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CORE CONCEPT OF

FINANCIAL ACCOUNTING

Meaning Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statement are approved by the Board of Directors in case of a company, and by any other approving authority, if any.

The events included herein are both adjusting events and non-adjusting events. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and non-adjusting events are those that are indicative of conditions that arose after the reporting period. An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

Ind AS 11: Construction Contracts

Objective This standard has been prescribed to provide for accounting treatment of revenue and costs associated with construction contracts. The reason for this is that the accounting treatment of revenue and costs associated with construction contracts are different from revenue and costs associated with other businesses because the date when contract is entered and the date when it is completed usually fall into more than one accounting period.

Meaning A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. It also includes agreements of real estate development to provide services together with construction material in order to perform contractual obligation to deliver the real estate to buyer. Contract revenue is measured at the fair value of the consideration received or receivable. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. Contract cost comprises costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to contract, and other costs as are specifically chargeable to the customer under the terms and conditions of the contract.

Ind AS 12: Income Taxes

Objective This standard has been drafted to prescribe the accounting treatment for income taxes. The principal issue in accounting is the treatment of income tax. The main purpose is to prescribe the rules for carrying amount of assets (liabilities) that are recognised in an entity's balance sheet, and transactions and other events of the current period that are recognised in an organisation's financial statements.

Meaning *Accounting profit or loss* is the profit or loss for a period before deducting tax expenses, whereas *taxable profit or loss* is the profit or loss for the period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable/recoverable. *Tax expense (income)* is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. *Current tax* is the amount of income tax payable (recoverable) in respect of the taxable profit or loss for a period. *Deferred tax* assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses, and the carry forward of unused tax credits. *Deferred tax liabilities* are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Ind AS 16: Property, Plant and Equipment

Objective This standard has been provided with the aim to prescribe the accounting treatment for property, plant and equipment, also called fixed assets so that users of financial statements can interpret information about an organisation's investment in its property, plant and equipment and the changes in such investments. This primary focus is on providing for recognition, valuation and de-recognition of such assets.

Meaning *Cost of an* asset is the amount or cash or cash equivalents paid to acquire an asset at the time of its acquisition or construction or amount attributable to an asset. *Carrying amount* is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses. *Depreciable amount* is the cost of an asset, or other amount substituted for cost, less its residual value.

Ind AS 17: Leases

Objective The objective of this Standard is to prescribe the appropriate accounting policies and disclosure requirements to be applied in relation to leases.

Meaning *A lease* is an agreement whereby the lessor (owner) conveys to the lessee (user), in return for a payment or series of payments, the right to use an asset for an agreed period of time. *A finance lease* is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An *operating lease* is a lease other than a finance lease. Minimum lease payments are the payments over the lease term that the lessee is required to make, excluding contingent rent, costs for services and taxes to be paid by the lessee or reimbursed to the lessor.

Ind AS 18: Revenue

Objective The primary issue in accounting for revenue is to determine the timing of recognising revenue. Revenue is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria.

Meaning *Revenue* is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increase in equity, other than the increase relating to contributions from equity participants. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity.

Ind AS 19: Employee Benefits

Objective The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Meaning *Employee benefits* are all forms of consideration given by an entity in exchange for service rendered by employees. *Short-term employee benefits* are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in