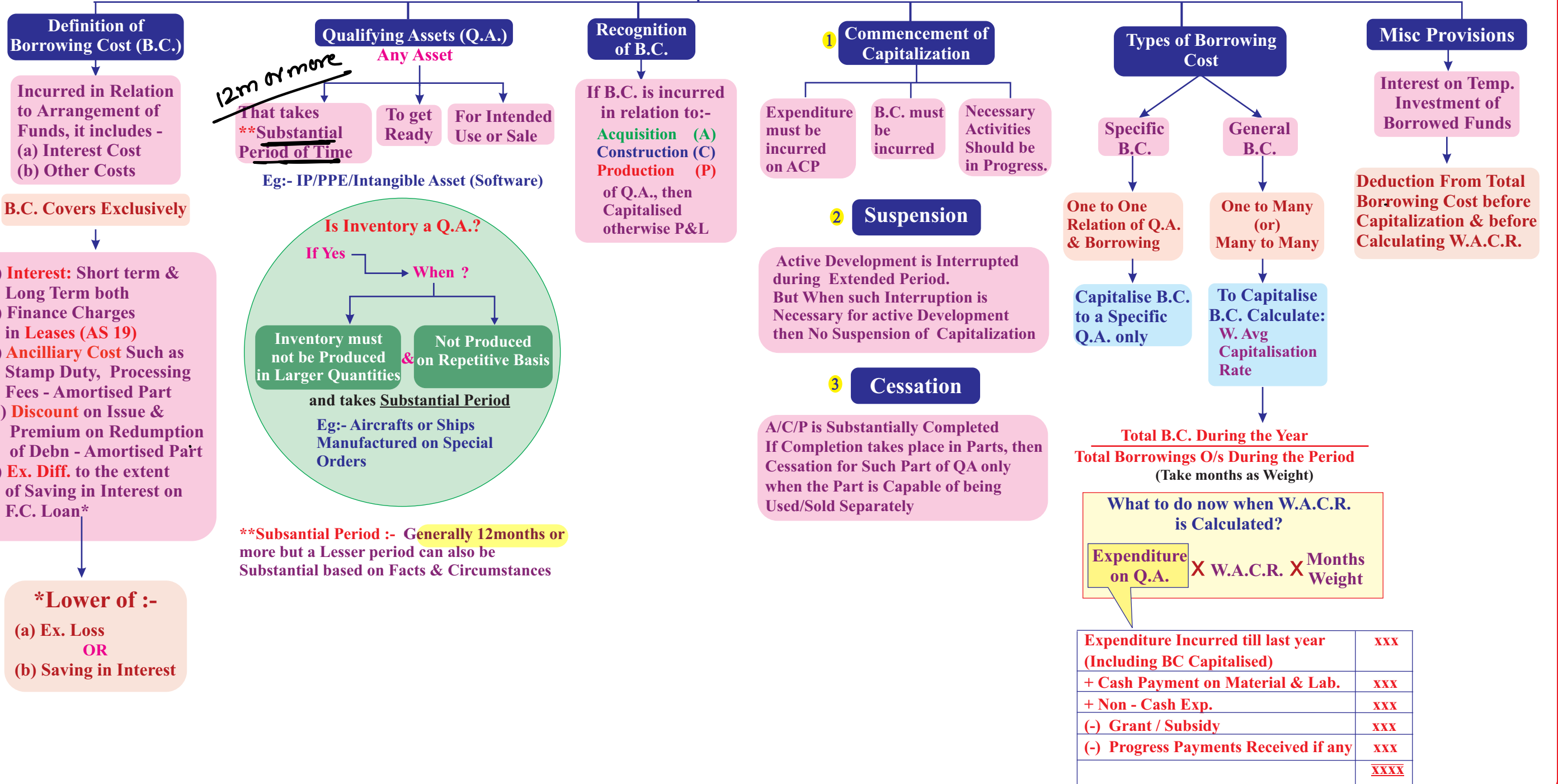
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AS 17 - SEGMENT REPORTING

ITC

1 Segments



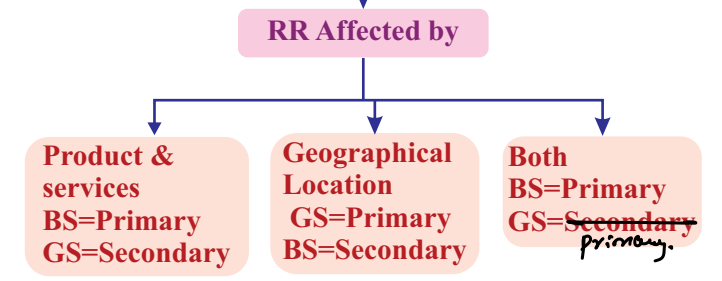
- Business Segments (BS):**
- * Distinguishable Component & Individual Product or Service Or
 - * Related Group of Product or Services & Independent Risk and Returns

- Geographical Segments (GS):**
- * Distinguishable Component & Product or Service within Economic Environment & Independent Risk and Returns

Reportable Segment = Business Segment Wise or Geographical Segment Wise

2 How to Decide Primary or Secondary?

Check Dominant Source of Risk and Return (RR)



3 Important Terms

Imp.

Segment Revenue (SR)



- Includes:**
1. Directly Attributable Revenue
 2. Allocable Revenue from Enterprise Common Revenue
 3. Inter Segment Revenue

- Excludes:**
1. Extraordinary Items
 2. Interest & Dividend (Unless Financing Business)
 - Gain on Sale of Investment

Segment Expense (SE)



- Includes:**
1. Directly Attributable Exp.
 2. Allocable Exp. from Enterprise Common Exp.
 3. Inter Segment Exp.

- Excludes:**
1. Extraordinary Items
 2. Interest (Unless Financing Business)
 3. Loss on Sale of Investment
 3. Income Tax Expense
 4. General Enterprise Expense

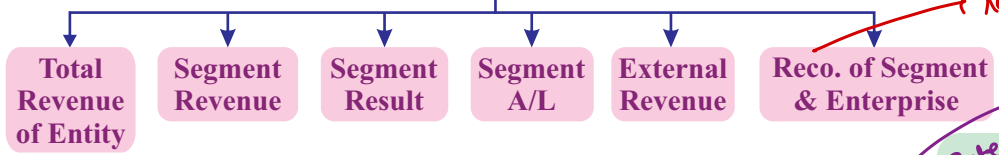
Segment Asset (SA) (Same with Segment Liability)

Operating Asset

Directly Attributable + Reasonably ~~Attributable~~ allocable

- Note:**
- 1) DO NOT include DTA/DTL
 - 2) Take Advances and Investments when Interest or Dividend is considered in revenue.

4 Disclosure Requirements



Reconciliation

External + Internal

Most Imp: (Para 27)
How To decide Reportable Segment?

- 1) S Revenue = 10% or more of All Segments Revenue OR
- 2) Result = 10% or more of all Segment in loss or Segment in profit whichever is higher OR
- 3) SA = 10% or more of all S. Assets


External Revenue of Reportable Segment = 75% or more of Total External Revenue


If Not
 Add More Segments to make Minimum of 75% of the Total Revenue

- Important Points:**
- Any Segment which was Reportable in PY bcoz of Para 27, such Segment shall be Reportable segment in CY even though it does not Fulfill Para 27
 - First time Reportable segment = Restate PY Comparative Info

Choice of management → Any Segment can be reported based on mangmt. Choice even though it doesn't fulfill Para 27

AS 18 - Related Party Disclosures


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Independent FS

Applicability

Consolidated FS
(Except for Intra group trans.)

Important Terms

RP Does not cover

Related Party (RP)

Related Party Transactions (RPT)

Two Comp. having Common Directors (Common KMP)

Significant Volume of Business with an Agent/Customer/Supplier/Distributor

Normal dealings with Financer/Trade Unions/Govt. Officials

Relationship between One State Control Entity & Another.

Ability to Control

Exercise of Significant Influence (SI)

Transfer of Resources

Between RPs

Whether or not charged i.e. Price Involved or Not

Disclosure Requirements

Related Party - Disclosure

Exercise Control

Exercise SI

- 1. More than half VP
- 2. Power to Compose BOD/ Governing Body
- 3. A substantial Interest (20% or more VP)

Participation in Fin. &/or Op. Policy Decision

- Name & description of Relationship
- Description of Nature of Trans.
- Volume of Transaction (in amt or in Proportion)
- Any Outstanding amt to/ from RP.
- Any Provision made against receivables from RP
- Amt W/off or W/back in respect of Debts.
- Any other element of RP transaction to understand Fin. Statement.

- 1. Disclose Name & Relation
- 2. Transaction is there or not

Disclose only if transaction is there

Who is Related Party (Para)- 3

A) Enterprises that directly or indirectly Control or be Controlled through Intermediaries or under Common Control (Includes)

B) Joint Venture (JV)

C) Individuals having Control OR Sig. Inf.

D) Key Manag. Person (KMP)

E) Enterprises on which Persons described in (C) or (D) Exercises Sig. Infl. (Includes)

Holding
Having one or more Subsidiaries

Subsidiary
Holding co. holds & Controls Composition of BOD

Fellow Subsidiary
Two Cos. having same Holding co.

Contractual obligation to undertake Eco. Activity subject to Joint Control

Associate

Investing (Reporting) Party having Sig. Inf. on Other Entity

Not being Subsidiary or JV

Investor or Venture for whom Reporting Entity is JV or Associate.

Relative
In relation to Individual
- Father/Mother
- Spouse
- Brother/Sister
- Son/Daughter

- KMP means Those having authority & Respo. to plan, Direct & Control Activities
- Relatives of KMP

- 1. Enterprise controlled by Directors or Majority Share holders.
- 2. Enterprises with common KMP of Reporting Entity.

AS 19 - ACCOUNTING FOR LEASES

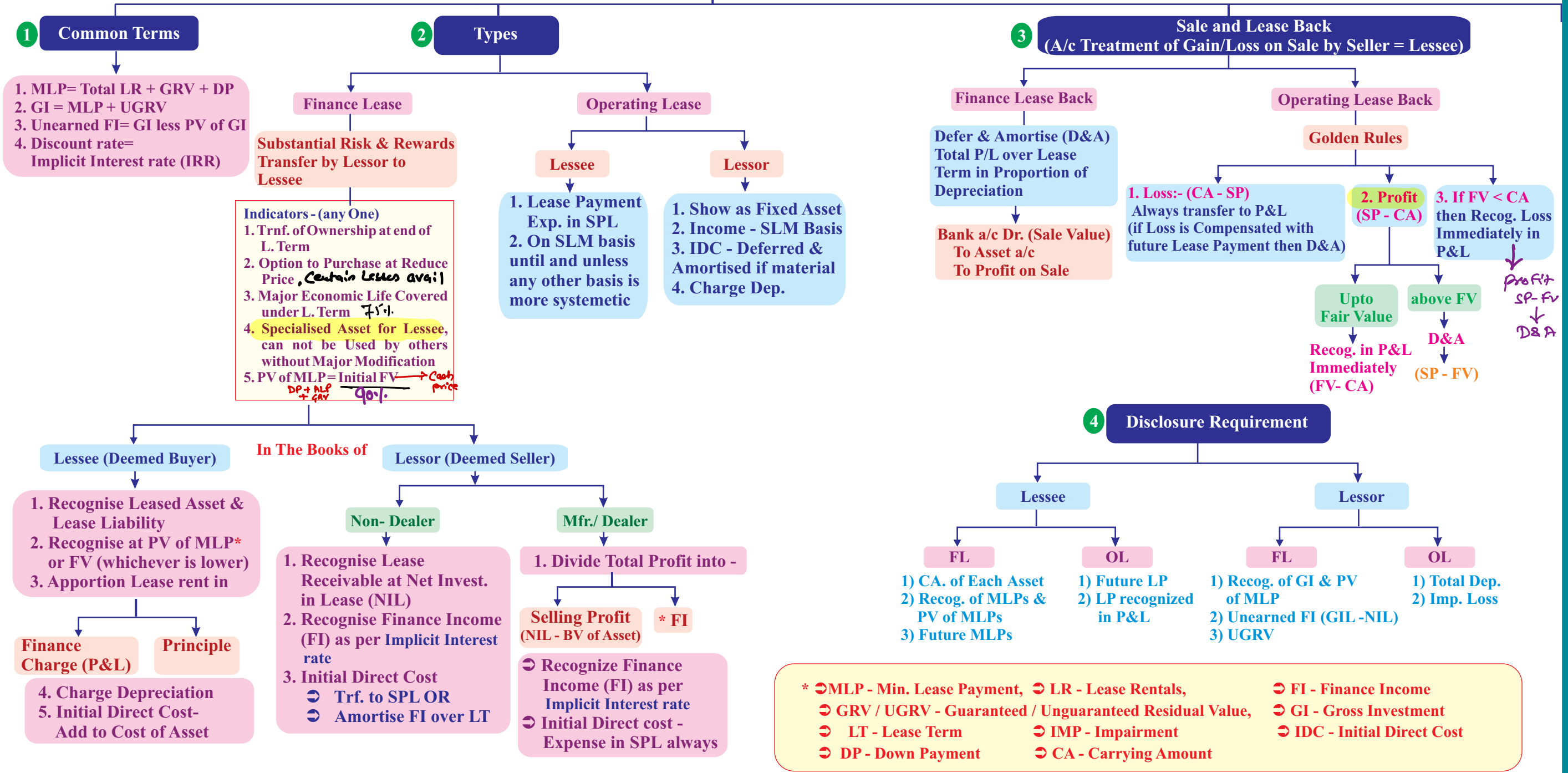
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AS 19 - ACCOUNTING FOR LEASES

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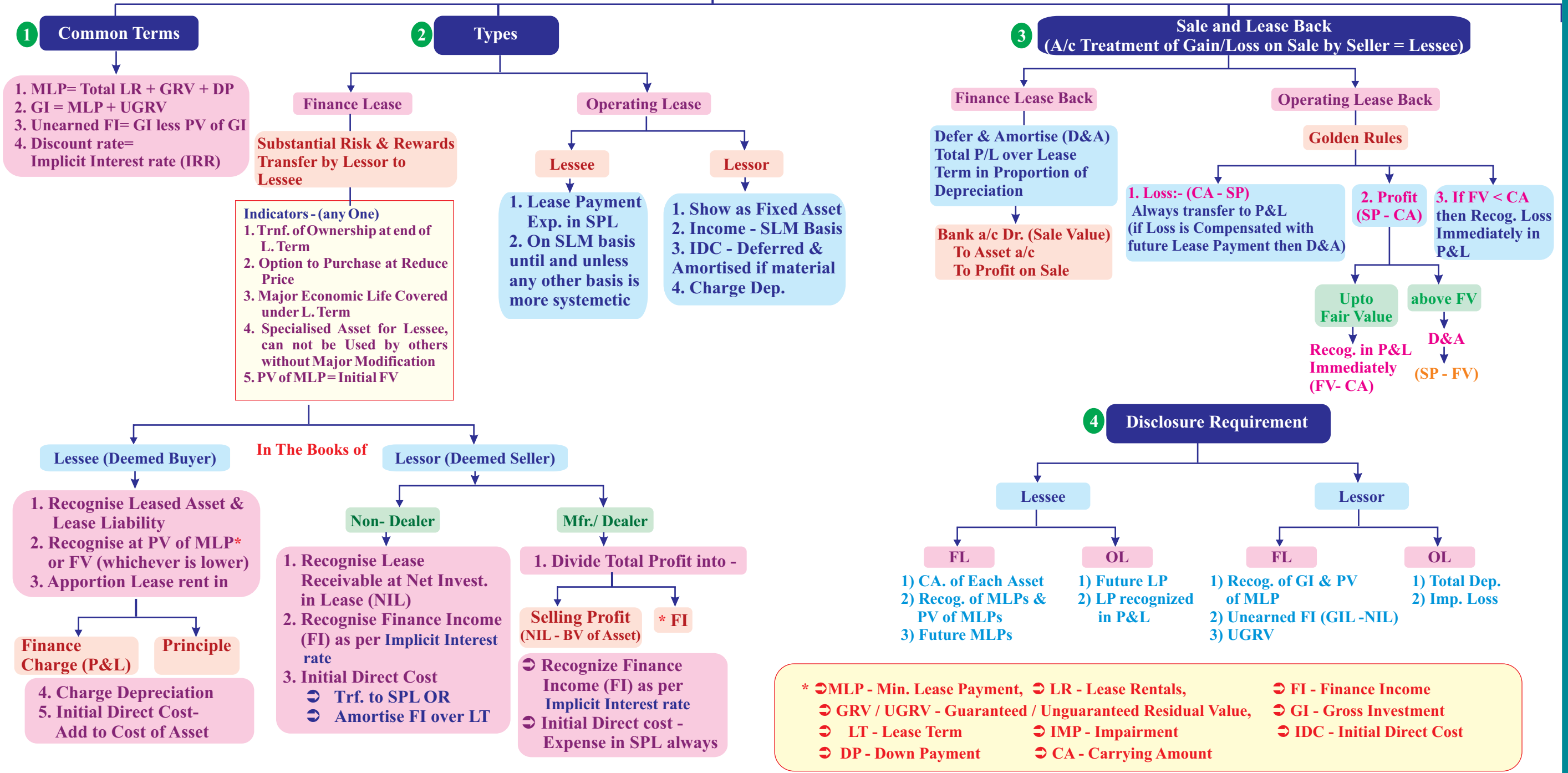
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AS 20 - EARNINGS PER SHARE

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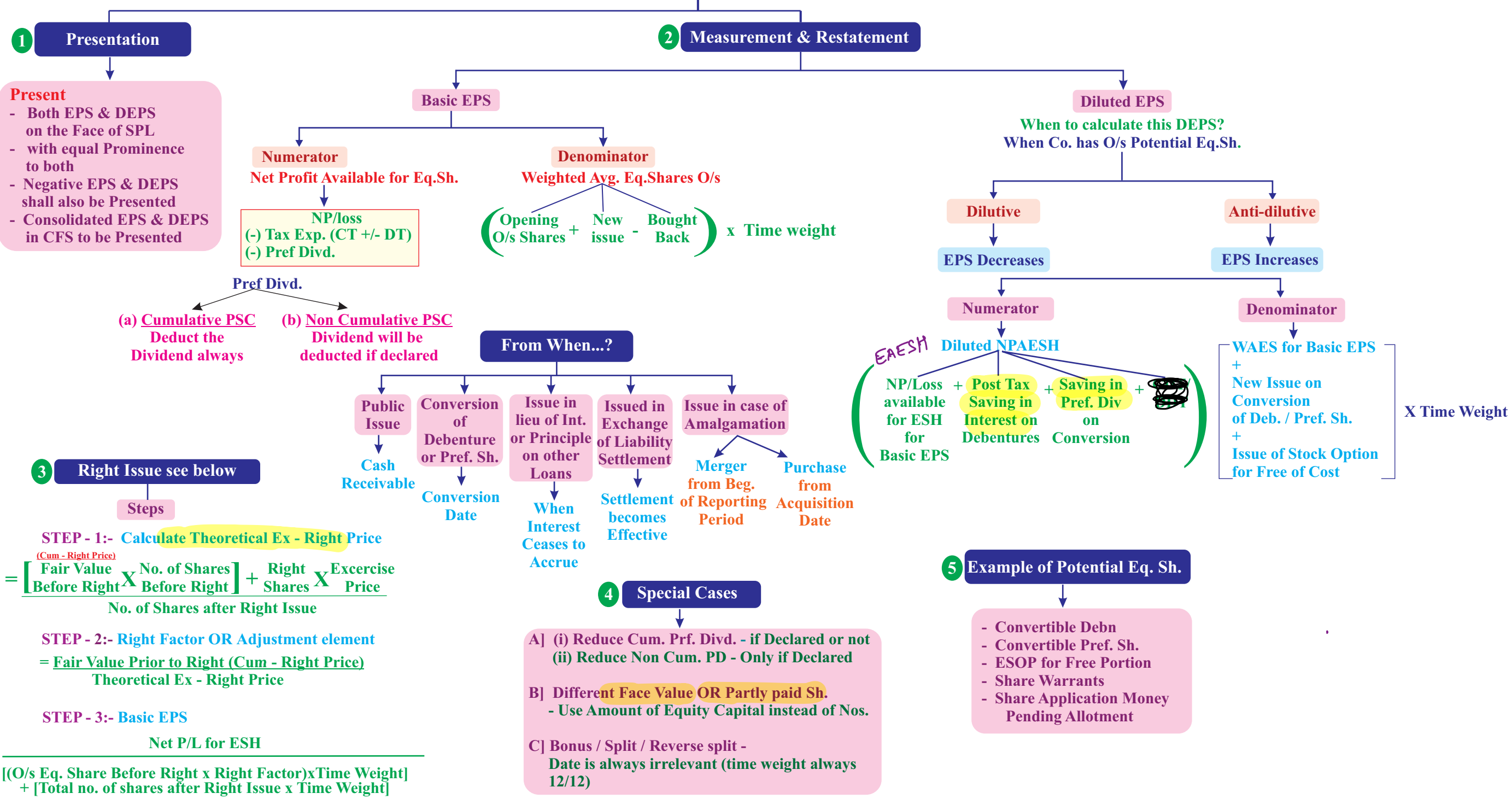
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AS 21-CONSOLIDATED FINANCIAL STATEMENT (CFS)

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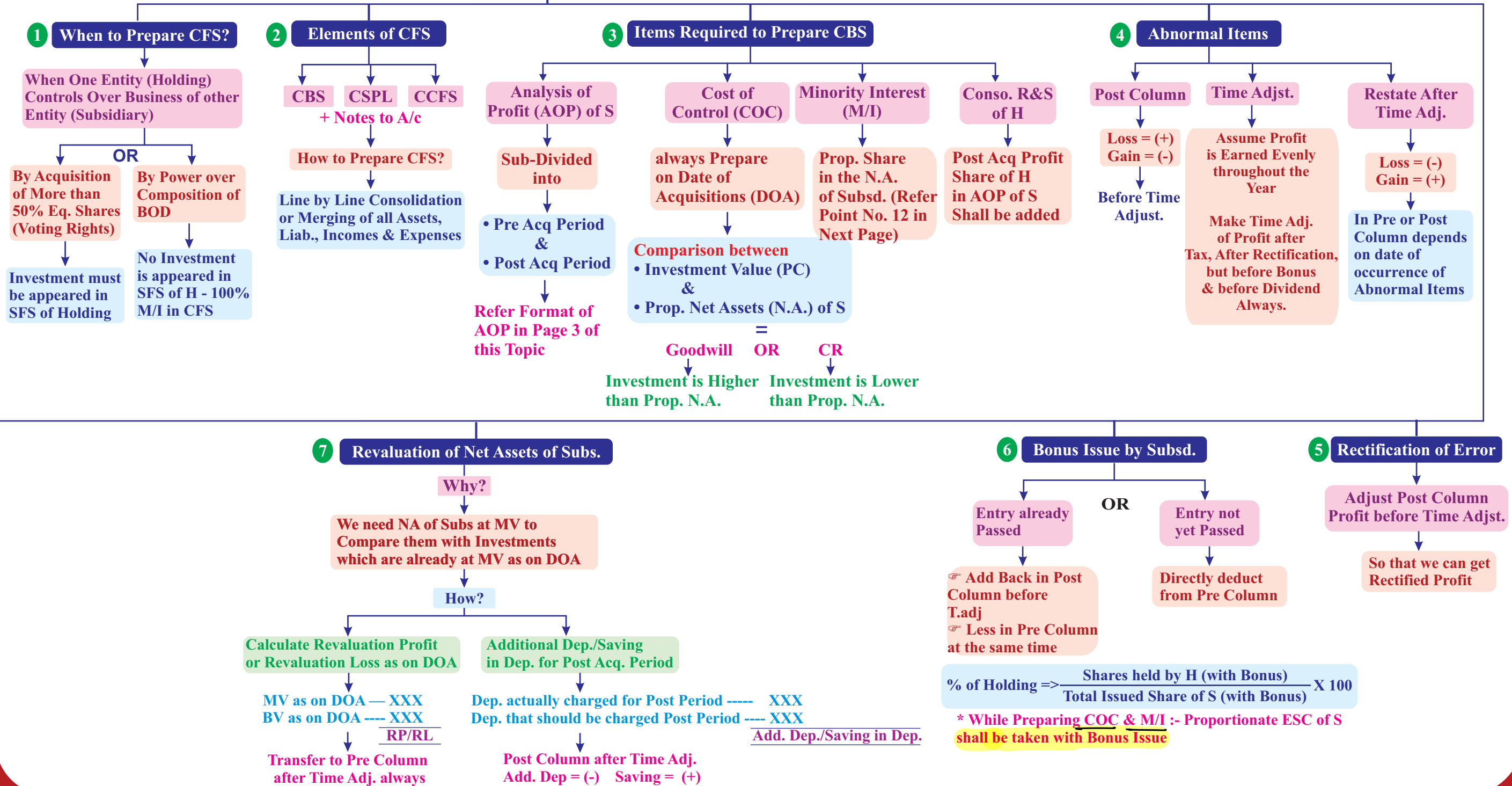
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AS 21-CONSOLIDATED FINANCIAL STATEMENT (CFS)

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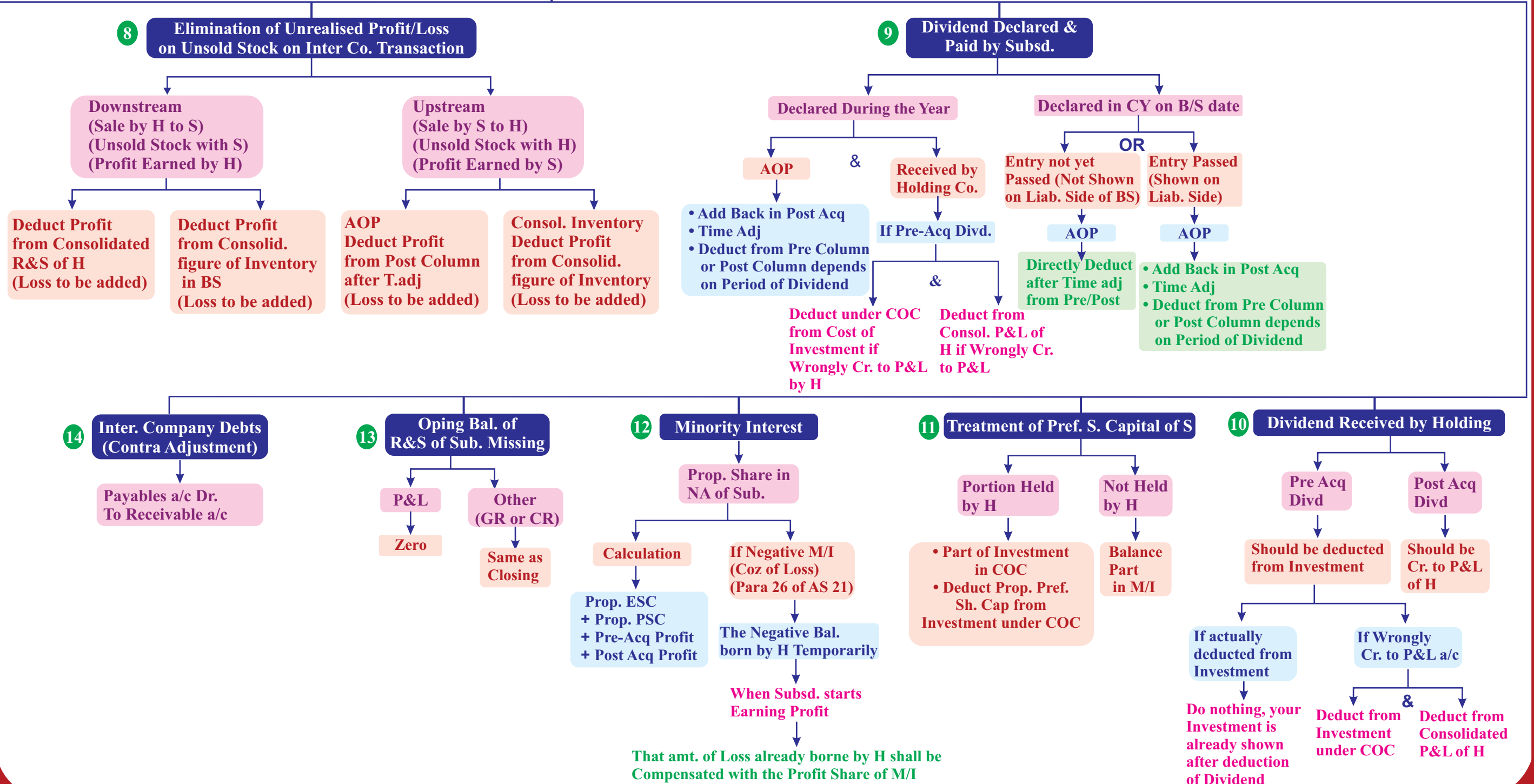
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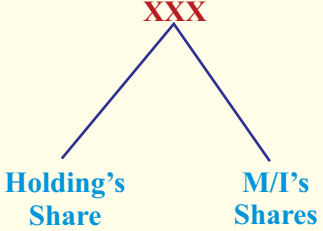
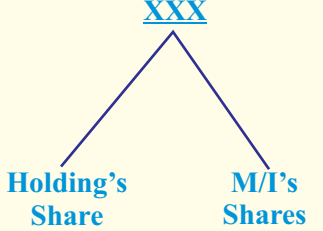


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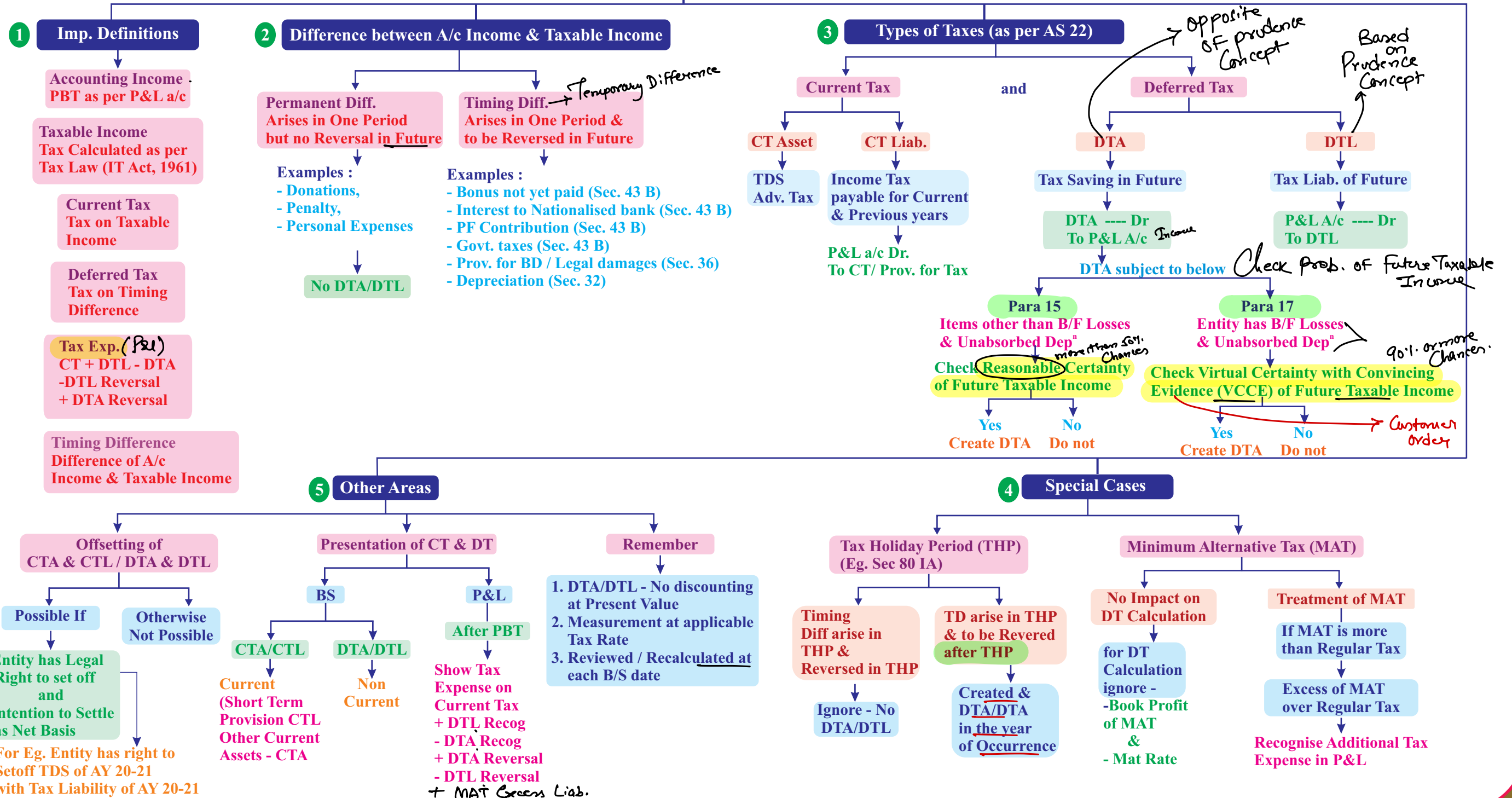
Particulars	Pre-Acq DOA	Post Acq	Total B/S Date R&S
Balances Of R&s	XXX	XXX (Bal. Fig.)	XXX
+/- Abnormal Items Elimination	---	(XX)	
+/- Bonus Issue	(XX)	+XX (If already entry Passed)	
+ Dividend Paid/ Declared	---	XX (If already entry Passed)	
+/- Rectification of Errors Bal. of R&s	-----	XX -----	
+/- Time Adjustment	XX	(XX)	
Balance	XX	XX	
+/- Abnormal Items	XX	XX	
(-) Dividend	XX	XX	
+/- Revaluation Of Assets	XX	XX (Additional Dep. saving in Dep)	
Balance	XX	XX	
+/- Elimination Of Unrealised P/I On Unsold Stock (Upstream Transaction)	---	XX	
Final Balance	<div style="text-align: center;"> <p>XXX</p>  <p>↙ ↘</p> <p>Holding's Share M/T's Shares</p> </div>	<div style="text-align: center;"> <p>XXX</p>  <p>↙ ↘</p> <p>Holding's Share M/T's Shares</p> </div>	

↓
SOLD by S to H

AS 22 - ACCOUNTING for TAXES ON INCOME


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AS 23 - INVESTMENT IN ASSOCIATES

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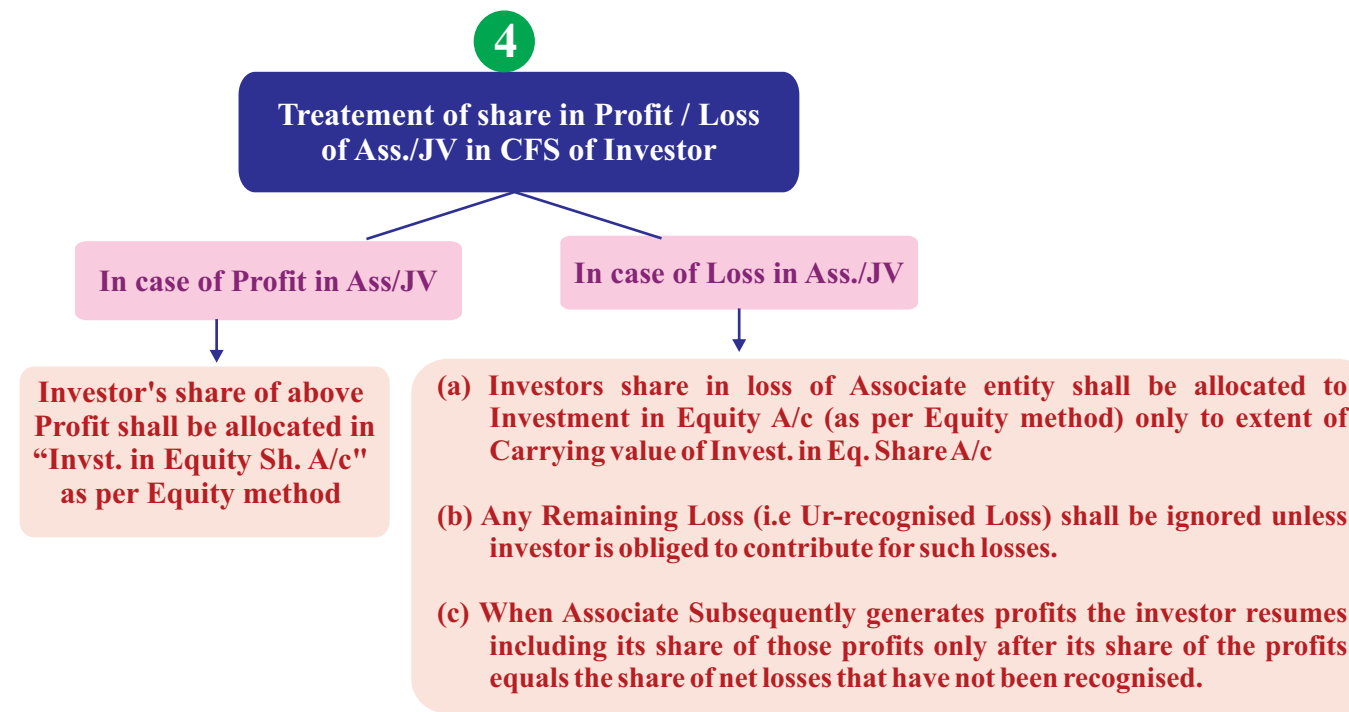
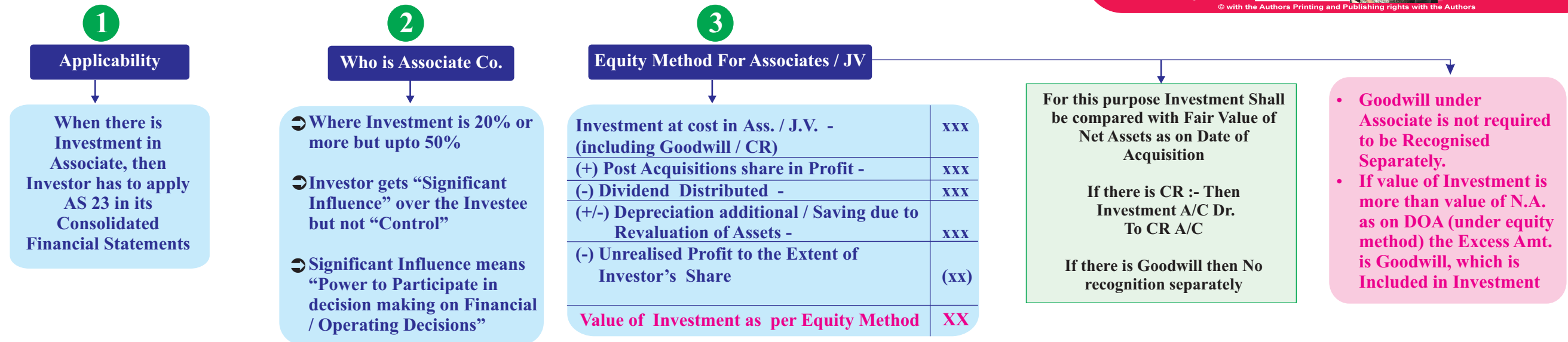
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AS 24 - DISCONTINUING OPERATIONS

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Areas Covered

Meaning

Disposal of Component
- In Substantial entirety
- Piecemeal sell of Assets & Liability settlement.
- Abandonment of Operations

In a single plan

Component

Represents Major Separate Business line or Geographical Business area & Distinguished Operationally & for FR Purpose

Initial Disclosure

1) Binding Agreement on a Specific date
OR
BOD approves & Announces Formal Plan

Whichever is earlier

2) Initial disclosure Event after B/S date- Apply AS 4
- Non Adjusting Event

3) Initial disclosure:
> Operation Description
> Date & Nature
> Expected completion of Discontinuation
> CA of A/L
> Revenue & expenses of Ordinary Act.
> PBT or loss of Ordinary Act & Tax*
> CFs from Operating, Financing, Investing Act. (Net)

4) Other Disclosures:
(When Asset sold/ Liabilities settled)
> Recognised PBT/loss & Tax*
> SP of assets / Range of Price
> Expected time of receipt of CFs
> CA of such A/L

Disclosure of face SPL
Others - In Notes to A/c

Special Cases

Below cases are not always a Discontinued Operations.
1. Phasing out- P/S
2. Cutting down any process for Cost Reduction.
3. Shifting Plant/Dept. to new Location
4. Cutting down several products
5. In CFS- Sale of Subsidiary in similar business line

Plan is cancelled
- Disclosure with reason

Impotent Notes

1. Separate Disclosure for each.
2. Disclosure until completion.
3. Revenue/Exp. Or A/L calculation - As per other AS.
4. Date of Agreement is important - Sale off/ Receipt may be later
5. Going Concern Assumption - Not affected.

AS 25 - INTERIM FINANCIAL REPORTING

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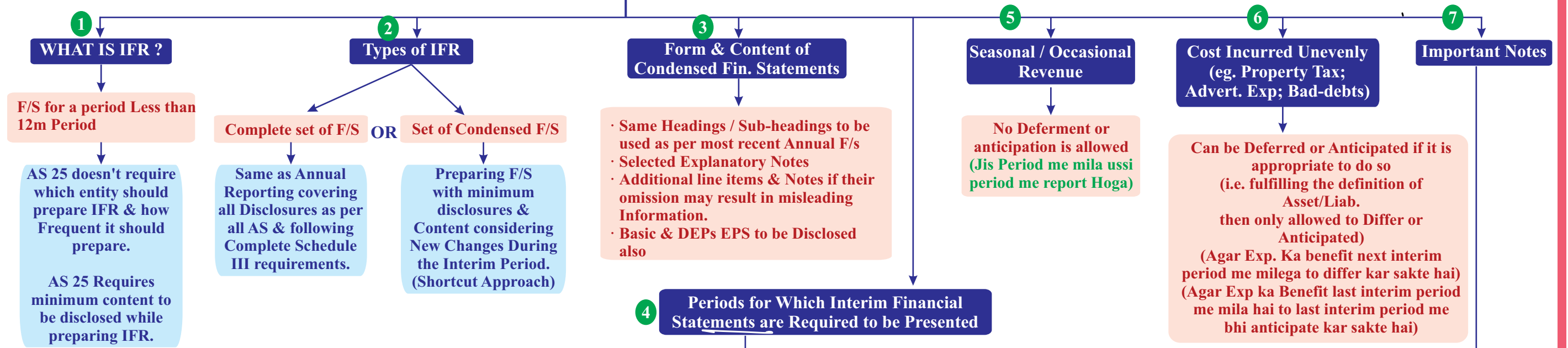
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1 WHAT IS IFR ?

F/S for a period Less than 12m Period

AS 25 doesn't require which entity should prepare IFR & how Frequent it should prepare.

AS 25 Requires minimum content to be disclosed while preparing IFR.

2 Types of IFR

Complete set of F/S OR Set of Condensed F/S

Same as Annual Reporting covering all Disclosures as per all AS & following Complete Schedule III requirements.

Preparing F/S with minimum disclosures & Content considering New Changes During the Interim Period. (Shortcut Approach)

3 Form & Content of Condensed Fin. Statements

- Same Headings / Sub-headings to be used as per most recent Annual F/s
- Selected Explanatory Notes
- Additional line items & Notes if their omission may result in misleading Information.
- Basic & DEPs EPS to be Disclosed also

5 Seasonal / Occasional Revenue

No Deferment or anticipation is allowed (Jis Period me mila ussi period me report Hoga)

6 Cost Incurred Unevenly (eg. Property Tax; Advert. Exp; Bad-debts)

Can be Deferred or Anticipated if it is appropriate to do so (i.e. fulfilling the definition of Asset/Liab. then only allowed to Differ or Anticipated)

(Agar Exp. Ka benefit next interim period me milega to differ kar sakte hai)
 (Agar Exp ka Benefit last interim period me mila hai to last interim period me bhi anticipate kar sakte hai)

4 Periods for Which Interim Financial Statements are Required to be Presented

Statement	Current period	Comparative period
Balance sheet	End of current interim period	End of immediately preceding financial year
Statement of profit and loss	Current interim period and cumulatively for the year – to – date (YTD)	Comparable interim period and year-to-date of immediately preceding financial year
Cash flow statement	Cumulatively for the current financial year-to-date	Comparable year-to-date of immediately preceding financial year

- Interim financial results (as per clause 41 of SEBI listing agreement) is not Interim Financial Report as per AS 25
- Change in Estimate from one Interim Period to another is justified & allowed if it is as per any AS. Nature & Amt. of Such change should be disclosed in selected Explanatory Notes of IFR
- While recognizing Tax Exp of each Interim Period, it should be Estimated based on Annual Calculation first (i.e Calculate

$$\text{W. Arg Tax Rate} \Rightarrow \frac{\text{Total Estm. Tax}}{\text{Total Estm. Income}} \times 100$$

Interim Income X W. Avg. Tax Rate

Example – Current FY = 22-23
 Current Interim Period - Q2 = (July to Sep)

1) Balance Sheet

Current Period	Comparative
30/9/22	31/03/22

2) Statement of P&L (Financial Results)

Current Period	Comparative
Q2	Q2
1/7/22 to 30/9/22	1/7/21 to 30/9/21
YTD	YTD
1/4/22 to 30/9/22	1/4/21 to 30/9/21

3) Cash Flow Statement

Current Period	Comparative
1/4/22 to 30/9/22	1/4/21 to 30/9/21
Only YTD	Only YTD

5. SELECTED EXPLANATORY NOTES


An enterprise should include the following information, as a minimum, in the notes to its interim financial statements, *if material and if not disclosed elsewhere* in the interim financial report:

- (a) A statement that the same accounting policies are followed in the interim financial statements as those followed in the most recent annual financial statements or, if those policies have been changed, a description of the nature and effect of the change.
- (b) Explanatory comments about the seasonality of interim operations.
- (c) The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidence as per AS 5.
- (d) The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.
- (e) Issuances, buy-backs, repayments and restructuring of debt, equity and potential equity shares.
- (f) Dividends, aggregate or per share (in absolute or percentage terms), separately for equity shares and other shares.
- (g) Segment revenue, segment capital employed (segment assets minus segment liabilities) and segment result for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting.
- (h) The effect of changes in the composition of the enterprise during the interim period, such as amalgamations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations and
- (i) Material changes in contingent liabilities since the last annual balance sheet date.


The above information should normally be reported on a financial year-to-date basis. However, the enterprise should also disclose any events or transactions that are material to an understanding of the current interim period.

Non
Recurring

AS 26 - INTANGIBLE ASSETS (I.A.)



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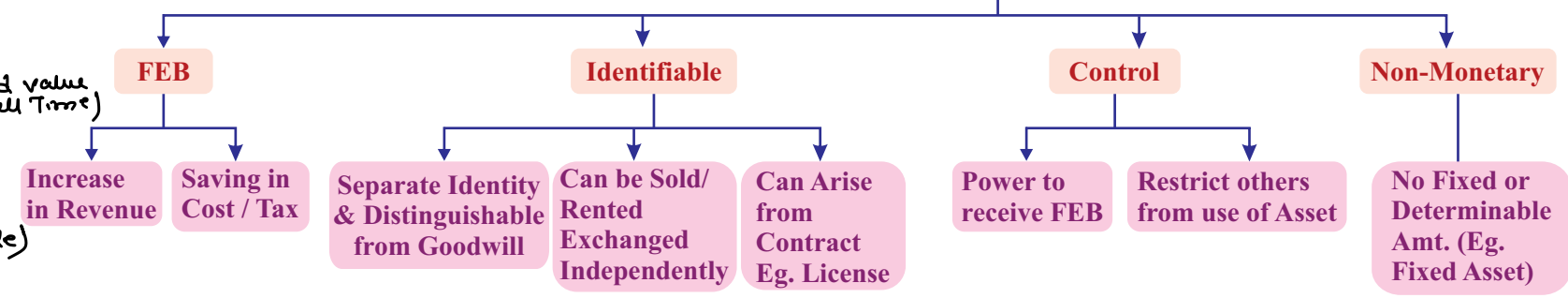
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1 7 Conditions of I.A.

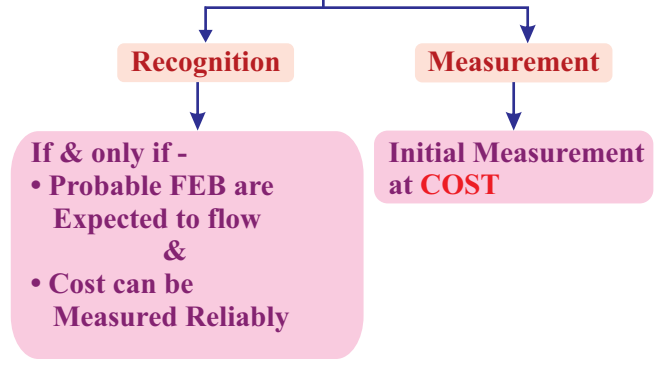
1. Identifiable
2. No Physical Substance
3. Non Monetary (no fixed value all time)
4. Enterprise can Control i.e. Ownership
5. Expected Future Eco. benefits. (FEB)
6. Held for Use (not for sale)
7. Cost can be Measured Reliably

if all above conditions fulfilled then I.A. can be recognised

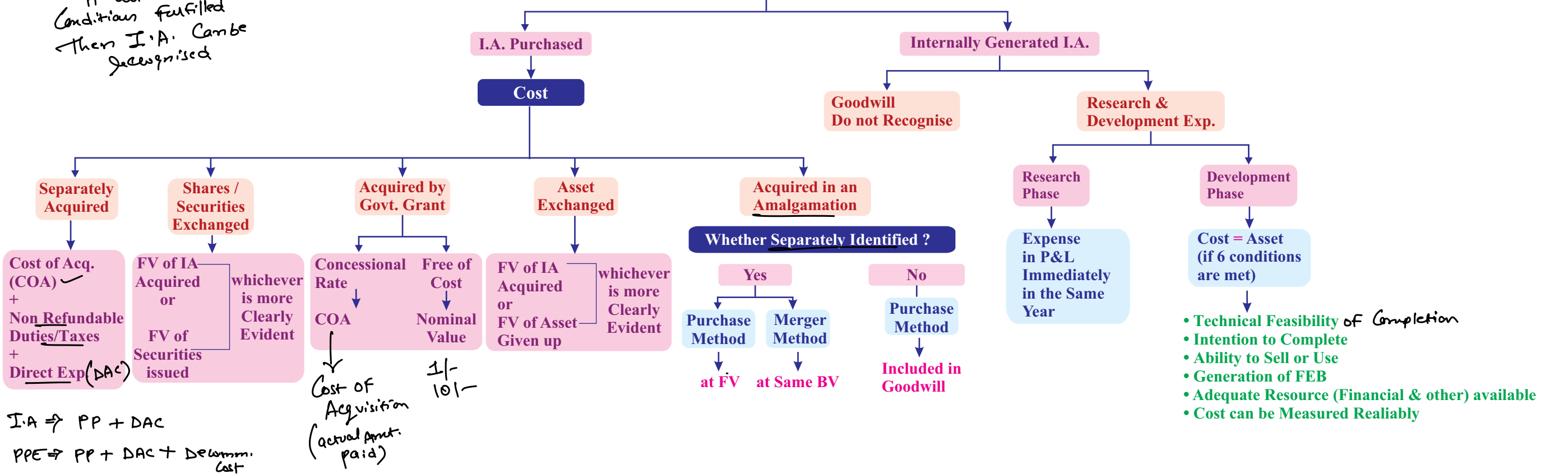
2 Some Important Terms



3 Recognition & Measurement of I.A. (V.Imp)



4 How to Measure the Cost?



I.A ⇒ PP + DAC
PPE ⇒ PP + DAC + Depreciation Cost

AS 26 - INTANGIBLE ASSETS (I.A.)

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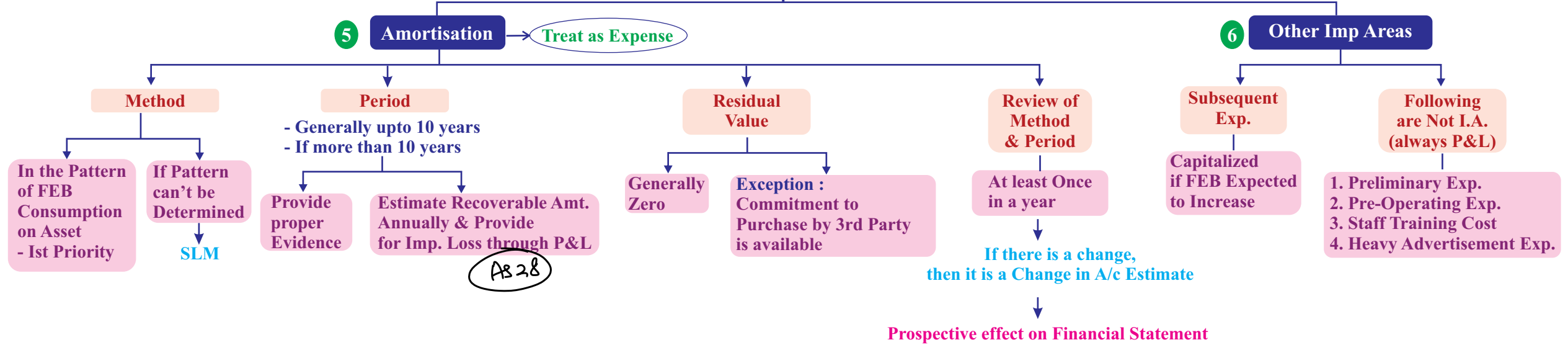
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AS 27 - Financial Reporting of Interest in JV

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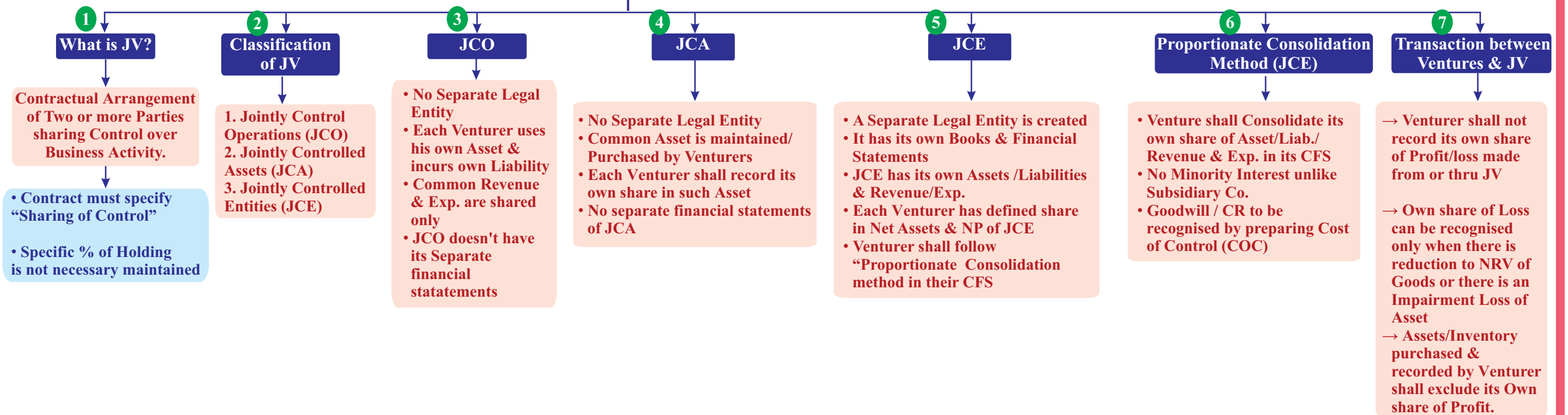
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AS 28 - IMPAIRMENT OF ASSETS

Reduction in Value



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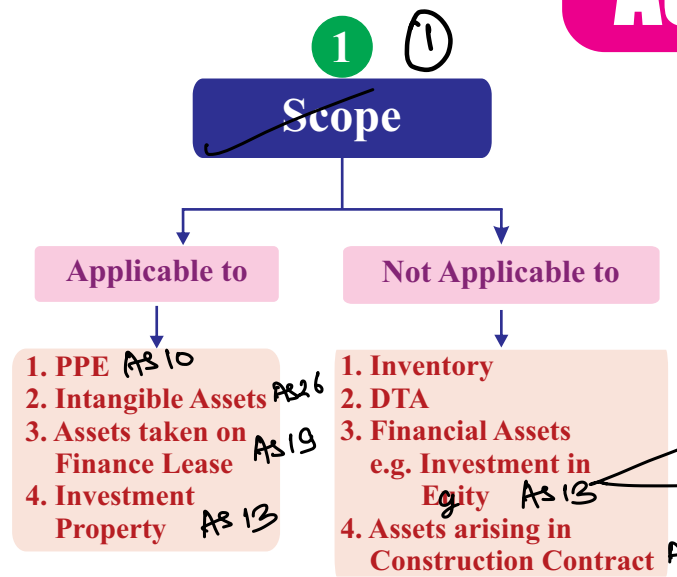


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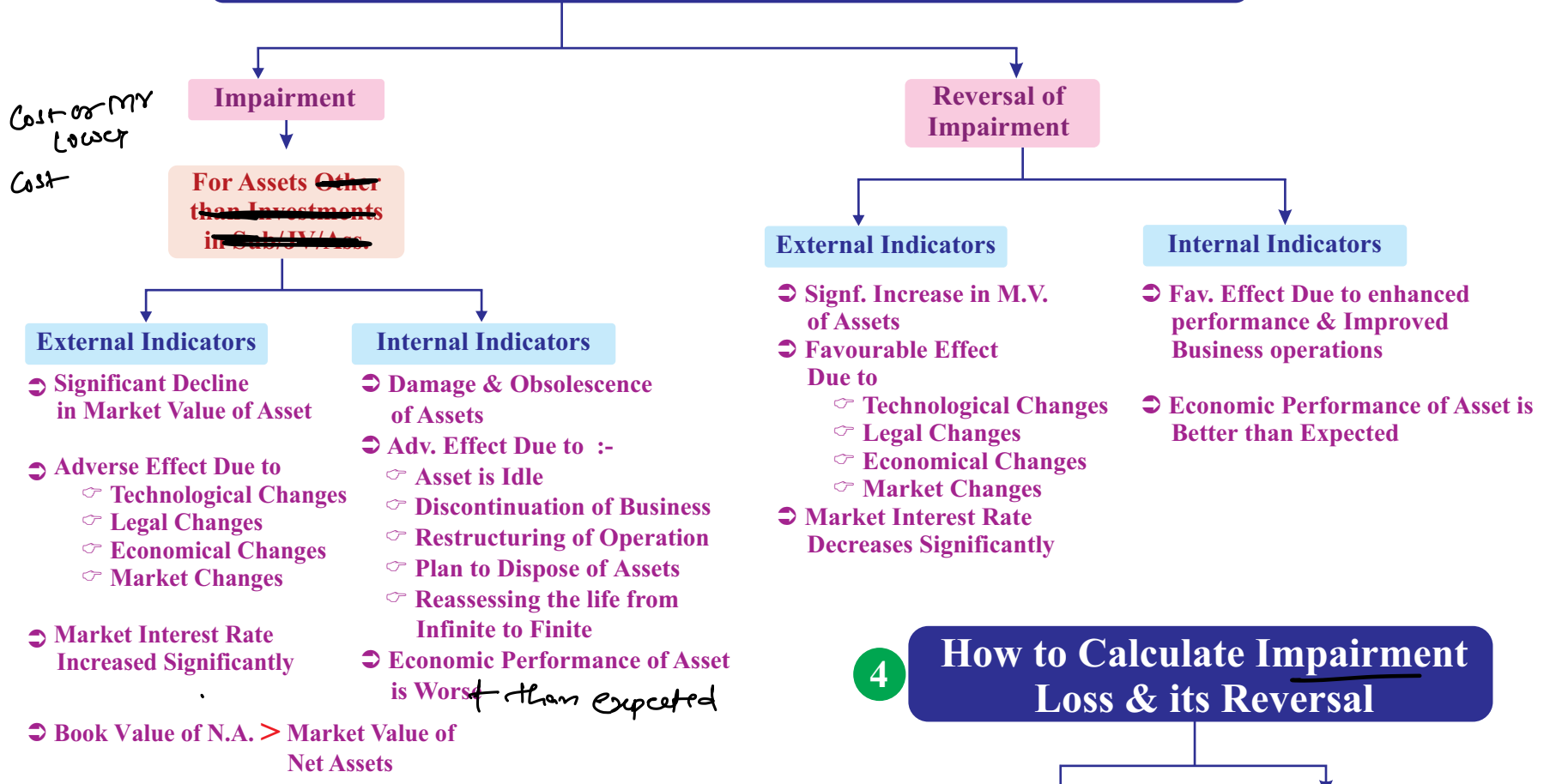
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3

Indications of Impairment & Indications of Reversal



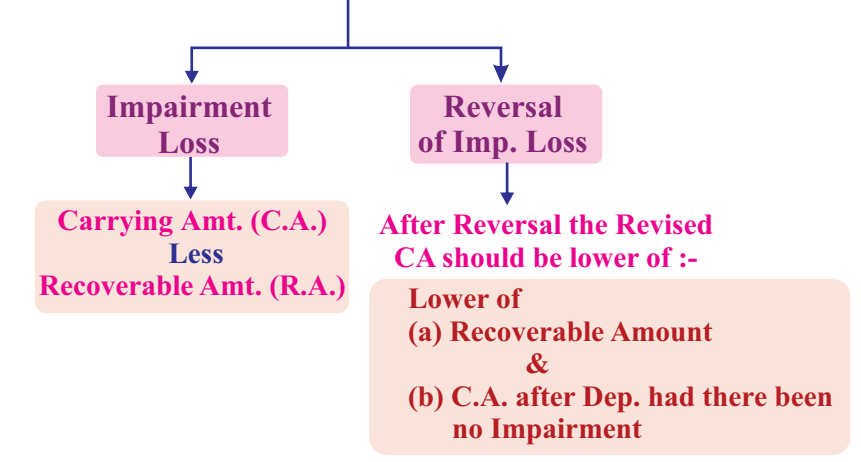
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Important Definitions

- 1) **Carrying Amt :-**
Book value of Asset after charging Depreciation
- 2) **Net selling Price :-** $SP - S/Exp.$
Amount obtainable from Sale of an Asset in an Arm's length transaction between Knowledgeable, willing parties, Less Costs of disposal.
- 3) **Cost of disposal :-** Selling exp.
Directly attributable cost to dispose the Asset excluding Finance Cost & Income Tax.
- 4) **Value in Use :-** $PV \text{ of } FcF$
PV of Estimated Future Cash Flows from continuing use of an Asset including its disposal at end of its useful life.
- 5) **Recoverable Amount**
Higher of
a) Net Selling Price &
b) Value in Use

4

How to Calculate Impairment Loss & its Reversal



AS 28 - IMPAIRMENT OF ASSETS

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5 Recoverable Amt.

For
R.A. of CGU
&
C.A. of CGU

Take all Assets of CGU
+ Liabilities of CGU if such
Liab. are Necessary Part of CGU
+ allocated Goodwill
+ Corporate Assets
Allocated

Higher of
(a) Value in Use &
(b) Net Selling Price

Value in Use depends on -

Projected Cash Flows

Discount Rate

How to Estimate Net Selling Price

Check Binding Sale Agreement

Not Available

Check Active Market & Identify Current Bid Price of Asset

Not Available

Price From Most Recent Transaction From Active Market

No Active Market

Best Estimate of Management

Agar Humse No Ho Payega then Take Value in Use Only.

6 Treatment of Impairment Loss

Providing Impairment Loss

Reversal of Imp. Loss

Charge to Revaluation Surplus if Available

Charge to P&L thereafter if there is no Revaluation Surplus

Reverse it to Rev. Surplus (Had there been no Impairment what would be the Bal of Rev. Surplus)

Then Transfer to P&L thereafter

How to Estm. Cash Flows?

- ⇒ Reasonable / Supportable Assumptions of Management
- ⇒ Greater Weight to External Evidences
- ⇒ Take most Recent Financial Forecasts Approved by Mang.
- ⇒ Projections not more than 5 years unless Evidenced

Consider

- ⇒ Time Value of Money &
- ⇒ Risk Specific to Asset


When Asset specific rate is not available then consider following

- ⇒ WACC
- ⇒ Incremental Borr. Rate
- ⇒ Other Market Borr. Rate


Ist Priority ⇒ Impairment Testing → Single Asset
IInd Priority ⇒ CGU

AS 28 - IMPAIRMENT OF ASSETS

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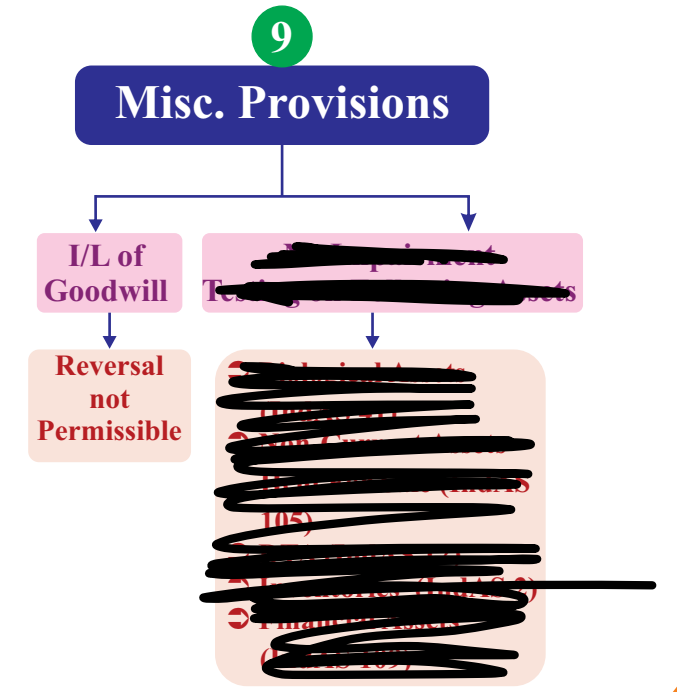
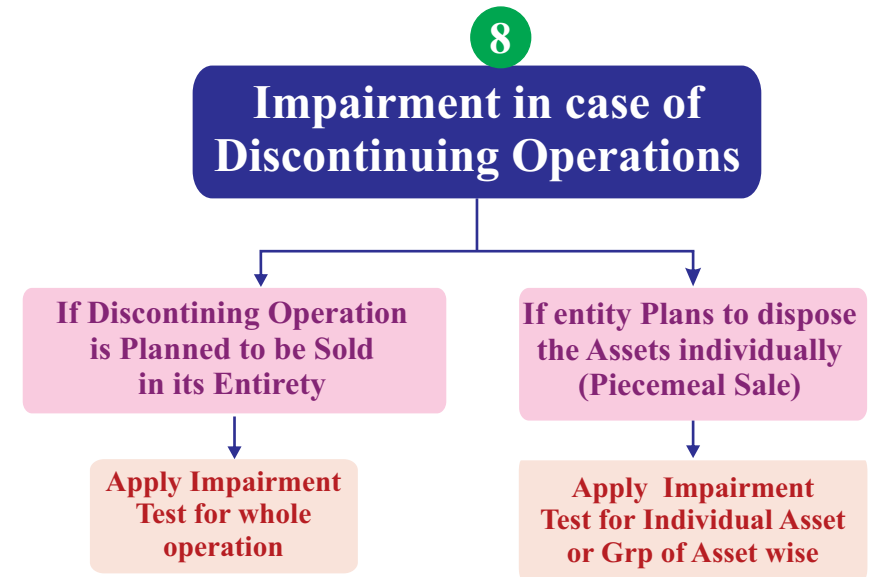
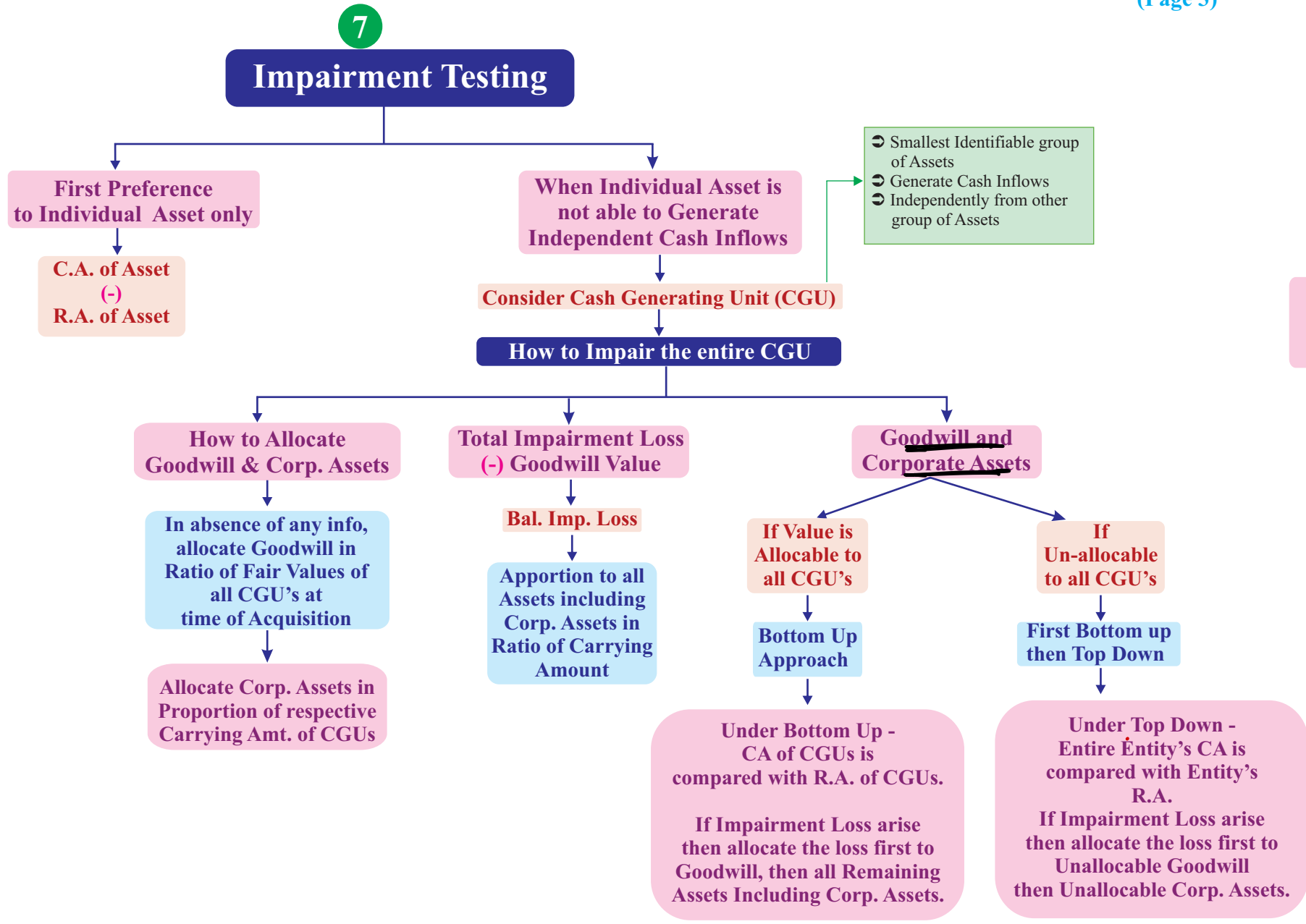


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AS 29 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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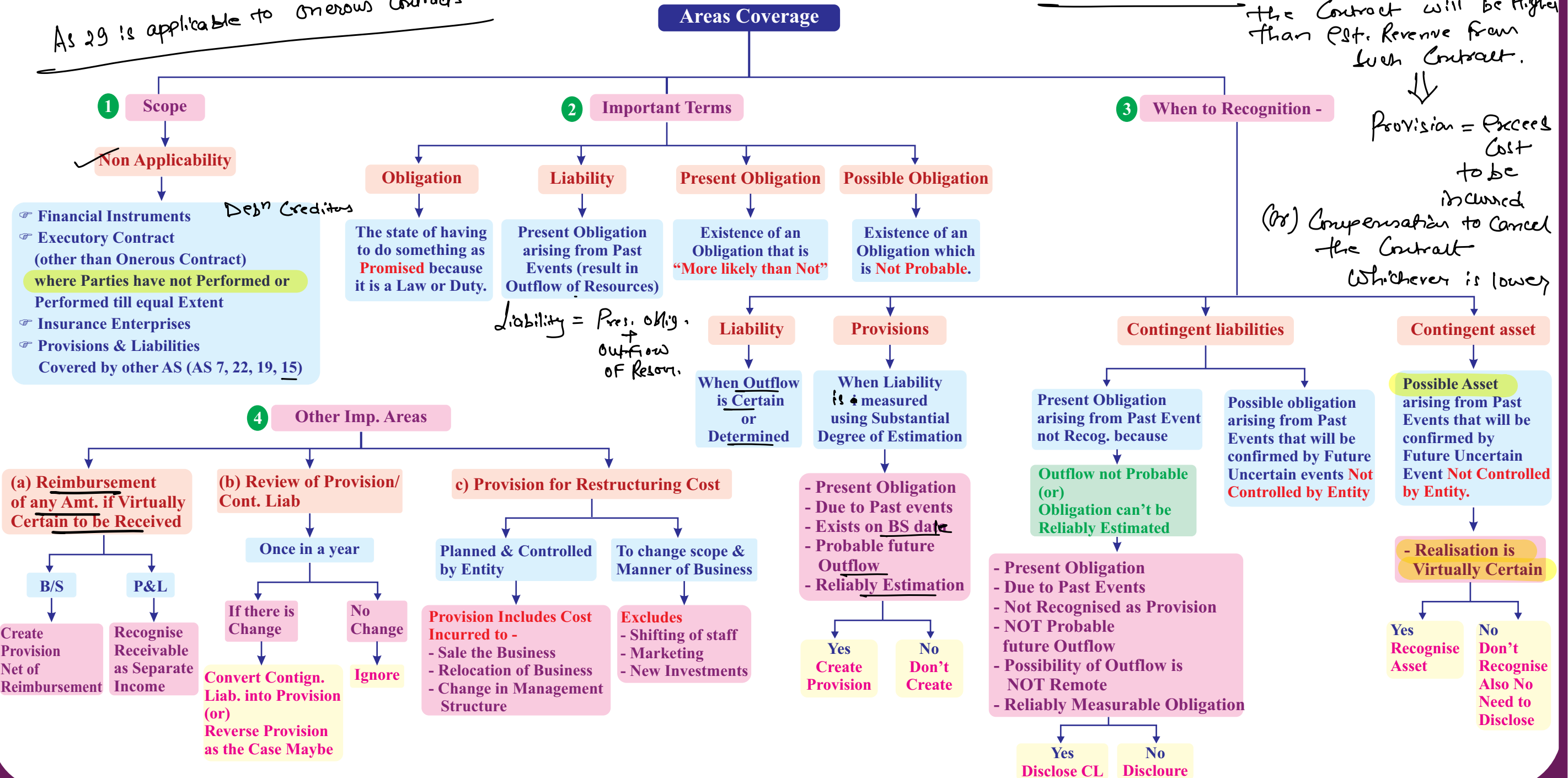
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Onerous Contract :- Where Cost to Complete the Contract will be higher than Est. Revenue from such Contract.

↓
Provision = Exceed Cost to be incurred
(or) Compensation to Cancel the Contract
Whichever is lower

As 29 is applicable to Onerous Contracts



DIVISIBLE PROFITS

Payment of Dividend

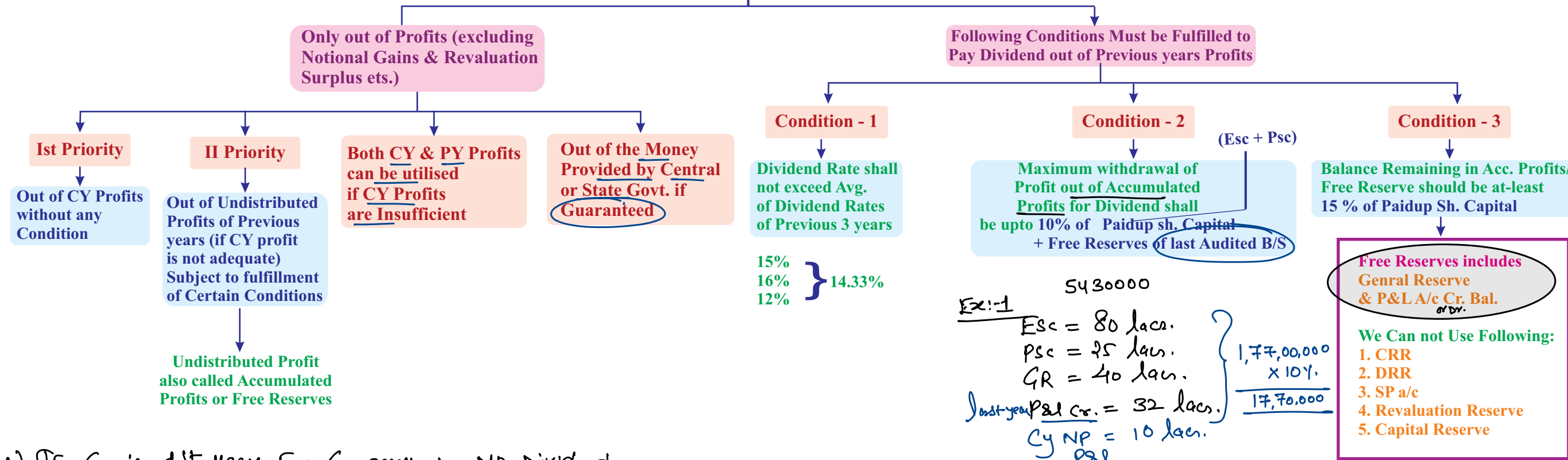
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1) If Cy is 1st year for Company. :- NO Dividend

2) If Cy is 3rd yr. only for Company :- Take Avg of Last 2 years.

3) Company never distributed any Dividend in last 3 years → NO Dividend

4) If Dividends of Last 3 years are :-

1	15%.	Avg ⇒ $\frac{15+0+10}{3} = 8.33\%$ Avg.
2	0	
3	10%.	

Ex:-1

5430000

Esc = 80 lac.
Psc = 25 lac.
GR = 40 lac.

Just year P&L Cr. = 32 lac.
Cy NP = 10 lac.
P&L

$\frac{1,77,00,000}{17,70,000} \times 10\%$

Ex:-2

Esc = 75 lac.
Psc = 20 lac.
GR = 50 lac.

(Last yr.) P&L a/c Dr. Bal. = (15 lac)

$\frac{1,30,00,000}{130,000} \times 10\%$

Max. withdrawal = 1300000

35
-13
Bal. = 22

BuyBack of Equity

(Sec 68 of the Companies Act 2013)

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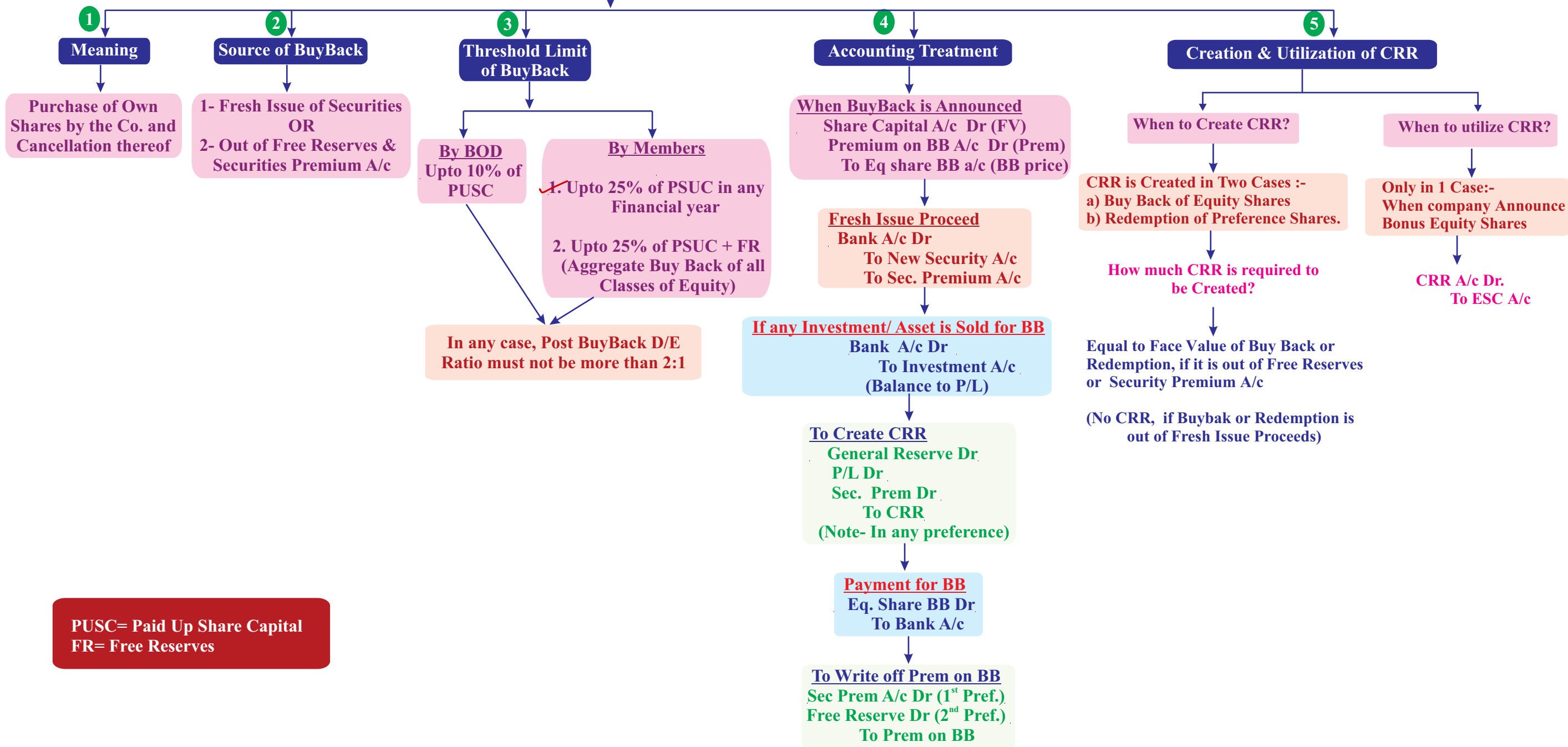
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PUSC= Paid Up Share Capital
FR= Free Reserves

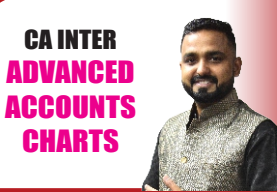
BuyBack of Equity

(Sec 68 of the Companies Act 2013)


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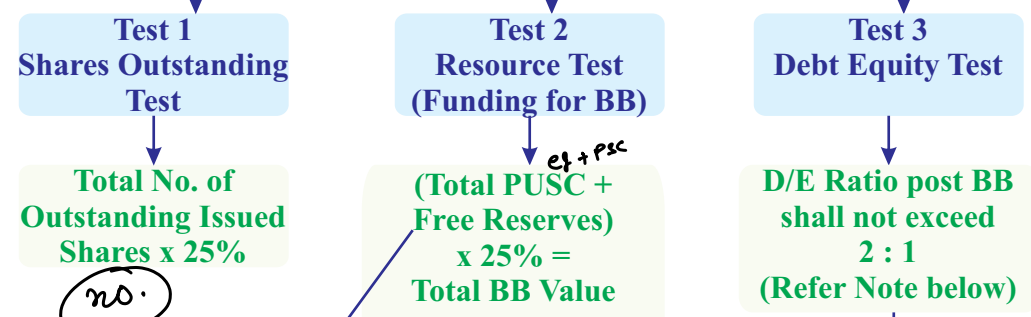
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Perform Following 3 Tests First:

Lower of below will be Maximum Buyback Allowed




1. If Buy Back is out of Securities Premium Free Reserves, then create Capital Redemption Reserve (CRR) equal to Nominal Amt of Shares brought back
2. Only fully paid up shares can be brought back
3. Not defaulted in filing of FS for 3PFY
4. No default in payment of Dividend


Note :- Following Equation to be Solved:
Assume Maximum No. of BuyBack = "A" No.

$$\begin{aligned} & \text{Total Equity Before BB (ESC + FR + SP)} \\ & (-) \text{ Effect of BB on Equity [Face Value x A + Premium on BB x A + Face Value x A (for CRR)]} \\ & = \text{Minimum Equity (Debt } \div 2) \end{aligned}$$

General Reserve
+ P&L
+ SP A/c shall be a part of Free Reserves for Buyback Purpose

Internal Reconstruction


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