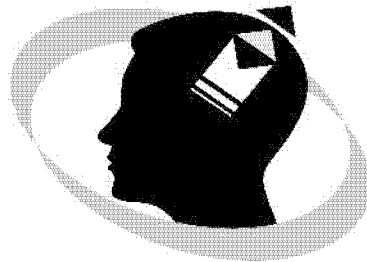


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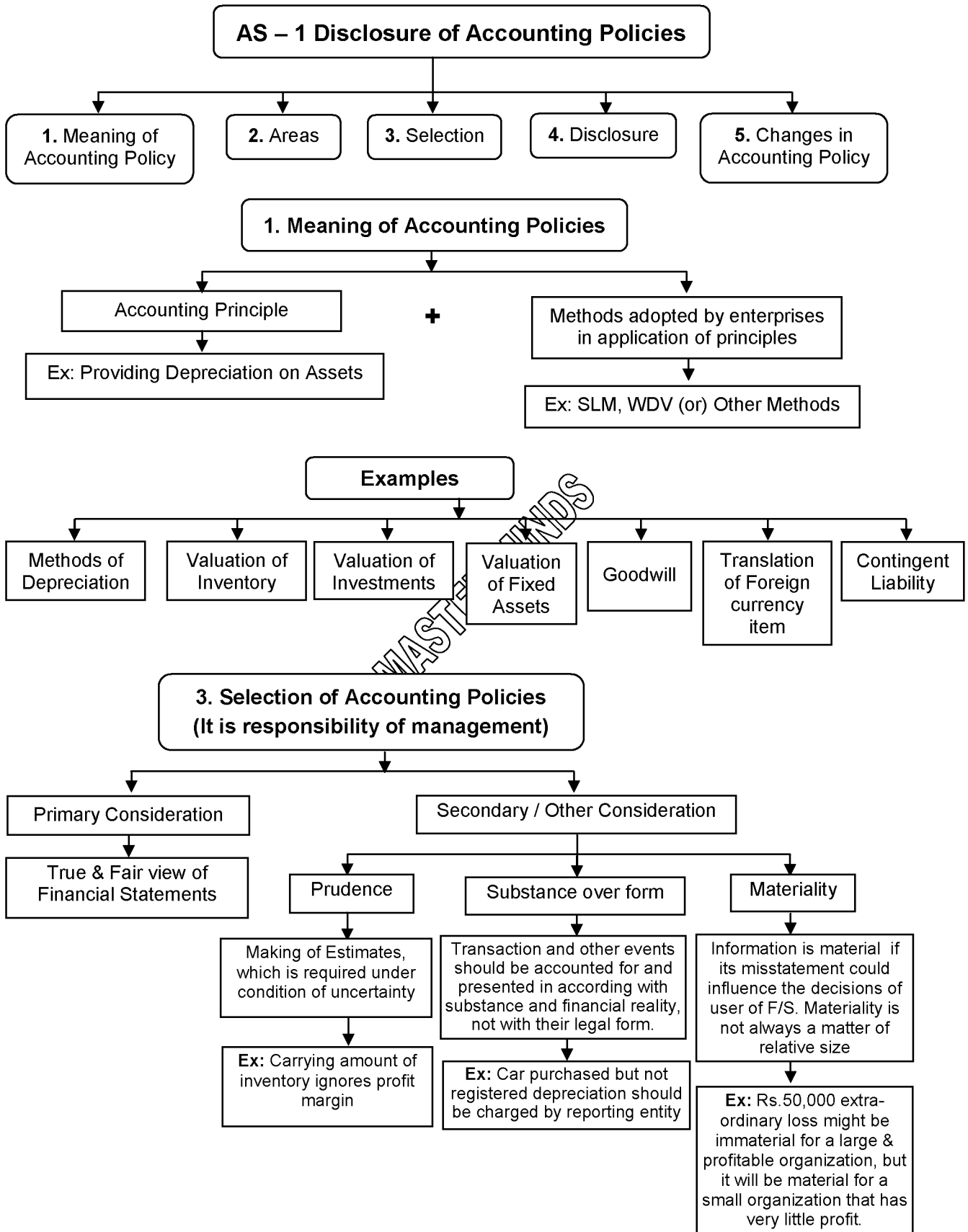
Facebook Page: Masterminds For CA

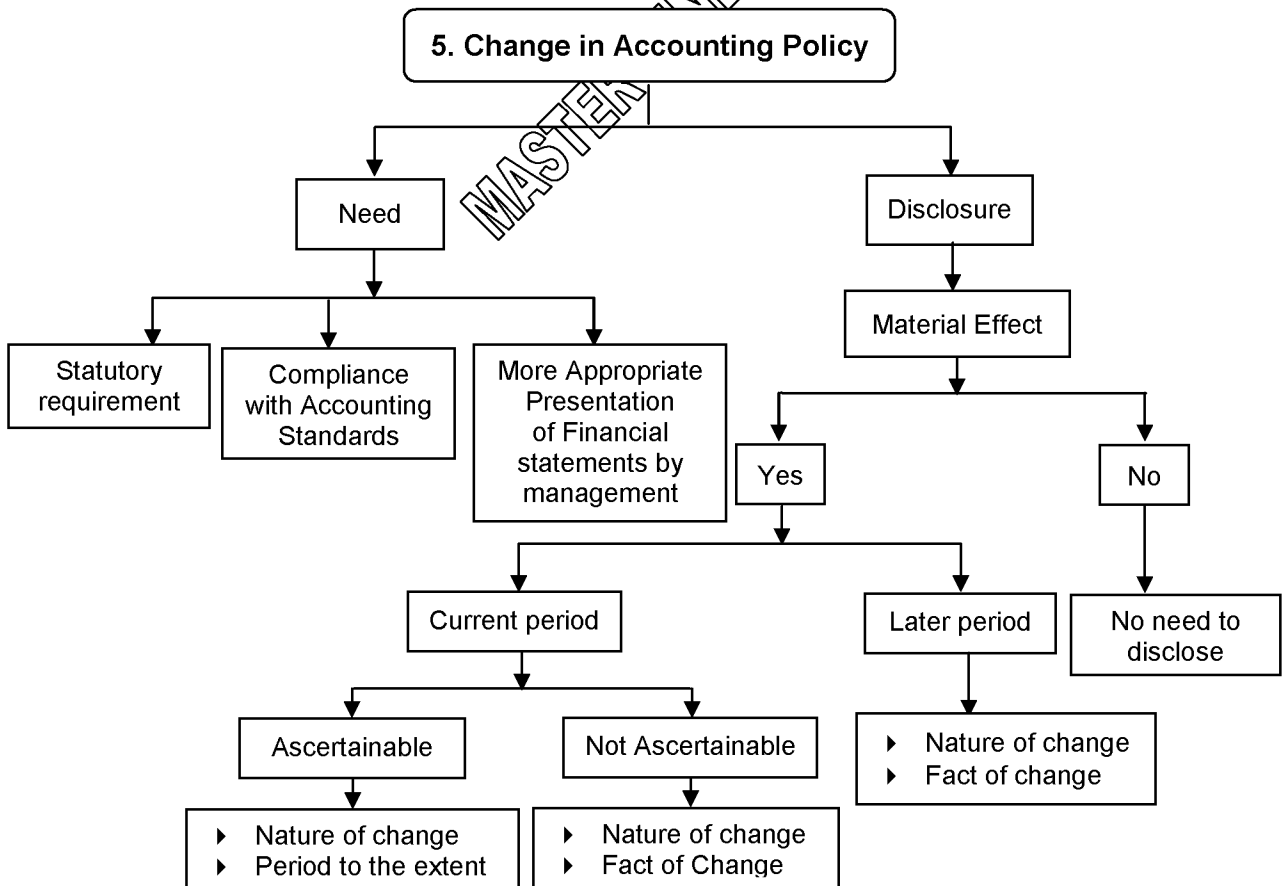
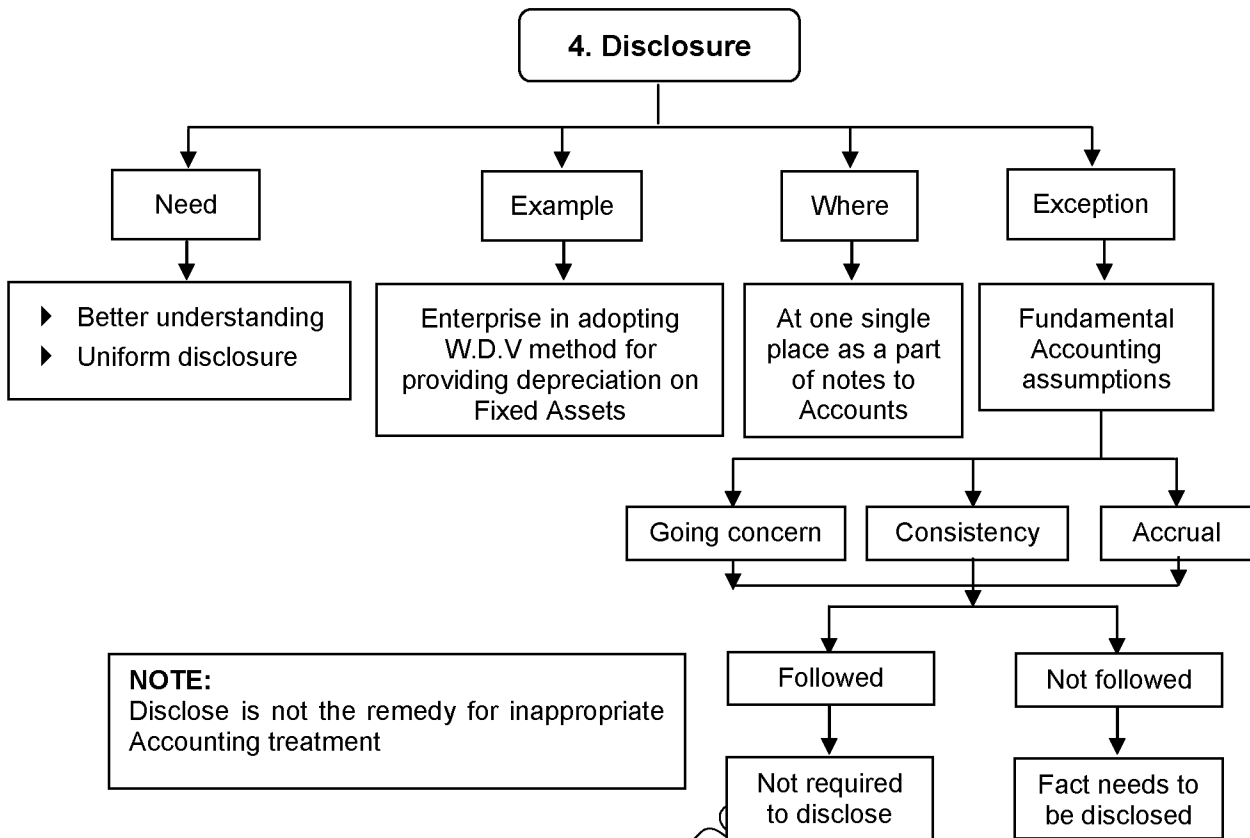
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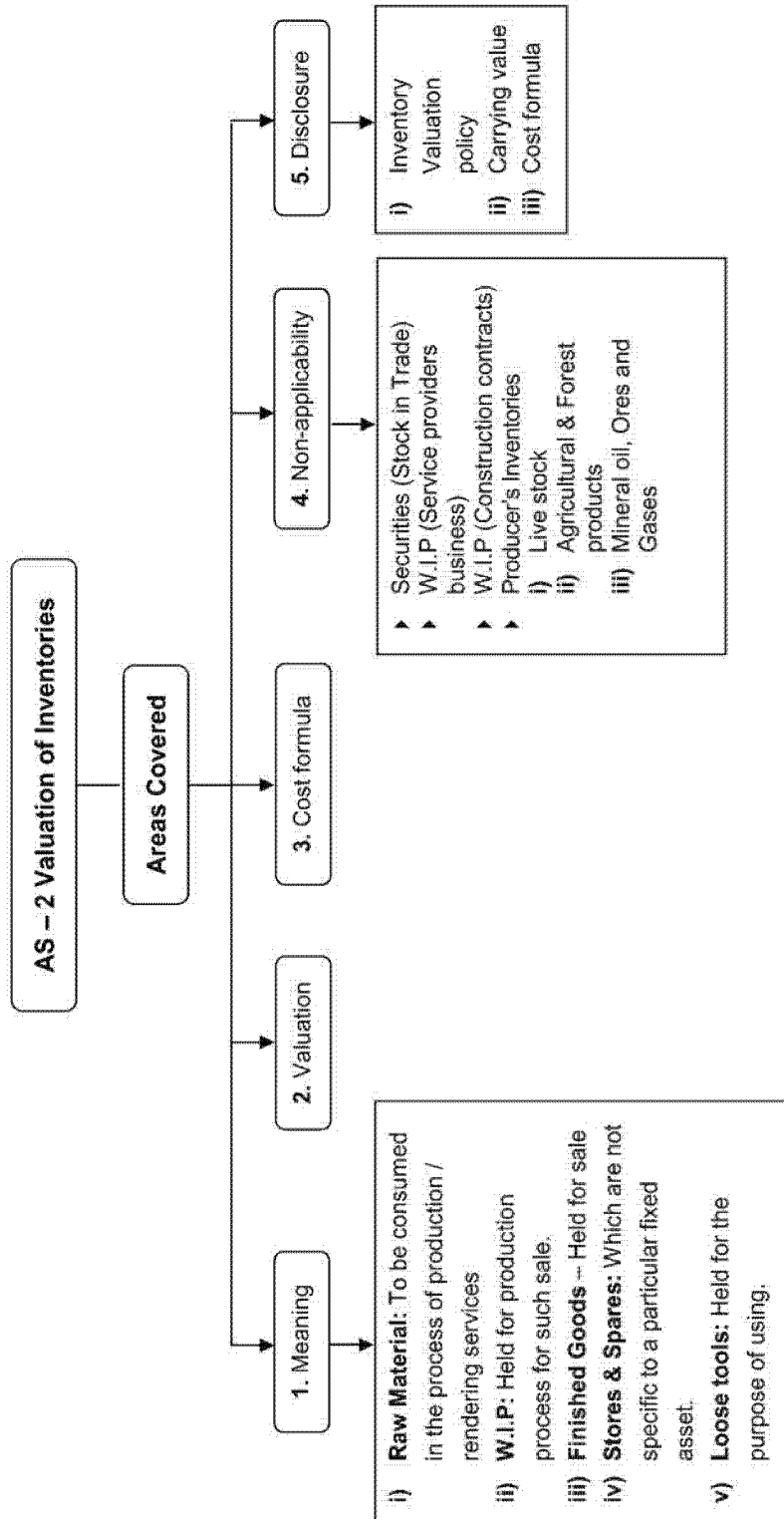
AS – 1: DISCLOSURE OF ACCOUNTING POLICIES



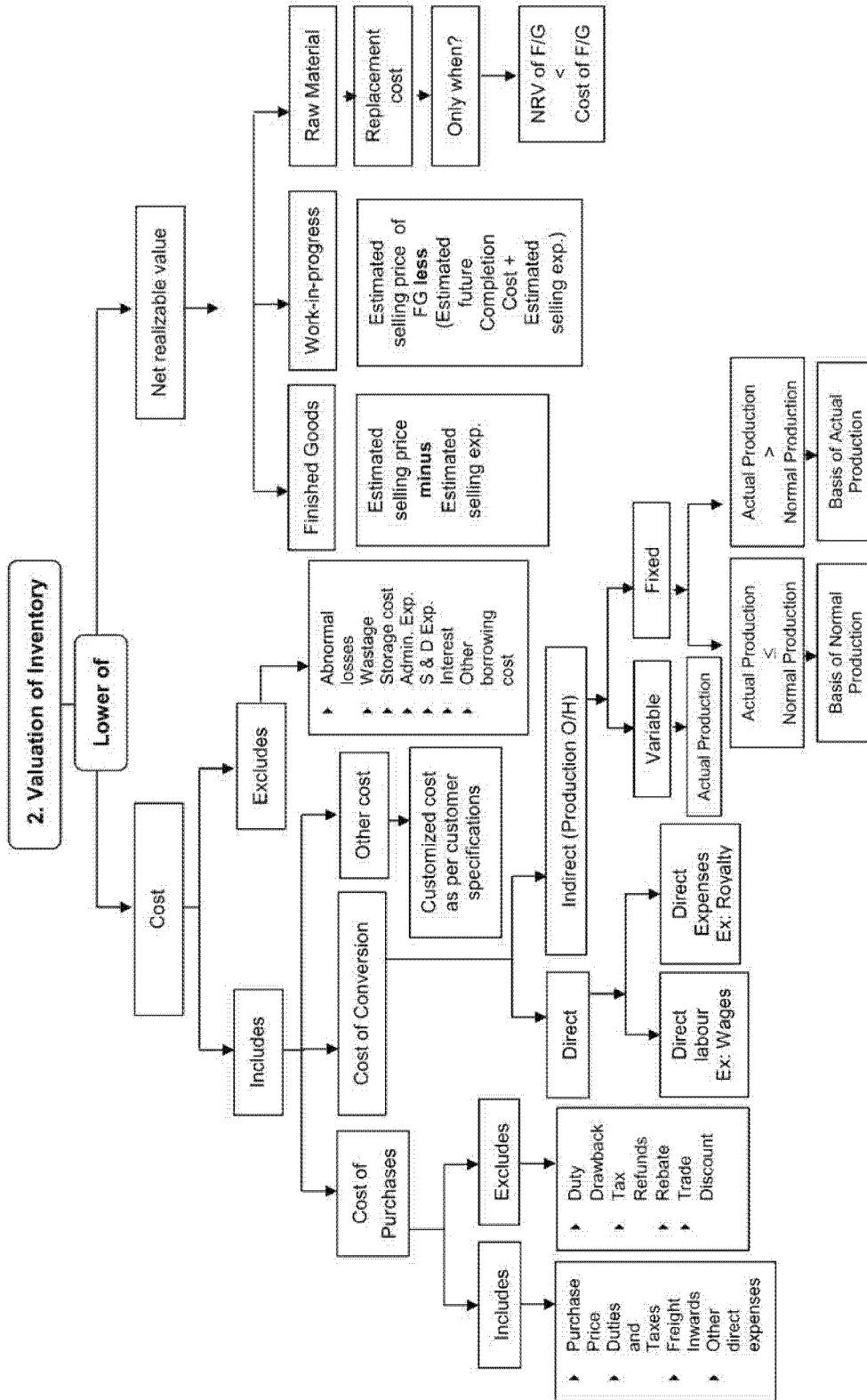


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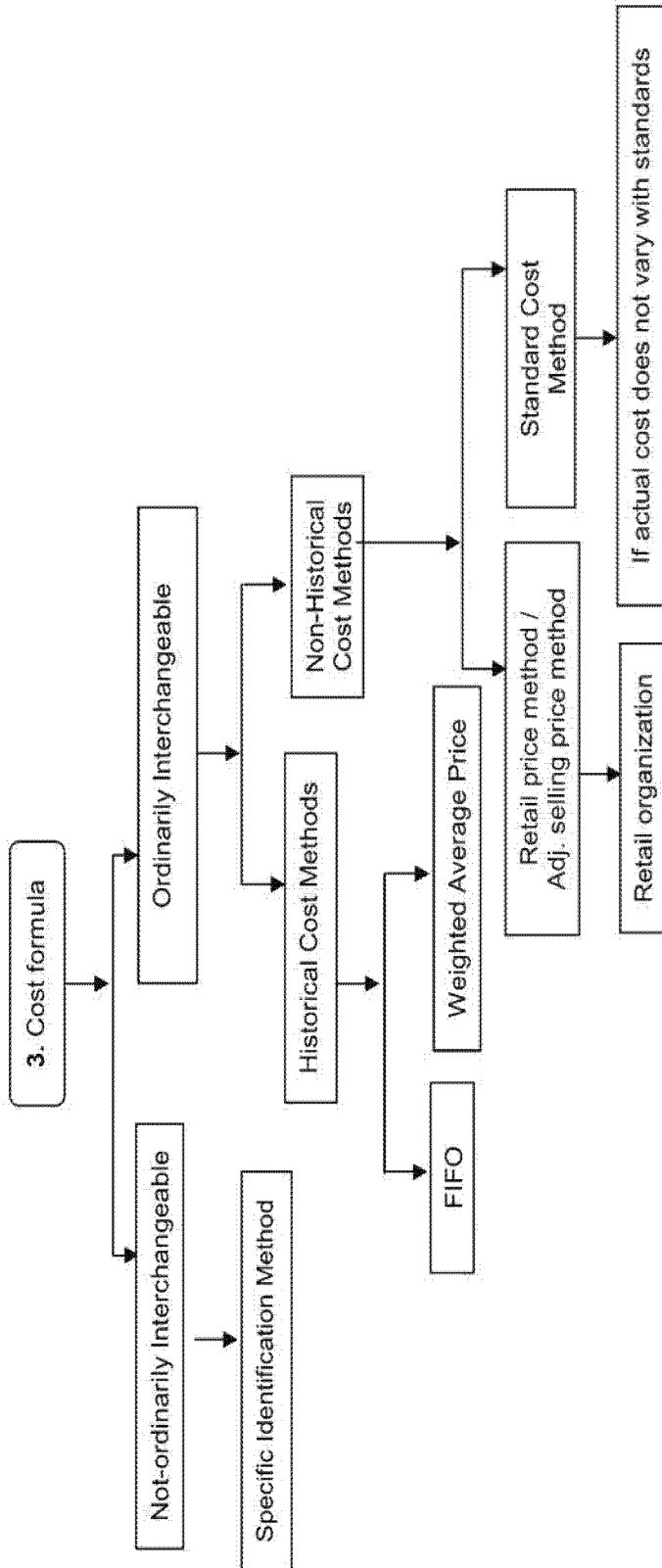
AS – 2: VALUATION OF INVENTORIES



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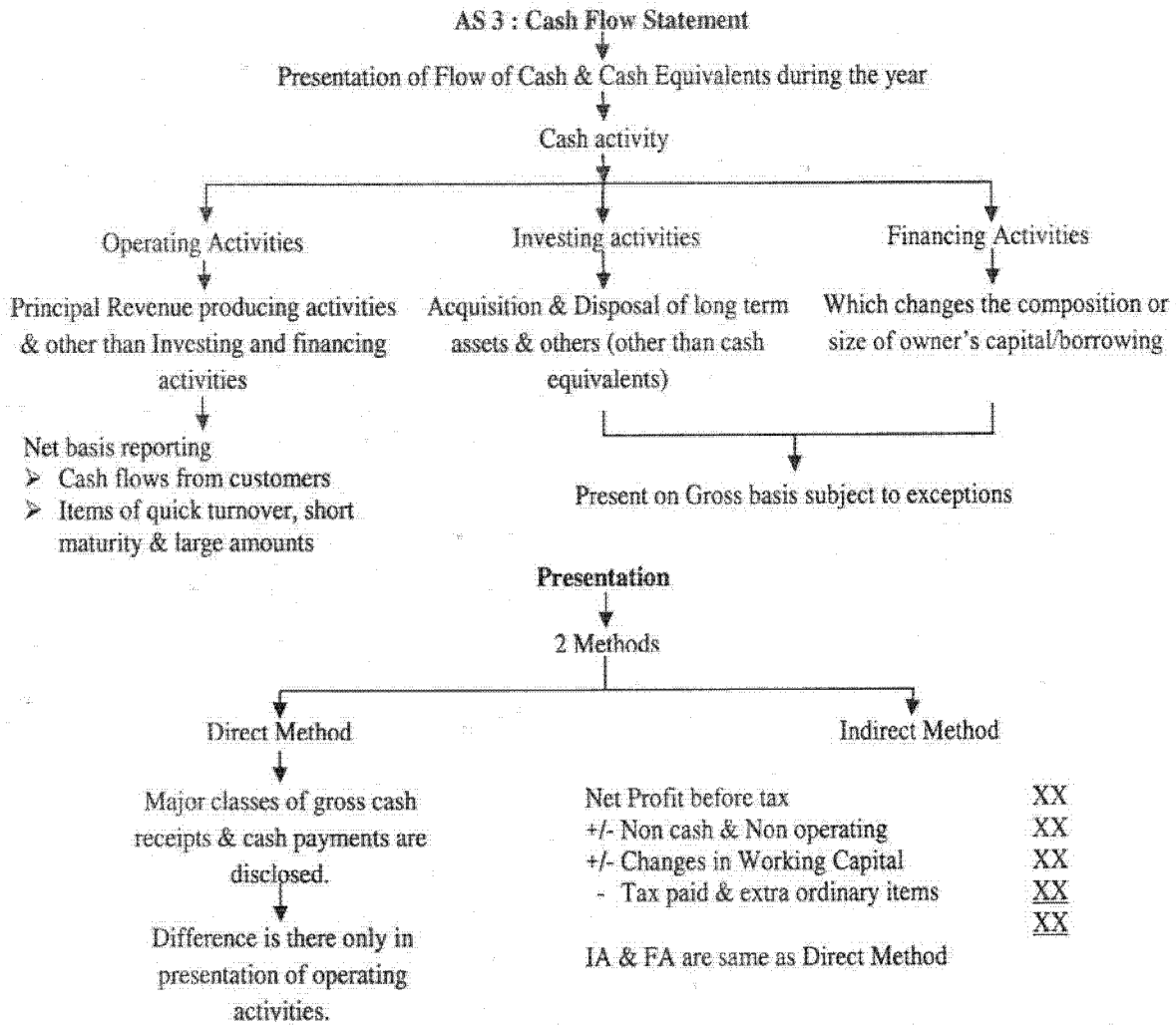
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Note 1: Valuation of Inventory on item by item basis, but some cases may be done on group basis.
Note 2: Contract of sale: Inventory should be valued at lower of contract value (or) NRV.
Note 3: i) In case of Joint product – relative sale value at split off point should be considered.
 ii) In case of Bye product–NRV of Bye Product should be reduced from cost of main product.
NOTE 4: Raw Material always valued at cost only except in the following case:
 NRV of R/M < Cost of R/M } R/M is valued at Replacement cost only.
 NRV of F/G < Cost of F/G }
 If any one of the above condition were not satisfied the R/M will be valued at cost price.

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AS – 3: CASH FLOW STATEMENT

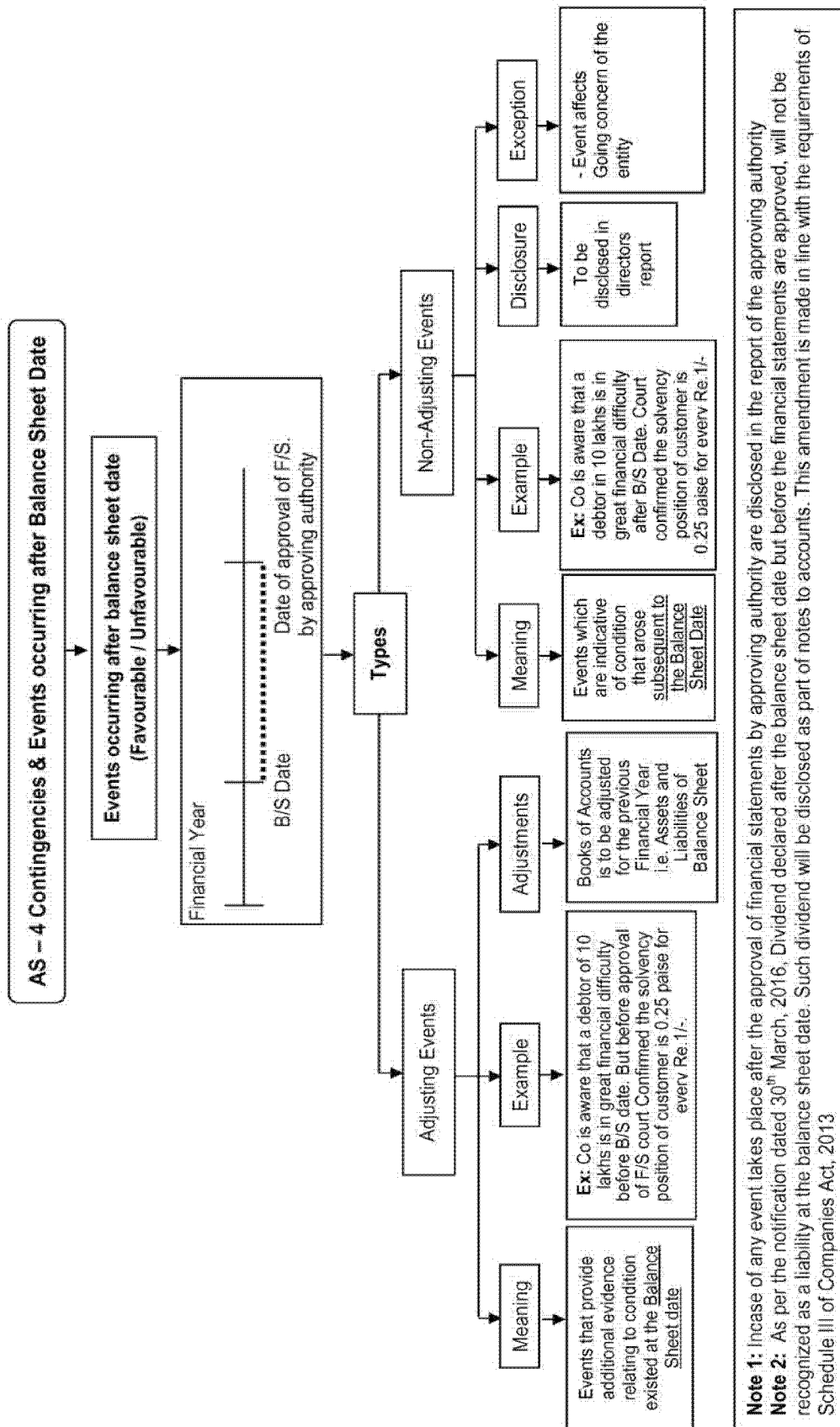


Disclosure:

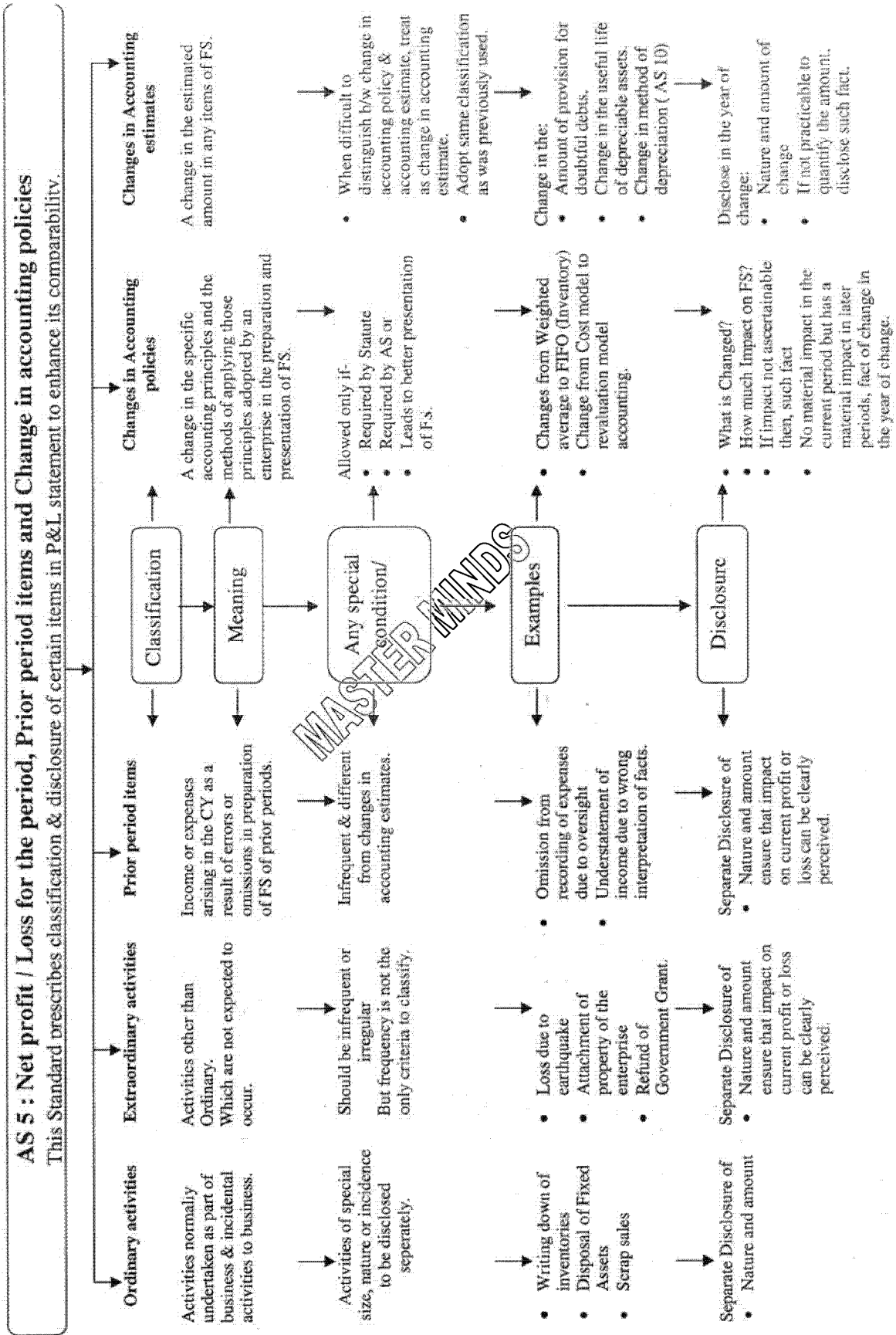
- Components of Cash & Cash Equivalents
- Reconciliation of the amounts in CFS with amounts reported in Balance Sheet.
- Management comments on special areas.

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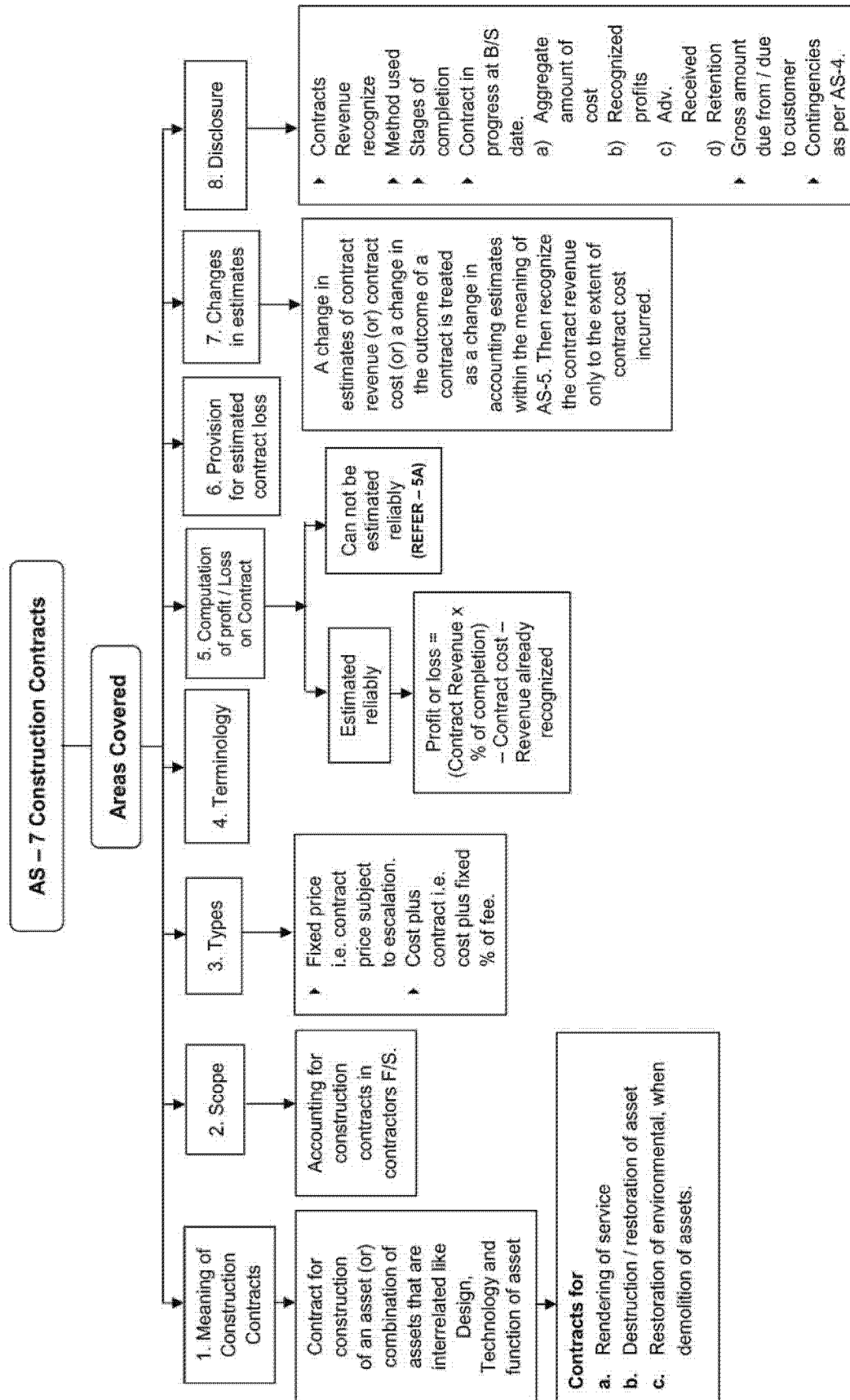
AS – 4: CONTINGENCIES & EVENTS OCCURRING AFTER BALANCE SHEET DATE

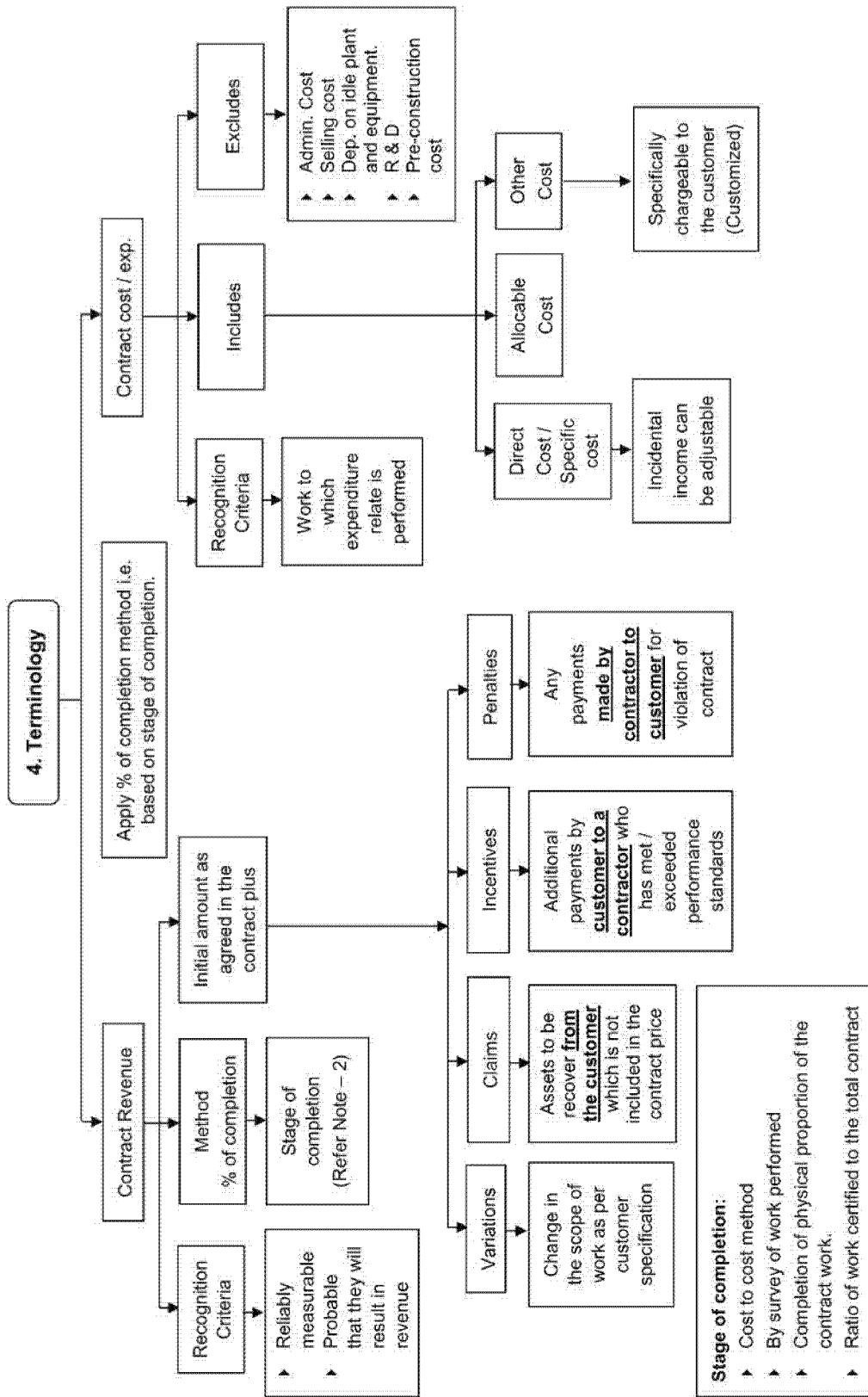


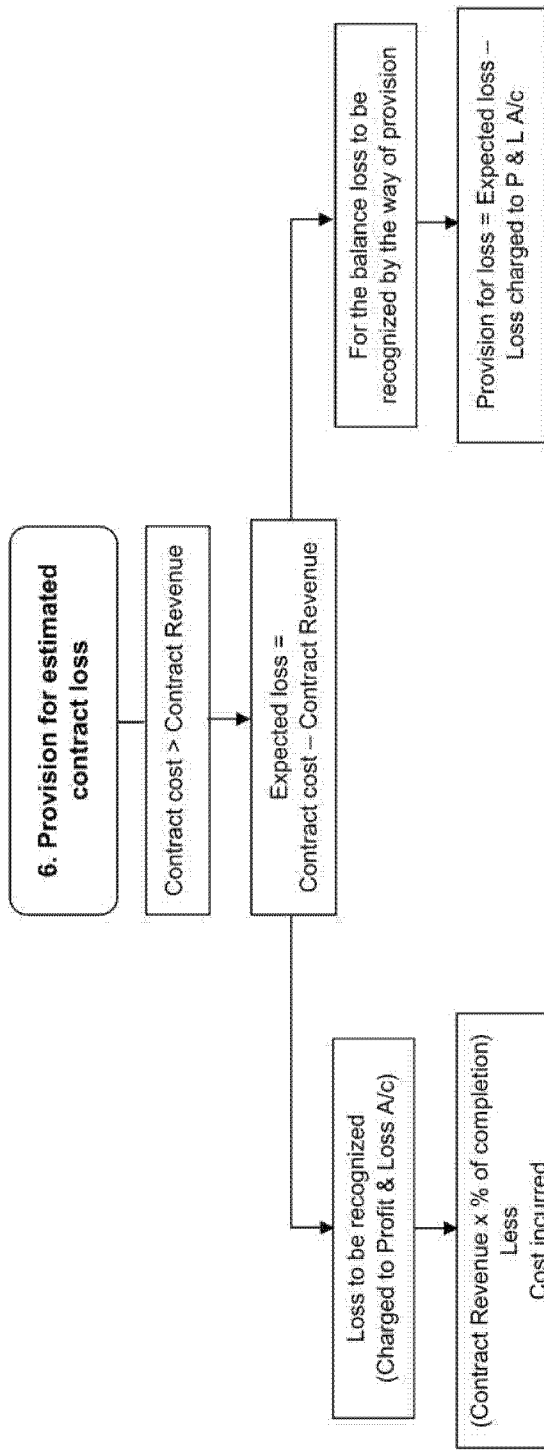
AS – 5: NET PROFIT / LOSS FOR THE PERIOD, PRIOR PERIOD ITEMS AND CHANGE IN ACCOUNTING POLICIES



AS – 7: CONSTRUCTION CONTRACTS







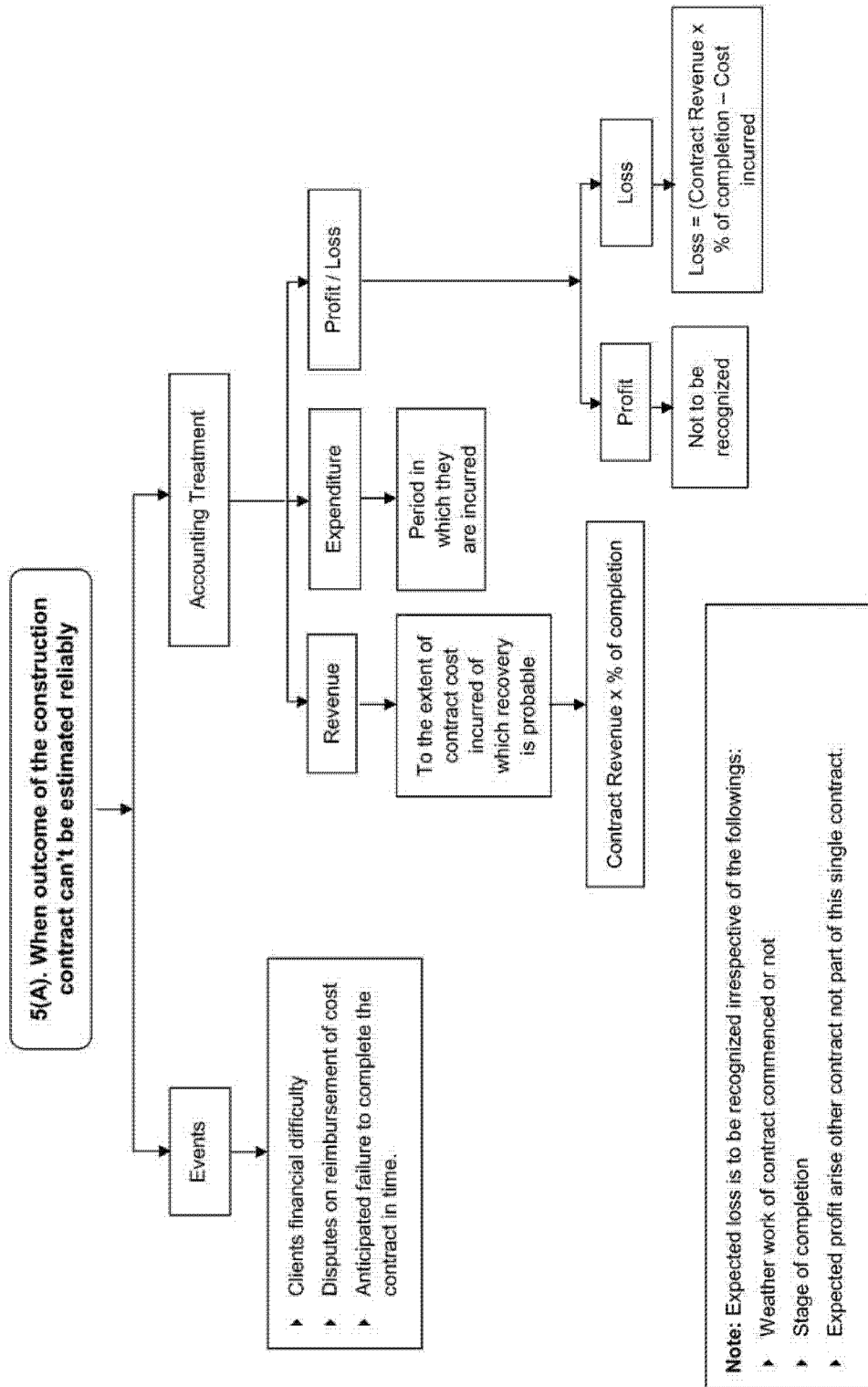
NOTE: 1

Gross amount due from / due to customer:	XXX
Cost incurred + recognized profit (Revenue)	XXX
Less: Sum of recognize losses (Adjusted like bad debts and discount)	XXX
Less: Progress billing : Billing raised amount only (Whether amount received / not)	XXX
Surplus : Amount due from customers	
Deficit : Amount due to customers	

NOTE: 2

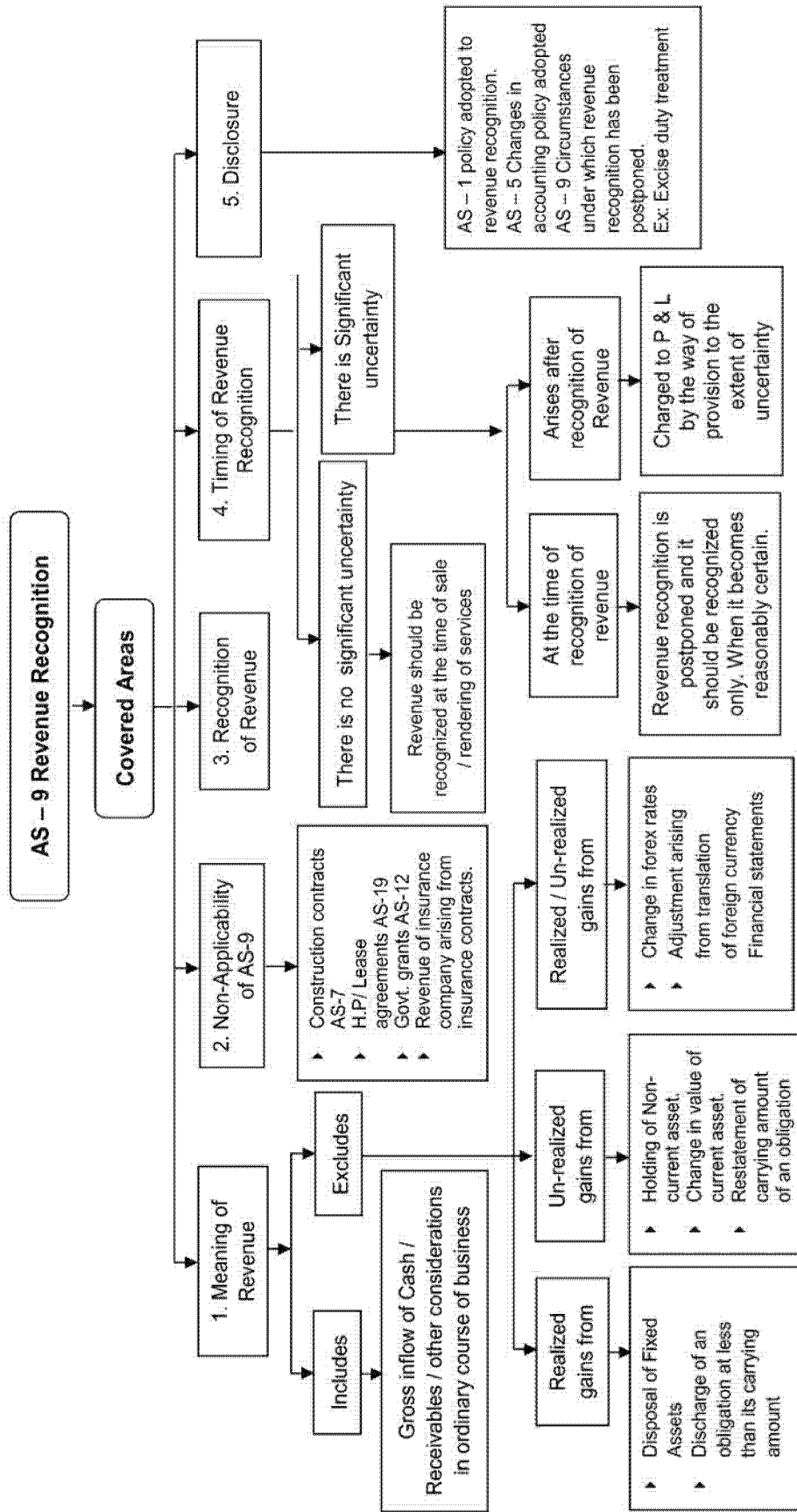
Percentage of completion = $\frac{\text{Cumulative cost incurred} + \text{Estimated cost to complete}}{[\text{Contract Price} \times \text{Percentage of completion}] - \text{Revenue Recognized upto last year}} \times 100$

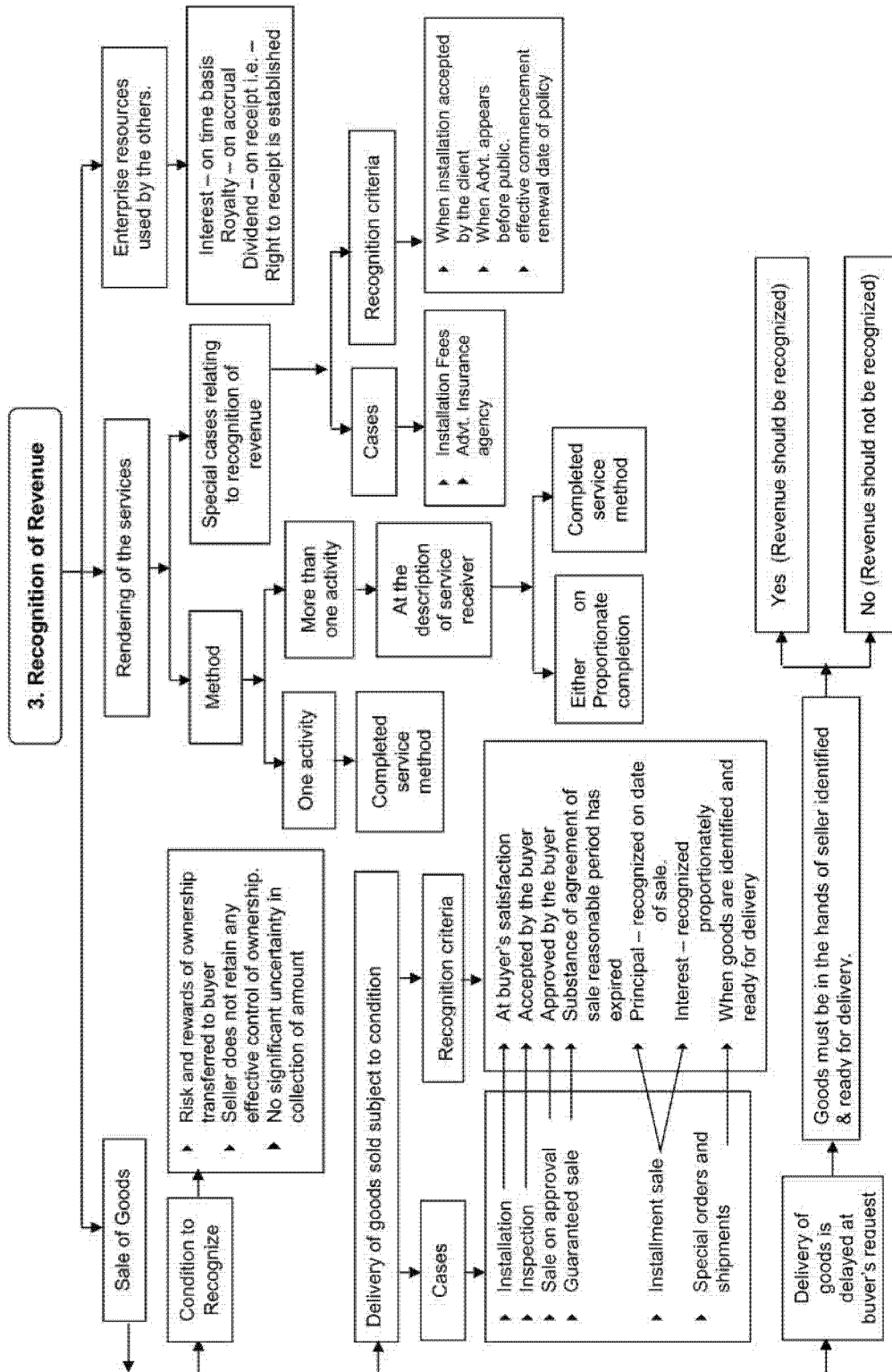
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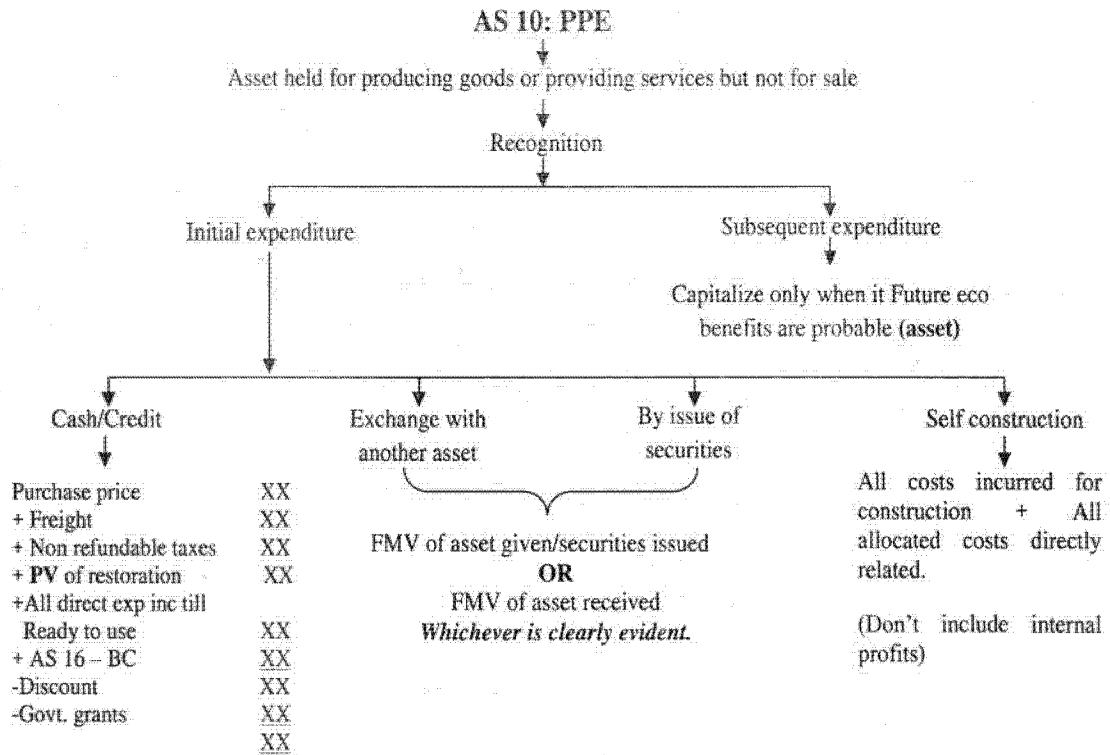
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AS – 9: REVENUE RECOGNITION

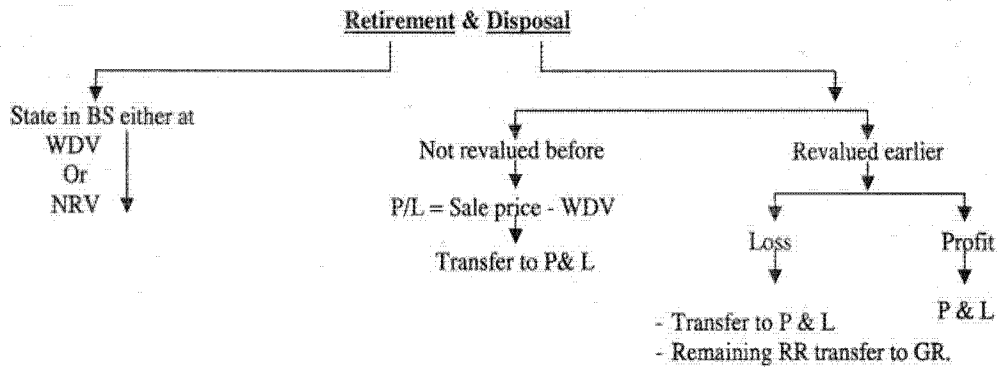




AS – 10: PROPERTY, PLANT & EQUIPMENT

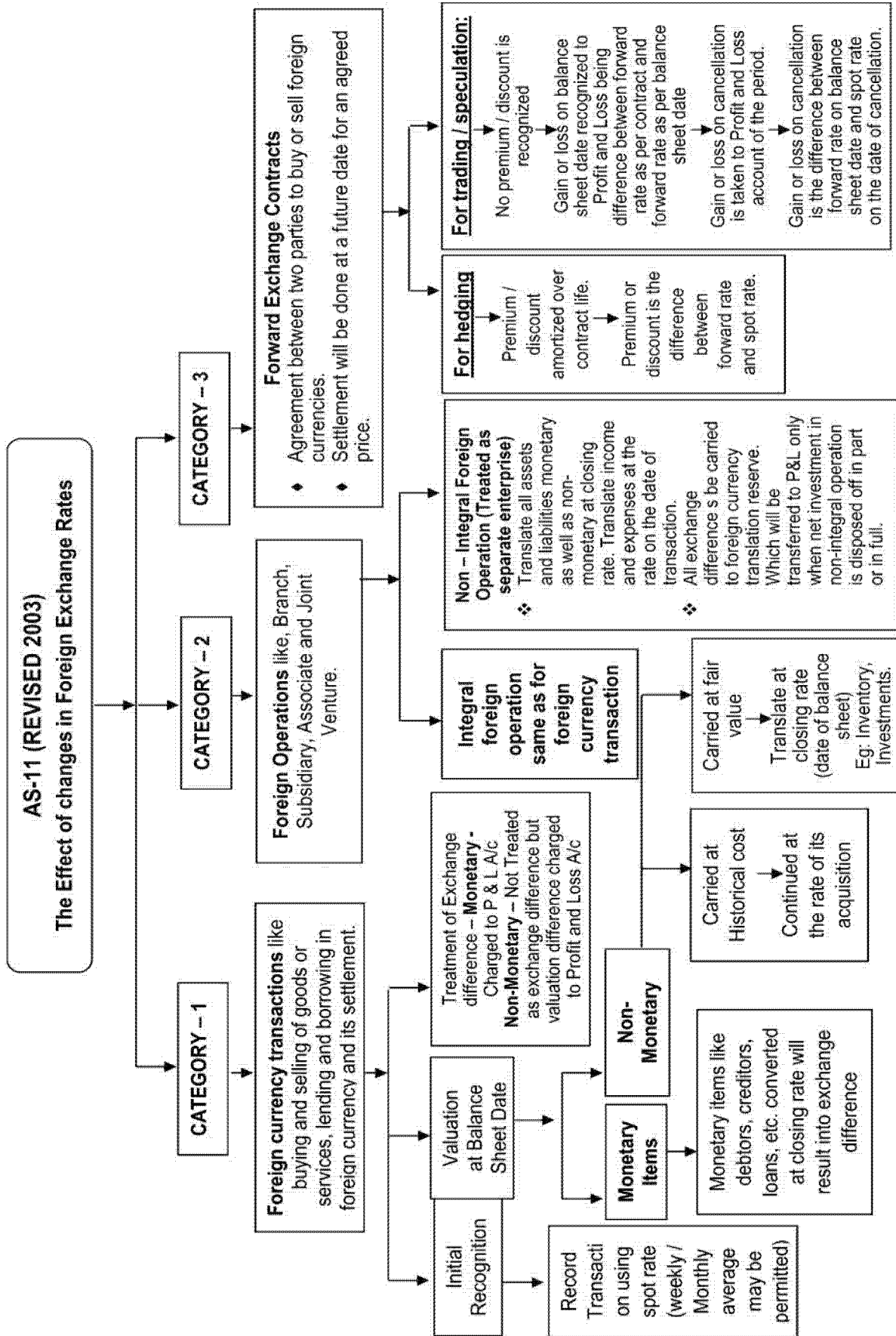


- ✓ Major assets replacement & overhauling should be capitalised and depreciated over its useful life.
- ✓ If deferred credit terms are involved, it should be recognised at present value and it would be unwinded over the period. Recognise it as interest;
- ✓ Useful life, Residual value & depreciation method should be reviewed every year end.
- ✓ Any change in price, life, RV & method of depreciation - Account prospectively i.e. remaining carrying amount over the remaining life;
- ✓ Select Cost or revaluation model for the entire class of items. Select and apply consistently.

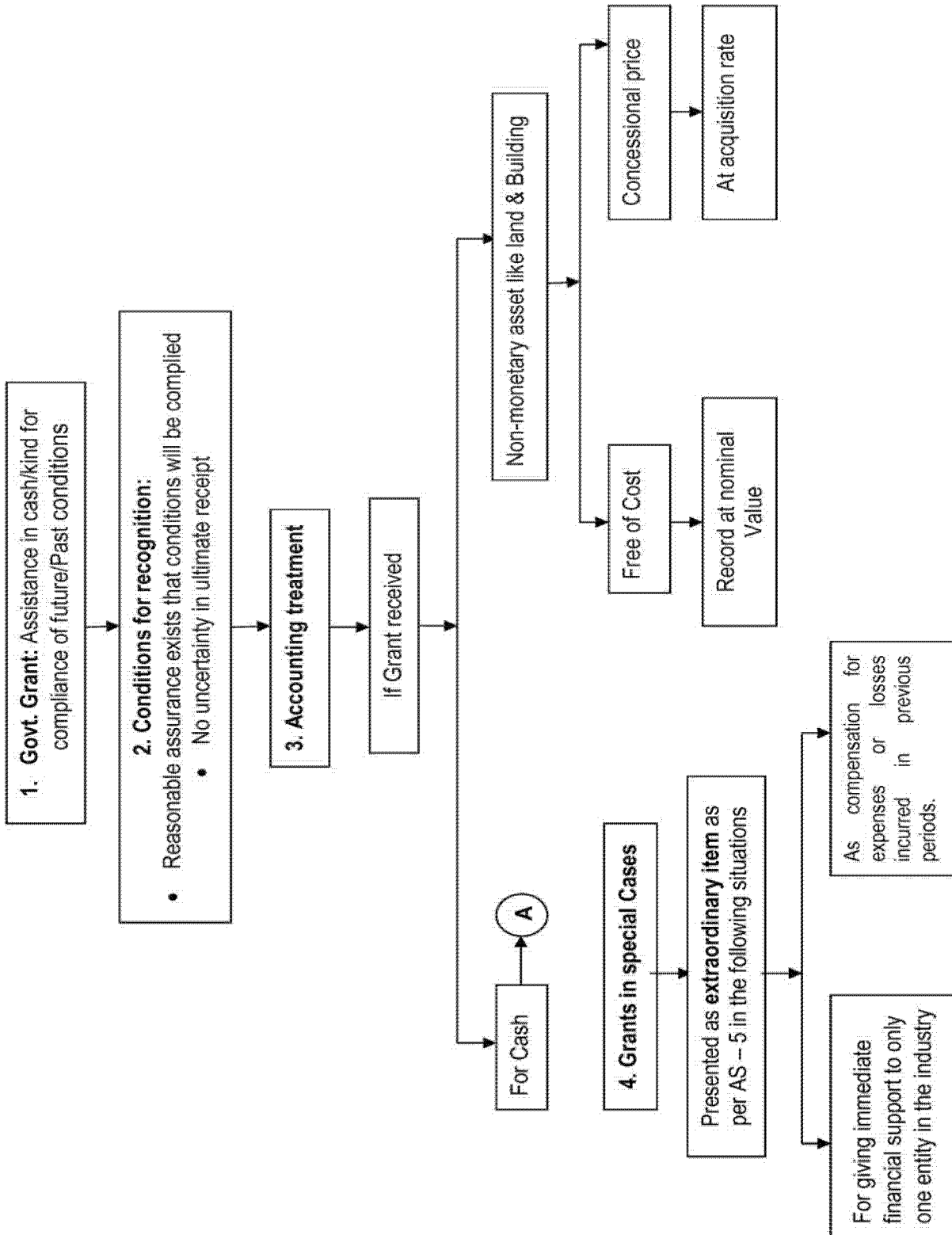


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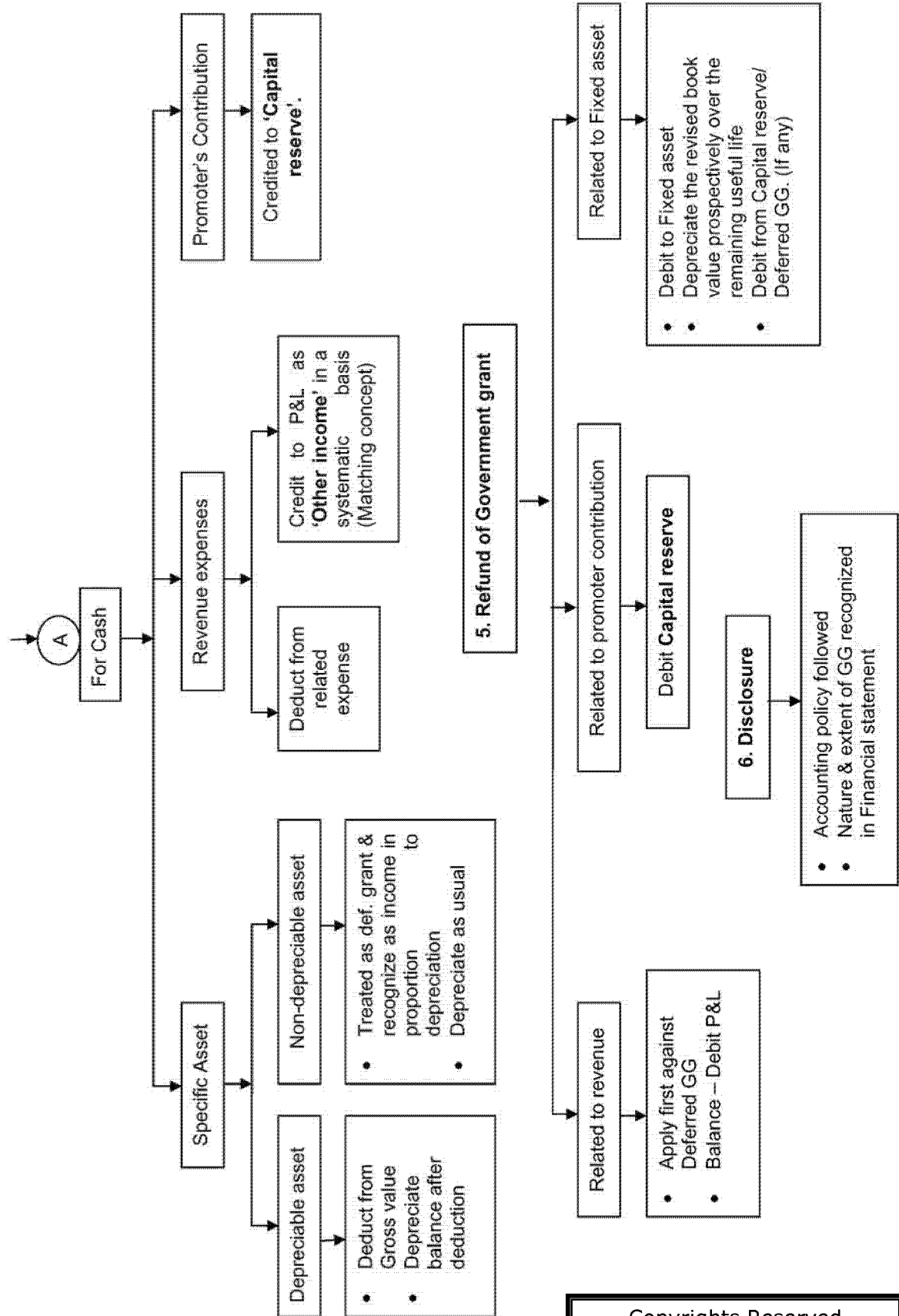
AS – 11: THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES



AS - 12: ACCOUNTING FOR GOVERNMENT GRANTS

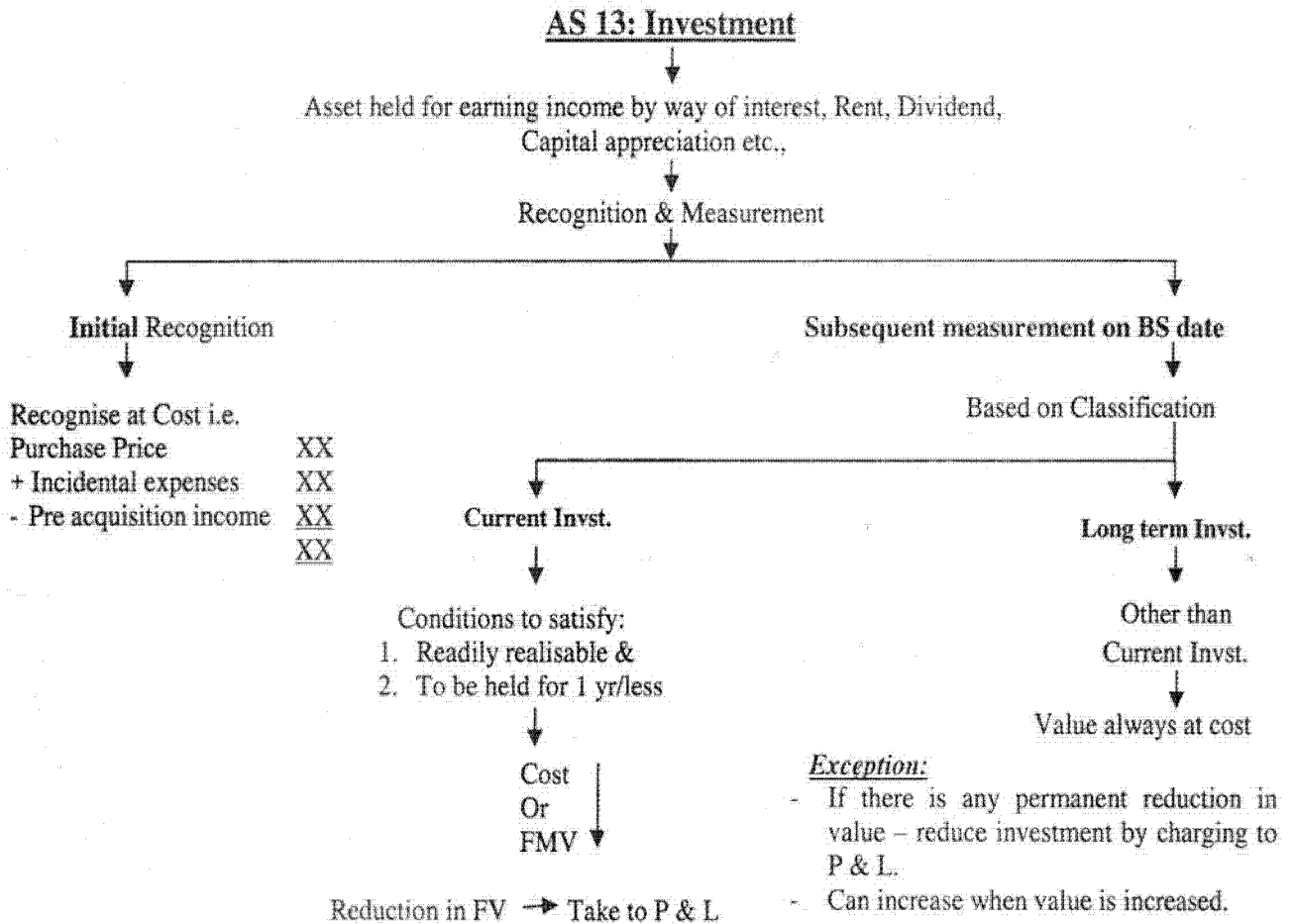


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AS – 13: ACCOUNTING FOR INVESTMENT



Disposal:

Profit/Loss on sale → Take it to P & L

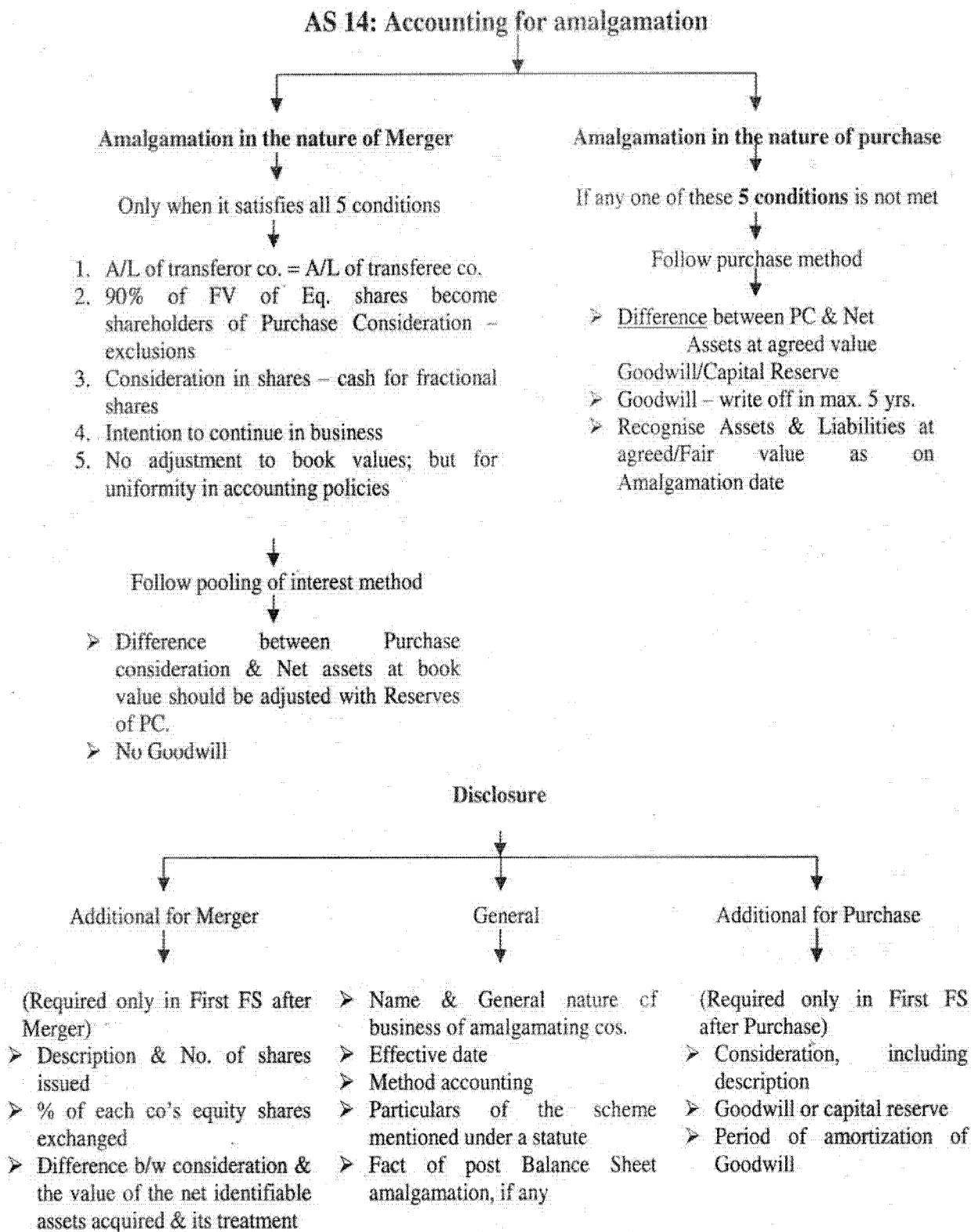
$P/L = \text{Sale proceeds} - \text{Weighted Average cost of Investment}$

Disclosure:

1. A/c policies adopted
2. P/L on disposal
3. Total amount of Quoted & Unquoted investment
4. Total market value of quoted investment
5. Other Disclosures etc.,

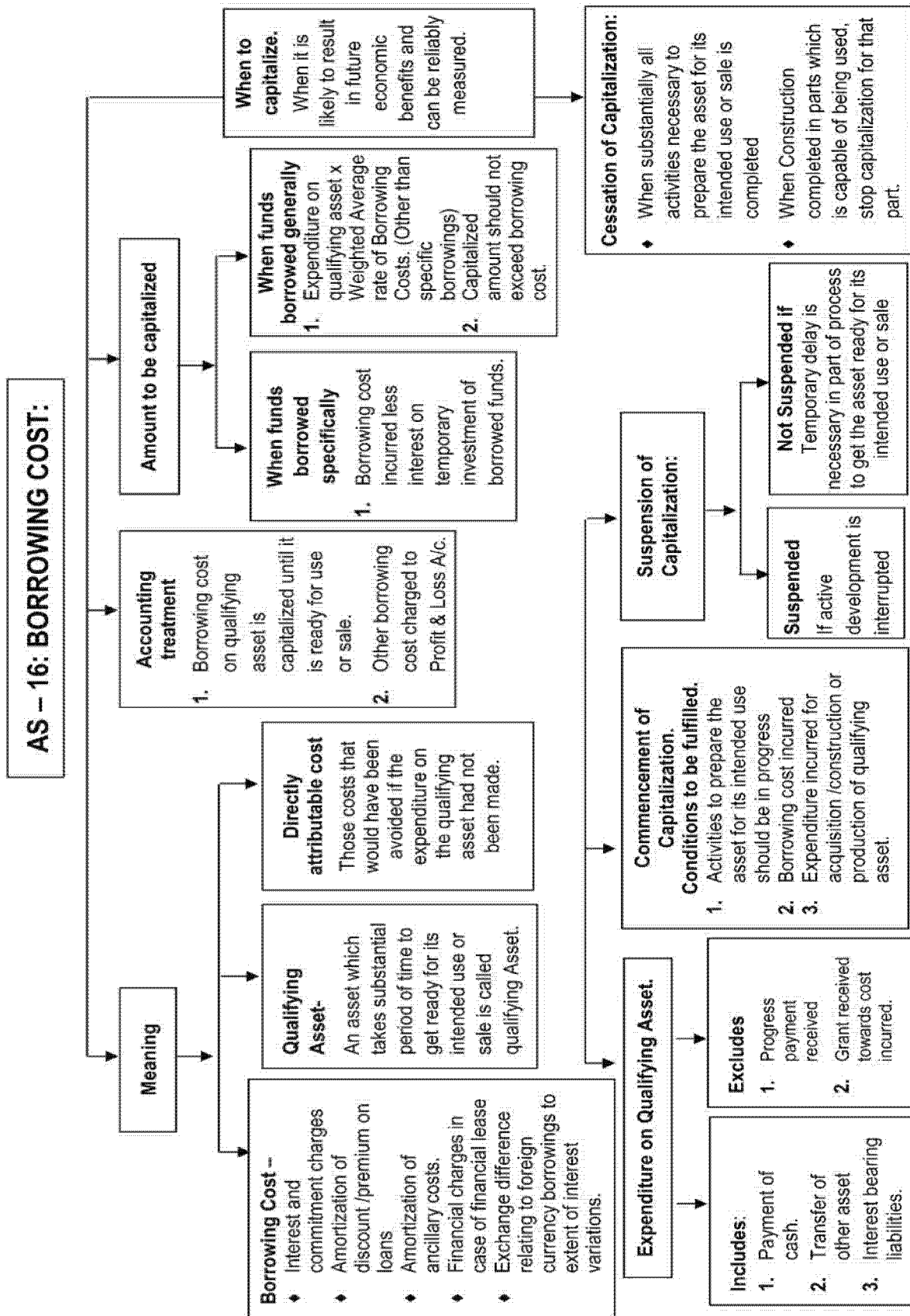
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AS – 14: ACCOUNTING FOR AMALGAMATION



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AS – 16: BORROWING COSTS



AS – 17: SEGMENT REPORTING

AS 17 Segment Reporting

Two Types

Business Segment

Geographical Segment

Different in:-

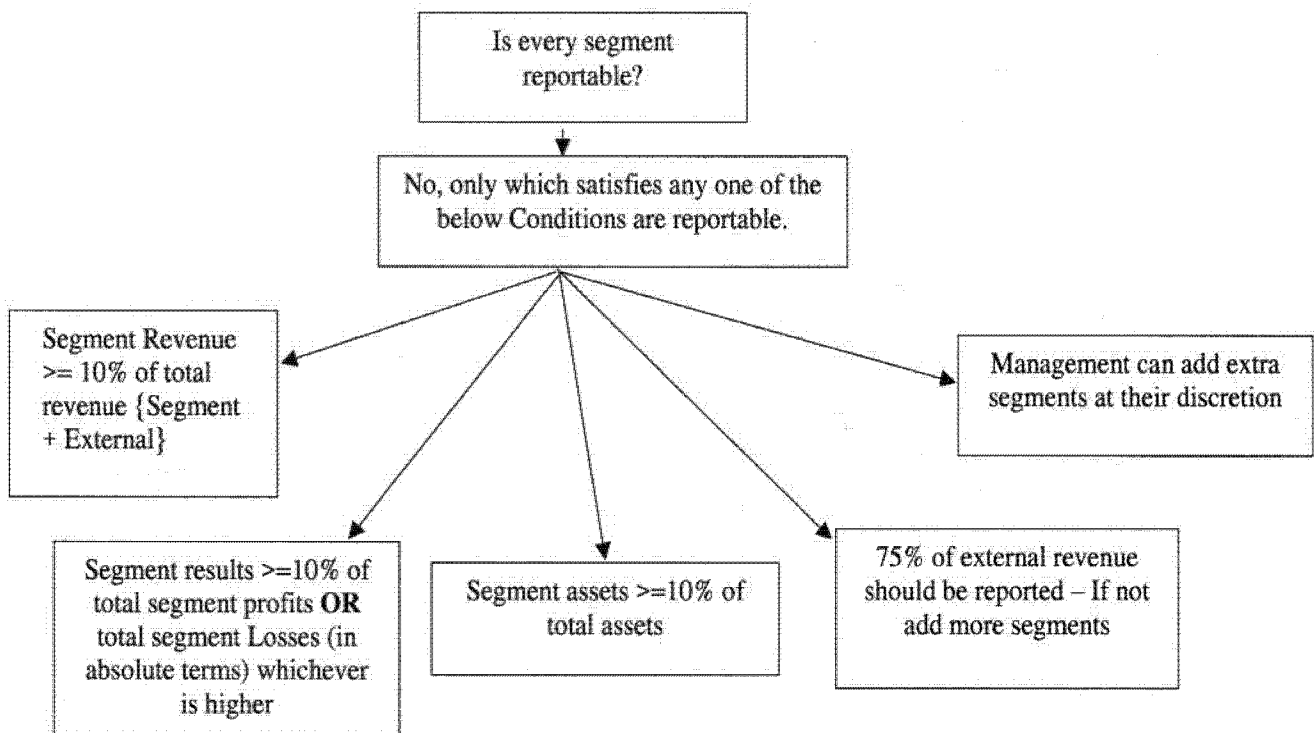
- Product / services provided
- Risks & Returns of above

Different in:-

- Location of Customers / Operations.
- Risks & Returns of above

Definitions

- ❖ **Segment Revenue:-** Direct revenue + Allocated + Inter segment
{Except extraordinary items, finance income & Investment income}
- ❖ **Segment Expense:-** Direct expense + Allocated + Inter segment
{Except extraordinary items, Finance expense, Income-tax expense and General Admin expense}
- ❖ **Segment Result:-** Segment Revenue – Segment Expenses.
- ❖ **Segment Asset:-** Operating assets + directly attributable assets
- ❖ **Segment Liabilities:-** Operating Liabilities + directly attributable liabilities.



Disclosures:-

➤ **Primary segment** should disclose the Following:-

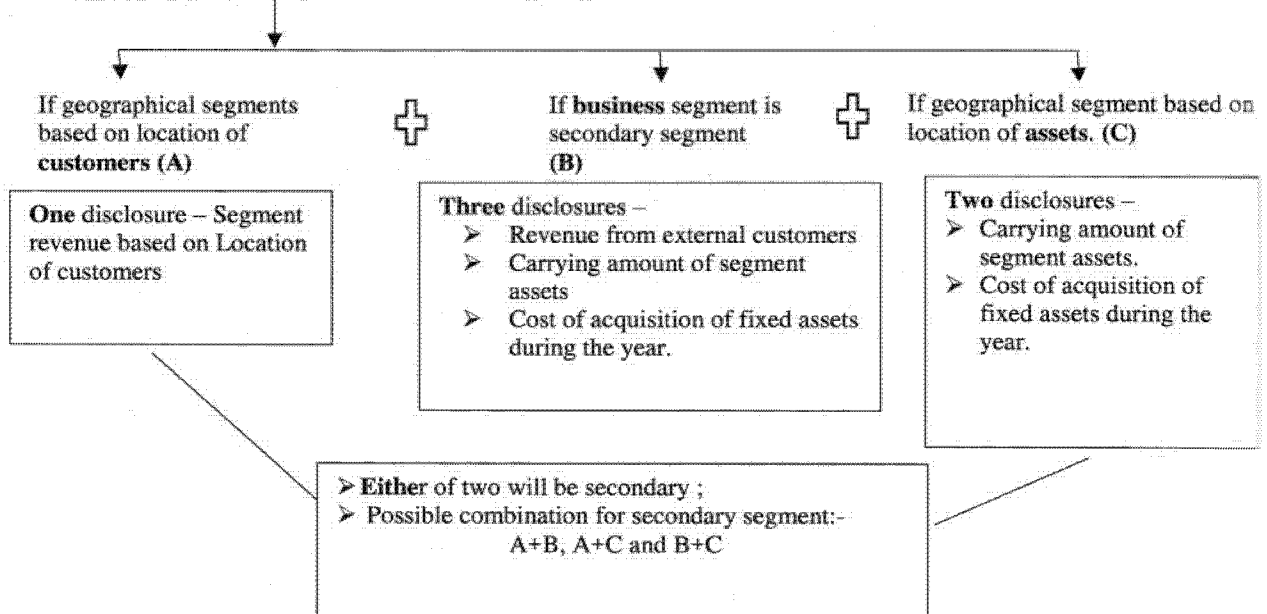
- ❖ Revenue {Direct + Other Segments}.
- ❖ Seg. Results
- ❖ Carrying amount of Seg. Assets
- ❖ Cost of acquisition of tangible and intangibles during the year.
- ❖ Depreciation and amortisation expenses
- ❖ Non-cash expenses other than depreciation and amortisation.
- ❖ Reconciliation of numbers with presented annual FS.

Business segment-
Disclose above 8 points

Geographical segment-{Disclose above 8 points}

- By Assets
- By Customers

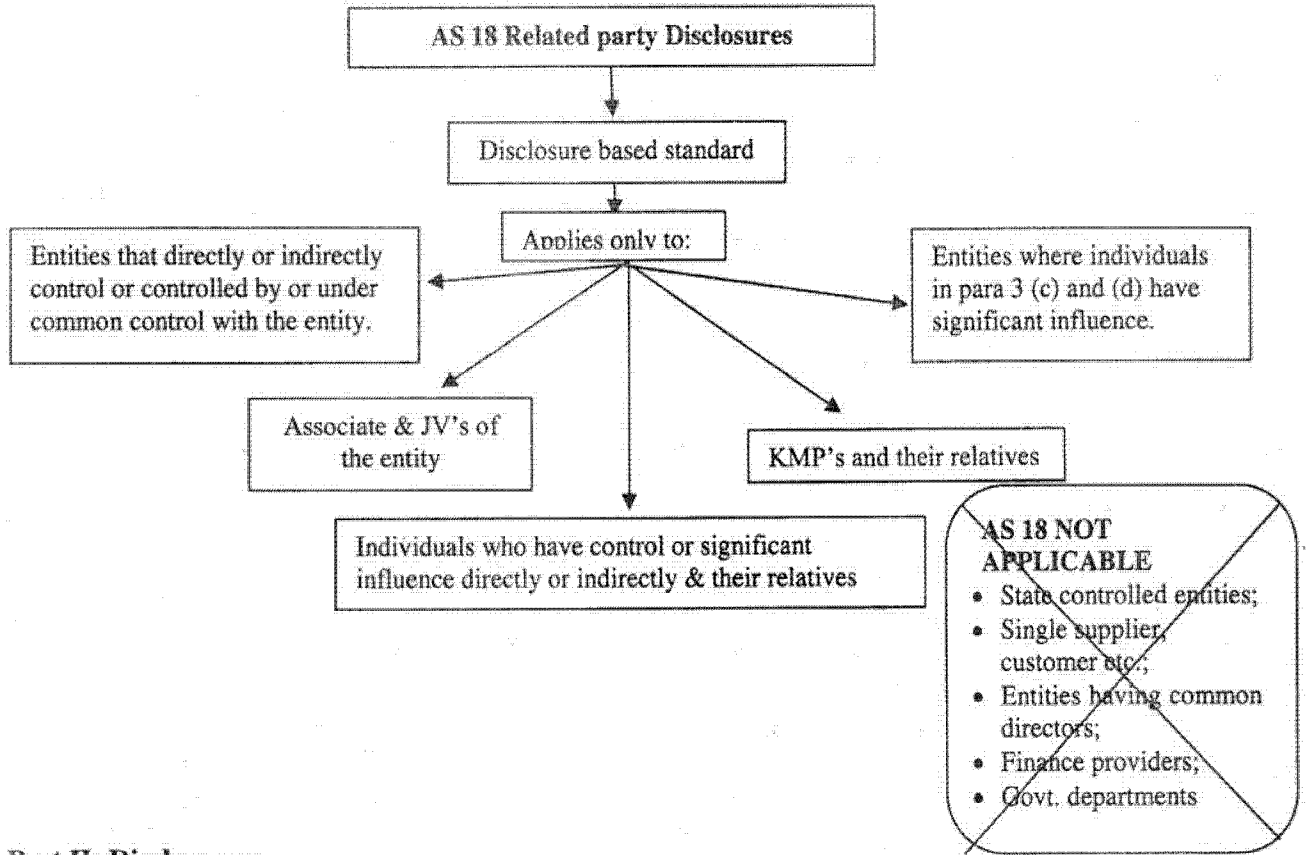
➤ **Secondary segment** – Other than primary segments



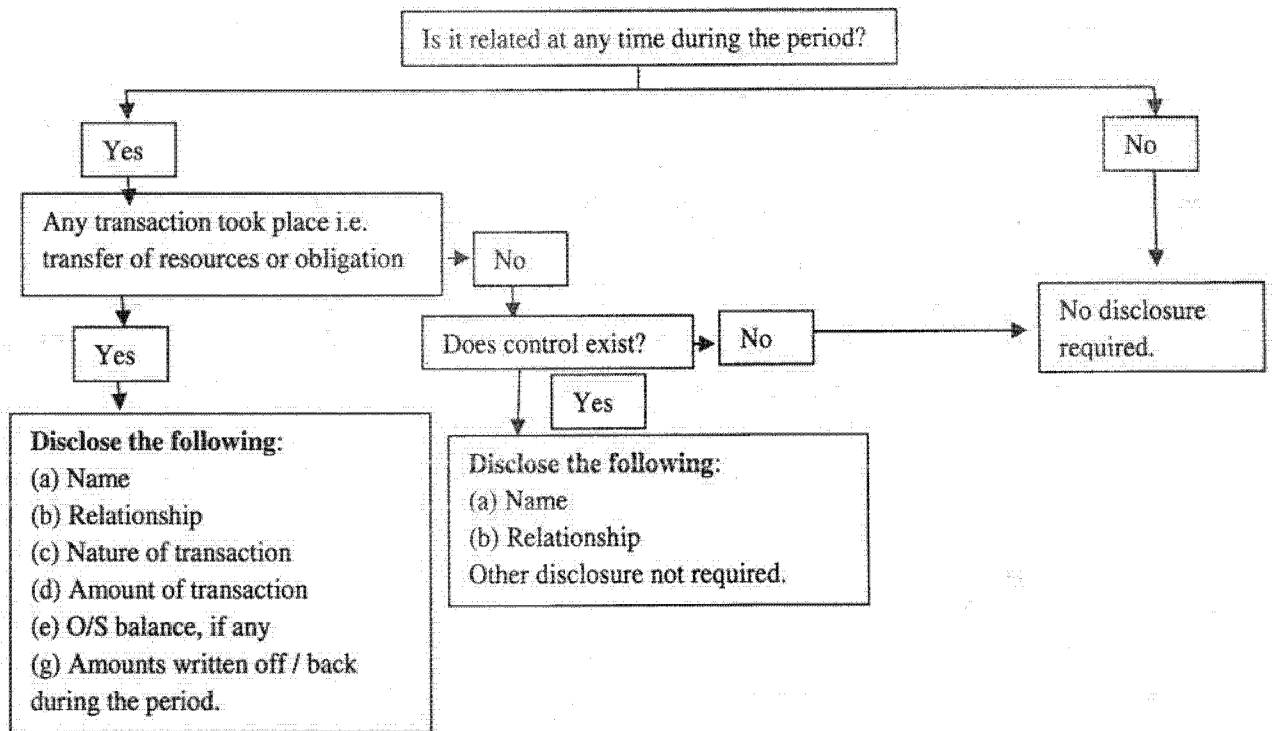
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AS-18: RELATED PARTY DISCLOSURES

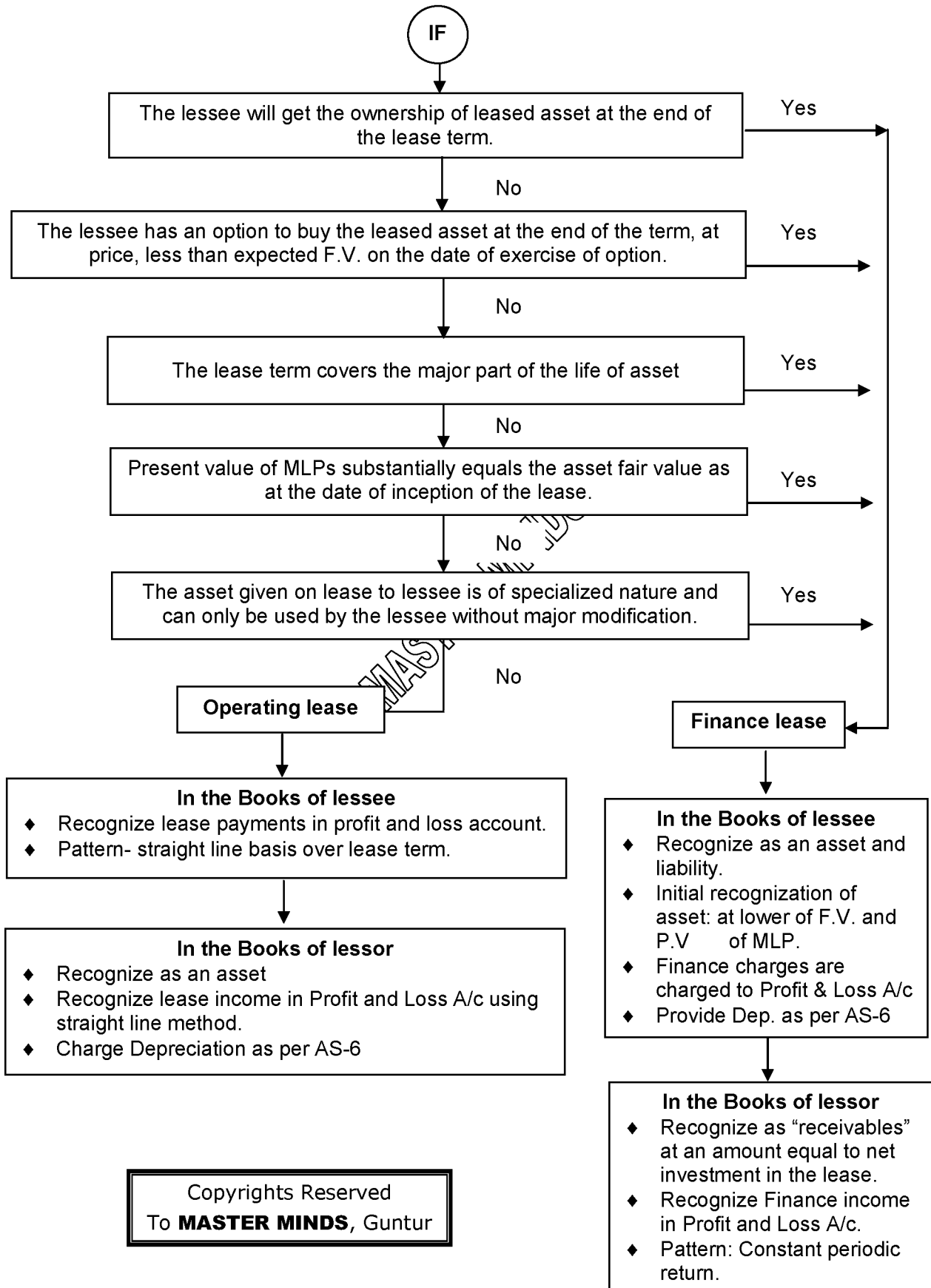
Part I: Definition:



Part II: Disclosures:



AS-19: ACCOUNTING FOR LEASES



KEY TERMS

- ◆ Gross investment = MLP (in view of lessor) + unguaranteed residual value.
- ◆ Net investment = Gross investment - unearned finance income
- ◆ Unearned Finance Income = Gross investment – Present value of Gross investment
- ◆ MLP in view of lessor = lease rentals + any guaranteed R.V. (by or on behalf of lessee) + R.V. Guaranteed by third party.
- ◆ MLP in view of lessee = lease rentals + any guaranteed R.V. which is guaranteed by or on behalf of lessee.
- ◆ Implicit interest rate = discount rate that makes P.V of gross investment just equal to Fair Value of leased asset.
- ◆ Fair value of leased asset (at the inception of lease = present value of Minimum lease payments (in view of lessor) + any unguaranteed residual value according to the lessor.
- ◆ Guaranteed residual value (in respect of lessee): such part of the R.V., which is guaranteed by or on behalf of the lessee.
- ◆ Guaranteed residual value (in respect of lessor) such part of the R.V., which is guaranteed by or on behalf of the lessee or by an independent third party.

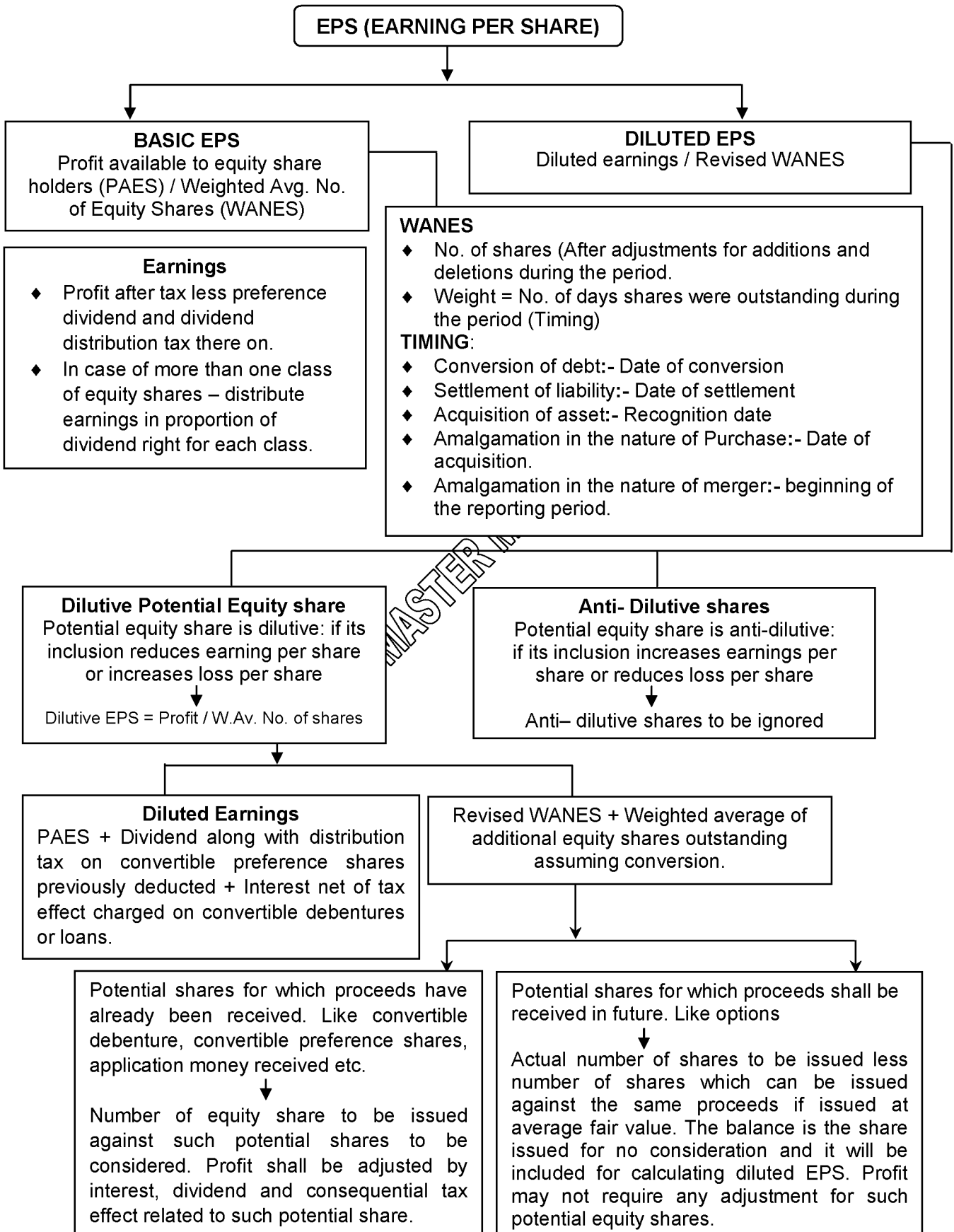
SALE AND LEASE BACK TRANSACTIONS

- ◆ **If lease back is finance lease.**
Defer any excess or deficiency of sale proceeds over carrying amount and amortize it over lease term in proportion of dep. on leased asset.

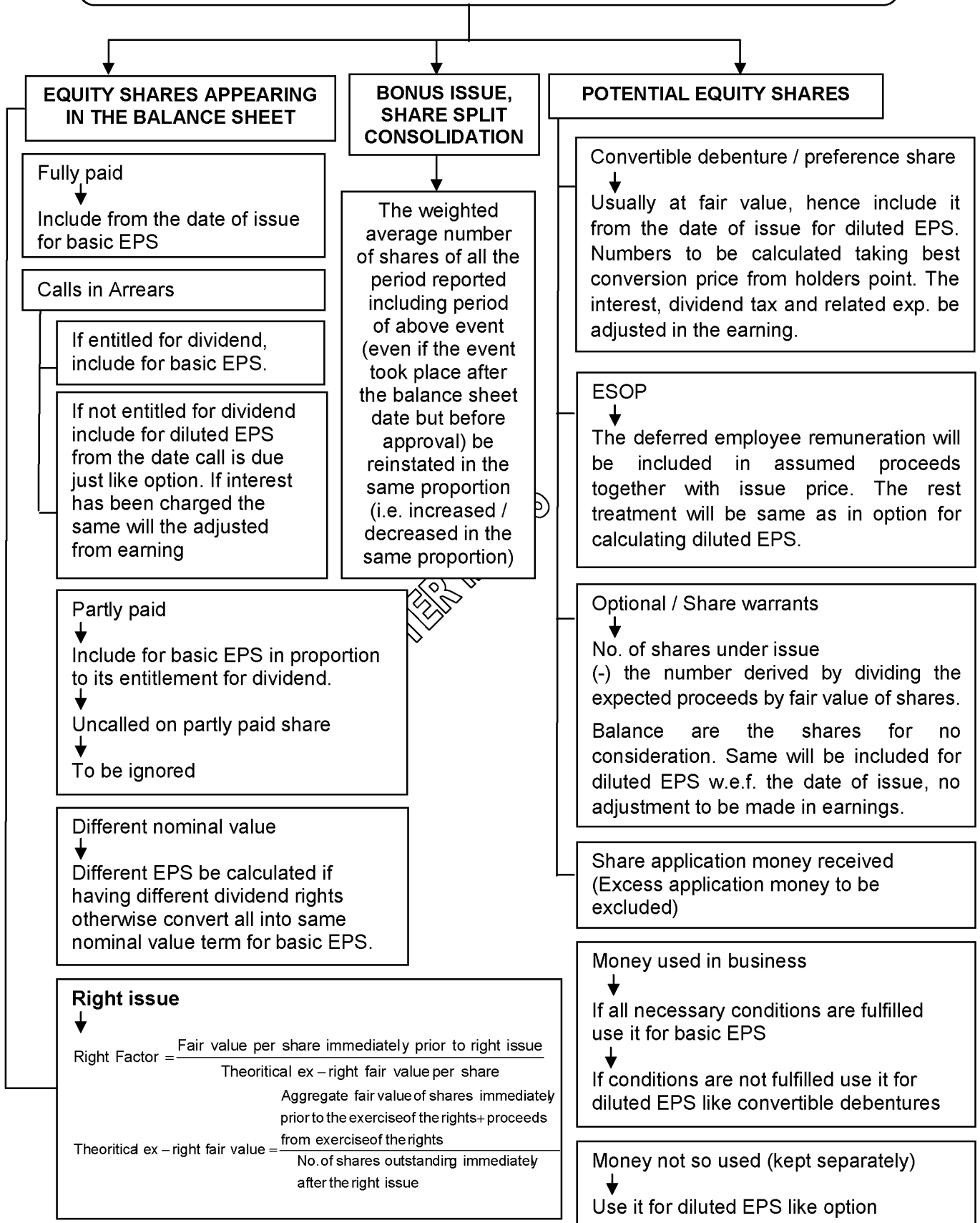
- ◆ **If lease back is operating lease**
(S.P = Selling Price, F.V = Fair Value, C.A = Carrying Amount)
If F.V. < C.A, loss = C.A – F.V is charged to Profit and Loss Account immediately.
 - ◆ **If S.P. = F.V** : any profit or loss recognize immediately.
 - ◆ **If S.P. < F.V**
Profit or loss to be recognized immediately. If loss is compensated by FLT then defer and amortize.
 - ◆ **If S.P. > F.V.**
 - ◆ Profit or loss to the extent of difference between C.A and F.V. is to be recognized immediately
 - ◆ Profit or loss to the extent of difference between F.V and S.P. is to be amortized.

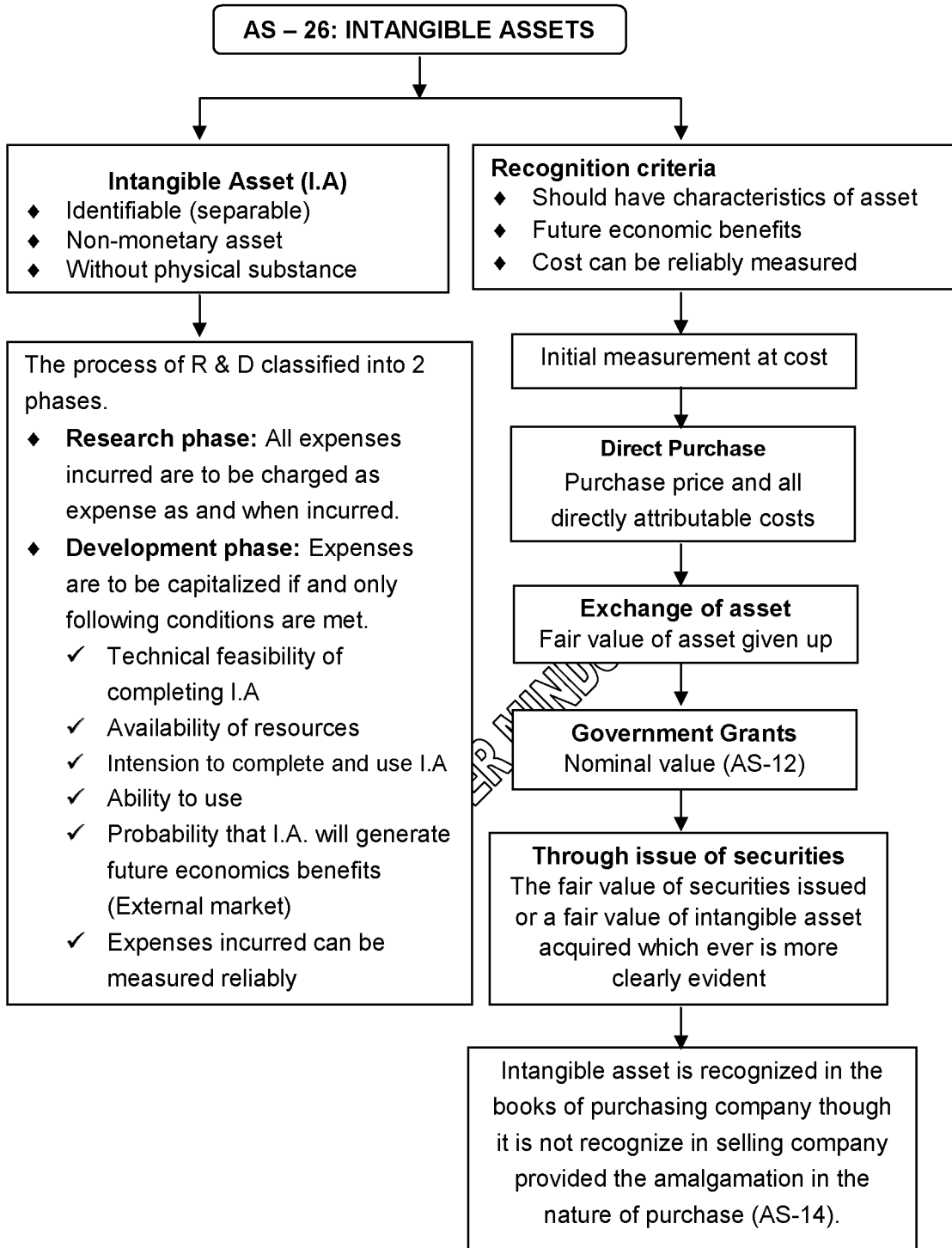
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AS – 20: EPS (EARNING PER SHARE)

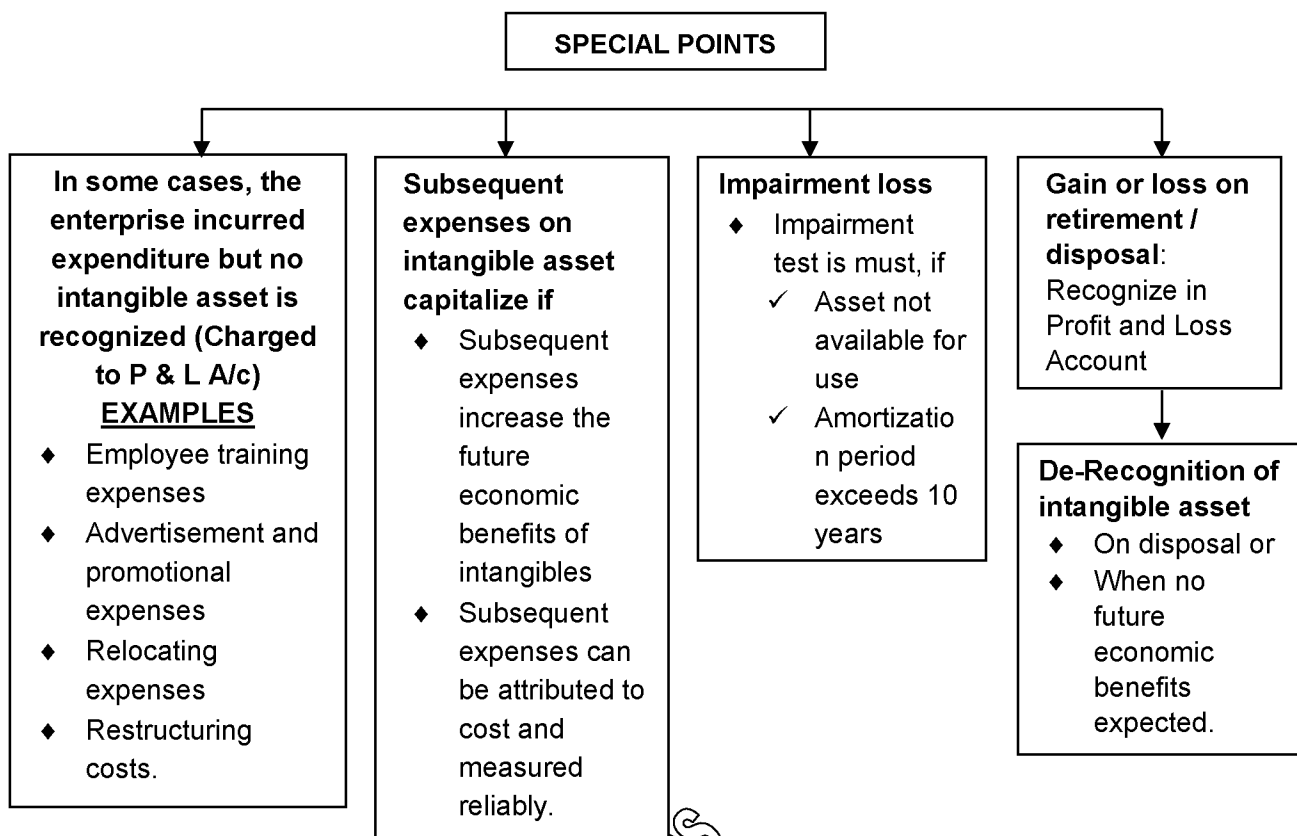


TREATMENT OF DIFFERENT TYPES OF SHARE / POTENTIAL SHARES FOR CALCULATION OF BASIC EPS/ DILUTED EPS
 (Note: whatever is included for basic EPS gets automatically included for diluted EPS)





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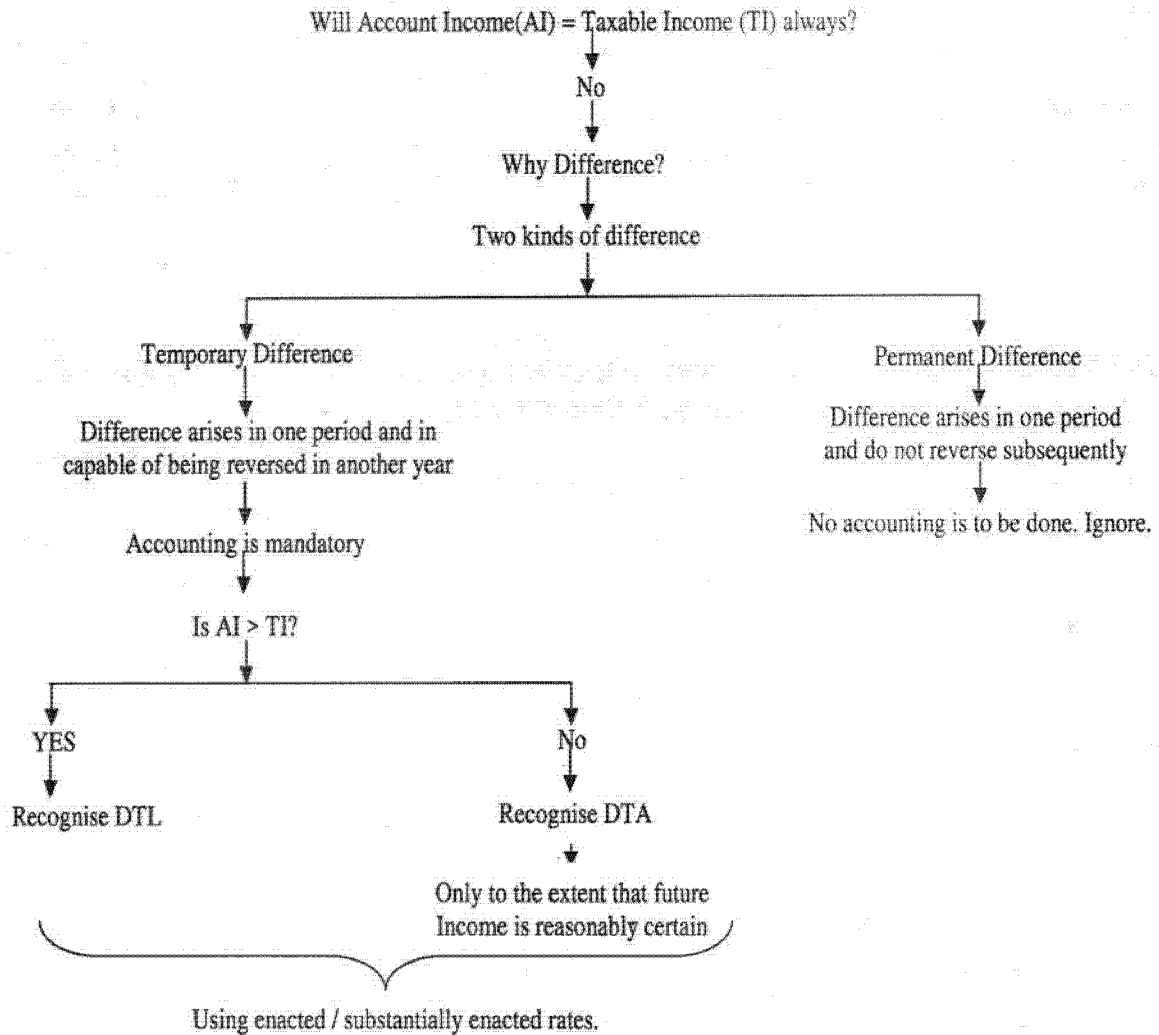


Amortization

- ◆ Carry the asset at cost less accumulated amortization and accumulated impairment loss.
- ◆ Useful life – “10 years” unless there is clear evidence of longer life
- ◆ Residual value – “Zero” unless commitment by third party at the end of useful life
- ◆ Method of amortization
 - ✓ The benefit derived from the intangibles should be matched with the amortization expenses.
 - ✓ If pattern of benefit is available – amortize as per pattern
 - ✓ If no pattern is available – SLM should be followed.

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AS – 22: ACCOUNTING FOR TAXES ON INCOME



DTA Special circumstances

Unabsorbed depreciation & carry forward losses:

Recognised DTA only when future Income is virtually certain which is supported by convincing evidence.

- Reassess unrecognised DTA every year.

Tax Holidays:

- Do not recognise differed tax which is arising and reversing during the tax holiday's period. i.e. recognise only for that which is reversing after holiday.
- Consider FIFO for arising & reversing.

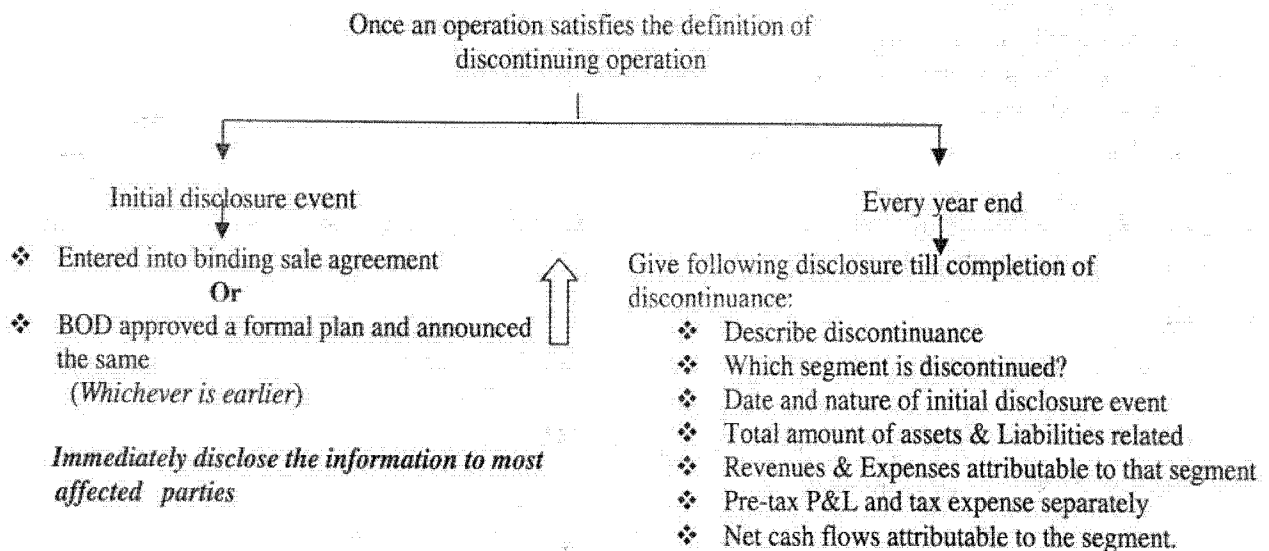
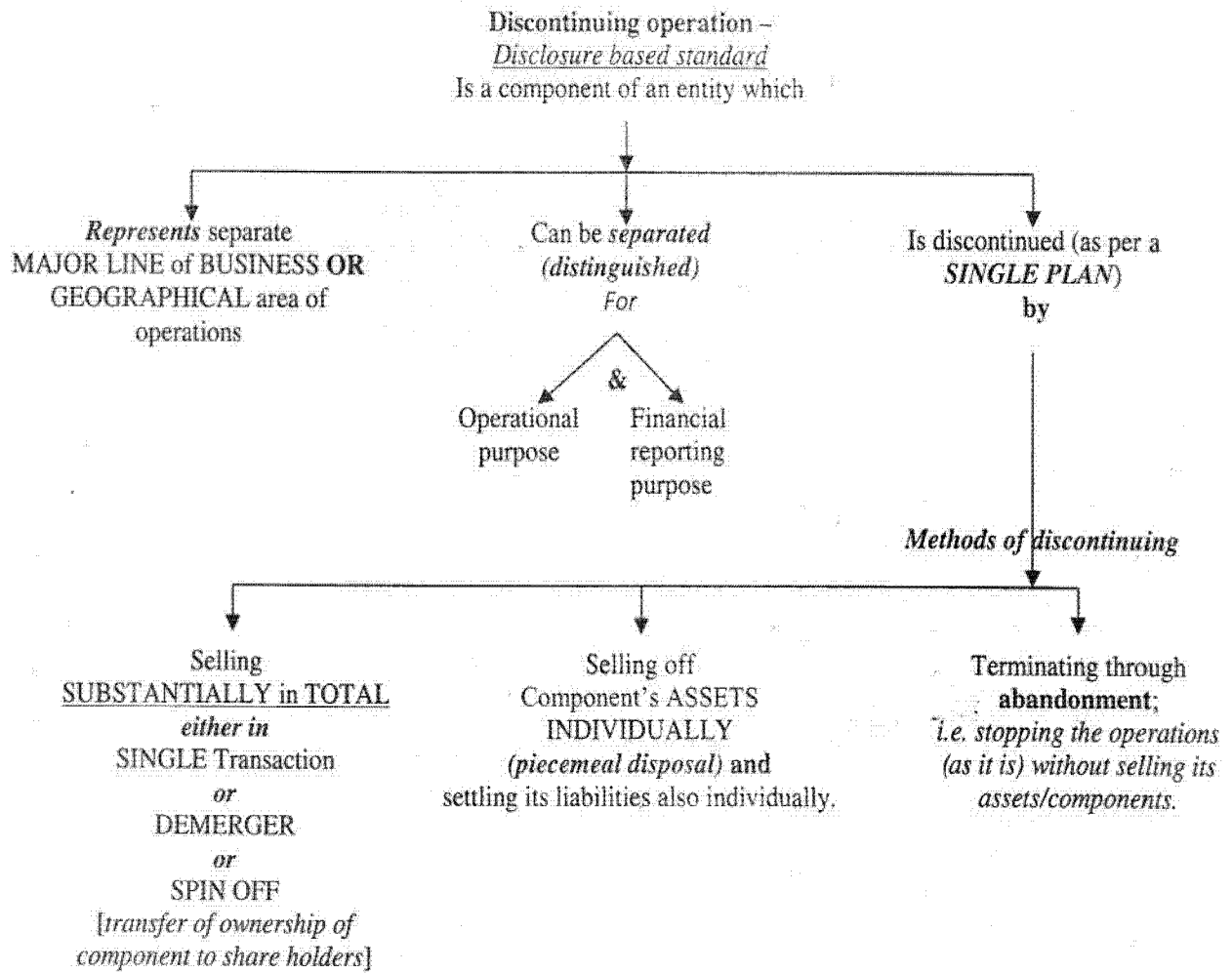
Minimum Alternate Tax:

- Apply only regular tax rate – not MAT rate
- MAT credit = MAT paid – Normal Tax.

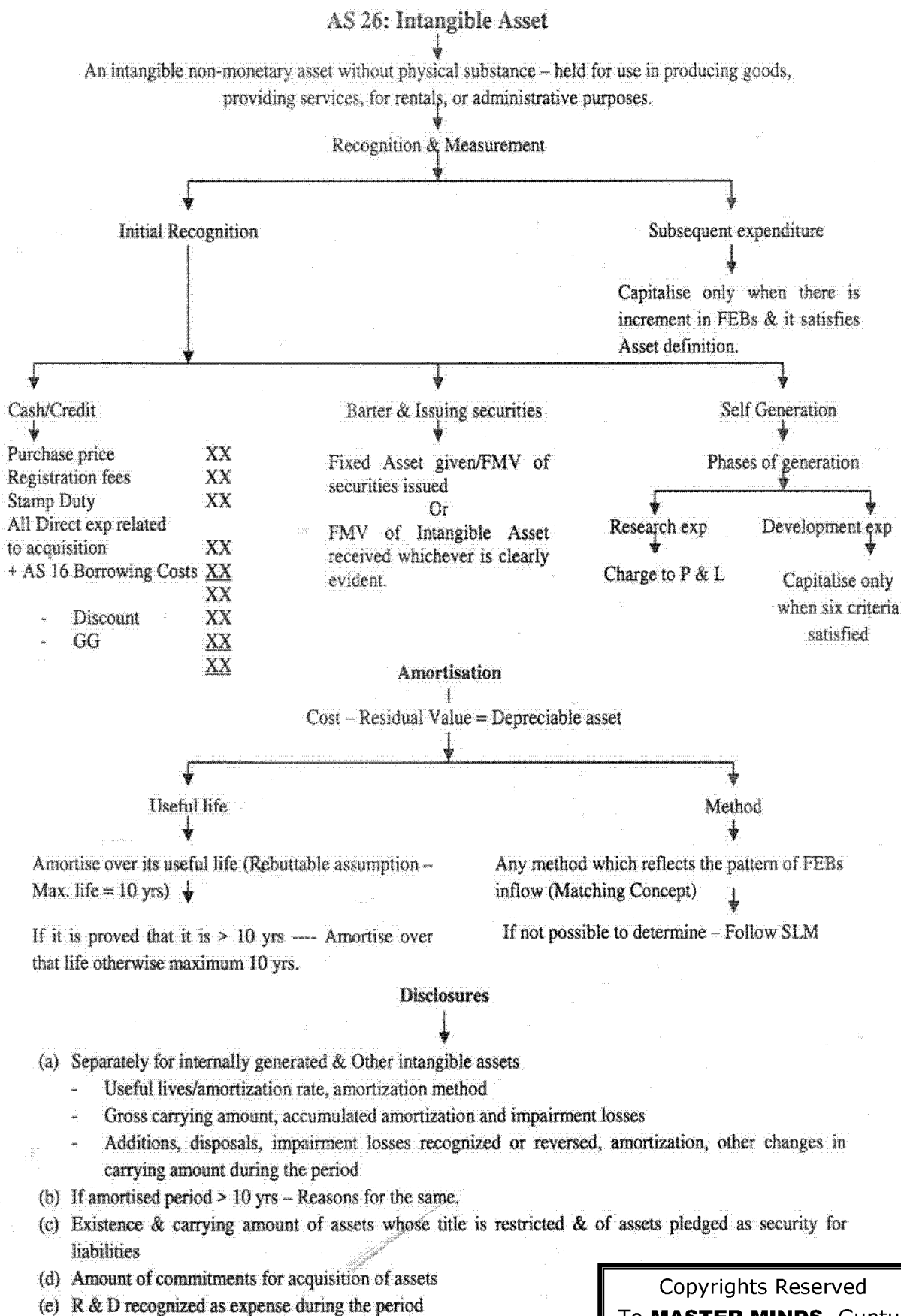
It can be carried forward for set off in the future.

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AS-24: DISCOUNTING OPERATIONS

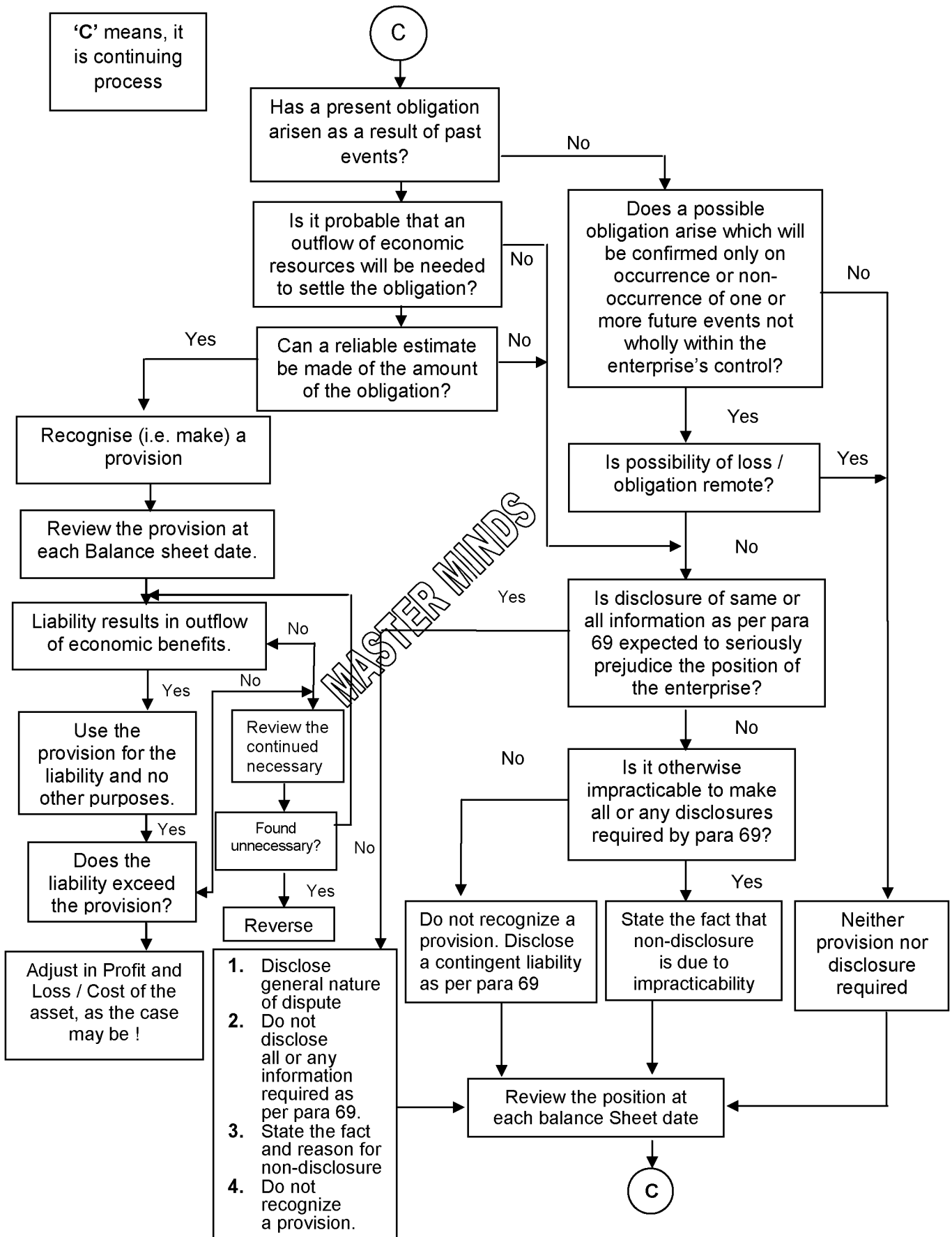


AS - 26: INTANGIBLE ASSET



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AS - 29: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS



THE END