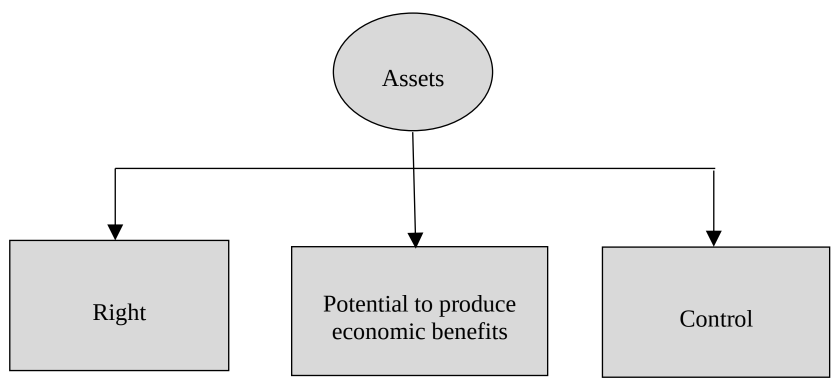
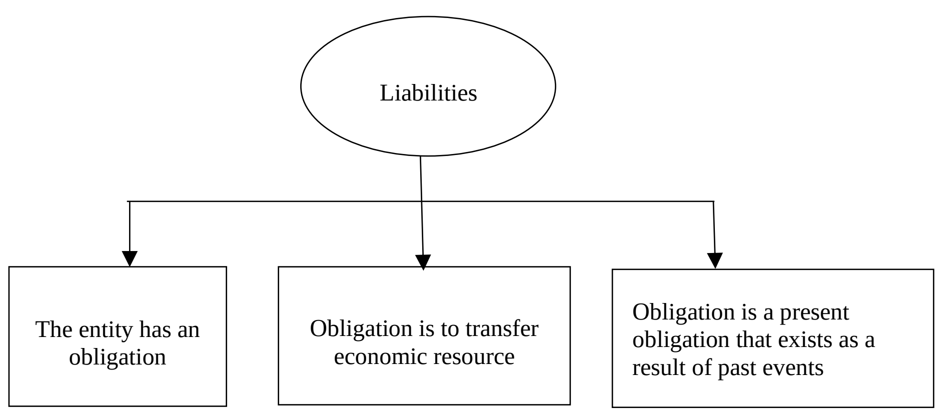
Indian Accounting Standards (IND ASs) Frequently Asked Questions

S/L No.	Questions	Answers
1.	*What are Accounting Standards?*	Accounting Standards are the policy documents issued by the relevant Statutory Authority / Apex Accountancy body for recognition, measurement, presentation and disclosure of the events and business transactions having economic consequence on an enterprise.
2.	*What is called Conceptual Framework?*	The Framework is the conceptual framework upon which the Ind ASs are based and hence which determines how financial statements are prepared and the information they contain.
3.	*What is going concern assumption?*	The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Going concern concept indicates that assets are kept for generating benefit in future, not for immediate sale, current change in the asset value is not realizable and so it should not be counted.
4.	*How is Asset defined under Framework?*	An asset is a present economic resource controlled by the entity as a result of past events. An economic resource is a right that has the potential to produce economic benefits. The above definition stresses on three elements as shown below: 
5.	*How is liability defined under Framework?*	A liability is a present obligation of the entity to transfer an economic resource as a result of past events. The above definition stresses on three elements as shown below: 
6.	*How is equity defined under Framework?*	The residual interest in the assets of the enterprise after deducting all its liabilities.

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7.	*How is income defined under Framework?*	Income is increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims.
8.	*How are expenses defined under Framework?*	Expenses are decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims.
9.	*What is the recognition criteria according to Framework?*	As per *Framework* recognition criteria are: An asset or liability is recognised only if recognition of that asset or liability and of any resulting income, expenses or changes in equity provides users of financial statements with information that is useful, i.e. with: (a) relevant information about the asset or liability and about any resulting income, expenses, or changes in equity; and (b) a faithful representation of the asset or liability and of any resulting income, expenses, or changes in equity.
10.	*How do we measure equity under Framework?*	Pursuant to the *Framework*, the total carrying amount of equity (total equity) is not measured directly. It equals the total of the carrying amounts of all recognised assets less the total of the carrying amounts of all recognised liabilities. But the *Framework* makes it clear that, because general purpose financial statements are not designed to show an entity's value, the total carrying amount of equity will not generally equal: (a) the aggregate market value of equity claims on the entity, (b) the amount that could be raised by selling the entity as a whole on a going concern basis; or (c) the amount that could be raised by selling all of the entity's assets and settling all of its liabilities.
11.	*What are the components of Financial Statements?*	• A Balance Sheet at the end of the period • A statement of Profit & Loss and Other Comprehensive Income for the period • A statement of changes in equity for the period • A statement of cash flows for the period • Notes comprising of accounting policies and other explanatory notes, reports that are outside financial statements
12.	*What are the information elements the Financial Statements needs to provide?*	Financial statements must provide information about following aspects: • Assets • Liabilities • Equity • Income & Expenses (including gains and losses) • Contributions by and contributions to owners in their capacity as owners • Cash flows
13.	*What does Balance Sheet include?*	The Balance Sheet depicts the short term and long-term solvency of the organization and depicts the following: • Assets • Liabilities and • Equity of the organization. The Balance Sheet shall include line items that present the following amounts:

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		(a) property, plant and equipment; (b) investment property; (c) intangible assets; (d) financial assets (excluding amounts shown under (e), (h) and (i)); (e) investments accounted for using the equity method. (f) biological assets within the scope of Ind AS 41 *Agriculture*; (g) inventories. (h) trade and other receivables; (i) cash and cash equivalents; (j) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations*. (k) trade and other payables. (l) provisions. (m) financial liabilities (excluding amounts shown under (k) and (l)); (n) liabilities and assets for current tax, as defined in Ind AS 12 *Income Taxes*. (o) deferred tax liabilities and deferred tax assets, as defined in Ind AS 12; (p) liabilities included in disposal groups classified as held for sale in accordance with Ind AS 105; (q) non-controlling interests, presented within equity; and (r) issued capital and reserves attributable to owners of the parent.
24.	*What does statement of profit & loss include?*	The statement of Profit & Loss depicts the net financial results of the organization represented by income and expenses and would include all items of income and expense in a period in profit or loss unless an IFRS requires or permits otherwise. **Information to be presented in the statement of profit and loss or in the notes** i) When items of income or expense are material, an entity shall disclose their nature and amount separately. ii) Circumstances that would give rise to the separate disclosure of items of income and expense include: (a) 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; (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring, (c) disposals of items of property, plant and equipment, (d) disposals of investments, (e) discontinued operations, (f) litigation settlements; and (g) other reversals of provisions. iii) An entity shall present an analysis of expenses recognised in profit or loss using a classification based on the nature of expense method.

<table>
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<tr><td></td><td></td><td>
An example of a classification using the nature of expense method is as follows:
<table>
<tr><td>Revenue</td><td></td><td>X</td></tr>
<tr><td>Other income</td><td></td><td>X</td></tr>
<tr><td>Changes in inventories of finished goods and work in progress</td><td>X</td><td></td></tr>
<tr><td>Raw materials and consumables used</td><td>X</td><td></td></tr>
<tr><td>Employee benefits expense</td><td>X</td><td></td></tr>
<tr><td>Depreciation and amortization expense</td><td>X</td><td></td></tr>
<tr><td>Other expenses</td><td>X</td><td></td></tr>
<tr><td>Total expenses</td><td></td><td>(X)</td></tr>
<tr><td>Profit before tax</td><td></td><td>X</td></tr>
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<tr><td>25.</td><td>What does statement of other comprehensive income include?</td><td>
The Statement of other comprehensive income would include amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other Ind ASs
(a) will not be reclassified subsequently to profit or loss; and
(b) will be reclassified subsequently to profit or loss when specific conditions are met.

The components of other comprehensive income include:
(a) changes in revaluation surplus (Ind AS 16 Property, Plant and Equipment and Ind AS 38 Intangible Assets);
(b) remeasurements of defined benefit plans (Ind AS 19 Employee Benefits);
(c) gains and losses arising from translating the financial statements of a foreign operation (see Ind AS 21 The Effects of Changes in Foreign Exchange Rates);
(d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income
(da) gains and losses on financial assets measured at fair value through other comprehensive income.
(e) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income.
(f) 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;
(g) 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
(h) 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
</td></tr>
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		excluding it from the designation of that financial instrument as the hedging instrument
26.	*What does Statement of Equity include?*	(i) An entity shall present a statement of changes in equity as a part of Statement of Financial Position as required by the Ind AS. The statement of changes in equity includes the following information: (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests. (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Ind AS 8; (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each changes resulting from: (i) profit or loss; (ii) other comprehensive income. (iii) transactions with owners 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 a loss of control. Information to be presented in the statement of changes in equity which is a part of the Statement of Financial Position or in the notes (ii) For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item. (iii) An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.
27.	*What is statement of Cash Flows?*	Provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilize those cash flows.
28.	*What do Notes to Accounts provide?*	• Present information about basis of preparation of financial statements and specific accounting policies used • disclose any information required by IFRSs not presented elsewhere in the financial statements and • provide additional information that is relevant for understanding of the financial statements not presented elsewhere in the financial statements
29.	*What is meant by fair presentation?*	The financial statements must present "fairly" the financial position, financial performance, and cash flows of an entity. Fair presentation requires faithful representation of - the effects of transactions - other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities income and expenses set out in the framework. The application of IFRSs with additional disclosure, when necessary, is presumed to result in financial statements that achieve a fair presentation. A fair presentation requires an entity:

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		(a) to select and apply accounting policies in accordance with Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Ind AS 8 sets out a hierarchy of authoritative guidance that management considers in the absence of an Ind AS that specifically applies to an item. (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information. (c) to provide additional disclosures when compliance with the specific requirements in Ind ASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
30.	*What is meant by effective compliance of Ind AS?*	Ind AS 1 requires that an entity whose financial statements comply with Ind ASs make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as Ind AS compliant unless they comply with all the requirements of Ind ASs (including interpretations) All relevant Ind ASs must be followed if compliance with Ind ASs is disclosed. An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.
31.	*What does departure from compliance with Ind AS signify?*	If in extremely rare circumstances, the Management concludes that Ind AS compliance would be so misleading as to conflict the objective of the financial statements – it needs to provide detailed disclosure of the nature, reasons, and impact of such departure (Paragraph 19). When an entity departs from a requirement of an Ind AS in accordance with paragraph 19, it shall disclose: (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows. (b) that it has complied with applicable Ind ASs, except that it has departed from a particular requirement to achieve a fair presentation. (c) the title of the Ind AS from which the entity has departed, the nature of the departure, including the treatment that the Ind AS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, and the treatment adopted; and (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement. When an entity has departed from a requirement of an Ind AS in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in (c) and (d) above. (Paragraph 21).
32.	*What is meant by Going Concern assessment?*	An entity shall prepare financial statements under Ind AS on a going concern basis unless Management has significant concerns about the entity's ability to continue as going concern. Accordingly, management shall make an assessment of an entity's ability to continue as a going concern. When management is aware, in making its

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		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 shall disclose those uncertainties. Ind AS I requires a series of disclosures to that effect (Paragraph 25) ***Going concern assessment is critical and would in general delve through the following parameters:*** a) History of profitable operations b) Current and expected profitability c) Access to productive financial resources d) Debt repayment schedules and potential sources of replacement funding based on projected cash flows generated out of the business If based on the above parameters, the entity fails to pass the test of a going concern then additional disclosures are necessary explaining the basis on which the financial statements have been prepared and the reasons why the entity is not considered a going concern.
33.	*What is accrual accounting?*	An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. (Paragraph 27) When the accrual basis of accounting is used, an entity recognizes items as assets, liabilities, equity, income, and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Conceptual Framework*. (Paragraph 28)
34.	*What is materiality and aggregation?*	An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial. (Paragraph 29). 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. Examples of circumstances that may result in material information being obscured are shown as under: (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.
35.	*What is meant by offsetting?*	An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS. (Paragraph 32).

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36.	*What does consistency of presentation signify?*	An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless: (a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in Ind AS 8; or (b) an Ind AS requires a change in presentation (Paragraph 45).
37.	*What is Operating Cycle?*	An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Where the normal operating cycle cannot be identified. It is assumed to have a duration of 12 months.
38.	*What does current / non-current distinction signify?*	An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 66–76 of this Standard except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity. Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled: (a) no more than twelve months after the reporting period, and (b) more than twelve months after the reporting period.
39.	*When does an entity classify its assets as current assets?*	An asset should be classified as a current asset when it: (a) it expects to realize the asset, or intends to sell or consume it, in its normal ***operating cycle,*** (b) it holds the asset primarily for the purpose of trading, (c) it expects to realize the asset within twelve months after the reporting period; or (d) the asset is cash or a cash equivalent (as defined in Ind AS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. An entity shall classify all other assets as non-current. (Paragraph 66) Note: Operating cycle of an entity is the time between acquisition of assets for processing and their realization in cash or cash equivalents
40.	*When does an entity classify its liabilities as current liabilities?*	An entity shall classify a liability as current when: (a) it expects to settle the liability in its normal ***operating cycle***; (b) it holds the liability primarily for the purpose of trading; (c) the liability is due to be settled within twelve months after the reporting period; or (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73). Terms

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		of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. An entity shall classify all other liabilities as non-current. (Paragraph 69).
41.	*What are the broad sub-classification disclosures of assets?*	• **Property, Plant and Equipment** are disaggregated by class as described in *Ind AS 16 Property, Plant and Equipment* • **Receivables** are disaggregated between amounts receivables from trade customers, other members of the group, receivables from related parties, prepayments and other amounts • **Inventories** are disaggregated as per Ind AS 2 Inventories into merchandise, production supplies, materials, work in progress and finished goods • **Provisions** are disaggregated showing separately provisions for employee benefit costs and any other items classified in a manner appropriate to the entities operations • **Equity capital and reserves** are disaggregated between various classes showing separately paid in capital, share premium and reserves
42.	*What are the broad sub-classification disclosures of share capital and reserves?*	For each class of share capital: • Number of shares authorized • Number of shares issued and fully paid, and issued but not fully paid • Par value per share or that the shares have no par value • Reconciliation of number of shares outstanding at the beginning and at the end of the year • Rights, preferences, and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital • Shares in the entity held by the entity itself or by related group companies • Shares reserved for issuance under options and sales contracts, including terms and amounts • Description of the nature and purpose of each reserve within owners' equity
43.	*What is the sub-classification of Financial Instruments?*	If an entity has reclassified (a) a puttable financial instrument classified as an equity instrument, or (b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification. (Paragraph 80A)

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44.	*How are inventories defined under Ind AS?*	**Inventories are assets that are:** ● held for sale in the ordinary course of business ● in the process of production for such sale ● in the form of material or supplies to be consumed in the production processor ● in the rendering of services in case of service providers ● inventories include cost of services for which the related revenue has not yet been recognized (work in progress for lawyers, auditors, architects etc
45.	*How are inventories recognized?*	Inventories are recognized at lower of cost and Net realisable value (NRV)
46.	*What is Net Realisable Value?*	Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion to make the sale. ***NRV is likely to be less than cost in the following cases:*** - an increase in costs or a fall in selling price - a physical deterioration in the condition of inventory - Obsolescence of products - Marketing strategy to sell products at a loss - Errors in production or purchasing ***Inventories are usually written down to NRV on the following principles:*** - items are treated on an item-by-item basis - similar items are normally grouped together - each service is treated as a separate item
47.	*What are the bases of valuation of inventories?*	FIFO (First in first out) Weighted Average cost Specific identification of costs (in other cases)
48.	*What are the techniques used for measurement of inventories?*	The techniques used to measure inventories are: Standard cost Retail method
49.	*How are inventories measured at cost?*	Inventory measurement at cost would include: costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Waterfall chart below shows the accumulation of cost of inventories

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		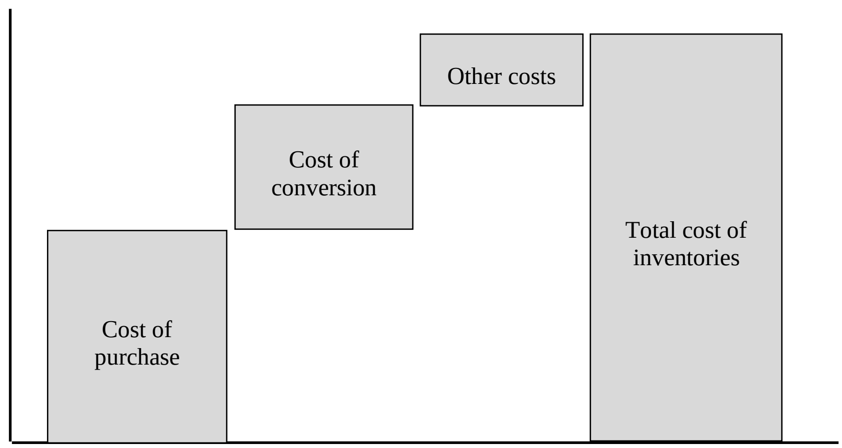
50.	*What are the elements included in cost of purchase of inventories?*	Cost of purchase of inventories would include the following: The purchase price import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), Transport, handling, and other costs directly attributable to the acquisition of finished goods, materials, and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase
51.	*What are the elements included in cost of conversion of inventories?*	Cost of conversion of inventories would include the following: Costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.
52.	*What are the elements included in other cost of inventories?*	The other cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.
53.	*What is the basis of charging inventories to expenses?*	The period in which the inventories are sold, and revenue is recognized, the carrying amount of those inventories are charged to expense during the same period. If inventories are recognized on NRV then the difference between carrying value and NRV needs to be written down as expense in the period in which the write down or loss takes place.
54.	*What are the cost elements not included in valuing inventories?*	The cost elements not included in valuing inventories: Abnormal wastage Storage costs unless it is part of production process Administration overhead Selling and Distribution overhead
55.	*How are borrowing costs treated in valuing inventories?*	IAS 23, *Borrowing Costs*, identifies limited circumstances where borrowing costs are included in the cost of inventories.

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56.	*How are inventories valued in cases of deferred settlement?*	When the inventories are purchased at deferred settlement terms and the arrangement effectively contains a financing element, that element, for example a difference between the purchase price for normal credit terms and the amount paid, is recognised as interest expense over the period of the financing.
57.	*How are inventories related to service providers are valued?*	Inventories related to service providers are valued at the costs of their production. These costs consist primarily of the labour and other costs of personnel directly engaged in providing the service, including supervisory personnel, and attributable overheads.
58.	*Cash*	comprises cash on hand and demand deposits.
59.	*Cash equivalents*	are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
60.	*Cash flow*	are inflows and outflows of cash and cash equivalents.
58.	*What are the classifications of cash flow statement?*	The classifications of cash flow statement are: • Operating activities • Investing activities • Financing activities
59.	*What are operating activities?*	Activities that are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.
60.	*What are financing activities?*	Activities which result in changes in size and composition of the borrowings and equity of the entity (e.g., cash proceeds from issuing shares, cash proceeds from issuing debt instruments, cash payments to repay amount borrowed)
61.	*What are investing activities?*	activities representing acquisition and disposal of long-term assets and other investments (not including cash equivalents) (e.g. cash receipts and payments to acquire and dispose of property, plant and equipment, cash receipts and payments to acquired and dispose of equity and debt investments including subsidiaries and other business units)
62.	*What is direct method of cash flow statement?*	Major classes of gross cash receipts and payments are disclosed (sales, cost of sales, purchases, employee benefits etc
63	*What is indirect method of cash flow statement?*	Profit or loss of the period is adjusted for non-cash items and items of income or expenses related to investing and financing activities
64.	*What is the treatment of interest paid in cash flow statement?*	In case of other than financial entities, Ind AS 7 gives an option to classify the interest paid and interest and dividends received as item of operating cash flows.

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65.	*What is the treatment of dividend paid and received in cash flow statement?*	Ind AS 7 gives an option to classify the dividend paid as an item of operating activity.
66.	*What are accounting policies?*	Accounting policies are specific principles, bases, conventions rules and practices applied by an entity in preparing and presenting Financial Statements.
67.	*When an accounting policy can be changed?*	An accounting policy can be changed only if the change: is required by standard or interpretation, or results in financial statements providing reliable and more relevant information about the effects of transactions, events or conditions on the entity's financial performance or cash flows When change would be accounted for as per new pronouncement or otherwise it is applied retrospectively. However, if it is impracticable to carry out such change, then the entity shall apply the policy on the carrying amounts of assets and liabilities as at the beginning of the earliest period and make adjustments to the opening balance affected items of equity.
68.	*What are accounting estimates?*	The effect of change in an accounting estimate shall be recognized prospectively by including it in the profit or loss of the year of change or also in the future periods, if the change affects both: If the extent of the change impacts assets and liabilities or relates to any item of equity it is recognized by adjusting the carrying amount of the related asset, liability, or equity item. Ind AS 8 has provided certain disclosures to these accounting estimates which would include accounting estimates made in respect of - their nature and their carrying amount as at the end of the reporting period
69.	*What are accounting errors?*	The general principle is that the entity must correct all material prior period errors retrospectively as soon as they are discovered by restating the comparative amounts for the prior period(s) presented in which the error occurred or if the error occurred before the earliest prior period presented, restate the opening balances of assets, liabilities and equity for the earliest period presented.
70.	*What are adjusting events?*	Adjusting events are those events which provide evidence of conditions that existed within the reporting period (e.g. settlement of court case which proves obligations of the Company, bankruptcy of a customer from whom out standings are reported etc)
71.	*What are non-adjusting events?*	Non-adjusting events are those events with respect to which the financial statements need not be adjusted but need to be disclosed by the approving authority.
72.	*Is proposed dividend an adjusting event?*	If an entity declares dividends to holders of equity instruments (as defined in Ind AS 32 *Financial Instruments: Presentation) after the reporting period, the entity shall not recognize those dividends as a liability at the end of the reporting period.*
73.	*What is current tax?*	Current Tax is the amount of income taxes payable (recoverable)in respect of the taxable profit (tax loss) for a period.

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74.	*What is deferred tax liabilities?*	Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Ind AS 12 mandates the entity to recognize deferred tax liability in full.
75.	*What is deferred tax assets?*	Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences. (b) the carry forward of unused tax losses; and (c) the carry forward of unused tax credits.
76.	*What is called tax base?*	The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.
77.	*What is taxable temporary difference?*	Taxable temporary differences are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
78.	*What is deductible temporary difference?*	Deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
79.	*How are non-current assets defined in Ind AS 16?*	Current Assets are defined as under: It is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle, It is held primarily for the purpose of being traded, It is expected to be realized within 12 months after the statement of financial position date, or It is cash or a cash equivalent (as defined in Ind AS 7 Statement of Cash Flow) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the statement of financial position date. All other assets are classified as non-current assets.
80.	*What are Property, Plant & Equipment?*	Property, Plant & Equipment are tangible items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period.
81.	*What is a Bearer Plant?*	A Bearer Plant is a living plant that, (a) is used in the production or supply of agricultural produce, (b) is expected to bear produce for more than one period: and (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
82.	*What is meant by Carrying amount?*	Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
83.	*What is meant by Cost?*	*Cost i*s the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Ind ASs e.g. Ind AS 102 Share-based Payment.

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84	*What is meant by Depreciable amount*	Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.
85	*What is Entity-specific value*	Entity-specific-value is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.
86.	*What is meant by Fair value*	Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See Ind AS 113, *Fair Value Measurement*.)
87.	*What is an impairment loss*	Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.
88.	*What is Recoverable amount*	is the *higher* of an asset's fair value less costs to sell and its value in use.
89.	*What is meant by the residual value of an asset?*	is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
90.	*What is Useful life?*	(a) the period over which an asset is expected to be available for use by an entity; or (b) the number of production or similar units expected to be obtained from the asset by an entity.
91.	*How are Property, Plant & Equipment recognized and measured initially?*	Property, Plant, and equipment is initially recognized and measured at historical cost.
92.	*What are the elements of measurement of initial cost?*	**Purchase price** Considered after deducting ***trade discounts and rebates and adding duties and non-refundable taxes*** The price to be considered is the ***cash price*** equivalent at the recognition date. If the asset is acquired on deferred credit i.e. credit beyond the normal credit period, then the difference between the cash price and the total payment is treated as ***interest*** and recognised over the credit period The cost of assets involved in the exchange is determined at fair value (of asset received or the asset given up) unless: a) the transaction lacks commercial substance; or b) the fair value of neither of the two assets is reliably measured In such a scenario the cost of the asset acquired is measured at the carrying amount of the asset given up.

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		Costs directly attributable to bringing the asset to its location and in the condition so as to make it available for its intended use a) Costs of employee benefits (as per Ind AS 19R Employee benefits), arising from construction or acquisition of property, plant, and equipment b) Costs of preparing the site c) Delivery and handling costs (freight and delivery charge) d) Installation costs (e.g. wages to install machinery) e) Testing costs net of revenue generated, such as sale proceeds of material produced during a test run f) Professional fees (architect's fees) **Initial estimate of the costs of dismantling and removing the item and restoration of site** Either: a) When the item is acquired or b) As a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. The obligation for paying dismantling/restoration cost would arise at the time of capitalization of the asset, but actual pay-out happens after a designated number of years when the asset is restored and handed over, say land taken for mining for example. Hence the present value of restoration cost needs to be calculated and for capitalization purposes. However, liability of paying out restoration cost is established in the financial statements by unwinding of discount and providing finance charges every year and crediting provision for restoration///dismantling. For further details please refer Chapter on *Ind AS 37, Provisions, contingent liabilities, and contingent assets*.
93.	*What are the elements of cost which are not part of Property, Plant and Equipment?*	a) Administration and general overhead b) Cost of launching a new product or service c) Expenses on opening a new business facility or expenses related to an inaugural function d) Cost of relocating – shifting factory consequent to statutory order e) Initial losses when the asset operates at lower capacity f) Costs of incidental operations not necessary to bring the asset to its required condition and location.
94.	*How are Property, Plant & Equipment recognized and measured subsequently?*	Subsequently, these are measured Under cost model, wherein, they are carried at cost less accumulated depreciation and any accumulated impairment loss or Under revaluation model, wherein the revalued amount less subsequent accumulated depreciation and any accumulated impairment loss Revaluation amount is the fair value at date of valuation.
95.	*What is the accounting treatment where the carrying*	If an asset's carrying amount is increased – it should be recognised *in other comprehensive income and accumulated in equity* under the heading revaluation surplus. However, if there is a revaluation decrease of the same asset earlier – *which was recognised in SOPL as per Ind AS 16* –then the increase should be credited in SOPL to the extent it reverses the revaluation decrease.

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	amount of asset has increased under revaluation model?	
96.	*What is the accounting treatment where the carrying amount of asset has decreased under revaluation model?*	If an asset's carrying amount is decreased – it should be recognised in *statement of profit or loss* (income statement). However, if there is a balance in the revaluation surplus under equity for the same asset based on revaluation performed earlier, such decrease is recognised in other comprehensive income.
97.	*What is the treatment of revaluation surplus and profit or loss on sale?*	When the assets are derecognized (sold), the revaluation surplus included in equity should be transferred directly to retained earnings. Profit or loss on sale will be calculated in the usual manner i.e. sale proceeds less carrying value (revalued)
98.	*What are the depreciation methods highlighted in the Standard?*	The depreciation methods highlighted in the Standard are: • The straight-line method: This result is a constant change over the useful life if the asset's residual value does not change • The reducing (diminishing) balance method: This results in decreasing change over the useful life • The units of production method: This results in a change based on expected use or output • As per Ind AS 16 Para 43, each part of an item of property, plant and equipment with a cost that is significant in relation with the total cost of the item should be depreciated separately. • Insignificant parts are depreciated together.
99.	*What is meant by componentization of depreciation?*	As per Ind AS 16 Para 43, each part of an item of property, plant and equipment with a cost that is significant in relation with the total cost of the item should be depreciated separately.
100.	*How is depreciation calculated after revaluation?*	Depreciation will be based on revalued amount • Full depreciation amount charged as expense to Statement of profit or loss • Difference between depreciation on revalued amount & original cost may be transferred from revaluation reserve to retained earnings. This is further explained in the table below. **Asset** — **Treatment** Sold/no longer used — Revaluation surplus transferred to retained earnings. Still in use — A part of the revaluation surplus can be transferred to retained earnings. It is equal to difference between

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		depreciation based on historical cost and its revalued amount
101.	*How is de-recognition of Plant, Property and Equipment treated?*	PPE is derecognized (eliminated) from Balance Sheet when PPE is disposed of or withdrawn from use & no future economic benefits expected from its disposal. Gains/losses arising from retirement/disposal of PPE ↓ Recognized in Statement of Profit & Loss in the period when the asset is sold/retired
102.	*What are the disclosure requirements under Property, Plant & Equipment?*	**The financial statements shall disclose, for each class of property, plant, and equipment:** (a) the measurement bases used for determining the gross carrying amount. (b) the depreciation methods used. (c) the useful lives or the depreciation rates used; (d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and (e) a reconciliation of the carrying amount at the beginning and end of the period: (i) additions. (ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with Ind AS 105 and other disposals; (iii) acquisitions through business combinations; increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 and from impairment losses recognised or reversed in other comprehensive income in accordance with Ind AS 36; (iv) impairment losses recognised in profit or loss in accordance with Ind AS 36; (v) impairment losses reversed in profit or loss in accordance with Ind AS 36; (vi) depreciation; (vii) the net exchange differences arising on the translation of the Financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and (viii) other changes. **The financial statements shall also disclose:** (a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities. (b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction.

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		(c) the amount of contractual commitments for the acquisition of property, plant and equipment; and (d) if it is not disclosed separately in the statement of profit and loss, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss. **If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:** (a) the effective date of the revaluation. (b) whether an independent valuer was involved; (c) the methods and significant assumptions applied in estimating the items' fair values. (d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques. (e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and (f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.
103.	*What are the types of employee benefits?*	Employee benefits are all forms of considerations given by an entity in exchange of service rendered by the employees. These are: 1. Short term benefits, 2. Post-employment benefits, 3. Other long-term benefits, 4. Termination benefits.
104.	*What are short term benefits?*	**Short term benefits** • Falling due within 12 months of rendering service (e.g. salaries, Bonuses, holiday pay, sick pay). • Recognized as expenses in the period of rendering of services of the employee to the entity. • The expected cost of compensated absences is recognized when - the absences occur for non-accumulating compensated absences and - the service is rendered increasing the employee's entitlement to benefits for accumulating compensated absence • Profit sharing and bonus payments are recognized when the entity has a present legal or constructive obligation as a result of past events and a reliable estimate can be made of the obligation. • Liability is recognized for unpaid short-term benefits

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		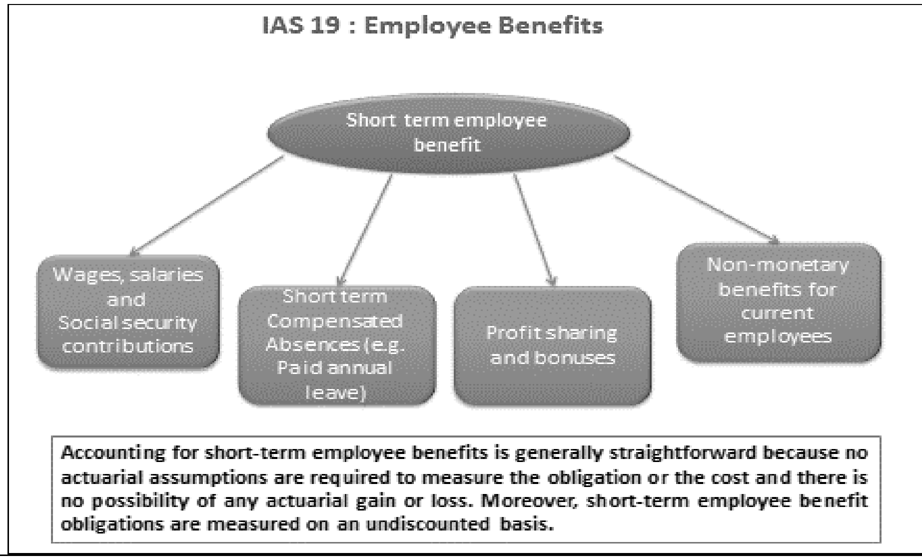
105.	*What are post employment benefits?*	**Post-employment benefits** • Payable after completion of employment (e.g. pension, life insurance, medical care etc) • Classified into either a) defined contribution plans or b) defined benefit plans
106.	*What are defined contribution plans?*	These are plans where an employer pays fixed contributions to a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contribution to defined contribution plan to be recognized as expense as the employee renders services to the entity.
107.	*What are defined benefit plans?*	These are plans where size of post-employment benefits is determined in advance. The employer pays contributions to the plan and the contributions are invested. The size of the contribution is set at an amount that is expected to earn enough investment returns to meet the obligation to pay the post – employment benefits.
108.	*What is projected unit credit method under defined benefit plan?*	Projected unit credit method assumes that each period of service by an employee would give rise to an additional unit of future benefits. The present value of that unit of future benefits can be calculated and attributed to the period in which the service is given. The units, each measured separately, builds up to the overall obligation. The accumulated present value of (discounted) future benefits will incur interest over time and an interest expense should be recognized.
109.	*What are past service costs as defined by Ind AS 19?*	Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan). ***Ind AS 19 Para 8***

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110.	*What are re-measurements of net defined liability (asset)?*	Re-measurements of net defined liability (asset) comprise: a) Actuarial gains and losses on the defined benefit obligation b) Return on plan assets, excluding amounts included in net interest on the defined benefits liability (asset) c) Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).
111.	*What is asset ceiling?*	Asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
112.	*What is the Net defined benefit liability / (asset) and its treatment in Balance Sheet?*	The net defined benefit liability (asset) includes: a) The present value of defined benefit obligation b) Less, fair value of any plan assets (including the deficit or surplus in a defined benefit plan) adjusted for c) Any effect of limiting net defined benefit asset to the asset ceiling
113.	*Net defined benefit liability / (asset) and its treatment in SOPL?*	Ind AS 19 R requires that entities should recognize all changes in the net defined benefit liability (asset) in the period in which those changes occur, and to disaggregate and recognize defined benefit cost as under: Service cost - SOPL Net interest on the net defined benefit liability (asset) - SOPL Re-measurements - OCI
114.	*What are other long-term benefits?*	**Other long-term benefits** These are not payable within 12 months (long service leave etc) - An entity recognizes a liability for other long-term benefits equal to the present value of the defined benefit obligation, minus the fair value of any plan assets at the balance sheet date. - Recognize immediately any actuarial gains or losses or past service costs as income or expense.
115.	*What are termination benefits?*	Termination benefits are payable when an employee's contract is terminated either voluntarily or involuntarily (e.g. voluntary retirement, redundancy pay) - An entity recognizes the liability and an expense for termination benefits when it is explicitly committed to either a) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy or b) terminate the employment of employees before the normal retirement date Ind AS 19 provides certain disclosures on employee benefits.
116.	*What are multi-employer plans?*	*Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:* (a) pool the assets contributed by various entities that are not under common control; and (b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.
117.	*What are plan assets comprised of?*	*Plan assets comprise:* (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

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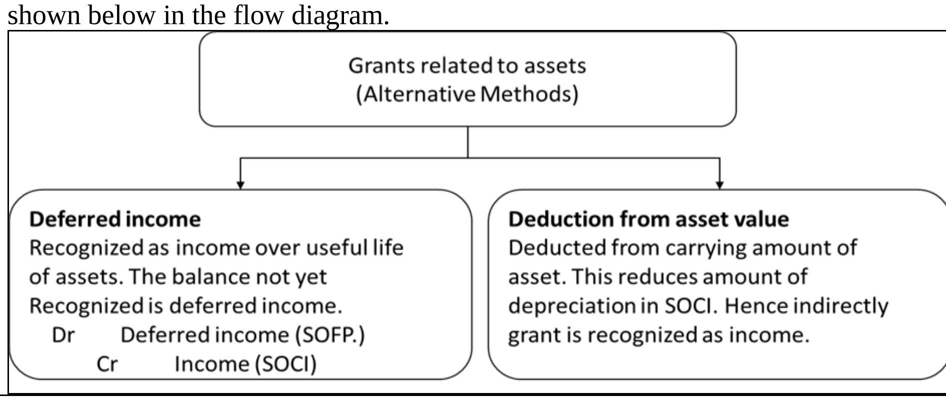
118.	*What is meant by Fair value under Ind AS 19(R)*	*Fair Value is the amount for which* - *an asset could be exchanged or a liability settled* - *between knowledgeable, willing parties* - *in an arm's length transaction*
119.	*What are assets held by a long-term employee benefit fund?*	*Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that:* (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and (b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in bankruptcy), and cannot be returned to the reporting entity, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.
120.	*What is a qualifying insurance policy?*	*A qualifying insurance policy* is an insurance policy issued by an insurer that is not a related party (as defined in IAS 24 Related Party Disclosures) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in bankruptcy) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid
121	*What are the types of Government grants?*	A Government grant is recognized only when enterprise will comply with any conditions attached to it. Government grants are of two types- a) Grant related to income b) Grant related to assets
122	*How is a grant related to income treated?*	A grant related to income may be reported as other income or deducted from related expense.
123	*How is a grant related to assets treated?*	Recognition of Government grants is based on two alternative methods. These are shown below in the flow diagram. 

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124	*What are the principles of repayment of grant?*	Accounting treatment related to repayment of grant depends upon how the grant was disclosed initially when it was received • carrying value of the asset is increased (if original receipt of grant was reduced from carrying value) or • the deferred income balance is reduced by the amount payable (if original receipt of grant was treated as deferred income).
125	*What are the disclosure requirements under Government grant?*	The following matters shall be disclosed: a) The accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements b) The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited and c) Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.
126.	*How is a foreign currency transaction recorded initially?*	A foreign currency transaction is recorded initially in functional currency by applying the foreign currency amount, the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. For practical reasons average weekly or monthly rate is used which is closest to the actual rate at the transaction date.
127.	*How are foreign currency transactions translated subsequently?*	Regarding all statement of financial position related transactions: • Foreign currency monetary items are translated using the closing rate • Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using exchange rate at the date of the transaction – using approximate or average rate as may be applicable and • non-monetary items are measured at fair value in a foreign currency and are translated using the exchange rate at the date when the fair value was determined. Regarding all transactions related to income statement, items may be translated using an average rate.
128.	*How are exchange differences treated with respect to monetary items?*	On settlement of monetary items or on translating monetary items at rates different from those at initial recognition are recognized in profit or loss. Exchange differences arising on a monetary item that forms part of an entity's net investment in foreign operations are recognized as a separate component of equity in the financial statements that include the foreign operation and the reporting entity. Such exchange differences are recognized in profit or loss on disposal of net investment.
129	*How are exchange differences treated with respect to non-monetary items?*	When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.
130	*What are the disclosure requirements related to foreign*	An entity shall disclose: • The amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with Ind AS 109. • Net exchange differences recognised in other comprehensive income and accumulated

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	currency transactions?	in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period; and • Net exchange differences recognised directly in equity and accumulated in a separate component of equity, and a reconciliation of the amount of such exchange differences at the beginning and end of the period.
131	*What are borrowing costs?*	Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds. These costs include the following: - interest on bank overdrafts and borrowings - finance charges on finance leases - exchange difference on foreign currency borrowings as adjustment to interest Costs.
132	*What are qualifying assets?*	Qualifying asset is an asset that takes substantial period of time to get ready for its intended use. It can be property, plant, equipment and investment property during construction period, intangible assets during development period or made-to-order inventories.
133	*When are borrowing costs capitalized?*	Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset should be capitalized as part of the cost of that asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset should be determined as the actual borrowing costs incurred on that borrowing during the period less any income on the temporary investment of those borrowings. Other borrowing costs should be recognised as an expense in the period in which they are incurred.
134	*What is capitalization rate?*	The capitalization rate should be the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.
135	*When should capitalization of borrowing costs commence?*	Capitalization of borrowing costs commences when: (a) expenditure for the acquisition, construction or production of a qualifying asset is being incurred. (b) borrowing costs are being incurred; and (c) activities that are necessary to prepare the asset for its intended use or sale are in progress.
136	*When should capitalization of borrowing costs cease?*	Capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
137	*What are the disclosure requirements under capitalization of borrowing cost?*	An entity shall disclose, a) the amount of borrowing costs capitalized during the period, and b) the capitalization rate used to determine the amount of borrowing costs eligible for capitalization.
138	*Who is a related party?*	A related party is a person or an entity that is related to the entity that is preparing its financial statements (reporting entity) as under:

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		a) A person or a close member of that person's family is related to a reporting entity - if he has control or joint control over the reporting entity - has significant influence over the reporting entity or - is a member of key management personnel of the reporting entity or of a parent of the reporting entity b) An entity is related to an reporting entity if : - the entity and reporting entity are members of the same group (i.e. each parent, subsidiary or fellow subsidiary is related to the other) - one entity is an associate or joint venture of the other entity or associate or joint venture of a member of a group of which the other entity is a member - both entities are joint ventures of the same third party - one entity is a joint venture of the third party and the other entity is an associate of the third entity - the entity is a post-employment defined benefit plan for the benefit of the employees of the reporting entity or an entity related to the reporting entity. If reporting entity is itself such a plan, then sponsoring employers are also related to the reporting entity - the entity is controlled or jointly controlled by a person in (a) above - a person identified in a above has significant influence over the entity or is a member of the key management of the entity or its parent
139	*Which are the entities which are not deemed to be related?*	• two entities simply because they have a common director or manager • two venturers who share a joint control over a joint venture • providers of finance, trade unions, public utilities, and departments and agencies of a Govt that does not control, jointly control, or significantly influence the reporting entity simply by virtue of normal dealings with an entity • a single customer. Vendor, franchiser, distributor, or general agent with whom an entity transacts a significant volume of business merely by virtue of resulting economic dependence
140	*What are related party transactions?*	Transfer of resources, services, or obligations between related parties regardless whether a price is charged; this transfer of resources includes transactions concluded on an arm's length basis. The following are examples of these transactions: ● Purchase or sale of goods ● Purchase or sale of property or other assets ● Rendering or receipt of services ● Agency arrangements ● Lease agreements ● Transfer of research and development ● License agreements ● Finance, including loans and equity contributions ● Guarantees and collaterals

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		• Management contracts
141	*How are related party transactions disclosed?*	An entity must disclose its parent and ultimate controlling entity if applicable. If neither the parent nor ultimate controlling entity produces a financial statement for public use, then the next most senior parent that does so need to be disclosed
142	*What is basic earnings per share?*	Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period.
143	*What is a bonus issue?*	A bonus issue entails capitalizing the profits of the entity and issuing shares to the existing shareholders without receiving any resources in return. In short it is only a book entry.
144	*What is a right issue?*	A rights issue is primarily when a company offers exiting shareholders a right to purchase additional shares on the company at a given price, which is at a discount to the prevailing market price of the shares.
145	*How are diluted earnings per share calculated?*	Diluted earnings per share is calculated by adjusting profit or loss attributable to ordinary equity holders of the parent entity and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.
146	*When earnings per share should be restated?*	Earnings per share should be restated, if the number of shares outstanding is affected as a result of capitalization, bonus issue, share split or a reverse share split, the calculation of basic EPS and diluted EPS should be adjusted retrospectively.
147	*What are the disclosure requirements related to Earnings per share?*	According to para 70 an entity shall disclose the following: a) The amounts used as the numerators in calculating basic and diluted earnings per share and a reconciliation of those amounts to profit or loss attributable to the parent entity of the period. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share. b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share. c) Instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti dilutive for the periods presented d) A description of ordinary share transactions or potential ordinary share transactions, other than those accounted for under retrospective adjustments, that occur after the reporting period and that would have changed ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.
148	*How is interim financial reporting*	Interim financial reporting is signified as the minimum content of an interim financial report as a condensed statement of financial position, condensed income statement, condensed income statement showing changes in equity, condensed cash flows statement and selected

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	defined?	explanatory notes.
149	*What would interim financial report include?*	An interim financial report shall include, at a minimum, the following: a) a condensed statement of financial position (including condensed statement of changes in equity for the period which is presented as a part of the balance sheet) b) a condensed statement of profit and loss c) a condensed statement of cash flows and selected explanatory notes
150	*What are the accounting policies to be adhered to in interim financial reporting?*	For internal financial reporting, same accounting policies are required to be adhered to as applicable to annual financial statements except accounting policy changes made after the most recent annual financial statements have been published Frequency of entity's report should not affect the measurement of its annual results. Measurement of interim reporting should be made on Year-to-Date basis
151	*How is deferral of revenues treated under interim financial reporting?*	Ind AS 34 requires that such revenues are recognized when they occur because anticipation or deferral would not be appropriate at the statement of financial position date.
152	*How is deferral of expenses treated under interim financial reporting?*	Expenses that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes, if and only if , it is also appropriate to anticipate or defer that type of cost at the end of the financial year.
153	*What is impairment of assets?*	Impairment of assets relates to procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount.
154	*What is a recoverable amount?*	Recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use.
155	*What is value in use?*	Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
156	*What is fair value less cost of disposal?*	is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
157	*What is impairment loss?*	Impairment loss is the amount by which the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.
158	*How is fair value less cost of disposal measured?*	The best evidence of an asset's fair value less cost to sell is a price which is binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. If there is no binding sale agreement but an asset is traded in an active market, net selling price is the asset's market price less the costs of disposal. The appropriate market price is usually the current bid price.

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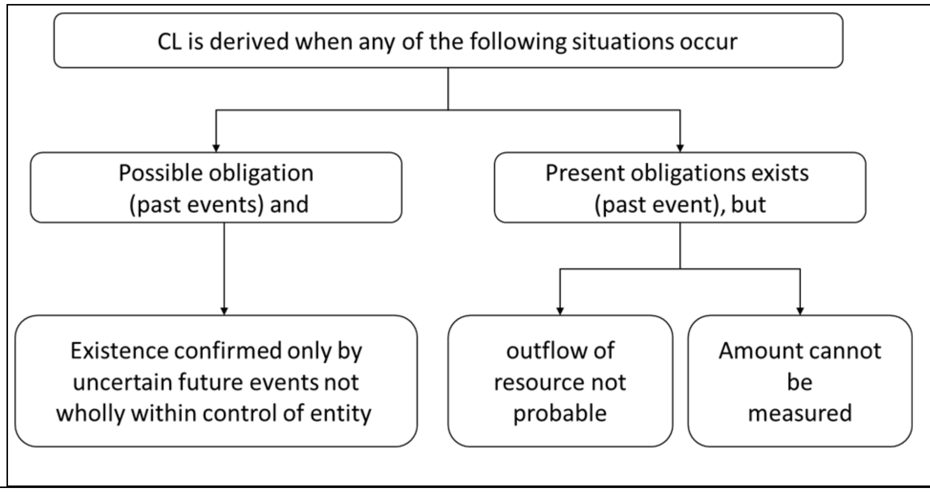
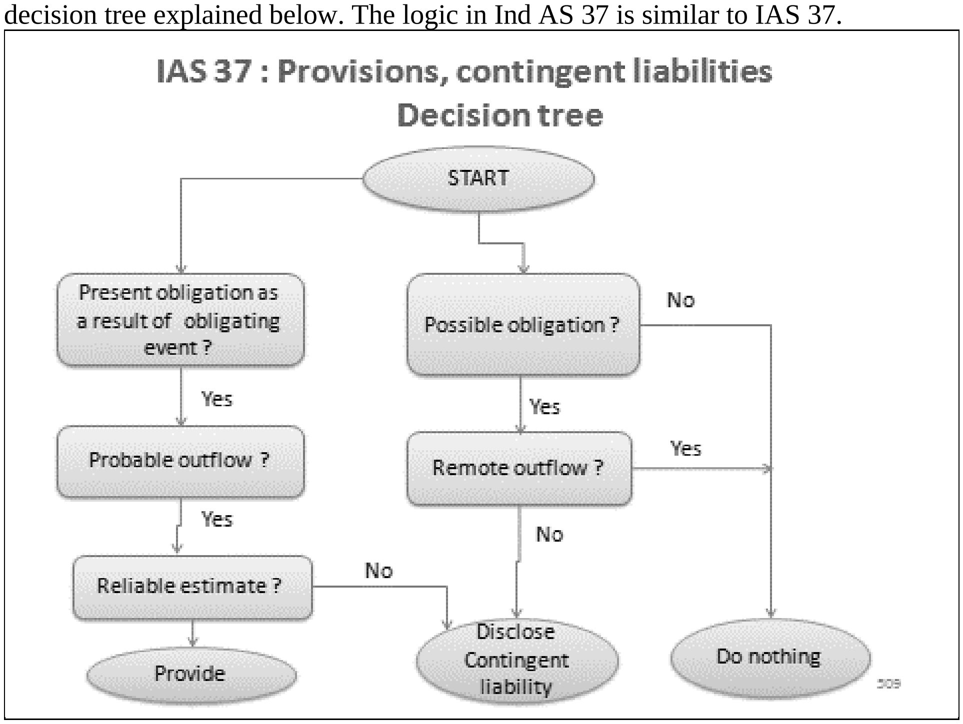
159	*Carrying amount*	is the amount at which an asset is recognised in the balance sheet after deducting any accumulated depreciation (amortization) and accumulated impairment losses thereon.
160	*Depreciation (Amortisation)*	is a systematic allocation of the depreciable amount of an asset over its useful life.
161	*Depreciable amount*	is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value
162	*Useful life*	is either: (a) the period of time over which an asset is expected to be used by the enterprise; or (b) the number of production or similar units expected to be obtained from the asset by the enterprise.
163	*What is a cash generating unit?*	Cash generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.
164	*Corporate assets*	are assets other than goodwill that contribute to the future cash flows of both the cash generating unit under review and other cash generating units.
165	*An active market*	is a market where all the following conditions exist: (a) the items traded within the market are homogeneous; (b) willing buyers and sellers can normally be found at any time; (c) prices are available to the public.
166	*What is the treatment of goodwill for the purpose of impairment testing in a Cash Generating Unit?*	For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash generating units or groups of cash generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall: a) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and b) not be larger than an operating segment as defined by *Ind AS 108 Operating Segments* before aggregation.
167	*How is impairment loss of a cash generating unit calculated?*	An impairment loss should be recognised for a cash-generating unit if, and only if, its recoverable amount is less than its carrying amount. The impairment loss should be allocated to reduce the carrying amount of the assets of the unit in the following order: • first, to goodwill allocated to the cash-generating unit (if any); and • then, to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. These reductions in carrying amounts should be treated as impairment losses on individual assets and recognised accordingly. In allocating an impairment loss, the carrying amount of an asset should not be reduced below the highest of: (a) its net selling price (if determinable); (b) its value in use (if determinable); and (c) zero.

S/L No.	Questions	Answers
168	*How is reversal of impairment loss treated?*	An enterprise needs to assess at each Balance Sheet date whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased. If any such indication exists, the enterprise should estimate the recoverable amount of that asset. An impairment loss recognised for an asset in prior accounting periods should be reversed if there has been a change in the estimates of cash inflows, cash outflows or discount rates used to determine the asset's recoverable amount since the last impairment loss was recognised. Accordingly, the carrying amount of the asset should be increase to its recoverable amount. That increase is a reversal of an impairment loss.
169	*What are the disclosure requirements related to impairment of assets?*	An entity shall disclose the following for each class of assets: a) The amount of impairment losses recognised in profit or loss during the period and the line items of the statement of profit and loss in which those impairment losses are included b) The amount of reversals of impairment losses recognised in profit or loss during the period and the line items of the statement of profit and loss in which those impairment losses are reversed c) The amount of impairment losses on revalued assets recognised in other comprehensive income during the period d) The amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period
170	*What is the impact of financial statements on impairment of assets?*	When impairment losses are recognized, the financial statements are affected in several ways: ● The carrying amount of the asset is reduced by the impairment loss. This reduces the carrying amount of the entity's total assets. ● The deferred tax liability is reduced, and deferred tax income is recognized if the entity cannot take a tax deduction for the impairment loss until the asset is sold or fully used. ● Retained earnings and, hence, shareholders' equity is reduced by the difference between the impairment loss and any associated reduction in the deferred tax liability. ● Profit before tax is reduced by the amount of the impairment loss. ● Profit is reduced by the difference between the impairment loss and any associated reduction in deferred tax expense. An impaired asset is an asset that is going to be retained by the entity and whose book value is not expected to be recovered from future operations. Lack of recoverability is indicated by such factors as ● a significant decrease in market value, physical change, or use of the asset. ● adverse changes in the legal or business climate. ● significant cost overruns; and ● current, historical, and probable future operating or cash flow losses from the asset. In financial statements, the need for a write-down, the size of the write-down, and the timing of the write-down are determined by objective and supportable evidence rather than at management's discretion. Impairment losses, therefore, cannot be used in Ind AS financial statements to smoothen or manipulate earnings in some other way. The

S/L No.	Questions	Answers
		discount rate used to determine the present value of future cash flows of the asset in its recoverability test must be determined objectively, based on market conditions.
171	*What is a provision as per Ind AS 37?*	A provision is a liability of uncertain timing or amount.
172	*When is provision recognized?*	A provision is recognized when • an entity has a present obligation (legal or constructive) as a result of a past event, • it is probable that an outflow of economic benefits will be required to settle the obligation, and • a reliable estimate can be made of the obligation.
173	*What is legal obligation?*	An entity derives legal obligation based on a) A contract b) A legislation c) Any other operation of law
174	*What is constructive obligation?*	A Constructive Obligation: (CO) is an obligation derived because of an entity's actions, where: a) by established pattern of past practice, published policies or sufficiently specific current statement, entity has indicated to other parties what it will accept certain responsibilities; and b) as a result, other parties are reasonably sure that the entity will discharge those responsibilities.
175	*What is an onerous contract?*	Onerous Contract are contracts in which unavoidable costs of meeting obligations exceed economic benefits expected to be received. Liabilities derived from onerous contract have to be provided for as they fulfil all the three recognition criteria related to provisions.
176	*How is contingent liability recognized?*	A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non – occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability is not recognized but is disclosed unless the possibility of outflow of resources is remote. Contingent liabilities are defined and explained as per the chart below.

S/L No.	Questions	Answers
		
177	*How is contingent asset recognized?*	A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non – occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is not recognized but is disclosed when an inflow of economic benefits is probable.
178	*What are the determinants of provisions and contingent liabilities?*	The logic to be followed as a process to determine whether a provision needs to be made or only disclosure is required as contingent liabilities is explained through the decision tree explained below. The logic in Ind AS 37 is similar to IAS 37. 
179	*What are the conditions which need to*	***The asset must be identifiable***. This signifies the fact that it must be separable or arises due to contractual / legal rights ***There must be adequate control over the concerned item***. This would be represented by

<table>
<tr><th>S/L No.</th><th>Questions</th><th>Answers</th></tr>
<tr><td></td><td>be fulfilled to recognize and intangible assets?</td><td>- power to obtain future economic benefits and
- power to restrict access of others to those benefits
Existence of future economic benefits. This could be substantiated by
- revenue from sale of products / services
- cost savings or
- other benefits resulting from use of an assets</td></tr>
<tr><td>180</td><td>What are the components of intangible assets?</td><td>Components of intangible assets are:
a) Purchased intangibles
b) Internally generated intangibles e.g. development expenses and
c) Intangibles acquired through business combination</td></tr>
<tr><td>181</td><td>What is the initial measurement of intangible assets?</td><td>Initial measurement is at historical cost.</td></tr>
<tr><td>182</td><td>What is the subsequent measurement of intangible assets?</td><td>Subsequent measurement of intangible assets is:
a) Cost model – historical cost less amortization and accumulated impairment losses.
b) Revaluation model – Any increase is credited to revaluation surplus and decrease is charged to Statement of Profit & Loss.</td></tr>
<tr><td>183</td><td>Is goodwill and intangible assets? If so, how it is treated?</td><td>Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Internally generated goodwill is not recognized.</td></tr>
<tr><td>184</td><td>What is the measurement criteria of separately acquired intangible assets?</td><td>Separately acquired Intangible assets
<table>
<tr><th>Recognition and measurement</th><th>Narrative</th></tr>
<tr><td>Recognition</td><td>Expected benefits will flow to the enterprise through use of asset or sale</td></tr>
<tr><td>Measurement</td><td>Recognized at purchase price x
Add: Attributable cost x
Total x</td></tr>
<tr><td>Example</td><td>Patents purchased</td></tr>
</table></td></tr>
<tr><td>185</td><td>What is the measurement criteria of intangible assets acquired through business combinations?</td><td>Intangible assets acquired through business combinations
<table>
<tr><th>Recognition and measurement</th><th>Narrative</th></tr>
<tr><td>Recognition</td><td>Expected benefits will flow to the enterprise</td></tr>
<tr><td>Measurement</td><td>Recognized at fair value</td></tr>
<tr><td>Example</td><td>License acquired as part of business acquisition</td></tr>
</table></td></tr>
</table>

<table>
<tr><th>S/L No.</th><th>Questions</th><th>Answers</th></tr>
<tr><td>186</td><td>What is the measurement criteria of intangible assets acquired through Government grants?</td><td>Intangible assets acquired by government grants
<table>
<tr><th>Recognition and measurement</th><th>Narrative</th></tr>
<tr><td>Recognition</td><td>Expected benefits will flow to the enterprise through use of asset or sale</td></tr>
<tr><td>Measurement</td><td>Recognized at fair value or nominal amount plus expenses incurred</td></tr>
<tr><td>Example</td><td>License to operate a radio station, TV rights, airport landing rights</td></tr>
</table></td></tr>
<tr><td>187</td><td>What is the measurement criteria of intangible assets acquired through exchange?</td><td>Exchange of assets
<table>
<tr><th>Recognition and measurement</th><th>Narrative</th></tr>
<tr><td>Recognition</td><td>Expected benefits will flow to the enterprise through use of assets or sale</td></tr>
<tr><td>Measurement</td><td>Recognized at fair value. If fair value cannot be reliably measured, then value considered is the carrying value of the asset given in exchange</td></tr>
<tr><td>Example</td><td>License exchanged with a plot of land</td></tr>
</table></td></tr>
<tr><td>188</td><td>What is the principle of derecognition of intangible assets?</td><td>Gains or losses arising from the retirement or disposal of an intangible asset should be determined as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognised as income or expense in the statement of profit and loss.</td></tr>
<tr><td>189</td><td>What is the principle of amortization of intangible assets?</td><td>An entity needs to assess whether the useful life of the intangible asset is finite or indefinite (which signifies no foreseeable limit over which the asset is expected to generate net cash flows)
If the asset has finite useful life, the depreciable amount is amortized on a systematic basis over the same.
If the asset has indefinite useful life, it is not amortized but tested for impairment annually.</td></tr>
<tr><td>190</td><td>How are expenses related to intangible items treated?</td><td>Expenditure on an intangible item should be recognised as an expense when it is incurred unless:
(a) it forms part of the cost of an intangible asset that meets the recognition criteria
or
(b) the item is acquired in an amalgamation in the nature of purchase and cannot be recognised as an intangible asset. It forms part of the amount attributed to goodwill (capital reserve) at the date of acquisition</td></tr>
<tr><td>191</td><td>How is research expenditure treated?</td><td>Expenses arising from research (or from the research phase of an internal project) should not be recognised as intangible assets. Expenditure on research (or on the research phase of an internal project) should be recognised as an expense when it is incurred.</td></tr>
<tr><td>192</td><td>How is development expenditure treated?</td><td>Expenses arising from development activities should be recognised as intangible assets if the following criteria is fulfilled:
(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale,
(b) its intention to complete the intangible asset and use or sell it;</td></tr>
</table>

S/L No.	Questions	Answers
		(c) its ability to use or sell the intangible asset, (d) how the intangible asset will generate probable future economic benefits. (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (f) its ability to measure the expenditure attributable to the intangible asset during its development reliably.
193	*What are the factors that govern impairment of intangible assets?*	• To determine whether an intangible asset is impaired, an enterprise applies Accounting Standard on Impairment of Assets Ind AS 36. That Standard explains how an enterprise reviews the carrying amount of its assets, how it determines the recoverable amount of an asset and when it recognizes or reverses an impairment loss. • If an impairment loss occurs before the end of the first annual accounting period commencing after acquisition for an intangible asset acquired in an amalgamation in the nature of purchase, the impairment loss is recognised as an adjustment to both the amount assigned to the intangible asset and the goodwill recognised at the date of the amalgamation. The recoverable amount should be determined under Accounting Standard on Impairment of Assets and impairment losses recognised accordingly.
194	*What are the principles retirement and disposal of intangible assets?*	• An intangible asset should be derecognized (eliminated from the balance sheet) on disposal or when no future economic benefits are expected from its use and subsequent disposal. • Gains or losses arising from the retirement or disposal of an intangible asset should be determined as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognised as income or expense in the statement of profit and loss.
195	*What are the disclosure requirements related to Intangible assets?*	The financial statements should disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: (a) the useful lives or the amortization rates used; (b) the amortization methods used; (c) the gross carrying amount and the accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period; (d) a reconciliation of the carrying amount at the beginning and end of the period showing: (i) additions, indicating separately those from internal development and through amalgamation; (ii) retirements and disposals; (iii) impairment losses recognised in the statement of profit and loss during the period (if any); (iv) impairment losses reversed in the statement of profit and loss during the period (if any); (v) amortization recognised during the period; and (vi) other changes in the carrying amount during the period.

<table>
<tr><th>S/L No.</th><th>Questions</th><th>Answers</th></tr>
<tr><td></td><td></td><td>
A class of intangible assets is a grouping of assets of a similar nature and use in an enterprise's operations. Examples of separate classes may include:

(a) brand names;
(b) mastheads and publishing titles;
(c) computer software;
(d) licenses and franchises;
(e) copyrights, and patents and other industrial property rights, service and operating rights;
(f) recipes, formulae, models, designs and prototypes; and
(g) intangible assets under development.

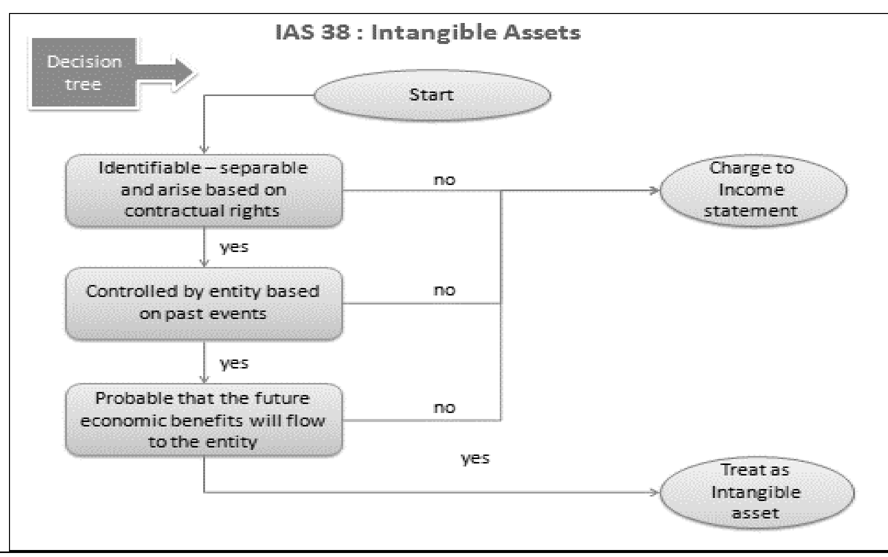
The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.

The financial statements should also disclose:

(a) if an intangible asset is amortized over more than ten years, the reasons why it is presumed that the useful life of an intangible asset will exceed ten years from the date when the asset is available for use. In giving these reasons, the enterprise should describe the factor(s) that played a significant role in determining the useful life of the asset;

(b) a description, the carrying amount and remaining amortization period of any individual intangible asset that is material to the financial statements of the enterprise as a whole;

(c) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities, and the amount of commitments for the acquisition of intangible assets
</td></tr>
<tr><td>196</td><td>What is the decision tree analysis which decides whether an item of expenditure is an Intangible asset?</td><td>
Decision tree to decide whether an item of expenditure is an intangible asset.
The logic in Ind AS 38 is similar to IAS 38.



</td></tr>
</table>

S/L No.	Questions	Answers
197	*What are investment properties?*	These are properties from which rental income is received or kept for capital appreciation and not used for production, administration and property held for third parties for sale.
198	*How are investment properties recognized?*	An investment property is recognised as an asset when and only when: a) It is probable that the future economic benefits that are associated with the investment property will flow to the entity and b) The cost of the investment property can be measured reliably.
199	*How are investment properties recognized initially?*	Investment properties are initially recognized at cost comprising the purchase price and directly attributable transaction costs (e.g. legal services, transfer services) similar to property, plant & equipment applicable under Ind AS 16.
200	*How are investment properties recognized subsequently?*	Investment properties are subsequently recognized is carried either at - cost - Fair value measurement is prohibited ***Cost*** signifies cost less accumulated depreciation and any accumulated impairment losses- Ind AS 16
201	*What is the value of transfer when the entity uses cost model for any kind of non-current asset*	Transfer needs to be valued at carrying amount.
202	*What is the value of transfer when the Investment property carried at fair value is transferred to owner – occupied property or inventories?*	The value of transfer would be the deemed cost of the property for subsequent accounting in accordance with Ind AS 16 or Ind AS 2 and should be at its fair value as on the date of change.
203	*What is the value of transfer when the Owner – occupied property to investment property to be carried at fair*	An entity needs to apply Ind AS 16 up to the date of change, and any difference between carrying value and fair value should be treated as a revaluation surplus in accordance with Ind AS 16.

S/L No.	Questions	Answers
	value?	
204	*What is the value of transfer when Inventory to investment property to be carried at fair value?*	Difference between fair value as an investment property and previous carrying value (as erstwhile inventory) needs to be recognised in profit or loss.
205	*How is retirement or disposal of investment property treated?*	Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss.
206	*What are the disclosure requirements related to Investment properties?*	**An entity shall disclose** (a) its accounting policy for measurement of investment property. (b) when classification is difficult, the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business. (c) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed. (d) the amounts recognised in profit or loss for: (i) rental income from investment property. (ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and (iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period. (e) the existence and amounts of restrictions on the realizability of investment property or the remittance of income and proceeds of disposal. (f) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance, or enhancements. **In addition to the disclosures above an entity needs also to disclose the following:** (a) the depreciation methods used. (b) the useful lives or the depreciation rates used; (c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; (d) a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing the following:

S/L No.	Questions	Answers
		(i) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset; (ii) additions resulting from acquisitions through business combinations; (iii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals. (iv) depreciation. (v) the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with IAS 36; (vi) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity, (vii) transfers to and from inventories and owner-occupied property; and (viii) other changes. (e) the fair value of investment property. In the exceptional cases, when an entity cannot measure the fair value of the investment property reliably, it shall disclose: (i) a description of the investment property, (ii) an explanation of why fair value cannot be measured reliably; and (iii) if possible, the range of estimates within which fair value is highly likely to lie.
207	*What are bearer plants?*	A bearer plant is a living plant that: (a) is used in the production or supply of agricultural produce; (b) is expected to bear produce for more than one period: and (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
208	*What is Agricultural activity?*	*Agricultural activity* is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.
209	*What is Agricultural produce?*	*Agricultural produce* is the harvested product of the entity's biological assets.
210	*What is a biological asset?*	A *biological asset* is a living animal or plant.

S/L No.	Questions	Answers
211	*What is meant by Biological transformation?*	*Biological transformation* comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.
212	*What are Costs to sell related to Agriculture?*	*Costs to sell* are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.
213	*What does a group of biological assets represent?*	A *group of biological assets* is an aggregation of similar living animals or plants.
214	*What is meant by Harvest?*	*Harvest* is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.
215	*How are biological assets recognized?*	An entity shall recognize a biological asset or agricultural produce when, and only when: (a) the entity controls the asset as a result of past events. (b) it is probable that future economic benefits associated with the asset will flow to the entity; and (c) the fair value or cost of the asset can be measured reliably.
216	*How are biological assets measured?*	A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably.
217	*How is an agricultural produce harvested from a biological asset measured?*	Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories or another applicable Standard.
218	*How is the gain or loss on recognition of a biological asset is treated?*	A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.
219	*What are share based payments?*	A share-based payment transaction is a transaction in which the entity receives goods or services as consideration for equity instruments of the entity. It includes transactions where the term of the arrangement provide either the entity or the supplier of those goods and services with a choice of whether the entity settles the transaction in cash (or other assets) or through the issuance of equity instruments.

S/L No.	Questions	Answers
220	*What are Equity-settled share-based payment transaction?*	These are transactions measured based on fair value of equity instruments granted at grant date. The valuation focuses on specific terms and conditions of a grant of shares or share options to employees.
221	*What are cash-settled share-based payment transaction?*	These are transactions, which the entity should recognize as an asset or an expense and a liability if the goods or services were received in a cash-settled share-based payment transaction.
222	*What are share-based payment transactions with cash alternatives?*	These are share based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash or by issuing equity instruments. The entity should account that transaction as **a cash-settled share-based payment transaction**, if the entity has incurred liability to settle in cash or other assets. If no such liability is incurred, it should be **equity-settled share-based payment transaction.**
223	*How are options measured in case of equity-settled share-based payments?*	Options are measured on the basis of: - market price of any equivalent traded options or - using an option pricing model in absence of such market prices or - at intrinsic value when they cannot be measured reliably based on market prices or on the basis of an option pricing model.
224	*How are group of insurance contracts recognized and measured?*	An entity shall recognize a group of insurance contracts it issues from the earliest of the following: (a) the beginning of the coverage period of the group of contracts. (b) the date when the first payment from a policyholder in the group becomes due; and (c) for a group of onerous contracts when the group becomes onerous.
225	*How are group of insurance contracts initially measured?*	An entity shall measure a group of insurance contracts at the total of: (a) the fulfilment cash flows, which comprise: (i) estimates of future cash flows, (ii) an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows and (iii) a risk adjustment for non-financial risk. (b) the contractual service margin measured applying paragraphs 38–39.
226	*How are group of insurance contracts initially measured?*	Subsequent measurement and the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of: (a) the liability for remaining coverage comprising: (i) the fulfilment cash flows related to future service allocated to the group at that date, measured (ii) the contractual service margin of the group at that date, measured applying paragraphs 43–46; and (b) the liability for incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at that date, measured applying paragraphs 33–37 and B36–B92.
227	*Which are onerous insurance contracts?*	An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognised insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. Applying paragraph 16(a), an entity shall group such contracts separately from contracts that are not onerous.

S/L No.	Questions	Answers
228	*How are insurance contracts de-recognized?*	An entity shall derecognize an insurance contract when, and only when: (a) it is extinguished, i.e when the obligation specified in the insurance contract expires or is discharged or cancelled; or (b) any of the conditions in paragraph 27.6.1. are met.
229	*How are insurance contracts presented in statement of financial position?*	An entity shall present separately in the statement of financial position the carrying amount of portfolios of: (a) insurance contracts issued that are assets, (b) insurance contracts issued that are liabilities, (c) reinsurance contracts held that are assets; and (d) reinsurance contracts held that are liabilities.
230	*When will a non-current asset (or disposal group) be classified as held for sale?*	A non-current asset (or disposal group) will be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In such cases, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be *highly probable*. Thus, an asset (or disposal group) cannot be classified as a non-current asset (or disposal group) held for sale, if the entity intends to sell it in a distant future.
231	*When will a non-current asset held for sale be considered highly probable?*	For the sale to be highly probable, i) the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and ii)an active programme to locate a buyer and complete the plan must have been initiated. iii)the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. iv)In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and v) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.
232	*How would an entity measure a non-current asset held for sale?*	An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.
233	*When will a non-current asset (or disposal group) be classified as abandoned?*	An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the criteria in paragraph 32(a)–(c), the entity shall present the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 33 and 34 at the date on which it ceases to be used. Non-current assets (or disposal groups) to be abandoned include non-current assets (or disposal groups) that are to be used to the end of their economic life and non-current assets (or disposal groups) that are to be closed rather than sold (Para 13) An entity shall not account for a non-current asset that has been temporarily taken out of use as if it had been abandoned. (Para 14)

<table>
<tr><th>S/L No.</th><th>Questions</th><th>Answers</th></tr>
<tr><td>234</td><td>How would impairment losses and reversals be recognized under asset classified as held for sale?</td><td>An entity shall recognize an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell, to the extent that it has not been recognised in accordance with paragraph 19.

An entity shall recognize a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised either in accordance with this IFRS or previously in accordance with IAS 36, Impairment of Assets.</td></tr>
<tr><td>235</td><td>How would the change in plan to sale be treated under this Standard?</td><td>According to Para 26 If an entity has classified an asset (or disposal group) as held for sale, but the criteria for held for sale are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale.

The entity shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:
(a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and
(b) its recoverable amount at the date of the subsequent decision not to sell. (Para 27)</td></tr>
<tr><td>236</td><td>How would a non-current asset classified as held for sale or discontinued operations be presented?</td><td>Presenting discontinued operations

According to Para 32 a discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and
(a) represents a separate major line of business or geographical area of operations,
(b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
(c) is a subsidiary acquired exclusively with a view to resale.

In accordance with Para 33 an entity shall disclose:
(a) a single amount in the statement of profit and loss comprising the total of:
(i) the post-tax profit or loss of discontinued operations and
(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
(b) an analysis of the single amount in (a) into:
(i) the revenue, expenses and pre-tax profit or loss of discontinued operations.
(ii) the related income tax expense as required by paragraph 81(h) of Ind AS 12; and
(iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.
(iv) the related income tax expense as required by paragraph 81(h) of Ind AS 12.</td></tr>
</table>

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		The analysis may be presented in the notes or in the statement of profit and loss. If it is presented in the statement of profit and loss it shall be presented in a section identified as relating to discontinued operations, i.e. separately from continuing operations. (c) The net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or in the financial statements. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition. (d) The amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures may be presented either in the notes or in the statement of profit and loss. An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.(Para 34) An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 33–36 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32. (Para 36A) **Presentation of a non-current asset or disposal group classified as held for sale** a) An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. b) Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the balance sheet or in the notes, except as permitted by paragraph 39. c) An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale. d) If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition (see paragraph 11), disclosure of the major classes of assets and liabilities is not required. e) An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.
237	*How would exploration and evaluation of assets measured initially?*	Exploration and evaluation assets shall be initially measured at cost

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238	*How would exploration and evaluation of assets measured subsequently?*	After recognition, an entity shall apply either the cost model or the revaluation model to the exploration and evaluation assets. If the revaluation model is applied (either the model in Ind AS 16, *Property, Plant and Equipment,* or the model in Ind AS 38) it shall be consistent with the classification of the assets.
239	*How are Exploration and evaluation assets assessed for impairment?*	According to Para 18 Exploration and evaluation assets shall be assessed and measured for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount in accordance with Ind AS 36.
240	*How are exploration and evaluation assets classified and presented?*	An entity shall classify exploration and evaluation assets as tangible (vehicles and drilling rigs) or intangible (drilling rights) according to the nature of the assets acquired and apply the classification consistently.
241	*What is an operating segment?*	An Operating segment is a component of an entity that • engages in business activities from which it may earn revenues and incur expenses • whose operating results are reviewed regularly by the entity's chief operating decision maker to decide resources to be allocated to the segment and assess its performance and • for which discrete financial information is available
242	*What is a reportable segment?*	These are operating segments or aggregations of operating segments that meet the specified criteria in the form of a) quantitative threshold b) aggregation criteria
243	*What are the criteria related to quantitative threshold?*	The criteria related to quantitative threshold are: • its reported revenue, both from external customers and inter segment sales and transfers is 10% or more of the combined revenue, internal and external, of all operating segments or • the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of - the combined reported profit of all operating segments that did not report a loss and - the combined reported loss of all operating segments that reported a loss. or Its assets are 10% or more of the combined assets of all operating segments
244	*What is meant by aggregation criteria?*	Aggregation criteria is represented as under: If the total external revenue reported by operating segments constitutes less than 75 % of the entity's revenue. Additional operating segments must be identifiable as reportable segments until at least

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		75% of the entity’s revenue is included in reportable segments.
245	*What are the disclosure requirements under IFRS 8?*	Disclosure requirements under Ind AS 108 are: ➢ General information - Factors used to identify reportable segments - The types of products from which the segment derives revenue ➢ Disclosures on - Segment revenues - Reconciliation with consolidated revenues - Segment results – profit / loss - Reconciliation with consolidated segment results - Segment assets - Reconciliation with consolidated segment assets - Segment liabilities - Reconciliation with consolidated segment liabilities
246	*What is a financial instrument?*	A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
247	*What is a financial asset?*	Financial Asset comprises of the following: a) cash b) equity instrument of another entity c) contractual right to receive cash or another financial assets from an entity d) contractual right to exchange financial assets or financial liabilities with another entity under the conditions that are potentially favourable to the entity e) A contract which will be settled with the entity’s own equity instruments and is i) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instrument ii) That is a non – derivative for which the entity
248	*What is a financial liability?*	Financial liability constitutes the following: • Contractual obligation to deliver cash or another financial asset to an entity • Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity • A contract which will be settled with the entity’s own equity instruments and is: i) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity’s own equity instrument ii) That is a non-derivative for which the entity is or may be obliged to receive a variable number of its own equity instruments
249	*What is a derivative?*	A financial instrument or other contract within the scope of this Standard with all three of the following characteristics. (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’). (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

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		(c) it is settled at a future date.
250	*What is meant by 12-month expected credit losses?*	The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
251	*How is amortized cost of a financial asset or financial liability measured?*	The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
252.	*What is meant by Contract assets?*	Those rights that Ind AS 115, *Revenue from Contracts with Customers,* specifies are accounted for in accordance with this Standard for the purposes of recognizing and measuring impairment gains or losses.
253.	*What is meant by Credit-impaired financial asset?*	A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events: (a) significant financial difficulty of the issuer or the borrower. (b) a breach of contract, such as a default or past due event; (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization. (e) the disappearance of an active market for that financial asset because of financial difficulties; or (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses. It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired.
254.	*What are Credit losses?*	The difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). An entity shall estimate cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. The cash flows that are considered shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. There is a presumption that the expected life of a financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the entity shall use the remaining contractual term of the financial instrument.

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255	*What is meant by Credit-adjusted effective interest rate?*	The rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortized cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see paragraphs B5.4.1–B5.4.3), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the remaining life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).
255	*What is meant by derecognition of Financial assets and liabilities?*	The removal of a previously recognised financial asset or financial liability from an entity's balance sheet.
256	*What is meant by Dividends?*	Distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.
257	*What is meant by Effective interest Method?*	The method that is used in the calculation of the **amortized cost of a financial asset or a financial liability** and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.
258	*What is Effective interest rate?*	The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see paragraphs B5.4.1–B5.4.3), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).
259	*What are Expected credit losses?*	The weighted average of credit losses with the respective risks of a default occurring as the weights.

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260	*What is meant by financial guarantee Contract?*	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
261	*What does financial liability at fair value through profit or loss signify?*	A financial liability that meets one of the following conditions: (a) it meets the definition of held for trading. (b) upon initial recognition it is designated by the entity as at fair value through profit or loss in accordance with paragraph 4.2.2 or 4.3.5. (c) it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1.
262	*What is meant by firm commitment?*	A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.
263	*What is forecast transaction?*	An uncommitted but anticipated future transaction.
264	*What is gross carrying amount of a financial asset?*	The amortized cost of a financial asset, before adjusting for any loss allowance.
265	*What is meant by hedge accounting?*	Companies are exposed to different types of financial risks such as risks related to interest rates or exchange rates. Entities use a risk management technique called **hedging**, whereby the entity tries to reduce the impact of future potential costs or losses.
266	*What is meant by hedging instrument?*	a designated derivative or (for a hedge of the risk of changes in foreign currency exchange rates only) a designated nonderivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item
267	*What is hedge ratio?*	The relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting.
268	*How are hedging transactions classified?*	Hedging transactions are classified under: a) Fair value hedges b) Cash flow hedges Hedges of net investment in an overseas operation
269	*What is meant by held for trading?*	A financial asset or financial liability that: (a) is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. (b) on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (c) is a derivative (except for a derivative that is a financial guarantee contract or

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		a designated and effective hedging instrument).
270	*What is meant impairment gain or Loss?*	Gains or losses that are recognised in profit or loss in accordance with paragraph 5.5.8 and that arise from applying the impairment requirements in Section 5.5.
271	*What is meant by lifetime expected credit losses?*	The expected credit losses that result from all possible default events over the expected life of a financial instrument.
272	*What is loss allowance?*	The allowance for expected credit losses on financial assets measured in accordance with paragraph 4.1.2, lease receivables and contract assets, the accumulated impairment amount for financial assets measured in accordance with paragraph 4.1.2A and the provision for expected credit losses on loan commitments and financial guarantee contracts.
273	*What does modification gain or loss mean?*	The amount arising from adjusting the gross carrying amount of a financial asset to reflect the renegotiated or modified contractual cash flows. The entity recalculates the gross carrying amount of a financial asset as the present value of the estimated future cash payments or receipts through the expected life of there negotiated or modified financial asset that are discounted at the financial asset's original effective interest rate (or the Original credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate calculated in accordance with paragraph 6.5.10. When estimating the expected cash flows of a financial asset, an entity shall consider all contractual terms of the financial asset (for example, prepayment, call and similar options) but shall not consider the expected credit losses, unless the financial asset is a purchased or originated credit-impaired financial asset, in which case an entity shall also consider the initial expected credit losses that were considered when calculating the original credit adjusted effective interest rate.
274	*What is past due?*	A financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due.
275	*What is purchased or originated credit-impaired financial asset?*	Purchased or originated financial asset(s) that are credit impaired on initial recognition.
276	*What is reclassification date?*	The first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

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277	*What is regular way purchase or sale?*	A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.
278	*How are financial instruments classified?*	Financial Instruments are classified as under: a) At fair value through profit and loss (FVTPL) (which is further divided in two classes depending on whether the changes in the values are recognised in profit or loss or other comprehensive income) and b) At amortized cost as per guideline from Ind AS 109
279	*How are financial assets measured under Amortized cost?*	Financial assets measured under Amortized cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
280	*How are financial assets measured under Fair value of other comprehensive income?*	Financial assets measured under Fair value of other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
281	*What is Accounting mismatch?*	An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
282	*What is effective interest method under amortized cost?*	Interest revenue is calculated by using the *effective interest method* under amortized cost. This shall be calculated by applying the *effective interest rate* to the *gross carrying amount of a financial asset* except for: *(a) purchased or originated credit-impaired financial assets.* For those financial assets, the entity shall apply the *credit adjusted effective interest rate* to the *amortized cost of the financial asset* from initial recognition. (b) financial assets that are not purchased or originated credit impaired financial assets but subsequently have become *credit-impaired financial assets*. For those financial assets, the entity shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.
283	*What is transaction cost?*	The transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Examples: ❑ Registration and other regulatory fees ❑ Amounts paid to legal, accounting and other professional advise ❑ Printing costs and stamp duties Transaction costs attributed to an equity transaction that otherwise would have been avoided, are deducted from equity.
284	*What are compound*	Compound Financial instruments are hybrid instruments which are combination of both debt and equity. The debt element would be the coupon rate e.g., 5% five-year debentures

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	financial instruments?	and equity element would be the option to convert to equity shares after five years. Accordingly, the proceeds of the issue minus the carrying amount of the liability component would determine the equity element.
285	*How are expected credit losses recognized?*	An entity shall recognize a loss allowance for *expected credit losses* on a financial asset that is measured in accordance with this IFRS, a lease receivable, a *contract asset* or a loan commitment and a financial guarantee contract to which the impairment requirements apply. An entity shall measure the loss allowance for a financial instrument at an amount equal to the *lifetime expected credit losses* if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to *12-month expected credit losses*.
286.	*What are Forward instruments?*	Under Ind AS 109, when an entity designates only the spot component of the forward as the hedging instrument, the entity is permitted to recognize the changes in the forward points in OCI and amortize the fair value of the forward points on initial recognition of the forward contract over the term of the hedging relationship. This reduces profit or loss volatility.
287	*What are foreign currency swaps?*	Under Ind AS 109, entities can apply the same accounting as for forward points to the Forex basis spread component of foreign currency swap when designating the foreign currency swap as a hedging instrument. This means that the fair value of the Forex basis spread component on initial recognition of the swap can be amortized over the hedging relationship with subsequent changes in the fair value of Forex basis spread being recognised in OCI.
288	*What are interest swaps?*	Interest rate swap can be defined as a financial contract between two parties (called counter parties) to exchange on a particular date in the future, one series of cash flows (fixed interest) to another series of cash flows (variable or floating interest) in the same currency on the same principal (an agreed amount called notional principal) for an agreed period of time. The contract will specify the interest rates, the benchmark rate to be followed the notional principal amount for the transaction etc. Interest rates are of two types, fixed interest rates and floating interest rates which vary according to changes in a standard benchmark interest rate.
289	*What is a business combination?*	A transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as ‘true mergers’ or ‘mergers of equals’ are also business combinations as that term is used in this Ind AS.
290	*What are the steps related to Acquisition method?*	Applying the acquisition method requires: (a) identifying the acquirer. (b) determining the acquisition date. (c) recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and (d) recognizing and measuring goodwill or a gain from a bargain purchase.
291	*What is contingent consideration?*	Usually, an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

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292	*How is goodwill recognised under Ind AS 103: Business Combinations?*	According to Paragraph 32, the acquirer shall recognize goodwill as of the acquisition date measured as the excess of (a) over (b) below: (a) the aggregate of: (i) the consideration transferred measured in accordance with this Ind AS, which generally, requires acquisition-date fair value (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Ind AS; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree. (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Ind AS.
293	*What is bargain purchase under Ind AS 103: Business Combinations?*	In accordance with Paragraph 34, in extremely rare circumstances, an acquirer will make a bargain purchase in a business combination in which the amount in paragraph 32(b) exceeds the aggregate of the amounts specified in paragraph 32(a) mentioned in 4 above. If that excess remains after applying the requirements in paragraph 36, the acquirer shall recognize the resulting gain in statement of profit & loss. The gain shall be attributed to the acquirer.
294	*How is non-controlling interest defined?*	The equity in a subsidiary not attributable, directly or indirectly, to a parent.
295	*Define Fair Value*	Ind AS-113 on Fair Value Measurement defines 'Fair Value' as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."
296	*What is meant by orderly transaction?*	A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g. a forced liquidation or distress sale).
297	*What is meant by exit price? How is it different from entry price?*	Exit price is the price that would be received to sell an asset or paid to transfer a liability. Entry price is the price paid to acquire an asset or received to assume a liability in an exchange transaction.
298	*What is meant by principal market?*	Principal market is the market with the greatest volume and level of activity for the asset or liability.
300	*Who are identified as market participants?*	Market participants are buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics: (a) They are independent of each other, i.e. they are not related parties as defined in Ind AS 24, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms. (b) They are knowledgeable, having a reasonable understanding about the asset or liability

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		and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary. (c) They are able to enter into a transaction for the asset or liability. (d) They are willing to enter into a transaction for the asset or liability, i.e. they are motivated but not forced or otherwise compelled to do so.
301	*What is the Fair Value hierarchy for inputs in relation to Valuation?*	Ind AS-113 establishes a Fair Value hierarchy that categorizes valuation related inputs into three levels, namely: • **Level 1 input** - These inputs are quoted prices (unadjusted) in active markets for identical assets/liabilities that the entity can access at the measurement date. **Level 2 inputs** - These inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. **Level 3 inputs** - These inputs are unobservable inputs for assets/liabilities. Unobservable inputs are used to measure Fair Value to the extent that relevant observable inputs are not available.
302	*What are observable inputs? How different these are from unobservable inputs?*	Observable inputs are those inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are those Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.
303	*What is the Market approach in valuation?*	The market approach is a valuation is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
304	*What is the Income approach in valuation?*	These are valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined based on the value indicated by current market expectations about those future amounts. The Income Approach includes several methods, such as Discounted Cash Flow (DCF) Method, Relief from Royalty (RFR) Method, Multi-Period Excess Earnings Method (MEEM), With and Without Method (WWM) and Option pricing models such as Black- Scholes -Merton formula or binomial (lattice) model.
305	*What is the Cost approach in valuation?*	This is a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
306	*What is meant the term Participants Specific Value?*	Participant specific value" is the estimated value of an asset or liability considering specific advantages or disadvantages of either of the owner or identified acquirer or identified participants. Participant specific value may be measured for an existing owner or for an identified acquirer or for a transaction between two identified parties and consider factors which are specific to such party(ies) and which may not be applicable to market participants in general. For example, a participant specific value for a potential acquirer in connection with acquisition of a manufacturing facility will consider aspects which have location and

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		business specific advantages or synergies which may not be available to market participants in general.
307	*What is meant by transaction cost?*	The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that are directly attributable to the disposal of the asset or the transfer of the liability and meet both of the following criteria: (a) They result directly from and are essential to that transaction. (b) They would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made (similar to costs to sell, as defined in Ind AS 105).
308	*What is the core principle of Ind AS 115 related to recognition of revenue?*	The core principle of Ind AS 115 is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
309	*What is a contract?*	An agreement between two or more parties that creates enforceable rights and obligations.
310	*What are the steps in recognition of revenue from contract with customers?*	Step I - Identifying the contract, Step II – Identifying performance obligation. Step III – Determine Transaction price Step IV - Allocating transaction price to performance obligation.
311	*What is performance obligation?*	A promise in a **contract** with a **customer** to transfer to the customer either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
312	*What is satisfaction of performance obligation?*	An entity shall recognize revenue when the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.
313	*What is performance obligation over time?*	An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs, (b) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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314	*What is performance obligation satisfied over a point in time?*	To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, the entity shall consider the requirements for control. In addition, an entity shall consider indicators of the transfer of control, which include, but are not limited to, the following: (a) The entity has a present right to payment for the asset (b) The customer has legal title to the asset (c) The entity has transferred physical possession of the asset (d) The customer has the significant risks and rewards of ownership of the asset (e) The customer has accepted the asset
315	*What is control of an asset?*	Control of an asset is represented by the following: (a) using the asset to produce goods or provide services (including public services); (b) using the asset to enhance the value of other assets, (c) using the asset to settle liabilities or reduce expenses, (d) selling or exchanging the asset, (e) pledging the asset to secure a loan; and (f) holding the asset.
316	*What is meant by transaction price?*	The amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a **customer**, excluding amounts collected on behalf of third parties.
317	*What are determinants of a transaction price?*	The determinants of transaction price are as under: (a)variable consideration, (b)constraining estimates of variable consideration, (c)the existence of a significant financing component in the contract (d)non-cash consideration and (e)consideration payable to a customer
316	*What are distinct goods and services?*	A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the good or service is distinct within the context of the contract).
317	*What are the methods for estimating the stand-alone selling price of a good or service?*	The methods for estimating the stand-alone selling price of a good or service include, a) Adjusted market assessment approach, b) Expected cost plus a margin approach, c) Residual approach.

S/L No.	Questions	Answers
318	*What are contract assets?*	An entity's right to consideration in exchange for goods or services that the entity has transferred to a **customer** when that right is conditioned on something other than the passage of time (for example, the entity's future performance).
319	*What are the changes envisaged in Lessee Accounting?*	Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Ind AS 17 required to classify leases as finance lease and operating lease. Under Ind AS 116, a lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying Ind AS 7, *Statement of Cash Flows*. Under Ind AS 17, for operating leases, lessee was required to recognize the lease payments as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit. Ind AS 116 requires detailed disclosure for lessees as compared to Ind AS 17.
320	*What are the changes envisaged in Lessor Accounting in Ind AS 116?*	Requirements with regard to lessor accounting are substantially similar to accounting requirements contained in Ind AS 17. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Ind AS 116 contains additional disclosure requirements for lessors as compared to Ind AS 17, such as, disclosure of maturity analysis of lease payments; quantitative and qualitative explanation of significant changes in carrying amount of new investment in finance leases etc.
321	***What is Commencement date of the lease (commencement) date)***	The date on which a **lessor** makes an **underlying asset** available for use by a **lessee**
322	***What is Economic life?***	Either the period over which an asset is expected to be economically usable by one or more users or the number of production or similar units expected to be obtained from an asset by one or more users.
323	***What is effective date of the modification?***	The date when both parties agree to a lease modification.
324	***What is Fair value?***	For the purpose of applying the lessor accounting requirements in this Standard, the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

325	***What is Finance lease?***	A lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.
326	***What are Fixed payments?***	Payments made by a lessee to a lessor for the right to use an underlying asset during the lease term, excluding variable lease payments.
327	***What is Gross investment in the lease?***	The sum of: (a) the lease payments receivable by a lessor under a finance lease; and (b) any unguaranteed residual value accruing to the lessor.
328	***What is Inception date of a lease (inception date)***	The earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease.
329	***What are Initial direct costs?***	Incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained, except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease.
330	***What is Interest rate implicit in the lease***	The rate of interest that causes the present value of (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor.
331	***What is meant by Lease?***	A contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.
332	***What are Lease incentives?***	Payments made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a Lessee.
333	***What is meant by Lease Modification?***	A change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).
334	***What are Lease payments?***	Payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following: (a) fixed payments (including in-substance fixed payments), less any lease incentives. (b) variable lease payments that depend on an index or a rate; (c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. For the lessee, lease payments also include amounts expected to be payable by the lessee under residual value guarantees. Lease payments do not include payments allocated to non-lease components of a contract, unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component.

		For the lessor, lease payments also include any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. Lease payments do not include payments allocated to non-lease components.
335	***What is meant by Lease term?***	The non-cancellable period for which a lessee has the right to use an underlying asset, together with both: (a) period covered by an option to extend the **lease** if the lessee is reasonably certain to exercise that option; and (b) period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.
336	***Who is a Lessee?***	An entity that obtains the right to use an **underlying asset** for a period of time in exchange for consideration.
337	***What is Lessee's incremental borrowing rate?***	The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.
338	***Who is a Lessor?***	An entity that provides the right to use an underlying asset for a period of time in exchange for consideration.
339	***What is Net investment in the lease?***	The gross investment in the lease discounted at the interest rate implicit in the lease.
340	***What is meant by Operating lease?***	A lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.
341	***What are Optional lease Payments?***	Payments to be made by a lessee to a lessor for the right to use an underlying asset during periods covered by an option to extend or terminate a lease that are not included in the lease term.
342	***What is meant by Period of use?***	The total period of time that an asset is used to fulfil a contract with a customer (including any non-consecutive periods of time).
343	***What is Residual value Guarantee?***	A guarantee made to a lessor by a party unrelated to the lessor that the value (or part of the value) of an underlying asset at the end of a lease will be at least a specified amount.
344	***What is meant by Right-of-use asset?***	An asset that represents a **lessee's** right to use an **underlying asset** for the **lease term**.
345	***What is Short-term lease?***	A **lease** that, at the **commencement date**, has a **lease term** of 12 months or less. A lease that contains a purchase option is not a short-term lease.
346	***What is meant by Sublease?***	A transaction for which an underlying asset is re-leased by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and lessee remains in effect.
347	***What is an Underlying asset?***	An asset that is the subject of a lease, for which the right to use that asset has been provided by a lessor to a lessee.

348	***What is Unearned finance income?***	The difference between: (a) the gross investment in the lease; and (b) the net investment in the lease.
349	***What is Unguaranteed residual value?***	That portion of the residual value of the underlying asset, the realization of which by a lessor is not assured or is guaranteed solely by a party related to the lessor.
350	***What are Variable lease payments?***	The portion of payments made by a **lessee** to a **lessor** for the right to use an **underlying asset** during the **lease term** that varies because of changes in facts or circumstances occurring after the **commencement date**, other than the passage of time.
351	***What is Group?***	is a parent with all its subsidiaries
352	***Who is Parent?***	is an entity that controls one or more entities
353	***What is Subsidiary?***	is an entity that is controlled by another entity
354	***What is concept of control?***	In accordance with Ind AS 110, an investor controls an investee if an only if the investor has ALL of the following characteristics: a) Power over the investee b) Exposure, or rights, to variable returns from its involvement with the investee and c) Ability to use its power over the investee to affect the amount of the investor's returns.
355	***What is power?***	According to Ind AS 110, power of the investor over investee comprises all of the following criteria: a) Right to direct the relevant activities of the investee b) The way decisions about relevant activities are made c) The rights that the investor and other parties have in relation to the investee d) Factors to be considered in consolidating a deemed separate entity (SILO)
356	***What is the exposure to variability of returns?***	To control an investee, an investor must be exposed, or have rights to variable returns from its involvement with the investee. This occurs when the investor's returns from its involvement have the potential to vary as a result of the investee's performance.
357	***What is link between power and returns?***	The investor does not control the investee in the following circumstances: a) an investor has power over an investee, but cannot benefit from that power b) an investor receives return from an investee but cannot use its power to direct the activities that significantly affect the returns of that investee. Therefore, it becomes necessary that the investor should have the ability to use its power over the investee to affect its returns.
358	***What is consideration?***	Consideration is the amount an investor pays to acquire holding in investee company. The consideration transferred in a business combination is to be measured at fair value. The possible variants of considerations may be as under:

		a) Cash b) Share exchange c) Contingent consideration d) Deferred consideration
359	***What is contingent consideration?***	This is a consideration that an acquirer commits to the acquiree in cash or additional equity interests or other assets after the acquisition date on the fulfilment of a certain specified event or condition in the future.
360	***What is deferred consideration?***	Deferred consideration is the one which is not payable immediately but is payable in the future and which is not contingent is called a deferred consideration.
361	***How is non-controlling interest calculated?***	Non-controlling interest is calculated on a) Acquisition date for calculation of goodwill and b) Reporting date and shown in the consolidated Balance Sheet within equity but separately from the parent entity's share in the equity.
362	***How is pre-acquisition profit calculated?***	Pre-acquisition profits are made by the subsidiary prior to the date of acquisition by the parent. Formula: Pre-acquisition profit = All the brought forward reserves of the subsidiary + profit for the year in which the subsidiary is acquired, up to acquisition date Pre-acquisition profits are to be deducted from the consideration in the subsidiary when calculating goodwill.
363	***How is post-acquisition profit calculated?***	Post-acquisition profits include profit reflected in the retained earnings in the subsidiary's accounts after the acquisition date. Post-acquisition profits are added to parent entity's retained earnings in the consolidated Balance Sheet. Post-acquisition profits of subsidiary = Reserves at the year-end minus Pre-acquisition profits.
364	***How is consolidated statement of equity calculated?***	Steps are as under: a) In parent's equity its share in the subsidiaries' post acquisition equity should be added. b) NCI's share in equity needs to be shown separately c) Parent's share in the dividend paid by subsidiary should be cancelled out in preparing Consolidated SOPL d) NCI's share in the dividend should be shown under the NCI category.
365	***What is significant influence?***	Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies (Ind AS 28 para 3) Significant influence does not extend to power to govern the financial and/or operating policies of an enterprise.
366	***What is equity method of accounting?***	Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

367	***What is a joint operation?***	Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to a) the assets and b) the obligations for the liabilities, relating to the arrangement (Ind AS 111 Appendix A)
368	***What is a joint venture?***	Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. (Ind AS 111 Appendix A)