CA INTER
ADVANCED ACCCOUNTS

QUICK RECAP
of Top Adjustments/Concepts
(By CA. Jai Chawla)

AS 2 – VALUAITON OF INVENTORIES

Concept 1:

CALCULATION OF COST OF RM CONSUMED AND COST OF FINISHED GOODS PRODUCED

Cost Per Unit of RM Consumed	Total Purchase Value (Outflow in Rs.) Total Units Purchased – Normal wastage
Bifurcation of Units Purchased	Total Units Purchased (-) Normal Wastage **(=) Remaining Units (including Abnormal loss)** Out of above Remaining units, following working is required: 1. Cost of Good Units (Consumed or Sold): No. of Units Consumed/Sold **X** Cost per Unit as above 2. Cost of Closing Stock of RM/SIT: No. of Units **X** Cost per Unit as above 3. Abnormal Loss: No. of Units **X** Cost per Unit as above
Cost of FG Produced	**Particulars** — **Working** Cost of RM Consumed — Opng. RM (No.) (+) Purchased (No.) (-) Closing (No.) Consumed (No.) **X** Cost Per Unit Wages/Labour Cost — Given in Question Fixed Production O/H Cost — F O/H Cost per Unit **(X)** Units Consumed/Produced Fixed O/H cost per unit: - Total Fixed O/H ÷ Higher of Actual Capacity or Normal Capacity Variable O/H Cost — Var. O/H Cost Per Unit **(X)** Units Consumed/Produced

	Total Cost of FG Produced ÷ **Finished Goods Produced (No.)** **Note:** if nothing is specified in the question always assume that for every 1 unit of Raw Material – 1 unit of FG is produced

Question 8:

Particulars		**Kg.**	**Rs**
Opening Inventory:	Finished Goods	1,000	25,000
	Raw Materials	1,100	11,000
Purchases of Raw Material		10,000	1,00,000
Labour			76,500
Overheads (Fixed)			75,000
Sales		10,000	2,80,000
Closing Inventory:	Raw Materials	900	
	Finished Goods	1200	

The expected production for the year was 15,000 kg of the finished product. Due to fall in market demand the sales price for the finished goods was Rs. 20 per kg and the replacement cost for the raw material was Rs. 9.50 per kg on the closing day. You are required to calculate the closing inventory as on that date.

SOLUTION:

Calculation of cost for closing inventory

Particulars	**Rs**
Cost of Purchase (10,200 x 10)	1,02,000
Direct Labour	76,500
Fixed Overhead 75,000X10,200/15,000	51,000
Cost of Production	2,29,500
Cost of closing inventory per unit (2,29,500/10,200)	Rs 22.50
Net Realisable Value per unit	Rs 20.00

Since net realisable value is less than cost, closing inventory will be valued at Rs. 20.

As NRV of the finished goods is less than its cost, relevant raw materials will be valued at replacement cost i.e. Rs. 9.50.

Therefore, value of closing inventory: Finished Goods (1,200 x 20) Rs. 24,000
Raw Materials (900 x 9.50) =Rs. 8,550
Total =Rs. 32,550

Concept 2: Joint Product & By Product

We have to allocate Common production Expenses (Material, Labour, O/H) to each Joint product.

Joint product is treated as Inventory but By product is not treated as Inventory. By produced is measured at NRV and deducted from Comman production expenses.

Particulars	Amt.
Material Consumed	XXX
Direct Labour	XXX
Overheads (F & V)	XXX
Other Cost	XXX
Comman production expenses	XXX
(-) NRV of By Product & Other Scrap	(XX)
Net Comman Production Exp. for Joint products	XXXX / 320000

Allocate above "Net Comman production exp" in the Ratio of Total Sales Value (Market value) of Joint products.

(Refer Q7)

AS 3 – CASH FLOW STATEMENTS

Concept 3 – Cash Flow from Operating Activity

Cash Flow From Operating Activity

(Indirect method)

↓

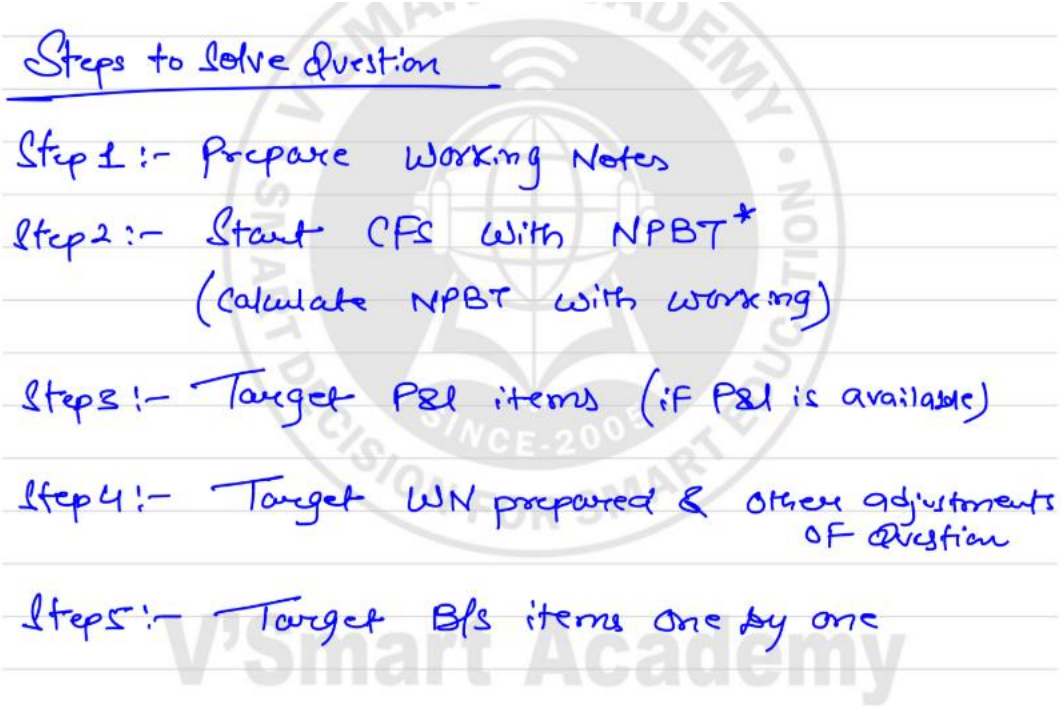
always Start with NPBT → From P&L

IF NPBT is not given then :-

NPAT	XXX
(+) Tax provision Created in P&L	XXX
NPBT	

- IF NPBT & NPAT Both are not given :-

Closing P&L Balance	XX
(-) opening P&L Balance	XX
R/E	
(+) Transfer to GR in cy	XX
(+) Dividend Declared during the year (Eq + Pref + Interim)	XX
(+) Tax provision Created in P&L	XX
NPBT	



AS 7 – CONSTRUCTION CONTRACTS

Concept 4:

How to Solve the Full Question Covering Maximum adjustments of AS 7?

Step 1	**Calculate % of Completion of Contract (PCM):** Cost Incurred till date (work certified + work uncertified) X 100 Total Estimated Cost of Project
Step 2	**Recognise Contract Revenue & Cost and Calculate Contract Profit/loss:** Contract Revenue = Total Price x PCM (%) = XXX (less) Revenue Recognised till last year Contract Cost = Work Certified + Uncertified = XXX **Contract Revenue (-) Contract Cost = Contract Profit/loss**
Step 3	**Recognise Provision of Foreseeable Loss:** (if total contract cost is expected to exceed contract revenue) Total Contract Revenue XXX

	(-) Total Contract Cost of Project	XXX	
	Total Loss in a Contract	**XXX**	
	(-) Loss already recognised	XXX	
	(+) Profit already recognised	XXX	
	Provision for Foreseeable Loss	**XXX**	
Step 4	**Calculation of "Amount due from Customer or due to Customer"**		
	Contract Cost incurred till date		XXX
	(+) Profit Recognised till date		XXX
	(-) Loss Recognised Till date		XXX
	(-) Progress Billings		(XXX)
	Amount Receivable or (Payable) from/to Customer		**XXX/(XXX)**
	Progress Billing = Payment Received + Payment Retained by Client		

Concept 5:

Particulars	1st Year	2nd Year	3rd Year
a) POCM (%)			
b) Total Revenue			
c) Revenue Recognised till Date (a x b)			
d) Revenue Recognised till PY			
e) Current Year Revenue (c – d)			
f) Contract Cost Incurred in CY			
g) Contract Profit (e – f)			

Question 9:

Sarita Construction Co. obtained a contract for construction of a dam. The following details are available in records of company for the year ended 31st March, 2018:

	Rs In Lakhs
Total Contract Price	12,000
Work Certified	6,250
Work not certified	1,250
Estimated further cost to completion	8,750
Progress payment received	5,500
Progress payment to be received	1,500

Applying the provisions of Accounting Standard 7 "Accounting for Construction Contracts" you are required to compute:

(i) Profit/Loss for the year ended 31st March, 2018.

(ii) Contract work in progress as at end of financial year 2017-18.

(iii) Revenue to be recognized out of the total contract value.

(iv) Amount due from/to customers as at the year end.

Solution:

(i)	**Loss for the year ended, 31st March, 2018**	**(Rs in lakhs)**
	Amount of foreseeable loss	
	Total cost of construction (6,250 + 1,250 + 8,750)	16,250
	Less: Total contract price	(12,000)
	Total foreseeable loss to be recognised as expense	4,250

According to AS 7, when it is probable that total contract costs will exceed total contract revenue, the expected loss should be recognised as an expense immediately. Loss for the year ended, 31st March, 2018 amounting Rs 4,250 will be recognized.

(ii)	**Contract work-in-progress as on 31.3.18**	**(Rs in lakhs)**
	Contract work-in-progress i.e., cost incurred to date are Rs 7,500 lakhs:	
	Work certified	6,250
	Work not certified	1,250
		7,500

(iii) **Proportion of total contract value recognised as revenue**

Cost incurred till 31.3.18 is 46.15% (7,500/16,250×100) of total costs of construction.

Proportion of total contract value recognised as revenue:

46.15% of Rs 12,000 lakhs = Rs 5,538 lakhs

(iv) **Amount due from/to customers at year end**

(Contract costs + Recognised profits – Recognised Losses) – (Progress payments received + Progress payments to be received)

= (7,500 + Nil – 4,250) – (5,500 + 1,500) Rs in lakhs

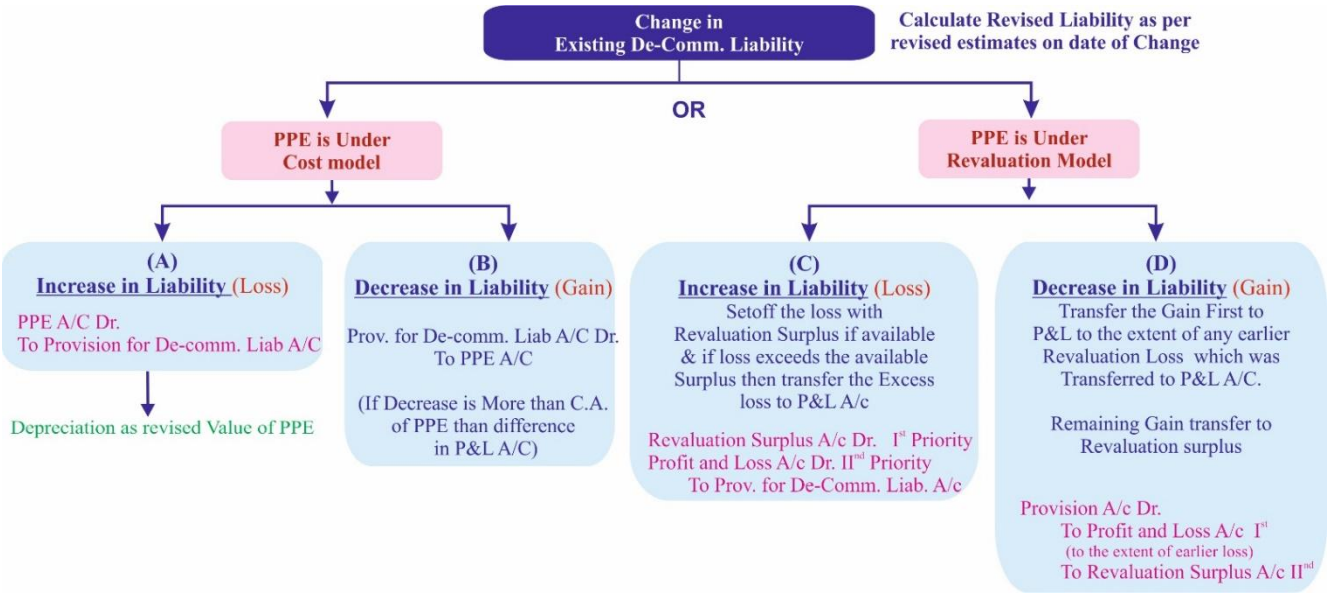
= [3,250 – 7,000] Rs in lakhs

Amount due to customers = Rs 3,750 lakh

AS 10 – PROPERTY PLANT AND EQUIPMENT

Concept 6: Inclusion and Exclusion in Cost of PPE:

Concept 7:
CHANGES IN EXISTING DECOMMISSIONING, RESTORATION AND OTHER LIABILITIES



Question 26 of Must Do List

Additional Questions Sheet (Q1 of AS 10 – Sep'25 Jammu Punjab)

AS 11 – THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Concept 8:

PARA 46 OF AS 11 ON LTFCMI

(a) Corporate/Non-Corporate entities can opt for the application of this Para & option is irrevocable.

(b) FCMI of Long Term in nature (whose realization/payment is beyond 12 months from the date of original transaction) will be converted using closing rate in subsequent recognition.

Exchange difference arising from above point will be recognized as follows:

- Transfer Exchange difference to value of **Depreciable Fixed Assets (PPE)** if long term monetary item was taken to finance such Depreciable F.A. (i.e., to be capitalized if debit difference and subtracted if credit difference) **(Refer Example No. 4)**
- Transfer Exchange difference to **Foreign Currency Monetary Items Translation Diff a/c** (FC MIT Diff a/c) if Long Term Monetary Item has no relation with Depreciable Fixed Assets. **(Refer Example No. 5)**
- **FC MIT Diff a/c** will be **amortised** over the balance period of such long-term assets or liability, by recognition as income or expense in each of such periods **(written off in periods equally till the life of LTFCMI.)**

The balance in FC MIT Diff a/c (debit or credit) 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 decided by the council of ICAI)

Question 12:

Vsmart Ltd. took a Foreign Currency Loan of $1,00,000 to purchase machine of the same amount. On 1st April, 2022 Loan is of 5Years. To be repaid in lumpsum after 5 Years.

Depreciation Rate is 10%

Exchange rates are as follows:

On 1/4/22 - $1 = ₹ 78

On 31/3/23 - $1 = ₹ 82

On 31/3/24 - $1 = ₹ 80.5

Show A/c as per AS 11 in following cases:

(a) Without PARA 46

(b) With PARA 46

Solution:

1) Initial Recognition:

Foreign Currency should recognise at the rate prevailing on transaction Date (i.e. SPOT Rate) i.e. $1 = ₹ 78

Transaction Value = $1,00,000 x 78 = 78,00,000

1/4/22

Machine A/c To Foreign Currency Loan A/c	Dr.	78,00,000	 78,00,000

(Note: assuming machine is measured at cost always)

(Note: Foreign Currency Loan is a LTFCMI)

2) Subsequent measurement:

Case 1: without PARA 46

Exchange Difference due to Subsequent measurement shall be transfer to Profit & Loss A/c

1st Year end: 31/3/23

Foreign Currency Loan Should be = $1,00,000 x 82 = 82,00,000

Exchange Difference (Loss) = 4,00,000

31/3/23

Exchange Difference (P&L) A/c Dr. To Foreign Currency Loan A/c		4,00,000	 4,00,000
Profit & Loss A/c To Exchange Difference A/c	Dr.	4,00,000	 4,00,000

2nd Year end: 31/3/24

Foreign Currency Loan Should be = $1,00,000 x 80.5 = 80,50,000

Exchange Difference (Gain) = 82 – 80.5 = 1,50,000

Foreign Currency Loan A/c To Exchange Difference (P&L) A/c	Dr.	1,50,000	 1,50,000
Exchange Difference (Gain) A/c Dr. To Profit & Loss A/c		1,50,000	 1,50,000

Case 2: with PARA 46

Exchange Difference should be adjusted to the cost of machine

31/3/23
Exchange Difference (Loss) = 4,00,000

Machine A/c	Dr.	4,00,000	
To Foreign Currency Loan A/c			4,00,000

Depreciation @10& = 82,00,000 x 10% = 8,20,000
Remaining Balance of Machine = 73,80,000
31/3/24
Exchange Difference (Gain) = 1,50,000
Deduct From Machines Book Value

Foreign Currency Loan A/c	Dr.	1,50,000	
To Machine A/c			1,50,000

Depreciation @10% on (73,80,000 – 1,50,000) = 72,30,000 x 10% = 7,23,000

Question 13:

Vsmart Ltd. took a loan of $75,000 on 1/4/22 when $1 = ₹ 78. Loan is utilized for working capital requirement loan is of 6 Years. Principal repayment equally every year.
1st year end - $1 = ₹ 81.30
2nd year end - $1 = ₹ 82.15
3rd year end - $1 = ₹ 82
4th year end - $1 = ₹ 81.50
5th year end - $1 = ₹ 81.90
6th year end - $1 = ₹ 82
Apply PARA 46 of AS 11:

Solution:

1) Initial Recognition:

Bank A/c	Dr.	58,50,000	
To Foreign Currency Loan A/c			58,50,000

2) Subsequent Measurement:

31/3/23 (Fist remeasure then pay installment)

FCMIT Difference A/c		2,47,500	
Dr.			2,47,500
To FC Loan A/c ($75,000 x 3.30)			
FC Loan A/c	Dr.	10,16,250	
To Bank A/c ($12,500 x 81.30)			10,16,250

Foreign Currency Book Value = 50,81,250
Amortize FCMIT Difference in 6 Years = 2,47,500 / 6 = 41,250

Profit & Loss A/c	Dr.	41,250	
To FCMIT Difference A/c			41,250

Balance unamortised FCMIT = 2,06,250 (Dr. Balance)

31/3/24	31/3/25	31/3/26	31/3/27	31/3/28

$1 = ₹ 82.15	$1 = ₹ 82	$1 = ₹ 81.50	$1 = ₹ 81.90	$1 = ₹ 82
Prev. rate = 81.30	Prev. rate = 81.25	Prev. rate = 82	Prev. rate = 81.50	Prev. rate = 81.90
Loss = 0.85 x $62,500	Gain = 0.15 x $50,000	Gain = 0.5 x $37,500	Loss = 0.4 x $12,500	Loss = 0.10 x $12,500
Total Loss = 53,125	Total Gain = 7,500	Total Gain = 18,750	Total Loss = 10,000	Total Loss = 1,250
Loss added to FCMIT Difference	Deduct from FCMIT Difference	Deduct from FCMIT Difference	Added to FCMIT Difference	Added to FCMIT Difference
Revised FCMIT Difference = 2,59,375	Revised FCMIT Difference = 2,00,000	Revised FCMIT Difference = 1,31,250	Revised FCMIT Difference = 97,500	Revised FCMIT Difference = 50,000
Year = 5	Year = 4	Year = 3	Year = 2	Year = 1
P&L A/c = 51,875	P&L A/c amortised = 50,000	P&L A/c amortised = 43,750	P&L A/c amortised = 48,750	Fully amortised to P&L A/c = 50,000
Closing Balance of FCMIT = 2,07,500	Closing Balance of FCMIT = 1,50,000	Closing Balance of FCMIT = 87,500	Closing Balance of FCMIT = 48,750	

Concept 9 – Forward Exchange Contracts (Speculation)

Calculate Total Gain or Loss from Date of contract to settlement date. Do not calculate Gain or Loss on Balance Sheet date.

AS 13 – INVESTMENTS

Concept 10:

- Brokerage rate is not specified on Ex Price or Cum Price then Calculate on the Price Given (Q41 of Must Do Questions)

- Date of Interest Due and Date of Sale of Investments are Same – Calculate Interest First on Entire Investments held immediately before sale, then calculate the gain or loss on sale of Investments – if sale value cum interest, then Ex interest price need to be calculated to find gain/loss on sale. (Q40 of Must Do Questions)

AS 15 – EMPLOYEE BENEFITS

"Post Employment Employee Benefits" & "Other Long-Term Benefits - Accounting"

1) Types of Post employment benefits:

a) **Defined Contribution Plans (DCP):** Fixed contribution by employer to the specific fund such as EPF.

b) **Defined Benefit Plans (DBP):** Fixed Benefit (final amount payable) is payable by employer directly to employee in form of contributing variable amount every year to the fund.

Concept 11: RECOGNITION OF DEFINED BENEFIT OBLIGATIONS (LIABILITY)	
Important Steps to calculate annual Defined Benefit Obligation	**Step 1:** Calculate Expected Benefits to be paid to employees Expected Final Salary **x** Benefit (%) **x** No. of Years of Service **Step 2:** Allocate the Benefits to each year of Service (Attributed Benefits) Step 1 ÷ No. of Years of Service **Step 3:** Calculate Current Service Cost (CSC) using discount rate. PV of Attributed Benefits (PV working in upward mode)

	Current Service Cost (CSC) A/c Dr. (P&L) To DBO Payable A/c **Step 4:** Calculate Interest Cost on Opening Balance of DBO Payable using same discount rate. Interest Cost A/c Dr. (P&L) To DBO Payable A/c
Actuarial Gains or Loss in DBO liability	Due to change in financial and demographic assumptions of actuary or due to change in final expected salary, no. of years of services, DBO liability shall be remeasured with new assumptions. Increase in DBO Liability = Actuarial Loss Actuarial Loss (P&L) A/c Dr. To DBO Payable A/c Decrease in DBO Liability = Actuarial Gain DBO Payable A/c Dr. To Actuarial Gain (P&L) A/c Dr.
Past Service Cost (PSC)	If there is a modification in Defined Benefits announced by employer which results in increase of benefits for employee (i.e. additional benefits) then DBO Liability shall be increased accordingly. **PSC is divided into two parts:** **(a)** Amortised Past service cost - which is to be **recognized immediately** to the extent benefits are **already vested.** **(b)** Unamortised Past Service cost (UPSC)– to be recognized on **straight line basis** over the remaining period until the benefits are vested. Past Service Cost (P&L) A/c Dr. Unamortised PSC A/c Dr. To DBO Payable A/c
Curtailment and Settlement	Curtailment means cancellation of Defined Benefits of employees. Settlement means providing compensation to employees against cancellation of benefits. Curtailment shall reduce the liability as under: DBO Payable A/c Dr. To Unamortise PSC A/c (proportionate reversal) To Bank A/c Dr. To Gain on Settlement A/c (P&L)
Payment of Benefits to Employee	Whenever the employee retires, he/she will be eligible for benefits.

	DBO Payable A/c Dr. To Bank A/c Dr.

Concept 12: RECOGNITION OF PLAN ASSETS (INVESTMENT for DBO)	
Meaning	Investment made by Employer for meeting DBO liability. It is always recognised at Fair Value.
Contribution to Plan Assets	Contribution to Plan Asset means making Investment as per actuarial assumption under: Plan Assets A/c Dr. To Bank A/c (contribution is paid in beginning of year or mid of year or end of year)
Benefits Paid out of Plan Assets	When Employee is paid benefits, plan assets are realised as under: Bank A/c Dr. To Plan Assets A/c (Plan assets are realised in beginning of year or mid of year or end of year)
Expected Return on Plan Assets Plan Asset A/c Dr. To Exp. Return (P&L)	Interest Rate (%) **X** Balance of Plan Asset = Expected Return (Take same discount rate of DBO if separate rate is not given) If contribution and benefit is made at end of year Opening Balance of Plan Asset **x** Interest Rate (%) If contribution and benefit is made at beginning of year (Opening Balance of Plan Asset + Contribution Made – Benefits Paid) **x** Interest Rate (%) If contribution and benefit is made at mid of year Expected Return 1 - Opening Plan Assets **x** Interest (%) (+) Expected Return 2 - Net Contribution **x** Six Monthly Interest (%) (=) Total Return Six Monthly Rate of Expected Return as under: **[**$\sqrt{1 + annaul\ rate}$ **- 1] x 100** If nothing is specified in question always assume that contribution is made, and benefits are paid at end of the year.
Closing Balance of Plan Assets	Always at Fair Value provided in Question
Actuarial Gain/Loss on Plan Assets	Any Difference in Plan Asset A/c is treated as Actuarial Gain or Loss and transferred to Profit and Loss A/c

	Plan Asset A/c Dr. To Actuarial Gain (P&L)	Actuarial Loss (P&L) Dr. To Plan Asset A/c

Calculation of DBO Payable and Plan Asset

DBO Payable		Plan Asset	
Opening Balance of DBO	XXX	Opening Balance of Plan Asset	XXX
(+) Current Service Cost (CSC)	XXX	(+) Expected Return	XXX
(+) Interest Cost	XXX	(+) Contribution to Plan Asset	XXX
(+) Past Service Cost	XXX	(-) Payment of Benefits	XXX
(+) Un-amortised PSC	XXX	(+/-) Actuarial Gain/(loss)	XXX
(-) Curtailment of Benefits	XXX	Closing Balance of Plan Asset	XXX
(-) Payment of Benefits	XXX		
(+/-) Actuarial Loss/(Gain)	XXX		
Closing Balance of DBO	XXX		

Presentation in Financial Statements

BALANCE SHEET		STATEMENT OF PROFIT AND LOSS
Closing Balance of DBO	XXX	**Items of P&L:** Employee Benefit Expenses • Current Service Cost under Employee Benefit Exp. • Past Service Cost • Gain on Curtailment • Actuarial Gain/Loss on DBO • Actuarial Gain/Loss on Plan Assets Finance Cost • Net Interest Cost under Employee Benefit Exp. (Net Interest Cost means Interest Cost on DBO less Expected Return on Plan Asset)
(-) Closing Bal. of Plan Asset	XXX	
(-) Unamortised PSC	XXX	
Net Defined Liability/(Asset)	XXX	

Other Important Points:

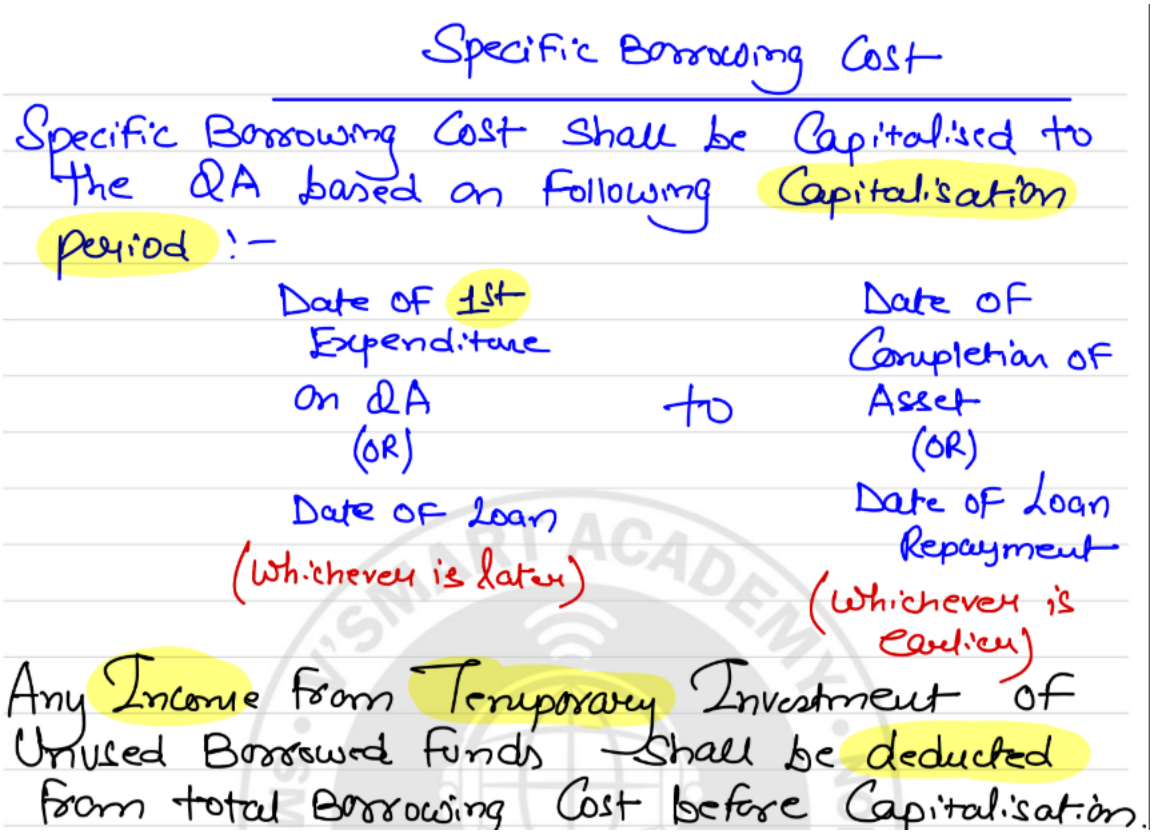
1. The discount rate shall be determined by reference to market yields at the end of reporting period on Government Bonds.

2. **Current/Non-Current Distinction:**
   This Standard does not specify whether an entity should distinguish current and non-current portions of assets and liabilities arising from post-employment benefits.

AS 16 – BORROWING COSTS

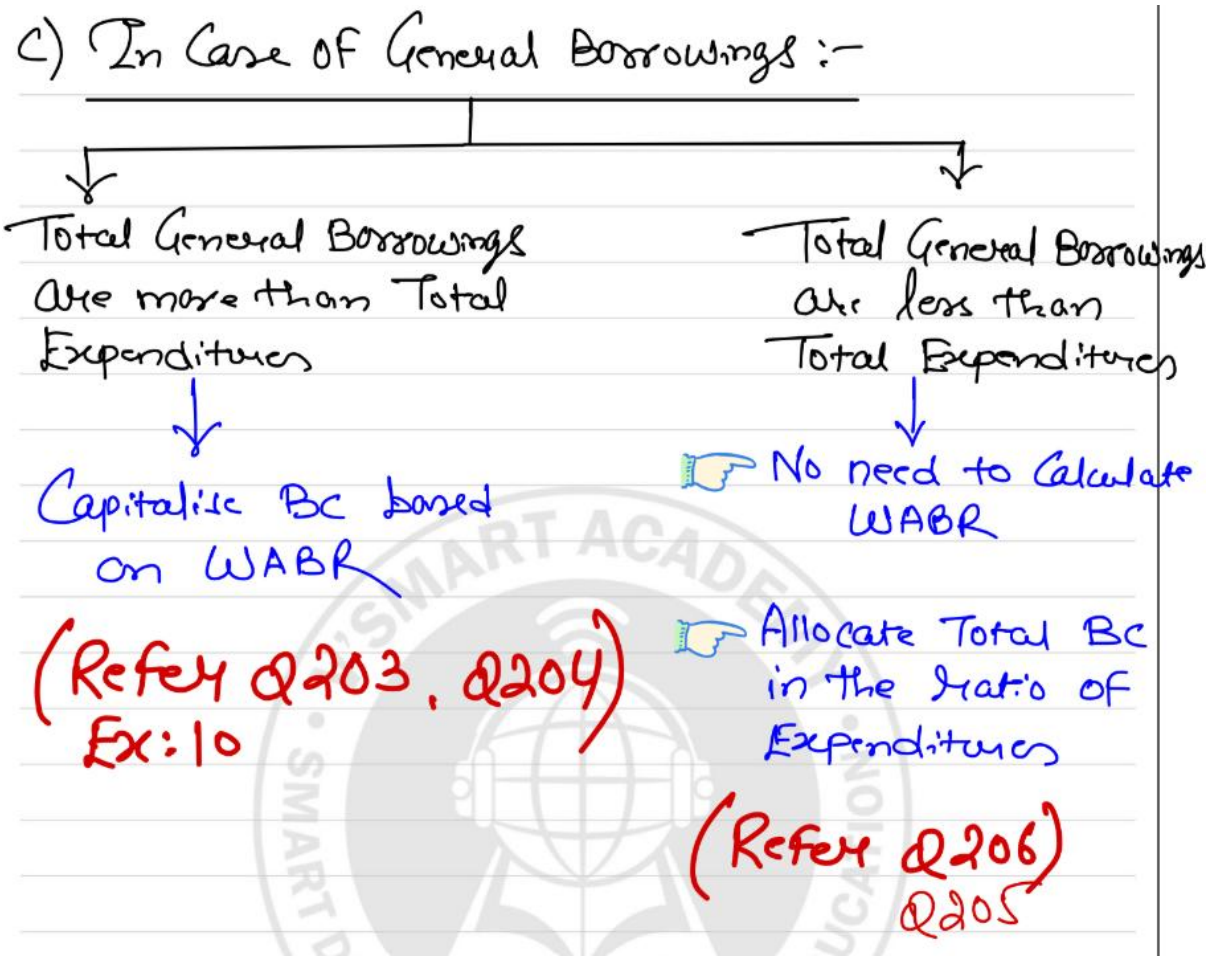
Concept 13:

Capitalisation of Borrowing Costs to the Cost of Qualifying Asset:



Specific Borrowing Cost	General Borrowing Cost
Entire borrowing cost shall be capitalized from the date of 1st expenditure on qualifying asset. (i.e. start capitalization of entire borrowing cost from the date of 1st expenditure irrespective of expenses on different dates)	Capitalization shall be done expenditure wise (i.e. from the date of each expenditure on qualifying asset). To capitalize the borrowing cost we have to calculate weighted average of the borrowing rate (WABR) as under: Total Borrowing Cost incurred during the year x 100 Total Borrowings O/s during the Year Expenditure on QA x WABR (%) x Time Weight
If expenditure on qualifying asset is incurred out of specific as well as general borrowed funds then we shall first use specific borrowings if such borrowing is available on the date of	

expenditure.



EXPENDITURE TO WHICH CAPITALISATION RATE IS APPLIED:

Expenditure Already incurred on QA (including Borrowing cost capitalized till last year)	XXX
Add: Expenditure incurred in CY (in Cash or payable)	XXX
Less: Progress Payments or Grants received during the CY	(XXX)
Total Expenditure on which WABR shall be applied	XXX

Question:

Zebra limited began construction of a new plant on 1st April, 2021 and obtained a special loan of Rs. 20,00,000 to finance the construction of the plant. The rate of interest on loan was 10%.

The expenditure that was incurred on the construction of plant was as follows:

	Rs.
1st April, 2021	10,00,000
1st August, 2021	24,00,000
1st January, 2022	4,00,000

The company's other outstanding non-specific loan was Rs. 46,00,000 at an interest rate of 12%

The construction of the plant completed on 31st March, 2022.

You are required to:

(a) Calculate the amount of interest to be capitalized as per the provision of AS 16 "Borrowing Cost".

(b) Pass a journal entry for capitalizing the cost and the borrowing cost in respect of the plant

SOLUTION:

Total expenses to be capitalized for borrowings as per AS 16 "Borrowing Costs":

	Rs.
Cost of Plant (10,00,000 + 24,00,000 + 4,00,000)	38,00,000
Add: Amount of interest to be capitalized (W.N.)	3,24,000
	41,24,000

Journal Entry

		Rs.	Rs.
31st March, 2022	Plant A/c Dr. To Bank A/c [Being amount of cost of plant and borrowing cost thereon capitalized]	41,24,000	41,24,000

Working Note:

Computation of interest to be capitalized:

	Expenditure			Rs.
1st April, 2021	10,00,000	On specific borrowing	Rs. 10,00,000 x 10%	1,00,000
1st Aug, 2021	24,00,000	On specific borrowing	Rs. 10,00,000 x 10%	1,00,000
1st Aug, 2021		On non-specific borrowings	Rs. 14,00,000 x 8/12 x 12%	1,12,000
1st Jan, 2022	4,00,000	On non-specific borrowings	Rs. 4,00,000 x 3/12 x 12%	12,000
				3,24,000

Alternatively, interest cost to be capitalized can be derived by computing average accumulated expenses in the following manner.

Computation of Average Accumulated Expenses:

1st April, 2021	10,00,000 x 12/12	10,00,000
1st August, 2021	10,00,000 x 12/12 14,00,000 x 8/12	10,00,000 9,33,333
1st January, 2022	4,00,000 x 3/12	1,00,000
		30,33,333

Computation of interest to be capitalized:

		Rs.
On specific borrowing	Rs. 20,00,000 x 10%	2,00,000
On non-specific borrowing	Rs. (30,33,333- 20,00,000) x 12%	1,24,000
		3,24,000

NOTE:

Since specific borrowings are earmarked for construction of a particular qualifying asset, it cannot be used for construction of any other qualifying asset except for temporary investment. Therefore, once the commencement of capitalization of borrowing cost criteria are met, actual borrowing cost incurred on specific borrowing shall be capitalized irrespective of the fact that amount had been utilized in parts.

AS 17 – SEGMENT REPORTING

Concept 14: Segment Report

PRIMARY SEGMENT REPORT (Assuming Business Segments)

Particulars	Segment 1 (Reportable)	Segment 2 (Reportable)	Inter Segment Eliminations	Total
1. **Segment Revenue & Results:**				
Segment Revenue (Gross)				
Domestic:	XXX	XXX		XXX
Exports:	XXX	XXX		XXX
Total External Sales:	XXX	XXX	-	XXX
Inter Segment Sales:	XXX	XXX	(XXX)	XXX
Total Revenue	XXX	XXX	(XXX)	XXX
(-) Segment Expenses	XXXX	XXXX		XXXX
Segment Results (Profits/Losses)	XXX	XXX		XXX
(+) Unallocated Incomes less Expenses	-	-		XX
Net Profit before Interest & Tax				XXX
(-) Interest & Other Finance Cost				XXX
Net Profit before Tax				XXX
(-) Tax Expenses (Current +/- Deferred)				XXX
Profit After Tax (Entire)				XXX
2. **Segment Assets & Liabilities**				
(i) Assets:				
Non – Current Assets:	XXXX	XXXX		XXXX
Current Assets	XXXX	XXXX		XXXX
Total Segment Assets	XXXX	XXXX		XXXX
Unallocated Assets	-	-		XXX
Total Assets (Entire)	-	-		XXXX
(ii) Equity and Liabilities:				
Segment Liabilities	XXX	XXX		XXXX
Unallocated Liabilities	-	-		XXX
Total Liabilities	XXXX	XXXX		XXXX
Share Capital				XXXX
Reserves & Surplus				XXXX
Total Equity and Liabilities (Entire)				XXXX
3. **Other Information:**				

Capital Expenditure During the Year	XXX	XXX		XXX
Depreciation & Amortisation	XXX	XXX		XXX
Other Non-Cash Expenses	XXX	XXX		XXX

SECONDARY SEGMENT INFORMATION
(Assuming Geographical Segment Wise)

Geographical Information:	**Domestic**	**Foreign Country 1**	**Foreign Country 2**	**Total**
Total Revenue	XXX	XXX	XXX	XXX
Total Assets	XXX	XXX	XXX	XXX
Total Capital Expenditure During the Year	XXX	XXX	XXX	XXX

AS 19 – ACCOUNTING FOR LEASES

Concept 15:
FINANCE LEASE (BOOKS OF LESSEE)

<table>
<tr><td>Initial Recognition of Lease Liability and Asset on Lease</td><td>Lower of:
Present Value (PV) of MLP or
Fair Value of Asset

Note: PV shall be calculated using following discounting rates:
(a) Interest Rate implicit in lease (1st Priority); or
(b) Lessee's incremental borrowing rate</td></tr>
<tr><td>Minimum Lease Payment (MLP)</td><td>Initial Down Payment
(+) Annual Lease Rents
(+) Residual Value Guaranteed by Lessee (GRV)</td></tr>
<tr><td>Initial Direct Cost (IDC) incurred by Lessee</td><td>IDC shall be capitalized to the cost of Asset</td></tr>
<tr><td>Accounting Entry of Initial Recognition</td><td>Asset on Lease A/c Dr. (Including IDC)
To Lease Liability A/c
To Bank A/c (IDC Payment)

Lease Liability A/c Dr. (Payment of DP)
To Bank A/c</td></tr>
<tr><td>Depreciation</td><td>Asset on Lease is subject to depreciation under AS 10 over the Lease Period or Life of Asset whichever is lower.</td></tr>
<tr><td>Finance Charges (Interest Cost) on Lease Liability</td><td>Interest shall be calculated using the same discounting rate which was used earlier to calculate PV of MLP.
Interest shall be calculated on Opening Balance of Lease Liability as under:

<table>
<tr><th>Year</th><th>Opening</th><th>Interest</th><th>Payment</th><th>Closing</th></tr>
<tr><td>(1)</td><td>(2)</td><td>(3) = (2) x Rate</td><td>(4)</td><td>(2+3-4)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
</table>
</td></tr>
<tr><td>Other Journal Entries</td><td>a) <u>For Charging Depreciation:</u>
Depreciation A/c Dr.
To Asset on Lease

b) <u>For Charging Finance Cost (Interest):</u>
Finance Charges A/c Dr.
To Lease Liability A/c

c) <u>For Payment of Lease Rent:</u></td></tr>
</table>

	Lease Liability A/c Dr. To Bank A/c **d)** Transfer to Profit and Loss: Profit and Loss A/c Dr. To Depreciation A/c To Finance Charges A/c

Note:

Interest Rate Implicit in the Lease (i.e. IRR) (Consider always from Lessor's point of view)	It is the rate at which- PV of (LP + UGRV) = FV at Inception + IDC
Lessee's Incremental Borrowing Rate	It is the rate at which Lessee can **Borrow additional funds over a similar term**, security for the same amount of underlying asset.

Concept 16:
FINANCE LEASE (BOOKS OF LESSOR)

KEY CONCEPTS FOR UNDERSTANDING LESSORS ACCOUNTING

'Gross investment in the lease' (GIL) = Initial Down Payment + Annual Lease Payments + GRV + UGRV	
'Net investment in the lease' (NIL)	(PV of GIL) PV of (DP + Lease Payments + UGRV) – Initial Direct Cost
'Unguaranteed residual value'	Total Estimated Residual Value (-) GRV

Non-dealer Lessor	Dealer or Manufacturer Lessor
Initial Recognition: Lease Receivable A/c Dr. (Net Invst. in Lease) Bank A/c Dr. (Down Payment) To Asset (PPE) A/c (Carrying Amt.) Difference in above entry is transfer to P&L a/c **Initial Direct Cost (IDC):** IDC is part of Cash Flows and will be considered under Interest Rate Calculation and then it is deducted from lease receivable.	**Initial Recognition:** Dealer Lessor shall record Sale at commencement of Lease: Lease Receivable A/c Dr. (Net Invst. in Lease) COGS A/c Dr. (Balancing Fig.) To Sale A/c (Lower of FV or PV of MLP) To Inventory A/c (Carrying Amt.) **Sale (-) COGS = Profit on Outright Sale** **Initial Direct Cost (IDC):**

Year End: Lease Receivable A/c Dr. To Finance Income (P&L) A/c Bank A/c Dr. To Lease Receivable A/c (Collection of Lease Rent)	IDC is directly transferred to Profit and Loss account and not a part of Interest Rate Calculation. **Year End:** Same as Non-dealer Lessor's Accounting
Calculation of Unearned Finance Income: Disclose Unearned Finance Income every year: Gross Investment in Lease (-) Net Investment in Lease	
Subsequent Measurement at Balance Sheet Date: At every BS date, **Lease Receivable** shall be recognised at Current Net Investment in Lease (i.e. PV of Remaining Lease Payments + Re-estimated UGRV). **UGRV shall be reviewed atleast once** in a year and if there is **any reduction** in the estimated UGRV the reduced amount shall be considered, this will result in reduction of Finance Income of the lessor.	

Concept 17: IF Annual Lease Rent is Missing (Q59)

F) If Annual Lease Rent is missing :-

We Should have :- a) Dis. Rate (Interest Rate)
b) GIL (DP + ALR + GRV + UGRV)
x
c) Fair value

ALR should be assumed as "x"

PV of DP (+) PV of ALR (+) PV of GRV/UGRV = FV
x

On Solving above equation, we will get value of x i.e Lease Rent.

Concept 18:
SALE & LEASE BACK

Refer Handwritten Summary Notes

Question 18:

Journalise in each of the following cases assuming transaction is of sale and operating lease back:

Cases	Fair Value	Book Value	Sale Price
1	100000	100000	100000
2	100000	80000	100000
3	100000	120000	100000
4	100000	100000	120000
5	100000	80000	120000
6	100000	120000	120000
7	100000	100000	90000
8	100000	90000	80000
9	100000	70000	80000
10	100000	110000	80000

Answer:

1) No Profit/Loss

2) Gain 20000 => P & L immediately

3) Loss 20000
General Rule – Immediately transfer to P&L
Exception – If loss is compensated with future lease payments then Deferred &Amortised.

4) Gain = 20000 D&A

5) Gain = 40000 — 20K P & L, 20K D&A

6) Rule-3 => Imp. Loss = 20000 P & L
Rule-2 => Profit = 20000 D&A

7) Loss = 10000 — Generally P & L
If compensated with rent then D&A

8) Loss = 10000 (same as 7)

9) Gain = 10000 P & l (Rule 2)

10) Rule – 3 =>Imp. Loss 10000 P & L
Rule – 1 => Loss = 20000

AS 20 – EARNINGS PER SHARE

DEPS formulae:

Numerator	Denominator
Profit/loss attributable to ESH (+) Savings due to Conversion of Potential Equity Shares (after Tax if required)	Weighted Avg. O/s Ordinary Shares (+) Weighted Avg. O/s Potential Eq. Shares

Concept 19: Master Question covering All Adjustments

Question

EBIT	25,00,000
1st April	Ordinary Shares 80,000
1st June	Public Issue of Ordinary Shares – 25,000
1st July	Share Warrant issued 12,000 no. converted into ordinary shares on 1st Nov.
1st April	Opening Convertible debentures of 18,00,000/- @ 11% interest Converted on 1st Feb of Current year into 36,000 ordinary shares
1st December	Issued New ESOPs of 40,000 no. at Exercise price of 75/- each and Market Price was 120/- each
Calculate Basic and Diluted Earnings Per Share	

AS 22 – ACCOUNTING FOR TAXES ON INCOME

Concept 20:

Concept of Deferred Taxes

Accounting Income	PBT
Taxable Income	Income as per I T Act
Current Tax	Tax on Taxable Income
Difference of A/c Income and Taxable Income	Timing Difference and Permanent Difference
Permanent Difference	Arise in One Year but never reverse in Future periods **Examples:** Donations to Religious Trust Personal Expenses of Director Revaluation Reserve
Timing Difference	Arise in One Year and Capable of Reversal in Future Periods
Types of timing differences	a) Taxable Timing Difference – DTL b) Deductible Timing Difference - DTA
Taxable Timing Differences	**Examples:** Depreciation as per IT in CY is higher than Depreciation as per Books 100% Deduction of Scientific Research Expenditure is claimed as per IT in CY Any Income which would be taxable on cash basis in future.
Deductible Timing Differences	Provision for Doubtful Debts Expenses allowed as deduction on Cash Basis in Future Unamortised Preliminary Expenses as per Tax Records
DTL Journal Entry	Profit and Loss A/c Dr.

	To DTL DTL A/c Dr. To Profit and Loss A/c
Reversal of	DTA A/c Dr. To Profit and Loss A/c Profit and Loss A/c Dr. To DTA A/c
Total Tax Expense in Profit and Loss A/c	Current Tax Expense (Regular Tax) (+) Excess of MAT over Regular Tax (+) Deferred Tax Liability Created (-) Deferred Tax Asset Created (-) Deferred Tax Liability Reversed (+) Deferred Tax Asset Reversed

Question 20:

The following particulars are stated in the Balance Sheet of Deep Limited as on 31st March, 2020:

	(Rs. In Lakhs)
Deferred Tax Liability (Cr.)	28.00
Deferred Tax Assets (Dr.)	14.00

The following transactions were reported during the year 2020 -2021:

i. Depreciation as per books was Rs. 70 Lakhs whereas Depreciation for Tax purposes was Rs. 42 Lakhs. There were no additions to Fixed Assets during the year.
ii. Expenses disallowed in 2019-20 and allowed for tax purposes in 2020-21 were Rs. 14 Lakhs.
iii. Share issue expenses allowed under section 35(D) of the Income Tax Act, 1961 for the year 2020-21 (1/10th of Rs. 70.00 lakhs incurred in 2019-20).
iv. Repairs to Plant and Machinery were made during the year for Rs. 140.00 Lakhs and was spread over the period 2020-21 and 2021-22 equally in the books. However, the entire expenditure was allowed for income-tax purposes in the year 2020-21.

Tax Rate to be taken at 40%.

You are required to show the impact of above items on Deferred Tax Assets and Deferred Tax Liability as on 31st March, 2021.

Solution:

Impact of various items in terms of deferred tax liability/deferred tax asset on 31.3.21

Transactions	Analysis	Nature of difference	Effect	Amount (Rs.)
Difference in depreciation	Generally, written down value method of depreciation is adopted under IT Act which leads to higher depreciation in earlier years of	Responding timing difference	Reversal of DTL	28 lakhs × 40% = Rs. 11.20 lakhs

	useful life of the asset in comparison to later years.			
Disallowances, as per IT Act, of earlier years	Tax payable for the earlier year was higher on this account.	Responding timing difference	Reversal of DTA	14 lakhs × 40% = 5.6 lakhs
Share issue expenses	Due to disallowance of full expenditure under IT Act, tax payable in the earlier years was higher.	Responding timing difference	Reversal of DTA	7 lakhs × 40% = Rs. 2.8 lakhs
Repairs to plant and machinery	Due to allowance of full expenditure under IT Act, tax payable of the current year will be less.	Originating timing difference	Increase in DTL	70 lakhs × 40% = 28 lakhs

AS 23 – INVESTMENT IN ASSOCIATES

Concept 21:

EQUITY METHOD on Investment in Associates under Consolidated Financial Statements of Investor:

Value of Investment shall be increased or decreased by-	**Rs.**	**2nd effect to-**
Cost of Investments (Including Goodwill)	xxxx	
Add/Less: Post acquisition share in **P&L of** Associate Co. (EAESH)	xxx	CPL of investor
Less: Distributions received by way of dividend	xxx	CPL of Investor
Less: Additional depreciation on revaluation profit of PPE (if any)	xxx	CPL of Investor
Less: **Un-realised profit** on downstream transaction to the extent of Investor's share in gain/loss of Associate/JV	xxx	CPL of Investor
Value of Investments as per Equity Method	**XXXX**	

Note:

1. **Goodwill:**
   If cost of Investment is greater than investor's share of investees' net assets – it is not separately presented. It is included in the carrying amount of investment.
2. **Capital reserves:**
   If the cost of investment is less than investor's share of investee's net assets – it is recognised directly in Reserves & Surplus in the period in which investment is made.

Journal Entry as on acquisition date:

Investment A/c Dr.
To Capital Reserve A/c

Master Question

On 1/7/24 B Ltd. acquired 20% Equity interest in A Ltd. at a cost of 2,40,000/-
On 1/4/24 Equity Share Capital of A Ltd was 8,00,000 and Reserves & Surplus of A Ltd. was 3,00,000
On 31/3/25 Reserves & Surplus of A Ltd. was 5,00,000
During 24-25, Dividend Paid by A Ltd. to its Share Holders 15% on 1st December.
On 1st July 2024, Market Value of PPE of A Ltd. was 12,00,000 but Book Value was 10,00,000 (Depreciation Rate was 10%)
What would be the value of Investment in SFS as per AS 13 and as per AS 23 under Consolidated Financial Statements both on DOA & Balance Sheet Date.

AS 26 – INTANGIBLE ASSETS

Concept 22: Research & Development

Refer Handwritten summary Notes (new)

AS 28 – IMPAIRMENT OF ASSETS

Concept 23:
Impairment Loss of a Cash-Generating Unit (CGU) Including Goodwill & Corporate Asset

Refer Handwritten summary Notes (new)

Concept 24:
REVERSAL OF IMPAIRMENT LOSS

Goodwill: An impairment loss recognised for goodwill shall not be reversed in a subsequent period.
Assets other than Goodwill: If there is an Indication that shows Impairment Loss recognised earlier may no longer exists or may have decreased, then entity shall revers the impairment loss and accordingly recoverable amount is to be determined.
How to Calculate the Reversal of Impairment Loss: Step 1: Identity Current Actual Carrying Amount of Asset – assume 1000/- Step 2: Identity Current Recoverable Amount of Asset – assume 1200/- Step 3: Calculate Current Carrying Amount of Asset if Asset were never impaired earlier (assume 1150/-) Step 4: Revised Carrying amount after reversal should be lower of Step 2 & Step 3 (Means 1150/-)

Step 5: Reversal of Impairment Loss = Step 4 – Step 1 (means 1150 – 1000 = 150)
Step 6: Calculate Revised Actual Carrying Amount = Current Carrying Amount before reversal (Step 1) + Reversal of I/L (Step 5)

Note: Depreciation shall be charged on Revised Carrying Amount
(Refer Examples)

Accounting treatment of Reversal of Impairment Loss:

Asset A/c Dr.
To Impairment Loss Reversal A/c

Impairment Loss Reversal A/c Dr.
To Revaluation Surplus A/c (if available & Asset is under Revaluation model)
To Profit and Loss A/c (Balancing Fig.)

Reversal of Impairment Loss of CGU:

A reversal of an impairment loss for a cash-generating unit shall be allocated to the assets of the unit, except for goodwill, in proportion of carrying amounts of those assets.

Question 24:

Himalaya Ltd. which is in the business of manufacturing and exporting its product. Sometimes, back at the end of 20X4, the Government put restrictions on export of goods exported by Himalaya Ltd. and due to that restriction Himalaya Ltd. impaired its assets. Himalaya Ltd. acquired identifiable assets worth Rs 5,500 lakhs for Rs 6,000 lakh at the end of the year 20X0. The difference is treated as goodwill. The useful life of identifiable assets is 15 years and depreciated on a straight-line basis. When the Government put the restriction at the end of 20X4, the company recognised the impairment loss by determining the recoverable amount of assets for Rs 3,120 lakh. In 20X6 Government lifted the restriction imposed on the export and due to this favourable change, Himalaya Ltd. re-estimate recoverable amount, which was estimated at Rs 3,420 lakh.

Required:

. Calculation and allocation of impairment loss in 20X4.
. Reversal of impairment loss and its allocation as per AS 28 in 20X6.

Solution

(Assuming goodwill is amortised over 5 years as per AS 14)

(i) Calculation and allocation of impairment loss in 20X4

(Amount in Rs.lakhs)

	Goodwill	Identifiable assets	Total
Historical cost	500	5,500	6,000
Accumulated depreciation/amortization (4 yrs.)	400	(1,467)	(1,467)

Carrying amount before impairment	100	4,033	4,133
Impairment loss*	(100)	(913)	(1013)
Carrying amount after impairment loss	**0**	**3,120**	**3,120**

***Notes:**

1. As per AS 28, an impairment loss should be allocated to reduce the carrying amount of the assets of the unit in the following order:
   - first, to goodwill allocated to the cash-generating unit (if any); and
   - then, to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

Hence, first goodwill is impaired at full value and then identifiable assets are impaired to arrive at recoverable value.

(ii) Carrying amount of the assets at the end of 20X6 (Amount in Rs. lakhs)

End of 20X6	Goodwill	Identifiable assets	Total
Carrying amount in 20X6	0	2,553	2,553
Add: Reversal of impairment loss (W.N.2)	-	747	747
Carrying amount after reversal of impairment loss	**-**	**3,300**	**3,300**

Working Note:

1. **Calculation of depreciation after impairment till 20X6 and reversal of impairment loss in 20X6**

			(Amount in Rs lakhs)
	Goodwill	**Identifiable assets**	**Total**
A. Carrying amount after impairment loss in 20X4	0	3,120	3,120
B. Additional depreciation (i.e. (3,120/11) x 2)refer Note	-	(567)	(567)
C. Carrying amount	0	2,553	2,553
D. Recoverable amount			3,420
E. Excess of recoverable amount over carrying amount (D-C)			**867**

Note: It is assumed that the restriction by the Government has been lifted at the end of the year 20X6. Therefore, depreciation for 2 years is calculated (2005, 2006).

0. Determination of the amount to be impaired by calculating depreciated historical cost of the identifiable assets without impairment at the end of 20X6

(Amount in Rs lakhs)

End of 20X6	Identifiable assets
Historical cost	5,500
Accumulated depreciation	(366.67 x 6 years) = (2,200)
Depreciated historical cost	3,300

Carrying amount (in W.N. 1)	**2,553**
Amount of reversal of impairment loss	**747**

Notes:

As per AS 28, in allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset should not be increased above the lower of:

. its recoverable amount (if determinable); and

. the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for the asset in prior accounting periods.

Hence impairment loss reversal is restricted to Rs 747 lakhs only.

Note:

Impairment Loss on Goodwill shall not be reversed except certain conditions.

BUYBACK OF EQUITY SHARES

Concept 25:

HOW TO CALCULATE MAXIMUM PERMISSIBLE BUYBACK

Here we need to conduct three important Tests for calculating Maximum permissible Buyback in accordance with Companies Act, 2013. These Tests are:

1. **Share Outstanding Test:** Maximum no. of buyback should not excess 25% of total Outstanding Equity Shares immediately before buyback.
2. **Resource Test:** Maximum Amount of Buyback should not excess 25% of Total Equity Paid up capital plus Free Reserves including Securities premium.
3. **Debt Equity Test:** After the Buyback of Equity, Debt-Equity Ratio should not exceed 2:1. (Here equity means ESC + PSC + Free Reserves)

Note: Debt means All Borrowings (Long term + Short Term) including Debentures and Bank Loans but does not include any other current liabilities such as Creditors/BP.

Refer Q115 and Q116

INTERNAL RECONSTRUCTION

Concept 26 - Treatment of Share Surrender

Refer Handwritten Summary Notes (New)

AMALGAMATION (AS 14)

Concept 27 – PC Calculation by Which Method

Concept 28 – Pooling of Interest Method

How to Treat the General Reserves and P&L A/c of transferor ?

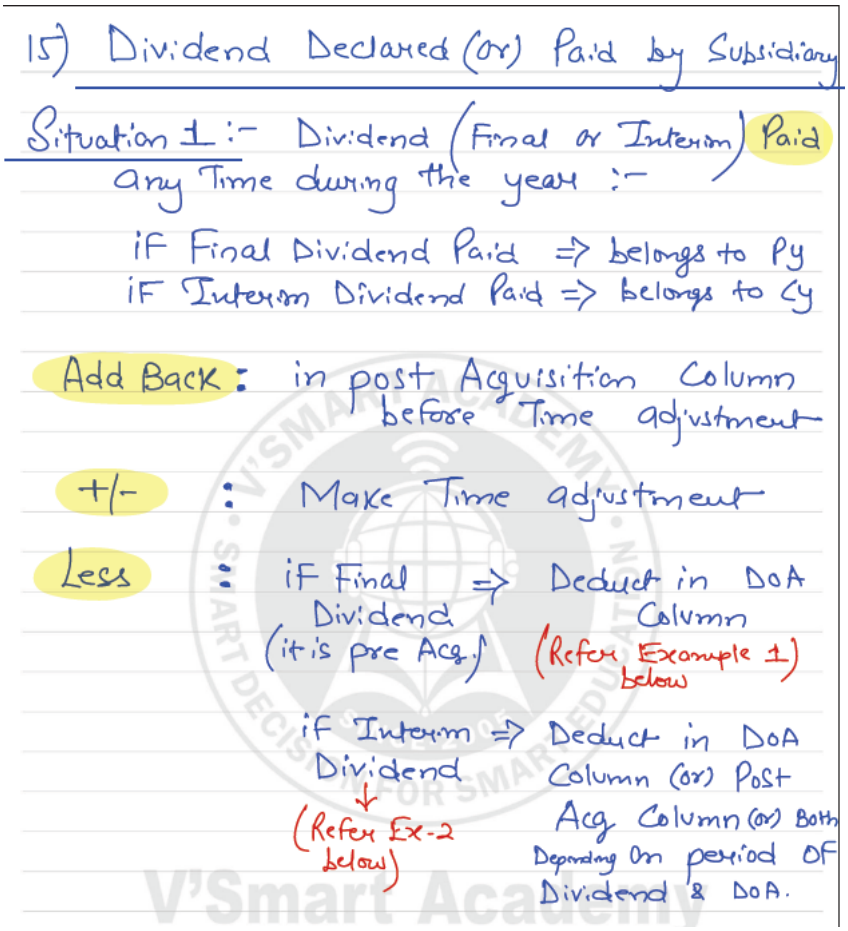
Concept 29 – Treatment of Unrealised Profit

Concept 30 – Goodwill of Transferor Company (refer new notes)

CONSOLIDATION (AS 21)

Concept 31 – Format of AOP & Consolidated R&S – Refer Summary Notes

Concept 32 – Dividend Declared or Paid by Subsidiary



15) Dividend Declared (or) Paid by Subsidiary

Situation 1 :- Dividend (Final or Interim) Paid any Time during the year :-

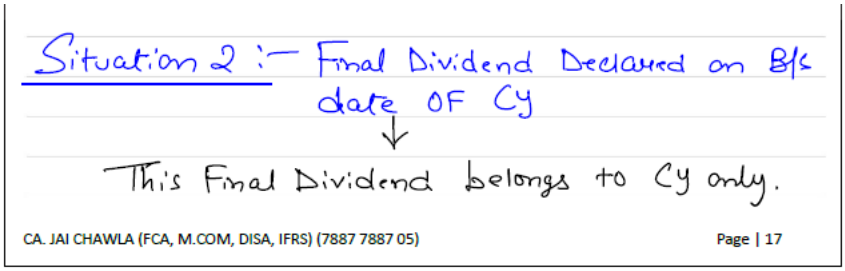
if Final Dividend Paid => belongs to Py
if Interim Dividend Paid => belongs to Cy

Add Back : in post Acquisition Column before Time adjustment

+/- : Make Time adjustment

Less : if Final Dividend (it is pre Acq.) => Deduct in DoA Column (Refer Example 1 below)

if Interim Dividend (Refer Ex-2 below) => Deduct in DoA Column (or) Post Acq Column (or) Both Depending on period of Dividend & DoA.


Situation 2 :- Final Dividend Declared on B/s date OF CY
This Final Dividend belongs to CY only.
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)
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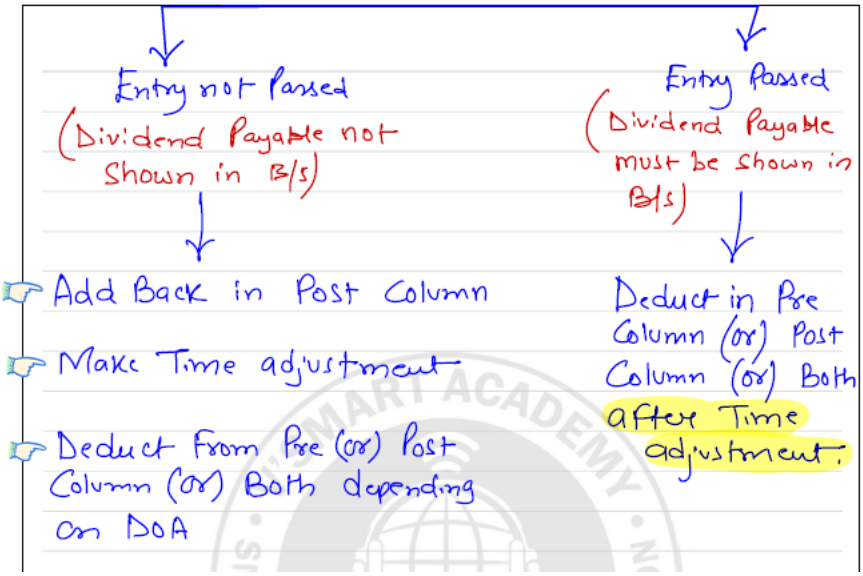
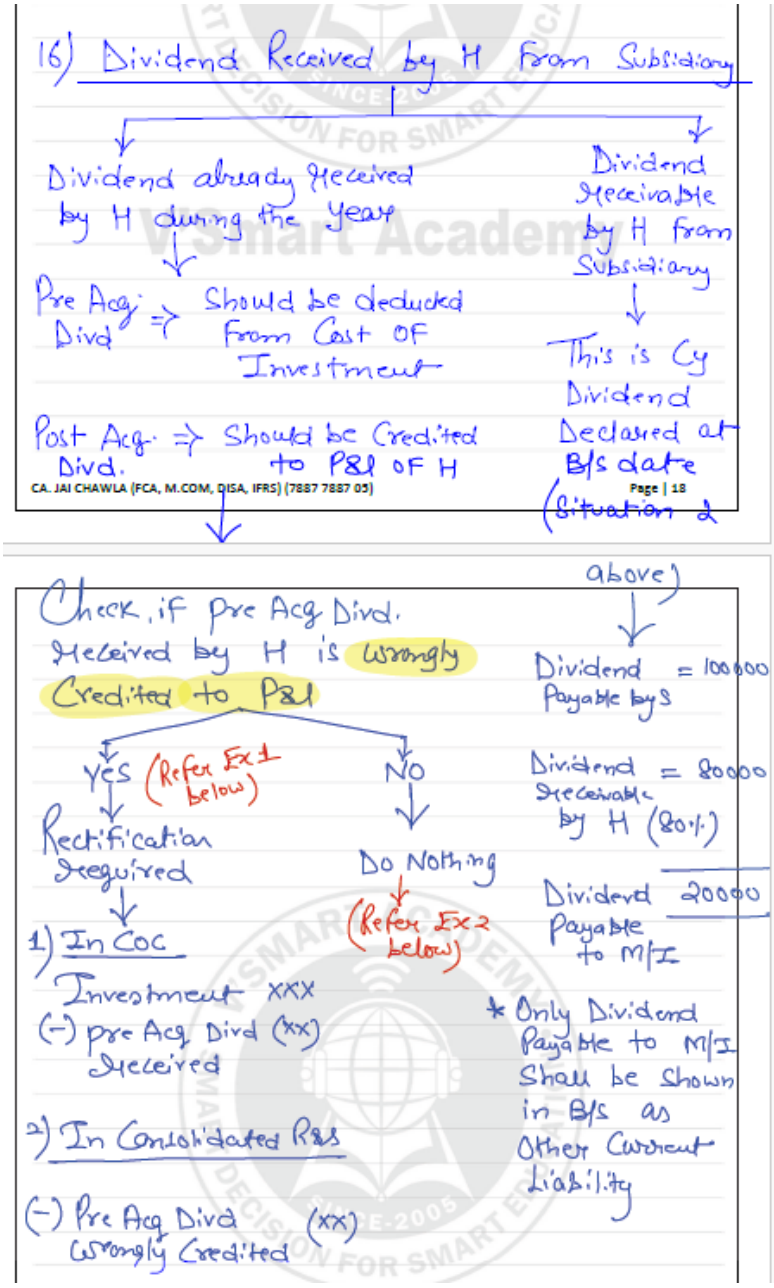

Entry not Passed
(Dividend Payable not Shown in B/s)
Add Back in Post Column
Make Time adjustment
Deduct From Pre (or) Post Column (or) Both depending on DOA
Entry Passed
(Dividend Payable must be shown in B/s)
Deduct in Pre Column (or) Post Column (or) Both after Time adjustment.


16) Dividend Received by H from Subsidiary
Dividend already received by H during the year
Dividend Receivable by H from Subsidiary
Pre Acq Divd => Should be deducted from Cost of Investment
This is Cy Dividend Declared at B/s date
Post Acq. Divd. => Should be Credited to P&L of H
CA. JAI CHAWLA (FCA, M.COM, DISA, IFRS) (7887 7887 05)
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(Situation 2 above)
Check, if pre Acq Divd. Received by H is wrongly Credited to P&L
Yes (Refer Ex 1 below)
No
Rectification Required
Do Nothing
(Refer Ex 2 below)
1) In CoC
Investment XXX
(-) pre Acq Divd (xx) Received
2) In Consolidated P&L
(-) Pre Acq Divd Wrongly Credited (xx)
Dividend Payable by S = 100000
Dividend Receivable by H (80%) = 80000
Divided Payable to M/I 20000
* Only Dividend Payable to M/I Shall be Shown in B/S as Other Current Liability

FINANCIAL STATEMENTS

Concept 33 –
Dividend Payment Conditions (Maximum Permissible Limit)

If there is current year loss – it must be write off from Free Reserves balance before paying Dividend.
In Condition 2 and Condition 3 – W/off the loss from free reserves

Refer Q104 of Must Do Questions

BRANCH ACCOUNTS

Concept 34: Stock And Debtor System

Concept 35: Debtors Method