

CA FINAL FINANCIAL REPORTING

NEW COURSE



Notebook style **multicoloured**
Book penned by CA SJ



All relevant FR concepts



To-the-point notes

F.A.S.T.
first attempt success tutorials



Ideal for revision



All chapters covered

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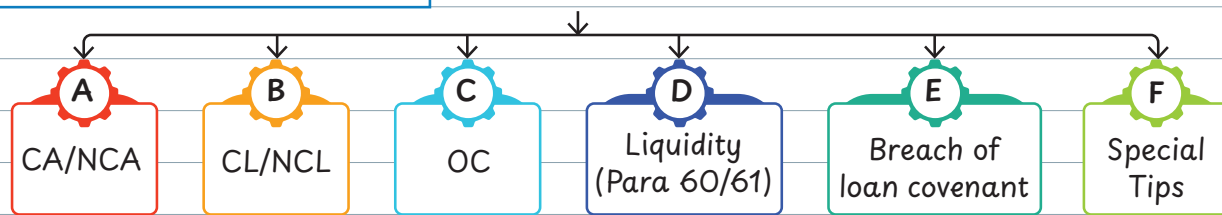
Student Notes

Ind AS
1

Presentation of Financial Statements

1

Current and Non Current

**CA/NCA (Current Asset/Non-Current Asset):**

If none of following conditions met classify the asset as NCA

(i) CA Rule (As per Ind AS1/ Sch3, D2, GI to prep. of BS para 1)	(a) OC Based (Operating Cycle)	(b) Inventory	(c) Realisation Based	(d) Cash & Cash eq.
(1) Rule Says	<ul style="list-style-type: none"> - expected to be sold/consumed realised - in co's normal OC 	Held primarily for trading	<ul style="list-style-type: none"> - expected to be realised - within 12m of BS date 	<ul style="list-style-type: none"> - Cash & cash eq. unless if restricted to use/settle a liability for > 12m from BS date.
(2) Applies on	All operating items & not PPE, IA, IP etc eq. prepaid business expense, Tr. Rec., etc.	RM/WIP/ FG/Spares classified as inventory/ loose tools etc.	Only assets encashable	a. Cash b. Cash equivalents (0-3m realisability) c. other bank balance (>3m ≤ 12m realisability)
(3) Not relevant for	Investments, PPE, IA, etc.	Not applicable to any asset except inventory	Not relevant for PPE, Advance to supplier, prepaid expense, fictitious assets or any such non encashable asset	Any asset other than C&B Balances
(4) Check on	Date of transaction	N.A.	From BS date	N.A.

Common Conclusion for Assets Classification:

Nature of Asset/Liability	Classification - Current/Non-Current
Property Plant & Equipment, Capital WIP, Goodwill, Intangible Assets, Intangibles under development	Always NCA
Investment other than in cash equivalents	CA or NCA (Rule (c))
Cash & Cash Equivalent	Usually CA (unless restriction)
Loans (Given)	CA or NCA (Rule (c))
Inventories	Always CA
Trade Receivables	CA or NCA (Rule (a) or (c))
Deferred Tax Asset	Always NCA
Tax Refundable	CA or NCA
Advances	
‣ Capital Advance (not shown as CWIP)	Always NCA (as it will convert to a capital asset)
‣ Advance for goods or services	CA or NCA
Security Deposit	CA or NCA

**Current & Non-Current Liabilities:**

If non of following conditions met classify liability as NCL.

(i) CL Rule	(a) OC Based	(b) Inventory	(c) Due to Settle Based	(d) Deferment Rights
(1) Rule	Est. to be settled in OC	Held for trading	Due to be settled within 12m (from BS date)	Does not have the right at the end of the reporting period to unconditionally defer settlement of the liability for at least 12 months after the reporting period
(2) Date	Initial date	N.A.	BS date	BS date
(3) Intention of Co. matters?	N.A.	N.A.	No, due date matters.	No. Company to have right in substance. Even right to roll over for > 12m will make liability as NC. However if intention is to settle disclosures be given about timing of settlement.

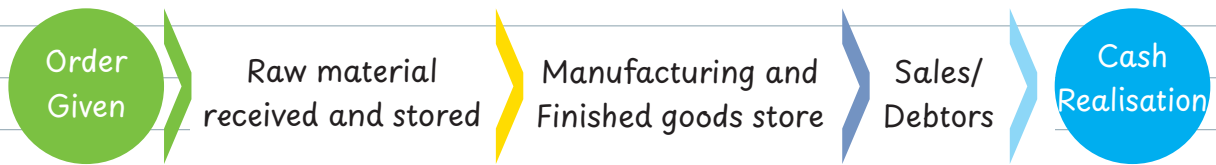


Liab. whether to be settled in cash or by issue of entity's own equity shares, will not affect C or NC classification.



OC:

- Means time taken from acquisition of assets to realization in cash.
- Operating Cycle:



Lead time for acquisition of goods + Storage time of Raw material + Processing time + Storage time for Finished Goods before sale + Credit period given to Trade Receivables on sale of goods	Gross* Operating Cycle (This to be considered)	Net Operating Cycle (Not Considered)
- Credit Period received from supplier of goods		

*As the obligation is to determine time taken to complete one cycle of business and not to determine working capital blocked in business

- **Normal operating Cycle is to be considered:**
 - + Normal or Average operating cycle is considering and not contract specific operating cycle.
- **One business to have one operating cycle only**
 - + But if company has **multiple business**, then it can have **separate normal operating cycle for each business** and accordingly current/non-current classification of asset/liabilities of each business will be determined
- **If operating cycle is not determinable, then assume to be 12 months**



Liquidity Based Presentation: Para 60/61 of Ind AS 1

Disclosure: If any item of current asset or current liability includes asset or liability not realisable or payable within 12 months of reporting date separate disclosure of amount of such items to be given in Notes to Financial Statement (Subject to Materiality)

Example: Slow moving inventory, expected to be sold in say 3 years will be a CA (Rule (b)). However, in notes to FS disclosure required of this fact that inventory includes inventory of 'x' not expected to be realised within 12 months.



Whenever the OC > 12m, Para 60/61 may be relevant to be included in the answer



Breach of LT Loan Covenant

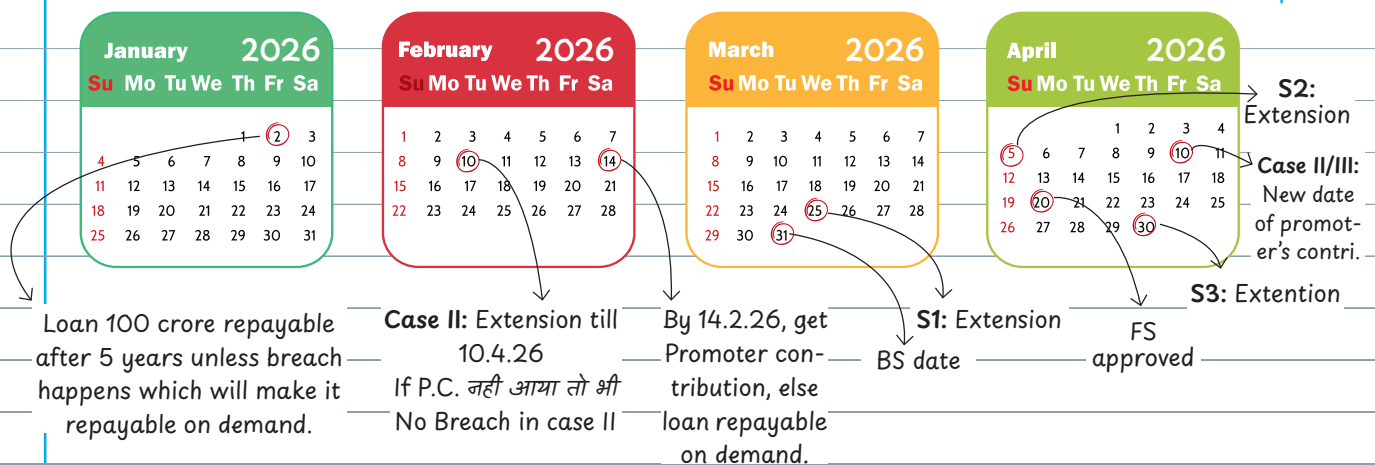
- Step 1** → In case of material breach of conditions of **Long Term/Non-Current** Loan
 - Step 2** → prior to Balance Sheet date
 - Step 3** → the loan may become repayable immediately due to such breach
 - Step 4** → in such case such loans will be classified as "Current Liabilities" on balance sheet date
 - Step 5** → unless the breach has been rectified or terms renegotiated
 - Step 6** → **before the approval of financial statements**
 - Step 7** → such that the loan is not repayable, post renegotiation, within 12 month from balance sheet date;
- Then the loan will be classifiable as a NCL.

Amendment of Ind AS Second Amendment Rules, 2025: From 1-4-2026, before the approval of FS, replaced with before the reporting date.

Hence from FY 2026-27, if extension for correction of breach is received after the BS date, but before approval of FS, the loan will still be classified as CL. This amendment was made to bring Ind AS in line with IFRS.

Note

Breach of Loan Covenant



Case I:

Promoter contri. not deposited by due date hence loan is repayable on demand (however bank has not yet demanded money back & we are seeking extension to get promoter contri.)

S1

Situation 1

Extension given by bank on 25th March for:

- (a) 3m (till 30.6.26) → CL as no right to defer > 12m from BS date
- (b) 12m (till 31.3.27) → NCL as bank cannot demand till 12m.

S2 Situation 2

Extension
after BS
date, before
approval of
FS

Extension from bank received 5th April 2023 (FS approved on 20 April 2023)
(Event after reporting date)

- (a) 3m (till 30.6.26) → CL (However w.e.f. FY 2026-27, extension received after BS Date, will not change liability to NCL from CL.)
→ (b) 12m (till 31.3.27) → NCL ←

S3 Situation 3

Extension
received
after
approval
of FS

Loan condition of Promo Contr. extension recd. on 30.4.23 after approval of FS for:

- (a) 3m (30.6.26) → CL
→ (b) 12m (31.3.27) → CL

(Event after FS approval is always ignored, disclosures may be required)

Case II:

No
Breach
on BS
date

Suppose on 10.2.26, estimating promo. contri. will not be available by due date 14.2.26, we sought & got extension from Bank till 10.4.26 to get promo contri. Classification of Loan on 31.3.26 if promo. contri. was:

- (a) Deposited by 10.4.26 → NCL
(b) Not deposited till 20.4.26 → NCL

↓ ↓
FS approval No Breach till BS date
+

Event after BS date are otherwise ignored for C/NC Classification.

Case III:

Breach
after BS
date

What if loan agreement demanded prom. contri. by 10.4.26 right from beg. & contri. was not deposited on 10.4.26. Classify in BS 31.3.26.

Ans: → NCL as no breach hence loan not repayable immediately on 31.3.26.
→ Provide disclosure of:

- (a) Conditions to be complied post the BS date,
(b) Circumstances indicating difficulty in complying with it and
(c) CA of such liabilities

Material Breach Vs Breach

From FY 2026-27, any breach (and not just material breach) of LT loans, making the loan repayable on demand will change classification of such loans to current.

Terms used in Question:

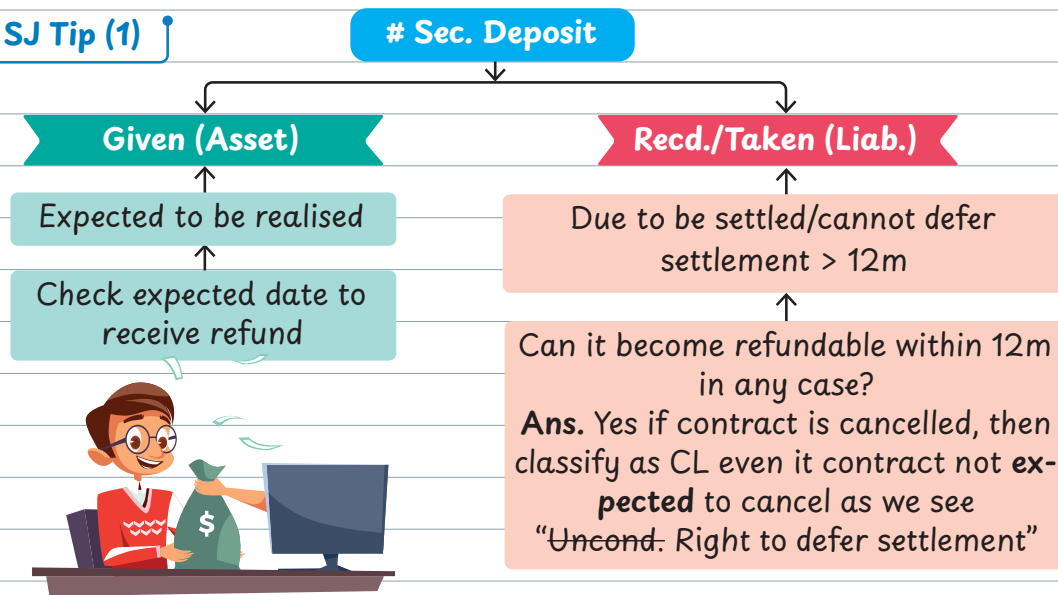
Cross Default Clause ← Default in one loan affecting other loans with same lender



Special Tips



SJ Tip (1)



SJ Tip (2)

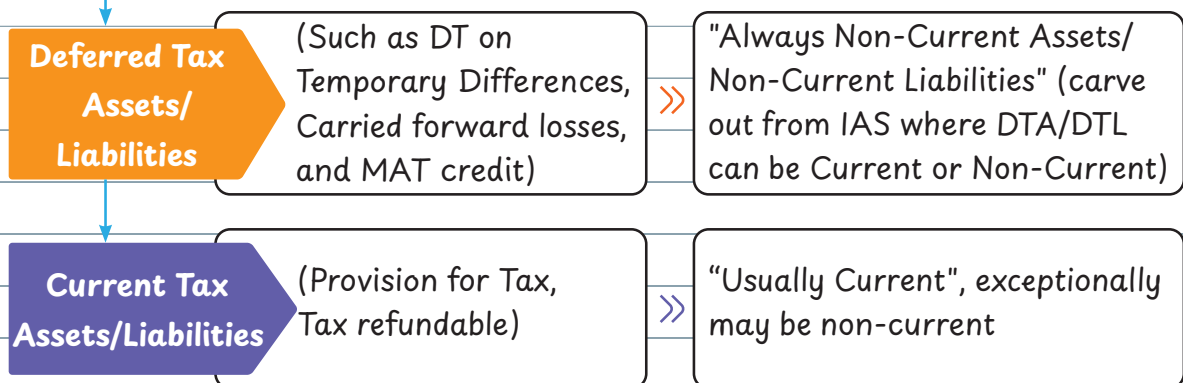
#Demand Loan

Means loan repayable on demand i.e. whenever lender demands back

- **Lender:** CA or NCA based on est. of recovering.
- **Borrower:** Always CL (Cannot defer settlement on your own unconditionally)



SJ Tip (3)



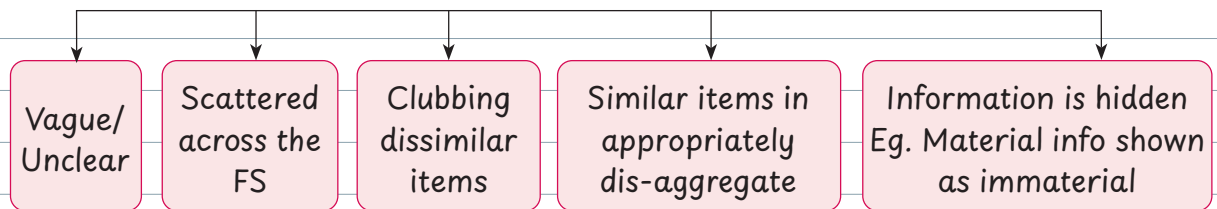
SJ Tip (4)

Loan Conditions like maintenance of a ratio if to be checked on year end, then if condition met at year end, even if not met during the year, will not be treated as breach.

2

Materiality & Aggregation:

Definition of Materiality: Transaction or other events and information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statement make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Information regarded as obscuring (misguiding)**Primary user**

Who do not get information directly from management and hence, primarily rely on FS for taking their decision like investors, govt, shareholders etc. These users do have experience & understanding of reading & interpreting FS

3

Off-Setting (Netting-Off):**→ Meaning**

Netting off income & expense or asset & liability while presenting financial information.

→ Ind AS 1:

Rule (i): Off setting is permitted only when any Ind AS requires (E.g. Ind AS 32, Financial Instruments: Presentation, requires that a Financial Asset and Financial Liability should be off-set if:

Entity has a legal right to off-set it

&

It intends to off-set it or realise the asset & settle liability simultaneously).

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

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

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

(Cash Flow off-setting covered under Ind AS 7)

4

Explicit Unreserved Statement (EUS)

Entity complying with Ind AS to make an EUS of the fact that F.S. are prepared as per Ind AS (no choice of selective application of Ind AS)



Q.1 Company makes a statement in Financial Statement that it has complied with all Ind AS except Ind AS 7 Cash Flow Statements, Comment.

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

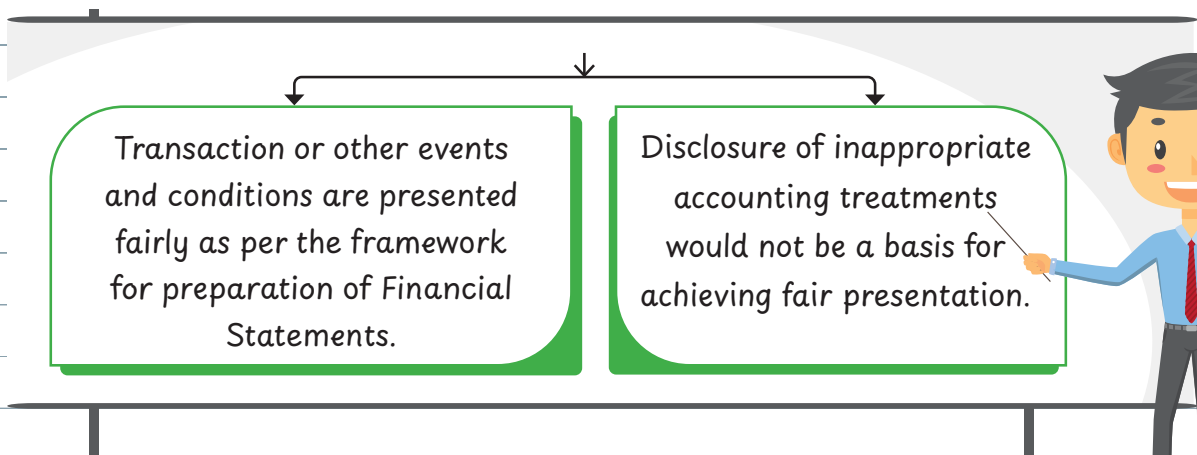


Q.2 Company makes a statement in Financial Statement that it has 'Prepared & Presented Financial Statement as per Ind AS', while doing audit, you found cash flow statement is not prepared as per Ind AS

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

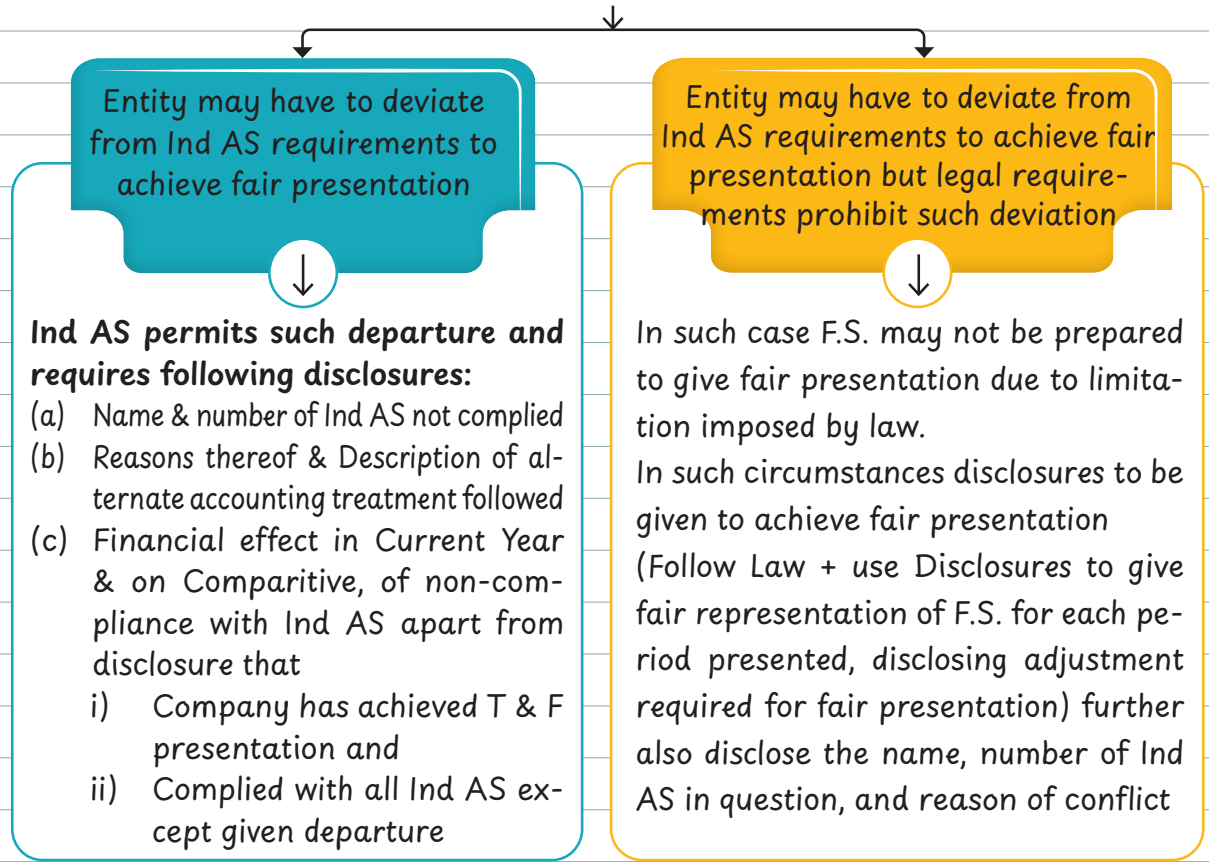
5

Fair Presentation



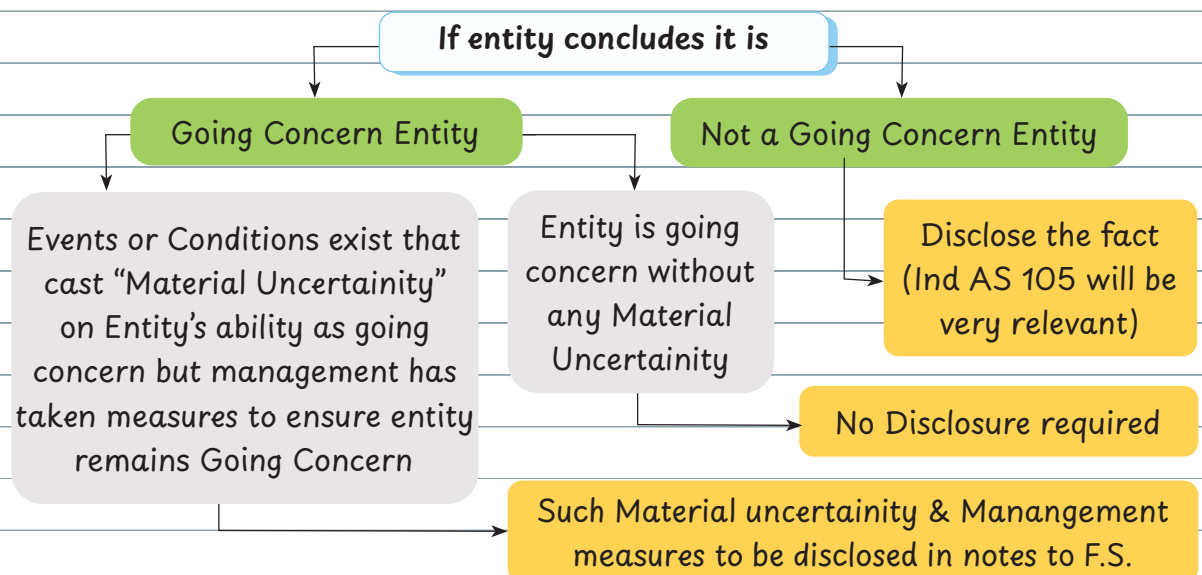


In Extremely Rare Circumstances:



Going Concern

- Business/Entity will continue till foreseeable future.
- Entity is required to test whether it is a going concern.



- ◉ If Company has been made for a specified period, only disclosure required (refer 'Other Disclosure' of Ind AS 1).

7 Accrual

Entities following Ind AS to follow accrual basis of accounting only (section 128 of Companies Act, 2013 requires Books of account to be prepared as per accrual basis)

8 Comparatives

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

Comparatives are required for

Balance Sheet

Statement of Profit and Loss

Cash Flow Statement

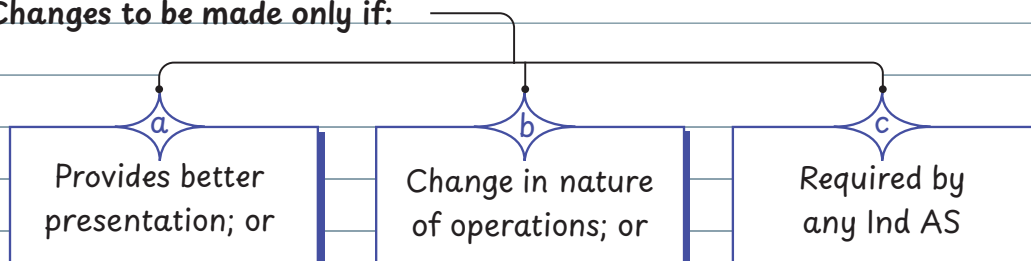
Schedule of Changes in Equity (SOCIE)

Information given in notes to F.S.

9 Consistency

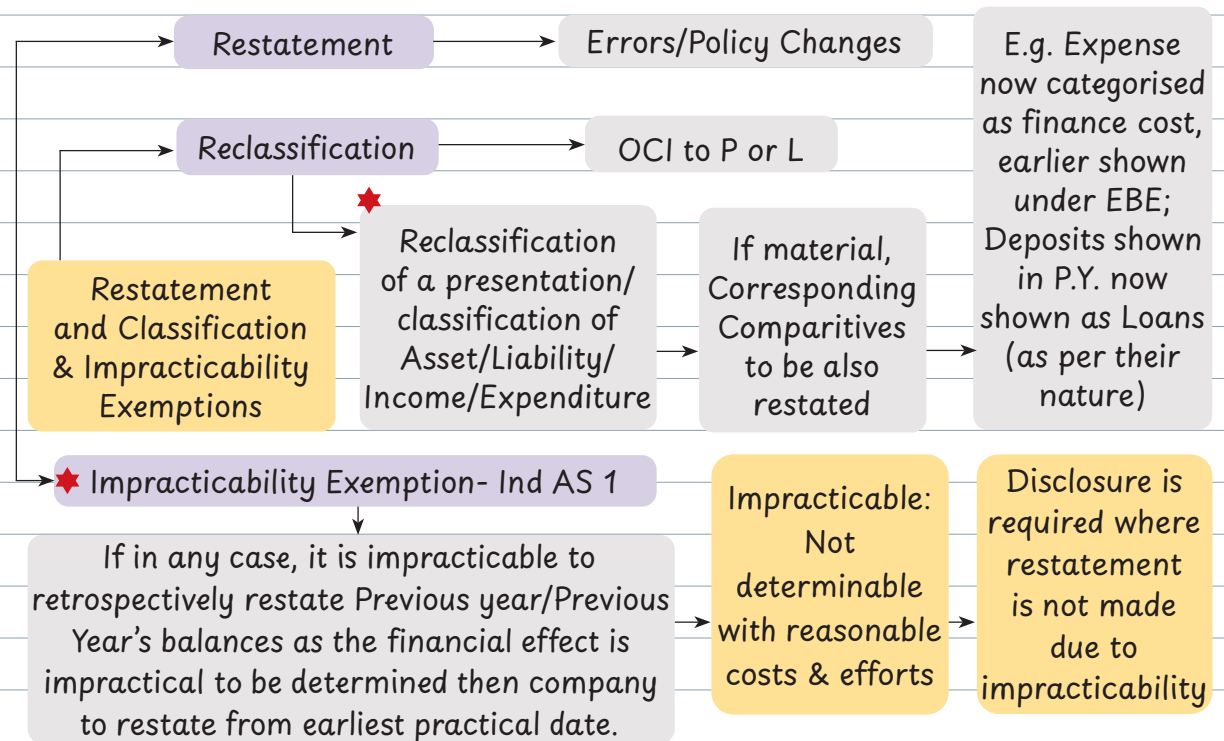
- ✦ Company to use consistent basis of accounting for similar items or items of similar class.

- ✦ **Changes to be made only if:**



- ✦ Disclosures are required for changes in accounting policies giving the financial effect. (Refer Ind AS 8 for details)

10

Restatement and Reclassification & Impracticability Exemptions (Discussed in Ind AS 8)

11

Frequency of Reporting

- ▶ At least **annually**; or
 - ▶ If reporting period is **> 12 months or < 12 months**; then disclose:
 - a) **The reporting period; and**
 - b) **Fact that current year figures are not entirely comparable with previous year figures**
- Exceptional items have not been defined in Indian Accounting Standards Ind AS. However, Ind AS 1 requires that when items of income or expense are material, an entity shall disclose their nature and amount separately.

12

Exceptional Items

(Not defined in Ind AS, but requirement of Sch. III)

As per AS 5, when items of income and expense (within profit or loss from ordinary activities) are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately.

Generally, items of income or expense fulfilling the above mentioned criteria are classified as exceptional items and are disclosed separately.

From the above, it appears that all material items are not exceptional items, In other words, exceptional items are those items which meet the test of 'materiality' (Size and nature) and the test of 'incidence'.

13

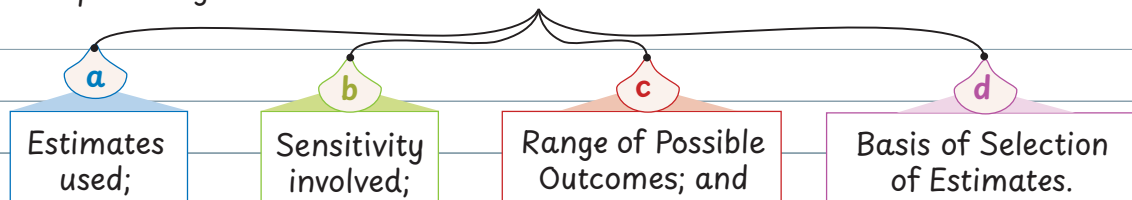
Disclosure under Ind AS 1

13.1 Accounting Policies (AP): Material Accounting Policy Information (MAPI)

- 1. An entity shall disclose MAPI.
- 2. AP information is material if, when considered together with other information included in an entity's FS, it can reasonably be expected to influence decisions that the primary users of general purpose FS make on the basis of those FS
- 3. **Deciding when AP information is MATERIAL?**
 - the entity changed its AP resulting in a **material change** in the FS;
 - the entity **chose AP from one or more options** permitted by Ind ASs;
 - the AP was developed in accordance with Ind AS 8 in the **absence of specific Ind AS**.
 - the AP relates to an area involving **significant judgements or assumptions** in applying an AP.
 - the accounting required for them is **complex**.

13.2 Accounting Estimates

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



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

13.3 Other Disclosures:

- a) Proposed Dividend;
- b) Arrears of Preference Dividend;
- c) Other:
 - Legal form + Domicile (Registered at) + Registered Address;
 - Holding & Ultimate holding company name;
 - Nature of Operations;
 - If it has specified life then disclose.