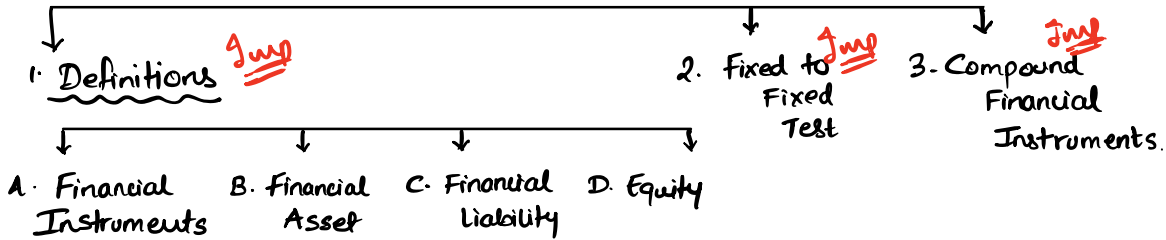
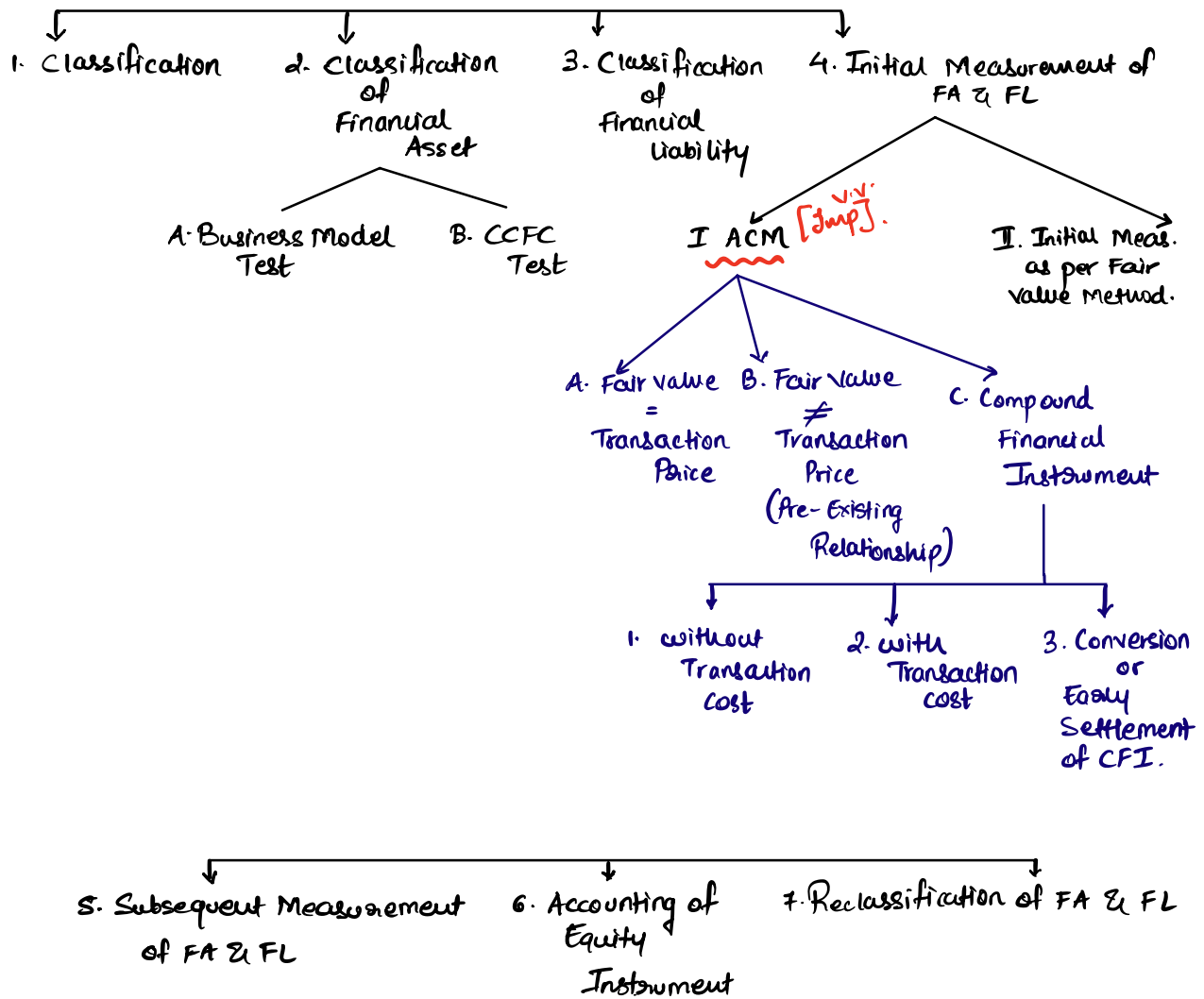


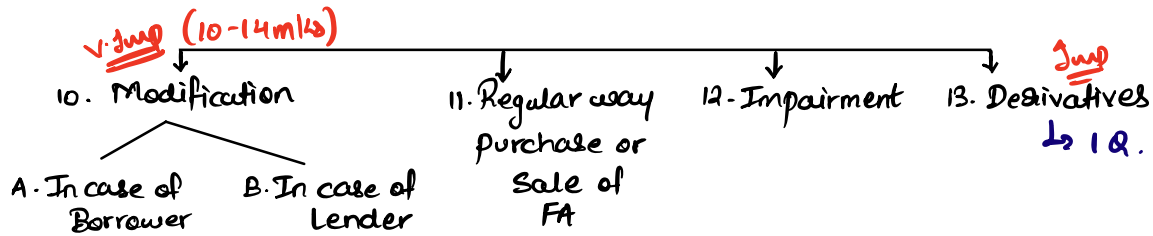
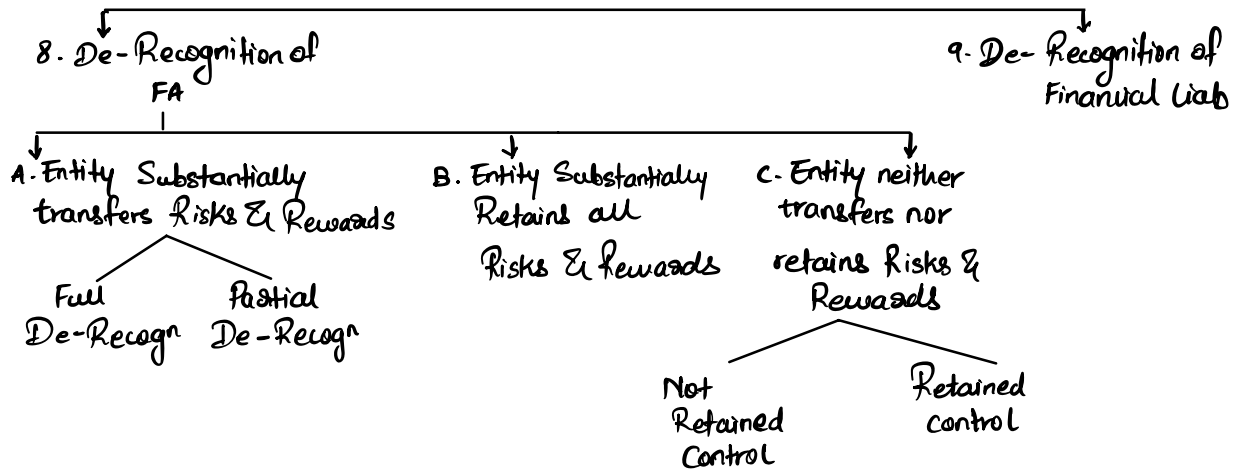
Financial Instruments Ind AS 32, 109, 107 → very Easy
16-22 mks

Ind AS 32



Ind AS 109

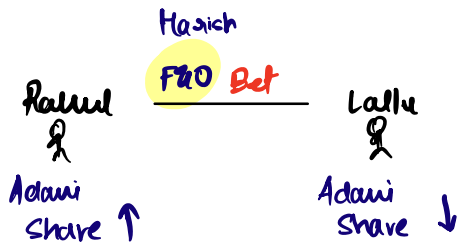




i] Definitions

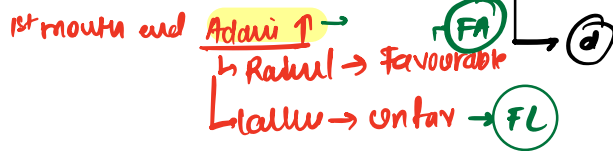
1. Financial Instruments → FA → one entity
 (AND)
 → FL or equity for another entity

2. Fin Asset → It is any asset that is



3 months win → ₹10,000

Every month → who is in which position



- includes Bank.
- (a) Cash (OR)
- (b) Eq Just of another entity (OR)
eg: Invest in Eq. share Pte. Ltd.
- (c) (i) Contractual Right to receive Cash (OR)
↳ eg: Deb.
- (ii) Contractual Right to receive Eq Just of another entity ∴ Invest in **Convertible Deb.** (OR)
- (iii) Contractual Right to receive any other FA.

d) Contract to exchange financial assets or financial liabilities with another entity under conditions that are potentially **FAVOURABLE** to the entity

Examples

Particulars	FA or NOT	Def'n Ref'n.
① Cash / Bank	FA	a)
② Trade receivables	FA	c(i)
③ Inventory	NOT a FA	-
④ PPE	Not a FA	-
⑤ Loans & Advances given	FA	c(i).
⑥ Invest in Eq shares (Interps)	FA	b
⑦ Invest in Bonds	FA	c(i)
⑧ Invest in Convertible Debtors	FA FA	c(ii) c(ii)

Int → Cash
Princ → Eq shares

- (9) Invest in Pref Shares $\begin{cases} \text{Div} \rightarrow \text{Cash} \\ \text{Princ} \rightarrow \text{Cash} \end{cases}$ FA c(i)
- (10) Gold \rightarrow contractual right \times Not a FA -
- (11) Invest in Gold Bonds YES c(i)
- (12) Prepaid Exp $\begin{cases} \rightarrow \text{You will receive} \\ \text{Goods/Services} \end{cases}$ & Not cash Not a FA -
- (13) Prepaid Exp \rightarrow Refundable \rightarrow cash $\begin{cases} \text{FA} \\ \rightarrow \text{service refuse} \end{cases}$ FA c(i)
- (14) Bills Receivable FA c(i)
- (15) Trade receivable \rightarrow ~~cash~~ Bills receivable $\begin{cases} \text{FA} \\ \text{FA} \end{cases}$ FA c(ii)
- (16) Income Tax Refund \rightarrow Statutory Right \rightarrow Not in Scope of Fin Just.
- (17) Invest in Subs / Assoc / JV \rightarrow out of scope of Ind AS 32, 109, 107
-

3. Defⁿ of Fin. Liab

↳ It is any liab that is

- ↳ (a) (i) Contractual obligation to deliver cash or
eg: Trade payables.
- ↳ (ii) Contractual obligation to deliver any other FA.
- ↳ (b) Contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially UNFAVOURABLE to the entity
- ↳ (c) Contract to deliver own equity instruments in VARIABLE number (FAF is NOT MA)

Examples	FL or NOT	Def ⁿ Ref:
① Trade Payables	FL	a (i)
② Loan taken	FL	a (i)
③ outstanding Salary → Future obs saly (cash deliver)	FL	a (i)
④ Advance Income → Future service delivers	Not a FL	-
⑤ Advance Income → Service Refuse ↳ Refundable	FL	(a(i))
⑥ Debenture Issue ↳ Int → Cash ↳ Princ → Cash	FL	a (i)
⑦ Convertible Deb Issue ↳ Int ↳ Princ → Own Eq. Shares deliver	Equity	
⑧ Issue of own eq. shares	Equity	
⑨ Conv Pref Shares ↳ Int ↳ Princ → Own Eq. Shares deliver	Equity.	

⑩ Normal share Issue → ~~Div~~ → Cash
Price - Cash Delivered FL a (i)

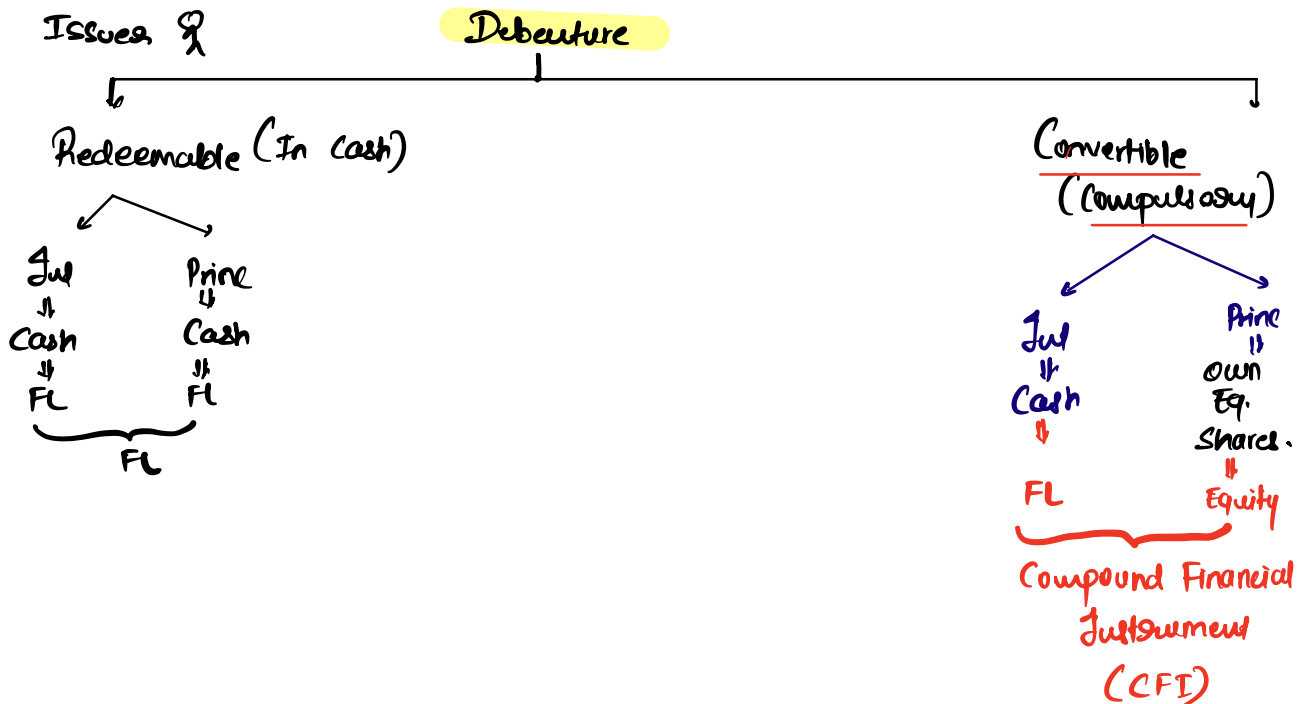
⑪ Trade Payable → ~~Cash~~ deliver → ~~Equity~~ Payable FL a (ii)
FL FA

⑫ Income Tax Payable (Statutory obligation) Out of Scope

⑬ Provisions (Ind AS 37) → Out of Scope

Eq → Own Eq. Shares delivered → ~~Eq.~~ Equity.

* Compound Financial Instrument [Single Instrument → FL + Equity]



Issues

Pref Shares

Redeemable (in cash)

Convertible (Compulsory)

Dividend

Discretionary

Cash → NO obligatⁿ
Not a FL

Mandatory

Cash
↓
FL

Princip.
↓
Cash
↓
FL

Div
(Assume
Mandatory)

Cash
↓
FL

Princ
↓
own Eq.
Share.
↓
Equity

CFI.

(If nothing is mentioned
as some, dividend is
mandatory)

Issues

Issues

~~Compulsory~~

Debtenture (Convertible) / some logic for preference share

Conversion (at the option of holder).

Conversion (at the option of issues)

Int
↓
Cash
↓
FL

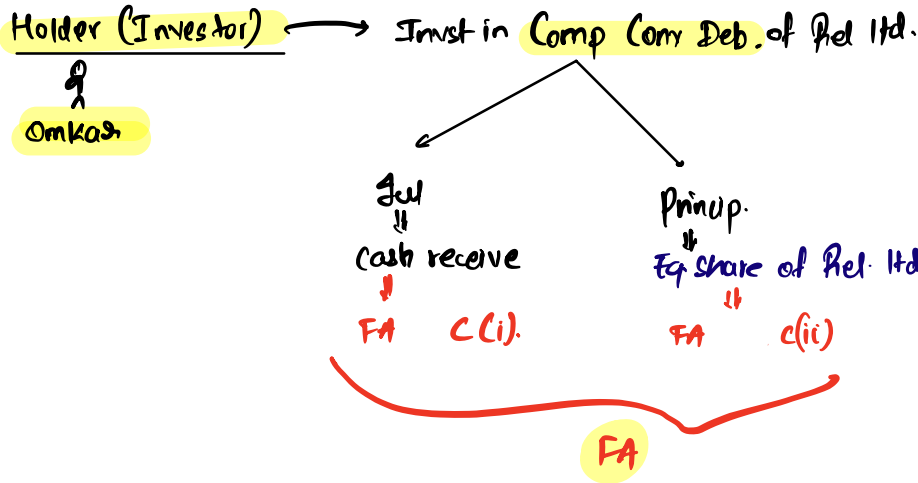
Princ
↓
(Issues at its own
will CANNOT avoid
paying cash)
↓
FL

Int
↓
Cash
↓
FL

Princ.
↓
Can issues avoid paying
cash at its own will
↓
Equity-
YES

CFI

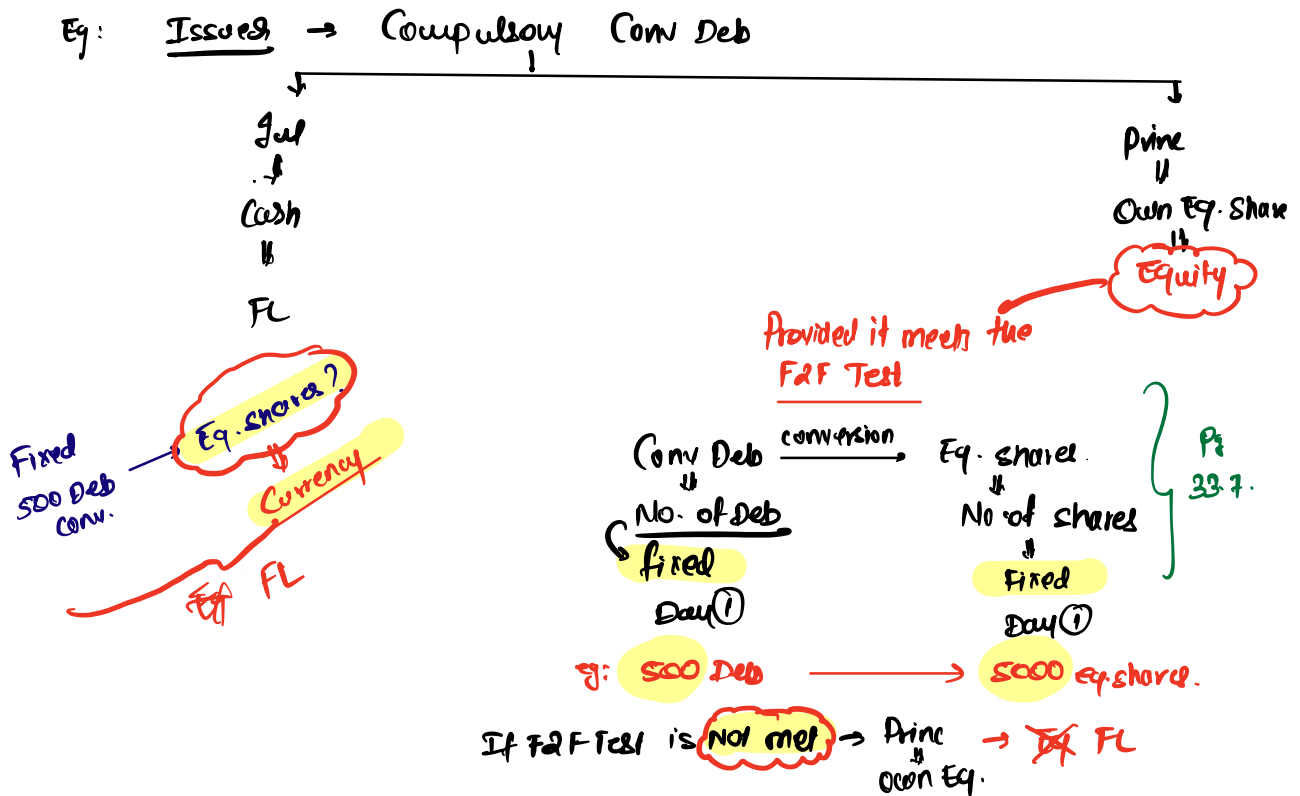
FL



For Holder → There is NO concept of CFI.

CFI → only for Issues

* Fixed to Fixed Test



Defn of Eq

2 conditions

- ① Co. will issue own eq. shares **AND** ② F&F Test is met.

↓
(if nothing is mentioned, always assume that F&F test is met).