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Quick Reference

## CA Inter Accounting Standards — Quick Reference

All 11 Accounting Standards covered in CA Inter Advanced Accounting (Paper 1) under the new syllabus. Key provisions, exam focus areas, and practice MCQs for each standard.

AS carry 55-65% weightage in Advanced Accounting. Source: ICAI Study Material.

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### All 11 Standards at a Glance

Standard	Topic	Core Rule
AS 2	Inventories	Lower of cost and NRV
AS 3	Cash Flow	Operating / Investing / Financing
AS 10	PPE	Cost model, component depreciation
AS 13	Investments	Current at lower of cost/FV, LT at cost
AS 16	Borrowing Costs	Capitalise if qualifying asset
AS 17	Segment Reporting	10% and 75% thresholds
AS 18	Related Party	Disclose relationships & transactions
AS 19	Leases	Finance vs Operating classification
AS 20	EPS	Basic and Diluted EPS
AS 24	Discontinuing Ops	Disclosure from initial event

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**AS 2****Valuation of Inventories**

Practice MCQs

Prescribes the treatment for valuation of inventories in financial statements.

**Key Provisions**

- ✓ Inventories valued at lower of cost and net realisable value (NRV)
- ✓ Cost includes purchase cost, conversion costs, and other costs to bring inventory to present location/condition
- ✓ Cost formulas: FIFO or Weighted Average (LIFO not permitted)
- ✓ Exclusions from cost: abnormal waste, storage costs (unless necessary), selling costs
- ✓ NRV = estimated selling price minus estimated costs of completion and costs to make the sale

**Exam Focus:** NRV calculation, cost inclusion/exclusion, FIFO vs weighted average comparison

**AS 3****Cash Flow Statements**

Practice MCQs

Requires provision of information about historical changes in cash and cash equivalents through a cash flow statement.

**Key Provisions**

- ✓ Cash flows classified into: Operating, Investing, and Financing activities
- ✓ Operating activities: direct method or indirect method allowed
- ✓ Cash equivalents: short-term, highly liquid investments readily convertible to known amounts of cash (maturity  $\leq$  3 months from acquisition)
- ✓ Interest paid: operating or financing. Interest received: operating or investing
- ✓ Dividends paid: financing. Dividends received: operating or investing
- ✓ Tax cash flows classified as operating unless specifically identifiable with financing/investing

**Exam Focus:** Indirect method adjustments, classification of items between

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### AS 10

[Practice MCQs](#)

## Property, Plant and Equipment

Prescribes the accounting treatment for property, plant and equipment (PPE) including recognition, measurement, and depreciation.

### Key Provisions

- ✓ Cost = purchase price + directly attributable costs + initial estimate of dismantling/restoration costs
- ✓ Subsequent costs capitalised only if future economic benefits will flow and cost can be measured reliably
- ✓ Depreciation: systematic allocation of depreciable amount over useful life
- ✓ Depreciable amount = cost minus residual value
- ✓ Depreciation methods: straight-line, diminishing balance, units of production
- ✓ Component accounting: each significant part depreciated separately
- ✓ Derecognition: on disposal or when no future economic benefits expected

**Exam Focus:** Cost determination, component depreciation, exchange of assets, government grants impact on PPE

### AS 13

[Practice MCQs](#)

## Accounting for Investments

Prescribes accounting treatment for investments and disclosure requirements.

### Key Provisions

- ✓ Investments classified as current or long-term at acquisition
- ✓ Current investments: carried at lower of cost and fair value (determined on individual or category basis)
- ✓ Long-term investments: carried at cost, less provision for diminution (other than temporary)
- ✓ Reclassification from current to long-term: at lower of cost and fair value on date of transfer
- ✓ Reclassification from long-term to current: at lower of cost and carrying amount on date of transfer
- ✓ Cost includes acquisition charges (brokerage, fees, duties)

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### AS 16

## Borrowing Costs

[Practice MCQs](#)

Prescribes accounting treatment for borrowing costs and whether they should be capitalised or expensed.

### Key Provisions

- ✓ Borrowing costs directly attributable to a qualifying asset are capitalised
- ✓ Qualifying asset: asset that takes substantial period to get ready for intended use/sale
- ✓ Specific borrowings: actual cost incurred minus income earned on temporary investment
- ✓ General borrowings: capitalisation rate = weighted average of borrowing costs applicable to general borrowings outstanding during the period
- ✓ Capitalisation begins when expenditure is incurred, borrowing costs incurred, and activities to prepare asset have commenced
- ✓ Capitalisation suspended during extended periods of inactivity
- ✓ Capitalisation ceases when substantially all activities to prepare the asset are complete

**Exam Focus:** Capitalisation rate calculation for general borrowings, when to start/stop capitalising

### AS 17

## Segment Reporting

[Practice MCQs](#)

Establishes principles for reporting financial information by business and geographical segments.

### Key Provisions

- ✓ Applicable to enterprises with listed securities or turnover exceeding Rs. 50 crore
- ✓ Business segment: distinguishable component engaged in providing products/services with different risks and returns
- ✓ Geographical segment: distinguishable component engaged in providing products/services within a particular economic environment
- ✓ Reportable segment: revenue  $\geq$  10% of total revenue, OR result  $\geq$  10% of combined result, OR assets  $\geq$  10% of total assets
- ✓ Total external revenue of reportable segments must be  $\geq$  75% of total enterprise revenue

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**Exam Focus:** Identifying reportable segments using 10% and 75% thresholds, primary vs secondary reporting

### AS 18

## Related Party Disclosures

Practice MCQs

Requires disclosure of related party relationships and transactions between them.

### Key Provisions

- ✓ Related parties: parties that control, are controlled by, or are under common control with the reporting enterprise
- ✓ Includes: holding/subsidiary companies, associates, joint ventures, key management personnel (KMP), relatives of KMP
- ✓ Disclosure required: name of related party, nature of relationship, nature and volume of transactions
- ✓ No disclosure needed for: intra-group transactions eliminated in consolidated FS, state-controlled enterprises (for transactions with other state enterprises)
- ✓ Transactions: purchases/sales, rendering/receiving services, leases, transfers of assets, guarantees, management contracts

**Exam Focus:** Identifying related parties, what must be disclosed vs exemptions

### AS 19

## Leases

Practice MCQs

Prescribes accounting policies and disclosures for finance and operating leases in the books of lessees and lessors.

### Key Provisions

- ✓ Finance lease: transfers substantially all risks and rewards of ownership to lessee
- ✓ Operating lease: does not transfer substantially all risks and rewards
- ✓ Finance lease indicators: ownership transfer, bargain purchase option, lease term  $\geq 75\%$  of asset life, PV of minimum lease payments  $\geq 90\%$  of fair value
- ✓ Lessee (finance lease): recognise asset and liability at lower of fair value and PV of minimum lease payments

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- ✓ Lessor (operating lease): present asset on balance sheet, recognise income on straight-line basis

**Exam Focus:** Finance vs operating classification, lessee accounting entries, minimum lease payment calculations

### AS 20

## Earnings Per Share

Practice MCQs

Prescribes principles for determination and presentation of earnings per share (EPS).

### Key Provisions

- ✓ Basic EPS = Net profit attributable to equity shareholders / Weighted average number of equity shares
- ✓ Diluted EPS considers potential equity shares (convertible debentures, options, warrants)
- ✓ Weighted average: shares weighted by time proportion during the period
- ✓ Bonus shares: treated as if they always existed (restate prior periods)
- ✓ Rights issue: adjustment factor = fair value per share before rights / theoretical ex-rights price
- ✓ Anti-dilutive potential shares excluded from diluted EPS calculation
- ✓ Both basic and diluted EPS must be presented on face of statement of profit and loss

**Exam Focus:** Weighted average shares calculation with bonus/rights issues, diluted EPS with convertible debentures

### AS 24

## Discontinuing Operations

Practice MCQs

Establishes principles for reporting information about discontinuing operations.

### Key Provisions

- ✓ Discontinuing operation: a relatively large component being disposed of substantially in its entirety, or terminated through piecemeal sale/closure
- ✓ Initial disclosure event: binding sale agreement, or board approval and announcement
- ✓ Disclose: description of operation, business/geographical segment, date of initial disclosure event

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- ✓ Disclose: carrying amounts of total assets and total liabilities
- ✓ Disclose: net cash flows attributable to operating, investing, and financing activities

**Exam Focus:** Identifying when initial disclosure event occurs, what financial information to disclose

### AS 25

## Interim Financial Reporting

Practice MCQs

Prescribes minimum content of an interim financial report and recognition and measurement principles.

### Key Provisions

- ✓ Minimum components: condensed balance sheet, condensed P&L, condensed cash flow statement, selected explanatory notes
- ✓ Same accounting policies as annual financial statements
- ✓ Revenue recognised when earned, not deferred or anticipated
- ✓ Costs that benefit more than one interim period allocated on a reasonable basis
- ✓ Year-end bonuses: anticipated if it is a legal or constructive obligation and a reliable estimate can be made
- ✓ Tax expense: based on estimated average annual effective tax rate applied to interim pre-tax income
- ✓ Materiality based on interim period data, not projected annual amounts

**Exam Focus:** Minimum content requirements, cost allocation across periods, tax expense calculation

## Frequently Asked Questions

### How many Accounting Standards are in CA Inter? ^

The CA Inter Advanced Accounting paper covers **11 Accounting Standards**: AS 2, 3, 10, 13, 16, 17, 18, 19, 20, 24, and 25. These carry 55-65% weightage in the exam.

### Which AS are most important for the exam? v

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Are Ind AS also covered in CA Inter?

How should I prepare Accounting Standards for the exam?

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66 MCQs from ICAI material



### Chapter Weightage

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