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CORE CONCEPT OF

FINANCIAL ACCOUNTING

benefits for one or more employees. *Defined contribution plans* are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation 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.

Ind AS 20: Accounting for Government Grants and Disclosure of Government Assistance

Objective The objective of this accounting standard is to provide a framework to account for government grant received by the business organisation and disclosure of the same in the books of accounts or in the final accounts.

Meaning Government refers to government, government agencies and similar bodies whether local, national or international. Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Ind AS 24: Related Party Disclosure

Objective The objective of this Standard is to ensure that a business organisation discloses the necessary information about certain parties or other entities which might have affected the financial statements. Such disclosure facilitates in making interpretation about published financial statements. It requires the disclosure of related parties and certain transactions/outstanding relating to these parties.

Meaning *Related party* is person or entity that is related to the entity who is preparing its financial statements. A related *party transaction* is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. *Key management personnel* are those persons having authority and responsibility for planning, directing and controlling the activities of the business entity, directly or indirectly, including any director of that business entity.

Ind AS 23: Borrowing Costs

Objective This standard provides the provisions for recognising borrowing costs – interest on loan to finance business activities. The core principle about borrowing costs is that that these are directly attributable to the acquisition, construction or production of a qualifying asset forming part of the cost of that asset. Other borrowing costs are recognised as an expense.

Meaning Borrowing costs include interest and other costs that a business entity incurs in connection with the borrowing of funds like leasing expenses, exchange difference arising on account of conversion of foreign currency transactions into home currency. *A qualifying asset* is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Financial assets, and inventories that are manufactured, or otherwise produced, over a short period of time, are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

Ind AS 27: Consolidated and Separate Financial Statements

Objectives This standard provides the provisions for preparing consolidated financial statement by a parent company, which controls other business entities. The main focus is on having combined financial statements of a parent company and its subsidiaries.

Meaning *Consolidated financial statements* are the financial statements of a group presented as those of a single economic entity. The consolidated financial statements mean the clubbed financial statements of parent company and its subsidiaries. *Control* is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. *A group* is a parent and all its subsidiaries.

Ind AS 28: Investments in Associates

Objectives The aim of provisions contained in this accounting standard is to have norms and standards to account for investment made by one business organisation in other business organisations.

Meaning *An associate* is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. *Control* is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. *The 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 net assets of the investee. *Joint control* is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Ind AS 29: Financial Reporting in Hyperinflationary Economies

Objectives This Standard has been provided in the set of accounting standards to provide for accounting provisions relating to presentation of financial statements of a business organisation whose functional currency is the currency of a hyperinflationary economy. As per the convention of accounting standards, financial statements are presented in historical cost, therefore it becomes difficult to compare past performance with the current performance when economy is facing the situation of hyperinflation. Therefore, this standard provides for translating historical cost financial statements in the current value of the same currency.

Meaning In a hyperinflationary economy, financial statements, whether they are based on a historical cost approach or a current cost approach, are useful only if they are expressed in terms of the measuring unit's current value at the end of the reporting period. As a result, this Standard applies to the financial statements of entities reporting in the currency of a hyperinflation. The restatement of financial statements in accordance with this Standard requires the application of certain procedures as well as judgment. The consistent application of these procedures and judgments from period to period is more important than the precise accuracy of the resulting amounts included in the restated financial statements.

Ind AS 31: Interests in Joint Ventures

Objectives This Standard shall be applicable to account for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of ventures and investors,