CA REDDYS

# Accounting standards amended notes ( official )

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Hi friends ,

In this file i had provided the official i.e., published in ICAI website. In this notes only amened statements are presented . I already uploaded AS 4 AMENDED NOTES super summary and i will also upload the remaining standards amended super summary notes very soon . Drop a LIKE and click FOLLOW on ca club india to stay connected with me . Thank you.

Regards

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**Announcement on Applicability of Amendments in Accounting Standards for Intermediate May, 2017 Examination**

The Ministry of Corporate Affairs (MCA) has notified Companies (Accounting Standards) Amendment Rules, 2016 (G.S.R. 364(E) dated 30.03.2016)[1]. MCA has omitted AS 6, Depreciation Accounting and amended the following Accounting Standards issued under Companies (Accounting Standards) Rules, 2006:

i. AS 2, Valuation of Inventories

ii. AS 4, Contingencies and Events Occurring After the Balance Sheet Date

iii. AS 10, Property, Plant and Equipment

iv. AS 13, Accounting for Investments

v. AS 14, Accounting for Amalgamations

vi. AS 21, Consolidated Financial Statements[2]

vii. AS 29, Provisions, Contingent Liabilities and Contingent Assets

It may be noted that these amendments are applicable for May, 2017 Examination.

**Paper 1 Accounting at Intermediate Level**

The revisions in AS 2, AS 10, AS 13 and AS 14 are relevant for Students appearing for Paper 1 "Accounting" in May, 2017 Examinations. Those students who have July 2015 Edition of Paper 1 "Accounting" are advised to ignore Para 2.4.4 on Deprecation Accounting and Para 2.4.7 on Accounting for Fixed Assets because AS 6 'Deprecation Accounting' And AS 10 'Accounting for Fixed Assets' have been withdrawn after issuance of AS 10 'Property, Plant and Equipment'. The students are also advised to ignore the questions numbered 21 to 33 (based on AS 6) and 46 to 55 ( based on AS 10) given in April, 2016 Edition of Practice Manual. They are also suggested to refer the **Supplementary material on AS 10, Property, Plant and Equipment**uploaded on the link http://resource.cdn.icai.org/44440bos34351.PDF along with the RTP for May, 2017 Examination.

**Paper 5 Advanced Accounting at Intermediate level**

The revisions in AS 4, AS 14 and AS 29 are applicable for Students appearing for Paper 5 "Advanced Accounting" in May, 2017 Examinations. Those students who have July 2015 Edition of Paper 5 Advanced Accounting are advised to refer the RTP for May, 2017 Examination.

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[1] *These rules have come into force on the date of their publication in the Official Gazette (ie. 30 March 2016).*

*(Link:http://mca.gov.in/Ministry/pdf/Notification_30032016.pdf)*

[2] *AS 21 is not covered at Intermediate level.*

For easy reference of students, the changes in the above-mentioned Accounting Standards are tabularised as follows:

| **Name of the standard** | **Para no.** | **As per the Companies (Accounting Standards) Rules, 2006** | **As per the Companies (Accounting Standards) Amendment Rules, 2016** | **Implications** |
|---|---|---|---|---|
| **AS 2** | 4 (an extract) | Inventories do not include machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular; such machinery spares are accounted for in accordance with Accounting Standard (AS) 10, Accounting for Fixed Assets. | Inventories do not include spare parts, servicing equipment and standby equipment which meet the definition of property, plant and equipment as per AS 10, *Property, Plant and Equipment*. Such items are accounted for in accordance with Accounting Standard (AS) 10, *Property, Plant and Equipment*. | Now, inventories also do not include servicing equipment and standby equipment other than spare parts if they meet the definition of property, plant and equipment as per AS 10, *Property, Plant and Equipment*. |
| | 27 | Common classifications of inventories are raw materials and components, work in progress, finished goods, stores and spares, and loose tools. | Common classifications of inventories are:<br><br>(a) Raw materials and components<br><br>(b) Work-in-progress<br><br>(c) Finished goods<br><br>(d) Stock-in-trade (in respect of goods acquired | Para 27 of AS 2 requires disclosure of inventories under different classifications. One residual category has been added to the said paragraph i.e. 'Others'. |

| Name of the standard | Para no. | As per the Companies (Accounting Standards) Rules, 2006 | As per the Companies (Accounting Standards) Amendment Rules, 2016 | Implications |
|---|---|---|---|---|
| | | | for trading)<br>(e) Stores and spares<br>(f) Loose tools<br>(g) Others (specify nature)". | |
| **AS 4** | Footnote to AS 4 | Pursuant to AS 29, Provisions, Contingent Liabilities and Contingent Assets, becoming mandatory in respect of accounting periods commencing on or after 1-4-2004, all paragraphs of this Standard that deal with contingencies (viz. paragraphs 1(a), 2, 3.1, 4 (4.1 to 4.4), 5 (5.1 to 5.6), 6, 7 (7.1 to 7.3), 9.1 (relevant portion), 9.2, 10, 11, 12 and 16) stand withdrawn except to the extent they deal with impairment of assets not covered by other Indian Accounting Standards. For example, impairment of receivables (commonly referred to as the provision for bad and doubtful | All paragraphs of this Standard that deal with contingencies are applicable only to the extent not covered by other Accounting Standards prescribed by the Central Government. For example, the impairment of financial assets such as impairment of receivables (commonly known as provision for bad and doubtful debts) is governed by this Standard. | Footnote has been modified. |

| Name of the standard | Para no. | As per the Companies (Accounting Standards) Rules, 2006 | As per the Companies (Accounting Standards) Amendment Rules, 2016 | Implications |
|---|---|---|---|---|
| | | debts), would continue to be covered by AS 4. | | |
| | 8.5 | There are events which, although they take place after the balance sheet date, are sometimes reflected in the financial statements because of statutory requirements or because of their special nature. Such items include the amount of dividend proposed or declared by the enterprise after the balance sheet date in respect of the period covered by the financial statements. | There are events which, although they take place after the balance sheet date, are sometimes reflected in the financial statements because of statutory requirements or because of their special nature. For example, if dividends are declared after the balance sheet date but before the financial statements are approved for issue, the dividends are not recognised as a liability at the balance sheet date because no obligation exists at that time unless a statute requires otherwise. Such dividends are disclosed in the notes. | No liability for proposed dividends has to be created now. Such proposed dividends are to be disclosed in the notes. |
| | 14 | Dividends stated to be in respect of the period covered by the financial statements, which | If an enterprise declares dividends to shareholders after the balance sheet | No liability for proposed dividends has to be created now. |

| Name of the standard | Para no. | As per the Companies (Accounting Standards) Rules, 2006 | As per the Companies (Accounting Standards) Amendment Rules, 2016 | Implications |
|---|---|---|---|---|
| | | are proposed or declared by the enterprise after the balance sheet date but before approval of the financial statements, should be adjusted. | date, the enterprise should not recognise those dividends as a liability at the balance sheet date unless a statute requires otherwise. Such dividends should be disclosed in notes. | Such proposed dividends are to be disclosed in the notes. |
| **AS 10** | All | Fixed Assets | Property, Plant and Equipment | Entire standard has been revised with the title AS 10: 'Property, Plant and Equipment'. |
| **AS 13** | 20 | The cost of any shares in a co-operative society or a company, the holding of which is directly related to the right to hold the investment property, is added to the carrying amount of the investment property. | An investment property is accounted for in accordance with cost model as prescribed in Accounting Standard (AS) 10, *Property, Plant and Equipment*.The cost of any shares in a co-operative society or a company, the holding of which is directly related to the right to hold the investment property, is added to the carrying amount of the investment property. | Accounting of investment property was not stated in this para but now incorporated i.e. at cost model. |

| Name of the standard | Para no. | As per the Companies (Accounting Standards) Rules, 2006 | As per the Companies (Accounting Standards) Amendment Rules, 2016 | Implications |
|---|---|---|---|---|
| | 30 | An enterprise holding investment properties should account for them as long term investments. | An enterprise holding investment properties should account for them in accordance with cost model as prescribed in AS 10, Property, Plant and Equipment. | Accounting of investment property shall now be in accordance with AS 10 i.e. at cost model |
| **AS 14** | 3(a) | Amalgamation means an amalgamation pursuant to theprovisions of the Companies Act, 1956 or any other statutewhich may be applicable to companies. | Amalgamation means an amalgamation pursuant to the provisions of the Companies Act, 2013 or anyother statute which may be applicable to companies and includes 'merger'. | Definition of Amalgamation has been made broader by specifically including 'merger'. |
| | 18 and 39 | In such cases the statutory reserves are recorded in the financialstatements of the transferee company by a corresponding debit to a suitableaccount head (e.g., 'Amalgamation Adjustment Account') which isdisclosed as a part of 'miscellaneous expenditure' or other similar categoryin the balance sheet. When the identity | In such cases the statutory reserves are recorded in the financial statements of the transferee companyby a corresponding debit to a suitable account head (e.g., 'Amalgamation Adjustment Reserve') which ispresented as a separate line item. When the identity of the statutory reserves is no longer required to | Corresponding debit on account of statutory reserve in case of amalgamation in the nature of purchase is termed as 'Amalgamation Adjustment Reserve' and is now to be presented as a separate line item since there is not sub-heading like 'miscellaneous expenditure' in Schedule III to the Companies Act, |

| Name of the standard | Para no. | As per the Companies (Accounting Standards) Rules, 2006 | As per the Companies (Accounting Standards) Amendment Rules, 2016 | Implications |
|---|---|---|---|---|
| | | of the statutory reserves is no longerrequired to be maintained, both the reserves and the aforesaid account arereversed. | bemaintained, both the reserves and the aforesaid account are reversed. | 2013 |
| **AS 29** | 35 (An extract) | The amount of a provision should not be discounted to itspresent value. | The amount of a provision should not be discounted to itspresent value except in case of decommissioning, restoration and similar liabilities that are recognised ascost of Property, Plant and Equipment. The discount rate (or rates) should be a pre-tax rate (or rates) thatreflect(s) current market assessments of the time value of money and the risks specific to the liability. Thediscount rate(s) should not reflect risks for which future cash flow estimates have been adjusted. Periodicunwinding of discount should be recognised in the statement of profit and loss. | Now discounting of provision for decommissioning, restoration and similar liabilities has to be done as per the pre-tax discount rate as mentioned therein. |

| Name of the standard | Para no. | As per the Companies (Accounting Standards) Rules, 2006 | As per the Companies (Accounting Standards) Amendment Rules, 2016 | Implications |
|---|---|---|---|---|
| | 73 | | **<u>Transitional Provisions</u>**<br><br>All the existing provisions for decommissioning, restoration and similar liabilities (see paragraph 35) should be discounted prospectively, with the corresponding effect to the related item of property, plant and equipment. | Discounting of above existing provisions and similar liabilities should be prospectively, with the corresponding effect to the related item of property, plant and equipment. |