

Introduction to Financial Statements



Learning Objectives

Upon completion you will understand

The objective and scope of IAS 1 standard

The required components of a financial statements

Considerations and compliance rules in preparation of financial statements

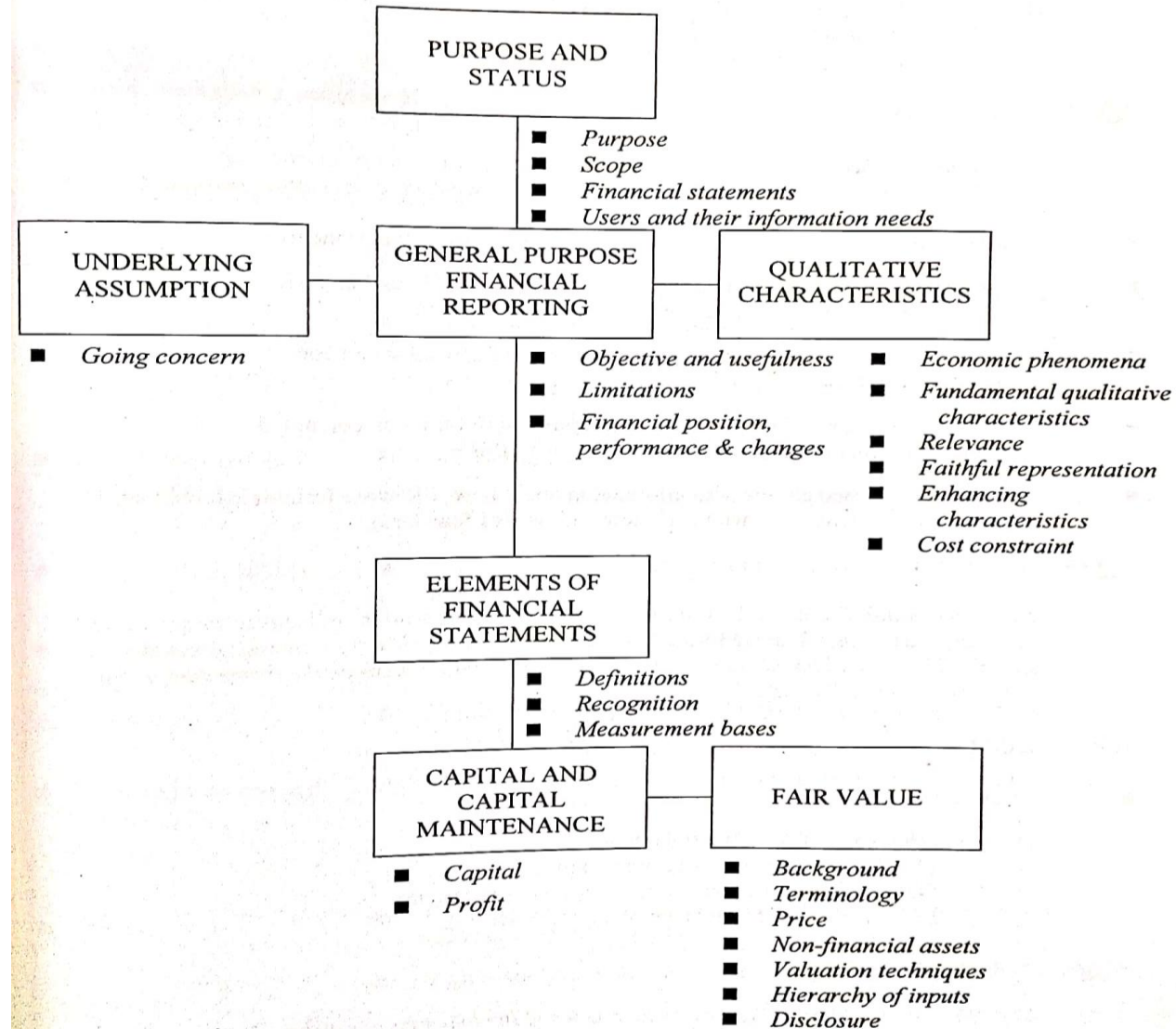
Rules in framing the structure and content of the financial statements

Disclosure requirements for the notes to the financial statements

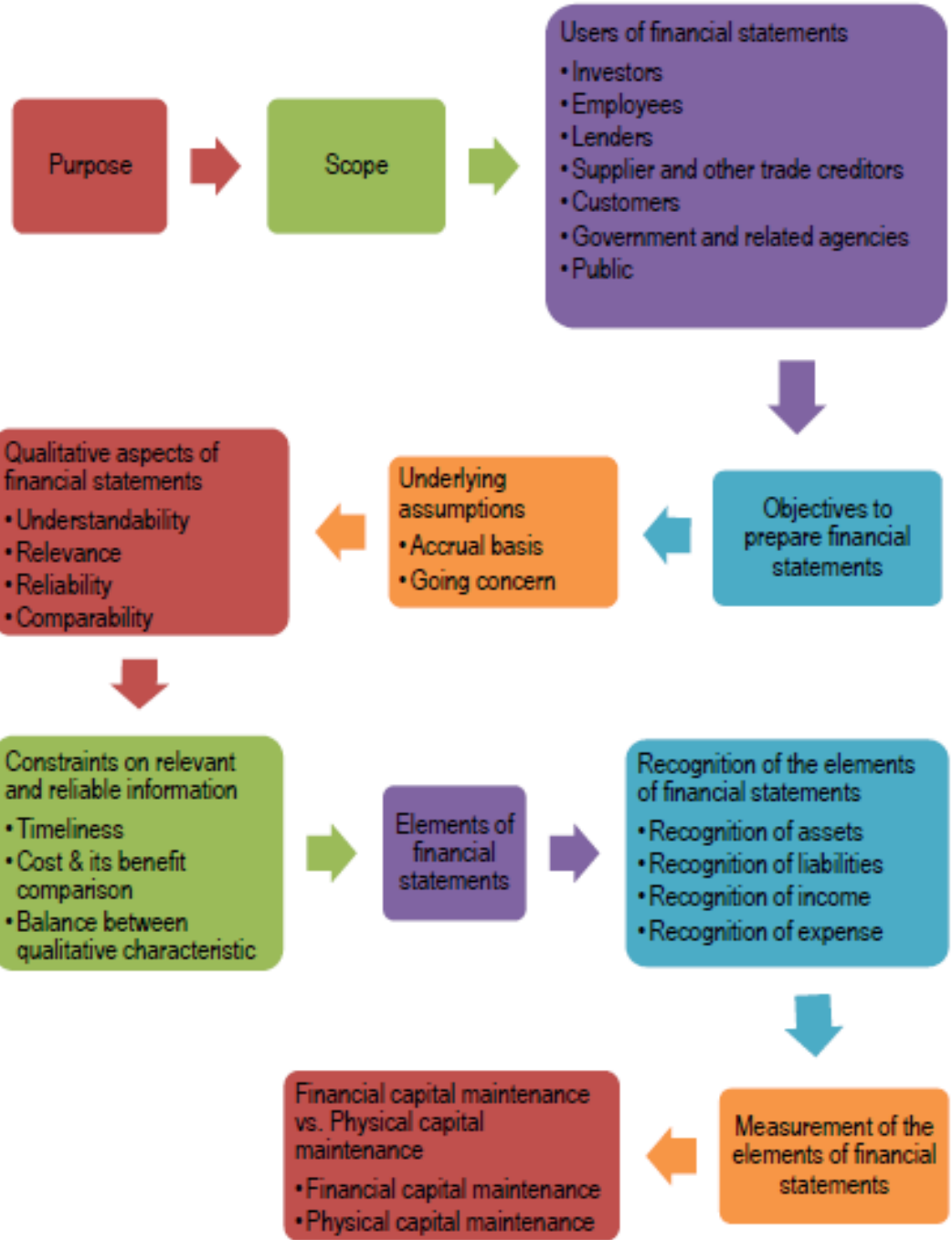
Objective and scope

- Components of financial statements
- Structure and content of financial statement
- Notes to the financial statement

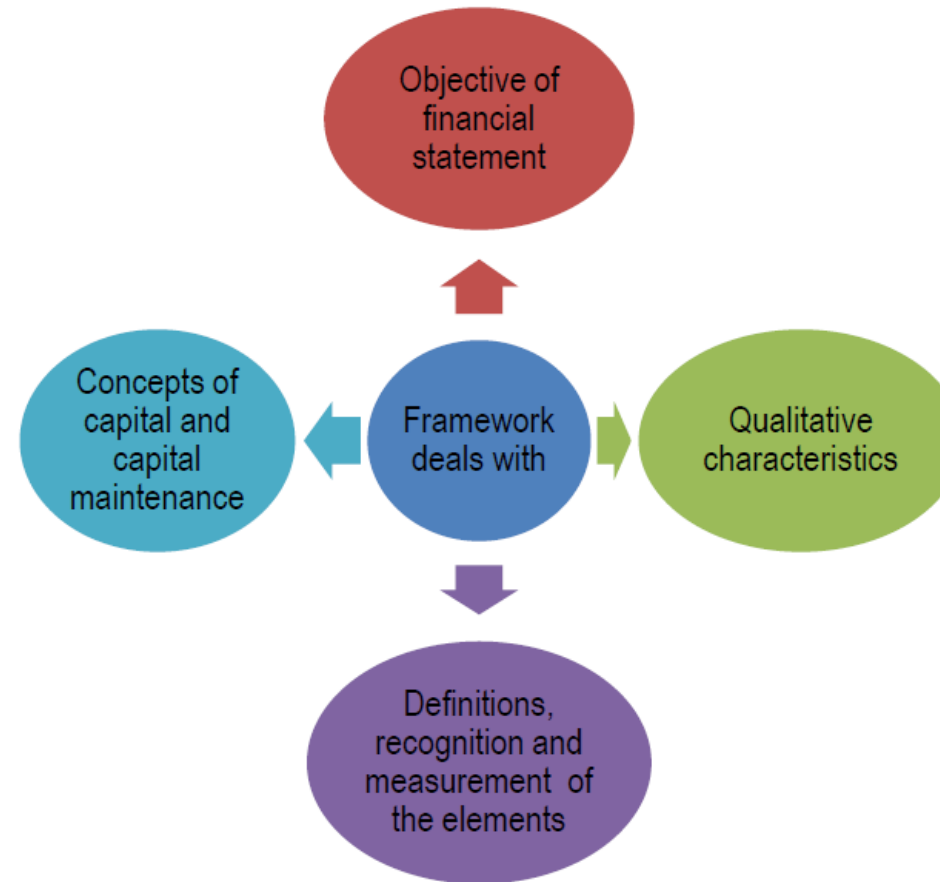
Objective – IAS – 1 – To set out the concepts that underline the preparation and presentation of Financial Statements for external users



Framework for preparation and presentation of financial statements

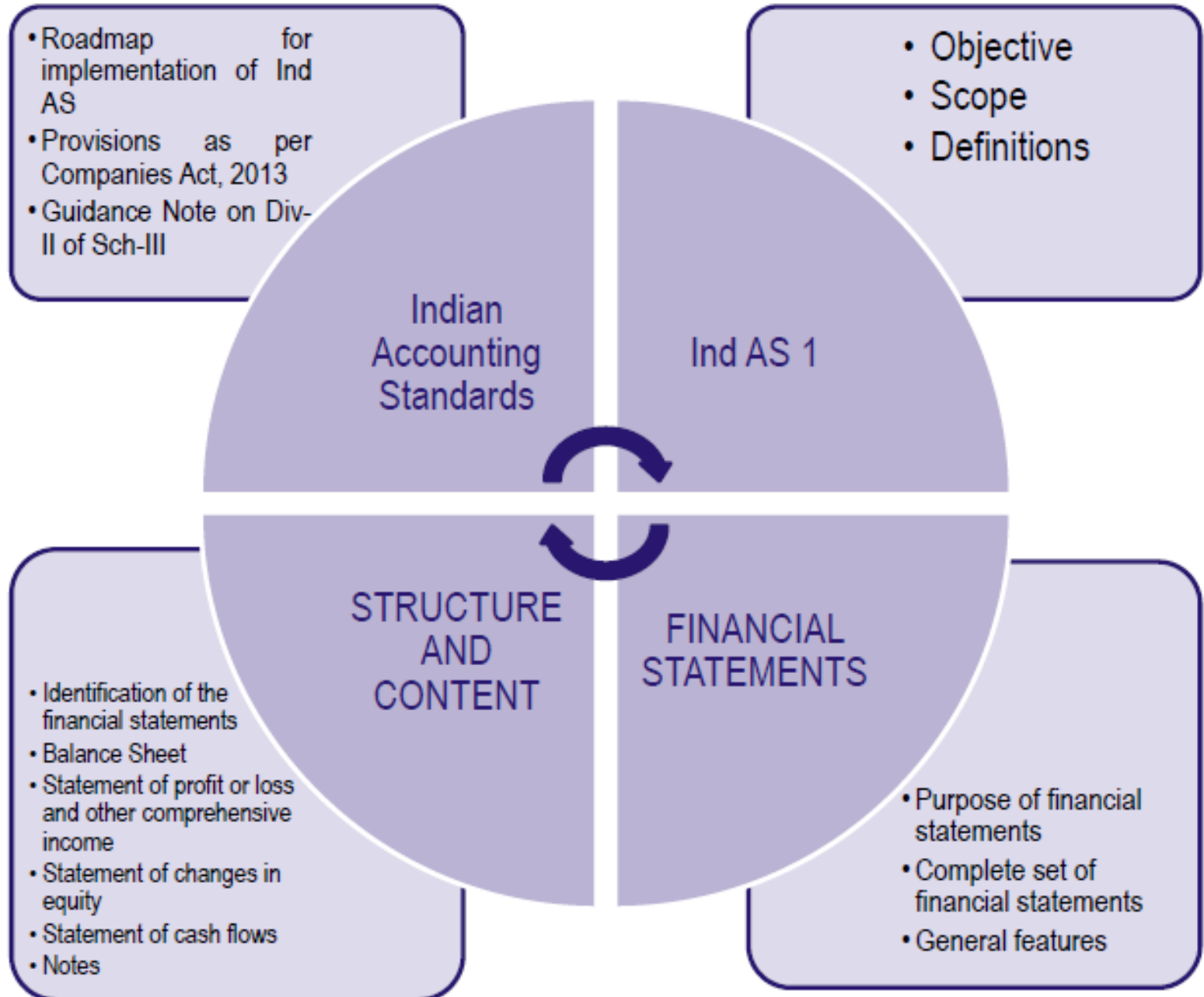


Framework for preparation and presentation of financial statements



- The Framework applies to the financial statements of all commercial, industrial and business reporting entities, whether in the public or the private sectors.
- The essence is to prepare financial statements by using this framework where the user relies solely on the information provided in the financial statements.
- The management of an entity has the primary responsibility for the preparation and presentation of the financial statements of the entity. The Framework does not deal with information outside the financial statements.

Indian accounting standard (IndAS -1) Presentation of Financial Statements



Objective and scope

Objective

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graph TD; A[Objective] --> B[Ensure comparability between years and entities]; B --> C[All financial statements (FS) prepared in accordance with IFRS]; C --> D[All financial statements, including interims (IAS 34)]; D --> E[All types of profit-oriented entities]; E --> F[Consolidated FS]; F --> G[Separate FS]; G --> H[Individual FS];
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Ensure comparability between years and entities

All financial statements (FS) prepared in accordance with IFRS

All financial statements, including interims (IAS 34)

All types of profit-oriented entities

Consolidated FS

Separate FS

Individual FS

Purpose of financial statements

- The objective of general-purpose 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. To meet the objective, financial statements provide information about an entity's:
 - assets;
 - liabilities;
 - equity;
 - income and expenses, including gains and losses;
 - contributions by and distributions to owners in their capacity as owners; and
 - cash flows.
- Information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

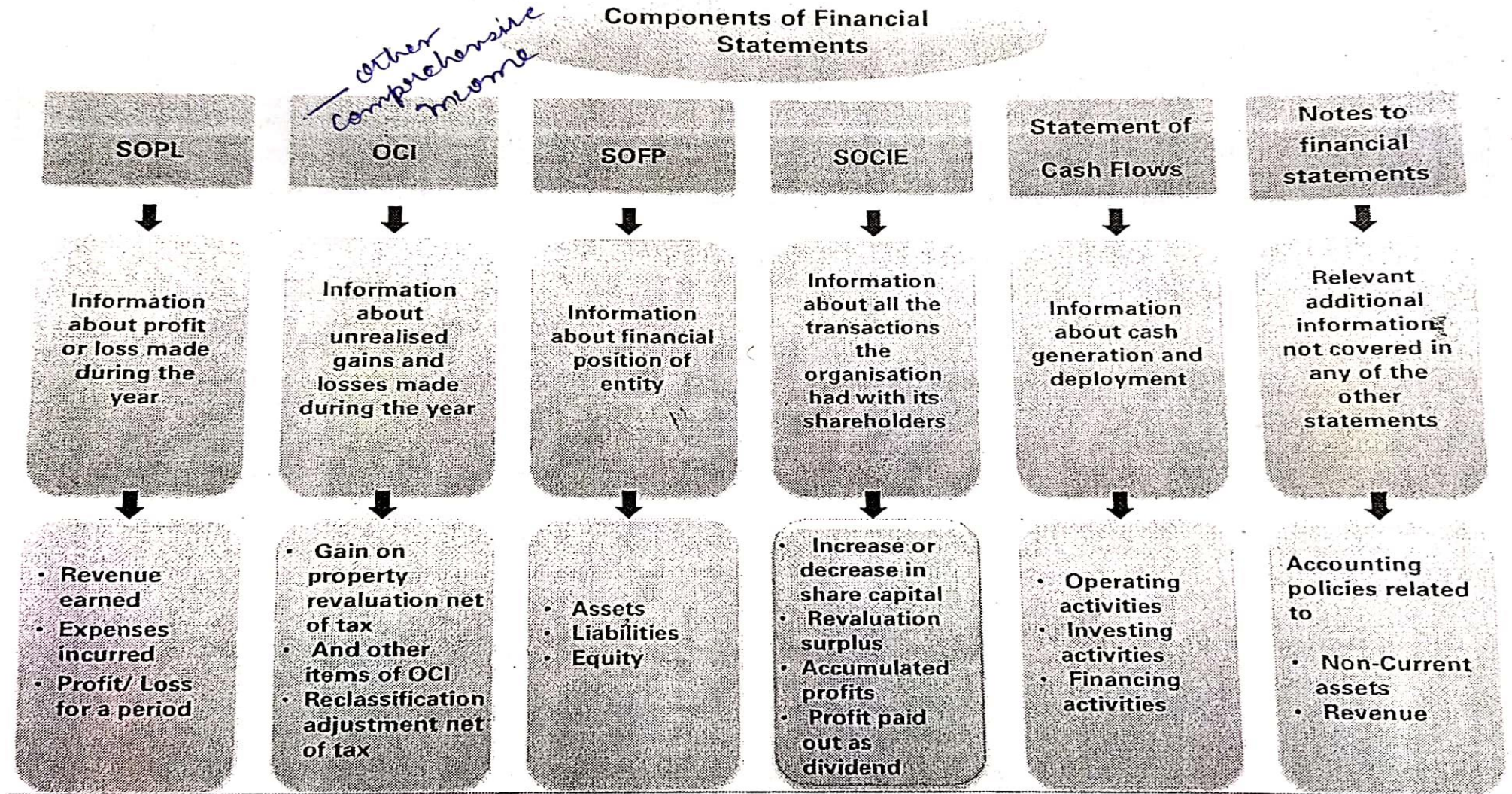
Complete set of financial statements

- A complete set of financial statements comprises:
 - 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;
 - a statement of cash flows for the period;
 - notes, comprising significant accounting policies and other explanatory information;
 - comparative information in respect of the preceding period;
- a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatements of items in its financial statements, or when it reclassifies items in its financial statements.
- An entity shall 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.
- Many entities present reports and statements such as financial reviews by management, environmental reports, and value added statements that are outside the financial statements. Such reports and statements that are outside the financial statements are outside the scope of Ind AS.

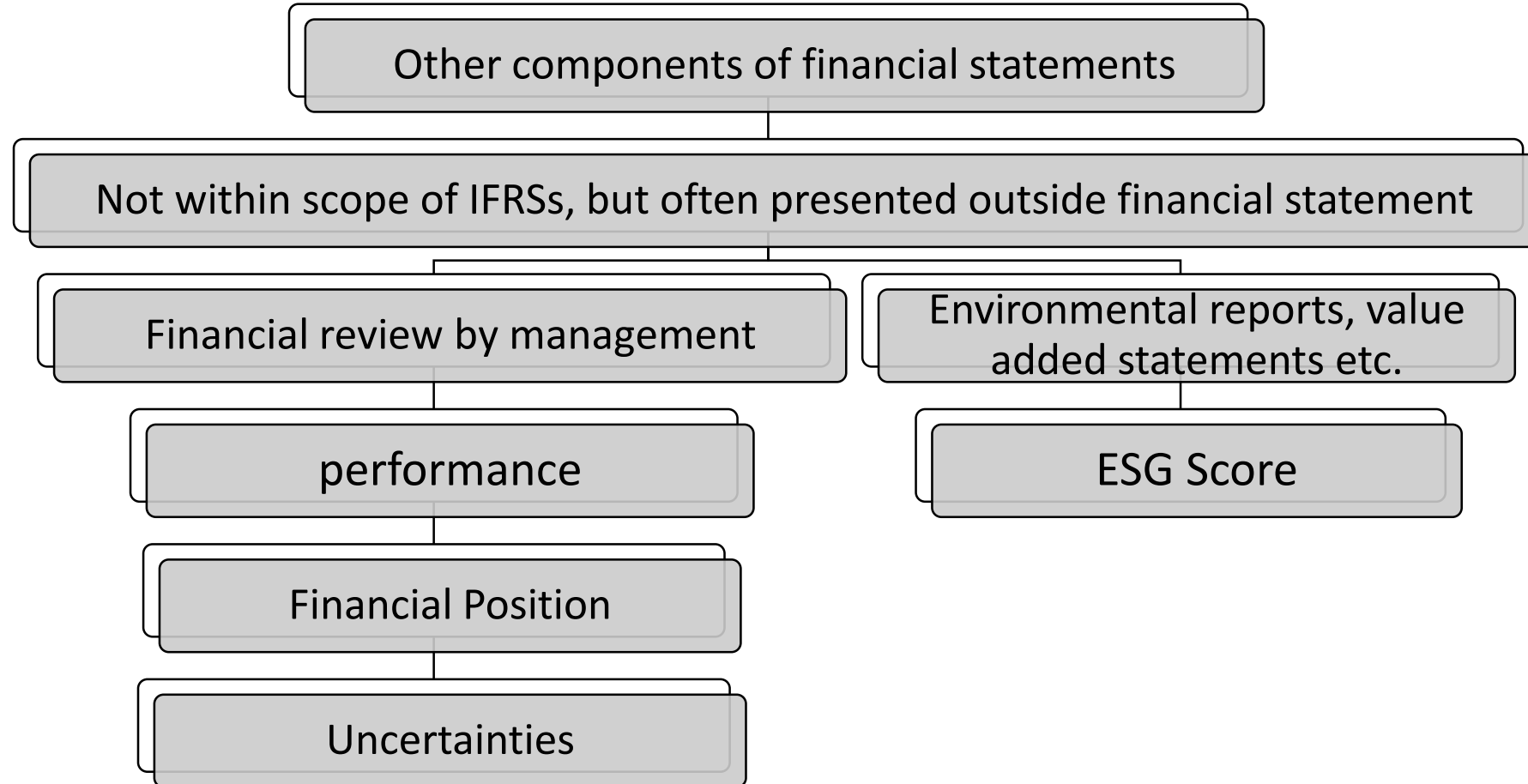
Components of Financial Statements

- Statement of Financial position
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes
- Statements of financial position as the beginning of the earliest comparative period when an entity relates comparative information, if material following a
 - Change in accounting policy
 - Correction of an error, or
 - Reclassification of items in the financial statements
- Equal prominence for all of the financial statements

Components of financial statements contd....



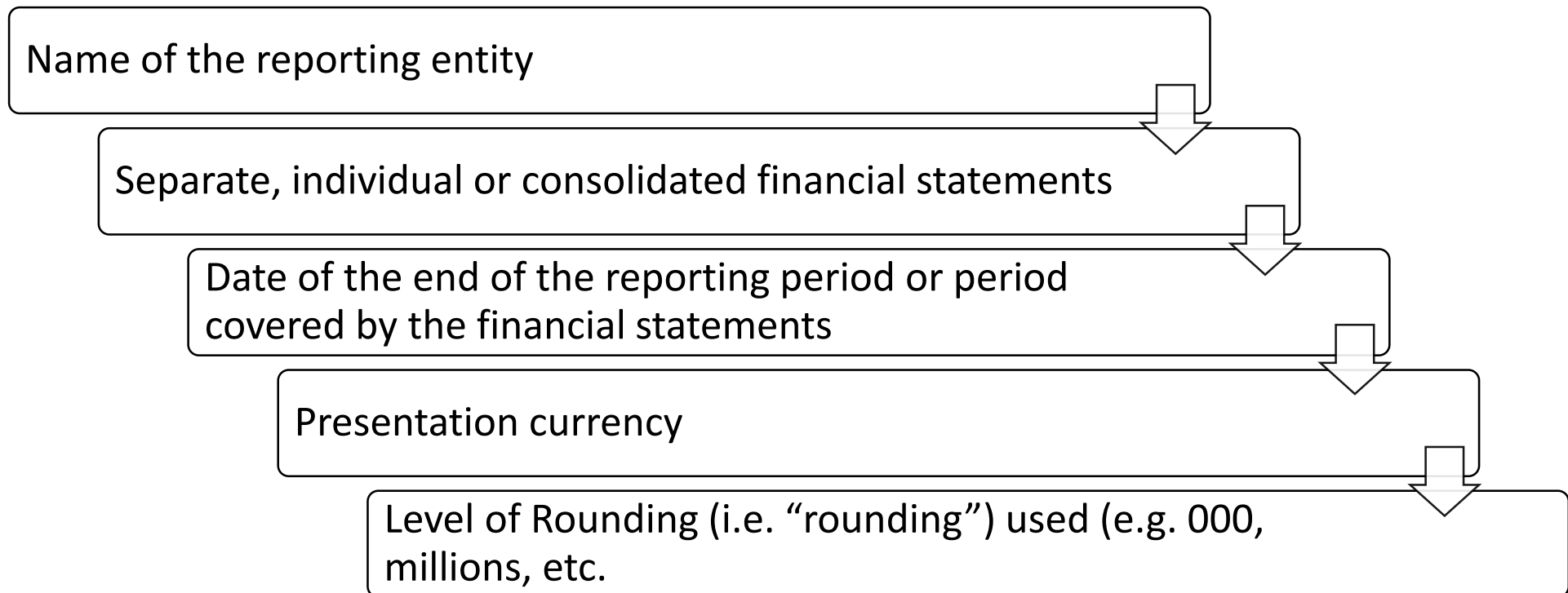
Components of financial statements contd....



Identification of financial statements

Must be clearly identified and distinguished from other information in annual report

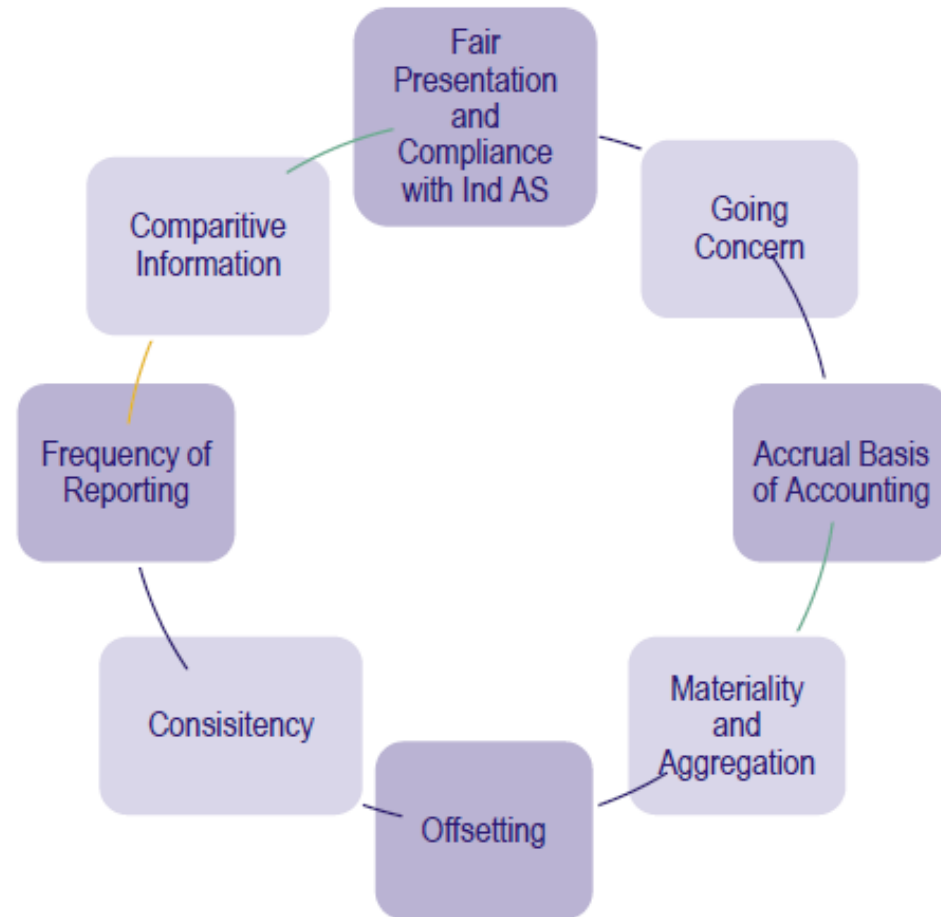
Required Disclosures



Reporting Period

- Financial statements to be presented at least annually
- If shorter or longer period, then disclose
 - Reason
 - Fact that amounts reported may not be comparable
- No prohibition on 52-week period for practicality

General features of financial statements

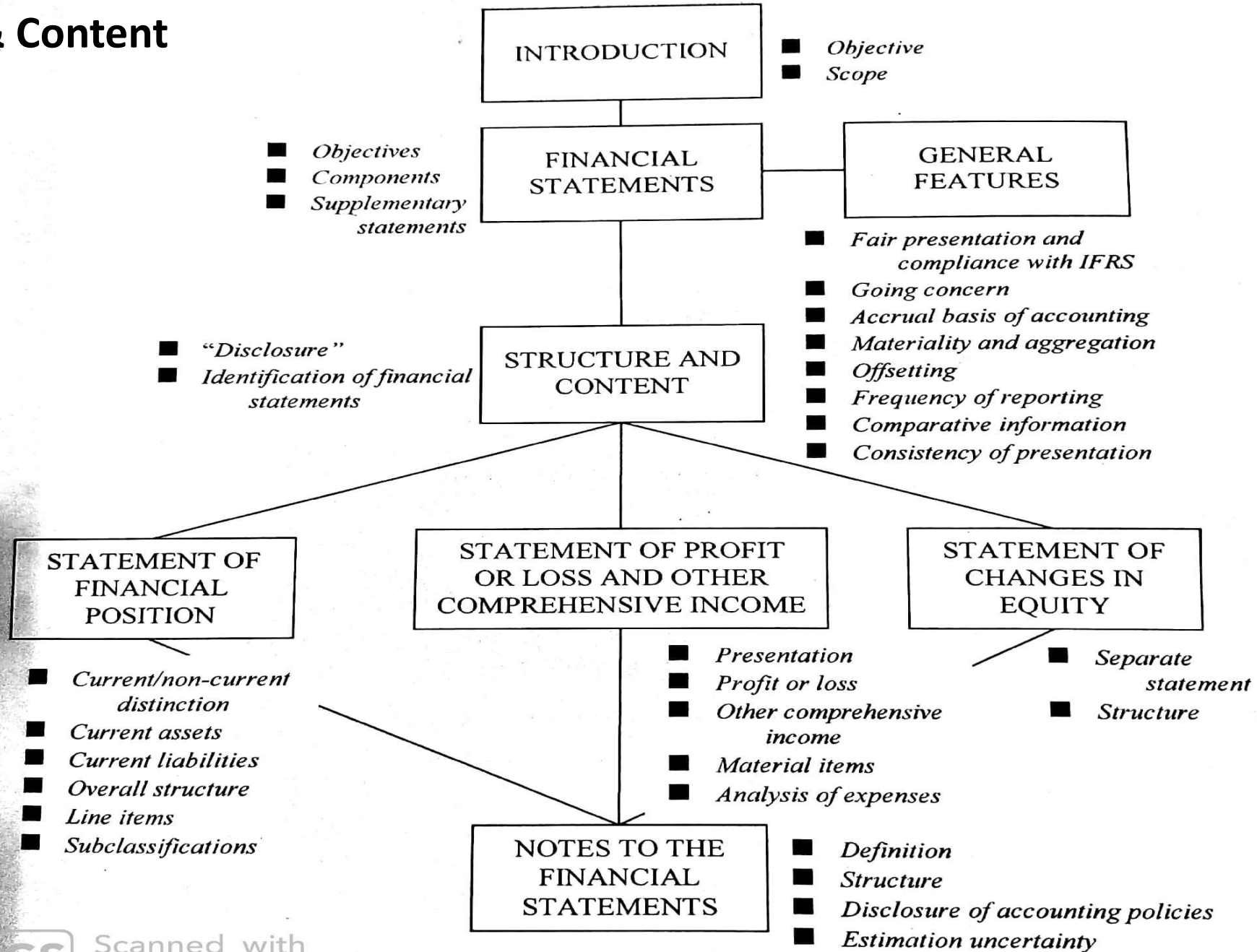


Structure and content of financial statements

Structure and content

- Ind AS 1 requires disclosures in the balance sheet or in the statement of profit and loss, or in the statement of changes in equity and requires disclosure of other line items either in those statements or in the notes.

Structure & Content



Balance sheet –

At a minimum, the balance sheet shall include following items:

a	Property, plant and equipment
b	Investment property
c	Intangible assets
d	Financial assets (excluding amounts shown under (e, h & i))
e	Investments accounted for using the equity method
f	Biological assets
g	Inventories
h	Trade and other receivables
i	Cash and cash equivalents
j	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
k	Trade and other payables
l	Provisions
m	Financial liabilities (excluding amounts shown under k and l)
n	Liabilities and assets for current tax, as defined in Ind AS 12 Income Taxes
o	Deferred tax liabilities and deferred tax assets, as defined in Ind AS 12
p	Liabilities included in disposal groups classified as held for sale in accordance with Ind AS 105
q	Non-controlling interests, presented within equity
r	Issued capital and reserves attributable to owners of the parent

Statement of profit and loss

- The statement of profit and loss shall present, in addition to the profit or loss and other comprehensive income sections:
 - (a) profit or loss;
 - (b) total other comprehensive income;
 - (c) comprehensive income for the period, being the total of profit or loss and other comprehensive income.
- An entity shall present the following items as allocation of profit or loss and other comprehensive income for the period:
 - (a) profit or loss for the period attributable to:
 - (i) non-controlling interests, and
 - (ii) owners of the parent.
 - (b) comprehensive income for the period attributable to:
 - (i) non-controlling interests, and
 - (ii) owners of the parent.

Information to be presented in the profit or loss section of the Statement of Profit and Loss

- In addition to items required by other Ind AS, the profit or loss section of the statement of profit and loss should include line items that present the following amounts for the period:
 - a) revenue, presenting separately interest revenue calculated using the effective interest method;
 - b) gains and losses arising from the derecognition of financial assets measured at amortised cost
 - c) finance costs;
 - d) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of Ind AS 109)
 - e) share of the profit or loss of associates and joint ventures accounted for using the equity method;
 - f) if financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date;
 - g) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognized in other comprehensive income that is reclassified to profit or loss
 - h) tax expense;
 - i) a single amount for the total discontinued operations
 - j) share of the profit or loss of associates and joint ventures accounted for using the equity method

- What is Other Comprehensive Income?
 - Other comprehensive income is comprised of revenues, expenses, gains, and losses that, according to the GAAP and IFRS standards, are excluded from net income on the income statement. Revenues, expenses, gains, and losses that are reported as other comprehensive income are only those that have not been realized yet.

Balance Sheet

Assets

Cash	200
Short-term investment	100
Inventory	700
TOTAL ASSETS	1000

Liabilities

Current liabilities	100
Long-term liabilities	100
Total Liabilities	200

Shareholders' Equity

Common shares	600
Retained earnings	150
Accumulated other comprehensive income	50
Total Shareholder's Equity	800

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	1000
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What's included in Other Comprehensive Income?

- Other comprehensive income is shown on a company's balance sheet.
- It is like retained earnings, which is impacted by net income, except it includes those items that are excluded from net income.
- This helps reduce the volatility of net income as the value of unrealized gains/losses moves up and down.
- Common items included in the account include:
 - Gains or losses on investments available for sale
 - Gains or losses on derivatives held as cash flow hedges
 - Foreign currency exchange gains or losses
 - Pension plan gains or losses

Information to be presented in the Other Comprehensive Income section

- The other comprehensive income section should present line items for the amounts of other comprehensive income classified by nature and grouped into those that, in accordance with other Ind AS:
 - i. will not be reclassified subsequently to profit or loss; and
 - ii. will be reclassified subsequently to profit or loss when specific conditions are met.
- 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.
- When an entity presents subtotals, those subtotals shall:
 - a) be comprised of line items made up of amounts recognized and measured in accordance with Ind AS;
 - b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
 - c) be consistent from period to period; and
 - d) not be displayed with more prominence than the subtotals and totals required in Ind AS for the statement of profit and loss.
- An entity shall present the line items in the statement of profit and loss that reconcile any subtotals presented with the subtotals or totals required in Ind AS for such statement.
- An entity shall not present any items of income or expense as extraordinary items, in the statement of profit and loss or in the notes.
- Example – [Session 1, 2, 3 and 4 material\Other-Comprehensive-Income.pdf](#)

SOFP – minimum line items

- 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
- Inventories
- Trade and other receivables
- Cash and cash equivalents

SOFP – minimum line items contd...

- Held for sale non-current assets and disposal groups
- Trade and other payables
- provisions
- Financial liabilities (excluding amounts shown under (k) and (l))
- Liabilities and assets for current tax, as defined in IAS 12;
- Liabilities included in disposal groups classified as held for sale in accordance with IFRS – 5
- Non-controlling interests, presented within equity; and
- Issued capital and reserve (attributable to owners of the parent)

SOFP – current/ non-current

Present assets and liabilities in the statement of financial position as

1. Current/ non-current; or
2. Broadly in order of liquidity when reliable and more relevant

Disclose amounts due for recovery or settlement after more than 12 months for each assets and liability

Deferred tax assets and liabilities are never presented as current

SOFP – current/ non-current

Assets current if

Involved in normal operating cycle

Held primarily for trading purposes

Expected to be realised within 12 months

Cash or cash equivalence

Liabilities current, if

Involved in normal operating cycle

Held primarily for trading purposes

Due to be settled within 12 months

No unconditional right to defer settlement
for at least 12 months

All other assets and liabilities are non-current

SOFP – Sub – Classifications

Sub classification of items presented, either
* In the statement of financial position; or
In Notes

Separate presentation of amounts payable
to and receivable from the parent,
subsidiaries associates and other related
parties

Further guidelines in individual
standards

Illustrated format of Balance Sheet			'000
Balance Sheet (with hypothetical figures given for ease in understanding)			
	As at 31st March 20X6	As at 31st March 20X5	As at 31st March 20X4
Assets			
Non-Current Assets			
Property, Plant and equipment	1,37,048	97,023	88,145
Capital work in progress	17,450	3,100	0
Investment property	7,419	7,179	7,255
Goodwill	8,670	4,530	4,530
Other Intangible Assets	12,033	10,895	11,210
Intangible assets under development	2,365	1,965	960
Financial assets			
Investments	38,576	32,416	32,943
Loans	1,033	850	782
Trade Receivables	3,238	2,376	2,154
Deferred tax assets (net)	4,598	2,774	2,054
Other non-current assets	<u>21,586</u>	<u>10,565</u>	<u>7,466</u>
Total Non-Current Assets (A)	<u>2,54,016</u>	<u>1,73,673</u>	<u>1,57,499</u>
Current Assets			
Inventories	7,878	61,062	60,854
Financial assets			
Loans	623	546	548
Trade receivables	30,712	30,078	28,210
Derivative instruments			
Cash and cash equivalents	25,031	7,035	6,131
Investments	10,695	9,170	8,416
Other financial assets	2,856	2,093	1,052
Prepayments	<u>459</u>	<u>543</u>	<u>366</u>
	1,38,254	1,10,527	1,05,577
Assets classified as held for sale	<u>220</u>	<u>19,310</u>	
Total Current Assets (B)	<u>1,38,474</u>	<u>1,29,837</u>	<u>1,05,577</u>
Total Assets (A+B)	<u>3,92,490</u>	<u>3,03,510</u>	<u>2,63,076</u>

	As at 31st March 20X6	As at 31st March 20X5	As at 31st March 20X4
Equity and Liabilities			
Equity			
Equity share capital	22,400	12,600	12,000
Other Equity			
Equity component of compound financial instruments	372		
Reserves and surplus	2,16,092	1,60,796	1,28,893
Other reserves	4,233	3,215	2,420
Equity attributable to equity holders of the parent	2,43,097	1,76,611	1,43,313
Non-Controlling interest	24,742	16,248	14,109
Total equity (C)	2,67,839	1,92,859	1,57,422
Non-Current Liabilities			
Financial Liabilities			
Borrowings	41,455	35,565	36,537
Other financial liabilities	1,670	199	312
Long term provision	241	91	0
Deferred Income - Government grants	2,352	2,550	2,924
Contract liabilities			
Net employee defined benefit liabilities	7,296	5,076	4,945
Deferred tax liabilities (net)	12,085	9,864	7,776
Other non-current liabilities			
Total non-current liabilities (D)	65,099	53,345	52,494
Current Liabilities			
Financial liabilities			
Borrowings	2,807	2,685	1,433
Trade payables (Other than micro enterprises and small enterprises)	38,011	28,977	34,195
Other current financial liabilities	8,909	8,837	10,825
Deferred Income - Government grants	938	1,017	1,166
Employee benefit obligations	430	378	256
Deferred revenue	4,152	3,986	3,950
Liabilities for current tax (net)	2,803	1,905	850
Provisions	1,502	531	485
Liabilities directly associated with the assets classified as held for distribution		8,990	
Total Current Liabilities (E)	59,552	57,306	53,160
Total liabilities (F=D+E)	1,24,651	1,10,651	1,05,654
Total equity and Liabilities (C+F)	3,92,490	3,03,510	2,63,076

Illustrative format of Statement of Profit and Loss

	31 March 20X6	31 March 20X5
	`'000	`'000
Revenue from operations	6,33,124	4,86,316
Other Income	<u>6,704</u>	<u>6,676</u>
Total Income	<u>6,39,828</u>	<u>4,92,992</u>
Expenses		
Cost of raw material consumed	2,01,244	1,96,477
Purchase of stock-in-trade	56,300	51,700
(Increase)/decrease in inventories of goods	2,895	(2,587)
GST on sale of goods	42,685	37,785
Employee benefits expenses	80,998	69,962
Finance costs	3,085	2,963
Depreciation and amortisation expense	10,147	8,534
Impairment of non-current assets	480	790
Other expenses	<u>15,308</u>	<u>9,065</u>
Total Expense	<u>4,13,142</u>	<u>3,74,689</u>
Profit/(loss) before exceptional items and tax	2,26,686	1,18,303
Exceptional items	<u>(2,856)</u>	
Profit / (loss) before tax from operations	2,23,830	1,18,303
a) Current tax	5,388	4,474
b) Deferred tax	<u>427</u>	<u>(746)</u>
Income tax expense	<u>5,815</u>	<u>3,728</u>
Profit / (loss) for the year	<u>2,18,015</u>	<u>1,14,575</u>
Profit for the year attributable to		
Equity holders of the parent	2,11,475	1,11,138
Non-controlling interest	6,540	3,437

	Cash flow Hedge reserve	FVTOCI Reserve	Foreign currency translation reserve	Revaluation Reserve	Retained earnings	Total
Net Investment hedge			2,340			2,340
Foreign Exchange translation reserve			(2,950)			(2,950)
Currency Forward contracts	(7,680)					(7,680)
Reclassified to statement of profit or loss	3,385					3,385
Commodity forward contract	(1,850)					(1,850)
Gain / (loss) on FVTOCI financial assets		(480)				(480)
Re-measurement gains (losses) on defined benefit plans					3,085	3,085
Revaluation of land and buildings				7,100		7,100
	<u>(6,145)</u>	<u>(480)</u>	<u>(610)</u>	<u>7,100</u>	<u>3,085</u>	<u>2,950</u>

Illustrative format of other Comprehensive Income

	31 March 20X6	31 March 20X5
	'000	'000
Other comprehensive income to be reclassified to profit and loss in subsequent periods		
Net gain on hedge of a net investment	467	300
Income tax effect	<u>156</u>	<u>(100)</u>
	623	200
Exchange differences on translation of foreign operations	(590)	(281)
Income tax effect	<u>0</u>	<u>0</u>
	(590)	(281)
Net movement on cash flow hedges	(1757)	80
Income tax effect	<u>528</u>	<u>(22)</u>
	(1229)	58
Net gain / (loss) through FVTOCI debt securities	(115)	7
Income tax effect	<u>36</u>	<u>(2)</u>
	(79)	5
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(1275)	(18)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Re-measurement gains /(losses) on defined benefit plans	886	(933)
Income tax effect	<u>(269)</u>	<u>278</u>
	617	(655)
Revaluation of land and building	2030	
Income tax effect	<u>(610)</u>	
	1420	0
Net loss / (gain) pm FVTOCI equity securities	(24)	
Income tax effect	<u>7</u>	
	(17)	
Net other comprehensive income not to be classified to profit or loss in subsequent periods	<u>2020</u>	<u>(655)</u>
Other comprehensive income for the year, net of tax	745	-673
Total comprehensive income for the year attributable to		
Equity holders of the parent	2,12,220	1,10,465
Non-controlling interest	6,540	3,437

Statement of Changes in Equity

- An entity shall present a statement of changes in equity which includes all changes in equity. It includes both - relating to performance and owner changes in equity (from transactions and events that increase or decrease equity but are not part of performance). The statement of changes in equity includes the following information:
 - 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;
 - c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each changes resulting from:
 - profit or loss;
 - each item of other comprehensive income;
 - 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; and
 - any item recognised directly in equity such as amount recognised directly in equity as capital reserve with Ind AS 103.

Statement of changes in equity

- Includes
 - Total comprehensive income for the period
 - For each component of equity, the effects of retrospective application or restatement recognized in accordance with IAS 8
 - For each component of equity, a reconciliation between carrying amount at the beginning and at the end of the period disclosing separately
 - Profit or loss
 - Each item of other comprehensive income
 - Transaction with owners
- Additional Disclosure
 - Also present either in the statement of changes in equity or in the notes:
 - The amount of dividends recognized as distribution to owners during the period and related amount per share.

Format of Statement of changes in equity for the year ended 31 March 20X6

	Share capital	Translation reserve	Retained earnings	Total
Equity as at 31 March 20X5 (A)	<u>1,041</u>	<u>(47,382)</u>	<u>2,65,266</u>	<u>2,18,925</u>
Profit for the year			28,461	28,461
Other comprehensive income for the year		<u>(3,399)</u>	<u>(5,535)</u>	<u>(8,934)</u>
Total comprehensive income for the year (B)		<u>(3,399)</u>	<u>22,926</u>	<u>19,527</u>
Dividend paid to shareholders of the parent			(17,817)	(17,817)
Equity compensation plans			15	15
Reduction in share capital	<u>(51)</u>		<u>(26,427)</u>	<u>(26,478)</u>
Total transactions (C)	<u>(51)</u>		<u>(44,229)</u>	<u>(44,280)</u>
Equity as at 31 March, 20X6 (A+B+C)	<u>990</u>	<u>(50,781)</u>	<u>2,43,963</u>	<u>1,94,172</u>

Consolidated SOPL and Other comprehensive income – an illustrative (2) page 1

Consolidated Statement of profit or loss and Other comprehensive income

For the year ended 31 December

In thousands of euro

	Note	2012	2011
Continuing operations			
Revenue		1,02,716	96,636
Cost of Sales	10 13	(55,708)	(56,186)
Gross Profit		47,008	40,450
Other Income	11	1,021	194
Distribution Expenses	13	(17,984)	(18,012)
Administrative Expenses	13	(17,142)	(15,269)
Research and Development expenses	13	(1,109)	(697)
Other expenses	12	(860)	(30)
Result form operating activities		10,934	6,636
Finance income		1,161	480
Finance costs		(1,707)	(1,646)
Net finance costs	15	(546)	(1,166)

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Consolidated SOPL and Other comprehensive income – an illustrative (2) page 2

Share of profit of equity- accounted investees (net of tax)	20	541	708
Profit before tax		10,929	6,178
Tax expense	22	(3,371)	(1,800)
Profit from continuing operations		7,558	4,370
Discontinued operations			
Profit (loss) from discontinued operations (net of tax)	7	379	(422)
Profit for the year		7,937	3,956

Consolidated SOPL and Other comprehensive income – an illustrative (2) page 3

*nb
reclassification and
reclassification of*

Consolidated Statement of profit or loss and Other comprehensive income

For the year ended 31 December

<i>In thousand of euro</i>	Note	2012	2011
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	16	200	
Defined benefit plan actuarial gains (losses)			(15)
Investments in equity instruments	29	72	
Share of other comprehensive income of associates			5
Tax on items that will not be classified to profit or loss		(90)	
Total items that will not be reclassified to profit or loss		182	(10)
Items that may be reclassified to profit or loss:			
Net loss on hedge of net investment in foreign operation	15	(3)	(8)
Foreign currency translation differences - foreign operations		680	499
Foreign currency translation differences - equity-accounted investees		(159)	(169)
Reclassification of foreign currency differences on loss of significant influence		(20)	

Consolidated SOPL and Other comprehensive income – an illustrative (2) page 4

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Effective portion of changes in fair value of cash flow hedges	15	(62)	77
Net changes in fair value of cash flow hedges reclassified to profit or loss	15	(31)	(11)
Tax on items that may be classified to profit or loss	22	(14)	(53)
Total items that may be reclassified subsequently to profit or loss		526	429
Other comprehensive income for the year, net of tax		708	419
Total comprehensive income for the year		8645	4,375



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Consolidated SOPL and Other comprehensive income – an illustrative (2) page 5

Consolidated Statement of profit or loss and Other comprehensive income

For the year ended 31 December

<i>In thousands of euro</i>	Note	2012	2011
Profit attributable to:			
Owners of the Company		7,413	3,737
Non-controlling interests		524	219
Profit for the year		7,937	3,956
Total comprehensive income attributable to:			
Owners of the Company		8,094	4,134
Non-controlling interests		551	241
Total comprehensive income for the year		8,645	4,375
Earnings per share			
Basic earnings per share (euro)	27	2.26	1.08
Diluted earnings per share (euro)	27	2.16	1.07
Earnings per share - continuing operations			
Basic earnings per share (euro)	27	2.14	1.22
Diluted earnings per share (euro)	27	2.05	1.21

SOPL & OCI – classification as per nature of expense

XYZ Group – Income statement for the year ended 31 December 20X7		
	20X7	20X6
	\$	\$
Revenue	X	X
Other income	X	X
Changes in inventories of finished goods and Work in progress	(X)	(X)
Work performed by the entity and capitalised	X	X
Raw material and consumables used	(X)	(X)
Employee benefits expense	(X)	(X)
Depreciation and amortisation expense	(X)	(X)
Impairment of property, plant and equipment	(X)	-
Other expenses	(X)	(X)
Finance costs	(X)	(X)
Share of profit of associates or Joint Ventures	X	X
Profit before tax	X	X

Consolidated statement of changes in equity – an illustrative (3) page 1

Consolidated statement changes in Equity													
For the year ended 31 December 2011													
Attributable to the owners of the company													
In thousands of euro		Share Capital	Share Premium	Trans-lation reserve	Hedging Reserve	Fair Value Reserve	Revalua-tion Reserve	Reserve for own share	Convert-ible notes	Retained earnings	Total	Non Controlling Interests	Total equity
	Note												
Balance at 1 January 2011		14550	3500	(129)	434	17	-	-	-	10565	28937	601	29538
Impact of change in accounting policy	2(e)	-	-	-	-	-	-	-	-	35	35	-	35
Restated balance at 1 January 2011		14550	3500	(129)	434	17	-	-	-	10600	28972	601	29573
Total comprehensive income for the year													
Profit										3737	3737	219	3956
Total other comprehensive income for the year	22,26			300	44	63				(10)	397	22	419
				300	44	63				3727	4134	241	4375

Consolidated statement of changes in equity – an illustrative (3) page 2

Transaction with the owners of the company recognised directly in equity													
Contributions by the and distributions to owners of the company													
own share aquired	26	-	-	-	-	-	(280)	-	-	(280)	-	(280)	
dividends	26	-	-	-	-	-	-	-	(571)	(571)	-	(571)	
Share based payment transactions	30	-	-	-	-	-	-	-	250	250	-	250	
Total contributions by and distribution to owners of the company		-	-	-	-	-	(280)	-	(321)	(601)	-	(601)	
Restated balance at 31st December 2011		14550	3500	171	478	80	(280)	-	3406	3533	842	33347	

Consolidated statement of changes in equity – an illustrative (3) page 3

Consolidated statement changes in Equity													
For the year ended 31 December 2012													
Attributable to the owners of the company													
In thousands of euro		Share Capital	Share Premium	Trans-lation reserve	Hedging Reserve	Fair Value Reserve	Revalua-tion Reserve	Reserve for own share	Convert-ible notes	Retained earnings	Total	Non Controlling Interests	Total equity
	Note												
Restated balance at 1 January 2011		14550	3500	171	478	80	-	(280)	-	3406	3533	842	33347
Total comprehensive income for the year													
Profit		-	-	-	-	-	-	-	-	7413	7413	524	7937
Total other comprehensive income for the year	22,26			471	(62)	90	134	-	-	48	681	27	708
				471	(62)	90	-	-	-	7461	8094	551	8645

Consolidated statement of changes in equity – an illustrative (3) page 4

Transaction with the owners of the company recognised directly in equity													
Contributions by the and distributions to owners of the company													
Issue of ordinary shares related to business combination	9	24	63	-	-	-	-	-	-	87	-	87	
Issue of ordinary shares	26	390	1160	-	-	-	-	-	-	1550	-	1550	
Issue of convertible notes, net of tax	22,28	-	-	-	-	-	-	-	109	109	-	109	
Own shares sold	26	-	19	-	-	-	-	11	-	30	-	30	
dividends	26	-	-	-	-	-	-	-	-	-1243	-1243	-	-1243
Share based payment transactions	30	-	-	-	-	-	-	-	-	755	755	-	755
Share options exercised	26	-	35	-	-	-	-	-	-	50	-	50	
Total contributions by and distribution to owners of the company		429	1277	-	-	-	-	0	-	(488)	1338	-	1338
Changes in ownership interest in subsidiarries													
Acquisition of non controlling interest without a change in control	9	-	-	8	-	-	-	-	-	(93)	(85)	(115)	(200)
Acquisition of subsidiary with non controlling interest	9	-	-	-	-	-	-	-	-	-	-	304	304
Total transactions with owners of the company		429	1386	8	-	-	-	11	-	(581)	1253	189	1442
Balance at 31 December 2012		14979	4777	650	416	170	134	(269)	109	20886	41852	1582	43434

Information about share capital

- For each class of share capital (in the statement of financial position, statement of changes in equity or notes)
 - Number of shares authorized
 - Number of shares issued: fully paid and not fully paid
 - Par value or no par value
 - Reconciliation of movements in number of shares
 - Rights, preferences and restrictions
 - Treasury shares
 - Shares held for options and sale contracts (including terms/amounts)
- Nature and purpose of each equity reserve

Statement of Cash Flows

- 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.
- An entity should present a statement of cash flows in accordance with Ind AS 7, Statement of Cash Flows.

Notes to financial statements

Notes Structure

- The notes shall:
 - a. present information about the basis of preparation of the financial statements and the specific accounting policies used;
 - b. disclose the information required by Ind AS that is not presented elsewhere in the financial statements; and
 - c. provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.
- An entity shall present notes in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements.
- An entity shall cross-reference each item in the balance sheet, in the statement of changes in equity which is a part of the balance sheet and in the statement of profit and loss, and statement of cash flows to any related information in the notes.

Notes to financial statements

- Present information in systematic order and cross reference to statement of financial position, statement of comprehensive income and statement of cash flows. The entities have flexibility in determining the order in which they present notes to financial statements.
- Normally presented in following order:
 - Statement of compliance with IFRSs
 - Bases of measurement and significant accounting policies applied
 - Supporting information required by IFRSs for items presented in the statements
 - Other disclosures.

Notes to financial statements contd....

- Management's judgement in applying accounting policies with significant effects on amounts recognised
- Key assumptions concerning the future and key sources of estimation uncertainty
- Company information
 - Objective, policies and process for managing capital
 - Based on internal information provided to key management personnel, e.g. board of directors or chief executive
 - Quantitative and qualitative

- Examples of systematic ordering or grouping of the notes include following the order of the line items in the statement of profit and loss and the balance sheet, such as:
 - (a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about operating activities;
 - (b) grouping together information about items measured similarly such as assets measured at fair value; or
 - (c) following the order of the line items in the statement of profit and loss and the balance sheet, such as:
 - (i) statement of compliance with Ind AS;
 - (ii) significant accounting policies applied;
 - (iii) 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
 - (iv) other disclosures, including:
 - (1) contingent liabilities (see Ind AS 37) and unrecognized contractual commitments; and
 - (2) non-financial disclosures, e.g. the entity's financial risk management objectives and policies (see Ind AS 107).
- An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

Disclosure of accounting policies

- An entity shall disclose its significant accounting policies comprising:
 - a. the measurement basis (or bases) used in preparing the financial statements, and
 - b. the other accounting policies used that are relevant to an understanding of the financial statements.
- An entity must disclose along with its significant accounting policies or other notes, the judgments, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

- Sources of estimation uncertainty
 - An entity must disclose, in the notes, information about the assumptions made concerning the future, and other important sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Disclosures about nature of such assets and their carrying amount as at the end of the reporting period should also be made.
- Capital
 - An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Key learning points

- Components of financial statements
- No definition of “exceptional” or “unusual” events
- All IFRSs must be followed
- Departure from IFRS only in extremely rare cases

Illustration

Illustration - A Limited has prepared the following draft balance sheet as on 31st March 20X1:

(Rs. In crores)

Particulars	March 31, 20X1	March 31, 20X0
ASSETS		
Cash	250	170
Cash equivalents	70	30
Non-controlling interest's share of profit for the year	160	150
Dividend declared by A Limited	90	70
Accounts receivable	2,300	1,800
Inventory at cost	1,500	1,650
Inventory at fair value less cost to complete and sell	180	130
Investment property	3,100	3,100
Property, plant and equipment (PPE) at cost	5,200	4,700
Total	12,850	11,800
CLAIMS AGAINST ASSETS		
Long term debt (` 500 crores due on 1st January each year)	3,300	3,885
Interest accrued on long term debt (due in less than 12 months)	260	290
Share Capital	1,130	1,050
Retained earnings at the beginning of the year	1,875	1,740
Profit for the year	1,200	830
Non-controlling interest	830	540
Accumulated depreciation on PPE	1,610	1,240
Provision for doubtful receivables	200	65
Trade payables	880	790
Accrued expenses	15	30
Warranty provision (for 12 months from the date of sale)	600	445
Environmental restoration provision (restoration expected in 20X6)	765	640
Provision for accrued leave (due within 12 months)	35	25
Dividend payable	150	230
Total	12,850	11,800

Particulars	Note	March 31, 20X1	March 31, 20X0
ASSETS			
Non-current assets			
(a) Property, plant and equipment	1	3,590	3,460
(b) Investment property		<u>3,100</u>	<u>3,100</u>
Total non-current assets		<u>6,690</u>	<u>6,560</u>
Current assets			
(a) Inventory	2	1,680	1,780
(b) Financial assets			
Trade and other receivables	3	2,100	1,735
Cash and cash equivalents	4	<u>320</u>	<u>200</u>
Total current assets		<u>4,100</u>	<u>3,715</u>
Total assets		<u>10,790</u>	<u>10,275</u>
EQUITY & LIABILITIES			
Equity attributable to owners of the parent			
Share capital		1,130	1,050
Other Equity	5	2,825	2,350
Non-controlling interests		<u>830</u>	<u>540</u>
Total equity		<u>4,785</u>	<u>3,940</u>
LIABILITIES			
Non-current liabilities			
Financial Liabilities			
Borrowings - Long-term debt	6	2,800	3,385
Provisions			
Long-term provisions (environmental restoration)		<u>765</u>	<u>640</u>
Total non-current liabilities		<u>3,565</u>	<u>4,025</u>
Current liabilities			
(a) Financial Liabilities			
(i) Trade and other payables	7	895	820
(ii) Current portion of long-term debt	8	500	500
(iii) Interest accrued on long-term debt		260	290
(iv) Dividends payable		150	230
(b) Provisions			
(i) Warranty provision		600	445
(ii) Other short-term provisions		35	25
Total current liabilities		<u>2,440</u>	<u>2,310</u>
Total liabilities		<u>6,005</u>	<u>6,335</u>
Total equity and liabilities		<u>10,790</u>	<u>10,275</u>

NOTES	PARTICULARS	BASIS	CALCULATION CRORES	AMOUNT CRORES
1	Property, plant and equipment	Property, plant and equipment (PPE) at cost less Accumulated (depreciation on PPE	5,200 – 1,610 (4,700 – 1,240)	3,590 (3,460)
2	Inventory	Inventory at cost add Inventory at fair value less cost to complete and sell	1,500 + 180 (1,650 + 130)	1,680 (1,780)
3	Trade and other receivables	Accounts receivable less Provision for doubtful receivables	2,300 – 200 (1,800 – 65)	2,100 (1,735)