



Module-B Unit-4

JAIIB PAPER-3

Accounting & Financial Management for Bankers(AFM)



JAIIB AFM Module B Unit 4 - Company Accounts – II

Part II—Statement of Profit and Loss

- Name of the Company..... Profit and loss statement for the year ended(Rupees in...)

Particulars	Note No.	Figure as at the end of current reporting period	Figure as at the end of previous reporting period
1	2	3	4
I. Revenue from operations			
II. Other income			
III. Total Revenue (I + II)			
IV. Expenses:			
Cost of materials consumed			
Purchases of Stock-in-Trade			
Changes in inventories of finished goods work-in-progress and Stock-in-Trade			
Employee benefits expense			
Finance costs			
Depreciation and amortisation expense			
Other expenses			
Total expenses			
V. Profit before exceptional and extraordinary items and tax (III–IV)			
VI. Exceptional items			
VII. Profit before extraordinary items and tax (V–VI)			
VIII. Extraordinary items			
IX. Profit before tax (VII–VIII)			
X. Tax expense:			
(1) Current tax			
(2) Deferred tax			
XI. Profit (Loss) for the period from continuing operations (VII–VIII)			
XII. Profit/(loss) from discontinuing operations			
XIII. Tax expense of discontinuing operations			
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII–XIII)			
XV. Profit (Loss) for the period (XI + XIV)			
XVI. Earnings per equity share:			
(1) Basic			
(2) Diluted			

General Instructions for Preparation of Statement of Profit and Loss

i) Apply to the income and expenditure a/c referred to in subclause (ii) of clause (40) of section 2 in like manner as they apply to a statement of profit and loss.

ii) In respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from:

- Sale of products;
- Sale of services;
- Other operating revenues;

Less:

- Excise duty.

In respect of a finance company, revenue from operations shall include revenue from:

- Interest; and
- Other financial services.

Revenue under each of the above heads shall be disclosed separately by way of notes to accounts to the extent applicable.

iii) Finance Costs

Finance costs shall be classified

- Interest expense;
- Other borrowing costs;
- Applicable net gain/loss on foreign currency transactions and translation.

iv) Other income

- Interest Income (in case of a company other than a finance company);
- Dividend Income;
- Net gain/loss on sale of investments;
- Other non-operating income (net of expenses directly attributable to such income).

v) Additional Information

A Company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:

(a) Employee Benefits Expense [showing separately

- Salaries and wages,
- Contribution to provident and other funds,
- Expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP),
- Staff welfare expenses].

(b) Depreciation and amortization expense;

(c) Any item of income or expenditure which exceeds one per cent. of the revenue from operations or Rs. 1,00,000, whichever is higher;

(d) Interest Income;

(e) Interest expense;

(f) Dividend income;

(g) Net gain/loss on sale of investments;

(h) Adjustments to the carrying amount

(i) To the auditor as

Auditor; Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);

(j) Payments

- for taxation matters;
- for company law matters;
- for management services;
- for other services; and
- for reimbursement of expenses;

(k) In case of Companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities;

(l) Details of items of exceptional and extraordinary nature;

(m) Prior period items;

(ii) (a) In the case of manufacturing companies,

- Raw materials under broad heads.
- Goods purchased under broad heads

(b) In the case of trading companies, purchases in respect of goods traded in by the company under broad heads.

(c) In the case of companies rendering or supplying services, gross income derived from services rendered or supplied under broad heads.

(d) In the case of a company, which falls under more than one of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if purchases, sales and consumption of raw material and the gross income from services rendered is shown under broad heads.

(e) In the case of other companies, gross income derived under broad heads.

(iii) In the case of all concerns having works in progress, works-in-progress under broad heads.

iv)

- The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve, but not including provisions made to meet any specific liability, contingency or commitment known to exist at the date as to which the balance sheet is made up.
- The aggregate, if material, of any amounts withdrawn from such reserves.

(v)

- The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments.
- The aggregate, if material, of the amounts withdrawn from such **provisions, as no longer required.**

(vi) ***Expenditure incurred on each of the following items, separately for each item:***

- Consumption of stores and spare parts;
- Power and fuel;
- Rent;
- Repairs to buildings;
- Repairs to machinery;
- Insurance;
- Rates and taxes, excluding taxes on income;
- Miscellaneous expenses

(vii)

- Dividends from subsidiary companies.
- Provisions for
- losses of subsidiary companies.

(viii) ***The profit and loss account shall also contain by way of a note the following information, namely:***

(a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of

- Raw materials;
- Components and spare parts;
- Capital goods.

(b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;

(c) Total value of all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;

(d) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total

number of shares held by them on which the dividends were due and the year to which the dividends related;

(e) Earnings in foreign exchange classified under the following heads, namely:

- Export of goods calculated on F.O.B. basis;
- Royalty, know-how, professional and consultation fees;
- Interest and dividend;
- Other income, indicating the nature thereof.

General Instructions for the Preparation of Consolidated Financial Statements

Where a company is required to prepare Consolidated Financial Statements, i.e., Consolidated balance sheet and consolidated statement of profit and loss, the company shall mutatis mutandis follow the requirements of this Schedule as applicable to a company in the preparation of balance sheet and statement of profit and loss.

In addition, the consolidated financial statements shall disclose the information

- Profit or loss attributable to “minority interest” and to owners of the parent in the statement of profit and loss shall be presented as allocation for the period.
- Minority interests” in the balance sheet within equity shall be presented separately from the equity of the owners of the parent.

Impact Of Ind as On Financial Statements

Indian Accounting Standard-1 (Ind AS-1), is about the presentation of financial statements. Ind AS-1 lists the following as a complete set of financial statements:

- A balance sheet as at the end of the period
- A statement of profit and loss for the period
- Statement of changes in equity for the period
- Statement of cash flows for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information
- Comparative information in respect of the previous accounting period and
- A balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively.

Presentation of Balance sheet;

Ind AS-1 prescribes that the balance sheet shall include line items that present the following amounts:

- Property, plant and equipment;
- Investment property;
- Intangible assets;

- financial assets (excluding amounts shown under (e), (h) and (i));
- Investments accounted for using the equity method;
- Biological assets within the scope of Ind AS 41 Agriculture;
- Inventories;
- Trade and other receivables;
- Cash and cash equivalents;
- 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;
- Trade and other payables;
- Provisions;
- Financial liabilities (excluding amounts shown under (k) and (l));
- Liabilities and assets for current tax, as defined in Ind AS 12, Income Taxes;
- Deferred tax liabilities and deferred tax assets, as defined in Ind AS 12;
- Liabilities included in disposal groups classified as held for sale in accordance with Ind AS 105;
- Non-controlling interests, presented within equity; and
- Issued capital and reserves attributable to owners of the parent.

It also provides the following guidelines regarding the balance sheet:

i) When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).

ii) Current assets: An entity shall classify an asset as current when:

- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting period; or
- 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 12 months after the reporting period.

iii) Current liabilities: An entity shall classify a liability as current when:

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms 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.

iv) An entity shall disclose, either in the balance sheet or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations.

v) **An entity shall disclose the following, either in the balance sheet or the statement of changes in equity, or in the notes:**

(a) for each class of share capital:

- The number of shares authorised;
- The 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;
- A reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- The 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 or by its subsidiaries or associates; and
- shares reserved for issue under options and contracts for the sale of shares, including terms and amounts: and

(b) A description of the nature and purpose of each reserve within equity.

Presentation of Statement of Profit and Loss

- An entity should present a single statement of profit and loss, with profit or loss and other comprehensive 'income presented in two sections.
- The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section.
- Ind AS-1 prescribes certain line items amount of which should appear in this statement, at the minimum.

It also provides the following guidelines regarding this Statement:

- An entity shall present additional line items, headings and subtotals in the statement of profit and loss when such presentation is relevant to an understanding of the entity's financial performance.
- An entity shall not present any items of income or expense as extraordinary items, in the statement of profit and loss or in the

Statement of Change in Equity

- **Paragraph 10 of Ind AS-1** : An entity is required to present a statement of changes in equity, as one of the financial statements.
- Ind AS-1 prescribes the following information to be presented in the statement of changes in equity

(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; and

(c)for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) disclosing changes resulting from:

- Profit or loss;
- Other comprehensive income; and
- 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.
- Any item recognised directly in equity such as amount recognised directly in equity as capital reserve with paragraph 36A of Ind AS.

Statement of Cash Flows

- This is also part of the set of financial statements as prescribed in Paragraph 10 of Ind AS-1.
- Cash flow information 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 utilise those cash flows.
- Ind AS 7 sets out requirements for the presentation and disclosure of cash flow information.

Notes

- Paragraph 10 of Ind AS-1: Notes are part of the set of financial statements as prescribed
- **This Standard mentions the following guidelines regarding Notes:**

i)The notes shall:

- Present information about the basis of preparation of the financial statements and the specific accounting policies used;
- Disclose the information required by Ind ASs that is not presented elsewhere in the financial statements; and
- Provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

ii)An entity shall present notes in a systematic manner. An entity shall cross-reference each item in the balance sheet and in the statement of profit and loss and in the statements of changes in equity and of cash flows to any related information in the notes.

iii)An entity normally presents notes in the following order, to assist users to understand the financial statements and to compare them with financial statements of other entities:

- Statement of compliance with Ind ASs
- Significant accounting policies applied
- Supporting information for items presented in the balance sheet and in the statement of profit and loss and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and
- Other disclosures, including:

a) Contingent liabilities (see Ind AS 37) and unrecognised contractual commitments; and

b) Non-financial disclosures, e.g. the entity's financial risk management objectives and policies (Ind AS 107).

Disclosure of accounting policies

An entity shall disclose in the summary of significant accounting policies:

- The measurement basis (or bases) used in preparing the financial statements, and
- The other accounting policies used that are relevant to an understanding of the financial statements.

Presentation of Comparative Information

Paragraphs 38, 38A and 38B of Ind AS-1, prescribe the minimum comparative information in respect of preceding period, as under:

- **Para 38 of Ind AS-1:** Except when Ind ASs permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's **financial statements**.

Para 38A: An entity shall present, as a minimum,

- 2 balance sheets,
- 2 statements of profit and loss,
- 2 separate statements of profit and loss,
- 2 statements of cash flows and
- 2 statements of changes in equity, and related notes.
- **Para 38B:** In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period.
- **For example,** an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved.
- Users may benefit from the disclosure of information that the.

Uncertainty existed at the end of the preceding period and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

Change in Accounting Policy, Retrospective Restatement or Reclassification

Para 40A of Ind AS-1 : An entity shall present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements required in paragraph 38A if:

- it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and
- the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

Para 41 of Ind AS-1 mentions that if an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable.

- When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):
- The nature of the reclassification.
- The amount of each item or class of items that is reclassified; and
- The reason for the reclassification.

Para 42 states that when it is impracticable to reclassify comparative amounts, an entity shall disclose:

- The reason for not reclassifying the amounts, and
- The nature of the adjustments that would have been made if the amounts had been reclassified.

Preparation of Consolidated Financial Statements

- Ind AS-110 requires an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated financial statements.
- It defines the principle of control, and establishes control as the basis for consolidation;
- It further sets out the accounting requirements for the preparation of consolidated financial statements; and defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity.
- This Ind AS does not deal with the accounting requirements for business combinations and their effect on consolidation including goodwill arising on a business combination.

- **Join Telegram Group**
- **For Mock test and Video Course Visit: test.ambitiousbaba.com**
- Join Free Classes: **JAIIBCAIIB BABA**
- **[Download APP For Study Material: Click Here](#)**
- **[Download More PDF](#)**

[Click here to get Free Study Materials Just by Fill this form](#)

Discount Offer Available Visit : test.ambitiousbaba.com

JAIIB MAHACOMBO PACKAGE

100% Best in INDIA for JAIIB

- ✓ Video Classes
- ✓ Mock Tests
- ✓ Capsule PDF
- ✓ 100% Success



~~₹3999~~
₹1999
Only

 ambitious baba.com

