



Practical Learning Series

FINANCIAL REPORTING

For CA Final New Syllabus 2023

Applicable for May 2024 and onwards Examination

Highlights of this Book:

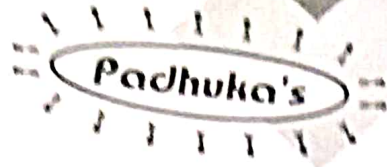
- Complete Coverage of the CA Final Financial Reporting New Syllabus.
- Effective Coverage of all Ind AS Principles along with Numerical and Concept Illustrations
- Latest Amendment on Schedule III with Practical Questions & Presentation Guidelines
- Use of Diagrams, Tables and Flowcharts for higher clarity of concepts
- Solved Illustrations as guidance to the Student on how to present answers in Professional Exams

**1st
Edition
November
2023**

**Complete
coverage of Ind AS
applicable for CA Final**

CA G. Sekar

Commercial Law Publishers (India) Pvt. Ltd.



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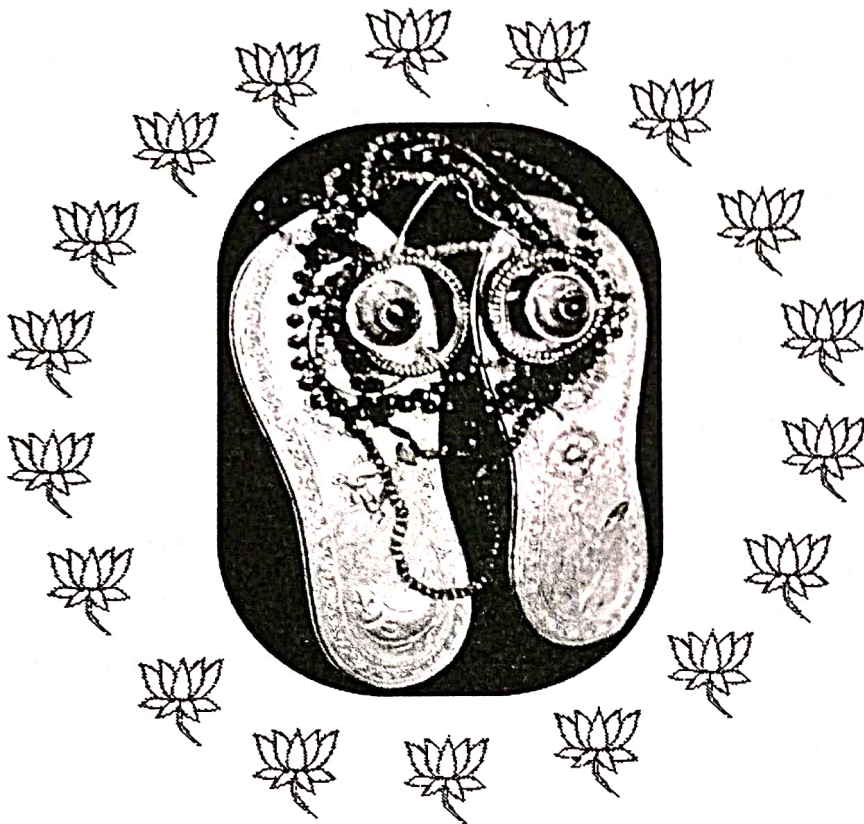
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PRANAMS

TO

THE ACHARYAS OF KANCHI



PREFACE

This Edition of Padhuka's Practical Learning Series on Financial Reporting – For CA Final Course, comes with a refreshing style and presentation.

Special Features of this book includes –

1. **Complete Coverage** of the **CA Final Financial Reporting New Syllabus**.
2. **Effective Coverage of all Ind AS Principles** along with Numerical and Concept Illustrations
3. **Latest Amendment on Schedule III** with Practical Questions & Presentation Guidelines,
4. Use of **Diagrams, Tables and Flowcharts** for higher clarity of concepts.
5. **Solved Illustrations** as guidance to the Student on how to present answers in Professional Exams.

The Authors wish to state certain key aspects to assist Students in their preparation –

1. Accounting is an **art**, and confidence can be gained by '**practicing**' **reasonable number of illustrations** in every area with full involvement. Mere reading as to how a question is solved in the Textbook will not be sufficient.
2. **Procedure / Principle** for treating specific items, e.g. elimination of unrealised profits in consolidation process, etc. should be '**remembered**'. In any question, the procedure / principle remains the same, only numbers differ. **Good Memory of Principles** is starting point for better control and grasp over the concepts.
3. In areas like Amalgamation, Consolidation, etc. "adjustments" are made to two tallied Balance Sheets. If **Debit and Credit Principles are taken care of and considered properly**, the final / revised Balance Sheet can be easily drawn. There is no question of Balance Sheet not tallying, etc.
4. **Reasonable Assumptions** (within the scope of the question) can be made in appropriate situations, and it is not necessary to re-solve the question under the alternative assumption in all cases.

Our sincere thanks to the **Institute of Chartered Accountants of India** for their permission to use questions from previous examinations and Revision Test Papers (RTP).

Many thanks to the Users of the Previous Editions of the Book, for their positive feedback, which reflects the benefits they have reaped from this Book, and also their keen interest to reciprocate with constructive suggestions.

The Authors also thank the efforts and co-operation of the various Service Providers in bringing out this Edition including the publisher in quickly getting this Book in the current form.

Constructive Suggestions and Feedback from Users would be highly appreciated, gratefully acknowledged and suitably incorporated.

With Best Wishes

Chennai

October 2023

G Sekar

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FAST TRACK REFERENCER

Applicability of Ind AS

A. Applicability of Ind AS		w.e.f
A	Companies required to comply Ind AS – Voluntary basis for all Companies with Comparatives	01.04.2015
B	(i) Companies whose Equity / Debt Securities are listed or are in the process of being listed on any Stock Exchange in India or outside India, and having Net Worth \geq ₹500 Crores, (ii) Any other Companies having Net Worth \geq ₹500 Crores, (iii) Holding, Subsidiary, Joint Venture or Associate Companies of above.	01.04.2016
C	(i) Companies whose Equity / Debt Securities are listed or are in the process of being listed on any Stock Exchange in India or outside India, and having Net Worth $<$ ₹500 Crores, (ii) Unlisted Companies having Net Worth \geq ₹250 Crores but $<$ ₹500 Crores. (iii) Holding, Subsidiary, Joint Venture or Associate Companies of above.	01.04.2017
D	NBFCs having Net Worth \geq ₹500 Crore, and its Holding, Subsidiary, Joint Venture or Associates	01.04.2018
D	(i) NBFCs whose Equity / Debt Securities are listed or in the process of listing on any Stock Exchange in India or outside India, and having Net Worth $<$ ₹500 Crore, (ii) Unlisted NBFCs, having Net Worth \geq ₹250 Crore but $<$ ₹500 Crore, (iii) Holding, Subsidiary, Joint Venture Or Associate Companies of above.	01.04.2019

B. Schedule III Balance sheet Order

ASSETS: Non-Current Assets	Current Assets
(a) Property, Plant and Equipment (b) Capital Work-in-Progress (c) Investment Property (d) Goodwill (e) Other Intangible Assets (f) Intangible Assets under Development (g) Biological Assets other than Bearer Plants (h) Financial Assets – (i) Investments, (ii) Trade Receivables, (iii) Loans, (iv) Others (i) Deferred Tax Assets (Net) (j) Other Non-Current Assets	(a) Inventories (b) Financial Assets (i) Investments (ii) Trade Receivables (iii) Cash & Cash Eqvnt. (iv) Other Bank Balances (v) Loans (v) Others (c) Current Tax Assets (Net) (d) Other Current Assets

EQUITY AND LIABILITIES

Equity and Liabilities	Non-Current Liabilities	Current Liabilities
EQUITY (a) Equity Share Capital (b) Other Equity For Consolidated Fin Stts. EQUITY Attributable to Parent (a) Equity Share Capital (b) Other Equity Non Controlling Interests	(a) Financial Liabilities (i) Borrowings (ia) Lease Liabilities (ii) Trade Payables (MSME & Others) (iii) Other Financial Liabilities (b) Provisions (c) Deferred Tax Liabilities (Net) (d) Other Non-Current Liabilities	(a) Financial Liabilities (i) Borrowings (ia) Lease Liabilities (ii) Trade Payables (MSME & Others) (iii) Other Financial Liabilities (a) Other Current Liabilities (b) Provisions (b) Current Tax Liabilities (Net)

B. Schedule III Profit and Loss Account Order

P&L is having 2 Sections –

Section 1: Profit or Loss

Section 2: Other Comprehensive Income

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C	(i) Companies whose Equity / Debt Securities are listed or are in the process of being listed on any Stock Exchange in India or outside India, and having Net Worth $<$ ₹500 Crores, (ii) Unlisted Companies having Net Worth \geq ₹250 Crores but $<$ ₹500 Crores. (iii) Holding, Subsidiary, Joint Venture or Associate Companies of above.	01.04.2017
D	NBFCs having Net Worth \geq ₹500 Crore, and its Holding, Subsidiary, Joint Venture or Associates	01.04.2018
D	(i) NBFCs whose Equity / Debt Securities are listed or in the process of listing on any Stock Exchange in India or outside India, and having Net Worth $<$ ₹500 Crore, (ii) Unlisted NBFCs, having Net Worth \geq ₹250 Crore but $<$ ₹500 Crore, (iii) Holding, Subsidiary, Joint Venture Or Associate Companies of above.	01.04.2019

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B. Schedule III Profit and Loss Account Order

P&L is having 2 Sections –

Section 1: Profit or Loss

Section 2: Other Comprehensive Income

Section 1: Profit or Loss	Section 2: Other Comprehensive Income
Revenue from Operations Other Income Total Revenue (I + II) Expenses: Cost of Materials Consumed Purchases of Stock-In-Trade Changes in Inventories Employee Benefits Expense Finance Costs Depreciation and Amortization Expense Other Expenses Total Expenses Profit/(Loss) before Exceptional Items & Tax	(A) Items that will not be re-classified to Profit or Loss: 1. Changes in Revaluation Surplus, 2. Re-measurements of the Defined Benefit Plans, 3. Equity Instruments through OCI, 4. Fair Value Changes relating to Own Credit Risk of Financial Liabilities designated at FVPL, 5. Share of such OCI in Associates and Joint Ventures (B) Items that will be re-classified to Profit or Loss: 1. Exchange Differences in translating F/s of Foreign Operation, 2. Debt Instruments through OCI, 3. Effective Portion of Gains and Loss on Hedging Instruments in a Cash Flow Hedge, 4. Share of such OCI in Associates and Joint Ventures

C. Schedule III Statement of Changes in Equity

A. Equity Share Capital

Particulars	Current Period	Previous Period
Balance at the beginning of the Current / Previous Reporting Period		
Changes in Equity Share Capital due to Prior Period Errors		
Restated balance at the beginning of the Current / Previous Reporting Period		
Changes in Equity Share Capital during the Current / Previous Year		
Balance at the end of the Current / Previous Reporting Period		

B. Other Equity:

Particulars	Current Period	Previous Period
Balance at the beginning of the Current / Previous Reporting Period		
Changes in Accounting Policy or Prior Period Errors		
Restated balance at the beginning of the Current / Previous Reporting Period		
Total Comprehensive Income for the Current / Previous Year		
Dividends		
Transfer to Retained Earnings		
Any other change (to be specified)		
Balance at the end of the Current / Previous Reporting Period		

Conceptual Framework

Capital Maintenance:

Particulars	Fin Maint. at Hist Cost	Fin Maint. at Current Cost	Physical Capital Maint.
Closing Capital / Sales	Selling price × No. of Units	Selling price × No. of Units	Selling price × No. of Units
Less: Required Closing Capital	Opening Capital	Opening Capital × $\frac{\text{Clg Index}}{\text{Opg Index}}$	At Current Cost = Closing Cost × No. of Units
Permissible Drawings			

Financial Statements under Non Going Concern Assumption:

- No Depreciation shall be provided on PPE, Intangible and Other Assets. They are written down to its current NRV.
- Inventories should be valued at its current NRV. (i.e. 'Cost or NRV whichever is lower' principle is not applicable)
- Any Unamortised Deferred Expenditure should be written off by transferring to P&L.
- Prepayment Penalty on Loan, if any, should be provided.
- Debtors whose collection depends on successful re-design of certain product already supplied to the customer should be written off as Bad and Doubtful Debts.

Ind AS 101 First Time Adoption of Ind AS

Transition	Conceptually, Ind AS should be applied retrospectively at the time of transition. Ind AS 101 provides certain exemptions to retrospective application (Mandatory & Optional).	
First Ind AS F/s	The First Annual Financial Statements in which the Entity – 1. adopts Ind ASs, in accordance with Ind ASs notified under the Companies Act, 2013, and 2. makes an explicit and unreserved Statement in those F/s of compliance with Ind ASs . Note: Though the Auditor's Report contains a qualification because of disagreement on application of Ind AS, if the Management has a bonafide reason to believe that it has complied with all Ind AS, it can make an explicit and unreserved statement of such compliance.	
Previous GAAP	Previous GAAP represents basis of A/c for the statutory reporting requirements in India (emphasis added) immediately before Ind AS adoption. Example: Previous GAAP of the Foreign Subsidiary would be AS specified u/s 133 and not the IFRS as issued by the IASB, since the first-time adoption has to be considered in the context of India only.	
First Reporting Period = 31.03.2018	1. 3 B/s: 31 Mar 2018 (Reporting Period), 31 Mar 2017 (Comparative), 1 Apr 2016 (Date of Transition) 2. 2 P&L: for the year ended 31 Mar 2018 (Reporting Period End), 31 Mar 2017 (Comparative) 3. 2 Cash Flow Stmt: for the year 31 Mar 2018 (Reporting Period End), 31 Mar 2017 (Comparative) 4. 2 SOCE: for the period 2017-2018 (Reporting Period) and 2016-2017 (Comparative) 5. Disclosures & Notes: for 31 Mar 2018 (Reporting Period), 31 Mar 2017 (Comparative)	
Transition Steps	Steps	Examples
	1. Recognise all Assets and Liabilities whose recognition is required by Ind ASs.	Provision for a Constructive Obligation, Derivative Financial Instruments, SBPE with Non-Employees
	2. De-recognise all Assets & Liabilities whose recognition is not allowed by Ind ASs.	Provisions for Proposed Dividend which was recognised in P&L under Previous GAAP.
	3. Re-classify items as required by Ind ASs.	Reclassification of Investments, Preference Share, NCA, HFS, NCI earlier classified outside Equity into Equity
	4. Apply Ind ASs in measuring all recognised Assets & Liabilities,	Long Term Provisions on discounted basis, DTA / DTL for all Temporary Differences instead of Timing Differences.
Mandatory Exceptions (No Retrospective, Only prospective)		
Estimates	Estimates shall be consistent with estimates made in accordance with previous GAAP, unless there is objective evidence that those estimates were in error. Example: Though the outcome of the Court Case is known when the First Ind AS Financial Statements are prepared, the revision to Estimates is made prospectively , since the original estimate was not in error.	
NCI Loss allocation	Ind AS mandatorily prohibits retrospective allocation of Accumulated Profits between the Owners of the Parent and the NCI. However, if a First Time Adopter elects to apply Ind AS 103 retrospectively to Past Business Combinations, it shall also apply Ind AS-110 from that date.	
Government Loan	A First Time Adopter shall – (a) classify all Government Loans received as a Financial Liability / Equity Instrument as per Ind AS 32. (b) apply the requirements in Ind AS 109 & 20 prospectively to Govt. Loans existing at the date of transition to Ind ASs and shall not recognise the corresponding benefit of Govt Loan as a Govt Grant. An Entity may apply the requirements in Ind AS 109 and Ind AS 20 retrospectively to any Government Loan originated before the date of transition to Ind ASs, provided that the information needed to do so had been obtained at the time of initially accounting for that loan.	
Optional Exemptions		
Business Combination	1. First Time Adopter may elect not to apply Ind AS-103 retrospectively to past Business Combinations (Business Combinations that occurred before the date of transition to Ind AS). However, if a First Time Adopter re-states any Business Combination to comply with Ind AS 103, it shall restate all late Business Combinations and shall also apply Ind AS 110 from that same date. 2. If Parent restates past Business Combinations, it would have to be applied to all Business Combinations of the Group including those by Subsidiary for Consolidated Financial Statements (even the Subsidiary availed the Optional Exemption).	
Restated Business Combination	When the past Business Combinations after a particular date are restated, it requires – (a) retrospective adjustments to the carrying amounts of Acquiree's Assets and Liabilities on account of Initial Acquisition Accounting of the Acquiree's Net Assets,	

Fast Track Reference

	<p>(b) the effects of subsequent measurement of those Net Assets (including Amortisation of Non Current Assets that were recognised at its Fair Value),</p> <p>(c) Goodwill on Consolidation, and</p> <p>(d) the Consolidation Adjustments.</p>
Negative NCI	<ol style="list-style-type: none"> 1. If an Entity elects not to re-state past Business Combinations, as such, the Carrying Value of NCI in the Opening Ind AS Balance Sheet cannot have a deficit balance on account of recognition of the Losses attributable to the Minority Interest, which was not recognised under the Previous GAAP. However, the NCI could have a deficit balance due to re-measurement of the Assets and Liabilities subsequent to the Business Combination as part of the transition to Ind AS. 2. If an Entity re-states past Business Combinations, Ind AS-101 requires that the balance in NCI as at the date of transition shall be determined retrospectively in accordance with Ind AS, taking into account the impact of other elections made as part of the adoption of Ind AS. As such, the NCI could have a deficit balance on account of losses attributable to the NCI.
Share Based Payments	<ol style="list-style-type: none"> 1. Options vested before date of Transition: Entity is encouraged, but not required, to apply Ind AS 102. [Applied only if the entity has disclosed publicly the Fair Value of those Equity Instruments.] 2. Options vesting after date of Transition: Entity is required to apply Ind AS 102.
Deemed Cost for PPE & Intangible	<ol style="list-style-type: none"> 1. An Entity can use Fair Value in its opening Ind AS Balance Sheet as deemed cost for an item of PPE, Intangibles or ROU Asset (Not Available for Investment Property). A First Time Adopter may elect to use a previous GAAP Revaluation at, or before, the date of transition to Ind AS as Deemed Cost. 2. A Entity may elect to continue with the Carrying Value of all of its PPE as at the date of transition measured as per the previous GAAP and use that as its Deemed Cost at the date of transition. If such option is adopted, no further adjustment is required (e.g. past capitalized exchange difference.) 3. If the Entity chooses this option then the option of applying this on selective basis to some of the items of PPE and using Fair Value for others is not available. However, nothing prevents different Entities within a Group to choose different basis for arriving at Deemed Cost for Individual F/s.
Forex Difference – Para 46A	<ol style="list-style-type: none"> 1. Ind AS-101 provides that a First Time Adopter may continue the policy adopted for accounting for exchange differences arising from translation of Long Term Foreign Currency Monetary Items recognised in the Financial Statements for the period ending immediately before the beginning of the First Ind AS Financial Reporting Period as per the previous GAAP. 2. If the Entity has not opted for Para 46A option earlier, it cannot opt such Option prospectively or retrospectively. Because Ind AS 101 option is available only if it is in continuation of A/c Policy followed as per Previous GAAP. 3. Entity may also opt for discontinuation of accounting policy as per previous GAAP and follow Ind AS 21. Balance in FCMITDA should be derecognised by an adjustment against Retained Earnings.
NFO – FCTR	<p>If an Entity avails exemption for Cumulative Translation Difference Exemption, cumulative balance in FCTR for all foreign operation are deemed to be zero at transition date by transferring to Retained earnings.</p>
Investments	<p>If First-Time Adopter measures such an investment at Cost in accordance with Ind AS-27, it shall measure that investment at one of the following amounts in its Separate Opening Ind AS Balance Sheet –</p> <ol style="list-style-type: none"> (a) Cost determined in accordance with Ind AS-27, OR (b) Deemed Cost. The Deemed Cost of such an investment shall be its – <ol style="list-style-type: none"> (i) Fair Value at the Entity's date of transition to Ind ASs in its Separate Financial Statements, or (ii) Previous GAAP Carrying Amount at that date. <p>Note: A First-Time Adopter may choose either (i) or (ii) above to measure its investment in each Subsidiary, Joint Venture or Associate that it elects to measure using a Deemed Cost.</p>
Transition to Equity Method	<ol style="list-style-type: none"> 1. When changing from Proportionate Consolidation to the Equity Method, an Entity shall recognise its Investment in the Joint Venture at transition date to Ind AS. The Proportional share of Assets and Liabilities of Joint Venture will be removed from the respective values Assets and Liabilities appearing in the Balance Sheet and Investment in JV will appear under NCA in the Transition Date Balance Sheet. 2. Initial Investment = Aggregate of the Carrying Amounts of the Assets and Liabilities that the Entity had previously proportionately consolidated, including any Goodwill arising from Acquisition. 3. If the Goodwill previously belonged to a Larger CGU(s), the Entity shall allocate Goodwill to the Joint Venture on the basis of the relative carrying amounts of the Joint Venture and CGU(s) to which it belonged. The balance of the Investment in Joint Venture at the date of transition to Ind AS, determined above is regarded as the deemed cost of the Investment at initial recognition.
Many Exemptions	<ol style="list-style-type: none"> 1. An Entity may elect to use one or more of the Exemptions, if there is no conflict between the exemptions. As such, an Entity may choose to adopt a Combination of Optional Exemptions in relation to the underlying account balances.

Foot Track Reference

	<p>2. Examples: When the joint Business Combination are initiated, it requires retrospective adjustments to the Carrying Amounts of Acquirers Assets and Liabilities. So, the Goodwill and Equity (including OCI) cannot be computed by considering the Immersed Cost Exemption for PPE. However, the Entity may select Immersed Cost Exemption for its PPE other than those acquired through Business Combination.</p>
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Ind AS 1 Presentation of Financial Statements

<p>Profit or Loss Re-classification Adjustments</p>	<p>Profit or Loss is total of Income less Expenses, excluding components of Other Comprehensive Income.</p> <p>Re-classification Adjustments are amounts re-classified to Profit or Loss in the current period that were recognised in Other Comprehensive Income (OCI) in the current or previous periods.</p>
<p>TCI</p>	<p>Total Comprehensive Income (TCI) comprises all components of Profit or Loss and of OCI. Total Comprehensive Income is the change in Equity during a period resulting from transactions and other events, other than those changes resulting from transactions with Owners in their capacity as Owners.</p>
<p>OCI</p>	<p>OCI comprises items of Income and Expenses (including Re-Classification Adjustments) that are not recognised in Profit or Loss as required or permitted by other Ind ASs. OCI includes –</p> <ol style="list-style-type: none"> 1. Changes in Revaluation Surplus, 2. Re-Measurements of Defined Benefit Plans, 3. Gains and Losses arising from translating the Financial Statements of a Foreign Operation, 4. Gains and Losses from Investments in Equity Instruments (not HFT) designated at FVTOCI, 5. Gains and Losses from Financial Assets measured at FVTOCI, 6. Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge etc. <p>Note: Items 1, 2 and 4 are not Re-Classification Adjustments. In such case, the Entity may subsequently transfer the cumulative amount of gains or loss within Equity.</p>
<p>Explicit</p>	<p>An Entity whose Financial Statements comply with Ind ASs shall make an explicit and unreserved statement of such compliance in the Notes. An Entity shall not describe Financial Statements as complying with Ind ASs unless they comply with all the requirements of Ind ASs. Therefore, unless all the requirements of Ind ASs are complied with, the Entity cannot claim compliance with the Ind ASs.</p>
<p>Audit Report Irrelevant</p>	<p>Though the Auditor's Report contains a qualification because of disagreement on application of Ind AS, if the Management has a bonafide reason to believe that it has complied with all Ind AS, it can make an explicit and unreserved statement of such compliance.</p>
<p>Going concern</p>	<ol style="list-style-type: none"> 1. An Entity shall prepare Financial Statements on a going concern basis unless Management – <ol style="list-style-type: none"> (a) either intends to liquidate the Entity or to cease trading, (b) or has no realistic alternative but to do so. 2. Disclosure of Uncertainties: When Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern, the Entity shall disclose those uncertainties. 3. Basis other than Going Concern: When an Entity does not prepare Financial Statements on a going concern basis, it shall disclose–(a) that fact, (b) the basis on which it prepared the Financial Statements, and (c) the reason why the Entity is not regarded as a going concern.
<p>Third Balance Sheet</p>	<ol style="list-style-type: none"> 1. Situation: When an Entity applies an accounting policy retrospectively, makes a retrospective re-statement of items in its Financial Statements or re-classifies items in its Financial Statements, and the retrospective application, retrospective re-statement or the re-classification has a material effect on the information in the Balance Sheet at the beginning of the preceding period. 2. Third Balance Sheet: The Entity shall present three Balance Sheets as at – <ol style="list-style-type: none"> (a) the end of the current period, (b) the end of the preceding period, and (c) the beginning of the preceding period. <p>Note: However, the Entity need not present the related Notes to the Opening Balance Sheet as at the beginning of the preceding period.</p>
<p>Balance Sheet Presentation</p>	<ol style="list-style-type: none"> 1. An Entity shall present Current and Non-Current Assets, and Current and Non-Current Liabilities, as separate classifications in its Balance Sheet. 2. However, when a presentation based on liquidity provides information that is reliable and more relevant, an Entity shall present all Assets and Liabilities in order of liquidity. (either increasing or decreasing order)

	<p>3. An Entity is permitted to present some of its Assets and Liabilities using a Current / Non-Current classification and others in order of liquidity, when this provides information that is reliable and more relevant.</p> <p>4. Whichever method of presentation is adopted, an Entity shall disclose the amount expected to be recovered or settled after more than 12 months for each Asset and Liability Line Item that combines amounts expected to be recovered or settled—</p> <p>(a) no more than twelve months after the reporting period, and</p> <p>(b) more than twelve months after the reporting period.</p>
Departure permitted	In extremely rare circumstances when Mgt concludes that compliance would be misleading. Entity should disclose the Ind AS from which they has departed, nature & reason of departure, Financial Effect.
Offsetting	<p>1. An Entity shall not offset Assets and Liabilities or Income and Expenses, unless required or permitted by an Ind AS. Offsetting is allowed in the following cases –</p> <p>(a) if required or permitted by an Ind AS,</p> <p>(b) if offsetting immaterial,</p> <p>(c) if offsetting reflects the substance of the transaction or other event,</p> <p>(d) presentation on a net basis, gains and losses arising from a group of similar transactions, e.g. Foreign Exchange Gains and Losses or Gains and Losses arising on Financial Instruments held for trading. [Note: The Entity presents such Gains and Losses separately if they are material.]</p> <p>2. Not Offsetting: Measuring Assets net of valuation allowances— e.g. Obsolescence Allowances on Inventories, and Doubtful Debts Allowances on Receivables— is not offsetting.</p>
Operating Cycle	<p>1. Time between acquisition of assets for processing & their realisation in Cash.</p> <p>2. If normal Operating Cycle is not clearly identifiable, it is assumed to be 12 months.</p> <p>3. The same normal Operating Cycle applies to the classification of an Entity's Assets and Liabilities.</p>
Current Asset	<p>An Entity shall classify an Asset as "current" when:</p> <p>1. it expects to realise the asset, or intends to sell or consume it, in its normal Operating Cycle,</p> <p>2. it holds the Asset primarily for the purpose of trading,</p> <p>3. it expects to realise the asset within twelve months after the reporting period, or</p> <p>4. the asset is Cash or a Cash Equivalent unless the Asset is restricted from being exchanged or used to settle a Liability for atleast 12 months after the reporting period.</p> <p>Note: An Entity shall classify all other Assets as Non-Current.</p>
Current Liability	<p>An Entity shall classify a Liability as "current" when:</p> <p>1. it expects to settle the Liability in its normal Operating Cycle,</p> <p>2. it holds the Liability primarily for the purpose of trading,</p> <p>3. the Liability is due to be settled within twelve months after the reporting period, or</p> <p>4. it does not have an unconditional right to defer settlement of the Liability for atleast twelve months after the reporting period. [Note: Terms of a Liability that could, at the option of the Counterparty, result in its settlement by the issue of Equity Instruments do not affect its classification.]</p> <p>Note: An Entity shall classify all other Liabilities as Non-Current.</p>
Deposits	<p>Electricity Deposits – Refundable when connection not required. Generally Non Current.</p> <p>EMD – Refundable if Tender is not accepted. Till actual bid date, unknown. Depends on T&C of Deposit.</p> <p>Tax under protest – Depends on facts and circumstances of the case. Based on entity's expectation to receive within 12 months.</p>
Breach of Material Provision	<p>1. Situation: Non Current Liability becomes Current on breach of material provision</p> <p>2. The Entity classifies it as Non-Current, if the lender agreed by the end of the Reporting period –</p> <p>(a) to provide a grace period ending atleast 12 months within which it can rectify the breach, and</p> <p>(b) during which the lender cannot demand immediate repayment.</p>

Ind AS 7 Statement of Cash Flows

Cash Equivalents	Cash Equivalents are short-term, highly liquid investments, that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.
Features	<p>1. Purpose: Cash Equivalents are held for the purpose of meeting short-term Cash Commitments rather than for Investment or other purposes.</p> <p>2. Liquidity and Risk: It has a short maturity of, say, 3 months or less from the date of Acquisition.</p> <p>3. Equity Investments are excluded from Cash Equivalents. However, Preference Shares redeemable within 3 months from the date of acquisition will be classified as Cash Equivalents.</p>

	4. Bank Borrowings: Generally considered to be Financing Activities. However, where Bank Overdrafts which are repayable on Demand are included as Cash Equivalents.
Non Cash Transaction	Transactions that do not require the use of Cash or Cash Equivalents shall be excluded from a Statement of Cash Flows. Such transactions shall be disclosed elsewhere in the Financial Statements in a way that provides all the relevant information about these Investing & Financing Activities. Examples – (a) Acquisition of assets either by assuming directly related liabilities or by means of a Finance Lease; (b) Acquisition of an Entity by means of an Equity Issue; and (c) Conversion of Debt to Equity.
Cash Flow Statements	As per Ind AS-7, where Bank Overdrafts which are repayable on demand form an integral part of an Entity's Cash Management, Bank Overdrafts are included as a component of C&CE. A characteristic of such banking arrangements is that the Bank Balance often fluctuates from being positive to overdrawn.
Balance Sheet	Although Ind AS-7 permits Bank Overdrafts to be included as C&CE, for the purpose of Balance Sheet, it would not be appropriate to include Bank Overdraft in C&CE unless the netting off conditions as given in Ind AS-32 are complied with. Hence, it will be included within Financial Liabilities in the Balance Sheet
Reconciliation	1. There should not be a difference in the amount of C&CE as per Ind AS-1 and as per Ind AS-7. 2. Just because the Bank Overdraft is included in C&CE for the purpose of Ind AS-7, does not mean that the same should be netted off against C&CE in the Balance Sheet. 3. Instead Ind AS-7 requires a Disclosure of the components of C&CE and a Reconciliation of amounts presented in the Cash Flow Statements.
Unrealised Forex Gain / Loss	1. Exchange Difference should be adjusted from the Profit Before Taxes. However, in order to reconcile the opening balance of the Cash and Cash Equivalents with its closing balance, the Exchange Difference should be added to the opening balance in Note to Cash Flow Statement. Cash & Cash Equivalents as per Cash Flow Statements at the end of the Year Add: Unrealised Foreign Exchange Gain Cash & Cash Equivalents as per Balance Sheet at the end of the Year 2. Under indirect method, the exchange differences that arise on translation at the Balance Sheet date, for monetary items that form part of operating activities, will require no adjustment in the reconciliation of profit to Net Cash Flow from Operating Activities.
Zero Coupon Bond	Every year, Interest income is recognized in Income Statement as per Effective Interest Rate. However, it will not be recognized in Cash Flow Statements. On maturity, Total value will be classified as Investing Activity with a bifurcation of Interest income and Redemption value. (LTCG Tax = Investing Items)
Cash Flows from Subsidiary	1. Aggregate Cash Flows arising from obtaining control of Subsidiary shall be presented separately and classified as Investing Activities. 2. Aggregate amount of the Cash paid as consideration for obtaining Subsidiaries is reported in the Statement of Cash Flows net of Cash and Cash Equivalents acquired or disposed of as part of such transactions, events or changes in circumstances.
Changes in Ownership	1. Cash Flows arising from changes in ownership interests in a Subsidiary that do not result in a loss of control shall be classified as Cash Flows from Financing Activities. 2. Such transactions are accounted for as Equity Transactions and accordingly, the resulting Cash Flows are classified in the same way as other transactions with owners.

Ind AS 8 A/c Policies, Changes in A/c Estimates and Errors

Accounting Policies	<ol style="list-style-type: none"> Applying Ind AS 116's requirements to Short Term Leases & Low Value Leases. Applying Ind AS 115's practical expedient of segregate the Finance Component. Change from Cost to Revaluation Model. It is dealt with prospectively as per Ind AS 16 rather than retrospectively as per Ind AS 8. Change in the manner of presentation of tax effects of items of OCI. Change in the manner of presentation of Government Grants related to Assets. Change in the manner of presentation of Government Grants related to Income. Change in Cost Formula for measurement of Inventories.
Not Accounting Policies	<ol style="list-style-type: none"> Application of A/c policy for transactions that differ in substance from those previously occurring. Application of A/c policy for transactions that did not occur previously or were immaterial. Change in composition of Reportable Segments as a result of changes in the structure of Organisation. Change in classification of a Building from PPE to Investment Property due to change in the purpose Change in Functional Currency of an Entity

Changes in A/c policy	Changes in Accounting Policies may relate to recognition, measurement or presentation of an item in Financial Statements. Accounting Policies can be changed when the change is required by an Ind AS, when the change results in F/s providing reliable and more relevant information.
Application of Changes in A/c Policy	<ol style="list-style-type: none"> Resulting from the initial application of an Ind AS: In accordance with the specific transitional provisions in that Ind AS. Voluntarily or where the Ind AS is silent: Then applied retrospectively i.e. Entity shall adjust opening balance of each affected component of equity for the earliest prior period & other comparative amounts disclosed for each prior period as if the new accounting policy had always been applied.
Voluntary Change	Early application of an Ind AS is not a Voluntary Change. In absence of any specific Ind AS, a company follows an accounting policy as per the relevant IFRS, subsequently there is an amendment to that IFRS, the company may change its accounting policy, it will be considered as if the company is making a change voluntarily and, accordingly, change in the accounting policy should be applied retrospectively.
Estimate vs Policy	A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimate. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.
Errors	Errors can arise in respect of recognition, measurement, presentation, or disclosure of elements in Financial Statements. Financial Statements do not comply with Ind ASs if they contain either – (a) material errors, or (b) immaterial errors made intentionally to achieve a particular presentation of an Entity's Financial Position, Financial Performance or Cash Flows.
Correction of Errors	<p>An Entity shall correct material prior period errors retrospectively in the first set of Financial Statements approved for issue after their discovery by –</p> <ol style="list-style-type: none"> restating the comparative amounts for the prior period(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, re-stating the Opening Balances of Assets, Liabilities and Equity for the earliest prior period presented. <p>Correction of a Error is excluded from Profit or Loss for the period in which the error is discovered. An Entity is required to correct the error and restate the comparative amounts in Interim Financial Statements.</p>
Ind AS 103	<ol style="list-style-type: none"> Although the Measurement Period under Ind AS 103 has ended, an Entity would still be required to comply with the requirements of Ind AS 8 relating to correction of material Prior Period Errors. The error in Goodwill computation should be corrected as if the Error had never occurred, i.e. be corrected retrospectively adjusting the Comparative Financial Information. It would also need to be examined whether the correction has any additional implications, e.g. with regard to initial or subsequent measurement of another Asset or Liability, Tax Effects or Impairment.
Prior Period Errors	<p>Errors can arise in Recognition, Measurement, Presentation & Disclosure. Omissions / misstatements in F/s for one or more prior periods arising from a failure to use, or misuse of, reliable information that:</p> <ol style="list-style-type: none"> was available when F/s for those periods were approved for issue; and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. <p>It includes the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.</p>
Other Sources	<p>In absence of specific Ind AS, the entity should refer to the following material, in the given order.</p> <ol style="list-style-type: none"> Check if there are any other Ind AS available which are dealing with similar and related issues Check the basic Framework of Ind AS, which provides the general principles Check the pronouncements of International Accounting Standard Board Check the pronouncements of other standard setting bodies having a similar conceptual framework Check the accounting literature and accepted industry practices.
New Ind AS	When an Entity has not applied a new Ind AS that has been issued but is not yet effective, the Entity shall disclose – (a) this fact and (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Ind AS will have on the Entity's Financial Statements in the period of initial application. Accordingly, it may be noted that an entity is required to disclose the impact of Ind AS which has been issued but is not yet effective.

Ind AS 10 Events after the Reporting Period

Meaning	<ol style="list-style-type: none"> Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved. Events after the reporting period include all events up to the date when the F/s are approved for issue, even if those events occur after the public announcement of Profit / other selected financial information.
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Fast Track Referencer

Approval of F/s	<ol style="list-style-type: none"> For Company: When Board of Directors approves the F/s. For other Entity: When the corresponding approving authority approves the F/s. Even if Shareholders' Approval is must, yet, for deciding the events after the reporting period, the date of approval will be considered as the date of approval by the Board of Directors only. If the Management of an Entity is required to issue its F/s to a Supervisory Board (made up solely of Non-Executives) for approval, when the Management approves them for issue to the Supervisory Board. [Date of Approval by such Supervisory Board is not relevant.]
Types	<ol style="list-style-type: none"> Adjusting Events are those events that provide evidence of conditions that existed at the end of reporting period. An Entity shall adjust the amounts recognised in its Financial statements to reflect Adjusting Events after the reporting period. Non Adjusting Events are those events that are indicative of conditions that arose after the Reporting Period. If Non Adjusting Events are material, non-disclosure could influence the economic decisions that users make on the basis of the F/s. Accordingly, an Entity shall disclose – (a) the nature of the event; and (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.
Adjusting Events	<ol style="list-style-type: none"> The settlement of a court case that confirms that the Entity had a present obligation at the end of the reporting period. The Entity adjusts any previously recognised provision related to this court case in accordance with Ind AS 37, or recognises a new provision. The receipt of information after the reporting period indicating that an Asset was impaired at the end of the reporting period, or that the amount of a previously recognised Impairment Loss for that asset needs to be adjusted. Ex. Bankruptcy of a Customer Sale of Inventories at lower NRV. The determination of the amount of Profit Sharing or Bonus Payments, if the Entity had a present legal or constructive obligation at the end of the reporting period to make such payments. The discovery of fraud or errors that show that the Financial Statements are incorrect.
Non Adjusting Events	<ol style="list-style-type: none"> If an Entity declares Dividends after the reporting period, the Entity shall not recognise those Dividends as a liability at the end of the reporting period. Such Dividends are disclosed in the Notes as per Ind AS 1. Major Business Combination, Disposal of major Subsidiary, Announcing a plan to discontinue an operation, Major purchases of Assets, classification of Assets as Held For Sale Destruction of a major Production Plant by a Fire after the reporting period, Announcing, or commencing the implementation of, a major Restructuring,
Special Cases – Adjusting Events	<ol style="list-style-type: none"> Where there is a breach of a material provision of a long term loan arrangement on or before the end of the reporting period with the effect that the Liability becomes payable on demand on the reporting date, the agreement by Lender before the approval of the Financial Statements for issue, to not demand payment as a consequence of the breach, shall be considered as an Adjusting Event. An Entity shall not prepare its F/s on a Going Concern basis if Management determines after the reporting period either that it intends to liquidate or to cease trading or it has no realistic alternative but to do so.
Dividend to PSC	<ol style="list-style-type: none"> Ind AS 10 deals with the Dividend declared to the Holders of Equity Instruments. As per Ind AS on Financial Instruments, Redeemable Preference Share Capital should be classified as Financial Liability. Hence, Dividend payment to such Shareholders are recognized as expense in the same way as Interest. Since Interest is recognized on time proportion basis, Ind AS 10 requirements on Dividend will not apply.

Ind AS 113 Fair Value Measurement

Fair Value	Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (i.e. exit price)
Market based	<ol style="list-style-type: none"> Fair Value Measurement is a market based measurement (i.e. not an Entity Specific Measurement). When a Price is not observable, an Entity measures Fair value using another Valuation Technique that <ol style="list-style-type: none"> Maximises the use of relevant observable Inputs and Minimises the use of unobservable inputs.
Inputs	<ol style="list-style-type: none"> Observable Inputs: Inputs developed using market data i.e. publicly available information Unobservable Inputs for which market data not available & developed using best available information.
Restrictions	Entity specific restrictions are not considered for Fair Value Measurement. However, Asset / liability specific restrictions should be considered for Fair Value Measurement.
Unit of Account	It shall be determined in accordance with the Ind AS that requires or permits the Fair Value Measurement. This essentially defines the level of aggregation or disaggregation while calculating Fair Value. For example,

	Quoted Securities should be determined on Individual Basis where CGU on Group of Assets.
Transaction	Ind AS 113 assumes that the transaction to sell the asset or transfer the liability takes place either: (a) in the Principal Market for the asset or liability; or (b) in the absence of a Principal Market, in the Most Advantageous Market for the asset or liability.
Market FV	1. Principal Market: Where the assets / liabilities are transacted with highest volume & activities. 2. Most Advantageous Market: Where the amount received is maximum for assets and the amount paid is minimum for Liabilities. 3. In the absence of Principal, Most Advantage Market is considered. Generally, both will be same.
Participants	1. They should be independent and not a related party. 2. The Parties should not be under any stress or force to enter into these transactions. 3. All Parties should have reasonable and sufficient information about the same.
Cost	For Fair Value Measurement, Transport Cost should only be considered. Transaction Cost is not considered. In the absence of Principal Market, for determining Most Advantageous Market, both Transport Cost and Transaction Cost should be considered.
Non Financial Assets	Fair Value Measurement of Non Financial Assets takes into account ability to generate economic benefits by (a) Using the asset in its highest & best use (standalone or in combination with other assets), or (b) Selling it to another participant that would use it in its highest & best use (at standalone basis)
Exception to Offsetting FA and FL	Ind AS permits an Entity to measure FV of a group of Financial Assets and Financial Liabilities on the basis of the price that would be received to sell a Net Long Position (i.e. Asset) for a particular Risk Exposure or paid to transfer a Net Short Position (i.e. Liability) for a particular Risk Exposure in an orderly transaction, if (a) Netting should also be followed by other Market Participants and should not be an entity specific. (b) same information and market practice is available for making these assets/ liabilities on net basis (c) Market Risk should be same while combining certain asset / liability. Example: An Interest Rate Risk cannot be netted with a Commodity Price Risk. (d) Duration of a Market Risk should be identical to use the exception for valuing on net basis.
Initial Recognition	In an exchange transaction, the transaction price is the price paid to acquire assets / liabilities i.e. Entry Price. However, Fair value is based on Exit Price. Generally, both will be equal. Both will not be equal, if – (a) Transaction between Related Parties, (b) Transaction takes place under duress or it is a forced sale / distress sale. (c) Unit of account is different (in Business Combination, transaction includes unstated rights & privileges) (d) Market in which transaction takes place is different from Principal / Most Advantageous Market. If another Ind AS requires an Entity to measure an asset or a liability initially at Fair Value & Transaction Price differs, resulting Gain or Loss recognized in profit or loss unless that Ind AS specifies otherwise.
Level of Inputs	1. Level I: Quoted Prices in active markets for identical assets. 2. Level II: Inputs other than Quoted Prices that are observable either directly or indirectly. 3. Level III: Unobservable Inputs for asset / liability.
Valuation Techniques	If Quoted prices are available in an active market, there is no need to consider Valuation Techniques. In the absence of Quoted prices, such Valuation Techniques that are appropriate in the circumstances and for which sufficient data are available should be used. It should maximize the use of relevant observable Inputs and minimize the use of unobservable inputs. Different approaches of Valuation Techniques are – (a) Market Approach: Identical or comparable or similar assets / liabilities. Example: PE Ratio Model. (b) Income Approach: PV techniques, Option pricing models (Black Scholes), Excess earnings model (c) Cost Approach: Replace existing assets / liability.

Ind AS 2 Inventories

1. Valuation Principles

Inventories includes –	Valuation Principles
Raw Materials (RM)	FG valued at Cost: RM should also be valued at Cost.
Work in Progress (WIP)	FG valued at Cost: RM should also be valued at Cost, or NRV, whichever is lower.
Finished Goods (FG)	Cost, or Net Realisable Value (NRV), whichever is lower.
	Cost, or Net Realisable Value (NRV), whichever is lower.

2. Cost and NRV		
Inventories	Cost	NRV
Raw Materials	Costs of Purchase + Costs incurred to bring the inventories to present location and condition	Replacement Cost
Work in Progress	Costs of Purchase + % of Costs of Conversion	Estimated Selling Price Less Estimated Cost of Completion Less Costs necessary to make the sale
Finished Goods	Costs of Purchase + Costs of Conversion	Estimated Selling Price Less Estimated Costs necessary to make the sale.

3. Costs of Purchase		
	Particulars	Amount
Add:	Purchase Price including Duties and Taxes (excluding tax refunds / credits)	
	Freight Inwards	
	Other Expenditure directly attributable to the purchase (See Note)	
Less:	Trade Discounts, Rebates, Duty Drawbacks and other similar items	

5. Effect of differences in production on Fixed Overheads allocation

Situation	Low Production than normal	Higher Production than normal
Production	Actual Production < Normal Production	Actual Production > Normal Production
Absorption	Under-absorption of Overheads	Over-absorption of Overheads
Treatment under AS-2	<ul style="list-style-type: none"> Cost is assigned to output on the basis of normal capacity only. Unallocated OHs of Idle Plant are treated as Period Cost. 	Cost per unit is decreased , to ensure that the inventories are not measured above cost.

Inventories	<ol style="list-style-type: none"> Assets held for sale in the ordinary course of business; (Finished Goods) Assets in the process of production for such sale; or (Work in progress) Assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. (Raw material)
Cost to be excluded	<ol style="list-style-type: none"> Abnormal Amounts of Wasted Materials, labour or other production costs; Storage costs, unless those costs are necessary in the production process before a further stage; Administrative OH not contribute to bring inventories to their present location and condition; Selling costs.
Joint Products & By Products	<ol style="list-style-type: none"> Costs of conversion are allocated between the products on a rational and consistent basis, for example, on the relative sales value either at the stage in the production process when the products become separately identifiable, or at the completion of production. By-products are often measured at NRV and this is deducted from the cost of the main product. Scrap should also be valued at NRV & deducted from the cost of the main product.
Agri Produce	As per Ind AS 41, Agriculture, inventories comprising agricultural produce harvested from its biological assets are measured on initial recognition at their Fair Value less costs to sell at the point of harvest. This is the cost of inventories at that date for application of this Standard.
Methods	<p>The following methods may be used for convenience if the results approximate to Actual Cost.</p> <p>(a) Standard Cost Method: Cost is based on normal levels of materials and supplies. They are regularly reviewed and revised where necessary.</p> <p>(b) Retail Method: Cost is determined by reducing the sales value of inventory by appropriate percentage of gross Margin.</p>
Cost Formulas	<ol style="list-style-type: none"> For Items not ordinarily interchangeable = Specific Identification Method For Items ordinarily interchangeable = FIFO or Weighted Average Cost Method
Reversals of write downs	A new assessment is made of NRV in each subsequent period. When there is clear evidence of an increase in NRV, the amount of the write down is reversed (to the extent of original write down) so that the new carrying amount is the lower of the cost and the revised Net Realisable Value.
Assets	Some Inventories may be allocated to other Asset accounts, for example, inventory used as a component of self-constructed PPE. Inventories allocated to another asset in this way are recognised as an expense during the useful life of that asset through charging of depreciation on that asset.

Same A/c Policy for different Location	An Entity shall use the same cost formula for all inventories having a similar nature and use to the Entity. For Inventories with a different nature or use, different Cost Formulas may be justified. Since the Inventories held at different geographical location are of similar nature and use to the Entity, different Cost Formula cannot be used for Inventory Valuation purposes.
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Ind AS 16 PPE

Bearer Plant	Bearer Plant is a living plant that is – (a) is used in the production or supply of Agricultural Produce, (b) is expected to bear produce for more than one period, and (c) has a remote likelihood of being sold as Agricultural Produce, except for incidental scrap sales.
Not a Bearer Plant	(a) Plants cultivated to be harvested as Agricultural Produce (e.g. Trees grown for use as lumber), (b) Plants cultivated to produce Agricultural Produce when there is more than a remote likelihood that the Entity will also harvest and sell the plant as Agricultural Produce, other than as incidental scrap sales (e.g. Trees that are cultivated both for their fruit and their lumber), and (c) Annual Crops (e.g. Maize and Wheat).
Recognition Criteria	Cost of an Item of PPE should be recognised, only if – 1. it is probable that future economic benefits associated with the Item will flow to the Entity, and 2. Cost of the Item can be measured reliably .
Components of Cost	1. Purchase Price + Import Duties + Non-Refundable Purchase Taxes – Trade Discounts & Rebates. 2. Any Costs directly attributable to bringing the Asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. 3. Initial Estimate of Decommissioning, Restoration and similar Liabilities,
Directly Attributable Costs	1. Costs of Employee Benefits arising directly from the construction or acquisition of the item of PPE, 2. Costs of Site Preparation, 3. Initial Delivery and Handling Costs, 4. Installation and Assembly Costs, 5. Costs of testing whether PPE is functioning properly Less Net Proceeds from selling any items produced while bringing PPE to that location & condition (e.g. Samples produced when testing), 6. Professional Fees.
Not included in Cost	1. Costs of opening a New Facility or Business, such as, Inauguration Costs, 2. Costs of introducing a New Product or Service (including Costs of Advertising and Promotional Activities), 3. Costs of conducting business in a new location or with a new class of customer (including costs of Staff Training), and 4. Administration and other General Overhead Costs.
Models	1. Cost Model = Measured at Historical Cost – Accumulated Depreciation & Impairment Loss. 2. Revaluation Model = Revalued at least 3 years once.
Class of PPE	If an Item of PPE is revalued, the entire class of PPE to which that asset belongs should be revalued. A Class of PPE is a grouping of Assets of a similar nature and use in an Entity's operations. Examples of separate classes are – (a) Land, (d) Ships, (g) Furniture and Fixtures, (b) Land and Buildings, (e) Aircraft, (h) Office Equipment, and (c) Machinery, (f) Motor Vehicles, (i) Bearer Plants.
Office vs Factory Buildings	1. Ind AS-16 permits Assets to be revalued on a class by class basis . The different characteristics of the Buildings enable them to be classified as different PPE classes. Office Buildings can be clearly distinguished from the Factories in terms of their function, their nature and their general location. 2. Different Models can be applied to these classes for subsequent measurement. Hence, Office Buildings can be measured using Revaluation Model. However, all properties within the class of Office Buildings must, be carried at Revalued Amount. Separate disclosure of the two classes must be given.
Revaluation	(a) Upward Revaluation for First Time – Credited to Revaluation Reserve (b) Revalued Downwards – Charged to P&L (Impairment Loss is different from Revalued downwards) (c) Downward Revaluation if previously revalued upwards – Debit Revaluation Reserve to the extent of balance available, then Debit P&L (d) Upward Revaluation if previously revalued downwards – Credit P&L to the extent of Revaluation Downwards, then Credit Revaluation Reserve

Exchange	If the Exchange Transaction –	
	lacks commercial substance, or the Fair Value of neither the Asset received nor the Asset given up is reliably measurable.	Measured at – Carrying Amount of the Asset given up
	has commercial substance and the Entity is able to measure reliably the Fair Value of either the Asset received or the Asset given up	Fair Value of the Asset given up
has commercial substance and FV of the Asset received is more clearly evident	FV of Asset received	

IND AS 116 Leases

Recognition	Lessee has to recognise ROU Assets (Depreciable Asset) and Lease Liability.
Recognition Exemptions	<ol style="list-style-type: none"> 1. Lessee can elect not to apply Ind AS 116's recognition requirements to Short term leases and Leases for which the underlying asset is of low value. 2. Lessee shall recognize the lease payments as an expense on either SLM over the lease term or another systematic basis, if that basis is more representative of the pattern of the lessee's benefit.
Short Term Leases	<ol style="list-style-type: none"> 1. Short Term Leases are those lease that, at the commencement date, has a lease term of 12 Months or less and does not include an option to purchase the underlying asset. However, Recognition Exemption will not apply, if the term is subsequently reduced to less than 12 months. 2. Once a Lessee establishes a policy for a class of underlying assets, all future short term leases for that class are required to be accounted for in accordance with the lessee's policy i.e. irrevocable.
Low Value Assets	<ol style="list-style-type: none"> 1. An Underlying Asset can be of low value ONLY IF BOTH the following conditions are satisfied: <ol style="list-style-type: none"> (a) The Lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the Lessee, (b) The underlying asset is not highly dependent on, or highly interrelated with, other Assets. 2. Example: Tablet, PC, small Office Furniture, Telephones. 3. Recognition Exemption will not apply – (a) If Lessee subleases an asset, Head Lease does not qualify for this, (b) If the nature of the asset is such that, when new, it is not of low value. A Lessee shall assess the value of the asset when it is new, regardless of the age of the asset being leased.
Lease	Contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 'A period of time' may be described in terms of the amount of use of an identified asset (for e.g., the number of production units that an item of equipment will be used to produce).
Identified Asset	<p>Identified Asset can be explicitly specified in a Contract or implicitly specified at the time that the asset is made available for use by the customer. A capacity/ portion of an asset is an identified asset if it is physically distinct. If not physically distinct, such portion is not an identified asset, unless it –</p> <ol style="list-style-type: none"> (a) represents substantially all of the capacity of the asset, and (b) provides the customer with the right to obtain substantially all of economic benefits from use of asset.
Nature of Identified Asset	<ol style="list-style-type: none"> 1. Though the Asset is not explicitly specified in the contract, it is implicitly specified if it is specifically made for the purpose of the less and Lessor must use it to fulfil the contract. 2. Though the Asset cannot be identified at inception of the contract, it is implicitly specified at the time the same will be made available to the Lessee.
Substantive Substitution Rights	<p>Even if an asset is specified, a customer does not have the right to use, if a supplier has the substantive right to substitute the asset throughout the period of use. A supplier's right is SUBSTANTIVE, if the –</p> <ol style="list-style-type: none"> (a) supplier has the practical ability to substitute alternative assets throughout the period of use & (b) supplier would benefit economically from the exercise of its right to substitute the asset. <p>If the customer cannot readily determine whether the supplier has a substantive substitution right, the customer shall presume that any substitution right is not substantive.</p>
Right to control	<p>To assess whether a contract conveys the right to control the use of an identified asset for a period of time, an Entity shall assess whether, throughout the period of use, the customer has both of the following:</p> <ol style="list-style-type: none"> (a) right to obtain substantially all of the economic benefits from use of the identified asset, and (b) right to direct the use of the identified asset. <p>Further, if the Customer has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.</p>
Obtain economic	A Customer can obtain economic benefits either directly or indirectly (for e.g., by using, holding or sub-leasing the asset). Economic benefits from use of an asset include –

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benefits	<p>(a) the asset's primary outputs (i.e., goods or services)</p> <p>(b) any by-products (for e.g., renewable energy credits that are generated through the use of the asset),</p> <p>(c) benefits that could be realised from a commercial transaction with a third party (e.g., subleasing it).</p> <p>Economic benefits from use of the Asset is relevant. Economic benefits relate to the ownership of the Assets and do not relate to use of the asset (i.e. Tax Credits) are not considered in this assessment.</p>
Right to direct use	A Customer has the right to direct the use of an identified asset throughout the period of use only if he has the right to direct how and for what purpose the asset is used throughout the period of use. (Protective Rights of the Lessor are irrelevant i.e. Limitations of use & Modifications)
Separate Lease	<p>The right to use an underlying asset is a separate lease component, if both –</p> <p>(a) the Lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the Lessee</p> <p>(b) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.</p>
ROU Asset	<p>The cost of the "Right of use" asset shall comprise:</p> <p>(a) the amount of the initial measurement of the Lease Liability,</p> <p>(b) any lease payments made at or before the commencement date, less any lease incentives received;</p> <p>(c) any initial direct costs incurred by the Lessee, &</p> <p>(d) an estimate of costs to be incurred by the Lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.</p>
Lease Liability	<p>At the commencement date, the lease payments included in the measurement of the Lease Liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:</p> <p>(a) fixed payments(including in–substance fixed payments), less any lease incentives receivable,</p> <p>(b) variable lease payments that depend on an index / rate, initially measured using the index /rate as at the commencement date,</p> <p>(c) amounts expected to be payable by the Lessee under Residual Value Guarantees,</p> <p>(d) the exercise price of a purchase option if the Lessee is reasonably certain to exercise that option, and</p> <p>(e) payments of penalties for terminating the lease, if the lease term reflects the Lessee exercising an option to terminate the lease.</p>
Optional exemptions	Ind AS 116 provides a practical expedient that permits Lessees (not Lessors) to make an accounting policy election, by CLASS OF UNDERLYING ASSET , to account for each separate lease component of a contract and any associated Non Lease Components as a SINGLE LEASE COMPONENT. However, it does not allow Lessees to account for multiple Lease Components of a contract as a Single Lease Component.
Amount payable by Lessee	Lessor may include in the total amount payable a charge for administrative tasks, or other costs it incurs associated with the lease, that do not transfer a good or service to the Lessee. Such amounts payable do not give rise to a separate component of the contract, but are considered to be part of the total consideration that is allocated to the separately identified components of the contract.
Modification as a Separate Lease	<p>A Lessee shall account for a lease modification as a separate lease, if both:</p> <p>(a) it increases the scope of the lease by adding the right to use one or more underlying assets, and</p> <p>(b) the consideration for the lease increases by an amount commensurate with the stand–alone price for the increase in scope and any appropriate adjustments to that stand–alone price to reflect the circumstances of the particular contract.</p>
Not A/c as Separate Lease	<p>For a lease modification that is not accounted for as a separate lease, a Lessee shall –</p> <p>(a) At the effective date of the lease modification re–measure the Lease Liability by discounting the revised lease payments using a revised discount rate.</p> <p>(b) make a corresponding adjustment to the "Right of use" asset.</p>
Decrease in Lease scope	For a lease modification that is not accounted for as a separate lease, a Lessee shall decrease the carrying amount of the "Right of use" asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Lessee shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.
Lessor – Operating Lease	A Lessor shall recognise Lease Payments from Operating Leases as Income on either a straight line basis or another systematic basis. The Lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Lessor – Finance Lease	At lease commencement, Lessor accounts for the Finance Lease, as follows –	
	Net Investment in the Lease Cost of Goods Sold To Revenue To Property held for Lease	PV of Lease Payments including GRV & URV Carrying Amount of the Equipment Less PV of URV Lease Receivable excluding URV Carrying Amount of the Equipment
Lessor recognises Selling Profit = Lease Payment – Cost of Goods Sold		
Change in Residual Value	(a) A Lessor shall review regularly estimated Unguaranteed Residual Values used in computing Gross Investment in Lease. (b) If there has been a reduction in the estimated URV, the Lessor shall revise the Income allocation over the lease term and recognise immediately any reduction in respect of amounts accrued.	
Sale & Leaseback	If the Fair Value of the consideration for sale does not equal the fair value of the asset, or if the payments for the lease are not at market rates, an Entity shall – (a) Measure the sale proceeds at Fair Value. (b) account any below-market terms as a Prepayment of Lease Payments, and (c) account any above-market terms as Additional Financing provided by buyer–Lessor to seller–Lessee.	
Lease term	Non-Cancellable Period of Lease + Optional Periods to extend the Lease if the Lessee is reasonably certain to exercise + Optional Periods to terminate the lease if the Lessee is reasonably certain not to exercise.	
In substance	Lease Payments include any in-substance Fixed Lease Payments. In-substance Fixed Lease Payments are payments that may, in form, contain variability but that, in substance, are unavoidable. In such case, Minimum Amount should be included in the initial measurement.	
Variable Lease Pmts	1. Depends on Index / Rate: Despite the measurement uncertainty, the payments meet the definition of an Asset (for Lessor) and a Liability (for Lessee) because they are unavoidable and do not depend on any future activity of the Lessee. Lessees subsequently re-measure the Lease Liability if there is a change in Index or Rate. Such Payments are included in the Lease Payments and are measured using the prevailing Index. 2. Not Depending on Index / Rate: They are not included as Lease Payments. Instead, they are recognised in Profit or Loss in the period in which the event that triggers the payment occurs.	

Sale & Leaseback at Higher than Fair Value to be accounted as Additional Financing

1. Allocation of Lease Payments

Present Value of Lease Payments
Less: Relating to the Additional Financing provided (Sale Price Less Fair Value)
Relating to the Lease
$\text{Annual Payment Relating to Additional Financing} = \frac{\text{Relating to Adtl. financing}}{\text{PV of Lease Payments}} \times \text{Annual Payments}$
$\text{Annual Payment Relating to the Lease} = \frac{\text{Relating to Leases}}{\text{PV of Lease Payments}} \times \text{Annual Payments}$

2. Treatment in Seller–Lessee

At the commencement date, Seller–Lessee measures the ROU Asset arising from the leaseback at the proportion of the previous Carrying Amount of the Building that relates to the right-of-use retained by Seller–Lessee as under –

Cash	Dr.	$\frac{\text{PV of Lease Payments relating to Leases}}{\text{Fair Value}} \times \text{Carrying amount}$	Sale Value
ROU Asset	Dr.		Carrying amount
To PPE			PV of Lease payments
To Financial Liability			Balancing figure
To P&L			

3. Treatment in Buyer–Lessor

After the commencement date, Buyer–Lessor accounts for the Lease by treating out of the annual payments of as lease payments. Entry in the books of Lessor –

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PPE Financial Asset	Dr. Dr.	Fair Value Sale Value – Fair Value Sale Value	Annual payments received from are accounted for as: (a) Payments received to settle the Financial Asset, and (b) Interest Revenue.
	To Cash		

Full Retrospective Approach	<ul style="list-style-type: none"> (a) Lease Liability and ROU Asset are measured on the commencement date using the Incremental Borrowing Rate at lease commencement date. (b) The Lease Liability is accounted for by the Interest Method subsequently and the ROU Asset is subject to Depreciation on the straight-line basis over the lease term. (c) ROU Assets & Lease Liability should be recognized on the date of transition at their respective Carrying Amounts and the balance is recognized in Retained Earnings. (d) Opening of the Comparative period is taken as transition date for adoption of this standard.
Modified Retrospective Approach Alternative 1	<ul style="list-style-type: none"> (a) Lease Liability and ROU Asset are measured on the commencement date using the Incremental Borrowing Rate as of the date of initial application. (b) The Lease Liability is accounted for by the Interest Method subsequently and the ROU Asset is subject to Depreciation on the straight-line basis over the lease term. (a) ROU Assets & Lease Liability should be recognized on the date of initial application at their respective Carrying Amounts and the balance is recognized in Retained Earnings.
Modified Retrospective Approach Alternative 2	<ul style="list-style-type: none"> (a) Lease Liability is measured based on the remaining Lease Payments discounted using the Incremental Borrowing Rate as of the date of initial application. (b) The Carrying Amount of the ROU Asset is an amount equal to the Carrying Amount of the Lease Liability on the date of initial application as there are no prepayments or accrual items and hence, no impact on Retained Earnings as on the transition date.
Para 46A Practical Expedient	<p>As a practical expedient, a Lessee may elect not to assess whether a Rent Concession that meets the conditions in Para 46B is a Lease Modification. This applies only to Rent Concessions occurring as a direct consequence of the Covid-19 Pandemic and only if all of the following conditions are met –</p> <ul style="list-style-type: none"> (a) the change in Lease Payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change, (b) any reduction in Lease Payments affects only payments originally due on or before the 30.06.2022 (for example, a Rent Concession would meet this condition if it results in reduced Lease Payments on or before the 30.06.2022 and increased Lease Payments that extend beyond the 30.06.2022), and (c) there is no substantive change to other terms and conditions of the Lease.

Ind AS 38 Intangible Assets

Intangibles	An Intangible Asset is an identifiable Non-Monetary Asset without physical substance.
Identifiability	<p>An Asset is identifiable, if it is either –</p> <ul style="list-style-type: none"> (a) is separable, i.e. is capable of being separated or divided from the Entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable Asset or Liability, regardless of whether the Entity intends to do so, (b) arises from Rights i.e. arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Entity or from other rights and obligations.
Indefinite Useful life	An intangible asset with an indefinite useful life should not be amortised. In accordance with Ind AS 36, an Entity is required to test such intangible asset for impairment annually and whenever there is an indication that the intangible asset may be impaired.
Internally Generated Intangible	<ol style="list-style-type: none"> 1. To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into a Research Phase and a development phase. 2. If an entity cannot distinguish the research phase from the development phase, the entity treats the expenditure on that project as if it were incurred in the research phase only. 3. Expenditure on research (or on the research phase of an internal project) should be recognised as an expense when it is incurred.
Development Phase	<p>Intangible Asset arising from Development (or from Development Phase of an internal project) should be recognised only when the Entity can demonstrate all of the following –</p> <ul style="list-style-type: none"> (a) technical feasibility of completing the Intangible Asset so that it will be available for use or sale, (b) its intention to complete the Intangible Asset and use or sell it,