

Final Course Study Material (Modules 1 to 5)

Paper 1

Financial Reporting

Module – 1

(Relevant for May, 2025 Examination and onwards)



**BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

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BEFORE WE BEGIN ...

The role of a chartered accountant is evolving continually to assume newer responsibilities in a dynamic environment. There has been a notable shift towards strategic decision making and entrepreneurial roles that add value beyond traditional accounting and auditing. The causative factors for the change include globalisation leading to increase in cross border transactions and consequent business complexities, significant developments in information and technology and financial scams underlining the need for a stringent regulatory set up. These factors necessitate an increase in the competence level of chartered accountants to bridge the gap in competence acquired and competence expected from stakeholders. Towards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being stepped up to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

Concurrent Practical Training along with academic education: Key to achieving the desired level of Professional Competence

Under the Revised Scheme of Education and Training, at the Final Level, you are expected to apply the professional knowledge acquired through academic education and the practical exposure gained during articleship training in addressing issues and solving practical problems. The integrated process of learning through academic education and practical training should also help you inculcate the requisite technical competence, professional skills and professional values, ethics and attitudes necessary for achieving the desired level of professional competence.

Indian Accounting Standards (Ind AS): High Standards of Financial Reporting

Consistent, comparable and understandable financial reporting is essential to develop a robust economy. High standards of financial reporting underpin the trust investors place in financial and non-financial information. Thus, the case for a single set of globally accepted accounting standards has prompted many countries to pursue convergence of our national accounting standards (I GAAP) with IFRS.

The Government of India in consultation with the ICAI decided to converge and not to adopt IFRS issued by the IASB. The decision of convergence rather than adoption was taken after the

detailed analysis of IFRS requirements and extensive discussion with various stakeholders. Accordingly, while formulating IFRS-converged Indian Accounting Standards (Ind AS), efforts have been made to keep these Standards, as far as possible, in line with the corresponding IAS/IFRS and departures have been made where considered absolutely essential. These changes have been made considering various factors, such as, various terminology related changes have been made to make it consistent with the terminology used in law, e.g., 'statement of profit and loss' in place of 'statement of comprehensive income' and 'balance sheet' in place of 'statement of financial position'. Certain changes have been made considering the economic environment of the country, which is different as compared to the economic environment presumed to be in existence by IFRS.

Thereafter, the Ministry of Corporate Affairs (MCA) had notified IFRS-converged Indian Accounting Standards (Ind AS) as Companies (Indian Accounting Standards) Rules, 2015 vide Notification dated February 16, 2015 and also the roadmap for the applicability of Ind AS for certain class of companies from financial year 2016-17. With the financial year 2016-17, the era of implementation of Ind AS in India had begun for the listed and unlisted companies as per the MCA roadmap for implementation of Ind AS. The MCA has also laid down roadmap for implementation of Ind AS for NBFCs. These developments are a significant step in achieving international benchmarks of financial reporting.

Ind AS, at the Final level, involves understanding, application and analysing of the concepts and testing of the same. The nitty-gritties of this new standard coupled with its inherent dynamism, makes the learning, understanding and application of the standards in problem solving very interesting and challenging.

Know your Syllabus

Accounts being the core competence areas of chartered accountants, at Final level, the syllabus of Financial Reporting covers Indian Accounting Standards alongwith Ethics and Technology integrated with the profession and accounting. However, for understanding the coverage of syllabus, it is important to read the Study Material as the content therein has been developed keeping in mind the extent of coverage of various topics in commensuration with 100 marks allotted to the paper. Certain Ind AS / portion of Ind AS are excluded from the study material, keeping in view the relevancy of the content in the Indian scenario and also to avoid the volume of the study material.

For understanding the coverage of syllabus, it is important to read the Study Material along with the reference to Study Guidelines. The Study Guidelines specify the topic-wise exclusions from the syllabus.

Know your Study Material

Efforts have been made to present the multifaceted Ind AS in a lucid manner. The Study Material carries 17 chapters. Care has been taken to present the chapters in a logical sequence to facilitate easy understanding by the students. Ind AS have been grouped under various categories to make you understand the areas of relevancy and application of Ind AS. The chapters have been numbered based on those categories and Ind AS falling in the same category are included in that chapter. Therefore, certain chapters on Ind AS, contain several units each unit dedicated to one Ind AS. However, for bare text of Indian Accounting standards, students are advised to refer the notified Indian Accounting Standards uploaded on the website at the link https://www.icai.org/post.html?post_id=15365

The various chapters/units of this subject have been structured uniformly and comprise of the following components:

	Components of each Chapter	About the component
1.	Learning Outcomes	Learning outcomes which you need to demonstrate after learning each topic have been detailed in the first page of each chapter/unit. Demonstration of these learning outcomes will help you to achieve the desired level of technical competence.
2.	Chapter / Unit Overview	As the name suggests, the flow chart/table/diagram given at the beginning of each chapter will give a broad outline of the contents covered in the chapter.
3.	Content	Ind AS have been explained by following a systematic approach of first discussing the objective, then the scope of the pronouncement and then extracting the underlying concepts. The concepts and provisions of Ind AS are explained in student-friendly manner with the aid of examples / illustrations / diagrams / flow charts. Diagrams and flow charts will help you understand and retain the

		<p>concept / provision learnt in a better manner. Examples and illustrations will help you understand the application of concepts/provisions.</p> <p>Later, in the topics of Ind AS, the significant differences vis-à-vis AS has also been incorporated so that students appreciate and recapitulate their learning done at Intermediate level.</p> <p>These value additions will, thus, help you develop conceptual clarity and get a good grasp of the topic.</p>
4.	Illustrations involving conceptual understanding	<p>Illustrations would help the students to understand the application of concepts / provisions of Indian Accounting Standards. In effect, it would test understanding of concepts / provisions as well as ability to apply the concepts / provisions learnt in solving problems and addressing issues.</p>
5.	Summary of Ind AS	<p>The summary of each Ind AS has been linked through a QR Code in the respective chapter/unit dedicated to that Ind AS. The QR Code has been given at the end of the chapter discussion i.e. before 'Test Your Knowledge' section</p>
6.	Test Your Knowledge	<p>Questions</p> <p>This section comprises of variety of questions which will help you to apply what you have learnt in problem solving, and, thus, sharpen your application skills. In effect, it will test your understanding of concepts as well as your ability to apply the concepts learnt in solving problems and addressing issues.</p> <p>Answers</p> <p>After you work out the problems / questions given under the section "Test Your Knowledge", you can verify your answers with the answers given under this section. This way you can self-assess your level of understanding of the concepts of a chapter.</p>

Two new features have been added at the end of each Module of Financial Reporting namely '**Practice Questions**' and '**Ind AS Puzzlers: Test Your Accounting Acumen**' as follows:

<p>Practice Questions</p>	<p>To strengthen problem-solving skills and improve speed and accuracy, the Board of Studies has introduced the new feature at the end of each module – chapter-wise practice questions. You are encouraged to attempt these questions after completing all the chapters/units, as this will help you all to reinforce your understanding, retention, and recall of the concepts learned. Solving these questions will not only enhance your exam readiness by improving time management but will also boost your confidence in tackling diverse problems effectively.</p>
<p>Crossword Puzzle</p>	<p>After going through the chapters of a Module, you can test your Ind AS acumen by solving a crossword puzzle. The crossword puzzle has been given at the end of every module with respect to the chapters dealt with in that module. These crossword puzzles will be a fun for you to solve by going through the clues, recall the concepts and review your understanding and knowledge acquired. You are advised to solve the puzzle earnestly after going through the chapters of the Module thoroughly.</p> <p>Answer of the Ind AS Crossword puzzle is again linked through a QR Code. You can scan the QR Code to match your filled crossword with the answer given therein.</p>

Though all efforts have been taken in developing this Study Material, the possibilities of errors / omissions cannot be ruled out. You may bring such errors / omissions, if any, to our notice so that the necessary corrective action can be taken.

We hope that the student-friendly features in the Study Material makes your learning process more enjoyable, enriches your knowledge and sharpens your application skills.

Happy Reading and Best Wishes!

SYLLABUS

PAPER – 1: FINANCIAL REPORTING

(One paper – Three hours – 100 Marks)

Objectives:

- (a) To acquire the ability to integrate and solve problems in practical scenarios on Indian Accounting Standards (Ind AS) for deciding the appropriate accounting treatment and formulating suitable accounting policies.
- (b) To gain the prowess to recognize and apply disclosure requirements specified in Indian Accounting Standards (Ind AS) while preparing and presenting the financial statements.
- (c) To develop the expertise to prepare financial statements of group entities which includes subsidiaries, associates and joint arrangements based on Indian Accounting Standards (Ind AS).
- (d) To develop understanding of certain Accounting Standards and solve problems in practical scenarios where treatment is different in both the standards.

Contents:

- 1. **Introduction to General Purpose Financial Statements as per Indian Accounting Standard (Ind AS)**
- 2. **Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS)**
- 3. **Application of Ind AS with reference to General Purpose Financial Statements**
 - (i) Ind AS on Presentation of Items in the Financial Statements
 - (ii) Ind AS on Measurement based on Accounting Policies
 - (iii) Ind AS on Income Statement
 - (iv) Ind AS on Assets and Liabilities of the Financial Statements
 - (v) Ind AS on Items impacting the Financial Statements
 - (vi) Ind AS on Disclosures in the Financial Statements
 - (vii) Other Ind AS

(viii) Ind AS on Financial Instruments (it includes Ind AS 32, Ind AS 109, Ind AS 107)

4. Ind AS on Group Accounting

5. First time adoption of Indian Accounting Standards (Ind AS 101)

6. Analysis of financial statements (as per Ind AS)

7. Ethics with Accounting Concepts

Identify and explain the key ethical issues

8. Technology and Accounting

Evolution of Accounting in the technological environment

Notes:

1. Discussion on AS 7, AS 9, AS 19 and AS 22 will be given along with corresponding Ind AS 115, Ind AS 116 and Ind AS 12.
2. If either a new Ind AS or Announcements and Limited Revisions to Ind AS are issued or the earlier one is withdrawn or new Ind AS, Announcements and Limited Revisions to Ind AS are issued in place of existing Ind AS, the syllabus will accordingly include / exclude such new developments in the place of the existing ones with effect from the date to be notified as decided by the Institute.
3. The specific inclusions / exclusions in any topic covered in the syllabus will be affected every year by way of Study Guidelines.

SIGNIFICANT CHANGES

Significant changes in this Module 1 vis-à-vis Module 1 of April, 2023 edition of the Study Material		
<i>(The amendments made in the respective chapters / units have been highlighted in bold and italics for easy reference except newly added illustrations)</i>		
Chapter/ Unit	Chapter name (Ind AS)	Details
1	Introduction to Indian Accounting Standards (Ind AS)	Test Your Knowledge Question 1 has been newly added
2	Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS)	Test Your Knowledge Question 2 has been newly added
3 Unit 1	Ind AS 1 "Presentation of Financial Statements"	Questions 6, 7, 8, and 9 from the "Test Your Knowledge" section have been relocated to the "Practice Questions" section as Questions 1, 2, 3, and 4, respectively. Additionally, two new questions numbered 5 and 6, have been introduced under the "Practice Questions" section.
3 Unit 2	Ind AS 34 "Interim Financial Reporting"	Questions 5 and 6 from the "Test Your Knowledge" section have been relocated to the "Practice Questions" section as Questions 1 and 2, respectively. Additionally, two new questions numbered 3 and 4, have been introduced under the "Practice Questions" section.
3 Unit 3	Ind AS 7 "Statement of Cash Flows"	Questions 6, 7 and 8 from the "Test Your Knowledge" section have been relocated to the "Practice Questions" section as Questions 1, 2

		and 3 respectively. Additionally, three new questions numbered 4, 5 and 6, have been introduced under the "Practice Questions" section
4 Unit 1	Ind AS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	Questions 6, 7, 8, 9, 10 and 11 from the "Test Your Knowledge" section have been relocated to the "Practice Questions" section as Questions 1, 2, 3, 4, 5 and 6 respectively. Additionally, one new question numbered 7 has been introduced under the "Practice Questions" section
4 Unit 2	Ind AS 10 "Events after the Reporting Period"	Questions 6, 7, 8, 9 and 10 from the "Test Your Knowledge" section have been relocated to the "Practice Questions" section as Questions 1, 2, 3, 4 and 5 respectively. Additionally, two new questions numbered 6 and 7 have been introduced under the "Practice Questions" section.
4 Unit 3	Ind AS 113 "Fair Value Measurement"	Questions 5, 6, 7 and 8 from the "Test Your Knowledge" section have been relocated to the "Practice Questions" section as Questions 1, 2, 3 and 4 respectively..
5	Ind AS 115 "Revenue from Contracts with Customers"	This chapter has been moved to Module 4 of the Study Material as Chapter 9. Consequently, the chapters hereafter have been renumbered accordingly.

CONTENTS

MODULE – 1**Chapter 1: Introduction to Indian Accounting Standards****Chapter 2: Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS)****Chapter 3: Ind AS on Presentation of Items in the Financial Statements**

Unit 1: Ind AS 1 “Presentation of Financial Statements”

Unit 2: Ind AS 34 “Interim Financial Reporting”

Unit 3: Ind AS 7 “Statement of Cash Flows”

Chapter 4: Ind AS on Measurement based on Accounting Policies

Unit 1: Ind AS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

Unit 2: Ind AS 10 “Events after the Reporting Period”

Unit 3: Ind AS 113 “Fair Value Measurement”

Annexure: Division II of Schedule III to the Companies Act, 2013**Practice Questions****Ind AS Puzzlers: Test Your Accounting Acumen****MODULE – 2****Chapter 5: Ind AS on Assets of the Financial Statements**

Unit 1: Ind AS 2 “Inventories”

Unit 2: Ind AS 16 “Property, Plant and Equipment”

Unit 3: Ind AS 23 “Borrowing Costs”

Unit 4: Ind AS 36 “Impairment of Assets”

Unit 5: Ind AS 38 “Intangible Assets”

Unit 6: Ind AS 40 “Investment Property”

Unit 7: Ind AS 105 “Non-current Assets Held for Sale and Discontinued Operations”

Unit 8: Ind AS 116 “Leases”

Practice Questions

Ind AS Puzzlers: Test Your Accounting Acumen

MODULE – 3

Chapter 6: Ind AS on Liabilities of the Financial Statements

Unit 1: Ind AS 19 “Employee Benefits”

Unit 2: Ind AS 37 “Provisions, Contingent Liabilities and Contingent Assets”

Chapter 7: Ind AS on Items impacting the Financial Statements

Unit 1: Ind AS 12 “Income Taxes”

Unit 2: Ind AS 21 “The Effects of Changes in Foreign Exchange Rates”

Chapter 8: Ind AS on Disclosures in the Financial Statements

Unit 1: Ind AS 24 “Related Party Disclosures”

Unit 2: Ind AS 33 “Earnings per Share”

Unit 3: Ind AS 108 “Operating Segments”

Practice Questions

Ind AS Puzzlers: Test Your Accounting Acumen

MODULE – 4

Chapter 9: Ind AS 115 “Revenue from Contracts with Customers”

Chapter 10: Other Indian Accounting Standards

Unit 1: Ind AS 41 “Agriculture”

Unit 2: Ind AS 20 “Accounting for Government Grants and Disclosure of Government Assistance”

Unit 3: Ind AS 102 “Share Based Payment”

Chapter 11: Accounting and Reporting of Financial Instruments

Unit 1: Financial Instruments: Scope and Definitions

Unit 2: Classification and Measurement of Financial Assets and Financial Liabilities

Unit 3: Financial Instruments: Equity and Financial Liabilities

Unit 4 : Derivatives and Embedded Derivatives

Unit 5: Recognition and Derecognition of Financial Instruments

Unit 6: Hedge Accounting

Unit 7: Disclosures

Comprehensive Illustrations

Practice Questions

Ind AS Puzzlers: Test Your Accounting Acumen

MODULE – 5

Chapter 12: Ind AS 103 “Business Combinations”

Chapter 13: Consolidated and Separate Financial Statements of Group Entities

Unit 1 : Introduction to Consolidated and Separate Financial Statements

Unit 2 : Important Definitions

Unit 3 : Consolidated Financial Statements

Unit 4 : Ind AS 110: Consolidation Procedure for Subsidiaries

Unit 5 : Ind AS 111: Joint Arrangements

Unit 6 : Ind AS 28: Investment in Associates & Joint Ventures

Unit 7 : Ind AS 27: Separate Financial Statements

Unit 8 : Disclosures

Chapter 14: Ind AS 101 “First-time Adoption of Indian Accounting Standards”

Chapter 15: Analysis of Financial Statements

Chapter 16: Professional and Ethical Duty of a Chartered Accountant

Chapter 17: Accounting and Technology

Practice Questions

Ind AS Puzzlers: Test Your Accounting Acumen

DETAILED CONTENTS: MODULE – 1

CHAPTER 1: INTRODUCTION TO INDIAN ACCOUNTING STANDARDS

Learning Outcomes..... 1.1

Chapter Overview 1.2

Contents:

1. Introduction 1.3

2. Indian Scenario prior to introduction of Ind AS in India 1.4

3. Limitations of Accounting Standards 1.7

4. Emergence of Global Accounting Standards 1.7

5. Need for Global Accounting standards in India 1.9

6. Benefits of Global Accounting Standards 1.10

7. Convergence vs Adoption of IFRS..... 1.11

8. Process of development and finalisation of Indian Accounting Standards 1.12

9. Transition from AS to Ind AS 1.13

9.1 About Indian Accounting Standards..... 1.14

9.2 How Ind AS have been numbered? 1.16

9.3 How Ind AS have been structured? 1.17

10. Roadmap for applicability of Ind AS..... 1.19

10.1 For Listed Entities 1.19

10.2 Ind AS Roadmap for Non -Banking Financial Companies (NBFC) 1.28

10.3 Ind AS Roadmap for Banking and Insurance Companies 1.32

10.4 Ind AS Roadmap for Mutual Funds..... 1.32

11. Ind AS relevant Statutory Provisions 1.33

11.1 Relevant Sections referring to Ind AS in the Companies Act, 2013
and Rules 1.33

11.2 Relevant SEBI Rules and Regulations..... 1.34

12. Format of Division II to Schedule III to the Companies Act – Structure 1.35

12.1	Introduction	1.35
12.2	Applicability	1.36
13.	Guidance Note on Division II to Schedule III to the Companies Act, 2013.....	1.36
	Summary	1.43
	Test Your Knowledge	1.44

CHAPTER 2: CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING UNDER INDIAN ACCOUNTING STANDARDS (IND AS)

Learning Outcomes.....	2.1
Chapter Overview	2.2

Contents:

Unit 1 : Introduction	2.4
------------------------------------	-----

Unit 2 : Objective of General Purpose Financial Reporting	2.6
--	-----

2.1	Objectives and usefulness of general -purpose financial reporting.....	2.6
-----	--	-----

2.2	Limitations of general-purpose financial reporting	2.7
-----	--	-----

2.3	Information provided by general purpose financial reports.....	2.7
-----	--	-----

2.3.1	Economic resources and claims	2.8
-------	-------------------------------------	-----

2.3.2	Changes in economic resources and claims	2.8
-------	--	-----

Unit 3 : Qualitative Characteristics of Useful Financial Information	2.10
---	------

3.1	Qualitative characteristics of useful financial information.....	2.10
-----	--	------

3.1.1	Relevance	2.10
-------	-----------------	------

3.1.2	Faithful representation	2.11
-------	-------------------------------	------

3.1.3	Applying the fundamental qualitative characteristics	2.12
-------	--	------

3.1.4	Enhancing qualitative characteristics.....	2.13
-------	--	------

3.1.5	Applying the enhancing qualitative characteristics	2.14
-------	--	------

3.2	The cost constraint on useful financial information	2.15
-----	---	------

Unit 4 : Financial Statements and the Reporting Entity	2.16
---	------

4.1	Objective and scope of financial statements	2.16
-----	---	------

4.1.1	Reporting period	2.17
4.1.2	Perspective adopted in financial statements	2.17
4.1.3	Going concern assumption.....	2.17
4.2	The reporting entity.....	2.18
4.2.1	Consolidated and unconsolidated financial statements	2.18
Unit 5 : The Elements of Financial Statements		2.20
5.1	Link between information in general purpose financial reports as per conceptual framework and elements of financial statements.....	2.20
5.2	Definition of an asset	2.21
5.2.1	Right	2.21
5.2.2	Potential to produce economic benefits	2.23
5.2.3	Control	2.24
5.3	Definition of a liability.....	2.26
5.3.1	Obligation.....	2.26
5.3.2	Transfer of an economic resource	2.27
5.3.3	Present obligation as a result of past events.....	2.28
5.4	Aspects which are common to assets and liabilities	2.29
5.4.1	Unit of account	2.29
5.4.2	Executory contracts	2.30
5.4.3	Substance of contractual rights and contractual obligations	2.30
5.5	Definition of equity.....	2.31
5.6	Definition of income and expenses	2.31
Unit 6 : Recognition and Derecognition		2.32
6.1	The recognition process.....	2.32
6.2	Recognition criteria	2.33
6.2.1	Relevance	2.34
6.2.2	Faithful representation	2.36
6.3	Derecognition	2.38

Unit 7 : Measurement	2.40
7.1 Measurement bases of an asset or a liability	2.40
7.1.1 Historical cost.....	2.41
7.1.2 Current value.....	2.42
7.2 Information provided by particular measurement bases.....	2.44
7.2.1 Assets	2.44
7.2.2 Liabilities	2.46
7.3 Factors to consider when selecting a measurement basis for initial recognition and subsequent measurement of an asset or a liability	2.48
7.3.1 Relevance	2.49
7.3.2 Faithful representation	2.50
7.3.3 Implications of enhancing qualitative characteristics for the selection of measurement basis	2.57
7.4 Factors specific to initial measurement of an asset or a liability.....	2.57
7.4.1 Transactions on market terms	2.58
7.4.2 Transactions not on market terms (or off-market transactions)	2.58
7.5 More than one measurement basis.....	2.59
7.6 Measurement of equity.....	2.60
Unit 8 : Presentation and Disclosure	2.62
8.1 Presentation and disclosure objectives and principles.....	2.62
8.2 Classification	2.62
8.2.1 Classification of assets and liabilities.....	2.63
8.2.2 Offsetting.....	2.63
8.2.3 Classification of equity	2.63
8.2.4 Classification of income and expenses	2.63
8.2.5 Profit or loss and other comprehensive income.....	2.64
8.3 Aggregation	2.64

Unit 9: Concepts of Capital and Capital Maintenance	2.67
9.1 Concepts of capital	2.67
9.2 Concepts of capital maintenance and the determination of profit	2.67
9.3 Capital maintenance adjustments	2.68
Test Your Knowledge	2.71
Question	2.71
Answer	2.72

CHAPTER-3: IND AS ON PRESENTATION OF ITEMS IN THE FINANCIAL STATEMENTS

Unit 1: Indian Accounting Standard 1: Presentation of Financial Statements	3.1
Learning Outcomes	3.1
Unit Overview	3.2

Contents:

1.1 Introduction	3.3
1.2 Objective	3.3
1.3 Scope	3.3
1.4 Definitions	3.4
1.5 Purpose of financial statements	3.7
1.6 Complete set of financial statements	3.8
1.7 General features of financial statements	3.10
1.7.1 Presentation of True and Fair View and compliance with Ind AS	3.10
1.7.2 Going concern	3.14
1.7.3 Accrual basis of accounting	3.17
1.7.4 Materiality and aggregation	3.17
1.7.5 Offsetting	3.18
1.7.6 Frequency of reporting	3.20
1.7.7 Comparative information	3.20
1.7.8 Consistency of presentation	3.23

1.8	Structure and content.....	3.23
1.8.1	Identification of Financial Statements	3.23
1.8.2	Balance sheet.....	3.24
1.8.3	Statement of profit and loss.....	3.42
1.8.4	Statement of changes in equity	3.50
1.8.5	Statement of cash flows	3.52
1.8.6	Notes	3.52
1.9	Significant differences in Ind AS 1 vis-à-vis AS 1	3.62
1.10	Carve out in Ind AS 1 from IAS 1.....	3.66
	Shortcut to Ind AS Wisdom	3.67
	Test Your Knowledge.....	3.67
	Questions	3.67
	Answers	3.69
	Unit 2: Indian Accounting Standard 34: Interim Financial Reporting	3.72
	Learning Outcomes.....	3.72
	Unit Overview	3.73
	Contents:	
2.1	Introduction	3.74
2.2	Objective	3.74
2.3	Scope.....	3.74
2.4	Definitions	3.75
2.5	Contents of an interim financial report.....	3.75
2.5.1	Form and content of interim financial report.....	3.76
2.5.2	Significant events and transactions	3.76
2.5.3	Other disclosures.....	3.78
2.5.4	Periods for which interim financial statements are required to be presented	3.80
2.5.5	Materiality.....	3.82

2.6	Disclosure in annual financial statements	3.82
2.7	Recognition and measurement.....	3.82
2.8	Restatement of previously reported interim periods.....	3.92
2.9	Interim financial reporting and impairment	3.93
2.10	Significant differences in Ind AS 34 vis-à-vis AS 25	3.94
	Shortcut to Ind AS Wisdom	3.97
	Test Your Knowledge.....	3.97
	Questions	3.97
	Answers	3.98
	Unit 3: Indian Accounting Standard 7: Statement of Cash Flows.....	3.101
	Learning Outcomes.....	3.101
	Unit Overview	3.102
	Contents:	
3.1	Introduction	3.103
3.2	Meaning of statement of cash flows.....	3.103
3.3	Objective	3.105
3.3.1	To provide information about historical changes in cash and cash equivalents	3.105
3.3.2	To assess the ability to generate cash and cash equivalents.....	3.105
3.3.3	To understand the timing and certainty of their generation	3.105
3.4	Benefits of cash flow information	3.106
3.4.1	Provides information enabling evaluation of changes in net assets and financial structure (Liquidity and solvency)	3.106
3.4.2	Assesses the ability to manage the cash	3.106
3.4.3	Assess and compare the present value of future cash flows.....	3.106
3.4.4	Compares the efficiency of different entities	3.106
3.5	Scope.....	3.107
3.6	Definitions	3.107
3.7	Cash and Cash Equivalents	3.108

3.8	Presentation of Statement of cash flows	3.109
3.8.1	Operating activities	3.110
3.8.2	Investing activities	3.113
3.8.3	Financing activities	3.115
3.9	Reporting cash flows from operating activities	3.118
3.10	Reporting cash flows from investing and financing activities.....	3.122
3.11	Reporting cash flows on a net basis	3.123
3.12	Foreign currency cash flows.....	3.124
3.12.1	Treatment of Foreign Exchange differences arising from unsettled transactions relating to operating activities	3.124
3.13	Interest and dividends.....	3.126
3.14	Taxes on income	3.127
3.15	Investments in subsidiaries, associates and joint ventures.....	3.129
3.16	Changes in ownerships interests in subsidiaries and other businesses.....	3.129
3.16.1	Classification of cash flows as investing activity.....	3.129
3.16.2	Classification of cash flows as financing activity	3.130
3.17	Non-cash transactions	3.132
3.17.1	Changes in liabilities arising from financing activities	3.132
3.18	Components of cash and cash equivalents	3.133
3.19	Other disclosures.....	3.135
3.20	Extracts of financial statements of listed entity.....	3.143
3.21	Significant differences in Ind AS 7 vis-à-vis AS 3	3.146
	Quick Recap	3.149
	Shortcut to Ind AS Wisdom	3.150
	Test Your Knowledge	3.150
	Questions	3.150
	Answers	3.154

CHAPTER 4: IND AS ON MEASUREMENT BASED ON ACCOUNTING POLICIES

Unit 1 : Indian Accounting Standard 8: Accounting Policies, Changes in

Accounting Estimates and Errors	4.1
Learning Outcomes.....	4.1
Unit Overview	4.2
Contents:	
1.1 Introduction	4.3
1.2 Objective	4.3
1.2.1 To prescribe the criteria for selecting and changing accounting policies	4.3
1.2.2 To prescribe the accounting treatment and disclosure of changes in accounting policies	4.4
1.2.3 To prescribe the accounting treatment and disclosure of changes in accounting estimates.....	4.4
1.2.4 To prescribe the accounting treatment and disclosure of corrections of errors.....	4.4
1.2.5 To provide better base of inter-firm and intra-firm comparison.....	4.5
1.3 Scope.....	4.5
1.4 Definitions	4.6
1.5 Accounting policies	4.8
1.5.1 Selection and application of accounting policies	4.8
1.5.2 Is it Compulsory to follow the accounting policies?.....	4.9
1.5.3 How to select and apply an accounting policy when specific Ind AS is not available on the particular transaction/condition/ event?	4.9
1.5.4 Consistency of accounting policies	4.12
1.5.5 Changes in accounting policies	4.13
1.5.6 Disclosure regarding the Changes in Accounting Policies	4.25
1.6 Change in accounting estimates.....	4.28
1.6.1 Meaning	4.28
1.6.2 Can changes in estimates be related to prior periods?.....	4.29

1.6.3	Change in the basis of measurement – Whether a change in accounting policy or change in estimate?	4.29
1.6.4	Accounting treatment for applying changes in accounting estimates.....	4.30
1.6.5	Disclosure of changes in estimates	4.32
1.7	Errors	4.33
1.7.1	Meaning	4.33
1.7.2	Common types of errors.....	4.33
1.7.3	Treatment of errors	4.34
1.7.4	Limitations on retrospective restatement	4.38
1.8	Disclosure of prior period errors	4.39
1.9	Impracticability in respect of retrospective application and retrospective restatement	4.40
1.10	Significant differences in Ind AS 8 and AS 5	4.41
	Shortcut to Ind AS Wisdom	4.45
	Test Your Knowledge	4.45
	Questions	4.45
	Answers	4.47
	Unit 2 : Ind AS 10: “Events after the Reporting Period”	4.49
	Learning Outcomes.....	4.49
	Unit Overview	4.50
	Contents:	
2.1	Introduction	4.51
2.2	Objective	4.51
2.3	Scope.....	4.52
2.4	Definitions and explanations	4.53
2.4.1	Events after the Reporting Period.....	4.53
2.4.2	Approval of Financial Statements	4.53

2.4.3	When date of approval is after the public announcement of some other financial information.....	4.55
2.4.4	Should the company report only unfavourable events?	4.57
2.5	Type of Events.....	4.57
2.6	Recognition and measurement of adjusting events	4.58
2.7	Accounting treatment and disclosure of Non-adjusting events after the reporting period.....	4.64
2.8	Special cases	4.65
2.8.1	Long-term Loan Arrangements.....	4.65
2.8.2	Going concern	4.66
2.9	Dividends	4.68
2.10	Disclosure required under Ind AS 10	4.70
2.10.1	Date of approval for issue	4.70
2.10.2	Updating disclosure about conditions at the end of the reporting period	4.70
2.10.3	Disclosure of Non-adjusting events after the reporting period	4.71
2.11	Distribution of non cash assets to owners.....	4.73
2.11.1	Applicability	4.74
2.11.2	Non-applicability	4.74
2.11.3	Issues addressed by Appendix A to Ind AS 10	4.75
2.11.4	Accounting principles enunciated by Appendix A to Ind AS 10.....	4.75
2.12	Extracts of financial statements of listed entity.....	4.77
2.13	Significant differences between Ind AS 10 and AS 4	4.77
2.14	Carve out in Ind AS 10 from IAS 10	4.79
	Shortcut to Ind AS Wisdom	4.80
	Test Your Knowledge.....	4.80
	Questions.....	4.80
	Answers	4.81

Unit 3- Indian Accounting Standard 113 : Fair Value Measurement	4.83
Learning Outcomes.....	4.83
Unit Overview	4.84
Contents:	
3.1 What is fair value?	4.84
3.2 Objective	4.85
3.3 Scope.....	4.86
3.3.1 What is not covered?	4.87
3.4 Definition	4.87
3.5 Asset or liability specific fair value	4.88
3.6 Unit of Account	4.89
3.7 The transaction.....	4.90
3.7.1 Principal market.....	4.91
3.7.2 Most advantageous market	4.91
3.8 Market participants	4.92
3.8.1 What are market participants?.....	4.92
3.9 The price	4.93
3.9.1 Transaction cost	4.94
3.9.2 Transport cost	4.94
3.10 Applying fair value rules on non-financial assets.....	4.95
3.10.1 Highest and best use	4.95
3.10.2 Valuation premise	4.97
3.11 Applying fair value rules to liabilities and an entity's own equity instruments.....	4.98
3.11.1 When liability and equity instruments are held by other parties as assets.....	4.99
3.11.2 When liability and equity Instruments are not held by other parties as assets	4.99
3.12 Applying fair value rules to financial asset & financial liability with offsetting position in market risk or counterparty risk.....	4.100

3.13	Fair value at initial recognition.....	4.101
3.14	Valuation techniques.....	4.102
3.15	Inputs to valuation techniques.....	4.106
3.15.1	Level 1 Inputs.....	4.107
3.15.2	Level 2 Inputs.....	4.109
3.15.3	Level 3 Inputs.....	4.110
3.16	Disclosures.....	4.111
3.17	Extracts of financial statements of listed entity.....	4.113
	Shortcut to Ind AS Wisdom	4.115
	Test Your Knowledge	4.115
	Questions.....	4.115
	Answers.....	4.117
	ANNEXURE: DIVISION II OF SCHEDULE III TO THE COMPANIES ACT, 2013	A.1 – A.40
	PRACTICE QUESTIONS	PQ.1 – PQ.49
	Ind AS Puzzlers: Test Your Accounting Acumen	(1)-(4)

