Ind AS 1

Presentation of Financial Statements

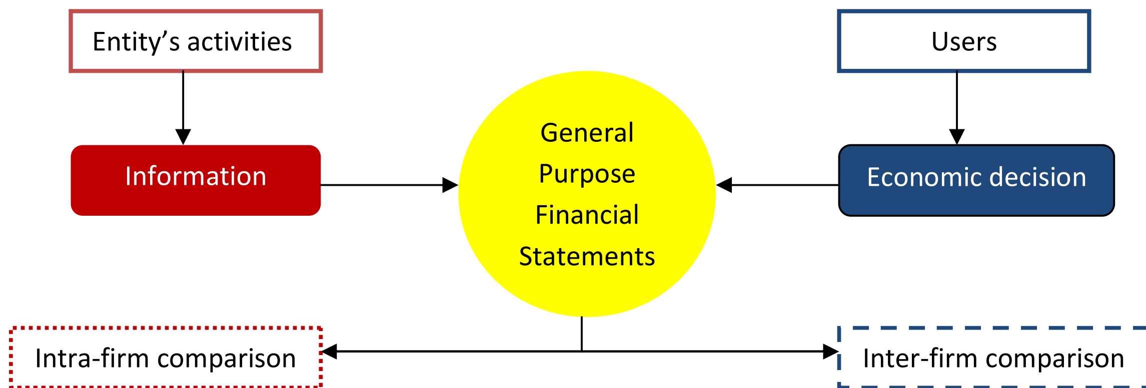
E-book

Ind AS 1

Presentation of Financial Statements

INTRODUCTION

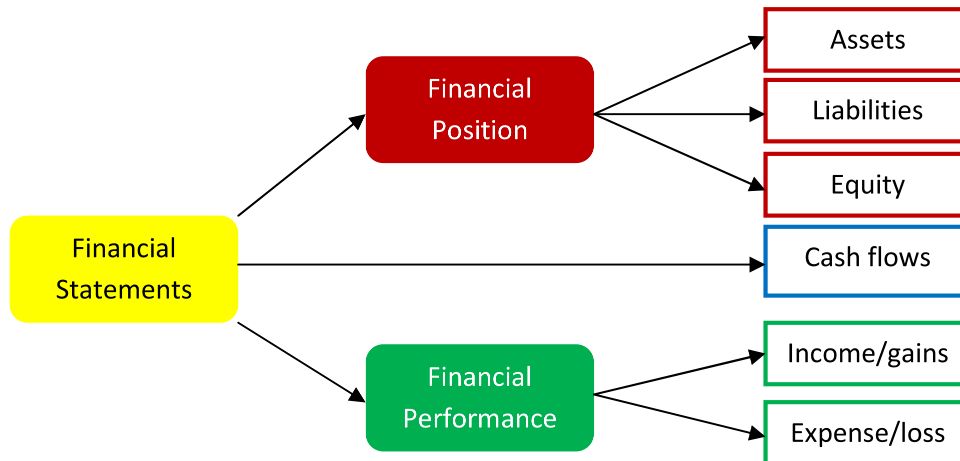
As the Conceptual Framework for Financial Reporting puts it – the objective of financial statements is to provide information to a wide range of users to evaluate the entity's financial position, financial performance and cash flows in order to make economic decisions. Thus, information needs to be provided to the users through financial reports and this Standard basically chalks out how to prepare and present the information in these reports effectively and efficiently. These financial reports or general purpose financial statements (as the Standard refers them) help in comparability within the entity as well as with other entities.



The expression 'general purpose financial statements', in simple words, refers to the financial statements that an entity has to prepare at the end of every reporting period. These financial statements meet the need of the users who are not in a position to require an entity to prepare reports adapted to their particular information needs.

Conceptual Framework for Financial Reporting is the *blueprint* of Indian Accounting Standards (Ind AS) and the other specific standards lay down the recognition, measurement and disclosure requirements. The purpose of this Standard is to provide this information in a structured and consistent manner.

Financial statements provide information on the key elements of any business.



This information in the form of just numbers will not give users the true or clear picture of the entity. Therefore, this information needs to be supported with sufficient notes regarding the certainty, timing, estimation as well as related aspects of management judgement.

Therefore, a complete set of financial statements will include the following:

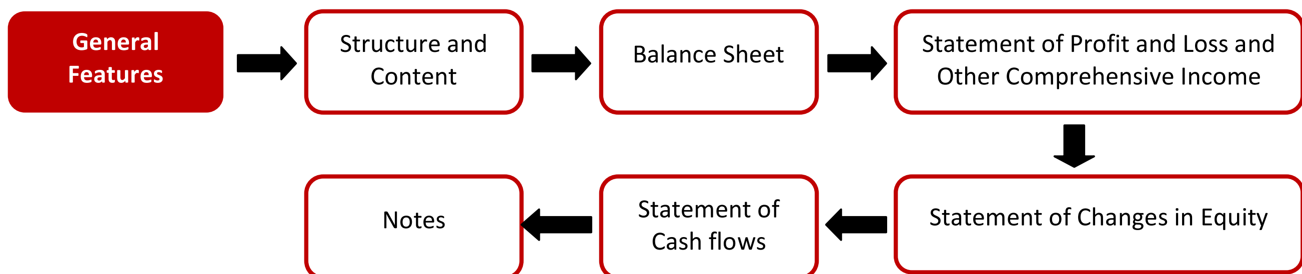
- **Balance Sheet as at the end of the period**
- **Statement of Profit and Loss and Other Comprehensive Income for the period**
- **Statement of Changes in Equity for the period**
- **Statement of Cash Flows for the period**
- **Notes (comprising material accounting policy information and other explanatory information)**
- **Comparative information in respect of the preceding period**
- **Balance Sheet as at the beginning of the earliest comparative period when an entiy makes a retrospective treatment**

An entity is not restricted by this Standard as far as the nomenclature of the statements or order of presentation is concerned.

Apart from these statements, which are mandatory, often entities present financial reviews by management. These reviews include information about:

- Issues such as environment in which the entity is operating, the changes taking place and how the entity is adjusting or responding to those changes;
- The entity's sources of funding and targeted ratio of liabilities to equity;
- The entity's resources that have not been recognised as per Ind AS;
- The entity's dividend policy.

Reports such as environmental reports and other statements presented outside the financial statements are not within the scope of this Standard.
The chapter will move ahead in the following manner:



GENERAL FEATURES

The general features are like overall considerations that one must keep in mind while preparing the statements.

FAIR PRESENTATION AND COMPLIANCE WITH Ind ASs

Financial statements should present a true and fair view of the financial position, financial performance and cash flows of an entity. This means that there should be adequate disclosures, reasonable details and absence of bias in financial statements.

An entity whose financial statements comply with all the requirements of Ind ASs should make an explicit and unreserved statement of such compliance in the notes.

Therefore, it is important to know what all comprise Ind ASs.

The application of Ind ASs, with additional disclosures when necessary, is assumed to result in financial statements that attain fair presentation.

Inappropriate accounting policies cannot be rectified by simply giving a disclosure of the accounting policies used or explanatory notes.

EXAMPLE 1

ABC Ltd sells goods with 1-year warranty. It is not adequate enough for the company to just reveal this in the notes. A provision has to be created for the warranty in the financial statements.

Sometimes, it might happen, that for an entity compliance with a specific requirement of an Ind AS would be so misleading that it leads to a direct conflict with the purpose of financial statements specified in the Conceptual Framework for Financial Reporting. In such circumstances, the entity should give Framework the priority, depart from the specific requirement and provide the following disclosures:

- that management has concluded, that the financial statements present a true and fair view;
- that it has complied with applicable Ind ASs, except that it has departed from a particular requirement to present a true and fair view;
- the details of the Ind AS from which the entity has departed – title of the Standard, nature of non-conformity, the reason for it being misleading, the treatment specified and the treatment actually adopted; and
- for each period presented the financial effect of the non-conformity with the Ind AS requirement.

In some cases, the departure from a certain requirement in an Ind AS might be prohibited. In that case, an entity should reduce the apparent misleading aspect to the maximum level by further disclosing (in addition to the above points) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to present a true and fair view.

GOING CONCERN

When preparing financial statements, management should make an assessment of an entity's ability to carry on as a going concern by taking into consideration all information about the future. An entity should prepare financial statements on a going concern basis unless the management either intends to shut down the entity or stop trading, or has no reasonable alternative to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity should disclose those uncertainties.

EXAMPLE 2

ABC Ltd manufactures rubber sheets. Almost 80% of its production is purchased by XYZ Ltd. If XYZ Ltd shuts operations, ABC Ltd will automatically have to face major consequences. Therefore, ABC Ltd should disclose this uncertainty in its notes.

Therefore, if the entity does not prepare its financial statements on a going concern basis, it should disclose that information, together with the basis on which it has prepared its financial statements and also the reason why it is not regarded as a going concern.

ACCRUAL BASIS OF ACCOUNTING

An entity should prepare its financial statements using accrual basis of accounting, i.e., matching revenues to expenses at the time during which the transaction occurs in the fiscal period rather than when payment is made or received. This is, however, not followed for cash flow information, which is more of a cash basis of accounting, ie, transactions reported when money is paid or received.

EXAMPLE 3

XYZ Ltd sold goods worth ₹ 100 on credit in the month of March 20x4. The company received cash from the sale in April 20x4. Thus, the sale was recorded in the month of March as revenue and not when cash was received.

MATERIALITY AND AGGREGATION

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

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
c) dissimilar items, transactions or other events are inappropriately aggregated;
d) similar items, transactions or other events are inappropriately disaggregated; and
e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity‘s general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity‘s own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

The question that first arises is what materiality is and how to judge what is material and what is not. Thus, omissions or misstatements of items are material if they could individually or collectively influence the economic decisions that users make on the basis of the financial statements. Materiality also depends on size and nature of the omission or misstatement. The size or nature of the item, or a combination of both, could be the determining factor.

Financial statements result after processing large number of transactions that are aggregated into classes based on their similarity in terms of nature or function. If a line item is not individually material, it is aggregated with other items either in those statements or in notes.

If certain information is not material, it is not required to give separate disclosure for them.

OFFSETTING

An entity cannot offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS.

Measuring assets net of valuation allowances is not offsetting.

EXAMPLE 4

Provision for doubtful debts shown as a deduction from receivables is not offsetting.

It often happens that a transaction is incidental to another main transaction, and then the substance of the transaction can be better reflected by netting the related income (or expense) with related expenses (or incomes) arising out of the same transaction.

EXAMPLE 5

ABC Ltd has created a provision of ₹ 100 for product refund due to defect in its product and added it to the cost of goods sold (related expense). Later, a supplier agreed to reimburse ₹ 50 of that expense (due to defective product) and the reimbursement was deducted from cost of goods sold.

Thus, ABC Ltd off-set the product refund expense (provision created) as well as the reimbursement from a third party (incidental to the main transaction) against the cost of goods sold (related expense).

FREQUENCY OF REPORTING

An entity should present a complete set of financial statements (including the comparative statements) at least annually.

It might happen that an entity changes its financial reporting period and, therefore, presents the financial statements for, either a longer or shorter period. In such cases, the entity must disclose the reason for the longer or shorter period as well as the fact that the amounts are not appropriately comparable.

COMPARATIVE INFORMATION

An entity should disclose comparative information in respect of the previous period for all items reported in the current period's financial statements, until and unless some Ind AS allows or requires otherwise. Inter period comparability is important because it enables the users to assess the trend in the financial information.

Sometimes, it is necessary to provide comparative information for narrative and descriptive information, when it becomes relevant for understanding the current period's financial statements.

Therefore an entity should disclose comparative information for the following:

- 2 Balance Sheet (minimum 2);
- 2 Statements of Profit and Loss and Other Comprehensive Income;
- 2 Statements of Changes in Equity;
- 2 Statements of Cash Flows; and
- Related Notes.

It might also happen that narrative information provided for prior period(s) continues to be relevant in the current period.

EXAMPLE 6

A customer has filed a case against ABC Ltd in 20x4, but the legal counsel of the company was not certain about the final decision and, therefore, a contingent liability was recognised. Since the users of the financial statements would benefit from this information, particularly the uncertainty involved and the steps taken by ABC Ltd, the company provided this information in narrative form even in the next year(s) till the case was resolved.

If an entity changes the presentation or classification of an item, then the entity should reclassify the comparative amounts unless reclassification is impracticable and disclose the following:

- the nature of reclassification;
- the amount of each item or class of items that is reclassified ; and
- the reason for the reclassification.

Reclassification is transferring an amount recognised in current or previous periods in the other comprehensive income (unrealised part) to profit or loss (realised part) in the current period. The concept of reclassification will be dealt later in this chapter in detail.

When applying a requirement is impracticable, ie, the entity cannot apply it even after making reasonable effort to do so, an entity should disclose:

- the reason for not reclassifying the amount; and
- the nature of the adjustment that would have been made if the amounts had been reclassified.

In case, there is a change in policy Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* should be considered for adjustments to comparative information.

CONSISTENCY OF PRESENTATION

An entity should maintain consistency in the presentation and classification of items in the financial statements from one period to the next, unless:

- it is evident, from a significant change in the nature of the entity's operations or an assessment of its financial statements, that another presentation or classification would provide more *relevant* and *reliable* information;

EXAMPLE 7

ABC Ltd uses cost model to measure its property, plant and equipment. However, the company feels that using the revaluation model for subsequent measurement of PPE would be a better alternative. In such a case, ABC Ltd can change its policy.

- an Ind AS requires a change in presentation.

For example, a significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently. An entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable and more relevant to users of the financial statements and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information.

STRUCTURE AND CONTENTS

An entity should clearly identify the entire set of financial statements and notes and differentiate them from other information that is also to be provided to the users in the same published document. The reason for doing so is that the financial statements should be prepared as per the Ind AS requirement, but other information such as reports or management reviews are not subject to those requirements.

An entity should also disclose the following information prominently and repeat when necessary for the information presented to be understandable:

<table>
<tr><td>1.</td><td>The name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;</td><td rowspan="5">Examples</td><td>XYZ Ltd</td></tr>
<tr><td>2.</td><td>Whether the financial statements are of an individual entity or a group of entities;</td><td>Consolidated Financial Statements</td></tr>
<tr><td>3.</td><td>The date of the end of the reporting period covered by the set of financial statements or notes;</td><td>as on 31 March 20x4 / for the year ended 31 March 20x4</td></tr>
<tr><td>4.</td><td>The presentation currency, as defined in Ind AS 21 The Effects of Changes in Foreign Exchange Rates; and</td><td>₹</td></tr>
<tr><td>5.</td><td>The level of rounding used in presenting amounts in the financial statements</td><td>In Crores</td></tr>
</table>

BALANCE SHEET

CURRENT AND NON - CURRENT DISTINCTION

An entity should present:

- current and non-current assets
- current and non-current liabilities

as separate classifications in its Balance Sheet.

EXAMPLE 8

XYZ Ltd is a manufacturing concern. It supplies goods within a clearly identifiable operating cycle. Its net assets are continuously circulated as working capital for the business. For XYZ Ltd, it would clearly provide separate classification of current and non-current assets and liabilities in Balance Sheet.

However, if the entity (financial institutions) believes that the liquidity basis of presentation will reveal more relevant and reliable information, then the entity can present the assets and liabilities in order of their liquidity.

EXAMPLE 9

ABC Ltd is a bank and XYZ Ltd is a manufacturing concern. The requirements of the users of both the companies are different and, therefore, their basis of presentation is also different. XYZ Ltd presents the Balance Sheet by classifying assets and liabilities into current and non-current, whereas ABC Ltd uses the liquidity form of presenting the assets and liabilities in its Balance Sheet, ie, from increasing or decreasing order of liquidity.

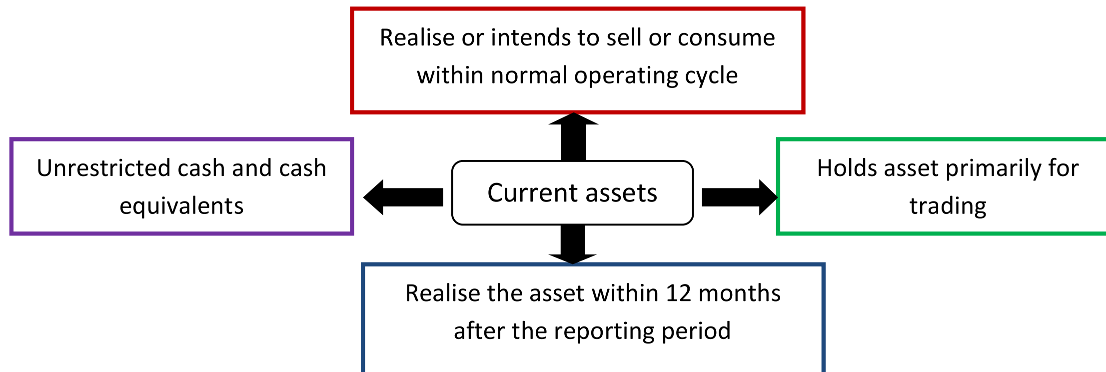
An entity is also allowed to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity. This might be preferred by those entities that have diverse operations.

Irrespective of the basis of presentation the entity has adopted, an entity needs to disclose the amount that is expected to be recovered or settled for each asset and liability:

- no more than twelve months after the reporting period (current), and
- more than twelve months after the reporting period (non-current).

CURRENT AND NON - CURRENT ASSETS

An asset that satisfies any of the following criteria can be classified as a current asset:



For all other assets, an entity should classify them as non-current.

The operating cycle of an entity is the time between acquisition of assets for processing and their realisation into cash or cash equivalents.

EXAMPLE 10

ABC Ltd is a ship manufacturing company. Its reporting period is from 1 April to 31 March (12 months). It takes 15 months to build and deliver a ship. Therefore, its normal operating cycle is 15 months. ABC Ltd should classify accounts receivable and inventories as current assets as it expects to sale, consume or realise in the normal course of its 15 month operating cycle.

Sometimes, it also happens that the normal operating cycle of an entity is not clearly identifiable. In such a case, it is assumed to be twelve months.

Current assets also include financial assets that are meant for the sole purpose of trading, such as investments in equity instruments to make short term gains.

The current portion of non-current financial assets is also current asset.

EXAMPLE 11

ABC Ltd has two types of financial assets.

The company is an active player in the stock market and is a regular buyer and seller of shares of other companies for making short term gains. These shares are financial assets held for trading and, therefore, are classified as current assets.

ABC Ltd has also given loans to its employees worth ₹ 100 for a 10-year period. The company would recover ₹ 20 from the employees as loan repayment each year, after the 5th year. Therefore, though the loan to employees is a non-current asset (to be recovered after twelve months), the current portion of the loan repayment (₹ 20 loan repayment each year, after the 5th year) is a current asset.

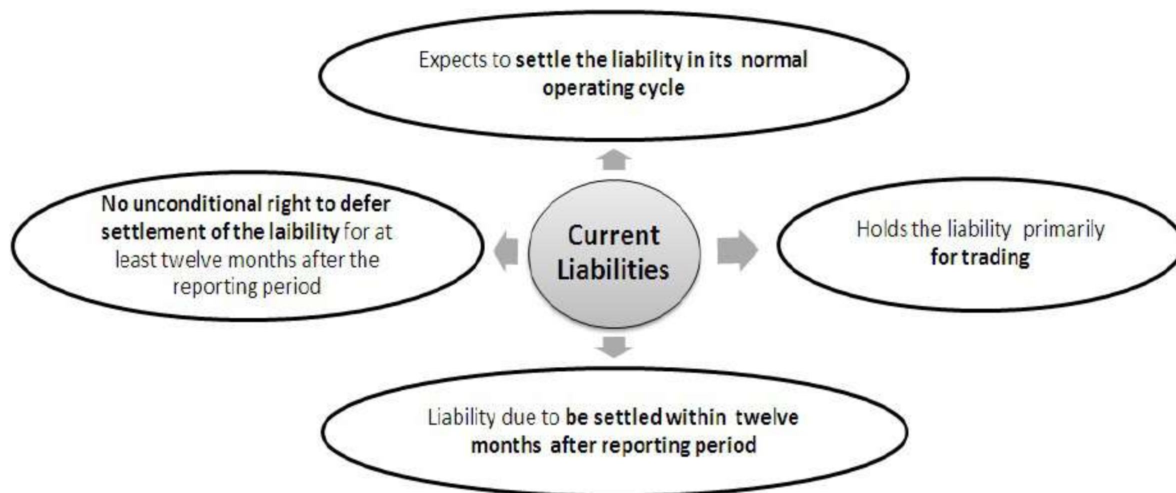
Cash and cash equivalents are current assets until and unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

EXAMPLE 12

Often companies pledge deposits with banks. In such cases, the company cannot use that cash for its operating requirements and use it freely. The company should disclose the amount of cash and cash equivalents that is not available for use.

CURRENT AND NON- CURRENT LIABILITIES

An entity should classify a liability as current when either:



All other liabilities are classified as non-current.

The same normal operating cycle concept applies here too, ie, liabilities like trade payables are classified as current liabilities even if they are to be settled after twelve months provided, they are settled within the normal operating cycle. However, if an entity cannot clearly identify its normal operating period, then it is assumed to be twelve months.

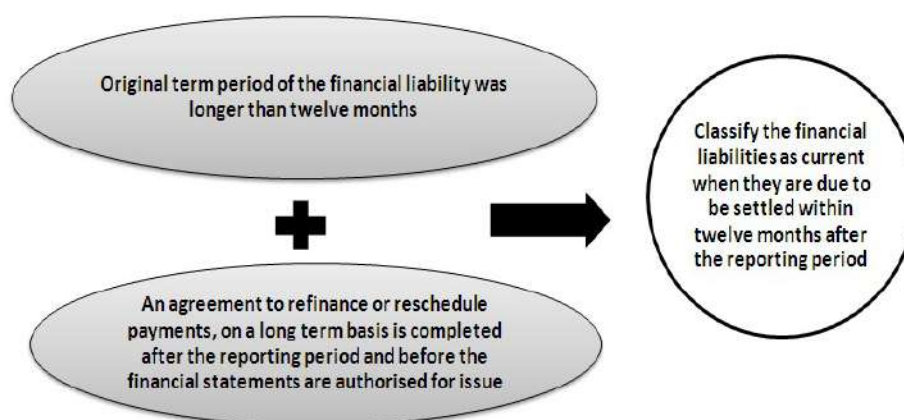
Some liabilities are held primarily with the objective of trading such as financial liabilities classified as held for trading in accordance with Ind AS 109 Financial Instruments: *Recognition and Measurement* (financial derivatives) and bank overdrafts.

Some liabilities are due to be settled within twelve months such as dividends payable, income taxes, the current portion of non-current financial liabilities (borrowings) and other non-trade payables.

Long term financing and the ones which are not to be settled within twelve months after the reporting period are non-current liabilities.

EXAMPLE 13

Regarding provision for product warranty, the categorisation depends on the terms of product warranty. Warranties which will be utilised within twelve month period are categorised as current liabilities, whereas warranties that can be claimed for an extended period are classified as non-current liabilities.



EXAMPLE 14

ABC Ltd has a long term loan in its books. The loan has to be paid back within twelve months of the reporting date. The reporting date of the company is 31 March 20x4. ABC Ltd goes for refinancing the loan in April 20x4 and financial statements are authorised for issue on 25 May 20x4. The long-term loan is shown as a current liability because it was not refinanced at the end of the reporting period, ie, 31 March 20x4.

If an entity has the right to refinance or roll over an obligation which is due within the next twelve months, then it classifies the liability as non-current. However, if this right is not available to an entity, then the entity cannot refinance the obligation and therefore, classifies it as current.

EXAMPLE 15

ABC Ltd has a long term loan, with unconditional refinancing right, in its books. The loan has to be paid back within twelve months of the reporting date. The reporting date of the company is 31 March 20x4. ABC Ltd goes for refinancing the loan in April 20x4 and the financial statements are authorised for issue on 25 May 20x4. The long-term loan is shown as a non-current liability even though it was not refinanced at the end of the reporting

period, since the entity had the unconditional right to refinance, enabling it to classify the obligation as a non-current one.

EXAMPLE 16

ABC Ltd has a loan to be payable after 8 years. At the end of the 5th year, ABC Ltd violates the terms of the loan and, therefore, as per the contract the loan becomes payable on demand. The reporting period of ABC Ltd is 31 March 20x4. The lender, on 25 April agrees not to demand payment on the breach of loan agreement and on 15 May the financial statements were authorised for issue.

The long term loan arrangement need not be classified as current on account of breach of a material provision, for which the lender has agreed to waive before the approval of financial statements for issue.

However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

STRUCTURE

The Standard has clearly provided the minimum line items that must be included in Balance Sheet. An entity can present additional line items, headings and subtotals in Balance Sheet, provided such presentation will give more relevant and reliable information to the users for their understanding of the entity's financial position.

Deferred tax assets and deferred tax liabilities are outside purview of current and non-current classification and an entity should always present them as non-current.

The Standard has not specified any order or format by which an entity needs to present the line items.

An entity uses judgement, whether to present additional line items separately on the basis of:

- the nature and the liquidity of assets;
- the function of the assets within the entity; and
- the amounts, nature and timing of liabilities.

If different measurement bases are used for different classes of assets due to their function or nature, the entity needs to present them as separate line items.

EXAMPLE 17

ABC Ltd follows cost model for plant and machinery and revaluation model for its buildings. Since both the classes of assets are carried on different measurement bases, ABC Ltd should, therefore, present them as separate line items.

EXAMPLE 18

The minimum line items provided in this standard have been included in this structure of the Balance Sheet.

ABC LTD
BALANCE SHEET
AS AT 31st MARCH

	20x5 (₹ in Crores)	20x4 (₹ in Crores)
Assets		
Non-current Assets		
Property, Plant and Equipment		
Investment Property		
Intangible Assets		
Financial Assets		
Investments Accounted for Using Equity Method		
Biological Assets		
Deferred Tax Assets		
Current Assets		
Inventories		
Trade Receivables		
Other Current Assets		
Cash and Cash Equivalents		
Non-current Assets Held for Sale, in Disposal Group and in Discontinued Operations		
Total Assets		
Equity and Liabilities		
Equity Attributable to Owners of the Parent		
Share Capital		
Retained Earnings		
Other Components of Equity (Reserves)		
Non-controlling Interests		
Total Equity		
Non-current Liabilities		
Long-term Borrowings		
Deferred Tax Liability		
Financial Liabilities		
Current Liabilities		
Trade and Other Payables		
Short-term Borrowings		
Current Portion of Long-term Borrowings		
Current Tax Payable		
Liabilities Associated with Disposal Group and in Discontinued Operations		
Total Liabilities		
Total Equity and Liabilities		

The line items – non-current assets held for sale, in disposal group and in discontinued operations and liabilities associated with disposal group and in discontinued operations will be classified in accordance with Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations*.

An entity needs to provide further sub classifications of the line items presented, either in Balance Sheet or in the notes. The sub classifications, however, depend on the requirements of Ind ASs and on the size, nature and function of the amounts involved.

Line Items	Standards	Further Sub-classifications
Property, Plant and Equipment	Ind AS 16 *Property, Plant and Equipment*	• Land • Land and buildings • Machinery • Motor vehicles • Furniture and fixtures • Office Equipment
Receivables	Ind AS 32 *Financial Instruments: Presentation*	• Amounts receivable from trade customers • Receivables from related parties • Prepayments
Inventories	Ind AS 2 *Inventories*	• Merchandise • Production supplies • Materials • Work-in-progress • Finished goods
Provisions	Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets*	• Provision for employee benefits • Others
Equity capital and reserves	Ind AS 1 *Presentation of Financial Statements*	• Paid-in capital • Share premium • Reserves

An entity should also disclose the following, either in Balance Sheet or Statement of Changes in Equity or in notes:

<table>
<tr><td rowspan="7">Each class
of
share capital</td><td>Number of shares authorised</td></tr>
<tr><td>Number of shares issued and fully paid, and issued but not fully paid</td></tr>
<tr><td>Par value per share or that the shares have no par value</td></tr>
<tr><td>Reconciliation of the number of shares outstanding at the beginning and at the end of the period</td></tr>
<tr><td>Rights, preferences and restrictions attached including restrictions on distribution of dividends and the repayment of capital</td></tr>
<tr><td>Shares in the entity held by the equity or by its subsidiaries or associates</td></tr>
<tr><td>Shares reserved for issue under options and contracts for sale of shares including terms and amount</td></tr>
<tr><td>Reserves</td><td>Brief description of the nature and purpose of each reserve within equity</td></tr>
</table>

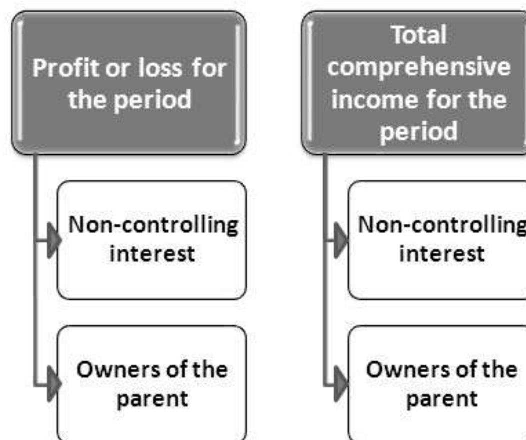
An entity without share capital such as partnership or trust, should disclose information showing changes during the period in each category of equity interest, rights and preferences and restrictions attached with each category of equity interest.

If an entity reclassifies between financial liabilities and equity, it should disclose the amount reclassified in and out of each category (financial liabilities or equity) and the timing and the reason for that reclassification. This aspect would be dealt in detail in Ind AS 32 *Financial Instruments: Presentation*.

STATEMENT OF PROFIT AND LOSS

An entity can present all items of incomes and expenses recognised in a period.

The profit or loss for the period as well as the total comprehensive income for the period should be allocated as given below and should be disclosed in Statement of Profit and Loss:



An entity should present additional line items, headings and subtotals in Statement of Profit and Loss, when such presentation is relevant to an understanding of the entity's financial performance.

This Standard specifically mentions that no item of income or expense such as extraordinary item should be presented in Statement of Profit and Loss or in notes.

PROFIT OR LOSS FOR THE PERIOD

All items of expense and income (excluding components of Other Comprehensive Income) in a period should be recognised in profit and loss unless an Ind AS requires or permits otherwise.

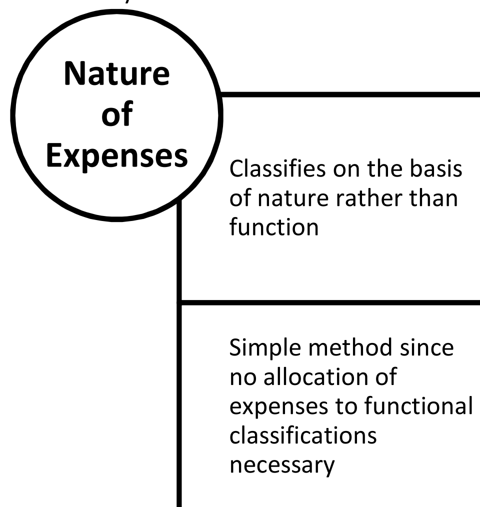
Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* specifies two circumstances, when an entity needs to recognise particular items outside profit or loss in the current period; they are:

- in case of correction of errors; or
- due to change in accounting policies.

Other Ind ASs require or permit components of other comprehensive income that meet the Conceptual Framework's definition of income or expense to be excluded from profit or loss.

An entity should present an analysis of expenses recognised in profit or loss using a classification based on the nature of expense method.

Expenses are subclassified to highlight components of financial performance that may differ in terms of frequency, potential for gain or loss and predictability.



Revenue		x
Other income		x
Changes in inventories	x	
Raw materials and consumables	x	
Employee benefit expenses	x	
Depreciation and amortisation	x	
Other expenses	x	
Total expenses		(x)
Accounting profit		**x**

When certain items of income or expense are material, an entity should disclose their nature and amount separately, such as:

- write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
- restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
- disposals of items of property, plant and equipment;
- disposals of investments;
- discontinued operations;
- litigation settlements; and
- other reversals of provisions.

The Standard has provided a list of minimum line items that need to be included in Statement of Profit and Loss.

In addition to items required by other Ind ASs, the profit or loss section of the statement of profit and loss shall include line items that present the following amounts for the period:

a) revenue, presenting separately interest revenue calculated using the effective interest method;
b) gains and losses arising from the derecognition of financial assets measured at amortised cost;
c) finance costs;
d) impairment losses (including reversals of impairment losses or impairment gains) determined;
e) share of the profit or loss of associates and joint ventures accounted for using the equity method;
f) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date;
g) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;
h) tax expense;
i) a single amount for the total of discontinued operations.

OTHER COMPREHENSIVE INCOME

Other Comprehensive Income comprises items of income and expense, including reclassification adjustments that are not recognised in profit and loss as required or permitted by other Ind ASs.

The components of Other Comprehensive Income include:

- changes in revaluation surplus;
- remeasurements on defined benefit plans;
- gains and losses arising from translating the financial statements of a foreign operation;
- gains and losses from investments in equity instruments measured at fair value through other comprehensive income;
- gains and losses on financial assets measured at fair value through other comprehensive income
- the effective portion of gains and losses on hedging instruments in a cash flow hedge;
- for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk;
- changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value; and
- changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument.

Information to be presented in the other comprehensive income section

The other comprehensive income section shall present line items for the amounts for the period of:

a) items of other comprehensive income [excluding amounts in part (b)], classified by nature and grouped into those that, in accordance with other Ind ASs:
   (i) will not be reclassified subsequently to profit or loss; and
   (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

b) the share of the other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other Ind ASs:
   (i) will not be reclassified subsequently to profit or loss; and
   (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

EXAMPLE 19

ABC LTD
STATEMENT OF PROFIT AND LOSS
for the year ended 31st March

	20x5 (₹ in Crores)	20x4 (₹ in Crores)
Revenue		
Other Income		
Changes in Inventories of Finished Goods and Work in Progress		
Work Performed by the Entity and Capitalised		
Raw Material and Consumables Used		
Employee Benefit Expenses		
Depreciation and Amortisation		
Impairment of Assets		
Other Expenses		
Finance Costs		
Share of Profit of Associates		
Accounting Profit		
Income-tax Expenses		
Profit for the Period from Continuing Operations		
Loss for the Period from Discontinued Operations		
Profit for the Period		
Other Comprehensive Income		
Items that will be reclassified subsequently to profit or loss		
Exchange Differences on Translating Foreign Operations		
Investments in Debt Instruments		
Cash Flow Hedges		
Items that will not be reclassified subsequently to profit or loss		
Gains on Property Revaluation		
Actuarial Gains (Losses) on Defined Employee Benefit Plans		
Share of Other Comprehensive Income of Associates		
Income Tax Components of Other Comprehensive Income		
Other Comprehensive Income for the Period, Net of Tax		
Total Comprehensive Income for the Period		
Profit Attributable to		
Owners of the Parent		
Non-controlling Interests		
Total Comprehensive Income Attributable to		
Owners of the Parent		
Non-controlling Interests		
Basic Earnings per Share		
Diluted Earnings per Share		
Earnings per Share		

The Earnings per Share is calculated on profit for the year rather than on total comprehensive income. This aspect will be dealt with in detail in Ind AS 33 *Earnings per Share*.

An entity should present components of Other Comprehensive Income either:

- net of related tax effects, or

EXAMPLE 20

Other comprehensive income net of tax

STATEMENT OF PROFIT AND LOSS
for the year ended 31st March

	20x5 (₹ in Crores)	20x4 (₹ in Crores)
Profit for the Period		
Other Comprehensive Income		
Items that will be reclassified subsequently to profit or loss		
Exchange Differences on Translating Foreign Operations		
Investments in Debt Instruments		
Cash Flow Hedges		
Items that will not be reclassified subsequently to profit or loss		
Gains on Property Revaluation		
Actuarial Gains (Losses) on Defined Employee Benefit Plans		
Share of Other Comprehensive Income of Associates		
Other Comprehensive Income for the Period, Net of Tax		

In this method, each component is shown net of tax and the income tax relating to each component is disclosed in the notes.

Notes

Disclosure of tax effects relating to each component of other comprehensive income

	20x5 (₹ in Crores)			**20x4 (₹ in Crores)**		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Exchange Differences on						

Translating Foreign Operations
Investments in Equity Instruments
Cash Flow Hedges
Revaluation of Property
Actuarial Gains (Losses) on Defined Benefit Plans
Share of Other Comprehensive Income of Associates
Other Comprehensive Income

- before related tax effects with one amount shown for the aggregate amount of income tax relating to those components.

EXAMPLE 21

Other Comprehensive Income with an aggregate amount of income tax

STATEMENT OF PROFIT AND LOSS

for the year ended 31st March

	20x5	**20x4**
	(₹ in Crores)	**(₹ in Crores)**
Profit for the Period		
Other Comprehensive Income		
Items that will be reclassified subsequently to profit or loss		
Exchange Differences on Translating Foreign Operations		
Investments in Debt Instruments		
Cash Flow Hedges		
Items that will not be reclassified subsequently to profit or loss		
Gains on Property Revaluation		
Actuarial Gains (Losses) on Defined Employee Benefit Plans		
Share of Other Comprehensive Income of Associates		
Income Tax Components of Other Comprehensive Income		
Other Comprehensive Income for the Period, Net of Tax		

RECLASSIFICATION

Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in Other Comprehensive Income in the current or previous period. Mostly, unrealised gains are recognised in Other Comprehensive Income and when these unrealised gains become realised, they are recognised in profit or loss and in order to avoid double counting, the previously recognised gains in Other Comprehensive Income is adjusted.

An entity should disclose reclassification adjustments relating to components of Other Comprehensive Income.

An entity has two options as far as presentation of reclassification adjustment is concerned:

- either in Statement of Profit and Loss; or
- in Notes.

The Ind ASs specify whether and when amounts previously recognised in Other Comprehensive Income are reclassified to profit and loss.

In Other Comprehensive Income, items that can be recognised are referred before; however reclassification adjustments can arise for example on:

- Disposal of a foreign operation (Ind AS 21 *The Effects of Changes in Foreign Exchange Rates*)
- Cash Flow hedges (Ind AS 109 *Financial Instruments*).

We will discuss reclassification adjustments in detail in the corresponding standards, but let us have a glimpse of how it is done.

EXAMPLE 22

ABC Ltd has foreign operation in another country where the currency is different from ABC Ltd's functional currency. Therefore, the exchange differences on translating the foreign operations are recognised in Other Comprehensive Income and on disposal of the operation it is reclassified to profit and loss. The tax rate is 30%.

Year	20x4	20x5
Exchange differences on translating foreign operations	1,200	800
Less: Reclassification adjustment for disposal to profit and loss	0	(2,000)
	1,200	(1,200)
Income tax relating to components of Other Comprehensive Income	(360)	360
Other Comprehensive Income for the year	840	(840)

In year 20x4, ₹ 1,200 is recognised as exchange differences in OCI and since there is no disposal of foreign operation, there is no reclassification adjustment. Tax related to the transaction is deducted and the net amount of ₹ 840 goes to the Translation of Foreign Operations Reserve in equity. In year 20x5, further exchange difference of ₹ 800 is recognised and subsequently the foreign operation is disposed of. Therefore, the entire amount is recognised in OCI in the current and previous period ₹ 1,200 + ₹ 800 = ₹ 2,000, is reclassified to profit and loss and, therefore, deducted from OCI. As a result, there is a negative balance ₹ 800 – (₹ 2,000) = ₹ (–) 1,200. Taking into account the tax effect, there is a negative figure of ₹ 840. This negative ₹ 840 negates the previous balance of Translation of Foreign Operations Reserve in equity, making it ₹ Nil.

STATEMENT OF CHANGES IN EQUITY

A statement of changes in equity shows the movement in owners' equity over time. It bridges the gap between owner's equity at the beginning of the reporting period and at the end of the reporting period.

A Statement of Changes in Equity will show:

1.	Total comprehensive income for the period, showing separately total amount attributable to owners of the parent and to non-controlling interests	Total comprehensive income attributable to: • Owner of parent • Non-controlling interests
2.	For each component of equity, the effects of retrospective application or restatement	Changes in accounting policy
3.	For each component of equity, a reconciliation between the carrying amount at the beginning and at the end, separately disclosing changes resulting from:	
(i)	Profit and loss	Retained Earnings
(ii)	Each item of Other Comprehensive Income	• Translation of foreign operation reserve • Revaluation reserve • Cash flow hedges • Actuarial gains reserve
(iii)	Transactions with others in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control.	• Issue of share capital • Dividends • Transfer to retained earnings • Reacquisition of entity's own equity • Transaction costs directly related to such transaction
(iv)	Any item recognised directly in equity	• amount recognised directly in equity as capital reserve

A parent is an entity that has one or more subsidiaries. Therefore, owners of parent refer to shareholders of the parent company. Non-controlling interest is the minority interest in a subsidiary and is mostly reported on consolidated Balance Sheet under equity.

An entity should present either in Statement of Changes in Equity or in notes, the amount of dividends recognised as distributions to owners during the period and the related amount per share.

In the model Statement of Changes in Equity, the components of equity are:

- Each class of equity contributed;
- Each component of Other Comprehensive Income; and
- Retained earnings.

As per Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, retrospective adjustments have to be made to incorporate changes in accounting policies or correct errors. Retrospective adjustments and retrospective restatements are not changes in equity, but they are adjustments to the opening balance of retained earnings, except when Ind AS requires retrospective adjustment of another component of equity.

EXAMPLE 23

This is a model Statement of changes in equity.

ABC LTD

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st March

(₹ in Crores)

	Share Capital	Retained Earnings	Translation of Foreign Operations	Cash Flow Hedge Reserve	Revaluation Surplus	Other Reserves	Equity of Owners	Non-controlling Interests	Total Equity
Balance at 1 April 20x3									
Changes in accounting policy									
Restated balance									
Changes in equity for 20x3									
Dividends									
Total comprehensive income for the year									
Balance at 31st March 20x4									
Changes in equity for 20x4									
Issue of capital									
Dividends									
Total comprehensive income for the year									
Transfer to retained earnings									
Balance at 31 March 20x5									

EXAMPLE 24

ABC Ltd (year-end 31 March) has bought a machine for ₹ 10,000 on 1 April 20x2 whose useful life is 4 years. The corporate tax rate is 30%.The revenue from 20x2 – 20x6 is assumed to be ₹ 10,000 each year and the related cost of sales is assumed to be ₹ 5,000 each year.

The company follows revaluation model and, therefore, the machine is revalued at the end of 31 March 20x4.

Year-end 31 March 20x3

Depreciation charged ₹ 10,000 ÷ 4 = ₹ 2,500 and, therefore, the carrying amount of the machine is ₹ 7,500.

Year-end 31 March 20x4

The depreciation for the year is ₹ 2,500 and carrying amount of the asset ₹ 5,000.

Now, the machine's fair value less cost of disposal is found to be ₹ 9,000. Thus, revaluation increase is ₹ 9,000 – ₹ 5,000 = ₹ 4,000.

Effects of this revaluation:

- Carrying amount of the asset (machine) increases to ₹ 9,000.
- Increase in carrying amount goes to Other Comprehensive Income as revaluation surplus.
- Corresponding to this, there is a deferred tax liability effect of 30%.

Year-end 31 March 20x5

Remaining effects of the revaluation:

1. Higher depreciation, since useful life remains the same, therefore ₹ 9,000 ÷ 2 = ₹ 4,500 for the remaining 2 years.
2. Income tax expenses will be reduced due to higher depreciation and, therefore, the previously recognised deferred tax liability will be utilised.
3. The deferred tax liability is recognised in Other Comprehensive Income in the year 20x3-x4. In the next year, due to higher depreciation charges, the previously recognised deferred tax liability will get reduced. This will continue for the remaining life of the asset, and by the end of its life, the entire deferred tax liability will get utilised.
4. Revaluation is an adjustment and, therefore, it should not affect profit or loss of an entity. To compensate the lower profit for the year due to higher depreciation charges, the excess depreciation charged, net of tax, is transferred from revaluation reserve to retained earnings. Since excess depreciation is ₹ 2,000, profit is reduced by net of tax ₹ 2,000 x 70% = ₹ 1,400. This amount is transferred from revaluation reserve to retained earnings every year till the remaining life of the asset.

Year-end 31 March 20x6

The same treatment is applied as in the year 20x4-x5.

Statement of Profit and Loss for year ended 31 March (₹)

Year	20x6		20x5		20x4		20x3	
Revenue		10,000		10,000		10,000		10,000
Less: Cost of sales		5,000		5,000		5,000		5,000
Gross Profit		5,000		5,000		5,000		5,000
Depreciation		4,500		4,500		2,500		2,500
Operating profit		500		500		2,500		2,500
Finance income		–		–		–		–
Finance costs		–		–		–		–
Accounting profit		500		500		2,500		2,500
Income tax expense								
Current tax *	750		750		750		750	
Deferred tax	(600)	150	(600)	150	–	750	–	750
Profit for the period		**350**		**350**		**1,750**		**1,750**

*Current tax = (Revenue – Cost of sales – Depreciation) x 30%

= ₹ (10,000 – 5,000 – 2,500) x 30% = ₹ 750

The current tax remains the same for all years because revenue, cost of sales and depreciation (tax authorities do not allow additional depreciation for revaluation) are same throughout.

Income tax expense = Current tax + Deferred tax = 30% x Profit before tax

Or, Deferred tax = Income tax expense – Current tax

Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 March (₹)

Year	20x6	20x5	20x4	20x3
Profit for the period (A)	**350**	**350**	**1,750**	**1,750**
Other Comprehensive Income				
Item that will not be reclassified to profit or loss				
Gain on Revaluation	–	–	*4,000*	
Income Tax Relating to Gain on Revaluation	–	–	*(1,200)**	
Other Comprehensive Income, Net of Tax (B)	–	–	**2,800**	
Total Comprehensive Income (A+B)	**350**	**350**	**4,550**	**1,750**

*This income tax is recognised against the revaluation in the year 20x3-x4 and is reversed in the next two years (during the useful life of the asset) through Profit or Loss (see the table above).

Deferred Tax (₹)

	Opening Balance	Recognised in Other Comprehensive Income	Utilised through Profit or Loss	Closing Balance
Revaluation of plant and equipment				
Year 20x5-x6	(600)	–	600	0
20x4-x5	(1,200)	–	600	(600)
20x3-x4	0	(1,200)	–	(1,200)
20x2-x3	–	–	–	0

Statement of Changes in Equity (₹)

	Revaluation Reserve	Retained Earnings	Total Equity
Balance as on 1 April 20x5 (A)	1,400	5,250	6,650
Profit for the year	–	*350*	350
Transfer to retained earnings	*(1,400)*	*1,400*	0
Other comprehensive income	–	–	–
Total comprehensive income for the period (B)	(1,400)	1,750	350
Balance as on 31st March 20x6 (A+B)	0	7,000	7,000
Balance as on 1 April 20x4 (A)	2,800	3,500	6,300
Profit for the year	–	*350*	350

Transfer to retained earnings	(1,400)	1,400	0
Other comprehensive income	–	–	–
Total comprehensive income for the period (B)	(1,400)	1,750	350
Balance as on 31 March 20x5	1,400	5,250	6,650
Balance as on 1 April 20x3 (A)	–	1,750	1,750
Profit for the period	–	*1,750*	1,750
Other comprehensive income			
Revaluation surplus of plant and equipment	*4,000*	–	4,000
Income tax relating to the components of other comprehensive income	(1,200)	–	(1,200)
Total comprehensive income for the period (B)	2,800	1,750	4,550
Balance as on 31 March 20x4 (A+B)	2,800	3,500	6,300
Balance as on 1 April 20x2 (A)	0	0	0
Profit for the period	–	1,750	1,750
Other comprehensive income	–	–	–
Total comprehensive income for the period (B)	–	1,750	1,750
Balance as on 31 March 20x3 (A+B)	0	1,750	1,750

Balance Sheet as at 31 March (₹)

Year	20x6	20x5	20x4	20x3
Assets				
Non-current Assets				
Plant and equipment	0	4,500	9,000	7,500
Equity				
Revaluation reserve	0	1,400	2,800	0
Retained earnings	7,000	5,250	3,500	1,750
Liabilities				
Non-current Liabilities				
Deferred tax liabilities	0	600	1,200	0
Current Liabilities				
Current tax liabilities	750	750	750	750

STATEMENT OF CASH FLOWS

The cash flow statement shows the flow of cash in and out of business. It provides users information about the entity’s ability to generate cash and cash equivalents and then utilisation of those cash flows.

There is a separate standard Ind AS 7 *Statement of Cash Flows* which gives the detail requirements of presentation and disclosure of cash flow information.

NOTES

STRUCTURE

The notes should present the following disclosures:

- Basis of preparation of financial statements and specific accounting policies;
- Information required by Ind ASs not presented elsewhere; and
- Information not presented elsewhere in the financial statements, but is relevant to the understanding of any of them.

Notes should be presented in a systematic manner as far as practicable and cross references to the notes should be provided wherever required – such as for each item in Balance Sheet, Statement of Profit and Loss, Statement of Changes in Equity and Statement of Cash Flows.

The general order is:

- A statement of compliance with Ind ASs;
- Material accounting policy information;
- Supporting information on each item presented in the entire set of financial statements;
- Other disclosures, such as –
  - Contingent liabilities;
  - Unrecognised contractual commitments;
  - Non-financial disclosures.

DISCLOSURE OF ACCOUNTING POLICY INFORMATION

An entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

(a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

(b) the entity chose the accounting policy from one or more options permitted by Ind ASs;

(c) the accounting policy was developed in accordance with Ind AS 8 in the absence of an Ind AS that specifically applies;

(d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions; or

(e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one Ind AS to a class of material transactions.

Accounting policy information that focuses on how an entity has applied the requirements of the Ind ASs to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the Ind ASs.

If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other Ind ASs.

EXAMPLE 25

ABC Ltd follows cost model for its plant and machinery, motor vehicles and office equipments. It follows revaluation model for its land as well as land and buildings.

An entity shall disclose, along with its material accounting policy information or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. For example, management makes judgements in determining:

- When substantially all the significant risks and rewards of ownership of financial assets and, for lessor, assets subject to leases, are transferred to other entities;
- whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
- whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

SOURCES OF ESTIMATION UNCERTAINITY

When information or data are uncertain or incomplete, we tend to make estimates, which are nothing but appropriation of results made on some basis such as judgement or past experience. An entity should disclose this information about the assumptions it makes about the uncertain future and also other sources of estimation uncertainty. Thus notes should include:

- their nature; and
- their carrying amount as at the end of the reporting period.

The key aspects of accounting that require estimation are as follows:

- Useful lives of property, plant and equipment;

EXAMPLE 26

The Company assesses the estimated useful lives of property, plant and equipment at the end of each reporting period. The management decides that useful lives of some equipment need to be shortened due to technological obsolescence.

- Provision for outcome of future litigation;

EXAMPLE 27

The Company is presently defending a lawsuit brought against it by a supplier. The actual outcome of the case may differ from the amount recognised in the financial statements as provision.

The detailed discussion on the provision recognised for this court case will be dealt in the notes on Provisions.

- long-term employee benefit liabilities such as pension obligations;

EXAMPLE 28

These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.

- Inventories valuation;

EXAMPLE 29

Inventories are measured at lower of cost and net realisable value. In estimating the realisable value, the management has taken evidence from the time the estimate was made. Since the business of the company is based on price changes in different segments of computer hardware, that is also taken into account.

- Property prices used as a basis of revaluing properties:

EXAMPLE 30

Land and buildings are measured using revaluation model and, therefore, the company uses estimation for some land and building for which there is no observed market data. In order to arrive at their fair value, management, therefore, uses some estimation.

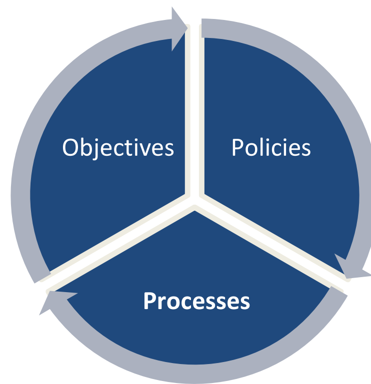
This disclosure is not required for assets or liabilities, if they are measured at fair value based on observed market prices by independent valuers. Such fair value changes may change materially again next year, but these are not based on any assumption or estimation.

The above are just some of the possible sources of estimation uncertainty that an entity faces.

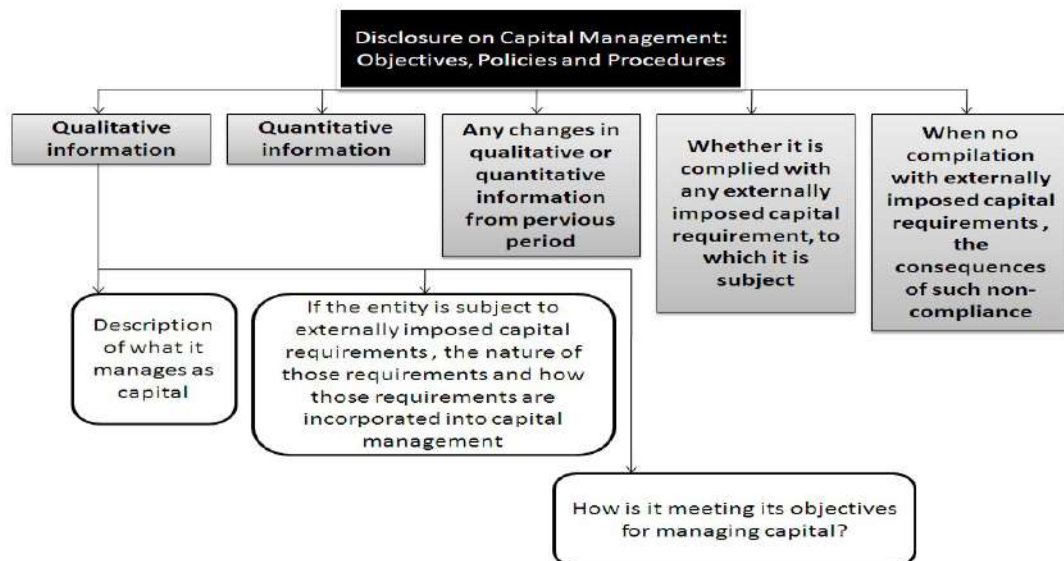
Now, mostly estimation has its basis on management judgement, which can be very subjective as well as very complex. These management judgements can materially affect the carrying amount of assets and liabilities.

CAPITAL

The concept of capital maintenance has been discussed in detail in Framework. In this Standard, the concentration is on the disclosure part of capital.



An entity needs to provide these disclosures to enable the users, evaluate the entity's objectives, policies and processes for managing capital. Thus, the entity should disclose:



OTHER DISCLOSURES

An entity should also disclose:

- the amount of dividends proposed or declared before the authorisation of the financial statements;

EXAMPLE 31

The directors of the company propose the payment of dividend of ₹ 6,500 (₹ 1 per share). The distribution of dividends requires the approval of shareholders and, therefore, no liability is recognised in respect of this in the financial statements of the current period.

- the amount of any cumulative preference dividend not recognised;
- the domicile and the legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);
- a description of the nature of the entity's operations and its principal activities;
- the name of the parent and the ultimate parent of the group;
- if it is a limited life entity, information regarding the length of its life; and

EXAMPLE 32

ABC Ltd is the parent company of the Group comprising 124 subsidiaries. The company is a limited liability company incorporated and domiciled in India. The address of ABC Ltd's registered office is 132, Park Avenue, Kolkata 700026, West Bengal, India. The company's principal office is also located in the above address. ABC Ltd's shares are listed in Bombay Stock Exchange as well as London Stock Exchange.

EXAMPLE 33

After the entire set of financial statements the following disclosures should be given:

1. Corporate information
2. Statement of compliance with Ind ASs
3. Basis of preparation
4. Summary of material accounting policy information
5. Significant management judgement and estimates
6. Other disclosures of each items of assets, liabilities, income and expenses (in detail)
7. Contingent liabilities
8. Contractual commitments
9. Risk management and policies
10. Capital management objectives, policies and procedures

EXAMPLE 34

Profit before depreciation 100 per year. Asset 100. Income tax rate 40%. Depreciation (SLM) – Financial 20%, Tax 25%. Fair value 50 at the end of year 3.

Statement of Profit and Loss and Other Comprehensive Income

Year		1		2		3		4		5
Profit before depreciation		100		100		100		100		100
Depreciation		20		20		20		25		25
Accounting Profit		80		80		80		75		75
Tax expense –										
Current tax	30		30		30		30		40	
Deferred tax expense / (liability)	2	32	2	32	2	32	–	30	(10)	30
Profit for the Period		48		48		48		45		45
Other Comprehensive Income										
Revaluation surplus (net of tax)		–		–		6		–		–
Total Comprehensive Income		**48**		**48**		**54**		**45**		**45**

Statement of Changes in Equity

Year	3	4	5
Revaluation surplus			
Opening balance	–	6	3
Created through other comprehensive income	6	–	–
Transferred to retained earnings	–	(3)	(3)
Closing balance	**6**	**3**	**–**

Workings **Current Tax**

Year	1 to 4	5
Profit before depreciation	100	100
Depreciation allowed	25	–
Taxable Profit	75	100
Current tax @ 40%	**30**	**40**

Deferred Tax Liability

Year	1	2	3	4	5
Opening balance	–	2	4	10	10
Created through –					
Profit or loss	2	2	2	–	–
Other comprehensive income	–	–	4	–	–
Reversed through profit or loss	–	–	–	–	(10)
Closing balance	**2**	**4**	**10**	**10**	**–**

Carrying Amount of the Asset

Restated proportionately

Year	1	2	3	*Revaluation Increase*	4	5
Gross block	100	100	100	125	125	125
Accumulated depreciation	20	40	60	75	100	125
Carrying Amount	80	60	40	50	25	–

Eliminated against gross carrying amount

Year	1	2	3	*Revaluation Increase*	4	5
Gross block	100	100	100	50	50	50
Accumulated depreciation	20	40	60	–	25	50
Carrying Amount	80	60	40	50	25	–

Tax Base of the Asset

Year	1	2	3	4
Gross block	100	100	100	100
Depreciation allowed	25	50	75	100
Tax Base	75	50	25	–

Journal for : Income tax **Revaluation** **Transfer to retained earnings**

Year 1

(1)

Current tax	30	
Cash		30

(2)

Deferred tax expense	2	
Deferred tax liability		2

(3)

Tax expense	32	
Current tax		30
Deferred tax expense		2

Year 2

(1), (2) and (3) – same as above

Year 3

(1), (2) and (3) – same as above

(1)	Asset	25	
	Accumulated depreciation		15
	Revaluation surplus		6
	Deferred tax liability		4
	OR		
	Accumulated depreciation	60	
	Asset		50
	Revaluation surplus		6
	Deferred tax liability		4

Year 4

(1)	Current tax	30	
	Cash		30
(2)	Tax expense	30	
	Current tax		30

(1)	Revaluation surplus	3	
	Retained earnings		3

Year 5

(1)	Current tax	40	
	Cash		40
(2)	Deferred tax liability	10	
	Tax expense		10
(3)	Tax expense	40	
	Current tax		40

(1)	Revaluation surplus	3	
	Retained earnings		3

EXAMPLE 35

Profit before depreciation 100 per year. Asset 100. Income tax rate 40%. Depreciation (SLM) – Financial 20%, Tax 25%. Fair value 75 at the beginning of year 3.

Statement of Profit and Loss and Other Comprehensive Income

Year		1		2		3		4		5
Profit before depreciation		100		100		100		100		100
Depreciation		20		20		25		25		25
Accounting Profit		80		80		75		75		75
Tax expense –										
Current tax	30		30		30		30		40	
Deferred tax expense / (liability)	2	32	2	32	–	30	–	30	(10)	30
Profit for the Period		48		48		45		45		45
Other Comprehensive Income										
Revaluation surplus (net of tax)		–		–		9		–		–
Total Comprehensive Income		**48**		**48**		**54**		**45**		**45**

Statement of Changes in Equity

Year	3	4	5
Revaluation surplus			
Opening balance	–	6	3
Created through other comprehensive income	9	–	–
Transferred to retained earnings	(3)	(3)	(3)
Closing balance	**6**	**3**	**–**

Workings **Current Tax**

Year	1 to 4	5
Profit before depreciation	100	100
Depreciation allowed	25	–
Taxable Profit	75	100
Current tax @ 40%	**30**	**40**

Deferred Tax Liability

Year	1	2	3	4	5
Opening balance	–	2	4	10	10
Created through –					
Profit or loss	2	2	–	–	–
Other comprehensive income	–	–	6	–	–
Reversed through profit or loss	–	–	–	–	(10)
Closing balance	**2**	**4**	**10**	**10**	**–**

Carrying Amount of the Asset

Restated proportionately

Year	1	2	*Revaluation increase*	3	4	5
Gross block	100	100	125	125	125	125
Accumulated depreciation	20	40	50	75	100	125
Carrying Amount	80	60	75	50	25	–

Eliminated against gross carrying amount

Year	1	2	*Revaluation increase*	3	4	5
Gross block	100	100	75	75	75	75
Accumulated depreciation	20	40	–	25	50	75
Carrying Amount	80	60	75	50	25	–

Tax Base of the Asset

Year	1	2	3	4
Gross block	100	100	100	100
Depreciation allowed	25	50	75	100
Tax Base	75	50	25	–

EXAMPLE 36

Profit before depreciation 100 per year. Asset 100. Income tax rate 40%. Depreciation (SLM) – Financial 25%, Tax 20%. Fair value 90 at the beginning of year 2; and 50 at the beginning of year 3.

Statement of Profit and Loss and Other Comprehensive Income

Year		1		2		3		4		5
Profit before depreciation		100		100		100		100		100
Depreciation		25		30		25		25		–
Accounting Profit		75		70		75		75		100
Tax expense –										
Current tax	32		32		32		32		32	
Deferred tax (income) / asset	(2)		(2)		(2)		(2)		8	
Deferred tax liability	–	30	(2)	28	–	30	–	30	–	40
Profit for the Period		45		42		45		45		60
Other Comprehensive Income										
Revaluation surplus (net of tax)		–		9		(6)		–		–
Total Comprehensive Income		45		51		39		45		60

Statement of Changes in Equity

Year	2	3
Revaluation surplus		
Opening balance	–	6
Created through other comprehensive income	9	–
Reversed through other comprehensive income	–	(6)
Transferred to retained earnings	(3)	–
Closing balance	**6**	**–**

Workings

Current Tax

Year	1 to 5
Profit before depreciation	100
Depreciation allowed	20
Taxable Profit	80
Current tax @ 40%	**32**

Deferred Tax Asset / Liability

Year	1		2		3		4		5	
Deferred tax	**Asset**	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**
Opening balance	–	–	2	–	4	4	6	–	8	–
Created through –										
Profit or loss	2	–	2	–	2	–	2	–	–	–
Other comprehensive income	–	–	–	6	–	–	–	–	–	–
Reversed through –										
Profit or loss	–	–	–	–	–	–	–	–	(8)	–
Other comprehensive income	–	–	–	(2)	–	(4)	–	–	–	–
Closing Balance	**2**	**–**	**4**	**4**	**6**	**–**	**8**	**–**	**–**	**–**

Carrying Amount of the Asset

Restated proportionately

Year	1		2 *Revaluation increase*			3 *Revaluation decrease*		4
Gross block	100	→	120	120	→	100	100	100
Accumulated depreciation	25	→	30	60	→	50	75	100
Carrying Amount	**75**	→	**90**	**60**	→	**50**	**25**	**–**

Eliminated against gross carrying amount

Year	1		2 *Revaluation increase*			3 *Revaluation decrease*		4
Gross block	100	→	90	90	→	50	50	50
Accumulated depreciation	25	→	–	30	→	–	25	50
Carrying Amount	**75**	→	**90**	**60**	→	**50**	**25**	**–**

Tax Base of the Asset

Year	1	2	3	4	5
Gross block	100	100	100	100	100
Depreciation allowed	20	40	60	80	100
Tax Base	**80**	**60**	**40**	**20**	**–**

EXAMPLE 37

Profit before amortisation – year 1 : 100; year 2 : 120; year 3, 4 and 5 : 130 per year. Intangible asset 100. Amortisation (SLM) – Financial 20%, Tax 25%. Fair value 90 at the end of year 2. Income tax rate 40%.

Statement of Profit and Loss and Other Comprehensive Income

Year		1		2		3		4		5
Profit before amortisation		100		120		130		130		130
Amortisation		20		20		30		30		30
Accounting Profit		80		100		100		100		100
Tax expense –										
Current tax	30		38		42		42		52	
Deferred tax expense / (liability)	2	32	2	40	(2)	40	(2)	40	(12)	40
Profit for the Period		48		60		60		60		60
Other Comprehensive Income										
Revaluation surplus (net of tax)		–		18		–		–		–
Total Comprehensive Income		**48**		**78**		**60**		**60**		**60**

Statement of Changes in Equity

Year	2	3	4	5
Revaluation surplus				
Opening balance	–	18	12	6
Created through other comprehensive income	18	–	–	–
Transferred to retained earnings	–	(6)	(6)	(6)
Closing balance	**18**	**12**	**6**	**–**

Workings **Current Tax**

Year	1	2	3 and 4	5
Profit before amortisation	100	120	130	130
Amortisation allowed	25	25	25	–
Taxable Profit	75	95	105	130
Current tax @ 40%	**30**	**38**	**42**	**52**

Deferred Tax Liability

Year	1	2	3	4	5
Opening balance	–	2	16	14	12
Created through –					
Profit or loss	2	2	–	–	–
Other comprehensive income	–	12	–	–	–
Reversed through profit or loss	–	–	(2)	(2)	(12)
Closing balance	**2**	**16**	**14**	**12**	**–**

Carrying Amount of the Asset

Restated proportionately

Year	1	2	*Revaluation increase*	3	4	5
Gross block	100	100 →	150	150	150	150
Accumulated amortisation	20	40 →	60	90	120	150
Carrying Amount	**80**	**60** →	**90**	**60**	**30**	**–**

Eliminated against gross carrying amount

Year	1	2	*Revaluation increase*	3	4	5
Gross block	100	100 →	90	90	90	90
Accumulated amortisation	20	40 →	–	30	60	90
Carrying Amount	**80**	**60** →	**90**	**60**	**30**	**–**

Tax Base of the Asset

Year	1	2	3	4
Gross block	100	100	100	100
Amortisation allowed	25	50	75	100
Tax Base	**75**	**50**	**25**	**–**

Journal for : Income tax **Revaluation** **Transfer to retained earnings**

Year 1

(1)	Current tax	30	
	Cash		30
(2)	Deferred tax expense	2	
	Deferred tax liability		2
(3)	Tax expense	32	

Current tax	30		
Deferred tax expense	2		

Year 2

(1) Current tax	38	(1) Asset	50
Cash	38	Accumulated amortisation	20
(2) Deferred tax expense	2	Revaluation surplus	18
Deferred tax liability	2	Deferred tax liability	12
(3) Tax expense	40	OR	
Current tax	38	Accumulated amortisation	40
Deferred tax expense	2	Asset	10
		Revaluation surplus	18
		Deferred tax liability	12

Year 3

(1) Current tax	42	(1) Revaluation surplus	6
Cash	42	Retained earnings	6
(2) Deferred tax liability	2		
Tax expense	2		
(3) Tax expense	42		
Current tax	42		

Year 4

(1), (2) and (3) – same as above		(1) same as above	

Year 5

(1) Current tax	52	(1) same as above	

		Dr	Cr
	Cash		52
(2)	Deferred tax liability	12	
	Tax expense		12
(3)	Tax expense	52	
	Current tax		52

EXAMPLE 38

Profit 100 per year. Income tax rate 40%. Year 1 : Investment in equity instruments 100. Year-end fair value of investment in equity instruments – year 1 : 110, year 2 : 120. Disposal of investment in equity instruments – year 3 : 130.

Statement of Profit and Loss and Other Comprehensive Income

Year		1		2		3
Accounting Profit		100		100		100
Tax expense –						
Current tax	40		40		52	
Deferred tax liability	–	40	–	40	(12)	40
Profit for the Period		60		60		60
Other comprehensive income						
Gain from investment in equity instruments (net of tax)		6		6		6
Total comprehensive income		**66**		**66**		**66**

Statement of Changes in Equity

Year	1	2	3
Gain from investment in equity instruments			
Opening balance	–	6	12
Created through other comprehensive income	6	6	6
Transferred to retained earnings	–	–	(18)
Closing balance	**6**	**12**	**–**

Workings **Current Tax**

Year	1	2	3
Profit	100	100	100
Gain from disposal of investment in equity instruments	–	–	30
Taxable Profit	100	100	130
Current tax @ 40%	**40**	**40**	**52**

Deferred Tax Liability

Year	1	2	3
Opening balance	–	4	8
Created through other comprehensive income	4	4	4
Reversed through profit or loss	–	–	(12)
Closing balance	**4**	**8**	**–**

Investment in Equity Instruments

Year	1	2	3
Carrying amount	110	120	130
Tax base	100	100	100
Deferred tax liability	**4**	**8**	**12**

Journal

Year 1

	Dr	Cr
(1) Investment in equity instruments	100	
Cash		100
(2) Investment in equity instruments	10	
Gain from investment in equity instruments		6
Deferred tax liability		4

Year 2

	Dr	Cr
(1) Investment in equity instruments	10	
Gain from investment in equity instruments		6
Deferred tax liability		4

Year 3

	Dr	Cr
(1) Investment in equity instruments	10	
Gain from investment in equity instruments		6
Deferred tax liability		4
(2) Cash	130	
Investment in equity instruments		130
(3) Deferred tax liability	12	
Tax expense		12
(4) Gain from investment in equity instruments	18	
Retained earnings		18

EXAMPLE 39

Profit 100 per year. Income tax rate 40%. Year 1 : Investments in equity instruments 100. Year- end fair value of investment in equity instruments – year 1 : 110; year 2 : 120. Disposal of investment in equity instruments – year 3 : 115.

Statement of Profit and Loss and Other Comprehensive Income

Year		1		2		3
Accounting Profit		100		100		100
Tax expense –						
Current tax	40		40		46	
Deferred tax liability	–	40	–	40	(6)	40
Profit for the Period		60		60		60
Other comprehensive income						
Gain from investment in equity instruments (net of tax)		6		6		(3)
Total comprehensive income		**66**		**66**		**57**

Statement of Changes in Equity

Year	1	2	3
Gain from investment in equity instruments			
Opening balance	–	6	12
Created through other comprehensive income	6	6	–
Reversed through other comprehensive income	–	–	(3)
Transferred to retained earnings	–	–	(9)
Closing balance	**6**	**12**	**–**

Working **Current Tax**

Year	1	2	3
Profit	100	100	100
Gain from disposal of investment in equity instruments	–	–	15
Taxable Profit	100	100	115
Current tax @ 40%	**40**	**40**	**46**

Deferred Tax Liability

Year	1	2	3
Opening balance	–	4	8
Created through other comprehensive income	4	4	–
Reversed through –			
Other comprehensive income	–	–	(2)
Profit or loss	–	–	(6)
Closing balance	**4**	**8**	**–**

Investment in Equity Instruments

Year	1	2	3
Carrying amount	110	120	115
Tax base	100	100	100
Deferred tax liability	4	8	6

Journal

Year 1

		Dr	Cr
(1)	Investment in equity instruments	100	
	Cash		100
(2)	Investment in equity instruments	10	
	Gain from investment in equity instruments		6
	Deferred tax liability		4

Year 2

		Dr	Cr
(1)	Investment in equity instruments	10	
	Gain from investment in equity instruments		6
	Deferred tax liability		4

Year 3

	Dr	Cr
Gain from investment in equity instruments	3	
Deferred tax liability	2	
Investment in equity instruments		5
Cash	115	
Investment in equity instruments		115
Deferred tax liability	6	
Tax expense		6
Gain from investment in equity instruments	9	
Retained earnings		9

EXAMPLE 40

Profit 100 per year. Income tax rate 40%. Year 1 : Investment in equity instruments 100. Year-end fair value of investment in equity instruments 110. Year 2 : 50% disposal of investment in equity instruments 60. Year 3 : Remaining disposal of investment in equity instruments 65.

Statement of Profit and Loss and Other Comprehensive Income

Year		1		2		3
Accounting Profit		100		100		100
Tax expense –						
Current tax	40		44		46	
Deferred tax liability	–	40	(4)	40	(6)	40
Profit for the Period		60		60		60
Other comprehensive income						
Gain from investment in equity instruments (net of tax)		6		6		3
Total comprehensive income		**66**		**66**		**63**

Statement of Changes in Equity

Year	1	2	3
Gain from investment in equity instruments			
Opening balance	–	6	6
Created through other comprehensive income	6	6	3
Transferred to retained earnings	–	(6)	(9)
Closing balance	**6**	**6**	**–**

Workings **Current Tax**

Year	1	2	3
Profit	100	100	100
Gain from disposal of investment in equity instruments	–	10	15
Taxable Profit	100	110	115
Current tax @ 40%	**40**	**44**	**46**

Deferred Tax Liability

Year	1	2	3
Opening balance	–	4	4
Created through other comprehensive income	4	4	2
Reversed through profit or loss	–	(4)	(6)
Closing balance	**4**	**4**	**–**

Investment in Equity Instruments

Year	1	2	3
Carrying amount	110	60	65
Tax base	100	50	50
Deferred tax liability	**4**	**4**	**6**

Journal

Year 1

	Debit	Credit
(1) Investment in equity instruments	100	
Cash		100
(2) Investment in equity instruments	10	
Gain from investment in equity instruments		6
Deferred tax liability		4

Year 2

	Debit	Credit
(1) Investment in equity instruments	10	
Gain from investment in equity instruments		6
Deferred tax liability		4
(2) Cash	60	
Investment in equity instruments		60
(3) Deferred tax liability	4	
Tax expense		4
(4) Gain from investment in equity instruments	6	
Retained earnings		6

Year 3

	Debit	Credit
(1) Investment in equity instruments	5	
Gain from investment in equity instruments		3
Deferred tax liability		2
(2) Cash	65	
Investment in equity instruments		65
(3) Deferred tax liability	6	
Tax expense		6
(4) Gain from investment in equity instruments	9	
Retained earnings		9

EXAMPLE 41

Profit before depreciation and gain on disposal of investment in equity instruments 100 per year. Income tax rate 40%. Asset 100; Depreciation (SLM) – Financial 20%; Tax 25%. Fair value 90 at the end of year 2 and 40 at the end of year 3. Investment in equity instruments 100 at the beginning of year 1. Year-end fair value of investment in equity instruments — year 1 : 110; 2: 120; 3 : 125. 50% disposal of investment in equity instruments 65 in year 4. Remaining disposal of investment in equity instruments 75 in year 5.

Statement of Profit and Loss and Other Comprehensive Income

Year		1		2		3		4		5
Profit before depreciation		100		100		100		100		100
Depreciation		20		20		30		20		20
Accounting Profit		80		80		70		80		80
Tax expense –										
Current tax	30		30		30		36		50	
Deferred tax expense / (liability)	2	32	2	32	(2)	28	(4)	32	(18)	32
Profit for the Period		**48**		**48**		**42**		**48**		**48**
Other comprehensive income										
Gain from investment in equity instruments	10		10		5		5		10	
Revaluation surplus	–		30		(20)		–		–	
	10		40		(15)		5		10	
Income tax relating to the above	(4)	6	(16)	24	6	(9)	(2)	3	(4)	6
Total comprehensive income		**54**		**72**		**33**		**51**		**54**

Statement of Changes in Equity

Year	1	2	3	4	5
Gain from investment in equity instruments					
Opening balance	–	6	12	15	9
Created through other comprehensive income	6	6	3	3	6
Transferred to retained earnings	–	–	–	(9)	(15)
Closing balance	**6**	**12**	**15**	**9**	**–**
Revaluation surplus					
Opening balance	–	–	18	–	–
Created through other comprehensive income	–	18	–	–	–
Reversed through other comprehensive income	–	–	(12)	–	–
Transferred to retained earnings	–	–	(6)	–	–
Closing balance	**–**	**18**	**–**	**–**	**–**

Current Tax

Year	1	2	3	4	5
Profit	100	100	100	100	100
Depreciation allowed	(25)	(25)	(25)	(25)	–
Gain from disposal of investment in equity instruments	–	–	–	15	25
Taxable Profit	75	75	75	90	125
Current tax @ 40%	**30**	**30**	**30**	**36**	**50**

Deferred Tax Liability

Year	1	2	3	4	5
Opening balance	–	6	24	16	14
Created through –					
Profit or loss	2	2	–	–	–
Other comprehensive income	4	16	–	2	4
Reversed through –					
Profit or loss	–	–	(2)	(4)	(18)
Other comprehensive income	–	–	(6)	–	–
Closing balance	**6**	**24**	**16**	**14**	**–**

Investment in Equity Instruments

Year	1	2	3	4	5
Carrying amount	110	120	125	65	75
Tax base	100	100	100	50	50
Deferred tax liability	**4**	**8**	**10**	**6**	**10**

Carrying Amount of the Asset

Restated proportionately

Year	1		2 *Revaluation increase*		3 *Revaluation decrease*	4	5
Gross block	100	100	→ 150	150	→ 100	100	100
Accumulated depreciation	20	40	→ 60	90	→ 60	80	100
Carrying Amount	**80**	**60**	→ **90**	**60**	→ **40**	**20**	**–**

Eliminated against gross carrying amount

Year	1		2 *Revaluation increase*		3 *Revaluation decrease*	4	5
Gross block	100	100	→ 90	90	→ 40	40	40
Accumulated depreciation	20	40	→ –	30	→ –	20	40
Carrying Amount	**80**	**60**	→ **90**	**60**	→ **40**	**20**	**–**

Tax Base of the Asset

Year	1	2	3	4
Gross block	100	100	100	100
Depreciation allowed	25	50	75	100
Tax base	75	50	25	–
Deferred tax liability	2	16	6	8

EXAMPLE 42

Balance Sheet

Year	20x4	20x3
Assets		
Non-current assets		
Land and building	800	1,500
Plant and machinery	1,000	900
Investment in foreign operation	1,500	2,500
Investment property	2,800	2,500
Financial assets	1,100	1,200
Deferred tax assets	681	339
Current assets		
Inventories	318	612
Right to recover assets	180	–
Trade receivables	2,512	473
Other current assets	1,336	257
Cash and cash equivalents	7,117	6,583
Total Assets	**19,344**	**16,864**
Equity and Liabilities		
Equity		
Share capital	6,000	6,000
Retained earnings	5,788	3,542
Other components of equity	716	883
Non-current liabilities		
5% convertible preference shares	–	878
Zero-coupon convertible bonds	–	792
Deferred tax liability	1,010	808
Current liability		
5% convertible preference shares	937	–
Zero-coupon convertible bonds	892	–
Deferred revenue	2,000	1,000
Refund liability	300	–
Trade payables	465	713
Current tax liability	1,236	2,248
Total Equity and Liabilities	**19,344**	**16,864**

Statement of Changes in Equity

Particulars	Share capital	Retained earnings	Other Components of Equity								
			Revaluation surplus								
			Foreign operation	Land and building	Plant and machinery	Exchange difference	Financial assets	Share based payment	Convertible preference shares	Convertible bonds	Total
Opening balance	6,000	3,542	180	210		120	160	30	62	121	883
Created through —											
P/L		2,879						70			70
OCI			240	(140)	140	60	(80)				220
Transferred to —											
P/L						(90)					(90)
RE		367	(210)	(70)					(29)	(58)	(367)
Dividends		(1,000)									
Closing balance	**6,000**	**5,788**	**210**	**–**	**140**	**90**	**80**	**100**	**33**	**63**	**716**

Statement of Profit and Loss and Other Comprehensive Income

Revenue		7,700
Cost of sales		(2,820)
Gross Profit		4,880
Other income		1,000
Administrative expenses		(712)
Distribution expenses		(584)
Other expenses		(879)
Accounting Profit		**3,705**
Tax expense –		
Current tax expense	1,236	
Deferred tax expense	270	
Deferred tax income	(672)	
Deferred tax liability	(248)	
Deferred tax asset	330	916
Profit for the Period *(before reclassification adjustment)*		2,789
Exchange difference reclassified		90
Profit for the Period *(after reclassification adjustment)*		2,879
Other Comprehensive Income		
Items not to be reclassified		
Revaluation surplus on foreign operation	400	
Deferred tax liability @ 40%	(160)	240
Downward revaluation on land and building	(200)	

Deferred tax liability @ 30%	60	(140)
Reversal of unrealised gain from financial assets	(100)	
Deferred tax liability @ 20%	20	(80)
Revaluation surplus on plant and machinery	200	
Deferred tax liability @ 30%	(60)	140
Items will be reclassified		
Exchange difference on foreign operation	100	
Deferred tax liability @ 40%	(40)	60
Exchange difference reclassified		(90)
Total Comprehensive Income		3,009

Workings

(1) Deferred Tax Liability

Particulars	Foreign operation	Land and building	Plant and machinery	Exchange difference	Financial assets	Investment property	Convertible preference shares	Convertible bonds	Total
Opening balance	120	150		80	40	320	36	62	808
Created through —									
P/L		30				240			270
OCI	160		60	40					260
Reversed through —									
P/L	(140)			(60)			(18)	(30)	(248)
OCI		(60)			(20)				(80)
Closing balance	**140**	**120**	**60**	**60**	**20**	**560**	**18**	**32**	**1,010**

(2) Deferred Tax Asset

Particulars	Deferred revenue	Refund liability	Plant and machinery	Share based payment	Total
Opening balance	300		30	9	339
Created	600	36	15	21	672
Reversed	(300)		(30)		(330)
Closing balance	**600**	**36**	**30**	**45**	**681**

(3) Other Income

Fair value increase in investment property	300
Dividends received	700
Total	**1,000**

(4) Other Expenses

Share based payment	70
Unwinding and amortisation of zero-coupon convertible bonds	100
Interest and amortisation of 5% convertible preference shares	109
Depreciation on – land and building	500
plant and machinery	300
Impairment reversal	(200)
Total	**879**

(5) Current Tax

Revenue	7,000
Cost of sales	(3,000)
Deferred revenue	2,000
Administrative expenses	(712)
Distribution expenses	(584)
Depreciation on – land and building	(600)
plant and machinery	(250)
investment property	(400)
Total	**3,454**
Tax @ 30% on 3,454	1,036
Tax @ 40% on sale of foreign operation	200
Current tax liability	**1,236**