Ind AS-101 FTA

1. Ind AS-101 apply on "first time applicationudas" (from old gaap to new gaap)

2. 1st step: Date Idate

   - Note - Explicit & Unabsorbed Statement of Concentrations to 9th As
   - 9th As-101

3. 1st Ind As & Based Financial Statement
   - Reclassification as per Ind As
     - FVTOCI (Equity)
     - Set-off
     - Ac Revaluation Reserve
     - C.F.T (Cost & Eq)
     - DCO

4. Mandatory - App B
   - Financial Liabilities - Revaluation Reserve
   - Hedge Ac will be followed as per IAS 109, if it was measured as Hedging Instrument in Old Gaap
   - NCI can be used on Prospective
   - Cash should be spun off Prospective
   - Group Loan - "2" Elements 1st Group

5. Voluntary - App. D
   - Discuss later.
Presentation of Financial Statements

- General purpose financial statements
  - Meaning of financial statements: structured representation of financial transactions and performance in a faithful way.
  
-真 & Fair Presentation
  - (i) By compliance with all Ind AS
  - (ii) Statement of compliance to be given
  - (iii) Selected Ind AS policies as per Ind AS-8
  - (iv) Comparable information

- Departure from Ind AS
  - (i) Rare case
  - (ii) Nature & impact, reasons, impact on financial statements

- Going Concern
  - Easliy will continue forever. Period seen at least 12 m
  - Non GAAP disclosure required
  - Go concern evaluated by Mgt

- Consistency
  - All policies, classifications will be consistently followed

- Offsetting
  - Similar nature, item, offsetting allowed, subject to any condition of Ind AS (same party, similar transaction)
  - Valuation Allowance set-off allowed (IASB P.5)

- Materiality
  - Materiality - Accurate only material items
Ind AS-8 Accounting Policies, Change in accounting estimates and errors

Accounting Policy are
(For Transaaction, Condition, event)

Disclosure of Any Policies
is caused by Ind AS

To Maintain
Consistency

Similar Policies should be followed
for similar transactions, unless
Ind AS specifies different policies.

Example: PPE are taken at Cost or
Revaluation Basis

Must Propoerty Policy = Cost

1. Factory & Old of Cost
2. Office Old of Revalued

Allotted according to Ind AS

Why we change
Policies
Reason of change

Other Reasons
"Voluntary Change"

Due to Requirement of Ind AS

Due to Requirement of Ind AS

Due to Requirement of Ind AS

How to Adjust
Changes in FS

Transitional
Effects are
Given in Ind AS

No Transitional
Effects are
Given

Then change
Policy
Retroactively

Disclosure
Upon Change

(i) Net adjusting
Assets/Liab, Equity as
If new policy was in
Effect since Beginning.

(ii) Old Financial Statement
are not to be altered.

(iii) Comparative are to be
Replaced.

(iv) If Retrospective Adjustment is
Impracticable (Possible aft of)
then apply new policy from
Period wherever possible. Or
Can apply from current year.

Objective while
make judgement

To make Financial Statements
more Relevant & Reliable

1st Pref: check any Similar
Treatment in other Ind AS

2nd Pref: Framework of Ind AS

3rd Pref: Pronouncement of IASB

If no Ind AS exist
on such issue

It is called Voluntary
application. These should
be based on Best Judgement

In line with
applicable
Ind AS.
Ind AS-36 Impairment

**Accounting Treatment**

1. Impairment of Asset (Jud As-36)

   - **Formula**: Calculation of Impairment of Asset
     
     $$\text{Impairment} = \text{Carrying Amount} - \text{Recoverable Amount}$$

     *Book value after charging Dep Upto current Period, if any impairment loss after any Revaluation

     **(ii) Reval is higher** Value in Use (Vu) or Fair value less cost of disposal (FVCD)

     *This is Present Value of Expected Cash Flows from use of Asset*

     Fair value is as per IAS-113

   - **Journal Entry**
     
     $$\text{RR} (\text{OCF}) \times (\text{Balance} \times \text{IRR}) \times \text{FDR} \times \text{PPE}$$

     **To Provide for Loss**

   - **Presentation in final MC**
     
     - **Asset Cost**
     - **Gen Acc. Dep.**
     - **Long. P/L**
     - **Sm. & FM**

     $$\rightarrow$$ B/L Value of Asset

   - **Def Nom Asset**
     
     - CA of Asset - Tax Base of Asset
     - Rate of Tax
     - TOPL or PC/DTA

     Future Dep Revise = Revised CA, it will be depreciated, hence Dep and will not be same as earlier.

**Indication of Loss**

- C-G-U Identification

  **VP, FVC** detailed discussion

**Plan Assets in Employee Benefit**

- **Biological Assets**

**Asset Held for Disposal**

- **Revelation**

**Disclosure**

- Comparison with As-28
Ind AS-36 Impairment

Impairment of Assets - Calculation:

1. Individual Asset
   - (i) Can generate independent CF
   - (ii) FVCD = Value
   - CA - RA

2. Group of Assets
   - [CA of asset in CGU] - [RA of CGU] = IL of CGU
   - Loss will be allocated in ratio of carrying amount. Any asset in group should not go below IL of CGU if available.

3. CGU
   - Not capable of generating CF (Research & Dev, HR, WH)
   - Group of assets & Corporate Assets
   - Allocation Point
     - Not specific, relative ratio

4. Not Allocable
   - Larger CGU/Entity

5. Group of asset & CGU
   - Should Always be allocated - Either Ratio will be given or Use Relative Ratio
   - Allocate 3rd Loss 1st to CGU, then to other Assets
Ind AS-102 Share Based Payment

"Share Based Payments"

Meaning

- Payments
- Shares

Outside Scope

- Contracts with Shareholders of Entity in capacity of Shareholder
  - Example: Equity of Non-Company

- Contracts which are covered by Ind AS 109
  - Contracts "not settle"
    - Later discussed

- Business combination ("deal by Ind AS 103")

Cash Based

Agreement with Employer (ESOP)

Equity Instrument

Agreement non-Employee

(i) Payments/Other Party is entitled to
  - Cash/other assets based on Equity of Entity/Group
  - Equity instrument of Entity/Group
    - Shares, warrants, options

(ii) Against "Working Condition", if any.
Meaning of IFR: Financial statement for Period (incurring 1 M), IFR will be "Single Statement Based", i.e.,
(can be complete or condensed) ↓
Exception: If financial statements those are not IFR.

Basic = BS, PL, CF, SOCE, Notes to Accounts, Comparative (Same in AS 25), Op. Ratios, etc.Req of
Consolidated financial statement in MRAF, then IFR should be Consolidated IFR.
Stand-alone statement are voluntary.

Condensed statement should have same format at MRAF. Heading (subhead) should become.

Statement of Compliance of 2nd AS-34 is mandatory

Disclosure

Significant Events & Subsequent Disclosure
(i) Decline in Invewry
(ii) PL Sale, FA
(iii) PL, "LTS" Paid
(iv) Litigation Settlement
(v) Change in Estimate
(vi) Loan Default
(vii) Change in Contingent Liabilities
(viii) Other

Other disclosure
(i) Dividend Payment
(ii) Business Combination
(iii) Share of Debt
(iv) Earnings (Without EOI)
(v) Segment Report
(vi) Change in Significant

Variations from any estimates of Previous 9 Period, Change significantly, Reasons each to be disclosed.

Recognition & Measurement Principles
(Best Estimate for Tax, Retirement benefits, Provision)

Impairment Loss on Goodwill = Cannot be reversed. [0-1] Impairment Loss in 1st
[0-2] Cannot be Reversed.
Ind AS-110 Consolidation

Concept → Parent Controls Subsy, hence for Parent, Subsy is just a dept.
- Hence single & co. unit should be presented to shareholders of Parent
- Co. Act 2013 - Section 129(3) mandatory consolidation
- Ind AS-110 → mandate Consolidation,
  → Process of Consolidation

Process of Consolidation

Ind AS-103 for calculation

B/S (Red, OC, SAC, RP) on Ind AS-110
- Assets & Liab. line by line
- NCI Show Separate Liab.
Post Acquisition change in Net Assets are distributed to Parent (Pn) + NCI
→ Dividend by HUD

Dividend proposed by HUD → No Treatment

Dividend Declared/Distributed by HUD

Retained Earnings will be reduced
Basic x or Preferred

Dividend Declared & Distributed by Sub

Change in Net Asset
Earnings XXX
+ Dividend Paid Declared

×××

Change
+ Repairment may be Required.
→ General
→ To Sub

Holding No Relation.

ALDINE CA
Investment in ESSure (Accounting) (SMV) 1,60,000

- As of Subs, Associate J.V.
  - Ind AS 109 → Not Applicable
  - At Cost: £ 1,60,000
    - Ind AS 27
    - or or as per Ind AS 109

- Other → Ind AS 109
  - FVPL
  - FVOCI
Control

\[ \text{Power in the venture} \quad \text{Exposure} / \text{ability to exercise power} \]

\[ \text{Right} \]

\[ +50\% \]

\[ \text{Current ability to direct} \]

\[ \text{Voting rights} \]

\[ \text{Other rights} \]

\[ \text{Substantial (real)} \]

\[ \text{Protection} \]

\[ \text{Bailout, franchisee} \]

\[ \text{Should not be deeply out of money} \]
Ind AS-103 Business Combination

**Subjective Issues**
- Identity Acquirer (Ultimately who will be Control)
- Accounting Acquirer

**Acquisition Method**
- NO A.U. or NO C.R.
- Allocate P.C. in ratio of Fair Value of Assets/ Liab.

**Asset Acquistion**
- Subjective Issues => Identify Acquirer (Ultimately who will be controlled)

**Acquisition Date**
- Acquire Date (Obtain Control over acquiree)

**Meaning of Control**
- Acquiree can be Entity or Business

**Calculate Total P.C.**
- PC = Acquire Date + Asset Transfer C.O.

**Exchange of Equity Fair Value**
- XXX

**Post Combination Period**
- XXX => PC

**Calculate PC for BC**
- PC = PC ± Separate Transaction Cost = PC for BC

**Journal Entry**
- **(i)** PC and C.O.
- **(ii)** S.A. Assets

**Business Combination**
- App. C / Pooling of Gilt Method
Ind AS-103 Business Combination

- **Renov. Asp**
  - 1st time

```
- Common Control Transaction (Pooling of Interest Method)
- Sale of division
- Pre Combination Control & Post Combination Control should be same
```

- Demerger
- Without Common Control → Dividend Distribution
- → Acquisition Method for Resultant Co.
- With Common Control → Transfer at Book Value
- → No Goodwill only
- C) Receive it cause ±

- Measure

(ALDINE CA)
Ind AS-17 Leases

Lessor
- Financial lease
  - Calculations
    - Implicit Rate
    - Lease Revalued
    - Non Mon Dear ⇒ Fair Value + IDC × MLP + UGRV
      - Rate IRR
      - MLP = Lease Rentals × CRV + P Option
      - Not Included: Contingent Lease
      - Taxes
      - Service Costs
  - MLP = R Value Lessor × CRV - Expected
- Operating lease
  - Operating lease
    - Expensed Income
      - SCM or Other Suitable Method
      - Additional Revalued (Except
        - Sale or Return due to
        - Operational changes)
  - Diff on settlement
    - If an L/E Asset
      - Which is NCL/CL
      - CA/NCA

Lessee
- Operating lease
  - Financial lease
    - Disclosures
      - Restatement
      - Unearned FI = GI - NI
      - UGRV
      - PI/ULR
      - GL Arrangement

Journal
- Lease Receivable
  - Net Inv
    - To Asset
    - To CRV
    - Fair Value
      - IDC
    - GI = (MLP + UGRV)
    - L Receivable
      - To F Income
      - * No Dep
      - * F Income ⇒ PI
      - Bono
    - To L Receivable
  - * Mon dealer ⇒ IDS is selling CO
    { IDC (PL) B
      - 70% Only
    } Lease Receivable ⇒ Net Inv
    To Sale
    Rest subject some

ALDINE CA
**Ind AS-17 Leases**

- Accounting Treatment: 
  - **Financial lease - lessee**
    - Transfer to FL
    - Disclosures:
      - (ii) Similar to Ind AS-16 (OR A, C, Dep E)
      - (iii) Contingent rent
      - (iii) Reconciliation: PV of MLP + LR
        - $ \text{lp} \_ \text{= Swap Rate} \_ \text{by Lease}
        - 0-12m: \text{Year} \_ \text{to} \_ \text{Lease}
        - 60-85m: \text{Years}
  - **Lease to Bank**
  - **Dep B**
    - To Allow
    - (X+Y) - Estimated Scrap Value
    - Useful Life

- **Disposal**
  - Land & FL
    - 1st: Fair Value Land, Fair Value FL (FL
    - 2nd: Cannot split) Combined Asset: FL
    - Element FL, Combined FL or Both on FL, then Combined FL.
Ind AS-21 Effect of changes in Foreign exchange rates

1. "Functional Currency" + Treatment of Foreign Currency

- Special treatment given in Para D-13AA of Ind AS 101

2. Functional Currency
   - Suffix Economic environment that determines FUC
     - Includes all business but not financial operations
     - Currency influences sales
     - Currency influences cost of goods/services
     - Currency influences P of competitive Entities

   Additional factors:
   - Funding currency
   - Major local currency

3. Foreign currency
   - Initial Revaluation
   - All foreign currency to be translated using spot exchange rate or avg rate (FV at current rate)

4. Subsequent Revaluations
   - FO
     - If not significant, check in FUC based exchange factor
     - If it is significant, 
       - Source as Business Entity
       - Excluding business factor

   - Revaluation basis factors
     - Extends to operations
     - High transaction Entity
     - Entity expected to raise if auditors from FO
     - FO cannot service in debt on own

5. Settlement
   - Monetary Items
     - Current
     - Non-Monetary Items
     - Non-Monetary Items at FV
     - Fixed non-monetary Items
     - Foreign currency

6. Monetary Items
   - Current
   - Non-Monetary Items
   - Fair Value
   - Current
   - Foreign currency

7. No Change
   - Exit
   - If it is Pre

8. FO
   - Monetary Items
   - Non-Monetary Items
   - Closing spot rate
   - No change
   - Rate of Fair Value
   - PTE
   - OCF (Revaluation of PRE)
Ind AS-21 Effect of changes in Foreign exchange rates

Concept Functional Currency

- Initial Recon spot Exchange Rate / Prog Rate
- Subsequent

- Exchange Diff = P/L
- Dep FA = Fixed Asset
- Other = Mit Diff

Contra Balances

- ST = Monetary Item at Closing Rate, Effect T/L, P/L, CFS
- Contra Cancelled, P/L and it is.
- LT = Monetary Item at Closing Rate, Effect T/L, P/L; CFS, Contra Cancelled, P/L, T/L on Same Date
- LT Item shown as "Not Reinstated"

Rule: FIC = PRC
- All Assets, Liab at Closing Rate
- All Income, Exp at Actual Rate
- SLC = op.; Retained Earnings on Date of Obtaining Control = Spot Rate on Contract Date

Consolidation
- (i) Translate FO to Financial Statements to PRC
- (ii) Goodwill Should be Calculated using Closing spot Rate
- (iii) ED/FCTR are distributed to Parent and NCZ
Ind AS-108 Operating Segments

Identification of op. segments

- Whose job it is? → CODM
  - Person/group of person whose job is allocate
  - Resources, entities, various segments &
  - Review

- Prompt automation is available

- Similar segments aggregate

Reportable segments

- Segment Revenues, profit, assets, liabilities

- Component of entity

- Limit class (any)

- Segment result is → Profit or loss

- Inter-segment results higher (Bracket Ignored)

- Should report at least 75% of external revenue. If this is not attained, then
  - Make further selection of choice of management

Segment Revenues = Internal + External

- Segment Assets = Fixed + Current Assets → Exclude Tax Assets

- Segment result = Operating result of segment + Sub. Tax. Exceptional items, if any

- These terms can be changed by CODM based on nature of business/segment

General disclosure & major customers

- Operating segments, how they identified, nature of product in segments
- Terms, explain which have applied

- Other segment profit/loss disclose a constituent

Primary Report: Seg. Revenues, assets, liabilities, etc., R&D, Cap. Expenditure, Capital Expenditure during Year

- Seg. Revenues (external) 10% or more

Segment report

- Recom. Report

Geographical → Segment Assets

For C.F.I.S

- a Report

For S.F. is voluntary.

- Not Act

- Treatment
Ind AS-33 EPS

SFS = Earnings of Entity

Basic

Earnings

EA to OSH = PAT or paid

P + Dividend

(1) Settow/Repayment

(2) Settlement Period

P + Other Reserve

XXX

Cash Flow Statement (CFs)

Earnigs

Earnigs

CFs: Earnings group statement

Wkly salary of OS - Time

Resource Received = Date is Relevant

(Incurrence/Kind)

(Proposed/Day)

Right Issue?

(Partially Resource)

No Resource Received = Bonafide

Bonus, Bonus/Long

Total Should Not

Above Bonus

If applicable on w/Ac on which

Bonus Entitlement Exit

* Restatement of Prior Year
**1. Ind AS-41 Agriculture**

- **Agriculture**: "Economic activity engaged in the growing of crops or rearing of livestock for sale or consumption.

- **Agricultural Activity**: "Various activities such as planting, harvesting, and crop management.

- **Accounting for A-Agriculture**: "Revenue from the sale of crops or livestock.

- **Management**: Organized farming practices to maximize output.

- **Biological Assets**: "LIVESTOCK, CATTLE, MACHINERY, HOMESTATION COSTS, REVENUE COSTS, GROWTH COSTS, DEPRECIATION, DEPLETION, OR DESTRUCTION.

- **Revaluation of A-Asset**: "At Fair Value Less Costs to Sell.

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

---

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

| Meaning | Provisions are liability of uncertain timing and amount based on past events whose settlement is expected to result in outflow of resources which cannot be measured.
| Recognition Principles |
| - | All of the following conditions are satisfied: |
| - | Entity should have present legal/constructive obligation to settle in favor of other party. |
| - | The obligation must be a present obligation at the balance sheet date. |
| - | Present obligation is defined as a liability that arises from past events, whose settlement is uncertain and may have to be paid. |

**Measurement**

Based on past experience, historical data, and expected future economic activities.

- Not based on past experience, historical data, or expected future economic activities.

**Provision, Contingent Liabilities, and Contingent Assets (Ind AS 37)**

- Not covered by Ind AS 37
- Covered by other Std
  - 11, 12, 17, 103, 19 etc.

*Provision becomes liable when confirmed.
*Must be subject to change per Ind AS 10

*Financial Guarantees covered by 109

*If disclosure of any Contingent Liability will be against ethics/relates to preceding year, then disclosure of fact can be made.

---

**Contingent Liabilities**

- Contingent liabilities are obligations which may arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not fully within the control of the entity.

**Contingent Assets**

- Contingent assets are assets which arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not fully within the control of the entity.
Revenue (do not include gains) from inflows of economic benefits during period arising from operating activities. Revenue, in this case, increases equity but it is not equity contribution.

- Recovery of costs (in continuing) → Revenue
- Revenue on agent or other item → This is not revenue
  GST, shipping cost in cost of FOB
- Agent → Commission
18
Appendix

Exchange/Ratex

Revenue

of similar goods

Inventory

ToInventory

Revenue will be recorded at

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

If not reliable:

- Fair value of asset given will be taken in place of item received

If not reliable:

- Fair value of item given + Cash received - Cash paid
PPE

(A) Revalued model

Value P

CA on date of classification = B

105

Lower

FV less "Cont to sell"
- Broken Commitment
- Advert Expenses
- Legal Fees

If CA is lower NO PROBLEM

If FV less C/S is lower THEN PROBLEM

Record loss (imp. Los) = A/ P + L

Check
- Reason for not
  - Mgt committed
  - Mgt Shld
  - Mgt Comp

Buyer
- Locate
- Price unreasonable

Sold
- Profit/Los

No Dep
- Lower CA or FCUs

No Dep
- Mgt is Commited
- Redxas

Check
- Mgt is not
  - Commited
  - Redxas

Page 3
Ind AS-109, 32, 107 Financial Instruments

- It is Executory Contract
  - Check Are we Speculating like taking delivery & selling instead?
    - Yes, choose 1 = 109 applies
    - No, choose 2 = Executory Contract, 109 does not apply

- Contract specifies "net settlement allowed by either party"?
  - Yes
    - Will we take delivery for own consumption?
      - Yes
      - No, 109
    - No
  - No

- Hence Contract is silent on net settlement or delivery
  - Check Net Settlement
    - Either 109 applies, if Net Settlement Expected or apply Executory Contract.
**Step 4**: If Transaction Cost are yet to be adjusted in market rate term, such transaction should be allocated to Equity or Liability in ratio of values in step 2 + 3. Subsequently, rate applied to financial liability will be adjusted with Transaction Costs [Hence rate for unwinding will increase due to Transaction Costs]

**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 considered 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). PV 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 5**: **Journal Entries**

(i) Upon Issue of (CFI) Basic Amount & Proceeds XXX

   To Financial Instrument (FI) XXX

   To Financial Instrument (EG) XXX

   (Being CFI issued)

**Note**: Financial Instrument Equity will be shown in SOCE. After CFI is derecognised, such Financial Instrument (EG) will be transferred to Retained Earnings/G&AR.

(ii) for Transaction Costs (Not part adjusted in Process)

   Financial Instrument (FI) & (EG)

   To Bank

   (Being amount paid for Transaction Cost)

**Step 3**: Calculate Equity Proceeds

   XXX

   Less Financial Val

   Equity

   XXX

   (Above)
| Ind AS-109, 32, 107 Financial Instruments |

---

### Journal Entry

#### (Step 1)
- **Financial Liab & Old B.V. (step 1)**
- **To Finou Liab new B.V. (step 2)**

#### (Step 2)
- Any Diff. in Prtc. (Being Value of Revised)

#### (Step 3)
- **Financial Liab**
- **To Bank** (Being amount paid)

### Note:
**Treatment of Tax [D.D.T] on Compound Financial Instruments:** Tax [D.D.T] will be shown as follows:
- For Financial Liab → on P/L
- For Equity → on P&L App. (Bellow the line)

**Note:** If any CF is classified as Financial Liab, in situ it will be unwound irrespective of dividend declaration date. It means dividend on Financial Liab will be recognized, even if such dividend is not declared.

**Note:** On 1st time application of Ind AS 32, 109 etc., all CF which have not been split, will be split on date of transition. Its effect will be adjusted in Opening Equity (Ind AS-101)

### At year End

#### Charging a Loan
- Finance Cost Acc. &
- To F-Instrument (FL)

#### (Being Suit charged)

#### (FL)
- For Contractual Payments
- To F-Instrument (FL) &
- To Bank

#### (Being suit paid)

**Note:** If Financial Liab was to be settled by issuance of fixed no. of ordinary shares, then also entry would be:
- Financial Instrument (FL) &
- To ESIacapital (Fixed No. x Par Value)
- To S/A Premium Reserve

#### (Being suit settled in own equity)

**Note:** If Company opts for Early redemption, then

- **Step 1** Calculate Liability as in Books
- **Step 2** Calculate PVA of new Liab on rate of suit
Buyback is called Treasury Shares.

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

(a) If number is increased/decreased due to 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:

- Calculate new value of Wab 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).

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, where such borrowings are in fact received.

Till now (Apart from earlier I'm)

S-34, 35

S-132

13. Of setting of financial assets with financial liabilities is allowed if

- it is a legally enforceable right (ie contractual right) and
- parties intent to settle on net basis.

13. If any contract is entered to buyback its own shares then following entries are journalized:

(a) Buyback is in future date against derivative options

- Bank Ac
  - To Equity
    (Being premium received on derivative option)

- Equity Ac Dr. Present value of Exercise Price
  - To Financial Liability
    (Being amount, transferred)

- Interest Ac Dr.
  - To Financial Liabilities
    (Being interest charged)

- Upon exercise of option

  Financial Val
  - To Bank
    (Being amount paid)
  - To Equity
    (Being own transferred)

(b) Buyback of Shares on current date

- Equity Ac Dr.
  - To Bank
    (Being own paid)
Accounting Treatment of Financial Assets - LT

- Amortised Cost
- FVTOCI
- FUTPL

1. Record Financial Asset and Transaction Cost (TC)
   - FA MC & FVTTC
     - To Cash (being own recorded)
   - FA FVTTC
     - To Cash (being own recorded)

2. Calculate Effective Interest Rate

3. Year End - SW
   - FA At Cost
     - To Financial Income (FT)
     - EIM
     - (being own recorded)
   - EIM
     - (being own recorded)

4. Year End - change in FY
   - No Entry

5. Upon Realisation
   - Bank MC To FA Asset (being own realised)
     - *Diff PTZ
   - Bank MC PTZ To FA Asset (being own realised)
   - *Diff PTZ
   - Bank MC PTZ To FA Asset (being own realised)
     - *Diff PTZ

Accounting Treatment of Financial Assets - Short Term

- A + D
  - Amortised Cost
- B + D
  - Other

1. Please Assume "Debtor"

2. Objective: To Sell
   - A + D
   - B + D
   - Other

3. Objective: To Sell

- Debtor MC & Fair Value
  - To Sale
  - To Cash
  - (being own recorded)
  - (being own recorded)

4. Objective: To Sell

- Debtor MC & Fair Value
  - To Sale
  - To Cash
  - (being own recorded)
  - (being own recorded)

5. Other

- Debtor MC & Fair Value
  - To Sale
  - (being own recorded)
  - (being own recorded)
  - (being own recorded)

6. Other

- Debtor MC & Fair Value
  - To Sale
  - (being own recorded)
  - (being own recorded)
  - (being own recorded)

7. Other

- Debtor MC & Fair Value
  - To Sale
  - (being own recorded)
  - (being own recorded)
  - (being own recorded)
Loss Allowance (Impairment of Financial Assets)

Financial assets which are already on FVTPL do 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.

Calculation of Loss Allowance

1) 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 PV of such flows based on original Rate of Interest. It is called Expected Credit Loss (ECL)
Note: Accounting treatment of Loan Allowance

(a) Amortised Cost Assets

\[ P \times C \times A \]
\[ \text{To Loss Allowance} \]
\[ \text{(Being Loan Allowance created)} \]
* Loss Allowance should shown as deduction from FA in Balance Sheet.

(b) FVTOCI

\[ P \times A \times C \times D \]
\[ \text{To OCI Reserve} \]
\[ \text{(Being Loan Allowance created)} \]

Note: Accounting of EUTT (based on ELM) after creating Loan Allowance

- Increase of Credit Impaired FA
  - Apply original EUTT Rate to Non Carrying Amount of FA
- Other Case
  - Apply original EUTT Rate to Non Carrying Amount of Financial Asset

Note: How to calculate Expected Credit Losses (ECL)

\[ \text{Probabilistic of Default} \times \text{Loss Over 12 M} \]
\[ \frac{\text{PV at Original Rate}}{\text{Cash Flow which will not be received}} \]
\[ \text{ECL} \]

* If Probability of Default is taken over the life time, it is Lifetime ECL

Note: How to identify credit impaired F.A.

(i) Check Risk on Cash Flows on Reporting Date +
   - Risk parameter 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.
Ind AS-109,32, 107 Financial Instruments

**Financial Assets**

- **Contractual Right to Obtain Cash Flows "Expire"**
  - Annuity has been realised
  - Annuity is non-recoverable
  - **Pro-rata full Contractual (Flow)** or **specific Cash Flows**

- **Contractual Right to Obtain Cash Flow "Transfer"**
  - Pro-rata specific Cash Flows (60% of 0.5t)

- **Repurchase**
  - Agreement (Basis)
  - Price Fixed to Purchase
  - **Market Price** ⇒ **Transfer** (A) or (B)
  - Deep in money ⇒ **Transfer** (A) or (B)
  - Uncertain ⇒ **Transfer** A or B

- **Call option** (Exercised)
  - Deeply in money ⇒ **No Transfer** (C)
  - Deeply out of money ⇒ **Transfer** (A) or (B)

- **Put option**
  - Deeply in money ⇒ **No Transfer** (C)
  - Uncertain ⇒ **No Transfer** (A) or (B)

- **F&F Swap** ⇒ **it does not transfer F Asset**

- **Trust** (Note Example)

- **Financial loss** - Later on.

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**Full Transfer (A)**
- (No Resource)

**Partial Transfer (Significant TIF)**
- (B) "insignificant" retained
- *Consider Asset & Associated Liability and Guarantee if any* (Guaranteed of amount dual period to P)

**No Transfer**
- No Gain or Loss
- Record in the Account of the **Whole** of the F PL

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**Securitisation**
- (i) FAL: Value for Share TIF: Net TIF
- (ii) Baseline or FV Ranks
- (iii) Do not allow for Share TIF
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 Extinction Accounting. If such difference is less than 10%, apply Modification Accounting.

Step 4:

Extinguishment Accounting

Derecognized old FL

and record new FL of Step 2

Difference in above values

T/fo PTC

follow original Effective Rate

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Derecognition of Financial Liabilities

(i) Financial liability are derecognized when

(a) either they are settled or

(b) no obligation exist to settle

(ii) Any difference on Derecognition will be l/s to PTC Alc.

(iii) Corporate Debt Restructuring (CDR) 91-

Mean loan liability is restructured in such a way that installment / Rate of Sult / Amount of payment dates are altered, in compliance to original contract.

In such case, following steps are applied:

Step 1: Calculate "new liability" at original effective Rate of Sult, based on New CDR Cash flows.