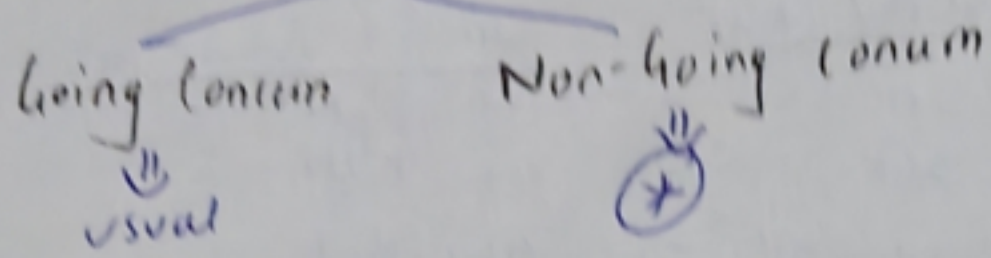


# Framework for Preparation & Presentation of FS.

## I Prepare B/S as

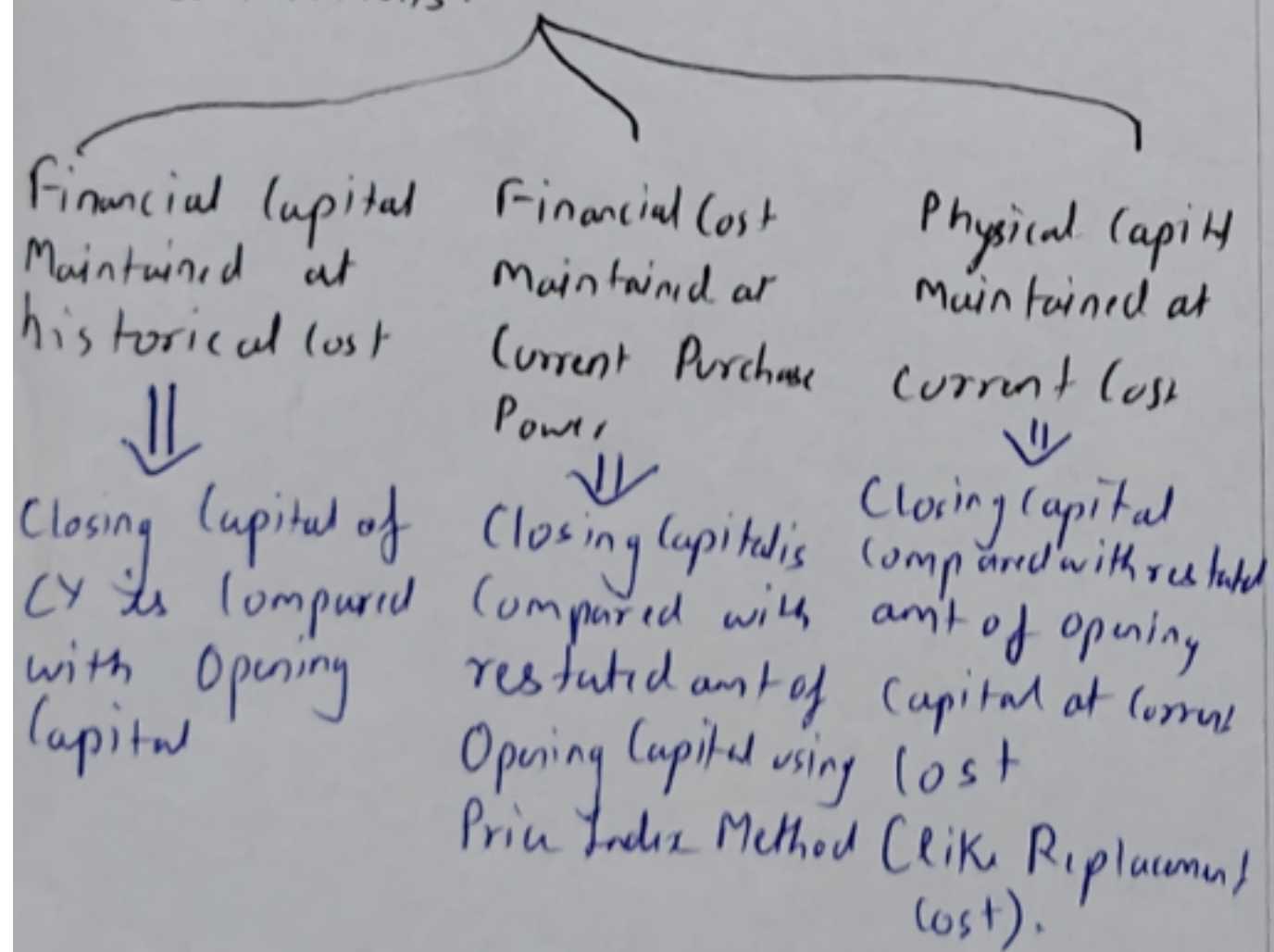


- ⊕ Closing stock to be value at NRV
- Depreciation to be charged based on NRV
- RDO at the extent of Non-performance
- RFDI at extent of Non-recovery.
- Deferred Expense Not to be carried Forward.
- Loan to be Repaid.

## II Balance Sheet Equation

$$\text{Asset} - \text{Liability} = \text{Equity}$$

## III Capital Maintenance under diff. Conditions:-



- Closing Stock will be same in all three method.



# AS-10-PPE

## Determine Cost of PPE

- Cash Basis
- Self Construct
- Exchanged.

### ① Cash Basis -

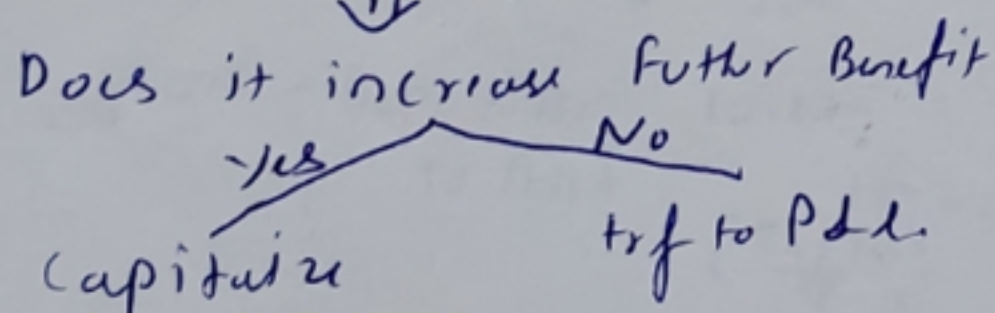
- All the cost incurred till the time asset is ready to use - Capitalized
- All the cost incurred after the asset is ready to used - trf to P&L (except few)

### ② Exchange

- If F.V of Asset acquired is N.A then Incoming asset should be debited with F.V of Outgoing asset
- If Both Asset F.V is given & it is not mentioned which is more clearly evident then incoming asset shall be recorded at F.V of Outgoing asset

### ③ Subsequent Expenditure

- Component A/c followed  
New CA (+)  
Old CA (-)
- Component A/c Not followed. (or)  
There is no replacement



### ④ Component A/c

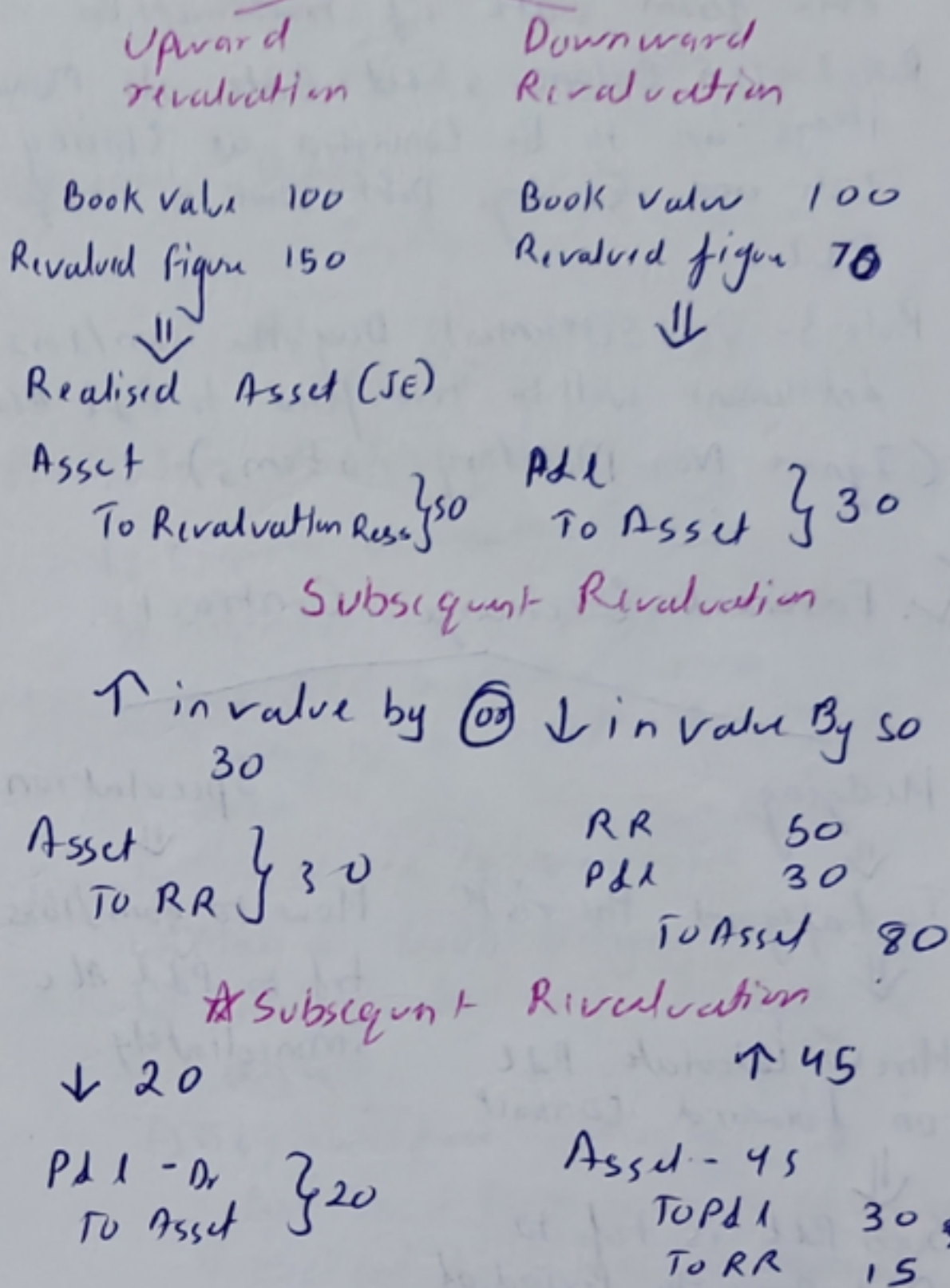
- Accounting for each component of Asst year by year

### ⑤ Depreciation

- Accounting Estimate
- =  $\frac{\text{Original cost} - \text{Estimate Scrap}}{\text{Estimated Remaining useful life}}$
- If change in any element
  - ↳ Change in Accounting Estimate
  - ↳ Accounting - Prospectively.
- If Method changes
  - ↳ Change in Accounting Estimate
  - ↳ Accounting - Prospectively.

## ⑥ Concept of Revaluation Model.

### Change in value of PPE





## AS-11 - Effect of Change in foreign Exchange rate

- I. Rule 1 - All foreign Exchange Monetary item will be recorded at Exchange rate from date of transaction
- Rule 2 - On Balance sheet Date all Monetary items are to be converted at Closing rate and Exchange Diff shall be trf to P&L A/c
- Rule 3 - On Settlement Day the Gain/Loss on Settlement will be transferred to P&L A/c (Ignore Non-Monetary items)

## II. Forward Exchange Contract

Hedging

↓  
To safeguard the risk

↓  
Here we calculate P&L on forward Contract

↓  
Such P&L is trf to P&L over the period of Contract

Speculation

↓  
How to gain/loss is trf to P&L A/c immediately

How to Calculate Gain/Loss?

FWD Rate	xx	Og FWD Rate	xx
(-) Spot Rate	<u>xx</u>	(-) FWD rate	<u>xx</u>
(on date of entering Contract)		Rate/unit	xx
(+) Total foreign	xx	(-) F.L	<u>xx</u>
Currency	<u>      </u>	Total Amt	xxx
Total Amt	xxx		

## III. Option Under Para 46A

(a) For Purchase of Depreciable Asset

Not availed

Trf P&L on exchange difference Accounts

Availed

tr P&L on each diff to the Cost of Asset is Capitalise which will inventory get Recognized in P&L By same of Depn over remaining useful life

(b) For purchase of any other asset  
Option 46A

Not availed

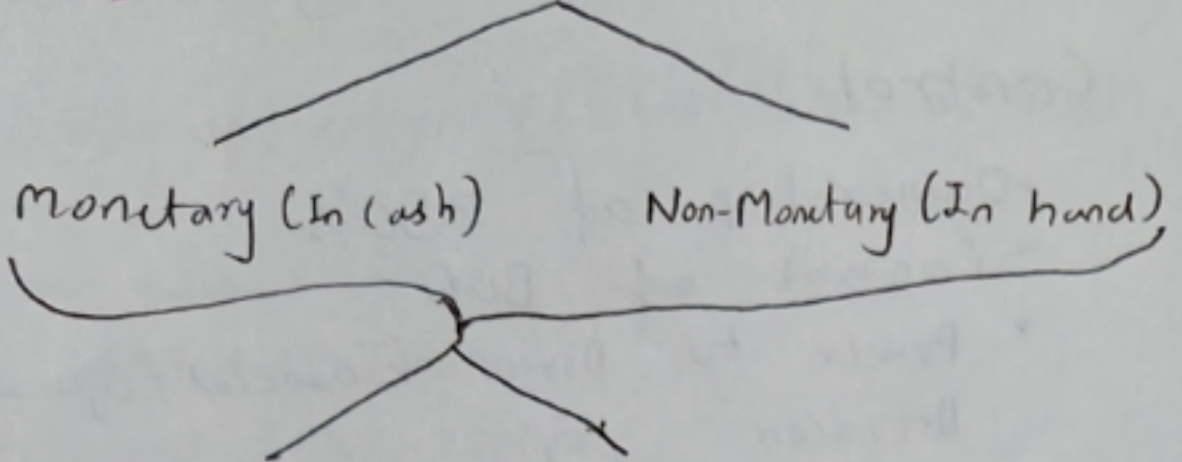
Trf P&L on exchange Diff to P&L A/c

Availed

Trf P&L on exchange Diff to FCMTDA Foreign Currency Monetary items Transaction Diff A/c.



# AS-12 - Government Grant



Treatment of non-monetary grants      Treatment for refund of government grant

## Treatment of Monetary Grants

- Related to Depreciable Asset.

\* Day 1: Asset - Dr 1cr  
                     To Bank 1cr  
                     Bank - Dr 20l  
                             To Asset 20l  
 yr end: Depn - Dr 8l  
                             To Asset 8l  
                             (100-20)/10  
                     P&L - Dr 8l  
                             To Depn 8l

yr 2 Day 1: (Assume condition violated)

Asset - Dr 20l  
                     To Bank 20l  
 yr end - Depn - Dr 10.22  
                             To Asset 10.22  
                             (72+20)/9  
                     P&L - Dr 10.22  
                             To Depn 10.22

\* Day 1: Asset - Dr 1cr  
                     To Bank 1cr  
                     Bank - Dr 20l  
                             To D&G 20l  
                             (Deduct Govt Grant)  
 yr end: Dep - Dr 10l  
                             To Asset 10l  
                     P&L 10l  
                             To Depri 10l

(Imp trf D&G Balance to P&L in Ratio of Depri)

yr end: D&G - Dr 2l  
                     To P&L 2l

yr 2 Day 1: (Assume same)

D&G - Dr 18l  
 P&L - Dr 2l  
                     To P&L 20l

yr 2 end: Depn 10l  
                     To Asset 10l  
                     P&L 10l  
                             To Depri 10l

## • Promoter Contribution

- ↳ Credit to Capital Reserve
- ↳ Key - Setting up project in notified backward area, setting up a plant in industrial area.

## • Grants related to revenue

- ↳ Mahila Aroh vdyog
- ↳ credit to P&L / credit to D&G
- ↳ Key: Welfare activity
- Amt recd from govt for providing medical facilities to employee
- Making payment of salary to doctor, staff of charitable hospital.

## • In lieu of past period cost or with no corresponding cost to be incurred recognition - Bank - Dr

                            To P&L - Alc  
 Refund - P&L - Dr  
                             To Bank - Alc

## Treatment of Non-Monetary Grant

① Concessional - Asset 70l  
                             To Bank 70l

yr 2 - P&L -  
                     To Asset 50l 50l

② Free of cost - Asset 1cr  
                             To P&L 1cr

yr 2 Asset 60l  
                     To Bank 60l



## AS-17 - Segment Reporting

### Segments of Business

- 1 Business - 1 Geographical Segment
- 1 Business - Diff Geog Segment
- Diff Business - 1 Geog Segment
- Diff Business - Diff Geog Segment

### Business Segment

- Nature of Product or Service
- Production Process
- Type/Class of Customer
- Method used to distribute product or Service.

### Geographical Segment

- Similarity of Economic & political Condition
- Relationship between operation in different geographical areas
- Proximity of operation
- Special risks associated with operation in particular area.
- Exchange control regulation and the underlying currency risk.

### Reportable Segment

#### Criteria

- 10% of Total Revenue
- 10% of Total Asset  
{ Asset / Revenue test Segments }
- Result Test Segment  
10% of higher of Segment in P&L.
- Mgmt choice
- 75% Revenue test  
↳ If External Revenue is  
⇒ than 75% of total Revenue

## AS-18 - Related Party Disclosure

### Control

- Ownership of >50%
- Control of BOB
- Power to Direct Financial / Operation Decision ⊕  
Ownership of at least 20%

### Significant Influence

- ↳ Significant influence exists when there is participation in Operating Decision Making
- By statement agreement
  - ↳ By subsidiary
  - ↳ Subsidiary of subsidiary
  - ↳ All are related

- By Ownership of at least 20%



## AS-7 Construction Contract

- Calcn of stage of completion of P&L

Total Contract price  
Cost incurred till date  
Estimated future cost

$$\begin{aligned} & * \text{Stage of completion} \\ & = \frac{\text{Cost incurred till date}}{\text{Cost incurred + Expected future cost to complete}} \times 100 \end{aligned}$$

- \* Profit & Loss

$$\begin{array}{r} \text{Revenue} \\ (-) \text{Cost} \\ \hline \text{P/L} \end{array}$$

- \* If loss Check total contract

$$\begin{array}{r} \text{Total Cost} \\ (-) \text{Total Revenue} \\ \hline \text{Total Loss} \\ (-) \text{Actual loss} \\ \hline \text{Provision} \end{array}$$

## AS-29 Provision, Contingent liability & Contingent Asset.

- Liabilities:

There is a present obligation when Amt is certain  
↳ recorded in BOA

- Provision:

There is a present obligation that involves Substantial Degree of Estimation

↳ recorded in BOA

↳ Recognition Criteria

① Present Obligation

② Outflow - Probable (ie > 50%)

③ Amt can be reliably measured

- Contingent liability

Possible / Present obligation

↳ Outflow is not probable

↳ Amt cannot be Reliably measured

↳ Disclose in FIs required.

- Provision

↳ Provision for Warranty

↳ Provision for Refund

↳ Provision for Decommissioning Cost

Possible Obligation - C.L

⇓

⇓

Present Obligation - Provision

⇓

Outflow Not Probable.

⇓

Outflow Assigned

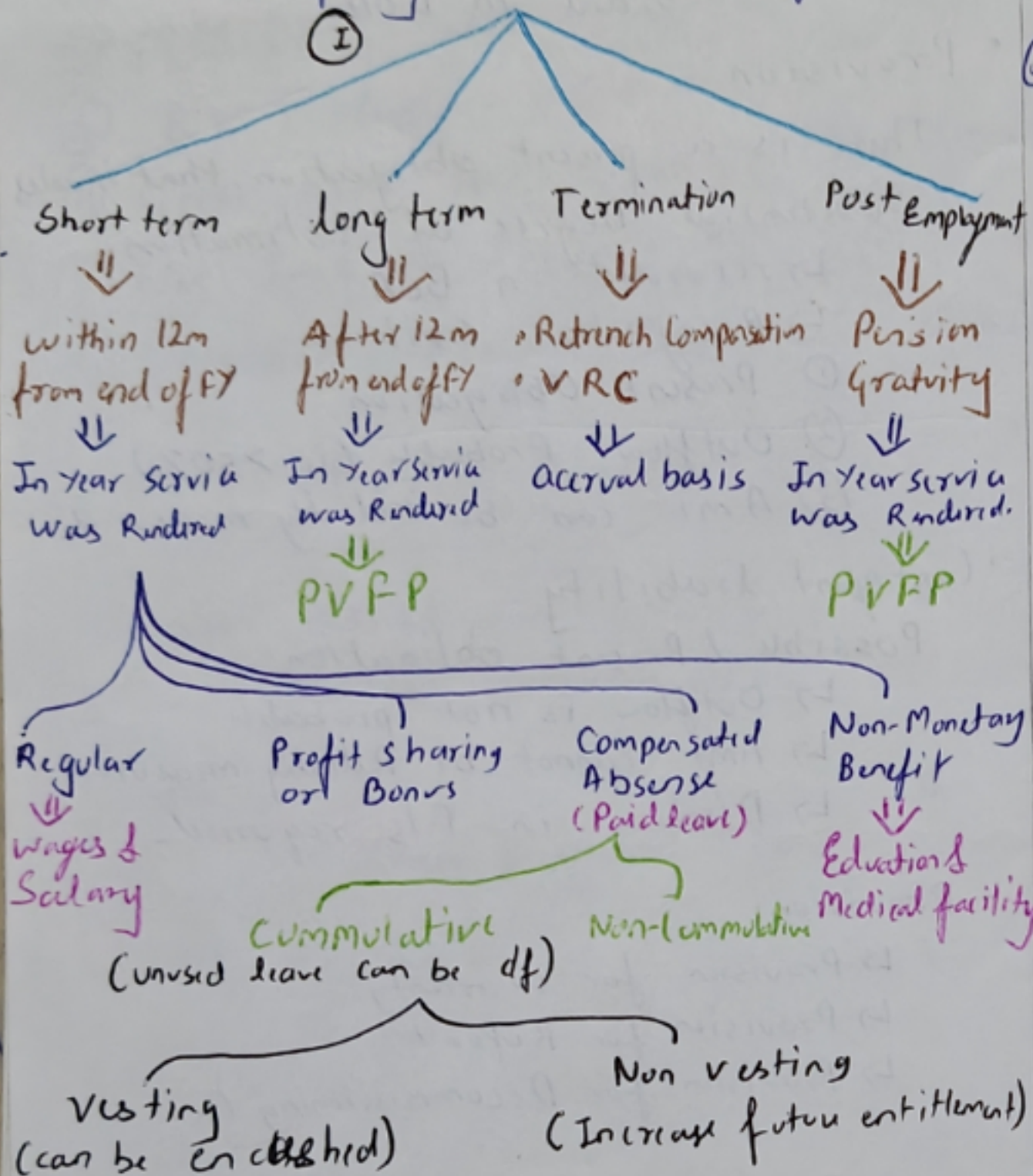


# AS-15 Employee Benefits

## Remuneration / Compensation (Except ESOP)

- ↳ All type of Employee (Full / Part time)
- ↳ Benefit in cash as well as kind
- ↳ Benefit Paid to Employee or their dependent or third party on their behalf.

I



## II Other Concepts

- ① Past Service Cost  $\Rightarrow$  Increase in Ongoing Obligation
  - ↳ Provision already made need to be increased
  - ↳ Difference to be recognized in year of such change  $\Rightarrow$  Name as past service cost
- ② Curtailment  $\Rightarrow$  Decrease in Ongoing Obligation
  - ↳ Provision already made needs Reversal
  - ↳ Difference to be recorded as income in year of such change
- ③ Plan Asset  $\Rightarrow$  funds kept aside & Invested.
  - ↳ Doesn't hamper liquidity position
  - ↳ Show as Net amount in B/L
    - PV of Employee Obligation
    - (-) FV of Plan Asset
 } Net liability / Asset
- ④ Actuarial Gain / Loss  $\Rightarrow$  PV of EO ~~Account~~ & FV of Plan Asset should be evaluated on each BIS date.

## ⑤ Two Plan of Providing for Employee Works

Defined Contribution Plan	Defined Benefit Plan
① Ex contributes fixed amt in Recog. fund. in name of Employee	① Ex makes no such contribution
② On retirement fund will settle Employee	② On retirement Ex needs to settle Ec
③ All risk are that of Ec	③ All risk incl. risk of actuarial valuation is of Ex



## AS-19 Leases

### ① Finance Lease

(Ignoring time value of Money)

- ①  $MPL(Lessee) = LR + \text{Guaranteed Residual Value (GRV) by Lessee}$
- ②  $MPL(Lessor) = LR + GRV$  either from Lessee or Independent Third Party
- ③ ~~MPL~~  $RV = \text{Fair value at the end of Lease term}$
- ④  $RV = GRV + UGRV$
- ⑤  $\text{Gross Inv't in Lease} = MPL(Lessor) + UGRV$   
 $[LR + GRV + UGRV]$
- ⑥  $\text{Net Inv't in Lease} = PV \text{ of Gross Inv't in Lease (at IRR)}$
- ⑦  $\text{Unearned Finance Income} = \text{Gross Inv't} - \text{Net Inv't}$

For Lessee		For Lessor	
Lease asset	Dr	Lease Receivable	Dr
To lease payable A/c		To asset	
Int	Dr	Lease Receivable	Dr
To lease payable A/c		To Int	
Lease Payable	Dr	Bank	Dr
To Bank		To lease payable	
Depri	Dr		
To lease asset			
PLI	Dr	Int	Dr
To Int		To P & L A/c	
To Depri			

- all the risk & reward incidental ownership (Any 1 of them)
  - Ownership @ end of Lease term
  - Buy lower than expected F.V (Bargain Purchase)
  - Major part - term of lease  $\geq 75\%$
  - PV of minimum lease rental cover substantial the Initial value of leased asset  $\geq 90\%$
  - Major Modification



## Operating Lease

	Lessor	Lessee
Owner	✓	×
Possession	×	✓
Depri.	✓	×
Use	×	✓
Lease Rnt	Received	Paid

## Sale & lease Back

① If Selling Price = F.V. then P/L

- Recognized Immediately

$$P/L = SP - CA$$

②  $SP > FV$  then

Normal Profit =  $FV - \text{Carrying Amount}$   
(Recognized Immediately)

Excess Profit =  $SP - FV$   
(Differ)

③  $SP < FV$

(a) If profit ( $SP - CA$ ) → Recognized

(b) If Loss ( $SP - CA$ ) → Recognized  
(But if the loss to compensate future lease payments then differ the sum)

④ Special case (P/L) Both are booked

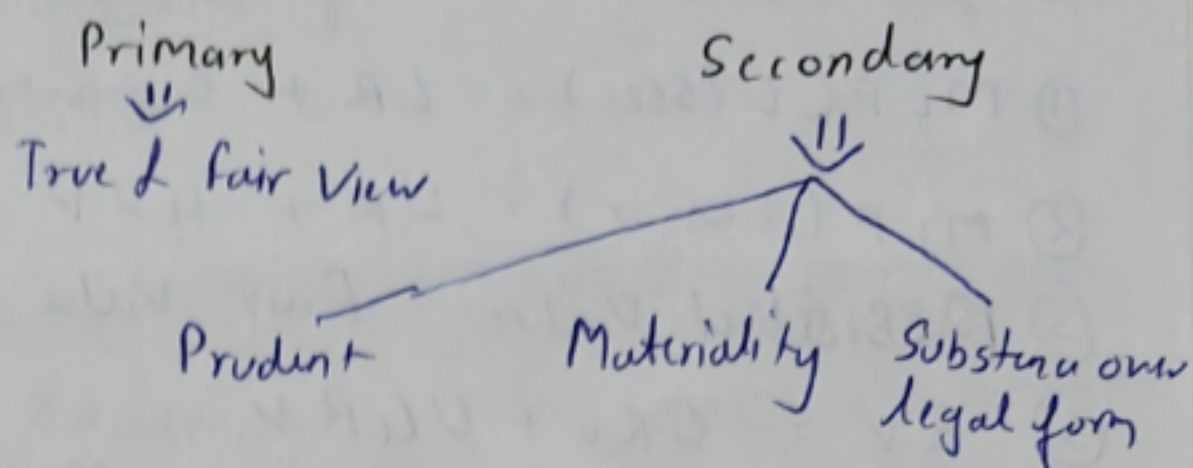
If  $SP > FV < CA$

(a) Profit ( $SP - FV$ ) → Deffer

(b) Loss ( $FV - CA$ ) → Recognized.

## AS-1 - Disclosure of Accounting Policies

### Factors



- If Change in method of depri  
↳ ∴ Change in Accounting Estimate  
↳ Accounting to be done respectively
- Change in Accounting Policies  
Amt by which item F/S is affected by such change should be disclosed  
Where such amount is not ascertained wholly / in part, that fact should be disclosed
- Fundamental Accounting Assumption (FAA)  
↳ Basis for preparation & presentation  
↳ usually not specifically stated  
↳ Disclosure is necessary if they are not

### Accrual:

- ↳ Revenue is recognized when earned
- ↳ Expense is recognized when incurred

### Consistency:

- ↳ Accounting Policies consistent from 1 period to other.
- ↳ Not an excuse to adopt diff policies.

### Going concern:

- ↳ Not shutdown 12 months from B/S date

(Note: If G.C not followed  
↳ Give disclosure  
↳ Prepare B/S on liquidation)

- Significant accounting Policy  
↳ adopted in preparation & presentation of F/S should be disclosed.



## AS-16 - Borrowing Cost

- Intert Cost

P&L  
(Normally)

Capitalize  
(in few cases)

ie ⊕ to cost of Asset

If the Asset is a  
"Qualifying Asset"

Note: Period

< 3m ⇒ Non Substantial = Not a Q.A

3m-12m ⇒ Assume Substantial = ∴ Q.A  
(write Note)

> 12m ⇒ Confirm Substantial ∴ Q.A

(Adv for Purchase of truck is not Q.A)  
(Working Capital is not a Q.A)

- General Borrowing

$$\text{Weighted Avg Rate} = \frac{\text{Int}}{\text{Borrowing}} \times 100$$

- Period for Capitalization

- when to Commence

① Borrowing Cost = ✓

② Expenditure Incurred = ✓

③ Activities Commenced = ✓

(Physical + Background)

- when to Suspend (Temporary stoppage)

Normal Reason

Continue Capitalization

Abnormal Reason

Suspend Capitalization  
(i.e. change to P&L)

- when to Stop (Permanent stoppage)

Separation Possible

STOP Capitalization on  
that part

Separation Not Possible

Continue Capitalization

(Note unless specified all borrowing are general)

## AS-4 - Contingencies & Event Occurring After B/S Date.

Contingencies

AS-29

Event after B/S

Date

AS-4

Adjusting

Account event in  
F/S of Next Year

Non-adjusting

Disclose in  
"Directors Report"  
If Material

- Proposed dividend is a non-adjusting  
Event But disclosure shall be given  
in Notes to account

Adjusting Event

↳ If Satisfies 2 criteria

① Event shall provide additional evidence  
for condition existence on B/S date.

② Event shall provide Evidence that going  
concern assumption is not appropriate



# AS 20 - Earning Per Share

Basic EPS      Diluted EPS

## • BEPS

- In calculation there should be adjustment of

- (a) Bonus share
- (b) Right shares

(If given in question)

- Also called as Reported EPS

- Formula =  $\frac{*NP/NL \text{ attributable to ESH}}{**\text{Weighted Avg no of Eq. Shares (WANES)}}$

## \* Calculation of NP/NL attributable to ESH

Particular	₹
NPAT/NLAT (After extra-ordinary & exceptional items)	xxx
(-) Dividend (on cumm pref shares) (Provided or Not)	(xx)
(-) Dividend (on non cum pref shares) (Only if provided)	(xx)
(-) DDT/CDT (Only if given in Qn)	(xx)
NPAT/NLAT attributable to ESH	xxx

## \*\* Calculation of WANES

Particular	ALTD	BLTD
NPAT	1L	1L
ESC (at Beginning)	5000 shares	5000 shares
Fresh issue	5000 shares (at Begin)	6000 shares (at End)
Total	10000 sh	10000 sh

$$\therefore \text{EPS (as per AM)} = \frac{1L}{10K} = 10$$

$$\therefore \text{EPS (as per AS 20)} = \frac{1L}{5K} = 20$$

## - Calculation of WANES if Bonus share

For year 15-16

NP for 15-16      18L  
1-4-16 Op no Eq. Shares      20L

For year 16-17

1-4-16 Op no Eq. Shares      20L  
1-10-16 Bonus Share issued      [2:1]  
NP for 16-17      60L

## Calculation of BEPS

$$15-16 = \frac{NP}{\text{No of Shares}} = \frac{18L}{20L} = 0.9$$

$$16-17 = \frac{NP}{\text{WANES}} = \frac{60L}{20L \times \frac{12}{12} + 40L \times \frac{12}{12}} = 1$$

(for Bonus share it is always assumed that is issued from Prior Reporting Period =  $\frac{60L}{60L} = 1$ )

	15-16	16-17
NP	18L	60L
EPS	0.9	1

$\therefore$  Rested EPS (15-16)

$$= \frac{NP}{\text{WANES}} = \frac{18L}{20L \times \frac{12}{12} + 40L \times \frac{12}{12}} = 0.3$$

(Purpose of calcn of Bonus Share, the date of issue of Bonus Share is irrelevant)  
(Always assumed from Beginning of 1<sup>st</sup> year)

## - Calculation if Right Shares.

↳ Shares issued to ex-SH's @ ↓ Price

MPS = 20 (Logical Price)

Right Price = 10

$\therefore$  Outsider      ₹ 20      1 share  
 $\therefore$  Existing      ₹ 20      2 Shares

## Formulas:

$$\textcircled{1} \text{ Theoretical Ex Right (F.V) (Logical Price)} = \frac{\left[ \text{No of Sh Before Right} \times \frac{FV}{\text{Share Before Right}} \right] + \left[ \text{Right Share} \times \text{Right Issuance Price} \right]}{\text{No of Sh Before Right} + \text{Right Share}}$$

$$\textcircled{2} \text{ Right Factor} = \frac{FV/\text{Share Before Right}}{\text{TERV}}$$

$$\textcircled{3} \text{ Bonus Element} = \left[ \text{No of Share Before Right} \times \text{Right Factor} \right] - \text{No of Share Before Right}$$

$$\textcircled{4} \text{ Fresh Issue} = \text{No of Right Share} - \text{Bonus Element}$$



\* Shortcut to calculate Bonus & Fresh issue

- Steps:
1. Find out logical price
  2. On Calci take no of Right shares  $\times$  Right I.P
  3. Amt in step 2 ( $\div$ ) by L.P to get fresh issue
  4. On Calci  $\ominus$  the fresh issue from Right share to get bonus element

• DEPS

↳ Calculated Only if Capital Structure consist of:

- Convertible Debenture
- Convertible Pref share
- Option (ESOP)

↳ Formula

$$DEPS = \frac{NP \text{ for ESH} \pm \text{Adjustment for potential Eq Shares}}{WANES \pm \text{No of potential Eq Shares}}$$

Concept of Options (ESOP)

Calc of no of option without consideration

No of Options	xx
(-) No of Options for consideration	(xx)
$\left[ \frac{\text{No of option} \times \text{option price}}{\text{FV / option / share}} \right]$	xx

AS-22 - Accounting for taxes on Income

- Temporary Difference (Timing Difference)
  - This diff is created but it is also reversed in the future year
- Permanent Difference
  - This diff is created but it is not reversed in the future (we ignore)

Deffered Tax

$$= \text{Difference Between NPBT \& Taxable Income} \times \text{Tax Rate}$$



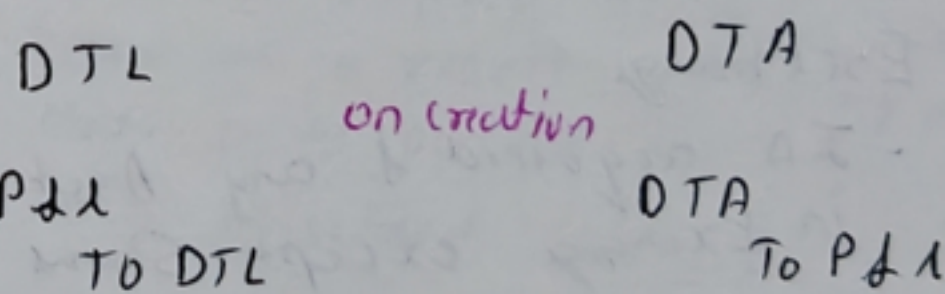
• Calculation of Deffered Tax on Timing Basis

- Identify the difference between NPBT & Taxable Income
- Classify diff into Timing / Permanent
- Ignore Permanent
- For each timing Difference Apply

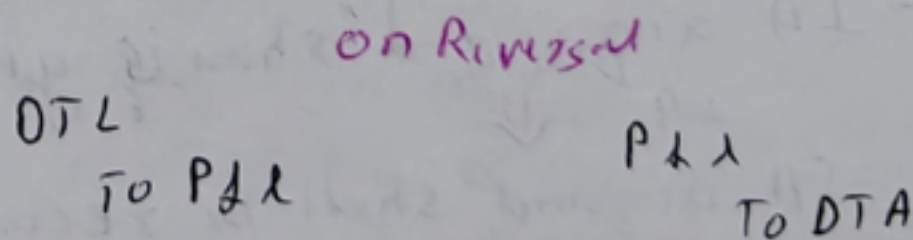
If NPBT is  $\uparrow$  than taxable income  
DTL - is created

If NPBT is  $\downarrow$  than taxable income  
DTA - is created.

• Accounting for Deffered Tax



$$\text{Tax exp} = \text{Current Tax} + \text{DTL} \quad \text{Tax exp} = \text{Current Tax} - \text{DTA}$$



- Use Normal Tax Rate - Not MAT/CAT
- In case of Tax holiday Deffered Tax on Timing Difference will be created only on those Difference which will be Reversed after tax holiday period



# AS-26 - Intangible Asset

## Objective

Recognition & Measurement of Intangible Asset

Amortization of Intangible Asset

## Goodwill

Self-Generated

Purchased



Not-Recognized in BOA

Recognized in BOA

Concept of Deferred Revenue Expenditure

There is no concept of DRE. An Expenditure can be Capital or Revenue. Heavy Adv-Exp does not create any asset. ∴ taken to P&L

## Initial Recognition

Intangible Asset ⇒ Record at Cost on Day 1

### On Cash

Purchase Price

⊕ Taxes (NR)

⊕ Directly attributable Expense

### Exchange

- IA acquired & any Asset Given in Exchange except Shares



Same as AS 10

- IA acquired & share is given



IA acquired shall be recorded at its FV. If FV is not given then FV of Securities issued, more clearly Evident

Measurement & Recognition Criteria

Measurement & Recognition Criteria  
 not P&L for the period, Prior

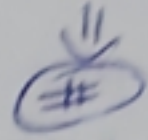
## Internally Generated Intangible Asset

Self-Generated

Through R&D

Created while Doing Business

Intention was to do Business



### Research

↳ Acquiring new skill / knowledge  
 ↳ Change to P&L A/c

### Development

↳ Application of such Knowledge/skill

Conditions not fulfilled

Conditions fulfilled



Change to P&L A/c

Start Capitalisation of Daily cost from Day condition were fulfilled.

## Concept of Impairment

If Carrying Amt is ↓ than Recoverable Amt  
 ↳ (Nothing to do)

If CA is ↑ than RA

↳ Impairment Loss

∴ I L A/c — D-  
 To Assets

## Amortization

SLM, WDV

Based on

"Expected pattern of Economic Benefit"



## AS-24 - Discontinuing Operations

- Closing of Department (Not Product)
- Following not to be considered as Discontinuing Operations
  - Gradual Phasing Out of product line
  - Discontinuing several product within ongoing line of business
  - Shifting of some Marketing/production activities from one location to other
  - Closing a facility to achieve Productivity Improvement or Cost saving change in the scope of Operations
- Initial Disclosure Event on or earlier
  - Enterprise has entered into Binding Sale Agreement <sup>(or)</sup>
  - Enterprise board of director or similar governing body has

Approved a detailed format plan for the discontinuance

(and)

Made an announcement of the plan.

- Operationally and for financial reporting purpose
  - ↳ Conditions to be met
- ① Operating Asset & Liabilities of a Component can be directly attributable to it
- ② Its Revenue can be directly attributable to it
- ③ At least a majority of its operating expense can be directly operated to it.

## AS-5 - Net P&L for the period, Prior period items & Changes in Accounting Policy

### • Ordinary Activities

↳ Undertaken by enterprise as a part of its business and those which are related to it

↳ Disclosure - Separately if considered Material

### • Exceptional items

↳ part of ordinary items

↳ Material to be disclosed separately

↳ Items are

- ① Write down of inventories to net NRV
- ② Restructuring of activities of an ~~Enterprise~~ Enterprise
- ③ Disposal of item of FA & Long Term Inv
- ④ Legislative change having retrospective application
- ⑤ Litigation settlement

### • Extra Ordinary Items

↳ Clearly distinct from ordinary items

↳ Not within control of Entity.

↳ Not expected occur, occur respectively

↳ To be disclosed always

### • Prior period Items

↳ Income or expense arises in current year as a result of FS of one or more prior period

↳ To be disclosed earlier

## Changes in Accounting Estimate

### ① Depreciation

↳ Change in Method is Change in Accounting Estimate

↳ Accounting Prospectively  
(Aaj se)

### ② Provision = Estimate

↳ Revision of estimate is not an extra-ordinary item or a prior-period item → Change in accounting estimate

↳ Disclose Separately if Material



### ③ Change in Accounting policies

Eg: • Δ in Method of inventory evaluation from FIFO to LIFO or vice-versa • Change in in Model of Valuation for Fixed Asset from cost model to revaluation Model

↳ can be changed only if one of 3 following condition are satisfied

① when the adoption of diff accounting policy is req by statute ①

② for compliance with an A.S ②

③ when it is considered that the change would result in more appropriate presentation of enterprise

↳ Δ in policy should be material.

### AS-9- Revenue Recognition

Revenue consist of 5 sources

① Goods } Sale

② Services } Sale

③ Interest

④ Royalty

⑤ Dividend.

• Principal Agent Relationship

• Volume Rebate

• Complex - Simple Machine terms

• Theory of Gift Card.

• Consignment Theory

↳ Revenue Recognized when goods are sold to customer not when goods are forwarded consignment

• Bill on Hold Basis

↳ 3 conditions are satisfied then Book the revenue even if the goods have not been delivered yet.

① Goods should be ready to be delivered

② Buyers has made request for delay in delivery

③ Legal title has been transferred.

• Money back guarantee

• Finance transaction

↳ ~~Concept of revenue~~

↳ repurchase of goods

↳ Not a transaction of sale

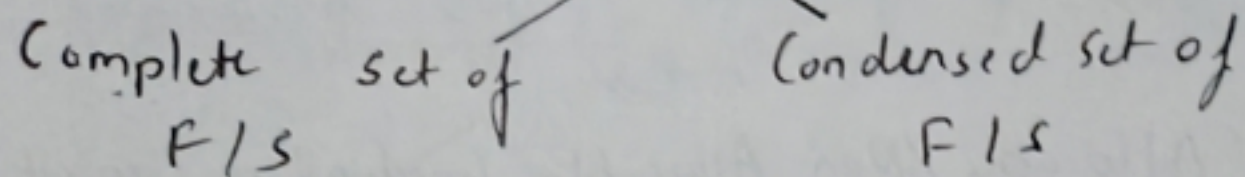
↳ Out of scope of standards

• Concept of Service

↳ Recognize when performance is completed



# AS 25 - Interim financial Reporting



## I. Complete Set Includes

- ① BIS
- ② P&L Statement
- ③ Cash flow Statement
- ④ Notes to Account (integral part of F/S)

## II. Period for which above statements can be Proposed

### ① Balance sheet

- As on last day of Interim Period
- As on last day of Last FY

### ② Profit & Loss Statement

- For Current Interim period and Cumulative for current period upto end of current period
- ↳ Same for last Year

### ③ Cash flow Statement

- For Current Year upto end of Quarter
- ↳ Same for Last Year.

## III. Condensed Includes

① Minimum all heads & subheads  
↳ there in last annual F/S

② Selected Explanatory Notes (10 notes)

③ Additional Notes without them interim report may mislead.

④ EPS of interim period.

Explanatory notes. (refer pg no 324)

## IV Measurement & Recognition Criteria

Items	Criteria
① Assets	Criteria given in AS-10 (a) Cost should be identifiable (b) Inflow should be Economic resources in future
② Liabilities	Criteria given in AS-29 (a) There should be Present obligation (b) Outflow of Economic resources in future
③ Provision	Follow same criteria of last annual F/S
④ Contingent Liability	As per Last F/S after adjusting the development during interim period.
⑤ Inventories	Same as Last annual F/S (if any changes → then its explanation)
⑥ Bonus of ex-gratia	Recognized only if it is legal obligation or past practice
⑦ Volume of rebates/discount	on actual basis
⑧ Pension gratuity, Leave Encashment, etc	As 15, Actuarial valuation of Last F/S subject to any development in Interim period
⑨ Depreciation	Criteria given in AS 10
⑩ Foreign currency Exchange gain/loss	Criteria given in AS-11
⑪ Impairment	Criteria given in AS-28
⑫ Seasonal Income	On Actual/Accrual basis
⑬ Uneven or irregular expense	On Actual/Accrual basis
⑭ Change in Accounting Policy/Estimate	On Actual/Accrual basis
⑮ Income tax	To be recognized (Weighted Avg rate of Tax) = $\frac{\text{Total tax}}{\text{Total Income}} \times 100$

Deffer Income/Exp Not allowed in AS-25



# AS-28 - Impairment of Asset

## Indicators of Impairment

### External

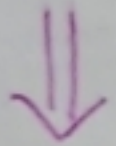
- ① Decline in MV of asset
- ② Change in Technology
- ③ Increase in MKT ROI

### Internal

- ① Decline in performance of asset
- ② Obsolescence/Damage to asset
- ③ Negative cashflow from asset

## When is Impairment required.

- Recoverable amt  $<$  Carrying Amt of asset



$$WDV = OC - Depri$$

Higher of Following

- ⑤ Net Selling Price of asset (SP - Cost of Disposal)
- ⑥ Valuation Use (PV of Cash flow use & Disposal)  
Use discounting factor

## Entry

- ① Impairment loss a/c — Dr  
To Accumulated Impairment loss a/c
- ② P&L a/c — Dr  
To Imp loss a/c

If Revaluation reserve is there use it before P&L a/c

## CGU (Cash Generating Unit)

- ↳ Assets <sup>Generate</sup> Cash  $\Rightarrow$  Collectively
- ↳ Not Capable on its Own

↳ Goodwill of CGU should be allocated to assets in the ratio of Fair Value of asset to be impaired first.

## Reversal Entry

- ① Accumulated Impairment loss  
To Impairment loss
- ② Impairment reversal a/c  
To P&L a/c

- \* If Impair loss in past was against revaluation Reserve credit such first  
Do not increase goodwill unless Spnd condition on them.

Restriction to Reversal Recoverable Amt till WDV of Asset if No impairment was created in Past

- \* Allocable / Non Allocable Goodwill or Corporate Asset  
↳ Imp to business but cannot generate Cash

- If Goodwill / Corporate asset are allocable  $\Rightarrow$  Use Bottom up test

- If Goodwill / Corporate not allocable  $\Rightarrow$  Use Top Down test & bottom up test

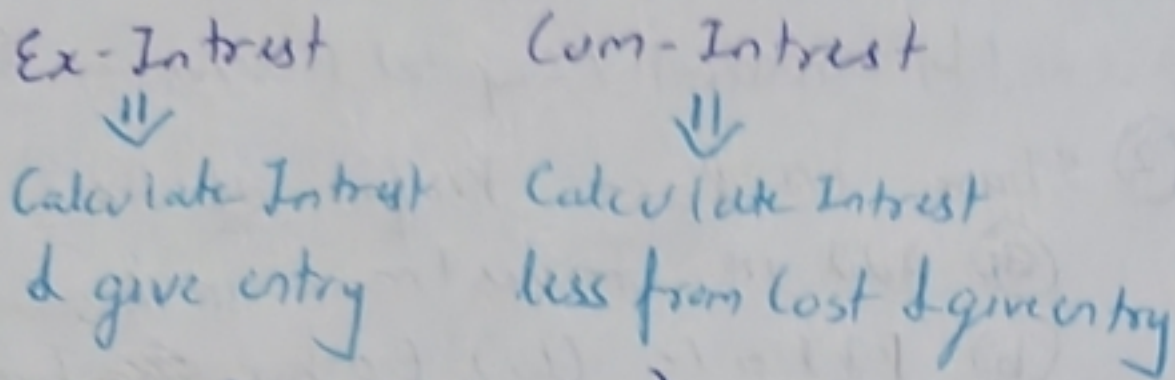
↳ Top Down  $\rightarrow$  Goodwill

↳ Bottom Up  $\rightarrow$  Other Assets



# AS-13 Accounting for Investment

## I. Fixed Interest Securities



Steps: (Go datewise)

1. Record Opening balance along with Interest
2. Dr. Purchase transaction
3. Cr. Sale transaction
4. Calculate P&L on Sale using FIFO, LIFO, WAM = If Not Given.
5. Give Interest adjustments.
6. While Calculating Closing balance Calculate accumulated Interest.

## II. Variable Interest securities

Steps: (Go datewise)

1. Record opening balance.
2. Dr Purchase transaction
3. Cr Sale transaction
4. Calculate P&L on Sale using FIFO, LIFO, WAM = If Not Given.
5. Bonus will only Increase Qty of Share Not Cost
6. Issue of Right Share.

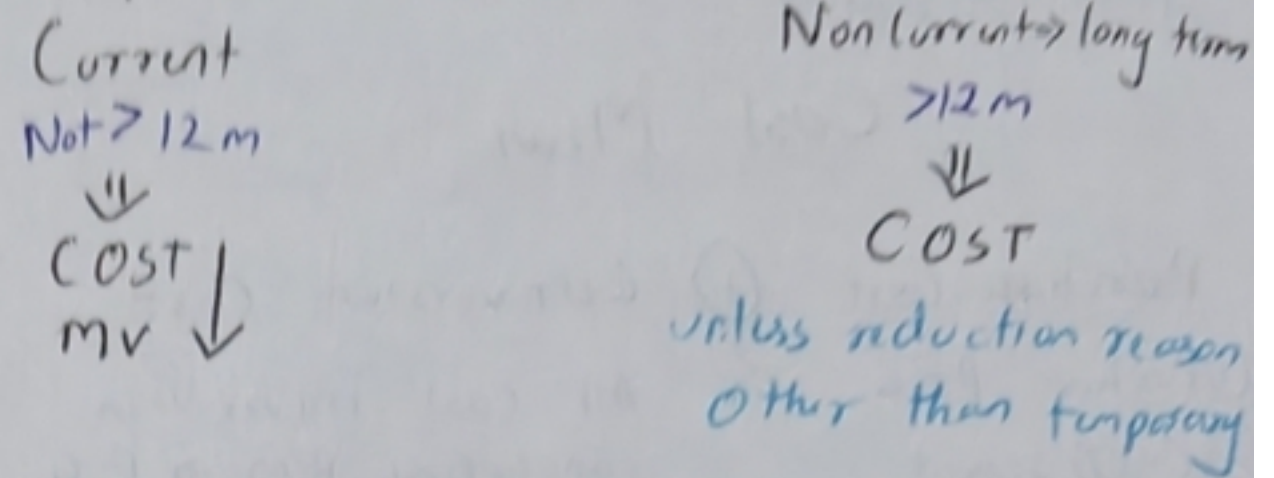


7. Pay Dividend on Share No dividend on LY Bonus & Right Issue

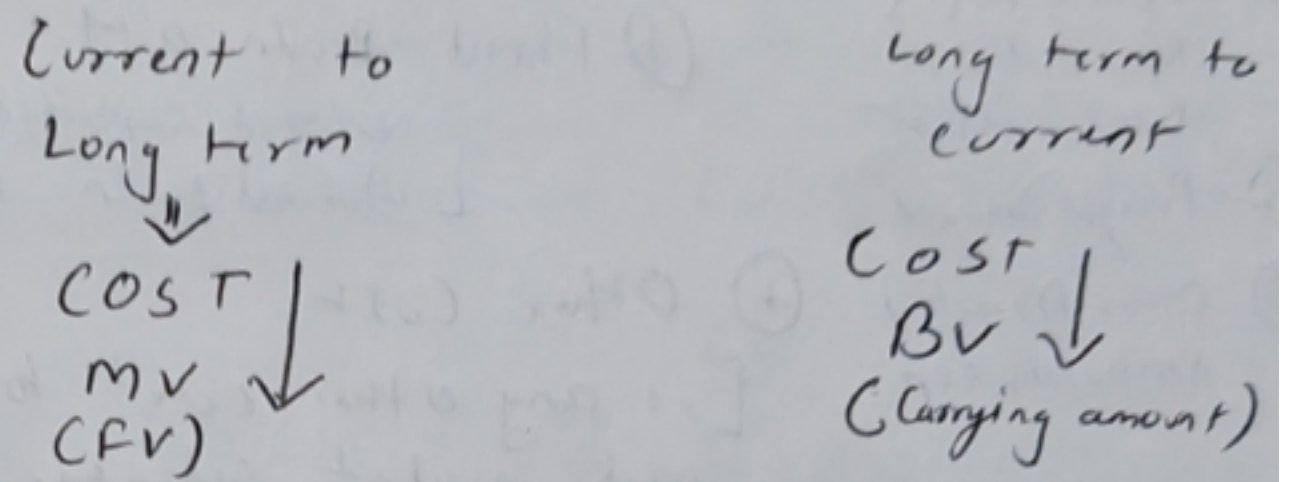


8. Close the accounts.

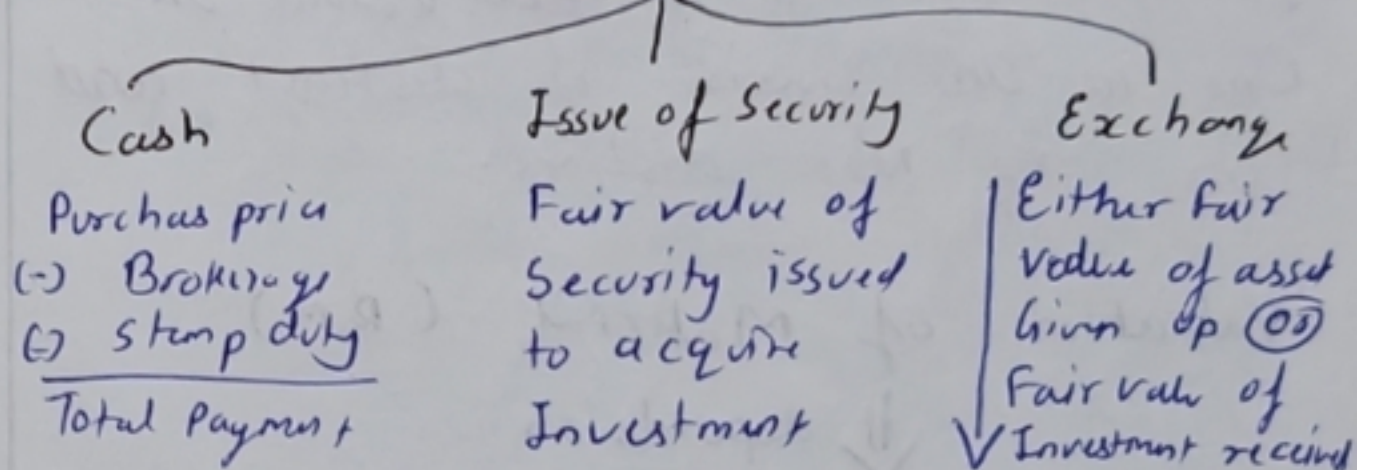
## III Rule for Valuation of Investment on basis of Category of Investments



## IV Reclassification of Invest (Changing category)



## V Determination of Cost of Investment





## AS2. Valuation of Inventory

Inventories are valued at cost / NRV ↓  
for FG / WIP

Cost Mean

Purchase Cost (+) Conversion Cost

- ① Purchase Price
- ② (-) Discount  
Trade ✓  
Cash X

- ③ Taxes & Duties  
Recoverable X  
Non Recoverable ✓

- ④ Freight Inward

- ⑤ Other Directly  
Attributable Exp

All cost incurred in  
converting RM ⇒ FG

⑥ Var Prodn 0.11  
(Based on actual)

⑦ Fixed Prodn 0.11  
[ Normal Capacity ↑  
Actual Prodn ]

(+) Other Cost

[ie any other cost to  
make product salable.]

Product are to be ~~valued~~ valued on  
One to One basis if distinct and  
Gross if Not distinct.

Valuation of Material (RM)

↓ depends on

Valuation of FG

Cost  
↓  
Value at  
Cost

NRV  
↓  
Value at  
Cost  
Replacement cost ↓

Use FIFO & WAM when Not  
given.

actual cost method - track actual  
Physical flow of Goods

## AS23. Accounting for Associates Investment In Associates in CFS

① Presentation of Investment (Cost)

↳ Share in Net asset

↳ Goodwill / Capital Reserve on DOA

② Share in Post Profit of Associate

⊕ Add in Investment in Associate

⊖ P&L (or) (Other ~~Exp~~ Income)

③ Dividend received from Associates  
(-) from cost of Investment

I. Extract of Standalone F/S (No AS23)

Balance sheet:

Inv in Associate (Cost)

P&L statement:

Div from Associate (Div ⊗ %)

II. Extract of CFS as on . . . . . (AS23)

Balance sheet

Investment in Associate

Share in net asset xx

Goodwill xx

Investment at Cost xx

(+) Share in Post Profit (Profit ⊗ %) xr

(-) Div from Associate (Div ⊗ %) xx

Investment at Carrying Amt xxx

P&L statement

Share in Post Profit xx



## AS-27 - FR of investment in Joint Ventures

### I. JCO - Jointly Controlled Operation

↳ 2 or More Entity joins for projects & comes to end at end of projects

↳ No → Separate Enty  
↳ BOA Separati.

↳ Only Record these transaction in "Joint Venture with — A/c"

↳ At the end,

Draft working Note called 'Draft Consolidated P&L a/c' To find out Project Profit

↳ final Entry . . . .

Joint Venture with . . . . A/c - Or To P&L a/c

↳ Final Internal settlement as To/By Cash/Bank a/c

### II. Jointly Controlled Assets (JCA)

↳ 2 or More Entities join for owning Jointly Owned Asset for Economic Benefit

↳ No Separate → BOA  
↳ Entity

↳ Joint Asset will appear in B/s under PPE as "Share in JCA"

↳ Depri will be charged

↳ Revenue generated in P&L statement as "Share in JCA Income"

↳ Expense in P&L statement as "Share in JCA Expense."

↳ Columnar Extract of B/s & P&L Statement will be formed.

### III. Jointly Controlled Entity (JCE)

↳ 2 or more Entity Joins & form New Entity

↳ Prepare own BOA & F/S

↳ Interest of ventur in JCE will be shown in F/S of venturer

• Shown as Investor

• Proportional Consolidation Method.

↳ Each item of F/S of JCE shall be Broken up as Share of ventur and added in respective item of F/S of Individual venturer.

### Exception in AS 21, 23, 27

↳ Investment Temporary in Nature

↳ Going to be disposed in Near future

↳ Under Restriction to Transfer funds to Each Other.