Restatement of Previously Reported Interim Periods

42. A change in accounting policy, other than one for which the transition is specified by an Accounting Standard, should be reflected by restating the financial statements of prior interim periods of the current financial year.

43. One objective of the preceding principle is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. The effect of the principle in paragraph 42 is to require that within the current financial year any change in accounting policy be applied retrospectively to the beginning of the financial year.

Transitional Provision[35]

44. On the first occasion that an interim financial report is presented in accordance with this Standard, the following need not be presented in respect of all the interim periods of the current financial year:

(a) comparative statements of profit and loss for the comparable interim periods (current and year-to-date) of the immediately preceding financial year; and

(b) comparative cash flow statement for the comparable year-to-date period of the immediately preceding financial year.

Illustration 1

Illustrative Format of Condensed Financial Statements

This illustration which does not form part of the Accounting Standard, provides illustrative format of condensed financial statements. Its purpose is to illustrate the application of the Accounting Standard to assist in clarifying its meaning.

Paragraph 11 of the Accounting Standard provides that if an enterprise prepares and presents a set of condensed financial statements in its interim financial report, those condensed statements should include, at a minimum, each of the headings and sub-headings that were included in its most recent annual financial statements and the selected explanatory notes as required by the Standard. Additional line items or notes should be included if their omission would make the condensed interim financial statements misleading.

The purpose of the following illustrative format is primarily to illustrate the requirements of paragraph 11 of the Standard. It may be noted that these illustrative formats are subject to the requirements laid down in the Standard including those of paragraph 11.

[35] Transitional Provisions given in Paragraph 44 are relevant for standards notified under Companies (Accounting Standards) Rules, 2006 (as amended from time to time) as well as Companies (Accounting Standards) Rules, 2021.

Illustrative Format of Condensed Financial Statements for an enterprise other than a bank

(A) Condensed Balance Sheet

Particulars	Figures at the end of the current interim period (in Rs.) (DD/MM/YYYY)	Figures at the end of the previous accounting year (in Rs.) (DD/MM/YYYY)
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital		
(b) Reserves and surplus		
(c) Money received against share warrants		
(2) Share application money pending allotment		
(3) Minority interests (in case of consolidate financial statements)		
(4)Non-current liabilities (a) Long-term borrowings		
(b) Deferred tax liabilities (Net)		
(c) Other Long term liabilities		
(d) Long-term provisions		
(5) Current liabilities		
(a) Short-term borrowings		
(b) Trade Payables (A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises.		
(c) Other current liabilities		
(d) Short-term provisions		
TOTAL		
II. ASSETS		
(1) Non-current assets		

(a) Property, Plant and Equipment		
(i) Tangible assets		
(ii) Intangible assets		
(iii) Capital work-in-progress		
(iv) Intangible assets under development		
(b) Non-current investments		
(c) Deferred tax assets (net)		
(d) Long-term loans and advances		
(e) Other non-current assets		
(2) Current assets		
(a) Current investments		
(b) Inventories		
(c) Trade receivables		
(d) Cash and cash equivalents		
(e) Short-term loans and advances		
(f) Other current assets		
TOTAL		

See accompanying notes to the condensed financial statements

(B) Condensed Statement of Profit and Loss

Particulars	**Three months ended** (in Rs.) **From (DD/MM/YYYY) To (DD/MM/YYYY)**	**Corresponding three months of the previous accounting year** (in Rs.) **From (DD/MM/YYYY) To (DD/MM/YYYY)**	**Year-to-date figures for current period** (in Rs.) **From (DD/MM/YYYY) To (DD/MM/YYYY)**	**Year-to-date figures for the previous year** (in Rs.) **From (DD/MM/YYYY) To (DD/MM/YYYY)**
I. Revenue from operations				
II. Other income				
III. Total Revenue (I + II)				
IV. Expenses:				
Cost of materials consumed				

Purchases of Stock-in-Trade				
Changes in inventories of finished goods				
work-in-progress and Stock-in-Trade				
Employee benefits expense				
Finance costs				
Depreciation and amortisation expense				
Other expenses				
Total expenses				
V. Profit before exceptional and extraordinary items and tax (III - IV)				
VI. Exceptional items				
VII. Profit before extraordinary items and tax (V - VI)				
VIII. Extraordinary items				
IX. Profit before tax (VII- VIII)				
X. Tax expense:				
(1) Current tax				
(2) Deferred tax				
XI. Profit (Loss) for the period from continuing operations (VII-VIII)				
XII. Profit/(loss) from discontinuing operations				
XIII. Tax expense of discontinuing operations				
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)				
XV. Profit (Loss) (XI + XIV) XVI Minority Interests (in case of consolidated financial statements)				
XVII. Net Profit (Loss) for the period available to equity shareholders				
XVIII Earnings per equity share:				

(1) Basic				
(2) Diluted				

See accompanying notes to the condensed financial statements

(C) Condensed Cash Flow Statement

	Year-to-date figures for the current period (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)	Year-to-date figures for the previous year (in Rs.) From (DD/MM/YYYY) To (DD/MM/YYYY)
1. Cash flows from operating activities		
2. Cash flows from investing activities		
3. Cash flows from financing activities		
4. Net increase/(decrease) in cash and cash equivalents		
5. Cash and cash equivalents at beginning of period		
6. Cash and cash equivalents at end of period		

(D) Selected Explanatory Notes

This part should contain selected explanatory notes as required by paragraph 16 of this Standard.

Illustrative Format of Condensed Financial Statements for a Bank

(A) Condensed Balance Sheet

	Figures at the end of the current interim period (in Rs.) (DD/MM/YYYY)	Figures at the end of the previous accounting year (in Rs.) (DD/MM/YYYY)
I. Capital and Liabilities		
1. Capital		
2. Reserve and surplus		

3. Minority interests (in case of consolidated financial statements)		
4. Deposits		
5. Borrowings		
6. Other liabilities and provisions		
Total		
II. Assets		
1. Cash and balances with Reserve Bank of India		
2. Balances with banks and money at call and short notice		
3. Investments		
4. Advances		
5. Fixed assets (a) Tangible fixed assets (b) Intangible fixed assets		
6. Other Assets		
Total		

See accompanying notes to the condensed financial statements

(B) Condensed Statement of Profit and Loss

	Three months ended (in Rs.) From (DD/MM/YYYY) To _ (DD/MM/YYYY)	Corresponding three months of the previous accounting year **(in Rs.)** From (DD/MM/YYYY) To _ (DD/MM/YYYY)	Year-to-date figures for current period **(in Rs.)** From (DD/MM/YYYY) To _ (DD/MM/YYYY)	Year-to-date figures for the previous year **(in Rs.)** From (DD/MM/YYYY) To _ (DD/MM/YYYY)
INCOME				
1. Interest earned (a) Interest/discount on advances/bills (b) Interest on Investments (c) Interest on balances with Reserve Bank of India and other inter banks funds (d) Others				
2. Other Income				
Total Income				
EXPENDITURE				
1. Interest expended				
2. Operating expenses (a) Payments to and provisions for employees (b) Other operating expenses				
3. Provisions and contingencies				
4. Total expenses				
5. Profit or loss from ordinary activities before tax				
6. Extraordinary items				
7. Profit or loss before tax				
8. Tax expense				

(B) **Condensed Statement of Profit and Loss** ***(Contd.)***

	Three months ended (in Rs.) From (DD/MM/YYYY) To _ (DD/MM/YYY	**Corresponding three months of the previous accounting year (in Rs.)** From (DD/MM/YYYY) To _ (DD/MM/YYYY)	**Year-to-date figures for current period (in Rs.)** From (DD/MM/YYYY) To _ (DD/MM/YYYY)	**Year-to-date figures for the previous year (in Rs.)** From (DD/MM/YYYY) To _ (DD/MM/YYYY)
9. Profit or loss after tax				
10. Minority Interests (in case of consolidated financial statements)				
11. Net profit or loss for the period available to equity shareholders				
Earnings Per Share 1. Basic Earnings Per Share 2. Diluted Earnings Per Share				

See accompanying notes to the condensed financial statements

(C) Condensed Cash Flow Statement

	Year-to-date figures for the current period (in Rs.) From ________ (DD/MM/YYYY) To __________ (DD/MM/YYYY)	**Year-to-date figures for the previous year (in Rs.)** From ________ (DD/MM/YYYY) To __________ (DD/MM/YYYY)
1. Cash flows from operating activities		
2. Cash flows from investing activities		
3. Cash flows from financing activities		
4. Net increase/(decrease) in cash and cash equivalents		

5. Cash and cash equivalents at beginning of period		
6. Cash and cash equivalents at end of period		

(D) Selected Explanatory Notes

This part should contain selected explanatory notes as required by paragraph 16 of this Standard.

Illustration 2

Illustration of Periods Required to Be Presented

This illustration which does not form part of the Accounting Standard, Illustrates application of the principles in paragraphs 18 and 19. Its purpose is to illustrate the application of the Accounting Standard to assist in clarifying its meaning.

Enterprise Preparing and Presenting Interim Financial Reports Half- Yearly

1. An enterprise whose financial year ends on 31 March, presents financial statements (condensed or complete) for following periods in its half-yearly interim financial report as of 30 September 2001:

Balance Sheet:		
As at	30 September 2001	31 March 2001
Statement of Profit and Loss:		
6 months ending	30 September 2001	30 September 2000
Cash Flow Statement[36]**:**		
6 months ending	30 September 2001	30 September 2000

Enterprise Preparing and Presenting Interim Financial Reports Quarterly

2. An enterprise whose financial year ends on 31 March, presents financial statements (condensed or complete) for following periods in its interim financial report for the second quarter ending 30 September 2001:

Balance Sheet:		
As at	30 September 2001	31 March 2001
Statement of Profit and Loss:		

[36] It is assumed that the enterprise prepares a cash flow statement for the purpose of its Annual Report.

6 months ending	30 September 2001	30 September 2000
3 months ending	30 September 2001	30 September 2000
Cash Flow Statement:		
6 months ending	30 September 2001	30 September 2000

Enterprise whose business is highly seasonal Preparing and Presenting Interim Financial Reports Quarterly

3. An enterprise whose financial year ends on 31 March, may present financial statements (condensed or complete) for the following periods in its interim financial report for the second quarter ending 30 September 2001:

Balance Sheet:		
As at	30 September 2001	31 March 2001
		30 September 2000
Statement of Profit and Loss:		
6 months ending	30 September 2001	30 September 2000
3 months ending	30 September 2001	30 September 2000
12 months ending	30 September 2001	30 September 2000
Cash Flow Statement:		
6 months ending	30 September 2001	30 September 2000
12 months ending	30 September 2001	30 September 2000

Illustration 3

Illustration of Applying the Recognition and Measurement Principles

This illustration, which does not form part of the Accounting Standard, illustrates application of the general recognition and measurement principles set out in paragraphs 27-38 of this Standard. Its purpose is to illustrate the application of the Accounting Standard to assist in clarifying its meaning.

Gratuity and Other Defined Benefit Schemes

1. Provisions in respect of gratuity and other defined benefit schemes for an interim period are calculated on a year-to-date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

Major Planned Periodic Maintenance or Overhaul

2. The cost of a major planned periodic maintenance or overhaul or other seasonal expenditure that is expected to occur late in the year is not anticipated for interim reporting purposes unless an event has caused the enterprise to have a present obligation. The mere intention or necessity to incur expenditure related to the future is not sufficient to give rise to an obligation.

Provisions

3. This Standard requires that an enterprise apply the same criteria for recognising and measuring a provision at an interim date as it would at the end of its financial year. The existence or non-existence of an obligation to transfer economic benefits is not a function of the length of the reporting period. It is a question of fact subsisting on the reporting date.

Year-End Bonuses

4. The nature of year-end bonuses varies widely. Some are earned simply by continued employment during a time period. Some bonuses are earned based on monthly, quarterly, or annual measure of operating result. They may be purely discretionary, contractual, or based on years of historical precedent.

5. A bonus is anticipated for interim reporting purposes if, and only if, (a) the bonus is a legal obligation or an obligation arising from past practice for which the enterprise has no realistic alternative but to make the payments, and (b) a reliable estimate of the obligation can be made.

Intangible Assets

6. An enterprise will apply the definition and recognition criteria for an intangible asset in the same way in an interim period as in an annual period. Costs incurred before the recognition criteria for an intangible asset are met are recognised as an expense. Costs incurred after the specific point in time at which the criteria are met are recognised as part of the cost of an intangible asset. "Deferring" costs as assets in an interim balance sheet in the hope that the recognition criteria will be met later in the financial year is not justified.

Other Planned but Irregularly Occurring Costs

7. An enterprise's budget may include certain costs expected to be incurred irregularly during the financial year, such as employee training costs. These costs generally are discretionary even though they are planned and tend to recur from year to year. Recognising an obligation at an interim financial reporting date for such costs that have not yet been incurred generally is not consistent with the definition of a liability.

Measuring Income Tax Expense for Interim Period

8. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

9. This is consistent with the basic concept set out in paragraph 27 that the same accounting recognition and measurement principles should be applied in an interim financial report as are applied in annual financial statements. Income taxes are assessed on an annual basis. Therefore, interim period income tax expense is calculated by applying, to an interim period's pre-tax income, the tax rate that would be applicable to expected total annual earnings, that is, the estimated average effective annual income tax rate. That estimated average annual income tax rate would reflect the tax rate structure expected to be applicable to the full year's earnings including enacted or substantively enacted changes in the income tax rates scheduled to take effect later in the financial year. The estimated average annual income tax rate would be re-estimated on a year-to-date basis, consistent with paragraph 27 of this Standard. Paragraph 16(d) requires disclosure of a significant change in estimate.

10. To the extent practicable, a separate estimated average annual effective income tax rate is determined for each governing taxation law and applied individually to the interim period pre-tax income under such laws. Similarly, if different income tax rates apply to different categories of income (such as capital gains or income earned in particular industries), to the extent practicable a separate rate is applied to each individual category of interim period pre-tax income. While that degree of precision is desirable, it may not be achievable in all cases, and a weighted average of rates across such governing taxation laws or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates.

11. As illustration, an enterprise reports quarterly, earns Rs. 150 lakhs pre- tax profit in the first quarter but expects to incur losses of Rs 50 lakhs in each of the three remaining quarters (thus having zero income for the year), and is governed by taxation laws according to which its estimated average annual income tax rate is expected to be 35 per cent. The following table shows the amount of income tax expense that is reported in each quarter:

(Amount in Rs. lakhs)

	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**Annual**
Tax Expense	52.5	(17.5)	(17.5)	(17.5)	0

Difference in Financial Reporting Year and Tax Year

12. If the financial reporting year and the income tax year differ, income tax expense for the interim periods of that financial reporting year is measured using separate weighted average estimated effective tax rates for each of the income tax years applied to the portion of pre-tax income earned in each of those income tax years.

13. To illustrate, an enterprise's financial reporting year ends 30 September and it reports quarterly. Its year as per taxation laws ends 31 March. For the financial year that begins 1 October, Year 1 ends 30 September of Year 2, the enterprise earns Rs 100 lakhs pre-tax each quarter. The estimated weighted average annual income tax rate is 30 per cent in Year 1 and 40 per cent in Year 2.

(Amount in Rs. lakhs)

	Quarter Ending 31 Dec. Year 1	Quarter Ending 31 Mar. Year 1	Quarter Ending 30 June Year 2	Quarter Ending 30 Sep. Year 2	Year Ending 30 Sep. Year 2
Tax Expense	30	30	40	40	140

Tax Deductions/Exemptions

14. Tax statutes may provide deductions/exemptions in computation of income for determining tax payable. Anticipated tax benefits of this type for the full year are generally reflected in computing the estimated annual effective income tax rate, because these deductions/exemptions are calculated on an annual basis under the usual provisions of tax statutes. On the other hand, tax benefits that relate to a one-time event are recognised in computing income tax expense in that interim period, in the same way that special tax rates applicable to particular categories of income are not blended into a single effective annual tax rate.

Tax Loss Carryforwards

15. A deferred tax asset should be recognised in respect of carryforward tax losses to the extent that it is virtually certain, supported by convincing evidence, that future taxable income will be available against which the deferred tax assets can be realised. The criteria are to be applied at the end of each interim period and, if they are met, the effect of the tax loss carryforward is reflected in the computation of the estimated average annual effective income tax rate.

16. To illustrate, an enterprise that reports quarterly has an operating loss carryforward of Rs 100 lakhs for income tax purposes at the start of the current financial year for which a deferred tax asset has not been recognised. The enterprise earns Rs. 100 lakhs in the first quarter of the current year and expects to earn Rs. 100 lakhs in each of the three remaining quarters. Excluding the loss carryforward, the estimated average annual income tax rate is expected to be 40 per cent. The estimated payment of the annual tax on Rs. 400 lakhs of earnings for the current year would be Rs. 120 lakhs {(Rs. 400 lakhs - Rs. 100 lakhs) x 40%}. Considering the loss carryforward, the estimated average annual effective income tax rate would be 30% {(Rs. 120 lakhs/Rs. 400 lakhs) x 100}. This average annual effective income tax rate would be applied to earnings of each quarter. Accordingly, tax expense would be as follows:

(Amount in Rs. lakhs)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Tax Expense	30.00	30.00	30.00	30.00	120.00

Contractual or Anticipated Purchase Price Changes

17. Volume rebates or discounts and other contractual changes in the prices of goods and services are anticipated in interim periods, if it is probable that they will take effect. Thus, contractual rebates and discounts are anticipated but discretionary rebates and discounts are not anticipated because the resulting liability would not satisfy the conditions of recognition, viz., that a liability must be a present obligation whose settlement is expected to result in an outflow of resources.

Depreciation and Amortisation

18. Depreciation and amortisation for an interim period is based only on assets owned during that interim period. It does not take into account asset acquisitions or disposals planned for later in the financial year.

Inventories

19. Inventories are measured for interim financial reporting by the same principles as at financial year end. AS 2 on *Valuation of Inventories*, establishes standards for recognising and measuring inventories. Inventories pose particular problems at any financial reporting date because of the need to determine inventory quantities, costs, and net realisable values. Nonetheless, the same measurement principles are applied for interim inventories. To save cost and time, enterprises often use estimates to measure inventories at interim dates to a greater extent than at annual reporting dates. Paragraph 20 below provides an example of how to apply the net realisable value test at an interim date.

Net Realisable Value of Inventories

20. The net realisable value of inventories is determined by reference to selling prices and related costs to complete and sell the inventories. An enterprise will reverse a write-down to net realisable value in a subsequent interim period as it would at the end of its financial year.

Foreign Currency Translation Gains and Losses

21. Foreign currency translation gains and losses are measured for interim financial reporting by the same principles as at financial year end in accordance with the principles as stipulated in AS 11 on *The Effects of Changes in Foreign Exchange Rates.*

Impairment of Assets

22. Accounting Standard (AS) 28, *Impairment of Assets* requires that an impairment loss be recognised if the recoverable amount has declined below carrying amount.

23. An enterprise applies the same impairment tests, recognition, and reversal criteria at an interim date as it would at the end of its financial year. That does not mean, however, that an enterprise must necessarily make a detailed impairment calculation at the end of each interim period. Rather, an enterprise will assess the indications of significant impairment since the end of the most recent financial year to determine whether such a calculation is needed.

Illustration 4

Examples of the Use of Estimates

This illustration which does not form part of the Accounting Standard, illustrates application of the principles in this Standard. Its purpose is to illustrate the application of the Accounting Standard to assist in clarifying its meaning.

1. **Provisions:** Determination of the appropriate amount of a provision (such as a provision for warranties, restructuring costs, gratuity, etc.) may be complex and often costly and time-consuming. Enterprises sometimes engage outside experts to assist in annual calculations. Making similar estimates at interim dates often involves updating the provision made in the preceding annual financial statements rather than engaging outside experts to do a new calculation.

2. **Contingencies:** Measurement of contingencies may involve obtaining opinions of legal experts or other advisers. Formal reports from independent experts are sometimes obtained with respect to contingencies. Such opinions about litigation, claims, assessments, and other contingencies and uncertainties may or may not be needed at interim dates.

3. **Specialised industries:** Because of complexity, costliness, and time involvement, interim period measurements in specialised industries might be less precise than at financial year end. An example is calculation of insurance reserves by insurance companies.