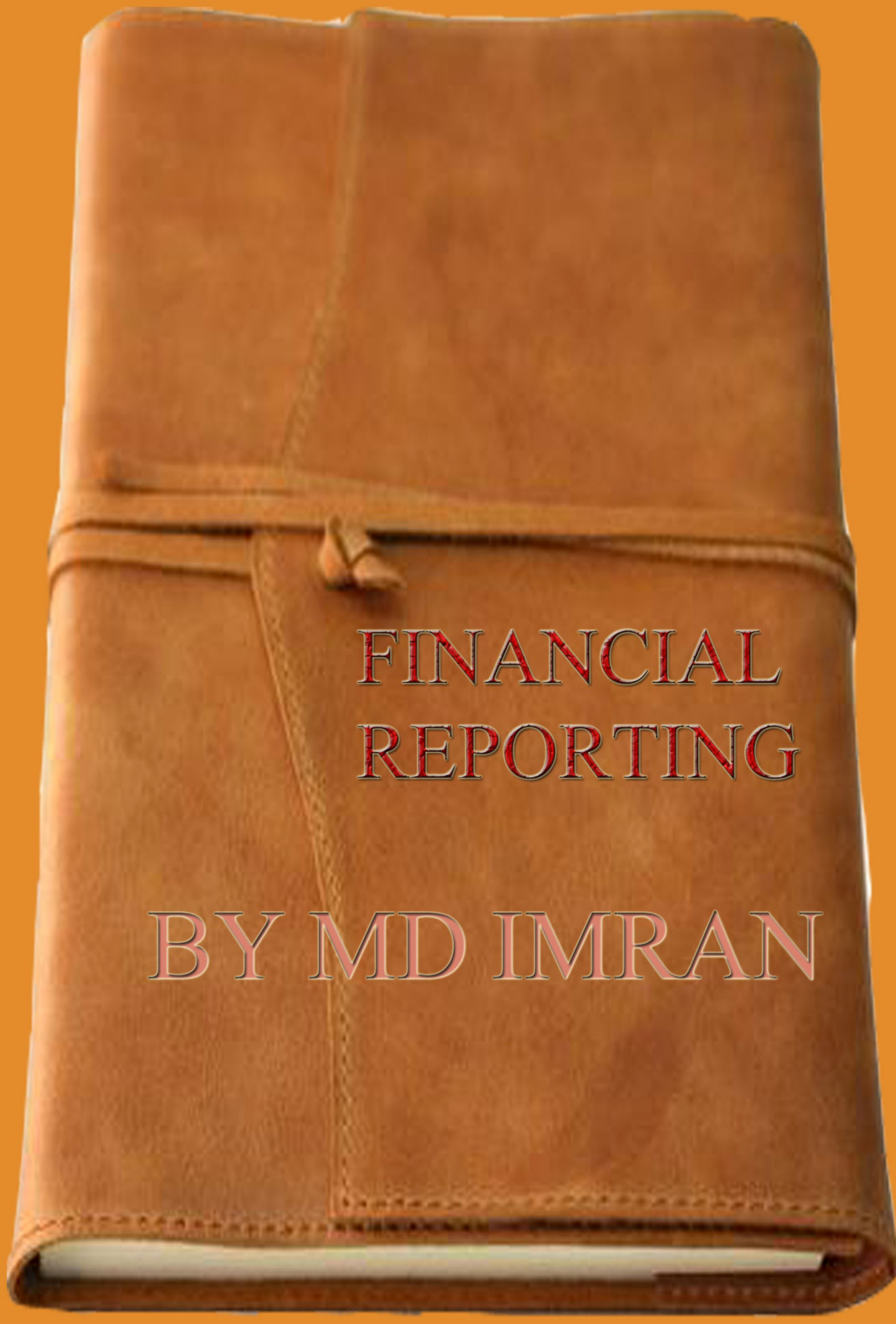
MY NOTES
CA FINAL- MAY -17



THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a [SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC] and to secure all its citizens:

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the [unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.

Release Date: 30-03-2017

Share infinite number of time in good faith to everyone that not even a single friends/brother/sister would left to get it.

Chapter-1 – Valuation

- **Valuation of goodwill**

1. Average Profit Method
2. Super Profit Method
3. Capitalisation Method
4. Capitalisation of Super Profit Method
5. Annuity Method

- **Valuation of Shares**

1. Income Basis
   a. ECM (Earning Capitalisation Method):
   b. DCM (Dividend Capitalisation Method):
2. Yield basis
   Intrinsic value Per share

- **Leverage effect of goodwill**
- **Valuation of Business**
- **Brand valuation**

Chapter. 2- corporate restructuring – amalgamation

AMALGAMATION

ACCOUNTING FOR AMALGAMATION

AMALGAMATION IN THE NATURE OF MERGER

AMALGAMATION IN THE NAUTRE OF PURCHASE

PURCHASE CONSIDERATION

UPDATION OF FINANCIAL STATEMENT

INTER COMPANY HOLDING

Chapter. 8 Holding

CONSOLIDATED FINANCIAL STATEMENT

General notes

Detailed procedure

- Holding pattern and % of holding.
- Revaluation of assets if any
- Unrealised profit on stock.
- Analysis of profit.
- Cost of control.
- Minority interest.
- Consolidated general reserve.
- Consolidated profit and loss.

Different Adjustment

1. Preparation of balance sheet
2. Revaluation
3. Analysis of profit
4. Cost of control
5. Minority interest
6. Consolidated profit and loss
7. Contra item

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	8. Rectification of error 9. Dividend 10. Unrealised profit 11. Bonus Shares 12. Updation of financial statement DIFFERENT SITUATION 1. MULTIPLE ACQUISITION 2. MULTIPLE SUBSIDIARIES 3. Joint venture 4. Associate 5. Intercompany holding 6. Disposal of share. 7. Hire purchase.
Chapter. 9- Accounting Standards & IndAS	
<u>AS</u>	**<u>RECALL</u>**
1	**accounting policies** **fundamental accounting assumption** **Going concern** **Consistency:** **Accrual:** **SELECTION OF ACCOUNTING POLICIES** *CHANGE IN ACCOUNTING POLICIES*
2	**Inventories**: **Valuation:** **Scrap and By-product** **Determination of cost** **Following item should be excluded**
3	**Cash flow statement** **Cash flow from operating activity** – *Direct method/ indirect method.* **Cash flow from investing activity** **Cash flow from financing activity**
4	**<u>EVENT OCCURRING AFTER THE BALANCE SHEET DATE</u>**
5	**Prior period item** **Change in accounting policies**
7	**Construction contract** **Method to recognise revenue**

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	Para 35: Recognise expected loss **Step 1- Calculate degree of completion:** **Step 2- Revenue to be recognised** **<u>Provision for expected loss</u>** **Para 14: Incentive payment**
9	**Revenue Recognition** **Sale of goods** **Rendering of Services** **Interest:** **Dividend:** **Royalty:**
10	**Fixed assets:** **Cost of fixed assets:** **Cost of fixed assets in case of exchange** **Cost of Self constructed assets** **Improvement** **Disposed off** **Revaluation** **Depreciation** **Depreciable assets** **Generally adopted method of depreciation** **Change in method of depreciation** **Change in Expected useful life**
11	**<u>FOREIGN CURRENCY TRANSACTION</u>** **PARA 38 & 39 of AS 11:** **Foreign currency monetary Item** **PARA 13:** **LONG TERM FOREIGN CURRENCY MONTRORY ITEM (LTFCMI)** **PARA-46** **Depreciable Assets:** **Non depreciable assets** **<u>LOAN/ BORROWING</u>** **<u>FOREIGN OPERATION</u>**
12	**Recognition:** **Income grant, Expenses grant or bailout grant** **Grant for Depreciable assets:** **Grant for non-depreciable assets** **Grant for promoter contribution or for situation in backward area**
13	**INVESTMENT:** **INVESTMENT** **Cost of investment**

	Cost of investment when issued own share to acquire investment **Cost of investment in case of exchange** **RIGHT SHARE** **VALUATION** **RECLASSIFICATION**
14	**AMALGAMATION:** **NATURE** **AMALGAMATION IN THE NATURE OF MERGER** **AMALGAMATION IN THE NAUTRE OF PURCHASE** **Statutory Reserve** **PURCHASE CONSIDERATION**
15	EMPLOYEE BENEFITS: Types of employee benefit: **SHORT TERM EMPLOYEE BENEFIT** **LEAVE** **LONG TERM EMPLOYEE BENEFIT** **DEFINED CONTRIBUTION PLAN** **DEFINED BENEFIT OBLIGATION** projected unit credit
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17	**SEGMENT:** **INDENTIFICATION OF REPORTABLE SEGMENT**
18	RELATED PARTY AS PER PARA 3 **DISCLOSURE REQUIREMENT** Mnemonics: N_3DTV
19	<u>**LEASE**</u> **FINANCE LEASE** **JOURNAL ENTRIES** **OPERATING LEASE** **SALE AND LEASE BACK TRANSACTION**
20	<u>**EARNING PER SHARE**</u> BASIC EARNING PER SHARE **WEIGHTED AVERAGE NUMBER OF SHARE** Do not weight Weight only for following

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22	**DEFERRED TAX** **TIMING DIFFERENCE AND PERMANENT DIFFERENCE** **DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES** DEFERRED TAX ASSETS Para 15- DEFERRED TAX LIABILITIES **UNABSORBED DEPRECIATION AND UNABSORBED LOSSES** Para – 17 **TAX HOLIDAY** **Section 115JB of Income tax act 1961- MINIMUM ALTERNATIVE TAX** MAT CREDIT
24	DISCONTINUING OPERATION, *Where disposed off means **REPORTING OF DISCONTINUING OPERATION** Following event is not regarded as discontinuing operation
25	INTERIM FINANCIAL REPORTING: **INCOME, EXPENSES AND LOSSES RECOGNITION IN CASE OF INTERIM PERIOD** **GUIDANCE NOTES ON INTERIM FINANCIAL REPORTING FOR TAX TREATMENT**
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29	**PROVISION** **CONTINGENT LIABILITIES**

	CONTINGENT ASSETS

Difference between IndAS & AS.	
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Explicit Statement of Compliance	
Current and Non-current Classification:	
Disclosure of Judgments and Assumptions made	
Classification of Expenses	
Presentation of Balance Sheet	
Disclosure of Reclassified of Items	
Statement of Other Comprehensive Income	
Classification of Long-term Loan Arrangement	
Ind AS 8 and AS 5: PRIOR PERIOD ITEM AND CHANGE IN ACCOUNTING POLICIE	
Extraordinary Items	
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Exceptions in Retrospective Accounting of Changes in Accounting Policie	
Prior Period Items:	
Rectification of Material Prior Period Errors	
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Non Adjusting Events if Material	
Proposed Dividend	
Accounting Treatment and Disclosure in case of Inappropriateness Fundamental Accounting Assumption of Going Concern:	
In case of breach of a material provision of a long-term loan arrangement	
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Contents of Interim Report	
Reversal of Impairment Loss	
Accounting Policies	
Contingent Liabilities and Contingent Assets	
Change in Accounting Policy	
Ind AS 12 and AS 22	
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Recognition of Current and Deferred Tax	
Recognition of Current and Deferred Tax for unabsorbed losses and depreciatio	
Disclosure of DTA and DTL in Balance Sheet	
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Cost Formulae:
Ind AS 37 and AS 29
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Disclosure of Contingent Assets:
Ind AS 38 and AS 26 : INTANGIBLE ASSETS
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Revenue Based Amortisation Method
Payment Deferred beyond Normal Credit Terms
Intangible Assets Acquired in Exchange
Intangible Assets acquired Free of Charge or for a Nominal Consideration by way of Government Grant:
Useful Life of an Intangible Asset
Valuation Model as Accounting Policy
Change in Method of Amortization
Ind AS 40 and AS 13 : ACCOUNTING FOR INVESTMENT
Ind AS 36 and AS 28: IMPAIRMENT OF ASSETS
Financial Assets:
Biological Assets:
Impairment Testing for an Intangible Asset with an Indefinite Useful Life
Reversal of Goodwill:
Bottom up and Top Down Test
Ind AS 17 and AS 19 : LEASE
Land:
Treatment of Initial Direct Costs:
Current/Non-current Classification of Lease Liabilities
Sale and Leaseback Transaction
Recognition of Lease Payments
Ind AS 105 and AS 24: DISCONTINUING OPERATION
Scope and Objective:
Discontinued vs Discontinuing Operation:
Time Period:
Initial Disclosure Event:
Measurement:
Ind AS 24 and AS 18: RELATED PARTY TRANSACTION
Definition of Relative:
State Controlled Enterprise
Key Management Personnel
Next Most Senior Parent:
Ind AS 108 and AS 17
Identification of Segments:
Single Reportable Segment:
Interest Expense:
Disclosures:

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Ind AS 7, AS 3 : CASH FLOW STATEMENT	
Bank Overdraft Repayable on Demand	
Treatment of Cash Payments to property dealer who held for sale, as Ren	
Cash Flows associated with ExtraordinaryActivities:	
Ind AS 20, AS 12 : GOVERNMENT GRANT	
Grant in respect of Non Depreciable Assets	
Government Grants in the Nature of Promoters Contribution	
Valuation of Non-monetary Grants given Free or at a Concessional Rate	
Accounting for Grant Related to Assets including Non-monetary Grants	
Ind AS 21, AS 11 : THE AFFECT OF CHNAGE IN FOREIGN EXCHANGE RATE	
Forward Exchange Contracts and other similar Financial Instruments	
Exchange Differences arising on Translation of Certain Long-term Monetary Items From Foreign Currency to Functional Currency:	
Approach for Translation	
Ind AS 23, AS 16: BORROWING COST	
Qualifying Asset measured at Fair Value	
Applicability to Inventories	
Explanation of Substantial Period of Time	
Disclosure of Capitalisation Rate:	
Ind AS 19, AS 15 : EMPLOYEE BENEFITS	
Constructive Obligations	
Definition of Employee:	
Qualified Actuary:	
Recognition of Actuarial Gains and Losses	
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Discounting of Post-employment Benefit Obligations	
Ind AS 33 and AS 20 EARNING PER SHARE	
Presentation of Basic and Diluted EPS from Continuing and Discontinued Operation	
Disclosure of EPS with and without Extraordinary Items	
Ind AS 28, AS 23	
Definition of Significant Influence	
Potential Equity Shares:	
Equity Method:	
Exemption:	
Explanation regarding the term 'Near Future'	
Investment Classified as Held for Sale	

Difference in Reporting Dates	
Accounting Policies:	
Share in Losses:	
Ind AS 103 and AS 14	
Scope	
Methods for Accounting:	
Assets and Liabilities:	
Amortisation of Goodwill:	
Reverse Acquisitions:	
Bargain Purchase Gain:	
Ind AS 111 and AS 21	
Mandatory preparation of Consolidated Financial Statement:	
Control:	
Clarification on more than oneParent of a Subsidiary:	
Difference in Reporting Dates:	
Uniform accounting policies:	
Presentation of Non-controlling Interest in CFS:	
Exclusion from Consolidation:	
Ind AS 110 andas 27	
Types of Joint Arrangement/Joint Venture:	
Equity method:	
Add Difference between AS 9 and IndAS 18	

CH-1 VALUATION

Following topic is covered in this Chapter.

- Valuation of goodwill
- Valuation of Shares
- Leverage effect of goodwill
- Valuation of Business
- Brand valuation

Valuation of goodwill

Meaning

Goodwill means sum of future maintainable operating profit up to defined period arising due to past effort.

Following are the method of valuation of goodwill.

6. **Average Profit Method**.

   Future Maintainable Profit x No. of Year of Purchase.

7. **Super Profit Method**

   (Future Maintainable Profit – Normal Profit) x No. of year of purchase

   Normal Profit = Average Capital Employed x Normal Rate of Return

8. **Capitalisation Method**

   Future Maintainable Profit

   $$\frac{Future\ Maintainable\ Profit}{Normal\ Rate\ of\ Return} - Closing\ Capital\ Employed$$

9. **Capitalisation of Super Profit Method**

   $$\frac{Future\ Maintainable\ Profit}{Normal\ Rate\ of\ Return} - Average\ Capital\ employed$$

10. **Annuity Method**

    Super Profit x Annuity Factor.

    Annuity factor means sum of discounting factor.

For calculation of goodwill following steps is followed:

a. Future Maintainable Profit.
b. Closing Capital Employed.
c. Value of Goodwill is calculated using any of the above method.

A. Future Maintainable Profit

Future maintainable profit is calculated using **Projected Profit Method** or **Past Profit Method**.

i. Projected Profit Method.

Under Projected Profit Method profit are not projected rather, income or expenses are estimated, Projected profit would be as follows:

Projected Sale	XXXX
Less : Projected Expenses	XXXX
Projected Profit	**XXXX**

ii. **Past Profit Method**: Here we find out regular business profit from business operation by deducting income not related to business and adding expenses not related to business operation.

Particular	**Year**		
	1st	2nd	3rd
Profit after tax	xxx	xxx	xxx
Add: Tax Expenses	xxx	xxx	xxx
Profit Before Tax	**xxx**	**xxx**	**xxx**
Add: Goodwill Amortisation	xxx	xxx	xxx
Less Non-Operating Income	xxx	xxx	xxx
Add/Less: Rectification of Error	xxx	xxx	xxx
Add/Less: Abnormal Item	xxx	xxx	xxx
Add/Less: Effect of Change in Policy	xxx	xxx	xxx
Add/Less: Revaluation of Current Assets / Current Liabilities	xxx	xxx	xxx
Less: Profit on Sale of Fixed Assets & Investment	xxx	xxx	xxx
Add: Loss on Sale of Fixed Assets & Investment	xxx	Xxx	xxx
Adjusted Profit	**xxx**	**Xxx**	**xxx**

Average Adjusted Profit	**xxxx**
Add/Less: Future Income and Expenses	**xxxx**
Future Maintainable Profit Before Tax	**Xxxx**
Less: Tax Expected	**Xxxx**
Future Maintainable Profit	**xxxx**

B. Capital Employed.

Here Capital employed means shareholder funds otherwise capital employed means long term fund.

Sundries Assets	**xxxx**
Less: Sundries Liabilities	**xxxx**
Closing Capital employed	**Xxxx**

Average Capital employed = (Opening capital + Closing capital) /2

Or

Average Capital employed= Closing capital employed – (1/2x Rectified Pat)

Note:

1. Sundries Assets doesn't include Deferred revenue expenditure, Goodwill, and Non-Operating investment. It will be considered after revaluation, rectification and effect of changes.
2. Sundries Liabilities doesn't include Proposed dividend, Preference Share capital & Liabilities in respect of non- trade investment. It includes provision for taxation.
3. Profit resulting from revaluation of fixed assets and investment will be ignored in FMP.
4. Effect of Change in current assets and current liabilities should be considered in FMP.
5. Abnormal item should be adjusted to make profit uniform, if in any year abnormal item data of which is missing, ignored such year in calculation.
6. Goodwill cannot be negative, if answer is in negative then value of goodwill is NIL.
7. In weighted average more weighted should be given to Latest period.
8. Trade investment means investment constituting principle revenue generating investment, that is required in operation of business. Non- trade investment means other than trade investment, interest on non-trade investment is not from business operation, so its affect is eliminated at arriving at FMP. If question is silence assume it is non-operating profit.

   While deriving profit from balance sheet, it is sum of change in SPL and reserve and surplus and also dividend declared.
9. **Average or Closing Capital Employed?**

Average capital employed is calculated only in case of **super profit method** & **Capitalisation of Super** Profit Method, Only if Average Maintainable Profit have been calculated using **Average Profit method.** In all other case use Closing Capital employed.

Valuation of Shares

3. Income Basis
   c. ECM (Earning Capitalisation Method):

$$\frac{Earning\ Rate}{Normal\ Rate\ of\ Return} \times Paid\ up\ Value\ Per\ Share$$

   d. DCM (Dividend Capitalisation Method):

$$\frac{Dividend\ Rate}{Normal\ Rate} \times Paid\ up\ value\ Per\ Share$$

Note:

i. $Earning\ Rate = \frac{Earning\ Available\ to\ equity\ shareholder}{Equity\ Share\ Capital}$

ii. $Dividend\ Rate = \frac{Dividend\ Per\ Share}{Paid\ up\ Value\ Per\ Share}$

iii. Normal rate would be given in question or average dividend rate.

4. Yield basis

   Intrinsic value Per share

   Net Assets for equity Share holder / No. of share

   Net Assets for equity Share holder

Sundries Assets (Including Goodwill & Non-trade Investment)	**xxxx**
Less: Sundries Liabilities(Including Proposed dividend & PSC)	**xxxx**
Net Assets for equity Shareholder.	**Xxxx**
Add: Notional Call if share are partly paid up Calls in arrear and uncalled capital	**Xxxx**
Total Net assets for equity shareholder	**Xxxx**
No. of share	**Xxxx**
Intrinsic value of share ex dividend	**Xxxx**
Add: dividend per share	**Xxxx**
Less: Called up amount	**Xxxx**
Intrinsic value cum dividend	**xxxxx**

Leverage effect of goodwill

Calculated Goodwill considering Debt as Debt	**xxxx**
Less: Calculated Goodwill considering Debt as equity	**xxxx**
Leverage effect of goodwill.	**Xxxx**

Valuation of Business

Present value of synergy as resulting from merger Add: Any additional resulting synergy	**A**	**xxxx**
Net Assets realised on sale other than of regular use: Scrap value of unused assets Realisable value of stock Realisable value of inventories <u>Less:</u> Liabilities to be paid	**B**	**xxxx**
Value of business	**(A+B)**	**Xxxx**

Brand valuation

Super Profit Method

(Total Profit with brand) – (Total Profit without brand) x Discounting Factor

Potential Earning Method

Profit earned due to brand / Capitalisation Rate

Actual Pat Earned	
Less: Expected Profit Without Brand	

Profit earned due to Brand	

Chapter-2 CORPORATE RESTRUCTURING

Following topic is covered

1. **Amalgamation**
2. **Reconstruction**
3. **Buy back of Share**
4. **Sale of division**

I. AMALGAMATION

ACCOUNTING STANDARDS-14

ACCOUNTING FOR AMALGAMATION

AMALGAMATION: Amalgamation means external reconstruction. When two or more company merge to form a new company, known as amalgamation.

NATURE: An amalgamation may be either in the nature of merger of nature of purchase. Accounting treatment in both the cases is as follows.

AMALGAMATION IN THE NATURE OF MERGER

All assets and liabilities including reserve of amalgamating company incorporated at book value. The difference between the purchase consideration and Share capital of Transferor Company should be adjusted in RESERVE.

AMALGAMATION IN THE NAUTRE OF PURCHASE

Only assets and liabilities of amalgamating company incorporated at taken over value. The difference between NET ASSETS TAKEN OVER and PURCHASE CONSIDERATION is result in either goodwill or capital reserve. Excess of net assets taken over, over purchase consideration is CAPITAL RESERVE. Excess of purchase consideration over net assets taken over is GOODWILL.

Value of goodwill of amalgamating company considered for intrinsic value purpose will not be included in net assets taken over.

Statutory Reserve incorporated with corresponding amalgamation adjustment accounts.

PURCHASE CONSIDERATION

It is the amount payable by amalgamated company to equity and preference shareholder of amalgamating company in any form equity share, preference share, cash, debenture, etc.

UPDATION OF FINANCIAL STATEMENT

There may be a circumstance where given financial statement of different date from date of amalgamation in such case financial statement updated up to date of amalgamation. If business is carried on during such period then it mainly effects to SPL & CASH.

CASH		Statement of profit and loss	
Opening figure Add: Cash profit (profit + depreciation) Increase in liabilities Decrease in assets Less: Increase in assets Decrease in liabilities Dividend including DDT		Opening figure Add: Net profit Less: Dividend including DDT	
Closing cash balance		Closing SPL	

Note – Fixed assets will be reduced by the amount of depreciation, if there is any other changes such also should be considered.

INTER COMPANY HOLDING

TWO GOLDEN RULL

1. New company will never take over investment hold by old company in his share because it is prohibited to have investment in own share. Exclude it while calculating purchase consideration as well as dischargeable purchase consideration.
2. If new company has held investment in transferor company then New company will never pays PC to itself. Exclude it only while calculating dischargeable purchase consideration.
3. Calculation of goodwill or capital reserve

Dischargeable purchase consideration Add: Book value of investment lost	Xxxxxxx Xxxxxxx
This balance is to be considered for calculating goodwill or capital reserve. Compare this balance with net assets taken over in case amalgamation in the nature of purchase & with share capital of amalgamating company if amalgamation in the nature of merger.	Xxxxxxx

4. On absorption cancel intercompany holding by contra and difference transfer to capital reserve. Intercompany holding may be in equity share, Debenture, preference share.

Other notes

1. If there is any revaluation of amalgamated co. Assets then same should be done with corresponding revaluation reserve.

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II. INTERNAL RECONSTRUCTION

Journal entries

For Reduction in Liabilities **Liabilities A/c Dr.** **To, Capital Reconstruction A/c**	**For Increase in Liabilities** **Capital reconstruction A/c Dr.** **To, Liabilities A/c**
For Reduction in Assets **Capital Reconstruction A/c Dr.** **To, Assets**	**For, Increase in Assets** **Assets A/c Dr.** **To, Capital Reconstruction**
For Unrecorded Liabilities being settled **Capital reconstruction A/c Dr.** **To, Bank**	**For Unrecorded Assets being realised Dr.** **Bank A/c Dr.** **To, Capital Reconstruction**
Reduction in Face value & paid up value of share **Share Capital Account Dr.** **To, Capital Reconstruction** **To, Share Capital (New Value)**	**Reduction in Paid up Value only** **Share Capital Account Dr.** **To, Capital Reconstruction**
On Subdivision or Consolidation of Share Capital Share capital A/c Dr. **To, Capital Share Capital A/c**	**On Payment of Reconstruction Expenses** **Capital Reconstruction A/c Dr.** **Bank A/c**
Now, ultimately utilise Balance of reconstruction to write off following item **Capital Reconstruction A/c Dr.** **To, Preliminary Expenses** **To, Debit balance of Profit & Loss.** **To, Goodwill.** **To, Underwriting Commission** **To, Discount on Issue of Share** **To, etc.** **Balance to Capital reconstruction a/c transferred to Capital reserve A/c** **Existing capital reserve, Security Premium, General reserve, etc can be utilise to Write of losses in case of deficiency in balance.**	

III. Buy Back of Share

Buy back can be made to the extent of lower of following

1. 25% of Number of share.
2. 25% of (Shareholder fund/ Buy Back Price).
3. Post buy back ratio should not exceed 2:1

$$\frac{Debt}{ESF\ befor\ Buy\ Back - (x \times Buy\ Back\ Price\ ) - (x\ \times Face\ Value\ for\ CRR)} = \frac{2}{1}$$

X is maximum number of share that can be buy back.

Journal entries

Equity Share Capital A/c Dr. **Loss on Buy Back of share. Dr.** **To, Equity shareholder** **(Being Share Capital payable to Equity shareholder)**
Equity Share holder A/c Dr. **To, Bank A/c** **(Being amount paid to equity shareholder)**
Free reserve A/c Dr. **To, Capital Redemption Reserve** **(CRR created for face value of share)**
Capital Reserve A/c Dr, **Free Reserve A/c Dr,** **To, Loss on Buy Back of share** **(Being amount written off)**

IV. Sale of division

Accumulated Depreciation A/c Dr. **Liabilities Account Dr.** **Buyer A/c Dr.** **Loss or Profit on Sale (b.f)** **To, Assets A/c** **(Being division sold)**	**Assets A/c Dr.** **Goodwill/ Capital Reserve (b.f)** **To, Liabilities A/c** **To Seller A/c** **(Being division Purchased)**
Bank A/c Dr. **To, Buyer A/c** **(Being Amount received)**	**Seller A/c Dr.** **To, Bank** **(Being amount paid)**
Profit on sale A/C **To, SPL** **Or** **SPL** **To, Loss on sale** **(being profit or loss on sale transferred to SPL account)**	**On purchase there will never any profit or loss any balance of goodwill or capital reserve will be disclosed in balance sheet.**

CHAPTER-3: VALUE ADDED STATEMENT

I- GROSS VALUE ADDED/NET VALUE ADDED

The VA statement is a financial statement which shows how much value (wealth) has been created by an enterprise through utilization of its capacity, capital, manpower and other resources and allocated to the following stakeholders:
Employee – for wages, salaries and related expenses;
Director- Director Remuneration.
Provider of long term finance – for interest on loans
Shareholder - for dividends on share capital.
Government – for corporation tax.
Entity – for retained profits.

Gross Value Added Statement	
Revenue from operation	XXXXX
Other Income – Direct	XXXXX
(A) Total revenue	**XXXXX**
Cost of Bought in material and services	
Raw material consumed & Cost of production EXCEPT Labour cost.	XXXXX
Administration Expenses EXCEPT employee and director remuneration	XXXXX
Finance cost EXCEPT interest on long term finance	XXXXX
Selling and distribution cost EXCEPT salary cost	XXXXX
Government tax related to sales only which is collected in sale	XXXXX
Depreciation only if NVA is to be calculated	XXXXX
(B) Cost of bought in material and services	**XXXXX**
Gross value added by manufacturing and trading activity (A) –(B)	**XXXXX**

Distribution sheet

Particular	**Amount**	**Percentage(%)**
Employee	XXXXX	
Director	XXXXX	
Provider of long term finance	XXXXX	
Shareholder	XXXXX	
Government	XXXXX	
Employee	XXXXX	
Total	**XXXXX**	

Reconciliation Statement

Simply speaking, Whatever item before PBT either not deducted or added back while calculating VAS now Deduct from GVA to arrive at PBT.

GVA	**XXXXX**
Less: Employee	XXXXX

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Less: Director	XXXXX
Less: Provider of Long term finance	XXXXX
Less: Depreciation	XXXXX
PBT	**XXXXX**

II- ECONOMIC VALUE ADDED

EVA- (ROOC-WACOC) x OC

ROOC (Return on operating Capital)

= NOPAT/Operating Capital

NOPAT (Net Operating Profit After Tax) : it is post tax EBIT (Earning Before Interest & Tax)

Operating Capital

Equity Share Capital	XXXX
Preference Share Capital	XXXX
Reserve and Surplus	XXXX
Debt	XXXX
Total Capital	**XXXX**
Less: Non Operating Investment	XXXX
Operating Capital	**XXXX**

WACOC (Weighted Average Cost of Capital)

It is sum of rate of Post tax cost of Debt, Cost of Preference Share & Post tax cost of equity.

III- Market value added – it is sum of the value of share & debenture beyond its book value.

Chapter -4 Share Based Payment.

I. **EMPLOYEE STOCK OPTION PLAN**

Journal entries

Employee Compensation A/c Dr. **To, Employee Stock Option A/c** **(Being expenses option recognised)**	This entry should be made at end of financial year or on the date of vesting whichever is earlier.
Statement of Profit and Loss A/c Dr. **To, Employee Compensation A/c** **(Being Employee Compensation transferred to SPL)**	This entry should be made only at the end of financial year.
Bank A/c Dr. **Employee Stock Option A/c Dr.** **To, Equity Share Capital A/c.** **To, Security Premium A/c**	Entry for share allotted under employee stock option plan. Utilise proportionate balance of Employee Stock Option A/c.
Employee Stock Option A/c Dr. **To, General reserve or SPL** **(Being ESOP cancelled Proportionately for expired number of share.**	ESOP which is not availed and lapsed on exercise date is to be cancelled.

Calculation of Expenses

$$\frac{\boldsymbol{No.of\ option\ \times IV\ or\ FV\ \times Expired\ Period}}{\boldsymbol{Vesting\ Period}} - \boldsymbol{Expenses\ recognised\ in\ earlier\ year}$$

While calculating option expenses consider number of employee expected to be left, Expectation of year end should be consider. Some time both is given Actual number of employee left and expected to be left in % form, in such case consider actual number of employee left for current year and expectation for next year & onwards.

II. STOCK APPRECIATION RIGHT (SAR)

Stock Appreciation Rights (SAR) entitle the employees to claim cash payment to the extent of excess of market price of underlying shares on exercise date over the exercise price. It is same as ESOP except we prepare PROVISION FOR STOCK OPTION instead of Employee Stock Option A/c.

III. **ESOP with the cash Alternative**

Under this Employee has give option to take cash alternative instead of share at vesting date. In such ESOP will be assumed Excess of obligation over cash liabilities. Option expenses recognised as follows:

Share Obligation	Total Number of share x Fair	

	Value	
Less: Cash Obligation	Cash Obligation Number of share x MP	**Revalue each year**
ESOP	Balance is ESOP(Equity Component)	**Recognise in SLM over year**

CONSOLIDATED FINANCIAL STATEMENT

General notes

It is last of question of ca final exam financial reporting paper, irrespective of exam question easiest and following step:

a. First of read question carefully and make a quick summary in rough, what have i to do in entirely.
b. Then for solution, first of all prepare consolidated balance sheet then add all the item line by line and write on consolidated balance sheet, **except** reserve & surplus, minority and goodwill.
c. Then Generally following steps is followed to complete the consolidated balance sheet.
    - Holding pattern and % of holding.
    - Revaluation of assets if any
    - Unrealised profit on stock.
    - Analysis of profit.
    - Cost of control.
    - Minority interest.
    - Consolidated general reserve.
    - Consolidated profit and loss.

Detailed procedure

1. **Preparation of balance sheet**
   If the holding subsidiaries relationship exists then consolidate assets and liabilities line by line. If joint venture relationship exists then consolidate assets and liabilities proportionately to the extent of share in joint venture. If it is associates then do not consolidate assets and liabilities only investment revaluation using post acquisition profit. Never incorporate in CBS equity share of subsidiary, associate, joint venture and minority holding in parent. Never incorporate investment in subsidiaries and joint venture in consolidated balance sheet. If 100% subsidiaries then everything will be line by line consolidation no question of minority interest, do not do anything only line by line consolidation.
2. **Revaluation**
   M.V on date of acquisition xxxxx
   Less: B.V on date of acquisition xxxxx
   Revaluation profit or loss xxxxxx
   It is always pre acquisition profit or loss,
   Now calculate additional depreciation or saving on depreciation

If revaluation profit then additional depreciation. If revaluation loss then saving in depreciation. To calculate it simply apply depreciation rate on revaluation profit or loss for remaining period.

Icai method not logical
Depreciation on revised value of assets for remaining period - *xxxxx*
Less: depreciation already charged *xxxxx*
Additional / saving in depreciation. *Xxxxx*

It is always post acquisition profit or loss

3. Analysis of profit

Particular	Pre acquisition profit	Post acquisition profit	
General reserve	XXXXX	XXXXX	
Profit or loss	XXXXX	XXXXX	
All reserve and losses	XXXXX	XXXXX	
Total	**XXXXX**	**XXXXX**	
Add:			This adjustment is made to arrive at regular business profit for Timing adjustment.
Dividend paid		XXXXX	
Dividend proposed and shown in balance sheet		XXXXX	
Abnormal loss		XXXXX	
Bonus declared and entered by subsidiaries		XXXXX	
	XXXXX	**XXXXX**	
Timing adjustment	XXXXX	XXXXX	
Less:			
Dividend paid	XXXXX	XXXXX	
Abnormal loss	XXXXX	XXXXX	
Bonus declared whether entered by subsidiaries or	XXXXX		
not		XXXXX	
Unrealised profit	XXXXX		
Revaluation loss		XXXXX	
Additional depreciation			
Preference dividend (Para 27) (proposed for		XXXXX	
preference dividend irrespective of question say or			
not)	XXXXX	XXXXX	
Add:	XXXXX		
Abnormal gain		XXXXX	
Revaluation profit		XXXXX	
Saving in depreciation			
Unrealised loss			
	XXXXXX	**XXXXXX**	
Parent share	XXXXXX (COC)	XXXXXX (CPL)	
Minority share	XXXXXX (MI)	XXXXXX (MI)	

4. Cost of control

Investment in all subsidiary	XXXXX
Less:	
Paid up value of share capital	XXXXX

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Bonus issue of share capital	XXXXX
Pre acquisition profit	XXXXX
Rectification of dividend	XXXXX
Goodwill / (Capital reserve)	XXXXXX
Excess of investment over parent's portion of equity is goodwill and excess of parent portion of equity over parent's investment is capital reserve, if there are more than 1 subsidiaries, then goodwill and capital reserve arising on different subsidiary can be netted off.	

5. **Minority interest**

Share capital	XXXXX
Pre acquisition profit	XXXXX
Post acquisition profit	XXXXX
Bonus issue of share capital	XXXXX
Total	XXXXXX

6. **Consolidated profit and loss**

Balance of holding as per separate balance sheet	**XXXX**
Less: Rectification of dividend	**XXXX**
Less: Unrealised profit	**XXXX**
Less: Proposed dividend (to be shown in CBS)	
Add: Unrealised loss	
Add: Post acquisition profit	**XXXX**
Total	XXXXXX

7. **Contra item**

   Any payable or receivable within the group would be cancelled. If bill issued still held reduction in contra. If bill issued but not held, reduction in contingent liabilities

8. **Rectification of error**

   Before proceeding for holding company adjustment on timing difference rectify first if any error or omission specified in question.

9. **Dividend**

   PARENT COMPANY

   If dividend paid then no treatment, if dividend ~~proposed~~ declared and shown in balance sheet then no treatment, if dividend ~~proposed~~ declared but not adjusted then reduce it from CPL and show in CBS as short term provision.

   SUBSIDIARY COMPANY

   Dividend paid – first add in AOP in pre or post from where it has been deducted. Now deduct in AOP after timing adjustment from where it should have been deducted as per source of dividend.

   However, if pre dividend declared by subsidiaries, is credited in SPL by holding then rectification entries to be made that is, parent share should deduct from CPL and add as deduction from investment in COC.

   Dividend ~~proposed~~ declared

   If already adjusted in balance sheet then add in AOP and deduct only preference dividend

If not adjusted in balance sheet then only short cut for equity it is only proposed for minority as deduction from minority and shown as short term provision in CBS.
However institute never do such treatment ICAI silence.

Dividend proposed- No any treatment except disclosure in NOTES to accounts.

Preference dividend (Para 27) - Proposed for preference dividend irrespective of question require or not. Share of minority in such preference dividend disclosed in consolidated balance sheet by deducting it from MI and parents share Add in consolidated profit and loss.

10. Unrealised profit

Subsidiary sold to parent- Unrealised profit deduct from inventory in CBS and from profit to the extent of minority share in AOP and HOLDING SHARE- deduct profit in CPL.

Example: A subsidiary sells goods to the holding company goods worth Rs 30,000 on which the subsidiary company made 20% profit on selling price (holding company share holds 3000 out of 4000 shares)
Unrealized profit = 20% of 30,000 = 6,000
Holding company's share = ¾ *6,000 = 4,500.

Holding sold to subsidiaries - Unrealised profit deduct from inventory in CBS and deduct profit in CPL.

11. **Bonus Shares**

When a company issues bonus shares out of its accumulated profits it is necessary to distinguish between pre & post acquisition profits utilized for this purpose. In case bonus shares are issued out of pre – acquisition profits no adjustments are necessary for preparing the consolidated balance sheet because in such a case the holding company's share of such profits gets reduced & the paid up value of the shares held by it will increase. As such the amount of goodwill remains the same.
Bonus shares issued out of post acquisition profits will reduce the holding company's share in revenue profits & increase the paid up value of the shares held. Consequently, the amount of goodwill gets reduced.

Special consideration for calculation holding share in minority in case of bonus issue.

When subsidiaries co. Issue bonus share then share capital increase with corresponding decrease in reserve and surplus, that is number of share increase by issue of bonus number of share.

Now, the problem is that holding accounted such bonus or not, if holding company accounts then number of share hold by holding increase with holding share in bonus issue, if holding company not account number of share representing ex bonus.

Confirm whether holding made entry or not & subsidiary made entry or not. To calculated share holding % in subsidiaries share hold by parent and of subsidiaries should be bring it at equilibrium, that if share of subsidiaries is ex bonus then consider ex bonus number of share of holding company, if subsidiaries company number share is cum bonus then consider cum bonus number of share of holding company to determine shareholding %.

Special consideration for calculation of pre-acquisition dividend in case of bonus issue.

Dividend declared by subsidiaries before bonus issue should be calculated on ex – bonus number of share of subsidiaries company.

12. <u>UPDATION OF FINANCIAL STATEMENT</u>

There may be a circumstance where given financial statement of different date from date of consolidation in such case financial statement updated up to date of consolidation. If business is carried on during such period then it mainly effects to SPL & CASH.

CASH		Statement of profit and loss	
Opening figure Add: Cash profit (profit + depreciation) Increase in liabilities Decrease in assets Less: Increase in assets Decrease in liabilities Dividend including DDT		Opening figure Add: Net profit Less: Dividend including DDT	
Closing cash balance		Closing SPL	

Note – Fixed assets will be reduced by the amount of depreciation, if there is any other changes such also should be considered.

DIFFERENT SITUATION

8. **MULTIPLE ACQUISITION**

   Prepare one minority for number of share held by minority as on consolidated balance sheet, one cost of control, multiple AOP for in each date of acquisition calculating share of holding in each AOP for only incremental share acquired by holding at each date

9. **MULTIPLE SUBSIDIARIES**

   Here all assets and liabilities combined line by line. Prepare one COC as whole, one minority as whole disclosing different subsidiaries and multiple AOP for each subsidiaries who is having investment.

   First begin with subsidiaries who is not having investment in other and thereafter ultimately prepare for holding company following must be kept in mind:

   - Pre acquisition profit of all subsidiaries other than minorities transfer to cost of control
   - Post acquisition profit of holding in ALL AOP transfer to CPL.
   - Post acquisition profit of subsidiary transfer to its parent AOP only after timing adjustment
   - Rectification of dividend receipt by holding in COC & CPL. Whereas received by subsidiary in COC & AOP for respective holding of share.

10. **Joint venture**

    Recognise all assets and liabilities of joint venture proportionately for share hold by holding. In joint venture minority interest will not arise. Proposed dividend by joint venture is not relevant. All other method is same as in COC, AOP, CPL & CGR.

11. **Associate**

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Only investment revaluation using post acquisition profit. Such post acquisition profit will also be included in CPL.

12. Intercompany holding

- Subsidiary share in parent included in COC & MI.
- Use equation method

13. **Disposal of share**.

Sale value
Less: book value of investment proportionately
Profit or loss on sale

14. Hire purchase.

Contra for mutual indebtedness		**Cancellation of unrealised profit**	
- Creditor	-debtor (for instalment due)	-CPL	- H.P. Assets
	-Stock (for instalment no yet due)		

ACCOUNTING STANDARDS – 1

DISCLOSURE OF ACCOUNTING POLICIES

All **accounting policies** followed in preparation and presentation of financial statement should be separately disclosed at one place separately. Accounting policies means accounting principle and method of applying those principles adopted in the preparation and presentation of financial statement.

There are three **fundamental accounting assumption** going concern, consistency and accrual. There are presumption of adoption of fundamental accounting assumption in preparation and presentation of financial statement. Disclosure of non compliance with fundamental accounting assumption should be made.

Going concern: Enterprises is viewed as continuing in operation for foreseeable future period that is neither it has intention nor necessity to liquidate or curtail operation, that is why depreciation is provided, assets is capitalised, etc. If it is not expected to continue for foreseeable future depreciation and provision not provided, assets is disclosed at realisable value and liabilities at payable value.

Consistency: Accounting policies expected to follow consistently from one year to next year, if there is change in accounting policies then disclosure should be made.

Accrual: Income and expenses expected to record on accrual basis. If in enterprises follow other than accrual basis of accounting then disclosure should be made in the books of accounts

SELECTION OF ACCOUNTING POLICIES

Selection of accounting policies should be made in following order:

1. Select such accounting policies, so as to give true and fair view.
2. Consider
   Prudence- Profit are not anticipated but recognised only when it is realised. Provision is made for all known loss & liabilities.
   Substance over form- Consider substance of transaction not merely legal form.
   Materiality- The knowledge of which affect decision of user of Financial Statement.

CHANGE IN ACCOUNTING POLICIES

Change in accounting policies permitted only if it is require by statute, for compliance with accounting standards or it is considered change would result in more appropriate presentation of the financial statements of the enterprises.

Any change in accounting policies which has a material affect should be disclosed. Disclosure should be made in the year in which such change is made. Effect of change in accounting policies should be provided retrospectively.

ACCOUNTING STANDARDS -2

VALUATION OF INVENTORIES

Inventories: An asset **held** for sale in normal course of business, in the process of production for such sale or in the form of material. It do not include spare parts, servicing equipment and standby equipment which meet the definition of property, plant and equipment. Such accounted as per AS 10.

Assets means anything from which future economic benefit is expected and which can be measured using substantial degree of estimation. It constitutes finished goods, work in progress, raw materials, Stock in trade, stores and spares for regular use in general machine and other. Inventory do not include spare parts, servicing equipment and stand by equipment which meet the definition of Property plant equipment as per AS 10.

Valuation: Finished goods and WIP should be valued at lower of cost or Net realisable value. Raw material should be valued at cost, however if finished goods in which such raw material is to be used , is expected to sold at lower of cost, then Raw material should valued at lower of replacement cost or Actual Cost.

Scrap and By-product: Recognise by-product and Scrap at NRV (Net Realisable Value). Profit from sale of Scrape and by-product should be deducted from joint cost of main product, and such net joint cost would be the cost of main product.

NRV= Sale value – Expenses – Cost of completion

Determination of cost

Following method is used in determining of cost

1. Actual cost
   Cost of purchase including cost of conversion and other cost to bring the inventories in current location and position.
2. Standards cost
3. Retail selling price – Profit %

Following item should be excluded while calculating cost:

1. Abnormal loss.
2. Storage cost.
3. Administration overhead incurred after bringing the inventory at current location and position.
4. Selling and distribution expenses.
5. Interest cost should not form part of cost of inventory unless inventory is qualifying assets.

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Guidance note on treatment of excise duty:

1. Excise duty is manufacturing expenses it should be included in cost of production.
2. When the liabilities for excise duty has been incurred but its collection is deferred, provision for unpaid liabilities should be made.

ACCOUNTING STANDARDS 3

CASH FLOW STATEMENT

Cash flow statement consist of cash flow from operating activity, cash flow from investing activity and cash flow from financing activity.

Cash flow from operating activity means cash from principle revenue generating activity. **Cash flow from investing activity** means cash from sales or purchase of investment, property or assets. **Cash flow from financing activity** means cash from/to interest, dividend, and capital structure.

There are two methods to calculate cash flow from operating activity, direct and indirect method.

Direct method =

cash sales	XXX
Add: Receipt from debtor Trade commission Other operating income	XXX XXX
Less: cash purchase	XXX
payment to creditor	XXX
Office and selling expenses	XXX
Other operating expenses	Xxx
Cash flow before taxation	**XXX**
Less: tax paid	XXX
Cash flow from operating activity	**XXX**

Indirect method =

Net profit	XXX
Add: Provision for taxation	XXX
Add: Depreciation. Non cash expenditure, outstanding expenses debited to SPL.	XXX
Less: Profit on sale of investment and assets. Non- cash income credited to SPL.	XXX
Cash flow from operating activity before change in working capital	XXX
Add: increase in current liabilities & decrease in current assets	XXX
Less: increase in current assets & decrease in current liabilities.	XXX
Cash flow from operating activity	**XXX**

CASH FLOW STATEMENT

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1. Cash flow from operating activity	####
2. Cash flow from investing activity	####
3. Cash flow from financing activity	####
CASH FLOW FROM ALL ACTIVITY (1+2+3)	####
ADD: opening cash and cash equivalent	####
Closing cash and cash equivalent	####

ACCOUNTING STANDARDS – 4

EVENT OCCURRING AFTER THE BALANCE SHEET DATE

Here, Events are those significant gain or loss which arises after the balance sheet date but before approval of financial statement.

Event occurring after the balance sheet date are of two types, first the condition of which exist on balance sheet date and other the condition of which doesn't exist on the balance sheet date, for former adjustment is required in financial statement but for later no any adjustment is required in financial statement except when it result in violation of going concern assumption.

Dividend declared after the balance sheet for the financial year should not be adjusted in the financial statement, however disclosure in notes should be given.

ACCOUNTING STANDARDS – 5

NET PROFIT OR LOSS, PRIOR PERIOD ITEM AND CHANGE IN ACCOUNTING POLICIES

After announcement of Schedule III, Concept for Net profit or loss no more relevant.

Prior period item – income or expenses recognised in current year due to error or omission in preparation of financial statement of earlier period, it should be provided prospectively. It should be disclosed separately.

Prior period item doesn't includes other adjustment necessitated by circumstances. For example- expected increase in bad debt, Increase in salary retrospectively, etc

Change in accounting policies – eg. Change in valuation of inventories, change in method of depreciation. Change in accounting policies should be provided retrospectively. It should be disclosed separately. Policy which is substantially different from existing accounting policy, not regarded as change in accounting policy. Change in accounting policies allowed only when it result in more appropriate presentation or it is required by law.

ACCOUNTING STANDARDS- 7

CONSTRUCTION CONTRACT

Construction contract: contract specially negotiated to construct or destruct any assets of group of assets.

Method to recognise revenue – Revenue is recognised in accordance with stage of completion of the contract activity at reporting date, this method of revenue recognition is referred as percentage of completion method.

Step 1- Calculate degree of completion:- $\frac{\boldsymbol{Actual\ cost\ incurred}}{\boldsymbol{Total\ expected\ cost}} * \mathbf{100}$

Lets assume degree of completion is X%

Step 2- Revenue to be recognised

Total revenue * X%	XXXX
Less- Total Actual cost Or total cost * X%	<u>XXXX</u>
Cumulative Profit	**XXXX**
Less: Profit Recognised till last year	<u>XXXX</u>
Current year profit	**XXXX**

Para 35: Recognise expected loss on contract entered irrespective of degree of completion, when contract cost expected to exceed contract revenue. Provision for expected loss to be cancelled in next year.

Actual cost #####
Less: Revenue recognised <u>#####</u>
Actual loss up to current year <u>#####</u>

<u>Provision for expected loss</u>

Total expected loss $\frac{Current\ year\ loss}{Degree\ of\ copletion}$ #####
Less: loss recognised <u>#####</u>
Provision to be made <u>#####</u>

Para 14: Incentive payment for early completion to be recognised only when :

1. The contract is sufficiently advanced that is probable that the specified performance will be met or exceeded.
2. Amount of incentive can be measured reliably.

ACCOUNTING STANDARDS -9

REVENUE RECOGNITION

This AS deals with Sale of goods, Rendering of services, interest, dividend and Royality.

Revenue Recognition

Revenue is gross inflow of cash, receivables or other consideration arising in the course of the ordinary activity of an enterprises from the sale of goods, from the rendering of services, and from the use by other of enterprises resources yielding interest, royalties and dividend. It should be recognise when it is measureable and there is no uncertainty in revenue collection.

Sale of goods: Sale of goods should be recognised when Risk and reward incidental to ownership have been transferred.

Rendering of Services: There are two method to recognise revenue from rendering of serves- Proportionate completion method and Completed Services method.

Proportionate Completion Method: It is used when services provided in more than one act. Revenue is recognised proportionately by reference to the performance of each contract. For practical purpose SLM is followed unless other method gives better and fair presentation.

Completed Services Method: It is used when services provided in single act. Here revenue is recognised when sole or final act takes place.

Interest: Income from interest should be recognised on accrual basis.

Dividend: Income from dividend should be recognised when right to receive dividend has been established. i.e when dividend is declared by companies.

Royalty: Income from royalty should be recognised as per agreement.

Sale and Purchase back transaction- Substance of transaction should be considered, When Goods sold to purchase back then the difference between the sale price and re-purchase price should be consider as finance expenses.

ACCOUNTING STANDARDS – 10
PROPERTY, PLANT & EQUIPMENT

Property, Plant & Equipment (PPE):

Tangible item held for use in production or supply of goods or services, Rental to other or for Administrative purpose **AND** expected to be used during more than a period of 12 month.

Cost of an item on PPE should be **Recognise** as assets when (a) It is probable that future economic benefits associated with the item will flow to the entity, And (b) The cost of the item can be measured reliably.

Spare parts, stand-by equipment and servicing equipment are recognised in accordance with this AS-10 when they meet the definition of property, plant and equipment. Otherwise, such items are clas sified as inventory

Cost of major inspection to be capitalised.

Cost of replacement capitalise if meets the definition of PPE.

Measurement at Recognition

Cost of fixed assets: Purchase price including Any directly attributable cost (all cost incurred to acquire fixed assets, cost incurred in bringing fixed assets at current location and position, installation cost, borrowing cost on QA, non- refundable purchase tax) and also includes decommissioning, restoration and similar liabilities. **Reduced by Trade discount, rebate or Subsidy.** Abnormal cost should not be included because it is not directly attributable to fixed assets, Abnormal loss means- detention charges paid to custom authority, etc. Internal profits are eliminated.

Cost of Dismantling and Removal of the Item of PPE and Restoring the Site **Included in the cost** of the respective item of property plant and equipment.

Cost of fixed assets in case of exchange:

Fair value of assets given or obtained whichever is more clearly evident. It will be measured at **carrying amount** of assets given up if either the exchange transaction lack commercial transaction or fair value is not measurable.

Discounting in Case Payment is deferred Beyond Normal Credit Terms:

If it is acquired in deferred credit term then the difference between the purchase price in case of normal credit term and the amount paid, is recognised as interest expenses. AS-16 capitalise if it is on QA.

Cost of Self constructed assets: Recognise to the extent of direct cost incurred and general construction cost which can be allocated to specific fixed assets.

Improvement: Recognise to the extent of cost incurred in improved performance beyond the standards performance.

Disposed off: Profit or loss on sale of PPE is recognised in Statement of Profit and loss.

Measurement after Recognition

Allow to choose either cost model or the revaluation model.

Cost model:

Cost – Any accumulated depreciation – Any accumulated impairment loss.

Revaluation model:
It is optional. It should be on all classes of assets uniformly. Revaluation should be adjusted in Gross carrying amount.
First time revaluation
Increase credited to revaluation surplus and decrease debited to Profit and loss.
Subsequent revaluation
Increase credited to P&L to the extent earlier debited to SPL and excess transfer revaluation surplus. Decrease to be adjusted with revaluation reserve to the extent of revaluation surplus beyond that should be debited to Statement of Profit and loss accounts.

Accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment loss.
On **derecognition of an item of PPE,** revaluation surplus included in owner's equity should be transferred to revaluation reserve.
Revaluation Reserve cannot be distributed as **dividend**.

DEPRECIATION ACCOUNTING

Depreciation means wearing out of fixed assets or decrease in value of fixed assets due to effluxion of time, obsolescence through technology, due to use or due to any other reason over useful life of depreciable assets.

Depreciable assets

PPE

Depreciable amount: Cost/Carrying amount – Residual value.

Generally adopted method of depreciation

Straight line Method: Depreciation = $\frac{\text{Purchase price – Scrap Value}}{\text{No. of year}}$

Written down value method: Depreciation Rate : $1 - \sqrt[n]{\frac{Estimated\ Scrap\ Value}{original\ cost}}$

Units of production method- Result in a charge based on the expected use or output

Depreciation = Carrying amount* Actual production/expected production

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Change in method of depreciation

It is change in accounting estimate. It should be provided prospectively.

Change in Expected useful life

It is change in accounting estimate. It should be provided prospectively.

<u>ACCOUNTING STANDARDS-11</u>

<u>THE AFFECT OF CHNAGE IN FOREIGN EXCHANGE RATE</u>

Foreign exchanges are dealt in two aspect foreign operation and foreign currency transaction.

<u>FOREIGN CURRENCY TRANSACTION</u>

Foreign currency transaction recognised using **reporting currencies**. Reporting currency means Spot rate, approximate rate or average rate of subjected currency.

PARA 38 & 39 of AS 11: When Forward contract entered for speculation purpose then Premium (difference between exchange rate and forward) should not be considered. Only on sale the difference between contract rate and sale rate will be recognised in the profit and loss account.

When forward contract entered for **hedging purpose** then Premium or discount should amortise expenses or income over the life of the contract. Also, exchange difference on such forward contract should be recognised in SPL in the reporting period in which such exchange rate changes. Any profit and loss arising on cancellation or renewal of such a forward exchange contract should be recognised as income or as expenses for the period.

Foreign currency monetary Item: Money held (Cash & Bank) And Known amount of assets, liabilities, receivable, payable or determinable amount of money in foreign currency whose realisation or payment fixed under contract.

PARA 13: Foreign currency monetary item should be reported at closing rate on balance sheet date, the difference transfer to exchange difference and such exchange difference transfer to Statement of Profit and Loss accounts.

LONG TERM FOREIGN CURRENCY MONTRORY ITEM (LTFCMI)

Foreign currency monetary item expected to settle in subsequent year or in more than one accounting period. LTFCMI has two optional treatments either PARA-13 or PARA-46.

PARA-46

Depreciable Assets: Exchange difference related to depreciable assets, Capitalised to assets and depreciate it over life of assets. Both exchange difference due to reporting and due to settlement should be capitalised however interest payment should be dealt in accordance with AS-16.

Non depreciable assets: Exchange difference shown as FOREIGN CURRENCY MONETARY ITEM (FCMIT) Difference account under head of RESEREVE AND SURPLUS if credit balance and under head of non-current assets if Debit balance. It is written off over life of LTFCMI but not beyond 31st March 2020.

<u>LOAN/ BORROWING</u>

Both difference, exchange difference due to reporting and due to settlement, should be consider.

FOREIGN OPERATION

On translation of financial statement of foreign operation convert all assets and liabilities at closing rate and all income and expenses at transaction date rate or average rate.

However in case of integral foreign operation convert fixed assets, Depreciable assets and investment **(FDI)** at transaction date rate.

Exchange difference resulting from translation of financial statement transfer to **foreign currency translation reserve** as capital profit in case of non-integral foreign operation.

However in case of integral foreign operation exchange difference transferred to statement of profit and loss.

ACCOUNTING STANDARDS-12

GOVERNMENT GRANT

Recognition: Government grant should be recognised when subsidies received from government or certain to receive. Grant may be in many forms their types and recognition is given as follows.

Income grant, Expenses grant or bailout grant: Credited to statement of profit and loss.

Grant for promoter contribution or for situation in backward area: Credited to capital reserve, Which can be neither distributed as dividend nor considered as deferred income.

Grant for non-depreciable assets: Credited to capital reserve or shown as deduction from the gross value of assets.

Grant for Depreciable assets: It is having two optional treatments either net method or gross method.

Net method: initially grant is deducted from assets and assets net of grant is depreciated over life of assets.

Gross method: Grant is deferred and amortise over life of assets in the ratio of depreciation.

Refund of government grand- it is an extraordinary item as per AS-5, it is applied first against unamortised deferred credit balance and excess change to SPL.

ACCOUNTING STANDARDS-13

ACCOUNTING FOR INVESTMENT

INVESTMENT: Investment means assets held for earning income, appreciation or other benefit to the investing enterprise. It is classified as current investment or permanent investment. An investment readily realisable and intended to hold not more than 1 year is known as current investment, investment other than current investment is permanent investment. Investment property in the nature of Land or building which is intended to use by or in the operation of the investing properties deals in accordance of AS-10 that is now recognised as per cost model.

Cost of investment: Purchase cost including tax on purchase, Expenses to obtain title.

Cost of investment when issued own share to acquire investment: the value of investment or Fair value of securities issued.

Cost of investment in case of exchange: Fair value of assets given or obtain whichever is more clearly evident.

RIGHT SHARE: When share acquired cum-right, then proceeds from sale of right share deducted from cost of acquisition to the extent of difference between cum-right share price and ex-right share price and excess transfer to profit and loss accounts.

VALUATION: Current investment should be valued at lower of cost or FMV categories wise. Permanent investment should be valued at cost only, however permanent decline should be consider. On valuation reduction in the value of investment should be charged to statement of profit and loss.

RECLASSIFICATION: When current classified as Permanent Investment then value at lower of cost or FMV. When Permanent investment classified as Current investment then value at lower of cost or carrying amount. Follow rule of whatever investment was before classification.

Disposal of investment: Profit or loss on sale of investment should be recognised in SPL.

ACCOUNTING STANDARDS-14

ACCOUNTING FOR AMALGAMATION

AMALGAMATION: Amalgamation means external reconstruction. When two or more company merge to form a new company, known as amalgamation.

NATURE: An amalgamation may be either in the nature of merger of nature of purchase. Accounting treatment in both the cases is as follows.

AMALGAMATION IN THE NATURE OF MERGER

All assets and liabilities including reserve of amalgamating company incorporated at book value. The difference between the purchase consideration and Share capital of Transferor Company should be adjusted in RESERVE.

AMALGAMATION IN THE NAUTRE OF PURCHASE

Only assets and liabilities of amalgamating company incorporated at taken over value. The difference between NET ASSETS TAKEN OVER and PURCHASE CONSIDERATION is result in either goodwill or capital reserve. Excess of net assets taken over, over purchase consideration is CAPITAL RESERVE. Excess of purchase consideration over net assets taken over is GOODWILL.

Statutory Reserve incorporated with corresponding amalgamation adjustment ~~accounts~~ Reserve.

PURCHASE CONSIDERATION: It is the amount payable by amalgamated company to shareholder of amalgamating company.

ACCOUNTING STANDARDS-15

EMPLOYEE BENEFITS

EMPLOYEE BENEFITS: Employee benefits means consideration paid by employer to employee for value of services performed by employee.

Types of employee benefit:

Short term employee benefit- expected to paid within 12 month.

Long term employee benefit

Termination benefit or voluntary retirement scheme

SHORT TERM EMPLOYEE BENEFIT

It is expected to be paid within 12 months from balance sheet date.

LEAVE

UNPAID: No any treatment

PAID: If vested in nature that is cash against leave or leave against leave then full amount should be recognised for all accumulated leave.

However if unvested in nature that in only leave against leave then proportionate amount recognised for leave expected to avail.

LONG TERM EMPLOYEE BENEFIT

It is expected to pay in more than one accounting period. There are two types of long term employee benefits DEFINED CONTRIBUTION PLAN and DEFINED BENEFIT OBLIGATION.

DEFINED CONTRIBUTION PLAN: It contain Employer and employee both contribution. Employee benefit is recognised as normal expenses and charged to profit and loss accounts.

DEFINED BENEFIT OBLIGATION: It contains only employer contribution. Here entity maintain Plan assets and defined benefit obligation. Projected unit credit method is used to recognise expenses.

Step of projected unit credit method is as follows:

Step 1 – Estimate total amount of employee benefit to be paid.

Step 2 – Allocate estimated employee benefit over the year.

Step 3 – Calculate current service cost (Present value of allocated estimated employee benefit using reverse discounting)

Step 4 – Prepare liabilities sheet year wise as follows:

Opening balance	####
Add: Current Service cost	####
Add: Interest	####
Closing balance	####

Example: Lets assume Retirement benefit is 10% of last salary drawn, tenure of employee is 5 year and current salary is 10000, increment each year is 5%.

Step 1- Estimate total amount of employee benefit to be paid

10% of 10000*$(1.05)^5$ *5year= 6380

Step 2 – Allocate estimated employee benefit over the year.

Year	
1	1276
2	1276
3	1276
4	1276
5	1276
	6380

Step 3 – Calculate current service cost (using Reverse discounting Assuming interest rate is 10%)

Year	Amount	Discounting Factor	Current Service cost
1	1276	.683	872
2	1276	.751	958
3	1276	.826	1054
4	1276	.909	1160
5	1276	1	1276
	6380		

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Step 4 – Prepare liabilities sheet year wise as follows:

	1	2	3	4	5
Opening balance	0	876	1921.6	3167.6	4645
Add: Current Service cost	872	958	1054	1160	1276
Add: Interest	0	87.6	192	317	460
Closing balance	876	1921.6	3167.6	4645	6380

PLAN ASSETS

Plan assets account			
To, Opening balance b/f			
To, Contribution paid in plan assets		By benefit Paid out of plan assets	
To, Expected return		By Actuarial loss	
To, Actuarial gain (b.f)		By Closing Balance B/f	

Rate to calculate expected return $\sqrt{1 + Rate}$

Expected return is the sum of

1. return on opening &
2. return on (opening + contribution +return on opening calculated on point 1 – benefit paid)

Actuarial gain or loss is difference between the expected return & actual return.

ACCOUNTING STANDARDS-16

BORROWING COST

CAPITALISATION: Borrowing cost incurred on qualifying assets before the assets ready to use is eligible for capitalisation, and borrowing cost incurred thereafter is treated as a revenue expenditure. Qualifying assets means, Assets which takes substantial period of time to get ready to use or sale, that is exceeding 12 month. Borrowing cost can be capitalised to the extent of actual borrowing cost, if borrowing cost to be capitalised exceed actual borrowing cost then cancel it in the ratio of borrowing cost to be capitalised. Incidental and ancillary cost incurred in acquisition or arrangement of borrowing is also considered as borrowing cost, consider it while calculating general borrowing rate.

RATE: Rate would be effective interest rate. Calculate effective interest on special borrowing and on general borrowing separately. In case of special borrowing if , any **interest received on surplus** then deduct it while calculating effective interest rate of special borrowing.

CALCULATION OF AMOUNT TO BE CAPITAISED

Expenses on QA*ROI*Period of capitalisation

COMMENCEMENT OF CAPITALISATION:

Capitalisation of borrowing cost commence when all of the following condition satisfied:

1. Borrowing cost is being incurred.
2. Expenditure on qualifying assets is being incurred.
3. Active development is being taken place.

SUSPENTION OF CAPITALISAITON OF BORRWING COST

Capitalisation of borrowing cost is suspended when active development is not taking place in due to abnormal reason in extended period.

CESSATION OF CAPITALISATION OF BORROWING COST

No capitalisation of borrowing cost when borrowing cost ceases to incur or Assets is ready to use- means substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are complete, whichever falls earlier.

FOREIGN EXCHANGE LOSS DUE TO BORROWING

Recognise exchange loss on foreign borrowing but to the extent of difference between estimated cost of local borrowing and Actual borrowing cost. This exchange loss in addition to borrowing cost.

ACCOUNTING STANDARDS-17

SEGMENT REPORTING

SEGMENT: Different unit of an entity is known as segment. Segment is identified as business segment or geographical segment. Business segment identified on the basis of production of good or rendering of services. Geographical segment identified on the basis of situated in different geographical location.

INDENTIFICATION OF REPORTABLE SEGMENT

A segment of an entity would be considered as reportable segment if it's revenue, result or assets consist of 10% or more of total entity's sales, result or assets respectively. Segment revenue don't includes interest, dividend, profit on sale of investment or extinguishment of debt.

Segment identified should consist of 75% of total **entity's external sales** (excluding intersegment transfer), if it falls below 75% then further selection to cover 75% of organisation sales.

Segment assets do not include income tax assets (example- Deferred tax assets, refund receivable etc)

ACCOUNTING STANDARDS-18

Introduction

All the transaction takes place with the related parties during the year should be disclose irrespective of that it is made at arm length price or normal price, Also disclosure of related parties relationship should be made irrespective of transaction takes place or not with related parties during the hear. Related parties transaction means transfer of resources or obligation between related parties, regardless whether or not price is charged.

RELATED PARTY TRANSACTION

RELATED PARTY AS PER PARA 3

3a. Enterprises who control, are controlled by or under common control of any entity. (holding, subsidiary and other subsidiaries of holding company known as fellow subsidiaries.)

3b. Associates, Joint venture or investor parties or venture for which entity is Associates, Joint venture

3c. Individual having power to control or power to exercise significant influence*.

3d. Key Managerial Person or their relative.

3e. Enterprises under common control of person defined under section 3c and 3d.

* Significant influence can be exercised if holds 20% or more directly or indirectly. Control means holding 51% or more, power to control or power to direct.

DISCLOSURE REQUIREMENT

Following should be disclosed.

Mnemonics: N_3DTV

1. Name of Related party.
2. Nature of transaction.
3. Nature of relationship.
4. Discount or Bad debt.
5. Transaction at Arms' length or at normal price.
6. Volume of transaction.

ACCOUNTING STANDARDS-19

LEASE

LEASE: An agreement, whereby lessor agree to transfer right to use an assets in return of payment or series of payment. There are two types of lease finance lease and operating lease.

FINANCE LEASE: When risk and reward incidental to ownership has been transferred. Satisfied any of the following condition:

1. Automatic transfer of ownership at end.
2. Purchase option at end of lease term at very reduced price.
3. Lease term is equal to economic life of assets.
4. Present value of lease rent is equal to fair value of assets.
5. Assets is of special nature that can be used in only special case, like ambulance.

JOURNAL ENTRIES

LESSEE	LESSOR
Assets on lease A/c Dr.*** To Lessor A/c (Being assets purchased on lease)	Lease receivable A/c Dr.** To Assets on lease (Being assets Transfered on lease)
Lessor A.c Dr. To Bank a/c (Being Down payment made.)	Bank a/c Dr. To Lease Receivable A/c (Being Down payment receipt.)
Lessor A/c Dr. Finance Charge A/c Dr. To Bank A/c (Being instalment paid)	Bank A/c Dr. To Finance charge A/c To Lease receivable A/c (Being instalment received)
Depreciation A/c Dr. To Assets A/c (Being depreciation charged on assets)	No depreciation Entry
Statement of Profit and loss a/c Dr. To Finance Charge To depreciation (Being finance charge and depreciation charged to Statement of profit and loss a/c)	Finance charges A/c Dr. To Statement of Profit and loss (Being Finance charge Transferred to Statement of Profit and loss a/c)
*** Assets or Liabilities will be recorded at lower of Present value of minimum lease payment or Fair value. Whenever Value is fair value the calculate IRR and then use such IRR to calculate Finance charge. To calculate IRR choose any two rate to discount Lease rent & GRV so that fair value falls in between above two PV.	** It will be recorded at present value of Gross investment or at net investment. **UEFI(unearned finance income)** = gross investment – net investment Gross investment sum of lease rent, guaranteed residual value & unguaranteed residual value. Net investment means present value of

As shown in following formula. IRR = $\frac{PV\ at\ lower\ rate - FMV}{PV\ at\ lower\ rate - PV at\ higher\ rate} * Diff\ in\ rate$	gross investment. In simple term UEFI means finance charges.

OPERATING LEASE

Lease other than finance lease is Operating lease. Lease rental is considered as normal business income for lessor and normal business expenses for lessee.

LESSEE	LESSOR
Lease rent A/c Dr. To, Bank A/c (Being Lease rent paid)	Bank A/c Dr. To, Lease Rent A/c (Being lease rent received)
Statement of Profit and loss a/c Dr. To, Lease rent A/c (Being lease rent Charged to Statement of Profit and Loss A/c.)	Lease Rent A/c Dr. To, Statement of Profit and Loss (Being Rental income Transferred to Statement of Profit and loss A/c.)
	Depreciation A/c Dr. To, Assets (Being Depreciation Charged on Assets)
	Statement of Profit and loss Dr. To, Depreciation A/c (Being Depreciation Charged to SPL)

SALE AND LEASE BACK TRANSACTION

FINANCE LEASE BACK	OPERATING LEASE BACK
All treatment is same as finance lease except the treatment of profit resulting from sales, which is, discussed as follows.	All treatment is same as operating lease except the treatment of profit resulting from sales, which is, discussed as follows.
Only deferred income or loss. Determine Profit of loss on Sale and amortise it in the ratio of depreciation. Difference between Sale value and book value is treated as Deferred income or loss as the case may be.	Deferred income or loss amortise to SPL in the ratio or lease rental over lease term. Difference between FAIR VALUE and SALES PRICE is treated as deferred income or loss.
	Difference between BOOK VALUE and FAIR VALUE is considered as impairment loss, direct transfer to SPL.

TAX TREATMENT

	ACCOUNTS	INCOME TAX
LESSOR	Lease rent received treated as Instalment receipt of lease receivable.	Lease rent is taxable as business income.
	Depreciation is not charged	Depreciation is allowed under income tax
Lessee	Depreciation is charged	Depreciation is not allowed
	Finance charged debited to SPL.	Finance charges is not allowed
	Lease rent payment is treated as instalment repayment of lease payable.	Lease rent allowed as expenses.

So ultimately lessee claim depreciation and finance charge but income tax allowed only lease rent. For LESSOR- lease rent is taxed and depreciation is allowed.

ACCOUNTING STANDARDS-20

EARNING PER SHARE

BASIC EARNING PER SHARE: $\frac{EARNING\ AVAILABLE\ TO\ EQUITY\ SHARE\ HOLDER\ (EATESH)}{WEIGHTED\ AVERAGE\ NUMBER\ OF\ SHARE\ (WANOS)}$

WEIGHTED AVERAGE NUMBER OF SHARE

Average number of share weighted in accordance with number of days for which share is actually held.

Do not weight for following AND **also always restate basic earning per share of earlier period for following**

1. Bonus share
2. Share received on merger
3. Bonus part of right share

Weight only for following

1. New issue of share
2. Buy back
3. Paid part of right share
4. Share received in amalgamation in the nature of purchase.

Calculation of bonus part and paid part in case of right issue

Step 1- Calculate Post right fair value

$$\frac{(Number\ of\ share\ befor\ right\ X\ Price\ befor\ right)+(Right\ share\ X\ Right\ Price)}{Total\ number\ of\ share}$$

Step 2- Calculate paid part

$$Right\ share\ X\ \frac{Right\ Price}{Post\ Right\ fair\ value}$$

Step 3- Calculate bonus part

Total number of right share – Paid part of right share

CALCULATION OF EARNING PER SHARE IN CASE OF DIFFERENTIAL DIVIDEND RIGHT AND PROPOTIONAL DIVIDEND RIGHT

1. Differential dividend right
   i. Calculate EATESH
   ii. Deduct special earnings from EATESH
   iii. Balance earning used for regular earning per share.
   iv. Calculate special earning per share by dividing special earning from respective no. of share.
   v. Basic earnings per share = Regular earning per share + Special earning per share
2. Proportional dividend right
   i. Calculate equivalent share of each class.
   ii. Allocate EATESH in above ratio.
   iii. Calculate BEPS=$\frac{Allocated\ EATESH}{Original\ no.of\ share\ of\ each\ class\ of\ share}$

DILUTED EARNING PER SHARE

Earnings per share for equity share holder as well as potential equity share.

Step 1- Identify potential equity share. That share warrant, convertible debenture, and convertible preference share to be converted in to equity share. Number of equity share to be issued on conversion is known as potential equity share.

Step 2- Calculate incremental earnings per share

Incremental earnings per share =$\frac{Post\ tax\ increase\ in\ income\ in\ case\ of\ potential\ equity\ share\ if\ potential\ equity\ share\ are\ converted\ in\ to\ equity\ share}{Number\ of\ potential\ equity\ share}$

if there are more than one potential equity share then rank incremental earning per share in descending order that is lower the higher rank.

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Step 3- Test for dilution

Numerator	Denominator	Ratio
Profit	No. of share	Numerator / Denominator

Serially check all the potential equity share in above format, if ratio is reduced on inclusion of potential equity share and corresponding profit then it is known as diluted earnings per share.

Diluted earnings per share = $\frac{EATESH\ after\ considering\ Saving\ resulting\ from\ potential\ equity\ share}{Weighted\ average\ number\ of\ equity\ share\ including\ potential\ equity\ share}$

Note – Also do weight for potential equity share and resultant increment in earning if it is requires.

ACCOUNTING STANDARDS – 22

ACCOUNTING FOR TAXES ON INCOME

DEFERRED TAX: Actually in statement of profit and loss, accounting profit is disclosed whereas tax expenses is disclosed as per income tax profit (Total income), Generally accounting profit and Total taxable income differ due allowance and disallowance of different income and expenses under income tax. So, for proper calculation of profit and to provide appropriate amount of taxes, differed tax assets and differed tax liabilities is calculated and provided to mitigate the affect of timing difference.

TIMING DIFFERENCE AND PERMANENT DIFFERENCE

TIMING DIFFERECNCE: When difference in accounting profit and taxable total income resulting from those income and expenses which are capable of reversal in future, known as timing difference. For example-

Under section 43B of income tax act 1961, Bonus, Interest on loan, Taxes, Employer's contribution to provident fund and Leave encashment payable to employee are allowed as per only cash basis where as in books of accounts it is provided as per accrual basis. Suppose in current year such expenses is provided in accrual basis but all the above expenses will be disallowed as per income tax, however all the above expenses will be allowed in subsequent year when it is actually paid. This is called timing difference because it is capable of reversal in subsequent year.

PERMANENT DIFFERENCE

When difference resulting from income or expenses which is never taxes under income tax or allowed under income tax respectively, then it is called permanent difference.

For example- **B**ribe paid to any authority for doing business, amount contributed to political party and debited to profit and loss accounts, which is never going to allow under income tax act in current year or subsequent year, it is known as permanent difference which is never going to reversal in future.

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The affect of timing difference provided in the books of accounts in the form of deferred tax assets and deferred tax liabilities.

DEFERRED TAX ASSETS

Tax on timing difference will result in deferred tax assets if timing difference is resulting from disallowed expenses which will be allowed later, simply speaking if in future you will RECOVER taxes for what excess charged in current year, then it is called deferred tax assets *that is total taxable income exceed accounting income*. Deferred tax assets reduced current tax in SPL.

Para 15- Recognise deferred tax assets only when reasonable certainty that there will be sufficient future taxable income against which it can be realised.

DEFERRED TAX LIABILITIES

Excess expenses allowed in current year, which will tax in future year that is taxable income is less than the accounting income. Simply speaking if in future you will have to pay more tax for such timing difference then it is called deferred tax liabilities. Deferred tax liabilities increase tax expenses in SPL.

UNABSORBED DEPRECIATION AND UNABSORBED LOSSES

Para – 17

Deferred tax will be created on unabsorbed depreciation or on unabsorbed losses only when there is virtual certainty supported by convincing evidence that there will be future income against which such deferred tax assets can be realised.

TAX HOLIDAY

Some time some entity is allowed exemption from tax for certain period, it is called tax holiday period.

In case of tax holiday, Recognise DTA/DTL only for the timing difference which is expected to reverse beyond tax holiday. Do not recognise DTA/DTL for the timing difference which is expected to reverse with in tax holiday.

Section 115JB of Income tax act 1961- MINIMUM ALTERNATIVE TAX

Minimum alternative tax is minimum amount of tax which must be paid irrespective of total taxable income and accounting profit. Minimum alternative tax is required to be paid whenever tax as per income tax falls below minimum alternative tax.

Regular income tax is higher of MINIMUM ALTERNATIVE TAX or INCOME TAX ON TOTAL TAXABLE INCOME.

MAT CREDIT

When minimum alternative tax is in excess of tax as per income tax act, then minimum alternative tax is required to be paid, however credit available for such excess, which will be allowed to set off with in next 10 year. Credit is allowed in the year in which regular tax is more than minimum alternative tax to the extent of difference between income tax on total taxable income and minimum alternative tax.

ACCOUNTING STANDRDS- 24

DISCONTINUING OPERATION

DISCONTINUING OPERATION: An operation is said to be discontinuing operation:

1. Which is being **disposed off*** pursuant to a single plan.
2. That is a reportable segment in accordance with AS-17.
3. That is financially and operationally separable.

*Where disposed off means

- Sale of substantial assets and liabilities in lump sum.
- Sale of substantial assets and liabilities in instalment.
- Termination of operation

REPORTING OF DISCONTINUING OPERATION

Reporting of discontinuing operation is required to be made when initial disclosure event takes place. Initial disclosure event said to be taken place in any of the following circumstances:

a. Entity has entered in to binding sale agreement to sale substantial assets or liabilities.
b. Entity has prepared a detailed plan to discontinue operation.

Following event is not regarded as discontinuing operation

1. Gradual decline in operation.
2. Shifting of location.
3. Outsourcing of process.
4. Sale of investment in subsidiary.
5. Improvement in machine.
6. Change in product mix.

ACCOUTING STANDARDS – 25

INTERIM FINANCIAL REPORTING

INTERIM FINANCIAL REPORTING: Reporting of financial statement for interim period, that is, for a period shorter than the financial year, is known as interim financial reporting.

In case of interim financial reporting, Statement of profit and loss, Balance sheet and Cash flow statement should be presented for following period.

Statement of profit and loss	1. Current year - For interim period. For from beginning of financial year to the end of interim period. 2. For same period of previous year (for comparable SPL for interim period and comparable SPL for from beginning of financial year to the end of the interim period.
Balance Sheet	1. As at end of current interim period. 2. As at end of immediate preceding financial year.
Cash flow statement	1. For from beginning of financial year to the end of interim period. 2. For same period of previous year (comparable CFS for from beginning or financial year to the end of interim period.)

INCOME, EXPENSES AND LOSSES RECOGNITION IN CASE OF INTERIM PERIOD

Periodic nature income and expenses	Accrual basis, that is as per period.
Change in accounting policy	Apportioned over interim period.
Other income and Expenses	Neither can be Allocated nor can be deferred. That is, recognised in interim period wherein it is earned or incurred.

GUIDANCE NOTES ON INTERIM FINANCIAL REPORTING FOR TAX TREATMENT

Following step should be following to recognised tax expenses:

Step 1. Calculate estimated annual income.

Step 2. Calculate income tax, Special tax and deferred tax.

Step 3. Allocate income tax and deferred tax over interim period in the ratio of normal income earned over interim period.

Step 4. Allocate Special tax in the ratio of Special income earned.

ACCOUNTING STANDARDS -26

INTANGIBLE ASSETS

INTANGIBLE ASSETS: Identifiable non-monetary assets without physical substance, used for production of goods, rendering of services or for administrative purpose.

ASSETS: Resource under control of an entity having future economic benefit.

RECOGNITION

Recognise only when future economic benefit ensured from the assets and cost can be measured using substantial degree of estimation or reliably. Recognise intangible assets to the extent of future economic benefit ensure from assets and amortise it in the ratio of future economic benefit ensured from assets over year, if ratio not available the in straight line method. Internally generated goodwill is not recognised as assets. Capitalisation of intangible assets begin from the date of it meet criteria to recognise intangible assets till become developed; Subsequent expenditure should always be treated as expenses and expenditure incurred before it should not be capitalise.

RESEARCH

Expenditure incurred during research phase or before it should not be capitalise, it should be recognised as expenses when it is incurred. Start up, staff training, advertisement, relocating expenses and preliminary expenses should also be treated as expenses when it is incurred.

IMPROVEMENT

Improvement should be recognised to the extent of cost incurred into improved performance beyond standard performance.

DEVELOPMENT

Development of intangible assets would be recognised when it is satisfied all of the following condition:

Mnemonics: TIMR

1. Technical feasibility should exist.
2. Intention to develop should exist.
3. Marketability of assets should exist.
4. Resource to finance intangible should exist.\

Amortization

Intangible assets should be amortised over useful life but should not exceed 10 year in the ratio future economic benefit are consume by the enterprises, if the pattern cannot be determined reliably, the straight line method should be used.

ACCOUNTING STANDARDS – 28

IMPAIRMENT OF ASSETS

IMPAIRMENT OF ASSETS: Impairment of assets means reduction in the value of assets. An asset is said to be impaired when carrying amount of assets falls below recoverable value of assets. Impairment loss charged to profit and loss account. If there is impairment loss on already revalued assets then impairment loss to the extent of revaluation surplus recognised against such revaluation surplus and beyond that charge to statement of profit and loss.

Impairment loss is calculated for both CASH GENERATING UNIT and NON-CASH GENERATING UNIT. Following method to calculate impairment loss for cash generating unit and for non-cash generating unit laid down separately:

CASH GENERATING UNIT

Impairment loss = Carrying amount – Recoverable value

Carrying amount = Cost of assets – Accumulated depreciation

Recoverable value = higher of following

- Net Sales price (Budgeted selling price – Expenses on sale)
- Value in use (Present value of future expected cash flow.)

Value in use and net selling price should be calculated for each cash generating unit, however if unit is not able to generate cash it own, then related unit should be identified which is able to generate cash. Impairment of subjected assets would be recognised only when it related Cash generating unit is get impaired.

INDICATOR OF IMPAIRMENT LOSS

Impairment of asset should be done when any of the following circumstances takes place:

1. Decline in market value.
2. Adverse market condition.
3. Increased in rate of interest.
4. Obsolescence or physical damage of assets.
5. Restructuring of operation.
6. Worse economic condition.

NON-CASH GENERATING UNIT

Impairment loss for non-cash generating unit is calculated in two steps, first bottom up approach and second top down approach.

Step 1- Bottom up approach

Identify cash generating unit and allocate allocable goodwill and corporate assets over Cash generating unit, now calculate impairment loss for all cash generating unit and such impairment loss allocate first toward goodwill in full and then towards in other assets including corporate assets in respective ratio.

Step – II

Top down approach

Calculate revise carrying amount of all assets by deducting impairment loss from carrying amount, now add goodwill and corporate assets which was not earlier allocated and calculate impairment loss as whole. And allocate impairment loss first towards goodwill and balance to corporate assets.

REVERSAL OF IMPAIRMENT LOSS

When indicator of reversal of impairment loss exist then reverse impairment loss to the extent of lower of following:

- Impairment loss already recognised.

Or

- Recoverable amount - carrying amount

Indicator of reversal of impairment loss: Simply if circumstance encountered opposite of indicator of impairment loss (opposite of above defined 6 point of indicator of impairment loss).

ACCOUNTING STANDARDS – 29

PROVISION, CONTINGENT ASSETS AND CONINGENT LIABILITIES

PROVISION

Provision is present obligation arising during the past event settlement of which result in an outflow of resources embodying economic benefit and which can be measured using substantial degree of estimation. Provision should be made in books of accounts for such.

It should not be discounted except decommissioning, restoration or similar liabilities at pre tax rate. Periodic unwinding of discount should be recognised in SPL. Periodic unwinding up of discount is just a finance charge on present value, so as to ultimately whole amount as become equal to absolute amount.

All the existing provision for decommissioning restoration and similar liabilities should be discounted prospectively

CONTINGENT LIABILITIES

Only disclosure is required to be made in the notes to financial statement & report of approving authority. No any provision is required to be made in the financial statement.

CONTINGENT ASSETS

Neither any disclosure in financial statement nor any provision is required to be made. However, it is usually disclosed in report of approving authority.

Difference between AS and indas

Generally used sentence

1. There no such provision in the existing accounting standards.
2. Existing AS doesn't contain any Specific explanation in respect of such.
3. Existing AS doesn't deal with the same.
4. It is differ from treatment provided under the existing accounting standards.
5. Disclosure requirement given in indas is more detailed as compare to existing accounting standards.

INDIAN ACCOUNTING STANDARDS	ACCOUNTING STANDARDS
Ind AS 1 and AS 1 : DISCLOSURE OF ACCOUNTING POLICIES	
Explicit Statement of Compliance	
Whether comply with all Ind AS	Existing AS doesn't contain any Specific explanation in respect of such
Current and Non-current Classification:	
It provides criteria of classification	There no such provision in the existing accounting standards. It is provided in Schedule III.
Disclosure of Judgments and Assumptions made	
Require disclose of judgement of management and key assumption.	Existing AS doesn't contain any Specific explanation in respect of such
Classification of Expenses:	
It require nature wise classification.	Existing AS doesn't contain any Specific explanation in respect of such
Presentation of Balance Sheet	
At the beginning of earlier period when entity apply an accounting policies retrospectively.	Existing AS doesn't contain any Specific explanation in respect of such
Disclosure of Reclassified of Items	
Requires disclosure of nature, amount and reason for reclassification in the notes to financial statements.	Existing AS doesn't contain any Specific explanation in respect of such
Statement of Other Comprehensive Income	
Follow single statement approach in two section, statement of profit and loss & other comprehensive income.	Existing AS doesn't contain any Specific explanation in respect of such
Classification of Long-term Loan Arrangement:	
If there is breach of provision with respect to long term loan arrangement & lender agreed to waive and not to recall or demand payment before the approval of financial statement, then such will continue to classify as non- current liabilities.	There no such provision in the existing accounting standards.
Ind AS 8 and AS 5: PRIOR PERIOD ITEM AND CHANGE IN ACCOUNTING	

POLICIE	
Extraordinary Items	
Prohibit disclosure of Extraordinary Items	Existing AS doesn't deal with the same.
Definition of Accounting Policies	
Accounting policies means accounting principle and method of applying those principles, **base, conversion, rules & practice** adopted in the preparation and presentation of financial statement	Accounting policies means accounting principle and method of applying those principles adopted in the preparation and presentation of financial statement
Accounting for Changes in Accounting Policies	
Accounting policies should be applied consistently from one year to next year for similar transactions, other events and conditions.	Existing AS doesn't contain any Specific explanation in respect of such
Exceptions in Retrospective Accounting of Changes in Accounting Policie	
Accounted retrospectively.	Existing AS doesn't contain any Specific explanation in respect of such
Prior Period Items	
Ind AS 8 uses the term 'errors' and relates it to errors or omissions arising from a failure to use or misuse of reliable information	Income or expenses recognised in current year due to error or omission in preparation of financial statement of earlier period, it should be provided prospectively. It should be disclosed separately.
Rectification of Material Prior Period Errors	
Ind AS 8 requires rectification of material Prior period errors with retrospective effect	Existing AS 5 requires the rectification of prior period items with prospective effect.
Ind AS 10 and AS 4: EVENT OCCURRING AFTER THE BALANCE SHEET DAT	
Non Adjusting Events if Material	
Material non-adjusting events are required To be disclosed in the financial statements	The same to be disclosed in the report of approving authority.
Proposed Dividend	
Dividend declared after reporting period but before approval of account cannot be recognised as a liability in the financial statements, because no obligation exists at that time.	Same is required to be recognised in financial statements
Accounting Treatment and Disclosure in case of Inappropriateness of Fundament Accounting Assumption of Going Concern:	
Requires a fundamental change in the basis of accounting.	If it is not expected to continue for foreseeable future depreciation and provision not provided, assets is disclosed at realisable value and liabilities at payable value
In case of breach of a material provision of a long-term loan arrangement	
If there is breach of provision with respect to long term loan arrangement & lender	There no such provision in the existing accounting standards.

agreed to waive and not to recall or demand payment before the approval of financial statement, then such will continue to classify as non- current liabilities.	
Ind AS 34 and AS 25	
Contents of Interim Report	
In case of interim financial reporting, Condensed Statement of profit and loss, Condensed Balance sheet and Condensed Cash flow statement **and** in addition to the above, **a condensed statement of changes in equity**. Should be presented	In case of interim financial reporting, Condensed Statement of profit and loss, Condensed Balance sheet and Condensed Cash flow statement should be presented.
Reversal of Impairment Loss	
Prohibits reversal of impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.	There is no such specific prohibition in the Existing standard.
Accounting Policies	
Same accounting policies & method of computation should be followed in interim period.	Same accounting policies should be followed.
Contingent Liabilities and Contingent Assets	
Requires furnishing of information on both contingent liabilities and contingent assets, if they are significant	Furnishing of information on contingent liabilities only
Change in Accounting Policy	
Apportioned over interim period proportionately. Ind AS 34 additionally requires restatement of the comparable interim periods of prior financial years	Apportioned over interim period proportionately.
Ind AS 12 and AS 22	
Approach for creating Deferred Tax	
Balance sheet approach	Statement of Profit and loss approach.
Recognition of Current and Deferred Tax	
Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised	Para 15- Recognise deferred tax assets only when reasonable certainty that there will be sufficient future taxable income against which it can be realised
Recognition of Current and Deferred Tax for unabsorbed losses and depreciatio	
Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be	Para 17 Deferred tax will be created on unabsorbed depreciation only when there is virtual certainty supported by convincing evidence that there will be future income against

utilised	which such deferred tax assets can be realised.
Disclosure of DTA and DTL in Balance Sheet	
Ind AS 12 does not deal with this aspect except that it requires that income tax relating to each component of other comprehensive income shall be disclosed as current or non-current asset/liability in accordance with the requirements of Ind AS 1.	It require disclosure of deferred tax assets and deferred tax liabilities in the balance sheet.
Disclosure Requirements	
Disclosure requirement given in indas is more detailed as compare to existing accounting standards.	Limited disclosure
Ind AS 2 and AS 2 : VALUATION OF INVENTORIES	
Machinery Spares:	
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;	Existing AS doesn't contain any Specific explanation in respect of such
Inventories Acquired on Deferred Settlement Terms	
If it is acquired in deferred credit term then the difference between the purchase price in case of normal credit term and the amount paid, is recognised as interest expenses.	Existing AS doesn't contain any Specific explanation in respect of such
Cost Formulae:	
Use of consistent cost formula for all inventory.	Specifically provides that the formula used in determining the cost of an item of inventory should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.
Ind AS 37 and AS 29	
Discounting Provisions:	
Require discounting	Prohibit discounting
Disclosure of Contingent Assets	
Requires disclosure of contingent assets in the financial statements when the inflow of economic benefits is probable.	Prohibit disclosure in financial statement only disclosure in report of approving authority.
Ind AS 38 and AS 26 : INTANGIBLE ASSETS	
Definition of Intangible Assets	
Identifiable non-monetary assets without physical substance, ~~used for production of goods, rendering of services or for administrative purpose.~~	Identifiable non-monetary assets without physical substance, used for production of goods, rendering of services or for administrative purpose.
Revenue Based Amortisation Method	
Amortise intangible assets on the basis of	Existing AS doesn't deal with the same.

revenue generated by an activity.	
Payment Deferred beyond Normal Credit Terms	
If it is acquired in deferred credit term then the difference between the purchase price in case of normal credit term and the amount paid, is recognised as interest expenses.	Existing AS doesn't contain any Specific explanation in respect of such
Intangible Assets Acquired in Exchange	
Recognised at fair value.	Recognised at fair market value of book value.
Intangible Assets acquired Free of Charge or for a Nominal Consideration by way of Government Grant:	
Recognised at fair value	Recognised at nominal value or acquisition cost.
Useful Life of an Intangible Asset	
It may be indefinite	Either finite or 10 year.
Valuation Model as Accounting Policy	
Either cost model or revaluation model	Revaluation model is not permitted.
Change in Method of Amortization	
It is change in accounting estimate.	It is change in accounting policies
Ind AS 40 and AS 13 : ACCOUNTING FOR INVESTMENT	
Disclosure requirement given in indas is more detailed as compare to existing accounting standards. It is detail standards dealing with various aspect.	Limited guidance on investment propeties
Ind AS 36 and AS 28: IMPAIRMENT OF ASSETS	
Financial Assets:	
Also applies to financial assets such as investment in subsidiary, associate and joint venture.	Doesn't apply on such assets.
Biological Assets:	
Specifically excludes biological assets related to agricultural activity.	Does not specifically exclude biological assets.
Impairment Testing for an Intangible Asset with an Indefinite Useful Life	
Annual impairment testing for intangible assets.	Not require the annual impairment testing for goodwill.
Reversal of Goodwill:	
Prohibits the recognition of reversals of impairment loss for goodwill.	May be in exceptional circumstances.
Bottom up and Top Down Test	
There is no bottom-up or top-down approach for allocation of goodwill.	Impairment loss for non-cash generating unit is calculated in two steps, first bottom up approach and second top down approach.
Ind AS 17 and AS 19 : LEASE	
Land:	
Dealing with leases of land and building applicable.	Excludes leases of land from its scope
Treatment of Initial Direct Costs	

It is differ from treatment provided under the existing accounting standards.	
Current/Non-current Classification of Lease Liabilities	
Requires current/noncurrent classification of lease Liabilities if such classification is made for other liabilities.	Existing AS doesn't contain any Specific explanation in respect of such.
Sale and Leaseback Transaction	
Not specified the method of amortisation. That is retains the deferral and amortisation principle.	Contain detailed defer and amortisation method.
Recognition of Lease Payments	
In case of operating lease, where escalation of lease rentals is in line with the expected general inflation so as to compensate the lessor for expected inflationary cost increases shall not be straight lined.	Existing AS doesn't contain any Specific explanation in respect of such.
Ind AS 105 and AS 24: DISCONTINUING OPERATIO	
Scope and Objective:	
Deals with accounting for non-current assets held for sale, and the presentation and disclosure of *discontinued operations*.	Deals only with Discontinuing operation.
Discontinued vs Discontinuing Operations:	
A discontinued operation is a component of an entity that either has been disposed off or is classified as held for sale.	DISCONTINUING OPERATION: An operation is said to be discontinuing operation: 1. Which is being disposed off pursuant to a single plan. 2. That is a reportable segment in accordance with AS-17. 3. That financially and operationally separable?
Time Period:	
The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification with certain exceptions	Does not specify any time period in this regard as it relates to discontinuing operations.
Initial Disclosure Event:	
Not mention.	Reporting of discontinuing operation is required to be made when initial disclosure event takes place
Measurement:	
Lower of carrying amount and fair value less costs to sell, and are presented separately in the balance sheet.	AS 10 deal with it Profit or loss on sale of fixed assets is recognised in Statement of Profit and loss.
Ind AS 24 and AS 18: RELATED PARTY TRANSACTIO	
Definition of Relative:	
"a close member of the family of a person" Who may be expected to influence, or be	"relatives of an individual

influenced by, that person in their dealings with the entity, including: A. That person's children, spouse or domestic partner, brother, sister, father and mother; B. Children of that person's spouse or domestic partner; and C. Dependants of that person or that person's spouse or domestic partner.	
State Controlled Enterprise	
"an entity that is controlled, jointly controlled or significantly influenced by a government."	*"an enterprise which is under the control of the Central Government and/or any Stat Government(s)".*
Key Management Personnel	
Includes KMP of entity and parent.	KMP of entity only.
Next Most Senior Parent	
Requires an additional disclosure as to the name of the next most senior parent which produces consolidated financial statements for public use	There no such provision in the existing accounting standards
Ind AS 108 and AS 17	
Identification of Segments:	
It is based on 'management approach' i.e. Operating segments are identified based on the internal reports regularly reviewed by the entity's chief operating decision maker.	Segment is identified as business segment or geographical segment. Business segment identified on the basis of production of good or rendering of services. Geographical segment identified on the basis of situated in different geographical location.
Single Reportable Segment:	
Requires certain disclosures even in case of entities having single reportable segment	There is not such requirement.
Interest Expense:	
Requires the separate disclosures about interest revenue and interest expense of each reportable segment	Excludes interest
Disclosures:	
Disclosure requirement given in indas is more detailed as compare to existing accounting standards.	
Ind AS 7, AS 3 : CASH FLOW STATEMENT	
Bank Overdraft Repayable on Demand	
Includes bank overdrafts which are repayable on demand as a part of cash and cash equivalents.	Existing AS doesn't contain any Specific explanation in respect of such.
Treatment of Cash Payments to property dealer who held for sale, as Ren	
Cash flows from operating activities	Existing AS doesn't contain any Specific explanation in respect of such.

Cash Flows associated with Extraordinary Activities	
Separate disclosure.	Existing AS doesn't contain any Specific explanation in respect of such.
Ind AS 20, AS 12 : GOVERNMENT GRANT	
Grant in respect of Non Depreciable Assets:	
Grants should be recognised as income over the periods which bear the cost of meeting the obligation. It, therefore, specifically prohibits recognition of grants directly in the shareholders' funds.	Credited to capital reserve or shown as deduction from the gross value of assets.
Government Grants in the Nature of Promoters Contribution	
Grants should be recognised as income over the periods which bear the cost of meeting the obligation. It, therefore, specifically prohibits recognition of grants directly in the shareholders' funds.	Credited to capital reserve
Valuation of Non-monetary Grants given Free or at a Concessional Rate	
Fair value.	Nominal value.
Accounting for Grant Related to Assets including Non-monetary Grants	
Only deferred income.	Either deferred income or reduced from cost of assets.
Ind AS 21, AS 11 : THE AFFECT OF CHNAGE IN FOREIGN EXCHANGE RATE	
Forward Exchange Contracts and other similar Financial Instruments	
Excludes from its scope forward exchange contracts and other similar financial instruments, which are treated in accordance with Ind AS 109.	There is no such exclusion.
Exchange Differences arising on Translation of Certain Long-term Monetary Items From Foreign Currency to Functional Currency:	
Dealt in accordance with indas 101. Such an entity may continue to apply the accounting policy so opted for such long-term foreign currency monetary items as per the previous GAAP.	PARA-46 Depreciable Assets: Exchange difference related to depreciable assets, Capitalised to assets and depreciate It over life of assets. Non depreciable assets: Exchange difference shown as FOREIGN CURRENCY MONETARY ITEM (FCMIT) Difference account under head of RESEREVE AND SURPLUS if credit balance and under head of non-current assets if Debit balance. It is written off over life of LTFCMI but not beyond 31st March 2020.
Approach for Translation	
Functional currency approach.	Determine the foreign operations as non – integral foreign operations OR integral foreign for accounting purpose.
Ind AS 23, AS 16: BORROWING COST	

Qualifying Asset measured at Fair Value	
Does not require an entity to apply this standard to borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset measured at fair value,	AS 16 does not provide for such scope relaxation.
Applicability to Inventories	
Not apply to inventory which are repetitive in nature.	Existing AS doesn't contain any Specific explanation in respect of such.
Explanation of Substantial Period of Time	
It doesn't contain any Specific explanation in respect of such.	Qualifying assets means, Assets which takes substantial period of time to get ready to use or sale, that is exceeding 12 month.
Disclosure of Capitalisation Rate	
Require disclosure,	Not require any disclosure.
Ind AS 19, AS 15 : EMPLOYEE BENEFITS	
Constructive Obligations	
It cover .	It doesn't cover.
Definition of Employee	
Includes all director.	Includes only whole time director.
Qualified Actuary	
It specifically encourage the valuation by qualified actuary.	Does not specifically encourage the same
Recognition of Actuarial Gains and Losses	
In other comprehensive income.	In SPL.
Financial Assumptions	
Based on market expectation.	Not clarify the same.
Discounting of Post-employment Benefit Obligations	
Require discounting with reference to market yields at the end of the reporting period on high quality corporate bonds	The rate used to discount post-employment benefit obligations should always be determined by reference to market yields at the balance sheet date on government bond.
Ind AS 33 and AS 20 EARNING PER SHARE	
Presentation of Basic and Diluted EPS from Continuingand Discontinued Operations	
Disclosure of EPS with and without Extraordinary Items	
Requires presentation of basic and diluted EPS from continuing and discontinued operations separately.	Existing AS doesn't contain any Specific explanation in respect of such.
Ind AS 28, AS 23	
Definition of Significant Influence	
Potential Equity Shares	
Equity Method	

Exemption:	
Explanation regarding the term 'Near Future'	
Investment Classified as Held for Sale	
Difference in ReportingDates:	
Accounting Policies:	
Share in Losses:	
Ind AS 103 and AS 14	
Scope	
Defines a business combination which has a wider scope.	Deals only with amalgamation.
Methods for Accounting:	
Only the acquisition method for every business combination	An amalgamation may be either in the nature of merger of nature of purchase.
Assets and Liabilities:	
At fair value.	At book value or fair value.
Amortisation of Goodwill:	
The goodwill is not amortised but tested for impairment on annual basis in accordance with Ind AS 36	The goodwill arising on amalgamation in the nature of purchase is amortised over a period snot exceeding five years
Reverse Acquisitions:	
Deal with the same.	Does not deal with the same.
Bargain Purchase Gain:	
Recognised in other comprehensive income and accumulated in equity as capital reserve,	It shall be recognised directly in equity as capital reserve
Ind AS 111 and AS 21	
Mandatory preparation of Consolidated Financial Statement:	
Makes the preparation of Consolidated Financial Statements mandatory for a parent	Not mandatory.
Control:	
	More than one-half of the voting power of an enterprise or control of the composition of the board of directors or governing body
Clarification on more than one Parent of a Subsidiary:	
Doesn't provide clarification	Provides clarification.
Difference in Reporting Dates:	
Not exceeding 3 month.	Not exceeding 6 month.
Uniform accounting policies:	
Require the use of uniform accounting policies.	Require the use of uniform accounting policies. Unless it is impracticable.
Presentation of Non-controlling Interest in CFS:	
Non-controlling interests shall be presented in the consolidated balance	Minority interest should be presented in the consolidated balance sheet separately

sheet within equity separately from the parent shareholders' equity.	from liabilities and equity of the parent's shareholders.
Exclusion from Consolidation:	
No such exclusion	Excludes from consolidation when investment is temporary.
Ind AS 110 andas 27	
Types of Joint Arrangement/Joint Venture:	
A joint arrangement is either a joint operation or a joint venture.	Recognises three forms of joint venture namely: (a) jointly controlled operations, (b) jointly controlled assets and (c) jointly controlled entities.
Equity method:	
Provides that a venturer can recognise its interest in joint venture using only equity method	Prescribes the use of proportionate consolidation method only.

MOTIVATION- oil of engine.

- I guaranteed if you are slow or unable to get remember then no problem, only you need to be steady, keep remember **river cuts the rocks not through his hardness but through his consistency**.
- Do you know your mind has infinite capabilities to remember even all the book available in the world, but the problem of recall and reproduce, more practice we will made in recalling and reproducing more i will be able to recall and reproduce.
- Harder the conflict more glorious the triumph. As difficult as something to remember, as long as retention.
- Success comes from passion and enthusiasm only, So create it keep it sustain.
- The day you determined to become Chartered accountant, you are a chartered accountant. Declaration of result is just a confirmation of your expectation, what you expected to be true. You are you what you deserve and strongly believe, not what the world says about you.
- Nature of life- whatever we look- think about same- imagine same- mind release the same related chemical in to our body- our body tends to do and become same- Ultimately become same.
- The result of your action depends on your INTENTION. Action is no more important than your intention. Keep

your intention very true, neat, clean and positive with respect to Action.

- Nothing is impossible, only something is difficult, which i have never done before.
- To success you must have single minded devotion, undivided concentration.
- Unite your mind, heart, conscious & subconscious thinking while study.

Please give your feedback @ freebookmdimran@gmail.com