CA FINAL

FINANCIAL REPORTING

Concept Book

- Simple & Lucid Language
- Complex Concepts Made Simple (Exam Focused Approach)
- Smart Use of Charts & Tables for Quick Grasp

CA Nitin Goel

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INTRODUCTION TO IND AS

"Success is the sum of small efforts, repeated day in day out "

ACCOUNTING STANDARDS

INDIA	INTERNATIONAL
Accounting Standard Board (Established in 1977)	International Accounting Standard Committee [Board] (IASC in 1973 & IASB in 2001)
Accounting Standards (AS) INDAS (IFRS Converged Standards)	International Accounting Standards (IAS) International Financial Reporting Standard (IFRS)

Becoming IFRS Compliant

- Adoption (As it is)
- Convergence (Own standards on same basis with some changes)
  - INDIA

IFRS (IAS + IFRS) $\xrightarrow{\text{Changes}}$ INDAS

Carve Out: Differences which are in deviation to the accounting treatment as given in IFRS.

Carve In: Additional guidance given in Ind AS over & above what is given in IFRS.

Numbering of IND AS:

International standards

- IAS
  - IAS 1 → Ind AS 1
  - IAS 16 → Ind AS 16
- IFRS
  - IFRS 1 → Ind AS 101
  - IFRS 8 → Ind AS 108

APPLICABILITY OF IND AS

FOR COMPANIES
Other than Banks, NBFC's & Insurance Companies

- Voluntary Basis
  - 1st April, 2015
- Mandatory Basis
  - Phase I (From 1st April, 2016)
    - All Listed / Unlisted companies having Net worth ≥ 500 crore (31/3/14 or 31/3/15 or 31/3/16)[1]
  - Phase II (From 1st April, 2017)
    - All Listed companies
    - Unlisted companies having Net worth ≥ 250 crores (31/3/14 or 31/3/15 or 31/3/16 or 31/3/17)[1]

Notes:

1) Net worth shall be checked from 31/3/2014 & thereafter.
2) If company meets criteria specified in Phase II in any year after 31/3/2017, then it shall apply Ind AS from the immediate next year.
3) Parent, subsidiary, Associate & Joint venture of above (except foreign company) also covered under Ind AS.
4) Ind AS once applicable, always applicable.
5) Comparatives shall also be presented as per Ind AS.
6) If Parent, subsidiary, Associate & Joint Venture is Bank / Insurance / NBFC, then Ind AS to such companies is applicable from their respective date.
7) Companies listed on SME exchange not required to apply Ind AS.
8) Companies not covered above & Non corporate entities shall continue to apply AS.

FOR Banking Companies, Insurance Companies & NBFC's

Banking Companies & Insurance Companies

Deferred the implementation until further notice

NBFC's

Phase I

(From 1st April, 2018)

All Listed / Unlisted NBFC's having Net worth ≥ 500 crore (31/3/16 or 31/3/17 or 31/3/18)[1]

Phase II

(From 1st April, 2019)

* All Listed NBFC's
* Unlisted NBFC's having Net worth ≥ 250 crores (31/3/16 or 31/3/17 or 31/3/18 or 31/3/19)[1]

Notes:

1) Net worth shall be checked from 31/3/2016 & thereafter.
2) If company meets criteria specified in Phase II in any year after 31/3/2019, then it Shall apply Ind AS from the immediate next year.
3) Parent, Subsidiary, Associate & Joint venture of above (except foreign company) also covered under Ind AS.
4) Voluntary adoption of Ind AS not allowed in case of Banks, Insurance & NBFCs.
5) Comparatives shall also be presented as per Ind AS.

Ind AS Roadmap for Mutual Funds:

SEBI vide a notification issued, Financial Statements of Mutual Fund schemes will be prepared in accordance with Ind AS and also issued certain guidelines with respect to Ind AS for MFs. The circular also provides specific formats of FS for MF schemes under Ind AS. The requirements of circular will become applicable soon 1st April, 2023.

Calculation of Net worth:

(Paid-up Share capital + All Reserves created out of profits + Securities Premium

- Accumulated Losses - Deferred Expenditure - Miscellaneous expenditure not w/off)

But Net worth does not include reserves created out of revaluation of assets, writeback of depreciation & amalgamation reserve.

Nov 2025 & Onwards

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Question Bank

(Volume-1)

- Comprehensive Coverage
- All ICAI SM, RTP, MTP & PYQ's covered
- Updated & Student Friendly

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INTRODUCTION TO IND AS

ICAI STUDY MATERIAL

Question 1 (MTP Nov 2024)

Following is a snapshot of audited balance sheet of company A as on 31st March 2014. Company A's equity shares are listed on Bombay Stock Exchange since 2010.

Liabilities	₹ in crores	Assets	₹ in crores
Equity Share Capital	160	Fixed Assets	455
Securities Premium	200	Investments	200
General Reserve	150	Current Assets	50
Revaluation Reserve	40	Miscellaneous Expenditure not written off	80
Profit and Loss A/c	75		
Liabilities	160		
Total	**785**	**Total**	**785**

a) As per roadmap, which Phase company A fall into?
b) Will your answer change if Company A is an unlisted company?

Solution

Calculation of Net Worth:

Particulars	₹ in crores
Equity Share Capital	160
Securities Premium	200
General Reserve	150
Profit and Loss A/c	75
Miscellaneous Expenditure not written off	(80)
Net Worth as per Section 2(57) of The Companies Act, 2013	**505**

Note: Revaluation Reserve would not be included in the calculation of net worth as per definition mentioned in section 2(57) of The Companies Act, 2013.
The company is a listed company and it does meet the net worth threshold of ₹ 500 Crores. Hence it would be covered under phase I. Hence Ind AS would be applicable to the company for accounting periods beginning on or after 1st April 2016.
Even if Company A is an unlisted company as company A's net worth is more than ₹ 500 Crores, it would be covered under Phase I of the road map and hence Ind AS would be applicable for the accounting periods beginning on or after 1st April 2016.

Question 2

Let's say in Question 1, the balance of profit and loss account is negative ₹ 375 crores. When Ind AS should be applicable to Company A? Will you answer change if Company A is an unlisted company?

Solution

If the balance of Profit and Loss A/c is negative ₹ 375 Crores, the net worth as per section 2(57) of The Companies Act, 2013 would be ₹ 55 Crores (Equity share capital ₹ 160 Cr + Securities Premium ₹ 200 Cr + General Reserve ₹ 150 Cr – Debit balance of P&L ₹375 Cr – Miscellaneous expenditure not written off ₹ 80 Cr). Hence, it does not meet the criteria as mentioned in Phase I i.e. Listed company or Net worth of ₹ 500 Cr or more.

However, as Company A is a listed company, it will irrespective be covered under Phase II as the first criteria of phase II states "companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than rupees five hundred crore".
Hence, Ind AS would be applicable to Company A for the accounting periods **beginning on or after 1st April 2017**.
If Company A is an unlisted company, Ind AS would not be applicable until it breaches the net worth criteria mentioned in the roadmap.

Question 3

The net worth of Company B (an unlisted company) was ₹ 600 crores as on 31st March 2014. However due to losses incurred in FY 14-15, the net worth of the company was ₹ 400 Crores as on 31st March 2015. From when company B shall apply Ind AS?

Solution

Here the company's net worth as on cut-off date was greater than ₹ 500 crores, which suggests that it should be covered under phase I of the roadmap. A question may however arise in mind that since, the net worth as on immediately preceding year-end was ₹ 400 crores, would the company be covered under phase II of the roadmap?

"It may be noted that the net worth shall be calculated in accordance with the stand-alone financial statements of the company as on 31st March, 2014. Accordingly, if the net worth threshold criteria for a company are once met, then it shall be required to comply with Ind AS, irrespective of the fact that as on later date its net worth falls below the criteria specified."

In view of the above, the Company B will be required to follow Ind AS for accounting periods beginning on or after 1st April 2016.

Question 4

The net worth of Company C (an unlisted company) was ₹ 400 crores as on 31st March 2014. However, the net worth of the company was ₹ 600 Crores as on 31st March 2015. From when company B shall apply Ind AS?

Solution

Similar issue has been encountered in ITFG Bulletin 1, Issue 1 which gives reference to clause 2b of the notification wherein it is stated that:

"For companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified in sub-rule (1) for the first time after 31st March, 2014, the net worth shall be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds specified in sub-rule (1)"

Hence, any company that meets the thresholds as specified in the Companies (Indian Accounting Standards) Rules, 2015 in a particular financial year, Ind AS will become applicable to such company in immediately next financial year. Hence, in the present case, Company C is covered by Phase I of the roadmap and accordingly, Ind AS will be applicable to Company C for accounting periods beginning on or after 1st April 2016.

Question 5

Company D is the parent company of group A. Company A is an unlisted company having net worth of 60 crores as on 31st March 2014. Following are the other companies of the group.

Name of the company	Relationship	Net worth as on 31st March 2014
Company B (Unlisted)	Subsidiary of Company A	₹ 600 Crore
Company C (Unlisted)	Subsidiary of Company B	₹ 150 Crore

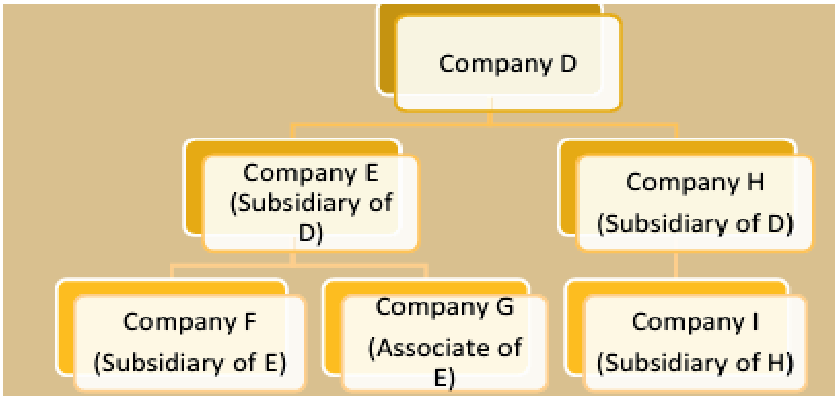
Whether Ind AS be applicable to companies A, B and C?

Solution

Company A and C are unlisted and do not exceed the net worth criteria. However, the net worth of Company B exceeds ₹ 500 Crore hence it would be covered as per the roadmap for implementation of Ind AS in the preparation of its Financial Statements.
As Ind AS be applicable to Company B, the parent company of Company B i.e. Company A and subsidiary of Company B i.e. Company C would also get covered under Ind AS irrespective of net worth criteria. Hence Ind AS would be applicable to all three companies i.e. Company A, B and C

Question 6

Following is the structure of Company D



All the companies in above structure are unlisted companies and the net worth of company E is ₹ 300 Crores and net worth of all the other companies is below ₹ 250 crores. To which company would Ind AS be applicable?

Solution

As mentioned in the Companies (Indian Accounting Standards) Rules, 2015, if Ind AS is applicable to a company, it would also be applicable to its Holding Company, subsidiary company, associate company and Joint Venture.

As the turnover of company E is above ₹ 250 crores, it would be covered under Phase II of the roadmap. Hence, its subsidiary (Company F), associate (Company G) and Holding (Company D) would also be covered under Ind AS with effect from 1st April 2017.

With respect to other companies of the group, following guidance is given in ITFG clarification bulletin 15, Issue 10: "It may be noted that Ind AS applies to holding, subsidiary, joint venture and associate companies of the companies which meet the net worth/listing criteria. This requirement does not extend to another fellow subsidiary of a holding company which is required to adopt Ind AS because of its holding company relationship with a subsidiary meeting the net worth/listing criteria. Holding company will be required to prepare separate and consolidated financial statements mandatorily under Ind AS, if one of its subsidiaries meets the specified criteria and therefore, such subsidiaries may be required by the holding company to furnish financial statements as per Ind AS for the purpose of preparing Holding company's consolidated Ind AS financial statements. Such fellow subsidiaries may, however, voluntarily opt to prepare their financial statements as per Ind AS."
Hence the other companies of the group i.e. Company H and Company I would not be covered under Ind AS. However, as mentioned in ITFG, Company H and I would be required to prepare its financial statements under Ind AS so as to facilitate Company D for preparation of its consolidated financial statements.
Hence, though statutorily Company H and I may continue to prepare its financial statements under AS, but it will also have to converge to Ind AS. Moreover, they may also opt to voluntarily adopt Ind AS and prepare its statutory accounts under Ind AS too.

Question 7

ABC Inc., incorporated in a foreign country has a net worth of ₹ 700 Crores. It has two subsidiaries Company X whose net worth as on 31st March 2014 is ₹ 600 Crores and Company Y whose net worth is ₹ 150 Crores. Whether Company X and Y would be required to follow Ind AS from accounting periods commencing on or after 1st April 2016 on the basis of their own net worth or on the basis of the net worth of ABC Inc.?

Solution

Similar issue has been dealt in ITFG Clarification Bulletin 2, Issue 2. ITFG noted that as per Rule 4(1)(ii)(a) of the Companies (Indian Accounting Standards) Rules, 2015, Company X having net worth of ₹ 600 crores at the end of the financial year 2015-16, would be required to prepare its financial statements for the accounting periods commencing from 1st April, 2016, as per the Companies (Indian Accounting Standards) Rules, 2015. While Company Y Ltd. having net worth of ₹ 150 crores in the year 2015-16, would be required to prepare its financial statements as per the Companies (Accounting Standards) Rules, 2006. (Now 2021)

Since, the foreign company ABC Inc., is not a company incorporated under the Companies Act, 2013 or the earlier Companies Act, 1956, it is not required to prepare its financial statements as per the Companies (Indian Accounting Standards) Rules, 2015. As the foreign company is not required to prepare financial statements based on Ind AS, the net worth of foreign company ABC would not be the basis for deciding whether Indian Subsidiary Company X Ltd. and Company Y Ltd. are required to prepare financial statements based on Ind AS.

Question 8

As per the roadmap, Ind AS is applicable to Company X from the financial year 2017-18. Company X (non-finance company) is a subsidiary of Company Y (NBFC). Company Y is an unlisted NBFC company having net worth of ₹ 400 crores. What will be the date of applicability of Ind AS for company X and company Y? If Ind AS applicability date for parent NBFC is different from the applicability date of corporate subsidiary, then, how will the consolidated financial statements of parent NBFC be prepared?

Solution

In accordance with the roadmap, it may be noted that NBFCs having net worth of less than 500 crore shall apply Ind AS from 1 April, 2019 onwards. Further, the holding, subsidiary, joint venture or associate company of such an NBFC other than those covered by corporate roadmap shall also apply Ind AS from 1 April, 2019.

Accordingly, in the given case, Company Y (NBFC) shall apply Ind AS for the financial year beginning 1 April, 2019 with comparative for the period ended 31 March, 2019. Company X shall apply Ind AS in its statutory individual financial statements from financial year 2017-2018 (as per the corporate roadmap). However, for the purpose of Consolidation by Company Y for financial years 2017-2018 and 2018-2019, Company X shall also prepare its individual financial statements as per AS.

ADDITIONAL QUESTIONS

Question 9 (MTP May 2024)

Which entities are required to prepare their financial statements mandatorily on the basis of Indian Accounting Standards (Ind AS)?

Solution

Following entities are mandatorily required to prepare their financial statements based on Indian Accounting Standards

- All Listed Corporate Entities
- Unlisted Corporate Entities having net worth of rupees 250 crore or more
- All holding, subsidiary, joint venture or associate companies of the above mentioned listed and unlisted corporate entities
- All Listed NBFCs
- Unlisted NBFCs having net worth of rupees 250 crore or more
- MF schemes

Question 10 (PYQ May 2024 (4 Marks))

List out the entities which were covered under Phase I & II under the Companies (Indian Accounting Standards) Rules 2015 as notified by the MCA along with the specific date of coverage with its exclusions, if any.

Solution

MCA has notified the Companies (Indian Accounting Standards) Rules, 2015. Accordingly, it has notified 39 Ind AS and has laid down mandatory Ind AS transition roadmap for companies and NBFC's excluding banking companies and insurance companies under following two phases:

Phase I

Following companies were covered under Phase I for accounting periods beginning on or after 1st April 2016, with the comparatives for the periods ending on 31st March 2016:

a. companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India & having net worth of ₹ 500 crore or more;
b. companies other than those covered by sub-clause (a) above and having net worth of ₹ 500 crore or more;
c. holding, subsidiary, joint venture or associate companies of companies covered by sub-clause (a) and sub-clause (b) as mentioned above.

Phase II

Following companies were covered under Phase II for accounting periods beginning on or after 1st April 2017, with the comparatives for the periods ending on 31st March 2017:

a. companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India & having net worth of less than ₹ 500 crore
b. companies other than those covered in sub-clause (a) above i.e. unlisted companies having net worth of ₹ 250 crore or more but less than ₹ 500 crore.
c. holding, subsidiary, joint venture or associate companies of companies covered by sub-clause (a) and sub-clause (b) as mentioned above.

Exclusions:

The roadmap shall not be applicable to companies whose securities are listed or are in the process of being listed on SME without initial public offering in accordance with the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Ind AS would not be applicable to companies other than listed companies whose net worth is less than ₹ 250 Crores and they will continue to follow AS. However, they can voluntary adopt Ind AS any time.

Nov 2025 & Onwards

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Question Bank

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- Comprehensive Coverage
- All ICAI SM, RTP,MTP & PYQ's covered
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IND AS 103: BUSINESS COMBINATIONS

ICAI STUDY MATERIAL

Question 1 *(Asset acquisition)*

An entity acquires an equipment and a patent in exchange for ₹ 1,000 crore cash and land. The fair value of the land is ₹ 400 crore and its carrying value is ₹ 100 crore. Fair values of the equipment and patent are estimated to be ₹ 500 crore and ₹ 1,000 crore, respectively. The equipment and patent relate to a product that has just recently been commercialised. The market for this product is still developing.

Assume the entity incurred no transaction costs. For ease of convenience, the tax consequences on the gain have been ignored. State how should the transaction be accounted for.

Solution

As per paragraph 2(b) of Ind AS 103, the standard does not apply to "the acquisition of an asset or a group of assets that does not constitute a business. In such cases the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in Ind AS 38, Intangible Assets) and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill". In the given case, the acquisition of equipment and patent does not represent acquisition of a business as equipment and patent relate to a product that has just recently been commercialised.

The cost of the asset acquisition is determined based on the fair value of the assets given, unless the fair value of the assets received is more reliably determinable. In the given case, the fair value measurement of the land appears more reliable than the fair value estimate of the equipment and patent. Thus, the entity should record the acquisition of the equipment and patent as ₹ 1,400 crore (the total fair value of the consideration transferred).

Thus, the fair value of the consideration given, i.e., ₹ 1,400 crore is allocated to the individual assets acquired based on their relative estimated fair values. The entity should record a gain of ₹ 300 crore for the difference between the fair value and carrying value of the land.

The equipment is recorded at its relative fair value ((₹ 500 / ₹ 1,500) × ₹ 1,400 = ₹ 467 crore). The patent is recorded at its relative fair value ((₹ 1,000 / ₹ 1,500) × ₹ 1,400 = ₹ 933 Crore).

Question 2

Company A is a pharmaceutical company. Since inception, the Company had been conducting in-house research and development activities through its skilled workforce and recently obtained an intellectual property right (IPR) in the form of patents over certain drugs. The Company's has a production plant that has recently obtained regulatory approvals. However, the Company has not earned any revenue so far and does not have any customer contracts for sale of goods. Company B acquires Company A.

Determine whether Company A constitute a business in accordance with Ind AS 103.

Solution

The definition of business requires existence of inputs and processes. In this case, the skilled workforce, manufacturing plant and IPR, along with strategic and operational processes constitutes the inputs and processes in line with the requirements of Ind AS 103.

When the said inputs and processes are applied as an integrated set, the Company A will be capable of producing outputs; the fact that the Company A currently does not have revenue is not relevant to the analysis of the definition of business under Ind AS 103. Basis this and presuming that Company A would have been able to obtain access to customers that will purchase the outputs, the present case can be said to constitute a business as per Ind AS 103.

Question 3

Modifying the above Question, if Company A had revenue contracts and a sales force, such that Company B acquires all the inputs and processes other than the sales force, then whether the definition of the business is met in accordance with Ind AS 103?

Solution

Though the sales force has not been taken over, however, if the missing inputs (i.e., sales force) can be easily replicated or obtained by the market participant to generate output, it may be concluded that Company A has acquired business. Further, if Company B is also into similar line of business, then the existing sales force of the Company B may also be relevant to mitigate the missing input. As such, the definition of business is met in accordance with Ind AS 103.

Question 4 (Potential voting rights) (MTP May 2023)

Company P Ltd., a manufacturer of textile products, acquires 40,000 equity shares of Company X (a manufacturer of complementary products) out of 1,00,000 shares in issue. As part of the same agreement, the Company P purchases an option to acquire an additional 25,000 shares. The option is exercisable at any time in the next 12 months. The exercise price includes a small premium to the market price at the transaction date.
After the above transaction, the shareholdings of Company X's two other original shareholders are 35,000 and 25,000. Each of these shareholders also has currently exercisable options to acquire 2,000 additional shares. Assess whether control is acquired by Company P.

Solution

In assessing whether it has obtained control over Company X, Company P should consider not only the 40,000 shares it owns but also its option to acquire another 25,000 shares (a so-called potential voting right). In this assessment, the specific terms and conditions of the option agreement and other factors are considered as follows:

- the options are currently exercisable and there are no other required conditions before such options can be exercised
- if exercised, these options would increase Company P's ownership to a controlling interest of over 50% before considering other shareholders' potential voting rights (65,000 shares out of a total of 1,25,000 shares)
- although other shareholders also have potential voting rights, if all options are exercised Company P will still own a majority (65,000 shares out of 1,29,000 shares)
- the premium included in the exercise price makes the options out-of-the-money. However, the fact that the premium is small and the options could confer majority ownership indicates that the potential voting rights have economic substance.

By considering all the above factors, Company P concludes that with the acquisition of the 40,000 shares together with the potential voting rights, it has obtained control of Company X.

Question 5 (RTP Nov 2020)

Veera Limited and Zeera Limited are both in the business of manufacturing and selling of Lubricant. Shareholders of Veera Limited and Zeera Limited agreed to join forces to benefit from lower delivery and distribution costs. The business combination is carried out by setting up a new entity called Meera Limited that issues 100 shares to Veera Limited shareholders and 50 shares to Zeera Limited shareholders in exchange for the transfer of the shares in those entities. The number of shares reflects the relative fair values of the entities before the combination. Also

respective company's shareholders get the voting rights in Meera Limited based on their respective shareholdings.
Determine the acquirer by applying the principles of Ind AS 103 'Business Combinations'

Solution

As per para B15 of Ind AS 103, in a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly called 'reverse acquisitions', the issuing entity is the acquiree. Other pertinent facts and circumstances shall also be considered in identifying the acquirer in a business combination effected by exchanging equity interests, including:

The relative voting rights in the combined entity after the business combination – The acquirer is usually the combining entity whose owners as a group retain or receive the largest portion of the voting rights in the combined entity.

Based on above mentioned para, acquirer shall be the either of the combining entities (i.e. Veera Limited or Zeera Limited) whose owners as a Group retain or receive the largest portion of the voting rights in the combined entity.

Hence in the above scenario Veera Limited shareholder gets 67% Share [(100/150) x100] and Zeera Limited shareholder gets 33.33% share in Meera Limited. Hence Veera Limited is acquirer as per the principles of Ind AS 103.

Question 6

ABC Ltd. incorporated a company Super Ltd. to acquire 100% shares of another entity Focus Ltd. (and therefore to obtain control of the Focus Ltd.). To fund the purchase, Super Ltd. acquired a loan from XYZ Bank at commercial interest rates. The loan funds are used by Super Ltd. to acquire entire voting shares of Focus Ltd. at fair value in an orderly transaction. Post the acquisition, Super Ltd. has the ability to elect or appoint or to remove a majority of the members of the governing body of the Focus Ltd. and also Super Ltd.'s management is in a power where it will be able to dominate the management of the Focus Ltd.
State whether Super Ltd. be identified as the acquirer in this business combination.

Solution

Paragraph 6 of Ind AS 103 states that for each business combination, one of the combining entities shall be identified as the acquirer.
While paragraph 7 states that the guidance in Ind AS 110 shall be used to identify the acquirer that is the entity that obtains control of another entity called the acquiree. If a business combination has occurred but applying the guidance in Ind AS 110 does not clearly indicate which of the combining entities is the acquirer, the factors in paragraphs B14–B18 of Ind AS 103 shall be considered in making that determination.
Further, paragraph B15 provides that, in a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. However, in some business combinations, commonly called 'reverse acquisitions', the issuing entity is the acquiree. Other pertinent facts and circumstances shall also be considered in identifying the acquirer in a business combination effected by exchanging equity interests, including:

a.) **The relative voting rights in the combined entity after the business combination:** The acquirer is usually the combining entity whose owners as a group retain or receive the largest portion of the voting rights in the combined entity. In determining which group of owners retains or receives the largest portion of the voting rights, an entity shall consider the existence of any unusual or special voting arrangements and options, warrants or convertible securities.
b.) **The existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest:** The acquirer is usually the combining entity whose single owner or organised group of owners holds the largest minority voting interest in the combined entity.

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MCQs & Case Scenarios Booklet

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CASE SCENARIOS

Note: Case Scenarios 1 to 35 are covered by ICAI in their Case Scenario Booklet

INTRODUCTION TO IND AS

ICAI MCQs

1. A Ltd. is following Ind AS for the first time for the year ended 31st March, 20X4. What all period balance sheet to be covered in its first Ind AS financial statements?
   a) 1st April 20X2
   b) 31st March 20X3
   c) 31st March 20X4
   d) All of the above

2. Company XYZ Pvt Ltd was having its net worth of ₹ 230 Crores as on 31st March 20Z0. It made a profit of ₹ 30 Crores in FY Z0-Z1 and made a loss of ₹ 15 crores in FY Z1-Z2. From which date it is required to apply Ind AS?.
   a) Accounting periods beginning on or after 1st April 20Z0
   b) Accounting periods beginning on or after 1st April 20Z1
   c) Accounting periods beginning on or after 1st April 20Z2
   d) It is not required to comply with Ind AS as its Net worth as on 31st March 20Z2 is below ₹ 250 Cr.

3. Ind AS 103 contains additional guidance on common control transaction which is not there in IFRS 3. How this can be termed?
   a) Carve in
   b) Carve out
   c) Exception
   d) None of the above

4. Which one of the following is the benefit of implementation of Indian Accounting Standards (Ind AS) in India?.
   a) Increase in net profitability
   b) Minimised disclosure requirements
   c) Access to domestic capital market
   d) Global harmonization helps grow FII and FDI interests

5. For preparing Ind AS based financial statements with transition date 1st April, 20X5, what all guidance needs to be referred by A Ltd.?
   a) Ind AS 1
   b) Division II of Schedule III to the Companies Act, 2013
   c) Guidance Note on preparation and presentation of Ind AS based financial statements issued by ICAI
   d) All of the above

6. Country X has taken approach of implementing Global Accounting Standards in its country with some significant changes in line with their national economic policies. This would be termed as ________________________

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING UNDER IND AS

ICAI MCQs

1. Which of the following statements is FALSE with respect to Reporting Period?
   a) Financial statements are prepared for a specified period of time
   b) It helps users of financial statements to identify and assess changes and trends
   c) Financial statements provide comparative information for at least one preceding reporting period
   d) Financial statements should not provide comparative information for more than one preceding reporting periods

2. Which of the following statements is FALSE with respect to CONTROL? An entity controls an economic resource if:.
   a) it has the present ability to direct the use of the economic resource
   b) it obtains the economic benefits that may flow from it
   c) if one party controls an economic resource, other party may also control that resource
   d) Control of an economic resource usually arises from an ability to enforce legal rights

3. The usefulness of financial information is enhanced if it is:
   a) comparable, verifiable, perfect and understandable
   b) comparable, verifiable, timely and objective
   c) effective, verifiable, timely and understandable
   d) comparable, verifiable, timely and understandable

4. Which of the following statements is FALSE for Consolidated and unconsolidated financial statements?
   a) Consolidated financial statements provide information of both the parent and its subsidiaries as a single reporting entity
   b) Unconsolidated financial statements are designed to provide parents information and not about those of its subsidiaries
   c) Consolidated financial statements are designed to provide separate information of any particular subsidiary
   d) A parent may require / choose, to prepare unconsolidated financial statements in addition to consolidated financial statements

5. Which of the following statements are TRUE with respect to The Reporting Entity?
   a) A reporting entity has to be a single entity only and it cannot comprise more than one entity
   b) A reporting entity is an entity that is required, or chooses, to prepare financial statements
   c) If a reporting entity is the parent alone, the reporting entity's financial statements are referred to as consolidated financial statements
   d) If two or more entities are all linked by a parent-subsidiary relationship, they are referred to as combined financial statements

6. Which of the following definitions is incorrect?
   a) An Asset is a present economic resource controlled by the entity as a result of past events
   b) A Liability is a past obligation of the entity to transfer an economic resource as a result of present events
   c) An Equity is the residual interest in the assets of the entity after deducting all its liabilities
   d) Income is the increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims

7. To be a perfectly faithful representation, a depiction would not have the following characteristic:
   a) Complete
   b) Unintentional error is allowed
   c) Neutral
   d) Free from error

8. Which of the following is true with respect to the cost constraint on useful financial information?
   a) Cost is a pervasive constraint on the information that can be provided by financial reporting
   b) IASB considers costs and benefits in individual reporting entities only
   c) For application of cost constraint, no assessment of benefits of reporting is done
   d) Users do not incur any costs in reporting and analyzing financial information

9. Which of the following is not the limitation of 'General Purpose Financial Reporting'?
   a) It cannot provide all of the information that existing and potential investors need
   b) The users of reports need to consider pertinent information from other sources
   c) Information given in financial statements help to estimate the value of the reporting entity
   d) Reports are not primarily directed to other parties, such as regulators and lenders etc.

10. Which of the following statements is FALSE with respect to Going concern assumption?
   a) There is fundamental assumption that the reporting entity is a going concern
   b) Reporting entity will continue in operation for the foreseeable future
   c) There is no need to describe the basis used in financial statements, if the entity has the intention of liquidation
   d) In case of liquidation, financial statements may have to be prepared on a different basis

11. With respect to the best practices applicable to all companies, which of the following statements is incorrect?
   a) Comply with the standards and regulations but also ensure that financial statements are an effective part of wider communication with stakeholders.
   b) Disclose complete information in the financial to avoid any further cross questioning in the mind of the users.
   c) Reduce generic disclosures and focus on company specific disclosures that explain how the company applies the policies.
   d) Do not disclose assumptions and bases, so that users are not misled.

Answers:

1: (d)	2: (c)	3: (d)	4: (c)	5: (b)	6: (b)
7: (b)	8: (a)	9: (c)	10: (c)	11: (d)	

IND AS 1: PRESENTATION OF FINANCIAL STATEMENTS

ICAI MCQs

1. An entity whose financial statements comply with Ind AS shall make an ________ statement of such compliance in the notes
   a) Explicit and reserved
   b) Implicit and unreserved
   c) Explicit and unreserved
   d) Implicit and reserved

2. Application of Ind AS 1 is important for:
   a) Preparation of general-purpose financial statements
   b) Presentation of general-purpose financial statements
   c) Preparation and presentation of general-purpose financial statements
   d) Preparation, presentation and disclosure in the general-purpose financial

3. Which of the following information of the entity is not mandatory to be displayed prominently, and is to be repeated when necessary for the information presented to be understandable?
   a) Name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period
   b) Whether the financial statements cover the individual entity or a group of entities
   c) Equity pattern showing the Names of major shareholdings in the entity
   d) Level of rounding used in presenting amounts in the financial statements

4. An inappropriate accounting policy of the entity cannot be rectified by the following ways:
   a) Disclosure of the accounting policies used
   b) By notes
   c) Explanatory material
   d) All of the above

5. An entity presents an analysis of expenses recognized in the profit or loss using a classification based on the nature of expenses method. Which of the following is not the classification using the nature of expense?
   a) Employee benefits expense
   b) Selling and distribution expenses
   c) Amortization expense
   d) Depreciation expense

6. Ind AS 1 applies to all entities except:
   a) Those that present consolidated financial statements
   b) Those present separate financial statements
   c) Both of the above
   d) None of the above

7. An entity shall present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements if:

About The Author

CA Nitin Goel is an All India Rank holder at all CA levels (AIR 9 in CPT, AIR 7 in Intermediate, AIR 9 in Final) and a Gold Medalist in B.Com. With 10+ years of teaching experience, he is a renowned Accounts, Advanced Accounts, and Financial Reporting faculty at PW. A former ITC professional, he blends industry insights with teaching. His students consistently score 90+ marks and have secured All India Ranks, including AIR 1, making him a trusted name in CA education.

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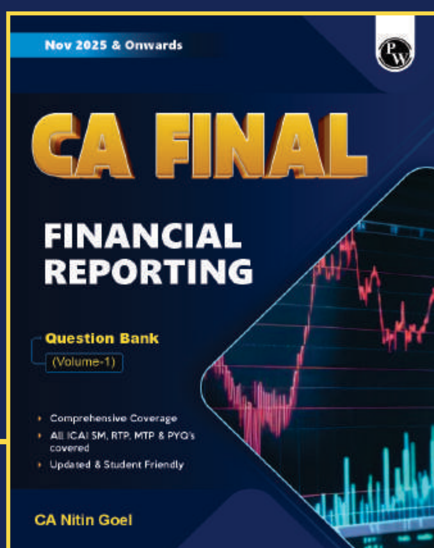

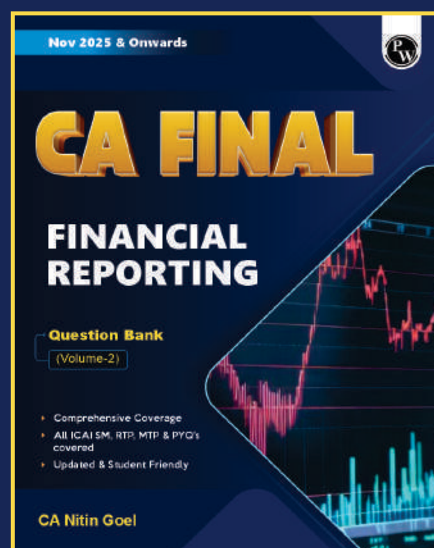

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