FINANCIAL REPORTING
RTP NOVEMBR 2020

@cachinmayahegde

9535078357, hegde87@gmail.com

GENERAL INSTRUCTIO Financial Statements NS FOR PREPARATION OF FINANCIAL STATMENT OF A COMPANY REQUIRED TO COMPLY WITH Ind AS

1, Every company to which Indian Accounting Standards apply, shall prepare its financial statements in accordance with this Schedule or with such modification as may be required under certain circumstances.

2.Where compliance with the requirements of the Act including Indian Accounting Standards (except the option of presenting assets and liabilities in the order of liquidity as provided by the relevant Ind AS) as applicable to the companies require any change in treatment or disclosure including addition, amendment substitution or deletion in the head or sub-head or any changes inter se, in the financial statements or statements forming part thereof, the same shall be made and the requirements under this Schedule shall stand modified accordingly.

3. The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Indian Accounting Standards. Additional disclosures specified in the Indian Accounting Standards shall be made in the Notes or by way of additional statement or statements unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act, 2013 shall be made in the Notes in addition to the reouirements set out in this Schedule.

4.(i) Notes shall contain information in addition to that presented in the Financial Statements and shall provide where required-

(a) narrative description or disaggregations of items recognised in those statements; and

(b) information about items that do not qualify for recognition in those statements.

(il) Each item on the face of the Balance Sheet, Statement of Changes in Equity and Statement of Profit and Loss shall be cross-referenced to any related information in the Notes. In preparing the Financial Statements including the Notes, a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation.

5.Depending upon the turnover of the company, the figures appearing in the Financial Statements shall be rounded off as below:

Turnover	Rounding off
(i) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof
(Ii) one hundred crore rupees or more	To the nearest, lakhs, millions or crores, or decimals thereof.

Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

6.Financial Statements shall contain the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Starement including Notes except in the case of first Financial Statements laid before the company after incorporation.

7.Financial Statements shall disclose all 'material' items, i,e,, the items if they could. individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size or nature of the item or a combination of both, to be judged in the particular circumstances.

8.For the purpose of this Schedule, the terms used herein shall have the same meanings assigned to them in Indian Accounting Standards.

9. Where any Act or Regulation requires specific disclosure to be made in the standalone financial statement of a company, the said disclosure shall be made in addition to those required under this Schedule.

Note: This Schedule sets out the minimum requirements for disclosure on the face of the Financial Statements, i.e,, Balance Sheet, Statement of Changes in Equity for . the period, the Statement of profit and Loss for the period (The term 'Statment of Profit and Loss' has the same meaning as'profit and loss Account) and Notes. Cash flow statement shall be prepared, where applicable, in accordance with the requirement of the relevant Indian Accounting Standard. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performace to cater to industry or sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act, 2013 or under the Indian Accounting Standards.

@cachinmayahegde

9535078357, hegde87@gmail.com

PART I -BALANCE SHEET
Name of the Company...................
Balance Sheet as at ....

(Rupees in.........)

	Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
	1	2	3	4
(1)	ASSETS			
	Non-current assets			
	(a) Property, Plant and Equipment			
	(b) Capital work-in-progress			
	(c) Investment Property			
	(d) Goodwill			
	(e) Other Intangible assets			
	(f) Intangible assets under development			
	(g) Biological Assets other than bearer plants			
	(h) Financial Assets			
	(i) Investments			
	(ii) Trade receivables			
	(iii) Loans			
	(i) Deferred tax assets (net)			
	(j) Other non-current assets			
(2)	Current assets			
	(a) Inventories			
	(b) Financial Assets			
	(i) Investments			
	(ii) Trade receivables			
	(iii) Cash and cash equivalents			
	(iv) Bank balances other than(iii) above			
	(v) Loans			
	(vi) Others (to be specified)			
	(c) Current Tax Assets (Net)			
	(d) Other current assets			
	Total Assets			

(2)	EQUITY AND LIABILITIES Equity (a) Equity Share capital (b) Other Equity LIABILITIES Non-current liabilities (a) Financial Liabilities (i) Borrowings (ii) [8][Trade Payables:- (A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises.] (iii)Other financial liabilities (other than those specified in item (b), to be specified) (b) Provisions (c) Deferred tax liabilities (Net) (d) Other non-current liabilities Current liabilities (a) Financial Liabilities (i) Borrowings (ii) [8][Trade Payables:- (A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises.] (iii) Other financial liabilities (other than those specified in item (c) (b) Other current liabilities (c) Provisions (d) Current Tax Liabilities (Net)			
	Total Equity and Liabilities			

see accompanying notes to the financial statements

@cachinmayahegde

9535078357, hegde87@gmail.com

STATMENT OF CHANGES IN EQUITY
Name of the Company.............
Statment of Changes in Equity for the period ended ....
A. Equity Share Capital

Balance at the beginning of the reporting period	Changes in equity share capital during the year	Balance at the end of the reporting period

B.Other Equity

	Share application on money pending allotment	Equity component of compound financial instrument	Reserve and Surplus	Debt Instrument through OCI	Equity Instrument through OCI	Effective portion of Cash Flow Hedges	Revalution Surplus	Exchange difference on translating the financial statment	Other items of OCI (Specify nature)	Money received against share capital	Total
Balance at the beginning of the reporting period											
Changes in accounting policy or prior period errors											
Restated balance at the begining of the reporting period											
Total comprehensive											
Income for the year											
Dividends											
Transfer to retained earnings											
Any other change (to be specified)											
Balance at the end of the reporting period											

@cachinmayahegde
9535078357, hegde87@gmail.com

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET:

1.An entity shall classify an asset as current when-

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the reporting period; or

(d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

2.The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents, When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

3.An entity shall classify a liability as current when-

(a) it expects to settle the liability in its normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within twelve months after the reporting period; or

(d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in it settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

4.A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.

5.A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.

@cachinmayahegde

9535078357, hegde87@gmail.com

6. A company shall disclose the following in the Notes:
A, Non-Current Assets
I. Property. Plant and Equipment :
(i) Classification shall be given as:
(a) Land
(b) Buildings
(c) Plant and Equipment
(d) Furniture and Fixtures
(e) Vehicles
(f) Office equipment
(g) Bearer Plants
(h) Others (specify nature)
(ii) Assets under lease shall be separately specified under each class of assets
(iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.
II. Investment Property:
A reconciliation of the gross and net carrying amounts of each class of property at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.
III.Goodwill :
A reconciliation of the gross and net carrying amount of goodwill at the beginning and end of the reporting period showing additions, impairments, disposals and other adjustments.
IV.Other Intangible assets
(i) Classification shall be given as:
(a) Brands or trademarks
(b) Computer software
(c) Mastheads and publishing titles
(d) Mining rights
(e) Copyright , patents , other intellectual property rights, services and operating rights
(f) Recipes, formulae, models, designs and prototypes
(g) Licenses and franchises
(h) Others (specify nature)
(ii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related amortization and impairment losses or reversals shall be disclosed separately.

@cachinmayahegde
9535078357, hegde87@gmail.com

V. Biological Assets other than bearer plants:
A reconciliation of the carrying amounts of each class of assets at the beginning and end of the reporting period showing addition disposals, acquisitions through business combinations and other adjustments shall be disclosed separately.

VI. Investment
(i) Investments shall be classified as :
(a) Investments in Equity Instruments;
(b) Investments in Preference Shares;
(c) Investments in Government or trust securities;
(d) Investments in debentures or bonds;
(e) Investments in Mutual Funds;
(f) Investments in partnership firms; or
(9) Other investments (specify nature)
Under each classification, details shall be given of names of the bodies corporate that are-
(i) subsidiaries,
(ii) associates,
(iii) joint ventures, or
(iv) structured entities,
in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showin separately investments which are partly-paid). Investments in partnership firms alongwith names of the firms, their partners, total capit and the shares of each partner shall be disclosed separately.
(ii) The following shall also be disclosed:
(a) Aggregate amount of quoted investment and market value thereof:
(b) Aggregate amount of unquoted investment : and
(c) Aggergate amount of impairment in value of investment.

VII.Trade Receivables :
[11][(i) Trade Receivables shall be sub-classified as:
(a) Trade Receivables considered good - Secured;
(b) Trade Receivables considered good - Unsecured;
(c) Trade Receivables which have significant increase in Credit Risk; and
(d) Trade Receivables - credit impaired]
(ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
(iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts du by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

@cachinmayahegde
9535078357, hegde87@gmail.com

VIII. Loans;
(i) Loans shall be classified as-
(a) Security Deposits;
(b) Loans to related parties (giving details thereof); and
(c) Other loans (specify nature).
The above shall also be separately sub-classified as-
(a) Secured, considered good;
(b) Unsecured, considered good; and
(c) Doubtful. Allowance for bad and doubtful loans shall be disclosed under the relevant heads separately.
(iv) Loans due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.
IX. Bank deposits with more than 12 months maturity shall be disclosed under'Other financial assets';
X. Other non-current asset : Other non-current assets shall be classified as-
(i) Capital Advances; and
(ii) Advances other than capital advances;
(1) Advances other than capital advances shall be classified as:
(a) Security Deposits;
(b) Advances to related parties (giving details thereof; and
(c) Other advances (specify nature).
(2) Advances to directors or other officers of the company or any of them either severally or jointly with any other persons or advances to firms or private companies respectively in which any director is a partner or a director or a member should be separately stated, In case advances are of the nature of a financial asset as per relevant Ind AS, these are to be disclosed under'other financial assets'separately.

@cachinmayahegde

9535078357, hegde87@gmail.com

B. Current Assets
I. Inventories:
(i) Inventories shall be classified as-
(a) Raw materaals;
(b) Work'in-progress;
(c) Finished goods;
(d) Stock-in-trade (in respect of goods acquired for trading);
(e) stores and spares;
(f) Loose tools; and
(g) Others (specify nature).
(ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.
(iii) Mode of valuation shall be stated.
II. Investment;
(i) Investments shall be classified as-
(a) Investments in Equity Instruments;
(b) Investment in Preference Shares;
(c) Investments in government or trust securities;
(d) Investments in debentures or bonds;
(e) Investments in Mutual Funds;
(f) Investments in partnership firms; and
(g) Other investments (specify nature).
Under each classification, details shall be given of names of the bodies corporate that are-
(i) subsidiaries,
(ii) associates,
(iii) joint ventures, or
(iv) structured entities,
in whom investments have been made and the nature and extent of the Investment so made in each such body corporate (showing separately investments which are partly-paid)
(ii) The following shall also be disclosed
(a)Aggregate amount of quoted investments and market value thereof;
(b)Aggregate amount of unquoted investments;
(c) Aggregate amount of impairment in value of investments,

@cachinmayahegde
9535078357, hegde87@gmail.com

III.. Trade Receivables
(i) Trade receivables shall be sub-classified as:
(a) Secured, considered good;
(b) Unsecured considered good; and
(c) Doubtful.:
(ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
(iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or . private companies respectively in which any director is a partner or a director or a member should be separately stated.
(iv) Cash and cash equivalents: Cash and cash equivalents shall be classified as-
a. Balances with Banks (of the nature of cash and cash equivalents);
b. Cheques, drafts on hand;
c, Cash on hand; and
d. Others (specify nature).
V. Loans;
(i) Loans shall be classified as:
(a) Security deposits;
(b) Loans to related parties (giving details thereof); and
(c) others (specify nature).
[12][(ii) Loans Receivables shall be sub-classified as:
(a) Loans Receivables considered good - Secured;
(b) Loans Receivables considered good - Unsecured;
(c) Loans Receivables which have significant increase in Credit Risk; and
(d) Loans Receivables - credit impaired.]

(c) Doubtful.
(iii) Allowance for bad and doubtful loans shall be disclosed under the relevant heads separately.
(iv) Loans due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

@cachinmayahegde
9535078357, hegde87@gmail.com

VI. Othcr current assets (specify nature) : This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories. Other current assets shall be classified as-

(i) Advances other than capital advances

(1) Advances other than capital advances shall be classified as:

(a) Security Deposits;

(b) Advances to related parties (giving details thereof);

(c) Other advances (specify nature)

(2) Advances to directors or other officers of the company or any of them either severally orjointly with any other persons or advances to firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

(a) Earmarked balances with banks (for example. for unpaid dividend) shall be separately stated.

(b) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.

(c) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

@cachinmayahegde

9535078357, hegde87@gmail.com

D. Equity

I. Equity Share Capital: For each class of equity share capital:

(a) the number and amount of shares authorised;

(b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;

(c) par value per Share;

(d) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;

(e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;

(f) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;

(g) shares in the company held by each shareholder holding more than five per cent. shares specifying the number of shares held;

(h) shares reserved for issue under options and contracts or commitments for the sale of shares or disinvestment, including the terms and amounts;

(i) for the period of five years immediately preceding the date at which the Balance Sheet is prepared

•aggregate nurnber and class of shares allotted as fully paid up pursuant to contract without payment being received in cash;

•aggregate number and class of shares allotted as fully paid up by way of bonus shares; and

•aggregate number and class of shares bought back;

(j) terms of any securities convertible into equity shares issued along with the earliest date of conversion in descending order starting from the farthest such date;

(k) calls unpaid (showing aggregate value of calls unpaid by directors and officers);

(l) forfeited shares (amount originally paid up).

II. Other Equity:

(i) 'Other Reserves'shall be classified in the notes as-

(a) Capital Redemption Reserve;

(b) Debenture Redemption Reserve;

(c) Share Options Outstanding Account; and

(d) others- (specify the nature and purpose of each reserve and the amount in respect thereof);

(Additions and deductions since last balance sheet to be shown under each of the specified heads)

(ii) Retained Earnings represents surplus i.e balance of the relevant column in the Statement of Changes in Equity;

(iii) A reserve specifically represented by earmarked investments shall disclose the fact that it is so represented;

(iv) Debit balance of Statement of Profit and Loss shall be shown as a negative figure under the head 'retained earnings'. Similarly, the balance of 'Other Equity', after adjusting negative balance of retained earnings, if any, shall be shown under the head 'Other Equity' even if the resulting figure is in the negative; and

(v) Under the sub-head 'Other Equity', disclosure shall be made for the nature and amount of each item.

E. Non-Current Liabilities
I. Borrorwings:
(i) borrowings shall be classifled as-
(a) Bonds or debentures
(b) Term loans
(I) from banks
(II) from other Parties
(c) Deferred payment liabilities
(d) Deposits .
(e) Loans from related parties
(f) Long term maturities of finance lease obligations
(g) Liability component of compound financial instruments
(h) Other loans (specify nature);
(ii) borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
(iii) where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed;
(iv) bonds or debentures (along with the rate of interest, and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be, where bonds/debentures are redeemable by installments, the date of maturity for this purpose must be reckoned as the date on which the first installment becomes due;
(v) particulars of any redeemed bonds or debentures which the company has power to reissue shall be disclosed;
(vi) terms of repayment of term loans and other loans shall be stated; and
(vii) period and amount of default as on the balance sheet date in repayment of borrowings and interest shall be specified separately in each case.
III. Provisions: The amounts shall be classified as-
(a) Provision for employee benefits; and
(b) Others (specify nature).
IV.Other non-current liabilities;
(a) Advances; and
(b) Others (specify nature).

@cachinmayahegde
9535078357, hegde87@gmail.com

(ii) borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case;
(iii) where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed;
(iv) period and amount of default as on the balance sheet date in repayment of borrowings and interest, shall be specified sepafately in each case.
II. Other Financial Liabilities: Other Financial liabilities shail be classified as-
(a) Current maturities of long-term debt;
(b) Current maturities of finance lease obligations;
(c) Interest accrued;
(d) Unpaid divrdends;
(e) Application money received for allotment of securities to the extent refundable and interest accrued thereon;
(f) Unpaid matured deposits and interest accrued thereon;
(g) Unpaid matured debentures and interest accrued thereon; and
(h) Others (specify nature).
'Long term debt'is a borrowing having a period of more than twelve months at the time of origination
[10][FA. Trade Payables
The following details relating to micro, small and medium enterprises shall be disclosed in the notes:-
(a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
(b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
(c) the amount of interest due and payable for the period of delay in making payment (whic h has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and
(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.
Explanation.- The terms 'appointed day', 'buyer', 'enterprise', 'micro enterprise', 'small enterprise' and 'supplier', shall have the same meaning as assigned to them under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.]
III.Other current liablities :
The amounts shall be classified as-
(a) revenue received in advance;
(b) other advances (specity nature); and
(c) others (specify nature);
IV. Provisions: The amounts shall be classified as-
(i) provision for employee benefits; and
(ii) others (specify nature)

@cachinmayahegde
9535078357, hegde87@gmail.com

G. The presentation of liabilities associated with group of assets classified as held for sale and non-current assets classified as held for sale shall be in accordance with the relevant Indian Accounting Standards (Ind ASs)

H. Contingent Liabilities and Commitments:

(to the extent not provided for)

(i) Contingent Liabilities shall be classified as-

(a) claims against the company not acknowledged as debt;

(b) guarantees exlcluding financial guarantees; and

(c) other money for which the company is contingently liable.

(ii) Commitments shall be classified as-

(a) estimated amount of contracts remaining to be executed on capital account and not provided for;

(b) uncalled liability on shares and other investments partly paid; and

(c) other commitments (specify nature).

I. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and title related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on irredeemable preference shares shall also be disclosed separately.

J, Where in respect of an issue of securities made for a specific purpose the whole or part of amount has not been used for the specific purpose at the Balance sheet date, there shall be indicated by way of note how such unutilised amounts have been used or invested.

7. When a company applies an accounting policy retrospectively or makes a restatement of items in the financial statements or when it reclassifies items in its financial statements, the company shall attach to the Balance Sheet, a "Balance Sheet" as at the beginning of the earliest comparative period presented.

8.Share application money pending allotment shall be classified into equity or liability in accordance with relevant Indian Accounting Standards. share application money to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable shall be separately shown under 'Other financial liabilities'.

9.Preference shares including premium received on issue, shall be classified and presented as 'Equity' or 'Liability' in accordance with the requirements of the relevant Indian Accounting Standards. Accordingly, the disclosure and presentation requirements in that regard applicable to the relevant class of equity or liability shall be applicable mutatis mutandis to the preference shares. For instance, [10][plain vanilla] redeemable preference shares shall be classified and presented under'non-current liabilities' as 'borrowings' and the disclosure requirements in this regard applicable to such borrowings shall be applicable mutatis mutandis to redeemable preference shares.

10. Compound financial instruments such as convertible debentures, where split into equity and liability components, as per the requirements of the relevant Indian Accounting Standards, shall be classified and presented under the relevant heads in 'Equity' and 'Liabilities'

11.Regulatory Deferral Account Balances shall be presented in the Balance Sheet in accordance with the relevant Indian Accounting Standards.

@cachinmayahegde

9535078357, hegde87@gmail.com

PART II - STATEMENT OF PROFIT AND LOSS

Name of the Company.........................

Statement of Profit and Loss for the period ended...............

	Particulars	Note No.	Figures as at the end of current reporting period	Figures for the previous reporting period
I	Revenue From operations			
II	Other Income			
III	Total Income (I+II)			
IV	EXPENSESCost of materials consumed			
	Purchases of Stock-in-Trade			
	Changes in inventories of finished goods, Stock-in -Trade and workin-progress			
	Employee benefits expense			
	Finance costs			
	Depreciation and amortization expenses			
	Other expenses			
	Total expenses (IV)			
V	Profit/(loss) before exceptional items and tax (I-IV)			
VI	Exceptional Items			
VII	Profit/ (loss) before exceptions items and tax(V-VI)			
VIII	Tax expense:(1) Current tax (2) Deferred tax			
IX	Profit (Loss) for the period from continulng operations (VII-VIII)			
X	Profit/(loss) from discontinued operations			
XI	Tax expenses of discontinued operations			
XII	Profit/(loss) from Discontinued operations (after tax) (X-XI)			
XIII	Profit/(loss) for the period (IX+XII)			
XIV	Other Comprehensive IncomeA. (i) Items that will not be reclassifled to proflt or loss (ii) Income tax relating to items that will not be reclassified to profit or loss B. (i) Items that will be reclassified to profit or loss (ii) Income tax relating to items that will be reclassified to profit or loss			
XV	Total Comprehensive Income for the period (XIII+XIV)Comprising Profit (Loss) and Other.comprehensive Income for the period)			
XVI	Earnings per equity share (for continuing operation):(1) Basic (2) Diluted			
XVII	Earnings per equity share (for discontinued operation):(1) Basic (2) Diluted			
XVIII	Earning per equity share (for discontinued & continuing operation)(1)Basic (2) Diluted			

GENERAL INSTRUCTIONS FOR PREPARING OF STATEMENT OF PROFIT AND LOSS

1.The provisions of this Part shall apply to the income and expenditure account, in like manner as they apply to a Statement of Profit and Loss,

2.The Statement of Profit and Loss shall include:

(1) Proflt of loss for the Period;

(2) Other Comprehensive Income for the period

The sum of (1) and (2) above is'Total Comprehensive Income"

3.Revenue from operations shall disclose separately in the notes

(a) sale of products (including Excise Duty);

(b) sale of services; and

(c) other operating revenues.

4. Finance Costs: Finance costs shall be classified as-

(a) interest;

(b) dividend on redeemabie preterence shares;

(c) exchange differences regarded as an adiustment to borrowing costs; and

(d) other borrowing costs (specify nature).

5.Other income: other income shall be classified as-

(a) interest Income;

(b) dividend Income; and

(c) other non-operating income (net of expenses directly attributable to such income)

@cachinmayahegde

9535078357, hegde87@gmail.com

6.Other Comprehensive Income shall be classified into-
(A) Items that will not be reclassified to profit or loss
(i) Changes in revaluation surplus;
(ii) Remeasurements of the defined benefit plans;
(iii) Equity Instruments through Other Comprehensive Income;
(iv) Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss;
(v) Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss; and
(v) Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss; and
(vi) Others (specify nature).
(B) Items that will be reclassified to profit or loss;
(i) Exchange differences in translating the financial statements of a foreign operatlon;
(ii) Debt Instruments through Other Comprehensive Income;
(iiii) The effective portion of gains and loss on hedging instruments in a cash flow hedge;
(iv) Share of other comprehensive lncome in Associates and Joint Ventures, to the extent to be classified into profit or loss; and
(v) Others (specify nature)
7.Additional Information: A Company shall disclose by way of notes, additional information regarding aggregate expenditure and income on the following items:
(a) employee Benefits expense (showing separately (i) salaries and wages, (ii) contiibution to provident and other funds, (iii) share based payments to employees, (iv) staff welfare expenses).
(b) depreciation and amortisation expense;
(c) any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.10,00,000, whichever is higher, in addition to the consideration of 'materiality'as specified in clause 7 of the General Instructions for Preparation of Financial Statements of a Company;
(d) interest Income;
(e) interest Expense
(f) dividend income;
(g) net gain or loss on sale of investments;
(h) net gain or loss on foreign currency transaction and translation (other than considered as finance cost);
(i) payments to the auditor as (a) auditor, (b) for taxation matters, (c) for company law matters, (d) for other services, (e) for reimbursement of expenses;
0) in case of companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities; and
(k) details of items of exceptional nature;
8.Changes in Regulatory Deferral Account Balances shall be presented in the Statement of Profit and Loss in accordance with the relevant Indian Accounting Standards

@cachinmayahegde

9535078357, hegde87@gmail.com

PART III- GENERAL INSTRUCTIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Where a Non-Banking Financial Company (NBFC) is required to prepare Consolidated Financial Statements, i.e., consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of profit and loss, the NBFC shall mutatis mutandis follow the requirements of this Schedule as applicable to an NBFC in the preparation of balance sheet, statement of changes in equity and statement of profit and loss. However, where the consolidated financial statements contains elements pertaining to NBFCs and other than NBFCs, mixed basis of presentation may be followed for consolidated financial statements where both kinds of operations are significant. In addition, the consolidated financial statements shall disclose the information as per the requirements specified in the applicable Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules 2015, including the following, namely:-

(i) Profit or loss attributable to 'non-controlling interest' and to 'owners of the parent' in the statement of profit and loss shall be presented as allocation for the period. Further, 'total comprehensive income' for the period attributable to 'non-controlling interest' and to 'owners of the parent' shall be presented in the statement of profit and loss as allocation for the period. The aforesaid disclosures for 'total comprehensive income' shall also be made in the statement of changes in equity. In addition to the disclosure requirements in the Indian Accounting Standards, the aforesaid disclosures shall also be made in respect of 'other comprehensive income'

(ii) 'Non-controlling interests' in the Balance Sheet and in the Statement of Changes in Equity, within equity, shall be presented separately from the equity of the 'owners of the parent'.

(iii) Investments accounted for using the equity method.

@cachinmayahegde 9535078357, hegde87@gmail.com

(2) In Consolidated Financial Statements, the following shall be disclosed by way of additional information:

Name of the entity in the Group	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total comprehensive income	Amount
Parent								
Subsidiaries Indian								
1.								
2.								
3.								
Foreign								
1.								
2.								
3.								
Non-controlling Interests in all subsidiaries								
Associates (Investment as per the equity method)								
Indian								
1.								
2.								
3.								
Foreign								
1.								
2.								
3.								
Joint Ventures(as per the equity method)								
Indian								
1.								
2.								
3.								
Foreign								
1.								
2.								
3.								
Total								

(3) All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.
(4) An entity shall disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reasons of not consolidating.]

@cachinmayahegde

9535078357, hegde87@gmail.com

Analysis of Financial Statements

1. Deepak started a new company Softbharti Pvt. Ltd. with Iktara Ltd. wherein investment of 55% is done by Iktara Ltd. and rest by Deepak. Voting powers are to be given as per the proportionate share of capital contribution. The new company formed was the subsidiary of Iktara Ltd. with two directors, and Deepak eventually becomes one of the directors of company. A consultant was hired and he charged ₹ 30,000 for the incorporation of company and to do other necessary statuary registrations. ₹ 30,000 is to be charged as an expense in the books after incorporation of company. The company, Softbharti Pvt. Ltd. was incorporated on 1st April 2019.

The financials of Iktara Ltd. are prepared as per Ind AS.

An accountant who was hired at the time of company's incorporation, has prepared the draft financials of Softbharti Pvt. Ltd. for the year ending 31st March, 2020 as follows:

Statement of Profit and Loss

Particulars	Amount (₹)
Revenue from operations	10,00,000
Other Income	1,00,000
Total Revenue (a)	**11,00,000**
Expenses:	
Purchase of stock in trade	5,00,000
(Increase)/Decrease in stock in trade	(50,000)
Employee benefits expense	1,75,000
Depreciation	30,000
Other expenses	90,000
Total Expenses (b)	**7,45,000**
Profit before tax (c) = (a)-(b)	**3,55,000**
Current tax	1,06,500
Deferred tax	6,000
Total tax expense (d)	**1,12,500**
Profit for the year (e) = (c) – (d)	**2,42,500**

Balance Sheet

Particulars	Amount (₹)
EQUITY AND LIABILITIES	
(1) Shareholders' Funds	
(a) Share Capital	1,00,000
(b) Reserves & Surplus	2,27,500
(2) Non-Current Liabilities	
(a) Long Term Provisions	25,000
(b) Deferred tax liabilities	6,000
(3) Current Liabilities	
(a) Trade Payables	11,000
(b) Other Current Liabilities	45,000
(c) Short Term Provisions	1,06,500
TOTAL	5,21,000
ASSETS	
(1) Non Current Assets	
(a) Property, plant and equipment (net)	1,00,000
(b) Long-term Loans and Advances	40,000
(c) Other Non Current Assets	50,000
(2) Current Assets	
(a) Current Investment	30,000
(b) Inventories	80,000
(c) Trade Receivables	55,000
(d) Cash and Bank Balances	1,15,000
(e) Other Current Assets	51,000
TOTAL	5,21,000

Additional information of Softbharti Pvt Ltd.:

i. Deferred tax liability of ₹ 6,000 is created due to following temporary difference:

Difference in depreciation amount as per Income tax and Accounting profit

ii. There is only one property, plant and equipment in the company, whose closing balance as at 31st March, 2020 is as follows:

Asset description	As per Books	As per Income tax
Property, plant and equipment	₹ 1,00,000	₹ 80,000

iii. Pre incorporation expenses are deductible on straight line basis over the period of five years as per Income tax. However, the same are immediately expensed off in the books.

iv. Current tax is calculated at 30% on PBT - ₹ 3,55,000 without doing any adjustments related to Income tax. The correct current tax after doing necessary adjustments of allowances / disallowances related to Income tax comes to ₹ 1,25,700.

v. After the reporting period, the directors have recommended dividend of ₹ 15,000 for the year ending 31st March, 2020 which has been deducted from reserves and surplus. Dividend payable of ₹ 15,000 has been grouped under 'other current liabilities' alongwith other financial liabilities.

vi. There are 'Government statuary dues' amounting to ₹ 15,000 which are grouped under 'other current liabilities'.

vii. The capital advances amounting to ₹ 50,000 are grouped under 'Other non-current assets'.

viii. Other current assets of ₹ 51,000 comprise Interest receivable from trade receivables.

ix. Current investment of ₹ 30,000 is in shares of a company which was done with the purpose of trading; current investment has been carried at cost in the financial statements. The fair value of current investment in this case is ₹ 50,000 as at 31st March, 2020.

x. Actuarial gain on employee benefit measurements of ₹ 1,000 has been omitted in the financials of Softbharti private limited for the year ending 31st March, 2020.

The financial statements for financial year 2019-2020 have not been yet approved.

You are required to ascertain that whether the financial statements of Softbharti Pvt. Ltd. are correctly presented as per the applicable financial reporting framework. If not, prepare the revised financial statements of Softbharti Pvt. Ltd. after the careful analysis of mentioned facts and information.

If Ind AS is applicable to any company, then Ind AS shall automatically be made applicable to all the subsidiaries, holding companies, associated companies, and joint ventures of that company, irrespective of individual qualification of set of standards on such companies.

In the given case it has been mentioned that the financials of Iktara Ltd. are prepared as per Ind AS. Accordingly, the results of its subsidiary Softbharti Pvt. Ltd. should also have been prepared as per Ind AS. However, the financials of Softbharti Pvt. Ltd. have been presented as per accounting standards (AS).

Hence, it is necessary to revise the financial statements of Softbharti Pvt. Ltd. as per Ind AS after the incorporation of necessary adjustments mentioned in the question.

The revised financial statements of Softbharti Pvt. Ltd. as per Ind AS and Division II to Schedule III of the Companies Act, 2013 are as follows:

@cachinmayahegde

9535078357, hegde87@gmail.com

@cachinmayahegde

9535078357, hegde87@gmail.com

STATEMENT OF PROFIT AND LOSS

for the year ended 31st March, 2020

Particulars	Amount (₹)
Revenue from operations	10,00,000
Other Income (1,00,000 + 20,000) (refer note -1)	1,20,000
Total Revenue	**11,20,000**
Expenses:	
Purchase of stock in trade	5,00,000
(Increase) / Decrease in stock in trade	(50,000)
Employee benefits expense	1,75,000
Depreciation	30,000
Other expenses	90,000
Total Expenses	**7,45,000**
Profit before tax	**3,75,000**
Current tax	1,25,700
Deferred tax (W.N.1)	4,800
Total tax expense	**1,30,500**
Profit for the year (A)	**2,44,500**
OTHER COMPREHENSIVE INCOME	
Items that will not be reclassified to Profit or Loss:	
Remeasurements of net defined benefit plans	**1,000**
Tax liabilities relating to items that will not be reclassified to Profit or Loss	
Remeasurements of net defined benefit plans (tax) [1000 x 30%]	(300)
Other Comprehensive Income for the period (B)	**700**
Total Comprehensive Income for the period (A+B)	**2,45,200**

Statement of Profit and Loss

Particulars	Amount (₹)
Revenue from operations	10,00,000
Other Income	1,00,000
Total Revenue (a)	11,00,000
Expenses:	
Purchase of stock in trade	5,00,000
(Increase)/Decrease in stock in trade	(50,000)
Employee benefits expense	1,75,000
Depreciation	30,000
Other expenses	90,000
Total Expenses (b)	7,45,000
Profit before tax (c) = (a)-(b)	3,55,000
Current tax	1,06,500
Deferred tax	6,000
Total tax expense (d)	1,12,500
Profit for the year (e) = (c) – (d)	2,42,500

@cachinmayahegde

9535078357, hegde87@gmail.com

BALANCE SHEET

as at 31st March, 2020

Particulars	(₹)
ASSETS	
Non-current assets	
Property, plant and equipment	1,00,000
Financial assets	
Other financial assets (Long-term loans and advances)	40,000
Other non-current assets (capital advances) (refer note-2)	50,000
Current assets	
Inventories	80,000
Financial assets	
Investments (30,000 + 20,000) (refer note -1)	50,000
Trade receivables	55,000
Cash and cash equivalents/Bank	1,15,000
Other financial assets (Interest receivable from trade receivables)	51,000
TOTAL ASSETS	**5,41,000**
EQUITY AND LIABILITIES	
Equity	
Equity share capital	1,00,000
Other equity	2,45,200
Non-current liabilities	
Provision (25,000 – 1,000)	24,000
Deferred tax liabilities (4800 + 300)	5,100
Current liabilities	
Financial liabilities	
Trade payables	11,000
Other financial liabilities (Refer note 5)	15,000
Other current liabilities (Govt. statuary dues) (Refer note 3)	15,000
Current tax liabilities	1,25,700
TOTAL EQUITY AND LIABILITIES	**5,41,000**

Particulars	Amount (₹)
EQUITY AND LIABILITIES	
(1) Shareholders' Funds	
(a) Share Capital	1,00,000
(b) Reserves & Surplus	2,27,500
(2) Non-Current Liabilities	
(a) Long Term Provisions	25,000
(b) Deferred tax liabilities	6,000
(3) Current Liabilities	
(a) Trade Payables	11,000
(b) Other Current Liabilities	45,000
(c) Short Term Provisions	1,06,500
TOTAL	5,21,000
ASSETS	
(1) Non Current Assets	
(a) Property, plant and equipment (net)	1,00,000
(b) Long-term Loans and Advances	40,000
(c) Other Non Current Assets	50,000
(2) Current Assets	
(a) Current Investment	30,000
(b) Inventories	80,000
(c) Trade Receivables	55,000
(d) Cash and Bank Balances	1,15,000
(e) Other Current Assets	51,000
TOTAL	5,21,000

@cachinmayahegde

9535078357, hegde87@gmail.com

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2020

A. EQUITY SHARE CAPITAL

	Balance (₹)
As at 31st March, 2019	-
Changes in equity share capital during the year	1,00,000
As at 31st March, 2020	1,00,000

B. OTHER EQUITY

	Reserves & Surplus
	Retained Earnings (₹)
As at 31st March, 2019	-
Profit for the year	2,44,500
Other comprehensive income for the year	700
Total comprehensive income for the year	2,45,200
Less: Dividend on equity shares (refer note – 4)	-
As at 31st March, 2020	2,45,200

DISCLOSURE FORMING PART OF FINANCIAL STATEMENTS:

Proposed dividend on equity shares is subject to the approval of the shareholders of the company at the annual general meeting and not recognized as liability as at the Balance Sheet date. (refer note-4)

@cachinmayahegde

9535078357, hegde87@gmail.com

Notes:

1. Current investment are held for the purpose of trading. Hence, it is a financial asset classified as FVTPL. Any gain in its fair value will be recognised through profit or loss. Hence, ₹ 20,000 (50,000 – 30,000) increase in fair value of financial asset will be recognised in profit and loss. However, it will attract deferred tax liability on increased value (Refer W.N).
2. Assets for which the future economic benefit is the receipt of goods or services, rather than the right to receive cash or another financial asset, are not financial assets.
3. Liabilities for which there is no contractual obligation to deliver cash or other financial asset to another entity, are not financial liabilities.
4. As per Ind AS 10, 'Events after the Reporting Period', If dividends are declared after the reporting period but before the financial statements are approved for issue, the dividends are not recognized as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with Ind AS 1, Presentation of Financial Statements.
5. Other current financial liabilities:

	(₹)
Balance of other current liabilities as per financial statements	45,000
Less: Dividend declared for FY 2019 - 2020 (Note – 4)	(15,000)
Reclassification of government statuary dues payable to 'other current liabilities'	(15,000)
Closing balance	15,000

Working Note:

Calculation of deferred tax on temporary differences as per Ind AS 12 for financial year 2019 - 2020

Item	Carrying amount (₹)	Tax base (₹)	Difference (₹)	DTA / DTL @ 30% (₹)
Property, Plant and Equipment	1,00,000	80,000	20,000	6,000-DTL
Pre-incorporation expenses	Nil	24,000	24,000	7,200-DTA
Current Investment	50,000	30,000	20,000	6,000-DTL
			Net DTL	4,800-DTL

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 28

On 1st April 2019, Investor Ltd. acquires 35% interest in another entity, XYZ Ltd. Investor Ltd. determines that it is able to exercise significant influence over XYZ Ltd. Investor Ltd. has paid total consideration of Rs 47,50,000 for acquisition of its interest in XYZ Ltd. At the date of acquisition, the book value of XYZ Ltd.'s net assets was Rs 90,00,000 and their fair value was Rs 1,10,00,000. Investor Ltd. has determined that the difference of Rs 20,00,000 pertains to an item of property, plant and equipment (PPE) which has remaining useful life of 10 years.

During the year, XYZ Ltd. made a profit of Rs 8,00,000. XYZ Ltd. paid a dividend of Rs 12,00,000 on 31st March, 2020. XYZ Ltd. also holds a long-term investment in equity securities. Under Ind AS, investment is classified as at FVTOCI in accordance with Ind AS 109 and XYZ Ltd. recognized an increase in value of investment by Rs 2,00,000 in OCI during the year. Ignore deferred tax implications, if any.

Calculate the closing balance of Investor Ltd.'s investment in XYZ Ltd. as at 31st March, 2020 as per the relevant Ind AS.

@cachinmayahegde

9535078357, hegde87@gmail.com

@cachinmayahegde

9535078357, hegde87@gmail.com

Calculation of Investor Ltd.'s investment in XYZ Ltd. under equity method:

Acquisition of investment in XYZ Ltd.		
Share in book value of XYZ Ltd.'s net assets (35% of Rs 90,00,000)	31,50,000	
Share in fair valuation of XYZ Ltd.'s net assets [35% of (Rs 1,10,00,000 – Rs 90,00,000)]	7,00,000	
Goodwill on investment in XYZ Ltd. (balancing figure)	9,00,000	
Cost of investment		47,50,000
Profit during the year		
Share in the profit reported by XYZ Ltd. (35% of Rs 8,00,000)	2,80,000	
Adjustment to reflect effect of fair valuation [35% of (Rs 20,00,000/10 years)]	(70,000)	
Share of profit in XYZ Ltd. recognised in income by Investor Ltd.		2,10,000
Long term equity investment		
FVTOCI gain recognised in OCI (35% of Rs 2,00,000)		70,000
Dividend received by Investor Ltd. during the year [35% of Rs 12,00,000]		(4,20,000)
Closing balance of Investor Ltd.'s investment in XYZ Ltd.		46,10,000

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 20

Entity A is awarded a government grant of Rs60,000 receivable over three years (Rs40,000 in year 1 and Rs10,000 in each of years 2 and 3), contingent on creating 10 new jobs and maintaining them for three years. The employees are recruited at a total cost of Rs30,000, and the wage bill for the first year is Rs 1,00,000, rising by Rs10,000 in each of the subsequent years. Calculate the grant income and deferred income to be accounted for in the books for year 1, 2 and 3.

@cachinmayahegde

9535078357, hegde87@gmail.com

The income of Rs 60,000 should be recognised over the three year period to compensate for the related costs.

Calculation of Grant Income and Deferred Income:

Year	Labour Cost Rs		Grant Income Rs	Deferred Income Rs
1	1,30,000	60,000 x 130/360	21,667	(40,000 – 21,667) = 18,333
2	1,10,000	60,000 x 110/360	18,333	(50,000 – 21,667 – 18,333) = 10,000
3	1,20,000	60,000 x 120/360	20,000	60,000 – 21,667 – 18,333 – 20,000 = 0
	3,60,000		60,000	

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 12 and Ind AS 103

On 1 January 2020, entity H acquired 100% share capital of entity S for Rs15,00,000. The book values and the fair values of the identifiable assets and liabilities of entity S at the date of acquisition are set out below, together with their tax bases in entity S's tax jurisdictions. Any goodwill arising on the acquisition is not deductible for tax purposes. The tax rates in entity H's and entity S's jurisdictions are 30% and 40% respectively.

Acquisitions	Book values Rs'000	Tax base Rs'000	Fair values Rs'000
Land and buildings	600	500	700
Property, plant and equipment	250	200	270
Inventory	100	100	80
Accounts receivable	150	150	150
Cash and cash equivalents	130	130	130
Accounts payable	-160	-160	-160
Retirement benefit obligations	-100	-	-100

You are required to calculate the deferred tax arising on acquisition of Entity S. Also calculate the Goodwill arising on acquisition.

@cachinmayahegde

9535078357, hegde87@gmail.com

@cachinmayahegde

9535078357, hegde87@gmail.com

Calculation of Deferred tax assets

Acquisitions	Tax base	Fair values	Deferred Tax	Nature
Land and buildings	500	700	(700-500)*40%=80	DTL
Property, plant and equipment	200	270	(270-200)*40% = 28	DTL
Inventory	100	80	(100-80)*40% = 8	DTA
Accounts receivable	150	150	0	
Cash and cash equivalents	130	130	0	
Accounts payable	160	160	0	
Retirement benefit obligations	-	100	(100-0)*40% = 40	DTA
			Net DTL = 60	

Calculation of Goodwill

Purchase consideration(cost of investment)		1500
Net Identifiable Assets at fair values		
Acquisitions	Fair values	
Land and buildings	700	
Property, plant and equipment	270	
Inventory	80	
Accounts receivable	150	
Cash and cash equivalents	130	
Accounts payable	(160)	
Retirement benefit obligations	(100)	
Deferred tax liability	(60)	1010
Goodwill		490

@cachinmayahegde
9535078357, hegde87@gmail.com

Note: Since, the tax base of the goodwill is nil, taxable temporary difference of Rs4,90,000 arises on goodwill. However, no deferred tax is recognised on the goodwill. The deferred tax on other temporary differences arising on acquisition is provided at 40% and not 30%, because taxes will be payable or recoverable in entity S's tax jurisdictions when the temporary differences will be reversed.

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 12, Ind AS 37 & Accounting for Expenditure on Corporate Social Responsibility Activities

In order to encourage companies and organisations to generously contribute to the Government's COVID-19 relief fund, taxation laws have been amended to reckon these contributions as deductible for the financial year ending 31st March, 2020 even if the contributions are made after the year end but within three months after year end. Government of India issued the notification on 31st March, 2020 by way of an Ordinance. Such contributions to COVID-19 funds are considered for compliance with annual spends on corporate social responsibility (CSR) for the current accounting year under the Companies Act, 2013. In this scenario, whether the contributions to COVID-19 Relief Funds made subsequent to reporting date of the current accounting period can be provided for as expenses of the current accounting period? Also show its impact on deferred tax, if any.

@cachinmayahegde

9535078357, hegde87@gmail.com

According to paragraph 14 of Ind AS 37, a provision shall be made if:
(a) an entity has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation. If these conditions are not met as of reporting date, no provision shall be recognised for that financial year.

Government of India issued the notification on 31st March, 2020 by way of an Ordinance and hence, it is most unlikely for any entity to have a present obligation on 31st March, 2020, for such a commitment. As these conditions are not met as of reporting date of financial year 2019 - 2020, no provision should be recognised in the financial statements for that financial year.

In the fact pattern given above, the accounting implications for the financial year 2019-2020 is as follows:

• Do not recognize expense / liability for the contribution to be made subsequent to the year ended 31st March, 2020 as it does not meet the criteria of a present obligation as at the balance sheet date. However, the expected spend may be explained in the notes to the accounts as the same will also be considered in measurement of deferred tax liability.
• If the entity claims a deduction in the Income Tax return for the financial year 2019 - 2020 for that contribution made subsequent to 31st March, 2020, recognise Deferred Tax Liability as there would be a tax saving in financial year 2019 - 2020 for a spend incurred in subsequent year.

@cachinmayahegde
9535078357, hegde87@gmail.com

Ind AS 115

A contractor enters into a contract with a customer to build an asset for Rs 1,00,000, with a performance bonus of Rs 50,000 that will be paid based on the timing of completion. The amount of the performance bonus decreases by 10% per week for every week beyond the agreed-upon completion date. The contract requirements are similar to those of contracts that the contractor has performed previously, and management believes that such experience is predictive for this contract. The contractor concludes that the expected value method is most predictive in this case.

The contractor estimates that there is a 60% probability that the contract will be completed by the agreed-upon completion date, a 30% probability that it will be completed one week late, and a 10% probability that it will be completed two weeks late.

Determine the transaction price.

@cachinmayahegde

9535078357, hegde87@gmail.com

The transaction price should include management's estimate of the amount of consideration to which the entity will be entitled for the work performed.

Fixed consideration 100,000
Variable consideration – Bonus – Using Expected value method

Scenario	Bonus	Probability	Expected value
Completion on time	50,000	0.6	30,000
Completion 1 week late	50,000-10% = 45,000	0.3	13,500
Completion 2 week late	50,000-20% = 40,000	0.1	4,000
			47,500

The total transaction price is Rs 1,47,500, based on the probability-weighted estimate. The contractor will update its estimate at each reporting date.

@cachinmayahegde
9535078357, hegde87@gmail.com

Ind AS 34

An entity's accounting year ends is 31st December, but its tax year end is 31st March. The entity publishes an interim financial report for each quarter of the year ended 31st December, 2019. The entity's profit before tax is steady at Rs10,000 each quarter, and the estimated effective tax rate is 25% for the year ended 31st March, 2019 and 30% for the year ended 31st March, 2020.
How the related tax charge would be calculated for the year 2019 and its quarters.

@cachinmayahegde

9535078357, hegde87@gmail.com

Since an entity's accounting year is not same as the tax year, more than one tax rate might apply during the accounting year. Accordingly, the entity should apply the effective tax rate for each interim period to the pre-tax result for that period.

	Quarter ending 31-3-2019	Quarter ending 30-6-2019	Quarter ending 30-9-2019	Quarter ending 31-12-2019	Year ending 31-12-2019
Profit before tax	10,000	10,000	10,000	10,000	40,000
Tax charge	-2,500	-3,000	-3,000	-3,000	-11,500
Profit After tax	7,500	7,000	7,000	7,000	28,500

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 24

Mr. X owns 95% of entity A and is its director. He is also beneficiary of a trust that owns 100% of entity B, of which he is a director.
Whether entities A and B are related parties?
Would the situation be different if:
(a) Mr. X resigned as a director of entity A, but retained his 95% holding?
(b) Mr. X resigned as a director of entities A and B and transferred the 95% holding in entity A to the trust?

@cachinmayahegde

9535078357, hegde87@gmail.com

Entities A and B are related parties, because the director (Mr. X) controls entity A and is a member of the key management personnel of entity B.
Answers to different given situations would be as under:
(a) Mr. X resigned as a director of entity A, but retained his 95% holding
Mr. X continues to control entity A through his 95% holding even though he is not (nominally) a director of the entity. Entities A and B are related if Mr. X controls the trust. Mr. X controls entity A and also, through the trust, controls entity B. Entities A and B are controlled by the same person, and so they are related parties.
Mr. X might still be a member of 'key management personnel' even though he is not (nominally) a director of entity A. Key management personnel includes, but is not restricted to, directors, which include those who are executive 'or otherwise' provided they had authority and responsibility for planning, directing and controlling the activities of the entity. There could be two reasons why entities A and B would continue to be related parties: Mr. X being a member of 'Key management personnel' of entity A and Mr. X controlling entity A.
(b) Mr. X resigned as a director of entities A and B and transferred the 95% holding in entity A to the trust.
If Mr. X controls the trust, he controls entities A and B through the trust, so they will be related parties (see reason in (a) above)
Mr. X is a member of 'key management personnel' of the two entities (see (a) above) if, as seems likely, he continues to direct their operating and financial policies. The substance of the relationship and not merely the legal form should be considered. If Mr X is regarded as a member of the key management personnel of, say, entity A, entity B is a related party, because he exercises control or significant influence over entity B by virtue of his control over the trust.

@cachinmayahegde
9535078357, hegde87@gmail.com

Ind AS 41 & Ind AS 113

Entity A purchased cattle at an auction on 30th June 2019

Purchase price at 30th June 2019	Rs 1,00,000
Costs of transporting the cattle back to the entity's farm	Rs 1,000
Sales price of the cattle at 31st March, 2020	Rs 1,10,000

The company would have to incur similar transportation costs if it were to sell the cattle at auction, in addition to an auctioneer's fee of 2% of sales price. The auctioneer charges 2% of the selling price, from both, the buyer as well as the seller.
Calculate the amount at which cattle is to be recognised in books on initial recognition and at year end 31st March, 2020.

@cachinmayahegde

9535078357, hegde87@gmail.com

Initial recognition of cattle Rs	
Fair value less costs to sell (Rs1,00,000 – Rs1,000 - Rs2,000)	97,000
Cash outflow (Rs1,00,000 + Rs1,000 + Rs2,000)	1,03,000
Loss on initial recognition	6,000
Cattle Measurement at year end	
Fair value less costs to sell (Rs1,10,000 – 1,000 – (2% x 1,10,000))	1,06,800

At 31st March, 2020, the cattle is measured at fair value of Rs 1,09,000 less the estimated auctioneer's fee of Rs 2,200). The estimated transportation costs of getting the cattle to the auction of Rs 1,000 are deducted from the sales price in determining fair value.

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 36

The UK entity with a sterling functional currency has a property located in US, which was acquired at a cost of US$ 1.8 million when the exchange rate was £1 = US$ 1.60. The property is carried at cost. At the balance sheet date, the recoverable amount of the property (as a result of an impairment review) amounted to US$ 1.62 million, when the exchange rate £1 = US$ 1.80. Compute the amount which is to be reported in Profit & Loss of UK entity as a result of impairment, if any. Ignore depreciation. Also analyse the total impairment loss on account of change in value due to impairment component and exchange component.

@cachinmayahegde

9535078357, hegde87@gmail.com

Ignoring depreciation, the loss that would be reported in the Profit and Loss as a result of the impairment is as follows: £

*Carrying value at balance sheet date-US$ 16,20,000 @ £ 1.8 =	9,00,000
Historical cost- US$ 18,00,000 @ £ 1.6 =	11,25,000
Impairment loss recognised in profit and loss	(2,25,000)

The components of the impairment loss can be analysed as follows:

Change in value due to impairment = US$ 1,80,000 @ £ 1.8 =	(1,00,000)
Exchange component of change = US$ 18,00,000 @ 1.8 – US$ 18,00,000 @ £ 1.6	(1,25,000)

*Recoverable amount being less than cost becomes the carrying value

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 109 & Ind AS 21

An Indian entity, whose functional currency is rupees, purchases USD dominated bond at its fair value of USD 1,000. The bond carries stated interest @ 4.7% p.a. on its face value. The said interest is received at the year end. The bond has maturity period of 5 years and is redeemable at its face value of USD 1,250. The fair value of the bond at the end of year 1 is USD 1,060. The exchange rate on the date of transaction and at the end of year 1 are USD 1 = Rs 40 and USD 1 = Rs 45, respectively. The weighted average exchange rate for the year is 1 USD = Rs 42.

The entity has determined that it is holding the bond as part of an investment portfolio whose objective is met both by holding the asset to collect contractual cash flows and selling the asset. The purchased USD bond is to be classified under the FVTOCI category.

The bond results in effective interest rate (EIR) of 10% p.a.

Calculate gain or loss to be recognised in Profit & Loss and Other Comprehensive Income for year 1. Also pass journal entry to recognise gain or loss on above. (Round off the figures to nearest rupees)

@cachinmayahegde

9535078357, hegde87@gmail.com

Computation of amounts to be recognized in the P&L and OCI:

Particulars	USD	Exchange rate	Rs
Cost of the bond	1,000	40	40,000
Interest accrued @ 10% p.a.	100	42	4,200
Interest received (USD 1,250 x 4.7%)	(59)	45	(2,655)
Amortized cost at year-end	1,041	45	46,845
Fair value at year end	1,060	45	47,700

Interest income to be recognized in P & L		4,200
Exchange gain on the principal amount [1,000 x (45-40)]	5,000	
Exchange gain on interest accrual [100 x (45 - 42)]	300	
Total exchange gain/loss to be recognized in P&L		5,300
Fair value gain to be recognized in OCI [45 x (1,060 - 1,041)]		855

Journal entry to recognize gain/loss

	Dr.	Cr.
Bond (Rs 47,700 – Rs 40,000) Dr.	7,700	
Bank (Interest received) Dr.	2,655	
To Interest Income (P & L)		4,200
To Exchange gain (P & L)		5,300
To OCI (fair value gain)		855

@cachinmayahegde

9535078357, hegde87@gmail.com

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 2

A company normally produced 1,00,000 units of a high precision equipment each year over past several years. In the current year, due to lack of demand and competition, it produced only 50,000 units. Further information is as follows:
Material = Rs 200 per unit;
Labour = Rs 100 per unit;
Variable manufacturing overhead = Rs 100 per unit;
Fixed factory production overhead =Rs 1,00,00,000;
Fixed factory selling overhead = Rs 50,00,000;
Variable factory selling overhead = Rs 150 per unit.
Calculate the value of inventory per unit in accordance with Ind AS 2. What will be the treatment of fixed manufacturing overhead?

@cachinmayahegde

9535078357, hegde87@gmail.com

Calculation of Inventory value per unit as per Ind AS 2:

Particulars	Value per unit (Rs)
Raw material	200
Labour	100
Variable manufacturing overhead	100
Fixed production overhead (1,00,00,000/1,00,000)	100
	500

Fixed overheads are absorbed based on normally capacity level, i.e.; 1,00,000 units, rather than on the basis of actual production, i.e.; 50,000 units. Therefore, fixed manufacturing overhead on 50,000 units, will be absorbed as inventory value. The remaining fixed manufacturing overhead Rs 50,00,000 (1,00,00,000 - 50,00,000) will be charged to P&L.

Note: Selling costs are excluded from the cost of inventories and recognised as expense in the period in which they are incurred.

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 10

In one of the plant of PQR Ltd., fire broke out on 10.05.2020 in which the entire plant was damaged. PQR Ltd. estimated the loss of Rs 40,00,000 due to fire. The company filed a claim with the insurance company and expects recovery of Rs 27,00,000 from the claim. The financial statements for the year ending 31.03.2020 were approved by the Board of Directors on 12th June, 2020. Discuss the accounting treatment of the above situation.

@cachinmayahegde

9535078357, hegde87@gmail.com

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved by the Board of Directors in case of a company, and, by the corresponding approving authority in case of any other entity for issue.

Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and

(b) those that are indicative of conditions that arose after the reporting period (non adjusting events after the reporting period).

An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period. In the instant case, since fire took place after the end of the reporting period, it is a non-adjusting event. However, in accordance with para 21 of Ind AS 10, disclosures regarding non-adjusting event should be made in the financial statements, i.e., the nature of the event and the expected financial effect of the same.

With regard to going concern basis followed for preparation of financial statements, the company needs to determine whether it is appropriate to prepare the financial statements on going concern basis, since there is only one plant which has been damaged due to fire. If the effect of deterioration in operating results and financial position is so pervasive that management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so, preparation of financial statements for the financial year 2019-2020 on going concern assumption may not be appropriate. In that case, the financial statements may have to be prepared on a basis other than going concern.

However, if the going concern assumption is considered to be appropriate even after the fire, no adjustment is required in the financial statements for the year ending 31.03.2020.

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 38

ABC Pvt. Ltd., recruited a player. As per the terms of the contract, the player is prohibited from playing for any other entity for coming 5 years and have to in the employment with the company and cannot leave the entity without mutual agreement. The price the entity paid to acquire this right is derived from the skills and fame of the said player. The entity uses and develops the player through participation in matches. State whether the cost incurred to obtain the right regarding the player can be recognised as an intangible asset as per Ind AS 38?

@cachinmayahegde

9535078357, hegde87@gmail.com

As per Ind AS 38, for an item to be recognised as an intangible asset, it must meet the definition of an intangible asset, i.e., identifiability, control over a resource and existence of future economic benefits and also recognition criteria.

With regard to establishment of control, paragraph 13 of Ind AS 38 states that an entity controls an asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits. The capacity of an entity to control the future economic benefits from an intangible asset would normally stem from legal rights that are enforceable in a court of law. In the absence of legal rights, it is more difficult to demonstrate control. However, legal enforceability of a right is not a necessary condition for control because an entity may be able to control the future economic benefits in some other way.

Further, paragraph 15 of Ind AS 38 provides that an entity may have a team of skilled staff and may be able to identify incremental staff skills leading to future economic benefits from training. The entity may also expect that the staff will continue to make their skills available to the entity. However, an entity usually has insufficient control over the expected future economic benefits arising from a team of skilled staff and from training for these items to meet the definition of an intangible asset. For a similar reason, specific management or technical talent is unlikely to meet the definition of an intangible asset, unless it is protected by legal rights to use it and to obtain the future economic benefits expected from it, and it also meets the other parts of the definition.

Since the right in the instant case is contractual, identifiability criterion is satisfied. Based on the facts provided in the given case, the player is prohibited from playing in other teams by the terms of the contract which legally binds the player to stay with ABC Ltd for 5 years.

Accordingly, in the given case, the company would be able to demonstrate control. Future economic benefits are expected to arise from use of the player in matches. Further, cost of obtaining rights is also reliably measurable. Hence, it can recognise the costs incurred to obtain the right regarding the player as an intangible asset. However, careful assessment of relevant facts and circumstances of each case is required to be made.

@cachinmayahegde 9535078357, hegde87@gmail.com

Ind AS 16

Entity X has a warehouse which is closer to factory of Entity Y and vice versa. The factories are located in the same vicinity. Entity X and Entity Y agree to exchange their warehouses. The carrying value of warehouse of Entity X is Rs 1,00,000 and its fair value is Rs 1,25,000. It exchanges its warehouse with that of Entity Y, the fair value of which is Rs 1,20,000. It also receives cash amounting to Rs 5,000. How should Entity X account for the exchange of warehouses?

@cachinmayahegde

9535078357, hegde87@gmail.com

Paragraph 24 of Ind AS 16, inter alia, provides that when an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets, the cost of such an item of property, plant and equipment is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Further as per paragraph 25 of Ind AS 16, an entity determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if:

(a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or

(b) the entity-specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and

(c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

In the given case, the transaction lacks commercial substance as the company's cash flows are not expected to significantly change as a result of the exchange because the factories are located in the same vicinity i.e. it is in the same position as it was before the transaction. Hence, Entity X will have to recognise the assets received at the carrying amount of asset given up, i.e., Rs 1,00,000 being carrying amount of existing warehouse of Entity X and Rs 5,000 received will be deducted from the cost of property, plant and equipment. Therefore, the warehouse of Entity Y is recognised as property, plant and equipment with a carrying value of Rs 95,000 in the books of Entity X

@cachinmayahegde 9535078357, hegde87@gmail.com

Ind AS 27

A company, AB Ltd. holds investments in subsidiaries and associates. In its separate financial statements, AB Ltd. wants to elect to account its investments in subsidiaries at cost and the investments in associates as financial assets at fair value through profit or loss (FVTPL) in accordance with Ind AS 109, Financial Instruments. Whether AB Limited can carry investments in subsidiaries at cost and investments in associates in accordance with Ind AS 109 in its separate financial statements?

@cachinmayahegde

9535078357, hegde87@gmail.com

Paragraph 10 of Ind AS 27, Separate Financial Statements inter-alia provides that, when an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either at cost, or in accordance with Ind AS 109, Financial Instruments in its separate financial statements. Further, the entity shall apply the same accounting for each category of investments.

It may be noted that although the 'category' is used in number of Standards, it is not defined in any of the Ind AS. It seems that subsidiaries, associates and joint ventures would qualify as separate categories. Thus, the same accounting policies are applied for each category of investments - i.e. each of subsidiaries, associates and joint ventures. However, paragraph 10 of Ind AS 27 should not be read to mean that, in all circumstances, all investments in associates are one 'category' of investment and all investments in joint ventures or an associate are one 'category' of investment. These categories can be further divided into sub-categories provided the sub-category can be defined clearly and objectively and results in information that is relevant and reliable. For example, an investment entity parent can have investment entity subsidiary (at fair value through profit or loss) and non-investment entity subsidiary (whose main purpose is to provide services that relate to the investment entity's investment activities) as separate categories in its separate financial statements. In the present case, investment in subsidiaries and associates are considered to be different categories of investments. Further, Ind AS 27 requires to account for the investment in subsidiaries, joint ventures and associates either at cost, or in accordance with Ind AS 109 for each category of Investment. Thus, AB Limited can carry its investments in subsidiaries at cost and its investments in associates as financial assets in accordance with Ind AS 109 in its separate financial statements

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 116

Entity X (lessee) entered into a lease agreement ('lease agreement') with Entity Y (lessor) to lease an entire floor of a shopping mall for a period of 9 years. The annual lease rent of ` 70,000 is payable at year end. To carry out its operations smoothly, Entity X simultaneously entered into another agreement ('facilities agreement') with Entity Y for using certain other facilities owned by Entity Y such as passenger lifts, DG sets, power supply infrastructure, parking space etc., which are specifically mentioned in the agreement, for annual service charges amounting to ` 1,00,000. As per the agreement, the ownership of the facilities shall remain with Entity Y. Lessee's incremental borrowing rate is 10%.

The facilities agreement clearly specifies that it shall be co-existent and coterminous with 'lease agreement'. The facility agreement shall stand terminated automatically on termination or expiry of 'lease agreement'.

Entity X has assessed that the stand-alone price of 'lease agreement' is ` 1,20,000 per year and stand-alone price of the 'facilities agreement' is ` 80,000 per year. Entity X has not elected to apply the practical expedient in paragraph 15 of Ind AS 116 of not to separate non-lease component (s) from lease component(s) and accordingly it separates non-lease components from lease components.

How will Entity X account for lease liability as at the commencement date?

@cachinmayahegde

9535078357, hegde87@gmail.com

Entity X identifies that the contract contains lease of premises and non-lease component of facilities availed. As Entity X has not elected to apply the practical expedient as provided in paragraph 15, it will separate the lease and non-lease components and allocate the total consideration of ` 1,70,000 to the lease and non-lease components in the ratio of their relative stand-alone selling prices as follows:

Particulars	Stand-alone Prices	% of total Stand-alone Price	Allocation of consideration
Building rent	1,20,000	60%	1,02,000
Service charge	80,000	40%	68,000
Total	2,00,000	100%	1,70,000

As Entity X's incremental borrowing rate is 10%, it discounts lease payments

Year	Lease Payment (A)	Present value factor @ 10% (B)	Present value of lease payments (A X B = C)
Year 1	1,02,000	0.909	92,718
Year 2	1,02,000	0.826	84,252
Year 3	1,02,000	0.751	76,602
Year 4	1,02,000	0.683	69,666
Year 5	1,02,000	0.621	63,342
Year 6	1,02,000	0.564	57,528
Year 7	1,02,000	0.513	52,326
Year 8	1,02,000	0.467	47,634
Year 9	1,02,000	0.424	43,248
Lease Liability at commencement date			5,87,316

Further, ` 68,000 allocated to the non-lease component of facility used will be recognised in profit or loss as and when incurred.

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 7

During the financial year 2019-2020, Akola Limited have paid various taxes & reproduced the below mentioned records for your perusal:

- Capital gain tax of ` 20 crore on sale of office premises at a sale consideration of ` 100 crore.
- Income Tax of ` 3 crore on Business profits amounting ` 30 crore (assume entire business profit as cash profit).
- Dividend Distribution Tax of ` 2 crore on payment of dividend amounting ` 20 crore to its shareholders.
- Income tax Refund of ` 1.5 crore (Refund on taxes paid in earlier periods for business profits).

You need to determine the net cash flow from operating activities, investing activities and financing activities of Akola Limited as per relevant Ind AS.

@cachinmayahegde

9535078357, hegde87@gmail.com

Para 36 of Ind AS 7 inter alia states that when it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flows that are classified as investing or financing activities the tax cash flow is classified as an investing or financing activity as appropriate. When tax cash flows are allocated over more than one class of activity, the total amount of taxes paid is disclosed.

Accordingly, the transactions are analysed as follows:

Particulars	Amount (in crore)	Activity
Sale Consideration	100	Investing Activity
Capital Gain Tax	-20	Investing Activity
Business profits	30	Operating Activity
Tax on Business profits	-3	Operating Activity
Dividend Payment	-20	Financing Activity
Dividend Distribution	-2	Financing Activity
Income Tax Refund	1.5	Operating Activity
Total Cash flow	86.5	

Activity wise	Amount (in crore)
Operating Activity	28.5
Investing Activity	80
Financing Activity	-22
Total	86.5

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 103

Veera Limited and Zeera Limited are both in the business of manufacturing and selling of Lubricant. Veera Limited and Zeera Limited shareholders agree to join forces to benefit from lower delivery and distribution costs. The business combination is carried out by setting up a new entity called Meera Limited that issues 100 shares to Veera Limited's shareholders and 50 shares to Zeera Limited's shareholders in exchange for the transfer of the shares in those entities. The number of shares reflects the relative fair values of the entities before the combination. Also respective company's shareholders gets the voting rights in Meera Limited based on their respective shareholding.
Determine the acquirer by applying the principles of Ind AS 103 'Business Combinations'.

@cachinmayahegde

9535078357, hegde87@gmail.com

As per para B15 of Ind AS 103, in a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly called 'reverse acquisitions', the issuing entity is the acquiree.
Other pertinent facts and circumstances shall also be considered in identifying the acquirer in a business combination effected by exchanging equity interests, including:
The relative voting rights in the combined entity after the business combination - The acquirer is usually the combining entity whose owners as a group retain or receive the largest portion of the voting rights in the combined entity.
Based on above mentioned para, acquirer shall be either of the combining entities (i.e. Veera Limited or Zeera Limited), whose owners as a Group retain or receive the largest portion of the voting rights in the combined entity.
Hence, in the above scenario Veera Limited's shareholder gets 66.67% share (100 / 150 x 100) and Zeera Limited's shareholder gets 33.33% share in Meera Limited. Hence, Veera Limited is acquirer as per the principles of Ind AS 103.

@cachinmayahegde

9535078357, hegde87@gmail.com

Ind AS 40

Shaurya Limited owns Building A which is specifically used for the purpose of earning rentals. The Company has not been using the building A or any of its facilities for its own use for a long time. The company is also exploring the opportunities to sell the building if it gets the reasonable amount in consideration.

Following information is relevant for Building A for the year ending 31st March, 2020:

Building A was purchased 5 years ago at the cost of `10 crore and building life is estimated to be 20 years. The company follows straight line method for depreciation.

During the year, the company has invested in another Building B with the purpose to hold it for capital appreciation. The property was purchased on 1st April, 2019 at the cost of ` 2 crore. Expected life of the building is 40 years. As usual, the company follows straight line method of depreciation.

Further, during the year 2019-2020, the company earned / incurred following direct operating expenditure relating to Building A and Building B:

Rental income from Building A = ` 75 lakh
Rental income from Building B = ` 25 lakh
Sales promotion expenses = ` 5 lakh
Fees & Taxes = ` 1 lakh
Ground rent = ` 2.5 lakh
Repairs & Maintenance = ` 1.5 lakh
Legal & Professional = ` 2 lakh
Commission and brokerage = ` 1 lakh

@cachinmayahegde

9535078357, hegde87@gmail.com

The company does not have any restrictions and contractual obligations against buildings - A and B. For complying with the requirements of Ind AS, the management sought an independent report from the specialists so as to ascertain the fair value of buildings A and B. The independent valuer has valued the fair value of property as per the valuation model recommended by International valuation standards committee. Fair value has been computed by the method by streamlining present value of future cash flows namely, discounted cash flow method.

The other key inputs for valuation are as follows:

The estimated rent per month per square feet for the period is expected to be in the range of ` 50 - ` 60. It is further expected to grow at the rate of 10 percent per annum for each of 3 years. The weighted discount rate used is 12% to 13%.

Assume that the fair value of properties based on discounted cash flow method is measured at ` 10.50 crore on 31st March, 2020.

What would be the treatment of Building A and Building B in the balance sheet of Shaurya Limited? Provide detailed disclosures and computations in line with relevant Indian accounting standards. Treat it as if you are preparing a separate note or schedule, of the given assets in the balance sheet.

@cachinmayahegde

9535078357, hegde87@gmail.com

Investment property is held to earn rentals or for capital appreciation or both. Ind AS 40 shall be applied in the recognition, measurement and disclosure of investment property. An investment property shall be measured initially at its cost. After initial recognition, an entity shall measure all of its investment properties in accordance with the requirement of Ind AS 16 for cost model.

The measurement and disclosure of Investment property as per Ind AS 40 in the balance sheet would be depicted as follows:

INVESTMENT PROPERTIES:

Particulars	Period ended 31st March, 2020 (` in crore)
Gross Amount:	
Opening balance (A)	10
Additions during the year (B)	2
Closing balance (C) = (A) + (B)	12
Depreciation:	
Opening balance (D)	2.5
Depreciation during the year (E) (0.5 + 0.05)	0.55
Closing balance (F) = (D) + (E)	3.05
Net balance (C) - (F)	8.95

@cachinmayahegde

9535078357, hegde87@gmail.com

The changes in the carrying value of investment properties for the year ended 31st March, 2020 are as follows:

Amount recognised in Profit and Loss with respect to Investment Properties

Particulars	Period ending 31st March, 2020 (` in crore)
Rental income from investment properties (0.75 + 0.25)	1
Less: Direct operating expenses generating rental income (5+1+2.5+1.5+2+1)	-0.13
Profit from investment properties before depreciation and indirect expenses	0.87
Less: Depreciation	-0.55
Profit from earnings from investment properties before indirect expenses	0.32

@cachinmayahegde

9535078357, hegde87@gmail.com

Disclosure Note on Investment Properties acquired by the entity

The investment properties consist Property A and Property B. As at 31st March, 2020, the fair value of the properties is `10.50 crore. The valuation is performed by independent valuers, who are specialists in valuing investment properties. A valuation model as recommended by International Valuation Standards Committee has been applied. The Company considers factors like management intention, terms of rental agreements, area leased out, life of the assets etc. to determine classification of assets as investment properties.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Description of valuation techniques used and key inputs to valuation on investment properties:

Valuation technique	Significant unobservable inputs	Range (Weighted average)
Discounted cash flow (DCF) method	- Estimated rental value per sq. ft. per month	` 50 to ` 60
	- Rent growth per annum	10% every 3 years
	- Discount rate	12% to 13%

@cachinmayahegde

9535078357, hegde87@gmail.com