This Study Material has been prepared by the faculty of the Board of Studies. The objective of
the Study Material is to provide teaching material to the students to enable them to obtain
knowledge and skills in the subject. In case students need any clarifications or have any
suggestions to make for further improvement of the material contained herein, they may write
to the Director of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the
students. However, the Study Material has not been specifically discussed by the Council of
the Institute or any of its Committees and the views expressed herein may not be taken to
necessarily represent the views of the Council or any of its Committees.

Permission of the Institute is essential for reproduction of any portion of this material.

© THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

All rights reserved. No part of this book may be reproduced, stored in retrieval system, or
transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or
otherwise, without prior permission in writing from the publisher.

Revised Edition : January, 2017
Website : www.icai.org
Department/ Committee
  : Board of Studies
E-mail : bosnoida@icai.in
ISBN No. :
Price :
Published by : The Publication Department on behalf of The Institute of Chartered
  Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi-110 002, India.
  Typeset and designed at Board of Studies.
Printed by :
SYLLABUS

PAPER 1 : FINANCIAL REPORTING
(One paper – Three hours – 100 marks)

Level of Knowledge: Advanced knowledge

Objectives:
(a) To gain ability to analyze financial statements including consolidated financial statements of group companies and financial reports of various types of entities,
(b) To gain ability to apply valuation principles,
(c) To familiarise with recent developments in the area of financial reporting,
(d) To gain ability to solve financial reporting and valuation cases.

Contents:
1. Accounting Standards and Guidance Notes on various accounting aspects issued by the ICAI and their applications.
2. Introduction of Indian Accounting Standards (Ind AS); Comparative study of ASs vis-a-vis Ind ASs; Carve outs/ins in Ind ASs vis-à-vis International Financial Reporting Standards (IFRSs).
4. Accounting for Corporate Restructuring (including inter-company holdings).
5. Consolidated Financial Statements of Group Companies
   Concept of a Group, purposes of consolidated financial statements, minority interest, Goodwill, Consolidation procedures – Minority interests, Goodwill, Treatment of pre-acquisition and post-acquisition profit.
   Consolidation with two or more subsidiaries, consolidation with foreign subsidiaries.
   Consolidated profit and loss account, balance sheet and cash flow statement.
   Treatment of investment in associates in consolidated financial statements.
   Treatment of investments in joint ventures in consolidated financial statements.
6. Accounting and reporting of financial instruments
   Meaning, recognition, derecognition and offset, compound financial instruments
Measurement of financial instruments
Hedge accounting
Disclosures

7. Share based payments
   Meaning, Equity settled transactions, Transaction with employees and non-employees
   Determination of fair value of equity instruments
   Vesting conditions
   Modification, cancellation and settlement
   Disclosures

8. Financial Reporting by Mutual funds, Non-banking finance companies, Merchant bankers, Stock and commodity market intermediaries.

9. Valuation
   (a) Concept of Valuation
   (b) Valuation of Tangible Fixed Assets
   (c) Valuation of Intangibles including brand valuation and valuation of goodwill
   (d) Valuation of liabilities
   (e) Valuation of Shares
   (f) Valuation of Business

10. Developments in Financial Reporting
    (a) Value Added Statement
    (b) Economic Value Added, Market Value Added, Shareholders’ Value Added
    (c) Human Resource Reporting

Note– If either old Accounting Standards (ASs), Guidance Notes (GNs), Announcements and Limited Revisions to ASs are withdrawn or new ASs, GNs, Announcements and Limited Revisions to AS are issued by the Institute of Chartered Accountants of India in place of existing ASs, GNs, Announcements and Limited Revisions to AS, the syllabus will accordingly exclude / include such new developments in the place of the existing ones with effect from the date to be notified by the Institute.
A WORD ABOUT STUDY MATERIAL

The paper of Financial Reporting in the Final Course concentrates on aspects of preparing and analyzing financial statements. Students are expected to acquire advanced knowledge in this paper. The importance of the subject of financial reporting is growing over the years due to various factors like liberalization, flow of cross-border capital, emergence of global corporations and movement towards better corporate governance practices. Standardization of accounting policies and financial reporting norms are significant aspects that make the subject more interesting in the recent years. It may be noted that significant changes are taking place in the area of Accounting Standards and Guidance Notes. Many new Accounting Standards and Guidance Notes have been formulated by the Institute of Chartered Accountants of India keeping in mind the growing importance of financial reporting in the corporate scenario. Existing Accounting Standards and Guidance Notes are also revised from time to time. Keeping all this in view, it has been decided to publish a separate book containing the Framework for Preparation and Presentation of Financial Statements, Accounting Standards and relevant Guidance Notes. For text of Framework for Preparation and Presentation of Financial Statements, Accounting Standards and Guidance Notes the students are advised to refer the publication on Accounting Pronouncements.

The students are required to develop understanding of the Accounting Standards and the relevant Guidance notes and gain ability to apply the provisions contained therein to practical situations. The last decade has witnessed a sea change in the global economic scenario. The emergence of transnational corporations in search of money, not only for fuelling growth, but to sustain ongoing activities has necessitated raising of capital from all parts of the world. When an enterprise decides to raise capital from the foreign markets, the rules and regulations of that country will apply and the enterprise should be able to understand the differences between the rules governing financial reporting in the foreign country as compared to that of its own country. Thus translations and re-instatements of financial statements are of great significance. Therefore, chapter based on Indian Accounting Standards, has also been included in the Final Course curriculum.

The Financial Reporting study material has been divided into three modules dealing with conceptual theoretical framework of the topics specified in the syllabus in detail while practice manual contains number of illustrations for practice. Care has been taken to present the chapters in the same sequence as prescribed in the syllabus to facilitate easy understanding by the students. Small illustrations have been incorporated in each chapter/unit to explain the concepts/principles covered in the chapter/unit.

The students are expected to cover the entire syllabus and practice on their own while going through the Practice Manual. The main aim of the Practice Manual is to provide guidance as to the manner of writing answers in the examination. The Practice Manual will serve as a useful and handy reference guide while preparing for Final Examination. Further, it will enhance the understanding about the pattern of questions set and the manner of answering...
such questions. It will enable solving the problems in the best possible manner and guide the students to improve their performance in the examinations. It will also help them to work upon their grey areas and plan a strategy to tackle theoretical as well as practical problems.

Students are also advised to update themselves with the latest changes in the area of financial reporting. For this they may refer to academic updates in the monthly journal ‘The Chartered Accountant’ and the Students’ Journal ‘The Chartered Accountant Student’ (published by the Board of Studies), financial newspapers, SEBI and Corporate Law Journal, published financial statements of companies etc. Latest relevant amendments in SEBI Regulations, notified sections of the Companies Act, 2013 and RBI notifications for NBFCs have been incorporated in this revised edition.

An effort has been made to arrange the questions in more logical manner i.e. sub-topic wise or on the basis of accounting standards to will help the students in preparing for the Final Course Examination.

Any additions made in the chapters, whether theoretical or practical illustrations, have been highlighted with grey shading or in bold-italics in the study material for easy identification and quick reference.

In case you need any clarification/guidance, you may send your queries at seema@icai.in; shilpa@icai.in; asha.verma@icai.in.

Happy Reading and Best Wishes!
### SIGNIFICANT ADDITIONS/AMENDMENTS IN THIS EDITION

<table>
<thead>
<tr>
<th>Chapter/Unit No.</th>
<th>Name of the Chapter</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1</td>
<td>Accounting Standards and Guidance Notes</td>
<td></td>
</tr>
<tr>
<td>Unit 3</td>
<td>Valuation of Inventories</td>
<td>Para 3.6 amended</td>
</tr>
<tr>
<td>Unit 5</td>
<td>Contingencies and Events occurring after the Balance Sheet Date</td>
<td>Para 5.3 amended</td>
</tr>
<tr>
<td></td>
<td>Unit on Depreciation Accounting</td>
<td>Deleted</td>
</tr>
<tr>
<td>Unit 9</td>
<td>Property, Plant and Equipment</td>
<td>Newly added by deleting the old unit on ‘Accounting for Fixed Assets’</td>
</tr>
<tr>
<td>Unit 12</td>
<td>Accounting for Investment</td>
<td>Para 12.7 amended</td>
</tr>
<tr>
<td>Unit 13</td>
<td>Accounting for Amalgamation</td>
<td>Para 13.2 amended,Para 13.7 amended, Illustration 3 modified</td>
</tr>
<tr>
<td>Unit 20</td>
<td>Consolidated Financial Statements</td>
<td>Para 20.2 amended</td>
</tr>
<tr>
<td>Unit 29</td>
<td>Guidance Notes</td>
<td>In Para 29.3, list modified, In Para 29.4, Explanation of “GN(A) 9 (Issued 1994) Guidance Note on Availability of Revaluation Reserve for Issue of Bonus Shares” deleted, In Para 29.4, summary of three</td>
</tr>
</tbody>
</table>
new Guidance Notes have been added

Certain new illustrations also added

| Annexure | Schedule III to the Companies Act, 2013 | Amended Division II on Ind AS added |
MODULE – 1
Chapter 1 – Accounting Standards and Guidance Notes
Unit 1:    Introduction to Accounting Standards
Unit 2:  AS 1 – Disclosure of Accounting Policies
Unit 3:  AS 2 – Valuation of Inventories
Unit 4:  AS 3 – Cash Flow Statements
Unit 5:  AS 4 – Contingencies and Events occurring after the Balance Sheet Date
Unit 6:  AS 5 – Net profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
Unit 7:  AS 7 – Construction contracts
Unit 8:  AS 9 – Revenue Recognition
Unit 9:  AS 10 – Property, Plant and Equipment
Unit 10: AS 11 – The Effects of Changes in Foreign Exchange Rate
Unit 11: AS 12 – Accounting for Government Grants
Unit 12: AS 13 – Accounting for Investments
Unit 13: AS 14 – Accounting for Amalgamations
Unit 14: AS 15 – Employee Benefits
Unit 15: AS 16 – Borrowing Costs
Unit 16: AS 17 – Segment Reporting
Unit 17: AS 18 – Related Party Disclosures
Unit 18: AS 19 – Leases
Unit 19: AS 20 – Earnings per Share
Unit 20: AS 21 – Consolidated Financial Statements
Unit 21: AS 22 – Accounting for Taxes on Income
Unit 22: AS 23 – Accounting for Investments in Associates in Consolidated Financial Statements
Unit 23: AS 24 – Discontinuing Operations
Unit 24: AS 25 – Interim Financial Reporting

© The Institute of Chartered Accountants of India
Module 2
Chapter 2 – Indian Accounting Standards (Ind AS)
Chapter 3 – Corporate Financial Reporting
Chapter 4 – Accounting for Corporate Restructuring

Module 3
Chapter 5 – Consolidated Financial Statements of Group Companies
Unit 1: Introduction
Unit 2: Consolidated Financial Statements
Unit 3: Treatment of Investment in Associates in Consolidated Financial Statements
Unit 4: Treatment of Investment in Joint Ventures in Consolidated Financial Statements
Chapter 6 – Accounting and Reporting of Financial Instruments
Chapter 7 – Share Based Payments
Chapter 8 – Financial Reporting for Financial Institutions
Unit 1: Mutual Funds
Unit 2: Non-Banking Finance Company
Unit 3: Merchant Bankers
Unit 4: Stock and Commodity Market Intermediaries
Chapter 9 – Valuation
Unit 1: Concept of Valuation
Unit 2: Valuation of Tangible Fixed Assets
Unit 3: Valuation of Intangibles
Unit 4: Valuation of Liabilities
Unit 5: Valuation of Shares
Unit 6: Valuation of Business
Chapter 10 - Developments in Financial Reporting
Unit 1: Value Added Statement
Unit 2: Economic Value Added
Unit 3: Market Value Added
Unit 4: Shareholders' Value Added
Unit 5: Human Resource Reporting
# Detailed Contents: Module – 1

## Contents

### Chapter 1 – Accounting Standards and Guidance Notes

**Unit 1:** Introduction to Accounting Standards

1.1 Objectives of Accounting Standards .............................................................. 1.1  
1.2 Benefits and Limitations ................................................................................ 1.2  
1.3 Standard-Setting Process ............................................................................. 1.2  
1.4 How Many Accounting Standards? ............................................................... 1.3  
1.5 Status of Accounting Standards .................................................................. 1.3  
1.6 Applicability of Accounting Standards .......................................................... 1.4  
1.7 List of Accounting Standards .............................................................. 1.15  
1.8 Development in the area of Accounting Standards in India ................... 1.16  
1.9 Convergence Strategy ................................................................................. 1.18

**Unit 2:** AS 1 – Disclosure of Accounting Policies

2.1 Introduction ................................................................................................ 1.19  
2.2 Applicability ................................................................................................ 1.19  
2.3 Fundamental Accounting Assumptions ....................................................... 1.19  
2.4 Disclosure of Deviations from Fundamental Accounting Assumptions .... 1.20  
2.5 Accounting Policies .................................................................................... 1.21  
2.6 Considerations in the Selection of Accounting Policies .............................. 1.21  
2.7 Disclosure of Accounting Policies .............................................................. 1.22  
2.8 Disclosure of Changes in Accounting Policies ............................................ 1.23  
2.9 Illustrations .................................................................................................. 1.23

**Unit 3:** AS 2 – Valuation of Inventories

3.1 Introduction ................................................................................................ 1.26  
3.2 Scope ............................................................................................................ 1.26  
3.3 Measurement of Inventories ......................................................................... 1.27  
3.4 Cost Formula ................................................................................................. 1.32
3.5 Net Realisable Value (NRV) .............................................................. 1.33
3.6 Disclosures ........................................................................................ 1.35
3.7 Illustrations ....................................................................................... 1.36

Unit 4: AS 3 – Cash Flow Statements
4.1 Introduction ..................................................................................... 1.40
4.2 Objective .......................................................................................... 1.40
4.3 Presentation of a Cash Flow Statement ............................................. 1.41
4.4 Reporting Cash Flows from Operating Activities ......................... 1.44
4.5 Reporting Cash Flows on Net Basis ................................................. 1.56
4.6 Foreign Currency Cash Flow and Exchange Gains and Losses .... 1.57
4.7 Disclosures ....................................................................................... 1.57

Unit 5: AS 4 – Contingencies and Events occurring after the Balance Sheet Date
5.1 Introduction ..................................................................................... 1.59
5.2 Contingencies .................................................................................. 1.59
5.3 Events Occurring after the Balance Sheet Date ............................. 1.59
5.4 Disclosure ........................................................................................ 1.61
5.5 Illustrations ....................................................................................... 1.61

Unit 6: AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
6.1 Introduction ..................................................................................... 1.66
6.2 Net Profit or Loss for the Period ...................................................... 1.66
6.3 Prior Period Items ........................................................................... 1.67
6.4 Changes in Accounting Estimates ................................................... 1.68
6.5 Changes in Accounting Policies ....................................................... 1.68
6.6 Miscellaneous Illustrations ............................................................... 1.69

Unit 7: AS 7 – Construction Contracts
7.1 Introduction ..................................................................................... 1.73
7.2 Definitions of the Terms used in the Standard ................................ 1.73
7.3 Combining and Segmenting Construction Contracts .................... 1.73
7.4 Contract Revenue ............................................................................ 1.74
7.5 Contract Costs ................................................................................ 1.74
7.6 Recognition of Contract Revenue and Expenses ......................... 1.75

© The Institute of Chartered Accountants of India
7.7 Disclosure .................................................................................................. 1.76
7.8 Illustrations ................................................................................................. 1.77

Unit 8: AS 9 – Revenue Recognition
8.1 Introduction ................................................................................................ 1.80
8.2 Revenue ..................................................................................................... 1.80
8.3 Sale of Goods ............................................................................................. 1.82
8.4 Rendering of Services ................................................................................. 1.82
8.5 Interest, Royalties and Dividends .............................................................. 1.82
8.6 Effect of Uncertainties on Revenue Recognition ........................................ 1.83
8.7 Disclosure .................................................................................................. 1.83
8.8 Illustrations ................................................................................................. 1.84

Unit 9: AS 10 – Property, Plant and Equipment
9.1 Introduction ................................................................................................ 1.87
9.2 Scope of the Standard ................................................................................ 1.88
9.3 Definition of Property, Plant and Equipment (PPE) ...................................... 1.88
9.4 Other Definitions ........................................................................................ 1.89
9.5 Recognition Criteria for PPE ....................................................................... 1.91
9.6 Treatment of Spare Parts, Stand by Equipment and Servicing Equipment .... 1.92
9.7 Treatment of Subsequent Costs .................................................................. 1.92
9.8 Measurement of PPE .................................................................................. 1.93
9.9 Measurement at Recognition ...................................................................... 1.94
9.10 Cost of a Self- Constructed Asset .............................................................. 1.97
9.11 Measurement of Cost ............................................................................... 1.97
9.12 Measurement after Recognition ............................................................... 1.98
9.13 Cost Model ............................................................................................... 1.99
9.14 Revaluation Model ................................................................................... 1.99
9.15 Depreciation .............................................................................................. 1.103
9.16 Depreciable Amount and Depreciation Period ........................................... 1.104
9.17 Depreciation Method ................................................................................ 1.107
9.18 Changes in Existing Decommissing, Restoration and other Liabilities ...... 1.108
9.19 Impairment .............................................................................................. 1.110
9.20 Compensation for Impairment ................................................................. 1.110
9.21 Retirements ........................................................................................................... 1.111
9.22 De-recognition .................................................................................................... 1.111
9.23 Disclosure .......................................................................................................... 1.112
9.24 Transitional Provisions .................................................................................... 1.113

Unit 10: AS 11 – The Effects of Changes in Foreign Exchange Rates
10.1 Introduction .......................................................................................................... 1.115
10.2 Scope ................................................................................................................... 1.115
10.3 Definitions of the terms used in the Standard .................................................... 1.116
10.4 Initial Recognition ............................................................................................... 1.117
10.5 Reporting at each balance sheet date ............................................................... 1.117
10.6 Recognition of Exchange Differences ............................................................... 1.117
10.7 Classification of Foreign Operations as Integral or Non-integral ....................... 1.119
10.8 Translation of Foreign Integral Operations ....................................................... 1.119
10.9 Translation of Non-Integral Foreign Operations .............................................. 1.120
10.10 Change in the Classification of a Foreign Operation ......................................... 1.121
10.11 Tax Effects of Exchange Differences ............................................................... 1.122
10.12 Forward Exchange Contract ............................................................................ 1.122
10.13 Disclosure ........................................................................................................... 1.123
10.14 Presentation of Foreign Currency Monetary Item Translation Difference Account (FCMITDA) .......................................................... 1.123
10.15 Miscellaneous Illustrations .............................................................................. 1.123

Unit 11: AS 12 – Accounting for Government Grants
11.1 Introduction .......................................................................................................... 1.126
11.2 Accounting Treatment of Government Grants ................................................... 1.126
11.3 Recognition of Government Grants .................................................................... 1.127
11.4 Non-monetary Government Grants .................................................................... 1.127
11.5 Presentation of Grants Related to Specific Fixed Assets .................................... 1.127
11.6 Presentation of Grants Related to Revenue ....................................................... 1.128
11.7 Presentation of Grants in the nature of Promoters' contribution ....................... 1.128
11.8 Refund of Government Grants ........................................................................... 1.128
11.9 Disclosure ........................................................................................................... 1.128
11.10 Miscellaneous Illustrations .............................................................................. 1.129
Unit 12: AS 13 – Accounting for Investments

12.1 Introduction ................................................................. 1.132
12.2 Definition of the terms used in the Standard .................. 1.132
12.3 Forms of Investments .................................................. 1.132
12.4 Classification of Investments ........................................ 1.133
12.5 Cost of Investments ....................................................... 1.133
12.6 Carrying Amount of Investments ................................. 1.133
12.7 Investment Properties .................................................. 1.134
12.8 Disposal of Investments ............................................... 1.134
12.9 Reclassification of Investments ..................................... 1.134
12.10 Disclosure ................................................................. 1.134

Unit 13: AS 14 – Accounting for Amalgamations

13.1 Introduction ................................................................. 1.137
13.2 Definition of the terms used in the Standard .................. 1.137
13.3 Types of Amalgamations ............................................. 1.137
13.4 Amalgamation in the Nature of Merger ......................... 1.137
13.5 Amalgamation in the Nature of Purchase ....................... 1.138
13.6 Methods of Accounting for Amalgamations ................. 1.138
13.7 Treatment of Reserves of the Transferor Company on Amalgamation .... 1.139
13.8 Treatment of Goodwill Arising on Amalgamation .......... 1.140
13.9 Disclosures ............................................................... 1.140
13.10 Miscellaneous Illustrations ......................................... 1.141

Unit 14: AS 15 – Employee Benefits

14.1 Introduction ................................................................. 1.148
14.2 Applicability ............................................................... 1.148
14.3 Meaning of the term “Employee Benefits” .................. 1.148
14.4 Short-term Employee Benefits ................................... 1.149
14.5 Post Employment Benefits: Defined Contribution vs Defined Benefits .... 1.150
14.6 Is the Gratuity Scheme a Defined Contribution or Defined Benefit Scheme? 1.151
14.7 Other Long Term Employee Benefits ......................... 1.151
14.8 Termination Benefits ................................................. 1.151
14.9 Accounting Treatment ............................................... 1.152
<table>
<thead>
<tr>
<th>Unit 17: AS 18 – Related Party Disclosures</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.1 Introduction .................................................. 1.178</td>
</tr>
<tr>
<td>17.2 Objective .......................................................... 1.178</td>
</tr>
<tr>
<td>17.3 Scope .................................................................. 1.178</td>
</tr>
<tr>
<td>17.4 Definitions of the Terms used in the Accounting Standard .................. 1.179</td>
</tr>
<tr>
<td>17.5 The Related Party Issue ........................................ 1.181</td>
</tr>
<tr>
<td>17.6 Disclosure .......................................................... 1.182</td>
</tr>
<tr>
<td>17.7 Miscellaneous Illustrations ................................. 1.182</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit 18: AS 19 – Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.1 Introduction .................................................. 1.184</td>
</tr>
<tr>
<td>18.2 Scope ................................................................ 1.184</td>
</tr>
<tr>
<td>18.3 Definition of the Terms used under AS 19 .................. 1.185</td>
</tr>
<tr>
<td>18.4 Classification of Leases ........................................ 1.187</td>
</tr>
<tr>
<td>18.5 Leases in the Financial Statements of Lessees .............. 1.188</td>
</tr>
<tr>
<td>18.6 Leases in the Financial Statements of Lessors .............. 1.190</td>
</tr>
<tr>
<td>18.7 Sale and Leaseback Transactions ............................ 1.197</td>
</tr>
<tr>
<td>18.8 Miscellaneous Illustrations .................................... 1.198</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit 19: AS 20 – Earnings per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.1 Introduction .................................................. 1.204</td>
</tr>
<tr>
<td>19.2 Definition of the terms used in the Accounting Standard ........ 1.204</td>
</tr>
<tr>
<td>19.3 Basic Earnings per Share .............. 1.205</td>
</tr>
<tr>
<td>19.4 Diluted Earnings Per Share .......... 1.209</td>
</tr>
<tr>
<td>19.5 Restatement ...................................................... 1.211</td>
</tr>
<tr>
<td>19.6 Presentation ..................................................... 1.212</td>
</tr>
<tr>
<td>19.7 Disclosure ......................................................... 1.212</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit 20: AS 21 – Consolidated Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.1 Introduction .................................................. 1.219</td>
</tr>
<tr>
<td>20.2 Objective .......................................................... 1.219</td>
</tr>
<tr>
<td>20.3 Scope ................................................................ 1.219</td>
</tr>
<tr>
<td>20.4 Definitions of the Terms used in the Accounting Standard .......... 1.220</td>
</tr>
<tr>
<td>20.5 Circumstances under which Consolidated Financial Statements are Prepared .... 1.220</td>
</tr>
</tbody>
</table>
20.6 Subsidiaries with Dissimilar Activities ........................................................ 1.221
20.7 Loss of Control .......................................................................................... 1.221
20.8 Existence of Control .................................................................................. 1.221
20.9 Consolidation Procedures .......................................................................... 1.223
20.10 Cost of Control ......................................................................................... 1.223
20.11 Illustrations ............................................................................................... 1.224
20.12 Minority Interest ....................................................................................... 1.226
20.13 Other Points ............................................................................................. 1.228
20.14 Disposal of Holding .................................................................................. 1.230
20.15 Disclosure ................................................................................................ 1.232
20.16 Transitional Provisions ............................................................................ 1.232
20.17 Accounting for Taxes on Income in the Consolidated Financial
     Statements ................................................................................................. 1.233

Unit 21: AS 22 – Accounting for Taxes on Income

21.1 Introduction .............................................................................................. 1.234
21.2 Need ......................................................................................................... 1.234
21.3 Definitions ............................................................................................... 1.234
21.4 Recognition ................................................................................................ 1.235
21.5 Re-assessment of Unrecognised Deferred Tax Assets ............................... 1.235
21.6 Measurement ............................................................................................ 1.236
21.7 Review of Deferred Tax Assets .................................................................. 1.236
21.8 Disclosure ................................................................................................ 1.236
21.9 Transitional Provision ............................................................................... 1.237
21.10 Relevant Explanations to AS 22 ............................................................... 1.237
21.11 Miscellaneous Illustrations ...................................................................... 1.238

Unit 22: AS 23 – Accounting for Investments in Associates in Consolidated
     Financial Statements

22.1 Introduction .............................................................................................. 1.243
22.2 Objective ................................................................................................ 1.243
22.3 Definitions of the terms used in the Accounting Standard ......................... 1.243
22.4 Associates Accounted for using the Equity method .................................... 1.245
22.5 Circumstances under which Equity Method is followed ............................ 1.246
22.6 Application of the Equity Method ................................. 1.247
22.7 Contingencies .................................................................... 1.251
22.8 Disclosure ........................................................................ 1.251
22.9 Transitional Provisions .................................................... 1.252
22.10 Relevant Explanations to AS 23 ................................. 1.252

Unit 23: AS 24 – Discontinuing Operations
  23.1 Introduction .................................................................. 1.253
  23.2 Objective ........................................................................ 1.253
  23.3 Discontinuing Operation ................................................ 1.253
  23.4 Initial Disclosure Event ................................................... 1.254
  23.5 Recognition and Measurement ....................................... 1.255
  23.6 Presentation and Disclosure ........................................... 1.255

Unit 24: AS 25 – Interim Financial Reporting
  24.1 Introduction .................................................................. 1.258
  24.2 Definitions of the terms used under the Accounting Standard .... 1.258
  24.3 Content of an Interim Financial Report ............................ 1.258
  24.4 Form and Content of Interim Financial Statements .......... 1.259
  24.5 Selected Explanatory Notes ............................................ 1.259
  24.6 Periods for which Interim Financial Statements are required to be presented ......................................................... 1.260
  24.7 Materiality ....................................................................... 1.260
  24.8 Disclosure in Annual Financial Statements ...................... 1.262
  24.9 Accounting Policies ....................................................... 1.262
  24.10 Revenue Received Seasonally or Occasionally ................ 1.263
  24.11 Cost Incurred Unevenly During the Financial Year .......... 1.263
  24.12 Use of Estimates ............................................................ 1.264
  24.13 Restatement of Previously Reported Interim Periods ........ 1.264
  24.14 Transitional Provision .................................................... 1.264
  24.15 Applicability of AS 25 to Interim Financial Results ......... 1.264
  24.16 Miscellaneous Illustrations ........................................... 1.265

Unit 25: AS 26 – Intangible Assets
  25.1 Introduction .................................................................. 1.267
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.2</td>
<td>Scope</td>
<td>1.267</td>
</tr>
<tr>
<td>25.3</td>
<td>Definitions</td>
<td>1.268</td>
</tr>
<tr>
<td>25.4</td>
<td>Intangible Assets</td>
<td>1.268</td>
</tr>
<tr>
<td>25.5</td>
<td>Identifiability</td>
<td>1.269</td>
</tr>
<tr>
<td>25.6</td>
<td>Control</td>
<td>1.269</td>
</tr>
<tr>
<td>25.7</td>
<td>Future Economic Benefits</td>
<td>1.269</td>
</tr>
<tr>
<td>25.8</td>
<td>Recognition and Initial Measurement of an Intangible Asset</td>
<td>1.270</td>
</tr>
<tr>
<td>25.9</td>
<td>Separate Acquisition</td>
<td>1.270</td>
</tr>
<tr>
<td>25.10</td>
<td>Acquisition as Part of an Amalgamation</td>
<td>1.270</td>
</tr>
<tr>
<td>25.11</td>
<td>Acquisition by way of a Government Grant</td>
<td>1.271</td>
</tr>
<tr>
<td>25.12</td>
<td>Internally Generated Intangible Assets</td>
<td>1.271</td>
</tr>
<tr>
<td>25.13</td>
<td>Research Phase</td>
<td>1.271</td>
</tr>
<tr>
<td>25.14</td>
<td>Development Phase</td>
<td>1.272</td>
</tr>
<tr>
<td>25.15</td>
<td>Cost of an Internally Generated Intangible Asset</td>
<td>1.273</td>
</tr>
<tr>
<td>25.16</td>
<td>Items to be Recognised as an Expense</td>
<td>1.273</td>
</tr>
<tr>
<td>25.17</td>
<td>Subsequent Expenditure</td>
<td>1.274</td>
</tr>
<tr>
<td>25.18</td>
<td>Amortisation Period</td>
<td>1.274</td>
</tr>
<tr>
<td>25.19</td>
<td>Amortisation Method</td>
<td>1.275</td>
</tr>
<tr>
<td>25.20</td>
<td>Residual Value</td>
<td>1.275</td>
</tr>
<tr>
<td>25.21</td>
<td>Review of Amortisation Period and Amortisation Method</td>
<td>1.275</td>
</tr>
<tr>
<td>25.22</td>
<td>Recoverability of the Carrying Amount-Impairment Losses</td>
<td>1.276</td>
</tr>
<tr>
<td>25.23</td>
<td>Retirements and Disposals</td>
<td>1.276</td>
</tr>
<tr>
<td>25.24</td>
<td>Disclosure</td>
<td>1.276</td>
</tr>
<tr>
<td>25.25</td>
<td>Transitional Provisions</td>
<td>1.277</td>
</tr>
<tr>
<td>25.26</td>
<td>Illustrations</td>
<td>1.278</td>
</tr>
</tbody>
</table>

**Unit 26: AS 27 – Financial Reporting of Interests in Joint Ventures**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.1</td>
<td>Introduction</td>
<td>1.281</td>
</tr>
<tr>
<td>26.2</td>
<td>Scope</td>
<td>1.281</td>
</tr>
<tr>
<td>26.3</td>
<td>Definitions</td>
<td>1.281</td>
</tr>
<tr>
<td>26.4</td>
<td>Contractual Arrangement</td>
<td>1.282</td>
</tr>
<tr>
<td>26.5</td>
<td>Forms of Joint Ventures</td>
<td>1.283</td>
</tr>
<tr>
<td>26.6</td>
<td>Jointly Controlled Operations (JCO)</td>
<td>1.283</td>
</tr>
</tbody>
</table>
26.7 Jointly Controlled Assets (JCA) ................................................................. 1.285
26.8 Jointly Controlled Entities (JCE) .............................................................. 1.290
26.9 Consolidated Financial Statements of a Venturer ..................................... 1.293
26.10 Transactions between a Venturer and Joint Venture .............................. 1.298
26.11 Reporting Interests in Joint Ventures in the Financial Statements of an Investor ................................................................. 1.298
26.12 Operators of Joint Ventures ................................................................. 1.298
26.13 Disclosures ......................................................................................... 1.298

Unit 27: AS 28 – Impairment of Assets
27.1 Introduction .......................................................................................... 1.300
27.2 Scope .................................................................................................... 1.300
27.3 Assessment .......................................................................................... 1.301
27.4 Measurement of Recoverable Amount .................................................. 1.302
27.5 Basis for Estimates of Future Cash Flows .............................................. 1.303
27.6 Composition of Estimates of Future Cash Flows ................................... 1.303
27.7 Recognition and Measurement of an Impairment Loss ......................... 1.304
27.8 Identification of the Cash-Generating Unit to which an Asset Belongs .... 1.305
27.9 Recoverable Amount and Carrying Amount of a Cash-Generating Unit 1.305
27.10 Goodwill ............................................................................................. 1.305
27.11 Corporate Assets .................................................................................. 1.305
27.12 Impairment Loss for a Cash-Generating Unit ........................................ 1.306
27.13 Reversal of an Impairment Loss .......................................................... 1.306
27.14 Reversal of an Impairment Loss for an Individual Asset ....................... 1.306
27.15 Reversal of an Impairment Loss for a Cash-Generating Unit ............... 1.307
27.16 Reversal of an Impairment Loss for Goodwill ...................................... 1.307
27.17 Impairment in case of Discontinuing Operations ................................... 1.307
27.18 Disclosures ......................................................................................... 1.308
27.19 Transitional Provisions ........................................................................ 1.309
27.20 Illustrations ......................................................................................... 1.310

Unit 28: AS 29 – Provisions, Contingent Liabilities and Contingent Assets
28.1 Introduction .......................................................................................... 1.312
28.2 Scope .................................................................................................... 1.313