Yeshas Academy
Excellence in Commerce

ADVANCED ACCOUNTING

build your

Accounting Quotient

with

#ACCOUNTSMAN

CA RAJAVARDHAN A

This book belongs to

....

future

Chartered

Accountant

CA Intermediate - Paper 1
Advanced Accounting with #AccountsMan

Shall we begin the GAME ??

Chapter 1
Introduction to Accounting Standards

Generally Accepted Accounting Principles

is a combination of		in India		Internationally
authoritative standards	commonly accepted ways	Accounting Standards	Indian Accounting Standards	IFRS International Financial Reporting Standards
of recording & reporting accounting information		AS	Ind AS	

Accounting Standards

written policy document issued by
- Government
- Expert Accounting body
- Other Regulatory body

Covering the aspects of
- Recognition
- Measurement
- Presentation
- Disclosure

of transactions & events

to enable insight into Finacial Statements to users

Standard Setting Process

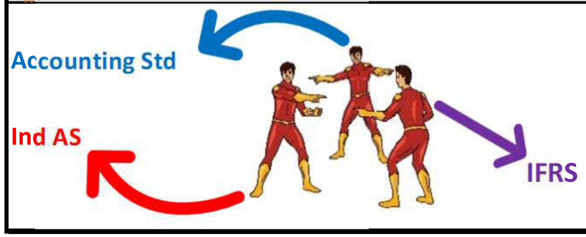
Step - I	Identify area
Step - II	Constitute study group
Step - III	Preparation of draft & circulation
Step - IV	Ascertain views from different bodies
Step - V	Finalisation of Exposure draft
Step - VI	Consideration of Comments
Step - VII	Modify Draft
Step - VIII	Issue of AS

Benefits of AS

- Standardisation of Accounting treatments
- Requirements for additional disclosures
- Comparability of Financial Statements

Drawback
cannot override law

AS issued by ASB (ICAI) *for non-corporates* → *notified by MCA* *for corporates*



Covergence with Global Standards

Need for Convergence
- Raising funds from International Market
- Uniformity , Comparability & Transparency
- Comparability of Financial Statements
- Good Investment

IASB INTERNATIONAL ACCOUNTING STANDARDS BOARD → *formerly known as* → International Accounting Standards Committee Foundation

IASB	IASC Foundation
issues	*issued*
IFRS	*International AS*
from 1st April 2001	*till 31st Mar 2001*

Adoption of IFRS	Convergence of IFRS
- set a timeline - adopt IFRS issued by IASB	- develop compatible AS - align with certain degree of compromise adopting requirement > fully or > partially IFRS + Carve In - Carve Out = Ind AS

Indian Accounting Standards

Named & numbered in correspondence to IFRS

IFRS 1 → Ind AS 101

IFRS 2 → Ind AS 102

Roadmap for implementation of Ind AS (Other than Bank , NBFC & Insurance)

Phase - I	1st Apr 2015	Voluntary basis *(for other than Banks , NBFCs & Insurance Co.)*
	1st Apr 2016	Mandatory basis - Listed or in the process of getting listed - Networth > 500 crores - Parent , Subsidiary , Associate or JV of above
Phase - II	1st Apr 2017	Mandatory basis - Listed or in the process of getting listed *other than SME Exchange* - Networth > 250 crores - Parent , Subsidiary , Associate or JV of above

Roadmap for implementation of Ind AS
for Non-Banking Financial Corporations , Scheduled Commercial Banks (excluding RRB's) & Insurance Companies

Non-Banking Financial Corporations

Phase - I	1st Apr 2018	Mandatory basis - Whether listed or not - Networth > 500 crores - Parent , Subsidiary , Associate or JV of above
Phase - II	1st Apr 2019	- Listed or in the process of getting listed & Networth > 500 crores *Equity or Debt instrument in India or outside India* - Unlisted & Networth 250 crores or more but less than 500 crores - Parent , Subsidiary , Associate or JV of above

Ind AS applicable to
- ✓ Standalone Financial Statements
- ✓ Consolisated Financial Statements
- ✗ Voluntary adoption of Ind AS

NBFC with Networth < 250 crores
↓
✗ follow Ind AS

Scheduled Commercial Banks
excluding Regional Rural Banks

1st April 2018	Initial Plan
5th April 2018	RBI Press release to defer implementation to 1st Apr 2019
22nd Mar 2018	RBI notification deferred implementation till further notice

Urban Co-Operative Banks & Regional Rural Banks
↓
✗ follow Ind AS

for Insurers / Insurance Companies

MCA had outlined map for implementation of Ind AS from 1st April 2018
IRDAI deferred implementation for 2 years, effective date being 1st April 2020
IRDAI circular dated 21st January 2020 deferred implementation till further notice

Chapter - 2
Framework for Preparation & Presentation of Financial Statements

Components of Financial Statement
- Balancesheet
- Statement of Profit & Loss
- Cash Flow Statement
- Notes & Other Statements

Users of FS
- Investors
- Employees
- Lenders
- Suppliers & Creditors
- Customers
- Government
- Public

Fundamental A/cing Assumptions

Going Concern

intention to continue for forseeable future

if invalid

Assets & Liabilities @ Fair Value

Accrual

recognising transaction as and when they occur

Consistency

Accounting policies to be same from one period to another

Qualitative Characteristics of FS
- Understandability
- Relevance
  > Timeliness
  > Balance between Benefit & Cost
- Comparability
- Reliability

Measurement
- Historical Cost → *acquisition price*
- Current Cost → *price if purchased now*
- Realisable Value → *selling price if sold now*
- Present Value → *discounted value of expected cash flows*

Capital Maintenance

Objective → *Continue business operations at same activity level.*

Dividends not to exceed profits after creating provision for replacement of assets.

Closing Capital should not be lesser than Opening Capital

Types of Capital Maintenance

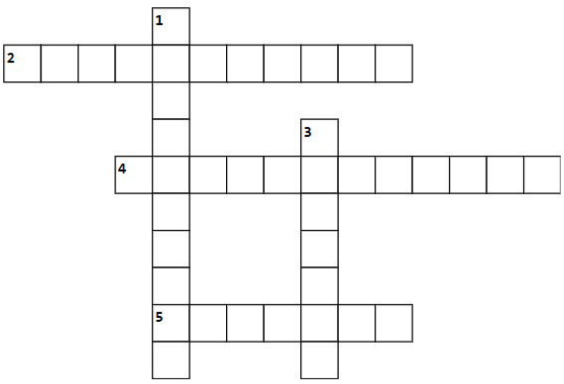
Financial Capital Maintenance at		Physical Capital Maintenance
Historical Cost	Current Purchasing Power	
Opening & Closing assets are stated at historical cost	Restatement at closing prices using average price indices	Restatement at closing prices using specific price indices

Telegram for discussion

QR for Quick Revision

YouTube

Fit into the frame



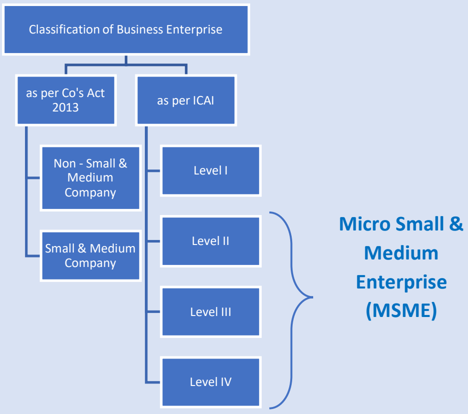
Down
1. Acquisition Price
3. Recognise when they occur

Across
2. Same policies from year to year
4. Intention to continue for forseeable future
5. Price indices for current purchasing power

Chapter - 3
Applicability of Accounting Standards

Accounting Standard reference in Companies Act, 2013

Sec 129 (1)	*Financial Statements to be prepared in accordance with AS*
Sec 129 (5)	*Deviation from AS , Reason & financial effect to be disclosed*
Sec 133	*Accounting Standards to be followed in preparation of FS are notified*
Sec 134(5)(a)	*Directors Responsibility Statement to state preparation of FS as per AS*
Sec 143(3)(e)	*Auditor to report his opinion whether FS are in compliance of AS applicable*



Non - SMC	SMC	
All AS are applicable	Not Applicable 17	Relaxation 15, 19, 20, 28 & 29

Level I	Level II	Level III	Level IV
All AS are applicable	Not Applicable 3, 17, 20, 21, 23, 25 & 27 Exemption 15, 19, 28 & 29	Not Applicable 3, 17, 18, 20, 21, 23, 24, 25 & 27 Exemption 10, 11, 15, 19, 28 & 29	Not Applicable 3, 14, 17, 18, 20, 21, 23, 24, 25, 27 & 28 Exemption 10, 11, 13, 15, 19, 22, 26 & 29

Conditions to determine Non-SMC or SMC as per Co's Act & Level as per ICAI

	Non-SMC	SMC *(MSME's)*		
	Large I	Medium II	Small III	Micro IV
Listing				Residuary *Not covered under Level I , II & III*
- Listed	✓	✗	✗	
- in process of listing	✓	✗	✗	
Buiness				
- Bank incl Co-operative Banks	✓	✗	✗	
- Financial Institution	✓	✗	✗	
- Insurance	✓	✗	✗	
Turnover excl. Other Income *in previous Accounting year*	> 250 Crores	> 50 Crores	> 10 Crores	
Borrowings incl. Public Deposits *anytime during the previous year*	> 50 Crores	> 10 Crores	> 2 Crores	
Holding & Subsidiary is	Level I	Level II	Level III	

Chapter 4 | Unit 1
AS 1 - Disclosure of Accounting Policies

Accounting Policies	*Example*
- Specific Accounting Principles & - methods of applying those principles in preparation & presentation of Financial Statements	*> Valuation of Inventory* *> Valuation of Fixed Asset* *> Valuation of Investment* *> Treatment of retirement benefits*

Consideration for selecting Accounting Policies

Primary	Secondary Consideration			
	Prudence		Substance over-form	Materiality
True & Fair view of Financial Statements	*Pft & Asset not overstated*	*Loss & Liab not understated*	*Financial Reality over legality*	*Disclose all items influencing decision making*

Fundamental Accounting Assumptions

No disclosure reqd *for following* *Fundamental Accounting Assumptions*	Going Concern	Accrual	Consistency
		Cash Basis	
Disclosure reqd *for not following* *Fundamental Accounting Assumptions*	*Enterprise will continue its operation for forseeable future* *or* *- Neither any intention* *- Nor any necessity to curtail operation*	*Recording transaction as & when they occur* *Enables :* *- matching cost & revenue* *- periodicity*	*Practice of using same accounting policies* *- for similar transactions* *- in all accounting period* *comparabilit*

SAP in preparation & presentation of Financial Statements	Change in Accounting Policies
All disclosures at one place *Disclosure is not remedy*	exceptions to Consisitency - **R**equired by statute - **C**hange in Accounting Standard - **B**etter Presentation a.k.a Appropriate Presentation of FS

Build your Accounting Quotient

AQ		Status
1	Disclosure requriement w.r.t Fundamental Accounting Assumptions	
2	Guess the reason for accounting treatment	

Build your Accounting Quotient

Accounting Quotient - 1 : Disclosure Requirement

Situation	Disclosure
Entity is following Cash Basis of Accounting	
Entity is following Accrual Basis of Accounting	
Entity has been following same Accounting policies from last year	
Entity has changed its Accounting policies from last year	
Entity has serious threat and considering shut down	
Entity has intention to continue & no immediate threat or need to shut down in near future	

Chapter 4 | Unit 3
AS 17 - Segment Reporting

Business Segment	Geographical Segment	Reportable Segment
- Distinguishable Component - engaged in providing - individual or group ***> product*** ***> service*** - risks & returns diff from other.	- Distinguishable Component - engaged in providing > product > service within a ***eco environment*** - risks & returns diff from those operting in other eco environment	**biz seg** or **geo seg** req. separate disclosure if **TRAM** Rev. **TO** (Internal + External) **R**esult (Total Pft/Loss WIH) **A**sset (Fixed + Current) **M**anagement Discreetion = or > 10%

If **Total External Revenue** from Reportable Segments **< 75% of External Revenue** then, other segments to be identified as Reportable Segments even if its **TRA** doesn't exceed 10%

Continuity Priniple	*If Rep Segment in PY , then Rep Segment in CY (irrespective of **TRA** < 10%)*
Single Rep Segment	*No need to report if only 1 segment is reportable*

Segment Revenue	**Segment Expense**	**Segment Assets & Liabilities**
includes revenue from - Directly attributable - Allocated (reasonable basis) - Inter segment	includes expense from - Operating Activities - Allocated (reasonable basis)	- Operating Assets - Directly Attributable - Allocated (reasonable basis)
Excludes - Extraordinary items - Interest - Dividend - Profit on sale of investments	Excludes - Extraordinary items - Interest - Loss on sale of investments - Income tax expense - General Administrative Expense	Excludes - Tax Assets or Liabilities

Segment Profit = Segment Revenue - Segment Expense

Disclosure Requirements

Primary Reporting Format	Secondary Segment Info	Other Disclosure
- Segment Revenue - Segment Result - Segment Assets - Segment Liabilities - Cost of assets acq during the year further as tangible & intangible - Segment wise depreciation & amortisation - Segment non-cash expenses	If Primary Reporting Format is Biz. Seg for each Geo Seg - Segment Revenue - Segment Assets - Cost of assets acq during the year further as tangible & intangible & viceversa for Biz Seg, when Primary Reporting Format is Geo Seg.	- Inter segment pricing - Change in AP having material effect - Discl as per AS 5 - Type of product & service in each rep segment.

Build your Accounting Quotient

AQ		Status
1	**Revenue (Turnover)**	
2	**Result (Profit/Loss)**	
3	**Asset**	
4	**Internal & External Revenue**	
5	**Revenue & Management Descreetion**	
6	**Revenue & Continuity Principle**	
7	**Revenue , Result & Asset**	

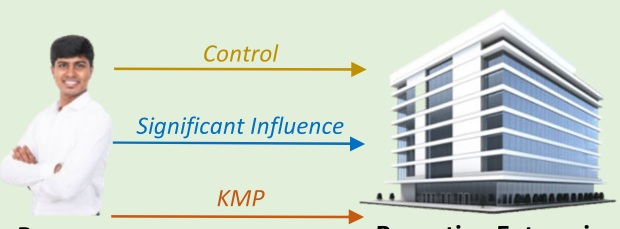
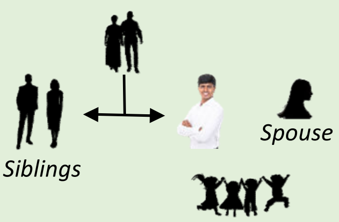
Chapter 4 | Unit 4
AS 18 - Related Party Disclosure

Objective Establishing requirements for disclosure of - Related Party **relationships** - **Transactions** between Reporting Enterprise & related parties	No disclosure required in **Consolidated Financial Statements** for intra group transactions
Scope Applies to - Financial Statements of Reporting Enterprise - Consolidated Financial Statements	Doesn't apply to - Relationship & transactions with other state controlled enterprises - Conflict with duty of confidentiality

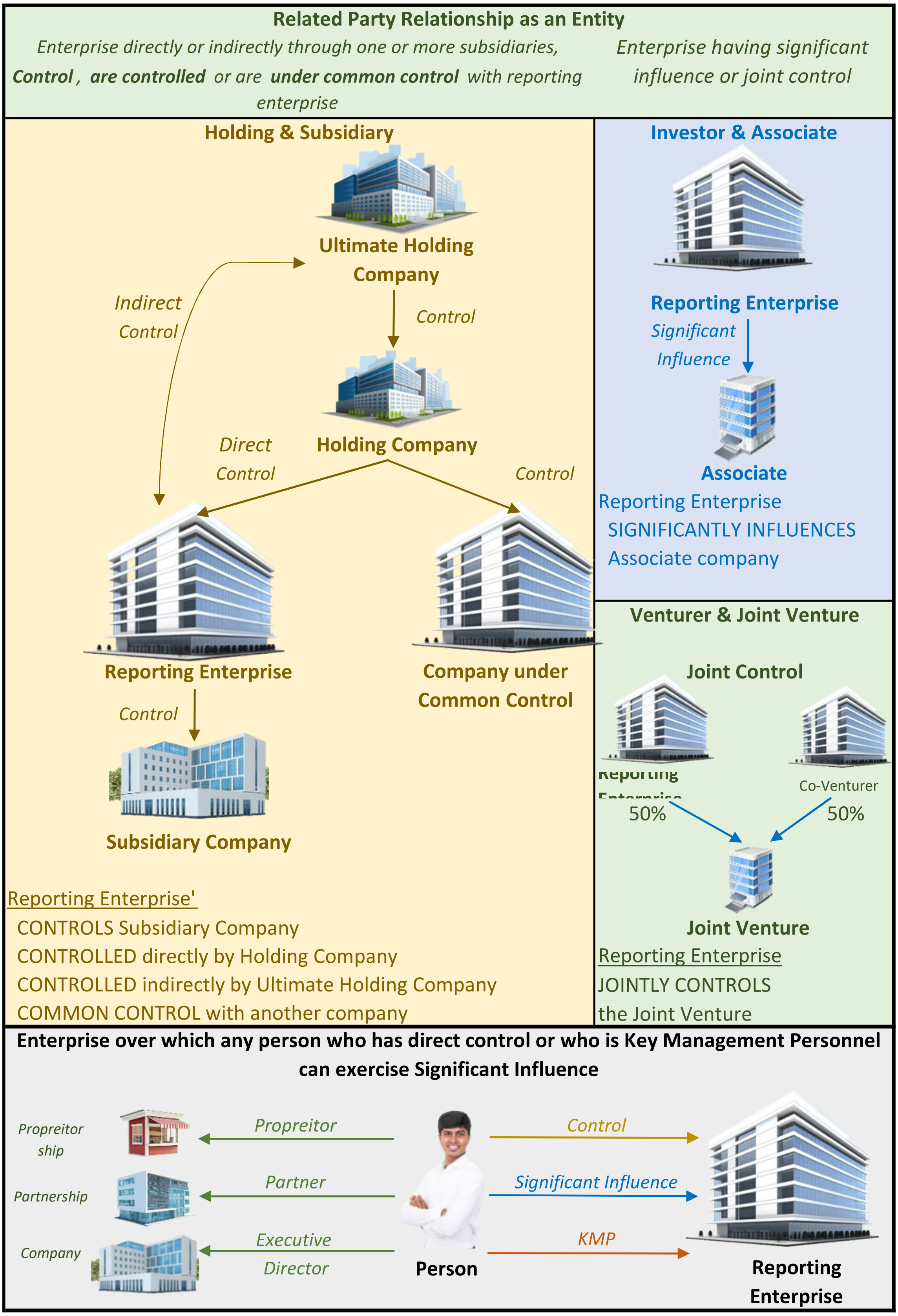
Definitions

Related Party	If at any point of time during the reporting period, - can Control - exercise Significant Influence → *in Financial or Operating decisions*
Related Party Transaction	Transfer of - Resources or - obligations → between Related Parties — whether price charged or not
Control 	Ownership → directly or indirectly → *more than half of voting power* Control of the composition → Board of Directors / Governing Body Substantial Voting Power *20% or more voting* & Power to direct *by statute or agreement* *Financial or Operating Policies*
Significant Influence	*Power to participate in* *Financial or Operating* *Policy Decision of Investee* ❌ *control over those policies*
Associate	An enterprise in which reporting party has significant influence which is neither a subsidiary nor a joint venture
Key Management Personnel	Persons who have — Authority & Responsibility — *Planning* *Directing* *Controlling* *Activities* — Reporing Enterprise
Relative	Father, Mother; Brother, Sister; Spouse, Children

Types of Related Party Relationship

Related Party Relationship as a Person	**Relatives**
	

Person & his relatives are related to Reporting Enterprise


Related Party Relationship as an Entity
Enterprise directly or indirectly through one or more subsidiaries, Control, are controlled or are under common control with reporting enterprise
Enterprise having significant influence or joint control
Holding & Subsidiary
Ultimate Holding Company
Indirect Control
Control
Holding Company
Direct Control
Control
Reporting Enterprise
Company under Common Control
Control
Subsidiary Company
Reporting Enterprise'
CONTROLS Subsidiary Company
CONTROLLED directly by Holding Company
CONTROLLED indirectly by Ultimate Holding Company
COMMON CONTROL with another company
Investor & Associate
Reporting Enterprise
Significant Influence
Associate
Reporting Enterprise
SIGNIFICANTLY INFLUENCES
Associate company
Venturer & Joint Venture
Joint Control
Co-Venturer
50%
50%
Joint Venture
Reporting Enterprise
JOINTLY CONTROLS
the Joint Venture
Enterprise over which any person who has direct control or who is Key Management Personnel can exercise Significant Influence
Propreitor ship
Propreitor
Partnership
Partner
Company
Executive Director
Person
Control
Significant Influence
KMP
Reporting Enterprise

Deemed not to be Related Parties

Two companies having common director , unless the director can influence the decisions of both companies

Common Director

Reporting Enterprise | Another Company

Single Customer / Supplier dealing in large volume of transactions (Economic dependenance)

Supplier | Reporting Enterprise | *Customer*

Government, Agencies, Trade Unions, Public Utilities & Financiers by virute of normal dealings

Trade Union | Public Utilities

Exemption from Related Party Disclosure

Conflict with Reporting Enterprise's duty of confidentiality	Consolidated Financial Statements	State Controlled Enterprise
		

Disclosure Requirements

Related at any point of time during the year Even if not related on date of FS	*Disclosure of transactions at the time of RP relationship only*
Transaction with Related Parties Disclose *> Name of related party* *> Relationship with related party* *> Nature & amount of transaction* *> Outstanding balance* *> Amount writte off / written back*	No transaction but control exists Disclose *> Name of related party* *> Relationship with related party*

Telegram for discussion

QR for Quick Revision

Chapter 4 | Unit 5
AS 20 - Earnings Per Share

Objective	**Scope**	
> Determination of EPS	Basic EPS →	Mandatory for all entities
> Presentation of EPS	Diluted EPS →	not mandatory for
to improve comparision		- Small & Medium Sized Entities
- between entities		- Level II , Level III & Level IV
- between periods	Consolidated Financial Statements to include Consolidated EPS	

Definitions

Equity Share	*is a share other than preference share*
Preference Share	*is a share carrying preferential rights to dividend & repayment*
Potential Equity Share	*is a financial instrument or other contract that entitles or may entitle, its holder to equity shares* *Example : Convertible Preference Shares* *Convertible Debentures* *Share Warrants* *Option including Employee Stock Option Plans* *Contingently issuable shares* *Partly paid up share not entitled for dividend*
Financial Instrument	*is a contract that gives rise to both a financial asset of one enterprise & a financial liability or equity shares of another enterprise*
Financial Asset	*is any asset that is* *- Cash* *- Contractual right to receive cash or another financial asset from another enterprise* *- Contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable* *- Equity share of another enterprise*
Financial Liability	*is any liability that is a contractual obligation to deliver* *- Cash* *- another Financial asset* *to another enterprise or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.*

Basic Earning Per Share

$$\text{Basic EPS} = \frac{\text{Earnings available to Equity Share Holders (EATESH)}}{\text{Weighted Average no. of Equity Shares outstanding during the year (WANES)}}$$

Earning available to Equity Share Holders

Net Profit before tax	XXX	> Preference Dividend will get added incase of Loss
Less: Tax for the year	(XXX)	> Arrears of Preference Dividend paid for earlier years
Net Profit after tax	XXX	is not to be adusted i.e, Cumulative Dividend
available to share holders		*(as it is declared in earlier year and paid in current year)*
Less: Preference Dividend	(XXX)	> Appropriation of any reserves is not to be adjusted
EATESH	XXX	

Weighted Average Number of Shares outstanding during the year

Fully Paidup	To be included at 100 % value
Partly Paidup	To be included at % of paid up to full value *Partly paid up equity shares are considered only if entitled for dividend* *If not eligible for dividend then considered as Potential Equity Shares*
Different Nominal Value	Equate to common Nominal Value

Bonus Issue / Share Split / Consolidation	Irrespective of date, include for entire period. Further re-state Previous Year EPS
Right Issue	Cash Element from date of issue *Cash Element = [(Right Share x Right Price) / Fair Value]* Bonus Element from beginning of the year. Further restate PY EPS *Bonus Element = [Total Shares - Cash Element Shares]*
<u>Issued on Amalgamation</u> in nature of Purchase in nature of Merger	 Consider from date of acquisition Consider from beginning of accounting period
Convertible Preference Share & Convertible Debenture	<u>Not converted</u> Consider as Potential Equity Shares taking best option *(from investors view)* <u>Converted</u> Consider period from date of conversion
ESOP	<u>Equity issued</u> consider from date of issue <u>Outstanding</u> considered as Potential Equity Share

<u>Diluted Earning Per Share</u>

$$\text{Diluted EPS} = \frac{\text{Diluted Earnings available to Equity Share Holders (EATESH)}}{\text{Weighted Average no. of Equity Shares (WANES) + Potential Equity Shares (PoES)}}$$

Dilutive Potential Equity Share	VS	Anti - Dilutive Potential Equity Share
EPS & Negative EPS		EPS & Negative EPS

<u>Diluted Earnings for Diluted EPS</u>

Computed considering such Potential Equity Shares are converted into Equity Shares

for Convertible Pref. Shares	Add back Dividend on Convertible PS to PATESH
for Convertible Debentures / Loan	Add back Interest net of taxes to PATESH *Interest (1-tax)*
for Stock Options	No change to PATESH

<u>Potential Equity Shares</u>

> to be considered only if they are dilutive in nature
> ignore Potential Equity Shares that are Anti-dilutive in nature
> to be considered for the period outstanding
i.e, to be considered from beginning till date of conversion

<u>Disclosure</u>

- Basic EPS & Diluted EPS (even if negative) if Statement of Profit & Loss
- EPS to be shown on Profits excluding Extra-ordinary items (net of tax)
- Reconciliation between EATESH & Diluted Earnings
- Reconciliation between WANES in computation of EPS & Diluted EPS
- EPS for each class of shares (different Nominal Value)

Chapter 4 | Unit 6

AS 24 - Discontinuing Operations

Objective	**Scope**
- Reporting information about discontinuing operations - Separating cash flows from discontinuing operations from continuing operations	Applies to all discontinuing operations Applies to CFS (if prepared)

Discontinuing Operation

is a component of an enterprise

Single Co-ordinated Plan	Separate	Distinguished
> disposing in entirety by way of *Selling the component in single transaction ;* *Demerger ; Spin off* > disposing in piecemeal *Selling component's assets & liabilities individually* > terminating through abandonment	*major line of* *Business segment* *or* *Geographical segment* *(as per AS 17)*	*operationally and for financial reporting purpose*

Initial Disclosure Event

Earlier of the following - Entering into **binding sale agreement** for sale of all assets under discontinuing operation - **Board Resolution** approving > Detailed formal plan for discontinuance > Announcement to stake holders	Detailed Plan to answer questions on > Assets to be disposed > Method of disposal - *Piecemeal or in entirety* > Period expected to be required for disposal > Location, function & employees affected > Scrap or Sale value to be realised

Recognition & Measurement

This standard ❌ *provide any guidelines*

Refer relevant Accounting Standard for recognition & measurement

Presentation & Disclosure

Initial Disclosure	**Other disclosures**
Disclosure requirements in FS > Description of discontinuing operations > Business or geographical segment as per AS 17 > Date & nature of initial disclosure event > Expected date or period for completion of plan > Carrying amount of assets & liabilities under plan > Revenues & expenses from activites under plan > Pre-tax profit from ordinary activities under plan > Net Cash flows from activities under plan	On disposal of assets / settlement of liability - gain or loss on disposal or settlement amount of pre-tax gain or loss & tax - net selling price of those net assets for which binding agreement is entered **Updating disclosures** Subsequent to Initial disclosure significant changes in amount or timing of cash flows **Separate Disclosure** Each discontinuing operation should be disclosed separately
Disclosure in Interim Financial Statements Significant activities & events from last annural report relating to Discontinuing Operations Significant change in amount or timing of cash flows relating to disposal of assets / settlement of liabilities	**Restatement of Prior Periods** Comparative information of previous periods *i.e, Segment assets , liabilities , expenses , incomes & cashflows*

Chapter 4 | Unit 7
AS 25 - Interim Financial Reporting

Objective
- Minimum Content
- Principles for recognition & measurement

Scope

Applicable to entities if
- requires — *Listed Entities (Cl 41 Listing Agreement)*
- elects — *Voluntary basis*

to publish Interim Financial Report

Interim Period

Period < Financial Year

exception 1st year of Operations

Interim Financial Report
- Complete Set
- Condensed Set

Form & Content of Interim FS
- Condensed Balancesheet
- Condensed Statement of Profit & Loss
- Condensed Statement of changes in equity
- Notes , Significant A/cing Policies & Explanatory Information

Complete Set vs Condensed Set

Complete Set	Condensed Set	
is like annual set of Financial Statement		*limited info as required by standard*
	Minimum -	Headings & subtotals in recent Annual Financial Statement
	Additional -	Notes to ensure IFS are not misleading

Statement of Profit & Loss → Basic EPS & Diluted EPS as per AS 20

Period for preparation of Interim Financial Statements

Interim Financial Statements	Current Period	Comparative
- Condensed Balancesheet	as at the end of Current IP	at the end of Previous FY
- Condensed Profit & Loss	Current Interim Period & Cumulative YTD	Comparable Interim Period & Cumulative PY to YTD
- Condensed Cash Flow Statement	Current Interim Period & Cumulative YTD	Comparable Interim Period & Cumulative PY to YTD
- Notes , Significant Accounting Policies & Explanatory Information		

Recognition & Measurement

based on Accounting Estimates & Materiality

Revenues		Costs	
if received seasonally , cyclically or occasionally	Should not deferred or anticipated	if incurred unevenly	Should not deferred or anticipated
Example : Dividend , Royalty , Grant etc			unless it is appropriate to defer or anticipate @ end of the FY

Income Tax — Recognised based on the best estimate of the weighted average annual income tax rate expected for the full Financial Year.

Accounting Policy
if there is change

Should be consistent for entire financial year
apply retrospectively from beginning of FY
Restate previously reported Interim Periods

Explanatory Notes (not exhaustive list)
- Seasonality or Cyclicality of interim operations
- if there is change in Accounting Policies
- Special items affecting Asset, Liab , Exp or Income
  Extra-ordinary item based on SIN (Size , Incidence & Nature)
- Change in Accounting Estimates
  Nature & Amt to perceive impact on Financial Statements

(above) **as per AS 5**

- Shares issued for non-cash consideration → **as per Sch III**
- Segment Information (Asset , Liab , Revenue & Exp) → **as per AS 17**
- Material Changes in Contingent Liabilities → **as per AS 29**

First time prepartion of IFR

Transitional Provisions

need not prepare
- Comparative P & L
- Comparative Cash Flow

of preceeding financial year

Chapter 5 | Unit 1
AS 2 - Valuation of Inventories

Objective - Determining value of inventory to be carried to Financial Statements

Scope (para 1)

Not applicable to
- WIP arising on Construction Contracts
- WIP arising in the ordinary course of business for service providers
- Shares , Debentures or other financial instruments

(para 2)
- Live Stock
- Forest or Agri Produce
- Mineral Oil , Ores & Gases

Valued at NRV

Inventory includes (para 3)

> Finished Goods	*held for sale in the ordinary course of business*
> Work in progress	*in the process of production for such sale*
> Raw Material	*in the form of material or supplies to be consumed in production process or in rendering services*

inventory also includes (para 4)
- Material Supplies
- Consumables
- Loose tools

Measurement (para 5)

- Cost
- NRV

Whichever is less

to be applied

item wise *not in total*

Cost includes

Cost of Purchase	Cost of Conversion – Direct	Cost of Conversion – Indirect: Variable OH	Cost of Conversion – Indirect: Fixed OH	Other
Purchase Price Duties & Taxes *(if not recoverable)* Freight Inwards Directly attb. cost Trade Discount	- Material - Labour - Expense	*varies with level of output* *Allocation based on Actual Capacity*	*doesnt vary with level of output* *Example - Rent* *Allocation depends on Normal & Actual Capacity* if AC < or = NC on the basis on NC **if AC > NC on the basis on AC**	*any expense incurred in bringing goods to* ***present location & condition***

Cost to exclude (Para 13)
> Abnormal loss
> Storage Cost
(unless part of Production)
> Administrative Overhead
> Selling & Distribution Overhead

Valuation Technique

ordinarily interchangeable – Considering HC	ordinarily interchangeable – Without considering HC	not ordinarily interchangeable
FIFO & WAM	Adj SP Std Cost	Specific identification method

When more than one product is produced & outcome is

Joint Product – Cost of Production: Separately identifiable	Joint Product – Cost of Production: Separately not identifiable	By Product – check if it is material: Material	By Product – check if it is material: Immaterial
Consider as cost of Joint Product	*Allocate to Joint Products based on Sale value*	*treat as Joint Product*	*No cost allocation* *NRV of Byproduct to be deducted from Cost of Production of Main Product*

Scan QR for Quick Revision

Join Telegram for discussion

<table>
<tr><th colspan="3">Valuation of Raw Material</th><th colspan="2">Valuation of Work in progress</th></tr>
<tr><td colspan="3">dependent on Valuation of Finished Goods</td><td colspan="2" rowspan="3">Cost incurred (actual)
+ Cost to be incurred (expected)
Total Cost (expected) of FG
Net Realisable Value (of FG)
Whichever is less</td></tr>
<tr><td>FG sold at or above cost</td><td colspan="2">FG sold below cost</td></tr>
<tr><td rowspan="3">FG valued at Cost
RM valued at Cost</td><td colspan="2">FG valued at NRV
RM valued at</td></tr>
<tr><td>Cost</td><td>NRV</td><td>Cost</td><td>NRV</td></tr>
<tr><td colspan="2">Whichever is less
Replacement Price is best estimate if NRV not available</td><td>WIP to be valued at Cost incurred</td><td>WIP to be valued at Cost Incurred
Less: Diff btw Cost & NRV
i.e, expected loss</td></tr>
<tr><td colspan="5">Reversal of write down
if economic conditions requiring write down from Cost to NRV reverse or no longer exist then it can be reversed to the extent previously decreased
Valuation of Inventory cannot be more than its Orginial Cost</td></tr>
</table>

Build your Accounting Quotient

AQ		
1	Para 5 of AS 2	
2	Cost of Purchase	
3	Fixed Overhead Allocation	
4	Treatment of Normal & Abnormal Loss	
5	First In First Out & Weighted Average Method	
6	Adjusted Selling Price Method	
7	Joint Product & By-Product	
8	RM & WIP valuation when FG sold below Cost	
9	Reversal of write down	

Accounting Quotient - 1 : Para 5 of AS 2

Car seller provides you with following information about inventory.
Determine the value of inventory.

Inventory	Cost	N R V	W I L
Zen	1,20,000	1,35,000	
Alto	1,10,000	1,40,000	
Estilo	87,000	75,000	
Etios	2,96,000	2,50,000	
Wagon R	1,79,000	2,00,000	

Nenapirali: Convention of Conservatism
Anticipated profits should not be recorded. ⟶ Cost < NRV
However, provide for anticipated losses. ⟶ Cost > NRV

Chapter 5 | Unit 2
AS 10 - Property Plant & Equipment

Objective	Scope	Definition	
Accounting treatment of PPE - Recognition - Depreciation - Retirement & Disposal	Standard doesn't apply to > Biological Assets *other than Bearer Plant* > Wasting Assets > Investment Property	Tangible Item held for - **R**ental - **A**dministration - Production of **G**oods - Rendering of **S**ervices	**E**xpected to be used for **m**ore than one period

Biological Asset
refers to
- Living Plant
- Animal

Bearer Plant is a living plant that is
- used in production/supply of agricultural produce
- bear produce > 12 months
- remote likelihood of being sold as agricultural produce

Recognition Criteria			Safety Equipment is PPE
Recognise PPE when, - **F**uture **E**co **B**enefit - **R**eliable **M**easurement	**> Spare Parts** **> Standby Equipment** **> Service Equipment** PPE if it fulfills definition	Otherwise, Inventory (AS 2) or Charge to PL	*(Environmetal reasons)* It is necessary for obtaining **FEB** from other assets

Recognition	**Asset can be acquired by**
- initial cost *(has to be measured at cost)* - subsequent cost	- Payment in cash / credit - Self Construction - Exchange on Non-monetary assets

Initial Cost

I - Purchase Price	II - Directly Attributable Cost		III - Cost of dismantling
Cash Price Interest included as per AS 16 *(same for Interest in Deferred Price)* Taxes (if no input available)	Cost incurred till the time asset is ready to be put to use		Present value of expected - Dismantling Cost - Removal Cost - Site Restoration Cost
if non- cash consideration ***Commercial Substance exists*** FMV of - asset given (# Priority 1) - asset taken (# Priority 2) *whichever is more evidently available* *difference is Profit / Loss*	*includes* Initial Delivery Handling Site Preparation Delivery Installation Assembly Professional fee Borrowing Cost (AS 16) Testing Costs	*excludes* New - Location - Product - Service - Inauguration Overhead - Admin - General	**Periodic unwinding** Recognise as Finance Cost in Profit & Loss A/C *Capitalisation is not allowed as per AS 16*
Commercial Substance x exists Account at Book Value No Profit or Loss	to be adjusted for - Trade Discounts - Government Grants - Internal Profit on Self Constructed Asset		

When to say that Commercial Substance exists ?

- Risk - Timing - Amount	of cash flows from → asset received are significantly different from asset transferred	There is significant effect on PV of after Tax Cash Flows from use or disposal of asset

Subsequent Cost

Expense incurred after asset is put to use

Repair & Maintenance	- Charged to Profit & Loss Account	*Recognition criteria*
Replacement of Parts	- Derecognise carrying amount of replaced part Check for recognition criteria for new part	*- Future **E** co Benefit* *- **R** eliable Measurement*
Major Inspection or Overhaul	- Check for recognition criteria *(incase of Aircrafts)*	

Depreciation

Systematic allocation of depreciable amount over useful life of PPE

Commencement	(Start) >	Ready to use	*Don't charge depreciation when*	*Depreciation doesn't cease when asset is*
Cessation	(End) >	Derecognised or disposed	CA < RV	*- idle*
Component Accounting			*CA = Carrying Amt*	*- retired from active use*
Depreciation method to be		basis for component	*RV = Residual Value*	*unless it is fully depreciated*
✗ Item wise		> Useful life		
✓ Component wise		> Economic benefit		

Factors determining Depreciable Amount

- Historical Cost / Revalued Amount		
- Useful Life	*Can be shorter than economic life*	**Estimates** to be reviewed at year end as per **AS 5.**
- Residual Value	*Recoverable at the end of useful life*	Any change is to be given **prospective effect.**

Method of Depreciation

> Straight Line Method	*Constant over useful life*	**Basis for selection**
> Diminishing Balance Method	*decreasing from year to year*	Pattern of usage in which
> Production Units Method	*based on units produced*	**F**uture **E**conomic **B**enefits are expected

Change in Cost of Dismantling / Decommissioning Liability / Site Restoration Cost

Reason for change	*Entity follows Cost Model*	*Entity follows Revaluation Model*
- Change in estimated liability - Change in discounting rate - Change in useful life	*↑ Liability - Add to Cost*	*↑ Liability - Reduce from Revaluation Reserve* *excess to be charged to P&L Account (Expense)*
Change in Liability *Check for Impairment as per AS 28*	*↓ Liability - Deduct from Cost* *Decrease in Liability > Cost then excess is transferred to P&L Account (Income)*	*↓ Liability - Add to Revaluation Reserve* *Decrease in Liability > Cost then excess is transferred to P&L Account (Income)*

PPE measurement after recognition (at Balancesheet date)

Model available - Cost Model or Revaluation Model

has to be applied for entire class items & should be consistent

Cost Model	**Revaluation Model**
Original Cost	Fair Market Value
Less: Accumulated Depn	Less: Subsequent Accumulated Depn
Less: Acc Impairment Loss	Less: Subsequent Acc Impairment Loss
Carrying Amount	Carrying Amount

Revaluation Model

Frequency of Revaluation, if PPE experiencies	**Upward Revaluation**	**Downward Revaluation**
Significant & Volatile Changes - Annually *Otherwise - Once every 3 to 5 years*	PPE A/C ↑ Dr. To Revaluation Reserve A/C	Profit & Loss A/C Dr. To PPE A/C ↓
Revaluation to be done: ✗ Item wise / ✓ Group wise *like component*	***If PPE was prev decreased***	***If PPE was prev increased***
group of assets with similar nature & use (function)	PPE A/C ↑ Dr. To Profit & Loss A/C to the extent prev decreased	Revaluation Reserve A/C Dr. To PPE A/C ↓ to the extent Revl Res exists

Treatment of Revaluation Surplus		*Effects of Revaluation on Income and Taxes has to be checked as per AS 22*
Transfer to Retained Earnings when asset is derecognised	*Transfer to Retained Earnings when asset is used (not through P&L)*	

Derecognition

Carrying Amt is derecognised when
- disposal
- no **F**uture **E**conomic **B**enefit

gain or loss > Statement of P & L
Timing for recognition as per AS 9

Retired

Not in active use | Held for disposal

to be recorded at lower of

Carrying Amount | Net Realisable Value

Disclosure Requirements

- Class of Assets
- Method of Depreciation
- Useful Life
- Gross Carrying Amount
- Acc. Depreciation
- Revaluation (if any)
- Retirement of Asset
- Disposal of Asset

Build your Accounting Quotient

AQ	Quotient to be built	Status
1	Classify biological assets into Bearer Plant or not	
2	Deferred Credit Price	
3	Non-Cash Consideration	
4	Directly Attributable Expenses	
5	Cost of Dismantling	
6	Component for Depreciation	
7	Upward followed by upward - Revaluation	
8	Treatment of Revaluation Reserve	
9	Downward Revaluation	
10	Upward followed by downward - Revaluation	
11	Upward followed by more downward - Revaluation	
12	Downward followed by upward - Revaluation	
13	Downward followed by more upward - Revaluation	
14	De-recognition of part of PPE	

Accounting Quotient - 1 : Classify biological assets into Bearer Plant or not

Biological Asset	Living Plant / Animal	gives Agricultural Produce	Produce > 12m	itself is agricultural produce	Bearer Plant (PPE Applicability)
to be Bearer Plant	Living Plant	✓	✓	✗	✓
Pet dog					
Race Horse					
Coconut Trees					
Banana Plant					
Mahagony Tree					
Timber Tree					

Chapter 5 | Unit 3
AS 13 - Accounting for Investments

Investment are
- **assets** held for
  - > earning income by way of **D**ividend , **I**nterest & **R**ental
  - > for **C**apital **A**ppreciation
  - > other benefits

Scope

Non applicability
- Income recognition w.r.t **D**ividend , **I**nterest & **R**ental
- Investment in assets under Operating or Financial Lease
- Investment against employee benefit plans

Classification of Investments

Current Investments	Non-Current Investments	Investment Property
- Readily realisable *- intended to be held for < 12 m*	*Other than current investments*	*not intended to be occupied or used in operations*
Valuation *> Cost → FIFO or Average Cost Method* *> Fair Value (Market Value)* *Whichever is less*	Valuation *Usually at cost* *unless such decrease in value is permanent in nature*	

Cost includes	**Interest , Dividend , Rental** are incomes to be t/f to P&L	**Non- Cash Consideration (Exchange of Invt)**
- Purchase Price - Brokerage - Stamp Fees, Duties etc	*if it is pre-acq then adjust against cost*	Cost of Investment received is - Fair Value of asset given or ***1st Priority*** - Fair Value of asset received Whichever is more clearly evident

Treatment of Divided

Pre - Acq Dividend 	*Dividend is received for a* ***period*** *during which* ***shares were not held .*** *Final Dividend for year 2023-24 received in July 2024 , when shares are purchased in May 2024* **To be taken to Investment Account Amt column on credit side to adj cost**
Post - Acq Dividend 	*Dividend is received for a* ***period*** *during which* ***shares were held .*** *Final Dividend for year 2023-24 received in July 2024 , when shares are purchased in 2023-2024 i.e, on Opening Bal of shares on 1/4/2024* ***To be taken to P&L through Dividend column in Investment Ledger***
Interim Dividend *Other than final dividend*	*Dividend is received in the current year out of current year profits* *It is always Post - Acq Dividend to be t/f to P&L (not to be adj against cost)*

Right Issue against Investment held
accounting treatment depends upon action taken

Subscribed Purchased Right Shares	**Renounced the rights** *Sale of right*	**Did Nothing**
Treat it like any other purchase *don't add brokerage on such purchase*	Sale consideration to be taken to P&L if purchase was at - Cum-right price - Price decreased after RI *we may choose to decrease cost by such sale consideration*	

Bonus Issue
Capitalisation of reserves

Free shares received from the perspective of investor

No Consideration

No Journal Entry

Provide for increase in
- no. of shares
- Nominal Value

If **sold**,
cost is computed on **average basis** to find profit on sale

Re-Classification

Long Term → Current Investment	Current Investment → Long term

Accounting Quotient - 17 : Reclassification Current to Non-Current

Investment in A ltd is classified as current.

Original Cost	10,000
Carrying Amount	8,000
Fair Market Value	7,500

Investor has decided to reclassify investment into Non-Current

Suggest the value at which Non-Current term investment should be recognised

Solution:

Current Investment reclassified to Non-Current Investments should be recognised at

Chapter 5 | Unit 4
AS 16 - Borrowing Cost

Scope

✓ Accounting for Borrowing Costs
✗ Actual or Imputed cost of raising Equity & Preference Share Capital

Applies only to External Borrowings

Borrowing Costs include
- **F**inance Charges in respect of assets under finance lease
- **I**nterest & Commitment Charges — *Bank & other Short or Long term Borrowings*
- **D**iscount or Premium relating to borrowings
- **A**mortisation of ancillary costs
- **E**xchange difference arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs

Types of Borrowing Cost

Specific Borrowing		General Borrowing
Borrowed specifically for the purpose of obtaining a particular Qualifying Asset	Meaning	not borrowed specifically for the purpose of obtaining a particular qualifying asset
Actual Borrowing Rate	Rate	Weighted Average Rate
Date of Borrowing *subject to fulfillement of other conditions*	Start	Date of Spending *subject to fulfillement of other conditions*
Deducted from specific borrowing cost before capitalisation	Idle Period Income	Credited to Profit & Loss Account
1st	Priority	2nd *Borrowing Cost capitalised cannot exceed the cost actually incurred*

Qualifying Assets is an asset that necessarily takes a **substantial period** of time to get ready for its intended use or sale

Substantial Period → *depends on **facts & circumstances** of each case*
as per ASI 1 it is period of 12 months
unless shorter or longer period is justified

Borrowing Cost on Borrowing for
- **Qualifying Assets** → *to be capitalised to the cost of Qualifying Asset*
- **Non-Qualifying Asset** → *to be charged to Profit & Loss Account*

Commencement of Capitalisation	Suspension	Cessation
All of the conditions to be fulfilled Expenditure for Qualifying Asset is incurred *Acquitisiton , Construction or Production* Borrowing costs are incurred Activities necessary to prepare asset for intended use or sale are in progress START	Temporary delay in active development *Capitalisation is suspended* **if delay is necessary then no suspension**	Asset is ready for its intended use or sale STOP

Exchange difference to the extent in the nature of Borrowing Cost	
Actual Borrowing Cost	
Additional Borrowing Cost (whichever is less)	
Increase in Liability	
Savings in Interest	
Total Borrowing Cost to be capitalised	

Disclosure Requirements
- Accouting Policy adopted
- Amount capitalised

Forex Difference before adjustment *(increase in liability)*		
Less: Additional Borrowing Cost		
Foreign Exchange Difference		

Build your Accounting Quotient

AQ		
1		
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10		

Accounting Quotient - 1

Date	Particulars	Amount (₹)
01-04-2020	Machinery Purchased on loan	10,00,000
01-06-2021	Asset ready for use	
	Interest on loan 10% , Depreciation at 15%	

Loan is not repaid untill 31st Mar 2022

Compute

(i) Cost of asset

(ii) Total Interest for year 2020-21 & 2021-22

(iii) Interest treatment

(iv) Depreciaton

Solution

Year		Total Interest	Treatment

AS 19 - Leases

Lease
- agreement btw
- Lessee & Lessor
- for t/f of asset
- under consideration

Scope

Standard doesn't apply to
- Exploration of natural resources
- Licensing of motion films , video , plays etc
- agreement to use lands

Types of Lease

> Finance Lease	*t/f substantial risk & rewards*
> Operating Lease	*not finance lease*

> Non-Cancellable Lease

Cancellable only by remote contingency , permission of lessor , new lease agreement , payment of addnl sum by lessee.

Basis for classification into Finance Lease & Operating Lease

> Lessee will get ownership at the end of lease period
> Lessee has option to buy lease asset at the end of the term for less than FV
> Lease term covers the major part of the life of asset
> **PV of Minimum Lease Payment** substantially covers **FV of asset** on inception
> Asset is specialised in nature & can only be used by Lessee without major modificaiton

Finance Lease

Lease Rentals	*Periodic payments*
Residual Value	
- Guaranteed	*Guranteed by lessee or on behalf*
- Unguaranteed	*RV in excess of GRV*
Min. Lease Payment	*Pymt receivable from lessee over lease term*
Gross Investment	*MLP plus UGRV*
PV of GI or Net Investment	*Present value of MLP & UGRV*
Unearned Finance Income	*Diff btw GI & PV of GI*

Parties to Lease Agreement

Lessee	Lessor
> Recognise Asset & Liab @ Lesser of - Fair Value at inception - PV of MLP > A/c using Substance Over form i.e, depreciation is charged > Finance Cost using implicit rate (if available) or else borrowing rate	> Receivable at Net Investment > Recognise finance income in pattern reflecting periodic return on net investment

Gross Investment = $\underbrace{\text{Total Lease Rentals} + \text{GRV}_{\text{Lessee}}}_{\text{Minimum Lease Payment}} + \text{GRV}_{\text{Lessor}} + \text{UGRV}_{\text{Lessor}}$

usually doesn't exist (GRV Lessor)

Finance Income

PV of GI Net Investment = $\underbrace{\text{PV of LR} + \text{PV of GRV}_{\text{Lessee}}}_{\text{PV of Minimum Lease Payment}} + \text{PV of GRV}_{\text{Lessor}} + \text{PV of UGRV}_{\text{Lessor}}$

usually doesn't exist (PV of GRV Lessor)

MLP = Total LR + GRV
GI = MLP + UGRV

PV of MLP = MLP x PVF
PV of GI or NI = GI x PVF
UEFI = GI - PV of GI

Operating Lease		
Lessee		Lessor
Expense - Straight line basis or other sys basis	Rentals	Income - Straight line basis
Fixed Asset & depreciation	Asset	Fixed Asset & depreciation
	Initial Direct Cost	Defer or recog immediately

Sale & Lease Back

When the asset is sold & leased back,
Lessee (owner before sale , contd. user even after sale)
might make pft / loss on such sale
Treatment of such profit or loss depends on the type of resulting lease.

If Lease is Financing

Profit or Loss on sale (i.e, btw Carrying Amt & Sale Price)
to be **deferred & amortised** in the proportion of depn.

If Lease is Operating

1st Level	Diff between Cost, Fair Value	*recogn immediately to P&L*
2nd Level	Diff between Fair Value, Sale Value	*to be deferred & amortised*
	if loss *Conservatism*	*recogn immediately to P&L*
	Exception Compensated by future lease payments	

Build your Accounting Quotient

AQ		
1		
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Chapter 5 | Unit 6

AS 26 - Intangible Assets

Objective Accounting treatment for Intangible Assets

Scope		**Excludes**	
Applies to		Doesn't apply to	
- Expense on	- License agreements	- Inventory (AS 2)	- Financial Assets
> Advertising	- Patents	- Construction Contracts (AS 7)	- Mining Assets
> Training	- Copyrights	- G/w on Amalgamation (AS 14)	- Insurance Contracts
> Start-up cost	- Trademarks	- Leases covered by AS 19	- Discount & share issue expenses
- R & D	- Softwares	- Deferred Tax Assets (AS 22)	- Expenses on termination

Definition

An intangible asset is
- **I**dentifiable (able to generate FEB)
- **N**on-monetary
- **W**ithout physical substance

controlled by entity held for
> use in production of **goods**
> rendering **services**
> **rentals**
> **administrative** purposes

Some important terms

Identifiable	*- distinguishable from goodwill* *- able to generate future economic benefit*
Non-Monetary	*- other than monetary assets* *- not represented in fixed or determinable amounts of money*
Without Physical Substance	*- not tangible* *- even if stored in tangible form, cost to be not significant*

Recognition Criteria

Initial Recognition	**Subsequent Recognition**
if it fulfills all conditions	if it fulfills all conditions
- Definition Criteria	- Future Economic Benefit
- Future Economic Benefit	- Reliable Measurement
- Reliable Measurement	- Directly attributable

Measurement

Depends upon the acquisition of asset
- Cash Consideration
- Non-cash consideration
- Internally Generated

Initial Recognition

Cash Consideration	Non-Cash Consideration		Self Generated	
	commercial substance		at Research Phase	at Development Phase
Includes - Purchase Price - Taxes & Duties *(non-refundable)* - Directly attributable exp After Adjusting > Trade Discount if any > Govt Grant as per AS 12	exists - FMV of Asset given (#1) - FMV of asset received Whichever is clearly evident	doesn't FMV of asset given	*gaining scientific & technical knowledge* Charge to P&L	*Application of findings for new production or improvement* **Capitalise** *subj to para 44*
	Free of cost - Govt Grant as per AS 12 Record at Nominal Value			

Para 44 - Conditions to capitalise expense on internally generated asset

- Technical Feasibility
- Intention to complete
- Ability to use or sell
- Future Economic Benefit
- Adequate Resources
- Reliable Measurement

if unable to distinguish Research & Development expense then charge it to Profit & Loss.

Expenses not to be recognised as Intangible Asset

- Not directly attributable to asset
- Goodwill
  > On Purchase method of Amalgamation
  > Internally generated goodwill

Once recognised as expense, cannot be capitalised in later years

- Expenses on
  > Startup cost (unless it forms part of cost of asset)
  > Staff training cost (as we cannot exercise control)
  > Promotional or Advertising cost
  > Relocating or reorganising part of enterprise
  > Selling & Distribution

Amortisation
Systematic allocation over the useful life
to commence when asset is ready for intended use

Useful Life	*Rebuttable Presumption* *based on best estimate not > 10 years* *Persuasive Evidence* *Longer period is justified if* *- that is best estimate* *- checked for impairment regularly* *- reasons to justify such period*
Methods	*SLM , WDV or Production units*
Pattern	*based on economic benefit* *to be consistent*

Residual Value - *estimate @ the end of useful life*
assumed to be '0' , unless
> Commitment from 3rd party
> Active market exists

Retirement & Disposal
> Disposed
> No future economic benefit expected
Profit or Loss on disposal to be t/f to P&L A/C

Disclosure Requirement

- Useful life	- Carrying Amt
- amortisation method	*(Gross, addition , disposal)* - Impairment

AS 10 - Property Plant & Equipment	VS	AS 26 - Intangible Assets
Residual value exists *taken as a accounting estimate*	Residual Value	No residual value *can be considered if expected to be sold at the end of its useful life*
to be added to cost at it present value	De-Commissioning	Not applicable
	Recognition	
Cost Model	*Initial*	Cost Model
Cost or Revaluation Model	*Subsequent*	Cost Model
SLM , WDV or Production Units method over the useful life of asset	*Depreciation or Amortisation*	SLM , WDV or Production Units method over useful life subject to maximum 10 years unless such longer period is justified

Chapter 5 | Unit 7
AS 28 - Impairment of Assets

Scope
Not applicable to
- Inventories
- Asset arising from Construction Contracts
- Investments
- Deferred Tax Assets

Impairment loss is amt by which Carrying Amt exceeds its Recoverable Amt.

Impairment Loss = Carrying Amt - Recoverable Amt

Carrying Amount
Original Cost
Less: Acc Depn / Amortisation
Less: Impairment Loss (previous)
Carrying Amount

Recoverable Amount
Net Selling Price
Value in use
Whichever is high
Net Selling Price = Selling Price - Selling Expenses
Value in use = PV of future expected CF from use till disposal

Cash Generating Unit
- Smallest
- identifiable grp of assets
- that generates cash flows
- from continuing use
- that are largely independent from cash flows from others

Corporate Assets
- Other than goodwill
- contribute to future cash flow
- of CGU under review & other CGUs

Goodwill
doesn't generate Cashflows independently
Recoverable Amount cannot be determined
if indicators for goodwill exist, then
Recoverable amt based on relevant CGU

Indicators of Impairment

External	Internal
- Significant fall in mkt value	- Obsolescence
- Adverse effect in environment Market , Economic , Legal , Tech	- Plans to discontinue - Reconstruction
- Increase in market interest or rate of return	- Poor eco performance
- Carrying Amt > Market capitalisation	

if Goodwill & Corporate Assets can be

allocated on reasonable & consistent basis	cannot be allocated on reasonable & consistent basis
Perform Bottom Up Test	Perform Bottom Up Test & Top Down Test

Impairment Loss Treatment
Order of allocating impairment loss to reduce carrying amount
#1 to Goodwill allocated to CGU (if any)
#2 on Pro-rata basis to all assets
Reductions are treated as Impairment Loss on individual assets
Carrying amount of asset should not be reduced below -
> Net Selling Price
> Value in use
> Zero '0'
Whichever is high

Carrying Amount of Individual Asset after Reversal
cannot exceed Carrying Amount net depreciation had there been no

Reversal of Impariment Loss
Check for reversal at each B/s date
Change in - Cash Flows - Disc. Rates
Apply materiality before Reversal

<u>Indicators for Reversal</u>
Mirror of indicators for impairment

Reversal for individual asset		Reversal for CGU
Loss w/o to Profit & Loss A/C	Loss adj to Revaluation	Increase value of assets in following order:
Reversal is Income in P&L	Write back to Rev Reserve *(to the extent adjusted)*	#1 Assets other than G/W *on prorata basis* #2 Goodwill allocated to CGU

impairment		Balance Income in P&L	
Carrying Amount of CGU after Reversal	**Reversal of Impairment loss for Goodwill**		
cannot exceed	not permitted	as it is Change in Accounting Estimate	
	Exception	*Specific External Event of exceptional nature*	
		Subsequent events have reversed the effect	

Build your Accounting Quotient

AQ	
1	
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4	
5	Bottom up & Top Down Test
6	Reversal of Impairment vs Unwinding disocunt

Accounting Quotient - 1 : Recoverable Amount & Impairment Loss

Carrying Amt	Value in use	Net Selling Price	Recoverable Amt	Impairment Loss
10	8	9		
10	11	9		
10	8	11		

Nenapirali :
Recoverable Amount is higher of Value in use & Net Selling Price
Impairment Loss is excess of Carrying Amount over Recoverable Amount

AS 15 - Employee Benefits

Employee Benefits
- all forms of considerations
- given by enterprise
- in exchange for services
- rendered by employees

Types of Employee Benefits
- Short Term Employee Benefits
- Post Employment Benefits
- Other long term Benefits
- Termination Benefits

Short Term Employee Benefits

Benefits which fall due wholely with in **12 months** after the end of the period in which employees render the related service.

x doesn't inclue termination benefits

Post Employment Benefits

Benefits given
- by employer
- to employee
- after completion of employment

Example - Pension ; Medical benefits after retirement

x doesn't inclue termination benefits

Types of Post Employment Benefit Plans

> Defined Contribution Plans

> Defined Benefit Plans

Needs Post Employment Benefit Plans
- formal or informal arrangement
- enterprise provide benefits to 1 or more emp

> Defined Contribution Plans

Post Employment benefit under which an enterprise pays
- fixed contriubtion into a separate fund
- will have no futher obligation

Example : Provident Fund ; Insurance Co ; trusts

Multi Employer Plans
- Defined Contribution Plans *(other than state plans)* or

or
- Defined Benefits Plans (other than state plans) or

> pool of asset contributed by various entities that are under common control &

> use those assets to provide benefits to employees of more then one enterprise

> Defined Benefit Plans

Post Employment benefit plans other than Defined Contribution Plans.

PV of Defined Benefit Obligation	Plan Assets
PV of expected future payments against obligations from service in current or previous periods. *before deducting Plan Assets*	- longterm employee benefit fund - qualifying insurance policies

Current Service Cost	Interest Cost
Increase in PV of DBO arising against employee service in current period.	Increase in PV of DBO arising because benefits are closer to settlement

Other Long Term Employee Benefits

Employee benefits that do not fall due wholely within 12 months after the end of the period in which employees render services.

x doesn't inclue termination benefits & post employment benefits

Termination Benefits

Employee benefit payable
- enterprise decision to terminate before retirement date
- employees decision to accept voluntary retirement

Vested Employee Benefits

Employee benefits that are non conditional on future employment

Benefit already earned by employee

Chapter 6 | Unit 2	
AS 29 - Provisions , Contingent Liabilities & Contingent Assets	
Provision	Present Obligation as a result of past event with **P**robable **O**utflow & **R**eliable **E**stimate
Contingent Liability	Possible Obligation that arises from past event existence is confirmed only by occurrence or non-occurrence one or more events - **FUN F**uture , **Un**certain & **Un**controllable or Present Obligation not fulfilling conditions of **PO** & **RE**
Contingent Assets	Possible asset that arises from past event existence is confirmed only by occurrence or non-occurrence one or more events - **FUN F**uture , **Un**certain & **Un**controllable

Obligation

based on evidence available , existence on Balance Sheet date is

considered PROBABLE Present Obligation		*considered NOT PROBABLE* Possible Obligation	
Check for Conditions		*Confirmed based on*	
Probable Outflow	*Reliable Estimate*	*Occurrence or non-occurrence*	
conditions fulfilled →	Create Provision	*one or more future events*	
not fulfilled →	No need to create Prov	*not wholly within control*	
	(disclose as Cont Liab)	Possibility of loss	
Review at every B/S date		Not Remote	Remote
Liab > Prov Adjust Profit = Create Prov	Not necessary Reverse Provision	*Disclose as Contingent Liability*	*No Disclosure required*

Disclosure Requirement

Nature & Amount
to perceive the impact on Financial Statements

if impracticle to disclose
then disclose the fact & reason

Chapter 7 | Unit 1 AS 4 - Events occuring after Balancesheet date		
Siginificant Events - Favourable - Un Favourable	after B/s date	before FS approved by approving authority *Company - Board*
Conditions		
Condition existing on the balancesheet date		events occuring after B/s date gives ***additional evidence***
Conditions fufilled	Adj Event → Non - Adj →	*redraft FS* *incl in next yr FS*
If the EOABD questions **SUBSTRATUM OF GOING CONCERN** adjust & redraft Financial Statements at Fair Value		
EOABD is non-adj but significant		*Discl in Director's Report*

Build your Accounting Quotient

AQ		Status
1	**Year the transaction belongs**	
2	**Adjusting event or not without considering exception**	
3	**Adjusting event or not with exception**	

<u>Accounting Quotient - 1</u>

Financial Year		Transaction	FS for 2023-24	FS for 2024-25
1st Apr 2023	31st Mar 2024	Sale of goods on 30th June 23		
		Purchase of goods on 1st Aug 23		
		Bad debts on 31st Dec 23		
		Purchase of land on 1st Feb 24		
		Cashier stole cash on 30th Mar 24		
		Bad debts on 1st May 24		
		Purchased land on 1st June 24		

Even if transaction happens after 31st Mar 2024
If board approves financial statement on 30th June 2024

Financial Year		Transaction	FS for 2023-24	FS for 2024-25
1st Apr 2023	31st Mar 2024	Sale of goods on 30th June 23		
		Purchase of goods on 1st Aug 23		
		Bad debts on 31st Dec 23		
		Purchase of land on 1st Feb 24		
		Cashier stole cash on 30th Mar 24		
		Bad debts on 1st May 24		
		Purchased land on 1st June 24		

Chapter 7 | Unit 2
AS 5 - Net Profit or Loss for the Period , Prior Period Items and Changes in Accounting Policies

Objective	Scope	Exclusions
Financial Statements are prepared - on uniform basis - to enhance comparability Standard prescribes > Classification > Disclosure of certain items in Statement of PL	- Presenting Profit or Loss from > Ordinary Items > Extra Ordinary Items > Prior Period Items - A/cing & Disclosure for changes > Accounting Estimate > Accounting Policies	Tax implications of > Extra Ordinary Items > Prior Period Items > Changes in - Accounting Estimates - Accounting Policies

Ordinary Items
Activities ordinarily undertaken as a **part of business ,** **furtherance** of business or **incidental** to business

Prior Period Items
Items arising in current period as a result of an **error or omission** in one or more previous year

Items of Special Nature
a.k.a Exceptional Items

Items requiring separate disclosure to explain performance of organisation
Relevance determined based on **s**ize , **i**ncidence or **n**ature **Sin**

Extra-Ordinary Items
Events or transaction that are **distinct from ordinary items,**
Depends upon the **nature** of transaction or event in relation to business
Frequency is not the condition

Items requiring separate disclosure
- Prior Period Items
- Exceptional Items
- Extra-Ordinary Items

→ Nature & Amount → to perceive its impact on Statement of Profit & Loss

Change in Accounting Estimate	vs	Change in Accounting Policy
Accounting Estimate is approximation made when valuation principles fail, made based on - Past Experience - Present Situation	Meaning	Accounting Policies are - Specific Accounting Principles & - Methods of applying those Principles in preparation & presentation of FS
- More Expereince - Better understanding	Reason for change	> **R**equired by Statute (Law) > **C**hange in Accounting Standard > **B**etter Presentation a.k.a Appropriate Presentation of FS
Prospective Effect	Impact on FS	Retrospective Effect
Material Change if any - Nature - Amount → to perceive impact of such item on FS if impractical to discl amount , then discl fact	Disclosure	Material Change if any - Change - Reason - Financial impact → to perceive impact of such item on FS

Chapter 7 | Unit 3
AS 11 - Effects of Changes in Foreign Exchange Rates

Standard covers

- ✓ Accounting for Foreign Currency Transaction
- ✓ Translation of Financial Statement of Foreign Operations
- ✓ Accounting for Foreign Currency Transactions in Forward Exchange Contracts

Non-Applicability

- ✗ Presentation of Cash Flow Statements from foreign operations — ✓ AS 3 CFS
- ✗ Exchange difference from borrowings to the extent considered as borrowing cost — ✓ AS 16 BC
- ✗ Restatement of Financial Statements from Home Currency to Foreign Currency

Accounting for Foreign Currency Transaction

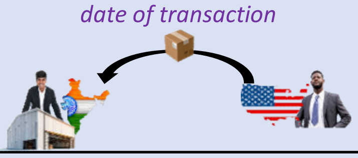
Transaction denominated or requires settlement in foreign Currency. It includes

- buying & selling of goods
- acquiring & disposal of assets
- availing & rendering services
- lending & borrowing
- forward exchange contracts

Treatment of Foreign Currency Transactions

Initial Recognition

Exchange Rate prevailing as on the date of transaction



Valuation at balancesheet date

Monetary item →	*Closing Rate*
Non-Monetary item	
valued at Historical Cost →	*Transaction Rate*
valued at Fair Value (NRV) →	*FV Date Rate*
Contingent Liabilities →	*Closing Rate*

Treatment of exchange difference

Exchange Gain	Exchange Loss
Asset ↑	Asset ↓
Liability ↓	Liability ↑
Credit to P&L	Debit to P&L

Monetary Items → *Money held , **assets & liabilities** to be received or paid in fixed or determinable amounts of money*

Non-Monetary Items → *Assets & Liabilities other than monetary items*

para 46 and para 46 A
Exceptional treatment of Exchange Difference

if option is not availed

Exchange difference
↓
Profit & Loss Account

if option is availed

Depreciable Asset ✓ exists
↓
+ to / - from Cost of Asset

Depreciation is computed on revised amount

Depreciable Asset ✗ exists
↓
*t/f to **Foreign Currency Monetary Item Translation Difference A/C***

amortised to P&L over asset/liability period

MCA Notification

Foreign Operation

Branch
Subsidiary
Associate
Joint Venture

<u>Foreign Operation can be classified into</u>

Integral Foreign Operation

Non-Integral Foreign Operation

Translating the Financial Statements depends upon classification of Foreign Operation

<u>Indicators of Non-Integral Foreign Operation</u>

- ✓ Significant independence
- ✓ Not many transactions with Reporting entity
- ✓ Payments are in foreign currency *(for material & expenses)*
- ✓ Sales are in foreign currency
- ✓ Sale price is determined based on local competition
- ✓ Funded by FO profits or foreign currency borrowings

Integral Foreign Operation

Items in Financial Statements → *translated like transactions are by Reporting enterprise*

treated like Foreign Currency Transaction

Property Plant & Equipment *Cost & Depreciation* → *Purchase Date Rate*

Inventories → *Actual Rate*

Exchange Difference → t/f to P&L

Non-Integral Foreign Operation

<u>Assets & Liabilities</u>

Monetary → *Closing Rate*

Non-Monetary → *Closing Rate*

Incomes & Expenses → *Transaction Date Rate*

Goodwill / Capital Reserve → *Closing Rate*

Contingent Liability → *Closing Rate*

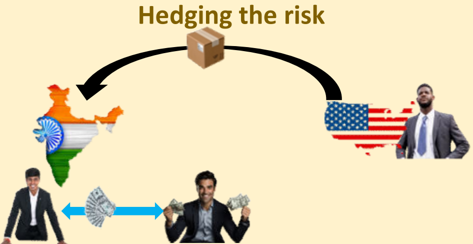
Exchange Difference → *transfer to Foreign Currency Translation Reserve Account*

Forward Exchange Contract

- agreement between 2 parties
- to buy or sell foreign currencies
- settlement will be done at a future date
- for an agreed price

Forward Exchange Contract can be entered into for

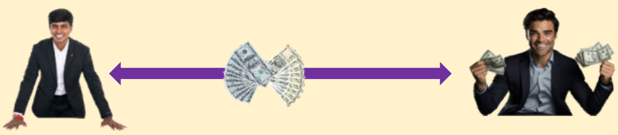
Hedging the risk



Difference between Spot Rate & Forward Rate is considered as Premium or Discount

Premium* / *Discount *is transferred to P&L over the contract period*

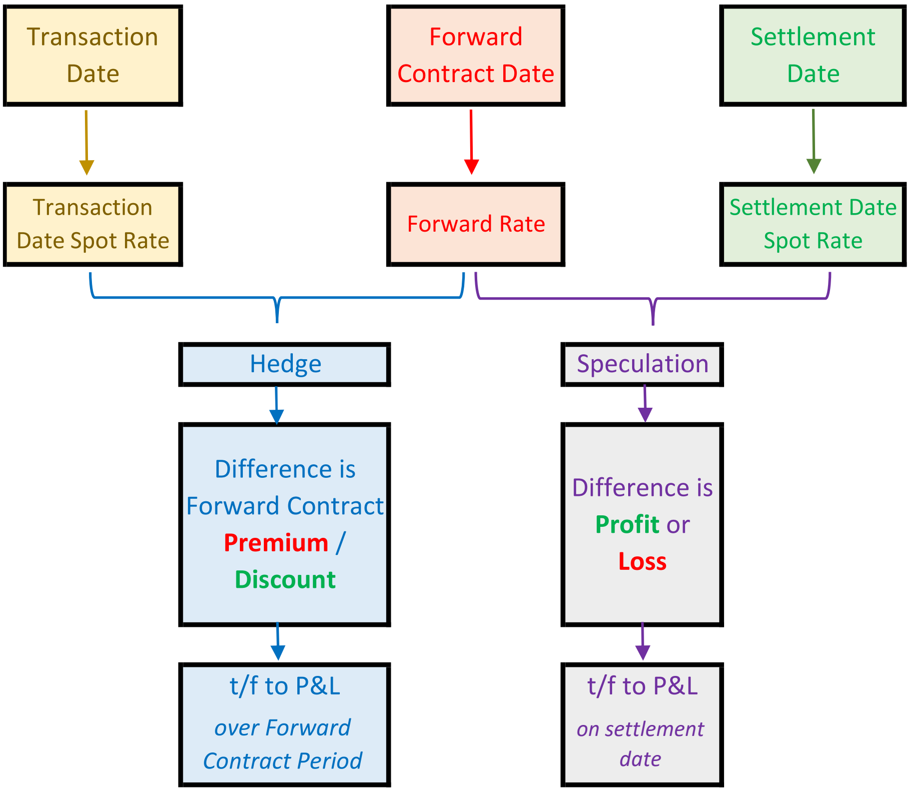
Speculation



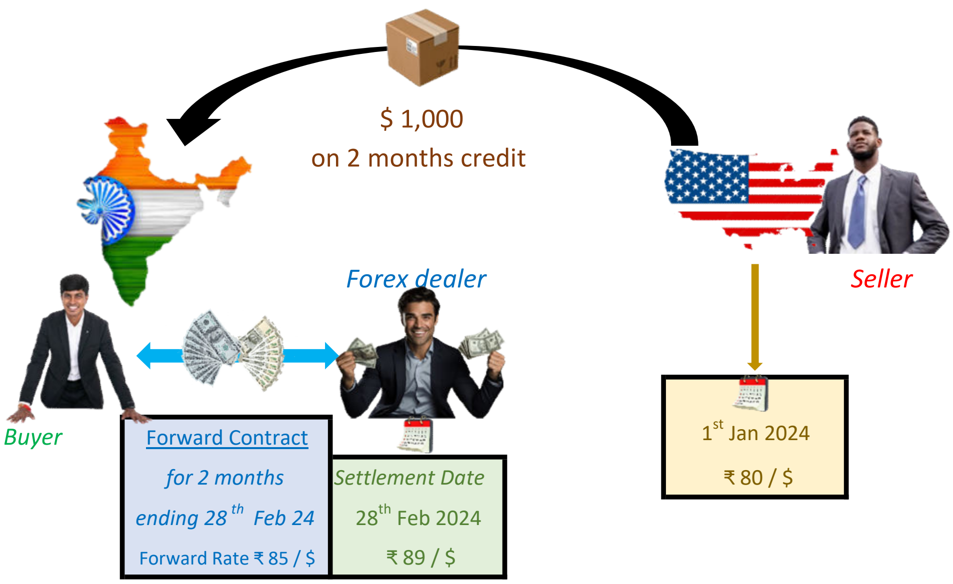
Premium / **Discount** is ignored

Transaction Date Spot Rate is not considered

Difference between Forward & Settlement Rate is considered as Profit or Loss on settlement date



Accounting Quotient - 8 : Forward Contract for hedge (expiring within the year)



Chapter 7 | Unit 4

AS 22 - Taxes on Income

Matching Concept → *to recognise tax expense for the period*

Accounting Profit		Taxable Profit
Profit before tax as per Statement of Profit or Loss	vs	*Profit based on Income Tax Laws*
Tax Expense = Accounting Pft x Tax %		Current Tax = Taxable Income x Tax %
Profit based on Accounting Practices		*Tax Payable as per Tax Laws*

Reason for difference

Permanent Difference		Temporary Difference
Arise in one period and do not reverse in subsequent period	Meaning	Arise in one period and are capable of reversal in one or more subsequent periods.
No creation of DTA / DTL	Treatment	Leads to creation of DTA / DTL
Section 40 A (2) Excessive payments *Section 40 A (3) Cash payments*	Example	*Section 32 Depreciation* *Section 35 D Preliminary Expense* *Section 40(a)(i) Non-deduction of TDS*

Tax Expense = Current Tax - Def Tax Asset Tax Expense = Current Tax + Def Tax Liab	Tax Expense is Expense — Current Tax is to be paid if Expense > Payment — DTL Expense < Payment — DTA

AEA TEL

Recognition of DTA considering Prudence with

- Reasonable Certainity — *realistic estimate based on past record*
- Virtual Certainity — *incase of carry forward losses & unabsorbed depreciation*
  to have convincing evidence & not just performance forecast

Accounting Entry

Tax Expense A/C Dr. — Current Tax
To Provision for Tax A/C

for DTA		for DTL	
Deferred Tax Asset A/C Dr. To Tax Expense A/C	CT - TE	Tax Expense A/C Dr. To Def. Tax Liability A/C	TE - CT

Setting Off	Current Tax	*if legally enforceable right to set off exists*
	Deferred Tax	*if legally enforceable right to set off exists* *Asset & Liability relate to income under same law*

Minimum Alternate Tax vs **Normal Tax**

u/s 115JB of Income Tax Act, 1961

Book Profit x MAT Rate — Taxable Income x Tax Rate

Payment is MAT or Normal Tax
Whichever is higher

Provision for Tax A/C	Dr.
MAT Credit A/C	Dr.
To Bank A/C	

if MAT > Normal Tax , then MAT Credit = MAT - Normal Tax
in later years when Normal Tax exceeds MAT credit can be availed

if no certainity of such reversal treat MAT Cr also as expense Tax Expense = Current Tax + Def. Tax + MAT Cr.	if future certainity of such reversal treat MAT Cr as asset Tax Expense = Current Tax + Def. Tax

Tax Holiday & Deferred Tax	
if DTL created in Tax Holiday period	
reverses within Tax Holiday	Don't recognise DTL
reverses after Tax Holiday	Recognise DTL
	to the extent reversal is after Tax Holiday period

Build your Accounting Quotient

Accounting Quotient		Status
1	Classification of differences	
2		
3		
4		
5		
6		

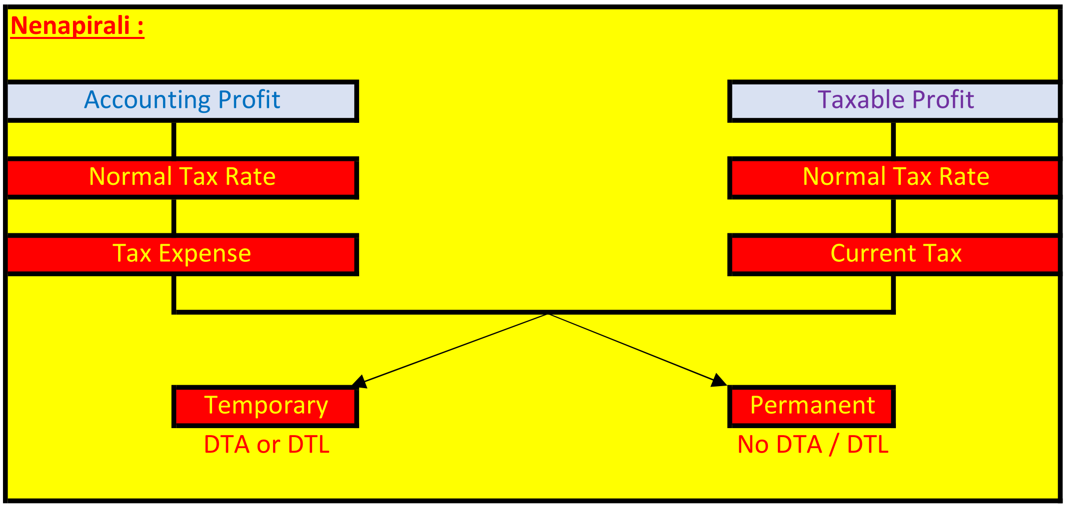
Accounting Quotient - 1 : Classify the following into Temporary & Permanent differences

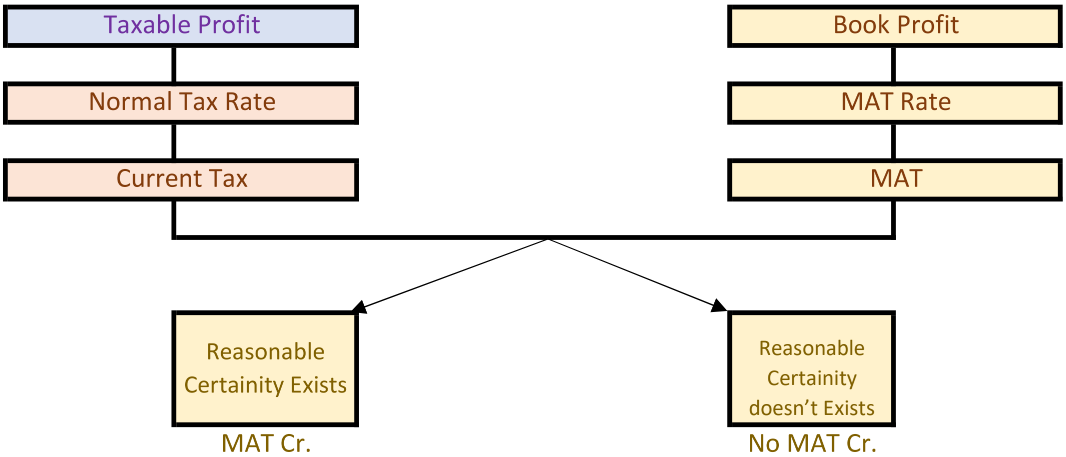
Difference	Temporary	Permanent
Depreciation as per books being different from depreciation as per Section 32 of Income Tax Act, 1961		
Excessive payments to related party disallowed u/s 40A(2)		
Cash payments in excess of ₹ 10,000 disallowed u/s 40A(3)		
Preliminary Expenses allowed to the extent of 1/5th each year u/d 35D		
Donation made to Private Trust		
Expense disallowed as not paid u/s 43B		
Payment disallowed for non-deduction of TDS u/s 40(a)(i), subsequently paid in next year		

Nenapirali:	
Temporary	*Difference arises in one year & reverses in one or more current year*
Permanent	*Difference arises in one year & will not reverse*

Accounting Quotient - 2 : Depreciation

	Year 2020-21	Year 2021-22
Gross Profit	1,00,000	1,10,000
Less: Depreciation	-20,000	-30,000
Less: Other Expenses	-20,000	-20,000





1st	We call tax consultant & make Provision for Normal Tax
2nd	Check with our records and account for Tax Expense Creating Deferred Tax Asset or Deferred Tax Liability
3rd	Pay tax to Government Compare Normal Tax with Minimum Alternate Tax

Accounting Quotient - 8 : Minimum Alternate Tax

Book Profit as per Sec 115 JB	₹ 100
Accounting Profit	₹ 120
Taxable Profit	₹ 20
MAT Rate as per Sec 115 JB	10.30%

Chapter 8 | Unit 1
AS 7 - Construction Contracts

Objective

Allocation of
- Revenue
- Costs

over the contract period

Standard prescribes
> Accounting treatment
> Criteria for recognition
in Statement of Profit & Loss
Matching Concept & Prudence

AS 7 is mandatory for contractors in preparation of Financial Statements

Meaning

Contract specifically negotiated for construction of
- asset or
- combination of assets

interrelated or interdependent by
- design
- technology &
- function

Construction Contract also includes
- Service Contracts
  directly related to construction of the asset like Architect
- Contracts for
  > Destruction or restoration of assets &
  > Restoration of the environment

Types

1. Fixed Price Contract — *escalation*
2. Cost Plus Contract — *Cost + agreed %*

Contract can be combination of both

Recognition of Profit or Loss

Happy Sad

Contract Profit = Contract Revenue - Contract Costs

Based on recognition of Contract Revenue & Contract Expense during the accounting period

Contract Revenue

Recognition Criteria
- Reliable measurement
- Probable result

Percentage or Stage of completion method
Cost incurred to Total cost

Revenue refers to sum agreed as per **initial agreement**
Contract Revenue also includes
> **Variations** *for change in scope*
> **Claims** *reimbursement for costs not incl in Contract (disputed Variaiton)*
> **Incentives** *for above standard performance*
> **Penalties** *payment to customer for violation*

Contract Expense

Recognise when incurred
Includes
> Direct Cost
> Allocable Cost
> Other Cost

Excludes
> General Administration Cost
> Selling Costs
> R & D Costs
> Depreciation on idle plant

Cost incurred to secure contract *(para 20)*
Identifiable
Measurable
Probable
} *that contract will be obtained*
Expense in year incurred

Recognition of Revenue & Cost

can be **estimated reliably**	**cannot be estimated reliably**	
Revenue & Cost to be recognised based on % or Stage of completion method	Revenue recognised to the extent recovery is probable	Cost recognised in the period in which they are incurred

How to determine whether Revenue & Cost can or cannot be estimated reliably ?

for Fixed Price Contract	for Cost Plus Contract
- Reliable measurement *Contract Revenue , Cost Incurred & to be incurred* *Stage of Completion* - Probable result	- Reliable measurement *Costs attributable to contract,* *Whether or not reimbursable* - Probable result

% or Stage of completion (para 29)

- Cost incurred to Total Cost *(for exam)*

Cost incurred / *Total Expected Cost* *x 100*

to be computed every year

- Survey Method
- Completion of Physical Proportion

picked based on nature of contract

Recogniton of Loss (para 35) Sad

if Total Contract Cost > Total Contract Revenue

Entire Loss → *to be booked to P&L immediately*

Irrespective of

> Whether or not work has been commenced

> % or Stage of completion

> Profits from other contracts

Provision is created for incomplete contract loss

Costs relating to future activity (para 26)

- Cost incurred
- but not consumed

to be recognised as Asset if probably recoverable

Uncollectable Revenue (para 27)

- Uncertainity arises
- Revenue recognised

if uncollectable recognise exp

Combining or Segregating Contracts

If following is separately identifiable

- Negotiation
- Revenue & Cost
- Profit Happy

then separate contract account

Change in Estimate (para 37)

% Completion menthod is applied on cumulative basis

Change in estimate of

- Revenue
- Cost
- % of completion

to be given prospective effect as change in estimate as per AS 5

Disclosure

for all contracts

- Contract Revenue
  > Amount Recognised
  > Method for revenue recognition
- Method for computing % of completion

for WIP Contracts

> Cost incurred
> Profit recognised
> Advances received
> Retentions

Advances

Amount received before performing the related work

Retention

Progressive billings not paid untill

- conditions are satisfied
- defects are rectified

Progressive Billings

Amount billed for work performed, whether paid or not.

It need not reflect work performed

Amount due from or due to customers

Cost Incurred	XXX
Add: Recognised Profits Happy	XXX
Less: Recognised Losses Sad	(XXX)
Less: Progressive Billings	(XXX)
Amount due from or to customers	XXX / (XXX)

If **+** ve then it is amount due from customers - **Asset**

If **-** ve then it is amount due to customers - **Liability**

Chapter 8 | Unit 2
AS 9 - Revenue Recognition

Objective	**Revenue**	from
- Timing of recongition	- inflow of cash	I. Sale of goods
- Criteria for recognition	- receivable or	II. Rendering of services
in preparation of Financial	- other consideration	III. Others fetching
Statements	in the ordinary course	Interest , Royalties & Dividend

Scope (Excl from AS 9)	**Exclusions from Revenue**
- Construction Contracts AS 7	> Sale of PPE
- Leases AS 19	> Liability settled / restated below carrying amount
- Govt Grants AS 12	> Forex rate change
- Insurance Contracts	> Translation difference in Financial Statements

I. Recognition of Revenue from Sale of goods

Condition	In case of delivery of goods subject to condition	
Recognise Revenue after t/f	Situation	Recognise Revenue
- Risk	Special order	*Goods are ready*
- Reward	Installation	*Buyers satisfaction*
- Effective control	Inspection	*Buyers approval*
Consideration	Sale on approval basis	*Buyers acceptance or time to return lapses*
No significant uncertainity	Buyer req delayed delivery	*Goods are ready*

II. Recognition of Revenue from Rendering of Service

Activity involved	Recognition Method	Special Cases	Revenue Reconition
- One Activity	*Completed Service Method*	Req Client Approval	*When approval received*
- More than Activity	*Proportionate Service Method*	Subject to specific task	*When task is completed*

III. Resources used by other for Interest , Royalty or Dividend

Interest	on time basis
Royalty	on accrual basis subject to terms of agreement
Dividend	on declaration (i.e, right to receive is establised)

Timing of Recognition of Revenue

Certainity of consideration

Significantly Certain	Significantly Uncertain	
Recognise on sale or rendering service	*Recognise only when there is significant certainity*	*if already recognised Charge to PL & Create Provision*

Disclosure Requirements

- Policy Adopted
- Change in Policy (if any)

Chapter 9 | Unit 1
AS 12 - Government Grant

Scope

Grants or Assistance from government agencies of both
- Capital Nature
- Revenue Nature

a.k.a
> Subsidy
> Incentive
> Duty Drawback

Excludes
- Normal Trading with Government
- Tax Holiday
- Tax Exemptions
  Income Tax , GST or Custom Duty
- Contribution as Equity Share Holder

Government
- State
- Central
- Government agencies
  > Local
  > National
  > International

Government Grant
- assistance in cash/kind
- for compliance
- of future/past conditions

Excludes
- which cannot have reasonable value
- which cannot be distinguished from normal trading

<u>Conditions for recognition</u>
> Reasonable assurance — *has met or ability & willingness to meet*
> Certainity of ultimate receipt — *sanctioned & certain to be received*

Accounting for Government Grant

Capital Approach	Income Approach	
Treated as part of Share Holders Fund	Taken to P & L A/C of 1 or more periods	
Liability side of Balancesheet	*CY Portion*	*Credit side of Profit & Loss Account*
	NY Portion	*Liability side of Balancesheet*

Types of Government Grant

- **Non Monetary Grant**
  - <u>Asset</u>
    - *at Concessional Price*
    - *free of cost*
- **Monetary Grant**
  - *against Specific Asset*
  - *against Revenue Expense*
  - *as Promoter's Contribution*

<u>Non Monetary Grant</u>

An asset received

at Concessional Price	*Record asset at such concessional acquisition cost*
for Free of cost	*Record asset at Nominal Value* *crediting Provision for Depreciation A/C for Depreciable Asset* *crediting Government Grant A/C for Non- Depreciable Asset* *Further no depreciation will be provided on nominal value*

<u>Monetary Grant</u>

Against a specific asset

> Depreciable Fixed Asset

Reduced Cost Approach	*Grant is shown as deduction from value of Asset* *it results in reduced depreciation over remaining life* *if grant covers whole of asset value, then asset is shown at Nominal Value.*
Deferred Income Approach	*Grant is treated as deferred income* *transferred to Profit & Loss A/C* *- over the useful life of asset* *- in ratio of depreciation*

> Non-Depreciable Asset	
if Conditions are already met	*Grant is transferred to Capital Reserve*
if Conditions are to be met in future	*Grant is deferred & transferred to Profit & Loss Account in the ratio of costs incurred*
Against Revenue Expenses	*Credit to Profit & Loss as other Income or* *Deduct from expense incurred*
As Promoters Contribution	*Received towards Capital Outlay & usually no repayment expected* *Grant is transferred to Capital Reserve*
Refund of Government Grant	
Extraordinary item as per AS 5	
Accounting Entry for Refund	*depends on accounting on receipt of grant*
Against a specific asset	
> Depreciable Fixed Asset	
Reduced Cost Approach	*Refund of Grant is shown as addition to value of Asset* *it results in increased depreciation over remaining life*
Deferred Income Approach	*Refund of Grant is adjusted against Deferred Income* *if insufficient transferred to Profit & Loss Account*
> Non-Depreciable Asset	*Refund of Grant is adjusted against Capital Reserve*
Against Revenue Expenses	*Refund of Grant is charged to Profit & Loss* *Increase expense (previously adj) or treat as expense*
As Promoters Contribution	*Refund of Grant is adjusted against Capital Reserve*
Disclosure Requirements	
> Accounting Policy including method of Presentation in Financial Statements	
> Nature & Extent of grant recognised in Financial Statements	

Chapter 10 | Unit 1
AS 21 - Consolidated Financial Statements

Consolidated Financial Statements is providing Financial Information about Holding & Subsidiary Companies as a Single Economic Entity

Provisions of Companies Act, 2013

Sec 2 (46)	*Holding Co. in relation to 1 or more co's , means a co. of which such co's are subsidiary co's*
Sec 2 (87)	*Subsidiary Co. is a company in which the holding company -* *(i) contorls the composition of Board of Directors* *(ii) exercises or controls > 1/2 of total share capital either at its own or with subsidiaries*
Sec 129 (3)	***Consolidated Financial Statements*** *to be prepared when company has subsidiaries*

For the purpose of Sec 129 , Subsidiary includes Associate Company & Joint Venture, which means company would be required to prepare Consolidated Financial Statement including Joint Venture / Associate even if there is no subsidiary

Consolidation to be made in compliance with → Schedule III & applicable Accounting Standard

Objective
- Helps in decision making
- Legal Compliance

Exclusion from preparation of Consolidated Financial Statement

> Control is intended to be temporary - *intended disposal in near future*

> Operates under severe long term restrictions - *affecting t/f of funds*

Holding Co. Financial Statements

Standalone → AS 13

Consolidated → AS 21

Components of Consolidated Financial Statements
- Consolidated Balance Sheet
- Consolidated Statement of P or L
- Consol. Cash Flow Statement
- Notes & Explanatory Statements

Items and their treatment in Consolidated Balancesheet

Share Capital

of Holding → to appear in Consolidated Balancesheet

of Subsidiary → to be split into
- → Holding's share — *to be taken to Cost of Control, to be compared with BV of Investment (Cost) to find Goodwill / Capital Reserve*
- → Minority Interest — *including minority's share in reserves, later posted to Consolidated Balancesheet*

% of Holding & Minority share is to be found to help reserve analysis

Points to remember

Bonus Issue	*made after acquisition before consolidation to be added to Share Capital before splitting*

Reserves & Surplus

of Holding → to be adjusted for
- Post Acquisition Dividend to be included
- reduced for unrealised profit on stock purchased from Subsidiary

Points to remember

Pre Acquisition Dividend	*to be adjusted against cost of investment &* *not to be included in R & S*
Post Acquisition Dividend	*to be included in R & S*
Unrealised Profit	*goods sold by Holding to Subsidiary (Downward)* *if remaining unsold, then profit to be reduced from R & S*

of Subsidiary → to be split into
- Profit till date of acquisition → Pre-Acquisition Profit
- Profit after date of acquisition → Post-Acquisition Profit

further Pre & Post Acquisition Profit to be split into
- → Holding's share
- → Minority's share

Reserves & Surplus (Continued)

Points to remember

Acquisition in middle of the year	*assume profits to be evenly spread over the year*
Revaluation of Assets	
Upward Revaluation	*Surplus is to be treated as Pre-Acquisition Profit*
Downward Revaluation	*Deficit is to be treated as Pre-Acquisition Profit*
Depreciation on revaluation	
On upward revaluation	*depreciation on revalued part deduct from Post-Acq*
On downward revaluation	*depreciation on revalued part add to Post-Acq Profit*
Bonus Issue	*reduce reserves required from Pre-Acquisition Profit*
Uniformity in Accounting Policies	*adjustment to profit upto Date of Acquisition - Pre Acq* *adjustment to profit after Date of Acquisition - Post Acq*
Dividend	*to be issued on cumulative Preference shares to be deducted from profits even if not declared*

Longterm Borrowings *Debentures*

of Holding → to appear in Consolidated Balancesheet

of Subsidiary → to be split into
- → Holding's share: *to be taken to Cost of Control, to be compared with BV of Investment (Cost) to find Goodwill / Capital Reserve*
- → Others: *to be posted to Consolidated BS*

Payables & Receivables

of Holding & Subsidiary → to be posted in total to Consolidated Balancesheet

Mutual Indebtedness *owing by Holding to Subsidiary or viceversa to be eliminated*

Example - Debtors Creditors ; Bills Receivable - Bills Payable

Incase of Bills by one entity in group on other company in group is endorsed or discounted with banker, then such bills to continue as liability in Consolidated Balancesheet

PPE

of Holding & Subsidiary → to be posted in total to Consolidated Balancesheet

Revaluation *Revaluation to be done on Date of Acquisition & post depreciation value to be posted to Consolidated Balancesheet*

Investments

of Holding & Subsidiary → to be posted in total to Consolidated Balancesheet

Investment by Holding in Subsidiary both in Shares & Debentures

compare Cost of Investments (BV) with Nominal Value of Investments to find Goodwill or Capital Reserve a.k.a Cost of Control

Nominal Value of Investments (Liabilitiy)	XXX	*Asset of Holding Company*
Book Value of Investments (Asset)	XXX	*Liability of Subsidiary Company*
Goodwill (if BV>NV, Asset) / Capital Reserve (if BV<NV, Liab)		

Nominal Value of Investments → *Bonus Shares is to be added (if any)*

Book Value of Investments → *Pre Acq Dividend & Reserves to be deducted (if any)*

Inventory

of Holding & Subsidiary → to be posted in total to Consolidated Balancesheet

Unrealised Profit *Goods sold by Holding to Subsidiary or vice versa if remaining unsold, then profit to be reduced from R & S of Selling Co.*

If there is mismatch between corresponding items in Holding & Subsidiary →	Reconcile & Rectify error if any before Consolidation
If Balancesheet Date of Holding & Subsidiary are different →	Update Subsidiary's Balancesheet before Consolidation

Minority Interest

Share Capital other than by Holding Company Add: Share in Reserves *(both Pre Acq & Post Acq)* *to be posted to Consolidated BS as separate line item after Share Holders fund*	Note : Minority Interest cannot be negative. It will be resticed to 0. Loss to be borne by Holding Company

Items and their treatment in Consolidated Statement of P or L	
Revenue & Purchase	of Holding & Subsidiary → to be posted in total to Consolidated Statement of P or L
	Inter Company Sales *Sales by Holding to Subsidiary or viceversa to be eliminated in total*
	from Revenue from Operations of → *Seller Company*
	from Purchase of Stock in trade of → *Buyer Company*
Other Income & Expense	of Holding & Subsidiary → to be posted in total to Consolidated Balancesheet
	if expense of Holding is income of Subsidiary or viceversa
	it should be eliminated from both income & expense
	Example: *Management Fee charged by Holding to Subsidiary*
	Commission paid by Holding to Subsidiary or viceversa
Tax Expense	of Holding & Subsidiary → to be posted in total to Consolidated Balancesheet
	no adjustment to be made
Appropriation	Dividend by Subsidiary Company → to Holding Company
	is to be eliminated against other income of Holding Company
	Minroity's Share in Subsidiary's Profit → to be found as Minority's share % of Standalone Statement of Profit or Loss *before eliminating inter company transactions*

Chapter 10 | Unit 2
AS 23 - Investment in Associate

Objective	Scope
> Principles > Procedures in Consolidated Financial Statement the effect of Investment in Associate on - Financial Position - Operating Result	✓ Consolidated Financial Statement for Investment in Associates ✗ Separate (Standalone) Financial Statement for Investment in Associates

Definition

Associate	*enterprise in which the investor has **significant influence** and which is neither a subsidiary nor a joint venture of the investor.*
Significant Influence	*Power to participate in* [*Financial or* / *Operating*] *Policy Decision of Investee* ✗ *control over those policies*
Control	*Ownership* [*Directly* or *Indirectly*] *through subsidiaries* → of more than half of voting power *Control over composition of Board of Directors or governing body to obtain economic benefits from its activities*
Subsidiary	*enterprise that is controlled by another enterprise*
Parent	*enterprise that has one or more subsidiaries*
Group	*parent and all its subsidiaries*
CFS	*Financial Statements of group presented as a single enterprise*
Equity Method	*Investment is initially recorded at Cost identifying - Goodwill or - Capital Reserve at the time of acquisition* | *Carrying amount is adjusted for Post Acquisition change in investor's share of net assets of investee* | *Consolidated Statement of P or L* ↓ *reflects* *Investor's share of results*
Equity	*residual interest in the assets of an enterprise after deducting all its liabilities*

Investor directly or indrectly holds		
	20% or more of voting power →	Significant Influence ✓ unless clearly demonstrated
	less than 20% of voting power →	Significant Influence ✗ unless clearly demonstrated

Accounting for Associate in Consolidated Financial Statement

Apply EQUITY METHOD except in following cases:

> Control is **intended to be temporary**

> it operates under **severe long term restrictions** impairing abiltiy to transfer funds

in such cases AS 13 is applied to account Investment

Equity Method

Computation of Goodwill / Capital Reserve	
Investment at Cost	XXX
% of Net Assets owned	XXX
Difference is Goodwill / Capital	XXX

Investment > % of NA	Investment < % of NA
Goodwill	Capital Reserve

Computation of Net Assets

Balancesheet

Equity	XXX	Assets	XXX
Reserves	XXX		
Liability	XXX		
	XXX		XXX

Assets	Share Capital
Less: Liabilities	Add: Reserves
Net Assets	Net Assets

Investment in Consolidated FS

Investment in Associate will not be presented at cost as a total, split it into
- x % of Net Assets
- Goodwill or Capital Reserve

x % of Net Assets	XXXX
Add: Goodwill	XXX
Less: Capital Reserve	(XXX)
Cost of Investment in Associate	XXXX
Add: Profits earned during the year	XXX
Less: Dividend paid	(XXX)
Carrying Amount of Investment	XXXX

Carrying Amount cannot become negative, incase of losses exceeding Cost of Investment record Carrying Amount at "0"

Build your Accounting Quotient

AQ		Status
1	Identifying Associate based on share holding	
2	AS for Standalone and Consolidated FS	
3	Net worth computation	
4	Goodwill	
5	Capital Reserve	
6	Goodwill & Carrying Amount	
7	Capital Reserve & Carrying Amount	
8	Carrying Amount when there is loss in CY	
9	Carrying Amount when there is loss in CY	
10	Carrying Amount with pre-acquisition dividend	

Accounting Quotient - 1 : Associate or not

	Associate
A Ltd investment is as follows	
holds 25% of shares in Ant Ltd	
holds 20% of shares in Bat Ltd	
holds 19% of shares in Cat Ltd	
holds 21% of shares in Dog Ltd	
holds 50% of shares in Egg Ltd	
holds 51% of shares in Fig Ltd	

Accounting Quotient - 2 : Accounting Standard for Standalone & Consolidated FS

Investment Scenario	Standalone Financial Statement	Consolidated Financial Statement
A Ltd holds 25% in B Ltd		
A Ltd holds 52% in C Ltd		
A Ltd holds 19% in D Ltd		
A Ltd holds 50% in E Ltd *(balance 50% in E Ltd is held by F Ltd)*		

AS 27 - Investment in Joint Venture			
Proportionate Consolidation Method is same as Line by line Addition Method except Minority Interest Computation.			
Particulars	**Jointly Controlled Operations (JCO)**	**Jointly Controlled Assets (JCA)**	**Jointly Controlled Entities (JCE)**
Meaning	Arrangement where - 2 or more venturers - combine their Operations , Resources & Expertise - to manufacture, market & distribute - product jointly	(a) Joint Control & (b) Joint Ownership by the Venturers, - 1 or more assets - contributed to / - acquired for purposes of JV	- Separate Entity whose - economic activity is - Jointly controlled by 2 or more JVs - as a result of contractual agreement
Example	Each JV - manufactures a different part - bears its own cost - shares revenue from the sale - shared based on contract. For instance , Aircrafts	(a) Oil Pipelines jointly controlled and operated by a number of Oil Production (b) Two Enterprises jointly control a property, each taking a share of the Rents received &	(a) When two Enterprises combine their activities in a particular line of business by (b) When an Enterprise establishes a JCE abroad, in conjunction with the
Legal Entity	Not a separate Entity	Not a separate Entity	Separate Legal Entity
Creation & Ownership of Assets	Venturer creates and fully owns the assets.	Venture does not fully own the assets, but owns them jointly or there is a common control over the assets.	Venturer does not own the asset, but owns the interest in the JCE jointly with others leading to common control.
Books of Accounts	Not maintained separately.	Not maintained separately.	Maintained separately.
Financial Statements	Not prepared separately.	Not prepared separately.	Prepared separately for applying Proportionate Consolidation
Recognition Principles in Venturer's books	**In both SFS and CFS -** • Asset it controls and the Liability it • Expenses incurred by it and its share	**In hoth SFS and CFS -** • Share in JCA classified • Direct Liabilities incurred by • Share in Joint Liabilities, if any, • Share of Income & Exps. • Expenses incurred in respect	**In SFS:** Interest in JCE will be **In CFS:** Proportionate Consolidation Method will be

	of own interest in Joint Venture.	
Contribution / Sale of asset by Venturer to JV	1. Recognize the share of Profit or Loss 2. Recognize full Loss if there is reduction in NRV of Current Asset or Impairment Loss	**In SFS:** Full Gain / Loss should be **In CFS:** Principles 1 and 2 given will apply.
Purchase of Asset by Venturer from Joint Venture	1. Recognize the share of Profit or Loss when it 2. Recognize full Loss if there Is reduction in NRV of Current Asset or Impairment Loss.	**In SFS:** Full Gain / Loss should be **In CFS:** Principles 1 and 2 given will apply.

Chapter - 11 | Unit - 1
Financial Statements of Companies

Provisions of Companies Act, 2013

Chapter VIII	Section 123 - Declaration of Dividend (Part of Law)	Section 2(35) - Dividend
Chapter VIII	Section 124 - Payment of Dividend (also)	Company Dividend Rules , 2014
Chapter IX	Section 128 - Books of Accounts	Financial Statements
Chapter IX ,	Section 129 - Financial Statements	Schedule III - Form & Content
Chapter IX ,	Section 133 - CG to prescribe AS	Section 2(40) - Definition of FS

Section 128 - Books of Accounts to be kept by Company

128 (1)	to be maintained at Registered Office to include Branch Records compliance of - Double Entry System ★ - Accrual Method ★	Can be at a place other than Regt Office > Board Resolution > Inform ROC in eform AOC 5 in 7 days Books can be maintained in ELECTRONIC MODE
128 (2)	If records are at branch, periodic summarised returns to be sent to HO or other place	
128 (3)	in India / Outside — *to be made available for inspection at Registered Office or other place by directors in business hours*	
128 (4)	Officers & Employees to give assistance in inspection u/s 128 (3)	
128 (5)	to be maintained for 8 years	Central Government can direct longer period
128 (6)	Non-Compliance will result in punishment to MD , WTD , CFO or Other Imprisonment upto 1 year or Fine 50k to 5 lakh or both	

Section 129 - Financial Statements of Company

Section 2 (40) - Financial Statements include ★
> Balancesheet
> Statement of Pft or Loss
> Cash Flow Statement
> Statement showing changes in equity
> Any Explanatory note

129 (1)	True & Fair View Compliance with **Accounting Standards u/s 133** ★ from prescribed under **Schedule III** ★ Schedule III not applicable to - Insurance Co's covered under Insurance Act - Banking Co's covered under Banking Regulation Act , 1949 - Electricity Co's covered under Electricity Act , 2002
129 (2)	Laid on by BOD in Annual General Meeting
129 (3)	**Consolidated Financial Statements** to be prepared when company has subsidiaries ★
129 (4)	Provisions apply *mutatis mutandis* to Consoidated Financial Statements
129 (5)	Any **deviation from Accounting Standards**, disclosure required ★ - **WHAT ?** Deviation from AS - **WHY ?** Reason for such deviation - **HOW much ?** Financial Impact arising from such deviation
129 (6)	CG on own or by application may give exemption to co. or class of co's.
129 (7)	Non-Compliance will result in punishment to → MD , WTD , CFO or Other Imprisonment upto 1 year or Fine 50k to 5 lakh or both

Schedule III , Part I of Companies Act, 2013 Name of Company Balance Sheet as at DD/MM/YYYY			
Particulars	**Note No.**	**CY**	**PY**
I. Equity & Liabilities			
1. Share Holders Fund			
a. Share Capital			
b. Reserves & Surplus			
c. Money received against Share Warrants			
2. Share Application money received pending allotment			
3. Non-Current Liabilites			
a. Long Term Borrowings			
b. Deferred Tax Liabilities			
c. Other Long Term Liabilties			
d. Long Term Provisions			
4.Current Liabilities			
a. Short Term Borrowings			
b. Trade Payables			
i. to MSME's			
ii. Other than to MSME's			
c. Other Current Liabilties			
d. Short Term Provisions			
Total (I)			
II. Assets			
1. Non-Current Assets			
a. Property Plant & Equipment			
i. Tangible Assets			
ii. Intangible Assets			
iii. Capital Work In Progress			
iv. Intangible Asset under development			
b. Non-Current Investments			
c. Deferred Tax Assets			
d. Long Term Loans & Advances			
e. Other Non-Current Assets			
2. Current Assets			
a. Current Investments			
b. Inventories Closing RM , WIP & FG			
c. Trade Receivables			
d. Cash & Cash Equivalents			
e. Short Term Loans & Advances			
f. Other Current Assets			
Total (II)			

Disclosure Requirements in Balancesheet

1. Share Capital
> Authorised Capital - Type & Class of Share , Nominal Value ★
> Issued , Subscribed , Calledup , Paid-up , Calls in arrears ★
> Shares issued for consideration other than cash - Bonus, Conversion of PS or Debentures etc ★
> Rights & restrictions attached to shares - Cumulative , Convertible etc
> Shares held by group companies , share holders holding > 5% of shares & promoter holding
> Shares forfeited and shares bought back during the year

2. Reserves & Surplus
> Additions to reserves & deduction from reserves ★
> Appr(appropriations) like dividend or t/f to other reserves ★
> Funds (reserves specific to earmarked investments)
> Debit balance in Profit & Loss A/C (-ve reserve) ★
> Share Options Outstanding as a separate line item ★
> Capital Reserve - on reissue of forfeited shares ★
> Capital Redemption Reserve ★
created on Redemption of PS or Buyback of ES
> Debenture Redemption Reserve - till redemption of Debentures

Classification of Reserves & Surplus
- *Capital Reserves*
- *Capital Redemption Reserves*
- *Security Premium*
- *Debenture Redemption Reserve*
- *Revaluation Reserve*
- *Employee Stock Option Outstanding*
- *Other Reserve*
- *Surplus (Profit & Loss A/C Cr. Balance)*

Accumulated Losses & Expenses not written off to be shown under R&S as - ve item ★
Example - Preliminary Expenses , Loss on issue of debentures etc

3. Share Application Money received pending allotment
> Represents share applications not refundable
> to the extent refundable , to be shown in Other Current Liabilities
refundable as a reason of
- undersubscription *(minimum subscription has to be 90%)*
- exceeding the limit of authorised capital
> Calls in advance & Interest on Calls in Advance - Other Current Liabilities ★

Basis for classification as Current & Non-Current ★
Operating Cycle , subject to minimum of 12 months
Operating Cycle - Period from purchase of Raw Material to collection from debtors after sale

4. Long Term Borrowings (Same shall apply for Short Term Borrowings)
> Borrowing from Banks & Other than banks (Related Parties) has to be disclosed ★
> State whether Secured or Unsecured , along with nature of borrowing & type of security ★
> Personally guarantee by promoter or other share holders will not make it secured
> Gurantee by director or other related parties to be disclosed separately
> Redemption or Conversion date in order of urgency
> Current maturities of long term borrowings - *"Other Current Liabilities"* ★
> Continuing default on B/S date - on repyament or interest *(Default for Short term)*
Default in previous year , made good during the year - no disclosure required

5. Other Long Term Liabilities
> Liabilities towards Micro , Small & Medium Enterprises to be disclosed separately
as per MSMED Act
> Statutory Obligations like Provident Fund Contribution - Disclose based on nature under others

6. Provisions (both Short Term & Long Term)
> Provision to be classified as - Provisions for Employee Benefits & Others
> Short Term & Long Term separately as Current & Non-Current

7. Trade Payables
> Payable to MSME & Others - to be disclosed separately
> Payable for assets (other than goods) - *"Other Current Liabilties "* ★
> Ageing Schedule *Outstanding for less than a year , 1 - 2 years , 2 - 3 years & > 3 years* ★

8. Other Current Liabilities

- > Interest accured & due
- > Interest accured & but not due
- > Matured deposits & debentures
- > Income received in advance
- > Current maturities of long term borrowings ★
- > Application received , due for refund
- > Unpaid dividend ★
- > Statutory dues

9. Tangible Assets

> Leasehold Properties and Free hold Properties - Disclosed separately
> Assets bought under Finance Lease & Assets sent on Operating Lease - Disclosed separately.
> Disclosure requirements as per AS 10 - Property Plant Equipment ★
- Original Cost
- Accumulated Depreciation *(Opening, Depreciation for the year & Closing)*
- Revaluations (if any) & method of revaluation adopted
- Other deductions / adjustments

> Assets acquired through Business Combinations
> Foreign Exchange if any capitalised into cost of asset as per AS 11
> Borrowing Cost if any capitalised into cost of asset as per AS 16

10. Intangible Assets

> Original Cost , Amortisation , Book value - to be disclosed separately ★
> Revaluation is not allowed as per AS 26
> Intangible asset under development - to be disclosed separately

11. Investments (both Non-Current & Current)

> Trade Investments & Other Investments - to be disclosed separately *(not reqd for Current)*
Trade Investment - made to promote business or trade
> Investment in group companies
> Valuation at other than cost - to be disclosed separately

12. Long Term Loans & Advances

> Advance to supplier of Fixed Assets
> Prepaid Expenses , Tax Receivable (Advance Tax , GST Credit) ★
> to be classified as Secured , Unsecured & doubtful categories
> relating to Directors or other Related Parties - to be disclosed separately

13. Inventories

- > Raw Material
- > WIP
- > Finished Goods
- > Goods in transit
- > Loose tools
- > Stores & Spares
- > Trading goods

$\rightarrow$ to be disclosed separately

14. Trade Receivables

> Ageing Schedule

Secured & Unsecured ; Good & Disputed		
less than 6 months ★	*1 year to 2 years*	*more than 3 years*
6 months to 1 year	*2 years to 3 years*	

15. Cash & Cash Equivalent

> Bank balance with Unscheduled bank ★
> Timing deposit for more than 12 months ★
> Earmarked balance with Bank ★

$\rightarrow$ to be disclosed separately

★ *Overdraft is not C & CE*

Schedule III , Part 2 of Companies Act, 2013 Name of Company Statement of Profit or Loss for year ended DD/MM/YYYY			
Particulars	Note No.	CY	PY
I. Revenue from Operations II. Other Income			
III. Total Revenue (I + II)			
IV. Expenses a. Cost of Materials Consumed [Opening + Purchase - Closing] RM b. Purchase of Stock-in-trade FG only c. Changes in inventory [Opening - Closing] WIP & FG d. Employee Benefit Expenses e. Finance Costs f. Depreciation and Amortisation Expense g. Other Expenses	COGS or Adjusted Purchases		
Total Expenses			
V. Profit before Exceptional & Extraordinary Items & Tax VI. Exceptional Items			
VII. Profit before Extraordinary Items & Tax VIII.Extraordinary Items			
IX. Profit before Tax X. Tax Expense a. Current Tax *Tax % on Taxable Profit as per Income Tax Act, 1961* b. Deferred Tax *Difference between Tax Expense & Current Tax*			
XI. Profit or loss from Continuing Operations XII. Profit or loss from Discontinuing Operations XIII. Tax Expense on Discontinuing Operations XIV. Profit or loss from Discontinuing Operations(aft Tax)			
XV. Profit or loss for the period XVI. Earnings Per Share a. Basic Earnings Per Share b. Diluted Earning Per Share			

Section 123 - Declaration of Dividend

Section 2 (35) - Dividend includes Interim Dividend ★		
	Interim Dividend	*Final Dividend*
Declared	*by Board of Directors* *at Board Meeting*	*by Members* *at General Meeting*

123 (1) No dividend shall be declared or provided by a company for any financial year except
> out of **profits of current year or previous year** after providing depreciation ★
> out of money provided by Central or State Government for the payment of dividend

123 (2) **Depreciation** shall be provided in accordance with provisions of **Schedule II**

123 (3) Interim dividend out of current year profits or out of **surplus profits**
incase of loss , during the year upto the end of previous quarter
Dividend **cannot be higher than average of preceeding 3 FYs** ★

123 (4) Amount to be deposited in separate bank account within 5 days from declaration

123 (5) Dividend to paid to Registered Share holder or his order or banker & in cash only
Payment of dividend will not prohibit - Bonus Shares or Paying unpaid amount

123 (6) Non-compliance of deposit acceptance (Sec 73) & repayment (Sec 74)
cannot declare dividend

Section 124 - Payment of Dividend

124 (1) Dividend declared but not been paid or not claimed within 30days
should be transferred to Unclaimed Dividend A/C within 7 days

124 (2) Within 90 days prepare statement containing
> Name
> last known address
> unpaid dividend
and place it on website of company & other webite prescribed by CG

124 (3) Interest at 12% is to be paid if there is default in transfer to Unclaimed dividend A/C

124 (4) Person claiming such unclaimed dividend may apply to the company

124 (5) After 7 years will be transferred with interest to **Fund** establised u/s 125 (1)

124 (6) Unclaimed Dividend to be transferred to **Investor Education & Protection Fund**
Claimant of shares for dividend to apply in presecribed application and procedure

124 (7) Non-Compliance
> Company to be fined not less than 5 lakhs, which may extend upto 25 lakhs
> Officer in default to be fined not less than 1 lakh, which may extend upto 5 lakhs

★ Companies (Declaration & Payment of Dividend) Rules, 2014 ★

Declaration of dividend out of free reserves in the case of **inadequancy or absence of profits**

Rate of dividend to not exceed average dividend rate of last 3 years

Rule will not apply if dividend is not declared in last 3 years

Amount of dividend to be less than or equal to 1/10th of Paidup Capital + Free Reserve of last year

Amount withdrawn to be first utilised to set off current year losses before declaration of dividend

Balance in Reserves after such withdrawl to be minimum 15% of Paidup Capital

Chapter 10 | Unit 2 & Chapter 4 | Unit 1

AS 3 - Cash Flow Statement

Section 2 (40) of Companies Act, 2013

Financial Statements include

> Balancesheet
> Statement of Pft or Loss
> **Cash Flow Statement** ★
> Statement showing changes in equity
> Any Explanatory note

Exception to include Cash Flow Statements in Financial Statements

- One Person Company
- Small Company
- Dormant Company

Objective

- Information to users
- Assess the ability & needs to generate Cash Flows
- Understand the timing & certainity of Cash Flows
- Classifying cash flows into Operating , Investing & Financing

Scope

Cash Flow Statement for each period for which Financial Statements is prepared

Definitions

Cash	*Cash on hand & demand deposits with Bank*
Cash Equivalent	*Short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value*
Cash Flows	*Inflows & Outflows of Cash & Cash Equivalent*
Operating Activities	*Prinicpal revenue producing activities of the enterprise and activities that are not investing or financing activities*
Investing Activities	*Acquisition & disposal of long term assets and other investments not included in Cash Equivalents*
Financing Activities	*Activities that result in changes in the size and composition of the owners capital and borrowings of the enterprise*

Method of preparing Cash Flow Statement

Direct Method

Operating Activities
Gross Receipts
- Gross Payments

Investing Activities
Gross Receipts
- Gross Payments

Financing Activities
Gross Receipts
- Gross Payments

Indirect Method

Operating Activities
Net Profit as per P&L
+ / - Non Cash Items
+/ - Non Operating

Investing Activities
Gross Receipts
- Gross Payments

Financing Activities
Gross Receipts
- Gross Payments

Cash Flow Statement under Direct Method

Particulars	₹
Cash Flow from Operating Activities	XXXX
Cash received from Sale of goods (Cash Sale)	
Cash received from Trade Receivables (on Credit Sale)	
Cash received from rendering services	
Less: Payment for Purchase of goods (Cash Purchase)	
Less: Payment to Trade Payables (on Credit Purchase)	
Less: Payment for Operating Expenses	
Cash Flow from Investing Activities	XXXX
Sale of Assets	
Interest received on Investments	
Less: Purchase of Assets	
Cash Flow from Financing Activities	XXXX
Issue of Shares or Debentures	
Loan borrowed	
Less: Shares bought back or Shares/Debentures redeemed	
Less: Interest or Dividend paid	
Opening Cash & Cash Equivalent	XXXX
Closing Cash & Cash Equivalent	XXXX

Cash Flow Statement under Indirect Method

Difference between Direct Method & Indirect Method

Cash Flow from Operating Activity

Direct Method	Indirect Method
Gross Receipt & Payment basis	*Net Profit basis*

Particulars	₹	₹
Cash Flow from Operating Activities		XXXX
Net Profit as per Profit & Loss Account	XXXX	
Add: Non-Cash expenses debited to P&L	XXX	
Add: Non Operating expenses debited to P&L	XXX	
Less: Non-Cash incomes credited to P&L	(XXX)	
Less: Non Operating incomes credited to P&L	(XXX)	
Operating Profit before Working Capital Changes	XXXX	
Add/Less: Changes in working Capital		
Increase in Current Assets	XXX	
Decrease in Current Assets	(XXX)	
Increase in Current Liabilities	(XXX)	
Decrease in Current Liabilities	XXX	
Cashflow from Operating Activities before tax	XXXX	
Less: Tax paid during the year	(XXX)	
Cashflow before Extraordinary items	XXXX	
Add/Less: Extraordinary items	XXX / (XXX)	

Analysis of difference between Direct Method & Indirect Method

Balancesheet as on DD/MM/YY

Particulars	Amount (₹)
A. Equity & Liabilites 1. Share Holders Fund 2. Share Application received pending allotment 3. Non-Current Liability 4. Current Liability	
Total (A)	
B. Assets 1. Non-Current Assets 2. Current Assets	
Total (B)	

Financing Activities

Operating Activities

Working Capital Changes

Investment Activities

Statement of Profit or Loss as on DD/MM/YYYY

Particulars	Amount (₹)
1. Revenue from Operations 2. Other Income ★★	
Total Income	
1. Consumption of Raw Material 2. Purchase of Stock in trade 3. Changes in inventory 4. Employee benefit expense ★ 5. Depreciation & Amortisation Expense 6. Finance Charges 7. Other Expense ★★	
Total Expenses	
Profit (Total Income - Total Expense)	

Operating Activities

Cash Inflows

Subject to adjustments

Operating Activities

Cash Outflows

Subject to adjustments

Cash Flow from Operating Activities ⟷ **Net Profit as per Profit & Loss Account**

Very Close
yet different

Points of difference

- Net Profit is excess of income over expense. However, net cash flow is receipts over payments
- Expenses are recorded in Profit & Loss on accrual basis, in Cash Flow on cash basis.
- Profit & Loss will include financing & investing items and not just operating items.
- Current Assets & Liabilities are items outside Profit & Loss that still affects Operating Activities.

Cash Flow from Operating Activities can be found starting with Net Profit by removing impact of these items from Net Profit and providing for changes in working capital.

Chapter 13
AS 14 - Amalgamation of Companies

Amalgamation

AS 14 *as per 3 (a)*	*means amalgamation pursuant to provisions of* ***Companies Act, 2013*** *or any other statute which may be applicable to companies and include* ***'merger'***.
Companies Act, 2013	*not defined by Companies Act, 2013*
Income Tax Act, 1949	*Merger of one or more companies with another company or merger of two or more companies to from one company.*

Corporate Restructuring in the general

	Amalgamation	Absorption	Reconstruction – External	Reconstruction – Internal
Meaning	2 or more companies are wound up & a new company is formed to takeover	One existing company takes over the business of another existing company	A newly formed company takes over the business of an existing company	Arrangement with stakeholders to revive the company out of financial difficulties
Liquidation	2 or more Companies liquidation	1 or more Companies liquidation	1 company is liquidated	No Liquidation
Incorporation	1 new company incorporated	No new company incorporated	1 new company is incorporated	No incorporation
AS 14	✓	✓	✓	✗

Parties to Amalgamation:
- TransfeRROR → *Liquidating company* → ✗ AS 14
- TransfeREE → *Taking over company* → ✓ AS 14

Nature	Merger		Purchase	
Conditions	All the 5 condition are satisfied		Even if 1 out of 5 conditions is not satisfied	
Accounting	TransfeREE: Pooling of Interest Method *as per AS 14*	TransfeROR: Dissolution Liquidation Realisation *as per GAAP*	TransfeREE: Purchase Method *as per AS 14*	TransfeROR: Dissolution Liquidation Realisation *as per GAAP*

5 Conditions are given by para 3 (e) of AS 14

1. Assets & Liabilites TransfeROR *incl Reserves & Surplus* → *should be taken over by* TransfeREE
2. Min. 90% Shareholders TransfeROR → *continue to be shareholders of* TransfeREE
3. Consideration to agreed shareholders of TransfeROR → *Equity Shares in* TransfeREE *Except Fractional Shares settled in* ₹
4. Business of TransfeROR → *intended to be carried on by* TransfeREE
5. Assets & Liabilities of TransfeROR → *incorporated at book value in* TransfeREE *Except to bring uniformity in Accounting Policies*

Purchase Consideration

Preference Shareholders of TransfeROR

Cash or
Equity Shares / Preference Shares / Debentures in TransfeREE

Equity Shareholders of TransfeROR

Cash or
Equity Shares / Preference Shares / Debentures in TransfeREE

Debenture Holders of TransfeROR

Cash or
Equity Shares / Preference Shares / Debentures in TransfeREE

Computation of Purchase Consideration				
Lumpsum Method	**Payment Method**	**Net Asset Method**	**Intrinsic Value Method**	
 TransfeREE agrees to pay lumpsum / fixed amount to share holders of TransfeROR company	 TransfeREE settles shareholders by individual payments in the form of cash, shares or debentures in TrasfeREE company	 Consideration is computed at agreed value of assets taken over by TransfeREE less agreed value of liabilities taken over by TransfeREE	 Intrinsic Value of TransfeROR is considered to be PC and it is settled by issue of shares in TransfeREE at its intrinsic value.	if PC > NATO ; Goodwill = PC - NATO if PC < NATO ; Capital Reserve = NATO - PC

Accounting in the books of TransfeROR Company

Transfer of Assets to Realisation Account

Realisation A/C Dr.	Book Value	
To Assets A/C		Book Value

All **assets** whether taken over or not should be transferred to **Realisation Account** at **book value**

Exception

- Cash & Bank to be transferred only if taken over.
- Fictitious Assets & Accumulated Losses not to be transferred *(will be transferred to Shareholders A/C)*

Agreed Value will not be considered **Realisation A/C**
It will be considered in **TransfeREE** books only.

Transfer of Liabilities to Realisation Account

Liabilities A/C Dr.	Book Value	
To Realisation A/C		Book Value

All outside **liabilities** whether taken over or not should be transferred to **Realisation Account** at **book value**

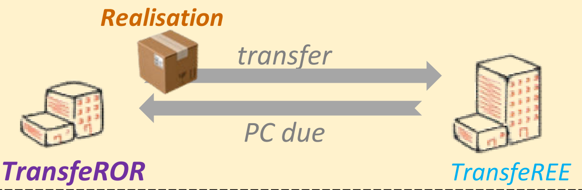
Exception

- Share Capital
- Reserves & Surplus

→ *will be transferred to Shareholders A/C*

Agreed Value will not be considered **Realisation A/C**
It will be considered in **TransfeREE** books only.

Recording Purchase Consideration due



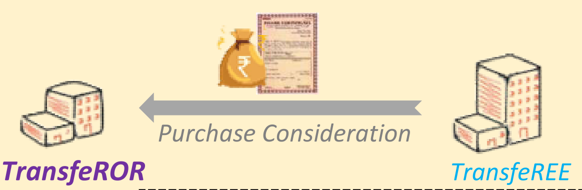
TransfeREE A/C Dr.	PC	
To Realisation A/C		PC

Purchase Consideration as computed under

- Lumpsum Method
- Payment Method
- Net Asset Method
- Intrinsic Value Method

Ignore the form of consideration in this entry

Receipt of Purchase Consideration



Purchase Consideration in the form of

- Cash
- Equity Shares
- Preference Shares
- Debentures

→ in **TransfeREE**

Cash A/C Dr.		
Equity Shares in TransfeREE A/C Dr.	IP	
x% Preference Shares in TransfeREE A/C Dr.	IP	
x% Debentures in TransfeREE A/C Dr.	IP	
To TransfeREE A/C		PC

Nominal Value of Shares & Debentures to be ignored

Selling Assets not takenover

Bank A/C Dr.	Sale Price	
To Realisation A/C		Sale Price

Entry to be passed at Selling Price
- Cost Price or Book Value to be ignored
- Profit or Loss on sale of asset to be ignored

In the absence of specific mention assume Selling Price to be **'0'**

Settling Liabilities not takenover

Realisation A/C Dr.	Payment	
To Bank A/C		Payment

Entry to be passed at Settlement Price *(Amount paid)*
- Book Value of liability to be ignored
- Profit or Loss on settlement to be ignored

In the absence of specific mention assume Settlement Price to be **'Book Value'**

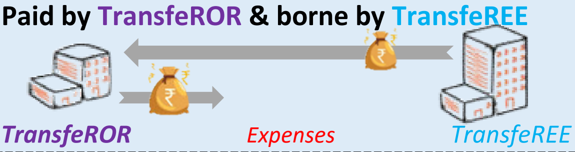
Realisation or Liquidation Expenses

Paid & borne by TransfeROR

Realisation A/C Dr.	**Payment**	
To Bank A/C		**Payment**

Any
Expense or Income
arising in the process of Liquidation is to be transferred to Realisation Account

Paid by TransfeROR & borne by TransfeREE



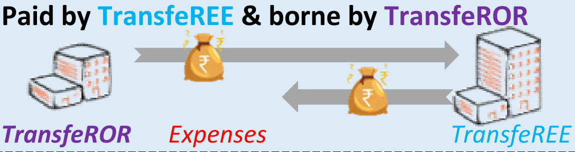
Realisation A/C Dr.	**Payment**	
To Bank A/C		**Payment**
Bank A/C Dr.	**Receipt**	
To Realisation A/C		**Receipt**

Paid & borne by TransfeREE

NO ENTRY

✗ No entry passed by TransfeROR as it is paid and borne by TransfeREE and will not affect TransfeROR

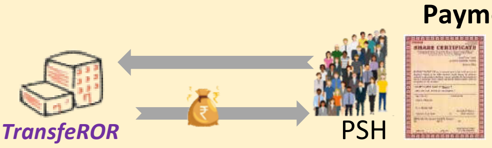
Paid by TransfeREE & borne by TransfeROR



Realisation A/C Dr.	**Payment**	
To Bank A/C		**Payment**

✗ No entry passed by TransfeROR for payment by TransfeREE
✓ Entry is passed by TransfeROR for payment made to TransfeREE

Payment to Preference Share Holders

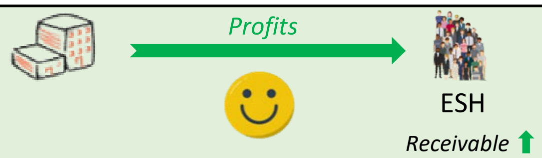


Preference Share Capital A/C	**Dr.**	**NV**	
Realisation A/C	**Dr.**	**Premium on redemp**	
To Realisation A/C			**Discount on redemp.**
To Preference Share Holder A/C			**Redemption Price**
Preference Share Holder A/C	**Dr.**	**Redemption Price**	
To Equity Shares in TransfeREE A/C			**Issue Price**
To Preference Shares in TransfeREE A/C			**Issue Price**
To Debentures in TransfeREE A/C			**Issue Price**
~~**To Security Premium A/C**~~			~~**Premium on issue**~~
To Cash/Bank A/C			

Realisation Profit or Loss

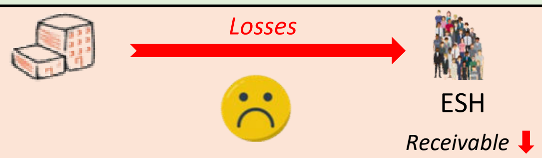
Realisation Profit

Realisation A/C	**Dr.**	**Profit**	
To Equity Share Holders A/C			**Profit**



Realisation Loss

Equity Share Holders A/C	**Dr.**	**Loss**	
To Realisation A/C			**Loss**



Payment to Equity Share Holders

Equity Share Capital A/C	**Dr.**	**NV**	
Reserves & Surplus A/C	**Dr.**	**Accumulated Profits**	
To Reserves & Surplus A/C			**Accumulated Losses**
To Equity Share Holder A/C			**Redemption Price**
Equity Share Holder A/C	**Dr.**	**Balancing figure**	
To Equity Shares in TransfeREE A/C			**Issue Price**
To Preference Shares in TransfeREE A/C			**Issue Price**
To Debentures in TransfeREE A/C			**Issue Price**
~~**To Security Premium A/C**~~			~~**Premium on issue**~~
To Cash/Bank A/C			

Ledger Accounts in the books of TransfeROR

Dr. Realisation A/C Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Assets A/C *Assets transferred at Book Value*	XXX	By Liabilities A/C *Liabilities transferred at Book Value*	XXX
		By TransfeREE A/C *Purchase Consideration due*	XXX
To Cash / Bank A/C *Liabilities not taken over paid off*	XXX	By Cash / Bank A/C *Assets not taken over sold off*	XXX
To Cash / Bank A/C *Realisation Expenses*	XXX	By Cash / Bank A/C *Reimbursement of Realisation Expenses*	XXX
To Preference Share Holders A/C *Premium on redemption of PS*	XXX	By Preference Share Holders A/C *Discount on redemption of PS*	XXX
To Equity Share Holders A/C *Profit on Realisation*	XXX	To Equity Share Holders A/C *Loss on Realisation*	XXX
or			
	XXXX		XXXX

Dr. TransfeREE A/C Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Realisation A/C *Purchase Consideration due*	XXX	By Equity Shares in TransfeREE A/C	XXX
		By Preference Shares in TransfeREE A/C	XXX
		By Debentures in TransfeREE A/C	XXX
		By Cash / Bank A/C	XXX
	XXXX		XXXX

Dr. Preference Share Holders A/C Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
		By Preference Share Capital A/C *Nominal Value of Share Captial*	XXX
To Realisation A/C *Discount on Redemption of PS*	XXX	By Realisation A/C *Premium on Redemption of PS*	XXX
To Equity Shares in TransfeREE A/C	XXX		
To Pref Shares in TransfeREE A/C	XXX		
To Debentures in TransfeREE A/C	XXX		
To Cash / Bank A/C *Settlement of Purchase Consideration*	XXX		
	XXXX		XXXX

Dr. Equity Share Holders A/C Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
		By Equity Share Capital A/C *Nominal Value of Share Captial*	XXX
To Reserves & Surplus A/C *Accumulated Losses t/f to ESH*	XXX	By Reserves & Surplus A/C *Accumulated Profits t/f to ESH*	XXX
To Realisation A/C *Discount on Redemption of PS*	XXX	By Realisation A/C *Premium on Redemption of PS*	XXX
To Equity Shares in TransfeREE A/C	XXX		
To Pref Shares in TransfeREE A/C	XXX		
To Debentures in TransfeREE A/C	XXX		
To Cash / Bank A/C *Settlement of Purchase Consideration*	XXX		
	XXXX		XXXX

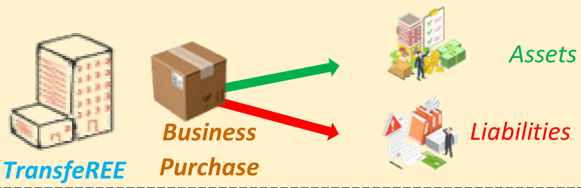
Accounting in the books of TransfeREE Company

Amalgamation in the nature of PURCHASE — PURCHASE METHOD

Transfer of Business

Business Purchase	Dr.	PC	
To Liquidator's of TransfeROR A/C			PC

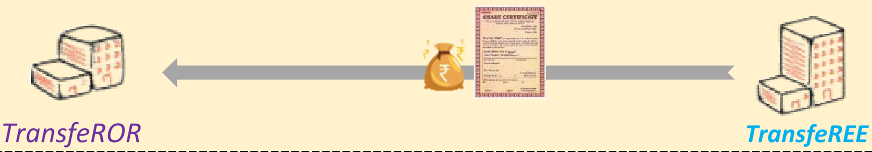
Incorporation of Assets & Liabilities



Balancesheet	
Equity	XXX
Liabilties	XXX
Assets	XXX

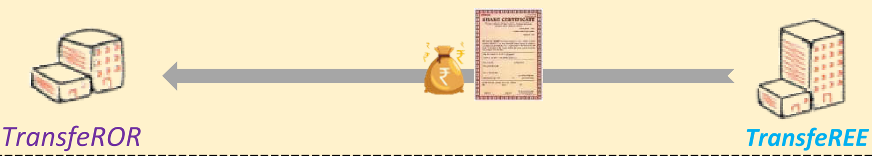
Assets A/C	Dr.	AV	
Goodwill A/C ☹	Dr.	PC - NATO	
To Capital Reserve A/C ☺			NATO - PC
To Liabilities A/C			AV
To Business Purchase A/C			PC

Discharge of Purchase Consideration



Liquidator's of TransfeROR A/C	Dr.	PC	
To Equity Share Capital A/C			NV
To x% Preference Share Capital A/C			NV
To x% Debentures A/C			NV
To Security Premium A/C			IP - NV
To Cash A/C			

Debenture Holders Settlement - *D RUMS*



x% Debentures in TransfeROR A/C	Dr.	AV	
Discount on issue of Debentures A/C	Dr.	NV - IP	
To Equity Share Capital A/C			NV
To x% Preference Share Capital A/C			NV
To x% Debentures A/C			NV
To Security Premium A/C			IP - NV
To Cash A/C			

Realisation Expenses of TransfeROR paid by TransfeREE - *D R U M S*

TransfeROR			*TransfeREE*	
Goodwill A/C	**Dr.**			
To Cash A/C				

Unrealised Profits on Inter Company Transactions - *D R U M S*

TransfeROR	*TransfeREE*			
Goodwill A/C	**Dr.**			
To Inventory (Stock) A/C				

Mutal Indebtedness - *D R U M S*

TransfeROR			*TransfeREE*	
Trade Payables A/C	**Dr.**			
To Trade Receivables A/C				

Statutory Reserves - *D R U M S*

TransfeROR			*TransfeREE*	
Trade Payables A/C	**Dr.**			
To Trade Receivables A/C				

Chapter - 14 | Internal Reconstruction

Situation of Company	Process of reconstruction	Compliance of Companies Act
- huge accumulated losses	> Revalue assets	Section 48 - Variation of rights
- overvalued assets	> Restate liabilities	Section 61 - Alteration of SC
- overdue payments	> reorganise capital	Section 66 - Reduction of SC
- unsettled liabilities	> write off accumulated losses	

Section 48 - Variation of rights

Change in rights of the shareholders without changing the amont of share capital

Example - Change in dividend rate of Preference Shares

Section 61 - Alteration of Share Capital

Types of Alteration

- Subdivision or Splitting → *dividing shares into smaller denomination*
- Consolidation → *consolidating shares into higher denomination*
- Converting Shares into Stock → *no fraction & no denomination*
- Stock into Shares → *dividing stock into fractions & denomination*

Share Capital remains same

Compliance requirements for alteration

> Power in Articles of Association

> Ordinary Resolution in General Meeting

Section 66 - Reduction of Share Capital

Types of Reduction

- Reduction on Paid up value only → *NV remains unchanged, only paid up value decreases*
- Reduction on Nominal & Paid up value → *NV reduces along with reduction in paid up value*

Share Surrender

- Share holders surrender shares
- Surrendered shares are used to settle liabilities

Capital Reduction

Reserves created by	Reserves will be used to
- writing off liabilities	- write off assets
- reducing liabilities	- write off accumulated loss
- reduction of Sh Cap.	

Excess in Capital Reduction will be transferred to **Capital Reserve**

Disclosure in Financial Statements

> Balancesheet to be followed by words ***"and reduced as on"***

> Assets written off to be disclosed for 5 years

Build your Accounting Quotient

AQ		Status
1	Variation of Shareholders rights	
2	Sub-division (split) of shares	
3	Consolidation of shares	
4	Conversion of shares into stock	
5	Conversion of stock into shares	
6	Reduction of Share Capital - Paid up only	
7	Reduction of Share Capital - Paid up & NV	
8	Arrears of Preference Dividend	
9	Share Surrender	

Chapter 15
Branch Accounting

for the purpose of Accounting

Types of Branches

- Inland Branches / *Domestic Branches*
- Foreign Branches

Inland Branches
Domestic Branches

- Dependent Branches — *Records maintained by Head Office*
- Independent Branches — *Independent records maintained by Branch*

Dependent Branches

Accounting is based on price at which stock is sent

- Stock sent at Cost / Invoice Price
  - *Debtors Method*
  - *Stock Debtors Method*
  - *Final Accounts Method*
- Stock sent at Wholesale Price
  - Wholesale Price Method

Debtors Method

> Every branch is treated like a **debtor**

> Any resource sent or expense paid on behalf of branch is considered recoverable from branch and DEBITED to branch A/C

> Any resource received from branch is considered as recovery from branch and CREDITED to Branch A/C

> Any transactions happening at branch not involving Head office is ignored

> Opening & Closing Balances are recorded for resources & obligations at branch

	Opening Balance	Closing Balance
Asset	Debit Side	Credit Side
Liability	Credit Side	Debit Side

> **Profit** or **loss** from branch operations is found as balancing figure

Journal Entries to record transaction under Debtors Method			
Transaction	**Particulars**	**Dr.**	**Cr.**
Goods sent to branch	Branch A/C Dr. To Goods sent to Branch A/C		
	Goods sent to Branch A/C Dr. To Purchases A/C		
Branch Expenses paid **- by Head Office**	Branch A/C Dr. To Cash A/C		
- by Branch	No Entry *It will be used in computation of Closing Cash at Branch*		
Sale of goods **- Credit Sales**	No Entry *It will be used in computation of Closing Debtors & Closing Stock*		
- Cash Sales	No Entry *It will be used in computation of Closing Cash & Closing Stock*		
Collection from Debtors	No Entry *It will be used in computation of Closing Cash & Closing debtors*		
Bad debts or Discount allowed to debtors	No Entry *It will be used in computation of Closing debtors*		
Goods returned by branch	Goods sent to Branch A/C Dr. To Branch A/C		
Goods sent to another branch *on orders of HO*	Goods sent to Branch A/C Dr. To Branch A/C		
Branch remitts cash to HO	Cash A/C Dr. To Branch A/C		
Cash paid by customers to HO directly	Cash A/C Dr. To Branch A/C		
Goods sent to branch but not reached branch yet	Goods in transit A/C Dr. To Branch A/C		
Cash sent to branch but not received by branch yet	Cash in transit A/C Dr. To Branch A/C		
Goods getting destroyed **- Normal & Abnormal Loss**	No Entry *It will be used in computation of Closing Stock at Branch*		
Insurance claim received **- by Branch**	No Entry *It will be used in computation of Closing Cash at Branch*		
- by HO	Cash A/C Dr. To Branch A/C		
Profit at Branch	*Profit is found as balancing figure in Branch A/C and t/f to P & L A/C of HO* Branch A/C Dr. To P & L A/C		

Ledger Accounts under Debtors Method

Dr. Branch A/C Cr.

Particulars	₹	Particulars	₹
To Balance b/d		By Balance b/d	
- Branch Assets		- Outstanding exp	
- Branch Debtors			
- Petty Cash			
- Branch Stock		By Bank/Cash A/C	
		Cash	
To Goods sent to branch			
To Bank/Cash A/C		By Goods sent to branch returned	
Branch exp paid by HO			
		By Goods in Transit A/C	
To Bank/Cash A/C		*Goods sent by HO but not received*	
Petty Cash paid into branch			
		By Cash in Transit A/C	
		Cash sent by HO but not received	
To Balance c/d		By Balance c/d	
- Outstanding exp		- Branch Assets	
		- Branch Debtors	
To P & L A/C		- Petty Cash	
Branch Profit		- Branch Stock	
balancing figure			

Transactions not entered in Branch A/C

Sales made at branch, whether cash or credit	*However it will be used to arrive at closing inventory at branch Cash remitted to HO will be recorded it will be used in computing closing Branch debtors*
Expenses paid out of petty cash by branch	*However it will be used to arrive at closing petty cash at branch*
Depreciation on assets at branch	*However it will be used to arrive at closing value of asset at branch*
Discount allowed to customer or bad debts	*However it will be used to arrive at closing value of debtors at branch*

When goods are sent by Head Office to Branch at Invoice Price

Removal of load on Opening Stock	Stock Reserve A/C Dr. To Branch A/C		
Goods sent to branch *at Invoice Price*	Branch A/C Dr. To Goods sent to Branch A/C		
Removal of load on Goods sent to Branch	Goods sent to Branch A/C Dr. To Branch A/C		

Goods returned by branch *at Invoice Price*	Goods sent to Branch A/C Dr. To Branch A/C		
Removal of load on Goods returned by Branch	Branch A/C Dr. To Goods sent to Branch A/C		
Removal of load on Closing Stock	Branch A/C Dr. To Stock Reserve A/C		

Ledger Account when goods are sent at Invoice Price

Dr. Branch A/C Cr.

Particulars	Amount	Particulars	Amount
To Balance b/d - Branch Assets - Branch Debtors - Petty Cash - Branch Stock	@ IP	By Balance b/d - Outstanding exp	
		By Stock Reserve *Removal of load on OS*	
To Goods sent to branch	@ IP	By Bank/Cash A/C *- Cash remitted by branch to HO, out of Cash Sales & collection from Debtors*	
To Goods sent to branch returned *Removal of load on GSB Returned*		By Goods sent to branch *Removal of load on GSB*	
To Bank/Cash A/C *- Branch exp paid by HO*		By Goods sent to branch returned	@ IP
To Bank/Cash A/C *- Petty Cash paid into branch*		By Goods in Transit A/C *Goods sent by HO but not received*	
To Balance c/d - Outstanding exp		By Cash in Transit A/C *Cash sent by HO but not received*	
To Stock Reserve *Removal of load on CS*		By Balance c/d - Branch Assets - Branch Debtors - Petty Cash - Branch Stock	@ IP
To P & L A/C ***Branch Profit***			

Stock Debtor System

Blast from the past (points to know about Debtor System to understand Stock Debtor System)

> Improvised version of **Debtor system**

> Under debtor system, though we ignore transactions between Branch & customers, it is still considered to arrive at closing balances of Debtors , Stock etc record of this is usually kept by Branch in memorandum form.
like Memorandum Stock A/C, Memorandum Debtors A/C etc

> HO incorporates only closing details from these records in Branch A/C under Debtors System.

Improvisation under Stock debtor system

> Memorandum A/C preparation at branch is superceeded with fair accounts preparation in HO
like Branch Stock A/C, Branch Debtors A/C etc

> Branch A/C under Debtor System is replaced by preparation of
- Branch Stock A/C → to determine gross profit or loss of sales at branch (i.e, Surplus)
- Branch Debtors A/C → to determine closing debtors balance
- Branch Cash A/C → to determine closing cash balance
- Branch Expense A/C to determine total expenses to be charged in computation of branch profit
- Branch P & L A/C → to determine total profit at branch

If goods are sent to branch at invoice price then additional account is opened
- Branch Adjustment A/C to remove load on Opening stock, goods sent to branch , loss & Closing stock
Surplus or Deficit is t/f from Branch Stock A/C to Branch Adjustment A/C and Gross Profit is determined as balancing figure in this ledger.

Journal Entries to record transaction under Stock Debtors Method

In comparision with entries under Debtors Method

Transaction	Under Debtor System	Under Stock Debtor System
Goods sent to branch	Branch A/C Dr. To Goods sent to Branch A/C	Branch Stock A/C Dr. To Goods sent to Branch A/C
	Goods sent to Branch A/C Dr. To Purchases A/C	Goods sent to Branch A/C Dr. To Purchases A/C
Branch Exp paid - by HO	Branch A/C Dr. To Cash A/C	Branch Exp A/C Dr. To Cash A/C
- by Branch	No Entry	Branch Exp A/C Dr. To Branch Cash A/C
Sale of goods - Credit Sales	No Entry	Branch Debtors A/C Dr. To Branch Stock A/C
- Cash Sales	No Entry	Branch Cash A/C Dr. To Branch Stock A/C
Collection from Debtors	No Entry	Branch Cash A/C Dr. To Branch Debtors A/C
Bad debts or Disc allowed to debtors	No Entry	Branch Exp A/C Dr. To Branch Debtors A/C

Goods returned by branch	Goods sent to Branch A/C Dr. To Branch A/C	Goods sent to Branch A/C Dr. To Branch Stock A/C
Goods sent to another branch *on orders of HO*	Goods sent to Branch A/C Dr. To Branch A/C	Goods sent to Branch A/C Dr. To Branch Stock A/C
Branch remitts cash to HO	Cash A/C Dr. To Branch A/C	Cash A/C Dr. To Branch Cash A/C
Cash paid by Debtors to HO directly	Cash A/C Dr. To Branch A/C	Cash A/C Dr. To Branch Debtors A/C
Goods sent to branch but not reached branch yet	Goods in transit A/C Dr. To Branch A/C	Goods in transit A/C Dr. To Branch Stock A/C
Cash sent to branch but not received by branch yet	Cash in transit A/C Dr. To Branch A/C	Cash in transit A/C Dr. To Branch Cash A/C
<u>Goods getting destroyed</u> - Normal Loss	No Entry	Branch Adjustment A/C Dr. To Branch Stock A/C
- Abnormal Loss	No Entry	Branch Adjustment A/C Dr. Branch P & L A/C Dr. To Branch Stock A/C
<u>Insurance claim received</u> - by Branch	No Entry	Branch Cash A/C Dr. To Branch P & L A/C
- by HO	Cash A/C Dr. To Branch A/C	Cash A/C Dr. To Branch P & L A/C
Profit at Branch		Close Branch Stock A/C to find Surplus, t/f it to Branch P & L *For deficit (like Gross Loss)* Branch P&L A/C Dr. To Branch Stock A/C *For surplus (like Gross Profit)* Branch Stock A/C Dr. To Branch P & L A/C
		Close Branch Exp A/C to find total branch exp and transfer it to Branch P & L Branch P&L A/C Dr. To Branch Expense A/C
	Profit is found as balancing figure in Branch A/C and t/f to P & L A/C of HO Branch A/C Dr. To P & L A/C	Profit is found as balancing figure in Branch P & L A/C and t/f to P & L A/C of HO Branch P & L A/C Dr. To P & L A/C

When goods are sent by Head Office to Branch at Invoice Price		
Transaction	**Under Debtor System**	**Under Stock Debtor System**
Removal of load on Opening Stock	Stock Reserve A/C Dr. To Branch A/C	Stock Reserve A/C Dr. To Branch Adjustment A/C
Goods sent to branch *at Invoice Price*	Branch A/C Dr. To Goods sent to Branch A/C	Branch Stock A/C Dr. To Goods sent to Branch A/C
Removal of load on Goods sent to Branch	Goods sent to Branch A/C Dr. To Branch A/C	Goods sent to Branch A/C Dr. To Branch Adjustment A/C
Goods returned by branch *at Invoice Price*	Goods sent to Branch A/C Dr. To Branch A/C	Goods sent to Branch A/C Dr. To Branch Stock A/C
Removal of load on Goods returned by Branch	Branch A/C Dr. To Goods sent to Branch A/C	Branch Adjustment A/C Dr. To Goods sent to Branch A/C
Removal of load on Closing Stock	Branch A/C Dr. To Stock Reserve A/C	Branch Adjustment A/C Dr. To Stock Reserve A/C

Ledger Accounts under Stock Debtors Method

Dr. Branch Stock A/C Cr.

Particulars	Amount	Particulars	Amount
To Balance b/d *Opening Stock at branch*		By Branch Cash A/C *Cash Sales*	
To Goods Sent to Branch A/C *Goods sent to Branch by HO*		By Branch Debtors A/C *Credit Sales*	
To Branch Cash A/C *Cash Sales Returns*		By Goods Sent to Branch A/C *Goods returned to HO* *Goods sent to other branch*	
To Branch Debtors A/C *Credit Sales Returns*		By Branch Adjustment A/C *Normal Loss*	
		By Abnormal Loss A/C	
		By Balance c/d *Closing Stock of Stock at branch*	
		By Stock Shortage	
To Branch Adjustment A/C ***- Surplus*** *balancing figure*		**By Branch Adjustment A/C** ***- Deficit*** *balancing figure*	

Dr. Branch Adjustment A/C Cr.

Particulars	Amount	Particulars	Amount
To Goods sent to branch A/C *Load on goods returned by branch*		By Stock Reserve A/C *Load on Opening Stock*	
To Branch Stock A/C *Normal loss of goods*		By Goods sent to branch A/C *Load on goods sent to branch*	
To Abnormal Loss A/C *Load on abnormal loss of goods*		By Branch Stock A/C *Surplus t/f from Branch Stock A/C*	
To Stock Reserve A/C *Load on Closing Stock*			
To Branch Stock A/C *Shortage t/f from Branch Stock A/C*			
To Branch P & L A/C ***like Gross Profit*** *balancing figure*		**By Branch P & L A/C** ***like Gross Loss*** *balancing figure*	

Dr. Branch Debtors A/C Cr.

Particulars	Amount	Particulars	Amount
To Balance b/d *Opening Branch Debtors*		By Branch Stock A/C *Return of goods sold on credit*	
To Branch Stock A/C *Credit Sale of Goods*		By Branch Cash A/C *Cash collected from debtors*	
		By Cash A/C *Cash collected by HO directly*	
		By Branch P & L A/C *Bad debts* *Discount allowed*	
		By Balance c/d *Closing Branch Debtors*	

Dr. Branch Cash A/C Cr.

Particulars	Amount	Particulars	Amount
To Balance b/d *Opening Branch Cash*		By Branch Stock A/C *Cash paid on Cash Sales Returns*	
To Branch Stock A/C *Cash Sale of Goods*		By Branch Expenses A/C *Expenses paid by branch*	
To Branch Debtors A/C *Collection from debtors*		By Cash A/C *Cash remitted to HO*	
To Cash A/C *Cash Received from HO*		By Balance c/d *Closing balance of Branch Cash*	
To Branch P & L A/C *Insurance claim received*		By Cash in transit *Cash sent by HO not received by Branch*	

Dr. Branch Expense A/C Cr.

Particulars	Amount	Particulars	Amount
To Branch Cash A/C *Expenses paid by branch*		By Branch P & L A/C *Branch expenses t/f to Branch P & L A/C*	
To Cash A/C *Expenses paid by HO*			

Dr. Branch P & L A/C Cr.

Particulars	Amount	Particulars	Amount
To Branch Expenses A/C *Expenses incurred at branch*		By Branch Adjustment A/C *Like Gross Profit*	
To Branch Debtors A/C *Bad Debts* *Discount Allowed*		By Branch Cash A/C *Insurance claim received*	
To Abnormal Loss A/C *Cost of goods lost*			
To Branch Adjustment A/C *Like Gross Loss*			
To Profit & Loss A/C ***Branch NP t/f to HO P & L A/C*** *balancing figure*			

Final Accounts System

Usual Final Accounts are prepared for each branch i.e, by preparing	Under this method
> Memorandum Trading A/C > Memorandum Profit & Loss A/C	- Opening Stock - Closing Stock - Goods sent to branch - GSB returned will be recorded at **cost** *(after eliminating load if any)*

Memorandum Trading & Profit and Loss A/C

Dr. Cr.

Particulars	Amount	Particulars	Amount
To Opening Stock @ Cost		By Sales	
To Goods sent to Branch		Cash Sales	
- Goods returned		Credit Sales	
		- Sales Returns	
To Direct Expenses			
To Gross Profit c/d		By Abnormal Loss @ Cost	
balancing figure		By Closing Stock @ Cost	
To Indirect Expenses		By Gross Profit b/d	
To Abnormal Loss @ Cost		By Indirect income	
To Net Profit c/d			
balancing figure			

Whole Sale Price Method

When goods are sent by HO to Branch at Wholesale price

Under this method Head Office treats Branch like a retailer and itself as a wholesaler.

HO	sends goods at Whole Sale Price to	Branch	sells goods at Retail Price to	Consumers

Relationship between Cost Price, Wholesale Price & Retail Price

Cost Price	XXXX
Add: Load / Wholesale Margin	XXX
Whole Sale Price	XXXX
Add: Retail Margin	XXX
Sale Price / Retail Price	XXXX

> Stock entries in Branch books will be made at Whole Sale Price only.
Except for Sales at branch, which will be recorded at Sale Price
> Load (difference between Cost & Wholesale Price) is to be removed on Stock entries by preparation of Stock reserve account of Head Office.

Ledger Accounts under this method will be as follows

Branch Records

Dr. Branch Trading & Profit and Loss A/C Cr.

Particulars	Amount	Particulars		Amount
To Opening Stock *at Wholesale Price*	XXX	By Goods returned by Branch *at Wholesale Price*		XXX
To Goods sent to Branch *at Wholesale Price*	XXX	By Sales		XXX
		Cash Sales	XXX	
		Credit Sales	XXX	
To Gross Profit c/d ***Balancing Figure***	**XXX**	- Sales Returns *at Selling Price*	(XXX)	
		By Abnormal Loss *at Wholesale Price*		XXX
		By Closing Stock *at Wholesale Price*		XXX
	XXXX			XXXX
To Branch Expenses	XXX	By Gross Profit b/d		XXX
To Abnormal Loss *at Wholesale Price*	XXX	By Insurance Claim		XXX
To Profit & Loss A/C ***Net Profit t/f to HO P & L A/C balancing figure***	**XXX**			
	XXXX			XXXX

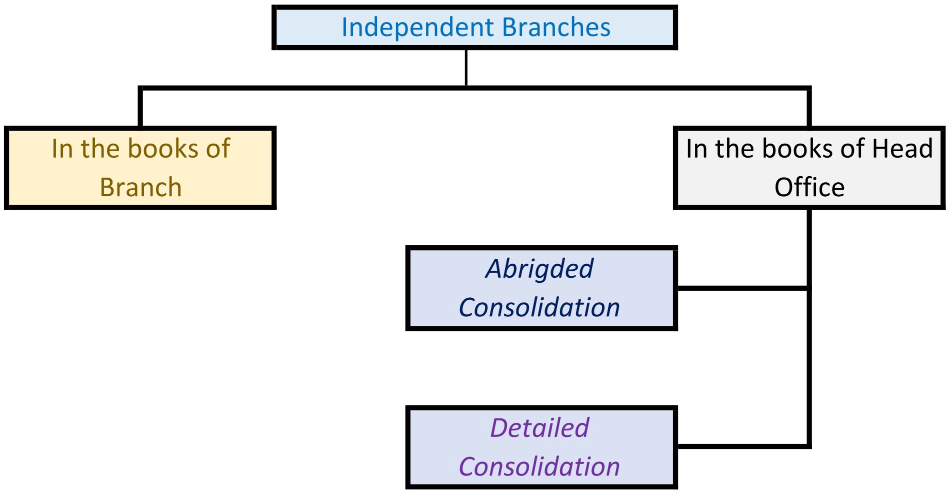
Head Office Records

Dr. Branch Stock Reserve A/C Cr.

Particulars	₹	Particulars	₹
To Head Office P & L A/C *Load on OS t/f to P & L*	XXX	By Balance b/d *Load on Opening Stock*	XXX
To Balance c/d *Load on Closing Stock*	XXX	By Head Office P & L A/C *Load on CS t/f to P & L*	XXX
	XXXX		XXXX

Dr. Head Office Profit & Loss A/C *(Extract)* Cr.

Particulars	Amount	Particulars	Amount
To Branch Stock Reserve A/C *Load on CS t/f to P & L*	XXX	By Branch Profit & Loss A/C *Branch Profit*	XXX
		By Branch Stock Reserve A/C *Load on OS t/f to P & L*	XXX
	XXXX		XXXX



Accounting for Independent Branch

> Record of all the transactions are maintained at branch itself.

> Control Accounts are maintained to enable reconciliation between branch & head office

Branch maintains Head Office A/C to record all transactions between branch & HO

HO maintains Branch A/C to record all transactions between branch & HO

At the end of each period these two ledger balances are reconciled

> Branch prepares its

- Trial Balance
- Trading & Profit and Loss A/C

at the end of each period and sends it to Head office

> Head office will pass necessary entries to incorporate Branch Trial Balance into HO books.

Accounting entries to record transactions at Independent Branch

Transaction	In the books of Head Office	In the books of Branch
Goods sent by HO to Branch	Branch A/C Dr. To Goods sent to Branch A/C	Goods from HO A/C Dr. To HO A/C
Purchase of goods other than from HO by Branch		
Paid by Branch	No Entry	Purchase A/C Dr. To Cash / Bank A/C
Paid by HO	Branch A/C Dr. To Cash / Bank A/C	Purchase A/C Dr. To HO A/C
Branch expenses **Paid by Branch**	No Entry	Expenses A/C Dr. To Cash / Bank A/C
Paid by HO	Branch A/C Dr. To Cash / Bank A/C	Expenses A/C Dr. To HO A/C
Goods sold at Branch	No Entry	Cash / Bank / Debtors A/C Dr. To Sales A/C
Collection from debtors **by Branch**	No Entry	Cash / Bank A/C Dr. To Debtors A/C
by HO	Cash / Bank A/C Dr. To Branch A/C	HO A/C Dr. To Debtors A/C
Goods returned by branch to HO	Goods sent to Branch A/C Dr. To Branch A/C	HO A/C Dr. To Goods from HO A/C

Asset Account maintained at Branch		
Assets purchased		
paid by Branch	No Entry	Assets A/C Dr. To Cash A/C
paid by HO	Branch A/C Dr. To Cash A/C	Assets A/C Dr. To HO A/C
Depreciation on assets	No Entry	Depreciation A/C Dr. To Assets A/C
Asset Account maintained at HO		
Assets purchased		
paid by Branch	Branch Assets A/C Dr. To Branch A/C	HO A/C Dr. To Cash / Bank A/C
paid by HO	Branch Assets A/C Dr. To Cash / Bank A/C	No Entry
Depreciation on assets	Branch A/C Dr. To Branch Assets A/C	Depreciation A/C Dr. To HO A/C
Remittance of funds		
by HO to Branch	Branch A/C Dr. To Cash/Bank A/C	Cash/Bank A/C Dr. To HO A/C
by Branch to HO	Cash/Bank A/C Dr. To Branch A/C	HO A/C Dr. To Cash/Bank A/C

Incorporation of Independent Branch Balances in Head Office Books

Two possible methods for incorporating balances of independent branch into HO books

> Abridged Consolidation Method (Transfer of Profit or Loss Method)

> Detailed Consolidation Method

Method is selected based on the requirement of separate **Profit & Loss Account** and **Balance Sheet** of Branch

- If **Separate P&L and B/S are required** for Branch then

  Transfer of Profit or Loss Method / Abridged Consolidation Method

- If **Separate P&L and B/S are not required** for Branch then >

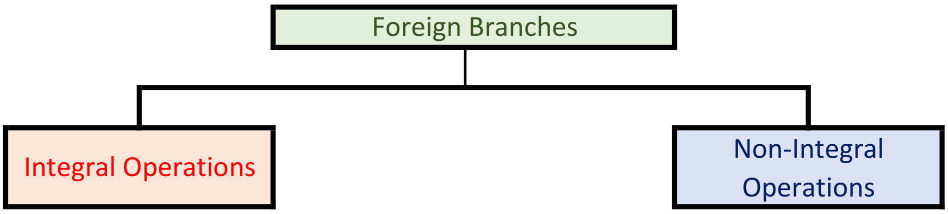
  Detailed Consolidation Method

Accounting entries under

Abridged Consolidation (t/f of Profit or Loss) Method & Detailed Consolidation Method

Abridged Consolidation Method Transfer of Profit or Loss Method		Detailed Consolidation Method	
In the book of		In the book of	
Branch	Head Office	Branch	Head Office
for transfer of Profit		*for transfer of expense or asset*	
P & L A/C Dr. To HO A/C	Branch A/C Dr. To P & L A/C	HO A/C Dr. To Expense/Asset	Asset / Expense Dr. To Branch A/C
for transfer of loss		*for transfer of income or liability*	
HO A/C Dr. To P & L A/C	P & L A/C Dr. To Branch A/C	Income/Liability A/C To Head Office A/C	Branch A/C Dr. To Income/Liability A/C
for transfer of Branch Assets			
HO A/C Dr. To Assets A/C	Br. Assets A/C Dr. To Branch A/C		
for transfer of Branch Liabilities			
Liabilities A/C To HO A/C	Branch A/C Dr. To Branch Liab A/C		

Detailed entries under Detailed Consolidation Method		
	In the books of Branch	**In the books of Head Office**
for transfer of Trading A/C Debit	Head Office A/C Dr. To Opening Stock To Purchases To Goods received from HO To Direct Expenses To Sales Returns	Opening Stock A/C Dr. Purchases A/C Dr. Goods sent to branch A/C Dr. Direct Expenses A/C Dr. Sales Returns A/C Dr. To Branch A/C t/f to Branch trading A/C Branch Trading A/C Dr. To Opening Stock To Purchases To Goods sent to branch To Direct Expenses To Sales Returns
for transfer or Trading A/C Credit	Sales A/C Dr. Purchase Returns A/C Dr. Closing Stock Dr. To Head Office A/C	Branch A/C Dr. To Sales A/C To Purchase Returns A/C To Closing Stock t/f to Branch trading A/C Sales A/C Dr. Purchase Returns A/C Dr. Closing Stock Dr. To Branch Trading A/C
for Gross Profit	No Entry	Branch Trading A/C Dr. To Branch Profit & Loss A/C
for transfer of P & L A/C Debit side items	Head Office A/C Dr. To Expenses A/C	Expenses A/C Dr. To Branch A/C t/f to Branch P & L A/C Branch P & L A/C Dr. To Expenses A/C
for transfer of P & L A/C Credit side items	Incomes A/C Dr. To Head Office A/C	Branch A/C Dr. To Incomes A/C t/f to Branch P & L A/C Incomes A/C Dr. To Branch P & L A/C
for Net Profit	No Entry	Branch P & L A/C Dr. To Profit & Loss A/C



Foreign Branches		
Foreign Operation of an entity can be classified as > Integral Operation > Non-Integral Operation	Classification as integral or non-integral is based upon - Management Decision making powers - Source of finance - Quantum of transaction with reporting enterprise	
Such transactions are to be translated to currency of the country where Head Office (Reporting Enterprise) is located		
	Integral Operation	**Non-Integral Operation**
Stock items **Opening Stock**	Priority I Actual Rate Priority II Opening Rate	Opening Rate
Goods sent to branch	*Value in home currency will be available*	
Closing Stock	Priority I Actual Rate Priority II Closing Rate	Closing Rate
Revenue items	Average Rate	Average Rate
Monetary items **Current Assets & Current Liab** **Long term liabilities**	Closing Rate	Closing Rate
Non-Monetary items **Fixed Assets** **Depreciation**	Original Rate	Closing Rate
Head office balance	*Value in home currency will be available*	
	Exchange Difference is transferred to **Profit & Loss A/C**	Exchange Difference is transferred to **Foreign Currency Translation Reserve A/C**

QUICK REVISION TRACKER

MONTH	CHECKLIST
MAY	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
JUNE	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
JULY	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
AUGUST	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
SEPTEMBER	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
OCTOBER	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
NOVEMBER	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
DECEMBER	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
JANUARY	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

REVISE CORRESPONDING AS TO THE DAY
DAY 6 - CHAPTER 1 , 2 & 3
DAY 8 - FINANCIAL STATEMENTS
DAY 24 - INTERNAL RECONSTRUCTION
DAY 30 - BUYBACK OF SECURITIES
DAY 31 - BRANCH

Did you learn something new today ?
Did you have a little fun today ?

Remember,
life isn't a battle to be struggling
it's a GAME to be enjoyed !
Till the time you are learning something
new or having fun.
It's all good !
The day you stop learning something new
or stop having fun,
you might start struggling.
Cause you might be in a battle.
So, the thumb rule to stay happy is
pretty simple.
It is to STAY IN THE GAME 🎯

Are we in the GAME ???

CA Rajavardhan A
#AccountsMan