

Intermediate Course

Study Material

(Modules 1 to 3)

Paper 1

Advanced

Accounting

**(Relevant for May, 2025 and
onward Examinations)**

Module – 1



BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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BEFORE WE BEGIN ...

The traditional role of a chartered accountant, restricted to accounting and auditing, has now changed substantially and there has been a marked shift towards strategic decision making and entrepreneurial roles that add value beyond traditional financial reporting. The primary factors responsible for the change are the increasing business complexities on account of plethora of laws, borderless economies consequent to giant leap in e-commerce, emergence of new financial instruments, emphasis on corporate social responsibility, significant developments in information technology etc. These factors necessitate an increase in the competence level of chartered accountants to take up the role of not merely an accountant or auditor, but a global solution provider. Towards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being continuously reviewed to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

Under the Revised Scheme of Education and Training, at the Intermediate Level, you are expected to not only acquire professional knowledge but also the ability to apply such knowledge in problem solving. The process of learning should also help you inculcate the requisite professional skills, i.e., the intellectual skills and communication skills, necessary for achieving the desired level of professional competence. In view of nobility of the objective to provide quality academic inputs to the students of CA course, the Board of Studies (BoS) of ICAI has decided to bring forth the Study Material of Advanced Accounting. This Study Material contains all applicable Accounting Standards and topics as detailed out in the syllabus.

Accounting is one of the core competence areas of chartered accountants. The paper of '**Advanced Accounting**' at **Intermediate level** concentrates on conceptual understanding of the crucial aspects of accounting. The objective of the paper at this level is to acquire the ability to apply specific accounting standards and legislations to different transactions and events for preparation and presentation of financial statements of various business entities. The students are required to develop an understanding of all the Accounting Standards and gain ability to apply the provisions contained therein to different practical situations.

The Study Material of Advanced Accounting has been designed having regard to the needs of home study and distance learning students. The study material has been bifurcated into three modules for the easy handling and convenience of students. For the bare text of Framework for Preparation and Presentation of Financial Statements and Accounting Standards, the students are advised to refer the "Accounting Pronouncements" which has been separately published by the Board of Studies.

The study material has been bifurcated into three modules divided into fifteen chapters in line with the syllabus. In the study material, Accounting Standards have not been discussed sequentially; instead the related Accounting Standards have been grouped and discussed in separate chapters for ease of understanding. For example, the 'Presentation and Disclosure based Accounting Standards like AS 1, AS 3, AS 17, AS 18, AS 20, AS 24 and AS 25 have been grouped in one chapter. It is important to read the Study Material thoroughly for understanding the coverage of syllabus in the paper of Advanced Accounting.

Efforts have been made to present each topic of the syllabus in a lucid manner. Care has been taken to present the chapters in a logical sequence to facilitate easy understanding by the students. Sincere efforts have been taken to incorporate the relevant amendments in the Accounting Standards, Companies Act, 2013 and SEBI regulations in this study material.

The content for each chapter/unit of the study Material has been structured in the following manner –

	Components of each Chapter	About the component
1.	Learning Outcomes	Learning outcomes which you need to demonstrate after learning each topic, have been detailed, in the first page of each chapter/unit. Demonstration of these learning outcomes would help you to achieve the desired level of technical competence.
2.	Chapter/Unit Overview	As the name suggests, the flow chart/table/diagram given at the beginning of each chapter would give a broad outline of the contents covered in the chapter.
3.	Content of each unit/ chapter	The concepts and provisions of accounting standards/topics are explained in student-friendly manner with the aid of

		examples/illustrations/diagrams/flow charts. These value additions would help you develop conceptual clarity and get a good grasp of the topic. Diagrams and Flow charts would help you understand the concept/application of accounting standard/topic in a better manner.
4.	Illustrations involving conceptual understanding	Illustrations would help the students to understand the application of concepts/provisions of accounting standards. In effect, it would test understanding of concepts/ provisions as well as ability to apply the concepts/provisions learnt in solving problems and addressing issues.
5.	Summary	A summary of the chapter is given at the end to help you revise what you have learnt. It would especially facilitate quick revision of the chapter the day before the examination.
6.	Test Your Knowledge	This section comprises of number of multiple choice questions, theoretical questions and practical questions which would help students to evaluate what they have understood after studying the chapter. The questions given in this section have also been supplemented with the answers to help the students in evaluating their solutions so that they can know about their grey areas.
7..	Multiple Choice Questions (MCQ)	In the New Scheme of education and training, assessment for 30 marks in each paper at the intermediate and final level would be by way of case scenario based MCQs. Questions in this segment would comprise of a case scenario followed by a few MCQs based on the case scenario. All case scenario based MCQs would be application oriented. In the subject of Advanced Accounting, a student has to apply the concepts learnt in solving the MCQs based on the case scenario. In order to hone the application and analytical skills of students, independent MCQs have been included in every chapter of this Study Material. Solving these MCQs will enhance your conceptual clarity and sharpen your analytical skills.

Every effort has been done to make the Study Material error free, however if inadvertently any error is present and found by readers, they may send it to us immediately, so that it can be rectified at our end.

In case you need any further clarification/ guidance, you may send your queries through ICAI BoS App.

We hope that these student-friendly features in the Study Material makes your learning process more enjoyable, enriches your knowledge and sharpens your application skills.

Happy Reading and Best Wishes!

SYLLABUS

PAPER 1: ADVANCED ACCOUNTING

(One paper – Three hours – 100 Marks)

Objective:

To acquire the ability to apply specific accounting standards and legislations to different transactions and events and in preparation and presentation of financial statements of various business entities.

Contents:

1. Process of formulation of Accounting Standards including Indian Accounting Standards (IFRS converged standards) and IFRSs; Convergence vs Adoption; Objective and Concepts of carve outs.
2. Framework for Preparation and Presentation of Financial Statements (as per Accounting Standards).
3.
 - (i) Applicability of Accounting Standards to various entities
 - (ii) Application of Accounting Standards:
 - AS 1: Disclosure of Accounting Policies
 - AS 2: Valuation of Inventories
 - AS 3: Cash Flow Statements
 - AS 4: Contingencies and Events Occurring After the Balance Sheet Date
 - AS 5: Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
 - AS 7: Construction Contracts
 - AS 9: Revenue Recognition
 - AS 10: Property, Plant and Equipment

- AS 11: The Effects of Changes in Foreign Exchange Rates
- AS 12: Accounting for Government Grants
- AS 13: Accounting for Investments
- AS14: Accounting for Amalgamations (excluding inter- company holdings)
- AS 15: Employee Benefits
- AS 16: Borrowing Costs
- AS 17: Segment Reporting
- AS 18: Related Party Disclosures
- AS 19: Leases
- AS 20: Earnings Per Share
- AS21: Consolidated Financial Statements of single subsidiaries (excluding problems involving acquisition of Interest in Subsidiary at Different Dates, Cross holding, Disposal of a Subsidiary and Foreign Subsidiaries).
- AS 22: Accounting for Taxes on Income
- AS 23: Accounting for Investment in Associates in Consolidated Financial Statements
- AS 24: Discontinuing Operations
- AS 25: Interim Financial Reporting
- AS 26: Intangible Assets
- AS 27: Financial Reporting of Interests in Joint Ventures
- AS 28: Impairment of Assets
- AS 29: Provisions, Contingent Liabilities and Contingent Assets

4. Company Accounts

- (i) Schedule III to the Companies Act, 2013 (Division I)
- (ii) Preparation of financial statements – Statement of Profit and Loss, Balance Sheet and Cash Flow Statement

- (iii) Buy back of securities
- (iv) Accounting for reconstruction of companies.

5. Accounting for Branches including foreign branches.

Note : If either new Accounting Standards (AS), Announcements and Limited Revisions to AS are issued or the earlier ones are withdrawn or new AS, Announcements and Limited Revisions to AS are issued in place of existing AS, Announcements and Limited Revisions to AS, the syllabus will accordingly include/exclude such new developments in the place of the existing ones with effect from the date to be notified by the Institute.

CONTENTS

MODULE I

- CHAPTER 1: Introduction to Accounting Standards
- CHAPTER 2: Framework for Preparation and Presentation of Financial Statements
- CHAPTER 3: Applicability of Accounting Standards
- CHAPTER 4: Presentation & Disclosures Based Accounting Standards

MODULE II

- CHAPTER 5: Assets Based Accounting Standards
- CHAPTER 6: Liabilities based Accounting Standards
- CHAPTER 7: Accounting Standards based on items impacting Financial Statements
- CHAPTER 8: Revenue based Accounting Standards
- CHAPTER 9: Other Accounting Standards
- CHAPTER 10: Accounting Standards for Consolidated Financial Statements

MODULE III

- CHAPTER 11: Financial Statements of Companies
- CHAPTER 12: Buy back of Securities
- CHAPTER 13: Amalgamation of companies
- CHAPTER 14: Accounting for Reconstruction of companies
- CHAPTER 15: Accounting for Branches including foreign branches.

DETAILED CONTENTS: MODULE – 1

CHAPTER 1: INTRODUCTION TO ACCOUNTING STANDARDS 1.1 – 1.32

Learning Outcomes	1.1
Chapter overview	1.2
1. Introduction	1.2
2. Standards Setting Process	1.6
3. How Many Accounting Standards?	1.9
4. Status of Accounting Standards.....	1.13
5. Need for Convergence towards Global Standards	1.13
6. International Accounting Standard Board.....	1.15
7. International Financial Reporting Standards as Global Standards.....	1.16
8. Becoming IFRS Compliant	1.17
9. What are Carve Outs/Ins in Ind AS?.....	1.18
10. Convergence to IFRS in India.....	1.20
11. What are Indian Accounting Standards (Ind AS)?.....	1.21
12. History of IFRS Converged Indian Accounting Standards (Ind AS).....	1.22
13. List of Ind AS	1.23
14. Roadmap for Implementation of Indian Accounting Standards (Ind AS): A Snapshot.....	1.26
Summary	1.28
Test Your Knowledge.....	1.29

CHAPTER 2: FRAMEWORK FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS2.1 – 2.38

Learning Outcomes	2.1
Chapter overview	2.2
1. Introduction	2.2
2. Purpose of the Framework	2.3
3. Status and Scope of the Framework	2.3
4. Components of Financial Statements.....	2.4
5. Objectives and Users of Financial Statements	2.5
6. Fundamental Accounting Assumptions	2.6
7. Qualitative Characteristics of Financial Statements.....	2.11
8. True and Fair View	2.13
9. Elements of Financial Statements.....	2.13
10. Measurement of Elements of Financial Statements	2.21
11. Capital Maintenance.....	2.25
Summary	2.29
Test Your Knowledge.....	2.32

CHAPTER 3: APPLICABILITY OF ACCOUNTING STANDARDS 3.1 – 3.28

Learning Outcomes	3.1
Chapter overview	3.2
1 Status of Accounting Standards.....	3.2
2 Applicability of Accounting Standards.....	3.6
Summary	3.24
Test Your Knowledge	3.25

CHAPTER 4: PRESENTATION & DISCLOSURES BASED ACCOUNTING STANDARDS4.1 – 4.159

Unit 1: ACCOUNTING STANDARD 1 DISCLOSURE OF ACCOUNTING POLICIES

1.1	Introduction.....	4.2
1.2	Fundamental Accounting Assumptions.....	4.3
1.3	Accounting Policies.....	4.4
1.4	Selection of Accounting Policy.....	4.5
1.5	Disclosure of Changes in Accounting Policies.....	4.7
1.6	Disclosure of Deviations From Fundamental Accounting Assumptions.....	4.8
	Test Your Knowledge.....	4.12

Unit 2: ACCOUNTING STANDARD 3 CASH FLOW STATEMENT

2.1	Introduction.....	4.17
2.2	Objective.....	4.18
2.3	Meaning of the Term Cash and Cash Equivalents for Cash Flow Statements.....	4.19
2.4	Meaning of The Term Cash Flow.....	4.19
2.5	Types of Cash Flow.....	4.20
2.6	Identifying Type of Cash Flows.....	4.21
2.7	Reporting Cash Flows from Operating Activities.....	4.23
2.8	Reporting Cash Flows on Net Basis.....	4.25
2.9	Business Purchase.....	4.27
2.10	Exchange gains and losses.....	4.27
2.11	Disclosures.....	4.28
	Test Your Knowledge.....	4.34

Unit 3: ACCOUNTING STANDARD 17 SEGMENT REPORTING

3.1	Introduction	4.43
3.2	Objective.....	4.44
3.3	Scope	4.44
3.4	Definition of the terms used in the Accounting Standard.....	4.45
3.5	Treatment of Interest for determining Segment Expense	4.48
3.6	Allocation	4.49
3.7	Primary and Secondary Segment Reporting Formats.....	4.49
3.8	Business and Geographical Segments.....	4.50
3.9	Identifying Reportable Segments (Quantitative Thresholds).....	4.51
3.10	Segment Accounting Policies	4.53
3.11	Primary Reporting Format	4.53
3.12	Secondary Segment Information.....	4.54
3.13	Other Disclosures	4.55
	Test Your Knowledge.....	4.60

Unit 4: ACCOUNTING STANDARD 18 RELATED PARTY DISCLOSURES

4.1	Introduction	4.72
4.2	Related Party Issue – Why disclosure is needed?.....	4.72
4.3	Related Party Relationships, as contemplated under AS-18.....	4.73
4.4	Who are NOT deemed to be Related Parties under AS-18?.....	4.74
4.5	Exemption from Related Party Disclosure in certain situations	4.75
4.6	Definitions of other Terms used in AS 18.....	4.76
4.7	Disclosure requirements under AS-18	4.86
4.8	List of Related Party Transactions, to be Disclosed (What Needs to be Disclosed?)	4.87
	Test Your Knowledge.....	4.90

Unit 5: ACCOUNTING STANDARD 20 EARNINGS PER SHARE

5.1	Introduction	4.95
5.2	Definition of the terms used in AS 20	4.96
5.3	Earnings-Basic	4.98
5.4	Per share- Basic	4.99
5.5	Shares issued in a scheme of Amalgamation	4.101
5.6	Diluted Earnings Per Share	4.105
5.7	Earnings-Diluted.....	4.106
5.8	Per share- Diluted	4.107
5.9	Dilutive Potential Equity Shares	4.110
5.10	Restatement.....	4.112
5.11	Presentation.....	4.112
5.12	Disclosure	4.113
	Test Your Knowledge	4.114

Unit 6: ACCOUNTING STANDARD 24 DISCONTINUING OPERATIONS

6.1	Introduction.....	4.125
6.2	Discontinuing Operation.....	4.126
6.3	Initial Disclosure Event.....	4.129
6.4	Recognition and Measurement.....	4.130
6.5	Presentation and Disclosure.....	4.130
6.6	Updating the Disclosures.....	4.131
6.7	Separate Disclosure for Each Discontinuing Operation	4.132
6.8	Presentation of The Required Disclosures	4.132
6.9	Restatement of Prior Periods.....	4.133
6.10	Disclosure in Interim Financial Reports.....	4.133
	Test Your Knowledge	4.133

Unit 7: ACCOUNTING STANDARD 25 INTERIM FINANCIAL REPORTING

7.1	Introduction	4.141
7.2	Definitions of the terms used under the Accounting Standard	4.142
7.3	Content of an Interim Financial Report.....	4.142
7.4	Form and Content of Interim Financial Statements.....	4.143
7.5	Selected Explanatory Notes.....	4.143
7.6	Periods for which Interim Financial Statements are required to be presented.....	4.145
7.7	Materiality	4.145
7.8	Disclosure in Annual Financial Statements	4.148
7.9	Accounting Policies	4.148
7.10	Revenue Received Seasonally or Occasionally.....	4.150
7.11	Cost Incurred Unevenly During the Financial Year	4.150
7.12	Use of Estimates	4.150
7.13	Restatement of Previously Reported Interim Periods.....	4.151
7.14	Transitional Provision.....	4.151
7.15	Applicability of AS 25 to Interim Financial Results	4.151
	Test Your Knowledge.....	4.154