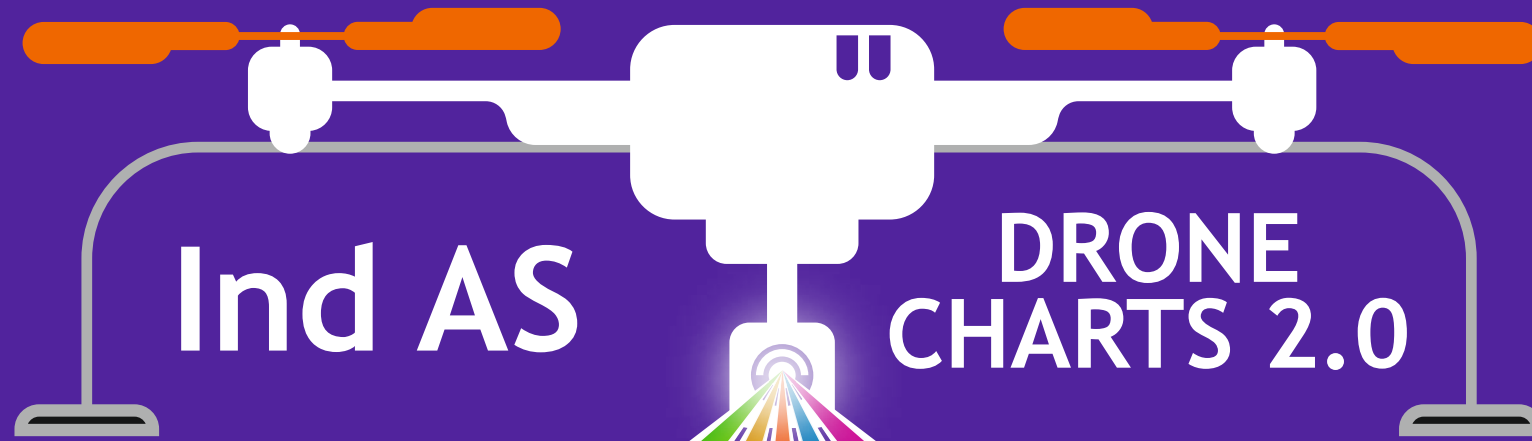


CA FINAL  
(NEW COURSE)

# FINANCIAL REPORTING



## Ind AS

## DRONE CHARTS 2.0

**Covers:**

All Ind AS (Except Ind AS on FI, Business Combination, Consolidation, SBP covered in Brahmastra).

**Covers:**

Other Topics of CA Final :  
Integrated Reporting,  
Corporate Social Responsibility.

Pictorial presentation of all concepts. These are not summary charts but Drone Charts - Comprehensive & Concise

Covers "Ind AS & Other Topics" with SJ's conceptual clarity and coverage

Innovative and colorful infographics for quick revision and better conceptual understanding of "Ind AS & Other Topics"

Relevant for professionals and students

Handcrafted book which makes "Ind AS & Other Topics" easy to understand & revise one day before exams

**Crafted By:**

**CA Sarthak Jain (All India CA Ranker)**  
CA by Profession, Tutor by Passion

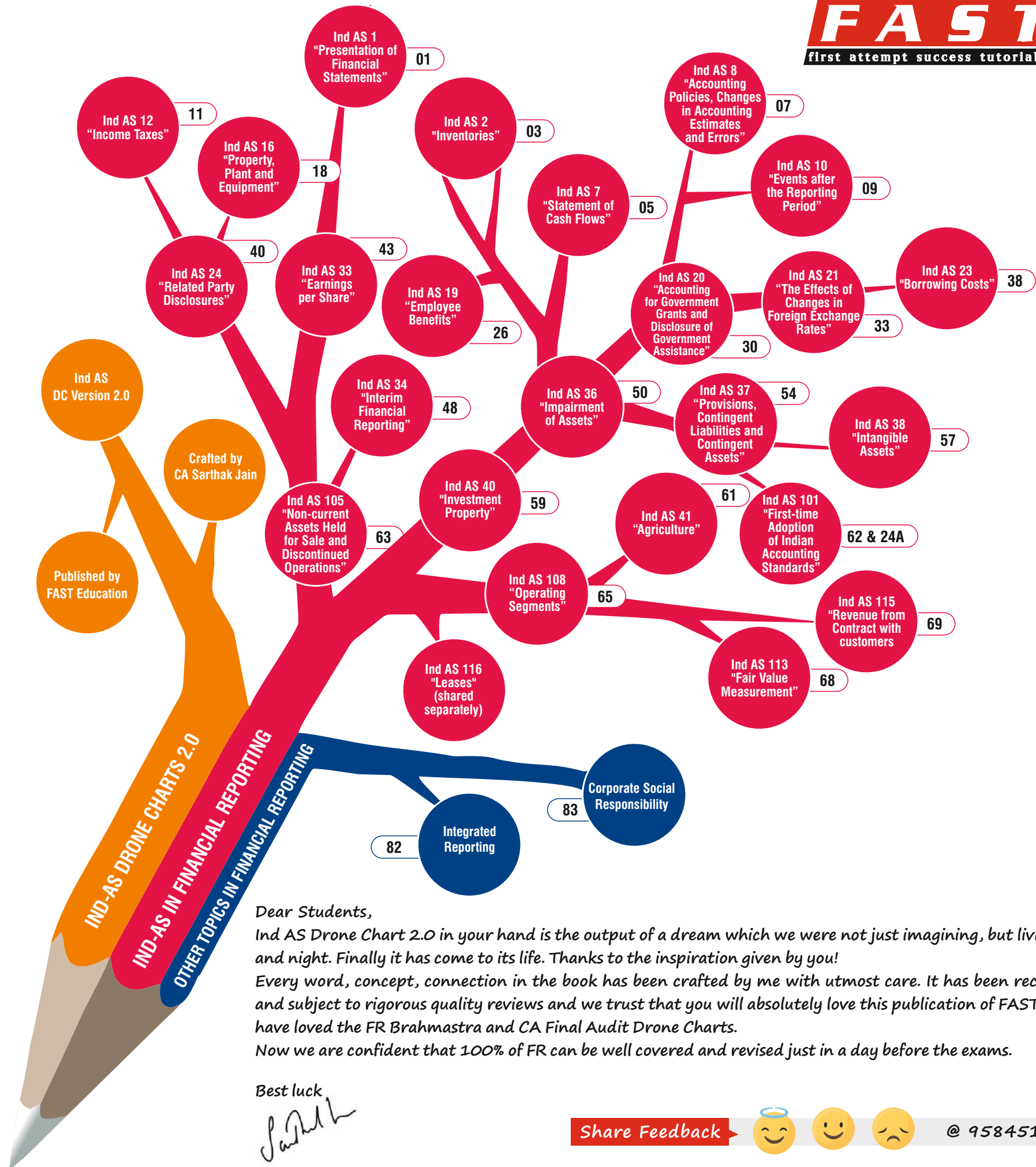


**FAST**  
first attempt success tutorials

CA FINAL - FR - DRONE CHARTS  
**INDEX**

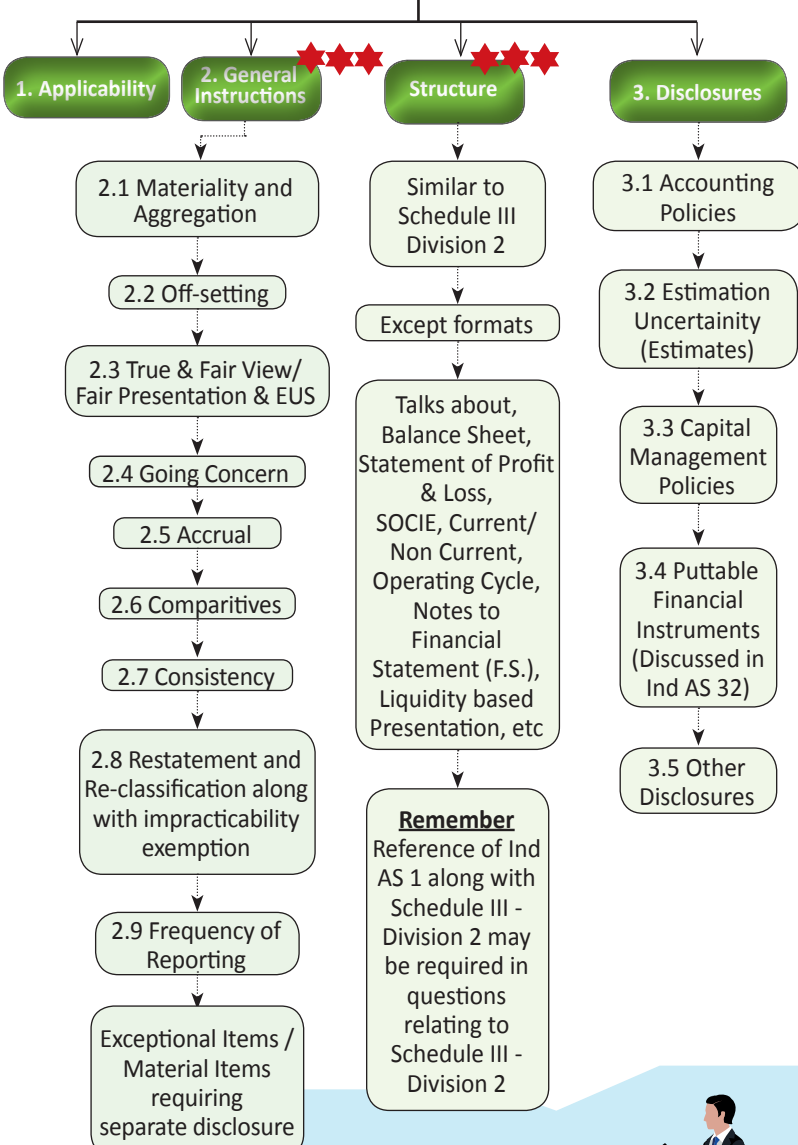


**Author : CA Sarthak Jain**



Dear Students,  
 Ind AS Drone Chart 2.0 in your hand is the output of a dream which we were not just imagining, but living day and night. Finally it has come to its life. Thanks to the inspiration given by you!  
 Every word, concept, connection in the book has been crafted by me with utmost care. It has been rechecked and subject to rigorous quality reviews and we trust that you will absolutely love this publication of FAST as you have loved the FR Brahmastra and CA Final Audit Drone Charts.  
 Now we are confident that 100% of FR can be well covered and revised just in a day before the exams.

Best luck  
*Sarthak Jain*



**1. Applicability**

- 1) Ind AS applies to Standalone/Separate and Consolidated F.S.
  - Standalone F.S.
  - Separate F.S.
  - F.S. of company that has no subsidiary
  - Individual F.S. of holding company
- 2) **Section 8** Companies etc. also to follow Ind AS with flexibility to change "Nomenclature of items" (E.g. Profit-Surplus, SPL- SIE etc)
- 3) **Interim F.S.** (Condensed format)- Ind AS 1 not applicable
- 4) Ind AS applies on **General Purpose Financial Statements**

**2. General Instructions**

- 2.1 Materiality & Aggregation :**
- **Definition of Materiality:** Transaction or other events and conditions that could influence the decision-making of users, are considered as material items.
  - Materiality is based on **size and/or nature of transaction** or other events and conditions judged in surrounding circumstances
  - Ind AS 1 requires that: Items of **dissimilar nature** (e.g. CSR & Donation); or Items of **similar nature, different class** (Donation to political & non-political parties); Should not be aggregated to obscure material information being presented/disclosed to users of financial statements (Except if required by Law)
  - Ind AS 1 also states that company should not combine **immaterial information with material information**
  - **Dis-aggregate information** of material items may be given on **Face of F.S. or Notes to F.S.**
- 2.2 Off-Setting (Netting-Off) :**
- **Meaning:** Netting off income & expense or asset & liability while presenting financial information.
  - **Ind AS 1:**
    - Rule (i):** Off setting is permitted only when any **Ind AS requires** ( E.g. Ind AS 32, Financial Instruments: Presentation, requires that a **Financial Asset** and **Financial Liability** should be off-set if:
      - » Entity has a **legal right to off-set it;** and
      - » It **intends to off-set it** or realise the asset & settle the liability simultaneously).

**Rule (ii):** Setting off 'Provision on Assets' with carrying amount of asset is not off-setting (E.g. Trade receivables and Provision for Bad Debts, Property, Plant and Equipment and Provision for Depreciation)

**Rule (iii):** Off-Setting is required when it **represents substance of transactions** (E.g. Reimbursement for payments on behalf of 3rd parties, Setting-off contingent asset with liabilities [Ind AS 37], Setting-off insurance claim with loss)

**Rule(iv):** **As a practice** information like foreign exchange gain/loss, profit/loss on sale of investment/PPE etc. are presented on net basis, unless the information is material in which case it should be presented separately

**SJ Tips** (Cash Flow off-setting : Refer Ind AS 7)

- 2.3 Fair Presentation and EUS:**
- Transaction or other events and conditions are presented fairly as per the framework for preparation of financial statements.
  - Disclosure of inappropriate accounting treatments would not be a basis for achieving fair presentation.
  - **Explicit Unreserved Statement (EUS) :**
    - a) Entity complying with Ind AS to make an EUS of the fact that F.S. are prepared as per Ind AS (**No choice of selective application of Ind AS**)

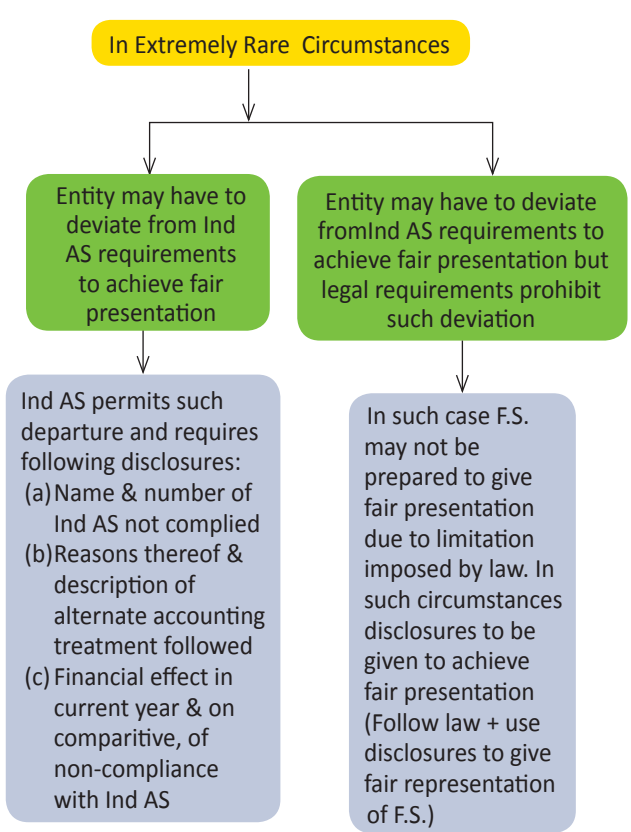
**Q.1** Company makes a statement in financial statement that it has complied with all Ind AS except Ind AS 7 cash flow statements, comment.

**Hint:** In such case it will be considered company has not adopted Ind AS, as it is selectively applying Ind AS. Hence F.S. will not be considered to be prepared as per Ind AS.

**Q.2** Company makes a statement in financial statement that it has 'Prepared & presented financial statement as per Ind AS', while doing audit, you found cash flow statement is not prepared as per Ind AS

**Hint:** Financial Statements will be considered to be prepared as per Ind AS & auditor would qualify his report w.r.t cash flow statements.

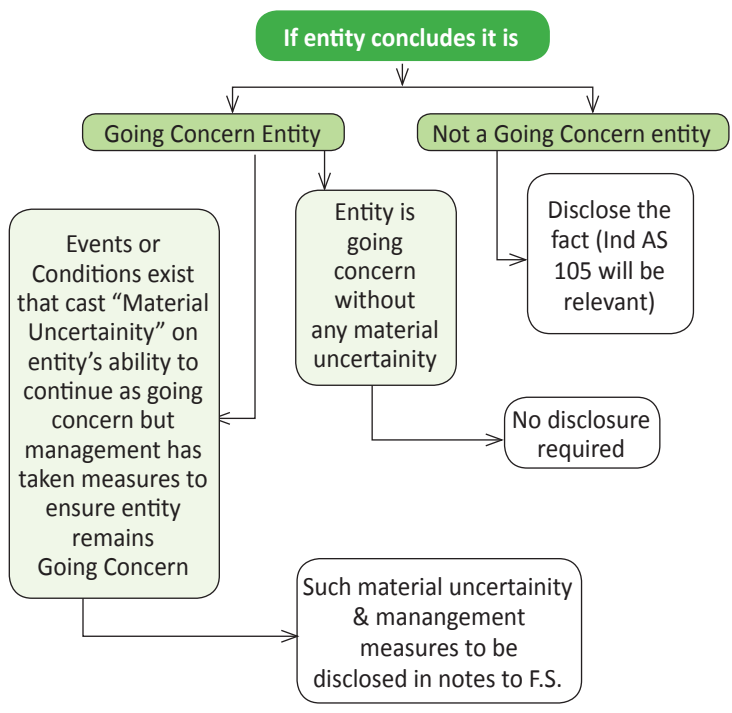
**In Extremely Rare Circumstances :**



**2.4 Going Concern :**

- Business/Entity will continue till foreseeable future.
- Entity is required to test whether it is a going concern, as disclosed.
- Ind AS 10 & 105 also relevant

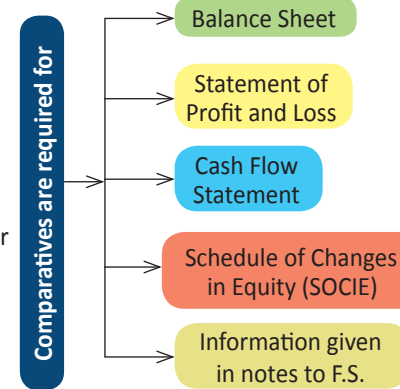




**2.5 Accrual :** Entities following Ind AS to follow accrual basis of accounting only (Section 128 of Companies Act, 2013 requires books of account to be prepared as per accrual basis)

**2.6 Comparatives :**

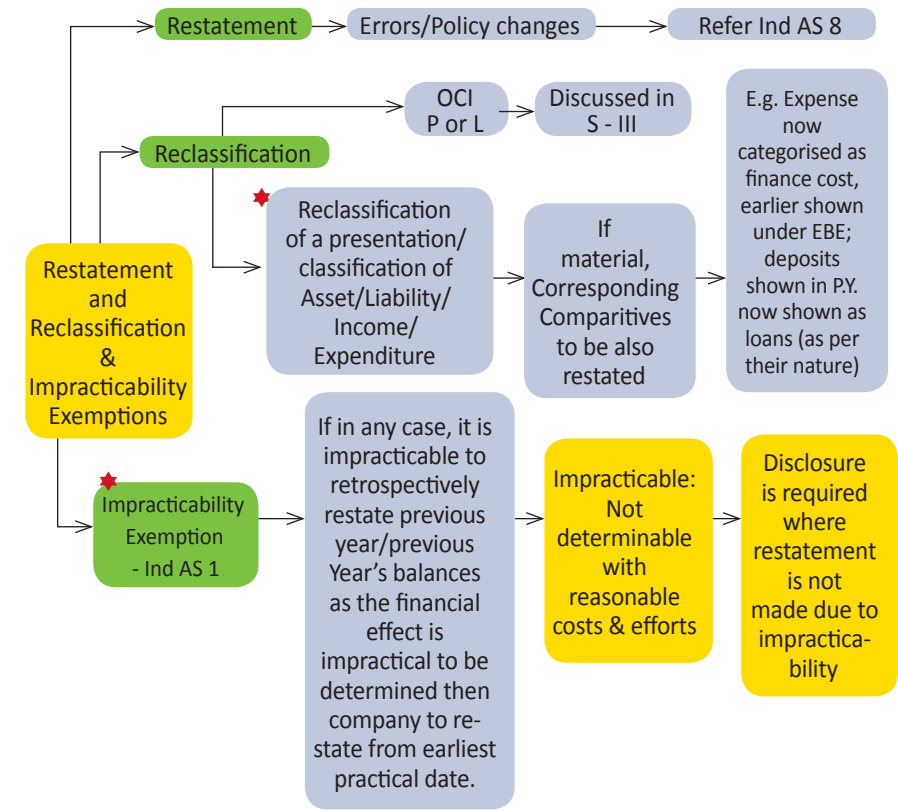
- Minimum 1 year + in case of First time adoption and restatement (retrospective) having material effect – Previous year opening balance sheet also presented.
- Entity can disclose comparatives for > 1 year as per Ind AS 1;
- Entity may also give > 1 year comparative for Statement for Profit and Loss & 1-year comparative for Balance Sheet and Cash flow Statement or Vice Versa.



**2.7 Consistency**

- Company to use consistent basis of accounting for similar items or items of similar class.
- Changes to be made only if:
  - Provides better presentation; or
  - Change in nature of operations; or
  - Required by any Ind AS
- Disclosures are required for changes in accounting policies giving the financial effect.

**2.8 Restatement and Reclassification & Impracticability Exemptions**



**2.9 Frequency of Reporting:**

- At least **Annually**; or
- If Reporting period is > 12 months or < 12 months; then disclose:
  - The reporting period; and
  - Fact that current year figures are not entirely comparable with previous year figures

**3. Disclosures under Ind AS 1 (in brief)**

**3.1 Accounting Policies**

- Disclose significant accounting policies regarding:
  - Bases of measurement ( Cost/ Fair Value/Else); and
  - Other accounting policies
- Changes in accounting policies (See Consistency)
- Deviations from Ind AS in choice of accounting policies (See fair presentation)
- Significant **judgements of managements** (other than estimates) to be disclosed (E.g. **Materiality, Impracticability, Going Concern** etc.)

**3.2 Accounting Estimates**

Disclose any material uncertainty/ estimates involving significant uncertainty to be disclosed providing information on:

- Estimates used;
- Sensitivity involved;
- Range of possible outcomes; and
- Basis of selection of estimates.

E.g. discounting factor, fair values, expected loss on legal cases etc.

**3.3 Capital Management Policies**

- Qualitative aspects of capital;
- Quantitative aspects of capital;
- Management of both the above aspects;

- Externally imposed restrictions on capital; and
- Any violations of those restrictions during the year.

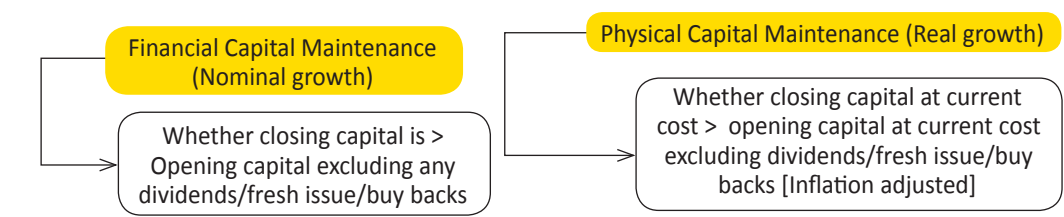
**3.4 Puttable Financial Instruments : Discussed in Ind AS 32**

**3.5 Other Disclosures:**

- Proposed dividend;
- Arrears of Preference dividend;
- Other:
  - Legal form +Domicile (Registered at) + Registered Address;
  - Holding & ultimate holding company name;
  - Nature of operations;
  - If it has specified life then disclose.

**Framework for Preparation & Presentation of Financial Statements**

- ICAI has given a framework (i.e. Guideline for preparation & presentation of financial statements)
  - Capital, Income and Expenditure (covered in DC in respective Ind AS)
- Framework covers matters like:**
  - Qualitative characteristics of F.S. (like Understandability, Comparability, Relevance and Reliability)
  - Provides definitions for Asset, Liability, Measurement basis (Like Cost, Realisable value, NRV, Replacement Cost, Present Value etc.)
  - Underlying assumptions (Accrual & Going Concern) \*
- Capital Maintenance:**



**E.g.(1)**

Opening Capital	₹ 50,000
C.Y.Profits	₹ 5,000
Inflation	12.5%
Whether financial capital maintained?	
Hint:	Yes, it has increased by ₹ 5,000

**E.g.(2)**

Opening Capital (Restated)	₹ 56,250 (50000x 112.50%)
Closing Capital	₹ 55,000
Whether physical capital maintained?	
Hint:	No, Physical capital not maintained as closing capital < opening capital (by ₹ 1250)

**1. Definition**

**(i) Inventories are assets:**

- a) Held for sale in ordinary course of business (Finished goods)
- b) In the process of production for such sale (Work in progress)
- c) In the form of materials or supplies to be consumed in the production process or in the rendering of services (Raw materials)  
Packages, Empties, By- products also included inventory specifically.

**(ii) Net realizable value (NRV):**

- |  |          |
|--|----------|
| a. Estimated selling price                   | +        |
| b. Estimated cost of completion              | (-)      |
| c. Estimated cost necessary to make the sale | (-)      |
| <b>NRV</b>                                   | <b>✓</b> |

**(iii) Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (Ind AS 113)**

**2. Scope**

**Applicable to all inventories, except:**

- a) Financial Instruments (accounted under Ind AS 109)
- b) Biological assets related to agriculture activity and agriculture produce at the point of harvest (accounted under Ind AS 41)
- c) Spare parts having life > one period covered under Ind AS-16

**Not applicable to the inventories held by:**

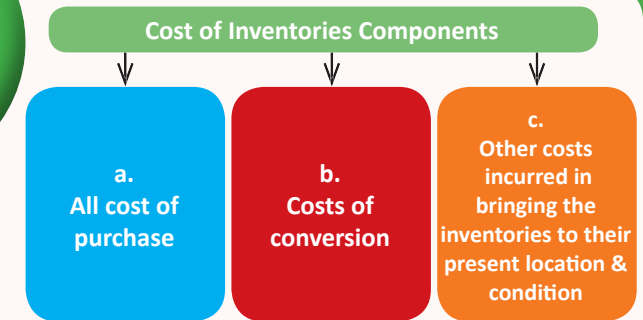
- a) Producers for agriculture & forest products, agriculture produce after harvest and minerals and mineral products, to the extent they are measured at NRV in accordance with industry practices
- b) Commodity broker traders who measure their inventories at fair value less costs to sell

**VALUATION OF INVENTORY**

**Inventories shall be measured at lower of Cost and Net Realisable Value**

**3. Measurement**

**4. Cost of Inventory**



**a. Cost of Purchase includes:**

- i) Purchase price
- ii) Import duties and other taxes (Non-recoverable)
- iii) Transport, handling and
- iv) Other cost to bring inventory to present location & condition
- v) Less :- Trade discounts rebates etc.

**b. Cost of Conversion:**

- i) Direct material
- ii) Direct labour
- iii) Other direct costs
- iv) Systematic allocated fixed & variable overheads incurred for conversion

**c. Other Costs:**

- Other costs to be included only to the extent that they are incurred in bringing the inventories to present location & condition.
- Borrowing cost as determined on the basis of Ind AS-23

**d. Cost to be excluded:**

- i) Abnormal costs
- ii) Storage cost (unless necessary in the production process)
- iii) General administrative overheads
- iv) Selling costs
- v) Research cost

## 5. Joint products & By-product

**Joint Products:**  
Reasonable basis for allocation of costs to joint products to be used like split-off point costing etc.

**By-Product:**

- Output of manufacturing process with im-material value
- To be valued at NRV, and such value to be reduced from cost of production (conversion cost) [Same logic applies to packages & empties]
- By-product closing stock shown as asset in BS under inventories but at NRV.

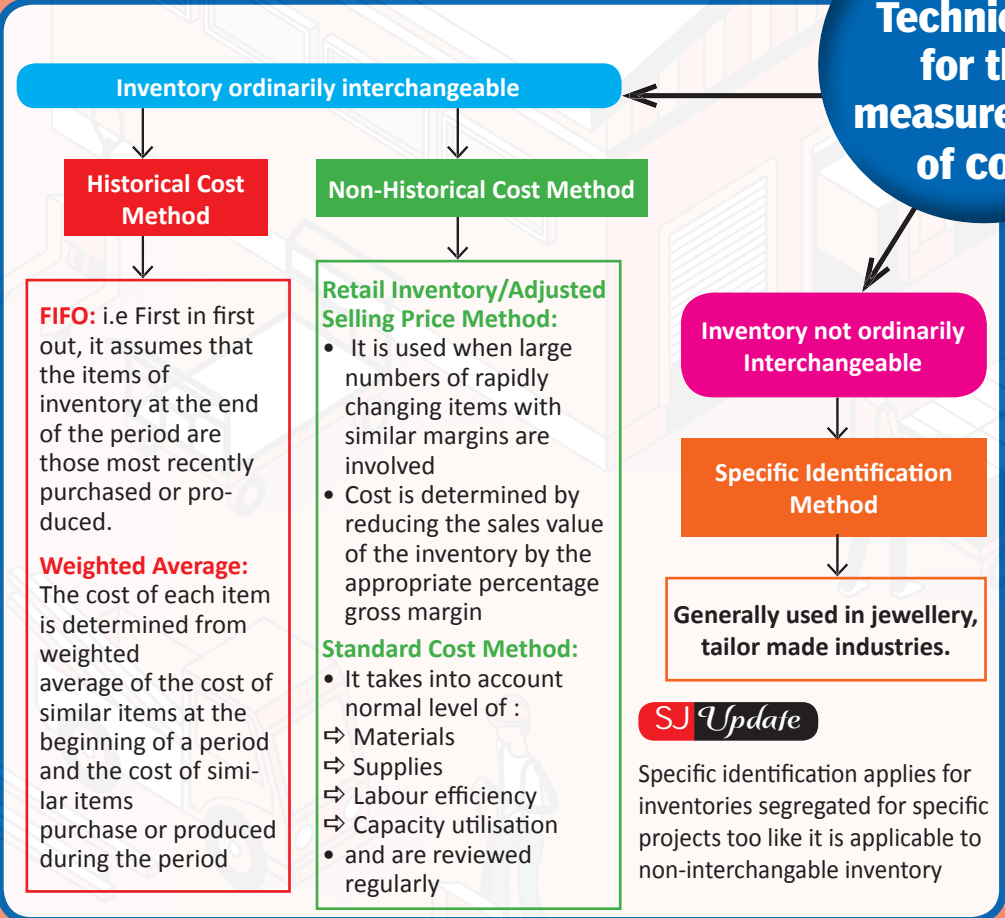
## Writing inventories down to NRV : Exception

- Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost
- If FG expected to be sold below cost then value RM at cost or NRV whichever is less.
- Replacement cost i.e. cost to purchase such inventory is NRV.

## 7. Net realisable value

1. Estimates on NRV are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize.
2. Consideration to be taken while making such estimates:
  - a) Fluctuations of price or cost directly relating to events occurring after the end of the period
  - b) Purpose for which inventory is held
3. Inventories are usually written down to NRV item by item. It is not appropriate to write inventories down on the basis of a classification of inventory

## 6. Techniques for the measurement of cost



## 8. Recognition as an expense

Amount of inventories recognized as expense =	
a) Carrying amount of inventories sold in the period in which related revenue is recognised	XXX
b) Add: The amount of any write-down of Inventories to NRV and all losses of Inventories	XX
c) Less: Amount of any reversal in the period of any write-down of inventories	(XX)
Amount of Inventories recognized as expense	XXX

## 9. Disclosures

- i) Accounting policies
- ii) Analysis of carrying amount in classification appropriate to the entity
- iii) Inventories carried at FV less costs to sell
- iv) Amount recognized in profit or loss
- v) Inventories pledged as security





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