Chapter 1 :- Introduction To Corporate Financial Reporting

* Meaning

:- Financial Reporting is usually considered as end product of Accounting it involves Disclosure Of financial Information.

There are two types of Reporting

1) financial Reporting
2) Management Reporting

* Characteristics of financial Reporting

1) Keep inventors in mind
2) Result of automated process
3) Compliance Reports
4) Disclosure cycle
5) Collaboration

* Objectives of Financial Reporting

1) Information to Management
2) Information to Investors
3) Information to shareholders
4) Information to Stakeholders
5) Information About Economic Resources
6) Information to Auditors
7) Enhancing Social welfare

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* Scope of Financial Reporting

1) Core Financial Statements
   a. Balance sheet
   b. Statement of profit & loss
   c. Cash Flow statement
   d. Statement of changes in equity
   e. Notes to accounts.

2) Users
   a. Investors
   b. Lenders
   c. Government
   d. Climbs
   e. Creditors
   f. Other Stakeholder

3) Reporting beyond numbers
   a) Management discussion and analysis
   b. Management view on results
   c. Corporate Governance Report
   d. Business responsibility and sustainability report
   e. Auditor's report
   f. Director's report.

4) Regulatory Framework
   a. IFRS (International Financial Reporting standards)
   b. GAAP (Generally Accepted Accounting Principles)
   c. Companies Act in India, 2013.
   d. Ind AS

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* Importance of Financial Reporting for Stakeholders

1) To the investors and Lenders
   (a) Informed decision making
   (b) Risk Assessment
   (c) Comparability

2) To the company
   (a) Access to capital
   (b) Performance tracking
   (c) Accountability.

3) To the Regulators and the economy
   (a) Taxation
   (b) Systematic / Systemic stability
   (c) Market integrity

4) To the Other Stakeholders
   (a) Employees
   (b) Suppliers
   (c) Public interest.

ESG :- Economic & Social Governance.

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* Limitations of Corporate financial Reporting

1. Accounting is not a cash reality
2. Intengible assets & human Capital Neglected.
3. Risk of window dressing
4. Historical cost
5. Does not capture risk
6. Time lag
7. Does not focus on ESG

* Role of Corporate Governance in financial Reporting

1. Transparency and disclosure
2. Accountability
3. Strenghtens Internal controls.
4. Audit committee
5. Ethical standards
6. Investor confidence
7. Compliances & Rules
8. Reduces financial fraud

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Chapter 2: Conceptual Framework and financial Reporting

* **Definition**
  :- "A Conceptual framework provides a coherent and consistent framework for financial Reporting."

* **Components**
  1) Financial Reporting objectives
  2) Qualitative characteristics
     - Comparision
     - Verification
  3) Elements of financial statements
     - Assets, liabilities
     - Equity Revenue, etc.
  4) Recognition - Guidance on Asset & Liability.
  5) Reporting entity.

* **Objectives of Conceptual framework**

1) To provide Information
2) To help in economic decision making
3) To ensure consistency
4) To guide standards setters
5) To assist in preparation of financial statements
6) To enhance Transparency
7) To help to understand financial reports.

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* Elements of Financial Statements (Balance sheet)

Assets	Liabilities	Equity
1. Past events 2. Future economic Benefits.	1. It is the Present Obligation 2. It arising from past events.	1. It is a Residual interest 2. Assets of the company.

* Element Related to profit and loss

Income	Expenses
1) Increase in economic Benefits	1) Decrease in economic Benefits
2) Increase in Assets.	2) Depletion of Assets
3) Decrease in liability	3) Increase in liability
4) Increase in Equity	4) Decrease in Equity

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* Recognition criteria.

Any future economic benefit associated with the item

The item has a cost or value

(A) Recognition criteria of Assets-

1. An asset is Recognized in the Balance sheet.
2. It is economic benefits
3. The item has a cost or value measurable.

(B) Income

1. It is a statement of Profit and loss
2. Increase in future economic benefits related to an increase in asset.
3. The increase in asset or decrease in liability can be measured reliably.

* Measurement of the element of financial statements

1) Historical cost
2) Current cost
3) Realisable cost value.
4) Present value
5) Fair value

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Monday

* Role of Statutory Bodies

1) MCA (Ministry of Corporate Affairs)
- Adoption of Accounting Standards
- Regulatory Authority
- Ensure Time and Fair (True) View
- Monitor Complainces
- Co-ordination
- Policy formulations
- Conflict Analysis
- Stakeholder Performance

* Role of SEBI
(Securities Exchange Board of India)

1. Transparency (fair disclosure)
2. Complainces with As
3. Investors Protection
4. Corporate Governance
5. Review of Accounting Standards
6. Consistency
7. Comparability

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* Role of ICAI

① Develop Accounting standards
② Advice
③ Education
④ Guidance and interpretation
⑤ Adoption of principles

* Explain the Role companies Act 2013 provisions to financial Reporting

1) True and fair view
2) Scheduled 3 - Indian AS
3) Board approval
4) Financial statements
5) Filing with ROC
6) Materiality
7) Audit Reports
8) Audit Committe
9) Adoption at AGM
10) Non Compliance

* SEBI guidelines for listed company

1) Reporting Standard Results
2) financial statements
3) Disclosure Requirement
4) Corporate government Report
5) Financial Audit finding
6) Website Disclosure
7) News Paper Publication
8) Shareholding Pattern

9) Internal control
10) Segment Reporting
11) Panalties for non compliance

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* International Regulatory Bodies

IASB

IASB was established in 2001. It replaced the International Accounting Standard Committee (IASC). Its head quarter is in London. It operates under the oversight of the IFRS foundation.

Objectives

IASB has the following objectives:

1) To develop high quality enforceble global standards.
2) To facilitate consistent, transparent and comparable financial reporting.
3) To promote the use of IFRS.

Key Responsibilities

1) Setting IFRS

It has the responsibility of development and issue of new standards.

2) Review

It has the responsibility to review existing standards and improve them.

3) Interpretation of IFRS

It interprets the IFRS and provides guidance on application of IFRS through Interpretations.

4) Maintaining IFRS Taxonomy
It has to develop and maintain IFRS. Taxonomy for the purpose of electronic reporting.

5) Improvement of Financial Reporting.
It has to improve financial reporting through consistency and comparability of financial reporting.

6) Boosting Investor Confidence
It has to build trust in financial markets by providing common language for financial reporting

7) Publish Exposure Drafts
IASB publishes exposure drafts on all the projects.

8) Facilitate Global Trade
The IASB's standards are used by companies in more than 140 countries. It facilitates global trade by providing common framework for financial Reporting.

9) Supports Economic Growth
It builds confidence in financial markets which leads to increased investment and economic growth.

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IFRS foundation

It plays a crucial role in shaping high quality, transparent and comparable financial reporting at global level. The main functions of the founation are as Under:

1) **Development of IFRS:**
IFRS foundation develops IFRS. These standards guide how the companies prepare financial statements.

2) **Ensures transparency:**
The foundation ensures that Financial statements are transparent, reliable and comparable across countries.

3) **Global adoption:**
The Foundation works with governments, regulators and organisations at global level and Support the adoption and consisten t application of IFRS foundation.

4) **Governance**
It provides a governance structure. Trustees & advisory bodies ensure transparency & accountability.

5) **Sustainability standards.**
The foundation oversees the ISSB which develops global sustainability disclosure standards.

6) **Implementation**
It helps implementation of IFRS through education, guidance and interpretation.

Tuesday

Chapter 3 :- International Financial Reporting Standards and IND AS

* Introduction

:- Ind A s are IFRS converged standards notified by MCA in India to align with global reporting practices. They are mandatorily applicable to specified companies based on net worth and listing status. This two prominent widely adopted accounting standards have emerged:

1. Us GAAP
2. IFRS

IFR S is now with US GAAP recognised financial reporting framework. Accounting Standards in India are formulated by ASB of ICAI. The Central Government prescribes the standards of accounting as recommended by the ICAI after examination of the recommendations made by IFRA. The MCA notifies the Standards under the Companies Act by publishing them in the Gazette of India.

As a part of convergence with IFRS, the Ind AS may be issued whenever IASB issues any IFRS, ASB of ICAI considers the convergence thereof under Ind AS.

* Meaning of IND AS

These are the set of accounting principles adopted by companies in India for preparation of financial statements. They are converged with the global standards known as International Financial Reporting Standards (IFRS) issued by IASB. Ind A.S are issued by the ICAI & notified by

the MCA.

* Features.

Following are the key features of Ind AS:

1) Principle based
2) Fair value
3) Disclosure
4) Consolidation
5) Recognition
6) Other comprehensive income.

* Need of Ind AS:

Ind AS are needed due to the following:

1) Harmonization at global level
2) Improvement in comparability
3) Reliability and transparency
4) Reduction in fraud
5) Global credibility
6) Recognition.

* Objectives of Ind AS

following are the important objectives of Ind A

1) Uniformity and consistency
2) Convergence
3) Transparency
4) Reliability and credibility
5) Investor protection
6) Crossborder transactions.

* Convergence with IFRS

Convergence with IFRS refers to the process of aligning a country's local accounting standards with IFRS. So that financial statements become more comparable and transparent across countries.

Convergence is not the same as adoption. Adoption implies use of IFRS exactly as issued Convergence aligns local standards with IFRS with minor deviations.

Steps:

The steps in convergence are as under:

1) Study of IFRS
2) Identification of conflict
3) Draft Ind AS
4) Exposure draft
5) Revise draft
6) Recommend to NFRA
7) MCA notification
8) Post implementation.

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* Road Map For implementation of Ind AS

MCA has notified a phase wise convergence to Ind AS from current accounting standards Ind AS shall be adopted by specific classes of companies based on their Networth and listing status.

Roadmap For implementation of Ind AS is as under:

(1) Companies other than NBFCs Banks and Insurance Companies

Phase I
Voluntary FY 2015-16
Mandatory FY 2016-17
Applicable to

Networth Criteria

1) Listed companies or in process of listing which are having Networth equal to or more than ₹ 500 crores.

2) Unlisted companies which are having Networth equal to more than ₹ 500 crores.

3) Holding, Subsidiary J.V. Associates of the above (In the case of mandatory application)

Phase II
Voluntary FY 2015-16 or thereafter
Mandatory FY 2017-18
Applicable to.

1) Listed companies or in the process of listing which have Networth less than ₹ 500 crores.

2) Unlisted companies which have Networth less than ₹ 500 crores but more than ₹ 250 crores.

3) Holding, Subsidiary J.V Associates of the above (In the case of mandatory application)

(2) NBFC

Phase I
Mandatory FY 2018-19
Applicable to

Networth Criteria
1) Listed companies or in the process of listing which have Networth more than or equal to ₹500 crores.

2) Unlisted companies which have Networth more than or equal to ₹500 crores.

3) Holding, Subsidiary J.V Associates of the above.

Phase II
Mandatory FY 2018-19.
Applicable to.

Networth Criteria,
1) Listed companies or in the process of listing which have Networth less than ₹500 crores.

2) Unlisted companies which have Networth less than ₹500 crores but more than ₹250 crores.

3) Holding, Subsidiary J.V. Associates of the above.

(3) Banking companies Scheduled commercial banks Holding, subsidiary, J.V.

Associates of the above All India term lending Refinancing institutions e.g. NABARD, SIDBI

Mandatory F.Y. 2018-19

(4) All categories of Insurance Companies.
Mandatory
F.Y. 2020-21

* Generally Accepted Accounting Principles in India. GAAP includes overall framework of rules, standards and practices that companies use to prepare financial statements.

Hierarchy of Indian GAAP

1) Companies Act 2013
:- Sec 129 provides that financial statements must give true and fair view and comply with accounting standards. Schedule III of the Act gives format of Balance sheet and P&L Statement.

2) Accounting standards
:- It includes either Ind AS or AS notified by MCA. They are mandatory.

3) Guidance Notes
:- These notes are issued by ICAI. Guidance notes include Guidance note on Schedule III. Guidance note on financial statements of non-corporate entities.

4) framework
:- It is issued by ICAI. It gives concepts like accrual, going concern, prudence etc.

5) Regulatory requirements
:- It includes SEBI guidelines, RBI master Directors for banks, IRDAI for insurance.

6) Industry practice
:- In absence of any rules, established industry practice becomes GAAP.

* Accounting Principles
Accounting principles are classified into two categories as given below:

1. Accounting Concepts or Assumptions.
a. Entity
b. Money Measurement Concept
c. Going concern concept (Continuity of activity)
d. Accounting period concept.
e. Cost concept
f. Dual Aspect
g. Realisation Concept / Revenue Recognition Concept
h. Matching Concept.
i. Accrual Concept
j. Objective evidence Concept.

2. Accounting Conventions
a. Full Disclosure
b. consistency
c. Conservatism/Prudence
d. Materiality

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Meaning of Accounting Standard

Accounting Standards are the policy documents issued by the recognised expert accountancy body relating to various aspects of measurement, treatment and disclosure of accounting transactions and events. These standards are in conformity with applicable law, customs, usage and business environment in the country.

Accounting standards provide a framework for preparation of statements. IF there are no accounting standards everybody will colour his financial statements in the manner in which he likes.

Features

The important features of Accounting standard are as Follows:

1) Written document
2) Contents
3) Issuing Authorities
4) Flexible in nature
5) Authoritative guidelines

* Nature

The accounting standards issued by ICAI are recommendatory in nature in the initial period. The recommendatory period is allowed to smoothen the process of transition. So that no organisation

will have difficulty in conforming to the standards once they are made mandatory.

Once the standard is made mandatory it is applicable to all the organisations whose accounts are audited by the members. In the case of mandatory standards, it becomes the duty of the auditor to see that accounting standards are followed in preparation of financial statements.

If standards are not followed, the auditor has to make a disclosure in his report. Accounting Standards have no legal backing and hence are not enforceable on the public.

following steps are required to make the standards effective:

1) Self regulation on the part of business organisations
2) Legal backing to the accounting standards
3) Publishing the use of accounting standards.
4) Avoidance of duplication of authority.

* Objectives.

The objective of Accounting Standards:

1) To standardise the diverse Accounting Policies.
2) To standardise the Accounting Practices.
3) To eliminate non-comparability of financial statements
4) To enhance reliability of financial statements.
5) To promote better understanding of financial Statements

* Compliance with accounting standards.

1) Mandatory standards
2) Responsibility of Compliance
3) compliant financial statements.

* Advantages of Accounting Standards.

1) Transparency
2) Guidance
3) Provide a Benchmark
4) Maintains uniformity
5) Uniform disclosure
6) Maintain business records
7) Improve reliability of financial statements
8) Help the professionals
9) Determination of accountability

* Disadvantages

1) There may be rigidity in application of Accounting Standards.
2) There may be differences in the accounting standards of different countries.
3) The standards are required to be framed within the scope of the law.

* Need and Importance of Accounting standards

1) Eliminates effect of diverse accounting policies.
2) Enhances reliability of financial statements.
3) Ensures Comparability.

4) Facilitates Informed Decision making.
5) Promotion of Sound Financial System
6) Reforms in Accounting
7) Makes financial statements more useful.

* Accounting Standards in India.

On 21st April, 1977; The Institute of Chartered Accountants of India constituted Accounting Standards Board (known as A.S.B.) with a view to harmonise accounting policies and practices used in India.

The main functions of A.S.B. is to formulate the standards after taking into consideration the applicable laws, customs, usages and business environment.

* Status of Accounting Standards Issued by ICAI

Number of the Accounting Standards (AS)	Title of the Accounting standard	Date from which mandatory (accounting periods Commencing on or after)	Enterprises to which applicable
AS-1	Disclosure of Accounting Policies	1-4-1993	All
AS-2 (Revised)	Valuation of Inventories	1-4-2016	All
AS-3 (Revised)	Cash Flow Statement	1-4-2001	Level-1

AS-4 (Revised)	Contingencies & Events Occurring after the Balance Sheet Date	1-4-2016	All
AS-5 (Revised)	Net Profit or Loss for the Period, Prior Period Items and changes in Accounting Policies	1-4-1996	All
AS-7 (Revised)	Construction contracts	1-4-2002	All
A-9	Revenue Recognition	1-4-1993	All
AS-10 (Revised)	Property, Plants & Equipment	1-4-2016	All
AS-11 (Revised-2003)	The Effects of changes in Foreign Exchange Rates	1-4-2004	All
AS-12	Accounting for Govt-Grants	1-4-1994	All
AS-13 (Revised)	Accounting for Investments	1-4-2016	All
AS-14 (Revised)	Accounting for Amalgamations	1-4-2016	All
AS-15 (Revised-2005)	Employees Benefit	1-4-2006	All
AS-16	Borrowing costs	1-4-2000	All
AS-17	Segment Reporting	1-4-2001	Level-1

AS-18	Related Party Disclosures	1-4-2001	Level-I
AS-19	Leases	1-4-2001	All
AS-20	Earning Per share	1-4-2006	All
AS-21 (Revised)	Consolidated financial statements	1-4-2016	Entities preparing CFS
AS-22	Accounting for Taxes on Income	1-4-2001 1-4-2002 1-4-2006	All levels
AS-23	Accounting For Investment in Associates in Consolidated financial statements	1-4-2002	Entities preparing CFS
AS-24	Discontinuing Operations.	1-4-2004	level-I
AS-25	Interim financial Reporting	1-4-2002	level-I
AS-26	Intangible Assets	1-4-2003	All levels.
AS-27	Financial Reporting OF Interests in joint Ventures	1-4-2002	Entries preparing CFS

) NO access to public deposits / Section 12(6)

AS-28	Impairment of Assets	1-4-2004 1-4-2006 1-4-2008	All levels
AS-29 (Revised)	Provisions, Contingent liabilities and contingent Assets	1-4-2016	All
AS-30	Financial Instruments - Recognition and Measurement	Notified	Level-I
AS-31	Financial Instruments - Presentation.	Notified	Level-I
AS-32	Financial Instruments - Disclosures	Notified	Level-I

Note: 1: AS-30, AS-31 and AS-32 standards are withdrawn.

* Introduction To IFRS

Introduction:

The decision of the European commission to force the consolidated financial statements of listed companies to be prepared under the auspices of International Accounting Standards Board from 2005 onwards accelerated sharply the space of development in Financial Reporting.

The IASB held its first official meeting in London in April, 2001. In this meeting it was resolved that all standards and interpretations issued by the IASC should continue to be applicable unless and until they are amended or withdrawn. It was agreed that the new IASB standards would be called as International financial Reporting standards (IFRS). Till date there are 17 IFRSs and 25 IAS both are referred to as 'IFRS'.

The Institute of Chartered Accountants of India (ICAI) has decided the strategy for adoption of IFRS in India with effect from 1st April, 2011. At present listed companies over 130 countries and unlisted entities in over 80 countries in the European Union, Africa, West Asia and Asia Pacific regions either require or permit the use of IFRS.

* Features

1) IFRS is said to be complied with only if this is an explicit statement of Compliance with IFRS.

2) An entity should comply with each IFRS effective at the end of its first IFRS reporting period.

3) An entity is to do the following in the opening IFRS statement of financial position that it prepares as a starting point for its accounting under IFRS.
(a) Recognise all assets and liabilities which are recognized by IFRS.
(b) not recognize items as assets or liabilities if IFRS do not permit such recognition.

(c) reclassify items that it recognised under previous GAAP as per IFRS.
(d) Apply IFRS in measuring all recognized assets & liabilities.

4) IFRS grants limited exemptions from these requirements.

5) IFRS requires disclosures that explain how the transition from previous GAAP to IFRS affected the entity's reported financial position.

* Objective

The objective of IFRS is to ensure that an entity's first financial statements, and its interim financial reports contain high quality information which is:

i) transparent for users.
ii) provides a suitable starting point for accounting under IFRS.
iii) Can be generated at a cost which does not exceed the benefits to users.

* International Accounting Standard (I.A.S.)

IAS relates to standards on various aspects of accounting issues. These are mainly relevant for maintenance of accounts as well as disclosure of information.

Till date 41 IAS have been issued, but 12 have been withdrawn, As on date 29 IAS are in force.

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List of IAS/IFRS and corresponding IND AS notified by MCA:

IAS NO	Title	Corresponding Converged Ind AS
IAS 1	Presentation of financial statements	Ind AS 1
IAS 2	Inventories	Ind AS 2
IAS 7	Cash Flow Statements	Ind AS 7
IAS 8	Accounting policies, change in accounting estimates and errors	Ind AS 8
IAS 10	Events after the Balance sheet date	Ind AS 10
IAS 11	construction contracts	Ind AS 11
IAS 12	Income taxes	Ind AS 12
IAS 16	Property, Plant & Equipment	Ind AS 16
IAS 17	Leases	Ind AS 17
IAS 18	Revenue.	Ind AS 18
IAS 19	Employees Benefits	Ind AS 19
IAS 20	Accounting for Govt. Grants & Disclosure of Government Assistance.	Ind AS 20

4) Maximum Number of Memb... Invitation to Rublic for Securities ... shares

IAS 21	The Effects of changes in the Foreign Exchange Rate.	Ind AS 21
IAS 23	Borrowing Costs	Ind AS 23
IAS 24	Related party disclosures	Ind AS 24
IAS 26	Accounting and Reporting by Retirement Benefits Plan	
IAS 27	Separate financial statements	Ind AS 27
IAS 28	Investments in associates & Joint Ventures	Ind AS 28
IAS 29	Financial Reporting in Hyper Inflationary Economies	Ind AS 29
IAS 32	Financial Instruments: Presentation	Ind AS 32
IAS 33	Earning per share	Ind AS 33
IAS 34	Interim financial Reporting	Ind AS 34
IAS 36	Impairment Assets	Ind AS 36
IAS 37	Provisions, Contingent liablities & Assets.	Ind AS 37
IAS 38	Intangible Assets	Ind AS 38
IAS 40	Investment property	Ind AS 40
IAS 41	Agriculture	Ind AS 41

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* Comparison

Point of Difference	IFRS	IND AS
1. Format of final statements	It provides two options: 1. A Single statement of P & L and other comprehensive income. 2. Two statements i) Profit & loss ii) Comprehensive Income	It allows only Single statement.
2. Terminology	1. Statement of financial position 2. Statement of Profit & loss and other comprehensive income. 3. Authorisation of financial statement for issue. 4. ~~Trais~~ presentation.	1. Balance sheet 2. Statement of Profit and loss. 3. Approval of financial statement for issue. 4. True and fair value.
3. classification Expenses	Expenses may be classified on the basis of nature of functions.	Expenses classified natureWise.
4. classification of Interest / Dividend received or Interest paid	Provides the option to classify these items as operating cash flow.	Interest paid classified as financing activity and interest received or dividend received classified as investing activity classified as financial activity.

5. Dividend paid	classified as an item of Operating activity.	classified as financing activity
6. Interim statements	Provides for preparation of reports in specified Frequency.	Governed by relevant laws and not by accounting standard.
7 Inventories	Recognised as expense during period.	No option provided to present it an analysis of expenses.
8. Measurement Option	Provides both cost model & fair value model for measurement of investment properties.	It permits only cost model.
9. Exchange Difference)	No guidance is provided on adjustment of exchange difference.	It is regarded as adjustment to interest cost.
10. Measurement of non-monetary government grants	Measurement at fair value or at nominal value.	Measurement of such grants only at fair value.
11. Presentation of excise duty in profit & loss	NO Provision	Provision to show in the statement of profit and loss.

11. Presentation of excise duty in profit and loss.	No Provision.	Provision to show in the statement of Profit and loss.
12. Applicability of Standards	Specifies the situation where the standard is applicable.	It is deleted in IND AS applicability of IND-AS is governed by the companies act.
13. Option to apply fair value hedge.	Provides options to apply requirements of fair value hedge.	Does not provide for such option.
14. Separate financial Statement	Requires to disclose the reson for preparation of separate financial state-ments if not required by law.	The companies act mandates preparation of Separate financial Statements.
15. Equity method for measurement	Gives option to use equity method to account for investment in Subsidiaries.	No such option is given. Equity method is not a measurement basis like cost and fair value.
16. Business combination under common control.	Excludes from its Scope business combinations of entities under common control.	Business combinations under common control shall be accounted using pooling of interest method.

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Chapter 4 :- Presentation of Financial statements.

1. Meaning
Financial statements are structured presentation of financial position and financial performance of an entity.

2. Objectives
The Objectives of financial statements are as under:
1. To provide information about financial position of an entity.
2. To provide information about financial performance of an entity.
3. To provide information about cash flows of the entity.

Financial Statements
1. Balance sheet-
- Asset
- Liabilities
- Equity

2. Statement of Profit & loss
- Expenses / Losses
- Incomes / Gains

3 Cash flow statement
- Inflow of cash
- Outflow of Cash

3. Components of financial Statements
The various components of financial statements are as under:

1) Balancesheet
2) Statement of Profit or loss and other comprehensiv income.
3) Statement of changes in Equity
4) Statement of cash flows
5) Significant Accounting Policies and Explanatory notes
6) Balance sheet at the beginning of the earliest compra-tive period restated.

4. features of financial Statements.
The following are the features of financial state-ments:

1. Fair presentation
2. Going Concern
3. Accrual basis of accounting
4. Materiality
5. Consistency
6. OFF setting
7. Frequency of Reporting
8. Comparative information
9. Change in accounting policies

* Offsetting :- Not of substract one item from another for example if assets = 5L, liability = 2L then do not show only 3L As per Ind As an entity should not offset assets and liabilities or incomes and expenses unless it is required. for example of setting of deffered tax assets & liabilities is allowed as per Ind As 12

* Explain the structure and content

1) Presentation of Information
following information should be prominently presented in the financial statements.
① Name of the reporting entity.
② Individual entity or group entity.
③ Date of the end of the reporting period
④ Presentation currency.
⑤ Single unit of measure shall be used throughout the financial statements
⑥ Level of rounding off used in presenting the amount in the financial statements

2) Balance Sheet
The Balance sheet shall include the following items:
1) Property, Plant & Equipment.
2) Investment Property
3) Intangible Assets
4) Financial assets
5) Investments accounted for using the equity method.
6) Biological Assets
7) Inventories
8) Trade & other Receivables.
9) Cash & Cash Equivalent
10) Assets held for sale and assets included in disposal groups
11) Trade & Other Payables.
12) Provisions
13) financial liabilities
14) liabilities and assets for current tax

15) Deferred tax liabilities and deferred tax.
16) Liabilities included in disposal groups classified as held for sale.
17) Non-Controlling interests, presented within equity.
18) Issued Capital & Reserves attributable to owners of the parents.

* An entity shall present current and non-current assets & liabilities.

An asset is considered as current when:
1) It is expected to be realised or intended to be sold out or consumed in its normal operating cycle.
2) It is held for trading
3) It is expected to realise within 12 months after the reporting period.
4) All other assets are classified as non-current assets

Operating cycle
It is the time between acquisition of assets for processing and their realisation in cash or cash equivalents.

Current liabilities
A liability is considered as current when:
1) It is expected to settle the liability in its normal operating cycle.
2) It is held primarily for the purpose of trading
3) It is due to settled within 12 months after the reporting period.

* Statement of Profit & loss
A statement of Profit & loss shall include:

1) Profit/loss for the period attributable to:
   a) Non-controlling interest
   b) Owners of the parents.

2) Comprehensive income for the period attributable to:
   a) Non-Controlling interest
   b) Owners of the parents

In addition to the above items, P&L A/c shall include the following items:
i) Revenue
ii) Gains/Losses arising from de-recognition of financial assets measured at amortised cost.
iii) Financial cost
iv) Impairment losses
v) share of the profit or loss of associates and J.V. accounted for the equity method
vi) Tax expenses
vii) A single amount for the total of discounted operations

* Statement of changes in Equity
A statement of changes in equity is to be presented as a part of balance sheet. It should contain following information:

1) Total comprehensive income for the period.
(a) Attributable to owners of the parent.
(b) Non-controlling interest

Components of Other Comprehensive income
The following chart shows the components of OCI:

- Changes in Revaluation Surplus (Ind AS 16 and Ind AS 38)

- Remeasurement of Defined benefit plan (Ind AS 19)

- Gains & losses arising from translating the financial statements of a foreign operation (Ind AS 21)

- Gains & losses from investments in equity instruments designed at FVTOCI as per Ind AS 109.

- Gains & losses on financial assets measured at FVTOCI as per Ind AS 109.

- The effective portion of gains & losses on hedging instruments in a cash flow hedge and the gains & losses on hedging instruments that hedge investments in equity instruments measured at FVTOCI as per Ind AS 109.

- for particular liabilities designed as FVTPL the amount of change in fair value that is attributable to changes in the liability's credit risk (Ind AS 109)

- Changes in the value of time value of options when separating the instrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (Ind As 109).

- changes in the value of the forward contracts when separating the forward element and spot elements of a forward contract (Ind As 109).

2) Effects of retrospective application on retrospective restatement recognised during the period.

3) for each component of equity, a reconciliation between the carrying amount in the beginning and the end of the period, separetely disclosing changes resulting from:

(a) Profit or loss

(b) OCI

(c) Transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interest in subsidiaries that do not result in a loss of control

(d) Any item recognised directly in equity

* Statement of cash flow

Information is to be presented as required by Ind As 7.

* Note to Accounts

The notes to account shall present information about:

1. The basis of preparation of financial statements
2. The specific accounting policies used
3. Disclose the information required by Ind AS that is not presented else where in the financial statements.
4. Provide information that is not presented else where in the financial statements but it is relevant to an understanding of any of them.

* Balance Sheet (SOFP)

Name of the Company---

Balance sheet as at... (Rupees in---)

Particulars	Note No.	Figures as at the current reporting period	figures as at the end of the previous reporting period
1	2	3	4
Assets			
1. Non-current assets:			
a) Property, Plant & 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
   iv) Others (to be specified)
i) Deferred tax assets (net)
j) Other non-current assets.

2) Current assets:
a) Inventories
b) financial Assets
   (1) Investments
   (2) Trade receivables
   (3) Cash and cash equivalents
   (4) Bank balances other than (iii) above
   (5) Loans
   (6) Others (to be Specified)
c) Current Tax assets (Net)
d) Other Current Assets.

Total Assets.

Equity and liabilities

Equity: a) Equity share Capital
        b) Other Equity.

Liabilitres:

1. Non-current liabilitres
   a) financial Liabilitres
      (1) Borrowings
      1a) lease liabilitres"
      (2) 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
      (3) Other financial liabilities (other than those specified in term [b], to be specified)

   b) Provisions
   c) Deferred tax liabilities [Net]
   d) other non-current liabilities

2) Current liabilities
   a) financial Liabilitres
      i) Borrowings
      ia) Lease liabilitres
      ii) Trade Payables:
         A-Total outstanding dues of creditors other than microenterprises and Small enterprises; and
         B. total outstanding dues of creditors other than micro enterprises & 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 & liabilities.

* Case Studies.

1. Satyam Ltd. receives ₹ 10,00,000 in advance from Mr. Sujit for services to be delivered over the next 6 months : classify.

Solution:- Asset : Cash ₹ 10,00,000
Liability : Unearned Revenue ₹ 10,00,000

2 X Ltd purchased machinery for ₹ 2500000. It pays ₹ 500000 and takes a loan of ₹ 2000000

Solution:- Asset : Machinery ₹ 25,00,000
Liability : Bank loan ₹ 20,00,000
Reduction in asset : cash ₹ 5,00,000

3) Sigma Ltd. pays ₹ 5,00,000 as refundable deposit for office rent.

Solution:- Asset : Security Deposit ₹ 5,00,000

4) On 31-3-2026, Omega Ltd. had ₹ 4,00,000 Salary of employees payable

Solution:- Liability : Salary payable ₹ 4,00,000

5) Yash Ltd. purchased goods worth ₹4,00,000 from Yogita Ltd. on 45 days credit

Solution:- Asset : Inventory ₹4,00,000
Liability : Creditors ₹4,00,000

6) Loan given to Deepak Ltd. ₹15,00,000

Solution:- Asset : Loan Receivable ₹15,00,000

7) Ranjan Ltd. withdraws ₹25,00,000 in exiess of the bank balance.

Solution:- Liability : Bank Overdraft ₹25,00,000

* Disclosure Notes:

1. Statement of compliance
"financial statements comply with Ind AS notified under sec 133".

2. Basis of measurement
"Historical cost except for certain financial instruments at fair value".

3. Critical judgement
"Determining lease term when extension option exists whether to consolidate a structured entity."

4. Capital management
"for the purpose of the company's capital management, capital includes issued equity capital, securities premium and all other equity reserves".

5. Change in accounting policy

"The company has voluntarily changed its accounting policy in keeping with the provisions of Ind As 8 to measure its equity investment in subsidiaries in the standalone financial result from cost less impairment as per Ind As 27 to fair value through other comprehensive income as per Ind As 109 with retrospective effect.

8) Does Ind As 1 prescribe any format for presentation of General purpose financial statements?

Ans:- Ind As 1 does not prescribe any format for presentation of general purpose financial statements.

9) X Ltd. makes financial statements more understandable by presenting information in thousands, lakhs, millions or crores of units of the presentation currency.

Can X Ltd. adopt different levels of rounding for different disclosures that are made in the financial statements?

Solution:- X Ltd. should use a uniform unit of measurement in order to maintain consistency within the financial statements

10) Is it obligatory for a company to present current and non-current assets and liabilities in its balance sheet?

Solution:- Yes, It is mandatory for a company to present current and non-current assets and liabilities in its balance sheet.

11) In the case of Omega Ltd. trade receivables are normally realised within 14 months. How should it be classified?

Solution: It should be classified as current assets as the operating cycle period can be 14 months.

12) Happy Ltd. produces cars. The time taken from purchasing raw materials to complete the delivery is 8 months. The company receives payments within 6 months after the delivery.
What is the length of the operating cycle?

Solution:- The length of the operating cycle is 8+6 = 14 months

13) How the following items should be classified as current or non-current?

Solution:- 1) Trade Receivable – Current Asset
2) Advance to Suppliers – Current Asset
3) Tax Receivable – Current Asset
4) Insurance Spares – Current Asset.

Non-Current, if realization after twelve months from the date of reporting.

14) On 1st April, 2025, Shailaja Ltd. issued 50,000 ₹10 bonds for ₹ 5,00,000. On 1st April each year interest at 10% p.a. is payable on outstanding bonds. The first payment will be made on 1st April, 2026. On 1st April, each year, the company has a contractual obligation to redeem 5,000 of the bonds @₹ 10 each in its statement of financial position on 1st April, 2026.
How this should be presented in the financial

statements?

Solution:-

1) Accrued Interest	Current liability
2) Portion of the bonds repayable on 1st April, 2026	Current liability
3) ₹450000 due after 12 months	Non-current Liability

15) Excel Ltd. is a manufacturing company in Gujarat. It prepares its financial statements as per Ind AS. The reporting period of the company ends on 31-3-26. During the year the company changed its accounting policy for depreciation from fixed instalment method to W.D.V. method.
What disclosure should be made by the company?

Solution:-
The company should disclose the following in the notes to financial statements:
1) The nature of change
2) The reason for change
3) Amount of adjustment made to the opening balance of retained earning.
4) Effect of change on the current periods profit or loss.

16) Ameya Ltd. is a retail company preparing its financial Statements as per Ind AS. During the year ended 31st March, 2026, the company acquired Ajinkya Ltd., a new subsidiary, which was consolidated for the first time.

Solution:-

As per Ind AS the company should present the acquisition of new subsidiary as a business combination. It should recognize assets & liabilities as the fair values.

following information should be disclosed in the notes:

1. Nature of business combination
2. fair values of assets & liabilities.
3. Goodwill recognised.
4. Impact of combination on profit or loss.

17) Vijay Corporation is a real estate company. It prepares its financial Statements as per Ind AS. During the year ended 31-3-2026, the company revalued its PPE resulting in a revaluation gain. How the company should present revaluation gain in the financial statements? How will it be disclosed?

ution:-

It should be disclosed in the notes:

1) Amount of revaluation gain.
2) Carrying amount of PPE before & after revaluation
3) Impact of revaluation on the current OCI

* Illustration-1

Classify the following items under proper head as per Revised schedule III.

1.	Land	PPE
2.	Building	PPE
3.	Vehicles	PPE
4.	Bearer Plants	PPE
5	Plant	PPE
6.	Equipment	PPE
7.	Goodwill	Goodwill
8	Brands	Other Intangible assets
9.	Trade marks	Other Intangible assets
10.	Publishing Titles	Other Intangible assets
11.	Mining Rights	Other Intangible assets
12	Copyrights	Other Intangible assets
13.	Intellectual Property Rights.	Other Intangible assets
14.	Licenses & Franchises	Other Intangible assets
15.	Biological Assets	Biological
16	Investment in Mutual Funds	Investment
17	Investment in Government Securities	Investment
18	Loans due by directors	Loans
19	Bank deposits with more than 12 months maturity.	Other financial assets
20.	Capital Advances	Other * NCA
21.	stock of Raw material	Inventories
22.	Loose Tools	Inventories
23.	Stores & Spares	Inventories
24.	Goods in Transit	Inventories.
25.	Debtors	financial asset - Trade Receivables
26.	Bills Receivable.	financial asset - Trade Receivables

27.	Cheques on hand	Cash & Cash equivalent
28	Share option outstanding A/c	other Equity
29	Capital Redemption Reserve	other Equity
30.	Debenture Redemption Reserve	other Equity
31.	Bonds or Debentures	Borrowings
32.	Deposits	Borrowings
33.	Loans from related parties	Borrowings
34.	Provision for employee benefits	Provisions
35	Advances	Other current liability
36.	Deferred Tax assets	Non-current Assets
37.	Equity Share Capital	Equity
38.	Lease liabilities	NC: fin. liabilities
39.	Loans repayable on demand	C.L Borrowings
40.	Interest accrued.	Other financial liability
41.	Unpaid dividend	other financial liability
42.	Unpaid matured deposits and interest accrued.	Other financial liability
43	Unpaid matured debentures	other financial liability
44.	Revenue received in Advance	other Current liability
45.	Provision for employee benefits	Provisions
46	Interest Income	Other Income
47.	Pref. share Capital	financial liability - Borrowings
48.	Redeemable Pref. Share capital	Financial liability - Borrowings
49.	Current maturities of long term borrowings	Current liability - Disclosed separately