

Intermediate Course

Study Material

(Modules 1 to 3)

Paper 1

Advanced Accounting

(Relevant for May, 2026)

Module – 2



BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

This Study Material has been prepared by the faculty of the Board of Studies. The objective of the Study Material is to provide teaching material to the students to enable them to obtain knowledge in the subject. In case students need any clarification or have any suggestion for further improvement of the material contained herein, they may write to the Joint Director, Board of Studies.

All care has been taken to provide interpretations and discussions in a manner useful for the students. However, the Study Material has not been specifically discussed by the Council of the Institute or any of its committees and the views expressed herein may not be taken to necessarily represent the views of the Council or any of its Committees.

Permission of the Institute is essential for reproduction of any portion of this material.

© THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

All rights reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior permission, in writing, from the publisher.

Basic draft of this publication was prepared by CA. (Dr.) Rashmi Goel

Edition	:	July, 2024
Reprint	:	August, 2025
Committee/Department	:	Board of Studies
E-mail	:	bosnoida@icai.in
Website	:	www.icai.org
Price	:	₹ /- (For All Modules)
ISBN No.	:	978-81-19472-30-7
Published by	:	The Publication & CDS Directorate on behalf of The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi 110 002 (India)
Printed by	:	

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 – 2

CHAPTER 5: ASSETS BASED ACCOUNTING STANDARDS5.1 – 5.252

UNIT 1: ACCOUNTING STANDARD 2 VALUATION OF INVENTORY 5.1-5.20

Learning Outcomes.....	5.1
1.1 Introduction.....	5.2
1.2 Inventories.....	5.2
1.3 Measurement of Inventories.....	5.4
1.4 Costs of inventory.....	5.6
1.5 Costs of purchase.....	5.6
1.6 Costs of Conversion.....	5.6
1.7 Joint or By-Products.....	5.7
1.8 Other Costs.....	5.8
1.9 Exclusions from the cost of inventories.....	5.9
1.10 Cost Formula.....	5.9
1.11 Other techniques of cost measurement.....	5.9
1.12 Estimates of Net Realisable Value.....	5.10
1.13 Comparison of Cost and Net Realisable Value.....	5.11
1.14 NRV of materials held for use or disposal.....	5.11
1.15 Disclosures.....	5.12
Test Your Knowledge.....	5.15

UNIT 2: ACCOUNTING STANDARD 10 PROPERTY, PLANT AND EQUIPMENT 5.21-5.77

Learning Outcomes.....	5.21
2.1 Introduction.....	5.22
2.2 Scope of the Standard.....	5.22
2.3 Definition of Property, Plant and Equipment (PPE).....	5.23

2.4	Other Definitions.....	5.24
2.5	Recognition Criteria for PPE.....	5.26
2.6	Measurement of PPE.....	5.27
2.7	Initial Recognition	5.28
2.8	Cost of a self-constructed Asset	5.33
2.9	PPE acquired in Exchange for a Non-monetary Asset or Assets or A combination of Monetary and Non-monetary Assets.....	5.34
2.10	Treatment of Subsequent Costs	5.38
	Test Your Knowledge.....	5.61

UNIT 3: ACCOUNTING STANDARD 13 ACCOUNTING FOR INVESTMENTS 5.78-5.112

	Learning Outcomes.....	5.78
3.1	Introduction.....	5.78
3.2	Definition of the terms used in the Standard.....	5.79
3.3	Forms of Investments.....	5.79
3.4	Classification of Investments	5.80
3.5	Cost of Investments.....	5.80
3.6	Carrying Amount of Investments.....	5.82
3.7	Investment Properties.....	5.86
3.8	Disposal of Investments	5.86
3.9	Reclassification of Investments	5.86
3.10	Disclosure	5.88
	Test Your Knowledge	5.98

UNIT 4: ACCOUNTING STANDARD 16 BORROWING COSTS 5.113-5.136

	Learning Outcomes.....	5.113
4.1	Introduction.....	5.113
4.2	Definitions.....	5.114

4.3	Exchange Differences on Foreign Currency Borrowings	5.115
4.4	Borrowing Costs Eligible for Capitalisation.....	5.117
4.5	Recognition criteria	5.118
4.6	Specific borrowings	5.119
4.7	General borrowings	5.119
4.8	Excess of the Carrying Amount of the Qualifying Asset over Recoverable Amount.....	5.120
4.9	Commencement of Capitalisation	5.122
4.10	Suspension of Capitalisation.....	5.123
4.11	Cessation of Capitalisation	5.124
4.12	Disclosure	5.125
	Test Your Knowledge	5.128

UNIT 5: ACCOUNTING STANDARD 19 LEASES..... 5.137-5.182

	Learning Outcomes.....	5.137
5.1	Introduction	5.138
5.2	Applicability of AS 19 [Scope]	5.138
5.3	Definitions	5.139
5.4	Types of leases.....	5.144
5.5	Indicators of Finance Lease	5.145
5.6	Deterministic Conditions.....	5.146
5.7	Suggestive Conditions.....	5.147
5.8	Accounting for Finance Leases (Books of lessee).....	5.147
5.9	Accounting for Operating Leases	5.163
5.10	Sale and Leaseback.....	5.168
	Test Your Knowledge	5.172

UNIT 6: ACCOUNTING STANDARD 26 INTANGIBLE ASSETS..... 5.183-5.215

Learning Outcomes.....	5.183
6.1 Introduction.....	5.183
6.2 Scope.....	5.184
6.3 Definitions.....	5.185
6.4 Identifiability.....	5.187
6.5 Control.....	5.188
6.6 Future Economic Benefits.....	5.189
6.7 Recognition and Initial Measurement of an Intangible Asset.....	5.189
6.8 Separate Acquisition.....	5.189
6.9 Acquisition as part of an Amalgamation.....	5.190
6.10 Acquisition by way of a Government Grant.....	5.191
6.11 Exchange of assets.....	5.192
6.12 Internally generated goodwill.....	5.192
6.13 Internally generated intangible assets.....	5.193
6.14 Research Phase.....	5.193
6.15 Development Phase.....	5.194
6.16 Cost of an Internally Generated Intangible Asset.....	5.195
6.17 Recognition of an Expense.....	5.197
6.18 Subsequent Expenditure.....	5.198
6.19 Measurement subsequent to initial recognition.....	5.199
6.20 Amortisation Period.....	5.199
6.21 Amortisation Method.....	5.201
6.22 Residual Value.....	5.202
6.23 Review of amortisation period and amortisation method.....	5.202
6.24 Recoverability of the Carrying Amount-Impairment Losses.....	5.203

6.25	Retirements and Disposals	5.203
6.26	Disclosure	5.204
6.27	Other Disclosures	5.205
	Test Your Knowledge	5.208

UNIT 7: ACCOUNTING STANDARD 28 IMPAIRMENT OF ASSETS ... 5.216-5.252

	Learning Outcomes	5.216
7.1	Introduction	5.216
7.2	Scope	5.217
7.3	Assessment	5.217
7.4	Measurement of Recoverable Amount	5.219
7.5	Basis for Estimates of Future Cash Flows	5.221
7.6	Composition of Estimates of Future Cash Flows	5.222
7.7	Recognition and Measurement of an Impairment Loss	5.224
7.8	Identification of the Cash-Generating Unit to which an Asset Belongs	5.225
7.9	Recoverable Amount and Carrying Amount of a Cash-Generating Unit	5.226
7.10	Goodwill	5.228
7.11	Corporate Assets	5.231
7.12	Impairment Loss for a Cash-Generating Unit	5.231
7.13	Reversal of an Impairment Loss	5.233
7.14	Reversal of an Impairment Loss for an Individual Asset	5.234
7.15	Reversal of an Impairment Loss for a Cash-Generating Unit	5.234
7.16	Reversal of an Impairment Loss for Goodwill	5.235
7.17	Impairment in case of Discontinuing Operations	5.235
7.18	Disclosure	5.236

7.19 Illustrations	5.238
Test Your Knowledge	5.243

CHAPTER-6: LIABILITIES BASED ACCOUNTING STANDARDS6.1 – 6.50

UNIT 1: ACCOUNTING STANDARD 15 EMPLOYEE BENEFITS 6.1-6.27

Learning Outcomes	6.1
1.1 Introduction	6.2
1.2 Applicability	6.5
1.3 Meaning of the term "Employee Benefits"	6.5
1.4 Short-term Employee Benefits	6.6
1.5 Post Employment Benefits: Defined Contribution vs Defined Benefits.....	6.12
1.6 Is the Gratuity Scheme a Defined Contribution or Defined Benefit Scheme?.....	6.13
1.7 Accounting Treatment	6.13
1.8 Disclosures	6.14
1.9 Actuarial Assumptions	6.15
1.10 Actuarial Gains and Losses	6.16
1.11 Other Long Term Employee Benefits.....	6.21
1.12 Termination Benefits	6.21
Test Your Knowledge.....	6.22

UNIT 2: AS 29 (REVISED) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS..... 6.28-6.50

Learning Outcomes	6.28
2.1 Introduction	6.28
2.2 Scope	6.30
2.3 Definitions	6.31
2.4 Recognition of provision.....	6.32

2.5	Present Obligation	6.32
2.6	Past Event.....	6.33
2.7	Probable Outflow of Resources Embodying Economic Benefits.....	6.34
2.8	Reliable Estimate of the Obligation	6.35
2.9	Contingent Liabilities	6.35
2.10	Contingent Assets	6.37
2.11	Measurement: Best Estimate.....	6.38
2.12	Risks and uncertainties	6.38
2.13	Future Events.....	6.39
2.14	Expected Disposal of Assets.....	6.39
2.15	Reimbursements.....	6.40
2.16	Table- Reimbursements	6.40
2.17	Changes in Provisions.....	6.41
2.18	Use of Provisions.....	6.41
2.19	Application of the Recognition and Measurement Rules	6.42
2.20	Disclosure.....	6.43
	Test Your Knowledge.....	6.47

CHAPTER-7: ACCOUNTING STANDARDS BASED ON ITEMS IMPACTING FINANCIAL STATEMENT..... 7.1 – 7.69

UNIT 1: ACCOUNTING STANDARD 4 CONTINGENCIES AND EVENTS OCCURRING AFTER THE BALANCE SHEET DATE..... 7.1-7.13

	Learning Outcomes	7.1
1.1	Introduction.....	7.1
1.2	Contingencies.....	7.2
1.3	Events Occurring after the Balance Sheet Date.....	7.3
1.4	Adjusting Events.....	7.4
1.5	Non-Adjusting Events	7.4

1.6	Disclosure	7.6
-----	------------------	-----

Test your knowledge.....	7.11
--------------------------	------

**UNIT 2: ACCOUNTING STANDARD 5 NET PROFIT OR LOSS FOR
THE PERIOD, PRIOR PERIOD ITEMS AND CHANGES IN
ACCOUNTING POLICIES 7.14-7.27**

Learning Outcomes	7.14
-------------------------	------

2.1	Introduction	7.14
-----	--------------------	------

2.2	Net Profit or Loss for the Period.....	7.15
-----	--	------

2.3	Prior Period Items	7.17
-----	--------------------------	------

2.4	Changes in Accounting Estimates	7.18
-----	---------------------------------------	------

2.5	Changes in Accounting Policies	7.20
-----	--------------------------------------	------

Test Your Knowledge.....	7.25
--------------------------	------

**UNIT 3: ACCOUNTING STANDARD 11 THE EFFECTS OF CHANGES IN
FOREIGN EXCHANGE RATES 7.28-7.53**

Learning Outcomes	7.28
-------------------------	------

3.1	Introduction	7.28
-----	--------------------	------

3.2	Definitions of the terms used in the Standard.....	7.30
-----	--	------

3.3	Initial Recognition.....	7.31
-----	--------------------------	------

3.4	Reporting at each balance sheet date.....	7.32
-----	---	------

3.5	Recognition of Exchange Differences.....	7.32
-----	--	------

3.6	Classification of Foreign Operations as Integral or Non-integral.....	7.34
-----	---	------

3.7	Translation of Foreign Integral Operations	7.35
-----	--	------

3.8	Translation of Non-Integral Foreign Operations.....	7.36
-----	---	------

3.9	Change in the Classification of a Foreign Operation	7.40
-----	---	------

3.10	Tax Effects of Exchange Differences	7.41
------	---	------

3.11	Forward Exchange Contract	7.41
------	---------------------------------	------

3.12	Disclosure	7.45
------	------------------	------

3.13	Presentation of Foreign Currency Monetary Item Translation Difference Account (FCMITDA).....	7.46
------	---	------

	Test Your Knowledge.....	7.50
--	--------------------------	------

UNIT 4: ACCOUNTING STANDARD 22 ACCOUNTING FOR TAXES

ON INCOME 7.54-7.69

	Learning Outcomes	7.54
--	-------------------------	------

4.1	Introduction.....	7.54
-----	-------------------	------

4.2	Objective.....	7.54
-----	----------------	------

4.3	Definitions.....	7.55
-----	------------------	------

4.4	Recognition.....	7.56
-----	------------------	------

4.5	Measurement	7.57
-----	-------------------	------

4.6	Re-assessment of Unrecognised Deferred Tax Assets.....	7.57
-----	--	------

4.7	Review of previously recognised Deferred Tax Assets	7.57
-----	---	------

4.8	Virtual certainty supported by convincing evidence.....	7.58
-----	---	------

4.9	Disclosure	7.58
-----	------------------	------

4.10	Relevant Explanations to AS 22.....	7.59
------	-------------------------------------	------

	Test Your Knowledge.....	7.64
--	--------------------------	------

CHAPTER-8: REVENUE BASED ACCOUNTING STANDARDS.....8.1 – 8.55

UNIT 1 : ACCOUNTING STANDARD 7 CONSTRUCTION

CONTRACTS 8.1-8.33

	Learning Outcomes	8.1
--	-------------------------	-----

1.1	Significance of the Standard.....	8.2
-----	-----------------------------------	-----

1.2	Introduction.....	8.3
-----	-------------------	-----

1.3	Combining and Segmenting Construction Contracts.....	8.4
-----	--	-----

1.4	Types of construction contracts.....	8.6
-----	--------------------------------------	-----

1.5	Contract Revenue and Costs.....	8.7
-----	---------------------------------	-----

1.6	Percentage Completion Method.....	8.12
-----	-----------------------------------	------

1.7	Treatment of Costs Relating to Future Activity.....	8.17
1.8	Uncollectable Contract Revenue.....	8.17
1.9	Stage of Completion	8.18
1.10	Changes in Estimates	8.20
1.11	Disclosure	8.20
	Test Your Knowledge.....	8.26

UNIT 2: ACCOUNTING STANDARD 9 REVENUE RECOGNITION 8.34-8.55

	Learning Outcomes	8.34
2.1	Introduction.....	8.34
2.2	Definition of Revenue	8.36
2.3	Agency Relationship.....	8.37
2.4	Sale of Goods	8.39
2.5	Timing of Recognition of Revenue from Sale of Goods.....	8.39
2.6	Rendering of Services	8.41
2.7	Income from other sources - Interest, Royalties and Dividends.....	8.42
2.8	Conditions for Sale of Goods.....	8.44
2.9	Effect of Uncertainties on Revenue Recognition.....	8.47
2.10	Disclosure	8.48
	Test Your Knowledge.....	8.50

CHAPTER 9: OTHER ACCOUNTING STANDARDS 9.1 – 9.41

UNIT 1: ACCOUNTING STANDARD 12 ACCOUNTING FOR GOVERNMENT GRANTS 9.1-9.22

	Learning Outcomes	9.1
1.1.	Introduction.....	9.2
1.2	Government Grants	9.2
1.3	Accounting Treatment of Government Grants.....	9.3

1.4	Recognition of Government Grants	9.3
1.5	Non-monetary Government Grants	9.4
1.6	Presentation of Grants Related to Specific Fixed Assets	9.4
1.7	Presentation of Grants Related to Revenue	9.8
1.8	Presentation of Grants of the Nature of Promoters' Contribution	9.9
1.9	Refund of Government Grants	9.11
1.10	Disclosure	9.12
	Test Your Knowledge	9.19
UNIT 2: ACCOUNTING STANDARD 14 ACCOUNTING FOR AMALGAMATIONS		9.23-9.42
	Learning Outcomes	9.23
2.1	Introduction	9.23
2.2	Definition of the Terms used in the Standard	9.24
2.3	Types of Amalgamations	9.24
2.4	Amalgamation in the Nature of Merger	9.25
2.5	Amalgamation in the Nature of Purchase	9.26
2.6	Methods of Accounting for Amalgamations	9.26
2.7	Consideration	9.27
2.8	Treatment of Reserves of the Transferor Company on Amalgamation	9.28
2.9	Adjustments to reserves - Amalgamation in the Nature of Merger	9.28
2.10	Adjustments to reserves - Amalgamation in the Nature of Purchase	9.29
2.11	Treatment of Goodwill Arising on Amalgamation	9.30
2.12	Balance of Profit and Loss Account	9.31
2.13	Disclosures	9.31

2.14 Amalgamation after the Balance Sheet Date	9.32
Test Your Knowledge	9.38

CHAPTER 10: ACCOUNTING STANDARDS FOR CONSOLIDATED FINANCIAL STATEMENT 10.1 – 10.166

UNIT 1: ACCOUNTING STANDARD 21 CONSOLIDATED FINANCIAL STATEMENTS 10.1-10.109

Learning Outcomes	10.1
Unit Overview.....	10.2
1.1 Concept of Group, Holding Company and Subsidiary Company	10.2
1.2 Objectives of AS 21.....	10.5
1.3 Wholly Owned and Partly Owned Subsidiaries.....	10.7
1.4 Purpose of Preparing the Consolidated Financial Statements	10.7
1.5 Scope of AS 21	10.10
1.6 Control	10.11
1.7 Exclusion from Preparation of Consolidated Financial Statements	10.12
1.8 Advantages of Consolidated Financial Statements	10.15
1.9 Components of Consolidated Financial Statements	10.16
1.10 Consolidation Procedures.....	10.18
1.11. Calculation of Goodwill/Capital Reserve (Cost of Control)	10.20
1.12 Minority Interests.....	10.24
1.13. Profit or Loss of Subsidiary Company	10.26
1.14 Consolidation Adjustments	10.27
1.15 Preparation of Consolidated Statement of Profit and Loss.....	10.73
1.16 Preparation of Consolidated Cash Flow Statement.....	10.76
1.17 Uniform Accounting Policies.....	10.78

1.18 Treatment of Subsidiary Company having Preference Share Capital	10.83
Summary	10.83
Test your knowledge.....	10.85

UNIT 2: ACCOUNTING STANDARD 23 ACCOUNTING FOR INVESTMENTS IN ASSOCIATES IN CONSOLIDATED FINANCIAL STATEMENTS..... 10.110-10.133

Learning Outcomes	10.110
2.1 Introduction	10.110
2.2 Objective.....	10.110
2.3 Definitions of the terms used in the Accounting Standard.....	10.111
2.4 Associates Accounted for using the Equity method	10.114
2.5 Circumstances under which Equity Method is followed	10.115
2.6 Application of the Equity Method	10.116
2.7 Contingencies.....	10.124
2.8 Why is Equity Method of Accounting Adopted for Investment in Associates?	10.124
2.9 Disclosure	10.125
2.10 Relevant Explanations to AS 23.....	10.126
Test your knowledge.....	10.126

UNIT 3:ACCOUNTING STANDARD 27 FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES..... 10.134-10.168

Learning Outcomes	10.134
3.1 Introduction	10.134
3.2 Scope.....	10.135
3.3 Definitions	10.135
3.4 Contractual Arrangement	10.136

3.5	Forms of Joint Ventures10.136.....	10.138
3.6	Jointly Controlled Operations (JCO)	10.138
3.7	Jointly Controlled Assets (JCA).....	10.143
3.8	Jointly Controlled Entities (JCE).....	10.149
3.9	Consolidated Financial Statements of a Venturer.....	10.154
3.10	Transactions between a Venturer and Joint Venture	10.161
3.11	Reporting Interests in Joint Ventures in the Financial Statements of an Investor	10.162
3.12	Operators of Joint Ventures	10.162
3.13	Disclosure	10.162
	Test your knowledge.....	10.163
	CASE SCENARIOS.....	CS.1 – CS.15