DEPARTMENT OF COMMERCE
D.B. COLLEGE, JAYNAGAR
LALIT NARAYANA MITHILA UNIVERSITY, DARBHANGA (BIHAR)

BY: DR. SHAILESH KR. SINGH
(GUEST TEACHER)

Ref. No.: ……………. **B.Com. I** **Date:** 5 May, 2020

CORE CONCEPT OF

FINANCIAL ACCOUNTING

- Recognition, measurement and derecognition of financial assets and financial liabilities at fair value through profit and loss.
- Provisions relating to the recognition, measurement and derecognition of compound financial instruments and embedded derivatives.

Ind AS 108: Operating Segments Corresponding to IFRS to 08

The main provisions of this standard relate to identification of operating segments and reporting segments while presenting financial position of a business entity. This standard provides for the following:

- Identification of operating segments by a business enterprise while presenting financial statement.
- Identification of reporting segments by a business enterprise while presenting financial statement.
- Disclosure of information about major products and services of the reporting entity.
- Disclosure of information about geographical areas and major clients of the reporting entity.
- Aggregation criterion and quantitative criterion for reporting segments.

Ind AS 1: Presentation of Financial Statements

Objective An entity shall apply this Standard in preparing and presenting general purpose financial statements in accordance with Indian Accounting Standards. This Standard applies equally to all entities, including those that present consolidated financial statements and also separate financial statements.

Meaning *Financial statements* are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management's stewardship of the resources entrusted to it. To meet this objective, financial statements provide information about a business entity's (a) assets; (b) liabilities; (c) equity; (d) income and expenses, including gains and losses; (e) contributions by and distributions to owners in their capacity as owners; and (f) cash flows.

A complete set of financial statements comprises: (a) a balance sheet as at the end of the period (including statement of changes in equity which is presented as a part of the balance sheet); (b) a statement of profit and loss for the period; (c) a statement of cash flows for the period; (d) notes, comprising a summary of significant accounting policies and other explanatory information; and (e) a balance sheet as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Ind AS 2: Inventories

Objectives The objective of this Standard is to prescribe the accounting treatment for inventories. These focus on the presentation, costing, valuation of inventory items and related issues.

Meaning *Inventory* includes the goods procured/produced by an organisation with the objective of sales. Inventory encompasses stock of raw material, semi-finished goods and finished goods produced by a manufacturing organisation. Inventory also includes the items like chemicals, lubricants, additive agents, etc. consumed in the production of goods and services. Inventory items are such items that are maintained with the objective of sales and not with the objective of using it for the production of goods and services, therefore fixed assets do not form the part of inventory. *Cost of Inventory* includes the purchase cost, conversion costs and other related costs which are incurred in bringing the inventory items in deliverable form. Usually following costs form the cost of inventory:

- All purchase costs;
- Costs of conversion; and
- Any other costs incurred for bringing the inventories to their present location or condition.

Ind AS 7: Statement of Cash Flows

Objectives The main aim of this accounting standard is to provide guidelines for presenting statement of cash flows of a business entity so as to have a uniformity of presenting cash flow statement to facilitate comparison of these statements across time. Accordingly, an entity shall prepare a statement of cash flows in accordance with the requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented.

Meaning *Cash flows* of an entity is useful in providing 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 utilise these cash flows. *Cash and cash equivalents* are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

Ind AS 8: Accounting Policies, Changes in Accounting Estimates and Errors

Objectives The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities.

Meaning A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, therefore, are not corrections of errors. *Accounting policies* are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. A change *in accounting* estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, therefore, are not corrections of errors.

Ind AS 10: Events after the Reporting Period

Objective The objective of this standard is to prescribe (i) when an entity should adjust its financial statements for events after the reporting period, and (ii) the disclosure that an entity should give about the date when financial statements were approved for issue and about events after the reporting period.