

IND AS – LAST-MINUTE REVISION NOTES

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Ind AS 2 – Inventories

Finished goods / WIP	Lower of cost & NRV. NRV = Estimated selling price – cost of completion – cost to sell
Raw material	Valued at cost . Written down only if FG is expected to sell below cost → then lower of cost & replacement cost
Write-down	Item-by-item , not global basis. Reversal allowed when NRV recovers (limited to original write-down)
Fixed overhead	Allocate on normal capacity . Unallocated overhead (low output) → expense. If actual > normal production → recompute (lower) overhead rate so inventory is never above cost
Joint products	Joint cost split on NRV / net selling price at split-off point
By-products	Immaterial → NRV deducted from joint cost . Material → treat as joint product
Cost formulae	FIFO or Weighted Average . LIFO not permitted. Same formula for items of similar nature/use

Cost INCLUDES	Cost EXCLUDES	Quick example
- Purchase price + non-refundable duties/taxes - Transport & handling - Less trade discounts, rebates - Direct labour, other direct cost - Fixed + variable production overhead - Borrowing cost (Ind AS 23, only if qualifying)	- Abnormal wastage (material, labour, others) - Storage cost (unless necessary in production – e.g. wine) - Admin overhead not related to bringing inventory to location/condition - Selling costs	Purchase 10,000 + duty 2,000 + transport 1,000 + other 500 – discount 400 = 13,100 Conversion = 5,000 + 1,000 + 500 = 6,500 Borrowing cost = 300 Total = 19,900

Don't Forget

- Inventory is not valued over cost.
- Recoverable GST/ITC and exchange differences are **not** part of cost.
- NRV is **entity-specific**; fair value is market-participant based. Use NRV.

Ind AS 16 – Property, Plant & Equipment

Assets

Recognition (both needed): (a) future economic benefits are **probable** and (b) cost can be measured reliably.

Spare parts / stand-by / servicing equipment	Recognition criteria met → PPE ; otherwise → Inventory
Small items (moulds, tools, dies)	May be aggregated

Safety / environmental assets	Recognised as PPE – they give indirect benefit (other assets cannot operate without them)
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Cost of PPE = Purchase price (net of trade discount) +	Exclusions (expense)
• Non-refundable duties & taxes (import duty) • Delivery & handling, site preparation • Installation, assembly, professional fees • Borrowing cost (if qualifying asset – Ind AS 23) • Cost of testing – net sale proceeds F1 • PV of decommissioning / restoration (Ind AS 37) • Any directly attributable cost to bring asset to location & condition for intended use • Less: government grant (Ind AS 20) if netted	• New location / new class of customer (incl. staff training) • Introducing new product/service • Opening / inauguration expenses • Admin & general overheads • Internal profits, abnormal waste (self-constructed)

Self-constructed	Same principles as acquired asset. Always take cost of construction , Do not include profit element .
Exchange of non-monetary assets	Commercial substance → FV of asset given up (if FV of asset received is more evident, use that). No commercial substance / FV not measurable → carrying amount of asset given up
Deferred credit	Capitalise at cash price equivalent ; difference is interest
Subsequent costs	Repairs → P&L. Replacement of part → capitalise & derecognise old part . Major inspection/overhaul → capitalise (derecognise previous inspection balance) If original break up of components is not available, estimate using discount rates/inflation
Depreciation	Component approach – each significant part depreciated separately. Residual value, life & method reviewed at least every year-end (change in estimate – prospective)

Revaluation model (class-wise, regular intervals)

Situation	Treatment	Rule
First-time upward	Credit Revaluation Reserve (OCI)	Reserve → RE on disposal / over life (ratio of depreciation)
First-time downward	Debit P&L	Reserve is never transferred to P&L
Subsequent upward	Credit P&L up to earlier loss ; balance → Revaluation Reserve	Accumulated depreciation: eliminate against gross amount, or restate gross & accumulated depreciation proportionately

Situation	Treatment	Rule
Subsequent downward	Debit Revaluation Reserve up to balance ; excess → P&L	Revalue the whole class , not selected assets

FORMULA

Decommissioning liability: PV added to cost of asset; prepare interest (unwinding) schedule → finance cost each year.

Changes in liability: Cost model → add to / deduct from carrying amount (excess reduction → P&L).

Revaluation model → treat as revaluation.

Don't Forget

- If sale proceeds are more than the testing cost, reduce from cost of asset.
- Replacement of a part: derecognise **old** part even if it was not separately depreciated.
- Land is not depreciated;
- depreciation continues while asset is idle; stops on derecognition / held for sale.

Ind AS 38 – Intangible Assets

Assets

DEFINITION

Identifiable (separable or arises from contractual/legal rights), **non-monetary, no physical substance, controlled** by entity with probable future economic benefits & reliably measurable cost.

Subsequent cost	Normally expensed ; capitalise only if additional future economic benefits arise
Cost / exchange	Same principles as Ind AS 16
Never recognised (internally generated)	Goodwill, brands, mastheads, publishing titles, customer lists and similar items
Always expensed	Research (except when acquired in a business combination & recognition criteria met) • Start-up (legal, secretarial, incorporation, new operations/products) • Training • Advertising & promotion • Reorganising / relocating
Research vs Development	Research → always expensed . Development → capitalise only when TIPFAM is met. If phases cannot be separated → all treated as research

TIPAFM – DEVELOPMENT COST CAPITALISATION

T – Technical feasibility of completing

I – Intention to complete

P – Probable future economic benefits

A – Ability to use or sell

F – Financial / technical resources available

M – Measure expenditure reliably

Once expensed, development cost is **not** reinstated later.

Useful life	Amortisation	Impairment
Finite	Systematic over useful life – SLM or output method	When indicators exist
Indefinite	No amortisation ; review "indefinite" assessment each year	Annually + indicators (Ind AS 36)
Goodwill	Never amortised	Annual test
Renewal cost	Significant → treat as new intangible; insignificant → expense	–

Don't Forget

Revenue-based amortisation is presumed inappropriate (rebuttable – e.g. toll-road concessions).

Revaluation model only if there is an **active market** – practically rare for intangibles.

R&D **acquired in a business combination** is capitalised; later research spend is still expensed.

Ind AS 40 – Investment Property

Assets

Dual-purpose property	If portions can be sold/leased separately → split. If not → IP only if the owner-occupied part is insignificant
NOT investment property	Owner-occupied (PPE / ROU – incl. property to be owner-occupied in future, occupied by employees) • Held for sale in ordinary course (Inventory)
Rent to group companies	Stand-alone FS → IP . Consolidated FS → PPE
Examples of IP	Land held for long-term appreciation • Land with undetermined future use • Building leased out under operating lease • Vacant building held to be leased • Property under construction for future IP
Measurement	Same as PPE – cost model only; revaluation model not applicable

Transfer	Trigger (change in use) – done at carrying amount
IP → PPE (Ind AS 16)	Commencement of owner occupation / development with a view to owner occupation
IP → Inventory (Ind AS 2)	Commencement of development with a view to sale
PPE → IP (Ind AS 40)	End of owner occupation

Transfer	Trigger (change in use) – done at carrying amount
Inventory → IP (Ind AS 40)	Inception of operating lease to another party

Ind AS 23 – Borrowing Costs	Assets
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Borrowing costs = interest expense (EIR) + finance charge on leases + **exchange differences on foreign borrowings** (only to the extent regarded as an adjustment to interest cost).

Not applicable to	- Actual / imputed cost of equity - Qualifying assets measured at fair value - Inventories made in large quantities on repetitive basis
Specific borrowing	Actual borrowing cost – income earned on temporary investment of surplus funds
General borrowing	Capitalisation rate (weighted average of general borrowing costs ÷ general borrowings outstanding) × weighted expenditure on asset
Cap	Capitalised amount never exceeds borrowing cost actually incurred in the period
Exchange difference	Capitalise exchange loss only up to the difference between interest cost on functional-currency borrowing and on foreign-currency borrowing

Period	Rule	Remember
Commence	When all 3 are met: - expenditure incurred • - borrowing cost incurred - activities to prepare asset under way	Merely holding asset (no development) → no capitalisation
Suspend	Active development suspended for extended period (generally abnormal reasons)	No suspension if delay is a necessary part of progress (e.g. monsoon, curing)
Cease	Substantially all activities for intended use/sale complete	Minor / admin work pending → still cease
Part-construction	Cease for a part when that part is complete & usable separately	–

Ind AS 20 – Government Grants	Assets
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Excluded from scope	Government equity stake • Ind AS 41 grants • Effects of changing prices / benchmark price support • Income-tax benefits (holiday, investment credit, accelerated depreciation)
Exception to exclusion	Sales tax / GST exemption (EAC opinion) → covered by Ind AS 20
Recognition	Only when reasonable assurance that - conditions will be complied with and - grant will be received

Grant related to ASSETS	Grant related to INCOME	NON-MONETARY grant
Option 1: deduct from cost → depreciation on reduced value Option 2: deferred income → transfer to P&L in ratio of depreciation	Deferred income → P&L systematically (matching expenses) Or net-off against related expense	Asset & grant at fair value Or both at nominal value
Grant on loans	Concessional / interest-free loan → measure loan at FV (Ind AS 109). Grant = proceeds – FV of loan	
Repayment of grant	Treat as change in estimate . Grant reduced from cost → add refund to cost (and charge catch-up depreciation immediately). Deferred income → first reduce deferred balance; excess → P&L	

Ind AS 36 – Impairment of Assets		Assets
Impairment loss	Carrying amount – Recoverable amount	
Recoverable amount	Higher of (i) FV less cost of disposal (excl. finance & tax cost) and (ii) Value in use (PV of cash flows)	
Frequency	Indicators checked at every reporting date ; if present → compute recoverable amount	
Annual test (even if no indicator)	Indefinite-life intangibles Intangibles not yet available for use Goodwill from business combination	
Discount rate	Pre-tax, nominal (if cash flows include inflation)	
Indicators – EXTERNAL / INTERNAL		Investment in subsidiary / JV / associate
- Market value significantly down; adverse tech/market/economy changes - Rise in discount rates; market cap < net assets - Obsolescence / physical damage; adverse change in use - Higher cash outflows, lower profits, ongoing operating losses		- Carrying amount in SFS > investee net assets (incl. goodwill) Dividend > investee total comprehensive income

Cash-flow estimates:

- reasonable & supportable evidence,
- latest approved budgets,
- no uncommitted restructuring;
- **max 5 years** (unless justified) then steady/declining growth.
- Use Traditional (best estimate) or Expected-value approach.

INCLUDE	EXCLUDE
- Cash flows from continued use - Net disposal proceeds at end of life - Day-to-day servicing, direct/allocated overheads - Proper share of corporate overheads	- Inflows from independent assets (receivables) - Outflows of recognised liabilities (payables) - Uncommitted restructuring - Internal charges, financing flows, income tax

Accounting

Individual asset	Cost model: Dr Impairment loss (P&L) Cr Asset. Revaluation model: Dr Revaluation surplus (to extent created earlier) & balance P&L
CGU order	(1) Write off goodwill first (2) balance pro-rata on carrying amount of other assets. No asset reduced below the highest of FV less cost of disposal, VIU and zero
Loss > carrying amount	Recognise a liability
Goodwill / corporate asset	Allocate to CGU if possible & test. If not possible → test CGUs without goodwill first, then the group with goodwill
Goodwill – subsidiary	Partial goodwill (proportionate NCI): gross-up goodwill, compute impairment, book only parent's share . Full goodwill (FV method): no gross-up – Impairment borne by both parent & NCI

Reversal	Cost model	Revaluation model
Goodwill	Never reversed	–
Other assets	Dr Asset, Cr Impairment loss (P&L) Maximum Carrying Amount = carrying amount had no impairment been recognised (net of depreciation). Maximum reversal – total impairment loss recognised earlier	Treat as revaluation increase : P&L to extent debited earlier; balance to OCI

Ind AS 105 – Non-current Assets Held for Sale

Assets

Classify as HFS if carrying amount will be recovered **principally through sale**, not continuing use.

- Both:** available for **immediate sale** in present condition + sale **highly probable**
- Management committed to plan • active programme to find buyer • marketed at **reasonable price** • sale expected **within 1 year** • plan unlikely to change

- Asset needing repair before sale → **cannot** be HFS
- **Delay beyond 1 year** allowed if caused by events **beyond entity's control** (e.g. regulatory approval) & entity remains committed

Measurement	Lower of Carrying amount and FV less cost to sell Loss = impairment loss; later gains only up to impairment recognised earlier
Depreciation	Stops once classified as HFS
Reclassification (out of HFS)	Lower of (i) carrying amount before classification less depreciation that would have been charged and (ii) recoverable amount
Measurement outside Ind AS 105	DTA • employee-benefit assets • financial assets (Ind AS 109) • IP at FV • biological assets – continue under own standard

DEFINITION

Discontinued operation = component disposed of / classified HFS that (a) is a separate major line of business or geographical area, or (b) part of a single co-ordinated plan to dispose of (a), or (c) a subsidiary acquired exclusively for resale.

P&L shows **one amount**: post-tax profit/loss of discontinued operation + post-tax gain/loss on FV less cost to sell / disposal.

Ind AS 116 – Leases

Leases

1. Is there a lease? (Identified asset + right to control)

Identified asset	Explicitly / implicitly specified & made available to customer. A capacity portion is not physically distinct unless it is ~90%+ of capacity (e.g. pipeline, fibre)
Substantive substitution right (SSR)	Supplier can substitute throughout the use period and benefits economically. Tested at inception. No SSR if right arises later / is event-based, or customer cannot determine → assume none If Supplier has SSR – No Identified Asset
Right to Control	
Right to obtain substantially all benefits	Primary outputs, by-products, and third-party benefits (e.g. subleasing)
Right to direct use	Customer decides how & for what purpose asset is used; or operates the asset / designed it (use predetermined)
Inception	Earlier of agreement date or commitment to principal terms – decides whether contract contains a lease
Commencement	Date lessor makes asset available for use – accounting starts
Lease term	Rent-free period + non-cancellable period + extension option (if reasonably certain to exercise) + termination option (if not reasonably certain to exercise)
Lessee exemptions	Short-term (≤ 12 months, no purchase option) and low-value assets → expense on straight-line basis. Low-value exemption not available if the asset is sub-leased

2. Lessee accounting

FORMULA

Lease liability = PV of lease payments, discounted at **rate implicit in lease** (else lessee's **incremental borrowing rate**)

ROU asset = Lease liability + payments made at/before commencement – lease incentives received + lessee's initial direct costs + **PV of dismantling / restoration** (liability per Ind AS 37)

Lease payments – INCLUDE		EXCLUDE / treatment
- Fixed payments In-substance fixed payments (e.g. minimum variable payment) - Less: lease incentives receivable - Variable payments linked to index or rate (e.g. SOFR) – at current index/rate - Expected payables under Residual value guaranteed by lessee - Purchase-option price if reasonably certain - Termination penalty if term reflects termination		Performance / usage-based variable payments → P&L as incurred - Initial direct costs → added to ROU, not liability
ROU depreciation	Over useful life if ownership transfers (or purchase option reasonably certain); else lower of lease term / useful life	
Lease liability	Lease-liability table: interest (EIR) on opening balance → Dr Interest expense, Dr Lease liability, Cr Bank . Interest is front-loaded	

Remeasurement of lease liability (adjust ROU; no P&L)

Discount rate	When to Apply?
Revised rate	- Reassessment of lease term (exercise / non-exercise of option) - Reassessment of purchase option - Change in cash flows from floating interest rate
Original rate	- Change in residual value guarantee - Variable payment becomes in-substance fixed - Change in index / rate (other than variable interest rate)

If ROU asset is already **nil**, any further reduction in lease liability goes to **P&L**.

Lessee – lease modifications

Modification	Treatment	Impact
Scope increase + price commensurate with stand-alone price	Account as a separate lease	Original lease unchanged
Scope increase – price not commensurate	Remeasure liability at revised rate ; Adjust ROU	No P&L

Modification	Treatment	Impact
Scope decrease (partial termination / shortening of term)	Reduce ROU proportionately ; remeasure liability at revised rate	Difference → P&L
Term extension / other (e.g. change in consideration)	Remeasure liability at revised rate; adjust ROU	No P&L

3. Lessor accounting

Finance lease = transfers substantially all risks & rewards of ownership; otherwise **operating**. Classification is **not reassessed** unless the lease is modified.

FINANCE LEASE INDICATORS

- Ownership transfers at end of lease
- Purchase option at a price expected to make exercise reasonably certain
- Lease term covers **major part of economic life (75%)**
- PV of lease payments ≈ **substantially all of FV** of asset (90%)
- Specialised asset usable only by lessee

Finance lease – lessor	Key definitions
At commencement: Dr Lease receivable (net investment) Cr Asset (carrying amount); balancing figure = selling profit/loss (P&L) Subsequently: recognise finance income on constant periodic return (IRR) on net investment; payments reduce receivable & Recognise finance income; Ind AS 109 derecognition/impairment apply; Fall in UGRV → revise income allocation; variable payments not in net investment → P&L	Net investment = Gross investment discounted at rate implicit Gross investment = Lease payments + UGRV UGRV = residual value not assured, or guaranteed only by party related to lessor Implicit rate: PV (lease payments + UGRV) = FV of asset + lessor's IDC. Lessor payments also include RVG by lessee and by unrelated third party. (IRR is given in exams)

Operating lease – lessor	Income on straight-line (or other systematic basis); variable payments as income; depreciate asset; IDC added to asset and expensed over lease term like lease income
Manufacturer / dealer lessor – finance lease	Revenue = lower of FV of asset & PV of lease payments (market interest rate) Cost of sale = cost – PV of UGRV Selling profit = Revenue – Cost of sale. Costs of obtaining lease → expense at commencement (not IDC); IDC not included in IRR
Manufacturer / dealer – operating lease	No selling profit recognised

Finance lease modification (lessor)	Separate-lease criteria met → separate lease . Not met & - would have been operating if new terms applied at inception → new operating lease, Underlying asset = net investment before modification. - Otherwise → Apply Ind AS 109
Operating lease modification	New lease from effective date; prepaid/accrued rent is part of new lease payments

4. Sub-leases

DEFINITION

Sub-lease: underlying asset is re-leased by lessee (**intermediate lessor**) to a third party while the head lease remains in effect.

- Intermediate lessor uses the rate implicit in sub-lease; if not determinable, use the **head-lease rate adjusted for IDC**
- Classification is by reference to the **ROU asset** (not the underlying asset)

Head lease / sub-lease	Sub-lease is FINANCE	Sub-lease is OPERATING
Normal head lease	Derecognise ROU , recognise net investment in sub-lease; lease liability continues	ROU stays; sub-lease income recognised; lease liability continues
Head lease is short-term (exempted)	Sub-lease classified as operating – no impact on head lease	Same – sub-lease is operating

5. Sale & leaseback

Step	Rule
1. Fair-value check	Adjust if sale price ≠ FV or rentals ≠ market. Use whichever difference is more readily determinable : (sale price – FV) or (PV of rentals – PV of market rentals)
2. Treat difference	Sale price / rentals below market → add to sale consideration; treat as prepayment of lease payments. Above market → deduct from sale consideration; treat as additional financing
3. Ind AS 115 control test	Control passes → account as sale & purchase. Seller-lessee: ROU = retained portion of old carrying amount; gain/loss only on rights transferred ; buyer-lessor applies lessor accounting
Control not passed	Financing: seller keeps asset on BS, records financial liability (Ind AS 109); buyer records financial asset

DEFINITION

Liability = present obligation, from past event, settlement expected to result in outflow of economic benefits.

Provision = liability of uncertain timing or amount.

Recognise a provision when ALL three: present obligation (legal or constructive) from past event • outflow **probable** • **reliable estimate**.

Example	Conclusion
Refurbishment (furnace lining) – no legal requirement	No present obligation → no provision (cost can be avoided)
Aircraft overhaul – legal requirement	No present obligation (can avoid by selling asset) → no provision
Smoke filters – law requires fitting (year 1)	No obligating event → no provision for filter cost
Smoke filters – next year-end, law breached	No provision for filters; provision for expected fines / penalties

Likelihood	Probability	Contingent LIABILITY / provision	Contingent ASSET
Virtually certain	> 95%	Recognise provision	Recognise asset
Probable	50% – 95%	Recognise provision	Disclose
Possible, not probable	5% – 50%	Disclose contingency	No disclosure
Remote	< 5%	Ignore	Ignore

Contingent liability	Possible obligation confirmed by uncertain future events not wholly in entity's control, or present obligation not recognised because outflow not probable / cannot be reliably estimated
Estimates	Large population → expected value . Single obligation → most likely outcome
Discounting	PV using pre-tax rate (risks of the liability not in the cash flows)
Reimbursement / gain on asset sale	Evaluated independently – recognise reimbursement as separate asset only if virtually certain
Future operating losses	Never provided
Onerous contract	Provision = lower of penalty payable and net cost of fulfilling (cost of fulfilling includes all directly related costs)

Restructuring

- Constructive obligation only when:

- **detailed formal plan** (business/part concerned, principal locations, employees to be compensated – location/function/number, expenditure, timeline) **and**
- valid expectation raised (plan started or main features announced)
- Provision includes only **direct expenditure** necessarily entailed & not linked to ongoing activities
- **Excludes:** retraining / relocating continuing staff, marketing, investment in new systems and distribution networks

Ind AS 19 – Employee Benefits		Liabilities
Short-term benefits	Due within 12 months; expense undiscounted	
Paid absences	Non-accumulating → ignore until absence occurs. Accumulating → liability (vesting and non-vesting) = expected future encashment/leave × salary per day	
Termination benefits	Recognise at earlier of: entity can no longer withdraw offer or restructuring costs recognised	
Post Employment Benefits	Defined Contribution and Defined Benefit	
Other long-term benefits	Remeasurements go to P&L (not OCI)	
	Defined CONTRIBUTION	Defined BENEFIT
Obligation	Limited to agreed contribution (e.g. PF)	Provide agreed benefit to current & former employees
Post-employment benefit	Contribution paid + return on it	Pre-determined
Risk	Actuarial & investment risk on employee	Falls on entity
Accounting	Dr Expense with contribution	DBO & plan assets; Projected Unit Credit Method

How to Handle DBO?

Particulars	Effect on DBO	Presented in
Current service cost	+	P&L
Interest cost (on opening balance)	+	P&L (net interest)
Past service cost (plan amendment / curtailment)	+/-	P&L
Gain / loss on settlement (DBO at settlement – settlement price)	-/+	P&L
Actuarial loss / gain (change in assumptions)	+/-	OCI
Benefit payments	-	Balance sheet

Service cost = Current service cost + Past service cost + Gain/loss on settlement.

OCI remeasurement = actuarial gain/loss + (Actual – expected return on plan assets) + change in asset ceiling effect (excl. net interest).

Net liability (DBO – PA) table

Opening balance
 + Current service cost
 + Past service cost
 + Net Interest cost (Op liability x Discount rate)
 + Loss on settlement
 – Gain on settlement
 – Contributions received
 = **Expected closing**

Gain/(loss) on remeasurement = Actual Closing – Expected Closing difference (→ OCI)

Note : Settlement does not change net liability.

PUCM – steps for exam sums

Step	Working
1. Final salary	Year-1 salary grown each year at compound growth rate
2. Total benefit	Final-year salary × (amount or % per year) × years of service
3. Attributed Benefit	Annual attributed benefit = Total benefit ÷ number of years
4. Discount	PV of each year's benefit; years to discount = total period – period completed
5. Closing	Closing = Opening + Interest (Opening × rate) + Service cost (PV of that year's benefit)

Multi-employer plan: if **DB** → recognise proportionate share of plan assets, DBO & cost.

If **DC** → recognise contribution paid as expense.

Net interest is computed on the **net** DBL at the **discount rate** – there is no "expected return on plan assets" concept under Ind AS (However ICAI has used this to solve May-26 exam paper)

Discount rate is based on government bond yields.

Ind AS 7 – Statement of Cash Flows

Cash flows

Activity	Inflows	Outflows
Operating	Sale of goods / services, royalties, insurance premiums	Payments to suppliers & employees; tax (unless linked to investing / financing)
Investing	Sale of PPE, intangibles, investments; loan repayments received	Purchase of PPE, intangibles, investments; advances & loans given

Activity	Inflows	Outflows
Financing	Issue of shares, bonds, loans raised	Repayment of borrowings, lease payments , buy-back of own shares
Interest & dividends	For a financing / financial entity → operating. Other entities: interest & dividend received → investing; interest & dividend paid → financing	
Income taxes	Normally operating; split to investing / financing if linked	
Non-cash transactions	Excluded from the statement; disclose separately (e.g. debt-to-equity conversion)	
Subsidiaries	Acquisition / loss of control = Investing . Change in stake without loss of control = Financing	
Working capital (indirect)	Assets: Opening – Closing (+ve inflow). Liabilities: Closing – Opening	
Foreign currency cash	Exchange difference shown as a reconciling item (cash & cash equivalents)	

Ind AS 115 – Revenue from Contracts with Customers	Revenue
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5-step model	Key point
1. Identify contract	All 5 needed: approved & committed • rights identifiable • payment terms identifiable • commercial substance • collection probable
2. Identify POs	Each promise to transfer a distinct good/service (capable of being distinct and separately identifiable)
3. Transaction price	Amount entity expects to be entitled to (excl. amounts collected for third parties, e.g. GST)
4. Allocate price	On relative stand-alone selling price (SSP) of each PO
5. Recognise revenue	When (or as) PO is satisfied – customer obtains control

- If the 5 conditions are not met → recognise a liability
- **Non-refundable** consideration → revenue only if no obligations remain & substantially all consideration received, **or** contract is terminated
- **Contract asset** = right to consideration conditional on something other than passage of time. **Receivable** = unconditional right (only time required)

Contract modification

Type	Condition	Accounting
Separate contract	Adds distinct goods/services and price rises by their stand-alone price	Treat as new contract
Not separate – remaining goods distinct from those delivered	Terminate old, create new	Prospectively

Type	Condition	Accounting
Not separate – remaining goods not distinct (part of partly satisfied PO)	Modification forms part of existing contract	Cumulative catch-up (retrospective)

Transaction price – special aspects

Variable consideration (bonus, penalty, rebate)	Estimate: range of outcomes → expected value (probability-weighted) ; single outcome → most likely amount . Include only to the extent highly probable that a significant reversal of cumulative revenue will not occur (constraint)
Refund liability	Where consideration received is expected to be refunded
Sale with right of return	Revenue for goods not expected to be returned • Refund liability for expected refund • Asset for right to recover goods
Significant financing component	Revenue at cash selling price ; difference is interest income (EIR) . Practical expedient: ignore if gap ≤ 1 year
Non-cash consideration	Measure at FV of consideration received (not FV of asset given up as in Ind AS 16). If FV not determinable → SSP of goods/services promised
Customer-provided goods	If entity obtains control → treat as non-cash consideration (add to TP)
Consideration payable to customer	For distinct goods/services: ≤ FV → purchase / expense; excess over FV → reduce TP. Not for distinct goods → reduce TP

Allocation of transaction price

General rule	Relative SSP , except discounts & variable consideration
SSP estimation	Observable price if sold separately; else estimate – adjusted market assessment, expected cost plus margin, residual approach (limited use)
Discount	Relates to all POs → allocate proportionately. Relates to specific POs → allocate only to them (conditions must be satisfied)
Variable consideration	Allocate wholly to a specific PO if terms relate specifically to it & consistent with allocation objective; else allocate to all POs
Change in TP	Allocate on original basis; amounts for satisfied POs → revenue in period of change

Satisfaction of PO – over time vs point in time

CONTROL TEST

Over time if ANY one:

- Customer **simultaneously receives & consumes** benefit (e.g. security services)
- Entity's work creates / enhances an asset the **customer controls** (e.g. construction on customer's land)
- Asset has **no alternative use** + entity has **enforceable right to payment** for work done to date (incl. margin)

Otherwise → **point in time** (control indicators: present right to payment, legal title, possession, risks & rewards, acceptance).

Measuring progress: output method (value of goods/services transferred to date relative to remaining) or input method (efforts / costs incurred).

Goods supplied but Work not progressed

Elevator / goods delivered to site without modification (customer controls early, cost significant, third-party sourced):

- Asset delivered early → revenue = **cost of the asset** (no margin)
- Other work → measure progress **excluding** cost of asset delivered
- **Revenue = (Progress % × (TP – asset value)) + asset cost**

Repurchase agreements

Forward / call option	Repurchase price < original price	Repurchase price ≥ original price
Treatment	Account as lease (Ind AS 116)	Financing – asset stays on BS + financial liability
Option lapses	Derecognise liability → revenue	Derecognise liability → revenue
PUT option (customer right)	Price < original	Price ≥ original
Customer has significant economic incentive to exercise	Lease (Ind AS 116)	Financing (whether price is above or below expected market price)
No significant incentive	Sale with right of return	Price > expected market price → financing . Price ≤ expected market price → sale with right of return

Other points

Bill-and-hold	Revenue when control transfers. Needs: substantive reason • product separately identified • ready for transfer • entity cannot use/redirect. Storage may be a separate PO
Licences of IP	Right to access (entity's ongoing activities affect IP) → over time . Right to use (static IP) → point in time

Warranties	Customer can buy separately → separate PO . (Service Type) Cannot → provision (Ind AS 37) (Assurance Type)
Customer's material right (loyalty points)	Allocate TP between goods sold & future benefit on SSP
Consignment	Consignor: revenue when consignee sells to third party . Consignee: only commission
Principal vs agent	Principal (responsible for fulfilment, inventory risk , price discretion) → gross . Agent → net
Non-refundable upfront fees	Relates to goods/services transferred at inception → recognise immediately; else over period of PO
Service concession	Unconditional right to cash / financial asset → financial asset (Ind AS 109) . Right to charge users → intangible asset (Ind AS 38)

Contract cost	Treatment	Reason
Commission paid only on successful signing	Capitalise	Incremental – incurred only if contract obtained
Bonus on quarterly sales target	Capitalise	Sales-based bonus is incremental to obtaining contracts
Commission to sales manager for team contracts	Capitalise	Incremental; designation / function is irrelevant
Travel expenses of sales persons	Expense	Incurred regardless of outcome
Legal fees for drafting terms	Expense	Incurred even if negotiations fail
Salaries of sales people	Expense	Paid regardless of contract success

Practical expedient: if amortisation period of the cost to obtain is **≤ 1 year**, expense it. Cost to fulfil is capitalised only if it relates directly to contract, generates resources & is recoverable.

Ind AS 8 and Ind AS 10		Presentation
Ind AS 8	Rule	
Accounting policy	Specific Ind AS applies; if none → management judgement giving relevant & reliable information (hierarchy)	
Change in policy	Only if required by Ind AS or gives more reliable & relevant info. Retrospective (restate comparatives) unless impracticable	
Change in estimate	New information (useful life, bad debts, warranty) → prospective	
Prior period error	Omission / misstatement from failure to use reliable information available → restate retrospectively unless impracticable	
Impracticable	Adjust from earliest practicable date ; disclose why	
Third balance sheet	Needed when retrospective application / restatement / reclassification has material effect on opening balance sheet of earliest comparative period	

Ind AS 10	Rule
Period	Reporting date → date financial statements are approved for issue
Adjusting events	Evidence of conditions that existed at reporting date : court case settlement, customer insolvency confirming impairment, info on asset impairment, fraud / errors → adjust FS
Non-adjusting events	Conditions arising after reporting date: major business combination, plan to discontinue, major purchase / disposal, fire / flood loss, tax-rate change enacted later → disclose if material (nature + financial effect or statement that estimate cannot be made)
Dividends	Declared after reporting date → not a liability ; disclose
Going concern	If events after reporting period show entity is no longer a going concern → do not use going-concern basis

Ind AS 102 – Share-based Payment			Equity
Counterparty	Measurement basis	Measurement date	Recognition
Employee	FV of equity instruments granted	Grant date	Over vesting period as services received
Non-employee	FV of goods / services received (if not reliable → FV of equity)	Date goods / services received	Date goods / services received
EQUITY-settled		CASH-settled (incl. SARs)	
FV fixed at grant date – no remeasurement . Credit SBP reserve (equity)		Measure goods/services & liability at FV of liability ; remeasure at each reporting date and settlement ; changes → P&L	

Share-based payment with cash alternative

Choice with COUNTERPARTY	Choice with ENTITY
Compound instrument (debt + equity). - FV of goods/services measurable → equity component = FV of goods/services – FV of debt - Employees / FV not available → FV of compound = FV of debt + FV of equity (assuming cash alternative surrendered) - Liability component is remeasured to FV Settlement: cash → Dr Liability Cr Cash (equity unchanged); equity issued → Dr Liability Cr Equity	Check present obligation to settle in cash (intention, past practice, ability to issue equity) → if yes cash-settled , else equity-settled . - Equity-settled but paid in cash → treated as buy-back - Liability but settled in equity → transfer liability to equity - Settled at higher value → excess is additional expense

Modification, cancellation, replacement

Event	Unvested	Vested
Modification increases FV (or number of shares)	Additional cost from modification date to vesting date	Additional cost immediately
Modification decreases FV	Ignore – continue original accounting	Ignore
Cancellation / settlement	Accelerate: recognise immediately the remaining expense; payment to employee = repurchase of equity ; excess over FV → expense	Same

FORMULA

Replacement of cancelled grant (treated as modification):

Incremental FV = FV of replacement instruments – **Net FV of cancelled instruments** (FV of cancelled – amount paid on cancellation)

Group share-based payment

	Scenario I	Scenario II
Who receives services / who settles	Subsidiary receives; Parent settles (parent shares)	Parent receives; Subsidiary settles (subsidiary shares)
Type	Equity-settled (subsidiary has no obligation)	Equity-settled (parent has no obligation)
Parent entry	Dr Investment in subsidiary, Cr Equity	Dr Expenses, Cr Dividend income
Subsidiary entry	Dr Expense, Cr Equity	Dr Retained earnings, Cr Equity

Flow: awards in entity's own equity instruments → equity-settled. Otherwise → cash-settled only if the entity has an obligation to settle; else equity-settled.

Fair value & expense computation

- Use **FV** given in the question (option pricing: Black-Scholes / binomial – inputs: exercise price, life, current share price, volatility, expected dividend, risk-free rate). Use **intrinsic value** (Market price – Exercise price) only if FV cannot be determined
- FV is of the **option**, not of the share

Step	Action
1. Options expected to vest	Based on expected exits
2. Total value	Options × FV per option (grant date)
3. Cumulative expense	Total value × years completed ÷ vesting period
4. Year's expense	Cumulative to date – cumulative recognised earlier. Re-estimate the number every year; never change FV for equity-settled

Don't Forget – ESOP

Non-market vesting (service, EPS) → adjust **number** of options each year (true-up).

Market condition (share price) → built into FV; **no** true-up.

No reversal of expense after vesting even if options lapse unexercised (transfer within equity).

Ind AS 12 – Income Taxes**Tax**

	+ve	- ve
Asset: TB – CA	DTA (TB > CA)	DTL (CA > TB)
Liability: CA – TB	DTL (CA < TB)	DTA (TB < CA)

- Unrealised gains in books not taxed (e.g. **revaluation**) → **always DTL**
- Expenses disallowed now but allowed later → **always DTA**
- **DTA** only to the extent **probable** taxable profit is available; review every reporting date

Tax base – asset	Amount deductible against taxable economic benefits when carrying amount is recovered
Tax base – liability	Carrying amount less amount deductible in future periods
Measurement	Rates enacted or substantively enacted by reporting date, expected to apply when asset is realised / liability settled. Substantively enacted = formalities complete (e.g. Budget passed, assent pending). Different slabs → rate at which recovery is expected
Presentation	Not discounted • always non-current • shown at net if offset • P&L or OCI depending on the item that gave rise to it
Offset DTA & DTL	Only if (i) legally enforceable right to set off current tax assets & liabilities and (ii) same tax authority (same entity, or different entities intending net settlement / simultaneous realisation)

Entry	
Current tax	Dr Income tax expense – current Cr Income tax payable
Deferred tax asset	Dr DTA Cr Income tax benefit – deferred
Deferred tax liability	Dr Income tax expense – deferred Cr DTL
Tax expense in P&L	Current tax + deferred tax expense – deferred tax benefit

Ind AS 21 – Effects of Changes in Foreign Exchange Rates**Forex**

	Monetary items	Non-monetary items
Measurement	Closing rate (at reporting date or settlement)	At cost → rate on transaction date. At fair value → rate on date FV was determined

	Monetary items	Non-monetary items
Exchange difference	Recognised in P&L	Follows where the gain/loss on the item is recognised (OCI → OCI; P&L → P&L)

Exceptions to "P&L" for monetary items: (i) hedge accounting (Ind AS 109) (ii) Para 46A cases (old AS 11 – optional under Ind AS 101)

- Long-term foreign-currency monetary items (Para 46A): exchange difference on **depreciable asset** → add / deduct from carrying amount; otherwise → **FCMITDA** (equity) and amortise over remaining life

(iii) **NIFO**.

Translation to presentation currency

Item	Rate	Date
Assets & liabilities	Closing rate	Balance-sheet date
Income & expenses	Actual rate (or average rate if no significant fluctuation)	Transaction date
Equity	Historical rate	Date of transaction
Translation difference	Taken to OCI (FCTR) – recycled on disposal	–

Foreign currency (e.g. GBP) → **Functional currency** (e.g. USD; transactions are accounted in it) → **Presentation currency** (e.g. INR; translation).

Net Investment in a Foreign Operation (NIFO)

DEFINITION

Reporting entity's **interest in net assets** of the operation, **plus** a long-term monetary item whose settlement is **neither planned nor likely in the foreseeable future** (in substance part of the net investment).

Monetary item	Individual FS (either entity)	Consolidated FS
Forms part of NIFO	Exchange difference in P&L of respective FS	OCI
Does not form part of NIFO	P&L	P&L

- Trade receivables / payables do **not** form part of NIFO; long-term loans, receivables & payables will form part of NIFO
- Loan from one subsidiary to another subsidiary of the same group that forms part of NIFO → exchange difference in **OCI** of consolidated FS

Ind AS 33 – Earnings per Share

EPS

FORMULA

Basic EPS = Profit attributable to ordinary equity holders ÷ Weighted average ordinary shares outstanding

Profit attributable to ordinary shareholders	Remember
PAT (after finance cost, incl. dividend on preference shares classified as liability) – Dividend on cumulative preference shares whether or not declared (current year only) – Dividend on non-cumulative preference shares only if declared – Deemed dividend on increasing-rate preference shares – Premium on redemption / repurchase of preference shares – Premium on early conversion of preference shares	Control number for dilution = profit from continuing operations Present basic & diluted EPS (continuing and total)

Weighted average number of shares

- Opening shares + shares issued (**time-weighted**) + **bonus issue (no time-weighting – assumed from beginning of earliest period)** + rights issue (time-weighted with **Right Adjustment factor**) – buy-back (time-weighted)
- Shares are included **from the date consideration is receivable**: cash – when receivable • dividend reinvestment – date reinvested • conversion of debt – when **interest stops accruing** • settlement of liability – settlement date • asset acquired – when asset recognised • services – when rendered • business combination – acquisition date • **mandatorily convertible – from date of contract**

EXAMPLE

Rights issue 1 for 5 held at Rs 15; cum-rights price Rs 20.

TERP = (FV of all shares before rights + proceeds from rights) ÷ (old shares + rights shares) = $(20 \times 5 + 1 \times 15) \div (5 + 1) = 19.17$

Adjustment factor = Cum-rights FV ÷ TERP = $20 \div 19.17$.

Apply to shares outstanding **before** the rights issue, for current **and** previous period (prior-year EPS restated)

Diluted EPS

FORMULA

Diluted EPS = (Profit + post-tax saving on dilutive potential shares) ÷ (Weighted avg shares + weighted avg dilutive potential shares)

- Potential shares deemed converted at **beginning of period or date of issue, whichever later**; lapsed / cancelled → only for period outstanding; converted in period → diluted from start till conversion (then in both basic & diluted)
- Assume the **most advantageous rate** from the holder's standpoint; include only **dilutive** instruments

Step	Action
1. Incremental EPS	After-tax effect on earnings ÷ effect on number of shares, for each potential share
2. Rank	Lowest incremental EPS first (ascending)

Step	Action
3. Compute	Start with basic EPS; add each instrument in rank order; report the lowest EPS . If EPS rises at any stage → that instrument is anti-dilutive (ignore)
Options / warrants	Shares for no consideration = Total options – (Exercise price × No. of options ÷ average fair value)
Employee stock options	Treated as options, outstanding from grant date , even if contingent on vesting. Performance-based options → contingently issuable shares
Contingently issuable shares	Condition not met at year-end → no treatment (diluted: as if end of year were end of contingency period). Met but compliance date in future → diluted EPS. Met, shares not yet issued → basic & diluted. Issued → basic
Convertible preference / debt	Anti-dilutive when dividend (or post-tax interest) per ordinary share on conversion exceeds basic EPS (incremental EPS > basic EPS)
Cash or shares settlement	Entity's option → presume shares . Holder's option → use the more dilutive of cash or share settlement

Ind AS 34 and Ind AS 108		Reporting
Ind AS 34 (FY Apr–Mar)	Q2 ended 30-Sep-X2	Q3 ended 31-Dec-X2
P&L – interim period	Jul–Sep X2 (3 M)	Oct–Dec X2 (3 M)
P&L – year to date	Apr–Sep X2 (6 M)	Apr–Dec X2 (9 M)
P&L comparatives	Jul–Sep X1 (3 M); Apr–Sep X1 (6 M)	Oct–Dec X1 (3 M); Apr–Dec X1 (9 M)
Balance sheet	As at 30-Sep-X2; comparative 31-Mar-X2 (previous year-end)	As at 31-Dec-X2; comparative 31-Mar-X2
Cash flow & equity statements	Cumulative YTD (6 M); comparative Apr–Sep X1	Cumulative YTD (9 M); comparative Apr–Dec X1

- An expense not deferred at the year-end is **not deferred at interim date** (e.g. advertisement)
- Tax expense = **estimated average annual effective tax rate** applied to interim profit

Ind AS 108	Rule
Operating segment	Component that engages in business activities (earns revenue / incurs expenses, incl. inter-segment) • results regularly reviewed by CODM (CEO, COO, group of directors) to allocate resources & assess performance • discrete financial information available. May include start-up segments with no revenue yet

Quantitative thresholds to identify Operating Segment

Test (10% rule)	Segment is reportable if
Revenue	Segment revenue (external + inter-segment) $\geq$ 10% of combined revenue of all operating segments
Profit or loss	Absolute profit or loss $\geq$ 10% of the higher in absolute amount of (a) combined reported profit of all operating segments (b) combined reported loss of all reported segments
Assets	Segment assets $\geq$ 10% of combined assets of all operating segments

Also: reportable segments must together cover at least **75% of external revenue**; add segments until the 75% test is met (practical limit ~10 segments).

Ind AS 101 – First-time Adoption	Transition
Opening Ind AS BS	Prepared at date of transition : recognise only assets / liabilities permitted by Ind AS, derecognise others, reclassify & measure per Ind AS
Accounting policies	Same policies across all periods; comply with Ind AS effective at end of first Ind AS reporting period
Adjustments	Directly in retained earnings (or other equity component) at transition date
Estimates	Continue previous GAAP estimates unless evidence of error; no hindsight
Reconciliations	Equity & total comprehensive income: previous GAAP → Ind AS

Mandatory exceptions

Area	Treatment
Derecognition of financial assets / liabilities	Apply Ind AS 109 prospectively from transition date
Hedge accounting	Measure derivatives at FV; remove deferred gains / losses; reflect only eligible hedge relationships
Non-controlling interests	Apply Ind AS 110 prospectively (attribution of TCI, changes in ownership)
Classification & measurement of financial assets	On facts and circumstances at date of transition
Impairment of financial assets	Reasonable & supportable information without undue cost; if impracticable → lifetime ECL
Embedded derivatives	Assess on conditions when entity first became party to contract (or on reassessment)
Government loans	Ind AS 109 / 20 applied prospectively to existing loans

Optional exemptions

Area	Option
Business combinations (Ind AS 103)	Need not restate past combinations. If one is restated, all later ones must be restated too
Share-based payments	Need not apply Ind AS 102 to instruments vested before transition
Deemed cost – PPE, intangibles, ROU	Fair value, previous GAAP carrying amount, or Ind AS cost. Applied item-by-item
Cumulative translation differences	Reset to zero at transition for all foreign operations
Investments in subsidiaries / JVs / associates	Cost or deemed cost (FV / previous GAAP carrying amount)
Compound financial instruments	No split if liability component no longer outstanding at transition
Designation of financial instruments	Designate at FVTPL / FVOCI at transition date
Decommissioning liabilities	Include in PPE retrospectively or estimate at transition date
Other	Day-1 gain/loss, debt-for-equity swaps, joint arrangements, stripping costs, Ind AS 105, forex advance consideration – prospective / transition-date basis

INDIAN CARVE-OUTS FROM IFRS 1

- **Previous GAAP** = Indian GAAP (AS) under Companies Act
- **PPE** – option to continue previous GAAP carrying value as deemed cost
- **Long-term FC items** – continue AS 11 deferral / capitalisation (Para 46A)
- **Toll roads (SCA)** – continue revenue-based amortisation of intangibles till disposal
- **Leases** – classify using transition-date facts

Ind AS 113 – Fair Value Measurement

Valuation

Definition	Exit price – price to sell an asset / transfer a liability in an orderly transaction between market participants at measurement date
Principal market	Market with greatest volume and level of activity
Most advantageous market	Used if no principal market – best price after considering transaction & transport costs
Highest and best use (non-financial)	Physically possible, legally permissible, financially feasible – from a market participant's perspective
Liabilities / own equity	Assume transfer to a market participant, not settlement / extinguishment
Hierarchy	Level 1 quoted prices in active markets • Level 2 observable inputs other than Level 1 • Level 3 unobservable inputs

Valuation approaches	Market (comparables) • Cost (replacement cost) • Income (PV of future cash flows) – maximise observable, minimise unobservable inputs
Transaction vs transport cost	Both considered when choosing the most advantageous market. Transaction costs excluded from FV (accounted under other standards)

