

FAST TRACK REFERENCER

Chapter 1 – AS – Introduction & Applicability

Accounting Standards	<p>AS are written policy documents issued by an Expert Accounting Body, or by Government, or by other Regulatory Body, covering the following aspects of accounting transactions in Financial Statements –</p> <ol style="list-style-type: none"> Recognition of transactions and events in the Financial Statements, Measurement of these transactions and events, Presentation of these transactions and events in Financial Statements, in a meaningful & understandable manner, and Disclosure requirements in Financial Statements.
Benefits	<ol style="list-style-type: none"> To promote the dissemination of timely and useful financial information to all Stakeholders and Users. To provide a set of standard accounting policies, valuation norms and disclosure requirements. To improve the quality of Financial Reporting, by promoting comparability, consistency transparency. To ensure disclosure of accounting principles and treatments, where important information is not otherwise statutorily required to be disclosed. To reduce (or eliminate if possible), accounting alternatives, thereby leading to better inter-Firm & intra-Firm comparison of Financial Statements. To reduce scope for creative accounting, i.e. twisting of accounting policies to produce Financial Statements favourable to a particular interest group.
Drawbacks	<ol style="list-style-type: none"> In some cases, alternative solutions to specific accounting problems may have valid supportive arguments. Choice of any one solution becomes difficult. Standards may be applied in a rigid and inflexible manner, focussing more on form than substance. Standards cannot override the Statute, and should be framed within the framework of the Law.

AS Applicability

Non-Corporate Entities (NCEs) are classified into three categories – Level I, Level II, Level III & Level IV, for the purpose of application of Accounting Standards –

Conditions	Level I	Level II	Level III
All Commercial, Industrial and Business Reporting Entities, whose Turnover for the immediately preceding accounting year. [Note: Turnover does not include "Other Income."]	exceeds ₹ 250 Crores	exceeds ₹ 50 Crore, but does not exceed ₹ 250 Crores	exceeds ₹ 10 Crore, but does not exceed ₹ 50 Crores
All Commercial, Industrial and Business Reporting Enterprises having Borrowings (including Public Deposits) at any time during the preceding accounting year.	in excess of ₹ 50 Crores	₹ 10 Crore, but not in excess of ₹ 50 Crores	₹ 2 Crore, but not in excess of ₹ 10 Crores

Notes:

- Entity falling in each Level includes its Holding and Subsidiary Entities.
- Level I Entities include –
 - Entities whose Equity or Debt Securities are listed, or in the process of listing on any Stock Exchange, whether in India or outside India.
 - Banks (including Co-operative Banks), Financial Institutions, or Entities carrying on Insurance business.
- Non Corporate Entities which are not covered under Level I, II & III are considered as Level IV Entities

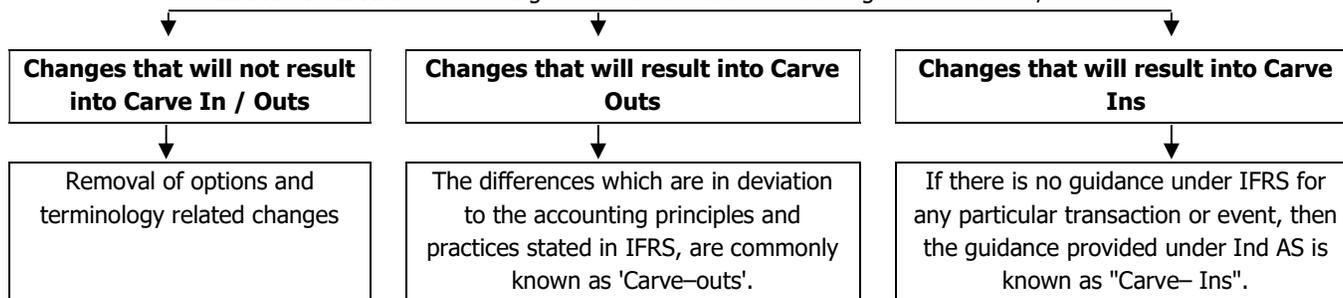
Ind AS Applicability

	Companies required to comply	w.e.f
A	<ol style="list-style-type: none"> Companies whose Equity / Debt Securities are listed or are in the process of being listed on any Stock Exchange in India or outside India, and having Net Worth \geq ₹ 500 Crores, Any other Companies having Net Worth \geq ₹ 500 Crores, Holding, Subsidiary, Joint Venture or Associate Companies of above. 	Accounting Period starting on 01.04.2016

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

Carve In / Out

Ind AS vs IFRS: These changes have been made considering various factors, such as –



Chapter 2 – Conceptual Framework

Assets and Liabilities can be measured under four alternative bases – (a) Historical Cost, (b) Current Cost, (c) Realisable (Settlement) Value, and (d) Present Value.

Measurement Base	Assets are recorded / carried at	Liabilities are recorded / carried at
Historical Cost	Acquisition Price, i.e. the amount of cash or cash equivalents paid, or fair value of the asset exchanged, at the time of acquisition.	Amount of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.
Current Cost	Amount of cash or cash equivalents that would have to be paid, if the same or equivalent asset were to be acquired currently.	Undiscounted Amount of cash or cash equivalents that would be required, to settle the obligation currently.
Realisable Value	Amount currently realisable on the sale of the asset in an orderly disposal.	Undiscounted Amount of cash or cash equivalents expected to be paid to settle the liability in the normal course of business.
Present Value	Present Value of future Net Cash Flows generated by the assets, in the normal course of business.	Present Value of future Net Cash Flows that are expected to be required to settle the liability, in the normal course of business.

Capital Maintenance:

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

Financial Statements under Non Going Concern Assumption:

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

Chapter 3 – AS 1 Disclosure of Accounting Policies

Fundamental Accounting Assumptions	<ol style="list-style-type: none"> 1. Going Concern: The enterprise is normally viewed as a Going Concern, i.e. as continuing in operation for the foreseeable future. It is assumed that the enterprise has neither the intention nor the necessity of liquidation or of curtailing materially the scale of operations. 2. Consistency: The accounting policies are consistent from one period to another. 3. Accrual: Revenues & costs are accrued i.e. recognised as they are earned or incurred and recorded in Financial Statements of the periods to which they relate, and not when money is received or paid.
Disclosure	<ol style="list-style-type: none"> 1. Followed: Disclosure is not required, since their acceptance and use are assumed. 2. Not followed: Disclosure is necessary specifying that the accounting assumptions are not followed.
Factors	<p>To select and apply an accounting policy, the following points are considered –</p> <ol style="list-style-type: none"> 1. Prudence: Prudence implies that Profits are not anticipated, they are recognised only when realised, though not necessarily in cash. However, provision is made for all known liabilities and losses, even if the amount is not certain and is only a best estimate, based on available information. Example: Provision for Doubtful Debts / Discount on Debtors, Valuation of stock at lower of Cost or NRV. 2. Substance over Form: This means that the accounting treatment and presentation in Financial Statements, of transactions and events, should be governed by their substance and not merely by the legal form. Example: Sale & Repurchase should be recorded only as a financing transaction. 3. Materiality: Financial Statements should disclose all material items, i.e. the knowledge of which might influence the decisions of the users of Financial Statements. Example: Payment of fines / penalties for violation of law should be disclosed separately, even if the amount is negligible.

Chapter 4 – AS 2 Valuation of Inventories

1. Valuation Principles

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

2. Cost and NRV

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

3. Costs of Purchase

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

4. Costs of Conversion includes –

Type of Cost	Costs directly related to the units of production.	Variable Production Overheads	Fixed Production Overheads
Description / Example	e.g. Direct Labour, i.e. cost of workers who are directly associated in the production process.	Indirect Costs which vary directly or nearly directly, with the volume of production, e.g. Indirect Materials, Indirect Labour.	Indirect Costs which remain relatively constant regardless of the level of production, e.g. Factory Management Costs, Depreciation.

5. Effect of differences in production on Fixed Overheads allocation

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

Chapter 5 – AS 3 Cash Flow Statements

1. Closing Balance of Cash & Cash Equivalents (**Less**) **Opening Balance** of Cash & Cash Equivalents
= Increase / (Decrease) in Cash and Cash Equivalents during the year, attributed to –

Operating Activities	Investing Activities	Financing Activities
Cash Generated from Operations, computed as under (Indirect Method) –	Changes (increase / decrease) in Investments & Long-Term Assets	Changes (increase / decrease) in Capital and Long-Term Liabilities
EBT + Non-Cash Items ± Non-Operating Items Operating Profit before WC adjustments ± Adjustment for WC Changes Operating Cash Flow before Taxes (-) Taxes paid & Extraordinary Items Cash Flow from Operating Activities	Note: Long Term Assets items should be considered here. <ul style="list-style-type: none"> Capital Flows: Purchase / Sale of Fixed Assets and Long Term Investments. Revenue Flows: Interest / Dividend from Long Term Investments. 	Note: Long Term Liability items should be considered here. <ul style="list-style-type: none"> Capital Flows: Issue / Redemption of Equity Share Capital / Preference Share Capital / Debt. Revenue Flows: Payment of Interest and Dividends (Equity and Preference).

2. Classification of Items

Items	Classification
(a) Cash Receipts from Trade Receivables	Operating Activities
(b) Marketable Securities	Cash Equivalents [Assumed readily convertible into known amounts of cash]
(c) Purchase of Investments	Investing Activities
(d) Proceeds from Long Term Borrowings	Financing Activities
(e) Wages & Salaries paid	Operating Activities
(f) Bank Overdraft	Financing Activities / Operating Activities
(g) Purchase of Goodwill	Investing Activities
(h) Interim Dividend paid on Equity Shares	Financing Activities
(i) Short-Term Deposits	If readily convertible Cash Equivalents, Otherwise Investing Activities
(j) Underwriting Commission paid	Financing Activities
(k) TDS on Interest received	Non Cash Flow

3. Transactions not having impact in Cash Flow Statements

- Meaning:** Many investing and financing activities do not have a direct impact on current Cash Flows though they affect the capital and asset structure of an enterprise. These are called Non-Cash Transactions.

2. **Examples:** (a) Acquisition of assets by assuming directly related liabilities, (b) Acquisition of an enterprise by means of issue of Shares, and (c) Conversion of Debt to Equity.
3. **Treatment:** Investing and financing transactions that do not require the use of Cash or Cash Equivalents should be **excluded** from a Cash Flow Statement. Such transactions should be **disclosed elsewhere** in the Financial Statements, in a way that provides all the relevant information about these investing and financing activities.

3. Format of Direct Method of reporting Cash Flows from Operating Activities

Particulars	Amt
Cash Receipts from Customers for Sale of Goods / Rendering of Services. Cash Receipts from Royalties, Fees, Commission and other Revenue. Cash Payments to Suppliers for Goods and Services. Cash Payments to and on behalf of Employees. Cash Receipts and Payments relating to Futures / Forward / Option / Swap Contracts when the contracts are held for dealing or trading purposes.	
Cash Generated from Operations before Taxes & Extra-ordinary Items	
Less: Cash Payments (Refunds) of Income-Taxes unless they can be specifically identified with Financing and Investing Activities.	
Cash Flows before Extra-ordinary Items	
Add / Less: Cash Receipts / Payments in relation to extraordinary items, e.g. Earthquake Disaster Settlement, etc.	
NET CASH FROM OPERATING ACTIVITIES	

Note: For a Financial Enterprise, Interest Received & Interest Paid would constitute Operating Cash Flows.

4. Format of Indirect Method of reporting Cash Flows from Operating Activities

Particulars	Amt
Net Profit before Taxes and Extra-ordinary Items [Note]	
Adjustments for: Depreciation and similar non-cash items. Foreign Exchange Losses, if any. Interest / Dividend / Other Incomes relating to Investing / Financing Activities. Interest Paid. Taxes Paid (if PAT is considered initially instead of PBT).	
Operating Profit before Working Capital Changes	
Add / (Less): Decrease / (Increase) in Current Assets excluding Cash / Cash Equivalents. Increase / (Decrease) in Current Liabilities excluding Cash / Cash Equivalents.	
Cash Flows before extra-ordinary items	
Add / Less: Cash Receipts / Payments in relation to extra-ordinary items, e.g. Earthquake Disaster Settlement, etc.	
NET CASH FROM OPERATING ACTIVITIES	

Note:

1. If PBT is not given, PBT = Increase in Reserves & Surplus + Preference & Equity Dividend + Provision for Taxes.

2. Provision for Taxation Account

Particulars	₹	Particulars	₹
To Bank – Actual Taxes paid in CY		By balance b/d	Opening balance
To balance c/d	Closing balance	By P&L – Provision created for CY	
Total		Total	

3. Dividend payable Account

Particulars	₹	Particulars	₹
To Bank – Actual Dividend paid in CY		By Balance b/d	Opening balance
To Balance c/d	Closing balance	By P&L – Declared for CY	
Total		Total	

4. If no information is available, it is assumed that opening balance in paid in CY and closing balance is provided from P&L.

Chapter 6 AS – 04 Events Occurring After B/Sheet Date

Adjusting & Non Adjusting Events

A. ADJUSTING EVENTS

The following events occurring after the B/s Date **should be considered and adjusted** in the Financial Statements –

Nature of event	Example
(a) Events relating to conditions existing at the Balance Sheet date, and provide additional information materially affecting the determination of the amounts of assets/liabilities thereat.	Amount due from a customer as at 31 st March is considered doubtful. Information on his insolvency is received on 15 th April.
(b) Events providing information that the fundamental accounting assumption – Going Concern – is not appropriate.	Destruction of a major Production Plant, or Loss of substratum of the enterprise.
(c) Statutory Requirements or special nature events.	–

Accounting Treatment:

- Assets and Liabilities as at the Balance Sheet should be **adjusted**.
- Suitable disclosure should be made for the above in the Financial Statements.

B. NON-ADJUSTING EVENTS:

The following events occurring after Balance Sheet Date **need not be** reflected in the Financial Statements –

Nature of Event	Example
(a) Event does not relate to conditions existing at the Balance Sheet date.	As at 31 st March, Cost of Investments is ₹ 75,000. (Market Value ₹ 90,000) Its value declines to ₹ 40,000 on 25 th April.
(b) Events that do not affect the figures stated in the Financial Statements.	Retirement of Sales Director.
(c) Events which represent material changes and commitments affecting the financial position of the enterprise.	Substantial fall in market demand of the only product produced by the Company.

C. EXAMPLES:

Adjusting Events	Non-Adjusting Events
1. Natural calamities (destruction) occurring after the Balance Sheet date but Going Concern Assumption is getting Affected	1. Natural calamities (destruction) occurring after the B/s date (Going Concern Assumption is not affected)
2. Theft or Defalcation being noticed after B/S Date	2. Theft or Defalcation noticed after B/s Date and also after approval of Financial Statements by Board
3. Transactions where sale is completed but deed is entered after Balance Sheet Date (Note: As soon as the sale is completed, it should be recorded)	3. Acquisition of a company, where (i) only negotiation is completed or (ii) only Terms and Conditions being decided, or (iii) only a proposal to sell is sent.
4. Cheque issued returned due to sign difference	4. Cheques in transit (i.e. not received by the entity as on the Balance Sheet Date)
5. Legal suit pending as on B/s date but subsequently won before finalization of accounts	5. Dividend Declared after the Balance sheet date

Chapter 7 AS – 05 Net Profit or Loss for the Period, Prior Period Items & Changes in Accounting Policies

Types	Meaning	Example
Ordinary Activities	This covers – (a) any activities which are undertaken by an enterprise as part of its business, and (b) such related activities in which the enterprise engages in furtherance of, incidental to, or arising from, these activities.	Purchase, Sales, Expenses paid, Income received etc.

Types	Meaning	Example
Exceptional Items	Generally, ordinary activities need not be disclosed separately. But a separate disclosure of – (a) nature of activity, and (b) amount involved, is required when such items of Income or Expense – (a) Fall within the meaning of “ordinary” activities, (b) Are of special size, nature or incidence, and (c) Disclosure is relevant to explain the entity’s performance.	Write-down of Inventories to NRV, & its reversal, Corporate Restructuring, Sale of PPE / Long-Term Investments, Legislative changes having retrospective application, Litigation settlements and Other reversals of provisions.
Extra-ordinary Items	These are Income or Expenses – (a) that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise, (b) these are not expected to recur frequently or regularly.	(a) Attachment of property of the Enterprise, (b) An Earthquake, (c) Refund of Government Grant etc.
Prior Period Items	These are Income or Expenses – (a) that arise in the current period, (b) as a result of errors or omissions in the preparation of the Financial Statements of one or more prior periods.	(a) Applying incorrect Depreciation rate of in PY and rectifying it in CY, (b) Omission of Income or Expenditure in PY, and rectifying it now.
A/c Policies	These refer to (a) the specific accounting principles and the methods of applying those principles (b) adopted by an enterprise in the preparation and presentation of Financial Statements.	Change of Cost Model to Revaluation Model and vice versa, Change in Cost Formula in measuring the Cost of Inventories.
Not change in A/c Policies	1. Adoption of an accounting policy for events or transactions that differ in substance from previously occurring events, 2. Adoption of a new accounting policy for events or transactions which did not occur previously or that were immaterial.	Introduction of a formal Retirement Gratuity Scheme by an employer, to replace an adhoc exgratia payment scheme
A/c Estimates	Accounting Estimates refer to Financial Statement items, which cannot be measured with precision, but can be estimated based on informed judgments.	Change in estimate of Provision for Doubtful Debts or Change in estimate of Useful Life of PPE.

Change in Accounting Estimate vs Change in Accounting Policy

	Accounting Estimate	Accounting Policy
Frequency	Change in Accounting Estimate is a routine matter in accounting which is substantially based on estimates, e.g. estimate of Bad Debts is made on the basis of information at subsequent date, i.e. insolvency of a Debtor known afterwards.	Change in Accounting Policy is infrequent and amounts to almost a permanent change in the basis of accounting in the concerned area. For example, the accounting policy for charging depreciation may be changed from Cost Model to Revaluation Model.
Change	A Change in Accounting Estimate arises due to – • change in circumstances on which the estimate was based, or • availability of new information, etc.	A Change in Accounting Policy is possible only for – • ensuring statutory compliance, or • ensuring compliance with another AS, or • more appropriate presentation of the Financial Statements.
Effect	The accounting picture may not get substantially altered by the change in the Accounting Estimate.	A change in Accounting Policy, generally, has a far reaching, material and long-term effect .
Disclosure	The nature and amount of a change in Accounting Estimate which has a material effect in the current period or expected material effect in future should be disclosed in the Financial Statements.	A change in Accounting Policy which has a material effect should be disclosed, along with the impact of and adjustments resulting from that change in the current period Financial Statements.

Chapter 8 – AS – 7 Construction Contracts

Contract Profit & Loss A/c (Non Cumulative)

Particulars	₹ in Crores	Particulars	₹ in Crores
To Contract Cost	Cost for the Year	By Contract Revenue	Price × % of WC
To Provision for Loss	bal. fig.	By Net Loss	Expected Loss
Total		Total	

Criteria for Separate Contracts	<p>When a Contract covers a number of assets, the Construction of each asset should be treated as a separate Construction Contract when –</p> <p>(a) Separate proposals have been submitted for each asset, (b) Each asset has been subject to separate negotiation, and the Contractor and Customer have been able to accept or reject that part of the Contract relating to each asset, and (c) The costs and revenues of each asset can be identified.</p>
Formulas	<ul style="list-style-type: none"> • Cost incurred till date = Work Certified + Work to be Certified • Estimated Total Contract Costs = Costs till date + Further Costs • Percentage of Completion = $\frac{\text{Cost incurred till date}}{\text{Estimated Total Costs}}$ • Contract Revenue = Contract Price × Percentage of Completion • Expected Loss = Estimated Total Contract Costs Less Contract Price • Costs Incurred + Recognised Profits – Recognised Losses – Progress Billings <p>If positive, Gross Amount due from customers. If negative, Gross Amount due to customers.</p>

Recognition of Contract Revenue (Cumulative)

1. Basic computation

Particulars	Year 1	Year 2	Year 3
1. Expected Total Contract Cost = Cost incurred till date + Expected Costs			
2. % of Completion = $\frac{\text{Cost Till Date}}{\text{Total Contract Costs}}$			

2. Contract P&L A/c

Year	Particulars	Upto reporting date	Already recognised in previous years	Recognised during current year
1	Contract Revenue			
	Contract Costs			
	Contract Profits			
2	Contract Revenue			
	Contract Costs			
	Contract Profits			
3	Contract Revenue			
	Contract Costs			
	Contract Profits			

Chapter 9 – AS 9 Revenue Recognition

Sale of Goods	<p>Revenue from Sale of Goods should be recognised only when the following conditions are satisfied –</p> <ol style="list-style-type: none"> 1. Transfer of Property: This involves transfer of either – (a) property in goods, or (b) all significant risks and rewards of ownership, from the Seller to the Buyer. 2. Control over goods lies with Buyer: The Seller retains no effective control of goods transferred, to a degree usually associated with ownership. 3. Certainty of amount: No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods. 4. Certainty of collection: It is reasonable to expect ultimate collection at the time of performance. Otherwise, Revenue Recognition should be postponed.
Service	<p>Revenue from rendering of services should be recognised if the following conditions are satisfied –</p> <ol style="list-style-type: none"> 1. Performance of Service: The performance may consist of execution of one or more acts. It should be measured using either – (a) Completed Service Contract Method, or (b) Proportionate Completion Method, whichever relates the revenue to the work accomplished. 2. Certainty of amount: No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods. 3. Certainty of collection: It is reasonable to expect ultimate collection at the time of performance. Otherwise, Revenue Recognition should be postponed.

Special Points	<ol style="list-style-type: none"> Interest: On a time proportion basis considering – (a) amount outstanding, and (b) rate of interest. Royalties: On an accrual basis in accordance with the terms of relevant agreement. Dividends: When the owner’s right to receive payment is established.
Special Points	<ol style="list-style-type: none"> Revenue on Consignment Sales is recognised only when goods are sold by the agent to a third party. Cost of Inventory lying in the hands of Consignee should also be included as Closing Stock of Consignor. For Bill & Hold sales basis, Revenue should be recognised notwithstanding that physical delivery has not been completed so long as there is expectation that delivery will be made. For Sale on Approval basis, Revenue should be recognised since the Buyer has formally accepted the goods or time period for rejection has elapsed, whichever is earlier. For Sale & Repurchase basis, if the re–purchase price is pre–determined and covers the purchasing and holding costs, such transaction should be accounted as a Financing Transaction and not as a sale.
Trade Discounts	Trade Discounts and Volume Rebates received do not fall within the definition of Revenue, since they represent a reduction of cost. Hence, these Discounts and Volume Rebates given should be deducted to determine revenue.

Chapter 10 – AS 10 Property, Plant and Equipment

Bearer Plant	<p>Bearer Plant is a living plant that is –</p> <ol style="list-style-type: none"> is used in the production or supply of Agricultural Produce, is expected to bear produce for more than one period, and has a remote likelihood of being sold as Agricultural Produce, except for incidental scrap sales.
Not a Bearer Plant	<ol style="list-style-type: none"> Plants cultivated to be harvested as Agricultural Produce (e.g. Trees grown for use as lumber), Plants cultivated to produce Agricultural Produce when there is more than a remote likelihood that the Entity will also harvest and sell the plant as Agricultural Produce, other than as incidental scrap sales (e.g. Trees that are cultivated both for their fruit and their lumber), and Annual Crops (e.g. Maize and Wheat).
Recognition Criteria	<p>Cost of an Item of PPE should be recognised, only if –</p> <ol style="list-style-type: none"> it is probable that future economic benefits associated with the Item will flow to the Entity, and Cost of the Item can be measured reliably.
Components of Cost	<ol style="list-style-type: none"> Purchase Price + Import Duties + Non–Refundable Purchase Taxes – Trade Discounts & Rebates. Any Costs directly attributable to bringing the Asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Initial Estimate of Decommissioning, Restoration and similar Liabilities,
Directly Attributable Costs	<ol style="list-style-type: none"> Costs of Employee Benefits arising directly from the construction or acquisition of the item of PPE, Costs of Site Preparation, Initial Delivery and Handling Costs, Installation and Assembly Costs, Costs of testing whether PPE is functioning properly Less Net Proceeds from selling any items produced while bringing PPE to that location & condition (e.g. Samples produced when testing), Professional Fees.
Not included in Cost	<ol style="list-style-type: none"> Costs of opening a New Facility or Business, such as, Inauguration Costs, Costs of introducing a New Product or Service(including Costs of Advertising and Promotional Activities), Costs of conducting business in a new location or with a new class of customer (including costs of Staff Training), and Administration and other General Overhead Costs.
Models	<ol style="list-style-type: none"> Cost Model = Measured at Historical Cost – Accumulated Depreciation & Impairment Loss. Revaluation Model = Revalued at least 3 years once.
Class of PPE	If an Item of PPE is revalued, the entire class of PPE to which that asset belongs should be revalued. A Class of PPE is a grouping of Assets of a similar nature and use in an Entity’s operations. Examples of separate classes are –

	(a) Land, (b) Land and Buildings, (c) Machinery,	(d) Ships, (e) Aircraft, (f) Motor Vehicles,	(g) Furniture and Fixtures, (h) Office Equipment, and (i) Bearer Plants.									
Office vs Factory Buildings	1. AS-10 permits Assets to be revalued on a class by class basis . The different characteristics of the Buildings enable them to be classified as different PPE classes. Office Buildings can be clearly distinguished from the Factories in terms of their function, their nature and their general location. 2. Different Models can be applied to these classes for subsequent measurement. Hence, Office Buildings can be measured using Revaluation Model. However, all properties within the class of Office Buildings must, be carried at Revalued Amount. Separate disclosure of the two classes must be given.											
Revaluation	(a) Upward Revaluation for First Time – Credited to Revaluation Reserve (b) Revalued Downwards – Charged to P&L (Impairment Loss is different from Revalued downwards) (c) Downward Revaluation if previously revalued upwards – Debit Revaluation Reserve to the extent of balance available, then Debit P&L (d) Upward Revaluation if previously revalued downwards – Credit P&L to the extent of Revaluation Downwards, then Credit Revaluation Reserve											
Adjustment of Revaluation Reserve	Cumulative Revaluation Surplus included in Equity may be transferred directly to Retained Earnings , when the Surplus is realised . The treatment will be as under – <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;">Whole of Surplus is realised</td> <td style="text-align: center; padding: 5px;">OR</td> <td style="text-align: center; padding: 5px;">Part of the Surplus is realised</td> </tr> <tr> <td style="text-align: center; padding: 5px;">↓</td> <td></td> <td style="text-align: center; padding: 5px;">↓</td> </tr> <tr> <td style="padding: 5px;"> (a) The whole Surplus may be realised on the Retirement or Disposal of the Asset. (b) The entire Revaluation Surplus is transferred to Retained Earnings, directly, on Asset de-recognition. </td> <td></td> <td style="padding: 5px;"> (a) Some of the Surplus may be realized, as the Asset is used by the Entity. (b) In this case, the amount of the Surplus realised = Difference between Amortisation based on the Revalued Carrying Amount of the Asset and Amortisation that would have been recognized based on the Asset's Historical Cost. </td> </tr> </table> <p>Note: The transfer from Revaluation Surplus to Retained Earnings is not made through Profit or Loss.</p>			Whole of Surplus is realised	OR	Part of the Surplus is realised	↓		↓	(a) The whole Surplus may be realised on the Retirement or Disposal of the Asset. (b) The entire Revaluation Surplus is transferred to Retained Earnings, directly , on Asset de-recognition.		(a) Some of the Surplus may be realized, as the Asset is used by the Entity. (b) In this case, the amount of the Surplus realised = Difference between Amortisation based on the Revalued Carrying Amount of the Asset and Amortisation that would have been recognized based on the Asset's Historical Cost.
Whole of Surplus is realised	OR	Part of the Surplus is realised										
↓		↓										
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Depreciation	1. Depreciation should be provided from the date when the asset is ready for use. Actual usage is not relevant. Depreciation will not be provided only if the Residual Value exceeds cost. 2. Permissible methods SLM, WDV & Units of Production											
Components	1. Life & Depreciation for a PPE should be computed for each component separately. 2. When each major inspection is performed / Component is replaced, its cost is recognised in the Carrying Amount as a replacement . Any remaining Carrying Amount of the cost of the previous inspection / Component is de-recognised. 3. De-Recognition of the Carrying Amount occurs regardless of whether the cost of the previous inspection was identified in the transaction in which the item was acquired or constructed. 4. If necessary, the Entity may use the estimated cost of a future similar inspection as an indication of what the cost of the existing inspection component was when the item was acquired or constructed.											
Replacement	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">WDV of PPE on the date of Replacement</td> <td style="width: 50%; padding: 5px;">Cost – Depreciation for past years</td> </tr> <tr> <td style="padding: 5px;">Less: WDV of the old replaced part</td> <td style="padding: 5px;">PV of Current Cost – Depreciation for past years</td> </tr> <tr> <td style="padding: 5px;">Add: Cost of the new replaced part</td> <td></td> </tr> <tr> <td style="padding: 5px;">Revised WDV of PPE</td> <td></td> </tr> </table>			WDV of PPE on the date of Replacement	Cost – Depreciation for past years	Less: WDV of the old replaced part	PV of Current Cost – Depreciation for past years	Add: Cost of the new replaced part		Revised WDV of PPE		
WDV of PPE on the date of Replacement	Cost – Depreciation for past years											
Less: WDV of the old replaced part	PV of Current Cost – Depreciation for past years											
Add: Cost of the new replaced part												
Revised WDV of PPE												
Estimate vs. Policy	1. Changes in Accounting Estimate: Changes in Residual Value, Changes in Useful Life Estimation and Changes in Depreciation Method (i.e. SLM to WDV or vice versa). 2. Changes in Accounting Policy: Change from Cost to Revaluation Model or vice versa											
Special Points	1. If Payment is deferred: Cash Price is recognised as Cost of PPE. Interest, i.e. Total Payment (Less) Cash Price, is either recognized as Expense over the credit period. 2. Insurance Claim i.e. Reimbursement from third party should be disclosed separately as Income in P&L.											
Exchange	If the Exchange Transaction –		Measured at –									
	lacks commercial substance, or the Fair Value of neither the Asset received nor the Asset given up is reliably measurable.		Carrying Amount of the Asset given up									
	has commercial substance and the Entity is able to measure reliably the Fair Value of either the Asset received or the Asset given up		Fair Value of the Asset given up									
	has commercial substance and FV of the Asset received is more clearly evident		FV of Asset received									

Chapter 11 – AS 11 Effects of Changes in Forex Rates

1. Reporting / Translation Difference vs. Settlement Difference

Settlement in the same accounting period	Settlement in the next accounting period
<p>Export of products Receipt from Customer Financial Year ending</p> <p>↓ ↓ ↓</p> <p>Transaction Date Settlement Date Balance Sheet Date</p> <p>Suppose Rates for 1 USD are –</p> <p>₹54.2500 ₹ 54.5300 ₹ 54.4800</p> <p>Exchange Difference = This difference is not</p> <p>₹ 0.2800 (Gain) relevant.</p> <p>(arising due to Settlement)</p> <p>Recognised in FY ending 31st March.</p>	<p>Export of products Financial Year ending Receipt from Customer</p> <p>↓ ↓ ↓</p> <p>Transaction Date B/Sheet Date Settlement Date</p> <p>Suppose Rates for 1 USD are –</p> <p>₹ 54.2500 ₹ 54.4800 ₹ 54.5300</p> <p>Exchange Difference = Exchange Difference =</p> <p>₹ 0.2300 (Gain) ₹ 0.0500 (Gain)</p> <p>(due to Reporting) (due to Settlement)</p> <p>Recognised in FY ending 31st March. Recognised in next FY, i.e. after 31st March</p>

2. Para 46A Option

Generally, Exchange Differences arising on reporting of Long-Term Foreign Currency Borrowings / Liabilities shall be **expensed off** in P&L. **At the option of the Enterprise**, such Exchange Differences can be dealt with as under –

Borrowings relating to	Treatment
Depreciable Capital Assets	<ul style="list-style-type: none"> Exchange Differences relating to Foreign Currency Borrowings for such assets, can be adjusted in (i.e. added to or deducted from) the cost of the asset. Depreciation for subsequent periods can be charged on the revised depreciable amount.
Other Long term Assets	<ul style="list-style-type: none"> Exchange Differences relating to Foreign Currency Borrowings for such assets, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" (FCMITDA). The balance in FCMITDA can be amortised over the balance period of such long-term asset / liability, by recognition as Income or Expense in each such periods. The unamortised balance, i.e. Debit or Credit balance in FCMITDA should be shown under the head "Reserves and Surplus", as a separate line item.

3. Integral Foreign Operation vs. Non Integral Foreign Operation

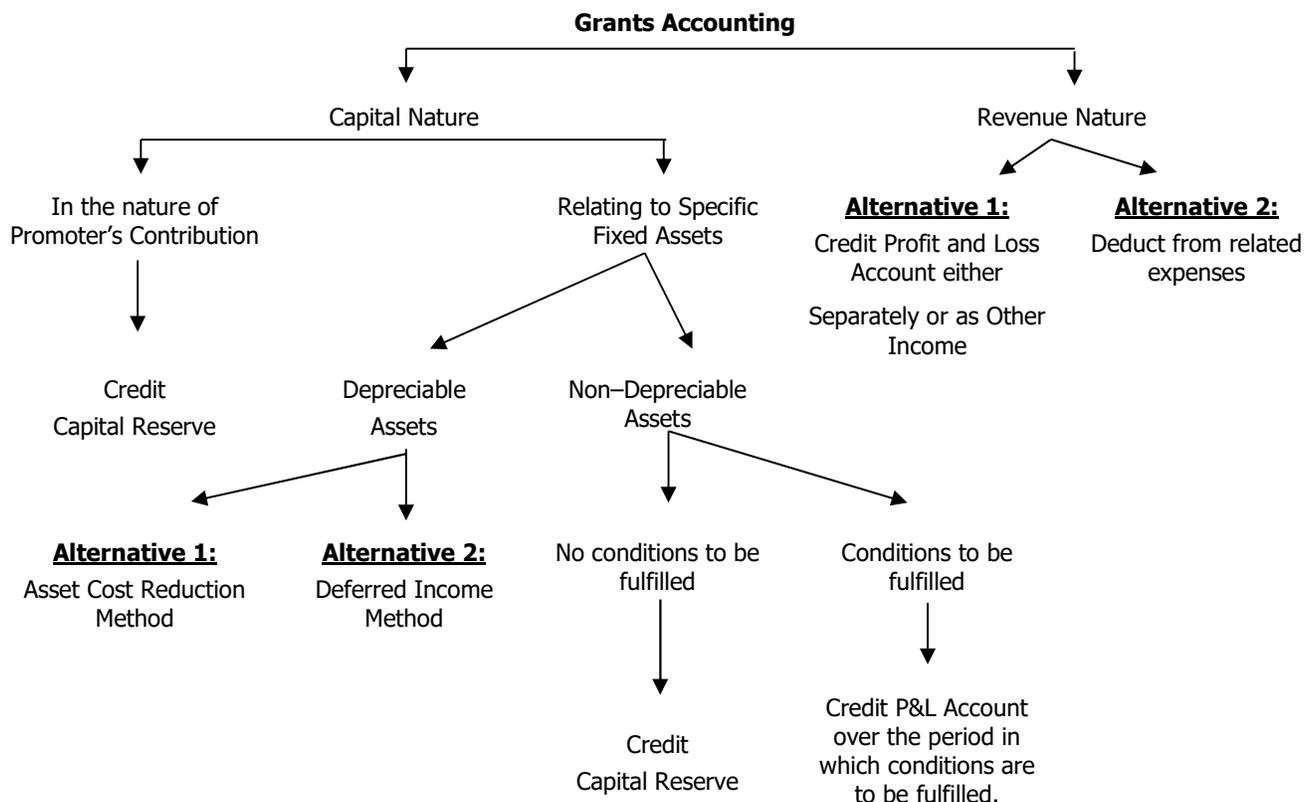
Particulars	Integral Foreign Operation (IFO)	Non-Integral Foreign Operation (NFO)
1. Meaning	It is a Foreign Operation, the activities of which are an integral part of those of the reporting enterprise.	It is a Foreign Operation that is not an Integral Foreign Operation.
2. Business	The business of IFO is carried on as if it were an extension of the reporting enterprise's operations.	The business of NFO is carried on in a substantially independent manner by accumulating cash and other monetary items, incurring expenses, generating income and arranging borrowings, in its local currency.
3. Example	Sale of goods imported from the reporting enterprise and remittance of proceeds to the reporting enterprise.	Production in a foreign country out of resources available in such country, independent of the reporting enterprise.
4. Currencies operated	Generally, IFO carries on business in a single foreign currency , i.e. of the country where it is located.	NFO business may also enter into transactions in foreign currencies , including transactions in the reporting currency.
5. Cash Flows from Operations	Cash flows from Operations of the reporting enterprise are directly and immediately affected by a change in the exchange rate between the reporting currency and the currency in the country of IFO.	Change in the exchange rate between the reporting currency and the local currency, has little or no direct effect on the present and future Cash Flows from Operations of either the NFO or the reporting enterprise.

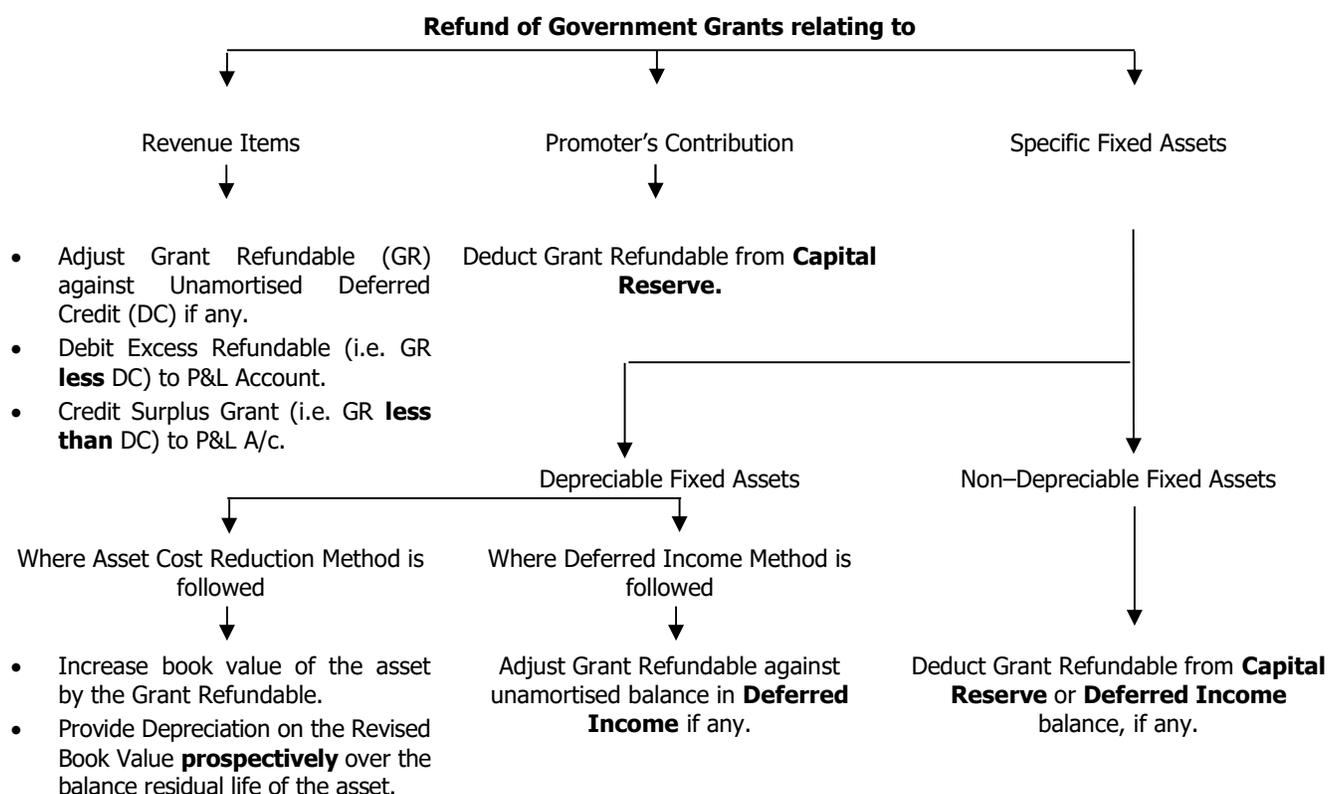
Particulars	Integral Foreign Operation (IFO)	Non-Integral Foreign Operation (NFO)
6. Effect of Change in Exchange Rate	Change in the exchange rate affects the individual monetary items held by the IFO rather than the reporting enterprise's Net Investment in the IFO.	Change in the exchange rate affects the reporting enterprise's Net Investment in the NFO, rather than the individual monetary and non-monetary items held by that NFO.

3. Special Points

Monetary Items	1. Monetary Items: They are money held and assets and liabilities to be received or paid in fixed or determinable amounts of money. Example: Cash, Receivables, Payables. 2. Non Monetary Items: They are assets and liabilities other than monetary items. Example: Share Capital, Fixed Assets, Inventories, Investments in Equity Shares, etc.		
Forex Gain or Loss	Exchange Rate –	Increases	Decreases
	For Receivables	Forex Gain	Forex Loss
	For Payables	Forex Loss	Forex Gain
Forward Contracts	1. Value at the rate prevailing at the inception of Forward Contract = Spot Rate 2. Value at the forward rate = Forward Rate / Agreed Rate 3. Total Loss / Gain on entering into forward contract (for the Forward Contract Total term) [Note] 4. Loss / Gain to be recognized for the year ended 31st March (Proportionate for completed months)		

Chapter 12 – AS 12 Accounting for Government Grants





Chapter 13 – AS 13 Accounting for Investment

A. Investment in Debentures / Bonds

1. Computation of Cost of Purchase & Profit on Sale

Cost of Purchase	Net Sale Proceeds
Amount paid	Sale Proceeds
Less: Interest (for Cum-Interest purchase only)	Less: Interest (for Cum-Interest purchase only)
Add: Brokerage at given % of amount paid	Less: Brokerage at 1%
Net Cost of Purchase	Net Sale Proceeds

Profit on Sale = Net Sale Proceeds Less Cost on FIFO.

Note: If specifically given, Cost is computed on WAC basis.

2. Computation of Interest:

Date	Particulars	FV (₹)	Compute Interest from –
Account Opening date	(a) Opening Date and Last Coupon Payment date are same	Nil	Nil
	(b) Opening Date and Last Coupon Payment date are different	XXX	Last Coupon Payment date to Opening Date
Purchase / Sale	Interest is not included in Ex-Interest Price. Interest is included in Cum-Interest price.	XXX	Last Coupon Payment date to Date of transaction
Coupon payment date	Irrespective of the period of holding, the Issuing company will pay full interest (annual or half yearly as the case may be) to the Holder for the No. of Debentures in hand on the date of payment.	XXX	Last Coupon Payment date to Coupon Payment Date (12 months or 6 months)
Account Closing date	(a) Closing Date and Last Coupon Payment date are same	Nil	Nil
	(b) Closing Date and Last Coupon Payment date are different	XXX	Last Coupon Payment date to Opening Date

3. Format of ..% Debentures Account

Date	Particulars	FV	Int.	Cost	Date	Particulars	FV	Int.	Cost
Opening	To balance b/d	XXX	WN 1	XXX	Sale	By Bank	XXX	XXX	XXX
Purchase	To Bank	XXX	XXX	XXX	Sale	By P&L Loss	–	–	XXX
Sale	To P&L Profit	–	–	XXX	Coupon	By Bank	–	XXX	–
Closing	To P&L – Trf	–	XXX	–	Closing	By P&L (WN 2)	–	–	XXX
					Closing	By bal. c/d	XXX	WN 1	XXX
	Total					Total			

- Balance will arise in Interest column, only if the Opening & Closing date does not coincide Coupon Payment date.
- Debentures should be valued at lower of Cost or Market Value. If MV is less, such Loss should be charged to P&L.

B. Investment in Equity Shares

1. Important Adjustments:

Bonus Shares	Due to Bonus issue, No. of Shares will increase. Since it is issued without any consideration, it will not have any impact in Investment Accounts. However, cost per Share will reduce and Profit on sale will increase. $\text{Cost per Share after Bonus} = \frac{\text{Purchase Price} + \text{Stamp Duty} + \text{Brokerage}}{\text{No. of Shares after Bonus}}$		
Rights Issue	<ol style="list-style-type: none"> If the Investor exercises: Investment in Equity Shares Dr. To Cash / Bank Rights exercised × Exercise Price If the Investor lapses: No entry will be passed. If the Investor Renounces: Renoucement Proceeds will be credited to P&L A/c. 		
Dividend Types	<ol style="list-style-type: none"> Final Dividend: Dividend paid by the Company after the end of the Year. (Dividend for the Year is paid in the next year.) Interim Dividend: Dividend paid by the Company before the end of the Year. (Dividend for the Year is paid in that year itself.) 		
Treatment of Dividend	Types of Shares	Interim Dividend for CY	Final Dividend for PY paid in CY
	Opening No. of Shares	Credited to P&L	Post Acqn. Div. So, Credited to P&L
	Additional Purchase	Credited to P&L	Pre Acqn. Div. So, Credited to Investment A/c.
	Bonus Shares	Credited to P&L	Not eligible, unless otherwise given.
	Rights Shares	Credited to P&L	Not eligible, unless otherwise given.
Profit or Loss on Sale	Net Sale Proceeds i.e. Sale Value – Brokerage Less: WAC per Share i.e. $\frac{\text{Opening Balance} + \text{Cost for Additional Purchase} - \text{Pre Acquisition Dividend}}{\text{Opening No. of Shares} + \text{Addl. Purchase} + \text{Bonus} + \text{Rights exercised}}$		
Conversion of Debentures	<ol style="list-style-type: none"> Entry: Investment in Equity Shares Dr. Cost of Debentures converted × % of Conversion To Investment in ..% Debentures Coupon Payment after Conversion: Interest shall be computed as under for the period – (a) before Conversion = No. of Debentures × FV × Coupon % × No. of Months / 12 (b) after Conversion = No. of Debentures × (FV – % Conversion) × Coupon % × No. of Months / 12 Valuation = Lower of – (a) Cost or (b) Closing Market Value × (100 – % Conversion) 		

2. Format of Investment in Equity Shares Account

Date	Particulars	FV	Dividend	Cost	Date	Particulars	FV	Dividend	Cost
Opening	To balance b/d	XXX	–	XXX	Sale	By Bank	XXX	–	XXX
Purchase	To Bank	XXX	–	XXX	Sale	By P&L Loss	–	–	XXX
Sale	To P&L Profit	–	–	XXX	Note 1	By Bank	–	Note 1	Note 1
Closing	To P&L – Trf	–	XXX	–	Closing	By P&L	–	–	Note 2
					Closing	By bal. c/d	XXX	–	XXX
	Total					Total			

Note:

- Alternatively, Dividend Column can be written as a separate Account.

Items credited in Dividend Column	Items credited in Cost Column (i.e. Investment A/c)
Post Acquisition Dividend on Opening No. of Shares, Interim Dividend, Renoucement Value of Rights Shares renounced.	Pre Acquisition Dividend on Shares that are additionally purchased during the Year.

2. Shares should be valued at lower of Cost or Market Value. If MV is less, such Loss should be charged to P&L.

C. Types of Investments

Current Investment –	Lower of Cost or Market Value
Long Term Investment – Valued at	Cost

D. Re-classification of Investments

Re-classification of Investments	From: Long Term Investments To: Current Investments	From: Current Investments To: Long Term Investments
Transfers are made at	(a) Cost, or (b) Carrying Amount, whichever is less , at the date of transfer.	(a) Cost, or (b) Fair Value, whichever is less , at the date of transfer.

Chapter 14 – AS 15 Employee Benefits

Types	Meaning
Employee Benefits	(a) Short Term Employee Benefits, STEB (b) Post Employment Benefits, PEB (c) Other Long Term Employee Benefits OLTEB (d) Termination Benefits. TB Note: For the purpose of this Standard, employees include Directors and other Management Personnel.
STEB	(a) Employee Benefits (other than Termination Benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the Employees render the related service. (b) Example: Wages, Salaries, Paid Annual Leave, Profit Sharing and Bonuses, Non Monetary Benefits (such as Medical Care, Housing, Cars and free or subsidised goods or services) for current employees. (c) Measurement: Recognised as Expenses. <ul style="list-style-type: none"> Measurement of Short Term Benefits are measured on an undiscounted basis; and It involves no Actuarial Assumptions to be made. So, any Actuarial Gain/Loss is not applicable.
Types of STEB	(a) Short Term Paid Absences: Sick Leave, Maternity Leave. <ul style="list-style-type: none"> Accumulating Paid Absences: Carried forward to future periods if not used now. It can be Vesting i.e. entitled to a Cash Payment for unutilised entitlement at the time of leaving the entity or Non-Vesting i.e. not entitled to a Cash Payment for unused entitlement on leaving. Recognized when the Employees render service that increases their entitlement to future paid absences. Non Accumulating Paid Absences: Not Carry Forward and they will lapse if the current period's entitlement is not used in full by the employee and this also do not entitle employees to a cash payment for unused entitlement on leaving the entity. No Liability or Expense. E.g. Maternity Leave. (b) Profit Sharing Bonus Plans – Charge Not Appn.: Recongised when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate can be made.
PEB	(a) Employee Benefits (other than Termination Benefits and STEB) that are payable after the completion of employment. Example: Pensions, Lumpsum Payments on retirement. (b) Type: Defined Contribution Plan, Defined Benefit Plan, Multi Employer Plans, State Plan, Insured Benefits

Particulars	Defined Contribution Plans	Defined Benefit Plans
Obligation	To contribute a limited amount to the fund as its legal or constructive obligation.	To provide the agreed benefits to current and former employees.
Risk bearer	Actuarial Risk and Investment Risk fall on the Employee and not on the Entity.	Actuarial Risk and Investment Risk fall on the Entity and not on the Employee.
Increase in obligation	Generally, no change in the Contribution of an Entity is made except certain conditions.	If Actuarial or Investment experience are worse than expected, obligation may be increased.
Amount of benefit	Determined by the amount of Contributions paid by an Entity and Employee.	Pre determined / Agreed Post Employment Benefits are received by the Employee.
Example	Provident Fund contribution by the employer.	Gratuity / Leave Travel Concession

Point	Description
Multi-Employer Plans	Defined Contribution Plans or Defined Benefit Plans that: (a) pool the assets contributed by various Entities that are not under Common Control; and (b) use those assets to provide benefits to Employees of more than one Entity, on the basis that contribution and benefit levels are determined without regard to the identity of the Entity that employs the Employees. Note: If it is DBP, it shall account for its share in the same way as for any other DBO. If information is not available, it shall account as DCO.
Contract	There may be a Contractual Agreement between the Multi-Employer Plan and its Participants that determines how the surplus will be distributed (or deficit funded). In such case, Participant should – (a) recognise the asset or liability that arises from the Contractual Agreement and (b) resulting income or expense in Profit or Loss.
State Plans and Insured Benefits	(a) Normally established by Legislation to cover all Entities and are operated by National or Local Government or by another body which is not subject to control or influence by the Reporting Entity. Normally DCP. (b) Insured Benefits: An Entity normally pays Insurance Premiums for funding a Post Employment Benefit Plan. The Entity shall treat such a Plan as a Defined Contribution Plan.
OLTEB	All Employee Benefits other than STEB, TB and PEB. Example: Long Term paid absences such as Long Service Leave or Sabbatical Leave, Jubilee or other Long Service Benefits.
TB	Employee Benefits provided in exchange for the termination of an Employee's Employment as a result of: (a) Entity's Decision to terminate an Employee's Employment before the normal retirement date; or (b) Employee's Decision to accept an offer of benefits in exchange for the termination of Employment.
Actuarial Gains and Losses	(a) $PV \text{ of DBO} \text{ Less FV of Plan Assets Less Unamortised Past Service Cost} = +ve \text{ Net Liability} / -ve \text{ Net Assets}$ (b) An entity shall recognize immediately in P&L all of its actuarial gains and losses in measuring its defined benefit liability and this shall be presented in the statement of profit and loss. (c) Actuarial gains and losses may result from increases or decreases in either the present value of a defined benefit obligation or the fair value of any related plan assets.
Cost	(a) Current Service Cost: Increase in the Present Value of a Defined Benefit Obligation resulting from Employee Service in the current period. (b) Interest Cost: Increase during a period in the Present Value of a Defined Benefit Obligation which arises because the benefits are one period closer to Settlement. (c) Past Service Cost: Change in the Present Value of the Defined Benefit Obligation resulting from a Plan Amendment or Curtailment is known as Past Service Cost.
PV of DBO	In order to measure PV of DBO and the related Current Service Cost, it is necessary to – (a) apply an Actuarial Valuation Method; (b) attribute benefit to periods of service; and (c) make Actuarial Assumptions.
Actuarial Valuation Method	Projected Unit Credit Method (also known as Accrued Benefit Method pro-rated on service /Years of service method) perceives each period of service as which gives rise to an additional unit of benefit entitlement and measures each unit separately to report the final obligation.
Attribute benefit to periods of service	An Entity will attribute benefit to periods in which the obligation to provide PEB arises as Employees render services in return for PEB. If an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from: (a) date when service by the Employee first leads to benefits under the plan; until (b) date when further service by the Employee will lead to no material amount of further benefits.
Actuarial Assump-tions	Actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing PEB. Actuarial assumptions comprise: (a) Demographic Assumptions deal with: Mortality, both during and after employment, employee turnover, disability and early retirement, proportion of plan members with dependants who will be eligible for benefits, and claim rates under medical plans; (b) Financial Assumptions , deal with: Discount Rate, Future Salary, in the case of Medical Benefits, Future Medical Costs, Cost of administering claims if material and the expected rate of return on plan assets.
Treat-ment	1. $\text{Net Defined Benefit Liability (Asset)} = \text{Amount of the Deficit or Surplus} = \text{Present Value of the Defined Benefit Obligation (less) Fair Value of Plan Assets.}$ 2. Amounts to be recognised in P&L – (a)Current Service Cost, (b) Past Service Cost and Gain or Loss on Settlement, (c) Net Interest on Net Defined Benefit Liability (Asset), (d) Expected Return on Plan Assets. 3. Re-measurements of the Net Defined Benefit Liability (Asset), to be recognised in "OCI" as Actuarial Gains and Losses and Return on Plan Assets.

Plan Assets A/c

Particulars	₹	Particulars	₹
To balance b/d (given) (Fair Value of Plan Assets at year beginning)		By Benefits paid out of Plan Assets (Outflow out of Plan Assets)	
To Expected Return (Fair Value at year beginning × Interest Rate)	P&L	By balance c/d (given) (Fair Value of Plan Assets at year end)	
To Employer's Contribution for the period (Inflow to create more Plan Assets)			
To Re-measurement Gain (b/f) (being Excess Actual Return on Plan Assets)	OCI		
Total		Total	

Defined Benefit Obligation A/c

Particulars	₹	Particulars	₹
To Benefits paid out of Plan Assets (Outflow out of Plan Assets)		By balance b/d (given) (PV of DBO at year beginning)	
To Reduction in DBO due to Curtailment		By Interest Cost (Opg. × Interest rate)	P&L
To balance c/d (given) (PV of DBO at year end)		By Current & Past Service Cost	P&L
		By Re-measurement Loss (b/f)	OCI
Total		Total	

4. Journal Entries

Profit & Loss	Dr.
Other Comprehensive Income	Dr.
To Cash (Contribution)	
To Net Defined Benefit Liability	

5. Extract of Statement of Profit or Loss

Profit or Loss	Service Cost	
	Net Interest	
Other Comprehensive Income	Re-Measurements	
Total Comprehensive Income		

Chapter 15 – AS 16 Borrowing Costs

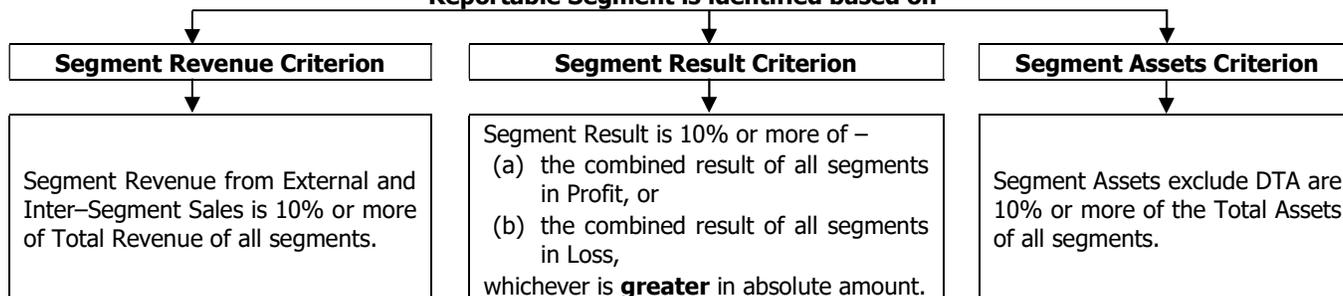
Qualifying Asset	Asset that necessarily takes substantial period of time to get ready for its intended use. The term "substantial period of time" is not defined and hence determined based on facts and circumstances.
Exclusions	1. Financial assets & inventories that are manufactured or produced, over a short period of time. 2. Assets that are ready for their intended use or sale when acquired are Not Qualifying Assets .
Borrowing Costs	1. Interest Expense calculated using the Effective Interest Method as per Financial Instruments Ind AS 2. Finance Charges in respect of Finance Leases recognised in accordance with Leases, and 3. Exchange Differences arising from Foreign Currency Borrowings to the extent that they are regarded as an adjustment to Interest Costs.
Exchange Difference	1. Find the difference between Interest on actual Foreign Borrowings and notional Indian Borrowings (a) Interest on actual Foreign Loan = Forex Loan × Forex Interest Rate × Closing Exchange Rate (b) Interest on Notional Indian Loan = (Forex Loan × Opening Exchange Rate) × Indian Interest Rate 2. Find the Exchange difference on actual Foreign Borrowings 3. Additional Borrowing Cost that can be capitalized = Lower of (1) or (2) 4. Borrowing Cost that can be capitalized = Interest on actual Foreign Loan + Additional Borrowing Cost 5. Exchange difference transferred to P&L as per Ind AS 21 = Step 2 – Step 3, if any
Subsequent Treatment	If there is an Unrealised Exchange Loss which is treated as an adjustment to interest and subsequently there is a realised or unrealised Gain of the same borrowing, the Gain to the extent of the loss previously recognised as an adjustment should also be recognised as an adjustment to interest.
Criteria for Capitalisation	1. Expenditure are directly attributable to the acquisition, construction, production of a Qualifying Assets, 2. Borrowing costs are being incurred, 3. Activities necessary to prepare the asset for its intended use / sale are in progress. 4. It is probable it will result in future economic benefits to the entity; and 5. Costs can be measured reliably.

Specific vs General	<ol style="list-style-type: none"> Specific Borrowings: Actual Borrowing Costs – Income on temporary investment of such borrowings General Borrowings: Expenditure incurred × Capitalisation Rate × No. of months outstanding ÷ 12 Where Capitalisation Rate = (Interest Expenses – Income on temporary investment) ÷ Total Borrowings
Suspension	<p>An Entity shall suspend capitalisation of Borrowing Costs during extended periods in which it suspends active development of a qualifying asset. However, an entity does not normally suspend capitalising when –</p> <ol style="list-style-type: none"> it carries out substantial technical and administrative work temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale. <p>Example: Capitalisation continues during the extended period that high water levels delay construction of a bridge, if such high water levels are common during the construction period in the geographical region.</p>
Cessation	<p>An Entity shall cease capitalising borrowing costs when substantially all the activities necessary to prepare the Qualifying Asset for its intended use or sale are complete even though routine administrative work might still continue. If minor modifications, such as the decoration of a property to the purchaser's or user's specification, are all that are outstanding, this indicates that substantially all the activities are complete.</p>

Chapter 16 – AS – 17 Segment Reporting

Business Segment	<p>A Business Segment is a distinguishable component of an Enterprise that is –</p> <ul style="list-style-type: none"> engaged in providing an individual product or service or a group of related products or services, and subject to risks & returns that are different from those of other Business Segments.
Geographical Segment	<p>A Geographical Segment is a distinguishable component of an enterprise that is –</p> <ul style="list-style-type: none"> engaged in providing products or services within a particular economic environment, and subject to risks and returns that are different from those of components operating in other economic environments.
Examples of Business Segment	<ol style="list-style-type: none"> Basic product is Batteries, but the risks and returns of the Batteries for Automobiles (Scooters, Cars and Trucks) and Batteries for Invertors and UPS are affected by different set of factors. In the case of Automobile Batteries, the risks and returns are affected by the Government Policy, road conditions, quality of automobiles, etc. whereas in case of batteries for Invertors and UPS, the risks and returns are affected by power condition, standard of living, etc. Thus, it has two Business Segments viz. 'Automobile Batteries' and 'Batteries for Invertors and UPS'.
Transfer Pricing	<ol style="list-style-type: none"> AS–17 requires that inter–segment transfers should be measured on the basis that the Enterprise had actually used to price these transfers. The basis of pricing inter–segment transfers and any change therein should be disclosed in the Financial Statements. The Enterprise can have its own policy for pricing inter–segment transfers. Hence, inter–segment transfers may be based on cost, below cost, below cost or market price, etc. Whichever policy is followed, the same should be disclosed and applied consistently.

Reportable Segment is identified based on



- 75% Principle:** If Total External Revenue attributable to Reportable Segments constitutes less than 75% of the Total Enterprise Revenue, additional segments should be identified as Reportable Segments, even if they do not meet the 10% thresholds, until atleast 75% of Total Enterprise Revenue is included in Reportable Segments.
- Continuity Principle:** A Segment identified as a Reportable Segment in the immediately preceding period upon satisfaction of the relevant 10% thresholds, continues to be a Reportable Segment for the current period notwithstanding that its Revenue, Result, and Assets no longer meet the 10% criteria.
- Comparison Principle:** Where a Segment is identified as a Reportable Segment in the current period upon satisfaction of the relevant 10% criteria, preceding–period data presented for comparative purposes should be re–stated (unless it is impracticable to do so) to reflect the newly Reportable Segment as a separate segment, even if that segment did not satisfy the 10% criteria in the preceding period.

Segmental Reporting Matters

Particulars	Divisions			Inter Segment Eliminations	Consolidated Total
	A	B	C		
Segment Revenue					
Sales:					
Domestic					
Export					
External Sales					
Inter-Segment Sales					
Total Revenue					
Segment Result (given)					
Head Office Expenses					
Operating Profit					
Interest Expense					
Profit before tax					
Other Information:					
Property, Plant & Equipment					
Net Current Assets					
Segment Assets					
Unallocated Corporate Assets					
Segment Liabilities					
Unallocated Corporate Liabilities					

Sales Revenue by Geographical Market (₹ 000's)

Particulars	Home Sales	Export Sales (by Division A)	Export to Europe	Export to America	Consolidated Total
External Sales					

Chapter 17 – AS 18 Related Party Disclosures

Control Relationship	<p>Disclose the name of Party & nature of the relationship irrespective of any transactions exist or not –</p> <p>(a) Enterprises that control the Reporting Enterprise,</p> <p>(b) Enterprises that are controlled by the Reporting Enterprise, or</p> <p>(c) Enterprises that are under common control with the Reporting Enterprise (this includes Holding Companies, Subsidiaries and fellow Subsidiaries),</p> <p>The above control may be either direct or indirect (through one or more Intermediaries).</p>
Other Relationship	<p>Disclose the details of transactions for the period during which the Related Party relationship exists –</p> <ol style="list-style-type: none"> Associate / Joint Venture: <ol style="list-style-type: none"> Associates and Joint Ventures of the Reporting Enterprise, and Investing Party or Venturer, for whom the Reporting Enterprise is an Associate / Joint Venture. Ownership: Individuals owning an interest in the voting power of the Reporting Enterprise that gives them control or significant influence over the Enterprise, & relatives of any such individual. (Such interest may be direct or indirect). Key Management Personnel: Key Management Personnel and relatives of such personnel, and Significant Influence: <ol style="list-style-type: none"> Other Enterprises over which person described in (3)/(4) is able to exercise significant influence. Enterprises owned by Directors or major Shareholders of the Reporting Enterprise, and Enterprises that have a member of Key Management in common with the Reporting Enterprise.

Timing	The above Related Party Relationship may exist at any time during the reporting period, and not necessarily at the end of the reporting period.
Not a Related Party	<ol style="list-style-type: none"> Common Directors: Merely because two Companies have a Director in common, the two Companies cannot be considered as related (unless the Director is able to affect the policies of both Companies in their mutual dealings). This principle is applicable irrespective of the specific provision in relation to KMP under Related Party Relationships (Refer Q.No.2, Point No.5) Economic Dependence: A single Customer, Supplier, Franchiser, Distributor, or General Agent with whom the Reporting Enterprise transacts a significant volume of business, merely by virtue of the resulting economic dependence. Participation in decision-making: Parties, in their normal course of dealings with the Reporting Enterprise by virtue only of those dealings (although they may restrict the freedom of action of the enterprise or may participate in its decision-making process) – Providers of Finance, Trade Unions etc. An Associate of an Associate / Co-Associates
Non-Executive Director	<ol style="list-style-type: none"> A Non-Executive Director of a Company should not be considered as Key Management Person under AS-18 by virtue of his merely being a Director, unless he has the authority and responsibility for planning, directing and controlling the activities of the Reporting Enterprise. AS-18 should not be applied in respect of a Non-Executive Director, even if he participates in the financial and / or operating policy decision of the Enterprise. (Note: Mere participation is different from authority to plan / direct / control). A Non-Executive Director would be covered by AS-18 if he is a Key Management Person, when – <ol style="list-style-type: none"> he has the authority and responsibility for planning, directing and controlling the activities of the Reporting Enterprise, or he is in a position to exercise control or significant influence by virtue of owning an interest in the voting power.
Disclosures	<ol style="list-style-type: none"> Name of the transacting Related Party, Description of the relationship between the parties, Description of the nature of transactions, Volume of the transactions either as an amount or as an appropriate proportion, Any other elements of the Related Party transactions necessary for an understanding of the Financial Statements, e.g. disclosure making an indication that the transfer of a major asset had taken place at an amount materially different from that obtainable on normal commercial terms. Amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date and provisions for doubtful debts due from such parties at that date, and Amounts written off or written back in the period in respect of debts due from or to Related Parties.

Chapter 18 – AS 19 Leases

Residual Value	RV of a Leased Asset is the Estimated Fair Value of the asset at the end of the Lease Term. It is classified into – (a) Guaranteed Residual Value (GRV), and (b) Unguaranteed Residual Value (URV).
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Residual Value of a Leased Asset = Estimated Fair Value of the asset at the end of the Lease Term.

Guaranteed Residual Value (GRV)
<ol style="list-style-type: none"> For the Lessee: That part of the Residual Value which is guaranteed by the Lessee or by a party on behalf of the Lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable), and For the Lessor: That part of the Residual Value which is guaranteed by or on behalf of the Lessee, or by an independent third party who is financially capable of discharging the obligations under the guarantee.

Unguaranteed Residual Value (URV)
URV of a Leased Asset is the amount by which the Residual Value of the asset exceeds its Guaranteed Residual Value.
Hence, URV = RV – GRV (OR) RV = GRV + URV

Residual Value	RV of a Leased Asset is the Estimated Fair Value of the asset at the end of the Lease Term. It is classified into – (a) Guaranteed Residual Value (GRV), and (b) Unguaranteed Residual Value (URV).
Terms	<ol style="list-style-type: none"> Gross Investment in the Lease, is the aggregate of the Minimum Lease Payments under a Finance Lease from the standpoint of the Lessor and any Unguaranteed Residual Value accruing to the Lessor. Net Investment in the Lease is the Gross Investment in the Lease less Unearned Finance Income. Unearned Finance Income is the difference between: <ul style="list-style-type: none"> (a) Gross Investment in the Lease, and (b) Present Value of – <ul style="list-style-type: none"> • Minimum Lease Payments under a Finance Lease from the standpoint of the Lessor, and • any Unguaranteed Residual Value accruing to the Lessor.
For Lessor	<ol style="list-style-type: none"> Gross Investment in the Lease = Minimum Lease Payments + Unguaranteed Residual Value. Net Investment in the Lease = Gross Investment – Unearned Finance Income. Unearned Finance Income = (MLP + URV) less (Present Value of MLP & URV)
Substance over Form	<p>Whether a Lease is a Finance Lease or an Operating Lease depends on the substance of the transaction rather than its form. Situations that would classify a lease as Finance Lease are –</p> <ol style="list-style-type: none"> Transfer of ownership of the asset to the Lessee by the end of the lease term, Option to purchase the asset, to the Lessee, at a price which is sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised, Lease Term is for the major part of the economic life of the asset even if title is not transferred, Present Value of the Minimum Lease Payments at the inception of the lease amounts to at least substantially all of the Fair Value of the Leased Asset, (i.e. PV of MLP = Fair Value approximately), and The Leased Asset is of a specialised nature such that only the Lessee can use it without major modifications being made.
Sale and Leaseback	<ol style="list-style-type: none"> When the transaction is established at Fair Value, there has been in effect a normal sale transaction and any Profit or Loss should be recognised in the P & L Account immediately. If Sale Price < Fair Value, any Profit or Loss should be recognised immediately. However, if the loss is compensated by Future Lease Payments at below Market Price, it should be deferred and amortised in proportion to the Lease Payments over the period for which the asset is expected to be used. If Sale Price > Fair Value, the excess of Sale Proceeds over Fair Value should be deferred and amortised over the period for which the asset is expected to be used. If the Fair Value at the time of a Sale and Leaseback Transaction is less than the Carrying Amount of the asset, a loss equal to the amount of the difference between the Carrying Amount and Fair Value should be recognised immediately.

Finance Lease Vs Operating Lease

Particulars	Finance Lease	Operating Lease
1. Definition as per AS – 19	It is a lease that transfers substantially all the risks and rewards incident to ownership of an asset.	It is a Lease other than a Finance Lease.
2. Meaning	A Finance Lease is an arrangement to finance the use of equipment for a major part of its useful life. It is also called Capital Lease , as it is nothing but a loan in disguise.	A lease is classified as an Operating Lease if it does not secure for the Lessor the recovery of capital outlay plus a return on the funds invested, during the lease term.
3. Term	Compared to an Operating Lease, a Financial Lease is longer-term in nature.	The term of Operating Lease is shorter than the asset's economic life.
4. Risks and Rewards	Risks and Rewards incident to ownership are passed on to the Lessee. The Lessor only remains the legal owner of the asset.	The Lessee is only provided the use of the asset for a certain time. Risk incident to ownership belong wholly to the Lessor.
5. Obsolescence	Lessee bears the risk of obsolescence.	All risks (including Obsolescence Risk) incidental to ownership belong wholly to the Lessor.
6. Right to cancel	Lessor is interested in his rentals and not in the asset. He must get his principal back along with interest. So, the lease is generally non-cancellable by either party.	As the Lessor does not have difficulty in leasing the same asset to any other willing Lessor, the lease is kept cancellable by the Lessor.
7. Cost of Repairs, etc.	Lessor enters into the transaction only as Financier. He does not bear the cost of repairs, maintenance or operations.	Usually, the Lessor bears cost of repairs, maintenance or operations.
8. Full pay-out	The lease is usually full pay-out, that is, the single lease repays the cost of the asset together with interest thereon.	The lease is usually non-payout, since the Lessor expects to lease the same asset over and over again to several users.