

- General purpose financial statements -

Ind AS-1

Presentation of financial statements

Meaning of financial statements, → structured representation of financial transaction & performance in faithful way.

Overall considerations
सर्वप्रथम विचार

True & Fair Presentation → (i) By compliance with all Ind AS
(ii) Statement of Compliance to be given
(iii) Select Acc Policies as per Ind AS-8
(iv) Comparable information

Departure from Ind AS (i) Rare case.
(ii) Nature of departure, Reason of departure, effects
(iii) Mgt Statements specify that FS are true

Structure & content

Going Concern → Entity will continue forever. Period seen at least 12 m
→ If Non G.C Disclosure Required.
→ G.C. Concern evaluated by Mgt

Consistency → All Policies, Classification will be consistently followed

Components

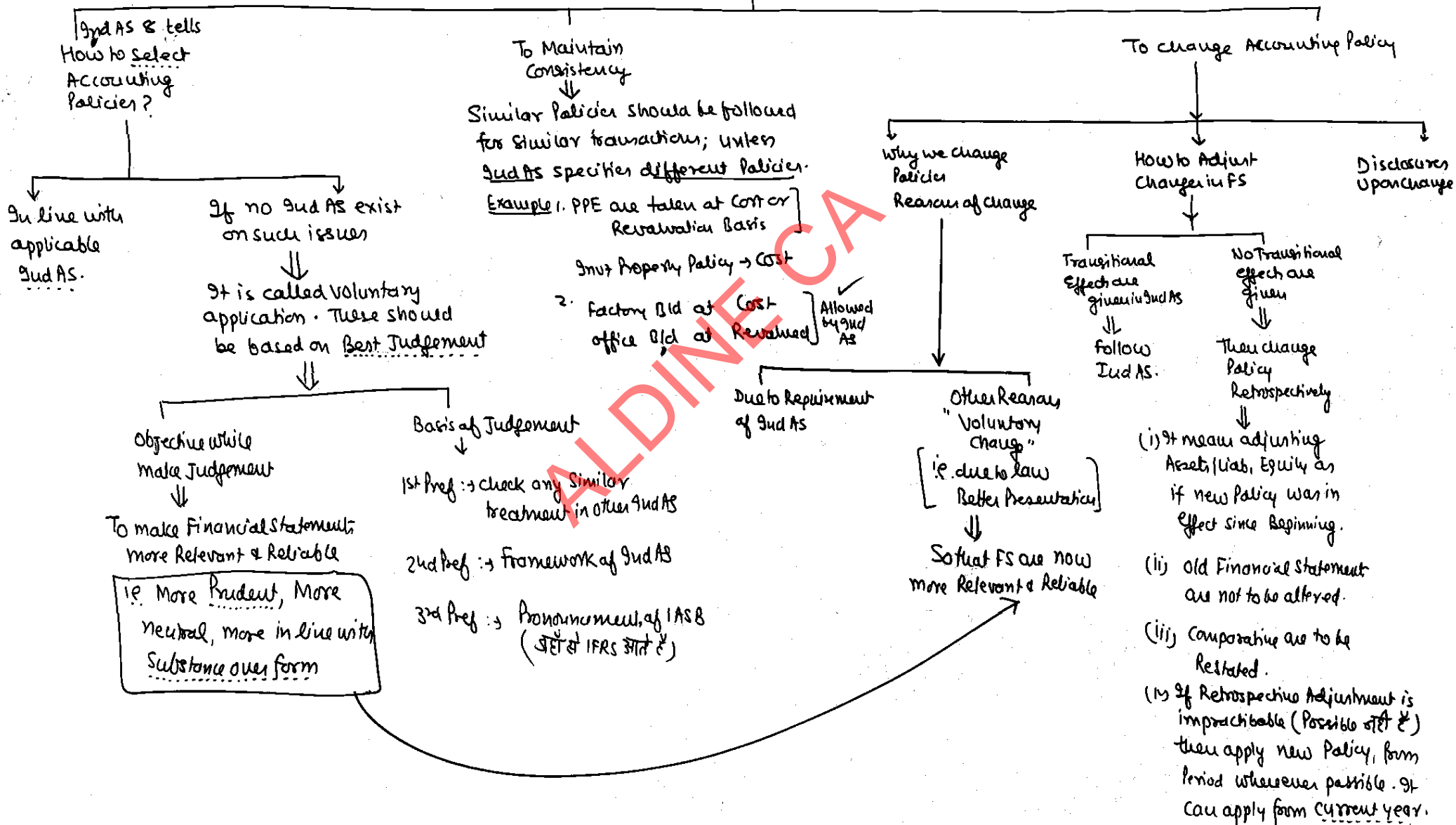
offsetting → Similar nature items offsetting allowed, subject to any condition of Ind AS. (same Party, Similar Transaction)
Valuation Allowance set off allowed (debtor - p.o.s)
Provision on Asset

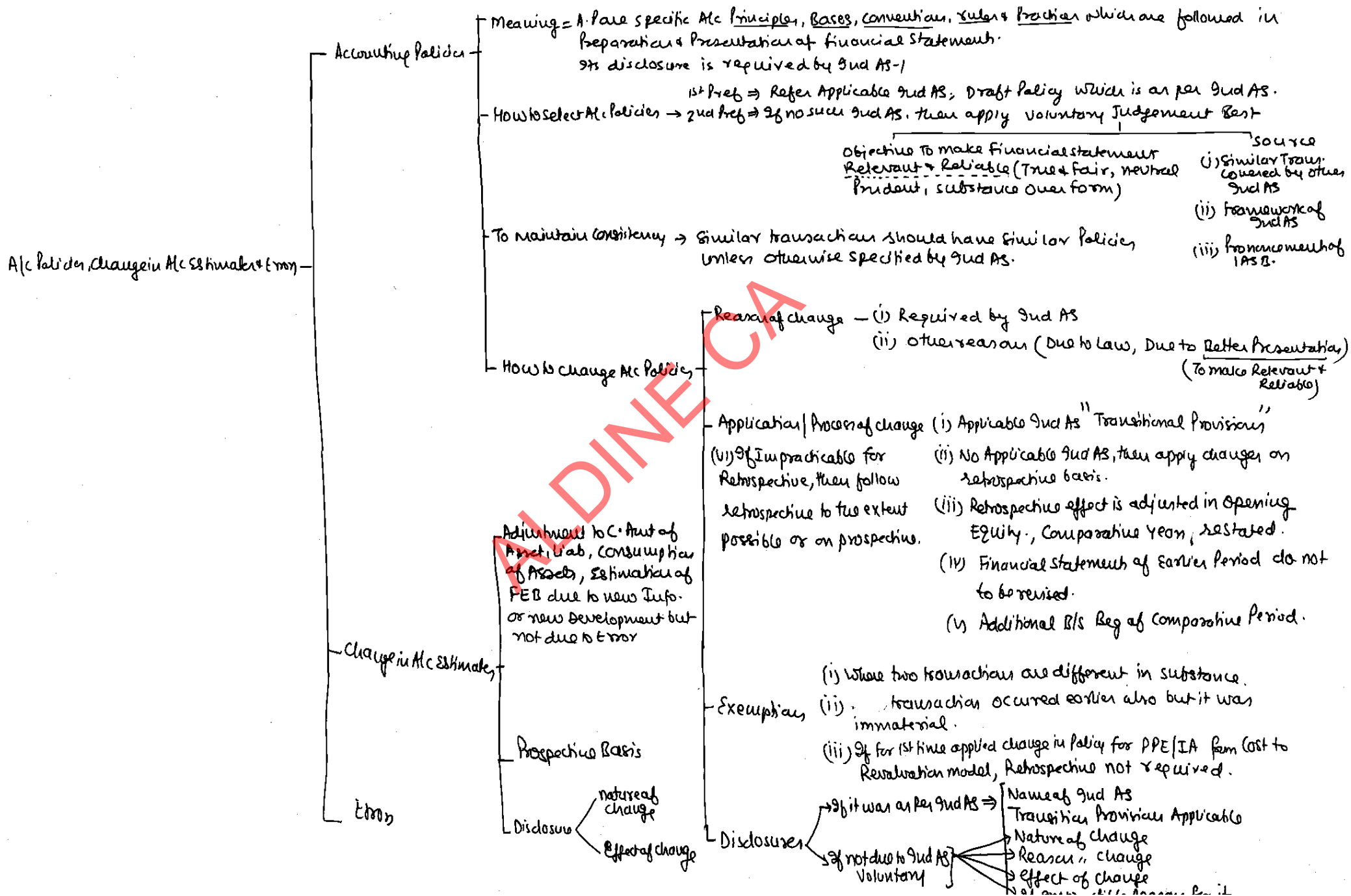
Accrual → follow Period Basis. Match Cost with Benefits.

Comparable → Additional BIS if Error Required, 1st time Ind AS applied, change in Acc Policy, Material Reclassification
→ Last 4-yr is also comparable.

Materiality → disclose only Material items.

Accounting Policies are
(For Transactions, Condition, event) } Disclosure of A/c Policies is covered by Ind AS-1





- Applicable (Broad List)**
- (i) P.P. Equipment
 - (ii) Intangible Assets
 - (iii) Investment Property
 - (iv) Investment in Sub/A/JV
 - (v) Others

Assets are not carried in Books at more than Recd. Amt (RA)
(करिता देय)

Calculation of Impairment of Asset (i) Formula = Carrying Amt (CA) - Recoverable Amt (RA)

* Book value after charging Dep upto current period, any earlier Impairment Loss, after any Revaluations

(ii) R. Amt is higher Value in Use (VU) or Fairvalue less cost of disposal (FVCD)

* This is Present Value of Expected Cash Outflows less Outflows from Use of Asset.
* Fairvalue is as per Ind AS-113

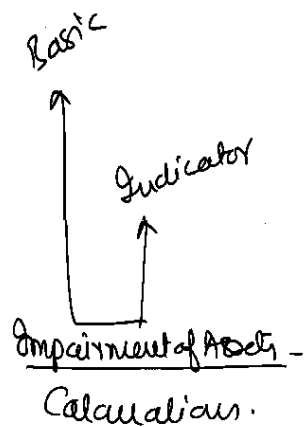
RR (OCI) & Balance in RR from Asset
To Provision for S/Loss

Accounting Treatment

- Journal Entry = S/Loss / PL/D B.F To Provision for S/Loss
- Presentation in final Ac ⇒ Asset Cost XXX
Less Acc. Dep XXX
Less P/S Loss XXX XXX → B/S value of Asset
- Def. Tax Asset = (CA of Asset - Tax Base of Asset) Rate of Tax → DTA TO PL or PL TO DTA
- Future Dep. Revise = Revised CA it will be depreciated, hence Dep amt will not be same as earlier.

- Impairment of Asset (Ind AS-36)
- (i) Ind AS-2 Inventory
 - (ii) " " - 11 Construction Contract Assets
 - (iii) " " - 12 D. Tax Asset
 - (iv) Insurance Contract
 - (v) Financial Instruments except Inv in Subs/Associ/JV
 - (vi) Plan Assets in Employee Benefit
 - (vii) Biological Assets
 - (viii) Asset held for disposal

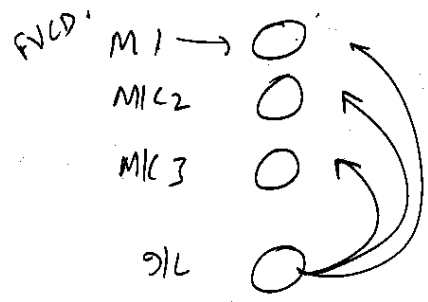
- Indication of S/Loss
- C.O.U identification
- RA "VU & FVCD" → detailed discussion
- Goodwill & Corporate Asset Impair.
- Reversal of S. Loss
- Disclosure
- Comparison with AS-28



Individual Asset

- (i) Can generate independent CF
- (ii) FVCD = V/Use

⇒ CA - RA
IL



group of asset

⇒ $\left[\sum CA \text{ of assets in CGU} \right] - \left[RA \text{ of CGU} \right] = IL \text{ of CGU}$

* Loss will be allocated in ratio of Carrying Amt. (Caution: → Any Asset in group should not go below its FVCD if available)

ALDINE CA

Not capable of generating CF (Research Centre, etc, HR, Mkt)

group of asset & Corporate Asset

Allocation Possible

Mgt specifies Ratio for allocation of Corporate Asset to CGU.

Mgt specifies Relative Ratio
= Carrying Amt x Useful life of CGU

Not Allocable ⇒ Larger C.G.U / Entity

CGU
Smallest identifiable group of asset capable of generating CF flows that are largely independent from others.
↓
Active Market

group of asset and GLW

→ Should Always be allocated - Either Ratio will be given or Use Relative Ratio.
* Allocate Loss → 1st to GLW, then to other Assets.

"Share Based Payments"
Ind AS-102

meaning
STP-2 Payments share BT
आवृत्ति एडि

Entity ← Agreement → Other Party

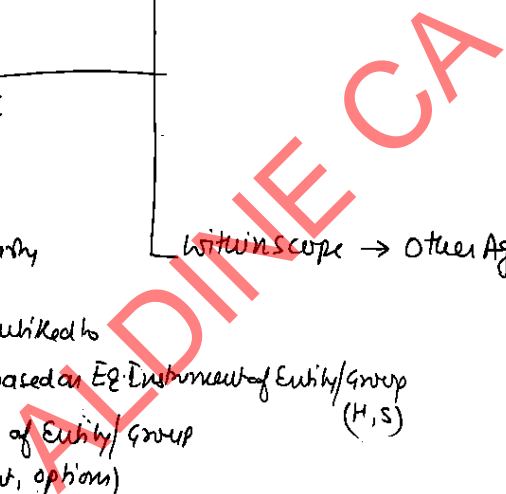
within scope → Other Agreements

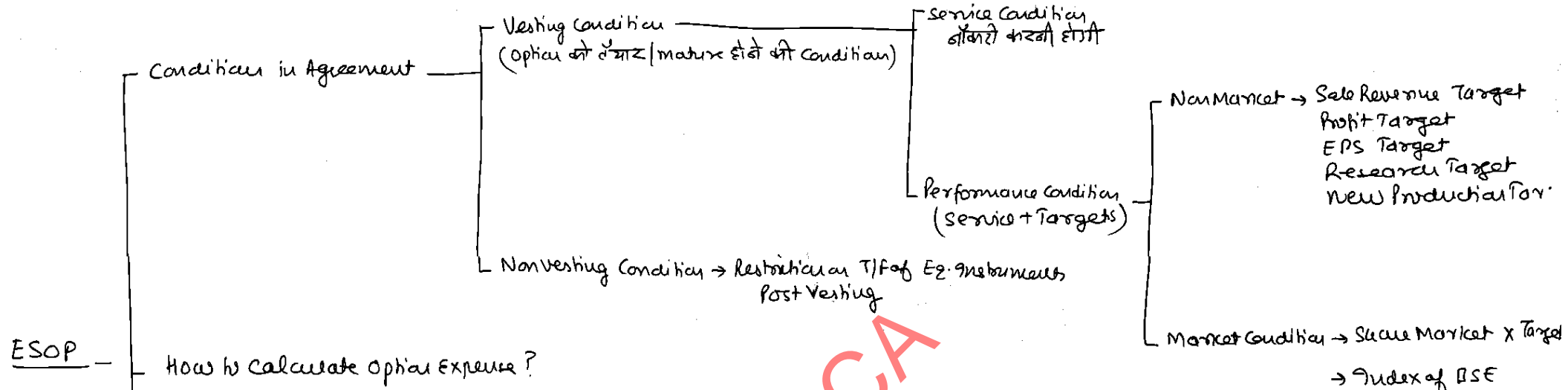
- (i) Payment/ Other Party is entitled to
- Cash/Other Assets based on Eq. Instrument of Entity/Group (H, S)
 - Equity Instruments of Entity/Group (Share, S/warrant, option)

(ii) Against "Vesting Conditions" if any.

- Outside Scope
- Contracts with Shareholder of Entity in capacity of Shareholder.
Example Eg share or Bonus etc
 - Contracts which are covered by Ind AS 109 (Contracts "Net settle" mention. (Later Discussed))
 - Business combinations (∴ dealt by Ind AS 103)

- Agreement with Employee (ESOP)
 - Equity Instrument (ESOP)
 - Cash Based
- Agreement non Employee

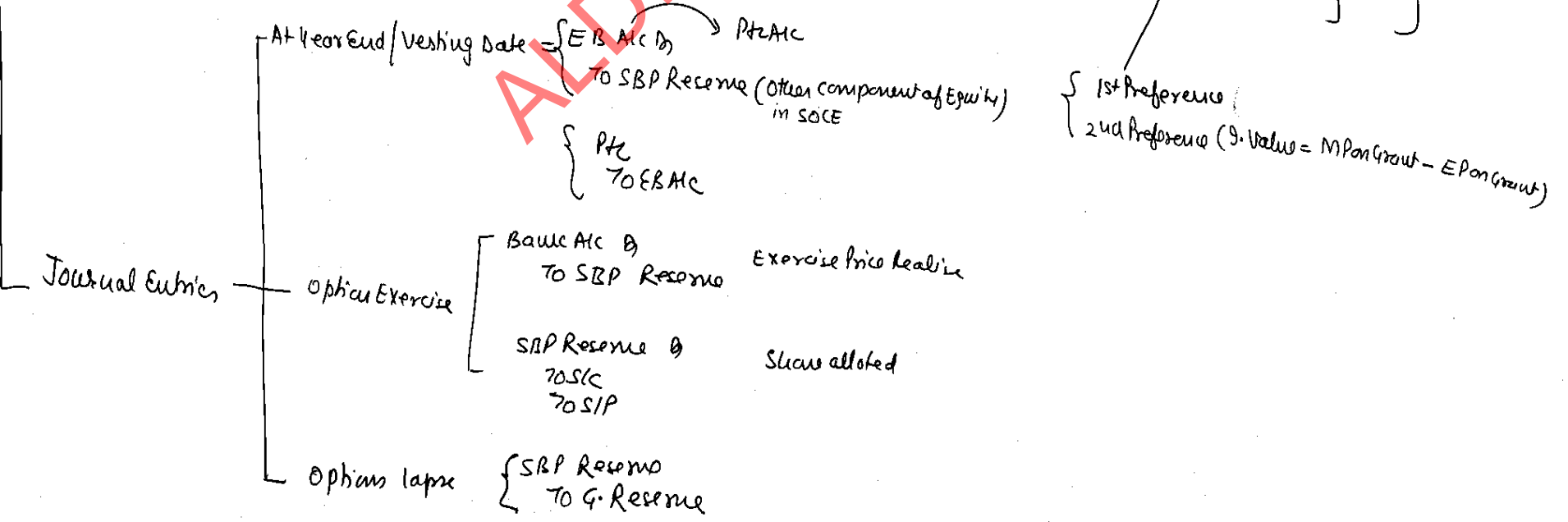




It can be negative

$$= \left[\frac{\text{No. of options expected to vest based on vesting conditions (except market conditions)} \times \text{Fair value of options}}{\text{Expected vesting period}} \right] \times \text{Expired period}$$

Exp. Recorded in Earlier year



[Permanent + Temp + Casual + WTD + WTD + WTD]
 + Spouse + Dependents
 ↑ ↑
 Employee Benefits
 ↑ ↑
 Cash/Kind

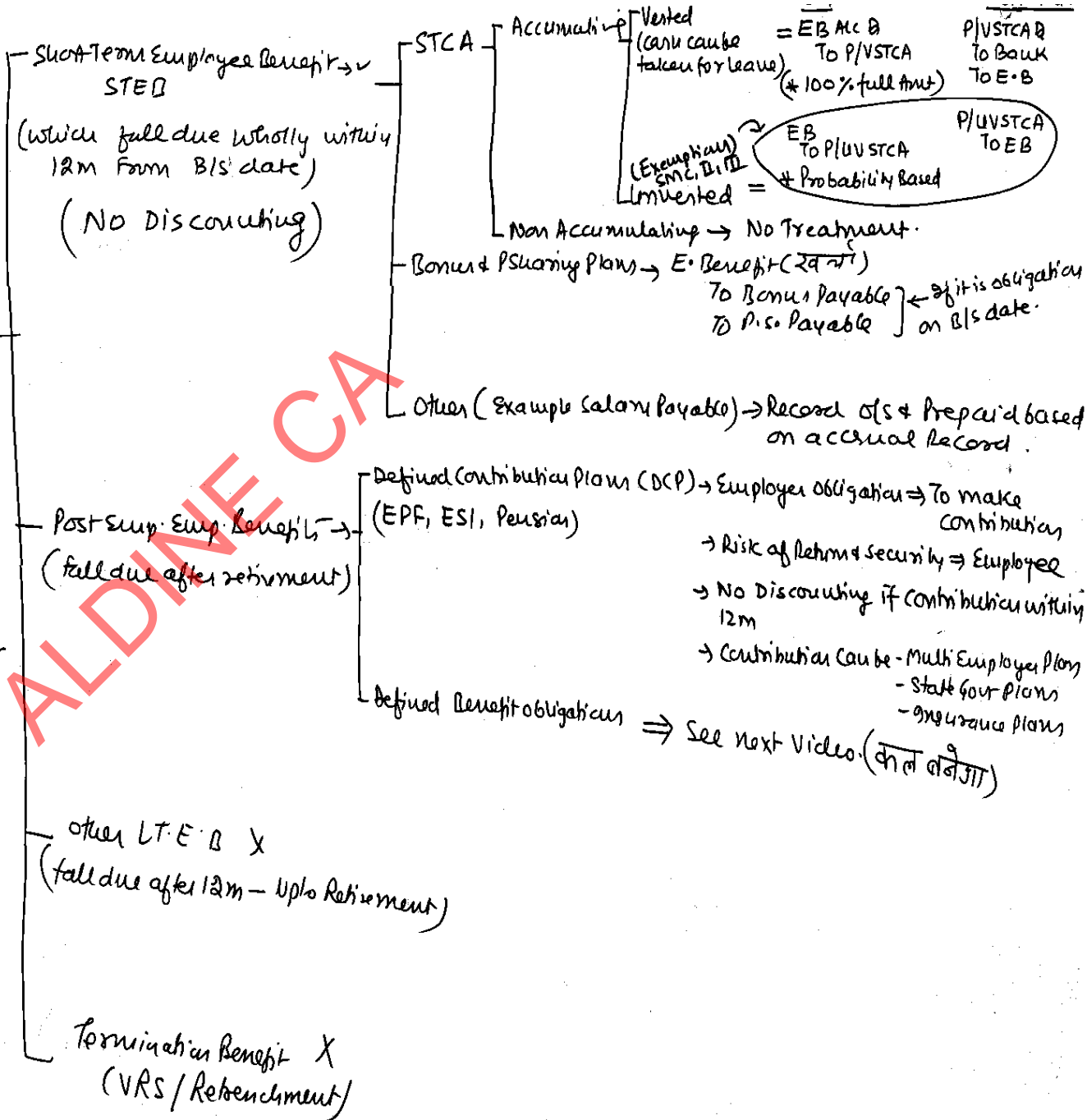
Why Benefit?

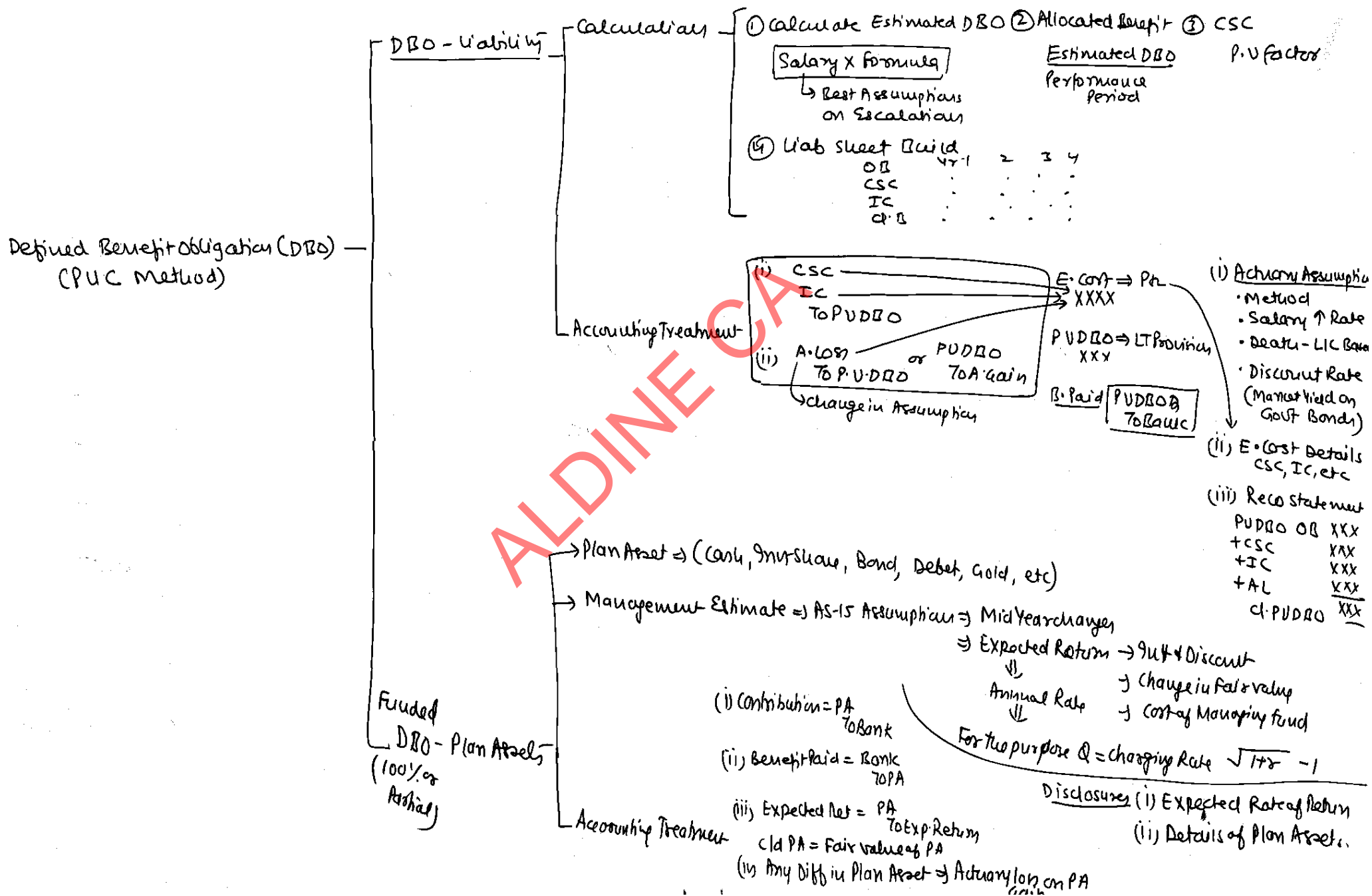
Objective AS-19

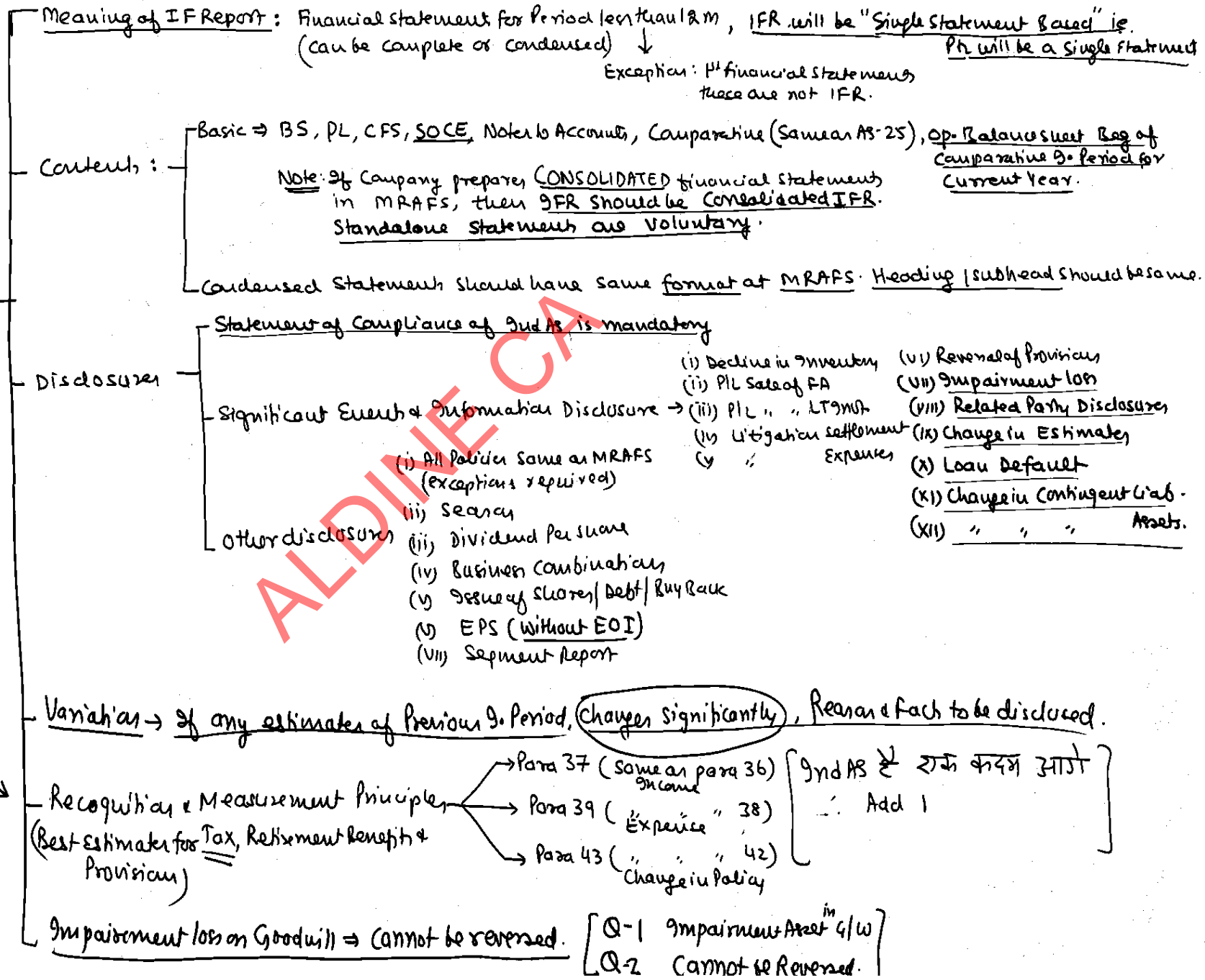
- (i) Formal Agreement To Properly Record Employee Benefit Expense
- (ii) Informal Arrangement (Constructive obligation) Liability

Not Applicable → Share Based Payments

Partial Exemption → (SMC + Level II/III etc Partnership Trust Societies etc)







Ind AS-34
Interim Financial Report
 (i) Can be applied if entity is required or elects to apply Ind AS-34.
 (ii) SEBI (LODR) regulation require application of Ind AS-34 for recognition & measurement principles.

Concept ⇒ Parent controls subty, hence for Parent, subty is just a dept
 Hence single Eco. unit should be presented to shareholders
 Logic of Parent
 { Co Act 2013 - Section 129(3) mandator Consolidation
 { Ind AS-110 → mandate Consolidation, + Process of Consolidation.

Consolidation

Ind AS-103 for calculation

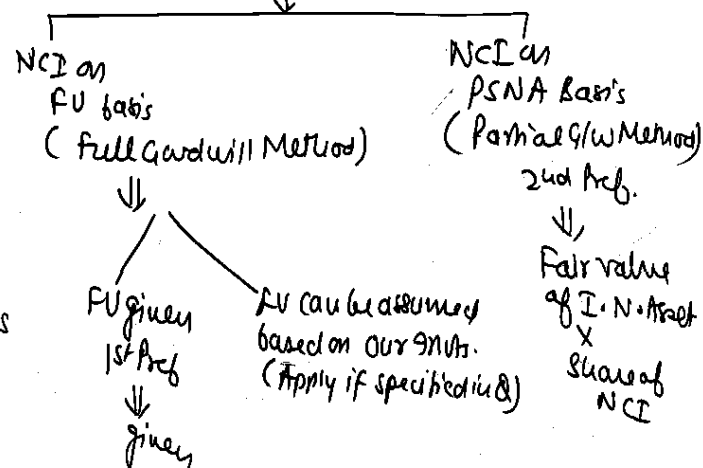
Goodwill = Consideration Paid/Payable
 (Deformed con. take it at P.V) XXX
 (Contingent con. " " " Fair value) XXX
 + NCI based on FU/PSNA XXX
 ⇒ I.N Asset at F.V 4/wor GB/P(CR) XXX

NCI = represent those owner who don't have control but they have ownership. (Show within Equity Liab & 4Eet)

Process of Consolidation

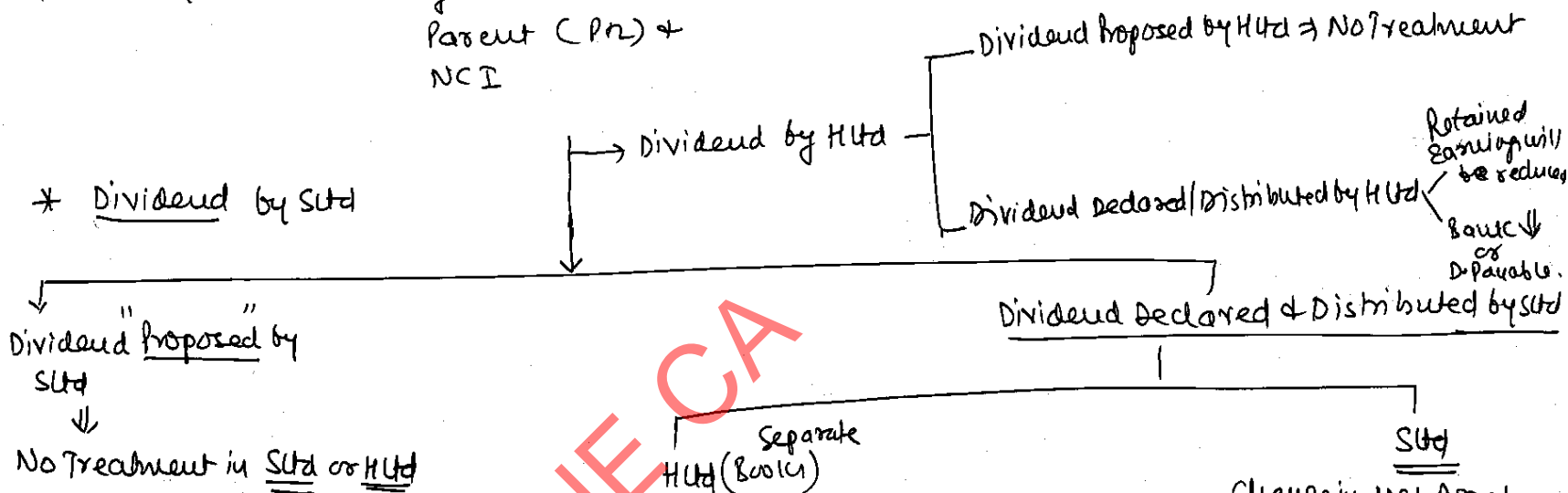
B/s (Pr OCI, SOCF, RFS) on per 110 → B/s
 Later on

- Asset & Liab line by line
- NCI show separate Liab.



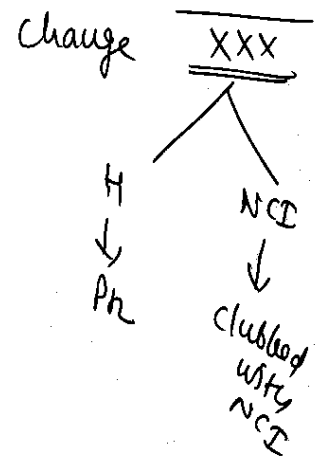
* Post Acquisition \Rightarrow change in Net Assets are distributed to Parent (Pr) + NCI

* Dividend by S Ltd

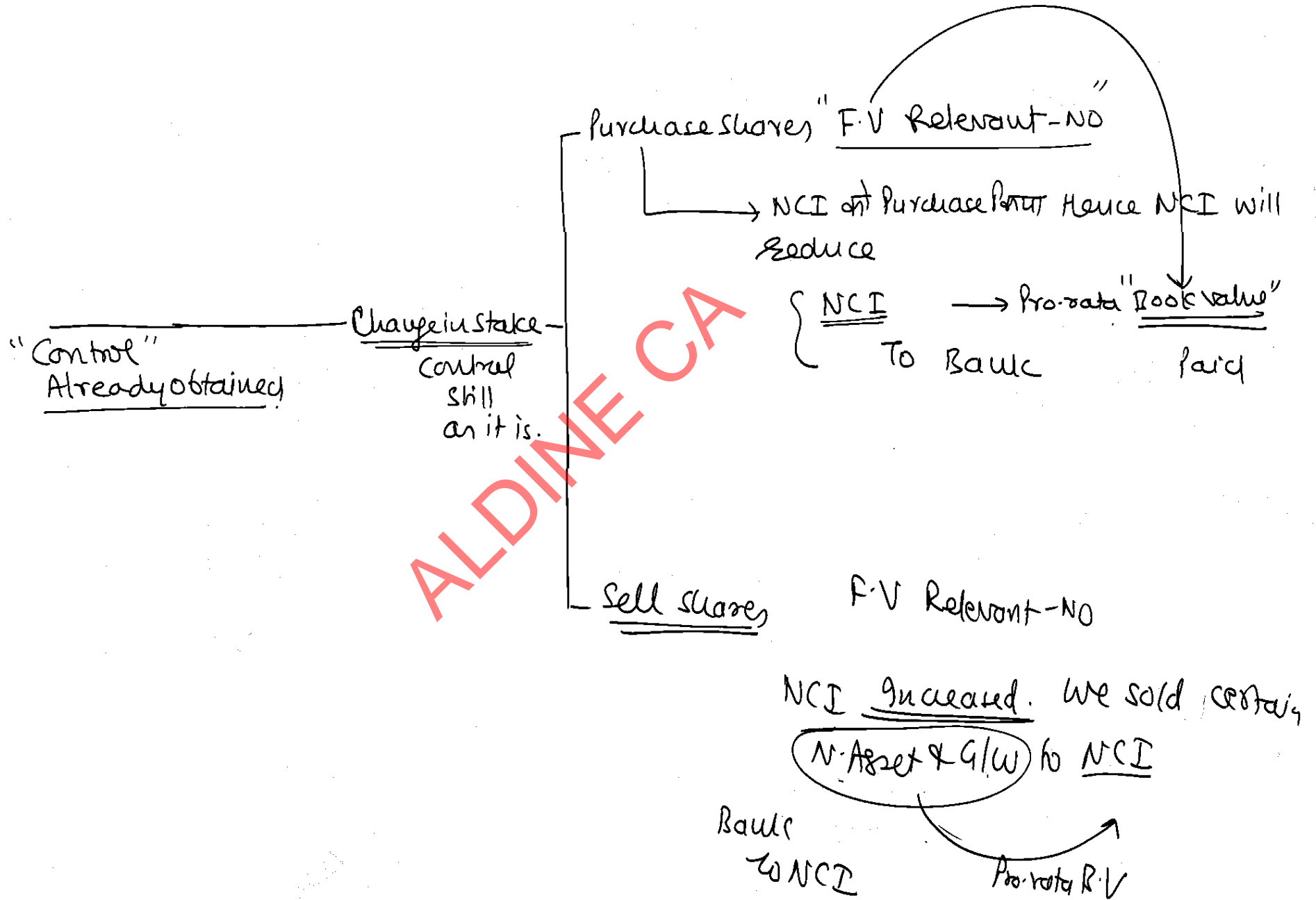


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Change in Net Asset
 Earnings XXX
 (+ Dividend paid Declared) XXX



~~* Impairment may be Required.~~
 Pr to GMS
 Holding No Relation.



Change in % Stake

Had no control but held some stake
now new stake eventually obtains controls. → Step by step Method. ✓

80% Share
Had already obtained Control → Now Stake change -

ADLINE CA

Does not affect Control -
(Substance ⇒ Sale Purchase of NCI)

Affect Control

45

वृद्धि करके M/शरीर Share अंश लेते

Sale of Shares ⇒ Increase in NCI

SFS - RT	CFS
{ Bank TO GNP TO P/L on sale	{ Bank XXX TO NCI - (?) TO OE

CA of S/N Asset glw +

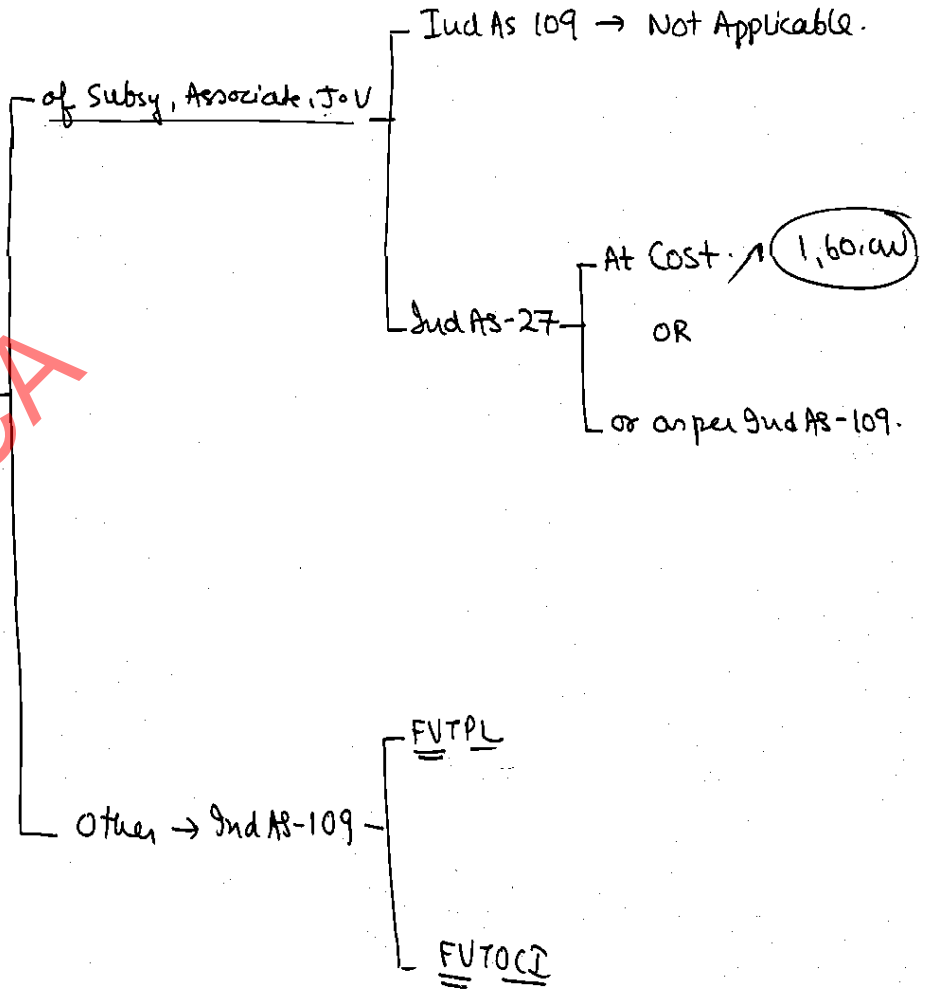
Purchase of Shares ⇒ Reduction in NCI

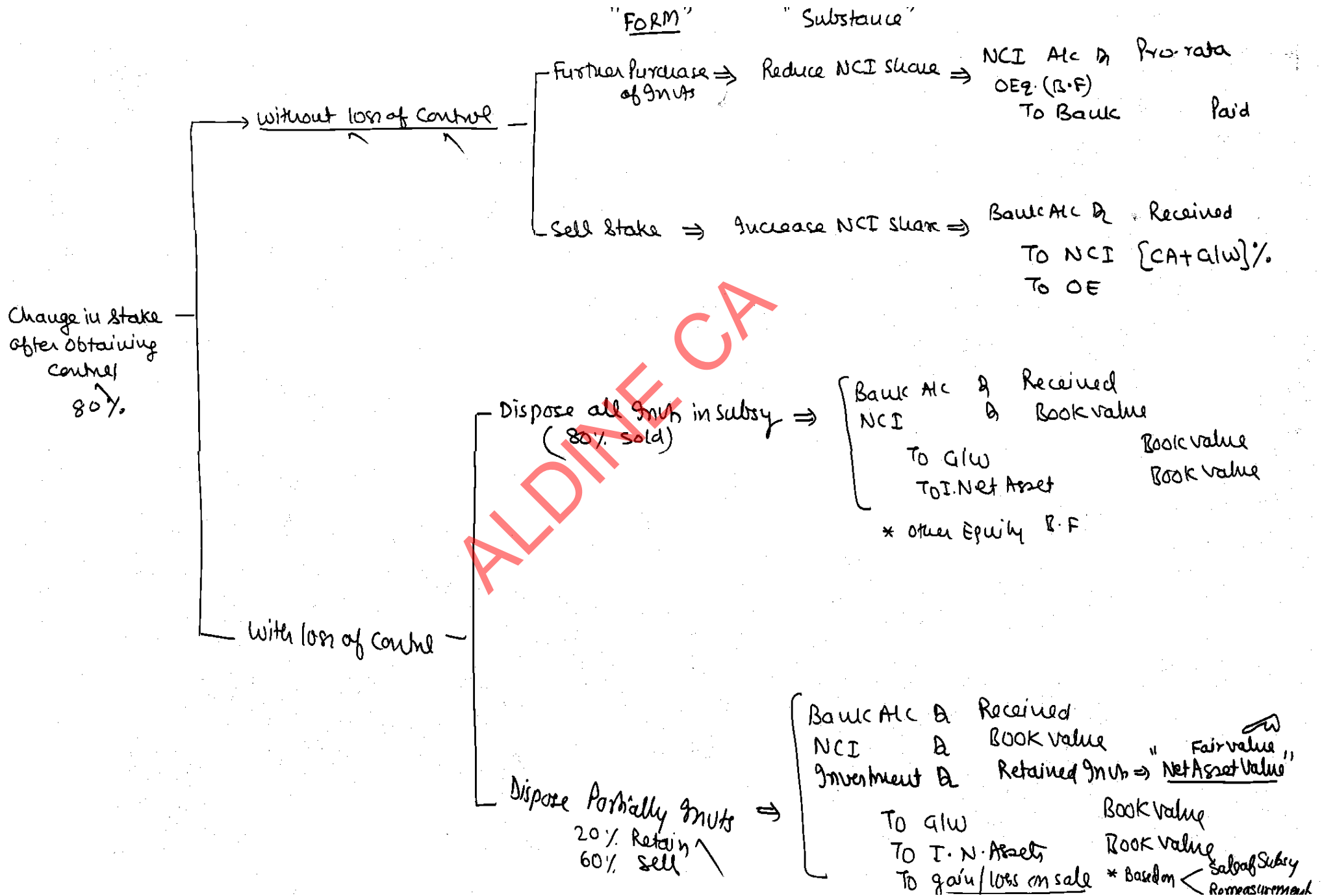
SFS - RT	CFS
{ GNP TO Bank	{ NCI - (?) TO Bank XXX TO OE

NCI - Pro-rata

Investment in ESUs (Accounting)
(₹ in Lakhs) 1,60,000

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Control

all conditions

Power over Investee

Exposure /
Right
over variable
Returns

ability to
exercise
Power

Right

current ability to
direct

Relevant
Activities

Voting
Rights

Other
Rights

Product &
Services
decisions
Asset
financing
RMP

+ 50%

Contractual

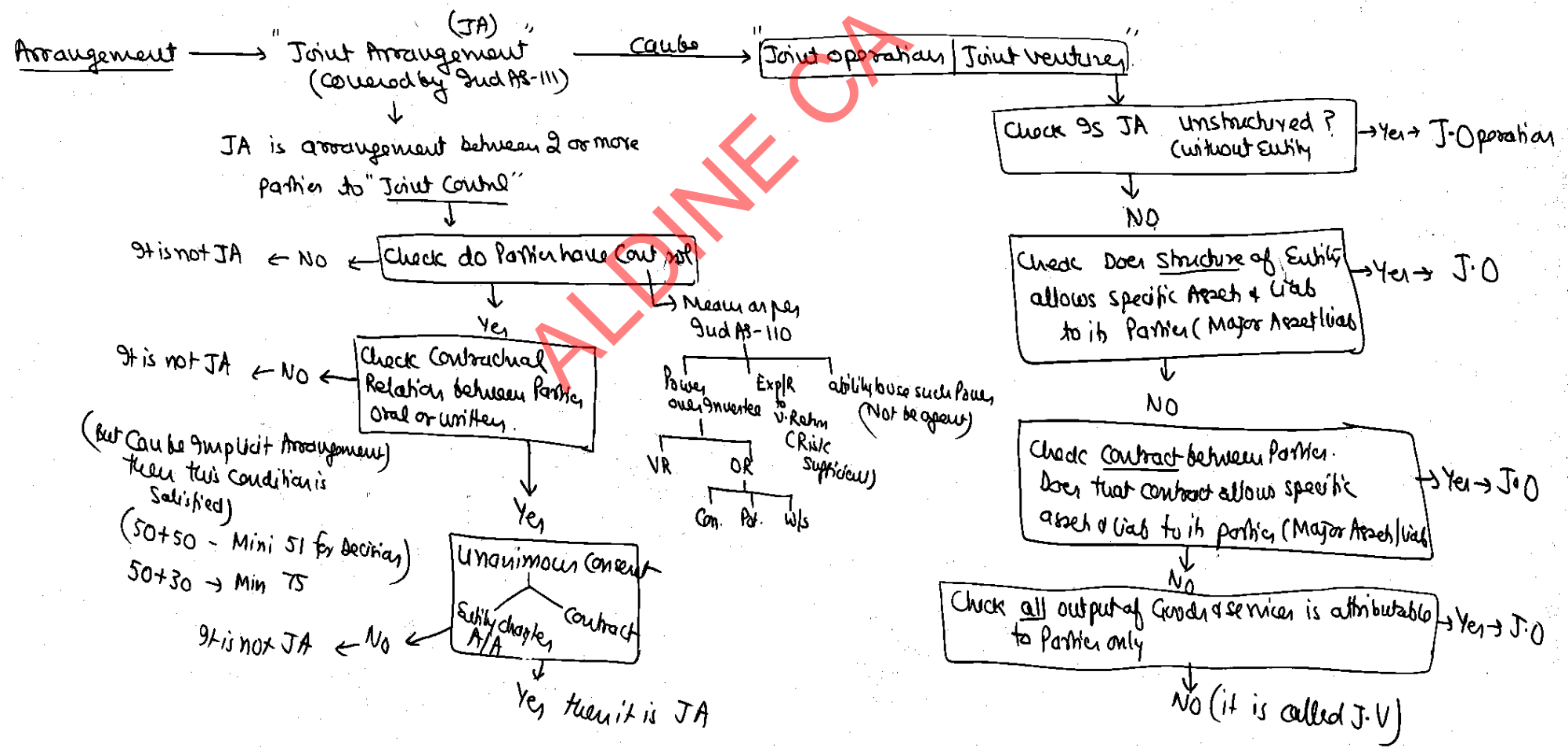
Potential

widespread holdings

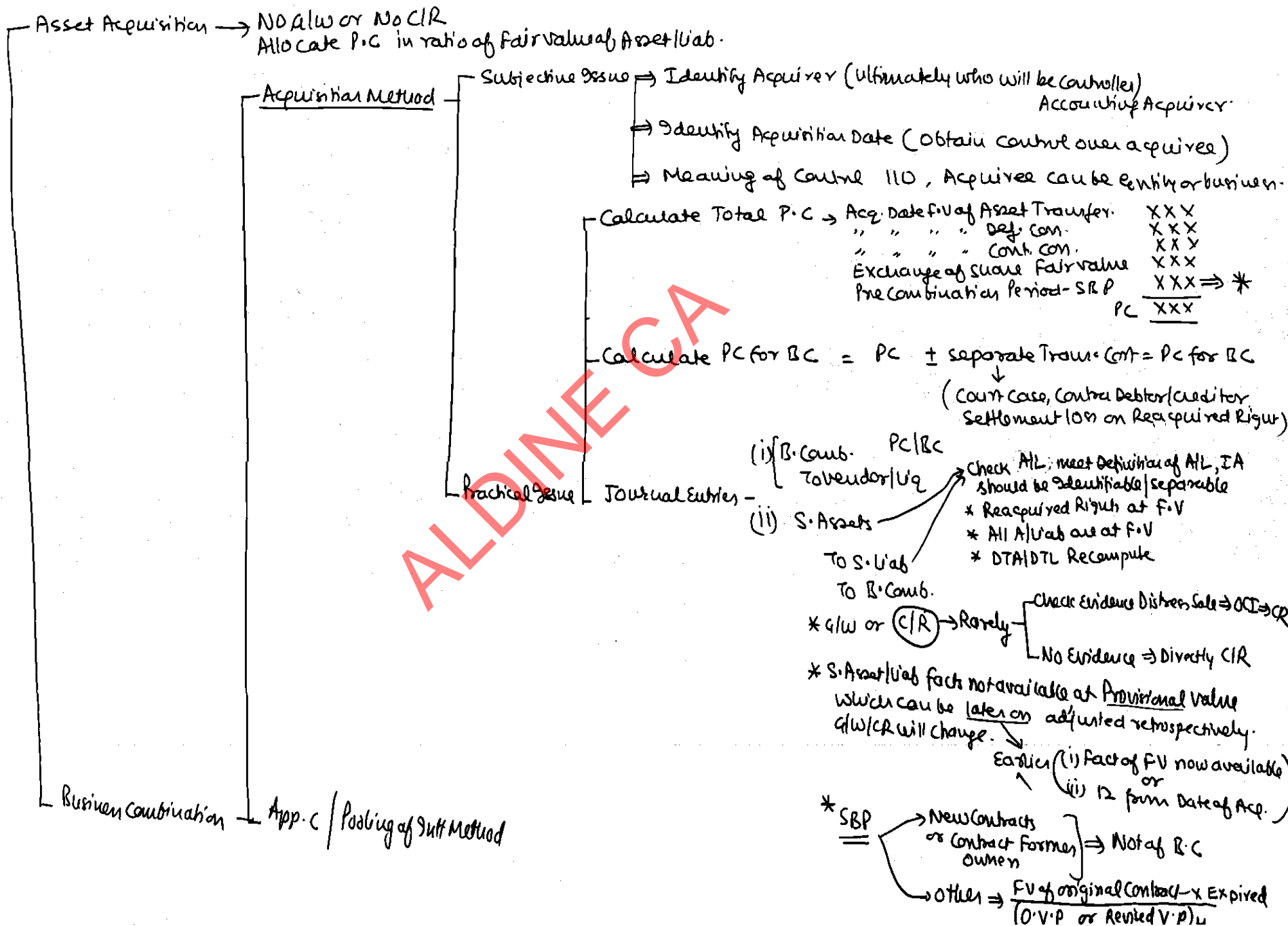
- Substantive (Real)
- Protective Right - Banker, franchisee
- Should not be deeply out of money

4501 2011

Subjective Topic



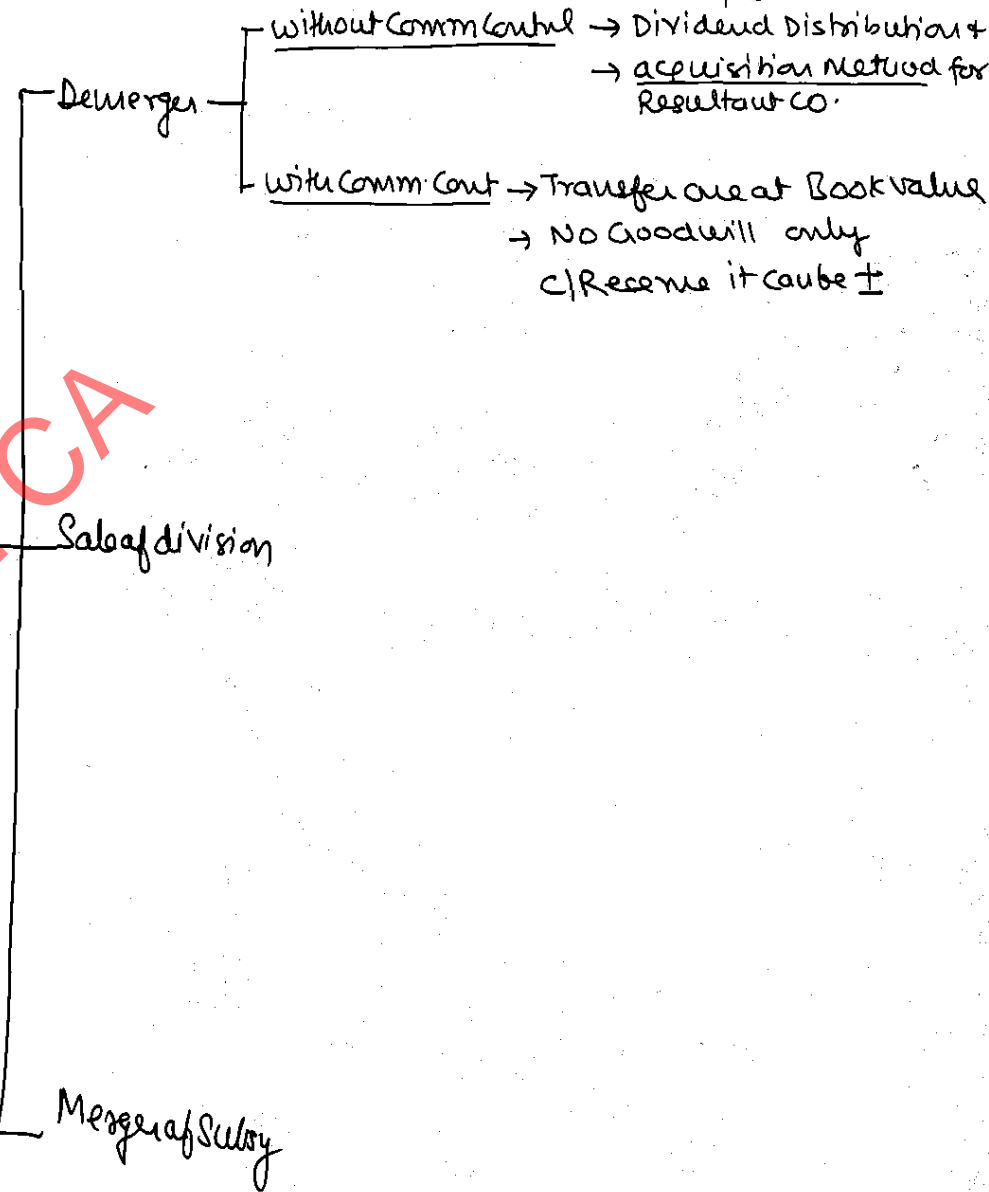
Ind AS-103



ALDINECA

- Revers. Adj
 - 1st time

(see Mind Map)

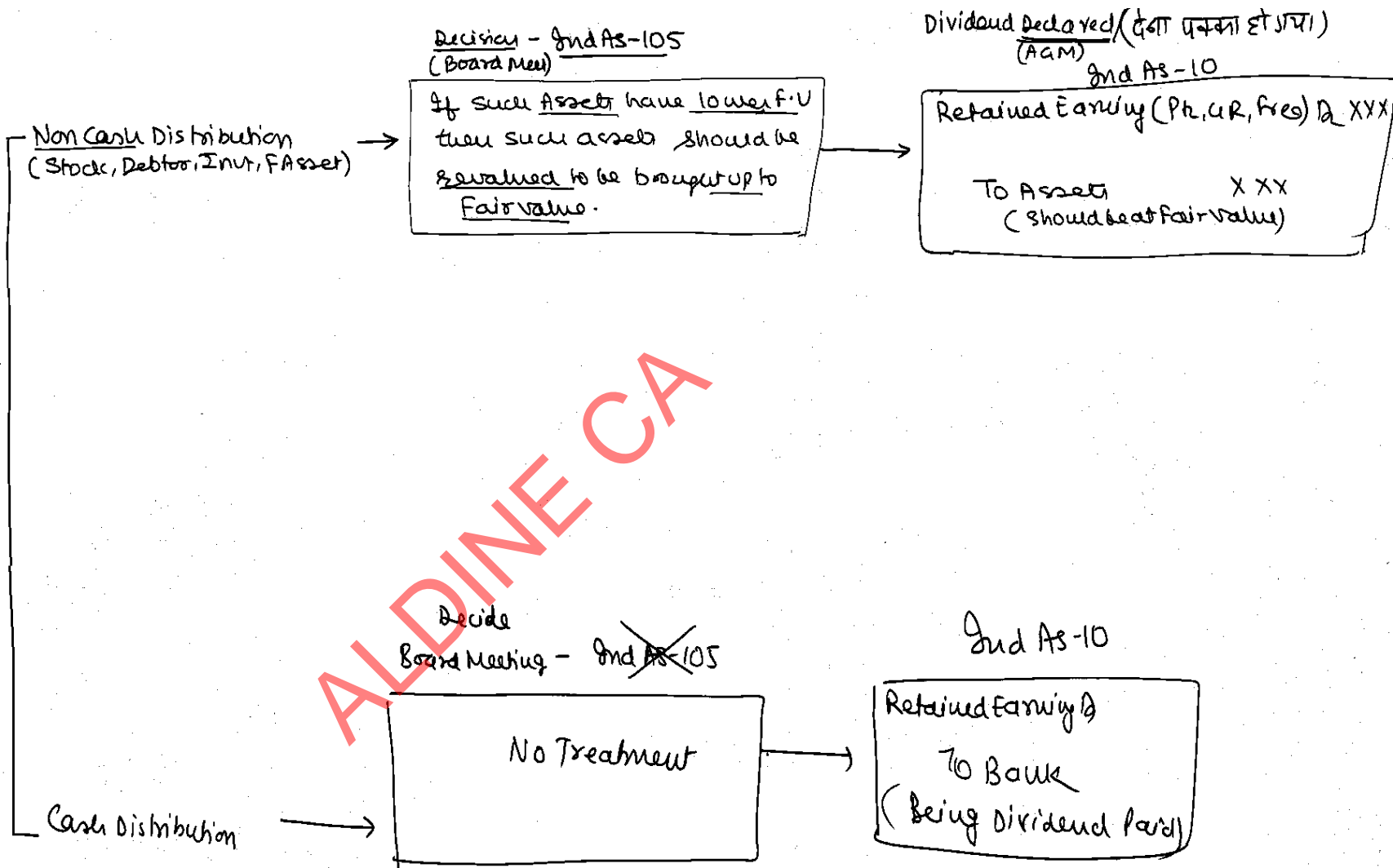


- Common Control Transaction (Pooling of Int Method)

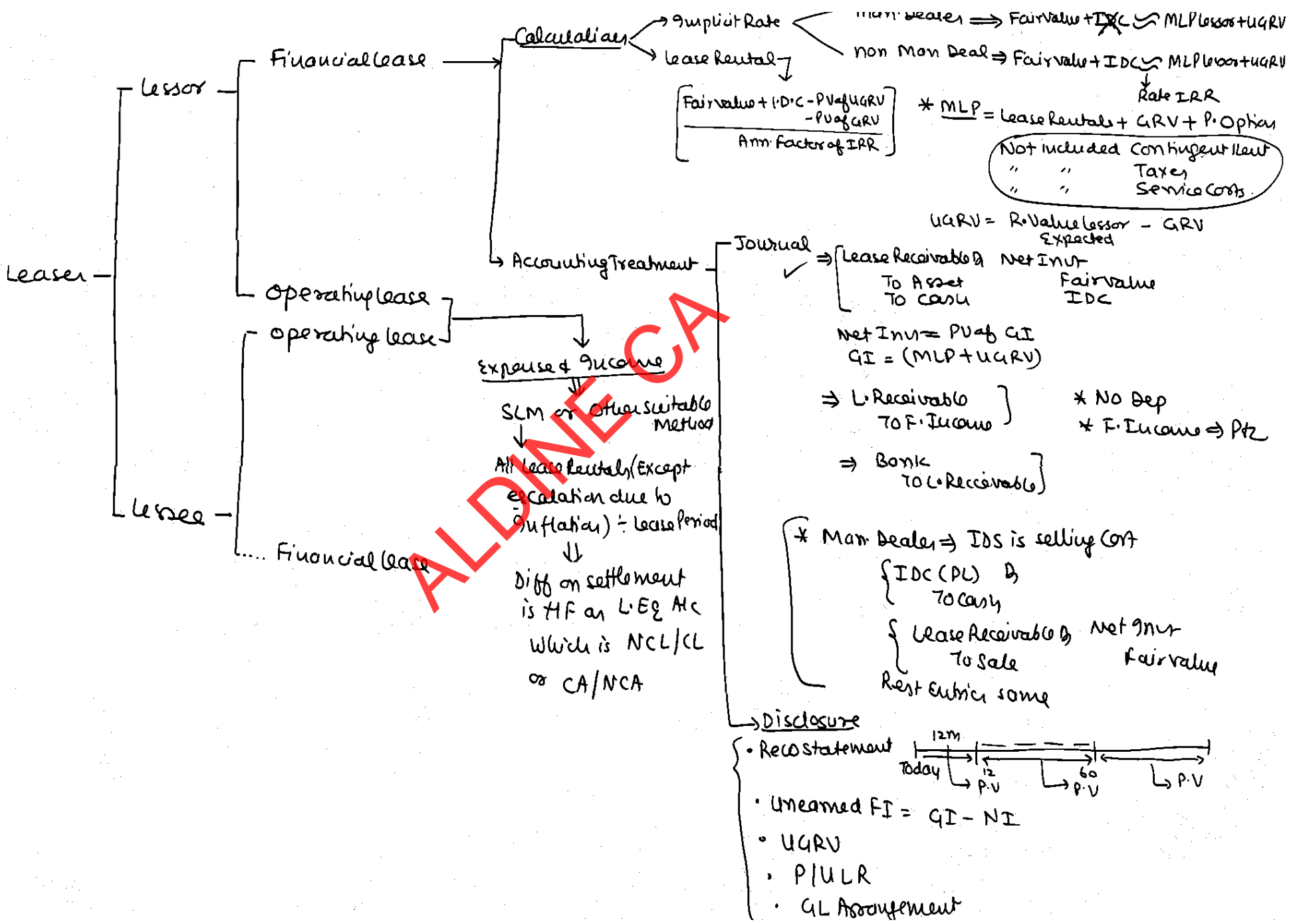
Pre Combination Controller &
 Post " Controller
 Should be same

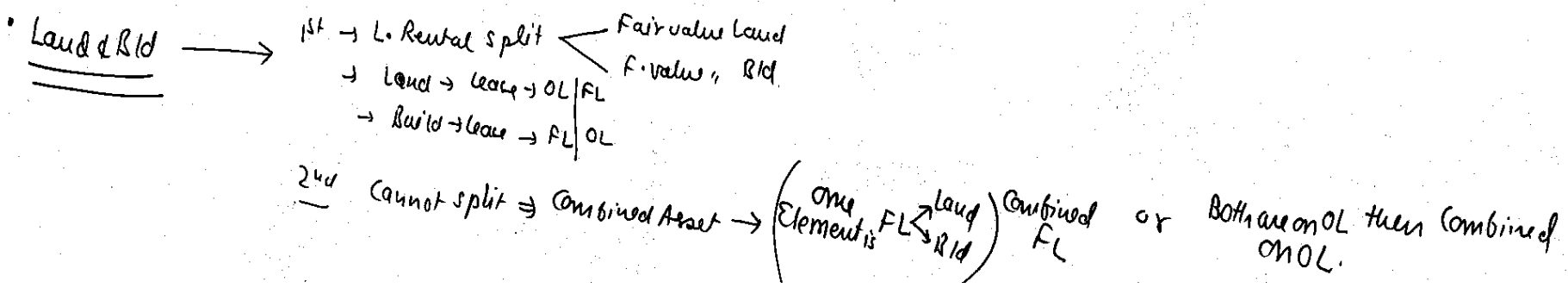
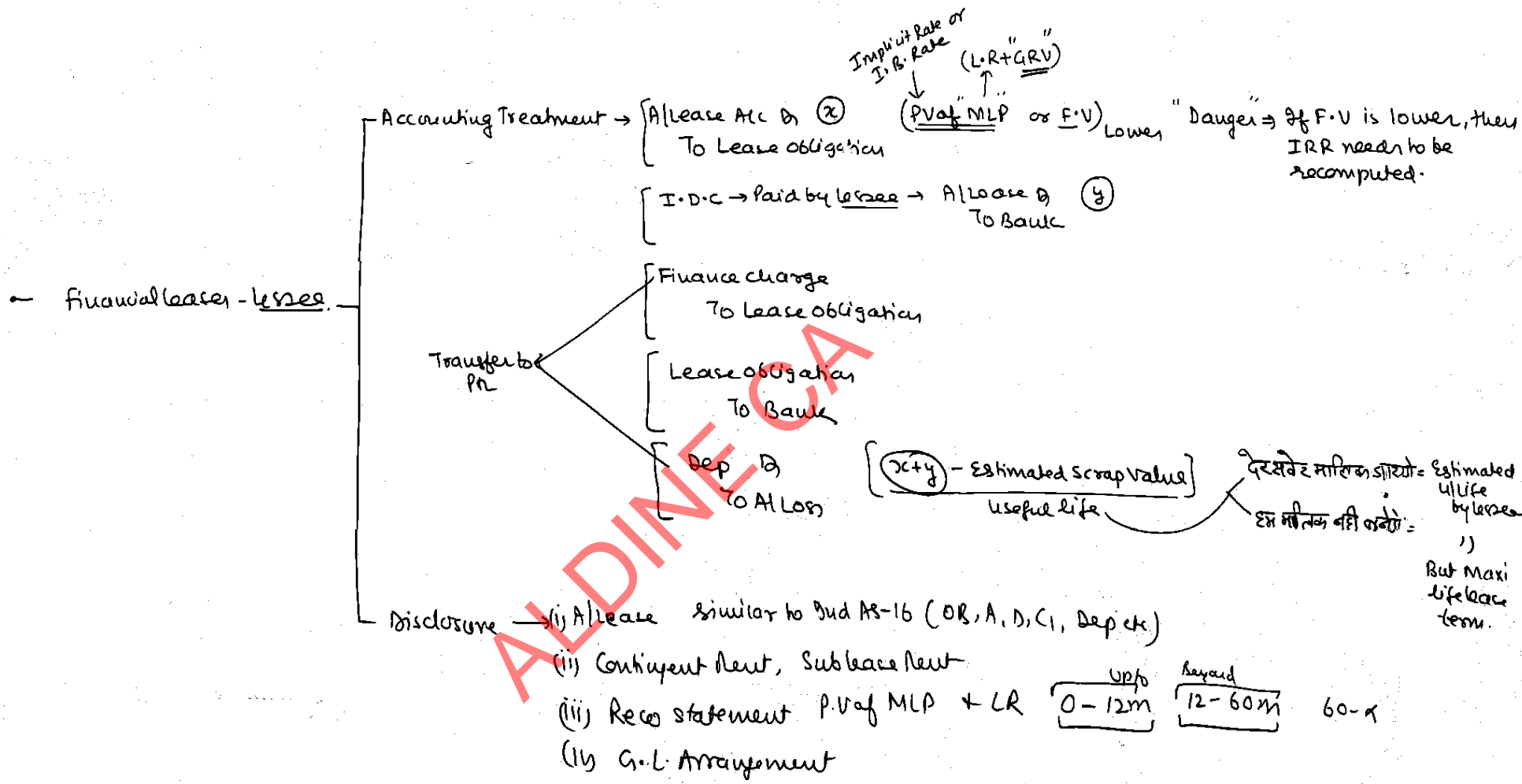
APRIL 2019 CA

Dividend Distribution



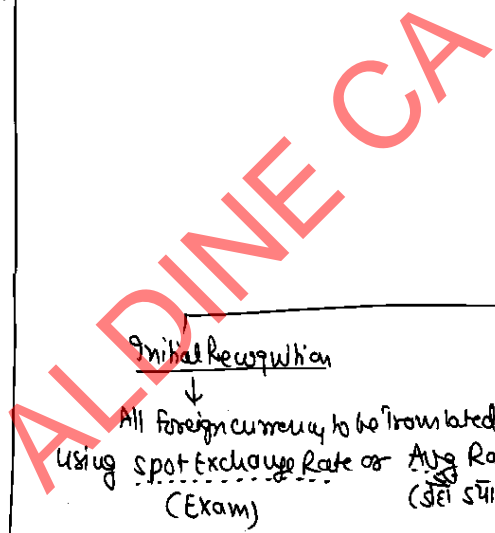
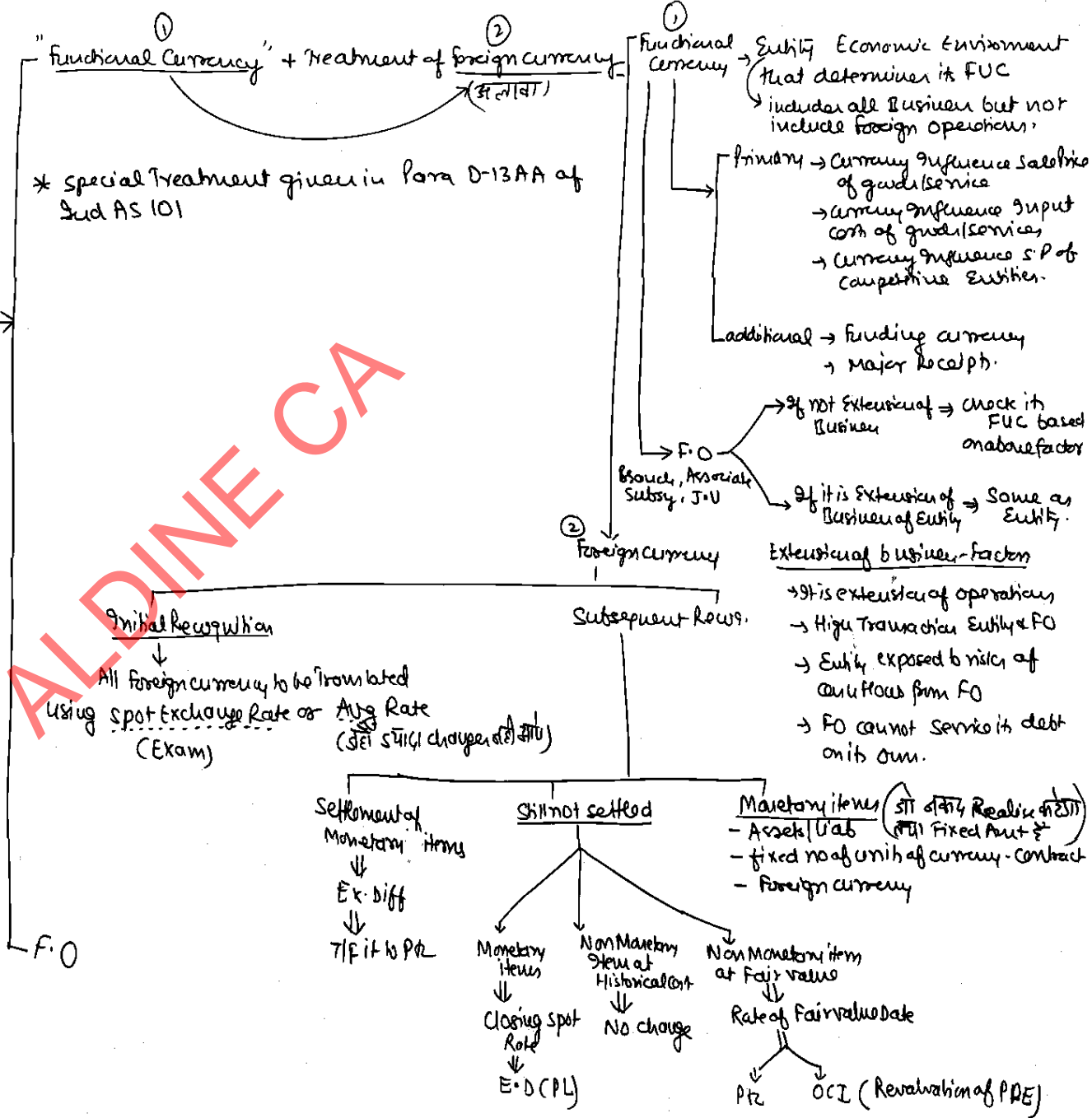
ALPINE CA

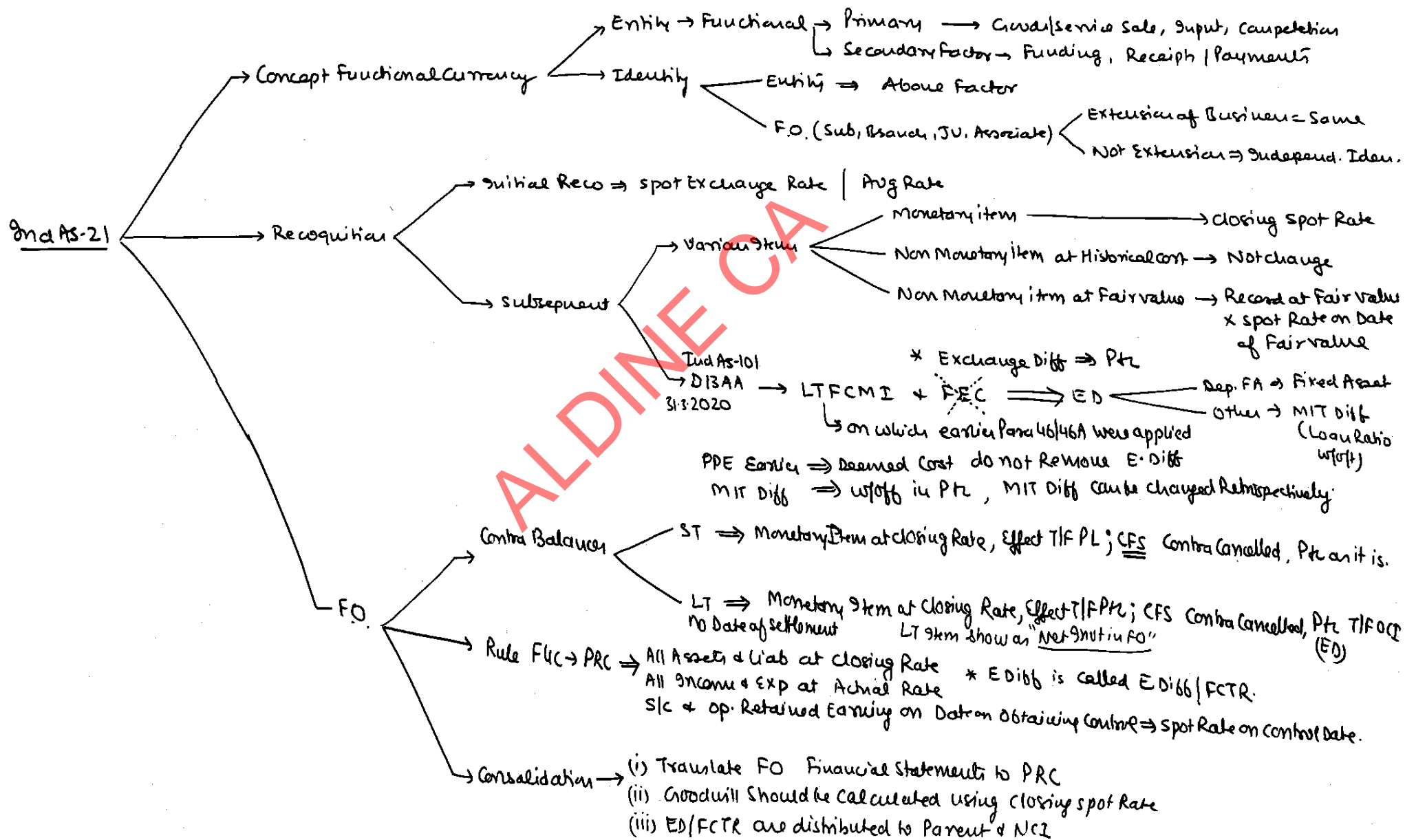


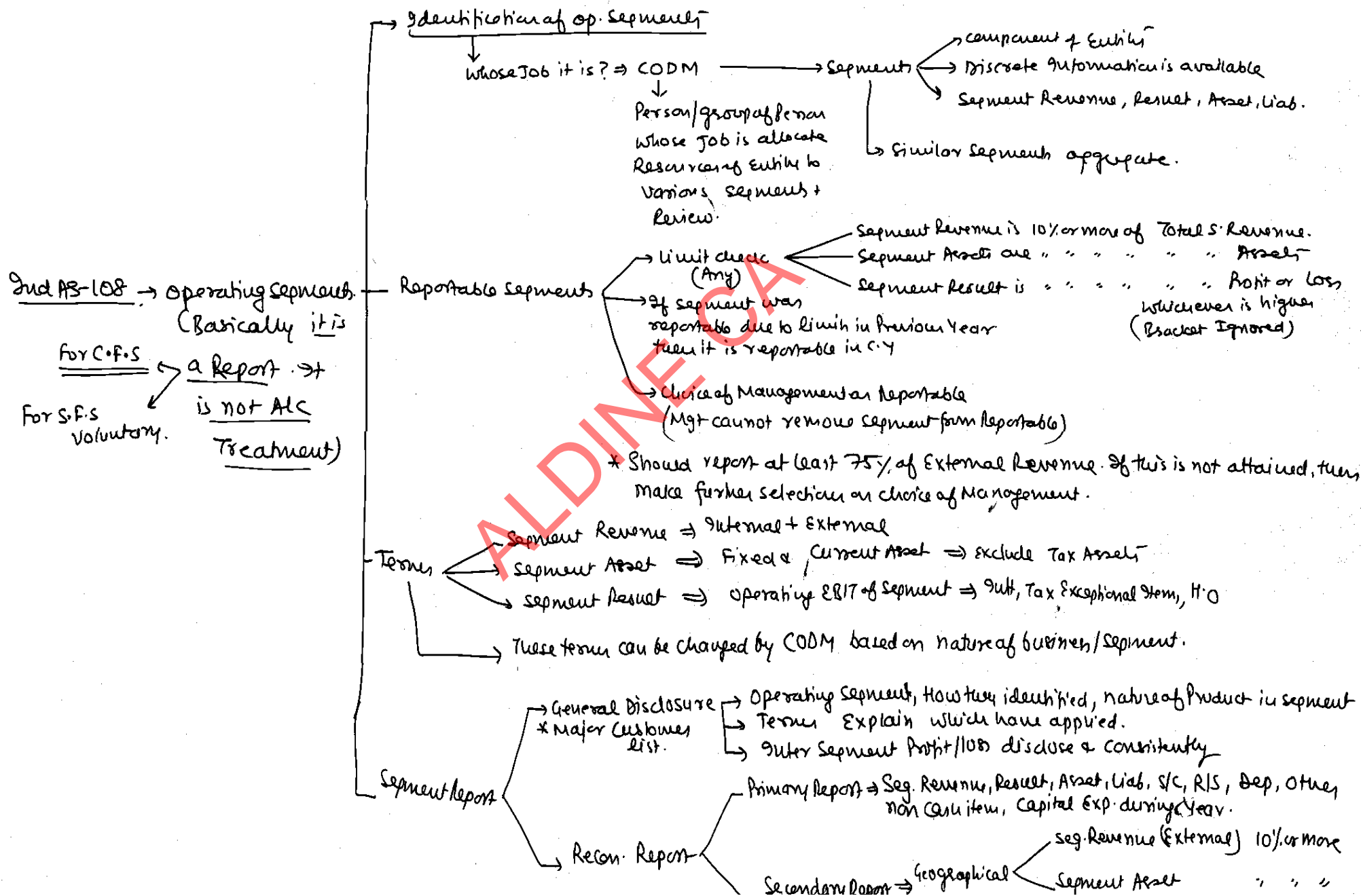


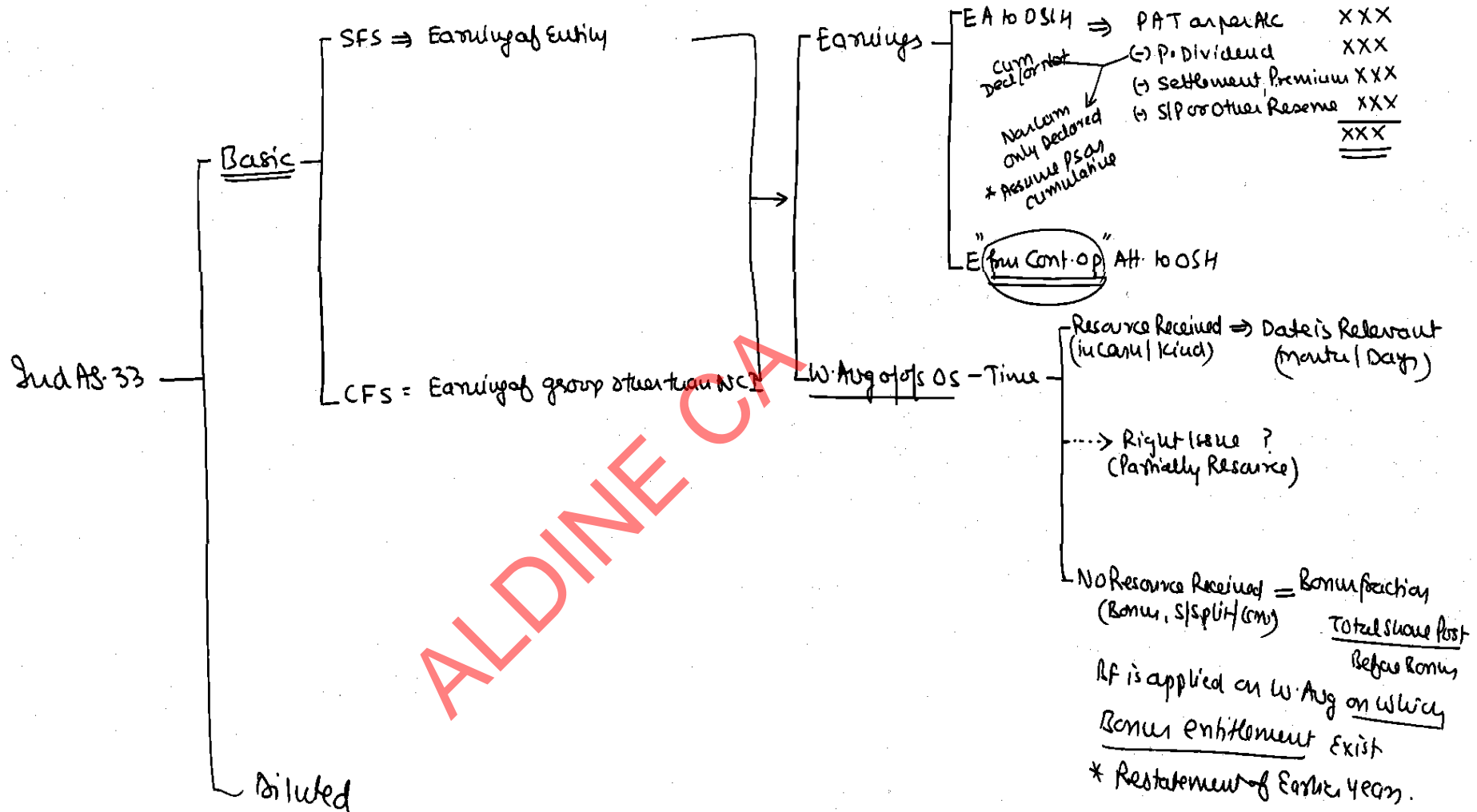
Covered by Ind 109 (for example Hedging has been covered by Ind AS-21)

Effect of changes in foreign Exchange Rates

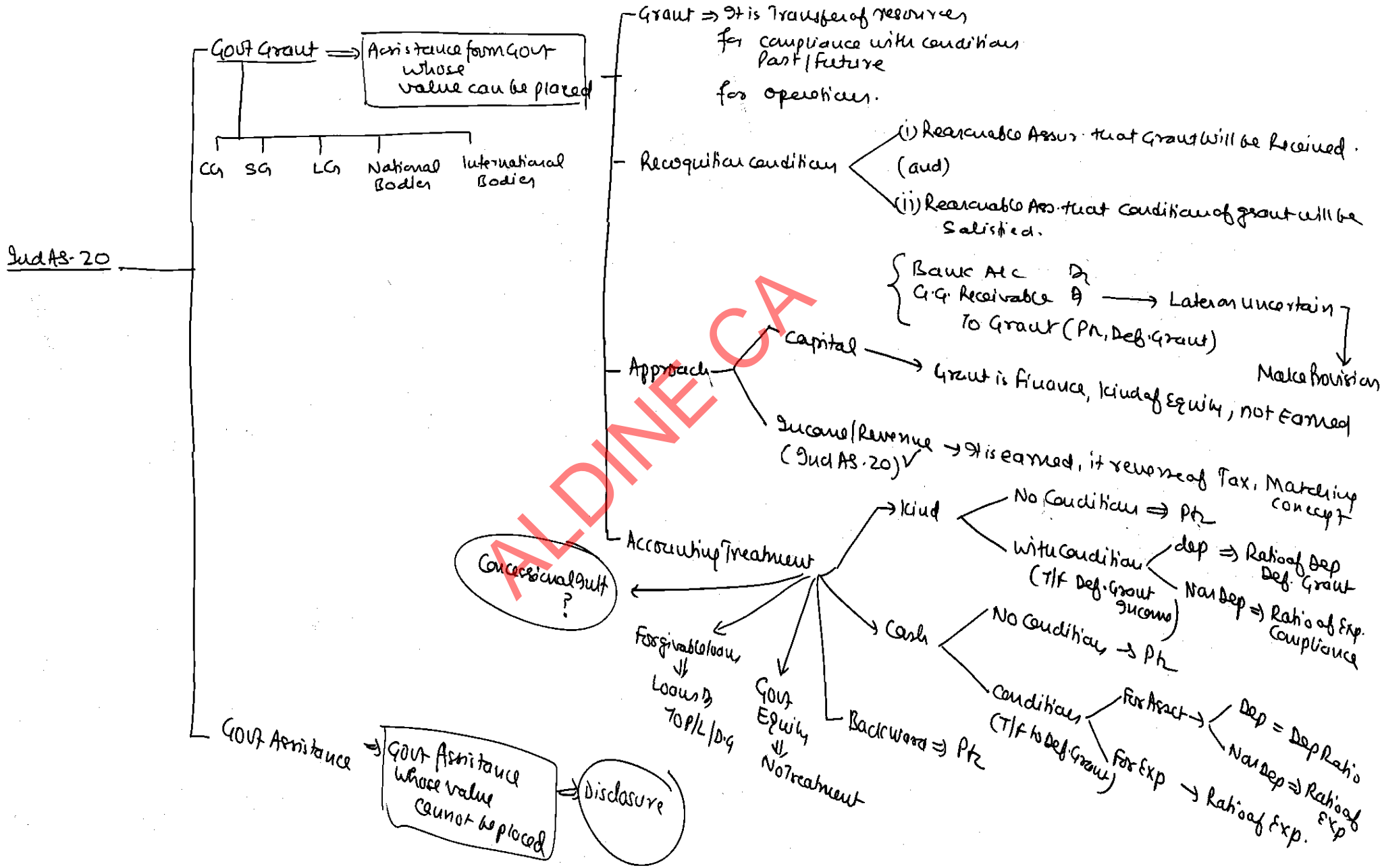








ALDINE CA



Ind AS 41 → "Entities engaged in Agricultural Activity are to apply Ind AS 41"

Meaning of A-Activities

Accounting ⇒ B-Asset ⇒ A-Produce

"Management" - organised routine - create conditions for Biological Transformation - Growth, - Degeneration, - Procreation of Biological Assets - living animals, - living plants for sale / getting A-Produce → Harvested Produce

Bioper Plants covered by Ind AS 16.

Initial Reco of B-A

Acquire ⇒ [B-A Dr To Bank] [Transaction Dr To Bank] → Contribution B-A, FEB FLOW, Cost / FV reliably estimated

natural process (cabb) ⇒ B-A TO Ph ⇒ (Fair value - cost to sell) Net selling Price

Harvest natural process (milk) ⇒ Inventory TO Ph ⇒ (Fair value - cost to sell) Net selling Price

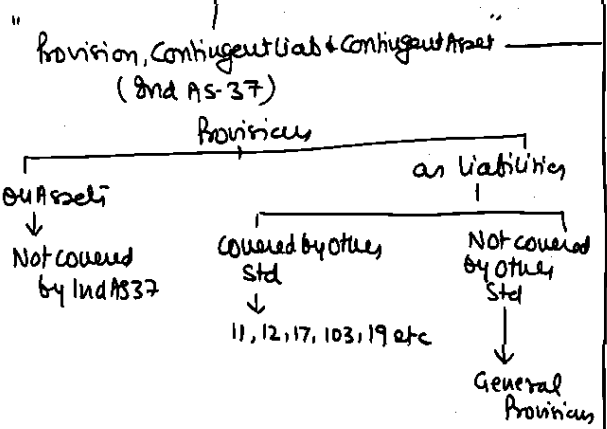
This will be considered as cost & now inventory will be covered by Ind AS-2.

Subsequent Reco. Revalue of B-Asset at Fair value less cost to sell.

B-A TO Ph or Ph TO B-A changes in FV less c/sell

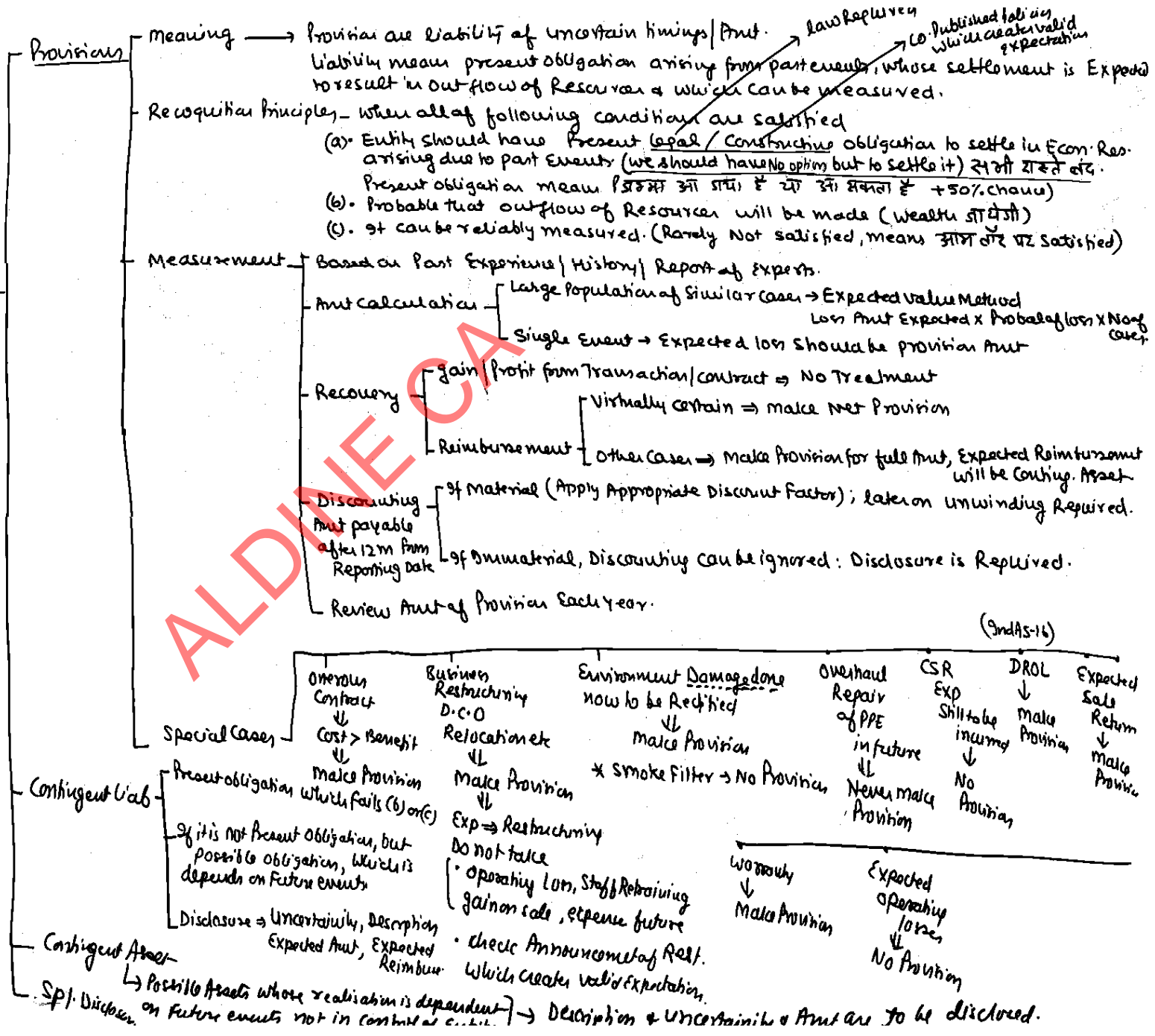
* Disclosure (i) Change due to Market Price Change (ii) Change due to Physical Reason

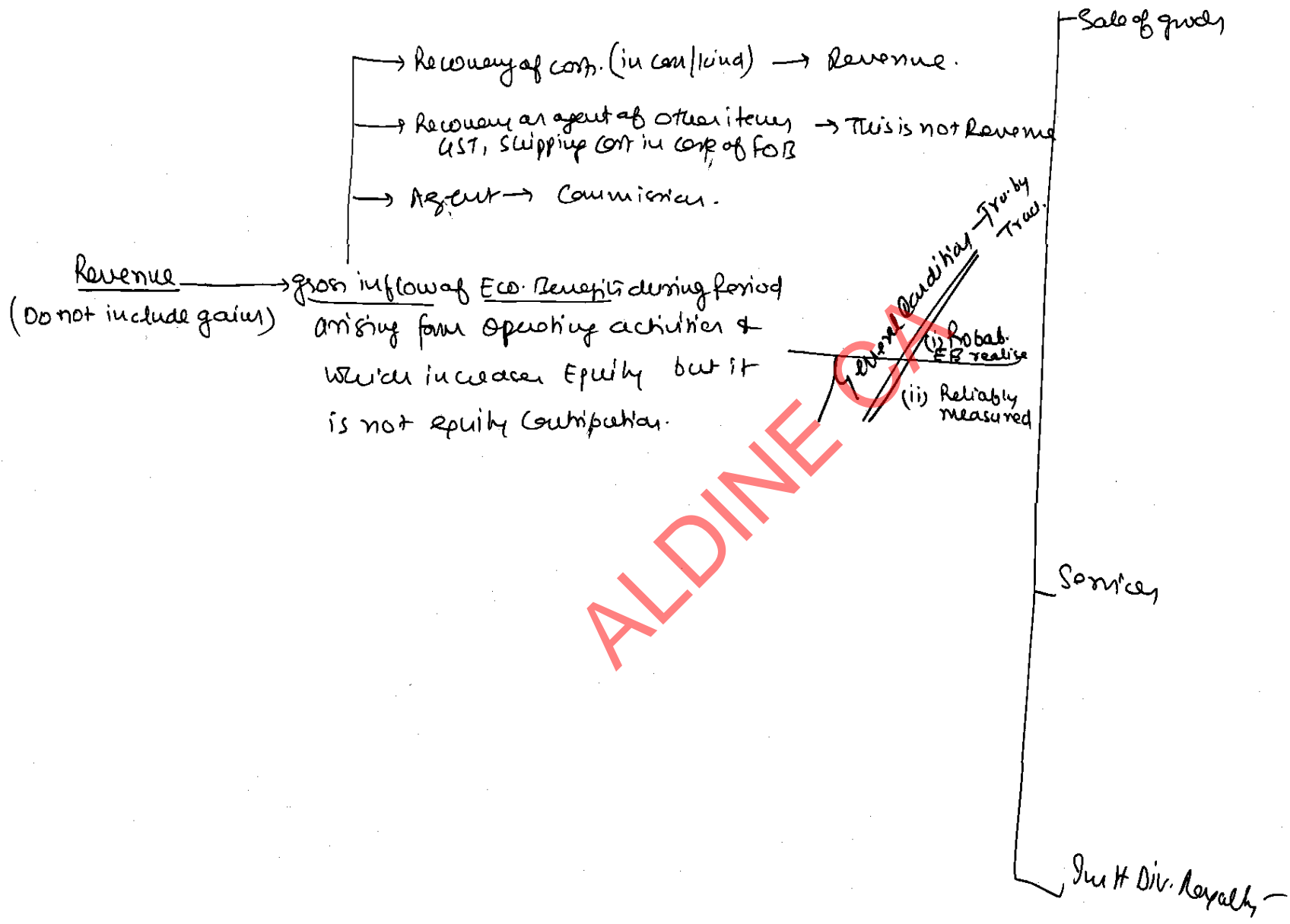
O/S Expense, Accrued Exp are not covered here



- * Provision becomes Liab when Confirmed.
- * " Amt subject to change as per Ind AS-10
- * Financial Guarantees covered by 109

* If disclosure of any Contingent Liab will be against entity / prejudicial to proceedings, then disclosure of fact can be made.





ALDINE

18
Appendix

Exchange/Barter

of similar goods

Inventory Cost ←
To Inventory Cost

of non similar goods =

Revenue will be recorded at

अथवा (or)

Fair value of item received + Cash received if any
- Cash paid if any

↓
if not reliable
then

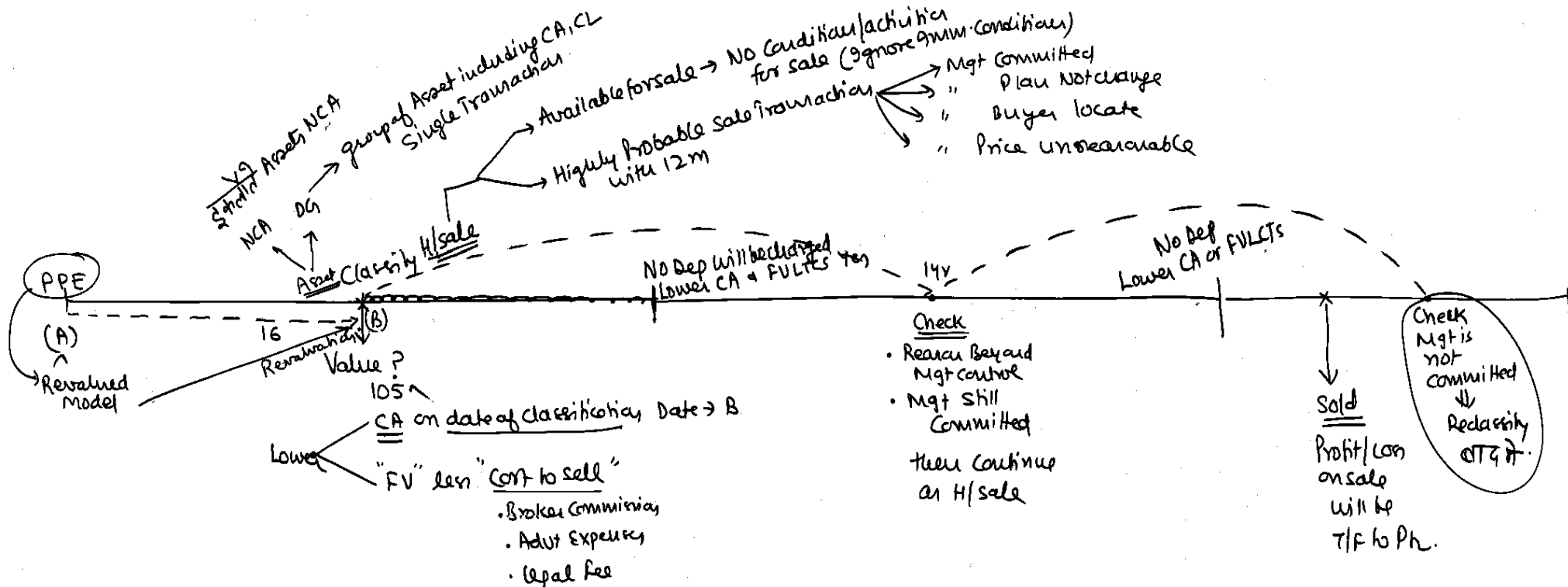
अथवा (or)

Fair value of asset given will be taken
in place of item received.
Fair value of item given + Cash received -
Cash paid.

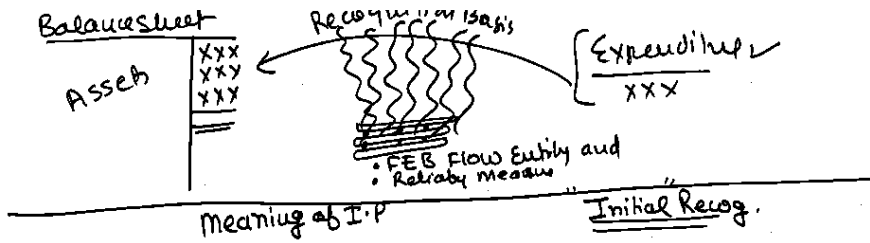
Loyalty Points

T/f of Asset from customer.

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If CA is lower No Problem
 If FV less C/S is lower then Problem
 Record loss (grp. loss) ⇒ ~~O/I~~ / P/L ✓



Amuram Kuey
this is I.P for him

Land + Bld Held for Earning Income or Capital Appreciation

(i) Reason of I.P → Ownership / Financial lease

(ii) Possible uses → Vacant
 • Rental to others / operating lease
 • Rental with minor services

* Not G.P → Business use
 → Rental with major services

* Partially use
 Business
 Rent/capital app

Check conditions
 (i) FEB will flow to you.
 (ii) Cost reliably measure

Satisfied

Purchase on normal term

Purchase price XXX
 + Tax (no ITC) XXX
 + Professional charge XXX
 + Expense on pur. XXX
Cost XXX

Purchase on Depreciated cost

Record at normal credit value
 + Calculate IRR + Sub charged over period

Financial lease

Apply Ind AS-17
 Lower of FU or PV of MLP lease

वर्ग में

"Held for sale"

105
 (Fair value less cost to sell)

Held for sale off

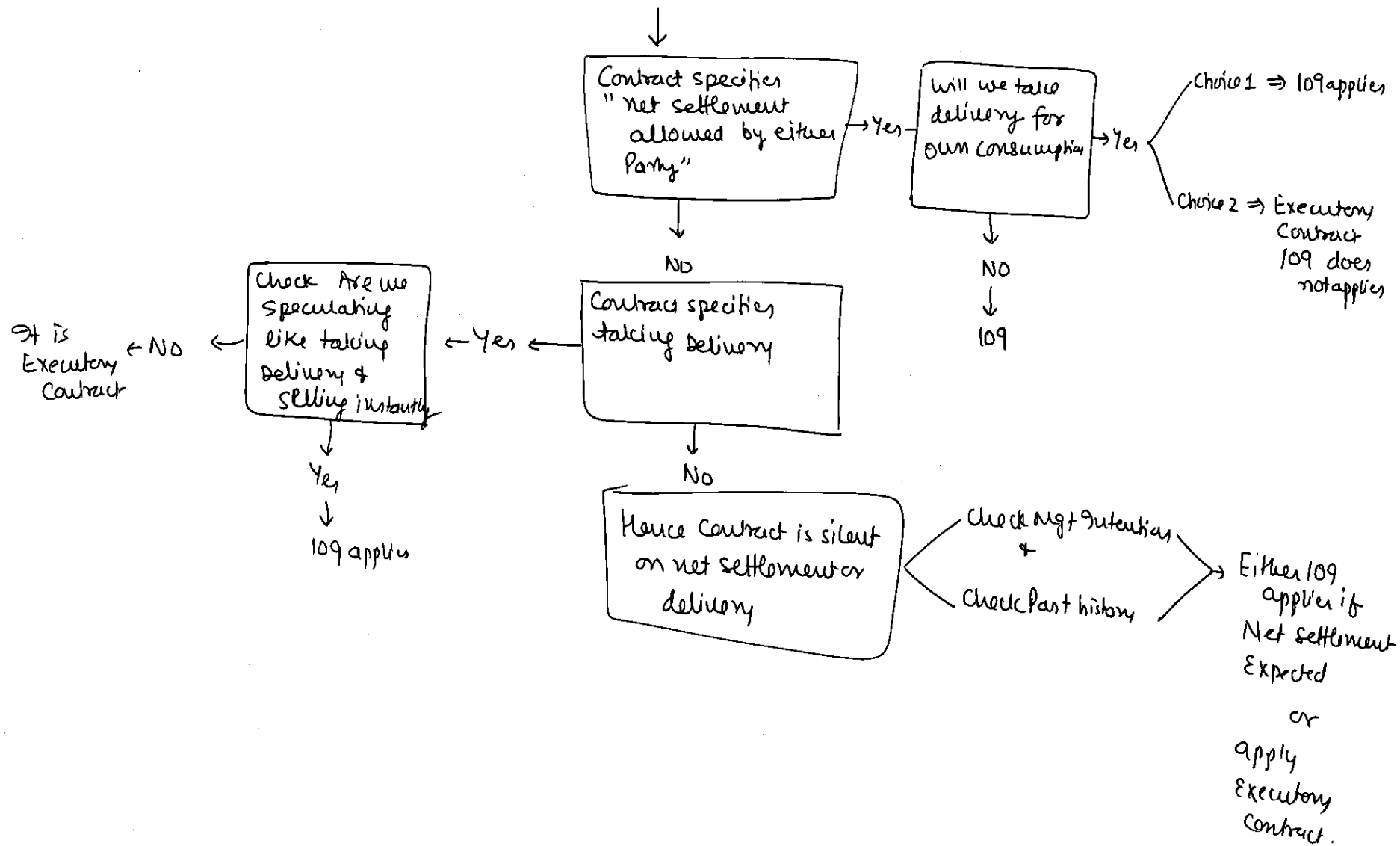
Year End
 Cost XXX
 (-) A-dep XXX
XXX

Subsequent Exp.

Sub-Exp. qualify RECO. Basis.
 ↓
 Capitalize ✓

* Fair value disclose

(i) Split ⇒ 16 + 40
 (ii) If can't ⇒ Significant use office or vacant
 (iii) Insignificant use does not make it PPE

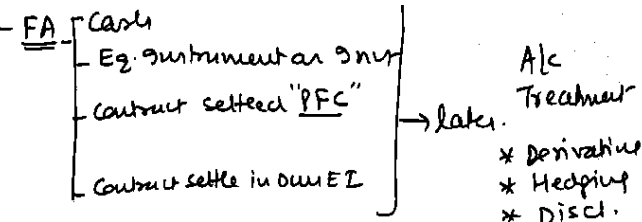
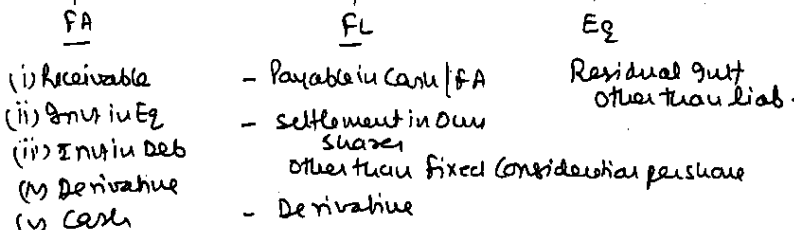


Following are NOT FI

- PPE, IA, CapWIP
- 102, 19, 103, 104,
- 12, 37, Provision
- to Assets, 2

Deferred Revenue, P/Tax, Advance for Goods, Prepaid Expenses

Lease → SPL → Item
 Subj in Eq shows of Sub/ Associate JV
 Initial Reco ⇒ 17
 subsequent ⇒ 109
 Sub AS-27 Cost
 Sub AS 109 ✓ Election



Financial Instrument

A Contract which gives rise to FA for one party & FL or Equity Instrument for Other Party

ETAT → ST → LT

Contract (on date of recognition)

Contracts have been Partially Executed

It will give rise to Debtor, Creditor etc hence, we can have any FA/FL/EI

Contract Future date settlement (Derivatives)

Financial Asset
 "Contract for purchase of share"
 Derivative U/s 109

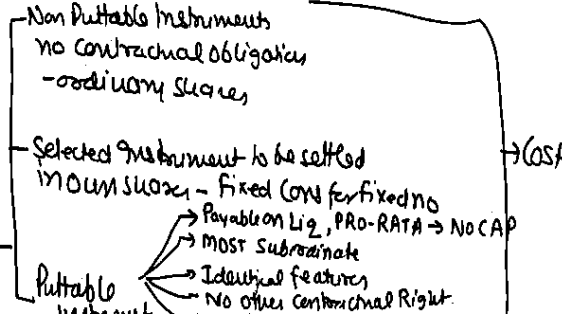
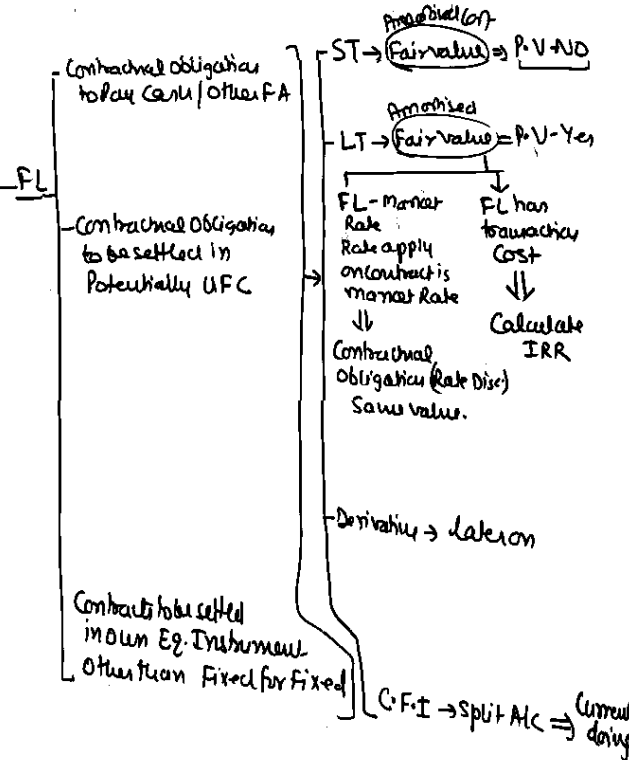
Non Financial Asset
 "Contract can be for purchase of copper"

Ultimate Goal is for own consumption

Sub AS 109 Not applies

If net settlement allowed, we can elect as 109

Ultimate Goal is to speculate
 { Mgt opinion, Past history, Delivery, instant sale }
 109 Applies



Step 4 If Transaction Cost are yet to be adjusted in market Rate then such transaction should be allocated to Equity & Liability in ratio of Values in step 2 + 3

Subsequently, rate applied to financial liability will be adjusted with Transaction Cost. [Hence rate for unwinding will increase due to Transaction Costs]

Step 5 Journal Entries

(i) Upon issue of CFI

	Bank A/c Dr Proceeds XXX
	To Financial Instrument (FL) XXX
	To Financial Instrument (EQ) XXX <u>Step 2</u>
	(Being CFI issued)

Note: Financial Instrument Equity will be shown in SOCE. After CFI is derecognised, such Financial Instrument (EQ) will be transferred to Retained Earnings/GR.

(ii) for Transaction Cost (not yet adjusted in Proceeds)

	Financial Instrument (FL) Dr
	" " (EQ) Dr
	To Bank
	(Being amount paid for Transaction Cost)

11 Split Accounting To be applied for splitting of compound Financial Instruments.

Step 1 Identify Contractual Obligations arising from contract which cannot be denied. If any cash flows are to be paid or own shares are to be issued which are not fixed consideration for fixed shares, such obligations should be identified.

Obligations identified in above step are discounted using rate given (for similar instruments, but not having any conversion rights). P.V of above obligations is called financial liability. This rate can be LIBOR/MIBOR or any other rate. If subsequently rates change, still we will continue to apply original initial rate of discounting for unwinding.

Step 3 Calculate Equity

	Proceeds	XXX
less	Financial Liab	XXX
	Equity	<u>XXX</u>

Steps Journal Payment Entry

Any Diff in P & A/c ← Financial Liab @ old R.V (step 1)
 To Finan. Liab new R.V (step 2)
 (Being value of Revised)

Any Diff in P/c ← Financial Liab
 To Bank
 (Being amt paid)

Note: Treatment of Tax | D.D.T on Compound Financial Instruments: Tax | D.D.T. will be shown as follows

- for Financial Liab → In P/c
- For Equity → In Ph App. (Below the line)

Note: If any CFI is classified as Financial Liab, its Interest will be Unwound irrespective of Dividend Declaration date. It means Dividend on Financial Liab will be recognised, even if such Dividend is not declared.

Note: On 1st time application of 9nd AS 32, 109 etc, all C.F.I which have not been split, will be splitted on date of Transition. Its effects will be adjusted in Opening Equity (9nd AS-101)

(ii) At year End

Changing of Amt
 (@ market Rate at which discounting was done, adjusted with Transaction cost)

Finance Cost A/c @
 To F-Instrument (FL)
 (Being amt charged)

(iii) for Contractual Payments — F-Instrument (FL) @

Cash → [To Bank
 Lab settled own shares → [To ES Capital (Ordinary share)
 To Security Premium
 (Being Liab. Paid)

Note: If Financial Liab was to be settled by issued of fixed no. of ordinary shares, then also entry would be

Financial Instrument (FL) @
 To ES share Capital
 (Fixed No. x Par value)
 To S/Premium Reserve
 (Being Liab. settled in own shares)

Note: If company opts for early redemption, then

Step 1 Calculate liability as per Books.

Step 2 Calculate P.V of new Liab on new rate of Int.

Buyback is called Treasury shares.

S-34, 35

14) Whenever any contract specifies to settle in own shares which are fixed number for fixed consideration, it is classified as Equity. In following cases, no. of shares may vary, but still classified as Equity.

(a) If number is increased/decreased due to share split / Bonus share / consolidation.

(b) If shares are used as currency which vary according to time. (Still considered fixed)

15) Upon 1st time Application, if Discount on Issue or Premium on Redemption of debentures has been treated as per old GAAP then

B-6

- Calculate new value of Liab as per this Ind AS on date of Transition
- Adjust difference in Equity (Give preference to that component of equity, which was earlier used for Discount/Premium on Redemption)

B-5

16) If any Borrowings are arranged on which transaction cost have been paid but entity is yet to receive funds for part of Borrowings, then Transaction cost allocated to Borrowings not yet received, should be deferred and should be treated, when such Borrowings are in fact received.

Till now (Apart from earlier H.W)

- ↳ B-6, B-5, 72, 73, 69, 70, D-3, D-4, D-5, D-6
130, 28, 29, 132, 34, 35

12) Off setting of financial Assets with financial liabilities is allowed if - It is legally enforceable right (i.e. contracts mentions) and - Parties intend to settle on net basis.

S-132

13) If any contract is entered to buyback its own shares then following entries are journalised

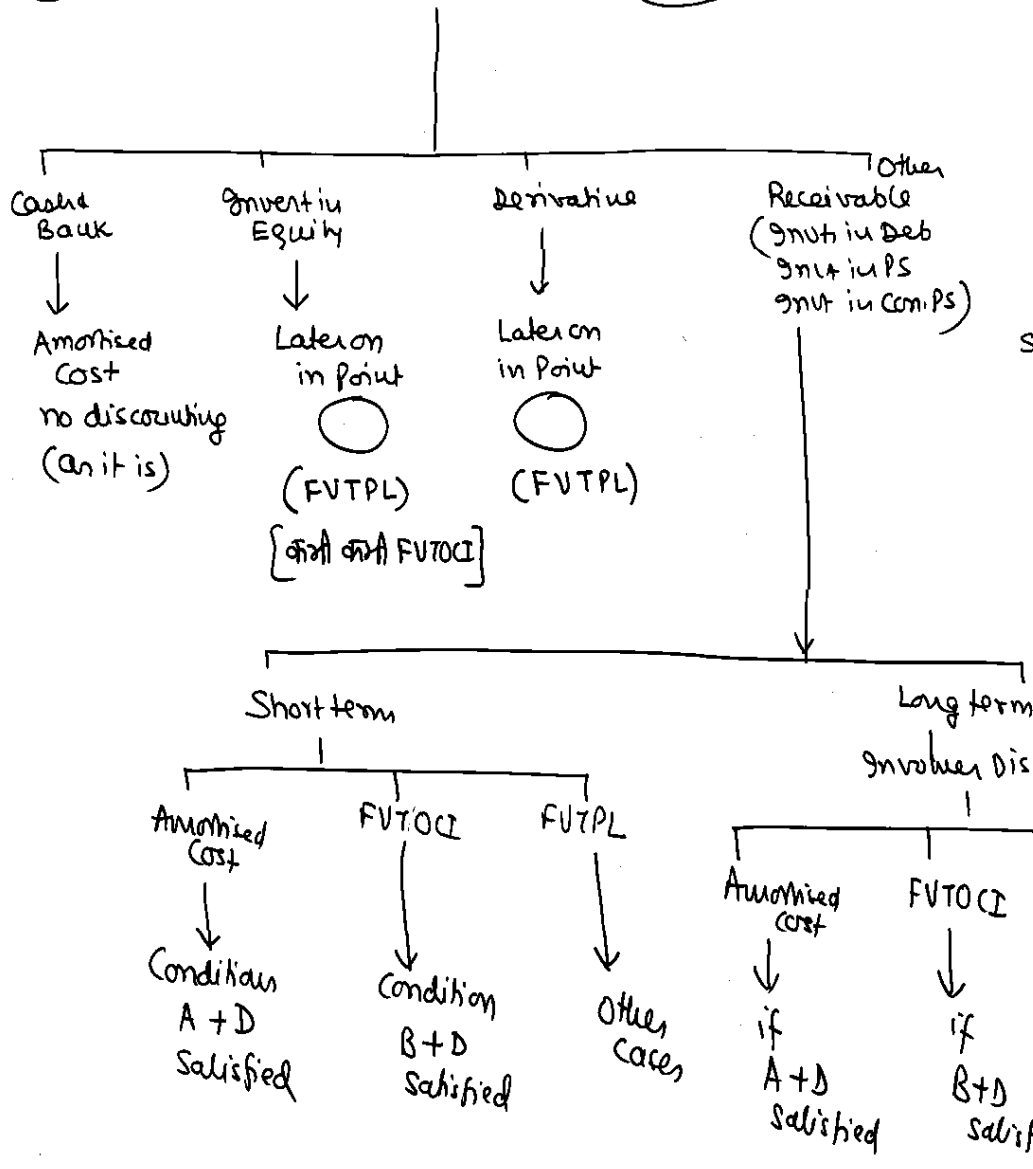
(a) Buy Back is in future date against derivative options

- Bank A/c To Equity (Being Premium received on derivative option)
- Equity A/c To Financial Liability (Being amount transferred) Present value of Exercise Price
- Interest A/c To Financial Liab (Being Interest charged)
- Upon exercise of option: Financial Liab To Bank (Being amount paid)
- Upon lapse of option: Financial Liab To Equity (Being amt transferred)

(b) Buy Back of Shares on current date: Equity B To Bank (Being amt paid)

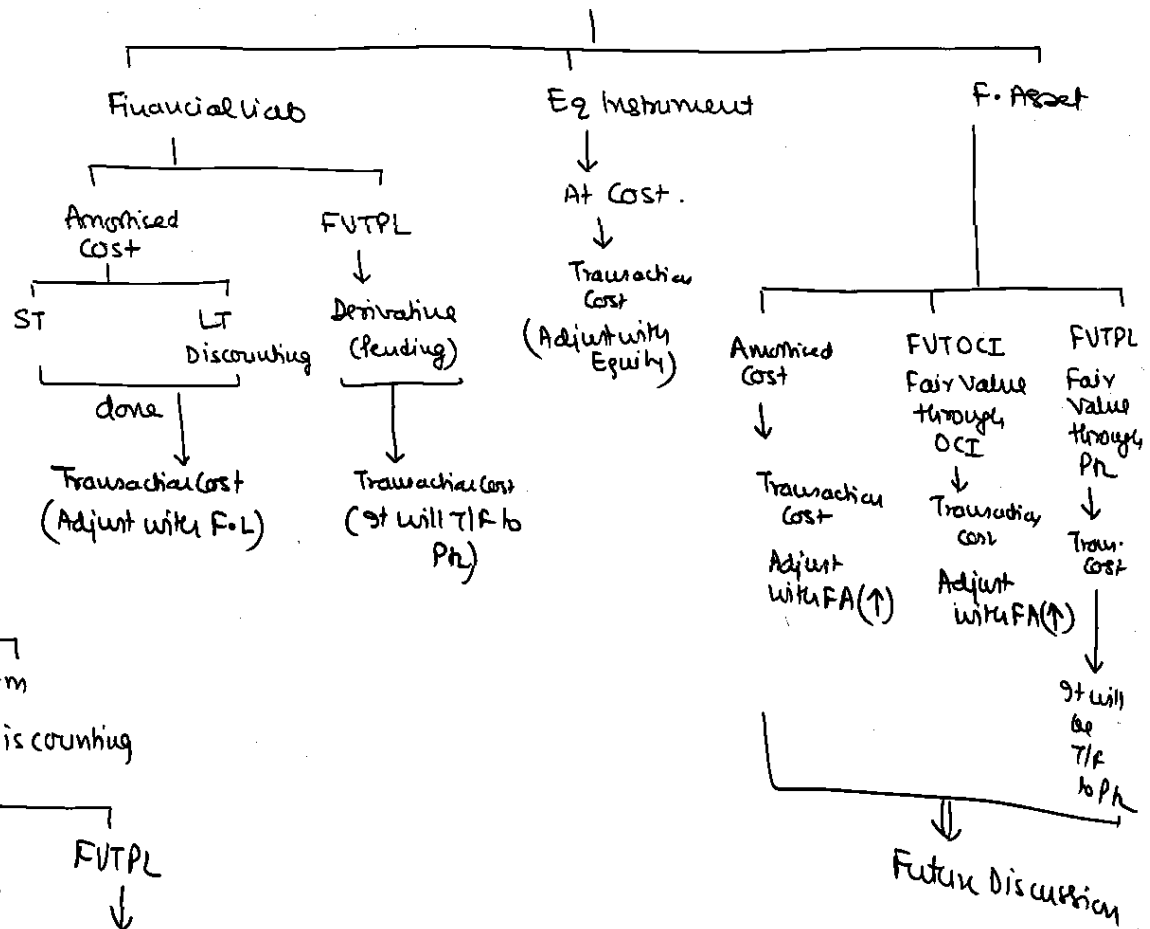
18

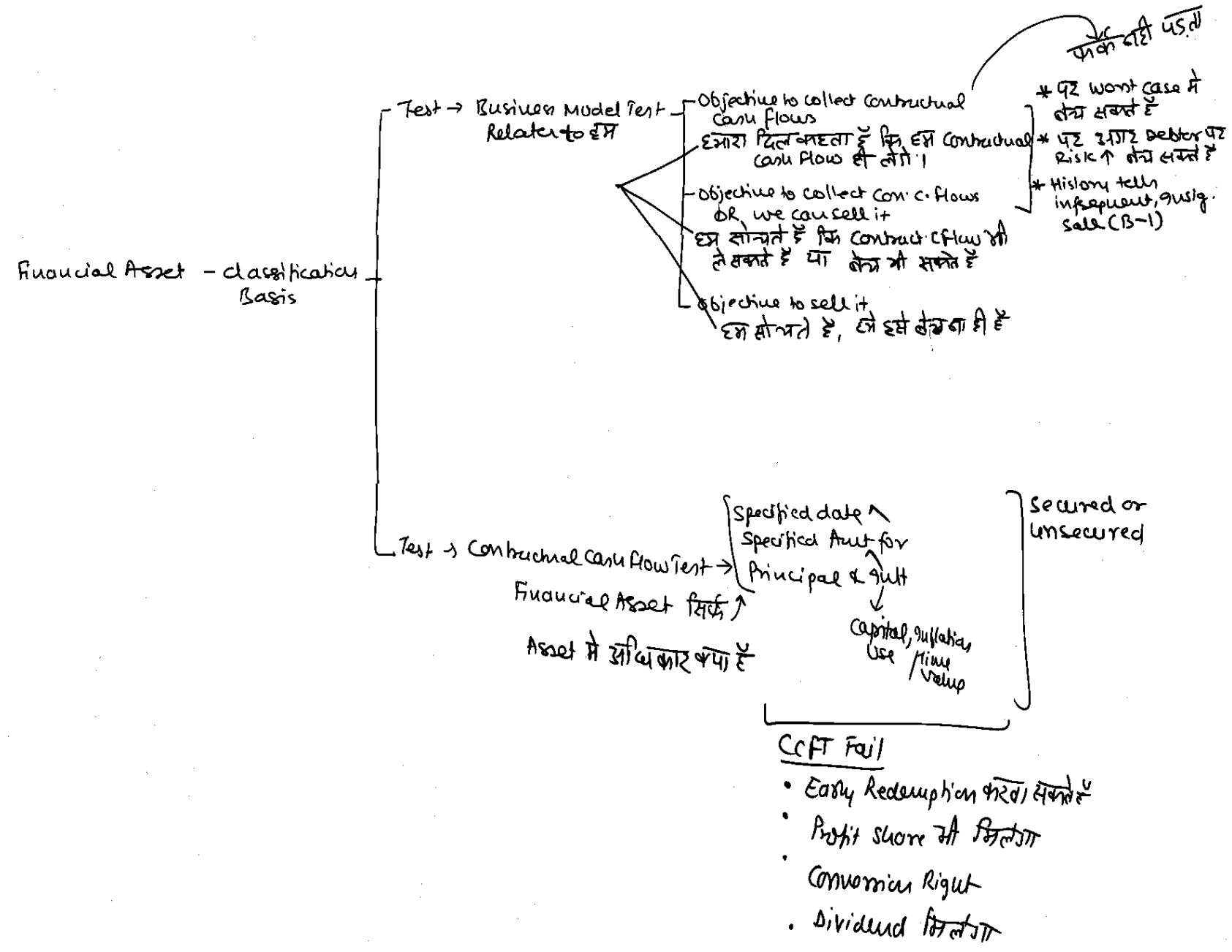
Financial Asset **Debtor**



17

Recognition Basis





2) Accounting Treatment for Financial Assets - LT

पुनर्माप	मिति	बेटी
Amortised Cost	FVTOCI	FVTPL
(i) Record Financial Asset and Transaction Cost (TC)		
FA MC & FV+TC To Cash (Being amt recorded)	FA FV+TC To Cash (Being amt recorded)	FA MC & Fair value TC (PHAW) & TC To Cash (Being amt recorded)
Calculate Effective Interest Rate HERE		
(ii) Year End - GWT		
Fin Asset Dr To Finance Income (Pte) @ EIM (Being amt recorded)	Fin Asset Cr To Finance Income (Pte) @ EIM (Being amt recorded)	-
(iii) Year End - change in FV		
- No Entry -	Fin Asset Cr To OCI Reserve (Being change recorded)	Fin Asset To Pte (Being change in FV recorded)
(iv) Upon realisation		
Bank A/c To FA Asset (Being amt realised) * Diff Pte	Bank A/c Dr To Fin Asset To Ph (Being amt realised) + Recycling OCI Reserve To Pte	Bank A/c Cr To Fin Asset (Being amt realised) * Diff in Ph

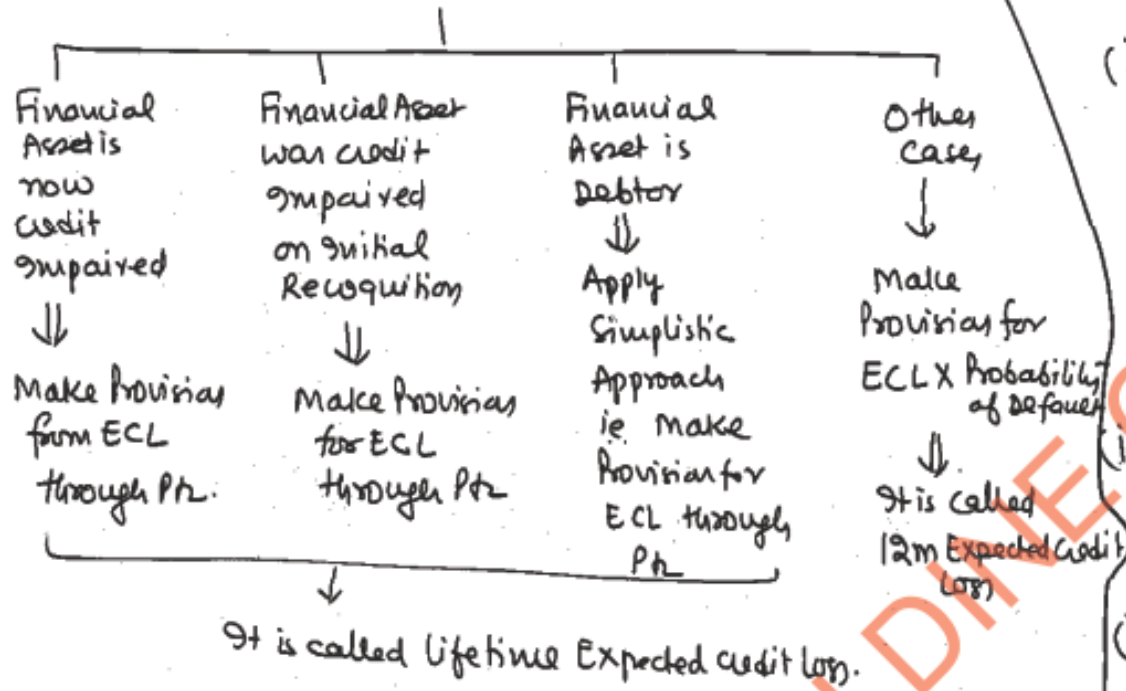
20 Accounting Treatment of Financial Assets - Short term

SM = zero

Please Assume "Debtor"

A+D Amortised Cost	B+D FVTOCI	Other FVTPL
Objective → To sell <u>Nahi</u>	Objective → <u>WTS</u> ET sell	Objective of selling <u>is</u>
(i) On Initial Recognition		
Debtor MC & Fair value + Trans. Cost To Sale To Cash (Being amt sold & Trans. Cost paid)	Debtor "Fair value + Trans. Cost" To Sale To Cash (Being amt sold + Transaction cost paid)	Debtor MC & F. Value To Sale (Being amt sold) Transaction Cost (Pte) & To Cash (Being amt paid)
(ii) At Year End <u>Fair value</u> of Debtor has changed - Not Relevant - ∴ We are not exposed to market risk, then why to hit Financial Statement.	At Year End Fair value has changed change in FV Relevant Debtor Fair value To OCI Reserve (with change in F.V)	Debtor MC & To Pte A/c (with change in FV)
(iii) Realisation of Debtor	Bank A/c Cr To Debtor To OCI Res. (R.F) (Being Debtor realised) OCI Reserve To Pte (Being OCI Res. Recycled)	Bank A/c Cr To Debtor (Being amt realised) * Diff Pte to Pte

Step 3 Loss Allowance will be



27

(i) Loss Allowance (Impairment of Financial Assets)

Financial Assets which are already on FVTPL does not require any Loss Allowance, since fair value already considers such expected loss and loss allowance automatically get charged to P/L.

Loss Allowance is required for Financial Assets on Amortised cost or FVTOCI.

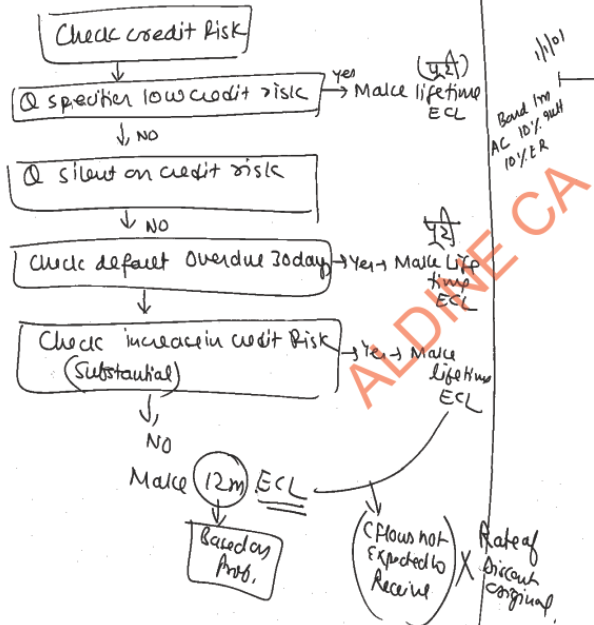
(ii) Calculation of Loss Allowance

• Not Evidence Based, but Expectation Based.

Step 1 Calculate Expected Cash Flows that will not be received based on expectations of Entity.

Step 2 Calculate P.V of Such Flows based on original Rate of Interest. It is called Expected Credit Loss (ECL)

Probability of Default is evaluated by Management.



Note: Accounting treatment of Loss Allowance

(a) Amortised Cost Assets

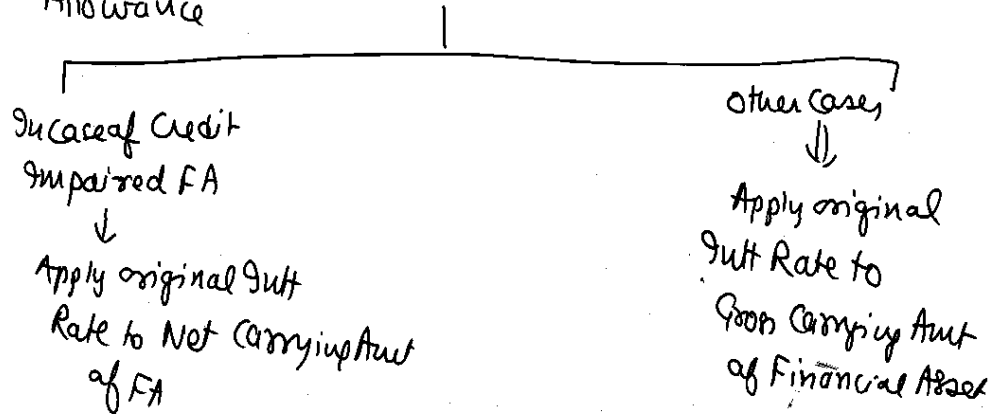
Pr A/c D
To Loss Allowance
(Being Loss Allowance created)

* Loss Allowance should show a deduction from FA in Balance sheet.

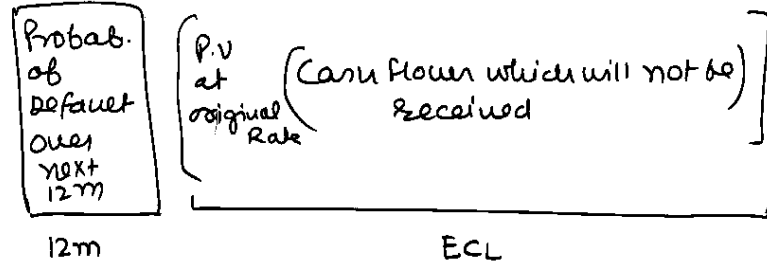
(b) FVOCI

Pr A/c A/c D
To OCI Reserve
(Being Loss Allowance created)

Note: Accounting of Gutt (based on EIM) after creating Loss Allowance



Note: How to Calculate Expected Credit Losses (ECL)

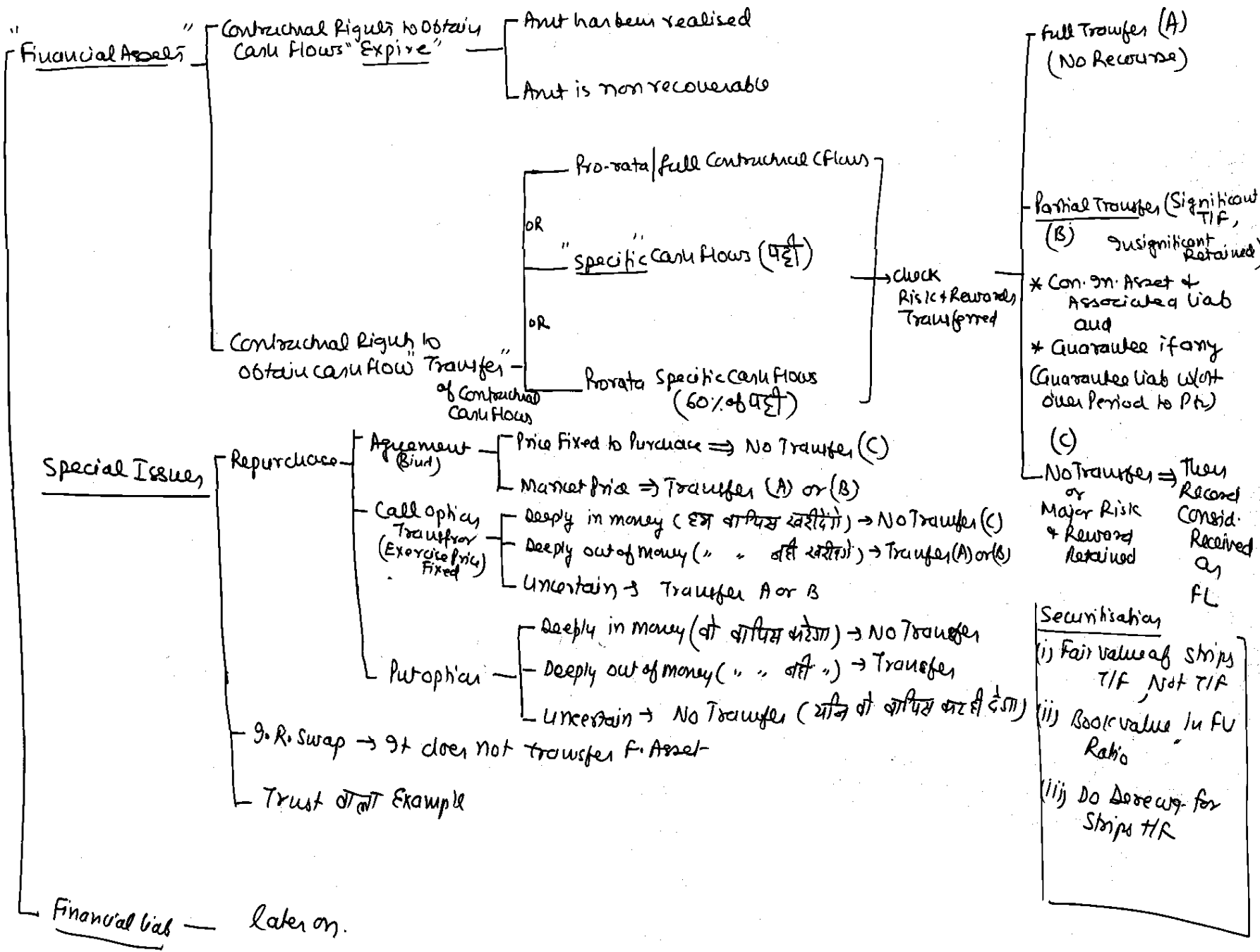


* If Probabab. of default is taken over life time, it is Lifetime ECL

Note: How to identify credit impaired F. Assets?

- (i) Check risk on cash flow on reporting date & risk parameters that existed on initial Recognition. If such risk has increased substantially it is called impaired.
- (ii) For evaluation of risk, Forward looking data should be analysed.
- (iii) It is rebuttable assumption, that if Financial Asset remains overdue for more than 30 days, it is credit impaired.

Derecognition -
 ↓
 हटाता means
 FA → Credit हटाता
 FL → Debit हटाता



Step 2 Identify Book value of Loan

Step 3 Difference should be calculated in %

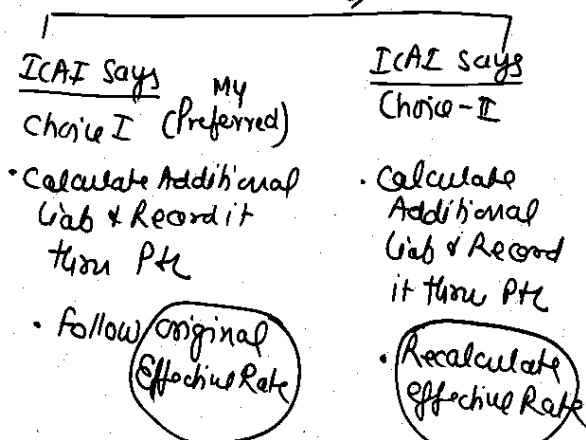
$$\frac{FL \text{ Step 1} - FL \text{ Step 2}}{FL \text{ Step 2}} \times 100$$

If such difference is 10% or more then apply Extinguishment Accounting. If such difference is less than 10% apply Modification Accounting

Step 4

Extinguishment Accounting
↓
Derecognised old FL and Record New FL of Step 2
Difference in above values T/F to P/L
follow original Effective Rate

Modification Alc
↓
Ind AS-109 Silent



28 B

Derecognition of Financial liabilities

- (i) Financial liabilities are derecognised when
 - (a) either they are settled or
 - (b) No obligation exist to settle.
- (ii) Any difference on Derecognition will be t/f to P/L Alc.
- (iii) Corporate Debt Restructuring (CDR) 9F

means loan liability is restructured in such way that $\frac{\text{Installments}}{\text{Amt}}$ / $\frac{\text{Rate of Int}}{\text{Amt}}$ / Payment dates are altered, in comparison to original Contract.

In such cases, following steps are applied

Step 1 Calculate "New liability" at original effective Rate of Int, based on New CDR Cash Flows.