Final Course
Study Material
(Modules 1 to 5)

Paper 1

Financial Reporting

Module – 1

(Relevant for May, 2027 and onward examinations)

BOARD OF STUDIES(ACADEMIC)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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BEFORE WE BEGIN ...

The role of a chartered accountant is evolving continually to assume newer responsibilities in a dynamic environment. There has been a notable shift towards strategic decision making and entrepreneurial roles that add value beyond traditional accounting and auditing. The causative factors for the change include globalisation leading to increase in cross border transactions and consequent business complexities, significant developments in information and technology and financial scams underlining the need for a stringent regulatory set up. These factors necessitate an increase in the competence level of chartered accountants to bridge the gap in competence acquired and competence expected from stakeholders. 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 stepped up to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

Concurrent Practical Training along with academic education: Key to achieving the desired level of Professional Competence

Under the Revised Scheme of Education and Training, at the Final Level, you are expected to apply the professional knowledge acquired through academic education and the practical exposure gained during articleship training in addressing issues and solving practical problems. The integrated process of learning through academic education and practical training should also help you inculcate the requisite technical competence, professional skills and professional values, ethics and attitudes necessary for achieving the desired level of professional competence.

Indian Accounting Standards (Ind AS): High Standards of Financial Reporting

Consistent, comparable and understandable financial reporting is essential to develop a robust economy. High standards of financial reporting underpin the trust investors place in financial and non-financial information. Thus, the case for a single set of globally accepted accounting standards has prompted many countries to pursue convergence of our national accounting standards (I GAAP) with IFRS.

The Government of India in consultation with the ICAI decided to converge and not to adopt IFRS issued by the IASB. The decision of convergence rather than adoption was taken after the detailed

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analysis of IFRS requirements and extensive discussion with various stakeholders. Accordingly, while formulating IFRS-converged Indian Accounting Standards (Ind AS), efforts have been made to keep these Standards, as far as possible, in line with the corresponding IAS/IFRS and departures have been made where considered absolutely essential. These changes have been made considering various factors, such as, various terminology related changes have been made to make it consistent with the terminology used in law, e.g., 'statement of profit and loss' in place of 'statement of comprehensive income' and 'balance sheet' in place of 'statement of financial position'. Certain changes have been made considering the economic environment of the country, which is different as compared to the economic environment presumed to be in existence by IFRS.

Thereafter, the Ministry of Corporate Affairs (MCA) had notified IFRS-converged Indian Accounting Standards (Ind AS) as Companies (Indian Accounting Standards) Rules, 2015 vide Notification dated February 16, 2015 and also the roadmap for the applicability of Ind AS for certain class of companies from financial year 2016-17. With the financial year 2016-17, the era of implementation of Ind AS in India had begun for the listed and unlisted companies as per the MCA roadmap for implementation of Ind AS. The MCA has also laid down roadmap for implementation of Ind AS for NBFCs. These developments are a significant step in achieving international benchmarks of financial reporting.

Ind AS, at the Final level, involves understanding, application and analysing of the concepts and testing of the same. The nitty-gritties of this new standard coupled with its inherent dynamism, makes the learning, understanding and application of the standards in problem solving very interesting and challenging.

Know your Syllabus

Accounts being the core competence areas of chartered accountants, at Final level, the syllabus of Financial Reporting covers Indian Accounting Standards alongwith Ethics and Technology integrated with the profession and accounting. However, for understanding the coverage of syllabus, it is important to read the Study Material as the content therein has been developed keeping in mind the extent of coverage of various topics in commensuration with 100 marks allotted to the paper. Certain Ind AS / portion of Ind AS are excluded from the study material, keeping in view the relevancy of the content in the Indian scenario and also to avoid the volume of the study material.

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For understanding the coverage of syllabus, it is important to read the Study Material along with the reference to Study Guidelines. The Study Guidelines specify the topic-wise exclusions from the syllabus.

Know your Study Material

Efforts have been made to present the multifaceted Ind AS in a lucid manner. The Study Material carries 17 chapters. Care has been taken to present the chapters in a logical sequence to facilitate easy understanding by the students. Ind AS have been grouped under various categories to make you understand the areas of relevancy and application of Ind AS. The chapters have been numbered based on those categories and Ind AS falling in the same category are included in that chapter. Therefore, certain chapters on Ind AS, contain several units each unit dedicated to one Ind AS. However, for bare text of Indian Accounting standards, students are advised to refer the notified Indian Accounting Standards uploaded on the website at the link https://www.icai.org/post.html?post_id=15365

The various chapters/units of this subject have been structured uniformly and comprise of the following components:

	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 will 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 will give a broad outline of the contents covered in the chapter.
3.	**Content**	Ind AS have been explained by following a systematic approach of first discussing the objective, then the scope of the pronouncement and then extracting the underlying concepts. The concepts and provisions of Ind AS are explained in student-friendly manner with the aid of examples / illustrations / diagrams / flow charts. Diagrams

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		and flow charts will help you understand and retain the concept / provision learnt in a better manner. Examples and illustrations will help you understand the application of concepts/provisions. Later, in the topics of Ind AS, the significant differences vis-à-vis AS has also been incorporated so that students appreciate and recapitulate their learning done at Intermediate level. These value additions will, thus, help you develop conceptual clarity and get a good grasp of the topic.
4.	**Illustrations involving conceptual understanding**	Illustrations would help the students to understand the application of concepts / provisions of Indian 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.	**Test Your Knowledge**	**Questions** This section comprises of variety of questions which will help you to apply what you have learnt in problem solving, and, thus, sharpen your application skills. In effect, it will test your understanding of concepts as well as your ability to apply the concepts learnt in solving problems and addressing issues. **Answers** After you work out the problems / questions given under the section "Test Your Knowledge", you can verify your answers with the answers given under this section. This way you can self-assess your level of understanding of the concepts of a chapter.
6.	**Practice Questions**	To strengthen your problem-solving skills and enhance speed and accuracy, chapter-wise practice questions have been provided at the end of each module. You are encouraged to attempt these questions after completing all the chapters/units, as they will help

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		you reinforce your understanding, retention and recall of the concepts learned.
7.	**Crossword Puzzle**	After going through the chapters of a Module, test your Ind AS acumen by solving the crossword puzzle provided at the end of the Module. Each crossword puzzle is based on the concepts covered in the chapters of the respective Module. These crossword puzzles provide an engaging and enjoyable way to reinforce your learning. By working through the clues, you can recall key concepts, review your understanding, and assess the knowledge you have acquired. You are advised to attempt the crossword puzzle after thoroughly studying all the chapters of the Module. The answers to the Ind AS Crossword Puzzle are provided on the following page. However, you are strongly encouraged to solve the puzzle independently, without referring to the answers. This will enable you to assess your level of preparation, identify areas that require further revision, and evaluate your conceptual clarity.

Besides the features mentioned above, each Module also includes the following pages and features to facilitate students in their study and preparation for the subject:

Significant Changes vis-à-vis the Previous Edition: To facilitate easy transition from the previous edition of the Study Material, a dedicated page highlighting the significant changes made in each Module vis-à-vis the November 2024 edition has been provided. This page summarises the important additions, deletions, modifications, and other significant changes incorporated in the present edition, thereby enabling students who possess the earlier edition to readily identify and understand the changes made in the new edition. Students may use this page as a convenient reference to mark the relevant changes in their earlier edition of the Study Material, wherever required. This will help them to focus their preparation on the revised and updated content, avoid overlooking important changes, and ensure that their study is aligned with the latest edition of the Study Material.

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Topic-wise Distribution of Past Examination Questions: As a new feature, a Statement showing the Topic-wise Distribution of Questions and Marks in Part II (Descriptive Questions) of Past Examination Question Papers under the Existing Scheme, with Reference to the Chapters Covered in the respective Module of Financial Reporting, has been provided at the beginning of each Module. This statement provides students with a consolidated view of the questions asked from the topics covered in the respective Module in past examinations, along with the corresponding marks. It will help students to understand the extent of coverage of various topics in past examinations, appreciate their relative importance and weightage from an examination perspective, and plan and prioritize their preparation more effectively.

Though all efforts have been taken in developing this Study Material, the possibilities of errors / omissions cannot be ruled out. You may bring such errors / omissions, if any, to our notice so that the necessary corrective action can be taken.

We hope that the 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!

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SYLLABUS

PAPER – 1: FINANCIAL REPORTING

(One paper – Three hours – 100 Marks)

Objectives:

(a) To acquire the ability to integrate and solve problems in practical scenarios on Indian Accounting Standards (Ind AS) for deciding the appropriate accounting treatment and formulating suitable accounting policies.

(b) To gain the prowess to recognize and apply disclosure requirements specified in Indian Accounting Standards (Ind AS) while preparing and presenting the financial statements.

(c) To develop the expertise to prepare financial statements of group entities which includes subsidiaries, associates and joint arrangements based on Indian Accounting Standards (Ind AS).

(d) To develop understanding of certain Accounting Standards and solve problems in practical scenarios where treatment is different in both the standards.

Contents:

1. **Introduction to General Purpose Financial Statements as per Indian Accounting Standard (Ind AS)**
2. **Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS)**
3. **Application of Ind AS with reference to General Purpose Financial Statements**
   - (i) Ind AS on Presentation of Items in the Financial Statements
   - (ii) Ind AS on Measurement based on Accounting Policies
   - (iii) Ind AS on Income Statement
   - (iv) Ind AS on Assets and Liabilities of the Financial Statements
   - (v) Ind AS on Items impacting the Financial Statements
   - (vi) Ind AS on Disclosures in the Financial Statements

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(vii) Other Ind AS

(viii) Ind AS on Financial Instruments (it includes Ind AS 32, Ind AS 109, Ind AS 107)

4. Ind AS on Group Accounting

5. First time adoption of Indian Accounting Standards (Ind AS 101)

6. Analysis of financial statements (as per Ind AS)

7. Ethics with Accounting Concepts

Identify and explain the key ethical issues

8. Technology and Accounting

Evolution of Accounting in the technological environment

Notes:

1. Discussion on AS 7, AS 9, AS 19 and AS 22 will be given along with corresponding Ind AS 115, Ind AS 116 and Ind AS 12.

2. If either a new Ind AS or Announcements and Limited Revisions to Ind AS are issued or the earlier one is withdrawn or new Ind AS, Announcements and Limited Revisions to Ind AS are issued in place of existing Ind 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 as decided by the Institute.

3. The specific inclusions / exclusions in any topic covered in the syllabus will be affected every year by way of Study Guidelines.

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SIGNIFICANT CHANGES

Significant changes in this Module 1 *vis-à-vis* Module 1 of November, 2024 edition of the Study Material ***(The amendments made in the respective chapters / units have been highlighted in bold and italics for easy reference except newly added illustrations)***		
Chapter/ Unit	**Chapter name (Ind AS)**	**Details**
3 Unit 1	Ind AS 1 "Presentation of Financial Statements"	Para 1.8.2.4 'Current Liabilities' has been modified as per the Amendment in Ind AS 1 vide the Companies (Indian Accounting Standards) Second Amendment Rules, 2025, notified vide G.S.R. 549(E) dated 13th August, 2025]. Point 11 of para 1.9 'Significant Differences in Ind AS 1 vis-à-vis AS 1' has been removed. Para 1.10 'Carve Out in Ind AS 1 from IAS 1' has been removed. Test Your Knowledge Q.2 - of the previous edition has been removed and the questions have been renumbered in this edition. Further answer to Test Your Knowledge Q.3 (of the previous edition) has been modified as per the amendment in Ind AS 1 Q.7 has been newly added to the "Practice Questions" section of Ind AS 1.
3 Unit 3	Ind AS 7 "Statement of Cash Flows"	Table under Para 3.15 'Investments in Subsidiaries, associates and Joint ventures' has been modified as per the Amendment in Ind AS 7.

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		Para 3.17.2 'Supplier Finance Arrangements' has been newly added as per the Amendment in Ind AS 7 vide the Companies (Indian Accounting Standards) Second Amendment Rules, 2025, notified vide G.S.R. 549(E) dated 13th August, 2025]. Q.7, Q.8, Q.9 and Q.10 have been newly added to the "Practice Questions" section of Ind AS 7.
4 Unit 1	Ind AS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	Q.8 and Q.9 have been newly added to the "Practice Questions" section of Ind AS 8.
4 Unit 2	Ind AS 10 "Events after the Reporting Period"	Para 2.8.1 "Long-term Loan Arrangements" in previous edition has been removed due to amendment in Ind AS 10. Point 3 of para 2.13 'Significant Differences in Ind AS 10 vis-à-vis AS 10' has been removed. Accordingly, point thereafter have been renumbered. Para 2.14 'Carve Out in Ind AS 10 from IAS 10' has been removed. Q.5 of Test Your Knowledge section has been removed. Q1 and Q2 under "Practice Questions" section of Ind AS 10 have been removed and accordingly the remaining questions have been renumbered.

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Statement showing the topic-wise distribution of Questions and Marks in Part II (Descriptive Questions) of Past Examination Question Papers under the existing scheme, with reference to the chapters covered in Module I of Financial Reporting

Section	Section weightage	Syllabus Content Area	Chapter-wise content	May, 2024		Nov., 2024		May, 2025		September, 2025		January, 2026		May, 2026	
				Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks
I	10%-15%	**1. Introduction to General Purpose Financial Statements as per Indian Accounting Standard (Ind AS)**	**Chapter 1:** Introduction to Indian Accounting Standards	5(c) (O)	4							5(c) (E) 5(c) (O)	4 4	5(c) (E) 5(c) (O)	4 4
		2. Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS)	**Chapter 2:** Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS)	5(c) (E)	4	5(c) (O)	4	5(c) (O)	4	5(c) (O)	4				

Section	Section weightage	Syllabus Content Area	Chapter-wise content	May, 2024		Nov., 2024		May, 2025		September, 2025		January, 2026		May, 2026	
				Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks
		3. Application of Ind AS with reference to General Purpose Financial Statements													
		(i) Ind AS on Presentation of Items in the Financial Statements	**Chapter 3:** **Unit 1:** Ind AS 1 "Presentation of Financial Statements"	2(b)	4	5(c) (E)	4	5(c) (E)	4	5(c) (E)	4	2(b)	4		
			Unit 2: Ind AS 34 "Interim Financial Reporting"	6(c)	4	2(b)	4	2(b)	4					2(b)	4
			Unit 3: Ind AS 7 "Statement of Cash Flows"							2(b)	4				

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Section	Section weightage	Syllabus Content Area	Chapter-wise content	May, 2024		Nov., 2024		May, 2025		September, 2025		January, 2026		May, 2026	
				Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks	Q. No.	Marks
		(ii) Ind AS on Measurement based on Accounting Policies	**Chapter 4:** **Unit 1:** Ind AS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"			6(c)	4			6(c)	4				
			Unit 2: Ind AS 10 "Events after the Reporting Period"												
			Unit 3: Ind AS 113 "Fair Value Measurement"					6(c)	4			6(c)	4	6(c)	4

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