Final Course
Study Material
(Modules 1 to 5)

Paper 1

Financial Reporting

Module – 4

(Relevant for May, 2027 and onward examinations)

BOARD OF STUDIES(ACADEMIC)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

© The Institute of Chartered Accountants of India

This Study Material has been prepared by the faculty of the Board of Studies (Academic). 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 (Academic).

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	:	September, 2026
Committee/Department	:	Board of Studies (Academic)
E-mail	:	bosnoida@icai.in
Website	:	www.icai.org
Price	:	₹ /- (For All Modules)
ISBN No.	:	978-93-80092-02-7
Published by	:	The Publication 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	:	

© The Institute of Chartered Accountants of India

SIGNIFICANT CHANGES

Significant changes in this Module 4 *vis-à-vis* Module 4 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**
9	Ind AS 115 "Revenue from Contracts with the Customers"	Q.11, Q.12 and Q.13 have been newly added to the "Practice Questions" section.
10 Unit 1	Ind AS 41 "Agriculture"	Q.4 and Q.5 have been newly added to the "Practice Questions" section.
10 Unit 2	Ind AS 20 "Accounting for Government Grants and Disclosure of Government Assistance"	Q.6 has been newly added to the "Practice Questions" section.
10 Unit 3	Ind AS 102 "Share-based Payment"	Q.9, Q. 10 and Q.11 have been newly added to the "Practice Questions" section.
11	Accounting and Reporting of Financial Instruments	Q.7, Q.8, Q.9, Q.10, Q.11, Q.12 and Q.13 have been newly added to the "Practice Questions" section.

© The Institute of Chartered Accountants of India

© The Institute of Chartered Accountants of India

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 4 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
II	5%-10%	(iii) Ind AS on Income Statement	**Chapter 5:** Ind AS 115 "Revenue from Contracts with Customers"	5(a)	5	5(a)	5	5(a)	5	5(a)	5	5 (a)	5	5(a)	5
IV	15%-20%*	(vii) Other Ind AS	**Chapter 7:** **Unit 1:** Ind AS 41 "Agriculture"												
			Unit 2: Ind AS 20 "Accounting for Government Grants and Disclosure of Government Assistance"	4(b)	6							4 (b)	8	4(b)	8
			Unit 3: Ind AS 102 "Share Based Payment"			4(b)	8	4(b)	8						
V	10%-15%	(viii) Ind AS on Financial Instruments	**Chapter 11:** Accounting and Reporting of Financial Instruments	2(a), 3(b)	10 6	2(a)	10	2(a)	10	2(a)	10	2(a)	10	2(a)	10

** Section IV covers three topics: 'Ind AS on Items Impacting the Financial Statements' (i.e., Ind AS 12 and Ind AS 21), 'Ind AS on Disclosures in the Financial Statements' (i.e., Ind AS 24, Ind AS 33 and Ind AS 108) and 'Other Ind AS' (I.e., Ind AS 41, Ind AS 20 and Ind AS 102). Accordingly, the weightage of 15%–20% is collectively applicable to all three topics, and not to 'Other Ind AS' alone. The first two topics are covered in Module 3 of the FR Study Material.*

CONTENTS

MODULE – 1

Chapter 1: Introduction to Indian Accounting Standards

Chapter 2: Conceptual Framework for Financial Reporting under Indian Accounting Standards (Ind AS)

Chapter 3: Ind AS on Presentation of Items in the Financial Statements

Unit 1: Ind AS 1 "Presentation of Financial Statements"

Unit 2: Ind AS 34 "Interim Financial Reporting"

Unit 3: Ind AS 7 "Statement of Cash Flows"

Chapter 4: Ind AS on Measurement based on Accounting Policies

Unit 1: Ind AS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

Unit 2: Ind AS 10 "Events after the Reporting Period"

Unit 3: Ind AS 113 "Fair Value Measurement"

Crossword

Annexure: Division II of Schedule III to the Companies Act, 2013

Practice Questions

Crossword - Answer Key

MODULE – 2

Chapter 5: Ind AS on Assets of the Financial Statements

Unit 1: Ind AS 2 "Inventories"

Unit 2: Ind AS 16 "Property, Plant and Equipment"

Unit 3: Ind AS 23 "Borrowing Costs"

Unit 4: Ind AS 36 "Impairment of Assets"

Unit 5: Ind AS 38 "Intangible Assets"

Unit 6: Ind AS 40 "Investment Property"

Unit 7: Ind AS 105 "Non-current Assets Held for Sale and Discontinued Operations"

© The Institute of Chartered Accountants of India

Unit 8: Ind AS 116 "Leases"

Crossword

Practice Questions

Crossword - Answer Key

MODULE – 3

Chapter 6: Ind AS on Liabilities of the Financial Statements

Unit 1: Ind AS 19 "Employee Benefits"

Unit 2: Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets"

Chapter 7: Ind AS on Items impacting the Financial Statements

Unit 1: Ind AS 12 "Income Taxes"

Unit 2: Ind AS 21 "The Effects of Changes in Foreign Exchange Rates"

Chapter 8: Ind AS on Disclosures in the Financial Statements

Unit 1: Ind AS 24 "Related Party Disclosures"

Unit 2: Ind AS 33 "Earnings per Share"

Unit 3: Ind AS 108 "Operating Segments"

Crossword

Practice Questions

Crossword - Answer Key

MODULE – 4

Chapter 9: Ind AS 115 "Revenue from Contracts with Customers"

Chapter 10: Other Indian Accounting Standards

Unit 1: Ind AS 41 "Agriculture"

Unit 2: Ind AS 20 "Accounting for Government Grants and Disclosure of Government Assistance"

Unit 3: Ind AS 102 "Share Based Payment"

Chapter 11: Accounting and Reporting of Financial Instruments

Unit 1: Financial Instruments: Scope and Definitions

Unit 2: Classification and Measurement of Financial Assets and Financial Liabilities

© The Institute of Chartered Accountants of India

Unit 3: Financial Instruments: Equity and Financial Liabilities

Unit 4 : Derivatives and Embedded Derivatives

Unit 5: Recognition and Derecognition of Financial Instruments

Unit 6: Hedge Accounting

Unit 7: Disclosures

Comprehensive Illustrations

Crossword

Practice Questions

Crossword - Answer Key

MODULE – 5

Chapter 12: Ind AS 103 "Business Combinations"

Chapter 13: Consolidated and Separate Financial Statements of Group Entities

Unit 1 : Introduction to Consolidated and Separate Financial Statements

Unit 2 : Important Definitions

Unit 3 : Consolidated Financial Statements

Unit 4 : Ind AS 110: Consolidation Procedure for Subsidiaries

Unit 5 : Ind AS 111: Joint Arrangements

Unit 6 : Ind AS 28: Investment in Associates & Joint Ventures

Unit 7 : Ind AS 27: Separate Financial Statements

Unit 8 : Disclosures

Chapter 14: Ind AS 101 "First-time Adoption of Indian Accounting Standards"

Chapter 15: Analysis of Financial Statements

Chapter 16: Professional and Ethical Duty of a Chartered Accountant

Chapter 17: Accounting and Technology

Crossword

Practice Questions

Crossword - Answer Key

© The Institute of Chartered Accountants of India

DETAILED CONTENTS: MODULE – 4

CHAPTER 9: INDIAN ACCOUNTING STANDARD 115 "REVENUE FROM CONTRACT WITH CUSTOMERS"

Learning Outcomes 9.1

Chapter Overview 9.2

Contents:

1. Scope 9.3
2. Definitions 9.4
3. Overview 9.5
4. Transition 9.6
5. Step 1: Identifying the contract 9.7
   - 5.1 Criteria for recognizing a contract 9.7
   - 5.2 Contracts that do not pass Step 1: Reassessing the Step 1 criteria 9.12
   - 5.3 Contract term 9.12
   - 5.4 Combining contracts 9.13
   - 5.5 Contract modifications 9.15
6. Step 2: Identifying performance obligations 9.20
   - 6.1 Criteria for identifying performance obligation 9.21
   - 6.2 Multiple element arrangements/Goods and services that are not distinct 9.30
   - 6.3 Customer options for additional goods or services 9.36
   - 6.4 Long term arrangements 9.39
   - 6.5 Consignment arrangements 9.40
   - 6.6 Principal vs agent consideration 9.41
   - 6.7 Non-refundable upfront fees 9.45
7. Step 3: Determining the transaction price 9.46
   - 7.1 Variable consideration 9.48

© The Institute of Chartered Accountants of India

7.2 Significant financing component 9.66

7.3 Non-cash consideration 9.76

7.4 Consideration payable to a customer 9.79

8. Step 4: Allocating the transaction price to performance obligations 9.83

8.1 Determining stand-alone selling price 9.84

8.2 Changes in the transaction price 9.94

9. Step 5: Satisfying performance obligation 9.96

9.1 What does transfer of control mean? 9.97

9.2 Does the customer acquire control over a period of time or at a point in time? 9.99

9.3 Repurchase agreements 9.114

9.4 Bill-and-hold 9.119

9.5 Licences of intellectual property 9.121

10. Contract Costs 9.126

10.1 Costs to obtain a contract (contract acquisition costs) 9.126

10.2 Costs to fulfil a contract (contract fulfilment costs) 9.128

10.3 Amortisation and impairment 9.130

11. Presentation & disclosure 9.131

11.1 Presentation 9.131

11.2 Disclosure 9.132

12. Service concession arrangements 9.133

12.1 About arrangement 9.133

12.2 Accounting principles 9.134

12.3 Service concession arrangements: Disclosures 9.138

13. Extracts of financial statements of listed entity 9.142

14. Significant Differences in Ind AS 115 vis-à-vis AS 7 and AS 9 ..... 9.145

Test your knowledge 9.148

Questions 9.148

Answers 9.150

© The Institute of Chartered Accountants of India

CHAPTER 10- OTHER INDIAN ACCOUNTING STANDARDS

Unit 1: Indian Accounting Standard 41: Agriculture

Learning Outcomes 10.1

Unit Overview 10.2

Contents:

1.1 Introduction and objective 10.3

1.2 Scope 10.3

1.3 Relevant definitions 10.5

1.4 Recognition of assets 10.8

1.5 Measurement 10.9

1.6 Gains and losses 10.12

1.7 Government grants 10.13

1.8 Disclosure 10.16

1.9 Extracts of financial statements of listed entity 10.21

Test Your Knowledge 10.23

Questions 10.23

Answers 10.25

Unit 2 – Indian Accounting Standard AS 20: Accounting for Government Grants and Disclosure of Government Assistance

Learning Outcomes 10.31

Unit Overview 10.32

Contents:

2.1 Introduction 10.33

2.2 Scope 10.33

2.2.1 Applicability 10.33

2.2.2 Non-applicability 10.33

2.3 Definitions 10.34

© The Institute of Chartered Accountants of India

2.4 Recognition of government grants 10.36
2.4.1 Forgivable loan 10.38
2.4.2 Loans at less than market rate of interest 10.38
2.5 Accounting of government grant 10.39
2.5.1 Whether receipts basis permissible 10.41
2.5.2 Grants related to non-depreciable assets 10.41
2.5.3 Conditional grants received as part of a package of financial or fiscal aids 10.41
2.5.4 Grant for expenses or losses already incurred and grant as an immediate financial support 10.42
2.5.9 Non-monetary government grants 10.42
2.5.6 Government assistance-No specific relation to operating activities 10.43
2.6 Presentation of grants related to assets 10.43
2.6.1 Presentation in the balance sheet 10.43
2.6.2 Disclosure in the statement of cash flows 10.44
2.7 Presentation of grants related to income 10.45
2.8 Repayment of government grants 10.46
2.9 Disclosure 10.48
2.10 Extracts of financial statements of listed entities 10.49
2.11 Significant differences between Ind AS 20 and AS 12 ..... 10.49
Test Your Knowledge 10.51
Questions 10.51
Answers 10.53

Unit 3 – Indian Accounting Standard 102: Share - Based Payment

Learning Outcomes 10.59
Unit Overview 10.60

Contents:

3.1 Introduction 10.61

© The Institute of Chartered Accountants of India

3.2 Definition 10.61

3.2.1 Shared-based payment arrangement 10.64

3.2.2 Share-based payment transaction 10.65

3.3 Scope 10.67

3.3.1 What is covered within Ind AS 102? 10.67

3.3.2 What is not covered in Ind AS 102? 10.68

3.4 Recognition 10.69

3.5 Type of share-based payments 10.71

3.5.1 Equity settled-share-based payments 10.71

3.5.2 Cash-settled-share-based payments 10.74

3.5.3 Share-based payment transactions with cash alternatives 10.76

3.6 Determining types of conditions 10.85

3.6.1 Vesting conditions 10.85

3.6.2 Non-vesting conditions 10.88

3.7 Determining impact of conditions on share-based valuation 10.88

3.8 Grant Date 10.95

3.9 Subsequent Measurement 10.96

3.9.1 Equity settled share-based payment 10.96

3.9.2 Cash-settled share-based payment 10.97

3.10 Modification, cancellation and settlements 10.97

3.11 Fair value calculation 10.102

3.12 Group share-based payment plan 10.103

3.13 Disclosure 10.107

3.14 Extracts of financial statements of listed entity 10.108

Test Your Knowledge 10.111

Questions 10.111

Answers 10.113

© The Institute of Chartered Accountants of India

CHAPTER 11 – ACCOUNTING AND REPORTING OF FINANCIAL INSTRUMENTS

Learning Outcomes 11.1

Chapter Overview 11.3

Contents:

Unit 1 – Financial Instruments: Scope and Definitions

1.1 Introduction 11.5

1.2 What are financial instruments? 11.6

1.3 What is a financial asset? 11.6

1.4 What is a financial liability? 11.11

1.5 What is an equity instrument? 11.15

1.6 Comparison of financial assets, financial liabilities and equity 11.23

1.7 Scope of financial instruments 11.24

1.8 Contracts to buy or sell non-financial items ('Own use exemption') 11.27

Unit 2 – Classification and Measurement of Financial Assets and Financial Liabilities

2.1 Recognition and subsequent measurement 11.30

2.2 Financial assets: Key elements to determine classification 11.30

2.3 Financial assets: Classification - Overall concept 11.41

2.4 Financial assets: Measurement 11.50

2.5 Financial assets: Initial measurement 11.54

2.6 Financial assets: Subsequent measurement 11.59

2.7 Financial liabilities: Classification 11.71

2.8 Financial liabilities: Measurement 11.74

2.9 Reclassification of financial assets and financial liabilities 11.81

2.10 Impairment 11.86

Quick Recap 11.96

© The Institute of Chartered Accountants of India

Unit 3 – Financial Instruments: Equity and Financial Liabilities

3.1 Introduction 11.98

3.2 Definitions-Financial liability and equity 11.98

3.3 Obligation to deliver cash 11.101

3.3.1 Puttable instruments and obligations arising on liquidation - Exceptions to classification as financial liability' for instruments settled in cash or another financial asset 11.104

3.3.2 Obligation to purchase own equity instruments 11.110

3.3.3 Contingent settlement provisions 11.110

3.3.4 Written put options over non-controlling interests 11.111

3.4 Settlement in entity's own equity instruments 11.112

3.4.1 Settlement options 11.119

3.4.2 Settlement by delivery of instruments that meet conditions for exceptions to classification as financial liability 11.119

3.4.3 Rights issues, options or warrants to acquire entity's own equity instruments for any currency 11.120

3.5 Compound financial instruments 11.121

3.5.1 Split accounting for compound financial instruments 11.123

3.5.2 Separation of non-equity embedded derivatives 11.125

3.5.3 Conversion or early settlement of compound financial instruments 11.127

3.6 Treasury shares 11.130

3.7 Interest, dividends, losses and gains 11.130

3.8 Offsetting a financial asset and a financial liability 11.131

Quick Recap 11.133

Unit 4: Derivatives and Embedded Derivatives

4.1 Introduction 11.135

4.2 Definition 11.136

4.2.1 Derivatives 11.136

4.2.2 Embedded derivatives 11.143

© The Institute of Chartered Accountants of India

Unit 5: Recognition and Derecognition of Financial Instruments

5.1 Initial recognition 11.159

5.2. Regular way purchase or sale of financial assets 11.160

5.3 Derecognition of financial assets 11.163

5.3.1 Accounting treatment of transfers 11.175

5.4 Derecognition of financial liabilities 11.179

5.4.1 General principles 11.179

5.4.2 Exchange of financial liability instruments 11.180

5.4.3 Debt for equity swaps 11.187

Unit 6: Hedge Accounting

6.1 Introduction 11.189

6.2 Identifying the hedged item and designation of hedged items 11.190

6.3 Qualifying instruments for hedge accounting and designation of hedging instruments 11.191

6.4 Qualifying criteria for hedge accounting 11.193

6.5 Accounting for qualifying hedging relationships 11.194

Unit 7: Disclosures

7.1 Introduction 11.197

7.2 Significance of financial instruments 11.197

7.3 Balance sheet 11.197

7.4 Statement of profit and loss 11.204

7.5 Other disclosures 11.205

Comprehensive illustrations 11.213

Extracts of financial statements of listed entities 11.229

Test Your Knowledge 11.238

Questions 11.238

Answers 11.242

© The Institute of Chartered Accountants of India

CROSSWORD ..... C.1 – C.4

PRACTICE QUESTIONS ..... PQ1 – PQ77

Indian Accounting Standard 115: Revenue from Contracts with Customers

Questions ..... PQ1 – PQ5

Answers ..... PQ5 – PQ17

Indian Accounting Standard 41: Agriculture

Questions ..... PQ18 – PQ20

Answers ..... PQ20 – PQ24

Indian Accounting Standard 20: Accounting for Government Grants and Disclosure of Government Assistance

Questions ..... PQ25 – PQ27

Answers ..... PQ27 – PQ36

Indian Accounting Standard 102: Share-Based Payment

Questions ..... PQ37 – PQ43

Answers ..... PQ43 – PQ58

Accounting and Reporting of Financial Instruments

Questions ..... PQ59 – PQ63

Answers ..... PQ64 – PQ77

CROSSWORD – ANSWER KEY

© The Institute of Chartered Accountants of India