

CA Final FR - Nov 2022 (Except of RTP - Nov 2022)

Amendments  
↘

Ind AS Amendment  
Rules, 2022  
(Q4.03.2022)

Incorporated in SJ Books?  
Yes, in Ind AS DC 3:1  
+ Addendum to  
Brahmagra 3:1

What it includes?  
Amendments (minor) in  
Ind AS 37, 41, 101, 103 and 109

Changes ←

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Q&A Updates  
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# CA Final FR - May 2022

		<u>Incorporated in SJ Books?</u>	<u>What it includes?</u>
Amendments	Conceptual F/W ✓ Sch 3 - Div 2 ✓ Ind AS Amend. Rules 2021 ✓ CSR ✓	Yes, in Brahmastra 3:1 (Summary) Yes, in Brahmastra 3:1 Yes, in Ind AS DC 3:1 Yes, in Ind AS DC 3:1	Various def <sup>n</sup> & characteristics of FS prepared under Ind AS  Various disclosure + change in format of SocE etc ① Ind AS 116 - Covid Concessions extension, ② IRBR & ③ Conceptual F/W related  S. 135 changes on c/f and Shortfall (& penalty)
Changes	IR ✓	No	Due to international changes in IR F/W
Q&A Updates	Various Chapters (From MTP/IRTP of 2021 2020)	Yes in Striker 4.0 (Edition 2)	(+) RTP/MTTP d <sub>s</sub> (-) Few illustrations No changes due to DPT removal, Sch 3 format changes etc.

→ Interest Rate Benchmark Reforms amendment in Ind AS Rules 2021 not incorporated in ICAI SM 2022

Ind AS 101 : Exemption from retrospective application of Ind AS on FTA :

① From restating past Biz. Comb:

② Ind AS 21 : Foreign Currency Translation Reserve

↳ Appendix D12 & 13 (para)

PLtd

Cons FS 31.3.2018

PLtd SFS as per Ind AS 31.3.18

+

SLtd SFS as per AS 31.3.18 (ROC)

↳ restate as per Ind AS 31.3.18

↳ and then consolidated.

Ind AS 101  
Para 16(a) →

PLtd (Holding Co.) Ind AS applicable 1.4.16

SLtd (Subsidiary), NBFC, Ind AS applicable 1.4.19

↳ Subsidiary DoT is later than Parent's DoT to Ind AS.

DoT

1.4.2018

SLtd to prepare BS of 1.4.2018  
as per Ind AS (restate)

↳ SLtd has some FCTR balance

↓

Either

Ind AS 101 gives option that FCTR  
balance can be t/f to Reserves  
on DoT

+

Amendment

Or

Take balance of FCTR as taken by Parent  
(PLtd.) for the purpose of consol. FS with SLtd.

# Ind AS 16 PROPERTY, PLANT & EQUIPMENT

**4.1  
INITIAL COST**

**4. COST (PPE: IR COST, ALWAYS!)**

**4.1.A - PURCHASE COST**

- Purchase cost = Purchase price (-) Trade discount, (excluding recoverable taxes)
- Treatment of discounts :
  - Discounts
    - Given at the time of purchase
      - Reduce from cost of PPE
      - If it represents interest element
        - Reduce from the cost of PPE initially itself. Consequently if such cash discount is not availed then it will be recognized as interest expense in P/L a/c.
    - Subsequent discounts
      - Cash discount
        - Else (rare)
          - Treated as discount income
      - Other
        - If it represents renegotiation of price
          - Adjust from cost of PPE
- Trade discount: Discount given at the time of sale/purchase.
- Re-negotiation: Subsequent discount on accounting of renegotiation of price. Usually when price originally was provisionally decided, quality discount, volume discounts, etc.
- Recoverable taxes: Not added to the cost as it does not represent cost to the enterprise but in the nature of prepaid taxes. Taxes, non-recoverable for entity, will be added to the cost of asset.

**4.1.B - DIRECTLY ATTRIBUTABLE COSTS: EXPENSES UPTO READY TO USE**

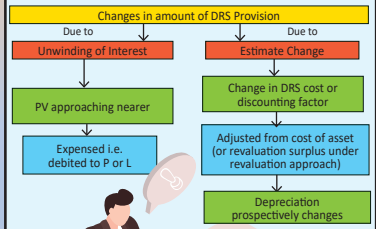
- Expenses incurred on asset **making asset ready to use**, (not put to use) will be added to cost.
- Income tax requires capitalization upto put to use leading to creation of DTA/DTL.
- User training cost is not added to cost of the asset since it is incurred to make user ready and not the asset.
- Para 16 (b) of Ind AS 16: any cost directly attributable to bringing the asset to location & condition necessary for it to be capable of operating in the manner intended by the management.
  - Explanation: Management's intention is important to determine which cost will be capitalized, not the basis of evaluating which costs are avoidable or unavoidable for making asset ready for use for any user.
  - Abnormal cost (Like penalty, repair expenses) not added to the cost of asset.
  - Expense incurred prior to acquisition of asset not added to cost of asset unless incidental as a consequence of to purchase the asset.
- Transit cost & transit insurance is to be added to the cost of asset (i.e. cost incurred to bring asset to management's intended location)
  - Initial operating losses, beyond asset being ready to use, till it achieves full commercial production levels not added to cost. Trial run expense are however added
- Cost of testing product's functioning (net of sales proceeds, if any) are added to cost. Excess sales proceeds over testing costs, to be deducted from cost of PPE and not credited to P/L.
  - Expenses not included in cost of PPE:
    - General admin overheads
    - Sales & promotion overheads
    - Abnormal expenses
    - Initial operating losses if asset is operated at less than commercial level initially, its operating losses can not be capitalised.
    - Cost incurred prior to acquisition of asset & not as a consequence to purchase the asset
    - User training fees

**4.1.C DRS COST**

- DRS Costs could be due to:
  - a) Removal of PPE installed (Estimated on installation & added to PPE)
  - b) Removal of debris (waste) due to production activities
- Cost Estimate
  - Entity to consider the cost that is expected to be incurred on removal/restoration and disc. it to its PV
  - D.F. Cost of Capital or else
    - Subsequent unwinding of interest to be charged to P or L as Int. exp.
  - Added to cost of production of inventory as and when Co. is liable (& not PPE)
  - PV of DRS on IR to be added to cost of PPE
- Any Tech improvements, etc reasonably expected to be achieved by the time DRS costs are to be incurred can be considered in making estimate of DRS costs

**4.1.C - DECOMMISSIONING, SITE RESTORATION & OTHER COST (DRS)**

- As per Ind AS 37, Provision, Contingent Liabilities & Contingent Assets- Liabilities that is not in the hands of entity to be avoided is an obligation, such obligation/liability should be provided for if it is probable (likely) to have outflow of economic resources.
- On purchase of asset if entity incurs an obligation for dismantling asset & restoring the site, which is unavoidable then provision should be recognised for such obligation, termed here as 'Provision for DRS Costs'
- Provision for DRS = PV of expected DRS cost at the date when it is expected to be incurred
- Decommissioning, Restoration and similar expense shall be added to cost of PPE at discounted value unless such expense relates to production of inventories.
- A provision for such expense will be recognized as per Ind AS 37, which requires recognition of a liability when there is present obligation arising out of past events on reporting date.



**4.2.A - ADDITIONS**

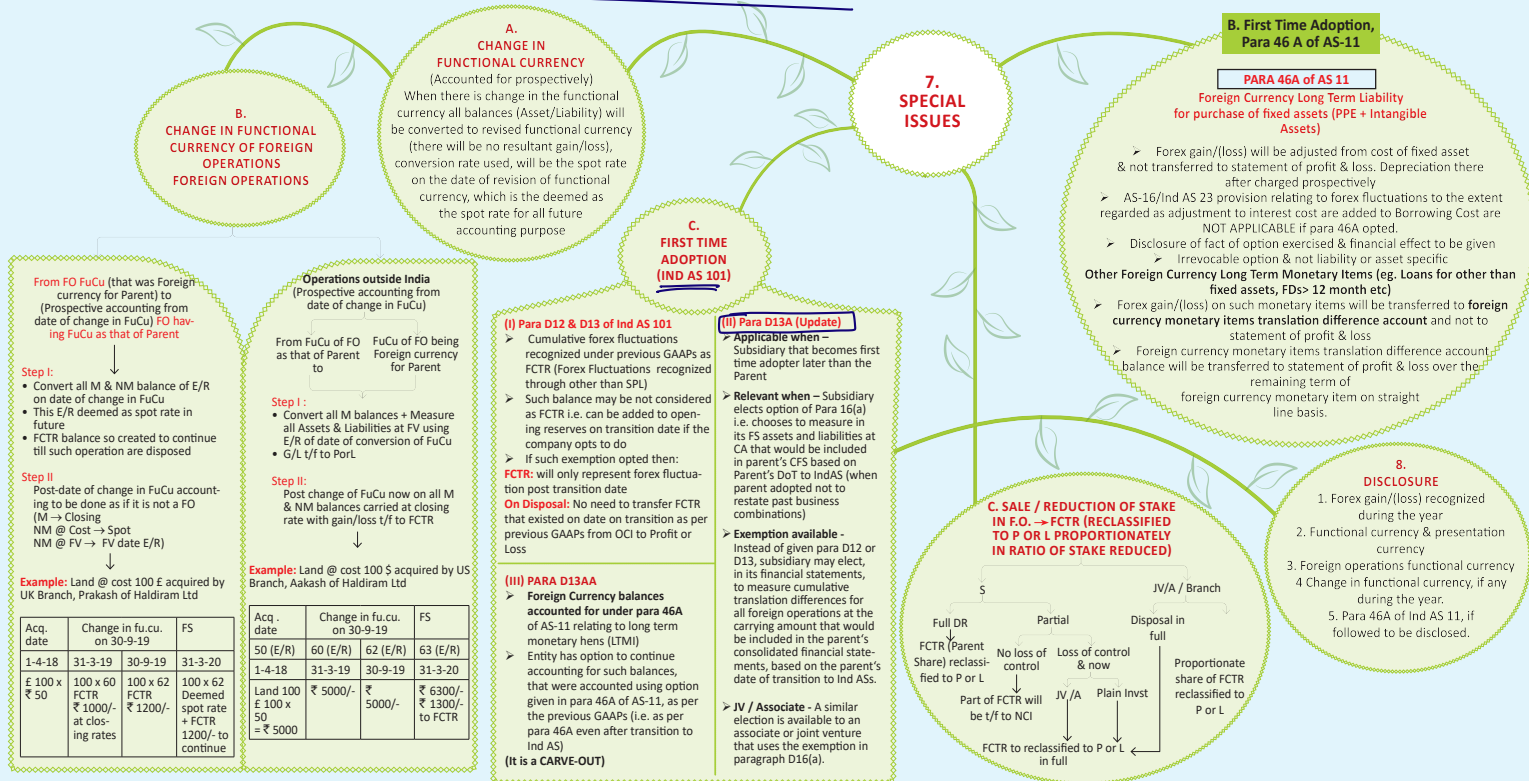
- If it satisfies the recognition criteria, capitalised.
- Capitalize to cost of asset else charged to P or L
- Facts to be considered to determine whether it will be added to cost / recognized as separate asset
- If 3 conditions of definition of PPE is satisfied then recognise as separate asset

**4.2  
SUBSEQUENT EXPENDITURE**

**4.2.B - REPLACEMENTS & NON-RECURRING EXPENSES (FREQUENCY IS MORE THAN 1 YR)**

- Derecognize the carrying amount of existing part / non recurring cost, and
- Capitalize the replacement part/ non-recurring expense to cost of PPE
- Not applicable for recurring replacements or day to day servicing costs

# Ind AS 21 THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES



# Ind AS 37 PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS



## 6 Reimbursements

- Represent recovery of cost / losses
- Recognised if it is certain it will be received:
  - (a) As a separate asset in Balance Sheet, and
  - (b) As a set off to related expense (which is being reimbursed) in SPL, if it represents substance of transaction.
- **Rule to recognise** : If entity is certain to receive the reimbursement, when the associated liability is settled then such reimbursements to be also recognised
- Reimbursements can never be > liability
- **If the liability is not of the entity then no need to recognise liability or reimbursement asset**
- **CL to the extent of amt. of Reimb. asset recognised should be disclosed**

## 7 Onerous Contracts

**1** Contracts where expected cost to fulfill the contract is greater than the benefits to be generated from the contract.

Cost of executing contracts > Estimated benefits to be received from contract

**2** Ind AS 37 requires provisioning of loss under such contracts. Before making such provision, assess and recognise impairment loss, if any, on assets used in fulfilling the contract. Update

**3** Amount of provision to be (lowe) of :-  
 a) Penalty payable to exit contract, or  
 b) Excess of cost of fulfilling the contract.

**4** Cost of fulfilling a contract Cost that directly relates to a contract and consist of:  
 (a) Incremental cost to fulfill the contract. Eg. Direct Material, Direct Labour, etc.  
 (b) Allocation of other costs that relate directly to fulfilling contracts. Eg. Dep. of equipment used in contract.

Amendment effective 01.04.2022 : consequence

Any adjustment to previous provisions made through opening balance of retained earnings without restating comparatives amendment

## 9 Disclosures (Imp.)\*

a Provisions (Major Class) Description	Provisions (Major Class) Reconciliation	Contingent liability (Major Class) Description
a) Description b) Probability of liability c) Amount d) Reimbursement, if any, e) Reconciliation (opening, during the year, reversal, closing)	a) Opening b) During the year : i) made ii) reversed iii) Reversed c) Closing	a) Description b) Probability of liability c) Amount d) Reimbursements, if any.

**c** Additional Disclosures

- Contingent Assets, when highly probable, give description and amount of such contingent asset.
- If any liability that is probable but not provided for as the amount was not Estimatable & hence shown as contingent liability-give reasons.
- If company is of the opinion that disclosure of a contingent liability may prejudice its interest then Ind AS 37, permits to avoid giving description of such contingent liability and only basic details of such contingent liability to be disclosed.**
- Disclose the mode of restructuring and costs provided for

**b** Change in Estimates

- Change
- Effect in CY FS
- Future effect on FS

**Special Issue** If company has invested the provision for DRS Costs in an investment then such investment and its income to be accounted for presented separately in the Financial Statements.

## 8 Restructuring of Operations

**SJ** *Topic*

While estimating restructuring costs / DRS costs the costs estimated to be incurred in future are considered after considering expected savings due to technological improvements which can reasonably be estimated to take place till the costs are due to be incurred.

Note : Material as defined in Ind AS-1 (New)

- Company to provide for the committed costs/loss on account of restructuring, only when the company is committed to restructuring.
- Company is said to be committed to restructuring when:
  - A It has entered into a binding agreement
  - B Constructive obligation to restructure
    - a) It has made a detailed formal plan and announced the plan to raise valid expectations to those affected by it.
- Future operating costs should not be provided for (Eg. future planned maintenance / advertisement/ training / salary increase / bonuses)
- Costs to be Provided for are costs:
  - Necessarily entailed by restructuring
  - Not associated with ongoing activities of business.
- Loss on sale if any on asset only to be recognized when binding agreement is made. Ind AS 36, 2 etc
- Restructuring related Detailed Formal Plan (for binding agreement) should at least include :
  - Areas of restructuring
  - Location/Products/ Services involved
  - Timelines to complete
  - Anticipated costs of restructuring
  - Business / Parts of business affected.

BOD / Mgt decides to restructure before reporting date, and

Whether started implementation after reporting date but before approval of FS?

No → Ignore

Yes → Disclosure required

Whether main features announced specifically so as to raise expectations before reporting date but before approval of FS?

No → Ignore

Yes → Disclosure required

## 10 Levies by Government

If govt. levies any charges/taxes etc., accounting for which is not covered under other Ind AS, then the levies (Taxes/Duties /Charges etc) to be recognized in financial statement when the Duty/Tax Charges is "levied" (on the occurrence of the event that TRIGGERS levy) (Not in course of CA Final)



1. Applicability & Definition

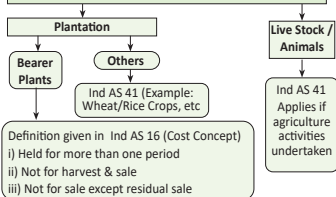
A. Definition

- Agricultural activity is the management of biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets
- Agricultural produce is the harvested product of the entity's biological assets.
- A biological asset is a living animal or plant.
- Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.
- Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

B. Applicability

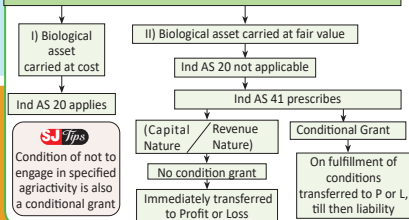
- Ind AS only applicable where entity is engaged in agricultural activities.
- Not applicable on trader of biological assets.
- Ind AS on produce is only applicable till the time of HARVEST as there produce is accounted as per Ind AS 2.
- Agriculture includes plantations, animal husbandry, dairy/poultry farms, horticulture, pisciculture, etc.
- Not applicable on bearer plants, land related to agriculture activities.

2. Biological Assets



4) Government Grants

A. Government Grants

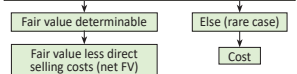


**ST Tips**  
Condition of not to engage in specified activity is also a conditional grant

2. Biological Assets

(Other than Bearer Plants)

I) Initial Recognition (whether purchased or self generated)



II) Subsequent (Year end):

- Value at net fair value (fair value less cost to sell) unless if fair value not available. In such cases measure biological asset at cost less accumulated depreciation and impairment, till fair value is not determinable.
- Gain/Loss will be transferred to Profit or Loss
- Gain/Loss will arise due to (separate disclosure needed)
  - Physical change → (Quantity / Age)
  - Price Change → (Market Rate)

Biological asset recognised only when :

- Entity controls the asset as a result of past events.
- FEB probable to flow to entity
- FV or cost is reliably measurable

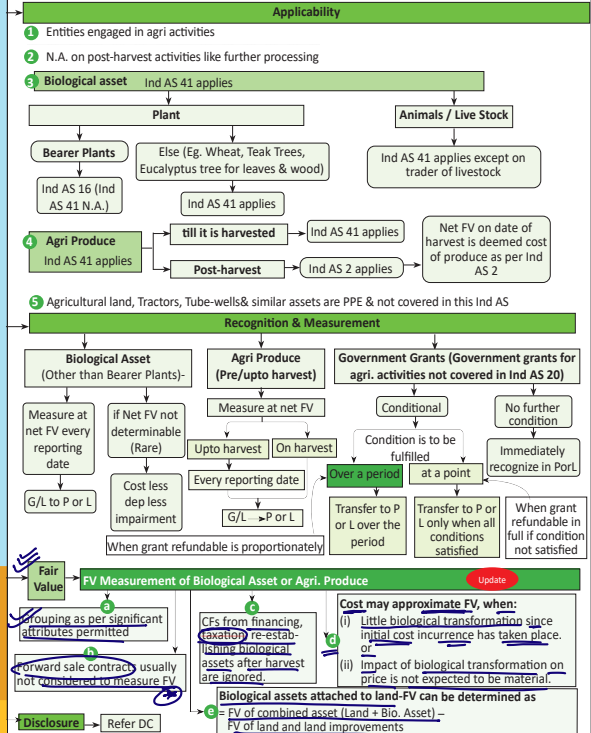
3) Produce (at the time of Harvest)

- Initial Recognition:
  - At net fair value always
  - Ind AS assumes fair value is always available.
- Subsequent Recognition : As per Ind AS 2, considering initial net fair value as its deemed cost.
- De-Recognition : As per Ind AS 115

5) Disclosures

- Gain/Loss on initial recognition of biological asset and harvest.
- Biological asset : disclosures same as PPE. Always shown under "NCA" separate from PPE.
- Description of agricultural activities undertaken
- Capital commitments & financial risk management activities
- Biological assets: Group in similar categories but provide information of different class of biological asset (Nature/Immature, etc.)
- If fair value not measurable reliably disclose the fact.
- Biological assets valued at cost and depreciation methods used.
- Government grants received if any to be disclosed.
- Reclassification of biological asset from → cost to FV
- Produce- Ind AS 2 disclosures to be given.

SJ Conclusion : Ind AS 41



# STARS OF OUR GALAXY 2021



Ruth Clare Dsilva



Sakhshi Airan



Shaan Shah



Rohit Chipper



Pankaj Aswani



Shubham Mittal



Rohit Chipper



Nidhi Sandeep Devidan



Puneet Bansal



Prakhar Gupta



Charu Goyal



Sourabh Lahoti



Ankit Goyal



Srijan Mandora



Akshit Agrawal



Grish Bhandari



Yatharth Bapna



Tanay Agarwal



Kamlesh Gupta



Sharad Malpani



Bhavya Shah



Kapil Pinjani



Aagam Shah



Chirag Kelar



Hemant Somani



Yash Doga



Pranay Samariya



Kabir Narula



Khushi Agrawal



Gaurav Singhal



Shashank Pandey

QUALITY  
TEACHING...  
QUALITY  
RESULT...

Rankers of CA Final July-2021 & Dec-2021



## Updates to Brahmastra 3.1

### Framework for Preparation & Presentation of Financial Statements

Update 2022

(Now replaced by Conceptual Framework for FR under Ind AS)

Under which certain definition like that of liability, equity, etc. have been replaced. However such framework are made for standard setting authority only. This has resulted in change in references given in certain Ind AS.

- (a) Ind AS 1, 8, 103 now refer the conceptual Framework (New FW) instead of earlier FW in their footnotes. Particularly where reference is added for definition of asset and liability.
- (b) Ind AS 102 (Definition of equity updated as per new FW)  
However Ind AS 37, 38, 103 specifically mention that terms of new FW not be referred and referrals to the earlier FW for definition of asset and liability to continue as it is.

#### Ind AS 109 (Page 144)

9. Modification of Cash Flows [change in Contracted CFs under a FA or FL]

S.J. Exclusive

If transaction cost\* is incurred then it will be charged off to P or L & not adjusted from carrying amount

Substantial Modification =  $\frac{[\text{Carrying amount of FL} - \text{PV of revised cash flows after considering transaction cost}^* \text{ using original E.I.R.}] \times 100}{\text{Carrying amount of financial liability}} \geq 10\%$

Update 2022

\* Transaction cost = Fees paid net of fees received. Includes only fees paid or received by borrower or <sup>lender</sup> ~~under~~ directly, or on their behalf

#### Consolidation (Page 212)

Step II: NCI:

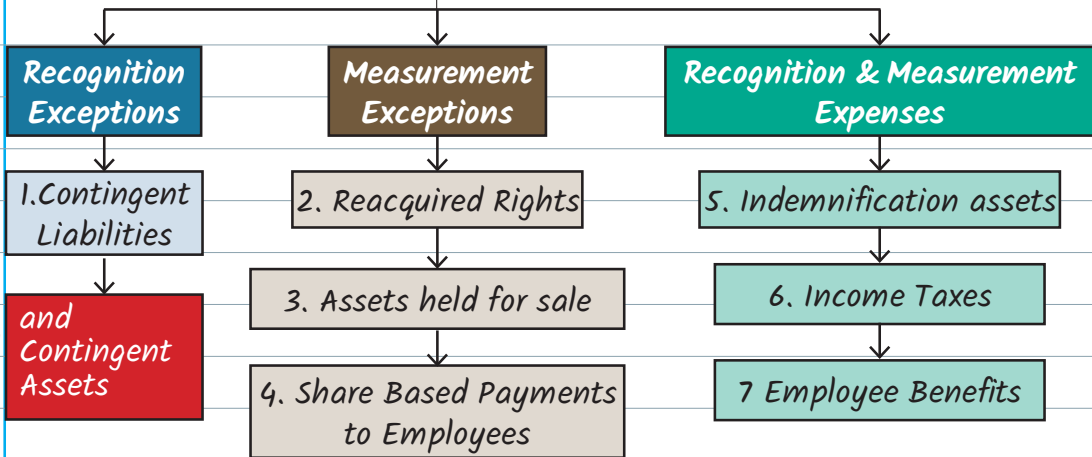
NCI Balance as on 31-3-2018†

16,500

**Business Combination Page 312**

**BASIC RULE**

**Exceptions to Basic Rule**



Update 2022

**Business Combination Page 313**

Update 2022

