Indian Accounting Standards (Ind AS): An Overview

(Revised 2021)

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

This publication has been formulated in accordance with the Ind AS notified by the Ministry of Corporate Affairs (MCA) as Companies (Indian Accounting Standards) Rules, 2015 vide Notification dated February 16, 2015 and other amendments finalised and notified till July 2021.

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Foreword

Implementation of Indian Accounting Standards (Ind AS) is a monumental step in the history of accounting in India. The Institute of Chartered Accountants of India (ICAI) is playing a vital role in unleashing this new era of accounting reforms in India. ICAI is committed to the smooth implementation of Ind AS and has been taking innumerable efforts and steps to make this ongoing mega accounting reform in India a big success.

I am happy to pen a Foreword to this sixth edition of publication "Indian Accounting Standards: An Overview (Revised 2021)" capturing all the recent amendments made in Ind ASs in the summary section. This publication also contains differences between Ind AS and IFRS and Ind AS and existing AS.

I express my sincere gratitude and appreciation to CA. G. Sekar, Chairman, CA. Tarun Ghia, Vice-chairman and other members of the Ind AS Implementation Committee of ICAI for their untiring efforts in taking various initiatives to address implementation issues involved in Ind AS and to enhance the knowledge of the professionals and other stakeholders for smooth implementation of Ind AS in India.

I am of the firm belief that the publication would be of immense use for all readers.

New Delhi | **CA. Nihar N. Jambusaria**
December 6, 2021 | **President, ICAI**

Preface

The Institute of Chartered Accountants of India (ICAI) is actively engaged in providing guidance to members and discharging its responsibility of ensuring successful and proper implementation of Indian Accounting Standards in the spirit in which they were formulated. Implementation of Ind AS has been driven by tireless efforts of the ICAI to enable the stakeholders with high quality globally accepted financial reporting framework which is at par with the global standards.

The Ind AS Implementation Committee has been making relentless efforts to ensure effective implementation of Ind AS through its various endeavours. The Committee has been working tirelessly to provide guidance to the members and other stakeholders on the notified Ind AS. For this purpose, Educational Materials on various Ind AS covering various issues have been issued. Apart from this, the Committee also organises Online Certificate Course on Ind AS and it conducts In-house training programmes on Ind AS for regulatory bodies such as RBI, C&AG, IRDAI, CBDT, SEBI, SFIO etc. and other corporate entities, develops video lectures on Ind AS, organises seminars, awareness programmes on Ind AS.

Recently, certain amendments have been made in IFRS/IAS issued by the IASB. The Institute of Chartered Accountants of India (ICAI) to keep up the pace with the global developments, revised the notified Ind AS in line with the amendments made in IFRS/IAS issued by the IASB. MCA has notified the amendments to the Ind AS vide notification dated June 18, 2021, as Companies (Indian Accounting Standards) Amendment Rules, 2021, comprising critical amendments to Ind AS which are applicable for the accounting year beginning on or after April 1, 2021. This publication gives a glance on the basic aspects of applicable standards in a summarised manner, differences between Ind AS, AS and IFRS, while significantly capturing all the recent amendments in Ind AS.

I would like to thank our Honourable President, CA. Nihar Jambusaria and Vice-President, ICAI for providing us the opportunity of bringing out this publication. I am also thankful to CA. Tarun Ghia, Vice-Chairman, Ind AS Implementation Committee and CA. M P Vijay Kumar, Chairman, Accounting Standards Board for their active contribution in dissemination of knowledge and all the members of

the Ind AS Implementation Committee for their valuable contribution in various endeavours of the Committee.

I wish to place on record my appreciation to CA. S.N. Gupta, Joint Director, CA. Shalini Jindal, Secretary, CA. Prachi Jain, Sr. Executive Officer and CA. Choshal Patil, Consultant, Ind AS Implementation Committee in bringing out this revised publication.

I am confident that this revised publication would be of great help to the members and other stakeholders for overall understanding and implementation of Ind AS.

New Delhi
December 6, 2021

CA. G. Sekar
Chairman
Ind AS Implementation Committee

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Approach to IFRS-converged Indian Accounting Standards (Ind AS)

First Step towards IFRS

The Institute of Chartered Accountants of India (ICAI) being the premier accounting standards-setting body in India, way back in 2006, initiated the process of moving towards the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) with a view to enhance acceptability and transparency of the financial information communicated by the Indian corporates through their financial statements. This move towards IFRS was subsequently accepted by the Government of India.

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 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 IFRS Standards (which comprise pronouncements with IAS, IFRS, SIC and IFRIC) and departures have been made where considered absolutely essential. These changes have been made considering various factors, such as, terminology related changes 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 other changes have been made considering the economic environment, customs and laws of the country. The ICAI while updating Ind AS, also reconsidered the carve-outs made in Ind AS finalised in 2011 and decided not to continue with certain carve-outs. It was also decided to make certain new carve-outs/carve-in based on the feedback received from various stakeholders.

Government of India commitment to IFRS-converged Ind AS

As per the original roadmap for implementation of IFRS-converged Ind AS issued by the Government of India, initially Ind AS were expected to be implemented from the year 2011. However, keeping in view the fact that certain issues including tax issues were still to be addressed, the Ministry of Corporate Affairs decided to postpone the date of implementation of Ind AS.

In 2014, the then Hon'ble Union Finance Minister of India, Late Shri Arun Jaitely, in his Budget Speech in July 2014 stated that –

> *"There is an urgent need to converge the current Indian accounting standards with the International Financial Reporting Standards (IFRS). I propose for adoption of the new Indian Accounting Standards (Ind AS) by the Indian companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis. Based on the international consensus, the regulators will separately notify the date of implementation of Ind AS for the Banks, Insurance companies etc. Standards for the computation of tax would be notified separately".*

Pursuant to the above announcement, various steps were taken to facilitate the implementation of IFRS-converged Indian Accounting Standards (Ind AS). Moving in this direction, the Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Rules, 2015 vide Notification dated February 16, 2015 including the revised roadmap of implementation of Ind AS for companies other than Banking companies, Insurance Companies and NBFCs. As per the Notification, Ind AS converged with IFRS shall be implemented on voluntary basis from 1st April, 2015 and mandatorily from 1st April, 2016. Further, the MCA on March 30, 2016, had also notified the Roadmap for implementation of Ind AS for Scheduled Commercial Banks, Insurance companies and NBFCs from 1st April, 2018 onwards and also amendments to Ind AS in line with the amendments made in IFRS/IAS vide Companies (Indian Accounting Standards) Amendment Rules, 2016. However, IRDAI vide press release dated June 28, 2017 had deferred the implementation of Ind AS for the Insurance Sector in India for a period of two years, whereby the effective date was deferred to FY 2020-21. Thereafter, vide circular dated January 21, 2020, IRDAI has deferred Implementation of Ind AS in the Insurance Sector till further notice. Additionally, the insurance companies are no longer required to submit proforma Ind AS financial statements to IRDAI on quarterly basis as was required earlier. The Reserve Bank of India vide its circular dated April 05, 2018 had deferred the implementation of Ind AS for Schedule Commercial Banks (SCBs), excluding Regional Rural Banks (RRBs) by one year i.e., to be made effective from 1st April, 2019 onwards. However, vide circular dated 22nd March, 2019, the implementation of Ind AS for Scheduled Commercial

Banks (SCBs) has been further deferred until further notice by the Reserve Bank of India.

Ind AS Implementation Roadmap is summarised below

IFRS CONVERGENCE
IND AS IMPLEMENTATION ROADMAP – 1ST APRIL, 2021

Phase		1st Ind AS FY	Category of companies covered
1		2015-16	Voluntarily- Any company can apply Ind AS for their F/S
1	Mandatory Phases	2016-17	Companies other than Banking, NBFC & Insurance a) Listed -with Networth ₹ 500 Cr.or more b) Unlisted with Networth ₹ 500 Cr. or more c) Parent, Subsidiary, Associates and JVs of above entities
2		2017-18	Companies other than Banking, NBFC & Insurance a) All listed companies not covered in Phase I b) Unlisted companies with Networth ₹ 250 Cr. or more
3		2018-19	NBFCs with networth ₹ 500 Cr. or more
4		2019-20	a)NBFCs- all Listed NBFCs not covered in Phase 3 b)Unlisted NBFCs with Net worth ₹ 250 - ₹ 500 Cr.
5		2020-21*	Insurance companies
6		Not yet decided**	All Scheduled Commercial Banks (except RRB and UCB)

**In Jan 2020, IRDAI deferred implementation of Ind AS until the finalisation of IFRS 17 by IASB.*
***In Mar 2019, RBI deferred implementation until further notice. In April 2018- RBI had deferred Ind AS implementation for Banks for 1 yr from 2018-19*

One of the most significant steps in moving towards to Ind AS taken by the ICAI was to provide a stable platform to the Indian entities for smoother and for effective implementation of Ind AS it has been decided to converge early by notifying Ind AS corresponding to IFRS 9, *Financial Instruments* (effective from January 01, 2018) issued by the IASB. The ICAI continues with its march towards continuous convergence with IFRS Standards at all times and closely monitors the amendments in IFRS Standards with timely incorporation of those changes in Ind ASs

The IASB issued IFRS 15, *Revenue from Contracts with Customers* with effect from January 01, 2018 and IFRS 16 *Leases* with effect from January 01, 2019. Consequently to keep in pace with the global standards, ICAI formulated Ind AS 115, *Revenue from Contracts with Customers* which was notified by MCA in March, 2018 effective for F.Y. 2018-19 onwards and Ind AS 116 *Leases*, which was notified by MCA in March, 2019 for F.Y. 2019-20 onwards. The current status of Ind AS vis-à-vis the IFRS is given in the Appendix A.

Roadmap[1] for implementation of Indian Accounting Standards (Ind AS) for corporates: A Snapshot

(For Companies other than Banks, NBFCs and Insurance Companies)

Phase I: 1st April 2015 or thereafter (with Comparatives): Voluntary Basis for any company and its holding, subsidiary, JV or associate company

1st April 2016: Mandatory Basis

(a) Companies listed/in process of listing on Stock Exchanges in India or Outside India having net worth of INR 500 crore or more;

(b) Unlisted Companies having net worth of INR 500 crore or more;

(c) Parent, Subsidiary, Associate and JV of above.

Phase II: 1st April 2017: Mandatory Basis (with comparatives):

(a) All companies which are listed/or in process of listing inside or outside India on Stock Exchanges not covered in Phase I (other than companies listed on SME Exchanges);

(b) Unlisted companies having net worth of INR 250 crore or more but less than INR 500 crore;

(c) Parent, Subsidiary, Associate and JV of above.

- Companies listed on SME exchange are not required to apply Ind AS
- Once Ind AS are applicable, an entity shall be required to follow the Ind AS for all the subsequent financial statements.
- Companies not covered by the above roadmap shall continue to apply Accounting Standards notified in Companies (Accounting Standards) Rules, 2006 (These rules have been superseded by Companies (Accounting Standards) Rules, 2021.

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[1] Notification of Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016 issued vide notifications dated 16th February, 2015 and March 30, 2016 by the Ministry of Corporate Affairs is given in the Appendix C.

Roadmap[2] for Implementation of Indian Accounting Standards (Ind AS) for NBFCs: A Snapshot

NBFCs

Phase I: From 1st April, 2018 (with comparatives):

- NBFCs (whether listed or unlisted) having net worth of INR 500 crore or more
- Holding, Subsidiary, JV and Associate companies of above NBFC other than those already covered under corporate roadmap shall also apply from said date

Phase II: From 1st April, 2019 (with comparatives)

NBFCs whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth less than 500 crore:

- NBFCs that are unlisted having net worth of INR 250 crore or more but less INR 500 crore
- Holding, Subsidiary, JV and Associate companies of above other than those already covered under corporate roadmap shall also apply from said date
- Applicable for both Consolidated and individual Financial Statements
- NBFC having net worth below INR 250 crore shall not apply Ind AS.
- Adoption of Ind AS is allowed only when required as per the roadmap. Voluntary adoption of Ind AS is not allowed.

[2] Notification of Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016 issued vide notifications dated 16th February, 2015 and March 30, 2016 by the Ministry of Corporate Affairs is given in the Appendix C.

Insurers/ Insurance companies

- IRDAI vide press release dated June 28, 2017 had deferred the implementation of Ind AS for the Insurance Sector in India for a period of two years, whereby the effective date was deferred to FY 2020-21. Thereafter, again in January 2020, IRDAI has deferred Implementation of Ind AS in the Insurance Sector till further notice.

Scheduled Commercial banks (excluding Regional Rural Banks)

- RBI vide press release dated April 05, 2018 had deferred the implementation of Ind AS for the Scheduled Commercial Banks (excluding Regional Rural Banks) for a period of one year i.e. effective from 1st April 2019., Thereafter, again in March 2029, RBI vide notification dated March 22, 2019 had again deferred the implementation of Ind AS for the Scheduled Commercial Banks (excluding Regional Rural Banks) till further notice.

Summary of Ind AS

Ind AS 1, *Presentation of Financial Statements*

Ind AS 1 prescribes the basis for presentation of general-purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Financial Statements

The Standard requires an entity to present a complete set of financial statements at least annually, with comparative amounts for the preceding year (including comparative amounts in the notes).

A complete set of financial statements comprises of:

(a) a balance sheet as at the end of the period;

(b) a statement of profit and loss for the period;

(c) a statement of changes in equity for the period;

(d) a statement of cash flows for the period;

(e) notes, comprising significant accounting policies and other explanatory information;

(f) comparative information in respect of the preceding period; and

(g) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

However, an entity shall present with equal prominence all of the financial statements in a complete set of financial statements.

The Standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e., comprehensive income) are required to be presented in single statement of profit and loss, with profit or loss and other comprehensive income presented in two sections.[3] The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section.

The Standard requires that an entity whose financial statements comply with Ind AS must make an explicit and unreserved statement of such compliance in the notes. An entity must not describe financial statements as complying with Ind AS unless they comply with all the requirements of Ind AS. The application of Ind AS, with additional disclosure when necessary, is presumed to result in financial statements that achieve a presentation of true and fair view.

Materiality and Aggregation: An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law.

The Standard defines the term Material as follows:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

The Standard also deals with going concern issues, offsetting of asset, liability, income and expense, and changes in presentation or classification.

Structure and Content

The Standard requires that an entity shall clearly identify the financial statements and distinguish them from other information in the same published document. The Standard requires some minimum line items to be presented in the balance sheet. It also prescribes the information to be presented in statement of profit and loss, other comprehensive income section and statement of changes in equity.

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[3] Refer section "Major Differences between Ind AS and IFRS and reasons for the differences'

Other Comprehensive Income

Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Ind AS e.g. changes in revaluation surplus (see Ind AS 16, *Property, Plant and Equipment* and Ind AS 38, *Intangible Assets*);

The Standard requires an entity to disclose reclassification adjustments and income tax relating to each component of other comprehensive income. Reclassification adjustments are the amounts reclassified to profit or loss in the current period that were previously recognised in other comprehensive income.

The other comprehensive income section shall present line items for amounts for the period of:

(a) items of other comprehensive income (excluding amounts in paragraph (b)), classified by nature and grouped into those that, in accordance with other Ind AS:

  (i) will not be reclassified subsequently to profit or loss; and

  (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

(b) the share of the other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other Ind AS:

  (a) will not be reclassified subsequently to profit or loss; and

  (b) will be reclassified subsequently to profit or loss when specific conditions are met.

Current/non-current distinction[4]

The Standard requires that an entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in the order of their liquidity.

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4 There is carve-out in Ind AS wherein a liability that has become payable on demand on the reporting date as a result of material breach of contractual terms, shall not be classified as current if the breach is rectified before the financials are approved for issuance, unlike IAS 1. For details please refer “Carve-outs” section of this publication.

The Standard also requires that whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

(a) no more than twelve months after the reporting period, and

(b) more than twelve months after the reporting period.

The Standard, among other things, requires that:

(a) An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(b) An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. An entity shall also provide additional disclosures on puttable financial instruments classified as equity instruments.

Ind AS 2, *Inventories*

Inventories constitute a major portion of current assets of an entity. A primary issue in accounting for inventories is the amount of cost to be recognised as an asset and carried forward until the related revenues are recognised.

Ind AS 2 prescribes the accounting treatment for inventories, such as, determination of cost and its subsequent recognition as expense, including any write-downs of inventories to net realisable value and reversal of write-downs.

Scope

Ind AS 2 applies to all inventories, except financial instruments (Ind AS 32, *Financial Instruments: Presentation* and Ind AS 109, *Financial Instruments)*; and biological assets (i.e., living animals or plants) related to agricultural activity and agricultural produce at the point of harvest (Ind AS 41, *Agriculture*)

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale; or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

The Standard prescribes that the inventories shall be measured at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise.

Cost Formulae

The cost of inventories shall be assigned by using the first-in first-out (FIFO) or weighted average cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity.

Recognition as an Expense

When inventories are sold, the carrying amount of inventories shall be recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down to net realisable value and all losses of inventories shall be recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Ind AS 7, *Statement of Cash Flows*

Ind AS 7 prescribes principles and guidance on preparation and presentation of cash flows of an entity from operating, investing and financing activities for a reporting period.

The objective of Ind AS 7 is to provide information about the historical changes in cash and cash equivalents of an entity during the reporting period from its operating, investing and financing activities.

Cash flows are inflows and outflows of cash and cash equivalents. Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include demand deposits, certain short-term investments and in some cases, bank overdrafts.

Information about the cash flows of an entity is useful in providing users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows. The economic decisions that are taken by users require an evaluation of the ability of an entity to generate cash and cash equivalents and the timing and certainty of their generation.

Key Requirements of Ind AS 7

The statement of cash flows is required to report cash flows classified by operating, investing and financing activities along with the components of cash and cash equivalents at the beginning and end of the reporting period, except in limited circumstances where cash flows are offset and reported on net basis.

Operating Activities

Operating activities are the principal revenue-producing activities of the entity and other activities that are not **investing** or **financing activities**. Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss.

The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing.

An entity shall report cash flows from operating activities using either the 'direct method' or the 'indirect method'. Under direct method, major classes of gross cash receipts and payments are presented. However, under indirect method, profit or loss is adjusted for the effects of transactions of a non-cash nature; deferrals or accruals of past or future operating cash receipts or payments; and items of income or expenses associated with investing or financing cash flows.

Cash flows arising from taxes on income shall be separately disclosed and classified as cash flow from operating activities unless they can be specifically identified with financing or investing activities.

Investing activities

Investing activities are the acquisition and disposal of long-term assets and other investments not included in **cash equivalents**. The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.

The aggregate **cash flows** arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as **investing activities**.

Financing activities

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity. The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity.

An entity shall report separately major classes of gross cash receipts and gross cash payments arising from **investing** and **financing activities**

Non- cash transactions

Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from the statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Foreign currency cash flows

Cash flows arising from transactions in a foreign currency shall be recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow. The cash flows of a foreign subsidiary shall be translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period.

Cash and cash equivalents

An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with equivalent items reported in the balance sheet.

An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalents held by the entity that are restricted for specific purposes.

Changes in liabilities arising from financing activities

An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

An entity shall disclose the following changes in liabilities arising from financing activities:

(a) changes from financing cash flows;

(b) changes arising from obtaining or losing control of subsidiaries or other businesses;

(c) the effect of changes in foreign exchange rates;

(d) changes in fair values; and

(e) other changes.

The above disclosures also apply to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

An entity may provide reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, including the changes identified as mentioned above.

Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

Ind AS 8 specifies the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities.

The disclosures required in respect of changes in accounting policies are set out in Ind AS 8. Other disclosure requirements for accounting policies are laid down in Ind AS 1, *Presentation of Financial Statements*.

Selection and Application of Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

This Standard requires that when an Ind AS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Ind AS.

In the absence of an Ind AS that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy. The accounting policy should be such as results in information that is:

- relevant to the economic decision-making needs of users; and
- reliable, so that the financial statements:
  - represent faithfully the financial position, financial performance and cash flows of the entity;
  - reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
  - are neutral, i.e., free from bias;
  - are prudent; and
  - are complete in all material respects.

In making the aforesaid judgement, management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements in Ind ASs dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the ICAI.

Further, in making the judgement, management may also first consider the most recent pronouncements of International Accounting Standards Board and in absence thereof those of the other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources referred to in the preceding paragraph.

Consistency of Accounting Policies

An entity shall select and apply the accounting policies consistently for similar transactions, other events and conditions, unless an Ind AS specifically requires or permits categorisation of items for which different policies may be appropriate. If an Ind AS requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

Changes in Accounting Policies

An entity shall change an accounting policy only if the change:

(a) is required by an Ind AS; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

Subject to the exception discussed below, a change in an accounting policy shall be applied as follows:

- A change in accounting policy resulting from the initial application of an Ind AS shall be applied as per the transitional provisions in that Ind AS.
- If that Ind AS does not contain any transitional provisions, the change shall be applied retrospectively.

- A voluntary change in accounting policy shall be applied retrospectively. The Standard clarifies that an early application of an Ind AS is not a voluntary change in accounting policy.

Retrospective application of a change in accounting policy involves adjustment to the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

An exception to giving retrospective effect to a change in accounting policy applies where it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, and shall make a corresponding adjustment to the opening balance of each affected component of equity for that period.

When it is impracticable to determine the cumulative effect at the beginning of the current period of applying the new policy to all prior periods, the entity shall apply the new policy prospectively from the start of the earliest period practicable. Thus, in such a situation, the entity disregards the portion of the cumulative adjustment to assets, liabilities and equity arising before that date. Changing an accounting policy is permitted even if it is impracticable to apply the policy prospectively for any prior period.

The application of an accounting policy for transactions, other events or conditions that (a) differ in substance from those previously occurring or (b) are applied to transactions, other events or conditions that did not occur previously or were immaterial are not change in accounting policy.

The Standard clarifies that initial application of a policy to revalue assets in accordance with Ind AS 16, *Property, Plant and Equipment*, or Ind AS 38, *Intangible Assets*, is a change in an accounting policy to be dealt with as a revaluation in accordance with Ind AS 16 or Ind AS 38, rather than in accordance with Ind AS 8.

Changes in Accounting Estimates

The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability. A *change in accounting estimate* is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

The effects of other changes in accounting estimates shall be recognised prospectively by including them in profit or loss in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

Prior Period Errors

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

(a) was available when financial statements for those periods were approved for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of an error, the Standard requires an entity to correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by:

(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Potential current period errors discovered during the period are corrected before the financial statements are approved for issue.

The term Material has been defined in Ind AS 1 and is used in this Standard with the same meaning.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Ind AS 10, Events after the Reporting Period

The objective of Ind AS 10 is to prescribe:

(a) when an entity should adjust its financial statements for events after the reporting period; and

(b) the disclosures that an entity should give about the date when the financial statements were approved for issue and about events after the reporting period.

The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved by the Board of Directors in case of a company, and, by the corresponding approving authority in case of any other entity for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and

(b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

However, there is an exception to the above principle. In case of a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the agreement by lender before the approval of the financial statements for issue, to not demand payment as a consequence of the breach, shall be considered as an adjusting event.[5]

An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period.

However, if non-adjusting events after the reporting period are material, their non-disclosure could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

(a) the nature of the event; and

(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

Appendix A of Ind AS 10 provides guidance with regard to distribution of non-cash assets as dividends to owners. The Appendix prescribes that liability to pay such a dividend should be recognised when it is appropriately authorised and is no longer at the discretion of the entity. This liability should be measured at the fair value of assets to be distributed. Any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be recognised in profit or loss when an entity settles the dividend payable.

Ind AS 12, *Income Taxes*

Ind AS 12 prescribes the accounting treatment for income taxes. For the purposes of this Standard, income taxes include all domestic and foreign taxes which are based on taxable profits. Income taxes also include taxes, such as withholding taxes, which are payable by a subsidiary, associate or joint venture on distributions to the reporting entity.

[5] For details refer “Carve-outs” section of this publication.

The principal issue in accounting for income taxes is how to account for the current and future tax consequences of:

(a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in an entity's balance sheet; and

(b) transactions and other events of the current period that are recognised in an entity's financial statements.

Ind AS 12 also deals with the recognition of deferred tax assets arising from unused tax losses or unused tax credits, the presentation of income taxes in the financial statements and the disclosure of information relating to income taxes.

Ind AS 12 is based on balance sheet approach. It requires recognition of tax consequences of difference between the carrying amounts of assets and liabilities and their tax base.

Recognition

Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). It is inherent in the recognition of an asset or liability that the reporting entity expects to recover or settle the carrying amount of that asset or liability. If it is probable that recovery or settlement of that carrying amount will make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences, this Standard requires an entity to recognise a deferred tax liability (deferred tax asset), with certain limited exceptions.

Deductible temporary differences

A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

It is inherent in the recognition of a liability that the carrying amount will be settled in future periods through an outflow from the entity of resources embodying economic benefits. When resources flow from the entity, part or all of their amounts may be deductible in determining taxable profit of a period later than the period in which the liability is recognised. In such cases, a temporary difference exists between the carrying amount of the liability and its tax base.

An entity recognises deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Measurement

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities shall not be discounted

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Presentation

An entity shall offset current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Disclosure

The major components of tax expense (income) shall be disclosed separately.

Allocation

This Standard requires an entity to account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised outside profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively). Similarly, the recognition of deferred tax assets and liabilities in a business combination affects the amount of goodwill arising in that business combination or the amount of the bargain purchase gain recognised.

Appendix A of Ind AS 12 addresses how an entity should account for the tax consequences of a change in its tax status or that of its shareholders. The Appendix prescribes that a change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognised outside profit or loss. The current and deferred tax consequences of a change in tax status shall be included in profit or loss for the period, unless those consequences relate to transactions and events that result, in the same or a different period, in a direct credit or charge to the recognised amount of equity or in amounts recognised in other comprehensive income. Those tax consequences that relate to changes in the recognised amount of equity, in the same or a different period (not included in profit or loss), shall be charged or credited directly to equity. Those tax consequences that relate to amounts recognised in other comprehensive income shall be recognised in other comprehensive income.

Uncertainty over Income Tax Treatments

Appendix C of this Standard clarifies how to apply the recognition and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. This standard requires an entity to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

Where an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.

Where an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. An entity shall reflect the effect of uncertainty by either;

(a) The most likely amount — the single most likely amount in a range of possible outcomes, or

(b) The expected value — the sum of the probability-weighted amounts in a range of possible outcomes.

If the facts and circumstances on which the judgement or estimate of uncertainty over tax treatments was based changes or new information that affects the judgement or estimate is available, entity shall reassess the judgement or estimate and reflect the effect of a change in facts and circumstances or of new information as a change in accounting estimate applying Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Ind AS 16, *Property, Plant and Equipment*

The objective of Ind AS 16 is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

Property, plant and equipment are tangible items that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period.

The cost of an item of property, plant and equipment should be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.

Entities accounting for investment property in accordance with Ind AS 40, *Investment Property* are required to use the cost model in this Standard.

Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this Ind AS when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

Measurement at Recognition

An item of property, plant and equipment that qualifies for recognition as an asset should be measured at its cost.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with Ind AS 23.

The cost of an item of property, plant and equipment should comprises:

(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

(b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement after Recognition

An entity should choose either the cost model or the revaluation model as its accounting policy and apply that policy to an entire class of property, plant and equipment.

Cost Model

After recognition as an asset, an item of property, plant and equipment should be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Revaluation Model

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase should be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase should be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. The depreciation charge for each period should be recognised in profit or loss unless it is included in the carrying amount of another asset.

The depreciable amount of an asset should be allocated on a systematic basis over its useful life. The depreciable amount of an asset should be determined after deducting its residual value. The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Land and buildings are separable assets and should be accounted for separately, even when they are acquired together. With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets. An increase in the value of the land on which a building stands does not affect the determination of the depreciable amount of the building.

Impairment

To determine whether an item of property, plant and equipment is impaired, an entity should apply Ind AS 36, *Impairment of Assets*.

Derecognition

The carrying amount of an item of property, plant and equipment should be derecognised:

(a) on disposal; or

(b) when no future economic benefits are expected from its use or disposal.

Appendix B to Ind AS 16 provides guidance for recognition of production stripping costs as an asset; initial measurement of the stripping activity asset; and subsequent measurement of the stripping activity asset. An entity shall recognise a stripping activity asset if, and only if, (a) it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity; (b) the entity can identify the component of the ore body for which access has been improved; and (c) the costs relating to the stripping activity associated with that component can be measured reliably. The entity shall initially measure the stripping activity asset at cost. After initial recognition, the stripping activity asset shall be carried at either its cost or its revalued amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part.

Ind AS 19, Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

(a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and

(b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

This Standard shall be applied by an employer in accounting for all employee benefits, except those to which Ind AS 102, *Share-based Payment,* applies.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) as an expense, unless another Ind AS requires or permits the inclusion of the benefits in the cost of an asset (see, for example, Ind AS 2, *Inventories,* and Ind AS 16, *Property, Plant and Equipment*).

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Post-employment benefits: defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

When an employee has rendered service to an entity during a period, the entity shall recognise the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) as an expense, unless another Ind AS requires or permits the inclusion of the contribution in the cost of an asset (see, for example, Ind AS 2 and Ind AS 16).

Post-employment benefits: defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Under defined benefit plans:

(a) the entity's obligation is to provide the agreed benefits to current and former employees; and

(b) actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the entity. If actuarial or investment experience are worse than expected, the entity's obligation may be increased

Accounting by an entity for defined benefit plans involves the following steps:

(a) determining the deficit or surplus. This involves:

 (i) using an actuarial technique, the projected unit credit method, to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will affect the cost of the benefit.

 (ii) discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost.

 (iii) deducting the fair value of any plan assets from the present value of the defined benefit obligation.

(b) determining the amount of the net defined benefit liability (asset) as the amount of the deficit or surplus determined in (a), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. (Asset ceiling is defined as present value of any economic benefit available in the form of refunds from the plan or reduction in future contributions to the plan).

(c) determining amounts to be recognised in profit or loss:

 (i) current service cost.

 (ii) any past service cost and gain or loss on settlement.

 (iii) net interest on the net defined benefit liability (asset).

(d) determining the remeasurements of the net defined benefit liability (asset), to be recognised in other comprehensive income, comprising:

 (i) actuarial gains and losses;

 (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and

 (iii) any change in the effect of the asset ceiling (see paragraph 64), excluding amounts included in net interest on the net defined benefit liability (asset).

The past service cost, or a gain or loss on settlement to be recognised in profit or loss, should be determined by remeasuring the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions, including current market interest rates and other current market prices, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement.

An entity shall determine current service cost using actuarial assumptions determined at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) as above, it shall determine current service cost for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the same actuarial assumptions used to remeasure the net defined benefit liability (asset).

The net interest on the net defined benefit liability (asset) should be determined by multiplying the net defined benefit liability (asset) by the discount rate at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset), the entity shall determine net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using:

(a) the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement; and

(b) the discount rate used to remeasure the net defined benefit liability (asset).

The entity shall also take into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments for determining the net interest.

Interest income on plan assets is determined by multiplying the fair value of the plan assets at the start of the annual reporting period by the discount rate. However, if an entity remeasures the net defined benefit liability (asset) the interest income should be determined for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the plan assets used to remeasure the net defined benefit liability (asset).

The entity shall also take into account any changes in the plan assets held during the period resulting from contributions or benefit payments. The difference between the interest income on plan assets and the return on plan assets is included in the remeasurement of the net defined benefit liability (asset)

Interest on the effect of the asset ceiling is part of the total change in the effect of the asset ceiling, and is determined by multiplying the effect of the asset ceiling by the discount rate at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) it shall determine interest on the effect of the asset ceiling for the remainder of the annual reporting period after the plan amendment, curtailment or settlement taking into account any change in the effect of the asset ceiling. The difference between interest on the effect of the asset ceiling and the total change in the effect of the asset ceiling is included in the remeasurement of the net defined benefit liability (asset).

Where an entity has more than one defined benefit plan, the entity applies these procedures for each material plan separately.

Other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

The Standard does not require the measurement of other long-term employee benefits to the same degree of uncertainty as the measurement of post-employment benefits. The Standard requires a simplified method of accounting for other long-term employee benefits. Unlike the accounting required for post-employment benefits, this method does not recognise re-measurements in other comprehensive income.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

(a) an entity's decision to terminate an employee's employment before the normal retirement date; or

(b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

An entity shall recognise a liability and expense for termination benefits at the earlier of the following dates:

(a) when the entity can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits.

Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance

This Standard shall be applied in accounting for, and in the disclosure of, government grants and in the disclosure of other forms of government assistance.

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government assistance for the purpose of this Standard does not include benefits provided only indirectly through action affecting general trading conditions, such as the provision of infrastructure in development areas or the imposition of trading constraints on competitors.

In this Standard, government assistance does not include the provision of infrastructure by improvement to the general transport and communication network and the supply of improved facilities such as irrigation or water reticulation which is available on an ongoing indeterminate basis for the benefit of an entire local community.

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

(a) the entity will comply with the conditions attaching to them; and

(b) the grants will be received.

A Government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances, it is usual to assess the fair value of the non-monetary asset and to account for both grant and asset at that fair value. An alternative course that is sometimes followed is to record both asset and grant at a nominal amount. Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Two methods of presentation in financial statements of grants or the appropriate portions of grants related to assets are regarded as acceptable alternatives. One method recognises the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. The other method deducts the grant in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Grants related to income are government grants other than those related to assets. Grants related to income are presented as part of profit or loss, either separately or under a general heading such as 'Other income'; alternatively, they are deducted in reporting the related expenses.

A Government grant that becomes repayable shall be accounted for as a change in accounting estimate. Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss. Repayment of a grant related to an asset shall be recognised by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant shall be recognised immediately in profit or loss.

The following matters shall be disclosed:

(a) the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements;

(b) the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

(c) unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Appendix A of Ind AS 20 address the issue that whether government assistance is a government grant within the scope of Ind AS 20 and, therefore, should be accounted for in accordance within the Standard. The Appendix prescribes that government assistance to entities meets the definition of government grants in Ind AS 20, even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. The Appendix provides that such grants shall not be credited directly to shareholders' interests.

Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*

An entity may carry on foreign activities in two ways. It may have transactions in foreign currencies or it may have foreign operations. In addition, an entity may present its financial statements in a foreign currency. The objective of Ind AS 21 is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency. The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.

This Standard does not apply to hedge accounting for foreign currency items, including the hedging of a net investment in a foreign operation. Ind AS 109 applies to hedge accounting.

This Standard does not apply to the presentation in a statement of cash flows of the cash flows arising from transactions in a foreign currency, or to the translation of cash flows of a foreign operation (Ind AS 7, Statement of Cash Flows).

This Standard does not also apply to long-term foreign currency monetary items for which an entity has opted for the exemption given in paragraph D13AA of Appendix D to Ind AS 101. Such an entity may continue to apply the accounting policy so opted for such long-term foreign currency monetary items.

Functional currency

Functional currency is the currency of the primary economic environment in which the entity operates. The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash.

An entity considers the following factors in determining its functional currency:

(a) the currency:

  (i) that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and

  (ii) of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

(b) the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

If the functional currency is the currency of a hyperinflationary economy, the entity's financial statements are restated in accordance with Ind AS 29, *Financial Reporting in Hyperinflationary Economies.*

Reporting foreign currency transactions in the functional currency

Initial Recognition

Foreign currency is a currency other than the functional currency of the entity. Spot exchange rate is the exchange rate for immediate delivery.

Exchange difference is the difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

(a) foreign currency monetary items shall be translated using the closing rate;

(b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and

(c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise.

However, Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation (see paragraph 15) shall be recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (e.g. consolidated financial statements when the foreign operation is a subsidiary), such exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment. **Net investment in a foreign operation** is the amount of the reporting entity's interest in the net assets of that operation.

Furthermore, when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

When there is a change in an entity's functional currency, the entity shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change.

Translation to the presentation currency/Translation of a foreign operation[6]

An entity may present its financial statements in any currency (or currencies). For this purpose, an entity could be a stand-alone entity, a parent preparing consolidated financial statements or a parent, an investor or a venturer preparing separate financial statements in accordance with Ind AS 27, *Separate Financial Statements*. If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency. For example, when a group contains individual entities with different functional currencies, the results and financial position of each entity are expressed in a common currency so that consolidated financial statements may be presented.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:

(a) assets and liabilities for each balance sheet presented (i.e. including comparatives) shall be translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of profit and loss presented (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

(c) all resulting exchange differences shall be recognised in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation. **Foreign operation** is an entity that is a subsidiary, associate, joint arrangement or branch of a reporting entity.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other

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[6] Under Ind AS, a first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP, unlike IFRS 1. For details refer 'Carve-outs' section of this publication.

comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised (Ind AS 1, *Presentation of Financial Statements*).

On the partial disposal of a subsidiary that includes a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

Appendix B of Ind AS 21 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Ind AS 23, *Borrowing Costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense.

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Recognition

An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period

An entity shall begin capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalisation is the date when the entity first meets all of the following conditions:

(a) it incurs expenditures for the asset;

(b) it incurs borrowing costs; and

(c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

An entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

An entity shall cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

An entity shall disclose

(a) the amount of borrowing costs capitalised during the period; and

(b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

Ind AS 24, *Related Party Disclosures*

The objective of Ind AS 24 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Related party disclosure requirements as laid down in this Standard do not apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.

In case a statute or a regulator or a similar competent authority governing an entity prohibits the entity to disclose certain information which is required to be disclosed as per this Standard, disclosure of such information is not warranted. For example, banks are obliged by law to maintain confidentiality in respect of their customers' transactions and this Standard would not override the obligation to preserve the confidentiality of customers' dealings.

A **related party** is a person or entity that is related to the entity that is preparing its financial statements. (in the Standard referred as 'reporting entity')

(a) A person or a close member of that person's family is related to a reporting entity if that person:

  (i) has control or joint control of the reporting entity;

  (ii) has significant influence over the reporting entity; or

  (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

  (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

(a) that person's children, spouse or domestic partner, brother, sister, father and mother;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

An entity shall disclose key management personnel compensation in total and for each of the following categories:

(a) short-term employee benefits;

(b) post-employment benefits;

(c) other long-term benefits;

(d) termination benefits; and

(e) share-based payment. (Paragraph 17 of the Standard)

If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17 of the Standard. At a minimum, disclosures shall include:

(a) the amount of the transactions;

(b) the amount of outstanding balances, including commitments, and:

   (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and

   (ii) details of any guarantees given or received;

(c) provisions for doubtful debts related to the amount of outstanding balances; and

(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties. (Paragraph 18 of the Standard)

The Standard requires that the disclosures, as per paragraph 18 of the Standard, shall be made separately for each of the following categories:

(a) the parent;

(b) entities with joint control of, or significant influence over, the entity;

(c) subsidiaries;

(d) associates;

(e) joint ventures in which the entity is a joint venturer;

(f) key management personnel of the entity or its parent; and

(g) other related parties.

Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.

A reporting entity is exempt from the disclosure requirements of paragraph 18 of the Standard in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control or joint control of, or significant influence over, the reporting entity; and

(b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity. (Paragraph 25 of the Standard)

If a reporting entity applies the exemption in paragraph 25 of the Standard, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25 of the Standard:

(a) the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);

(b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

   (i) the nature and amount of each individually significant transaction; and

   (ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21 of the Standard.

Ind AS 27, *Separate Financial Statements*

The objective of Ind AS 27 is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard shall be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by law, to present separate financial statements.

Separate financial statements are those presented by a parent (i.e., an investor with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with Ind AS 109, *Financial Instruments*.

When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either:

(a) at cost, or

(b) in accordance with Ind AS 109, *Financial Instruments*.

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, when they are classified as held for sale (or included in a disposal group that is classified as held for sale). The measurement of investments accounted for in accordance with Ind AS 109 is not changed in such circumstances.

Ind AS 28, *Investments in Associates and Joint Ventures*

The objective of Ind AS 28 is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard shall be applied by all entities that are investors with joint control of, or significant influence over, an investee.

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

If an entity holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee are other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income (Ind AS 1, *Presentation of Financial Statements*).

Ind AS 109, *Financial Instruments*, does not apply to interests in associates and joint ventures that are accounted for using the equity method. When instruments containing potential voting rights in substance currently give access to the returns associated with an ownership interest in an associate or a joint venture, the instruments are not subject to Ind AS 109. In all other cases, instruments containing potential voting rights in an associate or a joint venture are accounted for in accordance with Ind AS 109.

An entity also applies Ind AS 109 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies Ind AS 109 to such long-term interests before it applies paragraph 38 and paragraphs 40–43 of this Standard. In applying Ind AS 109, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying this Standard.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Ind AS 109. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

The entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless, in case of an associate, it is impracticable to do so. If an associate or a joint venture uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to make the associate's or joint venture's accounting policies conform to those of the entity when the associate's or joint venture's financial statements are used by the entity in applying the equity method. However, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries'. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

After application of the equity method, including recognising the associate's or joint venture's losses, the entity applies the requirements of Ind AS 109, *Financial Instruments* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture.

The Standard provides exemptions from applying the equity method similar to those provided in Ind AS 110, *Consolidated Financial Statements* to the parent that is exempted to prepare consolidated financial statements. The Standard also provides exemptions from applying the equity method when the investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds. Those investments may be measured at fair value through profit or loss in accordance with Ind AS 109, *Financial Instruments*. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

Ind AS 29, *Financial Reporting in Hyperinflationary Economies*

Ind AS 29 shall be applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

The Standard does not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgement when restatement of financial statements in accordance with this Standard becomes necessary. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

(a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

(b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

(c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;

(d) interest rates, wages and prices are linked to a price index; and

(e) the cumulative inflation rate over three years is approaching, or exceeds, 100%.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach shall be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period required by Ind AS 1, *Presentation of Financial Statements,* and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, paragraphs 42(b) and 43 of Ind AS 21, *The Effects of Changes in Foreign Exchange Rates,* apply.

The gain or loss on the net monetary position shall be included in profit or loss and separately disclosed.

The restatement of financial statements in accordance with this Standard requires the application of certain procedures as well as judgement. The consistent application of these procedures and judgements from period to period is more important than the precise accuracy of the resulting amounts included in the restated financial statements.

The restatement of financial statements in accordance with this Standard may give rise to differences between the carrying amount of individual assets and liabilities in the balance sheet and their tax bases. These differences are accounted for in accordance with Ind AS 12, *Income Taxes*.

The restatement of financial statements in accordance with this Standard requires the use of a general price index that reflects changes in general purchasing power. It is preferable that all entities that report in the currency of the same economy use the same index.

When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with this Standard, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

Appendix A of Ind AS 29 provides guidance on how to apply the requirements of Ind AS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with Ind AS 29. The Appendix prescribes that in the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of Ind AS 29 as if the economy had always been hyperinflationary. At the end of the reporting period, deferred tax items are recognised and measured in accordance with Ind AS 12.

Ind AS 32, *Financial Instruments: Presentation*

The objective of Ind AS 32 is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in Ind AS 109, *Financial Instruments*, and for disclosing information about them in Ind AS 107, *Financial Instruments: Disclosures*.

This Standard defines Financial Instrument, Financial Asset, Financial Liability, Equity Instrument, Puttable Financial Instruments.

Presentation

This standard requires an issuer to classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the **substance of the contractual arrangement** and the definitions of a financial liability, a financial asset and an equity instrument. It is important to differentiate between substance based on intention or past history, etc and the substance based on the contractual arrangements. An instrument is an equity instrument if it evidences a residual interest in the net assets of the entity and both the following conditions are met:

(a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities under potential unfavourable condition to the issuer.

(b) In case of settlement by the issuer's own equity instruments, it should be fixed to fixed contracts (no. of equity instruments and the price per unit of equity instruments is fixed)[7].

A lease typically creates an entitlement of the lessor to receive, and an obligation of the lessee to pay, a stream of payments that are substantially the same as blended payments of principal and interest under a loan

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[7] In Ind AS 32, an exception has been included to the definition of 'financial liability' in paragraph 11 (b) (ii), whereby conversion option in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments is classified as an equity instrument if the exercise price is fixed in any currency, unlike IAS 32. For details refer "Carve-outs" section of this publication.

agreement. The lessor accounts for its investment in the amount receivable under a finance lease rather than the underlying asset itself that is subject to the finance lease. Accordingly, a lessor regards a finance lease as a financial instrument. Under Ind AS 116, a lessor does not recognise its entitlement to receive lease payments under an operating lease. The lessor continues to account for the underlying asset itself rather than any amount receivable in the future under the contract. Accordingly, a lessor does not regard an operating lease as a financial instrument, except as regards individual payments currently due and payable by lessee.

Puttable Financial Instruments

As an exception, *puttable instruments* are classified as an equity instrument even if they meet the definition of financial liability. A *puttable instrument* is a financial instrument that gives the holder of the instrument the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.

Settlement Options

In case a derivative financial instruments provides an option to one party to choose between various modes of settlement (settlement net in cash or by exchanging shares for cash), such derivative instrument should be a financial asset or a financial liability unless all of the settlement alternatives would result in it being an equity instrument.

Compound Financial Instruments

It may be possible that a non-derivative financial instrument may contain both component of liability and component of equity as well. Such components shall be classified separately as financial liabilities or equity instruments. Example, bonds with an option to convert into equity.

Treasury shares

If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognised directly in equity.

Interest, dividends, losses and gains

An entity should recognise all interest, dividends, losses and gains related to the financial instrument as income or expense in profit or loss. Distributions to holders or transaction cost of an equity transaction should be recognised by the entity directly in equity.

Offsetting a financial asset and a financial liability

An entity should offset a financial asset and a financial liability and the net amount should be presented in the balance sheet only when it has:

(a) current legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

An entity that undertakes a number of financial instrument transactions with a single counterparty may enter into a 'master netting arrangement' with that counterparty. Such an agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract.

Consolidated financial statements

An entity in its consolidated financial statements, when classifying a financial instrument (or a component of it) should consider all terms and conditions agreed between members of the group and the holders of the instrument in determining whether the group as a whole has an obligation to deliver cash or another financial asset in respect of the instrument or to settle it in a manner that results in liability classification.

Ind AS 33, *Earnings per Share*

The objective of Ind AS 33 is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. The focus of this Standard is on the denominator of the earnings per share calculation.

Ind AS 33 shall be applied to companies that have issued ordinary shares to which Indian Accounting Standards (Ind AS) notified under the Companies Act applies.

An ordinary share is an equity instrument that is subordinate to all other classes of equity instruments. A potential ordinary share is a financial instrument or other contract that may entitle its holder to ordinary shares.

An entity shall present in the statement of profit and loss basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented.

An entity that reports a discontinued operation shall disclose the basic and diluted amounts per share for the discontinued operation either in the statement of profit and loss or in the notes.

Basic earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:

(a) profit or loss from continuing operations attributable to the parent entity; and

(b) profit or loss attributable to the parent entity

shall be the amounts in (a) and (b) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

Where any item of income or expense which is otherwise required to be recognised in profit or loss in accordance with Indian Accounting Standards is debited or credited to securities premium account/other reserves, the amount in respect thereof shall be deducted from profit or loss from continuing operations for the purpose of calculating basic earnings per share.

For the purpose of calculating basic earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares outstanding during the period (Paragraph 19 of the Standard).

The weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted for events, other than the conversion of potential ordinary shares that have changed the number of ordinary shares outstanding without a corresponding change in resources. (Paragraph 26 of the Standard)

Diluted earnings per share

Diluted earnings per share shall be calculated by an entity by adjusting profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

For the purpose of calculating diluted earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares calculated in accordance with paragraphs 19 and 26, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

An entity uses profit or loss from continuing operations attributable to the parent entity as the control number to establish whether potential ordinary shares are dilutive or anti-dilutive. In determining whether potential ordinary shares are dilutive or anti-dilutive, each issue or series of potential ordinary shares is considered separately rather than in aggregate.

Retrospective adjustments

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are approved for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

Ind AS 34, *Interim Financial Reporting*

The objective of Ind AS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity.

This Standard applies if an entity is required or elects to publish an interim financial report in accordance with Indian Accounting Standards.

Interim financial report means a financial report containing either a complete set of financial statements (as described in Ind AS 1, Presentation of Financial Statements, or a set of condensed financial statements (as described in this Standard) for an interim period.

In the interest of timeliness and cost considerations and to avoid repetition of information previously reported, an entity may be required to or may elect to provide less information at interim dates as compared with its annual financial statements. This Standard defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported.

Nothing in this Standard is intended to prohibit or discourage an entity from publishing a complete set of financial statements (as described in Ind AS 1) in its interim financial report, rather than condensed financial statements and selected explanatory notes. If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of Ind AS 1 for a complete set of financial statements.

An **interim financial report** shall include, at a minimum, the following components:

(a) a condensed balance sheet ;

(b) a condensed statement of profit and loss;

(c) a condensed statement of changes in equity;

(d) a condensed statement of cash flows; and

(e) selected explanatory notes

If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim financial statements misleading.

In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

Ind AS 1 defines material information and requires separate disclosure of material items, including (for example) discontinued operations, and Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of changes in accounting estimates, errors, and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.

An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.

The measurement procedures to be followed in an interim financial report shall be designed to ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed. While measurements in both annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports.

There is an issue that whether an entity reverse impairment losses recognised in an interim period on goodwill if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of a subsequent reporting period. Appendix A of Ind AS 34 prescribes that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill. Further this Appendix also prescribes that an entity shall not extend this accounting principle by analogy to other areas of potential conflict between Ind AS 34 and other Indian Accounting Standards.

Ind AS 36, *Impairment of Assets*

The objective of Ind AS 36 is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.

An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, an entity shall also:

(a) test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.

(b) test goodwill acquired in a business combination for impairment annually in accordance with the Standard.

If there is an indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity shall determine the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash generating unit).

A *cash-generating unit* is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Measuring cash generating unit

The *recoverable amount* of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

It is not always necessary to determine both an asset's fair value less costs of disposal and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

The following elements shall be reflected in the calculation of an asset's value in use:

(a) an estimate of the future cash flows the entity expects to derive from the asset;

(b) expectations about possible variations in the amount or timing of those future cash flows;

(c) the time value of money, represented by the current market risk-free rate of interest;

(d) the price for bearing the uncertainty inherent in the asset; and

(e) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Estimates of future cash flows shall include:

(a) projections of cash inflows from the continuing use of the asset;

(b) projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and

(c) net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Future cash flows shall be estimated for the asset in its current condition. Estimates of future cash flows shall not include estimated future cash inflows or outflows that are expected to arise from:

(a) a future restructuring to which an entity is not yet committed; or

(b) improving or enhancing the asset's performance.

Estimates of future cash flows shall not include:

(a) cash inflows or outflows from financing activities; or

(b) income tax receipts or payments.

Recognising and measuring an impairment loss

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Standard (for example, in accordance with the revaluation model in Ind AS 16). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard.

An impairment loss shall be recognised for a cash-generating unit (the smallest group of cash-generating units to which goodwill or a corporate asset has been allocated) if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss shall be allocated to reduce the carrying amount of the assets of the unit (group of units) in the following order:

(a) first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and

(b) then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

However, an entity shall not reduce the carrying amount of an asset below the highest of:

(a) its fair value less costs of disposal (if measurable);

(b) its value in use (if determinable); and

(c) zero.

The amount of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other assets of the unit (group of units).

Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The annual impairment test for a cash-generating unit to which goodwill has been allocated may be performed at any time during an annual period, provided the test is performed at the same time every year. Different cash-generating units may be tested for impairment at different times. However, if some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period.

The Standard permits the most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit to which goodwill has been allocated to be used in the impairment test of that unit in the current period provided specified criteria are met

Reversing an impairment loss

An entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss for a cash-generating unit shall be allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets.

A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Indian Accounting Standard (for example, the revaluation model in Ind AS 16). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Indian Accounting Standard.

An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*

The objective of Ind AS 37 is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount.

Ind AS 37 prescribes the accounting and disclosures for provisions, contingent liabilities and contingent assets, except:

(a) those resulting from executory contracts, except where the contract is onerous; and

(b) those covered by another Standard.

Ind AS 37 also do not apply to financial instruments (including guarantees) that are within the scope of Ind AS 109, *Financial Instruments*.

A *liability*[8] is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Provisions

A provision is a liability of uncertain timing and amount.

A provision shall be recognised when:

(a) an entity has a present obligation (legal or constructive) that is a result of a past event;

[8] *It may be noted that the definition of a liability in Ind AS 37 is not revised following the revision of the definition of a liability in the Conceptual Framework for Financial Reporting under Indian Accounting Standards issued by the ICAI.*

(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

Present Obligation

In rare cases, it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.

Measurement

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.

Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. However, even in such a case, the entity considers other possible outcomes.

Risks and uncertainties

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

Present value

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Future events

Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Expected disposals of assets

Gains from the expected disposals of assets shall not be taken into account in measuring a provision. These are not recognised even if the expected disposal is closely linked to the event giving rise to the provision.

Reimbursements

When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. In the statement of profit and loss, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

Onerous contracts

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. This Standard defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

Restructuring obligations

A provision for restructuring costs is recognised only when the general recognition criteria for provisions are met.

With respect to restructuring obligation, the Standard provides guidance for application of general recognition conditions that need to be complied with for recognition of restructuring provision and identification of expenses that are in the nature of restructuring cost.

Appendix A of Ind AS 37 provides guidance on (a) how a contributor account for its interest in a fund and (b) when a contributor has an obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor or if the value of the investment assets held by the fund decreases to an extent that they are insufficient to fulfil the fund's reimbursement obligations, how that obligation be accounted for. The Appendix prescribes that the contributor shall recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay. When a contributor has an obligation to make potential additional contributions, this obligation is a contingent liability that is within the scope of Ind AS 37. The contributor shall recognise a liability only if it is probable that additional contributions will be made.

Appendix B of Ind AS 37 provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union's Directive on Waste Electrical and Electronic Equipment (WE&EE), in respect of sales of historical household equipment. This Appendix addresses neither new waste nor historical waste from sources other than private households. The liability for such waste management is adequately covered in Ind AS 37. However, if, in national legislation, new waste from private households is treated in a similar manner to historical waste from private households, the principles of this Appendix apply by reference to the hierarchy in paragraphs 10-12 of Ind AS 8. The Ind AS 8 hierarchy is also relevant for other regulations that impose obligations in a way that is similar to the cost attribution model specified in the EU Directive.

Appendix C to Ind AS 16 addresses the accounting for a liability to pay a levy if that liability is within the scope of Ind AS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The Appendix prescribes that obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time

Ind AS 38, *Intangible Assets*

The objective of Ind AS 38 is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.

Intangible Asset is as an identifiable non-monetary asset without physical substance.

An *asset*[9] is a resource:

(a) controlled by an entity as a result of past events; and

(b) from which future economic benefits are expected to flow to the entity.

Recognition and Measurement

An intangible asset should be recognised in the financial statements as an intangible asset if it meets the definition of intangible asset and it meets both the recognition criteria mentioned below.

An intangible asset should be recognised if, and only if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost of the asset can be measured reliably.

An intangible asset should be measured initially at cost.

An entity should assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Separate Acquisition

The cost of a separately acquired intangible asset would comprise:

[9] The definition of an asset in this Standard is not revised following the revision of the definition of an asset in the *Conceptual Framework for Financial Reporting under Indian Accounting Standards* issued in 2020 by the Institute of Chartered Accountants of India.

(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and

(b) any directly attributable cost of preparing the asset for its intended use.

Acquisition as Part of a Business Combination

In accordance with Ind AS 103, *Business Combinations*, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information would exist to measure reliably the fair value of the asset.

In accordance with this Standard and Ind AS 103, an acquirer should recognise at the acquisition date, separately from goodwill, an intangible asset of the acquiree, if it meets the definition and recognition criteria for an intangible asset irrespective of whether the asset had been recognised by the acquiree before the business combination. This means that the acquirer recognises as an asset separately from goodwill an in-process research and development project of the acquiree if the project meets the definition of an intangible asset.

Internally Generated Intangible Assets

Internally generated goodwill shall not be recognised as an asset.

No intangible asset arising from research should be recognised. Expenditure on research (or on the research phase of an internal project) should be recognised as an expense when it is incurred.

An intangible asset arising from development shall be recognised if, and only if, an entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) its intention to complete the intangible asset and use or sell it.

(c) its ability to use or sell the intangible asset.

(d) how the intangible asset will generate probable future economic benefits.

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance should not be recognised as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria and the condition relating to development phase. Ind AS 38 prohibits reinstatement of expenditure previously recognised as an expense.

Recognition of an Expense

Expenditure on an intangible item should be recognised as an expense when it is incurred unless:

(a) it forms part of the cost of an intangible asset that meets the recognition criteria; or

(b) the item is acquired in a business combination and cannot be recognised as an intangible asset. If this is the case, it forms part of the amount recognised as goodwill at the acquisition date (see Ind AS 103).

Measurement after recognition

An entity should choose either the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class should also be accounted for using the same model, unless there is no active market for those assets.

Cost Model- After initial recognition, an intangible asset should be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Revaluation Model- After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be measured by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value

The revaluation model is applied after an asset has been initially recognised at cost. However, if only part of the cost of an intangible asset is recognised as an asset because the asset did not meet the criteria for recognition until part of the way through the process, the revaluation model may be applied to the whole of that asset. Also, the revaluation model may be applied to an intangible asset that was received by way of a Government grant and recognised at a nominal amount

Treatment of Revaluation Gains and Losses

If an intangible asset's carrying amount is increased as a result of a revaluation, the increase should be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase should be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an intangible asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in profit or loss. However, the decrease should be recognised in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset.

Useful Life

Useful life is:

(a) the period over which an asset is expected to be available for use by an entity; or

(b) the number of production or similar units expected to be obtained from the asset by an entity.

The accounting for an intangible asset is based on its useful life. An intangible asset with a finite useful life is amortised, and an intangible asset with an indefinite useful life is not.

Many factors are considered in determining the useful life of an intangible asset.

Review of Useful Life Assessment

The useful life of an intangible asset that is not being amortised should be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate in accordance with Ind AS 8.

Derecognistion

An intangible asset shall be derecognised:

a) on disposal; or

b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised (unless Ind AS 116 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

The disposal of an intangible asset may occur in a variety of ways (e.g. by sale, by entering into a finance lease, or by donation). The date of disposal of an intangible asset is the date that the recipient obtains control of that asset in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115, Revenue from Contracts with Customers. Ind AS 116 applies to disposal by a sale and leaseback

Appendix A of Ind AS 38 provides guidance on whether the web site is an internally generated intangible asset that is subject to the requirements of Ind AS 38; and the appropriate accounting treatment of such expenditure. The Appendix prescribes that an entity's own web site that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of Ind AS 38. Any internal expenditure on the development and operation of an entity's own web site shall be accounted for in accordance with Ind AS 38. The nature of each activity for which expenditure is incurred (eg training employees and maintaining the web site) and the web site's stage of development or post-development shall be evaluated to determine the appropriate accounting treatment. A web site that is recognised as an intangible asset under this Appendix shall be measured after initial recognition by applying the requirements of Ind AS 38. The best estimate of a web site's useful life should be short.

Ind AS 40, *Investment Property*

The objective of Ind AS 40 is to prescribe the accounting treatment for investment property and related disclosure requirements.

Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for:

(a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business.

Recognition

An owned investment property shall be recognised as an asset when, and only when:

(a) it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and

(b) the cost of the investment property can be measured reliably.

Measurement at recognition

An owned investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.

An investment property held by a lessee as a right-of-use asset shall be measured initially at its cost in accordance with Ind AS 116.

When a lessee measures fair value of an investment property that is held as a right-of-use asset, it shall measure the right-of-asset, and not the \underlying property at fair value.

Measurement after recognition

The Standard permits an entity to adopt as its accounting policy the cost model prescribed in paragraph 56 of the Standard to all of its investment property. However, the Standard requires all entities to measure the fair value of investment property, for the purpose of disclosure.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See Ind AS 113, *Fair Value Measurement*).

Cost model

After initial recognition, an entity shall measure investment property:

(a) in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, if it meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale);

(b) in accordance with Ind AS 116 if it is held by a lessee as a right-of-use asset and is not held for sale in accordance with Ind AS 105; and

(c) in accordance with the requirements in Ind AS 16 for cost model in all other cases.

Disposals

An investment property shall be derecognised (eliminated from the balance sheet) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The disposal of an investment property may be achieved by sale or by entering into a finance lease. The date of disposal for investment property that is sold is the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115. Ind AS 116 applies to a disposal effected by entering into a finance lease and to a sale and leaseback

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless Ind AS 116 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

The amount of consideration to be included in the gain or loss arising from the derecognition of an investment property is determined in accordance with the requirements for determining the transaction price in Ind AS 115. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in Ind AS 115.

Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in profit or loss when the compensation becomes receivable.

Ind AS 41, *Agriculture*

The objective of Ind AS 41 is to prescribe the accounting treatment and disclosures related to agricultural activity.

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets. Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. A biological asset is a living animal or plant. Agricultural produce is the harvested product of the entity's biological assets. Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See Ind AS 113, *Fair Value Measurement*.) Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. Costs to sell exclude transport and other costs necessary to get the asset to a market.

A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case described in paragraph 30 where the fair value cannot be measured reliably.

Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying Ind AS 2, *Inventories* or another applicable Standard.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

Ind AS 41 requires that an unconditional government grant related to a biological asset measured at its fair value less costs to sell shall be recognised in profit or loss when, and only when, the government grant becomes receivable.

If a government grant related to a biological asset measured at its fair value less costs to sell is conditional, including when a government grant requires an entity not to engage in specified agricultural activity, an entity shall recognise the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

Ind AS 101, *First Time Adoption of Indian Accounting Standards*

The objective of Ind AS 101 is to ensure that an entity's first Ind AS financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:

(a) is transparent for users and comparable over all periods presented;

(b) provides a suitable starting point for accounting in accordance with Ind AS; and

(c) can be generated at a cost that does not exceed the benefits.

An entity shall apply the Standard in its first Ind AS financial statements and each interim financial report, if any, that it presents in accordance with Ind AS 34 for part of the period covered by its first Ind AS financial statements.

An entity shall prepare and present an opening Ind AS Balance Sheet at the date of transition to Ind AS. This is the starting point for its accounting in accordance with Ind AS.

Accounting policies

An entity shall use the same accounting policies in its opening Ind AS Balance Sheet and throughout all periods presented in its first Ind AS financial statements. Those accounting policies shall comply with each Ind AS effective at the end of its first Ind AS reporting period, except as specified in Ind AS 101.

An entity shall, in its opening Ind AS Balance Sheet:

(a) recognise all assets and liabilities whose recognition is required by Ind AS;

(b) not recognise items as assets or liabilities if Ind AS do not permit such recognition;

(c) reclassify items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind AS; and

(d) apply Ind AS in measuring all recognised assets and liabilities.

The accounting policies in opening Ind AS Balance Sheet may differ from those that it used for the same date using previous GAAP. The resulting adjustments arise from events and transactions before the date of transition to Ind AS shall be recognised directly in retained earnings.

This Ind AS establishes two categories of exceptions to the principle that an entity's opening Ind AS Balance Sheet shall comply with each Ind AS:

(a) Ind AS 101 prohibit retrospective application of some specific aspects of other Ind AS.

(b) Ind AS 101 grant exemptions from some specific requirements of other Ind AS.

Presentation and Disclosure

The Standard does not provide exemptions from the presentation and disclosure requirements in other Ind AS. The Standard requires that an entity's first Ind AS financial statements shall include at least three Balance Sheets, two Statements of profit and loss, two Statements of cash flows and two Statements of changes in equity and related notes, including comparative information for all statements presented.

Explanation of transition to Ind AS

The Standard requires that an entity shall explain how the transition from previous GAAP to Ind AS affected its reported Balance sheet, financial performance and cash flows.

Exceptions to the retrospective application of other Ind AS[10]

The Standard prohibits retrospective application of some aspects of other Ind AS. For example, application of derecognition requirements in Ind AS 109,

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[10] Under Ind AS, exemptions are provided to a first-time adopter of Ind AS from retrospective application of other Ind AS that are not there under IFRS, such as allowing the use of carrying cost of Property, Plant and Equipment (PPE) on the date of transition, Financial Assets or intangible assets accounted for in accordance with Appendix D, Service Concession Arrangements to Ind AS 115, definition of previous GAAP, Long Term Foreign Currency Monetary Items. For details refer "carve-outs" section of this publication.

some aspects of classification and measurement of financial instruments, impairment of financial assets, provisions related to embedded derivatives, classification of government loans etc.

Ind AS 102, *Share-Based Payment*

The objective of Ind AS 102 is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.

Recognition

An entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognise a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses.

The Standard sets out measurement and specific requirements for following types of share-based payment transactions:

(a) equity-settled share-based payment transactions, in which the entity (a) receives goods or services as consideration for its own equity instruments (including shares or share options), or (b) receives goods or services but has no obligation to settle the transaction with the supplier.

(b) cash-settled share-based payment transactions, in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Furthermore:

(a) for transactions with employees and others providing similar services, the entity is required to measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received. The fair value of those equity instruments shall be measured at grant date.

(b) for transactions with parties other than employees, there shall be a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. That fair value shall be measured at the date the entity obtains the goods or the counterparty renders service. In rare cases, if the entity rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received, the entity shall measure the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

(c) for goods or services measured by reference to the fair value of the equity instruments granted, the Standard specifies that vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition

(d) the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted (subject to the requirements of paragraphs 19–22). If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.

For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability, subject to the requirements of paragraphs 31–33D. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the entity shall account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash or other assets, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

The terms of a share-based payment arrangement may permit or require the entity to withhold the number of equity instruments equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment, i.e. the share-based payment arrangement has a 'net settlement feature'. As an exception, such transactions shall be classified in its entirety as an equity-settled share-based payment transaction if it would have been so classified in the absence of the net settlement feature.

The payment made shall be accounted for as a deduction from equity for the shares withheld, except to the extent that the payment exceeds the fair value at the net settlement date of the equity instruments withheld.

The exception does not apply to:

- a share-based payment arrangement with a net settlement feature for which there is no obligation on the entity under tax laws or regulations to withhold an amount for an employee's tax obligation associated with that share-based payment; or

- any equity instruments that the entity withholds in excess of the employee's tax obligation associated with the share-based payment (i.e. the entity withheld an amount of shares that exceeds the monetary value of the employee's tax obligation). Such excess shares withheld shall be accounted for as a cash-settled share-based payment when this amount is paid in cash (or other assets) to the employee.

Ind AS 103, *Business Combinations*

Scope

Ind AS 103 does not apply to the following:

(a) the accounting of formation of a joint arrangement in the financial statements of the joint arrangement ;

(b) the acquisition of an asset or group of assets that is not a business.

(Though IFRS 3, Business Combination scopes out the accounting for combination of entities or business under common control but Ind AS 103 has included this in Appendix C).

Identifying a business Combination

An entity shall determine whether a transaction or other event is a business combination in accordance with this Ind AS, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, then the same shall be accounted for as an asset acquisition.

A business combination is a transaction or other event in which a reporting entity (the acquirer) obtains control of one or more businesses (the acquiree).

Business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements of a business are defined as follows:

Input: Any economic resource that creates outputs, or has the ability to contribute to the creations of outputs, when one or more processes are applied to it. Examples include non-current assets (including intangible assets or rights to use non-current assets), intellectual property, the ability to obtain access to necessary materials or rights and employees

Process: Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creations of outputs. Examples include strategic management processes, operational processes and resource management processes.

Output: The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income (such as dividends or interest) or generate other income from ordinary activities.

Optional test to identify concentration of fair value

The standard also sets out an optional test (the concentration test) to permit a simplified assessment of whether an acquired set of activities and assets is not a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event.

The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

If the concentration test is met- It is not a business and no further assessment is needed;

If the concentration test is not met or entity elects not to apply the test- further assessment is to be performed.

A business need not include all of the inputs or processes that the seller used in operating that business. However, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

The standard also provides guidance on Assessing whether an acquired process is substantive.

Acquisition Method

(a) Business combinations are accounted for using the acquisition method, i.e., identifying the acquirer; (the acquirer is the entity that obtains control of another entity);

(b) determining the acquisition date;(the date on which the acquirer obtains control);

(c) recognise and measure the identifiable assets acquired and the liabilities assumed and any non-controlling interest; and

(d) recognise and measure any goodwill or bargain purchase.

Recognition and Measurement Principle

To qualify for recognition, the identifiable assets acquired and liabilities assumed by the acquirer must meet the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standard* at the acquisition date.

It may be noted that for Ind AS 103, acquirers are required to apply the definitions of an asset and a liability given in *Framework for Preparation and Presentation of Financial Statements in accordance with Indian Accounting Standards* rather than the *Conceptual Framework for Financial Reporting under Indian Accounting Standards issued by the ICAI.*

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Exceptions to the Recognition Principles

(a) Contingent Liabilities

- the acquirer shall recognise if it is a present obligation that arises from past events and its fair value can be measured reliably

(b) Exceptions to the Recognition and Measurement Principles

- Income taxes
  - deferred tax assets or liabilities arising from acquired assets or liabilities accounted in accordance with Ind AS 12
- Employee benefits
  - accounted in accordance with Ind AS 19
- Indemnification assets
  - Shall be measured and recognized on the basis of the indemnified item

- Leases in which the acquiree is the lessee
  - Recognise right-of-use assets and lease liabilities in accordance with Ind AS 116.
  - Exemption available to short-term leases and lease of low value assets.
  - measure the lease liability at the present value of the remaining lease payments (as defined in Ind AS 116) as if the acquired lease were a new lease at the acquisition date.
  - measure the right-of-use asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms

(c) Exceptions to the Measurement Principles

- Reacquired rights
  - measured at fair value based on remaining contractual term ignoring the fair value effect of renewal
- Share-based payment transactions
  - measured in accordance with Ind AS 102(Market Based Measure)
- Assets held for sale
  - measured in accordance with Ind AS 105 (i.e., fair value less costs to sell)

Recognition and measurement of Goodwill or Bargain Purchase

Goodwill is measured as the difference between the consideration transferred in exchange for the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

In extremely rare circumstances, an acquirer will make a bargain purchase in a business combination, where the value of acquired identifiable assets and liabilities exceeds the consideration transferred; the acquirer shall recognize a gain (bargain purchase). The gain shall be recognized by the acquirer in Other Comprehensive Income on the acquisition date and accumulate the same in equity as capital reserve, if there exists a clear evidence of the underlying reasons for classifying the business combination as a bargain purchase.

If there does not exist clear evidence of the underlying reasons for classifying the business combination as a bargain purchase, then the gain shall be recognised directly in equity as capital reserve.

Reverse Acquisitions

A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition.

Measurement Period

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized and additional assets and liabilities that existed at the acquisition date to reflect new information obtained.

The measurement period ends as soon as the acquirer receives the information it was seeking or learns that more information is not obtainable.

The measurement period shall not exceed one year from the acquisition date.

Subsequent measurement and accounting

In general, an acquirer shall subsequently measure and account for assets acquired, liabilities assumed or incurred and equity instruments issued in a business combination in accordance with other applicable Ind AS for those items, depending on their nature. However, Ind AS 103 provides guidance on subsequently measuring and accounting for the following assets acquired, liabilities assumed or incurred and equity instruments issued in a business combination:

(a) reacquired rights;

(b) contingent liabilities recognised as of the acquisition date;

(c) indemnification assets; and

(d) contingent consideration.

Business combinations of entities under common control

Common control business combination means a business combination involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Business combinations involving entities or businesses under common control shall be accounted for using the pooling of interests method.

The pooling of interest method is considered to involve the following:

(a) The assets and liabilities of the combining entities are reflected at their carrying amounts.

(b) No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies.

(c) The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.

(d) The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee. Alternatively, it is transferred to General Reserve, if any.

(e) The identity of the reserves shall be preserved and shall appear in the financial statements of the transferee in the same form in which they appeared in the financial statements of the transferor.

(f) The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor shall be transferred to capital reserve and should be presented separately from other capital reserves with disclosure of its nature and purpose in the notes.

Ind AS 104, *Insurance Contracts*

The objective of Ind AS 104 is to specify the financial reporting for *insurance contracts* by any entity that issues such contracts (described as an *insurer*). In particular, this Ind AS requires:

(a) limited improvements to accounting by insurers for insurance contracts.

(b) disclosure that identifies and explains the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts.

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Standard applies to all insurance contracts (including *reinsurance contracts*) that the entity issues and reinsurance contracts that it holds and financial instruments that it issues with a *discretionary participation feature* and Ind AS 107, *Financial Instruments: Disclosures,* requires disclosure about financial instruments, including financial instruments that contain such features.

The Ind AS exempts an insurer from some requirements of other Ind AS. However, the Ind AS:

(a) prohibits provisions for possible claims under contracts that are not in existence at the end of the reporting period (such as catastrophe and equalisation provisions).

(b) requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.

(c) requires an insurer to keep insurance liabilities in its statement of financial position until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

The Ind AS permits an insurer to change its accounting policies for insurance contracts only if the change makes the financial statements more relevant and no less reliable, or more reliable and no less relevant. In particular, an insurer may continue any of the following practices, although it may continue using accounting policies that involve them:

(a) measuring insurance liabilities on an undiscounted basis.

(b) measuring contractual rights to future investment management fees at an amount that exceeds their fair value as implied by a comparison with current fees charged by other market participants for similar services.

(c) using non-uniform accounting policies for the insurance contracts of subsidiaries.

The Ind AS permits an insurer to change its accounting policies so that it re-measures designated insurance liabilities to reflect current market interest rates and recognises changes in those liabilities in profit or loss. Without this permission, an insurer would have been required to apply the change in accounting policies consistently to all similar liabilities.

The Ind AS requires disclosure to help users understand:

(a) the amounts in the insurer's financial statements that arise from insurance contracts.

(b) the nature and extent of risks arising from insurance contracts.

Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*

The objective of Ind AS 105 is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. In particular, the Ind AS requires:

(a) assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease;

(b) assets that meet the criteria to be classified as held for sale to be presented separately in the balance sheet; and

(c) the results of discontinued operations to be presented separately in the statement of profit and loss.

The Ind AS:

(a) adopts the classification 'held for sale'.

(b) introduces the concept of a disposal group, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

(c) classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sale or when the entity has disposed of the operation.

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Thus, an asset (or disposal group) cannot be classified as a non-current asset (or disposal group) held for sale, if the entity intends to sell it in a distant future.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of the Standard, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A discontinued operation is a **component of an entity** that either has been disposed of or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned.

Ind AS 106, *Exploration for and Evaluation of Mineral Resources*

The objective of the Ind AS 106 is to specify the financial reporting for the exploration for and evaluation of mineral resources.

The exploration and evaluation expenditures are expenditures incurred by an entity in connection with the **exploration for and evaluation of mineral resources** before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration for and evaluation of mineral resources is the search for mineral resources, including minerals, oil, natural gas and similar non-regenerative resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.

Exploration and evaluation assets are exploration and evaluation expenditures recognised as assets as per entity's accounting policy.

The Ind AS:

(a) permits an entity recognising exploration and evaluation assets to apply paragraph 10 of Ind AS 8 to develop an accounting policy for exploration and evaluation assets.

(b) requires entities recognising exploration and evaluation assets to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount.

    When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss in accordance with Ind AS 36.

(c) varies the recognition of impairment from that in Ind AS 36 but measures the impairment in accordance with that Standard once the impairment is identified.

An entity shall determine an accounting policy for allocating exploration and evaluation assets to cash-generating units or groups of cash-generating units for the purpose of assessing such assets for impairment. Each cash-generating unit or group of units to which an exploration and evaluation asset is allocated shall not be larger than an operating segment determined in accordance with Ind AS 108, *Operating Segments*.

One or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment (the list is not exhaustive):

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An entity shall disclose information that identifies and explains the amounts recognised in its financial statements arising from the exploration for and evaluation of mineral resources.

Ind AS 107, *Financial Instruments: Disclosures*

The objective of the Ind AS 107 is to require entities to provide disclosures in their financial statements that enable users to evaluate:

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

The Ind AS applies to all entities, including entities that have few financial instruments (e.g., a manufacturer whose only financial instruments are accounts receivable and accounts payable) and those that have many financial instruments (e.g., a financial institution most of whose assets and liabilities are financial instruments).

When this Ind AS requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

The principles in this Ind AS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in Ind AS 32, *Financial Instruments: Presentation* and Ind AS 109, *Financial Instruments*.

The standard also prescribes certain disclosure requirements for hedging relationships to which an entity applies the exceptions specified in Ind AS 109. (Interest rate benchmark reform). It also prescribes certain additional disclosure requirements to enable users to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

Ind AS 108, *Operating Segments*

An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The Standard requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity that engages in business activities, whose operating results are regularly reviewed by the chief operating decision maker for allocation of resources and assessment of performance and for which discrete financial information is available. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The Standard requires an entity to report a measure of profit or loss operating segment. It also requires an entity to report a measure of total assets, liabilities and particular income and expense items if such amounts are regularly provided to the chief operating decision maker. It requires reconciliations of totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material segment items to corresponding amounts in the entity's financial statements.

The Standard requires an entity to report information about the revenues derived from its products or services (or groups of similar products and services), about the countries in which it earns revenues and holds assets, and about major customers, regardless of whether that information is used by management in making operating decisions. However, the Standard does not require an entity to report information that is not prepared for internal use if the necessary information is not available and the cost to develop it would be excessive.

The Standard also requires an entity to give descriptive information about the way in which operating segments were determined, the products and services provided by such segments, differences between the measurements used in reportable segment information and those used in the entity's financial statements, and changes in the measurement of segment amounts from period to period.

Ind AS 109, *Financial Instruments*

The objective of Ind AS 109 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

Scope

This Standard should be applied by all entities to all types of financial instruments except:

(a) interests in subsidiaries, associates and joint ventures other than those that are accounted for as per this standard in accordance with the permission given by Ind AS 110, Ind AS 27 or Ind AS 28

(b) rights and obligations under leases to which Ind AS 116 Leases applies. However, lease receivables are subject to the derecognition and impairment requirements of Ind AS 109, lease liabilities are subject to the derecognition requirements of Ind AS 109 and derivatives that are embedded in leases are subject to the embedded derivatives requirements of Ind AS 109.

(c) employers' rights and obligations under employee benefit plans, to which Ind AS 19, *Employee Benefits* applies.

(d) financial instruments issued by the entity that meet the definition of an equity instrument.

(e) rights and obligations arising under (i) an insurance contract or (ii) a contract that is within the scope of Ind AS 104 contains a discretionary participation feature.

(f) any forward contract to buy or sell an acquiree that will result in a business combination within the scope of Ind AS 103.

(g) loan commitments other than those which entity designates as financial liabilities at fair value through profit or loss, loan commitments that can be settled net in cash or by delivering or issuing another financial instrument and commitments to provide a loan at a below-market interest rate.

(h) financial instruments, contracts and obligations under share-based payment transactions to which Ind AS 102, *Share-based Payment* applies except contract to buy/sell non-financial assets which are within the scope of this standard.

(i) rights to payments to reimburse the entity for expenditure that it is required to make to settle a liability that it recognises as a provision in accordance with Ind AS 37.

(j) rights and obligations within the scope of Ind AS 115, *Revenue from*

Contracts with Customers, that are financial instruments, except for those that Ind AS 115 specifies are accounted for in accordance with this Standard.

(k) Contracts to buy or sell a non-financial item which cannot be settled net in cash or another financial instrument, or by exchanging financial instruments.

Recognition

An entity shall recognise a financial asset or a financial liability in its balance sheet when, and only when, the entity becomes party to the contractual provisions of the instrument.

Derecognition: Financial Assets

A financial asset shall be derecognised when, and only when:

(a) the contractual rights to the cash flows from the financial asset expire, or

(b) it transfers the financial asset and the transfer qualifies for derecognition.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

In case of partial derecognition of a financial asset, the previous carrying amount of the whole asset shall be allocated between the part that continues to be recognised and the part that is derecognised, on the basis of the relative fair values of those parts on the date of the transfer.

Derecognition: Financial Liabilities

A financial liability (or a part of a financial liability) shall be derecognised when, and only when, it is extinguished (obligation specified in the contract is discharged or cancelled or expires).

An entity shall account for a substantial modification of the terms of contracts as an extinguishment of the original financial liability and the recognition of a new financial liability. Any difference between the carrying amount of a financial liability extinguished or transferred and the consideration paid should be recognised in profit or loss.

Classification: Financial Assets

A financial asset shall be classified and measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a) the entity's business model for managing the financial assets and

(b) the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) business model objective is to hold financial assets in order to collect contractual cash flows and

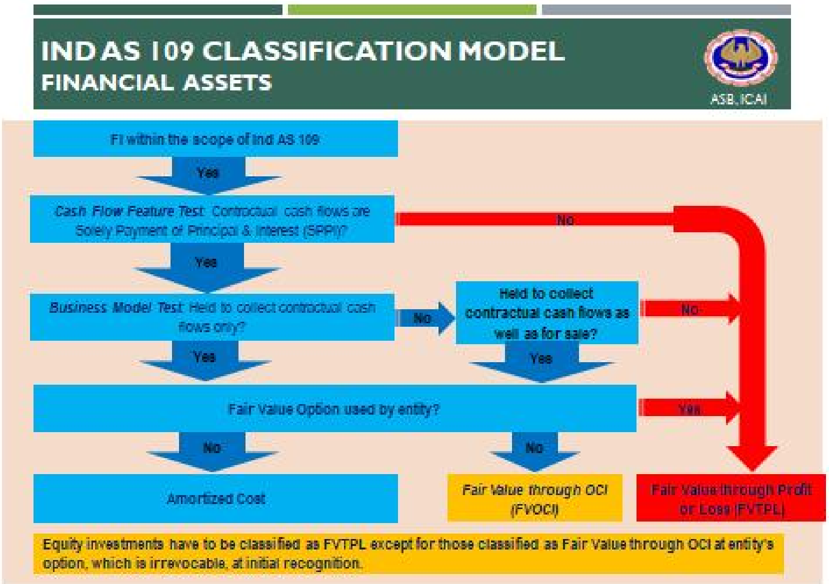
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income (FVTOCI) if both of the following conditions are met:

(a) business model objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at FVTOCI and at amortised cost shall be measured at fair value through profit or loss (FVTPL). However, an entity may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL, if doing so eliminates or significantly reduces 'accounting mismatch'. An entity may also make an irrevocable election at initial recognition for particular investments in *equity instruments* that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.



Classification: Financial Liabilities

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(c) financial guarantee contracts.

(d) commitments to provide a loan at a below-market interest rate.

(e) contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Reclassification

When, and only when, an entity changes its business model for managing financial assets, it shall reclassify all affected financial assets.

Measurement

An entity should measure on initial recognition as follows:

a. A financial asset or financial liability measured at fair value through profit or loss is measured at fair value on the date of recognition. Transaction costs incurred on such instruments are charged to P&L.

b. Other financial assets / liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Fair value of a financial instrument is determined in accordance with Ind AS 113 *Fair Value Measurements.* The fair value at initial recognition is normally the transaction price. However, if part of the consideration given or received is for something other than the financial instrument, an entity shall measure the fair value of the financial instrument.

If an entity determines that the fair value at initial recognition differs from the transaction price, it shall account for that instrument at that date as follows:

a. If the fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, an entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss.

b. In all other cases, the entity cannot recognize upfront gain / losses. Rather, the fair value is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the entity shall recognise that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

After initial recognition, an entity shall measure a financial asset and financial liabilities in accordance with its classification.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

Ind AS 109 provides for a practical expedient where the basis for determining contractual cash flows for a financial asset or a financial liability is changed as a result of interest rate benchmark reform.

The basis for determining the contractual cash flows of a financial asset or a financial liability can change:

- when there is a change in the contractual terms specified at the initial recognition of the financial instrument. For example, when the contractual terms are amended to replace the referenced interest rate benchmark with an alternative benchmark rate;
- in a way that was not considered by or anticipated in the contractual terms at the initial recognition of the financial instrument, without amending the contractual terms. For example, alteration in the method for calculating the interest rate benchmark without amending the contractual terms; and/or
- due to the activation of an existing contractual term, for example triggering of an existing fallback clause.

The practical expedient shall be applied by an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or a financial liability that is required by interest rate benchmark reform.

The interest rate benchmark reform requires a change in the basis for determining contractual cash flows if, and only if, both the following conditions are met:

(a) the change is necessary as a direct consequence of interest rate benchmark reform; and

(b) the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, an entity shall first apply the practical expedient to the changes required by interest rate benchmark reform. The entity shall then apply the applicable requirements of Ind AS 109 to any additional changes to which the practical expedient does not apply.

Expected Credit Loss

Expected credit loss is the weighted average of **credit losses** with the respective risks of a default occurring as the weights.

Credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (ie all cash shortfalls), discounted at the original **effective interest rate.**

An entity shall recognise a loss allowance for expected credit losses on a financial asset that is measured at FVTOCI and FV at amortised cost, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements of this standard applies.

At each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the *lifetime expected credit losses* if the credit risk on that financial instrument has increased significantly since initial recognition, except that an entity shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

Furthermore, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:

(a) trade receivables or contract asset that result from transactions that are within the scope of Ind AS 115, and that:

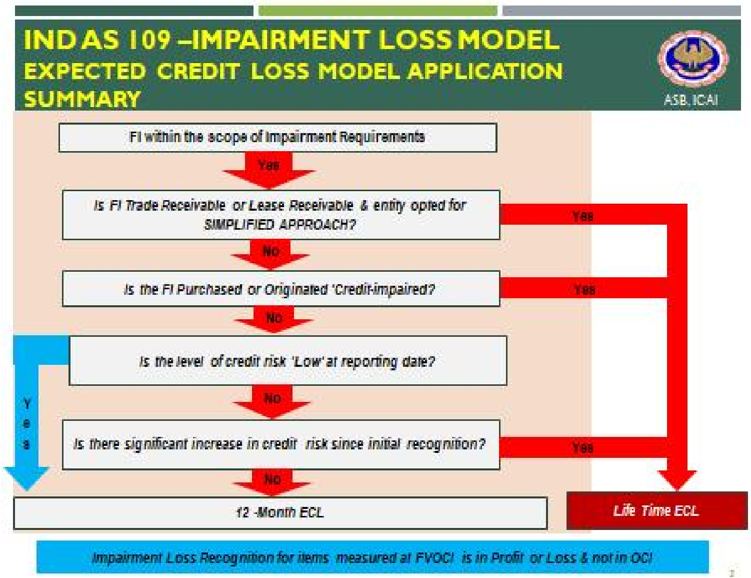
   (i) do not contain a significant financing component in accordance with Ind AS 115 (or when the entity applies the practical expedient in accordance with paragraph 63 of Ind AS 115); or

   (ii) contain a significant financing component in accordance with Ind AS 115, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

(b) lease receivables within the scope of Ind AS 116, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all lease receivables but may be applied separately to finance and operating lease receivables.

An entity shall measure expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

An entity shall recognise in profit or loss, as an *impairment gain* or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with this Standard.



IND AS 109 – IMPAIRMENT LOSS MODEL SUMMARY

ASB, ICAI

Impairment Loss Principles - Expected Loss Approach based on '3 Bucket' Model

FA Buckets based on concept of 'Increase in Credit Risk' since initial recognition

Stage 1	Stage 2	Stage 3
Financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (e.g. above investment grade) at the reporting date	Financial assets that have deteriorated significantly in credit quality since initial recognition (unless they have low credit risk at the reporting date) but that do not yet have objective evidence of a credit-impairment -*30 days past due is rebuttable presumption*	Financial assets where credit risk has reached a point where it is considered as **Credit-impaired.** *90 days past due is rebuttable presumption of default*
Impairment Loss Recognition		
12-Month Expected Credit Loss	Lifetime Expected Credit Loss	Lifetime Expected Credit Loss
Interest Revenue Recognition		
EIR on gross carrying amount	EIR on gross carrying amount	EIR on amortized cost amount

Credit Loss is computed based on present value of estimated cash flows discounted at FA's original EIR

Gains and Losses

A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship or it is an investment in an equity instrument for which option to present gains and losses in other comprehensive income has been opted or it is a financial liability designated as at fair value through profit or loss or it is a financial asset measured at fair value through other comprehensive income.

Hedge accounting

The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income).

(a) **Hedging instruments:** A derivative measured at fair value through profit or loss may be designated as a hedging instrument.

A non-derivative financial asset or a non-derivative financial liability measured at fair value through profit or loss may be designated as a hedging instrument unless it is a financial liability designated as at fair value through profit or loss for which the amount of its change in fair value that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.

Only contracts entered into by the entity with party external to the reporting entity can be designated as hedging instruments.

(b) **Hedged items:** A hedged item can be a recognised asset or liability, an unrecognised firm commitment, a forecast transaction or a net investment in a foreign operation. The hedged item can be a single item or a group of items. A hedge item should be reliably measurable.

Types of Hedging Relationship

There are three types of hedging relationships:

(a) **fair value hedge**: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

(b) **cash flow hedge**: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss.

(c) **hedge of a net investment in a foreign operation as defined in Ind AS 21.**

Qualifying criteria for hedge accounting

A hedging relationship qualifies for hedge accounting, only if, all of the following criteria are met:

(a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items.

(b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

(c) the hedging relationship meets all of the following hedge effectiveness requirements:

    (i) there is an economic relationship between the hedged item and the hedging instrument;

(ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and

(iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

In case a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again called as 'rebalancing'.

An entity shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable).

Ind AS 109 prescribes principles for hedge accounting and also requires detailed disclosures. These disclosures explain both the effect that hedge accounting has had on the financial statements and an entity's risk management strategy, as well as providing details about derivatives that have been entered into and their effect on the entity's future cash flows.

Temporary exceptions from applying specific hedge accounting requirements

The Standard provides exceptions from applying specific hedge accounting requirements (explained below) to all hedging relationships directly affected by interest rate benchmark reform. All other hedge accounting requirements shall continue to apply.

'*Interest rate benchmark reform'* refers to the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'.[11]

[11] The report, 'Reforming Major Interest Rate Benchmarks', is available at https://www.fsb.org/wp-content/uploads/r_140722.pdf

A hedging relationship is directly affected by interest rate benchmark reform only if the reform gives rise to uncertainties about-

- the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or
- the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument.

The standard provides exception for an entity to assume the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform for the purpose of determining the following:

- Highly probable requirement for cash flow hedges (for the purpose of applying the requirements of paragraph 6.3.3 of Ind AS 109)
- Reclassifying the amount accumulated in the cash flow hedge reserve (for the purpose of applying the requirements of paragraph 6.5.12 of Ind AS 109)
- Assessing the economic relationship between the hedged item and the hedging instrument (for the purpose of applying the requirements of paragraph 6.4.1(c)(i) and B6.4.4– B6.4.6of Ind AS 109)

The above exception is only a temporary exception. The standard also specifies when to prospectively cease applying the above-mentioned exceptions.

Additional temporary exceptions arising from interest rate benchmark reform

As and when the temporary exceptions from applying specific hedge accounting requirements cease to apply to a hedging relationship an entity is required to amend the formal designation of that hedging relationship as previously documented to reflect the changes required by interest rate benchmark reform. In this context, the hedge designation shall be amended only to make one or more of following changes:

(a) to designate an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;

(b) to amend the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or

(c) to amend the description of the hedging instrument.

If changes in addition to the changes required by interest rate benchmark reform are made, an entity shall first determine if those additional changes result in the discontinuation of hedge accounting. If the additional changes do not result in the discontinuation of hedge accounting, an entity shall amend the formal designation of the hedging relationship.

Accounting for qualifying hedging relationships

Cash flow hedges

When the description of a hedged item is amended or the hedging relationship is discontinued, the amount accumulated in the cash flow hedge reserve shall be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Designation of risk components

An alternative benchmark rate designated as a non-contractually specified risk component that is not separately identifiable, shall be deemed to be separately identifiable if the entity reasonably expects the alternative benchmark rate will be separately identifiable within 24 months.

If subsequently an entity reasonably expects that the alternative benchmark rate will not be separately identifiable within 24 months from the date of designation as a non-contractually specified risk component, the entity shall discontinue hedge accounting prospectively for all hedging relationships in which the alternative benchmark rate was designated as a non-contractually specified risk component.

Ind AS 109 also provides transitional provisions relating to classification and measurement, hedge accounting, prepayment features with negative compensation and Interest Rate Benchmark Reform—Phase 2.

Ind AS 110, *Consolidated Financial Statements*

The objective of Ind AS 110 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

Consolidated Financial Statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

The Standard requires an entity that is a parent to present Consolidated Financial Statements (CFS). A limited exemption is available to some entities. The Standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

An investor controls an investee, if and only if, the investor has all the following:

(a) **Power** over an investee - when the investor has existing rights that give it the current ability to direct the relevant activities, i.e., the activities that significantly affect the investee's returns.

(b) **Exposure, or rights, to variable returns from its involvement with the investee -** An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative.

(c) **The ability to use power over the investee to affect the amount of the investor's returns -** An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee. Thus, an investor with decision-making rights shall determine whether it is a principal or an agent.

A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.

Accounting Requirements

A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Intragroup balances and transactions must be eliminated.

Non-controlling interests in subsidiaries shall be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e., transactions with owners in their capacity as owners).

If parent losses control over the subsidiary, the parent shall:

(a) derecognize the assets and liabilities of former subsidiary;

(b) recognizes any investment retained in the subsidiary at its fair value in accordance with Ind AS 109;

(c) recognizes gain and loss associated with the loss of control.

Ind AS 111, *Joint Arrangements*

The objective of Ind AS 111 is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e., joint arrangements). The Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement.

The Standard shall be applied by all entities that are a party to a joint arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

The Standard classifies joint arrangements into two types—joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

An entity determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

The Standard requires a joint operator to account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the Ind AS applicable to the particular assets, liabilities, revenues and expenses.

The Standard requires a joint venturer to recognise its interest in a joint venture as an investment and to account for that investment using the equity method in accordance with Ind AS 28, Investments in Associates and Joint Ventures, unless the entity is exempted from applying the equity method as specified in that standard.

Ind AS 112, *Disclosure of Interests in Other Entities*

The objective of Ind AS 112 is to require an entity to disclose information that enables users of its financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in other entities; and

(b) the effects of those interests on its financial position, financial performance and cash flows.

The Standard shall be applied by an entity that has an interest in a subsidiary, a joint arrangement (i.e. joint operation or joint venture), an associate or an unconsolidated structured entity.

Significant judgements and assumptions

Ind AS 112 requires that an entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

(a) that it has control of another entity;

(b) that it has joint control of an arrangement or significant influence over another entity; and

(c) the type of joint arrangement (i.e., joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

Investment entity status

When a parent determines that it is an investment entity in accordance with

Ind AS 110, the investment entity shall disclose information about significant judgements and assumptions it has made in determining that it is an investment entity. If the investment entity does not have one or more of the typical characteristics of an investment entity, it shall disclose its reasons for concluding that it is nevertheless an investment entity.

When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including:

(a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;

(b) the total gain or loss, if any, calculated in accordance with Ind AS 110; and

(c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Interest in Subsidiaries

Ind AS 112 requires that an entity should disclose information that enables users of its consolidated financial statements:-

(a) to understand:

  (i) the composition of the group; and

  (ii) the interest that non-controlling interests have in the group's activities and cash flows; and

(b) to evaluate:

  (i) the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group;

  (ii) the nature of, and changes in, the risks associated with its interests in consolidated structured entities;

  (iii) the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control; and

  (iv) the consequences of losing control of a subsidiary during the reporting period.

Interest in unconsolidated subsidiaries (investment entities)

Ind AS 112 requires that an investment entity that, in accordance with Ind AS 110, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss should disclose that fact.

For each unconsolidated subsidiary, an investment entity shall disclose:

(a) the subsidiary's name;

(b) the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary; and

(c) the proportion of ownership interest held by the investment entity and, if different, the proportion of voting rights held.

If an investment entity is the parent of another investment entity, the parent shall also provide the above disclosures for investments that are controlled by its investment entity subsidiary.

An investment entity is required to make disclosures regarding the nature and extent of any significant restrictions on the ability of an unconsolidated subsidiary to transfer funds to the investment entity in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the investment entity and any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, etc.

Interest in joint arrangements and associates

Ind AS 112 requires that an entity should disclose information that enables users of its financial statements to evaluate:

(a) the nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates; and

(b) the nature of, and changes in, the risks associated with its interests in joint ventures and associates.

Interests in unconsolidated structured entities

Ind AS 112 also requires that an entity should disclose information that enables users of its financial statements:

(a) to understand the nature and extent of its interests in unconsolidated structured entities; and

(b) to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

Ind AS 113, *Fair Value Measurement*

Ind AS 113 applies when another Ind AS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

The measurement and disclosure requirements of this Ind AS do not apply to the following:

(a) share-based payment transactions within the scope of Ind AS 102, *Share- based Payment;*

(b) leasing transactions within the scope of Ind AS 116, *Leases;* and

(c) measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2, *Inventories,* or value in use in Ind AS 36, *Impairment of Assets.*

The disclosures required by this Ind AS are not required for the following:

(a) plan assets measured at fair value in accordance with Ind AS 19, *Employee Benefits*; and

(b) assets for which recoverable amount is fair value less costs of disposal in accordance with Ind AS 36.

Definition of Fair value

The Standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Asset or liability

A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include, the condition and location of the asset; and restrictions, if any, on the sale or use of the asset.

The transaction

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

Market participants

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The price

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Application to non-financial assets

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

Application to liabilities and an entity's own equity instruments

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instrument (e.g., equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

Liabilities and equity instruments held by other parties as assets

When a quoted price for the transfer of an identical or a similar liability or entity's own equity instrument is not available and the identical item is held by another party as an asset, an entity shall measure the fair value of the liability or equity instrument from the perspective of a market participant that holds the identical item as an asset at the measurement date.

Liabilities and equity instruments not held by other parties as assets

When a quoted price for the transfer of an identical or a similar liability or entity's own equity instrument is not available and the identical item is not held by another party as an asset, an entity shall measure the fair value of the liability or equity instrument using a valuation technique from the perspective of a market participant that owes the liability or has issued the claim on equity.

Valuation techniques

An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Three widely used valuation techniques are the market approach, the cost approach and the income approach.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Disclosure

An entity shall disclose information that helps users of its financial statements assess both of the following:

(a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet after initial recognition, the valuation techniques and inputs used to develop those measurements.

(b) for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

Ind AS 114, *Regulatory Deferral Accounts*

The objective of Ind AS 114 is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to *rate regulation*.

An entity is permitted to apply the requirements of this Standard in its first Ind AS financial statements, if and only if, it:

(a) conducts rate-regulated activities; and

(b) recognised amounts that qualify as regulatory deferral account balances in its financial statements in accordance with its previous GAAP.

An entity shall apply the requirements of the Standard in its financial statements for subsequent periods, if and only if, in its first Ind AS financial statements, it recognised regulatory deferral account balances by electing to apply the requirements of this Standard.

An entity that is within the scope of, and that elects to apply, this Standard shall apply all of its requirements to all regulatory deferral account balances that arise from all of the entity's rate-regulated activities.

An entity that has rate-regulated activities and that is within the scope of, and elects to apply, this Standard shall apply paragraphs 10 and 12 of Ind AS 8 when developing its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances.

On initial application of this Standard, an entity shall continue to apply previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances, except for any changes permitted by paragraphs 13–15 of the Standard. However, the presentation of such amounts shall comply with the presentation requirements of this Standard, which may require changes to the entity's previous GAAP presentation policies.

An entity shall not change its accounting policies in order to start to recognise regulatory deferral account balances. An entity may only change its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances, if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and no less relevant to those needs. An entity shall judge relevance and reliability using the criteria in paragraph 10 of Ind AS 8. It may be noted that the term "faithful representation", which is used in the *Conceptual Framework for Financial Reporting under Ind AS (issued in 2020)* encompasses the main characteristics that the *Framework for the Preparation and Presentation of Financial Statements in accordance with Ind AS* called "reliability". The requirements mentioned in this paragraph are based on the requirements of Ind AS 8, which retains the term "reliable".

Any specific exception, exemption or additional requirements related to the interaction of the Standard with other Standards are contained within the Standard. In the absence of any such exception, exemption or additional requirements, other Standards shall apply to regulatory deferral account balances in the same way as they apply to assets, liabilities, income and expenses that are recognised in accordance with other Standards.

An entity shall present separate line items in the balance sheet for:

(a) the total of all regulatory deferral account debit balances; and

(b) the total of all regulatory deferral account credit balances.

An entity that elects to apply this Standard shall disclose information that enables users to assess:

(a) the nature of, and the risks associated with, the rate regulation that establishes the price(s) that the entity can charge customers for the goods or services it provides; and

(b) the effects of that rate regulation on its financial position, financial performance and cash flows.

Ind AS 115, *Revenue from Contracts with Customers*

The objective of Ind AS 115 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The standard applies to all contracts with customers, except the lease contracts within the scope of Ind AS 116, Leases; insurance contracts within the scope of Ind AS 104, Insurance Contracts; financial instruments and other contractual rights or obligations; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

The **core principle** of Ind AS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue shall be recognised by an entity in accordance with this core principle by applying the following five steps:

1. **Identify contract with a customer:** This Standard defines a 'contract' and a 'customer' and specifies five mandatory criteria to be met for identification of a contract.

2. **Identify performance obligations in contract:** At contract inception, assess the goods or services promised and identify as a performance obligation each promise to transfer to the customer either:

   (a) a good or service (or a bundle of goods or services) that is distinct; or

   (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

3. **Determine transaction price:** This Standard uses transaction price approach instead of fair value approach in Ind AS 18 while determining amount of consideration. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised may include fixed amounts, variable amounts, or both. If the consideration promised in a contract

includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. Estimate amount of variable consideration by using either the expected value method or the most likely amount method. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component for any consideration payable to the customer.

4. **Allocate the transaction price to the performance obligations in the contract:** An entity typically allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract. If a stand-alone selling price is not observable, an entity estimates it. Sometimes, the transaction price includes a discount or a variable amount of consideration that relates entirely to a part of the contract. The requirements specify when an entity allocates the discount or variable consideration to one or more, but not all, performance obligations in the contract. Any subsequent changes in the transaction price shall be allocated to the performance obligations on the same basis as at contract inception. Amounts allocated to a satisfied performance obligation shall be recognised as revenue, or as a reduction of revenue, in the period in which the transaction price changes.

5. **Recognise revenue when the entity satisfies a performance obligation**: An entity recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). The amount of revenue recognised is the amount allocated to the satisfied performance obligation. A performance obligation may be satisfied at a point in time or over time. If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time. For performance obligations satisfied over time, an entity recognises revenue over time by selecting an appropriate method (output methods and input methods) for measuring the entity's progress towards complete satisfaction of that performance obligation.

Treatment of Contract Costs

Ind AS 115 specifies the following requirements for contract costs:

1. *Incremental costs of obtaining a contract:*

   Those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. An entity shall recognise these costs as an asset if the entity expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

2. *Costs to fulfil a contract:*

   If costs incurred in fulfilling a contract are not within scope of another Standard, entity shall recognise an asset from the costs incurred to fulfil a contract only if some specified criteria are met. If costs incurred in fulfilling a contract are within scope of another Standard, entity shall account for those costs in accordance with those other Standards.

Contract costs recognised as an asset shall be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

An impairment loss shall be recognised in profit or loss to the extent that the carrying amount of contract costs recognised as an asset exceeds the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates after deducting the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Presentation

When either party to a contract has performed, an entity shall present the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

- If a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (i.e. a receivable), before the entity transfers a good or service to the customer, the entity shall present the contract as a **contract liability** when the payment is made or the payment is due (whichever is earlier).

- If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a **contract asset**, excluding any amounts presented as a receivable.
- An entity shall present any unconditional rights to consideration separately as a **receivable.**

Sale with a right of return

To account for the transfer of products with a right of return (and for some services that are provided subject to a refund), an entity shall recognise all of the following:

- revenue for the transferred products in the amount of consideration to which the entity expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);
- a refund liability; and
- an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

Warranties

If customer has the option to purchase warranty separately, the warranty is a distinct service because the entity promises to provide the service to the customer in addition to the product that has the functionality described in the contract. In that case, entity shall account for the promised warranty as a performance obligation and allocate a portion of the transaction price to that performance obligation.

Principal versus agent considerations

When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). An entity determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others.

Repurchase agreements

Repurchase agreements generally come in three forms viz. (i) an entity's obligation to repurchase the asset (a forward); (ii) an entity's right to repurchase the asset (a call option); and an entity's obligation to repurchase the asset at the customer's request (a put option).

Bill-and-hold arrangements

A bill-and-hold arrangement is a contract under which an entity bills a customer for a product but retains physical possession of the product until it is transferred to the customer at a point in time in the future. Ind AS 115 specifies four criteria that must be fulfilled for a customer to have obtained control of a product in a bill-and-hold arrangement.

Disclosure

The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative information about all of the following:

- its contracts with customers
- the significant judgements, and changes in the judgements, made in applying this Standard to those contracts and
- any assets recognised from the costs to obtain or fulfil a contract with a customer

Appendix D of Ind AS 115 gives guidance on the accounting by operators for public-to-private service concession arrangements. This Appendix applies to both (a) infrastructure that the operator constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the operator access for the purpose of the service arrangement. Infrastructure within the scope of this Appendix shall not be recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator.

Ind AS 116, *Leases*

Objective

Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and faithful representation of the transactions by lessees and lessors. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Scope

The standard applies to all leases, including leases of right-of-use assets in a sublease, except for:

(a) Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;

(b) Leases of biological assets within the scope of Ind AS 41, Agriculture held by a lessee;

(c) Service concession arrangements within the scope of Appendix D, Service Concession Arrangements of Ind AS 115, Revenue from Contracts with Customer;

(d) Licences of intellectual property granted by a lessor within the scope of Ind AS 115, Revenue from Contracts with Customers; and

(e) Rights held by a lessee under licensing agreements within the scope of Ind AS 38, Intangible Assets for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

A lessee may, but is not required to, apply Ind AS 116 to leases of intangible assets other than those described in point (e) above.

This Standard specifies the accounting for an individual lease. However, as a practical expedient, an entity may apply this Standard to a portfolio of leases with similar characteristics if the entity reasonably expects that the effects on the financial statements would not differ materially.

Recognition exemption

In addition to the above scope exclusions, a lessee can elect not to apply the recognition, measurement and presentation requirements of Ind AS 116 to short-term leases; and low value leases.

If a lessee elects for the exemption, then it shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The election for short-term leases shall be made by class of underlying asset to which the right of use relates. The low value lease exemption can be applied on a lease-by-lease basis.

The assessment of whether an underlying asset is of low value is performed on an absolute basis. Leases of low-value assets qualify for exemption regardless of whether those leases are material to the lessee. The assessment is not affected by the size, nature or circumstances of the lessee. Accordingly, different lessees are expected to reach the same conclusions about whether a particular underlying asset is of low value.

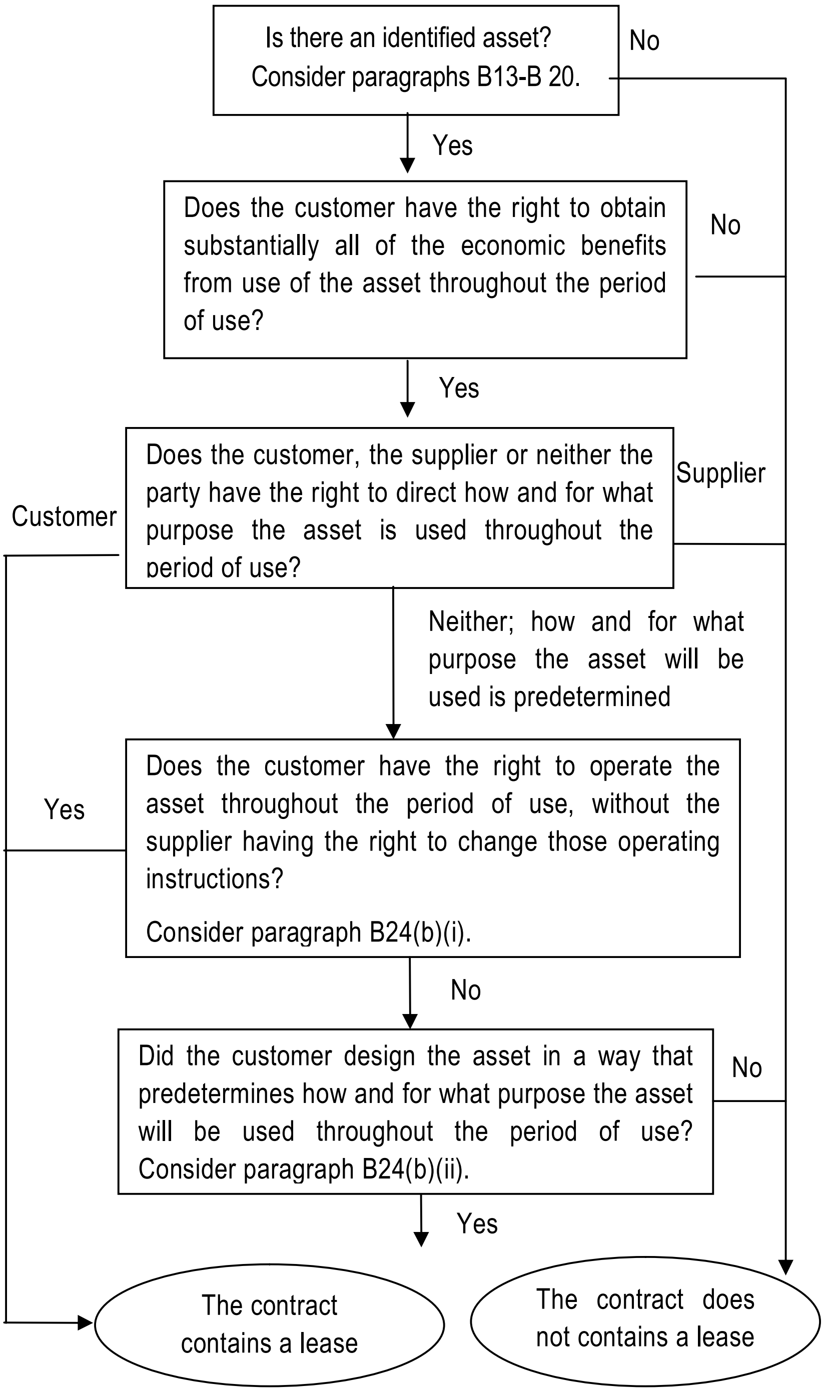
If a lessee subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. Examples of low-value underlying assets can include tablet and personal computers, small items of office furniture and telephones.

If an entity applies either exemption, it must disclose that fact and certain information to make the effect of the exemption known to users of its financial statements. (Refer – Disclosure)

Identifying a lease

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

An entity shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.


Is there an identified asset?
Consider paragraphs B13-B 20.
No
Yes
Does the customer have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use?
No
Yes
Does the customer, the supplier or neither the party have the right to direct how and for what purpose the asset is used throughout the period of use?
Supplier
Customer
Neither; how and for what purpose the asset will be used is predetermined
Does the customer have the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions?
Consider paragraph B24(b)(i).
Yes
No
Did the customer design the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use? Consider paragraph B24(b)(ii).
No
Yes
The contract contains a lease
The contract does not contains a lease

Separating component of contract

For a contract that contains a lease component, an entity accounts for each lease component within the contract separately from non-lease components. A lessee shall allocate the total contract consideration to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. A lessee shall account for non-lease components applying other applicable Standards.

As a practical expedient, a lessee may elect not to separate non-lease components from the lease components. Instead it may account for the entire contract including non-lease components as a single lease component.

The practical expedient shall not be applied to embedded derivatives that meet the criteria given Ind AS 109, Financial Instruments.

Lease term

If a contract is, or contains, a lease, the lease term needs to be determined. The lease term begins on the commencement date (i.e. the date on which the lessor makes the underlying asset(s) available for use by the lessee) and includes any rent-free or reduced rent periods. It comprises:

(a) The non-cancellable period of the lease;

(b) Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

(c) Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option

A lease is no longer enforceable when the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

An entity shall revise the lease term if there is a change in the non-cancellable period of a lease.

Recognition and Measurement of lease in the books of Lessee

On the commencement of the lease, lessee needs to recognise the right-of-use asset and measure it at cost. Lessee should also recognise a lease liability and measure it at the present value of the lease payments that are not paid at that date. The lease payments should be discounted using the interest rate implicit in the lease, if readily determinable or else using the lessee's incremental borrowing rate.

Cost = Lease Liability + Lease payments made – lease incentives received + initial direct costs + estimated dismantling and restoration costs. Lease Payments = Fixed payments (including in-substance fixed lease payments) – lease incentives + variable payments + expected guaranteed residual value + exercise price of purchase option (if reasonably certain to be exercised) + penalties for termination (if reasonably certain to be terminated).

In-substance fixed lease payments are payments that may, in form, contain variability but that, in substance, are unavoidable.

Subsequent measurement

Subsequently, the right-of-use asset shall be measured by applying a cost model or revaluation model if the underlying asset belongs to the class of assets to which the entity applies revaluation model as per Ind AS 16, Property, Plant and Equipment.

Cost model

Lessee shall measure the right-of-use asset at cost less accumulated depreciation and any accumulated impairment losses.

Lessees adjust the carrying amount of the right-of-use asset for remeasurement of the lease liability, unless the carrying amount has already been reduced to zero or the change in the lease liability relates to a variable lease payment that does not depend on an index or rate.

Subsequent measurement of lease liability

After initial recognition, the lease liability is measured at amortised cost using the effective interest method and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Reassessment of lease liability

After the commencement date, a lessee shall remeasure the lease liability in accordance with the standard to reflect changes to the lease payments. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

Presentation

The right-of-use assets should be either presented separately from other assets in the balance sheet or disclosed in the notes. If not presented separately, they should be presented in the appropriate line item of the balance sheet as if they were owned and disclose in the notes the line items which include such assets.

The lease liabilities should be presented either separately from other liabilities in the balance sheet or disclose in the notes the line items which include the lease liabilities.

Right-of-use assets that meet the definition of investment property are presented within investment property.

In the statement of profit and loss, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs requires to be presented separately in the statement of profit and loss.

In the statement of cash flows, a lessee shall classify:

a) cash payments for the principal portion of the lease liability within financing activities;

b) cash payments for the interest portion of the lease liability within financing activities applying the requirements in Ind AS 7, Statement of Cash Flows, for interest paid; and

c) short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

Accounting in the books of Lessor

Classification of leases

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The standard also provides examples of situations that individually or in combination would/could normally lead to a lease being classified as a finance lease.

Lease classification is made at the inception date and is reassessed only if there is a lease modification. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes.

Finance lease and Operating lease

Recognition and measurement

Particulars	Finance lease	Operating lease
Balance Sheet impact	Derecognised the underlying asset	Continue to present the underlying asset
	Present lease receivables at an amount equal to the net investment in lease	Add any initial direct costs incurred in connection with obtaining the lease to the carrying amount of the underlying asset
Statement of profit and loss	lessor shall recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease	Lessor shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of

		the underlying asset is diminished
Statement of profit and loss: In case manufacturer or dealer is lessor	revenue being the fair value of the underlying asset, or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest	Recognise depreciation expense over the useful life of asset
	the cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value	
	selling profit or loss in accordance with its policy for outright sales to which Ind AS 115 applies	

A lessor initially measures a finance lease receivable at the present value of the future lease payments plus any unguaranteed residual value accruing to the lessor. The lessor discounts these amounts using the rate implicit in the lease.

A lessor includes the following lease payments in the measurement of the finance lease receivable:

- fixed payments (including in-substance fixed payments), less lease incentives payable;
- variable payments that depend on an index or rate;
- residual value guarantees provided to the lessor at the guaranteed amount;
- the exercise price of purchase options if the lessee is reasonably certain to exercise; and

- termination penalties payable in accordance with the expected lease term.

Lease modification

A lessee accounts for a lease modification as a separate lease if both of the following conditions exist:

- the modification increases the scope of the lease by adding the right-to-use one or more underlying assets; and
- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not a separate lease, at the effective date of the modification, the lessee accounts for the lease modification by remeasuring the lease liability using a discount rate determined at that date and:

- for lease modifications that decrease the scope of the lease, the lessee decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognises a gain or loss that reflects the proportionate decrease in scope; and
- for all other lease modifications, the lessee makes a corresponding adjustment to the right-of-use asset.

Practical expedient for Covid-19-Related Rent Concessions

The Standard provides a practical expedient to lessee that may choose not to assess whether rent concessions that are occurring as a direct consequence of Covid-19 pandemic (and that meets the conditions mentioned below) is a lease modification and apply the same accounting treatment as envisaged in the Standard for changes that do not result into a lease modification.

For the practical expedient to apply, all the following conditions are required to be met:-

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before the 30th June, 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before the 30th June, 2022 and increased lease payments that extend beyond the 30th June, 2022); and
- there is no substantive change to other terms and conditions of the lease.

If the expedient is elected to be applied, the entity is required to disclose:

- the fact that it has opted to apply the expedient to all rent concessions. If not applied to all rent concessions, then information about the nature of the contracts to which it has applied the practical expedient.
- the amount recognised in profit or loss to reflect changes in lease payments arising from rent concessions to which the practical expedient has been applied.

The said expedient can be applied for annual reporting periods beginning on or after April 1st, 2020. In case a lessee has not approved the financial statements for issue before July 24, 2020, then the same may be applied for annual reporting periods beginning on or after the April 1st, 2019.

A lessee shall apply Covid-19-Related Rent Concessions beyond 30 June 2021 retrospectively, recognising the cumulative effect as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. Further, in the reporting period in which a lessee first applies Covid-19-Related Rent Concessions beyond 30 June 2021, a lessee is not required to disclose the information required by paragraph 28(f) of Ind AS 8.

This expedient shall be applied by the lessee consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying Covid-19-Related Rent Concessions or Covid-19-Related Rent Concessions beyond 30 June 2021.

Presentation

Lessor shall present underlying assets subject to operating leases in its balance sheet according to the nature of the underlying asset.

Sale and lease back – recognition and measurement

Determine whether transfer of asset is a sale of that asset

transfer of asset is a sale	transfer of asset is a not a sale
Transaction will be accounted for as a sale and a lease by both the lessee and the lessor.	Transaction will be accounted for as a financing arrangement by both the seller-lessee and the buyer-lessor
<u>Seller-lessee</u> • Measure right-of-use asset at proportion of previous carrying amount of asset relating to right-of-use asset retained by seller-lessee. • Recognise only amount of gain or loss relating to rights transferred to buyer-lessor. <u>Buyer-lessor</u> • Account for purchase of asset applying applicable standards. • Account for lease applying lessor accounting requirements under Ind AS 116.	<u>Seller-lessee</u> • Continue to recognise transferred asset. • Recognise financial liability equal to transfer proceeds applying Ind AS 109. <u>Buyer-lessor</u> • Not recognise transferred asset. • Recognise financial asset equal to transfer proceeds applying Ind AS 109.

Temporary exception arising from interest rate benchmark reform

Ind AS 116 provides a practical expedient to all lease modifications that change the basis for determining future lease payments as a result of interest rate benchmark reform.

As per the practical expedient, a lessee shall remeasure the lease liability by discounting the revised lease payments (in accordance with the requirements of paragraph 42 of Ind AS 116) to account for a lease modification required by interest rate benchmark reform. A lease modification is required by interest rate benchmark reform if, and only if, both of the following conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (ie the basis immediately preceding the modification).

However, if lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, a lessee shall apply the applicable requirements of Ind AS 116 to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

An entity shall apply these amendments for annual reporting periods beginning on or after the 1st April 2021 retrospectively in accordance with Ind AS 8. However, an entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.

Transition date accounting

Definition of lease

On the date of initial application of Ind AS 116, companies have an option not to reassess its previously identified leases contracts (as per Ind AS 17, Leases) and apply the transition provisions of this standard to those leases. Also, they have an option not to apply this Standard to contracts that were not previously identified as containing a lease applying Ind AS 17.

If an entity chooses the above options then it shall disclose that fact and apply the practical expedient to all of its contracts.

Transition accounting: In the books of Lessee

A lessee is permitted to:

- adopt the standard retrospectively; or
- follow a modified retrospective approach.

A lessee applies the election consistently to all of its leases.

Modified retrospective approach

Lessee shall not restate comparative information and recognise the cumulative effect of initially applying Ind AS 116 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

For leases previously classified as operating leases and finance Leases, the following may be noted:

Operating lease	Lease liability	Measure at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate at the date of initial application
	Right-of-use asset	Retrospective calculation, using a discount rate based on lessee's incremental borrowing rate at the date of initial application. or Amount of lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease). Lessee can choose one of the alternatives on a lease-by-lease basis.
Finance lease	Lease liability	Carrying amount of the lease liability immediately before the date of initial application.
	Right-of-use asset	Carrying amount of the lease asset immediately before the date of

		initial application.
	Application of Ind AS 116	Apply the provisions of this standard to Right of Use asset and lease liability from the date of initial application.

The standard also prescribes certain practical expedients under Modified retrospective approach to leases previously classified as operating leases applying Ind AS 17.

Transition accounting: In the books of Lessor

Except for sub-leases and sale-and-leaseback transactions, a lessor does not make any adjustments on transition:

Sales and leaseback transaction

Sale and leaseback transactions entered into before the date of initial application shall not be reassessed to determine whether the transfer of the underlying asset satisfies the requirements in Ind AS 115 to be accounted for as a sale.

For a sale-and-leaseback transaction accounted for as a sale and finance lease in accordance with Ind AS 17, the seller-lessee:

- accounts for the leaseback in the same way as for any finance lease that exists at the date of initial application; and
- continues to amortise any gain on the sale over the lease term

For a sale-and-leaseback transaction accounted for as a sale and operating lease in accordance with Ind AS 17, the seller-lessee:

- accounts for the leaseback in the same way as for any other operating lease that exists at the date of initial application; and
- adjusts the leaseback right-of-use asset for any deferred gains or losses that relate to off-market terms recognised in the statement of financial position immediately before the date of initial application.

Major Differences between Ind AS and IFRS Standards and Reason for the Differences

This section brings out the differences between the IFRS Standards[12] and the corresponding Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs (MCA), Government of India, as Companies (Indian Accounting Standards) Rules, 2015 under the Companies Act, 2013 and the amendments thereto.

Section I contains IFRS/IAS/IFRIC/SIC corresponding to which Ind AS have not been formulated. Section II contains carve-outs/carve-ins from IFRS Standards in the relevant Ind AS. Section III contains 'Other changes in Indian Accounting Standards vis-à-vis IFRS Standards not resulting in carve outs'.

Section I. IFRS/IAS/IFRIC/SIC corresponding to which Ind AS have not been notified

1. Indian Accounting Standard corresponding to IAS 26, *Accounting and Reporting by Retirement Benefit Plans,* is not being notified as this Standard is not applicable to companies.

2. Indian Accounting Standard corresponding to IAS 39, *Financial Instruments: Recognition and Measurement,* is not issued as India decided early adopt IFRS 9, *Financial Instruments* and not to permit option to entities to adopt the Hedge Accounting of IAS 39.

3. IFRIC 2, Members' Shares in Co-operative Entities and Similar Instruments, is not issued as it is not relevant to the companies and the Ind AS, notified under the Companies Act, 2013, are applicable to Companies incorporated under the Act.

4. SIC 7, *Introduction to Euro*, are considered not relevant to companies in India, hence not issued in India.

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[12] The term 'IFRS Standards' includes not only the International Financial Reporting Standards (IFRSs) issued by the IASB, it also includes pronouncements issued with the titles the International Accounting Standards (IASs), IFRICs and SICs.

CONVERGENCE WITH IFRS STANDARDS AT ALL TIMES
IFRS PRONOUNCEMENTS VERSUS IND AS

ASB, ICAI

IFRS Standards Effective as on 01/01/21	No.	Ind AS Effective as on 01/04/21	No.
IAS	25	Ind AS*	23
IFRS	16	Ind AS	16
Total Standards	**41**	**Total Standards**	**39**
IFRIC	15	Included as Appendix to relevant Ind AS**	14
SIC	5	Included as Appendix to relevant Ind AS**	4
Total Interpretations	**20**	**Total Appendices included in Ind AS**	**18**

*Ind AS corresponding to IAS 26, *Accounting and Reporting by Retirement Benefit Plans* not considered relevant to companies in India, hence not issued.

*IAS 39, *Financial Instruments: Recognition and Measurement*, contains only part relating to hedge accounting which is valid globally as continuation of this is permitted globally. But in India, only IFRS 9 hedge accounting is permitted, hence the part of IAS 39 is not relevant and no equivalent standard issued.

** IFRIC 2, *Members' Shares in Co-operative Entities and Similar Instruments* and SIC 7, *Introduction to Euro*, are considered not relevant to companies in India, hence not issued in India.

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Section II. A. Carve-outs

Carve-outs which are due to differences in application of accounting principles and practices and economic conditions prevailing in India.

Ind AS 1, Presentation of Financial Statements

As per IFRS

IAS 1 requires that in case of a loan liability, if any condition of the loan agreement which was classified as non-current is breached on the reporting date, such loan liability should be classified as current, even if the breach is rectified after the balance sheet date.

Carve Out

Ind AS 1 clarifies that where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. Consequent to this, requirements of paragraph 76 of IAS 1 to treat such events as non-adjusting events are also deleted.

Reason

Under Indian banking system, a long-term loan agreement generally contains a large number of conditions. Some of these conditions are substantive, such as, recalling the loan in case interest is not paid, and some conditions are procedural and not substantive, such as, submission of insurance details or stock statements where the entity has taken the insurance but not submitted the details to the lender at the end of the reporting period. Generally, in case of any procedural breach, a loan is generally not recalled. Also, in many cases, a breach is rectified after the balance sheet date and before the approval of financial statements. Carve out has been made as it is felt that if the breach is rectified after the balance sheet date and before the approval of the financial statements, it would be appropriate that the users are informed about the true nature of liabilities being non-current liabilities instead of current liabilities.

Ind AS 10, Events after the Reporting Period

As per IFRS

According to paragraph 76 of IAS 1, Presentation of Financial Statements, rectification of any breach after the end of the reporting period is a non-adjusting event. Therefore, IAS 10 does not include any clarification in the definition of adjusting event in its paragraph 3.

Carve Out

As a consequence to carve-out ìn Ind AS 1 as stated above, Ind AS 10 (explanation in paragraph 3) provides, in the definition of 'Events after the reporting period' that in case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event.

Ind AS 28*, Investment in Associates and Joint Ventures*

As per IFRS

IAS 28 (paragraph 35) requires that for the purpose of applying equity method of accounting in the preparation of investor's financial statements, uniform accounting policies should be used. In other words, if the associate's accounting policies are different from those of the investor, the investor should change the financial statements of the associate by using same accounting policies.

Carve out

In Ind AS 28 (paragraph 35), the phrase, 'unless impracticable to do so' has been added in the relevant requirements.

Reasons

Certain associates, e.g., regional rural banks (RRBs), being associates of nationalized banks, may not be in a position to use the Ind AS as these may be too advanced for the RRBs. Accordingly, the above-stated words have been included to exempt such associates.

Ind AS 32, *Financial Instruments: Presentation*

As per IFRS

As per definition of financial liability in paragraph 11 and the resultant accounting treatment prescribed under IAS 32, equity conversion option (derivative) in case of foreign currency denominated convertible bonds is considered a derivative liability which is embedded in the bond. Gains or losses arising on account of change in fair value of this derivative need to be recognised in the statement of profit and loss as per IAS 32.

Carve out

In Ind AS 32, an exception has been included to the definition of 'financial liability' in paragraph 11 (b) (ii), whereby conversion option in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments is classified as an equity instrument if the exercise price is fixed in any currency.

Reasons

This treatment as per IAS 32 is not appropriate in instruments, such as, FCCBs since the number of shares convertible on the exercise of the option remains fixed and the amount at which the option is to be exercised in terms of foreign currency is also fixed; merely the difference in the currency should not affect the nature of derivative, i.e., the option. Further, the fair value of the option is based on the fair value of the share prices of the company. If there is decrease in the share price, the fair value of derivative liability would also decrease which would result in recognition of gain in the statement of profit and loss. This would bring unintended volatility in the statement of profit and loss due to volatility in share prices. This will also not give a true and fair view of the liability as in this situation, when the share prices fall, the option will not be exercised. However, it has been considered that if such option is classified as equity, fair value changes would not be required to be recognised. Accordingly, the exception has been made in definition of financial liability in Ind AS 32.

Ind AS 101, *First-time Adoption of Indian Accounting Standards*

(i) Allowing the use of carrying cost of Property, Plant and Equipment (PPE), intangible asset and investment property on the date of transition of Ind AS 101

As per IFRS

IFRS 1 *First- time Adoption of International Accounting Standards* provides that on the date of transition either the items of Property, Plant and Equipment shall be determined by applying IAS 16, *Property, Plant and*

Equipment retrospectively or the same may be measured at fair value on the date of transition *(Appendix D paragraphs D5)* or use the previous GAAP revaluation *(Appendix D paragraphs D6)*. These options are also available for investment property and intangible assets.

Carve out

Paragraph D7AA of Ind AS 101 provides an additional option to use carrying values of all items of property, plant and equipment on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS. This option can also be availed for intangible assets covered by Ind AS 38, Intangible Assets and investment property covered by Ind AS 40, *Investment Property*.

Reason

In case of old companies, retrospective application of Ind AS 16, Ind AS 38, Ind AS 40 or fair values at the date of transition to determine deemed cost may not be possible for old assets. Accordingly, Ind AS 101 provides relief to an entity to use carrying values of all items of property, plant and equipment, intangible assets or investment properties on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.

(ii) Long Term Foreign Currency Monetary Items

As per IFRS

No provision in IFRS 1.

Carve out

Paragraph D13AA of Appendix D to Ind AS 101 provides that a first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. Consequently, Ind AS 21 also provides that it does not apply to long-term foreign currency monetary items for which an entity has opted for the exemption given in paragraph D13AA of Appendix D to Ind AS 101. Such an entity may continue to apply the accounting policy so opted for such long-term foreign currency monetary items.

Reason

Paragraph 46A of AS 11 provides an option to recognise long term foreign currency monetary items in the statement of profit and loss as a part of the cost of property, plant and equipment or to defer its recognition in the statement of profit and loss over the period of loan in case the loan is not related to acquisition of fixed assets. To provide transitional relief, option to continue the capitalisation or deferment of exchange differences, as the case may be, have been given on foreign currency borrowings obtained before the beginning of first Ind AS reporting period.

(iii) Financial Assets or intangible assets accounted for in accordance with Appendix D, Service Concession Arrangements to Ind AS 115, Revenue from Contracts with Customers

As per IFRS

Paragraph D 22 of Appendix D to IFRS 1 provides that a first-time adopter may apply the transitional provisions in IFRIC 12 for account for financial assets or intangible assets.

Carve Out

Paragraph D 22 of Appendix D to Ind AS 101 provides that a first-time adopter may apply the following provisions while applying the Appendix D to Ind AS 115:

i) Subject to paragraph (ii), changes in accounting policies are accounted for in accordance with Ind AS 8, i.e. retrospectively, except for the policy adopted for amortization of intangible assets arising from service concession arrangements related to toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP.

ii) If, for any particular service arrangement, it is impracticable for an operator to apply this Appendix retrospectively at the date of transition to Ind AS, it shall:

   (a) recognise financial assets and intangible assets that existed at the date of transition to Ind ASs;

   (b) use the previous carrying amounts of those financial and intangible assets (however previously classified) as their carrying amounts as at that date; and

   (c) test financial and intangible assets recognised at that date for impairment, unless this is not practicable, in which case the amounts shall be tested for impairment as at the start of the current period.

iii) There are two aspects to retrospective determination: reclassification and re-measurement. It will usually be practicable to determine retrospectively the appropriate classification of all amounts previously included in an operator's Balance Sheet, but that retrospective re-measurement of service arrangement assets might not always be practicable. However, the fact should be disclosed.

As a consequence to the above, paragraph 7AA has been inserted in Ind AS 38 to scope out the entity, to apply amortisation method, that opts to amortise the intangible assets arising from service concession arrangements in respect of toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS reporting period as per the exception given in paragraph D22 of Appendix D to Ind AS 101.

Reason

Schedule II to the Companies Act, 2013, allowed companies to use revenue-based amortisation of intangible assets arising from service concession arrangements related to toll roads while Ind AS 38, *Intangible Assets*, allows revenue based amortisation only in the circumstances in which the predominant limiting factor that is inherent in an intangible asset is the achievement of revenue threshold. In order to provide relief to such entities, Ind AS 38 and Ind AS 101 have been amended to allow the entities to continue to use the accounting policy adopted for amortization of intangible assets arising from service concession arrangements related to toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial statements. In other words, Ind AS 38 would be applicable to the amortisation of intangible assets arising from service concession arrangements related to toll roads entered into after the implementation of Ind AS.

Ind AS 103, *Business Combinations*

As per IFRS

IFRS 3 (paragraph 34) requires bargain purchase gain arising on business combination to be recognised in profit or loss as income.

Carve out

Ind AS 103 requires the bargain purchase gain to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve. A similar carve-out is made in Ind AS 28, *Investments in Associates and Joint Ventures.*

Reasons

Since bargain purchase gain occurs at the time of acquiring a business, these are considered as capital reserve in continuation of the practice then prevailing in the Indian GAAP.

Section II. B. Additional Guidance under Ind AS 103, *Business Combinations* (Carve-in)

IFRS 3 (paragraph 2(c) excludes from its scope business combinations of entities under common control. Appendix C of Ind AS 103, *Business Combinations* gives guidance in this regard. Therefore, this is additional guidance under Ind AS that is not available under IFRS Standards.

Section III. Other changes in Indian Accounting Standards vis-a-vis IFRS not resulting in carve-outs

Ind AS 1, *Presentation of Financial Statements*

1. With regard to preparation of statement of profit and loss, IAS 1 provides an option either to follow the single statement approach or to follow the two-statement approach. An entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections or an entity may present the profit or loss section in a separate statement of profit or loss which shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.

   Ind AS 1 allows only the single statement approach with profit or loss and other comprehensive income presented in two sections.

2. IAS 1 gives the option to individual entities to follow different terminology for the titles of financial statements. Ind AS 1 is changed to remove alternatives by giving one terminology to be used by all entities.

3. IAS 1 permits the periodicity, for example, of 52 weeks for preparation of financial statements. Ind AS 1 does not permit it.

4. IAS 1 requires an entity to present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the equity. Ind AS 1 requires only nature-wise classification of expenses.

5. Paragraphs 29 of IAS 1 requires that items of dissimilar nature or function shall be presented separately unless these are immaterial and paragraph 31 provides that specific disclosure required by IFRS need not be provided if the information is not material. In Ind AS 1, such paragraphs have been modified to include words 'except when required by law'.

6. Paragraph 106(d)(iv) of Ind AS 1 dealing with disclosures regarding reconciliation between the carrying amount at the beginning and the end of the period for each component of equity, has been amended to

include disclosure regarding recognition of bargain purchase gain arising on business combination in line with treatment prescribed in this regard in Ind AS 103.

Ind AS 2, *Inventories*

Paragraph 38 of IAS 2 dealing with recognition of inventories as an expense based on function-wise classification, has been deleted keeping in view the fact that option provided in IAS 1 to present an analysis of expenses recognised in profit or loss using a classification based on their function within the entity has been removed and Ind AS 1 requires only nature-wise classification of expenses.

Ind AS 7, *Statement of Cash Flows*

1. In case of entities other than financial entities, IAS 7 (paragraph 33) gives an option to classify the interest paid and interest and dividends received as item of operating cash flows. Ind AS 7 does not provide such an option and requires these items to be classified as items of financing activity and investing activity, respectively.

2. IAS 7 (paragraph 34) gives an option to classify the dividend paid as an item of operating activity. However, Ind AS 7 requires it to be classified as a part of financing activity only.

Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

Some of the IFRS Standards are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether or not it is an integral part of IFRSs. Guidance that is an integral part of the IFRSs is mandatory. Guidance that is not an integral part of the IFRSs does not contain requirements for financial statements. The above position has been explained in paragraph 9 of IAS 8. Only guidance that is an integral part of IFRS Standards has been included in corresponding Ind ASs. Accordingly, paragraph 9 of Ind AS 8 has been suitably reworded.

Ind AS 12, *Income Taxes*

1. Since fair value model is not allowed in Ind AS 40, paragraphs 20 and 51E of Ind AS 12 have been modified by not giving reference of Ind AS 40 and consequently paragraphs 51C-51D have been deleted.

2. IAS 12 (paragraph 68(b) provides that acquired deferred tax benefits recognised within the measurement period that results from new information about facts and circumstances existed at the acquisition date shall be applied to reduce the carrying amount of goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognised in profit or loss. As a consequence of different accounting treatment of bargain purchase gain prescribed in Ind AS 103, in comparison to IFRS 3, Ind AS 12 provides that if the carrying amount of such goodwill is zero, any remaining deferred tax benefits shall be recognised in other comprehensive income and accumulated in equity as capital reserve or recognised directly in capital reserve.

Ind AS 16, Property, Plant and Equipment

1. Paragraph 5 of Ind AS 16 has been modified, since Ind AS 40, *Investment Property*, prohibits the use of fair value model.

2. Paragraph 12 of Appendix B has been modified by giving example of types of costs that would be included as directly attributable overhead costs of the stripping activity asset. Paragraph 13A has been added in Appendix B to provide guidance on allocation basis.

Ind AS 19, *Employee Benefits*

1. According to Ind AS 19 (paragraph 83), the rate to be used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to the market yields on government bonds whereas under IAS 19 (paragraph 83), the government bonds can be used only where there is no deep market of high quality corporate bonds. However, requirements given in IAS 19 in this regard have been retained with appropriate modifications for currencies other than Indian rupee.

2. To illustrate treatment of gratuity subject to ceiling under Indian Gratuity Rules, an example has been added in Ind AS 19 (paragraph 73).

3. Paragraphs 172 to 177 of IAS 19 have not been included as these paragraphs relate to transition and effective date that are not relevant in Indian context. Paragraph 178 has not been included as it refers to amendments due to issuance of IFRS 17, Insurance Contracts, for

which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IAS 19, the paragraph numbers are retained in Ind AS 19.

Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*

When there is a change in functional currency, IAS 21 (paragraph 54) requires disclosure of that fact and the reason for the change in functional currency. Ind AS 21 requires an additional disclosure of the date of change in functional currency.

Ind AS 23, *Borrowing Costs*

IAS 23 provides no guidance as to how the adjustment prescribed in paragraph 6(e) is to be determined. Ind AS 23 provides guidance (paragraph 6A) in this regard.

Ind AS 24, *Related Party Disclosures*

1. In Ind AS 24 (paragraphs 4A and 4B), disclosures which conflict with confidentiality requirements of statute/regulations are not required to be made since Accounting Standards cannot override legal/regulatory requirements.

2. Paragraph 24A (reproduced below) has been included in the Ind AS 24. It provides additional clarificatory guidance regarding aggregation of transactions for disclosure.

   "24A Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure."

3. Paragraph 14 of Ind AS 24 has been modified to explain the rationale for disclosing related party relationship when control exists.

4. In Ind AS 24 paragraph 21, clause '(k) management contracts

including for deputation or employees' has been added in the example of transactions that are disclosed if they are with related party.

5. In paragraph 9, 'Definition of close members of the family of a person' has been amended to include brother, sister, father and mother in the category of family members who may be expected to influence or be influenced.

Ind AS 27, *Separate Financial Statements*

1. IAS 27 (paragraph 17(a) requires to disclose the reason for preparing separate financial statements if not required by law. In India, since the Companies Act mandates preparation of separate financial statements, such requirement has been removed in Ind AS 27.

2. IAS 27 (paragraph 10(c) allows the entities to use the equity method to account for investment in subsidiaries, joint ventures and associates in their Separate Financial Statements (SFS). This option is not given in Ind AS 27, as the equity method is not a measurement basis like cost and fair value but is a manner of consolidation and therefore would lead to inconsistent accounting conceptually.

Ind AS 29, *Financial Reporting in Hyperinflationary Economies*

Clause (d) in paragraph 39 of Ind AS 29 has been added which requires an additional disclosure regarding the duration of the hyperinflationary situation existing in the economy as compared to IAS 29.

Ind AS 33, *Earnings per Share*

1. IAS 33 (paragraph 4) provides that when an entity presents both consolidated financial statements and separate financial statements, it may give EPS related information in consolidated financial statements only, whereas, Ind AS 33 (paragraph 4) requires EPS related information to be disclosed both in consolidated financial statements and separate financial statements.

2. Paragraph 2 of IAS 33 requires that the entire standard applies to:

    (a) the separate or individual financial statements of an entity:

        (i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or

(ii) that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory organisation for the purpose of issuing ordinary shares in a public market; and

(b) the consolidated financial statements of a group with a parent:

(i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or

(ii) that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory organisation for the purpose of issuing ordinary shares in a public market.

It also requires that an entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with this Standard.

The above requirements have been deleted in the Ind AS as the applicability or exemptions to the Ind AS are governed by the Companies Act and the Rules made there under.

3. Paragraph 4 has been modified in Ind AS 33 to clarify that an entity shall not present in separate financial statements, earnings per share based on the information given in consolidated financial statements, besides requiring as in IAS 33, that earnings per share based on the information given in separate financial statements shall not be presented in the consolidated financial statements.

4. In Ind AS 33, a paragraph has been added after paragraph 12 on the following lines -

"Where any item of income or expense which is otherwise required to be recognised in profit or loss in accordance with Indian Accounting Standards is debited or credited to securities premium account/other reserves, the amount in respect thereof shall be deducted from profit or loss from continuing operations for the purpose of calculating basic earnings per share."

5. In Ind AS 33 paragraph 15 has been amended by adding the phrase, 'irrespective of whether such discount or premium is debited or credited to securities premium account' to further clarify that such discount or premium shall also be amortised to retained earnings.

6. IAS 33 (paragraphs 67A and 68A) requires disclosure of amounts of per share using a reported component, and basic and diluted earnings per share for discontinued operations in the separate income statement, where separate income statement is presented. This requirement is not provided in Ind AS 33 consequential to the removal of option regarding two statement approach in Ind AS 1. Ind AS 1 requires that the components of profit or loss and components of other comprehensive income shall be presented as a part of the statement of profit and loss.

Ind AS 34, *Interim Financial Reporting*

1. A footnote has been added to paragraph 1 of Ind AS 34, *Interim Financial Reporting* that Unaudited Financial Results required to be prepared and presented under Clause 41 of Listing Agreement with stock exchanges is not an 'Interim Financial Report' as defined in paragraph 4 of this Standard.

2. IAS 34 (paragraphs 8A and 11A) *provides* option either to follow single statement approach or to follow two statement approaches. Ind AS 34 allows only single statement approach on the lines of Ind AS 1, *Presentation of Financial Statements,* which also allows only single statement approach.

Ind AS 36, *Impairment of Assets*

Paragraph 2(f) of IAS 36 provides that this standard is not applied to the accounting for impairment of investment property that is measured at fair value. Paragraph 2(f) is deleted in Ind AS 36 as Ind AS 40 requires cost model for measurement of investment property.

Ind AS 40, *Investment Property*

IAS 40 (paragraph 30) permits both cost model and fair value model (except in some situations) for measurement of investment properties after initial recognition. Ind AS 40 permits only the cost model. Fair value model is not permitted because the unrealised gain and losses would have been required to be recognised in the statement of profit and loss. There may not be deep liquid active markets available in India to appropriately determine the fair value of investment property in India

Ind AS 101, *First-time Adoption of Indian Accounting Standards*

1. IFRS 1 (Appendix A) defines previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS. While, Ind AS 101 (Appendix A) defines previous GAAP as the basis of accounting that a first-time adopter used for its reporting requirement in India immediately before adopting Ind AS. The changes made it mandatory for Indian entities to consider the financial statements prepared in accordance with notified Accounting Standards as was applicable to them as previous GAAP when it transitions to Ind AS.

2. Paragraph 3 of Ind AS 101 specifies that an entity's first Ind AS financial statements are the first annual financial statements in which the entity adopts Ind AS in accordance with Ind AS notified under the Companies Act, 2013 whereas IFRS 1 provides various examples of first IFRS financial statements.

3. IFRS 1 (Paragraph 4, 4A, 4B, 23A and 23B) provide various examples of instances when an entity does not apply this IFRS. Ind AS 101 does not provide the same.

4. IFRS 1 (paragraph C4(c)) requires the first-time adopter shall exclude from its opening Ind AS Balance Sheet any item recognised in accordance with previous GAAP that does not qualify for recognition as an asset or liability under IFRS. The first-time adopter shall account for the resulting change in the retained earnings as at the transition date except in certain specific instances where it requires adjustment in the goodwill. In such specific instances where IFRS 1 allows adjustment in the goodwill, under Ind AS 101 it can be adjusted with the Capital Reserve to the extent such adjustment amount does not exceed the balance available in Capital Reserve.

5. Certain exemptions in Appendix D of IFRS 1 refer to transitional provisions of other IFRSs. However, Ind ASs do not provide transitional provisions, accordingly, wherever considered appropriate transitional provision in other IFRSs has been incorporated in the respective exemptions in Appendix D of Ind AS 101. The following

paragraphs in IFRS 1 provide the transitional provisions of other IFRSs which are included in Ind AS 101:

(i) Paragraph D4 includes the transitional provisions of IFRS 4 *Insurance Contracts*;

(ii) Paragraph D22 includes the transitional provisions of IFRIC 12 *Service Concession Arrangements*;

(iii) Paragraph D25 includes the transitional provisions of IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*;

(iv) Paragraph D31 includes the transitional provisions of IFRS 11 *Joint Arrangements*;

(v) Paragraph D32 includes the transitional provisions of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine;*

and

(vi) Paragraph D34 and D35 includes the transitional provisions of IFRS 15 *Revenue from contracts with customer*.

6. IFRS 1 provides for various optional exemptions that an entity can seek while an entity transitions to IFRS from its previous GAAP. Similar provisions have been retained under Ind AS 101. However, there are few changes that have been made, which can be broadly categorized as follows:

(a) Elimination of effective dates prior to transition date to Ind AS. IFRS 1 provides for various dates from which a standard could have been implemented. For example,

Paragraph D2 of IFRS 1 provides that an entity is encouraged, but not required, to apply IFRS 2, *Share-based Payment* to equity instruments that were granted on or before 7 November 2002 or to instruments that were granted after 7 November 2002 and vested before the later of (a) the date of transition to IFRS and (b) 1 January 2005. However, for Ind AS 101 purposes, all these dates have been changed to coincide with the transition date elected by the entity adopting these converged standards i.e. Ind AS.

(b) Deletion of borrowing cost exemptions not relevant for India:

Paragraph D23 of IFRS 1 provides for transitional adjustment requiring companies to apply the provisions of IAS 23 prospectively after the transition date to IFRS. IAS 23 provided an option to expense out such borrowing cost. However, this paragraph has not been included in Appendix D of Ind AS 101 since this was considered as not relevant in Indian situation as Accounting Standard 16 always required an entity to capitalize borrowing costs.

7. Paragraphs E1-E2 of Appendix E of IFRS 1 provides for 'Short-term exemptions from IFRS', however Ind AS 101 does not provide the above said short-term exemption.

8. Paragraph D9AA of Ind AS 101 provides that when a lease includes both land and building elements, a first time adopter may assess the classification of each element as finance or an operating lease at the transition date to Ind AS on the basis of the facts and circumstances existing as at that date. If there is any land lease newly classified as finance lease then the first time adopter may recognise assets and liability at fair value on that date; any difference between those fair values is recognised in retained earnings.

9. Paragraph D7(a) of IFRS 1 provides that option to take fair value at the date of transition to Ind AS or previous GAAP revalued amount may be exercised by a first item adopter for investment property. However, this option has not been provided under Ind AS 101, as Ind AS 40 permits only the cost model.

Ind AS 104 *Insurance Contracts*

1. IFRS 4 contains provisions that address concerns arising from the different effective dates of IFRS 9 and the forthcoming Insurance Contracts Standard, IFRS 17. IFRS 4 provides two optional approaches: a temporary exemption from applying IFRS 9; and an overlay approach. It provides the following two options for entities that issue insurance contracts within the scope of IFRS 4:

    - the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued; and

- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2023.

The above optional exemptions have not been provided under Ind AS 104.

In the context of optional temporary exemptions from applying IFRS 9, paragraphs 3 and 5 have been amended and paragraphs 20A-20Q, 35A-35N, 39B-39M, 46-49 have been added in IFRS 4. Since temporary optional exemptions have not been provided under Ind AS 104, these paragraphs have not been included in Ind AS 104.

Amendments to *Interest Rate Benchmark Reform—Phase 2* added paragraphs 20R-20S in IFRS 4 which prescribes that an insurer applying the temporary exemption from IFRS 9 shall read certain paragraph references of IAS 39 in place of paragraph references of IFRS 9. Since temporary optional exemptions have not been provided under Ind AS 104, these paragraphs have not been included in Ind AS 104. However, paragraph numbers have been retained in Ind AS 104 to maintain consistency with IFRS 4

2. Paragraphs 40-41F, and 41H, and 42-51 related to effective date and transition have not been included in Ind AS 104 as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 4, these paragraph numbers are retained in Ind AS 104

Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations*

1. IFRS 5 prescribes the conditions for classification of a non-current asset (or disposal group) as held for sale. In Ind AS 105, a clarification has also been added in paragraph 7 that the non-current asset (or disposal group) cannot be classified as held for sale, if the entity intends to sell it in a distant future.

2. IFRS 105 (paragraph 5(d) deals with non-current assets that are accounted for in accordance with the fair value model in IAS 40. Since Ind AS 40 prohibits the use of fair value model, this has not been included in Ind AS 105.

3. IFRS 5 (paragraph 33A) requires presentation of discontinued operations in the separate income statement, where separate income

statement is presented. This requirement is not provided in Ind AS 105 consequential to the removal of option regarding two statement approach in Ind AS 1. Ind AS 1 requires that the components of profit or loss and components of other comprehensive income shall be presented as a part of the statement of profit and loss.

4. Ind AS 101 provides transitional relief, similar to the transitional provisions in IFRS 5, that while applying Ind AS 105, an entity may use the transitional date circumstances to measure such assets or operations at the lower of carrying value and fair value less cost to sell. This would facilitate smooth convergence with Ind AS.

Ind AS 106, *Exploration for and Evaluation of Mineral Resources*

Paragraph 26 of IFRS 6 related to Effective Date has not been included in Ind AS 106 since it is not relevant in Indian context. The transitional provisions given in IFRS 6 have not been given in Ind AS 106, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards.*

Ind AS 107, *Financial Instruments: Disclosures*

1. The transitional provisions given in IFRS 7 have not been given in Ind AS 107, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, First-time Adoption of Indian Accounting Standards corresponding to IFRS 1, First-time Adoption of International Financial Reporting Standards.

2. Paragraphs 42I-42S of IFRS 7 have not been included in Ind AS 107 as these paragraphs relate to initial application of IFRS 9 which are not relevant in Indian context. Paragraphs 43-44BB related to effective date and transition given in IFRS 7 have not been given in Ind AS 107 since it is not relevant in Indian context.

Ind AS 108, *Operating Segments*

1. Paragraph 2 of IFRS 8 requires that the standard shall apply to:

    a) the separate or individual financial statements of an entity:

        (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or

(ii) that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and

b) the consolidated financial statements of a group with a parent:

(i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or

(ii) that files, or is in the process of filing, the consolidated financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

The above have been deleted in the Ind AS 108 as the applicability or exemptions to the Indian Accounting Standards are governed by the Companies Act and the Rules made thereunder.

2. The transitional provisions given in IFRS 108 has not been given in Ind AS 108, since all transitional provisions related to Ind ASs, wherever considered appropriate, have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards,* corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards.*

Ind AS 109, *Financial Instruments*

1. Paragraph 7.2.21 of IFRS 9 provides an option to the entities to choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9. Accordingly, paragraphs 7.2.22 to 26 contain certain further requirements in this regard. Ind AS 109 does not provide this option accordingly, these paragraphs are not given in Ind AS 109.

2. Paragraph 6.1.3 of IFRS 9 provides an option to apply requirements of IAS 39, Financial Instruments: Recognition and Measurement for fair value hedge of the interest rate exposure of a portfolio of financial

assets or financial liabilities. The said option has been removed in Ind AS 109. Accordingly, paragraph 6.1.3 has been deleted and following paragraphs have also been modified:

(i) Paragraph 5.2.3

(ii) Paragraph 5.3.2

(iii) Paragraph 5.7.1

(iv) Paragraphs 5.7.2-5.7.3

3. Paragraphs 7.1.1 to 7.1.3 of IFRS 9 related to effective date have not been included in Ind AS 109 as these paragraphs are not relevant in Indian context. Paragraph 7.1.6 has not been included as it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. Paragraph 7.1.9 has not been included as it refers to amendments to paragraph B3.3.6 of IFRS 9, for which corresponding amendments to Ind AS 109 are under formulation.

4. Following paragraphs related to transition have not been included as these paragraphs are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 9, the paragraph numbers are retained in Ind AS 109:

(i) Paragraph 7.2.2

(ii) Paragraphs 7.2.6-7.2.7

(iii) Paragraphs 7.2.12-7.2.13

(iv) Paragraphs 7.2.14A-7.2.25

(v) Paragraphs 7.2.26(a)-(c)

(vi) Paragraphs 7.2.27-7.2.28

5. Paragraphs 7.2.35 to 7.2.42 of IFRS 9 relate to amendments/standard not yet effective in India, hence not included in Ind AS 109. However, in order to maintain consistency with paragraph numbers of IFRS 9, these paragraph numbers are retained in Ind AS 109.

Ind AS 110, Consolidated Financial Statements

1. One of the essential requirements (under both IFRS 10 and Ind AS 110) for an entity to qualify as an investment entity is that the entity measures and evaluates the performance of substantially all of its

investments on a fair value basis. In this context, IFRS 10 paragraph B85L(a) provides that to meet this requirement, an entity would need to elect to account for any investment property using the fair value model in IAS 40, *Investment Property*. Ind AS 40, *Investment Property*, requires investment property to be measured using cost model, i.e., at cost initially and at cost less depreciation subsequently; fair value model is not permitted. Consequently, paragraph B85L(a) of IFRS 10 has not been included in Ind AS 110.

2. Appendix C of IFRS 10 dealing with effective date, transition and withdrawal of other IFRSs has not been included in Ind AS 10, due to the following reasons:

   (i) Effective date is not relevant as the date of application will be notified under the Companies Act.

   (ii) Transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards,* corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards.*

   (iii) Paragraphs dealing with withdrawal of other IFRSs are not relevant.

Ind AS 111, *Joint Arrangements*

1. Ind AS 111 refers to the accounting specified in Appendix C '*Business Combinations under Common Control'* of Ind AS 103 for the acquisition of an interest in a joint operation when the parties sharing joint control, including the entity acquiring the interest in the joint operation, are under the common control of the same ultimate controlling party or parties both before and after the acquisition, and that control is not transitory. While IFRS 11 scopes out the same as IFRS 3, *Business Combinations,* does not deal with business combinations under common control.

2. Paragraph C1 of Appendix C of IFRS 11 refers to Effective date that has not been included since the same is not relevant as the date of application is notified under the Companies Act. Paragraphs C1A and C1AA related to transitional provisions have not been included since, transitional provisions wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting*

Standards, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards.*

Ind AS 113, *Fair Value Measurement*

1. Paragraph 7(b) of IFRS 13 refers to IAS 26, *Accounting and Reporting by Retirement Benefit Plans,* which is not relevant for the companies. Hence, the paragraph is deleted in Ind AS 113.

2. Paragraphs C1-C5 of IFRS 13 have not been included in Ind AS 113 as these paragraphs relate to effective date and transition which are not relevant in Indian context.

Ind AS 114, *Regulatory Deferral Accounts*

1. Appendix A 'Defined terms' of Ind AS 114 have been modified to clarify that Guidance Note of Accounting for Rate Regulated Activities would be considered as the previous GAAP for the purpose of Ind AS 114.

2. Under paragraph 6 of Ind AS 114, a footnote has been added to clarify the application of requirements of previous GAAP in the case of an entity subject to rate regulation coming into existence after Ind AS coming into force or an entity whose activities become subject to rate regulation as defined in this Ind AS subsequent to preparation and presentation of its first Ind AS financial statements.

Ind AS 115, *Revenue from Contracts with Customers*

1. Paragraph of 51 of IFRS 15, simply mentions the word 'penalties' as an item because of which amount of consideration can vary. It does not differentiate between different types of penalties. Paragraph 51 of Ind AS 115 has been amended to exclude 'penalties' from the list of examples given in the paragraph 51 due to which an amount of consideration can vary and paragraph 51AA has been added in Ind AS 115 to provide that penalties shall be accounted for as per the substance of the contract. Where the penalty is inherent in determination of transaction price, it shall form part of variable consideration, otherwise the same should not be considered for determining the consideration and the transaction price shall be considered as fixed.

2. Paragraph 109AA has been inserted in Ind AS 115 to require an entity

to present separately the amount of excise duty included in the revenue recognised in the statement of profit and loss.

3. Paragraph 126AA in Ind AS 115 has been inserted to present reconciliation of the amount of revenue recognised in the statement of profit and loss with the contracted price showing separately each of the adjustments made to the contract price specifying the nature and amount of each such adjustment separately.

4. In Appendix B 'Application Guidance' of Ind AS 115, paragraph B20AA has been inserted to explain the accounting treatment in case of transfers of control of a product to a customer with an unconditional right of return.

5. Paragraphs C1B, C8A and C9 of Appendix C and paragraphs 28 and 28E of Appendix D related to effective date and transition have been deleted due to following reasons:

    (a) Paragraphs C1B and C8A are not relevant in Indian context as the same refer to application of these amendments in case where IFRS 15 was initially applied before issuance of amendments to the standard.

    (b) Paragraph C9 refers to application of IAS 39, *Financial Instruments*, which is not relevant in Indian context.

    (c) Paragraphs 28 and 28E of Appendix D are not relevant in Indian context as the same relate to effective date of IFRIC 12.

Ind AS 116, *Leases*

1. With regard to subsequent measurement, paragraph 34 of IFRS 16 provides that if lessee applies fair value model in IAS 40 to its investment property, it shall apply that fair value model to the right-of-use assets that meet the definition of investment property. Since Ind AS 40, *Investment Property*, does not allow the use of fair value model, paragraph 34 has been deleted in Ind AS 116.

2. Paragraph 50(b) of IFRS 16 requires to classify cash payments for interest portion of lease liability applying requirements of IAS 7, Statement of Cash Flows. IAS 7 provides option of treating interest paid as operating or financing activity. However, Ind AS 7 requires interest paid to be treated as financing activity only. Accordingly, paragraph 50(b) has been modified in Ind AS 116 to specify that cash

payments for interest portion of lease liability will be classified as financing activities applying Ind AS 7.

3. Paragraph C20 of Appendix C, *Effective Date and Transition*, dealing with interchange of reference of IFRS 9 to IAS 39 if entity does not apply IFRS 9 has been deleted since India has early adopted Ind AS 109, corresponding to IFRS 9.

Terminology Changes in Ind AS

Different terminology is used, as used in existing laws e.g.,, the term 'balance sheet' is used instead of 'Statement of financial position', 'Statement of profit and loss' is used instead of 'Statement of comprehensive income'. The words 'approved the financial statements for issue' have been used instead of 'authorised the financial statements for issue' in the context of financial statements considered for the purpose of events after the reporting period.

Notes:

1. **Differences between Indian Accounting Standards (Ind AS) and corresponding IFRS are given in Appendix 1 at the end of each Indian Accounting Standard.**

2. **Apart from the changes in IFRS as a result of carve-outs and other changes as described in above section III, some other changes consequential thereto have also been made in Ind AS, wherever required.**

Major Differences between Ind AS and AS notified under Companies (Accounting Standards) Rules, 2021[13]

Ind AS 1, *Presentation of Financial Statements*, and AS 1, *Disclosure of Accounting Policies*

Ind AS 1 deal with presentation of financial statements, whereas AS 1 deal only with the disclosure of accounting policies. The scope of Ind AS 1 is thus much wider and some of its requirements are contained in other ASs e.g. AS 5 and, therefore, line by line comparison of the differences between Ind AS 1 and AS 1 is not possible. Therefore, the differences between Ind AS 1 and Indian GAAP are divided into following parts and summarised below.

Part 1 Ind AS 1 requirement not covered in any AS

(i) Complete set of Financial Statements: Ind AS 1 prescribes what comprises a complete set of financial statements such as balance sheet, statement of profit and loss, statement of changes in equity, statement of cash flows, notes, comprising significant accounting policies, and comparative information in respect of preceding period.

(ii) Purpose and General Features of Financial Statements: Ind AS 1 lays down purpose of financial statements and general feature of financial statements such as True and Fair view and compliance with Ind ASs. An enterprise shall make an explicit statement in the financial statements of compliance with all the Indian Accounting Standards. Further, Ind AS 1 allows deviation from a requirement of an accounting standard in case the management concludes that compliance with Ind AS will be misleading and if the regulatory framework requires or does not prohibit such a departure.

[13] There are certain subjects on which Ind AS are issued but no specific AS deals with the same. Accordingly, this section covers differences only where there are AS notified under Companies (Accounting Standards) Rules, 2021 on the subject.

(iii) Off-setting: Ind AS 1 state that an entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS.

(iv) Frequency of reporting: Ind AS 1 requires an entity to present a complete set of financial statements (including comparative information) at least annually.

(v) Structure and Contents: Ind AS 1 requires an entity

- to clearly identify the financial statements and distinguish them from other information in the same published document.
- To give information about the name of the entity, whether financial statements are of individual entity of group of entities, presentation currency and level of rounding off.

(vi) Balance sheet:

- Prescribes certain line items to be presented in the balance sheet and permits presentation of additional line items;
- Ind AS 1 requires presentation and provides criteria for classification of Current / Non- Current assets / liabilities.
- Ind AS 1 requires presentation of balance sheet as at the beginning of the earliest period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in the financial statements, or when it reclassifies items in its financial statements.

(vii) Statement of profit and loss:

- Ind AS 1 requires that an entity shall present a single statement of profit and loss, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section.
- Ind AS 1 prohibits presentation of any item as 'Extraordinary Item' in the statement of profit and loss or in the notes.
- Ind AS 1 requires classification of expenses to be presented based on nature of expenses

(viii) In respect of reclassification of items, Ind AS 1 requires disclosure of nature, amount and reason for reclassification in the notes to financial statements.

(ix) Ind AS 1 requires the financial statements to include a 'Statement of Changes in Equity' to be shown as a separate statement, which, inter alia, includes reconciliation between opening and closing balance for each component of equity.

(x) As per Ind AS 1, an entity shall include certain comparative information for understanding the current period's financial statements.

(xi) Ind AS 1 clarifies that long-term loan arrangement need not be classified as current on account of breach of a material provision, for which the lender has agreed to waive before the approval of financial statements for issue. (Paragraph 74 of Ind AS 1)

Part 2 Ind AS 1 requirements vis-a-vis AS 1

(i) Fundamental accounting assumptions: Ind AS 1 requires adherence to accrual basis of accounting. Whereas AS 1 only requires disclosure if this fundamental accounting assumption, among others like going concerns and consistency, is not followed by the entity.

(ii) Rectification of accounting policies: Ind AS 1 explicitly states that an entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.

(iii) Sources of estimation uncertainty: Ind AS 1 requires to disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Ind AS 2, *Inventories* and AS 2*, Valuation of Inventories*

(i) Ind AS 2 deals with the subsequent recognition of cost/carrying amount of inventories as an expense, whereas AS 2 does not provide the same. (Paragraphs 1 and 34 of Ind AS 2)

(ii) Ind AS 2 does not apply to measurement of inventories held by commodity broker-traders, who measure their inventories at fair value less costs to sell. However, this aspect is not there in AS 2. Accordingly, Ind AS 2 defines fair value and provides an explanation in respect of distinction between 'net realisable value' and 'fair value'. AS 2 does not contain the definition of fair value and such explanation.

(iii) Ind AS 2 provides detailed guidance in case of subsequent assessment of net realisable value (refer paragraph 33 of Ind AS 2). It also deals with the reversal of the write-down of inventories to net realisable value to the extent of the amount of original write-down, and the recognition and disclosure thereof in the financial statements. AS 2 does not deal with such reversal.

(iv) Inventories held by producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products are excluded from only the measurement requirements of Ind AS 2. However, AS 2 excludes from its scope such types of inventories. But both the standards provides guidance on measurement of such inventories (refer paragraph 2 of AS 2 and paragraphs 4 and 20 of Ind AS 2).

(v) AS 2 specifically provides that the formula used in determining the cost of an item of inventory should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition whereas Ind AS 2 does not specifically state so and requires the use of consistent cost formulas for all inventories having a similar nature and use to the entity. (Paragraphs 25 and 26 of Ind AS 2)

(vi) Ind AS *2* requires more disclosures as compared to AS 2. (Paragraph 36 of the Ind AS *2*)

Ind AS 7, *Statement of Cash Flows* and AS 3, *Cash Flow Statements*

(i) Ind AS 7 specifically includes bank overdrafts which are repayable on demand as a part of cash and cash equivalents, whereas AS 3 is silent on this aspect. (Paragraph 8 of Ind AS 7)

(ii) Ind AS 7 provides the treatment of cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale in the ordinary course of business as cash flows from operating activities. Further, treatment of cash receipts from rent and subsequent sale of such assets as cash flow from operating activity is also provided (refer paragraph 14 of Ind AS 7). AS 3 does not contain such requirements.

(iii) Ind AS 7 includes the following examples of cash flows arising from financing activities (refer paragraph 17 of Ind AS 7) which are not mentioned in AS 3:

(a) cash payments to owners to acquire or redeem the entity's shares;

(b) cash proceeds from mortgages;

(c) cash payments by a lessee for the reduction of the outstanding liability relating to a lease.

(iv) As compared to AS 3, Ind AS 7 specifically requires adjustment of the profit or loss for the effects of 'undistributed profits of associates while determining the net cash flow from operating activities using the indirect method. (Paragraph 20(b) of the Ind AS 7)

(v) AS 3 requires cash flows associated with extraordinary items to be separately classified as arising from operating, investing and financing activities, whereas Ind AS 7 does not contain this requirement.

(vi) As compared to AS 3, Ind AS 7 requires an entity (except an investment entity) to disclose the amount of cash and cash equivalents and other assets and liabilities in the subsidiaries or other businesses over which control is obtained or lost (refer paragraph 40(c) and (d) of Ind AS 7). Ind AS 7 also requires to report the aggregate amount of the cash paid or received as consideration for obtaining or losing control of subsidiaries or other businesses in the statement of cash flows, net of cash and cash equivalents acquired or disposed of as a part of such transactions, events or changes in circumstances (refer paragraph 42 of Ind AS 7). AS 3 does not contain such requirements.

(vii) Ind AS 7 requires to classify cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control as cash flows from financing activities (refer paragraphs 42A and 42B of Ind AS 7). AS 3 does not contain such a requirement.

(viii) Ind AS 7 mentions the use of equity or cost method while accounting for an investment in an associate, joint venture or a subsidiary (refer paragraph 37 of Ind AS 7). It also specifically deals with the reporting of interest in an associate or a joint venture using equity method (refer paragraph 38 of Ind AS 7). AS 3 does not contain such requirements.

(ix) With regard to cash flows arising from transaction in a foreign currency, Ind AS 7 requires it to be recorded in an entity's functional currency while AS 3 requires it to be recorded in an entity's 'reporting currency'. Ind AS 7 also deals with translation of cash flows of a foreign subsidiary (refer paragraphs 25 to 27 of Ind AS 7) whereas AS 3 do not deal with it.

(x) Ind AS 7 requires disclosure of changes in liabilities arising from financing activities, both changes i.e. changes arising from cash flows and non-cash changes. AS 3 does not contain such requirement.

(xi) Ind AS 7 requires more disclosures, i.e. additional information that may be relevant to understanding the financial position and liquidity of an entity, as compared to AS 3. (Refer Paragraph 50 of the Ind AS 7)

Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and AS 5, *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies* and AS 1, *Disclosure of Accounting Policies*

(i) There are some differences in the scope of the two standards. For example, Ind AS 8 deals with the criteria for selecting and applying accounting policies unlike AS 5. Under ASs, selection of accounting policies is dealt with in AS 1, *Disclosure of Accounting Policies*.

(ii) Under Ind ASs, presentation of any items of income or expense as extraordinary items is explicitly prohibited by Ind AS 1. AS 5, on the other hand, requires separate presentation of extraordinary items in the statement of profit and loss. AS 5 defines extraordinary items as income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. As per AS 5, extraordinary items should be disclosed in the statement of profit and loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item should be separately disclosed in the statement of profit and loss in a manner that its impact on current profit or loss can be perceived.

(iii) AS 5 mandates accounting policy change even in case where the adoption of a different accounting policy is required by a statute. Ind AS 8 does not have such a requirement.

(iv) Ind AS 8 requires that, subject to limited exceptions, changes in accounting policies should be accounted for retrospectively by restatement of comparative information. In addition, a third balance sheet as of the beginning of the preceding period is also required to be presented by an entity where it applies an accounting policy retrospectively and the retrospective application has a material effect on the information in the balance sheet at the beginning of the preceding period. While AS 5 does not clearly specify how changes in accounting policies other than those dealt with by specific transitional provisions of an accounting standard should be accounted for i.e., whether retrospectively or prospectively), it requires that the impact of, and the adjustments resulting from, a change in an accounting policy, if material, should be shown in the financial statements of the period in which the change is made.

(v) AS 5 defines the term 'prior period items' as income or expenses which arise in the current period as a result of errors or omissions in the preparation of financial statements of one or more prior periods. Ind AS refers to the term 'prior period errors' which is wider in scope as compared to 'prior period items'used in AS 5. Ind AS 8 definition of prior period errors include the effects of misinterpretations of facts and fraud as well.

(vi) Ind AS 8 requires, subject to limited exception, retrospective correction of material prior period errors, i.e., restatement of comparative information and presentation of a third balance sheet as in case of a retrospective change in an accounting policy where the retrospective correction has a material effect on the information in the balance sheet at the beginning of the preceding period. Thus, under Ind AS 8, material prior period errors are corrected by correcting the recognition, measurement and disclosure of amounts of elements of financial statements retrospectively as if the prior period error had never occurred. Unlike Ind AS 8, AS 5 requires the correction of prior period items by including the required adjustments in the determination of net profit or loss for the current period, though the standard also permits an alternative approach under which the adjustments are included in the statement of profit and loss after determination of current net profit or loss.

(vii) Disclosure requirements given in Ind AS 8 are more detailed as compared to the disclosure requirements given in the AS 5, e.g. in case of a voluntary change in accounting policy, an entity is required to disclose the reasons why applying the new accounting policy provides reliable and more relevant information.

Ind AS 10, *Events after the Reporting Period* and AS 4, *Contingencies and Events occurring after the Balance Sheet Date*

(i) In Ind AS 10, material non-adjusting events are required to be disclosed in the financial statements, whereas AS 4 requires the same to be disclosed in the report of the approving authority.

(ii) If, after the reporting date, it is determined that the fundamental accounting assumption of going concern is no longer appropriate, Ind AS 10 requires a fundamental change in the basis of accounting. Whereas AS 4 requires assets and liabilities to be adjusted for events occurring after the balance sheet date that indicate that the fundamental accounting assumption of going concern is not appropriate.

In this regard, Ind AS 10 refers to Ind AS 1, which requires an entity to make the following disclosures:

- disclose the fact that the financial statements are not prepared on a going concern basis together with the basis on which the financial statements are prepared

- state the reason why the entity is not regarded as a going concern.

AS 4 does not require any such disclosure except that it requires the disclosure of the fact in case going concern assumption is not followed.

(iii) Consequent to carve-out made in Ind AS 1 in relation to classification of financial liabilities as current and non-current, it has been provided in the definition of 'Events after the reporting period' that in case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event. AS 4 does not have a similar provision.

(iv) Ind AS 10 includes an Appendix '*Distribution of Non-cash Assets to Owners'* which deals, *inter alia*, with when to recognise dividends payable to its owners. AS 4 does not have such appendix.

(v) Ind AS 10 (paragraph 13) requires disclosure in the notes of dividends declared after the reporting period but before the financial statements are approved for issue. However, under AS 4 (paragraph 8.5) such dividends declared are recognised as liability at the balance sheet date if the statute requires so.

Ind AS 12, *Income Taxes* and AS 22*, Taxes on Income*

(i) Ind AS 12 is based on balance sheet approach. It requires recognition of tax consequences of differences between the carrying amounts of assets and liabilities and their tax base. AS 22 is based on income statement approach. It requires recognition of tax consequences of differences between taxable income and accounting income. For this purpose differences between taxable income and accounting income are classified into permanent and timing differences.

(ii) As per Ind AS 12, subject to limited exceptions, deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The criteria for recognising deferred tax assets arising from the carry forward of unused tax losses and tax credits are the same that for recognising deferred tax assets arising from deductible temporary differences. However, the existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity. While, as per AS 22, deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Where deferred tax asset is recognised against unabsorbed depreciation or carry forward of losses under tax laws, it is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. AS 22 explains what may be considered as virtual certainty supported by convincing evidence.

(iii) As per Ind AS 12, current and deferred tax are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised outside profit or loss, either in other comprehensive income or directly in equity, in those cases tax is also recognised in other comprehensive income or in equity, as appropriate. AS 22 does not specifically deal with this aspect.

(iv) As per Ind AS 12, deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if certain conditions are satisfied. AS 22 does not deal with this aspect.

(v) As per Ind AS 12, deferred tax should be recognised on temporary differences that arise from the elimination of profit and losses resulting from the intra- group transactions. While as per AS 22, deferred tax in consolidated financials are a simple aggregation of the deferred tax recognised by the group entities.

(vi) Ind AS 12 requires that deferred tax asset/liability arising from revaluation of non-depreciable assets shall be measured on the basis of tax consequences from the sale of asset rather than through use. AS 22 does not deal with this aspect.

(vii) Ind AS 12 provides guidance as to how an entity should account for the tax consequences of a change in its tax status or that of its shareholders. AS 22 does not deal with this aspect.

(viii) AS 22 specifically provides guidance regarding recognition of deferred tax in the situations of Tax Holiday under Sections 80-IA and 80-IB and Tax Holiday under Sections 10A and 10B of the Income Tax Act, 1961. Similarly, AS 22 provides guidance regarding recognition of deferred tax asset in case of loss under the head 'capital gains'.

Ind AS 12 does not specifically deal with these situations.

(ix) AS 22 specifically provides guidance regarding tax rates to be applied in measuring deferred tax assets/liabilities in a situation where a company pays tax under section 115JB. Ind AS 12 does not specifically deal with this aspect.

(x) Ind AS 12 specifically provides guidance on Uncertainty over Income Tax treatment whereas AS 22 gives no such guidance.

(xi) Disclosure requirements given in Ind AS 12 are more detailed as compared to AS 22.

Ind AS 16, *Property, Plant and Equipment* and AS 10*, Property, Plant and Equipment*

(i) Ind AS 16 does not deal with the assets 'held for sale' because the treatment of such assets is covered in Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*. AS 10 deals with accounting for items of property, plant and equipment retired from active use and held for sale.

(ii) Ind AS 16 provides guidance on measuring 'Stripping Costs in the Production Phase of a Surface Mine'. AS 10 does not contain this guidance.

Ind AS 19, *Employee Benefits* and AS 15, *Employee Benefits*

(i) In Ind AS 19 (paragraph 4(c), obligations arising from informal practices are referred to as constructive obligations where as in AS 15 (paragraph 3(c) such obligations are simply referred to as obligations.

(ii) As per AS 15, the term 'employee' includes whole-time directors whereas under Ind AS 19 the term employee includes directors whether they are whole-time or not. (Paragraph 7 of Ind AS 19)

(iii) There are differences in the definitions of short-term employee benefits, other long-term employee benefits and past service cost as per AS 15 vis-à-vis Ind AS 19. (Paragraph 8 of Ind AS 19)

(iv) Ind AS 19 deals with situations where there is a contractual agreement between a multi-employer plan and its participants that determine how the surplus in the plan will be distributed to the participants (or the deficit funded). (Paragraph 37 of Ind AS 19) AS 15 does not deal with it.

(v) As per AS 15, detailed actuarial valuation to determine present value of the benefit obligation is carried out at least once every three years and fair value of plan assets are determined at each balance sheet date. While, as per Ind AS 19, detailed actuarial valuation to determine the present value of the net defined benefit liability (asset) shall be performed with sufficient regularity so that the amounts recognised in the financial statements do not differ materially from the amounts that would have been determined at the end of the reporting period. Ind AS 19 does not define sufficient regularity.

(vi) As per Ind AS 19, past service cost (including curtailments) is recognised as an expense at the earlier of when the plan amendment or Curtailment occurs; and when the entity recognizes related restructuring costs or termination benefits. While, as per AS 15, Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If already vested, recognised as an expense immediately. Entities recognise a curtailment when it occurs. However, when curtailment is linked with a restructuring, it is accounted for at the same time as the related restructuring.

(vii) As per Ind AS 19, participation in a defined benefit plan sharing risks between various entities under common control is a related party transaction for each group entity and some disclosures are required in the separate or individual financial statements of an entity whereas AS 15 does not contain similar provisions. (Paragraph 42 of Ind AS 19)

(viii) Ind AS 19 encourages, but does not require, an entity to involve a qualified actuary in the measurement of all material post-employment benefit obligations whereas AS 15 neither requires nor specifically encourage the same. (Paragraph 59 of Ind AS 19)

(ix) Actuarial valuation is based on certain assumptions. Changes in these assumptions give rise to actuarial gains and losses, for example, changes in estimates of salary or medical cost. AS 15 requires recognition of actuarial gains and losses immediately in the profit and loss but Ind AS 19 requires that the same shall be recognised in other comprehensive income and not reclassified to profit or loss in a subsequent period.

(x) Ind AS 19 makes it clear that financial assumptions shall be based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled whereas AS 15 does not clarify the same. (Paragraph 80 of Ind AS 19)

(xi) As per Ind AS 19, subsidiaries, associates, joint ventures and branches domiciled outside India shall discount post-employment benefit obligations arising on account of post-employment benefit plans using the rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In case, such subsidiaries, associates, joint ventures and branches are domiciled in countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds of that country shall be used.

As per AS 15, the rate used to discount post-employment benefit obligations should always be determined by reference to market yields at the balance sheet date on government bond.

(xii) As per AS 15 para 134, an enterprise should recognise termination benefits as a liability and an expense when, and only when: (a) the enterprise has a present obligation as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation whereas as per Ind AS 19 para 165 An entity shall recognise a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that Employee Benefits within the scope of Ind AS 37 and involves the payment of termination benefits.

(xiii) Ind AS 19 gives guidance on the interaction of ceiling of asset recognition and minimum funding requirement in the case of defined benefit obligations, whereas this guidance is not available in AS 15. (Appendix B of Ind AS 19)

Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance* and AS 12, *Accounting for Government Grants*

(i) Ind AS 20 deals with the other forms of government assistance which do not fall within the definition of government grants. It requires that an indication of other forms of government assistance from which the entity has directly benefited should be disclosed in the financial statements. However, AS 12 does not deal with such government assistance.

(ii) AS 12 requires that in case the grant is in respect of non-depreciable assets, the amount of the grant should be shown as capital reserve which is a part of shareholders' funds. It further requires that if a grant related to a non-depreciable asset requires the fulfilment of certain obligations, the grant should be credited to income over the same period over which the cost of meeting such obligations is charged to income. AS 12 also gives an alternative to treat such grants as a deduction from the cost of such asset.

As compared to the above, Ind AS 20, is based on the principle that all government grants would normally have certain obligations attached to them and these grants should be recognised as income over the periods which bear the cost of meeting the obligation. It, therefore, specifically prohibits recognition of grants directly in the shareholders' funds.

(iii) AS 12 recognises that some government grants have the characteristics similar to those of promoters' contribution. It requires that such grants should be credited directly to capital reserve and treated as a part of shareholders' funds. Ind AS 20 does not recognise government grants of the nature of promoters' contribution. As stated at (ii) above, Ind AS 20 is based on the principle that all government grants would normally have certain obligations attached to them and it, accordingly, requires all grants to be recognised as income over the periods which bear the cost of meeting the obligation.

(iv) AS 12 requires that government grants in the form of non-monetary assets, given at a concessional rate, should be accounted for on the basis of their acquisition cost. In case a non-monetary asset is given free of cost, it should be recorded at a nominal value. Ind AS 20 provides an option to value non-monetary grants at their fair value or at a nominal amount.

(v) Ind AS 20 includes Appendix A which deals with *Government Assistance—No Specific Relation to Operating Activities.*

(vi) Ind AS 20 requires that loans received from a government that have a below-market rate of interest should be recognised and measured in accordance with Ind AS 109 (which requires all loans to be recognised at fair value, thus requiring interest to be imputed to loans with a below-market rate of interest), whereas AS 12 does not deal with such cases.

Ind AS 21, *The Effects of Changes in Foreign Exchange Rates* and AS 11, *The Effects of Changes in Foreign Exchange Rates*

(i) Ind AS 21 excludes from its scope forward exchange contracts and other similar financial instruments, which are treated in accordance with Ind AS 109. AS 11 deals with accounting for forward exchange contracts (except forward exchange contracts entered into to hedge the foreign currency risks of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions).

(ii) AS 11, gives an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity, to be transferred to profit or loss over the life of the relevant liability/asset if such items are not related to acquisition of depreciable capital assets; where such items are related to acquisition of depreciable capital assets, the foreign exchange differences can be recognised as part of the cost of the asset. (paragraphs 46 and 46A of AS 11)

Ind AS 21 does not give the above option. However, Ind AS 21 does not apply to long-term foreign currency monetary items recognised in the financial statements before the beginning of the first Ind AS financial reporting period as per the previous GAAP, i.e. AS 11. However, as provided in Ind AS 101, such an entity may continue to apply the accounting policy so opted for such long-term foreign currency monetary items as per the previous GAAP.

(iii) Ind AS 21 is based on functional currency approach. An entity is required to determine its functional currency which can be different from its presentation currency based on factors envisaged in the standard. While, under AS 11 there is no concept of functional currency. The method used to translate the financial statements of a foreign operation depends on the classification of foreign operation (integral foreign operation or non-integral foreign operation).

(iv) As per Ind AS 21, presentation currency can be different from local currency and it gives detailed guidance in this regard, whereas AS 11 does not explicitly state so.

(v) As per Ind AS 21 (paragraph 32), exchange differences on monetary items, that in substance, form part of net investment in a foreign operation, are recognised in profit or loss in the period in which they arise in the separate financial statements and in other comprehensive income in the consolidated financial statements and reclassified from equity to profit or loss on disposal of the net investment. While, as per AS 11, exchange differences on monetary items, that in substance, form part of net investment in a foreign operation, are recognised in 'Foreign Currency Translation Reserve' both in the separate and consolidated financial statements until the disposal of the net investment, at which time income or expense on the same are recognised in profit or loss.

(vi) Ind AS 21 includes Appendix B which gives guidance on foreign Currency Transactions and Advance Consideration whereas AS 11 does not contain such guidance.

Ind AS 23, *Borrowing Costs* and AS 16, *Borrowing Costs*

(i) Ind AS 23 does not require an entity to apply this standard to borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset measured at fair value, for example, a biological asset whereas AS 16 does not provide for such scope exclusion..

(ii) Ind AS 23 also does not require application of this Standard to borrowing costs directly attributable to the acquisition, construction or production of inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis whereas AS 16 does not provide for such scope exclusion and is applicable to borrowing costs related to all inventories that require substantial period of time to bring them in saleable condition.

(iii) As per AS 16, *Borrowing Costs*, *inter alia*, include the following:

(a) interest and commitment charges on bank borrowings and other short-term and long-term borrowings;

(b) amortisation of discounts or premiums relating to borrowings;

(c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Ind AS 23 requires to calculate the interest expense using the effective interest rate method as described in Ind AS 109. Items (b) and (c) above are not mentioned in Ind AS 23, as some of these components of borrowing costs are considered as the components of interest expense calculated using the effective interest rate method Also, Ind AS 23 includes interest in respect of lease liabilities (recognised as per Ind AS 116), while, AS 16 includes finance charges in respect of assets acquired under finance lease as part of borrowing costs.

Ind AS 23 provides that where there is an unrealised exchange loss which is treated as an adjustment to interest and subsequently there is a realised or unrealised gain in respect of the settlement or translation of the same borrowing, the gain to the extent of the loss previously recognised as an adjustment should also be recognised as an adjustment to interest. AS 16 does not explicitly deal with such scenario.

(iv) AS 16 gives explanation for meaning of 'substantial period of time' appearing in the definition of the term 'qualifying asset' as twelve months whereas under Ind AS 23, there is no such explanation.

(v) Ind AS 23 provides that when Ind AS 29, *Financial Reporting in Hyperinflationary Economies,* is applied, part of the borrowing costs that compensates for inflation should be expensed as required by that Standard (and not capitalised in respect of qualifying assets). AS 16 does not contain a similar clarification because at present, in India, under AS regime, there is no Standard on *Financial Reporting in Hyperinflationary Economies.*

(vi) Ind AS 23 specifically provides that in some circumstances, it is appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs while in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings. This specific provision is not there in AS 16.

(vii) Ind AS 23 requires disclosure of capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation. AS 16 does not have this disclosure requirement.

For the purpose of computing borrowing cost under Ind AS 23 in regard to foreign currency borrowing, the difference is to be computed with reference to functional currency whereas under AS 16 read with AS 11, the difference is between the local currency and foreign currency.

Ind AS 24, *Related Party Disclosures* and AS 18*, Related Party Disclosures*

(i) AS 18 uses the term "relatives of an individual", whereas Ind AS 24 uses the term "a close member of the family of a person". AS 18 covers the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise.

However, definition of close members of family as per Ind AS 24 includes those family members, who may be expected to influence, or be influenced by, that person in their dealings with the entity, including:

(a) that person's children, spouse or domestic partner, brother, sister, father and mother;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

Hence, the definition as per Ind AS 24 is much wider.

(ii) AS-18 defines state-controlled enterprise as *"an enterprise which is under the control of the Central Government and/or any State Government(s)"***.** However, in Ind AS 24, there is extended coverage of Government Enterprises, as it defines a government-related entity as "an entity that is controlled, jointly controlled or significantly influenced by a government." Further, "Government refers to government, government agencies and similar bodies whether local, national or international."

(iii) AS 18 covers key management personnel (KMP) of the entity only, whereas, Ind AS 24 covers KMP of the parent as well. Ind AS 24 also covers the entity, or any member of a group of which it is a part, providing key management personnel services to the reporting entity or to the parent of the reporting entity. Further definition of KMP under Ind AS 24 specifically includes Directors whether executive or not and also those KMP who control the entity indirectly.

(iv) Under Ind AS 24 there is extended coverage in case of joint ventures. \Two entities are related to each other in both their financial statements, if they are either co-venturers or one is a venturer and the other is an associate. Whereas as per AS 18, co-venturers or co-associates are not related to each other.

(v) AS 18 mentions that where there is an inherent difficulty for management to determine the effect of influences which do not lead to transactions, disclosure of such effects is not required whereas Ind AS 24 does not specifically mention this. (Paragraph 18 of AS 18)

(vi) AS 18 does not specifically cover entities that are post employment benefit plans, as related parties. However, Ind AS 24 specifically includes post employment benefit plans for the benefit of employees of an entity or its related entity as related parties.

(vii) Ind AS 24 requires an additional disclosure as to the name of the next most senior parent which produces consolidated financial statements for public use, whereas AS 18 has no such requirement. (Paragraph 13 of Ind AS 24)

(viii) Ind AS 24 requires extended disclosures for compensation of KMP under different categories viz. short-term employee benefits, post employment benefits, other long-term benefits, termination benefits, share-based payments, whereas AS 18 does not specifically require the same.

(ix) Ind AS 24 requires *"the amount of the transactions"* need to be disclosed, whereas AS 18 gives an option to disclose the *"Volume of the transactions either as an amount or as an appropriate proportion".* (Paragraph 23(iv) of AS 18 and paragraph 18 (a) of Ind AS 24)

(x) Ind AS 24 requires disclosures of certain information by the government-related entities, whereas AS 18 exempts the disclosure of such information.

(xi) AS 18 includes definition and clarificatory text, primarily with regard to control, substantial interest (including 20% threshold), significant influence (including 20% threshold). However, Ind AS 24 neither defines these terms nor it includes such clarificatory text and allows respective standards to deal with the same.

Ind AS 28, *Investments in Associates and Joint ventures* and AS 23*, Accounting for Investments in Associates in Consolidated Financial Statements*

(i) In AS 23, 'Significant Influence' has been defined as 'power to participate in the financial and/or operating policy decisions of the investee but is not control over those policies'. In Ind AS 28, the same has been defined as 'power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies'. Ind AS 28 defines joint control also.

(ii) For considering share ownership for the purpose of significant influence, potential equity shares of the investee held by investor are not taken into account as per AS 23. As per Ind AS 28, existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has significant influence or not.

(iii) One of the exemptions from applying equity method in AS 23 is where the associate operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investee. No such exemption is provided in Ind AS 28.

(iv) Ind AS 28 permits an entity that has an investment in an associate, a portion of which is held indirectly through venture capital organisations, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, to elect to measure that portion of the investment in the associate at fair value through profit or loss in accordance with Ind AS 109 regardless of whether these entities have significant influence over that portion of the investment. AS 23 does not provide for the same.

(v) Ind AS 28 requires a portion of an investment in an associate or a joint venture to be classified as held for sale if the disposal of that portion of the interest would fulfil the criteria to be classified as held for sale in accordance with Ind AS 105. AS 23 does not specifically deal with this aspect.

(vi) As per AS 23, in separate financial statements, investment in an associate is not accounted for as per the equity method, the same is accounted for in accordance with AS 13, *Accounting for Investments*. As per Ind AS 28, the same is to be accounted for at cost or in accordance with Ind AS 109, *Financial Instruments*.

(vii) AS 23 permits the use of financial statements of the associate drawn upto a date different from the date of financial statements of the investor when it is impracticable to draw the financial statements of the associate upto the date of the financial statements of the investor. There is no limit on the length of difference in the reporting dates of the investor and the associate. As per Ind AS 28, length of difference in the reporting dates of the associate or joint venture should not be more than three months.

(viii) Both AS 23 and Ind AS 28 require that similar accounting policies should be used for preparation of investor's financial statements and in case an associate uses different accounting policies for like transactions, appropriate adjustments shall be made to the accounting policies of the associate. AS 23 provide exemption to this that if it is not possible to make adjustments to the accounting policies of the associate, the fact shall be disclosed along with a brief description of the differences between the accounting policies. Ind AS 28 provides that the entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless, in case of an associate, it is impracticable to do so.

(ix) As per AS 23, investor's share of losses in the associate is recognised to the extent of carrying amount of investment in the associate. As per Ind AS 28, carrying amount of investment in the associate or joint venture determined using the equity method together with any long term interests that, in substance, form part of the entity's net investment in the associate or joint venture shall be considered for recognising entity's share of losses in the associate or joint venture.

(x) With regard to impairment, AS 23 requires that the carrying amount of investment in an associate should be reduced to recognise a decline, other than temporary, in the value of the investment. Ind AS 28 requires that after application of equity method, including recognising the associate's or joint venture's losses, the requirements of Ind AS 109 shall be applied to determine whether it is necessary to recognise any additional impairment loss.

(xi) Ind AS 28 provides that use of equity method will be discontinued from the date when investment ceases to be an associate and in case such associates becomes the subsidiary, it will be accounted in accordance with Business Combination (Ind AS 103) and if the retained interest becomes a financial asset, it will measure the retained interest at fair value. AS 23 does not deal with the situation as to associate becoming a subsidiary. However, in other case (there is some retained interest), the investment will be accounted for in accordance with AS 13-Investments and retained interest will not be fair valued under AS 23.

Ind AS 33, *Earnings per Share* and AS 20, *Earnings per Share*

(i) AS 20 does not specifically deal with options held by the entity on its shares, e.g., purchased options, written put option etc. Ind AS 33 deals with the same.

(ii) Ind AS 33 requires presentation of basic and diluted EPS from continuing and discontinued operations separately. However, AS 20 does not require any such disclosure.

(iii) AS 20 requires the disclosure of EPS with and without extraordinary items. Since as per Ind AS 1, *Presentation of Financial Statements*, no item can be presented as extraordinary item, Ind AS 33 does not require the aforesaid disclosure.

(iv) Under Ind AS 33, where any item of income or expense which is otherwise required to be recognised in profit or loss in accordance with accounting standards is debited or credited to securities premium account/other reserves, the amount in respect thereof shall be deducted from profit or loss from continuing operations for the purpose of calculating basic earnings per share. However, there is no such guidance under AS 20.

(v) As per Ind AS 33, ordinary shares to be issued upon conversion of a mandatorily convertible instrument are included in the calculation of basic EPS from the date the contract is entered into. While, under AS 20 there is no specific requirement.

(vi) Ind AS 33 requires additional disclosures for instruments that could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. No such disclosures are required under AS 20.

Ind AS 34, *Interim Financial Reporting* and AS 25, *Interim Financial Reporting*

(i) Ind AS 34 requires disclosure by way of an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. AS 25 does not specifically requires such disclosure.

(ii) Ind AS 34 prohibits reversal of impairment loss recognised in a previous interim period in respect of goodwill (in harmony with paragraph 124 of Ind AS 36, which prohibits reversal of impairment loss recognised for goodwill in a subsequent period) or an investment in either an equity instrument or a financial asset carried at cost.. There is no such specific prohibition in AS 25. Ind AS 34 includes Appendix A which addresses the interaction between the requirements of Ind AS 34 and the recognition of impairment losses on goodwill in Ind AS 36 and the effect of that interaction on subsequent interim and annual financial statements

(iii) Under AS 25, if an entity's annual financial report included the consolidated financial statements in addition to the separate financial statements, the interim financial report should include both the consolidated financial statements and separate financial statements, complete or condensed. Ind AS 34 states that it neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim report, if an entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements.

(iv) AS 25 requires the Notes to interim financial statements (if material and not disclosed elsewhere in the interim financial report), to contain a statement that the same accounting policies are followed in the interim financial statements as those followed in the most recent annual financial statements or, in case of change in those policies, a description of the nature and effect of the change. Ind AS 34 additionally requires the above information in respect of methods of computation followed. (Paragraph 16A(a) of Ind AS 34).

(v) While AS 25 requires furnishing of information on contingent liabilities only, Ind AS 34 requires furnishing of information on both contingent liabilities and contingent assets, if they are significant. (Paragraph 15Bf) of Ind AS 34).

(vi) Ind AS 34 requires that, where an interim financial report has been prepared in accordance with the requirements of Ind AS 34, that fact should be disclosed. Further, an interim financial report should not be described as complying with Ind AS unless it complies with all of the requirements of Ind AS (the latter statement is applicable when interim financial statements are prepared on complete basis instead of 'condensed basis'). AS 25 does not contain these requirements. (Paragraph 19 of Ind AS 34).

(vii) Under AS 25, when an interim financial report is presented for the first time in accordance with that Standard, an entity need not present, in respect of all the interim periods of the current financial year, comparative statements of profit and loss for the comparable interim periods (current and year-to-date) of the immediately preceding financial year and comparative cash flow statement for the comparable year-to-date period of the immediately preceding financial year. Ind AS 34 does not have this transitional provision.

Ind AS 36, *Impairment of Assets* and AS 28, *Impairment of Assets*

(i) Ind AS 36 applies to financial assets classified as:

  (a) subsidiaries, as defined in Ind AS 110,

  (b) associates as defined in Ind AS 28,

  (c) joint ventures as defined in Ind AS 111

  AS 28 does not apply to the above assets.

(ii) Ind AS 36 specifically excludes biological assets related to agricultural activity, assets arising from employee benefits and deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts, non-current assets (or disposal groups) held for sale and discontinued operations. AS 28 does not specifically such assets.

(iii) Ind AS 36 requires annual impairment testing for an intangible asset with an indefinite useful life or not yet available for use and goodwill acquired in a business combination. AS 28 does not require the annual impairment testing for the goodwill unless there is an indication of impairment.

(iii) Ind AS 36 gives additional guidance on, *inter alia*, the following aspects compared to AS 28:

  (a) estimating the value in use of an asset;

  (b) for managements to assess the reasonableness of the assumptions on which cash flows are based; and

  (c) using present value techniques in measuring an asset's value in use.

(iv) AS 28 requires that the impairment loss recognised for goodwill should be reversed in a subsequent period when it was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events that have occurred that reverse the effect of that event whereas Ind AS 36 prohibits the recognition of reversals of impairment loss for goodwill.

(v) AS 28, goodwill is allocated to CGUs only when the allocation can be done on a reasonable and consistent basis. If that requirement is not met for a specific CGU under review, the smallest CGU to which the carrying amount of goodwill can be allocated on a reasonable and consistent basis must be identified and the impairment test carried out at this level. Thus, when all or a portion of goodwill cannot be allocated reasonably and consistently to the CGU being tested for impairment, two levels of impairment tests are carried out, viz., bottom-up test and top-down test.

In Ind AS 36, goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. There is no bottom-up or top-down approach for allocation of goodwill.

(vi) Ind AS 36 uses the word 'fair value'. While, AS 28 uses 'net selling value' for arriving at value in use.

(vii) Ind AS 36 requires certain additional disclosures as compared to AS 28.

Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets* and AS 29*, Provisions, Contingent Liabilities and Contingent Assets*

(i) Unlike AS 29, Ind AS 37 explicitly defines the term 'constructive obligations' and uses term in certain paragraphs. However, paragraph 11 of AS 29 included expression similar to constructive obligations in the context of explaining when the Obligations arise i.e. obligation also arises from normal business practices, custom and a desire to maintain good business relations or to act in an equitable manner.

(ii) AS 29 prohibits discounting the amounts of provisions except in case of decommissioning, restoration and similar liabilities that are recognised as cost of property, plant and equipment. Ind AS 37 requires discounting the amounts of provisions, if effect of the time value of money is material.

(iii) AS 29 prohibits disclosure of a contingent asset in the financial statements and mentions that it is usually disclosed in the report of the approving authority, where an inflow of economic benefits is probable. Ind AS 37 requires disclosure of contingent assets in the financial statements when the inflow of economic benefits is probable. The disclosure, however, should avoid misleading indications of the likelihood of income arising.

(iv) Ind AS 37 makes it clear that before a separate provision for an onerous contract is established, an entity should recognise any impairment loss that has occurred on assets dedicated to that contract in accordance with Ind AS 36. There is no such specific provision in AS 29.

(v) AS 29 states that identifiable future operating losses up to the date of restructuring are not included in a provision. Ind AS 37 gives an exception to this principle viz. such losses related to an onerous contract.

(vi) Ind AS 37 gives guidance on:

   (a) Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

   (b) Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment.

   (c) Levies (imposed by government).

   AS 29 does not give guidance on the above aspects.

Ind AS 38, *Intangible Assets* and AS 26*, Intangible Assets*

(i) AS 26 (paragraph 5) does not apply to accounting issues of specialised nature that arise in respect of accounting for discount or premium relating to borrowings and ancillary costs incurred in connection with the arrangement of borrowings, share issue expenses and discount allowed on the issue of shares. Ind AS 38 does not include any such exclusion specifically as these are covered by other accounting standards.

   Ind AS 38 contains scope exclusion with regard to the amortisation method for intangible assets arising from service concession arrangements in respect of toll roads recognised in the financial statements before the beginning of the first Ind AS financial reporting period as per the previous GAAP.

(ii) AS 26 defines an intangible asset as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes whereas in Ind AS 38, the requirement for the asset to be held for use in the production or supply of goods or services, for rental to others, or for administrative purposes has been removed from the definition of an intangible asset. (Paragraph 8 of Ind AS 38)

(iii) AS 26 does not define 'identifiability', but states that an intangible asset could be distinguished clearly from goodwill if the asset was separable, but that separability is not a necessary condition for identifiability. Ind AS 38 requires an asset to be treated as meeting the identifiability criterion in the definition of an intangible asset when it is separable (ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so), or when it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. As per Ind AS 38, in the case of separately acquired intangibles, the criterion of probable inflow of expected future economic benefits is always considered satisfied, even if there is uncertainty about the timing or the amount of the inflow. However, there is no such provision in AS 26. (Paragraph 25 of Ind AS 38)

(iv) In Ind AS 38, there is a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. Ind AS 38 allows use of revenue-based method of amortisation of intangible asset, in a limited way. AS 26 does not specifically deal with revenue-based amortisation method.

(v) Under Ind AS 38, if payment for an intangible asset is deferred beyond normal credit terms, the difference between this amount and the total payments is recognised as interest expense over the period of credit unless it is capitalised as per Ind AS 23. However, there is no such provision in AS 26. (Paragraph 32 of Ind AS 38)

(vi) Ind AS 38 deals in detail in respect of intangible assets acquired in a business combination. On the other hand, AS 26 refers only to intangible assets acquired in an amalgamation in the nature of purchase and does not refer to business combinations as a whole.

(vii) AS 26 is silent regarding the treatment of subsequent expenditure on an in-process research and development project acquired in a business combination whereas Ind AS 38 gives guidance for the treatment of such expenditure. (Paragraphs 42 and 43 of Ind AS 38)

(viii) As per Ind AS 38, when intangible assets are acquired free of charge or for nominal consideration by way of government grant, an entity should, in accordance with Ind AS 20, record both the grant and the intangible asset at fair value. As per AS 26, intangible assets acquired free of charge or for nominal consideration by way of government grant is recognised at nominal value or at acquisition cost, as appropriate plus any expenditure that is attributable to making the asset ready for intended use.(Paragraph 33 of AS 26 and paragraph 44 of Ind AS 38).

(ix) AS 26 is based on the assumption that the useful life of an intangible asset is always finite and includes a rebuttable presumption that the useful life cannot exceed ten years from the date the asset is available for use. That rebuttable presumption is not there in Ind AS 38. Ind AS 38 recognizes that the useful life of an intangible asset can even be indefinite subject to fulfilment of certain conditions, in which case it should not be amortised but should be tested for impairment.

(x) In Ind AS 38, guidance is available on cessation of capitalisation of expenditure (Paragraph 30 of Ind AS 38), de-recognition of a part of an intangible asset (Paragraph 115 of Ind AS 38) and useful life of a reacquired right in a business combination (Paragraph 94 of Ind AS 38). There is no such guidance in AS 26 on these aspects.

(xi) Ind AS 38 permits an entity to choose either the cost model or the revaluation model as its accounting policy, whereas in AS 26, revaluation model is not permitted.

(xii) Ind AS 38 provides more guidance on recognition of intangible items recognised as expense. Ind AS 38 clarifies that in respect of prepaid expenses, recognition of an asset would be permitted only upto the point at which the entity has the right to access the goods or upto the receipt of services. Further, unlike AS 26, mail order catalogues have been specifically identified as a form of advertising and promotional activities which are required to be expensed.

(xiii) As per AS 26 (Paragraph 73), there will rarely, if ever, be persuasive evidence to support an amortisation method for intangible assets that results in a lower amount of accumulated amortisation than under straight-line method. Ind AS 38 does not contain any such provision.

(xiv) Under Ind AS 38, the residual value is reviewed at least at each financial year-end. If it increases to an amount equal to or greater than the asset's carrying amount, amortisation charge is zero unless the residual value subsequently decreases to an amount below the asset's carrying amount. However, AS 26 specifically requires that the residual value is not subsequently increased for changes in prices or value.

(xv) Ind AS 38 also requires certain additional disclosures as compared to AS 26.

(xvi) Intangible assets retired from use and held for sale are covered by the AS 26. However, Ind AS 38 does not include such intangible assets since they would be covered by Ind AS 105.

Ind AS 40, *Investment Property* and AS 13, *Accounting for Investments*

AS 13 provides limited guidance on investment properties. As per AS 13, an enterprise holding investment properties should account for them as per cost model prescribed in AS 10, *Property, Plant and Equipment*. However, Ind AS 40 is a detailed standard dealing with various aspects of investment property accounting.

Ind AS 103, *Business Combinations* and AS 14, *Accounting for Amalgamations*

(i) Ind AS 103 applies to all types of business combinations (as defined in the standard) except formation of joint venture and acquisition of assets which do not constitute business. While, AS 14 deals with amalgamation and mergers. Hence, Ind AS 103 is wider in scope than AS 14.

(ii) Under AS 14, there are two methods of accounting for amalgamation: the pooling of interest method and the purchase method. (Paragraph 7 of AS 14) Ind AS 103 prescribes only the acquisition method for every business combination, except for business combinations involving entities or businesses under common control which shall be accounted for using the pooling of interests method.

(iii) As per Ind AS 103, the date on which the acquirer obtains control of the acquiree is the acquisition date i.e. Effective date. While, AS 14 mentions but does not define date of amalgamation. In practice generally the date of amalgamation / acquisition mentioned in the court scheme (the Appointed date) is considered as the acquisition date[14].

(iv) Under AS 14, the acquired assets and liabilities are recognised at their existing book values or at fair values under the purchase method. Ind AS 103 requires the acquired identifiable assets liabilities and non-controlling interest to be recognised at fair value under acquisition method. (Paragraph 12 of AS 14 and paragraphs 18-19 of Ind AS 103).

(v) Ind AS 103 requires that for each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. On the other hand, AS 14 states that the minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and it is shown outside shareholders' equity. (Paragraph 13(e) of AS 21 and paragraph 19 of Ind AS 103).

(vi) Under Ind AS 103, the goodwill is not amortised but tested for impairment on annual basis in accordance with Ind AS 36. AS 14 requires that the goodwill arising on amalgamation in the nature of purchase is amortised over a period not exceeding five years.

(vii) Ind AS 103 provides guidance on accounting for reverse acquisitions, whereas AS 14 does not deal with the same.

(viii) Ind AS 103 deals with the contingent consideration in case of business combination, i.e., an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. AS 14 does not provide specific guidance on this aspect.

(ix) Ind AS 103 requires bargain purchase gain arising on business combination to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business

[14] MCA vide its circular no. 09/2019 dated August 21, 2019 clarified that the appointed date identified under a scheme shall be deemed to be the acquisition date and date of transfer of control for the purpose of confirming to AS including Ind AS 103. The said circular can be accessed at the following link: https://www.mca.gov.in/Ministry/pdf/GeneralCircular_21082019.pdf

combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve. Under AS 14, the excess amount is treated as capital reserve under the head reserves and surplus. (Paragraph 34 of Ind AS 103 and paragraph 17 of AS 14)

(x) Appendix C of Ind AS 103 deals with accounting for common control transactions, which prescribes pooling of interest method of accounting, which is different from accounting for other business combinations as prescribed under Ind AS 103. AS 14 does not differentiate and prescribe accounting for such transactions different from other amalgamations.

Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations* and AS 24, *Discontinuing Operations*

(i) Ind AS 105 specifies the accounting for non-current assets held for sale, and the presentation and disclosure of *discontinued operations*. Ind AS 105 apply to all recognised non-current assets and to all disposal groups of an entity. AS 24 establishes principles for reporting information about *discontinuing operations*. But in AS 24, there is no concept of discontinued operations It does not deal with the non-current assets held for sale; property, plant and equipment retired from active use and held for sale, which are dealt in AS 10, *Property, Plant and Equipment.* (Paragraph 1 of Ind AS 105 and 'Objective' of AS 24)

(ii) As per Ind AS 105, a discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The standard lays down criteria for classifying an asset as held for sale. Under AS 24, a discontinuing operation is a component of an entity that it is disposing off substantially in in its entirety or in piecemeal or abandoning and represents the major line of business or geographical area of operations and that can be distinguished operationally and for financial reporting purposes. (Paragraph 3 of AS 24 and paragraph 32 of Ind AS 15)

(iii) As per Ind AS 105, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification with certain exceptions. AS 24 does not specify any time period in this regard as it relates to discontinuing operations.

(iv) AS 24 specifies about the disclosure information required in respect to a discontinuing operation in financial statements for the period in which the initial disclosure event occurs. Ind AS 105 does not mention so as it relates to discontinued operation. (Paragraph 15 of AS 24)

(v) Under Ind AS 105, non-current assets (disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell and are presented separately in the balance sheet. AS 24 requires to apply the principles set out in other relevant Accounting Standards, e.g., AS 10 requires that the items of property, plant and equipment retired from active use and held for disposal should be stated at the lower of their net book value and net realisable value and shown separately in the financial statements.

(vi) Ind AS 105 specifically mentions that abandonment of assets should not be classified as held for sale. While, in AS 24, abandonment of assets is classified as a discontinuing operation; however, changing the scope of an operation or the manner in which it is conducted is not abandonment and hence not a discontinuing operation. (Paragraph 7 of AS 24 and paragraph 13 of Ind AS 105)

(vii) Ind AS 105 provides guidance regarding changes to the plan to sell non-current assets (or disposal groups) which are classified as held for sale. AS 24 does not give any specific guidance regarding this aspect. (Paragraphs 26-29 of Ind AS 105)

Ind AS 108, *Operating Segments* and AS 17*, Segment Reporting*

(i) Identification of segments under Ind AS 108 is based on 'management approach' i.e., operating segments are identified based on the internal reports regularly reviewed by the entity's chief operating decision maker. AS 17 requires identification of two sets of segments; one based on related products and services, and the other on geographical areas based on the risks and returns approach. One set is regarded as primary segments and the other as secondary segments.

(ii) Ind AS 108 requires that the amounts reported for each operating segment shall be measured on the same basis as that used by the chief operating decision maker for the purposes of allocating resources to the segments and assessing its performance. It does not define the terms segment revenue, segment expense, segment result, segment assets and segment liabilities. While, AS 17 requires segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements. Accordingly, AS 17 defines segment revenue, segment expense, segment result, segment assets and segment liabilities.

(iii) Ind AS 108 specifies aggregation criteria for aggregation of two or more segments and also requires the related disclosures in this regard. AS 17 does not deal specifically with this aspect.

(iv) AS 17 state that in case there is neither more than one business segment nor more than one geographical segment, segment information as per this standard is not required to be disclosed. However, this fact shall be disclosed by way of footnote. Whereas Ind AS 108 requires certain disclosures even in case of entities having single reportable segment.

(v) As per AS 17 interest expense relating to overdrafts and other operating liabilities identified to a particular segment should not be included as a part of the segment expense. It also provides that in case interest is included as a part of the cost of inventories and those inventories are part of segment assets of a particular segment, such interest should be considered as a segment expense. These aspects are specifically dealt with keeping in view that the definition of 'segment expense' given in AS 17 excludes interest. Ind AS 108 requires the separate disclosures about interest revenue and interest expense of each reportable segment, therefore, these aspects have not been specifically dealt with.

(vi) Ind AS 108 requires disclosures of revenues from external customers for each product and service. With regard to geographical information, it requires the disclosure of revenues from customers in the country of domicile and in all foreign countries, non-current assets in the country of domicile and all foreign countries. It also requires disclosure of information about major customers. Disclosures in AS 17 are based on the classification of the segments as primary or secondary segments. Disclosure requirements for primary segments are more detailed as compared to secondary segments.

Ind AS 110, *Consolidated Financial Statements* and AS 21*, Consolidated Financial Statements*

(i) Ind AS 110 makes the preparation of consolidated financial statements mandatory for a parent (subject to limited exceptions). AS 21 does not mandate the preparation of consolidated financial statements by a parent. However, if a parent presents consolidated financial statements, it is required to apply AS 21 in preparing and presenting such financial statements.

(ii) As per AS 21, control is the ownership of more than one-half of the voting power of an enterprise or control of the composition of the board of directors or other similar governing body of another enterprise so as to obtain economic benefits from its activities. Thus, AS 21 lays down quantitative parameters for determining whether an entity controls another entity. The definition of control in Ind AS 110, on the other hand, is principle based - an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Due to differences in the definitions of control under the two standards, the assessment as to whether an entity controls another entity can differ between the two standards.

(iii) There can occasionally be situations where application of the definition of 'control' as per AS 21 results in there being two parents of an entity. In such a case, both the parents are required to consolidate the entity in their respective consolidated financial statements. On the other hand, as per the definition of 'control' under Ind AS 110 control of an entity can be with one entity only.

(iv) As per AS 21, a subsidiary is excluded from consolidation when control is intended to be temporary or when it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent. Ind AS 110 does not permit exclusion of a subsidiary from consolidation on either of these grounds.

(v) As per AS 21, difference between the date of the subsidiary's financial statements and that of the consolidated financial statements cannot exceed six months. Under Ind AS 110 such difference cannot exceed three months.

(vi) Unlike AS 21 Ind AS 110 specifically lays down accounting requirements applicable to changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary.

(vii) Both AS 21 and Ind AS 110, require the use of uniform accounting policies. However, unlike Ind AS 110, AS 21 allows the use of non-uniform accounting policies if it is not practicable to use uniform accounting policies disclosure is, however, required of, that fact together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

(viii) For considering share ownership, potential equity shares of the investee held by investor are not taken into account as per existing AS 21. However, as per Ind AS 110, potential voting rights that are substantive are also considered when assessing whether an entity has control over another entity.

(ix) According to AS 21, the tax expense (comprising current tax and deferred tax) to be shown in the consolidated financial statements should be the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries. This means that under AS 21, deferred taxes are not recognised in consolidated financial statements in respect of timing differences that arise from the elimination of profits and losses resulting from intra-group transactions in consolidated financial statements. On the other hand, Ind AS 110, read with Ind AS 12, *Income Taxes* requires recognition of deferred taxes in respect of temporary differences that arise from such elimination in consolidated financial statements.

Ind AS 111, *Joint Arrangements and AS 27, Financial Reporting of Interests in Joint Ventures*

(i) AS 27 defines the term 'joint venture' as "a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control". Ind AS 111 defines the term 'joint arrangement' as "an arrangement of which two or more parties have joint control." Essentially, Ind AS 111 substitutes the term 'joint arrangement' for the term 'joint venture' used in AS 27 without any substantive change in the underlying concept. Ind AS 111 uses the term 'joint venture' in a restrictive sense to refer to one type of joint arrangement (the other type being a joint operation).

(ii) AS 27 classifies joint venture into three categories, namely, jointly controlled operations, jointly controlled assets and jointly controlled entities. Under Ind AS 111, on other hand, a joint arrangement is either a joint operation or a joint venture. Arrangements that are classified as jointly controlled operations or jointly controlled assets under AS 27 would be classified as 'joint operations' under Ind AS 111. An arrangement that is classified as a jointly controlled entity under AS 27 would be classified as either a joint operation or a joint venture under Ind AS 111. The classification of joint arrangement depends on whether the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement (a joint operation) or whether those parties have rights to the net assets of the arrangement (a joint venture).

(iii) AS 27 requires a venturer to account for its interest in a jointly controlled entity in it's (i.e., venturer's) consolidated financial statements using proportionate consolidation method. Ind AS 111 on the other hand requires such interest to be accounted for in the venturer's consolidated financial statements in accordance with Ind AS 28, i.e., using equity method of accounting (which is also used to account for interests in associates under Ind AS 28).

(iv) Both AS 27 and Ind AS 111 (read with Ind AS 28) contain provisions dealing with circumstances in which proportionate consolidation method (under AS 27) or equity method (under Ind AS 111) is not, or may not be, applied by a venturer. However, the circumstances laid down in the two standards are dissimilar. For example, under AS 27 a venturer does not apply proportionate consolidation method to an interest in a jointly controlled entity which is acquired and held exclusively with a view to its subsequent disposal in the near future. Ind AS 111 (or Ind AS 28) does not provide a similar exemption from application of equity method to an interest in a joint venture, unless such an interest meets the criteria laid down in Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations to be classified as held for sale (in which case Ind AS 105 rather than equity method is applied to the interest).

Ind AS 115, *Revenue and existing AS 7, Construction Contracts, AS 9, Revenue recognition*

(i) Ind AS 115 gives a framework of revenue recognition within a standard. It specifies the core principle for revenue recognition which requires the 'revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services'. AS 7 and AS 9 do not provide any such overarching principle to fall upon in case of doubt.

(ii) Ind AS 115 gives comprehensive guidance on how to recognise and measure multiple elements within a contract with customer. AS 7 and AS 9 do not provide comprehensive guidance on this aspect.

(iii) AS 7 covers only revenue from construction contracts which is measured at consideration received/receivable. AS 9 deals only with recognition of revenue from sale of goods, rendering of services, interest, royalties and dividends. On the other hand, Ind AS 115 comprehensively deals with all types of performance obligation contract with customer However, it does not deal with revenue from 'interest' and 'dividend' which is covered in financial instruments standard.

(iv) As per AS 9, Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities. Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. As per AS 7, revenue from construction contracts is measured at consideration received/receivable and to be recognised as revenue as construction progresses, if certain conditions are met. As per Ind AS 115, revenue is measured at transaction price, i.e., the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(v) As per AS 9, revenue is recognised when significant risks and rewards of ownership is transferred to the buyer. As per AS 7, revenue is recognised when the outcome of a construction contract can be estimated reliably, contract revenue should be recognised by reference to the stage of completion of the contract activity at the reporting date. As per Ind AS 115, revenue is recognised when the control is transferred to the customer. It introduces a 5-step model for revenue recognition.

(vi) Ind AS 115 gives comprehensive guidance on how to recognise and measure multiple elements/performance obligations within a contract with customer. While, AS 7 and AS 9 provides no specific guidance for multiple element or linked transactions.

(vii) Ind AS 115 provides guidance on recognition of costs to obtain and fulfil a contract, as asset, whereas AS 7 and AS 9 do not deal with such capitalisation of costs.

(viii) Ind AS 115 provides guidance on combining contracts entered into at or near the same time with the same customer (or related parties of the customer), guidance on treatment of variable and contingent consideration, whereas AS 7 and AS 9 do not deal with such aspects.

(ix) As per AS 9 revenue is not adjusted for time value of money, while as per Ind AS 115, transaction price is adjusted for the effect of time value of money when a significant financing component exists.

(x) Ind AS 115 gives guidance on service concession arrangements and disclosures thereof. Existing standard does not provide such guidance.

(xi) Ind AS 115 contains detailed disclosure requirements as compared to AS 9 and AS 7.

Ind AS 116, *Leases and existing AS 19, Leases*

(i) *Lease definition*: Under Ind AS 116, the definition of lease is similar to that in AS 19. But, in Ind AS 116, there is substantial change in the guidance of how to apply this definition. The changes primarily relate to the concept of 'control' used in identifying whether a contract contains a lease or not. Ind AS 116 provides detailed guidance on whether an arrangement contains a lease or whether there are non-lease/ service components within the arrangement.

(ii) *Modifications*: Ind AS 116 brings in comprehensive prescription on accounting of modifications in lease contracts. It permits leases, as a practical expedient, not to assess whether the rent concessions that occur as a direct consequence of COVID 19 pandemic and meet specified conditions are lease modifications and instead, to account for those rent concessions as if they were not lease modifications.

(iii) *Scope:* AS 19 excludes leases of land from its scope. Ind AS 116 has no such scope exclusion.

(iv) Ind AS 116 makes a distinction between 'inception of lease' and 'commencement of lease' unlike AS 19.

(v) *Classification:* AS 19 requires a lessee to classify leases as either finance leases or operating leases. Ind AS 116 eliminates the requirement of classification of leases as either operating leases or finance leases for a lessee and instead, introduces a single lease accounting model which requires lessee to recognise right of use asset and lease liabilities for all leases unless it applies the recognition exemption (for leases of low value assets or short term leases).

(vi) *Sale & Leaseback transactions:*

(a) As per AS 19, if a sale and leaseback transaction results in a finance lease, excess, if any, of the sale proceeds over the carrying amount shall be deferred and amortised by the seller-lessee over the lease term in proportion to depreciation of the leased asset. In Ind AS 116, the approach for computation of gain/loss for a completed sale is different. The amount of gain/loss should reflect the amount that relates to the right transferred to the buyer-lessor.

(b) Ind AS 116 requires a seller-lessee and a buyer-lessor to use the definition of a sale as per Ind AS 115, *Revenue from Contracts with Customers* to determine whether a sale has occurred in a sale and leaseback transaction. If the transfer of the underlying asset satisfies the requirements of Ind AS 115 to be accounted for as a sale, the transaction will be accounted for as a sale and a lease by both the lessee and the lessor. If not, then the seller-lessee shall recognise a finance liability and the buyer-lessor will recognise a financial asset to be accounted for as per the requirements of Ind AS 109, *Financial Instruments*. AS 19 does not contain such specific requirement.

(vii) For lessor, the treatment of initial direct costs under Ind AS 116 differs from the treatment prescribed under AS 19. This is tabulated below:

Subject	*AS 19*	*Ind AS 116*
Finance lease-lessor accounting		
Non-manufacturer/ Non-dealer	Either recognised as expense immediately or allocated against the finance income over the lease term.	Interest rate implicit in the lease is defined in such a way that the initial direct costs included automatically in the finance lease receivable.
Manufacturer/dealer	Recognised as expense immediately.	Same as per AS 19.
Operating lease-Lessor accounting	Either deferred and allocated to income over the lease term in proportion to the recognition of rent income or recognized as expense in the period in which incurred.	Added to the carrying amount of the leased asset and recognised as expense over the lease term on the same basis as lease income.

(viii) Ind AS 116 contains clearer definition of 'initial direct costs'. AS 19 explains Initial direct costs, such as commissions and legal fees, are often incurred by lessors in negotiating and arranging a lease. Ind AS 116 define initial direct costs as 'Incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained, except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease.' Further, definition of the term 'interest rate implicit in the lease' is different under Ind AS 116.

(ix) *Presentation:* As a consequence of introduction of single lease model for lessees, there are many changes in the presentation in the three components of financial statements viz. Balance sheet, Statement of P&L, Statement of Cash flows.

(x) *Disclosure:* There are a number of changes in the disclosure relating to qualitative aspects of leasing transactions. For eg. Entities are required to disclose the nature and risks arising from leasing transactions. Also, in case of lessor, there are changes in the disclosure of maturity analysis of leases payments receivable.

Ind AS Implementation Initiatives

The Institute of Chartered Accountants of India (ICAI) being the premier accounting body in India has been engaged in formulation of Indian Accounting Standards (Ind AS). Apart from formulation of Ind AS, the ICAI has been taking various initiatives to get the members ready for implementation of Ind AS. For this purpose, the ICAI has been making relentless efforts in making this transition to Ind AS smooth through its various initiatives such as issuance of Educational Materials on Ind AS containing Frequently Asked Questions. In order to educate the members, Certificate Course on Ind AS is being organised through virtual mode. Apart from this, the committee also organises In-house training programmes on Ind AS for regulatory bodies and corporate entities. Recently, an executive development programme was organised for the officials of IRDAI. Furthermore, a video book on Ind AS has also been developed which contains video lectures on all Ind ASs delivered by the eminent faculties.

Educational Material on Ind AS

In order to provide guidance to members on Ind AS and to ensure implementation of these Standards in the same spirit in which these have been formulated, Educational Material on Ind AS are formulated and issued, which contains summary of the respective Standard and Frequently Asked Questions (FAQs) which are expected to be encountered while implementing the Standards. Educational Materials on following Ind AS have so far been issued:

1. Educational Material on Ind AS 1, *Presentation of Financial Statements* (Revised 2016)
2. Educational Material on Ind AS 2, *Inventories* (Revised 2016)
3. Educational Material on Ind AS 7, *Statement of Cash Flows* (Revised 2016)
4. Educational Material on Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*
5. Educational Material on Ind AS 10, *Events after the Reporting period*
6. Educational Material on Ind AS 16*, Property, Plant and Equipment*
7. Educational Material on Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance*

8. Educational Material on Ind AS 23, *Borrowing Costs*
9. Educational Material on Ind AS 27, *Separate Financial Statements* and Ind AS 28, *Investments in Associates and Joint Ventures*
10. Educational Material on Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets* (Revised 2016)
11. Educational Material on Ind AS 38, *Intangible Assets*
12. Educational Material on Ind AS 101, *First-time Adoption of Indian Accounting Standards*
13. Educational Material on Ind AS 103, *Business Combinations*
14. Educational Material on Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*
15. Educational Material on Ind AS 108, *Operating Segments*
16. Educational Material on Ind AS 110, *Consolidated Financial* Statements
17. Educational Material on Ind AS 111, *Joint Arrangements*
18. Educational Material on Ind AS 115, *Revenue from Contracts with Customers*
19. Educational Material on Ind AS 116, *Leases*

Quick Referencer on Ind AS

Apart from the guidances issued above, a publication titled 'Quick Referencer on Ind AS' has also been formulated and issued. Looking at the vast literature of the Indian Accounting Standards and the practical problems of skimming through the entire literature when in need of an aspect to be looked upon, this publication has been brought out that provides a glance on the basic aspects of applicable standards in a summarised manner with an objective to provide a basic understanding of Ind ASs to the members. This publication will be very useful for the members of the Institute and other concerned stakeholders.

Certificate Course on Ind AS (Physical mode)

Prior to covid-19 pandemic, an extensive Certificate course on Ind AS was being organised for educating members about Ind AS. The duration of the course was 12 days. Classes were held at weekends. Apart from the comprehensive theoretical aspects, this course sharpens the expertise and excellence of the members of the ICAI through multiple case studies across the industry and service sector. A certificate is awarded to the participants after attending and satisfactorily completing the course and passing the examination. Certificate Course on Ind AS exam is conducted on second Sunday of every quarter end (i.e. March, June, September and December). So far, 268 batches of Certificate Course on Ind AS (Physical mode classes) have been organised in which around 10,000 members have been successfully trained.

Launch of Online course on Ind AS

In view of the unprecedented global pandemic viz. COVID-19, online course on Ind AS was launched in the year 2020 so as to enable continued learning experience for the membership at large. Live sessions are being conducted since then through the Digital Learning Hub (DLH) platform of ICAI. So far, 26 batches have been completed wherein around 3300 members have been successfully trained.

New batches are announced from time to time. The details for the same are available at Digital learning Hub (DLH) platform of ICAI.. For further details, about the course, click on the following link: https://www.icai.org/post/ind-as-implementation-committee

Refresher course on Ind AS

5 days refresher course on Ind AS is being organised from time-to-time alongwith branches of ICAI through virtual mode on specific important Ind ASs such as First-time adoption of Ind AS, Financial Instruments standards, Leases, Revenue recognition etc.

Ind AS training programmes for Regulators, Corporates and other organisations

Customised in-house training programmes on Ind AS are also organised for the officials of regulatory bodies such as Reserve Bank of India (RBI), Comptroller & Auditor General of India (C&AG), IRDAI, CBDT, various departments of ministries etc. and other corporate entities. The session plan is customised as per their needs and requirements.

Video Book on Ind AS

As part of our e-initiative, video book on Ind AS comprising of video lectures on all the 39 standards and conceptual framework for financial reporting under Ind AS has been developed. The lectures are delivered through eminent faculty members. The said video book provides a convenient learning experience for members at no cost. The said video book is live at the Digital Learning Hub (DLH) Portal of ICAI.

Appendix - A

Comparison of IFRS with Ind AS (as on April 01, 2021) notified by the MCA

S No.	IFRS/ IAS	Indian Accounting Standard	Name
IFRS issued that are mandatory as on 1st January 2021			
1.	IAS 1	Ind AS 1	*Presentation of Financial Statements*
2.	IAS 2	Ind AS 2	*Inventories*
3.	IAS 7	Ind AS 7	*Statement of Cash Flows*
4.	IAS 8	Ind AS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*
5.	IAS 10	Ind AS 10	*Events after the Reporting Period*
6.	IAS 12	Ind AS 12	*Income Taxes*
7.	IAS 16	Ind AS 16	*Property, Plant and Equipment*
8.	IAS 19	Ind AS 19	*Employee Benefits*
9.	IAS 20	Ind AS 20	*Accounting for Government Grants and Disclosure of Government Assistance*
10.	IAS 21	Ind AS 21	*The Effects of Changes in Foreign Exchange Rates*
11.	IAS 23	Ind AS 23	*Borrowing Costs*
12.	IAS 24	Ind AS 24	*Related Party Disclosures*
13.	IAS 26	*	*Accounting and Reporting by Retirement Benefit Plans*
14.	IAS 27	Ind AS 27	*Separate Financial Statements*

* Ind AS corresponding to IAS 26, *Accounting and Reporting by Retirement Benefit Plans*, has not been issued as this standard is not applicable to companies.

S No.	IFRS/ IAS	Indian Accounting Standard	Name
15.	IAS 28	Ind AS 28	*Investments in Associates and Joint Ventures*
16.	IAS 29	Ind AS 29	*Financial Reporting in Hyperinflationary Economies*
17.	IAS 32	Ind AS 32	*Financial Instruments: Presentation*
18.	IAS 33	Ind AS 33	*Earnings per Share*
19.	IAS 34	Ind AS 34	*Interim Financial Reporting*
20.	IAS 36	Ind AS 36	*Impairment of Assets*
21.	IAS 37	Ind AS 37	*Provisions, Contingent Liabilities and Contingent Assets*
22.	IAS 38	Ind AS 38	*Intangible Assets*
23.	IAS 39	[*]	*Financial Instruments: Recognition and Measurement*
24.	IAS 40	Ind AS 40	*Investment Property*
25.	IAS 41	Ind AS 41	*Agriculture*
26.	IFRS 1	Ind AS 101	*First-time Adoption of Indian Accounting Standards*
27.	IFRS 2	Ind AS 102	*Share-based Payment*
28.	IFRS 3	Ind AS 103	*Business Combinations*
29.	IFRS 4	Ind AS 104	*Insurance Contracts*
30.	IFRS 5	Ind AS 105	*Non-current Assets Held for Sale and Discontinued Operations*
31.	IFRS 6	Ind AS 106	*Exploration for and Evaluation of Mineral Resources*

[*] IAS 39 contains only part relating to hedge accounting which is still valid globally as continuation of this part is permitted globally. But in India, only IFRS 9 hedge accounting is permitted, hence the part of IAS 39 is not relevant, and no equivalent standard exists.

S No.	IFRS/ IAS	Indian Accounting Standard	Name
32.	IFRS 7	Ind AS 107	*Financial Instruments: Disclosures*
33.	IFRS 8	Ind AS 108	*Operating Segments*
34.	IFRS 9	Ind AS 109	*Financial Instruments*
35.	IFRS 10	Ind AS 110	*Consolidated Financial Statements*
36.	IFRS 11	Ind AS 111	*Joint Arrangements*
37.	IFRS 12	Ind AS 112	*Disclosure of Interest in Other Entities*
38.	IFRS 13	Ind AS 113	*Fair Value Measurement*
39.	IFRS 14	Ind AS 114	*Regulatory Deferral Account*
40.	IFRS 15	Ind AS 115	*Revenue from Contracts with Customers*
41.	IFRS 16	Ind AS 116	*Leases*
IFRS issued but not mandatory as on 1st January 2021			
42.	IFRS 17	Ind AS 117 is under formulation	*Insurance Contracts (It will replace IFRS 4)*

Appendix - B

IFRICs/SICs included in the corresponding Appendices to Ind AS (as on April 01, 2021)

As per the scheme of formulation of Indian Accounting Standards, the interpretations issued by the IASB, IFRIC and SIC be added as an appendix with the relevant Ind AS.

S No.	IFRIC/ SIC No.	Corresponding Appendix included in Ind AS	IFRIC/SIC
1.	IFRIC 1	Appendix A to Ind AS 16	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*
2.	IFRIC 2	#	*Members' Shares in Co-operative Entities and Similar Instruments*
3.	IFRIC 5	Appendix A to Ind AS 37	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
4.	IFRIC 6	Appendix B to Ind AS 37	*Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*
5.	IFRIC 7	Appendix A to Ind AS 29	*Applying the Restatement Approach under Ind AS 29 Financial Reporting in Hyperinflationary Economies*

Appendix corresponding to IFRIC 2 is not issued as it is not relevant for the companies.

S No.	IFRIC/ SIC No.	Corresponding Appendix included in Ind AS	IFRIC/SIC
6.	IFRIC 10	Appendix A to Ind AS 34	*Interim Financial Reporting and Impairment*
7.	IFRIC 12	Appendix D to Ind AS 115	*Service Concession Arrangements*
8.	IFRIC 14	Appendix B to Ind AS 19	*Ind AS 19— The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
9.	IFRIC 16	Appendix C to Ind AS 109	*Hedges of a Net Investment in a Foreign Operation*
10.	IFRIC 17	Appendix A to Ind AS 10	*Distributions of Non-cash Assets to Owners*
11.	IFRIC 19	Appendix D to Ind AS 109	*Extinguishing Financial Liabilities with Equity Instruments*
12.	IFRIC 20	Appendix B to Ind AS 16	*Stripping Costs in the Production Phase of a Surface Mine*
13.	IFRIC 21	Appendix C to Ind AS 37	*Levies*
14.	IFRIC 22	Appendix B to Ind AS 21	*Foreign Currency Transactions and Advance Consideration*
15.	IFRIC 23	Appendix C to Ind AS 12	*Uncertainty over Income Tax Treatments*
16.	SIC-7	##	*Introduction of the Euro*
17.	SIC-10	Appendix A to Ind AS 20	*Government Assistance—No Specific Relation to Operating Activities*

Appendix corresponding to SIC 7 is not issued as it is not relevant in the Indian context.

S No.	IFRIC/ SIC No.	Corresponding Appendix included in Ind AS	IFRIC/SIC
18.	SIC-25	Appendix A to Ind AS 12	*Income Taxes—Changes in the Tax Status of an Entity or its Shareholders*
19.	SIC-29	Appendix E to Ind AS 115	*Service Concession Arrangements: Disclosures*
20.	SIC-32	Appendix A to Ind AS 38	*Intangible Assets—Web Site Costs*

Appendix - C

Notification by MCA for Companies (Indian Accounting Standards) Rules 2015

GOVERNMENT OF INDIA

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, dated 16th February 2015

G.S.R…………(E).- In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 (18 of 2013) and sub-section (1) of section 210A of the Companies Act, 1956 (1 of 1956), the Central Government, in consultation with the National Advisory Committee on Accounting Standards, hereby makes the following rules, namely:-

1. **Short title and commencement**- (1) These rules may be called the **Companies (Indian Accounting Standards) Rules, 2015.**

   (2) They shall come into force on the 1st day of April, 2015

2. **Definitions-** (1) In these rules, unless the context otherwise requires,-

   (a) "Accounting Standards" means the standards of accounting, or any addendum thereto for companies or class of companies as specified in rule 3;

   (b) "Act" means the Companies Act, 2013 (18 of 2013);

   (c) "Annexure" in relation to these rules means the Annexure containing the Indian Accounting Standards (Ind AS) appended to these rules;

   (d) "entity" means a company as defined in clause (20) of section 2 of the Act;

   (e) "financial statements" means financial statements as defined in clause (40) of section 2 of the Act;

   (f) "net worth" shall have the meaning assigned to it in clause (57) of section 2 of the Act.

(2) Words and expressions used herein and not defined in these rules but defined in the Act shall have the same meaning respectively assigned to them in the Act.

3. **Applicability of Accounting Standards. -** (1) The accounting standards as specified in the Annexure to these rules to be called the Indian Accounting Standards (Ind AS) shall be the accounting standards applicable to classes of companies specified in rule 4.

   (2) The Accounting standards as specified **in Annexure** to the Companies (Accounting Standards) Rules, 2006 shall be the Accounting Standards applicable to the companies other than the classes of companies specified in rule 4.

   (3) A company which follows the Indian Accounting Standards (Ind AS) specified in **Annexure** to these rules in accordance with the provisions of rule 4 shall follow such standards only.

   (4) A company which follows the accounting standards specified in **Annexure** to the Companies (Accounting Standards) Rules, 2006 shall comply with such standards only and not the Standards specified in **Annexure** to these rules.

4. **Obligation to comply with Indian Accounting Standards (Ind AS). -** (1) The Companies and their auditors shall comply with the Indian Accounting Standards (Ind AS) specified in **Annexure** to these rules in preparation of their financial statements and audit respectively, in the following manner, namely:-

   (i) any company may comply with the Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning on or after 1st April, 2015, with the comparatives for the periods ending on 31st March, 2015, or thereafter;

   (ii) the following companies shall comply with the Indian Accounting Standards (Ind AS) for the accounting periods beginning on or after 1st April, 2016, with the comparatives for the periods ending on 31st March, 2016, or thereafter, namely:-

      (a) companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of rupees five hundred crore or more;

      (b) companies other than those covered by sub-clause (a) of clause (ii) of sub rule (1) and having net worth of rupees five hundred crore or more;

(c) holding, subsidiary, joint venture or associate companies of companies covered by sub-clause (a) of clause (ii) of sub- rule (1) and sub-clause (b) of clause (ii) of sub- rule (1) as the case may be; and

(iii) the following companies shall comply with the Indian Accounting Standards (Ind AS) for the accounting periods beginning on or after 1st April, 2017, with the comparatives for the periods ending on 31st March, 2017, or thereafter, namely:-

(a) companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than rupees five hundred crore;

(b) companies other than those covered in clause (ii) of sub-rule (1) and sub-clause (a) of clause (iii) of sub-rule (1), that is, unlisted companies having net worth of rupees two hundred and fifty crore or more but less than rupees five hundred crore.

(c) holding, subsidiary, joint venture or associate companies of companies covered under sub-clause (a) of clause (iii) of sub- rule (1) and sub-clause (b) of clause (iii) of sub-rule (1), as the case may be:

Provided that nothing in this sub-rule, except clause (i), shall apply to companies whose securities are listed or are in the process of being listed on SME exchange as referred to in Chapter XB or on the Institutional Trading Platform without initial public offering in accordance with the provisions of Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Explanation 1. - SME Exchange shall have the same meaning as assigned to it in Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Explanation 2. - "Comparatives" shall mean comparative figures for the preceding accounting period.

(2) For the purposes of calculation of net worth of companies under sub-rule (1), the following principles shall apply, namely:-

(a) the net worth shall be calculated in accordance with the stand-alone financial statements of the company as on 31st March, 2014 or the first audited financial statements for accounting period which ends after that date;

(b) for companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified in sub-rule (1) for the first time after 31st March, 2014, the net worth shall be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds specified in sub-rule (1).

Explanation.- For the purposes of sub-clause (b), the companies meeting the specified thresholds given in sub-rule (1) for the first time at the end of an accounting year shall apply Indian Accounting Standards (Ind AS) from the immediate next accounting year in the manner specified in sub-rule (1).

Illustration .- (i) The companies meeting threshold for the first time as on 31st March, 2017 shall apply Ind AS for the financial year 2017-18 onwards.

(ii) The companies meeting threshold for the first time as on 31st March, 2018 shall apply Ind AS for the financial year 2018-19 onwards and so on.

(3) Standards in **Annexure** to these rules once required to be complied with in accordance with these rules, shall apply to both stand-alone financial statements and consolidated financial statements.

(4) Companies to which Indian Accounting Standards (Ind AS) are applicable as specified in these rules shall prepare their first set of financial statements in accordance with the Indian Accounting Standards (Ind AS) effective at the end of its first Indian Accounting Standards (Ind AS) reporting period.

Explanation.- For the removal of doubts, it is hereby clarified that the companies preparing financial statements applying the Indian Accounting Standards (Ind AS) for the accounting period beginning on 1st April, 2016 shall apply the Indian Accounting Standards (Ind AS) effective for the financial year ending on 31st March, 2017.

(5) Overseas subsidiary, associate, joint venture and other similar entities of an Indian company may prepare its standalone financial statements in accordance with the requirements of the specific jurisdiction:

Provided that such Indian company shall prepare its consolidated financial statements in accordance with the Indian Accounting Standards (Ind AS) either voluntarily or mandatorily if it meets the criteria as specified in sub-rule (1).

(6) Indian company which is a subsidiary, associate, joint venture and other similar entities of a foreign company shall prepare its financial statements in accordance with the Indian Accounting Standards (Ind AS) either voluntarily or mandatorily if it meets the criteria as specified in sub-rule (1).

(7) Any company opting to apply the Indian Accounting Standards (Ind AS) voluntarily as specified in sub-rule (1) for its financial statements shall prepare its financial statements as per the Indian Accounting Standards (Ind AS) consistently.

(8) Once the Indian Accounting Standards (Ind AS) are applied voluntarily, it shall be irrevocable and such companies shall not be required to prepare another set of financial statements in accordance with Accounting Standards specified in Annexure to Companies (Accounting Standards) Rules, 2006.

(9) Once a company starts following the Indian Accounting Standards (Ind AS) either voluntarily or mandatorily on the basis of criteria specified in sub-rule (1), it shall be required to follow the Indian Accounting Standards (Ind AS) for all the subsequent financial statements even if any of the criteria specified in this rule does not subsequently apply to it.

5. **Exemptions.** The insurance companies, banking companies and non-banking finance companies shall not be required to apply Indian Accounting Standards (Ind AS) for preparation of their financial statements either voluntarily or mandatorily as specified in sub-rule (1) of rule 4.

[File Number 01/01/2009/CL-V(Part)]

[Ajai Das Mehrotra]
Joint Secretary to Government of India

Annexure

[See rule 3]

A. General Instruction. - (1) Indian Accounting Standards, which are specified, are intended to be in conformity with the provisions of applicable laws. However, if due to subsequent amendments in the law, a particular Indian Accounting Standard is found to be not in conformity with such law, the provisions of the said law shall prevail and the financial statements shall be prepared in conformity with such law.

(2) Indian Accounting Standards are intended to apply only to items which are material.

(3) The Indian Accounting Standards include paragraphs set in bold italic type and plain type, which have equal authority. Paragraphs in bold italic type indicate the main principles. An individual Indian Accounting Standard shall be read in the context of the objective, if stated, in that Indian Accounting Standard and in accordance with these General Instructions.

B. Indian Accounting Standards (Ind AS)

[Notification provides text of all Standards]

Extracts of Notification by MCA for Companies (Indian Accounting Standards) Amendment Rules, 2016

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 30th March, 2016

G.S.R. 365 (E).—In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 (18 of 2013) and sub-section (1) of section 210A of the Companies Act, 1956 (1 of 1956), the Central Government, in consultation with the National Advisory Committee on Accounting Standards, hereby makes the following rules to amend the Companies (Indian Accounting Standards) Rules, 2015, namely:—

(i) **Short title and commencement.-**(1) These rules may be called the Companies (Indian Accounting Standards) (Amendment) Rules, 2016**.**

(2) They shall come into force on the date of their publication in the Official Gazette.

(ii) In the Companies (Indian Accounting Standards) Rules, 2015 (hereinafter referred to as the principal rules) in rule 2, in sub-rule (1), after clause (f), the following clause shall be inserted, namely:-

'(g) "Non-Banking Financial Company" means a Non-Banking Financial Company as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934 and includes Housing Finance Companies, Merchant Banking companies, Micro Finance Companies, Mutual Benefit Companies, Venture Capital Fund Companies, Stock Broker or Sub-Broker Companies, Nidhi Companies, Chit Companies, Securitisation and Reconstruction Companies, Mortgage Guarantee Companies, Pension Fund Companies, Asset Management Companies and Core Investment Companies.'.

(iii) In the principal rules, in rule 4,-

(I) in sub-rule (1),-

(a) in clause (i), for the words "any company" the words " any company and its holding, subsidiary, joint venture or associate company" shall be substituted;

(b) after clause (iii), the following clauses shall be inserted, namely:-

" (iv) Notwithstanding the requirement of clauses (i) to (iii), Non-Banking Financial Companies (NBFCs) shall comply with the Indian Accounting Standards (Ind ASs) in preparation of their financial statements and audit respectively, in the following manner, namely:-

(a) The following NBFCs shall comply with the Indian Accounting Standards (Ind AS) for accounting periods beginning on or after the 1st April, 2018, with comparatives for the periods ending on 31st March, 2018, or thereafter—

(A) NBFCs having net worth of rupees five hundred crore or more;

(B) holding, subsidiary, joint venture or associate companies of companies covered under item (A), other than those already covered under clauses (i), (ii) and (iii) of sub-rule (1) of rule 4.

(b) The following NBFCs shall comply with the Indian Accounting Standards (Ind AS) for accounting periods beginning on or after the 1st April, 2019, with comparatives for the periods ending on 31st March, 2019, or thereafter—

(A) NBFCs whose equity or debt securities are listed or in the process of listing on any stock exchange in India or outside India and having net worth less than rupees five hundred crore;

(B) NBFCs, that are unlisted companies, having net worth of rupees two-hundred and fifty crore or more but less than rupees five hundred crore; and

(C) holding, subsidiary, joint venture or associate companies of companies covered under item (A) or item (B) of sub-clause (b), other than those already covered in clauses (i), (ii) and (iii) of sub-rule (1) or item (B) of sub-clause (a) of clause (iv).

Explanation.- For the purposes of clause (iv), if in a group of Companies, some entities apply Accounting Standards specified in the Annexure to the Companies (Accounting Standards) Rules, 2006 and others apply accounting standards as specified in the Annexure to these rules, in such cases, for the purpose of individual financial statements, the entities should apply respective standards applicable to them. For preparation of consolidated financial statements, the following conditions are to be followed, namely:-

(i) where an NBFC is a parent (at ultimate level or at intermediate level), and prepares consolidated financial statements as per Accounting Standards specified in the Annexure to the Companies (Accounting Standards) Rules, 2006, and its subsidiaries, associates and joint ventures, if covered by clause (i), (ii) and (iii) of sub-rule (1) has to provide the relevant financial statement data in accordance with the accounting policies followed by the parent company for consolidation purposes (until the NBFC is covered under clause (iv) of sub-rule (1);

(ii) where a parent is a company covered under clause (i), (ii) and (iii) of sub-rule (1) and has an NBFC subsidiary, associate or a joint venture, the parent has to prepare Ind AS-compliant consolidated financial statements and the NBFC subsidiary, associate and a joint venture has to provide the relevant financial statement data in accordance with the accounting policies followed by the parent company for consolidation purposes (until the NBFC is covered under clause (iv) of sub-rule (1).

(v) Notwithstanding clauses (i) to (iv), the holding, subsidiary, joint venture or associate companies of Scheduled commercial banks (excluding RRBs) would be required to prepare Ind AS based financial statements for accounting periods beginning from 1st April, 2018 onwards, with comparatives for the periods ending 31st March, 2018 or thereafter:";

(II) in sub-rule (2), for the words brackets and figure "sub-rule (1)" the words, brackets and figures "clause (i), (ii) and (iii) of sub-rule (1)", shall be substituted, wherever they occur;

(III) after sub-rule (2), the following sub-rule shall be inserted, namely:-

"(2A) For the purposes of calculation of net worth of Non-Banking Financial Companies covered under clause (iv) of sub-rule (1), the following principles shall apply, namely:-

(a) the net worth shall be calculated in accordance with the stand-alone financial statements of the NBFCs as on 31st March, 2016 or the first audited financial statements for accounting period which ends after that date;

(b) for NBFCs which are not in existence on 31st March, 2016 or an existing NBFC falling first time, after 31st March, 2016, the net worth shall be calculated on the basis of the first audited stand-alone financial statements ending after that date, in respect of which it meets the thresholds.

Explanation.- For the purposes of sub-clause (b), the NBFCs meeting the specified thresholds given in sub-clause (b) of clause (iv) of sub-rule (1) for the first time at the end of an accounting year shall apply Indian Accounting Standards (Ind ASs) from the immediate next accounting year in the manner specified in sub-clause (b) of clause (iv) of sub-rule (1).

Illustration- (i) The NBFCs meeting threshold for the first time as on 31st March, 2019 shall apply Ind AS for the financial year 2019-20 onwards.

(ii) The NBFCs meeting threshold for the first time as on 31st March, 2020 shall apply Ind AS for the financial year 2020-21 onwards and so on."

(IV) in the *Explanation* to sub-rule (4),-

(a) after the words, figures and letters 'the Indian Accounting Standards (Ind AS) for the accounting period beginning on 1st April, 2016' the words, figures and letters "or 1st April, 2018, as the case may be" shall be inserted;

(b) after the words, figures and letters 'effective for the financial year ending on 31st March, 2017' the words, figures and letters 'or 31st March, 2019, as the case may be', shall be inserted;

(V) in the proviso to sub-rule (5), sub-rule (6) and sub-rule (9), the words 'either voluntarily or mandatorily' shall be omitted.

(iv) for rule 5, the following rule shall be substituted, namely:-

"(5) The Banking Companies and Insurance Companies shall apply the Ind ASs as notified by the Reserve Bank of India (RBI) and Insurance Regulatory Development Authority (IRDA) respectively. An insurer or insurance company shall however, provide Ind AS compliant financial statement data for the purposes of preparation of consolidated financial statements by its parent or investor or venturer, as required by the parent or investor or venturer to comply with the requirements of these rules."