

Before We **Begin**

Accounting constitutes a very significant area of core competence for Chartered Accountancy students. The significance of the subject can be judged from the fact that at every level of the CA course we have a paper on Accounting. The 'Advanced Accounting' paper at the Intermediate level emphasizes building a solid conceptual understanding of core accounting principles. The objective of the paper at this level is to acquire the ability to apply specific accounting standards and legislations to different transactions and events for the preparation and presentation of financial statements of various business entities.

Study Material – The Foundation of Learning

The study material has been bifurcated into three modules (Modules 1, 2 & 3), for easy handling and the convenience of students. The study material of Paper 1 'Advanced Accounting' is divided into fifteen chapters in line with the syllabus. The topics covered under this paper include Framework for Preparation and Presentation of Financial Statements; Application of Accounting Standards; Preparation of financial statements; Buy back of securities; Accounting for reconstruction of companies and Accounting for Branches including foreign branches.

Study all relevant materials in a systematic pattern

Accounting Standards form major portion of the syllabus. So, you are advised to gain in-depth knowledge of Accounting Standards. In the study material, Accounting Standards have not been discussed sequentially; instead the related Accounting Standards have been grouped and discussed in separate Chapters for ease of understanding. For example, the 'Presentation and Disclosure based Accounting Standards' like AS 1, AS 3, AS 17, AS 18, AS 20, AS 24 and AS 25 have been grouped in one Chapter. It is important to read the Study Material thoroughly for understanding the coverage of syllabus in the paper of Advanced Accounting.

As you are aware a substantial portion of the syllabus of 'Advanced Accounting' comprises of Accounting Standards, you need to place special emphasis on understanding Accounting Standards, followed by an in-depth study of the other Chapters/topics of the curriculum.

1. Accounting Standards
2. Other chapters of the course curriculum.

1.- Accounting Standards

As you are introduced to the Accounting Standards for the first time in detail at this level, Let us get an insight on Accounting Standards and how to study them.

Accounting standards are written policy documents issued by the ICAI. It covers the aspects of:

- recognition,
- measurement,
- presentation and
- disclosure

of accounting transactions in the financial statements.

Before We **Begin**

It is not necessary that each accounting standard deals with all the above aspects. There are some standards which deal only with disclosure part like AS 1, while AS 3 deals with the presentation aspect only. However, AS 2, 7, 9, 10, 13 and 14 as specified in the syllabus deal with recognition and measurement principles in specific along with certain disclosure requirements.

Some accounting standards are generally applied to any business like AS 1, 2, 9, 10 and 13 while some are industry/segment specific for example AS 7 (which will be applied only in case of construction contracts) and Standards like AS 14 'Accounting for Amalgamation' illustrate the set of procedures to be followed at the time the company opting for merger.

2. Once you gain a thorough understanding of the Accounting Standard portion, you should proceed with studying other significant Chapters on company's accounts viz Preparation of financial statements of companies, Buy back of securities and Internal reconstruction; Branch accounting.

Important points to be kept in mind while preparing for subject of Advanced Accounting

An in-depth understanding of fundamentals of Accounting is a must. You are expected to be thorough with the basics of accounting and their application to various practical situations.

1. User of proper and prescribed format for presentation of accounts

There are some chapters which require the solution or financial statements to be presented in a specified format. You should make it a practice to adopt the prescribed formats while solving and presenting the accounts of particular topics. For example: Financial Statements of companies should be in the format prescribed in the Schedule III to the Companies Act, 2013. It is important to note that at Intermediate level, only Schedule III Division I to the Companies Act, 2013 will be applicable.

2. Solving illustrations and problems in accounting on a regular basis under simulated examination conditions:

You are required to develop analytical reasoning, accuracy, speed and efficiency in presentation of the solutions to practical problems in examinations by solving the illustrations under virtual examination conditions. This can be done by undertaking mock test papers.

3. Keep in mind the Inter-linking of various topics

There is a specific accounting standard which deals with amalgamation i.e. AS 14. The provision of accounting standards 14 have to be kept in mind and applied while studying the chapter based on Amalgamation. If your concepts are clear relating to a particular standard, you will not face any problem in applying the same to solve problems in an inter-connected chapter. Sometimes even though the chapter may not directly relate to an accounting standard, it may contain adjustments involving application of one or more standards.

Care to be taken while solving questions of Accounting Standards

In questions related to Accounting Standards, answers should be duly corroborated with the relevant provisions of the standards. While it is not mandatory to mention the paragraph number of the Accounting Standard, quoting the standard's number and name provides an edge to your answer. However, only quote the standard number or name if you are certain about its accuracy.



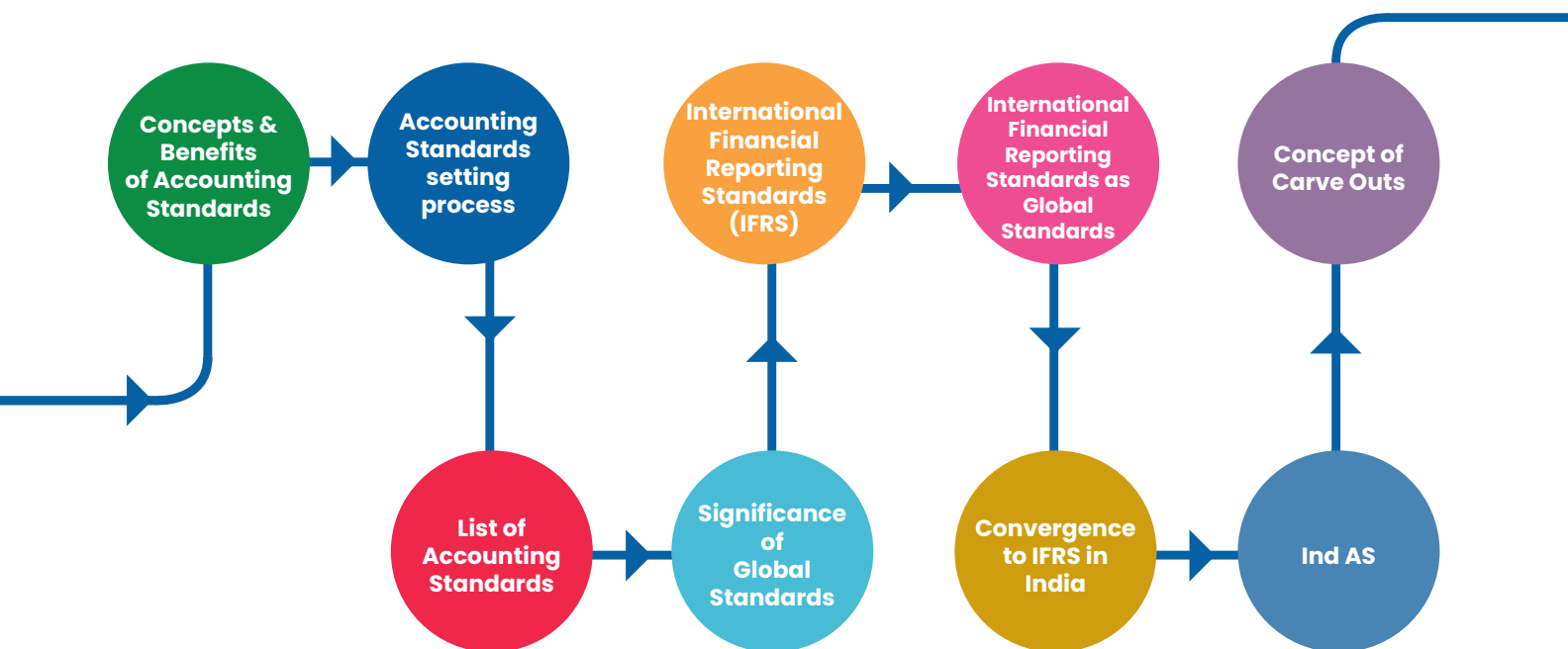
INDEX

1	Introduction to Accounting Standards	81	AS 16 "Borrowing Costs"
8	AS 1 "Disclosure of Accounting Policies"	87	AS 17 "Segment Reporting"
11	AS 2 "Valuation of Inventories"	95	AS 19 "Leases"
16	AS 3 "Statement of Cash Flows"	101	AS 19 "Related Party Disclosures"
21	AS 4 "Contingencies and Events Occurring after the Balance Sheet Date"	116	AS 20 "Earnings Per Share"
23	AS 5 "Net Profit or Loss for the Period, Prior Period Items and Changes In Accounting Policies"	124	AS 21 "Consolidated Financial Statements (CFS)"
26	AS 7 "Construction Contracts"	133	AS 22 "Accounting for Taxes on Income"
30	AS 9 "Revenue Recognition"	137	AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements"
33	AS 10 "Property, Plant and Equipment"	142	AS 24 "Discontinuing Operations"
49	AS 11 "The Effects of Changes In Foreign Exchange Rates"	146	AS 25 "Interim Financial Reporting"
56	AS 12 "Accounting for Government Grants"	150	AS 26 "Intangible Assets"
60	AS 13 "Accounting for Investments"	162	AS 27 "Financial Reporting of Interests in Joint Ventures"
64	AS 14 "Accounting for Amalgamations"	167	AS 28 "Impairment of Assets"
70	AS 15 "Employee Benefits"	177	AS 29 "Provisions, Contingent Liabilities and Contingent Assets"

Accounting Standards

Introduction To Accounting Standards

Overview

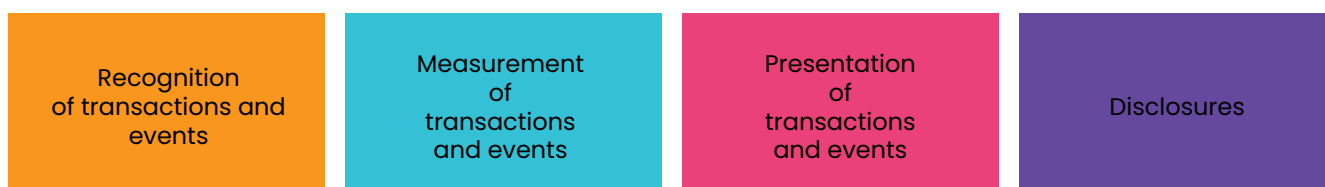


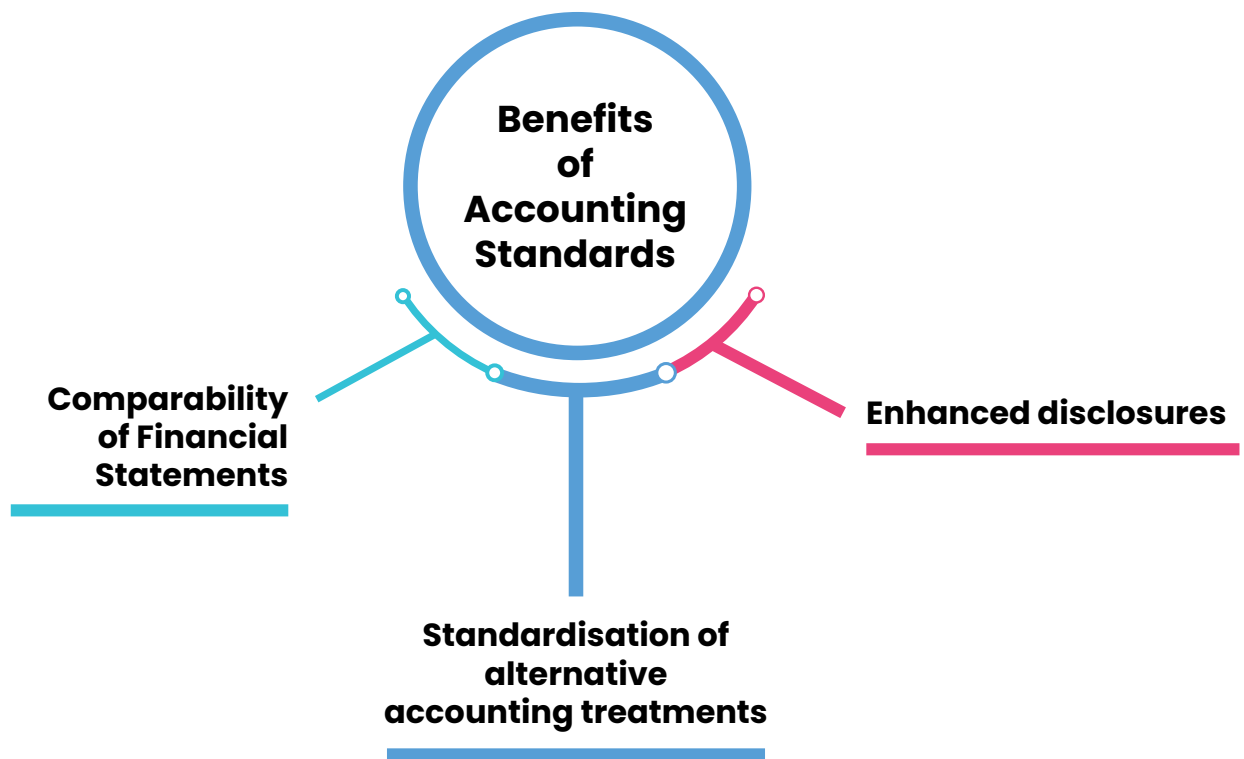
Issuance of Accounting Standards

Accounting Standards are written policy documents issued by



Accounting Standards – Benefits





Accounting Standards Setting Process



List of Accounting Standards

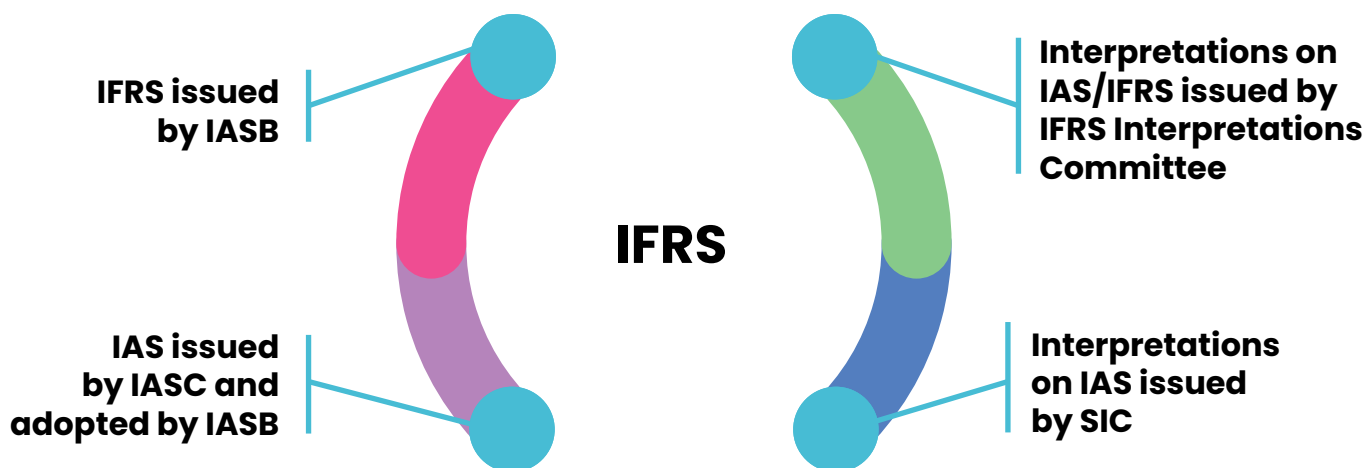
1	Disclosure of Accounting Policies
2	Valuation of Inventories
3	Cash Flow Statement
4	Contingencies and Events Occurring after the Balance Sheet Date
5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
7	Construction Contracts
9	Revenue Recognition
10	Property, Plant and Equipment
11	The Effects of Changes in Foreign Exchange Rates
12	Accounting for Government Grants
13	Accounting for Investments
14	Accounting for Amalgamations
15	Employee Benefits
16	Borrowing Costs
17	Segment Reporting
18	Related Party Disclosures
19	Leases
20	Earnings Per Share
21	Consolidated Financial Statements
22	Accounting for Taxes on Income
23	Accounting for Investments in Associates in Consolidated Financial Statements
24	Discontinuing Operations
25	Interim Financial Reporting
26	Intangible Assets
27	Financial Reporting of Interests in Joint Ventures
28	Impairment of Assets
29	Provisions, Contingent Liabilities and Contingent Assets

Effectively, there are now only 27 Accounting Standards.

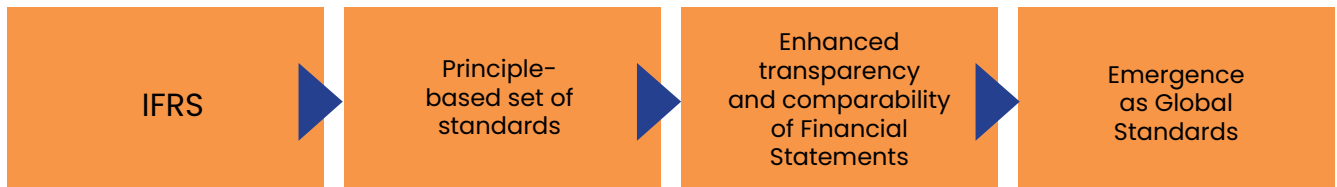
Significance of Global Standards



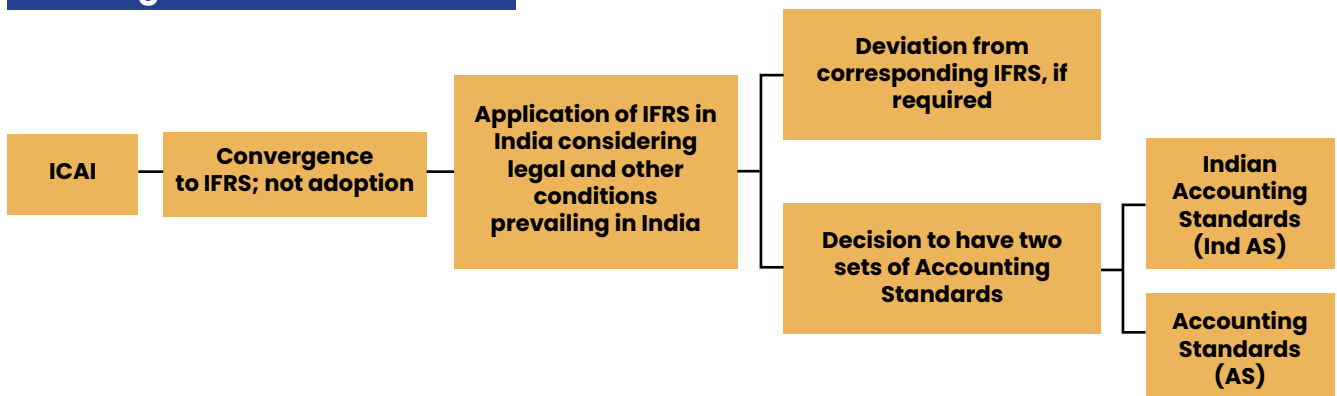
International Financial Reporting Standards (IFRS)



International Financial Reporting Standards (IFRS) as Global Standards



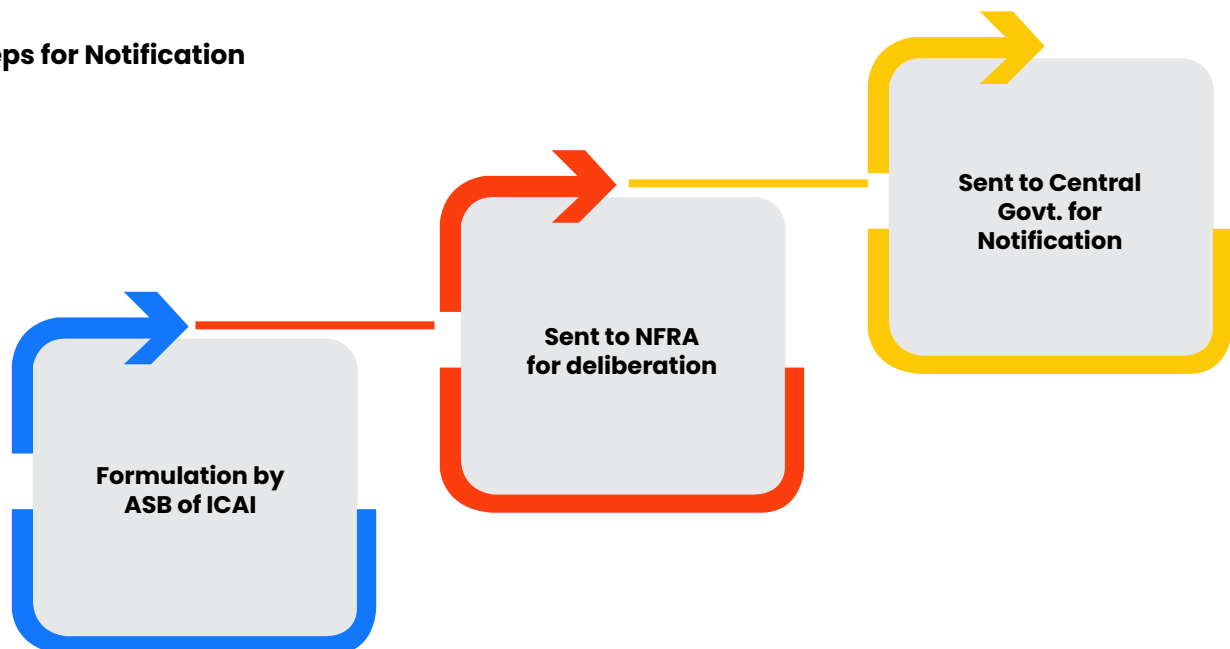
Convergence to IFRS in India



Ind AS

IndAS and IFRS converged Accounting Standards issued by the Central Government.

Steps for Notification



Indian Accounting Standards – Benefits

Globalization
and
Liberalization

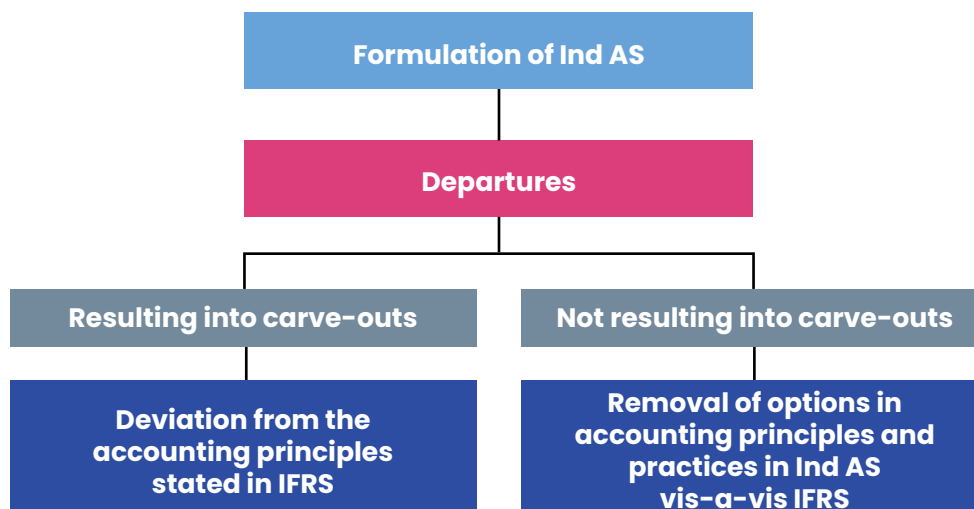
Transparency
of financial
statements

Comparability
of financial
statements

Enhanced
Disclosure
requirements



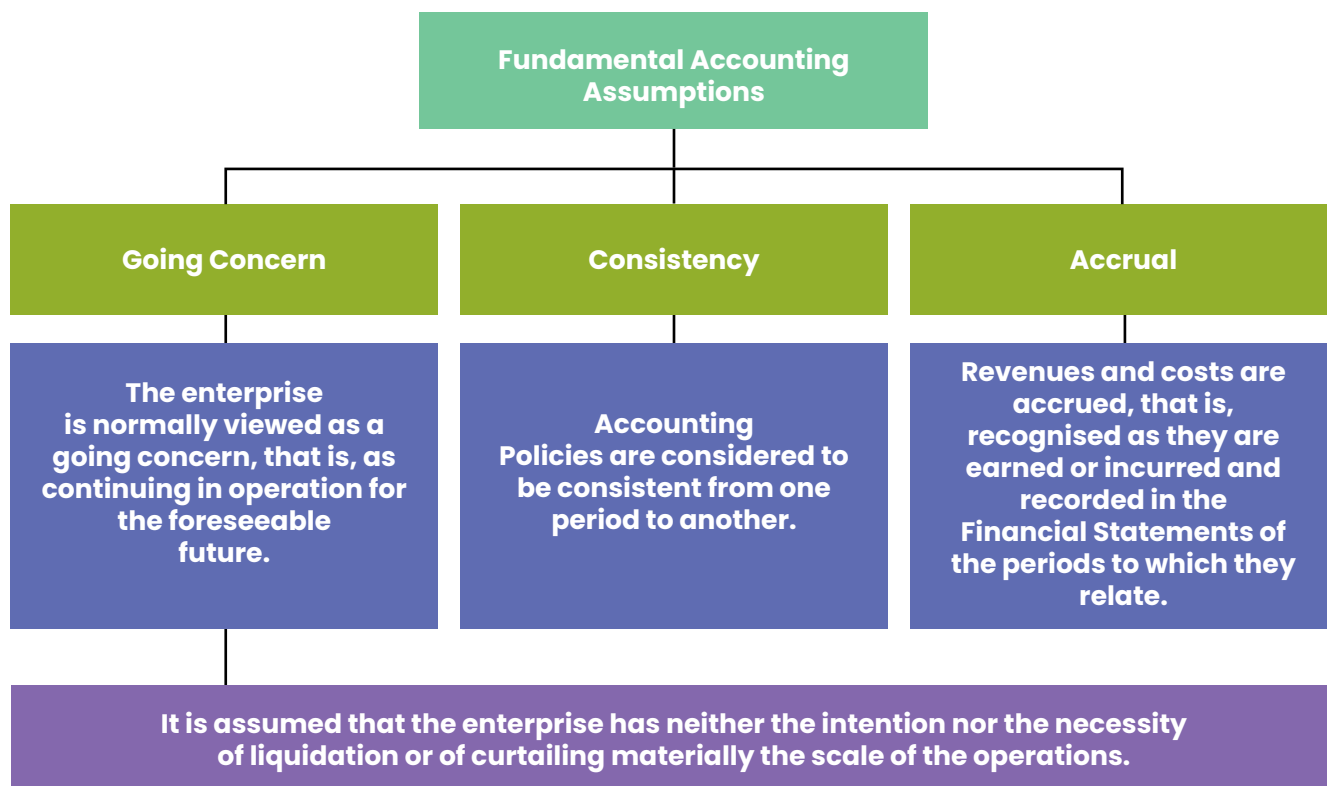
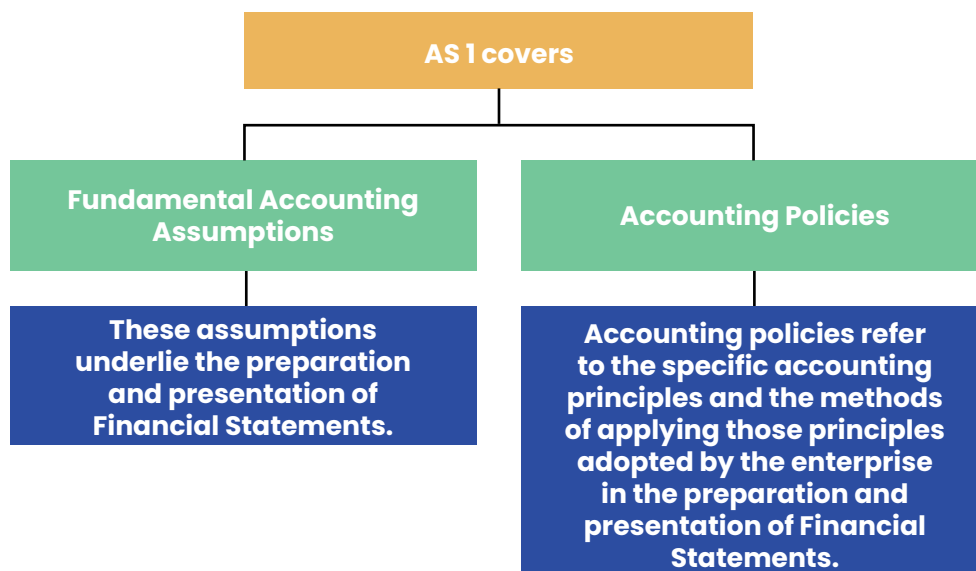
Objectives and Concepts of Carve-Outs

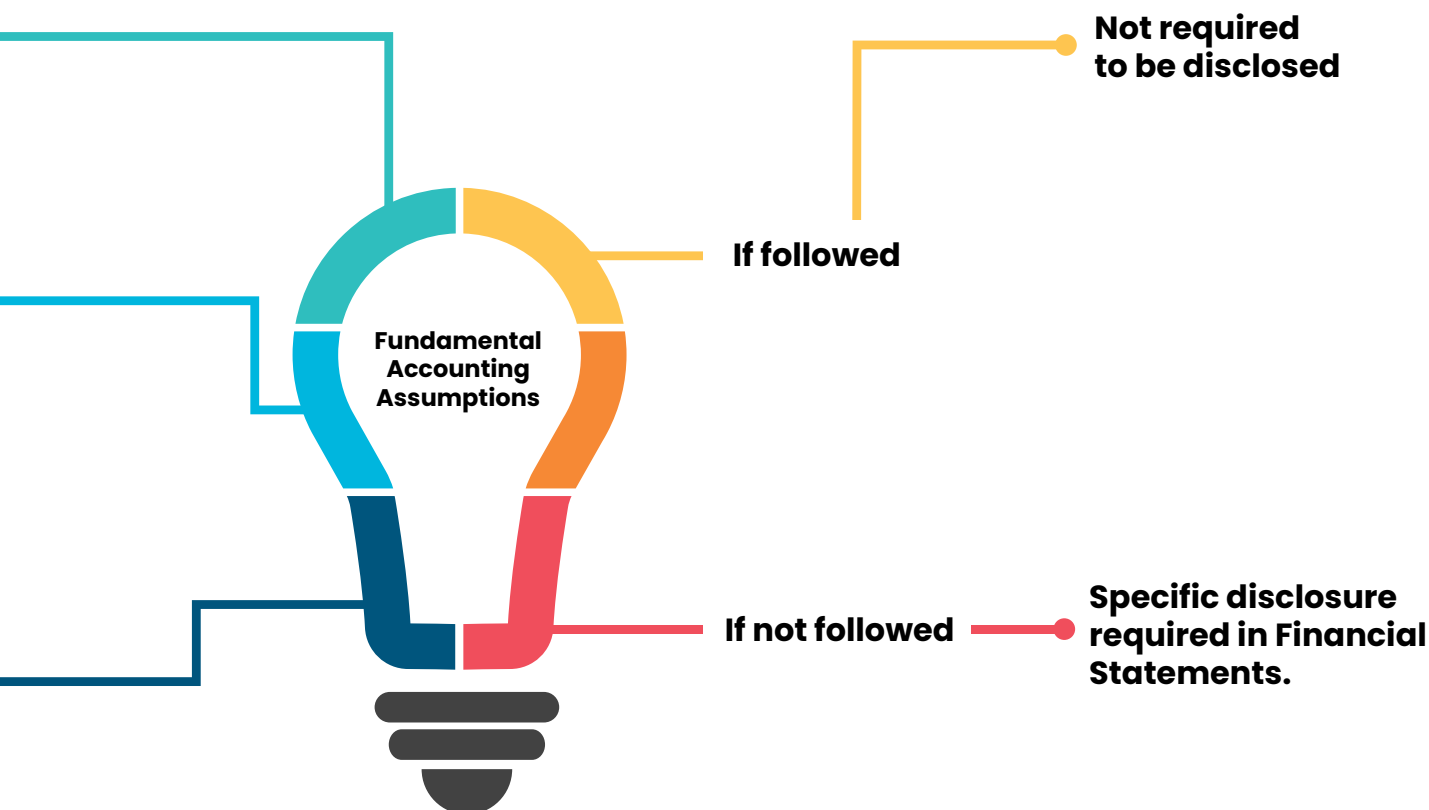
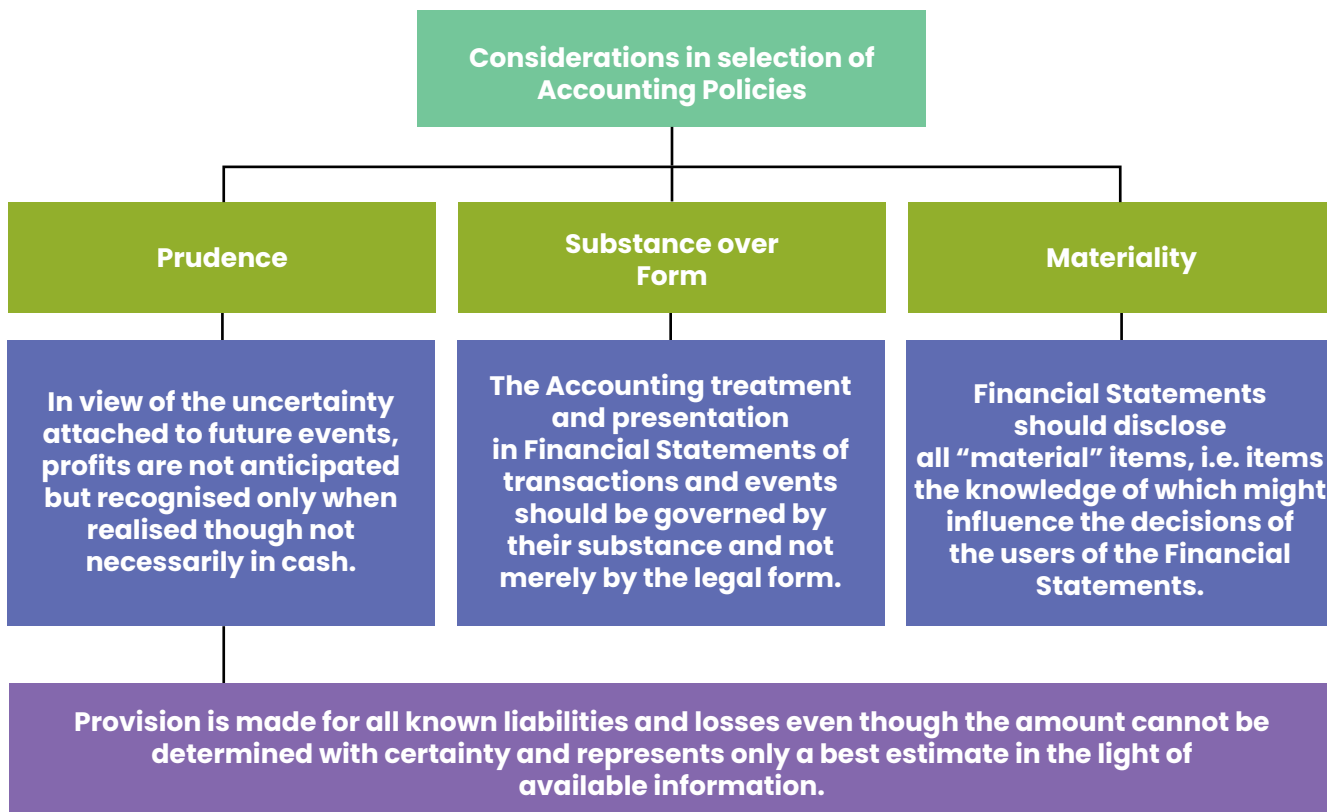


AS 1 “Disclosure of Accounting Policies”

Introduction

AS 1 deals with the disclosure of significant Accounting Policies followed in preparation and presentation of Financial Statements.



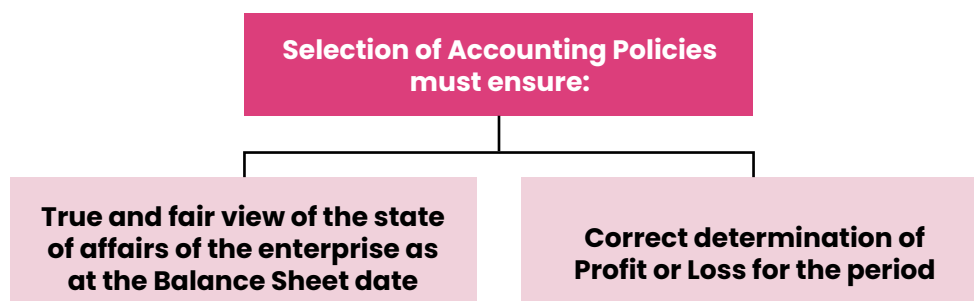


Accountant has to make decisions from various permitted alternative methods for recording or disclosing various items in the Books of Accounts for example:

Items to be disclosed	Method of disclosure or valuation
Inventories	FIFO, Weighted Average, etc.
Cash Flow Statement	Direct Method, Indirect Method
Depreciation	Straight Line Method, Reducing Balance Method, Units of Production Method, etc.

This list is not exhaustive.

Considerations in Selection of Accounting Policies



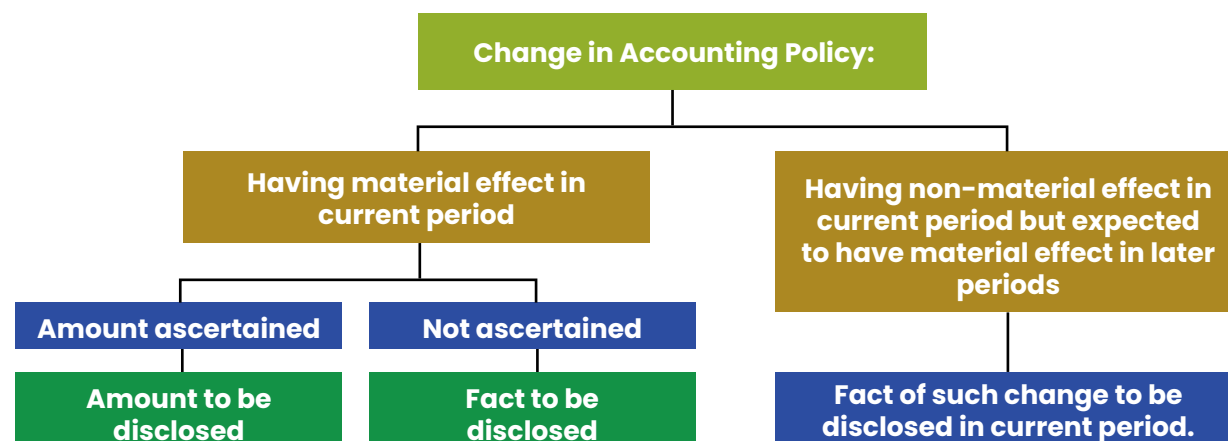
Disclosure of Accounting Policies

All significant Accounting Policies adopted in the preparation and presentation of Financial Statements should be disclosed.

Disclosure should form part of the Financial Statements.

Disclosure of Accounting Policies or of changes therein cannot remedy a wrong or inappropriate treatment of the item in the Accounts.

Disclosure of Changes in Accounting Policies

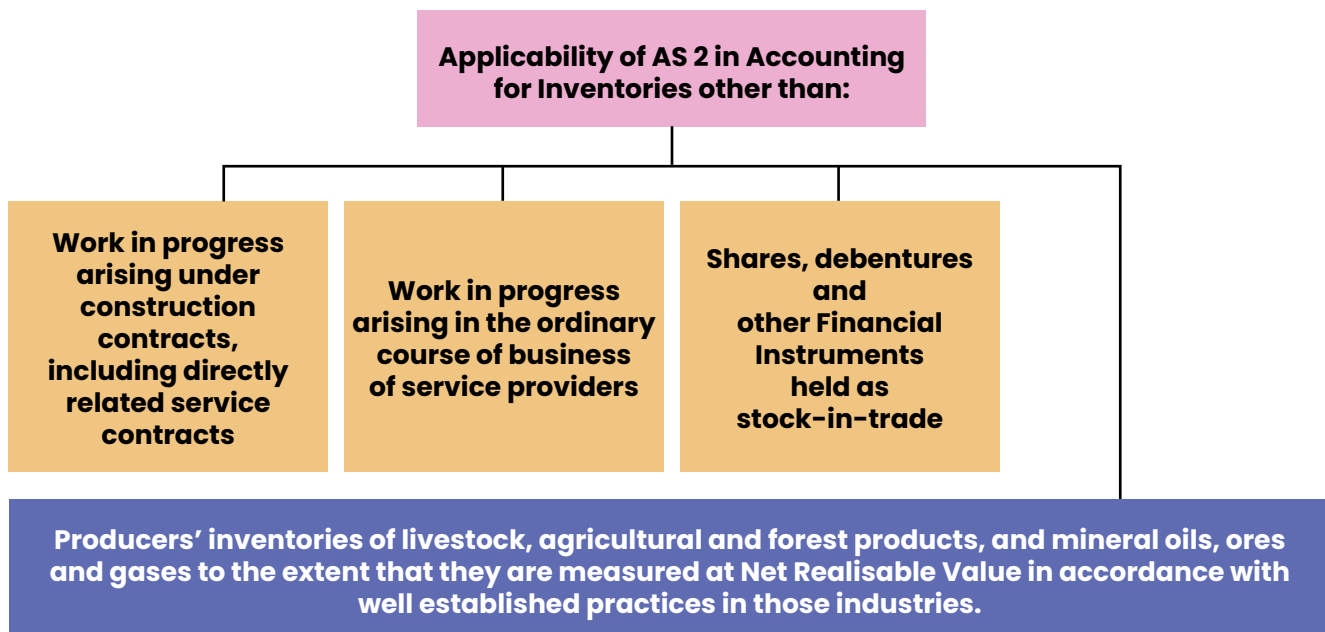


AS 2 “Valuation of Inventories”

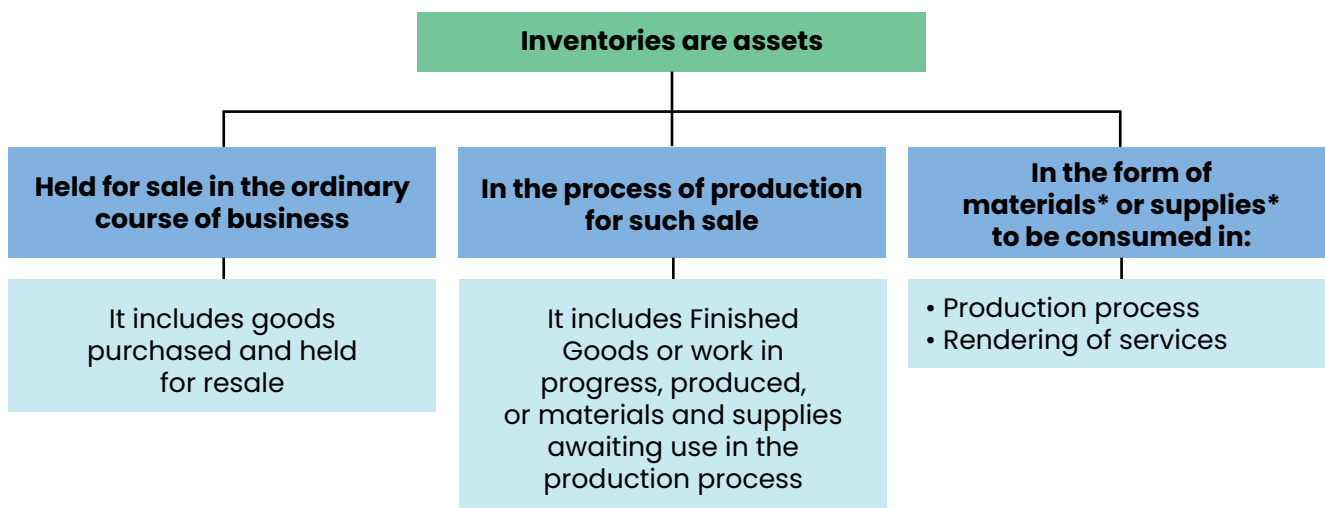
Introduction

AS 2 (Revised) ‘Valuation of Inventories’, provides complete guidance for determining the value at which inventories, are carried in the Financial Statements until related revenues are recognised. It also provides guidance on the cost formulas that are used to assign costs to Inventories and any write-down thereof to Net Realisable Value.

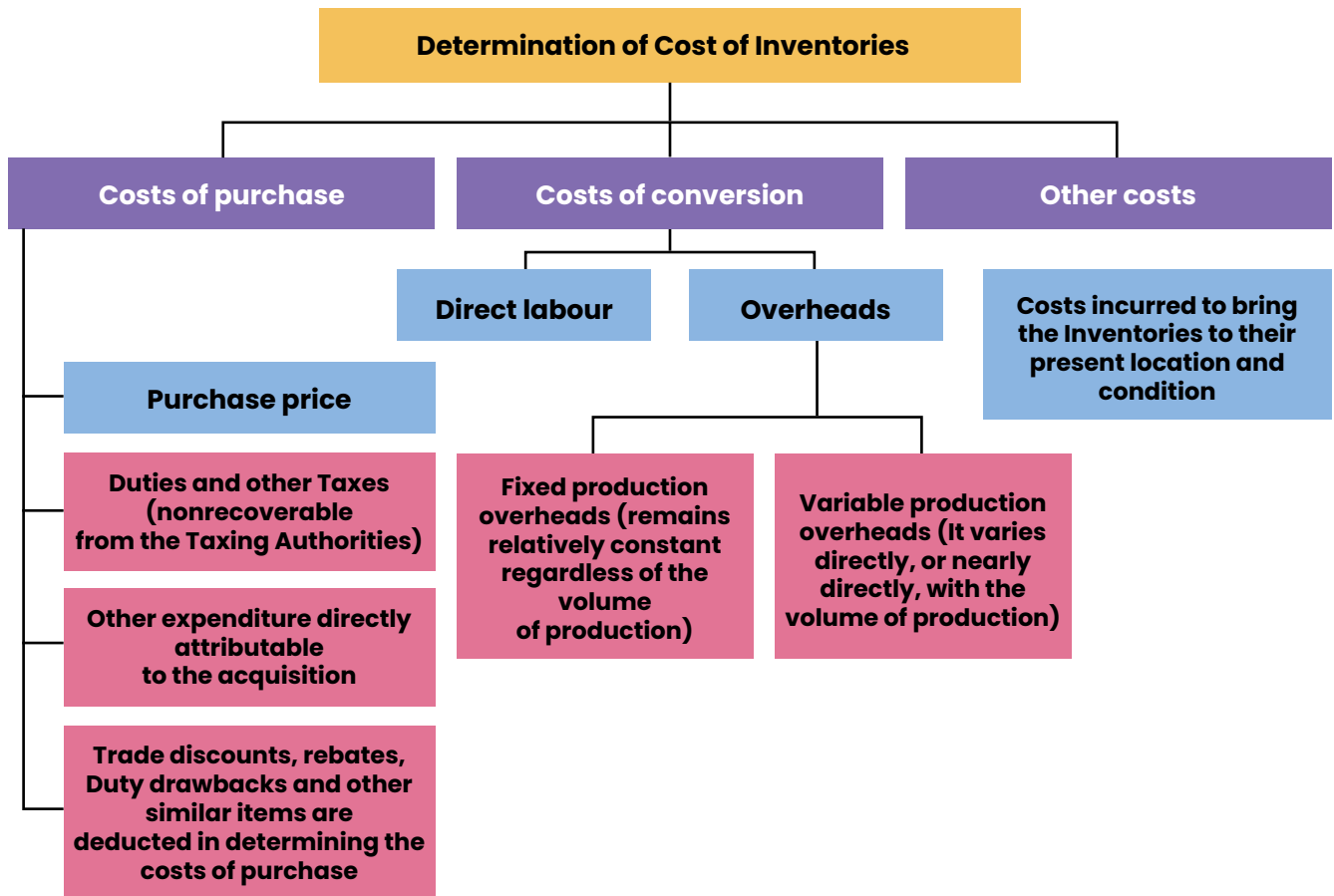
Scope of AS 2



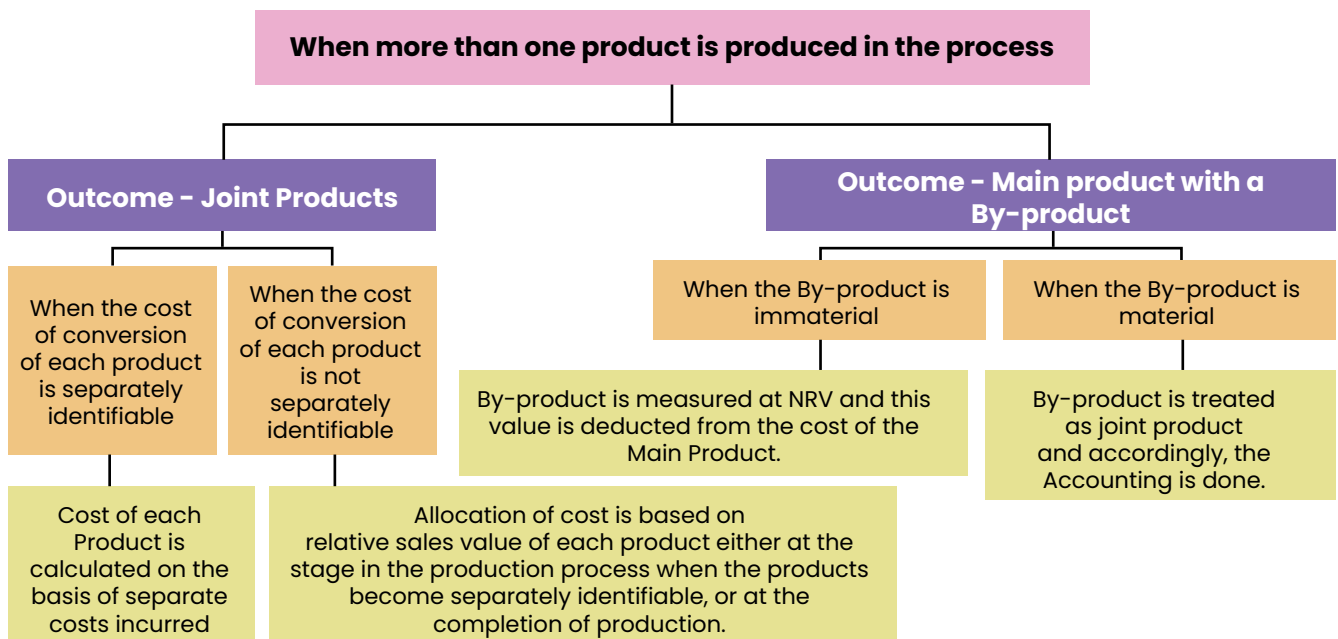
Definition of Inventories

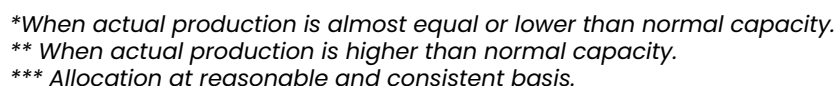


*Other than machinery spares, servicing equipment and standby equipment meeting the definition of PPE



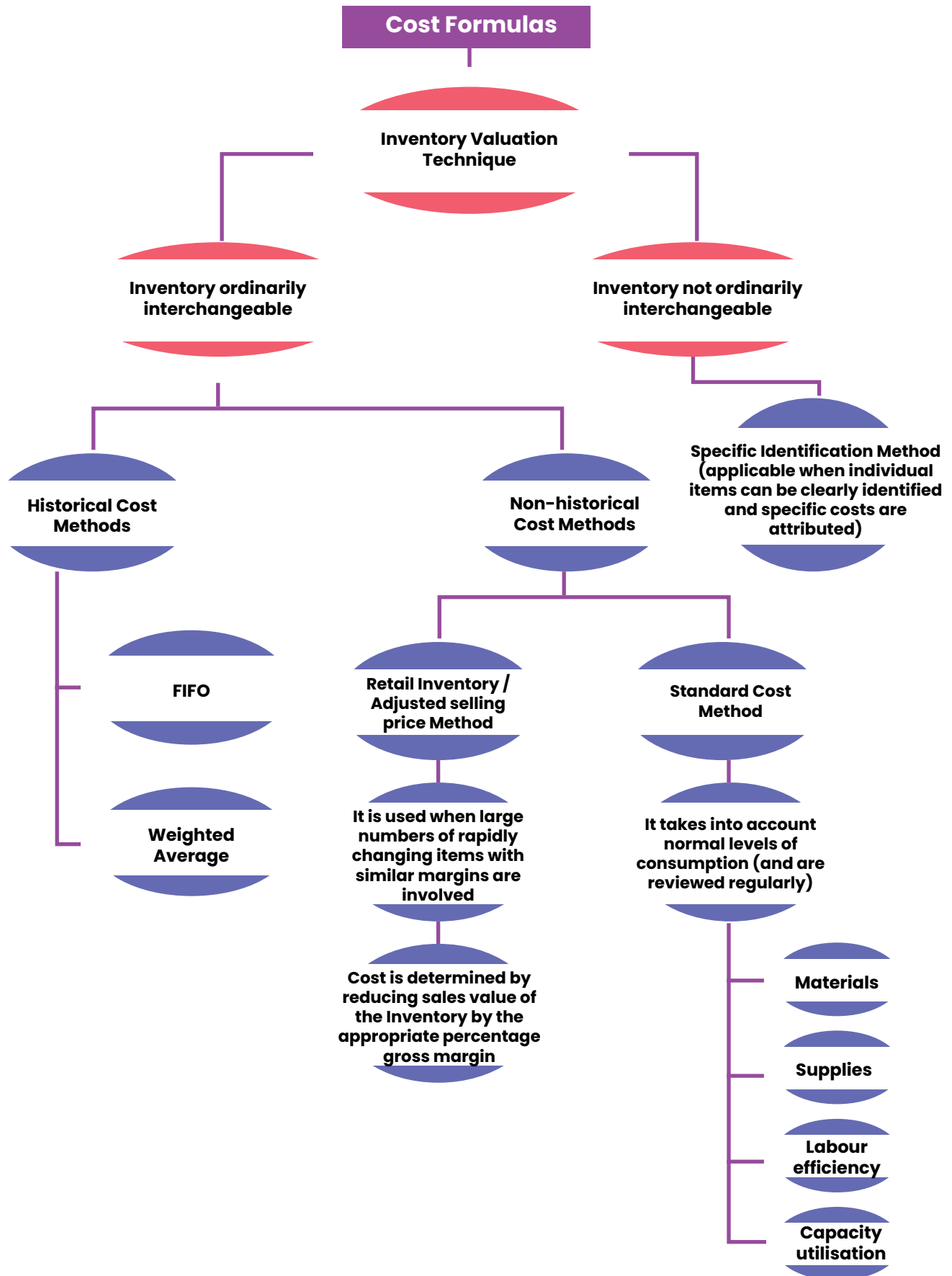
Allocation of Cost to Joint Products and By-products

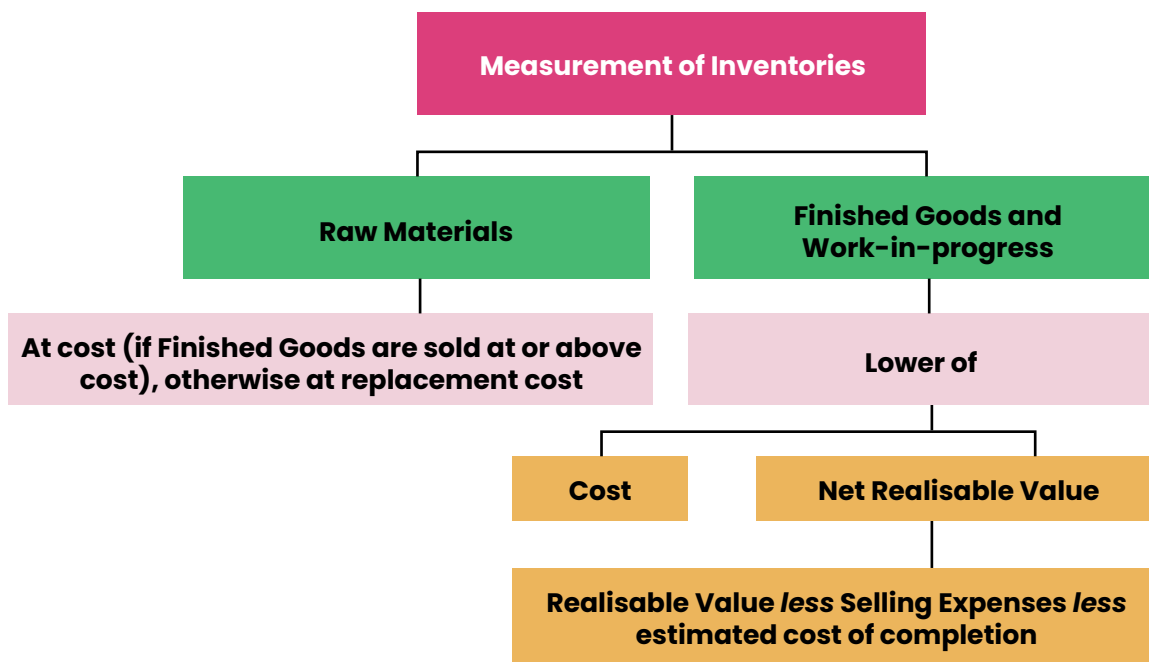




- Abnormal amounts of wasted materials, labour, or other production costs;
- Storage costs, unless the production process requires such storage;
- Administrative Overheads that do not contribute to bringing the Inventories to their present location and condition;
- Selling and distribution costs.

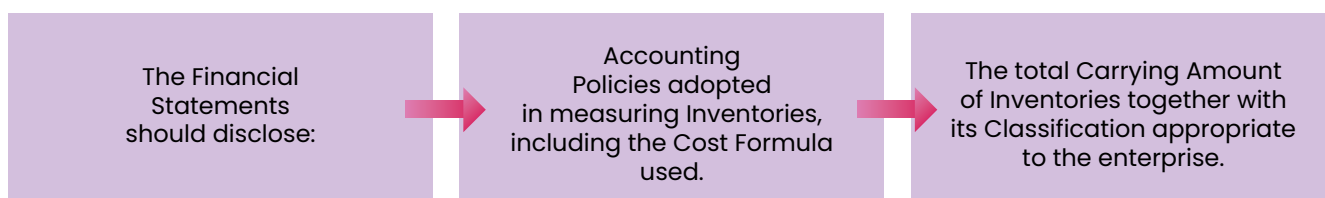
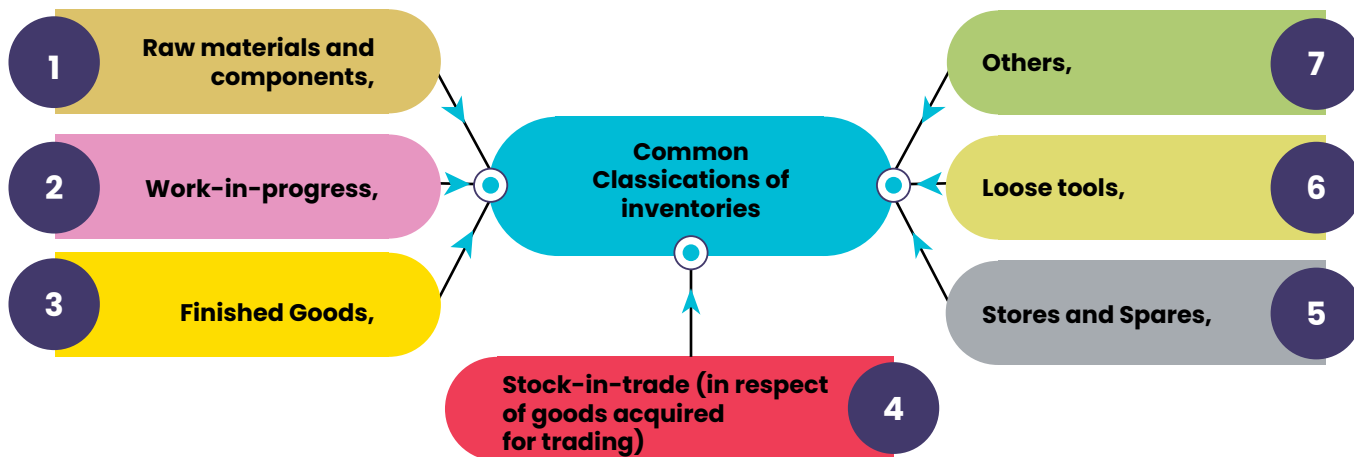






Disclosures

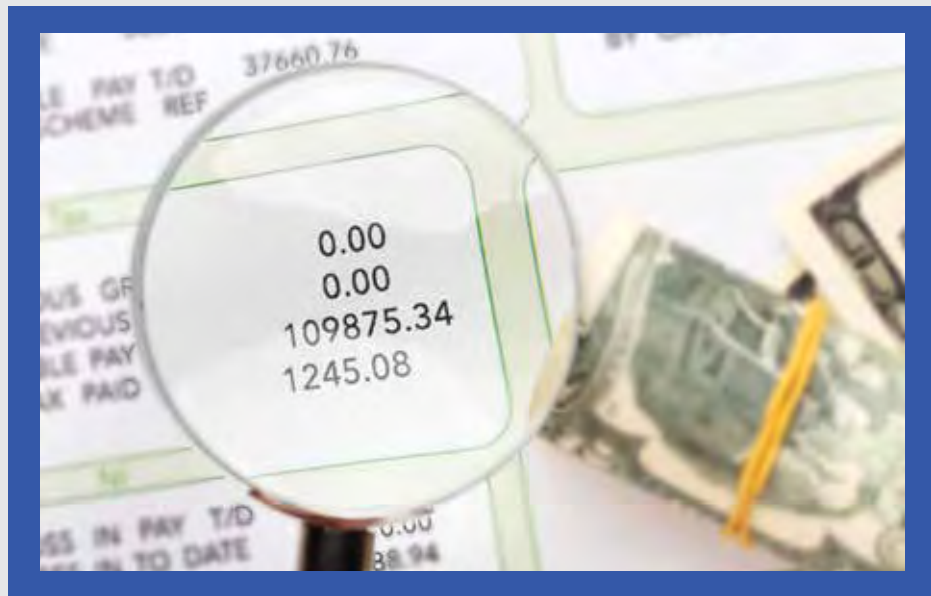
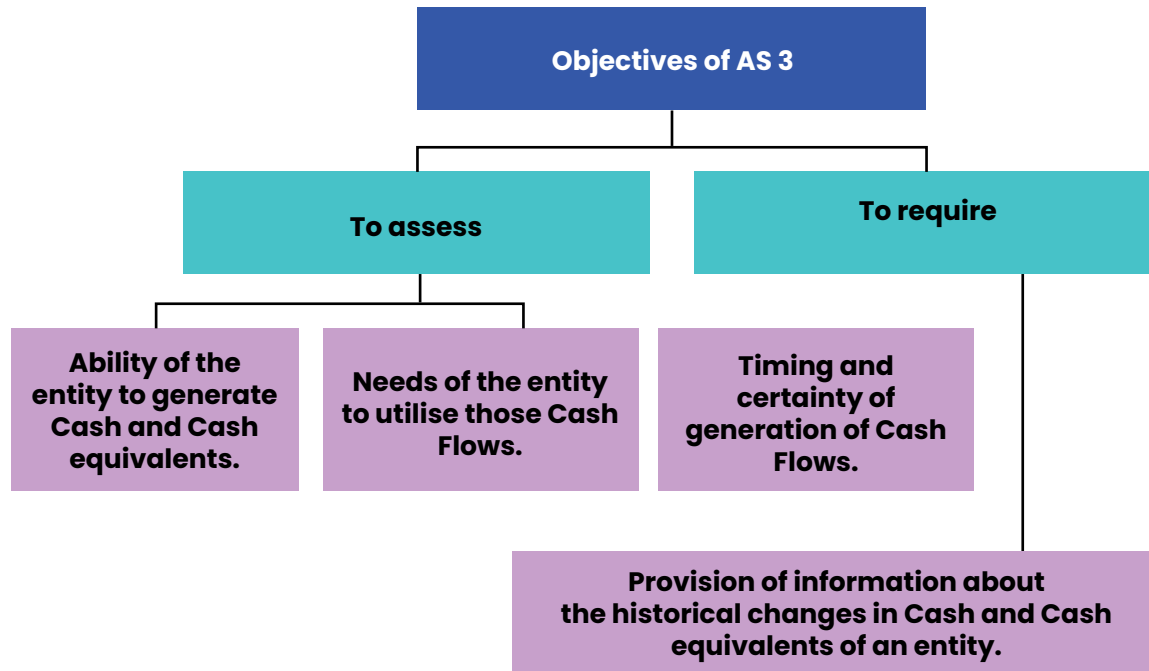
Information about the Carrying Amounts held in different Classification of Inventories and the extent of changes in these assets must be disclosed in Financial Statements.

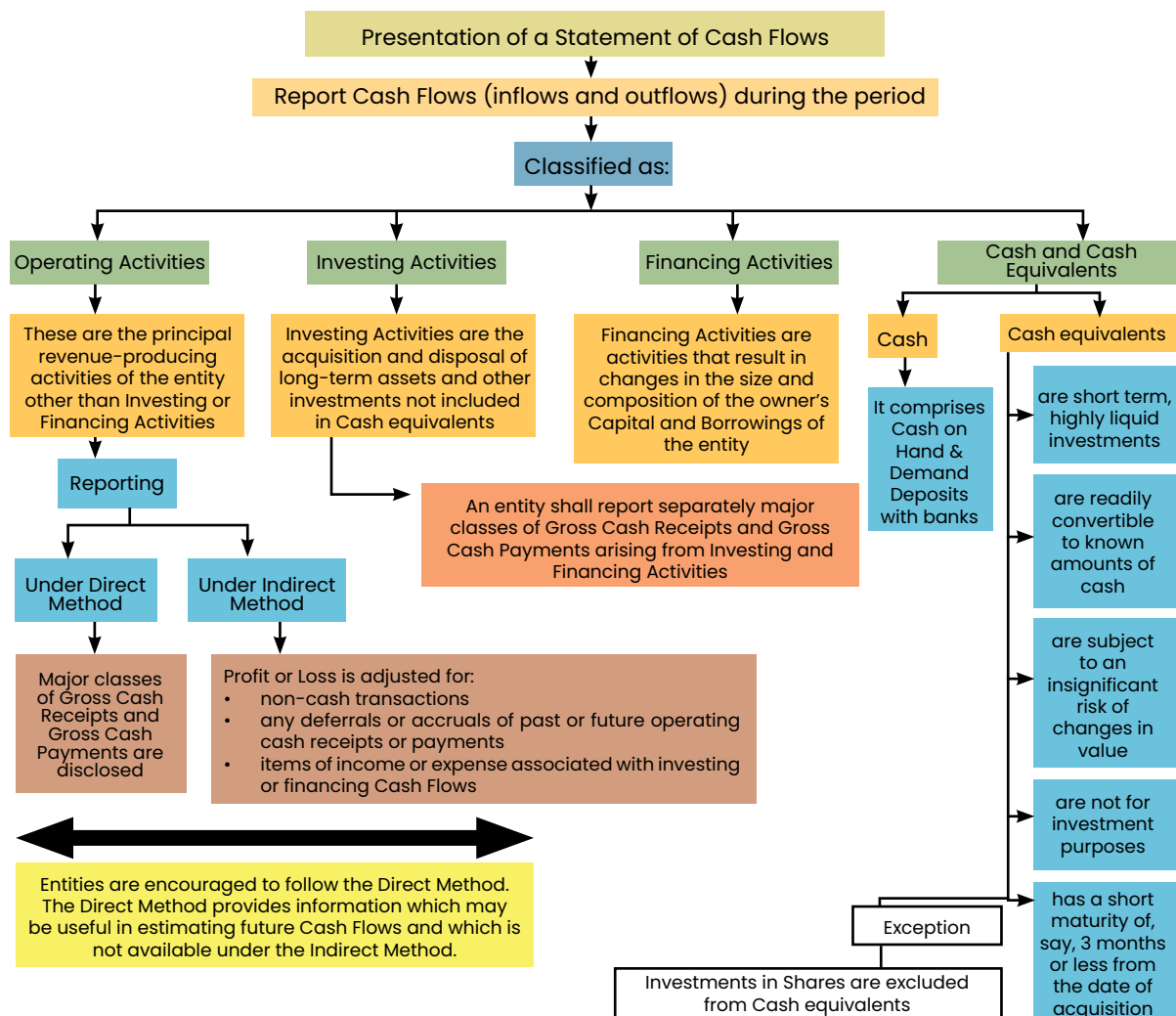


AS 3 “Statement of Cash Flows”

Introduction

AS 3 provides information about historical changes in cash and cash equivalents of an enterprise by mean of a cash flow statement which classifies Cash Flows during an Accounting Period into operating, investing and financing activities.





Cash Flows arising from Operating Activities

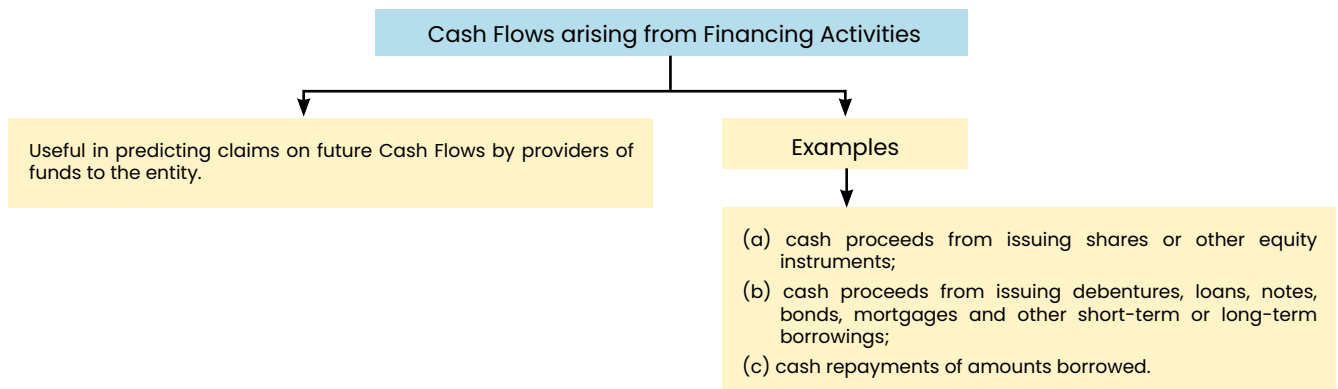
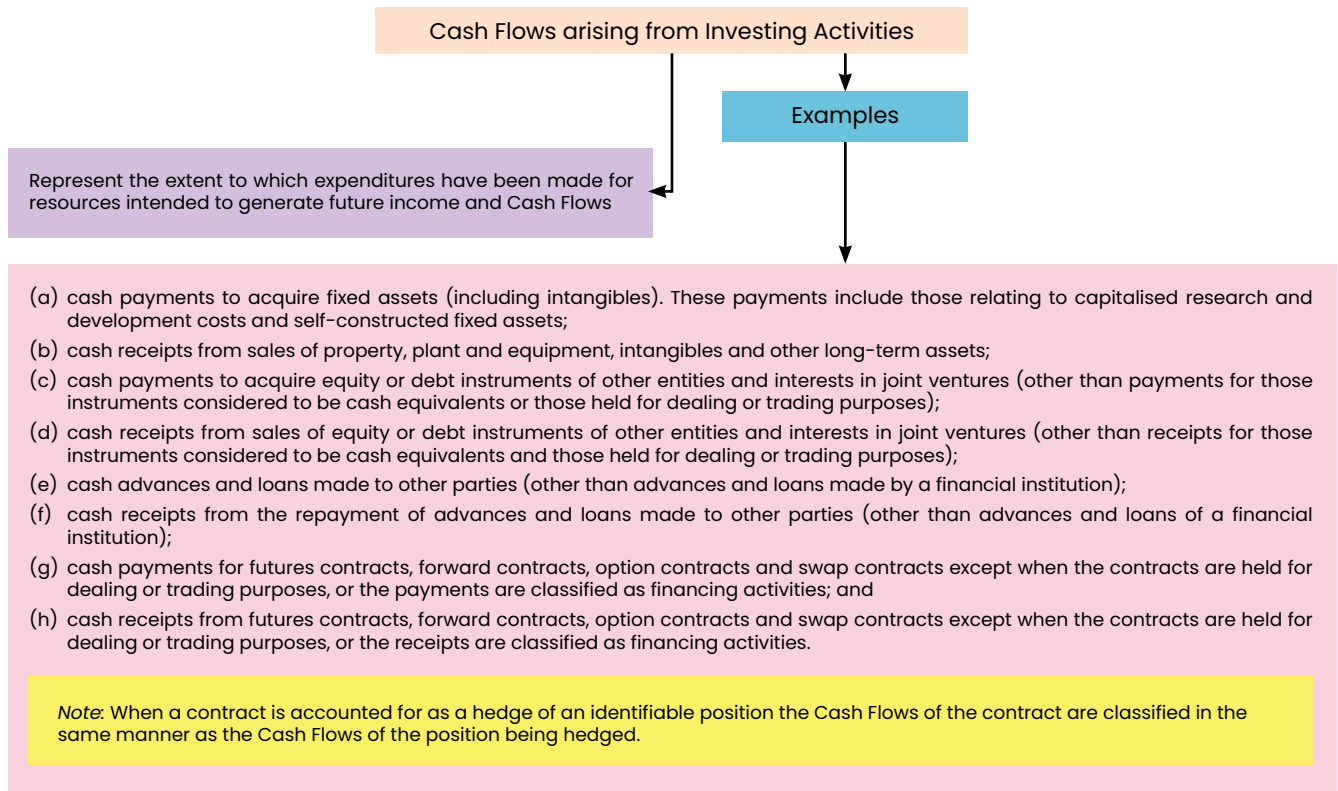
Key indicator of the extent to which the operations of the entity have generated sufficient Cash Flows to:

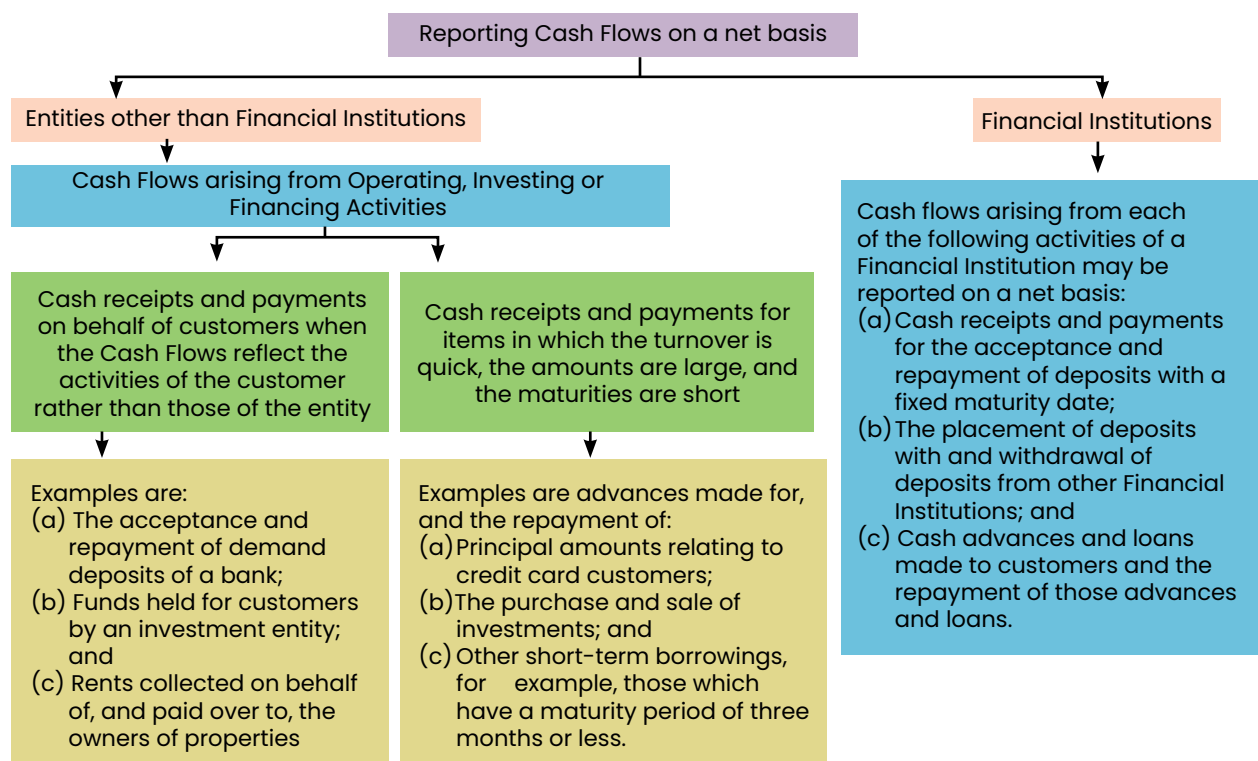
- repay loans
- maintain the operating capability of the entity
- pay dividends
- make new investments without recourse to external sources of financing

Generally, result from the transactions and other events that have role in the determination of Net Profit or Loss

Examples

- Cash receipts from the sale of goods and the rendering of services
- Cash receipts from royalties, fees, commissions and other revenue
- Cash payments to suppliers for goods and services
- Cash payments to and on behalf of employees
- Cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits
- Cash payments or refunds of income taxes unless they can be specifically identified with Financing and Investing Activities
- Cash receipts and payments relating to futures contracts, forward contracts, option contracts and swap contracts when the contracts are held for dealing or trading purposes.
- Cash Flows arising from the purchase and sale of dealing or trading securities
- Cash advances and loans made by financial institutions since they relate to their main revenue-producing activity

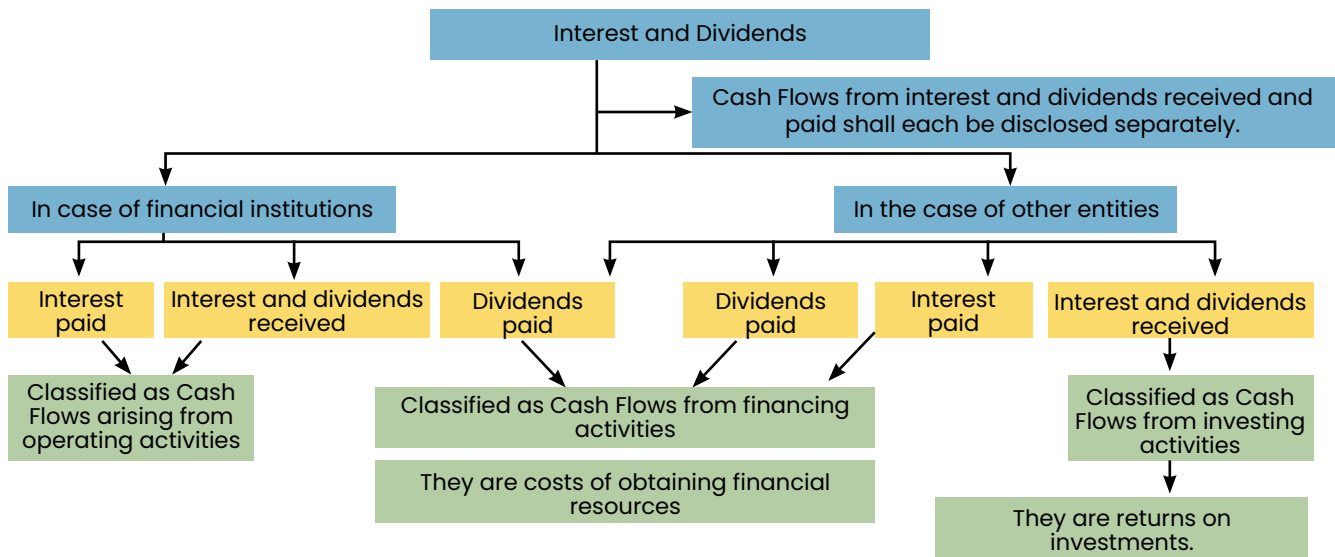




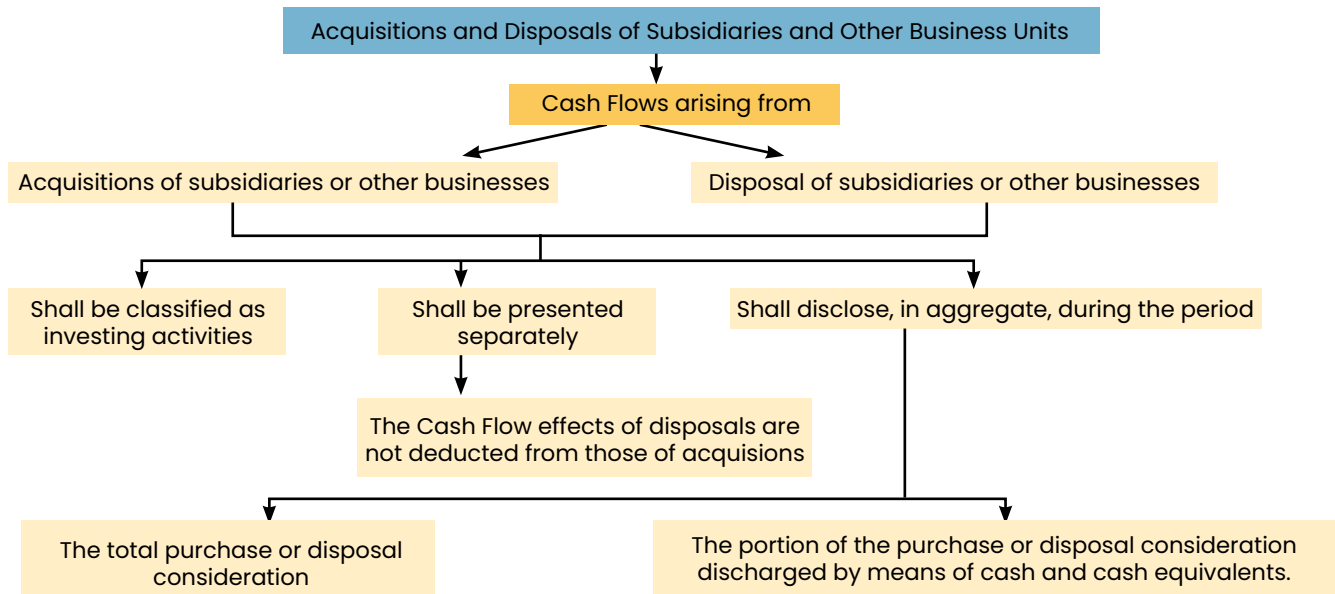
- Cash Flows denominated in a foreign currency are reported in a manner consistent with AS 11.
- Weighted average Exchange Rate for a period may be used for recording foreign currency transactions.

Important Points

1.	Unrealised gains and losses arising from changes in foreign currency exchange rates	are not Cash Flows.
2.	The effect of exchange rate changes on Cash and Cash equivalents held or due in a foreign currency	is reported in the Statement of Cash Flows in order to reconcile Cash and Cash equivalents at the beginning and the end of the period. is presented separately from cash flows from Operating, Investing and Financing Activities and includes the differences, if any, had those Cash Flows been reported at end of period exchange rates.



Cash Flows arising from taxes on income should be separately disclosed and should be classed as Cash Flows from operating activities unless they can be specifically identified with financing and investing activities.



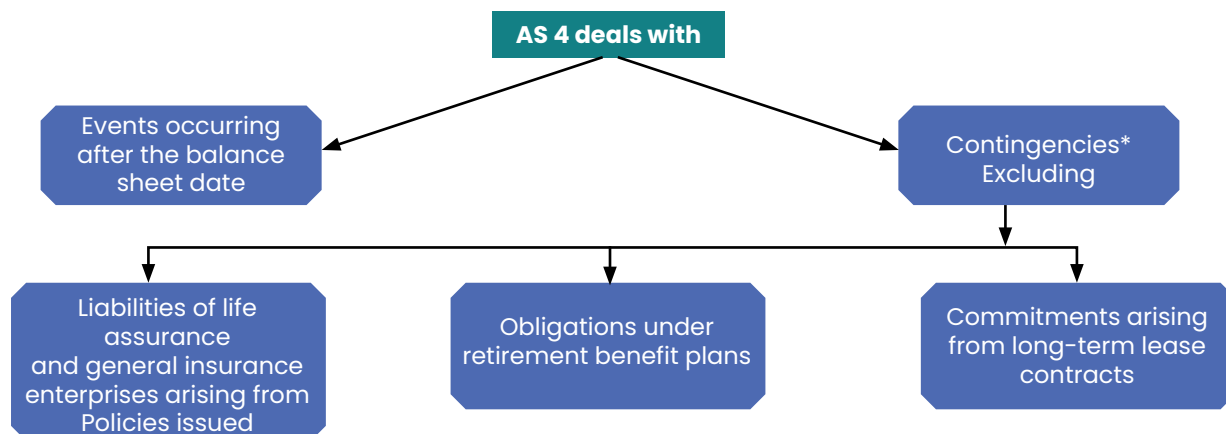
Important points/Disclosures

Investing and financing transactions that do not require the use of cash or cash equivalents	shall be excluded from a statement of Cash Flows.
	disclosed elsewhere in the Financial Statements in a way that provides all relevant information.
Components of cash and cash equivalents	disclose the components of cash and cash equivalents.
	shall present a reconciliation of the amounts in its Statement of Cash Flows with the equivalent items reported in the balance sheet.
	discloses the policy which entity adopts in determining the composition of Cash and Cash equivalents.
Other Disclosures	disclose, together with a commentary by Management, the amount of significant cash and cash equivalent balances held by the enterprise that are not available for use by it.

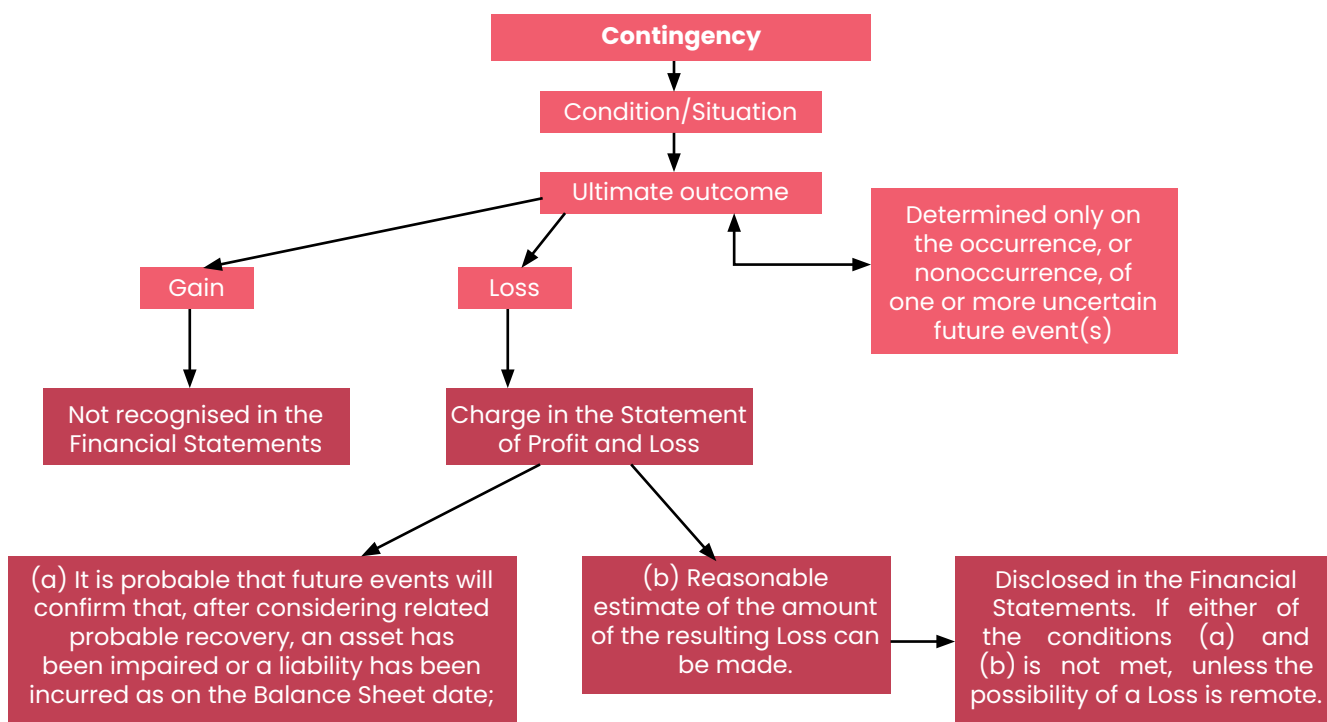
AS 4 "Contingencies and Events Occurring after the Balance Sheet Date"

Introduction

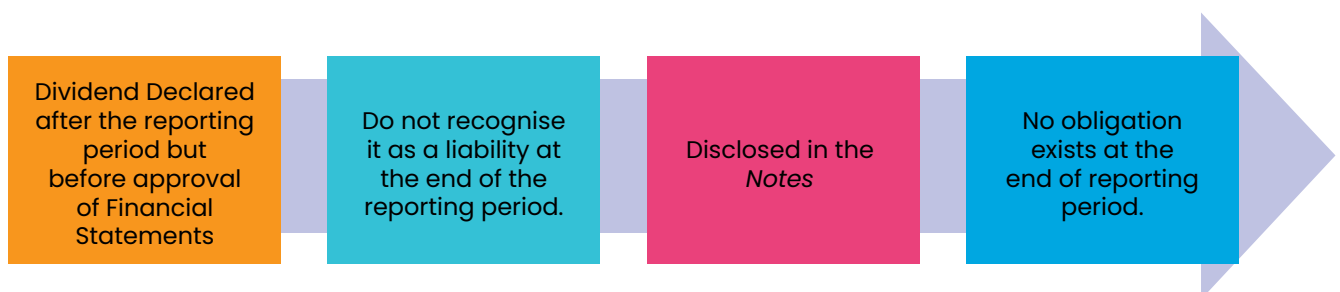
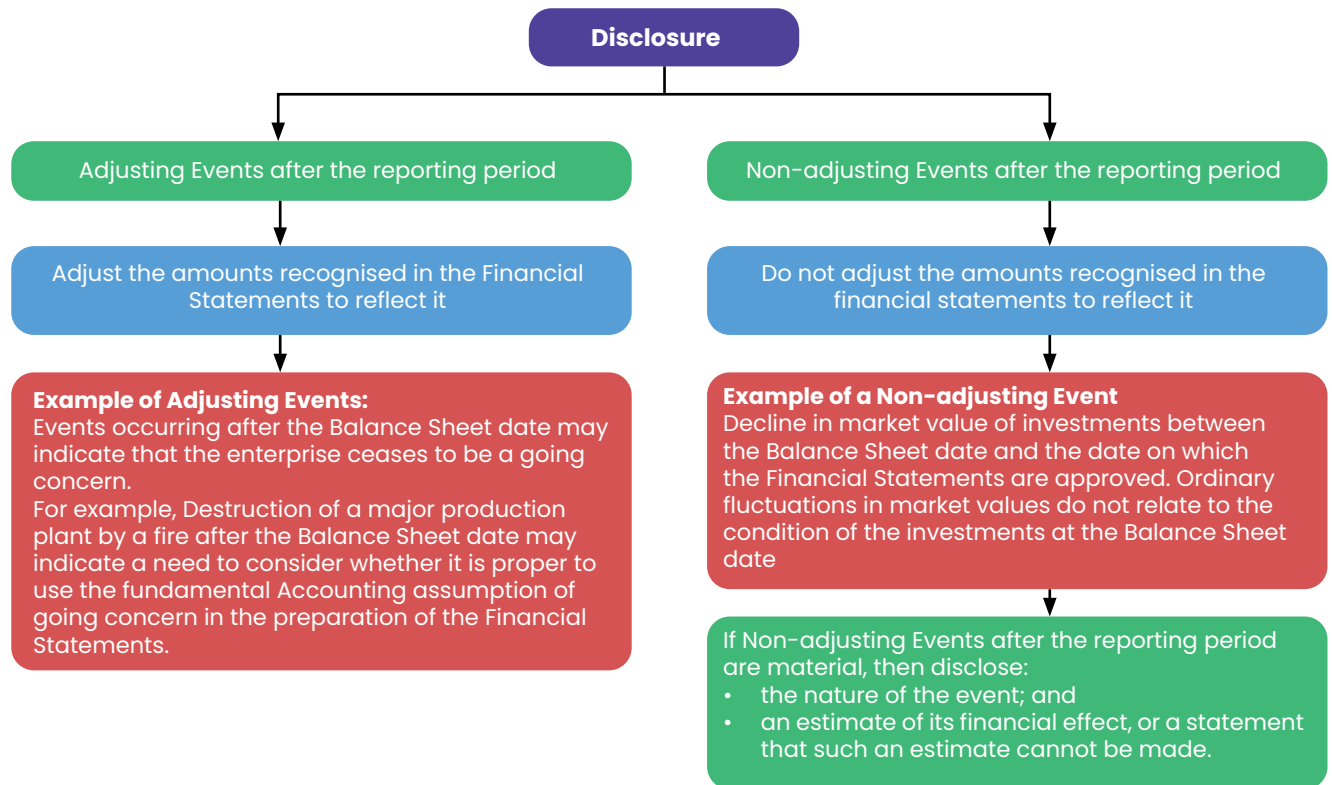
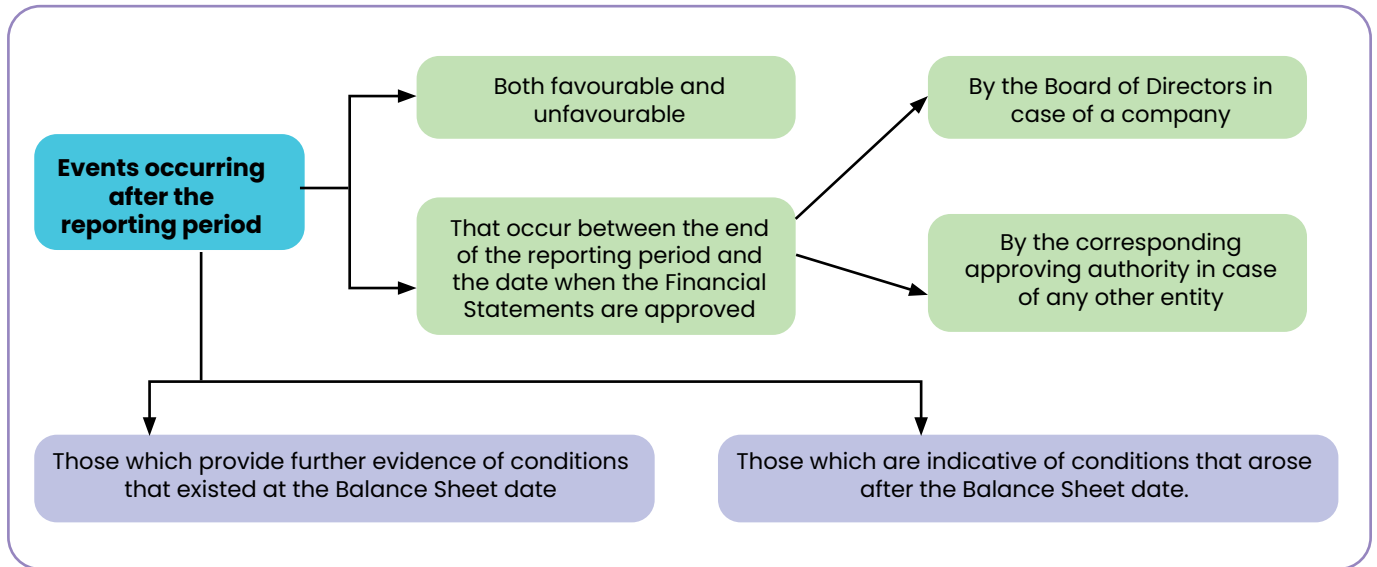
AS 4 defines Contingencies and Events occurring after the Balance Sheet Date and describes the Accounting Treatment and Disclosure requirements thereof.



**All paragraphs of this Accounting Standard that deal with Contingencies are applicable only to the extent not covered by other Accounting Standards prescribed by the Central Government*



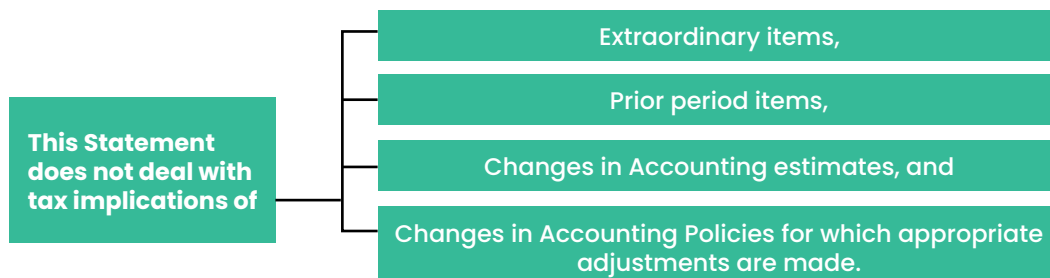
The existence and amount of guarantees, obligations arising from discounted Bills of Exchange and similar obligations undertaken by an enterprise are generally disclosed in Financial Statements by way of Note, even though the possibility that a Loss to the enterprise will occur, is remote



AS 5 “Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies”

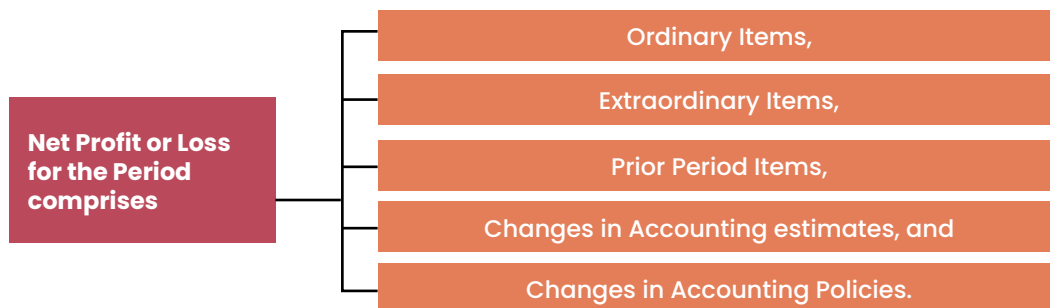
Introduction

The objective of AS 5 is to prescribe the classification and disclosure of certain items in the Statement of Profit and Loss so that all enterprises prepare and present such a statement on a uniform basis. This Standard requires the classification and disclosure of extraordinary and prior period items, and the disclosure of certain items within Profit or Loss from ordinary activities. It also specifies the Accounting Treatment for changes in Accounting Estimates and the disclosures to be made in the Financial Statements regarding changes in Accounting Policies.

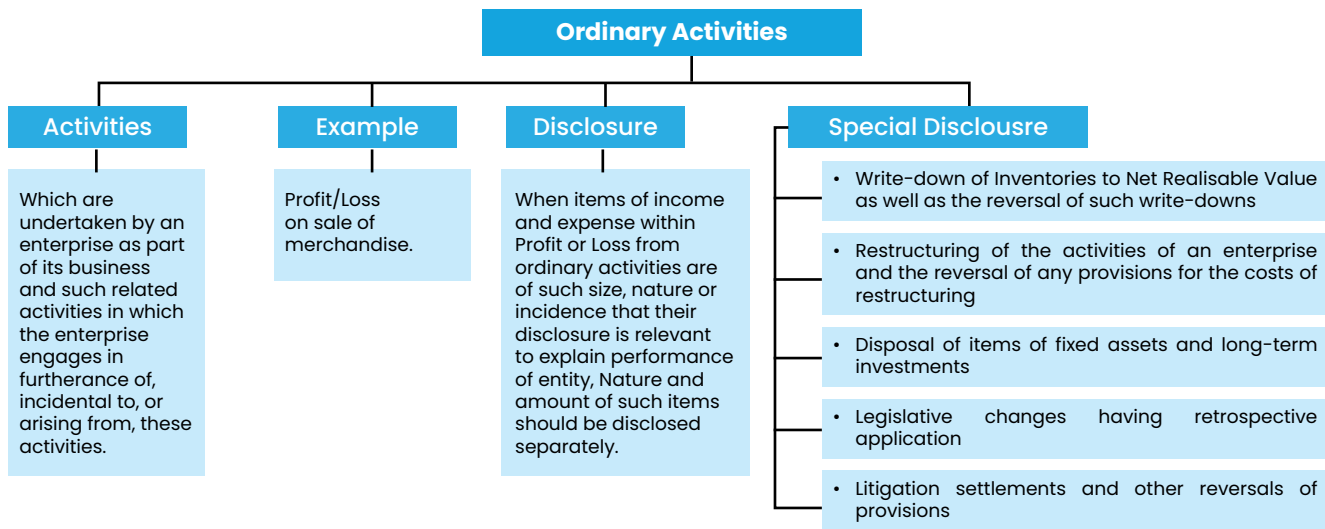


Net Profit or Loss for the Period

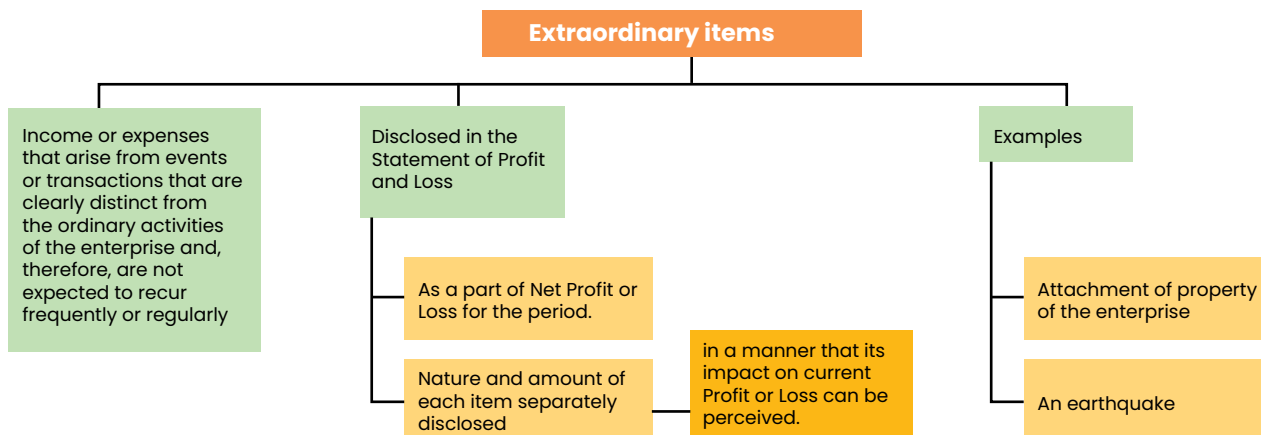
The Net Profit or Loss for the period comprises the following components, each of which should be disclosed on the face of the Statement of Profit and Loss.



Profit or Loss from Ordinary Activities

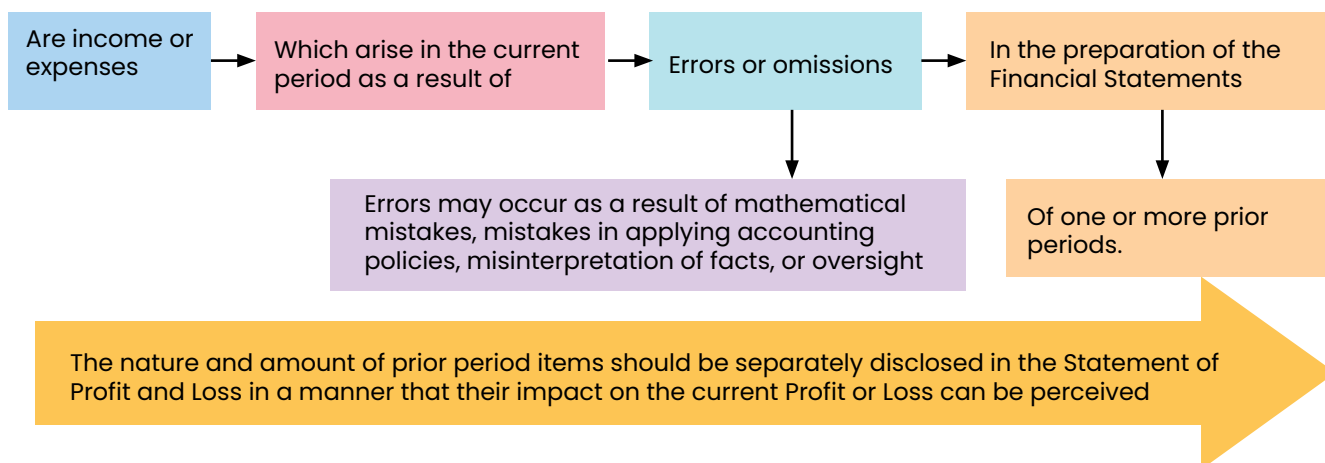


Extraordinary Items

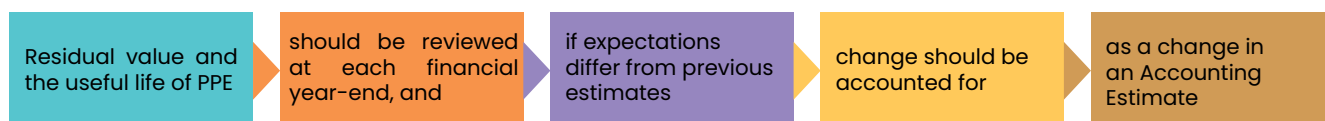
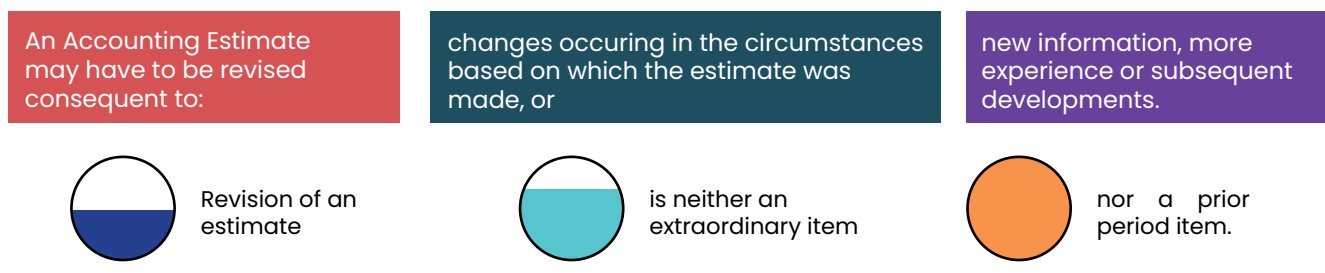


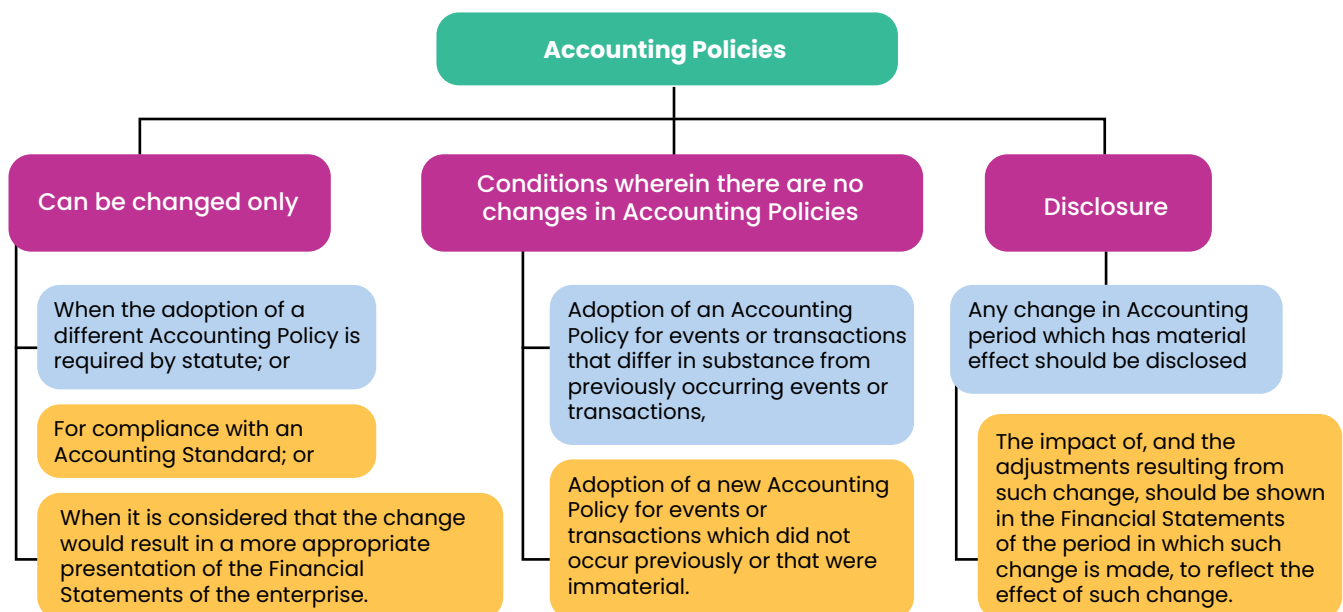
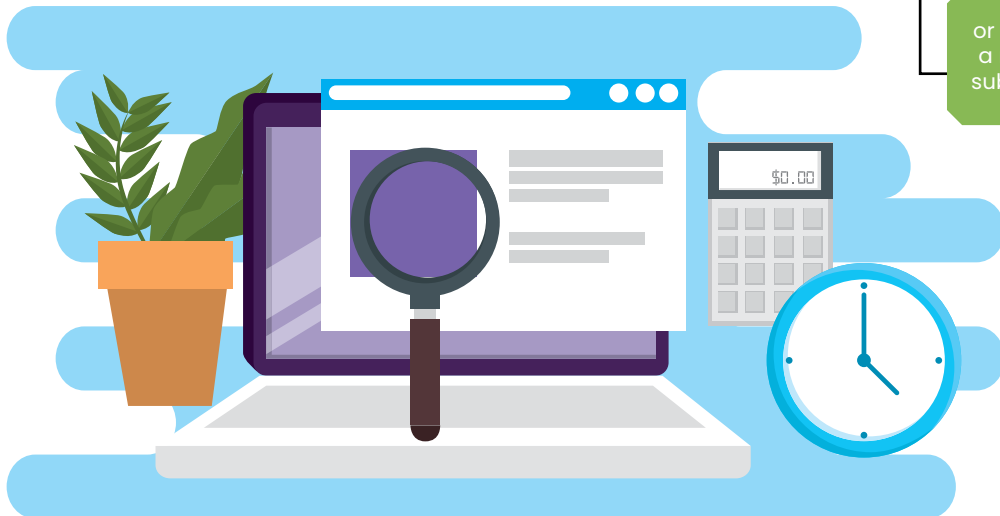
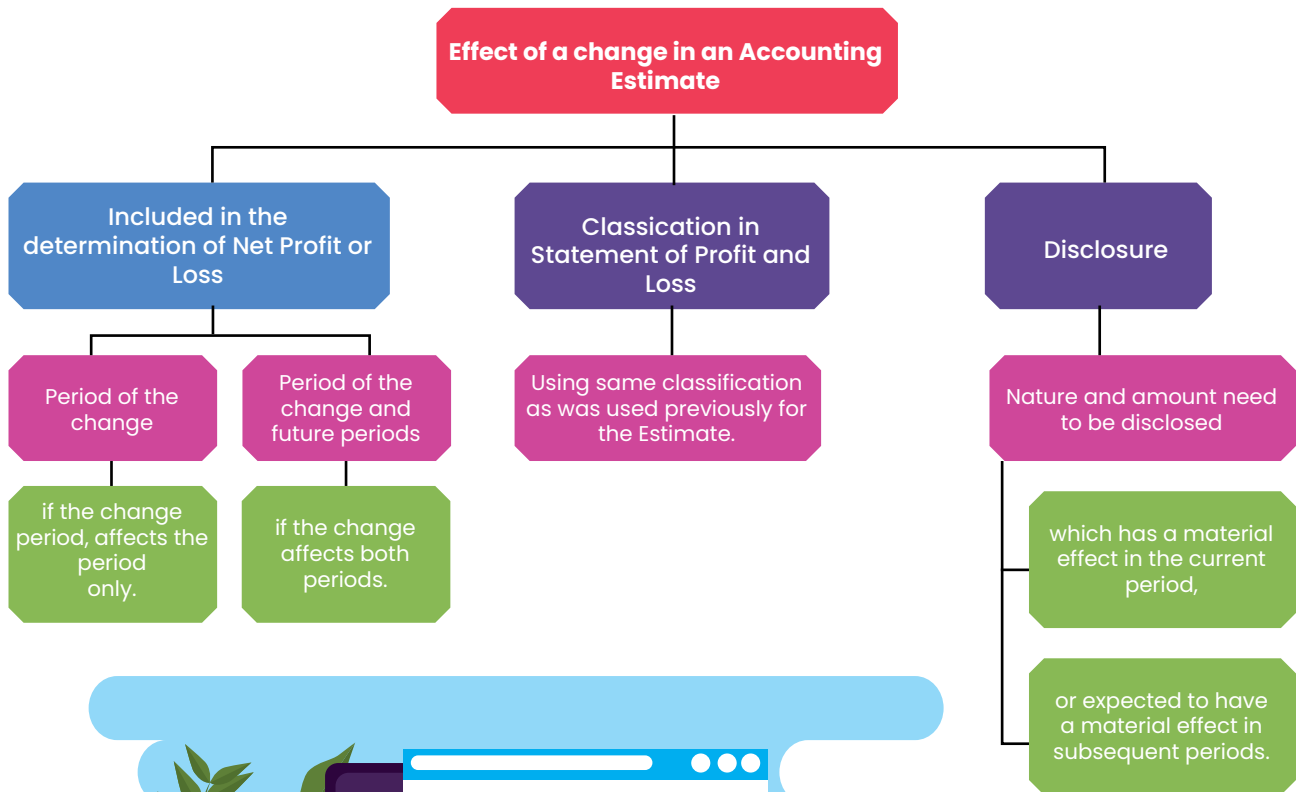
An event or transaction may be extraordinary for one enterprise but not so for another enterprise because of the differences between their respective ordinary activities.

Prior Period Items



Changes in Accounting Estimates

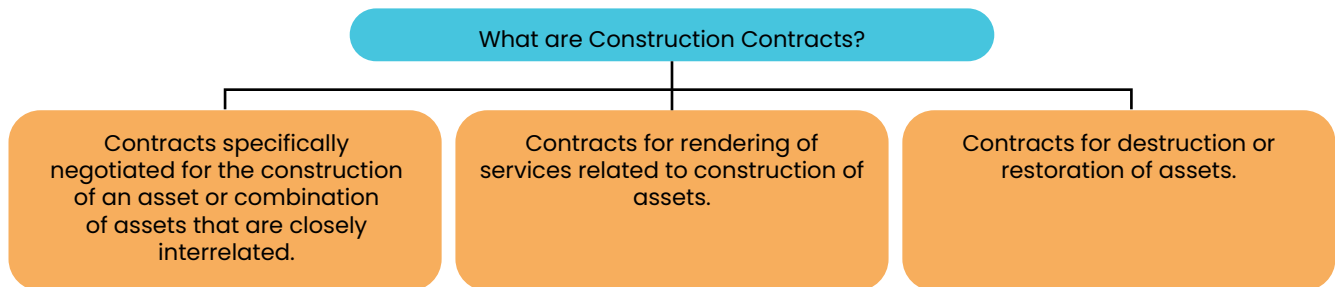




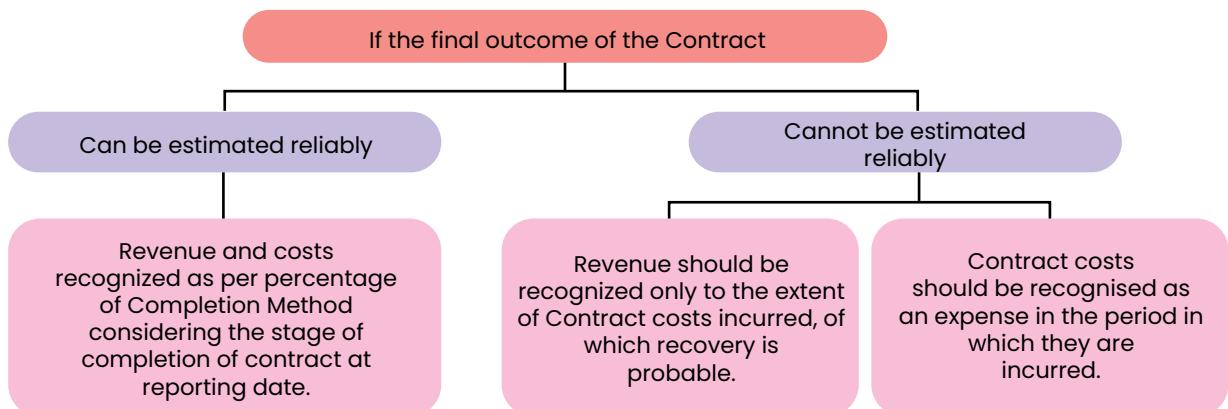
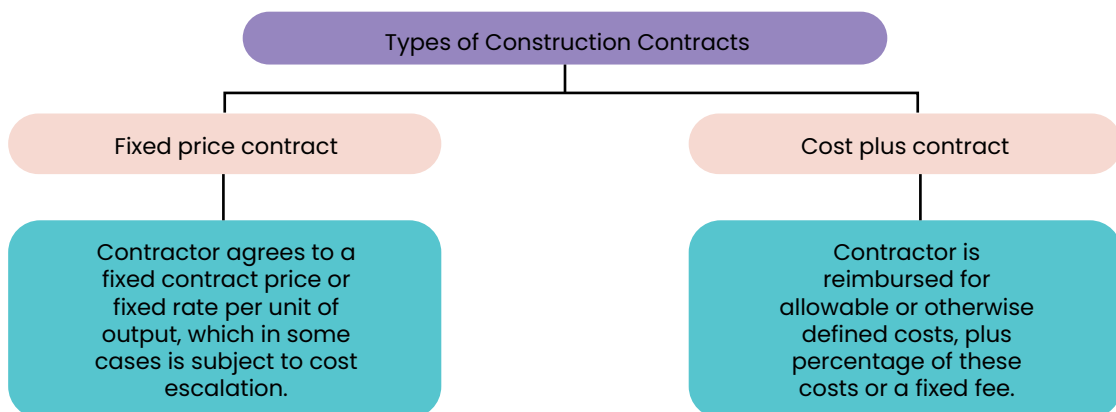
AS 7 "Construction Contracts"

Introduction

AS 7 prescribes the principles of Accounting for Construction Contracts in the Financial Statements of Contractors. The focus of the Standard is on allocation of contract revenue and contract costs to the Accounting Periods in which construction work is performed.

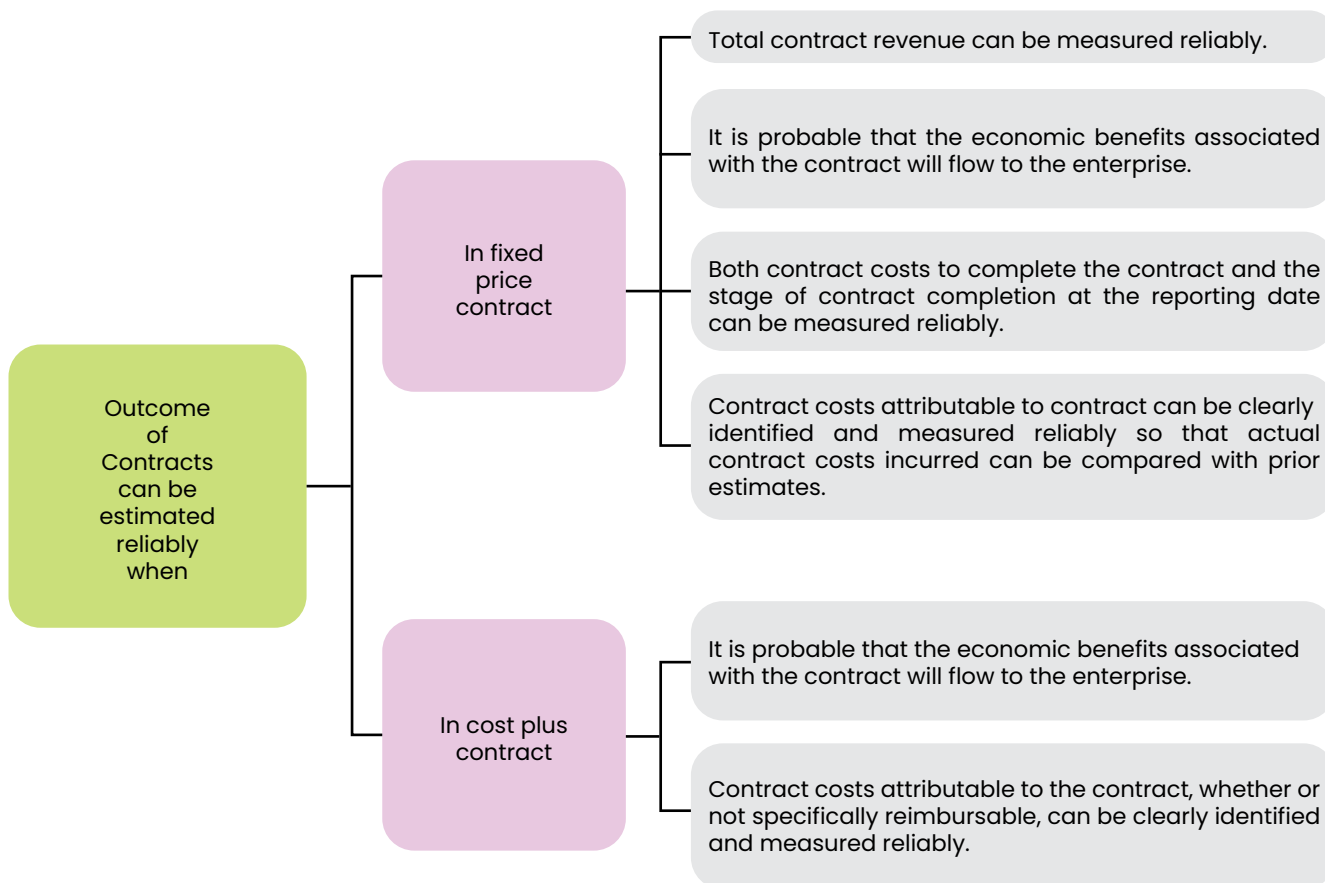


Construction Contracts can be classified into two categories.



Note: Any expected loss (when contract cost > contract revenue) on the Construction Contract should be recognised as an expense immediately in both the situations.

AS 7 prescribes conditions under which the outcome of a Contract can be estimated reliably.



Methods for Determination of Stage of Completion of Contracts

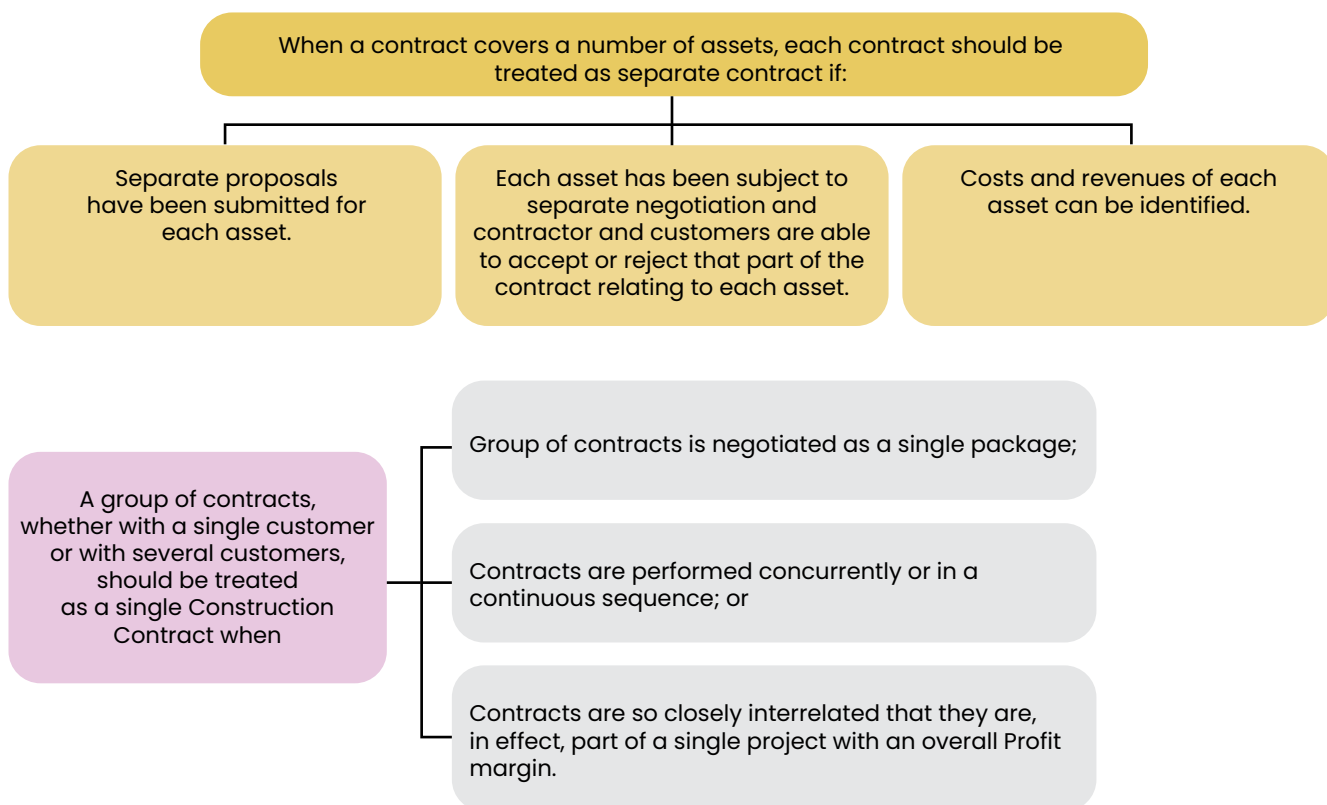
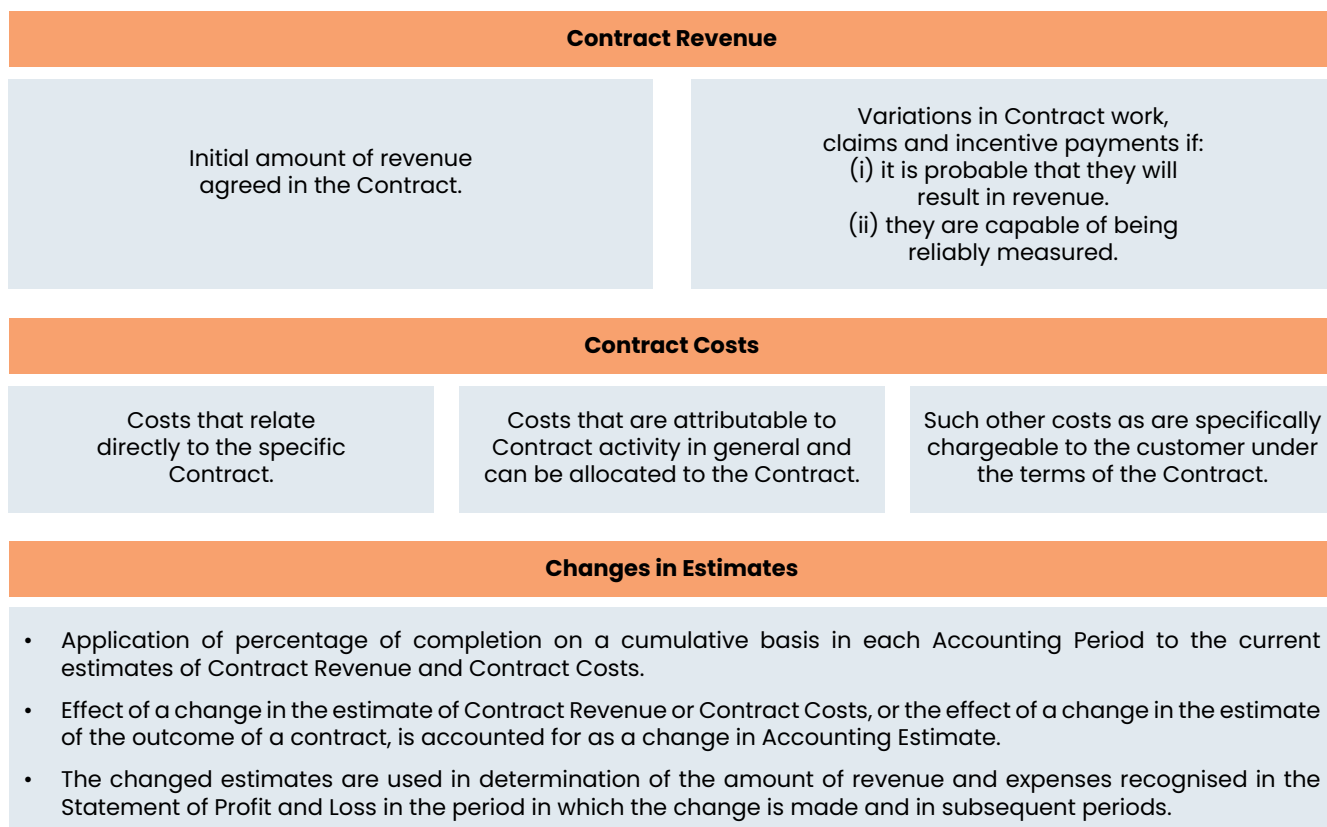
Determination of Stage of Completion (Method to be chosen depending on the nature of the Contract)

Proportion that contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs

Surveys of work performed

Completion of a physical proportion of the contract work

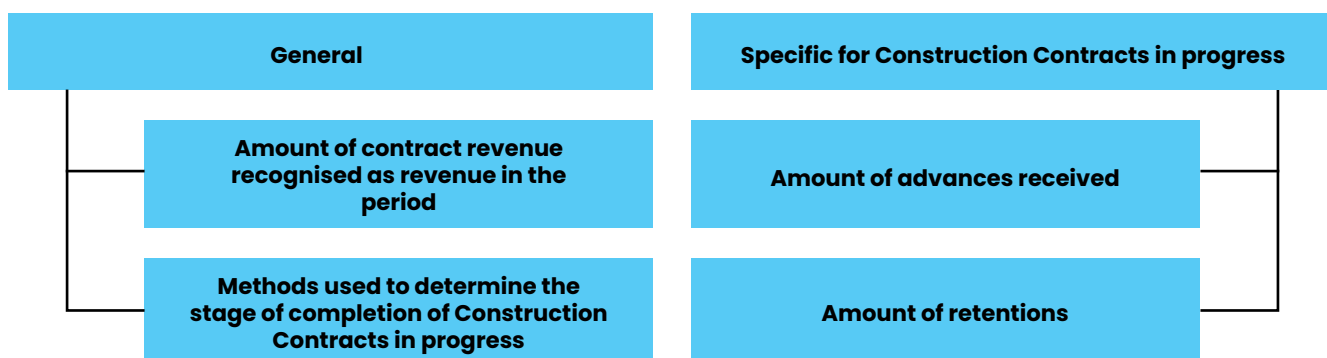
As per the Accounting Standard, Contract revenue and Contract costs comprise of the following:



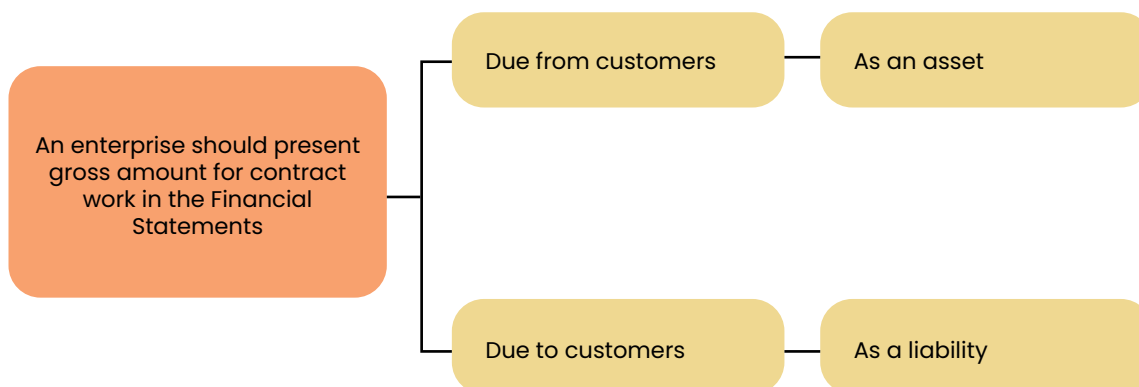
A Construction Contract may provide for the construction of an additional asset at the option of the customer or may be amended to include the construction of an additional asset.



Disclosures in Financial Statements



Retentions are the amounts of progress billings which are not paid until the satisfaction of conditions specified in the Construction Contract for the payment of such amounts or until defects have been rectified.



AS 9 “Revenue Recognition”

Introduction

AS 9 explains the timing for Revenue Recognition in the Financial Statements and also state the circumstances under which Revenue Recognition should be postponed.

AS 9 deals with

Bases for Recognition of Revenue arising in the course of the ordinary activities

In the statement of Profit and Loss of an enterprise.



Revenue is the gross inflow of cash, receivables or other consideration arising from:

Sale of Goods

Rendering of Services

Use by others of enterprise resources yielding Interest, Royalties and Dividends

AS 9 does not deal with revenue arising from

Construction Contracts

Hire-purchase, lease agreements

Government grants and other similar subsidies

Insurance contracts of insurance companies



Sale of Goods

Revenue from Sale of Goods should be recognised when the requirements as to performance as set out in the Accounting Standard are satisfied.

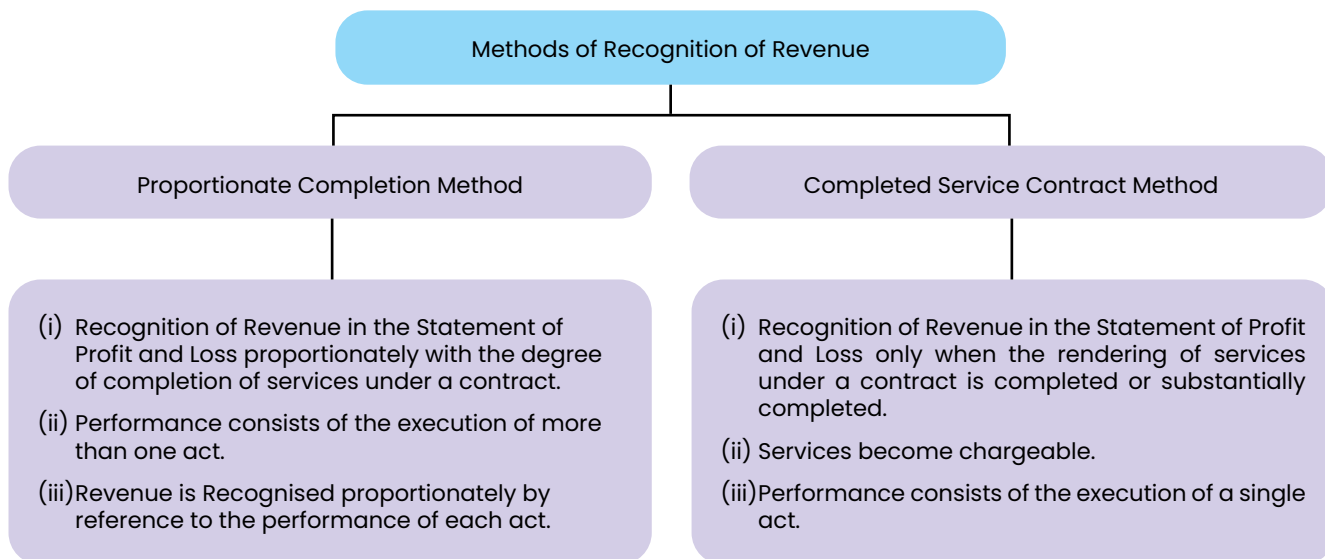
In Sale of Goods, performance should be regarded as being achieved when:

Seller of goods has transferred to the buyer the property in the goods for a price or all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred.

No significant uncertainty exists regarding the amount of the consideration that will be derived from the Sale of Goods.

Rendering of Services

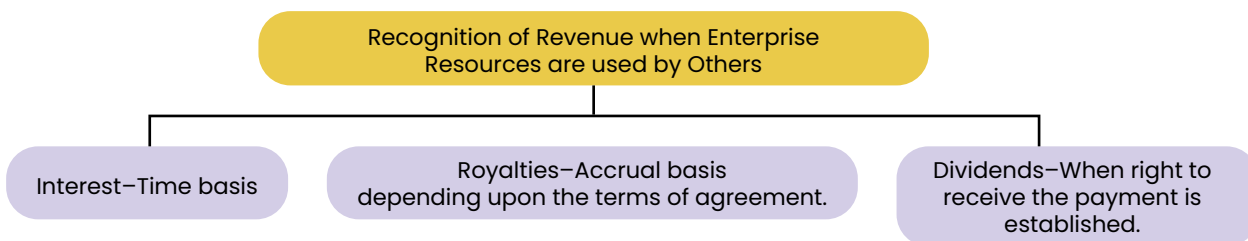
Revenue from service transactions is usually recognised as per the degree of the service performed.



Note: Revenue from Sale of Goods “for consideration” and Service transactions should be recognized only when no significant uncertainty exists regarding amount of consideration.

Use of Enterprise Resources by Other Parties

Use of Enterprise Resources by Others may yield revenue in the form of Interest, Royalties and Dividends.



Effect of Uncertainties on Revenue Recognition

Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, Revenue Recognition is postponed to the extent of uncertainty involved. When the uncertainty relating to collectability arises subsequent to the time of sale or the rendering of the service, it is more appropriate to make a separate provision to reflect the uncertainty rather than to adjust the amount of revenue originally recorded.

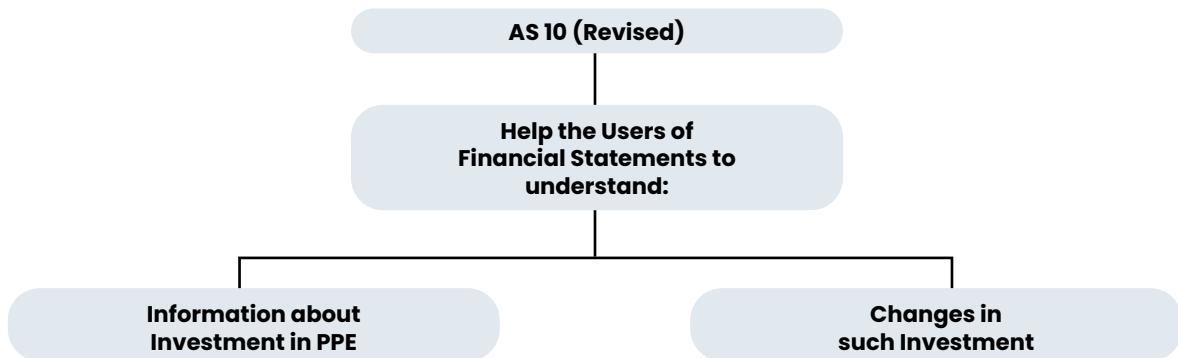
Disclosures

In addition to the Disclosures required by AS 1 “Disclosure of Accounting Policies”, an enterprise should disclose the circumstances in which Revenue Recognition has been postponed pending the resolution of significant uncertainties.

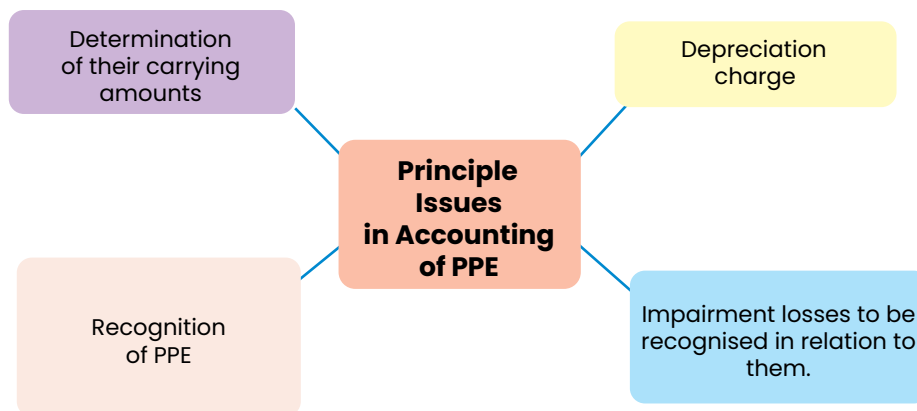
AS 10 “Property, Plant and Equipment”

Introduction

The objective of this Standard is to prescribe accounting treatment for Property, Plant and Equipment (PPE).

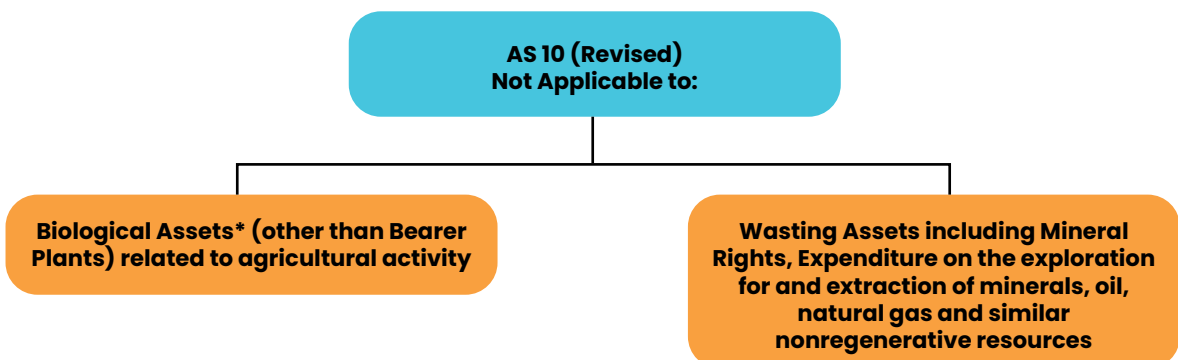


The principal issues in Accounting for PPE are:



Scope of Standard

As a general principle, AS 10 (Revised) should be applied in accounting for PPE. Except when another Accounting Standard requires or permits a different accounting treatment.

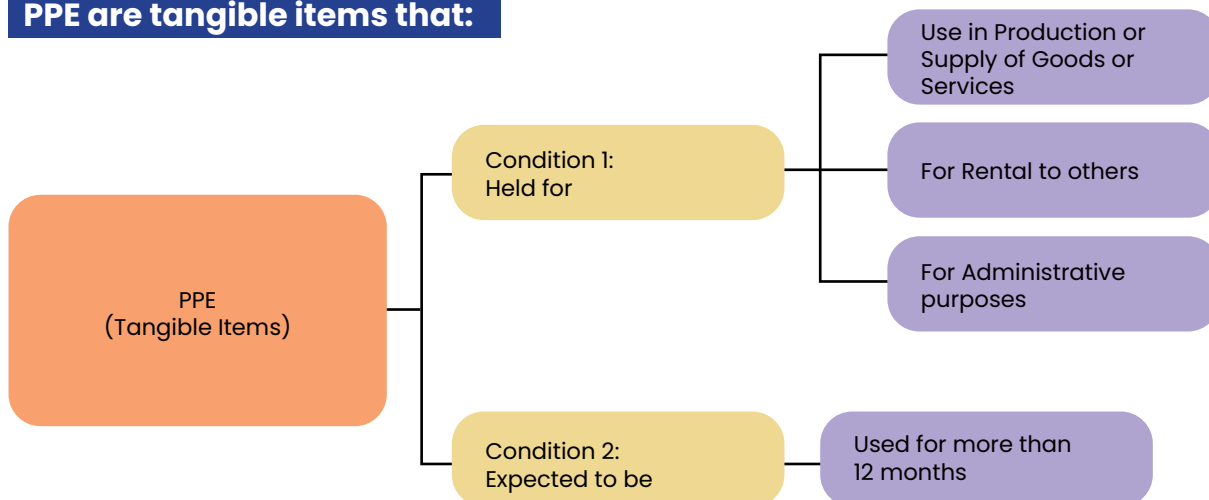


***AS 10 (Revised) applies to Bearer Plants but it does not apply to the produce on Bearer Plants.**

Clarifications:

1. AS 10 (Revised) applies to PPE used to develop or maintain the assets described above.
2. Investment Property (defined in AS 13 (Revised)), should be accounted for only in accordance with the Cost Model prescribed in this Standard.

PPE are tangible items that:



Intangible items are covered under AS 26.

Definitions

Administrative Purposes: The term 'Administrative purposes' has been used in wider sense to include all business purposes. Thus, PPE would include assets used for:

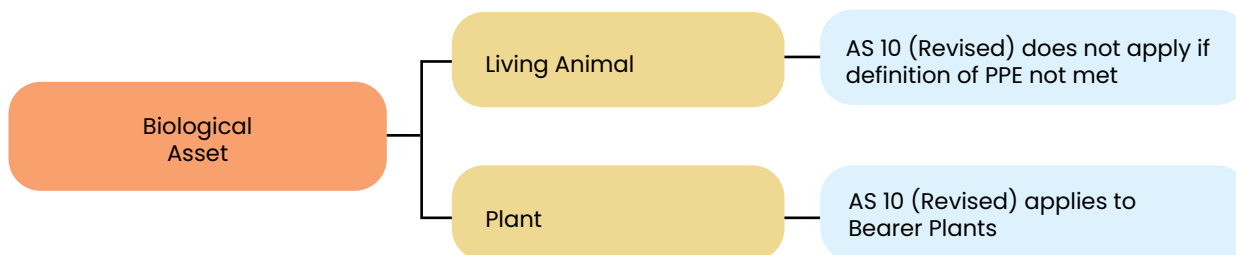
- Selling and distribution
- Finance and Accounting
- Personnel and other functions of an Enterprise.

Items of PPE may also be acquired for safety or environmental reasons.

The acquisition of such PPE, although not directly increasing the future economic benefits of any particular existing item of PPE, may be necessary for an enterprise to obtain the future economic benefits from its other assets.

Such items of PPE qualify for recognition as assets because they enable an enterprise to derive future economic benefits from related assets in excess of what could be derived had those items not been acquired.

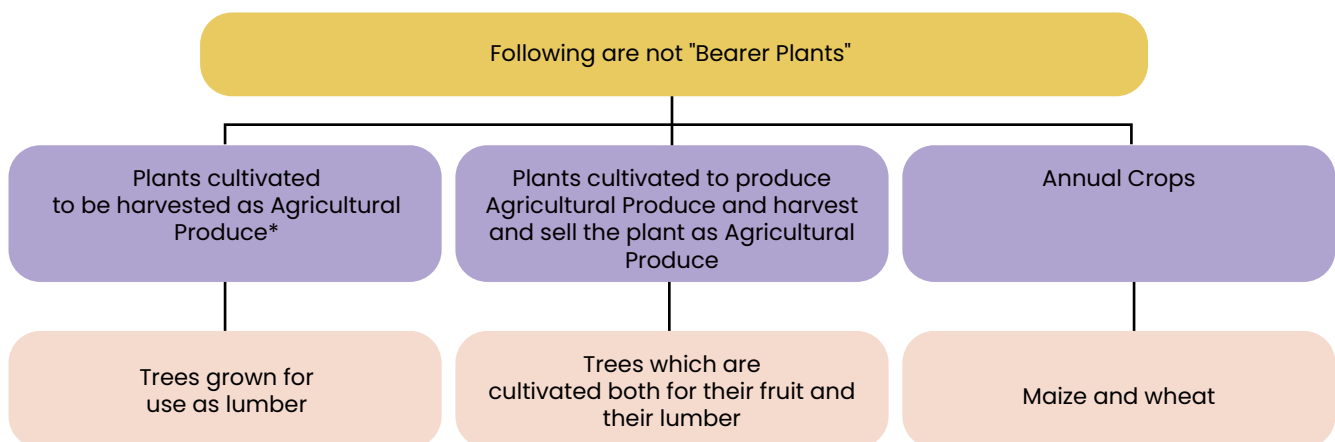
Biological Asset: Till the time, the Accounting Standard on "Agriculture" is issued, accounting for livestock meeting the definition of PPE, will be covered as per AS 10 (Revised).



Bearer Plant: Is a plant that (satisfies all 3 conditions specified below):

Is used in the production or supply	Of Agricultural produce
Is expected to bear produce	For more than a period of 12 months
Has a remote likelihood of being sold as Agricultural produce	Except for incidental scrap sales

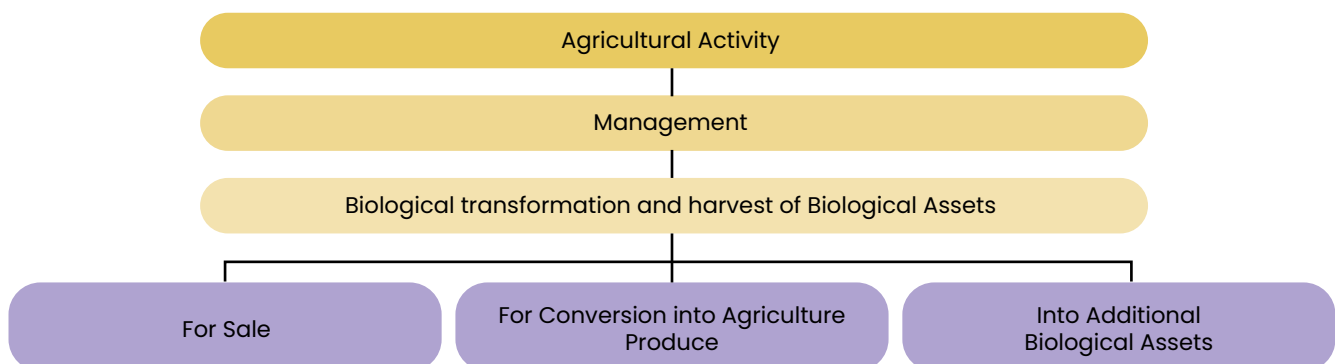
Note: When Bearer Plants are no longer used to bear produce they might be cut down and sold as scrap. For example - use as firewood. Such incidental scrap sales would not prevent the plant from satisfying the definition of a Bearer Plant.



***Agricultural Produce** is the harvested product of Biological Assets of the enterprise.

Agricultural Activity: is the Management by an Enterprise of:

- Biological transformation and Harvest of Biological Assets



Recognition Criteria for PPE

The cost of an item of PPE **should be recognised as an asset** if, and only if:

- (a) It is probable that future economic benefits associated with the item will flow to the enterprise, and
- (b) The cost of the item can be measured reliably.

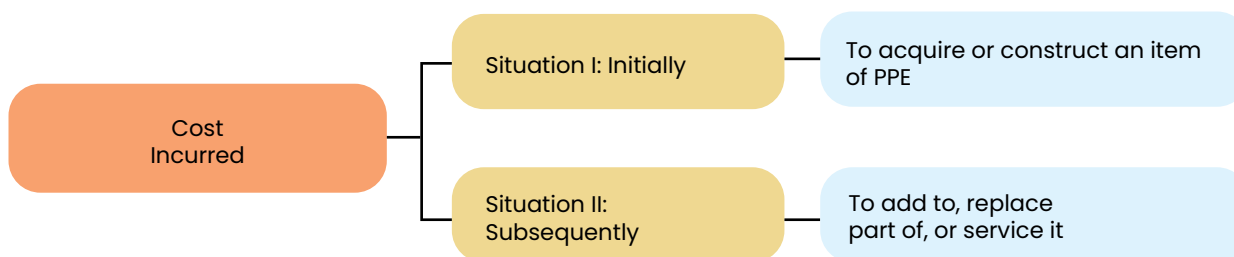
Notes:

1. It may be appropriate to aggregate individually insignificant items, such as moulds, tools and dies and to apply the criteria to the aggregate value.
2. An enterprise may decide to expense an item which could otherwise have been included as PPE, because the amount of the expenditure is not material.

When to apply the above Criteria for Recognition?

An enterprise evaluates under this Recognition Principle all its costs on PPE at the time they are incurred.

These costs include costs incurred:



Treatment of Spare Parts, Standby Equipment and Servicing Equipment

Case I If they meet the definition of PPE as per AS 10 (Revised):

■ Recognised as PPE as per AS 10 (Revised)

Case II If they do not meet the definition of PPE as per AS 10 (Revised):

■ Such items are classied as Inventory as per AS 2 (Revised)

Treatment of Subsequent Costs

Cost of day-to-day servicing

Costs of day-to-day servicing are primarily the costs of labour and consumables, and may include the cost of small parts. The purpose of such expenditures is often described as for the 'Repairs and Maintenance' of the item of PPE.

An enterprise does not recognise in the Carrying Amount of an item of PPE the costs of the day-to-day servicing of the item. Rather, these costs are recognised in the Statement of Profit and Loss as incurred.

Replacement of Parts of PPE

Parts of some items of PPE may require replacement at regular intervals.

An enterprise recognises in the Carrying Amount of an item of PPE the cost of replacing part of such an item when that cost is incurred if the Recognition Criteria are met.

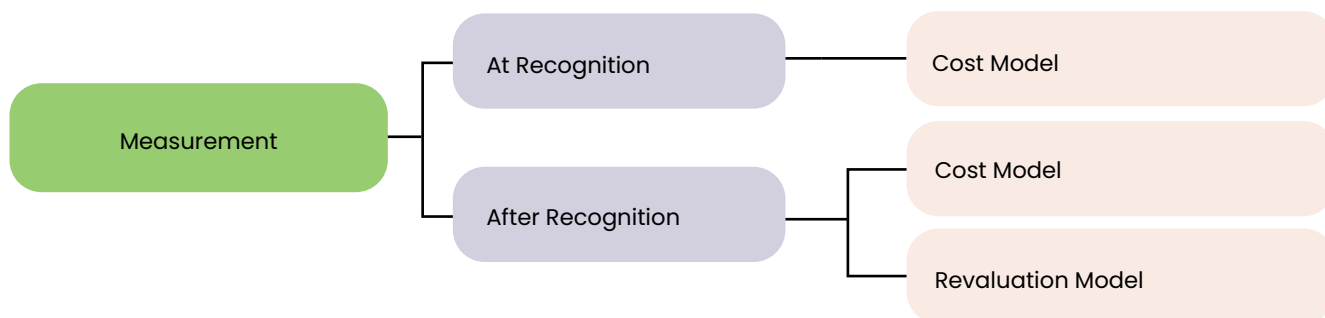
Notes: The Carrying Amount of those parts that are replaced is derecognised in accordance with the derecognition Provisions of this Standard.

Regular Major Inspections–Accounting Treatment

When each major inspection is performed, its cost is recognised in the Carrying Amount of the item of PPE as a replacement, if the Recognition Criteria are satisfied.

Any remaining Carrying Amount of the cost of the previous inspection (as distinct from physical parts) is derecognised.

Measurement of PPE

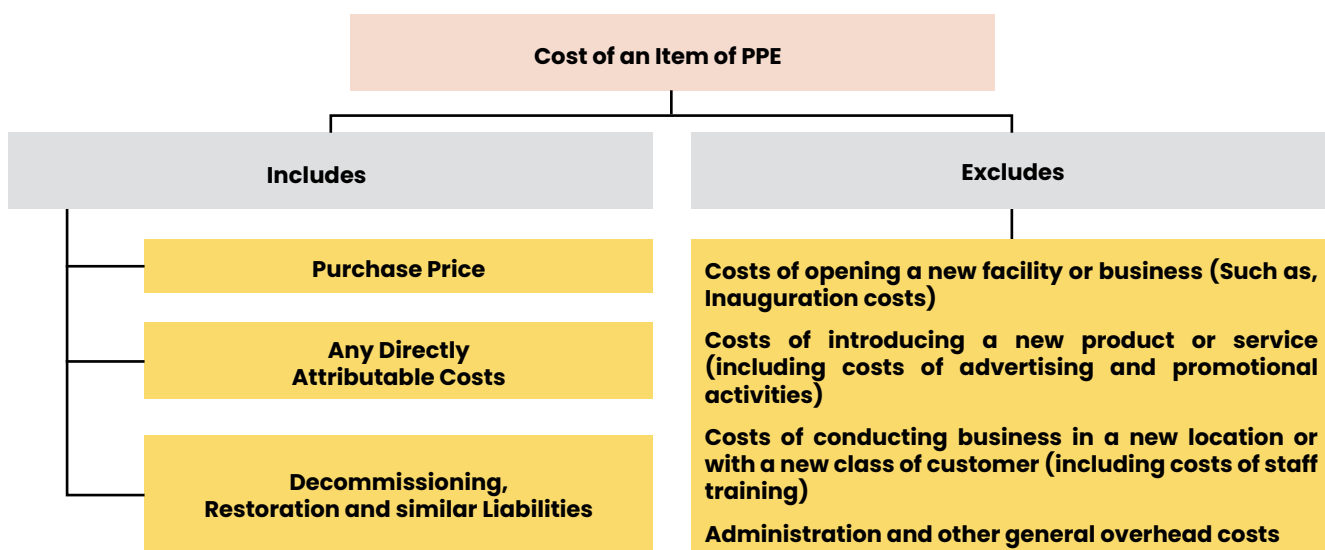


Measurement of PPE at Recognition

An item of PPE that qualifies for Recognition as an Asset should be measured at its cost.

What are the elements of Cost?

Cost of an item of PPE comprises:



Recognition of Costs in the Carrying Amount of an item of PPE ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

The following Costs are not included in the Carrying Amount of an item of PPE:

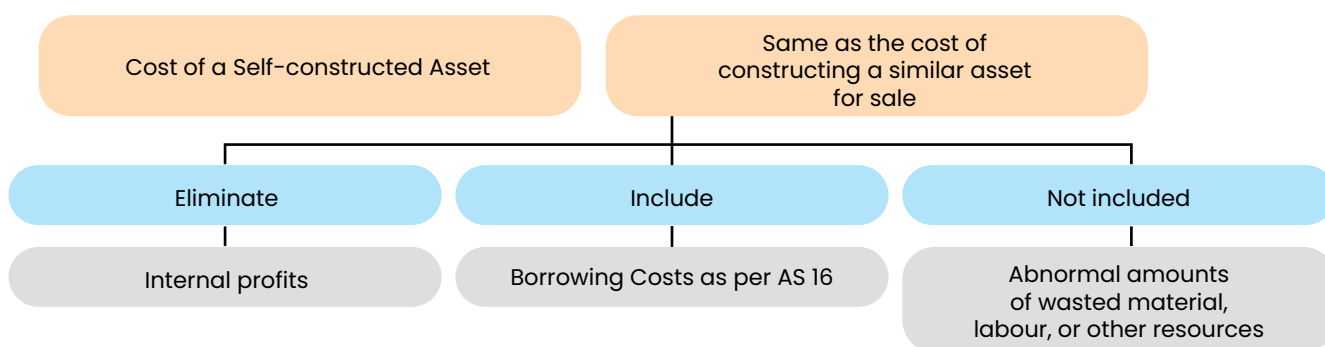
1. Costs incurred while an item capable of operating in the manner intended by Management has yet to be brought into use or is operated at less than full capacity.
2. Initial operating losses, such as those incurred while demand for the output of an item builds up. And
3. Costs of relocating or reorganising part or all of the operations of an enterprise.

Note: Some operations occur in connection with the construction or development of an item of PPE, but are not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by Management. These incidental operations may occur before or during the construction or development activities.

Decommissioning, Restoration and similar Liabilities:

The cost of an item of PPE comprises initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located, referred to as 'Decommissioning, Restoration and similar Liabilities', the obligation for which an enterprise incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce Inventories during that period.

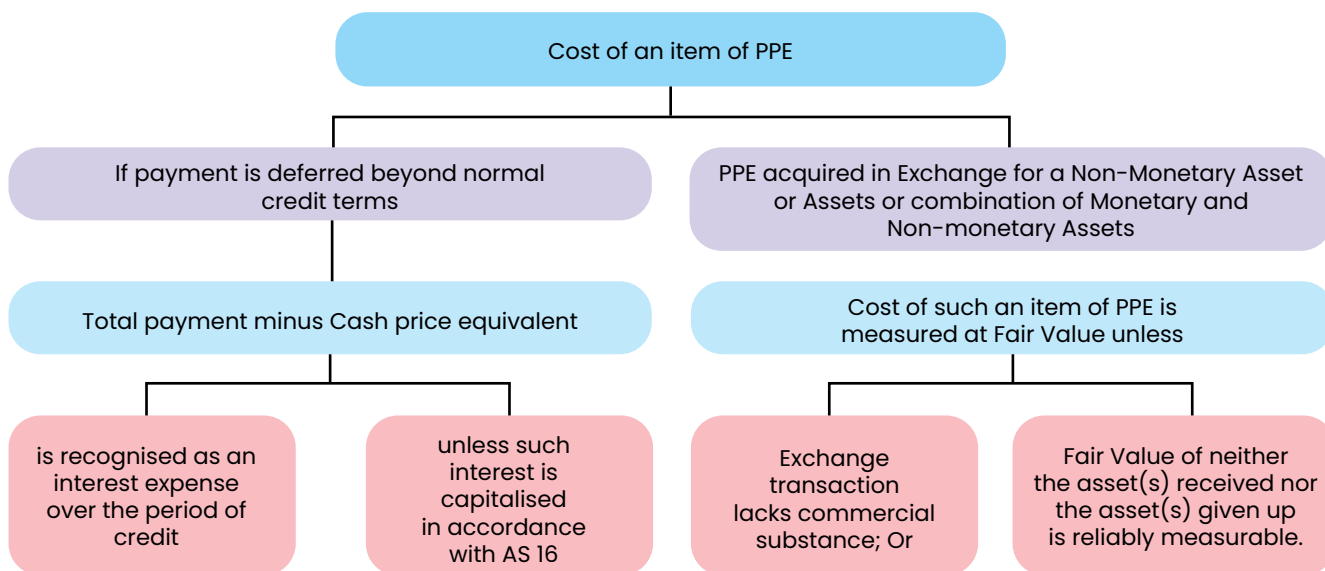
Exception: An enterprise applies AS 2 (Revised) "Valuation of Inventories", to the costs of obligations for dismantling, removing and restoring the site on which an item is located that are incurred during a particular period as a consequence of having used the item to produce Inventories during that period.



Bearer Plants are accounted for in the same way as self-constructed items of PPE before they are in the location and condition necessary to be capable of operating in the manner intended by Management.

Measurement of Cost

Cost of an item of PPE is the cash price equivalent at the Recognition date.



Note:

1. The acquired item(s) is/are measured in this manner even if an enterprise cannot immediately derecognise the asset given up.
2. If the acquired item(s) is/are not measured at Fair Value, its/their cost is/are measured at the carrying amount of the asset(s) given up.
3. An enterprise determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if:
 - (a) the configuration (risk, timing and amount) of the Cash Flows of the asset received differs from the configuration of the Cash Flows of the asset transferred; or
 - (b) the enterprise-specific value of the portion of the operations of the enterprise affected by the transaction changes as a result of the exchange;
 - (c) and the difference in (a) or (b) is significant relative to the Fair Value of the assets exchanged.

PPE purchased for a Consolidated Price

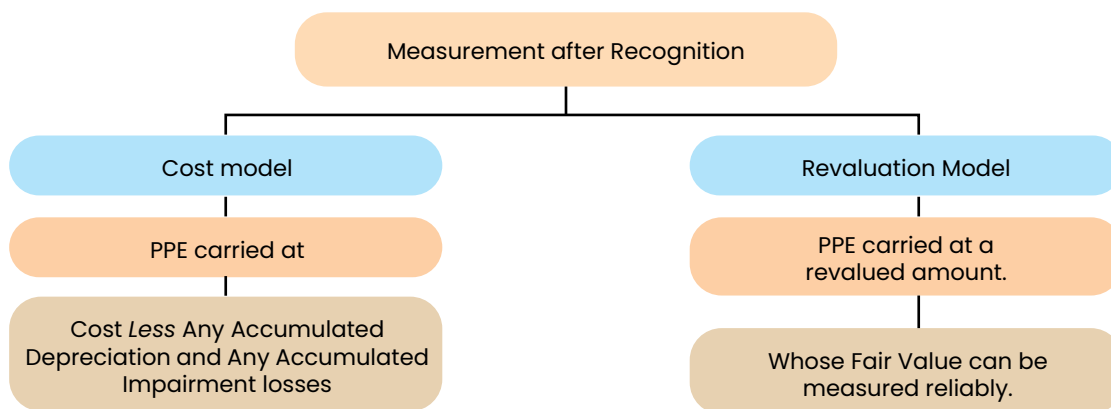
Where several items of PPE are purchased for a consolidated price, the consideration is apportioned to the various items on the basis of their respective Fair Values at the date of acquisition.

PPE held by a lessee under a Finance Lease

The cost of an item of PPE held by a lessee under a finance lease is determined in accordance with AS 19 (Leases).

Government Grant related to PPE

The Carrying Amount of an item of PPE may be reduced by Government Grants in accordance with AS 12 (Accounting for Government Grants).



Revaluation for entire class of PPE

If an item of PPE is revalued, the entire class of PPE to which that asset belongs should be revalued.

Reason:

The items within a class of PPE are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the Financial Statements that are a mixture of costs and values as at different dates.

Class of PPE is

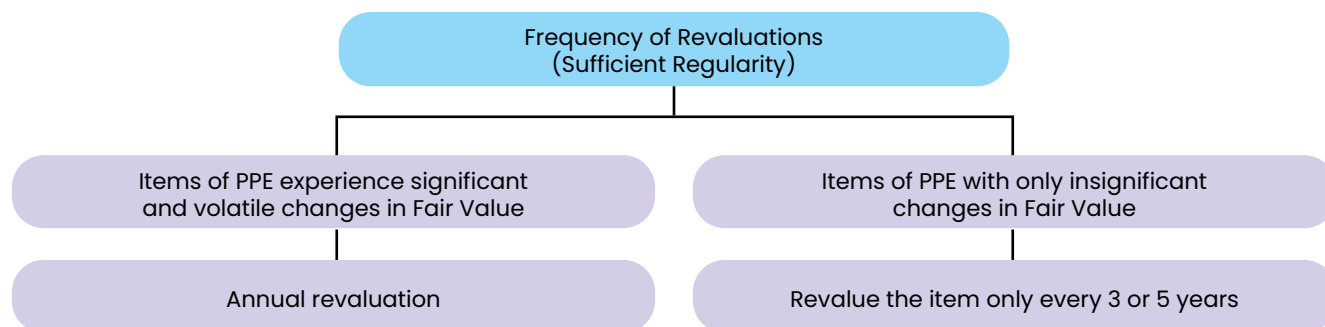


Frequency of Revaluations

Revaluations should be made with sufficient regularity to ensure that the Carrying Amount does not differ materially from that which would be determined using Fair Value at the Balance Sheet date.

The frequency of revaluations depends upon the changes in fair values of the items of PPE being revalued.

When the Fair Value of a revalued asset differs materially from its Carrying Amount, a further revaluation is required.



Determination of Fair Value

Fair Value of items of PPE is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified Valuers.

If there is no market-based evidence of Fair Value because of the specialised nature of the item of PPE and the item is rarely sold, except as part of a continuing business, an enterprise may need to estimate Fair Value using an income approach or a depreciated replacement cost approach.

Accounting Treatment of Revaluations

When an item of PPE is revalued, the Carrying Amount of that asset is adjusted to the revalued amount.

At the date of the revaluation, the asset is treated in one of the following ways:

Technique 1: Gross Carrying Amount is adjusted in a manner that is consistent with the revaluation of the Carrying Amount of the asset.

Gross Carrying Amount:

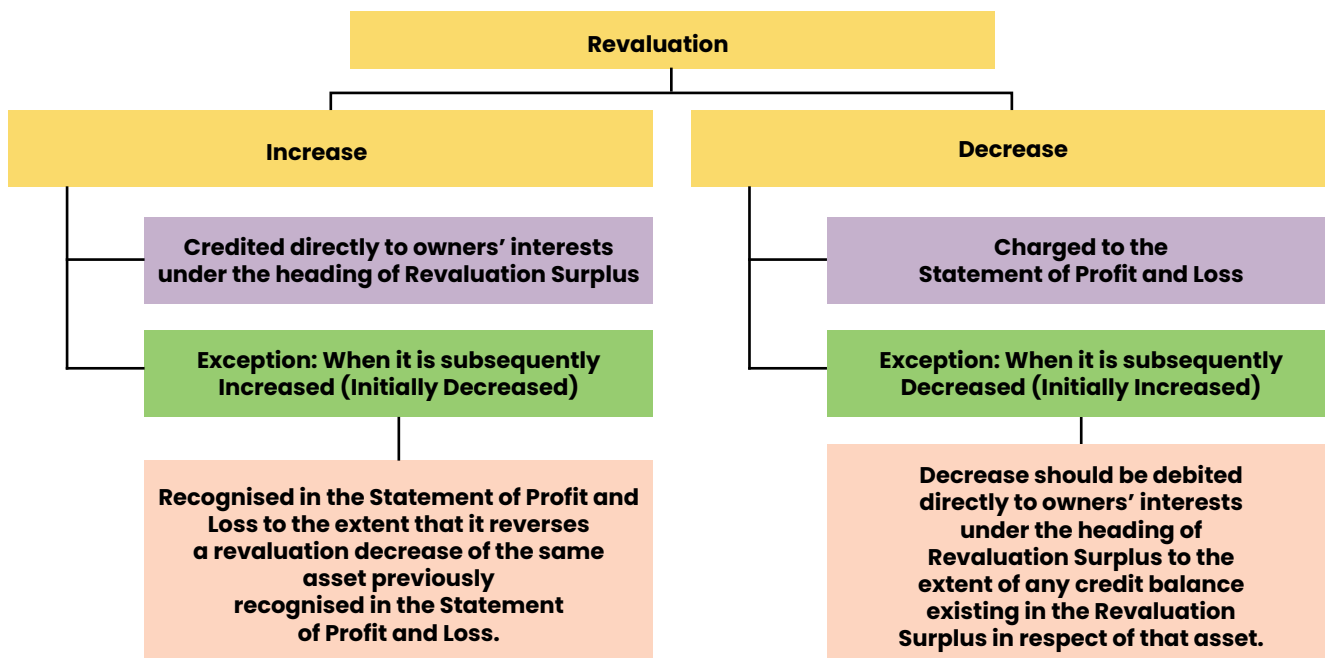
- May be restated by reference to observable market data, or
- May be restated proportionately to the change in the Carrying Amount.

Accumulated depreciation at the date of the revaluation is

- Adjusted to equal the difference between the Gross Carrying Amount and the Carrying Amount of the asset after taking into account accumulated impairment losses

Technique 2: Accumulated depreciation is eliminated against the Gross Carrying Amount of the asset

Revaluation—Increase or Decrease



Treatment of Revaluation Surplus

The Revaluation Surplus included in owners' interests in respect of an item of PPE may be transferred to the Revenue Reserves when the asset is derecognised.

Case I : When whole surplus is transferred:

If the asset is:

- Retired; Or
- Disposed of.

Case II : Some of the surplus may be transferred as the asset is used by an enterprise:

In such a case, the amount of the surplus transferred would be:

Depreciation (based on Revalued Carrying Amount) – Depreciation (based on Original Cost)

Transfers from Revaluation Surplus to the Revenue Reserves are not made through the Statement of Profit and Loss.

Depreciation

Component Method of Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item should be depreciated separately.

A significant part of an item of PPE may have a useful life and a Depreciation Method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge.

Depreciation charge for each period should be recognised in the Statement of Profit and Loss unless it is included in the Carrying Amount of another asset.

Depreciable Amount and Depreciation Period

Depreciable Amount is:

Cost of an asset (or other amount substituted for cost i.e. revalued amount) – Residual Value

The Depreciable Amount of an asset should be allocated on a systematic basis over its useful life.

Review of Residual Value and Useful Life of an Asset

Residual Value and the Useful Life of an Asset should be reviewed at least at each Financial Year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an Accounting Estimate in accordance with AS 5 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'.

Commencement of period for charging Depreciation

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management.

Cessation of Depreciation

I. Depreciation ceases to be charged when an asset's Residual Value exceeds its Carrying Amount

The Residual Value of an asset may increase to an amount equal to or greater than its Carrying Amount. If it does, depreciation charge of the asset is zero unless and until its residual value subsequently decreases to an amount below its Carrying Amount.

II. Depreciation of an asset ceases at the earlier of:

- The date that the asset is retired from active use and is held for disposal, and
- The date that the asset is derecognised.

Therefore, depreciation does not cease when the asset becomes idle or is retired from active use (but not held for disposal) unless the asset is fully depreciated. However, under usage methods of depreciation, the depreciation charge can be zero while there is no production.

Land and Buildings

Land and Buildings are separable assets and are accounted for separately, even when they are acquired together.

A. Land: Land has an unlimited useful life and therefore is not depreciated.

Exceptions: Quarries and sites used for landfill.

Depreciation on Land:

I. If Land itself has a limited useful life:

It is depreciated in a manner that reflects the benefits to be derived from it.

II. If the cost of Land includes the costs of site dismantlement, removal and restoration:

That portion of the Land asset is depreciated over the period of benefits obtained by incurring those costs.

B. Buildings:

Buildings have a limited useful life and therefore are depreciable assets.

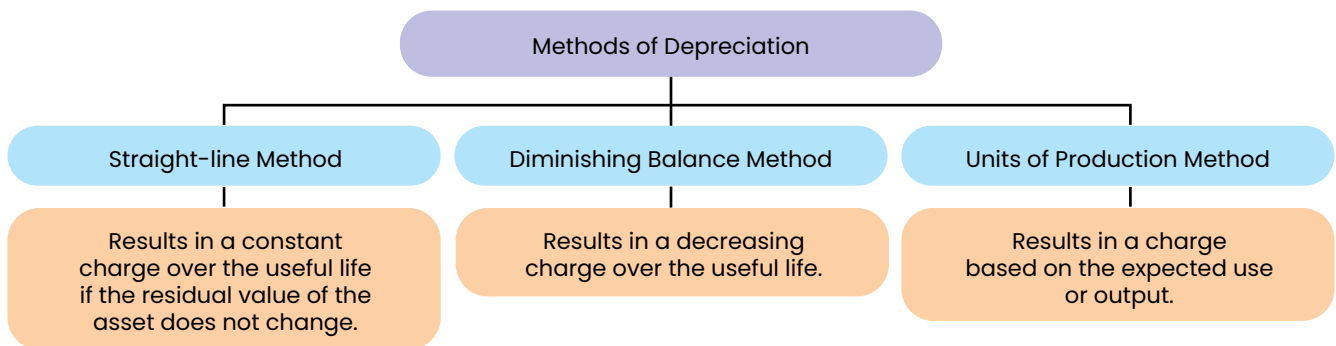
An increase in the value of the Land on which a Building stands does not affect the determination of the depreciable amount of the Building.

Depreciation Method

The Depreciation Method used should reflect the pattern in which the future economic benefits of the asset are expected to be consumed by the enterprise.

The Method selected is applied consistently from period to period unless:

- There is a change in the expected pattern of consumption of those future economic benefits; Or
- If the method is changed in accordance with the statute to best reflect the way the asset is consumed.



Review of Depreciation Method

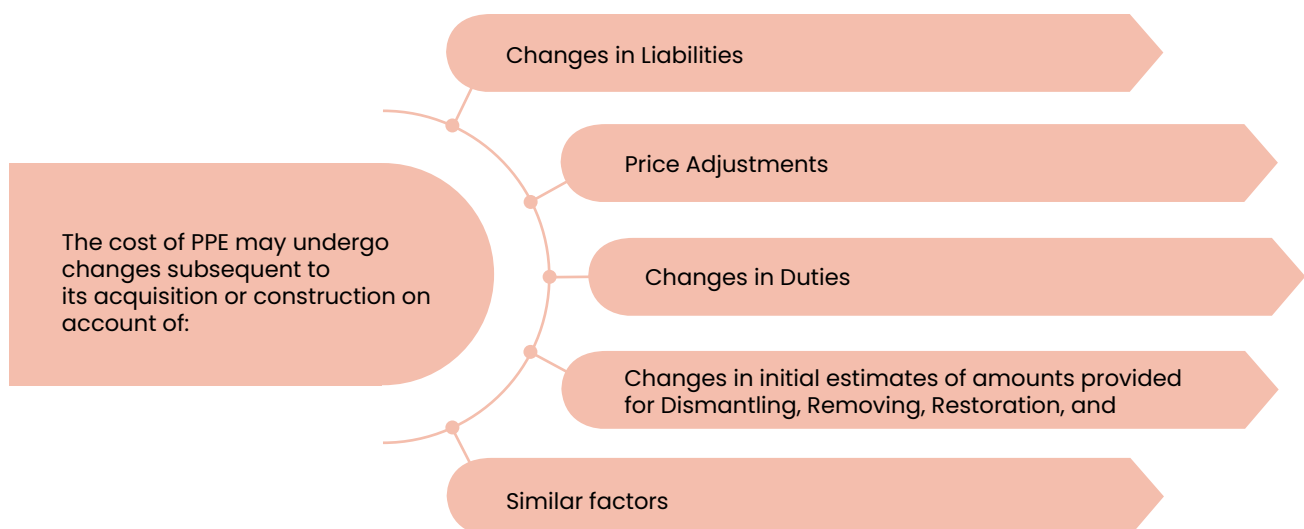
The Depreciation Method applied to an asset should be reviewed at least at each Financial Year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern.

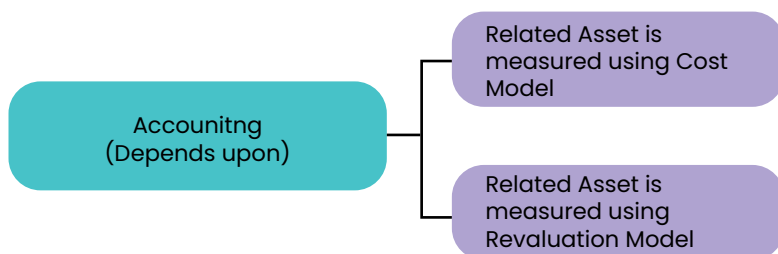
Such a change should be Accounted for as a change in an Accounting Estimate in accordance with AS 5.

Depreciation Method based on Revenue:

A Depreciation Method that is based on Revenue that is generated by an activity that includes the use of an asset is not appropriate.

Changes in Existing Decommissioning, Restoration and Other Liabilities



Accounting for the above changes:**If the related asset is measured using the Cost Model**

Changes in the Liability should be added to, or deducted from, the cost of the related asset in the current period

Note: Amount deducted from the cost of the asset should not exceed its Carrying Amount. If a decrease in the liability exceeds the Carrying Amount of the asset, the excess should be recognised immediately in the Statement of Profit and Loss.

If the adjustment results in an addition to the cost of an asset

- Enterprise should consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

Note: If there is such an indication, the enterprise should test the asset for impairment by estimating its recoverable amount, and should account for any impairment loss, in accordance with the applicable Accounting Standards.

If the related asset is measured using the Revaluation Model

Changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

(i) Decrease in the liability credited directly to Revaluation Surplus in the owners' interest**Exception:**

- It should be recognised in the Statement of Profit and Loss to the extent that it reverses a Revaluation Deficit on the asset that was previously recognised in the Statement of Profit and Loss.

Note: In the event that a decrease in the liability exceeds the Carrying Amount that would have been recognised had the asset been carried under the Cost Model, the excess should be recognised immediately in the Statement of Profit and Loss.

(ii) Increase in the liability should be recognised in the Statement of Profit and Loss**Exception:**

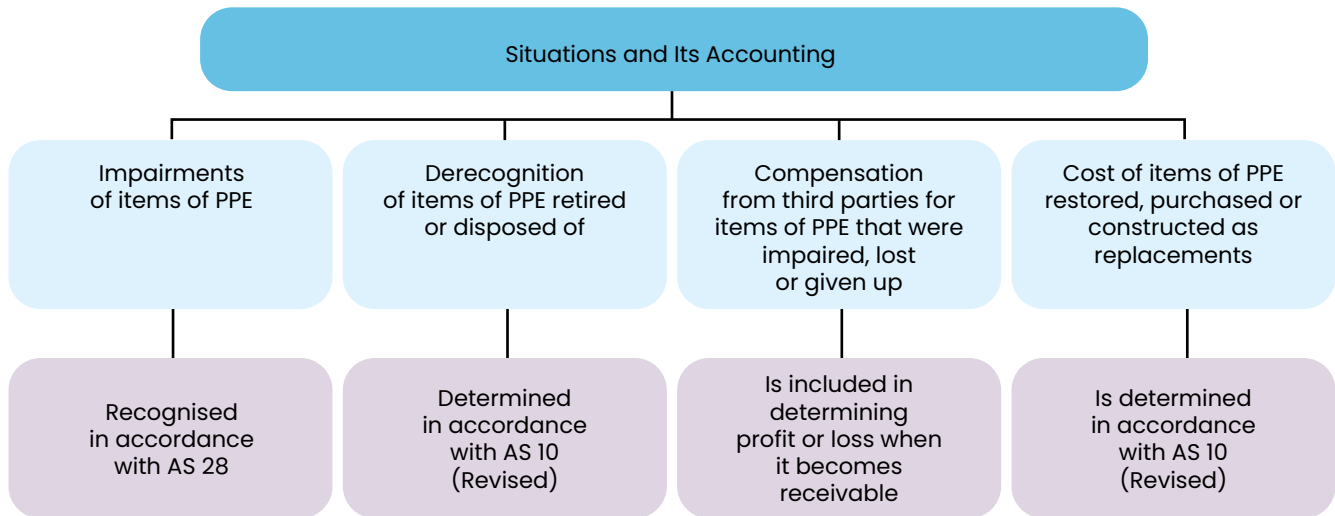
- It should be debited directly to Revaluation Surplus in the owner's interest to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset

Caution:

A change in the liability is an indication that the asset may have to be revalued in order to ensure that the Carrying Amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

What happens if the related asset has reached the end of its useful life?

All subsequent changes in the liability should be recognised in the Statement of Profit and Loss as they occur. This applies under both the Cost Model and the Revaluation Model.



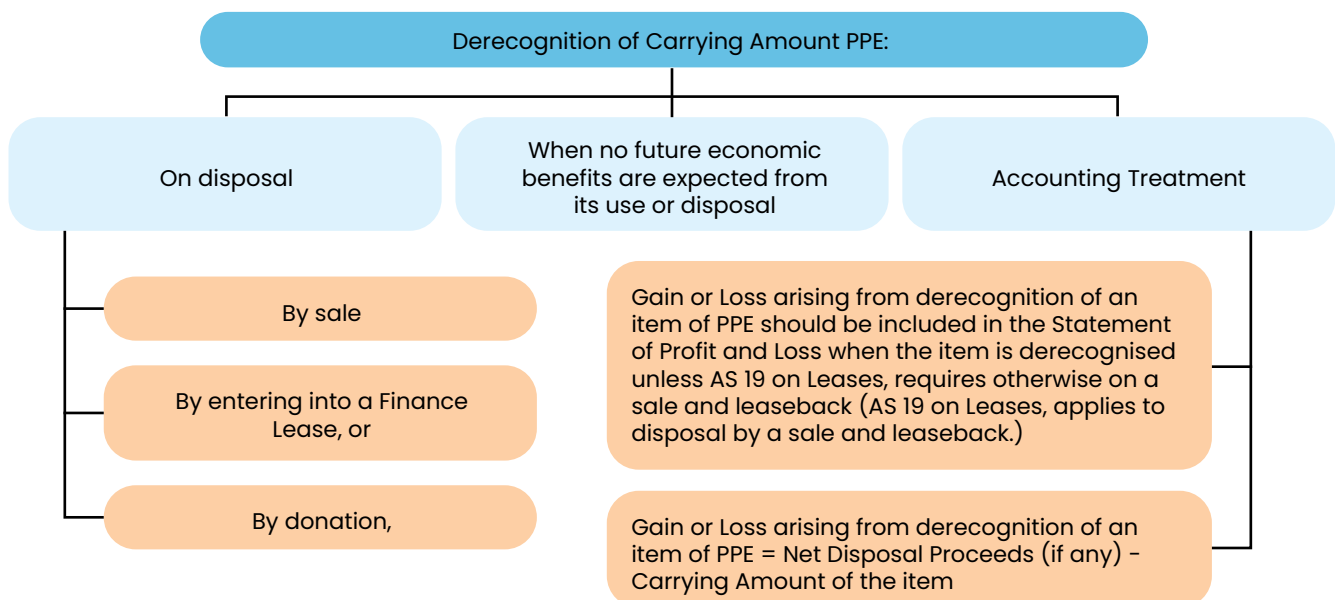
Retirements

Items of PPE retired from active use and held for disposal should be stated at the lower of:

- Carrying Amount, and
- Net Realisable Value

Note: Any write-down in this regard should be recognised immediately in the Statement of Profit and Loss.

Derecognition



Note: Gains should not be classified as revenue, as defined in AS 9 'Revenue Recognition'.

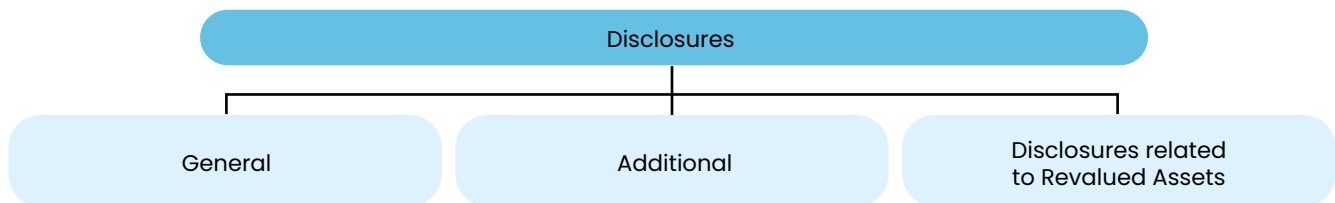
Exception:

An enterprise that in the course of its ordinary activities, routinely sells items of PPE that it had held for rental to others should transfer such assets to Inventories at their Carrying Amount when they cease to be Rented and is held for sale.

The proceeds from the sale of such assets should be Recognised in Revenue in accordance with AS 9 on Revenue Recognition.

Determining the date of disposal of an item:

An enterprise applies the criteria in AS 9 for recognising revenue from the sale of goods.

Disclosure**General Disclosures:**

(a) The measurement bases (i.e., Cost Model or Revaluation Model) used for determining the Gross Carrying Amount;

(b) The Depreciation Methods used;

(c) The useful lives or the Depreciation Rates used.

In case the Useful Lives or the Depreciation Rate used are different from those specified in the statute governing the enterprise, it should make a specific mention of this fact;

- The Gross Carrying Amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
- A reconciliation of the carrying amount at the beginning and end of the period showing:
 - (i) additions
 - (ii) assets retired from active use and held for disposal
 - (iii) acquisitions through business combinations
 - (iv) increases or decreases resulting from revaluations and from impairment losses recognised or reversed directly in Revaluation Surplus
 - (v) impairment Losses recognised in the Statement of Profit and Loss
 - (vi) impairment losses reversed in the Statement of Profit and Loss
 - (vii) depreciation
 - (viii) net exchange differences arising on the translation of the financial statements of a non-integral foreign operation in accordance with AS 11
 - (ix) other changes.

Additional Disclosures:

The Financial Statements should also disclose:

The existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;

The amount of expenditure recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;

The amount of assets retired from active use and held for disposal;

The amount of contractual commitments for the acquisition of property, plant and equipment;

If amount of contractual commitments is not disclosed separately on the face of the Statement of Profit and Loss, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that has to be included in the Statement of Profit and Loss.

Disclosures related to Revalued Assets:

If items of property, plant and equipment are stated at revalued amounts, the following should also be disclosed:

The effective date of the revaluation;

Whether an independent valuer was involved;

The methods and significant assumptions applied in estimating Fair Values of the items;

The extent to which Fair Values of the items were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques; and

The Revaluation Surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

Transitional Provisions

Previously Recognised Revenue Expenditure

Where an entity has in past recognised an expenditure in the Statement of Profit and Loss which is eligible to be included as a part of the cost of a project for construction of PPE in accordance with the requirements of this Standard:

- It may do so retrospectively for such a project.

Note: The effect of such retrospective application, should be recognised net-of-tax in Revenue Reserves

PPE acquired in Exchange of Assets

The requirements of AS 10 (Revised) regarding the initial measurement of an item of PPE acquired in an exchange of assets transaction should be applied prospectively only to transactions entered into after this Standard becomes mandatory.

Spare Parts

On the date of this Standard becoming mandatory, the Spare Parts, which hitherto were being treated as Inventory under AS 2 (Revised), and are now required to be capitalised in accordance with the requirements of this Standard, should be capitalised at their respective Carrying Amounts.

Note: The Spare Parts so capitalised should be depreciated over their remaining useful lives prospectively as per the requirements of this Standard.

Revaluations

The requirements of AS 10 (Revised) regarding the revaluation model should be applied prospectively.

In case, on the date of this Standard becoming mandatory, an enterprise does not adopt the Revaluation Model as its Accounting Policy but the Carrying Amount of items of PPE reflects any previous revaluation it should adjust the amount outstanding in the Revaluation Reserve against the Carrying Amount of that item.

Note: The Carrying Amount of that item should never be less than Residual Value. Any excess of the amount outstanding as Revaluation Reserve over the Carrying Amount of that item should be adjusted in Revenue Reserves.

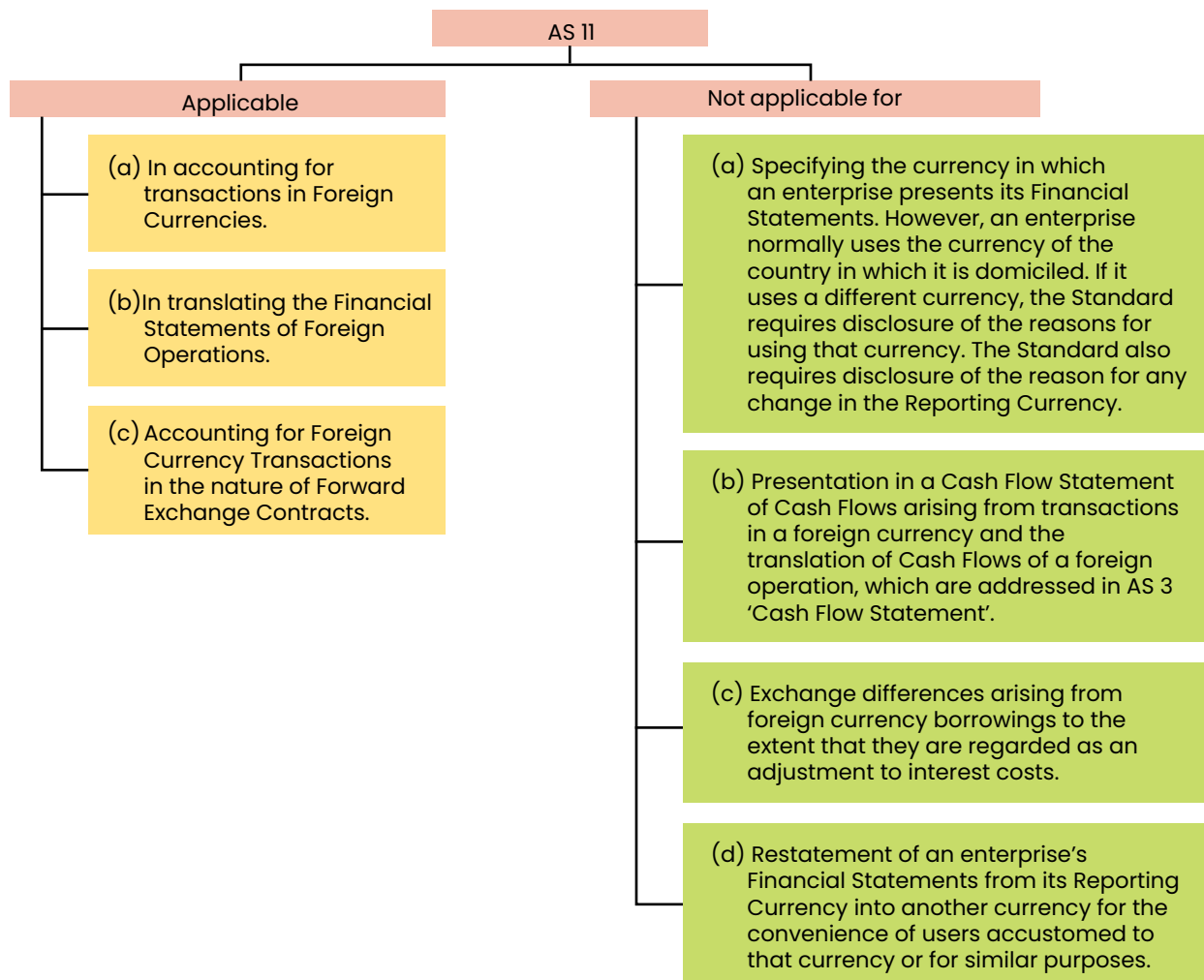


AS 11 “The Effects of Changes in Foreign Exchange Rates”

Introduction

The Standard deals with the issues involved in Accounting for Foreign Currency Transactions and Foreign Operations i.e., to decide which Exchange Rate to use and how to recognise the Financial Effects of Changes in Exchange Rates in the Financial Statements.

Important Points/Disclosures



Definitions of the Terms used in this Standard

A **Foreign Currency Transaction** is a transaction which is denominated in or requires settlement in a foreign currency, including transactions arising when an enterprise, either:

Buys or sells goods or services whose price is denominated in a Foreign Currency, or

Borrows or lends funds when the amounts payable or receivable are denominated in a Foreign Currency, or

Becomes a party to an unperformed forward exchange contract, or

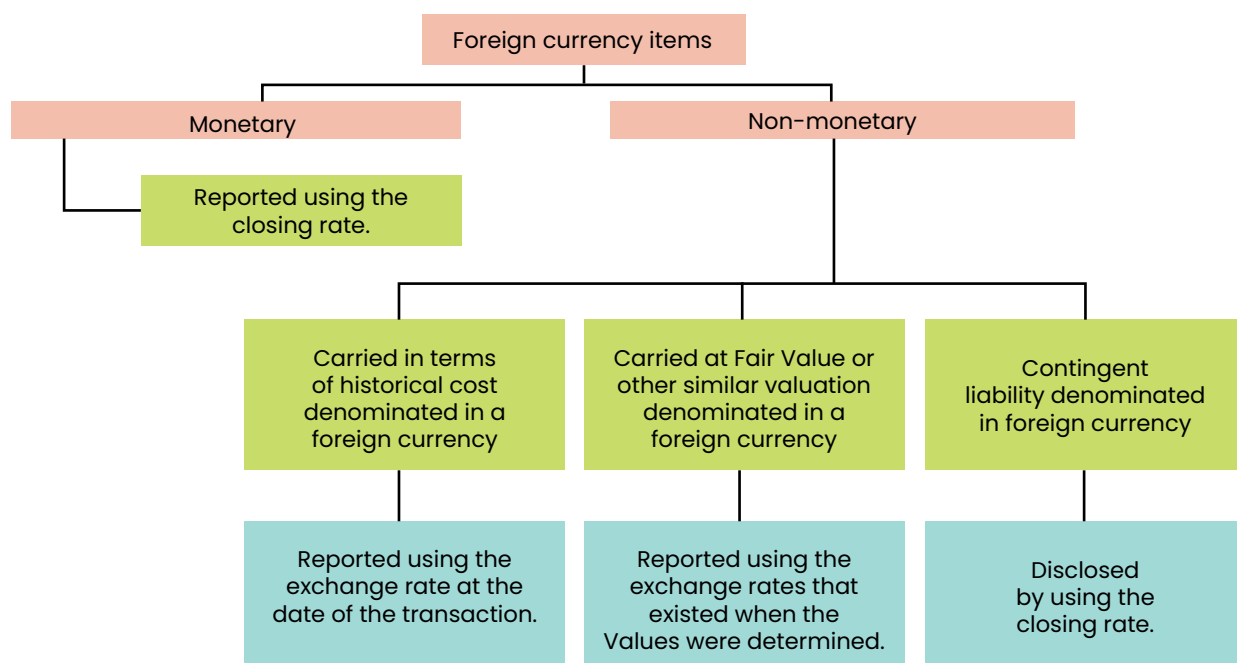
Otherwise acquires or disposes of assets, or incurs or settles liabilities, denominated in a Foreign Currency.

Monetary items	are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money. Example, cash, receivables and payables.
Non-monetary items	are assets and liabilities other than monetary items. Examples: fixed assets, inventories and investments in equity shares.
Foreign Operation (FO)	is a subsidiary, associate, joint venture or branch of the Reporting Enterprise, the activities of which are based or conducted in a country other than the country of the Reporting Enterprise.
Integral Foreign Operation (IFO)	is a Foreign Operation, the activities of which are an integral part of those of the Reporting Enterprise. A Foreign Operation that is integral to the operations of the Reporting Enterprise and carries on its business as if it were an extension of the Reporting Enterprise's operations.
Non-integral Foreign Operation (NFO)	is a Foreign Operation that is not an Integral Foreign Operation. 'Net investment in a non-integral foreign operation' is the Reporting Enterprise's share in the net assets of that operation.
Forward Exchange Contract	an agreement to exchange different currencies at a Forward Rate.
Forward Rate	is the specified exchange rate for exchange of two currencies at specified future date.
Foreign Currency	is a currency other than the Reporting Currency of an enterprise.

Initial Recognition

A Foreign Currency transaction should be recorded, on initial recognition in the Reporting Currency, by applying to the Foreign Currency amount the exchange rate between the Reporting Currency and the Foreign Currency at the date of the transaction.

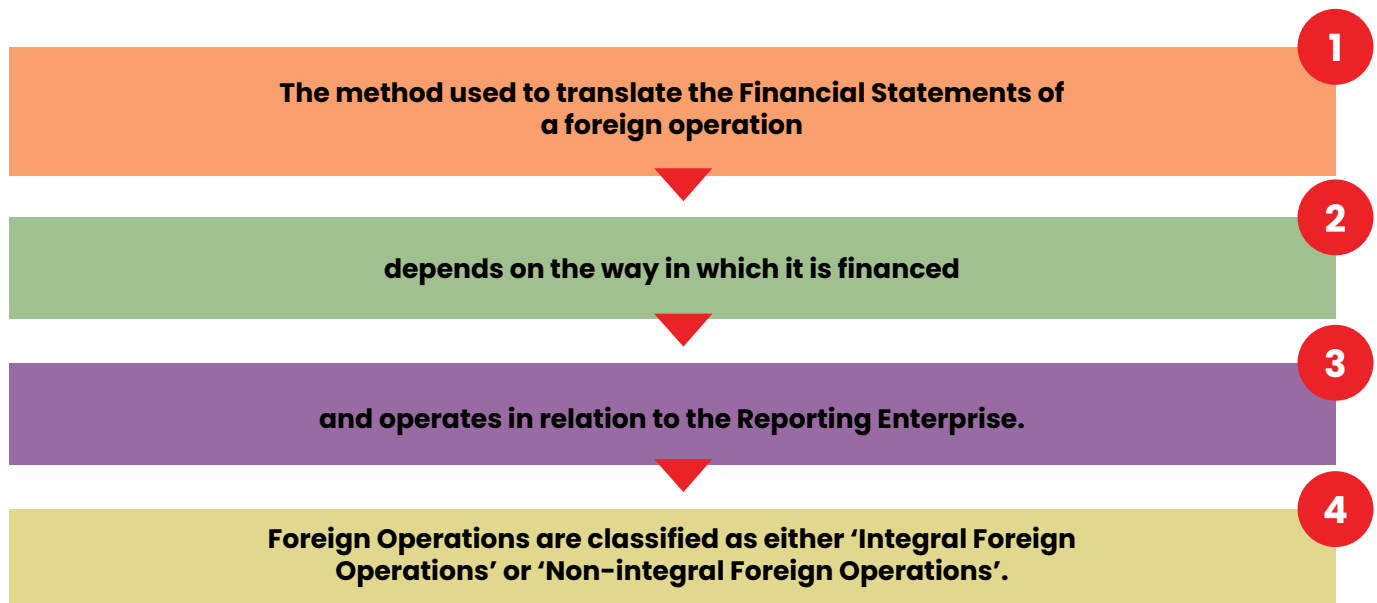
Reporting at each Balance Sheet Date



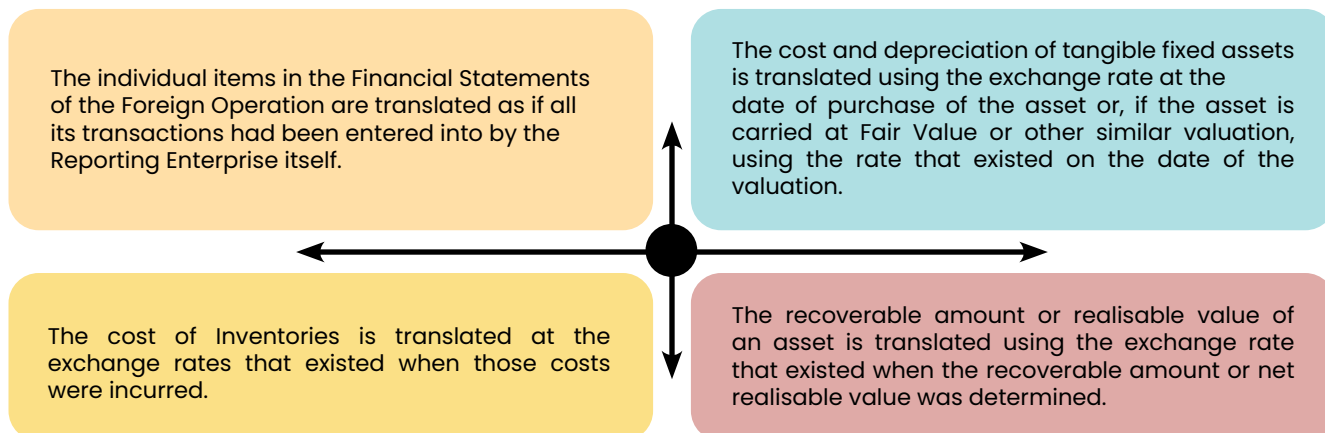
Recognition of Exchange Differences

- Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous Financial Statements, should be recognized as income or as expenses in the period in which they arise.
- An exchange difference results when there is a change in the exchange rate between the transaction date and the date of settlement of any monetary items arising from a foreign currency transaction.
- When the transaction is settled within the same Accounting period as that in which it occurred, all the exchange difference is recognised in that period.
- When the transaction is settled in a subsequent accounting period, exchange difference recognised in each intervening period up to the period of settlement is determined by the change in exchange rates during that period.
- Alternatively, exchange differences arising on reporting of long-term Foreign Currency monetary items at rates different from those at which they were initially recorded during the period, or reported in previous Financial Statements, insofar as they relate to the acquisition of a depreciable capital asset, can be added to or deducted from the cost of the asset and should be depreciated over the balance life of the asset;
- In other cases, can be accumulated in the Foreign Currency Monetary Item Translation Difference (FCMITD) Account and (amortised over the balance period of such long-term assets or liability, by recognition as income or expense in each of such periods)
- Such option is irrevocable and should be applied to all such foreign currency monetary items.

Classification of Foreign Operations as Integral or Non-Integral

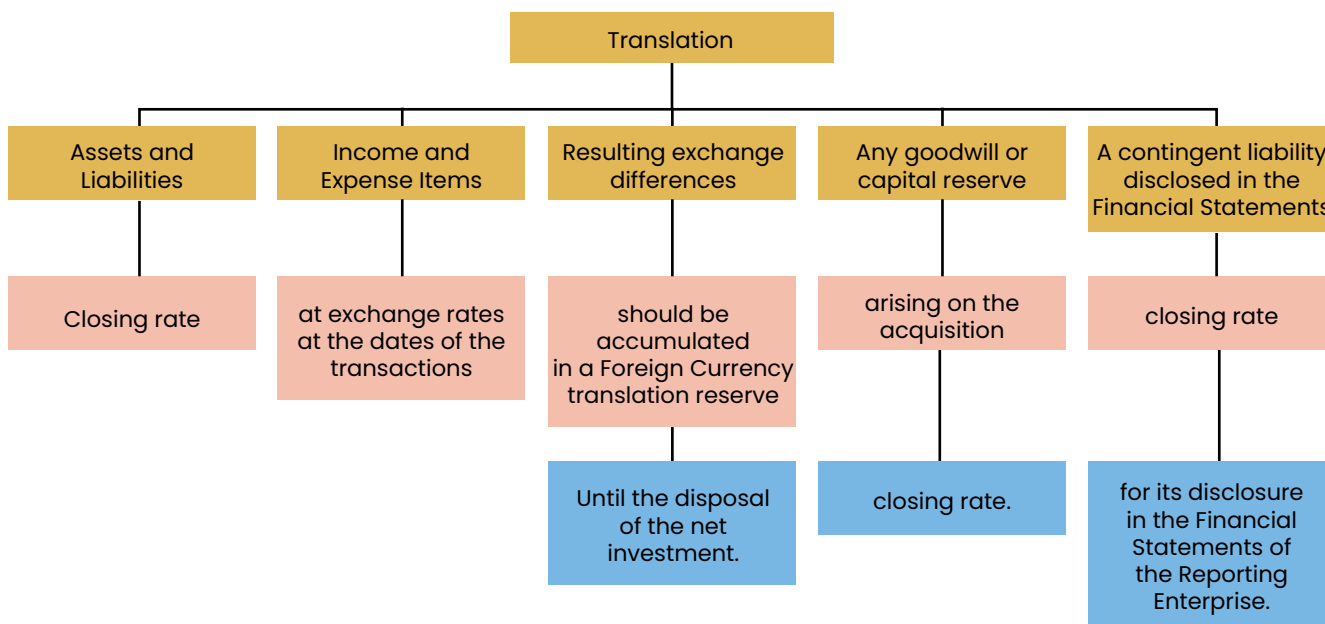


Translation of Integral Foreign Operation (IFO)



Translation of Non-integral Foreign Operation (NFO)

The translation of the Financial Statements of a Non-integral Foreign Operation is done using the following procedure:



Procedure of Translation for Non-integral Foreign Operation (NFO)

For practical reasons, a rate that approximates the actual exchange rates, for example an average rate for the period is often used to translate income and expense items of a foreign operation.

Incorporation of the Financial Statements of a Non-integral Foreign Operation in those of the Reporting Enterprise follows normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions of a subsidiary.

When the Financial Statements of a Non-integral Foreign Operation are drawn up to a different reporting date from that of the Reporting Enterprise, the Non-integral Foreign Operation often prepares, for purposes of incorporation in the Financial Statements of the Reporting Enterprise, Statements as at the same date as the Reporting Enterprise.

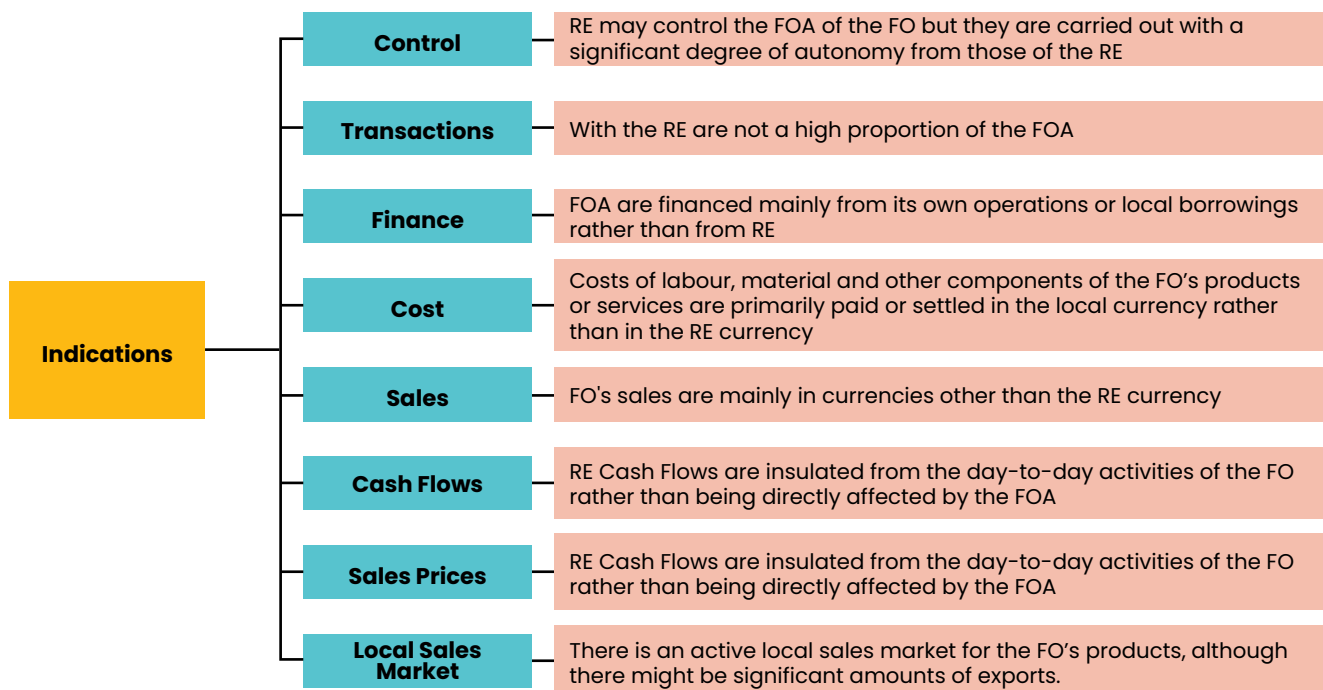
The exchange differences are not recognised as income or expenses for the period because the changes in the exchange rates have little or no direct effect on the present and future Cash Flows from operations of either the Non-integral Foreign Operation or the Reporting Enterprise.

When a Non-integral Foreign Operation is consolidated, but is not wholly owned, accumulated exchange differences arising from translation and attributable to minority interests are allocated to, and reported as part of, the minority interest in the Consolidated Balance Sheet.

An enterprise may dispose of its interest in a Non-integral Foreign Operation through sale, liquidation, repayment of share capital, or abandonment of all, or part of that operation. The payment of a dividend forms part of a disposal only when it constitutes a return of the investment. Remittance from a Non-integral Foreign Operation by way of repatriation of accumulated Profits does not form part of a disposal unless it constitutes Return of Investment. In the case of a partial disposal, only the proportionate share of the related accumulated exchange differences is included in the Gain or Loss. A write-down of the Carrying Amount of a Non-integral Foreign Operation does not constitute a partial disposal. Accordingly, no part of the deferred foreign exchange gain or loss is recognised at the time of a write-down.



Indications that an FO is a Non-integral Foreign Operation rather than an Integral Foreign Operation

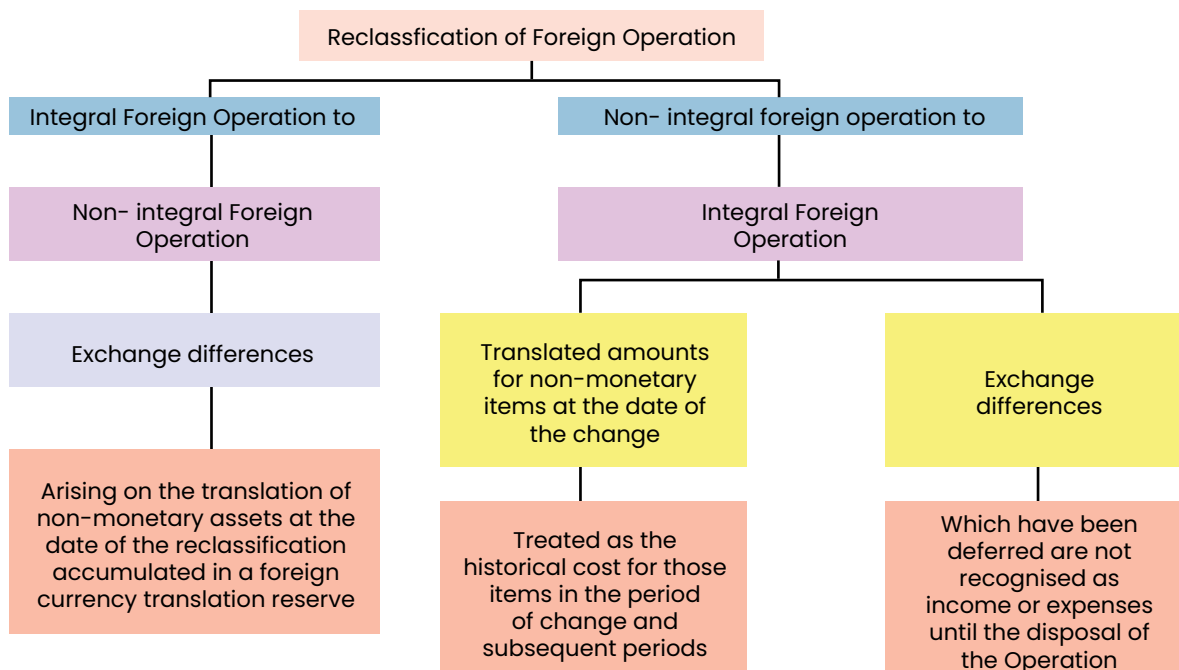


RE - Reporting Enterprise

FO - Foreign Operation

FOA - Foreign Operation Activities

Change in the Classification of a Foreign Operation

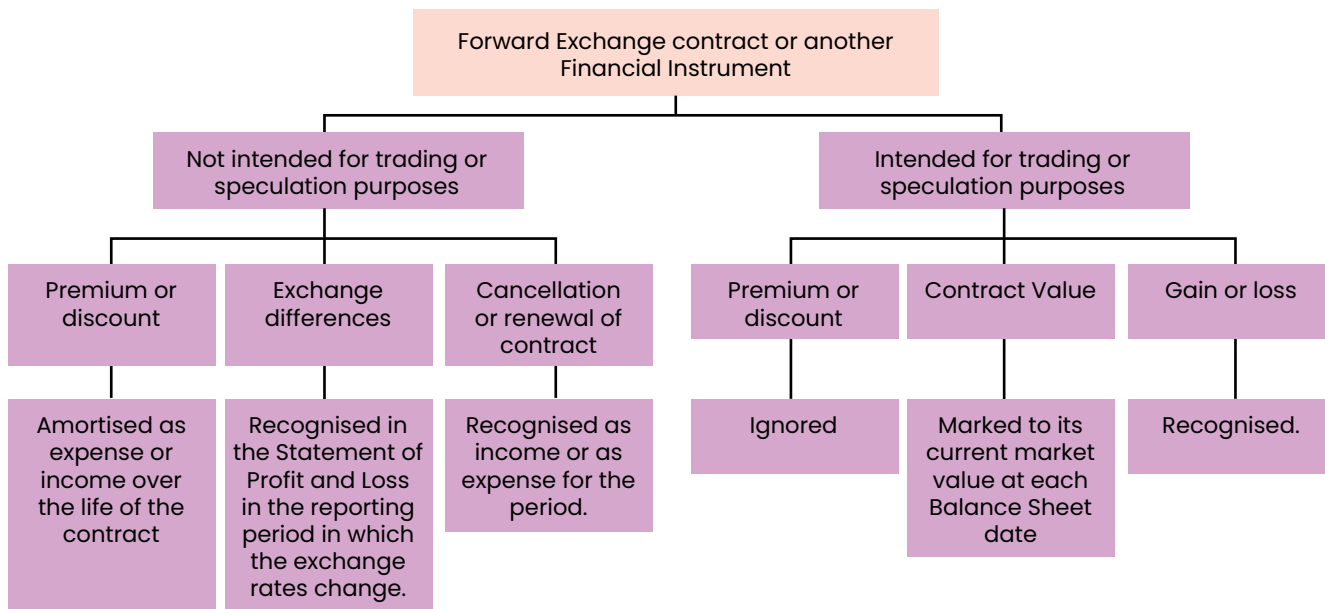


Tax Effects of Exchange Differences

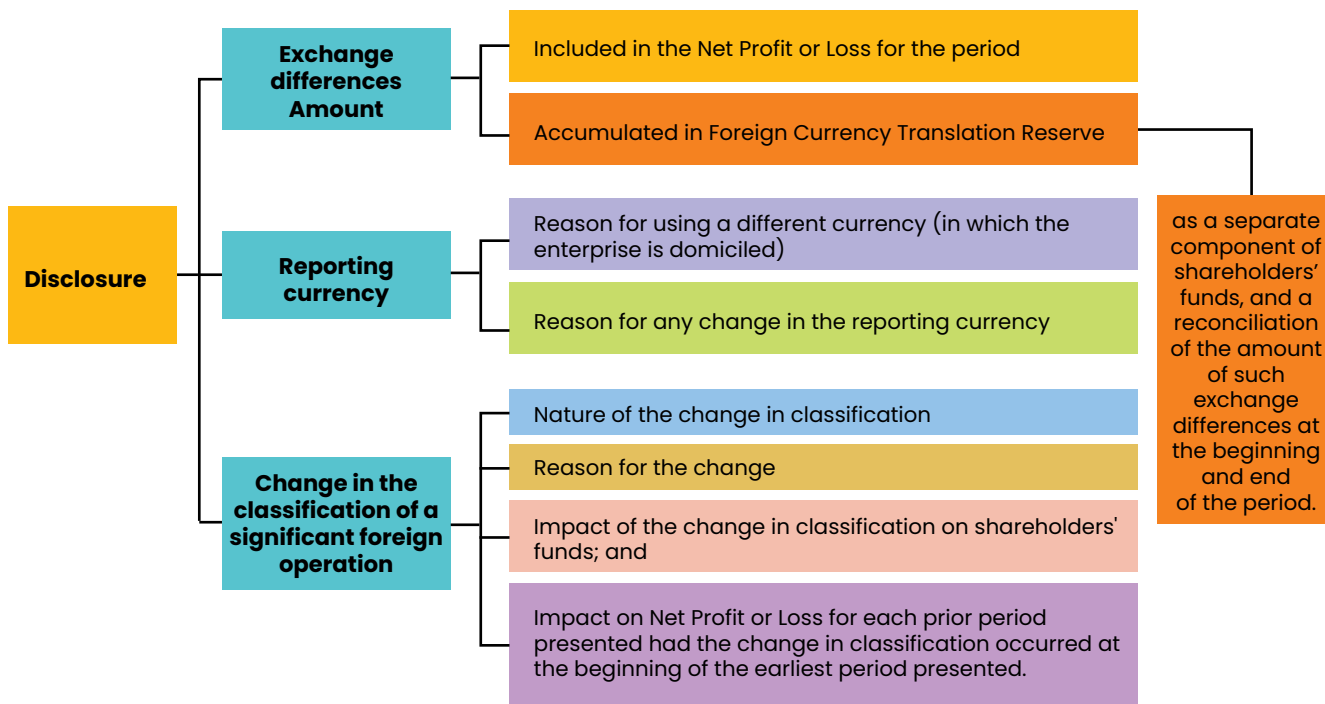
Accounted for in accordance with AS 22.

Gains and Losses on foreign currency transactions and exchange differences arising on the translation of the Financial Statements of Foreign Operations may have associated tax effects.

Forward Exchange Contract



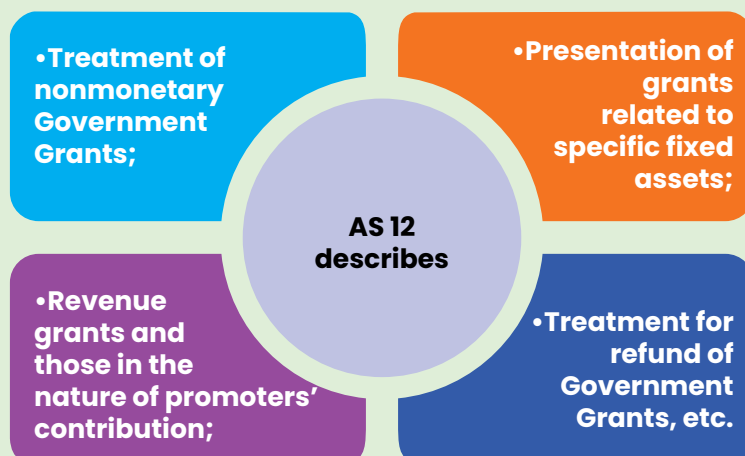
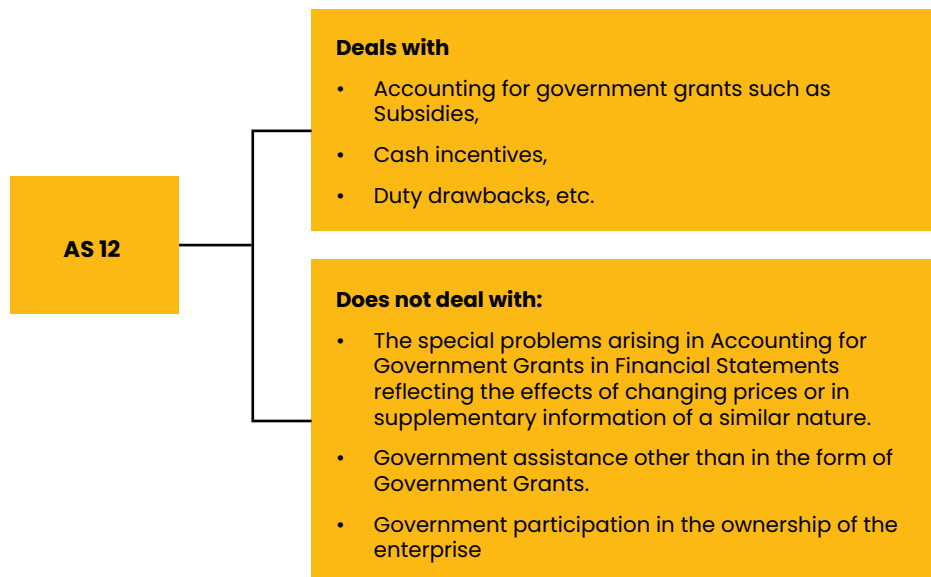
Disclosure



Presentation of Foreign Currency Monetary Item Translation Difference Account (FCMITDA)

Debit or credit balance in FCMITDA should be shown on the "Equity and Liabilities" side of the Balance Sheet under the head 'Reserves and Surplus' as a separate line item.

AS 12 "Accounting for Government Grants"



Meaning of Government Grants

Assistance
by government

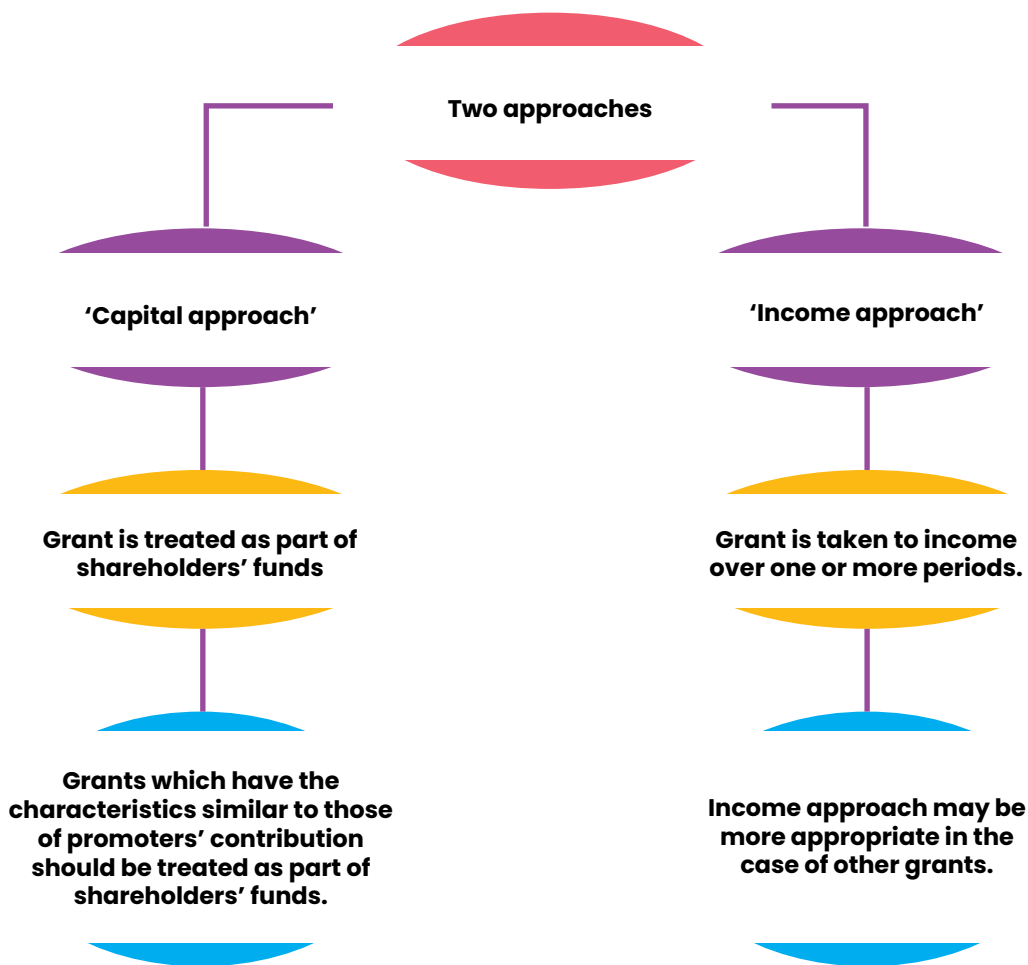
in cash or kind

to an enterprise for
past or future compliance

with certain
conditions

They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise.

Accounting Treatment of Government Grants



Recognition of Government Grants

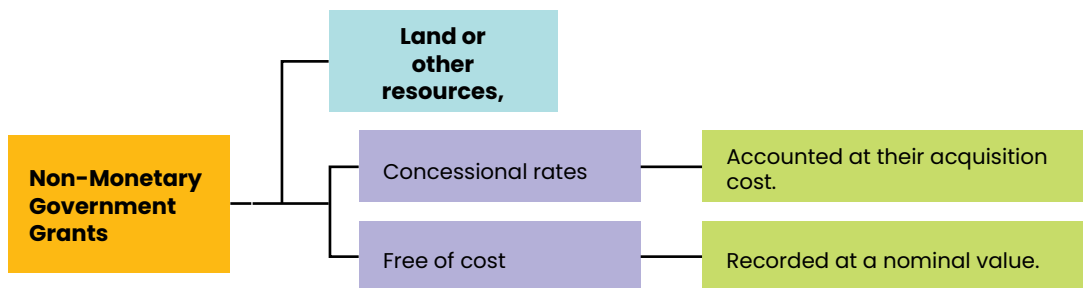
A Government Grant is not recognised until there is reasonable assurance that

Enterprise will comply with the conditions attached to it; and

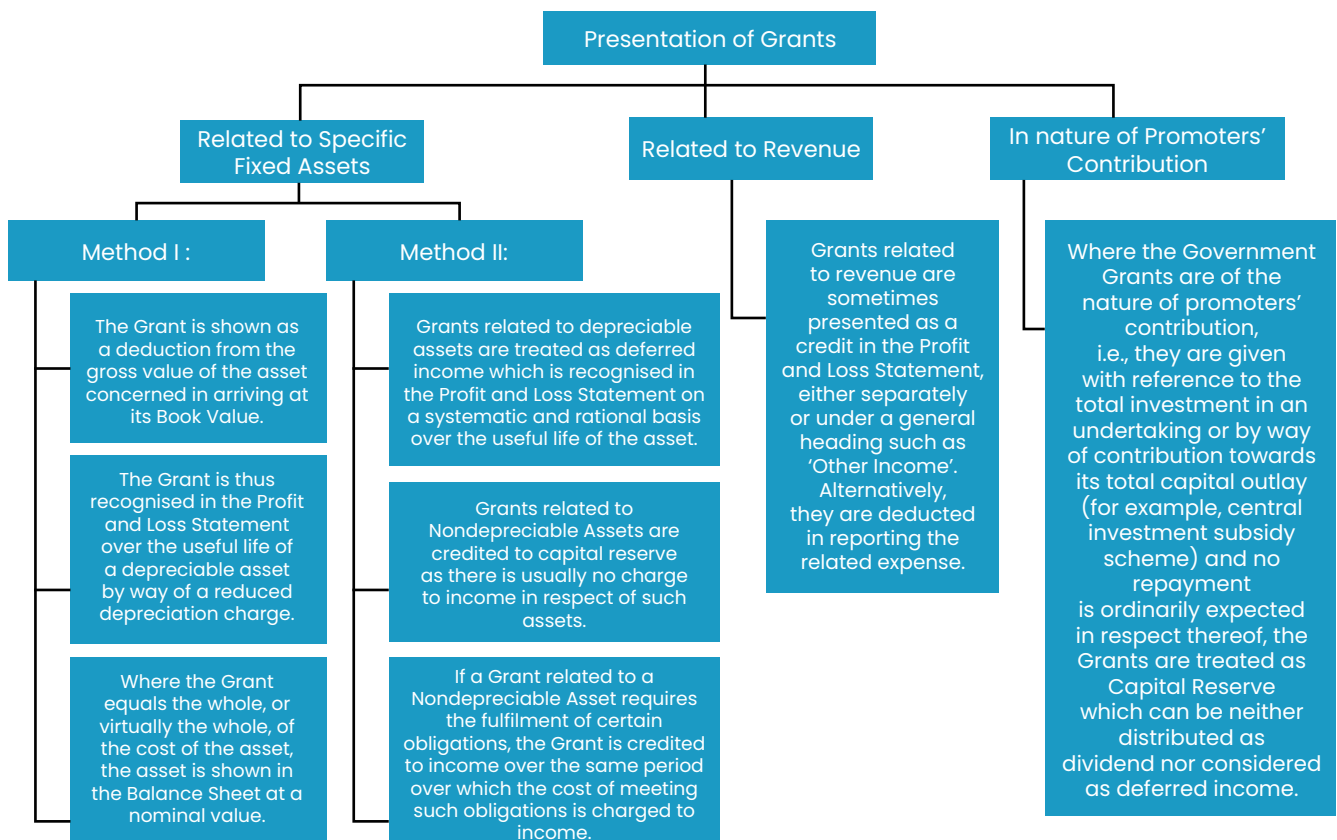
Grant will be received.

Receipt of a Grant is not of itself conclusive evidence that the conditions attaching to the Grant have been or will be fulfilled.

Non-Monetary Government Grants

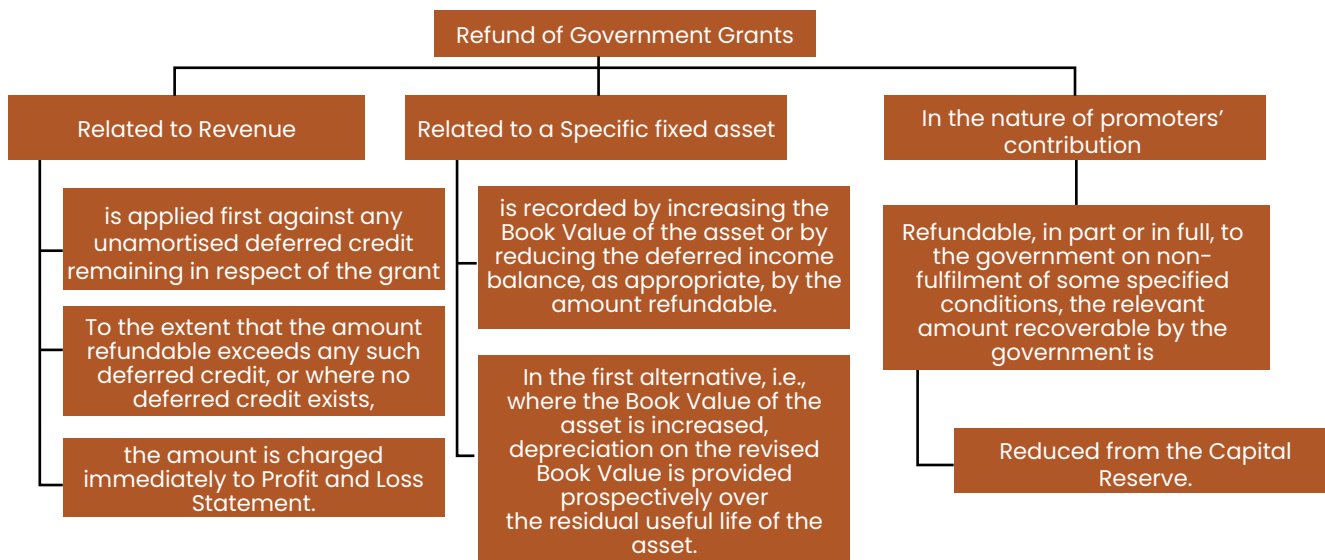


Presentation of Grants

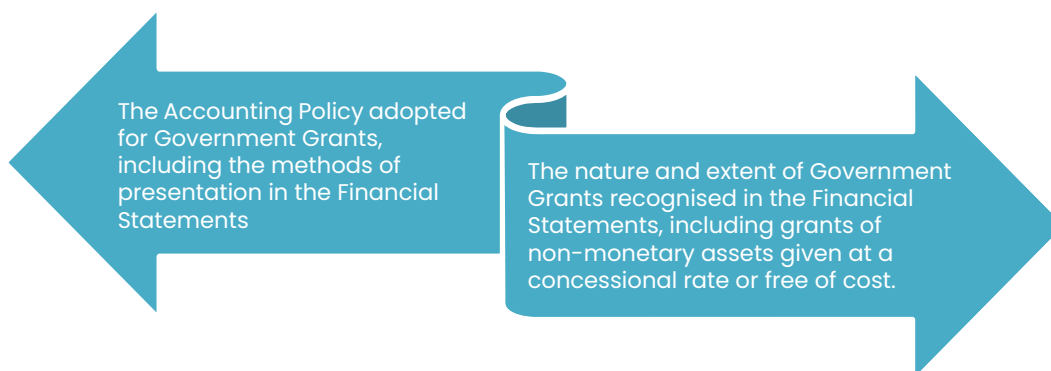


Refund of Government Grants

If certain conditions are not fulfilled Grants become refundable and are treated as an extraordinary item.



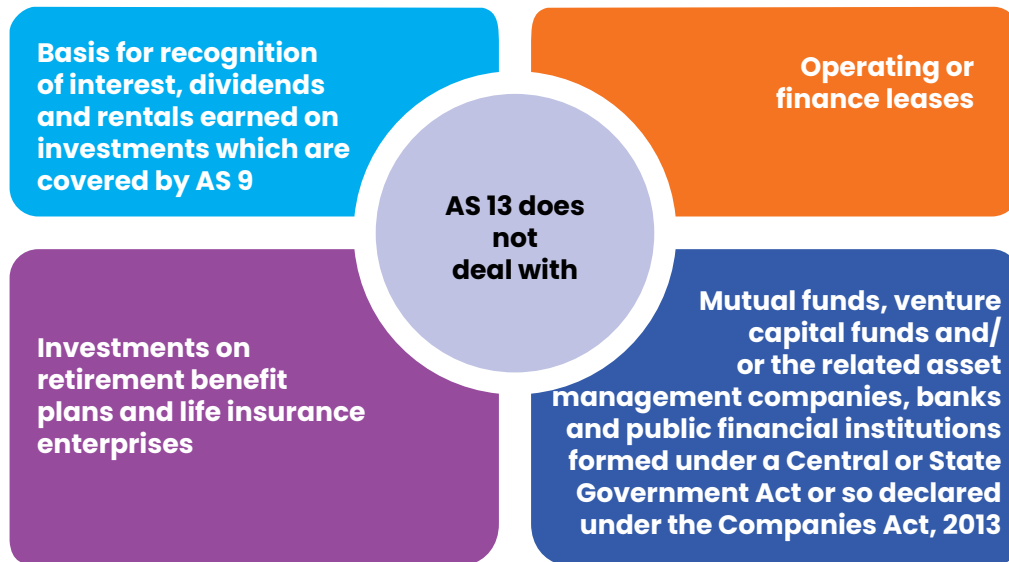
Disclosure



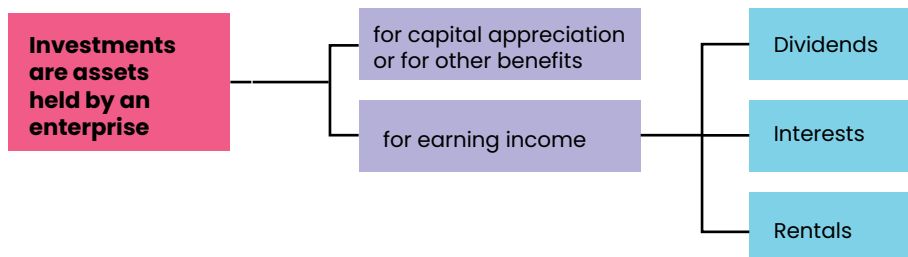
AS 13 “Accounting for Investments”

Introduction

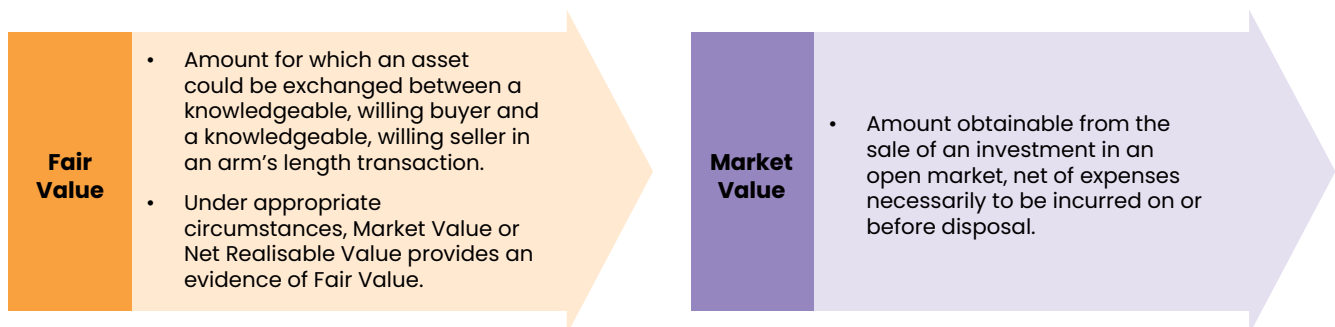
AS 13 deals with Accounting For Investments in the Financial Statements of enterprises and Related Disclosure requirements.



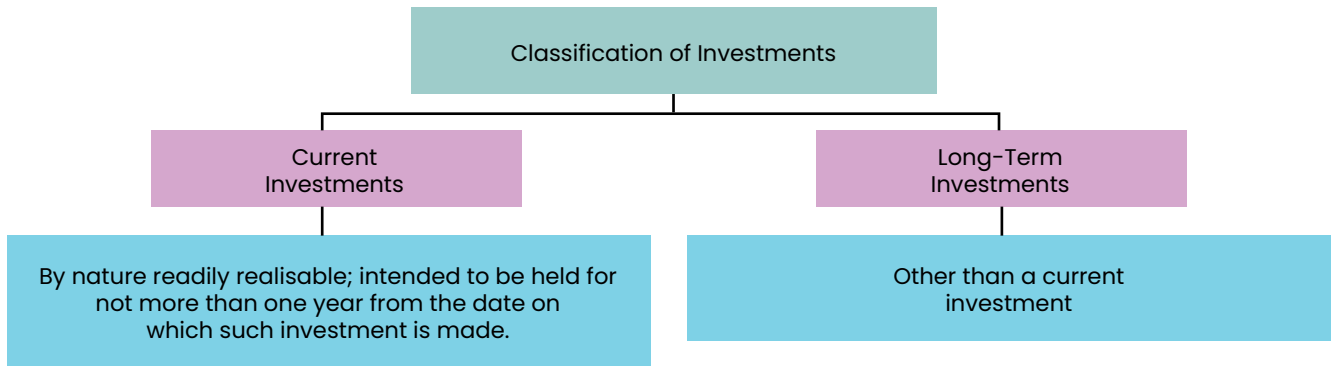
Definition Of Investments



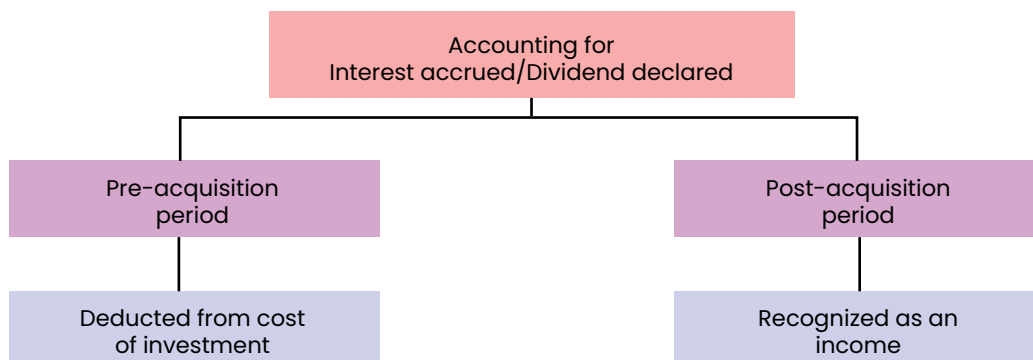
Assets held as Stock-in-Trade are not 'Investments'.

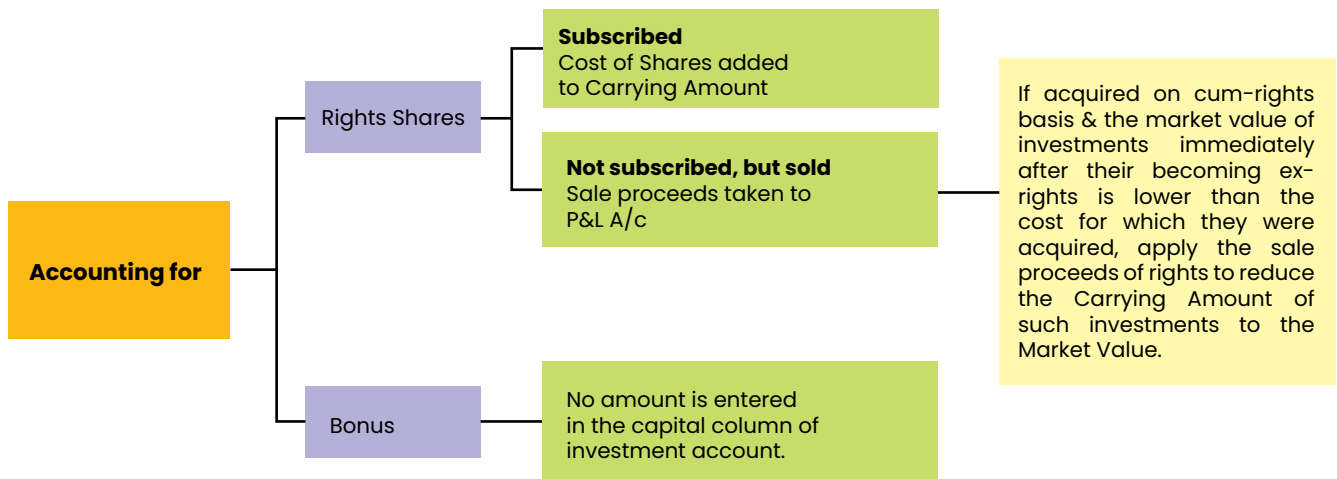


Classification Of Investments

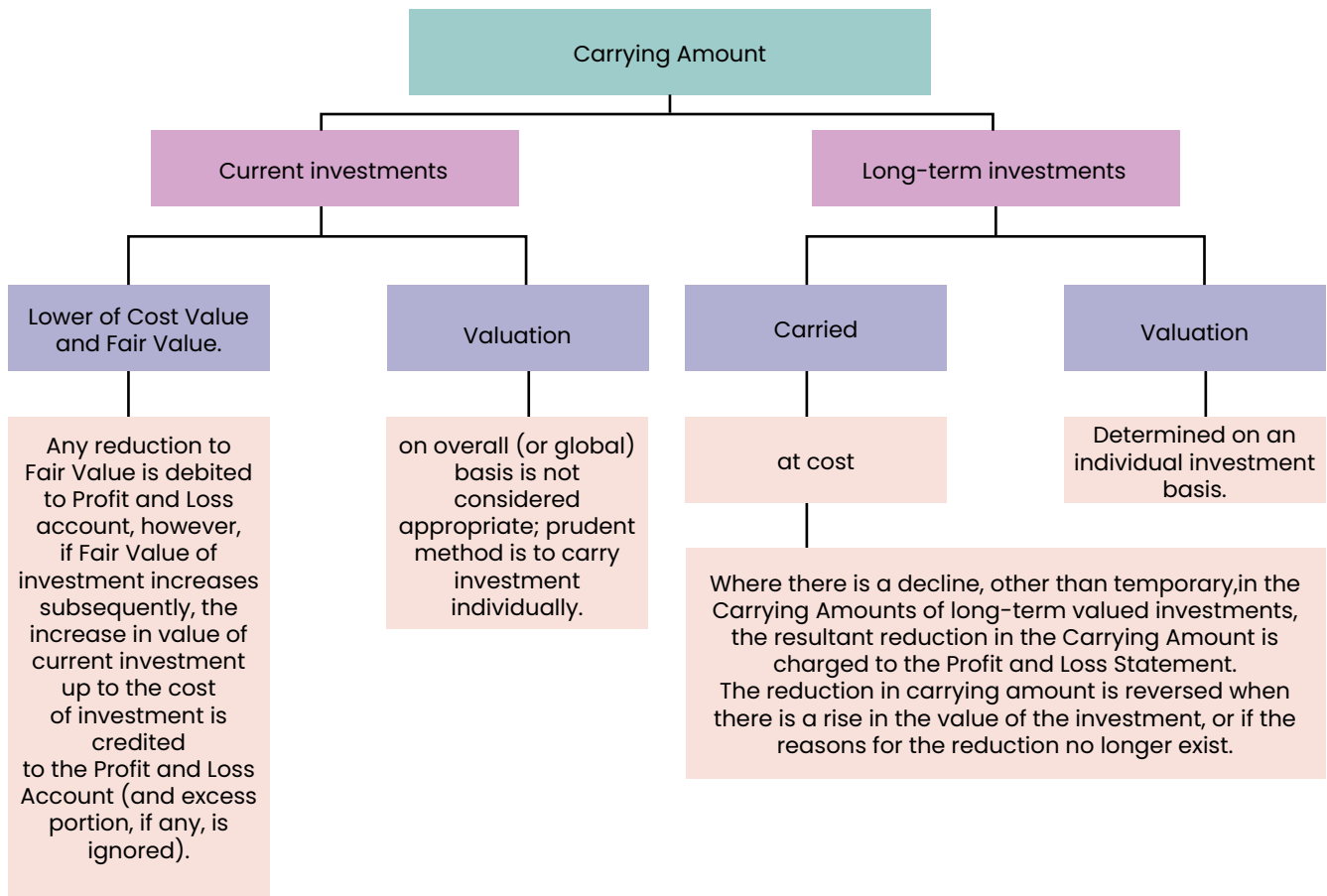


Type of acquisition	Cost of investments
In Cash/ Bank	Cash price including charges such as brokerages, fees and duties
By Issue of shares/ other securities	Fair Value of securities issued
In exchange for another asset	Fair Value of asset given up or Fair Value of investment acquired, whichever is more clearly evident





Carrying Amount Of Investments



Investment Properties

- An Investment Property is an investment in Land or Buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.
- An investment property is accounted for in accordance with Cost Model as prescribed in AS 10 (Revised), 'Property, Plant and Equipment'.
- The cost of any shares in a cooperative society or a company, the holding of which is directly related to the right to hold the investment property, is added to the Carrying Amount of the investment property.

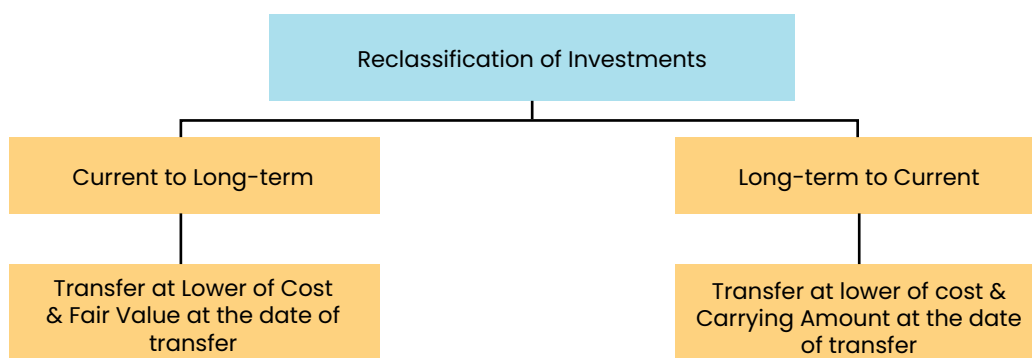
Disposal Of Investments

Difference between the Carrying Amount and the disposal proceeds, net of expenses, is recognised in the P & L Statement.

When part of investment is disposed, Carrying Amount is allocated to that part on the basis of Average Carrying Amount of total investment.

If investments held as stock-in-trade, cost of stocks disposed calculated as per cost formula as per AS 2.

Reclassification Of Investments



Disclosure

Accounting Policies followed for Valuation of Investments.

Amounts included in Profit and Loss Statement for:

- Interest, dividends (showing separately dividends from subsidiary companies), and rentals on investments showing separately such income from long-term and current investments.
- Gross income should be stated, the amount of income tax deducted at source being included under Advance Taxes Paid.
- Profits and Losses on disposal of current investments and changes in Carrying Amount of such investments.
- Profits and Losses on disposal of long-term investments and changes in Carrying Amount of such investments.

Significant restrictions on the right of ownership, realizability of investments or remittance of income and proceeds of disposal.

Aggregate amount of quoted and unquoted investments, giving aggregate market value of quoted investments.

Other disclosures as specifically required by relevant statute governing enterprise.

AS 14 “Accounting for Amalgamations”

Introduction

AS 14 (Revised) deals with the Accounting to be made in the Books of Transferee Company in the case of Amalgamation and the treatment of any resultant Goodwill or reserve.

Objective

Accounting for Amalgamations

Treatment of any resultant Goodwill or reserves

Disclosures

Scope

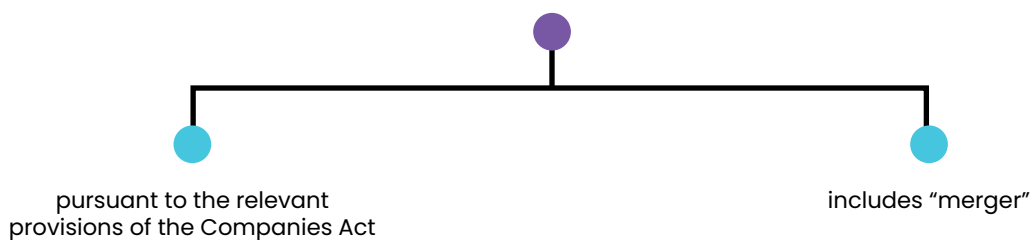
This Standard deals with Accounting for Amalgamation i.e. acquisition of one entity by the other and the acquired entity ceases to exist

The Standard does not deal with cases of acquisitions where one entity is acquired by the other and the acquired entity continues to exist.

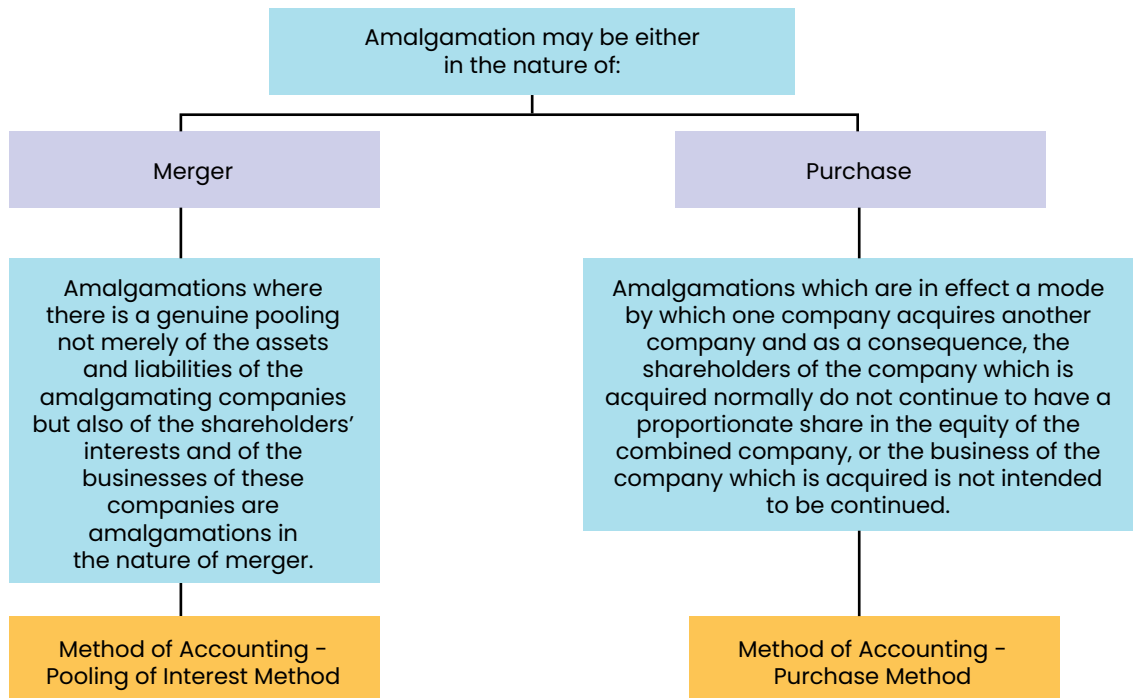
Key Terms

Amalgamation

In an Amalgamation, two or more companies are combined into one by merger or by one taking over the other. Amalgamation means an acquisition



Transferor Company	Company which is amalgamated into another company.
Transferee Company	Company into which a transferor company is amalgamated.
Reserve	Portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the Management for a general or a specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability.
Consideration for the Amalgamation	Aggregate of the shares and other securities issued and the payment made in the form of cash or other assets by the transferee company to the shareholders of the transferor company.
Fair Value	Amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Types of Amalgamations and Methods of Accounting

The Standard specifies the conditions to be satisfied for an amalgamation to be considered as Amalgamation in nature of Merger or Purchase.

Conditions for Amalgamation in the nature of Merger and Purchase

Amalgamation in the nature of Merger is an Amalgamation which satisfies all the following conditions:

(i) All the assets and liabilities of the transferor company become, after amalgamation, the assets and liabilities of the Transferee Company.

(ii) Shareholders holding not less than 90% of the face value of the equity shares of the Transferor Company (other than the equity shares already held therein, immediately before amalgamation, by the Transferee Company or its subsidiaries or their nominees) become equity shareholders of the Transferee Company by virtue of the Amalgamation.

(iii) Consideration for the Amalgamation receivable by those equity shareholders of the Transferor Company who agree to become equity shareholders of the Transferee Company is discharged by the Transferee Company wholly by the issue of equity shares in the Transferee Company, except that cash may be paid in respect of any fractional shares.

(iv) The business of the Transferor Company is intended to be carried on, after the amalgamation, by the Transferee Company.

(v) No adjustment is intended to be made to the Book Values of the assets and liabilities of the Transferor Company when they are incorporated in the Financial Statements of the Transferee Company except to ensure uniformity of Accounting Policies.

Amalgamation in the nature of purchase is an amalgamation which does not satisfy any one or more of the conditions specified above.

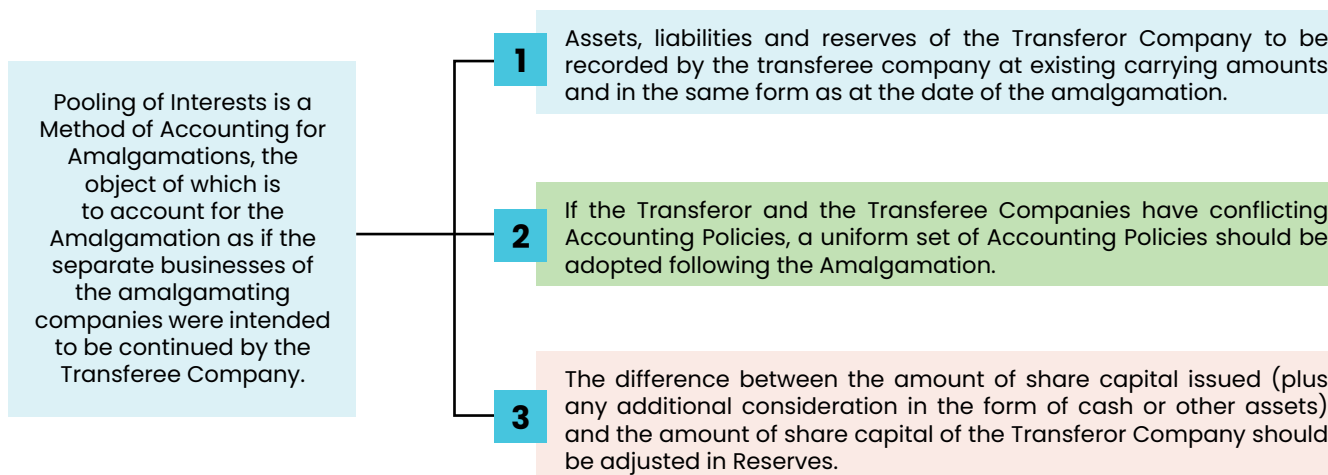
Methods of Accounting

Purchase Method

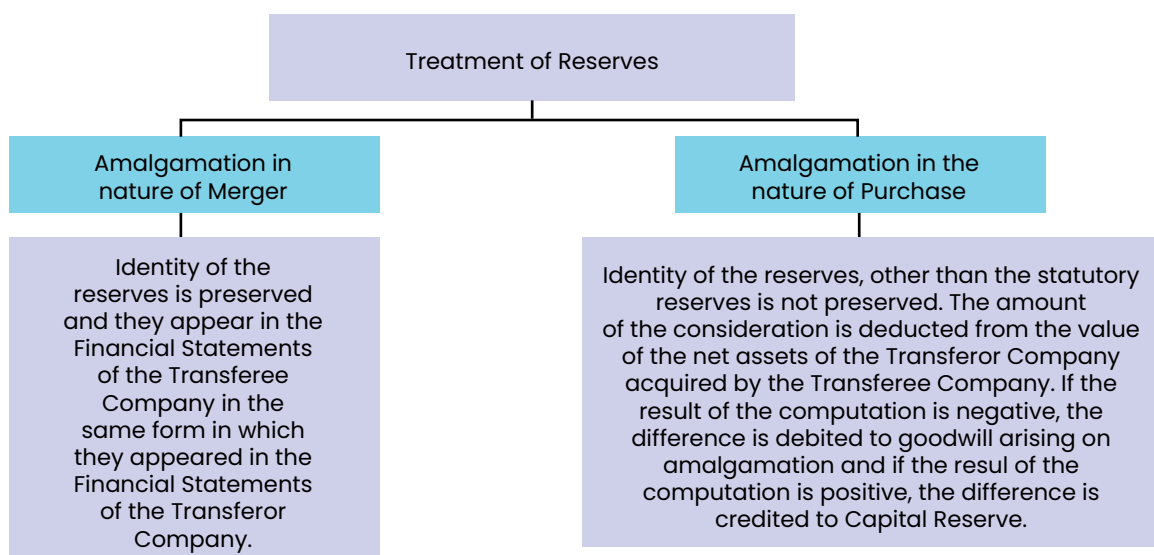
Under the Purchase Method, the Transferee Company accounts for the Amalgamation either

- By incorporating the assets and liabilities at their existing carrying amounts, or
- By allocating the consideration to individual identifiable assets and liabilities of the Transferor Company on the basis of their Fair Values at the date of Amalgamation.

Pooling of Interests Method



Treatment of Reserves of the Transferor Company on Amalgamation



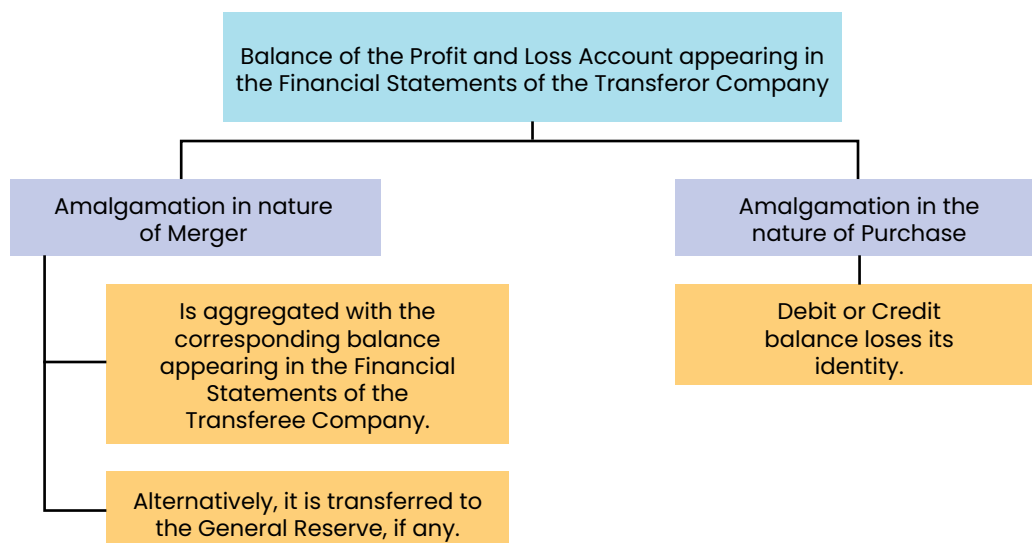
Statutory Reserves

Statutory Reserves retain their identity in the Financial Statements of the Transferee Company in the same form in which they appeared in the Financial Statements of the Transferor Company, so long as their identity is required to be maintained to comply with the relevant Statute.

Statutory Reserves are recorded in the Financial Statements of the Transferee Company by a corresponding debit to a suitable account head (e.g. 'Amalgamation Adjustment Reserve') which is presented as a separate line item under the head "Reserves and Surplus".

When the identity of the Statutory Reserves is no longer required to be maintained, both the Reserves and the aforesaid account are reversed.

Balance of Profit and Loss Account



Treatment of Goodwill

Goodwill arising on amalgamation represents a payment made in anticipation of future income and it is appropriate to treat it as an asset to be amortised on a systematic basis over its useful life.

Due to the nature of goodwill, it is frequently difficult to estimate its useful life with reasonable certainty.

It is considered appropriate to amortise goodwill over a period not exceeding five years unless a longer period can be justified.

Disclosure Requirements

For all Amalgamations, the following disclosures are considered appropriate in the first Financial Statement following the Amalgamation:

- Names and general nature of business of the amalgamating companies;
- Effective date of Amalgamation for Accounting purposes;
- Method of Accounting used to reflect the Amalgamation; and
- Particulars of the scheme sanctioned under a Statute.

For Amalgamations accounted for under the Pooling of Interests Method, the following additional disclosures are considered appropriate in the first Financial Statement following the Amalgamation:



Description and number of shares issued, together with the percentage of each company's equity shares exchanged to effect the Amalgamation; and



Amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof.

For amalgamations accounted for under the Purchase Method, the following additional disclosures are considered appropriate in the first Financial Statement following the Amalgamation:



Consideration for the Amalgamation and a description of the consideration paid or contingently payable; and



Amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof including the period of amortisation of any goodwill arising on Amalgamation.

AS 15 "Employee Benefits"

Objectives of AS 15

To prescribe Accounting and disclosure for Employee Benefits

Provides service i.e. works for the entity

Apply
Matching
Principle!!
Match
costs to the
benefits

Employee

- Entity should recognize liability for Employee Benefits to be paid in the future in respect of services provided by Employee.
- As benefit from the service provided by the employee is consumed, the entity should recognize the related Employee Benefit expense

Employer
(Entity)

Benefits
(revenue,
profits)
accrue
to the
employer

Provides benefits = salary, leave encashment, gratuity, pension, etc.

What is covered in AS 15?

Employee defined:
Includes full-
time, part-time,
permanent, casual
or temporary basis
workforce. Also
includes whole-
time Directors and
other Management
personnel

Scope of AS 15

Applies to

Excluding

Applied by Employer in accounting for ALL
Employee Benefits

Scope exclusion

Classification of Employee Benefits

Short-term employee benefits

- Within 12 months
- For current employees
- Other than termination benefits

Post-employment benefits

- After completion of employment
- Other than termination benefits

Other long-term employee benefits

- Residual category
- For current employees

Termination Benefits

- Result of terminating employment before retirement, either voluntary or otherwise

Employees' Share
based payments

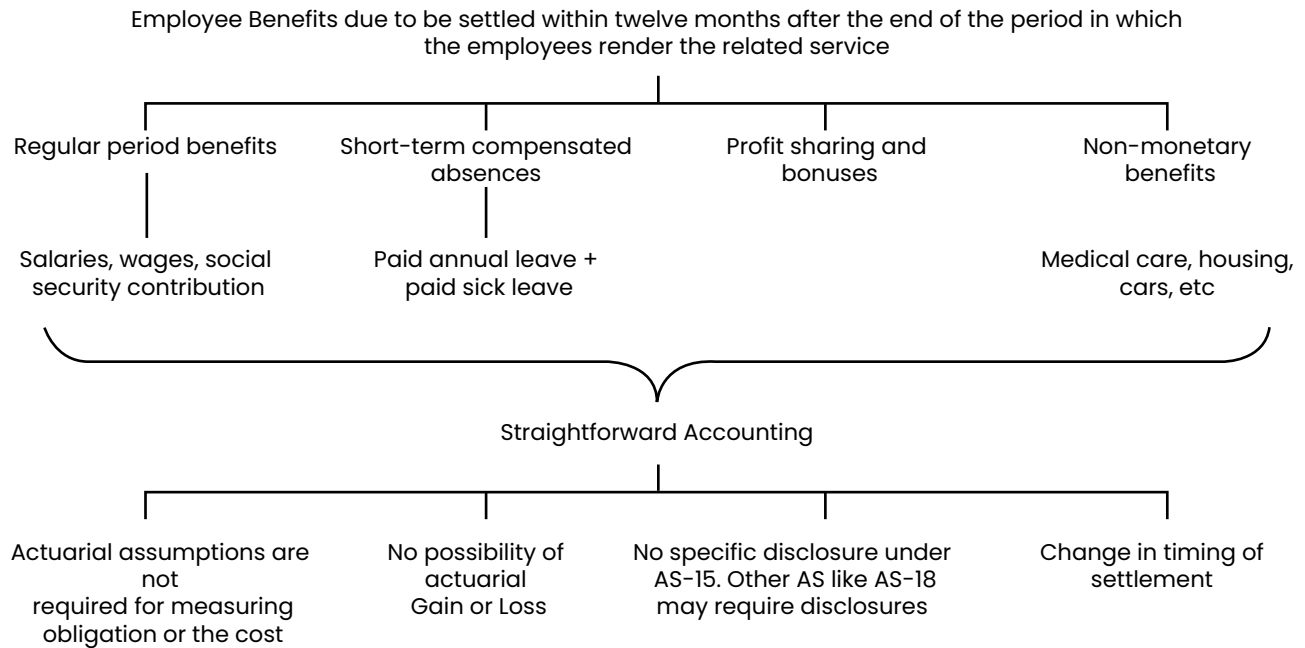
Accounting and Reporting
by Employee Benefit Plans

Employee benefits include

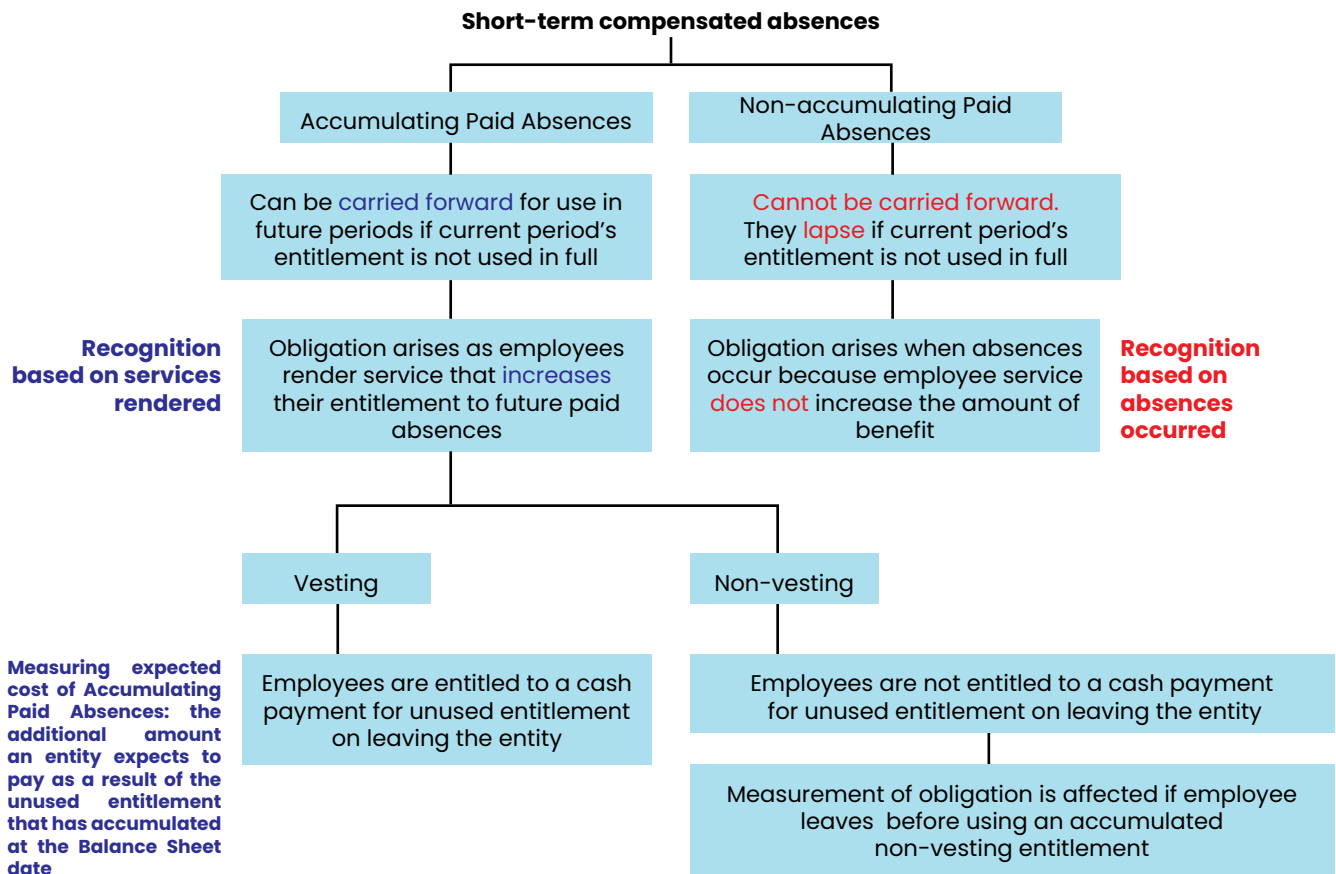
Benefits provided to employees / dependants / beneficiaries, and may be settled by payments (or provisions of goods or services) made either directly to :

- Directly to the employees, to their spouses, children or other dependents / to legal heirs or nominees or
- To others, such as trusts, insurance companies

Short-term Employee Benefits

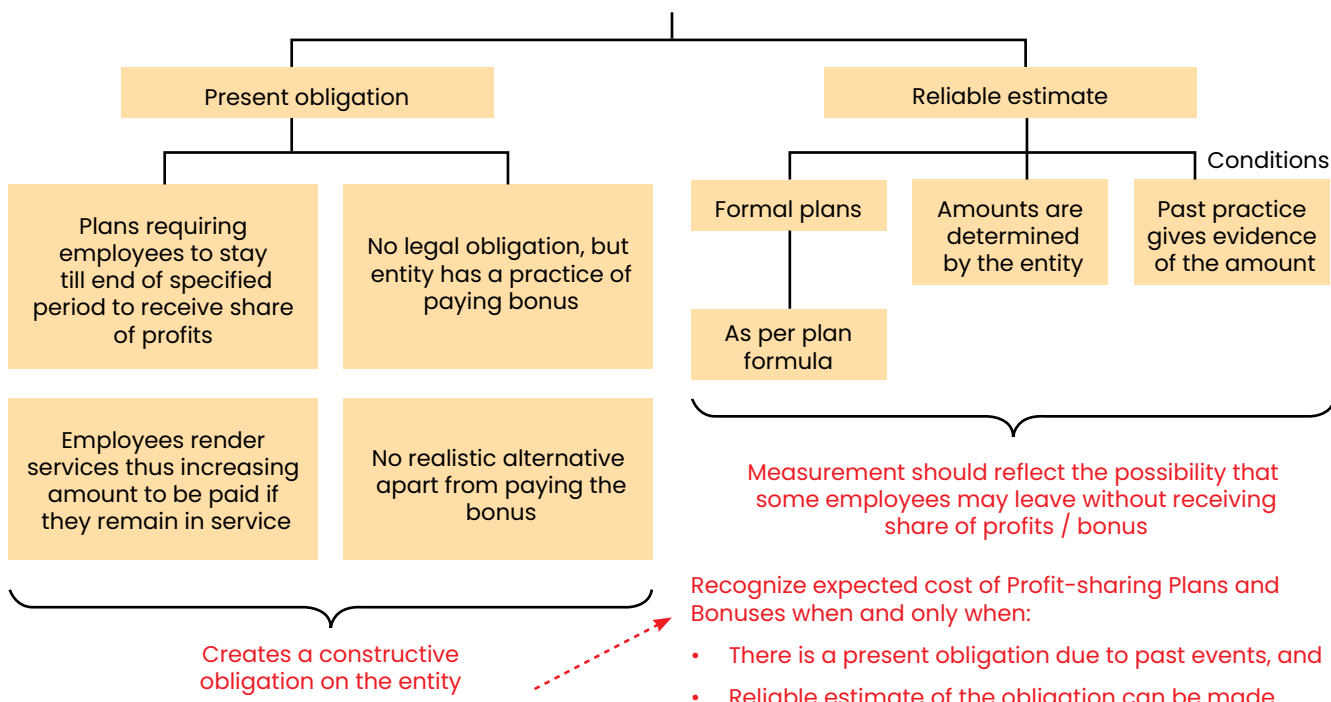


Short-term Employee Benefits



Short-term Employee Benefits

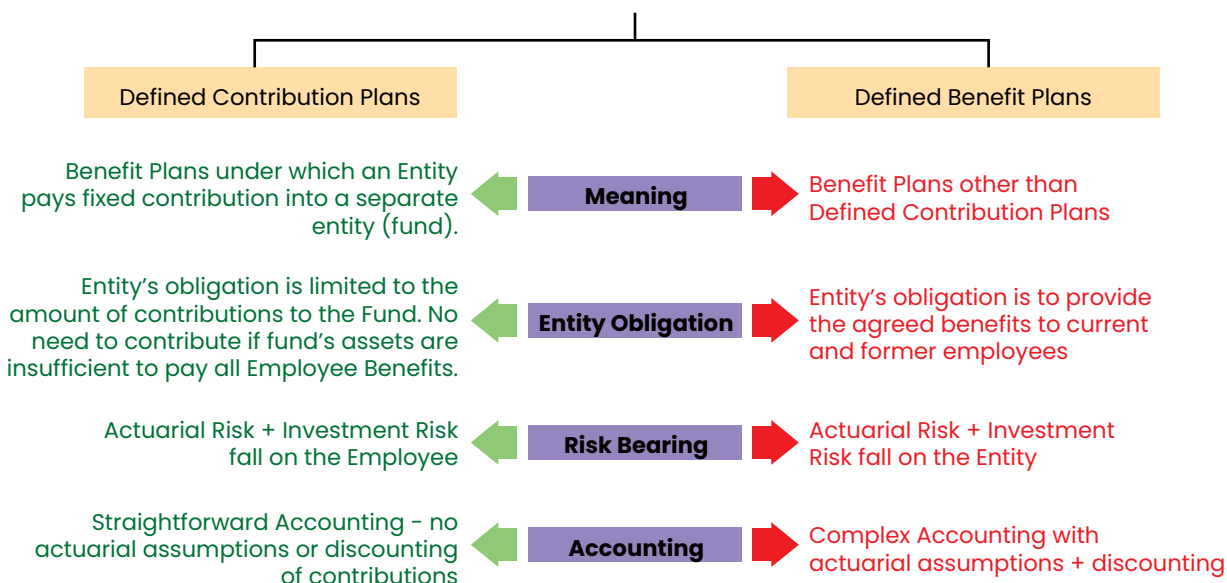
Profit-sharing and Bonus Plans



Recognized as expense, and not as a distribution of Net Profit, as the obligation arises from employee service and not from a transaction with the entity's owners

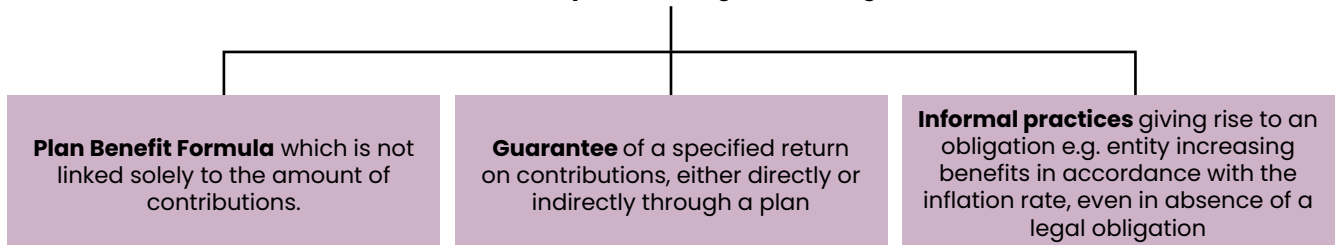
Post-Employment Benefits

Arrangements whereby entity provides Post-Employment benefits



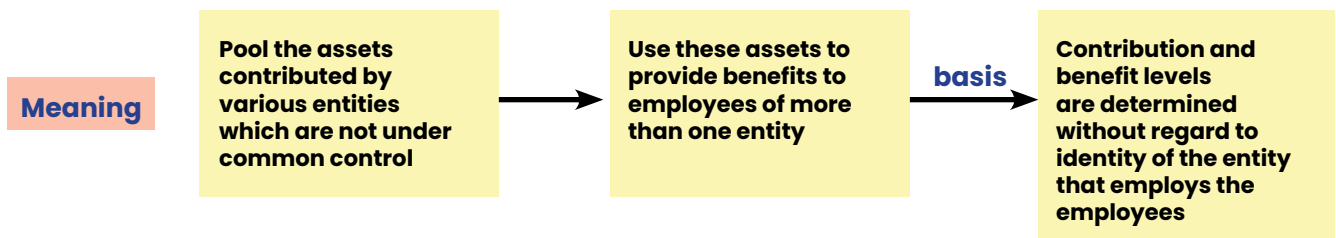
Post-Employment Benefits

Examples of Cases where entity's obligation is not limited to the amount it agrees to contribute to the fund.
When entity has an obligation through:

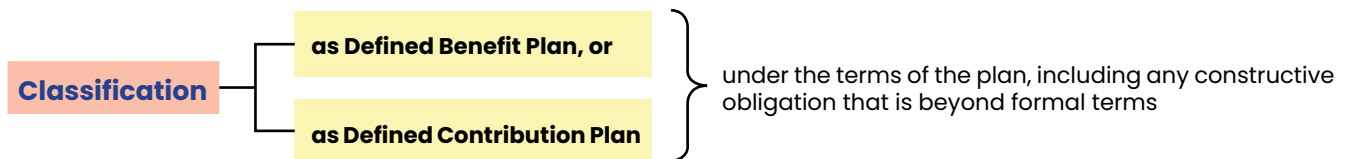


Post-Employment Benefits

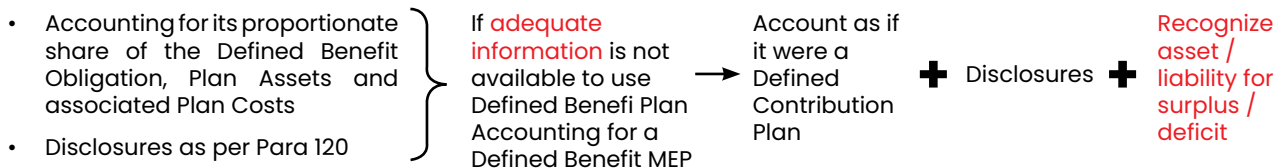
Multi-Employer Plans



Could be Defined Benefit Plan or Defined Contribution Plan (in both cases, other than State Plans)



Accounting Treatment of Multi-Employer Plans as a Defined Benefit Plan



Post-Employment Benefits

Multi-Employer Plans (continued)

Accounting Defined Benefit MEP as Defined Contribution Plan

Adequate
information not
available

Recognize Asset /
Liability for Surplus /
Deficit

such as

- No consistent and reliable basis for allocating Obligation, Plan Assets and Plan Costs to Individual Entities
- No access to information about the plan

Pursuant to agreement, surplus in the MEP will be distributed to/deficit will be funded by the participants

Recognize asset/liability + corresponding income/expense in Profit or Loss

Additional Disclosure Requirements in respect of MEP Defined Benefit Plans (Para 148)

Funding Arrangements, including method to determine the entity's rate of contributions and any Minimum Funding Requirements

Extent to which entity can be liable to the Plan for Other Entities' Obligations under terms and conditions of the MEP

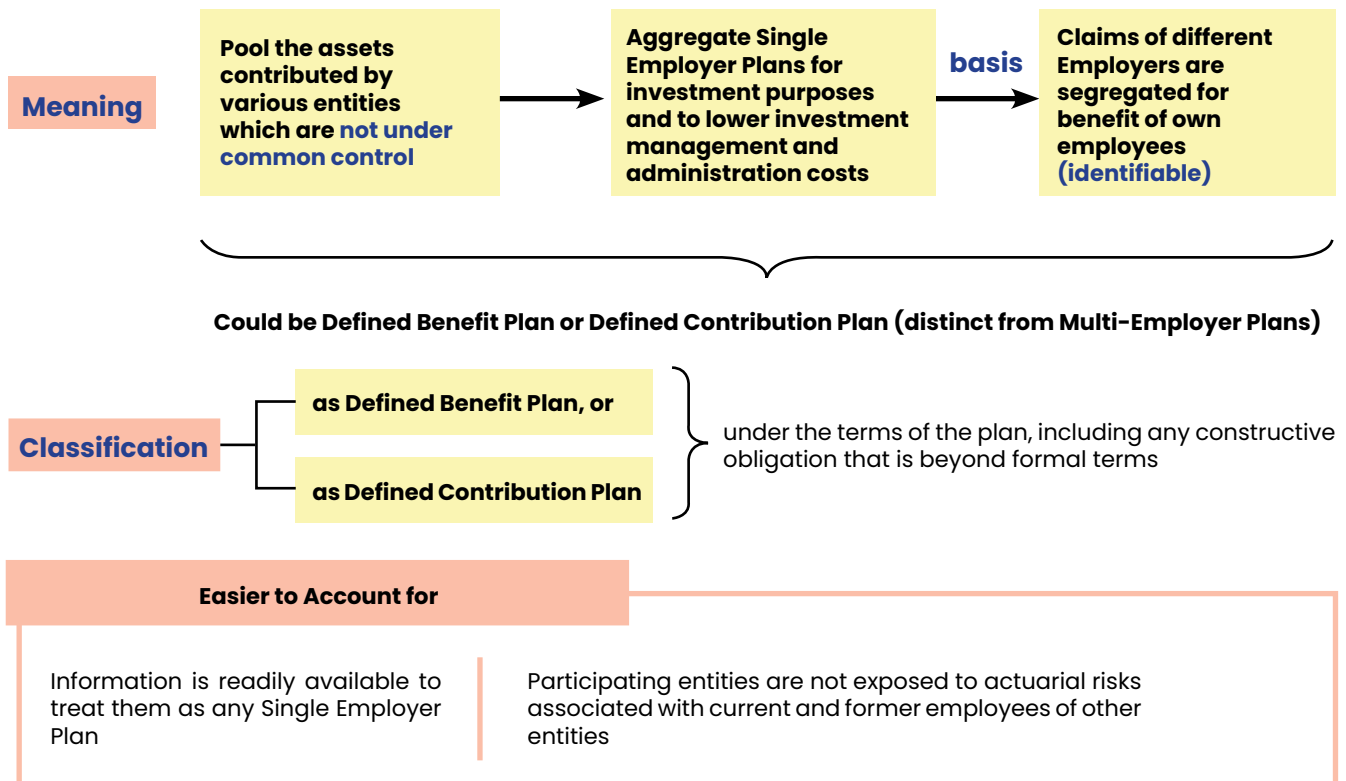
Agreed allocation of deficit or surplus on winding-up of or on entity's withdrawal from the Plan

If DBP is accounted as a DCP, disclose:

1. The fact that the Plan is a DBP.
2. Why sufficient information is unavailable?
3. Expected contributions to the Plan for the next accounting period.
4. Information about deficit/surplus in the Plan that may affect future contributions, basis of computing deficit/surplus, entity implications
5. Indication of level of participation by the entity in the plan compared to other entities

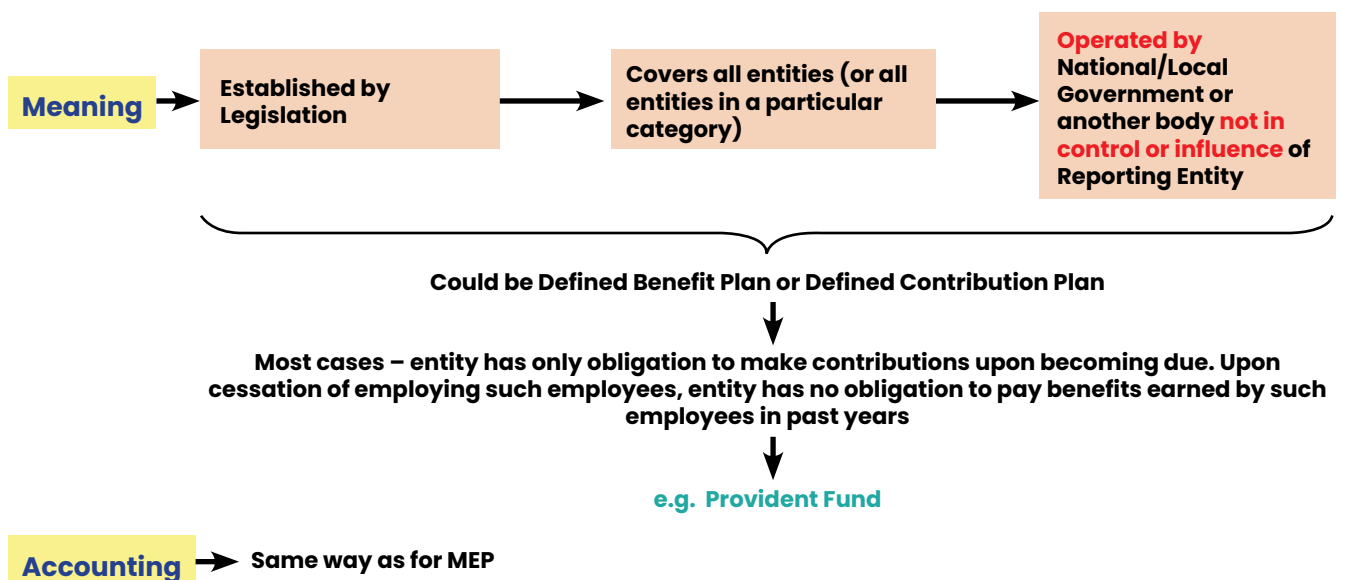
Post-Employment Benefits

Group Administration Plans



Post-Employment Benefits

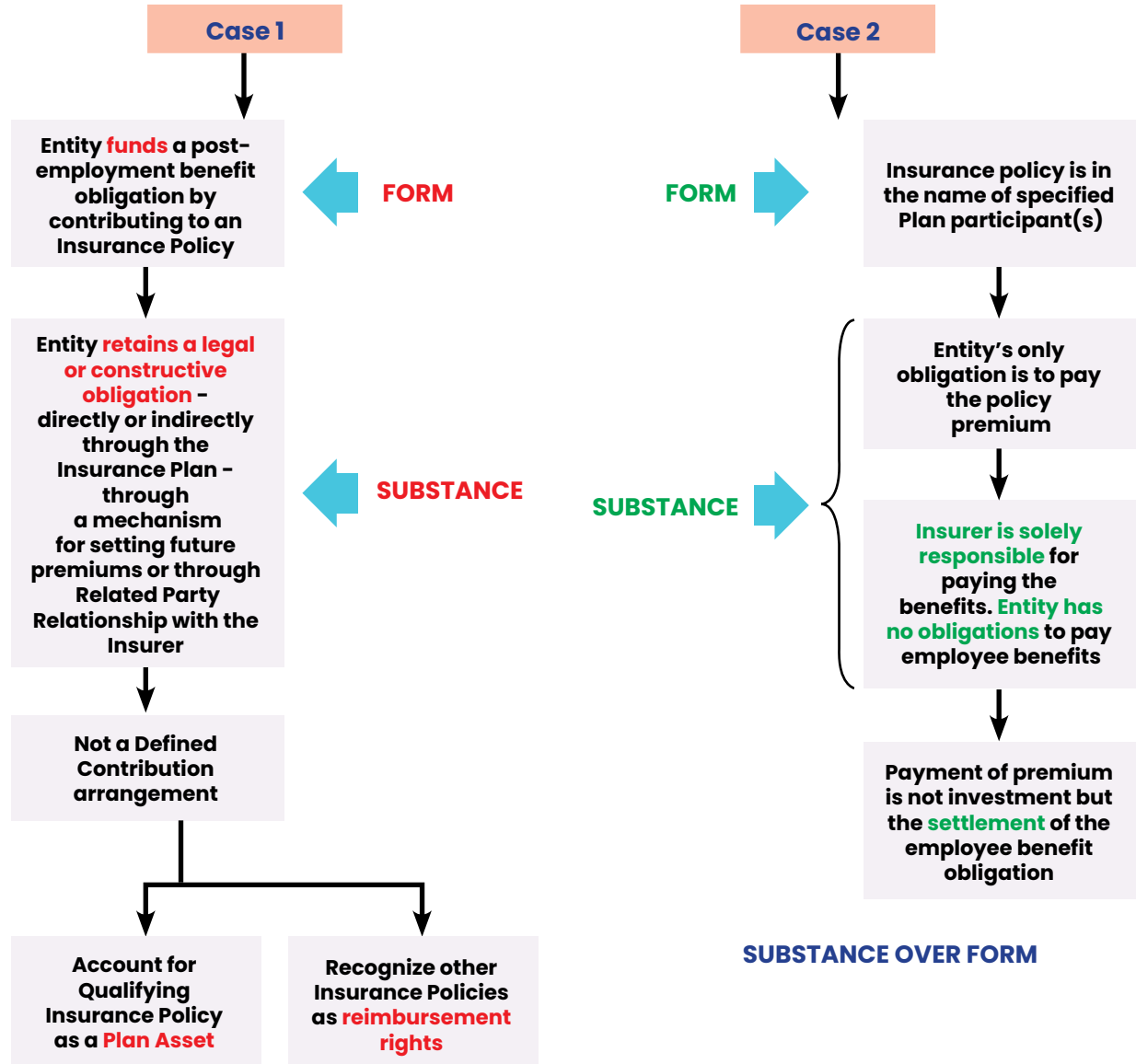
State Plans (Para 37-39)



Post-Employment Benefits

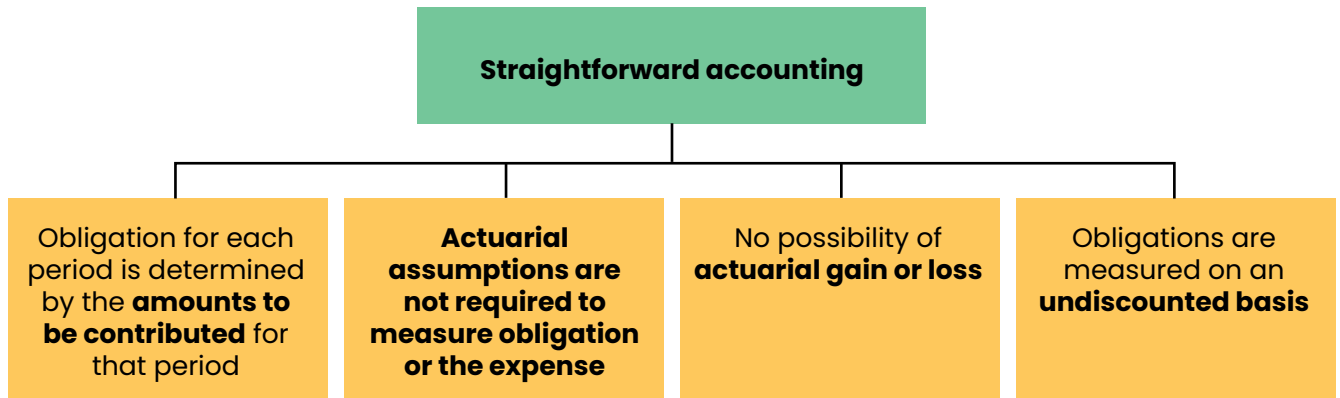
Insured Benefits (Para 40-43)

= Entity pays insurance premiums to fund a Post-Employment Benefit Plan



SUBSTANCE OVER FORM

Accounting for Defined Contribution Plans



Exception

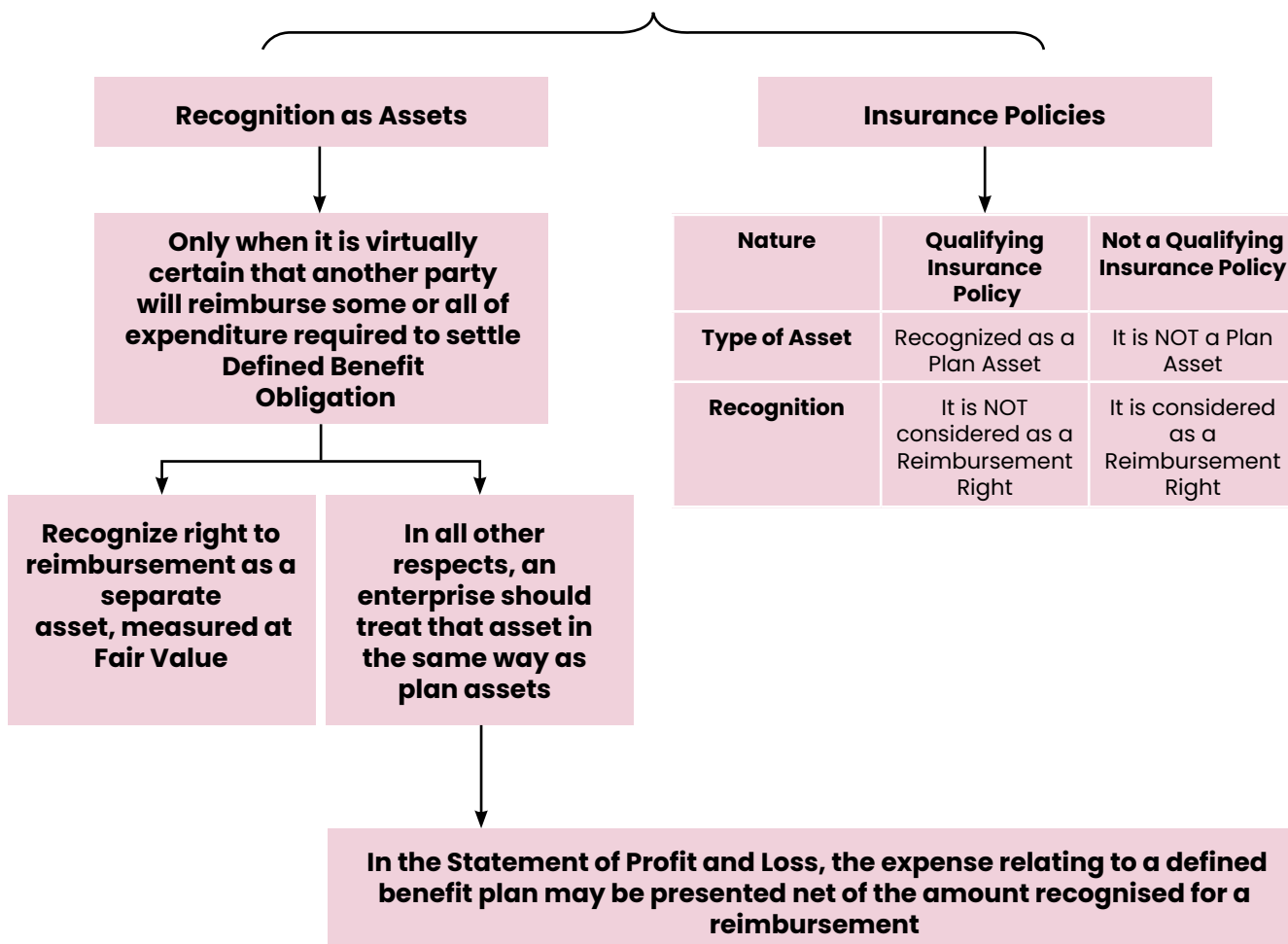
not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service

Recognition and Measurement

Dr. Employee Benefit Expense / Asset	(amount relating to reporting period)	
Dr. Prepaid Expenses	(amount relating to future periods)	
Cr. Cash / Bank		(amount paid)
Cr. Accrued Liability		(amount unpaid)

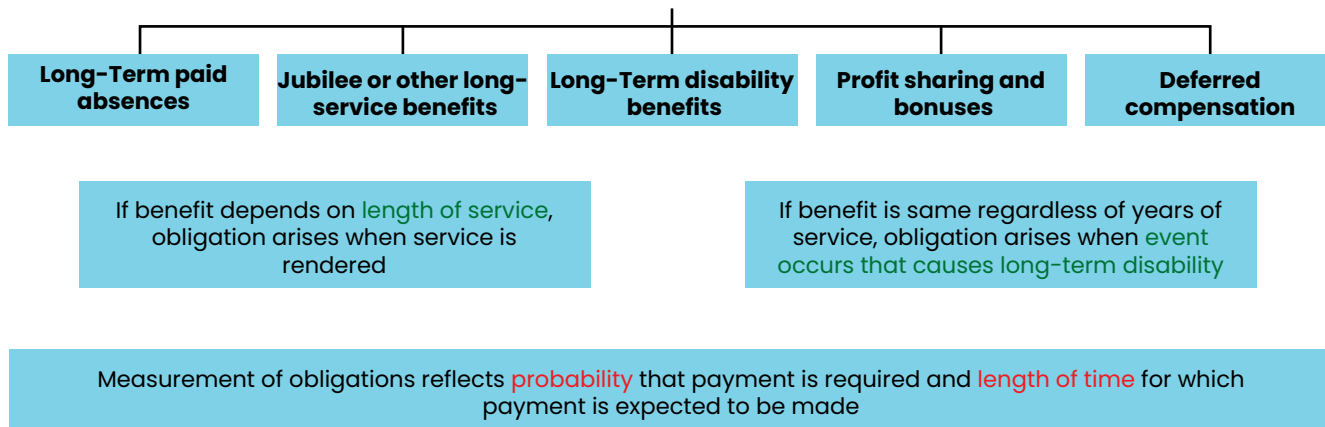
Disclosure: Disclose amount recognized as an expense for Defined Contribution Plans.

Defined Benefit Plans – Right to Reimbursement

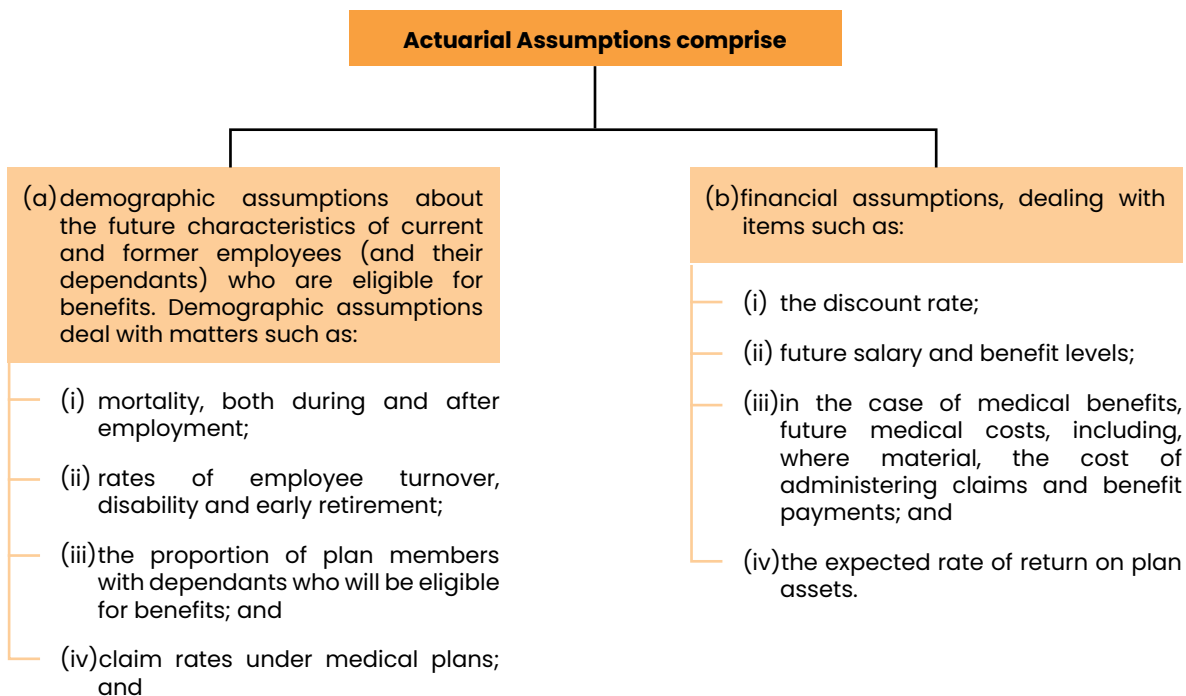


Other Long-Term Employee Benefits

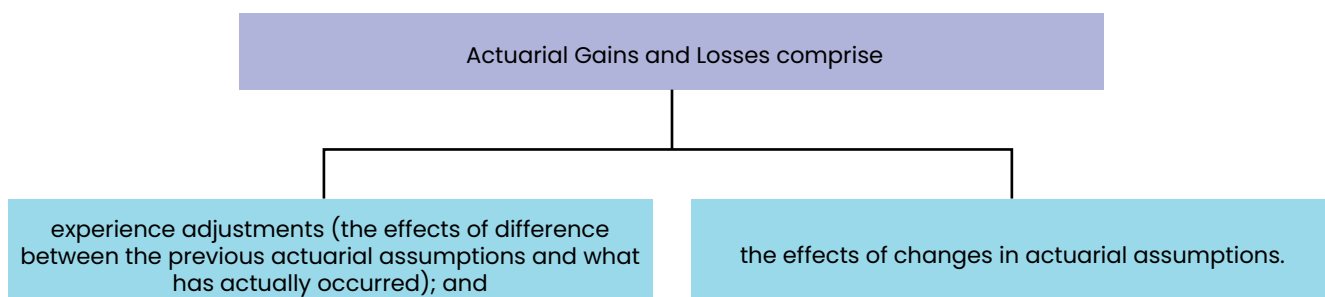
All Employee Benefits other than Post-Employment Benefits and Termination Benefits



Actuarial Assumptions

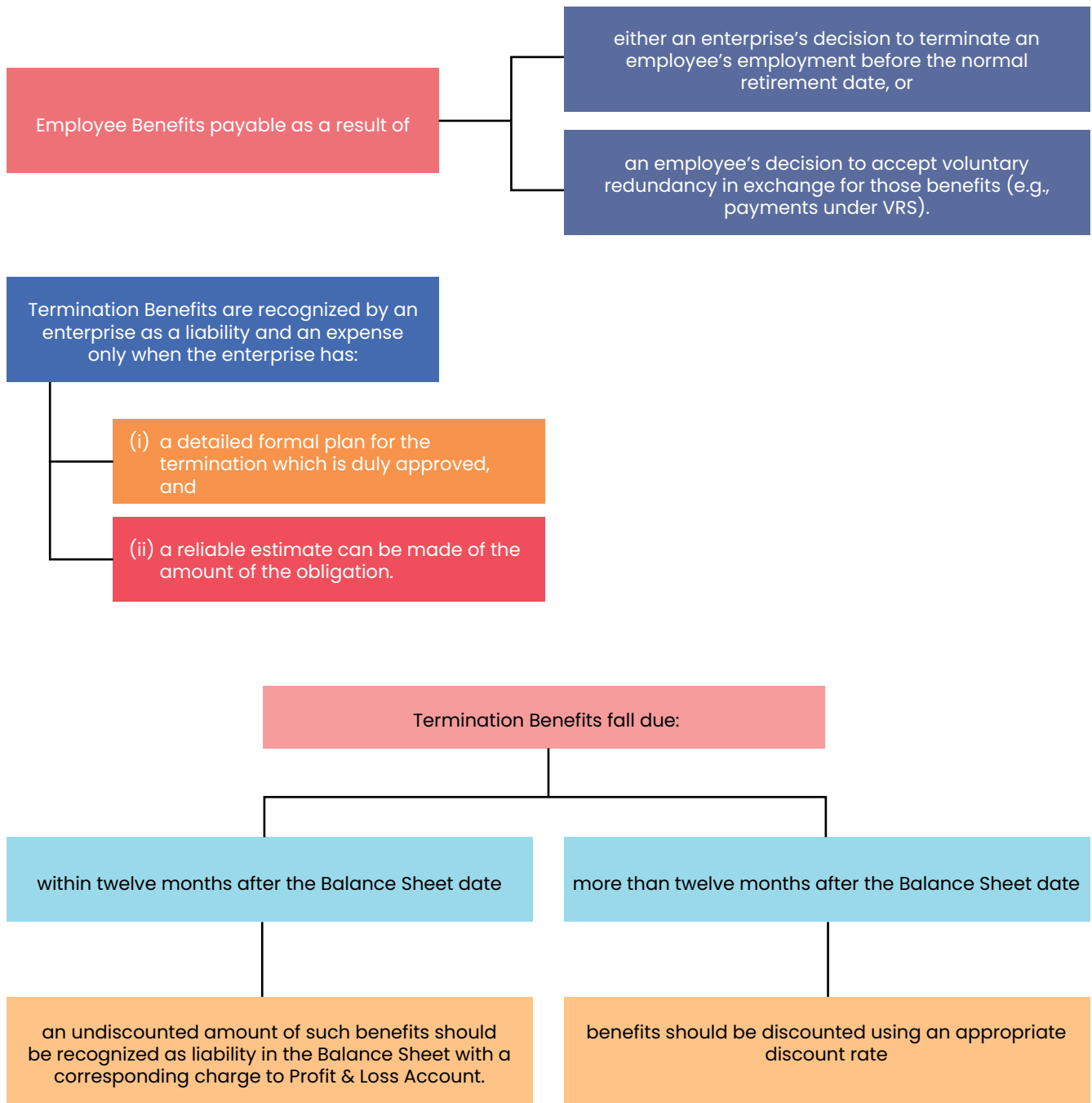


ACTUARIAL GAINS AND LOSSES



Actuarial Gains and Losses should be recognized immediately in the Statement of Profit and Loss as income or expense.

Termination Benefits



Where an offer has been made to encourage voluntary redundancy, the termination benefits should be measured by reference to the number of employees expected to accept the offer. Where there is uncertainty with regard to the number of employees who will accept an offer of voluntary redundancy, a contingent liability exists and should be so disclosed as per AS 29 'Provisions, Contingent Liabilities and Contingent Assets'.

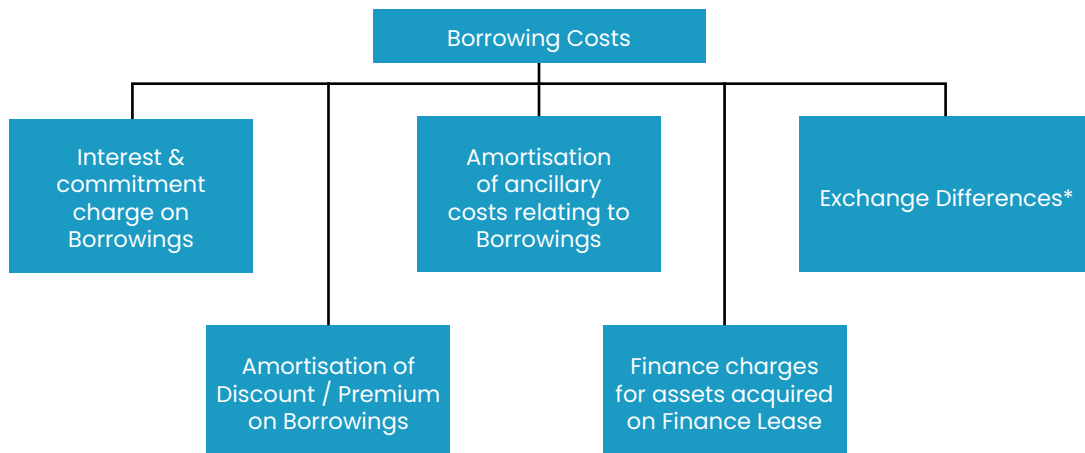
AS 16 “Borrowing Costs”

Introduction

The objective of AS 16 is to Account for Borrowing Costs. It does not deal with the actual or imputed cost of owners' equity, including preference share capital not classified as a liability.

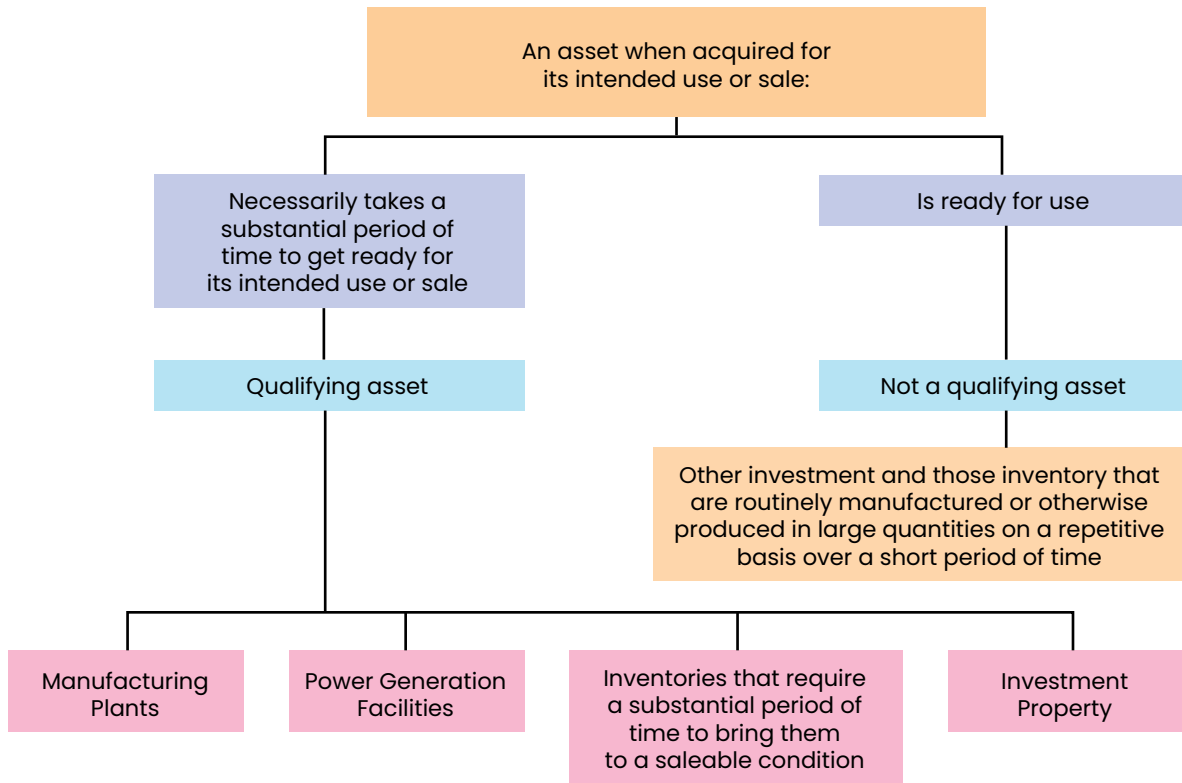
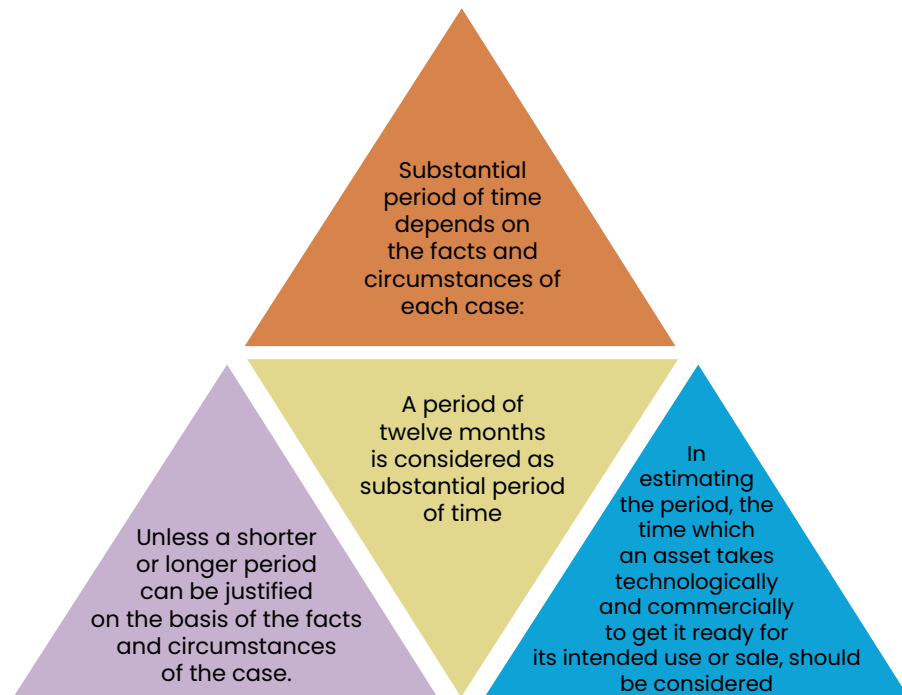
Borrowing Costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.

Borrowing Costs May Include



*To the extent they are regarded as an adjustment to interest cost.



A Qualifying Asset:**Substantial Period Of Time:**

Exchange Differences On Foreign Currency Borrowings

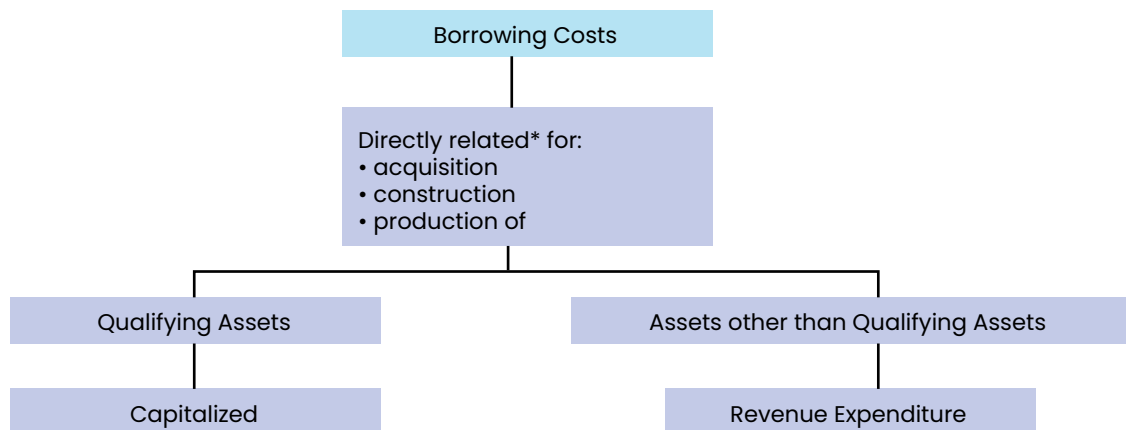
Exchange Differences arising from Foreign Currency Borrowing and considered as Borrowing Costs are those exchange differences which arise on the amount of principal of the Foreign Currency Borrowings to the extent of the difference between interest on Local Currency Borrowings and interest on Foreign Currency Borrowings.

Amount of exchange difference not exceeding the difference between interest on Local Currency Borrowings and interest on Foreign Currency Borrowings is considered as Borrowing Cost to be accounted for under this Standard and the remaining exchange difference, if any, is accounted for under AS 11, 'The Effects of Changes in Foreign Exchange Rates'.

Interest rate for the Local Currency Borrowings is considered as that rate at which the enterprise would have raised the borrowings locally had the enterprise not decided to raise the Foreign Currency Borrowings.

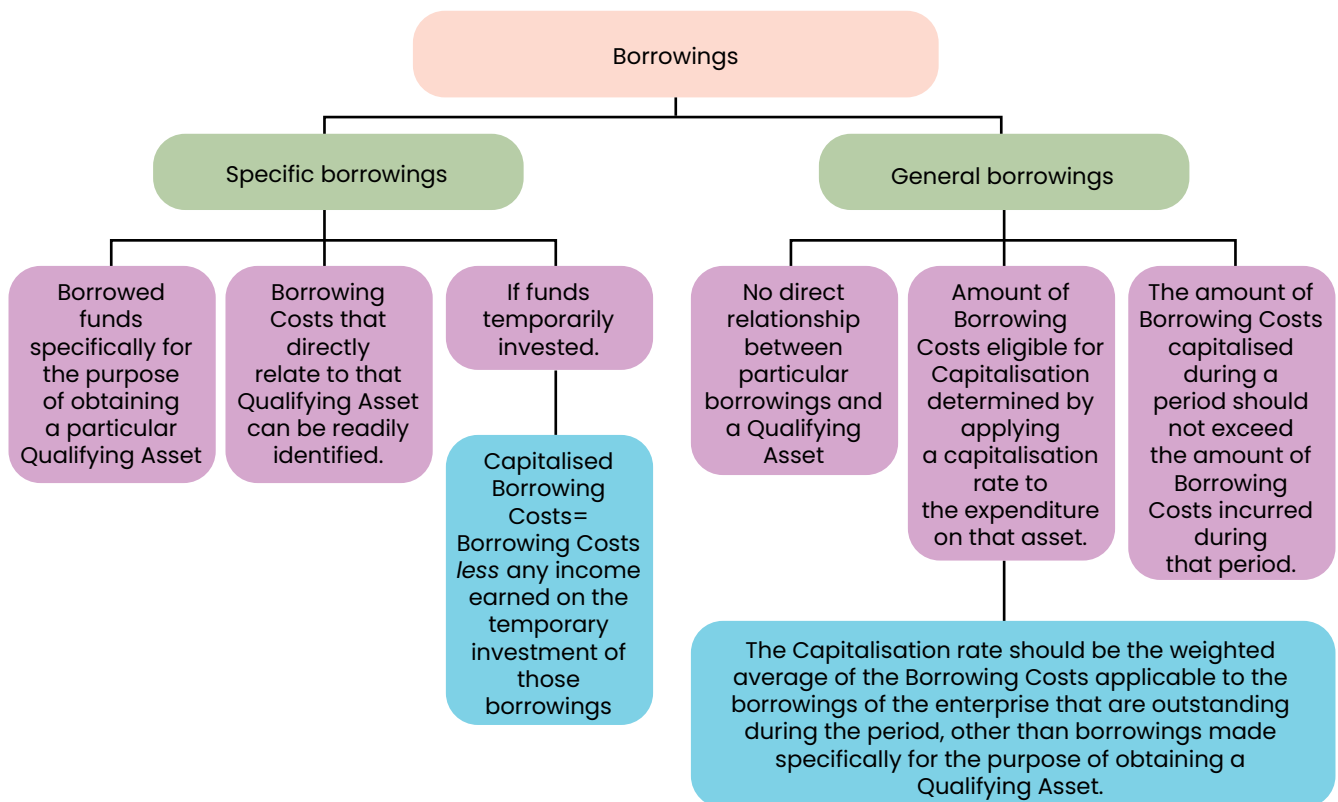
Borrowing Costs Eligible For Capitalisation

Treatment of Borrowing Costs

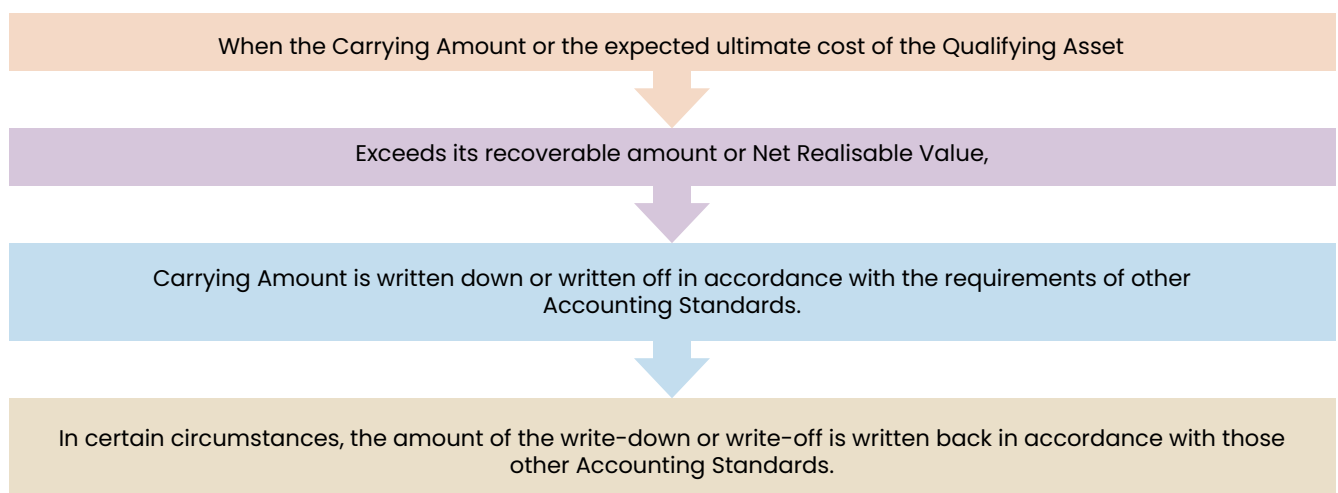


*or that could have been avoided if the expenditure on Qualifying Assets had not been made.

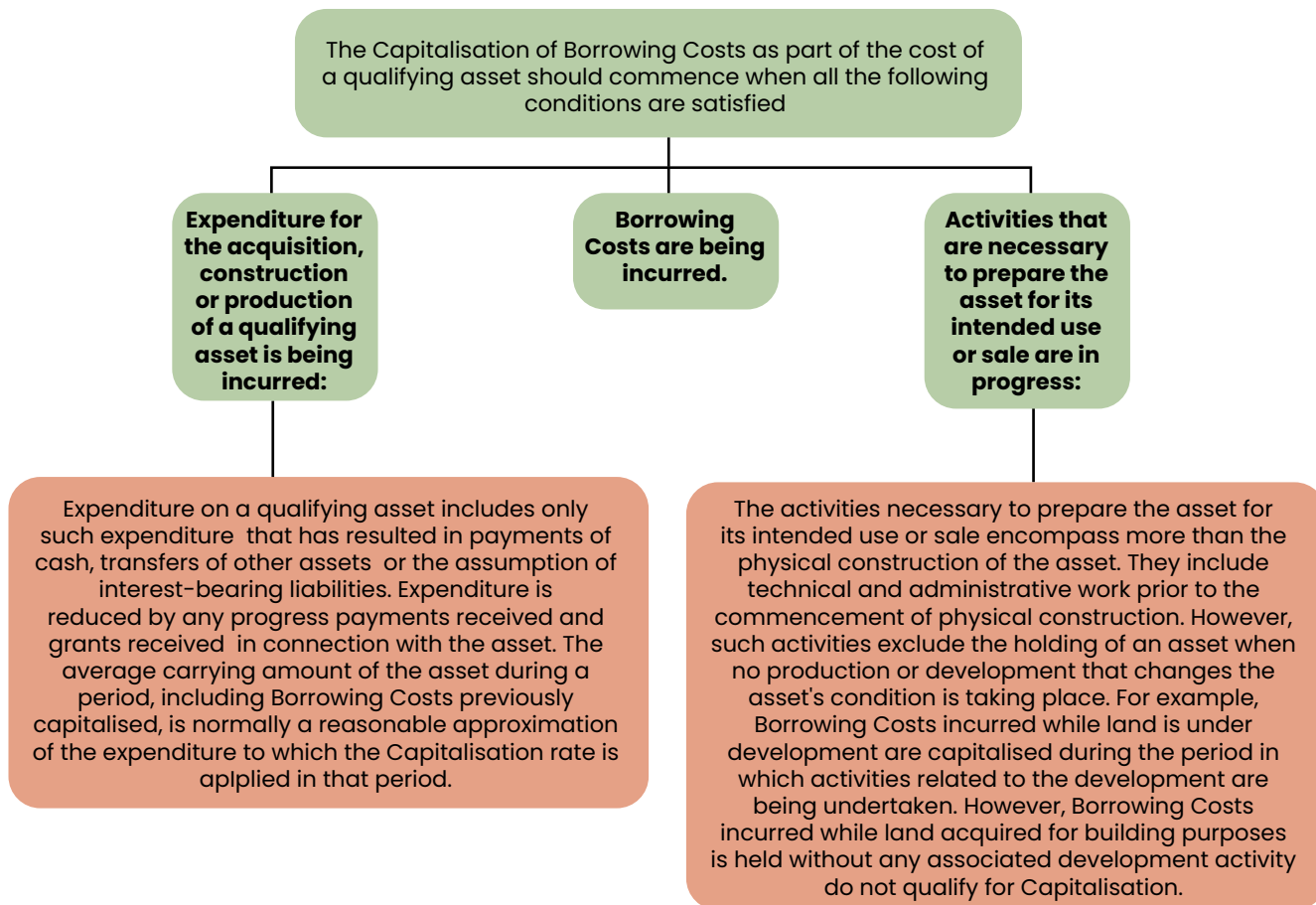
Thus, Borrowing Costs are capitalised as part of the cost of a qualifying asset when it is probable that they will result in future economic benefits to the enterprise and the costs can be measured reliably. Other Borrowing Costs are recognised as an expense in the period in which they are incurred.



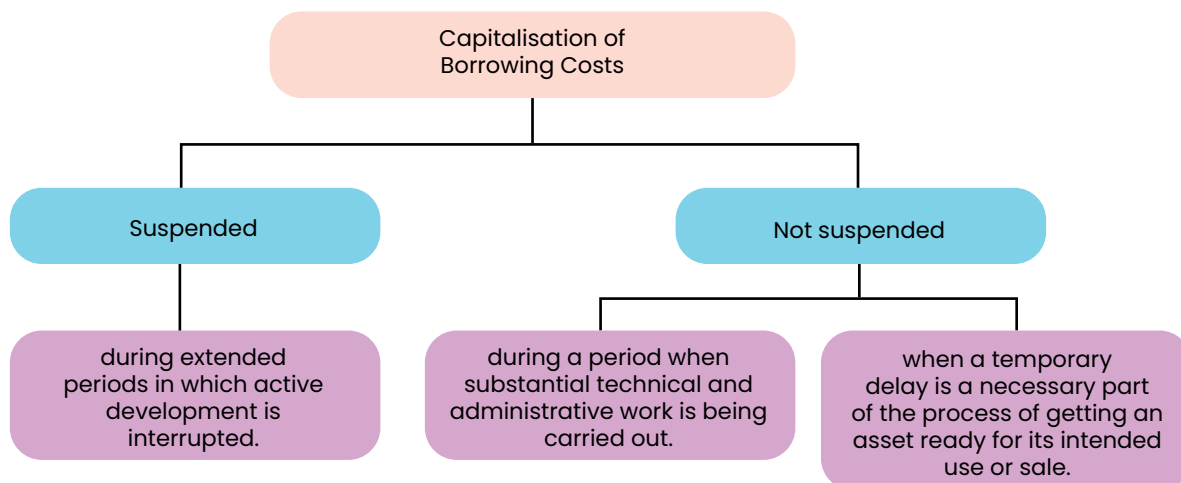
Excess Of The Carrying Amount Of The Qualifying Asset Over Recoverable Amount



Commencement Of Capitalisation



Suspension Of Capitalisation



Cessation Of Capitalisation

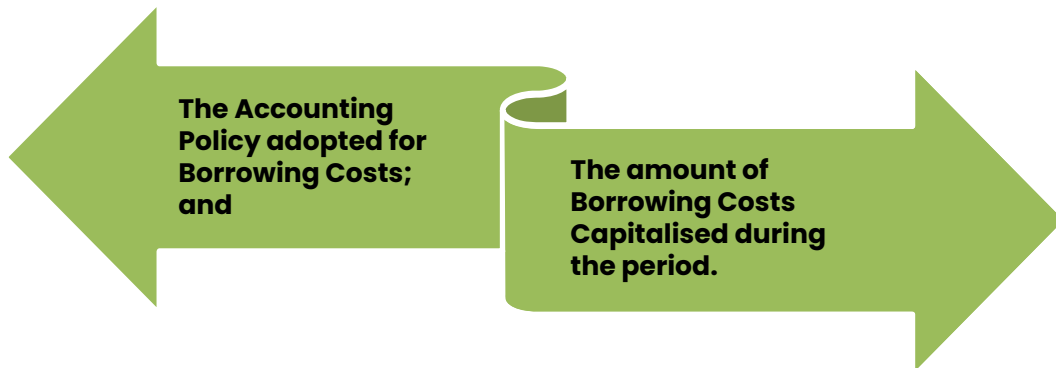
Capitalisation of Borrowing Costs should cease when substantially all the activities necessary to prepare the Qualifying Asset for its intended use or sale are complete.

An asset is normally ready for its intended use or sale when its physical construction or production is complete even though routine administrative work might still continue. If minor modifications, such as the decoration of a property to the user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.

When the construction of a Qualifying Asset is completed in parts and a completed part is capable of being used while construction continues for the other parts, Capitalisation of Borrowing Costs in relation to a part should cease when substantially all the activities necessary to prepare that part for its intended use or sale are complete.

Disclosure

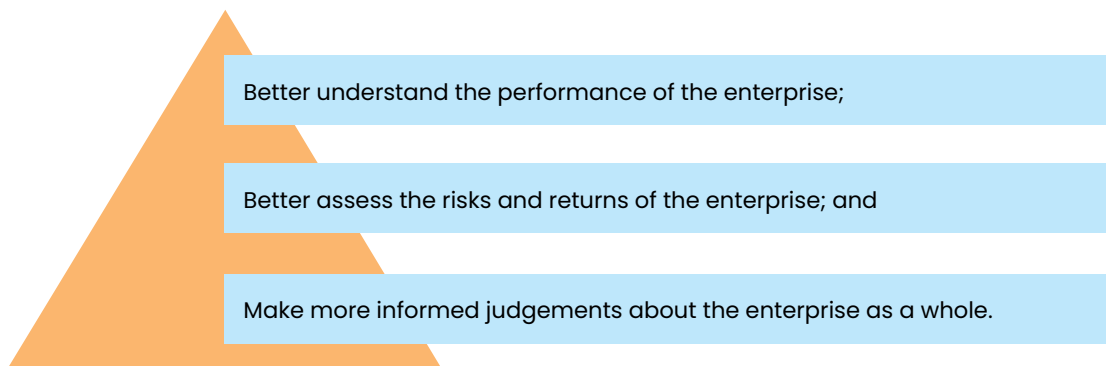
The Financial Statements should disclose:



AS 17 “Segment Reporting”

Introduction

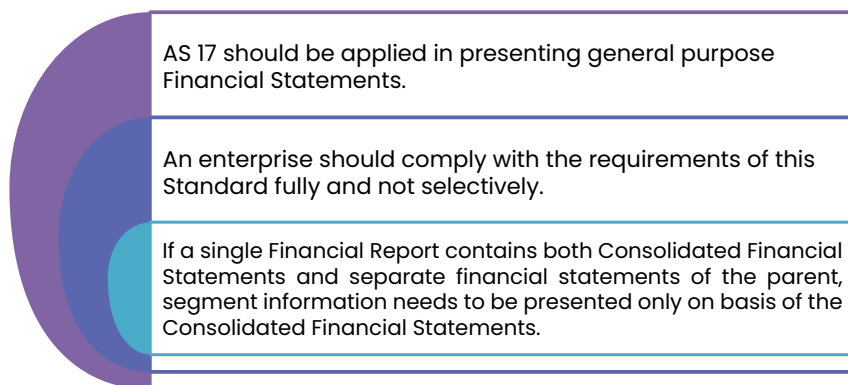
The objective of AS 17 is to establish principles for Reporting Financial Information, about the different types of products and services an enterprise produces and the different geographical areas in which it operates. Information about segments helps users of Financial Statements to:



For Companies – AS 17 is not mandatory for SMC's.

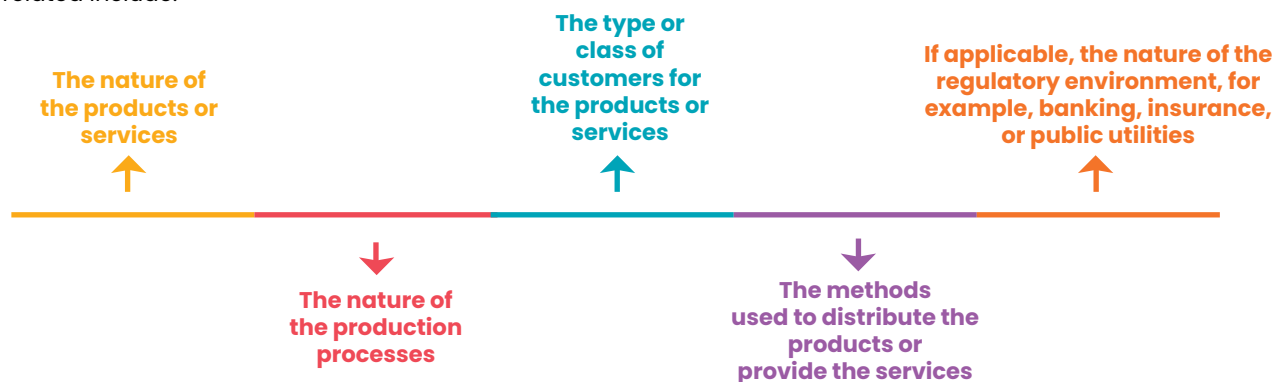
For Non-companies – AS 17 is not mandatory for entities falling in Level II and Level III.

Scope



Definition Of The Terms Used In This Accounting Standard

A Business Segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other Business Segments. Factors that should be considered in determining whether products or services are related include:



A Geographical Segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. Factors that should be considered in identifying Geographical Segments include:



A Reportable Segment is a Business Segment or a Geographical Segment identified on the basis of definitions of Business Segment and Geographical Segment for which Segment Information is required to be disclosed by this Standard.

Identifying Reportable Segments as Primary Segment or Secondary Segment

If the risks and returns of an enterprise are affected predominantly by the differences in the products and services, its Primary Segment will be Business Segment and Geographic Segment will be Secondary.

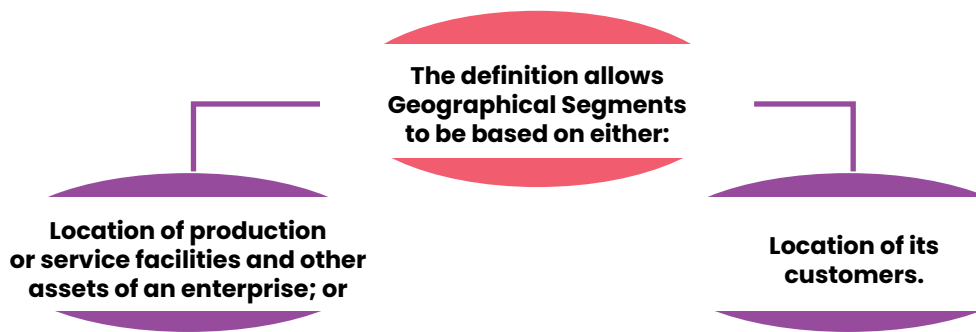


If the risks and returns of an enterprise are affected predominantly by the fact that it operates in different geographical areas, its Primary Segment will be Geographical Segment and Business Segment will be Secondary.

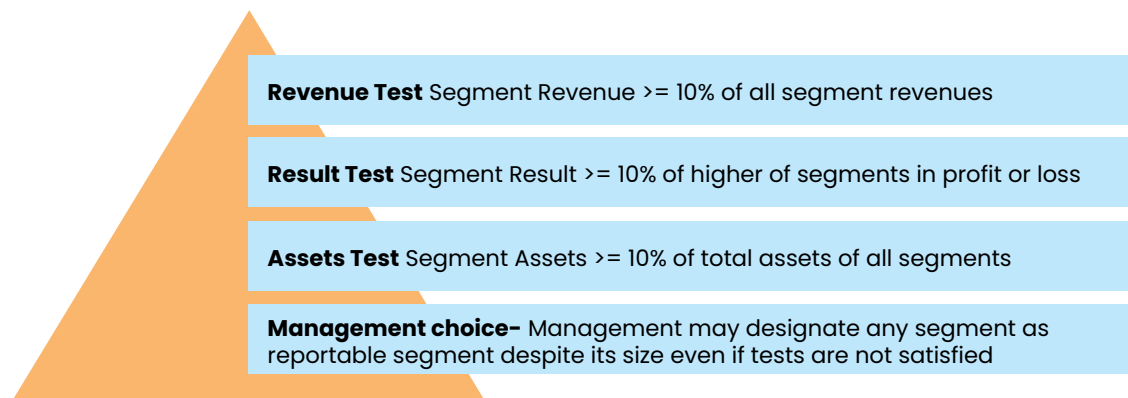


A single Geographical Segment does not include operations in economic environments with significantly differing risks and returns. A Geographical Segment may be a single country, a group of two or more countries, or a region within a country.

The risks and returns of an enterprise are influenced both by the geographical location of its operations (where its products are produced or where its service rendering activities are based) and also by the location of its customers (where its products are sold or services are rendered).



Criteria For Identifying Reportable Segments

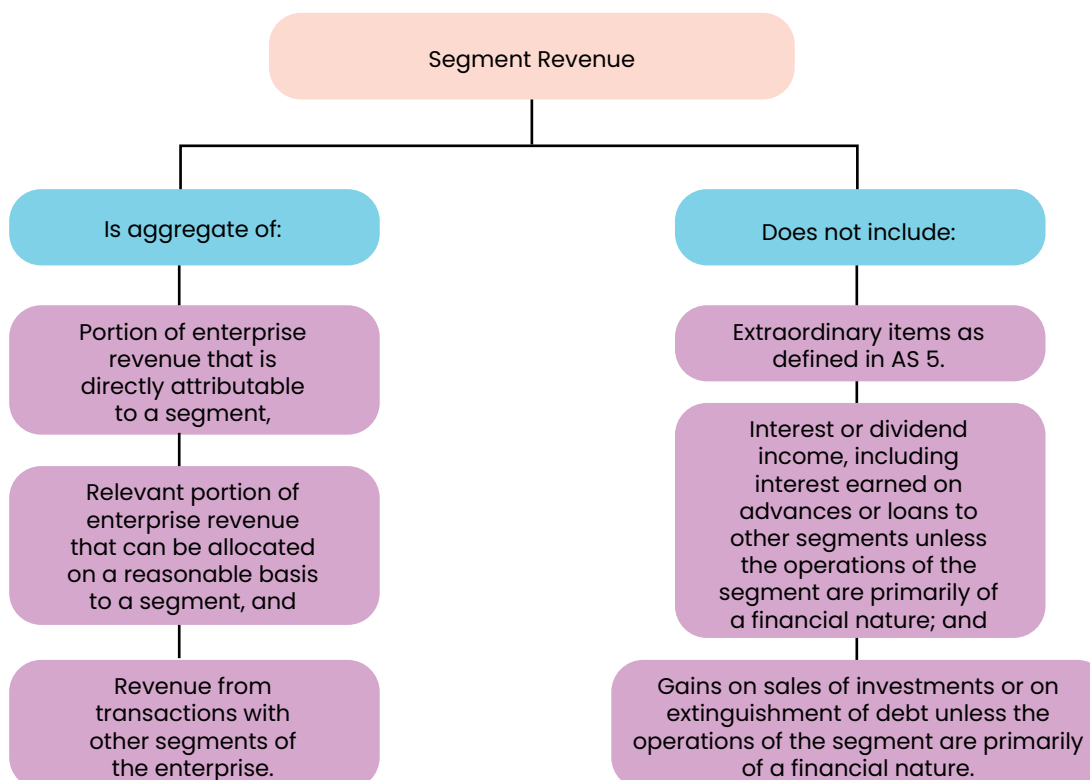


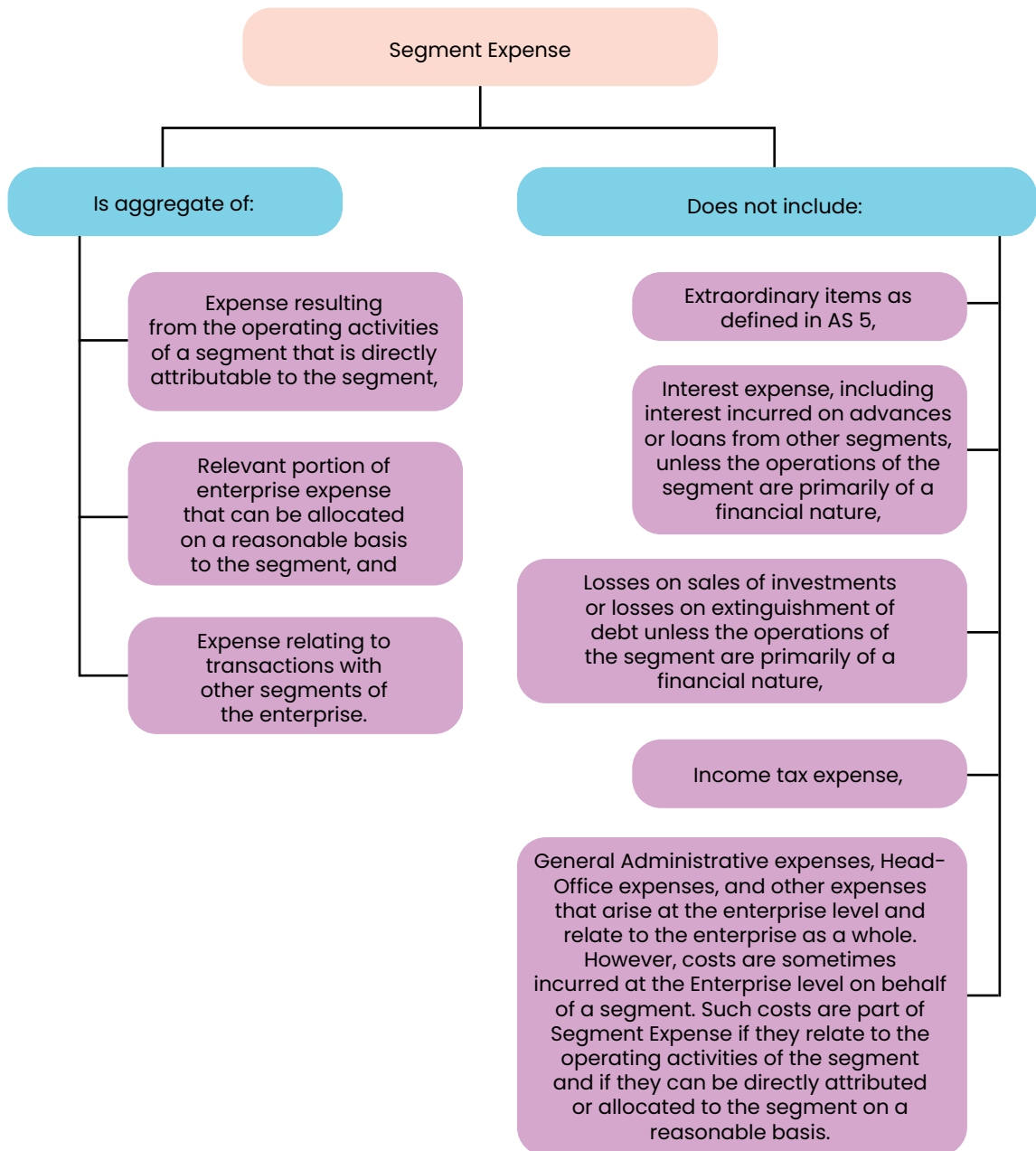
75% Test– Is external revenue of reportable segment $<$ 75% of enterprise revenue

- Previous year's Segment Information to continue in current year
- If inconsistent, previous year figures to be regrouped to fall in line with current year

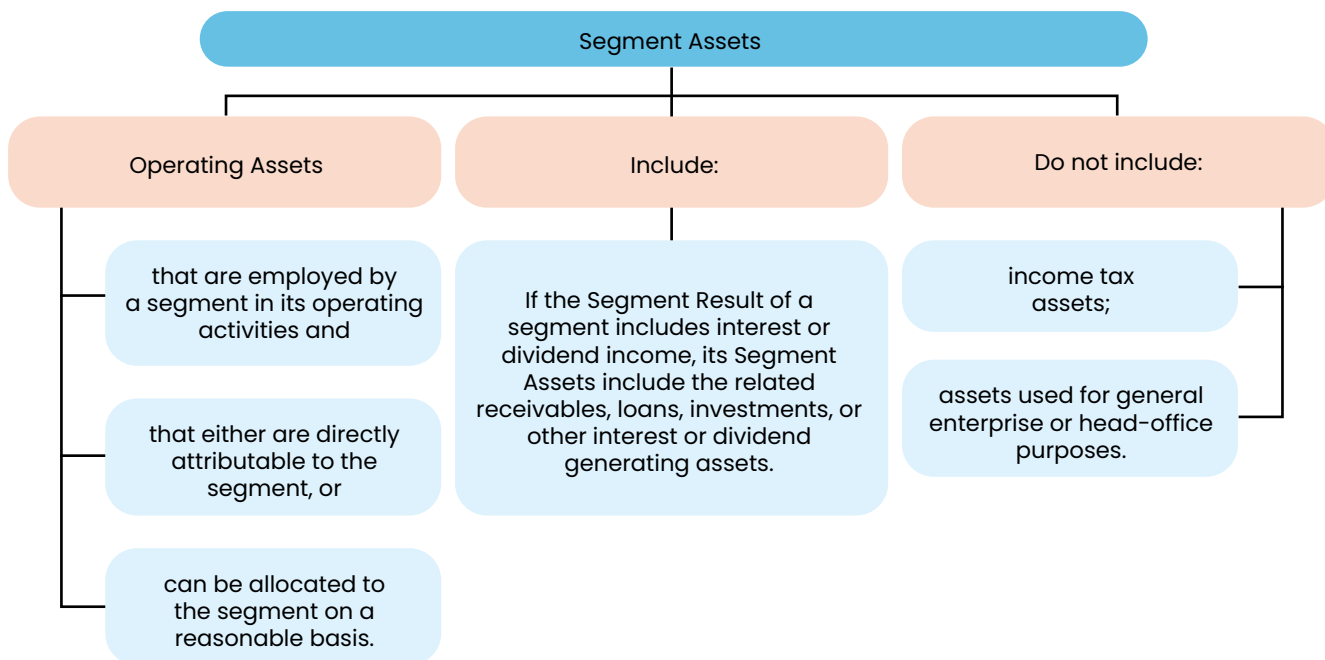
In the last test (75% Test), if total external revenue attributable to reportable segments constitutes less than 75 per cent of the total enterprise revenue, additional segments should be identified as reportable segments, even if they do not meet the 10 per cent thresholds in other tests, until at least 75 per cent of total enterprise revenue is included in reportable segments.

Segment Revenue

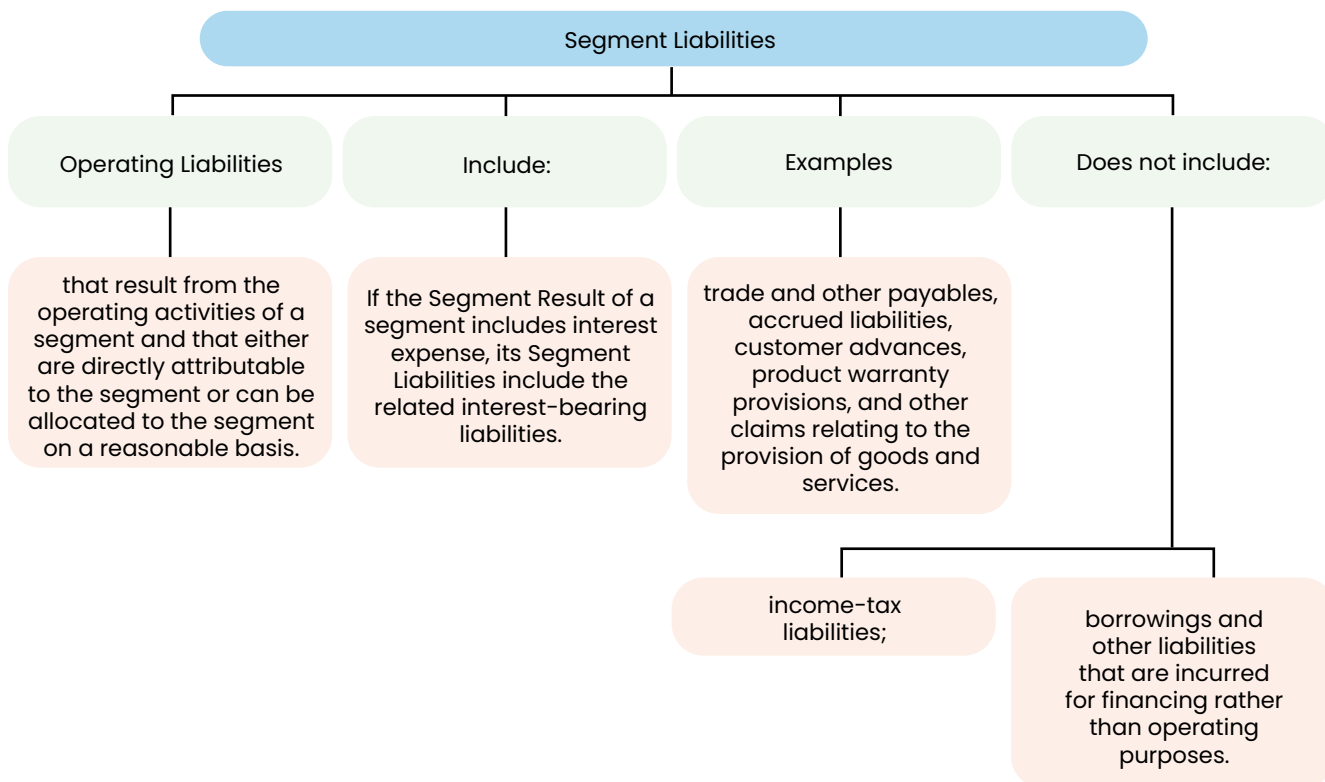


Segment Expense:**Segment Result:**

Segment Assets



Segment Assets are determined after deducting related allowances/ provisions that are reported as direct offsets in the Balance Sheet of the enterprise.



Assets and Liabilities that relate jointly to two or more segments should be allocated to segments if, and only if, their related revenues and expenses also are allocated to those segments.

Treatment Of Interest For Determining Segment Expense

The interest expense relating to overdrafts and other operating liabilities identified to a particular segment should not be included as a part of the Segment Expense unless the operations of the segment are primarily of a financial nature or unless the interest is included as a part of the Cost of Inventories.

In case interest is included as a part of the cost of inventories where it is so required as per AS 16, read with AS 2 (Revised), and those inventories are part of Segment Assets of a particular segment, such interest should be considered as a Segment Expense. In this case, the amount of such interest and the fact that the Segment Result has been arrived at after considering such interest should be disclosed by way of a **Note** attached to the Segment Result.

Allocation

There is a presumption that amounts that have been identified with segments for Internal Financial Reporting purposes are directly attributable or reasonably allocable to segments for purpose of measuring the Segment Revenue, Segment Expense, Segment Assets, and Segment Liabilities of reportable segments.

Segment Revenue, Segment Expense, Segment Assets and Segment Liabilities are determined before intra-enterprise balances and intra-enterprise transactions are eliminated as part of the process of preparation of enterprise Financial Statements, except to the extent that such intra-enterprise balances and transactions are within a single segment.

While the Accounting Policies used in preparing and presenting the Financial Statements of the enterprise as a whole are also the fundamental Segment Accounting Policies, Segment Accounting Policies include, in addition, policies that relate specifically to Segment Reporting, such as identification of segments, method of pricing inter-segment transfers, and basis for allocating revenues and expenses to segments.

Primary And Secondary Segment Reporting

An enterprise should disclose the following for each reportable segment identified as Primary Segment:

(a) Segment Revenue, classified into segment revenue from sales to external customers and segment revenue from transactions with other segments;

(b) Segment Result;

(c) total Carrying Amount of Segment Assets;

(d) total amount of Segment Liabilities;

(e) total cost incurred during the period to acquire Segment Assets that are expected to be used during more than one period (tangible and intangible fixed assets);

(f) total amount of expense included in the Segment Result for depreciation and amortisation in respect of Segment Assets for the period; and

(g) total amount of significant non-cash expenses, other than depreciation and amortisation in respect of Segment Assets, that were included in Segment Expense and, therefore, deducted in measuring Segment Result.

An enterprise should present a reconciliation between the information disclosed for reportable segments and the aggregated information in the enterprise Financial Statements. In presenting the reconciliation:

Segment Revenue should be reconciled to Enterprise Revenue

Segment Result should be reconciled to enterprise Net Profit or Loss

Segment Assets should be reconciled to Enterprise Assets

Segment Liabilities should be reconciled to Enterprise Liabilities.

Secondary Segment Information

If Primary Format is business segment, it should also report the following information:

- Segment Revenue from external customers by geographical area based on the geographical location of its customers, for each geographical segment whose revenue from sales to external customers is 10 per cent or more of Enterprise Revenue;
- the Total Carrying Amount or Segment Assets by geographical location of assets, for each geographical segment whose Segment Assets are 10 per cent or more of the total assets of all geographical segments; and
- the total cost incurred during the period to acquire Segment Assets that are expected to be used during more than one period (tangible and intangible fixed assets) by geographical location of assets, for each geographical segment whose segment assets are 10 per cent or more of the total assets of all segments.

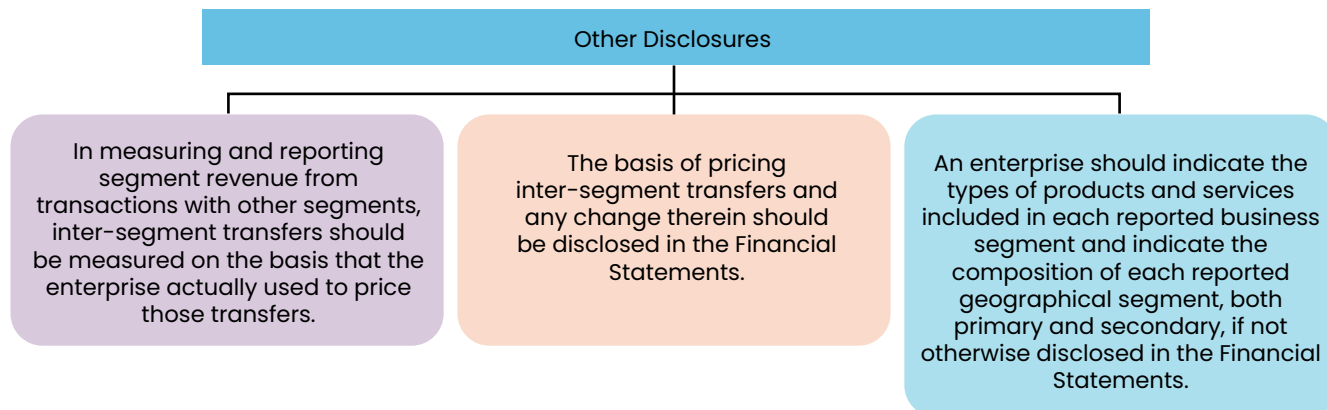
If Primary Format is geographical segments (whether based on location of assets or location of customers), it should also report the following Segment Information for each business segment whose revenue from sales to external customers is 10 per cent or more of enterprise revenue or whose Segment Assets are 10 per cent or more of the total assets of all business segments:

- Segment Revenue from external customers;
- the total Carrying Amount of Segment Assets; and
- the total cost incurred during the period to acquire Segment Assets that are expected to be used during more than one period (tangible and intangible fixed assets).

If Primary Format of an enterprise for reporting segment information is geographical segments that are based on location of assets, and if the location of its customers is different from the location of its assets, then the enterprise should also report revenue from sales to external customers for each customer-based geographical segment whose revenue from sales to external customers is 10 per cent or more of enterprise revenue.

If Primary Format of an enterprise for reporting Segment Information is geographical segments that are based on location of customers, and if the assets of the enterprise are located in different geographical areas from its customers, then the enterprise should also report the following Segment Information for each asset-based geographical segment whose revenue from sales to external customers or Segment Assets are 10 per cent or more of total enterprise amounts:

- the total Carrying Amount of Segment Assets by geographical location of the assets
- the total cost incurred during the period to acquire Segment Assets that are expected to be used during more than one period (tangible and intangible fixed assets) by location of the assets.

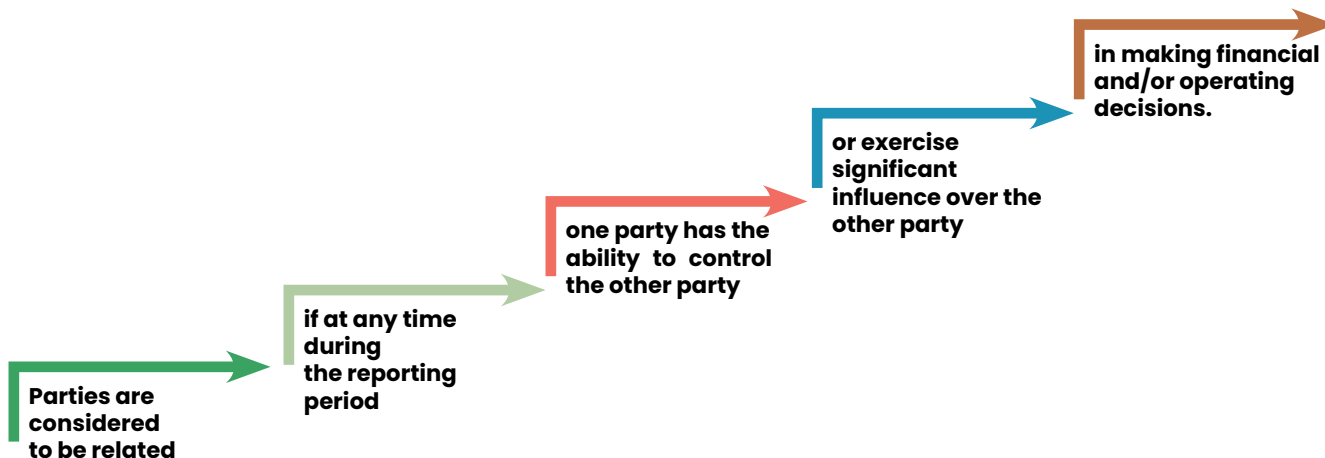
Other Disclosures

AS 18 “Related Party Disclosures”

Introduction

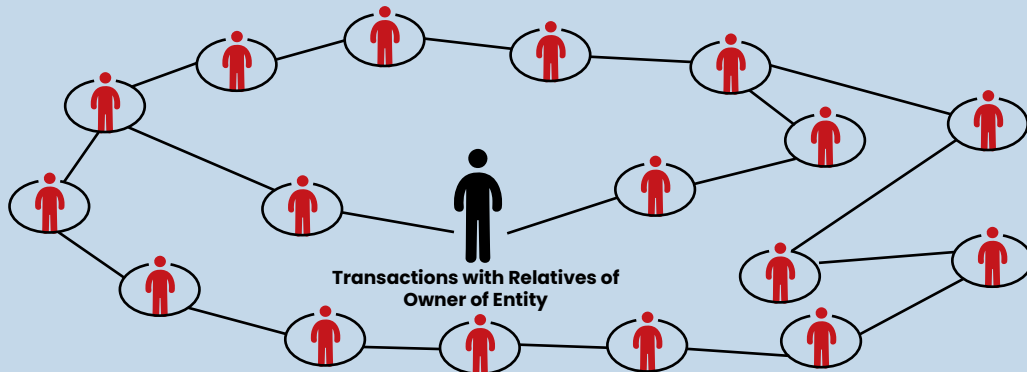
AS 18 prescribes the Requirements for Disclosure of Related Party Relationship and Transactions between the Reporting Enterprise and its Related Parties. The requirements of the Standard apply to the Financial Statements of each Reporting Enterprise as also to Consolidated Financial Statements presented by a Holding Company.

Related Parties and Related Party Relationships



AS 18 deals only with Related Party Relationships in situations when:	(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Reporting Enterprise (this includes holding companies, subsidiaries and fellow subsidiaries).	(b) Associates and joint ventures of the Reporting Enterprise and the investing party or venturer in respect of which the Reporting Enterprise is an associate or a joint venture.	(c) Individuals owning, directly or indirectly, an interest in the voting power of the Reporting Enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.	(d) Key Management personnel and relatives of such personnel	(e) Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Reporting Enterprise and enterprises that have a member of key Management in common with the Reporting Enterprise.
---	--	---	--	---	--

Related Party Transactions



In the context of AS 18, following are deemed not to be Related Parties:



Two companies simply because they have a Director in common (unless the Director is able to affect the policies of both companies in their mutual dealings).



A single customer, supplier, franchiser, distributor or general agent with whom an enterprise transacts a significant volume of business.

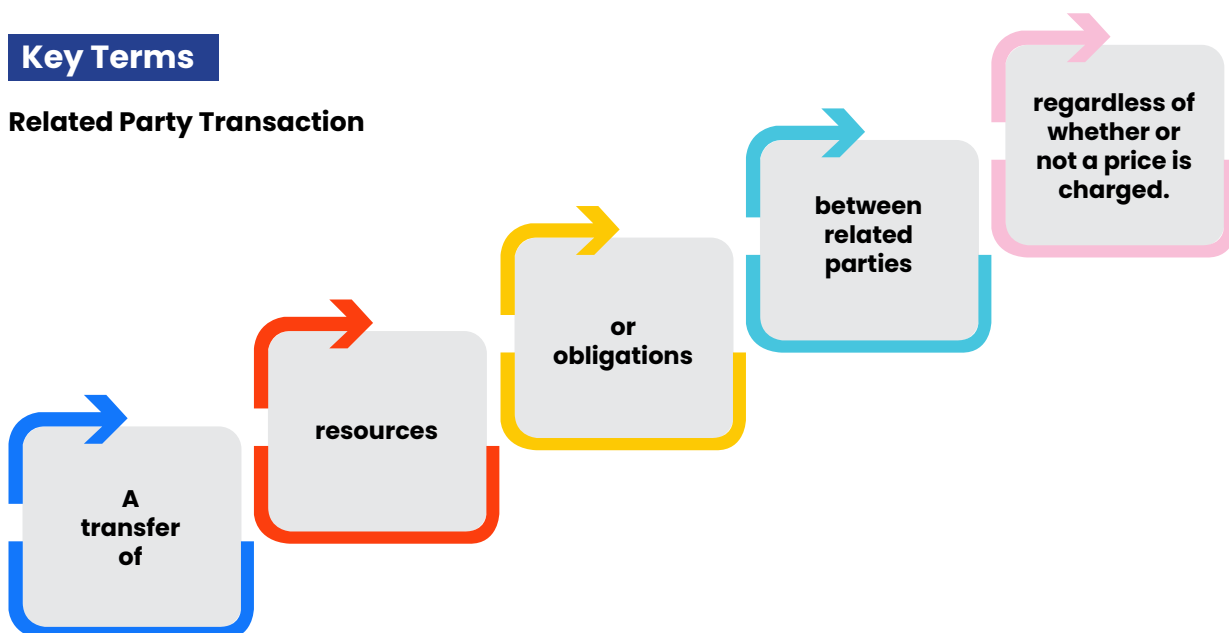


Providers of finance, Trade Unions, Govt. Agencies and Public Utilities in the course of their normal dealings with an enterprise.

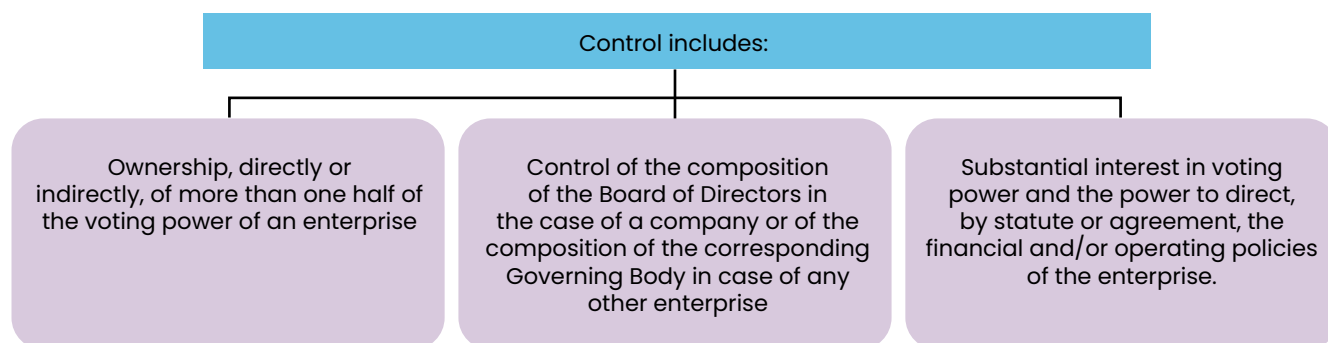
No disclosure is required in Consolidated Financial Statements in respect of intra-group transactions.

Key Terms

Related Party Transaction

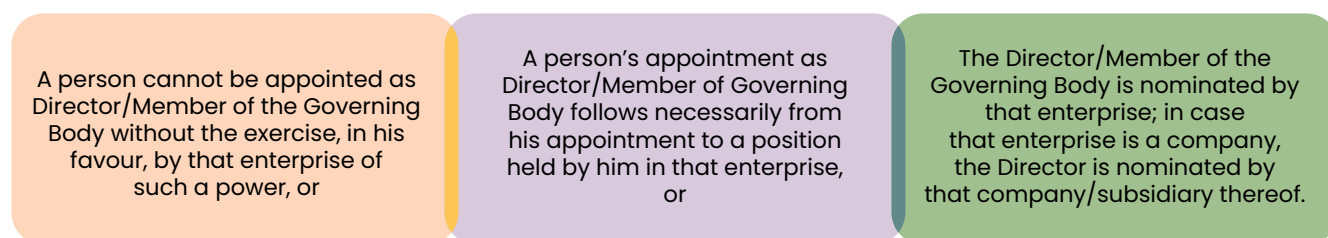


Control

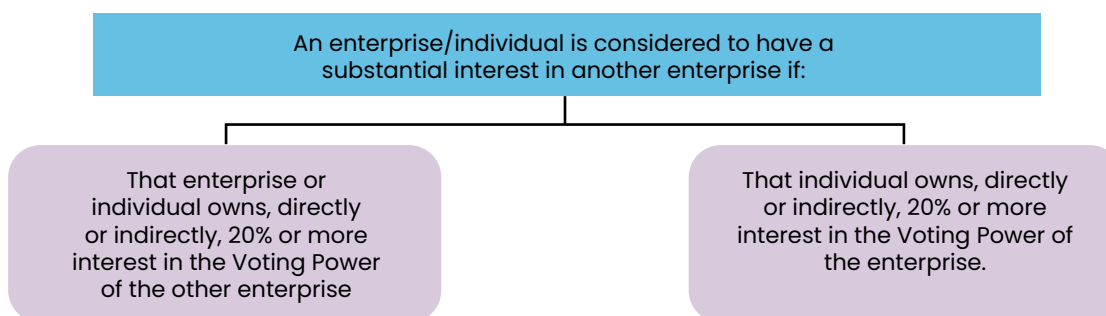


For the purpose of AS 18, an enterprise is considered to control the composition of the Board of Directors of a company or Governing Body of an enterprise, if it has the power, without the consent or concurrence of any other person, to appoint or remove all or a majority of Directors/Members of the Governing Body of that company/enterprise.

An enterprise is deemed to have the power to appoint a director/ member of the governing body, if any of the following conditions are satisfied:



Substantial Interest



Associate



Significant Influence

Significant Influence is participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

Significant Influence may be gained by share ownership, Statute or agreement.

As regards share ownership, if an investing party holds, directly or indirectly, through intermediaries, 20% or more of the Voting Power of the enterprise, it is presumed that the investing party does have Significant Influence, unless it can be clearly demonstrated that this is not the case.

A substantial or majority ownership by another investing party does not necessarily preclude an investing party from having Significant Influence.

Key Management Personnel are

Those persons who have the authority and responsibility for planning, directing and controlling the activities of the Reporting Enterprise.


In relation to an individual, Relative means

Spouse, son,
daughter,
brother, sister,
father and
mother

Any person
who may be
expected to
influence

or be influenced by,
that individual
and which is neither
a subsidiary

in his/her
dealings with
the reporting
enterprise.



Joint Venture and Joint Control

Joint
Venture
is

A
contractual
arrangement

Whereby
two or
more
parties

Undertake
an economic
activity

Which is
subject to joint
control.

Joint
Control

Contractually
agreed

Sharing of
power

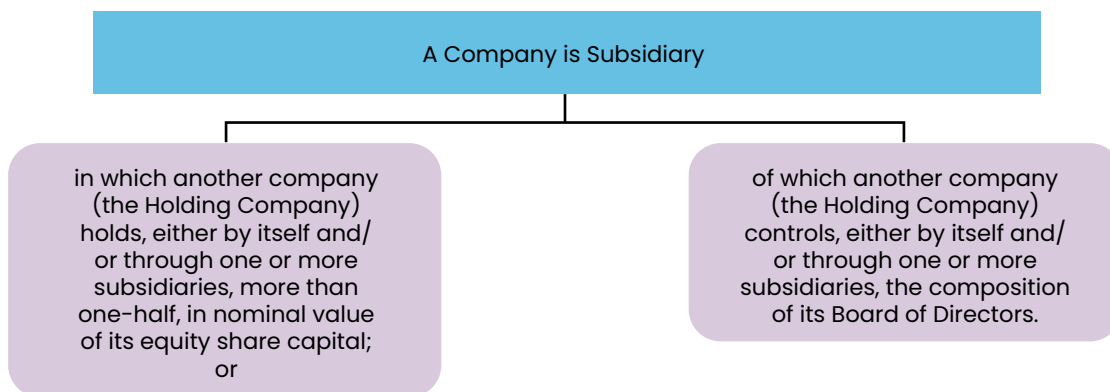
To govern
the financial
and operating
policies

Of an
economic
activity.

Holding Company

A company having one or more subsidiaries is a Holding Company.

Subsidiary Company



Fellow Subsidiary



The Related Party Issue

Related Party Relationships are a normal feature of commerce and business.

Without Related Party Disclosures, there is a general presumption that transactions reflected in Financial Statements are consummated on an arm's-length basis between independent parties.

The operating results and financial position of an enterprise may be affected by a Related Party Relationship even if Related Party Transactions do not occur.

Sometimes, transactions would not have taken place if the Related Party Relationship had not existed.

Disclosure

Name of the Related Party and nature of the Related Party Relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the Related Parties.

If there have been transactions between Related Parties, during the existence of a Related Party Relationship, the Reporting Enterprise should disclose the following:

The name of the Transacting Related Party;

A description of the relationship between the parties;

A description of the nature of transactions;

Volume of the transactions either as an amount or as an appropriate proportion;

Any other elements of the Related Party Transactions necessary for an understanding of the Financial Statements;

Amounts or appropriate proportions of outstanding items pertaining to Related Parties at Balance Sheet Date and provisions for doubtful debts due from such Related Parties at that date;

Amounts written off or written back in the period in respect of debts due from or to Related Parties.

Items of a similar nature may be disclosed in aggregate by type of Related Party except when separate disclosure is necessary for an understanding of the effects of Related Party Transactions on the Financial Statements of the Reporting Enterprise.

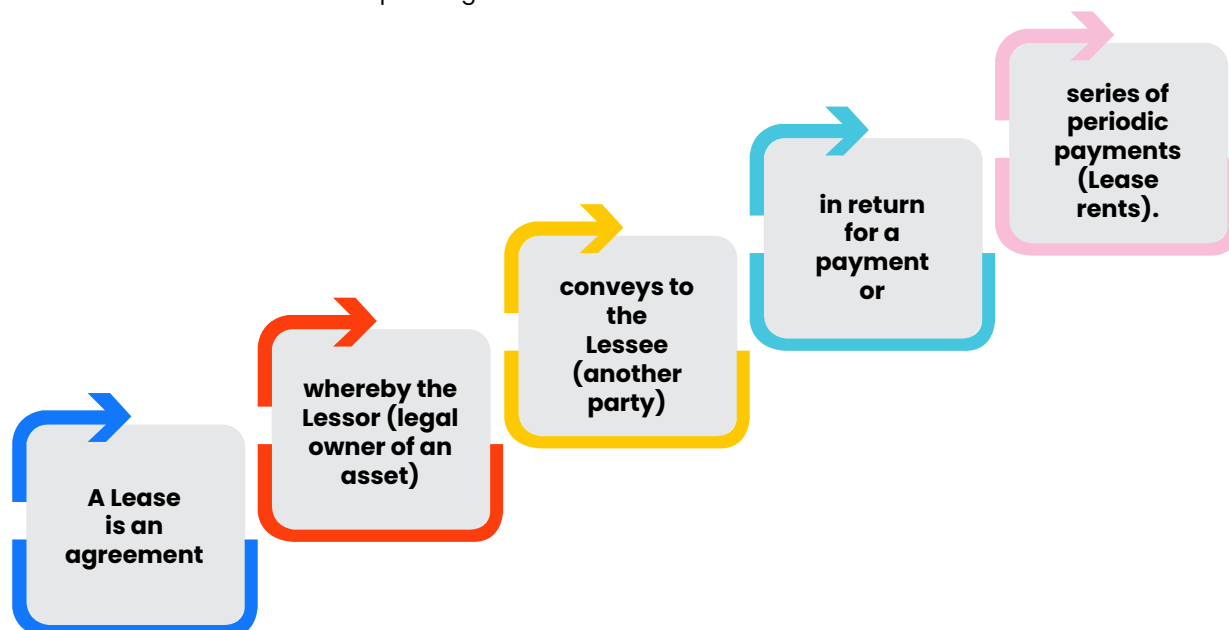
No disclosure is required in the Financial Statements of state-controlled enterprises as regards Related Party Relationships with other state-controlled enterprises and transactions with such enterprises.



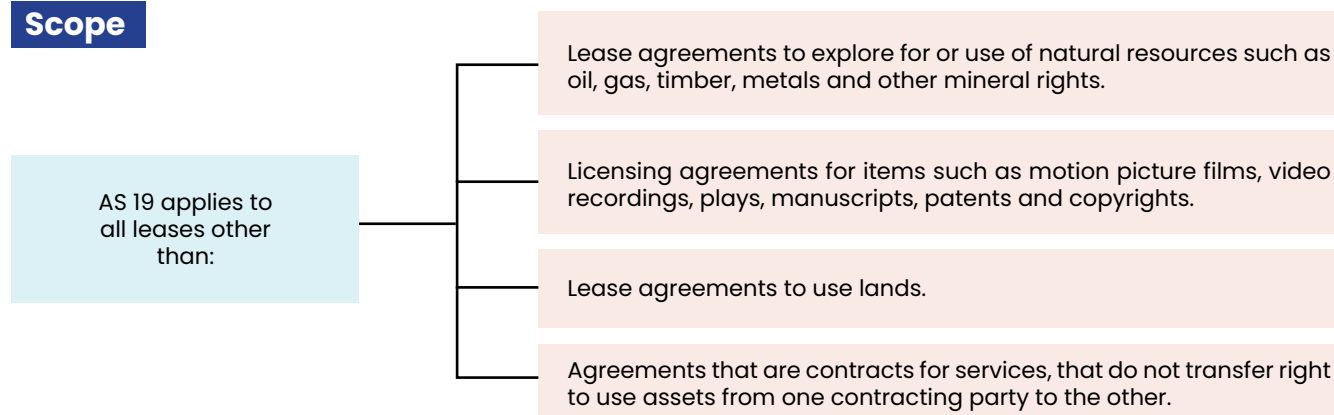
AS 19 "Leases"

Introduction

The objective of AS 19 is to Prescribe, for Lessees and Lessors, the appropriate Accounting Policies and Disclosures in relation to Finance Leases and Operating Leases.



Scope



Key Terms

Non-cancellable Lease is a lease that is cancellable:

Upon the occurrence of some remote contingency;
or

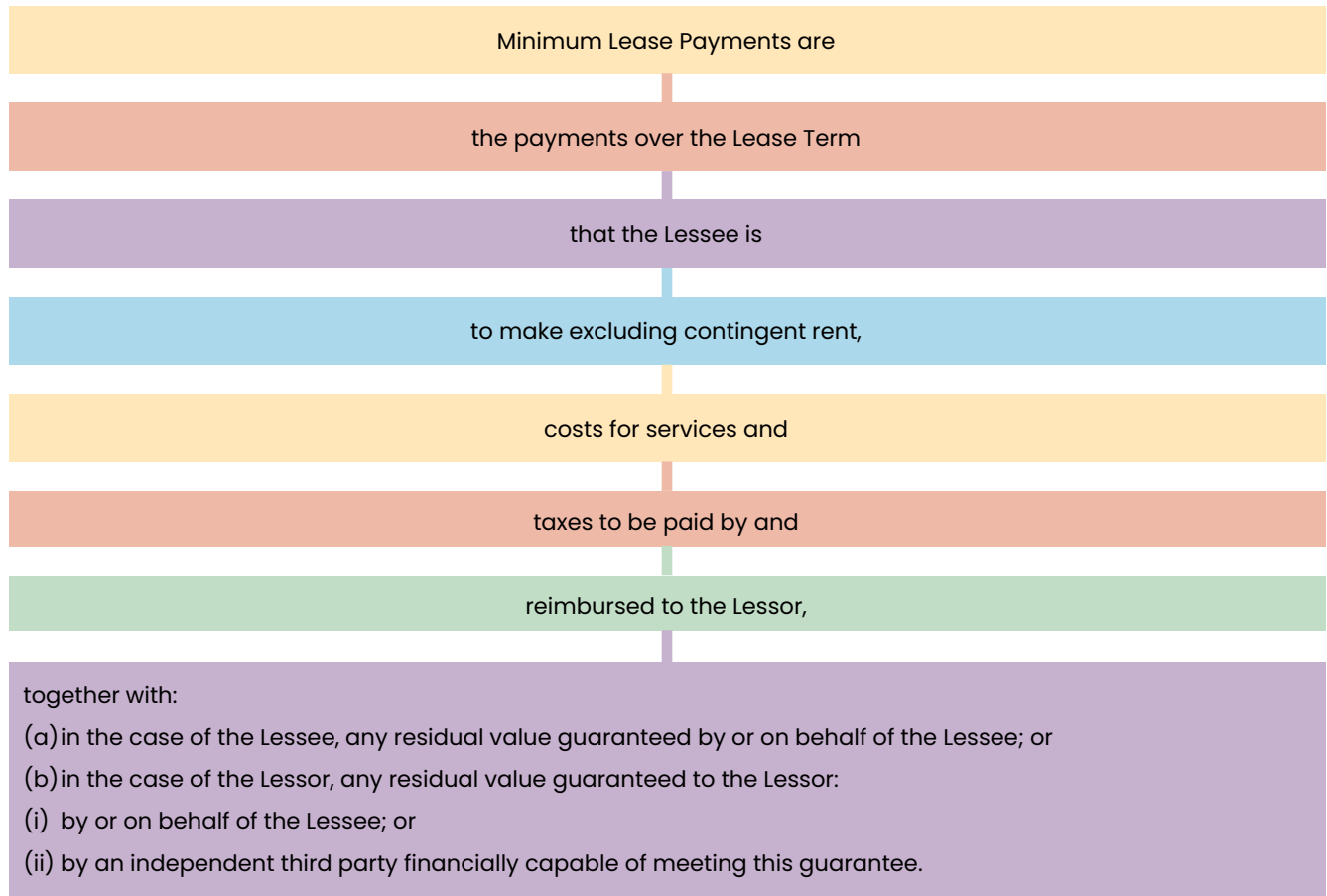
With the permission of the lessor; or

If the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or

Upon payment by the lessee of an additional amount such that, at inception, continuation of the lease is reasonably certain.

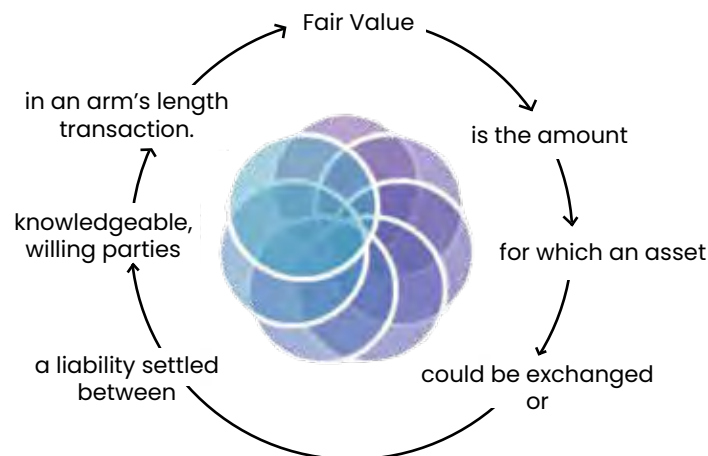
The **Lease Term** is the non-cancellable period for which the lessee has agreed to take on lease the asset together with any further periods for which the lessee has the option to continue the lease of the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise.

Minimum Lease Payments



However, if the Lessee has an option to purchase the asset at a price which is expected to be sufficiently lower than the Fair Value at the date the option becomes exercisable that, at the inception of the lease, is reasonably certain to be exercised, the Minimum Lease Payments comprise minimum payments payable over the Lease Term and the payment required to exercise this purchase option.

Fair Value



Economic Life

Economic Life is either:

the period over which an asset is expected to be economically usable by one or more users;

or

the number of production or similar units expected to be obtained from the asset by one or more users.

Useful Life

Useful Life of a leased asset is either:

OR

Period over which the leased asset is expected to be used by the Lessee;

Number of production or similar units expected to be obtained from the use of the asset by the Lessee.

Residual Value

is the estimated Fair Value

Residual Value:

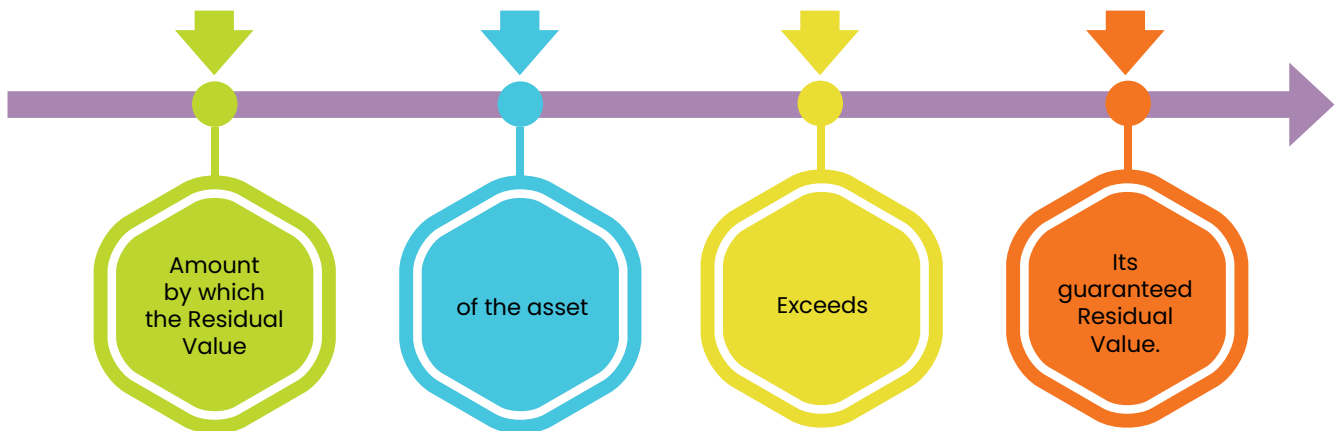
at the end of the Lease Term.

Guaranteed Residual Value

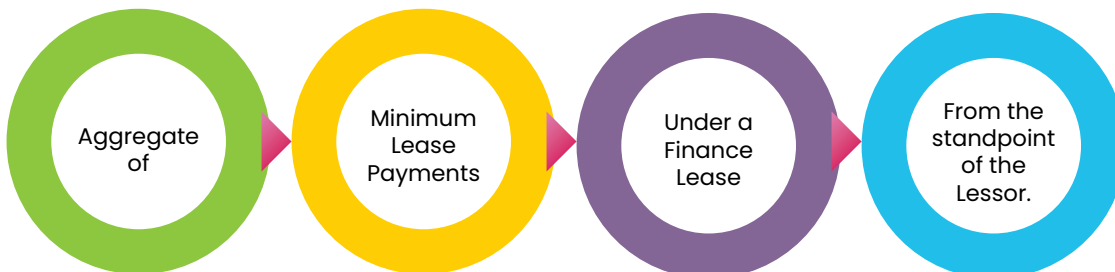
Guaranteed residual value is: in the case of the lessee, that part of the residual value which is guaranteed by the lessee or by a party on behalf of the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable).

in the case of the lessor, that part of the residual value which is guaranteed by or on behalf of the lessee, or by an independent third party who is financially capable of discharging the obligations under the guarantee

Unguaranteed Residual Value



Gross Investment



Unearned Finance Income

Difference between:

Gross Investment in the lease; and

Present value of

- (i) Minimum Lease Payments under a finance lease from the standpoint of the Lessor; and
- (ii) Any unguaranteed Residual Value accruing to the lessor, at the interest rate implicit in the lease.

Net Investment in the Lease is the Gross Investment in the lease *less* unearned finance income.

Interest Rate Implicit in the Lease

1

Discount rate that, at the inception of the lease, causes the aggregate present value of

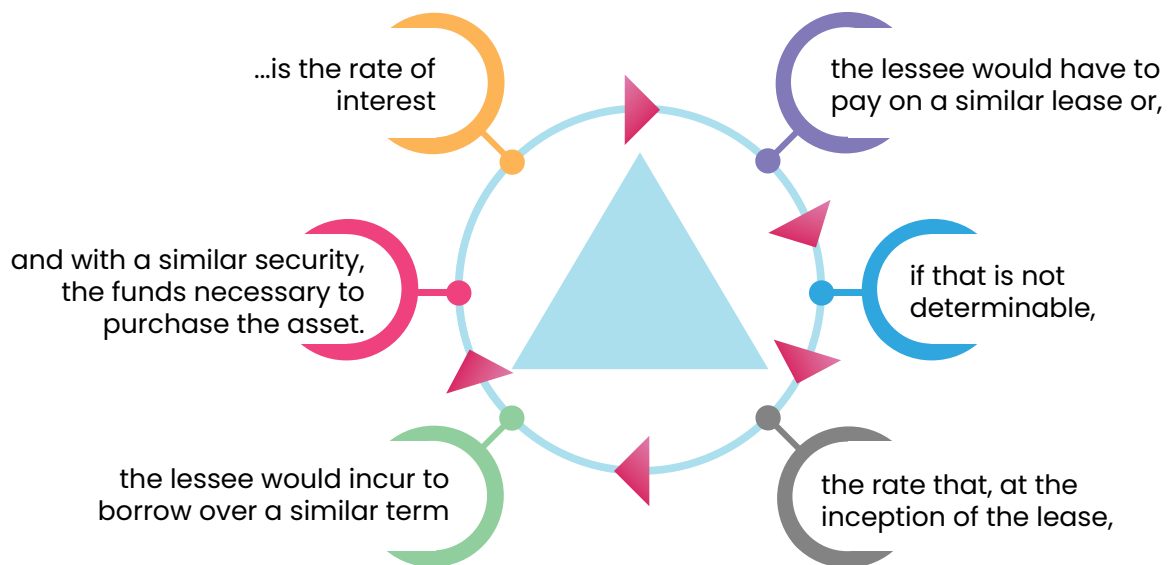
2

Minimum Lease Payments under a finance lease from the standpoint of the Lessor; and

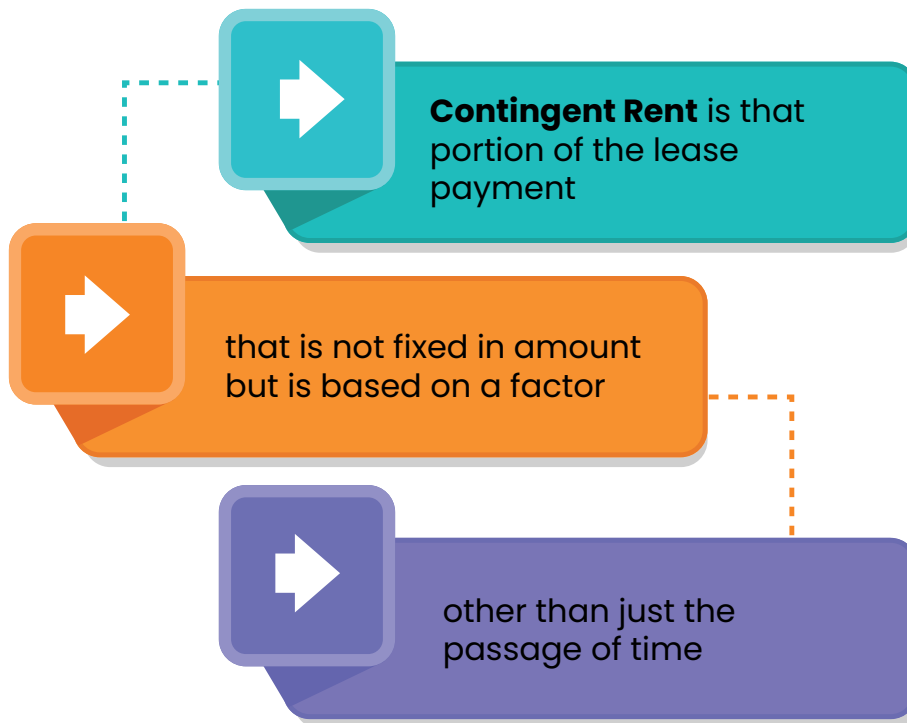
3

Any Unguaranteed Residual Value accruing to the Lessor, to be equal to the Fair Value of the leased asset.

Lessee's Incremental Borrowing Rate of Interest

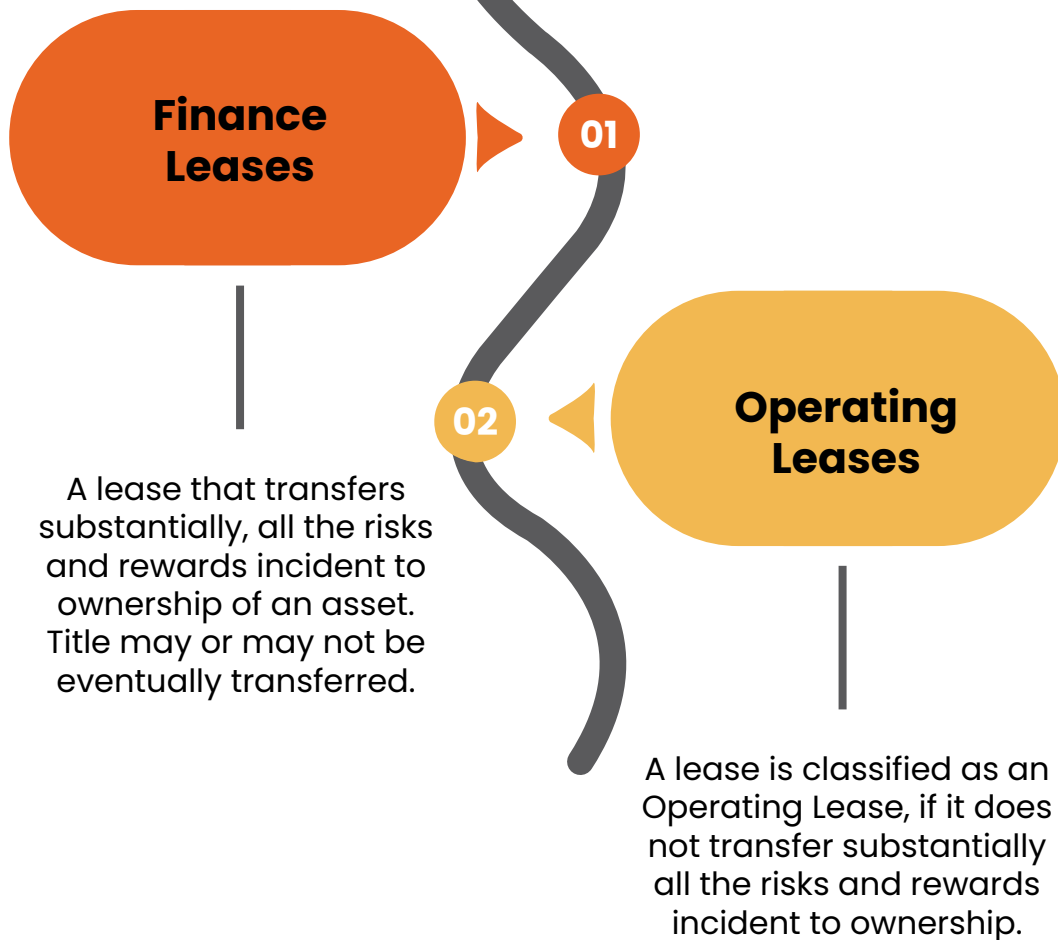


Contingent Rent



Types of Leases

For Accounting purposes, Leases are classified as:



Indicators of Finance Lease

Situations, which would normally lead to a lease being classified as a Finance Lease are	Lease transfers ownership of the asset to the lessee by the end of the lease term.	Lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the Fair Value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised.	Lease term is for the major part of the economic life of the asset even if title is not transferred.	At the inception of the lease, present value of the minimum lease payment amounts to at least substantially all of the Fair Value of the leased asset.	Leased asset is of a specialised nature such that only the lessee can use it without major modifications being made.
--	--	--	--	--	--

Indicators of situations which individually or in combination could also lead to a lease being classified as a Finance Lease are:

If the lessee can cancel the lease and the lessor's losses associated with the cancellation are borne by the lessee.



If gains or losses from the fluctuations in the residual value accrue to the lessee



If the lessee can continue the lease for a secondary period at a rent, which is substantially lower than market rent.



Lease Classification is made at the inception of the lease. If at any time the lessee and the lessor agree to change the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification of the lease had the changed terms been in effect at the inception of the lease, the revised agreement is considered as a new agreement over its revised term.

Accounting for Finance Leases (Books of Lessee)

On the date of inception of lease, lessee should show it as an asset and corresponding liability at lower of:

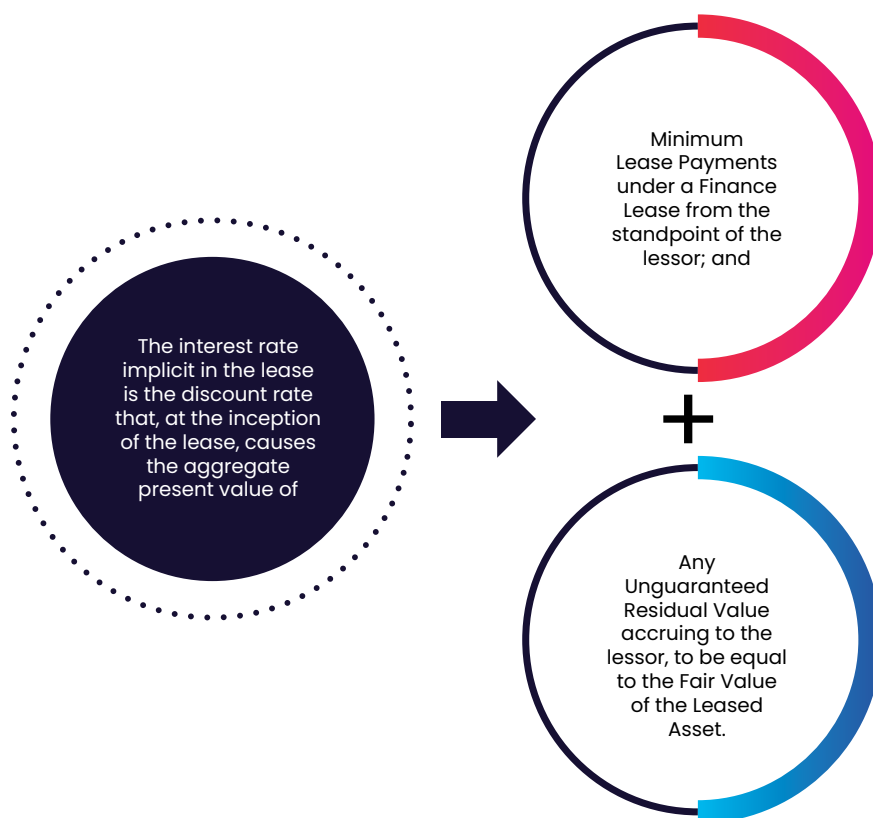
- (i) Fair Value of leased asset at the inception of the lease
- (ii) Present value of minimum lease payments from the standpoint of the lessee (present value to be calculated with discount rate equal to interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate should be used). Lease payments to be apportioned between the finance charge and the reduction of the outstanding liability.

Finance charges to be allocated to periods during the lease term so as to produce a constant rate of interest on the remaining balance of liability for each period.

A finance lease gives rise to a depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for a leased asset should be consistent with that for depreciable assets which are owned, and the depreciation recognised should be calculated on the basis set out in AS 10 (Revised), Property, Plant and Equipment. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset should be fully depreciated over the lease term or its useful life, whichever is shorter.

Initial direct costs are often incurred in connection with specific leasing activities, as in negotiating and securing leasing arrangements. The costs identified as directly attributable to activities performed by the lessee for a finance lease are included as part of the amount recognised as an asset under the lease.

Computation of Interest Rate implicit on Lease



Disclosures made by the Lessee in case of Finance Lease

The lessee should, in addition to the requirements of AS 10 (Revised) and the governing Statute, make the following disclosures for Finance Leases:

- (a) Assets acquired under finance lease as segregated from the assets owned;
- (b) For each class of assets, the net carrying amount at the Balance Sheet date;
- (c) Reconciliation between the total of minimum lease payments at the Balance Sheet date and their present value. In addition, an enterprise should disclose the total of minimum lease payments at the Balance Sheet date, and their present value, for each of the following periods:
 - (i) not later than one year;
 - (ii) later than one year and not later than five years;
 - (iii) later than five years;
- (d) Contingent rents recognised as expense in the Statement of Profit and Loss for the period;
- (e) Total of future minimum sublease payments expected to be received under non-cancellable subleases at the Balance Sheet date; and
- (f) General description of the lessee's significant leasing arrangements including, but not limited to, the following:
 - (i) the basis on which contingent rent payments are determined;
 - (ii) the existence and terms of renewal or purchase options and escalation clauses; and
 - (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

Accounting for Finance Leases (Books of Lessor)

The lessor should recognise assets given under a Finance Lease in its Balance Sheet as a receivable at an amount equal to the net investment in the lease.

In a Finance Lease, the lessor recognises the net investment in lease which is usually equal to Fair Value as receivable by debiting the Lessee A/c.

Recognition of Finance Income

The unearned Finance Income is recognised over the Lease Term based on a pattern reflecting a constant periodic return on the net investment in lease outstanding.

Initial Direct Costs

For Finance Leases, Initial Direct Costs incurred to produce Finance Income are either recognised immediately in the Statement of Profit and Loss or allocated against the Finance Income over the Lease Term.

Review of Unguaranteed Residual Value by Lessor

AS 19 requires a lessor to review Unguaranteed Residual Value used in computing the Gross Investment in Lease regularly. In case any reduction in the estimated Unguaranteed Residual Value is identified, the income allocation over the remaining Lease Term is to be revised. An upward adjustment of the estimated Residual Value is not made.

Manufacturer or Dealer Lessor

The Manufacturer or Dealer Lessor should recognise the transaction of sale in the Statement of Profit and Loss for the period, in accordance with the policy followed by the enterprise for outright sales.

Initial direct costs should be recognised as an expense in the Statement of Profit and Loss at the inception of the lease.

Disclosures

The lessor should make the following Disclosures for Finance Leases:

(a) Reconciliation between the total gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date. In addition, an enterprise should disclose the total Gross Investment in the Lease and the present value of Minimum Lease Payments receivable at the Balance Sheet date, for each of the following periods:

- (i) not later than one year;
- (ii) later than one year and not later than five years;
- (iii) later than five years;

(b) Unearned finance income;

(c) Unguaranteed Residual Values accruing to the benefit of the lessor;

(d) Accumulated provision for uncollectible minimum lease payments receivable;

(e) Contingent rents recognised in the Statement of Profit and Loss for the period;

(f) General description of the significant Leasing Arrangements of the lessor;

(g) Accounting policy adopted in respect of initial direct costs.

Accounting for Operating Leases

Accounting treatment in the Books of lessee

Lease payments under an Operating Lease should be recognised as an expense in the Statement of Profit and Loss of a lessee on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Disclosures by Lessees

Lessees are required to make following disclosures for Operating Leases:

(a) Total of future minimum lease payments under non-cancellable Operating Leases for each of the following periods:

- (i) not later than one year;
- (ii) later than one year and not later than five years;
- (iii) later than five years;

(b) Total of future minimum sublease payments expected to be received under non-cancellable subleases at the Balance Sheet date;

(c) Lease payments recognised in the Statement of Profit and Loss for the period, with separate amounts for Minimum Lease Payments and contingent rents;

(d) Sub-lease payments received (or receivable) recognised in the Statement of Profit and Loss for the period;

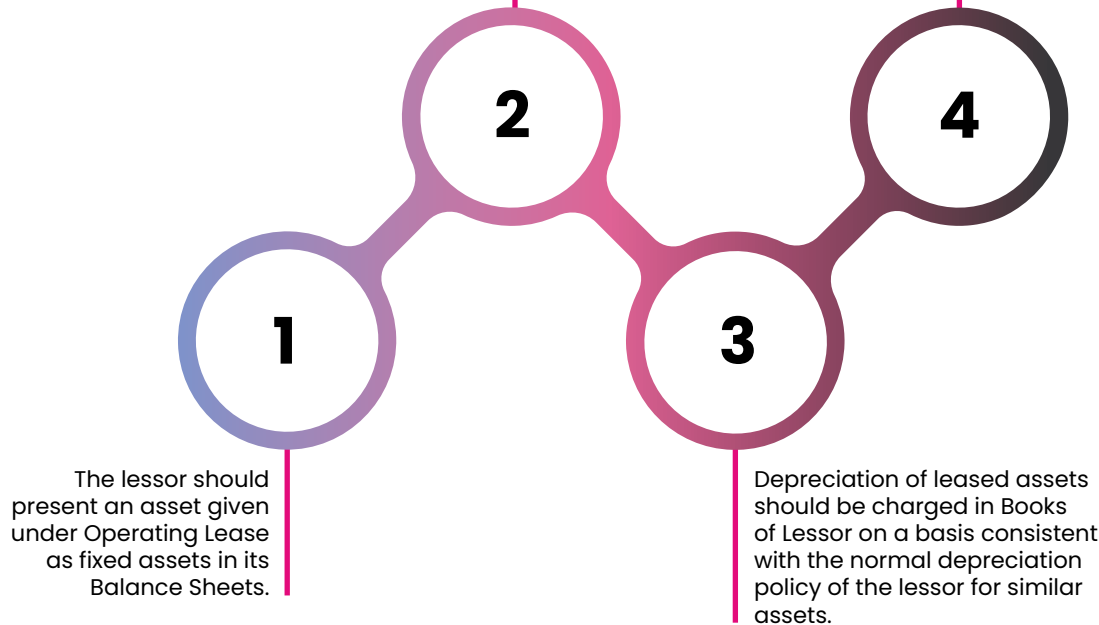
(e) General description of the lessee's significant Leasing Arrangements including, but not limited to, the following:

- (i) the basis on which contingent rent payments are determined;
- (ii) the existence and terms of renewal or purchase options and escalation clauses; and
- (iii) restrictions imposed by Lease Arrangements, such as those concerning dividends, additional debt, and further leasing.

Accounting Treatment in the Books of Lessor

Lease income from Operating Leases should be recognised in the Statement of Profit and Loss on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the use of the leased asset is diminished.

The impairment losses on assets given on Operating Leases are determined and treated as per AS 28.

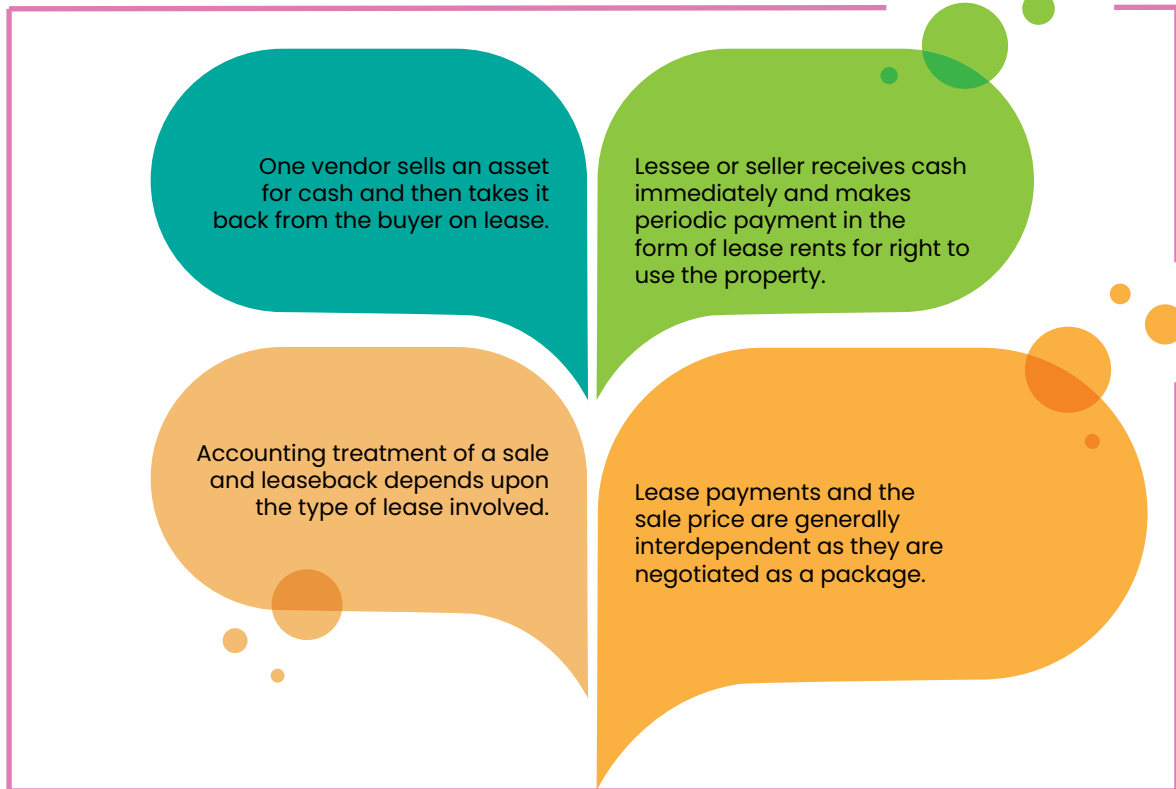


Disclosures by Lessors

As per AS 19, the lessor should, in addition to the requirements of AS 10 (Revised) and the governing Statute, make the following disclosures for Operating Leases:

- (a) For each class of assets, the gross carrying amount, the accumulated depreciation and accumulated impairment losses at the Balance Sheet date; and
 - (i) the depreciation recognised in the Statement of Profit and Loss for the period;
 - (ii) impairment losses recognised in the Statement of Profit and Loss for the period;
 - (iii) impairment losses reversed in the Statement of Profit and Loss for the period;
- (b) Future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:
 - (i) not later than one year;
 - (ii) later than one year and not later than five years;
 - (iii) later than five years;
- (c) Total contingent rents recognised as income in the Statement of Profit and Loss for the period;
- (d) General description of the lessor's significant leasing arrangements; and
- (e) Accounting policy adopted in respect of initial direct costs.

Sale and Leaseback



Where Sale and Leaseback results in Finance Lease

The excess or deficiency of sales proceeds over the Carrying Amount should not be recognized immediately but deferred and amortised over the Lease Term in proportion to the depreciation of the Leased Asset.

Where Sale and Leaseback results in Operating Lease**Case 1:**

Sale Price = Fair Value

Profit or Loss should be recognised immediately.

Case 2:

Sale Price < Fair Value

Profit should be recognised immediately. The Loss should also be recognised immediately except that, if the Loss is compensated by Future Lease Payments at below market price, it should be deferred and amortised in proportion to the Lease Payments over the period for which the asset is expected to be used.

Case 3:

Sale Price > Fair Value

The excess over Fair Value should be deferred and amortised over the period for which the asset is expected to be used. If the Fair Value at the time of a Sale and Leaseback transaction is less than the Carrying Amount of the asset, a Loss equal to the amount of the difference between the Carrying Amount and Fair Value should be recognised immediately.

Sale Price established at Fair Value	Carrying Amount equal to Fair Value	Carrying Amount less than Fair Value	Carrying Amount above Fair Value
Profit	No Profit	Recognise Profit immediately	Not applicable
Loss	No Loss	Not applicable	Recognise Loss immediately
Sale price below fair value (paragraph 50)			
Profit	No Profit	Recognise Profit immediately	No Profit (Note 1)
Loss not compensated by future lease payments at below Market Price	Recognise Loss immediately	Recognise Loss immediately	(Note 1)
Loss compensated by future lease payments at below Market Price	Defer and amortise Loss	Defer and amortise Loss	(Note 1)
Sale Price above Fair Value (paragraph 50)			
Profit	Defer and amortise Profit	Defer and amortise Profit	Defer and amortise Profit (Note 2)
Loss	No Loss	No Loss	(Note 1)

Note 1: Circumstances that require the Carrying Amount of an asset to be written down to Fair Value where it is subject to a Sale and Leaseback.

Note 2: Profit would be the difference between Fair Value and Sale Price as the Carrying Amount would have been written down to Fair Value in accordance with AS 19.

AS 20 "Earnings Per Share"

The objective of AS 20

is to describe principles for determination and presentation of earnings per share which will improve comparison of performance among different enterprises for the same period and among different Accounting periods for the same enterprise.

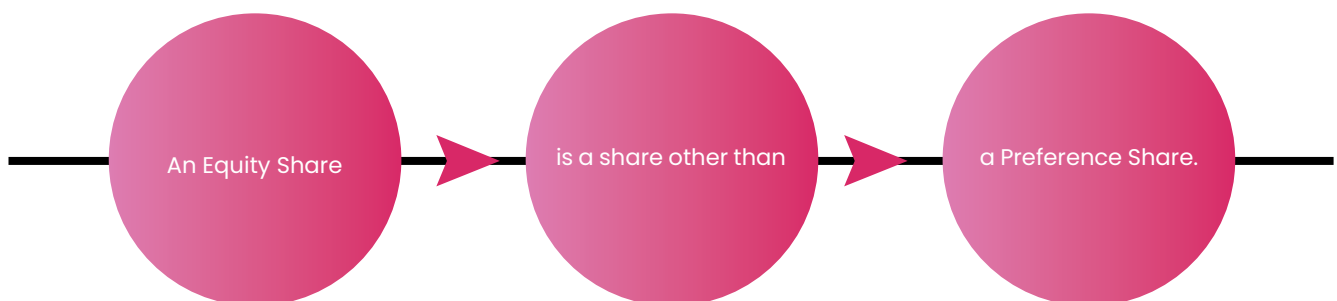
Earnings Per Share (EPS) is a financial ratio indicating the amount of profit or loss for the period attributable to each equity share and AS 20 gives computational methodology for determination and presentation of basic and diluted Earnings Per Share.

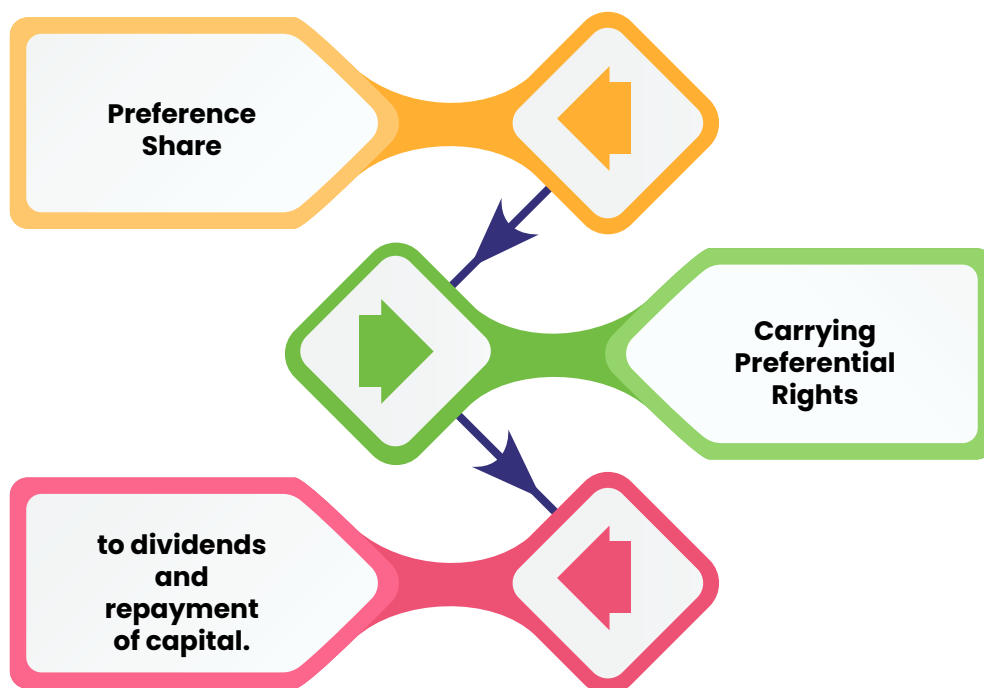
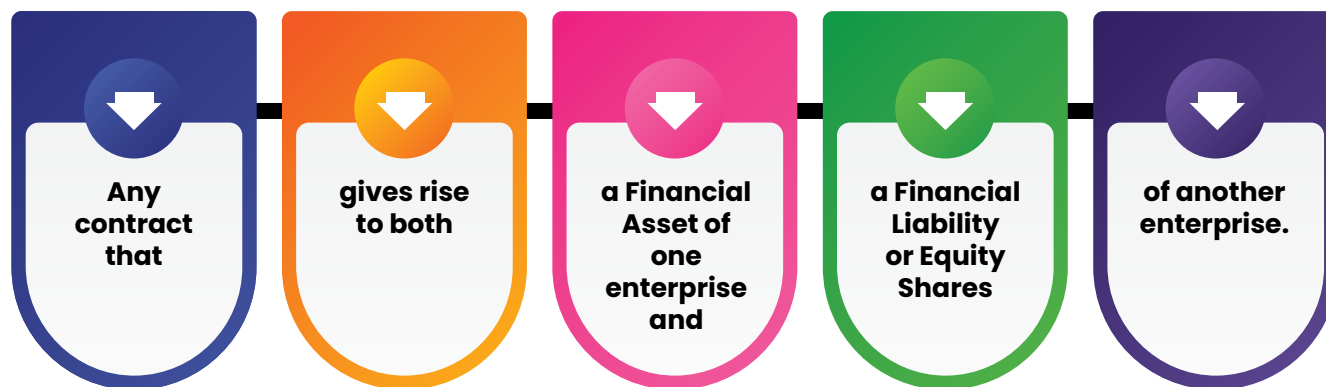
This Accounting Standard is mandatory for all companies. However, disclosure of diluted Earnings Per Share (both including and excluding extraordinary items) is not mandatory for SMCs.

In Consolidated Financial Statements, the information required by AS 20 should be presented on the basis of Consolidated Information.

Key Terms

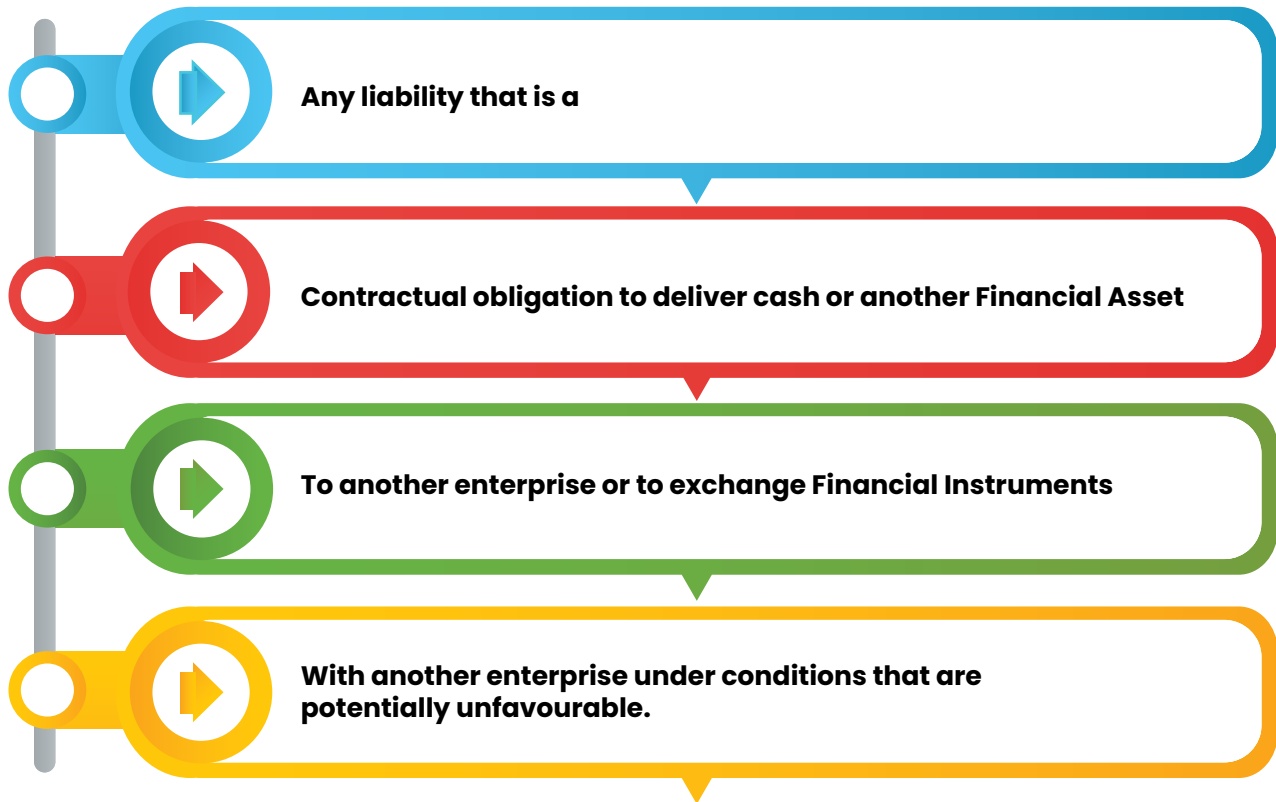
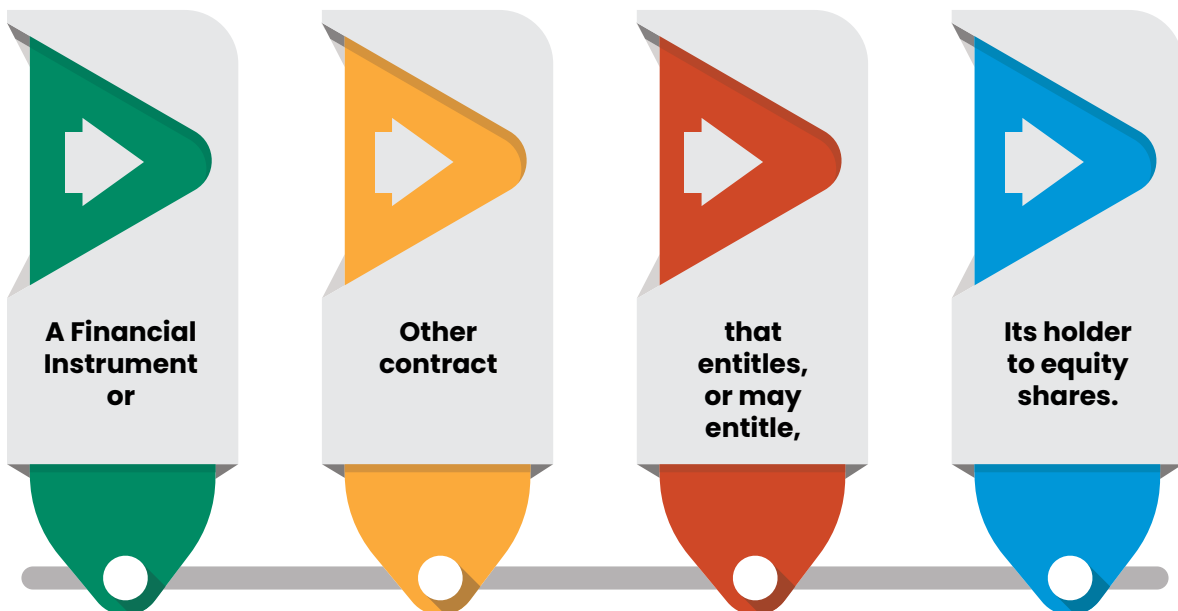
Equity Shares



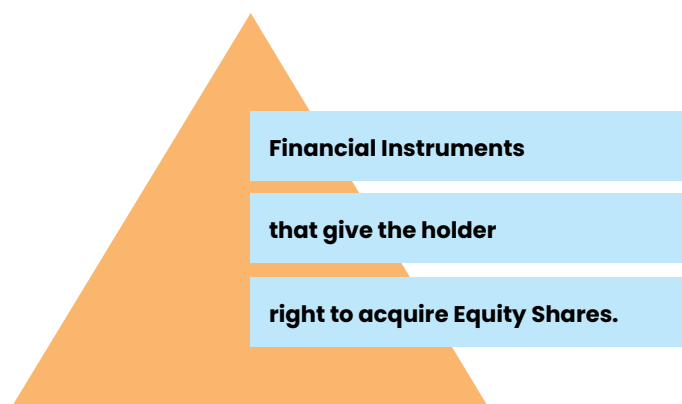
Preference Share**A Financial Instrument****Financial Asset**

A Financial Asset is any asset that is:

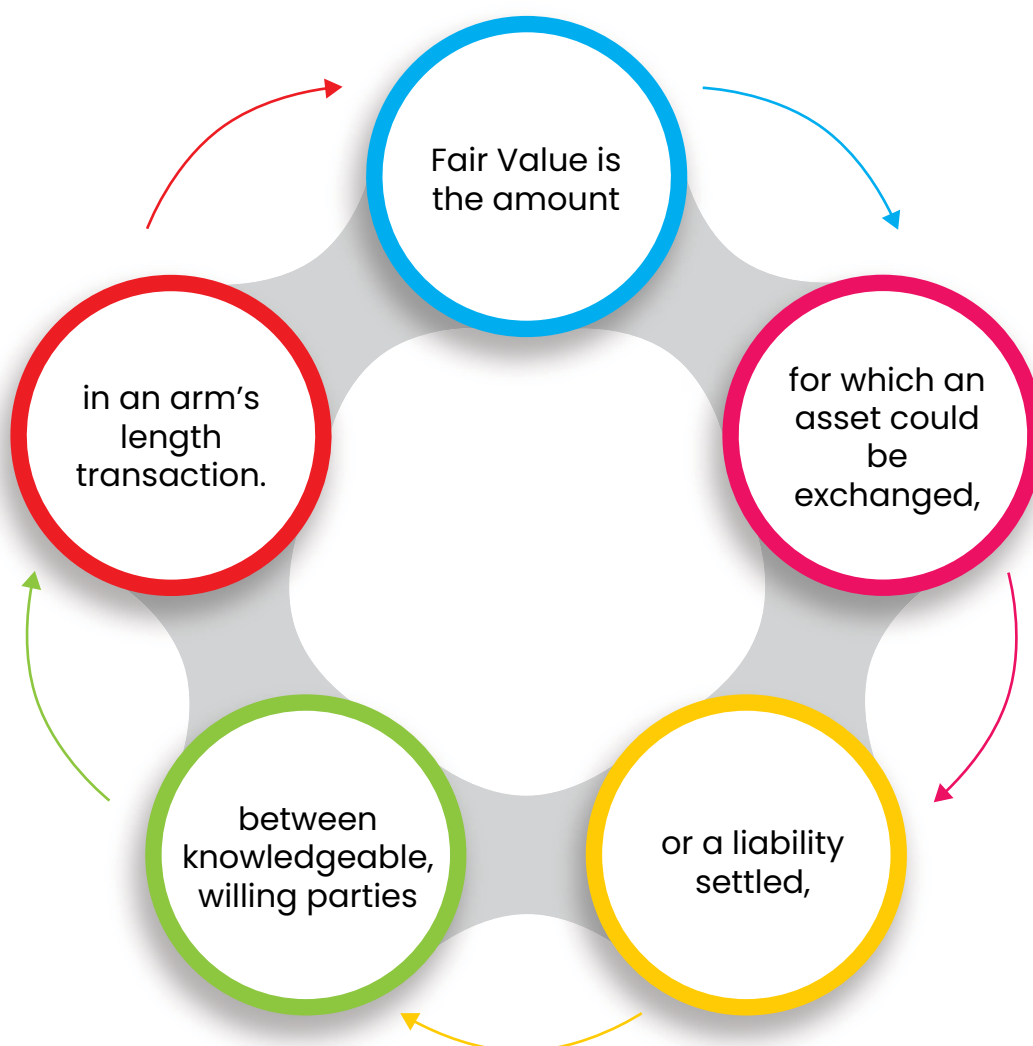
- Cash
- A contractual right to receive cash or another Financial Asset from another enterprise
- A contractual right to exchange Financial Instruments with another enterprise under conditions that are potentially favourable; or
- An Equity Share of another enterprise.

Financial Liability**Potential Equity Share**

Share Warrants or Options



Fair Value



Basic Earnings Per Share

Basic Earnings Per Share is calculated as:

$$\frac{\text{Net Profit (Loss) attributable to equity shareholders}}{\text{Weighted average number of Equity Shares outstanding during the period}}$$

For calculating Basic Earnings Per Share, the **Net Profit or Loss for the period attributable to equity shareholders** should be the Net Profit or Loss after deducting Preference Dividends and any attributable tax thereto for the period.

All items of income and expense which are recognised in a period, including tax expense and extraordinary items, are included in the determination of the Net Profit or Loss for the period.

Amount of Preference Dividends for the period that is deducted from the Net Profit for the period is:

Amount of any Preference Dividends on non-cumulative preference shares provided for in respect of the period; and

Full amount of the required Preference Dividends for cumulative preference shares for the period, whether or not the dividends have been provided for.

If an enterprise has more than one class of equity shares, Net Profit or Loss for the period is apportioned over the different classes of shares in accordance with their Dividend Rights.

Earnings Per Share

The number of shares used in the denominator for basic EPS should be the weighted average number of Equity Shares outstanding during the period.

The weighted average number of Equity Shares outstanding during the period is the number of shares outstanding at the beginning of the period, adjusted by the number of Equity Shares bought back or issued during the period multiplied by a time-weighting factor.

(i) Are treated as a fraction of an equity share

(ii) to the extent that they were entitled

Partly paid equity shares

(iii) to participate in dividends

(iv) relative to a fully paid equity share

Where an enterprise has Equity Shares of different nominal values but with the same dividend rights, the number of Equity Shares is calculated by converting all such Equity Shares into equivalent number of shares of the same nominal value.

Equity Shares may be issued, or the number of shares outstanding may be reduced, without a corresponding change in resources. Examples include: Bonus Issue or Share Splits.

In a Rights Issue, the exercise price is often less than the Fair Value of the shares. A Rights Issue usually includes a Bonus element.

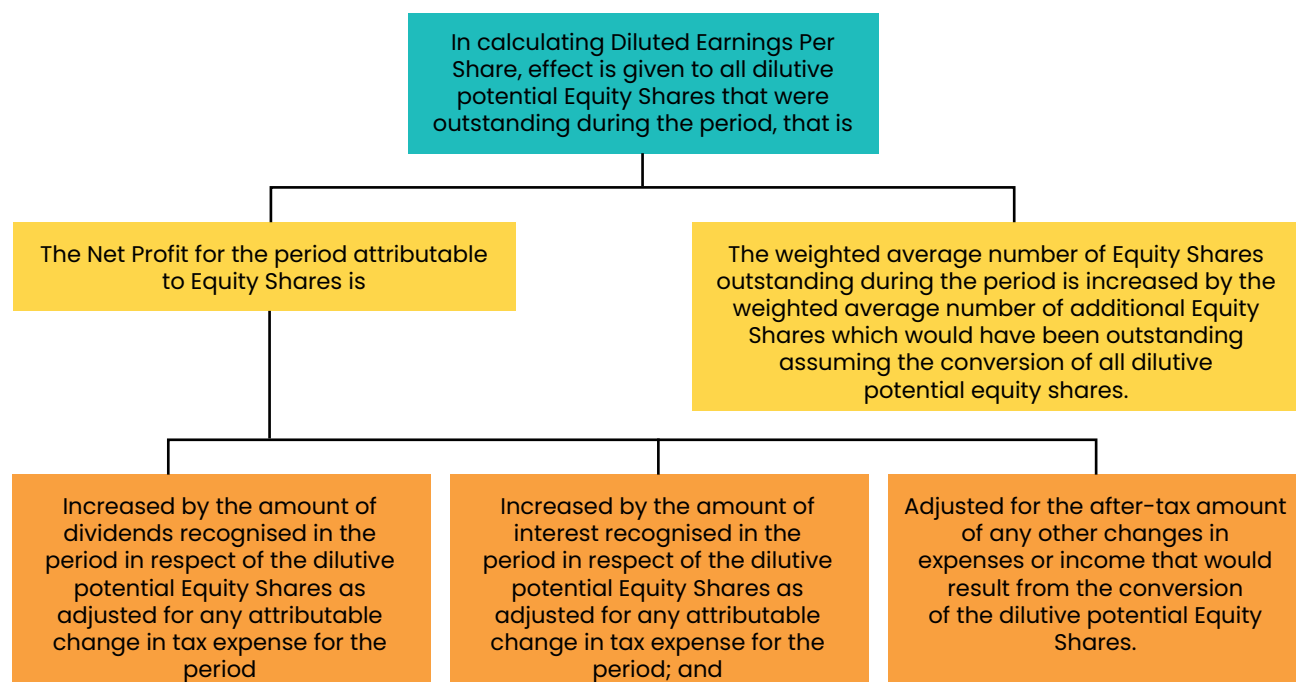
The number of Equity Shares to be used in calculating basic Earnings Per Share for all periods prior to the Rights Issue is the number of Equity Shares outstanding prior to the issue, multiplied by the following adjustment factor:

$$\frac{\text{Fair Value per share immediately prior to the exercise of rights}}{\text{Theoretical ex-rights fair value per share}}$$

The theoretical ex-rights Fair Value Per Share is calculated by adding the aggregate Fair Value of the shares immediately prior to the exercise of the rights to the proceeds from the exercise of the rights, and dividing by the number of shares outstanding after the exercise of the rights.

Diluted Earnings Per Share

Where an enterprise has Equity Shares of different nominal values but with the same Dividend Rights, the number of Equity Shares is calculated by converting all such Equity Shares into equivalent number of shares of the same nominal value.



For the purpose of calculating diluted earnings per share, an enterprise should assume the exercise of dilutive options and other dilutive potential Equity Shares of the enterprise. The assumed proceeds from these issues should be considered to have been received from the issue of shares at Fair Value. The difference between the number of shares issuable and the number of shares that would have been issued at Fair Value should be treated as an issue of Equity Shares for no consideration.

Options and other share purchase arrangements are dilutive when they would result in the issue of equity shares for less than Fair Value. The amount of the dilution is Fair Value less the Issue Price. Therefore, in order to calculate Diluted Earnings Per Share, each such arrangement is treated as consisting of:

- (a) A contract to issue a certain number of equity shares at their average Fair Value during the period. The shares to be so issued are fairly priced and are assumed to be neither dilutive nor anti-dilutive.
- (b) A contract to issue the remaining Equity Shares for no consideration. Such Equity Shares generate no proceeds and have no effect on the Net Profit attributable to Equity Shares outstanding.

Dilutive Potential Equity Shares

Potential equity shares are anti-dilutive when their conversion to equity shares would increase earnings per share from continuing ordinary activities or decrease loss per share from continuing ordinary activities.

In considering whether potential Equity Shares are dilutive or anti-dilutive, each issue or series of Potential Equity Shares is considered separately rather than in aggregate.

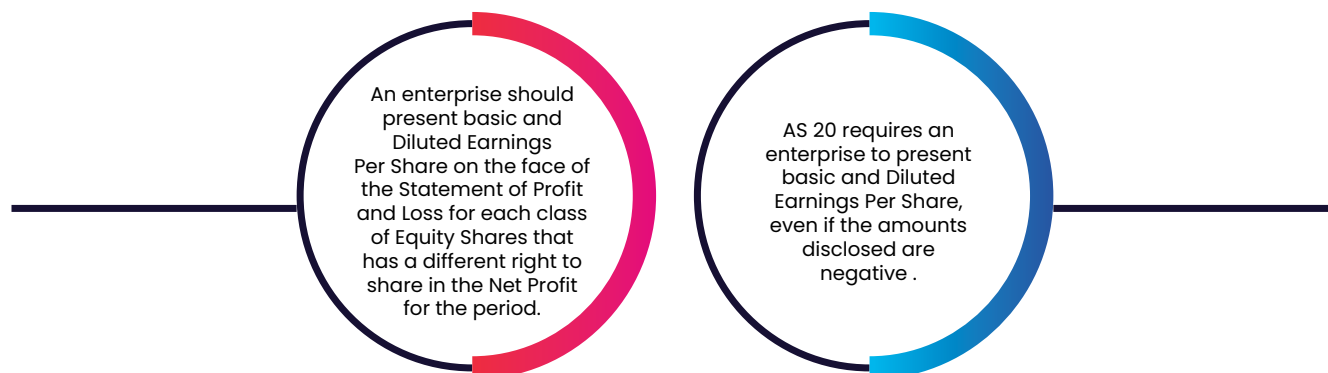
Potential Equity Shares are weighted for the period they were outstanding.

Restatement

If the number of Equity or Potential Equity Shares outstanding increases as a result of a Bonus Issue or Share Split or decreases as a result of a Reverse Share Split (consolidation of shares), the calculation of basic and Diluted Earnings Per Share should be adjusted for all the periods presented.

If these changes occur after the Balance Sheet date but before the date on which the Financial Statements are approved by the Board of Directors, the per share calculations for those Financial Statements and any prior period Financial Statements presented should be based on the new number of shares.

Presentation



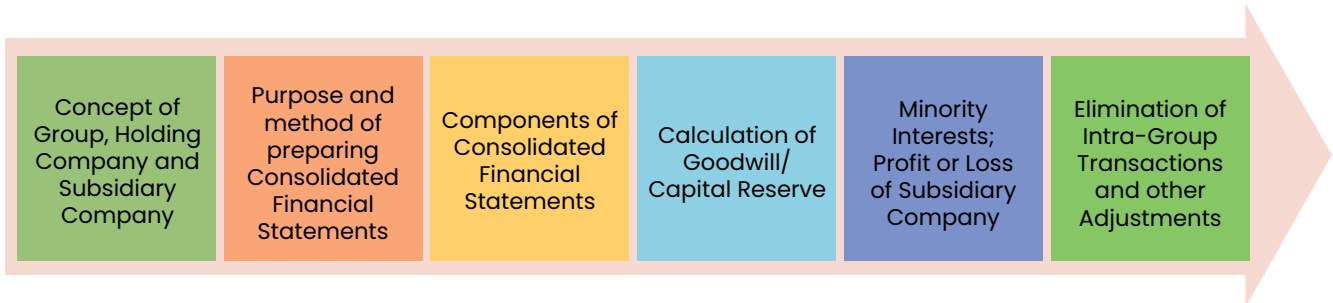
Disclosure



If an enterprise discloses, in addition to basic and Diluted EPS, per share amounts using a reported component of Net Profit other than Net Profit or Loss for the period attributable to equity shareholders, such amounts should be calculated using the weighted average number of Equity Shares determined in accordance with AS 20.

AS 21 "Consolidated Financial Statements (CFS)"

Overview



Objective

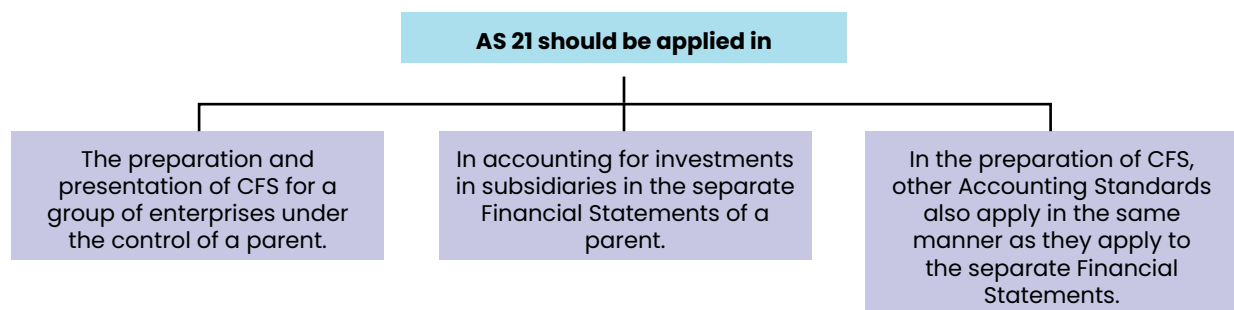
To lay down principles and procedures for preparation and presentation of CFS (Consolidated Financial Statements).

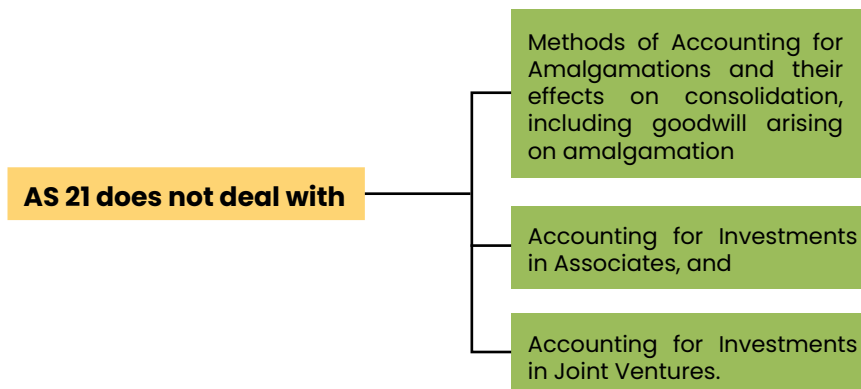
CFS are presented by a parent to provide financial information about the economic activities of its group.

CFS are intended to present financial information about a parent and its subsidiary(ies) as a single economic entity

- to show the economic resources controlled by the group,
- the obligations of the group, and
- results the group achieves with its resources.

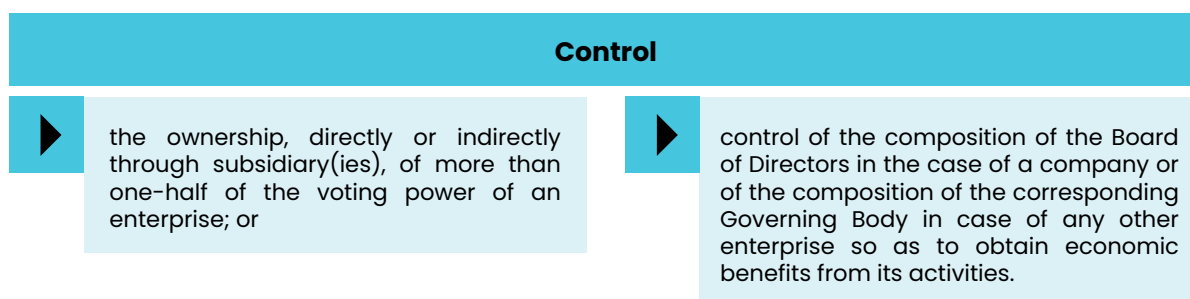
Scope



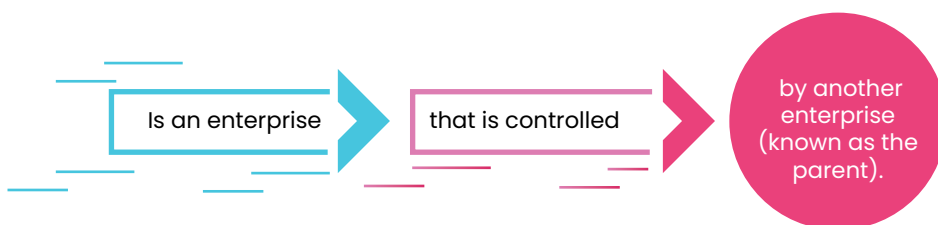


Definitions

Control:

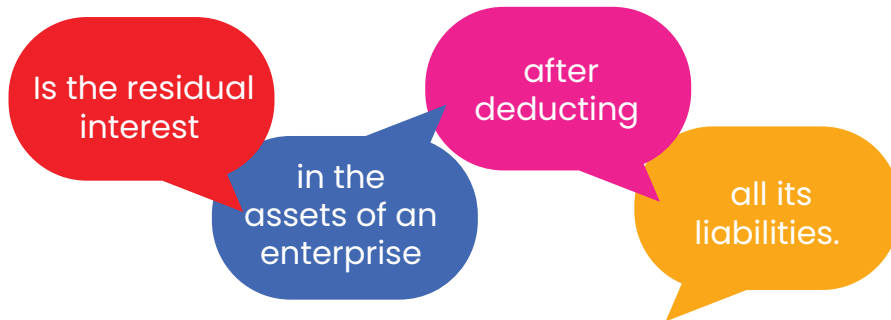
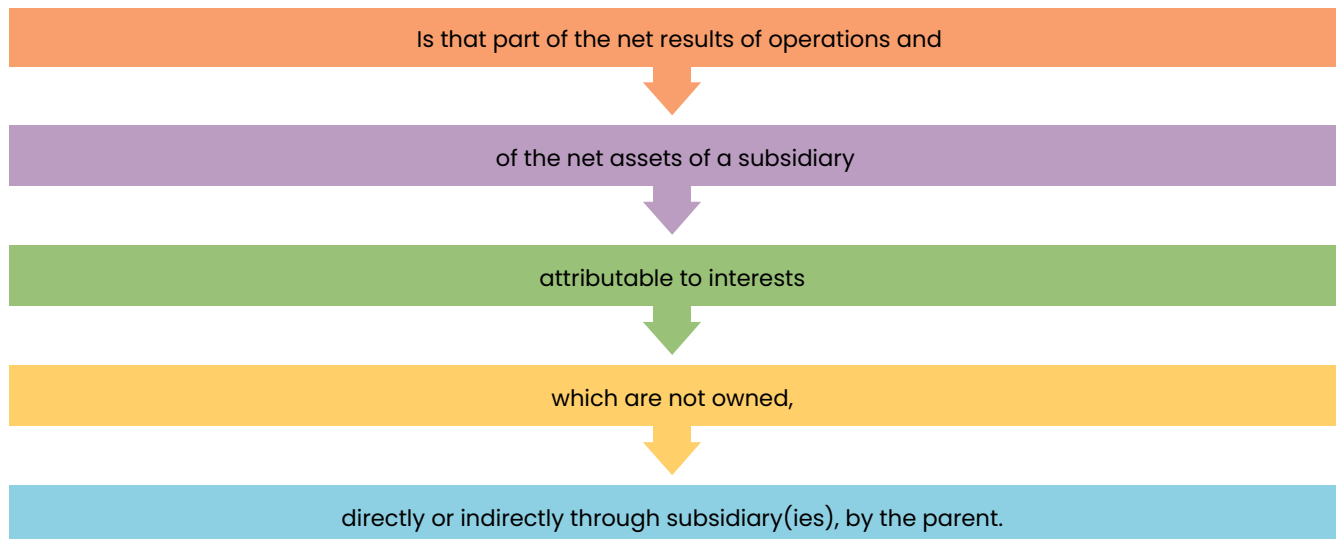
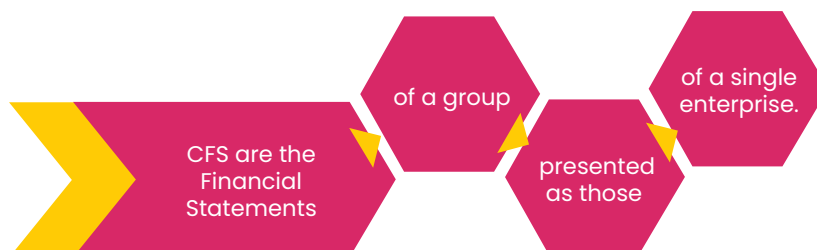


Subsidiary

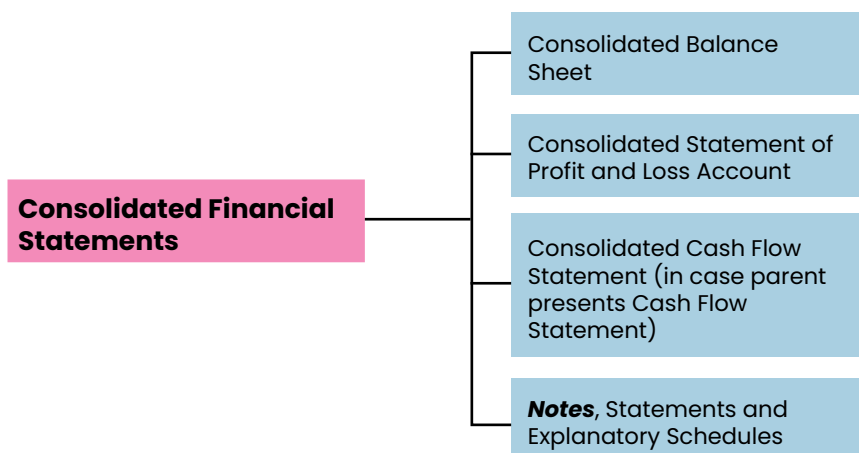


Parent



Group**Equity****Minority Interest****Consolidated Financial Statements**

Components Of Consolidated Financial Statements



Presentation of CFS

A parent which presents CFS should present these Statements in addition to its Separate Financial Statements.

This need is served by providing the users –

- Separate Financial Statements of the parent; and
- CFS, which present Financial Information about the group as that of a single enterprise without regard to the legal boundaries of the separate legal entities.

Scope of CFS

While preparing the CFS, all other AS and Accounting Policies will be applicable as they are applied in parent company's own Financial Statements.

Consolidate all subsidiaries, domestic as well as foreign.

In case an associate and/or a joint venture prepare CFS in accordance with Accounting Standard (AS) 23, Accounting for Investment in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures respectively.

Control

Control exists when the parent owns, directly or indirectly through subsidiary(ies), more than one-half of the Voting Power of an enterprise.

Control also exists when an enterprise controls the composition of the Board of Directors) or of the corresponding Governing Body so as to obtain economic benefits from its activities.

An enterprise may control the composition of the governing bodies of entities such as gratuity trust, provident fund trust, etc. Since the objective of control over such entities is not to obtain economic benefits from their activities, these are not considered for the purpose of preparation of CFS.

An Enterprise is considered to control the composition of:**Board of Directors**

An enterprise is deemed to have the power to appoint a Director, if any of the following conditions is satisfied:

A person cannot be appointed as Director without the exercise in his favour by that enterprise of such a power as aforesaid; or

A person's appointment as Director follows necessarily from his appointment to a position held by him in that enterprise; or

The Director is nominated by that enterprise or a subsidiary thereof.

Governing Body

The Governing Body of an enterprise that is not a company, if it has the power, without the consent or the concurrence of any other person, to appoint or remove all or a majority of members of the Governing Body of that other enterprise. An enterprise is deemed to have the power to appoint a Member, if any of the following conditions is satisfied:

A person cannot be appointed as Member of the Governing Body without the exercise in his favour by that other enterprise of such a power as aforesaid; or

A person's appointment as Member of the Governing Body follows necessarily from his appointment to a position held by him in that other enterprise; or

The Member of the Governing Body is nominated by that other enterprise.

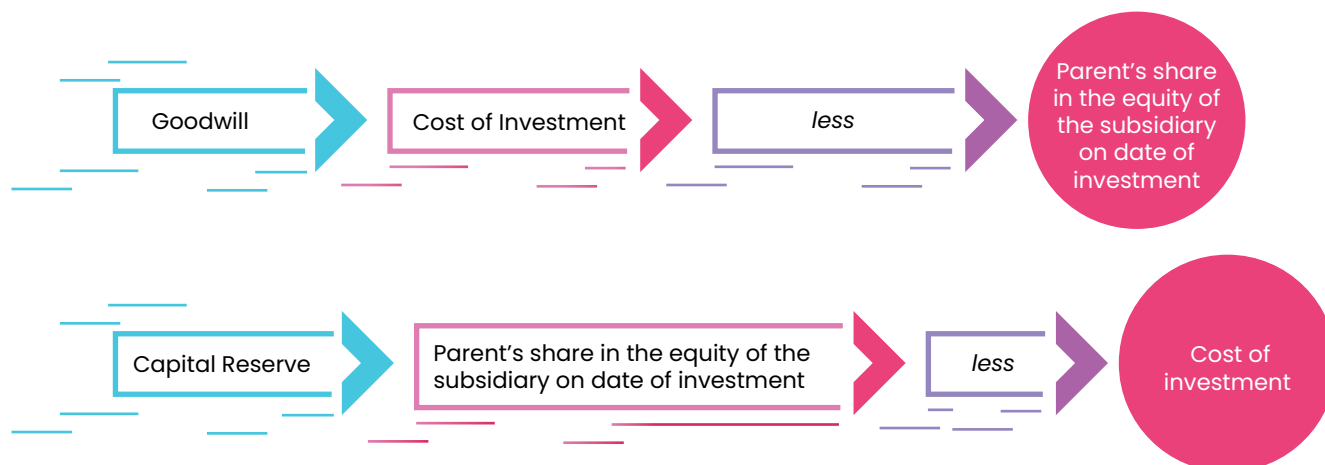
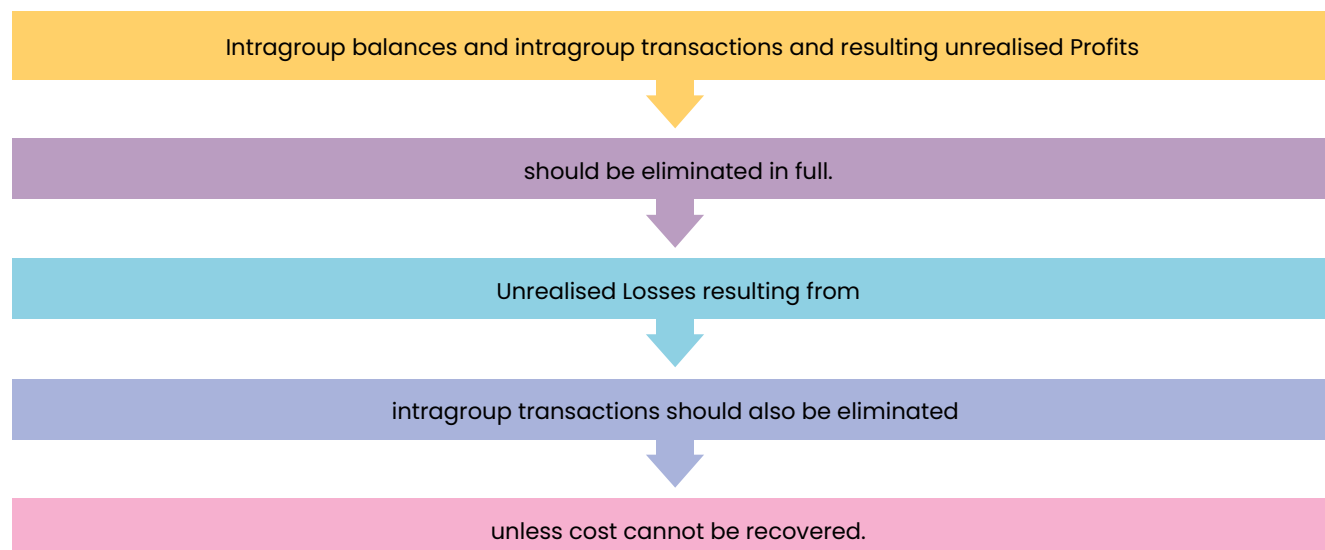
Exclusion from Preparation of Consolidated Financial Statements

A Subsidiary should be Excluded from Consolidation when:

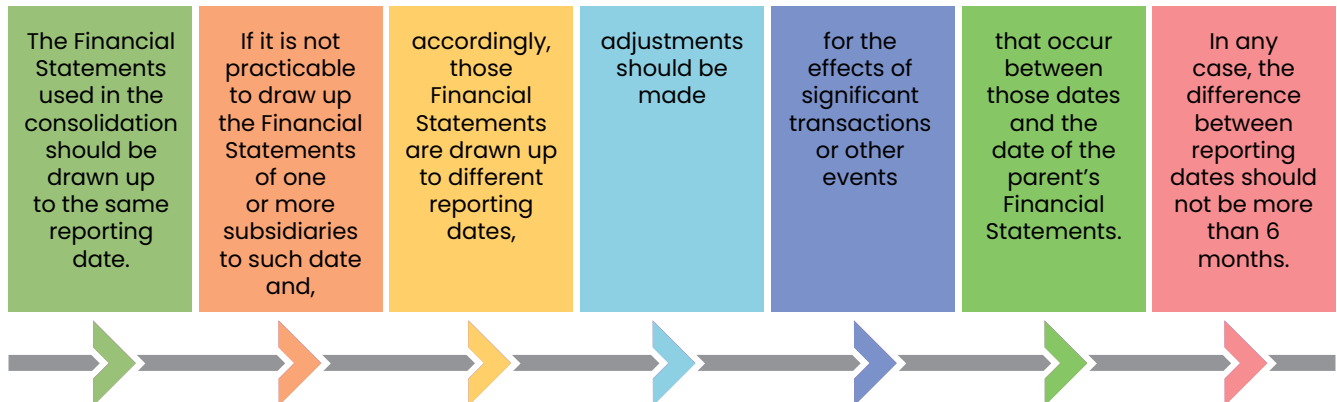
- control is intended to be temporary (it is acquired and held exclusively with a view to its subsequent disposal in the near future); or
- it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.

Calculation Of Goodwill/Capital Reserve (Cost Of Control)

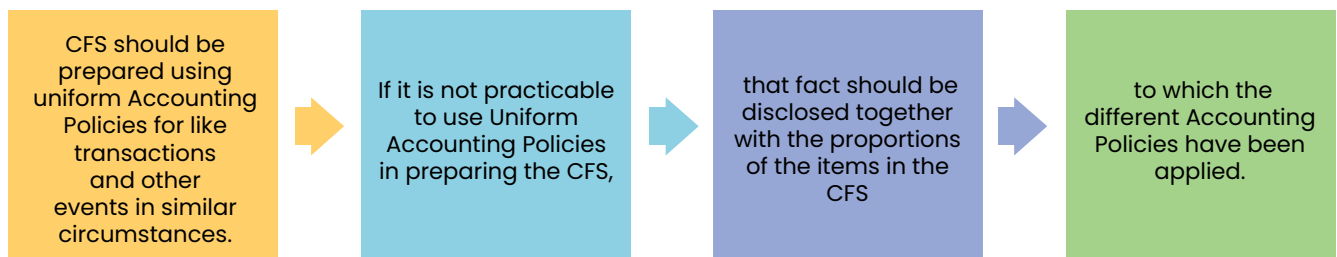
As on the date of investment, the cost of investment and the equity in the subsidiary needs to be calculated.

**Elimination Of Intragroup Transactions**

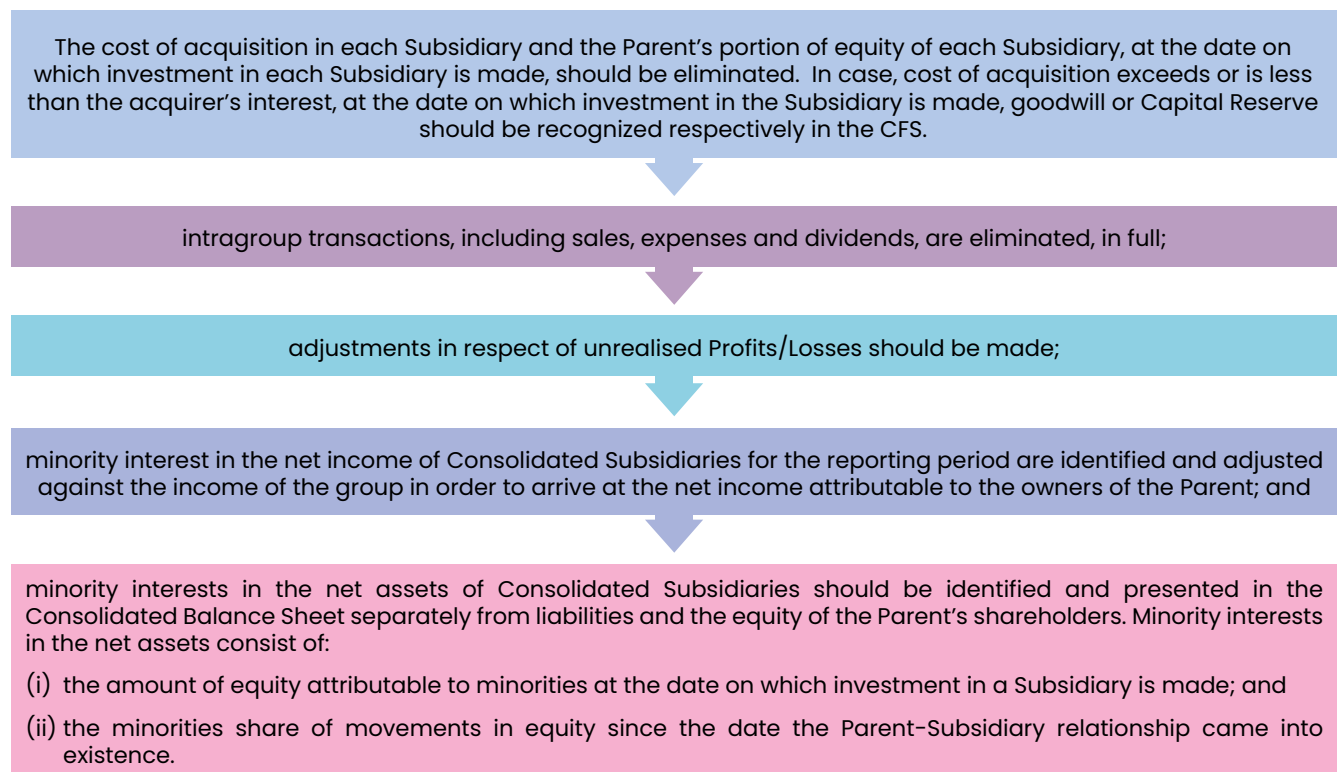
Alignment of Reporting Dates



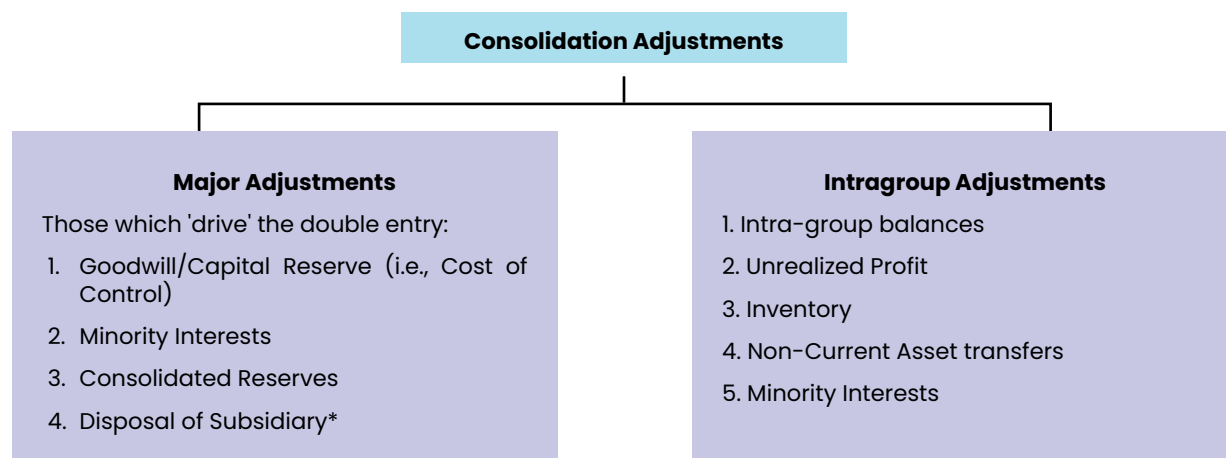
Uniform Accounting Policies



Consolidation Procedures

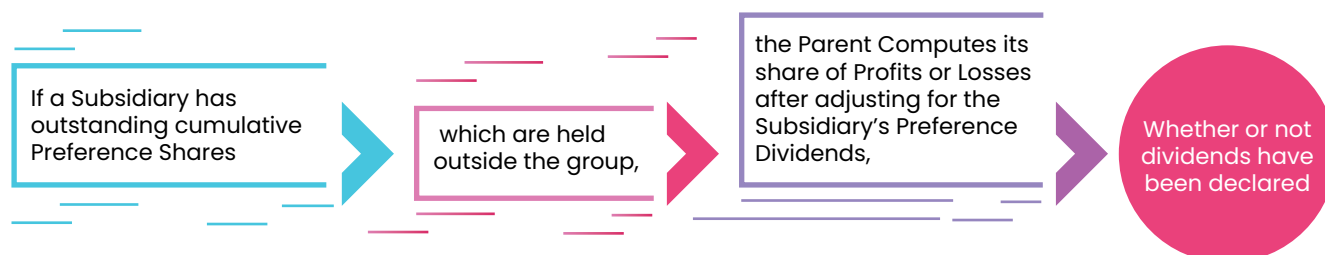


Thus, Consolidation Adjustments are broadly categorized as under:



* Disposal of Subsidiary is not examined at the Intermediate Level.

Treatment of Subsidiary Company having Preference Share Capital



Accounting for Investments in Subsidiaries in a Parent's Separate Financial Statements



Disclosure

List of all Subsidiaries including

- the name,
- country of incorporation or residence,
- proportion of ownership interest and,
- if different, proportion of voting power held;

In CFS, where applicable:

- (i) the nature of the relationship between the parent and a subsidiary, if the parent does not own, directly or indirectly through subsidiaries, more than one-half of the voting power of the subsidiary;
- (ii) the effect of the acquisition and disposal of subsidiaries on the financial position at the reporting date, the results for the reporting period and on the corresponding amounts for the preceding period; and
- (iii) the names of the subsidiary(ies) of which reporting date(s) is/are different from that of the parent and the difference in reporting dates.

AS 22 “Accounting For Taxes On Income”






Introduction

AS 22 prescribes the Accounting Treatment of Taxes On Income and follows the concept of matching expenses against revenue for the period. Taxable Income may be significantly different from the Accounting Income posing problems in matching of Taxes against Revenue for a period.

Divergence Between Taxable Income And Accounting Income



Definitions

- 
Accounting Income (Loss): Net Profit or Loss for a period, as reported in the Statement of Profit and Loss, before deducting income-tax expense or adding income tax saving.
- 
Taxable Income (Tax Loss): Amount of the income (loss) for a period, determined in accordance with the tax laws, based upon which income-tax payable (recoverable) is determined.
- 
Tax Expense (Tax Saving): Aggregate of current tax and deferred tax charged or credited to the Statement of Profit and Loss for the period.
- 
Current Tax: Amount of income tax determined to be payable (recoverable) in respect of the taxable income (tax loss) for a period.
- 
Deferred Tax: Tax effect of timing differences.

Recognition

Tax expense for the period, comprising current tax and deferred tax, should be included in the determination of the Net Profit or Loss for the period.



Permanent differences do not result in deferred tax assets or deferred tax liabilities. Taxes on income are considered to be an expense incurred by the enterprise in earning income and are accrued in the same period as the revenue and expenses to which they relate. Such matching may result into timing differences. Tax effects of timing differences are included in the tax expense in the Statement of Profit and Loss and as deferred tax assets or as deferred tax liabilities, in the Balance Sheet.



While recognising the tax effect of timing differences, consideration of prudence cannot be ignored. Therefore, deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty of their realisation.

Reassessment Of Unrecognised Deferred Tax Assets

At each Balance Sheet date,



an enterprise re-assesses unrecognized deferred tax assets.



Recognises previously unrecognized deferred tax assets



to the extent that it has become reasonably certain or virtually certain,

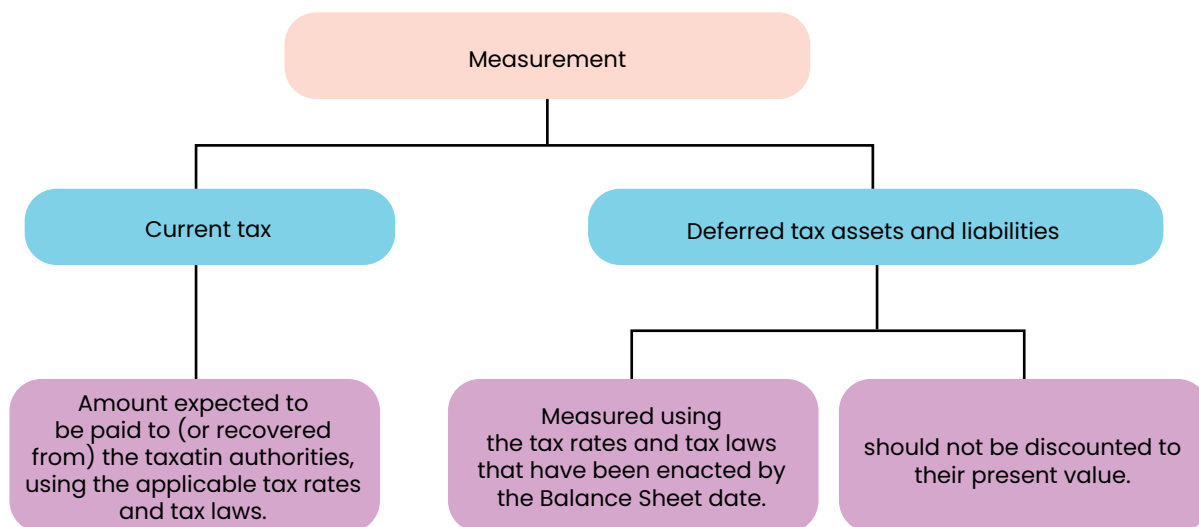


as the case may be,

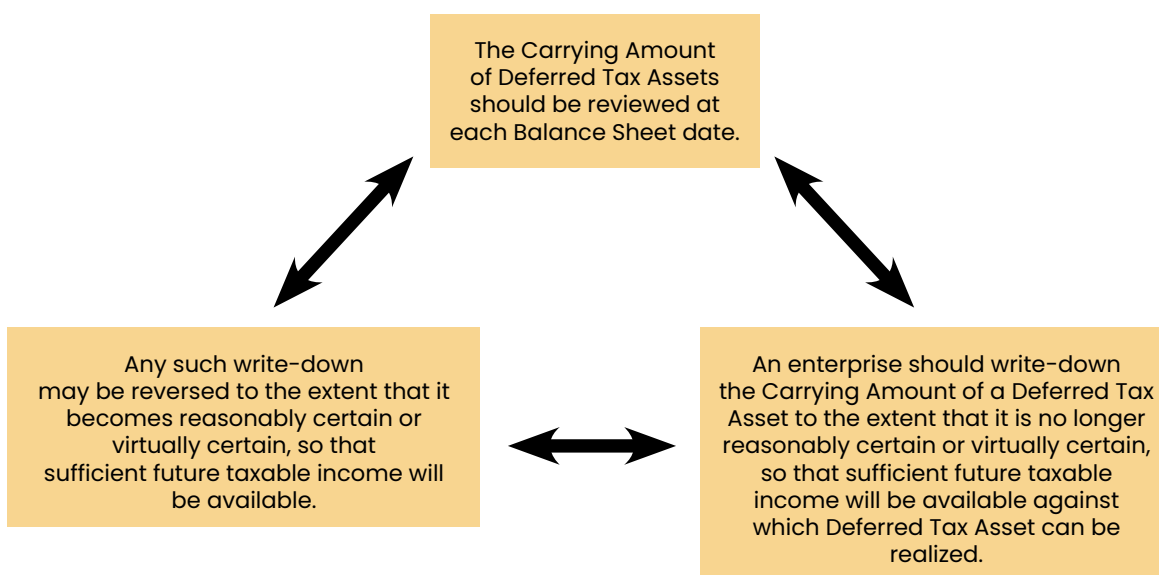


that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Measurement



Review Of Deferred Tax Assets

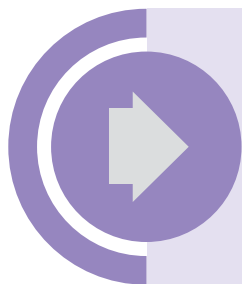


Disclosure



Statement of Profit and Loss

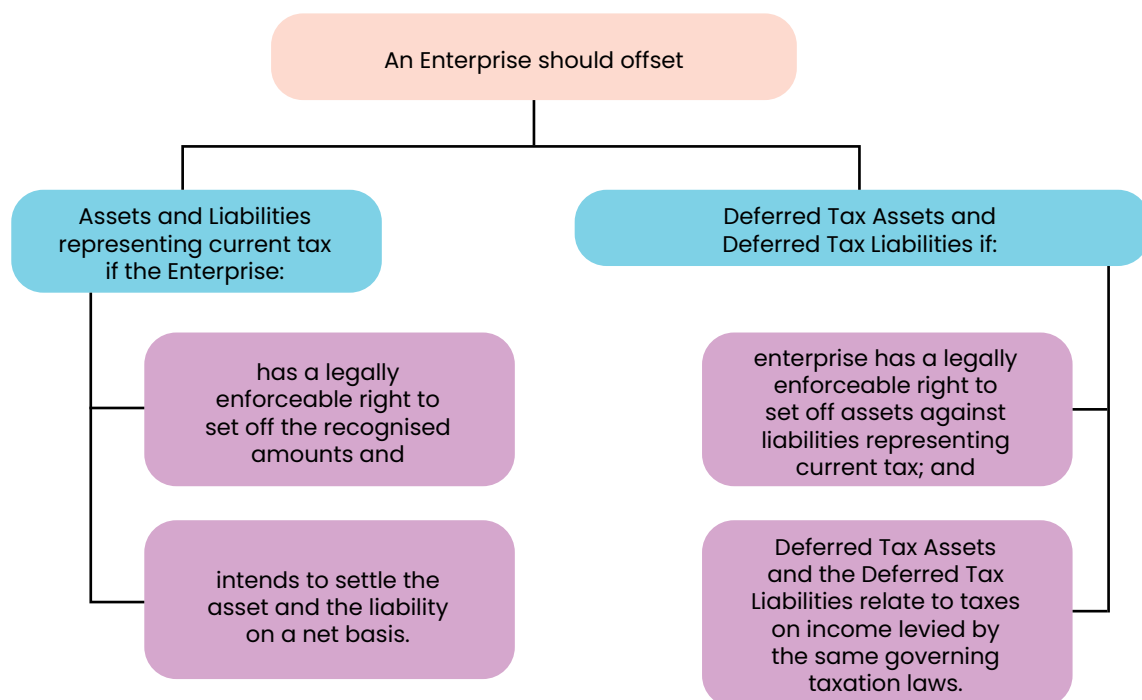
- Under AS 22, there is no specific requirement to disclose current tax and deferred tax in the Statement of Profit and Loss.
- Considering the requirements under the Companies Act, 2013, the amount of income tax and other taxes on profits should be disclosed.
- AS 22 does not require any reconciliation between Accounting Profit and the Tax expense.



Balance Sheet

- The break-up of Deferred Tax Assets and Deferred Tax Liabilities into major components of the respective balance should be disclosed in the **Notes** to Accounts.
- Deferred Tax Assets and Liabilities should be disclosed under a separate heading in the Balance Sheet of the enterprise, separately from Current Assets and Current Liabilities.
- The nature of the evidence supporting the recognition of Deferred Tax Assets should be disclosed, if an enterprise has unabsorbed depreciation or carry forward of losses under Tax Laws.

Presentation



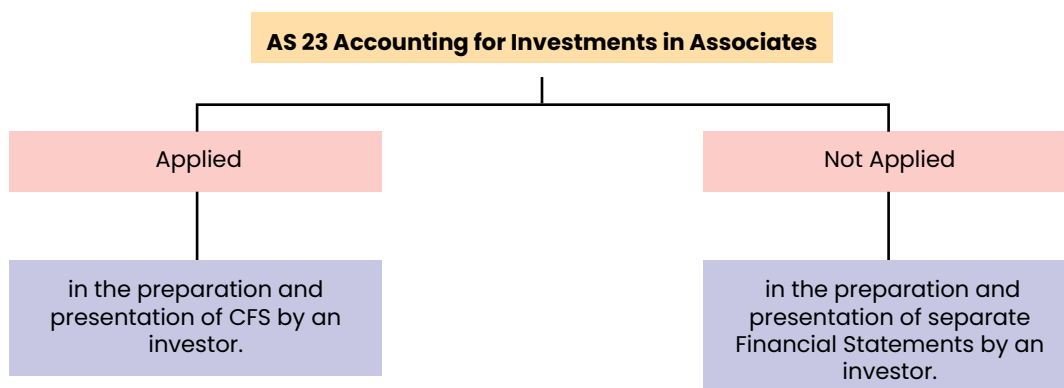
Transitional Provision

On the first occasion that the taxes on income are accounted for in accordance with this Statement, the enterprise should recognise, in the Financial Statements, the Deferred Tax Balance that has accumulated prior to the adoption of this Statement as Deferred Tax Asset/Liability with a corresponding credit/charge to the Revenue Reserves, subject to the consideration of prudence in case of Deferred Tax Assets.

The amount so credited/charged to the Revenue Reserves should be same as that which would have resulted if this Statement had been in effect from the beginning.

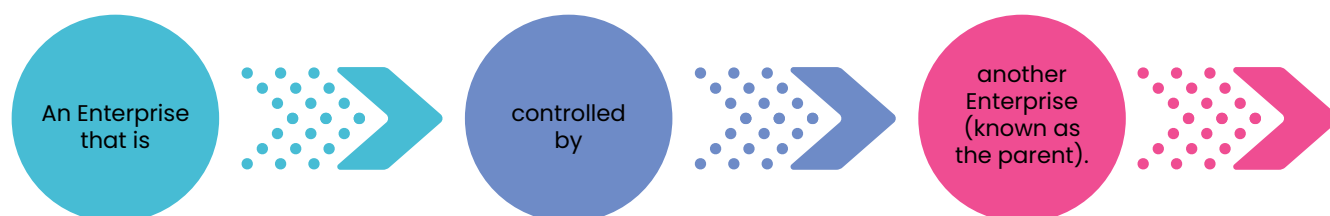
AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements"

Scope



Definitions :

Subsidiary

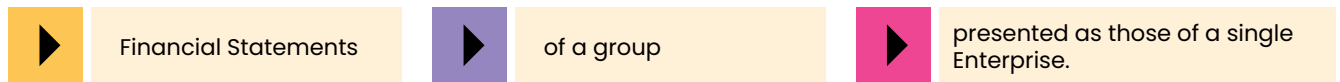
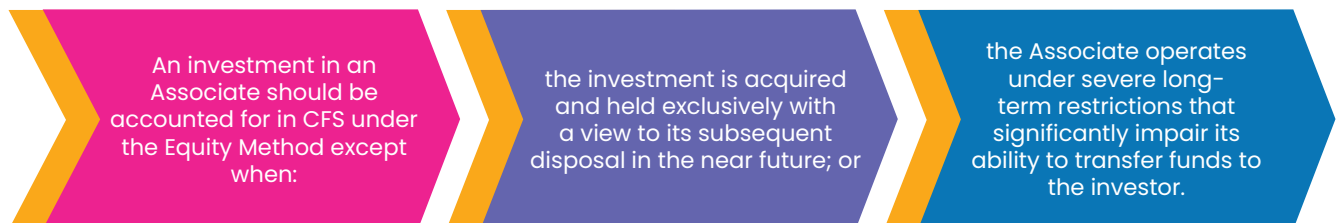


Parent



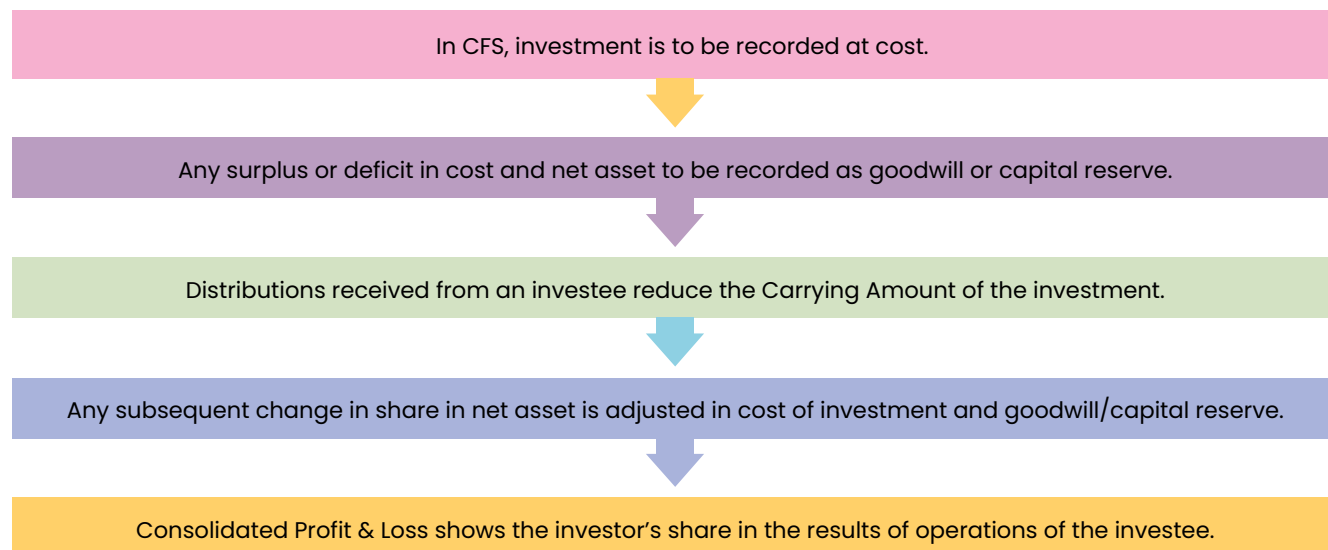
Group



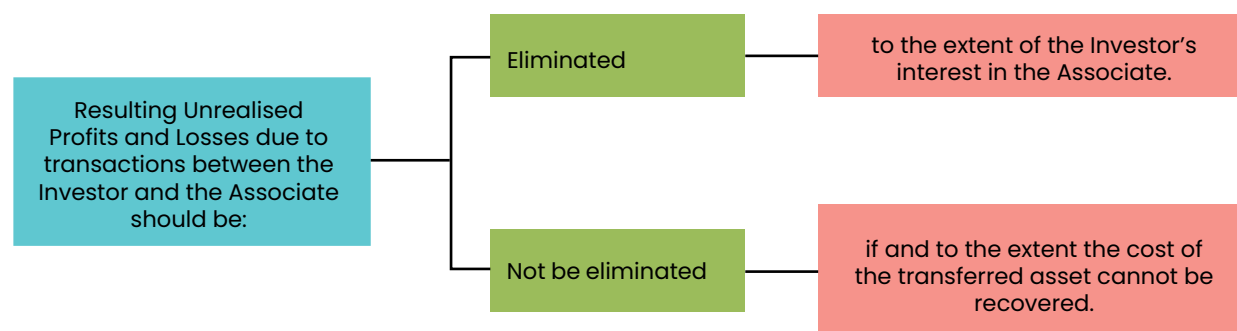
Equity**Consolidated Financial Statements****An Associate****Significant Influence****Accounting for Investments – Equity Method**

Investments in such Associates should be accounted for in accordance with AS 13.

Equity Method

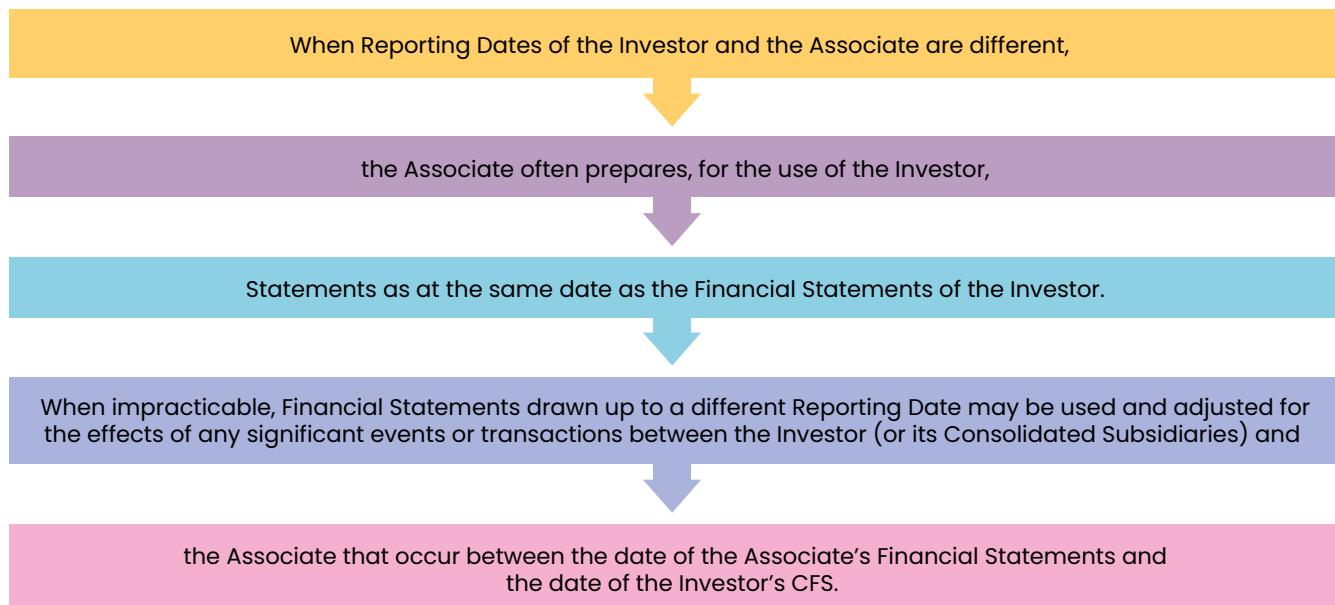
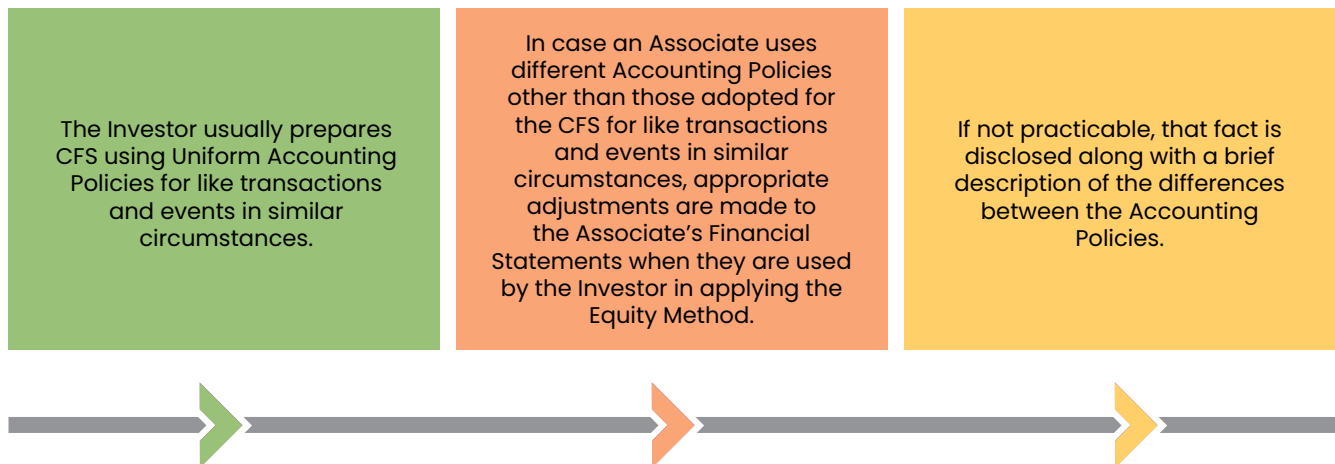
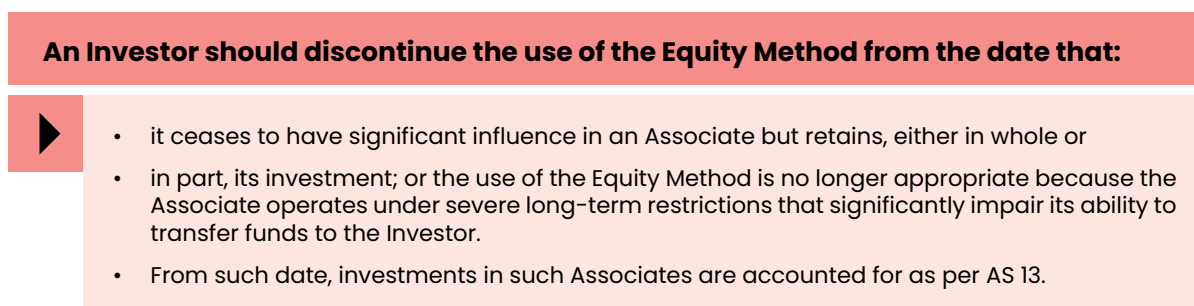


Elimination of Unrealised Losses



Carrying Amount of investment in an Associate should be reduced to recognise a decline, other than temporary, in the value of the investment, such reduction being determined and made for each investment, individually.

Where an Associate presents CFS, the results and net assets to be taken into account are those reported in that Associate's CFS.

Different Reporting Dates**Uniform Accounting Policies****Cessation of Equity Method**

Disclosure

An appropriate listing and description of Associates including the proportion of ownership interest and, if different, the proportion of voting power held should be disclosed in the Consolidated Financial Statements.

Investments in Associates accounted for using the Equity Method should be classified as long-term investments and disclosed separately in the Consolidated Balance Sheet. The Investor's share of the Profits or Losses of such investments should be disclosed separately in the Consolidated Statement of Profit and Loss. The Investor's share of any extraordinary or prior period items should also be separately disclosed.

The name(s) of the Associate(s) of which reporting date(s) is/are different from that of the Financial Statements of an Investor and the differences in Reporting Dates should be disclosed in the Consolidated Financial Statements.

In case an Associate uses Accounting Policies other than those adopted for the Consolidated Financial Statements for like transactions and events in similar circumstances and it is not practicable to make appropriate adjustments to the Associate's Financial Statements, the fact should be disclosed along with a brief description of the differences in the Accounting Policies.

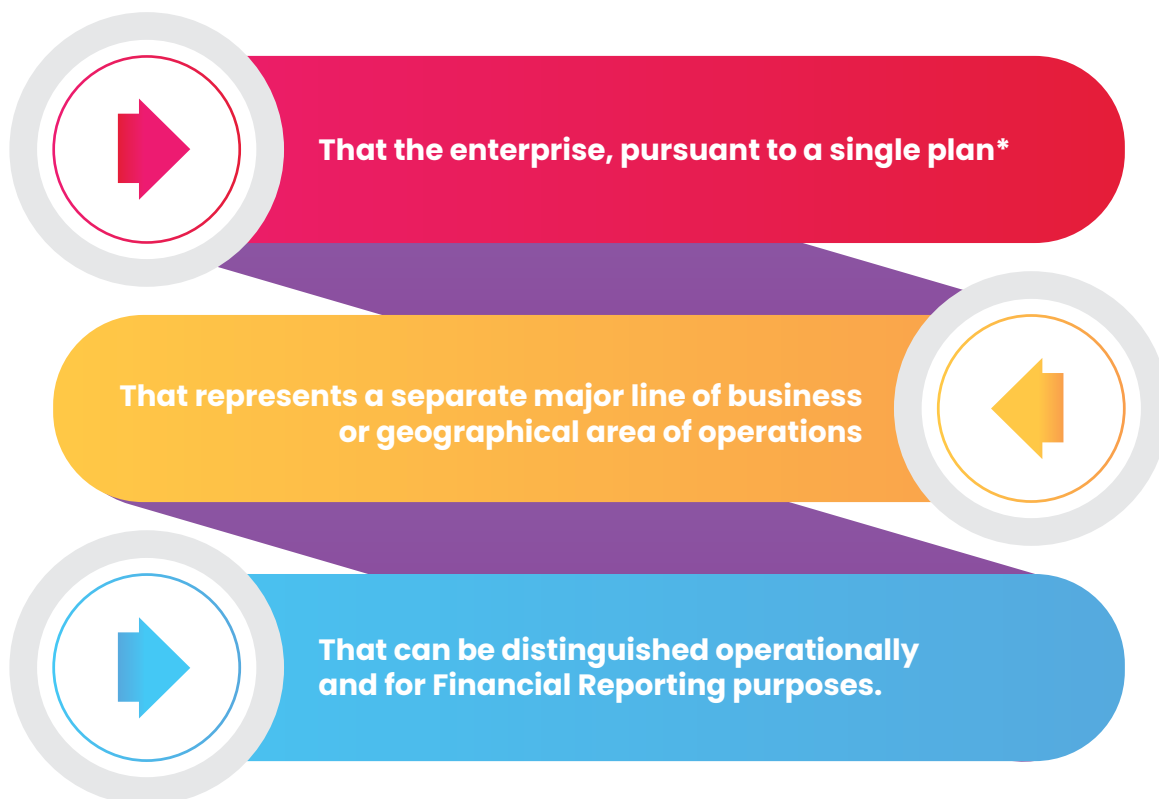
AS 24 “Discontinuing Operations”

Introduction

The objective of AS 24 is to establish principles for reporting information about Discontinuing Operations, thereby enhancing the ability of users of Financial Statements to make projections of an enterprise's Cash Flows, earnings-generating capacity, and financial position by segregating information about Discontinuing Operations from information about Continuing Operations.

Discontinuing Operation

A Discontinuing Operation is a component



*(i) Disposing of substantially in its entirety, such as by selling the component in a single transaction or by demerger or spin-off of ownership or

(ii) Disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually or

(iii) Terminating through abandonment.

To qualify as a Discontinuing Operation, the disposal must be pursuant to a Single Coordinated Plan.



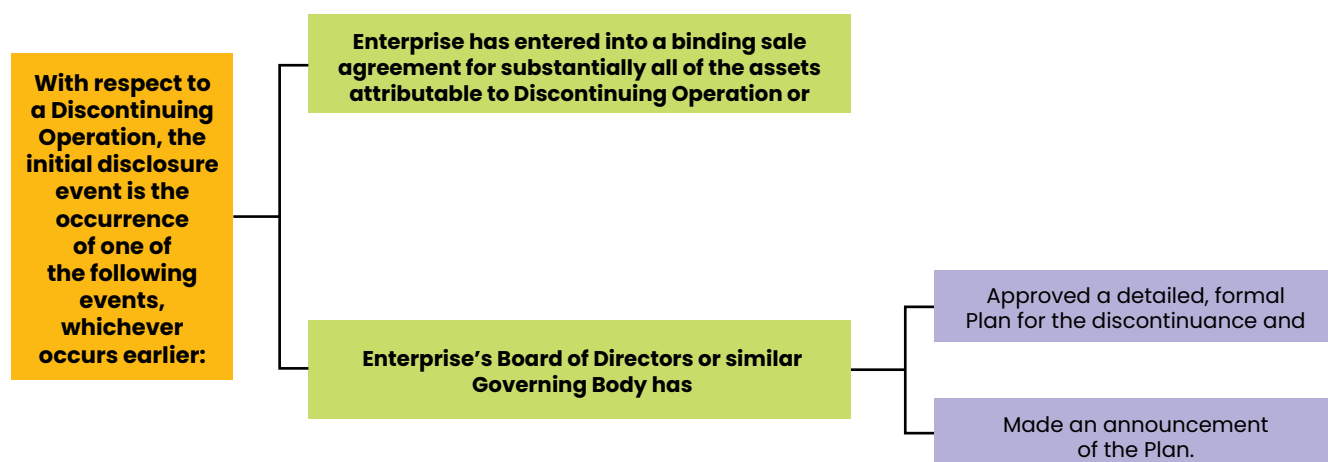
A component can be distinguished operationally and for Financial Reporting purposes if these conditions are met:

- Operating Assets and Liabilities of the Component can be directly attributed to it.
- Its Revenue can be directly attributed to it.
- Majority of its Operating expenses can be directly attributed to it.

Assets, Liabilities, Revenue, and Expenses are directly attributable to a Component if they would be eliminated when the Component is Sold, Abandoned or otherwise Disposed of. If debt is attributable to a Component, the related interest and other financing costs are similarly attributed to it.

Discontinuing Operations are infrequent events, but this does not mean that all infrequent events are Discontinuing Operations.

Initial Disclosure Event

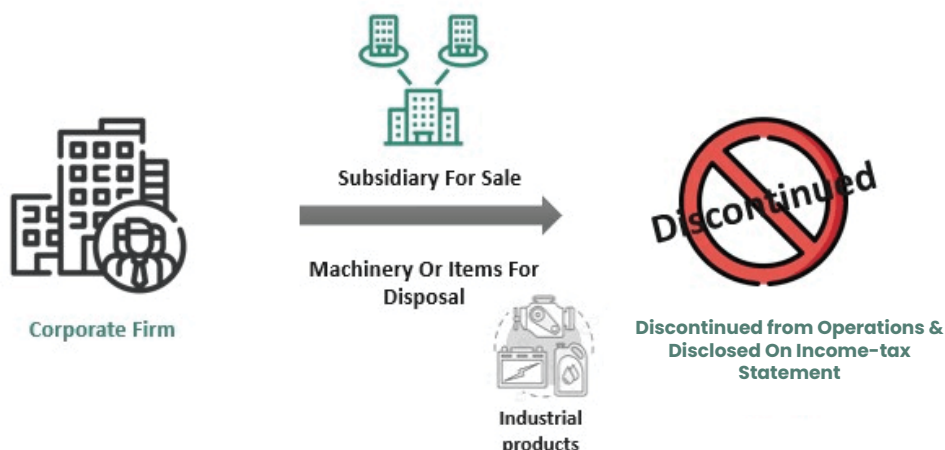


Recognition and Measurement

This AS does not provide any guidelines:

- For recognizing and measuring,
- Effect of Discontinuing Operations,
- Relevant Accounting Standards should be referred.

Discontinued Operations



Presentation and Disclosure

Initial Disclosure

An enterprise should include the following information relating to a Discontinuing Operation in its Financial Statements beginning with the Financial Statements for the period in which the Initial Disclosure Event occurs:

A description of the Discontinuing Operation(s).

The amounts of net cash flows attributable to the operating, investing, and financing activities of the Discontinuing Operation during the current Financial Reporting Period.

The Business or Geographical Segment(s) in which it is reported.

The amount of pre-tax profit or loss from ordinary activities attributable to the Discontinuing Operation during the current Financial Reporting Period, and the Income-tax expense related thereto.

The date and nature of the Initial Disclosure Event.

The amounts of revenue and expenses in respect of the ordinary activities attributable to the Discontinuing Operation during the current Financial Reporting Period.

The date or period in which the discontinuance is expected to be completed if known or determinable.

The Carrying Amounts, as of the Balance Sheet date, of the Total Assets to be disposed of and the Total Liabilities to be settled.

Other Disclosures

When an enterprise disposes of assets or settles liabilities attributable to a Discontinuing Operation or enters into binding agreements for the sale of such assets or the settlement of such liabilities, it should include, in its Financial Statements, the following information when the events occur:

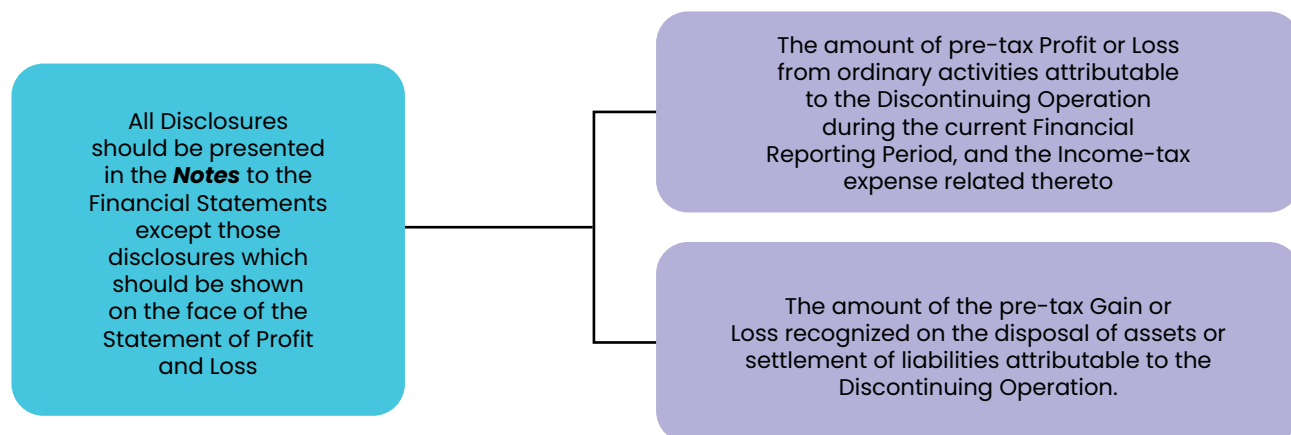
- For any gain or loss that is recognised on the disposal of assets or settlement of liabilities attributable to the Discontinuing Operation:
 - (i) the amount of the pre-tax Gain or Loss
 - (ii) income-tax expense relating to the Gain or Loss
- The net selling price or range of prices (which is after deducting expected disposal costs) of those net assets for which the Enterprise has entered into one or more binding sale agreements, the expected timing of receipt of those Cash Flows and the Carrying Amount of those net assets on the Balance Sheet date.

The Disclosures should continue in Financial Statements for periods up to and including the period in which the discontinuance is completed. Discontinuance is completed when the plan is substantially completed or abandoned, though full payments from the buyer(s) may not yet have been received. If an Enterprise abandons or withdraws from a plan that was previously reported as a Discontinuing Operation, that fact, reasons therefore and its effect should be disclosed.

Separate Disclosure for each Discontinuing Operation

Any Disclosures required by AS 24 should be presented separately for each Discontinuing Operation.

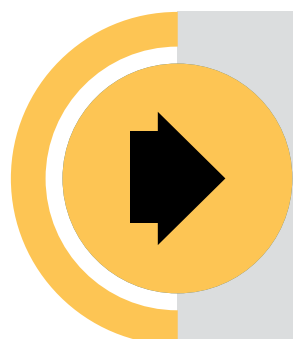
Presentation of the Required Disclosures



Restatement of Prior Periods

Comparative information for prior periods that is presented in Financial Statements prepared after the Initial Disclosure Event should be restated to segregate assets, liabilities, revenue, expenses, and Cash Flows of Continuing and Discontinuing Operations.

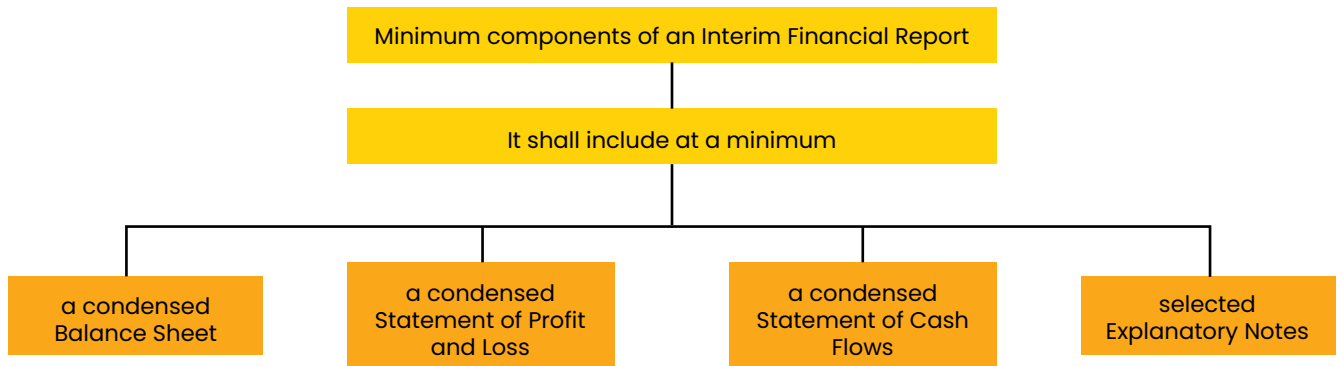
Disclosure in Interim Financial Reports



Disclosures in an Interim Financial Report in respect of a Discontinuing Operation

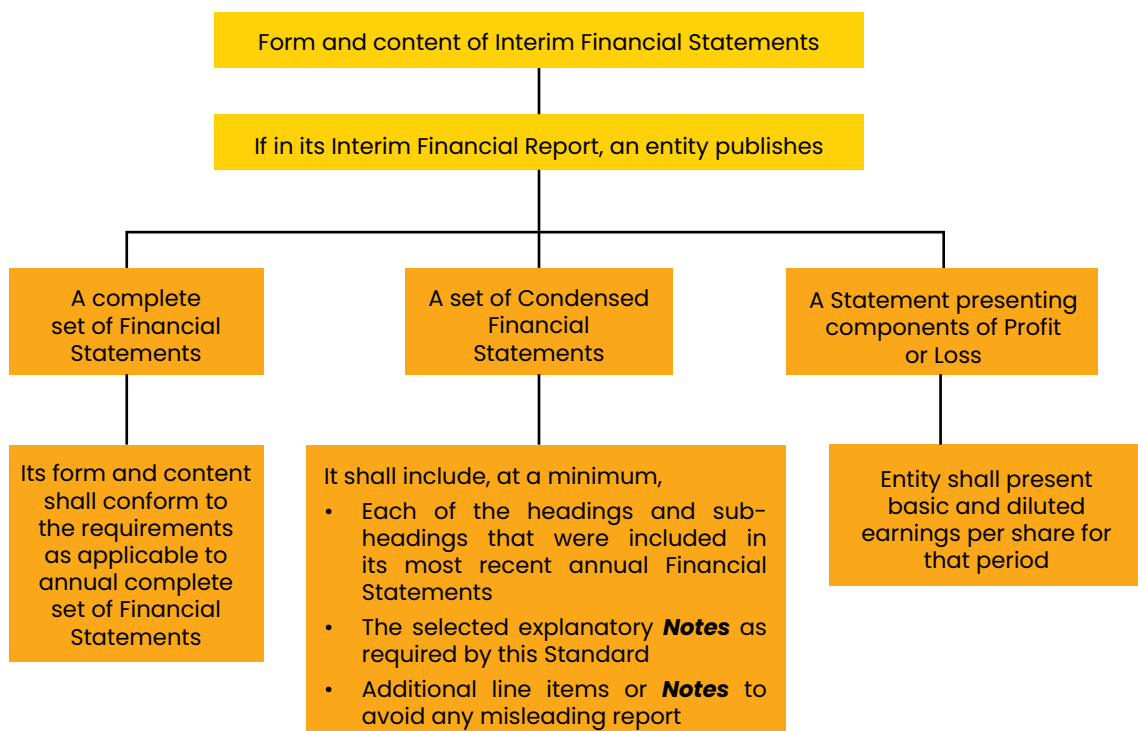
- Any significant activities or events since the end of the most recent annual Reporting Period relating to a Discontinuing Operation, and
- Any significant changes in the amount or timing of cash flows relating to the assets to be disposed of or liabilities to be settled.

AS 25 "Interim Financial Reporting"



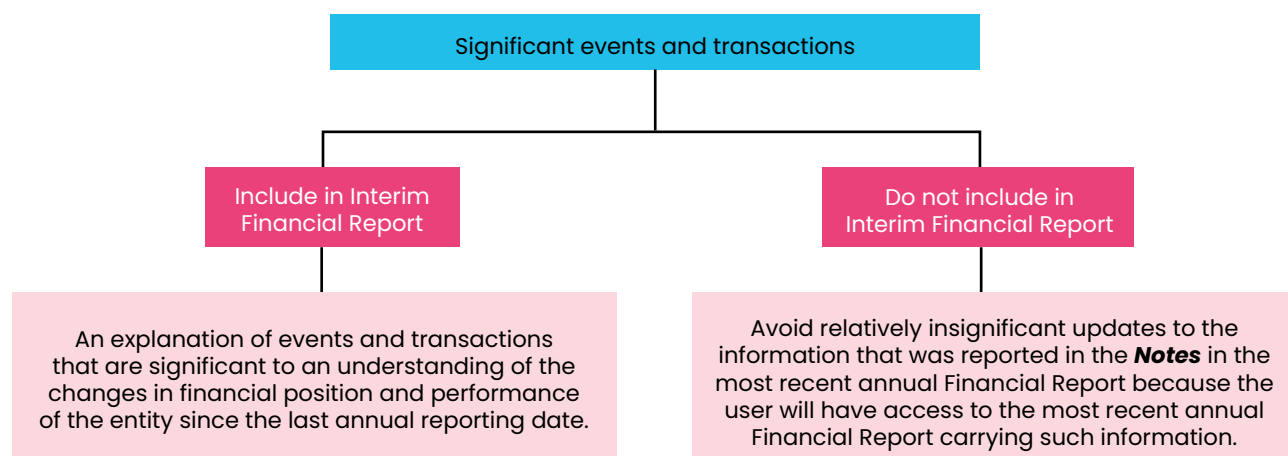
Important Points to Remember

1.	The Interim Financial Report is intended to provide an update on the latest complete set of annual Financial Statements
2.	It focuses on new activities, events, and circumstances and does not duplicate information previously reported
3.	AS 25 does not prohibit or discourage an entity from presenting a complete set of Financial Statements in its Interim Financial Report
4.	AS 25 does not prohibit or discourage an entity from including in Condensed Interim Financial Statements more than the minimum line items or selected explanatory Notes
5.	AS 25 requires to include all the Disclosures required by this Standard as well as those required by other Ind AS



Note:

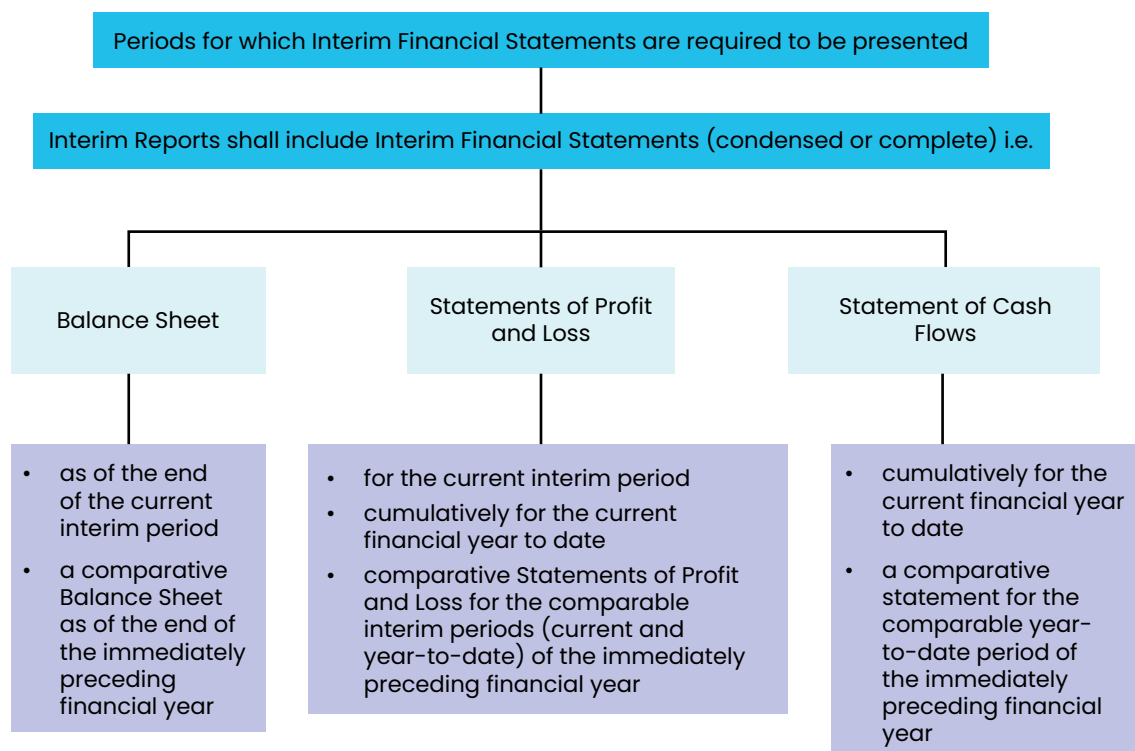
1. An Interim Financial Report is prepared on a consolidated basis if the entity's most recent annual Financial Statements were Consolidated Statements.
2. If an enterprise's annual financial report included the Consolidated Financial Statements in addition to the Parent's separate Financial Statements, the Interim Financial Report includes both the Consolidated Financial Statements and separate Financial Statements, completely or in a condensed manner.



An Enterprise should include the following information, as a minimum, in the **Notes** to its Interim Financial Statements, if material and if not disclosed elsewhere in the Interim Financial Report:

- (a) a statement that the same Accounting Policies are followed in the Interim Financial Statements as those followed in the most recent annual Financial Statements or, if those policies have been changed, a description of the nature and effect of the change;
- (b) explanatory comments about the seasonality of interim operations;
- (c) the nature and amount of items affecting assets, liabilities, equity, net income, or Cash Flows that are unusual because of their nature, size, or incidence (see paragraphs 12 to 14 of Accounting Standard (AS) 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies);
- (d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;
- (e) issuances, buybacks, repayments and restructuring of debt, equity and potential equity shares;
- (f) dividends, aggregate or per share (in absolute or percentage terms), separately for equity shares and other shares;
- (g) Segment Revenue, Segment Capital employed (Segment Assets minus Segment Liabilities) and Segment Result for Business Segments or Geographical Segments, whichever is the enterprise's primary basis of Segment Reporting (disclosure of Segment Information is required in an enterprise's Interim Financial Report only if the enterprise is required, in terms of AS 17, Segment Reporting, to Disclose Segment Information in its Annual Financial Statements);
- (h) material events subsequent to the end of the interim period that have not been reflected in the Financial Statements for the interim period;
- (i) the effect of changes in the composition of the enterprise during the interim period, such as amalgamations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and Discontinuing Operations; and
- (j) material changes in contingent liabilities since the last annual Balance Sheet date.

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

**Note:**

For an entity whose business is highly seasonal, financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful.

Points to Remember:

Materiality	In deciding how to recognise, measure, classify, or disclose an item for Interim Financial Reporting purposes, materiality shall be assessed in relation to the interim period financial data.
	It shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.
Disclosure in annual Financial Statements	If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is prepared and presented for that final interim period, the nature and amount of that change in estimate shall be disclosed in a Note to the annual Financial Statements for that financial year.
	An entity is not required to include additional interim period financial information in its annual Financial Statements.

Recognition and Measurement

Same Accounting Policies as annual	An entity shall apply the same Accounting Policies in its Interim Financial Statements as are applied in its annual Financial Statements, except for Accounting Policy changes made after the date of the most recent annual Financial Statements that are to be reflected in the next annual Financial Statements. Measurements for interim reporting purposes shall be made on a year-to-date basis. The amounts reported in prior interim periods are not retrospectively adjusted. However, the nature and amount of any significant changes in estimates must be disclosed.
Revenues received seasonally, cyclically, or occasionally	Such revenues shall not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity's financial year. Some entities consistently earn more revenues in certain interim periods of a financial year than in other interim periods. Such revenues are recognised when they occur.
Costs incurred unevenly during the financial year	Such costs shall be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost to the end of the financial year.
Use of estimates	Preparation of Interim Financial Reports generally will require a greater use of estimation methods than Annual Financial Reports.
Restatement of previously reported interim periods	A change in Accounting Policy, shall be reflected: by retrospective application, with restatement of prior period financial data as far back as is practicable;
Interim Financial Reporting and Impairment of Assets	Impairment of Assets requires that an Impairment Loss be recognised if the recoverable amount has declined below Carrying Amount.

AS 26 “Intangible Assets”

Introduction

The objective of AS 26 is to prescribe the Accounting Treatment for Intangible Assets that are not dealt with specifically in another Accounting Standard. AS 26 also specifies how to measure the Carrying Amount of Intangible Assets and requires certain Disclosures about Intangible Assets.

Scope



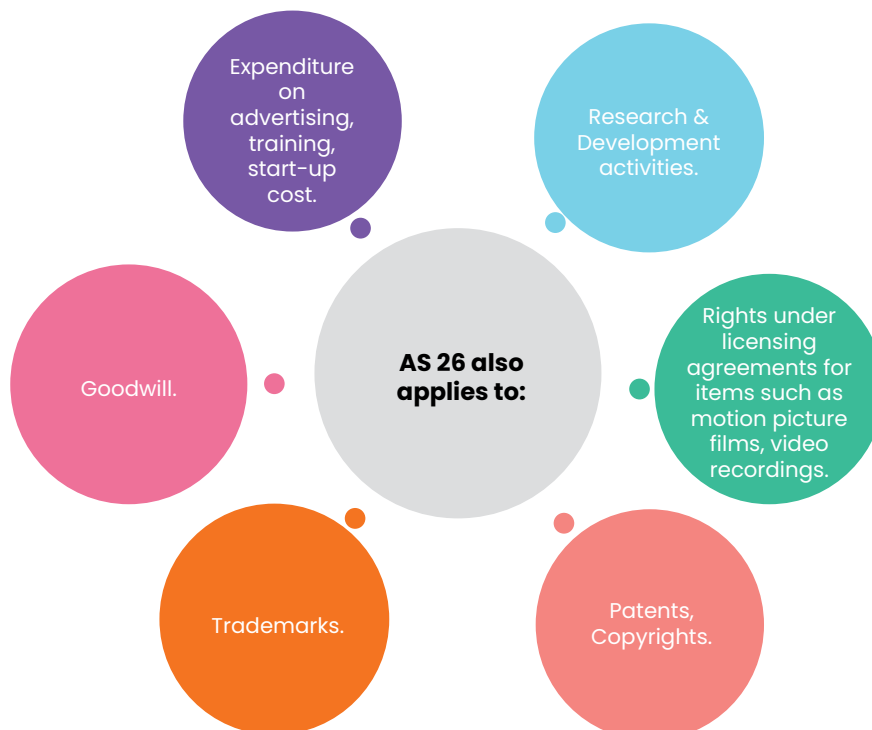
AS 26 should be applied by all Enterprises in Accounting for Intangible Assets, except:

- Intangible Assets that are covered by another Accounting Standard.
- Financial Assets.
- Mineral rights and expenditure on the exploration for, or development and extraction of minerals, oil, natural gas and similar non-regenerative resources.
- Intangible Assets arising in insurance enterprises from contracts with policyholders.



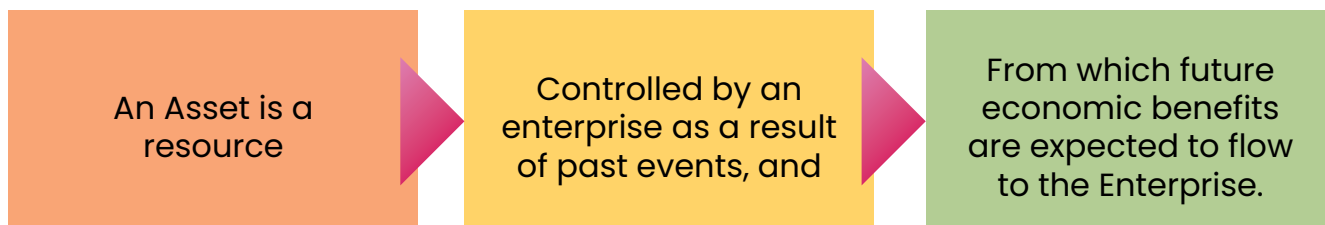
AS 26 applies to:

- Other Intangible Assets used (such as computer software), and other expenditure (such as start-up costs), in extractive industries or by insurance enterprises.

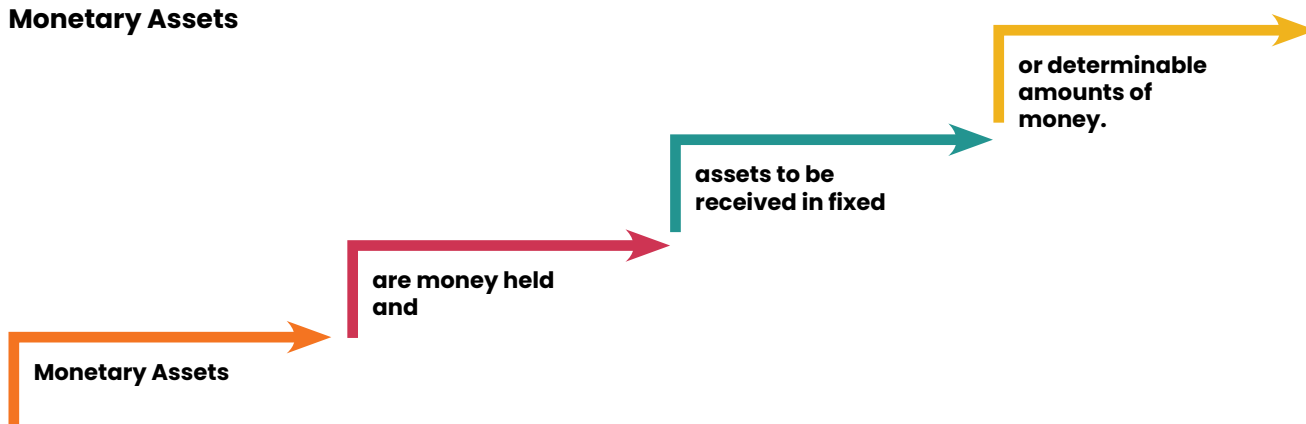


Key Terms

Asset

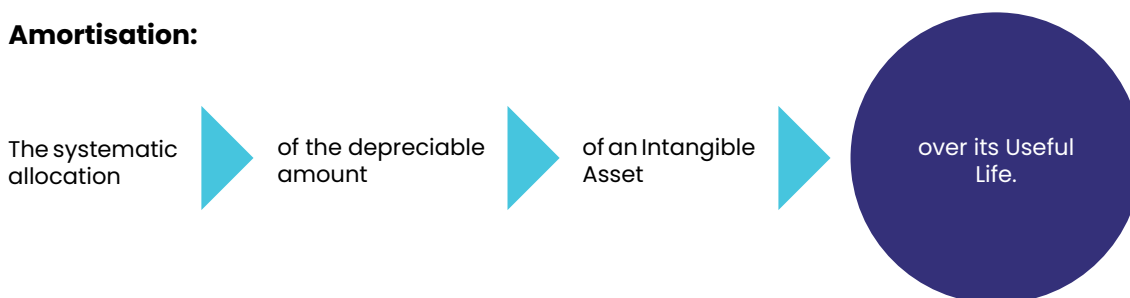


Monetary Assets



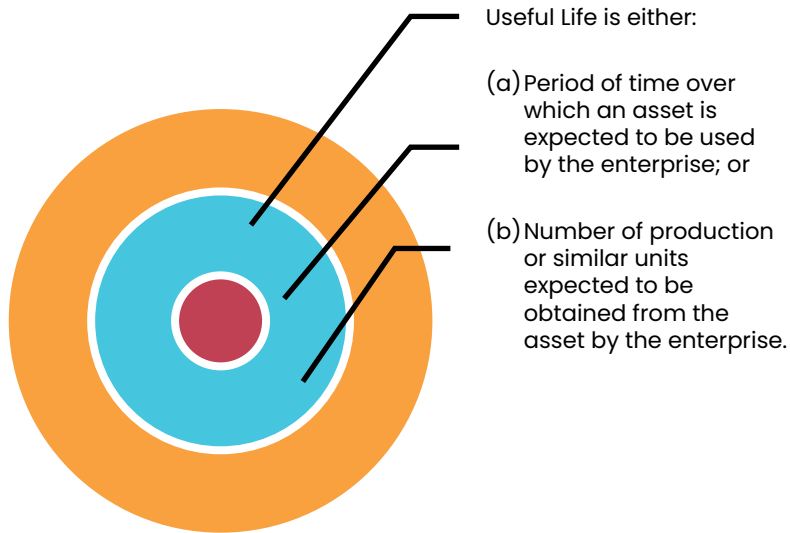
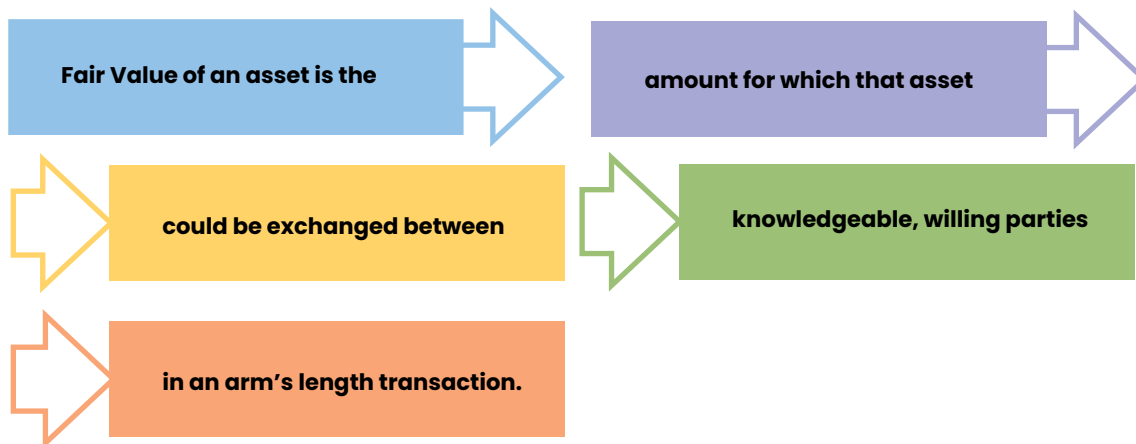
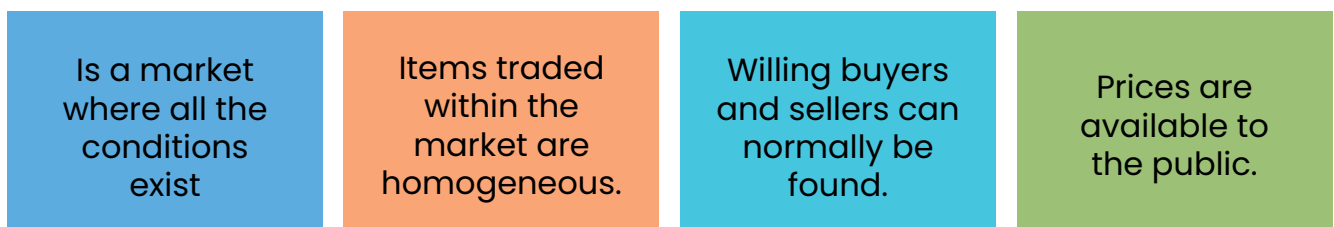
Non-monetary Assets are assets other than Monetary Assets.

Amortisation:

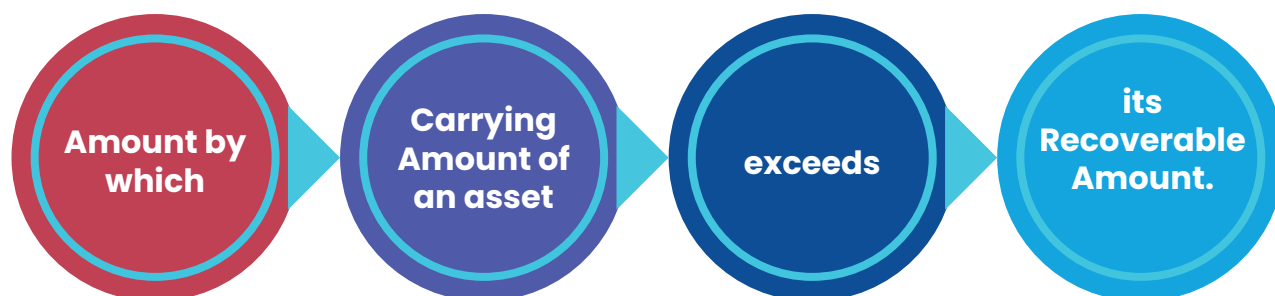


Depreciable Amount:



Useful Life**Fair Value****An Active Market**

Impairment Loss



Carrying Amount

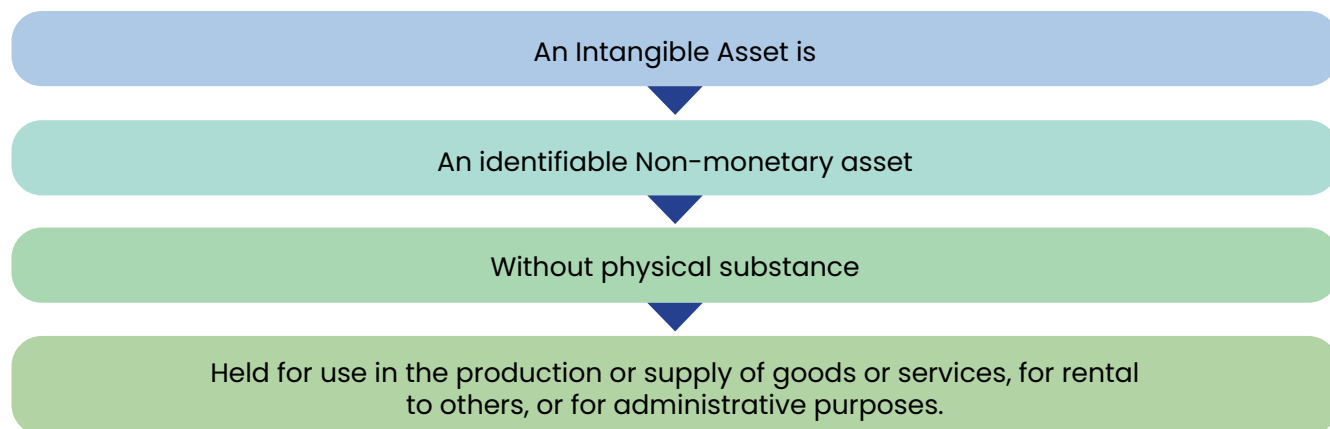
Amount at which an asset is recognised in the Balance Sheet,

net of any Accumulated Amortisation and Accumulated Impairment Losses thereon.

Financial Asset



Intangible Assets



If an item covered by AS 26 does not meet the definition of an Intangible Asset, expenditure to acquire it or generate it internally is recognised as an expense when it is incurred.

Identifiability

The definition of an Intangible Asset requires that an Intangible Asset be Identifiable. To be Identifiable, it is necessary that the Intangible Asset is clearly distinguished from Goodwill.

An Intangible Asset can be clearly distinguished from Goodwill if the asset is separable. An asset is separable if the enterprise could rent, sell, exchange or distribute the specific future economic benefits attributable to the asset without disposing of future economic benefits that flow from other assets used in the same revenue earning activity.

If an asset generates future economic benefits only in combination with other assets, the asset is identifiable if the enterprise can identify the future economic benefits that will flow from the asset.

Control

An enterprise Controls an asset if the enterprise has the power to obtain the future economic benefits flowing from the underlying resource and also can restrict the access of others to those benefits.

Future economic benefit also flows from the skill of labour and customer loyalty but usually this flow of benefits cannot be controlled by the enterprise. Hence, these items don't qualify as Intangible Asset.

Future Economic Benefits

The Future Economic Benefits flowing from an Intangible Asset may include revenue from the sale of products or services, cost savings, or other benefits resulting from the use of the asset by the enterprise. Use of intellectual property in a production process may reduce future production costs rather than increase future revenues.

Recognition and Initial Measurement of an Intangible Asset

The Recognition of an item as an Intangible Asset requires an enterprise to demonstrate:

It is probable that the Future Economic Benefits that are attributable to the asset will flow to the enterprise

The cost of the asset can be Measured reliably.

An Intangible Asset should be Measured initially at cost.

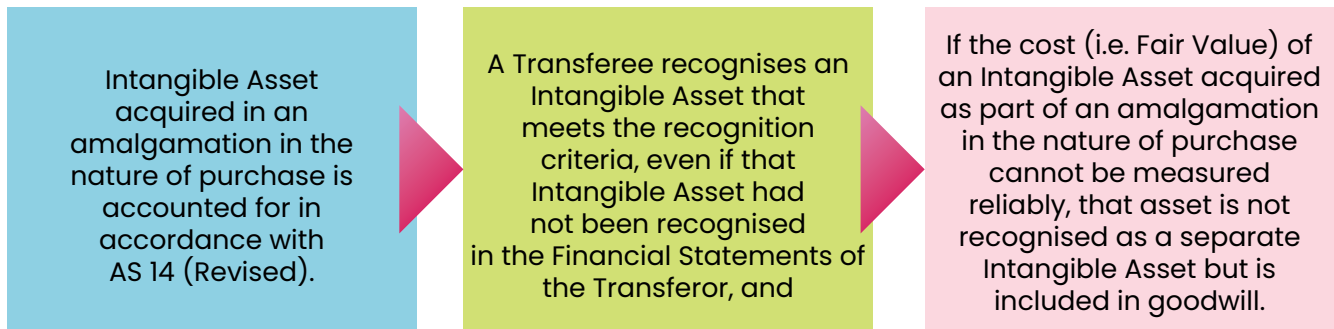
Separate Acquisition

If an Intangible Asset is acquired separately; cost of the Intangible Asset can usually be measured reliably.

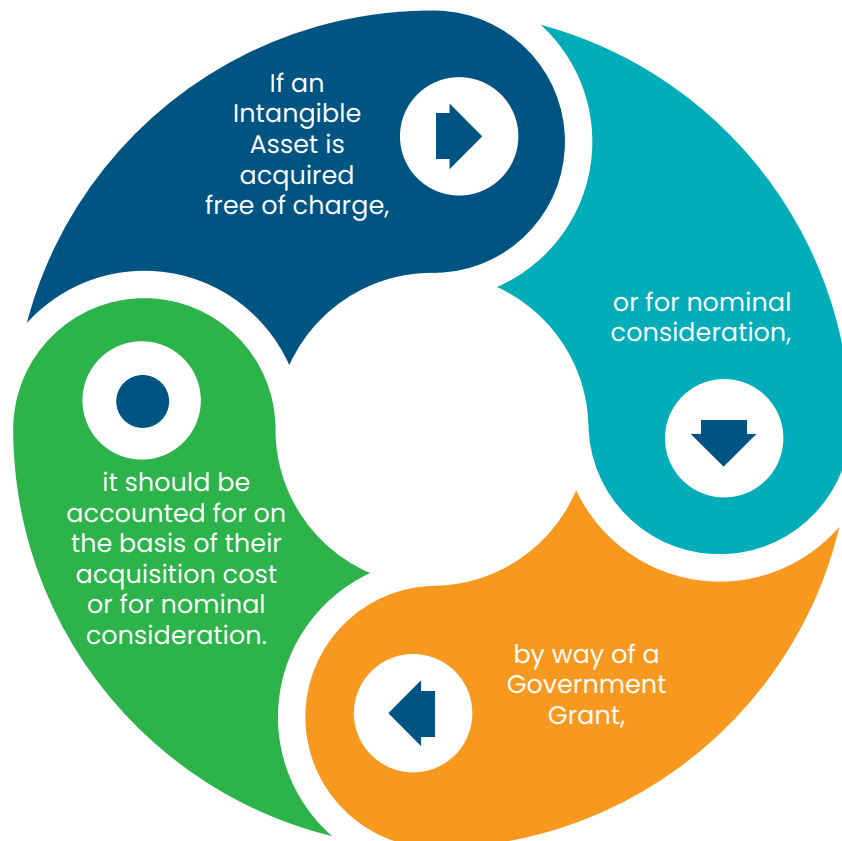
Cost of an Intangible Asset comprises its purchase price including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities) and any directly attributable expenditure on making the asset ready for its intended use.

If an Intangible Asset is acquired in exchange for shares or other securities of the reporting enterprise: asset is recorded at its fair value or the Fair Value of the securities issued, whichever is more clearly evident.

Acquisition as part of an Amalgamation



Acquisition by way of a Government Grant



Internally Generated Goodwill



Internally Generated Goodwill



is not recognised as an asset



because it is not an identifiable resource



controlled by the enterprise



that can be Measured reliably at cost.

Internally Generated Intangible Assets

To assess whether an Internally Generated Intangible Asset meets the criteria for Recognition as an asset, an enterprise classifies the generation of the asset into:

Research Phase

Development Phase

If an enterprise cannot distinguish the Research Phase from the Development Phase of an internal project to create an Intangible Asset, the enterprise treats the expenditure on that project as if it were incurred in the Research Phase only.

Research Phase

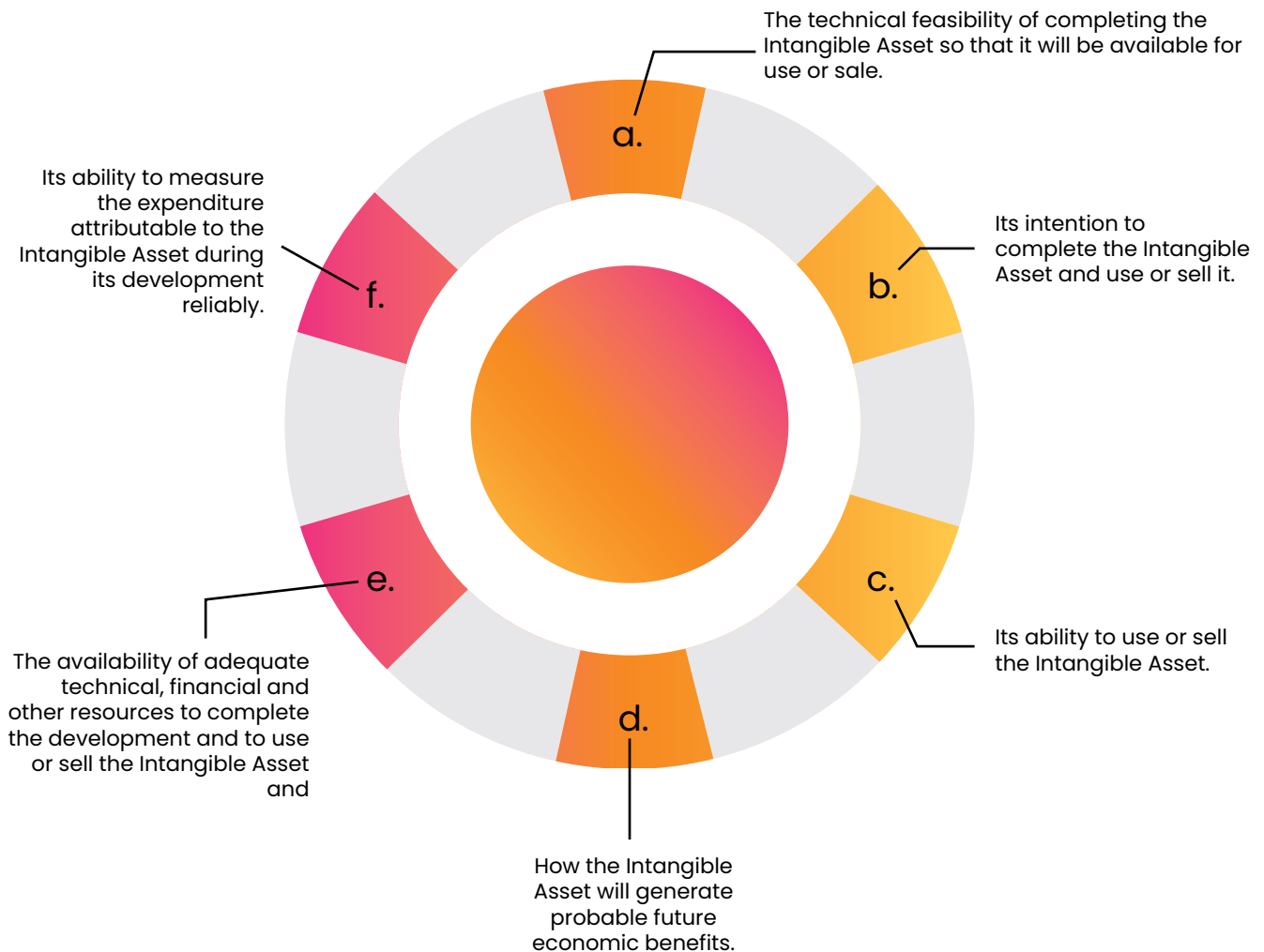
Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

No Intangible Asset arising from research or from the Research Phase should be recognised. Expenditure on research or on the Research Phase should be recognised as an expense when it is incurred.

Development Phase

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.

An Intangible Asset arising from development (or from the Development Phase of an internal project) should be recognised if, and only if, an enterprise can demonstrate all of the following:



Expenditure on internally generated brands, mastheads, publishing titles, customer lists and items similar in substance cannot be distinguished from the cost of developing the business as a whole. Therefore, such items are not recognised as Intangible Assets.

Cost of an Internally Generated Intangible Asset



The Cost of an Internally Generated Intangible Asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, for creating, producing and making the asset ready for its intended use from the time when the Intangible Asset first meets the recognition criteria. The cost includes:

Expenditure on materials and services used or consumed in generating the Intangible Asset.

Salaries, wages and other employment related costs of personnel directly engaged in generating Intangible Asset.

Any expenditure that is directly attributable to generating the Intangible Asset.

Overheads that are necessary to generate the asset and that can be allocated on a reasonable and consistent basis to the Intangible Asset.

The costs which are not components of the Cost of an Internally Generated Intangible Asset:

Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to making the asset ready for use.

Clearly identified inefficiencies and initial operating losses incurred before an asset achieves planned performance, and

Expenditure on training the staff to operate the asset.

Recognition of an Expense

Expenditure on an intangible item should be recognised as an expense when it is incurred unless:

It forms part of the cost of an Intangible Asset that meets the recognition criteria.

The item is acquired in an amalgamation in the nature of purchase and cannot be recognized as an Intangible Asset.

In some cases, expenditure is incurred to provide future economic benefits to an enterprise, but no Intangible Asset or other asset is acquired or created that can be recognised. In these cases, the expenditure is recognised as an expense when it is incurred. Expenditure on research is always recognised as an expense when it is incurred.

Expenses recognised as expenses cannot be reclassified as cost of Intangible Asset in later years.

Nature of Expenditure	Accounting treatment
Planning	Expense when incurred
Application and Infrastructure Development	Apply the requirements of AS 10
Graphical Design and Content Development	If a separate asset is not identifiable, then expense when incurred, unless it meets the Recognition criteria
Operating	Expense when incurred, unless in rare circumstances it meets the criteria, in which case the expenditure is included in the cost of the web site
Other	Expense when incurred

Subsequent Expenditure

Subsequent Expenditure on an Intangible Asset after its purchase or its completion should be recognised as an expense when it is incurred, unless:

It is probable that the expenditure will enable the asset to generate Future Economic Benefits in excess of its originally assessed standard of performance, and

Expenditure can be Measured and attributed to the asset reliably.

If these conditions are met, the subsequent expenditure should be added to the cost of the Intangible Asset.

Subsequent expenditure on brands, mastheads, publishing titles, customer lists and items similar in substance is always recognised as an expense to avoid the recognition of Internally Generated Goodwill.

Measurement Subsequent to Initial Recognition

After Initial Recognition, an Intangible Asset should be carried at its cost *less* any accumulated amortisation and any accumulated impairment losses.

Amortisation Period

The depreciable amount of an Intangible Asset should be allocated on a systematic basis over the best estimate of its Useful Life. Amortisation should commence when the asset is available for use.

AS 26 adopts a presumption that the Useful Life of Intangible Assets is unlikely to exceed ten years.

In some cases, there may be persuasive evidence that the Useful Life of an Intangible Asset will be a specific period longer than ten years. In these cases, the presumption that the Useful Life generally does not exceed ten years is rebutted and the enterprise:

Amortises the Intangible Asset over the best estimate of its Useful Life.

Estimates the recoverable amount of the Intangible Asset at least annually in order to identify any impairment loss, and

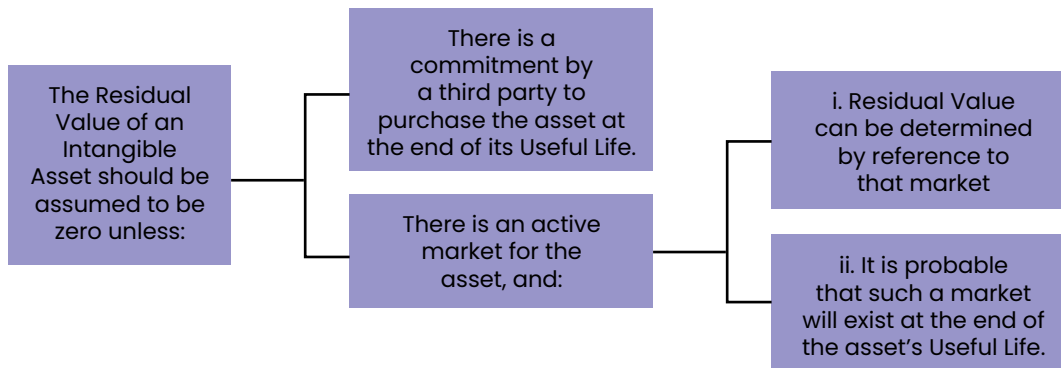
Discloses the reasons why the presumption is rebutted and the factors that played a significant role in determining the Useful Life of the asset.

Amortisation Methods

A variety of Amortisation Methods can be used to allocate the depreciable amount of an asset on a systematic basis over its Useful Life. These Methods include the *Straight-line Method*, the *Diminishing Balance Method* and the *Unit of Production Method*. The method used for an asset is selected based on the expected pattern of consumption of economic benefits and is consistently applied from period to period.

Residual Value

Residual Value is the amount, which an enterprise expects to obtain for an asset at the end of its Useful Life after deducting the expected costs of disposal.

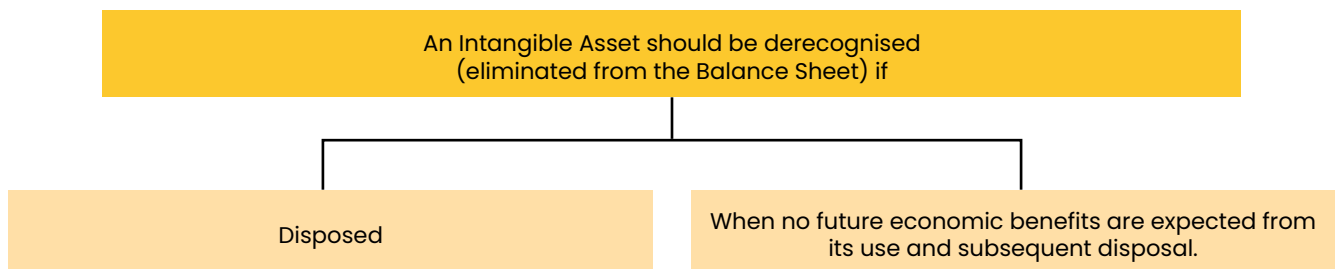


Review of Amortisation Period and Amortisation Method

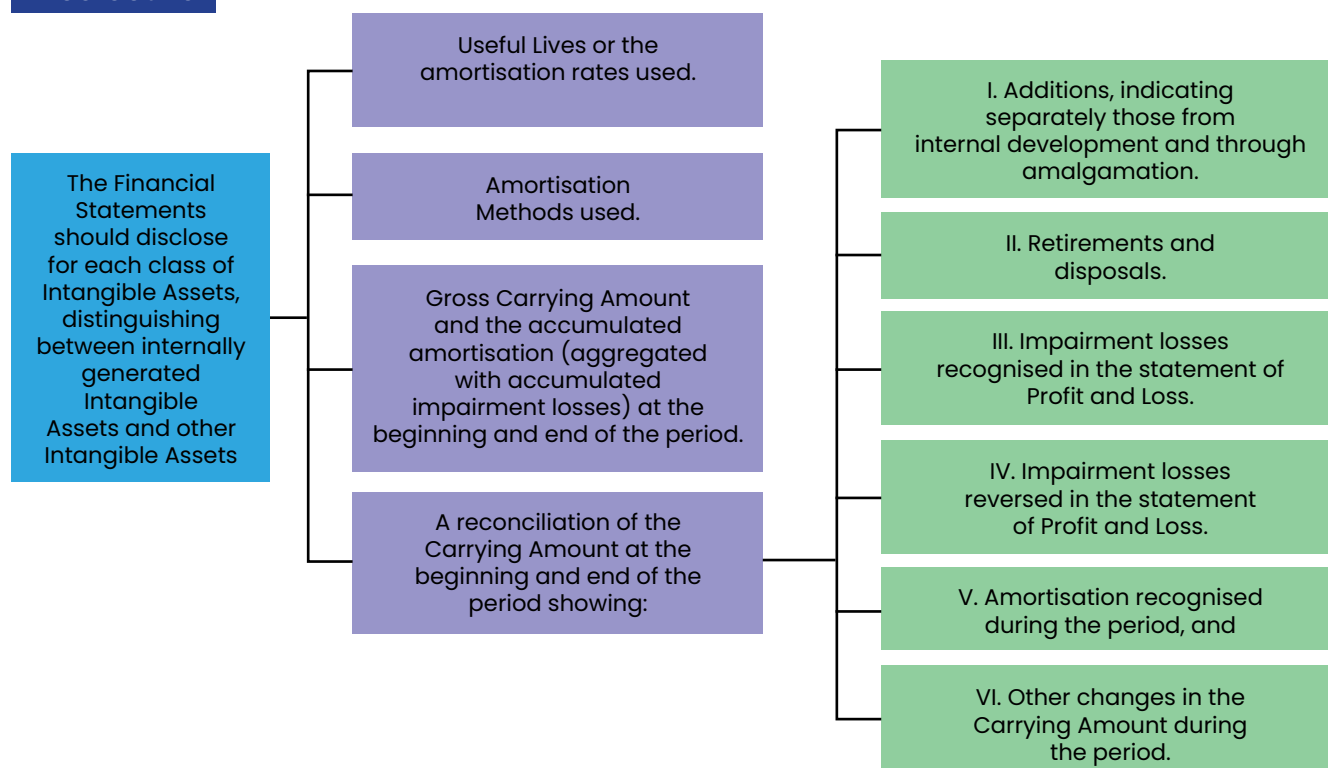
The Amortisation Period and the Amortisation Method should be Reviewed at least at each Financial Year-end.

If there has been a significant change in the expected pattern of economic benefits from the asset, the Amortisation Method should be changed to reflect the changed pattern.

Retirements and Disposals



Gains or Losses arising from the retirement or disposal of an Intangible Asset should be determined as the difference between the net disposal proceeds and the Carrying Amount of the asset and should be recognised as income or expense in the Statement of Profit and Loss.

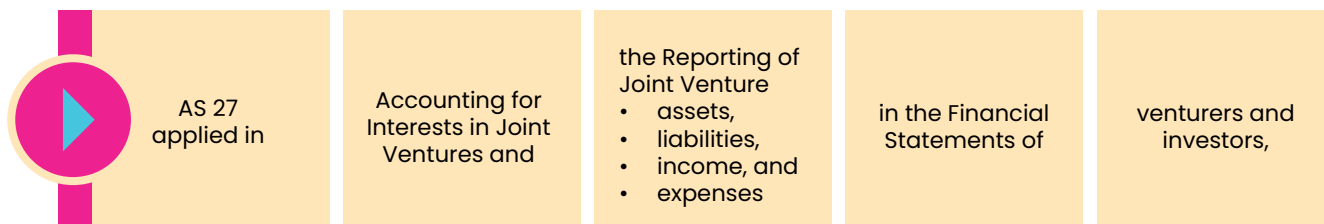
Disclosure**Other Disclosures**

The Financial Statements should also disclose:

- If an Intangible Asset is amortised over more than ten years, the reasons why it is presumed that the Useful Life of an Intangible Asset will exceed ten years from the date when the asset is available for use.
- A description, the Carrying Amount and remaining amortisation period of any individual Intangible Asset that is material to the Financial Statements of the enterprise as a whole.
- The Existence and Carrying Amounts of Intangible Assets whose title is restricted and the Carrying Amounts of Intangible Assets pledged as security for liabilities, and
- The amount of commitments for the acquisition of Intangible Assets.

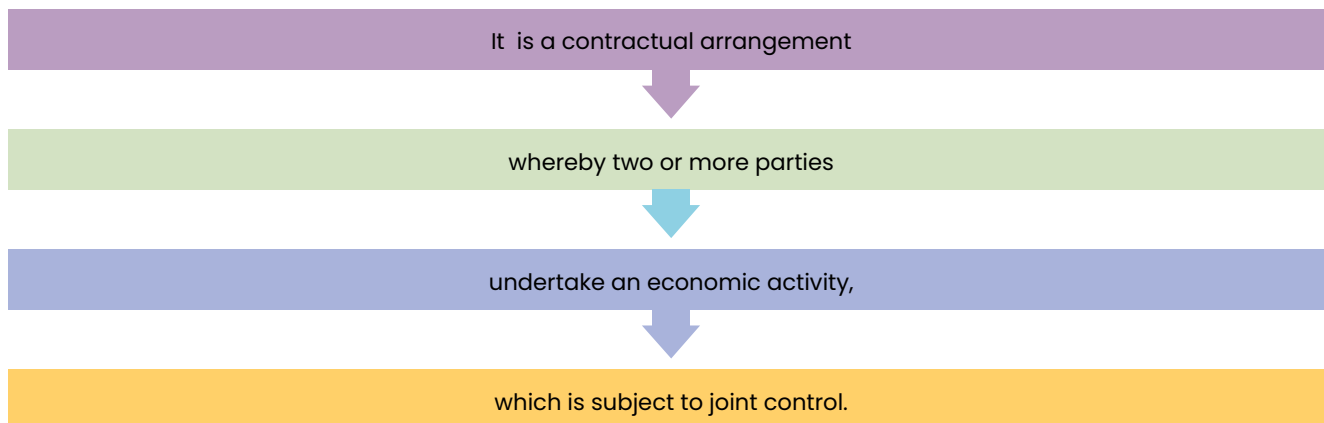
AS 27 "Financial Reporting of Interests in Joint Ventures"

Scope

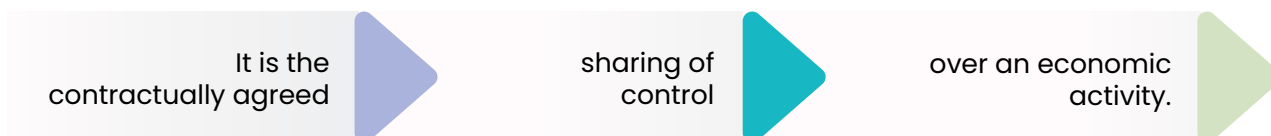


Definitions

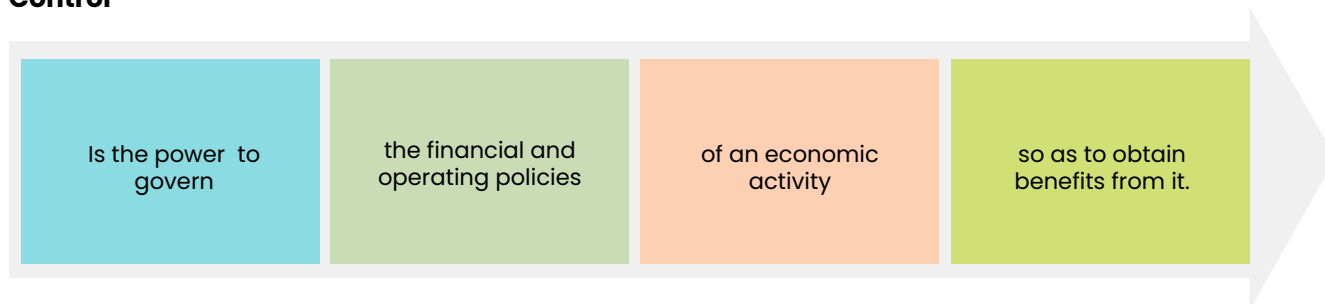
Joint Venture



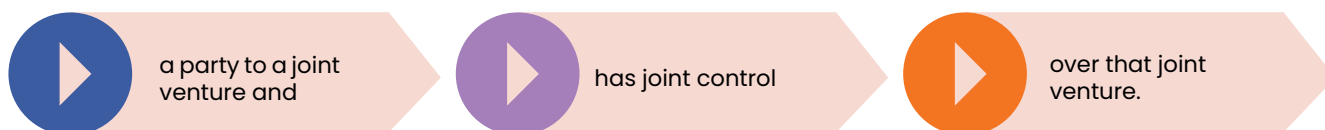
Joint Control



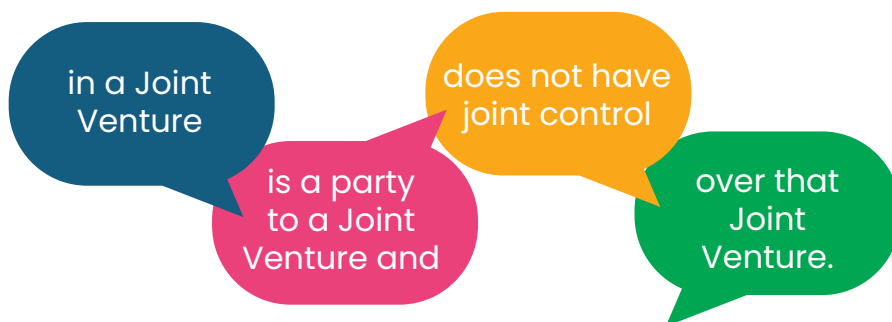
Control



Venturer



Investor



Forms of Joint Ventures:

Jointly Controlled Operation (JCO)

key features of JCO:

- a. Each venturer has his own separate business.
- b. There is no separate entity for joint venture business.
- c. All venturers are creating their own assets and maintaining them.
- d. Each venturer records only his own transactions without any separate set of Books maintained for the Joint Venture business.
- e. There is a common agreement between all of them.
- f. Venturers use their assets for the Joint Venture business.
- g. Venturers met the liabilities created by them for the Joint Venture business.
- h. Venturers met the expenses of the Joint Venture business from their funds.
- i. Any revenue generated or income earned from the Joint Venture is shared by the venturers as per the contract

Accounting in the Books of venturer's
Separate & Consolidated Financial
Statements



Venturer should recognise, in its Separate & Consolidated Financial Statements:

- assets that it controls
- liabilities that it incurs
- expenses that it incurs
- its share of the income that it earns from the Joint Venture

Jointly Controlled Assets

There is no separate legal identity.



There is a common control over the joint assets.



Venturers use this asset to derive some economic benefit for themselves.



Each venturer incurs separate expenses for their transactions.



Expenses on jointly held assets are shared by the venturers as per the contract.

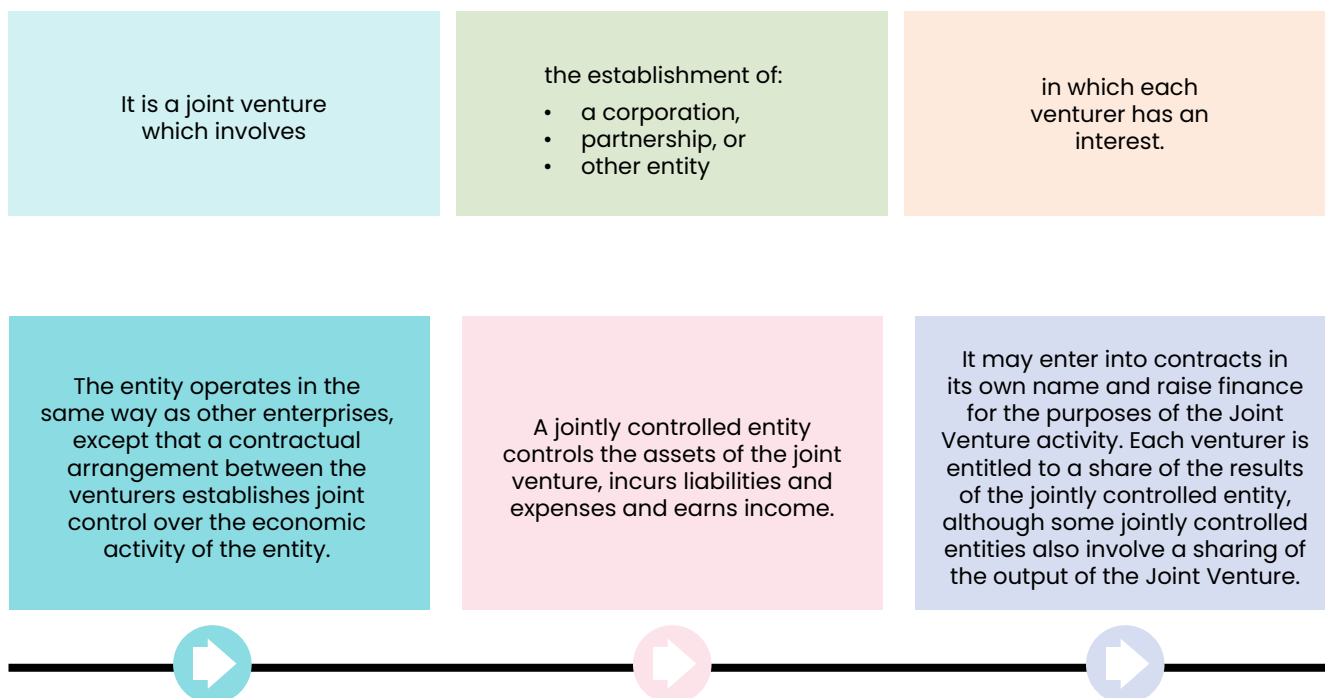
Accounting in the books of venturer's Separate & Consolidated Financial Statements



Venturer should recognise, in its Separate and Consolidated Financial Statements:

- its share of the jointly controlled assets, classified according to the nature of the assets
- any liabilities which it has incurred and its share of any liabilities incurred jointly with the other venturers in relation to the Joint Venture
- any income from the sale or use of its share of the output of the Joint Venture, together with its share of any expenses incurred by the Joint Venture and any expenses which it has incurred in respect of its interest in the joint venture.

Jointly Controlled Entities



Accounting in the Books of Venturer

Separate Financial Statements

- Interest in a jointly controlled entity should be accounted for as an investment in accordance with AS 13.

Consolidated Financial Statements

- A venturer should report its interest in a jointly controlled entity using Proportionate Consolidation* except an interest in a jointly controlled entity which:
 - is acquired and held exclusively with a view to its subsequent disposal in the near future
 - operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer.
- Such interests should be accounted for as an investment in accordance with AS 13.
- Venturer is a party to a joint venture and has joint control over that Joint Venture.

*Proportionate Consolidation is a method of accounting and reporting whereby a venturer's share of each of the:

- assets
- liabilities
- income
- expenses

of a jointly controlled entity is reported as separate line items in the venturer's consolidated financial statements.

Jointly Controlled Entities: Further Considerations

Computation of Goodwill/Capital Reserve

Goodwill



Costs of venturer's interest in the jointly controlled entity > Venturer's share of net assets of the jointly controlled entity on date of acquisition of interest

Capital Reserve



Costs of venturer's interest in the jointly controlled entity < Venturer's share of net assets of the jointly controlled entity on date of acquisition of interest

Reporting Date



The Financial Statements of the jointly controlled entity used in applying Proportionate Consolidation are usually drawn up to the same date as the Financial Statements of the venturer.

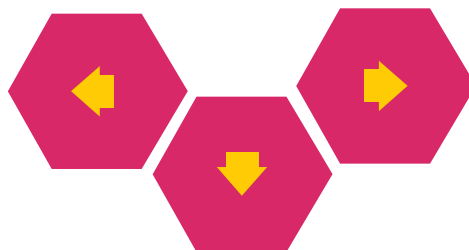
When it is impracticable to do this, Financial Statements drawn up to Different Reporting Dates may be used provided the difference in Reporting Dates is not more than six months.



In such a case, adjustments are made for the effects of significant transactions or other events that occur between the Date of Financial Statements of the jointly controlled entity and the Date of the Venturer's Financial Statements.

Uniform Accounting Policies

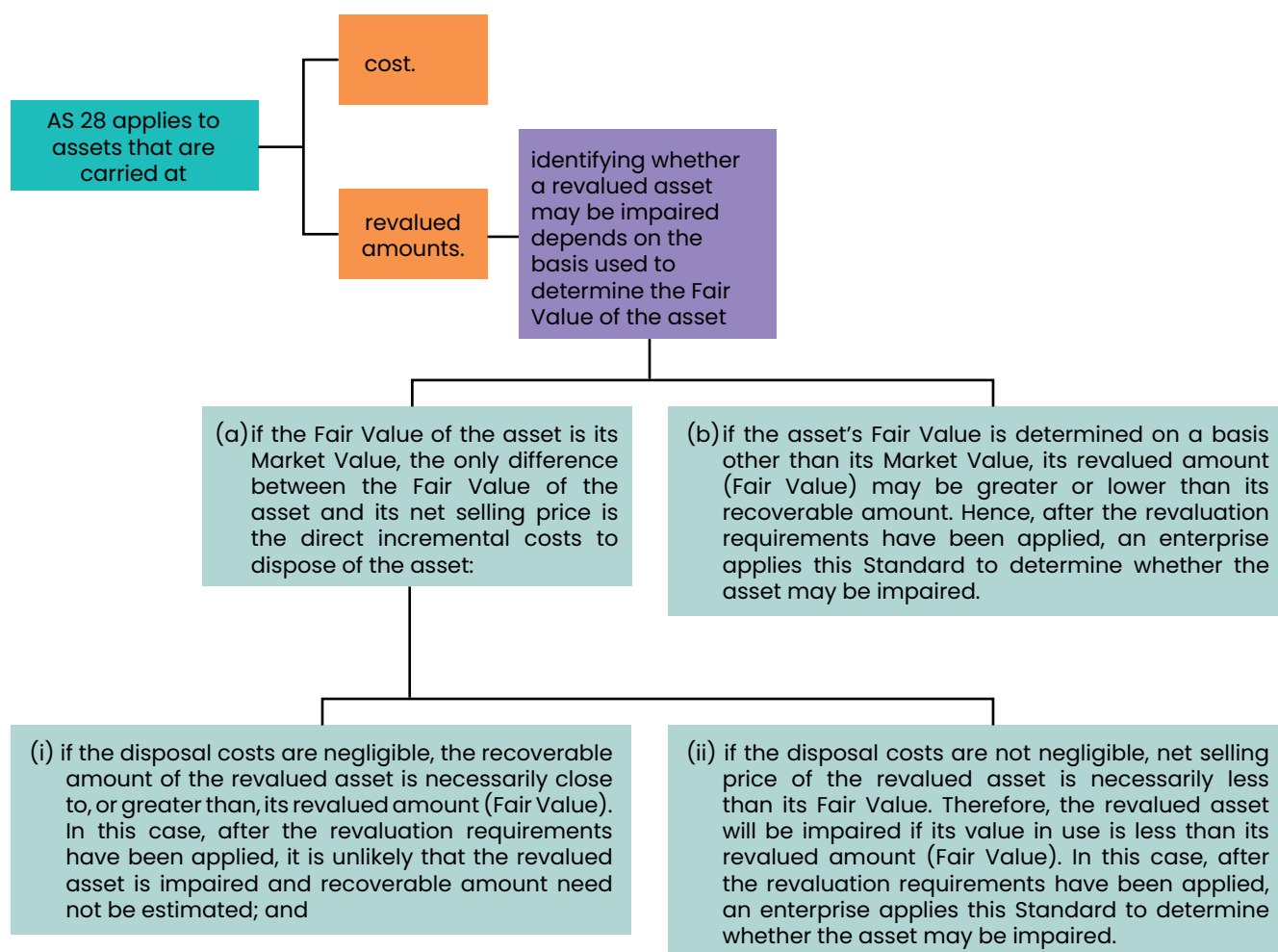
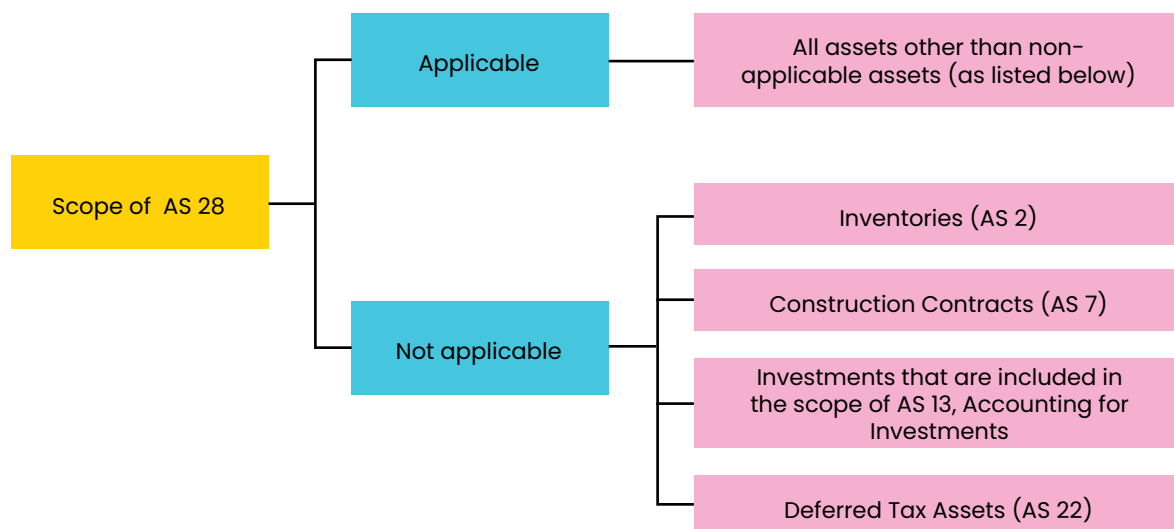
The venturer usually prepares Consolidated Financial Statements using Uniform Accounting Policies for like transactions and events in similar circumstances.



If it is not practicable to do so, that fact is disclosed together with the proportions of the items in the Consolidated Financial Statements to which the different Accounting Policies have been applied

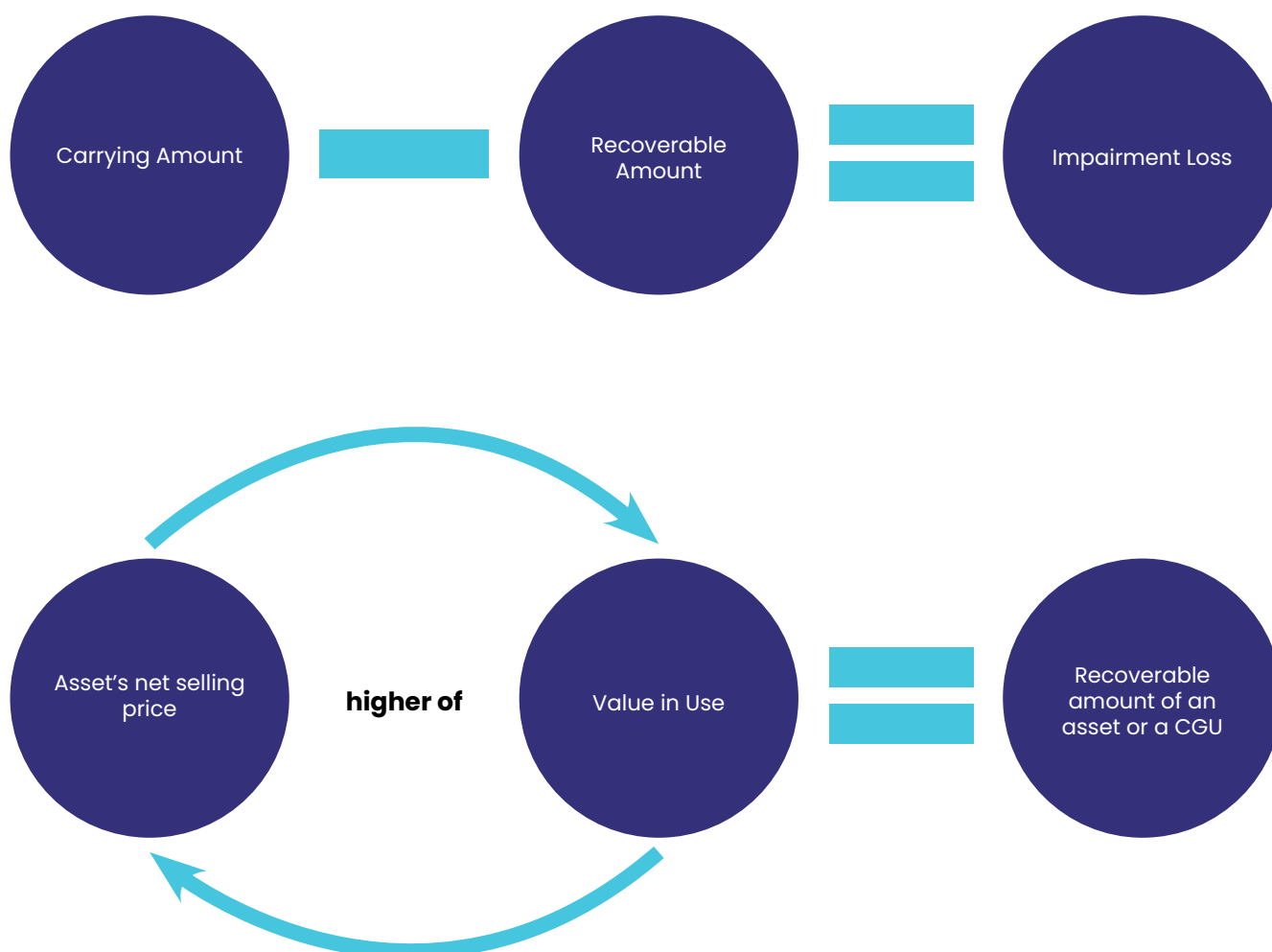
In case a jointly controlled entity uses Accounting Policies other than those adopted for the Consolidated Financial Statements for like transactions and events in similar circumstances, appropriate adjustments are made to the Financial Statements of the jointly controlled entity when they are used by the venturer in applying Proportionate Consolidation.

AS 28 "Impairment of Assets"

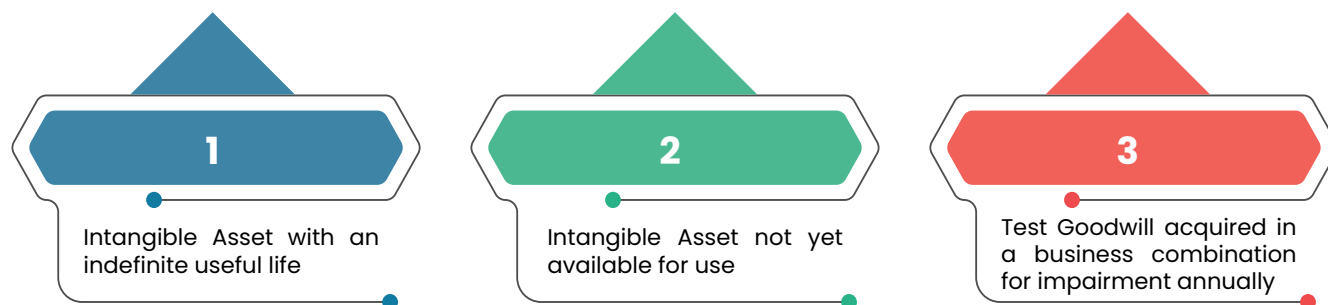


Important Definitions

Cash-generating Unit (CGU)	It is the smallest identifiable group of assets. This group of assets generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
Corporate Assets	They are assets other than Goodwill that contribute to the future Cash Flows of both the Cash-generating Unit under review and other Cash-generating Units.
Costs of Disposal	Costs of Disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income-tax expense.
Value in Use	Value in Use is the present value of estimated future Cash Flows expected to arise from the continuing use of an asset and from its disposal at the end of its Useful Life.



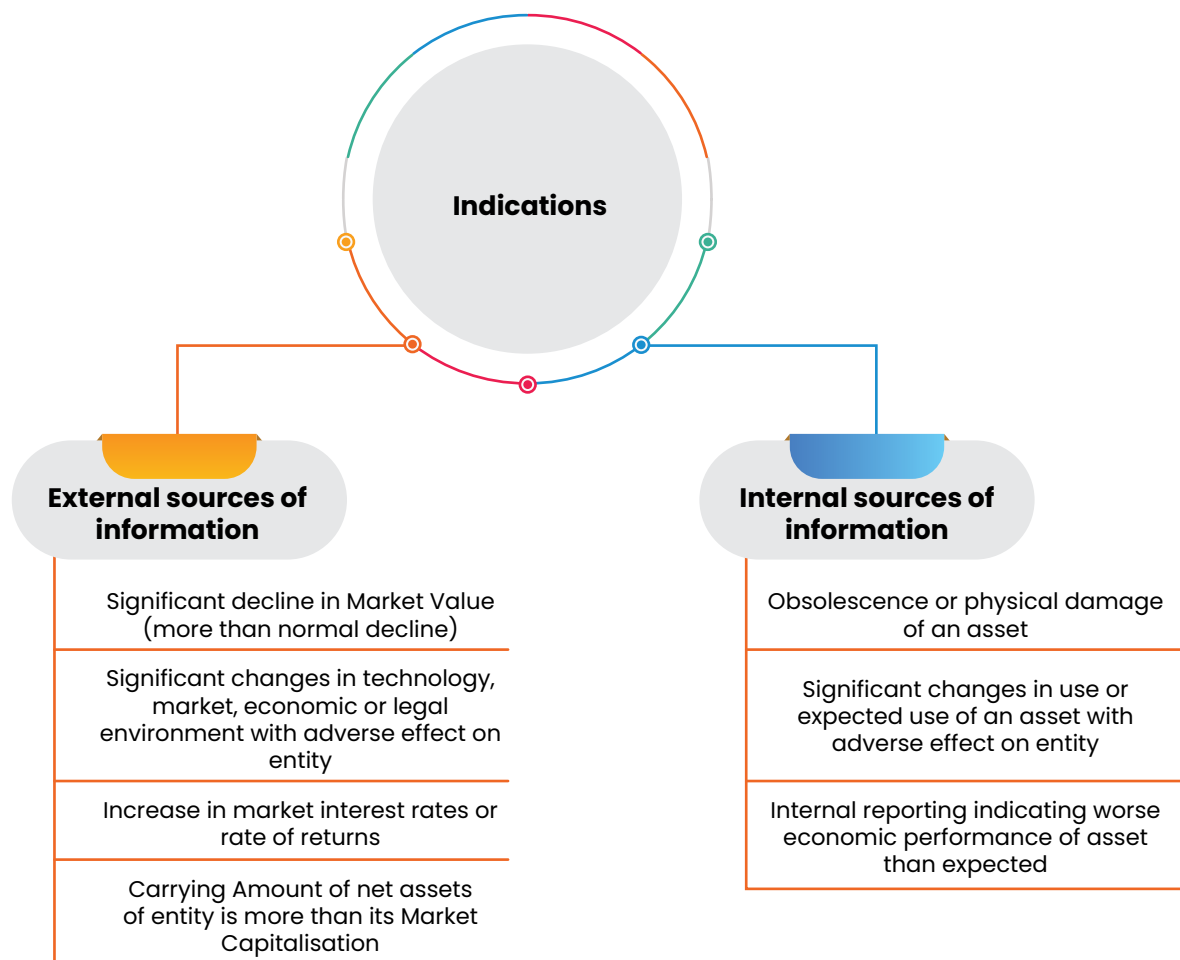
Assessment of impairment shall be done annually of following assets irrespective of whether there is any indication of impairment:



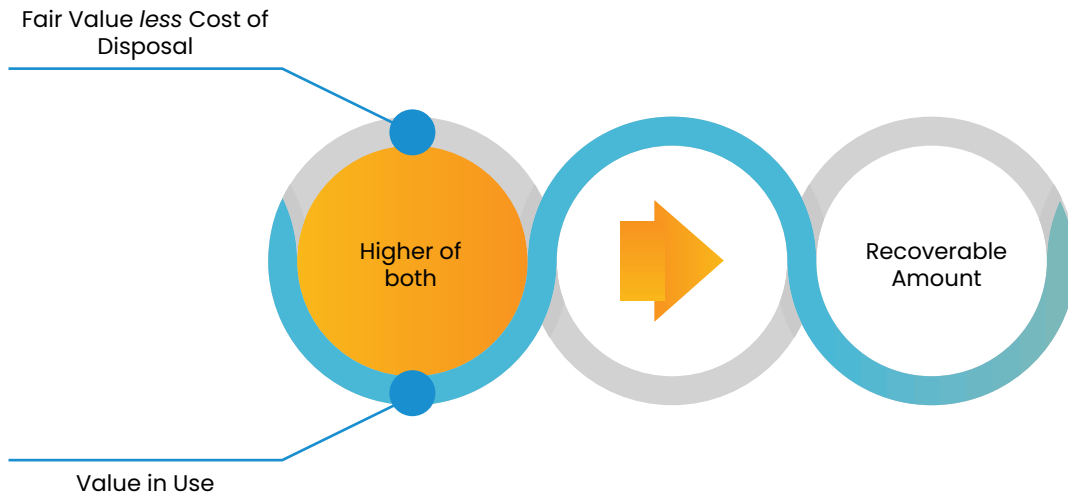
Note:

- 1 The concept of materiality applies in identifying whether the recoverable amount of an asset needs to be estimated.
- 2 If previous calculations show that an asset's recoverable amount is significantly greater than its Carrying Amount and no significant event had occurred which will change the difference, there is no need for annual assessment of impairment.
- 3 If indication of impairment exists then remaining Useful Life, the Depreciation (Amortisation) Method or the Residual Value of the asset should be reviewed and adjusted, even if no impairment loss is recognised for the asset.

Indications for impairment:



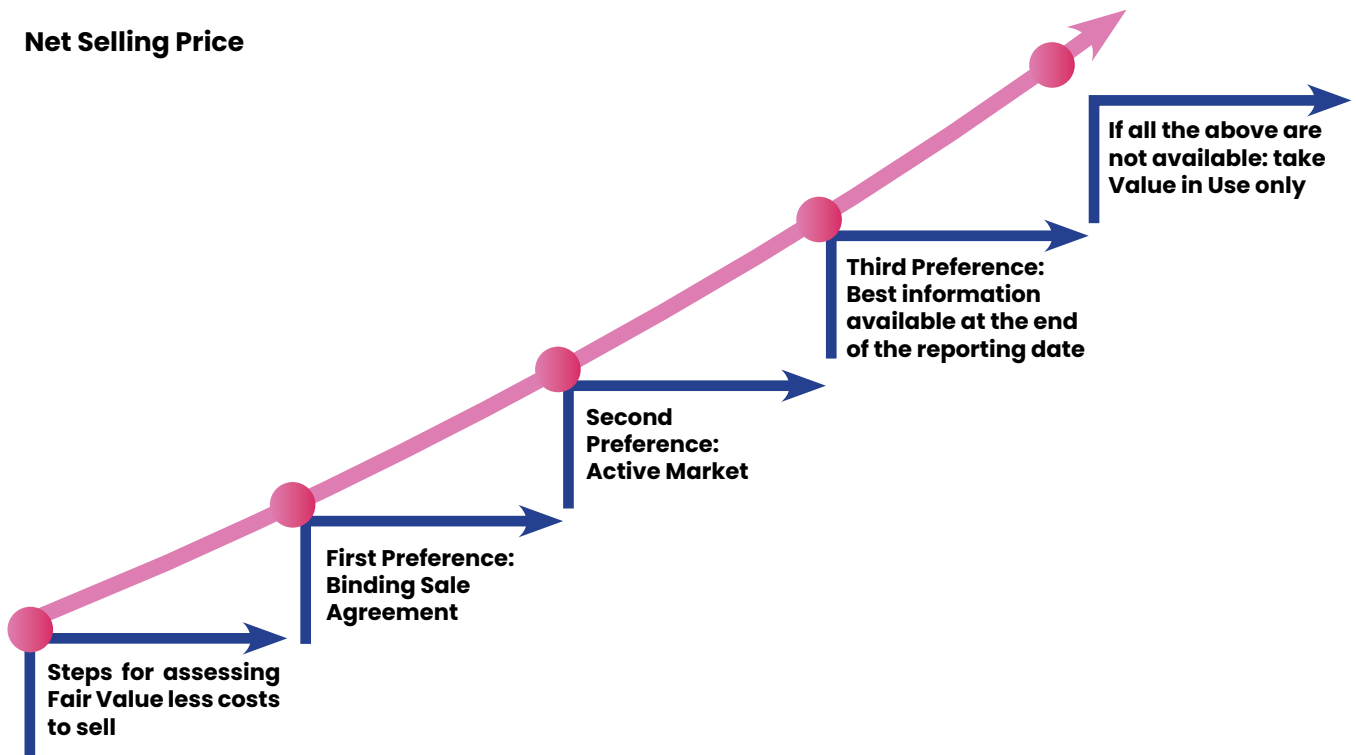
Measurement of Recoverable Amount



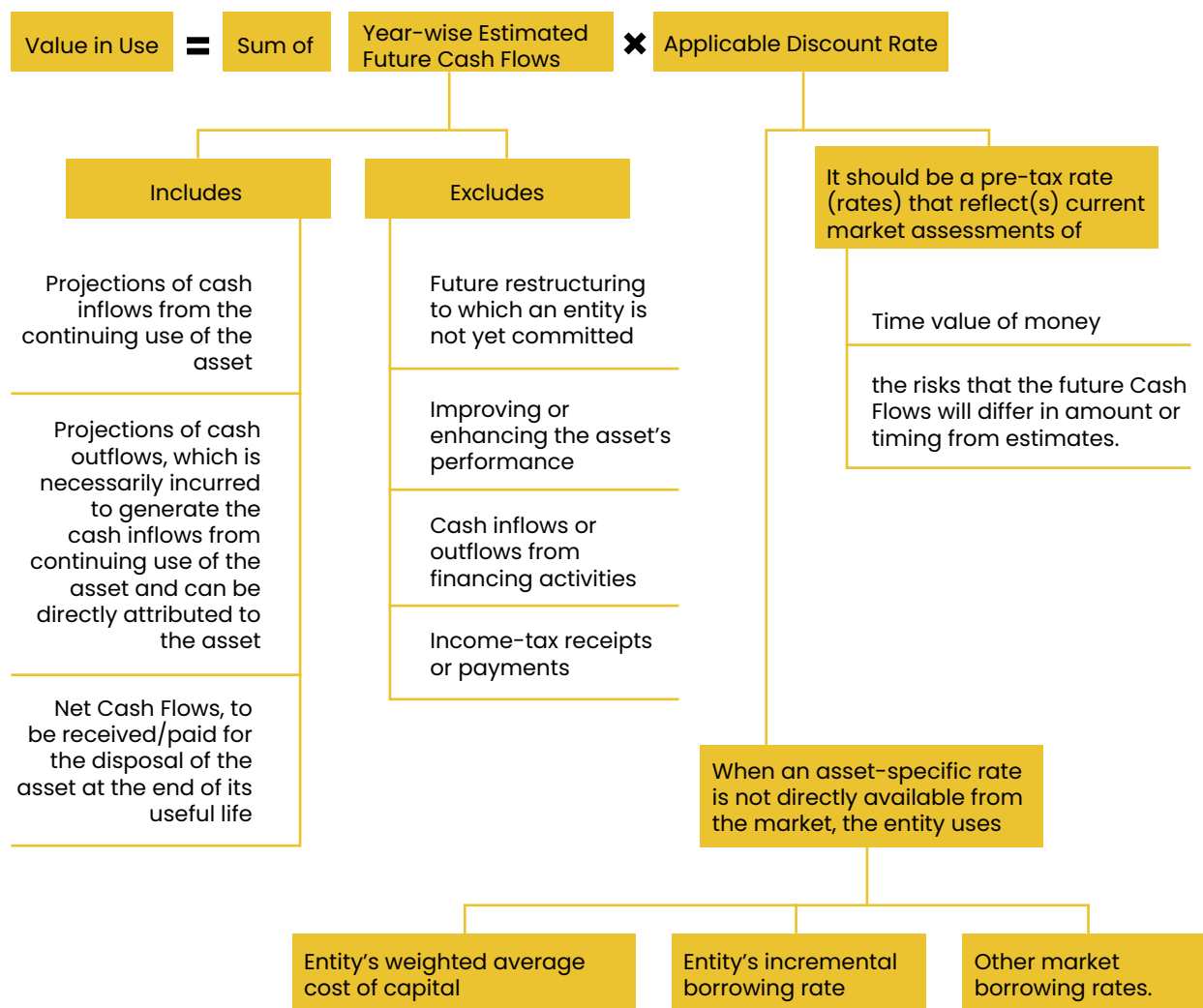
Circumstances in which it is not necessary to calculate both an asset's Fair Value less costs of disposal and its Value in Use

1. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.
2. When net selling price would not be possible to be measured due to various reasons, the entity may use the asset's Value in Use as its recoverable amount.
3. In case of an asset held for disposal, If there is no reason to believe that an asset's Value in Use materially exceeds its net selling price, the asset's recoverable amount may be taken to be its net selling price

Net Selling Price



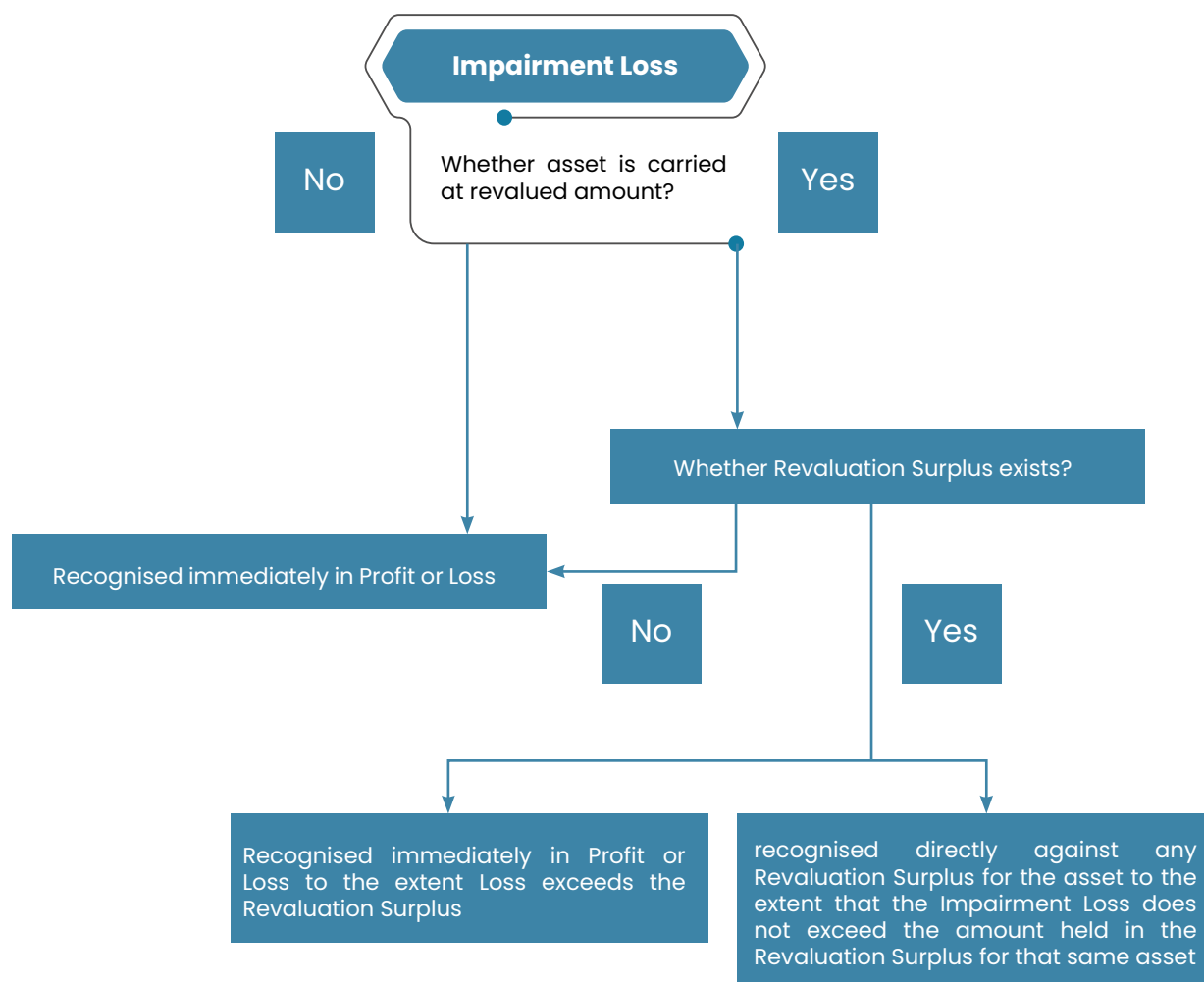
Value In Use



Note:

Future Cash Flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. An enterprise translates the present value obtained using the exchange rate at the Balance Sheet date (as per AS 11)

Recognising and Measuring an Impairment Loss other than Goodwill

**Note:**

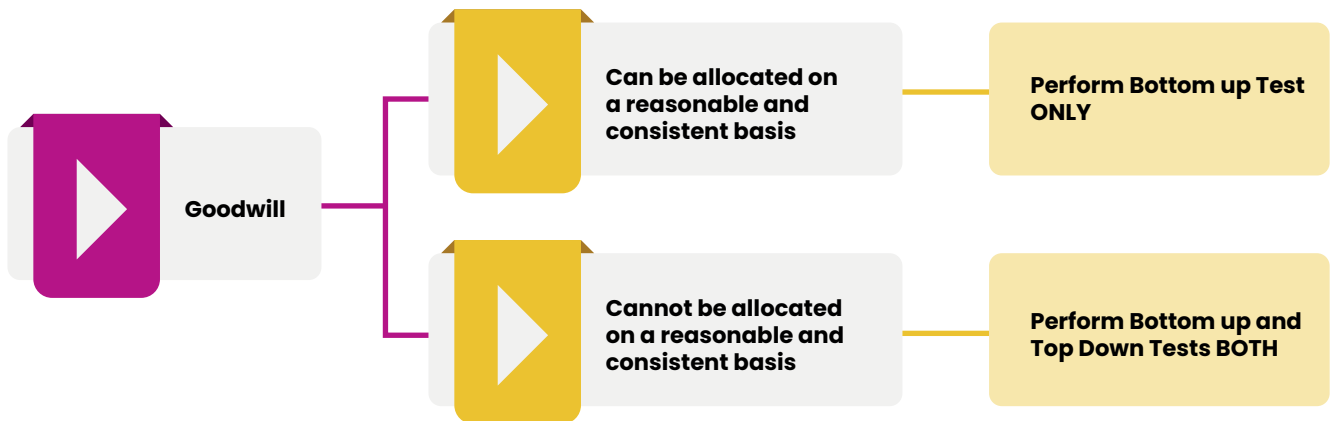
1. Any Impairment Loss of a revalued asset shall be treated as a revaluation decrease as per other Standard.
2. When the amount estimated for an Impairment Loss is greater than the Carrying Amount of the asset to which it relates, an entity shall recognise a liability, if required.
3. After the recognition of an Impairment Loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised Carrying Amount, less its Residual Value (if any), on a systematic basis over its remaining Useful Life.
4. If an Impairment Loss is recognised, any related deferred tax assets or liabilities are determined in accordance with AS 22.

Recognition and Measurement of an Impairment Loss for a Cash-Generating Unit and Goodwill

S. No.	Particular	
A.	Identification of Cash-Generating Units	<ul style="list-style-type: none"> Firstly, Recoverable Amount shall be estimated for the individual asset. If it is not possible to estimate the Recoverable Amount of the individual asset, an entity is required to determine the Recoverable Amount of the Cash-Generating Unit to which the asset belongs (i.e. the asset's Cash-Generating Unit). The Recoverable Amount of an individual asset cannot be determined if: <ol style="list-style-type: none"> the asset's Value in Use cannot be estimated to be close to its Net Selling Price; and the asset does not generate cash inflows that are largely independent of those from other assets. In such cases, Value in Use and Recoverable Amount, can be determined only for the asset's Cash-Generating Unit. If Recoverable Amount cannot be determined for an individual asset, an entity identifies the lowest aggregation of assets that generate largely independent cash inflows. If an Active Market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a Cash-Generating Unit, even if some or all of the output is used internally.
B.	Allocation of Assets and Liabilities to CGUs	<ul style="list-style-type: none"> The Carrying Amount of a Cash-Generating Unit: <ol style="list-style-type: none"> includes the Carrying Amount of only those assets that can be attributed directly, or allocated on a reasonable and consistent basis, to the Cash-Generating Unit and will generate the future cash inflows used in determining the Cash-Generating Unit's Value in Use; and does not include the Carrying Amount of any recognised liability, unless the Recoverable Amount of the Cash-Generating Unit cannot be determined without consideration of this liability. To perform a meaningful comparison between the Carrying Amount of the Cash-Generating Unit and its Recoverable Amount, the Carrying Amount of the liability is deducted in determining both the Cash-Generating Unit's Value in Use and its Carrying Amount.
C.	Timing of Impairment Tests	<ul style="list-style-type: none"> Impairment Test for a Cash-Generating Unit to which Goodwill has been allocated shall be performed annually. If some or all of the Goodwill allocated to a Cash-Generating Unit was acquired in a business combination during the current annual period, that Unit shall be tested for impairment before the end of the current annual period.

Goodwill

Goodwill does not generate Cash Flows independently from other assets or groups of assets and, therefore, the Recoverable Amount of Goodwill as an individual asset cannot be determined.



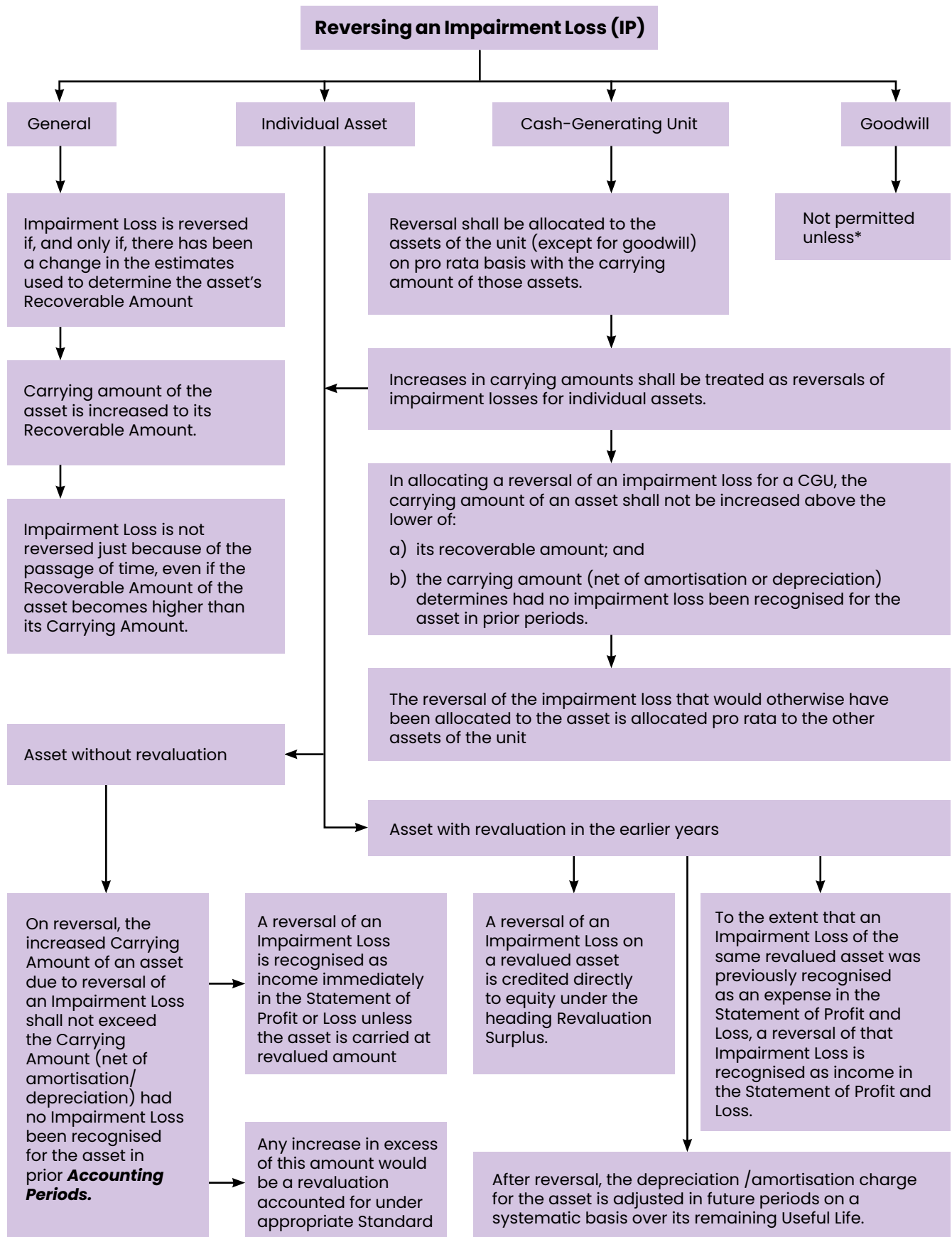
Corporate Assets

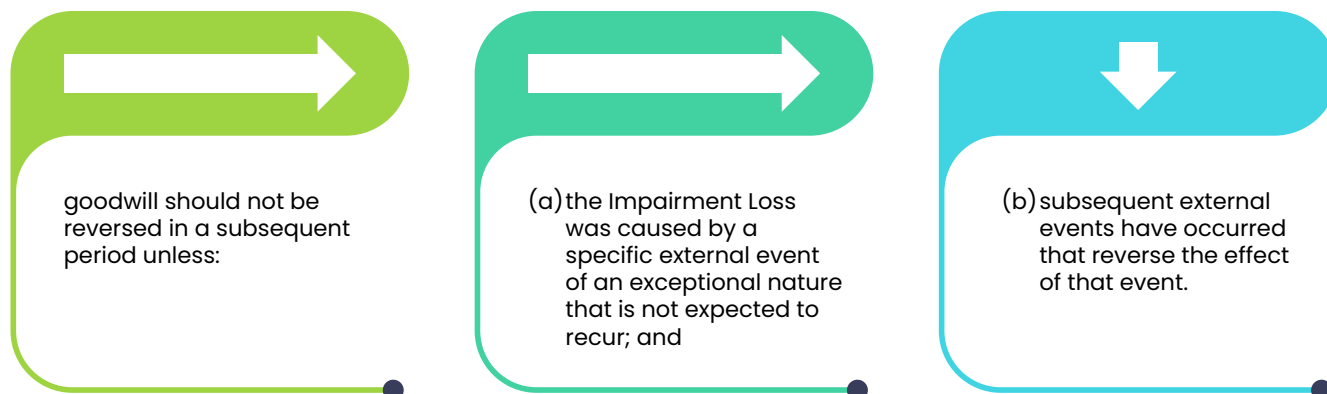
Corporate Assets include group or divisional assets such as the Building of a Headquarters or a Division of the Enterprise, EDP equipment or a Research Centre. Key characteristics of Corporate Assets are that they do not generate cash inflows independently from other assets or groups of assets and their Carrying Amount cannot be fully attributed to the Cash-Generating Unit under review.

In testing a Cash-Generating Unit for impairment, an enterprise should identify all the Corporate Assets that relate to the Cash-Generating Unit under review. For each identified Corporate Asset:

- If the Carrying Amount of the Corporate Asset can be allocated on a reasonable and consistent basis to the Cash-Generating Unit under review, an enterprise should apply the 'Bottom-up' Test only; and
- If the Carrying Amount of the Corporate Asset cannot be allocated on a reasonable and consistent basis to the Cash-Generating Unit under review, an enterprise should apply both the 'Bottom-up' and 'Top-Down' Tests.





***Reversal of an Impairment Loss for Goodwill**

AS 29 “Provisions, Contingent Liabilities and Contingent Assets”

Introduction

AS 29 lays down Appropriate Accounting for Contingent Liabilities and Contingent Assets. The objective of AS 29 (Revised) is to ensure appropriate Recognition criteria and Measurement bases are applied to Provisions of Contingent Liabilities and selective Contingent Assets.

Scope

AS 29 should be applied in Accounting for Provisions of Contingent Liabilities and in dealing with Contingent Assets, other than:

Those resulting from financial instruments that are carried at Fair Value; those resulting from Executory Contracts except where the contract is onerous*; those arising in insurance enterprises from contracts with policyholders; and Those covered by another Accounting Standard.

*** An ‘onerous contract’ is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.**

Key Terms

1

Executory contracts are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.

2

A Provision is a liability which can be measured only by using a substantial degree of estimation.

3

A Liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

4

An Obligating event is an event that creates an obligation that results in an enterprise having no realistic alternative to settling that obligation.

A Contingent Liability is:

(a) A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or

(b) A present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) A reliable estimate of the amount of the obligation cannot be made.

A **Contingent Asset** is a possible asset that arises from past events the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the enterprise.

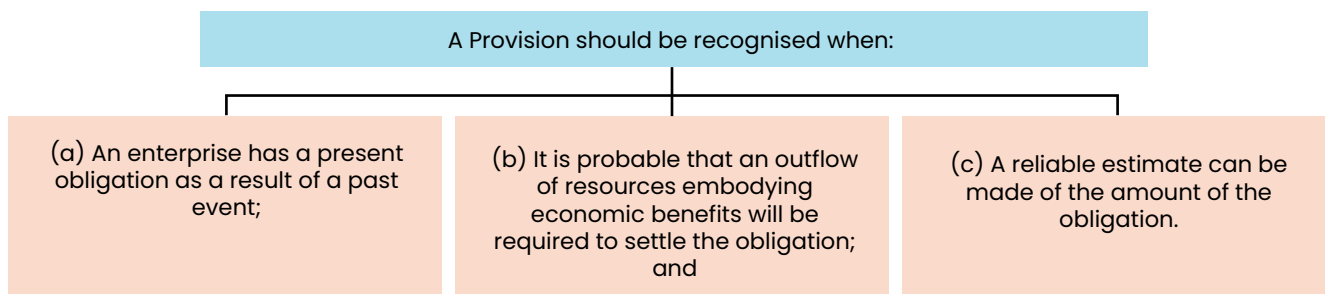
Present Obligation – an obligation is a Present Obligation if, based on the evidence available, its existence at the Balance Sheet date is considered probable, i.e., more likely than not

Possible Obligation – an obligation is a Possible Obligation if, based on the evidence available, its existence at the Balance Sheet date is considered not probable.

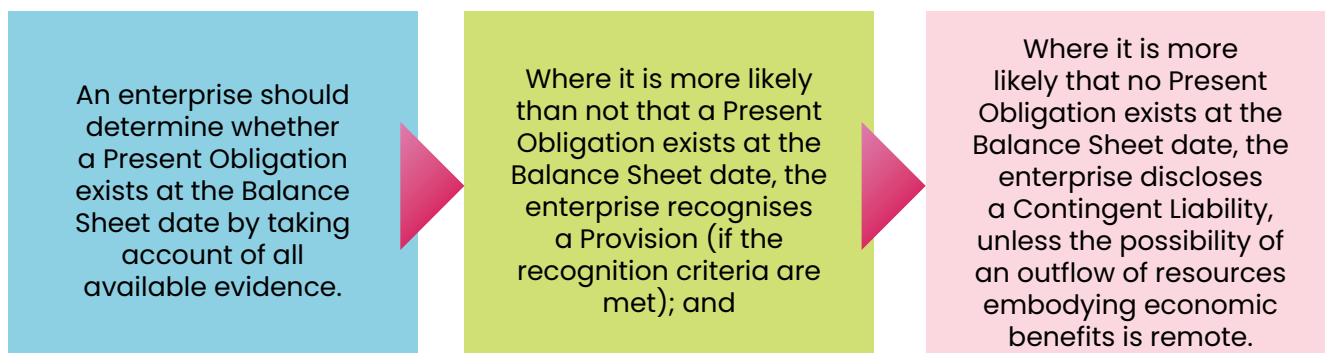
A Restructuring is a programme that is planned and controlled by Management, and materially changes either:

- (a) The scope of a business undertaken by an enterprise; or
- (b) The manner in which that business is conducted.

Provisions



Present Obligation



Past Event

A Past Event that leads to a Present Obligation is called an Obligating Event. For an event to be an Obligating Event, it is necessary that the enterprise has no realistic alternative to settling the obligation created by the event.

No Provision is recognised for costs that need to be incurred to operate in the future. The only liabilities recognised in an enterprise's Balance Sheet are those that exist at the Balance Sheet date.

It is only those obligations arising from past events existing independently of an enterprise's future actions that are recognised as Provisions.

An event that does not give rise to an obligation immediately may do so at a later date, because of changes in the law. However, the causing of the damage will become an Obligating Event when a new law requires the existing damage to be rectified.

Probable Outflow of Resources Embodying Economic Benefits

For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. An outflow of resources or other event is regarded as probable if the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an enterprise discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Where there are a number of similar obligations (e.g., product warranties or similar contracts) the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognised (if the other recognition criteria are met).

Reliable Estimate of the Obligation

The use of estimates is an inherent part of preparing Financial Statements and does not undermine their reliability. Provisions require a greater degree of estimation than most other items, but it should not be impossible to determine a range of possible outcomes.

In the extremely rare case where no reliable estimate can be made, a liability exists that cannot be recognised. That liability will, instead, be disclosed as a Contingent Liability.

Contingent Liabilities



An enterprise should not recognise a Contingent Liability but it should be disclosed. A Contingent Liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.



Where an enterprise is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a Contingent Liability. The enterprise recognises a Provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets

Contingent Assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the enterprise.

An enterprise should not recognise a Contingent Asset, since this may result in the recognition of income that may never be realised.

A Contingent Asset is not disclosed in the Financial Statements. It is usually disclosed in the Report of the Approving Authority where an inflow of economic benefits is probable.

Contingent Assets are assessed continually and if it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised.

Table- Provisions and Contingent Liabilities

Where, as a result of past events, there may be an outflow of resources embodying future economic benefits in settlement of:

(a) a Present Obligation the one whose existence at the Balance Sheet date is considered probable; or

(b) a Possible Obligation the existence of which at the Balance Sheet date is considered not probable.

There is a Present Obligation that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation.	There is a Possible Obligation or a Present Obligation that may, but probably will not, require an outflow of resources.	There is a Possible Obligation or a Present Obligation where the likelihood of an outflow of resources is remote.
A Provision is recognised. Disclosures are required for the provision.	No Provision is recognised. Disclosures are required for the Contingent Liability.	No Provision is recognised. No Disclosure is required.

Measurement- Best Estimate

The amount recognised as a provision should be the Best Estimate of the expenditure required to settle the Present Obligation at the Balance Sheet date.

The estimates of outcome and financial effect are determined by the judgment of the Management of the enterprise, supplemented by experience of similar transactions and, in some cases, reports from independent experts.

Risks and Uncertainties

The Risks and Uncertainties that inevitably surround many events and circumstances should be taken into account in reaching the best estimate of a Provision.

Future Events

It is only those obligations arising from past events that exist independently of the enterprise's Future Actions that are recognised as Provisions.

Future Events that may affect the amount required to settle an obligation should be reflected in the amount of a Provision where there is sufficient objective evidence that they will occur.

The effect of possible new legislation is taken into consideration in measuring an existing obligation when sufficient objective evidence exists that the legislation is virtually certain to be enacted.

Expected Disposal of Assets



Gains on the expected disposal of assets are not taken into account in measuring a Provision, even if the expected disposal is closely linked to the event giving rise to the Provision. Instead, an enterprise recognises Gains on expected disposals of assets at the time specified by the Accounting Standard dealing with the assets concerned.

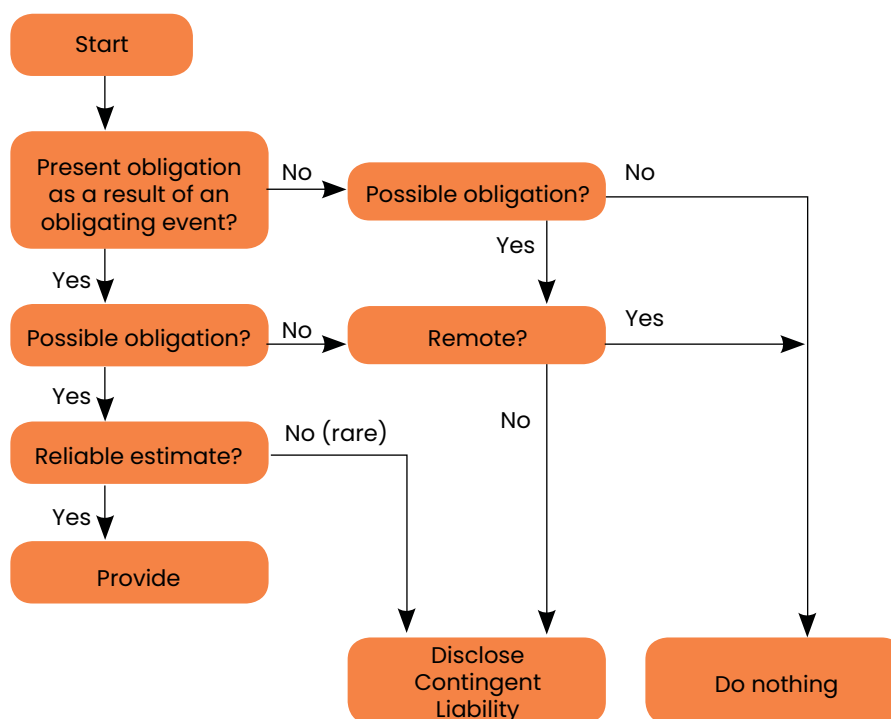
Reimbursements



Where some or all of the expenditure required to settle a Provision is expected to be reimbursed by another party, the reimbursement should be recognised when, and only when, it is virtually certain that reimbursement will be received if the enterprise settles the obligation.

Some or all of the expenditure required to settle a Provision is expected to be reimbursed by another Party.		
The enterprise has no obligation for the part of the expenditure to be reimbursed by the other Party.	The obligation for the amount expected to be reimbursed remains with the enterprise and it is virtually certain that reimbursement will be received if the enterprise settles the provision.	The obligation for the amount expected to be reimbursed remains with the enterprise and the reimbursement is not virtually certain if the enterprise settles the provision.
The enterprise has no liability for the amount to be reimbursed.	The reimbursement is recognised as a separate asset in the Balance Sheet and may be offset against the expense in the statement of Profit and Loss. The amount recognised for the expected reimbursement does not exceed the liability.	The expected reimbursement is not recognised as an asset.
No disclosure is required.	The reimbursement is disclosed together with the amount recognised for the reimbursement.	The expected reimbursement is disclosed.

Decision Tree



Changes in Provisions

Provisions should be reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the Provision should be reversed.

Note: As per the Amendment made in AS 29 (Revised) pursuant to MCA Notification dated 30 March 2016, effective from financial year 2016-17, all the existing Provisions for decommissioning, restoration and similar liabilities should be discounted prospectively, with the corresponding effect to the related item of Property, Plant and Equipment.

Use of Provisions

A Provision should be used only for expenditures for which the Provision was originally recognised. Only expenditures that relate to the original Provision are adjusted against it.

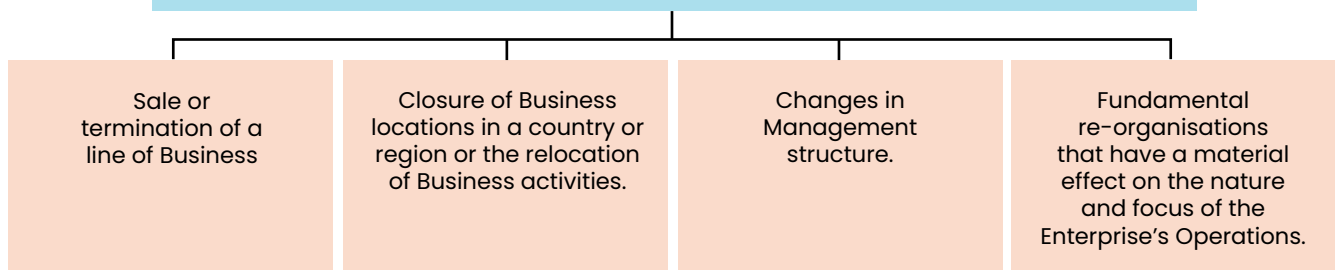
Application of Recognition and Measurement Rules

Future Operating Losses

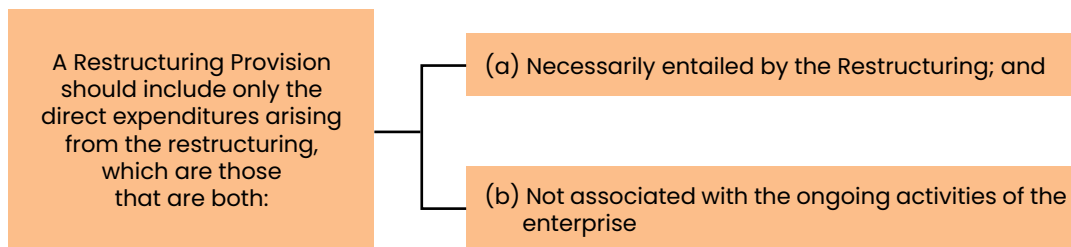
Future Operating Losses do not meet the definition of a Liability and the General Recognition Criteria, therefore Provisions should not be made for Future Operating Losses.

Restructuring

The following are examples of events that may fall under the definition of Restructuring:



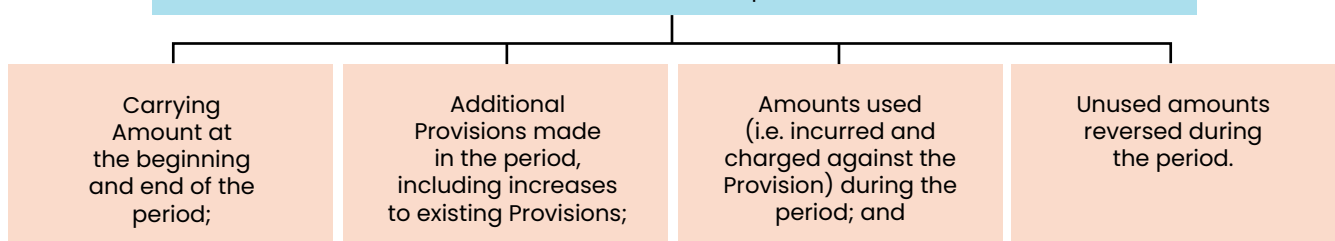
A Provision for Restructuring Costs is recognised only when the Recognition Criteria for Provisions are met. No obligation arises for the sale of an operation until the enterprise is committed to the sale, i.e., there is a Binding Sale Agreement.

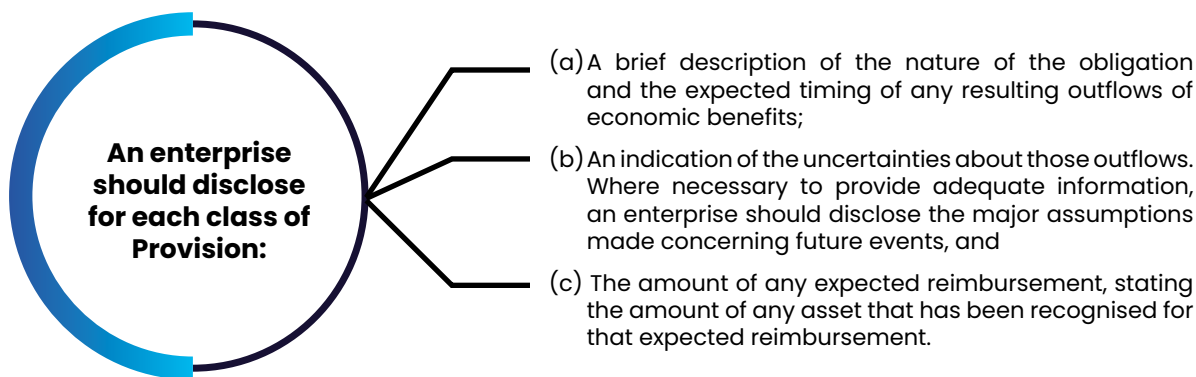


Identifiable future operating losses up to the date of a restructuring are not included in a Provision. Gains on the expected disposal of assets are not taken into account in measuring a restructuring provision, even if the Sale of Assets is envisaged as part of the Restructuring.

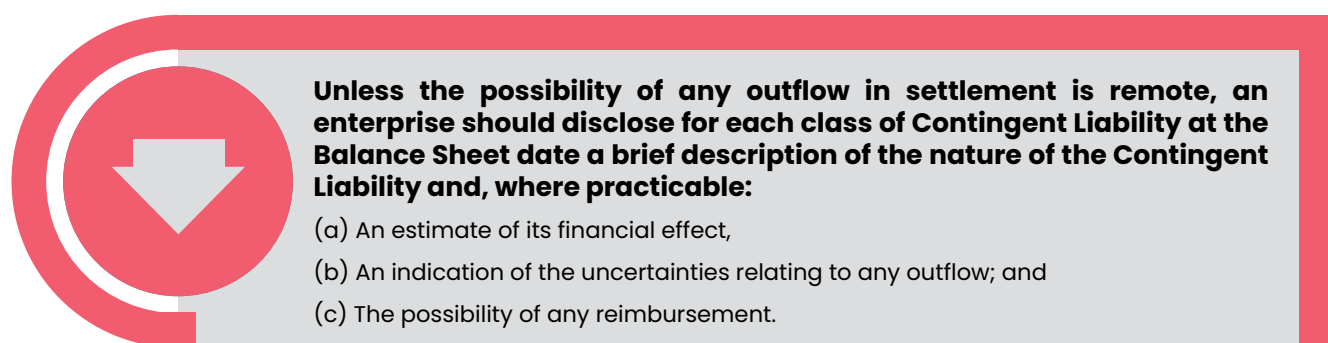
Disclosure

For each class of Provision, an enterprise should disclose:





Note: SMCs are exempt from the above disclosure requirements.



Where any of the information required by the Standard is not disclosed because it is not practicable to do so, that fact should be stated.



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Board of Studies

The Institute of Chartered Accountants of India

ICAI Bhawan, A-29,

Sector-62, Noida 201 309

E-mail: bosnoida@icai.in

Phone: 0120 - 3045930

<https://boslive.icai.org>
www.icai.org



SARANSH-010-0124